



SPI Project on Improving Consumer Financial Education

Project Objective

To prepare a **national strategy on financial consumer education and a medium-term, structured and nation-wide financial education program** to be endorsed by all stakeholders – with specific actions to be launched within three months after the endorsement by SPI Committee.

Project Management Team

Project Owner (PO): Anila Jani, Market Surveillance Director, (METE)

Project Manager (PM): Mamica Dharmo (METE); Ina Kraja (BoA)

Deputy Project Manger (DPM): Brunilda Kostare, AAB; Rinald Guri, AMF.

Minutes

Second meeting

March 9, 2009—AAB premises

Attendees: Ina Kraja, BoA (PM)
Rinald Guri, AMF (DPM)
Edi Mala, RB (alternate member)
Ardita Ndreu, SHKSH (member)
Ardita Shehaj, Competition Authority (member)
Anuela Ristani, SPI Albania, Director of Operations

SPI Albania Secretariat

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AGENDA

- I. Project Progress Briefing and Introduction of the new PWG members
- II. Presentation of Note on Albanian Experience
- III. Presentation of the Cost-Benefit Qualitative Analysis
- IV. Strategy proposals for CFE in Albania
- V. Medium-term CFE program
- VI. Conclusions and Distribution of Tasks
- VII. Closing Remarks

I. Welcome Note and Introduction of the Participants

Immediately after the first PWG meeting, SPI Secretariat followed up with the institutions whose participation in the PWG was considered also important by existing PWG members. SPI Secretariat sent official invitations to Ministry of Education and Competition Authority and obtained their confirmation for participation in the project. In addition, SPI Secretariat followed up with the already confirmed PWG members who were not present during the first PWG meeting in order to insure their presence. PMT welcomed Competition Authority's representative as the new PWG member present in meeting.

SPI Secretariat collected individual inputs of PWG participating institutions on their experience in Consumer Financial Education and aggregated them in a Note on Albanian experience. In addition, SPI Secretariat has drafted the qualitative impact analysis of improving financial education and has prepared a template draft with some proposals and ideas on how to shape a national strategy and an education program.

II. Presentation of the Note on Albanian Experience

In order for all the actors involved in the PWG to have better information on what has been done so far by each of the PWG participating institutions, SPI Secretariat prepared a note on Albanian experience based on the research and the information gathered from the Project Working Group Members representing Bank of Albania, Albanian Consumer Association, Financial Supervisory Authority, Pro Credit Bank and Raiffeisen Bank.

Based on the analysis of the individual experiences with Consumer Financial Educations, SPI Secretariat presented to the PWG the conclusions on the Albanian experience such as:

- all the activities undertaken throughout the last few years intended **higher awareness and better information** towards consumers with regards to financial products;

- almost all the undertaken initiatives have been **unilateral**. There are few if none inter-institutional, co-financed, co-organized initiatives. This fact has limited the scope of the activities and largely reduced the potentially higher results;
- while different institutions are driven by different motives in their financial education activities (business improvement for the banks, consumer awareness for associations and financial stability in macro terms for BoA), their **activities are very similar and complementary to each other**;
- all the initiatives taken so far (with the exception of some of BoA activities) have been local and fragmented. There are **no national scale activities** to improve consumer financial awareness;
- the most explored means of financial education so far are: **publications- manuals, handbooks, leaflets and lectures** in educational institutions and other consumer communities;
- **banks should join public initiatives or programs** developed by independent NGOs in order to make a better delimitation between promotional campaigns and education initiatives;
- joint initiatives could ensure **a better impact with less individual resources**;
- none of the initiatives covered all age groups and/or professional categories;
- instruments used and communication channels should be adequate to the targeted groups;
- the language used in delivering financial education has to be simple and illustrative;
- evidence and coordination of different initiatives, as well as assessment of their impact, are advisable.

PWG members considered the note very informative and suggest its conclusions to be part of the final document to be delivered to all Consumer Financial Education actors in Albania. PWG members noted that one of the most important aspects missing in Consumer Financial Education in Albania is ‘coordination’. This is extremely important when it comes to public initiatives that require private support or vice-versa. Due to this lack of coordination many good initiatives and ideas for financial literacy are less capable to fulfill their objectives. This is the case with private initiatives that are often considered as purely promotional sales tools, in the absence of the public institutions’ presence and also with the public institutions not being able to transmit valuable information / messages to the customers due to the lack of resources that could be covered by private organizations.

PWG members acknowledged that coordination is a very important element to be taken into consideration and noted that coordinated actions needed for the improvement of Financial Education in Albania require not only commitment from the participating institutions but also a ‘guardian’ that has both the capacity and the mandate to coordinate public-private initiatives as well as manage information on what is being done by different actors and with regards to which consumer target groups.

According to the expressed views, the coordination responsibilities should be assumed by the non-governmental organizations since they best represent the consumers’ interests and are identified as unbiased in managing public-private initiatives, especially given the institutional constraints (budgetary and staff) of the public authorities.

PWG members stressed also that currently the non-governmental organizations involved in consumer protection and education have also limited resources. PWG members noted that professional associations as AAB could have the capabilities and competences to serve as a coordinator for the sector covered by their members.

Another idea that deserves to be explored is whether an existing NGO could apply for governmental, private and/or European funds in order to finance the expenses related to this responsibility of coordinating all

efforts in consumer financial education. The support provided by all the institutions gathered around this project and the general agreement on the need for coordination could be very strong points supporting any fund raising action. Such an NGO could be SPI Albania if succeeds to attract additional funding. SPI Secretariat had a first stock taking on IPA funding and can deepen its research. .In any case, if coordination is restricted only to disseminating information to interested institutions, SPI Albania can cover this task under the current institutional and financing arrangements.¹

Another suggestion derived from the PWG, considering the current infrastructure of Consumer Financial Education capabilities in Albania, is to recommend the establishment of a state institution that in addition to coordination will have enforcement authority to promote and develop CFE in the country. The establishment or the empowerment of the institution to coordinate all CFE efforts should be detailed in the final PWG recommendations.

III. Presentation of the Cost-Benefit Qualitative Analysis

SPI Secretariat presented the Cost-Benefit Qualitative Analysis that highlights the effects of improved financial education on firms, authorities and consumers.

According to the analysis banks and other financial institutions representing the regulated firms will not incur one-off operational, infrastructural or human resources costs, but their ongoing costs will increase. They may need to involve some of their staff in consumer financial education program/actions and they but they may spend less time with selling or recovery activities as a result of improved financial literacy and these 2 impacts may offset each other, leaving human resource costs unaffected. However, other costs such as the production of leaflets, information posted on the web and publications of different articles may account for an increase in costs.

In considering the benefits for the firms, the analysis shows that more products and additional business as well as higher revenues will be brought by increasing financial literacy. At the same time, the default cases in lending could decrease due to a better planning and understanding of the indebtedness implications thus resulting in increased revenues. In total, the benefits brought by a better financial education in Albania would exceed the additional costs for banks and other private financial institutions.

For the consumers, improved literacy will result in lower risks due to the better understanding of financial products and lower prices since through improved knowledge they will be more able to understand and compare different offers in terms of pricing. Furthermore, improved financial education would determine financial institutions to come with more competitive offers in respect of quality service. At the same time consumers will be able to make more informed choices, and benefit from lower prices due to increased competition and improved access.

Authorities, according to the analysis, will have to incur higher costs due to more recourses allocated for the creation and management of different programs or actions related to consumer financial education but will benefit financial stability economic growth and public welfare as well as increased state budget income due to the higher revenues (thus increased taxes) to financial institutions as determined above.

¹ This was a suggested by SPI Albania General Manager. Ms. Ramona Bratu through an on-line intervention on the discussions of the PWG comments and suggestions

If in a simplified model we consider all of the above as the main categories of the economy actors then overall Albanian economy will have higher net benefits from the improvement of Consumer Financial Education.

The PWG members consider this qualitative analysis as very important, especially under the current context where quantifications are inexistent in determining the costs and benefits of Consumer Financial Education. PWG draws attention especially on the private institutions' benefits as the most tangible ones, providing a considerable motivation for private institutions to consider developing more actions for the improvement of consumer financial education. Considering the above mentioned remarks, the PWG members approved the Cost-Benefit Qualitative Analysis

IV + V. Strategy Proposals and Medium-Term Action Plan

SPI Secretariat informed once more the present PWG members that according to the agreed objectives the final outcomes of the project should be **a national strategy on financial consumer education and a medium-term, structured and nation-wide financial education program**. With the approval of the Cost-Benefit Analysis the analytical part of the project is concluded leaving space to discussions and suggestions that will result in the drafting of the strategy and the medium term program.

SPI Secretariat presented to the PWG members some templates to explain what these two documents should contain and invited them to give their suggestions/opinions. Furthermore, SPI Secretariat shared with the PWG some suggested actions that could be part of the medium-term program to be endorsed by the participating institutions. The PWG welcomed the proposals but suggested to take some more time for sending their own proposals and invited the SPI Secretariat to aggregate them and reflect them in a document to be presented during the next PWG meeting.

VI. Conclusions and distribution of tasks

- SPI Secretariat will send the meeting minutes and the revised drafts of the documents for final approval to the PWG.
- PWG members will prepare and send to SPI Secretariat their suggestions and recommendations on the strategy and medium-term education program..
- SPI Secretariat will collect individual inputs and will prepare the draft strategy and action plan to be endorsed during the next PWG meeting.
- SPI Secretariat will explore and prepare a note on the possibility of applying for EU or other international funds in order to undertake the coordination responsibilities.
- PWG members representing NGOs will provide to SPI Secretariat information on their experience in raising funds.
- PWG members are kindly invited to think also on the action plan to get authorities' approval and support for launching the strategy and the program.

VII. Closing Remarks

The second PWG meeting is preliminarily scheduled to take place in early April 2009.