

The Brazilian work on a National Strategy for Financial Education

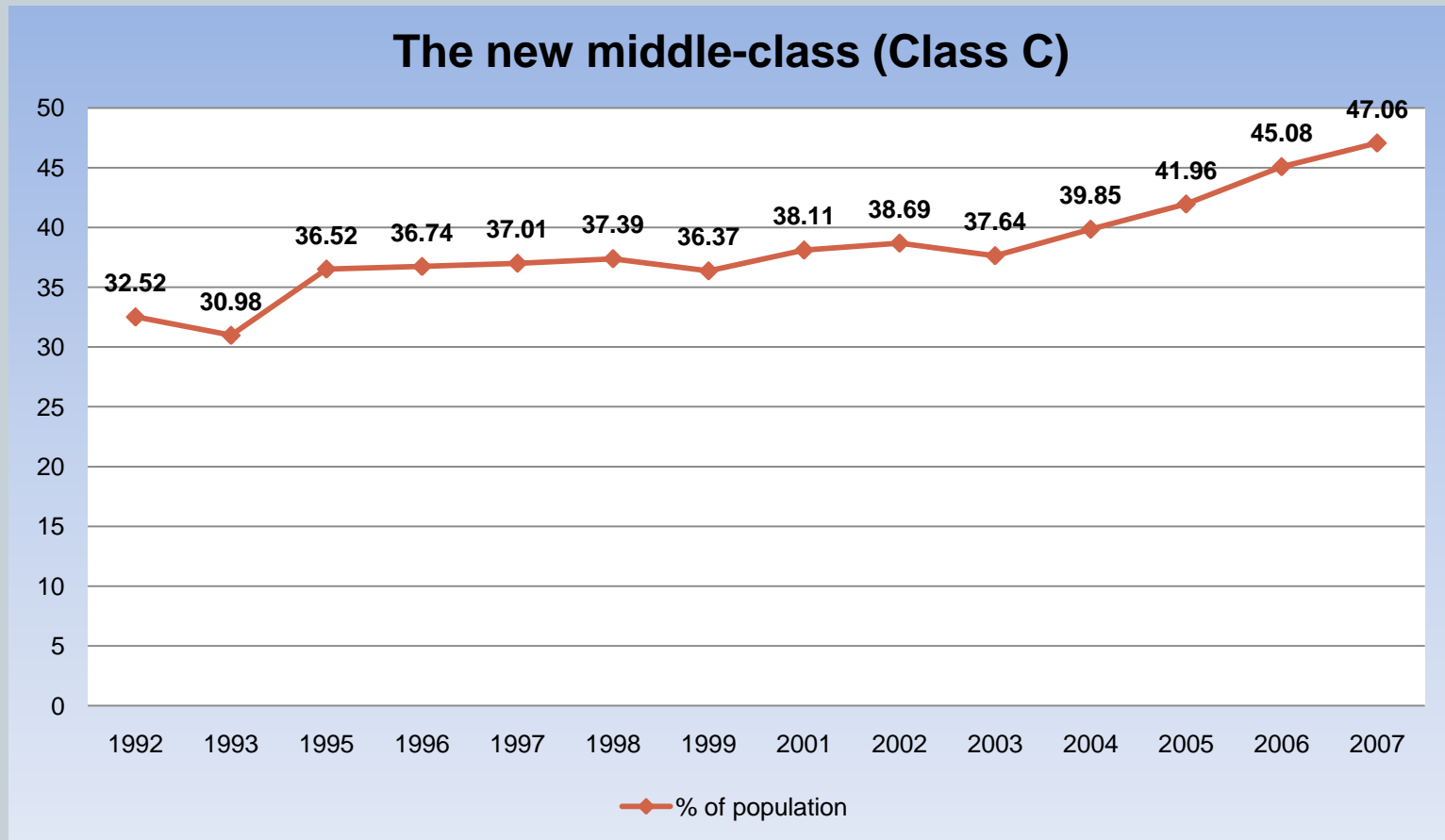
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Brazil's middle-class

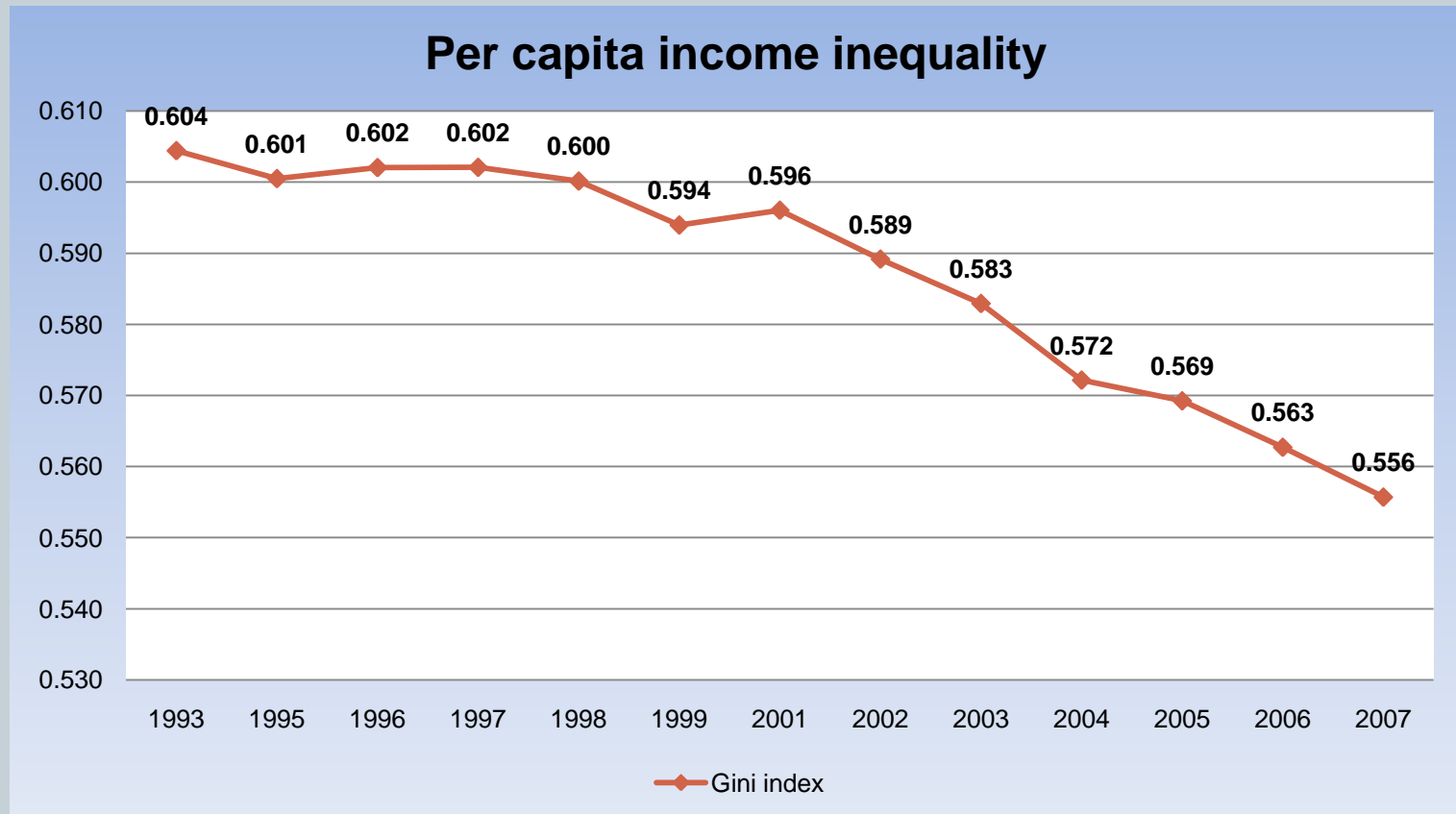
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Source: NERI, Marcelo Cortes; MELO, Luisa C. Coutinho. Poverty and the new middle class in the decade of equality*. Fundação Getúlio Vargas - FGV. Sep 2008. (*Recent income equalization process).

Gini Index - Brazil

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Source: Institute of Applied Economic Research (IPEA)

Note: Gini index is a coefficient that measures income inequality. 0 means perfect equality (everyone has the same income) and 1 means perfect inequality (one person has all the income).

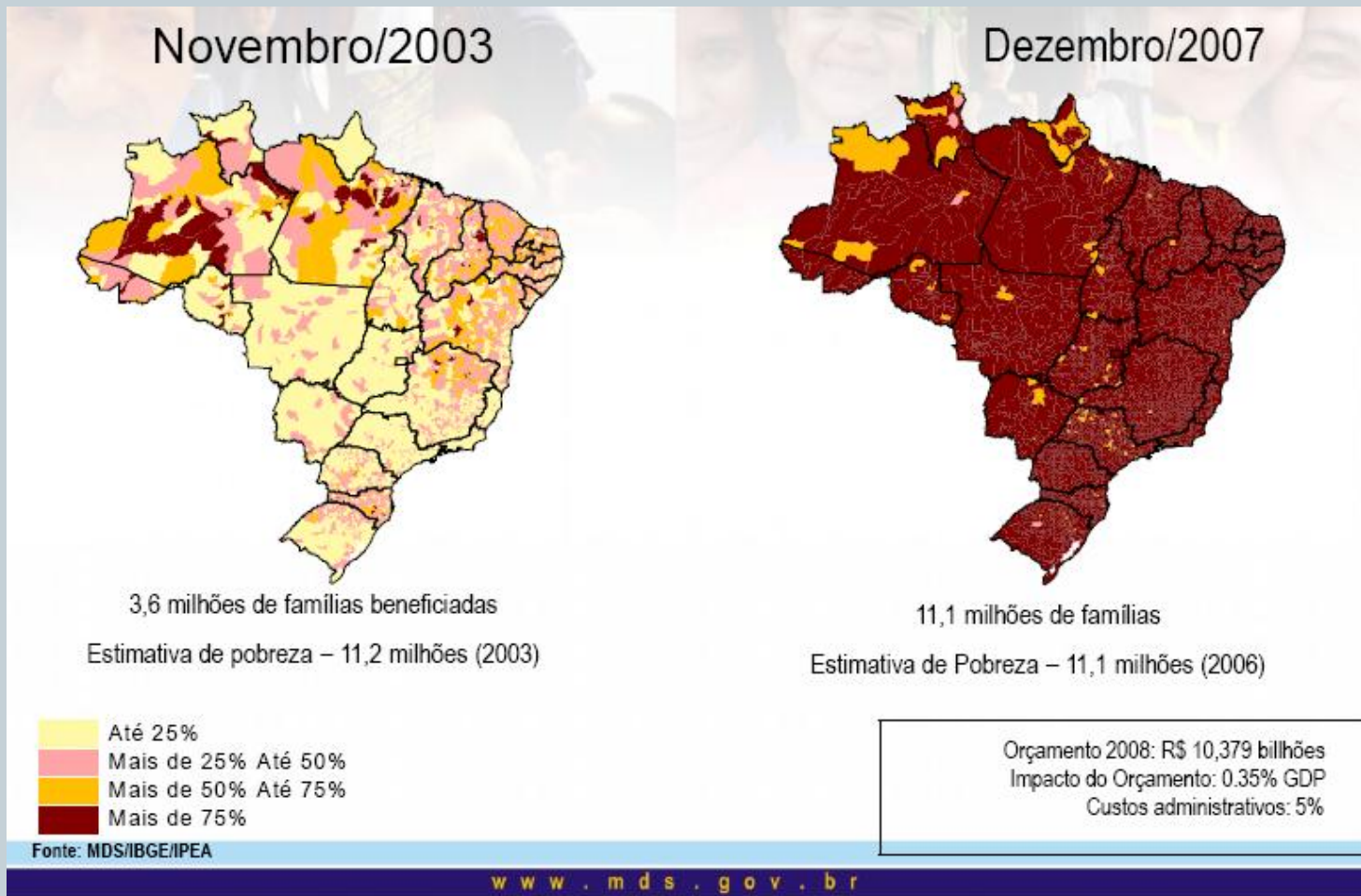
Reducing Income Inequality.

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- Health and educational policies.
- Inflation control.
- Economic growth (creating jobs in the formal economy).
- Redistribution policies:
 - Minimum wage raises.
 - Cash-transfer schemes.

“Bolsa-Família” - coverage

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Brazilian investors

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- 82% of consumers are not aware of the interest rate when borrowing money;
- overdue installments were mostly caused by poor financial management;
- the saving rate of Brazilians is low, even among affluent families. In 2003, IBGE found that families saving rates ranged from 0.06% of income, in the low income class, to 3.12 %, among the wealthy;
- a 2007 survey showed that 87% of families do not save for the future;
- Brazilians investors: 59% have a saving account; 20% have investments in real estate; 17% own an application in investment funds, and just 8% buy stocks.

National Strategy

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1. Changes in income distribution will persist, in spite of the effects of the crisis (due to equalization policies).
2. Governments have a moral obligation to help those newcomers.
3. This goes beyond the role of one sole agency.
4. Financial Education should be included in a general effort to increase the financial capability of the population.
5. Implemented through partnerships between government, private sector and civil society.
6. Targets to focus: children and young people at school.

CVM's Consultative Committee on Education

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- A one-week training program for university professors (Programa TOP) – 300 professors since 2006.
- A journalist's award (Premio Imprensa) for articles in newspapers and magazines, selecting the pieces that best inform and give orientation about the possibilities and risks of investments (now in its third edition).
- A training program for judges on capital markets, to help their decision-making on issues relating to financial and capital market law – 130 judges in four sessions.
- An website focused on giving information about the programs of the Committee and the education initiatives of each member (www.comitededucacao.cvm.gov.br).

COREMEC

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- **COREMEC: Supervisory and Regulatory Committee of Financial Systems, Capital Markets, Private Insurance and Social Welfare (Decree # 5.685, of 2006)**
- **Constitution: Central Bank, SEC (CVM), National Secretariat of Pension Funds (SPC) and Superintendence of Private Insurance (SUSEP).**
- **Aim:**
 - **To coordinate and to improve the performance of the federal agencies that govern and control the activities related to the financial system.**

COREMEC

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- **Main Roles:**
 - **to propose the adoption of measures that aim to have the markets working properly;**
 - **to debate regulatory and supervisory initiatives which could harmonize the activities of its members; and**
 - **to facilitate and coordinate the exchange of information among its members including foreign entities and international organizations.**

Working Group

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- Resolution n^o 3, from May, 2007: approves the creation of a Workgroup – WG to develop and to propose, under the coordination of the Brazilian SEC, a National Strategy for Financial Education.
- WG 1st meeting: 11.29.07 > final term: 05.29.09.
- Consisting of: titular and substitute/alternate (BACEN, CVM, SPC and SUSEP) plus auxiliary members (from private sector) invited by the WG.
- 2nd WG: coordinated by SUSEP.

Working Group

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- **RESULT:** minutes of the final document to be approved by Coremec, denominated National Strategy for Financial Education, including a Report and an Action Plan, that involve the following:
- **a) targets:** age groups (children, youth, adults and older), educational level (primary and secondary education, graduate and post graduate), income level, profession, and region.
- **b) priority goals:** the growth of the market, financial inclusion, investor protection etc.
- **c) priority areas:** developing personal finance skills, stimulating savings, broadening the use of financial institutions, improving the quality of credit relations, mortgages and homeowner loans.
- **d) educational tools:** Internet pages, lectures, publications, courses, seminars, meetings, toll free lines, campaigns etc.

Working Group

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- **e) funding:** funding sources and institutions that could offer support (for example self regulatory organizations, NGOs and international organizations).
- **f) roles of the participants:** of governmental agencies, private sector and civil bodies such as NGOs;
- **g) governance:** how to coordinate the work and make the strategy function, proposing a coordination body, such as an entity already established or to be established.
- h) integrated into federal planning.
- **i) monitoring and evaluation:** tools and methods to evaluate the strategic effectiveness, establishing or proposing indicators of performance, methodologies and the responsibility for monitoring results.

Sources of the proposal

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- National Strategies from USA (structure of the document)/ UK (national survey on financial literacy)/ Australia (special website -> taskforce inventoried about 700 initiatives of finance education).
- "*Recommendation on Principles and Good Practices for Financial Education and Awareness*" (OECD).

National Strategy – Strategic Decisions made by the WG.

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1. A long-term policy of the Brazilian State.
2. Only actions that are in the public interest.
3. A nationwide policy.
4. Centralized management and decentralized execution.
5. 3 tiers of action (information, instruction and orientation – OECD definition of financial education).
6. Monitoring and evaluation: constant revisions.

National Strategy - Goals

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1. To promote and foster a culture of financial education in the country.
2. To increase understanding to enable citizens to act consciously when making choices related to the management of their funds.
3. To contribute to the efficiency and solidity of financial markets.



- O que é ENEF
- Instituições Envolvidas
- Cadastro de Ações
- Notícias
- Legislação
- Fale Conosco

▶ Notícias

Seminário Educação Financeira na Escola: confira algumas das apresentações

Grupo de Trabalho participa da Conferência Internacional OECD

▶ Apoio



Estratégia Nacional de Educação Financeira

Trata-se de um esforço do Governo Brasileiro que reconhece a educação financeira como ferramenta de inclusão social, de melhoria da vida do cidadão e de promoção da estabilidade, concorrência e eficiência do sistema financeiro do país. Para saber mais, [clique aqui](#).



Instituições

A ENEF está sendo desenvolvida a partir de um esforço conjunto das iniciativas públicas privadas, [clique aqui](#) e saiba mais.



Cadastro de ações

É a primeira fase da ENEF. Tem como objetivo identificar as ações de Educação Financeira em andamento no país, realizadas por instituições públicas ou privadas. Para cadastrar suas ações, [clique aqui](#).

COREMEC



National Inventory of FE projects

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1. Only for non-commercial purposes and free of charge for participants.
2. Seminar on January 2008 > each institution invited to join the WG presented its FE projects.
3. From Aug 08 to May 09: 64 projects inventoried.
4. Lack of resources to advertise.

National Survey on Financial Literacy

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1. Research firm hired by BM&Fbovespa (member of the WG).
2. Questionnaire discussed and approved by the WG.
3. Three phases:
 1. Desk Research
 2. Qualitative – 8 focus groups (cities of São Paulo and Recife)
 3. Quantitative – 1809 interviews (6 metropolitan regions)
4. Results to be published as soon as the National Strategy is established.

National Strategy for Financial Education

	Chapter
Section I	Introduction
Section II	Presentation of the main topics of interest (Economy/the Brazilian Financial System / Banks/ Financial Planning/Credit/Investments/ Social welfare/Insurance.)
Section III	3.1 – Financial Education (FE) in schools (Pedagogical Group – GAP) > CVM
	3.2 - Adults Financial Literacy. > Central Bank
Section IV	Governance > SPC
Section V	Conclusion
Annexes	FE in Schools – Guidelines
	National Survey on FE – Report
	Inventory of FE projects in Brazil / International Experience
	4 FE programs (the Central Bank, CVM, SPC and SUSEP)

Financial Education in Schools

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1. Coordinated by the Brazilian SEC
2. Dec 07: contact made with the Ministry of Education
3. Apr 08: Partnership with Ministry of Education fully established ; presentation of the plan for schools (BM&Fbovespa and WG)
4. May 08: Creation of the Pedagogical Support Group : Financial Sector, Ministry of Education, Municipal and State Departments of Education.
5. Sept 08: Seminar at the Central Bank (Brasília) – draft.
6. Oct 08: FE guidelines for schools approved
7. Jun 09: Launch of second phase: pilot project (Secondary Education > program “Mais Educação”)
8. Jun 09 - Feb 10: books + pedagogical project for schools

Financial Literacy for Adults

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1. Coordinated by the Central Bank.
2. Financial Planning course: developed by UNIBACEN (the Central Bank University). Suggestions made by SPC, SUSEP and CVM.
3. Target public: Military Personnel, University teachers and other organized groups (e.g. civil servants).
4. Armed Forces: projects and materials offered by SPC, SUSEP and CVM.
5. Dec 09: FE guidelines for adults draft issued - based on FE guidelines for schools.

Proposed Governance (coordinated by SPC)

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Presidential Decree (to be issued)

National Committee for FE

Schools

**Pedagogical
Support Group**

**Other
Projects**

Schools

PROPOSED FOUNDATION

- 1) Private Sector funded
- 2) Governmental participation in the FE Board (to oversee ENEF and without administrative responsibilities).
- 3) Public-private partnership

1 - Working in partnership

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1. Two available approaches:

1. One agency proposes a draft and afterwards invites partners to amend it and take part in the implementation: fast track process but it may lack legitimacy and might not be successful in getting all the important institutions involved > when working with financial education in schools, financial sector agencies may propose an approach which does not comply with educational guidelines.
2. All agencies take part from the very start – despite slowing down the drafting process of a National Strategy, this provides legitimacy and commitment from all parties and will be more effective in the long run (BRAZIL'S CHOICE).

1 - Working in partnership

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1. Pre-requisites for the agency that plans to apply the latter approach:
 1. To have a plan based on best practice outlining the basic concept, motivating all parties to get involved and providing an idea of the suggested strategy to achieve the outlined goals (this plan will be updated right after the launch of the initiative).
 2. To choose the right institutional design to promote the necessary degree of cooperation among different institutions which are independent of each other (with no hierarchical authority). In our case: COREMEC provided the ideal environment to launch a collaborative effort on financial education.

1 - Working in partnership

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1. Implement through partnerships between government, private sector and civil society.
 1. - All financial sector governmental agencies should be formally involved from the very start;
 2. - It's vital to get Education Departments involved from the very beginning (at the end of the day financial education is still education) – in Federal States (e.g. Brazil) that should include the different tiers of the Federation (Brazil: Municipalities – primary education; States – secondary education; Nation – higher education);

1 - Working in partnership (2)

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1. Private sector entities should also be involved from the beginning:
 1. Work with non-profit organizations (Self-Regulatory Organizations, Foundations including those funded by the Financial Sector, NGOs) avoids conflict of interest (financial education versus promotion of financial products) – the goal of ENEF is not to promote the growth of the financial markets, but to empower citizens to make well-informed financial decisions.

1 - Working in partnership (3)

1. Private sector entities should also be involved from the beginning (advantages):
 1. They provide financial support for some tasks that governments may lack time and resources to implement (e.g. National Surveys to provide insights for the National Strategy draft and to launch websites to start an inventory process of financial education initiatives);
 2. If they are part of the writing process of the National Strategy - as opposed to just being treated as a source of funding for a governmental project - they feel they can influence it and will be committed to its implementation.

2 – Targeted groups

1. Targets to focus:
2. Members of organized groups > to reach a lot of people via pre-established pathways of communication (military personnel, civil servants, company employees etc.)
3. Children and young people in schools:
 1. The long-term impact is greater (opportunity to influence behaviour, attitudes and knowledge of the next generation);
 2. Children do not have established patterns of financial behaviour and they can influence their parents (activities in school material > family budget).
 3. Opportunity to interact with other social programs focused on poor families.

2 – Targeted groups (2)

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1. Children and young people in schools:
 1. Choose an interdisciplinary approach (financial education is not a new discipline, it's an interdisciplinary topic) > but be flexible, do not exclude schools that decide on their own to create a new discipline;
 2. Establish guidelines advising schools (teachers, directors and other participants) what financial education is about (contents that should be taught and how, the relationship between financial education and other subjects, such as environmental responsibility and consumer awareness etc.)
 3. Choose a pilot program and develop the materials and pedagogical guidelines on how to apply the materials in classes of different disciplines (mathematics, geography etc.)

2 – Targeted groups (3)

1. Children and young people in schools – how to proceed:
 1. Create a specific group gathering together representatives from the financial (regulators, SROs and other institutions) and educational sector (Ministry of Education, local and state authorities and some important stakeholders);
 2. If possible, hire consultants to receive content from the financial sector and adapt it to national educational guidelines. These consultants will provide the workforce to receive comments from different participants and feedback on proposed guidelines and materials (representatives from financial and educational sectors are not involved full-time in this project).
 3. Meet regularly to discuss and approve the drafts and final versions of guidelines and books.

3 – Evaluation

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1. Consider setting up a system to monitor and evaluate the impact of financial education projects from the very start.
2. If possible, it should be launched together with the pilot program.
3. A national survey should be considered during the development phase of the National Strategy by the workgroup/taskforce in order to provide insight into the reality of the situation and guide what should be focused on first.

4 - Governance

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1. Plan a governance structure for the National Strategy that includes representatives from government and private sectors from different markets (credit, savings, private insurance, pension funds and capital markets).
2. Think about a national committee to guide the Strategy and on an institution to:
 1. coordinate the projects which cross more than one market (e.g. Financial Literacy for Adults and Financial Education in Schools)
 2. launch new projects on financial education with content that is compatible with financial regulations
3. Design a seal of approval that will be granted to projects compatible with the guidelines of the National Strategy

Thank you!

Comissão de Valores Mobiliários (CVM)

The Brazilian Securities and Exchange Commission

- Contact: vasco@cvm.gov.br
- National Strategy: www.vidaedinheiro.gov.br
- CVM's website: www.cvm.gov.br
- Investor's website: www.portaldoinvestidor.gov.br