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**English - Or. English**

**Directorate for Financial and Enterprise Affairs  
COMMITTEE ON FINANCIAL MARKETS  
INSURANCE AND PRIVATE PENSIONS COMMITTEE**

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**OECD-BANK INDONESIA INTERNATIONAL CONFERENCE ON FINANCIAL EDUCATION  
21-22 October 2008, Bali, Indonesia**

**Summary Record**

**English - Or. English**

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## Summary Record

### OECD-BANK INDONESIA INTERNATIONAL CONFERENCE ON FINANCIAL EDUCATION 21-22 October 2008, Bali, Indonesia

#### **1. Background**

The conference, co-organised by the OECD and Bank Indonesia, is part of the OECD programme on financial education. A major objective of this programme, set up 5 years ago, is to promote international cooperation among key financial education stakeholders, especially in the context of the rapid changes in emerging economies, resulting in a wider array of financial services (often credit products) now being offered to a large number of inexperienced consumers. The macro-economic implications of these new market realities are potentially significant if individuals are not provided with the tools they need to become financially literate. The urgent need for financial education has recently been emphasised by developments in the mortgage and credit markets and, most notably, the subprime crisis. Similarly, the Indonesian authorities have started paying close attention to issues related to financial literacy and education, having declared 2008 “the year of financial education”.

Against this backdrop, the OECD-Bank Indonesia International Conference on Financial Education convened a wide international audience (around 130 participants) of governmental officials and experts from public and regulatory and supervisory authorities, as well as senior decision makers, industry experts and academics from OECD and non-OECD economies (32 countries and 3 International Organisations). This event sought to advance and elevate dialogue on financial education in the international arena, with a special focus on South East Asian economies. In addition, the Conference shared country-specific experiences in implementing financial education strategies, reviewed applied research and discussed best practices.

#### **2. Main discussion points**

##### *Financial Education Strategies in Asia*

There is a growing consensus that formulating solid national strategies on financial education is vital. The speakers presented and discussed experiences from two Asian countries and two European countries in establishing national strategies on financial education.

While strategies vary greatly from country to country, similar traits and preliminary conclusions can be highlighted, including: 1) Target groups should be specified and prioritised; 2) Long-term approaches including starting financial education in school need to be applied; and, 3) A consumer protection regulatory framework covering important issues such as product transparency, complaint mechanism and dispute resolution is required for financial education to be effective.

##### *Strengthening Financial Inclusion*

Increasing efforts on the part of governments and the financial industry are being undertaken to provide low income groups of the population with basic financial knowledge, capability and facilities to ensure their sustained access to the financial system, which is considered crucial for individual well being. The

Asian region has a particularly high proportion of its population excluded from the financial system, in particular in rural areas, making the task to promote financial inclusion particularly challenging.

Numerous initiatives are being developed, including setting up targeted financial education programmes, enhancing access to training courses, creation of financial inclusion centers and funds, etc. It was underlined through the presentations that particular attention should be paid when devising effective financial education programmes/initiatives to challenges and obstacles related to social and behavioural factors. These initiatives for vulnerable groups are being supported by the financial industry. In particular, the saving banks sector has designed innovative microfinance programmes aimed to promote access to formal banking institutions for the poorest cohorts of the population through the provision of tailored financial services. In the context of microfinance development, financial education has become a key component for the empowerment of low-income households by providing business skills and financial managerial training, thus contributing to the prevention of poverty and loosening debt bondage.

#### *Empowering Youth to be Agents of Economic Change*

Developing the financial skills and abilities of youth has become a high priority as well as an important challenge for policymakers around the world. This is particularly true for the fast developing Asian economies which endeavour to raise future responsible and active financial consumers/investors while promoting sound and competitive financial markets and economy.

A preliminary OECD survey and research and main conclusions of the panelists revealed that the coverage, scope and extent of these actions vary greatly from country to country and within countries. Yet, some similar traits and preliminary lessons can be drawn, including : 1) Raising the awareness of policymakers and key stakeholders on the importance of financial education for youth is an essential preliminary condition; 2) A coordinated approach should preferably be designed involving various stakeholders; 3) Introduction of financial/money issues in school curriculum is critical; 4) Financial/money issues should be taught as early as possible and on an ongoing basis including for university-aged students; 5) Programmes should be tailored to the audience's age, level of literacy and knowledge, as well as social, economic and religious backgrounds and approach to money and financial issues; 6) Teachers and main possible disseminators should be appropriately trained; 7) Engaging and attractive tools and means involving concrete incentives and measures should be designed and developed; and 8) Children are also disseminators of rational and appropriate financial habits in society and key agents of future behavioral change with respect to financial issues.

#### *Role of Financial Institutions in Financial Education*

Recognising the complexity and financial risk that individuals are facing, financial institutions have launched a number of initiatives to spread financial education and training programmes in order to improve consumers' knowledge on financial products and services. Financial institutions are also seeking to promote greater disclosure of information and to develop ethical business practices. These initiatives involve to apply existing regulatory and consumer protection requirements, but also ensuring that business is conducted in a fair way for consumers.

The financial industry also deemed critical to develop in close collaboration with responsible self-regulatory organizations (SRO's), industry guidelines to advance financial education efforts, as well as best practices relative to consumer protection, disclosure of financial information, responsible lending and risk management.

Finally, the development of partnerships between financial institutions and governmental authorities, as well as joint research to determine financial education programme objectives, working methods and appropriate strategies were identified as key policy priorities.

### *Credit Issues for the Asian Region*

In recent years, OECD countries, governments, financial institutions and others concerned about social welfare have become increasingly worried about the growing level of debt taken on by consumers. Failure to develop debt management skills can cause consumers to suffer, at best, financial distress and at worst, major financial crises, which can have severe consequences and lead to significant losses for financial institutions (as creditors). Despite this risk, there seems to be a persisting lack of tools and resources available to ensure that consumers have the essential financial knowledge and skills needed to manage personal credit and prevent excess-indebtedness or repair bad credit.

Panelists discussed the importance of financial education in the credit area, especially in the context of the current crisis, and highlighted some areas of challenge and opportunity for Southeast Asian economies, including: 1) Financial literacy should not be seen as a substitute, but rather as a complement, to proper credit market regulation and infrastructure; 2) The priority in the region should be given to enhancing credit users' protection through enhanced disclosure regulations and information transparency, building on international good practices in that regard; 3) Governments should provide a market infrastructure allowing for risk-based credit pricing, and ensuring consumers' access to mainstream and properly regulated credit products; 4) In parallel, stakeholders should work towards educating (future) credit users to ensure they understand their rights and responsibilities as financial consumers, know where to go for information and recourse, understand their profile and needs, shop around for the best option and product, ask the right questions, make informed choices and make the best use of financial information; 5) The current credit crisis represents an unprecedented opportunity for all stakeholders to reach consumers and to deliver their messages at a "teachable moment" in time; and 6) While market players also have an important role to play, it is essential that their initiatives be distinguished from marketing and promotion.

### *Risk Awareness and Risk Reduction Education on Natural Catastrophes*

The scope of the OECD's on-going project on financial education and awareness extends to risk awareness and risk reduction education on natural and other disasters. In this session, the speakers exchanged views on the importance of risk awareness in order to reduce the financial impact of disasters and promote effective tools for raising risk awareness. The speakers were unanimously of the opinion that efforts in promoting risk awareness and risk reduction education on natural and other disasters need to be taken urgently and be backed by strategic cooperation among various stakeholders.

In particular, it has been noted that the insurance penetration rate vis-à-vis the GDP in Indonesia was merely 1.6% in 2007, while the average penetration rate around the world was 7.5%. The Indonesian government issued the first-ever Indonesian Disaster Management Law in 2007 based on similar Laws adopted by India and Japan. The Turkish experience on the launching of the Turkish Catastrophe Insurance Pool (TCIP) in 2000 has played an important role in raising awareness. However, several challenges are still to be addressed such as remaining relatively low level of insurance penetration rate, and lack of sufficient state support to improve insurance awareness.

### *Retirement and long-term savings: Enhancing knowledge and awareness*

As a part of government strategies to implement sustainable retirement systems in the face of ageing populations, public awareness campaigns and financial education programmes are being introduced. These strategies aim notably to raise awareness on, and understanding of, the need for pension reforms, the

changing parameters of existing pension systems, and the increased responsibility of individuals to fund and manage their own retirement. As the reform process of pension systems in Asia, and in particular in Indonesia, is gaining in momentum, awareness and education programmes on pensions are also becoming essential.

When designing and promoting comprehensive financial education programmes and awareness campaigns about pensions, the following key measures, highlighted through speakers presentations, should be encouraged: 1) the need to create strategic partnerships/co-ordination between responsible governmental agencies and other relevant stakeholders to ensure that they work together to attain common objectives and reach more effectively the targeted audience; 2) using varied channels to deliver financial education while taking into account the most effective channel to reach out targeted consumers ; 3) providing independent, easily accessible and understandable educational messages addressed to specific groups of the population (aligned with life events); and, 4) gathering continued feedback on existing financial education programmes in order to improve their effectiveness and adjust accordingly.

#### *Evaluating Financial Education Programmes and Measuring Financial Literacy*

In an increasing number of countries world-wide, national and local initiatives have been developed to promote the financial capability of their populations. However, a lack of solid evaluation methodology/criteria as well as robust comparable data on financial literacy and capability at the international level, impede the measurement of the effectiveness of programmes and of future efforts/interventions to improve financial literacy strategies.

In this session, academic and country representatives exchanged on experiences and on how to devise and evaluate more successful financial education strategies. Emphasis was placed on: 1) the necessity to define goals and objectives for programmes in precise and measurable terms; 2) identify the targeted audience; 3) accurately estimate the cost of the programmes; 4) develop a greater understanding of consumers' financial behaviors, knowledge and attitudes; 5) conduct systematic evaluations and analysis of the strategies in place; 6) involve evaluation experts from the early stages of elaboration of the programmes; and, 7) ensure follow-up and undertake efforts to adjust programmes. A consensus also emerged concerning the importance of the work to be conducted by the OECD on the development of an international baseline methodology which will enable a comparison of the level of financial literacy in different countries and of an international methodology to evaluate the effectiveness of financial education strategies at the national level.

#### *Conclusions*

The conference highlighted the OECD's leadership role in nurturing global awareness on the importance of financial literacy. In conclusion, the OECD Deputy Secretary General, Thelma Askey, reiterated the urgency for world-wide governments to co-operate to raise levels of financial literacy globally. The conference provided the opportunity for the OECD and Bank Indonesia to develop a joint cooperation statement whereby the parties expressed their intention to explore avenues for further co-operation to promote financial education and awareness in Indonesia and South Eastern Asia. The statement could lead to a possible memorandum of understanding in 2009.

### **3. Evaluation**

#### **a. Feedback from participants**

An immediate assessment of the conference was made through feedback from a questionnaire that was circulated on the second day. Its main results are as follows:

Roughly half of the participants at the conference (55/123) completed the questionnaire.

The general assessment, content and organisation of the conference as a whole were rated quite highly by most respondents:

- 77 % of respondents rated excellent/very good on “Overall assessment of the event”.
- 76 % of respondents rated excellent/very good on “Content of the conference as a whole”.
- 88 % of respondents rated excellent/very good on “Organisation of the conference”.

Most comments highlighted the high quality of the speakers and background documents and materials, while less than half of the comments rated excellent/very good on the discussions held after each session and the structure of the sessions:

- 66 % of respondents rated excellent/very good on “Overall quality of speakers”.
- 33 % of respondents rated excellent/very good on “Quality of the discussion after each session”.
- 49 % of respondents rated excellent/very good on “Structure and format of the sessions”.
- 72 % of respondents rated excellent/very good on “Quality of background documents and materials”.

The relevance of the following topics discussed in the programme of the conference was ranked mostly excellent or very good (76% for “Financial education strategies in Asia”, 76% for “Strengthening financial inclusion”, 83% for “Empowering youth”, 73% for “Role of financial institutions”, and 92% for “Evaluating financial education programmes and measuring financial literacy”).

Most (84%) respondents commented that they expect to very significantly/significantly use the information, analysis and good practices obtained through the conference in their work, and all (100%) respondents commented that the information obtained through the conference is relevant to policymakers in their countries.

#### **b. General assessment**

The conference can be seen as a success, taking into consideration that it highlighted the OECD’s leadership role in nurturing global awareness on the importance of financial literacy, which provided the opportunity for the OECD and Bank Indonesia to develop a joint cooperation statement and got overall very positive feedback from the audience. A relatively lower rating on “Quality of the discussion after each session” and “Structure and format of the sessions” may be attributable to the tightness of the programme (notably due to the numerous expectations of the hosting country) and provide guidance for improvement.

**OECD-BANK INDONESIA  
INTERNATIONAL CONFERENCE ON FINANCIAL EDUCATION**

**Bali, Indonesia, 21-22 October 2008**

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