

Tajikistan moves to reduce risk for lenders

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Two recent developments – the launch of the country's first credit bureau and the adoption of new legislation on money laundering – are set to create a better environment for banks and other lenders in Tajikistan.

Tajikistan's first – and only – credit bureau, the Credit Information Bureau of Tajikistan, has been "very active" since its launch on June 12, according to one of its founders, international credit information systems developer CRIF.

The bureau was set up by several of Tajikistan's largest banks together with CRIF and the International Finance Corporation (IFC), part of the World Bank Group. Its aim is to help banks and other financial institutions to assess risks, thereby reducing borrowing costs and increasing the availability of credit – one of the main obstacles faced by businesses in Tajikistan.

The National Bank of Tajikistan issued a license for the bureau in December, and for the last six months it has been collecting information to build up a database of more than 200,000 records. The bureau has already signed contracts with nine banks and microfinance institutions representing over 80% of the Tajik market, and is now in the process of testing and loading data from these institutions, a CRIF spokesperson told *bne*. "The credit bureau will play a pivotal role in credit risk management and in the promotion of a more mature credit culture in Tajikistan," says Enrico Lodi, general manager of credit bureau services at CRIF. "As CRIF has already experienced in many other countries, the evolution of the financial sector depends heavily on the availability of effective information systems which streamline credit risk management and consequently support the financial needs of businesses and consumers."

The Tajik project was CRIF's first step into the Central Asian market, which "with few existing credit bureaus but growing economies... represents for us also an interesting business case for long-term growth."

The IFC said in a statement that launching the bureau will help improve access to finance for small businesses, entrepreneurs and consumers. "The credit bureau will play a critical role in increasing access to finance and promoting financial stability in Tajikistan by enabling responsible access to finance and expanding access to credit," says the IFC's principal operations officer, Fabrizio Fraboni.

At risk

Also in June, Tajikistan adopted new legislation setting criminal penalties for money laundering, shortly after the release of a report naming the country as one of the world's most at risk for illegal money flows and terrorist financing.

Several new laws aimed at protecting the local currency, the somoni, and preventing money laundering were passed by the upper house of parliament on June 12, and signed by President Emomali Rakhmonov the following day. The legislation amends the existing penal code to criminalise money laundering and terrorism financing, central bank Chairman Abdujabbor Shirinov told the upper house of parliament, according to *CA-News*.

The new legislation follows the release of the 2013 Basel Anti-Money Laundering (AML) Index by the Basel Institute on Governance. The survey ranks Tajikistan fourth from the bottom in the world. Only Afghanistan, Iran and Cambodia performed worse on the index of 149 countries.

The index ranks countries on their vulnerability to money laundering and terrorism financing, looking at indicators including AML and Counter-Terrorist Financing (CTF) frameworks as well as rule of law, financial standards and public transparency. Criminalising money laundering was one of the key tasks set for Dushanbe by the Financial Action Task Force (FATF).

At a parliament session in May, Shirinov said the legislation had been drawn up following that international assessment delivered in 2007. The report criticised the situation in Tajikistan, and the country was placed under a monitoring regime by the G7 initiative, but Dushanbe has been slow to move.

In February, the FATF criticised Tajikistan for its lack of progress. "Despite Tajikistan's high-level political commitment to work with the FATF and EAG [Eurasian Group] to address its strategic AML/CFT [Anti-Money Laundering and Countering Financing of Terrorism] deficiencies, the FATF is not yet satisfied that Tajikistan has made sufficient progress in implementing its action plan, and certain strategic AML/CFT deficiencies remain," the report said.