Project: Improving Consumer Financial Education
Time: Thursday, 23 April, 15:30 pm
Location: Albanian Association of Banks

Third Working Group Meeting

AGENDA

I. Project Progress Briefing

II. Presentation of Note on Alternative Funding Sources (Discussion and Approval)

III. Strategy proposals for CFE in Albania (Discussions and solution proposals)

IV. Medium-term CFE program (Discussions and Solution Proposals)

V. Conclusions and Distribution of Tasks

VI. Closing Remarks

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SPI Albania Project on Consumer Financial Education

Note on Alternative Funding Sources for Institutions involved in Consumer Financial Education

As a follow up to the observations made from the PWG members on the substantial lack of resources available to institutions dealing with Consumer Financial Education, SPI Albania Secretariat took the initiative to seek information on alternative funding sources available in Albania.

The objective of this document is to detail on the possibilities of any institution interested to apply for alternative funding such as TAIEX (Technical Assistance and Information Exchange) and/or IPA (Instrument for Pre-Accession Assistance).

1. TAIEX

1.1. Program Information

TAIEX, or the Technical Assistance and Information Exchange, is an instrument of the Directorate-General Enlargement of the European Commission. TAIEX helps countries with regard to the approximation, application and enforcement of EU legislation. It is largely demand driven and channels requests for assistance and contributes to the delivery of appropriate tailor-made expertise to address problems at short notice.
TAIEX' main tasks are:

- To provide short term technical assistance and advice on the transposition of EU legislation into the national legislation of beneficiary countries and on the subsequent administration, implementation and enforcement of such legislation;
- To provide **technical training and peer assistance** to partners and stakeholders of the beneficiary countries;
- To be an information broker by gathering and making available information;
- To provide database tools for facilitating and monitoring the approximation progress as well as to identify further technical assistance needs.

The beneficiaries of TAIEX assistance includes those sectors, both public and private, that have a role to play in the beneficiary countries in the transposition, implementation and enforcement of EU legislation.

The main target groups are:

- Civil servants working in public administrations; at national and sub-national level and in associations of local authorities;
- The Judiciary and Law Enforcement authorities;
- Members of Parliaments and civil servants working in Parliaments and Legislative Councils;
- Professional and commercial associations representing social partners, as well as representatives of trade unions and employers' associations;

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- Interpreters, revisers and translators of legislative texts.

TAIEX assistance can be channeled through:
- Expertise Assistance - to advise on legislative acts and interpretation of the acquis, or to provide guidance on administrative arrangements for its implementation and enforcement;
- Study Visit - providing opportunities for officials of beneficiary countries to understand how Member States deal with practical issues related to the implementation and enforcement of the acquis and issues related to the interaction with stakeholders;
- Request for Workshop – in order to present and explain issues related to the acquis to a wider audience. Such assistance can be focused on the needs of an individual country or of a group of countries facing similar challenges. The multi-country format also provides a valuable opportunity to network and to exchange experience between beneficiary countries.

1.2. TAIEX assistance in Albania

Albania, as an aspiring EU candidate has received TAIEX assistance from March 2007 to date on more than 95 different occasions through seminars and workshops, expert missions, and study tours. Some of the most assisted areas have been:

- **Economy and Business:** Internal Audit and Related Issues; e-Commerce private pension systems; Insurance and Re-insurance, etc.
- **Legislation:** Competition Law; Legislation on motor vehicles; Property Rights on the land; Translation of the acquis into Albanian language; VAT Community Legislation etc.
- **Agriculture:** Olive Oil; Veterinary Research Institute data selection technique and analysis for agricultural statistics
- **Social and Consumer Protection:** food contaminants, phyto-sanitary inspections Social Protection and Social Inclusion; food hygiene, HACCP, food traceability and food safety control Food Labeling
- **Police and Security Standards**: ICT Standards & Guidelines; fight against the human trafficking; fight against drug trafficking; fight against corruption
- **Education and Technology:** information society & Interoperable e-Government Accreditation
- **EU Relations and Experience:** Donor Coordination conference; Visa Liberalization Process;

1.3. TAIEX Application - Proposed Steps

All institutions involved in CFE could apply for TAIEX in order to get assistance for the following:
- Legislative acts – adopting EU requirements for Consumer Financial Education in the Albanian current legislation for Consumer Protection or introducing new regulations and proposals in order to improve the accountability for Consumer Financial Education
- Capacity Building - Institutions involved in CFE could use TAIEX assistance (study visits, expert missions, workshops) in order to train and instruct their staff responsible for Consumer Financial Education.
- Problem Solving – Project Management. TAIEX being a demand driven assistance could help the institutions in other project-based initiatives the scope of which falls under the EU requirements for Consumer Financial Education and Consumer Protection in general.

TAIEX assistance is provided on a rolling basis. There are no deadlines for application, however applications are encouraged to be submitted early in advance since the evaluation procedures require several weeks. SPI Albania, being a public-private initiative, can aspire for TAIEX assistance only if

applications were made from the Public institutions or by private institutions (such as consumer associations, syndicates or the like) whose main objectives serve public interests.
The necessary actions required for receiving TAIEX assistance are explained as below:

Definition of the need for TAIEX assistance through formulating the following application requirements**:**

- Type of assistance required (expert, workshop, study visit);
- Stake-holding institution requesting the assistance;
- Reference to the specific Aquis article or regulatory act (EU directive, regulation, recommendation) applicable to the project;
- Outline on the current regulatory framework and need for intervention;
- Objective of required assistance;
- Draft program for (expert or workshop).

2. IPA (IPA Adriatic)

2.1. Program Information

The new IPA Adriatic Cross-border Program 2007-2013 has been approved by European Commission on March 25, 2008, has being confirmed as a strategic instrument of European cooperation in the Balkan Area.
The **General Objective** of the Program is *"Strengthening of sustainable development capabilities of the Adriatic Region through a concerted strategy of action between the partners of the eligible territories*", and it is further implemented through 4 Intervention Priorities:

- Priority 1 – Economic, Social and Institutional Cooperation. (30% of available resources)

General Objective:

Strengthening research and innovation in order to contribute to competitiveness and increasing the development of the Adriatic area through economic, social and institutional cooperation.

Specific objectives:

1. *Improving research capacity, also by increasing levels of competence, encouraging the transfer of innovation by the creation of networks between the entrepreneurial , institutional, academic, training and research sectors, and principally by promoting joint activities*
2. *Incentivizing the territorial and productive systems to invest in research and innovation through diversified and innovative offers of financial instruments*
3. *Creation of new, and strengthening of existing cooperation networks in social, labor and health policy*
4. *Promoting innovative services to the citizenry through the exchange of technical and government expertise and the exchange of best practice between governments and local/public authorities.*

- Priority 2 – Natural and Cultural Resources and Risk Prevention. (30% of available resources)

General Objective:

Promoting, improving and protecting natural and cultural resources through joint management of technological and natural risks

1. Priority 3 – Accessibility and Networks. (30% of available resources)

General Objective:

Strengthening and integrating existing infrastructure networks, promoting and developing transport, information and communication services.

- Priority 4 – Technical Assistance. (10% of available resources)

General Objective:
Guarantee management, implementation, monitoring, control and evaluation of the program

The IPA Adriatic Cross-Border Cooperation Program gives priority to the objectives of the EU pre-accession and cohesion policies.
The program is based on cooperation between four candidate or potential candidate countries and three member states, and thus potentially meets the IPA's objectives by allowing participating countries to take actions together to develop their territories, under community rules and regulations, by developing as well the institutional capacity of aspiring EU members.

IPA Adriatic welcomes joint projects involving at least one Member State Partner and one from a Candidate Country/Potential Candidate Country.

The aim of the Program is to achieve high quality result orientated projects of strategic character, relevant to the Program area.

Selection of projects will be the responsibility of the Joint Monitoring Committee (representatives of all participating Countries). The Joint Monitoring Committee may also introduce top-down elements to stimulate generation of projects in order to achieve high level cross-border projects. These elements may include among others:
(a) open call for proposals (targeting all potential applicants, to submit project ideas relevant to Program priorities);
(b) restricted calls for project proposals:
- (i) focusing Program priorities (developing detailed project descriptions);
- (ii) narrowing the target group of potential project partners;
- (iii) setting specific eligibility and quality criteria regarding the number and type of partners, activities, etc..

Preparation for restricted calls may be supported by thematic seminars at the level of Program stakeholders (target groups, experts, Program management bodies, etc) to define potential fields of strategic cooperation, which might serve as a basis for the calls;

The final **approval or rejection of projects is the responsibility of the Joint Monitoring Committee.** The Joint Monitoring Committee may create subcommittees and involve external experts in the generation and evaluation of projects if necessary.

2.2. IPA experience in Albania – Selection Criteria

The Albanian Ministry of Integration with the role of national coordinator of EU funds and specifically IPA funds has managed the programming of the Instrument for Pre-Accession Assistance (IPA) for 2009 under the first IPA Component "Transition support and institution building".

IPA 2009 budget for Albania was 70.9 million EUR, and for programming purposes, the ministry prepared a working calendar for each step of the process highlighting the responsibilities of each of the actors involved including four different phases;

Phase I of IPA 2009 programming was the **preparatory phase in which the Ministry of Integration is mainly responsible.** The MoI staff made a preliminary assessment of proposals for inclusion in IPA 2009 programming taking into consideration the priorities of line ministries and central institutions included in the updated National Plan for the Implementation of the SAA, sectoral strategies and other strategic documents of the European Union.

Once this stage is finished, the selected priorities are distributed officially to all actors involved. Then all institutions are encouraged to bring in their comments and proposals for inclusion of priorities areas of intervention.

Phase II of the programming involved potential beneficiary institutions which prepared project proposals for support under IPA 2009. Project proposals were brought in a determined format available through the MoI website.
In preparing these project proposals, attention was paid to how the **need for support was justified and that linked logically to EU strategic documents** such as the Multi-Annual Indicative Planning Document, 2007 European Partnership for Albania, findings of the EC progress report for Albania, the Stabilization and Association Agreement, Interim Agreement, sectoral strategies and the National Plan for the Implementation of the SAA.

Phase III of IPA 2009 programming consisted in the **finalization of the project package** for IPA 2009. Projects were presented in the format of a project fiche

Phase IV consisted in the **fulfillment of administrative procedures** for the entry into force of IPA 2009. The main responsibility for this phase falls under the responsibilities of the European Commission services and the Albanian government.

A successful application should fulfill the following project characteristics:

- Project involves at least one Member state partner and one potential candidate country
- The program strategy, reflecting the territorial dimension involved, is wide and pursues difficult objectives through: **Research and Innovation**, Natural and cultural resources and Risk Prevention, and Accessibility and Networks.

- **Research and Innovation's** measure objective is **to improve research capacity in the Adriatic area**, by increasing levels of competence, encouraging transfer of innovation by creating networks between the **entrepreneurial, institutional, academic**, training and research sectors, principally by promoting **joint research activity.**
- It is preferable to **utilize principles of appropriate concentration in terms of territories and sectors** to maximize the effectiveness.
- To include **joint operations** which have been jointly selected by the participating countries through **single calls for proposals** covering the whole eligible area. The operations will be identified jointly by beneficiaries and partners in the eligible territories, who will pool their experience and common interests
- To be based on high level of **co-financing (85% IPA – 15% own funds as per previous IPA programs 2007, 2008, 2009)**
- Be in a **long term project** because of the complexities of organization, partnership and content

- To have an **active and high quality partnership** rather than nearly formal participation

- To have particular requirements in terms of content. The strategic Projects will have to show where they coincide and contribute to carrying out the Lisbon strategy and satisfy the **integration elements promoted by Community policies regarding cooperation**

- To produce positive outcome in the cooperation area. **Even if it operates in a limited territorial framework, it rebuilds or completes some network on deals with matters of general interest to the entire area** and thus encourages greater overall cooperation.

- To produce **lasting changes and effect that extend beyond the territory** and beyond the actual contents of the project

Special Derogation:

The Program partnership recognizes the value of the Italy-Albania cooperation which has been supported by the two countries and the EU over recent years.
As a result, the Program partnership invites Albania and Italy to develop a strategic project which will be of benefit for the whole Adriatic Program area. The involved Albanian and Italian partners must aim to expand the partnership for this strategic project to other interested partners from the Program area.

The Albanian and Italian partners are invited to submit to the Joint Monitoring Committee - in one of its first meetings – the strategic project, including a financial and activities plan[1].

Eligibility of expenses
In accordance with Article 34 (3) and 89 (2) of the IPA Implementing Regulation the following expenditure shall not be eligible:

1. *taxes, including value added taxes;*
2. *customs and import duties, or any other charges;*
3. *purchase, rent or leasing of land and existing buildings;*
4. *fines, financial penalties and expenses of litigation;*
5. *operating costs;*
6. *second hand equipment;*
7. *bank charges, costs of guarantees and similar charges;*
8. *conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;*
9. *contributions in kind.*
10. *interest on debt;*
11. *the purchase of land for an amount exceeding 10% of the eligible expenditure of the*
12. *operation concerned.*

By way of derogation the following expenditure shall be eligible:

1. *value added taxes, if the following conditions are fulfilled: they are not recoverable by any means, it is established that they are borne by the final beneficiary, and they are clearly identified in the project proposal.*
2. *charges for transnational financial transactions;*
3. *where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;*

[1] A series of meetings and exchange of correspondences with regards to a Strategic Project Italy-Albania in the framework of the Program took place from March 2006.
On this month, a Letter of Intent was signed by the Prime Minister of Albania and the President of the Region of Puglia and sent to the President of the European Commission in Brussels, requesting the continuation of the cooperation between Albania and Italy under the Community funded programs of cooperation.
A meeting organized by the European Commission and the Italian Ministry of Foreign Affairs where the new cross-border cooperation programs where presented, took place in Rome on the 9-10 March 2006. It was decided that Albania will participate in only one program with Italy. After the decision not to have a bilateral program Italy-Albania for the next programming period 2007-2013 and in order to continue the cooperation activities started since 1994, efforts to include a Strategic Project Italy-Albania in the Program have continued.
A high level Forum on “Investments and Legality in Albania” took place in Bari, Italy, on the 24th of May 2007, where discussions on the future cooperation of the 2 countries under the new Program took place.

4. *legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;*
5. *the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation;*
6. *overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed.*

In addition to the technical assistance the following expenditure paid by public authorities in the preparation or implementation of an operation shall be eligible:

1. *the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;*
2. *the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.*

In accordance to Art. 94 of IPA Implementing regulation the **targets Priorities shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle**.
The indicators shall make it possible to measure the progress in relation to the baseline situation and the effectiveness of the targets implementing the priorities. The set of indicators serves for internal program management and forms an indispensable basis for reporting and communication to make the Program’s achievements clear to Program partners and to a broader public.
The ex ante quantification of the targets is based on two parameters: the financial weight of the priority axes and an average project size drawn from previous experiences.

Further explanations about the project typologies will be developed in the Implementing Manual to be issued following the Program's approval for the respective year currently under progress.

2.3. IPA Application Proposed Steps

Institutions involved in Consumer Financial Education could apply for IPA funds for long term projects in partnership with at least one other institution from an EU member state. IPA funds could provide a long term substantial contribution to operational and (or) administrative costs for Albanian institutions working for Consumer Financial Education or Consumer Protection in general. Applying institutions are encouraged to establish partnerships not only with EU but also with other IPA beneficiary countries such as (Bosnia and Herzegovina, Serbia, Croatia, Macedonia etc.) for joint initiatives that result in improved Consumer Financial Education.

IPA sponsored projects includes a wide range of initiatives that can vary in terms of implementation format. Institutions could benefit from IPA funds in the capacity building of their already established structures (enhanced expertise, methodology, technique) or in institutional building as it was the case of “PattiChiari” - a consortium created by the Italian Banking Association and individual Italian banks for improving the relationship with customers through transparency, confidence, simplicity of the information and data comparability. This was viewed as an important factor that would increase competition among banks and an increase in the quality of their and services.

IPA Adriatic 2010 call for applications has not been published yet. However based on past experiences the deadline for submissions will not be later than June-July 2009. In order to be prepared to approach the application process in a timely manner the following steps are recommended:

Pre-selection stage

2. Decision of the applying entity
3. Decision on the EU Partner
4. Expression of Interest
5. Application follow-up consultations – The applying party will meet with the coordinating office in the Ministry of Integration to discuss specific issues stated in the applicant' expression of interest

If pre-selected:

6. The applying institutions will follow up with the next stage of application
7. Upon approval of the funds
    - The applying institutions will draft an administrative plan accordingly to the IPA criteria for funds management and reporting.
    - The institution will be subject to regular and detailed monitoring from both local and regional program management.

As per previous years, the Ministry of Integration will issue an application timeline with details on each of the program phases and application process.

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Draft document

ALBANIA NATIONAL STRATEGY ON CONSUMER FINANCIAL EDUCATION

I. The need for a national strategy on consumer financial education

I.1. Consumer financial education – definition and importance

Albania's consumer financial education stakeholders consider that OECD's (Organization and Economic Co-operation and Development) definition on financial educations is the most comprehensive one and should be adopted by Albanian authorities as well:

"Financial education is the process by which financial consumers/investors improve their understanding of financial products, services and concepts and through information, instruction and/or objective advice, develop the skills and confidence to become aware of (financial) risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection[1]".

The difference between the 3 components of the consumer financial education is the following: ***Information*** is a fact or series of facts that require interpretation and assessment. ***Education (instruction)*** is the teaching and learning that provides people with the ability to interpret information and assess advice, while ***advice*** involves the provision of guidance or recommendations on financial direction[2].

Financial education is important as it improve people's financial well-being. In the current context of development and modernization of the financial sector, more complex products that are offered and growing range of risks affecting households at macro and micro levels, an enhanced financial understanding and awareness of consumers becomes important. A better understanding of the financial products would help consumers make more informed decisions and thus being more protected against risks. Improved financial education reduces the information asymmetries, causes higher demand for financial products by consumers, improves financial situation and access of the consumers and it also promotes market transparency, competitiveness and efficiency. On a macro level, it leads to financial market stability and of the economy as a whole.

I.2. International experience in consumer financial education

[1] OECD. (2005). Improving Financial Literacy: Analysis of Issues and Policies.P 26
[2] Feslier, D (2006), Financial Education and Financial Literacy in New Zeland.

The international experience shows that financial education is considered a priority in many countries having adopted in this regard National Strategy for Financial Education as it is the case of New Zeeland, Austria, United States of America, Czech Republic, United Kingdom etc. In most cases the national strategy has been launched and coordinated by a dedicated government structure set up by authorities as it is the case of UK Financial Services Authorities, US Financial Literacy and Education Commission, Australian Literacy Foundation, New Zeeland Retirement Commission.

The financial education is provided through education programs being promoted by both public and private stakeholders ranging from government ministries (UK, Czech Republic), government regulators (Australia, Brazil, Canada, France, Japan, United States), central banks (Poland), consumer representatives (Estonia), non-profit organizations (Austria) etc. In most EU countries education programs target children and young adults and the most important mean of distributing financial education is through internet. Other education programs targets immigrants and the elderly (Sweden).

I.3. Albanian experience with consumer financial education

The analysis of the individual experiences of Bank of Albania, Albanian Consumer Association, Financial Supervisory Authority, Pro Credit Bank and Raiffeisen Bank resulted in the following conclusion:

- 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 and there are few if none inter-institutional, co-financed, co-organized initiatives;
- all the initiatives taken so far (with the exception of some of BoA activities) have been local and fragmented and no national programs have been developed;
- while different institutions are driven by different motives in their financial education activities (business improvement for the banks, consumer awareness for associations) their activities are very similar and complementary to each other;
- none of the initiatives covered all age groups and/or professional categories.

The Project Working Group considers that one of the most important aspects missing in consumer financial education in Albania is coordination between institutions and notes 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.

I.4. The need for a national strategy

The release of a national strategy represents the Government's statement on the highest priority that consumer financial education has for ensuring the sustainable development of Albania.

A national strategy for consumer education is especially important given the context of the recent financial crisis and globalization.

The national strategy is necessary in order to set up the standards for consumer financial education initiatives, the principles to be followed for coherent, comprehensive and effective activities, the coordination of all efforts and responsibilities sharing between stakeholders.
It is also meant to prompt for an active stance of the public institutions that have responsibilities in sustaining the public good through consumer financial education.

The promotion of a national strategy on consumer education would also facilitate the allocation of the state budget funds for the fulfillment of the public institutions' responsibilities in this respect. At the same time, benchmarking private initiatives with the directions set forth by the strategy could be used as a selection criterion for funding requests to the public budget or EU.

II. Objectives of the national strategy for consumer financial education

The main objective of the national strategy on consumer financial education is to increase levels of financial education and awareness among the large population.

The main objective is to be fulfilled through the following specific objectives:

(i) Designing financial education programs based on the needs and financial literacy level of the target groups;
(ii) Providing financial education to all group ages on a continuous basis;
(iii) Ensuring full coverage of the national territory;
(iv) Coordinating all consumer financial education initiatives;
(v) Enhancing the public private partnership with the participation of all interested stakeholders (incl. non governmental organizations);
(vi) Constructing tools and make resources available to mobilize stakeholders (e.g. seminars, conferences etc);
(vii) Ensuring follow up and result measurement.

III. Principles for consumer financial education activities in Albania

Consumer financial education is to be conducted in Albania according to the following principles:

- Public authorities are responsible for developing a national strategy for consumer financial education in consultation with all interested stakeholders;
- Public authorities are responsible for coordinating the implementation of the national strategy for consumer financial education. Public authorities could outsource partially or totally coordinating tasks according to specific procedures (to be developed);
- Financial education should complement financial consumer protection;

- The main priority issues to be considered as part of this strategy are to be determined by the national circumstances and by the needs of all groups identified through national surveys;
- Financial education is to be provided continuously and to be sustainable in the long run;
- All group ages should benefit from financial education starting with children and young adults and should start in school;
- Financial education programs:

  - should be unbiased, fair, efficient and coordinated;
  - could be public-private initiatives with a variety of partners such as public institutions, private financial institutions, consumer, professional organizations and others;
  - should be customized by type of target audience;
  - should focus primarily on "money basics";
  - should be assessed and updated periodically;
  - should use multiple instruments and dissemination channels (website, mass media etc);
  - should have efficiency assessment and methodologies;
  - should be assessed periodically.

IV. Timeframe of the national strategy for consumer financial education

The timeframe of the Albanian National Strategy on Financial Education is 5 year covering the period 2009-2014. The strategy could be revised in case circumstances will require so.

V. Roles and Responsibilities of Key Stakeholders under the national strategy for consumer financial education

Public authorities are promoting and coordinating the implementation of the national strategy on consumer financial education.
Public authorities are responsible to assess periodically the level of financial literacy in Albania. Results of the surveys on financial literacy will be disclosed to the public and will be used to customize consumer financial education initiatives.

- Ministry of Economy, Trade and Energy (METE)/Ministry of Finance is the first promoter of the consumer financial education strategy and the coordinator of its implementation. In this context, it cooperates with the Donor Coordination Department at the Council of Ministers to ensure integration of financial education in the National Strategy for Development and Integration. Ministry of Economy, Trade and Energy (METE)/Ministry of Finance allocates funds in the state budget earmarked to financial education programs and surveys assessing level of financial literacy.
- Ministry of Education and Science is responsible for promoting financial education by including it in the school curricula and by offering logistic support given their broad territorial coverage capabilities.

- Ministry of Labor, Social Affairs and Equal Opportunities supports financial education programs by offering logistic support in reaching special groups and communities (e.g roma community or other excluded groups).
- Financial Supervisory Authority (FSA) coordinates consumer financial education initiatives of the financial institutions under its supervision and develops its own initiatives.
- Bank of Albania coordinates consumer financial education initiatives of banks and other institutions under its supervision and develops its own initiatives.

Public and private institutions will cooperate in implementing the national strategy on consumer financial education.
Private institutions will observe the national strategy in designing and implementing consumer financial education programs and initiatives.

ROMANIA
CONVERGENCE FINANCIAL SECTOR MODERNIZATION
Public-Private Special Projects Initiative

NATIONAL STRATEGIC PLAN FOR PROMOTING CONSUMER FINANCIAL EDUCATION

Document endorsed by the Project Working Group

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I. Background

At present, the penetration of financial services in Romania shows modest levels compared to other European countries (Chart 1), but the retail financial services continue to grow at a fast pace (Chart 2), in a favorable context provided by sustained growth and declining inflation and interest rates, keener competition among credit institutions and an increase in disposable incomes and optimistic expectations of population. This effervescence of the Romanian financial market offers increased opportunities for both consumers and providers of financial services.

Chart 1. Financial development ratios (2006)

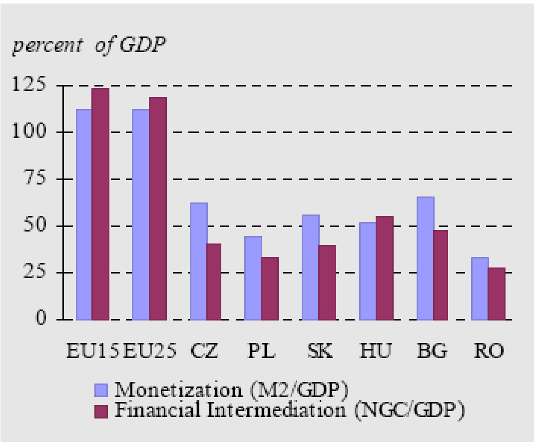
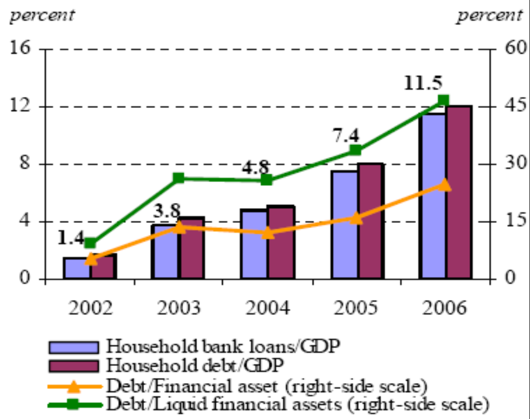


Chart 2. Developments in household credit



Source: National Bank of Romania, Financial Stability Report, 2007.

At the same time, such fast growth of lending can lead to over-indebtedness and/or irresponsible use of credit, as the years of hardship during the transition to a market economy have left clients with a spending appetite which leaves little room for sound financial planning. Individuals are increasingly dependent on the financial services industry for purchasing and furnishing their homes, financing their day-to-day needs, starting a business, or financing their retirement.

Also, as international financial institutions increased their presence in Romania, they offer a variety of financial products and services, with a growing level of sophistication, of which Romanian clients know little about. The risks afferent to these products should be explained to the consumer (for example those of foreign currency or of variable interest rate loans). Consumers should also be instructed to keep up with the technological innovations of the industry (internet banking, self-banking, etc.).

In addition, individuals are becoming more involved as investors in the financial market. These individuals have limited experience with capital markets and therefore a weak understanding of implied risks due to insufficient knowledge on the matter. Moreover, given the transformation of the pension system, citizens need to be aware of the importance of maintaining adequate levels of investment and saving for retirement.

The low financial literacy levels of the population lead to a weak and inefficient utilization of financial services. Because of lack of financial sector knowledge, consumers are unable to make adequate financial planning decisions, which result in a poor administration of their wealth.

II. The Need for a National Strategic Plan

In order to choose wisely from the variety of products and providers available on the financial services market and to make efficient use of them, individuals must possess proper financial knowledge. With the necessary skills to make informed financial decisions about purchasing a home, financing their retirement, taking a loan, or financing a business individuals (or financial services consumers) will almost certainly be economically better off than those lacking this knowledge.

The level of credit in the economy and its quality are aspects of national concern, especially in matters of over-indebtedness. Also, changing the pension systems with defined contribution systems can be difficult to understand for the public. Individuals usually do not understand their rights and responsibilities in the new pension regime so there is a need for adequate information and instruction.

The benefits of increasing consumer financial education are spread among financial sector stakeholders:

- **for consumers of financial services:** it helps them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud;
- **for providers of financial services:** can constitute a marketing tool for financial institutions to build robust client relationships and promotes competition among financial intermediaries;
- **for authorities:** it is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation and ensures the smooth functioning of financial markets and the economy.

Therefore, a national strategic plan for promoting consumer financial education is needed in Romania to coordinate and direct national financial education measures and programs with the objective of enhancing the consumer financial knowledge to enable it to improve its financial decisions for life-planning. Ultimately, an increased level of financial literacy of consumers will help increase the stability and the confidence in the financial sector and promote economic growth.

Taking into consideration the fact that a national strategy for consumer protection is already in place (enacted through Government Decision no. 364/2005), the national strategic plan for promoting consumer financial education should become integrant part of the former. The National Authority for Consumer Protection confirmed that the national strategic plan for promoting consumer financial education is in line with the objectives of the national strategy for consumer protection.

At the same time, Romania's efforts in the area of promoting consumer financial education would be also in line with the most recent EU developments (see EU Commission Green Paper on Retail Financial Services). The European Commission is going to issue in November 2007 a communication on the best practices in financial education in the European member states. The national strategic plan is going to be closely aligned with the EU guidance once issued.

III. The Objectives of the National Strategic Plan

First, the national strategic plan will provide the basis for an efficient coordination of financial education programs and measures, mainly by establishing a set of principles and good practices for financial education. The underlying objective of the national strategic plan is to ***increase levels of financial education and awareness among the general public and certain sensitive categories, with the lowest levels of financial literacy***.

The long-term objectives of a national strategic plan for promoting consumer financial education include reducing levels of over-indebtedness and improving the quality of credit, better handling of credit and debt by consumers, promoting investment and saving for retirement, bringing the unbanked into the financial system, mitigating the risks of identity theft or other risks related to financial services and products and improving the consumers' capacity to take financial decisions for a better management of its wealth.

While the activities of information and instruction should initially target all the categories of consumers, including existing and prospective borrowers, specific programs could be envisaged for categories such as: debtors in financial difficulty, first-time homebuyers, young people, credit card users, women, the unbanked[1], the underserved[2], low-income consumers, ethnic minorities, retirees, etc. Among these categories, the most vulnerable are the young people and the elderly. Also the implementation of actions should consider the target clients groups which are the most dynamic in terms of demanding financial services.

IV. The Pillars of the National Strategic Plan

The national strategic plan for promoting consumer financial education should be based on the following pillars[3]:

Pillar 1: The main components of the national financial education programs and measures proposed should be:

- **Instruction**: ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance;

- **Information:** providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;

- **Advice**: providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received.

Pillar 2: The national strategic plan should be adequately calibrated to ensure that:

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[1] Consumers affected by financial exclusion and marginalization are called the unbanked: without a bank account at a deposit institution.
[2] The underserved are people who rarely use their account or do not know how to use it.
[3] The principles draw from the OECD guidance on financial education.

2.1. – Financial education is provided in a fair and unbiased manner and that programs are coordinated and developed with efficiency;

2.2. – Financial education programs focus on high priority issues, which, may include important aspects of financial life planning such as basic savings, private debt management or insurance as well as pre-requisites for financial awareness as elementary financial mathematics and economics[4].

2.3. - Financial education programs meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information. Financial education should be regarded as a life-time, on-going and continuous process, in particular in order to take account of the increased complexity of markets, varying needs at different life stages, and increasingly complex information.

Pillar 3: Broad participation of stakeholders and their role in implementing the national strategic plan

3.1 – Financial education should be as much as possible taken into account in the regulatory and administrative framework and considered as a tool to promote economic growth, confidence and stability, together with regulation of financial institutions and consumer protection.

3.2. – The role of financial institutions in financial education should be promoted and become part of their good governance with respect to their financial clients. Financial institutions' accountability and responsibility should be encouraged not only in providing information and advice on financial issues, but also in promoting financial awareness, especially for long-term commitments and commitments which represent a substantial proportion of current and future income of clients.

3.3. – Non-profit organizations can have improving financial education as their main objective or develop programs that indirectly contribute to raising awareness about financial risks or provide information about sound financial planning. Also, non-profit organizations for consumer protection could be involved in undertaking surveys for assessing the present level of financial knowledge among Romanian consumers, and which should be the target categories of consumers of the financial education actions. Surveys could also be undertaken during the implementation of national strategic plan for a fine tuning of the process and a better monitoring of results.

V. Timeframe of the National Strategic Plan

The proposed national strategic plan timeframe for implementation is of four years (2008-2012), which is a period that is at the same time sufficient for results to materialize and allows for an appropriate monitoring.

[4] Financial education needs to be distinguished from consumer protection. The provision of information on financial issues is common to both. However, financial education supplements this information with the provision of instruction and advice while consumer protection emphasizes legislation and regulation designed to enforce minimum standards and require financial institutions to provide clients with appropriate information.

VI. Roles of the Stakeholders

The main roles of the stakeholders are:

Public authorities

- Promotion: Given their broad territorial coverage capabilities, public authorities (in particular NACP) should be the main promoters of financial education programs and also the main channel for disseminating information within the financial education programs and campaigns, but also on an ongoing basis (the websites of these institutions may host educational material such as brochures, guides, leaflets, etc.);
- Legislation: Given their legislative capacity, authorities (i.e. Ministry of Education, NACP) may pass legislation that promotes financial literacy in schools and protects the rights of the financial consumers;
- Financing: Given the public good component of financial education programs, the authorities should make contributions in the financing of financial education programs. Also, if deemed feasible, public authorities could access EU funds for promoting financial education, either alone or in cooperation with private sector stakeholders;
- Expertise: Public authorities could support the calibration and the implementation of the programs for promoting consumer education through their comprehensive knowledge and expertise;
- Calibration and Monitoring: Given their national coverage, the authorities could support the undertaking of country-wide surveys to determine the level of financial literacy and the specific needs of citizens in order to better calibrate the financial education programs. The surveys could be conducted by non-profit organizations for consumer protection. Also, public authorities should ensure subsequent monitoring of the financial education programs;
- Logistic Support: The often vast territorial network of public authorities can be put to use in programs at a community level, offering logistic support to study groups. In addition to website assistance, the public institutions may set up toll-free telephone numbers for consumers.

Romanian Banking Association

- Industry Self Regulatory Measures: Given its role of forum of financial institutions, the RBA could enhance the protection of customers by initiating the development of industry codes or standards which push for more transparency from banks;
- Industry Programs: The RBA could also promote industry-led financial literacy programs which could help customers to better understand the bank products and services (i.e. by asking banks to disseminate more information on their websites or at their territorial outlets or setting up a dedicated industry website including financial education information, etc.);
- Dispute Resolution Schemes: The RBA could also enhance customer protection by encouraging the quick setting up of the bank ombudsman as an alternative dispute resolution scheme.

Financial institutions

- Information: Individual financial institutions bear mainly the responsibility to provide clear and accurate information to clients in regard to the terms and conditions of banking products and services. A miss calibration the information disclosed (too little versus too much) is often a cause of why people see financial information as difficult to understand;

- Education: Financial institutions could also disclose education material on their website or at their territorial premises;
- Advice: Financial institutions could be also encouraged to provide on-line simulators and/or any other integrated IT modules that could help the potential clients to better understand the characteristics of the financial services offered to them;
- Training of Staff: Financial institutions should be encouraged to their staff on financial education and develop codes of conduct for the provision of general advice about investment and borrowing, not linked to the supply of a specific product.

Non-profit organizations

- Focus and Coordination: Non-profit organizations should have the role to provide focus and coordination to the financial education programs as they can dedicate undivided special attention to this issue; also the non-profit organizations should complement effectively the public and private stakeholders' actions;
- Promotion: The non-profit organizations can also be involved in disseminating information and providing instruction and advice by publishing educational materials, organizing courses, seminars, workshops, discussion meetings or mentoring activities (at a community/ socio-professional group level);
- Financing: The non-profit organizations could be used as recipients and managers of financial resources necessary for undertaking targeted financial education campaigns and programs;
- Calibration and Monitoring: Non-profit organizations could undertake country-wide surveys to determine the level of financial literacy and the specific needs of citizens in order to better calibrate and monitor implementation of the financial education programs. The surveys could be conducted with the support of public authorities (by using their territorial networks);
- Awareness raising: Trade unions and large professional associations could be also involved in the awareness raising among consumers as well as increasing the synergies in the process of implementation of the strategic plan.

International organizations

- Awareness Raising: The role of international organization would be to raise awareness of the authorities to bring financial literacy on the public agenda, thus raising the level of political support for financial education programs and the interest and knowledge on the matter;
- Guidance: Offer guidance on principles and good practices to national and local authorities and any other parties involved in the process of financial education
- Research: Conduct surveys and write studies on financial education;
- Financing: International organizations (EU bodies, World Bank, etc.) could be also involved in financing the implementation of the national strategic plan;
- Networking: May be involved in organizing seminars and conferences on financial education.

VII. Coordination, Governance, and Monitoring

Coordination

The international experience shows that there is no obvious government authority which should manage the government's financial education programs. The most active stakeholders of financial education programs are:

1. non-profit / community / educational organizations;
2. partnerships between two or more provider types (often consumer / community organizations and financial institutions);
3. national government agencies / departments or government-sponsored enterprises;
4. credit unions or credit union associations;
5. financial regulatory and supervisory authorities;
6. banks or financial institutions;
7. private sector companies.

Also, some countries encourage the development of appropriate specialized structures (possibly embedded within existing authorities) in charge of promoting and coordinating financial education at the national level. There are examples of countries which promote regional and local public and private initiatives as close to the population as possible.

In Romania, it is proposed that the financial education program is coordinated by a public-private partnership since it is envisaged that this option will secure a more active involvement of the stakeholders in the running of the financial education campaigns and programs. Also, it is considered that a public-private partnership would ensure a better management of the strategic plan and would ensure its sustainability on the long term. A feasible option would be the use of the already created SPI public-private platform.

Governance and monitoring

The enclosed national strategic plan will be discussed and endorsed by the SPI public-private project working group composed of representatives of the National Authority for Consumer Protection, National Bank of Romania, National Commission for Supervision of Private Pension Systems, banks, and consumer protection associations.

The national strategic plan prepared by the SPI project working group will be submitted to the SPI Committee for endorsement in November 2007.

The consumer education activities will start in 2008 with a first set of measures to be implemented by the SPI key stakeholders (NACP, RBA, NBR, MEF).

Also, in January 2008, a public round table will be organized with the objective to raise awareness and build consensus among a broader group of financial sector stakeholders.

VIII. Implementation: Channels, Regulations, Funding

Channels

As mentioned above, the national strategic plan for promoting consumer financial education will encompass a mix of measures consisting of customer information, instruction, and advice (see Table 1). This mix of measures is the best implementation solution for financial education programs, as it opens the possibility to use a variety of channels to reach as many consumers as possible as well as to ensure that this information is easy to understand by consumers.

In other countries' experience, the solution of a national campaign is often used, as it is most effective in raising awareness about the importance of understanding financial issues.

OECD has identified the following delivery channels for financial education programs (in order of frequency of use):

- training courses;
- printed or online publications (brochures, magazines, booklets, guidance papers, newsletters, annual reports, direct mail documents, letters and disclosure documents);
- advisory services (including telephone help lines and 1-to-1 counseling);
- internet web sites/online services;
- public awareness-raising campaigns;
- events (including lectures, national workshop/forum, symposia, presentations);
- school programs and curriculum;
- other methods (including resource packs, videos, computer programs).

While financial literacy levels are low in general for consumers, they are especially low for certain groups of consumers, such as the less-educated, those at the lower end of the income distribution, and minorities. Therefore, it would be advisable to consider targeting financial education programs to those groups of consumers who are most in need of it. The Romanian stakeholders will need to decide the best way to convey this information to the target audience.

Consumers receive financial information through a variety of sources and these sources tend to differ according to demographic characteristics. Many consumers, notably those with lower incomes, receive financial information through television programs. A large number of consumers prefer to receive financial information through personal contact, such as consumer help lines or personal advisors. The Romanian stakeholders will need to think about the most effective delivery channel for the consumers they are targeting, based on the local conditions.

Regulations

While many countries offer financial education programs, some countries have opted for a regulatory-based approach (issuing consumer codes and other consumer protection legislation). These countries see the role of government as ensuring that financial advisors have a certain minimum level of competence and that consumers are provided with accurate and unbiased financial information. However, there is a case for industry-self regulation, which could be a faster and more efficient solution to addressing the problem of enhancing the transparency of the financial industry providers.

In Romania, the stakeholders could embrace a gradual approach. Therefore, it is suggested that first, private sector self-regulation should be encouraged as this is a more efficient and faster option. However, in cases where this option would fail to bear fruits, co-regulation or even prescriptive regulations could be enacted. The intervention through regulation could be justified only for those aspects where there is a need for a uniform set of rules, whose application would allow avoidance of negative consequence for the consumers of financial services.

A distinct regulatory issue that should be dealt with would be the integration of the financial education into the school curricula. This action should be promoted by the Ministry of Education, Research and Youth in close cooperation with NACP.

Funding

The public-private working group considers that funding of the national actions and programs for promoting consumer financial education could encompass three levels:

Private funding
The private funding could be ensured through financial industry associations which could mobilize financial institutions to financially support the strategic plan. A more practical and feasible approach would be to have financial institutions fund the initiative by redirecting part of their taxable profit, as permitted by the Fiscal Code. Awareness should be raised through industry associations in respect to this option. Moreover, financing from individual financial institutions could be accessed for achieving specific actions of the strategic plan.

Private financial support can also come from foundations.

EU funding
EU funds could be also a potential source of funds for this strategic plan. This option is particularly relevant as a public-private partnership will implement the national strategic plan and its actions.

Public funding
Authorities should have a significant contribution to the financing of financial education programs. Authorities can provide support to non-governmental organizations conducting financial education programs through grants, thus creating a marketplace for such programs and increasing the quality of the selected programs.

However, given current budgetary constraints, it is more likely that public funds could be sought for particular implementing actions.

IX. Implementation Plan

The following implementation plan has been designed in accordance with the above mentioned considerations, so as to ensure that the national strategic plan will achieve its objectives.

For illustrative purposes, a project timeline with a first set of measures to be implemented in 2008 by the SPI key stakeholders is enclosed below.

Tabel 1: Implementation Plan

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	**I.1. Conduct a public awareness-raising campaign**	<u>Main</u>: National Authority for Consumer Protection (NACP), Consumer Associations <u>Secondary</u>: NBR, Ministry of Economy and Finance (MEF), Romanian Banking Association (RBA), Financial Industry, National Fiscal Administration Agency (NFAA), Credit Bureau, Romanian Banking Institute (RBI), SPI Romania, Private Pension System Supervision Commission (PPSSC)	RBA	1 year	National campaign, conducted in Romanian and in the languages of minorities, using a variety of media resources to reach all citizens, stressing the importance of being adequately informed about financial issues important for life-planning. Particular emphasis should be placed on: 1. The importance of having a bank account; 2. The role and the risks of borrowing; 3. Other risks for consumers (identity theft, predatory lending, check fraud, skimming and scamming); 4. The importance of saving for retirement and of the pensions system; 5. The role of insurance services (life and non-life products); 6. The role and use of debit/credit cards; 7. The rights of consumers (the Bank Ombudsman); 8. Use of online banking. Campaign directed at an emotional response, not building technical knowledge but motivating people to gather more information and making it easy for them to find out more. (international relevant experience: Slovakia, Australia, Ireland, United States). To be delivered nationally using a wide range of media including newspapers, radio, television, internet, train and bus advertisements, conferences, etc.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	**I.2. Enhance online information availability** **A. Individual websites**	NBR, RBA, NFAA, MoJ, NACP, MEF, Financial Institutions, Credit Bureau, Ministry of Education (MoE), Consumer financial information companies.	Individual institutions	1 an	Publishing general, non-commercial information on financial industry products and services, the risks, benefits and uses of the respective products. Also, publishing basic financial mathematics explanations, e.g. the calculation of interest, commission, installments, etc. The following represent indicative information that could be disseminated by each institutions: • <u>NBR</u>: Information about customer rights, glossary of economic terms; links to websites of financial institutions; information about and links to the Bank Ombudsman; news section presenting current economic and business issues in an accesible way; provide information on specific risks associated with banking products like overindebtedness, market risk, FX risk, etc; • <u>RBA</u>: Links to websites of member financial institutions; information about the fees and commissions of bank products; basic financial mathematics explanations; information about and links to the Bank Ombudsman; news section presenting current economic and business issues in an intelligible way; virtual library; distance learning such as comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips and films; games, educational software; • <u>Credit Bureau</u>: Links to websites of financial institutions; explanations about the importance

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					of maintaining a good credit history; information about the risks of over indebtedness and other risks of borrowing; information about and links to the Bank Ombudsman; • NACP: Information about the rights of consumers; information about and links to the Bank Ombudsman and other dispute resolution bodies; basic information about the bank products and services and their risks; • Financial institutions: Explanations about banking products, services and the associated risks; interest calculators; games; educational software; • MEF: Information about taxes and financial reporting; educational software; information on financial advice services; • MoE: “Teacher's Centre” - a service designed for teachers of economics or economics - related subjects containing teaching aids in the form of ready-to-use lesson plans; • NFAA: Sep-by-step animated guide to filling fiscal forms and income statements (audio version should also be available); Explanations about taxation, consequences of tax evasion; Games, Educational software; • MoJ: Explanations and guide to writing and legalizing a will; Explanations about bankruptcy procedures, contracts, legal responsibilities of debtors, creditors and guarantors; provide information on regimes of mortgages and pledges.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	**I.2. Enhance online Information availability** **B. New dedicated financial education website**	NBR, RBA , NACP, Financial Institutions, Credit Bureau, MEF NFAA, MoJ, PPSSC	Public – Private Partnership	1 year	Comprehensive website, designed with the support of the indicated shareholders, with sections for different categories of users, comprising general information as well as product comparison software applications or tables and the following: • Information about banks products and services and their risks, such as bank accounts, credit cards, insurance, investment, loans, mortgages, pensions, retirement options; • Information about customer rights; • Complaints and claims: Bank Ombudsman and other dispute resolution bodies; • Information about the fees and commissions of bank products; • Links to websites of financial institutions; • Distance learning - comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips, and films; • Games, educational software, decision-making quizzes, skill-enhancing and strategic games, crossword puzzles, etc. • Virtual library; • Glossary of economic terms; • News section presenting current economic and business issues in an intelligible way; • “Teacher's Centre” - a service designed for teachers of economics or economics-related subjects containing teaching aids in the form of

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					ready-to-use lesson plans. The website should be easily accessible and contain information that is easy to understand for consumers. Materials should be available in audio and video format, with subtitles. International examples: www.itsyourmoney.ie, http://www.federalreserveeducation.org/fred/, http://www.yourmoney.cba.ca/, http://www.lafinancepourtous.com/
I. Information	**I.3 Elaborate guides on specific financial sector issues**	NBR, RBA, Financial Institutions, RBI, Credit Bureau	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.1 Guide to borrowing and its risks	RBA, Financial Institutions, Credit Bureau, NACP, Consumer protection associations	1) RBA 2) NACP	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.2 Guide to mortgage loans	RBA, Financial Institutions, Credit	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
		Bureau			copies.
	I.3.3. Guide to retirement saving	Private Pension Systems Supervisory Commission (PPSSC), Ministry of Labor, Family and Equal Opportunities, Pension Funds, Financial Institutions	CNPAS	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
I. Information	**I.4. Adopt regulatory or industry self-regulatory measures (codes of conduct) that require financial institutions to provide consumers with a specific minimal set of information, which should be clearly distinguished from commercial advice**	NACP, RBA, Financial Institutions, Professional associations of credit institutions	RBA	1 year	The consumer codes should aim at increasing the transparency of the financial institutions to the benefit of consumers. As an alternative to regulatory actions, industry-self regulatory measures can be envisaged. The latter can represent a faster and more efficient solution. Examples: Ireland Consumer Protection Code issued by the Financial Regulator (Rialtoir Airgeadais), article 12: "A regulated entity must ensure that all information it provides to a consumer is clear and comprehensible, and that key items are brought to the attention of the consumer. The method of presentation must not disguise, diminish or obscure important information. ", article 21 "A regulated entity must provide each consumer with the terms and conditions attaching to a product or service, before the consumer enters into a contract for that product or service, or before the cooling-off period (if any) expires". Title II of the Italian Consumer Code called

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					"Information to customers" states the minimal set of information that has to be indicated to the consumer.
I. Information	**I.5. Organize public workshops and other events aimed at helping customers better understand financial services and pushing for more transparency from financial institutions**	NGOs, RBA, NBR, RBI, NACP, Consumer protection associations, SPI Romania	PP Partnership	Ongoing	A public-private partnership could be established to ensure the overall coordination of the financial education strategic plan or to conduct specific actions part of the
	I.6. Ensure the quality of disclosed financial information	National Audio-Visual Council, NACP, Financial Institutions	NACP	6 months	Financial institutions must ensure that all their advertisements are fair and not misleading. An advertisement must not influence a consumer's attitude to the advertised product or service or the regulated entity either by inaccuracy, ambiguity, exaggeration or omission. The design and presentation of an advertisement must allow it to be clearly understood. Where small print or footnotes are used, they should be of sufficient size and prominence to be clearly legible. Where appropriate they should be linked to the relevant part of the main copy.
II.	**II.1. Organize**	A. Financial	Dedicated	Ongoing	U.K: The Financial Services Authority (FSA) Local

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
Instruction	**courses, seminars, workshops, discussion meetings or mentoring activities, often at a community/ socio-professional group level**	Education Foundation/ NGO B. Financial Institutions, NBR, NACP, RBA	Financial Education Foundation		Committees designate "Study Group on Financial and Economic Matters" as grassroots organizations comprising 50-100 persons and provide guidance through discussion meetings and the distribution of financial services information materials. U.S: Most Reserve Banks offer Teacher Workshops on a wide variety of economic and Fed-related topics. The workshops are designed to help teachers gain a deeper understanding of the role of the Fed and monetary policy in the U.S. economy, to explore economic issues and to examine principles of personal financial education.
II. Instruction	**II.2 Introduce financial literacy issues in school classes**	MERY, RBI, MEF, NACP	MERY	2 years	Developing a systematic approach to teaching financial literacy. Embedding financial literacy in school curricula. Students should have financial literacy elements included in Economics, Mathematics and other courses. For those programs which favor use of classrooms, proper education and competence of the educators should be promoted. In this respect, the development of programs to “train the trainers” and the provision of specific information material and tools for these trainers should be encouraged. Providing practical support to educators and trainers and improving the availability of quality of educational resources.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	II.3 Design and implement targeted educational programs for adults	MERY; Trade Unions	MERY	2 years	Targeting specific categories (pensioners, first time home buyers, racial and ethnic minorities), most often held at the workplace or at community centers. Examples: US: Program intended for parents of adolescents likely to be susceptible to misuse of credit. Federal Deposit Insurance Corporation (FDIC) Money Smart, a training program to help adults outside the financial mainstream enhances their money skills and creates positive banking relationships. The Money Smart program is available in two versions: an instructor-led version and a computer-based instruction (CBI) version
	II.4 Organize seminar, student projects and conferences which promote financial education	Academy of Economic Studies, RBI, other higher education institutions	Individual institutions	2 years	Financial institutions can be the main sponsors and trainers for such events. Universities can provide the venues.
III Advice	**III.1 Develop product comparison software/table application**	Financial Institutions, RBA	Individual institutions	2 years	To be included on the financial education sections of the financial institution's websites and/or in the specialized financial education website.
	III.2 Set up toll-free telephone numbers	Authorities (NACP, NBR etc.)	Individual institutions	3 years	
	III.3 Encourage	Financial institutions, RBA,	Individual institutions	Ongoing	

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	banks to train staff on financial education	RBI			
	III.4 Ensure suitability for the consumer (written statement)	Financial Institutions	Individual institutions	Ongoing	Before providing a product or service to a consumer, a financial institution must prepare a written statement setting out the reasons why a product or service offered to a consumer is considered to be suitable to that consumer. The financial institution must give a copy of this written statement to the consumer and retain a copy. This requirement should not apply where the consumer has specified both the product and the provider and has not received any advice. An example of institutionalizing this sort of requirements is provided by MiFID, which requires the advice to individual investors to be calibrated on their knowledge and sophistication.
	III.5 Develop warning systems for consumers	Financial Institutions	Individual institutions	Ongoing	Customers should be instructed which are the financial high-risk areas and how to recognize fraud. In addition, financial institutions may include visible and distinct warnings regarding their obligations, published on contracts next to the signature mark. The Irish Consumer Protection Code specifies such warnings: "As a guarantor of this loan, you will have to pay off the loan, the interest and all associated charges if the borrower does not. Before you sign this guarantee you should get independent legal advice." Or "Purchasing this product may negatively impact on your

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					ability to fund future needs".
	III.6 Develop 1-to-1 counseling	NACP, NGO, Consumer protection associations	Individual institutions	Ongoing	Targeting debtors in financial difficulty, first-time homebuyers, the unbanked, low-income consumers, ethnic minorities, immigrants, refugees.

Table 2: 2008 Implementation Timeline

	Activity \ Time frame	Ian	Feb	Mar	Apr	Mai	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Information	I.1. Enhance information availability												
	• Contact and get agreements of stakeholders												
	• Propose new content to be added												
	• Draft information to be posted												
	• Post new content on the website												
	I.2. Elaborate information guidelines												
	• Set up working group in charge of drafting the materials												
	• Decide on contents and main messages												
	• Draft materials												
	• Post on the websites												
	• Print (on demand)												
	I.3. Take up self-regulatory actions (see SPI Project "Bank Codes of Conduct")												
	• Set up working groups												
	• Draft and endorse the codes of conduct												
	• Post codes of conduct												
Instruction	II.1. Organize round tables												
	• Contact and receive confirmation from stakeholders												
	• Organize event												
	• Publish conclusions												
	II.2. Introduce financial education in schools												
	• Set up working group in charge of drafting the teachers' package												
	• Draft the course design and the support materials												
	• Propose it to teachers (send package to school inspectorates, publish article in teachers' magazine, post it on website of interest for teachers)												
Advice	III. Encourage the development and use of product comparison applications												
	• Discussions with financial institutions and specialized websites owners												
	• Start developing comparison applications												
	• Make applications available												

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

Third meeting
April 23, 2009—AAB premises

Attendees: Ina Kraja, BoA (PM)
Mamica Dhamo, METE, (PM)
Rinald Guri, AMF (DPM)
Fatmira Biçaku, SHKSH (member)
Anuela Ristani, SPI Albania, Director of Operations
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AGENDA

I. Project Progress Briefing

II. Presentation of Note on Alternative Funding Sources (Discussion and Approval)

III. Strategy proposals for CFE in Albania (Discussions and solution proposals)

IV. Medium-term CFE program (Discussions and Solution Proposals)

V. Conclusions and Distribution of Tasks

VI. Closing Remarks

I. Project Progress Briefing

- Following the observations made by the PWG members with regards to the scarce financial resources available for supporting consumer financial education initiatives, SPI Secretariat researched and drafted a note on Alternative funding sources.
- SPI Secretariat prepared the draft strategy and action plan for consumer financial education representing the fulfillment of the objectives set for the project. These two documents represent the basis of the PWG recommendations document.

II. Presentation of the Note on Alternative Funding Sources

As a follow up to the observations made from the PWG members on the substantial lack of resources available to institutions dealing with Consumer Financial Education, SPI Albania Secretariat took the initiative to seek information on alternative funding sources available in Albania.

The findings of the research were summarized in a document detailing the possibilities of institutions to apply for two separate programs such as TAIEX (Technical Assistance and Information Exchange) and/or IPA (Instrument for Pre-Accession Assistance).

TAIEX, or the Technical Assistance and Information Exchange, is an instrument of the Directorate-General Enlargement of the European Commission. TAIEX helps countries with regard to the approximation, application and enforcement of EU legislation. It is largely demand driven and channels requests for assistance and contributes to the delivery of appropriate tailor-made expertise to address problems at short notice.

TAIEX assistance can be channeled through:

- Expertise Assistance - to advise on legislative acts and interpretation of the acquis, or to provide guidance on administrative arrangements for its implementation and enforcement;

- Study Visit - providing opportunities for officials of beneficiary countries to understand how Member States deal with practical issues related to the implementation and enforcement of the acquis and issues related to the interaction with stakeholders;
- Request for Workshop – in order to present and explain issues related to the acquis to a wider audience. Such assistance can be focused on the needs of an individual country or of a group of countries facing similar challenges. The multi-country format also provides a valuable opportunity to network and to exchange experience between beneficiary countries.

All institutions involved in CFE could apply for TAIEX in order to get assistance for the following:
- Legislative acts – adopting EU requirements for Consumer Financial Education in the Albanian current legislation for Consumer Protection or introducing new regulations and proposals in order to improve the accountability for Consumer Financial Education
- Capacity Building - Institutions involved in CFE could use TAIEX assistance (study visits, expert missions, and workshops) in order to train and instruct their staff responsible for Consumer Financial Education.
- Problem Solving – Project Management. TAIEX being a demand driven assistance could help the institutions in other project-based initiatives the scope of which falls under the EU requirements for Consumer Financial Education and Consumer Protection in general.

Whereas IPA provides for a more substantial and long-term support that is potentially the most powerful type of assistance for Albanian institutions that aim at objectives highlighted by the Association and Stabilization Agreement.
IPA 2009, is now IPA Adriatic Cross-Border Cooperation Program which gives priority to the objectives of the EU pre-accession and cohesion policies. The program is based on cooperation between four candidate or potential candidate countries and three member states, and thus potentially meets the IPA's objectives by allowing participating countries to take actions together to develop their territories, under community rules and regulations, by developing as well the institutional capacity of aspiring EU members.

PWG members appreciated the note and, since some of them (BoA and AMF) have already experiences with IPA funds, they made some remarks with regards to the application:
- it would be best and increase the possibilities of funding if the applying entity would be a public institution also because they would have to work very closely with the Ministry of Integration;
- the lobbying process to the Ministry of Integration is more important than the actual content of the project proposal because the IPA priorities are set locally and regionally and they are independent from the quality of the project proposal. These priorities depend largely on the applicability of the ASA (Association and Stabilization Agreement) and on the governments' agendas.

The applying institution should be the main stakeholder for CFE and so far only METE fulfills these requirements. Since METE has had previous experiences with CARDS (now incorporated within the IPA Adriatic), the chances for a successful application on their behalf are significantly positive.
The note was very welcomed by the PWG members who confirmed at the best of their knowledge that these two funding sources are currently the most reliable and applicable programs available in Albania and approved the Note on Alternative funding sources.

III. Strategy Proposal for CFE in Albania

During the PWG meetings, the PWG members rightly observed that one of the most important aspect missing in consumer financial education in Albania is the coordination between institutions. 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 group. A proposed national strategy represents the government’s statement on the highest priority that consumer financial education has for ensuring the sustainable development of Albania. Such strategy is especially important given the context of the recent financial crisis and globalization and is necessary in order to set up the standards for consumer financial education initiatives. This would translate itself through principles to be followed for coherent, comprehensive and effective activities, as well as coordination of all efforts and responsibilities shared between stakeholders. This document is also important for prompting an active stance of the public institutions that have responsibilities in sustaining the consumer financial education as a public good..

As a consequence, the strategy would facilitate the allocation of the state budget funds for the fulfillment of the public institutions’ responsibilities. At the same time, benchmarking private initiatives with the directions set forth by the strategy could be used as a selection criterion for funding requests to the public budget or EU.

The main objective of the national strategy on consumer financial education is to increase the level of financial education and awareness among the large population with a timeframe of 5 years covering the period from 2009 to 2014.

The proposed strategy highlights the role of the public authorities (METE and MoF in cooperation with the Donor Coordination Department at the Council of Ministers) as the main promoters and coordinators of its implementation. Other stockholding institutions include Ministry of Education and Science, Ministry of Labor, Social Affairs and Equal Opportunities, Financial Supervisory Authority and Bank of Albania are also involved according to the scope of their work. In addition, public institutions will serve as observers for the proposed strategy and will participate in the implementation of the individual programs.

Welcoming this comprehensive proposal, the PWG members representing public institutions noted that the proposed strategy should be considered as a strategic plan instead, since the Government of Albania is the only institution that may issue ‘strategies’. In fact CFE is part of consumer rights as highlighted by the Strategy for Consumer Protection that has been issued by the Government. Consequently this proposal is an important add-on that together with the medium-term action plan provides for a practical guideline to CFE involved institutions to follow.

IV. Medium-Term Action Plan

SPI Secretariat has drafted a set of planned actions consisting of consumer information, instruction (education) and advice. This mix of actions requires various distribution channels that will have a two fold purpose to both reach as many consumers as possible and to transmit the information that meets consumers need s and that is understandable.

In order to do so, the distribution channels for financial education should be tailored to the action type. In addition, SPI secretariat has outlined the importance of multi-institutional financial involvement that includes public, private and EU funding.

The proposed action plan is organized in sub-actions for each of the three aspects (information, instruction and advice), and for each of them is associated to the relevant stakeholders, responsible institution, timeline and descriptive explanations.

The PWG welcomed the action plan but expressed their concern on the joint actions where all the institutions were responsible for implementation. The PWG suggested that in addition to the actions, the final PWG recommendations should include the proposal for the creation of a new institute (public) responsible for Consumer Education (could be larger than merely financial education and include training capacities). For the Albanian context, it is important that the institution is public since this way it will be included in the state budget.

All the PWG members generally agreed with their individual institution's responsibilities as they are compatible with their management plans but will provide feedback to SPI Secretariat after a deeper review of this document. The received feedback will be reflected by the SPI Secretariat in the final PWG recommendations.

VI. Conclusions and distribution of tasks

- SPI Secretariat will send the meeting minutes and the PWG recommendations draft to the PWG for approval.
- PMs and DPMs will meet and discuss with PO on the PWG proposed recommendations. Based on PO suggestions, PMT might have a series of bilateral meetings with persons in the public authorities involved in CFE according to the proposed strategic plan, in order to build support for the proposals
- PWG members will prepare and send to SPI Secretariat their suggestions and recommendations for the PWG recommendations.
- SPI Secretariat will follow up with all the PWG members to obtain their feedback and approval for the PWG recommendations before transmitting them to the SPI Committee for endorsement.
- The PWG will complete the SPI Secretariat Evaluation Form and send it to the SPI Regional Operations Director, Ramona Bratu (ramona.bratu@convergence-see.eu)

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VII. Closing Remarks

SPI Secretariat thanks the PWG members for their remarkable contributions for this project and for their feedback through the evaluation forms or individual contacts. **.**

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