

Annex 1
To the Resolution of the Government of the
Republic of Tajikistan as of July 1, 2022
№314

National Financial Inclusion Strategy of the Republic of Tajikistan for 2022-2026

1. GENERAL PROVISIONS

1. In the modern world, financial inclusion is an effective tool for improving access to and use of quality financial services, which plays an important role in ensuring sustainable development of financial sector, private sector, improvement of business environment and social protection of the population, developing human capital and, on this basis, increasing the level of well-being in the country.

2. Official financial inclusion (hereinafter referred to as financial inclusion) provides timely access for broad segments of the population to the use of a number of high-quality official financial services at an affordable cost, such as savings, loans, payments, remittances, insurance and investments, which contributes to socio-economic development, solving the problems of economic diversification, improving efficiency of monetary, tax and budgetary policies, creating new jobs and financial stability.

3. According to the World Bank Report (Financial Inclusion Report 2015), financial inclusion is assessed or measured by three key indicators: access to financial services, usage of financial services, and quality of financial products and provision of services.

4. Financial Inclusion indicator refers to all physical points of banking services, payment and mobile equipment, which are among the most important and fundamental aspects of financial inclusion. Financial Services Usage indicator measures how customers use financial services, such as the regularity and timeliness of financial products or services (weighted average balance of deposits, loans, number of transactions per account, number of electronic payments made, electronic means of payment, etc.). The indicator of Quality of financial products and services reflects whether financial products and services meet the needs or wishes of the client (or satisfy the needs of the client), the list of options available to the client, and the level of knowledge and understanding of the client regarding financial products. This indicator also includes aspects of financial literacy of the population, protection of the rights of consumers of financial services and the cost of banking products usage.

5. Financial inclusion can be formed through formal and informal transactions. Formal financial inclusion is provided through lending financial institutions, as well as insurance companies, mobile operators, leasing companies, stock exchanges and pawn broker's shops. Informal financial inclusion includes all types of financial

transactions outside of formal financial inclusion, such as credit societies, family, household savings, etc.

6. The National Financial Inclusion Strategy of the Republic of Tajikistan for 2022-2026 (hereinafter referred to as the NFIS) was developed based on the norms and principles of the legislation, international standards, analysis of the state of financial inclusion and the prospects for its further development under the leadership of the National Bank of Tajikistan (hereinafter referred to as the NBT), technical support of the International Finance Corporation (hereinafter - the IFC), the Swiss State Secretariat for Economic Affairs (hereinafter – SECO).

7. NFIS includes four key areas:

- delivery channels and digital financial services;
- diversity of financial products;
- protecting the rights of financial services consumers;
- financial literacy.

In the process of this NFIS development, a special cross-cutting area was identified, namely women and youth empowerment to ensure more targeted approach to NFIS activities.

2. NFIS TASKS AND OBJECTIVES

§1. NFIS vision

8. Vision of financial inclusion in the Republic of Tajikistan is defined based on current situation analysis, reaching consensus between the stakeholders, and taking into account the specifics of the country. A financial system, in which every adult citizen and every legal entity has access, knowledge and ability to use a wide range of high-quality financial services (including savings, payments, remittances, loans, insurance and investments) that meet their needs and protect financial services consumer rights.

9. The following objectives have been identified to achieve NFIS vision:

1) in terms of access to financial services:

- availability of many stable, reliable and authorized credit financial institutions using innovative channels to provide services;
- efficient interface for banking and non-banking products, as well as service delivery channels;
- using digital financial technologies and other innovations to reach financially excluded people, especially youth and women in rural areas;
- ensuring development of remote financial services, products and services that, along with responding to market demand, also contribute to this sector development and can change customers mindset;

2) in terms of financial services usage:

- availability of a wide range of specially designed affordable and simple financial products and services that serve different market segments;

- ensuring effective and active use of financial services by clients, especially young people, women, small and medium-sized enterprises (hereinafter referred to as SMEs);

- implementation of measures to stimulate the use of financial services;

3) in terms of quality of financial products and provision of services:

- guaranteeing the relevance, timeliness and quality of financial products and services (i.e. properly designed, evaluated and adapted to the needs of the market for financial products and services);

- building a system of comprehensive and sustainable protection of the rights of financial services consumers;

- trained and adequately protected citizens who are reasonably confident in making informed financial decisions.

10. The main tasks for these objectives' implementation include:

1) access to financial services:

- increase in the number of credit financial institutions and their structural subdivisions from 32.1 units to 33.7 units per 100,000 adults (working-age population and population older than working age);

- increase in the number of ATMs per 100,000 adults by at least 5.9 units (from 20.5 units in 2020 to 26.4 units);

- increase in the number of terminals at points of sale and service (hereinafter - PoSS) from 61.0 units per 100,000 adults to 87.7 units and QR codes from 84.3 units per 100,000 adults to 96.9 units;

2) Use of financial services:

- achievement of account ownership in credit financial institutions up to 95 percent of adult population;

- 2.4 times increase in the number of non-cash transactions for payment for goods and services through electronic wallets;

- ensuring effective use of digital payment services at least up to 60 percent of adult population;

- increase by at least 50 percent in the use of financial services (savings, loans, insurance);

- setting up remote use of various financial services;

3) quality of financial products and service provision:

- development of standard disclosure sheets for at least 5 types of financial products that are available for comparison using common valuation tools and open source programming interface (Application programming interface - API);

- ensuring that grievances procedures are in place for financial service providers that meet the requirements established by the NBT;

- at least 10 percent improvement in overall financial literacy score.

11. The above tasks are defined in the following four key areas:

- delivery channels and digital financial services;

- diversity of financial products;

- protecting the rights of financial services consumers;

- financial literacy.

12. Implementation of tasks and objectives of NFIS as a dedicated overarching area that covers key areas of women and youth empowerment to ensure more targeted approach to NFIS activities.

13. Factors that facilitate the implementation of four key and special areas of NFIS:

- Enabling regulatory environment;
- Financial and digital infrastructure;
- Cooperation of broad range of stakeholders (Annex 1).

§2. Delivery channels and digital financial services

14. Improved delivery channels, digital finance and payments can reduce costs and increase access to financial products for all underserved clients in the Republic of Tajikistan. Filling regulatory and infrastructure gaps along with developing technical and human capacity of providers can help expand the reach of digital access channels to stimulate the use of financial services in the country.

15. The main objectives for delivery channels and digital financial services include:

- physical access by facilitating the development of digital financial service delivery channels, including open banking, stimulating the development of digital networks, expanding the role of non-banking service providers in financial services provision and ensuring equal regional coverage by access points;

- legislation and regulation by strengthening regulatory framework development to sustainably support the development of digital finance and financial inclusion, and taking further measures to implement the “Special Regulatory Regime” in the future;

- financial infrastructure/mutual integration by ensuring the interoperability of digital financial services and the introduction of fast payment system;

- Internet and mobile infrastructure, by creating a working group by the stakeholders to discuss, develop and adopt a set of measures to address issues related to communications infrastructure.

16. As a result of implementation of the main objectives related to delivery channels and digital financial services, the development of digital financial infrastructure will be achieved, the number of ATMs will be increased at least by 40 percent, and the number of terminals will be increased by 50 percent.

§3. Diversity of financial products

17. Diverse and up-to-date products are critical to wider use of financial services. The main issues in this area of financial services include accounts, savings, loans, Islamic finance and insurance, as well as innovative financial services that meet the needs of small and medium-sized enterprises and the population of the country.

18. The main objectives in terms of diversity of financial products include:

- study the creation of a system to account for the number of unique users of key financial services;
- development, coordination and promotion of necessary legislation on financial products and services, improving incentives that can facilitate linking of remittances to accounts and other financial services (such as savings and loans);
- organize works to stimulate digitalization of financial services, study the gaps in the use of financial products and focusing on reaching underserved groups, as well as capacity building of financial service providers (hereinafter referred to as FSPs) in providing various financial services;
- development and alignment of legal acts in the field of insurance, strengthening the capacity of insurance companies, expanding the range of insurance services, including insurance products based on Islamic insurance principles (Takaful), developing a research plan and conducting special studies on insurance issues;
- financing of small and medium-sized enterprises by providing a sufficient legal framework for a number of financial products;
- using existing mechanisms to improve access of small and medium-sized enterprises to financing (such as a credit bureau, a system of secured transactions, cash-flow-based lending, etc.);
- study of additional mechanisms to improve access of small and medium-sized enterprises to financing (guarantee funds, state support programs, etc.);
- provide adequate regulatory framework for the development of Islamic finance principles, building capacity for provision of Islamic products, study the market potential for the introduction of Islamic finance products.

19. As a result of the main tasks implementation in terms of financial products diversity, the number of account holders in credit financial institutions will increase up to 95 percent of adult population, the use of electronic wallets will increase 2.4 times, the overall use of formal financial services (savings, loans, Islamic finance and insurance) will increase at least by 50 percent and at least 60 percent of adult population will use electronic payments.

§4. Protection of the rights of financial services consumers

20. The system for protection of financial services consumer is the basis for ensuring higher confidence in financial system in Tajikistan. In turn, this should lead to greater use of formal financial services. Significant efforts are made in the country to protect the rights of consumers of financial services.

21. The main tasks related to protection of the rights of financial services consumers include:

- development of a comprehensive regulatory framework for protection of consumers of financial services based on activities and risks;
- integration of financial consumer protection reporting requirements into the overall reporting of FSPs to the supervisory authority;

- development of the required supervisory tools to ensure a reliable system for market behavior monitoring;
- providing a comparative product-based adjustment schedule for different types of FSPs;
- introduction of additional comparable general transparency requirements for FSPs, additional implementation of general regulatory requirements for fair, equal treatment and professional conduct of business activity in relation to FSPs;
- development and implementation of specific requirements, recommendations regarding the relevance of products for FSPs;
- development and implementation of standards, guidelines to improve the process for considering claims related to payment of insurance proceeds;
- development of the Code of Professional Conduct for protection of the rights of financial services consumers;
- strengthen the NBT complaints handling system;
- introduction of additional minimum requirements for handling of complaints by FSPs, including on availability of a structure for handling complaints and resolving disputes;
- establish reporting requirements for FSPs regarding handling of complaints;
- consider the possibility of establishing a financial ombudsman in the long term.

22. As a result of implementation of the main objectives regarding protection of the rights of financial services consumers, at least 5 types of financial products will have standardized forms of information disclosure, and will also be available for comparison using publicly accessible comparison tools. At least 75 percent of all FSPs will have grievance procedures that meet the requirements established by the NBT. In this case, FSPs must have an opportunity to independently resolve at least 50 percent of all financial consumer complaints. The NBT verifies that all FSPs comply with disclosure requirements, internal policies, procedures and financial service agreements.

§5. Financial literacy

23. Despite the measures taken over the past few years, the use of financial services in the Republic of Tajikistan is limited in general due to the low level of financial literacy. Solving the problem of financial literacy is also of great importance in terms of protecting the rights of financial consumers and building confidence in the financial system.

24. The main objectives for financial literacy are the following:

- establishing coordination between the financial sector and government agencies, as well as between public and private providers of financial education services;
- study the needs of the population in financial literacy, as well as influence of cultural characteristics, mentality and identification of priority segments;

- development of a financial literacy strategy and individual programs to reach target segments (such as women, youth, low-income people, migrants, SMEs, etc.) and the introduction of financial literacy in general education institutions.

25. As a result of implementation of the main objectives on financial literacy, the overall financial literacy rate will increase by at least 10 percent. Financial literacy programs will reach at least 500,000 people, including 150,000 schoolchildren. All financial education activities will be harmonized and optimized for a wide range of stakeholders.

§6. Enabling regulatory environment

26. Enabling regulatory environment is critical to enhancing financial inclusion. Research shows a direct relationship between the quality of the regulatory framework and the level of financial inclusion. That is why an enabling regulatory environment, which means an enabling normative and legal framework, is a tool for achieving progress in all four key areas of NFIS. Enabling regulatory environment is needed to support innovation in digital finance as well as to develop various financial products. Thus, the expansion of financial services and delivery channels will be balanced with strengthening consumer protection system and financial literacy improvement.

27. The main objectives on enabling regulatory environment include:

- strengthening the regulatory framework to sustainably support digital finance and financial inclusion;
- development, coordination and promotion of the regulations on financial products and services to fill existing gaps;
- improvement of the sectoral law on exchange of credit information;
- comprehensive development of a framework of regulatory legal acts for protection of the rights of financial services consumers that is activity-based and risk-based;
- development of the required rules in the field of information disclosure and transparency, fair treatment and professional conduct of business, as well as dispute resolution;
- ensuring presence of relevant regulatory legal acts for implementation of measures aimed at improvement of financial literacy.

§7. Financial and digital infrastructure

28. Reliable financial infrastructure (credit bureaus, secured transaction systems, payment infrastructure, etc.) provides the basis for efficient and effective delivery of financial products and services by reducing costs and reaching customers in remote regions. Digital infrastructure (Internet, mobile communications, platforms and data centers) will support promotion of financial inclusion in the Republic of Tajikistan.

29. The main objectives for financial and digital infrastructure are the following:

- ensuring interoperability of digital tools and activities to address issues of communications technology infrastructure;
- improving the exchange of credit information, strengthening the system of secured transactions and exploring the possibilities for establishing credit guarantee funds;
- the use of financial and digital infrastructure to implement FSPs measures to protect the rights of financial services consumers;
- active use of financial and digital infrastructure in the field of financial literacy.

§8. Broad cooperation of stakeholders

30. Efficient achievement of NFIS objectives requires coordinated interaction, input and support of a range of stakeholders such as government agencies, donors, civil society and others, especially private sector.

31. The main objectives regarding broad stakeholder cooperation are:

- continued cooperation with the World Bank Group (hereinafter referred to as the WBG) in the field of developing the foundations for digital financial services (hereinafter referred to as DFS);
- engaging with private sector to promote DFS;
- creation of a working group composed of a wide range of stakeholders to discuss and develop a set of measures to address the problems of communications infrastructure and the Internet;
- development and improvement of regulatory legal acts on financial services within the framework of an interdepartmental working group;
- support and strengthening of state bodies in terms of small and medium-sized enterprises development;
- attract donors to build the capacity of FSPs, including creation of a Bank Academy;
- continued cooperation with the WBG in the field of protecting the rights of financial consumers and implementing the NBT Strategy to improve the mechanism for protecting the rights of financial services consumers for 2022-2025 (hereinafter referred to as the PRFSC Strategy);
- creation of a coordination mechanism to implement activities in the field of financial literacy;
- cooperation with the Organisation for Economic Co-operation and Development (hereinafter referred to as the OECD), the WBG and other international organizations to implement the National Financial Education Strategy.

3. EVALUATION OF CURRENT STATE OF SUSTAINABLE ECONOMIC DEVELOPMENT

§1 General information

32. From 2000 up to now, stable economic growth and poverty reduction has been observed in the Republic of Tajikistan. Real GDP growth in 2010-2020 averaged 7.1 percent. High rates of economic development contributed to a significant reduction in the poverty rate to 27.5 percent, and household incomes almost quadrupled over this period. Tajikistan has huge hydropower potential, which it strives to exploit through significant investment in large-scale hydropower projects and access to existing regional energy markets.

33. Economic growth in the Republic of Tajikistan was mainly achieved due to the growth of indicators in manufacturing and service sectors, and was also supported by private sector. A dynamic and competitive private sector is a prerequisite for future growth. The Government of the Republic of Tajikistan considers private sector contribution as a driver for ensuring sustainable economic development according to the National Development Strategy for the period up to 2030 and considers it as the main means to enabling the achievement of national goals and creating conditions for decent life for people on this basis.

34. In the course of privatization of state property and the implementation of individual projects for restructuring of enterprises of natural monopolies and large state enterprises, about 90 percent of state assets were transferred to private sector. As a result of continuous state support, the private sector is now developing steadily, and today its share in GDP is more than 70 percent, while its contribution to employment is 68 percent.

35. During 2020, the spread of COVID-19 was accompanied by risks and uncertainties in terms of global economic recovery, which depends on many factors, such as further changes in the situation associated with the pandemic, effectiveness and timeliness of anti-crisis measures, price volatility in world markets, as well as restoration of cross-border trade and logistics. Under these conditions, to limit the economic damage from the pandemic, countries around the world have taken urgent measures of financial, monetary and fiscal support. The buffers of capital and liquidity accumulated over the past ten years in the financial system made it possible to implement anti-crisis measures. At the same time, as a result of the epidemic, crisis tendencies may intensify. On the other hand, the financial shocks associated with the pandemic are changing economic relations and opening up new opportunities for further development.

36. In this context, the role of the country's banking sector becomes even more important for the recovery of the economy of the country. Banks are not only the "blood stream" of the financial system, but also actively participate in the integration processes and in the technological revolution in terms of provision of financial, communication and educational services.

37. The pandemic forced public authorities of the Republic of Tajikistan to take urgent measures aimed at minimizing its impact on the economy of the country and social sector. In this regard, there was a need for long-term structural changes in the economy and a number of practical measures were implemented within the framework of instructions and orders of the President of the Republic of Tajikistan.

To this end, on March 19, 2020, an Action Plan was approved and implemented to prevent and reduce the impact of possible risks of COVID-19 pandemic on the national economy. In addition, a Decree of the President of the Republic of Tajikistan “On preventing the impact of the infectious disease COVID-19 on the socio-economic sphere of the Republic of Tajikistan” was issued, aimed at supporting certain sectors of the national economy, entrepreneurs, vulnerable segments of the population and addressing social issues.

§2. Access to financial services

38. Access indicators reflect the degree of financial services coverage, including coverage of territories by structural units of credit financial institutions (hereinafter referred to as CFIs) and payment infrastructure. They cover physical and mobile service points, as well as service point interoperability. The access score also includes demand-side barriers that clients face in accessing CFIs, such as cost or information.

39. In 2020, 69 CFIs operated in the Republic of Tajikistan, including 19 banks (18 traditional banks and 1 Islamic bank) and 50 microfinance institutions (hereinafter referred to as MFIs) (18 microcredit deposit organizations, 5 microcredit organizations and 27 microlending funds). Banks account for 86.6 percent of CFI assets, and MFIs – for almost 13.4 percent.

40. The number of branches and banking service centers during 2020 increased by 10 units and reached 1,935 units, despite a slight reduction in CFIs (Annex 2).

41. In 2020, the Republic of Tajikistan achieved relatively high results in terms of access of the population to the infrastructure of financial services, including 32.1 CFIs per 100,000 adults (taking into account the structural divisions of CFIs). At the national level, the density of CFIs per 100 square kilometers is 1.4 units. For every 100,000 adults, there are 21 ATMs, 91 terminals, including 30 cash-dispensing terminals and 61 terminals at PoSS.

42. In 2020, physical coverage of access points in the regions of the country has increased, but they have significant differences. Most access points are concentrated in the city of Dushanbe and are less common in the regions. While there are 41.4 ATMs per 100,000 people in Dushanbe, this figure is 14.1 in Sughd region, 8.6 in Khatlon, 14.7 in GBAR and 9 in the CDRS (cities and districts of republican subordination). There are 241.4 units of terminals per 100,000 people in Dushanbe, 38.9 units in Sughd region, 7.4 units in Khatlon region, 71.7 units in GBAR and 8.7 units in cities and districts of republican subordination (Annex 3).

43. In recent years, the number of bank payment cards has increased. In 2020 alone, the number of bank payment cards increased by 30.8 percent compared to 2019 and amounted to 3.25 million units. The number of payment card holders increased by 24.6 percent and reached 3.02 million people. Although the market for bank payment cards has grown, the terminal network in PoSS has increased by 7.8 percent. One of the obstacles to the widespread use of terminals in PoSS is the

reluctance of entrepreneurs to switch to transparent activities, the habit of using cash by customers and the distrust of entrepreneurs in banking system of the country.

44. Development of payment system is among the priorities of the Republic of Tajikistan, but much still needs to be done for practical implementation of new changes in the legislation. In 2014, the Republic of Tajikistan adopted the National Strategy for Payment System Development of the Republic of Tajikistan for 2015-2025 (NSPSD). The purpose of this document is to ensure efficient and reliable functioning of the payment system of the Republic of Tajikistan to meet current and future needs of the national economy in payment services, including the implementation of monetary policy, ensuring financial stability, improving quality, accessibility and security of payment services and payment systems.

45. The Law of the Republic of Tajikistan “On Payment Services and Payment System”, which entered into force in 2017, laid the foundation for the development of new means of payment services, such as electronic money and the operation of banking payment agents. The law created enabling environment for growth of digital services and payments. However, to ensure the development of financial inclusion and cashless payments, it is necessary to ensure the widespread use of electronic wallets and provide the required legal framework for entrepreneurs.

46. To identify areas for payment services development, study and analyze innovations in this area, analyze trends in the payment services market and related risks, coordinate and regulate issues related to expanding the infrastructure of payment system, develop and improve regulatory legal acts in the field of providing digital financial services in 2018, a department for analysis and development of digital financial services was established in the management structure of the NBT.

47. As of December 2020, 12 CFIs ensure the turnover of electronic funds through 1,708.6 thousand units of electronic wallets in the amount of about 543.1 million somoni. Since 2019, mobile operators have also been implementing the necessary payment infrastructure to accept non-cash payments for goods and services through electronic wallets, within the framework of current legislation, together with CFIs. In addition, in order to develop remote banking services and increase the share of non-cash payments, CFIs install a QR (quick response) code in trade and service enterprises, which is less expensive in terms of costs and technical support compared to terminals, which provides more opportunities for making non-cash payments. As of December 31, 2020, 5,266 QR codes were used in the country’s PoSSs.

The Law of the Republic of Tajikistan “On Payment Services and Payment System” defined the concept of a bank payment agent (subagent). In 2018, the NBT adopted a legal act “Procedure for attracting payment banking agents and monitoring compliance with the conditions for their involvement”. This procedure allows CFIs to engage legal entities (excluding CFIs) and individual entrepreneurs on a contractual basis as bank payment agents to perform certain banking operations. In accordance with this procedure, bank payment agents (subagents) were able to provide a wide range of banking services, including replenishment of bank accounts,

repayment of loans, payment for mobile communications and Internet services, utility bills and replenishment of electronic wallets, etc. In addition, this arrangement created favorable conditions for CFIs to reduce transaction costs, especially when providing services to people in remote areas of the country, and increase financial inclusion. As of December 31, 2020, CFIs engaged 14 bank payment agents, and in turn 237 bank payment sub-agents were engaged by these bank payment agents on a contractual basis to perform certain banking operations.

48. To develop the infrastructure of the NBT payment system, improve quality of services and bring the payment system in line with the international standards, within the framework of the World Bank grant project “Improving Private Sector Competitiveness”, instead of electronic payments - the “Clearing House”, on July 19, 2019, an Automated system for interbank transfers (hereinafter referred to as ASIBT) began to work. ASIBT has a number of advantages, such as priority management of payments and no restrictions on the number of payments during a working day. ASIBT consists of the following parts:

- part of aggregated real-time settlements – for processing instant payments and large sums of money. This part processes payment documents submitted by credit financial institutions and other participants, and final settlements related to funds transfer in real time, including final settlements for exchange of funds related to securities;

- part of clearing settlements – intended for making payments with small amounts. The maximum amount of one payment document for clearing settlement is 1000 (one thousand) somoni. Payment documents for clearing settlement are transferred as a package. An unlimited number of payment documents can be placed in one package;

- part of instant transfers – is intended for making payments through mobile banking, Internet banking, electronic wallets (electronic funds in somoni), transfers between individuals using bank payment cards, payment in favor of service and goods provider, payment for public services, QR-payments and other types of retail payments and operates 24 hours a day, 7 days a week and 365 days a year. In order to regulate the activities of the ASIBT, the Resolution of the NBT Board as of August 31, 2020, No. 105 approved the “Rules for the operation of the automated system of interbank transfers”, which are registered with the Ministry of Justice of the Republic of Tajikistan as of October 23, 2020, No. 574 “e”.

49. In 2019, the National Processing Center for Money Transfers (hereinafter referred to as NPCMT) began to operate at the NBT. This measure is aimed at improving efficiency of money transfers without opening bank accounts, transaction transparency and minimizing operational risks, in order to ensure greater stability of banking and financial sectors and strengthen the safety of money transfers within the country and abroad. Establishment of the NPCMT opens up new opportunities for money transfer market development, helping to increase the level of public confidence in the banking system, improve service quality for users of payment system services, and also allowing exercising control over cross-border transfers.

50. In 2019, the Government of the Republic of Tajikistan adopted the Digital Economy Concept in the Republic of Tajikistan. This initiative will contribute to introduction of digital financial technologies, expansion of cashless payments and reduction of cash in circulation. To further expand the use of digital financial services, it is necessary to develop and improve a number of relevant legal acts on remote and simplified identification for opening an account, provision of low-risk remote services, introduction of open banking through the API application programming interface and other regulatory legal acts.

51. Further development of the “Special Regulatory Regime” in the NBT as a means to support the development of financial services market, the regulation on which was approved by the Resolution of the NBT Board as of February 18, 2019, No. 11. The “Special Regulatory Regime” allows CFIs to test their innovative products and financial services in a secure environment. Innovative products and financial services are new and unregulated, and a special regulatory regime helps to accelerate introduction of efficient and safe innovation.

52. Provision of solid foundation for the development of electronic payment instruments is a solution to the problem of insufficient access to the Internet in the Republic of Tajikistan. According to the Communications Service under the Government of the Republic of Tajikistan, the capacity of external Internet channels through the international communication networks of OJSC “Tojiktelecom” has been increased from 30 Gb/s to 70 Gb/s due to creation of reserve channels. According to <https://www.speedtest.net/global-index>, the average mobile Internet speed in the Republic of Tajikistan in 2020 is 7.57 Mbps, and the average cable Internet speed is 20.71 Mbps, which remains unsatisfactory both for the countries of the region and at the global level. It should be noted that according to these indicators, Tajikistan ranks 133rd and 98th in the world, respectively. In addition, according to the World Bank (data.worldbank.org), only 22 percent of the population of the Republic of Tajikistan has access to the Internet. According to Telegeography, only 2.9 percent of households in the country have access to cable internet. These figures are lower than that in other countries of the region; according to them, the Republic of Tajikistan ranks last in the region. In the future, in order to develop information and communications technologies and access of the population to telecommunication services, all opportunities will be used and the necessary measures will be taken.

§3. Use of financial services

53. Usage rates describe customer use of financial services (such as accounts, loans, savings, insurance and money transfers) and frequency and duration of such use over time.

54. The Republic of Tajikistan, since the first global study on financial inclusion carried out by the World Bank (2011), has made significant progress in almost all indicators of usage. Yet, there is still ample room for growth in this direction, as some usage rates are still below the regional and similar average-

income country indicators. While in 2011 2.5 percent of adult population had bank accounts, this figure reached 11.5 percent in 2014, and in 2020 it was equal to 78.4 percent. On the one hand, this reflects a higher use of accounts, and on the other hand, it may be a sign of absence of other digital tools.

55. According to the Global Findex (2018), account ownership in 2017 was lower among women (42 percent), people with lower education level (39 percent) and the poor (38.7 percent). It should be noted that there are no significant differences in account ownership between young people (49 percent) or older people (probably due to transfer of pensions to cashless payments), as well as among rural versus urban residents (46 percent in each category). About 9.4 percent of accounts were inactive.

56. According to official banking statistics, the total amount of loans issued from 2011 to 2020 amounted to 89.9 billion somoni. In 2020, the amount of loans issued reached 10.0 billion somoni, which is 54.0 percent more than in 2011. Of these funds, 1,254.7 million somoni were issued to mountainous (remote) areas, in 2011 this figure amounted to 517.6 million somoni or 8.0 percent. In 2011, women accounted for 8.0 percent of the total amount of loans, and the amount of loans made up 520.7 million somoni. In 2020, out of the total amount of loans issued, 20.8 percent or 2,076.6 million somoni were issued to women.

57. The number of formal borrowers tripled, the growth rate of the number of users of formal savings products in the period from 2011 to 2014 tended to grow and increased 36 times. This indicator from 0.3 percent in 2011 and 1.5 percent in 2014 reached 11.3 percent of adult population in 2017. The groups that showed the highest tendency to formally save in the CFIs included youth (22 percent), people of working age (17 percent) and people with high incomes (16 percent). Individuals with low incomes make up the smallest share of active savers, with only 4 percent of them holding formal savings. In addition, in the Republic of Tajikistan, fewer older people than their peers in other countries of the region have formal savings (6 percent) (Annex 4).

58. No significant statistical differences in official growth trends in terms of borrowing or saving by gender or location (rural vs. urban) were observed. The proportion of people who still prefer informal options remains quite high. In 2017, 21.6 percent of these individuals borrowed from family and friends and 21.5 percent had informal savings. This provides an opportunity to expand access to financial services, as it shows the high interest of people in savings and loan products. The picture of financial services usage points to segments that have less access to finance and should be the focus of more targeted financial inclusion efforts. While the number of borrowers quadrupled from 2011 to 2020, the number of attracted savings increased 2.9 times from 2011 to 2020. This figure has grown from 2,058 thousand units in 2011 to 5,911 thousand units in 2020. The amount of savings of individuals in the total balance of savings is growing from year to year. While this indicator in 2011 amounted to 2,298.3 million somoni, in 2020 it reached 5,338.1 million somoni and increased 2.3 times, which indicates improved public confidence in the banking

system of the country. Of the total balance of savings, women account for 20.8 percent, which in 2020 amounted to 2,379.0 million somoni.

59. The use of key financial services increased between 2017 and 2019, but existing data collection systems do not yet identify unique users of financial services. For example, the total number of individual bank accounts at the end of 2020 was more than 5.01 million, but since some individuals have multiple bank accounts, such statistics are not sufficient to determine the progress of account ownership. Similarly, there is an increase in the number of deposit accounts (from 2.8 to 4.1 million – the growth by 7 percent per year for the period 2017-2020) or the number of issued loans (an impressive 45 percent increase from 481 to 698 thousand per year in 2017 and 2019, respectively). However, these data do not reflect the actual number of individual users of financial services in the Republic of Tajikistan, since one person may use several deposit or loan products. It is necessary to explore the possibility of creating a system for accounting for the number of unique users of basic financial products using both the statistical capabilities of the NBT and databases of other stakeholders, such as the Credit History Bureau (hereinafter referred to as the CHB) and the Individual Deposit Insurance Fund.

60. The COVID-19 pandemic has highlighted the importance of financial services to the public. According to the IFC, savings and borrowing (albeit often informal) were among the most popular tools used by people to overcome the crisis, as people's incomes fell and spending grew up. The study results show the following ways to overcome the crisis:

- more than half of respondents (55.4 percent) reported that they had used their savings to overcome financial difficulties caused by the pandemic;

- some respondents reported that they had to borrow money due to the pandemic, including 21.8 percent of respondents borrowed money from friends and family members, 7 percent of respondents from banks and MFIs, 3.7 percent of respondents from their employers and 0.8 percent of respondents - from lenders. Also, 10.6 percent of respondents reported borrowing food and other essentials from family members and friends;

- the pandemic has negatively affected households' ability to repay outstanding loans. Over the past 12 months, 33 percent of households with a current loan have delayed repayment, and 71.6 percent of households have failed to repay their loans on time. 9.1 percent of households had to temporarily stop loan payments to cope with financial problems;

- Other measures taken by household members to overcome financial pressure include selling personal assets (19.5 percent of respondents), looking for additional work (13.5 percent of respondents) or changing jobs (6.9 percent of respondents).

61. Earlier progress in financial sector and in general in business climate can be mentioned among the reasons for progress of the Republic of Tajikistan in key financial services usage. They should be strengthened to further promote financial inclusion, in particular by business climate improvement with increased

use of financial services. The Republic of Tajikistan has focused its efforts on addressing critical constraints in terms of business climate that have inhibited businesses from contributing more actively to achieving national development goals. These efforts have brought early results and placed the country among the top 10 countries in the world that have made the most progress in improving their economic performance in terms of ease of doing business, according to the WBG Doing Business 2020 report. Tajikistan, scoring 61.3 points out of 100, made a “great leap forward” in the ranking and ranked 106th in the world.

62. The main reforms of the Republic of Tajikistan include:

- introduction of social identification number in the company registration certificate at the time of registration;

- improved access to credit by launching a single modern notification-based collateral registry, creation of functional secured transactions system, expansion of the range of assets that can be used as collateral;

- possibility of a general description of debts and obligations, provision of absolute priority to secured creditors, as well as provision of a deadline and clear grounds for exemption from automatic suspension during reorganization procedures;

- simplification of export of goods due to priority customs clearance of perishable products.

63. The progress in the field of credit receipt rates is the most important and significant progress of the Republic of Tajikistan. Expansion of legislation for secured transactions has made it easier, less risky and less costly to finance entrepreneurs. Strengthening of legislation on secured transactions introduced in 2019 requires additional efforts to ensure active use of the new system by FSPs.

64. Financial sector is on a recovery path from the 2016 banking crisis, with improvement of most key indicators. At the end of 2020, the increase in CFIs assets compared to 2019 amounted to 19.7 percent. During the same period, the balance of the total loan portfolio increased by 12.3 percent, mainly as a result of increase in lending to businesses and individuals. The loan portfolio quality has improved: thus, the amount of debt on loans (with more than 30 days of delay in loan repayment) is 23.4 percent of loan portfolio, which is 3.0 percentage points less than that in 2019. CFIs have achieved good liquidity and capital adequacy ratios. The capital adequacy ratio in December 2020 was 18.2 percent, which is 6.2 percentage points higher than the established minimum value (12 percent). Current liquidity ratio of the CFIs as of December 2020 amounted to 70.5 percent, which is 40.5 percentage points higher than the established indicator (minimum 30 percent). Strong financial sector will play a key role in the implementation of NFIS activities, and its recovery from the crisis can also help build confidence in the financial system.

65. The Individual Savings Insurance Fund (hereinafter referred to as the ISIF) was established to protect household deposits from the risk of bankruptcy of a credit financial institution based on the decision of the founders made in 2004 as the “Personal Savings Guarantee Fund”. As a result of organizational and legal

restructuring and enactment of the Law of the Republic of Tajikistan “On Insurance of Individual Deposits”, the ISIF became the legal successor of the “Insurance Fund for Individual Deposits” and assumed its rights, obligations, property and guarantees. The legal basis for the operation of the ISIF is regulated by this Law, according to which the main goal of the Fund is to protect the rights and legitimate interests of depositors by paying insurance indemnities and strengthening public confidence in the banking system of the Republic of Tajikistan. This law provides for a guarantee of deposits of individuals in certain amount in credit institutions - ISIF members. ISIF is a non-profit institution tasked with reimbursing the savings of individuals in the amount of up to 500 calculation indicators on deposits in the national currency and 350 calculation indicators on deposits in foreign currency. As of December 31, 2020, 34 credit financial institutions were members of the ISIF, including 16 banks and 18 microcredit deposit organizations. The total assets of ISIF at the end of 2020 amounted to 309.9 million somoni. The share of depositors whose savings were below the threshold of the amount of insurance compensation amounted to 95.8 percent. This is an indication of the compliance of the deposit insurance system, which is the basis for further expansion of formal savings services use. However, public awareness of the deposit guarantee scheme should be improved in order to increase confidence in the banking system.

66. The credit bureau is an important mechanism for expanding access to formal credit. LLC CB “Credit Information Bureau of Tajikistan” (hereinafter - CIBT) is the first private credit bureau in the country registered as a commercial enterprise in April 2010 based on the Law of the Republic of Tajikistan “On Credit Histories”. CIBT started its activity three years later. All of the largest banks in the Republic and microfinance organizations in the Republic of Tajikistan own shares in CIBT, and in 2012, CRIF, a global company specializing in the development and management of credit reporting, commercial information and decision support systems, joined CIBT by purchasing 49 percent of its shares. Currently, the CIBT database contains information on more than 2 million entities (individuals, individual entrepreneurs and legal entities) and cooperates with 94 partners from all regions of the country, including, in addition to financial institutions, mobile operators, leasing companies and other information providers. According to the World Bank, in 2019, CIBT coverage was 47.6 percent of working-age population, and the credit information detail index was 7 out of 8.

67. CIBT offers a wide range of useful services to FSPs, including credit reports, notifications to FSPs about changes in credit history of their clients, loan portfolio monitoring, and a range of assessment and analytical reporting tools. A special online tool is available to assess the credit risks of agricultural borrowers by accurately modeling the projected cash flow of farms - the agricultural cash flow risk assessment (CLARA) tool, launched in 2019. This tool helps to perform predictive calculations for farms based on flow process chart of various agricultural products, which are updated weekly. In addition, CIBT submits special reports to the NBT.

68. However, CIBT coverage of businesses needs to be further expanded, as CIBT covered about 18,000 of them (58 percent) out of 31,000 legal entities in 2020. The CIBT database can also be further strengthened by expanding the data sources to include information on other regular payments such as utility bills, government fees and taxes, etc. subject to the provisions of the legislation on confidentiality of the taxpayer's activities. Based on this, the Credit Bureau can also expand the range of products offered to users of credit information. Efforts should be made to increase the use of CIBT tools such as CLARA (currently only used by a few FSPs, although use of this tool is increasing). Widespread use of credit information and other CIBT tools will be critical to expanding the use of credit by small and medium-sized enterprises (hereinafter referred to as SMEs).

69. As to the use of payment services, significant progress has been made in non-cash payment instruments development due to the dedicated efforts of the NBT to achieve a cashless economy, despite the fact that the share of cash transactions is still very high. In 2020, credit financial institutions issued 3.25 million bank payment cards (of which 70.2 percent are bank payment cards of the national payment system "Korti Milli", including co-badged bank payment cards "Korti Milli – UnionPay" and "Korti Milli – CityCard"). Such statistics indicate an increase in the number of bank payment cards by almost 30.8 percent compared to 2019. Accordingly, the number of transactions on bank payment cards increased by 31.1 percent and amounted to more than 71.4 million units in 2020, which is an increase by 78.8 percent and amounted to more than 22.5 billion somoni. At the same time, most of the operations with bank cards (91.6 percent) were cash withdrawal operations, and the share of non-cash payments for goods and services using payment cards was only 8.4 percent. As stated above, this may also be due to gaps in payment infrastructure and uneven coverage by access points, as well as still prevailing popular tradition to use cash as payment. Greater efforts will be needed to create conditions and incentives for both suppliers and customers to increase usage of this tool. It should be noted that the development of cashless payments and their introduction in all sectors of national economy will create a favorable environment for significant reduction of shadow economy in the country.

70. The Republic of Tajikistan is among the countries that depend on remittances, most of which are cashed out upon receipt. The CFIs, together with payment system operators that provide cross-border money transfer services, should consider linking money transfers to bank accounts or e-wallets so that customers can take advantage of digital payment opportunities. They should also develop convenient loan and savings products for remittance senders and their families by better understanding remittance amounts and frequency of remittance flows.

71. Despite of achievements of recent years, the national insurance market needs further development. Previously, Tajik insurance sector was supervised by the State Insurance Supervision Service under the Ministry of Finance of the Republic of Tajikistan. In 2017, insurance supervision function was transferred to the NBT and insurance supervision department was created within its structure.

72. As of December 31, 2020, there were 18 insurance organizations in the Republic of Tajikistan, including 2 state insurance organizations and 16 private insurance organizations. The total assets of insurance organizations during the reporting year amounted to 412.4 million somoni. The share of assets of insurance organizations in the total volume of the country's financial system amounted to 1.5 percent and 0.5 percent of GDP. The equity capital of the country's insurance organizations in 2020 amounted to 217.4 million somoni and increased by 6.7 percent compared to 2019, which is a positive development in terms of financial stability and solvency of insurance organizations. During 2020, there was an increase in the amount of insurance payments, which amounted to 19.0 million somoni. The total number of contracts concluded in 2020 amounted to 1,662 thousand units, which is 341.5 thousand units less than during the same period in 2019. Despite the negative impact of COVID-19 pandemic on the economy of the country, in 2020 there was positive inflow of insurance premiums, which is one of performance indicators of insurance organizations and the main source of their income. In 2020, the total amount of insurance premiums amounted to 235.8 million somoni, which is 1.5 million somoni more than that in 2019 (an increase of 0.7 percent). The volume of receipts of insurance premiums for compulsory insurance in 2020 amounted to 66.6 million somoni, which is 6.2 million somoni more than that in 2019 (an increase of 8.6 percent). Income from voluntary insurance premiums amounted to 168.3 million somoni, which is 71.3 percent of the total amount of insurance premiums and an increase by 5 percent compared to 2019. This indicates the development of voluntary insurance market in the country and shows that insurance organizations use all available opportunities to strengthen it, providing modern insurance services to the population. To understand the reasons for such trends, it is necessary to further study the dynamics of insurance premiums.

73. In order to address the low level of insurance coverage, a demand study needs to be carried out and serious attention should be paid to improving the variety and quality of insurance products provided by insurance companies. Further strengthening of regulatory requirements is needed to support the insurance market development, as well as to build the capacity of the NBT as the new regulator and supervisor in insurance sector.

74. The use of financial services by SMEs is at a low level. SMEs play an important role in the business structure of the Republic of Tajikistan. According to the One Stop Shop data, in 2020, 90.5 percent of the total number of business entities accounted for individual entrepreneurs (304,000 people), of which 25 percent are women entrepreneurs. The emerging SME sector can contribute to the development of the country in the long term, providing jobs and creating added value. But to achieve this it is necessary to ensure their access to high-quality financial products. According to the 2019 Enterprise Surveys among SMEs, although the majority of enterprises in the Republic of Tajikistan have bank accounts, the account ownership rate is lower among small enterprises (84 percent compared to 97 percent among large and medium-sized enterprises). Similarly, far fewer small businesses had bank

loans in 2019 – 13 percent compared to 25 percent and 33 percent among medium and large enterprises, respectively (Annex 5).

75. Using a loan to finance purchase of fixed assets appears to be more difficult for enterprises in the Republic of Tajikistan than in peer countries. Only 2 percent of businesses borrow from banks for this purpose, compared to 13 percent in Europe and Central Asia and 7 percent in low-income countries (Annex 6).

76. According to the NBT data, the balance of banking system loans held by economic entities increased in 2013 and 2015, and, on the contrary, decreased in 2016-2019. An increase in loan balances was observed in 2020, and their size amounted to 10,965.3 million somoni. Moreover, the share of banking system loan balances attributable to entrepreneurs decreased due to the effects of the 2013-2020 global financial crisis (Appendix 7).

77. Currently there are no well-designed mechanisms for risk sharing. One such mechanism may be credit guarantees. The Loan Guarantee Facility was established in the Republic of Tajikistan in 2013 as the Loan Guarantee Fund of Tajikistan. This is an international organization headquartered in Berlin, the Federal Republic of Germany, which provides specific services to the financial sector of the Republic of Tajikistan along with technical support to improve access to finance for SMEs. However, the operation of this mechanism remains limited, since so far it has covered 3 banks and 3 MFIs with its services. To expand the use of the risk sharing mechanism, it is necessary to improve the legal framework and institutional infrastructure.

78. Thus, more active lending to SMEs can be supported by further development of cash flow-based lending services (including greater use of tools such as CLARA), better sharing of credit information and modern CIBT analytical tools, and effective use of a new secured transactions system, collateral registry and risk sharing mechanisms. Islamic finance products can also be used to expand the range of products offered to SMEs.

79. The efforts of the Government of the Republic of Tajikistan in the field of financial support for SMEs should be better aligned with the efforts being made in the financial sector. In 2012, within the framework of the State Entrepreneurship Support Program, the Entrepreneurship Support Fund (hereinafter referred to as the ESF) was established to provide subsidized financial resources to the private sector. ESF provides loans at 12 percent per annum for up to 3 years to industrial, manufacturing and export-oriented enterprises. During 2013-2018, the ESF issued 159 loans worth about 222 million somoni (about 22 million US dollars). As of the first quarter of 2020, the Fund disbursed approximately 277 million somoni (approximately \$28 million) in aggregate. By the Resolution of the Government of the Republic of Tajikistan as of June 25, 2020, No. 390, the Fund was transformed into the State Unitary Enterprise (SUE) Industrial Economic Bank of Tajikistan “Sanoatsodirotkbank”. By the Resolution of the NBT Board as of October 21, 2020, No. 140, a license to conduct banking operations was issued to SUE “Sanoatsodirotkbank”. Stakeholders need to coordinate, collectively discuss and

define the role of the new bank to expand bank activities while maintaining a level playing field and preventing negative impact on the private sector by subsidizing interest rates.

§4. Quality of financial products and services

80. The Quality of Financial Products and Services indicator reflects to what extent financial products and services meet customer needs, the range of financial products available to customers, any barriers to the use of financial products (e.g., costs of use or barriers to obtaining credit), financial consumer protection and financial literacy of consumers, including consumer awareness and understanding of financial products.

§5. Diversity of financial products

81. Despite significant progress in the use of basic financial services, there is no observable diversity in most of these products:

- credit products available in the market target a relatively wide range of areas, including enterprise development, agricultural activities, consumption (e.g., car loans, express loans, climate change adaptation loans, medical expenses, education expenses, loans for purchase of consumer goods in installments, etc.). Banks and MFIs generally provide a similar range of loan products with the main difference in loan amounts, which are usually larger with banks. Banks also tend to offer a wide range of secondary products (variations in the main loan products) and are less interested in serving low-income market segments than MFIs. Microlending is the main activity of MFIs, therefore MFIs set higher interest rates. In general, the offer of credit products to the population in the market is much better compared to other banking products;

- credit cards practically do not exist due to specific technical limitations. Instead, there are overdraft debit cards currently used by the public to obtain consumer loans. Most bank payment cards issued are debit cards of the national payment system “Korti Milli”, which have limited functionality. However, the national payment system “Korti Milli” and MFIs are working to expand their functionality.

82. Savings products in the financial market of the Republic of Tajikistan are represented at a smaller scale. Many financial institutions have savings products in their portfolios, but do not spend much effort on their active promotion, in contrast to active promotion of credit products. This is partly due to the need for greater efforts to attract depositors, especially after the collapse of two banks in the country (Fononbank and Tajprombank) in 2018, whose clients continue to experience difficulties in returning their deposits. Typically, CFIs have several deposit products, in particular term deposits and demand deposits. Key products include deposits for children, savings for specific events and term deposits. Recently, the list of savings products was supplemented by a deposit aimed at accumulating funds received from labor migrants, but this product has not become widespread yet. Both demand

deposits and term deposits usually require a mandatory minimum balance. The market is characterized by a limited number of demand deposits from the public, as banks prefer to offer term deposits in order to be able to better predict their cash flows. Some MFIs offer a variety of savings products, such as the ability to use a deposit as collateral for a loan, home renovation deposit, short-term and long-term deposits for legal entities and corporate clients with the possibility of replenishment, and deposits for individuals and legal entities planning a trip or deciding to perform the Hajj. Although interest on term deposits can be as high as 12 percent per annum, more than 52 percent of customers want to see higher rates so they can keep their money in banks. Other factors that would contribute to growth of deposits, according to the respondents, include the possibility to withdraw funds at any time (32.4 percent), better banking services (27 percent) and a guarantee of safety of deposited funds (22.2 percent). About 14.6 percent of clients want to reduce the required minimum balance on deposits, and this figure is higher (15.5 percent) among rural residents.

83. With establishment of NPCMT and integration of payment systems such as Contact, Unistream and Western Union with it, service providers have also begun to explore new, alternative methods of cross-border transfers, including card-to-card transfers. Development of this initiative had positive impact on the market of card payment systems.

84. Electronic wallets of CFIs expand the range of remote banking services and improve the quality of customer service. In the country, 12 CFIs are engaged in e-money transfer, which allows customers to use e-wallets to make payments. Some of them are carried out in partnership with mobile communication channel operators (hereinafter referred to as MCCOs), such as MegaFon Life (MDO Humo and MCCO MegaFon), TezSum (First Microfinance Bank and MCCO Tcell) and MyBabilon (MCCO “Babilon-M” in cooperation with several CFIs). Users typically download applications on their mobile device to access a wide range of services, such as for paying utility bills and purchasing goods and services at points of sale using a QR code. Most e-wallets can be funded using payment terminals or money transfers from a bank account. While CFIs are trying to offer better and more innovative ways to deliver digital financial services, there is a need to ensure technical integration and settlement of payments using CFIs QR codes in the ASIBT faster payment module.

85. The regulatory framework for insurance sector developed over the past years can contribute to its development. The Law of the Republic of Tajikistan “On insurance activities” adopted in 2016 provides for three main groups of insurance, including compulsory state insurance, compulsory insurance and voluntary insurance. Compulsory insurance mainly includes liability insurance for vehicle owners. Life and banking services insurance indicators are low.

86. Given that 96.8 percent of the population of Tajikistan are Muslim (<https://countrysmeters.info/ru/Tajikistan>), there are opportunities to develop Islamic finance products. The Law of the Republic of Tajikistan “On Islamic Banking” was

adopted in 2014, and in 2017, Islamic Banking Supervision Department was established within the structure of the Banking Supervision Department of the NBT. In September 2019, as a result of transformation of Sohibkorbank OJSC, the first Islamic bank, Tavkhidbank OJSC was created. At the beginning of 2020, two MFIs - CJSC MDO Humo and MLF Imon received their licenses to carry out Islamic banking activities through Islamic banking windows. This was the first step in developing a set of special products to meet the needs of clients who did not want to use financial system for religious reasons (according to the World Bank's Global Findex database, in 2017, 12 percent of adults in Tajikistan said they did not have a bank account for religious reasons). To date, little research has been conducted to determine the level of awareness and demand for Islamic finance products.

§6. Protection of the rights of financial services consumers

87. The Government of the Republic of Tajikistan has recognized importance of financial consumer rights protection (hereinafter referred to as FCRP) and financial literacy for financial sector development, and over the past decade, a lot of work has been done in the country in this area. The importance of the FCRP is reflected in the Banking System Development Strategy for 2010-2015. The strategy identified the NBT and the Ministry of Finance of the Republic of Tajikistan (MFRT) as the bodies responsible for improving legal and regulatory framework for FCRP and improving financial literacy. The National Development Strategy of the Republic of Tajikistan for the period up to 2030 also recognizes the need to further improve the legal framework of the financial sector in order to increase the transparency and reliability of financial institutions in terms of FCRP.

88. The first World Bank diagnostic study of FCRP conducted in 2013 (improving FCRP and financial literacy in Tajikistan) recommended bringing financial consumer protection practices in the Republic of Tajikistan closer to international best practice. One of the directions was to make the NBT responsible for monitoring and ensuring the rights of financial consumers, as well as developing a national financial literacy strategy.

In 2014, amendments and additions were made to the Law of the Republic of Tajikistan "On the National Bank of Tajikistan" providing for the creation of favorable conditions for the FCRP, and the powers of the NBT were expanded to apply prompt corrective measures and measures to eliminate violations of consumer rights.

89. In accordance with the World Bank recommendations, at the end of 2015, a department for FCRP was created within the NBT structure. The unit had the following tasks, including the development of rules for protection of rights of financial services consumer, monitoring compliance with the rules of financial services providers, handling complaints, financial literacy and financial education. In 2017, the unit was transformed into a department. In 2018, amendments and additions were made to the laws of the Republic of Tajikistan "On banking" and "On consumer protection", as a result of which this initiative defined and strengthened

the legal powers of the NBT in the field of FCRP. Establishment of the FCRP Department in 2015 is an important step in the creation of a regulatory framework within the NBT structure. The department should develop a system of supervision and enhance its ability to implement supervision activities in order to fully implement supervisory and corrective measures. The FCRP department of the NBT needs to develop the necessary monitoring tools to provide a reliable system of conduct supervision in the financial services market. To this end, in 2020, the NBT adopted a procedure for remote inspection of information published by CFIs. The NBT should develop a risk assessment methodology based on complaints received directly from consumers, as well as other relevant information.

90. Considering significant changes in the financial market of the Republic of Tajikistan, as well as the development of international best practices, in 2019 the WBG conducted an updated a review of FCRP and financial literacy in the Republic of Tajikistan. The purpose of the review was to compare the current regulatory framework, institutional structures and market practices in the field of FCRP with international best practices, as well as to provide recommendations for further development of the FCRP system in the Republic of Tajikistan. In 2020, the FCRP Strategy was developed to identify future directions and activities in this field. The FCRP Strategy will serve as a document that the NBT will take as a basis for reforms aimed at further improvement of the FCRP system, coordination of FCRP activities, FCRP associations and other stakeholders.

Based on the diagnostic study work, and in line with the new FCRP strategy, the following gaps were identified in key FCRP areas, including the regulatory framework and supervision (including the legal framework, institutional arrangements and powers, oversight and enforcement activities). While Tajikistan has a general consumer protection law, and financial sector laws and NBT regulations contain some consumer protection provisions, there is no comprehensive legal framework for financial consumer rights protection.

91. It is necessary to specify the supervisory functions of the FCRP department and other structural units involved in oversight, as well as to develop mechanisms for coordination between the FCRP department and structural units of the NBT, including, if necessary, exchange of information and resources, as well as joint activities.

92. Application of FCRP provisions should be enshrined in the authority of the NBT's FCRP department in relation to all types of financial services and MFIs, including insurance and retail payment services.

93. Currently financial institutions are required to provide information to consumers, but not necessarily in a standardized format that allows comparisons with other financial institutions. Transparency and public disclosure requirements are not comparable across different types of financial service providers. The current provisions in the laws and regulations of the NBT on banks and MFIs regarding disclosure and transparency requirements need to be further improved to include detailed regulatory disclosure requirements that establish provisions regarding the

format, method, content and timing of information disclosure to consumers and covering all stages of relationship with consumers (for example, contractual/pre-contractual, information sheets with key facts about products, terms and conditions, account statements/receipts of completed transactions, changes in terms and conditions). The adoption of Instruction No. 241 “On the Procedure for Disclosing Information on Banking Services to Consumers of Credit Financial Institutions” and Instruction No. 242 “On Requirements for Publication of Information by Credit Financial Institutions” of 2020, which establish a number of information disclosure requirements, is an important step in this direction.

94. Current NBT laws and regulations contain limited and fragmentary provisions regarding fair treatment and professional conduct of business (including unfair conditions, unfair practices, product suitability, customer mobility, agent activity, staff and agent compensation, fraud, and misuse of customer assets). MFIs maintain a code of conduct for their members, but there is no single code for banking and insurance industries. Regulations will need to be developed and enacted for fair treatment of consumers and professional behavior of FSPs, including with respect to unfair conditions, product bundling and financial services practices, imposition of additional products/services, sales procedures and policies, product compliance, certain types of financial products, early termination, consumer mobility, integrity and competence of relevant employees and third parties acting on behalf of the FSP, avoidance of conflicts of interest in payment of wages to employees or agents, and debt collection methods.

95. In terms of data protection and confidentiality (including legal collection and use of customer data, exchange of information about customers), the Law of the Republic of Tajikistan “On Protection of Personal Data in the Republic of Tajikistan” was adopted in 2018, but it has not been fully implemented yet. It is necessary to ensure that the law also contains provisions that enable innovative solutions such as open banking and application programming interface banking, which may require regulations related to data portability, customer information sharing rules, customer consent, and others. In order to comply with this law in the financial sector, it is necessary to consider signing a memorandum of understanding between the NBT and the Communications Service under the Government of the Republic of Tajikistan to establish cooperation and interaction in the supervision of financial sector in relation to personal data protection. At the same time, current confidentiality regimes, i.e., bank secrecy, must be strictly observed.

96. Although financial institutions comply with general legal requirements related to handling citizen complaints (including internal grievance mechanisms and out-of-court formal dispute resolution mechanisms), it is not clear how effectively this regulation is enforced in the financial sector. It appears that consumers have a low level of awareness of complaints mechanisms and do not use them. Additional steps need to be taken to ensure effective functioning of dispute resolution mechanisms, including the establishment of specific minimum requirements for internal FSP grievance mechanisms. In the longer term, out-of-court dispute

resolution mechanisms such as a financial ombudsman should be considered. Regulatory requirements need to be developed and adopted, including guidelines for FCRP. These requirements should be aligned with the Law of the Republic of Tajikistan “On Appeals of Citizens and Legal Entities”. These requirements should, at a minimum, include requirements for clear disclosure of how a client can file a complaint, the channels available for this purpose, and the independence of the complaints function from commercial activities of FSP. Requirements should be proportionate to the size and complexity of FSPs.

97. In 2020, the FCRP department of the NBT received and processed over 2,386 complaints of different nature. Most of the complaints related to deposits, loans and the quality of services provided. In the future, the process of handling complaints by the FCRP department of the NBT should be streamlined for efficient use of its resources. Finally, it will be necessary to start assessing the appropriate institutional framework for the settlement of external disputes in the Republic of Tajikistan. The FCRP department will continue efforts to develop a modern and robust FCRP system in line with global best practices.

§7. Financial literacy

98. There is a solid foundation for the development of a Financial Education Strategy, in particular the commitment of public authorities and willingness of private sector. In 2016, the Government of the Republic approved the National Development Strategy of the Republic of Tajikistan for the period up to 2030, which provides for the development and implementation of the State program to improve financial literacy of the population.

99. Since early 2000s, both banks and MFIs have recognized the importance of improving financial literacy of their clients as part of their social responsibilities, and most of them have offered their own programs and activities. With regard to more formal, coordinated activities, the period 2014-2019 is a successful example. During this period, the IFC developed the Financial Literacy Program. This Program was supported by NBT. The program partnered with 15 leading financial institutions actively involved in improving financial literacy of the population, and this activity quickly grew into a nationwide campaign to improve financial literacy. By the end of the Program in 2019, about 470,000 people were covered by various training and advisory courses, and within its framework, more than 2,500 employees of the operational departments of the FSPs were trained in financial advisory methodologies to improve financial literacy of the population.

100. Another IFC project in 2019-2021 includes a component aimed at increasing digital financial literacy by informing people about existing digital services, their use and benefits, as well as improving the skills of the population to use them.

101. Since 2014, NBT has been participating in the global annual event, World Money Week, hosted by the International Child and Youth Funding Organization. In 2012, in order to encourage children and youth to get information about money,

savings, creating livelihoods, employment, and doing business, more than 100,000 citizens of the Republic of Tajikistan were covered by events and initiatives within the framework of this worldwide campaign. In 2020, all CFIs of the country and international organizations, including the IFC, took an active part in this event.

102. In addition, since 2016, NBT has been participating in the World Savings Day, the main purpose of which is to stimulate and promote the idea of savings. In 2020, NBT, together with development partners, held a fundraising event, excursions, trainings and other educational events that attracted a lot of public attention.

103. Since there is no formal financial education program for schoolchildren in the Republic of Tajikistan, NBT and the Ministry of Education and Science of the Republic of Tajikistan are collaborating with the German Savings Banks Foundation for International Cooperation (hereinafter referred to as the SBFIC) to launch a number of financial education pilot projects. One of the project goals is to include financial education in the curriculum of general education institutions. Pilot projects include the definition of so-called “multipliers”, i.e., “senior instructors” who, in their turn, train instructors – local schoolteachers. The course was attended by 571 teachers who work with 29,000 students across the country. Activities also include lectures on financial education (reaching over 6,000 children) and 11 pilot study groups for 9th and 11th grade school students. The Ministry of Education and Science of the Republic of Tajikistan makes its financial contribution and will approve the content of the curricula for schoolchildren.

104. The European Bank for Reconstruction and Development (EBRD) has been implementing the Women in Business program since 2017. According to the EBRD, women-led businesses in Tajikistan face additional barriers due to the lack of a dedicated financial product and customer service (EBRD Tajikistan Women in Business Program Fact Sheet). Women are 3.5 times more likely to borrow from family members and friends. Low levels of financial literacy and lack of entrepreneurial skills also limit women’s opportunities to run business and access information resources. In addition, to ensure that women entrepreneurs have access to finance through the EBRD’s Special Business Competitiveness Credit Line, it offers advisory support as well as training, mentoring and other support so that women entrepreneurs can share experience and learn from each other.

105. According to the results of the financial literacy survey conducted by the OECD in 7 countries of the Commonwealth of Independent States (CIS) in 2017, Tajikistan received a relatively low score in three areas of financial literacy - knowledge, behavior and attitude. As a result, the country scored 11 points out of 21 possible, and it had the lowest scores among seven countries participating in the survey (Annex 7).

106. According to the results of the OECD study, with respect to knowledge, only one in ten adults in Tajikistan reached the minimum target score. In addition, 17 percent answered that they did not know the answers to four or more of the seven questions. In addition, respondents, to much lesser extent than those surveyed in

other countries, knew what happens to the purchasing power of money if inflation remains unchanged (31 percent of respondents gave the correct answer). Few respondents understood the relationship between risk and return (only 31 percent of respondents answered correctly, compared to a 7-country average of 67 percent). In addition, significantly fewer women than men achieved the minimum target score. This conclusion remains true even after accounting for other factors. The level of financial knowledge was generally lower among women than among men. It also turned out to be lower in rural areas and settlements, among people with children, people with low incomes and people who have education not higher than secondary general education. The proportion of respondents in the Republic of Tajikistan who were aware of at least five types of financial products (45 percent) was the lowest among 7 countries.

107. More than half of the respondents (53 percent) in the Republic of Tajikistan achieved the minimum target score for behavior. More men than women achieved this score. The share of adults who are responsible for household money and budget is the lowest in Tajikistan (44 percent). In addition, less than half of adult population (48 percent) were active savers in the past 12 months. This suggests that the majority of adult population could be motivated to learn basic issues and tools for managing income and expenses. It should be noted that adult population of the Republic of Tajikistan is not prone to runaway spending. This means that before buying, people think whether they can afford to pay for this or that product. The majority of consumers in the Republic of Tajikistan specifically noted that speed was important when choosing a financial product (75 percent of those who have recently chosen a financial product responded this way). They were also less likely than average to seek independent information or advice (27 percent), which may indicate a risk of choosing the wrong product. The Financial Behavior Score was lowest among women, those aged 18-29 and those with low incomes, the unemployed working-age population, and those with only secondary education. An additional sample of SMEs scored higher in financial behavior than the average score of the working-age population in the Republic of Tajikistan.

108. In terms of attitude, only 42 percent of adult population achieved the minimum target score in the Republic of Tajikistan, which was the highest proportion among seven countries. In Tajikistan, the largest proportion of adult population answered that they completely disagreed with the fact that they lived for today and did not worry about the future (51 percent). The share of those who completely agree was also relatively high (24 percent), indicating a significant diversity in attitudes/perceptions among the population. There is diversity in the understanding of financial issues depending on community size. At the same time, the villages have the lowest score. The population aged 20-29 had the highest score compared to other groups. An additional sample of rural population had a higher score in relation to financial matters than the average score of adult population in the Republic of Tajikistan.

109. In early 2020, NBT conducted a national survey to assess key areas related to the use of financial products and people's financial literacy. The following are some of the responses that largely support the key findings of the OECD survey. However, due to the application of a different methodology and a different set of questions, the results cannot be directly compared with those of the OECD survey:

- in terms of awareness, 18.4 percent of respondents were not aware of any financial products and services (data range from 11.9 percent in Khatlon region to 39 percent in the Gorno-Badakhshan Autonomous Region; in Dushanbe more than a quarter of the population were not aware of any financial service). The product that most people knew about was a payment bank card linked to a salary account and pension account (50.4 percent), followed by a secured or unsecured loan (36.1 and 39.1 percent, respectively), home assets insurance (28.8 percent); and a deposit/savings product (26.5 percent). The remaining products were known to a quarter of the population. The study did not reveal significant differences between rural and urban residents, although there are noticeable differences by region;

- in terms of financial knowledge, only 10 percent of respondents were able to correctly answer the question about the effect of inflation on purchasing power and 20.5 percent to the question about the effect of compound interest. At the same time, the majority of respondents knew the definition of inflation (53.1 percent), understood the relationship between risk and return (64.6 percent - contrary to the results of the OECD survey) and the concept of risk diversification (65.5 percent). In addition to regional differences, the proportion of correct answers for men was higher than that for women and was also related to the level of education;

- in terms of confidence in the banking system, almost half of respondents noted that their trust in banks had increased over the past 10 years (48.6 percent) - the highest confidence level was observed in the districts of republican subordination (53.4 percent) and the lowest confidence level - in the Gorno-Badakhshan Autonomous Region (25 percent). The level of confidence was higher among young people (within 52.8-55.3 percent in the subgroups under 35 years old), and the lowest level among the elderly (33.1 percent);

- in terms of financial behavior, 42.6 percent of respondents noted that they preferred to keep money at home, while 45 percent noted that they did not have savings. The share of people without savings is higher among women than among men. Here again, there were significant differences across regions, in particular, only 3.6 percent of respondents in the regions of republican subordination keep their savings officially in banks, and despite the low level of confidence in banks, up to 17.1 percent of people have official savings in the Gorno-Badakhshan Autonomous Region (an average 5.7 percent of persons with official savings). Contrary to the OECD survey, 78.6 percent of respondents said they kept track on their household budget;

- regarding factors influencing financial decisions, the majority of respondents noted that the key factors for choosing a financial product for them were the speed of obtaining a product/service (30.7 percent), trust in CFIs (20.2 percent)

and previous experience in using a financial product (15.3 percent). More than 42 percent of respondents noted that they were more influenced by friends and family when choosing a financial product. Less than one fifth of respondents are influenced by advertisements and information from FSPs (18.8 and 17.2 percent, respectively). These results are similar to those of the survey conducted by the OECD in 2017. The same way as with awareness, there are differences in preferences of respondents depending on the regions. In rural areas, where there is low level of Internet access, the proportion of people affected by social networks is the lowest, i.e. 8 percent compared to 21 percent in urban area.

110. Efforts in the field of financial education in the Republic of Tajikistan are mostly fragmented, which necessitates a greater focus on improving coordination. Stakeholders involved in financial education do not always coordinate with each other. This applies both to participants from financial sector and to other participants such as public authorities and private sector. There is insufficient information and research on specific segments and their financial literacy needs, and there is a lack of deep understanding of the impact of cultural features and mentality on financial behavior. In general, it is clear from the study that public awareness of financial products and services, as well as FCRP, is at a low level.

111. To address this issue, during 2018-2019, NBT negotiated with the OECD to provide technical assistance to develop a financial education strategy. In September 2019, the OECD expressed its desire to cooperate with the NBT in this field. Within the frame of planned technical support, the OECD has developed and submitted an action plan to the FCRP department of NBT which is being used as a basis for the financial education strategy development together with OECD consultants.

4. PROBLEMS AND AREAS OF STRATEGY IMPLEMENTATION

113. Main problems related to access to financial services:

1) in terms of physical access:

- uneven coverage of regions by physical access points;
- insufficient activity of the network of terminals and ATMs;
- insufficient network of banking payment agents;

2) in terms of regulation:

- legal and regulatory framework needs to be further improved and strengthened to sustainably support digital finance and financial inclusion development;

3) in terms of financial infrastructure/interaction:

- insufficient compatibility of ATMs and terminals with bank payment cards;
- specifics of processing center creation;
- lack of interbank integration (payments via QR codes, e-wallets, transactions between individuals (P2P));

4) in terms of Internet and mobile infrastructure:

- limited internet penetration, high cost, low speed, uneven regional coverage, connection problems.

114. Main problems related to financial services usage:

1) in terms of financial services - accounts, savings and credit:

- lack of data on unique users of financial services;
- money transfers and e-wallets are not sufficiently linked to accounts and are not used in other banking operations;

- greater customer preference for cash payments and lack of interest on the part of points of sale create obstacles to the wider use of electronic payment instruments;

- Presence of groups not covered by financial services;

2) in terms of insurance:

- insufficient size of insurance market;
- gaps in the regulatory framework;
- insufficient information about insurance market;

3) in terms of financing SMEs:

- insufficient access of SMEs to loans;
- gaps in the products offered to SMEs (limited access to loans for purchase of fixed assets, decrease in total lending);

- insufficient exchange of credit information with SMEs;

- limited use of alternative lending methodologies and tools (cash flow lending, credit rating, collateral registry, risk sharing mechanisms, etc.);

- insufficient coordination of efforts of state and private sector.

115. Key issues related to diversity of available financial products:

1) in terms of financial products:

- limited range of savings products;
- limited functionality of bank payment cards and electronic wallets;
- insufficient linkage of money transfer transactions and electronic wallets to bank accounts;

2) in terms of insurance:

- lack of diverse and suitable insurance products;
- lack of competition to offer compulsory insurance;

3) in terms of Islamic banking:

- insufficient information about demand;
- few providers and products;
- low level of awareness, lack of special financial literacy tools;
- gaps in the regulatory framework.

116. Main issues related to FCRP:

1) in terms of regulatory and supervisory framework:

- lack of a comprehensive legal and regulatory framework;
- underdeveloped supervision system;
- insufficient capacity in the field of supervision;

2) in terms of information disclosure and transparency:

- incomplete disclosure of information;
- insufficient requirements for transparency;
- 3) in terms of fair treatment and professional performance:
 - limited and fragmented provisions regarding fair treatment and performance;
- 4) in terms of data protection and confidentiality:
 - insufficient respect for confidentiality;
- 5) in terms of dispute resolution mechanisms:
 - incomplete minimum requirements for internal FCRP grievance and redress mechanisms;
 - lack of out-of-court dispute resolution mechanisms, such as financial ombudsman.

117. Main issues related to financial literacy:

- 1) in terms of coordination and optimization:
 - insufficient coordination between government agencies, financial sector and other public and private providers of financial education services;
 - lack of financial education strategy;
- 2) in terms of insufficient data on and targeting of populations or segments:
 - lack of data on specific segments;
 - lack of information about the influence of cultural characteristics, mentality and financial attitudes;
 - low level of public awareness about products and services, as well as about FCRP;
 - deeper gaps in financial literacy among specific segments of the population (women, rural residents, youth, the poor);
 - lack of financial education programs in general education institutions;
 - lack of adapted financial education programs, including an anti-crisis financial education program.

118. The main areas for NFIS implementation are provided in the action plan for FCRP Strategy implementation (Annex 2 to the Resolution of the Government of the Republic of Tajikistan).

5. MECHANISM FOR COORDINATION AND IMPLEMENTATION OF THE NATIONAL FINANCIAL INCLUSION STRATEGY

§1. General provisions for NFIS coordination and implementation

119. To achieve the NFIS goals, the NFIS Governance Framework is being developed by the stakeholders to serve as NFIS Governance mechanism to ensure effective coordination and implementation of NFIS activities. The NFIS governance structure will consist of the following bodies:

- NFIS Coordinating Council;
- NFIS Executive Committee;
- thematic working groups (WG) on the key areas of NFIS;

- ad hoc cross-component working group on economic empowerment of women and youth.

§2. NFIS Coordinating Council

120. The role of the NFIS Coordinating Council is to provide high-level leadership in relation to the NFIS implementation ensuring broad stakeholder participation and accountability to achieve the NFIS goals. The activities of the Coordinating Council will be carried out under the leadership of the NBT and several vice-chairmen will be elected in accordance with the decision of the Council. The NFIS Coordinating Council will consist of decision-making and advisory members.

121. The composition of the main members of the NFIS Coordinating Council will be formed at the level of the first heads of the following state bodies, but not limited to these bodies:

- National Bank of Tajikistan;
- Ministry of Justice of the Republic of Tajikistan;
- Ministry of Finance of the Republic of Tajikistan;
- Ministry of Education and Science of the Republic of Tajikistan;
- Ministry of Labor, Migration and Employment of the Republic of Tajikistan;
- Ministry of Economic Development and Trade of the Republic of Tajikistan;
- Tax Committee under the Government of the Republic of Tajikistan;
- State Committee for Investments and State Property Management of the Republic of Tajikistan;
- Committee on Television and Radio under the Government of the Republic of Tajikistan;
- Communications Service under the Government of the Republic of Tajikistan;
- Agency on Statistics under the President of the Republic of Tajikistan.

122. Members of the NFIS Coordinating Council with consultative vote include representatives from the private sector and international organizations, but not limited to the following:

- Association of Banks of Tajikistan;
- Association of Microfinance Institutions of Tajikistan;
- National Association of Women Entrepreneurs of Tajikistan;
- National Association of Insurance Institutions of Tajikistan;
- National Association of Small and Medium Entrepreneurs of the Republic of Tajikistan;
- World Bank Group;
- International Finance Corporation;
- European Bank for Reconstruction and Development;
- Organisation for Economic Co-operation and Development;
- Swiss State Secretariat for Economic Relations.

123. NFIS Coordinating Council has the following powers:

- providing general guidelines for the NFIS implementation;
- establishment of a governing body for NFIS-related issues;
- removal of obstacles during the NFIS implementation;
- provision and allocation of resources for the NFIS implementation;
- approval of the implementation plan and annual plans of the NFIS;
- making recommendations to the NFIS stakeholders;
- exchange of information with international organizations;
- conducting an overall assessment of the progress of the NFIS implementation;
- making changes to the overall NFIS implementation plan.

124. Meetings of the NFIS Coordinating Council will be held at least once a year. Members of the NFIS Coordinating Council may participate in meetings either in person or remotely. The procedure for holding a meeting of the NFIS Coordinating Council and its agenda should be prepared and approved by the NFIS Executive Committee. NBT convenes the first meeting of the NFIS Coordinating Council.

§3. NFIS Executive Committee

125. The responsibilities of the NFIS Executive Committee include day-to-day management of NFIS activities, organizing and supporting the activities of other NFIS governing bodies, including the NFIS Coordinating Council and the NFIS Working Groups. The composition of the NFIS Executive Committee will be determined by the decision of the NFIS Coordinating Council.

126. The NFIS Executive Committee consists of the following positions:

- head of the NFIS Executive Committee (permanent);
- coordinator of the NFIS Executive Committee (permanent);
- monitoring and evaluation officer (permanent and temporary);
- research staff/technical experts (involved as needed).

127. The NFIS Executive Committee has the following duties:

1) organization of communication and interaction within the NFIS governance structure:

- identifying areas where guidance or resources are needed and communication with relevant stakeholders in the NFIS Coordinating Council;
- ensuring participation of working groups on topical issues and involvement of technical experts as needed;
- communication between stakeholders to organize coordination and training;
- ensuring consistency and quality of planned implementation of NFIS activities;

- providing administrative support to coordinate the convening of government bodies, including the NFIS Coordinating Council and working groups;

2) conducting monitoring and evaluation of NFIS activities:

- coordination and standardization of NFIS data collection;
 - development and implementation of an action plan monitoring system to monitor the progress of the NFIS implementation and ensure adherence to the implementation schedule;
 - collection of gender-disaggregated data as part of reporting requirements and submission to the Statistical Agency under the President of the Republic of Tajikistan and NBT to ensure public availability and use of this data to meet the needs of women and SMEs in financial products;
 - data collection at the NFIS level and assessment efforts as a technical leverage;
 - coordinating and overseeing evaluations of strategically important financial inclusion reforms and programs;
 - consolidation and analysis of progress in NFIS activities implementation;
 - organization and conduct of an independent final evaluation of the NFIS;
- 3) ensuring appropriate and timely reporting and tracking of the NFIS achievements:
- regular reports on progress of the NFIS implementation, including a matrix of achievement and tracking of activities;
 - preparation of internal NFIS progress reports for NFIS Steering Committee;
 - preparation of public annual reports on the NFIS implementation progress;
 - development and implementation of a communication strategy to cover the progress of the NFIS implementation, including taking into account gender issues;
 - work with financial inclusion data portal.

§4. NFIS working groups

128. The working groups are composed of a wide range of stakeholders to ensure an integrated and balanced approach to achieving the goals and implementation of activities for each priority area of the NFIS. The working groups will serve as a coordinating and consultative platform to promote NFIS activities, namely:

- providing communication to represent opinions on implementation of the NFIS activities;
- assistance in coordination of the NFIS activities implementation;
- holding meetings to discuss progress and ensure coordination and consultation (or more frequently, at the discretion of the NFIS Executive Committee).

129. For extended meetings on specific issues, WGs may be invited to participate in the following events:

- extended discussion sessions with participation of stakeholders;
- round tables;
- local consultations in communities or specific organizations;

- public discussions (open discussions of certain important issues, where, in addition to experts, representatives of organizations interested in resolving the issue under discussion, as well as the general public are invited);

- focus group discussions with specific segments of the population to understand specific problems and their causes.

130. The procedure and agenda of the working groups meetings are determined by the NFIS Executive Committee.

6. MONITORING AND EVALUATION SYSTEM

131. Progress towards financial inclusion goals set out in the NFIS will be measured by the NFIS Executive Committee using the NFIS Monitoring and Evaluation System, and responsible officers will be appointed to carry out monitoring and evaluation.

§1. Data sources

132. The following data sources have been identified for information on the NFIS in the monitoring and evaluation system (Annex 8). In addition, a number of other studies will be carried out during the implementation of the NFIS to improve existing sources and manage the progress tracking process.

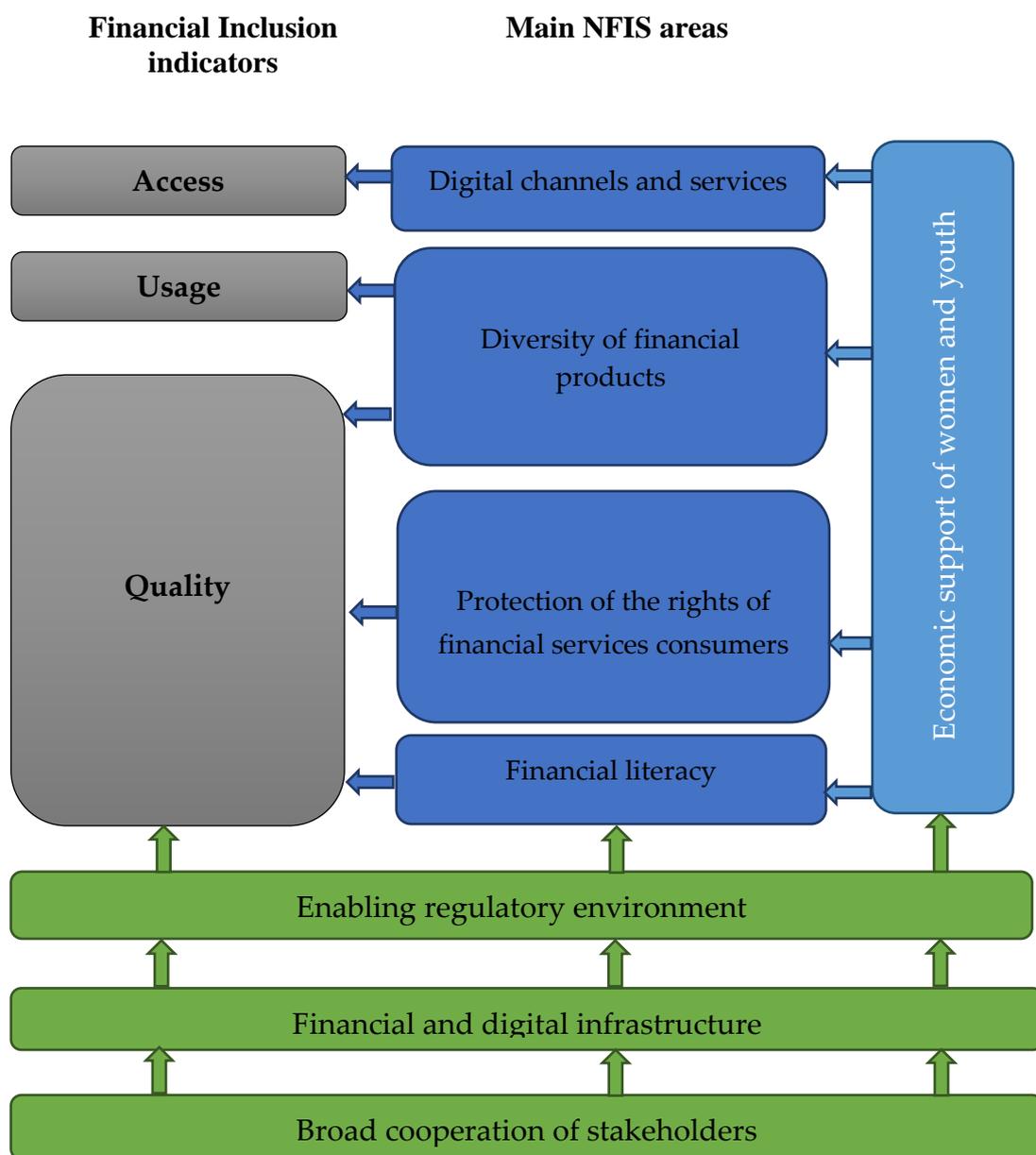
§2. Monitoring and evaluation framework

133. The Monitoring and Evaluation Framework below provides a framework for assessing progress towards the NFIS targets on a set of quantitative indicators. The monitoring and evaluation framework consists of the following components:

- alignment with strategic goals and planned actions;
- key performance indicators (KPIs), including:
 - baseline KPIs values;
 - target KPIs values (if appropriate);
 - time interval to achieve certain target values;
- data sources.

Annex 1
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

NFIS Framework



Annex 2
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

Number of credit financial institutions (CFIs) and their structural divisions
for 2019-2020

Indicators	December 31, 2019	December 31, 2020	Changes (+/-)
Total number of CFIs	75	69	-6
Banks, including:	17	19	2
- traditional	16	18	2
- Islamic	1	1	0
Microfinance institutions, including:	58	50	-8
- microcredit deposit organizations	22	18	-4
- microcredit organizations	6	5	-1
- microcredit funds	30	37	-3
Structural subdivisions of CFIs, including:	1,925	1,935	10
- branches	348	356	8
- banking service centers	1,577	1,579	2

Source: NBT

Annex 3
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

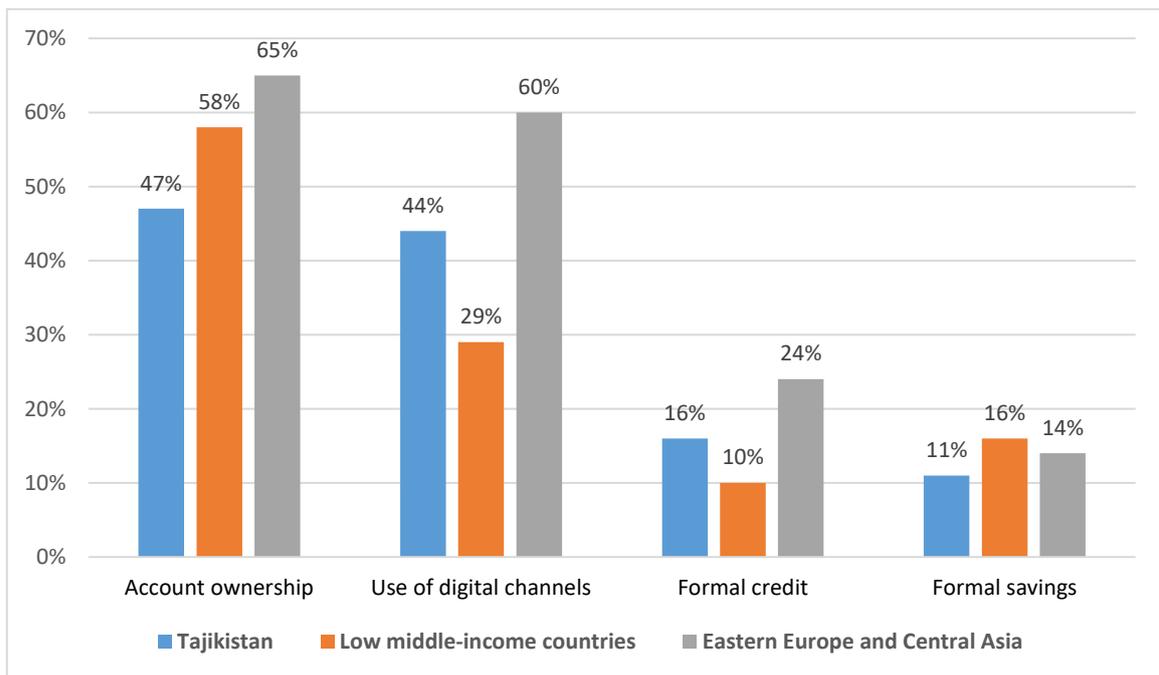
Distribution of access points by region per 100,000 people in 2020

Regions	Branches	Banking service centers	PoS-terminals	Electronic terminals at cash points	ATMs
Dushanbe	6.2	26.4	241.4	36.2	41.4
CDRS	2.6	14.4	8.7	16.9	9
Khatlon	3.3	13.6	7.4	15.0	8.6
Sugd	4	18.4	38.9	21.5	14.1
GBAR	9	22.9	71.7	42.3	14.7

Source: NBT (2020)

Annex 4
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

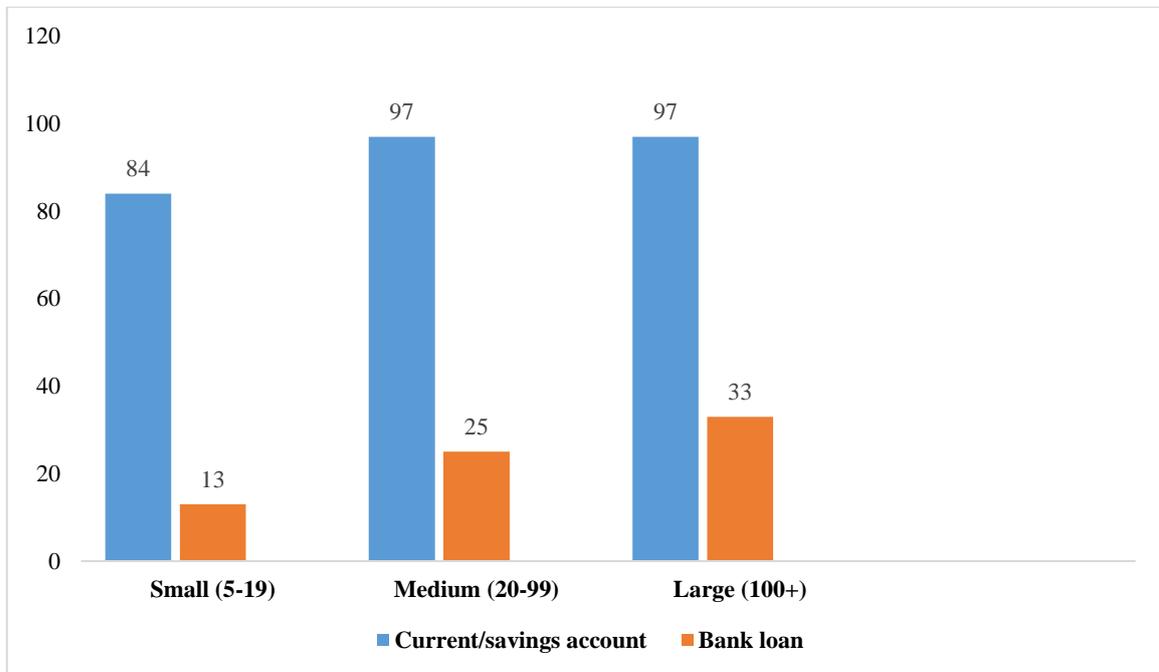
Use of basic financial services in the Republic of Tajikistan and comparable
countries in 2017



Source: Global Findex, World Bank, 2018.

Annex 5
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

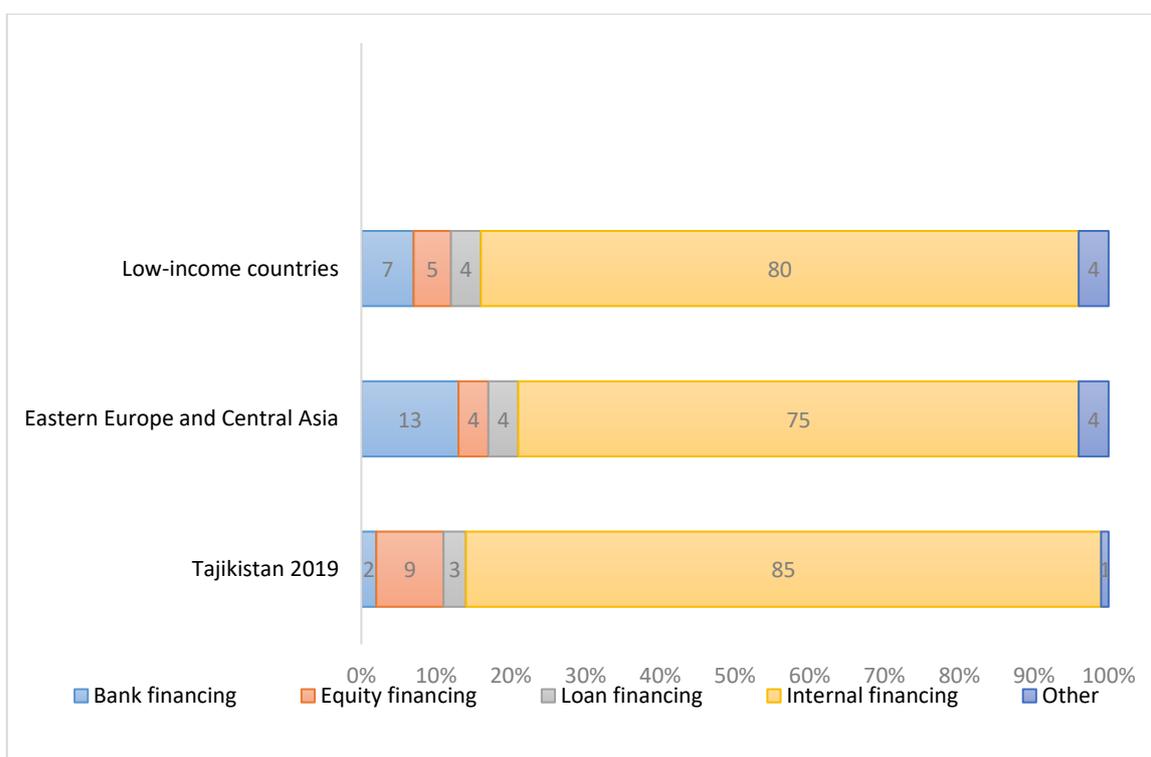
Use of financial services by businesses of the Republic of Tajikistan in 2019



Source: Enterprise Research, World Bank, 2019

Annex 6
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

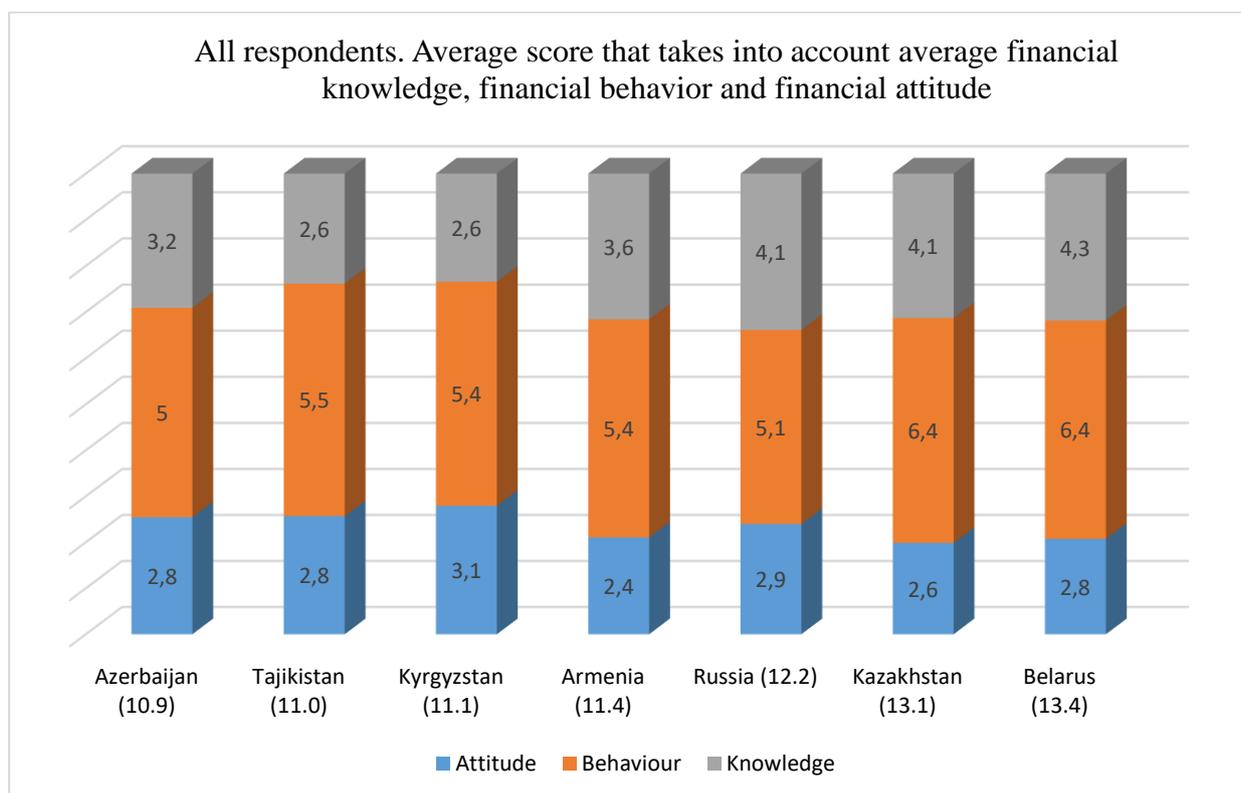
Sources of financing for purchase of fixed assets by enterprises in 2019



Source: Business Research, World Bank, 2019

Annex 7
to the National Financial Inclusion Strategy
of the Republic of Tajikistan for 2022-2026

Components of general financial literacy in the countries of former Soviet
Union in 2017



Source: OECD 2018

Annex 8
to the National Financial Inclusion Strategy of the
Republic of Tajikistan
for 2022-2026

Available information sources

Data source	Demand/supply side	Area of measurement	Year (the latest)	Frequency	Responsible institution
National data sources					
NBT: Banking Supervision Department	Supply	Banking activity FSPs, transactions	2020	Annually	NBT
NBT: Insurance Supervision Department	Supply	Insurance, FSPs, transactions	2019	Annually	NBT
NBT: Department of payments Systems	Supply	Payment systems, transactions	2019	Annually	NBT
NBT: Financial Consumer Protection Department	Demand	Service consumer complaints	2019	Annually	NBT
NBT: Department of Statistics and Balance of Payments, NBT: Scientific Research Institute	Supply/ Demand	Potentially, the number of unique users of financial services	Not available	Annually	NBT
Credit Bureau of the Republic of Tajikistana	Demand	Credit histories; potentially, the number of individual borrowers	2019	Annually	CBT
Individual Savings Insurance Fund	Demand	Potentially, the number of depositors	2019	Annually	ISIF
Collateral registry	Demand	Number of secured transactions registered	2019	Annually	MJRT
Ministry of Education and Science of the Republic of Tajikistan	Demand	Number of students enrolled in financial education programs	Not available	Annually	MESRT
Data sources of international organizations					
Findex	Demand	Individuals	2017	Once in 3 years	World Bank
Financial inclusion survey	Supply	FSPs	2018	Annually	IMF
Financial literacy survey	Demand	Population	2017	Varies	OECD
Enterprise survey	Demand	SMEs	2019	Varies	WBG
Mobile communication index	Consolidated data	Population, mobile operators	2018	Annually	GSMA

Annex 9

to the National Financial Inclusion Strategy of the
Republic of Tajikistan
for 2022-2026

Key indicators of the National Financial Inclusion Strategy of the Republic of Tajikistan for 2022-2026

Priority area	Financial inclusion dimension	Indicators	Baseline indicators, 2020 (unless otherwise specified)	Intermediate indicator, 2023	Target, 2026	Information source	Frequency	Data breakdown
Digital finance	Access	Number of bank branches per 100,000 adults	6	+9%	+13%	NBT IMF	Annually	Urban/rural
	Access	Number of bank branches per 1,000 km ²	2	+9%	+13%	NBT IMF	Annually	Urban/rural
	Access	Number of ATMs per 100,000 adults	21	+17%	+27%	NBT IMF	Annually	Urban/rural
	Access	Number of ATMs per 1000 km ²	9.1	+25%	+42%	NBT IMF	Annually	Urban/rural
	Access	Number of electronic terminals in PoSS per 100,000 adults	61.0	+26%	+42%	NBT	Annually	Urban/rural
	Access	Number of PoSS per 1000 km ²	27.0	+35%	+58%	NBT	Annually	Urban/rural
	Access	Number of automatic self-service terminals per 100,000 adults	96.5	+8%	+17%	NBT	Annually	Urban/rural
	Access	Number of automatic self-service terminals per 1000 km ²	42.6	+15%	+1%	NBT	Annually	Urban/rural
	Access	Number of bank payment agents providing financial services	17	+15%	+30%	NBT	Annually	Urban/rural
	Usage	Individuals using Internet (% of population)	25 (2017)	30	40	WB	Annually	Gender, age, location

Priority area	Financial inclusion dimension	Indicators	Baseline indicators, 2020 (unless otherwise specified)	Intermediate indicator, 2023	Target, 2026	Information source	Frequency	Data breakdown
								(urban/rural) income level
	Access / Usage	Mobile communication index	40.9 (2018)	45	50	GSMA	Annually	
	Usage	Made of received digital payment (% of age of 15+)	43.9 (2017)	50	60	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Used account to pay utility bills (% of age of 15+)	21.7 (2017)	25	30	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Used Internet to pay bills or for purchase (% of age of 15+)	12.8 (2017)	15	20	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Used mobile phone or Internet to access account (% of age of 15+)	8.3 (2017)	15	20	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Used credit or debit card for purchases (% of age of 15+)	10.8 (2017)	15	30	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Number of bank payment cards (as of the end of the year, mln units)	3.2	+31%	+2%	NBT	Annually	Types of cards, payment systems
	Usage	Number of transactions on payment cards during the year (mln units)	71.4	+34%	+56%	NBT	Annually	Types of cards, payment

Priority area	Financial inclusion dimension	Indicators	Baseline indicators, 2020 (unless otherwise specified)	Intermediate indicator, 2023	Target, 2026	Information source	Frequency	Data breakdown
								systems, types of transactions
	Usage	Amount of transactions on payment cards during the year (mln somoni)	22,530.4	+33%	+54%	NBT	Annually	Types of cards, payment systems, types of transactions
	Usage	Share of non-cash transactions with bank payment cards in the total volume of transactions (individuals), except cash withdrawal (% of the total number of transactions)	6.2	+25%	+50%	NBT	Annually	Types of cards, payment systems, types of transactions
	Usage	Number of e-wallets (active at the end of the year, million)	1.7	+176%	+293%	NBT	Annually	Linked/not linked to bank account
	Usage	Number of transactions made through electronic wallets to pay for goods and services during the year (million)	10.7	+149%	+249%	NBT	Annually	Type of transaction
	Usage	Amount of transactions made through electronic wallets to pay for goods and services during the year (mln somoni)	543.1	+300%	+500%	NBT	Annually	Type of transaction
Product diversity	Usage	Account in credit financial institution (% of age of 15+)	47 (2017)	55	65	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Saved in credit financial institution during the reporting period (% of age of 15+)	11.3 (2017)	14	17	Findex	Every 3 years	Gender, age, location (urban/rural) income level

Priority area	Financial inclusion dimension	Indicators	Baseline indicators, 2020 (unless otherwise specified)	Intermediate indicator, 2023	Target, 2026	Information source	Frequency	Data breakdown
	Usage	Borrowed in credit financial institution or used credit card during the reporting period (% of age of 15+)	15.5 (2017)	17	22	Findex	Every 3 years	Gender, age, location (urban/rural) income level
	Usage	Number of insurance agreements during the year (mln somoni)	1.66	2.05	2.07	NBT	Annually	Gender, urban/rural, product type
	Usage	Number of voluntary insurance agreements during the year (mln)	1.19	1.52	1.54	NBT	Annually	Gender, urban/rural, product type
	Usage	Number of offered insurance products (product type)	43	+3	+5	NBT	Annually	Product type, number of agreements
	Usage	Number of registered secured transactions	-	30,000	70,000	Реестр залога	Annually	Type of FSP (bank/non-bank), type of transaction
	Access	Number of credit financial institutions offering Islamic finance products	3	+5%	+8%	NBT	Annually	Type of FSP (special/general)
	Quality	Number of Islamic finance products of credit financial institutions (product type)	2	+5%	+7%	NBT	Annually	-
Protection of the rights of financial services consumers	Quality	Number of financial products available for comparison with publicly accessible comparison tools	-	3	5	NBT	Annually	-
	Quality	Complaints considered by FSPs (% from total number)	-	25	50	NBT	Annually	Gender, age, urban/rural, sector
	Quality	Verification of information published on FSPs' sites (% , FSPs)	-	60	70	NBT	Annually	Type of FSP

Priority area	Financial inclusion dimension	Indicators	Baseline indicators, 2020 (unless otherwise specified)	Intermediate indicator, 2023	Target, 2026	Information source	Frequency	Data breakdown
	Quality	Verification of information published in FSPs' information resource (% , FSPs)	-	60	70	NBT	Annually	Type of FSP
	Quality	Check of FSPs' internal policies and procedures on financial services provision (% , FSPs)	-	70	90	NBT	Annually	Type of FSP
	Quality	Check of agreements between FSPs and clients (loans, deposits, accounts and etc)	-	70	90	NBT	Annually	Type of FSP
	Quality	Check of service quality of FSPs	-	50	70	NBT	Annually	Type of FSP
	Quality	Check of complaint procedure (% FSPs with complaint handling procedure approved by NBT)	-	70	90	NBT	Annually	Type of FSP
Financial literacy	Quality	Financial knowledge	2.6 (2017)	2.8	3	OECD, NBT	Every 3 years	Gender, age, urban/rural
	Quality	Financial behavior	5.5 (2017)	5.8	6	OECD, NBT	Every 3 years	Gender, age, urban/rural
	Quality	Financial attitude	2.8 (2017)	2.9	3	OECD, NBT	Every 3 years	Gender, age, urban/rural
	Quality	Overall assessment of financial literacy ¹	11 (2017)	11.5	12	OECD, NBT	Every 3 years	Gender, age, urban/rural

¹ The overall financial literacy score is calculated as the sum of the other three scores (financial knowledge (maximum 7), financial behavior (maximum 9) and financial attitude (maximum 5). This can be any score from 1 to 21. Financial knowledge is an arithmetic score (maximum 7), which is the sum of the correct answers to questions about basic financial concepts (i.e. the value of money in terms of time, inflation, variety of risks, etc.) Behavior score (maximum 9) is calculated as the number of behaviors, considered "financially sound" (e.g., household budgeting, active savings, paying bills on time, etc.) The attitude score (maximum 5) is calculated as the sum of the values of the three financial behavior statements divided by three.

Priority area	Financial inclusion dimension	Indicators	Baseline indicators, 2020 (unless otherwise specified)	Intermediate indicator, 2023	Target, 2026	Information source	Frequency	Data breakdown
	Quality	Regular surveys on the progress of financial literacy and changing behavior of the population.	0	1	2	NBT	Every 3 years	Gender, age, urban/rural
	Quality	Rules for coordination of stakeholders	0	1	1	NBT	Updated once a year	Roles and responsibilities of the stakeholders
	Quality	Number of meetings with stakeholders in accordance with the new coordination rules and public update of information on progress made (at least once every 6 months)	0	7	11	NBT	Annually	Gender, urban/rural
	Quality	Total number of people covered by financial education programs	0	150,000	500,000	NBT	Annually	Gender, age, urban/rural, level of income, segment (for example, migrants, other)
	Quality	Number of schoolchildren enrolled in financial education programs	0	30,000	100,000	MESRT	Annually	Gender, age, urban/rural

Annex 2
To the Resolution of the Government
of the Republic of Tajikistan
as of July 1, 2022 №314

Action Plan for implementation of the National Financial Inclusion Strategy of the Republic of Tajikistan for 2022-2026

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
1. Delivery channels and digital financial services	1.	Facilitate the development of access channels to digital financial services	2022-2024	NBT	Development partners
	2.	Identify the range of services that can be provided through the channels available for digital financial services	2022-2024	NBT, MFRT	Development partners
	3.	Identify the range of financial services that can be provided by non-bank service providers	2024-2026	NBT, MFRT	Development partners
	4.	Development of an incentives package for digital financial access networks	2022-2024	MFRT, MERT, TCGRT, CSGRT	Development partners
	5.	Analysis of regional coverage of physical access points and ensuring equal presence	2022-2024	NBT	Development partners
	6.	Establish regular reporting to IMF based on data on physical access points	2022-2023	NBT	Development partners
	7.	Conducting an inventory of regulatory legal acts and regulations in order to identify shortcomings in digital finance promotion	2022-2023	NBT, MJRT	Development partners
	8.	Development of rules for remote identification and identification by a third party (for opening an account and other services), taking into account the requirements for financial stability and financial integrity	2022-2023	NBT	Development partners

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
	9.	Amendments and additions to the legislation on electronic signature	2022	MIRT, NBT	Development partners
	10.	Development of a legal framework for to implement the Open Banking mechanism through open programming interface	2022-2023	NBT	Development partners
	11.	Development of rules to ensure the interaction of bank payment cards, electronic wallets and the use of a single QR code	2022-2023	NBT	Development partners
	12.	Accelerating practical application of the "Special Regulatory Regime"	2022-2023	NBT	Development partners
	13.	Development of regulatory framework and infrastructure to address major investment gaps by attracting risk capital to support innovative levers and financial sector participants	2022-2023	SCISPMRT, MERT, NBT, MFRT, MJRT, TCGRT	Development partners
	14.	Promoting interoperability of electronic payment instruments (for example, bank payment cards and electronic wallets), terminals, ATMs and bank payment agents	2022-2023	NBT, ABT, AMIT, CFIs, SSGRT, MNOs	Development partners
	15.	Implementation of a fast payment system (FPS) to ensure interaction between payment service providers for immediate money transfers (P2P), including electronic money	2022-2024	NBT, ABT, AMIT, CFIs	Development partners
	16.	Ensuring the integration of payment acceptance systems into centralized payment systems (Korti milli) and the faster payment system	2022-2024	NBT, SSB RT Amonatbank and other CFIs	Development partners
	17.	Ensuring connection of e-commerce to centralized payment systems	2022-2024	CFIs	Development partners

Key areas	No	Activities	Period of execution	Responsible for implementation	Funding sources*
	18.	Establishment of a working group with wide involvement of stakeholders to discuss and develop a number of comprehensive measures to address the problems of communications infrastructure, including: <ul style="list-style-type: none"> - ensuring a level playing field for Internet companies - solving the problem of state monopoly in order to reduce costs and improve quality; - improving technical capabilities of Internet providers; - media support; - development of training programs for information technology specialists 	2022-2023	SSGRT, CTR ACICIPRT, ASGRT	Development partners
2. Financial products diversity	19.	Study the possibility to create a system for counting the number of unique users of financial services (with appropriate breakdown of data by gender, age, city/village and etc.): <ul style="list-style-type: none"> - review of other countries experience and assessment of technical and other requirements; - study potential of CFIs to maintain relevant databases and report on unique users; - study the possibility of creating a new database to track the number of unique users; - development of an amendment to the relevant documents to ensure the provision of information; - study CFIs functionality for tracking unique users 	2022-2023	NBT	Development partners
	20.	Creation of an interdepartmental working group to develop, coordinate and promote new legislation on financial products and services	2022-2023	NBT	Development partners
	21.	Further strengthening incentives to link remittances to accounts and other financial services (such as deposits and loans)	2022-2023	NBT, CFIs	Development partners
	22.	Connecting e-wallets to a bank account	2022-2023	NBT, CFIs	Development partners
	23.	Mandatory digitization of all government payments and fees (G2P and P2G) using the faster payment system (IFT)	2022-2023	MFRT, TCGRT, BMT	Development partners

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
	24.	Diversification of FSPs providing P2G services (e.g., payment for public services, taxes, etc.)	2023-2024	NBT, MFRT, MERT, TCGRT	Development partners
	25.	Studying best practices and market capacity to offer a “product package”	2022-2023	ABT, AMIT CFI	Development partners
	26.	Expanding the function of debit cards for use at home and abroad, on the Internet, etc.	2022-2023	NBT, CFI	Development partners
	27.	Creation of the necessary base for the introduction of CFI credit cards	2022-2026	NBT, CFI	Development partners
	28.	Regular usage problem analysis and focus on underserved segments	2022-2026	NBT	Development partners
	29.	Conduct an assessment of the demand for a variety of financial products and make recommendations for their development	2022-2022	NBT	Development partners
	30.	Create Banking Academy for capacity development of personnel of financial and banking system and insurance, masters, staff development, etc.	2022-2026	NBT	Development partners
	31.	Conduct expert examination of regulatory legal acts on insurance in order to identify and eliminate shortcomings, as well as making changes and additions to regulatory legal acts in accordance with international standards	2022-2022	NBT	Development partners
	32.	Development and approval of relevant insurance documents, including: - elimination of insurance monopolies; - development of relevant documents that provide a variety of products (for example, insurance of banking products and services, Islamic insurance, etc.)	2022-2026	NBT, MFRT, NAIIT	Development partners
	33.	Enhance capacity of insurance institutions: - development of programs and methods for staff development (for example, “dual training”);	2022-2026	NAIIT , MEST	Development partners

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
		- training of specialists in the field of insurance (actuaries and surveyors, adjusters, etc.); - software and hardware updates			
	34.	Expansion of the range of services: - development of a “package of services” and individual programs for clients; - insurance of banking products and services (for example, life insurance); - introduction of digital insurance products; - introduction of insurance products “Takaful” based on of Islamic financing principle; - development of educational and information materials for the population	2022-2026	AMTCT, private sector	Development partners
	35.	Develop a research plan and conduct specific studies on insurance (for example, the needs and preferences of customers, study the application of developed countries’ experience in the field of insurance products diversification, including the introduction of Takaful products, etc.)	2022-2026	NBT, NAIIT	Development partners
	36.	Improvement of relevant documents for certain financial products (leasing, mortgage, refinancing, etc.)	2022-2026	NBT, MFRT, TC, MERT and AC	Development partners
	37.	Expansion of information sources for the Credit Bureau, which is necessary to improve the exchange of credit information (to include a wider range of payment obligations) and to improve its regulatory framework	2022-2023	NBT, CBRT, MJRT, SSGRT, TCGRT	Development partners
	38.	Expanding the range of Credit Bureau products to facilitate lending to SMEs (e.g., credit scores, etc.)	2022-2023	CBRT	Development partners
	39.	Changes and additions to the requirements for reserves and fund to cover possible losses on assets for MFIs in order to stimulate secured lending (including lending based on the analysis of cash flows and the use of movable property), as well as the use of a collateral registry	2022-2023	NBT	Development partners

Key areas	No	Activities	Period of execution	Responsible for implementation	Funding sources*
	40.	Development and further implementation of a secured lending system, including lending based on cash flow analysis for SMEs: - development of relevant products; - capacity building of FSPs	2022-2026	CFIs	Development partners
	41.	Undertake institutional reforms to improve the collateral registry to further increase its use for SME lending	2022-2026	NBT MJRT	Development partners
	42.	Facilitate transactions secured by movable property	2022-2023	NBT	Development partners
	43.	Development of a concept for supporting the financial sector within the framework of state support programs for SMEs with definition of state banks' role	2023-2026	SCISPMRT MFRT, MERT, state banks, SMEs	Development partners
	44.	Develop a concept of implementation and reform mechanisms at the regulatory and institutional levels to enhance the capacity of loan guarantee mechanisms and other risk-sharing mechanisms	2022-2023	NBT, MFRT, MERT and SCISPMRT	Development partners
	45.	As a precautionary measure against COVID-19, regularly provide clarifications and adjustments to rules and transaction fees and develop customized loan products to address liquidity shortages and other challenges faced by SMEs due to the pandemic	2022-2023	MFRT, NBT, CFIS	Development partners
	46.	Further strengthening of legal framework for Islamic finance principles	2022-2024	NBT, MFRT	Development partners
	47.	Capacity building for provision of Islamic financial products: - development of training programs for FSPs; - creation of an Educational Center for Islamic Finance (the exact form of which will be determined later, it may become part of the Banking Academy); - “dual training”; - expand offer of Islamic finance products	2022-2026	NBT, CFIs	Development partners

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
	48.	Conduct market research for demand for products in accordance with Islamic finance principles	2022-2026	NBT, AC	Development partners
	49.	Development of comprehensive and risk-based regulations that ensure the protection of the rights of financial services consumers	2022-2023	NBT	Development partners
3. Protection of the rights of financial consumers	50.	Integrate consumer protection reporting requirements with an FSP's general report to the regulator	2022-2023	NBT	Development partners
	51.	Development of the necessary regulatory tools to ensure a reliable system to monitor market behavior, including recommendations for remote monitoring and on-site supervision (on-site and off-site)	2022-2023	NBT	Development partners
	52.	Preparing and conducting a series of trainings for employees who monitor observance of consumer rights	2022-2023	NBT	Development partners
	53.	Introduction of comprehensive disclosure requirements for FSPs, including standard information sheets with key parameters for relatively popular retail products	2022-2023	NBT	Development partners
	54.	Inclusion of additional and comparable general transparency requirements for FSPs	2022-2024	NBT	Development partners
	55.	Development of a centralized website for price/offer comparison	2022-2023	Private sector	Development partners
	56.	Application of general regulatory requirements for fair and equitable treatment and promotion of the professional activities of FSPs: - unfair conditions; - grouping and imposing certain services ; - sales policies and procedures; - product acceptability (according to customer requirements); - possibility to choose certain types of financial products ;	2022-2026	NBT	Development partners

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
		- integrity and competence of relevant employees and third parties acting on behalf of FSPs, including points of sale; - debt collection practices			
	57.	Development of a unified model industry code of professional ethics for CFIs and insurance organizations	2022-2026	NBT	Development partners
	58.	Strengthening complaint handling system by NBT	2022-2023	NBT	Development partners
	59.	Introduction of additional minimum requirements for handling complaints by FSPs, including availability of complaints and dispute resolution department	2022-2023	NBT	Development partners
	60.	Establish complaint reporting requirement for FSPs	2022-2023	NBT	Development partners
	61.	Studying and conducting research to create financial ombudsman in the long term	2023-2026	NBT	Development partners
	62.	Improved coordination and collaboration between the financial sector and government agencies, and between public and private providers of financial literacy programs: - development of rules for approval; - holding regular coordination meetings	2022-2022	NBT	Development partners
4. Financial literacy	63.	Development of financial literacy strategy	2022	NBT	Development partners
	64.	Conduct study of the demand for financial literacy of various population groups and identify priority groups	2022	NBT	Development partners
	65.	Conduct study of influence of cultural and ideological characteristics	2022	NBT	Development partners

Key areas	№	Activities	Period of execution	Responsible for implementation	Funding sources*
	66.	Based on the above research and strategy, develop programs to reach target segments (such as women, youth, low-income people, migrants, SMEs, etc.) that include: - raising awareness and information about various products and services (DFS, insurance, Islamic finance), financial consumer protection, credit history, collateral registry, complaints and dispute resolution mechanisms, actions and recommendations in case of emergencies and crises, etc.; - digital literacy; - benefits of using digital services and user skills; - facilitate formation of financial and educational behavior (budgeting, savings, work skills, etc.)	2022-2026	NBT	Development partners
	67.	Introduction of financial education programs in educational institutions	2022-2026	MESRT, NBT	Development partners

*On November 4, 2021 when discussing the Action Plan for implementation of the NFIS development partners expressed their interest in providing support in implementation of Strategy activities.

List of abbreviations

ABT	Association of Banks of Tajikistan
NAIIT	National Association of Insurance Institutions of Tajikistan
SA	Statistical Agency under the President of the Republic of Tajikistan
AMIT	Association of Microfinance Institutions of Tajikistan
API	Application Programming Interface
CSS	Clearing settlement system
EBRD	European Bank for Reconstruction and Development
NBT	National Bank of Tajikistan
CIBT	Credit Information Bureau of Tajikistan
MJRT	Ministry of Justice of the Republic of Tajikistan
MFRT	Ministry of Finance of the Republic of Tajikistan
MESRT	Ministry of Education and Science of the Republic of Tajikistan
MEDRT	Ministry of Economic Development of the Republic of Tajikistan
MINTRT	Ministry of Industry and New Technologies of the Republic of Tajikistana
MHSPRRTT	Ministry of Health and Social Protection of the Population of the Republic of Tajikistan
WBG	World Bank Group
WG	Working group
EOPRT	Executive Office of the President of the Republic of Tajikistan
SECO	Swiss State Secretariat for Economic Affairs
G2P	Transactions between state and individuals
GSMA	Mobile association “Group Speciale”
P2G	Transactions between individuals and state
P2P	Transactions between individuals
RTGS	Real time gross settlements
IFC	International Finance Corporation
TCGRT	Tax Committee under the Government of the Republic of Tajikistan
SCISPMRT	State Committee for Investments and State Property Management of the Republic of Tajikistan
CTRGRT	Committee on Television and Radio under the Government of the Republic of Tajikistan
GDP	Gross domestic product
NPCMT	National processing center for money transfers
KPI	Key performance indicator
PoSS	Points of sale and service
IOM	International Organization for Migration
NFIS	National Financial Inclusion Strategy
MNO	Mobile network operator

OECD	Organization for Economic Cooperation and Development
SMB	Small and medium business
SMBE	Small and medium business entities
MFI	Microfinance institution
CFI	Credit financial institution
FSP	Financial service provider
IO	Insurance organization
IMF	International Monetary Fund
CSGRT	Communications Service under the Government of the Republic of Tajikistan
ASGRT	Antimonopoly Service under the Government of the Republic of Tajikistan
CS	Customs Service under the Government of the Republic of Tajikistan
DFS	Digital financial services
ISIF	Individual Savings Insurance Fund
FCRP	Protection of the rights of financial services consumers
ACICIPRT	Advisory Council for Investment Climate Improvement under the President of the Republic of Tajikistan
ESF	Entrepreneurship Support Fund
GSBFIC	German Savings Bank Foundation for International Cooperation