

A Publication of Credit Information Sharing Association of Kenya (CIS KENYA)

Digest CIS Kenya

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Identification Revolution

IDENTIFICATION SYSTEM THROUGH THE USE OF
INTEGRATED POPULATION REGISTRATION SERVICES (IPRS)





Editor's note

The year 2019 is shaping up perfectly for the CIS fraternity in Kenya. There are very exciting projects ongoing as you may have seen in our last digest, end of 2018.

The first to mention is the amendment of Data Specification Template and the piloting process. We continue to receive feedback on these two major milestones and are proud to say that all is well.

In this digest we talk about varied issues. Have a look at :

- Why the Paris Agreement expects input from all of us and how CIS Kenya is helping its members deliver tangible and recorded input in the sustainability agenda.
- Our CEO sharing lessons from a global credit reporting scene in Turkey.
- The new faces of Data Quality Compliance Service
- Industry updates
- And the feature of the quarter: a commentary on the 'Huduma Namba' from a CIS perspective.

Editor,
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Huduma Namba

THE IDENTIFICATION PANACEA?

In February 2019, the Government of announced the Launch of 'Huduma Namba' a National Integrated Identity Management System. The purpose of the portal is to be a master population register, applicable to all residents of Kenya: foreign and citizens, which enables one to be identified using a single reference number in order to access government services. Its registration was rolled out on a pilot basis in select counties across the nation.

There was clamour over the relevance of the number considering Kenyans already have a vastly utilized unique identification system through the use of our Integrated Population Registration Services (IPRS) that issues national ID numbers, alien IDs, and any other identification numbers.

It is notable that the National ID number is the most prevalent of these numbers and is commonly used to identify Kenyans when voting, paying taxes, contributing to social security services, opening bank accounts, buying a mobile phone SIM card and for purposes of this article; it is what distinguishes one borrower from another at the lenders databases and the Credit Reference Bureau.



SO WHAT IS THE EXISTING PROBLEM?

Chronological timeline of Biometric registration of Kenyans

- 1989- Proposal of concept begins on paper of registering all Kenyans in one central database
- 2010-registration process began
- 2014- National Digital Registry System (NDRS) - an ambitious plan for panoptic biometric registration
- March 2015- Launch of Integrated Population Registration System (IPRS). Government through Central Bank of Kenya issues guidelines to banks and telecommunication companies to confirm customers' identity card numbers using the system before registering them for any product or service.
- Feb 2019- Launch of registration of 'Huduma Namba' on a pilot basis in select counties across the nation.

We recognize that a majority of mobile loans innovations are designed to be disbursed through telco's mobile wallets. The telcos offer to verify the identity of the customer based on IPRS and therefore the lender's KYC is based on IPRS.

Supposing there is a hypothetical challenge in multiple users for a single ID number, it is likely that the data quality at IPRS is compromised and that is the problem-fraud and opportunity that this "huduma namba" system is likely to unearth and rectify.

Take a case in point, when you lose your national ID, you can walk to a Huduma center and replace it efficiently. However, your old ID is not 'de-activated'. Since the ID number is the sole unique identifier relied on by lenders, whoever possesses your lost ID can get they can away with much mischief. They can register for a new sim card with it, open an

account and even masquerade as you in borrowing a mobile loan with the sole intention of defaulting or worse, commit a crime using your credentials.

Social media has created a treasure trove for fraudsters. Users of popular sites voluntarily report: names of spouses and family members, former schools, workplace, addresses, and pets. If you are being stalked by a fraudster, you have likely provided additional information for them to pretend being you in their dubious transactions.

The Government response to the clamor was that the Huduma Namba doesn't overhaul the National ID number, it strengthens the verification process by adding biometric identification features.



CIS INTEREST IN “HUDUMA NAMBA”

Credit information sharing endeavours to accurately and objectively describe a borrower’s propensity to pay a credit facility based on their past activity.

Premised on the extrapolation ‘Past is like future’ it is proven through credit scoring that clients are indeed predictable. However, if the past informing your future is not yours and has been populated with false information of activities you did not engage in, the CRB, the lenders and you the borrower are all in reputational risk because the data upon which you have found a relationship is false or inaccurate. **Tatua center** can and does intervene in erroneous adverse listings at the CRB. However, sometimes, the lender hasn’t broken any law to list you adversely. Their lending procedure was correct, but someone stole your identity and borrowed using your credentials. Here, there is no legal challenge; this becomes a criminal case.

In the meantime, there could be a significant portion of the credit market that is adversely affected by such fraud. ‘Huduma Namba’ will enhance the progress made by the Integrated Population Registration System (IPRS) and the National Government will complete a central master population database: National Integrated Identity Management System (NIIMS)

Let’s hope that the ‘Huduma Namba’ will be the citadel of identification: because as it stands, the other forms of proof of identity have proven to be fallible. Its hypervigilant identification of individuals using biometrics like the voice, fingerprint and ear lobe will make it increasingly difficult for a fraudster to get away with impersonation. We also look forward to adequate data protection mechanisms for the said ‘Huduma Namba’ so that the confidence of both the public and private sector is built and therefore enhance its uptake on a large scale.

INTERNATIONAL EXAMPLES OF BIOMETRIC REGISTRATION

INDIA

Aadhaar is a 12-digit unique identification number that can be obtained by residents of India, based on their biometric and demographic data. The data is collected by the Unique Identification Authority of India (UIDAI). Aadhaar has been described as “the most sophisticated ID programme in the world” and though it is considered a proof of residence it is not a proof of citizenship and therefore Aadhaar does not itself grant any rights to domicile in India.

Since the government of India funds a number of social welfare schemes focused towards the poor and most vulnerable sections of society, Aadhaar and its platform offer an opportunity to streamline their welfare delivery mechanisms and improve transparency and good governance. In the recent Supreme Court of India verdict AADHAR has to be mandatorily linked to Permanent Account Number (Tax Identification Number of India).

ISRAEL

In 2009, the Knesset (Israeli Parliament) passed the Biometric Database Law, sanctioning the issue of biometric ID cards and passports to all Israeli citizens and the establishment of a mandatory database for storing their bodily information (fingerprints and face templates). In 2013, Israel launched a two-year preliminary pilot study to evaluate and assess the project’s feasibility and necessity, in which participation was voluntary.

In March 2017, after several postponements resulting from political controversies and technical challenges, Israel’s Minister of the Interior ratified the project. Opponents of the proposed law, including prominent Israeli scientists and security experts, warned that the existence of such a database could damage both civil liberties and state security because any leaks could be used by criminals or hostile individuals against Israeli residents

IRAQ

Biometrics are being used extensively in Iraq to catalogue as many Iraqis as possible providing Iraqis with a verifiable identification card, immune to forgery. During account creation, the collected biometrics information is logged into a central database which then allows a user profile to be created. Even if an Iraqi has lost their ID card, their identification can be found and verified by using their unique biometric information. Additional information can also be added to each account record, such as individual personal history



CASES OF DATA BREACH IN BIOMETRIC DATABASES GLOBALLY

GERMANY

In May 2005 the German Upper House of Parliament approved the implementation of the ePass, a passport issued to all German citizens which contain biometric technology. The ePass has been in circulation since November 2005 and contains a chip that holds a digital photograph and one fingerprint from each hand, usually of the index fingers, though others may be used if these fingers are missing or have extremely distorted prints.

“A third biometric identifier – iris scans – could be added at a later stage” As a protest against the increasing use of biometric data, the influential hacker group Chaos Computer Club published a fingerprint of German Minister of the Interior Wolfgang Schäuble in the March 2008 edition of its magazine Datenschleuder. The magazine also included the fingerprint on a film that readers could use to fool fingerprint readers.

INDIA

There have been numerous allegations of data leaks in the Aadhar system. A case occurred wherein Aadhaar data collected by Reliance Jio was leaked online, and the data may now be widely available to hackers. The Unique Identification Authority of India (UIDAI) confirms more than 200 government websites were publicly displaying confidential Aadhaar data; though removed now, the data leaked cannot be scrubbed from hackers’ databases.

On 2017 July privacy issues with regard to the Aadhaar card were discussed in the Supreme Court of India. A report from the Center for Internet and Society suggests that the records of about 135 million Indians may have been leaked. A loophole was identified that allows all records to be accessed by anyone though hackers can find other routes.

WHY SUSTAINBLE FINANCE

I LOVE PARIS ACCORD, I AM GREEN
WE COMMIT TO THE SDGS



In today's increasingly competitive environment, companies are realizing that being sustainable is more than an environmental gesture, it is more about long-term economic gains that can be obtained by changing organizational culture and thought processes.

Spurred by the Paris Agreement, which deals with greenhouse-gas-emissions mitigation, adaptation, and finance, and to which Kenya is a signatory; nations around the world under the

United Nations Framework Convention on Climate Change (UNFCCC) are required to put forward their best efforts through Nationally Determined Contributions (NDCs) and to strengthen these efforts in the years ahead. The Paris Agreement requests each country to regularly outline, report and communicate on their emissions and on their climate change/ mitigation implementation efforts as well as post-2020 climate actions; in 5-year pledge intervals

Kenya's participation in the Paris Agreement

In January 2017 and whilst welcoming the coming into force of the Paris Agreement in Kenya, the Head of State, President Uhuru Kenyatta noted the Agreement's linkages to the Sustainable Development Goals (SDGs) that include ending extreme poverty, fighting inequality and injustice, and taking urgent action to combat climate change and its impacts. The President noted that the agreement provides the much-needed impetus to address climate change for a safer future. He stated that it renews transparency and enhances globally ambitious actions which address the challenge of climate change in the short and long

terms. He emphasized the need to synchronize the implementation processes of the Paris Agreement and the SDGs through ensuring that government and private sector initiatives going forward will facilitate environmental protection, social and economic development.

The private sector is expected to support this national agenda, especially in the financing arm. Incidentally, the year before Paris accord came into effect the Kenya Bankers Association of Kenya adopted the Sustainable Finance Guiding Principles and Industrywide Standards to promote inclusive growth agenda. The next coming years were highly illustrious of the banking sector's commitment



Delegates follow proceedings during the Paris Climate Action Meeting

towards this cause as more than 90% of all Kenyan bank staff were enrolled in a sustainable finance course and since then there have been annual awards recognizing banks embedding sustainability in their policy and practice.

CIS Kenya efforts on achieving the Paris Agreement

In a bid to complement the stellar initiative of our members in the Banking fraternity, the rest of the credit market, guided by CIS Kenya is benefiting through coordinated clustering of sectors to build the capacity of lenders in the Sustainable Finance initiative. With funding from WWF Kenya, we commenced the first program with the Development Finance Institutions member cluster last year, read the report [here](#)

Currently, CIS Kenya is engaging with members of the Association of Microfinance Institutions in Kenya (AMFI Kenya) to build a tool for evaluating if the current lending practice in their respective institutions are sustainable or not and if so what remedial actions can be put in place.

The outcome of the engagement is not a regular training for staff but rather to come up with a tool that can measure impact per sector. It is our endeavor that the Kenyan Nationally Determined Contributions (NDCs) can be strengthened from the changes being documented by our tools and that the various players of the credit market are in fact funding only sustainable initiatives.

Features of the two tools CIS Kenya has developed so far

- The tools can record both internal and external stakeholder risks through the following lenses: social, governance, economic and environmental.
- The tools are aligned to industry standards: For the DFI sector, the tool borrows from Association of African Development Finance Institutions (AADFI) Standards and for the Microfinance sector, the tool borrows from multiple bodies such as Smart Campaign.
- The tools assess the impact of lending on natural

capital within the beneficiaries ecosystem, their value chain and product lifecycle.

- The tools are developed with a feature of credit risk assessment
- The tools are co-developed by an independent consultant and CIS Kenya and are continuously and rigorously tested by working groups constituted of credit and risk management staff of lenders before its release and deployment, to influence lending policy.

Items of interest: ENCORE TOOL

The ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) enables users to visualize how the economy depends on nature and how environmental change creates risks for businesses. Starting from a business sector, ecosystem service, or natural capital asset, ENCORE can be used to start exploring natural capital risks. These risks can be explored further to understand location-specific risks with maps of natural capital assets and drivers of environmental change. [Read more here¹](#)

Literature to review on Kenya's Sustainability agenda

1. Green Economy Strategy and Implementation Plan Kenya (GESIP)
2. The Climate change act
3. Sustainable Development Goals (SDGs)
4. The Kenya Constitution article 42, 69 & 70

International companies addressing climate change mitigation in their value chain include:

- **Nike and Adidas** have both stepped up seriously. Nike has focused on reducing waste and minimizing its footprint, whereas Adidas has created a greener supply chain and targeted specific issues like dying and eliminating plastic bags.
- **Unilever and Nestlé** have both taken on major commitments; Unilever notably on organic palm oil and its overall waste and resource footprint, and Nestlé in areas such as product life cycle,

1 <https://encore.naturalcapital.finance/en>

CIS Kenya is benefiting through coordinated clustering of sectors to build the capacity of lenders in the Sustainable Finance initiative. With funding from WWF Kenya

climate, water efficiency, and waste.

- **Walmart, IKEA, and H&M** have moved toward more sustainable retailing, largely by leading collaboration across their supply chains to reduce waste, increase resource productivity and optimize material usage. It also has taken steps to address local labor conditions with suppliers from emerging markets.
- **Pepsi** and **Coca-Cola** have both developed ambitious agendas, such as increasing focus on water stewardship and setting targets on water replenishment.
- In **biopharma, Biogen** and **Novo Nordisk** have

both worked toward energy efficiency, waste reduction, and other ecological measures. They have also focused on social impact via partner initiatives in the areas of health and safety.

- In financial services, we see how banks like **ANZ** and **Westpac** in Australia both advance local communities with good sustainability practices and by embedding sustainability in their business processes and culture.
- Car manufacturers like **BMW** and **Toyota** have made strides on energy efficiency and pollution reduction, not to mention Tesla as an outsider really challenging the industry's overall footprint.



Protesters in Paris Climate Action Meeting 2018 pointing out a lender who is allegedly funding coal projects and requesting that they stop the double standards.

Challenges and Worldwide Applications of Credit Reporting Systems

TURKEY BRIEF



Jared Getenga (standing), CEO of CIS Kenya sharing lessons from a global credit reporting scene in Turkey.

Jared Getenga, CEO of CIS Kenya, represented Kenya and made a presentation at the workshop organized jointly by the Istanbul School of Central Banking (IMB) and Statistics Department of Central Bank of the Republic of Turkey (CBRT) held on December 3-4, 2018. The Workshop on **Challenges and Worldwide Applications of Credit Reporting Systems** was aimed at offering a platform for open dialogue for a wide range of credit reporting service providers who are involved in collecting, processing, analyzing and distributing credit information and its derivatives. These providers, varying from central banks to credit bureaus, focus on different aspects and purposes of CIS. A total of 45 participants including 23 Central Bank attendants from 14 countries, alongside international unions and institutions, actively contributed to the Workshop.

During the Workshop, the World Bank and European Central Bank provided updates on on-going projects in the area of credit reporting. The World Bank International Committee on Credit Reporting shared highlights on a guideline for the credit service providers and users. A significant amount of Conference time was spent discussing Anacredit, the challenging project of European Central Bank that seeks to unify the new defined credit dataset of National Central Banks. Experts from various European Central Banks presented their system and preparations for Anacredit. The Turkey case study was articulated by CBRT and KKB (Credit Bureau of Turkey), while the Asian experience covered the biggest credit reporting database of the world, China and sophisticated system of Indonesia.

The dynamic credit reporting and business information institutions such as BIIA and FEBIS showed the new dimensions of the sector and the expected worldwide usage of alternative data. As part of other international experiences, Latin America and Africa representatives showcased their credit reporting structure, projects and regional challenges. Kenya's case study, which featured in this session, elicited keen interest especially on its peculiarity of strong public and private sector partnership, and the challenges posed and value added by rapid growth of digital lending. As a result, the World Bank International Committee on Credit Reporting expressed a desire to participate in the next CIS Regional Conference organized by CIS Kenya, expected in February 2020.

Industry Updates

Version 3.1

Section Number	Field	Changes Made
3.3	Stakeholder File	Definitions of data for submission under this file changed
3.4.2.2	Amount Fields Formats	Amount Data Type introduced. Fields that adhere to the "assumed decimal point" are denoted by C
4.1.5	Previous Registration Number	<ul style="list-style-type: none"> • Made optional for Bank/MFBs • Made optional for KDIC
4.1.7	Client Number	<ul style="list-style-type: none"> • Made optional for Bank/MFBs • Made optional for KDIC

Update on Data Specification Review process

The review process of the current Data Specification template (DST) Version 3.1.1 that begun in 2018 has progressed on well. Through the process, we have been able to come up with DST Version 4.1 and standardized Data Validation Rules (DVR). The Pilot process has been of success despite few challenges. One of the major challenges has been in procuring the vendors to help in developing extraction procedures in various institutions. Other than the challenges, we have seen a number of institutions other than the ones at the Technical Working Group (TWG) participating in this exercise. We encourage institutions that have not begun participating to do so before we roll it out for Go-Live.

Public Awareness Campaign on CIS

The Consultancy to design and execute a Financial Literacy and Public Awareness Campaign to promote the use of the Credit Reporting System funded through FSSP and coordinated by the National Treasury has commenced. Its objective is to prepare and implement a National Public Awareness Campaign on CIS over a period of 15 months. It will also train a Working Group to carry on the awareness program after the expiry of the consultancy. CIS Kenya representatives are part of the Technical Working Group (TWG) This consultancy is expected to position the Credit Reporting mechanism as a partner in Kenya's national development plans (The Big 4 and Vision 2030 through:

- Increased flow of affordable credit to MSMEs and households for socio- economic development, enterprise etc
- Increased private sector credit to GDP ratio, which is one of the national indicators of economic development

Data Quality Compliance Services

MEET THE TEAM

CIS Kenya has contracted a team of six resource persons to aid in the Technical and Compliance. The team comes in to serve a diagnostic and remedial function in data quality for our members and non-members. They have been trained to assess the level of preparedness to share credit information to the CRB, to monitor if there are challenges and if so, to recommend an intervention.

The outcome of their work will upscale the volume and quality of the data being received at the bureaus and therefore enhance the value and predictability of the CIS Mechanism in Kenya. Should your institution be in need of their services, kindly contact: lemuel.mangla@ciskenya.co.ke



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Head of Policy and Compliance

THE TEAM



Emmah Toroitich



John Thomi



Wallace Macharia



Anthony Njoroge



Ruth Kilonzo
Conference and Events Coordinator

Also, joining us is Ruth who is an events planning specialist. Following the successful 4th regional CIS Conference 2018, the Association Secretariat is enhancing the approach to conference management and we certainly look forward to a more fruitful Regional CIS Conference 2020.

Pictorials



Jared Getenga, CEO, CIS Kenya meeting the new AFRACA CEO



Dissemination Workshop for the customer Appraisal tool for AMFI members



Jared Getenga, CEO, CIS Kenya presenting in Turkey



Sustainable Finance Working Group in a Workshop.



CIS Kenya team at the Sustainable Finance Roundtable in France



Stone-Athi Sustainable Finance Retreat



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