EDUFIN PROJECT

Developing participative processes for the generation of a financial education curriculum addressed to young adults at risk

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Financial education for young people at risk

ITALIAN National Report

Centro Studi e Formazione Villa Montesca.

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1. Introduction

The Financial literacy and competence among young adults seems to be defined today around the world as one of the most debated topics for its importance and urgency. In their transition to adulthood, young adults face increasingly complex financial transactions such as managing credit card debt, obtaining and paying car loans, obtaining and beginning to repay student loans, managing health care and insurance costs, and savings. Growing numbers of young adults are struggling with such transactions, as indicated by the increasing numbers of young adults who report rising financial debt and bankruptcy filing.

Research on the financial practices and credit card behavior of college students suggests that although most students manage their personal finances responsibly, the number of students who get into financial difficulties because of poor personal financial management skills is increasing.

The development of financial independence among young adults is often associated with acquisition of financial skills and resources, including obtaining post-secondary education and employment, establishing and maintaining checking and saving accounts, and acquiring assets. These skills facilitate financial literacy and competence as young adults obtain earned income and incur financial obligations that are traditionally associated with adulthood such as paying rent and other bills. Young adults themselves appear to recognize the importance of financial self-sufficiency and cite this as one of the top three criteria for becoming an adult.

In recent years, developed and emerging countries and economies have become increasingly concerned about the level of financial literacy of their citizens. This has stemmed in particular from shrinking public and private support systems, shifting demographic profiles including the ageing of the population, and wide-ranging developments in the financial marketplace.

Concern was also heightened by the challenging economic and financial context with the recognition that lack of financial literacy was one of the factors contributing to ill-informed financial decisions and that these decisions could, in turn, have tremendous negative spill-overs. As a result, financial literacy is now globally acknowledged as an important element of economic and financial stability and development; this is reflected in the recent G20 endorsement of the OECD/INFE (International Network on Financial Education) High-level Principles on National Strategies for Financial Education.

A series of tangible trends underpin the rising global interest in financial literacy as a key life skill. These are summarized below:
➤ **Risk shift**

There has been a widespread transfer of risk from both governments and employers to individuals. Many governments are reducing or have reduced state-supported pensions, and some are reducing healthcare benefits. Defined-contribution pension plans are quickly replacing defined-benefit pension plans, shifting onto workers the responsibility to save for their own financial security after retirement. Traditional pay-as-you-go (PAYG) pension schemes are supplemented by new schemes in which the individual is subject to both revenue and investment risk. Most surveys show that a majority of workers are unaware of the risks they now have to face, and do not have sufficient knowledge or skill to manage such risks adequately, even if they are aware of them (OECD, 2008). Furthermore, the array of risks with financial implications is increasing: for example, individuals face the risks associated with longevity, credit, financial markets, and out-of-pocket healthcare.

➤ **Increased individual responsibility**

The number of financial decisions that individuals have to make is increasing as a consequence of changes in the market and the economy. For instance, longer life expectancy means individuals need to ensure that they accumulate savings to cover much longer periods of retirement. People also need to assume more responsibility for funding personal or family health care needs. Moreover, increasing education costs make it important for parents to plan and invest adequately for their children’s education. Even when individuals use the services of financial intermediaries and advisors, they need to understand what is being offered or advised. The individual is responsible for the financial product he or she decides to purchase, and the individual will face all the consequences of the choice. Individuals everywhere need to be financially literate to make informed and responsible decisions.

➤ **Increased supply of a wide range of financial products and services**

In addition, in all countries, growing numbers of consumers have access to a wide range of financial products and services from a variety of providers and delivered through various channels. Improved levels of financial inclusion in emerging economies, developments in technology and deregulation have resulted in widening access to all kinds of financial products, from current accounts and remittances products to revolving credit and equity portfolios. The products available are also becoming more complex, and individuals are required to make comparisons across a number of factors such as the fees charged, interest rates paid or received, length of contract and exposure to risk. They must also identify appropriate
providers and delivery channels from the vast array of possibilities, including community groups, traditional financial institutions, online banks and mobile phone companies.

- **Increased demand for financial products and services**

Economic and technological developments have brought greater global connectedness and massive changes in communications and financial transactions, as well as in social interactions and consumer behaviour. Such changes have made it more important that individuals be able to interact with financial providers. In particular, consumers often need access to financial services (including banks and other providers such as post offices) in order to make and receive electronic payments like income, remittances and online transactions, as well as to conduct face-to-face transactions in societies where cash and cheques are no longer favoured. Those who cannot access such services often pay more for cash transactions, using informal financial services such as moneylenders or cheque cashers.

All of these trends have transferred the responsibility of major financial decisions to individuals. At the same time, they have both enlarged the options for the majority of the population (including new financial consumers) and increased the level of complexity they face. Against this backdrop, individuals are expected to be sufficiently financially literate to take the necessary steps to protect themselves and their relatives and ensure their financial well-being.

### 1.1. An outline of the National Context

“....... investing in financial education is an important means to perform our institutional duties: protecting savings, ensuring stability and promoting competition.”

*Governor of the Bank of Italy, Ignazio Visco*

The Italian Supervisory authorities consider financial education an important element in the wider context of their responsibilities, although a national governance and a legal framework are still missing. The need to strengthen banking, financial and insurance consumer protection in the face of more diversified and complex financial products, and to rebuild the trust in a better regulated financial system after the financial turmoil are the main drivers of the development of a national strategy on financial education in Italy. The gradual shrinkage of public welfare resources, the launch of the supplementary private pension system, and the transformation of the few outstanding defined-benefit schemes to the defined-contribution regimes, all contribute to transfer financial responsibility away from the State towards individuals and households, thus requiring strengthened financial capabilities among the public at large. In this new
context, a commitment by public bodies to improve awareness and planning skills for retirement has become essential, in particular for the young.

More recently, successive anti-tax evasion measures aiming at promoting the use of cash-alternative payment services, including a cap on cash payment of amounts equal to or above €1000,00, will add to the case for diffused financial education, as it is likely to further boost bankarisation among the less educated layers of the population. In this context, a national strategy would be important to help build a nation-wide commitment to raise financial education to the highest level in the national agenda, and support the design of policies to push it forward.

The development of a national strategy, based on national regulation, would allow relevant public institutions to strengthen co-operation, considering an adequate involvement of the private sector, and a rationalization of the existing activities with the intent of reducing the overall costs and raise their efficiency. For the time being, the Italian supervisory authorities, though on a different scale, undertake distinct financial education projects on a regular basis.

*The Bank of Italy* considers financial education as part of its responsibilities in the wider context of ensuring financial stability and consumer protection. Consumer protection is an integral and dedicated part of the actions of the Bank and is a very important aspect of banking supervision. A consumer protection system includes competition, transparency regulation, alternative dispute resolution (ADR) and, last but not least, financial education. Without proper financial education, even good rules on transparency may not ensure effective consumer protection.

Financial education helps investors monitor intermediaries. Educated households, better acquainted with the notions of risk and return, compound interest and inflation, can better identify abuse and fraud as well as understand the real terms of what they are being offered. Financial education can complement the supervisory action of the authorities in fostering competition. Financially literate households are less likely to believe that they have been cheated.

Thus, financial education helps sustain confidence in the financial system and can have a beneficial effect on the stability of intermediaries. Indeed, the financial industry is likely to benefit from having more literate customers. *The Italian Insurance Supervisory Authority (IVASS)* – whose President is the Director General of the Bank of Italy – considers policyholder education as a relevant and important activity of its mandate, as it is intended to complement the IVASS’ key objectives of policyholder protection and prudential supervision.

Education in the insurance sector presents specific challenges. Insurance business can be complex due to several factors, including the increasing variety and sophistication of insurance products, the peculiarity of
insurance business, and the increasing heterogeneity of providers, ranging from conventional intermediaries (brokers, agents, direct selling) to non-traditional distributors (e.g. car dealers) and new selling channels (phone, cell, internet). Despite the efforts made by IVASS to ensure clear pre-contractual and contractual documents, in some cases the parameters and actual coverage provided by insurance policies cannot be easily understood by non-professional customers (contracts’ conditions, ceilings, deductibles, exclusion, trigger for coverage, etc.).

Little experience of some of the long-term products offered, difficulties in understanding the policies’ features, lack of willingness to subscribe long-term coverage or coverage for relatively infrequent risks, lack of trust and confidence in insurance market players, are the main factors to be considered in setting up insurance education plans.

*The Bank of Italy* conducts a regular SURVEY ON HOUSEHOLD INCOME AND WEALTH (SHIW) on a two-year basis to gather information on income, savings, wealth and other socio-economic indicators of Italian families. Over the years, the scope of the survey has widened and now includes also some aspects of households’ economic and financial behaviour such as, for example, what payment methods are used.

The findings of the last two surveys show that, in Italy, the level of financial literacy is still low. Specifically, based on the 2008 survey, about one third of the population is unable to read a bank statement, calculate changes in purchasing power, distinguish between different types of mortgage and evaluate the associated interest rate risk. More than half of Italian households do not understand the importance of investment diversification, and two thirds do not know the difference between shares and bonds in terms of risk. Less than one household out of three knows the main features of supplementary pension schemes. Two years later (2010) just over half of the respondents appeared to understand the advisability of investment diversification; 58.6 per cent could distinguish between different types of mortgage and thus evaluate the associated interest rate risk, 70 per cent even correctly calculated changes in buying power. Educational background has the closest correlation with financial skills. Individuals with no educational qualification had a correct response rate of only 26 per cent.

*The Supervisory Commission of Italian Pension Funds (COVIP)* conducted two sample surveys, in 2008 and in 2012 respectively, to check the knowledge and the awareness of pension matters among Italian workers. The results show that Italian workers are indeed aware that pension benefits ensured by the public, first pillar to the current workforce, will be significantly lower than those enjoyed so far by retirees. However, there is a low awareness of the potential long-term stability of the public pension system as per recent reforms, and still a low awareness of the fiscal incentives that should facilitate the participation in the supplementary pension plans. With reference to the insurance market, IVASS uses consumer complaints data to assess the priorities in consumer protection, including insurance education needs. IVASS
holds monthly meetings with consumers associations’ representatives. They submit the main issues or consumers trends, including their analyses on insurance education needs or their own education initiatives.

In addition, in order to provide a front-line assistance to insurance service consumers, in 2012IVASS established a free toll number for consumers assistance (Contact Center), which allows IVASS to get a first notice of recent developments in insurance business and emerging consumer protection issues.

However a comprehensive national survey on the financial literacy of the population, which the OECD/INFE HIGH-LEVEL PRINCIPLES ON NATIONAL STRATEGIES FOR FINANCIAL EDUCATION identify as the best way to assess financial education needs and key policy priorities, has not yet been carried out.

In Italy, financial education activities have been gradually increasing over the years and have been organised by both public and private institutions. All the institutions involved in consumer protection activities have carried out basic educational programmes that explain the core competencies of their institutional activity. The private sector is also very active on this front: banks, foundations, trade associations, and consortia, all have implemented an educational activity of some sort.

Financial education is an important tool for the financial inclusion of the most disadvantaged social groups, such as the unemployed, low-income families, immigrants. In line with a recent EU Recommendation, the Italian Government has introduced rules requiring all banks to supply a basic bank account, with a number of basic services (including a debit card) and a transparent cost structure. The account is offered to consumers with basic financial needs at zero fees. The Italian supervisory authorities carry out initiatives for the general public through their websites.

As to the information provided to the general public the Bank of Italy’s website features a financial education section aimed at persons interested in developing their economic and financial knowledge and at those who, as savers and users of banking services, wish to enhance their financial culture. The section provides information on the main banking issues and discusses banking, economic and financial matters in simple language. There is information on current accounts, mortgage lending, inflation and price stability, consumer credit, payment cards and also a basic financial glossary. In the website consumers can also find news, read about important events, and find a link to the main financial education projects of the European Central Bank.

In addition to this, the Bank of Italy publishes PRACTICAL GUIDES ON TO BASIC BANKING PRODUCTS. A Guide to current accounts and one to mortgage lending are already available, on the web site also. A Guide to consumer credit will be published shortly. The guides describe, with a clear and simple language, the main features of these popular products. As they have a practical approach, they respond to both transparency and financial education purposes. The Bank of Italy wants to use the potential of the web as
much as possible, in particular to reach new target groups (i.e. the disadvantaged): for the hearing impaired people the Bank of Italy is currently working on video educational material with subtitles and sign language translation; for the visually impaired we are preparing an audio book, while for the short-sighted the Bank of Italy is developing a special video presentation.

The COVIP’s website also contains a Guide directed to the general public, focused on supplementary pensions. The Guide is periodically updated, and the publication of a Q&A section is also envisaged. COVIP is also considering how to use the social networks (Facebook, Twitter) in order to disseminate information on pension matters specially designed for the young. On its website, IVASS provides information to the general public about consumer protection and insurance education. A specific section provides information on registered undertakings and intermediaries, new laws and press releases, frequently asked questions, a guide on how to file a complaint, the list of the complaints-handling functions and their contact details, a list of tips to help consumers to buy insurance contracts via internet.

IVASS is currently updating the interactive insurance education section on its website in order to:

✦ develop understanding on insurance by providing consumers with information on the main topics in a simple language, carefully tailored to the knowledge and the needs of the targeted audience;
✦ raise the level of awareness among consumers about the potential risks they are exposed to and enhance the ability of choosing the best insurance product adhering to their needs;
✦ improve the level of understanding of the basic mechanisms of insurance, the characteristics of the most popular products, as well as encourage consumers to understand the most complex or innovative products;
✦ provide guidance on the availability of information, advice and help when needed.

Using the Bank of Italy’s Survey on Household Income and Wealth, another research "FINANCIAL LITERACY AND PENSION PLAN PARTICIPATION IN ITALY" by Elsa Fornero and Chiara Monticone develops an empirical analysis that measures the current level and the distribution of financial literacy among the Italian population, investigates its determinants and its effects on retirement planning behaviour. Specifically, the research examines whether financial literacy matters in the decision to join a pension plan. The results show that most individuals lack knowledge of basic financial concepts, and that they seem more familiar with inflation and stocks than with interest compounding.

The distribution of financial literacy among the population presents features similar to other countries’ records, with women and individuals with low education having the worst performance. A specific Italian feature is the regional divide between the North-Centre and the South, which is confirmed in relation to financial literacy. The Figure below shows the financial literacy distribution across Italian regions according to the 2008 tests. Figure in the left panel report the ‘raw’ distribution of category of households not paying
a mortgage at the time of interview includes both those who already repaid in the past and those who never took out a mortgage. This may bias the results, reducing the difference in financial literacy between owners with and without a mortgage; thus the effect of mortgages is likely to be even larger. The financial literacy (number of correct answers and proportion of three correct answers) as measured by the SHIW. The four categories represent quartiles of each variable. As expected, the usual North-South disparity emerges: broadly speaking, households living in southern regions (and isles, i.e. Sicily and Sardinia) tend to perform worse in all questions than those living in the Centre and in the North-east. However, there is some variation across regions beyond the simple north-south divide: for instance, in 2008 north-western regions fall in the lowest literacy quartile for both measures. Figure on the right panel, instead, show the level of financial literacy that is predicted by an econometric model with demographics and regional dummies as explanatory variables. These figure suggests that the regional gap is not simply explained by a different population composition; even after controlling for socio-demographic characteristics (including household income), southern regions have lower financial literacy.

![Figure 2: Financial literacy at regional level (2008)](image-url)
As for the effects, financial literacy has a positive and significant impact on the propensity to save for retirement through a private pension plan. Robustness checks corroborate this result. First, financial literacy increases the probability of participating to a pension fund even after controlling for financial literacy endogeneity. Second, when looking at employees’ response to the 2007 reform, financial literacy increases workers’ probability of transferring their TFR “Trattamento di fine rapporto” flows to a pension fund (at least for those who do so willingly). These findings confirm and reinforce previous results about the positive impact of financial literacy on financial behaviour (on planning, saving, wealth diversification etc.), and provide a further rationale for public intervention to improve the level of financial literacy in the Italian population.

At the same time, results indicate that some population sub-groups face higher risks of not possessing sufficient financial knowledge and skills to adequately face the challenges posed by the reformed pension system. While an improved level of financial knowledge would be beneficial in general, public policies on financial education should primarily be directed at these groups.

2. Literature Review

2.1. The conceptual review of financial education on the financial literacy.

Italy shares the definition of financial education proposed by the Organisation for Economic Co-operation and Development (OECD) in 2005 in its report on Improving Financial Literacy, and, specifically, deems that “financial education provides policymakers with another tool for promoting economic growth, confidence, and stability”. Specifically, financial education is defined by the OECD and its International Network for Financial Education (INFE) as “the process by which consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of (financial) risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection”.

This definition is implicitly recognised in the European Commission’s Communication on Financial Education adopted in December 2007. Within the definition above, information involves providing consumers with facts, data and specific knowledge to make them aware of financial opportunities, choices and consequences and instruction involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance.
Two definitions of financial literacy are used by the OECD and its INFE, one for adult populations and the other for populations of (15 year olds) young people. The one for adult populations was developed for the OECD INFE financial literacy measurement pilot and is: “A combination of awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”. The definition of financial literacy for populations of young people (youth and pupils and students at school – aged 15) is the current working definition of “financial literacy” developed for the OECD’s PISA (Programme for International Student Assessment) 2012 Financial Literacy Framework (the first large-scale international study to assess the financial literacy of young people), which is the following: “Financial literacy is knowledge and understanding of financial concepts and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society and to enable participation in economic life”.

Financial education needs to be distinguished from consumer protection, although there is some overlap between the two. The provision of information on financial issues is common in both. However, financial education supplements this information with the provision of instruction while consumer protection emphasises regulation and supervision designed to enforce minimum standards, require financial institutions to provide clients with appropriate information, strengthen the legal protection of consumers when something goes wrong, and provide for systems of redress. Financial education facilitates enhanced consumer protection.

A draft law, presently pending in the Italian Parliament, acknowledges the role of financial education as an important tool for enabling consumers to match their needs with adequate financial products and services, such as loans, savings instruments, retirement plans, and insurance products. The draft law contemplates the establishment of a specialised Committee for the design and coordination of financial education initiatives at the national level. The Committee includes the Ministry of Economy, the Ministry of Education, representatives of Supervisory Authorities dealing with consumer protection in the various sectors of the financial system, and also representatives of academia and consumers associations. The draft law confers upon the Committee the responsibility of developing a national strategy and bringing future and present initiatives in the area of financial education under a coherent framework.

The Committee will be in charge of coordinating the relevant private and public stakeholders, promote initiatives and projects on financial education, periodically assess their effectiveness and annually report to the Parliament on implementation progress. In line with the priority that present initiatives assign to formal education, the draft law confers upon the Minister of Education the power to integrate financial education into the curricula of primary and secondary schools.
The OECD/INFE work on National Strategies of Financial Education has provided and will provide extremely relevant and precious inputs and guidance in the drafting of the law and the strategy.

The participation of a number of qualified institutions, while essential, requires coordination so as to avoid potential duplications and achieve maximum efficiency. The current institutional debate is revolving around two possible options to achieve such coordination: a model of single handed guidance, under which one institution takes charge of promoting, connecting and coordinating the actions of the other bodies, constantly monitoring the evolution of the project so as to detect any potential flaw and timely adopt corrective actions; in alternative a joint supervisory body (steering group, committee, working group), whose members are influential and reliable, could be entrusted with the project’s governance; it could direct the actions of the participating institutions and guarantee, in the face of public opinion, the quality of the initiatives.

The educational initiatives aiming at increasing the level of citizens’ financial education should supply them with adequate competencies to make appropriate economic and financial decisions. The underlying idea is that information and education can, together, induce a more careful and aware behaviour among consumers. This, of course, requires a plurality of interventions taking into account both the characteristics and the needs of the different groups of consumers, which have to be carried out in the longer run.

There are different target groups: children (i.e. first savings account), teenagers (savings account, first mobile), Youth (savings account; first credit card; first job; first car), adults (first house, pension savings, investments, vacations), seniors (mortgage loan, hobbies, vacations, pension savings).

Whoever decides to undertake financial education projects must take into account the challenges in reaching the targeted audience. This dictates the need to not only use the same language of the addressees, but also to understand when and where they are more receptive to the message (i.e. initiatives about personal pensions are more effective if conducted in the work place; initiatives on family planning should be offered to new parents when they are still in the hospital). This is, of course, a resource-intensive strategy (i.e. it requires the presence of the experts on the premises) that could only involve a small part of the consumers belonging to the intended group (unless such initiatives can be promoted in every work place, every hospital, et cetera).

A viable alternative, which could guarantee a wider diffusion of the message, might be to provide consumers with informative material (i.e. through a website that is publicly known for its certified high-quality information).
A very important aspect to be taken into account is **how to identify the funding sources**. All the institutions that might benefit from more informed and financially aware citizens could be asked to fund the various initiatives. Potential alternatives are:

- **Government**: given the positive spillovers of improved financial literacy, the State (Government) could bear a part or all the costs. This option would ensure a stable and substantial amount of resources and signal the Government’s commitment. The public support option, in addition, is appropriate given that the generated benefits are dispersed and already existing infrastructures (e.g. schools, mathematics teachers) can be efficiently exploited. Considering its nature of global and regional public good and the highly integrated European market, financial education should partly be funded through supranational resources (e.g. European Union).

- **Firms/Intermediaries**: on a voluntary basis. The strong point of this solution is its acceptability by market players as well as the large availability of expertise and resources of financial institutions, which can partially internalise the benefits through reputational returns and the enlargement of the set of potential clients. However, the private sector contribution to financial education needs to be overseen and guided to prevent and manage potential conflicts of interests. In addition the funding flow would not be steady and would depend on the number of intermediaries involved in the project.

- **Firms/Intermediaries**: on a compulsory basis. Technically, this could be presented as a fixed tax that is a levy derived from the negative externalities produced by the markets. Up against this option there might be some resistance on the part of the market; the benefit of this solution rests with the stability of a high funding flow. Compulsory contribution also requires deciding the contributory rate that is coherent with the intervention needs.

### 3. Programs and teaching approaches at national, regional and local levels: Italian best practices.

#### 3.1 Financial education as integral part of the educational curricula.

There is general consensus that the gap between the skills needed to take appropriate financial decisions and those actually possessed by the population is so significant that it undermines the freedom of choice of individuals, and thus the efficiency of the market. As a result, several initiatives have been targeted towards the reduction of this gap, starting with the introduction of economics and finance subjects in school curricula. **Italy considers schools as the most effective channel to deliver financial education.**
In 2007, based on a Memorandum of Understanding, the Bank of Italy and the Ministry of Education, University and Research (MIUR) started co-operating to run an experimental programme aimed at incorporating financial education into school curricula for all school levels, as a part of various subjects. The programme, inspired by OECD recommendations, is the first of its kind to be sponsored and conducted by public bodies and to be devoid of any marketing purposes. Participation in the programme, which involves all schools nationwide, is voluntary. In particular teachers received training from central bank officials that they then passed along in the classroom.

The programme’s main topic is “money and transactions”, an important matter that plays a major role in the market and that young people do deal with but know little about. As an aid for teachers and all the other payment methods” for the three different school levels (all available on the web site). In the school year 2012-2013 the Bank of Italy carried out the programme for the fifth time. The programme is continuing to expand, and the number of pupils is rising together with the number of classes: the pilot exercise involved 650 pupils (2008-2009); in the fourth edition about 23,000 students were involved and in 2012-2013 the estimate is about 50,000 students.

A plus of the programme is the evaluation design, as in other programme implemented by UnicreditBank named “Earn your future”. In accordance with international recommendations, the Bank of Italy included a systematic assessment of the programme since the beginning: individual multiple choice tests were administered to pupils before and after classroom teaching on financial education. The knowledge acquisition was defined as the gain in scores or the difference in the percentage of correct answers between the post-classroom teaching testing session and the pre-classroom teaching testing session. The tests were differentiated by school level for both effort and duration.

From the beginning, the test results have supported the hypothesis that the financial education programme is effective: at all school levels there was a significant increase in the percentage of correct answers in the post testing session. Since the programme has been running for years, some classes repeated the tests a number of times, making it possible to gauge knowledge retention, and to discover that notions acquired were retained, at least partly, over time. Finally, the empirical findings showed the existence of a gender gap in financial knowledge, which financial education programmes might be able to close. After the first 5 waves, the empirical evidence acquired via tests has been considered adequate and from the 2012-13 school year the tests have been suspended; on the other hand, teachers’ survey was enhanced.

Overall, the programme has succeeded in increasing students’ financial knowledge, even if the recipients are too young to make their own financial decisions. The evidence gathered is more than sufficient to demonstrate that classroom instruction is an effective channel for spreading financial knowledge among students.
<table>
<thead>
<tr>
<th>Name of project</th>
<th>“Edoazione finanziaria: Conoscere per decidere” BUILDING FINANCIAL CAPABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation and type of organisation (eg public/private)</td>
<td>The Bank of Italy and the Ministry of Education, University and Research (MIUR) (Public Authorities)</td>
</tr>
<tr>
<td>Where it is located</td>
<td>At national level: In the Public Italian Schools Elementary, Junior High and High Schools are all involved.</td>
</tr>
<tr>
<td>Aims and objectives</td>
<td>The purpose of the program goes beyond providing pupils with basic notions and aims at making financial education an integral part of the educational curricula.</td>
</tr>
<tr>
<td>Length of programme</td>
<td>The program started on a pilot basis in the 2008-09 school year and involved Elementary, Junior High and High School and is still in force. In subsequent years the program was broadened nationwide thanks to the active contribution of the regional branches of the Bank</td>
</tr>
<tr>
<td>How it is funded</td>
<td>The Programme is funded by the Ministry of Education, University and Research (MIUR) The Ministry of Education provides teaching skills The Bank provides expertise in banking and finance</td>
</tr>
<tr>
<td>The type of young people the programme is aimed at and how many?</td>
<td>Elementary, Junior High and High Schools are all involved. The program is addressed to students in the last two years of each school level: − age 9-10 in Elementary School − age 12-13 in Junior High − age 17-18 in High School The program recorded an involvement of over 1.150 classes, the majority of which were in High School. The number of pupils has risen together with the number of classes: → The pilot exercise involved 650 pupils → The edition of the 2011-12 school year involved about 23,000 students</td>
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### Participants

<table>
<thead>
<tr>
<th></th>
<th>Classes</th>
<th>Pupils</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>32</td>
<td>631</td>
</tr>
<tr>
<td>2009-10</td>
<td>458</td>
<td>8,901</td>
</tr>
<tr>
<td>2010-11</td>
<td>774</td>
<td>15,200</td>
</tr>
<tr>
<td>2011-12</td>
<td>1,152</td>
<td>22,867</td>
</tr>
<tr>
<td>2012-13</td>
<td>...</td>
<td>...</td>
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Teachers deliver financial education in the context of the curricular subjects in specialized lessons.

Average number of teaching hours ranges from 6 to 12.

- A plus of the program is the evaluation design that involves both teachers and pupils
- In accordance with international recommendations, the Bank and MIUR have included a systematic assessment of the program since the beginning.
- The effectiveness of the program is measured through tests and questionnaires.

The program is designed to increase pupil’s financial knowledge, so measuring individual learning can give us empirical proof of its effectiveness.

Pupils took both a pre-and a post-program survey:

- **Background questionnaire**
  - Socio-demographic information
  - Self-perception of school performance
  - Attitudes towards money

- **Knowledge test**
  - Multiple choice questions

The tests were developed based on the international best practices and with the assistance of the National Institute for the Evaluation of the Italian School System (INVALSI).

They were mostly based on money and transactions, the core subject of the program

- The questions had four possible answers:
  - 1 correct
  - 2 distractors
  - 1 “I don’t know”

Tests were administered to pupils before and after classroom teaching on financial education.

Knowledge acquisition was defined as the gain in scores or the difference in the percentage of correct answers between the post-classroom teaching testing session (post-tests) and the pre-classroom teaching testing session (pre-test).

The following table shows the percentages of correct answers on money and transactions for pupils attending both testing sessions in the 2011-12 school year.
The comparison between the pre-test and post-test scores showed that the training caused and increase in the levels of financial literacy at every school level: all the gains were positive and significantly different from zero at high levels of confidence.

Furthermore:
The sample allowed to split the participant students into two subsamples:
- Those who had covered some of the topics of the program during the previous school year
- Those involved in their first year of financial training

The pre-test results of the students involved in the second year of training showed significantly higher levels of financial knowledge than their peers on money and transactions

The tests were different from those that had been used the year before, so it can be affirmed that some of the information learned the year before had been retained attesting the effectiveness of the program.

**Gender analysis**
The empirical evidence showed that, before any training, boys had significantly higher levels of financial knowledge than girls at all school levels, but after classroom teaching the gender gap was annulled or reversed.
<table>
<thead>
<tr>
<th>Outcomes and goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>The increase in participants was broadly demand-driven</td>
</tr>
<tr>
<td>✷ Many schools were eager to have more classes involved than initially planned</td>
</tr>
<tr>
<td>✷ Word of mouth among teachers favoured the extension of the program to settings not initially involved</td>
</tr>
</tbody>
</table>

The results of the programme support the importance of starting financial Education in Elementary School as the gender gap is already rooted in quite young children, and financial Education programs might help reduce the differences.

and so....

- Schools are an effective channel to spread financial knowledge to pupils
- Financial subjects should be integrated on a continuous basis in the compulsory education curricula
- Providing stimulating resources and training for all participants is essential
- It is crucial to develop common strategies among all the players from policy makers to private institutions
<table>
<thead>
<tr>
<th>Name of project</th>
<th>“GUADAGNIAMO IL FUTURO” <em>Earn your future</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation and type of organisation (eg)</td>
<td>UniCredit Bank in cooperation with Consumer Associations (Private Organizations)</td>
</tr>
<tr>
<td>Where it is located</td>
<td>Until today six Regions are involved in the project: Lombardia, Emilia Romagna, Lazio, Campania, Puglia and Sicilia</td>
</tr>
<tr>
<td>Aims and objectives</td>
<td><em>Earn Your Future</em> is a financial education initiative that is centered on two goals: helping develop critical financial skills and providing educators with the resources and training to teach those skills.</td>
</tr>
<tr>
<td>Length of programme</td>
<td>40 hours during the school year</td>
</tr>
<tr>
<td>How it is funded</td>
<td>by Unicredit Bank of Italy</td>
</tr>
<tr>
<td>The type of young people the programme is aimed at and how many?</td>
<td>The initiative involved a number of <strong>70 classes of the Italian High Schools</strong> (age 17) spread across six Regions of the Italian High Schools (Lombardia, Emilia Romagna, Lazio, Campania, Puglia e Sicilia), in order to promote the responsible use of money and consumption among young people (from the starting of the project about 1800 students are been involved).</td>
</tr>
</tbody>
</table>
| Type of teaching and learning approaches used | *Earn Your Future* aims to further youth education and financial literacy in Italy through ready-to-use financial literacy modules and teacher training opportunities. Educational methodology:  
- Lectures in classroom with an expert  
- Simulation game  
- Multimedial kit named “Open your mind”, a simulator of the money management, that tests young people and adults through a simulation play. |
| Outcomes and goals | The purpose of the "lessons" is to **promote among the younger generations the responsible use of the money in terms of sustainability, increasing knowledge and awareness about the products and basic banking services.**  
The courses are lectures made by managers of the UniCredit Bank, on a free and voluntary base, that manage banking and financial education initiatives in the communities in which they operate, by teachers of the schools involved that have an active role in the initiative and by experts from consumer associations.  
During the meetings are given a chance to young people to acquire the basic knowledge of banking and finance that would enable them to understand and consciously use the instruments and the financial services in the field of credit, investment, savings and payment services and recognizing any potential risks.  
Before and at the end of the course of the banking and financial education it will be give to the classroom a monitoring questionnaire aimed at detecting the UniCredit financial literacy index (which measures the effectiveness of the educational initiative in terms of increased knowledge of learners first and after the delivery of the financial education).  
Due an intensive contact with schools, organization of the training sessions and management of school visits allowed the dissemination of information on the whole Italian territory. |
3.2 Financial education for the social inclusion: the Ethical Banks.

In Italy, another important issue was the use of the financial education in order to foster the financial inclusion of the young people as well as poor people and other disadvantages groups (i.e. atypical workers, the tertiary and nonprofit sectors, low-income families, micro-enterprises operating in poorer areas of the country and immigrants). Of course, it is known that the concept of the financial inclusion enters, fully, into a wider concept of social inclusion. In fact, the main objective is to facilitate the integration or reintegration of outcast persons.

Financial inclusion is the set of measures to promote the improving and the full financial integration of people excluded from the financial sector because they are in a situation of economic and social difficulties. Acting on the marginality and supporting the integration, it is possible to satisfy those requirements that allow a person to accede to the financial system.

The appropriate access to financial services, is essential for many aspects of economic and social life (i.e. for consumption, saving, economic development, etc.). In fact, well-functioning financial systems are useful for a vital purpose, offering saving, credit, payment, and risk management products to people with a wide range of needs. Inclusive financial systems - allowing a broad access to financial services - are particularly reliable on the benefit of poor people and of other disadvantaged groups. Without any inclusive financial systems, there are problems for poor people and Small and Medium Enterprises (SMEs). Poor people must rely on their own limited savings to invest in their education or to become entrepreneurs; SMEs must rely on their limited earnings to pursue promising growth opportunities. This, can contribute for a persistent income inequality and for a slower economic growth.

Indeed, financial inclusion can bring very significant benefits. It is such a stimulus to the poverty and to the inequality reduction, to encourage the social and economic growth of the less well-off. Particularly, financial inclusion contributes for the poverty reduction for two main reasons:

- the availability of appropriate and promising financial services has a direct positive impact on the welfare of the poor;
- the improving of the financial system functioning stimulates the economic growth and, indirectly, reduces the levels of poverty and inequality.

In addition, financial inclusion provides a contribution to stability and restores confidence in the banking and financial systems damaged by the global crisis.

An active role is played by political authorities, actors of the financial system, non-profit organizations and microfinance institutions. Political authorities play a significant role in the promotion of interventions to
promote appropriate social conditions for financial inclusion, as: the support of the innovation and competition in the financial services market; the development of adequate infrastructures; the guarantee of an adequate protection for the users; the support of financial education initiatives. Actors of the financial system play an active role in the programs of financial inclusion, which represent an important sign of awareness of the banking world towards social problems and ethical values. They distinguish themselves in:

→ traditional lenders, whose activity is devoted, only in part, to ethical finance;
→ credit institutions, whose activity is devoted, completely, to ethical finance (such as development banks and ethical banks).

In this framework, the role of Banca Popolare Etica in Italy is to work for the common good and ensure the right to receive credit through a bank activity consisting in raising funds and reallocating them in the form of credits for cultural, social and environmental projects. Through their activity, ethical banks promote social inclusion, sustainable development, development of social economy and social entrepreneurship. Ethical banks also have a role to raise public awareness on the role of money and the failure of the economy based on short-term and profit as the only objective.

The purpose of an ethical bank’s credit activity is to have at the same time a positive impact at a social, environmental and economical level. For this reason an ethical bank addresses its collection/saving of money to socioeconomic activities aimed at social, environmental and cultural profit.

This objective is achieved through the support – in particular through not-for profit organizations – to activities for human, social and economical promotion, also dedicated to the weaker sections of the population and to the most deprived areas, favoring social integration and employment.
<table>
<thead>
<tr>
<th>Name of project</th>
<th>“SCUOLA POPOLARE DI ECONOMIA” “Popular School of Economics”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation and type of organisation (eg public/private)</td>
<td>BANCA POPOLARE ETICA Italian Etichs Bank (private organisation)</td>
</tr>
<tr>
<td>Where it is located</td>
<td>Milano and hinterland, Genova, Firenze, Arezzo, La Spezia</td>
</tr>
</tbody>
</table>
| Aims and objectives | The project aims to raise awareness about the importance of Financial Education and also to foster activities for human, social and economical promotion, also dedicated to the weaker sections of the population and to the most deprived areas, favoring social integration and employment. The main organizational challenges Banca Popolare Etica is facing are:  
- to actually implement ethical practices, not just to talk about ethics;  
- to be competitive in a non-ethical global arena;  
- to meet the expectations of shareholders and clients by actively supporting nonprofit projects with high social value;  
- to promote social change;  
- to educate people to a more responsible use of money;  
- to find innovative and rewarding ways to invest peoples' savings that are beneficial to their region;  
- to define guidelines and operational tools to assess the social value of investments;  
- to create cooperation among shareholders, managers and employees. |
| Length of programme | Four meetings of four hours (about 20 people) |
| How it is funded | By Banca Popolare Etica |
| The type of young people the program is aimed at and how many? |  
- Low-income people  
- Unemployed and long-term unemployed over 45  
- University students  
- Retired people  
- Prisoners  
- Childrens (9-14 age) |
| Type of teaching and learning approaches used | Financial education laboratories that include 4 meetings with about 20 people:  
1. kept accounts and family budget, as you read a financial statement,  
2. a budget scheme: a booklet to write down the accounting income and fixed costs, and extra variables and how make a monthly and yearly budget  
3. relations with banks, mortgages, loans and credit cards  
4. last meeting: preparation of a business plan to start a small business  
For the children it is foreseen a Money Show to explain to the children the importance of managing the money wisely. For the students it is foreseen a simulation game and a business game  
In the project founded by Banca Etica is foreseen also the promotion of the the Settimana dell'Investimento Sostenibile e Responsabile (sustainable responsible investment week), organised by the Sustainable Finance Forum. The week offers a packed schedule of events across Italy examining the relationship between finance and sustainability with a performance of the Pop Economix Live Show www.popeconomix.org a mixture of journalism and theatre, a show that looks at the financial crisis and some ways to make finance more transparent and aware of its economic, social and environmental consequences. |
| Outcomes and goals | Pop economix brought the live show in more than 150 Italian cities, involving about 40 thousand spectators. Theaters, schools, union offices, festivals: each place is good to talk about a good economy, but also to develop thinking. |
### Name of project

**“ECONOMIASCUOLA” by Pattichiari Consortium**

<table>
<thead>
<tr>
<th>Organisation and type of organisation (eg public/private)</th>
<th>Pattichiari Consortium an independent body with legal personality created by a consortium of Italian banks with the active participation of its partner Economiascuola.</th>
</tr>
</thead>
</table>
| Where it is located                                      | Italy – all Regions  
As far as possible, financial education actions reflect the characteristics of the region in which they are to be implemented. In the Calabria region, for example, the aim is to increase awareness of the importance of the legal economy, with a view to eliminating the informal economy. |
| Aims and objectives                                      | PROGRAMME OBJECTIVES:  
To help consumers of financial products to make informed financial decisions. Includes multiple financial education programmes, particularly for students, with a view to their becoming financially responsible and educated adults.  
Key to the success of the programmes implemented are their wide geographical coverage, the many actors taking part, ease of implementation and standardisation, which makes them easy to reproduce.  
Legislation on financial education is the responsibility of the Senate and actions are implemented by the Ministry for Education in cooperation with numerous institutions such as commercial banks (Banca Popolare Etica, UBI, Banca Marche, Unicredit Banca, etc.), educational institutions (Sacro Cuore Catholic University and local education authorities), various consumer associations (ANCI, Adiconsum, ADOC, Altroconsumo, Casa del consumatore), and others. |
| Length of programme                                      | 5 years |
| How it is funded                                         | Pattichiari Consortium is composed from 58 private banks of Italy [www.pattichiari.it](http://www.pattichiari.it) |
| The type of young people the programme is aimed at and how many? | - Adults (i.e. young couples, households and the elderly)  
- Pupils (9 and 10 years old)  
- Students and young people (+ 12 to 18 age)  
RESULTS ACHIEVED:  
Programmes in schools for 2010/2011 were accessed by 27 425 pupils from 405 schools, although over the last 5 years the programme has reached 261 000 pupils, from all regions of Italy. In addition to the concrete actions promoted by Pattichiari, the Bank of Italy carries out surveys of households every two years in order to ascertain levels of financial education. |
Type of teaching and learning approaches used

→ **Programmes for adults**: In cooperation with consumer associations, programmes have been carried out in fifty cities with the aim of helping to improve people’s understanding of financial products and enabling them to take responsible and well-informed decisions.


→ A website has been created [www.economiascuola.it](http://www.economiascuola.it), aimed at the educational community and the general public. The objective is not just to train, but also to provide the opportunity to download materials for working directly with the target groups, and to create a Community Area for exchanging experiences.

→ **“L’impronta economica plus”** (“Economic fingerprint plus”): This programme for adults is based on multimedia applications providing users with information on the management of economic resources. It is aimed at young couples, households and the elderly. It seeks to familiarise people with the use of budgets, responsible spending, preventing over-indebtedness and avoiding the excessive interest rates that sometimes comes with it [http://www.economiascuola.it/impronta-economica-plus](http://www.economiascuola.it/impronta-economica-plus).

→ **Programmes for schools**: The system used to teach finance to pupils is the Teaching Mix, based on a “learn by doing” method, which enables children to learn even the most abstract and complicated concepts. Lessons are simple and interactive and experts share with pupils the skills and knowledge they have acquired in their professional lives.

→ **Our community**: This programme deals with finances in everyday situations. The aim is to put students in direct contact with their local community by means of innovative and practical learning methods which teach basic economic dynamics and responsible behaviour, as well as the functioning of institutions. It is aimed at pupils of 9 and 10 years old.


→ **“L’impronta economica”** (“Economic fingerprint”): Educational programme for young people aged 12 and 13, and for those aged 17 and 18 in their last year at school. They are trained in economics and finance, prompting them to examine aspects of finances in their everyday lives. The methodology is based on the simulation of real-life situations.


→ **Financial education week**: Banking professionals give master classes in schools based on economic realities, teaching basic aspects of money management.

→ **Multimedia CDs** are supplied to pupils free of charge. Teachers are also given a Teaching Kid for training purposes.

Outcomes and goals

EXAMPLE-SETTING AND POSSIBILITY OF TRANSFER:
This is a model to follow, given the broad range of initiatives and the broad section of the population it reaches, and because it provides an example of public-private cooperation.
3.3 Financial inclusion of migrants in Italy: The Greenback 2.0 Project.

The financial inclusion subject has become part of the international agenda since 2009, when the G20 countries in Pittsburgh made a formal commitment: “We commit to improving access to financial services for the poor. We have agreed to support the safe and sound spread of new modes of financial service delivery capable of reaching the poor and, building on the example of microfinance, will scale up the successful models of small and medium-sized enterprise (SME) financing”, fixing the guidelines for the G20 FINANCIAL INCLUSION ACTION PLAN, which has led to the development of the “Principles for Innovative Financial Inclusion”, adopted during the Toronto summit in June 2010, and to the start of the Global Partnership for Financial Inclusion (GPFI), with the intent of leading to the implementation of the agenda for financial inclusion, concretely enforcing the principles.

The European Union has also started to take the first steps in terms of financial inclusion through a study on retail payment services, which has provided a detailed outlook of the phenomenon and the publication of a series of recommendations on access to a basic payment account3, which has led to the issuing of a specific Directive “On the comparability of fees related to payment accounts, payment accounts switching and access to payment accounts with basic features”, approved by the Parliament on the 15th of April 20144. The Directive introduces a series of rules aimed at ensuring adequate transparency and comparability of the costs related to payment services, ensuring full consumers’ mobility between payment service (and current account) providers within the Union and establishing the right to a basic payment account for all European citizens irrespective of residency in the country of application and economic financial situation.

Financial inclusion represents an increasingly necessary component so that the individual can act and be an active subject within the economic system and, consequently, the corresponding social one. In the past decades, in western economies, access to basic financial services has gradually turned into the precondition to participate to the economic and social life of a modern society, so much so that it is possible to talk about “economic citizenship”: from current expenses, to access to goods and services and, in more than a few cases, even social welfare tools (social card, public benefits to support unemployment) and job market. Recalling social exclusion (Barry 1998, Ebersold, 1998) as to the collection of complex processes depriving certain people of access to a predominant life style, it is possible to define three dimensions for social exclusion:

→ Economic dimension, as participation to the production and consumption process
→ Political dimension concerning the level of political participation
→ Social/relational dimension concerning the relationships and social networks sphere.
Therefore, financial exclusion has to take into consideration its link to social exclusion and namely with the individual’s capacity to actively participate in the economic life of the country of residency (production and consumption). In order to fully understand the link between financial inclusion and social and economic inclusion, it is opportune to refer to a definition: financial inclusion is the entirety of activities developed to foster efficient access and usage of financial services by subjects and organizations not entirely included in the ordinary financial system. Such services include financial credit services, savings, insurance, payment, funds transfer and remittances, programs for financial education and branch reception, along with small businesses start-up (www.migrantiefinanza.it).

Such definition – adopted by the National Observatory for the financial inclusion of migrants in Italy – allows, first of all, to consider financial inclusion as the entirety of activities aimed at supporting individuals not only to access, but also to use, products and services that are available on the market, appropriate to their needs and that enable them to lead a normal social life in the society in which they belong (efficient use). Finally, if we accept the meaning of financial exclusion as the process whereby an individual accesses or uses financial products and services in order to make efficient and informed choices, it appears clear there is a link with financial education, meant as acquisition of knowledge, of awareness and of ability to manage resources and use financial products. Education is, therefore, an essential component of the process for financial inclusion, preventing and removing some of the causes fostering the exclusion phenomenon. Technological progress, financial innovation and market development itself (and the deriving deregulation) have all rendered the financial choices individuals have to face more complex and numerous. More generally, the evolution and development of financial markets does not seem to go hand in hand with the proportional growth of citizens’ knowledge. The recent financial crisis has further strengthened this conviction.

The process for financial inclusion is therefore a complex and multidimensional phenomenon, involving the economic and regulatory sphere, market access and functionality, the cultural and religious sphere, transparency and consumer protection, education and public policies. For these reasons and for the role financial inclusion is assuming in the process for the individual’s integration in the economic and social fabric of a country, we deem it should be considered within integration policies.

The migrant, from a socio-economic point of view, appears as a subject characterized by greater vulnerability. Deprived of credit and financial history, of financial capital from which to draw, with a greater level of insecurity with regards to work, housing and competencies acknowledgment and valorization and taking into account language and cultural difficulties linked to the condition of migrant, he is more and more exposed to risk of social exclusion.
Access to financial services and products represents an essential resource in the integration process and its exclusion entails much higher social costs for the migrant compared to the local citizen. It reduces vulnerability, both with respect to saving capacity and less resorting to informal channels and also with respect to capability to face emergency situations. The availability of asset-building tools aimed at accumulating and protecting savings appears to be indispensable to increase the possibility to fit in the social (human resources valorization, investments in education and professional training) and productive (work, business start-up, investment possibility) fabric. Last, but not least, financial inclusion is an important tool for job mobility within Europe. There is, finally, an additional aspect specific to migrants financial inclusion, represented by the remittances phenomenon. The financial system’s capability to intercept and contribute to channeling and, moreover, to valorizing these flows (in terms of leverage, productive investments and so on) becomes, therefore, essential and indispensable.

Historically, in Italy, the first financial inclusion factor for the resident migrant has been connected to work: the current account has represented a necessary condition to access the job market. In time, the financial system has gradually equipped itself for the new challenge and opportunity represented by an absolutely new clientele target; from being a spectator of the bancarization process which was involving it, it has become a player. Throughout the years “migrant banking” and “welcome banking” initiatives have multiplied. A whole productive sector, the Money Transfer Operators, linked to the transfer of remittances toward countries of origin, has developed at a fast pace, becoming a significant sector.

The economic-financial inclusion process has, however, shown throughout the years, a complexity and an evolution requiring a capacity for innovation and adaptation within a system approach, able to integrate operators’ strategies with appropriate regulatory and policy tools. An initial bancarization is followed by awareness of a clientele which presents strong elements of heterogeneity, linked mainly to the level of integration process advancement within our country, showing new needs and requiring, therefore, new financial tools; it is the case, for example, of the immigrant entrepreneur that still has a frail financial profile, but important and lively in a productive contest such as the Italian one. The actual challenge the Italian institutions are to meet represents a step forward compared to the general basic bancarization of immigrants, which remains, however, a current objective renewed with new arrivals, and requiring more evolved and complex tools, even of support and analysis. The availability of data and comparative studies, able to dynamically show current trends, the international contest and other countries’ experience, appropriate tools for information and for the formation of financial inclusion-oriented culture, are all ingredients that can contribute to the progress and strengthening of the financial inclusion process, therefore immigrants’ integration, on track for a transparent, competitive and socially responsible market.

In these last three years of activity, the National Observatory for Financial Inclusion of migrants in Italy, unique experience in Europe, has carried out a complex system of activities starting from an increasingly
deeper knowledge of the phenomenon, through a wide and articulated, besides being highly representative, wealth of data and information. There are four areas of principle activities, for which the results have been summarized and divulged through public events and Annual Reports:

→ Developing analysis to improve knowledge of the phenomenon of migrants’ financial inclusion;
→ Identify, also from a European point of view, good practices in terms of financial inclusion in order to activate innovative processes for the replication and capitalization of gained knowledge (www.buonepratichedinclusione.it);
→ Defining tools, opportunities and occasions for information and training aimed at the main stakeholders involved in the process for the financial inclusion of migrants;
→ Create and manage a steady interaction table among operators and policy makers.

In this framework, it is necessary to mention the Greenback 2.0 Project - Remittance Champion Cities launched in Turin (Italy) in 2013 by the World Bank in partnership with the Turin City Government in order to implement initiatives aiming at increasing transparency and efficiency in the market for remittance service. With over $400 billion officially recorded flows to developing countries remittances are a critical source of national and families’ income.

However, high transaction costs and other inefficiencies in the process often adversely impact migrant workers and their families. Some of the key challenges in effective remittance services are users’ access to information and healthy competition amongst remittance providers at the sending as well as the receiving end. The G8 and G20 have therefore set among their objectives the reduction of the average cost of remittances by 5 percentage points in 5 years (5x5 objective). Achieving the objective would save $16 million per year: these funds would simply remain to migrants and their families and could contribute significantly to improving the living conditions of the migrants themselves as well as reducing poverty in their countries of origin.

The Greenback 2.0 Project aims at increasing efficiency in the market for remittances through an innovative approach: promote change inspired by the real needs of the ultimate beneficiaries of international money transfers: the migrants and their families at home.
| Name of project | **Greenback 2.0 Project- Remittance Champion Cities**  
www.mandasoldiacasa.it |
<table>
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<tbody>
<tr>
<td>Organisation and type of organisation (eg public/private)</td>
<td>World Bank in partnership with the Turin City Government (Public Authority) and Cespi</td>
</tr>
<tr>
<td>Where it is located</td>
<td>Turin (Italy)</td>
</tr>
</tbody>
</table>
| Aims and objectives | Greenback 2.0 is a Pilot Project that aims at increasing efficiency in the market for remittances through an innovative approach: promote change inspired by the real needs of the ultimate beneficiaries of international money transfers: the migrants and their families at home.  
In Project Greenback 2.0, Remittance Champion Cities are selected. The World Bank work to implement initiatives aiming at increasing transparency and efficiency in the market for remittance services. **The focus is on migrants and their needs.** Cooperation between migrants, remittance service providers, and public authorities is key for the achievement of the Project’s objectives. |
| Length of programme | 2 years |
| How it is funded | By the World Bank and Turin City Government |
| The type of young people the programme is aimed at and how many? | It has been working on a survey among remittance senders, and it has been mapping and monitoring the services that are available to them when they seek to send money home. The survey focused on **Romanians, Moroccans and Peruvians** – the most numerous immigrant groups in Turin, who together account for more than **60 percent of the city's immigrant population.**  
The three communities of migrants |
Type of teaching and learning approaches used

- Preliminary Survey with handing out of questionnaires
- Lectures
- Financial education laboratories
- Awareness campaign
- The production of a handbook on financial literacy for remittances: financial literacy tools to empower migrants and their families (“transnational families”) and strengthen their financial management.

In order to:
- Implementing best practices and dedicated services by market operators
- Promoting transparency among the migrants

Learning method

- Cooperative learning
- Simulation of real-life situations

Outcomes and goals

From the results of the preliminary survey, it is possible to note that about 80 percent of respondents have at least one bank account. On the other hand, less than 6 percent of them send money to their home countries from their bank accounts, and 83 percent of respondents use a money transfer operator (MTO) as their preferred provider. It seems that there is an open channel that is not being used to its full potential, thus reducing the level of competition in the marketplace.

Another important aim of the Greenback 2.0 Project is to test and prove at a local level the efficiency of the best practices promoted by the World Bank for the achievement of the 5x5 objective which aims for the reduction of the average total cost of remittance prices to 5 percent, would already have been achieved if the perception of respondents to the preliminary survey in Turin were accurate.

The perceived average cost per transaction, expressed as a percentage of the amount sent, is around 3 percent. Unfortunately, their perception does not reflect the real cost: The World Bank Remittance Prices Worldwide database estimates that it is over 7 percent.

The majority of respondents are apparently not fully aware of all the elements of the cost of sending remittances: They generally believe that the only cost is represented by the fee. Only 36 percent of respondents are aware that the total cost includes other components.

Remarkably, the percentage drops to zero when money is sent through a bank. This fact confirms that transparency of pricing is an issue of serious concern for remittance services.

Turin is the first Remittance Champion City. The Remittance Champion Cities will be laboratories where to show how the issues related to remittance transactions can be addressed, and to demonstrate how remittances can be leveraged to increase financial inclusion and promote development.
### Project Greenback 2.0

**Remittances Champion Cities**

<table>
<thead>
<tr>
<th>HOW MUCH IS BEING SENT?</th>
<th>Remittances sent by migrants to developing countries</th>
<th>$414 billion sent per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOW MUCH DOES IT COST?</td>
<td>Today average remittance transactions cost</td>
<td>$8.36% of the amount sent</td>
</tr>
<tr>
<td>5X5 OBJECTIVE</td>
<td>Reduce remittances costs globally to 5% by 2014</td>
<td>$16 Billion of potential savings per year</td>
</tr>
</tbody>
</table>

Migrants could save up to $16 billion per year

What could be done with this money?

In receiving countries, this amount of money could be used to buy, build and pay:

- 5 year food supply for 670,000 families
- 5 year education for 800,000 students
- 130,000 houses
- 400,000 water wells

### Project Greenback 2.0

A World Bank project

Work with migrant communities, market players, and local authorities to increase transparency and efficiency of remittance services. Foster change by developing and promoting best practices oriented to the needs of the migrants and their families.

[Diagram showing various aspects of remittance services]
TORINO has been chosen as the first REMITTANCE CHAMPION CITY

To encourage the development of a SOUND, EFFICIENT and MIGRANTS DEMAND ORIENTED market for remittances

Greenback 2.0 builds a network of ACTORS AND ACTIVITIES

- Local Authorities
- Researchers
- Migrant Communities
- Money Transfer Operators
- Banks & Post office
- Financial Education
- Transparency
- Awareness Campaign
- Challenge fund

For more information visit: http://remittanceprices.worldbank.org
4. Recommendations for Policy and practice

4.1 Implications and future recommendations

Achieving significant financial inclusion successes requires partnership and participation among government agencies, the private sector, and civil society since all have essential and unique roles to play. Central banks are well positioned to take a leadership and coordination role to help maximize efforts, overcome barriers, and steer activities towards shared goals. Private and other stakeholders have an important role to play in financial education, and their involvement in the development and especially the implementation phase is considered in most existing national strategies. The private sector in particular often contributes to specific aspects of the strategy, either by providing in-kind resources and advice or dedicated financial support, or by becoming an implementing partner.

The analysis conducted by the OECD/INFE identified five modalities of involvement of the private sector in the activities carried out by public authorities in financial education, notably in the context of national strategies. These are:

- **Mandatory provision of financial education**: the private sector, e.g. private financial institutions, must spend a defined amount of resources on financial education programmes for their clients or the community.

- **Levies on the financial industry**: statutory levies on the financial services sector can be applied by the national regulator or supervisory authority.

- **Certification and accreditation systems**: a public authority can give quality marks or formally accredit a not-public institution for its financial education activities.

- **Collaboration in the development and implementation of financial education policies and programmes**: stakeholders from the private sector are involved directly in the design and implementation of the national strategy framework or of specific programmes.

- **Voluntary private-sector support**: industry associations, specific financial institutions or resourceful NGOs can decide to sponsor the national strategy or specific projects.

Alongside these co-ordinated initiatives, the private and the not-for-profit sectors also often implement financial education initiatives following non-co-ordinated approaches. In a majority of countries, financial institutions and the private sector still develop their own financial education activities with little co-ordination with the national framework.

The involvement of the private sector in the provision of financial education can give rise to possible conflicts of interest with their commercial activities. Countries have started addressing these issues through
Various means. Some countries have invited all private-sector institutions to create an association of public interest in charge of implementing the strategy under the aegis of a public coordinating committee. Others have developed strategic partnerships with private-sector associations (banking industry/insurance/capital markets association) in order to dilute the interests of each individual financial institution. A few countries have also developed codes of conduct on the involvement of the private sector in financial education (for example, South Africa developed Charter Implementation Guidelines for the activities that the mandatory financial education activities conducted by the financial sector).

Financial education is more than just education for the sake of it: it is also about empowering people, addressing social exclusion and promoting responsible consumption.

Looking to the future, there is a broad consensus among bodies and institutions on the importance of the financial education at national level and all together should to provide sufficient resources in order to promote the following initiatives:

Implement common methodology to assess people’s level of financial literacy and inclusion.

✦ Ensure there is more financial education on the curriculum in schools. Implement international methodology to assess the efficiency and effectiveness of schemes in schools.

✦ Draw up national strategies on financial education, with appropriate processes for monitoring and impact assessment.

✦ Strengthen financial inclusion strategies. Step up efforts to target specific groups (young people, women, immigrants, and people on low incomes).

✦ Protect consumer rights on financial products.

✦ Set up a system at EU level to ensure the best initiatives on financial education and best practice are given public recognition.

✦ Strengthen cooperation between the European Commission, the OECD and national governments to exploit potential synergies and avoid duplication of work and organize regular inter-governmental meetings on financial education schemes in progress and include these considerations in the national political agenda (these meetings should not only involve describing the actions which are being carried out but also assessing their impact).

✦ Organise a European day for financial education, for example, endorsed by the EU presidency at the time, and promote an annual conference on financial education, with the involvement of recognised experts.

Lastly, it is very important to underline that the needs of financial-product users must be a priority issue at high-level international as suggested during the G20 summit held in June 2012 tied in with these recommendations, endorsing the full implementation of measures to promote financial inclusion and
financial education through the use of innovative approaches and models offering practical tools for this purpose, such as exchange of best practices.

More specifically, the G20 insisted that women and young people who are at risk of social exclusion must have the option of using financial services and financial education, identifying the barriers they face in gaining access to valuable, affordable, secure and comprehensive financial services.
References


