

Credit Reporting Without Borders

A REGIONAL CREDIT REPORTING PROJECT



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Abbreviations and Acronyms

BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest
CEMAC	Central African Economic and Monetary Community
CFA	Communauté financière d’Afrique
CII	Credit Information Index
DAC	Development Assistance Committee (DAC)
EDFI	European Development Finance Institutions
GCBP	Global Credit Bureau Program
GDP	Gross domestic product
GNI	Gross national income
IDA	International Development Association
IFC	International Finance Corporation
MFI	Microfinance institutions
MoF	Ministry of Finance
MSME	Micro, small, and medium enterprises
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development’s (OECD)
OeEB	Oesterreichische Entwicklungsbank AG
PCB	Private credit bureau
PCR	Public credit registry
PEP Africa	Private Enterprise Partnership Africa
SAMA	Saudi Arabian Monetary Agency

SECO	Swiss State Secretariat of Economic Affairs
SIMAH	Saudi Credit Bureau
SME	Small and medium enterprises
UCRWG	UEMOA Credit Reporting Working Group
UEMOA	Union économique et monétaire ouest-africaine
UMOA	UMOA - Union Monétaire Ouest Africaine
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union
XOF	Communauté financière d’Afrique Franc



Preface

The World Bank Group launched the Global Credit Bureau Program (GCBP) to advance the development of credit reporting systems around the world through the International Finance Corporation (IFC), a member of the World Bank Group, and the largest global development institution focused on the private sector in emerging markets. IFC has undertaken credit reporting reforms in over 60 countries globally. The objective of IFC's advisory services is to support regulators, governments, lenders, lender associations, donors and other relevant stakeholders foster and establish credit reporting systems based on global best practices, with appropriate customization to the respective local contexts.

The mission of the World Bank Group is to end extreme poverty and build shared prosperity. Increasing financial inclusion is part of that mission. Access to credit allows economic and social improvement in standards of living. Credit bureaus are a proven, standard, and efficient tool to increase financial inclusion, increase access to formal lending, and democratize access to credit.

The Regional Credit Reporting System in the West African Monetary and Economic Union (also known by its French acronym, UEMOA), encouraged and facilitated by IFC, is a unique example of realigning strategies to leverage international best practices and set up a unique credit reporting model that serves the specific needs of the UEMOA countries. The journey that started

in 2010 has resulted in the successful establishment of a regional credit information system that is the first of its kind in the world. This Regional Credit Reporting system in the UEMOA (covering eight countries – Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo) has resulted in the establishment of a Regional Credit Bureau servicing all eight-member countries.

It all started as an effort to start individual credit bureaus in some of the countries. IFC initiated efforts along with the BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest, the region's central bank) to convert this into a regional project to avoid a proliferation of credit bureaus in each country that would have been inefficient and contrary to the overall goal of regional integration. Individual credit bureau programs in each of the UEMOA countries, would also have gone against the philosophy of the region, which is one market, one currency, one regulator, and therefore one private credit bureau (PCB).

Besides the political sensitivities, the project required the collaboration of legal and regulatory stakeholders, and the BCEAO – the regional central bank for all these countries, lenders, various ministries, and other stakeholders.

IFC played the role of facilitator and was deeply involved with the project from the beginning. From IFC's perspective, the project has unique characteristics and the potential to be replicated

in other regions of the world. This booklet aims to capture the entire journey and lessons learned, and to showcase to other practitioners what needs to be done in similar situations. The milestones of this project – from conception to operationalization, and the various stages of its evolution – are documented in several internal and published World Bank Group documents, reports, and papers. The material therein has been extensively used to document this booklet.

The booklet aims to illustrate how the UEMOA region moved from an environment largely devoid of credit information sharing to one where it embraced a regional credit reporting solution based on best practice with the guidance provided by IFC and become the only existing example of a free cross-sharing mechanism of credit and personal information. The first part of the booklet presents an overview of the UEMOA zone, the socioeconomic and monetary profiles of each of the countries. The next part presents the state of credit information sharing in the UEMOA zone, along with challenges to access to credit and how credit information sharing can help improve the

access to credit constraints faced by the markets in the zone. It then discusses the IFC credit reporting project with the BCEAO to reform the region's information sharing system, the various steps along the way, recommendations made, and choices made by the BCEAO. The booklet also touches upon some of the challenges faced and recommendations for other policy makers looking to introduce similar reforms in their respective regions.

This booklet was conceptualized by the project team (Oscar Madeddu, Shalini Sankaranarayanan, and Riadh Naouar). We would like to thank the BCEAO project team; Creditinfo –Volo, the regional credit bureau of the UEMOA and other stakeholders for their support to the project success and for their inputs and contributions to this report. In addition, we would like to thank the regional IFC advisory team, Fatim Diop, Maryse Edith Kayi Loko, and others, as well as the regional management team for their support. Last but not least, this project itself was financed through the generous support of the Swiss Economic Cooperation Office (SECO) and Oesterreichische Entwicklungsbank AG (OeEB), to whom we are profoundly grateful.



Socioeconomic Profile of the UEMOA Region

The West African Economic and Monetary Union (WAEMU), also known under the French acronym UEMOA¹ (Union Économique et Monétaire Ouest Africaine), was established with the Treaty signed in Dakar on January 10th, 1994 by the Heads of State and Government of seven West African countries using the CFA franc (XOF) in common. Initially, the member states were Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo. The Treaty came into force on August 1st, 1994, after ratification by the member states. On May 2nd, 1997, Guinea Bissau became the eighth member state of the Union. The UEMOA, as its name suggests, was created for the purpose of forming an economic and monetary union between its Member States. The UEMOA has established a common accounting system, a periodic review of member countries' macroeconomic policies based on convergence criteria, a regional stock exchange, and the legal and regulatory framework for a regional banking system.

Socioeconomic profile

In 2012, when the IFC-BCEAO credit reporting project was initiated, the UEMOA region had a combined population of 100 million people and an average gross national income (GNI) per capita of US\$ 670. Each of the countries in the region had

a different level of economic development, and varying levels of natural resources and financial wealth. The majority of the population in these countries would be classified as poor, with national poverty headcount ratios averaging around 40 percent or higher in most of these countries. With the exception of Senegal and Côte d'Ivoire, over 60 percent of the population in the remaining UEMOA countries live in rural areas and engage in subsistence agriculture. Agriculture contributes a large share to GDP in most of these countries. Cotton and groundnuts are key cash crops that are consistently exposed to price volatility and variability in weather patterns. Some countries like Burkina Faso and Niger also rely heavily on mining activities and the export of gold and other metals like uranium.

The countries in the zone are united by a common language (French, with various dialects) and a reasonable level of trade integration. Economic markets are characterized by mobility of individuals and businesses across borders to work and live in a country outside of their own home country. Given the history of French rule, the region follows the civil law system.

Most of the countries in the zone are agriculturally dependent, with a focus on subsistence agriculture and cash crop production, including cashew, cotton, and cocoa. Côte d'Ivoire is a major oil producer,

¹ UEMOA website. <http://www.uemoa.int/en/presentation-uemoa>.

in addition to having an agricultural economy. Intraregional trade remains relatively small, partly because exports are restricted to a few agricultural or mining products that are usually processed in industrialized countries or in industrial transition. Côte d'Ivoire and Senegal accounted for more than half the gross domestic product (GDP) of the UEMOA zone in 2012 and continue to dominate.

In 2012, some of the UEMOA countries were growing and rebounding from previous recessions induced by climate-related events. Niger's growth was being propelled by the discovery of oil and related exploitations. Other countries in the region were suffering from terrorist and security-related concerns, namely in Mali and Guinea Bissau. The narrowness of each market, the concentration of activity on certain sectors (cotton in Benin, gold in Burkina Faso, cocoa and coffee in Côte d'Ivoire, and so on) and political uncertainties made GDP particularly volatile.

All eight UEMOA countries are categorized as member countries of the World Bank Group's International Development Association (IDA), being among the world's poorest. These countries are priority countries for the World Bank Group and support for these countries to escape poverty and improve their people's lives is a key goal of IFC/World Bank Group. In addition, Côte d'Ivoire and Guinea Bissau are post-conflict countries, having been involved in conflict in the recent past, which has had damaging economic effects.

Banque Centrale des Etats de l'Afrique d'Ouest (BCEAO)

The member states of the UEMOA zone have a single central bank, the Banque Centrale des Etats de l'Afrique d'Ouest (BCEAO) and share a common currency (XOF). The BCEAO was formed in 1959 and is headquartered in Dakar, Senegal. The BCEAO's main objectives are to issue and

maintain a common currency for the Union, to manage monetary policy, to organize and monitor banking activities, and to provide assistance for the West Africa Monetary Union (WAMU)² member states. The eight countries use a common currency, the XOF franc and the UEMOA has a common modern payments infrastructure.

The central bank's management of the monetary policy of the member states of the Union consists of adjusting the overall liquidity of the economy according to trends in the economic situation, in order to ensure price stability and promote economic growth. The central bank defines the regulations applicable to banks and financial institutions and ensures their supervision. In this framework, the WAMU Banking Commission, founded on April 24th, 1990, and chaired by the Governor of the BCEAO ensures the organization and monitoring of the banking system within WAEMU. The BCEAO is responsible for the General Secretariat of the Banking Commission.

Upon request by the governments of the WAMU member states, the central bank assists them in relations with international financial and monetary institutions and in any negotiations they may undertake with a view to concluding international financial agreements. It may be placed in charge of the implementation of such agreements under terms set by the conventions approved by the Board of Directors.³

The fundamental missions of the central bank are as follows:

- To define and implement monetary policy within WAMU
- To ensure the stability of the banking and financial system of WAMU
- To promote the proper functioning and ensure the monitoring and security of payment systems in WAMU

² The West African Economic and Monetary Union (WAEMU) and the West African Monetary Union (WAMU) cover the same eight countries. The BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest) is the central bank of the WAMU and the WAMU Banking Commission is the financial sector supervisor. The WAEMU Commission and the BOAD (Banque Ouest Africaine de Développement) focus on economic integration and development of the WAEMU.

³ www.bceao.int.

- To implement WAMU's exchange rate policy according to the terms established by the Council of Ministers,
- To manage the official foreign exchange reserves of the WAMU member states.

In keeping with monetary equilibrium, the central bank may carry out specific missions or projects designed to contribute to an improved monetary policy environment and greater diversification, as well as a stronger financial system in WAMU and enhanced technical and professional capacities in the banking and financial sector.⁴

The UEMOA Banking Commission (WAMU Banking Commission) is the sole body (based in Abidjan) responsible for the organization and

control of credit institutions. In addition to the Court of Justice, the WAEMU Treaty signed in 1994 broadened the scope of coordination beyond the monetary and financial sectors by creating the WAEMU Commission. The latter is aimed at improving the economic integration of the Union. It establishes coordination of national sectoral policies through the implementation of joint actions, and possibly, common policies in particular in the following areas: human resources, spatial planning, agriculture, energy, industry, mining, transport, infrastructure, and telecommunications. In addition, it is responsible for harmonizing, to the extent necessary for the proper functioning of the common market, the laws of the member states and particularly the tax system.

⁴ <http://www.umoatitres.org/en/partner/waemu-zone/central-bank-west-african-states-bceao>.



Overview of the Financial Markets in the UEMOA

In 2012 when the project was initiated, the financial markets in the UEMOA were dominated by international banking groups that had limited depth of penetration. Côte d'Ivoire led in the region in terms of financial activity with 24 banks, followed by Senegal (21), Burkina Faso (17), Mali (15), Togo (14), Benin (12), Niger (11), and Guinea Bissau (4).

There was a great deal of heterogeneity among the countries even in the banking sector. For instance, in Niger bank deposits represented 12 percent of GDP, whereas in Togo, the share was 40 percent. Between 2005 and 2011, financial markets grew rapidly across the region. It was expected that this growth would slow down after 2012, unless the economic structures of these countries were changed.

While microfinance institutions (MFIs) accounted for 6 percent of outstanding loans with smaller values, it accounted for 46 percent of potential requests for credit, compared to 28 percent for banks and 26 percent for non-bank financial institutions, which were more likely to use a credit bureau. However, the growth of MFIs was slower, afflicted by lack of funds leading to more restructuring and consolidation than the banking sector. Although MFIs' number of clients are comparable to banks, banks' loans are 17 times higher in value than those of the former. The difference is even more

significant at the deposit level, since those of banks are 21 times higher in value than those of MFIs. Microfinance, despite its primary role in the banking system and access to credit for rural populations and informal small businesses (see discussion that follows), remains quantitatively a marginal player in relation to banks.

In qualitative terms, the range of products (loans, savings, service) being offered by banks was still limited, particularly for individuals. Among the reasons:

Banks were still in a phase of strong growth and prioritized winning new customers and opening new branches.

The ubiquitous need for collateral limited access to credit, led to a high cost of borrowing, and resulted in the exclusion of segments of the population.

The narrowness of savings range and outreach (often limited to a few large institutional depositors) reduced the opportunity for financial institutions to expand the range of products and services.

The banking institutions limited innovation capacity. When new techniques (information systems, marketing, and the like) appeared, they were often imported, at a cost and in a manner mainly accessible to banks belonging to international groups (Pan-African, among others).

At the end of 2012, the UEMOA had 118 credit institutions (excluding MFIs), including 105 banks and 13 financial institutions.⁵ The latter, which are mainly active in the leasing sector, account for less than 1 percent of the total assets of the Union's establishments. Among the 105 banks, generalists dominate with nearly 91 percent of aggregated assets, distributed among 85 institutions. The 20 specialized banks are divided between banks focused on the financing of agriculture, microfinance, housing, and market activities. Only those focused on agriculture and microfinance showed growth in line with the rest of the banking sector.

At the end of 2012, the average assets of all credit institutions amounted to XOF 150 billion, or approximately US\$ 300 million, a very small

size relative to the international averages. This represented a huge risk concentration. In addition to credit concentration, gross non-performing loans (NPLs) to-loan ratios were also high due to the lack of sufficient information necessary to manage credit risk appropriately.

Other than the banking sector and the microfinance sectors, there were no other credit grantors in the market. Retail credit was not a significant source of credit.

Informal borrowers, despite forming the majority of the population, had the most difficulty accessing credit and largely depended on microfinance institutions to meet their credit needs because banks would mainly lend to employed individuals.

⁵ The number of regulated establishments grew from 86 to 118 between 2000 and 2012.



Overview and Benefits of Credit Reporting Systems

The World Bank Group is a leader in financial infrastructure development in emerging markets, including payment systems and remittances, credit reporting, and secured lending. Moreover, the World Bank Group has intensified its commitment to promote and disseminate the policy and research debate on these and other topics within the scope of financial infrastructure, playing the role of international standard setter in this space.

Broadly defined, financial infrastructure comprises the underlying foundation for a country's financial system. It includes all institutions, information, technologies, rules, and standards that enable financial intermediation. Well-functioning financial markets contribute to sustainable growth and economic development because they typically provide an efficient mechanism for evaluating risk and return to investment, and then managing and allocating risk. The quality of financial infrastructure – a core part of all financial systems – determines the efficiency of intermediation, the ability of lenders to evaluate risk and of consumers to obtain credit, insurance and other financial products at competitive terms.

Credit reporting is a vital part of a country's financial infrastructure and is an activity of public interest (figure 3.1). It addresses a fundamental problem of credit markets: asymmetric information between borrowers and lenders, which may lead to adverse selection, credit rationing, and moral hazard problems (figure 3.2).

Creditors consider information held by these systems a primary factor when they evaluate the creditworthiness of data subjects and monitor the credit circumstances of consumers. With better information, lenders are able to reduce non-performing loan ratios and reduce the time and costs involved in evaluating credit applications, thus positively impacting profitability. Creditors now have more comprehensive information (from different sources, both negative and positive) and can now evaluate thin-file borrowers that do not have an extensive formal borrowing history. Based on this information, they can develop and deliver customized products and services to meet the needs of these segments.

Figure 3.1 Main Components of a Credit Reporting

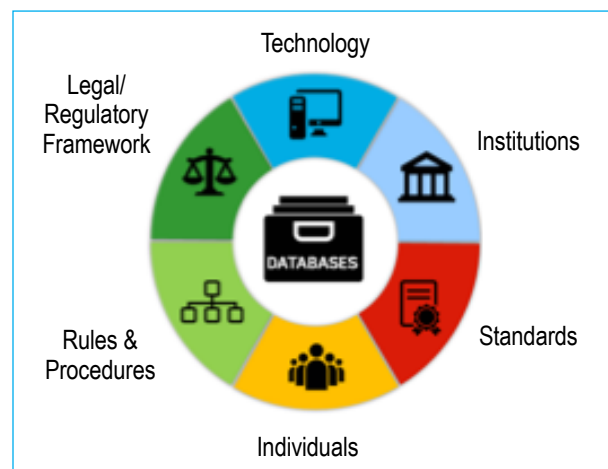
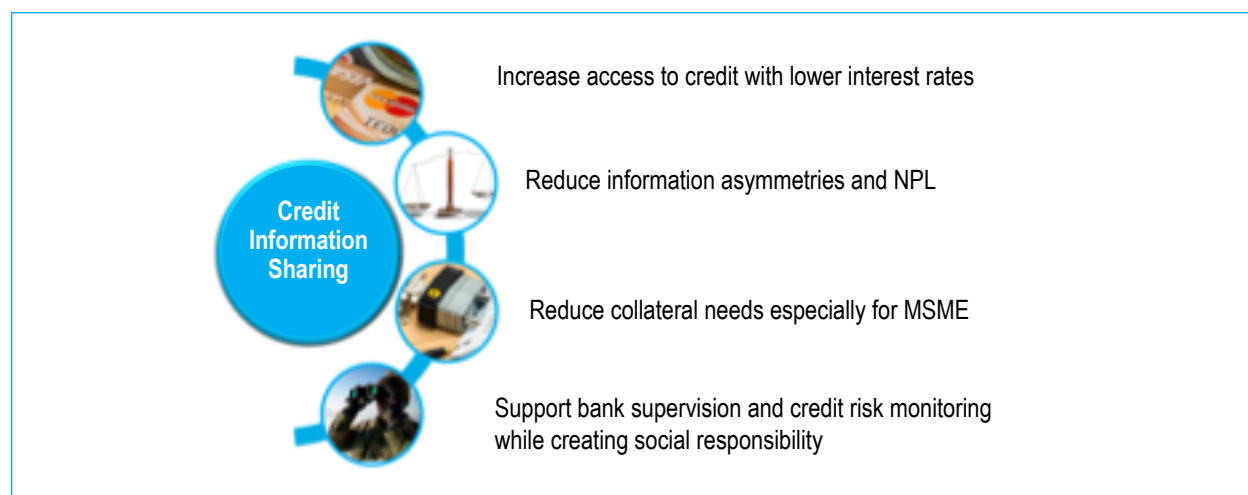


Figure 3.2 Why Does Credit Reporting System Matter?



Consumers also benefit by way of enhanced access to credit – in terms of availability, access to creditors, and types of products and services, as more lenders can now see their credit histories and make credit decisions. Based on borrowing patterns and repayment behaviors, creditors can provide credit on better terms and conditions to borrowers – such as more favorable interest rates and better terms of repayment, without requiring collateral, to name a few benefits.

In competitive markets, the benefits of credit reporting activities are passed on to borrowers in the form of a lower cost of capital, which has a positive influence on productive investment spending. Improved information flows also provide the basis for fact-based and quick credit assessments, thus facilitating access to credit and other financial products to a larger number of borrowers with a good credit history, meaning those with good repayment prospects.

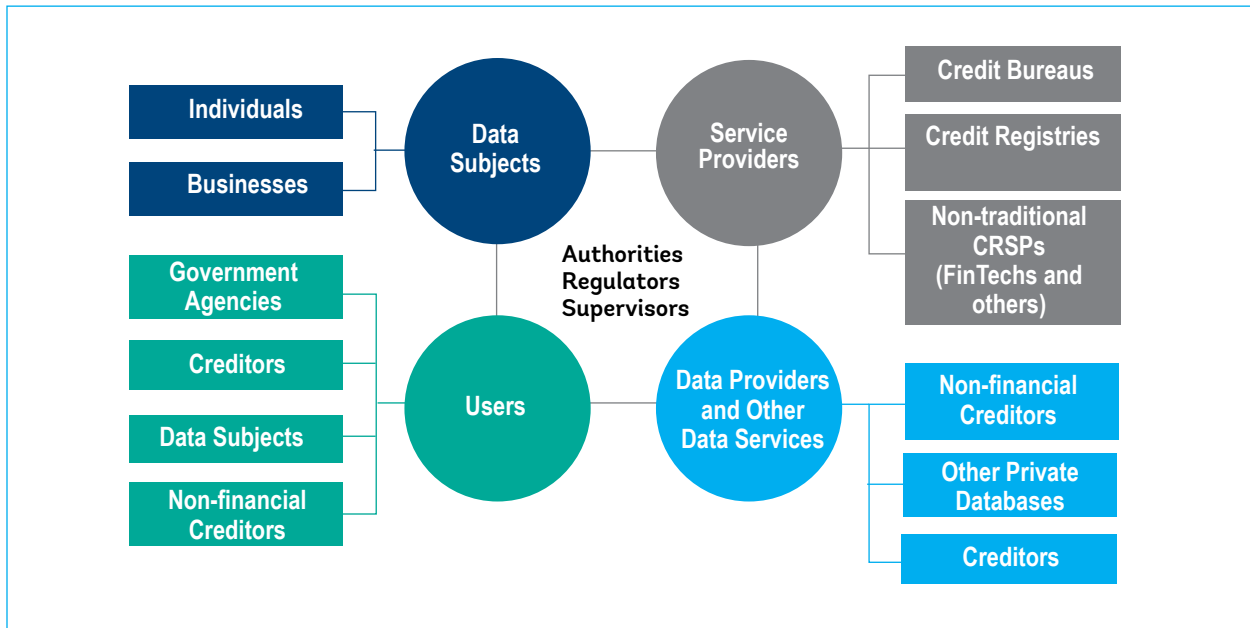
Comprehensive information sharing allows regulators and supervisors to develop appropriate regulatory tools to assist in macroprudential and microprudential supervision and provides supervisors with the necessary information to support systemic risk monitoring and financial stability.

There are general economy-wide benefits, as well. Having access to credit allows smoothening of consumer spending because consumers do not need to rely solely on income to meet consumption demand, particularly during economic downturns. Small and medium businesses (SMEs) that have limited collateral or financial statements benefit from greater access to credit as they can manage cash flows better and grow their businesses, thus contributing to job growth and economic growth.

Regulators and financial market participants are therefore increasingly recognizing the value of credit reporting systems for improved credit risk and overall credit portfolio management, to enhance financial supervision and financial sector stability, and as a tool to enhance access to credit.

Credit reporting service providers, which perform the function of developing credit information, can be credit bureaus, credit registries, or commercial credit reporting companies (figure 3.3). Credit bureaus are generally private companies that compile credit information from a variety of sources on retail, micro, small, and medium, enterprises (MSMEs). Credit registries are databases that collect information on the portfolios of regulated financial institutions and are generally organized as a part of the financial sector supervisor (central bank or other entity).

Figure 3.3 Participants in a Credit Reporting System





Getting Credit in the UEMOA Region

A significant amount of the work undertaken by the World Bank Group in reforming the credit information space is driven by information collected by the World Bank's Doing Business annual surveys. Among other things, these surveys assess the status of credit information sharing systems across the globe through the Getting Credit Indicator (figure 4.1).

Doing Business measures the quality of credit information in a region or country based on coverage and the Credit Information Index (CII). Coverage is defined as the number of records in the bureau or registry divided by the adult population between ages 15 and 64 in the country. Currently, Doing Business does not collect information on commercial credit bureaus, although it does ask existing consumer bureaus whether they collect information on small and medium enterprises and what types of products and services are developed

or provided to meet the needs of creditors to these segments.⁶ In addition to coverage, the Doing Business CII measures credit information availability in a country based on eight key factors⁷ (at the time the UEMOA credit bureau project was initiated, the CII was based on six factors; see note). For each of the eight factors, a country receives one point and the points are added to arrive at the total index score.

The index ranges from 0 to 8, with higher values indicating the availability of more credit information from either a credit bureau or a credit registry, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5 percent of the adult population, the score on the depth of credit information index is 0, even if the country scores a point on each of the factors listed above.

⁶ Doing Business 2018.

⁷ Doing Business initially measured the Credit Information Index on the following six criteria: (1) Data on both firms and individuals are distributed. (2) Both positive credit information (for example, original loan amounts, outstanding loan amounts, and a pattern of on-time repayments) and negative information (for example, late payments and the number and amount of defaults) are distributed. (3) Data from retailers or utility companies are distributed in addition to data from financial institutions. (4) At least two years of historical data are distributed. Credit bureaus and credit registries that erase data on defaults as soon as they are repaid or distribute negative information more than 10 years after defaults are repaid receive a score of 0 for this component. (5) Data on loan amounts below 1 percent of income per capita are distributed. A credit bureau or registry must have a minimum coverage of 5 percent of the adult population to obtain a score of 1 for this component. (6) By law, borrowers have the right to access their data in the largest credit bureau or registry in the economy. Credit bureaus and credit registries that charge more than 1 percent of income per capita for borrowers to inspect their data obtain a score of 0 for this component. In 2015, Doing Business revised its methodology for calculating the CII and included the following two criteria for assessing the CII of a country: (6) Banks and other financial institutions have online access to the credit information (for example, through a web interface, a system-to-system connection or both). (7) Bureau or registry credit scores are offered as a value-added service to help data users assess the creditworthiness of borrowers.

Figure 4.1 What do the Getting Credit Indicators Measure?

Strength of legal rights index (0-12)
Protection of rights of borrowers and lenders through collateral laws (0-10)
Protection of secured creditors' rights through bankruptcy laws (0-2)
Depth of credit information index (0-8)
Scope and accessibility of credit information distributed by credit bureaus and credit registries (0-8)
Credit bureau coverage (% of adults)
Number of individuals and firms listed in the largest credit bureau as percentage of adult population
Credit registry coverage (% of adults)
Number of individuals and firms listed in a credit registry as percentage of adult population

In 2012, all countries in the UEMOA sub region ranked 126th out of 183 countries in the World Bank Group Doing Business ranking regarding Getting Credit, and also got a ranking of 1.0 (out of a possible 6.0) regarding depth of credit information. The percentage of the adult population covered by private credit bureaus in this region in 2012 was negligible. Although all countries in the region had basic functioning public credit registries managed and operated by each national BCEAO branch, there were no operational private credit bureaus. The public credit registries in the member countries served some useful but very limited purposes, including supporting central bank supervision functions, with a weak quality and quantity of information collected from the lenders. However, they were limited in scope and functionality as they did not provide the breadth and depth of credit information that a private credit bureau would provide. As such, only between 0.9 percent to 10.7 percent of the adult population in this region were covered by the public credit registry. Moreover, the public credit registry only collected loan data from regulated entities and only above a specified threshold as prescribed by the relevant regulations.

Access to credit in the UEMOA region for consumers and MSMEs was therefore hampered by a lack of robust credit data that could inform lending decisions. A significant part of the population (estimated at more than 60 percent) could not obtain credit because they lacked sufficient conventional

collateral to pledge and had no alternative means of proving creditworthiness (e.g. a full credit report).

Though in 2012, all eight-member countries had operational public credit registries, the role of the latter in the UEMOA (as in other markets globally) was largely insufficient to provide comprehensive credit reporting services to lenders. Public credit registries are different from private credit bureaus in many ways. For instance, public credit registries collect most of their information from regulated financial institutions and the level of information collected is specific to the banking supervision and regulation needs of the regulator. Credit bureaus, on the other hand, collect a much wider range of data, thereby providing robust credit information for risk management purposes as well as for financial inclusion. Credit bureaus also provide a host of value-added products and services, including scores, fraud detection, alerts, and monitoring, that fall beyond the purview of public credit registries, and that are becoming increasingly sophisticated thanks to new typologies of data and technologies (e.g. BIG Data, blockchain, digital ID, mobile apps, etc.).

Private credit bureau coverage in the UEMOA was therefore 0 percent of the adult population. While coverage of the adult population by public credit registries ranged from 10.7 percent in Benin, to 4.5 percent in Senegal, 3.7 percent in Mali, and 0.9 percent in Niger. A substantial percentage of the adult population was not covered by the registries.

The BCEAO Public Credit Registry

The BCEAO's public credit registry (Centrale de Risques, or CdR) was established in 1959 and upgraded in 1973. The CdR was the only official organized source of credit information available to the lenders in the UEMOA for credit granting purposes and risk assessment before the establishment of the private credit bureau. At the time the project was initiated, the BCEAO's public credit registry collected periodic information from banks in each of the eight countries. Microfinance institutions did not share data with the public credit registry, and only shared information in any sort of systematic manner in Benin.⁸

The BCEAO's credit registry collected and disseminated information in an aggregated format, only on the larger exposures, based on an amount threshold which varied country by country.⁹

In addition to the PCR, the BCEAO managed or used other fragmented databases, such as:

- Unpaid checks
- Commercial data provided by SCIE, a local business information provider in joint venture with the BCEAO.

The BCEAO held in its public credit registry (as of end-2015) data on credit facilities concerning 1,490,924 loans and 638,792 borrowers, of which the vast majority were individuals (634,491) (table 4.1).

However, as mentioned, only data on loans above the indicated threshold are collected from and disseminated to the banks by the PCR (therefore excluding most of the small-ticket retail and MFI loans).

Table 4.1 Loans and Borrowers by Country

Countries	Loan Contracts	Corporations	Individuals	Credit Reports consulted for new loans	Number of new loans
Burkina Faso	17,324	8	9,072	5	17,375
Côte D'Ivoire	1,167,185	2,627	447,702	4,098	109,282
Guinea-Bissau	1,535	15	1,239	0	1,347
Mali	103,732	632	41,738	315	69,124
Niger	31,029	406	13,430	81	13,974
Senegal	168,922	537	120,625	607	107,962
Togo	1,197	76	685	0	1,250
UEMOA	1,490,924	4,301	634,491	5,106	320,314

⁸ In 2010, the local MFIs consortium Alafia, with the support of an international credit bureau provider, developed a credit reporting system that operates in Benin for the MFI members of the consortium. However, the low volumes of inquiries and limited size of the market have jeopardized the financial sustainability of the venture.

⁹ The threshold is the amount limit above which all the loans in a bank's portfolio must be contributed to the Public Credit Registry. For example, with a threshold of XOF 10 million, only the loans above that figure must be contributed to the PCR. Precisely, in the UEMOA, thresholds varied according with the size of the country economy and credit industry: XOF 10 million for banks and XOF 5 million for other entities in Côte d'Ivoire and Senegal; XOF 3 million for banks and XOF 2 million for other entities in Guinea-Bissau; XOF 5 million for banks and XOF 2 million for other entities in the other five countries.

As a public credit registry, the BCEAO database did not hold data on microfinance institutions, mobile telephone operators, fixed telephone operators, and other non-regulated entities. Retailers did not form a significant part of the lending universe in the UEMOA zone. Neither public electronic data (such as voter rolls and civil status) nor national identification numbers – unique, definitive, electronic and universally covering the whole UEMOA population – were available.

At the time the IFC project was started, there was an initiative to revamp the public credit registry and entrust its management and operation to the BCEAO. The objective was to allow for information exchange across microfinance institutions across the region, using a common identification methodology (biometrics), thus supporting both the BCEAO's supervision function as well as allowing these credit institutions to have more detailed, granular data based on which they could make accurate risk assessments.

A modern, private, state-of-the-art credit information system would bring tremendous benefit to lenders borrowers and the economy like:

- Increased and easier access to finance.
- Risk-based pricing and lower interest rate for good payers.
- Reduced collateralization of loans.
- Reduced non-performing loans.
- More cost-effective, faster, and customer-oriented objective underwriting procedures.
- Better control of systemic credit risk.
- Higher international country's rating/standing.

In a second phase of the project, the old PCR would then be reconverted to serve and support the BCEAO and the Banking Commission in the institutional tasks that represent the main responsibility and duties of a regulator, including stability, micro- and macro-prudential regulation, monetary policy, research and studies, and statistics.

It is within this context that IFC began working with the BCEAO and other authorities to develop a credit reporting medium to long-term phased strategy for the region based on international best practices, customized to meet the specific needs of the UEMOA region.

Box 4.1 Comprehensive Credit Information Sharing

Building a separate vertical information silo for microfinance institutions only, separately from the banks' PCR, would not give the UEMOA's lenders the possibility to predict the real risk of new and existing borrowers. The region was instead in need of a best practice, complete, non-fragmented credit reporting system: a sophisticated and modern private credit bureau that could compile credit histories on consumers and MSMEs, with data supplied by all the lending and service sectors of the UEMOA, including banks, MFIs, financial companies, mobile telecom operators, utilities, fintech, and e-wallets, and thereby help borrowers, especially the most vulnerable, invisible, and unserved, to build a credit history and, "reputational collateral", that could be used to obtain credit.



Credit Reporting Reform in the UEMOA: Significance and Uniqueness

IFC's Scoping and Pre-Implementation Activities to Support Credit Reporting Development in the UEMOA Region

Building a comprehensive credit reporting system was a priority for the UEMOA zone, given the low levels of credit penetration and high rates of non-performing loans, coupled with the absence of any systematic and reliable information exchange to enable lenders to make credit decisions in the region. This was also a priority for the BCEAO and the Banking Commission as supervisors and overseers of the financial system across the region, with the aim of achieving greater financial inclusion and stability.

Against the backdrop of concentrated lending activities and shallow credit markets that prevailed across the UEMOA region, IFC asked the BCEAO to consider the development of financial infrastructure in the form of a robust regional credit reporting system as a means of promoting financial inclusion while exploiting economies of scale.

As a first step, the IFC advisory services team engaged with key decision makers in Senegal, one of the more influential and economically sound members of the UEMOA. The Ministry of Finance had started a credit information sharing project for Senegal, together with IFC, in 2010, but was open

to consider IFC's alternative proposal of a regional solution.

Between 2010 and 2011, the team provided support to the Ministry of Finance of Senegal and stakeholders for the development of a credit reporting legal framework. Senegal was already considering the enforcement of a new Credit Reporting Law aiming at the establishment of a national PCB limited to the Senegalese lending industry. To start with, and upon request from the Ministry of Finance, IFC supported Senegal in drafting the law and ensuring that it was both in line with best practice international legislation as well as with the Senegal jurisprudence (e.g. Data Privacy Law). The team also held workshops and public debates with stakeholders to discuss the contents and the innovation of the new proposed legislation (in such areas as consumers rights over personal information and cross-border data sharing).

With support from the Ministry of Finance in Senegal, the team was able to convene key stakeholders, including the BCEAO and local financial institutions, and provide a comprehensive overview of credit reporting systems, and the benefits and the potential that it held for the UEMOA region. The team used the opportunity to sensitize stakeholders on the different types of credit reporting systems and potential options for the region. These efforts were faced, initially with

resistance, due to, among other things, a general lack of awareness of how a modern credit reporting system could be beneficial, and a host of competing national initiatives to set up credit bureaus. Having proactively interacted with IFC on drafting the national credit reporting law, the Ministry of Finance (MoF) of Senegal¹⁰ was suitably informed about the importance and benefits of credit reporting reform and championed the adoption of a **regional credit reporting solution** among the UEMOA zone members, by leading dialogue and fostering greater awareness.

In conducting pre-implementation activities in Senegal¹¹, IFC engaged with the BCEAO regarding strategic issues for credit reporting in the region. A key discussion that IFC has had with stakeholders in Senegal and at the BCEAO concerned the economies of scale of establishing a regional private credit bureau that would serve all eight UEMOA countries. A regional private credit bureau would stop the mushrooming of costly and fragmented individual country initiatives (e.g. in Benin, Côte d'Ivoire, and Senegal, as well as the BCEAO's own project for MFIs), would absorb those initiatives that were not self-sustainable (such as the one in Benin) and accommodate all of these in the new regional private credit bureau for the UEMOA. This would avoid the creation of separate national private credit bureaus that were contrary to the concept of a single economic and monetary union, and that would create borders rather than enable free, cross-border exchange of information among the member states. In addition, a regional credit bureau would have granted each of the state members, regardless of the size of the economy, the same of level of credit reporting technology and data quality. In several of these countries, the population is small and the volumes of credit quite low, making it unrealistic for each country to have an independent and sustainable private credit bureau.

Based on these initial scoping and pre-implementation activities, the team developed a project strategy and obtained funding from the Swiss Economic Cooperation Organization (SECO), and eventually the Austrian development agency, Oesterreichische Entwicklungsbank AG (OeEB), to implement a regional credit reporting solution in the UEMOA zone. An official Cooperation Agreement was signed with the BCEAO to signal the launch of the project in 2013.

The UEMOA Credit Bureau Project

Based on the Cooperation Agreement signed with the BCEAO, the team structured a three-year project with the BCEAO to develop a regional credit reporting solution in line with best practices that included the steps shown in table 5.1, with many activities run in parallel:

Key Players

IFC's Role and Contribution

IFC supplied Technical Assistance at 360 degrees throughout all the phases and all the activities of the action plan. It continued to provide honest broker/independent advisor support to all stakeholders and particularly to the BCEAO and member states' central banks to implement a regional private credit bureau. The project leveraged IFC's global experience in covering the whole gamut of necessities from strategy definition to the establishment of the PCB.

On-the-ground champions

- *Director of Monetary Policy and Credit at the Senegal Ministry of Finance*: This was a champion of IFC's credit reporting work in Senegal. IFC leveraged this relationship to promote private credit bureau development at the UEMOA level.

¹⁰ The Council of the Ministries of Finance of the UEMOA, and in particular, the MoF Senegal and MoF Côte d'Ivoire, have been instrumental in supporting the establishment of the regional PCB in the UEMOA.

¹¹

Table 5.1 Tasks and Schedule for a Three-year Regional Credit Reporting Solution Development

Task	Length (months)	
Diagnostic of the credit reporting status in the Union and preparation of a strategy report with recommendations	3	
Adoption of strategic report and recommendations by the BCEAO	2	
Drafting an enabling legal and regulatory framework and supporting passage in Parliament	Passing the regional law	12
	Law adoption by the 8 parliaments	12
Market assessment	3	
Preparation of a Request for Proposal (RFP) and supporting the BCEAO in publishing the RFP	2	
Supporting the BCEAO in evaluating proposals received in response to the RFP, including site visits to potential operators' sites	2	
Study tours in several countries (including Germany, Italy, Malaysia, and Morocco)	-	
Training on supervision and licensing of credit bureaus	3	
Selection of operator/contract negotiations	2	
Development of credit bureau database	12	
Ongoing stakeholder sensitization, including several workshops (national) and two international conferences at the regional level	30	
GAP analysis	3	
Study and report on use of biometric technology for credit reporting (upon request from BCEAO)*	3	
Awareness raising and capacity building program (e.g. Training on credit scoring for BCEAO and for the credit lenders of the eight countries, 12 workshops, 2 international conferences)	Constant activity during the whole project	

- The *Special Adviser to the BCEAO Governor*: IFC facilitated site visits for two staff of the BCEAO, to a country with a Hub-and-Spokes model of private credit reporting. These site visits, in addition to the constant training and awareness provided by IFC, provided a learning experience for the staff so that they championed the regional private credit bureau at the BCEAO and among member states.
 - The *UEMOA Council of Ministers* that are responsible for the management of the monetary union and that represent each of the member states, including respective Ministers of Finance.¹²
- In addition, the Credit Reporting team leveraged the IFC Resident Representatives and Advisory Services coordinators in the UEMOA countries, where IFC had a presence to reinforce on ground support to the Credit Reporting team.

¹² Source: <https://www.bceao.int/en/content/council-ministers>

Role of the Regional Central Bank – The BCEAO

As credit information sharing evolved over the years from organic market responses to address information asymmetry to a more wholistic approach to tackling greater financial inclusion, the number of players involved in the space grew. Whereas credit information sharing took place largely between lenders like banks or merchants, and particularly for bad borrower lists, over time, there was a greater recognition of the need to have positive information sharing and sharing from various sectors, including non-traditional data providers such as utility providers and retailers. As more sources contributed more data, confidentiality and privacy of consumers became increasingly important for data protection authorities, consumer protection bodies, financial sector supervisors, and regulators. Over the years there has been an increase in regulation and oversight of credit reporting systems. Typically, the financial sector supervisory body (like a central bank) has assumed oversight of the credit reporting system as it has regulatory purview over regulated lenders, typically banks, that provide the most credit in most economies.

As a rule, there is no successful credit reporting project without total commitment, championship, dedication of the regulator. The presence of the regulator, duly authorized and empowered by appropriate laws and /or regulations, is an essential driving force. This was clearly recognized in the UEMOA region. There was a unique perspective to this discussion and that was the fact that the credit information sharing was being established across eight countries at a regional level. This required not only that the selected regulator be acceptable to all member countries, but also that its role of guarantor be recognized and accepted by them all. To coordinate the laws of each of these countries and to bring them together under one common modern law was a challenge. Fortunately, the task was made easier by the presence of a regional central bank – the BCEAO.

To start with, building capacity on credit reporting best practice inside the regulator was one of the project’s most important activities, as the regulator is the driver of the project that has adequate authority

over and bargaining power with the lenders, which are at the same time data providers and users of the PCB.

UEMOA Credit Reporting Working Group (UCRWG)

While IFC took a lead role in developing the project plan and contents, the project implementation would not have been possible without the BCEAO’s complete support. Given the magnitude of scope of the project across eight countries that shared several similarities and yet differed, the team needed to build capacity of local working groups that could then provide training and sensitization across the region, thus multiplying the effects of the team and producing results in a shorter period of time.

It is within this context that a UEMOA Credit Reporting Working Group (UCRWG) was first created and chaired by the BCEAO. This body included representatives from all major stakeholders with an interest in the credit reporting system (such as representatives of the Bankers Association, MFIs Association, and other authorities/ governmental agencies involved in information sharing, as well as regulated/nonregulated lenders and international experts).

The UCRWG was led by the BCEAO and was used as the main vehicle to foster the strategy for the establishment of a modern, competitive, non-fragmented credit reporting industry, and

Figure 5.1 The UEMOA Credit Reporting Working Group During a Meeting



to facilitate a constructive dialogue between regulators and market participants. The UCRWG had the following objectives:

- Support the establishment of a sound and efficient regional credit reporting system in the UEMOA countries.
- Serve as an official organized forum to design and propose strategies concerning the expansion of the credit reporting industry or its enhancement.
- Initiate dialogues with other industry sectors/government agencies that have relevance for credit reporting (including other supervisory bodies, government, policy makers, lenders, and donors).
- Act as a sounding board for revision of the legal/regulatory framework.
- Create sub-task-forces to solve specific issues related to a sound development of credit reporting systems.

The benefits of creating the UCRWG were to raise awareness among stakeholders on complicated issues about credit reporting, obtain their buy-in, be a testing ground for the project strategy, allow banks and other potential users to budget money and resources, collaborate with the PCB provider in the best manner, and understand change gradually.

Through its work the UCRWG fostered greater cooperation between market participants and regulators in the credit reporting sector, promoted common initiatives toward the implementation of the credit reporting systems infrastructure. It played an important role in facilitating the sharing of information, identified the impact of different options on end users' businesses and daily operations, promoted standardization of procedures and systems, and was responsible for promoting knowledge and awareness education about credit reporting systems.

Subsequently, national Credit Reporting Working Groups (CRWGs) were created in each country coordinated by the regional one, and under the chairmanship of the local, national BCEAO. Task forces were also established to work on the various topics, pursue a pure technical focus, and benefit from international best practice.

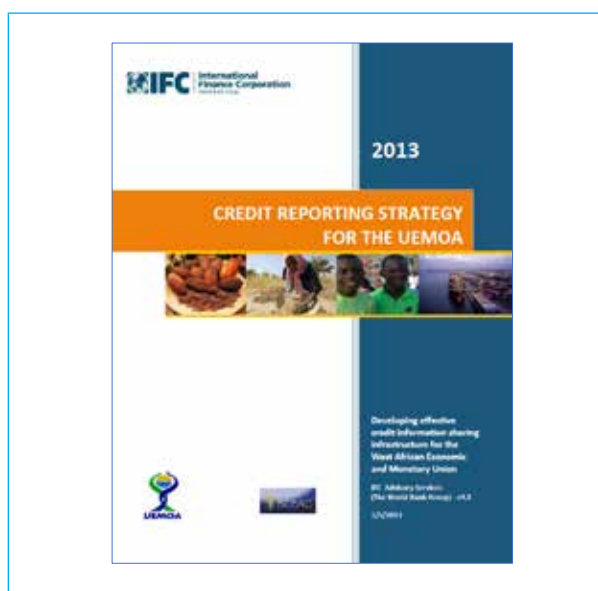
The UCRWG had a Secretariat that oversaw the work and made decisions about the various proposals and reports prepared by the task forces. The UCRWG had a lean internal governance structure (secretariat, chairperson) and simple rules to govern its activities and a fast, lean decision-making path.

The UCRWG gave representation to all the stakeholders of credit reporting systems, including consumer protection advocates, representatives of public databases, registries, governmental agencies, experts, and other supervisors. Reports prepared by the task forces did not have decision-making power but provided necessary background and reference to the BCEAO Credit Bureau team and its management on necessary reforms for the development of the credit reporting solution. Appointed stakeholder representatives to the UCRWG were professionals with an understanding of and involvement in credit risk and credit reporting systems topics. They represented (or reported directly to) the top management of their respective institutions.

Project Implementation Diagnostic of the Situation in the Zone and Preparation of a Strategy Report with Recommendations (3 months)

The IFC team conducted a stakeholder analysis and an assessment of the existing credit reporting infrastructure and ongoing initiatives in the UEMOA zone. At the time that the project started, several UEMOA member countries (Senegal, Côte d'Ivoire, Benin) had been following individual initiatives to establish credit reporting systems. There was no central coordination or regional strategy directing all the members. These parallel initiatives were creating fragmented and separate systems that were contrary to the UEMOA objective of harmonization across the region. Further the development of fragmented information sharing systems would have been difficult for the BCEAO to handle. It would have entailed overseeing flows of credit information in each country based on different national legal frameworks, built by different providers, using different systems and applications, with different data formats, supplied by different users/credit sectors. Even data

Figure 5.2 Credit Reporting Strategy for the UEMOA



providers operating across the region would have been subject to different systems, data formats, and credit reporting practices, leading to duplication of efforts, lower technological quality, poorer security, and higher service costs.

The strategy report recommended that the UEMOA adopt a regional, top-down, harmonized credit reporting strategy with a single overseer of the entire system to enable it to achieve its monetary and economic union objectives. **The recommendation was to develop a regional solution, adopting possibly a hub-and-spokes solution (box 5.1), to serve all creditors (banks, non-banks, non-traditional credit providers, financial and non-financial lenders, with a scalable platform that would allow the inclusion of new users in the future (such as e-wallet and payments systems companies, fintech lenders, and retailers), collecting all relevant data (positive, negative, public, non-traditional, other) across all loan/services amounts and for all borrowers/clients based on the principles of consent and reciprocity. The report also recommended that BCEAO adopt the role of single supervisor of the credit reporting system given its ability to convene all regulated financial institutions across the region, as well as its power of moral persuasion over other non-regulated entities.**

Finally, the report elucidated the new role to be covered by the PCR, which would be conceived in a separate project phase, to be triggered after the establishment of the PCB.

Hub-and-Spokes Options in the UEMOA

Given the specific needs of the UEMOA region and the possibility of economies of scale, the H&S system made a logical solution for the region. Fundamentally, the BCEAO could have pursued two options to establish a hub-and-spokes model in the UEMOA:

1. With the database/system resident in one of the UEMOA countries.
2. With the database/system resident outside the UEMOA.

The Benefits of the Hub-and-Spokes Approach for the UEMOA

The benefits of the hub-and-spokes solution for the UEMOA are undeniable, since this technological option:

- Dramatically reduces development costs and, due to the redundancy of many components (such as hardware, back-up, disaster recovery, license, trouble shooting, maintenance, and personnel training) emphasizes scaling and savings.
- Reduces staffing needs (no data managers are necessary for the spokes because they are already present at the hub and reduced local technical and call center staff will suffice), particularly specialist staff, which are often difficult to find in developing markets.
- Requires a shorter time to market (12–18 months) as opposed to a 24–36month time frame at least if separate independent and stand-alone full-scale credit bureaus were to be established in each of the eight countries.
- Implements world-class data security, thanks to economies of scale.
- Offers uninterrupted high-quality upgrades, which would otherwise be fewer, sporadic, and delayed.

Box 5.1 The Case for a Hub-and-Spokes (H&S) Model for the UEMOA (how small size countries can take full advantage of cutting edge technology)

Credit reporting is a capital-intensive activity. Significant investments are required for the operations start-up, and particularly for ongoing technical upgrades. Countries with large populations normally represent an attractive business case for international information providers. A significant volume of inquiries and usage of the bureau products shortens the break-even period, allowing the business to earn profits and cash flow fairly quickly. Smaller-sized markets lack this appeal and may face more difficulties in attracting skilled and renowned international providers.

Individually, the countries in the UEMOA region would be classified as small-sized markets from the perspective of the credit bureau business. For instance, with a population of 1.6 million persons, a country like Guinea-Bissau, which is also affected by civil strife and unrest, would have a harder time setting up a strong credit reporting system or acquiring the knowledge and skills to do so as Côte d'Ivoire, which has 21 million people and is a regional economic leader and thus presents a far more attractive opportunity for international credit reporting service providers. Given the strong regional ties, and motivation for integration, a regional credit reporting solution serving all eight countries was possible and made sense from an investment perspective. The economics of serving 100 million people made it appealing for potential international credit reporting service providers that would otherwise not have entered these markets.

Under the **hub-and-spokes model**, several countries leverage the presence of a **hub** in one country, which hosts the platform (hardware, software, servers, systems), and related technical staff. The **spoke** countries generally have front offices that handle consumer and member inquiries and concerns, as well as normally first-level IT issues. All the data is hosted centrally on a server (or servers) in the hub country, where it is all treated and used to configure different types of products and services.

The credit bureau system, which is hosted in the hub country, offers the same quality and type of services, while providing significant reduction in time, resources, and costs of development/operations. Its configuration centralizes many of the common, time-consuming, repetitive tasks, such as data cleaning, security, customer support, and system/database maintenance.

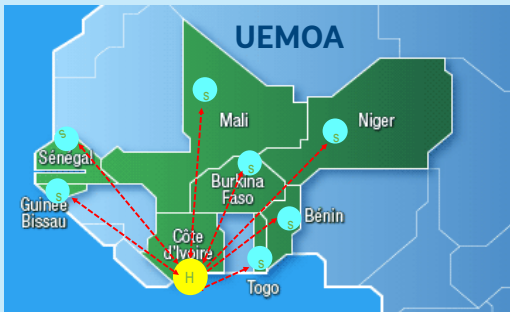
Given the sensitive nature of the data being housed in the credit bureau, it is important for the service provider to have extensive experience in managing the system to international standards. The data are housed in a common data base system, with each country's data being housed in independent information silos. There should not be any data sharing across each country silo without the requisite data sharing agreements and appropriate legal framework in place (as it is the case of the UEMOA).

The main features of this option would be:

- **Hub:** Could be any jurisdiction/country where an international leading private credit bureau has already established state-of-the-art operations. In the case of a regional project like the UEMOA, the hub could be based in one of the member countries.
- **Spoke/s:** Would be the countries linked to and served by the hub.
- Databases, systems, customer support, and IT services would all be located at the Hub.
- The spoke offices would be embodied by one or more legal entities authorized by the local laws and would cater mainly for the following activities: sales, consumers relations, users support, and first-level help desk (the second and third levels would be at the hub).
- Data, for each spoke, would be singly and independently stored/managed in the hub, with exclusive and secured access allowed only to the spokes' users and authorities, or to all countries, should regional legislation allow for that.

Box 5.2 OPTION 1 Database Resident in the UEMOA

Under this option, the hub could be established for example in Dakar, where the BCEAO has its headquarters, or in another UEMOA capital (such as Abidjan), from where it would serve all the other member countries.



- Eventually Abidjan was selected as the hub site.
- Spokes would be the seven legal entities, appositely created in Mali, Guinea–Bissau, Niger, Burkina-Faso, Benin, Senegal, and Togo.
- The Abidjan hub would host and provide databases, systems, customer support, IT services, and the help desk (second–third level, while first-level interventions would be provided by the Spoke).
- Spokes would be serviced by the hub and would have no system redundancy.
- Each individual spoke legal entity would perform: sales, consumer relations, user support, first-level help-desk operations, and any other local promotional, commercial, or educational activity.
- Data would be housed and managed in the hub, with exclusive and secured access allowed only to authorized users (lenders other data providers, and supervisor) based on the regional law allowing for cross-border sharing and processing.
- The BCEAO would have access to the whole database to perform its duties as PCB supervisor and fulfil its responsibilities.

Box 5.3 OPTION 2 Database Resident Outside the UEMOA

The second option would be to have the hub hosted outside of the UEMOA zone, in a country where a modern credit reporting system already existed with the infrastructure already in place, and a heightened level of security at least matching the security provided in the UEMOA, as cited in the regional law.



- Some hub options considered were Italy, the United Kingdom, Germany, South Africa, and Morocco.
- The system would operate as under option 1, but for the hub in a country outside the UEMOA zone, and Spokes created in all eight UEMOA countries.
- The hub and spokes would all be subject to the legislation prevailing in the UEMOA zone. They would be serviced by the hub and would have no system redundancy.
- UEMOA information would be separately housed and managed in the hub and access would be under the same conditions listed under option 1.
- The host country would not have access to the UEMOA-specific information stored in the hub databases.
- The BCEAO would have access to the whole database to perform its duties as supervisor of the PCB.

- Ensures business continuity (system mirroring), which otherwise would significantly raise development costs.
- Allows for increased efficiency and cost-effectiveness of development.
- Leverages products, technical experience, and sophisticated value-added services used in extremely advanced markets.
- Saves costs on extremely expensive tasks like data loading, data management, and management reporting by performing them at the hub.
- Offers service consistency in the UEMOA region/area (services and systems standardization, economies of scale) to lenders already operating cross border.
- Allows the smooth and gradual inclusion of other countries/lending sectors, regardless of size and volumes (web-based technology).
- Attracts leading international PCBs providers as a result of the project magnitude, and permits the utilization of a first-class PCB operation in each member country despite the small individual size of most of them.
- Constitutes the platform for the “regionalization and harmonization” of the credit industry and of credit reporting in the UEMOA, including the legal framework.

The Choice of the Credit Information Sharing Model

Another recommendation made by the strategic report was the choice of credit information sharing model. There are two models that are generally prevalent in the credit reporting industry:

- the indirect sharing model, and
- the direct sharing model

With the indirect **sharing approach**, the central bank plays a key role, not limiting itself to licensing and supervising PCBs, but taking a technological intermediary function between the PCBs and the credit bureau users.

In the UEMOA, **the law mandates supervised entities (microfinance institutions, banks, and**

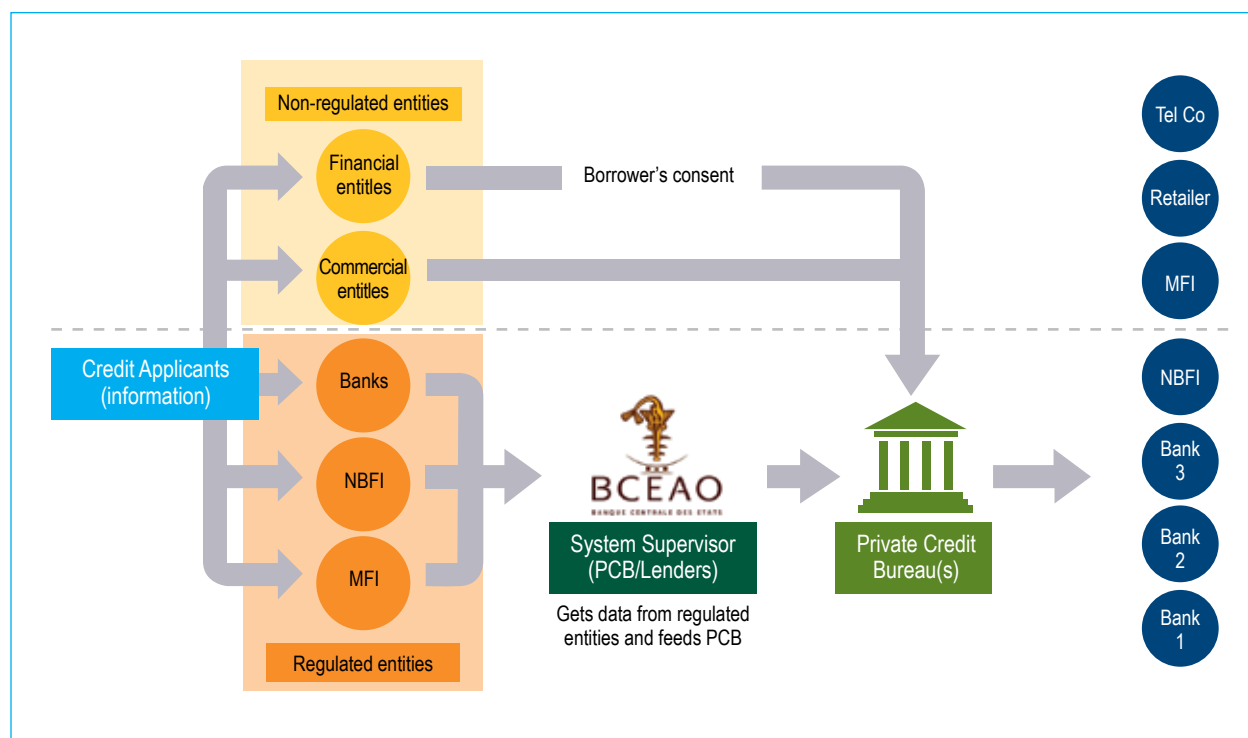
non-bank financial institutions) to periodically provide the Regional Credit Bureau with all credit information concerning their clients and portfolio (with borrowers’ consent. The data however is initially transmitted by the banks to the BCEAO and subsequently by the BCEAO to all PCBs operating in the market (as indicated in figure 5.3) which can develop their information services (credit reports, bureau scores, and so on). After data consolidation, validation, purge and merge, the whole database is returned to the regulator, which can exert its supervisory duties and corroborate or complement the data received with the information in the credit registry. The regulator’s intermediary role reinforces the confidence of data providers and users in the system and allows them to participate more willingly in the credit information sharing model.

This innovative model offers significant advantages for the establishment of private credit bureaus and is particularly recommended for countries where understanding and awareness about information sharing benefits are still to be acquired, as it facilitates the roll-out of effective credit reporting.

It also:

- Lessens lenders’ reluctance to share data (generally a major issue).
- Establishes a full-file, positive credit reporting mechanism available to every lender in the country.
- Allows cross-sector sharing.
- Prevents market fragmentation/vertical informational silos (through separate/partial PCBs).
- Prevents the creation of an information sharing monopoly.
- Establishes the grounds for a competitive, dynamic information sharing market.
- Gives the central banks a key role.
- Allows good providers to operate, if they fulfil the regulators’ requirements.
- Supplies the regulator with a wealth of information for credit supervision.

Figure 5.3 Indirect Credit Information Sharing Model



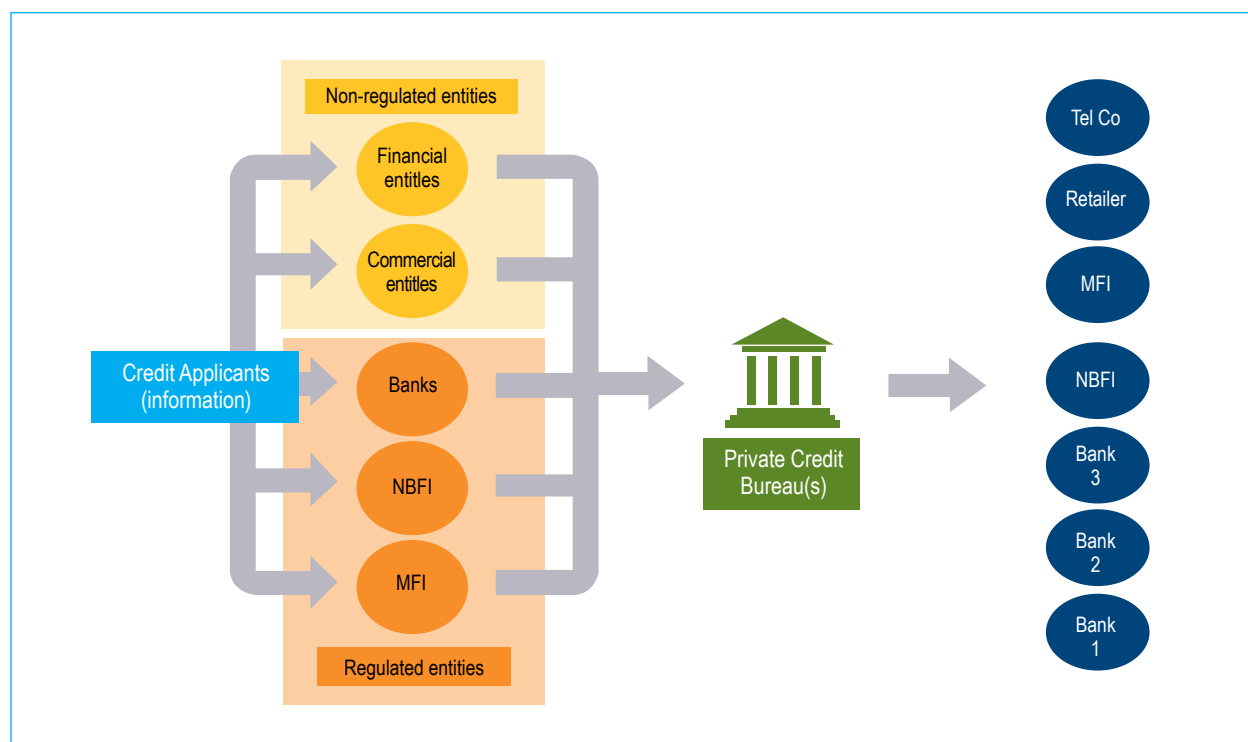
Under the direct sharing model, information is shared directly with the credit bureau by the different data providers (as indicated in figure 5.4). This is the prevalent sharing approach in several countries around the world. The main difference with the indirect model is that in this case no active technological or operational involvement of the central bank is required. The regulators’ main responsibilities are confined to the supervision of the PCB. This model would most probably not work with lenders reluctant to share data with other lenders, other sectors, and particularly other countries. It is mainly used in more mature markets where awareness and culture of credit reporting and of its benefits are quite deep-rooted and widespread.

In the UEMOA, regulators opted for the indirect sharing model, given the BCEAO’s role as the unique central authority in the eight countries and the high level of credibility it enjoys among the lenders, as well as its ability to command regulated financial institutions to share data with it. Under this model, the BCEAO would require

the technical capacity to receive data from all the regulated entities, share the same with the licensed credit bureau(s), and then receive clean information from the credit bureau(s) that it would use for its internal PCB supervision purposes and share with the national-level BCEAOs. The credit bureaus would sell credit reports and other value-added products and services to the users (banks, financial institutions, lenders, MFIs, and others).

In the UEMOA, regulators opted for the indirect sharing model, given the BCEAO’s role as the unique central authority in the eight countries and the high level of credibility it enjoys among the lenders, as well as its ability to command regulated financial institutions to share data with it. Under this model, the BCEAO would require the technical capacity to receive data from all the regulated entities, share the same with the licensed credit bureau(s), and then receive clean information from the credit bureau(s) that it would use for its internal PCB supervision purposes and share with the national-level BCEAOs. The credit bureaus

Figure 5.4 Direct Credit Information Sharing Model



would sell credit reports and other value-added products and services to the users (banks, financial institutions, lenders, MFIs, and others).

Adoption of strategic report and recommendations by the BCEAO (2 months)

Following the delivery of the strategy report, the team presented the main recommendations and a project road map to the BCEAO steering committee in charge of the credit bureau project.

The BCEAO resolved to adopt the strategy suggested by IFC. Among the main decisions taken, three in particular would determine the uniqueness of the project:

1. Adoption of the hub-and-spokes model.
2. Adoption of the indirect sharing model approach, giving the BCEAO a double role of:

- Technical interface between the PCB and the users – whereby “raw” information supplied by the lenders would be aggregated by the BCEAO and then shared or passed on to the licensed credit bureau operator(s), and
 - Supervisor of the whole credit and credit information system of the UEMOA (implicitly acting as a guarantor for all stakeholders participating in the project whatever the role).
3. Mandating the supervised entities to:
 - Share all the portfolio data with the PCB, using the indirect model, and
 - Inquire with the PCB for any new loan application or loan renewals, therefore allowing a modern risk culture to more rapidly permeate a very conventional credit industry.

A revision/drafting of enabling legal and regulatory framework and supporting passage in parliament (12 months to draft and approve the regional law and 12 months to adopt it by each national parliament)

A robust legal and regulatory framework is a critical element to give both lenders and consumers confidence about data processing and correct use. A monitored and regulated exchange of credit and other relevant data, for permissible and limited utilization (such as assessing risk and granting credit) can strengthen lenders confidence in the system and better stimulate their participation.

Normally, the regulatory framework on information sharing systems varies from country to country (figure 5.6; appendix). In some countries, laws governing credit reporting are part of a broader financial services law. In other countries, a separate law on credit reporting has been passed, and in still others a comprehensive data protection law exists. In some cases, regulations issued by the banking supervisory authority suffice to establish credit reporting. In many countries, sharing of information is not regulated but simply based on the borrowers' authorization (consent) to exchange data, and supported by a Code of Conduct signed between the lenders and the PCB (appendix). Any of these regulatory environments can provide the necessary legal framework for credit reporting,

Figure 5.5 Presenting the Main Recommendations and a Project Road Map to the BCEAO Steering Committee in Charge of the Credit Bureau Project



though a specific legislation represents the most solid solution, as in the case of the UEMOA.

Institutional development tools available to regulators for undertaking effective supervision, consumer outreach, and education are all part of the regulatory framework. Regulators need effective instruments for fulfilling their responsibilities, including the ability to request information, perform audits and request periodic reports, trigger court actions when necessary, levy sanctions and penalties of significant amount when warranted, and even close operations, revoke licenses under the most extreme circumstances, and exert their supervision over all the stakeholders participating in the credit reporting scheme, especially the PCB and the data providers that are directly responsible for the veracity and correctness of information.

In addition, appropriate privacy and confidentiality provisions go hand in hand with a well-functioning credit reporting system.

Typical issues that would be covered in a robust legal framework include the following:

- Establishing conditions for entry, operation, and exit from the market.
- Defining the types of data, data contributors, the length of time that data can be collected, retained, and distributed.
- Defining obligations of the key stakeholders such as data providers, users, the credit bureaus.
- Defining permissible purposes for which information can be used and the persons that can access this information.
- Establishing minimum standards to ensure the safety and security of the credit reporting databases, operations, data processing, and so on.
- Establishing the rights of all data subjects with respect to their information and providing rights for them to dispute and see corrections to data.
- In case of markets where the case for cross-border data sharing makes sense, allowing for cross-border information flows to occur, provided necessary conditions are in place to ensure the security and confidentiality of such flows.

Figure 5.6 Standard-setting Initiatives for Credit Reporting



- Establishing rules for shareholding and participation in the credit reporting service provider by different stakeholders.
- Defining violations and providing for penalties, sanctions, and other corrective measures in case of infractions or noncompliance.

Bank secrecy is often cited by lenders and regulators as one of the major constraints in the establishment of credit information sharing. However, recent experiences have shown that this is not the reality, and that reaching a fair balance between bank secrecy and information sharing is possible with the implementation of transparent consumer consent clauses.

Over the past few years, many countries have started a thorough revision of the legal framework surrounding credit reporting. Specific credit reporting laws, or central bank regulations, or Codes of Conduct, all based on international best practice, have been enforced in many countries where the legal environment for sharing personal credit information has been enhanced while safeguarding the rights of consumers.

The eight UEMOA countries had some form of regulations/guidelines/directives regarding the operations of the BCEAO's public credit registry. However, no comprehensive and uniform credit reporting law that could cater for a comprehensive and robust private credit reporting system in the whole Union existed.

Given this background, IFC conducted a thorough analysis of the UEMOA jurisprudence regarding credit information sharing. Then IFC ascertained, with the support of a local lawyer, which of the various options normally observed as international best practice would be most suitable for the UEMOA. Any suggested solution arising out of the analysis would need to respect the varied laws and regulations existing in the different member countries.

One of the possible options, regulation by the BCEAO, was immediately excluded because the existing laws did not give the BCEAO sufficient authority to pass and enforce such a regulation across all eight countries. Data privacy laws, mainly based on the old European Directive 95-46, existed

in only four out of the eight countries, making this second possibility also impractical and unrealistic.

It was immediately clear that only a specific regional credit reporting law would ensure the development of a regional credit reporting solution adequately allowing the simultaneous establishment of private credit reporting in eight countries, setting common legal standards for all, and equally protecting the rights of consumers, regardless of geographies and existence of data privacy laws.

IFC was already working with the Ministry of Finance on drafting a credit reporting law for Senegal. That draft was chosen as the base to draft a regional law (Loi Uniforme) that would harmonize credit reporting in the Union.

One of the most time-consuming activities for IFC and the local legal consultant was ensuring that the contents of the new Loi Uniforme did not violate any existing consumer privacy laws (Senegal, Benin, Côte d' Ivoire, and so on) and to ensure that data could be shared across borders within the UEMOA region (figure 5.8). The objectives of the analysis were expanded to also ensure that the new legislation would not violate any other national or regional laws, either existing or proposed.

Based on the legal and regulatory framework analysis, a legal recommendations report was prepared addressing whether such a piece of legislation would be enforceable by the Council of Ministers of the UEMOA region upon recommendation from the BCEAO, and if not, whether there would be an alternative solution; whether the BCEAO could issue a regulation with the same content and simultaneously enforce it in all eight countries if the law could not be passed; whether provisions in the banking law concerning confidentiality affected the legislation; and whether unregulated entities could participate in the information sharing system with borrower consent. A draft decree of law enforcement that detailed all the actions and procedures that needed to be undertaken to make the law enforceable in all eight countries was also prepared.

The recommendations were presented to the BCEAO credit bureau steering committee for its consideration, to address any inquiries and move

Figure 5.7 IFC Was Already Working with the Ministry of Finance on Drafting a Credit Reporting Law for Senegal



to obtain the committee's approval. Following the adoption of the recommendations, IFC worked in collaboration with the BCEAO to finalize the regional credit reporting law.

The Loi Uniforme contained provisions based on similar best practice legislation from around the world. This was the first credit reporting law in francophone Africa. Some of the key provisions in the legislation were:

1. Requiring the PCB to be licensed by the BCEAO before it started operations in the UEMOA.
2. Conferring full credit reporting supervisory powers to the BCEAO over PCBs in the eight countries.
3. Making sharing of information with and inquiring with the credit bureau(s) mandatory for all regulated lenders.
4. Allowing the participation of any other unregulated lender or service provider (such as mobile telephone operators, fintech lenders, e-payment companies) in the credit bureau.
5. Establishing the reciprocity principle for unregulated lenders as a base for participation in the PCB scheme.
6. Allowing for cross-border data sharing within the UEMOA region.
7. Requiring lenders to collect consumer consent to share and inquire with the credit bureau.

Figure 5.8 An Example by-law Requested by the Loi Uniforme



8. Establishing borrower rights to access personal data, dispute it, and seek corrections in case of errors.
9. Defining the minimum investment (51 percent) to be made by the international provider.
10. Prohibiting the collection and utilization of sensitive data (on such matters as religion, political, race, and health).
11. Defining the permissible purposes for PCB utilization by the users (mainly limited to the credit cycle of a loan/client, such as credit approval, loan renewal, revision, collections).

12. Prohibiting the utilization of the PCB by users for marketing purposes (always one of the major lenders' fears, which pre-empts full voluntary data sharing in many countries, where data sharing is not mandated).
13. Establishing a data retention period of maximum five years.
14. Establishing basic governance rules for the PCB.
15. Establishing rights and responsibilities of the PCB, data providers, and users.
16. Establishing violations, penalties, and sanctions in case of noncompliance.

IFC participated actively with the BCEAO in the public debate on the draft law and supported the BCEAO in drafting the consequent regulations and bylaws. The parliaments of all eight countries have adopted this law at the national level.¹³

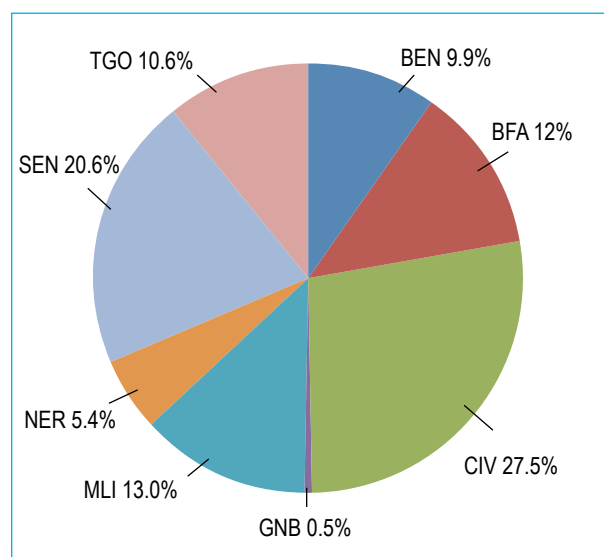
Market Assessment

The project hired a consultant to undertake an assessment of the credit market conditions in each of the UEMOA countries. Over a period of three months the consultant collected information through surveys and personal interviews with various banks, non-bank financial institutions, mobile telephone and utility providers, governmental agencies, and others in most of the UEMOA countries. The market research was presented in a comprehensive market assessment report and delivered to the BCEAO (figures 5.9 and 5.10).

The fundamental objective of the market research, and the need for such time-consuming and costly research, was to determine whether one or two PCBs could be immediately licensed by the BCEAO. Based on the results of the market research on the projected credit volumes, a five-year forecast prepared by IFC, and an assessment of lender "readiness" to join the PCB, it was decided that the BCEAO would initially license only one PCB.

¹³ Some data privacy legislation in some African countries (such as Madagascar and Morocco) bar the utilization of biometric data for identification purposes. The new EU General Data Protection Regulation, which went into effect in May 2018, includes biometrics and well as genetic information among sensitive data. In India, the mass-identification project (Aadhaar) sponsored by the government has been disputed by civil right associations up to the level of the Supreme Court.

Figure 5.9 Projected Credit Volumes Among UEMOA Countries



Lenders’ willingness to engage in the credit information sharing scheme needs to be strenuously fostered by the regulator, particularly at the onset of the PCB operations.

One interesting finding from the market assessment showed that foreign and regional banks operating cross-border stood to benefit from a regional credit reporting solution. Furthermore, a regional credit bureau would facilitate cross-border financial transactions.

Preparation of a Request for Proposal (RFP) and supporting the BCEAO in publishing the RFP. Once the uniform law was adopted by the Council of Ministers, the market assessment was completed, and the decision to license one PCB was made, IFC prepared a detailed Request for Proposal (RFP) that summarized the market conditions in the UEMOA zone, the credit reporting needs of the region, the configuration of the hub-and-spokes system required, the main technical and business specifications, the contents of the uniform law that would govern the operations of the prospective credit reporting service provider, the evaluation criteria, and the decision-making process.

The RFP was preceded by a short request for Manifestation of Interest published in *The Financial Times* (see figure 5.12), the magazine *Jeune Afrique*,

some UEMOA daily newspapers, and of course on the BCEAO web-site.

Most leading international credit bureau providers responded to the RFP, indicating a strong interest by international credit reporting service providers in serving the sizeable market comprised of the UEMOA zone.

Supported the BCEAO in evaluating proposals received in response to the RFP including visits to potential operators’ sites. During this phase, the team worked with the BCEAO credit bureau team to provide detailed training and guidance on how to set up an evaluation committee, how to define the objectives of the committee, and how to evaluate the proposals received in response to the RFP (box 5.4).

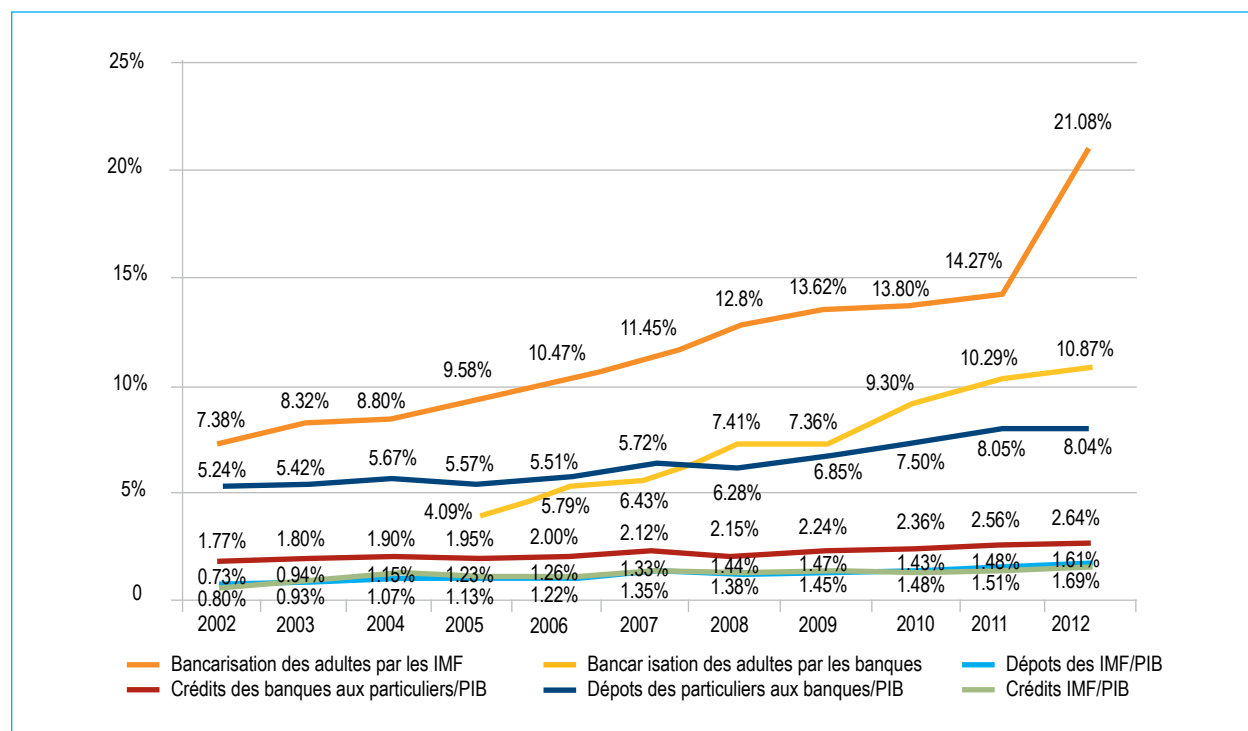
The BCEAO evaluation committee consisted of members with different profiles (figure 5.11), each of whom brought their respective backgrounds and knowledge to the evaluation. Typically, the evaluation committee is composed of members with legal, business, and technical knowledge or some combination of the same. Evaluation committees are generally small, with no more than five members, as each member would need to commit fully to evaluating proposals, scoring the proposals, and conducting the site visits to potential operator sites. Visits to the sites of at least two shortlisted operators are recommended

Based on the evaluation process and the site visits, the BCEAO chose to award the license to **CreditInfo-Volo**, a partnership between CreditInfo, a well-known Icelandic leading credit reporting service provider with global reach and operations (majority shareholder) and Volo, a local technology company. Though IFC supported the whole process of technical evaluation of the proposals, in its role of “honest broker” it did not take part in the final decision of awarding the license, which was entirely determined by the BCEAO.

Selection of Operator Licensing

Once the BCEAO credit bureau evaluation committee selected CreditInfo-Volo, a provisional license was given to the operator while it worked

Figure 5.10 Comparison of Interest Rates in the UEMOA



through the documentation requirements for obtaining a full license.

IFC trained the BCEAO to fulfil its new role of licensor and supervisor of credit reporting in the UEMOA (figure 5.13). The licensing documentation (manual, policies, and application) were produced

for the BCEAO by IFC, which assisted the regulator throughout the whole process, and until the final definitive license was awarded.

Figure 5.11 An example of the Evaluation Committee



Capacity Building

Building capacity in credit reporting best practices within the regulator is one of the most important activities of the project as the regulator is the most important driver of the project and the only authority to have full control. Throughout the project, the team has supported capacity building of the BCEAO team as well as other key stakeholders to ensure their complete comprehension and support of the reform process. Capacity building is dispensed through various means as follows:

- 1. Study tours/training on supervision and licensing of credit bureaus.** As part of the ongoing sensitization and education process for the BCEAO team working on the credit bureau project, the team arranged study tours as a way of exposing the BCEAO team to different credit reporting systems. In 2013, the BCEAO team visited South Africa and met


Box 5.4 Attracting the Right Candidates for the Highly Complex Project – Prerequisites of the RFP

To ensure that a project of this level of difficulty and complexity, which required solid financial capacity, would attract the correct provider profile and be awarded to a renowned, experienced international credit bureau provider, the following preliminary conditions and prerequisites for the bidders willing to participate were set:

1. Tenderers must have executed successfully at least two (2) developments and have implemented credit information sharing systems or similar projects (private credit bureau or public credit registry) during the last 10 years.
2. The abovementioned developments must include the participation of non-regulated entities as suppliers/users of system data, including at least telecommunications operators and/or water and electricity companies. (The BCEAO must be able to verify the quality of applications to be developed by the PCBs.)
3. Tenderers must own, manage directly, or be delegated to operate and maintain, on the date of submission of their proposal, at least one (1) operational site (PCB or PCR) in service on that date in another country.
4. Tenderers must be willing to hold the majority of the share capital of the PCB if necessary.
5. Tenderers must prove their experience in providing and upgrading technological services comparable to those required within the framework of a PCB operation, as well as other value-added services (e.g. bureau scores, scoring, alerts, etc.).
6. The appointed project manager must have an experience of at least ten (10) years in the development and implementation of credit reporting applications.
7. Each of the appointed analysts must have an experience of five (5) years in programming, system analysis and system engineering in the field of credit reporting.
8. Tenderers must have a proven capacity to establish and manage a support center based in the UEMOA that can offer support 24 hours a day, 7 days a week to the users/data providers.
9. Tenderers must have experience in data warehousing and credit risk analysis.
10. Tenderers must have a recognized knowledge of the best international legal practices concerning privacy and personal information confidentiality and must be able to manage issues ensuing from the application of the regulations or laws relating to credit reporting.
11. Tenderers must provide key technical staff that can speak French fluently, available throughout all the project phases. Knowing and/or mastering the Portuguese language is a plus.

Figure 5.12 Manifestation of Interest Published in the Financial Times

Contracts & Tenders



REQUEST FOR MANIFESTATION OF INTEREST FOR SELECTION OF COMPANIES TO BE APPROVED AS REGIONAL CREDIT BUREAU IN THE EIGHT STATES OF THE WEST AFRICAN MONETARY UNION (UMOA)

The Central Bank of West African States (hereinafter referred to as the BCEAO) is looking for one or several technological and strategic investors having at their disposal the expertise, technical know-how, and international experience, to establish, operate and manage a state of the art, scalable and modular credit reporting system that can be fitted in future with the most sophisticated functionalities, taking into account the growing needs of the financial markets, and lending communities of the West African Monetary Union (UMOA).

In this regard, the BCEAO is inviting competent companies to submit proposals within the framework of this call for expression of interest for the selection of companies to be approved as Regional Credit Bureau (hereinafter referred to as "BIC" or "Credit Bureau") in the eight (8) member States of the West African Monetary Union (UMOA), i.e. Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The final objective is to select a technological and strategic investor to develop and adopt to the environment of the UMOA a global scale private regional credit reporting system for the eight member States of the UMOA, based on a hub-and-spokes network, situated in one of these States and serving, by means of the same single shared platform system, the credit industries of all the eight (8) member States.

The mission of the future Credit Bureaux will be to provide to users, on the basis of the advanced technologies, credit information services, in particular not limited to, decision support services relating to credit risk assessment, credit history/reports, scoring, ratings, and other information Value Added Services, authorised in accordance with the Uniform law on the Regulations of Credit Bureaux in the Member States of the UMOA.

The credit information sharing solution proposed by the tenderer must be able to process positive data (i.e. balances on outstanding, by beneficiary, credit distribution by sector, etc.) as well as negative data (i.e. amount of defaults, number of defaults, crossed off credits, loan restructuring, etc.) obtained from banks, financial institutions and non-banking institutions (i.e. microfinance institutions, telecommunication companies, retailers, water and electricity companies, etc.).

The tenderer must have proper expertise as well as known and solid experience in the credit reporting service industry, particularly in markets similar to that of the UMOA. It must also be able to prove that it benefits from credibility, is financially healthy and has a good reputation, and that it is able to offer essential expertise and assistance.

The technical proposal of the tenderer will be assessed in relation to:

- The specific experience in the credit reporting domain;
- The compliance of the work program with the requirements of the call for expression of interest;
- The qualifications of the key personnel for the mission;
- The pertinence of the knowledge transfer program;
- The commitment in favour of the project.

The complete tender documents concerning the call for expression of interest can be downloaded from the Website of the BCEAO: <http://www.BCEAO.int>.

Tenders formulated in accordance with the tender documents concerning the call for expression of interest will have to be addressed to Monsieur le Directeur des Affaires Administratives, BCEAO Siège – Avenue Abdoulaye FADIGA – BP 3108 Dakar (bureau 509 du 5ème étage de la Tour) and **postmarked 30th of June 2014 at 16:00 GMT at the latest.**

Figure 5.13 IFC Trained the BCEAO to Fulfill Its New Role of Licensor and Supervisor of Credit Reporting in the UEMOA



with the Ombudsman’s office, the National Credit Regulator, two private credit bureaus, and some users of the bureaus. The team also visited the credit bureau in Italy, as well as the Italian regulator at this stage. In 2016, the team arranged for a study tour to Morocco, where the BCEAO team met with the Central Bank of Morocco (BAM), the supervisor of the credit reporting system, as well as the licensed credit bureau in the country. The BCEAO team also visited credit registries in Italy and Germany (figures 5.14 and 5.15). To understand how the credit registries collected and synthesized information in a manner that complemented the prudential supervision function of the respective central banks. These study tours provided the BCEAO with a lot of perspective on how different credit reporting systems are set up based on specific market needs, as well as how the system can evolve to provide greater value-added products and services to meet the needs of the various market participants.

2. **Licensing and supervision support.** To support the BCEAO in meeting its role as regulator of the credit reporting system, the team hired an expert consultant (a former credit reporting regulator) with vast experience in licensing and supervising the credit bureau environment. The consultant provided in-depth training to the BCEAO team on what the licensing and supervision process entailed. Together with IFC, and thanks to the collaboration of the Central

Bank of Morocco, a joint audit of a credit bureau was organized in Morocco, whereby the BCEAO team was able to witness what an on-site supervision visit would entail. The training culminated in the development of a detailed manual on supervision and licensing, as well as all the licensing documentation, customized to meet the needs of the UEMOA.


The project also supported the BCEAO in drafting all the bylaws, requested by the new Loi Uniforme, in an effort to support BCEAO in enforcing the various provisions of the law. The most pertinent included:

- Borrowers consent procedures
- Licensing procedures for the hub
- Licensing procedures for the spokes
- Minimum capital requirements
- Data security
- Cross-border sharing of data
- Data obsolescence
- Pricing.

Figures 5.14 and 5.15 Study Tours Have Exposed the BCEAO Team to Different Credit Reporting Systems in Europe



Figure 5.16 BCEAO Framework for the Presentation of the Application to be Licensed as a Private Credit Bureau

	<p>BCEAO FRAMEWORK FOR THE PRESENTATION OF THE APPLICATION TO BE LICENSED AS A PRIVATE CREDIT BUREAU</p>
<p>EACH PART OF THIS FORM MUST BE COMPLETED IN FULL AND ACCOMPANIED BY THE DOCUMENTATION REQUIRED</p>	
<p>Guidelines for completion:</p>	
<ol style="list-style-type: none"> 1. The application form must be submitted under a covering letter issued and signed by the authorised officials of the applicant. A copy of the relevant authorisation must be attached. 2. Each page of the application form must be initialled by the authorised official of the applicant. 3. In completion of the each section of the application form, the applicant must take note of the instructions contained in Annex 2 of the Regulation. 4. The application must be submitted together with all additional information as specified in the Annex 1 of the Regulation. 5. The original application form must be submitted in two versions: (a) An original that is printed and signed and accompanied by all the required appendixes; and (b) An set of electronic PDF files. 	
<p>I – PRESENTATION OF THE COMPANY AND LEGAL AND ADMINISTRATIVE INFORMATION</p>	
<p>1.1. Corporate name Corporate name (including the acronym)</p>	
<p>1.2. Legal form State legal form of the company, and any inconsistencies with the laws in force (Uniform Act relating to the Law on Commercial Companies and Economic Interest Groups (“Uniform Act”) and the Uniform Law on the Regulation of Credit information Bureaux in the Member States of UMOA. (“Uniform Law”)</p>	
<p>1.3. Head Office Address of the Company Head Office. Is it permanent or temporary?</p>	
<p>1.4. Share capital Information on the share capital of the company, including the preparation of paid-up shares, the number of shares making up the capital, the voting rights and nominal value.</p>	
<p>1.5. Ownership of the shares Relevant comment on the structure and ownership of the capital, prospective future evolution, in particular capital increases, must be provided in this section.</p>	

3. Other Training. The team provided training to the banking supervisor (the Commission Bancaire) on how to oversee the compliance by the lenders/users within the new legal framework (consent, mandatory inquiry, consumer rights, and so on). Study tours were also facilitated for the banking supervisors to other central banks and modern PCB infrastructures, to understand techniques of utilizing credit reporting data for supervisory purposes and statistical micro- and macro-prudential regulations. The project also provided two training workshops on credit scoring, one for BCEAO team members and one for broader stakeholders, including lenders in the eight countries (figure 5.17). The workshop focused on the basics of credit scoring, how scores are developed, and how they can be integrated in the lending processes.

Development of the Credit Bureau Database

IFC conducted periodical follow-up during the development phase of the credit bureau system, until its implementation, ensuring that all the requests, functionalities, and needs listed in the RFP were fulfilled/developed by Creditinfo-Volo. The role of IFC was quite instrumental in supporting BCEAO during the technical meetings between the international joint venture and the regulator, particularly as customization was required for the UEMOA.

Figure 5.17 Credit Scoring Training



Ongoing Stakeholder Sensitization

Throughout the project, the team supported BCEAO in undertaking national and regional outreach and awareness raising events. Some examples of these events follow.

The first regional credit reporting conference in Dakar in 2012 was organized jointly with Ministry of Finance (Senegal). The objective was to elaborate on the fundamental concepts of credit reporting and on the benefits that this technology can bring to the UEMOA's credit industry, consumers, and the economy in general, as well as to sensitize all the relevant shareholders (lenders, policy makers, opinion leaders, press, consumers advocates) about the significant changes that the introduction of credit reporting will have on the credit industry processes and policies and on access to finance. The target audience consisted of banks/MFI top managers and risk managers, members of Congress, policy makers, members of the Ministries of Finance, Justice, and Commerce Ministries, the BCEAO governor, countries' deputy governors, opinion leaders, and financial journalists. The speakers at

Figure 5.18 Application of Advanced Methodologies for Monitoring Risk



the conference represented international credit bureau practitioners, regulators, and policy makers, who brought a rich context and experience to the UEMOA zone.

A second international conference was held in June 2016 in Dakar along the same lines. At this point, the bureau had been licensed and was operational in several UEMOA countries. This was an effort to reengage with key stakeholders, provide an update on the status of the credit reporting project, and obtain buy-in from the key stakeholders.

In addition to the regional credit reporting conferences, BCEAO undertook several workshops at the national level, some through its national offices and some in coordination with the IFC team. There were approximately seven workshops in Dakar, four in Abidjan, and one in Bamako between 2010 and 2014, with a total of 250 participants.

Public Awareness Campaigns

Since 2015, the team has been working with the BCEAO on producing materials targeting the general public. With the help of a local communications consultant, the BCEAO and IFC developed a cartoon explaining the credit bureau in simple terms (figure 5.20). The cartoon was converted into an animation and a plan to develop into a TV spot with real actors is considered. The

Figure 5.19 There Were Approximately Seven Workshops in Dakar, Four in Abidjan, and One in Bamako Between 2010 and 2014, with a Total of 250 Participants



Figure 5.20 Cartoon Developed by the BCEAO and IFC to Explain the Credit Bureau in Simple Terms for the General Consumer



animation has been playing in the branches of regulated banks and other financial institutions.

Two Separate Gap Analyses of the BCEAO Credit Registry

As the BCEAO supported the implementation of the indirect sharing model, the IFC team undertook a GAP analysis of the BCEAO credit registry, which was then the only source of information available to both BCEAO and the lending system. An assessment of the existing credit registry looked at its technical capabilities, and whether it would be able to support the implementation of an indirect sharing model as was being proposed and considered by the BCEAO. Based on the assessment, a report and presentation to the BCEAO recommended on how to adapt the existing infrastructure to meet the future credit reporting needs. Following the adoption of the recommendations in 2014 one of the modules of the Centrale de Risques (CdR) was upgraded to allow the BCEAO to collect data electronically from supervised entities and to transmit the same data to the new operating credit bureau.

In 2017 another GAP analysis of the PCR system was undertaken because the Credit Registry still lacked the operational system/capacity and functionality to provide information that would meet the supervisory needs of the BCEAO and the Commission Bancaire. The second GAP analysis focused on these aspects of the system and provided recommendations on the upgrades necessary to bring the credit registry in line with best-in-class credit registries. The GAP analysis revealed serious deficits and indicated that the registry does not allow the BCEAO to adequately perform its responsibility in the areas of in micro- and macro- prudential regulations, systemic risk control, monetary policy, financial stability, and statistics. IFC recommended

a complete revamp of the existing public credit registry based on best practice to allow internal exploitation of credit reporting granular data.

Besides providing a detailed report with recommendations (IFC suggested 49 areas of improvement and recommendations), a consultant with extensive experience in the use of credit reporting data for prudential supervision needs was hired and conducted a week-long training for the PCR staff and other internal departments of both the BCEAO and Commission Bancaire. The site visits to the credit registries in Italy and Germany complemented the second GAP analysis and the related training.



Challenges and Success Factors

Committed Leadership

Credit reporting projects are capital-intensive and time-consuming. Rarely they end before 30-36 months from the outset. To understand the complexity of this project it is sufficient to say that in the UEMOA credit bureau project, the team was dealing with eight different countries with different motivations, priorities, administrations, jurisprudence, economy size, concerns (cross-border data transfers, privacy and so on). The real uniting factor was therefore a most appropriate, recognized advocate that would lead the effort of creating a regional and harmonized credit reporting system.

The BCEAO turned out to be a natural champion to lead this effort as a regional private credit bureau would complement the BCEAO's key goals of promoting financial inclusion, prudential risk management, and financial stability, while employing economies of scale in meeting these broad objectives. The success of this project depended on the leadership and goodwill of the BCEAO and its ability to influence member states.

Lender Participation

The success of the credit reporting system relies largely on the convinced participation and commitment of lenders in the credit bureau mechanism, by contributing reliable and complete data and triggering inquiries to the PCB. As mentioned in the previous section, IFC worked

extensively on raising awareness and educating regulators, policymakers, lenders, and other potential credit data providers on credit reporting notions and on how their participation was critical to ensuring the success of the system.

Despite the tremendous efforts taken to raise awareness about the significance of the credit information sharing, when the credit bureau was launched and started the process of developing the database, it was met with lender reluctance to share information with the bureau. Despite the mandatory legal requirement to share data with the credit bureau, lenders stalled in sharing data, citing bank secrecy and confidentiality obligations. It did not help that they had not incorporated consent clauses in their lending agreements, as suggested by the IFC, and did not have consumer consent when the bureau was ready to start operations. Further, even in those countries where the bureau is operational with lenders sharing data, it takes time for the bureau to validate the data (due to data quality issues) before uploading to the bureau database.

It was the turn of government to intervene. Seeing the difficulties that the bureau faced, the Ministry of Finance in Côte d'Ivoire issued legislation mandating lenders to turn over their customers historical data to the credit bureau. As a result, the bureau suddenly collected records on more than 1.2 million subjects in Côte d'Ivoire. Senegal followed a similar route and issued a law amendment in

March 2018, requiring lenders to share historical data with the credit bureau (without requiring consent) to allow the credit bureau to populate its database faster. Niger is going to follow in the footsteps of Côte d'Ivoire and Senegal. As of July 2018, the UEMOA PCB held information on about 6.9 million loans on over 3.5 million clients, as indicated in figure 6.2.

As of the first half of 2017, uptake of the bureau was still slow, with the bureau recording a total of 156,000 inquiries since becoming operational, but constantly increasing as indicated in figure 6.3 totaling roughly 220,000 inquiries as of July 2018. The team actively worked with the BCEAO and the Banking Commission to enable effective enforcement of the credit bureau legislation and regulations, which will ensure that lenders are sharing data with and inquiring of the bureau as mandated by the law. In addition, the team organized a joint conference with the BCEAO in June 2017 that targeted regional regulators and lenders with the objective of raising awareness of the importance of the credit reporting system and attaining participation by all stakeholders.

Creating a PCB database without historical data takes time, extends the break-even period, delays modernization of the credit industry, and defers the development of value added services, as well as the very purposes for which a PCB is established in a first place: increasing access to credit, decreasing non-performing loans, and creating “reputational collateral” that, in particular, allows the underserved, invisible, informal population to become formal, visible, served.

Biometrics

During project implementation, there were several instances where the regulator wanted to investigate some alternative matching methodologies to be used by the credit reporting system. One alternative considered was that the use of biometrics identification be explored and presented as a requirement in the RFP document.

However, the use of biometrics is not common, and it is not best practice in credit reporting. It has been adopted in rare cases (such as Uganda), and implies costly and not totally satisfactory outcomes.

Figure 6.1 Uploaded Data on Clients, 2017 and 2018

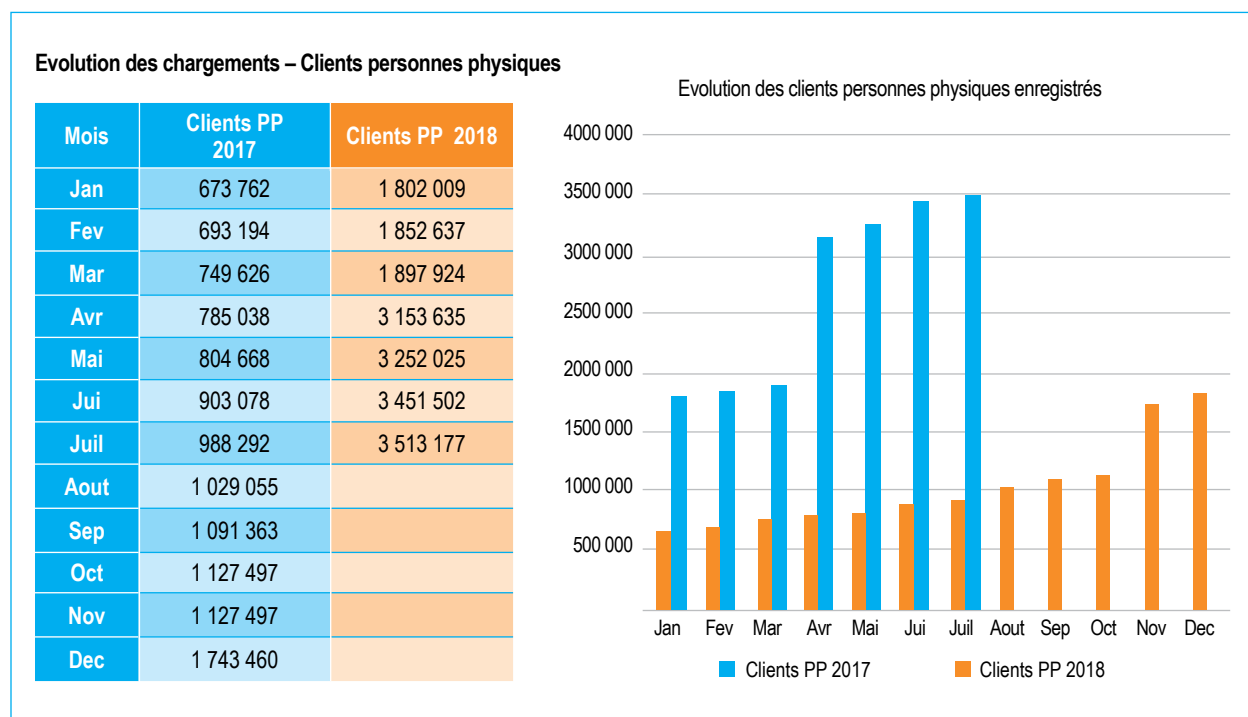


Figure 6.2 Uploaded Data on Contracts, 2017 and 2018

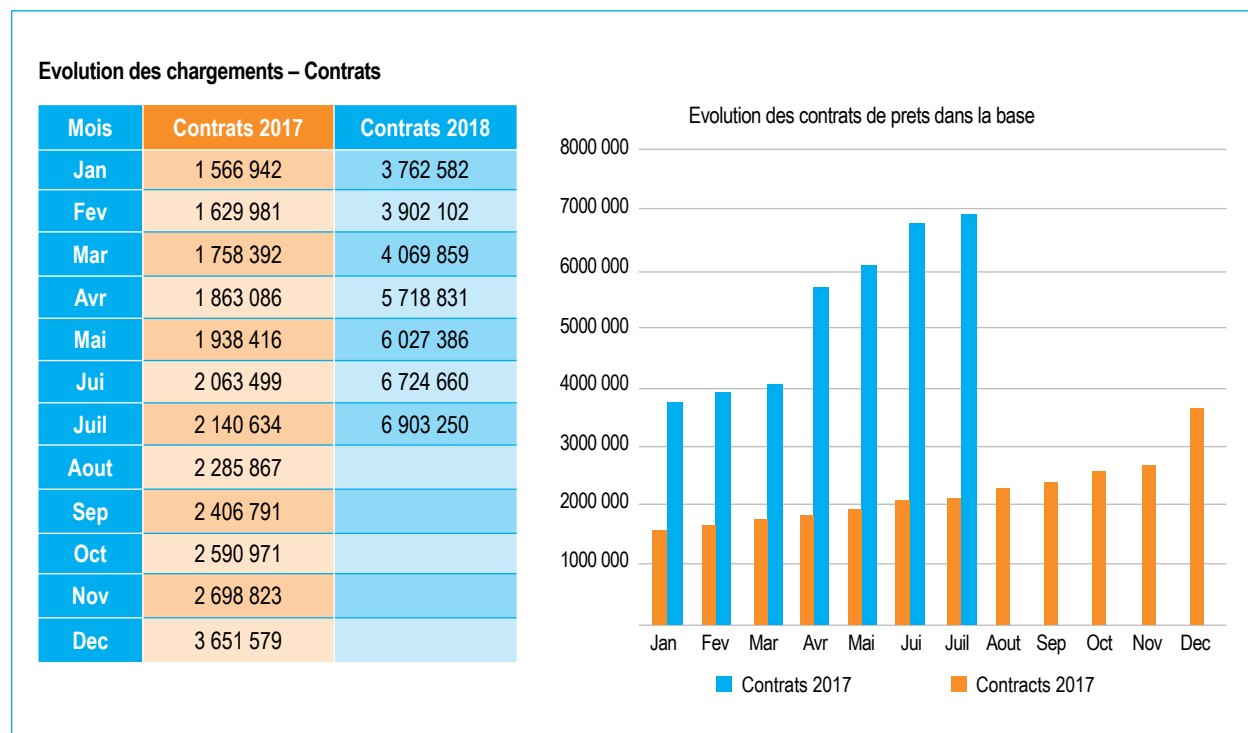
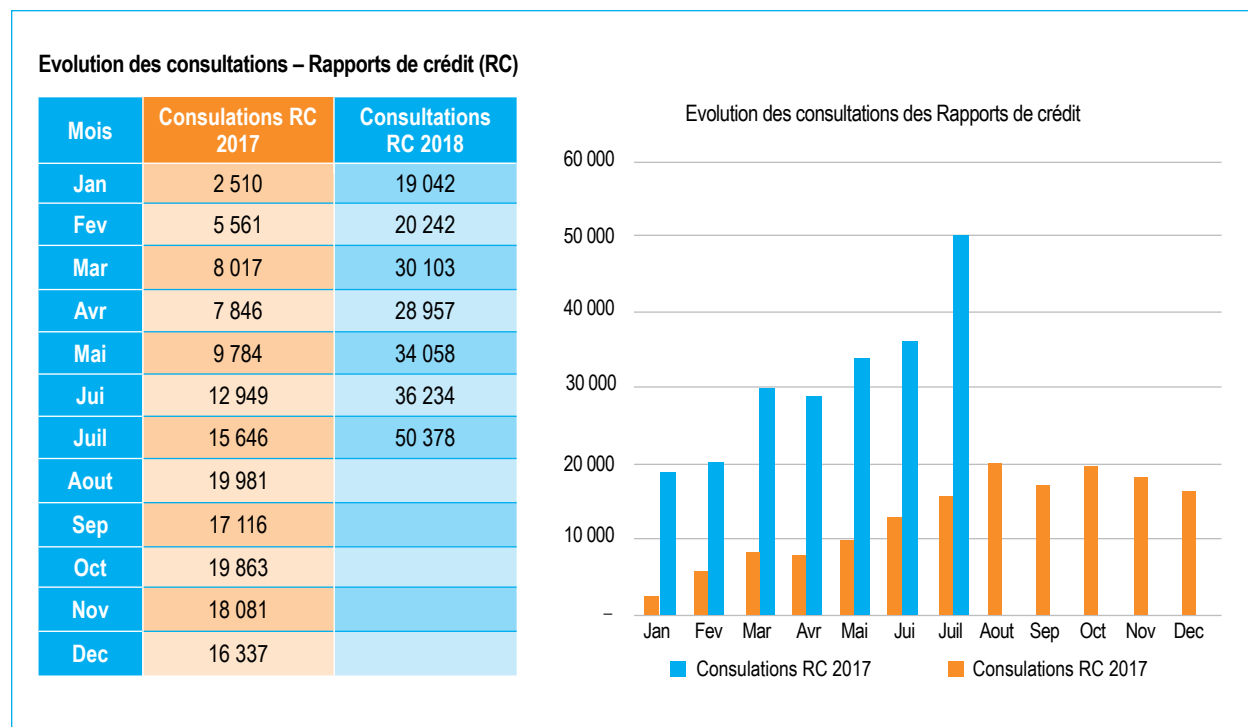


Figure 6.3 Uploaded Data on Inquiries, 2017 and 2018



The team strongly advised the BCEAO against the use of such technology in the project. To support its viewpoint, the team commissioned an independent study on the use of biometrics in credit reporting systems and its relevance or usefulness for the BCEAO zone.

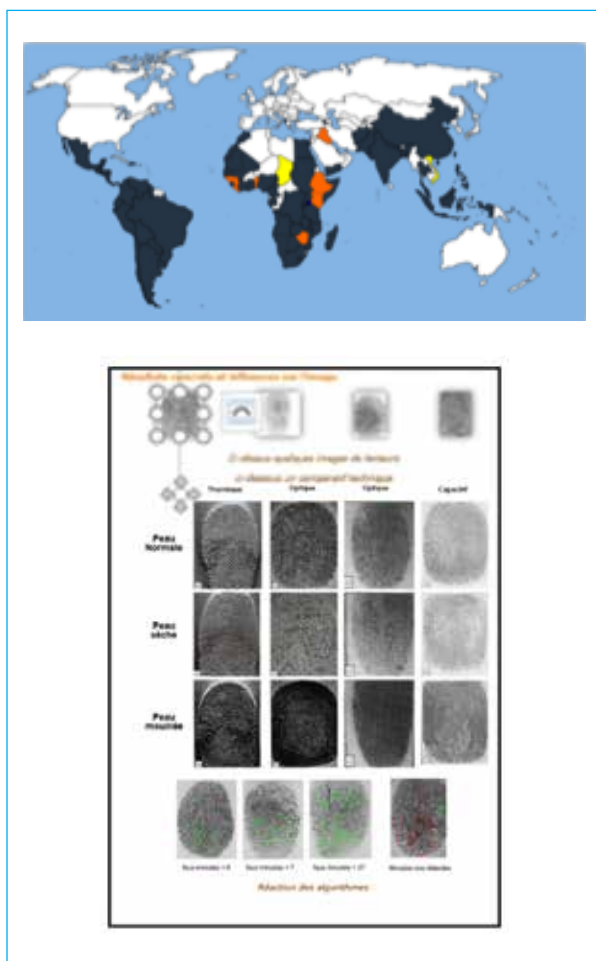
The findings of the study (possibly the only one commissioned in the recent years on the use of biometrics for credit reporting purposes) clearly showed that biometrics performed worse than the sophisticated algorithms developed by the credit reporting industry. It was generally associated with lower dependability, higher cost, complexity of deployment, unreliable identification performance (particular with rural populations), and controversy when the basic rights of the individuals are considered. Biometrics are very popular in Africa in other sectors (figures 6.4 and 6.5). However, regulators must keep in mind that it is not the most effective or efficient mechanism for proper identification and data normalization under credit reporting systems.

Lack of Data

As in most markets, there is a dearth of data in this region regarding lenders and lending activities. This includes key baseline data such as number and types of lenders, lending portfolios, and the credit-active population. The absence of these data affects the ability of potential credit reporting service providers to properly assess the market potential and therefore the attractiveness of a market in investment terms.

In order for a credit reporting service provider to target a market, it needs to understand existing credit conditions and the market potential in terms

Figures 6.4 and 6.5 Use of Biometrics Identification in Developing Countries



of credit growth, growth in number of borrowers, and the like. IFC conducted a detailed market study to assess and understand credit conditions in the UEMOA market. This also facilitated the strategic decision of the BCEAO about the number of licenses to be awarded at the onset of the reform.



Current Status

The UEMOA Credit Bureau project with the BCEAO and IFC closed in June 2018. Some important results were:

- As of December 2017, all eight countries in the UEMOA zone had passed the credit reporting legislation.
 - CreditInfo-Volo, which had been granted a license to operate in 2015, has been working to develop the credit reporting database, and the credit bureau was rolled out in June 2016.
 - A Hub system has been implemented in Abidjan, and seven Spokes, constituted as legal entities, were founded in the other UEMOA countries.
 - Some 192 subscribers across the eight countries have signed an agreement with Creditinfo Volo to utilize its services and 152 members were contributing data.
 - As of July 2018, the PCB had received nearly over 370,000 inquiries from across all eight countries in the region.
 - The bureau held 6.9 million loan records on a population representing 3.5 million borrowers both individuals and enterprises).
 - As a result of the bureau's efforts to date, the private bureau coverage of adults has been going up slowly
- up in Côte d'Ivoire, Senegal, Mali, Niger, Guinea-Bissau, Burkina Faso (see table 7.1). When each of these countries pass the 5 percent coverage mark, they will begin to register points on the Depth of Credit Information Index (CII).¹⁴
 - The legislation contains all the best practices in terms of ensuring that consumer rights are protected. Under the laws, consumers have the right to know what information about them is being shared.
 - Lenders need to have consent to share data with the credit bureau, as well as to inquire.
 - Consumers can request a free credit report on themselves from the bureau at least once a year and at all other times for a reasonable fee.
 - Consumers are also given the right to dispute any errors on their credit reports and request correction to the same.
 - To support consumer awareness about credit reporting, the BCEAO has worked with IFC on creating a consumer education cartoon (to be shown in all the banks and MFIs branches and to be broadcast in TV shows in the future), that consumers will be able to relate to and easily understand (figure 7.2). The materials educate consumers on the basics of credit reporting,

¹⁴ In 2015, Doing Business changed its methodology for calculating the Getting Credit indicator. In addition to scoring points on the various criteria under the Depth of Credit Information Index (CII), if the credit bureau or registry is not operational or covers less than 5 percent of the adult population, the score on the depth of credit information index is 0.

Figure 7.1 UEMOA Credit Report Milestones

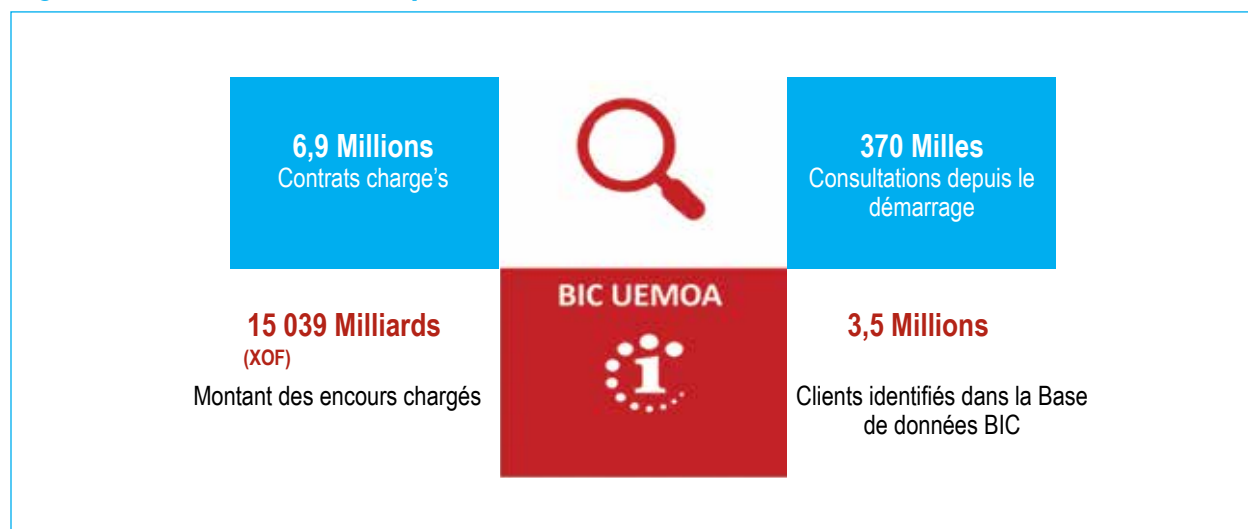


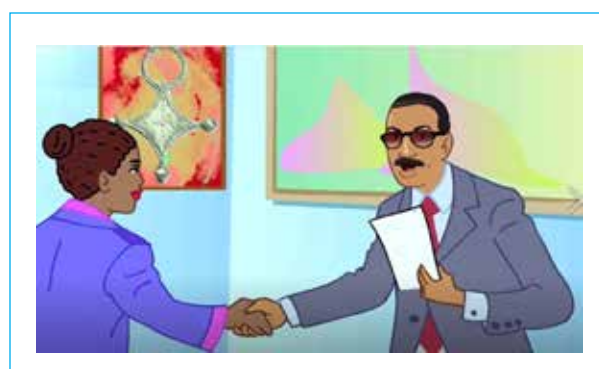
Table 7.1 Doing Business Credit Bureau Coverage (percent of adults)

Credit bureau coverage	2015–16 (credit bureau is licensed)	2017	2018
Benin	0.0	0.0	0.0
Burkina Faso	0.0	0.0	0.3
Côte d'Ivoire	0.0	2.3	4.0
Guinea-Bissau	0.0	0.0	0.3
Mali	0.0	0.0	0.8
Niger	0.0	0.0	0.2
Senegal	0.0	0.6	2.4
Togo	0.0	0.0	0.0

how it could benefit them, what they need to do to benefit the most from it, and the role and importance of consent. It is expected that under a separate project, the IFC team will continue to support consumer outreach and awareness raising throughout the UEMOA zone.

To support consumer awareness, Creditinfo-Volo also played a role in raising awareness with lenders on the contents of the Loi Uniforme, and the responsibilities deriving to the lenders/users of the PCB, as well as providing some of the tools normally used to sensitize borrowers about consent, and their rights over their own information

Figure 7.2 Raising Consumer Awareness About Credit Reporting Through a Cartoon



(including free access to a credit report once a year and the right to dispute and correct data). Figures 7.3 and 7.4 show the contents of the brochure that will be distributed by lenders to all credit applicants during the process of granting credit when they are requested to sign the consent for sharing their data (box 7.1).

The impact in terms of access to credit and improved portfolios is yet to be felt in the UEMOA markets. In 2016, the banking system in the UEMOA region looked much like it did in 2011/12, dominated by international banks, pan-African banks, and some small local banks, consisting of 102 banks and 28 banking groups. The 13 largest banking groups accounted for 80 percent of total bank assets in June

Figures 7.3 and 7.4 Contents of the Brochure Distributed to All Credit Applicants During the Process of Granting Credit



Box 7.1 The Importance of Implementing Consent in a Timely Manner

Implementing the consent clause has been a challenge. The IFC team strongly advised the BCEAO from the outset to encourage regulated lenders to start incorporating consent clauses in their respective credit and loan agreements as early as possible (once it was determined that consent would be necessary). Not all lenders / users of the PCB have adhered to the BCEAO suggestion in a diligent and timely manner. Had consent been incorporated in the text of the application in 2013, when the bureau was licensed in 2015, it would have already been able to access at least two years' worth of historical data, which would have helped it jumpstart its operations. However, lenders took more time to insert consent requirement in their documentation. As a result, the bureau faced challenges in collecting data from its subscribers a year after being licensed, and individual government intervention have been necessary to solve the situation. (For example, Côte d'Ivoire issued a directive instructing all regulated lenders to hand over their portfolio data to the credit bureau. Senegal and Niger followed suit, and most other countries will have to do the same.)

There are two important takeaways for regulators from this important lesson:

1. Follow international expert advice.
2. Instruct regulated lenders to include the consent clause in their credit application contract in due time, monitor their adherence, and apply sanctions whenever this does not happen.

Figure 7.4 Senegal Press



2016. Banks still lent mainly to large enterprises and within national borders. Cross-border banking largely consisted of syndicated loans involving a sister bank located in the client country. Credit concentration risks and the ratio of gross NPLs to total loans was still high, at 13.9 percent by end-2016.¹⁵

Despite the progress made in recent years to improve financial inclusion and development, WAEMU countries still lag benchmark countries. Access to finance and utilization of financial services remain low, especially for the most vulnerable parts of the population. In June 2016, the Council of Ministers approved a framework for a regional strategy promoting financial inclusion, as well as an associated action plan and budget for this strategy. This five-year strategy aims at expanding access and use of financial services and products to 75 percent of the UEMOA adult population.¹⁶

The bureau has spent over three years getting members to subscribe and appreciate the importance of having access to credit reporting information and integrating its utilization within their respective credit decisioning platforms. The number of inquiries is therefore an important indicator of the

uptake of the bureau by financial institutions and creditors. The greater the volume of inquiries, the more likely that financial institutions and creditors are looking up borrowers to obtain comprehensive credit information and making credit decisions based on information contained within the credit bureau. This will continue to an ongoing effort, as IFC envisions another phase of assistance to the BCEAO.

Expected Development in UEMOA in the Next Five Years

The true impact of the credit reporting system will be felt only once the bureau has full participation by the various lenders and the bureau has been operating for a few years. And it will only be felt if all lenders and data providers are willing to participate completely in the system. The role of the regulator monitoring the compliance of the users and data providers with the law and regulation is paramount, and the real driver for the success. With two or more years of good-quality data, the bureau will be able to start offering value added products and services such as credit scores, monitoring alerts, and consumer credit reports – all of which will add more value to the various stakeholders in the system.

Over time, it is expected that with the utilization of credit bureau information, lenders will see a reduction in non-performing loans and an expansion of their credit portfolios. They will also require much less collateral from borrowers, enlarging the segments of population that can become “visible, bankable, formal, scorable”

The BCEAO, in the meantime has recently issued 2 new regulations (006-05-2018 et 007-05-2018) establishing sanctions and the guidelines that will allow to apply the sanctions to every data provider or users for non-compliance with the credit reporting regulations and legislation, in any member country.

¹⁵ International Monetary Fund, West African Economic and Monetary Union (WAEMU): Common Policies of Member Countries – Press Release; Staff Report and Statement by the Executive Director for the West African Economic and Monetary Union, IMF Country Report No. 17/99, April 2017.

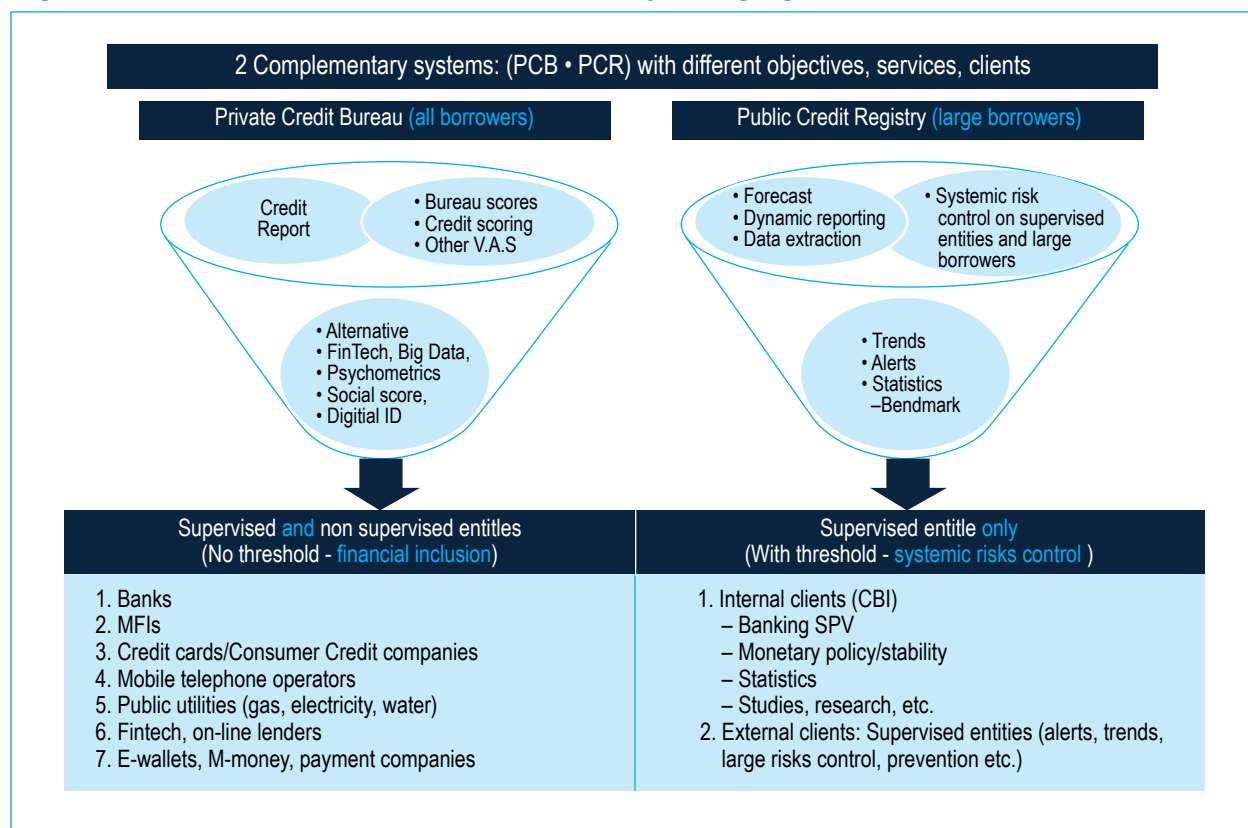
¹⁶ IMF Country Report No. 17/99. .



Recommendations for Other Policy Makers

1. **Identify a champion to lead the project.** The UEMOA project highlights the complexity in developing credit reporting systems anywhere and in particular when multiple markets are involved. Any initiative of a similar nature should note this and ensure that the central bank of the country/region or other key monetary system supervisor plays a crucial supportive role throughout the project and in particular at the beginning stages. Building capacity in credit reporting best practices within the regulator is one of the main activities of the project as the regulator is the most important driver of the project and the only authority to have full control. Furthermore, regulators are one of the most interested stakeholders in establishing a private credit bureau, as this is the best performing tool available to the lending industry to control portfolio risk. Previous experience unmistakably shows that there is no successful credit bureau project without the continuous, relentless support and participation of the regulators. On the contrary, many projects failed because of the lack of this sponsorship.
2. **Agree on a clear medium-term strategy (figure 8.1).** Outline and consistently implement a clear, medium-long term credit reporting strategy and action plan based on expert advice. The strategy should be based on best practice, and a farsighted, holistic objective. It must consider both PCBs and PCRs, and exploit the evident synergies existing but avoiding redundancy, overlapping, or worse, competition between the two systems. PCBs and PCRs are complementary but have different objectives and supply different services. Private credit bureaus aim at financial inclusion and serve the lenders, while the public credit registry is an instrument in the hands of the regulators to better perform their institutional functions (maintaining financial stability, conducting micro- and macro-prudential supervision, developing monetary policies). A good credit reporting system must include both systems.
3. **Pursue clear and consistent communication between the project team and the regulator.** The objectives and targets of the project should be discussed regularly and any delays in implementation flagged and discussed in order to come to a timely resolution. A project time line must be developed, agreed upon with the regulator, and discussed with the client or other relevant stakeholders at the inception of the project and continuously monitored throughout the project.
4. **Rely on best practices.** IFC, has through several years of experience working with credit reporting systems globally, developed tools and products that can be leveraged and used for similar projects. Past experience is the best guide for developing a credit reporting system. Regulators with similar projects are strongly advised to leverage the advice IFC brings to the table, along with the experiences in other regions, including in Latin America and the

Figure 8.1 What Is a Best Practice Credit Reporting System?



Caribbean, that have successfully implemented the regional credit bureau solution (Hub-and-Spoke models) that has been implemented in the UEMOA.

5. **Don't reinvent the wheel.** The biometrics experience in the UEMOA teaches a few important lessons:

a. Do not reinvent the wheel. As much as possible countries and regulators should lean on the experience gained through years of implementation in other countries where advanced credit reporting systems function. Quite often these countries experimented and failed along the way and the solutions they have chosen to implement is reflective of this experience. New countries developing credit reporting systems can avoid making the same mistakes and expedite the process of developing their respective credit reporting infrastructure.

b. While adhering to what has already been proven globally in terms of models, regulators should also adhere to the advice of international experts, as they have the same interest as the regulator to see the project achieve successful outcomes.

c. Credit reporting is a complex, niche industry that has always been on the cutting edge of technology and is constantly innovating and evolving toward the best possible solutions. While it may be tempting to adopt new types of technologies or disruptive applications, these should only be introduced in a credit reporting project if there is clear evidence of benefit (based on past experiences) that these technologies can bring to the project and evaluating the possible risks and drawbacks.

6. **Enact proportionate measures.** While credit reporting legislation is the best way to regulate the development of a credit reporting system,

it is easy to go overboard with the provisions in the legislation, making it next to impossible for these credit reporting service providers to operate. Regulators, particularly those that are used to regulating and supervising financial institutions, like to use similar approaches in regulating credit reporting service providers by imposing the need for fees, guarantees, reserve requirements, and the likes. Credit reporting service providers are different from financial institutions (they are rather technological entities than deposit-taking banks) and do not require the same type of provisioning, reserve requirements, supervision, and so on. The objective of the legislation should be to provide for proportionate measures to control the activities of the credit reporting service providers while striking a balance between consumer data protection and consumer rights. Rather, data providers and users are often the source of mistakes and problems (e.g. weak data quality, incomplete sharing, ignored consumers' rights, disregarded consent, unobserved obligation to inquire, etc.) and therefore must be the center of PCB supervision. Even one data provider which does not care about data quality jeopardizes the whole credit system.

7. Establish consent requirements. While protecting the rights of consumers is paramount, and consent is the bastion of consumer's rights, it is important to balance the need for regulation with the practicality of implementing stringent measures. In the UEMOA zone, it was thought that requiring consent to share data with the credit bureau as well as to inquire would be the most effective method to protect consumer rights. Without proper enforcement, however, it was difficult to convince lenders to implement consent clauses in a timely fashion and provide historical data to the credit bureau. In practice, at the outset, lenders used the lack of consent clauses as a justification not to share data with the bureau, despite having been alerted well in advance that the consent clause should be a part of the credit application. Regulators should examine all possible means of ensuring information flows while protecting the rights of consumers. Audits on the lenders' compliance

with credit reporting laws and regulations should be conducted on-site at the onset, violations should be highlighted, and sanctions applied. The role and participation of the banking supervision staff in monitoring this compliance is paramount.

8. Strike the right balance between consumer privacy protection and enabling credit information sharing. In this age of massive digital information flows, where consumers themselves are sharing information widely via social networks, the concept of privacy of consumer information is contextual and subject to interpretation. Within the context of credit information sharing, the objective should be to ensure that the information sharing is for the specific purposes as spelled out in the legal and regulatory framework, and that information is not shared, breached, or hacked either negligently or willfully. The onus of ensuring the safety and security of credit information flows falls on the credit reporting service providers (private bureaus, public registries) and the data providers. While the process ensures that these obligations are met, data subject privacy can be reasonably upheld.

9. Ensure consistency in implementation team. Establishing a private credit bureau project is a complex, time-consuming, and capital-intensive endeavor. It requires considerable organization, experience, and knowledge, and lots of awareness raising with the regulators, which are often new to the PCB ecosystem. The project may last three to five years. It is important for the team in the central bank not to change, particularly the project leader. Changes in the team, particularly at the senior strategic level, not only will delay the project time frame but might jeopardize the strategy set at the beginning and the project's outcomes.

10. Raise awareness. Awareness, financial education, and training are the cement of the project, and will strengthen the establishment and introduction of new risk management technologies (such as the bureau score), consumers' rights that often never existed before, and a more open and holistic vision of how

controlled information flows may improve the life of individuals and the common good. There is a logical timeframe for financial education campaigns that should not be subverted and normally conducted in three phases:

- Phase 1 – With the regulators (before and during the development)
- Phase 2 – With the lenders (before, during and after the development)
- Phase 3 – With public (by the end of the development and later)



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Appendix

Common Legal and Regulatory Frameworks for Credit Reporting

There are a variety of legal approaches that regulators and policy makers can adopt to comply with bank secrecy provisions, while fostering a functional credit reporting industry.

Banking Supervisor's Laws

In some countries, a very solid credit reporting model has been introduced with a simple central bank directive. Basically, this approach consists of regulations, not a law, approved by the banking supervisor to establish an information-sharing legal framework clarifying consumers' rights, as well as lenders' and private credit bureaus' responsibilities. Examples are the regulations passed by the Central Bank of Egypt and Morocco, enabling effective private credit reporting, with different information-sharing schemes (mandatory direct and indirect sharing, respectively).

Consumer Consent plus Code of Conduct

The consumer's consent plus Code of Conduct model has been adopted in countries where neither the banking authorities were empowered to enact a specific credit reporting regulation, nor a specific law was present. For instance, in Saudi Arabia, the supervisor (SAMA - Saudi Arabian Monetary Agency) originally encouraged the banks to establish a private credit bureau (PCB) (SIMAH)

simply on the basis of consumer consent and a Code of Conduct. SIMAH has been operating for years without any bespoke legislation or regulation. Now the Saudi authorities have introduced a credit information law. It is worth noting the critical role played by SAMA in fostering private credit reporting. SAMA applied its full moral suasion to the lenders, encouraging the banks to start a PCB, even without an ad hoc law, and then approved the law. Other countries, like Bahrain and Switzerland, have also adopted a Code of Conduct model accompanied by consumer consent.

A different regulatory approach, the data privacy law, is found in many developed and developing countries. Normally, this legislation enforces confidentiality provisions on all personal data flows and, by default, regulates the activities of PDBs. Data privacy laws have been pioneered in countries where a solid experience of information sharing exists, and consumer's rights are stronger. However, many developing markets are adopting such legislations (e.g. Senegal in the UEMOA, and also, Tunisia, Morocco) as well as most of the developed markets (EU, US, UK, etc.). The establishment of the first PCB in Cape Verde, for instance, is based on the enforced Data Protection Law, which contains the following basic provisions: fair processing of personal data, notification regime, security measures to be applied by Data Controllers, consumer protection (for example, rights of owners of information versus PCBs), sanctions for violation data privacy.

Private Credit Bureau Law

The introduction of specific and tailored legislation on PCBs still represents the most appropriate approach to establish a solid information-sharing system. A customized law represents the best foundation for information sharing, which enhances consumers' rights, and develops credit reporting system.



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