



EUROPEAN
MICROFINANCE WEEK 2015

FINANCIAL INCLUSION FOR SUSTAINABLE DEVELOPMENT

Towards the Implementation of Sustainable Forward-Looking Risk Management: Challenges and Lessons Learned



**Risk Management
Initiative**
in Microfinance

■ Panelists:

- Charles Isingoma, Hofokam
- Florian Grohs, Oikocredit
- Ligia Castro, Consultant (ADA/REDCAMIF)

■ Moderator:

- Kevin Fryatt, Risk management Initiative in Microfinance (RIM)





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Risk Management Graduation Model (RMGM)

- Comprehensive best practice framework tailored to MFIs at different tier levels of development
- Set of standard guidelines for types of polices, limits, risk management & monitoring tools MFIs should have in place
- Considers the financial and social dimensions of risk
- Assessment Tool allows users to measure adherence to RMGM framework and pro-actively strategize for future





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Risk Management House



- 1 IDENTIFY**
Identify institutional tier level within the Risk Management Graduation Model
- 2 ASSESS**
Assess adherence to Risk Management Graduation Model Guidelines
- 3 STRATEGIZE**
Determine institutional Risk Management Graduation Path

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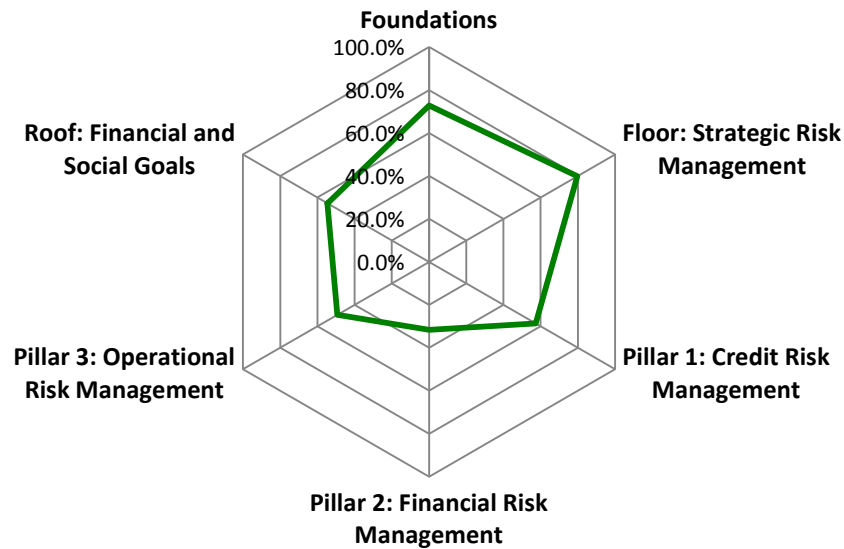
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Risk Management Graduation Model Assessment



Tier 2 MFI Score Summary



- 1 IDENTIFY**
Identify institutional tier level within the Risk Management Graduation Model
- 2 ASSESS**
Assess adherence to Risk Management Graduation Model Guidelines
- 3 STRATEGIZE**
Determine institutional Risk Management Graduation Path

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Industry Recommendations

- **Focus on developing a culture of risk within MFIs.** Its not only about seeking to manage credit, operational, and financial risks through having the right policies and tools in place, but also developing a culture of doing the right thing in the absence of formalized risk management systems.
- To avoid future crises, **MFIs need to prioritize risk management and be prepared to get their hands dirty.**
- MFIs and investors need to undertake a **perspective shift from short-term to long-term.**
- Regulators can use the Risk Management Graduation Model as a tool to **develop new, and improve existing, risk management regulation** as the framework provides clarity around practical ways MFIs can structure their risk management function.



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