

Development of the First Private Credit Information Bureau

In April 2010, Tajikistan's financial sector marked an important episode in the country's economic development. Fruitful and dynamic collaboration between IFC, National Bank of Tajikistan (NBT) and principal financial institutions in the country resulted in the establishment of the first private Credit Information Bureau Tajikistan (CIB Tajikistan). This achievement is a result of the initial and rather rewarding year of the IFC Azerbaijan-Central Asia Financial Markets Infrastructure Advisory Services Project (ACAFI).

Funded by the government of Switzerland, the Project aims to improve access to finance for small enterprises and population in the region through developing efficient credit information sharing system and implement risk management certification.

Six microfinance institutions, four commercial banks, and the Association of Microfinance Organizations of Tajikistan became shareholders of CIB Tajikistan. More importantly, in February 2010, 98 percent of Tajikistan's financial institutions expressed their desire to become part of ACAFI's effort in creating transparent and reliable environment for developing access to finance by signing a cooperation agreement to exchange the credit information through the CIB Tajikistan.

Despite the commitment of several stakeholders to institute the credit exchange mechanism, the idea did not reflect a genuine interest among numerous banks and microfinance organizations at the initial stage. Little understanding about benefits and opportunities that credit information sharing provides was a cornerstone for general distrust. While some doubted the confidentiality of stored credit histories, others hesitated about their accuracy and reliability. As Samikhon Kurbonov, Chairman of the Board of Fonon Commercial Bank shared: *"The issue of security of information sharing was raised by my co-workers. As a developing bank, Fonon was uncertain about trusting the information that it has already collected and will be collecting to other parties, and doubted the security of the information flow."*



Press Conferences devoted to the official start of the First Credit Information Bureau, Dushanbe, April 2010



Developing Credit Information Sharing System Training, Dushanbe, June 2010

Even though it was possible to exchange credit histories before the project's start, as outlined in the civil legislation, lack of knowledge led to improper practices in the existing credit information sharing system. Largest banks and microfinance organizations had employed a limited model of sharing negative histories, which rather soon proved unfeasible. Moreover, this inefficient model of credit information sharing made numerous banks and financial institutions believe that sharing credit histories could be used as a marketing tool for enticing their clients. As a result, distrust, inadequate legislative and regulatory environment added to general reluctance to establish credit information bureau. In addition to the IFC's reputation and experience worldwide, the project was able to address all reservations by employing international expertise, effective team work and outstanding work with clients. The project's holistic approach helped unlock

mentioned barriers and move forward to achieving set goals. Thus far, ACAFI facilitated 24 meetings, discussions and trainings with 398 members of financial institutions throughout the country. At these events, the Project advocated for the benefits of credit information sharing over the cost involved and sought to mobilize stakeholders into CIB Tajikistan.

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Azerbaijan-Central Asia Financial Markets Infrastructure Advisory Services Project

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In strive to mobilize major stakeholders from public and private sectors for the first private credit bureau creation, the Project advised and educated 22 government officials. Since its start in May 2009, the Project conducted trainings and seminars for representatives of 76 financial institutions in the matters related to credit information sharing practices, credit bureau licensing and regulation, all in close collaboration with stakeholders. As it comes from Jamshed Yusufiyon, Deputy Chairman NBT: *“The National Bank of Tajikistan is interested in improving the borrowers’ assessment mechanisms and developing a credit information sharing system. We intend to establish*



**Developing Credit Information Sharing System
Seminar Dushanbe, November 2009**

transparent and reliable credit relations between the creditors and the borrowers. We hope to continue our fruitful collaboration with IFC in improving internal regulations to stimulate financial institutions to become active members of Credit Information Bureau Tajikistan”. Davlatov Iskandar, representative of the National Bank of Tajikistan, added: *“Establishing reliable, effective credit information sharing is a priority area for developing the financial sector in Tajikistan. We appreciate IFC’s support in this sphere and intend to extend our successful collaboration”.*

In the beginning of April 2010, the Project organized a study tour to Morocco, where representatives of the Tajik Parliament and financial institutions had a chance to familiarize themselves with well-established credit information sharing practices. This was followed by another considerable step towards developing and supporting the work of recently founded CIB Tajikistan. In June 2010, the Project brought together over 90 professionals from Tajik banks, microfinance organizations, mobile and utility companies, and professional training companies and trained them in internationally recognized practices in sharing credit information.

In parallel to its educational component, the Project has been working on improving the legislative and regulatory environment conducive to private credit bureau operations. With IFC support, in March 2009 the Law on Credit Histories was adopted and laid down the overall basis for private credit bureau operations in Tajikistan. To harmonize the Tajik legislation with the newly adopted law, ACAFI contributed into drafting of necessary additional legislative and regulatory acts. It also mobilized major stakeholders into a respective working group for lobbying these acts to their successful adoption. This activity resulted in the enacting of the Amendment to the Law on Licensing in October 2009 and the Regulation on Credit Bureau Licensing in February 2010.

The Project has also sought ways to individually approach all stakeholders, fully and to satisfaction reflect their answers. This particular approach helped mitigate initial skepticism. It should be noted that the Project facilitated efficient group working groups of all stakeholders that made the creation of CIB Tajikistan possible within the first working year of the Project. Samikhon Kurbonov, Chairman of the Board of Fonon Commercial Bank believes that the CIB Tajikistan will make its Bank stronger institution. In his words: *“When more information is collected from all of participating institutions, we will be able to offer our clients more flexibility in the terms of lending products and differentiate our products more than before. Borrowers with better history will benefit from lower rates, and we will be able to process loan applications faster. This will result in attracting good clients to Fonon, in better quality of our portfolio, and making the bank more profitable, too. Of course, we realize that other financial institutions will also benefit from creation of a credit bureau and use the opportunities that it offers, but we are ready to take the challenge.”*