Company Description: Company specializes in microfinance and provides financial products and services to industries and households with less access to economic and social benefits. The company's portfolio has grown from less than $18 million USD to over $50 million USD in less than three years. Today, the company has a range of financial products that meet the needs of micro and small entrepreneurs throughout El Salvador. It has experienced rapid growth over the last several years and like many MFIs has faced increased risk factors in the current global recession as well as higher costs of capital.

Company Type: *(Check One)*	**Investor**	**Intermediary / Provider**	**MFI**
			X

Relevant Principle(s): *(Check all that apply)*		
		1) Risk Mgmt is a shared responsibility among MFIs, Investors and Donors
	X	*2)Measuring risk is a central part of measuring performance*
	X	*3) Adopt a comprehensive approach to managing balance sheet risks*

Headline: (type of actor, issue, solution) (1 phrase):

MFI implements risk management personnel, policies and tools to increase transparency, reduce credit risk, and improve return on investment.

Problem Statement (what facing)(1-3 lines):

How can MFI implement risk management best practices and manage its growth in a cost effective, scalable manner that is responsive to a rapidly changing environment?

Summary (what did) (3-5 Sentences):

1. Dedicated Risk Management Personnel and Structured Reporting and Analysis
2. More Conservative Lending Practices
3. Increased Foreign Funding and Capacity Building

Take Away / Lesson Learned (what benefit or consequence) (2-4 lines):

NEW SYSTEM STILL IN DEVELOPMENT BUT REPORTS AVAILABLE INSTANTLY INSTEAD OF HOURS OR WEEKS

1. Technology and Technical Capacity - reduces costs and human error, improves performance, enhances responsiveness, and facilitates growth as well as dual mission reporting
2. Responsiveness and Agility - critical to monitor and understand changes in portfolio and causes as quickly as possible and in as much detail as possible
3. Better to be Proactive than Reactive - reacting to developing trends and staying ahead of the curve much better than waiting for the other shoe to drop, or being too slow to adapt policies and practices in response to changing circumstances

Body of the Case (as much space as the topic needs, more detail on the take away):
The MFI has a Risk Management department staffed with a manager and dedicated analyst. Excel based reports are run daily, weekly, and monthly to monitor PAR 30 levels across multiple dimensions. Overview reports are prepared on a monthly basis for Senior Management meetings as well as a few current to past year comparisons. Due to limited time and resources the risk department is unable to implement all of their desired reporting and analysis.

The company has gradually tightened lending criteria, loan amounts, and terms, as well as trying to react to current events in a timely manner to address economic crisis issues that are industry or market segment specific.

It has always been at the forefront of working with DFIs and embracing new technologies.

MFI Portfolio Analytics and Risk Management Implementation
The MFI is in the process of launching a new system custom tailored to microfinance and its needs. This system will incorporate the following features and benefits:

1. Automated and Scalable - reducing labor and resource cost as well as human error while facilitating growth
2. Data Optimization - utilizing all data fields in its databases, standardizing and "cleaning" it of errors and inconsistencies, to assist with MFI dual mission objectives and reporting, as well as ratings of personnel performance, clients, and product performance, trend analysis, etc.
3. Improved Performance - through monitoring and analysis of company's best practices, financial products, and personnel
4. Faster Responses - built in early warning flags which alert management to deteriorating or subpar performance metrics
5. Increased Transparency - Standardization and reporting of portfolio data in formats easily understood by investors, donors, and regulators.

Application of Principle:

1) Measuring risk is a central part of measuring performance on multiple levels. In the case of this MFI, the country's regulatory framework requires them to keep reserves to offset expected losses based on risk levels in their portfolio. Risk also directly impacts projected ROI. Senior management, branches, and account managers have risk levels monitored as part of their performance evaluation.
2) Illustrates a comprehensive approach to managing balance sheet risks via dedicated risk management resources, strategic decision making by senior management, and implementation of risk-aware loan origination practices.

Replicable Practices:
The information technology and practices utilized by the MFI are fairly affordable and available throughout most of the world. Their new pilot portfolio analytics and risk management system, for example, requires only an internet connection and data. In order to replicate the company's success, other MFIs throughout Latin America and the world simply need basic database systems, an internet connection, and solid management that has the basic skills needed to utilize data analytics, is diligent in monitoring performance and changing circumstances, and is open to working with new technologies and sources of capital.