Credit Information Sharing in Kenya: A Case Study

Part 1 of the Credit Information Sharing Toolkit

PREPARED BY SOFTWARE GROUP

IN PARTNERSHIP WITH

FINANCIAL SECTOR DEEPENING KENYA

FOR

KENYA CREDIT INFORMATION SHARING INITIATIVE

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Last Updated:

10 April 2019

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Abbreviations

CBK	Central Bank of Kenya
CBS	Core Banking System
CIS	Credit Information Sharing
CRB	Credit Reference Bureau
CTS	Cheque Truncation System
DFI	Development Finance Institution
DNB	Dun & Bradstreet
DPFB	Deposit Protection Fund Board
EACBA	East African Credit Bureau Association
FLSTAP	Financial and Legal Sector Technical Assistance
FSD	Financial Sector Deepening
IFC	International Finance Corporation
IMF	International Monetary Fund
JTF	CBK-KBA Joint Task Force
KBA	Kenya Bankers' Association
KCISI	Kenya Credit Information Sharing Initiative
KCPA	Kenya Credit Providers Association
MAC	Monetary Affairs Committee of the East African Central Bank Governors
MFI	Microfinance Institutions
NPL	Non-Performing Loans
SACCO	Savings and Credit Cooperative
USAID	United States Agency for International Development

1. Laying the Foundation

Development of a credit information sharing infrastructure is precipitated differently in different countries. Some begin as a result of a regulatory push. Others begin in response to financial disasters. In Kenya's case, the earliest efforts at CIS were sparked by a weak banking environment which resulted in a nationwide crisis that threatened the country's financial stability. These efforts began slowly with regulation and tentative market participation until 2008 when the regulatory environment demanded that banks begin sharing information. To understand Kenya's current CIS efforts, a proper background is necessary.

1.1. Banking Crises in Post-Independence Kenya

Twenty years after independence, Kenya experienced its first banking crisis in the 1980s. Weak financial institutions combined with the lack of a strong regulatory protection mechanism resulted in the first bank closure in December of 1984, despite the best efforts of the Central Bank and Treasury. As a result, the Banking Act was amended in 1985 to expand the safety net and improve the bank failure resolution mechanism. These amendments led to the establishment of the Deposit Protection Fund Board (DPFB) and gave the Central Bank of Kenya the responsibility of risk minimization through enhanced prudential regulation, supervision and surveillance. [1]

The next crisis occurred in 1989. Seven institutions were found to be financially distressed and were eventually consolidated as the Consolidated Bank of Kenya Limited. In the early 1990s, new banks were formed for political reasons, which resulted in another crisis. In 1993 alone, 11 institutions were placed under liquidation, which was immediately followed by two more banks in 1994.

At the heart of these crises was one common thread: the unsustainably high level of non-performing loans (NPL). Unfortunately, the problem had spread across the region. Due to the similarity of the NPL problem in three East African countries, the Monetary Affairs Committee (MAC) of the East African Central Bank Governors issued a directive in September 1995 requiring that the Bank Supervision Departments in the three East African Central Banks work with their respective Bankers' Associations to facilitate the establishment of Credit Reference Bureaus and Credit Rating agencies. This action was the first seed of CIS in Kenya.

In spite of early attempts to curb the banks' liquidity and strengthen protection mechanisms, such as the Deposit Protection Fund, the number of non-performing loans continued to climb, overwhelming the banking system. More banks succumbed to liquidation: one in 1997, five in 1998, and another in 1999. In response to these continuing closures, the Central Bank introduced stringent requirements in such areas as credit risk management and provisioning,forcing more mergers and consolidation, and increasing capitalization requirements. In the year 2000, the levels of NPLs reached their peak at KES 112 billion.

Though the problem was mitigated by strengthened regulatory institutions, there was consensus that an information sharing mechanism would help resolve the serial defaulter menace. This consensus would start the steady regulatory path towards CIS.

[1]SOURCE: *History of the Deposit Fund Board*. http://www.centralbank.go.ke/dpfb/background.aspx

1.2. Early Credit Information Sharing Efforts

Early efforts at CIS centred around three key areas: credit bureau development, industry participation, and regulation. Although they developed in a slow and uncoordinated manner, each of these areas were important in creating the conditions for Kenya's subsequent successful efforts at CIS.

Credit Bureau Development

The development of Kenya's two credit bureaus began from the earliest days of CIS. Kenya's first CRB was Credit Reference of Kenya, setup in 1990with the primary function of collecting payment performance data based on bounced cheques and unpaid invoices from the trade sectors. In 1998, it started providing credit referencing and debt management for the banking sector. It then changed its name to CRB Africa in 2004 to reflect its growing footprint in Africa.

The second CRB, Metropol EA CRB was established in 1996, originally as a business information company focusing on debt management and reporting. Its first serious engagement was with Dun & Bradstreet (DNB)[2] in the late 1996[3]. DNB asked them to conduct credit investigations on companies in East Africa and provide DNB with credit reports for their customers doing business with these companies.

In the late 90s and early 2000s, the Kenya Bankers' Association made various efforts to establish an effective information sharing mechanism in Kenya, including an initiative to develop a private sector credit bureau owned by member banks. Due to technical challenges relating to ownership structure, this initiative did not succeed, leaving Metropol and CRB Africa as the only viable mechanisms to facilitate CIS.

In 2001, Metropol, CRB Africa, and TransUnion, a South African credit referencing organization, established the Kenya chapter of the East African Credit Bureau Association (EACBA). The main objective of the association was to attempt to influence the type of regulations that would be applicable to the industry. The EACBA played a central role in the formulation of the ensuing regulations governing CIS. TransUnion subsequently exited the Kenyan CRB market but later on returned by acquiring CRB Africa in June 2012.

Despite the establishment of these bureaus in the late 90s, their effectiveness was limited due to fundamental structural issues in the CIS environment. The most significant of these issues was the limited amount of information available to the bureaus due to low levels of industry participation.

[2]Dun & Bradstreet D&B (NYSE:DNB) is a global company who provides commercial information and insight on businesses. It was established in July 1841.
[3]The partnership between Metropol and Dun & Bradstreet ended in 2006.

Industry Participation

The banking crisis of the 80s and 90s revealed to the banking industry the high exposure it faced from serial defaulters, irresponsible borrowers, and politically-influenced lending. Banks intrinsically understood the need to share information with each other. Due to the highly competitive lending environment, however, banks opted to share only NPL information. Furthermore, because sharing this information was not a regulatory mandate, some banks also had concerns around consumer privacy. Without a regulatory shield, they were fearful of exposing the bank to litigation risk arising from sharing credit information. As a result, very few banks – and generally only the largest ones – utilised the bureaus to share their NPL information.

The credit bureaus, working with a very limited set of information, did not have the data necessary to offer compelling value added products such as credit scores and sophisticated analytical tools, typical of more developed markets. However, as a result of the banks' utilization of the credit bureaus in sharing NPL data, bank portfolios grew stronger and the levels of NPLs decreased. This, combined with a more robust banking regulatory framework, worked to increase banks' financial positions. The original impetus for forming credit bureaus and developing credit information sharing lost its urgency. From the banks' perspective, the risks of CIS outweighed the benefits.

Ultimately, competitive concerns (fear of poaching or "cream skimming"), collective action dilemmas, and limits to perceived benefits prevented a market-based solution from evolving. If CIS was to develop in Kenya, additional action was needed.

Regulatory Efforts

The earliest regulatory efforts focused on providing an enabling, non-mandatory environment for CIS. In 2003, regulators took the first step towards facilitating CIS from a regulatory perspective through an amendment to the Banking Act. This amendment provided for voluntary information sharing among banking institutions licensed by the Central Bank and provided for the establishment of credit bureaus by the same CBK licensed institutions.

This regulatory system in effect created a closed-user CIS environment which would limit future CIS effectiveness. The Act limited formal exchange of credit information exclusively to licensed banks. When Kenya was finally ready to scale up CIS, this particular feature of the regulatory environment would prove to be one of the most significant hurdles to complete participation by the full spectrum of potential data providers.

Box 1: 2003 Amendment to the Banking Act

***The Banking Act**, in 2003, was amended by introducing section 31 (3) (b) and (c) which reads: '**(b)** the Central Bank and institutions licensed under this Act may, in the ordinary course of business in such manner and to such extent as the Minister may, in regulations prescribe, exchange such information as is reasonably required for the proper discharge of their functions.' '**(c)** Without prejudice to the generality of subsection (3)(b), regulations under that subsection may provide for the establishment and operation of **credit reference bureaus**, for the purpose of collecting prescribed credit information on clients of institutions licensed under this Act, and disseminating it amongst such institutions for use in the ordinary course of business, subject to such conditions or limitations as may be prescribed.'*

These initial regulatory efforts were centred on three loose objectives: 1) giving banks permission to share data with each other on a voluntary basis; 2) protecting consumers; and 3) the establishment of credit bureaus. Regulators initially achieved this third objective by allowing for the establishment of credit bureaus within the regulations. However, banks struggled to form a credit bureau. Competitive concerns over governance of the bureau and access to data impeded any progress. Soon, it became clear that the preferred model would be to utilise the services of a private sector bureau licensed and supervised by the Central Bank.

Legal provisions from 2004 through 2006 focused on clarifying the parameters under which credit bureaus should be set up. These clarifications included defining credit bureaus as the approved data sharing mechanisms, outlining consumer rights with respect to access to personal information, and specifying the nature and type of information to be exchanged.

In 2006, the concerted effort of a number of key actors, including the CBK, KBA, International Finance Corporation (IFC), and the EACBA, resulted in the Finance Act of 2006. This Act amended the Banking Act to mandate the sharing of non-performing loans among CBK regulated institutions and allow the Central Bank to license and supervise credit bureaus. Relevant regulations to govern the licensing, operations and supervision of credit bureaus were issued on July 11, 2008.

In the same year, the Microfinance Bill was promulgated permitting sharing of information by licensed MFIs under arrangements similar to those of the commercial banks. In the case of MFIs, sharing was not mandatory. This development was the first regulatory step towards expanding the scope of CIS beyond commercial banks.

1.3. The Formation of the Kenya Credit Information Sharing Initiative

The catalysing force for change came in September 2008 when the Minister of Finance announced that Central Bank regulated institutions had to be compliant with the Credit Bureau regulations by February 1, 2009 or face fines. The regulatory mandate combined with the threat of stiff penalties spurred the industry into action. Fortunately, the Central Bank and the KBA had set up a joint task force in November 2007 that had begun working on an implementation program. The task force was comprised of representatives from the CBK and the most influential bank members of KBA. It came to be known as the Joint Task Force (JTF).

Immediately after the Minister's announcement, the CBK-KBA Joint Task Force convened a two-day retreat together with Financial and Legal Sector Technical Assistance **(**FLSTAP) and Financial Sector Deepening (FSD) Kenya.

The goal of this retreat was to plan for the establishment of a credit providers association that would facilitate self-regulation and help achieve regulatory compliance. Thanks to the foresight of FSD Kenya, a number of important decisions were made at the retreat that would have dramatic consequences on the momentum of CIS development in Kenya. These included the establishment of a full-time project headed by a project manager, to be funded by FSD Kenya. The project would help coordinate multiple and concurrent activities to deliver an effective implementation of credit information sharing. A full-time project with a dedicated team, the core resources for which would be provided by FLSTAP, the KBA, and FSD, would relieve the joint task force of day-to-day implementation of CIS while focussing on providing strategic direction.[4] This project was named the Kenya Credit Information Sharing Initiative or KCISI.

In order to arrive at a credible model for a credit providers association, the JTF examined various markets in Africa, and decided to borrow a page out of South Africa's credit providers' association. At the retreat, the JTF created a draft Constitution and Code of Conduct for the Kenya Credit Providers Association (KCPA). Both the constitution and code left room for the expansion of the credit-referencing environment should the law and regulations be amended to accommodate this. Special thought was given to the need eventually to integrate MFIs, SACCOs, Development Finance Institutions (DFIs) and other non-bank credit providers such as telecommunication companies and other utilities. The Deposit Protection Fund was also accorded full membership status in the draft KCPA membership rules. The constitution and code left little doubt about the intent to begin sharing both positive and negative information immediately, despite the fact that the regulations required only negative.

The final output of the retreat was a detailed action plan that listed the items that needed to be completed before credit reference bureaus could be fully operational in Kenya. Shortly after, the search for a Project Manager began. The JTF began by turning to the private sector for potential candidates. After evaluating 128 candidates, the decision was made to hire a Finance Specialist from CBK's Banking Supervision and Deposit Protection department. The desire for neutrality and business acumen was outranked by the candidate's deep understanding of Kenya's financial sector and proven ability to convene different stakeholders and build consensus. Immediately after the Project Manager was named, the CBK Governor launched the Kenya Credit Information Sharing Initiative on 27th August 2009. <Insert James, Jared, and Governor's picture here. >This marked the pivotal turning point in Kenya's CIS efforts as the formal implementation of CIS began on a sustained basis.

[4] *FSD Kenya Credit Reference's Project Appraisal Report* by James Kashangaki. Page 1. December 2008.

2. Project Implementation

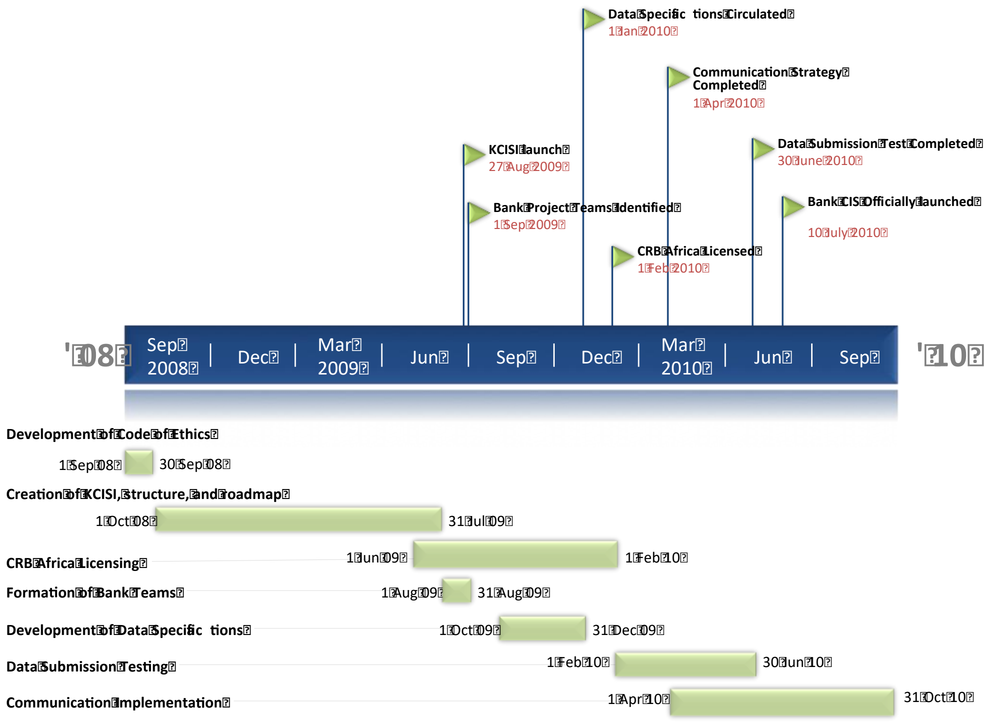

Figure 1 - CIS Phase 1 Implementation Timeline

2.1. KCISI Project Team

When the joint task force launched the KCISI in August 2009, its main objective was to create a project team that would manage the day-to-day affairs of the CIS Program in liaison with KBA member banks and the Central Bank of Kenya. Funding for KCISI was provided primarily by FSD Kenya and KBA. In due course, FLSTAP and United States Agency for International Development (USAID)were enlisted for additional support. Initially, KCISI was comprised of a single project manager who was seconded to the project from the Central Bank of Kenya and was tasked with the key project oversight role, as well as managing the public awareness campaign to ensure broader understanding of the initiative by all stakeholders.[5]

The project manager began by creating a CIS implementation plan complete with an awareness campaign. The plan was segmented into two phases: phase one would last roughly two years until negative information sharing was complete among the banks; phase two would commence in October 2011 and last until positive information sharing was a reality. During phase one, the project manager's objective was to identify all relevant stakeholders and begin reaching them with

[5]*Kenya Credit Information Sharing Initiative*. Home Page at http://www.kenyacreditinfo.com/.

sensitization campaigns to develop an effective structure for disseminating information. This structure would enable the most effective rollout of CIS within the banks. By September 2009, the project manager had convened participating banks and set-up their project teams. These bank project teams would be responsible for the delivery of the projects from within the participating financial institutions.

In addition to convening the right external stakeholders, the project manager needed a strong project team. To create the optimal team, he defined the necessary skill sets to make the project effective and identify the right set of people to fill those roles. The project manager settled on three strategic roles to fill: Information and Communication Technology (ICT), Communications and Legal affairs. These three roles would provide KCISI the requisite expertise, experience, insights, and resources to provide analysis, advice and advocacy for the development of the data-sharing project between the banks and the licensed credit bureaus.

Although the recruiting of the project team was an important task, it took almost three years for the full team to be identified. In September 2009, KBA's IT Consultant joined KCISI, followed by a Communications Specialist in February 2010. From April 2010 to August 2011, one of the commercial banks seconded its legal officer to the project. It was not until the 2nd phase of the project, in April 2012, when another two full-time staff joined KCISI – a Data Officer and a Legal Advisor. The following table summarizes the roles and responsibilities of each of these personnel while *Appendix 1* shows an organisational chart representing the KCISI team as it stood in August 2012.

Role	Responsibilities
Project Manager	• Develop project roadmap • Identify external project champions • Build project team • Manage project implementation • Manage public awareness campaign • Secure buy-in from all stakeholders
Assistant to PM, ICT	• Develop and maintain data specifications • Liaise with CBK, KBA, CRBs, and Credit Providers
Data Officer	• Assess credit providers ability to participate in CIS • Monitor data submission • Liaise with CBK, KBA, CRBs, and Credit Providers
Assistant to PM, Communications	• Conduct baseline assessment • Develop communications strategy • Organize campaign, workshops, etc. • Develop and disseminate communication materials
Assistant to PM, Legal	• Lead the formulation of KCPA's Code of Ethics • Lead efforts in influencing CIS regulations

The formation of the project team and the appointment of the right personnel, especially the Project Manager, were critical to the initial success of the CIS initiative. This project team was responsible for initiating the momentum required to make significant progress. Without a dedicated project team, the CIS rollout would either have taken longer or potentially failed due to activities being directed and performed by committees comprised of members with competing priorities from their respective companies. The contrast between a loose coalition (from the late 1990s to 2008) and a dedicated effort (from 2008 to 2012) is clear in the level of accomplishment achieved during the first phase of the project and the early part of the second phase.

< Recommendation: To make the case study real, put picture of the project team in the Appendix. >

2.2. Key Stakeholders

> *"The co-hosting of this conference by CBK and KBA attests to the new approach in the development of the regional financial markets. Regulators have realized the mutual benefits that accrue when they partner with stakeholders. This approach enhances the rates of success of development initiatives."*
> Prof. Njuguna Ndung'u, Governor of the Central Bank of Kenya, during the Opening of the Regional Credit Reporting Conference, July 2011

One of the key success factors of Kenya's CIS initiative was the unprecedented cooperation of its different stakeholders. The initiative started gaining momentum when the IFC convened KBA, CBK, and EACBA to help influence and formulate the regulations. This was immediately followed by KBA and CBK taking charge of moving the project forward and forming a Joint Task Force to implement the project. This arrangement was highly unusual. The regulator, CBK, was working on a sustained basis with the industry to craft regulation and practically address implementation concerns around CIS.

Other key stakeholders were also a critical part of the process. Without the active support and participation of credit providers and credit reference bureaus, CIS implementation would have remained fragmented and ineffective. Credit providers attended workshops, availed people, time, and financial resources to be able to submit data according to the project timelines. CRBs did their part as well, making significant capital investments required for licensing compliance while assisting banks with data submission, including providing training on submitting and querying data. All of this happened with the common goal of having a working CIS system.

An analysis of the stakeholders involved in CIS indicates a strong alignment in goals across the group. In the initial stages, motivation started with mitigating another bank crisis caused by NPLs. This later extended to include a stable financial market and a desire to increase access to credit for consumers. Banks stood to gain a lot from lower overall NPLs and an expansion of the market they served as more and more consumers joined the formal financial system. Credit reference bureaus stood to gain from the expansion of data now available and their increased ability to offer value added products. Regulators would also benefit from a system that increased their ability to effectively supervise the financial system. And finally, consumers, once they fully understood the implications of CIS, would also benefit from (and demand) better financial products. It is important to note that all these goals would not be achieved simultaneously or instantly. Indeed, many of them would not (and may not) be realized for a long time after the implementation of this project.

From a funding perspective, FSD Kenya's support for the project came at a critical time and had a decisive impact on the project's progress. FSD Kenya's financial support included the funding of the KCISI project manager role, professional development and requested technical assistance. This funding combined with explicit and measurable targets and regular internal and external assessments of the project's progress[6] provided the project sufficient oversight and direction. Yet FSD also kept a hands-off approach, supporting KCISI's capacity building exercises, letting KCISI learn and understand its own needs, and assisting the project team only when necessary. This approach proved to be an effective donor-grantee relationship and provided the level of trust and accountability needed to successfully drive the project forward.

Another notable stakeholder was the Central Bank of Kenya. CBK played a dual role in this initiative, both as a regulator and as a project sponsor. CBK did not want to maintain the status quo waiting for banks to comply after the gazetting of the CRB Regulations. Instead, it formed a Joint Task Force with KBA with the twin goals of establishing the CRB and assisting the bank with submission readiness as mandated by law. Taking a proactive role and working with the banks helped the CBK achieve its objective of compliance and its overarching goal of fostering a stable financial market. Further, it was able to gain buy-in from the industry by making clear the regulatory requirements but also working willingly with banks to help them achieve these compliance requirements.

Additionally, the CBK Governor was an active regulatory project champion of the CIS initiative. It is during his tenor that a working regulatory framework was established. His personal involvement since KCISI's launch in August 2009 and in other seminal events was instrumental in spurring bank involvement and in creating the type of regulatory atmosphere that could effectively respond to implementation concerns.

Appendix 2 lists the project stakeholders, their roles and motivations in the Kenya CIS initiative.

2.3. Phase One

The first phase of the KCISI project implementation took place from August 2009 to September 2011. During this time, the project had five clear deliverables: 1) develop a roadmap to operationalize the credit reference system in Kenya; 2) develop licensed, operating credit bureaus; 3) develop a functional regulatory framework; 4) have all banks participating in the credit reference system; and 5) achieve positive buy-in from stakeholders. These objectives would enable the project team to have a clear focus and enable the better deployment of resources from several different organisations including the KCISI office, the Kenya Bankers' Association, Financial Sector Deepening Kenya, the Central Bank and member banks.

The first task was to develop the KCISI roadmap which was essentially a project plan that detailed how the project team would go about achieving the rest of its four objectives. This roadmap included the identification of the internal bank and CRB project teams, the key activities required for

[6]*Kenya Credit Information Sharing Initiative A Progress Report 2008-2011* by Gabriel Davel, Tshangwane Serakwane and Mark Kimondo.Page 27.

the banks to participate in CIS, and a consensus on the methodology and approach required to complete the relevant steps. This exercise took a month and was completed by September 2009 whereupon the project team commenced implementation.

Due to regulatory requirements that information be shared through approved mechanisms, the second key task was to support the licensing of credit bureaus. The process of bureau licensing was happening in parallel with the set-up of the KCISI project team. Until 2010, CRB Africa and Metropol served as the de facto credit bureaus. However, neither was licensed by the Central Bank because they had not fully met the bureau licensing requirements outlined in the Regulations, both having submitted their license applications in 2009. In February 2010, CRB Africa received its Central Bank license, while Metropol CRB received its Central Bank license in April 2011.

The third major output, a functional regulatory framework, included the following activities: 1) review of legislation and regulations to ensure the CIS project could proceed without legal impediments; 2) identification of gaps and provision of capacity building for CBK to perform CRB licensing and supervision; 3) establishment of a self-regulatory framework, governed by the representative of all credit providers, dubbed as the Kenya Credit Providers Associations (KCPA); 4) review of the legislation in other jurisdictions that allow for participation by non-bank credit providers and full-file information sharing.

Given the scope of these tasks, the KCISI team had to decide how to best accomplish them with the team's limited resources. The team settled on playing a coordinating role among major stakeholders especially the CBK, CRBs and the KBA. This included facilitating meetings, workshops and technical assistance requests, regular communication of project progress to each of these stakeholder groups, and deployment of technical assistance in conjunction with FSD and credit bureaus as needed to the Central Bank and to the individual banks. KCISI was instrumental in continuing the especially close working relationship between the Central Bank and the Kenya Bankers' Association which enabled any regulatory concerns to be addressed in a timely fashion. This was particularly effective as the industry was able to work with the regulator to ensure that the regulatory framework and the implementation of compliance requirements did not pose an onerous burden to banks.

The fourth project output involved obtaining participation from all banks in the credit reference system. Although this had been mandated, the KCISI team wanted to ensure participation was uniformly consistent across the banks and to make the compliance process as painless as possible. This was a critical pre-requisite in obtaining positive buy-in from the different stakeholders. To successfully achieve this objective KCISI would need to provide tactical support to one of the most critical areas of CIS implementation: data preparation and submission.

The first big task in data submission is defining data specifications. Data specifications define the content and the format of data to be submitted to the CRB. They contain the list of data items such as National ID, phone number, loan amount, loan balance, etc., and the format of each data item specified.

Defining the data specifications seemed simple: customer data and customer loan information had to be included in the file. In practice, this was not the case. The design and structure of the data files had to be realistic, clear to all users, and within the capacity of both the bank (the data providers) and the CRBs. In general, data specifications have to be very clear and precise so that all of the users of the document interpret data fields in the same way. For example address fields must be carefully defined as postal or residential address with clear guidelines given for how these should be provided. For KCISI, the development of the data specifications included the coordination of several consultations between banks and the CRBs. Consultations with CRBs helped determine which data fields were most critical and therefore mandatory. For example, data fields such as name, national ID, and date of birth, were categorized as critical since they establish customer identity and are as important as the loan information. The CRBs also had to ascertain that there was enough loan information to develop meaningful credit reports. On the other hand, the banks were also consulted to determine if they were able to provide the required information and if they understood the specifications. These consultations took several iterations until both parties agreed on the data specifications.

After the data specifications had been finalised, banks were tasked with producing data and submitting it to the CRBs. The three main activities banks had to perform to meet this target were to collect, extract, and review the data. For banks that had the data in a Core Banking System (CBS), the work was easier. Banks with CBS or with incomplete or inaccurate data in their systems, had to resort to physical records, which sometimes required going into archives to complete or correct the required data. This process was collectively referred to as data clean up. For credit providers joining the CIS, this comprised the bulk of the work required. Data extraction involved writing a computer program to extract the data from the CBS and writing this data in the format provided in the data specifications. Reviewing the data prior to submission was necessary to minimize the risk of submitting inaccurate information. In negative information sharing, this was critical as customers are most likely to contest a bad credit report. The data submission process involved uploading data files onto the CRBs' web site or physically delivering the data disks to the CRB's offices. Today, all banks in Kenya are required to submit data to the CRBs on the 10th of every month. Failure to meet these deadlines results in a stiff penalty.

KCISI played a vital role in ensuring the submission process went smoothly. The CIS implementation process included a testing phase where each of the 43 banks was able to conduct data submission tests prior to the official CIS launch. KCISI grouped banks into four batches and each group had two weeks to test their data submissions. The test was simple: banks submitted data and the CRBs gave them feedback on which records were accepted and which rejected. Records were rejected if they were not in the right format or were missing mandatory fields. This test period occurred from February 2010 to June 2010. During this time, KCISI monitored the data submission process and acted as a liaison between the banks, the CRBs, and CBK. KCISI received the results of data submission from CRB Africa and followed up with individual banks when any of three scenarios occurred: failure to submit, incomplete submissions, or low CRB acceptance rates. KCISI also coordinated with CBK in case CRBs requested their help or clarifications were required. In July 2010, the banks had achieved acceptable acceptance rates and the process moved from testing to live submission of data.

The monitoring of data submissions continued even after the official bank CIS launch. Monitoring of data submissions revealed a number of post-implementation issues. First, legacy problems such as missing mandatory data for very old loans still existed. Second, regulators now had another tool through which to monitor reporting compliance. The Central Bank, which had a long-standing requirement for banks to report NPLs, could now compare bank submissions to the credit bureaus with those submitted to the Central Bank. Any major discrepancies would raise a red flag and enable the Central Bank to further investigate data irregularities. Comparison of data provided to these two sources initially revealed large discrepancies which needed to be addressed with each of the institutions involved.

In order to have a successful CIS implementation, the fifth KCISI objective was to achieve positive stakeholder buy-in. This process would represent one of the greatest successes of the project team and also emphasize the importance of one of the most important activities in an effective CIS implementation: the role of communication. A large portion of the work of KCISI involved communication, including the close coordination with the project sponsors, CBA and KBA, and convening the bank project teams to discuss the project, get their input on the data specifications, and training them on how to train their staff and educate their customers.

The KCISI team took several important steps in order to ensure proper and effective communication. First, the KCISI's Project Manager provided regular updates to a variety of stakeholders including quarterly reports the KBA's Governing Council and monthly status reports to the Joint Task Force comprised of the KBA and CBK. Second, for a strategic approach to reach the wider audience, KCISI commissioned a marketing firm, Ogilvy PR, to come up with a campaign with the following objectives: 1) address lingering concerns among banks and other players; 2) shape public perception about credit information sharing; 3) gain buy-in from all stakeholders; 4) change people's attitude towards banks and credit; and 5) shift people's behaviours to manage their credit history.

The target audience of the campaign was the banks' staff initially, which later extended to the media, customers/borrowers, the general public, and regulators. The campaign included educating the media and empowering journalists with information on CIS, developing materials such as newsletters and brochures for the banks, mass media campaigns, and regional campaigns run directly by KCISI. These regional campaigns included the business community visits where KCISI held workshops for the town officials, bank staff, and consumers in different parts of Kenya such as Mombasa, Eldoret, and Kisumu. During these visits, CRB Africa opened booths for free credit reports to walk-in customers. <Insert picture of BCV> The mass media campaigns included media briefings before the bank CIS rollout, six pages of CIS advertisements in nationally published newspapers just before the rollout, and a two-week TV campaign right after the rollout. <Insert picture of sample newspaper ad >

The importance of communications and the magnitude of KCISI's effectiveness in this role cannot be emphasized enough. Through strong communication efforts, KCISI was able to build key relationships with the project's sponsors and funders. These efforts enabled KCISI to inform, educate, and rally the banks to submit data to CRBs within the projected timelines. They also allowed KCISI to ultimately build consensus with its varied stakeholders and achieve the level of buy-in needed to make the project successful.

Although KCISI's communications efforts were widely considered successful, the organisation also noted areas of improvement. For instance, in the middle of phase two, the team conducted a survey on bank staff and consumers' attitude and opinions towards CIS. The team conceded that this could have been done at the start of phase one and its results should have informed the communications campaign allowing KCISI to sharpen its messaging around focused targeted audiences. Also, even when KCISI provided brochures and posters to the banks, not all banks conducted active campaigns to educate their customers. Bank letters informing clients about CIS did not reach all intended recipients. For phase two of the CIS project, KCISI adapted more practical mediums such as text messaging to reach consumers. This process highlights the role of learning and continuous improvement for any CIS project team. By consistently evaluating and assessing progress and learning to adjust to new information, the CIS project team can continue to strengthen its effectiveness and contribute to a better CIS implementation effort.

Preparing for Phase Two

By August 2010, many of the phase one objectives had been achieved: stakeholders had bought into the project, banks were participating in CIS and there was an adequate regulatory framework. Still, full implementation of CIS in Kenya was far from complete. With banks now participating in the system, the KCISI team decided to spend the next year taking stock of its accomplishments and preparing for the next phase. This took the form of several different activities including preparing for positive, full-file information sharing, launching a regional credit reporting conference, and a formal assessment of phase one by FSD.

One of the major requirements of any complete CIS implementation is positive information sharing among credit providers and other potential data providers. Unfortunately in Kenya, this was also one of the largest constraints. KCISI recognized this fact even in the midst of its phase one implementation:

> "*Starting off with NPLs and moving on to performing loans much later is ideal from a Project Management perspective, but it has the downside of entrenching an irreversible perception that CRB is a blacklisting process. This unintended impression of damning borrowers may generate resistance from borrowers and also hesitation among some banks when listing borrowers classified NPL but whom they consider of relatively good risk. This has potential of raising compliance-related issues, given the clear Banking Act requirements. Full-file reporting is the best way out of these risks.*"[7]

Historical factors related to competitive concerns, unclear regulatory guidelines and a lack of clear benefits from positive, full-file information sharing had limited CIS sharing in Kenya. Yet, key stakeholders including KCISI, credit bureaus and various project sponsors all saw the need to move toward full-file information sharing. Some early efforts had mixed results. In a regularly scheduled monthly meeting in May 2010, the KBA decided that banks should put together a plan to share positive information. However, by December 2010, only 14 banks had participated in positive data sharing and for those banks who participated, only part of their portfolio was shared. Part of the cause of the low turnout was that positive sharing was not yet mandated by law and could only be achieved bybanks obtaining consent from all their current customers before sharing their information. Still, these early sharing efforts were important in gaining some of the buy-in that would be required to later implement full-file sharing. At the same time, KCISI continued its regulatory advocacy efforts around CIS sharing – an effort that would yield results in phase two when full-file information sharing would finally be mandated.

[7] Excerpt from the May 2010 KCISI status report to the KBA Governing Council.

"We need to adopt practices that will assist in expanding credit in ways that widely benefit underserved consumers, including women, the youth and low income groups. As all players in the credit information sharing arena are gathered at this conference, there is need to interrogate the current business model where the sharing of negative information is mandatory but the sharing of positive information is voluntary. We need to understand and appreciate that the slow pick-up of full-file sharing of information will not help good borrowers to quickly derive the benefits of this initiative." Keynote Speech from Mr. Joseph Kinyua, CBS, Permanent Secretary, Ministry of Finance.

In July 2011, KCISI, KBA, and CBK hosted a regional credit reporting conference designed to: 1) share experiences on issues pertaining to CIS in the East Africa region; 2) raise awareness on the best practices in credit reporting; and 3) propose ways through which the mechanism will evolve going forward. Over 400 delegates from Kenya, Uganda, Tanzania, Rwanda, and Burundi attended the forum with resource personnel from the World Bank, International Monetary Fund (IMF) and the International Finance Corporation and relevant organisations in South Africa, the United States of America, and China.

The conference focused on several different issues such as, legal and regulatory environments, cross border data flows, governance and risk management, financial education, dispute resolution, and consumer protection, opportunities for credit reporting in the non-bank arena, and credit bureaus in the region. Although the conference attendees engaged in a wide range of subjects, there was broad consensus that access and exchange of information is critical for the smooth functioning of modern financial markets, both to evaluate risk and to develop appropriate financial products. Despite the consensus, CIS was not widespread among conference attendees at the time. The conference concluded that the credit market across the region was actively moving in the right direction. Many also agreed that raising awareness and explaining the benefits of CIS required continuous investment to achieve the desired results. The Regional Credit Reporting Conference in Kenya was seen as part of this process.[8]

This conference was important then for several reasons. It established a common framework of understanding among key stakeholders across the region. Within Kenya, it catalysed a shift in attitudes among a much broader set of credit providers beyond the banking system who now wanted to get involved in Kenya's CIS efforts. Further, it also helped solidify agreements that positive, full-file information sharing was a vital part of any credit reporting system.

<Insert conference picture here. >

Caption: This conference was a proud moment for the KCISI team. It marked the end of KCISI Phase 1 and it is the culmination of the 2 years of their hard work and learnings where they can proudly say that Kenya has a functioning Credit Bureau and can speak of their experience, learnings, and future plans with their peers.

A key part of preparing for phase two was conducting a formal assessment of the results of phase one to understand how well the project had performed compared to the roadmap. This assessment was also important because it would inform a large part of phase two's project plan. FSD

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[8] *Upscaling the Credit Markets in East Africa*. Final Report on Regional Credit Reporting Conference – Kenya 2011. Page 12.

commissioned an independent end-of-project review for phase one of KCISI. The assessment provided a favourable opinion on the efforts of KCISI:

> *"The progress, which was made in the short period since the initiation of the project has been remarkable. From the registration of the first credit bureau in February 2010, the level of information sharing increased dramatically. The level of support for information sharing amongst banks and the level of interest amongst SACCOs and MFI's for participating in information sharing is a notable achievement. The project established a sound basis for broad credit information sharing in the Kenyan financial sector."*[9]

Overall, KCISI was able to fully or partially achieve its main goals. KCISI created and implemented a roadmap to operationalize the credit referencing system. By April 2011, Kenya had two licensed CRBs, with one in full operation. Positive buy-in from all stakeholders was obtained with KCISI being championed both by Ministry of Finance and CBK. The establishment of a functional regulatory framework was partially achieved with the CRB regulations in place. However, the credit providers' association was not established. This was to be the main organisation through which advocacy efforts around a unified regulatory framework was envisioned and as such, by the end of phase one, there was no such framework for non-bank credit providers. And finally, although all banks were actively participating in the CIS by the end of phase one, positive information was still not being shared and at the time of this writing, few banks actively use credit reports.

The independent assessment emphasized several areas of risk and made recommendations for phase two. In terms of risk, the report made the following observations: 1) sharing of only negative data undermines value of CIS; 2) excluding parties other than banks undermines the value of CIS; and 3) low volumes of data and enquiries will undermine viability of CRBs. These risk areas were concerns shared by the KCISI project team and key stakeholders. The report endorsed the KCISI project with the following recommendations: 1) address important legal obstacles such as the limitation for banks to share data with other credit providers; 2) provide capacity building for the banking sector and CRBs; 3) make further progress in implementing positive information sharing; 4) make rapid progress towards inclusion of MFIs and SACCOs in information sharing; and 5) establish the proposed Kenya Credit Providers' Association. These observations and recommendations formed the foundation of phase two planning.

[9] *Kenya Credit Information Sharing Initiative A Progress Report 2008-2011* by Gabriel Davel, Tshangwane Serakwane and Mark Kimondo.Page 7.

3. KCISI Phase Two

In October 2011, KCISI phase two was officially approved by FSD Kenya, KBA and the CBK. This Phase consists of a three year project running from October 2011 to October 2014 with four major deliverables: 1) a functional legal and regulatory Framework for full file comprehensive credit reporting; 2) participation of all credit providers in a functional CIS system; 3) greater understanding of CIS by all stakeholders in the country; and 4) enhanced capacity of all institutions involved in the CIS mechanism to function efficiently.

Phase two's scope and objective is larger and more comprehensive than that of phase one. The primary phase two goal is to have a sustainable, well-functioning full-file comprehensive information sharing system including MFIs, SACCOs, and utility companies. By the end of phase two, KCISI will be dealing with more than twice the number of its current stakeholders and the CRBs will have increased their database size by ten times. Despite this larger scope, the KCISI team already has a number of notable achievements during phase two in each of its major deliverable areas.

<u>Legal & Regulatory Framework</u>

The Banking Act was amended in April 2012 to mandate participation of licensed MFIs in the bank database. The CBK Act was also amended to mandate banks to share both positive and negative data. The CBK is expected to issue relevant regulations shortly. Several banks participated in the drafting of a code of conduct and a consumer protection guide for CIS to be issued alongside the Regulations by CBK, in order to promote self-regulation by the industry. Additionally, the project team is coordinating efforts around the formulation of a comprehensive national credit information sharing regulatory policy on CIS to guide all future reforms.

A consultancy constituting of experts from the Chartered Institute of Arbitrators of Kenya has been commissioned to assist in establishing an alternative dispute resolution framework for CIS for bank customers.

<u>Broader Participation</u>

A wide range of credit providers attended the launch of KCSI phase two in a dinner event that was graced by the CBK Governor, KBA Chair, and KBA CEO in February 2012.

The 2012 Parliamentary Budget Speech reiterated the government's commitment to expansion of the mechanism beyond banks. A CIS National Forum was formed in April 2012. This forum is working on a constitution for the Kenya Credit Providers Association and laying the groundwork for the participation from a broad spectrum of credit providers.

In addition to the banking sector, the microfinance sector is also coming on board. All MFIs have undergone a capacity review to assess readiness to participate in CIS and are preparing to pilot data sharing by October 2012. This assessment showed that 14 out of 37 assessed MFIs were ready to participate in CIS. These 14 MFIs comprise 80% of the total outstanding loan portfolio.

Banks have also continued to progress, completing their review of data specifications templates to facilitate full file data sharing and uniformity of data submission by other credit providers.

Improved Awareness

A survey on attitudes of all CIS stakeholders is underway to document the opinions held regarding CIS. This survey will inform the communication strategy that will be rolled out in the next two months and form the basis for mid-term and end-term reviews of public opinions.

The CIS Project won 1st runner up in Public Service Innovation award. This award aims to identify and recognize the most outstanding innovations in the public service. Various institutions submitted entries that were vetted and adjudicated between September and December 2011.The KBA and CBK partnerships on the "Credit Information Sharing System (CIS)" and "Cheque Truncation System (CTS)" were noted as innovations whose introduction has greatly revolutionized the financial sector in Kenya.

Enhanced Capacity

Full file information on bank credit customers introduces new challenges on bank capacity. The number of records will significantly rise from negative information sharing to positive information sharing. The banks are being assessed by KCISI on theircapacity to participate in full-file information sharing. Specifically, KCISI will assess their capacity to validate and cleanse data prior to transmission and on the capability of the credit risk management team to utilise credit reports. There is also concern that some banks use manual interventions to submit data leading to inefficiency in submitting large volumes of data. The result of this assessment will inform the implementation plan for full file credit reporting for banks.

These accomplishments reflect the changed CIS environment, a marked contrast from the project inception August 2009. When the project was commencing, although there was receptivity to CIS, many stakeholders approached it with caution. Regulations focused mostly on the banking sector and on negative information sharing. Few organisations submitted data and fewer still utilised the yet to be licensed credit bureaus. Fears of client poaching were high keeping many potential credit providers away. Unclear benefits, few champions and high investment costs made KCISI's task formidable.

In phase two, the environment reflects the joint progress of a number of stakeholders including KCISI, KBA, CBK and FSD. The regulatory environment has changed and continues to evolve steadily. Positive information sharing is now mandated of banks and the regulatory advocates are working to open the system to all credit providers and other participants. Two credit bureaus are now licensed and fully operational. They have also been instrumental in the CIS process, supporting banks and providing technical assistance where possible even as they continue their innovation efforts. As the benefits of the system become clear, competitive concerns have subsided and there is a greater willingness of organisations to make the required investments to participate in CIS. This interest in CIS has also resulted in a broad array of stakeholders, many of whom are vital to building an effective CIS system. But perhaps the most significant change is the formation of a national forum which will be KCISI's implementing partner and eventual replacement.

KCPA and the National Forum

The creation of the national forum is one of the biggest steps towards creating the type of governance and leadership structure needed to move the project beyond phase two and into perpetual sustainability. One of the goals of phase one was the creation of a Kenya Credit Providers Association. However, this objective was deliberately put on hold because at the time, the number of stakeholders interested in CIS and willing to make the required investments was still fairly low. By the beginning of phase two, this had changed.

Inspired by the Regional Credit Report Conference, the National Forum was conceived in July 2011. Unlike the current KCISI sponsorship of mostly bankers, the National Forum has representatives from different credit providers such as MFIs, SACCOs, and utility companies. KBA and CBK continue to be involved through both the national forum and JTF. KCISI acts as the secretariat of the National Forum. The national forum will eventually become the KCPA and will spearhead major CIS initiatives.

"KCPA could have been born yesterday. However, associations should be formed bytheir members. A forum should be established and the forum should transform itself into an association when it is ready." Jared Getenga, Project Manager, KCISI

Taking its lead from KCISI, the National Forum has three committees – legal, communication, and ICT. The legal committee will drive the CIS policy for adoption by the government, propose relevant amendments to existing regulations, and draft a code of conduct for use by all credit providers. One of the legal committee's tasks for the year 2012 is to register KCPA as a legal association. The communication committee will assist the National Forum in the development and implementation of an ideal communications strategy for phase two of CIS. The ICT committee will analyse existing data from different credit providers to understand the diversity and availability of the data to better inform the development of a universal data specifications. Furthermore, the ICT committee will undertake a capacity review of the credit providers in terms of data availability and accuracy, IT capacity, ability to make best use of credit reports, willingness and overall organizational efficiency, and risk management culture. The ICT committee will also plan and implement the rollout of other credit providers joining the CIS.

4. Reflections: Success Factors and Lessons Learned

The initial success of the KCISI project team is instructive in several ways. First, there are specific project team actions that enabled the project to gain significant traction. External factors also contributed to the project's success. In looking at Kenya's experience, two particular areas lend themselves to additional insights: success factors and lessons learned.

4.1. Success Factors

Several different factors were integral to the success of the project. Some of those success factors have already been discussed: the power of a close relationship between regulators and the regulated, the importance of building consensus and obtaining buy in, FSD's role as a project sponsor and a partner, and the role of communication in making the project a success. But beyond these success factors, there are additional enabling factors which contributed to the project's success.

On the regulatory front, beyond the close working relationship with regulators, the overall regulatory environment was favourable to CIS. From the 1990s, regulators have generally had a favourable stance towards CIS in Kenya. This was evident when the Central Bank and Ministry of Finance championed the legislative changes needed to introduce negative information sharing. Additionally, as phase two has commenced, other regulatory bodies are slowly getting involved in the process.

The other success factor is the role of project champions in commercial banks. These individuals were responsible for acting as a liaison between the KCISI team and the internal organisation. KCISI made sure that the project champion understood the benefits of CIS and equipped them with the tools necessary to effectively communicate within their organisations and customers. This proved to be successful. Project champions within each stakeholder group and organisations amplified the impact that KCISI was able to have and allowed it to effectively use its resources and build the necessary momentum.

This positive momentum made possible by running a full-time project was a key success factor. Prior to the formation of KCISI, the project proceeded in a piecemeal fashion and generally slowly. Once the KCISI team was in place, it started to generate small, quick wins. These wins were the building blocks for the momentum needed to generate success at scale. The KCISI team capitalized on each win, using it to generate a bigger subsequent win or to address potential concerns. This is best illustrated with the July 2011 regional conference. The efforts of the KCISI team culminated in a highly successful regional conference that was the determining factor in catalysing broad interest. Building on success and momentum showcased the KCISI's strengths and importance of a strong, independent project team.

Without the formation of the KCISI project team, many of the project's successes both in phase one and the early part of phase two are unlikely to have happened. KCISI played a vital role, consolidating resources, coordinating stakeholders and acting as a nexus of information for all stakeholders, especially banks and other financial institutions. The KCISI team was flexible and adopted an attitude of rapid response. This ability to adapt to changing situations and to adjust the project plan as needed was another enabling success factor. A strong independent team, able to quickly and effectively respond to the environment were key enabling factors.

The support of industry through the Kenya Bankers Association was also another enabling success factor. The KBA lent financial and in-kind support that helped to leverage pre-existing donations and more importantly, created legitimacy of this effort for the member banks. With the Central Bank and KBA fully supporting this effort, even banks on the sidelines were eventually forced to take the effort seriously. More importantly, KBA helped to illustrate the benefits of CIS to its members through education forums to its member banks. The support of industry in undertaking any CIS effort is therefore a worthwhile objective in the planning stages of a CIS effort.

4.2. Lessons Learned

The conclusion of phase one and commencement of phase two also provided the opportunity for the team to reflect on key insights and lessons that could be applied to phase two and in some cases, to other contexts also looking to implement credit information sharing. Three key lessons stand out: the importance of conducting assessments, importance of comprehensive regulation, and importance of strong credit bureaus.

Conducting comprehensive pre-project assessments is important because it enables the project team to develop baselines against which they can measure their efforts and the project's progress. The KCISI team conducted its communications baseline survey midway through the overall KCISI project. Although the team had conducted a successful communications campaign, in several areas, it could have had better results with more targeted messaging. Because Kenya started credit sharing with negative information, credit bureaus came to be known as a blacklist which prevented access to credit. This perception has been difficult to change and influences the perceived benefits of credit bureaus.

A comprehensive regulatory structure is a fundamental element of credit information sharing. Kenya's initial regulatory structure was driven in response to the banking sector and remained focused on the banking sector. Two actions had a disproportionate impact on the efficacy of the implementation process: mandating negative-only information sharing initially and creating a closed user group. Because the credit information sharing mandates were limited to banks and importantly, because non-bank institutions could not access the credit information database, the result was to leave out critical stakeholders who often had critical data that was useful to banks and to their own underwriting efforts. The uncertainty created as a result of the process and the accompanying efforts to change the regulatory environment to accommodate everyone and create an open system have slowed the process considerably. Future practitioners of credit information sharing are advised to pay special attention to ensuring the proper regulatory structure is created and forward-looking. Relevant regulatory questions should be asked at the onset: Which stakeholders should be permitted to share information? Who should have access to data and under which conditions? How will consumer privacy be protected? How can the law facilitate the creation of an effective dispute resolution mechanism? How should credit bureaus be regulated? Should ownership be public or private? Which regulatory agency or agencies should oversee the CIS process? These are just a few of the questions that need to be addressed in creating a comprehensive regulatory structure.

Credit bureaus are the nexus of any credit information sharing. Because credit bureaus are such key stakeholders, ensuring that a CIS effort starts with a mature bureau or has competent bureaus is important. Bureaus can help with technical assistance to banks, with regulatory efforts and with awareness campaigns. These roles require bureaus that have the requisite skillsets and experience to advocate the optimal CIS structure.

5. Moving Forward

"Mr. Speaker, while we have made great strides to deepen our financial sector, commercial lending rates remain persistently high. In response to a directive from H.E. the President, we are coordinating a number of measures to address the root causes of the problem and the constraints in the industry responsible for high lending rates. "

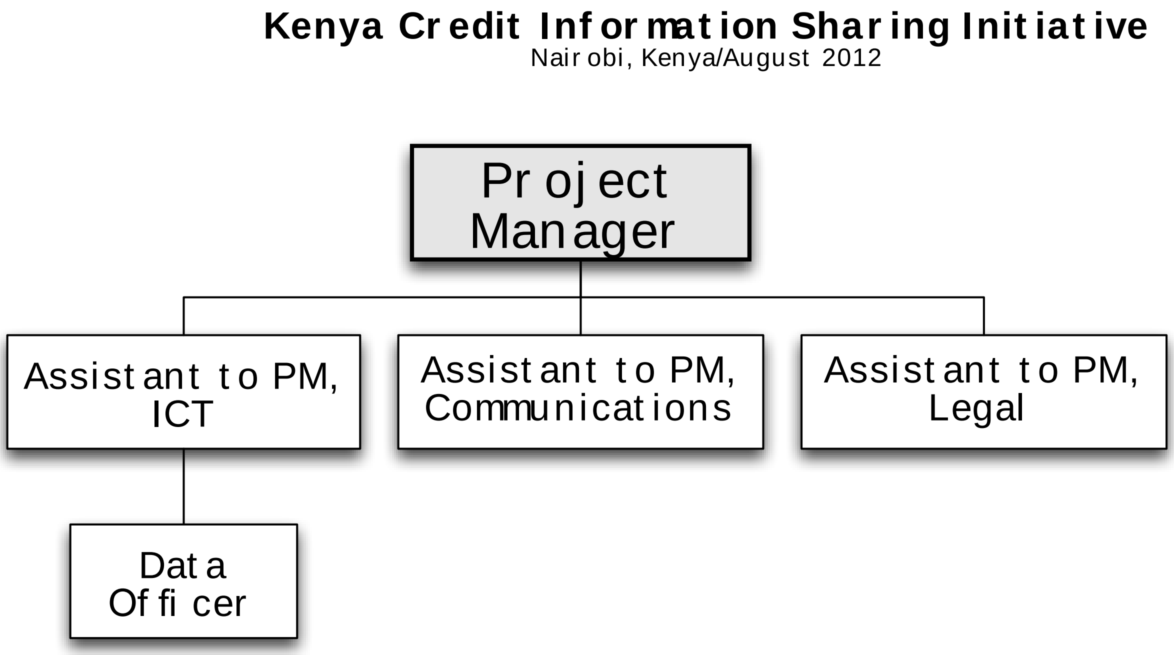
"We will extend credit referencing to sharing of positive information by banks to encourage competition for good borrowers."

"Mr. Speaker, sharing of credit information among lenders is very critical to decision making for new lines of credit. With the recent introduction of deposit-taking Microfinance institutions, there is need to broaden the sharing of credit information to cover these new institutions. To this end, I propose to amend both the Banking and Microfinance Acts to allow for credit information sharing by institutions licensed under the two Acts."

Kenya's Finance Minister Njeru Githae, June 2012, during the Annual Budget Speech

The future of Credit Information Sharing in Kenya looks bright. After the successful completion of phase one, widespread buy-in has been achieved and an increasing number of credit providers want to participate in CIS. Although there were issues raised from the first phase, the second phase of the project directly addresses these issues with plans and resources in place to accomplish the specified objectives. However, full-file credit information sharing hinges on undoing the current limitation set in the current regulations: banks must be allowed to share their information with other credit providers and vice versa. The full potential of CIS can only be unlocked with a full-file comprehensive information sharing. All credit providers should share full-file (positive and negative) information. Therefore, the role of Parliament in realizing a well-functioning CIS cannot be understated.

Appendix 1: Organisation Chart



Appendix 2: Stakeholder Listing

Stakeholder	Role	Stake
Parliament, Ministry of Finance	Regulator	The Parliament has at its interest the financial stability of the country, its banks, and other credit providers. The Minister of Finance acknowledges that a well-functioning Credit Bureau or CIS mechanism can help mitigate unsustainable NPLs and should help lower interest rates.
Central Bank of Kenya (CBK)	Regulator, Sponsor	As the guardian of banks, the CBK's role is to monitor compliance from banks, and at the same time provide a framework for a healthy banking sector. Thus, It is to CBK's interest that CRBs are created and banks are able to improve credit risk management and comply with regulations.
Kenya Bankers Association (KBA)	Sponsor	KBA's mandate is to promote its member banks' interests in the financial sector and the economy, in general. KBA appreciates the benefits of CIS to its members. By sponsoring the CIS initiative, KBA helped its members comply and benefit from CIS.
Financial Sector Deepening (FSD) Kenya	Funder	One of FSD's main thrust is financial inclusion. CIS has been proven to have a huge role to play in increasing access to finance, particularly by SMEs.
USAID Financial Inclusion for Rural Microfinance (FIRM)	Funder	As its name implies, FIRM has several programs in Kenya that are focused on expanding and innovating financial services. To this end, USAID FIRM is assisting the KCISI project to help MFIs join the CIS initiative as a means of strengthening this sector.
Financial and Legal Sector Technical Assistance (FLSTAP)	Funder	FLSTAP is a project of Kenya's Ministry of Finance, the World Bank and UK's Department for International Development (DFID). Its mandate is to create a sound financial system and strengthened legal framework and judicial capacity that will ensure broad access to financial and related services.
International Finance Corporation (IFC)	Funder	One of IFC's priorities is developing local financial markets. IFC helped draft the CRB regulations.
KCISI	Project Managers	The success of the CIS initiative can be directly attributed to the KCISI team. The KCISI team believes in this initiative and the good that it will bring to Kenya's financial sector and to the consumers.
Credit Reference Bureaus (CRBs)	Service Provider	As the technology and data service provider, the CRB is a business for Metropol and CRB Africa. As such, these stakeholders are driven by commercial interests, which means they have a strong incentive to have an accurate and robust database that will allow them to create credit reports that deliver value-add to the credit providers.

Stakeholder	Role	Stake
Credit Providers	Data Providers and Data Users	The credit providers in Kenya include banks, MFIs, SACCOs, utility providers, and retailers. The banks are required by law to participate in CIS while the others are not. The other credit providers such as MFIs and SACCOs are eager to join to prevent multiple borrowing from their creditors and to mitigate the risk of providing loans to bank borrowers who have bad credit history.
Consumers	Data Subjects	At the end of all this, it is the consumer's credit information that is being submitted to the CRBs and then shared amongst the creditors. CIS in general is designed in part to increase access to finance, which clearly would be a direct benefit for the consumers.