

ROADMAP FOR A NATIONAL STRATEGY FOR FINANCIAL EDUCATION IN KYRGYZ REPUBLIC



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1. Short background of the CIS project

Building on internationally-recognised expertise and longstanding commitment to advancing financial literacy around the world, the OECD/INFE is leading a three-year technical assistance project on Financial Education in the Commonwealth of Independent States (CIS)/Eurasia. The project will provide dedicated guidance and technical support for the design, implementation and review of evidence-based financial education strategies and policies in six CIS/Eurasian economies: Armenia, Azerbaijan, Belarus, Kazakhstan, the Kyrgyz Republic and Tajikistan. This project will draw on OECD/INFE outputs and the expertise and experience of its wide membership to support the design, implementation and evaluation of effective financial education strategies and policies as a complement to financial consumer protection and inclusion approaches.

The project involves four work streams focused on the following priority areas to be adapted to each country context and particularities:

- Advanced data collection and analysis of financial literacy levels and gaps
- Developing, implementing and reviewing effective national strategies for financial education
- Addressing youth's financial literacy needs through schools and out-of-schools initiatives
- Identifying and meeting the financial literacy needs of migrants and their families

Where relevant, the project will benefit from the global expertise of the G20/OECD Task Force of Financial Consumer Protection. This project is being undertaken with financial support from the Ministry of Finance of the Russian Federation and benefits from its technical expertise and participation in project activities.

2. Relevant context

Socio-economic context

The Kyrgyz Republic is a lower middle income country according to the World Bank classification¹. Its population included about 6 million people in 2016 (World Bank). Ethnic Kyrgyz make up the majority, followed by significant minorities of Uzbeks and Russians. The most widely spoken languages are Kyrgyz and Russian. Islam is the dominant religion of the Kyrgyz Republic: 80% of the population is Muslim while 17% follow Russian Orthodoxy and 3% other religions. Life expectancy is 64 years for men and 72 years for women.

Since 1991, the Kyrgyz Republic has officially been a unitary parliamentary republic. The Kyrgyz Republic is considered as the most open economy in the region and is a member of more than 75 international organizations and cooperation agreements. The Kyrgyz Republic is a member of the Commonwealth of Independent States, the Eurasian Economic Union, the Collective Security Treaty Organization, the Shanghai Cooperation Organisation, the Organisation of Islamic Cooperation, the Turkic Council, the TÜRKSOY community and the United Nations.

The GDP is 6.551 billion USD (World Bank, 2016). Annual GDP growth was 3.8% in 2016, down from a peak of 11% in 2013; it is projected to rebound to 5% in 2019 (World Bank /IMF). The Kyrgyz Republic extracts some oil and gas and is a developing gold mining sector, but relies on imports for most of its energy needs. The annual inflation rate in the Kyrgyz Republic eased to 0.8% in June 2018 from 1.4% in the prior month. Inflation rate in Kyrgyz Republic averaged 7.68% from 2003 until 2017, reaching an all-time high of 32.45% in July of 2008 and a record low of -0.60% in April of 2016.²

¹ <https://data.worldbank.org/country/kyrgyz-republic>

² <http://www.tradingeconomics.com/Kyrgyz Republic/inflation-cpi>

The poverty headcount was 25.4% in 2016 (World Bank), down from 38% in 2012. While extreme poverty has declined, overall poverty remains relatively high compared to regional peers. Addressing growth bottlenecks focused on income inequality has been constrained by volatile growth, high population growth, poor infrastructure, and weak institutions. One obstacle to tackling inequality is limited access to finance. Poverty is concentrated in rural areas. Almost three quarters of the poor live there. The official unemployment rate currently stands at 7.8% (2017, WB). Given the current income inequality level, unemployment is relatively high and concentrated among youth and women.

Regional factors will continue to shape the main risks for the economy. Weaker growth prospects in Russia through another oil price shock or the reorientation of the Chinese economy away from investment could negatively impact the economy, through remittances, trade, and foreign investment. Conversely, faster growth in Russia and deeper economic ties with China could have a positive impact on growth prospects.

The consistent development of the small and medium enterprises sector (SMEs) is an essential driver of Kyrgyz Republic's economic development. SMEs stimulate domestic demand, create jobs, and facilitate competition. The number of SMEs in Kyrgyz Republic is approximately 400 thousands (including individual entrepreneurs). In 2016, SMEs contributed 40.8% of GDP, out of which individual entrepreneurs have the highest share of value added – 21.7%. For the past ten years the number of SMEs has grown on average by 5% annually; however, their contribution to GDP has somewhat declined.³

Education system

The educational enrolment ratio (total enrolment in primary education for both sexes, regardless of age as a percentage of population or official primary education age) is 107.7% (World Bank). The gross enrolment ratio can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition.

Children enter school at the age of 6-7. The school system includes following levels:

- Elementary school – 1-4 grades.
- Secondary school – 1-9 grades.
- High school – 10-11 grades.

According the official statistics, in the Kyrgyz Republic there are 2204 comprehensive (elementary, middle and high levels) schools with total 1 015 172 students. This number of schools includes 125 elementary schools, 202 secondary schools, 1857 schools with 1-11 grades and 20 schools for children with special health needs (2011-2012 year).⁴ There are National (State) standard for all levels of school education, which include requirements in terms of priorities, goals, key competencies and levels of achievement, as well as key principles of assessment. There are seven thematic areas in state standard. The educational results are measured on the basis of a competences approach. The school curriculum includes obligatory subjects (state component) and elective courses by choice (school component). There are schools with Kyrgyz, Russian, Uzbek and Tajik languages of teaching. There are public, municipal and private schools, all of them should fulfil the State Standard, Curricula and educational programmes.

³ Hasanova, S. 2018. Financial inclusion, financial regulation, financial literacy, and financial education in Kyrgyz republic. ADBI Working Paper 850. Tokyo: Asian Development Bank Institute.

⁴ http://edu.gov.kg/univer/?lg=1&id_parent=16

The mandatory level of education requires completing 9 grades. High schools offer the possibility to choose the profile and subjects, in addition to a few obligatory subjects. Students are evaluated at grades 9 and 11 through national testing.⁵

In the Kyrgyz Republic, 1066 organisations conduct extracurricular activities for children and youth. There are also 110 organisations for special professional education, which provide students comprehensive general and professional education after grade 9.

Financial system and financial inclusion

The Kyrgyz financial system is a bank-based system, where banks account for 87% of financial system assets and provides about 80% of credit to the private sector. According to data from the National Bank of the Kyrgyz Republic (NBKR), the financial sector is characterised by banks, microfinance institutions and credit unions.

Banks

Although there are still a substantial number of non-bank financial institutions, banks absolutely dominate the financial sector. The share of banks in total financial assets is 91.2%, the share of non-banking financial institutions is 7%, and others count for 1.8%. Eighty percent of the non-cash money stock of the economy is concentrated in commercial banks. Other financial institutions play more marginal role, and capital markets are very shallow, including government securities market, to large extend because of unawareness about the bond market, unwillingness to take risks, an appetite for quick gains, and lack of access to financial companies in regions.

Microfinance institutions

The number of microfinance institutions (MFIs) reached its peak of 651 units and the MFIs share of loans reached 8% of GDP in 2011. After that, a number of political events and economic conditions caused the National Bank to tighten regulations, which resulted in the withdrawal of their licenses from 117 MFIs, mostly small ones. The microfinance sector began to shrink also because the three largest microfinance organizations (“Bai Tushum,” “Finca” and “Companion”) obtained banking licenses. As of 2016, the share of MFIs loans to GDP was already less than 3%.

The major problem of MFIs is access to financial resources. Half of the credit resources of MFIs are loans, mostly coming from international donors. At the same time, according to Kyrgyz laws, MFIs may perform only a limited number of activities. Therefore, it is not a surprise that big microfinance companies with substantial number of borrowers tend to transform their statuses to banks in order to have access to a wider range of financing sources. Lack of capital, absence of free money resources, and high operating costs affect the interest rate for borrowers. On the other hand, the access to finance is still simpler and faster in MFI’s comparing with banks.

⁵ <http://old2.edu.gov.kg/ru/about/sistema-obrazovaniya/>

Financial inclusion

Financial inclusion in the Kyrgyz Republic can be assessed mainly by the levels of credit and deposit coverage, and the number of bank branches, As of March 31, 2017, the **total assets** of the banking system have decreased since the beginning of the year by 0.1% to 178.0 billion soms. The **total deposit** base of the banking system is constituted of 109.7 billion soms, having increased since the beginning of the year by 2.4%, including:

- deposits of the enterprises totalled 40.3 billion soms, having increased by 1.7% since the beginning of the year;
- deposits of the population totalled 54.5 billion soms, having increased by 3.6% since the beginning of the year.⁶

According to the Credit Bureau, the number of active commercial borrowers in 2017 exceeded 550,000. This constitutes 14% of adult population. Thirty-two percent of the loans are micro-loans of up to 50,000 of soms (approx. \$725), 57% are loans of up to 500,000 soms (approx. \$7,250) and 10% are large credits. The number of depositors is 49,254 per 100,000 adults, but the National Bank's regulation classifies payroll money as a deposit, which exaggerates the statistics on the number of deposits.

Given the high level of poverty in Kyrgyz Republic, many people do not have enough income to set savings aside and the majority of depositors come from the upper middle class. Furthermore, as indicated by the Global Findex, the population is reluctant to use formal financial institutions for borrowing and saving.⁷ Around 40% of the adult population had an account at financial institution in 2017, 6% of which was identified as inactive. One-third of the population borrowed some money in the past year, but only 10% of them borrowed from a financial institution. Almost quarter of the population saved some money, but only 3% of them saved it at financial institution. Despite some positive trends, the level of savings mobilization and credit to GDP is still low relative to the Caucasus and Central Asian regions, particularly when compared with the lower middle income country average. Official data show that the ratio of debt to disposable income increased from 13.2% in 2008 to almost 26% in 2016.⁸ Income inequality, especially when comparing rural versus urban areas, is substantial and restricts access to financial services for the rural population. Small and medium-sized enterprises face barriers for getting sufficient financing because of high collateral requirements. While financial inclusion is considered as one of the key drivers of today's development, it is quite new to the Kyrgyz Republic and still not measured enough.

Apart from people living in Bishkek, the level of deposits in the population is rather low and population in rural area often have savings in more traditional ways This is partly a result of a lack of people's trust in the banking system, as the population has limited knowledge about the deposit protection system that has been operating in Kyrgyz Republic for a few years. Moreover, people in remote areas have limited access to banking services, including payment and transfer services and deposit facilities. While the number of accounts increased over the last few years, financial activity remains concentrated in the larger cities. This is mainly because of the high costs associated with operating branches in rural areas. Greater financial inclusion is made difficult by limited bank competition, poor financial infrastructure, and limited financial literacy.

Credit expansion over the past three years, together with efforts to pay pensions and wages via banking institutions, resulted in an increase in the number of accounts. This included both deposit and credit

⁶ International Monetary Fund, Kyrgyz Republic: Selected Issues (IMF Country Report No. 16/56. Washington, DC.: 2016).

⁷ World Bank Group. The Little Data Book on Financial Inclusion. Global Findex. 2018. Accessed 10 March 2018. https://globalfindex.worldbank.org/#data_sec_focus

⁸ Report on the Stability of the Financial Sector of the Kyrgyz Republic. Bishkek: National Bank of Kyrgyz Republic, 2016. Accessed 12 October 2018. <http://www.nbkr.kg/DOC/30062016/000000000042895.pdf>

accounts at banks and MFIs. Commercial banks have a deficiency of long finance and therefore long-term loans over three years constitute only 7% of the total loans. Similar to the regional income disparity, credit is mostly concentrated in the larger cities (Bishkek, Oss, and Jalal-Abad), while the vast majority of depositors—87%—are from Bishkek. In addition, according to the enterprise survey, only a small number of firms—30%—use credit lines, and mostly for working capital. Only 8% of firms use bank loans for investment.

In order to increase non-cash payments, a Unified Interbanking Processing Center was established in 2006 as a step towards the creation of a centralized system for non-cash payments and a first national payment system – Elcart – was introduced. State workers started receiving their wages on payroll cards, and a significant number of bank cards were issued – nearly 40% of bank cards in the country belong to Elcart.⁹ The majority of account holders have two or more cards, one for an account in national currency and another one for foreign currency. However, despite of these efforts the Kyrgyz economy remains a cash-based economy: cash withdrawal constitutes 90% of operations with bank cards (over 96% of the volume). Currently the National Bank is attempting to increase the non-cash turnover by obliging the retail trade sector to introduce non-cash payments.

The development of internet-banking started in 2012. The costs associated with introducing internet-banking were quite high and the population was unaware of the service. As of 2017, almost every bank has its own internet-banking services, but few of them are providing services for mobile banking (e.g. internet-banking access through mobile application).¹⁰ According to the Global Findex data, only 5.8% of the adult population uses a mobile phone or internet to access their accounts.

The level of domestic investments is still low in the Republic. One of the key reasons is a lack of financial knowledge of the population. The concept of risk is poorly understood and few people are prepared to actively engage with the stock exchange. Even people with financial education need special knowledge regarding investments. There is also a need to educate people on the value of pension contributions and the need for insurance.

The insurance market does not play an essential role in the economy. Despite some positive tendencies – the number of insurance companies increased from 12 in 2006 to 19 in 2016 – assets of the insurance sector constitute only 0.6% of GDP. Low levels of the population's income, lack of demand, and lack of insurance culture still restricts the development of the insurance market.

Household over indebtedness

At the beginning of 2016, 15% of active borrowers were late in their payments for at least 30 days. The total number of loans with delays in payment was 471,865.¹¹ As compared to 2014, the percentage of overdue loans in 2015 increased from 8.6% to 18.6%. Household and personal indebtedness has doubled. The number of borrowers having two or more loans across the country is 77 thousand people. Out of these, 91% have 2 loans, 8% have 3 loans, and 1% has 4 or more loans. Despite the increasing number of people using micro-finance services, not all borrowers are satisfied and benefit from the loan as expected. This situation is related to multiple factors, one of which is the insufficient financial literacy and irrational financial budget planning by borrowers, which causes further repayment difficulties. The risk of non-repayment of credits by borrowers of both commercial banks and microfinancing institutions is also related to a tendency of borrowers to apply for a “parallel” loan when they apply for new loans while having debt on previous loans. Incomplete or

⁹ <http://www.nbkr.kg/DOC/26122017/000000000048958.pdf>

¹⁰ Hasanova, S. 2018. Financial inclusion, financial regulation, financial literacy, and financial education in Kyrgyz republic. ADBI Working Paper 850. Tokyo: Asian Development Bank Institute.

¹¹ <http://documents.worldbank.org/curated/en/479511477551826736/pdf/109530-WP-ENGLISH-FL-Report-Eng-PUBLIC.pdf>

insufficient understanding of borrowers' rights and responsibilities may lead to high debt ratio of people resulting in reduced capability of banking and microfinance sector to further finance the real sector of economy. The share of **nonperforming loans** in the loan portfolio of the banking system constituted 8.6% or 8.1 billion soms (at the end of 2016 –8.8% or 8.2 billion soms).

The rate of dollarization of loans and deposits is still high. As of 2016, the share of dollar credits decreased by 10.5% and constituted 44.5% of the credit portfolio. After a sharp depreciation of the national currency in 2015 (over 50% within one year), borrowers with dollar credits struggled to repay their loans. In order to ease the burden of the population, the government issued a decree on the conversion of dollar mortgage loans into the national currency. Along with that, a number of de-dollarization initiatives were implemented by the National Bank, including a ban on lending in foreign currency for mortgage and consumer credits, higher reserve requirements for loans in USD, and conversion of mortgage loans from USD to national currency under a lower exchange rate.¹² The devaluation of the national currency imposed additional risks on dollar loans repayment and increased the number of nonperforming loans.

Remittances

There is a significant market for the transmission of remittances from the Kyrgyz Republic's large migrant population, and money transfers are one of the most commonly used banking services. Workers' remittances have represented by far the most important financing flow in the balance of payments of the Kyrgyz Republic in recent years but they remain quite volatile. Approximately 1 million migrants work abroad, predominantly in the Russian Federation, and the macroeconomic impact of remittances in the Kyrgyz Republic is very high. However, since they are almost entirely originating from Russia and widely denominated in rubles, they are quite sensible to Russian economic development.

The Kyrgyz Republic and Tajikistan are the world's two most remittance-dependent countries. The amount of remittances to GDP reached 30.5% and according to the World Bank, the Kyrgyz Republic was ranked first in the world by the level of remittances to GDP.¹³

According to expert evaluation, migrant families prefer non-deposit forms of savings, i.e. cars, livestock, or keeping cash "under the mattress." Therefore, the population is reluctant to bring this additional money into the financial sector. At the same time, banks lack special financial products for migrants. With the increasing amounts of remittances, banks were more interested in establishing money transfer systems or providing services on money transfers and earning commission income. Only some banks tried to introduce special services for migrants in order to attract this money into banks.

Therefore the positive anticipated effects from growing remittances, such as development of the banking sector, increase of deposits and savings, and growth of internal investments are not realized in the Kyrgyz Republic. Remittances have played a significant role in poverty reduction, but their investment potential is very low.

Financial consumer protection

According to the World Bank review of Kyrgyz Republic, the lack of general trust of the population in the financial sector as well as the low level of financial literacy of consumers highlight the need for a strengthened financial consumer protection and financial literacy framework.¹⁴ Confidence in the formal

¹² National Bank of the Kyrgyz Republic. Report on Stability of the Financial Sector of the Kyrgyz Republic (Bishkek: National Bank of Kyrgyz Republic, 2017).

¹³ World Bank Group, Migration and Remittances: Recent Developments and Outlook. Special Topic: Global Compact on Migration (2017). 31

¹⁴ <https://openknowledge.worldbank.org/handle/10986/20415>

financial sector is lacking as a consequence of banking crises experienced in the 1990s and in 2005, followed by the political unrest in 2010.

The NBRK has recently completed or is completing significant work for the establishment of a legal and regulatory financial consumer protection framework in a variety of areas, including disclosures, credit reporting and others. The NBKR has taken important steps to regulate and supervise consumer protection in relation to banking and microfinance clients in the last few years. Legislation, which was introduced or improved, includes the Civil Code, the Law on National Bank, banks and banking activities, the Law on microfinance organizations, the Law on credit unions, the Law on limitation of the money lending, and the Law on security deposit. Concerns about over-indebtedness and predatory lending practices, especially in the microfinance sector, have led to the introduction of a number of important consumer protection provisions to the existing legislation.

The new law on National Bank, banks and banking activities (June 2017) covers the National Bank's functions and responsibilities on financial consumer protection. It introduces requirements to information disclosure, obligations to inform about the annual percentage rate (APR), obligations to clearly indicate all fees and charges related to the financial product or service, mechanisms for recourse in the event of consumer complaints, and other conditions on banks. This law also prohibits banks to worsen the credit and deposit conditions of their clients.

A unit dedicated to financial consumer protection was established within the National Bank structure, first within the legal service and now within the inspection service. An Interagency commission on clients' debts and problems was also established.

3. Current needs and challenges faced by the population

NBKR financial literacy survey - 2015

The NBKR conducted a first financial literacy survey in 2015, showing financial literacy gaps and problems. Its findings were used for the development of the National programme. According to the survey, people were not aware of financial issues, including inflation and the need to compare deposits and credits rates, and did not get objective information, as they were keener on following advertising than objective sources of information. Nevertheless, the survey also showed that many people are interested in getting more financial education and information. The most interesting topics for respondents were financial goals and financial planning, followed by how to deal with credit and avoid over indebtedness. However, about 25% of respondents were not interested in any topics, or did not answer.

The survey showed a high correlation between level of financial literacy and income. Individuals with low income have limited resources for savings and investments and therefore have limited incentives to learn about financial products. There was also a correlation between financial literacy and level of education. Individuals with a higher level of education were more likely to diversify the use of their money. Their level of basic financial knowledge was also higher due to a higher level of general knowledge.

The majority of the population was passive and not interested in obtaining information about financial services and products. Despite having a low level of financial literacy, the majority of Kyrgyz citizens were not interested in any financial topics. It showed a need for complex measures aimed at stimulating and motivating people to exploit the advantages of financial literacy.

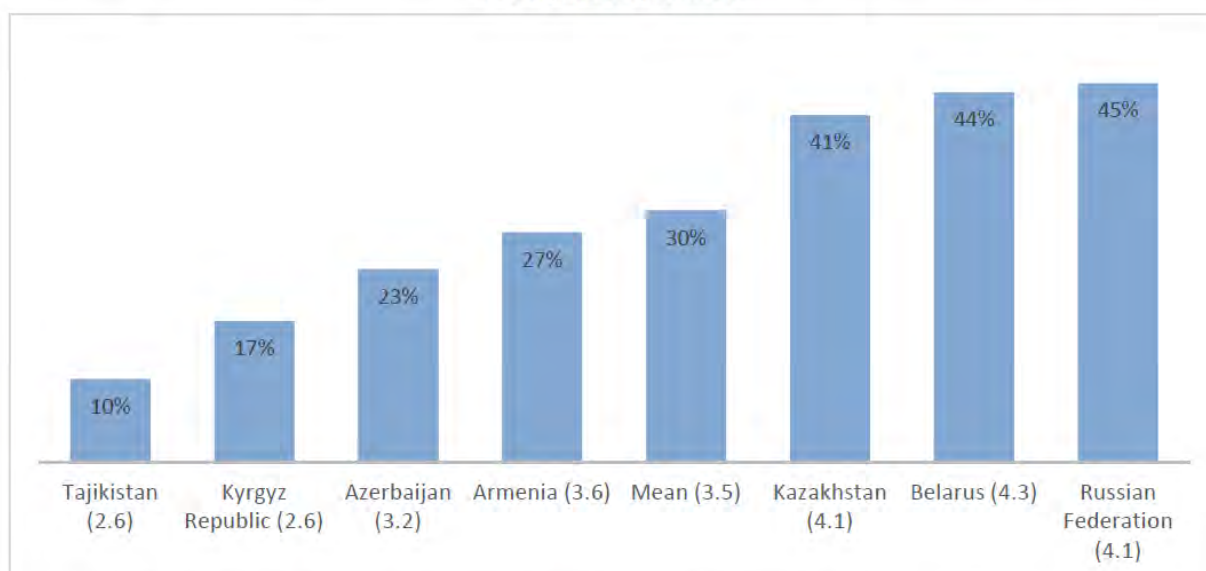
OECD/INFE financial literacy survey – 2017

The OECD/INFE financial literacy survey (2018) collected data in November-December 2017 as part of the OECD/INFE Technical Assistance project in the CIS.¹⁵ It confirms many of the previous findings and gives more insights about financial literacy needs and gaps.

Financial knowledge

According to the OECD/INFE survey, fewer than one in five adults (17%) in the Kyrgyz Republic achieved the minimum target score for financial knowledge (which corresponds to answering correctly at least 4 financial knowledge question out of 7).

Base: all respondents. % of respondents achieving minimum target score of 4 out of 7. Average country-level score reported in parenthesis.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Source: Russian Federation, 2016; OECD, 2018.

Furthermore, many people also demonstrate a lack of confidence to answer financial knowledge questions. Some 21% responded that they did not know the answer to four or more of the seven questions.

Key gaps in financial knowledge include a lack of understanding of the concept of interest on a loan and of the definition of inflation, and a difficulty in calculating simple interest. More than 30% of respondents reported that they did not know the answer to the questions on interest paid on loan, simple interest and inflation.

Financial knowledge is particularly problematic in rural areas, and for those who do not have an education beyond secondary school. Those on median income and below also had lower financial knowledge than those with a higher income.

Gender difference in financial knowledge is not statistically significant in the Kyrgyz Republic, as 18% men and 15% women reached the minimum score. Booster samples of rural populations and SMEs have lower financial knowledge than adults on average in the Kyrgyz Republic.

¹⁵ Atkinson, A (2018), Levels of financial literacy in CIS countries.

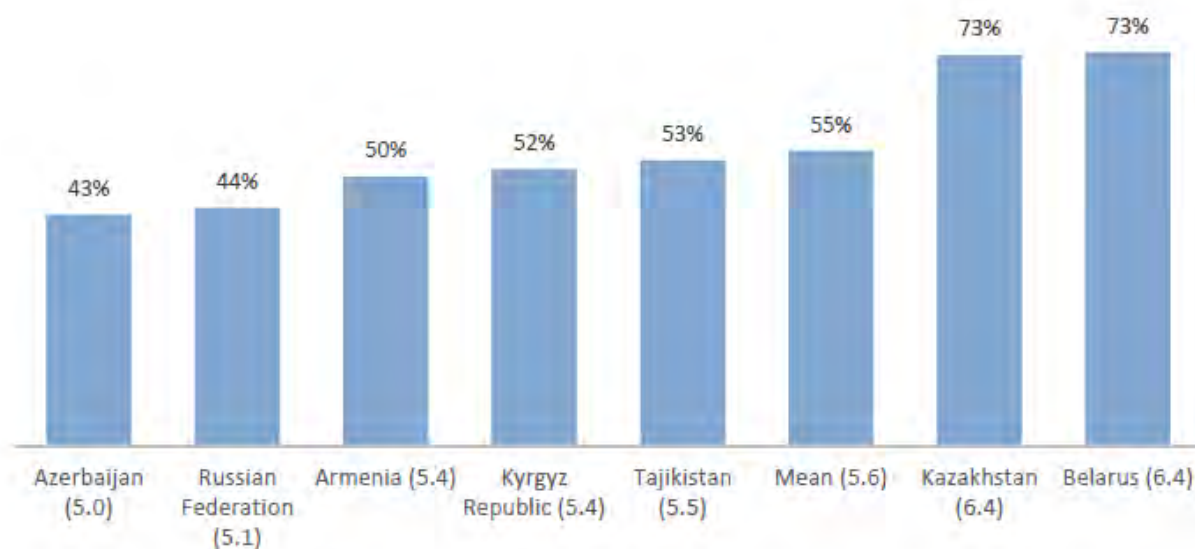
Financial behaviour

Slightly more than a half of all respondents (52%) in the Kyrgyz Republic achieved the minimum target score for behaviour (defined as achieving a score of 6 or more out of 9 behaviours). Men were more likely than women, on average, to achieve the minimum score (55% men and 48% women achieved the minimum score).

Three out of 10 adults (30%) were not always paying bills on time, 37% failing to keeping watch of their financial affairs.

Figure 4.14. Achieving minimum target score for financial behaviour

Base: all respondents. % exhibiting at least 6 of the 9 behaviours. Average country-level score reported in parenthesis.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variable.

Source: Russian Federation, 2016; OECD, 2018.

Perhaps somewhat surprisingly, 40% of respondents who had recently made a financial product choice reported that they had used independent advice (17% of all respondents). Most commonly such information came from some form of publicised best-buy guidance. It could be useful to find out more about the sources of advice that are being used.

Financial behaviour scores are highest in cities. They were lowest among 18-29 year olds, and among non-working adults, those with no education beyond secondary school and those on a low income. Adults who had not used a computer in the last 7 days also had lower financial behaviour scores than those who had. Booster samples of migrants and SMEs had higher financial behaviour scores than adults on average in the Kyrgyz Republic.

About 78% respondents reported that they made any type of the savings in the previous 12 month, a higher rate than most other CIS countries participating in the survey.

The majority of the population has savings in cash or other non-banking forms.

Only 12% of the population are not active savers and not setting long-term financial goals. In addition, in the Kyrgyz Republic no more than a third of people stated that they had not always been able to meet their living costs.

This data shows the strategies the respondents have chosen in order to make ends meet. About 18% of respondents reports to take loans to meet income shortfalls.

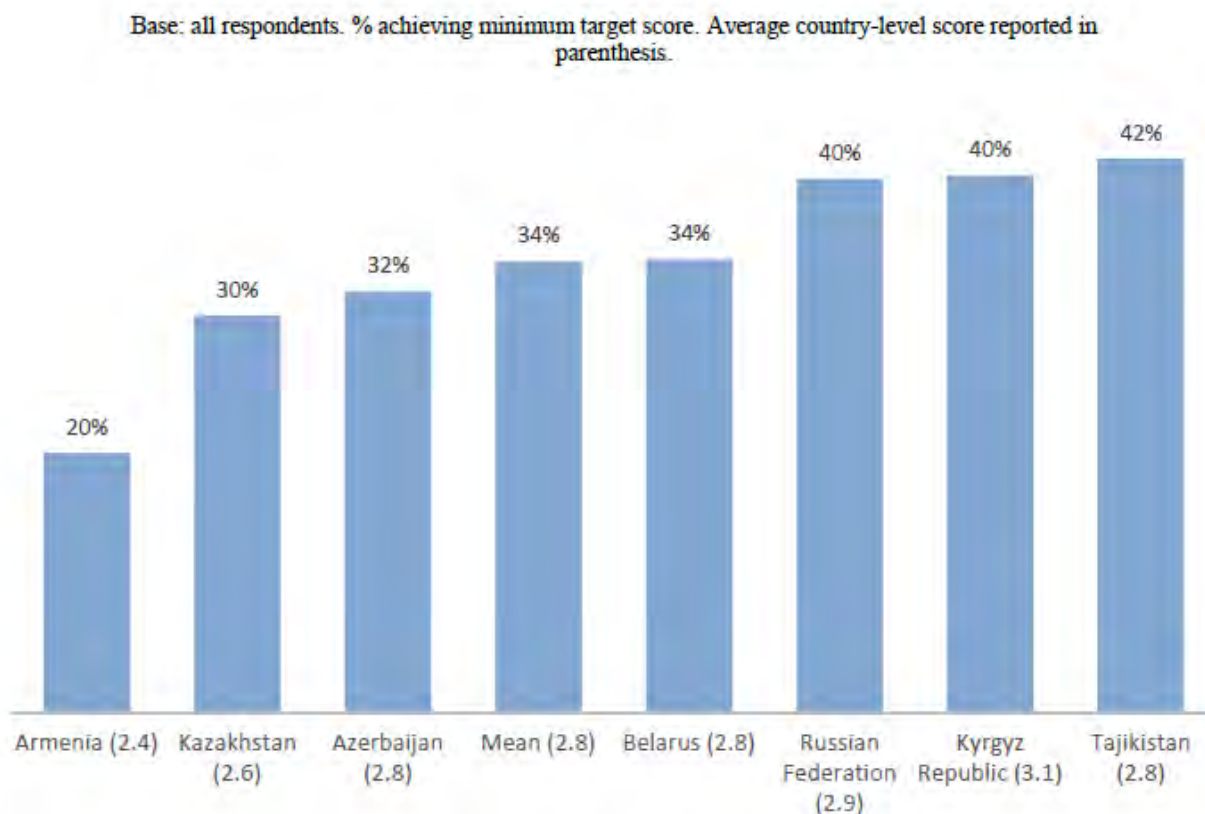
The proportion of respondents in Kyrgyz Republic that were aware of at least five types of financial product (63%), and the proportion that had chosen a financial product in the last 2 years (43%), were below the average across the 7 CIS countries. Far fewer people in Kyrgyz Republic than the other countries were using payment products (24%), and the proportion of respondents with none of the products listed is the highest among the 7 countries (60%).

Some 20 % respondents in the Kyrgyz Republic reported that they had used an independent advisor. Further qualitative analysis can help to understand whether these perceptions of independence are accurate, or whether they reflect a misunderstanding on the service received. Trust in financial companies was an important deciding factor when buying financial products for more than half of respondents in the Kyrgyz Republic (56%).

Financial attitudes

Two in five adults achieved the minimum target score in financial attitudes in Kyrgyz Republic, above the average of the 7 countries (40%, compared with a mean of 34%), with higher scores in small towns than elsewhere. Adults with low income had lower scores than others. In particular, low income is associated with more short-term attitudes.

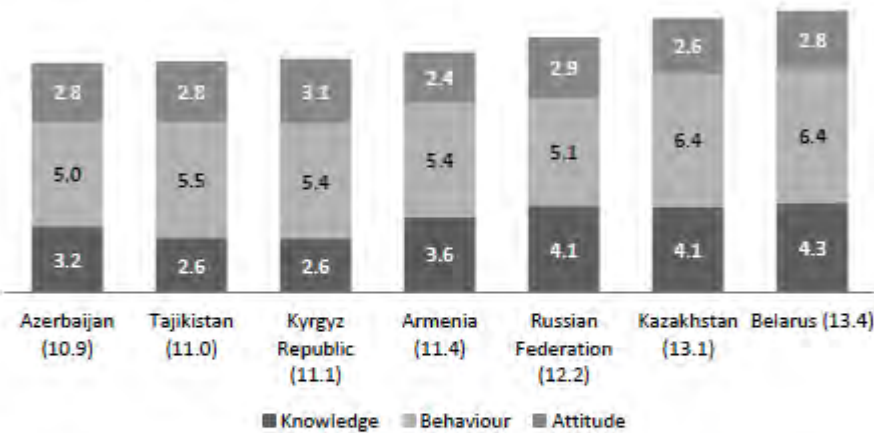
Figure 5.2. Minimum target score: financial attitudes



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.
 Source: Russian Federation, 2016; OECD, 2018.

Figure 6.1. Components of overall financial literacy

Base: all respondents. Stacked mean scores, combining average for financial knowledge, financial behaviour and financial attitudes. Sorted by overall score (reported in parentheses).



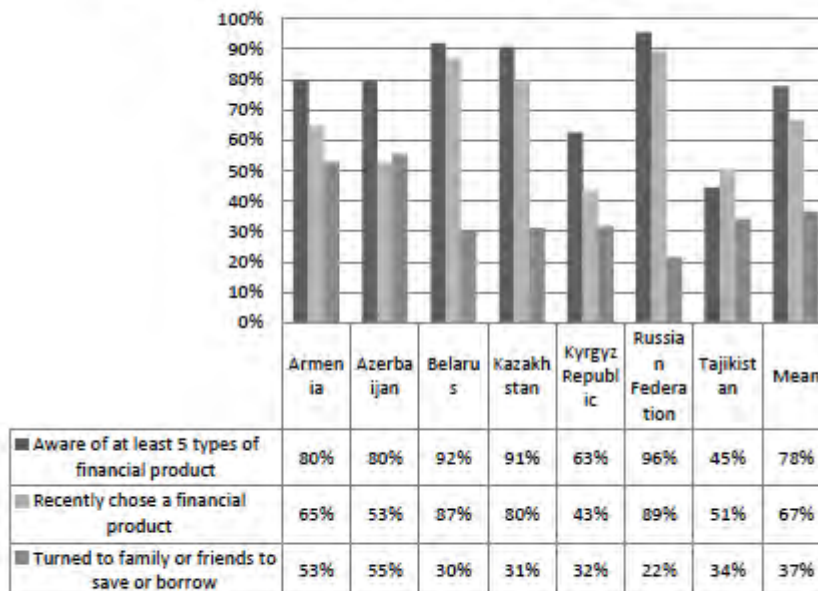
Source: Russian Federation, 2016; OECD, 2018.

Figure 6.2 and Figure 6.3 show that the overall financial literacy score is significantly higher among the small number of people who have received money management training²² or self-employment training²³ than among the rest of the population. The only exception to this is Belarus, where the difference is only apparent among those who reported receiving self-employment training. This correlation does not indicate causation; it could be, for example that people with higher levels of financial literacy are more likely to seek training, or more comfortable to report that they have received it.

Financial inclusion

Figure 8.1. Indicators of financial inclusion

Base: all respondents. % included on each measure. Multiple categories possible.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

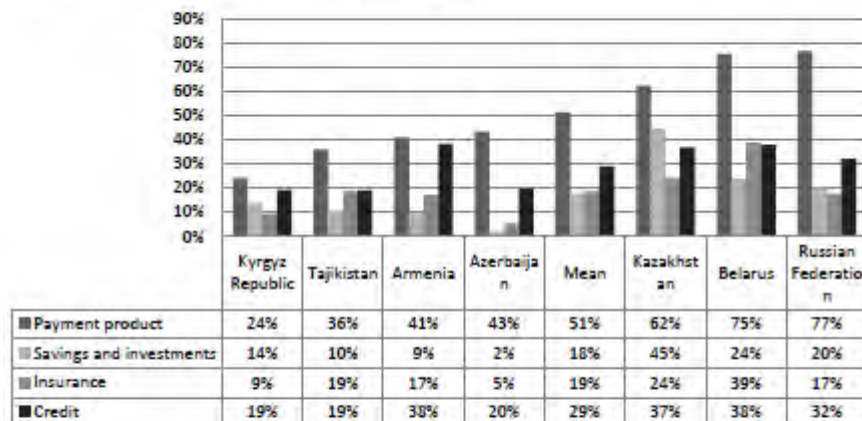
Note: Derived variables.

Source: Russian Federation, 2016; OECD, 2018.

The proportion of respondents in Kyrgyz Republic that were aware of at least five types of financial product (63%), and the proportion that had chosen a financial product in the last 2 years (43%), were below the average across the 7 countries. Far fewer people in Kyrgyz Republic than the other countries were using payment products (24%), and the proportion of respondents with none of the products listed is the highest among the 7 countries (60%).

Figure 8.2. Product holding

Base: all respondents. % of respondents holding each type of product. Sorted by % of respondents holding a payment product.



Note: 'Mean' refers to the average of the six CIS countries and the Russian Federation.

Note: Derived variables.

Source: Russian Federation, 2016; OECD, 2018.

Further analysis across the four product types, shows large variations in the extent to which people are financially included (Figure 8.3). In the Kyrgyz Republic, fewer than half of the population held any of the 4 product types discussed, whilst in Belarus just 13% held no product. In most cases, around a third of people held one product type, ranging from 24% in the Kyrgyz Republic to 39% in the Russian Federation.

The analysis of the OECD/INFE survey shows that financial knowledge is higher among consumers holding at least one type of product and even more higher among those holding more than 1 product type. Even if it is not possible to disentangle the link of causality between financial inclusion and financial knowledge, it is interesting to see that they are positively correlated.

World Bank Diagnostic Review of Consumer Protection and Financial Literacy - 2014

Besides the two surveys described above, four focus group discussions with financially active adults were conducted within the World Bank Diagnostic review.¹⁶ These results cannot be interpreted as being nationally representative, but they are indicative of pressing areas which deserve policy attention. The results of the focus group discussions show that the majority of participants lack understanding of basic financial concepts. According to the WB analysis of the focus group discussions, participants struggle to understand basic financial concepts such as inflation, compound and simple interest, the purpose of insurance products and lack awareness of the maximum amount covered by the Deposit Insurance Agency in case a bank goes bankrupt. Other major findings are that participants appear to be skilled in managing their day-to-day finances but struggle with setting funds aside for unexpected and old age expenses. The results further suggest that consumers do not widely report complaints or other conflicts with providers of financial services.

¹⁶ World Bank. 2014. Kyrgyz Republic : Diagnostic Review of Consumer Protection and Financial Literacy, Volume 1. Key Findings and Recommendations. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/20415>

The focus group discussions reveal the need for certain subgroups of the population to be specifically targeted with financial literacy programmes. Focus groups confirm wide gap between the financial literacy levels of rural and urban participants.

Summary of key insights about financial literacy

The findings from the financial literacy surveys indicate that financial literacy is complex, and that individuals and groups may perform better on some components of financial literacy but not others. Factors that come into play are age, financial knowledge and numeracy, income, geographical location, and education.

The Kyrgyz population is relatively strong in terms of consumer behaviour and especially financial attitudes, but policy makers need to pay attention to the low levels of knowledge, as this could result in consumers acting on mistaken beliefs and thus making potentially damaging choices. The survey thus can assist policy makers, industry, community organisations, researchers and other key stakeholders to better understand the factors associated with financial literacy in the Kyrgyz context and to develop more evidence-based targeted initiatives and programmes. There is a need to provide basic financial knowledge, including basic concepts of risk, simple interest, inflation, etc. and basic skills including arithmetic calculation.

While the OECD/INFE survey shows that low financial literacy may be found in any demographic group regardless of age, gender, occupation, income or education, the groups in Kyrgyz Republic where lower levels of financial literacy are more likely to be encountered are: people who are relatively young (under 28 years), people with no formal post-secondary education, people with low levels of income, and people living in rural areas.

The OECD/INFE survey also collected data from a ‘booster sample’ of adults who identified as migrants or micro, small or medium-sized enterprise (MSME) owners, as well as additional rural dwellers.¹⁷ MSME owners appeared to have lower financial knowledge than other adults with similar characteristics. This is particularly dangerous as MSMEs have more risks to fail in their business and damage also their families, employees.

The problem of low financial literacy of the rural population might lead to suboptimal financial behaviours, more costly loans and over-indebtedness, as well as low level of savings.

Behaviour scores were higher in the migrant and MSME population, but MSMEs had shorter-term attitudes than adults in general. Data also shows that MSMEs have lower financial knowledge than average but higher financial behavior what gives also insights into the design of financial literacy programmes for MSMEs.

It is interesting to note that according to the results of the WB focus groups discussions and previous policy approaches, the Kyrgyz people who migrated for labour purposes to other countries were described as the group with lower level of financial literacy comparing with those who did not migrate. Compared to non-migrants, migrant participants were also shown as having more difficulties with managing and monitoring their higher incomes and expenses. On the contrary, the OECD/INFE survey shows that migrants have higher level of financial behaviour than other groups. These findings need to have more detailed analysis to define the appropriate approach to this target group.

¹⁷ As there is no census data for these groups, it is hard to know whether the small samples are approximately representative, however, some exploratory analysis provides a useful indication of differences between groups and across countries.

4. Description of the current status of the NSFE in the country

National Programme on Increasing the Financial Literacy of the population of Kyrgyz Republic for 2016-2020

The “National Programme on Increasing the Financial Literacy of the population of Kyrgyz Republic for 2016-2020” (National Programme) was approved by the Government in 2016. The national programme was developed recognising the important of financial literacy in the Kyrgyz context and the need for greater coordination of financial education initiatives.

Financial literacy is an important issue in the agenda of the NBKR and other key government and a few non-government stakeholders. They realise that low financial literacy of population and gaps in financial consumer protection are important obstacles for economic development, possible factors for keeping poverty high, especially for rural population, women, migrants, and for increasing social tension, especially among borrowers. That is why a set of measures on financial consumer protection and financial education to solve these issues were included in the dedicated National Financial Literacy Programme.

A number of financial literacy initiatives were implemented in the Kyrgyz Republic prior the National Programme by public, non-for-profit and private organisations and with the support of the international donors. These activities were geared towards improving low levels of financial capability, but they were largely uncoordinated and not always well targeted. For all these reasons, the Government of the Kyrgyz Republic established a working group to deal with issues related to financial education and developed the National Programme.

Priorities, targets and expected outcomes

The National Programme is a strategic document based on the definition of financial literacy as the ability to receive, understand, and evaluate information needed to transfer financial knowledge in practice being aware of potential financial consequences. The National Programme consider improved financial literacy as a complement of proper consumer protection. Financial education is defined as a process through which people improve their understanding of financial products and services, and gain financial behavioural skill leading to higher levels of financial literacy.

Target groups/audiences of the National Programme include schoolchildren and youth aged 18 to 28 years, and the adult population as a whole, including the rural population, vulnerable groups, individuals of pre-retirement and retirement age, and migrants.

The programme includes the following priorities:

- **Priority 1:** Improving financial literacy of school children and youth. This aims at incorporating financial literacy elements in the state educational programme, developing teachers’ training on teaching financial literacy, introducing extracurricular teaching financial literacy and improving the level of financial literacy among young people outside educational institutions.
- **Priority 2:** Improving financial literacy of adults. This includes the task of creating adult learning mechanisms at various stages of life, creating the conditions for improving the quality of family budget management, forming citizens’ new attitude towards loans based on personal financial liability and risk awareness, informing, persuading and educating adult citizens on personal savings and financial protection, developing and improving regulatory and legal framework to protect the rights of financial service consumers, as well as disseminating knowledge about investments.
- **Priority 3:** Ensuring an equal and full access to financial information and services for all citizens. This priority aims at providing the population with independent, objective and high-quality

financial information; at maintaining and increasing confidence of people of the Kyrgyz Republic in financial institutions; and at involving the media and social marketing.

Expected outcomes and targets defined in the National Programme include:

- The availability of a full-scale educational and information system regarding financial literacy ensuring the formation of financial literacy skills, and people's access to objective and reliable information on financial services throughout the life cycle;
- A legal framework to protect the rights of consumers of financial services provided by commercial banks and microfinance institutions;
- Promoting financial behaviour of specific target groups as identified in the Programme;
- An improvement of Economic indicators of the financial market, such as the growth of financial intermediation, including an increase in the deposit base;
- Reducing complaints and applications of financial service consumers to the public administration.

Institutional framework

According to the National Programme, the NBRK is the leading organisation responsible for financial education in the country. The National Bank coordinates the Programme implementation on the part of the State. The Ministry of Education and Science of the Kyrgyz Republic, Ministry of Economy of the Kyrgyz Republic, Ministry of Finance of the Kyrgyz Republic, Ministry of Labour and Social Development of the Kyrgyz Republic, SSFMRS, Deposit Protection Agency of the Kyrgyz Republic, the Social Fund of the Kyrgyz Republic and other agencies are participants and executors of the Programme. The Programme's partners from the business environment are associations of financial institutions, the Union of Banks of Kyrgyz Republic, the Kyrgyz Stock Exchange, the Association of Guarantee Funds, the Association of Credit Unions, associations of entrepreneurs and others.

Under the National Programme, the NBRK and other key stakeholders make a number of steps to improve coordination and establish common standards. In February 2017, a high-level Coordination Council (with the NB Governor as the Chair) was set up to oversee and track implementation of the Programme for 2016-2020 and discuss issues and new ideas. A Working Group under the Council was also established. The Working Group is led by the National Bank and includes the representatives of the public sector, donor and international organizations, NGOs involved in financial literacy, Credit Information Bureau, Deposit protection Agency, etc.

A dedicated consultant was hired to organise coordination between international organisations and the National Bank. After the initial organisation period, the work on the realisation of the National Programme is speeding up.

Implementation

The realisation of the National Programme is currently at the Phase 2 (2018-19). Phase I (2016-2017) involved developing and testing core financial literacy competencies for children and adults, and developing and testing financial literacy materials. Phase 2 (2018-2019) is aimed at the development and implementation of nationwide financial literacy activities, and Phase 3 (2020) will be devoted to targeted activities for key target groups.

Programme implementation is aimed to improve the financial literacy of younger generations, and increase the efficiency of using personal finances and financial instruments (increase the deposit base of the banking system, improve the quality of the loan portfolio, enhance people's ability to invest in stock market instruments and use of insurance instruments). However it is not clear from the programme's action plan which measures exactly will be implemented to achieve its objectives.

An Action Plan for the Programme implementation has been developed for Phase 1 (2016-2017) and Phase 2 (2018-19). The Action Plan for Phase 3 should be prepared based on the results of Phase 1 and 2 and need more detailed planning.

The main areas/tasks of the Action Plan under Phase 1 were the following:

- Including elements of financial literacy into public education programmes;
- Extracurricular teaching of financial literacy;
- Improving financial literacy among youth outside educational institutions;
- Creating mechanisms to train citizens at different stages of life;
- Creating conditions to improve quality of family budget management;
- Forming citizens' new attitudes to loans based on personal financial responsibility, and awareness of the risks;
- Informing, pursuing and training people on personal savings and financial protection;
- Developing and improving a legal framework regarding protection of the rights of financial service consumers;
- Disseminating investment knowledge;
- Providing the population with independent and quality financial information;
- Supporting trust in financial institutions.

The National Bank conducted several public education campaigns through mass media outlets. It also launched the Internet portal www.finsabat.kg (functioning and appears rather user-friendly) specialising in financial literacy. The portal is regularly updated in Kyrgyz and Russian languages and it contains relevant materials on the topics of Economy and Finance, prepared by government agencies and financial institutions. Educational materials on the website cover the work of domestic financial and banking systems, and their impact on the lives of every person. The website also provides full information on products and services offered by financial institutions in the country, and on the rights and obligations of borrowers.

Financial education for youth

The Ministry of Education participates in the work on National Programme, including in the development of core financial literacy competencies. The Ministry is trying to integrate some selected key competencies in existing school subjects, although the school curriculum is overcrowded.

The Ministry itself is responsible for policy planning and agreeing on key competencies, while the Kyrgyz Academy of Education is developing the full syllabus and schools plans. The syllabus is reviewed every 5 years, with the next review expected for 2020.

The Ministry of Education produced materials on financial literacy, in line with the core competencies framework, and ran a programme to train teachers-multipliers, who now give seminars on the topic and support their colleagues. This training programme involved:

- Training 17 teachers-multipliers, and conducting three rounds of teachers training with 266 teachers,
- Developing financial literacy core competencies for school students and adults,
- Developing educational materials (textbooks) for 8-11 and 10-11 grades, with the approval of the Kyrgyz Academy of Education.
- Developing the "Alphabet of money" book for elementary school,
- Increasing the number of young people participating in the Global Money Week as well as the number of partner banks.

Summary of current status and challenges

- **Coordination.** The work on the implementation of the National Programme is on its way, and many important steps have already been done in order to agree on common goals and approaches between different players. The specific competencies for key target groups were developed and the development of materials for school students and other target groups started. Nevertheless, there is still room for improvement in terms of overall coordination of activities of

various institutions, including donors, governmental agencies, financial organisations, especially in the situation of limited resources/capacities, which can lead to the situations when some regions or groups are excluded from financial literacy activities, or such work is less effective. The key issues are the cost-effectiveness, sustainability and scale.

- **Complex, systematic and holistic approach.** More complex, systematic and holistic measures would be useful to improve the financial literacy of the population, increase the level of their trust in the financial system, and to motivate people to keep their savings in financial institutions. The National Programme is also lacking a detailed description of measures and activities.
- **Financial education in school.** The school curriculum is overcrowded, but there is appetite for financial education in schools both as part of subjects within the national curriculum and as an extracurricular activity. The Ministry of Education is responsible for this work, though the National Bank is initiating, leading or supporting most of the activities.
- **Financing.** Financing mechanisms for the Programme's activities stated in the Programme include direct government funding and local funding, public procurement, as well as funding from other non-governmental sources. In practice there is no unified budget for the National Programme, meaning that financing might be limited or not sustainable enough for the longer-term. The initial work was funded by GIZ, other International organisations and within other organisations' budgets. Public funds from Kyrgyz Government were expected in the 2018 budget, but there were no government funds, only National Bank funding. At the same time, financial organisations involved in financial education often aim at marketing, not financial education. Therefore, the lack of substantial financing poses risks to the sustainability of initiatives. Also, as most people have low incomes, there is a limited scope for financial education services paid by participants at the moment. The National Programme and established Coordination Council and Working group are aimed at solving these issues, but they need methodological and technical assistance, coordination and effective approaches for it.

5. Potential additional scope of the NSFE and proposed approach for its revision

Development of the NSFE

As the "National Programme on Increasing the Financial Literacy of the population of Kyrgyz Republic for 2016-2020" was already developed and approved by the Government in 2016 and is now in the implementation phase, most of the potential additional scope for development is related to Phase 3 and partly to Phase 2.

In particular, the additional scope/work can be focused to a large extent on effective ways for achieving the identified priorities, including increasing capacity, establishing measurement, evaluating progress, and finding sustainable resources. The following paragraphs provide a number of policy suggestions along these lines.

Synergies with financial inclusion and financial consumer protection policies

Combining financial literacy with financial inclusion. The Kyrgyz economy is still to a large extent a cash economy, especially in rural areas. Over 90% of transactions with bank cards are cash withdrawal. The population prefers to withdraw money from their accounts and pay for their goods and services in cash. Boosting financial inclusion in the Kyrgyz Republic has many challenges, including the current economic and social development patterns, and lack of institutional capacity. The Government initiated different measures in order to boost financial inclusion, to increase non-cash payments and to transfer governmental payments, such as pensions, to non-cash forms. In 2017, the President announced the adoption of the program "Taza Koom," which is aimed at digital transformation of the Kyrgyz economy

within the framework of the National Development Strategy 2040. At the same time, the government adopted the supplementary programme “Forty steps for 2018–2023.” Both initiatives are aimed at establishing open government, introducing digital government and institutions, and boosting non-cash payments. To support the government’s financial literacy and inclusion efforts, it may be relevant to include the National Payment System as one of the stakeholders of the national programme for improving financial literacy, to teach the population how to use banking cards safely and effectively. Financial institutions could also be engaged through incentives to provide basic and affordable financial services and products in rural area and to integrate impartial and unbiased financial literacy elements into these products. **Complementing financial consumer protection with financial education.** It is important that financial literacy measures continue to complement not only financial inclusion but also the development of a robust financial consumer protection framework, linking the implementation of the National Programme to other financial regulation measures. The NBKR is well positioned to continue the coordination of financial consumer protection and financial literacy within its own activities as well as with other stakeholders. Independent mystery shopping, public reporting on financial consumer protection, and the analysis of complaints can give important data for further developing the National Programme.

Mapping existing initiatives

Updating the mapping of current initiatives. There are many stakeholders but it is not clear where they are operating, or what they are achieving. It may be worth updating the mapping of the existing financial literacy initiatives conducted by different stakeholders, and to include other initiatives, potential donors, and potential stakeholders who could fit or complement the National Programme. The mapping could be conducted, for example, through an on-line platform, by consulting with stakeholders, or by organising workshops in Bishkek and possibly in other regions. Regular updates of the mapping, at least yearly, could be made public and used as an occasion to invite more stakeholders. Financial literacy should be positioned in all efforts of all society levels, media, and financial intermediaries.

Institutional and governance mechanisms

Improving coordination, communication and knowledge exchange. The National Programme already includes coordination bodies (Coordination Council and Working Group). Nevertheless, these could be complemented or strengthened by setting up round table discussions and brain storming sessions, or by developing on-line platforms to improve communication and coordination between stakeholders.

Developing Key Performance Indicators (KPIs) using findings from the OECD/INFE financial literacy survey. The National Financial Literacy Programme can be further developed using the findings from the OECD/INFE financial literacy survey conducted in the framework of the CIS project, which creates a baseline measurement for the National Programme, provides insights on financial literacy levels, and can be used to track progress in the future. These findings can inform public policy, particularly as it relates to community segments with low financial literacy, and encourage continued attention on this important policy area. They can also provide valuable information that will assist in the realization of the National Programme. It is important to make these findings publically available, organize discussions around them among key stakeholders and develop KPIs for Programme realisation. These could be incorporated into the National Programme to ensure the rigorous evaluation and monitoring of targeted financial education programmes for different groups .

Focusing on basic financial literacy and knowledge. The OECD/INFE financial literacy survey shows a lack of basic financial knowledge, especially of basic concepts such as risk, simple interest, and inflation. It also shows that many people lack basic arithmetic skills, especially those with education not higher than secondary school, those living in rural areas, and low-income population. Policy makers involved into the National Programme may consider increasing familiarity with the concepts of interest and principal, and their confidence in working with numbers and performing simple calculations. These components of financial literacy can be further stressed in the National Programme and in the core competencies framework, as well as included as KPIs.

Focusing on key target groups according to evidence. The results of the OECD/INFE financial literacy survey suggest that other important target audiences which were not recognized before, or which could receive more attention, are MSME and rural populations.

Effective provision and delivery

Increasing regional and local capacity. It is very important for the sustainable development of the National Programme to build the human and institutional capacity in all regions of the country, rather than trying to do all from the capital. An approach where tutors and specialists from the NBRK visit all the municipalities to conduct trainings themselves may not be sustainable, even in a small country.

Other possible channels include establishing a network of consultation and information centres based in municipal administrations and regional central bank offices, or through other sustainable stakeholders' organizations. Such model could first be piloted in one or two regions that have sufficient resources and motivation. The experience of the Tomsk region in Russia shows that a regional financial literacy centre was established with support from the federal centre and it works as point of contact with branches in municipal territories. The fact that 2018 is the Year of regions in the Kyrgyz Republic could be used to combine the effort of governmental agencies and other stakeholders in regional development with financial literacy and inclusion programmes.

Possible alternatives or additional channels would be to engage employers (possibly in towns and cities) and to develop financial literacy at the workplace to a greater extent.

Exploiting synergies across financial and digital literacy. Findings from the OECD/INFE financial literacy survey could be used to create more synergies across programmes and stakeholders. For instance, the survey shows that the recent use of a computer is correlated with the financial literacy of the respondent. This suggests that it may be possible to combine financial literacy with digital literacy programmes and to use digital, on-line and mobile training, including webinars and videos on Youtube.

Improving ethical standards in financial literacy and financial advice. It is important to separate independent financial advice and financial literacy from marketing programmes, and to develop ethic standards for financial and other companies which participate in the National Programme. The OECD/INFE guidelines for private and not-for-profit stakeholders in financial education¹⁸ can be used as a starting point to develop nationally tailored principles and criteria.

Monitoring implementation and evaluating impact

Developing mechanisms for monitoring and evaluation. Monitoring and evaluation of the overall national programme is essential from an accountability perspective, to provide valuable evidence, to improve financial education interventions and policies, and to contribute to their sustainability on the longer term.

The National Bank is responsible for the evaluation of the National Programme and there is room for developing more instruments for evaluation. It is important that actions plans include a formal timeframe for the evaluation of the National Programme, that it includes methods and tools to monitor and evaluate the overall National Programme, and that these resources are devoted to these tools. The evaluation of the National Programme can be conducted quantitatively, through repeated surveys, and complemented by qualitative information for instance through consultation and feedback from stakeholders involved in programme delivery and their target audience as well as using evidence from the evaluation of specific programmes. The use of financial literacy and behaviour indicators can also allow public authorities to track changes and provide added value to the monitoring of the strategy. There are benefits in having standardised indicators and evaluation methods throughout the country, in order to be able to compare

¹⁸ www.oecd.org/daf/fin/financial-education/guidelines-private-not-for-profit-financial-education.pdf

and analyse more effectively evaluation and monitoring data from a variety of private and not-for-profit stakeholders implementing financial education programmes.

Addressing the needs of specific target groups

Financial education in schools

Ensuring that children and youth remain one of the key target groups and developing a more holistic approach to financial education in school. Young people are already one of the key target groups of the National Programme. A possible channel to address their needs in a sustainable way can be through the inclusion of financial literacy into the national school curriculum. Financial literacy topics can be included not only in social studies, but also in mathematics and other obligatory subjects, using the Russian experience and other international practice. This could start from the development of a few cross-cutting themes, such as “Savings”, to be included into science, mathematics, languages, in addition to social studies.

It is also important to continue to design good quality financial education programmes, and to disseminate widely materials for teachers and parents. School programmes also need to combine knowledge with practical behaviour, possibly through extracurricular financial literacy activities, as young people have the lowest level of financial behaviour. Testing and piloting new programmes could also help ensuring that programmes are well targeted and more effective..

Increasing the sustainability of training for teachers and tutors. It is important to continue training teachers and tutors. The key challenge to teach teachers at the national scale is a lack of resources and capacity, including sustainable funding. In order to improve the sustainability of teachers’ training, it would be important to move from *ad hoc* training towards the development of in-service training as part of regular teachers’ professional development, and the creation of a system for educating future teachers based on resourceful organizations with licenses and a reputation. It may be useful to find national champions – organizations which could become leaders in financial literacy training. The training provided to teachers could fit into requirements for in-service training and be certified.

Financial education for migrants and their families

Widening the scope of financial literacy for migrants and connecting it to financial inclusion efforts. In the Kyrgyz Republic there is a high level of trans-border money transfers and migrants remittances. Migrants are already mentioned as a key target group of the National Programme, and more practical activities could be developed to address their needs.

Moreover, the National Programme could develop more synergies with financial inclusion efforts targeted at those who send money home, but especially for those who receive remittances. Dedicated programmes could be developed to connect households that receive remittances with an integrated financial system including banks, insurance companies or other financial services, to promote a culture of formal saving among remittances recipients, and to provide these people with financial literacy at the same time.

The upcoming OECD regional report on financial education for migrants will include an analysis of the Kyrgyz case and provide recommendations on financial education for migrants and their families in the region.

Other target groups

Targeting the rural population. The rural population appears to be particularly in need of improved financial literacy, according to the OECD/INFE financial literacy survey and experts opinion. The low financial literacy of the rural population might lead to sub-optimal financial behaviours, costly loans and over-indebtedness, as well as low level of savings.

It may be relevant to develop dedicated initiatives to engage more financial institutions and develop regulatory measures and incentives to provide basic and affordable financial services in rural area and integrate financial literacy elements into these products such as payment, micro-insurance and simple deposit products.

Children and schools can be also one channel for delivering financial education to rural adults. The Brazilian and Russian examples show that involvement of parents in their children's financial education activities in schools can lead to an increase in parents' financial literacy level as well. In some rural areas, schools are the only centres of social and cultural life.

Efforts to improve the financial literacy of the rural population could benefit from synergies with the activities of the Ministry of Agriculture, which is starting a new project for rural areas with the International Fund for Agricultural Development (IFAD). The project will aim at improving access to markets and will include support for financial literacy initiatives in rural areas.

Focusing on MSMEs. The results of the OECD/INFE financial literacy survey show that MSME owners have lower financial knowledge than adults in general and tend to have financial attitudes more oriented towards the short term than the average population; at the same time they appear to perform better in terms of financial behaviour. Based on these results, it may be important to include them among the target groups of the National Programme combining these efforts with increasing access to finance and other measures on improving financial inclusion for MSMEs

List of Key Documents on National Program:

1. Program to Improve Financial Literacy in the Kyrgyz Republic for 2016 – 2020.
2. The Government order with list of the Members of Coordination Council (in Russian).
3. Action Plan to Implement Phase 1 of the Program to Improve Financial Literacy in the Kyrgyz Republic for 2016 – 2020.
4. Action Plan to Implement Phase 2 of the Program to Improve Financial Literacy in the Kyrgyz Republic for 2016 – 2020.
5. Implementation Indicators (based on suggestions of the National Bank of the Kyrgyz Republic with regard to the overall number of secondary general education, higher and vocational institutions)

oecd.org/finance/financial-education/

