

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Document: AGFSCB 32-035  
Draft: **FIRST**  
Source: APEC SOM Chair  
Date: 12 July 2012  
Meeting: Ho Chi Minh City, Viet Nam

## **Third Meeting 2012**

18 July 2012

8:00 AM-10:00 AM

Sheraton Saigon Hotel & Towers

Ho Chi Minh City, Vietnam

## **Meeting Paper 4-B**

# **Draft APEC Finance Ministers' Policy Statement on Financial Literacy and Education**

Office of the Chair, APEC Senior Finance Officials' Meeting

<b><i>PURPOSE</i></b>	For information.
<b><i>ISSUE</i></b>	Draft APEC Finance Ministers' Policy Statement on Financial Literacy and Education
<b><i>BACKGROUND</i></b>	This draft was prepared based on discussions during various meetings under the APEC FMP.
<b><i>PROPOSAL</i></b>	N.A.
<b><i>DECISION POINT</i></b>	Note the draft policy statement

**Policy Statement**  
**APEC Ministers of Finance**  
**Financial Literacy and Education**

**DRAFT**

We, the finance ministers of the APEC economies, recognise financial education to be an essential complement to consumer protection and financial inclusion and an important component of any national efforts that will effectively support economic stability, inclusive development and contribute to individual and families' wellbeing.

Ongoing social, economic and financial system developments require enhancing financial knowledge and capability as they involve the transfer of financial risks and responsibilities to individuals, the growing complexity of financial markets and increased engagement of consumers with financial products and services. This has resulted in an increase in the number of households that have difficulty understanding the risks and obligations they bear and how to best manage the full range of financial decisions they are now required to make. Important developments include:

- Greater use of credit, investment and insurance products that offer new opportunities but have also led to higher risks with devastating consequences in some countries that has contributed to the recent financial crisis.
- Population aging that requires reforms to ensure the sustainability of pension systems and state finances. These reforms, in particular a shift from defined benefit to defined contribution schemes, increase the responsibility and risks of the members of these and other social insurance systems requiring greater financial literacy for the population to understand their implications and how best to manage these changes.
- Increasing diversity of financial products and use of technologies such as the internet and mobile phone in developing countries that allow a new and growing segment of consumers to access and potentially benefit from financial services. These products, however, may not be fully covered by existing financial consumer protections making consumers with no former experience in dealing with financial issues more vulnerable to mistakes and potential abuse.

Most financial literacy surveys conducted worldwide and in APEC economies, show that large segments of the population have insufficient financial knowledge to understand even basic financial products, underestimate the risks, and often do not make effective decisions on managing their finances and the use of financial products. As evidenced by the ongoing financial crisis, this represents a threat to overall financial, economic and political stability.

Financial education supported by effective consumer protection cannot prevent future crises alone, but it can help mitigate their consequences by enabling individuals to effectively engage with financial products and services in a safer environment to make sound choices to protect themselves and their family and fruitfully participate in financial and economic activities.

Financial literacy has therefore become an essential life skill in every economy that is necessary to promote financial markets' efficiency and transparency and achieve inclusive financial systems.

For financial education initiatives to be effective and sustainable, they need to be appropriately integrated in a comprehensive national strategy. This will avoid unnecessary duplication of effort

and ensure efficient use of resources. We also recognise that national financial education efforts should be tailored to the country's circumstances, priorities and needs.

We therefore welcome the development of such national strategies by a majority of APEC economies. We also recognize the importance and welcome the endorsement of the OECD/INFE High-level Principles on National Strategies for Financial Education by G20 Leaders at their Summit in Los Cabos.

In particular, we acknowledge the importance of flexible evidence-based national strategies for financial education that involve:

- the measurement of financial literacy at a national level to determine needs and gaps with respect to financial knowledge and capability to identify priority areas for the strategy to address
- the mapping and evaluation of existing initiatives and support for a national communication and awareness campaigns;
- a clearly articulated financial education mandate for a leading public authority or body of authorities, and the involvement, co-operation and coordination of key stakeholders through a dedicated governance mechanism
- a tailored and flexible roadmap including an overall vision, realistic, measurable and time-bound objectives, the definition of relevant policy priorities and, where relevant, target audiences. The roadmap should also include an overall impact assessment plan and identify appropriate resources.
- the design of efficient delivery mechanisms based on identified good practices and ongoing research that involves rigorous monitoring and evaluation of programmes.

We call for the implementation of national strategies for financial education by APEC economies and the monitoring of related developments. We recommend that in the course of the implementation of national strategies and when assessing financial literacy and evaluating financial education programmes, APEC countries use the methodologies and tools developed by the World Bank and the OECD/INFE.

As one of the first priorities, we recommend the development of programmes to enhance the financial knowledge and abilities of the future generations through financial education in schools. We recognise that young people will bear the burden of financial decisions and will require more financial skills than their parents to cope with the increasingly complex and risky financial environment in which they will live.

Therefore, we finance ministers, specially recognize the importance of financial education in schools as a critically important part of an education in 21st century. We strongly support the OECD/INFE Guidelines for Financial Education in Schools and recommend their flexible implementation in APEC economies, taking into account national, regional and local circumstances. In particular, we acknowledge the importance of starting financial education in schools as early as possible through the establishment of tailored and dedicated learning frameworks adapted to young people's needs. Toward this end we encourage the participation of APEC countries in the Financial Literacy measurement in the Programme for International Students Assessments (PISA) in 2015.

**We welcome the G20 high level principles on financial consumer protection endorsed at Cannes Summit and continued progress toward development of a consensus on national policies that integrate financial capability, consumer protection and financial inclusion objectives.**