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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 protection¹”.

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 direction².

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 Zealand, 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 Zealand 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.