

ROADMAP FOR A NATIONAL STRATEGY FOR FINANCIAL EDUCATION IN **KAZAKHSTAN**



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STRATEGY FOR FINANCIAL
EDUCATION IN KAZAKHSTAN**



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1. Short background of the CIS project and the OECD/INFE work on NSFE

Building on internationally-recognised expertise and longstanding commitment to advancing financial literacy around the world, the OECD/INFE is leading a three-year technical assistance project on Financial Education in the Commonwealth of Independent States (CIS)/Eurasia. The project will provide dedicated guidance and technical support for the design, implementation and review of evidence-based financial education strategies and policies in six CIS/Eurasian economies: Armenia, Azerbaijan, Belarus, Kazakhstan, the Kyrgyz Republic and Tajikistan. This project will draw on OECD/INFE outputs and the expertise and experience of its wide membership to support the design, implementation and evaluation of effective financial education strategies and policies as a complement to financial consumer protection and inclusion approaches.

The project involves four work streams focused on the following priority areas to be adapted to each country context and particularities:

- Advanced data collection and analysis of financial literacy levels and gaps
- Developing, implementing and reviewing effective national strategies for financial education
- Addressing youth's financial literacy needs through schools and out-of-schools initiatives
- Identifying and meeting the financial literacy needs of migrants and their families

Where relevant, the project will benefit from the global expertise of the G20/OECD Task Force of Financial Consumer Protection. This project is being undertaken with financial support from the Ministry of Finance of the Russian Federation and benefits from its technical expertise and participation in project activities.

2. Context

Socio-economic background

Kazakhstan gained independence from the USSR in 1991. The constitution dates from 1993 and was ratified by a referendum in 1995, establishing Kazakhstan as a secular democratic republic. The head of state is President Nazarbayev, first elected in 1991. The current capital city of the Republic of Kazakhstan is Astana, moved in 1997 from Almaty, the country's largest city.

Kazakhstan is an upper middle income country, with a per capita GDP of around EUR 9,400 in 2015 ([World Bank data](#)). It was the first former Soviet republic to repay its debt to the IMF, in 2000, seven years before the due date. Inflation was around 10.8% in 2016 ([World Bank data](#)). The economy has slowed in recent years due to a downturn in Russia, and a fall in global commodity prices. The national currency (tenge) was devalued in 2014, and fell about 75% in 2016 following the introduction of a floating exchange rate.

The population is 18.4 million, of which 40.3% under 25 years old; 42.5% are in the age group 25-54; and 17.2% are 55 years and over. Official languages are Kazakh and Russian. About 70% of the population is Muslim, 26% Christian ([CIA World factbook](#)). Life expectancy has increased steadily over the past 20 years, and is now at around 70 years ([World Bank data](#)). Unemployment is at an historic low of 4.9%; and 47% of the population works in agriculture ([World Bank data](#)).

According to Unicef figures¹, in 2013 there were 32 million foreign born migrants living in Kazakhstan, and 36 million Kazakh nationals living abroad.

¹ <https://esa.un.org/migmgprofiles/indicators/files/Kazakhstan.pdf>

The main source countries for immigrants were the Russian Federation (2.4 million people), Uzbekistan (304 thousands), Ukraine (245 thousands), South Korea (146 thousands) and Germany (95 thousands). The main destinations of emigrants were the Russian Federation (2.5 millions), Germany (718 thousands), Ukraine (234 thousands), Uzbekistan (91 thousands) and Belarus (70 thousands). The literacy rate of the Kazakh population is almost 100%.

Financial sector

Kazakhstan has a two-tier banking system. The central bank, the National Bank of Kazakhstan (NBK), comprises the first tier. At 1 January 2016, there were 35 second tier banks, and eight organisations engaged in banking operations, including three mortgage companies².

At 1 January 2016, there were 33 insurance organisations, 15 insurance brokers and 61 actuaries. The largest share of the market is voluntary property insurance (45.2% of 2015 premiums), followed by voluntary personal insurance (30.5%), and compulsory motor insurance (24.3%). In 2015, the Council for the Insurance Market Development in the Republic of Kazakhstan was established. This is made up of top management of the NBK, insurance organisations, the National Chamber of Entrepreneurs, and the Financial Institutions Association of Kazakhstan. Among other things, the Council aims to increase the efficiency and soundness of the insurance sector, and to implement Solvency II.

Kazakhstan's pension system was inherited from the former Soviet Union. With the shift to a market economy, the pension system became financially constrained, making it difficult to meet its obligations. In 1997, the government transformed the pension system from pay-as-you-go to a defined contribution pension system, covering the whole population. At 1 January 2016, the pension fund, UAPF, had 5,834.6 billion tenge of assets (around 15 billion Euros), with almost 10 million individual accounts.

The Kazakhstan Stock Exchange (KASE) was founded in 1993 to deal in foreign currency, government securities, shares and corporate bonds, and derivatives. Government securities started trading in 1998, initially to support the new pension system. However, turnover continues to be very limited, and few non-government issuers are investment grade.

In 2015, President Nazarbayev approved the creation of the Astana International Financial Centre (AIFC), which was launched in January 2018. The AIFC is expected to become a channel for Kazakhstan's privatisation programme. As well as creating a new stock exchange, the AIFC will aim to become a major centre of capital investment, asset management, Islamic and green finance, fintech and private banking. There will also be an independent jurisdiction based on the principle of English common law, and independent AIFC courts, a move intended to provide reassurance to investors. [www.fdiintelligence.com]

In 2014, a high proportion of the population had access to a mobile phone or the internet at home (93.6%). Some 46.7% of adults made or received digital payments; 12.7% used a debit card. Use of formal financial services was generally low. Some 53.9% of adults had a bank account; 8% had saved in the previous 12 months, and 16.5% had borrowed. SMEs were more likely to be formally banked than individuals (91.6%). [all figures from [G20 financial inclusion indicators](#)]

² National Bank of the Republic of Kazakhstan Annual Report, 2015.

Financial consumer protection

Kazakhstan has a specific consumer protection regime for financial services, set out in law. Legal requirements include disclosure about products and prices, financial institutions' responsibilities for complaints handling, and the right to redress. There are two independent Financial Ombudsman services, one for banking (<http://bank-ombudsman.kz>) and one for insurance (<http://insurance-ombudsman.kz>). These provide an alternative dispute resolution mechanism. They set standards, and assist in dispute resolution. The Ombudsman's decisions are binding.

The Committee for the Control and Supervision of the Financial Market and Financial Organizations of the NBK (CFS) is responsible for regulation and supervision of financial market participants. The regulatory activities of the NBK are set out in the annual report of the central bank.

In 2015 the NBK increased depositor protection, from 5 million tenge to 10 million tenge (from 12,500 to 25,000 Euros approximately). In 2016, there was about 13,000 billion tenge on deposit in Kazakhstan.

3. Current needs/challenges faced by the population

Over recent years there has been increased personal borrowing in Kazakhstan and a high level of non-performing loans. Kazakh citizens have high levels of unsecured debt, low levels of savings and low use of financial products, particularly insurance.

2014 survey of financial literacy

A survey of financial literacy in Kazakhstan was carried out in 2014 by the International Centre of Economic Literacy (ICEL), BRIF Research Group and TNS Central Asia, with support from Kaspi Bank³. The sample size was 1200 individuals from the adult population aged 20-60, covering 14 *oblast* and the cities of Almaty and Astana. Respondents were chosen at random within the sampling frame. The survey was conducted face to face, using 'pencil and paper'. The 55 questions were adapted from World Bank surveys of Russia, Ukraine, Azerbaijan and Belarus, and covered:

- The use of financial services
- Self-assessment of financial knowledge
- Financial behaviour
- Planning and budgeting
- Information used when choosing financial services

Some key findings included:

- More than one in three (36%) rated their financial knowledge as 'unsatisfactory'.
- More than four in ten (43%) were not aware bank deposits are guaranteed; 6% knew the guarantee limit.
- Almost two thirds (63%) reported that they 'often' or 'sometimes' ran out of money before they were paid.
- Almost half (48%) looked to relatives to borrow when they had run out of money; 7% used a credit card or sought a formal loan. 14% sought extra work.

³ The level of financial literacy of the population of Kazakhstan in numbers, report of survey 2014 – unpublished

- People generally understood there were poor consequences from missing loan repayments, such as having to pay a penalty (67%) or being refused a loan in the future (40%), but only 43% considered it would worsen their credit rating.
- People were most likely to keep free cash at home (44%) or spend it (29%). Only 8% saved it in a bank deposit. 3% paid off debts.
- Some 38% did not keep a record of income and expenditure.
- About two thirds (65%) shopped around before signing a financial contract, but only 38% looked at the cost of credit, and only a third considered consumer rights.

From the survey, the researchers concluded that the main financial education priorities should be:

- Financial products such as deposits, savings, loans, insurance
- The importance of credit history
- Investing and investment-based insurance products
- Understanding key financial terms and financial services contracts
- Consumer rights
- Planning and management of the family budget

A financial literacy programme led by Kaspi bank (*Just about Finance*) gave some indication of potentially successful approaches. Lessons from this programme included:

- Television and radio remain the best channels for reaching a wide audience, and that a combination of entertainment and expert opinion work best.
- Internet users have become more likely to seek answers in forums and online consultations before contacting the relevant public and private services.
- Schoolchildren are aware of finances and new banking technologies, more so than many adults.
- Most people who participated in *Just about Finance* projects had debt problems and were looking for answers to specific questions. Very few people came just to increase their knowledge.

OECD survey of financial literacy and financial inclusion in CIS countries

In 2017, the OECD conducted a financial literacy survey of the six CIS countries in the OECD/INFE project. This was combined with data collected by the Russian federation in 2016. The OECD survey measured financial knowledge, financial behaviour, and financial attitudes.

Financial Knowledge

Table 1: Financial knowledge

	Kazakhstan		CIS average	
	Correct	Don't know	Correct	Don't know
Time value of money	55%	19%	49%	24%
Definition of inflation	79%	8%	59%	15%
Interest on loan	79%	12%	78%	13%
Simple interest	36%	33%	29%	36%
Compound interest	39%	24%	38%	26%
Risk and return	82%	7%	67%	12%

Diversification and risk	62%	13%	54%	16%
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Half of respondents in Kazakhstan (51%) answered ‘don’t know’ to at least one of the seven financial knowledge questions, slightly lower than the CIS average (58%). Nine percent answered ‘don’t know’ to four or more of the questions.

Forty one percent achieved the minimum target score – as defined in OECD reports elsewhere - of at least four out of seven questions correct. The mean score for Kazakhstan was 4.1, compared with 3.5 across the CIS countries as a whole. There were no gender differences in Kazakhstan.

Three quarters of respondents in Kazakhstan rated their financial knowledge as average (74%), a higher proportion than any other CIS country. Only 9% rated their knowledge as higher than average. They were as likely to underestimate as overestimate their knowledge, when compared with the actual score achieved in the survey.

In Kazakhstan, a high financial knowledge score was positively associated with living in a large city; having a technical or vocational education; and using a computer in the seven days before the survey. It was negatively associated with below median income, or refusal to state income.

Financial behaviour

Sixty two percent of respondents in Kazakhstan said they were responsible for financial decisions and had a budget. A further 23% reported being responsible, but had no budget.

Financial control was high amongst Kazakh respondents:

- 88% considered purchases before buying
- 89% paid bills on time
- 82% kept watch on their finances

Table 2: Methods of saving in last 12 months

	Kazakhstan	CIS average
Cash	66%	53%
Deposit account	18%	10%
Saving with family	14%	21%
Co-operative	3%	2%
Non-pension investments	1%	1%
Other	9%	8%
Saved in at least one of these ways	73%	63%

Kazakhstan had the highest proportion of respondents striving to meet long term goals (69%), compared with a CIS mean of 56%. Kazakhstan also had the highest proportion of people who were both active savers and striving to meet long term goals (54%, CIS mean 39%); and the lowest proportion doing neither (11%, CIS mean 20%).

Table 3a: Ways of making up any shortfall in income (non borrowing)

	Kazakhstan	CIS average
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Cut back on spending, make do with less	68%	67%
Ask for help from family and friends, or the community	44%	40%
Use savings	22%	27%
Sell possessions	20%	15%
Work overtime, earn extra money	40%	27%
Claim government support	7%	6%

Table 3b: Ways of making up any shortfall in income (informal credit)

	Kazakhstan	CIS average
Borrow from friends or family	44%	46%
Pay bills late or miss payments	17%	14%
Pawn something	18%	9%
Take out a loan from savings & loans club	4%	4%
Take out a loan from an informal provider/moneylender	5%	3%

Table 3c: Ways of making up any shortfall in income (formal credit)

	Kazakhstan	CIS average
Use credit card to pay bills or get cash advance	13%	9%
Borrow from employer/take salary advance	11%	7%
Take out personal loan from finance provider	19%	10%
Use authorised overdraft/line of credit	5%	6%
Take out a loan from an informal provider/moneylender	5%	3%

Table 4: Using financial advice and guidance to buy products

Respondents who had recently chosen a financial product	Kazakhstan	CIS average	Kazakhstan	CIS average
	<i>Attempted to make informed decision</i>		<i>Used independent information/advice</i>	
	56%	53%	35%	31%
	<i>Recommendation from IFA or broker</i>		<i>'Best buy' guidance</i>	
	22%	13%	21%	24%

Seventy three percent of respondents in Kazakhstan achieved the minimum target score of six out of nine positive financial behaviours. The average score was 6.4. This was joint highest of the CIS countries, with Belarus. A higher proportion of women (76%) than men (70%) achieved the minimum.

A high financial behaviour score was positively associated with being in work; having a university or technical or vocational education; and having a higher than median income. It was negatively associated with having below median income, or refusing to disclose income.

Financial attitudes

Table 5. Financial attitudes in Kazakhstan

	Completely agree	Completely disagree
I tend to live for today and let tomorrow take care of itself	25%	41%
I find it more satisfying to spend money than save for the long term	33%	21%
Money is there to be spent	60%	5%

Only 30% of Kazakh respondents met the minimum score of 3, the second lowest of the CIS countries. The average score was 2.6. There were no gender differences.

Overall financial literacy

Combining the scores for all three elements gave Kazakhstan an overall financial literacy score of 31.1, the second highest in the CIS countries, after Belarus. For comparison, the lowest was Azerbaijan, with 10.9.

Financial inclusion

Table 6: Financial inclusion indicators and product holdings

	Kazakhstan	CIS average
Aware of at least five financial products	91%	78%
Recently chose a financial product	80%	67%
Turned to family or friends to save or borrow	31%	37%
Owns:		
a. Payment product	62%	51%
b. Savings/investment		
c. Insurance	45%	18%
d. Credit	24%	19%
	37%	29%

4 or more products	10%	4%
No products	20%	34%

Holding more products is associated with an increase in financial knowledge in Kazakhstan. The average knowledge score was 4.1. For holders of no/one/more than one product it was 3.8/4.0/4.2

Implications for revision of the National Programme

The OECD survey indicates that Kazakhstan has a high level of financial literacy compared with the other countries in the CIS project – second behind Belarus - but it is still lower than the OECD average. Scores were higher than the CIS average for financial knowledge and positive financial behaviours, but lower for financial attitudes. The ‘live for today’ attitude is not borne out by the very high proportion of Kazakh citizens (over two thirds) who report they strive to meet long term goals, but may be a risk to achieving good long term outcomes as products like credit cards become more widely used. There was no gender difference for the overall score, although a higher proportion of women exhibited positive financial behaviours than men.

A high financial knowledge score was associated with living in a large city; having a technical or vocational education; and using a computer in the seven days before the survey. For behaviours, the positive association was with being in work; having a university/technical or vocational education; and having a higher than median income. In both cases, low scores were correlated with having below median income, or a refusal to disclose income.

The OECD survey is not directly comparable with the 2014 survey, but some tentative conclusions can be drawn. Compared with 2014, Kazakh citizens seem to be a little more confident about their financial knowledge. They are more likely to save in a deposit account (although still only 18% do so); much more likely to seek more work to make up a shortfall in income, but also more likely to borrow on a credit card (although still only 13% do so).

4. Description of the current status of the NSFE in the country

National programme for improving financial literacy

Rationale, aims and objectives

The NBK has initiated a three-year ‘National programme for improving the financial literacy of the population (2016-2018)’, which was endorsed by a resolution of its Board in September 2016 and is led by the Consumer Protection team within NBK. The national programme was developed as a part of a broader programme for development of the financial sector focused on establishing a competitive financial sector and increasing its effectiveness.⁴ The Concept document sets out objectives of strengthening financial literacy and financial consumer protection, among other priorities.

The main aim of NBK’s national programme is to enable citizens to make sound financial decisions, and to improve consumer and investor protection, leading to improved financial well-being. Improving financial literacy is also seen as important for increasing financial stability, and generating demand for products and services, notably insurance products and securities.

⁴ Concept of the Financial Sector Development of the Republic of Kazakhstan until 2030. Approved by the Government of Kazakhstan on August 27, 2014.

The national programme sets out a target for financial literacy at the end of 2018. The aim is that 71.6% of adults should achieve the target level, which is based on a composite indicator comprising information about the use of financial services, management of personal finances and awareness of the financial system, including consumer protection. A 2015 survey measured financial literacy as 69% using the same indicator (cities of Astana and Almaty only). The national programme also lists some qualitative indicators of improved financial literacy, including:

- Citizens' financial planning skills and provision of contingency savings
- A shift in attitudes towards more active financial behaviours
- Reduction in expectation of public financial support
- Increased consumer confidence in the financial sector
- Enhance economic activity, including support for entrepreneurship, creation of new businesses.

NBK plans to measure this through regular sociological surveys.

NBK also expects the programme to lead to an increase in savings and that this in turn would increase lending to businesses in the economy.

Governance and funding

NBK leads the national financial literacy programme. It is responsible for overall co-ordination, monitoring and evaluation of the individual initiatives within the national programme. It cooperates, or is planning cooperation, with a number of institutions, including:

- NBK local branches
- Ministry of Education and Science
- Local authorities
- Financial Institutions Association of Kazakhstan
- The Regional Finance Centre of Almaty: a subsidiary of NBK, the RFC provides professional finance qualifications for public and private sector organisations. It also delivers investor education.
- Second tier banks, of which two currently offer financial education programmes: Home Credit Bank and Kaspi Bank. NBK will take over the financial education platform of Home Credit Bank under the national programme.
- Other financial institutions
- Civil society organisations
- Mass media

The NBK is setting up a Working Group, to include second tier banks and other financial institutions.

The national plan is being funded by the NBK, although some money is expected to come from the federal budget. The NBK also plans to charge for some seminars aimed at professionals and use the proceeds to fund the national plan.

Target groups

The national programme has aspirations to reach a wide range of priority groups: working, unemployed, children, youth, students, socially vulnerable, pensioners, those in financial difficulties, entrepreneurs starting their own business, State officials, the media. However, currently, the only activities within the national programme aimed at particular adult groups are those for the unemployed/low income and the elderly.

Principles of the national programme

The national programme defines financial literacy as “knowledge of financial institutions and products offered on the market, the ability to use them when there is need, as well as an understanding of the consequences of actions”. This is divided into three inter-related components: preferences, knowledge and skills. Some examples of these include:

- *Preferences:* Managing the family budget, and planning for the long term
- *Knowledge:* Understanding risk and return, interest rates, inflation, cash and non-cash payments, mortgages, different types of financial product, financial institutions, financial terms, legal framework. Keeping up to date with developments.
- *Skills:* Ability to read and understand contracts, compare offers from different institutions, calculate loan repayments. Ability to optimise the relationship between savings and consumption.

Objectivity and impartiality of financial education are important underlying principles. The national programme spells out that it is ‘unacceptable’ for marketing or promotional activities to take place under the guise of education.

Main activities under the national programme

The national programme includes a number of planned initiatives:

- Introduction of financial education in primary schools,
- Developing financial education in schools (5th to 9th grade), initially as an extra-curricular activity, then as part of the national curriculum,
- In parallel, updating classroom resources and teacher manuals,
- Development of sustainable institutional mechanisms for implementing programmes,
- Training programmes and financial education tools for youth and adults,
- An information campaign on financial literacy and financial products and services.
- Capacity building in the NBK and financial institutions providing financial education and information about consumer protection.

The main elements of the national programme year by year are set out below.

2016:

- NBK set up a Facebook page with 5,000 followers, and an app that enables people to pose any question to the Bank and receive a response within five hours. Some 3,000 people have downloaded the app. NBK has launched a financial literacy portal (www.fingramota.kz), some of the content is still under development.
- Creation of a television programme to explain the use of financial products and services in easy and accessible language
- Promotion on television and social networks a series of instructional videos on financial services;
- Development and printing of booklets about financial services;
- Conducting of a series of lectures on financial literacy in the regions;
- Competitions on financial literacy among various target audiences on financial literacy;
- Periodic dissemination of articles and information material through the media.

2017:

- Creation of a children’s television, and social networks programme on the basics of financial literacy for children of primary and secondary school age;
- Development, production and distribution of resources for school-age children in print;
- Measurement of the level of financial literacy in the population;
- Press events on improving the financial literacy of the population for national and regional media (press conferences, round tables, briefings);
- Creation of a series of animated videos for broadcast on television, in social networks, on billboards and in large retail establishments training series of animated videos.

2018:

- Launch call centre;
- Organisation of themed ‘weeks’;
- Measurement of financial literacy of the population;
- Activities aimed at improving the financial literacy of school children (in coordination with the Ministry of Education and Science);
- Special seminars for the media, representatives of public associations and public bodies;
- Establishment of NBK training centre.

Individual programmes will be monitored, to examine their effectiveness in changing behaviours. The annual survey of financial literacy will provide information about potential target groups – those in greatest need of better financial knowledge – as well as information about the strengths and weaknesses in systems, knowledge, skills and confidence of citizens in financial issues.

Investor education

The Regional Financial Centre of Almaty (a subsidiary of NBK) provides professional qualifications and delivers investor education in a number of ways:

- Articles online; TV programmes; seminars and lectures; games and websites; social media.
- Online budget calculators and simulators.
- Weekly private investor meetings, to share information and gain technical advice. This includes creating a virtual portfolio, which can be discussed in the meetings. The target is new investors, but university students and finance professors also participate in some activities. One session is devoted to experienced investors who play broker games and learn about more advanced topics such as Forex.
- Training for university professors to teach a securities market elective.

Financial education initiatives of the private sector

Prior to the national programme, the main financial education activities were run by two of the second tier banks: Home Credit Bank and a collaboration between Kaspi Bank and the PF International Centre for Economic Literacy (*Just about Finance*).

Home Credit Bank

Home Credit Bank has run a financial education programme since 2014. The bank mainly serves low income customers. The main motivations for the programme are over-reliance on credit, lack of self-sufficiency, and a culture of not repaying loans, by which it is socially acceptable to ‘blame’ the bank. Thus one objective is

to reduce complaints, through providing education and guidance. Home Credit bank is also seeking to encourage small scale savings.

Home Credit Bank initially targeted urban populations, but now does roadshows in rural areas, and sends materials to areas that cannot easily be reached. It also uses the TV and internet to reach remote populations, even though rural newspapers have little interest in publishing articles related to financial literacy.

In collaboration with their risk department, the bank produced a video to educate potential borrowers before they can access a loan. This appears to be reducing the proportion of non-performing unsecured loans (from 10% in 2014 to 7%).

Kaspi Bank - Just about Finance

The *Just about Finance* programme ran from 2014 to 2016. It took account of the results of the same survey that underpinned the national programme. *Just about Finance* was intended to develop the ability of consumers to understand financial products, to know how to manage money, and make sound financial decisions. It involved collaboration with the business community, state institutions, experts and the media. As part of the programme, a grant competition was launched to support projects aimed at increasing the financial literacy of Kazakhstani citizens. The amount of grant for each of the projects was from 500,000 to 10,000,000 tenge.

Kaspi bank also co-operated with the Kazakhstan Deposit Guarantee Fund to inform the public about deposit insurance and state guarantees. This was a prominent feature of all the *Just about Finance* projects.

The programme set up an educational portal (ofinansah.kz), and a Facebook page *Just about Finance*. The portal enabled users to get answers to financial questions.

Some *Just about Finance* projects included:

- **Radio programme: 'Financial Culture'**. The programme was broadcast twice a day on the radio "Zhuldyz FM". The programme discussed relevant financial issues and banking products that radio listeners could ask questions about using social networks. The radio programme was supported by a section "Financial Consultant" on the site szh.kz.
- **10 lessons on financial literacy**. Forbes.kz and Kaspi Bank implemented the project "Lessons on financial literacy", which told about the basics of financial literacy and how to manage the family budget. Such topics as family budget management, bank deposits, what to look for in loan agreements, consumer loans and credit history were disclosed.
- **Credit history**. In a joint project, Kaspi Bank and the First Credit Bureau prepared a series of publications on the topic of "credit history", covering why people need a credit history, how to get it, why it should be good, how to correct inaccuracies and how to avoid credit scammers.
- **The project "Purse" Alau-tv (Kostanai)**. The project was a combination of a television program and an Internet project. A telecast was developed, each issue of which was dedicated to a separate topic in the field of accumulation, safety of funds and banking products. In parallel, this topic was posted on the information portal alau.kz. On the portal, viewers had the opportunity to discuss the current issue, ask questions to experts, and offer their own topics. The project was published in Kazakh and Russian languages.
- **12 chairs project**. On the TV channel "ON TV" the studio "The Ark" launched an educational TV program "12 chairs". This presented all aspects of personal finance in an entertaining way. The program records can be viewed on the page "ON TV" on Youtube.
- **Educational comics**. Educational comics tell stories of ordinary people and their relationship with finance and managing the family budget. The stories cover situations in which people can make mistakes or get confused. Together with comic book heroes, readers sort out such topics as credit scammers, deposits, family budget, and online payments.

Some of the projects under the *Just about Finance* programme covered particular target groups:

- **Project 'Mom & Money'**. The Women's Leadership Fund implemented a quiz contest for young mothers. The competition was held on a section of the website <http://www.wlf.kz>. At the beginning of each week, a financial expert asked about a scenario from one aspect of personal finance: loans, security, accumulation of money, family budget, etc. Participants in the quiz responded to the scenario. At the end of the week, the expert summed up the results and commented on individual answers. This form of interaction stimulated participants to search for information on a given issue, generated online discussion of the specifics of each situation, and reconciliation of their opinion with the expert's answer.
- **Project for the hearing impaired**. The project was implemented by two public organizations "Association of the Deaf ZhasNur" in the central, northern and eastern regions of the country, the "Umit" Center for the Support of the Deaf People with Disabilities in the southern and western regions. The project team conducted training seminars on financial literacy for people with hearing impairment. Special training handouts were prepared, taking into account the interactive presentation and need for sign language interpretation.
- **Project for people with disabilities (Almaty region)**. This project was implemented by the Public Association "Disabled Society". Training seminars that were held in the village of Saryozek, Taldykorgan and in Almaty. Participants were taught financial concepts, with the aim of eventually engaging in entrepreneurial activities.
- **Educational seminars (South-Kazakhstan region)**. This project delivered 20 seminars to people in rural areas. The seminars taught basic information: consumer loans, how to make money on deposits, how to create a personal financial plan, how to avoid financial mistakes that people make when registering loans, how to count their expenses, and the advantages of Internet banking and online payments which can save money and time.

Training for microenterprises

Since December 2013, the KMF company (the largest microfinance lender in Kazakhstan) has held training seminars in all its branches. These are free, and aimed at users and potential users of basic financial services. The seminars cover: accounting for income and expenses, how to avoid overindebtedness, planning a personal budget, and savings and insurance products offered by financial services firms.

The seminars are also aimed at KMF's MSME clients, and KMF runs business skills seminars for this group.

Kazakhstan Stock Exchange

The Kazakhstan Stock Exchange runs a simulator game aimed at educating new investors.

Financial education in schools/for youth

Financial education in school

Schooling is compulsory from age 6, and is free in public schools, by constitutional right. All schools follow a national curriculum, prescribed by the Ministry of Education. Some schools teach lessons in Kazakh, others in Russian, with a minority covering both.

Kazakhstan scored poorly in the OECD's PISA test for 15-16 year olds in 2009, but improved its position across all three elements – mathematics, reading and science – in 2012. Even so, it remained below the OECD average. Kazakhstan did not participate in PISA 2015, and has not taken part in the optional financial literacy module.

There is no formal financial education in schools at present. Financial education is expected to be introduced as an optional subject under the national programme.

Financial education for young people

There are some financial education initiatives aimed at young people, in addition to those described in the national programme. Examples are shown below.

In 2013, NBK published articles containing educational materials and stories on financial topics for schoolchildren. These included:

- **Classroom discussion guides.** Under the heading “The adventure of the coin and his friends” the stories covered different aspects of personal finance, for example, savings and where is the safest place to keep them; pensions; and the importance of career development and discusses professions related to finances. The stories are interactive; intended to be the basis of discussions between students and teachers have discussions.
- **A dictionary.** An explanation of the main financial terms concerning the classroom discussion topics. For example, definitions of the terms “saving” and “financial safety air bag”; different type of pensions in Kazakhstan; terms concerning career development, e.g. “profession”, “career” and “qualification”.
- **Games and quizzes.** Under the title “The amusement park of a young financier”, there are games and quizzes that students can do by themselves.
- **Practical advice.** Practical advice in the form of comic strips, for example, “Safety bag is coming to help”, and the importance of savings, which has the title “It is better to have a chicken tomorrow than an egg today”.
- **Quote of the day:** All articles have one traditional national quote on each topic in the discussion guides.

A number of activities took place under the *Just about Finance* programme:

- A series of five lectures for students. The symbolism of the cycle of lectures was a financial flight. Therefore, each lecture has its own theme: getting a boarding pass, taking off. Flight and turbulence, soft landing and conversation.
- Lectures to students by top managers of Kaspi Bank, describing their work and expanding on topics:
 - Banking "cuisine": how Kaspi products are made; how the bank works.
 - Family budget: the basics of budgeting; saving; budgeting with a small salary.
 - What to look for when signing a contract with the bank; charges and commission.
 - The importance of a credit history.
 - The best investment is education.
- The National Bank of Kazakhstan and Kaspi Bank held educational meetings with schoolchildren in honour of the national currency day. Bank staff explained how finance and IT technologies create new banking products, and also played intellectual games with the students.
- Books for schoolchildren. Under this project, books on financial literacy were published. The main characters were schoolchildren, who helped their parents and other adults solve their financial problems. In addition to the main stories with regular characters, the book included puzzles, economic problems, and crosswords. The books were sent to children's libraries in every region of the country. The project team organized meetings where students could share their

opinions about the book and financial matters that concerned them, and also play a financial game. The book came out in Russian and Kazakh languages.

- Children's book "Bai balaqaj" ("Rich Child"), written by journalist Amanzholov Nurbolat. The book was designed for school-age children, and explained in simple language issues about finance, how to handle money and with the financial instruments that are now on the market. The book was circulated to school libraries to enable more children to get acquainted with the basics of financial literacy, and the author held meetings with teachers and schoolchildren in Almaty and Almaty region.

Home Credit bank also developed financial education for young people. The bank has direct access to some schools and access via regional mayors in other areas. It also uses Facebook to reach teachers directly and encourage participation. The bank produced a book called Children and Money which has been translated into various languages, and which is provided to schools and NGOs, and is designed to strengthen family values. There is also the Journey to the World of Finance, which builds on the book. Home Credit Bank provide seminars, free of charge, and participants get a certificate on graduation. These were originally designed for children, but, at the request of head teachers, are also delivered to teachers.

They also have games, have created an Olympiad (a national competition for children that have received financial education, and judged by representatives from various organisations, including the National Bank and the Chamber of Commerce), and for adults/families, they organise open door days where they have branches.

In addition, some international organisations have been active in Kazakhstan:

- The Aflatoun programme seeks to empower children through a balance of social and financial education. Children are taught to believe in themselves, know their rights and responsibilities, understand and practice saving and spending, as well as start their own innovative enterprises. A few years ago, the Public Organisation Centre for Initiative Support organised several Aflatoun activities, including a Social Projects Fair with exhibits by the government and NGO representatives. In 2011 102 children were participating in Aflatoun programmes in the South Kazakhstan region.⁵
- Junior Achievement, which promotes entrepreneurship and business skills, is active in Kazakhstan. The *More Than Money* programme teaches students about earning, spending, sharing, and saving money, and the world of work. In 2013, Citi reported that 215,000 young people had taken part in Junior Achievement since the programme started.⁶ Over 600 young people had taken part in the *Banks in Action* program and teachers expressed interest in using the program in teaching their optional and compulsory economic courses.

Home Credit Bank provides activities during Global Money Week.

5. Description of the potential development of the national programme into a national strategy

Development of a National Strategy

The national programme meets some of the OECD/INFE principles on developing national financial education strategies⁷:

⁵ http://www.kidsmoney.org/int_aflatoun.htm#Kaz

⁶ <http://www.citigroup.com/citi/news/2013/130711b.htm>

⁷ OECD/INFE High-level Principles on National Strategies for Financial Education, endorsed by G20 leaders, 2012

Table 7: the National Programme and OECD/INFE principles

Principle	National programme
A nationally co-ordinated approach to financial education that consists of an adapted framework or programme, which...	
Recognises the importance of financial education – including possibly through legislation – and defines its meaning and scope at national level in relation to identified national needs and gaps.	The national programme is endorsed by the Board of the NBK. There is no national legislation. The meaning and scope of financial education have been identified, but the picture of needs and gaps is partial.
Involves the co-operation of different stakeholders as well as the identification of a national leader or co-ordinating body/council	The NBK has a clear national leadership role. However, the co-operation of stakeholders is informal (through a Working Group), and important stakeholders are not fully engaged (notably the Ministry of Education and Science)
Establishes a roadmap to achieve specific and preterminded objectives within a set period of time	The national programme has overall objectives, and a clear timetable of year-by-year activity. However, the role of stakeholders is not sufficiently clear.
Provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the national strategy	There is no evidence of this in the national programme.

Legislation and mandate

Clear legislation and a formal mandate to develop and coordinate the NSFE would help ensuring its sustainability. While the NBK has a clear leadership role in delivering the national programme, a legislative mandate for public stakeholders – NBK and relevant Government departments - would help ensure the sustainability of a national strategy. The OECD’s Policy Handbook on developing national strategies⁸ sets out the advantages of a clear mandate, including financial sustainability, greater accountability and visibility to the public. A mandate also ensures that public stakeholders are fully engaged in implementation. This is particularly important for the Ministry of Education and Science.

Needs and gaps

A detailed analysis of the results of the OECD/INFE financial literacy survey and other available data and an assessment of the economic environment in Kazakhstan could help the transition from the existing national programme for improving financial literacy to a fully-fledged NSFE to national strategy, including of its policy priorities and target groups.

The national programme sits within a broader programme for the financial sector. As well as increasing the financial literacy of citizens, NBK also aims to increase take up of financial products, particularly insurance, and to reduce the proportion of non-performing loans. It also expects the national programme to contribute to financial stability.

The national programme takes account of a 2014 financial literacy survey, based on earlier World Bank surveys in Russia, Ukraine, Azerbaijan and Belarus. It has also been based on broad conclusions from the earlier *Just about Finance* programme, including on effective channels of communication and awareness. However, there is little evidence of evaluation, either of individual projects, or the totality of effort.

⁸

<http://www.oecd.org/finance/National-Strategies-Financial-Education-Policy-Handbook.pdf>

The national programme lists a wide range of priority groups, but most of the activity is directed at the population in general, or, in some cases, at children and young people. The programme also includes seminars for unemployed/low income and elderly. Other priority groups – such as entrepreneurs and those in financial difficulties – are not covered explicitly. Migrants and their families do not register as a priority group.

The dedicated OECD/INFE financial literacy data collection exercise, conducted in late 2017, is an opportunity for Kazakhstan to revisit its priorities for a national strategy. The analysis will enable Kazakhstan to benchmark against other countries in the region, and internationally. In addition, the strategy should define core competencies, adapting the OECD framework to the Kazakhstan situation.⁹

Leadership and co-ordination

NBK is well positioned to continue leading on financial education, but there is a need to secure the support of a wider range of stakeholders in Government, and the private and not for profit sectors. There is a significant amount of financial education activity in Kazakhstan. The main providers are two second-tier banks, although other commercial and civil society organisations also provide small scale programmes. More recently, NBK has provided directly, or funded, activities under the 2016-2018 national programme. This includes an internet portal, Facebook page, app and promotional logo, call centre, and training programmes. Although the national plan sets out co-ordination mechanisms, there is no evidence that these are in operation.

Priorities for developing a national strategy

Financial education in schools

Develop a curriculum for financial education in schools, for all children and young people of compulsory school age. The basic principles of financial literacy should be acquired at a young age. School-based financial education programmes are most likely to be effective when providing education in ways which students find engaging and interactive, training teachers on the content and techniques, and integrating financial literacy into a variety of subjects, such as maths, economics, social studies, etc.¹⁰

Adopt the recommendations of the upcoming OECD policy handbook on financial education in schools and youth in CIS which will include guidance on the introduction and successful implementation of financial literacy in schools in the region, advice for the definition of core competencies for financial literacy in CIS countries, training of trainers and development of pedagogical tools for different age groups.

Financial education for migrants and their families

Use the results of the OECD/INFE financial literacy survey to identify the particular needs of migrants and their families in Kazakhstan.

⁹ OECD (2016), G20/OECD INFE Core competencies Framework on financial literacy for adults.

¹⁰

Develop financial education activities and materials adopting recommendations of the upcoming OECD regional report produced to analyse the needs of migrants and their families in terms of financial education in CIS.

Financial education for adults

The NBK could:

- **Build on successful approaches to financial education**, using the website portal, social media, newspapers and broadcast media to increase consumers’ understanding of the risks and benefits of financial products, and their rights and responsibilities.
- **run a campaign on the consequences of not repaying** loans. It could also set up a **helpline** for people who are in serious debt and unable to repay.
- **run an awareness campaign on depositor protection**. Understanding of depositor protection is very low, and this would help build confidence in banks.
- **Engage a broader range of financial services providers** (other than the second tier banks) in delivering financial education messages. This needs to be done with care, to avoid marketing or selling, and taking into account that impartial information increases trust, while ‘hard sell’ approaches decrease it.
- **Use places where people go in their daily lives** to engage them in financial education. This could be, for example, the workplace, health clinics, or supermarkets. While the ‘teachable moment’ is generally held to be the most effective time to deliver financial education, it will not work equally well in all situations. People are more likely to be engaged with financial education messages when they want to borrow money, much less so when it comes to savings or insurance, unless they are saving for a particular reason. Encouraging positive financial behaviours needs to be sustained, and take account of inherent behavioural biases (inertia, present bias, etc).

6. Proposed approach to develop the national programme into a national strategy

The existing “national programme for improving financial literacy” has a limited time frame (2016-2018) and could be made more structured and effective. This sections makes policy suggestions to improve the national programme and turn it into a fully-fledged national strategy for financial education (NSFE).

Table 8: Summary of key areas and policy suggestions

Key areas	Activities
a. Mapping existing initiatives	1. Map existing financial education initiatives 2. Assess the effectiveness of existing programmes and projects
b. Institutional and governance mechanisms	3. Establish a co-ordination and governance model
c. Setting policy priorities and achieving objectives	4. Define policy priorities and objectives
d. Targeting	5. Determine priority target groups
e. Implementation	6. Develop delivery, monitoring and evaluation plan 7. Develop principles, guidelines, quality standards and reporting requirements for delivery partners 8. Develop guidance on effective approaches 9. Roll out financial education activities, based on the plan

f. Funding/resources	10. Agree budget and resources
g. Monitoring implementation and evaluating impact	11. Monitor implementation, evaluate individual programmes and projects, and effectiveness of the strategy as a whole.

a. Mapping existing initiatives

1 - Map existing financial education initiatives

There are many stakeholders delivering financial education – some under the umbrella of the national programme and some independently. Even when programmes are under the national programme, it is not clear what contribution these are making to the priorities identified in the national programme, nor what impact they have. There may also be gaps not identified in the initial mapping of financial education initiatives. The NBK could therefore undertake a thorough mapping of stakeholders. This could be done by publishing a call for evidence to help identify existing programmes and projects including any unknown stakeholders/initiatives/academic research. This should also include questions about the target groups and reach of current programmes. In parallel, it would be good to conduct desk research to gather evidence on programmes that are part of the national programme, or known to NBK.

2 - Assess the effectiveness of existing programmes and projects

Programme monitoring and evaluation are essential to ensure that a financial education programme is effective, to inform and influence future funding decisions, as well as to predict the overall impact of a programme and set well-defined policy targets.

Some lessons learnt from the Kaspi Bank programme *Just about Money* were used to inform the national programme, but evaluation is not systematic in Kazakhstan. A more thorough assessment of elements of the national programme is needed, as well as projects falling outside the programme.

The already planned NBK sociological surveys may help with an assessment of the overall effectiveness of the national programme. The OECD/INFE financial literacy survey (2017) could also be regarded as a baseline for future overall evaluation. In addition, more efforts could be made to evaluate ‘what works’ among the existing programmes. At a minimum, this could be done by convening a workshop for national programme delivery stakeholders and others (e.g., national academics with expertise in the field) to share feedback. This could be followed by some expert interviews if necessary.

b. Institutional and governance mechanisms

3 - Establish a co-ordination and governance model

The NBK established a Working Group to co-ordinate the national programme. It is composed of representatives from second tier banks and other financial institutions. The transition from the national programme to a NSFE would benefit from wider representation on a high-level Steering Group, including the Ministry of Education and Science and other relevant public authorities.

In addition, the Government of Kazakhstan should consider whether it would be effective for the national strategy to have a statutory basis, with clear mandates, roles and responsibilities for Government agencies as well as the NBK. Clear mandates would help ensure the sustainability of the national strategy and improve the engagement of public stakeholders.

c. Setting policy priorities and achieving objectives

4 - Refine policy priorities and objectives

Policy priorities should be revisited in light of mapping existing initiatives, lessons from implementing the national programme, any changes in the NBK sociological survey, and the 2017 OECD/INFE financial literacy survey. In addition, NBK should assess whether the economic environment has changed, and whether this has any implications for the priorities of the national strategy.

d. Targeting

5 - Determine priority target groups

The national programme has a broad range of target groups, but these should ideally be prioritised against need in the transition to a NSFE. The needs of migrants should be considered as part of this exercise. The NBK could convene a workshop to discuss the findings of the 2017 OECD/INFE financial literacy survey and other evidence, e.g. from the implementation of the national programme, sociological surveys and findings on vulnerable groups, to identify which target groups should be prioritised.

e. Implementation

6 - Develop delivery, monitoring and evaluation plan

The existing national programme will come to an end in 2018. Depending on an assessment of its effectiveness, some activities may continue under the NSFE. Others may be added through a re-assessment of priorities and target groups. The new NSFE should have an overall timeframe, including a delivery plan setting out what activities are to take place and what they are intended to achieve, when they will take place, who is responsible for delivery, and how success will be measured.

The members of a possible Steering Group should develop and agree on the delivery modes of financial education activities, consulting with other stakeholders as necessary. The delivery plan should be formally adopted (for instance, as an NBK resolution) to ensure that it is followed as a guiding document by all stakeholders. The plan should be reviewed and adjusted periodically to reflect the implementation progress and any relevant changes.

7 - Develop principles, guidelines, quality standards and reporting requirements for delivery partners

It is expected that the NBK will not deliver most activities of the NSFE directly, and that it will rely on stakeholders in the public, private and not for profit sectors to do so. To ensure consistency of approach, it will be necessary to issue implementation guidelines.

Objectivity and impartiality of financial education are already important underlying principles in the national programme, which spells out that it is 'unacceptable' for marketing or promotional activities to take place under the guise of education. It will be helpful to reinforce this principle so that it is clear to all delivery partners. The NBK may use the OECD Guidelines for Private and Not-for-profit Stakeholders in Financial Education as a starting point to develop further principles and guidelines. It should also establish reporting requirements for delivery partners and internal monitoring procedures, in order to ensure compliance with the principles, guidelines and quality standards, and to ensure that data on evaluation are adequate, and reported on a consistent basis. Consideration should be given to suitable incentives for delivery partners to provide information. This could be, for example, a Quality Mark that the partner could display to show they are NBK-approved to deliver financial education.

8 - Develop guidance on effective approaches

NBK has learned some effective approaches from earlier financial education programmes within Kazakhstan. It would be beneficial to build on this, as well as on international experience, in order to develop further guidance on effective approaches.

9. Roll out financial education activities, based on the plan

A number of financial education initiatives could be added to the new NSFE, including:

- Develop a curriculum for financial education in schools, for all children and young people of compulsory school age, to support the implementation of effective financial education in school. Teachers should be trained accordingly.
- Develop a campaign on the consequences of not repaying loans. It could be complemented by a helpline for people who are in serious debt and unable to repay.
- Develop an awareness campaign on depositor protection. Understanding of depositor protection is very low, and this would help build confidence in banks.

f. Funding/resources

10. Agree budget and resources

NSFE around the world are funded through a variety of sources, modalities and tools. Long-term planning and multi-year budget horizons are instrumental in implementing effective financial education policies, due to the long-term nature of the behavioural change sought by these public policies.

The NBK provides most of the funding for the national programme. The NSFE will need a secure multi-year budget, with sources of funding clearly identified and committed. The NBK should identify and ring-fence funds from its own budget for the period of the strategy. Together with the Ministry of Finance and Ministry of Education, it should identify what public funds may be available to support financial education in schools.

The NBK should also seek to secure funds from the private sector. When private stakeholders are financially contributing to the national strategy, appropriate guidelines (based on the OECD/INFE Guidelines for Private and Not-for-profit Stakeholders in Financial Education) should be established to ensure the viability and objectivity of the strategy. Funding mechanisms (such as trust funds) that minimise possible conflicts of interest can also be considered.

The NBK may also consider looking for international funders. Demonstrating impact and return on investment from resources invested in financial education would be important to secure stable sources of budget.

g. Monitoring implementation and evaluating impact

11. Monitor implementation, evaluate individual programmes and projects, and effectiveness of the strategy as a whole.

Most of the financial education activities in Kazakhstan have not been evaluated for their effectiveness.

For the success of a future NSFE, it will be important to evaluate both the NSFE as a whole and single projects. Monitoring and evaluation of the national strategy is essential from an accountability perspective, to provide valuable evidence to improve financial education interventions and policies and contribute to their sustainability on the longer term. The NSFE is ideally evaluated quantitatively, through regular surveys every 3-5 years, and qualitatively, through a range of tools including consultation with stakeholders and collection of evaluation evidence from programme deliverers.

In implementing the NSFE, it will also be important that the NBK continuously monitors financial education activities, through dedicated monitoring activities and stakeholder reporting. Evaluation of the impact of individual programmes and projects within the national strategy provides more detailed evidence about the effectiveness of single initiatives. In developing impact assessments, stakeholders should refer for guidance to the INFE High-level Principles for the Evaluation of Financial Education Programmes and the related practical guides.

oecd.org/finance/financial-education/

