



Project: Improving Consumer Financial Education

Time: Monday, 9 March, 15:00 pm

Location: Albanian Association of Banks

Second Working Group Meeting

AGENDA

- I. Project Progress Briefing
- II. Introduction of the new PWG members
- III. [Presentation of Note on Albanian Experience](#) (Discussion and Approval)
- IV. [Presentation of the Cost-Benefit Qualitative Analysis](#) (Discussion and Approval)
- V. Strategy proposals for CFE in Albania (Discussions and solution proposals)
- VI. Medium-term CFE program (Discussions and Solution Proposals)
- VII. Conclusions and Distribution of Tasks
- VIII. Closing Remarks

SPI Albania Secretariat

Mrs. Anuela Ristani, Director of Operations, anuela.ristani@spi-albania.eu

Ms. Endrita Xhaferaj, Director Financial Modernization and Analytics endrita.xhaferaj@spi-albania.eu

Address: Twin Tower I, Kati 6, Apt. A3. Tirana, Albania. Tel. +355 42 280 359; Fax. + 355 42 280 371

www.spi-albania.eu



*Document prepared by Anuela Ristani
SPI Albania, Director of Operations*

SPI Albania Project on Consumer Financial Education

Note on Albanian experience in Consumer Financial Education

1. Summary findings of the research on Albanian Experience on Consumer Financial Education and of the information provided by Project Working Group members

This Note is based on the research and the information gathered from the Project Working Group Members representing different institutions on Consumer Financial Education: Bank of Albania, Albanian Consumer Association, Financial Supervisory Authority, Pro Credit Bank and Raiffeisen Bank.

The analysis performed based on the information received revealed the following conclusions and lessons learnt on the various experiences with Consumer Financial Education:

- 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.

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2. Details on Albanian institutions' experience with financial education

The individual experiences with consumer financial education are described and analyzed in the attached table.

2.1. Bank of Albania

Bank of Albania experience with consumer financial education is the richest and most articulated one among interviewed institutions. Its initiatives were directed mostly to schools and universities and comprised a wide range of actions and communication channels to transmit information. Bank of Albania has created a considerable database of publications and education materials that could serve as benchmark for other financial actors.

Bank of Albania emphasized some valuable conclusions on consumer financial education:

- information for financial education should be simple, short, using non professional language, but illustrative to the age group or category it targets;
- innovative activities such as games and simulation events work very well for target audiences whose attention is difficult to win (students, teenagers);
- nation – wide activities are more efficient yet few;
- commercial - driven initiatives leave little if no space to education in comparison to promotion. They draw more attention span to the current benefits rather than making the consumers understand the true concept of the products offered. This generates higher short-term return on invested resources but do not build long lasting lessons for the customer who in order to be targeted for new products would have to be re-informed from the beginning;
- while high school and university students have been targeted by most actors of financial education, grade students, housewives, and working adults could provide for new and effective target groups (access through institutions- schools/ work place and residences).

2.2. Albanian Consumer Association

Consumer Financial Education is one of the main scopes of the Albanian Consumer Association. ACA target audiences include the widest range of social groups (not only high school and university students but working adults and non-working seniors etc.) The most used channels of communication for ACA are publications and seminars, leaving space to alternative means – website, electronic newsletters, etc.

2.3. Financial Supervisory Authority

FSA fundamental mission is to “protect the consumers’ and investors’ rights and to ensure the safety of the supervised operators through law enforcement”. With only a few years of experience and limited operational resources, FSA has already established a good library of educational material posted on their website for the insurance, securities and private supplementary pensions markets.

While FSA has collected much information in its respective areas of activity, the material is accessible mainly through the website and does not employ simplified language or user

friendly illustrations that could expand the target audience to more than professionals- to whom the currently used language is familiar.

2.4. Commercial Banks

Banks' initiatives for consumer financial education are very attractive and market oriented, but it is though difficult to distinguish the promotional from the educational elements. By joining public initiatives, the public good pursued by banks could be emphasized. Most of the activities are very attractive and innovative but they generate low participation in terms of learning – this being a secondary focus. The target audiences for the banks vary on the specific products they want to promote or, as in the case of Raiffeisen, on other objectives such as recruitment.

DETAILS ON INDIVIDUAL EXPERIENCES WITH CONSUMER FINANCIAL EDUCATION

NO.	PROGRAM / TARGET AUDIENCE	MAIN ACTIONS	CONTENT	COMMENTS
Bank of Albania				
1.	Inter-institutional collaboration with Ministry of Education (Memorandum of Understanding)			
2.	Educational Program “Central Bank in the Daily Life” targeted to Students, teachers and trainers.	Preparation of educational handbooks (30 different titles)	<ul style="list-style-type: none"> ▪ Students’ Guide ▪ Your first bank account Guide ▪ Build your future – Plan your income ▪ Banks in the Age of Internet ▪ Electronic money – the future? ▪ Loan and Credit = an issue of interest. ▪ Why do we need a personal budget? ▪ What is the ratio for the creditor? ▪ The ABC of interest rates. ▪ Bank of Albania – our central bank. ▪ Waiting for the credit registry. Etc. 	Simplified language with contemporary illustrations of day to day activities.
		Meetings and distribution of educational materials to high		

		school students in different cities around the country,		
		Study tours to Bank of Albania		
		Governor's visits to different High Schools		
		University lectures from the Governor		
		Training sessions for teachers		
		Trainign sessions for social workers		
		'Central Bank Day' in Universities		
		BoA publications delivered to the Commercial banks for distribution in the waiting areas		
		High School Competition "The true Value of Money"	<ul style="list-style-type: none"> ▪ Central Banks in the Region ▪ Central European Bank ▪ Preparation for EURO, your guide for Euro banknotes ▪ European Community and the Euro 	
		University Competition "Governor's Award for the best Senior Thesis"		
3.	Collaboration with the interest groups (media, teachers, students, social workers).	Seminars, Distribution of BoA publications and training of trainers.	Presentations and published material.	
4.	Other Actions for public information	Webpage (expense calculator, income calculator)		Building communication channels with website visitors and facilitating consumers search for financial

				information
Future Objectives		Diversification of communication means – events, lectures, articles, publications, electronic communication, conferences, trainings and the library		
Albanian Consumer Association				
1.	Training of trainers in the local counseling offices	Seminars and lecturers of local and foreign experts	Various	
2.	Family budget administration and savings management (households, community groups)	Publications and seminars	Main topics: a. Why do we need a family budget b. What are expenses and savings, what does ‘saving’ mean in the market economy c. Do we have the right for profit d. What do we understand by ‘credit’ e. Why do interest rates change? f. What does a loan contract include? g. Financial transparency. h. What is foreign exchange? i. What do we understand by interest rates, inflation, deflation etc.	
3.	Education on the current legislation with regards to finances and financial consumer protection	Publications and seminars	Legal commentaries	
4.	Collaboration with educational institutions (high schools and Universities)	Drafting of handbooks and lectures, distribution of leaflets and newsletters and other free material	“Economic Financial Knowledge”- Student’s Guide	
5.	Other initiatives for general public awareness	Conferences, Seminars, study tours, material distribution	Available for free to the public: Monthly Newsletter Leaflets, posters Legal Commentaries .	

Financial Supervisory Authority

1.	Public information and awareness.	Preparation of website information	<p><u>Insurance Market</u></p> <ul style="list-style-type: none"> - Improving Financial education and awareness on insurance and private pension funds (OECD) - Information on Insurance Companies - Principles of Capital Adequacy and the affordability of payments for the insurer. - Non-life insurance – basic information (Part 1) - Introduction on non-life re-insurance (Part 2) - Report Analysis for Distance Monitoring (Part 3) <p><u>Securities Market</u></p> <ul style="list-style-type: none"> - Capital Markets - Stock Exchange - Financial instruments and Securities - Investing in Securities, Potential Risks – Education Material <p><u>Public Offers</u></p> <ul style="list-style-type: none"> - Obligations of the stock issuers on continuous information and full transparency for the Investors. - Private Supplementary Pensions Market - Guidelines for the licensing of the pension funds (OECD Recommendations) - Good practices of alternative 	
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			investments risk management	
Pro Credit Bank				
1	Pro Kid (children younger than 14 yrs) New bank product that consists in savings account for children younger than 14 in order to educate the youngsters with regards to savings and investments in the future.	<ul style="list-style-type: none"> - Open classes in grade schools where bank employees present the bank as a financial institution concept, different professions, and savings. - Study tours (on Saturdays) in the different branches where mini-parties are organized to create a friendly environment where children can learn about the bank and its products. 	Information Leaflets	These activities are organized periodically
2.	Pro Student – New bank products created for current and prospective university students in order to introduce the concepts of : savings, debit and credit cards, and student loans.	- Open classes in Universities and open house days in different branches (e.g. National Savings Day).	Information Leaflets	These activities are organized periodically
3.	National Savings Day – Different activities organized in the premises of banks’ business customers	Presentations, Q&A,	Information leaflets	These activities are organized periodically
4.	National Retirement Day- different activities organized in retiree’s communities, neighborhoods, as well as in the different branches of the bank	Presentation of products targeted to this category of consumers		These activities are organized periodically
Raiffeisen Bank				
1.	One day at the Faculty of Economics	Lecturers held by CEO, CCO, and other High Management Staff with the purpose of presenting the largest commercial bank to the students and introducing the market innovative products	Different Publications, PPT presentations.	Annual or semi-annual event.

2.	The Game of the students of Finance in the New York Stock exchange 2008'	<p>University students played with virtual funds in the New York Stock Exchange, which is one of the biggest and most important Stock Exchange in the world.</p> <p>The students separated in groups participated in this Stock Exchange by buying and selling shares of different companies with virtual funds, giving this way the possibility to the students to know the international practices and to play the role of the real dealers.</p>	Financial support for the organization of the event and the winners	Annual Event- A very innovative idea that promotes learning through playing.
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C – B Analysis on the Impact of improving Consumer Financial Education

Regulated firms

	Impact	Comments
Costs	Higher	
One-off	=	No one-off investment has to be done
Operational	=	
Infrastructure	=	
On going		
Human resources	=	Banks and other financial institutions will need to involve some of their staff in consumer financial education program/actions. At the same time, time spent with selling or recovery activities might decrease following a higher level of financial literacy. The 2 impacts might offset.
Other expenses	+	Financial institutions will spend money with leaflets or with posting information on websites or with publishing articles.
Benefits	Higher	
Additional products / additional business	+	By getting more knowledge on financial products and services, consumers might have a higher demand for these.
Cost saving / + revenues	+	A higher demand of financial products and services will bring more revenues for offering institutions. At the same time, the default cases in lending could decrease due to a better planning and understanding of the indebtedness implications.
Equity relief	=	No effect
Total impact	Higher benefits than additional costs	The benefits brought by a better financial education is exceeding the additional costs

Consumers

	Impact	Comments
Costs	Lower	
Higher risks	-	A better understanding of the financial products would help consumers make more informed decisions and thus being more protected against risks.
Higher prices	-	By building up a better knowledge on financial products and services, consumers would be

		more able to understand and compare different offers and make a better choice in respect of prices too.
Lower quality of service	-	Better consumers' knowledge would determine financial institutions to come with more competitive offers, in respect of quality service too.
Benefits	Higher	
Better choice	+	Higher level of financial literacy will allow more informed choices.
Price reduction	+	The effect of financial education to competition amongst financial institutions would be also a reduction in the prices.
Improved access	+	It is likely that a better information and understanding of financial products will improve consumers' access to them.
Total impact	Lower costs and higher benefits	

Authorities

	Impact	Comments
Costs	Higher	
One-off		
On going	+	
Direct	+	The staff and cost of different programs/actions for consumer financial education
Indirect		
Benefits	Higher	
Statutory goals	+	Financial stability, economic growth and public welfare are served by improving consumer financial education.
Increase income to state budget	+	Higher revenues of the financial institutions could determine an increase of the taxes collected by the state budget.
Others		
Total impact	Higher benefits than additional costs	

Summary of CBA of the improvement in Consumer Financial Education

Stakeholders	Costs	Benefits	Total
Regulated firms	Higher	Higher	Higher benefits than additional costs
Consumers	Lower	Higher	Lower costs and higher benefits
Authorities	Higher	Higher	Higher benefits than additional costs
Overall economy			Net benefits

Legend: + increase

- decrease

= no effect



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 Dhamo (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

Mrs. Anuela Ristani, Director of Operations, anuela.ristani@spi-albania.eu
Ms. Endrita Xhaferaj, Director Financial Modernization Program and Analytics, endrita.xhaferaj@spi-albania.eu
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- 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**;
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- 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.