

NATIONAL STRATEGY
FOR FINANCIAL LITERACY
IN LATVIA
2014–2020



I. INTRODUCTION

1. National financial literacy strategy (hereinafter – the Strategy) is the document that establishes a single strategic approach to gradual enhancement of financial literacy level of Latvian population for the financial and economic education providers and experts, defines the attainable objectives, main acting blocks and tasks, as well as institutions involved and resources required for implementation above purposes.
2. To attain the defined strategic objectives, the Strategy provides for involvement of partners in improving national school curricula, development and promotion of lifelong learning programmes and knowledge testing tools, cooperation projects carried out by governmental and regional institutions, various level educational institutions, non-governmental organizations, professional associations for the financial industry and financial and capital market operators, including also activities and support provided by international partners.
3. The Strategy was drawn up in close cooperation of the Financial and Capital Market Commission (hereinafter – FCMC) with partners – the Ministry of Education and Science (hereinafter – MES), National Centre for Education (hereinafter - NCE), Consumer Rights Protection Centre (hereinafter – CRPC), BA School of Business and Finance, as well as the associations of professional service providers – the Association of Commercial Banks of Latvia and Latvian Insurers Association (LIA).
4. The Strategy is the medium-term strategic planning document for the period from 2014 to 2020.

II. BACKGROUND

5. Since 2007, when the first signs of financial crisis started appearing in the global financial sector, fundamental conclusions have been made in both the international and Latvian financial environment, emphasizing the essential importance of adequate understanding of basic financial and economic issues at the level of service consumers for the financial system, because households capable of managing their risks and predictable long-term development of society are at the base of the financial stability of every country.
6. Simple financial services (current account service, settlement of payments, online banking, credits, insurance services and investments) have become widely available to the general public in Latvia over the last decades. Each service user should be therefore equipped with basic knowledge – be aware of planning finances, services, associated risks and security aspects, be capable of comparing various services to make the most suitable choice. Consumers should know financial service consumer rights and provisions of state guarantee scheme as well as personal liability and potential consequences in case of default.
7. Latvia's historical situation in view of the resident financial knowledge and skills in the pre-crisis and post-crisis periods essentially differs from other free market economies. The economically active population comprises several generations that have faced the transitional process from a planned economy to a free market economy and that have no theoretical background and practical skills in decision-making under the free market conditions.
8. A great of Latvian population finds it difficult to assess processes in the national economy, and to understand potential growth scenarios and cyclical economic developments. Majority of residents (about 69%) are interested in national economic developments but they admit that they frequently encounter problems with understanding the processes in Latvia.¹
9. After Latvia's joining the European Union (hereinafter – EU) in 2004 till the outset of the global financial crisis in 2008 the commercial banking sector had grown fast under conditions of free capital flow. This resulted in a residential lending boom, however, without adequate evaluation of various economic development scenarios and relevant knowledge about potential personal risks and limits of the amount of current liabilities. In 2009 and 2010, followed the steepest economic downturn among the EU states and Latvian commercial banks experienced historically the largest losses. The total amount of Latvian household problem loans (more than 90 days past due) reached 19.6% in 2011². With improving of economic situation in Latvia, this ratio gradually contracted and was 13% in November 2013³. Nevertheless, the Latvian financial sector customers still find it difficult to pay their debts and there are still vulnerabilities in the Latvian household financial structure.
10. To contribute to the promotion of the national stability and maintenance of responsible and fair crediting and lending, the Credit Register was launched with the Bank of Latvia in 2008, where the data on the debts of customers and customer guarantors were entered automatically from the Register of Debtors maintained by the Bank of Latvia in the period from 2003 to 2007. Since 2008,

¹ TNS survey "Money and bank system in Latvia", 03.2013.

² FCMC statistical report "Bank performance in Latvia in 2013".

³ FCMC statistical report "Bank performance in Latvia in 2013".

information on all customers of the Credit Register participants and their guarantors has been compiled as well as liabilities and their performance.⁴

11. In 2010, the results of the survey conducted within the framework of the Action Plan on Financial Consumer Protection in Latvia drafted by the experts of the World Bank (hereinafter – WB) showed that 65% of Latvian residents “feel insecure” as consumers in the financial sector.⁵ Recommendations drafted by the WB experts on the improvement of situation covered five areas – reviewing the tasks of institutional structures, expanding access to the financial sector information, governing the current financial sector business practice, in particular focusing on the necessity for the customer consulting network and financial education activities aimed at the protection of households from rather large risks during the active crediting periods.
12. During the crisis, deterioration in the solvency of financial sector customers was accompanied with an increasing numbers of complaints about the action of market players. Majority of customers were dissatisfied with modification of loans, early payment requirements, unreasonable rise in interest rates etc. After reviewing customer applications and complaints FCMC came to conclusion that frequent reasons for dissatisfaction of customers were the misunderstood conditions of the offered services (including the lack of understanding of the content of contracts) and insufficiently assessed risks. In cases of uncertainty, additionally checking information with the Credit Register maintained by the Bank of Latvia, it turned out occasionally that false information was submitted to the commercial banks regarding customer’s liability amounts and their number in other commercial banks.⁶
13. According to the survey conducted by the marketing and public opinion research centre SKDS (hereinafter - SKDS) in 2011, more than half or 57% of respondents in Latvia admit that they are poorly informed about the basics of personal financial planning. Only 10% of respondents regularly record their income and expenses (in a written form), plan more expensive purchases and compare prices. Whereas 19% of residents say that they (often or regularly) do not have sufficient income to cover their irregular expenditures.⁷
14. The FCMC’s survey in 2013 confirmed the trend that more than half (57%) of Latvia’s residents are aware of just the basics of financial services or have a rather poor understanding of the offered services. In most cases, there is a lack of knowledge about the three pillars of the pension system (39%), creating savings for personal financial stability (26%), as well as about the providers of illegal services (32%).⁸ Of total, 51% of residents are regularly planning their finances, 50% households have zero budgets (i.e., all the regular income is spent for covering current payments) and only 26% of households have free funds, for example, to create savings.⁹
15. Since the recovery of market economy, the economic and financial education in Latvia has been integrated into various subjects of the comprehensive school curriculum. Changes in the content of primary education standards were appreciated by the WB research, spotlighting the necessity

⁴ According to the Law on Credit Register the credit register participants are credit institutions, commercial companies having close links with credit institutions, credit unions and insurers that provide financial services with credit risk in Latvia (for example, lending (credit), leasing, factoring etc.).

⁵ *Draft Action Plan: Financial Consumer Protection in Latvia Steps Forward*, World Bank, 2010.

⁶ Complaints of FCMC customers, 2010 - 2013.

⁷ SKDS research on target group financial literacy “*Mērķa grupu finanšu pratības izpēte*”, 2011.

⁸ FCMC and SKDS survey on the knowledge on financial services “*Zināšanas par finanšu pakalpojumiem*”, 03.2013.

⁹ FCMC and SKDS survey on financial planning habits “*Iedzīvotāju finanšu plānošanas paradumi*”, 11.2013.

to make investments in the education and training of teachers. General secondary education provides for the basics of economics, however, as an optional subject and less than a half, 44% of Latvian pupils¹⁰, make use of this option. Several experts in Latvia are of the opinion that the quality of financial education as part of general education has been threatened over the past years by offering one subject in the primary school – Social Sciences, fragmentary taught by teachers who are not experts of economics. Besides, by removing the obligatory status from the economics subject in the secondary school an emphasis of the economic knowledge to be in line with current social and economic life needs turns out to be insufficient¹¹ to ensure that the graduates from the general education institutions understand economic rules and manage their personal financial funds efficiently. According to the SKDS research, the share of social sciences in Latvia is less than in 31 countries under research. The absolute majority of Latvian respondents (73%) believe that the level of personal financial knowledge acquired at schools is insufficient.¹²

16. Both the graduates from the general secondary schools and university students (in particular the humanities) do not receive adequate knowledge of market economy and finances and they have not mastered their skills to the extent to become the full members of the current fast-changing financial environment. Though in some schools economic and financial education matters have been resolved at a high level because of the adequate qualification of individual teachers, the SKDS research¹³ shows that 35% of teachers admit themselves of being poorly informed, but 16% even very ill-informed in the issues, for example, regarding financial planning matters. 53% of teachers have acquired no knowledge of financial issues during the course of their educational process. This situation in the Latvian schools results in an unequal level of economic and financial education thus reducing options for further equivalent integrity of the Latvian society in the financial area, its smooth development and household long-term stability.
17. In the wake of the global financial crisis and waning impact of the years of economic recession, the household financial situation is still imbalanced – following a three-year stagnancy and shrinking household credit burden, a growing trend in total household savings has returned in 2013, however, credits still exceed deposits.¹⁴ 48% of residents agree the idea of saving the money, but only 31% of respondents regularly create their savings.¹⁵ The number of household overdue loans is declining, but mainly due to the write-offs. Besides, the business volumes of non-bank credits (payday or fast loans) easily available online have increased dramatically, almost twice up in 2012, or by 105%.¹⁶
18. As the lack of adequate education and experience could be also regarded uncritical reliance of the population on the rumours about devaluation of the national currency, financial system stability and activities of certain commercial banks spread among the Latvian residents, getting them into panic and taking hasty decision that result in further financial losses. Rather often, the financial sector regulatory authorities were forced to hold extraordinary informative campaigns to prevent customers from using services offered by unlicensed service providers, which are not subject

¹⁰ NCE data, 2012.

¹¹ Conclusions and proposals after the expert discussion on the financial literacy in Latvia “*Finanšu pratība Latvijā: izglītības loma un krīzes mācības*”, Nātriņš A., 2012.

¹² SKDS research on target group financial literacy “*Mērķa grupu finanšu pratības izpēte*”, 2011.

¹³ SKDS research on target group financial literacy “*Mērķa grupu finanšu pratības izpēte*”, 2011.

¹⁴ FCMC statistics on the Latvian household savings in 2013 “*Latvijas mājsaimniecību uzkrājumi 2013. gadā*”.

¹⁵ FCMC and SKDS sociological survey about resident savings habits “*Iedzīvotāju uzkrāšanas paradumi*”, 07.2013.

¹⁶ CRPC statistics, 09.2013.

to supervision and therefore a majority of such transactions ended in the irreversible loss of the funding invested.

19. With the development of information technologies and broad availability of internet services, previously unrecognized services now reach the general public, besides the financial services become more complicated and provide for multi-level use. In Latvia, also the issue on the so-called service provider – consumer asymmetry has become a matter of concern. Expert groups are working together to develop a new financial service, while a potential customer without any special knowledge has to evaluate the offer and take a decision in a couple of minutes. This situation leads to the service user vulnerability; in order to change the situation an advisory network is required, set up by responsible institutions.
20. Unpreparedness of the staff of commercial banks and other financial institutions to deal with the customers lacking experience in the financial matters was indicated as a deficiency in the financial sector during the fast economic growth in Latvia in the guidelines¹⁷ developed by the WB experts. Consumers received incomplete information on the risks associated with the service, suitability of service for individual consumers was not evaluated in view of their purchasing power. As a result, reputation of the Latvian financial sector was seriously undermined during the crisis. The WB experts pointed out that for the further strengthening of reputation ethical codes should be drawn up for each market segment, in particular concerning customer service, and approved by the associations of experts and/or regulatory authorities.
21. Rapidly declining trust in the financial sector of Latvia's population over the last five years¹⁸ is likely to be explained also by the collapse of the two significant commercial banks (in 2008, the takeover of AS "Parex banka" by the State and suspending the operation of AS "Latvijas Krājbanka" by the national regulator in 2011). Above events led to a reasonable concern among the customers of the two commercial banks, as well as the overall society regarding stability of other commercial banks. However, there has been an upward trend in the overall banking corporate reputation over the four years and in 2012 reputation of the Latvian banking sector attained the average ratio of the European banks. In general, corporate reputation assessment has gradually improved in all target groups in 2012, except the residents where it had remained unchanged in contrary to the previous years when there was an upward trend as well.¹⁹
22. Public knowledge of the state guarantee scheme as well as confidence that the State meets its financial liabilities were enhanced by ensuring full repayment of deposits to 99.8% of AS "Latvijas Krājbanka" customers. For the first time all the assets accumulated in the Deposit Guarantee Fund (hereinafter – DGF) were spent to compensate losses of the bank's customers, additionally borrowing the necessary funds from the State, which was a source of furthermore tension within the society.²⁰ On 10.01.2014, by transferring the last portion the borrowing was fully repaid and the DGF liabilities to the Latvian State in the amount of 264 million euros covered.²¹ Whereas the negative experience of the group of clients whose losses were not covered by the State guaranteed limit (100 000 euros) evidenced of the necessity to boost customer knowledge on depositing their

¹⁷ Draft Action Plan: Financial Consumer Protection in Latvia Steps Forward, World Bank, 2010.

¹⁸ FCMC annual sociological surveys on public trust in the financial sector, 2002-2013.

¹⁹ Banking corporate reputation study, Association of Commercial Banks of Latvia, 2012.

²⁰ FCMC annual report, 2011.

²¹ FCMC data on repayment of State Treasury debt, 2014.

savings with several commercial banks so that the State guarantee would cover all the assets placed in the commercial banks.

23. During the economic downturn in Latvia there was an essential decline in the insurance service market signifying the inability of households to absorb unexpected financial turbulences and other future risks. As the economic situation improves, positive developments are apparent in the increasing amounts of premiums written – in the insurance business gross premiums written increased overall by 7% in three quarters of 2013. The average amount that each Latvian resident spends on insurance services is not high – about 120 euros a year. With the recovering national economic development, improving the resident purchase power and welfare level, it is expected that household expenditure on insurance products could grow annually by 6–9% on average. Within the financial literacy framework awareness campaigns should be organized for the residents regarding the risks that threaten any individual and household, methods for reducing risks and potential losses, as well as assessment of insurance service appropriateness in the periods of economic downturn and crisis, when under the negative factors the household financial structure is more fragile and vulnerable. Endowment insurance constitutes the major part of life insurance in Latvia, as more and more of residents show greater interest in the services that provide not only life insurance but also savings for the future. Despite of a drop in this type of insurance in several quarters of last years, the general upward trend remained, leaving the room for the activities promoting financial literacy.
24. In July 2001, a three pillar pension system was established in Latvia – the 1st pillar or the mandatory State non-funded pension scheme (social insurance budget administrated by the State Social Insurance Agency (SSIA)), the 2nd pillar or the State funded pension scheme (SFPS) and the 3rd pillar or the voluntary private pension scheme. Simultaneous existence of all three pillars is required to ensure pension system's stability, sharing the stability risks among the pension system levels, i.e. economic and demographic development, and financial and capital market risks. In 2013, payments from the SFPS were made to the first members who had reached the retirement age, which provided an opportunity for a minor part of population to assess usefulness of their contributions to SFPS.
25. Following a gradual improvement in the economic and financial situation in Latvia, the year 2013 was a noteworthy year as regards both the involvement of private persons in the 3rd pillars of pension scheme and the amount of contributions. The annual increase in the number of members was 6% (13 292 persons joined the scheme), and the total number of members that joined private pension plans in Latvia amounted to 21% of economically active population in 2013, and this is the highest ratio since 2008. Contributions made by the 3rd pillar pension scheme members hit historic high exceeding payments of the previous year by 45%. Nevertheless, the trend is notable as the increase was basically based on the activity of private persons, while participation of employers in the 3rd pillar of pension scheme had shrunk during this period. However, the building up of a new tradition in the relationships of Latvian employers and employees is an issue for an open debate on the further implementation of the objectives of Strategy, namely, whether the contributions to the 3rd pillar of pension scheme offered/paid by the employers could be regarded as a component of total remuneration.

26. Stabilization of the financial and economic situation allowed Latvia to meet the Maastricht criteria and in 2013 an invitation was extended to Latvia to join the euro zone. The euro changeover on 1 January 2014 marked a new phase for the Latvian residents and businessmen, who need further knowledge to be aware of putting new currency to safe use and identifying the factors that impact the currency value, as well as understand action principles of the euro zone in order to make the skilful use of economic options provided.
27. In general, the Latvian population knowledge gaps in the financial and economic rules have resulted in behaviour patterns (decision-making, actions, choices) that have an essential impact on the long-term financial stability and wellbeing of households, and again demonstrate the necessity of financial literacy activities organized for different target groups as part of both the state education and lifelong education activities (See Appendix 1 to the Strategy: SWOT analysis regarding the improvement of the Latvian society financial and economic knowledge process).

III. ACCOMPLISHMENTS AND COOPERATION

28. In 2005 – the period of economic changes – the Bank of Latvia, being aware of the necessity to raise public knowledge of financial matters, opened the visitors centre for financial education and information “Money World” (Naudas pasaule). It is an interactive exhibition giving an opportunity for any visitor who uses money and is interested in the economics to receive useful and educational information. Activities of the visitors centre “Money World” encourage the visitors to recognize the role of finances in the national economy, consider money-making possibilities and handling it to their own advantage. Interactive presentations are available in Latvian, Russian and English.
29. One of the first financial education websites dedicated to the consumers of financial services is *www.manapensija.lv* (my pension) which was developed in 2002 when the 2nd pillar of pension system was introduced in Latvia. Information on the State-funded pensions and licensed pension fund managers is available on the website, as well as updated statistics on the retirement plan performance. In 2013, with support of the Investment Companies Committee of the Association of Commercial Banks of Latvia (hereinafter – the Association of Commercial Banks) the website was updated for the first time in one site including complete information on the three pension pillars in Latvia, as well as introducing a calculator to estimate expected amount of individual pension by entering own data (available in Latvian, Russian and English).
30. In 2009 and 2010, ongoing enhancement of market participant customer rights protection, in particular borrowers’ rights protection was carried out to reduce the impact of the financial and economic crisis on the Latvian household sector. FCMC in cooperation with CRPC developed amendments to the laws and regulations²², specifying the rights and protection of household mortgage loan borrowers. The consumer rights protection regulator CRPC ensures availability of information on a regular basis regarding the problems identified with financial services provision, as well as changes in the regulatory framework.
31. Following the WB guidelines for enhancement of consumer rights protection and to change a former approach to the relationships of market participants and customers, the FCMC has recommended seeking mutually acceptable solutions to conflict situations, and worked out the guidelines for settling disputes²³ and handling consumer complaints.²⁴ To inform the society, the FCMC has been compiling and publishing monthly reports since 2010 (quarterly reports - since 2011) regarding consumer complaints about commercial banks and insurance companies; whereas CRPC releases monthly statistics on the consumer complaints on financial service providers and a quarterly analysis of the dynamics of financial service market and complaints. On 26.08.2010, the FCMC and CRPC entered into a cooperation agreement on the exchange of information regarding financial service consumer complaints and provision of coordinated consultations to the consumers on the key issues related to conflict situations.
32. To provide objective and easily understandable information on various financial services, and given a wide availability and further development of Internet services in Latvia, FCMC launched the site “Client School” (*Klientu skola*) in 2011, displaying educational materials on most frequently

²² Consumer Rights Protection Law, Section 8 (23.06.2009; amendments).

²³ Guidelines for out of court consumer mortgage workouts, FCMC, 2009.

²⁴ Guidelines for communication between the financial and capital market participants and their customers, FCMC, 2010.

used financial services and risks associated, nowadays and in the context of future, explaining key supervisory principles in the financial sector, deposit guarantee scheme in Latvia and competences of regulatory authorities. To ensure adequate information and exact understanding of financial terms to the Russian-speaking population the “Client School” materials have been available also in Russian as from 2012.

33. Sharing the financial sector social responsibility for the possibility to provide educational information that does not contain any marketing elements to the financial service consumers and in particular the potential end-users (children and youth), the Latvian commercial banks also ensure educational information on personal finances, family budget planning, various services and associated risks in the post-crisis period. Specific websites equipped with budget planning tools have been launched by market operators, as well as personal finance planning trainings and lectures are given at schools. Several commercial banks on a regular basis ensure analytical information on the impact of regulatory requirements and economic environment on the personal household finances, as well as relevant sociological surveys and research studies.
34. A new section “e-security” is launched on the website of the Association of Commercial Banks covering cognitive material on sound financial services and several studies on the financial literacy in Latvia: at the level of youth financial literacy (“*Jauniešu finanšu lietpratība*”; 2012), financial literacy at the household level (“*Finanšu lietpratība mājsaimniecībās*”; 2013), as well as the study on the role of financial literacy in the general education among the teachers and target groups (“*Situācijas izpēte par finanšu prasības jomu vispārējā izglītībā pedagogu un izglītojamo mērķa grupās*”; 2012), carried out to find out the best encouraging system for the social science and economics teachers relating to teaching financial subject within the framework of general education curriculum.
35. Latvian stock exchange NASDAQ OMX Riga has published a textbook on capital markets (“*Vērtspapīru tirgus zinības*”; 2006), as well as set up the investor education internet portal and news source www.naudaslietas.lv (2008), providing information on the investment environment in Latvia, featuring analytical articles on the companies quoted on the stock exchange and weekly financial market reviews that are useful not only for operating investors but also the newcomers in the sector to understand how to manage and multiply personal finances.
36. Following internationally accepted practice²⁵, any informative activities carried out by the Latvian financial market participants and professional associations, except those containing marketing and advertising elements, should be included into a single economic education package and therefore in the framework of this Strategy.
37. In 2012, following the guidelines for financial education by international experts and the Organisation for Economic Co-operation and Development (OECD)²⁶ during a debate on the economic education in Latvia (participating parties were the Bank of Latvia, BA School of Business and Finance, FCMC, MES, NCE, CRPC, University of Latvia, Commercial and Financial Research Agency, Association of Commercial Banks and several market operators) it was decided that: promotion of objective financial and economic education for various target groups is required at the national level in Latvia; basics of finances and economics are to be included in school curricula as a compulsory subject both in primary and secondary schools; financial education

²⁵ Revised guidelines for non-governmental stakeholders in financial education, OECD, INFE, 2013.

²⁶ Recommendation on Principles and Good Practices for Financial Awareness and Education, OECD, 2008.

is an integral part of good governance followed by a financial institution and financial education programs should be subject to coordination.²⁷ Inclusion of financial education in the university and lifelong education programmes is equally important thus covering various social segments and age groups.

38. In 2013, the results of the diagnostic tests developed by NCE showed the average and good level of knowledge of economic and financial issues among the 8th grade pupils. Though in general the schoolchildren understand the difference between the personal budget revenues and income, less than half of them know anything about loan guarantees and pledges, the rights and responsibilities of borrowers and potential consequences in case of default. They are unskilful in finding appropriate information sources, the large number of wrong answers demonstrate poor knowledge in mathematics and rather poor understanding of macroeconomic issues.²⁸
39. Of the surveyed Latvian school teachers, 67% responded that schoolchildren receive insufficient knowledge in personal financing at their educational institutions; also 47% of the surveyed youth believe that school curriculum does not adequately cover certain issues, for instance, about the planning of finances.²⁹ Besides, 80% of the surveyed residents admit that everyone should know the basic principles of economics and economics should be a compulsory subject at school.³⁰
40. Overall the specialists implementing the financial and economic education in Latvia agree with international experts that improvement of national curriculum is among the key strategic activities enabling to improve financial literacy at every stage of education and to offer further education for teachers. Schools shall be considered as the key agents for the introduction and further development of financial and economic education, in particular paying attention to the practical use of this knowledge.³¹ In 2012, the NCE experts developed for teachers financial literacy teaching tools for 6 – 11 year olds. The teaching tool includes 12 topics, and teachers may use them in the social science lessons as well as in any other lessons. There is also the teaching material “8 Stories about the Euro” (*8 stāsti par eiro*) developed including animated films for school children of different age groups, worksheets for pupils and course descriptions for teachers. The content of teaching tools covers several topics on financial literacy, including various activities that can be used in the social science and economics lessons, as well as in teaching mathematics, home economics, history and other subjects.
41. In 2013, the Association of Commercial Banks carried out the analysis of curricula, educational standards and teaching tools, and submitted to the MES proposals for the “Guidelines for the Development of Education 2014–2020” (hereinafter – GDE). The draft GDE envisages support for the curriculum improvement and innovative teaching tool development, including business capability and learning the financial issues at all stages of general education (GDE acting block 1.1.), as well as support within the framework of raising general skills and qualification of teachers, their remuneration and motivation system (GDE acting block 1.2). As regards the level of higher education, the Association of Commercial Banks suggests that the financial literacy course should be offered for the teacher courses in the higher education institutions, as well

²⁷ Round-table discussion “Financial literacy in Latvia: the role of education and lessons of the crisis”, BA School of Business and Finance, 2012.

²⁸ Summary of diagnostic tests for the 8th grade by NCE, 2013.

²⁹ SKDS research on target group financial literacy “Mērķa grupu finanšu prātības izpēte”, 2011.

³⁰ TNS survey on money and banking system in Latvia “Naudas un banku sistēma Latvijā”, 03.2013.

³¹ Financial Education in Schools, Policy Guidance, Challenges and Case Studies, OECD, INFE, 2012.

as enhance the role of financial literacy in the social science course in the standards of primary education and include economics and financial literacy in the general education curriculum, and develop programs and courses for the teacher professional qualification enhancement regarding financial literacy. In 2013, the Association of Commercial Banks submitted to the NCE teaching tools for the pre-school children and first two classes of elementary schools, including the animated film, worksheets for the pupils and guiding principles for the teachers.

42. Financial and economics proficiency as well as entrepreneurial skills are essential for acquiring a competitive position in the free market economics, in view that opening of new jobs in the future will more and more depend on private initiatives (in the EU, 75% of jobs generated by the private sector, more than 60% of the young people in the EU member states are job seekers³²), however, in Latvia only one project is dedicated to the practical business education ensured by the Junior Achievement – Young Enterprise Latvija (hereinafter – JA-YE Latvija), covering 14% of schools. The EC Report emphasizes that the measures encouraging the schoolchildren to run mini-companies in practice at their schools is one of the best methods for enhancing entrepreneurial mindset and attitudes, and an efficient approach for boosting entrepreneurial spirit in schools. Nevertheless, not all the schoolchildren might be engaged in mini-companies activities, they may be as optional subjects within a broader business education structure.³³
43. Various financial literacy activities are available to the Latvian pupils and students also outside the school environment: the NCE promotes their research studies by holding annual conferences, contests in business economics for general school pupils (in cooperation with the Faculty of Economics and Management of the University of Latvia), the Bank of Latvia holds competition of research studies for the students, as well as various financial and economic issue contests organized by other institutions, including commercial banks, stock exchange scholarship competition, lectures of financial and capital market experts and guest lecturers in the higher education institutions, visits to the government authorities related to the financial sector and supervision. Since 2013, the educational website of the Bank of Latvia “Naudas skola” is available to the public, providing information on the financial and economic developments for non-experts, including films and interactive tools to test economic knowledge. A methodology section is set up for teachers providing additional information regarding teaching and explaining economic and financial rules.
44. In 2011, the Office for the Prevention of Laundering of Proceeds Derived from Criminal Activity (hereinafter - the Control Service) prepared informative material and issued a warning to the Latvian society and in particular to the parents to prevent possible involvement of teenagers (from 16 years) and the youth in Latvia into the money laundering schemes of illegal proceeds generated from fraudulent activities related to foreign commercial banks. Over the last years, Latvia also more often faces so-called phishing schemes³⁴, aimed at rather naive and inexperienced customers of commercial banks. By disclosing personal data to a bogus website their financial assets have been transferred to the account of accomplice in Latvia where they are withdrawn and as a result the intermediary contributes to the criminal schemes. In 2012, the Control Service

³² Materials of the second *Child and Youth Finance International* meeting for Europe and Central Asia: “Financial Education and Efficient Financial Integrity of Children and Youth in the Financial Sector”, 2013.

³³ Mini-companies in Secondary School. Best Procedure Project: Final Report of the Expert Group, EC Enterprises and Industry Directorate-General, 2005.

³⁴ Prosecutor’s Office of the Republic of Latvia, the Office for Prevention of Laundering of Proceeds Derived from Crime, report on 2012.

continued work on warning the public about these illegal activities, calling to abstain from the suspicious transactions, regularly informing the society, including guest lecturers in the Latvian higher education institutions and students.

45. Since 1992, the BA School of Business and Finance has been making efforts to prepare a new generation of financial experts. On average, 30 students annually graduate from the school with the bank specialist qualification and 200 students – financier qualification. More than 4 000 graduates form an essential human resource for the Latvian financial institutions. To contribute to the financial competence of the Latvian schoolchildren, in 2012 the BA School of Business and Finance extended close cooperation with Latvian secondary schools. University lecturers give lectures in an attractive manner to the schoolchildren about the personal finance planning and potential risks in managing personal finances. To support secondary school teachers, the BA School of Business and Finance in 2012 joined the international project on the lifelong education³⁵, conducting an analysis of financial literacy in Latvia within the framework of the project and comparing to the results and actual situation in the countries of other partners – Germany, Austria and Belgium. The experts of the BA School of Business and Finance have developed an educational toolkit freely available to the economics teachers in secondary schools. A new internet website is planned to develop for the teachers as part of the project, to create the teaching tool and experience exchange network.
46. The project of the European Social Fund (hereinafter – ESF) “Further education of general education teachers” being implemented in Latvia by the NCE since 2011, includes 38 professional competence raising programs, three of which are on the business/economics and finances. In 2011, Latvian economics teacher lifelong education project (for the teachers who initially had studied other subjects) was launched in Latvia in close cooperation with the ESF, focusing on enhancing knowledge about macro-economic, international economic and financial environment and other issues related to financial literacy. Methodology for teacher training is created as part of the project.³⁶ Financial education issues have been regularly included in the content of seminars on the social science and business economics, as well as the seminars of the leaders of economic methodology associations and teacher training courses.³⁷
47. In Latvia, the economic teacher qualification can be mastered in the University of Latvia; however, a few teachers choose this course as they are not sure about the usefulness of this qualification in the future as economics is an optional subject in Latvian schools.³⁸ Financial literacy topics are not included in the compulsory university program, but in the future, a draft higher professional education standard will cover business economics (related to all teachers programs), recordkeeping and financial accounting topics.
48. The professional master’s programme Financial Management in the Faculty of Economics and Social Development (FESD) of Latvia University of Agriculture (LUA) until 2014 included the course Planning of Household Finances where the graduates would contribute to financial literacy activities by creating the financial advisors of coaching network in Latvian regions. Whereas the LUA bachelor’s programme Household Economics is an optional course for all FESD students,

³⁵ *Levering the implementation efficiency in schools*, BA School of Business and Finance, 2012-2014.

³⁶ *Levering the implementation efficiency in schools*, BA School of Business and Finance, 2012-2014.

³⁷ Report of MES debate on potential education activities for financial literacy promotion “Izglītības iespējas finanšu prātības veicināšanai”, MES, 2010.

³⁸ *Levering the implementation efficiency in schools*, BA School of Business and Finance, 2012-2014.

but the Household Economics is a compulsory course for the future teachers studying in the Faculty of Engineering.

49. To build a platform for financial literacy, the Riga Technical University since 2013 has been implementing the project on raising the level of financial literacy of Latvian residents (Strengthening human securitability of Latvian residents raising their financial literacy: *“Latvijas iedzīvotāju drošumspējas stiprināšana, paaugstinot finanšu lietpratības līmeni”*). As part of the project, financial literacy assessment methodology has been developed; in the future the resident target groups that need to improve their knowledge will be identified. Also shortcomings in the learning process will be identified as well as the areas for perfection. Three textbooks were published early in 2014 on the financial literacy topics (*“Personīgo finanšu pārvaldība”*, *“Finanšu lietpratība un tās novērtēšana”* and *“Uzņēmēju finanšu lietpratība finansiālās stabilitātes pārvaldībā”*).
50. In 2012, the developers of the financial and economic education activities in Latvia (FCMC, BA School of Business and Finance, CRPC, Association of Commercial Banks and market members) agreed with the MES and NCE that school programs should be complemented with the learning and interactive toolkit, except those containing marketing and advertising elements. A conceptual agreement was reached that the FCMC would assume coordination of lifelong educational activities in the area of financial literacy, while the MES and NCE would coordinate activities dedicated to the improvement of educational content, as the economic and financial knowledge is regarded as a certain competence of the secondary school graduates.³⁹ On 16 November 2012, an agreement on cooperation in solving economic education matters was signed between the FCMC and NCE, including information exchange focused on the improvement of curricula.
51. At the end of 2012, the FCMC summarized financial and economic teaching materials and interactive tools developed by financial sector in Latvia and forwarded an analysis of them to the NCE for assessing their adequacy for school curricula enhancement. It was concluded that major part of financial and economic teaching materials offered by responsible authorities and market players cover target groups including pupils/students as well as teachers and the widest audience, therefore the financial sector provides for the required support to the current educational system to integrate new material into curricula (see Annex 3 of the Strategy)⁴⁰.
52. Current financial and economic education promotion partners in March 2013, as part of joining the global activities in Latvia, held the first Financial Education Week in cooperation with the international organization Child and Youth Finance International (hereinafter – CYFI). During the week, 40 lectures were given to schoolchildren on financial literacy issues and two seminars to the teachers, results of three research studies were presented and more than 5 000 people were involved in the internet activities. NCE held diagnostic tests for the 8th grade pupils of more than 400 Latvian schools. In January 2013, the FCMC undertook the role of a national coordinator by signing the official partnership agreement with CYFI.
53. The adults who have already accomplished educational process also need financial and economic knowledge or financial literacy and financial skills training; however, options for further education or lifelong education focused on enhancing financial literacy competence are not included in the national education system. Therefore developing of lifelong educational resources, including

³⁹ Materials of the meeting on the financial education (*“Sabiedrības izglītošanas virzieni finanšu jomā”*), compiled by the FCMC, 2012.

⁴⁰ FCMC’s review of the financial sector financial education activities, 2012.

teaching materials as well as creating financial coaching and advisory clusters focused on various target groups are the issues high on the agenda.

54. According to the assessment of financial and economic educational materials for adults carried out by the FCMC⁴¹, universal educational information is available for consumers of financial services of moderate complexity, but in a rather branched network – information is provided both by regulatory authorities and market operators. Information provided by the public institutions is more neutral and objective, even rather theoretical than of practical use. It may be concluded that levels of awareness and knowledge, as well as financial literacy differ among the customers, because of the different amount and quality of educational information, advisory support received by the financial service consumers directly from service providers. In view of business goals of the market operators a great attention is paid to the services that allow attracting additional financing, however, by promising future profits to the customers the necessity for acquiring deeper understanding of actual costs and risks in different market situations is not emphasized. The above conclusions have highlighted the need for coordination of financial literacy lifelong activities and the base internet site, for instance, the new format of FCMC's educational website "Client School", planned to launch in 2014.
55. The FCMC's review⁴² shows a lack of targeted financial and economic education activities for so-called social risk groups where specific information is required because of different conditions. These groups, for example, borrowers and the borrowers who are facing loan repayment difficulties, as well most vulnerable social groups – unemployed, residents with lower income level, pregnant women and new parents, seniors/pensioners and other groups (see Annex 3 of the Strategy). These activities should be provided within the further lifelong education framework, seeking more appropriate communication channels and cooperation models between the relevant institutions.
56. The agreement on further cooperation in the financial literacy area is reached between the Ministry of Finance and State Revenue Service (SRS), the Ministry of Economics, Ministry of Welfare – State Social Insurance Agency and State Employment Agency, the Bank of Latvia, Latvian Association of Local and Regional Governments, associations of professional service providers – the Latvian Association of Insurance Brokers, Latvian Professional Insurance Brokers Association and Latvian Corporate Credit Unions Association, as well as higher education institutions – University of Latvia, Riga Technical University, BA School of Business and Finance and Latvia University of Agriculture. During the stage of development of the Strategy, discussions with several potential partners in the financial and economic education matters were carried out, including non-governmental organizations (JA-YE Latvija, Child Social and Financial Education Society and other) on implementing joint activities/projects or provision of information or communicative support, to set up financial literacy coaching and advisory clusters in each region and promote their development and visibility.
57. Following the national strategic course – to join the family of OECD countries, on 18.04.2013 the FCMC joined to the international financial expert group of the OECD countries – the International Network for Financial Education (hereinafter – OECD INFE), becoming a full partner and national coordinator in the area of financial literacy promotion. Planning further activities, in the second

⁴¹ FCMC's review of the financial sector financial education activities, 2012.

⁴² FCMC's review of the financial sector financial education activities, 2012.

half of 2013 existing financial and economic education partners (FCMC, BA School of Business and Finance, MES, NCE, CRPC, Association of Commercial Banks, Latvian Insurers Association as well as market operators) agreed that a single strategic document should be drawn up defining common understanding of financial literacy, attainable objectives and options for their implementation, required resources and competent institutions. Activities for promotion of resident financial literacy and household stability carried out in the developed countries were assessed, and partners came to conclusion that a single national strategy⁴³ would be the most suitable as development document for Latvia. Strategic partners in the future will ensure implementation of above document entering into a relevant agreement or memorandum. FCMC as the national coordinator of financial literacy lifelong education activities on 23.07.2013 set up a working group for development of the Strategy and has ensured implementation of this agreement, i.e. development of the Strategy, with advisory support from OECD INFE⁴⁴ and involvement of above partners.

⁴³ OECD/INFE High-Level Principles on National Strategies for Financial Education, OECD, 2013.

⁴⁴ Advancing National Strategies for Financial Education, A Joint Publication by Russia's Presidency and the OECD, 2013.

IV. CONCEPT OF FINANCIAL LITERACY

58. To ensure common understanding of the concept of financial literacy, Latvia's partners for financial and economic education promotion have developed the strategic vision of desirable development of the Latvian society as regards financial literacy. The key points of the vision are:

- any resident is aware of the basics of financial planning and is capable of building a balanced private /household budget;
- majority of residents deliberately create savings to ensure themselves against possible future risks;
- majority of residents are financially independent and do not depend on the State aid, as they timely plan their aging financial well-being and mainly rely on their own earnings and savings;
- majority of residents are able to draft their own sustainable financial concept, being aware of their financial objectives and their achievement possibilities;
- any resident understands and considers possibilities of financial sector market and free market economics and risks, and is capable of using advantages to raise their welfare level;
- significant part of residents are economically active and use innovative approaches, therefore they are regionally and globally competitive in the labour market;
- significant part of residents is able to provide guidance and advice in financial issues, follow economic processes and encourage others to increase wellbeing based on the financial literacy.

59. Financial literacy promotion partners in Latvia, considering a definition of financial literacy by the OECD INFE experts⁴⁵, have agreed on the following definition of financial literacy of Latvian residents and other concepts used in the financial literacy promotion process:

Financial literacy is a combination of knowledge and skills necessary to be aware of and effectively manage personal finances, make informed choice of financial services and their use, ultimately ensuring private financial stability and sustainability. Financially educated people have knowledge of finances and economics and they are capable of using it for enhancement of their future wellbeing and financial growth, in order to achieve individual financial objectives.

Financial education is acquisition of financial expertise in financial products and their mutual interconnection.

Economic education is acquiring awareness of economic factors that affect individual financial wellbeing and public welfare overall, and further perfection of above knowledge.

Financial stability is the level of household savings (at least in the amount of three-month income) that allow absorbing/withstanding potential financial shocks over a certain period.

Financial sustainability is the capability of an individual to ensure development and planned long-term growth at the same time maintaining the quality of life.

⁴⁵ "Financial literacy of adults as "a combination of awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing", *Promoting Financial Inclusion through Financial Education: OECD/INFE Evidence, Policies and Practise*, Atkinson and Messy, 2012

Financial capability is the capability to make reasonable and appropriate decisions on personal finances.

Financial concept is a knowledge and skills-based solution (approach) for attaining individual financial objectives.

Financial integrity is adequate maintenance and inclusion of financial services, as well as their appropriateness to the needs of consumers and full integration of consumers as active and knowledgeable members of financial service environment.

V. STRATEGIC OBJECTIVES AND ACTING BLOCKS

60. In Latvia, the hierarchically highest national document on medium-term planning is the National Development Plan 2014 - 2020 (hereinafter – NDP), which stipulates that a financially sound, sustainable and educated society is a key resource for the economic growth.⁴⁶ Therefore objectives of the Strategy are in line with the NDP vision: “Economic Breakthrough – for the Greater Well-Being of Latvia!” as well as priorities and steps to be taken in each current period for the growth of the Latvian society.
61. NDP priority areas that are binding on the financial literacy subject are – improvement of curricula content for the development of different competences and opportunities of lifelong expertise development outside the general education system; improvement of human securitability and capability of adapting to the changing circumstances and resilience; strengthening the middle class at the same time being aware that household financial stability is also the financial sector stability that serves as a guarantee for the further national economic growth; competitiveness of Latvian residents in the local and global labour markets.
62. The financial literacy promotion partners in Latvia have agreed on the three strategic objectives in the area of financial literacy. A set of acting block are specified under each objective (hereinafter – number + AB) and tasks to be carried out, where the partners plan their own or joint financial and economic education activities for further periods (see the table below).
63. Objective 1: **TRADITION OF PLANNING FINANCES AND CREATING SAVINGS** - to enhance Latvian household stability, welfare and financial sustainability throughout the life cycles, a long-term financial planning tradition should be built starting from payment discipline to the personal savings and investments. Acting blocks for this objective:
- AB 1:** Enhancement of curricula to provide for building up and developing financial literacy at every stage of general public education.
 - AB 2:** Development of lifelong education resources encouraging self-study options to raise financial literacy among different segments of society (including persons with disabilities).
 - AB 3:** Implementation and maintenance of advisory and consultancy services network.
64. Objective 2: **FINANCIAL SERVICE ENVIRONMENTAL INTEGRITY** - to ensure provision of fair financial services adequate to the needs of consumers and encourage consumers to make weighted and informed choices based on risk-awareness and responsibility. Acting blocks for this objective:
- AB 4:** Improvement of public awareness of financial services, their fundamental nature and risks associated.
 - AB 5:** Provision of fair and responsible services adequate to the needs of end-users.

⁴⁶ National Development Plan 2014–2020.

65. Objective 3: **DEVELOPMENT AND SUSTAINABILITY OF PUBLIC FINANCES** - to increase the public knowledge about the fundamentals of the market economy and to raise their ability to evaluate national economic processes, including various economic development scenarios, to improve public financial independency and growth opportunities. Acting blocks for this objective:

AB 6: Perfection of public knowledge and analytical skills regarding the market economy and operation of financial system.

AB 7: Promotion of public financial and economic activity.

66. Partners have agreed on the implementation of above strategic objectives and activities in accordance with specified acting blocks:

OBJECTIVE 1: TRADITION OF PLANNING FINANCES AND CREATING SAVINGS (AB 1, 2 AND 3)

AB 1: Enhancement of curricula to provide for building up and developing financial literacy at every stage of the general public education	INSTITUTIONS INVOLVED	TARGET GROUP	RESOURCE	PROCESS
Task 1: Preschool education				
Introductory training and activities in preschool education institutions (PEI). Provision of training material, including the annual Financial Education Week as part of the Child and Youth Finance International activities	Depending on the activity, all the partners, including non-governmental organizations (hereinafter – NGO) – Child Social and Financial Education Union (hereinafter – CSFE union), JA-YE Latvija and other	Preschool children	Budgets of parties involved	Developed throughout the period
Task 2: General education curricula				
Enhancement of general education curriculum regarding financial literacy	MES, NCE	Learners at all stages of education	Budgets of parties involved	The entire period
Provision of advisory support and expertise in developing the NCE teaching material	FCMC, CRPC, Bank of Latvia, Association of Commercial Banks, CSFE union	Schoolchildren	Resources of parties involved	The entire period

Task 3: Support for teachers

BA School of Business and Finance research "Financial Education – leveraging the efficiency in schools" on developing the methodology on financial literacy	BA School of Business and Finance	Teachers, staff of social care centres un social teachers and workers	EU funds, co-funding of BA School of Business and Finance	27 months (2012–2014)
Teacher professional qualification promotion programs on financial literacy issues (for teachers of all subjects)	All the partners, NGO – CSFE union, JA-YE Latvija and other	Teachers of all school subjects	Budgets of parties involved, EU funding possible	Developed throughout the period

Task 4: Higher education

Promotion of financial literacy training in the teacher and other study programs in the higher education institutions	MES, University of Latvia, Riga Technical University and other higher education institutions	Students of professional teacher training programs and other programs	Budgets of parties involved	Developed throughout the period
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AB 2: Development of lifelong education resources encouraging self-study options to raise financial literacy among different segments of society

INSTITUTIONS INVOLVED

TARGET GROUP

RESOURCE

PROCESS

Task 5: Development of independent educational internet sites and offer of internet tools

Educational website Money School (" <i>Naudas skola</i> ")	Bank of Latvia	Schoolchildren, teachers, the whole society	Budget of the Bank of Latvia	Developed throughout the period
Educational website Client School, (" <i>Klientu skola</i> ") (also CLIENT ABC, tests)	FCMC	Financial sector customers, the whole society	FCMC budget	In 2014 – a new format, developed throughout the period
The CRPC site (educational material for financial service users)	CRPC	The whole society	CRPC budget	Developed throughout the period

Task 6: Development of financial service providers' sites and the offer of internet tools

Educational site MY PENSION (MANA PENSIJA)	Latvian Central Depository, Association of Commercial Banks	The whole society	Financing of partners	Developed throughout the period
The site and educational material of the Association of Commercial Banks	Association of Commercial Banks	The whole society	Budget of the Association of Commercial Banks	Developed throughout the period

Latvian Insurers Association's site (LIA), including customer section	LAA	The whole society	LIA budget	In 2014 – a new format, developed throughout the period
Activities and educational projects of other professional associations	Depending on the topic of information, professional associations of market operators	Any interested party	Financing of parties involved	Developed throughout the period
Educational sites of market operators, budget planning tools and personal finance planning training	Market operators	Any interested party	Financing of market operators	Developed throughout the period
Task 7: Implementation of educational activities, including on-site activities				
Visitors centre MONEY WORLD (NAUDAS PASAULE)	Bank of Latvia	Schoolchildren – secondary school, students, the whole society	Budget of the Bank of Latvia	Developed throughout the period
Organizing of research /projects/ competitions	Depending on the activity, (Swedbank Institute for Private Finances, NASDAQ OMX Riga, BA School of Business and Finance, JA-YE Latvija and other)	Schoolchildren/ students	Budgets of parties involved	The entire period
Updating the State Employment Agency's training courses, including the activities relating to financial literacy topics	Ministry of Welfare Training Commission	The unemployed, job seekers and persons at unemployment risk	Budget of the Ministry of Welfare	The entire period
Organizing of lectures /seminars/ practical training for different target groups	Depending on the activity, all the partners, including NGO	Depending on the activity and topic (including job seekers and persons at unemployment risk, would-be entrepreneurs, the youth etc.)	Budgets of parties involved	The entire period
Educational campaigns (including the social and mass media, e.g., the annual Financial Education Week in cooperation with CYFI)	All the partners	Different groups depending on the content of the activity	Budgets of parties involved	Regularly the entire period

AB 3: Implementation and maintenance of advisory and consultancy services network	INSTITUTIONS INVOLVED	TARGET GROUP	RESOURCE	PROCESS
Task 8: Provision of support to service users, including handling and analysis of complaints, out-of-court settlement procedures				
Individual advisory support, handling and analysis of complaints/ notifications, updated explanatory information	FCMC, Ministry of Economics, CRPC, Association of Commercial Banks and LIA Ombudsman, as well as NGO	Consumers of financial services	Budgets of parties involved	The entire period
Regular provision of collective advisory information via the mass media environment /internet	Depending on the topic of information	Depending on the topic of information	Budgets of parties involved	If necessary
Task 9: Setting up and improvement of financial literacy coaching and advisory clusters				
Cooperation with local governments, social services, regional public institutions and public library network, as well as the NGO sector	Depending on the activity, all the partners	Depending on the content of project	Budgets of parties involved	The entire period

OBJECTIVE 2: FINANCIAL SERVICE ENVIRONMENTAL INTEGRITY (AB 4 AND 5)

AB 4: Improvement of public awareness of financial services, their fundamental nature and risks associated	INSTITUTIONS INVOLVED	TARGET GROUP	RESOURCE	PROCESS
Task 10: Information availability				
Database of licensed financial and capital market operators and other licensed financial service providers, including explanations, warnings etc.	FCMC, CRPC sites on the internet	Consumers of financial services	Budgets of FCMC and CRPC	The entire period
Explanatory information on the principles of compulsory social insurance and the impact of social insurance contributions on the size of future pension and benefits	Ministry of Welfare and SSIA	People of working age	Within the current financing framework	The entire period
Explanatory information on the Credit Register maintained by the Bank of Latvia	Bank of Latvia	Credit Register members, consumers of financial services	Financing of Credit Register members, FCMC, Bank of Latvia	Developed throughout the period

Creditinfo, other registers on resident liabilities and their fulfilment, explanatory information	Ministry of Economics, Association of Commercial Banks	Users of financial and other services and service providers	Budgets of parties involved	Developed throughout the period
Explanatory objective information about services to the financial service users (including the mass media, internet)	Market operators and their professional associations	Market operator customers, any interested party	Financing of market operators / associations	The entire period

Task 11: Improvement of skills of financial service users

Educational material for further development of skills in line with service environmental development	Depending on the objective of activity, all the partners	Financial sector customers, other users of financial services, the whole society	Budgets of parties involved	The entire period
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AB 5: Provision of fair and responsible services adequate to the needs of end-users

Task 12: Promotion of compliance with regulatory requirements and good practices in the actual offer

Supervision of service environment and ongoing assessment (including amendments to laws, guidelines, drafting recommendations), building up a dialogue with service providers on the required changes, applying sanctions if required, and informing society about above	FCMC, CRPC, Competition Council (CC)	Providers of all financial services; informing of all the society	Budgets of FCMC, CRPC and Competition Council	The entire period
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Task 13: Promotion of common ethical principles for service providers

Creating of common good practice patterns and/or ethical standards in each of service provider segments, informing about them financial service users	BA School of Business and Finance, professional associations of market operators, financial service providers	Users of financial services	Budgets of parties involved	If necessary
Development of the Strategy for insurance sector customers (including LIA good practice section on the insurers websites)	LIA and LIA members	The whole society	Budgets of parties involved	Drafting – in 2014, implementation – in 2015

OBJECTIVE 3: DEVELOPMENT AND SUSTAINABILITY OF PUBLIC FINANCES (AB 6 AND 7)

AB 6: Perfection of public knowledge and analytical skills regarding the market economy and operation of financial system	INSTITUTIONS INVOLVED	TARGET GROUP	RESOURCE	PROCESS
Task 14: Provision of informative and educational materials, including for an expert level				
On the operation of financial sector and development trends	FCMC (analytical materials, statistics, sites)	Any interested party	FCMC resources	The entire period
On the operation of non-banking consumer crediting service sector and development trends	CRPC statistics, analytical materials	Any interested party	Resource of CRPC	The entire period
On the national economy developments and trends	Bank of Latvia Banka (analytical materials, statistics, internet sites)	Economic and financial expert audience, also any interested party	Budget of the Bank of Latvia	The entire period
On the economic developments, the impact of regulatory provisions and economic environment on the private interests	Market operators (Swedbank Institute for Private Finances, <i>SEB banka</i> , <i>DNB</i> , <i>Nordea banka</i> and other market operators)	Any interested party	Budgets of parties involved	The entire period
Task 15: Improvement of analytical skills (research, discussions, conferences etc.)				
Regular (annual) measurement of the Latvian resident financial literacy level, providing for analysis and availability of the data	FCMC (Financial literacy INDEX, annual report)	Any interested party	FCMC budget	Implementation –in 2014, monitoring – every year
Regular (annual) conferences on national economy and other discussions on macroeconomic developments	Bank of Latvia	Economic expert audience	Budget of the Bank of Latvia	The entire period
Analytical material from the Ministry of Finance (national budget, EU funds, SRS information base and other)	Ministry of Finance and SRS	Expert audience, also any interested party	Resources of the Ministry of Finance and SRS	The entire period
National economy development analysis and expertise	Ministry of Economics (Report on the Economic Development of Latvia and other analytical material)	Economic expert audience, businessmen, also any interested party	Budget of the Ministry of Economics	The entire period

International research studies on provision of research information circulation	Depending on the topic of information, all the partners	Economic , financial and educational expert audience	Budgets of parties involved	The entire period
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AB 7: Promotion of public financial and economic activity	INSTITUTIONS INVOLVED	TARGET GROUP	RESOURCE	PROCESS
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Task 16: Informative support for long-term progress

On the opportunities to manage personal finances and their increasing	FCMC, professional associations of market operators depending on the content of information	Any interested party	Budgets of parties involved	The entire period
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Communication projects between the financial literacy partners / promotional campaigns	Depending on the content of the project, all the partners, including NGO	In line with the theme, including would-be entrepreneurs	Budgets of parties involved	The entire period
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Task 17: Promotion of understanding of regulatory environment

Impact of amendments to regulatory provisions on financial sustainability of each resident/household and economic activities, analysis and proposals	Ministry of Finance and SRS, Ministry of Welfare and SSIA, Ministry of Economics and CRPC, FCMC, CC	The whole society	Resources of parties involved	The entire period
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67. In defining strategic objectives, acting blocks and tasks the partners were guided by the confidence that expertise in such areas as personal finance planning that result in the balanced household budget, creating varied savings that enhance resident long-term financial stability, raising of private capital and openness to new entrepreneurial initiatives on the labour market that contribute to financial sustainability and potential well-being level, will be crucial for the better future life quality. Every resident may be financially and economically active in certain circumstances if they are equipped with such competence as financial literacy, which throughout life sometimes may be more important than the income level and professional qualification, as skills to effectively manage finances and plans for the future are vital for building the life quality rather than holding a certain amount of capital.

68. Considering conclusions made during the course of defining strategic objectives that the level of financial and economic knowledge differs in different social groups of Latvian residents, besides in view of the specific social situation in some segments and the needs arising thereof, it should be taken into account in developing teaching materials and toolkit as part of the activities designed for the society in general.

69. The study of marketing and public opinion research centre SKDS⁴⁷ shows that less confident in financial matters are women, in particular housewives, persons with lower income level – both men and women, as well as young people outside any formal education and unemployed persons or job seekers. In solving finance-related mathematical tasks, none or only one right answer was more often in following groups: persons over the age of 55 years, persons with secondary vocational education, blue-collar workers, pensioners, residents of rural regions and residents with the monthly income level under 140 euros. There is a tendency observed – the higher is material wellbeing, the higher is the respondents' opinion of their skills in planning finances.
70. To build a positive attitude towards the money and in-depth understanding of finances and economics, raising interest in above issues within the target groups where financial literacy promotion is of high importance, support and involvement of non-governmental organizations and other institutions would be useful, by educating employees of regional education, cultural and sports centres, as well as medical and social care institutions, representatives of religious communities and churches, municipal and public libraries for the purposes of maintaining diversified cooperation between the providers of financial and economic education and end-users.
71. In performing financial literacy activities as part of lifelong education, different approaches are to be applied in different social and demographic groups in view of their life experience, expectations and computer skills. Interactive inquiry activities on the internet should be provided as well as on-site lectures, printed booklets and debate (including for persons with disabilities).
72. To move towards the overall life quality of the developed countries, resources of high importance are resident proficiency, ability to flexibly adapt and switch to the new circumstances if required, efficiently applying knowledge and skills. Financial literacy is an essential component of our everyday life, a must-be for the full integration into the developed society.
73. The Fiscal Discipline Law was adopted in Latvia on 06.03.2013 for purposes to set the fiscal policy principles and conditions in order to ensure the balanced budget over the economic cycle thus boosting sustainable national development and macro-economic stability and reducing a negative impact of external factors on the national economy. Therefore there is a good reason to believe that financial balance and stability of economic system as new trends in the national development course will also reach every resident on an individual level and contribute to the overall Latvian household prosperity.

⁴⁷ SKDS study on "Financial literacy of target groups" (*Mērķa grupu finanšu pratības izpēte*), 2011

VI. IMPLEMENTATION OF STRATEGY

74. Parties sign an inter-institutional partnership agreement (hereinafter – the Memorandum) on the implementation of the Strategy to ensure progressive achievement of strategic objectives and fulfilment of tasks according to their competence and institutional accountability framework.
75. Strategic partners are the parties that have signed the Memorandum, i.e. FCMC, CRPC, BA School of Business and Finance, MES, NCE, Association of Commercial Banks and Latvian Insurers Association. Apart from strategic partners also other co-partners have given their consent to participate in joint activities and provide required support and assistance in promotion of financial literacy in Latvia.
76. A working group is set up to monitor the implementation of Strategy and coordinate further activities (hereinafter – the Working Group), in which strategic partners and other co-partners are represented. FCMC is responsible for coordination of activities carried out by the Working Group and holding regular meetings, delegating its representative to chair the meeting. The quarterly meetings are held to assess the financial literacy activities performed over the previous period and to plan activities for the next periods.
77. If required, permanent consultants may be appointed for special purposes to the Working Group, as well as various experts may be engaged in specific projects/campaigns.
78. At the beginning of a year, the Working Group evaluates the level of strategic performance indicators for a calendar year (see Paragraph 81 of the Strategy) and report on the performance, as well as the action plan for the current year.
79. Representatives of strategic partner management monitor the implementation of the Strategy and activities of the Working Group.
80. The Strategy has been implemented on the budgetary resources of strategic partners and other partners and institutions involved, as well as financing from EU Funds is possible. Strategic partners themselves are planning the finances required for their activities (including the costs for participation of their representative in the Working Group). Partners may also agree on joint financing to pay for the activities (media campaigns, projects and etc.) for each subsequent period..

VII. PERFORMANCE MEASUREMENT PROCEDURE

81. Implementation of strategic objectives has been measured using the following performance indicators accordingly to the nature of each objective:

OBJECTIVE 1: TRADITION OF PLANNING FINANCES AND CREATING SAVINGS

Performance indicator	Initial level (2013)	Progression	Target level (2020)	Data source and submission time
Households that regularly plan their budget (control their income and expenditure balance)	50.4% (11.2013)	Increasing rate (1%–3% a year)	55–65%	Annual financial literacy survey / February
Households that part of their income regularly put aside for savings	31% (07. 2013)	Increasing rate (1%–3% a year)	45%–55%	Annual financial literacy survey / February
Total amount of household savings (deposits, 2 nd and 3 rd pillars of pension scheme, investments, financial instruments, endowment insurance etc.)	~ 7 billion euros (12.2013)	Increasing rate	~ 11 billion euros	FCMC statistics/ February 15
Life insurance (%) to total insurance market volumes	19% (12.2013)	Increasing rate	30%	FCMC statistics/ February 15

OBJECTIVE 2: FINANCIAL SERVICE ENVIRONMENTAL INTEGRITY

Performance indicator	Initial level (2013)	Progression	Target level (2020)	Data source and submission time
Financial integrity index (the number of service users in the financial sector)	100	Increasing rate (2%–3% a year)	115–125	FCMC statistics
Confidence in the financial and capital markets and service providers	41.6% (trust or neutral)	Increasing rate (1%–3% a year)	45–55%	FCMC annual sociological survey

Total amount /number of household problem loans (more than 90 days past due) Amount/number of overdue non-bank or the so-called easy loans	12%, the number: 137 783 (the highest identified: 19.6% (09.2011))	Declining rate (1%–3% a year)	3–5 %	FCCM statistics/ February 15 CRPC statistics
Gross premiums written on risk insurance per capita	120 euros	Increasing rate (6%–9% a year)	200 euros	FCCM statistics/ February 15
The share of people that examine all the details of service and compare several offers	32% (01.2014)	Increasing rate (1%–3% a year)	39–51%	Annual financial literacy survey / February

OBJECTIVE 3: DEVELOPMENT AND SUSTAINABILITY OF PUBLIC FINANCES

Performance indicator	Initial level (2013)	Progression	Target level (2020)	Data source and submission time
Proportion of household loans/ deposits in commercial banks	1.48	Declining rate	1.1	FCCM statistics/ February 15
Residents that are of the opinion that available funds should be invested for gaining additional profit	24% (01.2014)	Increasing rate (1%–3% a year)	30–37%	Annual financial literacy survey / February
Total resident deposit stock in commercial banks	~ 10.2 billion euros	Increasing rate (5% a year)	~ 14 billion euros	FCCM statistics / February 15
GDP per capita	~ 10 400 euros	Increasing rate (3%–5% a year)	~ 13 400 euros	Central Statistical Bureau

82. To ensure a regular assessment of strategic objective performance indicators and preparing the relevant report, and other data collection that characterize the overall public financial situation and financial literacy level, as well as recording of activities carried out by the partners, upon the request of the FCCM the strategic partners (and other partners, if required) submit the necessary information for filling in the annual financial literacy monitoring standard form (see Annex 2 to the Strategy).
83. FCCM summarizes and processes the annual monitoring indicators pursuant to the required format.

VIII. FINANCIAL LITERACY INDEX

84. Until now, no regular nation-wide research has been done in Latvia aimed at exploring the level of consumer financial literacy for the purpose of measuring an impact of the activities and the changes in the financial literacy level over a certain period. Therefore the FCMC, as the national coordinator of financial literacy promotion has intended to develop a new measurement system and methodology for summarizing the results, i.e. financial literacy index for Latvian residents (hereinafter – Index).
85. Index will cover the results of the annual sociological survey on the resident financial literacy conducted by FCMC, or the positive score that characterizes overall financial literacy level, as well as statistical data on the Latvian household financial stability, their growth and sustainability.
86. From 2014 onwards, the FCMC will conduct the annual financial literacy survey of Latvian residents, including the OECD INFE Financial Literacy Core Questionnaire to measure and compare financial literacy levels among the OECD countries, as well as to identify the financial literacy base level for developing the Index and ensure its further measurements. FCMC will maintain and coordinate communicating with the public regarding the annual changes in the Index.

IX. ANNEXES

ANNEX 1

SWOT analysis regarding the improvement process of the Latvian society financial and economic knowledge

INTERNAL FACTORS	
STRENGTHS	WEAKNESSES
<p>Compulsory education:</p> <ul style="list-style-type: none"> • Ongoing curricula development process • Currently operating skilful social/economics science teachers as the core • Open cooperation between the financial sector and market participants 	<p>Compulsory education:</p> <ul style="list-style-type: none"> • State education curricula reform process • Economics as optional subject • Teacher professional qualification level in financial literacy matters or lack of it • The lack of financial and economic education in universities in the fields of humanities
<p>Voluntary education:</p> <ul style="list-style-type: none"> • Current educational projects, teaching material and interactive tools • The projected staff and budgetary resources • Professional, high-level cooperation between education promotion partners • Agreement on a single strategy • Technological advancement, new efficient channels for information distribution 	<p>Voluntary education:</p> <ul style="list-style-type: none"> • The lack of prior coordination • Overlapping of the current activities • The lack of educational activities for certain social segments • The lack of compiled lifelong education programs / materials • Insufficient information on the opportunities and material available • Limited staff and financial resources in public authorities for financial literacy promotion
EXTERNAL FACTORS	
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Increased demand for educational information on the financial and economic matters in the post crisis period • Political support for the improvement of knowledge in tune of NDP and other strategic documents • Consistent media interest • International activities and support, membership in the OECD INFE and other organizations • The euro adoption as a catalyst for the information flow 	<ul style="list-style-type: none"> • Low confidence level of the public in the financial/ economic sector and market participants over the post crisis period • Disassociating themselves from above issues in part of the society because of poverty and/or social exclusion • The lack of resources to the media for conducting an in-depth analysis on the financial literacy issues • Public disillusion with an insufficiently fast course of attainment of the average euro area wellbeing level after the adoption of the euro • Potential economic and financial shocks in the national economy and negative trends in the euro area progress

ANNEX 2

FINANCIAL LITERACY INDICATORS AND ACTIVITIES MONITORING

OBJECTIVE 1: TRADITION OF PLANNING FINANCES AND CREATING SAVINGS

Performance indicator	Initial level (2013)	Progression	Level of the year 201 _{n+1}	Data source and submission time
Households that regularly plan their budget (control their income and expenditure balance)		Increasing rate (1%–3% a year)		Annual financial literacy survey / February
Households that part of their income regularly put aside for savings		Increasing rate (1%–3% a year)		Annual financial literacy survey / February
Residents that are aware of the importance to create savings		Increasing rate (1%–3% a year)		Annual financial literacy survey / February
Deposit amount of credit union members – private persons		Increasing rate		FCMC statistics/ February 15
The number and average amount of household deposit contracts per customer of commercial bank		Increasing rates		FCMC statistics/ February 15
Household deposits with a maturity of more than one year		Increasing rate		FCMC statistics/ February 15
Total household savings (deposits, 2 nd pillar and 3 rd pillar of pension system, investments, financial instruments, life endowment etc.)		Increasing rate		FCMC statistics/ February 15
The share of cash in the financial assets		Declining rate		Bank of Latvia statistics
The number of endowment insurance contracts /amount of premiums written (per resident)		Increasing rate		FKTK statistika/ FCMC statistics/ February 15
Personal income tax exemptions: the number of declarations submitted to the tax-payer number		Increasing rate		SRS statistics
The number of 3 rd pillar of pension scheme members /the amount of contributions		Increasing rate		FCMC statistics/ February 15

Results of improvement and implementation of primary school curriculum (including financial literacy) – diagnostics of 2018	Increasing rate	MES
Number of new initiatives for advisory network development	Increasing rates	Recording/ statistics by partners

OBJECTIVE 2: FINANCIAL SERVICE ENVIRONMENTAL INTEGRITY

Performance indicator	Initial level (2013)	Progression	Level of the year 201 _{n+1}	Data source and submission time
Financial integrity index (number of service users in the financial sector)		Increasing rate (2%–3% a year)		FCCM statistics
Confidence in the financial and capital markets and service providers		Increasing rate (1%–3% a year)		FCCM annual sociological survey
The number and amount of household problem loans or more than 90 days past due (excluding mortgage loans, but including easy loans)		Declining rate		FCCM statistics/ February 15 CRPC statistics
The number and amount of problem household mortgage loans or more than 90 days past due		Declining rate		FCCM statistics/ February 15
The number/ amount of the loans granted by non-banking lenders (excluding the leasing providers)		Declining rate		CRPC statistics
The number of insolvency proceedings against residents (private persons)		Declining rate		Insolvency Agency
The share of non-performing loans of credit unions		Declining rate		FCCM statistics/ February 15
The amount of risk insurance premiums written per resident		Increasing rate (6%–9% a year)		FCCM statistics/ February 15
The number of phishing and other fraud cases subject to appropriate criminal proceedings		Depending on crime situation trends		Prosecutor's Office of Latvia (Control Service)

The share of residents that explore all the information on services and compare several offers	Increasing rate (1%–3% a year)	Annual financial literacy survey / February
The share of residents that are aware of authorities to approach for their right protection	Increasing rate (1%–3% a year)	Annual financial literacy survey / February
The number of internet banking users	Increasing rate (1%–3% a year)	Research by the Association of Commercial Banks
Attendance of educational sites	Increasing rates	“Client School “ (FCMC) statistics
Attendance of educational sites of other partners	Increasing rates	Section of the site of Association of Commercial Banks, <i>Swedbank</i> IPF site, SEB site, <i>Nordea</i>
State guarantee system: 1) Deposit Guarantee Fund (DGF) recognition indicator	Increasing rates	FCMC annual sociological survey / February
2) The amount of accumulated assets in the DGF and Fund for the Protection of the Insured to guaranteed compensations		FCMC statistics / February 15
The number of customer complaints (banks, insurance, financial instruments market)	Declining rate	FCMC statistics / CRPC
The number of campaigns/lectures and audiences reached	Increasing rates	Statistics by the performers of activities

OBJECTIVE 3: DEVELOPMENT AND SUSTAINABILITY OF PUBLIC FINANCES

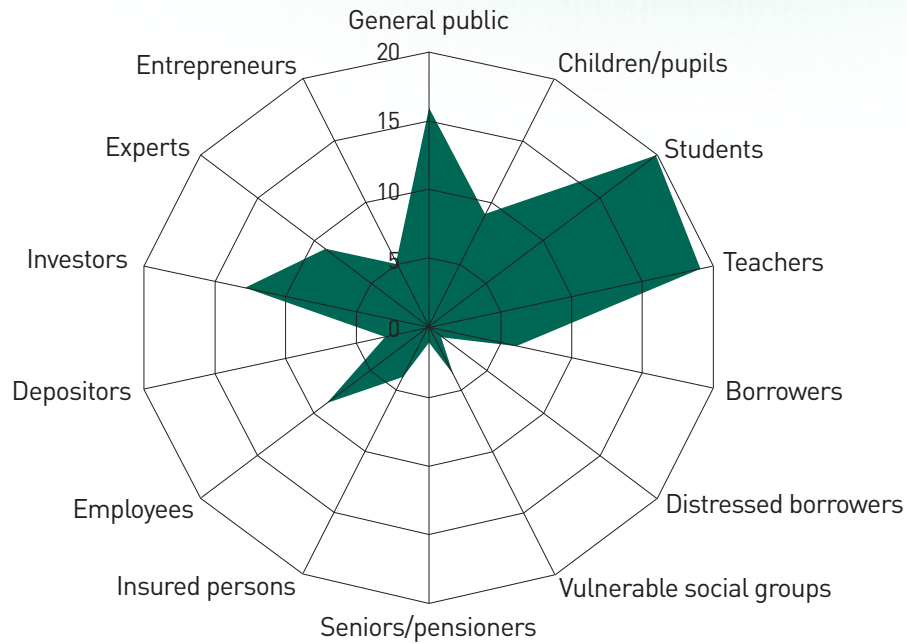
Performance indicator	Initial level (2013)	Progression	Level of the year 201 _{n+1}	Data source and submission time
The share of household loans / deposits in commercial banks		Declining rate		FCMC statistics / February 15
Households that believe that available assets should be invested in additional profits		Increasing rate (1%–3% a year)		Annual financial literacy survey / February
Total resident deposit stock in commercial banks		Increasing rate (5% a year)		FCMC statistics / February 15

The amount of credit union deposits	Increasing rate	FCMC statistics/ February 15
The amount of resident household assets invested in investment fund certificates	Increasing rate	FCMC statistics/ February 15
The amount of resident household assets invested in shares	Increasing rate	Bank of Latvia statistics
The amount of resident household assets invested in debt securities (including bonds)	Increasing rate	Bank of Latvia statistics
Household loans / GDP		Central Statistical Bureau (CSB)
New mortgage loans granted to households by commercial banks (number /amount*)		FCMC statistics/ February 15
New loans granted to resident micro-companies and SME by commercial banks (number /amount)	Increasing rate	FCMC statistics/ February 15
Contributions to the 2 nd pillar of pension system	Increasing rate	FCMC statistics, SSIA
Contributions to the 3 rd pillar of pension system by employers	Increasing rate	FCMC statistics/ February 15
Start-ups of new enterprises / registration of self-employed persons	Increasing rate	Commercial Register
Number/percentage of general and vocational educational institutions that encourage pupils to set up mini-companies (JA-YE Latvija MSE program)	Informative indicator	JA-YE Latvija
Start-ups of new enterprises: number of pupils and students' training enterprises	Informative indicator	JA-YE Latvija
The number of insolvency cases initiated against residents private persons	Declining rate	Insolvency Administration
Shadow economy index	Declining rate	CSB SSE

ANNEX 3 (PARTS A AND B)

FCCM's review of financial education activities in the financial sector, 2012

A – Financial education activities broken by target groups



B – Financial education activities broken by themes

