

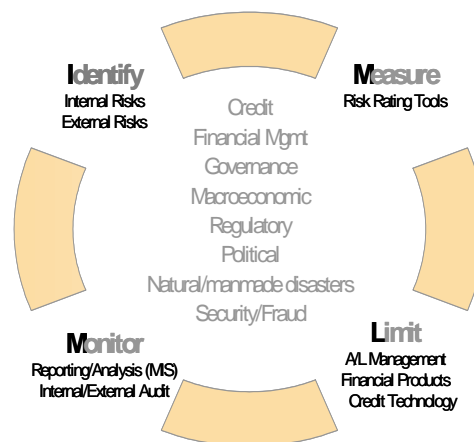


MFI Crises Risk Management in West Bank and Gaza

Approach

Banyan Global developed a risk management framework for microfinance institutions (MFIs) that adapts the principles large financial institutions use. The framework involves identifying, measuring, limiting, and monitoring risks; stress testing; and regularly communicating these risks. Banyan Global's approach allows MFIs to know their risk position and prepare for eventualities through a proactive system.

Effective risk management allows MFIs to minimize the adverse consequences associated with internal and external risks. This course has been tailored for the West Bank and Gaza; it focuses on *external* risks and their *internal* impact associated with the political environment. As such, it focuses on helping MFIs to manage and limit losses from delinquency, as well as plan for and manage their liquidity to withstand recurring external stresses to their balance sheet due to the conflict.



Goals and Objectives of the Course

The course trains participants to measure, manage, and monitor risks caused by external events that have internal implications on portfolio quality and, in turn, an institution's liquidity. Understanding these risks allows MFIs to make more-informed decisions for continued sustainability and profitability.

After completing this course, participants will be able to assess the internal implications of the political risk factors in the West Bank and Gaza and identify additional techniques, tools, and resources that are critical to managing it. Internal structures, testing techniques, and limit setting are covered so that managers can understand the relationship between risk management activities and managing the risk itself. The course reviews and clarifies the rationale behind managing risks and the impact of these risks on the MFI. A by-product of this training will be an increased focus on liability management and funding structure that is aligned with the MFI's risk appetite.

The course covers preparedness issues for the MFI that will allow it to mitigate the risks identified and withstand and cope with crises situations. Focus is placed on the internal and external tools that an MFI has to minimize the impact of a crisis on its balance sheet. Such methods include establishing access to emergency lines of credit in stable times so that it can draw upon them during emergencies. It also includes establishing internal operational guidelines that should be delivered to staff dealing with lending, collection, and fees and how they can be modified in times of crises.

The course also addresses managing delinquency during political crises and draws upon the experiences of MFIs that have withstood crises and the ways and means they used. It provides MFIs

with concrete guidelines on how and whether loans should be restructured, refinanced, or written off and helps them establish internal rules and procedures for making this determination.

Finally, the course discusses product-development issues and how MFIs can modify or develop products to help clients prepare for and respond to crises.

Course Structure

The course is structured in five modules delivered over a 3-day period.

Module 1: Introduction

- Understanding the basic risk management framework—identifying risks, measuring risks, setting limits, and monitoring

Module 2: Scenario Planning

- Identifying risks in the current market environment
- Measuring risks and their impact on the balance sheet
- Stress-testing scenarios
- Setting limits for asset and liability structure

Module 3: Risk Mitigation Strategies

- Emergency liquidity—sources and uses
- Internal operational procedures

Module 4: After Crises—Delinquency Management

- Best practices and case studies from other emergency situations
- Understanding restructuring, rescheduling, and write-off and when to use each
- Developing crises policies and procedures for delinquency management

Module 5: Client Preparedness

- The importance of product development
- Understanding basic market research and the changing needs and situations of clients during crises
- Tailoring products for preparedness and crises response