



“Microfinance – Risk Management” Project

History

A joint initiative between PRiM, ADA and the ATTF, at the request of the ATTF, was launched in 2006 after the workshop “Challenges for MFIs in Risk Management” run by the ATTF during « Microfinance Week 2006 - Luxembourg ». This workshop invited microfinance institutions (MFIs) to present their risk management processes, the problems they faced and the state of advancement in this field within each of their institutions.

The idea behind the workshop was that it could be the start of reflections on how Luxembourg might develop initiatives to help microfinance institutions in the domain of risk management.

A working group, made up of members of PRiM, ADA and the ATTF, was formed to analyse the risk management needs of this sort of MFI through written questionnaires and follow-up interviews by telephone with 7 « major » MFIs across the globe.

This first stage (research) allowed the group to determine the risk management priorities of the MFIs concerned with greater precision, particularly with regard to training needs.

Training in Risk Management, Luxembourg (17 - 21 November 2008)

The second stage is now to develop a training session that will take the form of a 5-day workshop in Luxembourg.

Target participants: the senior management and/or risk manager of any MFI which has a risk management function either in place or in the process of being set up (a precondition for participation in the event). **30 participants maximum.**

Dates: November 17th – 21st, 2008 (i.e. the week following the 2008 edition of the Luxembourg Microfinance Week).

Venue: Chambre de Commerce ou au Novotel (to be confirmed).

Language support: Simultaneous translation English-French

Outline:

Monday, 17 November: Risk Identification
General principles of Basel II (in general or with particular reference to the microfinance sector – to be defined)

Tuesday, 18 November: Operational Risk

Wednesday, 19 November: Credit Risk
Risk Governance: why should the risk management function be independent?
Presentation by the CSSF



Thursday 20 November: How to set up a risk management function?
 What are the training needs?
 Visit to a Risk Management department of a local
 Luxembourg bank

Friday 21 November: Treasury Risk (market risk)
 Liquidity Risk
 ALM
 Margin Risk
 Funding Risk
 Presentation by ALFI
 Closing summary by the event coordinator

Individual meetings between presenter and the MFIs present will be offered at the close of each day.

A coordinator will be present throughout the workshop in order to facilitate the event and the treatment of the various themes who will have experience in both the risk management field and that of the world of microfinance.

The key themes of the event will be:

- The examination of example cases in support of each major topic.
- With the aid of a model (excel-based tool used by ADA in their performance workshops) which will serve as the basis for the practical examination of each topic.
- Basel II.

It will be important that the risk management specialists taking part anchor their contributions to the fact that this will be a microfinance event and not a traditional banking event.

Coaching

Third Stage

This training event may, for those MFIs that wish and depending upon the availability of a sufficient number of risk managers, lead to the offer of a coaching stage.

The working group believes that this service would be much appreciated by the MFIs, since this support is not currently available. The main contributors to the workshop event would be the ideal candidates to act as the future coaches.

General comments

The workshop contributors and the coaches will need a general understanding of the microfinance sector. For those who are not very familiar,, two half-day training events may be provided by ADA (in June et in September) as follows:

- ½ day in June run by ADA at the end of which the coaches would be able to request further research by ADA on particular areas of interest.
- ½ journée in September to follow up this first event
- Provision of a CD-ROM from ADA on the microfinance sector, of a CD-ROM from the Women World Banking Network on risk management in microfinance and the provision of references to other publications and/or internet sites.

For further information please contact Michael May (PRiM) or Josée Thyès (ATTF) at microfinance@prim.lu.