



2015 / 2019

Association of Kenya
Credit Providers

STRATEGIC PLAN

ABRIDGED VERSION



Vision

To be the institution that leads Africa in shaping and transforming the credit markets to achieve sustainable and inclusive growth.

Mission

To facilitate the generation and use of accurate credit information for the benefit of all participants in the credit market.

Values

*To uphold a work ethic that is characterised by **efficiency, persistence** and **expertise**.*

AKCP will have four values namely;

• integrity • fairness • responsiveness • teamwork

Tagline

"Towards a More Open Credit Market."

Winning Service Proposition

We provide leadership in Credit Information Sharing through advocacy, developing standards, creating awareness and enhancing risk management for the growth of a quality credit market.





ABBREVIATIONS

ADR	Alternative Dispute Resolution	KIE	Kenya Industrial Estates
AKCP	Association of Kenya Credit Providers	KIPPRA	Kenya Institute of Public Policy Research and Analysis
AMFI	Association of Microfinance Institutions of Kenya	KERUSSU	Kenya Rural SACCO Societies Union
CAK	Communications Authority of Kenya	KPI(s)	Key Performance Indicators
CBK	Central Bank of Kenya	MFBs	Microfinance Banks
CI	Credit Information	KSMS	Kenya School of Monetary Studies
CIS	Credit Information Sharing	KUSCCO	Kenya Union of Savings and Credit Cooperatives
COFEK	Consumer Federation of Kenya	NPLs	Non-Performing Loans
COMESA	Common Market for East and Southern Africa	NDRS	National Digital Registry Service
CRBs	Credit Reference Bureaux	RFP	Request for Proposal
DFIs	Development Finance Institutions	TOR	Terms of Reference
ERC	Energy Regulatory Commission	USAID-FIRM	USAID Financial Inclusion for Rural Microenterprises
FLSTAP	Financial and Legal Sectors Technical Assistance Project	SACCO	Savings and Credit Co-operative Society
HELB	Higher Education Loans Board	SASRA	SACCO Societies Regulatory Authority
IPRS	Integrated Population Registration Services	WASPA	Water Services Providers Association
KBA	Kenya Bankers Association		

1 EXECUTIVE SUMMARY

1.1 BACKGROUND

The Association of Kenya Credit Providers (AKCP) was set up to institutionalize the National Credit Information Sharing (CIS) Forum. The Forum was conceptualised in July 2011 at the 1st Regional CIS Conference in Nairobi and created in early 2012 in order to bring together both bank and non-bank credit providers to map the way forward towards implementing full file comprehensive CIS in Kenya. Prior to the formation of AKCP, the implementation of CIS in Kenya was spearheaded by the Kenya Credit Information Sharing Initiative (KCISI), a partnership between Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA).

AKCP was launched on September 24th 2013, and its Governing Council was constituted soon thereafter at its first AGM in November 2013.

As a self-regulating body, AKCP will ensure that all credit information providers work together towards the realization of their objective of inclusive CIS. The Association is deemed essential in order to safeguard the interests of all members and borrowers through adherence to a common code of conduct. The Association is also well placed to spearhead an enabling legal environment for CIS, educate the public about CIS and equip credit providers to take part in the CIS mechanism.

The other key players in the CIS mechanism are:

i) **Credit information providers:** they generate credit information and transmit it to credit reference bureaux (CRBs). They also obtain, at a fee, credit reports from CRBs;



- ii) **CRBs:** store, process, analyse and market credit reports and various analyses generated from the said reports;
- iii) **Regulator:** the CBK licenses the CRBs. Involvement of banks and SACCOs in CIS is supervised by CBK and SACCO Societies Regulatory Authority (SASRA) respectively;
- iv) **Credit consumers:** who are entitled to see (and even object to) the contents of their credit reports;
- v) **Alternative Dispute Resolution Centre:** this is an independent entity that facilitates the resolution of disputes that may arise from information in the credit reports.
- vi) **Other data sources:** Integrated Population Registration Services (IPRS), Court Registry, Land Registry, Kenya Revenue Authority, soon to be established Digital Registry Service amongst others.



As a self-regulating body, AKCP will ensure that all credit information providers work together towards the realization of their objective of inclusive CIS

2 SITUATION ANALYSIS

This Strategy is crafted in the context of the following aspects of AKCP's internal and external environment.

2.1 EXTERNAL REALITIES

Analysis of the external environment is derived from:

- i) Information obtained from Stakeholders during the stakeholder interviews;
- ii) Application of the PESTEL (Political, Economic, Social, Technological, Environmental and Legal Factors) Framework:
- iii) Review of Industry Trends.

Political Factors

- Continuous engagement with political class to support passage of laws that ensure expansion of CIS scope and reward for low-risk borrowers;
- Credit providers to desist from painting the picture of CIS as merely a debt-collection tool with no benefit to the masses;
- The impending restructuring/merger of various DFIs, Social Funds and Regulatory Authorities will inform policy on CIS expansion.

Economic Factors and Industry Trends

- The use of mobile technology to promote CIS awareness and access to credit reports.



- The need to build capacity amongst credit providers to ensure they can share accurate data;
- The trend in Kenya's financial sector is pointing to consolidation and convergence. Capacity building must therefore be prioritised to focus on sustainable organisations e.g. regulated SACCO's and the unregulated but large SACCO's that have demonstrated robust business models.

Social Factors

The demographics, behaviour, beliefs and attitudes of credit consumers have a bearing on evolution of CIS in Kenya. In AKCP's case specific emphasis was made on credit consumers.

The key insight emerging for the AKCP strategy is the need to heighten awareness of CIS in general and the role of CRBs. It will, therefore, be important to use the most effective medium in the communication strategy, in order to achieve the desired impact. A comprehensive, multi-faceted approach should make optimal use of mobile phones as well as other communication platforms that have a potentially high impact such as barazas/forums and radio.

Technological Factors

The main technological factors that have a bearing on the AKCP strategic plan are the impact of innovation and the ongoing mobile (and, with it, social media) revolution. Mobile phones and the internet will therefore need to be integrated into the CIS mechanism and the communication campaign. AKCP should also have an interactive website.

One of the Credit Bureaus has demonstrated strong potential for use of mobile phone technology to enable easier access to credit scores by individual consumers. AKCP will work with credit bureaus to tap into the opportunities that technology offers.



Environmental Factors

AKCP will continuously monitor environmental factors to ensure timely response to emerging issues.

Legal Factors

The CBK spearheaded the introduction of legal reforms, starting with regulations to permit sharing of negative information through CRBs and later widened the scope of information through the CRB Regulations, 2013 to include positive information, inclusion of licensed MFIs, other information sources such as the Kenya Revenue Authority (KRA) and the Land Registry, amongst others. Legal amendments were also made to the Microfinance Act (section 34) and proposals drafted in 2014 for amendment to the SACCO Societies Act to open the closed-user-group restriction for SACCO's and the limitation towards negative-only data submission requirement.

The legal framework continues to be very fragmented and inappropriate for promotion of comprehensive full-file data sharing. To address this situation, AKCP spearheaded drafting of an over-arching CIS Bill. Progressing this Bill must be preceded by conclusion of policy discussion on regulatory reform in Kenya that has arisen from Government's intention to merge some of



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Kenya's Financial Sector Regulatory Authorities. With support from FSD Kenya, the National Treasury is reviewing the appropriate approach to regulating CIS in the context of proposed merger of financial sector regulatory authorities.

Based on an analysis of the legal environment, it emerged that AKCP must incorporate the following into its strategic plan:-

- Lobbying for enactment of the National CIS Bill(after the review referred to above);
- Conducting an effective communication campaign to address concerns regarding consumer laws, privacy rights, etc;
- Engaging relevant authorities with regard to automation of the collateral registry.

2.2 INTERNAL ENVIRONMENT

The internal realities that need to be taken into consideration are as follows:-

- Stakeholder needs and expectations
- Data Hub – relevance, cost-benefit analysis
- Communication plans and existing communication infrastructure
- Organisation Structure and Team
- Existing and potential funding sources

The findings under each factor are set out below.

During the stakeholder interviews, stakeholders identified the following needs ranked in order of importance.

TABLE 1: STAKEHOLDER NEEDS ANALYSIS

Stakeholder	Needs classified as important or very important
Credit providers	<ul style="list-style-type: none"> • Clear long term value proposition to members ('WIFM' – what's in it for me). • Culture of trust and cooperation among members regardless of size or sophistication • Equitable treatment of all members regardless of size. • Accurate information from CRBs, timely updates of credit reports. • Build accurate information: Credit providers remain largely ignorant of the importance of data clean-up. The problem starts at the point of on-boarding new customers. • Build capacity to use CIS for the benefit of consumers through enhanced risk assessment and product innovation. • An enabling legal environment to "kill silos" between members so that all eligible credit providers can participate in CIS. • Data protection and confidentiality. • Dispute resolution mechanism. • Research on industry trends. • Provide confidential platform to share fraud information, including employee fraud. • Increased awareness of CIS.
Funding partner needs	<ul style="list-style-type: none"> • Information with which to assess/evaluate impact. • Appreciable impact on access to finance. • Timely reporting of KPIs.
CRB needs	<ul style="list-style-type: none"> • Accurate data from credit providers. • Increased awareness of CIS.

Key Insight

AKCP will need a strong value proposition for credit providers, in order to make them want to remain as members long after their capacity building needs have been met.

Data Hub

AKCP intends to host a centralised data submission point (Data Hub) through which data will be transmitted to the CRBs, in order to strengthen data accuracy, and ensure uniform data-formatting, as well as timeliness in submission of data to multiple bureaus. The data hub will also facilitate management of AKCP member participation in the CIS mechanism.

Communication

AKCP requires a dynamic and effective communication approach that targets multiple stakeholders of CIS (Table 3). A mix of communication channels will also be paramount in reaching the

various demographics of audiences. Through its communication function, AKCP will simplify CIS messaging while at the same time reinforce the benefits of CIS in order to promote positive perception of the mechanism as it is intended.

Organisational Structure and Team

The retention of former KCISI staff has been beneficial in setting up the operations of the Association. Further, its first Governing Council has representation from the initial members of the National Forum, which was instrumental in the registration of the Association.

However, AKCP needs to develop adequate resourcing especially Capacity Building, Member Relations, Compliance and Research functions; including the development of various policies and procedures for the office operations. The Association should also invest in, among others, physical assets such as office equipment and office space.

TABLE 2: COMMUNICATION

Issues Arising	Strategic implication
<ol style="list-style-type: none">1. Consumers remain largely uninformed about CIS and in particular how it might benefit them.2. Need to improve the interactivity and usability of the current AKCP website to attract more traffic.3. Communication strategy should leverage more on social media and radio; and less on TV and print. It should also use forums on the ground, and peer-to-peer counseling e.g. women forums.4. One's credit score should be as familiar to him/her as his/her mobile phone number.5. Create awareness about the fact that Mobile Money transactions are also used to determine the credit scores.6. Create more awareness of CIS use: e.g through employers.	<p>Ensure that the communication strategy includes:-</p> <ul style="list-style-type: none">o More interaction: Develop a greater online presence through digital channels.o More channels: existing channels must be expanded to include social media, radio, forums, barazas and women forums. Create a positive buzz on social media about CIS.o More visibility: Need to leverage strategic opportunities that will enhance understanding of CIS and increase AKCP's visibility.o Mobile applications: Develop mobile applications as a tool of enhancing penetration of awareness to the household level.o More partnerships: Create partnerships with various companies and associations that stand to benefit from CIS.

Existing and Potential Funding Sources

Due to its genesis as a program funded by KBA, CBK and FSD-Kenya, so far, AKCP has operated on donor funding. A key objective of the Association is to achieve financial stability. Going forward, the main funding sources should be member subscriptions with diminishing proportions of donor funding over the five-year period. AKCP has since developed a funding structure through membership subscriptions, (see table 4 overleaf)

Further, AKCP could exploit additional sources of revenue such as training, accreditation and certification fees, participation fees from regional conferences, and expos; as well as penalties.

2.3 AKCP SWOT ANALYSIS

AKCP's SWOT Analysis incorporates findings of the internal realities and the external realities as well as points identified during the development of the AKCP's funding structure.

FIGURE 1: AKCP SWOT ANALYSIS

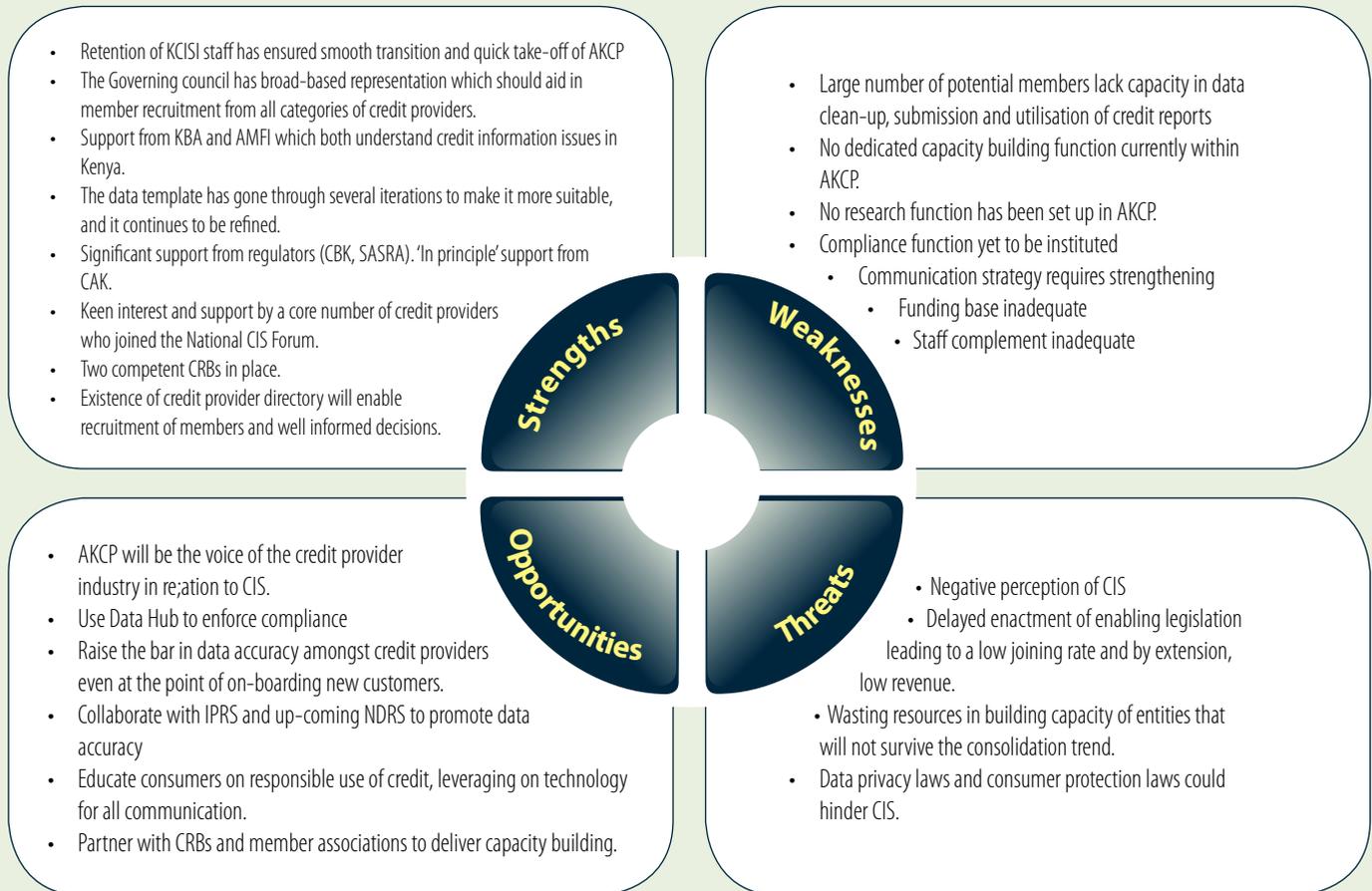


TABLE 3: SUMMARY OF SUBSCRIPTION STRUCTURE

Type of Member	Registration Fees (KES)		Annual Subscription Fees (KES)	
	Minimum	Maximum	Minimum	Maximum
Full Member	50,000/-	100,000/-	50,000/-	250,000/-
Associate Member	100,000/-	-	200,000/-	-
Affiliate Member	* 50,000/-	*100,000/-	*50,000/-	*200,000/-

** Fees are not applicable to donor agencies and regulators.*

2.4 SUMMARY OF STRATEGIC IMPLICATIONS ARISING FROM THE SITUATION ANALYSIS

The following emerged as the strategic implications:-

- AKCP must develop a strong value proposition for members.
- The membership recruitment drive should capture new categories of credit providers (e.g. SACCOs, Private Equity Funds, retail credit providers and specialised Small and Medium Enterprises lenders amongst others).
- AKCP must have a legal reform strategy to accelerate enactment of enabling legislation. Further the ADR must be accessible to all.
- AKCP must have a capacity building function to ensure:-
 - o Accurate data sharing, without which the credibility of CIS will be compromised;
 - o Delivery of tangible benefits to credit consumers through members understanding how to use CIS information for product development for good borrowers;
 - o Prioritisation of capacity building so that the investment is made only in sustainable organisations that will survive the consolidation and convergence trends;
- o Documentation of best practices and an easy way for a new credit provider joining the CIS mechanism to navigate the system.
- Capacity building needs will decrease over time. Therefore, the capacity building function should use outsourced personnel and leverage partnerships with associations and regulators (since both associations and regulators may have access to donor funds).
- AKCP must strengthen/refine its communication strategy and use the most effective means e.g radio, mobile, social media and barazas/forums. A Spokesperson should be appointed.
- In order to enforce adherence to data quality standards, AKCP will need a compliance function to enforce its code of conduct and will need to undertake a data clean-up awareness campaign.
- AKCP must have a research function to lead dissemination of information on the economic impact of CIS.
- AKCP should invest in physical assets: office equipment, office space. The current space at KSMS is an interim arrangement.

MEMBERSHIP CATEGORIES:

Full Member: are typically credit providers and participate in data reciprocity arrangements. Enjoy voting rights and can be elected to any of AKCP's decision making committees..

Associate Members: are typically service providers that provide data services to credit providers. Restricted to licensed Credit Reference Bureaus only, have no voting rights and are not involved in any of AKCPs decision making committees.

Affiliate Members: have no voting rights and are not involved in any of AKCP's decision making committees. This category also includes donors and regulatory authorities as observers

3 THE AKCP STRATEGY

3.1 HIGHLIGHTS OF THE AKCP STRATEGY

3.1.1 AKCP Vision

To be the institution that leads Africa in shaping and transforming the credit markets to achieve sustainable and inclusive growth.

3.1.2 AKCP Mission

To facilitate generation and use of accurate credit information for the benefit of all participants in the credit market.

3.1.3 AKCP Values

AKCP will uphold a work ethic that is characterised by efficiency, persistence and expertise. AKCP will also have four values namely integrity, fairness, responsiveness, and teamwork.

3.1.4 AKCP Tag Line

“Towards a More Open Credit Market.”

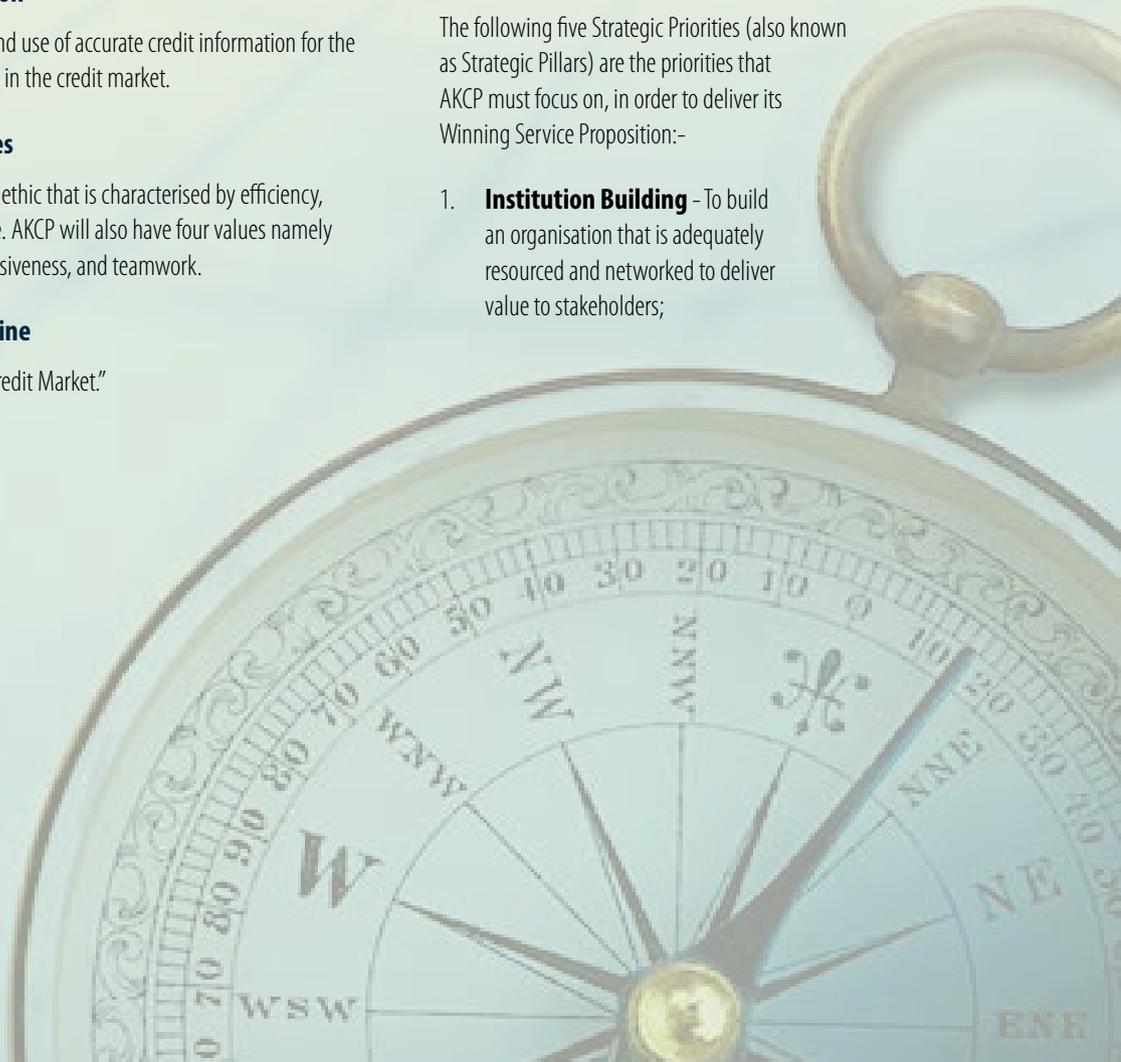
3.1.5 AKCP Winning Service Proposition

We provide leadership in Credit Information Sharing through advocacy, developing standards, creating awareness and enhancing risk management for the growth of a quality credit market.

3.1.6 AKCP Strategic Priorities

The following five Strategic Priorities (also known as Strategic Pillars) are the priorities that AKCP must focus on, in order to deliver its Winning Service Proposition:-

1. **Institution Building** - To build an organisation that is adequately resourced and networked to deliver value to stakeholders;



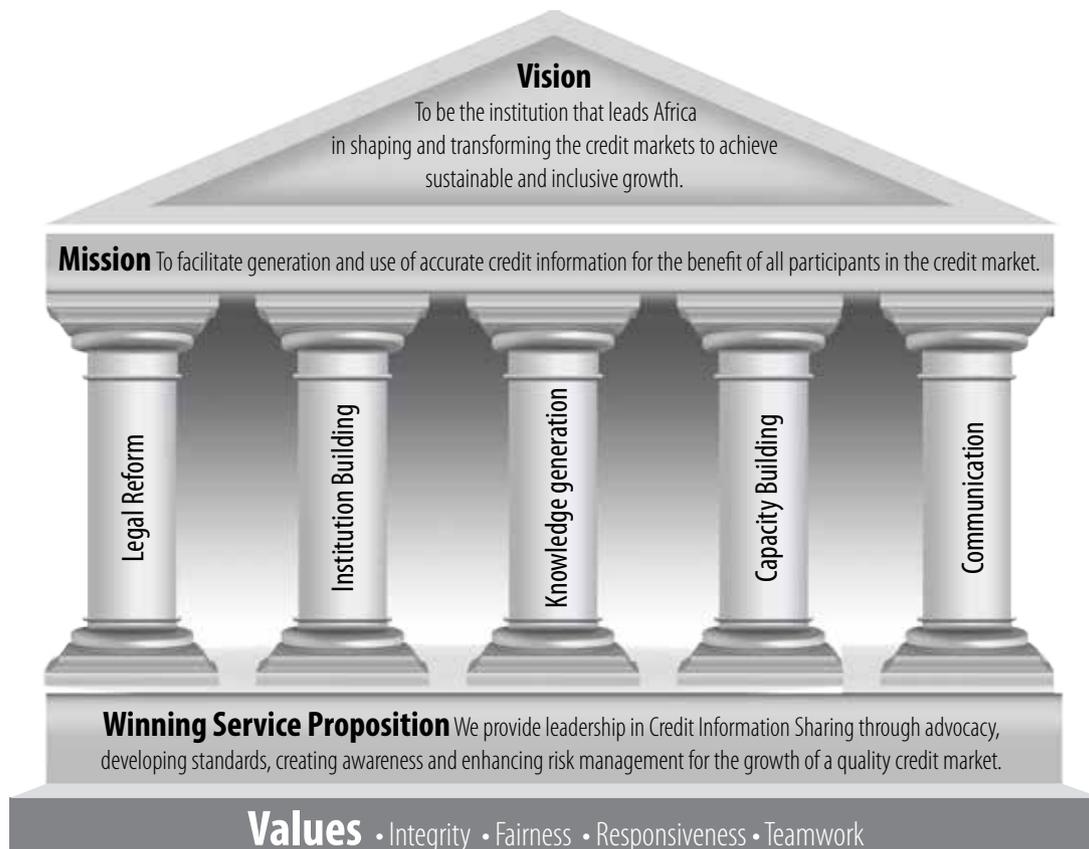
2. **Legal Reform** - To champion the continuous review of the legal and regulatory framework for CIS;
3. **Capacity Building** - To enhance risk management and product innovation by empowering credit providers to share and use accurate credit information;
4. **Communication** - To create awareness through communication messages aimed at educating and

empowering the credit consumer to access, verify and use their credit scores.;

5. **Knowledge Generation** - To drive the CIS research agenda in collaboration with experts and stakeholders in order to inform implementation of strategy.

The overarching themes of the AKCP Strategic Plan are depicted in the Strategy Diagram/Building below:

FIGURE 2: STRATEGY DIAGRAM/BUILDING



3.2 KEY PERFORMANCE INDICATORS

Below are the proposed principal performance targets for the strategic planning period:-

TABLE 4: PROPOSED KEY PERFORMANCE INDICATORS 2015 - 2019

Name	2015	2016	2017	2018	2019
No. of newly licensed MFBs receiving capacity building in data submission and utilising Credit Information	1	0	1	0	1
No. of SACCOs receiving capacity building in data submission (Mostly regulated SACCOs or very large well run SACCOs)	50	100	150	100	100
No. of SACCOs receiving capacity building in utilising CI for credit decisioning	25	50	100	150	100
No. of credit only MFIs receiving capacity building in data submission (AMFI members only)	10	25	30	20	15
No. of MFIs receiving capacity building in utilising CI for credit decisioning	-	10	25	30	20
% of data submitted that meets CRB acceptance criteria	>75%	>75%	>80%	>85%	>85%
No. of Non-bank credit providers receiving capacity building in data submission and utilising CI for credit decisioning	5	10	20	25	30
No. of credit reports requested by credit providers	3,600,000	4,200,000	4,800,000	5,400,000	6,000,000
No. of credit reports requested by borrowers	300,000	900,000	1,200,000	1,800,000	2,400,000
No. of members of AKCP, all sharing full file information (includes members who will join in 2014)	121	256	457	602	748
% of disputes resolved through ADR	80%	80%	80%	80%	80%
% of budget funded by members	20%	40%	60%	80%	100%
No. of credit providers using credit score in risk assessment :					
• Banks	20	25	31	39	-
• MFBs	4	5	6	8	43
• SACCOs	-	25	31	39	-
• MFIs	-	5	6	8	9
• Non- bank credit providers	5	10	20	25	45
No. of new products designed by financial institutions using credit reports	5	15	30	50	12
% awareness of CRBs	40%	50%	60%	70%	30%

4 CONCLUSION



Providing leadership in CIS through advocacy, developing standards, creating awareness, and enhancing credit risk management practices for the growth of a quality credit market.

The Association is a unique entity with an exceptional proposition: *providing leadership in CIS through advocacy, developing standards, creating awareness, and enhancing credit risk management practices for the growth of a quality credit market.* Through this role, AKCP will be a motor for economic growth by enhancing access to affordable credit, improving financial inclusion and thus increasing the efficiency of financial intermediation.

AKCP must continue to evolve in order to remain relevant. It has to be responsive, efficient, informative, effective, and trendsetting, espouse integrity and measure its progress by demonstrating real value of its programs on the ground. The Association must also

carve its identity as an adviser, knowledge broker, catalyst and convener for CIS in the region and beyond.

This, then, is the five-year Strategy of the Association of Kenya Credit Providers. It reflects the vision that well resonates with the varied players in Africa's financial sphere. *A vision of being the institution that leads Africa in shaping and transforming the credit markets to achieve sustainable and inclusive growth.* AKCP will measure its success by the lasting impact it brings in enhancing access to affordable credit and the growth of a quality credit market.



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