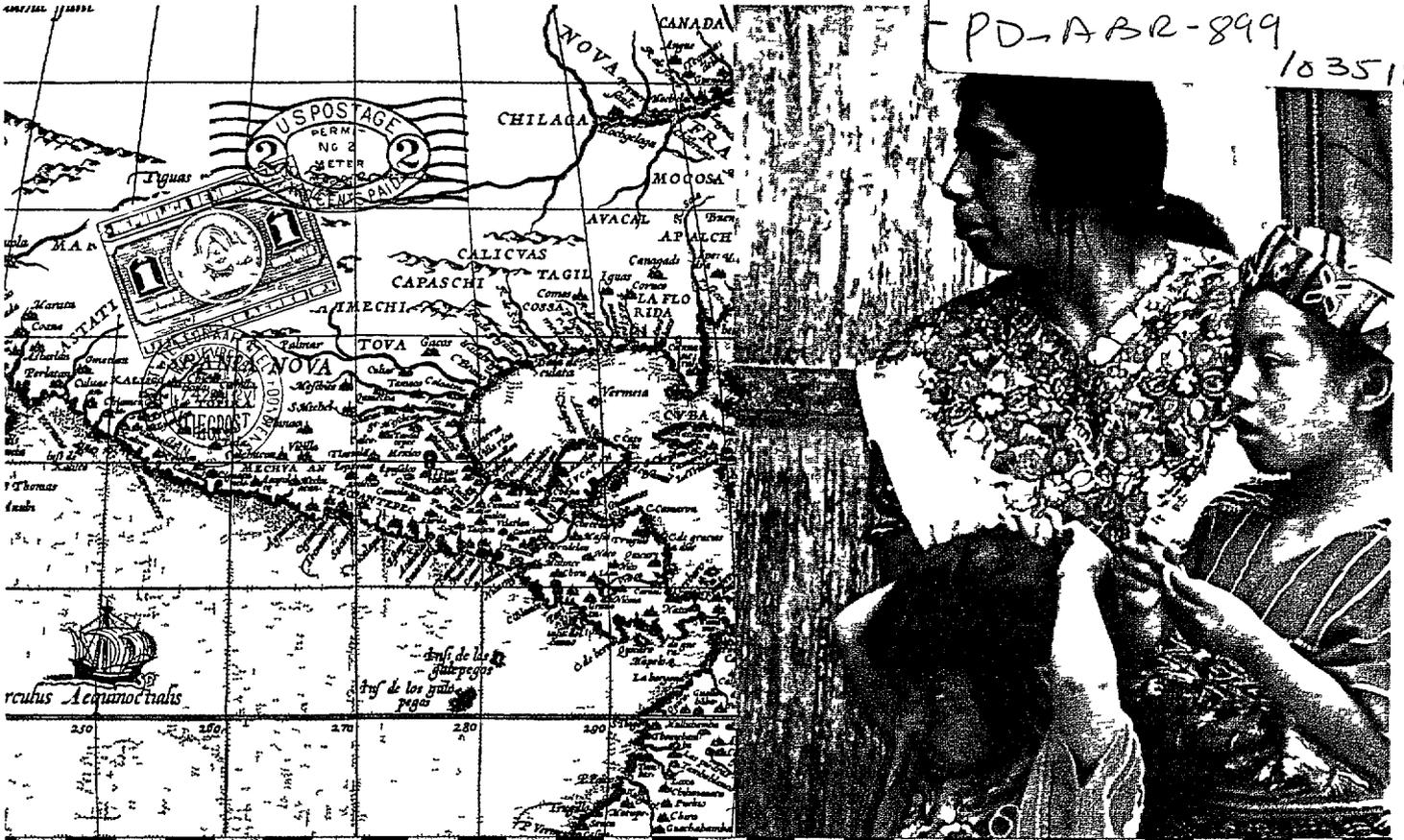


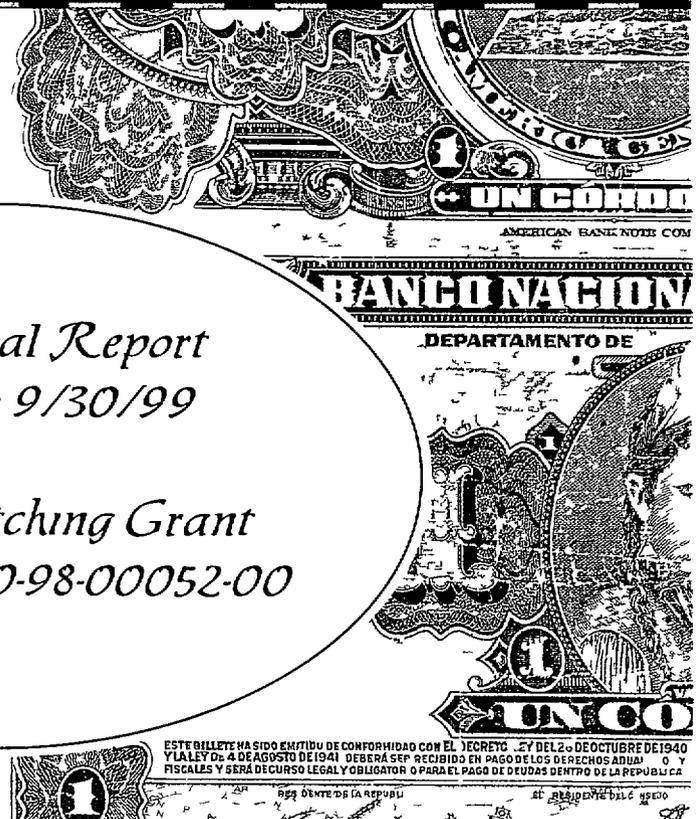
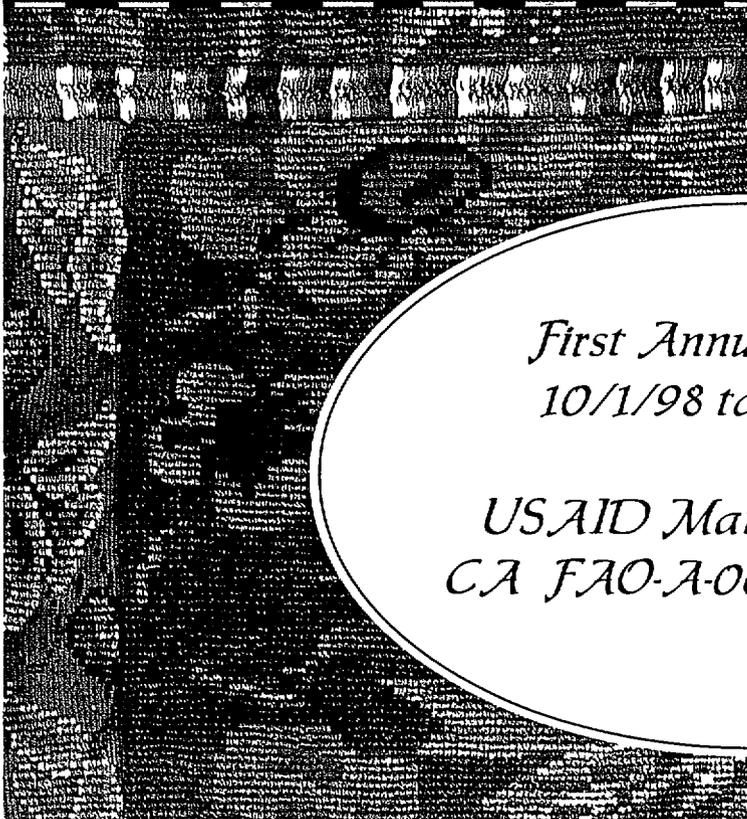
AMERICA

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KATALYSIS PARTNERSHIP Bootstrap Banking™:
Putting Poverty Out of Business



First Annual Report
 10/1/98 to 9/30/99

USAID Matching Grant
 CA FAO-A-00-98-00052-00

ESTE BILLETE HA SIDO EMITIDO DE CONFORMIDAD CON EL DECRETO 27 DEL 26 DE OCTUBRE DE 1940 Y LA LEY DE 4 DE AGOSTO DE 1941. DEBERÁ SER RECIBIDO EN PAGO DE LOS DERECHOS ANUALES Y FISCALES Y SERÁ DE CURSO LEGAL Y OBLIGATORIO PARA EL PAGO DE DEUDAS DENTRO DE LA REPUBLICA

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GLOSSARY OF TERMS

BP	Business Plan
CCF	Christian Children's Fund
CBS	Community Banking Specialist, two positions at RFO
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poorest sponsored by the World Bank
DIP	Detailed Implementation Plan
EC	Executive Committee of the Katalysis Board of Directors
FASS	Fund Accounting Software System -- non-profit software accounting package
FD	Finance Director
IDB	Inter-American Development Bank
MG or MG3	Matching Grant
MI	Microcredit Intern, Headquarters
MCS	Microcredit Specialist, position is at both Headquarters and RFO
MIF	Multilateral Investment Fund of IDB
MIP	Microenterprise Innovation Project sponsored by AID
MT	Management Team
MUDE	Association of Women in Development (<i>Asociacion de Mujeres en Desarrollo</i>)
NGO	Non-governmental Organizations
PVO	Private Voluntary Organization
ODEF	Organization for Women's Enterprise Development (<i>Organizacion de Desarrollo Empresarial Femenino</i>)

Q	Quarter
RDD	Resource Development Director
RFD	Regional Field Director
RFO	Regional Field Office
SDS	Sustainable Development Services three organizations -- Freedom from Hunger, IDR, and Lassen and Associates
SEEP	Small Enterprise Education and Promotion Network
TA	Technical Assistance
USAID	United States Agency for International Development
Y1	Year 1 (FY99)
Y2	Year 2 (FY2000)
Y3	Year 3 (FY2001)

Executive Summary

This first annual report for Cooperative Agreement FAO-A-00-09-00052-00 details a successful launch of this three-year Katalysis project whereby Katalysis is committed to accompanying six of its Central American Partners to high levels of financial and operational sustainability and to raising Katalysis' own professional capacity for high quality technical assistance in microcredit management. The accompanying country progress reports and charts speak for themselves in detailing a successful first year that included intensive and creative training of Partner staffs and marked intensive Katalysis staff professional involvement and contributions in the microcredit industry.

It is important to summarize here significant movements in the implementation of the grant which contextualize all that follows in the full report.

First Year Happenings of Note

- ❖ Katalysis Regional Field Office staff, having received word of the signing of the Cooperative Agreement for this grant, prepared a complete orientation of the six participating NGO Partners of Katalysis. The orientation provided clarity about the project's goals and objectives, primarily the Partners' significant progress along the continuum of operational and financial sustainability. Further, the staff reviewed the calendar of trainings, staff consultation visits to each of the Partners, and budget provisions, as well as expectations as to participation and outputs by the Partners and their respective staffs. This orientation took place in early October.
- ❖ Little did any one realize that in barely a month, Hurricane Mitch would sweep through the region, doing substantial damage in Honduras and Nicaragua, and impacting Partners and clients in long-term ways. The immediate impact was horrifying, their resilience and return to some semblance of normalcy awing, and the long-term suppression of the economy slow in revealing itself.
- ❖ In Guatemala, Katalysis was continuing its intense consultancies with two Partners under this grant – MUDE and FAFIDESS. It became clear during that first quarter, that FAFIDESS was not cooperating effectively with Katalysis staff recommendations regarding best practices in the operations of their microcredit program. Since that is one of the standards to which the Partners commit their organizations and is the basis for the technical consulting provided by the field office microcredit team, FAFIDESS withdrew in January as a Partner candidate at the completion of their probationary year. Partner Directors voted not to grant Partner status to FAFIDESS.
- ❖ Reallocation of funds assigned for FAFIDESS' use was sought from the Katalysis Project Officer. Part of the funds were redirected to the new Partner search, initiated in June, part to organizational sustainability planning at Katalysis, and the bulk of it to the new Partner to be identified in Year 2.
- ❖ During the second quarter, extensive preparation for the DIP was undertaken by field and headquarters staff. It was completed in May of 1999. Shortly thereafter, the Business Plan that details the sustainability elements for Katalysis and lays out the first five years of that plan as it dovetails with and extends beyond the end of this matching grant was completed.

❖ The Board of Directors and the Partner Directors Board (a committee of the Katalysis Board) were involved in the discussion of sustainability, actively raising creative ideas at the April international meeting in Guatemala. The Partners approved their first direct contributions toward Katalysis, voting at their September 1999 meeting to approve a \$1000 per year fee for membership in the Partnership network. Discussions will continue in Year 2 among the Partners and Katalysis to determine other viable fees-for-service and a method of gradual implementation of these fees.

❖ By the close of Q4, a full review of the Nicaraguan Partners attested to their successful probationary year in the Partnership. The RFO staff found the two new Partners receptive and responsive to all training visits and consultations and recommended their acceptance as full Partners. Likewise, the Partner Directors met and recommended the same. The Katalysis Board approved full Partner status for Fundacion Leon 2000 and FUNDENUSE as of October 1, 1999.

Where relevant these events will be commented upon further. The full report follows.

THE FORMAT OF THIS REPORT HAS BEEN DICTATED BY THE GUIDELINES FOR REPORTING, YEAR ONE, IN THE COOPERATIVE AGREEMENT BOLD ITALICIZED HEADINGS REPRESENT QUESTIONS/DIRECTIONS FROM THOSE GUIDELINES

I Overview of Year One (& changes subsequent to DIP)

A) Overview of first year of the project with a country-by-country comparison of actual accomplishments with the objectives for Year 1 (the reporting period)

The overarching goal of this Katalysis project is to improve the social and economic conditions of the poor in Central America, especially women, through credit, savings mobilization, and business development services

This program design and the objectives were given full form in the revised proposal, logical framework and DIP (submitted in May of 1999) In support of USAID goals and objectives, a business plan was also completed in June of 1999 and both supports and extends the goals of Katalysis and its Partners

The following chart summarizes globally the Partners' first year performance using key industry-based financial and impact indicators

**GLOBAL SUMMARY
FINANCIAL AND IMPACT INDICATORS
MG-III PARTNERS
FY99 ACTUAL PERFORMANCE (September 30, 1999)**

INDICATORS	Guatemala	Honduras		Nicaragua		TOTAL
	MUDE	FAMA	ODEF	FUNDE- NUSE	LEON 2000	
Total Portfolio Balance (000s)	\$122 10	\$466 80	\$1,964	\$913 90	\$527.30	\$3,994 10
Nominal Rate (Minimum)	36%	36%	36%	35%	30%	
Effective Rate (Minimum)	49%	27%	34%	40%	37 9%	
Average Loan Size	118	\$104	\$235	\$429 2	\$261 5	
Portfolio at Risk (30 days and above)	24%	*12 9%	*6 1%	*3 29%	*11%	
Clients/Promoter Average	260	446 8	225	193	183	
Number of Active Clients	1,042	4,448	8,342	2,129	2,016	17,977
% of Women	100%	100%	70%	60%	74%	
Operational Self-sufficiency	73 4%	81%	120%	183%	110%	
Financial Self-sufficiency	67 7%	69%	106%	166%	85%	

* Includes the portfolio affected by Hurricane Mitch

The first primary objective under this grant is

To expand the scope and deepen the outreach capacity of six Central American Partner organizations in three countries to serve poor clients, primarily women, in marginalized urban and rural areas, and to move towards achieving self-sufficiency of their microcredit programs

What follows is a country-by-country, Partner-specific review of Year 1 goals and outputs. Cumulative charts of all project activities for field and headquarters are included as Attachments C and D.

HONDURAS

A. ORGANIZATIONAL BACKGROUND

1 Organizacion de Desarrollo Empresarial Femenino - ODEF

Year Founded	1985
Relationship with Katalysis	Partner since 1989, spearheaded community banking for the Partnership
Mission	To help incorporate women and their families into the processes of economic, social, cultural, educational, and political change in Honduras and to improve their standard of living
ODEF's Principal Activities Prior to this Matching Grant (MG3)	Prior to this grant, ODEF had rapidly expanded its microcredit programs. Institutional capacity was enhanced through ongoing technical assistance by Katalysis and strategic intervention and financing of its credit portfolio by USAID-funded Fundacion Covelco. ODEF's expansion was further supported by a three-year grant from IGP/MIP which finances outreach to 3,600 new clients/per year. In addition to its microcredit programs, ODEF provides agricultural extension services and training to subsistence farm families in northern Honduras, primarily through its Agricultural Training and Learning Center, <i>Herencia Verde</i> . The Center services a different client base and is not linked to ODEF's microcredit activities.
ODEF's Institutional and Program Capability	ODEF has a proven track record in successful implementation of microcredit programs and demonstrated capacity to significantly increase scale and depth of its outreach to the poor in its area of operation. ODEF's board consists of professionals in the fields of economics, social sciences, and business, most with advanced degrees. At the start of the grant ODEF's credit department was comprised of 28 staff: a credit director, a community banking coordinator, a training coordinator, five field office coordinators, and 20 credit promoters.

2 Familia y Medio Ambiente (FAMA)

Year Founded	1990
Relationship with Katalysis	FAMA became a Partner in 1996. In joining the Katalysis network, FAMA made a strategic shift to strongly embrace its commitment to financial self-sufficiency.
FAMA's Principal Activities Prior to	Since its founding in 1990, FAMA has successfully implemented its community banking program, designed for extremely poor clients.

MG3	FAMA also operates a small agricultural center at which subsistence farmers receive training in sustainable farming practices. However, these services are not linked to the community banking services and, therefore, not part of this program.
FAMA's Institutional and Program Capability	FAMA has a 17-member staff, of which 13 are directly involved in microcredit services. During this grant FAMA's financial management capacity will be significantly enhanced with the installation of an integrated system linking accounting, banking and credit portfolio operations.

B. ACCOMPLISHMENTS COMPARED TO OBJECTIVES

1 Organización de Desarrollo Empresarial Femenino - ODEF

HIGHLIGHTS OF ODEF ACHIEVEMENTS IN FISCAL YEAR 1999

- Operational and financial self-sufficiency levels greater than 100%, even with more than 60% of the portfolio affected by Hurricane Mitch in FY99
- A strong portfolio comprised of Solidarity Group and Community Bank group loans
- Successful control of delinquency, which was reduced from 24 1% (Q3) to 6% (Q4)
- Secured IDB financing to meet the demand for loans from people affected directly or indirectly by Hurricane Mitch
- Minimized fraud by informing the public (media) about the organization's policies
- Using new credit methodologies that have helped them to retain their clients

FINANCIAL AND IMPACT INDICATORS FY99 -- ODEF						
Concept	GOAL	Q1	Q2	Q3	Q4	% of Goal Achieved
Total Portfolio Balance (000s)	\$2,088	\$2,720	\$2,276	\$1,812	\$1,964	94%
Nominal Rate (Minimum)	36%	36%	36%	36%	36%	100%
Effective Rate (Minimum)	48%	48%	54%	48%	34%	71%
Average Loan Size	\$210	\$274	\$252	\$179	\$235	-12%
Portfolio at Risk (>30 days)	5%	*16%	*19 2%	*24 1%	*6 1%	-22%
Clients/Promoter Average	431	431	323 1	243	225	52%
Number of Active Clients	9,933	9,921	9,047	8,273	8,342	84%
% of Women	80%	80%	68%	71%	70%	88%
Operational Self-sufficiency	132%	98%	121%	106%	120%	91%
Financial Self-sufficiency	115%	72%	94%	95%	106%	92%

*Note Includes the portfolio portion affected by Hurricane Mitch

ODEF's market was significantly affected by Hurricane Mitch which struck Honduras in October 1998. From a portfolio of \$2,353,100 as of October 31, 1998, 16% (\$376,400) was

directly impacted by Hurricane Mitch whereby the borrowing clients lost houses and businesses. Of this total, 42% (\$158,000) was written-off as unrecoverable, and 58% (\$218,000) has been slowly recovered through re-scheduling and re-financing strategies. In light of FY99 challenges, the results achieved by ODEF are quite satisfactory.

ODEF and Katalysis will continue developing strategies for recovering the affected portfolio, as well as for achieving new growth and outreach of its operations. Furthermore, ODEF will continue implementing distinct strategies to serve clients from both affected and non-affected zones in order to minimize the credit risk.

2 Familia y Medio Ambiente (FAMA)

HIGHLIGHTS OF FAMA ACHIEVEMENTS IN FISCAL YEAR 1999

- Launched the Solidarity Group Loan Program as a new product
- New personnel hired (microcredit specialist, management information system specialist, credit promoters, and solidarity group program coordinator)
- Increase in the number of rural and urban clients served
- Improvements made to the Community Banking Program
- Personnel policies and manual were updated and approved
- The Microcredit Policies and Regulations Manual was revised and updated
- Successfully passed the MIP USAID IGP on-site assessment for an award in FY2000-2002

FINANCIAL AND IMPACT INDICATORS -- FAMA						
Concept	GOAL	Q1	Q2	Q3	Q4	% of Goal Achieved
Total Portfolio Balance (000)	\$413 8	\$355	\$321 1	\$316 0	\$466 8	113%
Nominal Rate (Minimum)	36%	36%	36%	36%	36%	100%
Effective Rate (Minimum)	50%	N/A	N/A	34%	27%	54%
Average Loan Size	\$79	\$84	\$72	\$73	\$104	-32%
Portfolio at Risk (>30 days)	5%	*17%	*16%	*12%	*12 9%	-158%
Clients/Promoter Average	411	423	425 6	430 4	446 8	109%
Number of Active Clients	5,339	4,228	4,256	4,304	4,448	83%
% of Women	100%	100%	100%	100%	100%	100%
Operational Self-sufficiency	130%	N/A	85%	93%	81%	62%
Financial Self-sufficiency	95%	N/A	76%	78%	69%	73%

*Note Includes the portfolio affected by Hurricane Mitch

As shown above, FAMA's FY99 results were severely limited due to the affects of the hurricane. The portfolio of \$373,400 as of October 31, 1998, 5% (\$18,700) was directly damaged by Hurricane Mitch. FAMA has been slowly recovering its portfolio through re-scheduling and re-financing strategies. Katalysis and FAMA will continue implementing strategies to improve the portfolio management and control to achieve higher levels of self-sufficiency during the next fiscal year and will develop market surveys to evaluate FAMA's potential market and improve its impact levels.

C. SIGNIFICANT ACTIVITIES UNDER THIS GRANT IN HONDURAS

All activities under the grant are intended to support an integrated capacity building framework to advance the capabilities and sustainability of the participating Partner organizations. A summary chart of these field activities detailing their timing is included in Attachment C.

❖ Strategic and Operating Plans

During this period, **ODEF's** strategic plan for 1999-2003 was updated. Katalysis made quarterly evaluations of the operating plan with instruments designed to measure the results of the strategies and tactics contained in the plan. Katalysis has provided ODEF with key managerial strategies in order to improve its output and portfolio management.

During Q4 of FY99, Katalysis worked jointly with **FAMA's** staff to update the strategic plan for 1999-2003. The plan includes key strategies to strengthen FAMA's working methodologies and its portfolio. During the next quarter, Katalysis and FAMA will complete the annual operating plan for FY2000, which will serve as the basis for programming and developing activities that will contribute to achieve the goals and indicators established in the plan.

❖ Management of Credit Administration

ODEF's management of credit administration had been monitored through systematic periodic reports. Katalysis has been supporting ODEF in designing strategies for adequate and timely supervision and monitoring of its portfolio (Post-Mitch), and at the same time, to maintain a healthy portfolio especially in the zones not affected by Hurricane Mitch. In order to evaluate the performance, ODEF's portfolio was segmented in geographic zones and by credit methodologies. Using the MIS, ODEF is currently separating each credit program's interest income by methodology. Katalysis has been working with ODEF's microcredit specialist to make necessary adjustments to the loan approval and collection process.

From Q2 to Q4 of FY99, Katalysis has provided continuous technical assistance and timely advisory support to **FAMA** related to the implementation of strategies for an adequate management and credit administration, as well as to control and manage the level of delinquency. Based on the portfolio's evaluation and aging analysis performed by Katalysis, the organization was able to improve its portfolio performance.

❖ Management of Financial Administration

ODEF has a system of financial indicators system to evaluate periodically its performance. Katalysis has monitored ODEF's financial indicators, cash flow, and budget through quarterly reports and evaluations. Katalysis has provided ODEF with specific recommendations to improve the results of its financial administration such as maintaining adequate levels of cash for its operations and managing its expense ratio.

Katalysis has provided technical assistance and timely advice to **FAMA** to help maintain adequate liquidity for operations. Katalysis, jointly with FAMA's microcredit staff, has analyzed the interest rate structure of the organization and recommended strategies to improve its portfolio output and self-sufficiency levels.

❖ **Microcredit Specialist**

During FY99, both ODEF and FAMA hired their MCS. Katalysis has helped ODEF's MCS implement activities related to the areas of strategic planning, financial indicators, management and administration of portfolio, and financial administration. These activities have significantly contributed to strengthening and consolidating its operations and maintaining adequate levels of self-sufficiency.

Katalysis developed an introductory workshop for FAMA's microcredit specialist related to strategic planning, financial indicators, portfolio administration, and financial management. Also, Katalysis coordinated the microcredit specialist's work-plan, designed to strengthen and consolidate FAMA's operations. FAMA's microcredit specialist has also started implementing the activities in the strategic plan in FY99.

❖ **Management of Financial Indicators and Evaluations of Results**

Through the Micro-CAMEL financial indicators, Katalysis has provided timely and continuous follow-up to FAMA and ODEF. The new MIS facilitates the preparation of the indicator results. These indicators are evaluation tools used to provide advisory services and technical assistance based on detected weaknesses in the Partner's microcredit operations. For example, loan recovery rates and yield on portfolio can be used to determine staffing changes or to detect fraud.

❖ **Management Information Systems (MIS)**

ODEF successfully implemented its integrated portfolio and accounting MIS in FY99. Currently, ODEF's daily transactions are entered into the system allowing the organization to have timely information for decision making. Katalysis has closely monitored this process and has supported ODEF with its implementation.

During FY99, FAMA (in close coordination with Katalysis) installed the MIS system. In Q3 FAMA generated the first portfolio reports for planning, monitoring and control of activities. FAMA intends to bring the accounting and deposit modules on-line in FY2000.

❖ **Management Information Systems Specialist**

ODEF's MIS Specialist has made significant contributions and progress since he has experience in installing and implementing this system in other organizations.

Katalysis developed a training plan for FAMA's MIS specialist, which has significantly strengthened the work of the specialist. Katalysis has conducted site visits to monitor the work of the MIS specialist, which has been satisfactory in FY99.

❖ **Training and Partnership Exchanges**

During this year FAMA and ODEF's personnel participated in a number of training workshops. Specific details are provided in Attachment E.

GUATEMALA

Initially, two Guatemalan Partner organizations were participating in this grant FAFIDESS resigned from the Partnership early in Q2 The details of this separation were communicated to our Project Officer, Mary Herbert A copy of that communication is included in Attachment F

A. ORGANIZATIONAL BACKGROUND

1 Asociacion de Mujeres en Desarrollo -- MUDE

Year Founded	1991
Relationship with Katalysis	Katalysis Partner since 1992
Mission	To improve the socioeconomic conditions of poor women
MUDE's Principal Activities Prior to MG3	Prior to MG3, MUDE managed a diverse set of programs including community banks, individual microenterprise loans, small-scale agriculture, and fuel-efficient stoves However, in late 1997 MUDE decided to focus on microcredit as its primary program activity and has phased out its agricultural extension and appropriate technology activities
MUDE's Institutional and Program Capability	MUDE is developing the institutional and program capability to successfully implement MG3, including adding skilled and experienced technical staff and a financial controller, clearly defined credit policies, and an integrated accounting system

B. ACCOMPLISHMENTS COMPARED TO OBJECTIVES

HIGHLIGHTS OF MUDE ACHIEVEMENTS IN FISCAL YEAR 1999

- Initiated an internal restructuring process including changes in its field and administrative staff
- Created a new Community Bank Coordinator position, which was filled by one of its senior promoters
- Modified its credit regulations and implemented new credit policies
- Developed its Community Bank Methodology Manual with Katalysis' assistance
- Revised and updated its personnel manual
- Implemented effective loan recovery policies
- Secured financing from Rotary International Foundation and private sources to meet the clients' credit needs
- Achieved higher than expected operational self-sufficiency level of 73.4% and financial self-sufficiency level of 67.7%, surpassing the Year 1 MG3 goals

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PROJECTED FINANCIAL AND IMPACT INDICATORS, FY99 -- MUDE						
Concept	GOAL	Q1	Q2	Q3	Q4	%of Goal Achieved
Total Portfolio Balance (000s)	\$207	\$210 4	\$176 4	\$145 9	\$122 1	59%
Nominal Rate (Minimum)	36%	36%	36%	36%	36%	100%
Effective Rate (Minimum)	40%	40%	36%	54%	49%	123%
Average Loan Size	\$123	\$142	\$124	\$159 6	\$118	96%
Portfolio at Risk	3%	25%	22%	31%	24%	-700%
Clients/Promoter Average	496	296	237 5	231	260	52%
Number of Active Clients	1,680	1,482	1,425	1,126	1,042	62%
% of Women	75%	100%	100%	100%	100%	133%
Operational Self-sufficiency	53%	77%	95 4%	72%	73 4%	138%
Financial Self-sufficiency	46%	66%	60 3%	64%	67 7%	147%

During FY 99 MUDE surpassed the portfolio effective yield goal of 40%, achieving 49%, which has allowed MUDE to reach higher self-sufficiency levels than planned. The organization's operational and financial self-sufficiency rates are 138% and 147% of the expected goals, respectively.

On the other hand, the number of active clients was only 62% of the expected goal, and the portfolio at risk was 24% which represents an improvement compared to Q3, but does not achieve the MG goal of 3%. This seemingly high portfolio at risk factor is to be expected as MUDE is currently confronting some weaknesses in its loan practices and beginning to make recommended changes. Specifically MUDE is being trained to eliminate fraud, reduce loans to high-risk clients and board members, and improve collections. In addition to improved loan practices, MUDE is preparing a long overdue bad loan write-off, which will better represent its true portfolio at risk. MUDE reached a total loan portfolio of \$122,100, only 59% of the FY99 goal. Katalysis has closely monitored MUDE's portfolio and has made specific recommendations to improve this situation. Not all recommendations have yet been implemented by MUDE, however, Katalysis's RFD has met with MUDE's Board of Directors and executive staff to find the necessary support from them to improve the organizational management and help achieve the expected goals. Such organizational changes require strong leadership and management, especially at the executive director level. Katalysis staff and the executive director of MUDE realized the need for management skills training, and Katalysis instituted a special executive director training program. See details below in *Partnership Management and Strengthening—Partner Directors Meetings*.

To reduce the portfolio at risk rate and improve its performance overall as an institution, Katalysis will continue supporting MUDE through timely technical assistance and monitoring.

C. SIGNIFICANT ACTIVITIES UNDER THIS GRANT IN GUATEMALA

❖ Board Development

During this year, Katalysis supported MUDE in developing strategies, which allowed it to improve the composition of its board of directors. The Katalysis RFD met with MUDE's Board members and executive staff to discuss topics related to the competent management of the

organization, especially the role the board must play within MUDE Significant steps have been taken since then to improve the management

❖ **Strategic and Operating Plans**

Katalysis and MUDE have updated the strategic plan for the period 1999-2003 The plan includes key strategies and activities that will help MUDE to improve its self-sufficiency levels and impact at the client level During this year, Katalysis has made periodic evaluations of MUDE's annual operative plan Based on the results from these evaluations, Katalysis has made timely and specific recommendations to improve MUDE's management, such as rotation of staff, improved collections, and hiring of technical specialists

❖ **Management of Credit Administration**

Katalysis has provided MUDE with TA, advisory services, monitoring and follow up in the areas related to credit management and administration, especially regarding portfolio analysis, evaluation and aging reports, delinquency analysis and loan collection management Through periodic evaluations of MUDE's portfolio, Katalysis has recommended strategies so that the organization can increase its output levels

❖ **Management of Financial Administration**

Katalysis has provided TA to MUDE's MCS in cash flow and budget management and the use of financial indicators With the implementation of such tools MUDE can maximize resources and maintain adequate levels of liquidity to manage operations

❖ **Microcredit Specialist**

During FY99, MUDE hired a microcredit specialist who developed and implemented workplans related to strategic planning, financial indicators, portfolio management and financial administration However, not all the recommendations made have been implemented by MUDE Therefore, MUDE plans to expedite their implementation during FY2000

❖ **Management of Financial Indicators and Evaluations of Results**

MUDE's MCS is applying the Micro-CAMEL indicators as important tools to evaluate performance Using these results, MUDE and Katalysis have developed strategies and recommendations to improve the management of the program

❖ **Management Information Systems (MIS)**

Katalysis has supported MUDE with the installation and implementation of the integrated MIS During FY99, MUDE started to improve the portfolio and accounting information flow processes in order to implement the system for portfolio, accounting and bank modules MUDE intends to have all information entered during Q1, FY2000

❖ **Training and Partnership Exchanges**

During this year MUDE's personnel participated in a number of training workshops coordinated and/or presented by Katalysis staff Please see the listing in Attachment E

NICARAGUA

A. ORGANIZATIONAL BACKGROUND

1 Fundación León 2000 (Leon 2000)

Year Founded	1993
Relationship with Katalysis	New Partner First contact with Fundacion Leon 2000 was made during a community banking training conducted by Katalysis Microcredit Program Manager under the auspices of AED/USAID at Katalysis headquarters in March 1997 A follow-up visit to Nicaragua confirmed their interest in the Partnership On-site diagnostics and extensive dialogue followed in fall 1997, culminating in the acceptance of Fundación León 2000 as a new Partner starting FY 99, with full partnership in FY2000
Mission	To support the socio-economic development of western Nicaragua through the provision of flexible, efficient, competitive and high quality financial and non-financial services
Fundacion León 2000 Principal Activities Prior to MG3	Founded as a microcredit organization in 1993, Fundacion Leon 2000 has systematically built its programmatic and institutional capacity to effectively service low-income clients with credit and business development training The organization provides credit through four methodologies community banks, solidarity groups, cooperatives, and individual loan s program An integral part of all methodologies is the provision of training prior to group formation and during all cycles of loan disbursement
Fundacion Leon 2000 Institutional and Program Capability	The organization works with a staff of 32 (20 women, 12 men) in three departments finance, credit, and training A computerized accounting and credit portfolio management system allows for timely and accurate tracking of its loan portfolio and financial transactions In addition to its headquarters in Leon, Fundacion Leon 2000 operates two regional field offices in the communities of El Sauce and Chinandega

2 Fundación para el Desarrollo de Nueva Segovia --FUNDENUSE

Year Founded	1993
Relationship with Katalysis	New Partner First contact with FUNDENUSE was made during a community banking training conducted by Katalysis Microcredit Program Manager under the auspices of AED/USAID at Katalysis headquarters in March 1997 A follow-up visit to Nicaragua confirmed their interest in the Partnership On-site diagnostics and extensive dialogue followed in fall 1997, culminating in the acceptance of FUNDENUSE as a new Partner starting FY 99, with full partnership being achieved in FY2000
Mission	To bring about socio-economic development to raise the living conditions of the rural poor through financial intermediation for microenterprises and small businesses

FUNDENUSE's Principal Activities Prior to MG3	Founded in 1993 with the explicit mission to support microenterprise development in rural areas of the Department of Nueva Segovia, FUNDENUSE provides credit and training through community banking, solidarity group lending, and individual loan programs
FUNDENUSE's Institutional and Program Capability	The organization has a staff of 17 (4 women, 13 men) distributed across the credit and finance departments at headquarters in Ocotal (12), and a field office in Jalapa (5) Like Fundacion Leon, FUNDENUSE has a computerized accounting and portfolio management system, provided by PAMIC (National Program of Support to Microenterprises) and part of its loan portfolio is financed with a concessionary loan from PAMIC

B. ACCOMPLISHMENTS COMPARED TO OBJECTIVES

1 Fundación León 2000

HIGHLIGHTS OF LEON 2000 ACHIEVEMENTS IN FISCAL YEAR 1999

- Secured post-hurricane recovery funds through Katalysis from Capecchio Foundation, LDSC and USAID-Nicaragua
- Secured post-hurricane financing directly from Inter-American Foundation
- Microcredit specialist hired
- Institutional re-organization designed in light of the institutional diagnostic
- Credit committee re-structured and committee guide completed
- Staff strengthened through training in management and microcredit analysis
- Strategic plan developed jointly with Katalysis' microcredit specialist

PROJECTED FINANCIAL AND IMPACT INDICATORS FY99 – FUNDACION LEÓN 2000

Concept	GOAL	Q1	Q2	Q3	Q4	% of Goal Achieved
Total Portfolio Balance (000s)	\$580	\$411	\$435 6	\$479 2	\$527.3	91%
Nominal Rate (Minimum)	45%	30%	36%	30%	30%	67%
Effective Rate (Minimum)	40%	N/A	36%	36%	37 9%	95%
Average Loan Size	\$208	\$207	\$210	\$231	\$261 5	-26%
Portfolio Risk (>30 days)	7%	*14%	*9 6%	*10 6%	*11%	-57%
Clients/Promoter Average	278	220	234	230	183	66%
Number of Active Clients	2,784	1,983	2,103	2,078	2,016	72%
% of Women	70%	70%	64%	62%	74%	106%
Operational Self-sufficiency	113%	100%	109%	110%	110%	97%
Financial Self-sufficiency	84%	62%	91%	92%	85%	101%

* Note Includes the portfolio affected by Hurricane Mitch

Leon 2000 has achieved satisfactory results in its financial and impact indicators during this year despite Mitch. The organization reached a total portfolio balance of \$527,300, which represents 91% of the goal. Its effective rate is 37.9% and has contributed to an operational

self-sufficiency of 110% and a financial self-sufficiency of 85% The client per promoter average achieved is 66% of the expected goal

Leon 2000 was also severely affected by Hurricane Mitch, raising the organization's delinquency rate from 9.6% in Q2 to 11% in Q4 This situation has also reduced the total number of active clients to only 72% of the goal Since Leon 2000 did not attain some of the financial and impact goals for FY99, Katalysis will continue to help the organization to develop strategies to allow them improve the portfolio management, control, follow up and recovery in order to maintain its health Katalysis will also continue helping Leon to consolidate the portfolio to increase the average number of clients served by each promoter

2 Fundación para el Desarrollo de Nueva Segovia --FUNDENUSE

HIGHLIGHTS OF FUNDENUSE ACHIEVEMENTS IN FISCAL YEAR 1999

- Post-Mitch recovery fundraising through Katalysis from Capecchio, LDSC and USAID-Nicaragua
- Post-Mitch microcredit fundraising from CABIE, TROPISSEC, etc
- Integration of new checks into the bank module for greater efficiency
- Inauguration of a branch office in Somoto in the Department of Madriz
- Strategic plan developed jointly with Katalysis microcredit specialists

PROJECTED FINANCIAL AND IMPACT INDICATORS, FY99 -- FUNDENUSE

Concept	GOAL	Q1	Q2	Q3	Q4	% of Goal Achieved
Total Portfolio Balance (000s)	\$441	\$448	\$610.7	\$724.3	\$913.9	207%
Nominal Rate (Minimum)	49%	32%	34%	34%	35%	71%
Effective Rate (Minimum)	44%	38%	40%	40%	40%	91%
Average Loan Size	\$412	\$398	\$437	\$442.2	\$429.2	-4%
Portfolio at Risk (>30 days)	5%	*9.4%	*9.0%	*10.9	*3.29%	134%
Clients/Promoter Average	134	225	279.8	280	193	144%
Number of Active Clients	1,069	1,127	1,399	1,757	2,129	199%
% of Women	60%	80%	65%	60%	60%	100%
Operational Self-sufficiency	95%	126%	158%	164%	183%	193%
Financial Self-sufficiency	76%	101%	141%	147%	166%	218%

*Note Includes the portfolio affected by Hurricane Mitch

In FY99, FUNDENUSE surpassed most of its financial and impact indicators as shown above Its total portfolio increased from \$448,000 to \$913,900 The number of active clients increased to 2,129 representing almost 200% of the expected goal The effective rate is 40% and has contributed to an operational self-sufficiency of 183% and a financial self-sufficiency of 166% FUNDENUSE has adequately and efficiently strengthened its portfolio management FUNDENUSE achieved a high rate of loan recovery and was able to bring the portfolio at risk to 3.29% in Q4

Katalysis in coordination with FUNDENUSE's Executive Director is developing a short-term plan to overcome the weaknesses identified in the institutional diagnostic, especially the portfolio at risk. The plan will include key strategies to make its operational management more effective and consequently improve its impact and self-sufficiency levels.

C. SIGNIFICANT ACTIVITIES UNDER THIS GRANT IN NICARAGUA

❖ Board Development and Strategic Plans

In FY99 Katalysis RFO staff met with **Leon 2000's** Board of Directors in order to present the strategic plan that was jointly developed. The plan includes the key strategies so that the organization can strengthen and consolidate its operations management, improve its impact and reach the self-sufficiency levels that allow it to stay in the microcredit market. The strategic plan was fully supported by the board of directors. This will be implemented in FY2000.

Katalysis also assisted **FUNDENUSE** in developing its strategic plan for the period 1999-2003. The plan includes key strategies to allow the organization to strengthen and consolidate its management, improve its impact and achieve the levels of self-sufficiency necessary to stay in the market.

❖ Management of Credit Administration

Katalysis has supported both **León 2000** and **FUNDENUSE** in developing strategies to allow each to improve its portfolio management and control especially on the zones affected by Hurricane Mitch.

❖ Management of Financial Administration

Katalysis is helping the MCS at **León 2000** to analyze and evaluate its budget and cash flow, and the use of financial indicators. Katalysis and **Leon 2000** will design strategies and recommendations to develop a short-term improvement plan to allow the organization to strengthen its financial management in FY2000.

Through quarterly reports, Katalysis has reviewed and monitored **FUNDENUSE's** budget, cash-flow management, and financial indicators, also. Katalysis has made recommendations so that the organization addresses the weaknesses and makes better use of financial indicators as evaluation tools for decisions.

❖ Microcredit Specialist

Katalysis conducted an orientation for **Leon 2000's** microcredit specialist on the organization's strategic planning, financial indicators, portfolio management and administration, and financial administration. In addition, Katalysis has coordinated with the MCS to develop a plan to consolidate the organization's operations. **Leon 2000's** microcredit specialist started implementing the activities according to the strategic plan framework in Q4 of FY99.

FUNDENUSE was not able to recruit its microcredit specialist during this fiscal year. Therefore, Katalysis has coordinated the program activities to focus on those areas that would allow the organization to improve its operational impact and consolidate its levels of self-sufficiency in order to keep **FUNDENUSE** in the market delivering efficient services to its clients.

❖ **Management of Financial Indicators and Evaluation of Results**

The MicroCAMEL financial indicators are being implemented in order to become a periodic evaluation tool at **Leon 2000**. Based on the results, the organization will implement adjustments to improve its management of the institution.

Katalysis has trained **FUNDENUSE's** executive staff in the use of the MicroCAMEL financial indicators as a management tool. The organization is implementing the use of such indicators as of FY99.

❖ **Management Information Systems (MIS)**

During this period, Katalysis evaluated both **Leon 2000** and **FUNDENUSE's** computerized management information systems and found that they need to be updated and integrated since the modules are functioning independently up to now. Katalysis is supporting Leon to improve its system especially its hardware. Katalysis is helping **FUNDENUSE** to improve its hardware and integrate the portfolio, accounting and bank modules through a network system.

❖ **Training and Partnership Exchanges**

During this year, **León 2000's** and **FUNDENUSE's** personnel participated in a number of training workshops coordinated and/or developed by Katalysis. Please see the full listing in Attachment E.

USA

The second core objective for this project is

To build Katalysis' institutional capacity so that Katalysis can pursue a strategy of excellence and competence in its service delivery to its Partner network. The areas below are details related to that capacity building. A summary activity chart is included as Attachment D.

❖ **Katalysis Institutional Strengthening** is designed to support Katalysis' strategy of building excellence and capacity in the delivery of services to its Partner network in the area of microcredit development and management. It includes board development, staff development through DOSA and other organizational development tools and training, business plan design and implementation, and financial and administrative oversight.

1 BOARD DEVELOPMENT

Board development takes place in several ways: (a) through the international board meeting design and content, (b) through Partner site visits, and (c) through ongoing recruitment of capable, committed board members.

(a) The annual international meeting, bringing together northern and southern members, took place in Antigua, Guatemala, in April (Q3), the theme was "Partnership Coming of Age". Extensive reporting on the Partners' experience and recuperation post-Hurricane Mitch, as well as a well-designed brainstorming and discussion of Katalysis' sustainability were highlights of the meeting. The sustainability discussion design (small group brainstorming and large group review) and facilitation was done by one of the board members and represented a new technique for southern members, as well as a new technique within the board meeting construct itself. The outcomes put the board members at the forefront of direction setting for the organization and linked to factors included in the Katalysis MG3 Business Plan. Since the Partner executive

directors helped surface possible ways and means to generate income for services, they were to the notion of sharing costs for continuance of the Partnership and of fees for services provided by Katalysis. Board members gained detailed information on each of the Partner member organizations, learned new meeting management through the discussion design, and participated in a joint training event for all board members led by two of the members -- one with microcredit development and organizational consulting, the other with refined marketing management experience. They led three-hour presentation/discussion on the challenges of managing a growing institution. The Partner Directors left the training with enthusiasm to share their learnings with their own staff members.

(b) Board members visited client sites, which served to increase their cultural awareness and give them first-hand experience of the daily conditions of the clients, as well as some insight into the effectiveness of Katalysis' efforts in supporting Partner organizations.

(c) Board recruitment resulted in active searching to fill five possible positions -- finance committee, fundraising/marketing committee (2), board development committee, and program committee. The Board Development Committee completed position descriptions and contacts were made in Q4, with the selection of some members expected in Q1 of Year 2. In addition, the two new Partners from Nicaragua will join the board as voting members upon their final approval in Q1 of Year 2.

2 BUSINESS PLAN IMPLEMENTATION

In a team effort coordinated by the Microcredit Specialist (MCS) and the Grant Administrator, the Management Team and the Regional Field Director finalized and began implementation of the Business Plan (BP) required under the MG. As first steps in the implementation, the MCS and the Microcredit Associate Intern collaborated to develop the market research needs, situation analysis, and implementation schedule for activities related to technical assistance and training for the microcredit program during Q3. The CEO discussed the BP and specific cost-sharing elements with the Partner executive directors. They unanimously voted in a \$1000 annual Partner fee as the initial step phase of cost sharing within the Partnership. The membership fee begins 1 October 1999. Fundamental to the full implementation of the BP will be a testing of the assumptions upon which it is based, especially related to Partner cost-sharing. The CEO has reviewed a project design for testing the cost-sharing component of the plan, i.e. a comprehensive market research and evaluation to determine comparable/competitive regional resources and candid Partner response to Katalysis TA and training. The survey will be administered in FY2000.

3 DOSA (Discussion-Oriented Self-Assessment)

Katalysis completed its third round of participation in this USAID pilot initiative. As one of a limited number of PVOs participating, Katalysis is the first PVO to involve field staff in the organizational use of the tool. In Q2, Beryl Levinger, one of the authors of the DOSA instrument and process, facilitated the staff use of the tool. During the facilitation, a list of issues surfaced and the Management Team (MT) committed itself to following up on issues affecting staff morale and organizational procedures. Subsequently, during Q4, Beryl returned to lead the MT in a debriefing exercise to learn how to interpret the results more effectively and to formulate strategies for understanding the implications and initiating changes to move the organization forward.

As part of the commitment to organizational strengthening, both headquarters and regional field office staff engaged in serious development activities. The MT worked with a consultant over Q2 and Q3 on team building, communications skills and conflict resolution. Support for personal coaching in these skills furthered the effectiveness of the efforts. While there are plans to continue this effort in Y2 and to include more staff, improvements in the energy and focus of the MT are already evident.

The field office staff also participated in a human resource development program, receiving training as a group and working individually with the trainer to create a personal development plan. The effort has strengthened staff members' self-perception and cohesiveness as a group. Katalysis' commitment is to support the enhancement of personal professional skills of its own employees by way of practicing its values of partnership and sustainability to its own.

This staff training and development aids in the communication of partnership principles to others and implements some of the goals for professional development implied in DOSA principles.

4 FINANCIAL AND ADMINISTRATIVE OVERSIGHT

Katalysis is consistent and strong in financial and administrative oversight with a careful annual planning and budgeting process in place. The process itself involves management team members, including the RFD, and the Executive Committee of the Board who review key issues for the organization as a whole. Quarterly reviews of all financial reports by the Management Team and the Board's Finance Committee has improved Katalysis' building of reserves and maintenance of a strong financial position. Additionally, involvement of senior management staff in the formulation of the business plan completed for this matching grant assures that the plan itself is synchronized with the operations of Katalysis as a whole.

❖ Increased Microcredit Staff Expertise and Technical Capacity

1 PARTICIPATION IN INDUSTRY ACTIVITIES

Katalysis has contributed actively and significantly to the microcredit industry this year, demonstrating Katalysis' professional competence and creating opportunities for staff to engage in professional exchange. The range and number of these activities represent a marked increase in Katalysis' meaningful involvement in the larger microcredit dialogue.

- Katalysis RFO MCS and RFD facilitated and hosted a visit by C.A. personnel of the Christian Children's Fund (CCF) in October of 1998 (Q1) to ODEF and FAMA in Honduras. The purpose of the visit was to examine the Community Banking programs and learn from the experiences of these leading institutions in the region.
- The RFD attended the three-day MicroFinance Network Annual Conference in October 1998, in Washington, DC, and acquired state of the art information on governance issues and internal policy controls for microcredit organizations. This contributed to Katalysis' ability to effectively assist its Partner organizations in the development of strategies for board involvement, policies, and governance issues.
- During that same Q1 trip, the HQ MCS and RFD represented Katalysis at the Small Enterprise Education and Promotion Network (SEEP) Conference. In particular Katalysis

has taken a leadership role with the SEEP MIS projects and the Poverty Lending Working Group

- In Q2, Katalysis MCS (HQ) and MCS (RFO) facilitated a workshop for SEEP member agencies and worked jointly with Catholic Relief Services to test the Internal Account Tool Kit at FAMA. Over 12 Central American NGOs from three countries participated in the instructive testing of the tools and on-site learning from the programs at FAMA. CRS and SEEP members (including Katalysis) subsequently published the Internal Account Toolkit in September 1999 (Q4)
- In March 1999, CEO Gerald Hildebrand was invited to participate and serve as a keynote speaker at the Second Annual Microcredit Conference at Brigham Young University, which included a gathering of the leading microfinance PVOs in the U S
- Katalysis was invited to participate and contribute to the Microenterprise Best Practices (MBP) workshop on MIS facilitated by DAI and attended by the sectors leading agencies. This March 1999 event is one of several in which Katalysis has been recognized for its work with the Partner organizations to install an integrated portfolio and accounting management system
- Katalysis CEO, Gerald Hildebrand, was selected to the editorial board of this new microfinance publication, the Journal of Microfinance. This journal is a publication of the Kennedy Center for International Studies at BYU and will feature state of the practice articles and submissions from leading microfinance networks
- The MCS is active, too, in the SEEP Poverty Lending Working Group that met with the Learning Exchange in a joint session at Davis, CA, in April of 1999 (Q3). He led a discussion presenting a concept paper to SEEP for a sustainability study of poverty lending programs in the region

2 RESOURCE FOR INFORMATION ON BEST PRACTICES AND TOOLS

Throughout the year the Katalysis MCS secured leading resources and tools for dissemination to the RFO. These included CGAP Publications and manuals, MBP Best Practices Manuals and tools, SEEP Tools and documents, DFN-ListServe communications and best practices updates, USAID publications and program evaluation briefs, InterAmerican Development Bank (IDB) technical notes and project updates, and MicroFinance Network publications and tool series. During Q3, the Microcredit Intern (MI) catalogued the information resources and provided timely abstracts for key documents to the RFO and HQ staff

3 HIRE MICROCREDIT ASSOCIATE

During the FY99, Katalysis continued to search for a full time MCA, but did not find an appropriate candidate for this position. Instead, a paid Microcredit Intern (MI) was secured through the MBA network, Students for Responsible Business, and served Katalysis in the MCA capacity for ten weeks during Q3-Q4

4 HIRE SECOND COMMUNITY BANKING COORDINATOR AT THE RFO

The RFO did hire a second community banking coordinator in Q1, bringing the number of professional microcredit personnel at the field office to five. These five professionals are supported directly by two program assistants and two finance assistants in providing microcredit TA and services to the Partners

❖ Increased Management Staff and Board Competency in Microcredit

1 PARTNER DIRECTORS MEETING

See below under PARTNERSHIP MANAGEMENT & STRENGTHENING

2 KATALYSIS BOARD MEETINGS

Each annual Katalysis Board meeting features a board member training. Details regarding this meeting in Antigua, Guatemala, during Year 1 are included above under *Institutional Strengthening*. The training focused on the challenges of managing a growing microcredit organization.

3 MICROCREDIT TRAINING FOR SENIOR STAFF (KATALYSIS/USA & RFO)

During FY99 the MCS, whose role includes management and board microcredit briefings, provided briefings to the Management Team on best practices and updates about trends in the sector. In addition a full briefing on the Bootstrap BankingSM Fund – formerly known as KATCAP -- was presented to HQ staff. The MI also presented an overview of the position of Katalysis in the microcredit sector and recommendations for implementation of the USAID MG Business Plan for Katalysis and its Partners.

❖ Grants Management

Immediately following the signing of the Cooperative Agreement (CA), the key Katalysis personnel met to confirm roles and responsibilities for the implementation of the grant. Grant administration involves the cooperation of administrative and program personnel and is outlined in a document on grant administration, which was appended to the DIP. Katalysis personnel have discovered that such clarity tends to support cooperation of all departments while assuring compliance and accountability.

Headquarters maintains grant oversight responsibilities with the MCS reviewing quarterly staff and Partner reports and advising the Management Team on progress toward grant output goals and Partner sustainability. The Finance Director (FD) reimburses Partners on a quarterly basis per their reports and expense requests as approved by the field office. He, then, completes a quarterly financial report for the Management Team and the Board's Finance Committee which includes Partner disbursements and completes the Forms 269 and 272 for submission to USAID. The Director of Administration (DA) serves as grant administrator and oversees completion of the reports while coordinating with the MCS and FD in reviewing all programmatic data and analysis and financial reports. Further, the administrator keeps the Project Officer informed of any unusual happenings or needs for changes in the DIP. The process is working smoothly to-date.

❖ Loan Products Development

During FY99, the Katalysis MCS provided information on new product development (ACCION/MBP series by Monica Brand) and worked with the RFO to identify new opportunities for the Partner organizations. In particular the RFO worked with ODEF, LEON 2000, and FAMA to explore new group loan products and methodologies for the organizations. Katalysis also began to assess the potential for new products at the Regional Field Office including a second tier loan product for Partners.

❖ Mobilization of Credit

To achieve the projected scale and scope of operations at the Partners' level, Katalysis assists the Partners in building up their credit portfolios through various means. Those means include (1) the development of the Bootstrap BankingSM Fund (formerly called KATCAP), (2) access to credit from large foundations, institutional funders and multi-lateral organizations, and (3) establishment of links to formal financial markets

1 DEVELOPMENT OF KATALYSIS CAPITAL FUND (BOOTSTRAP BANKINGSM FUND)

The Katalysis MCS and RFD finalized the concept for the loan fund in conjunction with input from the Katalysis Board and major investors. The fund has been incorporated in the state of California and is known as the Bootstrap BankingSM Fund. It will serve as a second tier incentive loan fund for Partner organizations. This has moved according to schedule under the Matching Grant.

2 ACCESS TO CREDIT FROM LARGE FOUNDATIONS, INSTITUTIONAL FUNDERS AND MULTI-LATERAL ORGANIZATIONS

The RDD facilitates this process through (a) research and cultivation of prospective donor institutions and (b) joint proposal development with one or more Partner organizations.

a) Donor Research and Cultivation

Increasingly, donor institutions are establishing in-country initiatives and channeling funds directly to local organizations, however, these institutions continue to network with US PVOs to identify and assess local capacity. During Year 1, Katalysis was able to increase its visibility in Partner countries and establish working relationships with a number of institutional funders in their country offices. Among those were

- USAID Missions in Guatemala, Honduras, and Nicaragua
- UNDP Offices in Nicaragua and Guatemala
- IDB Nicaragua
- IFAD/Rome

b) Joint Proposal Development

A well-orchestrated process of joint proposal preparation that involves the RDD and MCS in coordinating proposal preparation and analysis and collection of program and financial information, the RFO microcredit team working with Partner staff in on-site information gathering, and the headquarters proposal completion and submission by Katalysis was developed during the preparation of the MG proposal preparation. This process, aligned with the principles and practices of Partnership, has proven the most effective way to produce realistic Partner-based proposals.

As the following chart of proposals indicates, several of the contacts made with in-country funders led to the submission of proposals, several of which were funded.

FUNDER	PROJECT	Amount Katalysis	Amount Partner	Total	STATUS
USAID/ Nicaragua	Microcredit	\$533,463	\$2,077,091	\$2,620,554	Declined
USAID/MIP	Microcredit/FAMA	\$322,118	\$677,882	\$1,000,000	Approved
FICAH	Ag Center/FAMA (w/credit component)	\$5,000	\$30,000	\$35,000	Approved
IDB/ Nicaragua	Mitch Recovery/FL 2000	\$15,000	\$285,000	\$300,000	Approved
CGAP	Microcredit/ODEF	\$0	\$2,000,000	\$2,000,000	Declined
USAID/ Nicaragua	Mitch Recovery (both Partners)	\$91,909	\$298,091	\$390,000	Approved
LDS	Microcredit (MUDE&FL 2000)	\$6,000	\$24,000	\$30,000	Pending
TOTAL		\$973,490	\$5,392,064	\$6,375,554	

3 ESTABLISH LINKS TO FORMAL FINANCIAL MARKETS

Katalysis will establish links to the formal financial markets increasingly in Years 2 and 3 for capitalizing the Bootstrap Banking Fund and individual Partner organizations. However, in FY99, Katalysis pursued relations with the CitiGroup Foundation and conducted a meeting with CitiBank in Honduras to explore potential relations. CitiGroup in the US has supported Katalysis' work on MIS through the SEEP Network and approved a follow-on grant in Q4 for FY2000 to enable Katalysis to move forward with human resource management issues among its Partners.

❖ Secure Matching Funds

Katalysis currently has a reasonably diverse funding portfolio with the following composition: multilateral funders (55%), Board and other major donors (33%), foundations (9%), and interest, dividend, and other revenues (3%). The goal for this MG period is to further diversify the funding base by increasing the percentage of funds generated from individuals, foundations, and corporations.

- *Multilateral and Large Institutional Funders* – see above

- *Board of Directors and Other Major Donors*

With a generous and active board and a committed Marketing & Fundraising Committee, Katalysis is in an excellent position to continue to increase its share from individual donors, specifically from major donors who are largely contacted and cultivated by board members. Katalysis board members are not only very active, they also provide substantial unrestricted funding themselves.

New marketing efforts include the redesign and unification of Katalysis promotional materials, a ten-minute video focusing on client stories due for completion in Q1 of FY2000, and planning for the Katalysis' website [See Attachment G for samples of new promotional materials.]

To continue to build major donor support, the RDD and Katalysis founder, Robert Graham, co-lead the fourth Partnership Journey to El Salvador and Guatemala in early April. Seventeen

current and prospective major donors and the video team experienced client issues and successes first-hand, coming to understand personally the challenges people – especially women – who live in poverty face and the capacity they have to transform their lives when given the opportunity. And, the financial impact on Katalysis was significant with \$34,000 in new revenue directly attributable to the trip.

- *Foundations & Corporations*

Since Katalysis made the shift to microcredit, Katalysis has intentionally sought to access large, multi-year grants from institutional and multilateral funders, diminishing reliance on smaller grants from foundations. The challenge for the future, however, is to identify and cultivate those US foundations who do support microcredit in Central America as a sustainable poverty alleviation strategy. Emphasis will be on garnering general support for Katalysis operations including technical assistance services to Partners.

During Year 1, several such proposals were submitted and efforts will continue in FY2000 to increase support from foundations and corporations.

FUNDER	PROJECT	Amount Katalysis	Amount Partner	Total	STATUS
Mireko Tamaki Fdtn	General Support	\$50,000	0	\$50,000	Approved
CGAP	Strengthening human resources management at the Partner organizations in light of microcredit best practices	\$50,000	0	\$50,000	Declined
CitiGroup Foundation	Human resources management—see previous entry	\$25,000	0	\$25,000	Approved
Arntz Family Foundation	General Support	\$15,000	0	\$15,000	Approved
TOTAL		\$90,000	0	\$90,000	

- ❖ **Resource Mobilization Training and TA to the Partners**

The institutional strengthening of Partner organizations and their move toward full institutional sustainability requires the transfer of skills in all areas, including resource mobilization. The RDD provided two on-site workshops, as well as individual consultation to each Partner executive director on Partner-specific resource mobilization issues.

The RDD's workshops extended executive director comprehension of resource mobilization issues. In Q2, she presented *Resource Mobilization versus Dependency – Opportunities for Microcredit NGOs*, presenting a review of funding institutions and their funding requirements, analysis of funding guidelines, exchange of experiences of individual Partner organizations, general guidelines for donor research and cultivation, the process of proposal preparation, and how to position one's organization in the market place. In Q4, she followed with *Resource Mobilization*, a workshop for the executive directors and management staff of the two

Nicaraguan Partners in Leon, Nicaragua The emphasis in this workshop was on integrating resource mobilization into the overall institutional planning process, developing and implementing action plans for resource mobilization, and defining the roles of board and senior staff in supporting the executive director in these efforts

❖ ***Consolidation and Expansion of the Central American Network***

During FY99, Katalysis effectively integrated two new Nicaraguan Partners into the network and into MG3 Both headquarters and RFO visited the Partners and contributed to their orientation to the network RFO staff oriented them to utilizing and reporting on grant funds Further, the RFO staff helped both FUNDENUSE and LEON 2000 prepare successful grant proposals, one to CODESPA/Spain, and the other to IDB/Nicaragua As noted above, both new Partners fully participated in all Partnership trainings and executive director activities

At the Partner Directors September meeting in Honduras, both Partners were evaluated on their performance in accord with the probationary criteria and were approved for full Partner membership beginning 1 October 1999

A new Partner search was launched to fill-in the complement of six Partners projected for participation in this MG and to continue Katalysis' Partnership expansion Partner prospects in Guatemala, Nicaragua and El Salvador are being examined closely The search process has been improved with revised selection criteria, defined roles for headquarters and RFO personnel and Partner participation and assistance with the process, a clear timetable, decision-making procedures, and final selection mechanism It is intended that this decision regarding a new Partner will be made in Q2 of FY2000

❖ **Partnership Management & Strengthening**

1 PARTNER DIRECTORS MEETINGS

The Partner Directors Meetings held three times per year continue to be the focus of Partner decision-making within the network Key issues discussed this past year include Hurricane Mitch disaster and recovery, Katalysis sustainability, Partner cost-sharing, new Partner criteria and exploration, Katalysis mission/vision, business plan review, Partner separation (FAFIDESS/Guatemala), Partner ratification (LEON 2000 and FUNDENUSE/Nicaragua), proposal development, grant administration and implementation, Partnership brainstorming (SWOT analysis), and the executive director training series

The Partnership came together to deal with the onslaught and aftermath of Mitch No Partner was alone in suffering its losses Immediate on-site TA, access to operational funding, and sharing lessons learned with one another helped to regenerate energy and hope and resolve among the affected Partners

Dealing with Partner separation and Partner ratification reaffirmed the due diligence that membership in the Partnership requires Partners took their role seriously of having to make tough judgements based on clearly defined criteria They saw the need for specificity in expectations and fair and just adherence to agreed-upon promises and commitments This experience also set the stage for new Partner recruitment

One of the most significant developments that occurred at these meetings was the Partnership brainstorming session that was facilitated by the Executive Director of ODEF. It was the first step in identifying the southern perspective on Partnership: its strengths, weaknesses, opportunities and threats. This was the precursor of a Partnership-wide evaluation of Katalysis products, services, mechanisms, and governance that will occur in FY 2000.

The Partners began the critical dialogue on Katalysis mission and vision. There was strong resolve voiced for expanding the network in a strategic way and becoming more directly invested in Katalysis' future. The combination of future projections, growth, sustainability, and cost-sharing all converged in the landmark decision to assess an annual Partnership membership fee in the amount of \$1000 per Partner.

The year ended with the inauguration of an ambitious 80-hour certificate course for the Partner Directors in management skills and communications. Katalysis and the Partners will share the cost equally. The training series was organized by the RFD in response to the clearly expressed needs of the Partner executive directors in cooperation with the Unitec (Honduran University headquartered in Tegucigalpa), and the directors will complete their course by March of 2000.

2 PARTNERSHIP WORKSHOPS AT BOARD MEETINGS

The theme of the annual international board meeting was "Partnership Coming of Age." The meeting and discussion format for the sustainability presentation were intended to model meeting planning and design for the Partners. The discussion successfully engaged the Partner Director board members, the northern board members and guest donors. Further, the board meeting and attendant site visits and cultural activities represent the exercise and experience of partnership first-hand as Partner executive directors put on their "Katalysis board member hats," take turns hosting members at their organizational headquarters, and introduce their clients and projects.

• *Other Significant Partnership Developments*

Three other significant initiatives related to Katalysis' model of Partnership increased the visibility and definition of both the practice and model of Partnership.

1. Compilation of the Partnership Manual including all primary Partnership documents relating to agreements, regulations, practices, and standards.
2. Mark Leach served as a SDS consultant to Katalysis on "packaging Partnership" for the wider development community.
3. ODEF/KATALYSIS joined together for a panel presentation on the Partnership model at the INTERACTION Forum in Washington, D.C. in April 1999.

❖ Institutional Strengthening to the RFO

1 RFO BOARD DEVELOPMENT

Victor Paz, RFO Board Member, resigned due to a move to the United States and Rene Becerra, General Manager of BANCOMER, was selected to replace him. Mr. Becerra brings to the RFO his extensive banking experience and connections at BANCOMER, one of the leading banks in Honduras and the first commercial bank to actively pursue microcredit services and put "branch banks" in the marketplace. Since the board members serve as support and counsel to the RFD,

future recruitment will be for board members with specific skills to assist in this advisory capacity

2 OVERSIGHT OF BUSINESS PLAN IMPLEMENTATION

See comments under *Institutional Strengthening* above

3 PARTNERSHIP TRAINING

The RFO requested specific training in Partnership practices, policies, and procedures. An initial session was held with RFO staff that came to Stockton in February to participate in the DOSA evaluation. This KAT/USA-RFO staff exchange of Partnership values and methodology made it clear that additional orientation sessions needed to be arranged.

The CEO encouraged the Regional Field Director (RFD) to integrate the Partnership methodology in his dealings with his staff, HQ, and the Partners during the course of the year. The CEO himself adapted a more precise and defined implementation of Partnership policies and practices with the Partners as the methodology was more closely applied, examined and assessed. He supported the RFD's growth in understanding the application of Partnership through his inclusion at the Partner Directors Board meetings where the Partners clearly explore and expose the southern perspective. And, the CEO arranged more consistent quarterly visits to the field office to hear directly their views of how Partnership mechanisms work at the field level and the challenges implicit in the partnership relationship.

4 MANAGEMENT AND GROWTH

In addition to the CEO's mentoring the field staff in Partnership during FY99, he and the RFD have arranged for weekly management calls to discuss and address key organizational issues in a timely manner. The CEO is also making quarterly visits to the field office to stay in personal touch with field staff and their efforts.

As part of a strategic organizational effort to build field operations, early in FY99 additional technical personnel were hired to strengthen the microcredit team and its services to Partners. The staff's efforts were further bolstered by the adding more state-of-the-art office equipment, including a power generator, copy machine, straight paper fax, and additional lap top computers.

The growth of the Partnership has demanded that field and headquarters operations be continuously refined and streamlined. The efforts at weekly tele-meetings, the additional field staff and equipment, and efforts to define a clear working agreement between HQ and the RFO represent clear steps in managing that growth and maintaining quality services.

A consolidated Trip Log reflects all travel under this grant related to the foregoing activities and counterpart activities that round-out the program. The log is Attachment H.

B) Detail the following:

➤ Nature Of The Relationship With Each Local Implementing Partner

Katalysis maintains a dynamic working relationship with its southern Partners through

- 1 Governance strategies that include a Memorandum of Understanding, Board of Directors membership, Partnership policies and standards

- 2 Clear grant agreements for all funding support on the individual Partner organization's behalf
- 3 Consistent technical assistance and training opportunities both on-site and in shared Partner participant settings
- 4 Joint resource mobilization planning and solicitation of donors/funders

Examples of the on-site visits and trainings are discussed earlier in this report and a detailed listing of the Partnership trainings are to be found in Attachment ____ Special funding opportunities in FY99 were developed with FAMA, successfully completing a USAID/MIP IGP grant for FY2000 – 2002 Additionally, the new Nicaraguan Partners benefited from Katalysis' assistance in preparing Mitch recovery-related grants from USAID/Nicaragua And, veteran Partner ODEF' executive director led the Partner director discussion on Katalysis' sustainability Her example challenges and models for the other executive directors active and effective partner participation in governance of Katalysis Veteran Partner MUDE is experiencing real growth pains and has needed consistent support from the RFD and CEO of Katalysis in gaining board and staff support for difficult organizational restructuring These examples demonstrate the personalized TA that is consonant with the Partnership values affecting the very design and delivery of that TA

The two tests of the Partnership in FY99 reveal it really has "Come of Age" The first test was Hurricane Mitch and the response of Partners to one another, as well as the support that flowed north to south Extra funding directed to Partner recovery was substantial as Katalysis' individual and major donors rallied The second test came in the Katalysis and Partner Director evaluation of FAFIDESS as it completed its probationary year within the Partnership All Partners have embraced the commitment to operational standards that reflect the current industry best practices FAFIDESS felt these intruded in its organizational culture and could not comply with their implementation Hence, Katalysis staff recommended not to continue the relationship with FAFIDESS and the Partner directors unanimously agreed to that recommendation Such decisions, difficult in the moment, deepen all other members' understanding and support of the organizational standards held by the Partners

➤ ***Background On Each Partner***

[Please see the organizational background section above in the country-by-country review]

➤ ***The Working Arrangement With Each Partner***

Upon Katalysis' signing of the Cooperative Agreement, the field staff prepared individual working agreements with each Partner, outlining Katalysis goals, the timeline for achieving those goals, the scheduled TA and three-year Partner-specific budget These obligations and procedures were reviewed in the Partner orientation workshop held in Q1 Follow-up materials are provided each year, special Partner-specific booklets are issued by the RFO which include the year's budget, TA schedule and reporting format and modifications While these Partner grant agreements relate to this specific grant, the backdrop of all Partner working arrangements is the Katalysis Partnership Memorandum of Understanding that all Partners sign when they become full members The MOU is approved by the Partner's board of directors and obligates them to an annual audit among other sound business practices, as well as financial integrity and transparency

II Constraints, unexpected benefits and lessons learned

A) Problems and/or constraints which have affected the project implementation

External Factors

- As a natural disaster, Hurricane Mitch affected the Partners, damaging not only the region's ecosystems but also the countries' economies. This has caused a market recession resulting in a reduction in the productive activities, which has affected directly and indirectly the Partners' clients. The results are further reflected in static or reduced client growth rates, especially for ODEF and Leon 2000.

Internal Factors

- The lack of qualified personnel within the region to provide consultancy services in the areas of microcredit and microfinance has limited the project's implementation. Some partners have not been able to hire their qualified staff in a timely manner.
- The lack of a strongly implemented and consistently supervised methodology to manage and control the group credit programs at the Partner level has delayed the project in some cases.

B) Describe strategies used to overcome these constraints and plans for addressing them in the future, especially any significant changes in the Program Description and the DIP

- Katalysis and the Partners have established aggressive strategies to serve new clients even under the existing environmental limitations as a result of Mitch and have helped Partners in affected areas access in-country emergency funds.
- To compensate for ready hiring access to qualified technical staff, Katalysis has helped the Partners with institutional diagnostics and strategic plans. Then, based on these diagnostics and plans, Katalysis has initiated a short-term improvement plan to strengthen the different administrative and financial areas that were identified as weaknesses and that were further stressed by Mitch.
- The RFD has maintained constant communication with the Partners' executive directors. His supervision of field visits and involvement in Partner Director meetings have been very important in supporting the directors as they understand the organizational implications of inconsistently applied and supervised methodologies. This communication has enabled them to face existing internal problems, especially those associated with group lending methodologies and challenges, and address these problems. In addition, field agents are being replaced or retrained to correct difficulties with client group formation, training and collection practices.

C) Circumstances which may have facilitated implementation and/or produced unexpected benefits and lessons learned

- Most of the Partners' boards of directors and executive personnel have shown a positive attitude and willingness to implement necessary structural, technical and programmatic changes recommended by Katalysis. Their receptiveness to change has prompted real growth.

- There is unconditional HQ support of Katalysis' RFD in implementing the project through the development of efficient and timely strategies and managerial decision making
- The process used to evaluate FAFIDESS for Partner status revealed the clarity of expectations regarding microcredit best practices, as well as the strength and solidarity of the Partnership as the PD Board evaluated the performance of FAFIDESS. The quality of the microcredit team's analysis and recommendations were evident in the thoroughness and specificity and formed the basis of a strong technical opinion

Lessons Learned

1 Partners lacked strategic plans

- Katalysis has learned that Partners need encouragement and assistance in creating and keeping their strategic plans up-to-date. Hence, Katalysis focused on strengthening the Partners' understanding of the importance and use of the plans and helping them create and/or update their plans. Katalysis staff also recognize that careful monitoring and encouragement of the Partners will help them keep their plans current

2 High staff turnover adds costs for Katalysis and the Partners

- Although Katalysis has provided high quality training and technical assistance to the Partners, this has not produced the desired results. Katalysis and the Partners have recognized this is due to high staff turn over. This turn over is attributable, in part, to hiring people with little experience at low salaries and not offering them sufficient on-going training and development. Recruiting inexperienced staff can, in the long run, be more costly because of the risk of losing the personnel once they gain experience. Katalysis staff are assisting Partner directors in reviewing and revising their human resource policies and management

3 Managerial staff also need attention

- The transfer of technology is much more effectively delivered via an organization's managerial staff rather than the operational staff. Technical staff learned highly detailed skills, but without properly training management in appropriate technical skills for support and supervision of the technical staff, managers experience a long-lasting technical dependency on Katalysis. Katalysis staff have refocused their training to include a managerial plan in addition to the operational plan for each Partner organization

4 Technical assistance and results not understood by Partners

- Katalysis has learned that increasing the number of TA visits and recommendations does not necessarily bring about better results. Some Partners view the increased number of visits as interference rather than as actions that will contribute to improving their administrative operations. Katalysis has determined to take a more managerial approach to "measure" results through periodic evaluations and interviews and to demonstrate the value of the technical assistance provided

5 Development of the Bootstrap BankingSM Fund (formerly known as KATCAP) for credit was time and resource intensive

- During FY99 several meetings were held with Board members, conference calls, and lengthy discussions between board and staff regarding the development of the BBF. By the

end of FY99 the BBF concept was finally approved with the model in place that had been proposed in FY98, on August 23, 1998. A lesson for all concerned was that the project took an extended time to be developed due to excessive involvement of external parties and lack of coordinated communication between RFO, HQ, and the Board. For such future joint projects, clear lines of responsibility must be established and respected. Board-led initiatives would benefit from protocols recommended by Katalysis staff and agreed to by the Board.

6 Katalysis probationary Partner criteria and benchmarks proved highly beneficial

- The successful evaluation of FAFIDESS at the close of its probationary year in the Partnership tested Partner standards and effective accountability within the Partnership. Katalysis' probationary criteria and specific benchmarks for potential Partner organizations proved highly beneficial in allowing the Katalysis and the Partners to objectively evaluate probationary performance and adequately decide whether to extend Partnership status to FAFIDESS. The failure of FAFIDESS to comply with the criteria resulted in the Partners' decision to deny FAFIDESS full Partner status. This decision was appropriate and straightforward.

7 Installation of new technology often involves hidden challenges

- Partner organizations faced many challenges only that became evident as the RFO facilitated the installation and implementation of the new MIS system. These included inadequate application of loan policies, internal accounting discrepancies, field agent problems and fraud detection, board oversight and governance challenges. Addressing these issues was required prior to implementing the system. Following this experience, Katalysis has identified the crucial areas that must be addressed and consolidated them into a 10-step pre-installation package. Additionally, future such projects will involve longer timelines to accommodate the internal adjustments that must be made during preparation and installation.

8 For a network like the Katalysis Partnership, a clear disaster management plan is important

- Post-Hurricane Mitch, Katalysis and its Partners recognized that a clear disaster management strategy was needed. The rise in delinquency, impact upon clients, and reduction in growth was both projected and realized after the disaster. Katalysis reacted quickly and effectively to provide additional resources, offer guidance and a post-disaster management strategy, and address the institutional needs of Partner organizations immediately. Katalysis would do well to review the documentation from the Mitch period and publish its post-disaster management strategy and steps for future use and industry dissemination.

9 Human resource development at the Katalysis staff level serves to enhance the quality and effectiveness of team and individual work

- At the HQ management level, team-building efforts facilitated greater clarity in communication and stimulated creativity in addressing organizational challenges. Likewise, staff training in the RFO permitted all members of the staff to compose their own professional/personal growth plans and feel more invested in the organization. Often analyses of PVOs' staff development reveal that all the energy goes out in service to clients.

and staff burnout is a result Katalysis is trying to meet the challenge of sustainability at the staff level, as well as at other levels within the organization

III Changes in project design (any requested changes that may affect measurable objectives, location and number of beneficiaries, budget, collaboration with local partner(s), etc – must request a modification of Program Description and CA budget

- ❖ It is possible that the new Partner will come from Nicaragua rather than Guatemala Katalysis will request the necessary revision through its Project Officer when the new Partner prospect is identified
- ❖ No other changes are anticipated at this time, however, Katalysis would like to reserve the right to request revisions mid-FY2000 in case additional negative impacts from Hurricane Mitch completely distort Partner goals for those most severely affected

IV Budget expenditures

A) Compare the DIP's proposed budget with actual expenditures (both USAID and PVO match) If project has made minor budget revisions since the DIP, discuss reasons for the change(s)

In Q2, Katalysis contacted the Project Officer to request a reallocation of the funds designated for services to FAFIDESS The reallocation was designed to fund identification of a new Partner and services to that Partner for Years 2 and 3 of the grant in microcredit systems and TA Further, some of the funds were redirected to additional organizational development work at HQ

The hiring of the Microcredit Associate at HQ was deferred to Y2 to assure proper incorporation of the new associate into well-developed projects, some of the funds for that position were used for the Microcredit Intern in Q3-4, who provided basic research and writing support to the MCS

Finally, because the Nicaraguan Partners needed more computer hardware and software system upgrades to improve MIS, some of their funding for MC and MIS specialists was redirected to support those upgrades Hiring of the specialists was deferred until late in Q4

B) As applicable, include additional pertinent information that creates cost overruns, higher unit costs, and unanticipated problems in meeting the match Contact USAID if proposed changes require a CA change.

Katalysis experienced no cost-overruns The funds not utilized in FY99 will be incorporated in the amount for FY2000 and fully utilized The match obligation was easily met and exceeded Forms 269 and 1550-11 are included as Attachments A and B

Attachments:

A Form 269

B Form 1550-11

- Guatemala
- Honduras
- Nicaragua
- USA

C Schedule of Activities at Katalysis Regional Field Office

D Schedule of Activities at Katalysis Headquarters

E Partner Training Workshops

F Letter regarding FAFIDESS

G Promotional Materials

- Annual Report
- Bootstrap Banking Brochure
- Bootstrap Bank Notes
- Boot

H Trip Log

FINANCIAL STATUS REPORT
(Short Form)

(Follow instructions on the back)

1 Federal Agency and Organizational Element to Which Report is Submitted AID/FM/GMP/LC	2 Federal Grant or Other Identifying Number Assigned By Federal Agency FAO-0158-A-00-3043-00	OMB Approval No 0348-0039	Page 1	of 3	pages
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3 Recipient Organization (Name and complete address including ZIP code)
 KATALYSIS PARTNERSHIP
 1331 N.COMMERCE STREET
 STOCKTON, CA 95202

4 Employer Identification Number 68-0015134	5 Recipient Account Number or Identifying Number FAO-0158-A-00-3043-00	6 Final Report <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	7 Basis <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual
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8 Funding/Grant Period (See Instructions) From (Month Day Year) 09 30 93	To (Month Day Year) 09 30 98	9 Period Covered by this Report From (Month Day Year) 07 01 99	To (Month Day Year) 09 30 99
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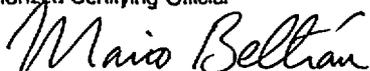
10 Transactions	I Previously Reported	II This Period	III Cumulative
a Total outlays	6,185,483	2,512	6,187,995
b Recipient share of outlays	3,825,024	-0-	3,825,024
c Federal share of outlays	2,360,459	2,512	2,362,971
d Total unliquidated obligations			-0-
e Recipient share of unliquidated obligations			-0-
f Federal share of unliquidated obligations			-0-
g Total Federal share (Sum of lines c and f)			2,362,971
h Total Federal funds authorized for this funding period			2,369,792
i Unobligated balance of Federal funds (Line h minus line g)			6,821

11 Indirect Expense	a. Type of Rate (Place "X" in appropriate box) <input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed			
	b Rate 25%	c Base -0-	d Total Amount -0-	e Federal Share -0-

12 Remarks Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation
 Basis of application of indirect cost rate is total direct costs in 11 (c)

13 Certification I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents

Typed or Printed Name and Title MARIO A BELTRAN /DIRECTOR OF FINANCE	Telephone (Area code number and extension) (209) 943-6165
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Signature of Authorized Certifying Official 	Date Report Submitted 08 NOVEMBER 1999
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FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1 Federal Agency and Organizational Element to Which Report is Submitted AID/FM/GMP/LC	2 Federal Grant or Other Identifying Number Assigned By Federal Agency PCE/-04060-A-00602900	OMB Approval No 0348-0039	Page 2	of 3	pages
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3 Recipient Organization (Name and complete address including ZIP code)

KATLAYSIS PARTNERSHIP
 1331 N.COMMERCE STREET
 STOCKTON, CA 95202

4 Employer Identification Number 68-0015134	5 Recipient Account Number or Identifying Number PCE-04060-A-00602900	6 Final Report <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	7 Basis <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual
---	---	--	---

8 Funding/Grant Period (See Instructions) From (Month Day Year) 10 01 96	To (Month Day Year) 09 30 99	9 Period Covered by this Report From (Month Day Year) 07 01 99	To (Month Day Year) 09 30 99
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10 Transactions	I Previously Reported	II This Period	III Cumulative
a Total outlays	1,124,824	28,643	1,153,467
b Recipient share of outlays	288,200	11,800	300,000
c Federal share of outlays	836,624	16,843	853,467
d Total unliquidated obligations			-0-
e Recipient share of unliquidated obligations			-0-
f Federal share of unliquidated obligations			-0-
g Total Federal share (Sum of lines c and f)			853,467
h Total Federal funds authorized for this funding period			853,467
i Unobligated balance of Federal funds (Line h minus line g)			-0-

11 Indirect Expense	a. Type of Rate (Place "X" in appropriate box) <input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed			
	b Rate 25%	c Base 28,643	d Total Amount 7,160	e Federal Share 4,211

12 Remarks Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation

Basis of application of indirect cost rate is total direct costs in 11 (c)

13 Certification I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents

Typed or Printed Name and Title MARIO A. BELTRAN / DIRECTOR OF FINANCE	Telephone (Area code number and extension) (209) 943-6165
---	--

Signature of Authorized Certifying Official 	Date Report Submitted 08 NOVEMBER 1999
---	---

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1 Federal Agency and Organizational Element to Which Report is Submitted AID/FM/GMP/LC		2 Federal Grant or Other Identifying Number Assigned By Federal Agency FAO-A-00-98-00052-00		OMB Approval No 0348-0039	Page 3	of 3	pages
3 Recipient Organization (Name and complete address including ZIP code) KATALYSIS PARTNERSHIP 1331 N.COMMERCE STREET STOCKTON, CA 95202							
4 Employer Identification Number 68-0015134		5 Recipient Account Number or Identifying Number FAO-A-00-98-00052-00		6 Final Report <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		7 Basis <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	
8 Funding/Grant Period (See Instructions) From (Month Day Year) 10 01 1999			To (Month Day Year) 09 30 2001		9 Period Covered by this Report From (Month Day Year) 07 01 1999		To (Month Day Year) 09 30 1999
10 Transactions				I	II	III	
				Previously Reported	This Period	Cumulative	
a Total outlays				640,690	730,990	1,371,680	
b Recipient share of outlays				377,518	653,466	1,030,984	
c Federal share of outlays				263,172	77,524	340,696	
d Total unliquidated obligations				-	-	-0-	
e Recipient share of unliquidated obligations				-	-	-0-	
f Federal share of unliquidated obligations				-	-	-0-	
g Total Federal share (Sum of lines c and f)				-	-	340,696	
h Total Federal funds authorized for this funding period				-	-	400,000	
i Unobligated balance of Federal funds (Line h minus line g)				-	-	59,304	
11 Indirect Expense							
a. Type of Rate (Place "X" in appropriate box) <input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed							
b Rate		c Base		d Total Amount		e Federal Share	
25%		215,128		53,782		19,314	
12 Remarks Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation Basis of application of indirect cost rate is direct costs in 11 (c)							
13 Certification I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents							
Typed or Printed Name and Title MARIO A BELTRAN / DIRECTOR OF FINANCE					Telephone (Area code number and extension) (209) 943-6165		
Signature of Authorized Certifying Official 					Date Report Submitted 08 NOVEMBER 1999		

KATALYSIS PARTNERSHIP

BREAKDOWN OF USAID EXPENSES
FOR THE YEAR ENDED 30 SEPTEMBER 1999

F A O - A - 0 0 - 98- 00052-00

Expenses in this cooperative agreement totaled \$1,371,680 in fiscal year ended 30 September 1999

Federal expenses were \$340,696

The Federal share was 24 83%

DESCRIPTION	HEADQTRS	OVERSEAS		TOTAL	FY 1999 BUDGET
		RFO	PARTNERS		
SALARIES	102 759	16 108		118 867	118 867
BENEFITS	25 792	2 961		28 753	28 753
TRAVEL	7 500	7 488		14 988	14 988
OTHER DIRECT	59 432	24 262	26 255	109 949	157 392
TOTAL DIRECT	195 483	50 819	26 255	272,557	320 000
INDIRECT 25% OF DIRECT	68 139			68 139	80 000
TOTAL DIRECT & INDIRECT	263 622	50,819	26,255	340 696	400 000
% OF TOTAL	77 38%	14 92%	7 71%	100 00%	

**KATALYSIS PARTNERSHIP
MATCHING GRANT 3
FAO-00-98-00052-00
FOR THE YEAR ENDED 30 SEPTEMBER 1999**

COST ELEMENT	AID FUNDS			PVO FUNDS			TOTAL AID & PVO		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
SALARIES	118 867	118 867	0	225 878	321 026	-95 148			
BENEFITS	28 753	28 753	0	49 081	49 083	-2	77 834	77 836	2
TRAVEL	14 988	14 988	0	32 463	47 113	14 650	47 451	62 101	14 650
OTHER DIRECT	157 392	109 949	47 443	85 588	613 762	528 174	242 980	723 711	-480 731
							0	0	0
TOTAL DIRECT	320 000	272 557	47 443	393 010	1 030 984	-637 974	713 010	1 303 541	-590 531
INDIRECT 25% OF DIRECT	80 000	68 139	11 861	6 990		6 990	86 990	68 139	18 851
GRAND TOTAL	400,000	340,696	59,304	400,000	1,030,984	-630,984	800,000	1,371,680	-571,680

**KATALYSIS PARTERSHIP
SOURCES OF PROJECT FUNDS
FAO-A-00-98-00052-00
FOR THE YEAR ENDED 30 SEPTEMBER 1999**

SOURCE	AMOUNT	% OF TOTAL
AID	340 696	23 33%
BOARD OF DIRECTORS	182 256	12 48%
FOUNDATIONS	260 739	17 86%
MAJOR DONORS	130 510	8 94%
MULTILATERAL/MIF	414 725	28 40%
CHURCHES/CORPORATIONS	1 642	0 11%
INDIVIDUALS	48 915	3 35%
FEES	29 557	2 02%
INTEREST/DIVIDENDS	25 848	1 77%
INKIND	1 517	0 10%
EXCHANGE RATE		0 00%
OTHER REVENUE	23 691	1 62%
TOTAL	1,460,096	100 00%

**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
USAID-SUPPORTED PVO PROJECTS**

Organization	Katalysis Partnership
Project/Grant No	FAO-A-00-98-00052-00
Grant Dates	10/01/1998 - 09/30/2001
Funding Mechanism	Matching Grant

Country Name Honduras

Project Purpose The overarching goal of this project is to improve the social and economic conditions of the poor in Central America, especially women, through credit, savings mobilization, and business development services

The primary objectives under this grant are

- 1 To expand the scope and deepen the outreach capacity of six Central American Partner organizations in three countries to serve poor clients, primarily women, in marginalized urban and rural areas, and to move towards achieving self-sufficiency of their microcredit programs
- 2 To build Katalysis' institutional capacity so that it can pursue a strategy of excellence and competence in its service delivery to its Partner network

Project Implementation

Start Date 10/01/1998 Estimated Completion Date 09/30/2001

Status ODEF joined with Katalysis in a joint venture to form ten women's community banks in 1989. Katalysis extended the Partnership with ODEF institution-wide in 1990. ODEF has operated in Honduras since 1983.

FAMA, founded in 1990, has successfully implemented its community banking program and became a Partner in 1996.

Project Funding

	1999	2000	2001	TOTAL
AID \$	1,000			1,000
PVO \$	264,699			264,699
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL	265,699	0	0	265,699

Location in Country ODEF The districts of Yoro, Santa Barbara Cortes
 FAMA The districts of Olancho, Francisco Morazán and El Paraiso

Local Counterpart/Host Country Agency

Executive Director Santa deEuceda
 Organizacion de Desarrollo Empresarial Femenino (ODEF)

Executive Director Camila Elvir
 FAMA
 Juticalpa, Honduras

Apartado Postal #357, San Pedro Sula, Honduras

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**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
USAID - SUPPORTED PVO PROJECTS**

Organization	Katalysis Partnership
Project/Grant No	FAO-A-00-98-00052-00
Grant Dates	10/01/1998 - 09/30/2001
Funding Mechanism	Matching Grant

Country Name Guatemala

Project Purpose The overarching goal of this project is to improve the social and economic conditions of the poor in Central America, especially women, through credit, savings mobilization, and business development services

The primary objectives under this grant are

- 1 To expand the scope and deepen the outreach capacity of six Central American Partner organizations in three countries to serve poor clients, primarily women, in marginalized urban and rural areas, and to move towards achieving self-sufficiency of their microcredit programs
- 2 To build Katalysis' institutional capacity so that it can pursue a strategy of excellence and competence in its service delivery to its Partner network

Project Implementation

Start Date 10/01/1998 Estimated Completion Date 09/30/2001

Status MUDE joined with Katalysis in a joint venture in 1991 to strengthen women's programs and form women's community banks in Guatemala Full programming efforts have been extended to each of these organizations since 1994 MUDE has been operating in Guatemala since 1991

Project Funding

	1999	2000	2001	TOTAL
AID \$	16,515			16,515
PVO \$	82,760			82,760
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL	99,275	0	0	99,275

Location in Country MUDE works in the departments of Esquntla, Chimaltenango, Guatemala and Sacatepequez

Local Counterpart/Host Country Agency

Executive Director Catarina Mendoza
MUDE
Villa Nueva, Guatemala

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**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
USAID - SUPPORTED PVO PROJECTS**

Organization	Katalysis Partnership
Project/Grant No	FAO-A-00-98-00052-00
Grant Dates	10/01/1998 - 09/30/2001
Funding Mechanism	Matching Grant

Country Name Nicaragua

Project Purpose The overarching goal of this project is to improve the social and economic conditions of the poor in Central America, especially women, through credit, savings mobilization, and business development services

The primary objectives under this grant are

- 1 To expand the scope and deepen the outreach capacity of six Central American Partner organizations in three countries to serve poor clients, primarily women, in marginalized urban and rural areas, and to move towards achieving self-sufficiency of their microcredit programs
- 2 To build Katalysis' institutional capacity so that it can pursue a strategy of excellence and competence in its service delivery to its Partner network

Project Implementation

Start Date 10/01/1998 **Estimated Completion Date** 09/30/2001

Status **Fundacion León 2000** was founded as a microcredit organization in 1993 and joined the Katalysis Partnership in 1998 **FUNDENUSE**, founded in 1993 with the explicit mission to support microenterprise development in rural areas of the Department of Nueva Segovia has developed a microcredit lending and training program to service its mission It joined the Katalysis Partnership in 1998

Project Funding

	1999	2000	2001	TOTAL
AID \$	8,740			8,740
PVO \$	33,396			33,396
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL	42,136	0	0	42,136

Location in Country

FUNDACION LEON 2000 seeks to improve the quality of services in urban areas well as increasing services to rural businesses, it works in seventeen municipalities in the Departments of Leon and Chinandega **FUNDENUSE** focuses exclusively on rural clients, serving a majority of rural clients in northern Nicaragua, specifically in the departments of Nueva Segovia, Madriz and Esteli

Local Counterpart/Host Country Agency

Executive Director Abelardo Perez
FUNDENUSE
Ocotal, Nueva Segovia
Nicaragua

Executive Director Maria Eugenia Sequeira
FUNDACION LEON 2000
Parque Ruben Dario
½ c al Norte
Leon, Nicaragua

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**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
USAID - SUPPORTED PVO PROJECTS**

Organization	Katalysis North/South Development Partnership
Project/Grant No	FAO-A-00-98-00052-00
Grant Dates	10/01/1998 - 09/30/2001
Funding Mechanism	Matching Grant

Headquarters Stockton, California

Project Purpose The overarching goal of this project is to improve the social and economic conditions of the poor in Central America, especially women, through credit, savings mobilization, and business development services

The primary objectives under this grant are

- 1 To expand the scope and deepen the outreach capacity of six Central American Partner organizations in three countries to serve poor clients, primarily women, in marginalized urban and rural areas, and to move towards achieving self-sufficiency of their microcredit programs
- 2 To build Katalysis' institutional capacity so that it can pursue a strategy of excellence and competence in its service delivery to its Partner network

Project Implementation

Start Date 10/01/98

Estimated Completion Date 09/30/2001

Status The Stockton headquarters manages the program and finances of Katalysis and oversees its relationships with Partner organizations. It fulfills all legal and financial requirements of a 501 (c) (3) organization. The regional field office is located in Tegucigalpa, Honduras, and provides field services to seven Central American Partner NGOs

Project Funding

	1999	2000	2001	TOTAL
AID \$	314,441			314,441
PVO \$	752,428			752,428
OTHER \$				0
INKIND \$	1,517			1,517
LOCAL \$				0
TOTAL	1,068,386	0	0	1,068,386

Program Manager

Gerald B Hildebrand
President/CEO
Katalysis Partnership
1331 N Commerce St
Stockton, CA 95202
(209) 943-6165, fax (209) 943-7046

**KATALYSIS PARTNERSHIP
 CONSOLIDATED PROJECT FUNDING
 FOR THE YEAR ENDED 30 SEPTEMBER 1999
 FAO-A-00-98-00052-00**

	1999	2000	2001	TOTAL
AID \$	340,696			340,696
PVO \$	1,117,883			1,117,883
OTHER \$	0			0
INKIND \$	1,517			1,517
LOCAL \$				0
TOTAL	1,460,096	0	0	1,460,096

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Schedule of Activities. KATALYSIS REGIONAL FIELD OFFICE. HONDURAS

ACTIVITY/PARTNER Year's Goal and Actual		GUATEMALA		HONDURAS				NICARAGUA			
		MUDE		ODEF		FAMA		LEON 2000		FUNDENUSE	
		Year 1 Goal	Year 1 Actual								
1	Board Development	X	Q1-Q2			X	--	X	Q4	X	--
2	Strategic and Operational Plans	X	Q2-Q4		Q1	X	Q4	X	Q4	X	Q4
3	Management of Credit Administration										
3 1	Loan Portfolio, strengthening and consolidation	X	Q1-Q3	X	Q1,Q3	X	Q1-Q4	X	Q2	X	Q3
3 1 1	Analysis and evaluation of portfolio	X	Q1-Q4	X	Q1,Q3	X	Q1-Q4	X	Q2	X	--
3 1 2	Processes to approve and recover loans		Q3-Q4		Q1 Q3		Q2		--		--
3 1 3	Classification of loan portfolio	X	Q1-Q2	X	Q1 Q3	X	Q2-Q4	X	Q2	X	--
3 1 4	Portfolio oversight	X	Q1-Q4	X	Q1,Q3	X	Q2-Q4	X	Q2	X	--
3 1 5	Delinquency analysis	X	Q1-Q4		Q1,Q3		Q1-Q4		Q2-Q4		Q1-Q4
3 1 6	Implementation, follow-up and monitoring	X	Q1-Q4								
4	Management of Financial Administration										
4 1	Cash flow, budget management, compliance and use of financial indicators	X	Q1-Q4	X	Q1	X	Q2-Q4	X	Q4	X	Q3
4 2	Structure of interest rates	X	Q1	X	Q3	X	--	X	Q4	X	Q3
4 3	Implementation, follow-up and monitoring	X	Q1-Q4	X	Q1-Q4	X	Q2-Q4	X	Q4	X	Q1-Q4
5	Management of Financial Indicators and Evaluation of Results										
5 1	Sufficiency of capital, quality of assets, management, profitability, liquidity, growth	X	Q1-Q4								
5 2	Implementation, follow-up and monitoring	X	Q1-Q4								
6	Management Information System (MIS)										
6 1	Installation and/or updating of computerized MIS and follow-up training and technical assistance	X	Q2-Q4		--		Q1-Q4	X	Q4	X	Q4
6 2	Use of computerized MIS	X	--	X	Q1-Q4	X	Q3-Q4	X	--	X	--
6 3	Follow-up and monitoring	X	Q1-Q4	X	Q1-Q4	X	Q1-Q4	X	Q4	X	Q3-Q4

NOTE 1 = Year 1 (FY99), GOAL, for Year 1 is marked with an X, Q = quarter(s) in which goal is achieved

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ACTIVITY/PARTNER		GUATEMALA		HONDURAS				NICARAGUA			
		MUDE		ODEF		FAMA		LEON 2000		FUNDEUSE	
Year's Goal and Actual		Year 1 Goal	Year 1 Actual								
7	Management of Microcredit Methodologies										
7 1	Preparation of Partnership Microcredit Model Manual	X	--								
7 2	Implementation, follow-up and monitoring	X	--								
8	Partnership Exchanges										
8 1	Credit Analysis	X	Q4	X	--	X	Q4	X	Q4	X	Q4
8 2	Portfolio management (Legal Workshop)	X	Q3,Q4	X	Q3,Q4	X	Q3 Q4	X	Q4	X	Q4
8 3	Fund Accounting procedures and systems	X	Q3	X	--	X	Q3	X	Q3	X	Q3
8 4	Strategic planning	X	Q2	X	Q1	X	Q4	X	Q4	X	Q4
8 5	Cash flow management	X	Q3	X	--	X	Q3	X	Q3	X	Q3
8 6	Financial projections	X	Q2								
8 7	Financial management policies and best practices	X	Q4	X	Q3	X	Q2, Q4	X	Q4	X	Q4
8 8	Policies, procedures, and standards for Partnership reporting	X	Q4	X	--	X	Q4	X	Q4	X	Q4
8 9	Policies for internal and external audits	X	Q2	X	Q2	X	Q2	X	--	X	--
8 10	Implementation, follow-up and monitoring	X	--								
9	Microcredit Programs										
9 1	Community Banking	X	Q1-Q4	X	Q1-Q4	X	Q1-Q4	X	--	X	--
9 2	Solidarity Groups			X	Q1-Q4		--	X	Q1-Q4	X	Q1-Q4
9 3	Individual Loan Program			X	Q1-Q4		--	X	Q1-Q4	X	Q1-Q4
10	New Technical Staff										
10 1	Microcredit Specialist	X	Q1-Q4	X	Q1-Q3	X	Q3-Q4	X	Q3-Q4	X	--
11	Installation and/or Updating of Computerized MIS	X	Q2-Q4		Q1-Q4		Q2-Q4	X	Q4	X	Q4

NOTE 1 = Year 1 (FY99), GOAL, for Year 1 is marked with an X, Q = quarter(s) in which goal is achieved

Schedule of Activities: KATALYSIS HEADQUARTERS

	ACTIVITY	Yr 1 Goal	Yr 1 Actual
12	KAT/USA Institutional Strengthening		
12.1	• Board Development	✓	Q3
12.2	• Business Plan Implementation	✓	Q3-Q4
12.3	• DOSA (Discussion-Oriented Self-Assessment) Implementation	✓	Q2 & Q4
12.4	• Financial and Administrative Oversight	✓	Q1-Q4
13	Increase Microcredit Staff Expertise, Technical Capacity, Financial Portfolio Management		
13.1	• Participation in industry activities	✓	Q1-Q4
13.2	• Resource for information on best practices, newest tools and technologies for Regional Field Office	✓	Q1-Q4
13.3	• Hire Microcredit Associate	✓	Q3-Q4
13.4	• Hire second Community Banking Coordinator at the RFO	✓	Q1
14	Increase Staff and Board Competencies in Microcredit		
14.1	• Partner Directors Meetings	✓	Q2, Q3, & Q4
14.2	• Katalysis Board Meetings	✓	Q3
14.3	• Microcredit Training for Senior Staff (Katalysis/USA and RFO)	✓	Q1-Q4
15	Grants Management	✓	Q1-Q4
16	Loan Products Development	✓	Q1-Q4
17	Mobilization of Credit		
17.1	• Development of Katalysis Capital Fund	✓	Q1-Q4
17.2	• Access to credit from large foundations, institutional funders, and multi-lateral organizations	✓	Q1-Q4
17.3	• Establish links to formal financial markets	✓	Q4

NOTE 1 = Year 1 (FY99), GOAL for Year 1 is marked with an X, Q=quarter(s) in which goal is achieved

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KATALYSIS HEADQUARTERS ACTIVITIES - Page 2		Yr 1 Goal	Yr 1 Actual
18	Secure Matching Funds		
18 1	• Resource development from private foundations, corporations, large institutional funders, major donors, multi-lateral organizations, and seed capital for Katalysis Capital Fund	✓	Q1-Q4
19	Resource Mobilization Training and Technical Assistance to Partners	✓	Q2 & Q4
20	Consolidation of Central American Network		
20 1	• Orientation of New Partners in Nicaragua	✓	Q1
21	Partnership Management & Strengthening		
21 1	• Partner Directors' Meetings	✓	Q1-Q4
21 2	• Partnership Workshops at Board Meetings	✓	Q3
22	Institutional Strengthening to RFO		
22 1	• RFO Board Development	✓	Q1-Q4
22 2	• Oversight of Business Plan implementation	✓	Q4
22 3	• Partnership Training	✓	Q2 & Q4
22 4	• Management and Growth	✓	Q1-Q4
23	Program Evaluation		

NOTE 1 = Year 1 (FY99), GOAL for Year 1 is marked with an X, Q=quarter(s) in which goal is achieved

Attachment E

Partnership Training Workshops, Year 1

Representatives from all five participating Partner organizations attended the following workshops

- September 30, 1998, the RFO staff developed an orientation workshop for MG3 Partner participants and presented that to them in Tegucigalpa
- January 19, 1999 Partner executive directors participated in a workshop about "Resource Mobilization versus the Perpetual Dependency," developed by Katalysis HQ and held in Tegucigalpa
- January 21 to 22, 1999, Partner microcredit staffs participated in a workshop about "The Importance of Financial Projections for Microfinance Institutions' Management," coordinated by Katalysis, and held in Tegucigalpa
- January 25 to 29, 1999 Partner microcredit staff participated in a workshop about "Community Bank Internal Account Audits," developed by SEEP and coordinated by Katalysis This workshop was held at FAMA in Juticalpa, Olancho
- May 24 to 25, 1999 ODEF organized and Katalysis coordinated a Partnership workshop on " Legal Procedures to Recover Loans," held in San Pedro Sula All Partner executive directors and legal representatives participated
- June 11 to 13, 1999 Partner accounting and administrative staffs participated in a seminar-workshop focused on "Accounting by Funds," coordinated by Katalysis and held in Tegucigalpa
- September 23 to 24, 1999 Partner executive directors participated in a workshop about "Effective Management and Communication Skills," organized by Katalysis and held in Tegucigalpa

In addition to the above general workshops, staff at specific Partners participated in the ones listed below

- January 18 to 23, 1999 FAMA organized and Katalysis coordinated an exchange of experiences with Guatemala (MUDE) and El Salvador programs about the "Community Banking Methodology based on Solidarity Principles," held in Juticalpa, Olancho
- Through the support provided by Katalysis, ODEF's credit staff participated in an exchange visit to Genesis Empresarial of Guatemala on " Best Practices regarding Solidary Credit Methodology," from April 19 to 23,1999
- September 20 to 21, 1999 Exective directors of FUNDENUSE and Leon 2000 and their management teams participated in a workshop on "Resource Mobilization," develop by Katalysis HQ and held in Nicaragua
- September 22 to 24, 1999 MUDE, FUNDENUSE, and Fundacion Leon 2000's microcredit teams participated in the "Microcredit Workshop," developed by Katalysis and held in Tegucigalpa



KATALYSIS

NORTH/SOUTH DEVELOPMENT PARTNERSHIP

*a non-profit organization
serving low-income groups
in developing countries*

BOARD OF DIRECTORS

Founder

Robert E. Graham
Namaste Foundation
Mendocino CA

Chair

David A. Brown
Reynolds & Brown
Concord CA

Blanca Flor Bonilla

Corporation for Community
Projects of El Salvador (PROCOMES)
San Salvador El Salvador

Dino Cortopassi

San Tomo Group
Stockton CA

Alexander M. Counts

Grameen Foundation USA
Washington DC

Sandra de Euceda

Organization for Women's
Enterprise Development (ODEF)
San Pedro Sula Honduras

Gerald B. Hildebrand

Katalysis Partnership
Stockton CA

Camila Elvir

Family and the Environment (FAMA)
Juticalpa Honduras

Catarina Mendoza Silvestre

Association for Women
in Development (MUDE)
Villa Nueva Guatemala

Devorah Miller

Microcredit Specialist
Washington DC

Linda A. Ornick SNJM

Chief Financial Officer
Sisters of the Presentation
San Francisco CA

David M. Pollock

Stormwater Management
Portland OR

James H. Small

Harvest Development Group LLC
Washington DC

Gregorio Tzoc Norato

Cooperative Association for
Western Rural Development (CDRO)
Totonicapan Guatemala

Luz Vega Marquis

National Economic
Development & Law Center
Oakland CA

8 February 1999

Ms Mary Herbert, Project Officer
USAID
BHR/PVC/MGD
Ronald Reagan Building
Washington, D C

Dear Mary

I have recently returned from a trip to the flood affected areas of Honduras and Nicaragua and meetings with all of the southern Partner directors. Although the devastation has taken an incredible and long lasting toll on the social and economic development of the region, the people have demonstrated a resilience and determination that defy description. All of our Partners are back on their feet, rescheduling old loans, making new ones and providing critically needed technical assistance and training to their portfolio of clients.

On another note, one of the items of business at the Partner Directors meeting was the review of the probationary status of FAFIDESS/Guatemala. As you know, all new Partners initially enter the Partnership on a one year's probation. That enables both the Partner-designate and Katalysis to assess the mutual value of the relationship. At the outset of the provisional membership, the probationary Partner is provided with a list of the criteria for full membership (please see attached document). It is this criteria that forms the basis for the final evaluation after one year of participation in the Partnership.

A series of workshops and customized consultations on best practices and other Partnership-adopted institutional standards was provided to FAFIDESS staff, management and board over the course of the twelve months with suggested modifications and flexible timetable for implementation. This was accompanied by Katalysis' commitment to provide on-going backup support during the phased in implementation process.

Near the expiration of the probationary term, a technical team was dispatched to FAFIDESS composed of the microcredit specialists at both the Katalysis headquarters and the regional field office in Honduras. This team was asked to assess and analyze the progress that FAFIDESS had made toward the incorporation of best practices in their microcredit program. After one week of thorough and intensive review and consultation with the entire FAFIDESS organization, it was their determination that no significant changes had been made to improve the microcredit policies and procedures. There was some indication at the time, however, of FAFIDESS' willingness to make several strategic changes in key policies within an acceptable time frame.

1331 N Commerce St, Stockton, CA 95202-1012 USA

(209) 943-6165 • fax (209) 943-7046 • e-mail information@katalysis.org



The team's technical report and recommendations were presented in person to the FAFIDESS board and executive director. They (board and executive director) acknowledged the deficiencies and adopted a 26-point plan of action to be implemented over a fixed period of time, commencing immediately. As of the anniversary date of their probationary status (7 December 1998), no measurable results were in evidence. FAFIDESS was advised in two detailed communiques from Stockton (December 1998 and January 1999) of the specific issues in question, the serious nature of this inadequate performance, and the bearing that it would have on the probationary review.

The two-part review was scheduled for January 18 in Tegucigalpa. The first part was a private meeting that was to have included the FAFIDESS executive director, the Katalysis regional field director and myself. The second part was the official review by all the Partner directors meeting in session on 20 January. FAFIDESS had accepted the invitation to be present at both, but at the last minute decided not to participate.

The Partner directors reviewed all of the relevant material and reached a unanimous decision that FAFIDESS should not be accepted into full membership in the Partnership. This was conveyed to FAFIDESS in writing by me on 25 January 1999. All of us were disappointed in the outcome because we had made a considerable investment in FAFIDESS over a twelve month period in terms of training, technical assistance, and one-on-one consultation with the executive director and board of directors. We had been led to believe that FAFIDESS was prepared to implement a series of best practices in a reasonable time frame that was compatible with their organizational culture and practices. This did not occur in any responsible manner.

As you recall, FAFIDESS is included in our current three-year AID matching grant which commenced 1 October 1998. The AID budget allocation for FAFIDESS over the three-year period was \$53,000. No portion of these funds were expended by FAFIDESS in the period October 1998 to January 1999. We therefore propose to you that FAFIDESS be excluded from our current cooperative agreement and that the funds previously designated to them be reapportioned. We will provide a specific budget revision to you for review within the next several weeks. It is our intention to find a substitute new Partner in the region as soon as possible.

I would be pleased to respond to any questions that you might have regarding this requested change in our cooperative agreement. Please do not hesitate to contact me directly for further information or clarification. Thank you for your understanding and assistance.

Best regards,

Gerald B. Hildebrand
President and CEO

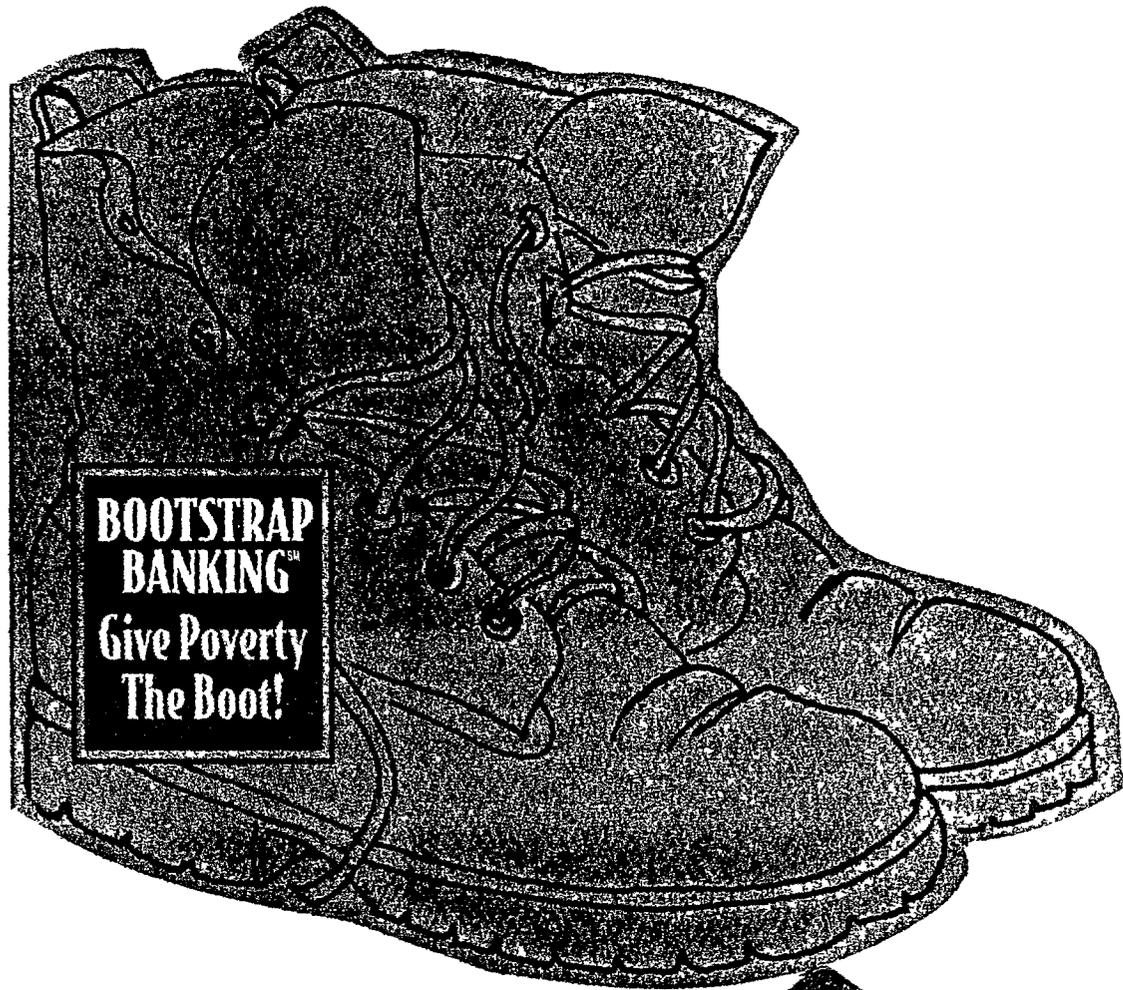
cc Dave Brown, Board Chair

Katalysis Partnership
Proposed MG3 Reallocation, March 1999
 – \$53,000* from FAFIDESS allotment

NEW PARTNER ALLOCATION	
• New Partner Exploration	\$5,000
• New technical person, year 2	\$20,000
• Technical person, year 3	\$10,000
• Travel, year 2 & 3	\$2,000
TOTAL	37,000
INCREASING MICROCREDIT EXPERTISE	
• Katalysis board and Partner Directors	\$3,000
• Note FAFIDESS already used \$234 in Q1, FY99— (actual amount is 3,000 – 234)	
• Katalysis institutionally related consultants microcredit capacity and institutional efficiency	\$13,000
TOTAL	\$16,000
Grand Total*	\$53,000

Actual amount to be reallocated is \$52,766 \$234 was expended for the FAFIDESS Executive Director in Q1

ATTACHMENT G -- PROMOTIONAL MATERIALS (See also binder pockets)



BEST AVAILABLE COPY

BEST AVAILABLE COPY



In 1993 Graciela del Carmen Matute Arauz was the mother of two young daughters with an entrepreneurial vision and no means to make it happen Today she's the mother of three and a thriving businesswoman What made the difference? A Bootstrap Banking loan gave Graciela the resources to transform her dream into reality Graciela started by selling cheese and other dairy products from her small store at the central market in Jalapa Nicaragua Her warm smiles friendly service and sparkling clean shop made her one of the market's most popular vendors With the clientele she built and the help of a Bootstrap Banking loan she's been able to expand her business In 1997 Graciela bought an old truck from a neighbor and diversified - she now sells eggs sugar matches and other household staples as well as cheese With two employees and an ever growing savings account Graciela has every reason to expect greater and greater opportunities in the future for herself her children and her community



In 1993 Graciela del Carmen Matute Arauz was the mother of two young daughters with an entrepreneurial vision and no means to make it happen Today she's the mother of three and a thriving businesswoman What made the difference? A Bootstrap Banking loan gave Graciela the resources to transform her dream into reality Graciela started by selling cheese and other dairy products from her small store at the central market in Jalapa Nicaragua Her warm smiles friendly service and sparkling clean shop made her one of the market's most popular vendors With the clientele she built and the help of a Bootstrap Banking loan she's been able to expand her business In 1997 Graciela bought an old truck from a neighbor and diversified - she now sells eggs sugar matches and other household staples as well as cheese With two employees and an ever growing savings account, Graciela has every reason to expect greater and greater opportunities in the future for herself her children and her community



TERESA FLORES

Teresa Flores sells natural juices fruits and food in her village market place in Aguacate Honduras a successful business that was made possible by Bootstrap Banking

In 1993 Teresa and fifteen of her neighbors formed the Nuestro Bienestar - Our Well Being Community Bank Their first loans averaged \$76.19 each Over the next five years the Bank continued to repay its loans take out larger ones and build up the balance in the Bank's savings account Since it began Nuestro Bienestar has saved \$8,675 growing from 15 to 35 members and making dramatic improvements in their members' lives as well as their community

As their businesses and savings account have grown Teresa and her fellow Bank members have returned time and money to their village cleaning the streets buying uniforms for the sports teams helping low income neighbors pay for funerals and building a fence around the school Today Nuestro Bienestar is itself a lending institution providing loans to local aspiring microentrepreneurs many of them inspired by the accomplishments of community bankers like Teresa Flores



Teresa Flores sells natural juices fruits and food in her village market place in Aguacate Honduras a successful business that was made possible by Bootstrap Banking

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KATALYSIS PARTNERSHIP

Travel Log

Fiscal Year 99

TRAVELER	DATES	DESTINATION	PURPOSE
Alvarez, Leonardo	October 11-16, 1998	Guatemala	CDRO Forest Integrated Management and Sustainable Agriculture Project's evaluation at the Impact Level
	October 21-24, 1998	Honduras	FAMA Analyze the proposal approved by FICAH for the second year of the project Train the technicians about project evaluations Revise the learning center's training modules, participate in quarterly meeting
	November 16-28 1998	Guatemala El Salvador Honduras	CDRO Project evaluation MUDE Project evaluation PROCOMES Project evaluation ODEF Project evaluation FAMA Project evaluation
	January 11-14, 1999	Honduras	ODEF Progress evaluation and follow-up on designing methodology
	January 31 & February 2, 1999	Honduras	FAMA analyze proposal and project implementation Review of training manuals of the Training and Learning Center
	February 7-17, 1999	Guatemala	CDRO performance external evaluation, meet accountants Analyze the Maya Commercialization's achievements
	March 22-25, 1999	Honduras	ODEF discuss the observations and recommendations re HV Project Visit participating communities Evaluate the activities developed by the production and organization, designing and methodology consultants

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	April 18-23, 1999	Guatemala	CDRO Collect information re diagnostic and analysis of CDRO's productive programs for the Maya Commercialization Unity
	May 3-7, 1999	Honduras	ODEF's Exchange of experiences relating to management of pest and diseases Train the participants about sustainable management of pest and diseases
	May 11-14, 1999	Honduras	FAMA discuss the observations and recommendations provided previously Monitor the activities implemented by FAMA Field visits
	June 7-10, 1999	Honduras	ODEF discuss the observations and recommendations made during the previous visits Analyze the information requested by the evaluator of the H V Project Monitor and follow up the activities implemented by IDB/MIF consultants for HV project
	June 21-25, 1999	Guatemala	CDRO analyze and discuss the final document "CDRO's Maya Commercialization Unity Productive Program's Diagnostic/Analysis"
	August 16 to 20, 1999	Honduras	ODEF Evaluate the Herencia Verde Project and monitor follow-up activities
	August 25-27, 1999	Honduras	FAMA Evaluate the second year of the Sustainable Agricultural Project Second Year Implementation Provide technical Assistance and project implementation and field visits
	September 5-11, 1999	Guatemala	CDRO monitor and follow-up the projects financed by IDB/MIF and Moriah Fund Provide T/A needed in each of the projects
Amador, Patricia	April 6-8, 1999	El Salvador	PROCOMES Participate in Partnership Journey, provide logistical and technical support

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	April 8-14, 1999	Guatemala	MUDE provide technical and clerical support Katalysis / Honduras Board meeting
Beltran, Mario	Sept 28, 1998 to October 8, 1998	Honduras	RFO Review of the Statement of Financial Position and Statement of Activities
	March 15-24, 1999	Honduras	RFO Financial monitoring and oversight, assistance completing FY 98 audit, budget analysis, compliance issues, and assistance to accounting staff to synchronize their procedures and practices with KAT/USA
Borjas, Luis Felipe	October 5-10, 1998	Guatemala	FAFIDESS Preparation of portfolio and financial information and indicators, analysis and institutional evaluation
	October 8, 1998	Guatemala	MUDE Meet with Board in order to present the findings of financial evaluation and improvement plan for the organization
	October 19-20, 1998	Honduras	ODEF Evaluation of AID/MIP project
	November 24, 1998	Honduras	FAMA Complete field assessment of the impact on FAMA loan portfolio due to Hurricane Mitch
	December 8-18, 1998	El Salvador	PROCOMES To provide T/A to microcredit specialist regarding proposed modifications on the draft of Credit Policies' Present to PROCOMES' Board of Directors the proposed changes to Credit Policies
	January 11-13, 1999	Honduras	FAMA Follow-up T/A for the MIS System
	January 18-22, 1999	Honduras	FAMA Follow-up T/A for the MIS System
	January 28-29, 1999	Honduras	FAMA Continue providing follow-up T/A for the MIS
	January 30-February 1, 1999	Nicaragua	Leon 2000 Complete the credit portfolio analysis, Prepare the projected financial statements Review the IDB/MIF format 1
	February 3-6, 1999	Guatemala	MUDE Review MUDE's annual operative plan for 1999 Update MUDE's strategic plan Follow-up to MUDE's MIS implementation plan

09

	February 11-13, 1999	El Salvador	PROCOMES The purpose of this visit was to reconstruct the opening account balance as of Dec 31, 1998, based on accounting catalog
	February 16-19, 1999	Honduras	FAMA Implementation of the MIS system Follow-up to FAMA's November balance sheet and loan portfolio
	February 28-March 6, 1999	El Salvador	PROCOMES Implement the MIS project jointly with Luis A Lopez of the Soft Corp To create parameters for the portfolio, banks and account modules
	March 14-17, 1999	Guatemala	MUDE Monitor and follow-up MUDE's MIS implementation
	March 18-19, 1999	El Salvador	PROCOMES Monitor and follow-up implementation process of MIS in order to know staff progress with the system and make necessary adjustments
	March 21-24, 1999	Nicaragua	FUNDENUSE Technical support of the disbursement plan of Codespa project Coordinate the activities to be implemented by the Microcredit Expert
	April 6-8, 1999	Honduras	FAMA Preparation and support of analytical report
	April 12 -16, 1999	El Salvador	PROCOMES Prepare information for the microcredit program's strategic plan Follow-up on the implementation of the MIS
	April 19, 1999	El Salvador	PROCOMES Monitor changes to the Microcredit Program Support and provide follow-up to the re-installation of the MIS system support the staff in the completion of the program strategic plan
	April 22-24, 1999	El Salvador	PROCOMES Follow-up to MIS implementation
	April 26, 1999	Nicaragua	FUNDENUSE Analyze managerial information systems Meet executive director, program manager and members of the board
	May 19-20, 1999	El Salvador	PROCOMES Present the PROCOMES strategic plan to the PROCOMES Board of this institution

	May 24-25, 1999	Honduras	ODEF Participate in a Partner's Exchange regarding the procedures to recover loans ODEF-Katalysis/RFO
	May 26-29, 1999	Guatemala	MUDE Complete an analysis of MUDE's situation regarding the Annual operating plan's consistency Review the findings and recommendations Review the progress of the recovery plan and reinforce the training's on community banking organization
	June 16-19, 1999	El Salvador	PROCOTES Monitor the implementation of MIS
	June 29, 1999	Guatemala	MUDE Monitor and follow-up MIS's implementation activities and the Microcredit specialist working plan
	June 29 to July 1, 1999	Guatemala El Salvador	Visits made to Soft Corporation's manager in Guatemala to coordinate the T/A activities provided by this company to CGAP project participants PROCOTES in El Salvador to follow-up with working plan designed to implement the MIS
	July 25-26, 1999	El Salvador	PROCOTES Monitoring and following-up implementation process of MIS in order to coordinate the activities and establish the workplan that allows its timely implementation
	July 27-30, 1999	Mexico	PRO-DESARROLLO Participate in the strategic planning workshop organized by PRO-DESARROLLO invited through ODEF as a member of the organization
	August 2-3, 1999	Guatemala	ADEPH Complete the institutional profile of ADEPH as potential partner in Katalysis Network
	August 17-20, 1999	Nicaragua	FUNDACION LEON 2000 to develop workshop for the strategic plan 1999-2003

	August 24-26, 1999	Honduras	FAMA Revision and updating of FAMA' strategic plan Analysis and review of their institutional evaluation prepared by AID/MIP Follow-up to the MIS, 1999-2003
	September 6-8, 1999	Nicaragua	FUNDENUSE develop a workshop for the strategic plan for 1999-2003
	September 19-21, 1999	Nicaragua	LEON 2000 Resource mobilization workshop developed by Jutta von Gontard
Contreras, Jorge	December 8-11, 1998	El Salvador	PROCOTES install and implement the MIS
	December 14-17, 1998	Honduras	FAMA install and implement the MIS
Diener, Margaret	October 13—16, 1998	Racine, Wisconsin	The Crossroads Conference workshop regarding DOSA
Flores, Boris	September 27-30, 1999	Guatemala	MUDE T/A to the Microcredit Program in the area of institutional strengthening, especially in planning and financial management
Flores, Saida	August 16-18, 1999	Honduras	ODEF Research, analyze and document current financial information
	September 6-10, 1999	Nicaragua	LEON 2000 & FUNDENUSE Participate in the Strategic Plan of both new partners Know the performance of the organizations' departments, their current working system, future plans and trends
Hildebrand, Gerald	Sept 25, 1998 – October 2, 1998	Guatemala Honduras Nicaragua	Partner Director Meeting Site visits to Nicaragua visit with Leon 2000 & Fundenuse Meeting Reynold Walter from FAFIDESS discuss status with the Board Visit with USAID Mission in Guatemala
	November 11-15, 1998	Washington, D C	Interaction Meeting Strategic Planning Task Force
	November 21-25, 1998	Roslyn, VA	USAID/PVC Matching Grant Recipients Meeting, Discuss the Cooperative Agreement for MG3

	January 17-23, 1999	Honduras & Nicaragua	RFO view flood impact in Honduras and Nicaragua, filed visit, partner directors meeting, donor visits to AID/IDB/UNDP Site visit to Leon 2000
	February 4-8, 1999	Salt Lake City, UT	Western Region InterAction Meeting (strategic planning & future planning with LDS)
	March 18-25, 1999	Salt Lake City, UT	BYU Conference Microcredit Conf
	April 9, 1999	Guatemala	Board Meeting & Partner Directors Meeting
	April 24-30, 1999	Washington DC	InterAction Meeting & Forum
	September 13-23, 1999	Guatemala & Honduras	New partner search in Guatemala, personal consultations with each partner director, Partner directors meeting RFO field visits, training with RFO staff, informational visit with AID/Guatemala and IDB/Guatemala Courtesy visit to LDS Charities, MIP/ODEF and MIP/FAMA update with AID/Honduras, MIF consultation with IDB/Honduras, New RFO Board member orientation, Partner Directors leadership training seminar
Lagos, Nolvía	January 17-20, 1999	Honduras	FAMA Participation in the Community Banking Methodology Exchange between FAMA & PROCOMES
	February 13-21, 1999	Stockton, USA	Katalysis/USA Participate in the DOSA working session workshop
	February 26-27, 1999	Honduras	FAMA Support FAMA in filing out MIP'S evaluation format and collect data

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Macray, Dennis	October 4-11, 1998	Guatemala	FAFIDESS Complete financial and program assessment of the partner Meet with FAFIDESS Board MUDE Meet with MUDE'S Board to discuss recent performance indicators
	October 25-31, 1998	Washington DC	SEEP Annual Conference, meet with program officers at institutional funding agencies in Washington
	January 20-30, 1999	Honduras	RFO work with technical staff on reviewing MG3 program reporting Co-facilitate workshop re financial projections and financial indicators FAMA To co-facilitate a training for Central American Community Banking Training and Test of the Internal Account Toolkit
	January 30-31, 1999	Managua, Nicaragua	Leon 2000 Assist the staff with completion of two applications to IDB, including financial statements and program descriptions
	March 6-9, 1999	Washington DC	Attend DAI/SEEP Best Practices MIS Conf Meetings with Citigroup Foundation Meetings with IDB, AID, FICAH and Worldbank
	March 20, 1999	Honduras	RFO Prepare FAMA USAID/MIP Business Plan Prepare Katalysis/CGAP Application Work with the Microcredit team on program topics
	March 20-31, 1999	Honduras	ODEF Prepare CGAP funding proposal Evaluate Soft Corporation MIS Evaluate ODEF's USAID/MIP FY99 progress RFO Prepare FAMA's/USAID/MIP Business Plan Prepare Katalysis/CGAP Application Work with Microcredit Team on Program topics

Dennis Macray & Summer Intern Sabrina Di Marco	July 15-22, 1999	Honduras	RFO Meet with the Program Committee, participate in a presentation by the RFO staff ODEF Site visits and tour of ODEF, attend a reporting on internal evaluation and review with ODEF's Executive Director and Staff
Martinez, Daniel	October 25-31, 1998	Washington DC	SEEP Annual Conference, meet with program officers at institutional funding agencies in Washington
	February 14-19, 1999	Stockton, CA USA	USA/Katalysis Participation in the DOSA session
	April 19-24, 1999	El Salvador	PROCOTES Support the staff in the completion of the microcredit strategic plan Monitor changes to the microcredit program Support and provide follow-up to the re-installation of the MIS
	April 26, 1999	Nicaragua	FUNDENUSE Analyze managerial information systems Meet executive director, and program manager and, members of the board
	May 24-25, 1999	Honduras	ODEF Participate in a Partner's Exchange regarding the procedures to recover loans ODEF-Katalysis/RFO
	June 13-18, 1999	Stockton, CA USA	USA/Katalysis Participate in Mission workshop
	July 1, 1999	El Salvador	PROCOTES Meeting with board of directors and executive director to provide follow-up to the implementation of the microcredit program-strengthening plan and to the MIS's implementation activities
	July 16-19, 1999	Honduras	ODEF Participate in mid-year evaluation of the activities and goals Visit ODEF's community banks
	August 16-25, 1999	Stockton, CA - USA	Katalysis/USA attended the Executive Comm Meeting and workshops
	Rosa, Deysi	January 19-20, 1999	Honduras
February 25-27, 1999		Honduras	FAMA Implementation of the MIS

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	March 1-6, 1999	Honduras	FAMA Continue implementation of the MIS
	March 19-20m 1999	Honduras	FAMA Additional T/A system assistance as related to installation of the MIS
	April 5-10, 1999	Honduras	FAMA Continued assistance in implementation of MIS
	April 16-17, 1999	Honduras	FAMA Continued assistance in implementation of MIS
	April 22-24, 1999	El Salvador	PROCOMES Re-installation of the MIS
	May 12-14, 1999	Honduras	FAMA Follow-up and implementation of the MIS
	May 27-28, 1999	Honduras	FAMA Update the MIS and provide T/A to the accounting systems dept
	June 9-10, 1999	Honduras	FAMA Follow-up TA related to the MIS Implementation
	June 16-20, 1999	El Salvador	PROCOMES Follow-up TA relating to MIS implementation
	July 19-20, 1999	Honduras	FAMA Provide support of the MIS export induction process for FAMA Monitor MIS's information recording process, and provide technical assistance to solve problems
	August 16-21, 1999	Guatemala	MUDE Technical assistance and follow-up to MIS implementation
	September 1-3, 1999	Honduras	FAMA Monitoring, supervising and following up the MIS's implementation Provide TA to solve problems found in the system
	September 27-30, 1999	Guatemala	MUDE Follow-up to the MIS implementation within the context of the working plan established jointly with MUDE's personnel in August 1999
Salgado, Martha Maria	October 4-16, 1998	Honduras	ODEF Impact evaluation re SEEP/ credit impact on clients
	October 4-16, 1998	Honduras	ODEF Apply the impact evaluation instruments developed by SEEP for the second time and applied at ODEF in order to know the credit impact on the clients

November 17-19, 1998	Honduras	ODEF Complete field assessment of the impact of Hurricane Mitch on ODEF's loan portfolio Evaluate the progress of the MIS installation
November 30 – December 4, 1998	San Salvador El Salvador	PROCOMES TA plan re management of the group methodology based on solidarity principle
January 17-22, 1999	Juticalpa, Olancho	FAMA to achieve are exchange of methodologies between PROCOMES & FAMA in order to encourage to PROCOMES apply better practices organizational control and monitoring
January 24-29, 1999	Honduras	FAMA Participate in an Internal Account Tool Kit Workshop Validate the management of the internal account tools developed by SEEP
February 10, 1999	Guatemala	MUDE Presentation of the findings to the MUDE's Board of Director's re financial evaluation
February 13-21, 1999	USA	USA/Katalysis Participation in the DOSA session
February 7-9, 1999	Guatemala	CDRO Purpose of this visit was to analyze and discuss the results of the external evaluation from CDRO's IDB/MIF projects
March 1-5, 1999	Juticalpa, Olancho	FAMA Provide T/A support to FAMA in order to prepare and analyze the information required by MIP evaluation
April 19-24, 1999	El Salvador	PROCOMES Support the staff in the completion of the program strategic plan Monitor changes to the microcredit program Support and provide follow-up to the re-installation of the MIS
May 24-25, 1999	Honduras	ODEF Partners exchange re procedures to recover loans

	May 26-29, 1999	Guatemala	MUDE Complete an analysis of MUDE's situation regarding the annual operating plan consistency Review the findings and recommendations Review the progress of the recovery plan and reinforce the training about community banking organization
	June 21-25, 1999	Guatemala	CDRO analyze and discuss the final document "CDRO's Maya Commercialization Unity Productive Program's Diagnostic/Analysis," Evaluate CDRO's Women's Program
	July 16-20, 1999	Honduras	ODEF Participate in ODEF's mid-year evaluation in order to know the results and provide the necessary recommendations Visit ODEF's community banks jointly with members of the Katalysis Board's Program Committee
	July 25-28, 1999	Guatemala	GENESIS Participate in a training group about solidarity methodology managed by Genesis
	July 29-30, 1999	Guatemala	MUDE Follow-up to the actions/activities implemented by MUDE through the technical assistance Meeting with potential donor Steve Nance
Velasquez, Mireya Xiomara	March 22-26, 1999	Guatemala	MUDE Monitor the progress of the community banks, methodology based on the training provided by Katalysis to MUDE's credit staff Train MUDE's credit staff on the use of formats for the administrative control of the community banks Boards of Director and formats for monitoring the credits Follow-up to the delinquency recovery plan

	April 19-24, 1999	El Salvador	PROCOMES Support the staff in the completion of the program strategic plan Monitor changes to the Microcredit Program Support and provide follow-up to the re-installation of the MIS
	May 24-25, 1999	Honduras	ODEF Participate in a Partner Exchange regarding the procedures to recover loans ODEF-Katalysis/RFO
	May 26-29, 1999	Guatemala	MUDE Complete an analysis of MUDE's situation regarding the annual operating plan consistency Review the findings and recommendations Review the progress of the recovery plan and reinforce the training about community banking organization
	July 5-19, 1999	Guatemala	MUDE Provide TA support to training process for the credit advisors/promoters
	August 9-13, 1999	El Salvador	PROCOMES Provide follow-up training to staff re administrative controls for community banks' management
	August 16-21, 1999	Guatemala	MUDE Technical support training for credit staff on community banking methodology
	September 27 – October 1, 1999	Guatemala	MUDE Monitor the implementation of methodological adjustments, procedures for approving credits and professional performance of MUDE's credit coordinator
Von Gontard, Jutta	January 17-28, 1999	Honduras	Travel to Honduras and Nicaragua to a) provide a partnership-wide workshop in resource mobilization, b) to do an orientation for RFO staff in marketing and fundraising and c) to visit with donor agencies in Honduras and Nicaragua
	April 6-13, 1999	Guatemala El Salvador Honduras	Co-led the fourth Partnership Journey of 17 Katalysis board members and major donors to El Salvador and Guatemala, attended board meeting, visited donor agencies in Guatemala City

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	September 18-29, 1999	Nicaragua Honduras	Travel to Nicaragua and Honduras to a) conduct a workshop in resource mobilization for the two Nicaraguan Partners, b) re-connect with donor agencies in Managua, and c) worked with RFO staff on concept and content of brochure to market Katalysis products and services
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**BOOTSTRAP BANKINGSM
PUTTING
POVERTY**

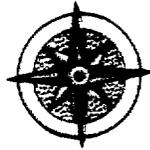


**OUT
OF
BUSINESS**

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KATALYSIS PARTNERSHIP





Katalysis was founded in 1984 by Robert Graham, a successful agribusinessman who traveled extensively throughout Central America and was moved to address the poverty of the rural villagers he met there

Katalysis pioneered the "Bootstrap Banking" partnership model of economic development that the organization still practices today

Headquartered in Stockton, the heart of California's agricultural valley, Katalysis works with its Southern Partners, seven community-based organizations to bring Bootstrap Banking to those who need it most the rural poor of Honduras, El Salvador, Nicaragua, and Guatemala



Instead of offering short-term handouts that increase dependency and yield short-term results, Katalysis funds sustainable self-help to tiny enterprises by providing microloans and training to help them be profitable and sustainable – thereby building self-sufficiency and self-confidence

As of early 1999 Katalysis Bootstrap Banking was serving 24 500 borrowers, with an outstanding loan portfolio of \$5.2 million

Bootstrap Banking is based on sound business principles, prudent financial management and peer accountability, 97% of Katalysis loans are repaid in full with market interest, on time. Borrowers are required to set aside 20% of principal as savings in addition to repaying the entire amount borrowed

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HERE'S HOW.



1 Community members meet with a Bootstrap Banking loan specialist to discuss forming a Community Bank. Potential borrowers learn how to operate their own bank and collect principal, interest, and savings payments. They learn how the loan specialist will train them in the business skills required to achieve success.



2 Those who decide to proceed meet with the loan specialist again and constitute themselves as a Community Bank. Members elect a three- or five-member Board to run the meetings, including a Treasurer to collect and account for loan payments and savings deposits. They establish the Bank's rules, its collective loan amount, and its repayment schedule. Community Bank meetings also serve as an ongoing forum for training in credit management, marketing, civic education, personal development, group process, and as a support group.



3 When the new Community Bank receives its first Bootstrap Banking loan, individual loans are disbursed to its members, who put the money right to work. Maria Guadalupe, pictured here, used her loan to buy a bigger stove so she could produce more tortillas and improve her earnings. Maria's increased income had immediate and dramatic benefits to her family – i.e. she could afford to buy more nutritious food, school books, and medicines for sick family members.



4 By focusing on her best product (hand-sewn aprons) and using her Bootstrap Banking business training, Carmen Torrejo built a home industry that now employs her husband and ten others. With her enterprise profits, Carmen and Rafael added a tile roof, a cement floor, and running water to their home.



5 Francisca Ley Uz uses her Bootstrap Banking loan to purchase her yarn directly from a wholesaler instead of a retailer who also bought her weavings at wholesale prices. Now Francisca purchases yarn more efficiently, sets her own selling prices, markets her own products directly, and controls her own business.



6 During the course of each loan cycle, the Community Bank makes timely repayments of principal and interest and creates savings. As its members' businesses and incomes grow and the Bank has completed its first loan cycle, it applies for a larger loan to re-lend to members. As the Bank accumulates its own capital from member savings, it begins to re-lend to non-members.



7 Community Banks can also choose to invest their savings in community projects that improve nutrition, health care, and education. Success in managing their enterprise savings, money speaking in front of groups of people, results in members' self-confidence growing along with their businesses.

Santa de Euceda – Leader of one of Katalysis' Southern Partner Organizations



Santa is Executive Director of ODEF (Organization for Women's Enterprise Development) a leading micro credit organization in Honduras. Santa says "ODEF's partnership with Katalysis has significantly improved our ability to help Community Banks. We support each other with respect for each organization and for the Partnership network."



Sherrie Ilse – North American Donor

'Bootstrap Banking' is a true alternative to government handouts says Sherrie Ilse a grandmother and activist who doubled her already generous contributions to Katalysis after a 1997 Partnership Journey to Guatemala and Honduras. 'I'm delighted to support Katalysis and to help women make their families viable and healthy.'

Luis Felipe Borjas – Katalysis Microcredit Program Manager



Passing up more lucrative opportunities in the private sector financial specialist Luis Felipe dedicates his considerable talents to Bootstrap Banking instead. "What inspires me" Luis Felipe says "is our Partners and clients' determination to achieve self sufficiency. I like the fact that we fight poverty with business principles and fiscal discipline."

THE KATALYSIS PARTNERSHIP

Success Ending Poverty Bootstrap Banking Self Sustaining Independence
 Team Solutions Working Together Partnering Results Action Empower
 Self Help Self Reliance Economic Empowerment Self Confidence Success

What makes Bootstrap Banking work is people – the partnership between Katalysis and our results-oriented contributors, our Southern partner organizations, and the front-line field staff who make sure that the Bootstrap Banking borrowers can create free-enterprise successes with their microloans. Let us introduce you to just a few of these people

David A Brown – Katalysis Chairman of the Board

For Dave Katalysis main attraction is the partnership driven Bootstrap Banking program.



Combined with effective management this is the best program to accomplish our mission of enabling low income people to gain self reliance says Dave. A Katalysis board member since 1987 he is also one of its most vital financial contributors. A founder and President until 1988 of Reynolds and Brown a real estate development company the majority of Dave's time is now focused on philanthropic activities.

Olga Chipix Salazar – Loan Specialist

Since 1992 Olga has been at the forefront of Bootstrap Banking in Guatemala. As the loan specialist of Katalysis Partner Women in Development (MUDE) Olga has helped hundreds of enterprising women organize their community banks improve their business practices and transform the lives of their families.



As an indigenous woman from a village outside Chimaltenango Olga knows the challenges these women face as they strive to succeed as small business owners. "I like my work" says Olga "and I can't think of a better way to change the lives of so many families in a lasting way."

How You Can Help

WE INVITE YOU TO JOIN THE KATALYSIS PARTNERS CIRCLE
A COMMITTED GROUP OF PRACTICAL VISIONARIES
LIKE FOUNDER ROBERT GRAHAM HIMSELF. MEMBERS OF
THE PARTNERS CIRCLE ARE DEEPLY DEDICATED TO FIGHTING
POVERTY IN THE MOST EFFECTIVE WAY POSSIBLE.
BY INVESTING IN BOOTSTRAP BANKING — OUR DONOR PARTNERS
EXTRACT DOLLARS INTO SUSTAINABLE SELF-RELIANCE.

AS A MEMBER OF THE PARTNERS CIRCLE YOU WILL RECEIVE
REGULAR UPDATES TO KEEP YOU ABREAST OF DEVELOPMENTS
AND SUCCESSSES. DEPENDING ON YOUR LEVEL OF PARTICIPATION
YOU MAY PARTICIPATE IN PARTNERSHIP JOURNEYS TO CENTRAL
AMERICA WHERE YOU CAN WITNESS THE POWER
OF YOUR INVESTMENT FIRST HAND.



WE HOPE THIS SNAPSHOT OF BOOTSTRAP BANKING
HAS TOUCHED YOUR HEART AND ENERGIZED YOUR MIND AS
TO THE DYNAMIC DIFFERENCE YOUR INVESTMENT CAN MAKE!

FOR MORE INFORMATION CALL OR WRITE

ULTRAVON GONFARD

DIRECTOR OF BOOTSTRAP BANKING

KATALYSIS

1331 N. COMMERCE STREET

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EMAIL: ultravon.gonfard@katalysis.org

KATALYSIS PARTNERSHIP



"THE KATALYSIS APPROACH IS CHARACTERIZED BY HIGH QUALITY TECHNICAL ASSISTANCE WITH HIGH PAY-OFF AT THE BENEFICIARY LEVEL. THE PROGRAMS OF THE KATALYSIS NGO PARTNERS WERE FOUND TO HAVE A SIGNIFICANT POSITIVE EFFECT ON BENEFICIARIES."

UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT (USAID)

KATALYSIS PARTNERSHIP
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Handwritten notes on the right margin, including the word "KATALYSIS" written vertically and other illegible scribbles.



KATALYSIS  PARTNERSHIP

BOOTSTRAP BANK ACCOUNTS

OUR NEW LOOK

Dear Friends

As you've undoubtedly noticed the Katalysis newsletter has a new name a new design and some new features We made these changes in response to your requests for more client stories more specifics about the impact of our programs and more information about the results of our work

We're always gratified to hear from you and most appreciative of your feedback As you can see we're listening - so please keep talking to us Send comments to

**Letters of Credit
Bootstrap Bank Accounts**
1331 N Commerce St
Stockton CA 95202
or via e-mail to
information@katalysis.org

Thanks again for keeping in touch!
Warmly



Robert Graham

WHAT'S INSIDE

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- MEET A BOOTSTRAP BANKER 2
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- GIVING TILL IT FEELS GOOD 4
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GOOD DEEDS, WELL DONE

In this regular column we celebrate Katalysis success stories the extraordinary accomplishments of our clients partners friends and other members of the Katalysis community

HURRICANE MITCH - ONE YEAR LATER

Chichigalpa Nicaragua

The grocery store Rosa Maria Paiz runs out of her small home in the village of Chichigalpa Nicaragua is small but sparkling clean With its whitewashed walls well swept concrete floor and wooden shelves loaded with rice beans cans of soda and the home made *fritanga* (fried beef chicken and fish) Rosa Maria sells the store is the pride and joy of its owner - a mother of two with a sixth grade education

Less than a year ago Rosa Maria and her business were devastated by the damage Hurricane Mitch left behind Her roof was destroyed and rain ruined not only her family's furniture TV and radio but the freezer in which she stored the meat and produce for her shop Her neighborhood was without electricity for two weeks

Shortly after Mitch struck Milena and Vicki from Leon 2000 Foundation Katalysis local Partner organization went to visit Rosa Maria They granted her request for a loan of 5 000 cordobas (about \$400) which she used immediately to replace her family's basic necessities rebuild the roof and buy a new freezer

Today Rosa Maria's store is thriving once again and she's up to date with her loan obligations Without her Bootstrap Banking loan she says neither her family nor her business would have been restored to health by now

San Pedro Sula Honduras

In nearby Honduras Maria Lidia Ramirez her carpenter hus-

band and six children live just 3 kilo meters from the Chamelecon river which flooded when Hurricane Mitch rammed through their village forcing residents to evacuate When the Ramirez family returned home 42 days later they found they'd lost their home the merchandise Maria Lidia sold in her store and the store's bookkeeping records We were only able to salvage our lives Maria Lidia says

While her family was living in a shelter without transportation and threatened by disease Maria Lidia went to work washing clothes so she wouldn't miss a payment on her Bootstrap Banking loan Katalysis Southern Partner ODEF helped with food and medicine and in April 1999 granted Maria Lidia a new loan - her 11th - of 9 500 Lps (about \$690)

Now selling small kitchen items six days a week Maria Lidia says I have kept on my payment schedule for nineteen weeks now and am slowly recuperating we are very determined to get ahead

The Katalysis Partnership At Work

More than 3 000 Bootstrap Bankers in Nicaragua and Honduras have similar stories to tell - stories that testify not only to the women's resilience in the face of seemingly insurmountable obstacles but also to the tireless efforts of Katalysis local Partner organizations

When the crisis struck Katalysis Partner staff across the region - from San Pedro Sula Honduras to Leon Nicaragua - worked 12 hour days drawing on their commitment depth of experience hard earned community trust and professional reputations to rally resources and meet urgent needs - all while dealing with their own personal losses

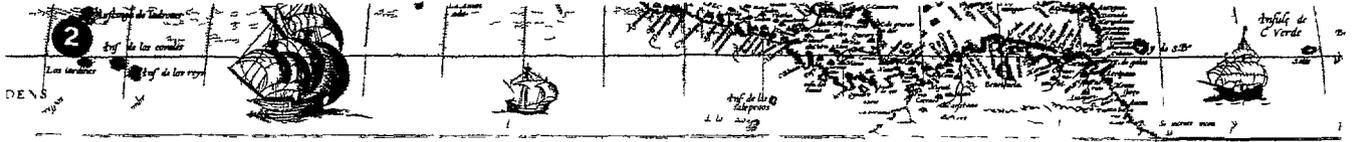
and sense of devastation From Stockton and Tegucigalpa Katalysis responded immediately communicating vital information providing policy guidance and raising close to \$200 000 from individual donors staff the board of directors and foundations as well as helping Partners gain access to relief funds made available by other agencies This support has helped to ensure immediate survival as well as meeting long term rebuilding needs

Although Bootstrap Banking loans have mitigated the immediate effects of Hurricane Mitch for many of our clients enormous challenges remain The economies of Honduras and Nicaragua the two Central American countries most affected by Mitch are based on agricultural production which has been drastically diminished Thousands of hectares of productive land lie barren covered with thick layers of silt And the ripple effects of increased prices for staple foods lack of work opportunities at planting and harvest times and high inflation are harshly felt by people living in poverty

Since Mitch hit last November the Katalysis Partners have made Bootstrap Banking loans to over 19 000 microentrepreneurs like Rosa Maria and Maria Lidia in hundreds of villages and towns throughout Honduras Nicaragua Guatemala and El Salvador While the people of Central America read themselves for this fall's hurricane season preparing emergency kits and storing extra water more than \$3.8 million is hard at work in the hands of Bootstrap Bankers who are working to create and maintain decent lives for themselves and their families ■

BOOTSTRAP BANKING

Bootstrap Banking breaks the cycle of poverty, offering low-income microentrepreneurs the loan capital and training they need to pull themselves up by their bootstraps - making their businesses, their families, and their communities self-reliant and self-sustaining



Meet a Bootstrap Banker

Letters of Credit

Think of this column as a bulletin board for the Katalysis community and feel free to add your comments questions photos doodles poems or other mementos of your connection to Katalysis Send whatever you'd like to share to

Letters of Credit
Bootstrap Bank Accounts
1331 N Commerce St
Stockton CA 95202
or via e-mail to
information@katalysis.org

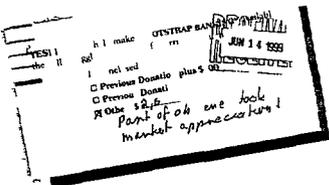
Please be sure to let us know if you'd like us to return the treasures you send Thanks!

Dear Friends
Thanks for the wonderful work you do with women empowering and inspiring them I work with displaced Hispanic women here in North Carolina To see them at the mercy of whoever will put food on their plates and a roof over their heads is heartbreaking On top of this the longing they have for their motherland!

Many blessings to you May you sleep with good consciences and peace in your hearts

Sincerely
Teresa Onofrio Burnsville NC

This check and accompanying note came to us from a generous donor Bruce Hawkins of Northampton MA



Dear Bob
Former neighbor of Morada here so glad that Katalysis was there with a structure in place Jim joins me in wishing you God speed in all your endeavors Glad we could help! Keep on keeping on!

Love
Ann & Jim Naylor Lodi CA

Dear Robert and Katalysis
We received your letter and appeal of last spring We also live in an adobe house so we can appreciate many of your clients situations Ours is of course probably better built with better plaster and stucco but still we can relate We enjoy all the photos you send us so



here is a picture of the glass sculpture which we create at our studio in Santa Fe Again thanks for all the great work you do!

Karen Hastings & John Bingham
Santa Fe NM

Our loan clients are our reason for being In each issue of Bootstrap Bank Accounts you'll meet one of these people who make miracles out of microcredit Here a report from Jutta von Gontard Katalysis Resource Development Director

It's a bumpy one hour bus ride to Nejapa from San Salvador the bustling capital of El Salvador A group of us - 16 North Americans on a Partnership Journey - are making the trip together with members of our local Partner organization Projects for Community Development of El Salvador (PROCOMES) to visit some Bootstrap Banking clients Tin roofed shacks and colorful adobe houses line the two lane road to this town of 30 000

Since the civil war ended in 1992 the people of Nejapa have taken their destiny into their own hands Together they cleaned up the local water supply - contaminants were seeping in from the municipal dump built a new cen-



tral market and most importantly established a truly participatory local government The Mayor is a former guerrilla the town council is composed mostly of simple town folk This is a community that has endured a war together and is committed now to making life better for everyone

“Rosario smiled triumphantly as she counted the money the treasurer handed her the equivalent of \$227”

tray agreement Rosario smiled triumphantly as she counted the money the treasurer handed her the equivalent of \$227

Rosario will use this money to expand her small enterprise which allows her to use her skills as a cook baker and candy maker In her small front yard Rosario grows *jocote* a savory tropical fruit she uses to make delicious

tray candy When she has a chance to buy chickens cheaply she'll sell fried chicken pieces to neighbors and in the local market And she will always make special orders of *popusas* the stuffed corn tortillas that are a staple of Salvadoran meals

Diversifying her merchandise allows Rosario to take advantage of good deals on seasonal products As she will tell you she keeps her charged rates that were ten times higher The fact that she would have to attend regular community bank meetings to receive training and share her experiences suited Rosario quite well She likes people and enjoys the camaraderie and support of her group

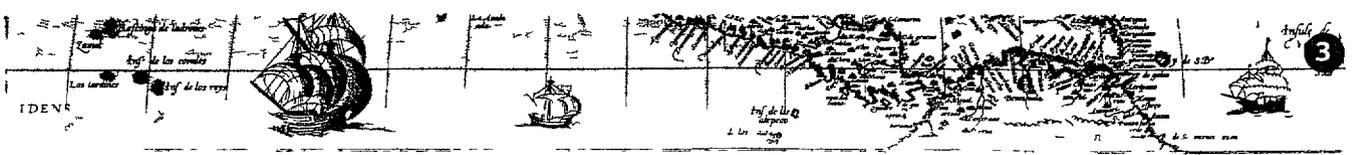
Rosario started out with a loan of \$247 about eighteen months ago Since then she has paid back three loans at market interest rates and has been able to accumulate some savings for the first time in her life Rosario's small house has a new roof so it no longer leaks She feels respected by her neighbors since she can make it through the leaner times on her own And above all when her grandsons come to visit she can offer them milk and bread In Rosario's own words "Now that they have grown I feel happy that they come to my house and they have food to eat"



prices reasonable to ensure a loyal customer base but charges enough to make a decent profit She learned how to do that in the business workshops every aspiring entrepreneur must attend in order to qualify for a Bootstrap Banking loan Rosario's fried chicken pieces sell for 50 cents to \$2 50 depending on the size of the order Her *popusas* sell for 50 cents- but they're cheaper by the dozen

A grandmother of two little boys Rosario is proud of her accomplishments and happy with the way her life is going She still weeps to remember that in harder times she couldn't feed her grandsons when they came for their rare visits

Back then Rosario had no business to speak of and often had to borrow food and money from her neighbors As soon as she heard about Bootstrap Banking and understood clearly what was expected of her Rosario signed up for a loan The terms made perfect sense to her she thought it only fair that she should repay the loan with interest after all she wasn't expecting a hand out Besides the local money lender she used to borrow from



AT KATALYSIS WE'RE TALKING ABOUT...

GLOBAL HEROES

In this column we'll profile dedicated people – some of them members of the Katalysis community some members of the world community – whom we admire for their poverty fighting work. Know someone who's deserving of this honor? Nominate your personal Global Hero by writing to us at Letters of Credit Bootstrap Bank Accounts 1331 N Commerce St Stockton CA 95202 or via e mail to information@katalysis.org



This time our hero is **MARY FLAKES DE FLORES** American born wife of liberal Honduran president Carlos Flores

The profile was written by Patricia Amador Program Associate at Katalysis Honduras field office

Mary Flakes met Carlos Flores when they were students at the State University of Louisiana then married him and adopted his country as her own. Unlike previous first ladies Mary has become a leader in her own right providing hands on comfort and aid to Hondurans in need – particularly since Hurricane Mitch. The devastation brought about by the hurricane has kept Mary busy campaigning to bring international awareness to the Honduran tragedy and the need for international cooperation in rebuilding Honduras and its infrastructure.

Today Mary Flakes de Flores is an integral and indispensable figure of Honduran public life thanks to her dedication to sick children as well as her unflagging post hurricane efforts. Hondurans have come to know her as a woman with a profound spirit and deep commitment to social causes and a kind hand that brings greater miracles than the biggest of budgets. Mary can be seen walking the halls of the San Felipe Hospital barefooted tending to the children in the Cancer Ward as well as carrying bags of food and clothing and personally vaccinating survivors of Hurricane Mitch.

Hondurans are devoted to this woman who came to Honduras without imagining that she would experience the harshest of sadness and the sweetest of joy that comes with political life. This North American born honorary Honduran has sunk roots in our country immersing herself more than ever in the needs of her citizens. In a few years Mary will leave her post as First Lady but she will continue her work with sick children. She will not have to carry with her the after effects most former First Ladies suffer when they are forced to leave the Presidential home because Mary even refused to use the office offered to her in the Government Palace building. Instead she works from a modest office building that could very well be that of an ordinary government employee. Mary Flakes believes that to help the needy you don't need to be flashy or show off those things that in the past only helped to prove that the money of the Honduran people was being ill spent. ■

Meet the Katalysis Development Entrepreneur of the Year

To mark the tenth anniversary of Katalysis founding in 1994 we instituted the Robert E. Graham Development Entrepreneur of the Year award. Each year we bestow this honor upon an individual who has demonstrated dedication to the Katalysis mission.



We are thrilled to announce this year's recipient, Tom Denhart, who describes his conversion to Katalysis donor this way: "Thirty years in advertising brought me to the point of realizing that if we had to rely on consumerism we'd be sunk."

So I changed my life. Giving is far more rewarding than consuming. Tom's contributions to Katalysis can only begin to reflect his spirit of generosity, kindness, and determination.

- Along with his wife, Gun, son Christian and Christian's friend Lorraine, Tom was an active participant on the April 1999 Partnership Journey to Guatemala.
- Soon after returning home to Portland, Tom created a scrapbook of photos and mementos from the trip and sent a hand-inscribed copy to each of his fellow Partnership Journeymen.

Tom contributed his wisdom to the board meeting and brainstorming session he attended on Katalysis sustainability.

As the Katalysis video was being conceived, produced, and edited, Tom reviewed the script and the video itself, which was greatly improved as a result. Deeply moved by his Partnership Journey experience, Tom sold a beloved antique car and donated the significant proceeds to Katalysis. ■

LOCAL NEWS

Take a peek behind the scenes at Katalysis! In this column we'll keep you up to date on the good news from the Katalysis community. If you've got any news (or gossip) to share, do let us know!

Our New Communications Coordinator

We're growing! Katalysis Partnership welcomes Shannon Eddy to our Stockton staff to fill a new marketing and development position. Shannon comes to us with a wealth of experience in the non-profit world from both the environmental and self-awareness sectors. Her dual focus at Katalysis will be to expand our foundation and corporate fund-raising programs and to increase our exposure to the general public.

Shannon's previous experience includes fund-raising and program development with organizations including the Sierra Club and the Aspire Foundation. For fun – when she's not out collecting money for some of her favorite causes – she's coordinating volunteers and leading trainings in service and volunteerism.

Margaret Goes to South Africa

Margaret Diener, our beloved Administrative Director, will represent Katalysis at the Parliament of the World's Religions this December in Cape Town, South Africa. With her trip paid for by an anonymous donor who has made her participation possible, Margaret will join other deeply committed representatives of all faiths who are engaged in an ongoing dialogue about the key questions we humans are asking ourselves with ever-increasing urgency as the new millennium approaches: What must we do to nurture our environment back to health? To ensure equitable economic and human development? How can spiritual perspectives be brought to bear on the decisions we face as a human community? Every five years this group gathers and – with one voice – calls government and decision makers across the globe to responsible action.



It's a thrilling opportunity to attend this gathering with these world leaders, Margaret says.

The Katalysis Board Meeting

Everyone agreed that this year's board meeting in Guatemala was the best ever. The setting in Antigua's Casa Santo Domingo was magical. But it was the gathering of the whole Katalysis Partnership – including our Southern Partner Executive Directors, who are full members of the Katalysis board – that was most magical of all.

As always, there were intense days of work, with triumphs and hard lessons shared as well as personal reconnection. We all noted how the circle of people around the board table gets wider each year, with our two new Nicaraguan Partners adding much to the diversity and experience of the Partnership network. Aside from the board business at hand – approving budgets, discussing future setting policy questions – we also had a brainstorming session facilitated by Sister Linda Orrick to discuss sustainability scenarios for Katalysis, and a lively marketing session co-facilitated by Dino Cortopassi and Deborah Miller.

Katalysis in the News!

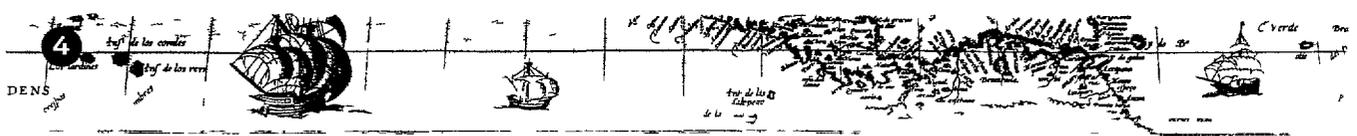
While attending an InterAction Meeting this past April, Santa de Euceda, Executive Director of our Honduran Partner Organization for Women's



Enterprise Development (ODEF) was interviewed by CNN about the effect of Mitch on her country and on the women her microcredit program serves. Her co-interviewees included World Bank's President James Wolfensohn and InterAmerican Development Bank President Enrique Iglesias. Go, Santa!

A Special Trip to Honduras

Katalysis board members are active not only at board and committee meetings but also throughout the year. In July, Program Committee members Deborah Miller and Alex Counts traveled with Katalysis program staff in Honduras, visiting Partner operations, talking to clients, and getting a thorough understanding of the daily workings of the field. With their own professional experience as microcredit specialists, both Deborah and Alex have much to contribute to Katalysis – and they do so generously. ■



GIVING TILL IT FEELS GOOD

Without our donors Katalysis would just be a set of good intentions. In each issue of Bootstrap Bank Accounts one of our donors shares the motivations, experiences, and rewards that come with making possible the good that Katalysis does. Here we have a moving testimonial from Eric Kloor of Boulder, Colorado.

There are questions that burn in my belly

What does make a difference? How can I, a single human being, do something that matters? How do I give in such a way that empowers? What's the best use of my resources?

Life's pretty wonderful. I have an amazing family—my wife Debra is supreme, my kids Noah and Sophia are awe-inspiring. We have a great business and work with terrific people. I've worked hard, used my skills, and had some luck. Our company Draco sells a powerful video editing tool, the Casablanca, that's changing lives for the better. I have my health, and I've recently survived a major bike crash, so each day is a blessing.



Noah Kloor, age 8

Yet every four seconds or so another human dies of hunger or hunger-related disease. (For a wonderful web site, visit www.hungersite.com. It's about the most imaginative use of the web and of marketing dollars imaginable.) After spending some time in third world countries, I've had a glimpse of the poverty and the struggle most humans face. Upon return from those trips, each time, I'm a changed man.

But how do I give back, not wanting to incentivize or help to create dependency? Empowering behavior that creates less self-esteem is of no interest. How do we not foster burden on those less fortunate? How can I meet them in their strength, to honor their power, their capabilities, their competence?

I want to make a difference, to do something that matters. As an American, I'm in the top 5% of wealthy humans. As a white male from Boulder, Colorado, I'm living in incredible privilege. Hot running water is available in 9 places in my home!

So when my friend Bill Drabkin introduced me to Katalysis a number of years ago, I was deeply intrigued. I'd not heard of the concept of partnership banking or micro-lending. As an entrepreneur, I was enthralled. The concept is potent: The power is moving. What a fascinating and magical mixture—money is loaned, businesses are created, and the repaid principal and interest circle around to empower more women to do the same. Women within their communities create value and wealth. Their children are healthier, their lives more positive, and they have confidence.

In a recent conversation with my friend Lew, he told me life comes down to two things: control and self-esteem. Lew is a bright guy, and it's hard to dig too many holes in his theory. We want as much control over our time as we can possibly have, and we want to feel good about ourselves.

Katalysis is empowering people to have more control and more esteem—a worthwhile endeavor. Katalysis is an amazing organization. The folks listen and care deeply. I consider it a huge privilege to have this enterprise in place to care take my donations, to shepherd the funds we donate. I've spent some time with Jutta and with Jerry. They are both top-notch folks.

One of our employees, Michele Moore, went to Guatemala earlier this year to meet some of the loan clients that our donations are supporting. The depth of the gratitude and the quality of the projects being undertaken moved her deeply. Katalysis is a magnificent answer for some of the more burning questions I own. ■

A FEW WORDS ABOUT ERIC Eric Kloor, founder and president of Draco systems, was born and raised in Louisiana and attended the University of Colorado Boulder. Eric is proud of Draco's corporate culture, which he describes as family first. The company offers its employees flexible leave time and encourages an active outdoor lifestyle. The company philosophy is to help unleash the creativity, enthusiasm, and knowledge that each employee brings.



Partnership Journal

Traveling to the rural villages where Bootstrap Banking happens, meeting the people whose lives and communities are transformed by Bootstrap Banking. Katalysis Partnership Journeys bring together our northern and southern partners. Here we read the accounts of those who have taken the journey—beginning with Ann Hunter Welborn of Olivenhain, CA, who took the trip to El Salvador and Guatemala in April 1999.

I'm alone in the Dallas airport, nervous about leaving my family to visit a country I've heard has the world's highest murder rate, searching for a group of strangers with the Katalysis look. I see two people who look right and ask them if they're with Katalysis. They laugh and introduce themselves as Linda Ornick and Tom Denhart. My fears subside. It's going to be a great trip!

By the time we have our first briefing by members of Katalysis Salvadoran Partner organization



PROCOMES at the University in San Salvador, our group has begun to bond. Together we become aware of how difficult conditions are in El Salvador for organizations seeking social justice. The war that began in 1981 and ended in 1992 with the signing of the Peace Accords required the exit of the military from power and the establishment of a civilian police force.

Although the war is over and elections are free, economic reform is in the barest beginning stages, and there is still much resistance to change. Organizations like PROCOMES are constantly robbed

and threatened with kidnapping. The fear this instills in the people is evident in a visit to the chapel at the university campus, where we see charcoal sketches of the torture and violence carried on during the war. We realize how little room we make for the sadness, how little the atrocities experienced by other lands, other people, affect us.

On to Antigua, I am completely taken by the beauty and gentility of the city. On my first night here, I really miss my family. The Katalysis group fills the gap! Guatemala means land of eternal spring, and

we all feel that we are growing that the air is fresh and the water and sources of life are abundant. Our love of this country deepens as we learn of the thousands of Indians killed in the revolution that ended only 26 months before our visit.

We are crushed by the history of these poor countries, but then we are put back together by the present. These people live in yesterday, today, and tomorrow, all at the same time. I'm feeling the present and summoning up hope for tomorrow. I'm making this trip because something inside tells me I need to meet the women that Katalysis supports—that they have something to teach me, some thing my heart longs to understand. And as I meet them, these women in their vibrantly colored woven dresses, their bare, callused feet carrying the weight of the world, their market wares spilling out over baskets carried on their heads, they look me in the eye with warmth and acceptance. They shake my hand in the Western way, and they say, "We are all the same."

This is the heart of what I learned on this brief journey to Central America. I'm so grateful that I could make this trip and go home with this knowledge, words from their hearts to mine. ■

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