

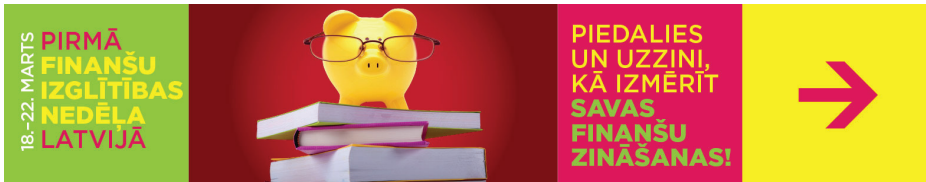

FINANCIAL LITERACY IN LATVIA:




ACTIVITIES,
PROGRESSION,
CHALLENGES



FINANCIAL LITERACY IS A KEY COMPETENCE OF XXI CENTURY

— OECD INFE

DATE	ACTIVITY
2002	<p>Website MY PENSION was developed - www.manapensija.lv In 2013 the website was updated with a new calculator to estimate expected amount of individual pension</p>
2005	<p>The Bank of Latvia opened the visitors centre for financial education and information "Money World"</p>
March 2011	<p>The 1st educational portal for financial literacy was launched - "The Client School" of the Financial and Capital Market Commission (FCMC) www.klientuskola.lv</p>
September 2012	<p>Developers of the financial and economic education agreed with the Ministry of Education and Science and National Centre for Education (NCE) that school programs should be complemented with the learning materials and interactive tools elaborated by supervisory authorities and market</p>
November 2012	<p>Agreement was signed between the FCMC and NCE. Focus on cooperation, including the improvement of General Education Curriculum</p>
March 2013	<p>1st Financial Education Week - "How much do I know about finances?"</p> 
2012 - 2014	<p>OECD PISA 2012: Latvian students (age 15) performed relatively high level of financial literacy – above the average of the OECD countries</p>
January 2013	<p>Commitment Letter to <i>Child and Youth Finance International</i> signed</p>
April 2013	<p>Partnership with OECD INFE (<i>International Network for Financial Education</i>) established, the FCMC appointed as a National Coordinator of the OECD INFE</p>
July 2013	<p>Working Group for Development of National Strategy established</p>
2013	<p>The 1st educational portal of economics "Money School" launched, the Bank of Latvia www.naudasskola.lv</p>
February 2014	<p>The Memorandum on the implementation of the National Strategy for Financial Literacy (2014–2020) signed by strategic partners</p>
March 2014	<p>The 2nd Financial Education Week - "Find and Reach Your Financial Goal!"</p> 

DATE	ACTIVITY
April 2014	The 1st National Survey on Financial Literacy, conducted by the FCMC&SKDS
January 2015	The new measurement system - INDEX of financial literacy for Latvian residents published (based on data of the 1st National Survey), the FCMC
March 2015	<p>The 3rd Financial Education Week - "Save knowledge! Save knowingly!"</p> 
July 2015	The 2nd National Survey on Financial Literacy, conducted by the FCMC&SKDS
March 2016	<p>The 4th Financial Education Week - "Journey towards Financial Literacy"</p> 
April 2016/2017	Annual Competition for Students "The Financial ABC", EKA in partnership with the Bank of Latvia and the FCMC
October 2016	The 1st OECD INFE Survey of Adult Financial Literacy Competencies
November 2016	The 1st CYFI's Award for Latvian Students: Outstanding Youth Economic Citizenship Award
March 2017	<p>The 5th Financial Education Week - "Revision of Your Financial Literacy!"</p> 
April 2017	Core Competencies Standard on Financial Literacy for Adults (based on OECD INFE Framework) published
Every year, since 2012	Seminars and workshops for teachers - methodology, plans for lessons/lectures, interactive tools. The Bank of Latvia and BA School of Business and Finance
April 2017	The 1st International Discussion on financial literacy issues in the Baltic States
May 2017	Latvia is nominated for CYFI's Country Award - a joint project of all financial literacy promoters for teachers "Diversity of Teaching and Learning Methodologies for Training Financial Literacy"

On 24 February 2014, strategic partners signed the Memorandum on the implementation of the National Strategy for Financial Literacy in Latvia 2014–2020 aimed at promoting a progressive rise in the public financial literacy. Agreement on further cooperation was reached by – the Financial and Capital Market Commission (FCMC), Ministry of Education and Science, National Centre for Education, BA School of Business and Finance, Consumer Rights Protection Centre, Association of Commercial Banks of Latvia and Latvian Insurers Association. Partners have agreed on three strategic objectives in the area of financial literacy:

VISION LEADS TO 3 OBJECTIVES

NATIONAL DEVELOPMENT PLAN 2014 - 2020

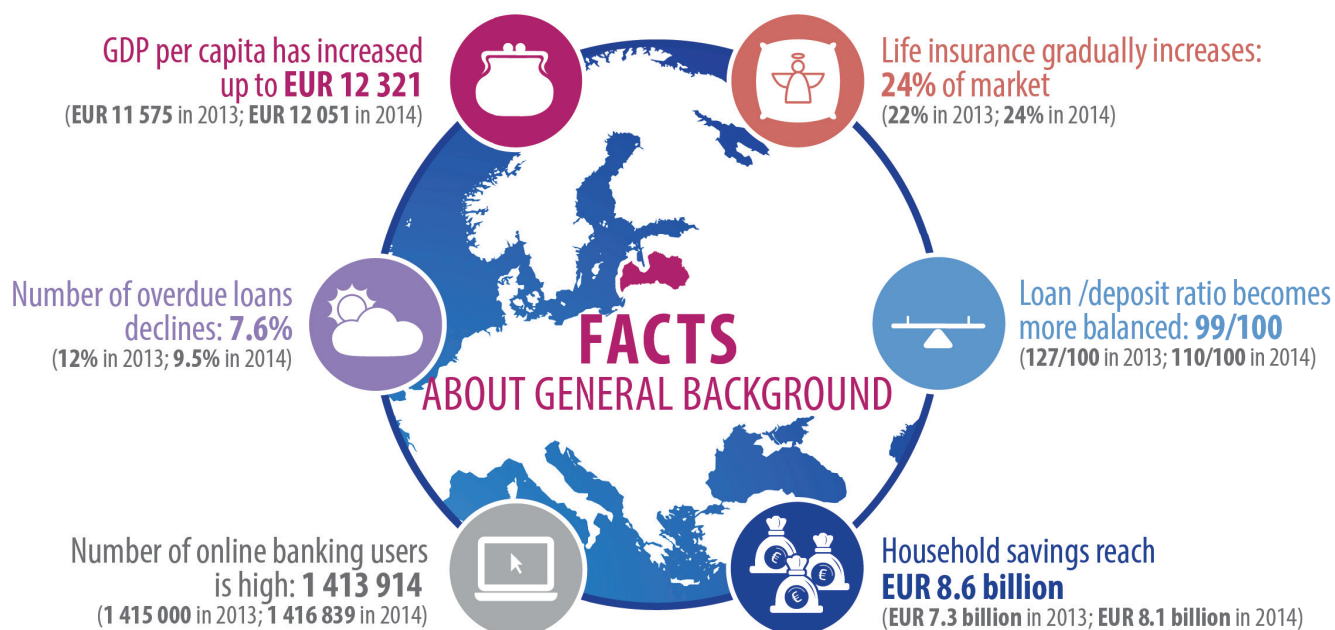
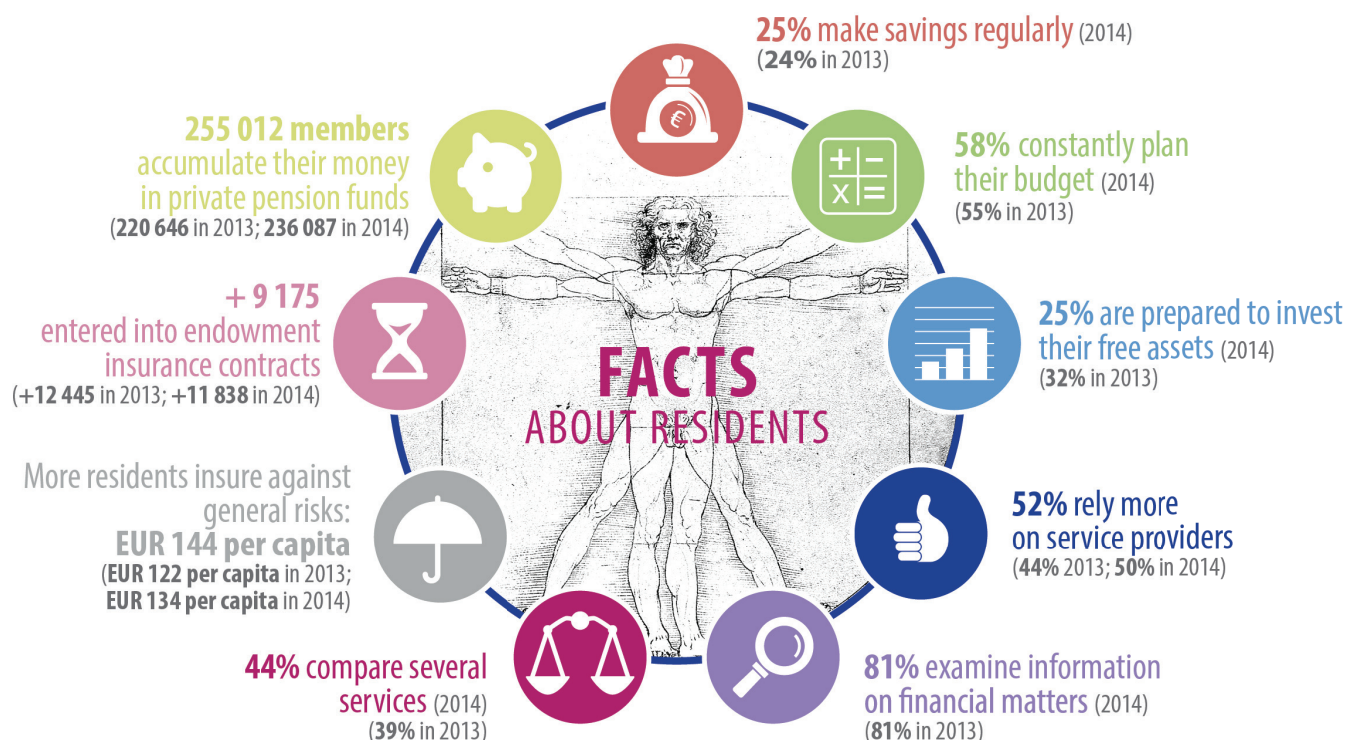


The necessary acting blocks (overall seven) have been set up for the implementation of strategic objectives, specifying tasks and activities of responsible institutions. The implementation of objectives has been carried out by strategic partners in close cooperation with other associates that have confirmed their willingness to participate in the common activities or to provide their support for financial literacy promotion.

The annual summing of the results regarding implementation of the National Strategy demonstrates progress towards the achieving of strategic objectives.

For instance, the first year (2014) showed good progress in performance of almost all indicators – more attention was paid to the savings for future, the amount of funds invested in life insurance grew as well. The main conclusion that the incentives for people to make long-term savings should be maintained for ensuring financial sustainability.

In 2015, a household loan-to-deposit ratio was brought into balance, habit of making savings strengthened. Latvian residents became more active in insuring their risks at a growth rate close to the maximum as predicted before. Overall, habits contributing to financial sustainability - accumulation and long-term planning - strengthened.



OECD PISA 2012

PISA 2012 was the programme's 5th survey. It assessed the competencies of 15-year-olds in reading, mathematics and science (with a focus on mathematics) in 65 countries and economies. In 18 countries and economies (including Latvia) students were assessed in financial literacy for the first time. Latvian students performed a relatively high level of financial literacy – above the average of the OECD countries.



15% of students in Latvia performed at the highest level (average across the OECD – 21%), only 7% of students performed at lowest level (average across the OECD – 15%). 77% of students in Latvia now study economics and finances and some of them make use the option to test the level of their knowledge by taking exam.

FINANCIAL LITERACY INDEX

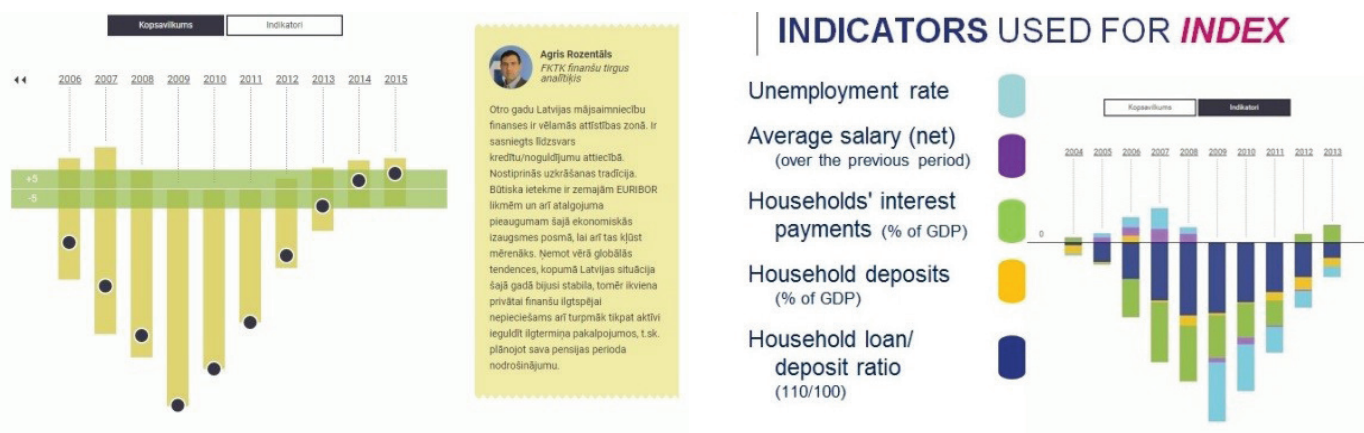
FCMC as a National Coordinator conducted the 1st and the 2nd National Financial Literacy Surveys (2014, 2015) based on the OECD INFE Core Questionnaire. To measure the current level of financial literacy in Latvia the FCMC developed a new measurement system for adults – financial literacy INDEX. The result of INDEX is the score (average mark for seven financial literacy topics) calculated using an individual new methodology developed in cooperation with the marketing and public opinion research centre SKDS.

In 2015, the first INDEX was published as an interactive tool. The results demonstrated that the level of financial literacy was relatively low: +20.6 points in 2014 and 21.2 points in 2015 (scale: -76 to +99). In 2016 FCMC added to INDEX a new tool for the testing of financial literacy. It is an individual opportunity for everyone to calculate their personal INDEX and compare to public.



INDICATORS OF HOUSEHOLDS STABILITY AND SUSTAINABILITY

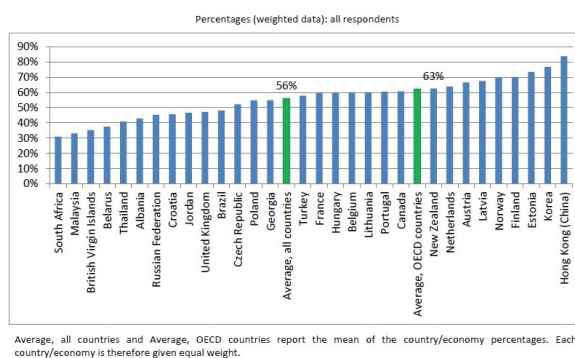
Besides, the FCMC has compiled a summary of indicators featuring the Latvian household financial stability and sustainability and comments on the situation as from year 2004 that would be useful information to understand the macroeconomic developments in the household context over the past decade.



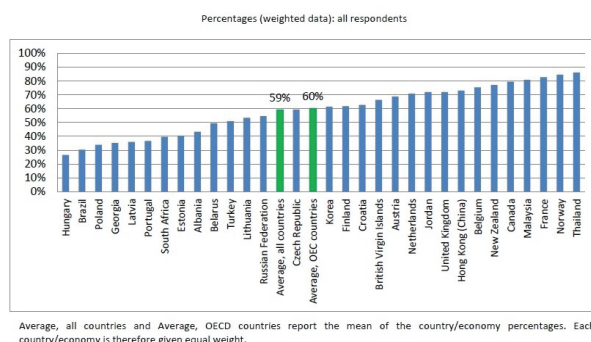
In 2014 and 2015 the sum of indicators showed that the Latvian households had become more stable and reached the level of financial sustainability, as for the first time since 2005 they had returned to the preferable development zone (the green line). This was evidenced by the aggregated value of statistical indicators, i.e. +2.3 in 2014 and +4.2 in 2015 in comparison with the economic recession period when it was -59.7 (2009).

OECD INFE SURVEY 2016

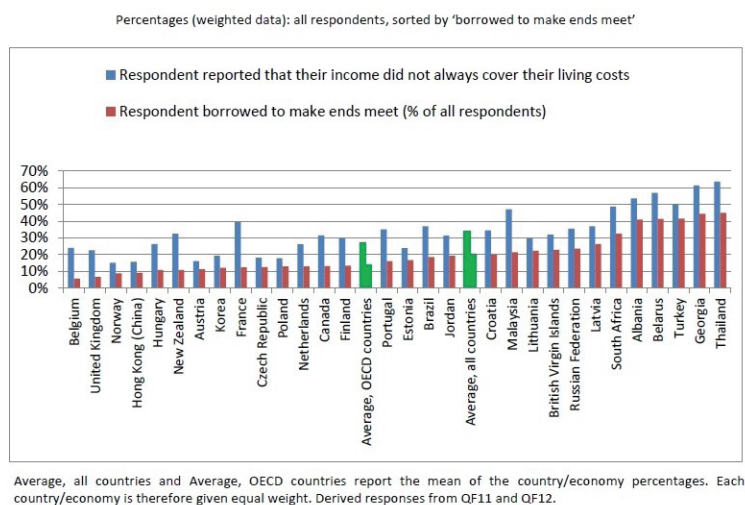
The first (2016) OECD INFE international study of financial literacy showed that adults in many countries around the world display low levels of financial knowledge, fail to engage in financial behaviours that could improve their financial security and have financial attitudes oriented towards the short term. 32 countries and economies participated in this OECD study, including all three Baltic States (Latvia, Lithuania, Estonia). Latvia performed a relatively high level in the category of financial knowledge among the TOP 6 countries – Hong Kong (China), Korea, Estonia, Finland, Norway and Latvia (above the average level of the OECD countries):



Financial literacy includes a number of behaviours that can promote financial well-being. One of these is saving. People who build savings are also likely to be more resilient to financial shocks and better able to meet financial goals. The indicator of active saving used in this report therefore seeks to identify such recent behaviour. This position of Latvians as well as others in attitudes/behaviour category had lower scores:

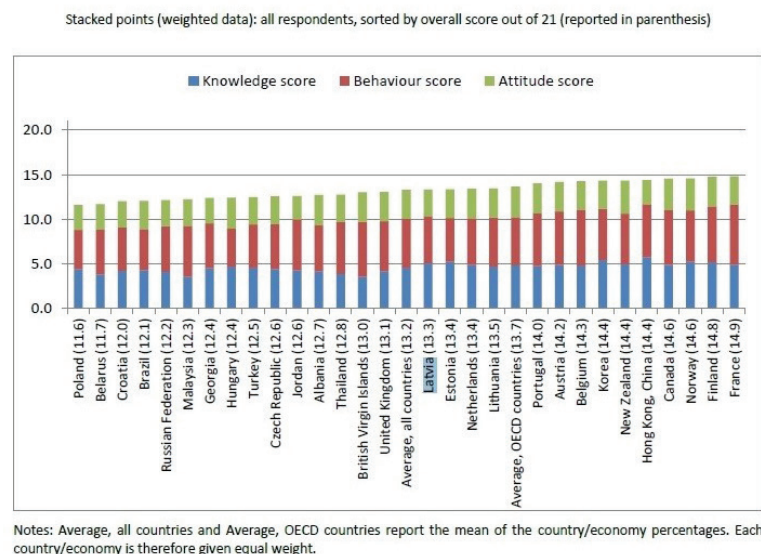


The worst assessment for Latvians was connected to the situation when their income did not quite cover their living costs. Those who have experienced such a situation in the previous 12 months were asked about the strategies they used to meet the shortfall and many of them answered that borrowing would be the right way to manage it.



OECD experts: "Overall levels of financial literacy in this study indicated by combining scores on knowledge, attitudes and behaviour – were relatively low. The average score across all participating countries and economies is just 13.2 (out of 21 possible), and 13.7 across the OECD countries."

Latvia has performed a combined score as 13.3 which is under the average score of the OECD countries.



The recommendation of the OECD INFE: "Some countries with relatively high levels of basic financial knowledge, such as Latvia and Estonia, do not have high overall levels of financial literacy on such a measure due to their financial behaviour scores. **Latvia and Estonia need to primarily seek ways of changing behaviour in order to improve overall levels of financial literacy.**"*

* OECD/INFE International Survey of Adult Financial Literacy Competencies/2016:
<http://www.oecd.org/daf/fin/financial-education/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf>

To provide further common activities and improvement in financial literacy strategic partners have built up a national network which is growing from year to year. The Standing Group for Implementation of National Strategy holds meetings quarterly and analyses all indicators to report them to all the partners and the government. The Core Competencies Standard on Financial Literacy for Adults now is published and the next significant steps will be - educational campaigns on the current trends and challenges in the financial sector and lifelong Educational Programme on Financial Literacy for Adults. There is still enough room for public commitment to improve the level of financial literacy.

