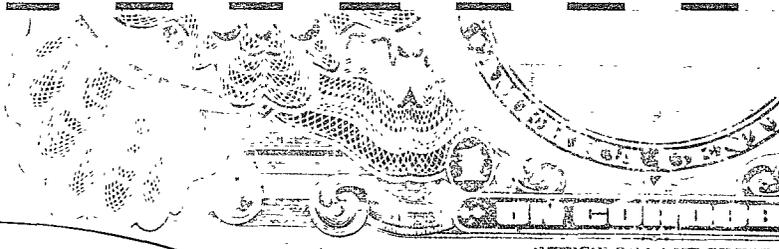
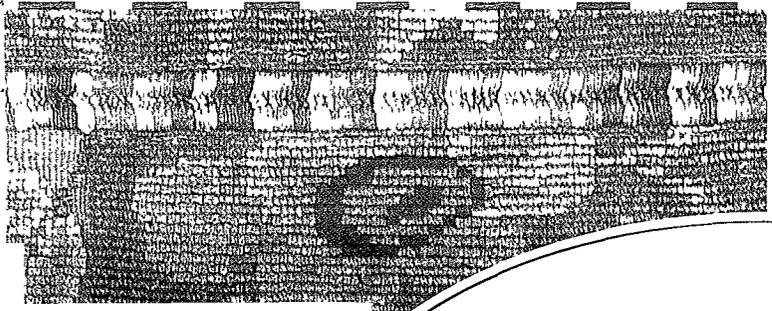


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KATALYSIS PARTNERSHIP Bootstrap Banking



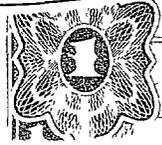
USAID MATCHING GRANT
 Cooperative Agreement FAO-A-00-98-00052-00

2nd Annual Report
 October 1, 1999 to September 30, 2000

Katalysis Partnership, Inc.



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



EL PRESIDENTE DE LA REPUBLICA EL PRESIDENTE DEL CONSEJO DIRECTIVO

GLOSSARY OF TERMS

AGIL	<i>Apoyo a la Generacion de Ingresos Locales</i>
ASEI	Salvadoran Association of Business Extensionists <i>Asociacion Salvadorena de Extensionistas Empresariales</i>
BBF	Bootstrap Banking Fund
BHR/PVC	Bureau of Humanitarian Response/ Office of Private and Voluntary Cooperation
BOP	Beginning of Project
BP	Business Plan
CEO	Chief Executive Officer
DIP	Detailed Implementation Plan
DOSA	Discussion Oriented Self-Assessment
EOP	End of Project
FAFIDESS	<i>Fundacion de Asesoria Financiera a Instituciones de Desarrollo y Servicio Social</i>
FAMA	Family and the Environment <i>Familia y Medio Ambiente</i>
FD	Finance Director
FICAH	Food Industry Crusade Against Hunger
FOMIR-DAI	<i>Fortalecimiento de las Microfinanzas Rurales-</i> Development Alternatives, Inc.
FUNDENUSE	Foundation for the Development of New Segovia <i>Fundacion para el Desarrollo de Nueva Segovia</i>
FY	Fiscal Year
IAF	Inter-American Foundation
IDB	Inter-American Development Bank
IDPRP	Intensive Delinquent Portfolio Recovery Program
LEON 2000	<i>Fundacion Leon 2000</i>
MCS	Microcredit Specialist
MG	Matching Grant

MIF	Multilateral Investment Fund of IDB
MIP	Microenterprise Innovation Project sponsored by USAID
MIS	Management Information System
MUDE	Association of Women in Development <i>(Asociación de Mujeres en Desarrollo)</i>
NGO	Non-governmental Organizations
ODEF	Organization for Women's Enterprise Development <i>(Organización de Desarrollo Empresarial Femenino)</i>
PA	Program Associate
PVO	Private Voluntary Organization
Q	Quarter
RES	Rural Enterprise Specialist
RDA	Resource Development Associate
RDD	Resource Development Director
RFD	Regional Field Director
RFO	Regional Field Office
SEEP	Small Enterprise Education and Promotion Network
SIEM	Management Information System Specialized in Micro-finances <i>Sistema de Información Especializada en Microfinanzas</i>
TA	Technical Assistance
UNITEC	University of Technology, Mexico <i>Universidad Tecnológica de Mexico</i>
USAID	United States Agency for International Development

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Summary of Program, Administrative & Financial Status

Katalysis Partnership and its Partners have successfully completed year two of this three-year project under a matching grant from USAID. The attached report details specifics of the project, highlighting areas of challenge, growth and success.

The report details work in four countries with six Partner organizations. Each Partner's experience, struggles and successes are stories in themselves. Some, like MUDE (in Guatemala) and FUNDENUSE (in Nicaragua) are "success stories." Responsive leadership in those organizations has been receptive to technical assistance and training offered by the Katalysis field staff. Their outputs show the results. Whereas, other Partners are dealing with a variety of challenges often beyond their control. The legacy of Hurricane Mitch continues to affect and depress the areas where ODEF and FAMA (Honduras) work and hurts Fundación León 2000 (Nicaragua), too. Clients, unable to restructure in their environs, have responded in various ways – some have fled north, others have moved to urban areas, and still others are searching for what to do. ODEF, one of the strongest members of the network, has worked closely with the Katalysis field office staff in retrenching effectively, to accommodate the loss of almost 3,000 clients. They have, like FAMA, been forced to "write-off" losses of loans to clients in the heavily affected flooding areas. They have sought to broaden their loan products, diversifying their financial exposure. The process is working and their experience is valuable, replete with learnings for themselves and other members of the network. FAMA, on the other hand, is dealing with both the effects of Mitch and serious managerial difficulties. Katalysis personnel have worked closely with the executive director and the board of FAMA to support essential changes. The board has assumed leadership and is searching for a new director. Katalysis program staff offered counsel throughout. The organization and its outputs have suffered. Year three will be a critical time in this organization's struggles to regain its footing. Finally, Fundación León 2000 is working through both the challenges of Mitch, the effects on its delinquency rate, and shifts in leadership. Mid-year its charismatic leader sought public office. While her bid was not successful, she is clearly a leader in both her community and organization and must now work at reentering the management cycle of her organization.

Katalysis and its Partners are a microcosm of the challenges that face microfinance organizations working to alleviate poverty in developing regions of the world. The report also reveals creative, personal, customized responses for each organization and the network as a whole. The role and effectiveness of Partnership has never been more clear – the sense of solidarity with and commitment to these organizations and their future is palpable. As a result, the executive directors of the Partner organizations have begun to assert their own expectations and hopes for the network. They have worked together to create a strategic "receptor" plan for the network over the next three years. They "want" the network; they "want" to work together and with Katalysis.

Financials in the report clearly document that Katalysis is on-target with its expenditures and has more than met its match with PVO funds. Financial management practices and policies, as well as the enhancement of the diversification of funding sources, are contributing to the sustainability of Katalysis; board members and management seek to build reserves to carry the organization through financially challenging times.

I. BACKGROUND TO THE GRANT AND PROJECT CONTEXT

Mission

The mission of Katalysis is fully articulated in the *Katalysis Ethos*.

Our Mission: To help poor families living in persistent poverty to become self-sufficient. We do this out of our commitment to unleash human creative potential and to realize our mutual humanity.

Our Values:

Partnership: building solidarity based on equitable relationships in all interactions;

Sustainability: nurturing human and financial resources to effect our mission;

Integrity: manifesting the highest standard of ethical behavior;

Accountability: honoring mutual commitments and financial transparency;

Social responsibility: making decisions with deep respect for all living systems;

Excellence: striving to be the best at what we do.

Our Strategy: We collaborate with local Partner organizations, providing microcredit and business training to stimulate social and economic development.

Programs

Since its founding in 1984, Katalysis has been committed to advancing entrepreneurial solutions to the problems that underlie poverty and providing low-income populations in developing countries with tools to improve their economic and social conditions. With support from USAID/BHR/PVC, Katalysis has pioneered a dynamic model of Partnership with local Central American NGOs. This model advances common development goals, strengthens the sustainability of each Partner institution, and creates a southern-based lateral learning environment. Initially a multi-sector development organization, Katalysis made a strategic decision in early 1996 to focus exclusively on microcredit programs as the vehicle to advance its development objective.

Since re-orienting the Katalysis Partnership toward a microcredit focus, Katalysis has made demonstrable progress toward performance-based and result-oriented operations. Through this current matching grant, Katalysis is working to consolidate the current Partnership network, expanding operations in Nicaragua and continuing its Partner search in the region to expand its services and impact still further.

The Katalysis Partnership is a network of one northern PVO and eight microcredit organizations in four Central American countries¹. The role of Katalysis is to help build the capacity of local Partners, and advance the growth and sustainability of their microcredit services. Katalysis' Regional Field Office (RFO), based in Tegucigalpa, Honduras, provides all technical services in a timely, efficient, and cost-effective manner, while maximizing the use of professional local expertise. Katalysis' headquarters in Stockton, California, concentrates on Partnership expansion

¹**Honduras:** ODEF (Organization for Women's Enterprise Development); FAMA (Family and the Environment)
Guatemala: MUDE (Women in Development); CDRO (Cooperative Association for Western Rural Development)
El Salvador: PROCOMES (Corporation for Community Projects of El Salvador); ASEI (Asociación Salvadoreña de Extensionistas Empresariales)
Nicaragua: Fundación León 2000; FUNDENUSE (Fundación para el Desarrollo de Nueva Segovia)

and replication, capacity building of staff in microfinance and institutional strengthening, financial investment and oversight, resource mobilization, grants management, and new product development. Katalysis has a staff of 24, 14 of whom are Central or South Americans.

This program clearly reflects the policies and priorities of Katalysis, which is known for its equitable, partnership-driven model of development. The model incorporates several mechanisms to ensure full Southern participation, including an interlocking board structure, joint strategic planning, and joint decision-making on key issues. Technical assistance is provided in a cost-effective manner, utilizing local professionals and the Partnership structure to transfer program expertise, technologies and lessons learned. We expect over the full three years of the project to see that client outreach increases significantly in scale while costs/per client decrease simultaneously. Indeed, the organizational goal of creating sustainable microfinance institutions with the capacity to improve the economic conditions of the poor in their countries corresponds with USAID/BHR/PVC and each Mission's core Strategic Objectives. It is truly in the best interests of each Partner organization and thereby at the heart of Katalysis' intent in its own practice of partnership principles. It is also of note that the program will produce results congruent with the five Intermediate Results identified by BHR/PVC in achieving its own strategic objective.

II. PROJECT METHODOLOGY

Project Goal

The goal of this matching grant is to improve the social and economic conditions of the poor in Latin America, especially women, through credit, training, savings mobilization, and business development services.

Project Purpose/Objectives

1. The program's primary purpose is to assist Katalysis Partner organizations in four countries in Central America to expand significantly the scope and depth of their outreach to poor clients, primarily women, in marginal urban and rural areas and to achieve self-sufficiency of their microcredit programs.
2. In support of this primary objective, a secondary purpose is to build Katalysis' institutional capacity, so that it can pursue its strategy of excellence and competence in service delivery to its Partner network and lay the foundation for replication of the Partnership microcredit model in a new geographic region.

Approach

In designing this program, Katalysis conducted an assessment of its current and future Partner organizations to determine their institutional capacity, outreach projections, and ability to contribute to program goals. This assessment measured financial indicators as well as institutional management and qualitative performance indicators at the Partners. Ongoing institutional progress is assessed on the basis of financial and operational self-sufficiency². Rankings are determined by assigning weighted values to performance ratios, resulting in a rating that corresponds to a scale of A (the highest) to D (the lowest).³

Organization	Rating BOP 10/1/98	Rating EOP 9/30/01
ASEI*	Level C*	Level B
FAMA, FUNDENUSE, Fundación Leon 2000	Level C	Level A
MUDE	Level D	Level B
ODEF	Level B	Level A

*Added as a probationary Partner 2/2000.

In addition, each Partner organization has specific indicators and targets that are set under this project. These are based on the baseline data from the beginning of project (BOP) and reflect goals for the end of project (EOP) as mutually agreed upon by Katalysis and the Partner.

² *Financial self-sufficiency* is defined as (total credit program income)/(total expenses including cost of capital). This measures the organization's ability to cover all costs, including the cost of acquiring capital, with client revenues and program generated income.

Operational self-sufficiency is defined as (total credit program income)/(total program expenses). This measures the organization's ability to cover its operating costs with client revenues and program generated income.

³ **A level:** Excellent outreach and scale with sustainability in providing products and services to poor clients.

Consistent performance over time. Operational self-sufficiency above 100%; financial self-sufficiency above 100%. Access to commercial capital.

B level: Efficient service delivery with growing levels of outreach and scale; operational self-sufficiency 90 - 100%; financial self-sufficiency 78 - 100%.

C level: Proven credit methodology with rapid growth projected in scale and outreach to poor clients. Operational self-sufficiency 80 - 90%; financial self-sufficiency 70 - 78%.

D level: Good potential methodology without proven record over time, small client base with projected growth; operational self-sufficiency below 80%; financial self-sufficiency below 70%.

Katalysis monitors and evaluates its country program progress through quantitative performance indicators and qualitative evaluation on a quarterly basis. More than 20 critical indicators are used based on the MicroCAMEL-S indicators, which assess the following: Capital Adequacy, Asset Quality, Management and Human Resources, Earnings and Profitability, Liquidity, and Social Impact. For this program, the following indicators are used specifically for each country program:

Indicator	Description
Number of active clients	Quantitative measure of institutional growth and activity
Number of clients by gender	Quantitative measure of direct beneficiaries.
Amount of loans outstanding	Quantitative measure of institutional growth.
Delinquency rate (Portfolio at Risk)	Quantitative measures of group management effectiveness and portfolio management policies.
Nominal and Effective Interest Rates on loans to clients	Indicates cost of capital and/or training to clients and the efficiency of institution in its lending program
Average number of clients/promoter	Quantitative measure of workload and efficiency (based on recommended standard for institutional capacity).
Operational self-sufficiency	Percentage of organization's operating costs covered by revenues from program activity (client income).
Financial self-sufficiency	Percentage of organization's total costs (including the cost of capital) covered by revenues from program activities.

While the end-of-project goals were realigned in the detailed implementation plan (DIP) and included anticipated impacts from Hurricane Mitch that hit the region in October of 1998, the Partners in Honduras and Nicaragua continue to experience the true impact of that natural disaster. Hence, this annual report will include comments on that impact and indications of revised EOP goals. See Section III of this report.

Program Methodology and Strategy

Organizational Strengthening

The program has been designed specifically for Partner organizational strengthening and Katalysis organizational strengthening. These are summarized as follows:

1. PARTNERS

I. Partnership Activities - Creating Lateral Learning Structures

Joint Partnership Trainings: As one of the most powerful vehicles for transfer of technologies, lessons learned, and successful innovations, joint Partnership trainings convene Executive Directors and technical staff of all Partner organizations on a semi-annual basis.

II. Technical Assistance

Katalysis program staff provide quarterly on-site consultations and technical assistance, as well as monitoring the progress based on established performance criteria and financial reports. Details by Partner are covered below in Section IV.

III. Resource Mobilization:

A crucial element for achieving scale of operations is access to capital. The goal is to work with Partners in creating more diversity in their funding base. Katalysis is assisting Partners in two ways: 1) by developing joint proposals to financial institutions and exploring socially responsible lending options; 2) by giving Partners the opportunity to apply for additional credit monies from the Bootstrap Banking Fund® for timely on-lending to their clients.

IV. Specialized Staffing and Systems Management

For effective implementation of the microcredit strategies within each Partner organization, an in-house microcredit specialist has been hired for each of the six organizations. The microcredit specialists are providing a crucial link between RFO technical staff and the management of Partner organizations and participate, as appropriate, in microcredit-specific Partnership-wide technical trainings.

Members of the Partnership are also developing their portfolio and accounting management system capacity. The RFO staff provides guidance in the contracting for systems at each Partner site and for ongoing training and support in seeing that each Partner's data is incorporated into the new system.

2. KATALYSIS

The program has been designed to improve Katalysis' capacity to deliver services and strengthen the network as a whole. The focal areas of this organizational strengthening are:

- Building Capacity to Mobilize Diversified Funding Resources*
- Increased Microcredit Capacity*
- Increased Strength of Katalysis as a Microfinance Institution*
- Increased Microcredit Expertise*
- Improved Organizational Learning Capacity*
- Improved Organizational Operational Efficiency*

Training

All training activities are designed to contribute toward achieving the program objectives and to provide Katalysis and its Partners with the necessary tools to meet the specific program goals. Training occurs at two levels in this program:

- 1) At the Partner level – Technical assistance and training specifically designed to develop institutional capacity and equip the Partners to achieve the program goals. The strategy is to implement trainings for the entire network such that Partners benefit through direct participation in a joint learning environment and/or lateral learning through transfer of skills between institutions. The training includes participatory learning on-site at each Partner and practical workshops conducted by Katalysis technical team, contracted experts, Partner staff members, and methodology experts in the region. The topics covered in FY2000 are detailed in Attachment D.

Many of these training activities are for Partner staff and microcredit promoters, the majority of whom are women. In addition, Katalysis encourages the Partners to integrate women into all levels of operations and management and readily facilitates training activities for the staff members.

The effectiveness of the training activities are measured in two ways: First through the ability of the Partner organization to achieve the institutional objectives and program targets (such as reduced delinquency, improved self-sufficiency, management of financial indicators and information, etc.) and secondly, through specific quarterly monitoring and evaluation activities. These provide a highly accurate picture of the organization's strengths and changes over time.

- 2) At the Client level - Katalysis Partners maintain that merely providing credit to very poor clients does not fully address the problems associated with poverty. Therefore, all organizations have developed training modules to train their clients in business and credit management related skills and have integrated those trainings into the credit delivery

methodology. As such these trainings form an integral part of the credit program and do not require separate inputs. They are designed to meet the needs of microentrepreneurs, especially women and their families, in the context of their enterprises.

Actual Accomplishments Compared to DIP Proposals

Two charts follow that reflect cumulative outputs for FY00. The first chart reflects cumulative outputs by country. The second chart shows cumulative outputs by Partner.

**COUNTRY TOTALS -- OUTPUTS OF FINANCIAL AND IMPACT INDICATORS REACHED BY THE PARTNERS
BASED ON USAID/MG3 GLOBAL GOALS (FY99 - FY00)**

AS OF SEPTEMBER 30, 2000

PARTNER	No. OF CLIENTS		No. OF CLIENTS REACHED		GOAL % OF WOMEN	OUTPUTS % WOMEN	GOAL PORTFOLIO \$\$	PORTFOLIO'S OUTPUTS		GOAL CREDIT \$\$	OUTPUTS CREDIT \$\$
	BASE	GOAL	IN NUMBERS	IN %				IN NUMBERS	IN %		
HONDURAS	13,739	23,619	12,251	52%	86%	51%	\$3,692,100	\$3,543,570	96%	\$156	\$242.50
ODEF	9,672	16,000	9,033	56%	80%	79%	\$3,106,000	\$3,080,192	99%		\$341.00
FAMA	4,067	7,619	3,218	42%	100%	98.5%	\$586,100	\$463,378	79%		\$144.00
GUATEMALA	1,622	2,780	2,586	93%	75%	124%	\$273,000	\$220,778	81%	\$134	\$85.40
MUDE	1,622	2,780	2,586	93%	75%	100%	\$273,000	\$220,778	81%		\$85.40
NICARAGUA	3,196	5,553	6,246	112%	67%	108%	\$1,469,000	\$2,121,912	144%	\$264	\$335.35
LEON 2000	2,127	4,007	2,739	68%	70%	68.0%	\$879,000	\$821,400	93%		\$299.90
FUNDENUSE	1,069	1,546	3,507	227%	60%	61.4%	\$590,000	\$1,300,512	220%		\$370.80
SUB TOTAL	18,557	31,952	21,083	66%			5,434,100	5,886,260	108%	<\$300	
EL SALVADOR											
ASEI	2,910	3,445	3,157	92%	90%	81.4%	\$400,000	\$404,520	101%	\$116	\$128.10
GRANT TOTAL	21,467	35,397	24,240	68%			5,834,100	6,290,780	108%	<\$300	

These outputs were achieved from October 1, 1998 to September 30, 2000. (Twenty four months of project's implementation)

KATALYSIS PARTNERS, MG-III
OUTPUTS OF FINANCIAL AND IMPACT INDICATORS BY PARTNER
AS OF SEPTEMBER 30, 2000 BASED ON GLOBAL GOALS (FY00)
Q4 FY 2000

INDICATORS	** MUDE			** FAMA			** ODEF		
	GOALS	OUTUPS IN #s	OUTUPS IN %s	GOALS	OUTUPS IN #s	OUTUPS IN %s	GOALS	OUTUPS IN #s	OUTUPS IN %s
Total Portfolio Balance (000s)	\$281.0	\$220.8	78.6%	\$500.2	\$463.4	92.6%	\$2,613.0	\$3,080.1	117.9%
Nominal Rate (Minimum)	36%	36%	100.0%	36%	36%	100.0%	36%	36%	100.0%
Effective Rate (Minimum)	45%	55.7%	123.8%	55%	57.8%	105.1%	50%	45.4%	90.8%
Average Loan Size	\$129	\$85.4	133.8%	\$79	\$144	-82.3%	\$204	\$341	-67.2%
* Portfolio at Risk (30 days and above)	3%	2.1%	170.3%	4%	7.57%	-89.3%	5%	7.5%	-50.4%
Clients/Promoter Average	547	287	52.5%	463	268	57.9%	431	196	45.5%
Number of Active Clients	2,180	2,586	118.6%	6,479	3,218	49.7%	12,800	9,033	70.6%
% of Women	75%	100%	133.3%	100%	98.5%	98.5%	80%	79%	98.8%
Operational Self-sufficiency	70%	108.2%	154.6%	156.0%	68.1%	43.7%	138%	108.2%	78.4%
Financial Self-sufficiency	60%	88.4%	147.3%	109.0%	65.2%	59.8%	120%	88.1%	73.4%

*: Includes the Portfolio affected by Hurricane Mitch.

** : Organizations that implemented portfolio write-offs to show a more real portfolio at risk rate

INDICATORS	FUNDENUSE			** LEON 2000			ASEI		
	GOALS	OUTUPS IN #s	OUTUPS IN %s	GOALS	OUTUPS IN #s	OUTUPS IN %s	GOALS	OUTUPS IN #s	OUTUPS IN %s
Total Portfolio Balance (000s)	\$520.0	\$1,300.5	250.1%	\$712.0	\$821.4	115.4%	\$400.0	\$404.5	101.1%
Nominal Rate (Minimum)	49%	36%	73.5%	45%	30%	66.7%	36%	36%	100.0%
Effective Rate (Minimum)	47%	38.2%	81.3%	41%	33.80%	82.4%	42%	51.60%	122.9%
Average Loan Size	\$398	\$370.8	106.8%	\$213	\$299.90	-40.8%	\$116	128.1	-10.4%
* Portfolio at Risk (30 days and above)	5%	6.5%	-30.4%	5%	17.1%	-242.0%	9%	11.7%	-29.9%
Clients/Promoter Average	163	167	102.5%	304	249	81.9%	313	245	78.3%
Number of Active Clients	1,306	3,507	268.5%	3,341	2,739	82.0%	3,445	3,157	91.6%
% of Women	60%	61.4%	102.3%	70%	68%	97.1%	90%	81.4%	90.4%
Operational Self-sufficiency	101%	126.1%	124.9%	123%	118.7%	96.5%	140%	138.0%	98.6%
Financial Self-sufficiency	80%	123.6%	154.5%	90%	112.9%	125.4%	118%	131.4%	111.4%

*: Includes the Portfolio affected by Hurricane Mitch.

** : Organizations that implemented portfolio write-offs to show a real portfolio at risk rate

III. MONITORING AND EVALUATION

Describe and discuss PVO refinements, changes, and additions to the monitoring and evaluation information originally presented in the DIP.

- ❖ **Baseline data** for ASEI has previously not been officially submitted. ASEI joined Katalysis and became part of the MG3 agreement in February 2000. The baseline information for this organization is as of Q1 2000, the time that Katalysis completed a full diagnostic of the organization. Refer to Attachment B for the completed Baseline Data and Program Targets for ASEI.
- ❖ **Targets for each Partner** were developed in the DIP just six months after Hurricane Mitch had passed through the region. At the time, Katalysis did not fully comprehend the longer-term effects of this disaster—the depressed regional economy, the slow rebuilding of infrastructure, etc. Strong winter rains this year in the region have further effected the countries' economic base, increased the number of victims and refugees and created much political uncertainty. Katalysis Partners have a desire to expand operations but must strive to do so realistically.

In light of this reality, Katalysis has decided to implement appropriate changes to the DIP target goals for FY 2001. The revised targets are outlined in Attachment C.

Note: The goals set for the indicator "Clients/Promoter Average" were calculated incorrectly in the DIP. In order to assure quality client service and help maintain a healthy portfolio Katalysis does not recommend a ratio of more than 250 client/promoter. Adjustments to each Partner's FY01 goals in this area will be made, although they will not be reflected in FY00 indicators discussed in Section IV.

- ❖ **Monitoring and Evaluation plans** currently have no refinements or additions.

Describe the status of the midterm assessment and final evaluation. Specifically address efforts to address gender issues/considerations.

Preparations for the final evaluation of this project began in Q4 of FY00 with initial discussion with the Project Officer and other representatives at BHR/PVC. Because of the significant efforts of Katalysis in the area partnership development and the integration of a microfinance program in and through Partnership methodologies, Katalysis is seeking to do a two-part final evaluation. The first part will entail a study of Partnership methodologies and their effectiveness from the perspective of the southern Partners. This will serve to document southern members' critiques, observations and recommendations and be a complement to the existing northern document entitled "Choosing Partnership." The scope of work for part one of the evaluation will be developed in Q1-2 of FY2001. Katalysis staff expects that it will be dialogical in design and execution in keeping with the nature of Partnership itself.

The second phase of the evaluation will address technical service delivery and output achievements, as well as the effectiveness of project design and indicators to achieve the overall goals of the project. The scope of work for the technical evaluation will be developed in Q2-3 of FY2001.

Katalysis expects that the final evaluation parts will be complete by the close of year three of the project.

IV. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY

□ The nature and structure of the working relationship between the Katalysis Partnership and our local PVO Partners in the region is unique in the field of international development and merits a detailed description. Each Partner of the Katalysis Network sits on the Board of Directors and is key in setting institutional policies and directing the Partnership. Potential new organizations are selected through an extensive and competitive process, formally reviewed and recommended by the Katalysis Partner organizations and approved by the Katalysis Board of Directors. The Katalysis' Regional Field Office (RFO) located in Tegucigalpa, Honduras is the technical assistance and training arm of the institution and delivers services to each of the Partners throughout the region. The RFO works with each organization independently to determine their specific areas of weakness and to address those needs. They give one-on-one TA, develop joint training sessions with all Partners and facilitate additional special training opportunities. Ultimately each Partner organization is responsible for its own development. Katalysis sees itself as the catalyst for this development.

HONDURAS

❖ Organización de Desarrollo Empresarial Femenino - ODEF

Organización de Desarrollo Empresarial Femenino (ODEF) was founded in 1985 to help incorporate women and their families into the processes of economic, social, educational, and political change in Honduras. Its mission is to provide financial services to low-income individuals through village banking, solidarity group and individual methodologies. ODEF complements its microcredit programs with training in personal development, the environment, and sustainable agriculture.

ODEF joined the Katalysis Partnership in 1989. The organization has been a significant leader in the Katalysis network, spearheading community banking and providing training exchanges to Katalysis Partners.

HIGHLIGHTS OF MG3 OBJECTIVES ACCOMPLISHED DURING FY00

- Strategic Plan for 1999-2003 was reviewed and updated.
- The Management Information System for Micro-finance (SIEM) is operational and utilized by administration for improved decision-making.
- During this year, ODEF requested Katalysis to finance through the MG3, a MIS (Management Information System) Specialist in place of the Microcredit Specialist. This request was approved and has proved very useful for the organization.
- ODEF's human resources were strengthened through various trainings events sponsored, developed and/or coordinated by Katalysis. See Attachment D for a full chart of training activities for FY00.
- ODEF accessed and has been current on a \$60,000 loan from Katalysis' Bootstrap Banking Fund. The organization plans to request \$100,000 during FY01.
- A marketing research survey was implemented to expand the group lending program.

FINANCIAL AND IMPACT INDICATORS FY00 – ODEF						
Concept	GOAL Year 2	Q1	Q2	Q3	Q4	% Completed
Total Portfolio Balance (000s)	\$2,613	\$2,485.2	\$3,034.8	\$3,068.2	\$3,080.1	117.9%
Nominal Rate (Minimum)	36%	36%	36%	36%	36%	100.0%
Effective Rate (Minimum)	50%	61.1%	42.1%	48.6%	45.4%	90.8%

Average Loan Size	\$204	259	\$324	\$ 339.8	\$341	-67.2%
Portfolio at Risk *	5%	6.2%	7.6%	7.2%	7.5%	-50.4%
Clients/Promoter Average	431	213	213	251	196	45.5%
Number of Active Clients	12,800	9,587	9,910	9,027	9,033	70.6%
% of Women	80%	72%	73.5%	79.5%	79%	98.8%
Operational Self-sufficiency	138%	107%	122%	110.3%	108.2%	78.4%
Financial Self-sufficiency	120%	95%	106%	91.5%	88.1%	73.4%

*Note: Measured 30 days and above and includes the Portfolio affected by Hurricane Mitch.

▪ **Variance from stated goals**

An increase in ODEF's individual loan portfolio (small business loan program) and the generally higher loan amounts associated with this program have had three main effects on the organization. First, *total portfolio* balance has increased well over the goal for the year. Due to the nature of these loans, *average loan size* has increased as well and the *effective interest* rate has decreased since loans are calculated on a declining balance rate. Effective interest rate is also affected by the higher rates of delinquency common in individual loan programs.

Since the beginning of FY99 ODEF's *delinquency rate* has made a remarkable recovery from the effects of Hurricane Mitch. However, the effects of Mitch are still being felt. The minor increase in delinquency this year can be primarily attributed to the continuing effects of Mitch and secondarily to the following factors: poor client selection, lack of effective client follow-up and in some cases inadequate management of group payment collection.

Through FY99 and FY00 ODEF's *active clients* continued to drop further away from target goals. This has obviously had a negative affect on indicators of *financial and operational self-sufficiency* as well as the *average clients per promoter*. The primary reason why client numbers have continued to decrease can be attributed to consequences of Hurricane Mitch. Mitch struck hard in areas where ODEF had a concentration of clients; and each year since, flooding has occurred in the same areas. The frequent evacuation of people from these areas has raised the rate of client desertion. In some areas, ODEF clients have still not been able to return to their land. This means that not only has ODEF been losing previous clients, but also they have had difficulties in reaching new clients in these same areas.

Both ODEF and Katalysis are concerned with this decrease and are taking special courses of action. The first is drawn from a market research survey conducted to outreach ODEF's services to three new departments in the northern area of the country. They hope to target more rural areas that do not have as great a risk of flooding. ODEF also is working to deepen market penetration by promoting community banking and solidarity group lending in the departments where they currently operate, but considering the previously mentioned hardships, this will be more of a challenge.

Katalysis will continue supporting ODEF in development and implementing strategies to recover its overdue portfolio, as well as to achieve new growth and outreach of operations. It is believed that the organization will be successful in completing the revised final MG3 objectives.

❖ ***Familia y Medio Ambiente - FAMA***

FAMA's mission is to introduce and implement innovative technologies that provide resources and information to stimulate individual efforts and community groups' initiatives, promote sustainability in Honduras, and improve the physical and spiritual quality of life.

FAMA was founded in 1990 and became a Partner in 1996. In joining the Katalysis network, FAMA made a strategic shift to strongly embrace its commitment to financial self-sufficiency.

HIGHLIGHTS OF MG3 OBJECTIVES ACCOMPLISHED DURING FY00

- By the end of FY00 the SIEM was fully installed and in operation. Katalysis provided support and personnel training.
- A Microcredit Specialist was hired on Q4 FY99, and the position was vacated on Q2 FY00. Great efforts have been made to fill this position but it has been challenging due to the lack of qualified professionals in FAMA's region of the country (Olancho). FAMA and Katalysis will continue the search in FY01.
- FAMA's human resources were strengthened through various training events sponsored, developed and/or coordinated by Katalysis. See Attachment D for a full chart of training activities for FY00.
- FAMA implemented a large and overdue portfolio write-off, reducing its portfolio at risk rate.

FINANCIAL AND IMPACT INDICATORS FY00 – FAMA						
Concept	GOAL Year 2	Q1	Q2	Q3	Q4	% Completed
Total Portfolio Balance (000s)	\$500.2	\$558.0	\$479.9	\$ 450.9	\$463.4	92.6%
Nominal Rate (Minimum)	36%	36%	36%	36%	36%	100.0%
Effective Rate (Minimum)	55%	31%	51.9%	52.5%	57.8%	105.1%
Average Loan Size	\$79	\$108	\$95.2	\$ 130.1	\$144	-82.3%
Portfolio at Risk	4.0%	5.26%	7.77%	15.77%	**7.57%	-89.3%
Clients/Promoter Average	463	367	336	231	268	57.9%
Number of Active Clients	6,479	5,146	5,043	3,467	**3,218	49.7%
% of Women	100%	99%	98.8%	97.5%	98.5%	98.5%
Operational Self-sufficiency	156%	87%	85%	85.1%	68.1%	43.7%
Financial Self-sufficiency	109%	73%	68.8%	71.6%	65.2%	59.8%

* Note: Measured 30 days and above and includes the Portfolio affected by Hurricane Mitch.

** These indicators were directly generated from the new Management Information System--SIEM. They were reduced due to FAMA's extensive write-off for a total of \$69,879.

▪ **Variance from stated goals**

The challenges confronting FAMA can be attributed in a small part to the aftermath affects of Hurricane Mitch, but to a greater degree they have been perpetuated by poor executive management capacity. Throughout FY00 Katalysis invested extensive time and resources in one-on-one technical assistance and consultancy. The Katalysis rural enterprise specialist was assigned for five consecutive weeks to work as an advisor to executive management in the implementation of the action plan elaborated by the Katalysis field office. Through this extensive process, it was concluded that FAMA would not be able to recover and resume growth successfully with the current management in place. The board of directors of the organization made the decision to replace the executive director in the beginning of FY01.

The large reduction in the number of reported *active clients* from 5,146 clients in Q1 to only 3,218 in Q4 is primarily due to the portfolio write-off implemented by FAMA, as recommended by Katalysis, to present a more realistic financial situation. In addition, the implementation of an intensive delinquent portfolio recovery program (IDPRP), limited the formation of new groups until FAMA could obtain better results in effectively managing its portfolio and implementing credit policies.

During FY00 the sustained and higher than expected delinquency rate and the write-off greatly affected other key indicators such as *operational and financial self-sufficiency, average loan size, average clients per promoter, and the total portfolio balance.*

However, as a result of the portfolio write-off of \$69,879 and Katalysis' technical assistance and the IDPRP, FAMA was able to decrease its *portfolio at risk* to 7.6%.

The whole process of cleaning FAMA's portfolio is considered by Katalysis to be a major accomplishment and is most definitely seen as a positive turning point for the future of the organization. During the next year, Katalysis will continue its intensive technical assistance and managerial advice to support FAMA in developing and implementing strategies to maintain a healthy portfolio and to improve the organization's operations and overall profitability. Katalysis will also support FAMA's board of directors to effectively implement all of the working strategies and manage an orderly transition to new leadership. Through this effort it is believed that FAMA will be able to achieve the revised target goals for FY01.

GUATEMALA

❖ *Asociación de Mujeres en Desarrollo - MUDE*

Asociación de Mujeres en Desarrollo (MUDE) was formed in May 1991, by twenty women from several Guatemalan communities who wanted to use their development experience to help alleviate poverty and its crippling effects on low-income communities. MUDE's overarching goal is to support women in their efforts to improve their economic conditions, to raise their self-esteem and to increase their participation in the process of community development. Through its women's programs, MUDE fosters conditions in which rural communities can build equity, solidarity and sustainable income-generating activities.

MUDE joined the Katalysis Partnership in 1992 and has made impressive strides in becoming a self-sufficient organization.

HIGHLIGHTS OF MG3 OBJECTIVES ACCOMPLISHED DURING FY00

- MUDE's SIEM information system continues operating efficiently.
- The microcredit specialist, in coordination with Katalysis, continued to effectively support the organization.
- MUDE's human resources were strengthened through various training events sponsored, developed and/or coordinated by Katalysis. See Attachment D for a full chart of training activities for FY00.
- After a market research, MUDE's new financial service in solidarity group lending program is being implemented.
- Fundraising strategies are being implemented through the elaboration and presentation of proposals.
- MUDE's proposal presented to USAID/Guatemala's AGIL Program was approved.
- As of September 30, 2000, MUDE's MicroCAMEL indicators rate them as an excellent organization.

FINANCIAL AND IMPACT INDICATORS FY00 – MUDE						
Concept	GOAL Year 2	Q1	Q2	Q3	Q4	% Completed
Total Portfolio Balance (000s)	\$281.0	\$155.1	\$151.6	\$ 170.2	\$220.8	78.6%
Nominal Rate (Minimum)	36%	36%	36%	36%	36%	100.0%
Effective Rate (Minimum)	45%	42.6%	53.2%	54.7%	55.7%	123.8%
Average Loan Size	\$129	\$110.6	\$85.2	\$ 77.5	\$85.4	133.8%
Portfolio at Risk	3%	7.6%	1.3%	2.6%	2.1%	170.3%
Clients/Promoter Average	547	278	223	274	287	52.5%
Number of Active Clients	2,180	1,402	1,780	2,195	2,586	118.6%

% of Women	75%	100%	100%	100%	100%	133.3%
Operational Self-sufficiency	70%	72%	123.7%	93.3%	108.2%	154.6%
Financial Self-sufficiency	60%	67%	109.6%	72.9%	88.4%	147.3%

▪ Variance from stated goals

During FY00, MUDE, with assistance from Katalysis, continued making great strides in fulfilling the programmed financial and impact indicators. The only main indicator not fully achieved by Q4 was the total *portfolio balance*, although it is evident that throughout the year, steady progress was made from \$155,100 in Q1 to \$220,800 in Q4. The *portfolio at risk* was positively impacted by the portfolio write-off and the credit program improvements implemented by MUDE, as recommended by Katalysis.

Katalysis has had a long and challenging experience with MUDE since 1996. Katalysis staff is extremely pleased to see that the organization is making such excellent progress. A main factor contributing to their success is the fact that MUDE's executive management has been open and receptive to the changes proposed by Katalysis. They implemented three key strategies that have greatly assisted their operations. First, MUDE was able to hire an excellent microcredit specialist who has been assisting the executive management in organizational operations and is effectively serving as primary program liaison between the Katalysis team and the MUDE field staff. Finally, MUDE hired a supervisor to oversee field operations. These elements have positively contributed to the improved efficiency, control and decision-making process of the organization. Katalysis has every reason to believe that MUDE will achieve and even surpass their target goals for the end of FY01.

NICARAGUA

❖ Fundación Leon 2000

Fundación Leon 2000 was founded as a microcredit organization in 1993 and 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 the individual loan program. An integral part of all methodologies is the provision of training prior to group formation and during all cycles of loan disbursement.

Fundación León joined the Katalysis' Partnership in the first quarter of FY 1999 and achieved full partner status in FY 2000.

HIGHLIGHTS OF MG3 OBJECTIVES ACCOMPLISHED DURING FY00

- In coordination with Katalysis, Leon 2000 developed and provided follow up to their annual operative and financial plans for 2000.
- Leon 2000's human resources were strengthened through various training events sponsored, developed and/or coordinated by Katalysis. See Attachment D for a full chart of training activities for FY00.
- LEON 2000's delinquent portfolio recovery plan and credit staff incentive plan were formulated and are in ongoing implementation.
- LEON 2000 received an additional \$100,000 credit capital from USAID/Nicaragua.
- The microcredit specialist in coordination with Katalysis continued to effectively support the organization.
- Katalysis supported Leon 2000 in improving its hardware and software systems. Both organizations continue to search for operational funding to finance the installation and implementation of the SIEM to manage their microcredit program.

FINANCIAL AND IMPACT INDICATORS FY00 – LEON 2000						
Concept	GOAL Year 2	Q1	Q2	Q3	Q4	% Completed
Total Portfolio Balance (000s)	\$712.0	\$667.4	\$919.3	\$ 1,001.6	\$821.4	115.4%
Nominal Rate (Minimum)	45%	30%	30%	30%	30%	66.7%
Effective Rate (Minimum)	41%	40.6%	35.6%	38.5%	33.80%	82.4%
Average Loan Size	\$213	\$289	\$328.7	\$ 327.2	\$299.90	-40.8%
Portfolio at Risk	5%	14%	15%	16.0%	17.1%	-242.0%
Clients/Promoter Average	304	210	254	255	249	81.9%
Number of Active Clients	3,341	2,310	2,797	3,061	2,739	82.0%
% of Women	70%	73.6%	71.4%	75.3%	68%	97.1%
Operational Self-sufficiency	123%	102%	134%	110.3%	118.7%	96.5%
Financial Self-sufficiency	90%	88%	86%	92.5%	112.9%	125.4%

* Note: Measured 30 days and above and includes the portfolio affected by Hurricane Mitch.

** LEON 2000 implemented a \$41,719 portfolio write-off.

- **Variance from Stated Goals**

As shown in the chart above, LEON 2000's *portfolio balance* had an increasing trend during the first quarters but it decreased to \$821.4 thousands in Q4 due to the portfolio write-offs recommended by Katalysis. As a result of these write-offs, the number of *active clients* also decreased from 3,061 in Q3 to 2,739 in Q4.

The weakest indicator, *portfolio at risk* did not decrease despite write-offs. Currently Leon 2000 has 88% of its portfolio concentrated in individual loans; this is where the delinquency is concentrated. The high portfolio at risk can be attributed primarily to the lack of supervision in the field. Individual lending is challenging because there is no group guarantee to ensure repayment and lots of dispersed clients are more difficult to monitor rather than a number of client lending groups. Katalysis has made numerous recommendations including the addition of field supervisors who will monitor the work of the promoters, as well as staff training at Genesis Empresarial in Guatemala.

The *nominal rate* remains under target for a number of reasons. First, Leon 2000, accepting funds from the Inter-American Foundation (IAF) and other institutions, agreed to maintain maximum interest rates of only 14% (up to 22%). Katalysis recommended that they identify other funds in order to avoid these conditions but this process is slow. In addition, individual loan clients have been required to pay a lower commission than group loan clients. Since individual loans make up a substantial portion of total clients, the effect has been a below-target nominal interest rate. The *effective rate* fluctuated through the year and reached only 33.86% in Q4 due to the high percentage of portfolio at risk and the low portfolio rotation produced by the individual lending program. Leon 2000 is a main priority for Katalysis who has invested, and continues to invest extensive time in helping the institution recognize the importance of making substantial changes in their portfolio composition.

LEON 2000's *operational and financial self-sufficiency* reached 96.5% and 125.4% of the expected goal this year despite having a lower number of active clients and a higher portfolio at risk than was anticipated. There are two principal reasons for this. First is that Leon 2000 has historically kept operating expenses, especially employee salaries at very conservative levels. This substantially affects their operational self-sufficiency. Second, the organization continues capturing a substantial amount of subsidized and donated capital, which contributes to higher levels of financial sufficiency. With the continuous technical and managerial support provided by Katalysis for the effective implementation of LEON 2000's credit staff's incentive plan, the

of operations. Katalysis staff believes that both of these actions were important components to their success.

The growth in the number of *active clients* this year can in part be related to the design of an excellent marketing plan with a clear focus on strong market penetration. The extensive promotion of programs that came out of the marketing plan has had a significant effect on the demand for credit. Growth in new active clients obviously had a positive effect on other key indicators such as *total portfolio balance*, *average loan* and *operational and financial self-sufficiency*.

Since Nicaraguan law does not permit MFIs to use a flat interest rate, *the nominal and effective rate* closely correspond. The fact that the nominal rate remained steady throughout the year at 36% is due to issues of market competition; FUNDENUSE has not been able to meet either of these two indicator goals for the year.

The *portfolio at risk* maintained at or below the target goal throughout the year and slightly increased in Q4. Minor fluctuations in this indicator are expected and are not the cause of any concern.

Katalysis will continue providing technical assistance, managerial advice and monitoring to improve FUNDENUSE's portfolio at risk rate, effective rate, and other financial and impact indicators. Katalysis staff believes that the organization will not have any major problems in accomplishing their outlined goals for FY01.

EL SALVADOR

❖ Asociación Salvadoreña de Extensionistas Empresariales - ASEI

Asociación Salvadoreña de Extensionistas Empresariales (ASEI) was founded in April 1991 as a nonprofit organization, by a group of professionals from the San Salvador region, to promote the integrated development of small and microenterprises in El Salvador through permanent training, and timely and adequate technical and financial support. ASEI is active in the departments of San Salvador, San Vicente, La Libertad and Cuscatlán.

ASEI provides credit through its Community Banking and individual loan programs. An integral part of these methodologies is the provision of training prior to group formation and during all cycles of loan disbursements.

ASEI joined the Katalysis' Partnership in February 2000 as a probationary partner.

HIGHLIGHTS OF MG3 OBJECTIVES ACCOMPLISHED DURING FY00

- In preparation for the installation of the SIEM, ASEI upgraded its computer hardware.
- ASEI's SIEM was fully installed; and staff continue with the data entering process, prior to its full operation expected by December 2000.
- ASEI's human resources were strengthened through various training events sponsored, developed and/or coordinated by Katalysis. See Attachment D for a full chart of training activities for FY00.
- The microcredit specialist in coordination with Katalysis continued to effectively support the organization.
- ASEI was selected for participation in the AID mission's technical assistance project, FOMIR-DAI. FOMIR has sub-contracted Katalysis to deliver some of these key TA and training components.
- ASEI's organizational structure was adapted to support more effectively its microcredit program.
- Similarly, ASEI's board of directors was restructured.

FINANCIAL AND IMPACT INDICATORS FY00 – ASEI						
Concept	GOAL Year 2	Q1*	Q2	Q3	Q4	% Completed
Total Portfolio Balance (000s)	\$400.0	N/A	\$417.8	\$ 396.4	\$404.5	101.1%
Nominal Rate (Minimum)	36%	N/A	36%	36%	36%	100.0%
Effective Rate (Minimum)	42%	N/A	51.6%	45.8%	51.60%	122.9%
Average Loan Size	\$116	N/A	\$131.7	\$ 115.8	128.1	-10.4%
Portfolio at Risk	9%	N/A	15%	13.9%	11.7%	-29.9%
Clients/Promoter Average	313	N/A	317	311	245	78.3%
Number of Active Clients	3,445	N/A	3,173	3,423	3,157	91.6%
% of Women	90%	N/A	73.7%	74.0%	81.4%	90.4%
Operational Self-sufficiency	140%	N/A	118%	124.0%	138.0%	98.6%
Financial Self-sufficiency	118%	N/A	89%	118.0%	131.4%	111.4%

*Note: ASEI became part of the MG3 Agreement in February 2000 (Q2 FY00)

▪ Variance from stated goals

ASEI is Katalysis' newest Partner as of February 2000 and has been successful in meeting many of their target goals for FY00. The organization surpassed expectations for *total portfolio*, *effective interest rate*, *financial self-sufficiency* and fell just short of reaching *operational self-sufficiency* goals. These accomplishments are primarily related to revisions made in the credit policies. In order to more effectively serve the needs of their clients, ASEI increased the base amount of second cycle loans, and they extended (higher) individual loans to village banking clients who had surpassed the program loan ceiling.

During the last half of the year, ASEI invested in hiring more client promoters to prepare them for penetration in current market areas, as well as to expand the program into new areas. This has resulted in the temporary decrease in the *average clients per promoter* and has slightly affected operational self-sufficiency. We expect that this investment will assist in increasing *total active client* numbers as well as decreasing *average loan size* over the next months.

The *portfolio at risk* is slightly higher than expected due to issues of field supervision that are currently being addressed through a change in their operating structure. In addition, ASEI is looking more closely at the individual lending methodology to ensure that the policies are appropriate for their clientele and will not have adverse effects on their organization. Currently ASEI has decided not to grant additional individual loans until further program research is conducted.

Katalysis will continue providing technical assistance, managerial advice and monitoring to improve ASEI's portfolio at risk rate, its promoter productivity, and all financial and impact indicators. We are confident that ASEI will be able to accomplish all of their target goals. The only indicator that Katalysis staff anticipates might be an issue for ASEI at the close of FY01 will be the portfolio at risk. During the first quarters of the year, ASEI will be implementing the new MIS. This system will assist the organization immensely in identifying problem areas quickly and in producing accurate and timely reports. However, experience has demonstrated that the first months after full system implementation will most likely reflect much higher rates of delinquency than previously accounted for in the older system.

V. MANAGEMENT: REVIEW AND ANALYSIS OF HQ SUPPORT FUNCTIONS

The program has been designed to improve Katalysis' capacity to deliver services and strengthen the network as a whole. The focal areas of this organizational strengthening are:

- ❑ *Building Capacity to Mobilize Diversified Funding Resources*
- ❑ *Increased Microcredit Capacity*
- ❑ *Increased Strength of Katalysis as a Microfinance Institution*
- ❑ *Increased Microcredit Expertise*
- ❑ *Improved Organizational Learning Capacity*
- ❑ *Improved Organizational Operational Efficiency*

The above objectives represent the dimensions of organizational strengthening that inspired specific outputs in each of the areas below. A chart of these areas and the related activities completed during FY00 are included in Attachment D2. Commentary for each area will detail actual accomplishments, and note any difficulties encountered. Where possible details on variances and proposed solutions will be given.

◇ Katalysis/USA Institutional Strengthening

Katalysis took specific steps to further board development, business plan implementation, DOSA implementation, and financial and administrative oversight during FY00. The Board Development Committee of the Katalysis Board of Directors succeeded in bringing three new board members onto the Board: Helen Spector, Bill Clapp and Tom Denhart. They each bring significant expertise to their board service in organizational development, finance and international development, and marketing, respectively. Also, in Q3 the Executive Committee of the Board implemented its long-desired objective of having a Partner Director attend the quarterly Executive Committee meetings; all materials were bilingual and the meeting was simultaneously translated in order to facilitate full participation of all the members. This extends the depth of the active involvement of southern members in Board responsibilities; the southern participant updates other southern members at the tri-annual Partner Directors Board meetings. The rotational nature of this representation will allow each southern member the opportunity to make northern contacts and to stay in touch with the larger Katalysis Partnership agenda.

Implementation of the business plan (BP) developed for MG3 has received consistent attention, especially at the Partner level. In the BP several Partner-related activities are expected to become self-sustaining, namely the Partner Directors meetings, attendance at the annual board of directors meeting, and partnership trainings. In FY99, Partners voted to pay a fee for the preparation of grant proposals sought on behalf of their individual organizations for "credit only" efforts. In Q4 of FY99, they voted to pay an annual Partners membership fee of \$1000 beginning in FY00, as well as cover their expenses for attending one of the tri-annual Partner Directors Board meetings. Also in FY00, Partner began paying for selective technical assistance when that TA was not covered by any existing grants. In Q4 of FY00, they voted to increase their payments to cover 50% of the other two tri-annual meeting. By FY02, they have agreed to pay all meeting attendance costs.

Katalysis participated in its fourth DOSA (Discussion-Oriented Self Assessment) in Q2. That assessment, like the one in FY99, involved a participant from the RFO. A management debriefing followed in Q4 when the analysis was available. Katalysis' interest in and focus on client-driven services and a deepening understanding of "stakeholder" involvement in all processes and levels of the organization has been reinforced by the items in the service delivery section of the DOSA tool. In addition, employee concerns identified through the DOSA sessions led Katalysis to offer an employee assistance program benefit. One of the greatest benefits comes from the DOSA session itself as a diverse staff grouping reviews all

layers of the organization and shares information across departments and levels of responsibility.

Financial and administrative oversight of all Katalysis functions is based in Stockton. The financial oversight has been consistent and brought effective results. Katalysis' financial planning and budgeting has, with Board guidance and support, generated stable funding and an increase in reserves. A three-year budgeting plan is under development so as to promote even more clarity and stability in supporting the programs. A good deal of the CEO's administrative energy has been directed at integrating the regional field director (RFD) in institutional management activities. Hence, FY00 brought more visits of the RFD to HQ, as well as more HQ staff members working at the RFO on joint projects. A beneficial by-product of these efforts has been the strengthening of collegial bonds between northern and southern staff members.

- ◇ Increase Microcredit Staff Expertise, Technical Capacity, Financial Portfolio Management
Katalysis staff has been involved in microcredit industry activities throughout FY00. The HQ Microcredit Specialist (MCS) and the Regional Field Director (RFD) participated in the annual SEEP conference in Q1. The MCS was an active member in the SEEP Poverty Lending Work Group (PLWG) until he left Katalysis in Q1 for a promising new career opportunity in international marketing. The departure of the MCS left Katalysis HQ without a program specialist for Q2-Q4 and there was a loss of consistent active involvement in microcredit activities here in the north.

During the search for an appropriate replacement for the MCS, it became clear that more was needed in the position in terms of management experience. The position was upgraded to program development director (PDD). In Q4, an appropriate candidate with extensive field experience, program management, bilingual capacity, and regional familiarity was identified. Mary Morgan will be joining the staff in Q1 of FY01. Once again the program staff at HQ will be complete. The enhanced program staff capabilities are expected to generate more research and development, product innovation, and participation in industry activities.

The Microcredit Associate, re-titled program associate (PA) was hired in Q3. Her first major project involved her in the design and execution of a marketing study of the microcredit environment in Central America. This study, an important project under this grant, was a joint project for HQ and the RFO. The Community Banking Coordinator (CBC) and the PA actually reviewed over 80 organizations in the region and visited 43, conducting extensive personal interviews. The results were a critical study that has informed Katalysis' understanding of the opportunities for growth in the region and aided in expansion planning for the next matching grant proposal. A draft of the study as it will be published is included as Attachment F.

A second community banking coordinator (CBCII), re-titled Microcredit Specialist (II) at the RFO was hired in Q2 of FY00. She is competent in group trainings and is an able addition to the microcredit team in the field.

- ◇ Increase Staff and Board Competencies in Microcredit
Partner Directors' and Katalysis Board Meetings

- Directors completed the last three modules in their management training curriculum, an 80-hour training course offered under the auspices of UNITEC and the University of Hidalgo, Mexico. This intensive course resulted in deeper bonds between one another and enabled them to work effectively together to prepare their vision and strategy for the development of the Partner Network. They experienced new strength and a sense of "ownership" of the future of the network that is contributing directly to the planning of the

next matching grant. Their “rector plan” (strategic plan) represents a consolidation of the network. They will be challenged to take the network to new levels of sustainability in the next grant and their efforts on this plan are providing an important foundation for that step.

- Directors are assuming more of a role in running their tri-annual meetings and are now participating in a rotational representation of the Partner Directors Board (a committee of the Katalysis Board of Directors) at the Executive Committee meetings. Katalysis management foresees the emerging strength and leadership at the Partner Directors’ level allowing them to evolve into a freestanding network board as that becomes appropriate in and through the next grant.
- The Partner Directors presented their rector plan and vision for the southern network to the Katalysis Board at its annual meeting. The event provided a prime opportunity for the northern and southern “visions” for Katalysis to be reviewed. A consolidated version of that vision is in Attachment G

Microcredit Training for Katalysis USA and RFO staff

- The Rural Enterprise Specialist (RES) and the MCS I (formerly CBC I) attended the Latin American Training in Microfinance in Lima, Peru in Q1.
- The MCS I and a Program Associate from the RFO also participated in a solidarity group lending training offered by Genesis Empresarial in Guatemala
- The RFD returned for another three-week session at the specialized Boulder Microcredit Training Institute in Q4.

◇ Grants Management

Grants management at Katalysis is a diversified responsibility. Each major grant has a designated manager who coordinates reporting. The benefit is distribution of information and learning that such a responsibility offers. It also allows for distribution of the burden of report preparation. Reports tend to be thorough and qualitative, and reporting efforts are intensive. However as funding sources become more diverse, it may be time for greater coordination in order to streamline efforts and create consistency in information flow.

◇ Loan Products Development

At the outset of the project, Katalysis assumed that the HQ program staff would research and develop potential new loan products to be field-tested. This effort has been delayed as a result of hiring challenges in the program department. However, an excellent PA was hired in Q3, and a new PDD (the revised MCS position) was identified in Q4 and came on board early in Q1 FY01.

◇ Mobilization of Credit

Katalysis’ Bootstrap Banking Fund® (identified as the capital fund in the DIP) has grown to \$500,000. The initial loan was let to ODEF in Q2. Further loan applications are being considered in Q1 of FY2001. In addition, Katalysis has actively assisted Partners in accessing credit money and/or operational grants from other funders: USAID/MIP funds were secured for FAMA; USAID/Nicaragua Mission funds were pursued for FUNDENUSE and Fundación León 2000 (aiding recovery in flood zones); USAID/Guatemala funds came to MUDE through the AGIL project; and FICAH funds have benefited ASEI. Hence, all six Partners have received support to expand their credit portfolios and improve their impact levels. Efforts to establish links to the formal financial markets are under investigation. Initially, Katalysis was in serious dialogue with BANCOMER of Honduras. Circumstances have changed and that is no longer a probable option. Given that commercial banking sector is emerging as a significant player in microcredit lending in the region, Katalysis is carefully monitoring opportunities for dialogue.

◇ **Secure Matching Funds**

In Section VI, the details of fundraising efforts are clear. Katalysis consistently meets and exceeds its matching responsibilities. Furthermore, the section includes comments from the resource development director (RDD) on the diversification of Katalysis' funding base and relates efforts to insure Katalysis long-term sustainability.

◇ **Resource Mobilization Training and Technical Assistance to Partners**

The RDD and her associate (RDA) provided sessions for the Partner network and for individual directors in Q3 and Q4. During Q3 the RDD met briefly with the director of ASEI to understand ASEI's funding needs; she also began coaching the director of ODEF in the process for fund raising on behalf of client projects formerly underwritten by Katalysis.

In Q4, the RDD conducted a workshop for the Partner Directors that addressed (1) resource mobilization strategies for financing network activities, (2) the practice of including funding for TA in proposal development, (3) access to loan capital, and (4) pursuing funding for innovation and pilot projects. Simultaneously, the RDA was meeting with ODEF personnel to learn about their integrated rural credit program and subsequently made contact with potential funders. He also met with MUDE staff to develop a pilot project for marketing client produced textiles and explored funding/marketing linkages in the north on their behalf.

◇ **Consolidation of Central American Network**

Katalysis integrated the two new Nicaraguan Partners [FUNDENUSE and Fundación León 2000] into full partner responsibilities. These two Partners have demonstrated full cooperation with field staff in strengthening their programs; the executive directors have made excellent contributions to the life of the network and the Katalysis Board of Directors, participating in the articulation and solidification of the strategic plan for the network (the rector plan) and hosting the Board meeting in Managua, complete with client visits, in Q3.

Q2 saw the incorporation of ASEI, a new Partner in El Salvador, to take the seat vacated by FAFIDESS in FY99. The executive director is exceedingly cooperative at all levels and will co-host the Board meeting in FY2001.

The eagerness of these three Partners reflects the attraction belonging to a regional network with strong ties to the north has for southern NGOs. They seem to appreciate fully the power of the linkages and exchange.

◇ **Partnership Management & Strengthening**

Special Training: The Partner Directors strengthened their leadership management skills through participation in the UNITEC diploma program (refer to "Increasing Board Competencies in Microcredit" above).

Partner Directors' Meetings: were held in Q2, 3 and 4. These full-day sessions involved them in a review of network-wide events and issues that directly affect their organizations. This group as the "Partner Committee" of the Katalysis Board of Directors reviews all applications for membership in the network. In Q4 they began the review of three new Partners that includes a site visit and written report by one committee member. In addition, the Partners considered all items coming before the Katalysis Board of Directors that has direct bearing on them as members in the Partnership. Their training, the opportunity for consistent input into larger Partnership issues, and the expanding nature of the network have served to reinforce both their role and responsibility in the future success and sustainability of the Katalysis Central American Network.

Partnership Workshops at the Board Meeting in Managua in April featured two parts: (1) a country briefing was by the USAID/Nicaragua microcredit coordinator and (2) the Partners own presentation of their strategic plan (Rector Plan) for the network. They then worked with the other board members to find the commonalities and differences with the vision that Katalysis/USA had formulated. It was instructive to put the values and visions of both side-by-side and seek some integrated statement. It is included in Attachment G2. The Managua Board meeting was designed to foster increased involvement and input from the southern members. All participants felt it was the best-balanced example of north/south involvement to-date. Yet, northern Board members are anxious to see the southern members have even more leadership in the design of the annual meeting.

◇ **Institutional Strengthening to the RFO**

RFO Board Development: The Katalysis/Honduras Board met in April. A new member has joined the Board, Ana Abarca. She has special background in marketing and brings excellent regional experience and networking contacts to the RFO Board. It is believed that her media contacts will be able to assist the RFO in promoting their TA services and successes throughout the region.

The CEO in coordination with the RFD conducts oversight of business plan implementation. Serious efforts to support the management and growth of Katalysis have necessitated consistent and extensive dialogue with the RFD. Numerous exchanges by the CEO and RFD throughout the year have been critical in maintaining and strengthening the working relationship and coordination between the offices.

Growth and Management: The CEO and RFD have worked collaboratively on designing and developing the emerging role of the RFO in the planned expansion of the Partnership, relating to both network management and leadership. This involved the refining of TA and training delivery, realigning staff positions, and planning for RFO restructuring to accommodate the proposed improvements in the Partnership.

Training in the Value and Practice of Partnership is fostered by the CEO who encourages joint professional working relationships between members in both offices in order to build rapport and understanding. The inclusion of a representative from the program office in the annual DOSA project has also raised a shared consciousness of the work of the respective offices.

Essentially, there is a strong working relationship between members in the two offices that is providing support for effective program planning and proposal preparation. There are abiding challenges to meet all deadlines by virtue of the heavy workloads; and cultural differences in how reports are detailed and prepared. These differences remind us of our own northern and southern biases, as well as the limits of our own experience; and they remind us that we still have much to learn in the art and practice of partnership.

◇ **Program Evaluation**

Details regarding the projected evaluation plan are provided in section 3 above.

VI. FINANCIAL REPORT

A. Compare proposed budget with actual expenditures, both USAID and PVO match, for all project years to date; provide updated estimates for remaining project years. Discuss any actual and/or anticipated variance from the proposed budget line item.

	Budget -- 3 Years	Actual		Total 2 Years	Balance for FY 2001	% Budget after 2 Yrs
		FY99	FY00			
KATALYSIS	\$1,011,866	\$314,441	\$359,191	\$673,632	\$338,234	66.57%
MUDE	53,000	16,281	12,523	28,804	24,196	54.35
ODEF	26,400	1,000	16,600	17,600	8,800	66.67
FAMA	25,500		1,484	1,484	24,016	5.82
LEON 2000	25,500	8,740	14,773	23,513	1,987	92.21
FUNDENUSE	25,500		11,687	11,687	13,813	45.83
ASEI	32,234	234	11,896	12,130	20,104	37.63
Total Partners	188,134	26,255	68,963	95,218	92,916	50.61
Grand Total	\$1,200,000	\$340,696	\$428,154	\$768,850	\$431,150	64.07%

Actual USAID expenditures in FY 2000 total \$428,154. Total expenditures after two years total \$768,850. This represents 64.07% of the authorized budget of \$1,200,000 for the three-year life of this cooperative agreement. Overall, project expenditures are right on target. Katalysis' total expenditures after two years represent 66.57% of its budget.

The unspent balance in the Katalysis budget will be spent during the third and final year of this cooperative agreement.

Partner expenses in years 1 and 2 have been under budget primarily because:

- ◇ MUDE, ODEF and FAMA have been using PVO funds raised by Katalysis for MG3 activities. However, the cooperative agreement with IDB/MIF was completed on 30 September 2000, and these three Partners will spend the balance of their USAID funds in year 3 of this cooperative agreement.
- ◇ Fundación León 2000 and FUNDENUSE joined the Katalysis network in fiscal year 1999. The level of expenditures was low in that year, with León 2000 spending \$8,740 and FUNDENUSE reporting no expenditures. The level of expenditures increased significantly in FY 2000, so that at the end two years, Fundación León 2000 has spent 92.21% of its authorized budget while FUNDENUSE has spent 45.83% of its budget. Expenditures for both organizations should reach 100% of their authorized budget by the end of year 3 (30 September 2001).
- ◇ ASEI joined the Katalysis in FY 2000. The unspent balance of \$20,104 will be used in FY 2001

B. Provide a brief discussion of fund-raising plans and activities: main sources, status and actual or anticipated problems, if any.

Katalysis has a reasonably diverse funding portfolio consisting of five major sources: USAID (MG and IPG/MIP, and AID Missions programs), the InterAmerican Development Bank, foundations & corporations, and individual donors. In FY99, the last fiscal year for which audited data are available, the distribution of revenue from these sources was as follows:

- USAID: \$615,793 (33%)
- Inter-American Development Bank: \$478,144 (26%)
- Foundations/Corporations: \$298,475 (16%)
- Individual Donors (incl. board members): 370,042 (19%)

Preliminary figures for FY 00 for the above categories show an increase in the individual donor category, a decrease in foundation & corporation support, while revenue from government and multilaterals remains at levels comparable to FY99. However, the level of support from foundations shows a pronounced decline:

- USAID: \$983,664 (45%)
- InterAmerican Development Bank: \$474,255 (22%)
- Foundations & Corporations: \$118,241 (5%)
- Individuals (incl. board): \$405,434 (23%)

Over time, Katalysis' goal is to significantly increase revenue from individual donors to ensure the organization's long-term sustainability. To this end, we have invested considerable staff and financial resources to re-position Katalysis with the individual donor market: newly designed marketing materials are user-friendly, attractive, and consistent in message. In FY 2000, we added a website which is also primarily geared toward that market. The Partnership Journey program, in which key donors get the opportunity to visit clients and experience the impact of their investment first-hand, is another marketing & educational tool Katalysis has perfected over the last years.

With these fundraising tools in place we have contracted with a major gift consultant to help us institutionalize a major gift program. After auditing current fundraising practices and the capacity of staff and volunteers, the consultant will help design a focused and effective major gift program and train development staff and board volunteers in successful prospecting and donor cultivation and solicitation. We fully expect this program to be in place by the end of FY 2001 and to start showing tangible results starting in FY 2002.

C. Provide a discussion of PVO cost-share: status, any actual or anticipated problems in meeting agreed to cost-share, annual and total. Include corrective measures planned or taken.

Katalysis has always exceeded cost-share requirements under its cooperative agreements. In fiscal year 2000, Katalysis reported USAID expenditures of \$428,154, while generating a total of \$1,175,653 dollars from allowable non-USAID sources. Katalysis generated approximately \$2.75 for every USAID dollar. This trend is expected to continue in fiscal year 2001, the third and final year of this cooperative agreement.

No problems are anticipated in meeting the PVO cost share.

**KATALYSIS PARTNERSHIP, INC.
MATCHING GRANT III
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

A. BUDGETED VERSUS ACTUAL EXPENDITURES

BREAKDOWN BY PARTNER	AID FUNDS			PVO FUNDS			TOTAL AID & PVO		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
KATALYSIS	288,260	273,562	14,698	373,599	925,313	-551,714	661,859	1,198,875	-537,016
MUDE	11,000	12,523	-1,523		54,126	-54,126	11,000	66,649	-55,649
ODEF	16,600	16,600	0		132,270	-132,270	16,600	148,870	-132,270
FAMA	16,000	1,482	14,518		53,444	-53,444	16,000	54,926	-38,926
FUNDACION LEON 2000	8,500	14,773	-6,273		500	-500	8,500	15,273	-6,773
FUNDENUSE	8,500	11,687	-3,187			0	8,500	11,687	-3,187
ASEI	21,000	11,896	9,104		10,000	-10,000	21,000	21,896	-896
TOTAL DIRECT	369,860	342,523	27,337	373,599	1,175,653	-802,054	743,459	1,518,176	-774,717
TOTAL INDIRECT	92,465	85,631	6,834			0	92,465	85,631	6,834
GRAND TOTAL EXPENSES	462,325	428,154	34,171	373,599	1,175,653	-802,054	835,924	1,603,807	-767,883
KATALYSIS TOTAL	380,725	359,193	21,532	373,599	925,313	-551,714	754,324	1,284,506	-530,182
PARTNERS TOTAL	81,600	68,961	12,639	0	250,340	-250,340	81,600	319,301	-237,701
GRAND TOTAL	462,325	428,154	34,171	373,599	1,175,653	-802,054	835,924	1,603,807	-767,883

KATALYSIS PARTNERSHIP, INC.
 SOURCES OF PROJECT FUNDS
 FOR THE YEAR ENDED 30 SEPTEMBER 2000

SOURCE	AMOUNT	% OF TOTAL
USAID	427,893	26.61%
BOARD OF DIRECTORS	341,622	21.24%
FOUNDATIONS	98,241	6.11%
MULTI-LATERAL	464,254	28.87%
MAJOR DONORS	115,446	7.18%
BEQUESTS	54,144	3.37%
CHURCHES/CORPORATIONS	300	0.02%
INDIVIDUALS	47,152	2.93%
FEES	12,672	0.79%
INTEREST/DIVIDENDS	25,231	1.57%
INKIND	2,275	0.14%
EXCHANGE RATE	4,113	0.26%
OTHER REVENUE	14,866	0.92%
TOTAL	1,608,209	100.00%

FORM 269 FOLLOWS

Form 269 follows.

FINANCIAL STATUS FORM

(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-00-98-00052-00	OMB Approval No 0348-0039	Page 1 of 4 Pages
3 Recipient Organization (Name and Complete address, including ZIP code) KATALYSIS PARTNERSHIP, INC 1331 N Commerce St Stockton, CA 95202			
4 Employer Identification Number 68-0015134	5 Recipient Account Number or Identifying Number FAO-00-98-00052-00	6 Final Report Yes X No	7 Basis Cash X Accrual
8 Funding Grant Period (See Instructions) From (Month, Day Year) 10 01 1998	To (Month, Day, Year) 09 30 2001	9 Period Covered by this Report From (Month, Day Year) 07 01 2000	To (Month, Day, Year) 09 30 2000
10. Transactions.			
	I Previously Reported	II This Period	III Cumulative
a Total Outlays	2,563,935	385,038	2,948,973
b Recipient Share of outlays	1,861,814	318,361	2,180,175
c Federal share of outlays	702,121	66,677	768,798
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)			768,798
h Total Federal funds authorized for this funding period			800,000
i unobligated balance of Federal funds (Line h minus line g)			31,202
11 Indirect Expense	a Type of Rate (Place "X" in appropriate box) X Provisional Predetermined Final Fixed		
	b Rate 25%	c Base 66,677	d Total amount 16,669
			e Federal Share 16,669
12 Remarks Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation BASIS OF INDIRECT COSTS 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 15-Nov-00	

VII. LESSONS LEARNED AND LONG-TERM PROJECT IMPLICATIONS

- A. Estimates of project costs and benefits – *Lesson: Natural disaster post-recovery strategies require thorough analysis and wise retrenchment to maintain organizational solidity.*

The four Katalysis Partners based in the countries most impacted by Hurricane Mitch in November of 1998 have continued to experience the “lingering aftershock” of that enormous natural disaster. A year after the storm, residual ponds and mudslides still mark the landscape. More significantly, follow-on rainstorms in the subsequent season washed away replantings of large plantations, wiping away jobs and hope for many. Clients have been unable to continue in the hardest hit areas and many have fled to the north. As a consequence, Partners have had to address significant loan losses that only became evident as the persisting losses of economic possibilities revealed themselves.

The RFO staff has worked closely with ODEF, FAMA, FUNDENUSE and Fundación León 2000 as these organizations assessed their borrowers’ abilities to repay loans. In the case of the Honduran Partners, many loans were written off because the analysis showed there was no way for clients to repay them. Hence the client base numbers reveal a substantially reduced number and the targets as projected pre-Mitch are unrealizable. The Nicaraguan Partners lost some clients, and with significant inflows of new lending capital have begun a sizable outreach to new clients. Partners are considering new loan products as a result, including housing loans. The ultimate “aftermath” of Mitch is still unfolding and is the greatest lesson or reminder of all: no amount of human resourcefulness can alone eradicate the effects of such disaster. Only time, patience, and a commitment to helping people can restore lives and livelihoods in these circumstances. This challenge continues to press Katalysis and the Partners to stay close to their stated “missions.” The RFO is committed to wise retrenchment strategies to maintain organizational strength.

- B. Institution building assessment – *Lesson: cross-organizational self-assessment is most valuable and vital when all segments of the organization are involved.*

DOSA, as noted in the report, has been an excellent experience: reinforcing Partnership practices which are meant to be inclusionary and dialogical in nature. Having completed the fourth round in the sequence of five projected for the pilot DOSA process, Katalysis management is convinced that field staff members are a vital part of the process. Further, management is convinced that this is an effective way to surface needs of all staff each year, as well as building understanding of the overall operations and encouraging involvement in and creative suggestions for the program. The biggest limitation to its success is the time required for following up on the issues and suggestions surfaced in the course of the dialogue. DOSA, however, is a real gift to organizations fostering participatory management and recognizes people as an organization’s most vital and valuable resource.

- C. Estimate of sustainability -- *Lesson: Computerized systems prove their worth in relatively short order.*

When this project was defined and the goals set, the participant organizations did not all have improved computerized managerial information systems in place. Once the systems were in place and the staff members trained, accurate and timely financial accounting reports were available. The outputs regarding the portfolio at risk rate were much higher than the one reflected by the previous manual systems. As a result, Katalysis intensified its close technical assistance and advice, supporting the implementation of delinquency portfolio write-offs for

unrecoverable loans. The portfolio at risk figures became much more aligned with organizational sustainability goals.

- D. **Leadership development** -- *Lesson: The achievement of realistic growth goals for the NGOs involved in this project (or any project) is dependent upon the availability of qualified local personnel. Awareness of local/regional employment conditions in project preparation should be factored into preparation of output expectations and timelines.*

The technological transfer of training and assistance from Katalysis is only as effective as the recipient staff members receiving that training. Human resource limitations at Partner sites both at the staff and management levels, plus difficulties hiring qualified technicians in the region have slowed the achievement of expected outputs at several Partner sites.

- E. **Innovation and technology transfer** – *Lesson: Necessity is the mother of invention.*

This “old saw” characterizes what one can observe about need-driven TA. The pattern of partnership trainings, which has long marked Katalysis’ delivery of services to the Partners, actually took a very substantial form in the education of the executive directors themselves. In FY2000 they completed the 80-hour diploma course in management skills. This entire program arose because the RFD listened to what the directors were requesting and knew from his own perspective that their organizations would grow as a result. The directors’ capacities to take charge and to demonstrate and share their leadership skills with and for the network as a whole have been the unintended benefit. As noted earlier in the report, the Partners experienced a new solidarity. When the challenge to respond to and comment on the Katalysis vision for the future was presented to them for analysis and comment, they seized the moment and jointly prepared a vision for the network. The success of innovation and technical capacity transfer could not be more evident than it was in the presentation that they made to the Katalysis Board meeting in April.

- F. **Policy implications:** *Lesson: Katalysis was strong enough as an organization to overcome the “founder syndrome” which bodes well for the upcoming restructuring of governance to meet the new strengths exhibited in the Partner Network.*

Katalysis founder, Robert Graham, has gradually withdrawn from active participation in Katalysis’ activities during FY2000. His presence, personal involvement and leadership and his financial contributions have been formative and significant for fifteen years. As Katalysis moved into and through its sixteenth year, Mr. Graham withdrew his presence and active participation. Many of his friends are still significantly involved in the life of Katalysis. However, management staff and new board leadership also emerged during the year and crystallized in the transition to a newly elected Board chairperson in April. Linda Orrick is the first chair to come from outside the Graham circle. Her leadership, appreciation of the value of Partnership, and understanding of the power of microcredit to alleviate poverty make her an outstanding Board partner in the process. The commitment to actively recruiting Board members beyond the founder’s circle of friends began over four years ago. Successful implementation of a comprehensive board development initiative has made the transition beyond the “founder syndrome” possible. The challenge ahead is restructuring the governance structure to accommodate the strength of the emerging Partner Network. Effectively “doing partnership” always requires refashioning structures to support the “work” of all entities within the Partnership, as well as the growth and sustaining of the relationships involved.

- G. Partnering with local entities – (See E. above) *Lesson: Often NGOs in developing countries are founded by charismatic leaders who may not have the managerial skills and capability to take the organization to sustainability.*

Katalysis' work with two Partners, in particular, has led staff to understand the importance of this insight. One executive director was able to make the transition (MUDE) following recommendations by Katalysis staff and hiring knowledgeable technical staff to assist her in management of the organization. Her organization is moving healthily toward sustainability. The other executive director (FAMA) seemed unable to integrate the recommendations; financial management went awry and Katalysis has had to assist her and the board of directors of the organization through the difficulties. The board has assumed control of the organization and is searching for a new director. While the RFO staff have worked with each organization and its leadership in a sensitive and thorough manner, truly in the spirit of partnership, the awareness of this lesson and how to respond have been valuable.

- H. Replication potential of project approach and activities – *Lesson: Time and resources for documentation are essential to credibility, growth and sustainability.*

Katalysis management has begun to appreciate the critical place of documentation in furthering its organizational growth agenda. So often the pressures of program demands override the time, resources and discipline necessary to document core aspects of the program. While all reporting requirements are met, the larger questions of documenting methodologies based on Katalysis values and practices have been tabled. It is anticipated that with the new PD and PA on board this documentation effort will become a serious focus.

ATTACHMENTS
Katalysis ~ USAID Fiscal Year 2000 Annual Report

- A. Country Data Sheets (Form 1550-11)
 - 1. Guatemala
 - 2. Honduras
 - 3. Nicaragua
 - 4. USA - Headquarters

- B. DIP with Selected Attachments

- C. Revised Annual Targets by Partner

- D. Grant Activity Summary Charts
 - 1. Cumulative Chart of Trainings & Partner Exchanges
 - 2. Schedule of Activities: Katalysis Headquarters

- E. Documentation:
 - 1. Katalysis Newsletter – *Katalysis Bank Accounts*
 - 2. Katalysis Annual Report, FY 99
 - 3. Nicaraguan Bootstrap Bankers
 - 4. RFA Panel Presentation on Partnership by Gerald Hildebrand, September 12, 2000 – Washington, DC

- F. Katalysis Market Study – Draft Document

- G. Partnership Development
 - 1. Katalysis “Ethos”
 - 2. Katalysis Vision: A Consolidated View
 - 3. Draft Partnership Expansion Plan

- H. Katalysis MG Staff Travel Log, FY 2000

**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
A.I.D.-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: Strengthen the capabilities of women in business, women in development and youth groups which represent a sector of Honduran society severely affected by poverty and unemployment: women in urban areas and rural villages. Focus is on skills development, job creation, income generation and sustainable natural resource management.

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.

Project Funding:

	1999	2000	2001	TOTAL
AID \$	1,000	18,082		19,082
PVO \$	264,699	185,714		450,413
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL	265,699	203,796	0	469,495

Location in Country: ODEF The districts of Yoro, Santa Barbara, and Cortes.

FAMA The districts of Olancho, Francisco Morazán, and El Paraiso

Local Counterpart/Host Country Agency:

Santa deEuceda
 Executive Director
 Organizacion de Desarrollo Empresarial Femenino (ODEF)
 Apartado Postal 357
 San Pedro Sula, Honduras

Camila Elvir
 Executive Director
 FAMA
 Juticalpa, Honduras

**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
A.I.D.-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: Strengthen the capabilities of indigenous agriculture, microenterprise, women in development and youth groups which represent the sectors of Guatemalan society most impacted by poverty, unemployment, environmental degradation and the need for income diversification. Focus is on skills development, job creation, income generation and sustainable natural resource management.

Project Implementation:

Start Date: 10/01/1998 Estimated Completion Date: 09/30/2000

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 MUDE since 1994. MUDE has been operating in Guatemala since 1991.

Project Funding:

	1999	2000	2001	TOTAL
AID \$	16,515	12,523		29,038
PVO \$	82,760	54,126		136,886
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL	99,275	66,649	0	165,924

Location in Country: MUDE works in the departments of Esquintla, Chimaltenango, Guatemala and Sacatepequez.

Local Counterpart/Host Country Agency:

Catarina Mendoza
 Executive Director
 MUDE
 Villa Nueva, Guatemala

**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
A.I.D.-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: Strengthen the capabilities of indigenous agriculture, microenterprise, women in development and youth groups which represent the sectors of Nicaraguan society most impacted by poverty, unemployment, environmental degradation and the need for income diversification. Focus is on skills development, job creation, income generation and sustainable natural resource management.

Project Implementation:

Start Date: 10/01/1998 Estimated Completion Date: 09/30/2000

Status: Fundación León 2000 and FUNDENUSE both joined the Partnership as probationary Partners in October of 1998. They became full members with seats on the Katalysis Board of Directors in November of 1999. They are receiving benefits from this grant and other funding opportunities through their participation and have been heavily involved in the activities of the Partner Network. León 2000 was co-host of the annual Katalysis Board meeting in April.

Project Funding:

	1999	2000	2001	TOTAL
AID \$	8,740	26,460		35,200
PVO \$	33,396	500		33,896
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL	42,136	26,960	0	69,096

Location in Country: León 2000 works in the rural areas and urban periphery surrounding the colonial cities of León, Chinandega, and El Sauce – fostering economic development in western Nicaragua, especially in the departments of León and Chinandega. FUNDENUSE provides microcredit, business training and marketing assistance to clients in northern Nicaragua in the departments of Nueva Segovia, Esteli and Madriz.

Local Counterpart/Host Country Agency:

Abelardo Perez
 Executive Director
 FUNDENUSE
 Ocotal, Nueva Segovia
 Nicaragua

Maria Eugenia Sequeira
 Executive Director
 FUNDACION LEON 2000
 Leon
 Nicaragua

**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
A.I.D.-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: El Salvador

Project Purpose: Asociación Salvadoreña de Extensionistas Empresariales INCAE (ASEI) was officially registered as a Salvadoran NGO in 1990 to promote the integrated development of small and microenterprises in El Salvador through permanent training and timely and adequate technical and financial support. ASEI provides credit through community banking and individual loan programs.

Project Implementation:

Start Date: 2/1/2000 Estimated Completion Date: 09/30/2000

Status:

ASEI joined the Partnership as a probationary Partner in February of 2000. This first year of membership allows ASEI an opportunity to become well acquainted with membership requirements and expectations. It also allows Katalysis an opportunity to test the quality of a longer-term working relationship.

Project Funding:

	1999	2000	2001	TOTAL
AID \$		11,896		11,896
PVO \$		10,000		10,000
OTHER \$				0
INKIND \$				0
LOCAL \$				0
TOTAL		21,896	0	21,896

Location in Country: ASEI is active in the departments of San Salvador, San Vicente, La Libertad and Cuscatlán.

Local Counterpart/Host Country Agency:

Ricardo Segovia
 Executive Director
 ASEI
 San Salvador, El Salvador

**KATALYSIS PARTNERSHIP
COUNTRY INFORMATION FOR
A.I.D.-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

Headquarters: Stockton, California

Project Purpose: To accelerate the development of indigenous PVOs that deliver training, technical assistance, credit and project development in Central America. Focus is on organizations working in sectors heavily impacted by poverty and unemployment: small farmers and fishermen, women, youth and micro-entrepreneurs. Activities include women's community banking, microenterprise and environmentally sustainable development.

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. As of 1994, the Katalysis program office was located in Honduras (currently, Tegucigalpa) to provide more immediate consultation.

Project Funding:

	1999	2000	2001	TOTAL
AID \$	314,441	359,141		673,582
PVO \$	752,428	925,313		1,677,741
OTHER \$				
INKIND \$	1,517	2,275		3,792
LOCAL \$				
TOTAL	1,068,386	1,286,781	0	2,355,115

Program Manager:

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

B. DIP with Selected Attachments

Katalysis Partnership
Detailed Implementation Plan
CA: FAO-A-00-98-00052-00
1 October 1998 to 30 September 2001

***“Banking on Partnership: Expansion and Replication
of the Katalysis Microcredit Model”***

in cooperation with:

ODEF, San Pedro Sula, Honduras

FAMA, Juticalpa, Honduras

MUDE, Villa Nueva, Guatemala

FUNDENUSE, Ocotal, Nicaragua

FUNDACIÓN LEON 2000, Leon, Nicaragua

Beneficiary Base:

**Outreach to poor clients, primarily women,
in marginal urban and rural areas**

DIP prepared by:

Margaret Diener, Grant Administrator

Dennis Macray, Microcredit Specialist

Daniel Martinez, Regional Field Director

Mario Beltran, Finance Director

May 26, 1999

Section A: Program Design

The overarching goal of this Katalysis program 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 3 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.

A.1. Baseline and Follow-up Assessment

As stated in the UNDP Human Development Report 1997, Central and South America have more pervasive problems with "income poverty" (Human Poverty Index¹ of 24%) as compared to "human poverty" (Human Development Index² of 15%). This means that, despite gains in some development areas (literacy, life expectancy, underweight children below five, and access to safe water), the percent of the population below the poverty line has not decreased. In fact, from 1987 to 1993, the percentage of people in Latin America below the poverty line has actually increased from 22 to 24% (UNDP, 1997). Every other region of the developing world performed better, either by decreasing this percentage or increasing it by less. Today, there are roughly 110 million people in Latin America who live below the international poverty line³ (UNDP, 1997).

USAID Missions in each program country have identified the lack of access to credit and relevant training as a significant constraint for poor people who are attempting to rise above the poverty level. This constraint is even more acute for women who are disproportionately poor and further handicapped by the lack of access to education, employment, or credit from commercial lending institutions.

A primary constraint to providing credit and training services in a sustainable, cost-effective, and market-driven manner is a lack of institutional capacity at the local level. In addition, there is a great need for sound methodologies and policies, effective management information systems, and a governing board fully aligned with the commitment to financial performance-based operations.

Katalysis addresses these constraints by strengthening local organizations that provide credit and related business training to participants, primarily women, who operate small

¹ New to the 1997 report, the HPI considers life expectancy, lack of basic education, and lack of access to public and private resources.

² The HDI reflects the overall progress of a country with regards to three essential elements of human life: longevity, knowledge, and a decent standard of living.

³ Defined by UNPD as \$2 (1985 PPP\$) per day per person in Latin America and the Caribbean.

enterprises within the informal economy. With small loans and appropriate training, they can significantly increase the income generated from these activities and gradually lift themselves and their children out of poverty. The objectives of this project are to strengthen local microcredit organizations so that the overarching program goal is achieved.

Baseline Assessments

In designing this program, Katalysis conducted an assessment of its current and future Partner organizations to determine their institutional capacity, outreach projections, and ability to contribute to program goals. This assessment measured financial indicators as well as institutional management and qualitative performance indicators at the Partners. Institutional progress will be assessed on the basis of financial and operational self-sufficiency⁴. Rankings are determined by assigning weighted values to performance ratios, resulting in a rating which corresponds to a scale of A (the highest) to D (the lowest).⁵

Institutional Progress by Partner

Organization	Rating BOP 10/1/98	Rating EOP 9/30/01
FAMA	Level C	Level A
Fundacion Leon 2000	Level C	Level A
FUNDENUSE	Level C	Level A
MUDE	Level D	Level B
ODEF	Level B	Level A
Partner to be named	<i>pending</i>	<i>pending</i>

In addition, each Partner organization has specific indicators and targets that have been set under this project. These are based on the baseline data from the beginning of project (BOP) and reflect goals for the end of project (EOP) as mutually agreed upon by Katalysis and the Partner.

Katalysis monitors and evaluates its country program progress through quantitative performance indicators and qualitative evaluation on a quarterly basis. More than 20 critical indicators are used based on the MicroCAMEL-S indicators, which assess the following: Capital Adequacy, Asset Quality, Management and Human Resources, Earnings and

⁴ *Financial self-sufficiency* is defined as (total credit program income)/(total expenses including cost of capital). This measures the organization's ability to cover all costs, including the cost of acquiring capital, with client revenues and program generated income.

Operational self-sufficiency is defined as (total credit program income)/(total program expenses). This measures the organization's ability to cover its operating costs with client revenues and program generated income.

- ⁵ **A level:** Excellent outreach and scale with sustainability in providing products and services to poor clients. Consistent performance over time. Operational self-sufficiency above 100%; financial self-sufficiency above 100%. Access to commercial capital.
- B level:** Efficient service delivery with growing levels of outreach and scale; operational self-sufficiency 90 - 100%; financial self-sufficiency 78 - 100%.
- C level:** Proven credit methodology with rapid growth projected in scale and outreach to poor clients. Operational self-sufficiency 80 - 90%; financial self-sufficiency 70 - 78%.
- D level:** Good potential methodology without proven record over time, small client base with projected growth; operational self-sufficiency below 80%; financial self-sufficiency below 70%.

Profitability, Liquidity, and Social Impact. For this proposed program, the following indicators will be used specifically for each country program:

Indicator	Description
Number of active clients	Quantitative measure of institutional growth and activity
Number of clients by gender	Quantitative measure of direct beneficiaries.
Amount of loans outstanding	Quantitative measure of institutional growth.
Delinquency rate (Portfolio at Risk)	Quantitative measures of group management effectiveness and portfolio management policies.
Nominal and Effective Interest Rates on loans to clients	Indicates cost of capital and/or training to clients and the efficiency of institution in its lending program
Average number of clients/promoter	Quantitative measure of work load and efficiency (based on recommended standard for institutional capacity).
Operational self-sufficiency	Percentage of organization's operating costs covered by revenues from program activity (client income).
Financial self-sufficiency	Percentage of organization's total costs (including the cost of capital) covered by revenues from program activities.

The original proposal included indicators from September 30, 1997 as the baseline data, which have been replaced by September 30, 1998 indicators. The end of project goals in the original five-year proposal were for FY03. However, since the project has been reduced to three years the end of project goals are September 30, 2001 (FY01). In addition, the original goals are now in-line with projections that have been recalculated since the impact of Hurricane Mitch at the start of FY99 (October 1998). These are summarized for each country with revised baseline data in Attachment 1: Baseline Data and Program Indicators.

A.2. Goals, Objectives, Indicators and Targets

Changes to the program targets are shown in Attachment 1 Baseline Data and Program Indicators.

The updated planning matrix also includes the primary objectives and indicators to be measured during the life of the project. (See Attachment 6)

A.3. Program Design

There have been no major changes to the original proposed project design. The program has been designed specifically for Partner Organizational Strengthening and Katalysis Organizational Strengthening. These are summarized as follows:

1. PARTNERS

I. Partnership Activities - Creating Lateral Learning Structures

Joint Partnership Trainings: As one of the most powerful vehicles for transfer of technologies, lessons learned, and successful innovations, joint Partnership trainings convene Executive Directors and technical staff of all Partner organizations on a semi-annual basis. Serving as collaborative training forums, they create a more structured

environment for lateral learning, one of the key benefits of Partnership. Training topics will address organizational growth, financial management, new product development, microcredit methodologies and governance. Attachment 2 contains the training schedule.

II. Technical Assistance

Katalysis program staff will provide quarterly on-site consultations and technical assistance and monitor the progress based on established performance criteria and financial reports. The annual goals on the performance criteria are detailed in Section D under monitoring and evaluation by Partner organization. Each Partner's progression in meeting these benchmarks will help guide the technical assistance provided in the areas of human resource development, financial management and portfolio performance, management information systems, and impact analysis.

III. Resource Mobilization:

A crucial element for achieving scale of operations is access to capital. Currently only two Partners operate with mixed funding portfolios and all Partners will have to access concessionary funds to scale up their operations during the proposed grant period. Katalysis will assist in two ways: 1) by developing joint proposals to financial institutions such the World Bank, the European Community, and loan funds of the religious community and other socially responsible lending institutions; 2) by establishing an internal Incentive Credit Fund for timely on-lending to qualifying Partners at interest rates slightly above inflation. Partners must meet strict institutional and portfolio performance criteria to qualify.

IV. Specialized Staffing and Systems Management

For effective implementation of the microcredit strategies within each Partner organization, an in-house microcredit specialist will be hired for each of the six organizations. The microcredit specialists will provide a crucial link between RFO technical staff and the management of Partner organizations and participate in microcredit-specific Partnership-wide technical trainings.

Members of the Partnership will also develop their portfolio and accounting management system capacity. The RFO staff provides guidance in the contracting for systems at each Partner site and for ongoing training and support in seeing that all Partner data is incorporated into the new system. With these systems fully operational, Partners will be expected and able to produce timely reports of consistent quality. They will be trained in the use of system reports, increasing the accuracy of data used in their planning and internal monitoring and evaluation of activities. The goal is to help them become effective managers of more efficient organizations.

2. KATALYSIS

The program has been designed to improve Katalysis' capacity to deliver services and strengthen the network as a whole. These components are described in Section F:

Organizational Strengthening:

- Building Capacity to Mobilize Diversified Funding Resources*
- Increased Microcredit Capacity*
- Increased Strength of Katalysis as a Microfinance Institution*
- Increased Microcredit Expertise*
- Improved Organizational Learning Capacity*
- Improved Organizational Operational Efficiency*

A.4. Training

All training activities are designed to contribute toward achieving the program objectives and to provide Katalysis and its Partners with the necessary tools to meet the specific program goals. Training will occur at two levels in this program:

- 1) At the Partner level – Technical assistance and training specifically designed to develop institutional capacity and equip the Partners to achieve the program goals. The strategy is to implement trainings for the entire network such that Partners benefit through direct participation in a joint learning environment and/or lateral learning through transfer of skills between institutions. The training includes participatory learning on-site at each Partner and practical workshops conducted by Katalysis technical team, contracted experts, Partner staff, and methodology experts in the region. The topics range from Strategic and Operational Planning to Financial and Credit Management. The Partner level trainings are included in the planning matrix (Attachment 6) and are detailed in the Program Timeline and Schedule of Activities (Attachment 2).

Many of these training activities are for Partner staff and microcredit promoters, the majority of whom are women. In addition, Katalysis encourages the Partners to integrate women into all levels of operations and management, and readily facilitates training activities for the staff members.

The effectiveness of the training activities are measured in two ways: First through the ability of the Partner organization to achieve the institutional objectives and program targets (such as reduced delinquency, improved self-sufficiency, management of financial indicators and information, etc.) and secondly, through specific monitoring and evaluation activities no less frequently than quarterly. These provide a highly accurate picture of the organization's strengths and changes over time.

The training for Partner organizations included in this implementation plan is specific to the program objectives, and the expected outputs. The training will not and should not continue over time, as it is designed to permanently equip the Partners to achieve results. However, ongoing technical training beyond this program in other areas will be explored under a cost-recovery model that is appropriate.

- 2) At the Client level - Katalysis Partners maintain that merely providing credit to very poor clients does not fully address the problems associated with poverty. Therefore, all organizations have developed training modules to train their clients in business and credit management related skills and have integrated those trainings into the credit delivery methodology. As such they form an integral part of the credit program and do not require separate inputs. The trainings are designed to meet the needs of microentrepreneurs, especially women, and their families, in the context of their enterprises. Training related to household and community development are provided by the Partners primarily through the Community Banking program, but are not significant inputs financed through this cooperative agreement. Through the activities of the

microcredit team at Katalysis, the methodology and results of the client trainings are monitored and evaluated annually. The client training costs are part of the credit administration and are covered by client income. Specific technical training at additional costs are covered by client fees and/or separate grants to the Partners, and are not included in this program.

Section B: Program Location and Formal Agreements

B.1. Location description

Katalysis has worked with its partner organizations based in Central America to achieve significant growth of each partner towards organizational self-sufficiency, as well as to strengthen the partnership network itself and move Katalysis toward greater sustainability. Katalysis' Partners involved in this cooperative agreement are based in three countries: Honduras, Guatemala, and Nicaragua. The microcredit staffs of Katalysis and the respective partners foresee the projected realization of operational self-sufficiency and, for many of the partners, financial self-sufficiency as a realizable goal. The relevant baseline data for each country and the partner organization(s) within that country follow.

Honduras

Honduras is one of the poorest and least developed countries in the Western Hemisphere. Like Latin America as a whole, the proportion of Hondurans in income poverty (47 % live below the international poverty line), exceeds the proportion in human poverty (HPI of 22%), those deprived of basic human development (UNDP, 1997). Honduras has a population of 5.5 million (1994), GNP of \$3.2 billion (1994), and Real GDP per capita of \$2,050. The poorest 20% of the country have a Real GDP per capita of \$399 (UNDP, 1997). The full impact of the destruction wrought by Hurricane Mitch on the clients and, thereby, on the Partners Katalysis serves in Honduras remains an open question. Only time will reveal the effects on the program and Partner outputs.

ODEF (Organization for Women's Enterprise Development) operates in the departments of Santa Barbara, Cortez and the metropolitan area of San Pedro Sula; its clients show the following characteristics as of 9/30/97:

- 89% of clients are women;
- 51% of microenterprises are in petty trade, 25% in the service sector, 24% in production.
- 35% of clients have annual family incomes below \$2,000; this is 13% below poverty level as identified by the Central Bank of Honduras in 1995.

FAMA (Family and the Environment) operates in the departments of Olancho, Morazan, and Danli; its clients show the following characteristics as of 9/30/97:

- 100% of clients are women;
- Of the microenterprises serviced 58% are engaged in petty trade, 25% in the service sector, and 17% in production.
- Family incomes range between \$1,211 and \$1,468, which is between 45% and 36% below subsistence level as identified by the Central Bank of Honduras in 1995.

Guatemala

Guatemala has the worst disparity between rich and poor in the region. The lowest 20% of the country's 10.3 million earn a Real GDP of \$357 while the richest 20% have a Real GDP of \$10,710 (UNDP, 1997). Guatemala's Human Development Index ranking (117) is very

similar to Honduras' (116), however Guatemala's needs are much greater in basic areas: 44% of adults are illiterate; 43% of the population does not have access to health services, and 36% do not have access to safe water (UNDP, 1997). Not surprisingly, Guatemala has a high Human Poverty Index of 35.5%, further evidence of the need for greater attention to the most deprived (UNDP, 1997).

MUDE (Association for Women in Development) services clients in the metropolitan area of Guatemala City, Esquintla, Chimaltenango, and Solola; it reports the following socio-economic characteristics for its clients as of 9/30/97:

- Approximately half are indigenous women and half are *ladina*;
- 61% live in rural areas; 39% live in marginal urban areas;
- 70% have incomes between US\$50 and US\$70 per month;
- 30% have completed third grade elementary school, and 28% are illiterate;
- 53% of the clients are involved in trade, 36% in the production of goods, and 11% in miscellaneous services.

Nicaragua

Nicaragua is the second poorest country in the hemisphere. It has the lowest Real GDP per capita (\$1,580) of the Katalysis Partner countries (UNDP, 1997). Among this group, it also had the smallest population (4 million in 1994) and the lowest GNP (\$1.4 billion) in 1994 according to UNDP. Nicaragua's Human Poverty Index is 27% with 44% of the population below the international poverty line (UNDP, 1997). The full impact of the destruction wrought by Hurricane Mitch on the clients and, thereby, on the Partners Katalysis serves in Nicaragua remains an open question. Only time will reveal the effects on the program and Partner outputs.

Fundación Leon 2000's works in the departments of Leon and Chinandega; its client base shows the following characteristics as of 9/30/97:

- 52% of clients are women;
- Of the microenterprises financed with small loans, 65% are in trade, 4% in the service sector, 7% in production, and 24% in agro-processing and livestock raising.
- Average client family income is \$71/month
- 80% of clients' education does not exceed 6 grades of elementary school;

FUNDENUSE (Foundation for the Development of New Segovia), operating in Nueva Segovia, Madrid, and Esteli, conducted a market study in August 1997, which shows the following:

- 75% of microenterprises are women-owned;
- 50% of microentrepreneurs are between ages 20 and 35.
- 66% of those surveyed had only attended the first six grades of elementary school;
- 44% of microentrepreneurs have monthly incomes below \$102 and, 24% have monthly incomes below \$204;
- 79% of the families surveyed depended solely on income generated by their microenterprises; only 29% of surveyed microentrepreneurs had salaried spouses contributing to household income.

B.2. Formal Agreements

While there are, in fact, no linkages within the respective countries that are required for the full implementation of this cooperative agreement and the expected outputs, some of the Partners are active in local NGO networks and find favorable governmental support for their activities.

Honduras' political environment encourages and supports NGO activities. Both ODEF and FAMA belong to a network of development NGOs, FOPRIDEH, which is the lead organization for policy dialogue with government agencies regarding overall development policies and the regulatory framework for microcredit organizations specifically.

While the political environment for the development NGO community in Guatemala is much more favorable since the signing of the peace accords, MUDE has not been active in policy work.

The Nicaraguan government is very supportive of microcredit activities and, through the National Program of Support to Microenterprises (PAMIC), has fostered development of this sector. However, neither of the Partner organizations participate in any formal policy dialogue activities at this time.

Section C: Program Timeline and Schedule of Activities

C.1. Timeline and schedule of activities

Please see Attachment 2: Program Timeline and Schedule of Activities that will be carried out by Katalysis during the three year program. The tasks are divided by Headquarters and Regional Field Office, with annual targets.

Katalysis has developed a monitoring and evaluation schedule for these program activities that allows for review of progress, adjustments to workplans or annual targets, assignment of resources, and verification of program accomplishments. The monitoring schedule includes the following:

- ❑ Monthly reports from the Regional Field Director to Katalysis Headquarters;
- ❑ Quarterly staff reports from Regional Field Office and Headquarters staff submitted to Katalysis Management Team;
- ❑ Semester reports from Partner organizations to Katalysis on level of activity completed and quality of technical assistance provided by Katalysis;
- ❑ Semester and annual review by Katalysis technical staff and management team of progress to date on Cooperative Agreement activities and level of accomplishment.

Section D: Monitoring and Evaluation

D.1. Monitoring and Evaluation System

PARTNERS

Katalysis will be monitoring and evaluating the progress and movement of each Partner toward these end of program results:

1. A strengthened credit program marked by managed growth.

In order to achieve this, the procedures, policies, organizational structure, service delivery mechanisms, etc. must be improved. By enhancing microcredit expertise, improving the management of information, and revising credit policies the projected growth will be achieved.

2. A streamlined management team with expertise in microfinance.

In order to successfully carry out the organization's strategic plan, highly qualified human resources are needed who share in the mission, vision and objectives of the program. This will permit them to achieve operational and financial self-sufficiency within five years.

3. A well-functioning, fast and responsive management information system.

Achieving this will permit the Partners to strengthen their credit operations, and base timely management decisions on accurate and current data. To accomplish this, an integrated management information system and qualified Microcredit and MIS specialists are needed.

4. An organizational structure that reflects the NGOs' vision and mission.

By strengthening the Credit and Training Departments and assigning necessary resources, the Partners will be able to carry out their strategic objectives over the coming years.

5. Monthly use of performance indicators as a management decision-making tool.

Applying the strict performance standards and using ratio analysis (based on MicroCAMEL-S adaptations) agreed to by Katalysis and the Partners, the organizations will be able to monitor institutional performance and make timely and informed decisions.

6. An expanded and sound loan portfolio.

In accordance with projected growth and client demand the loan portfolio should increase and will be monitored continually by the Partner and on a quarterly basis by Katalysis.

Critical indicators

For this proposed project, the following indicators will be used specifically for each country program:

Indicator	Description
Number of active clients	Quantitative measure of institutional growth and activity
Number of clients by gender	Quantitative measure of direct beneficiaries.
Amount of loans outstanding	Quantitative measure of institutional growth.
Delinquency rate (Portfolio at Risk)	Quantitative measures of group management effectiveness and portfolio management policies.
Nominal and Effective Interest Rates on loans to clients	Indicates cost of capital and/or training to clients and the efficiency of institution in its lending program
Average number of clients/promoter	Quantitative measure of work load and efficiency (based on recommended standard for institutional capacity).
Operational self-sufficiency	Percentage of organization's operating costs covered by revenues from program activity (client income).
Financial self-sufficiency	Percentage of organization's total costs (including the cost of capital) covered by revenues from program activities.

Annual Targets

Attachment 1: Baseline Data and Program Indicators summarize the annual benchmarks for critical indicators that will be monitored and evaluated jointly by the Partners and Katalysis on a quarterly basis.

Monitoring Plan

The Katalysis Partnership monitors its key performance indicators as follows:

1. At the Partner organization level: Daily and weekly review of portfolio reports and financial management statements; monthly review of program, portfolio and financial statements; periodic review by board as indicated by organizational policies and procedures. In addition, all Partners will monitor the impact of their programs at the client level by measuring the percentage of women, rural clients, business status, and client data profiles.
2. At the Katalysis RFO level: Partners submit monthly and/or quarterly portfolio and financial reports to Katalysis in accordance with their institutional reporting schedule.



RFO field staff conduct visits (no less frequently than quarterly) to address any program needs or provide support based on Partner reports and requests.

3. External Evaluation of Katalysis and Partners: During year three of the program, an external evaluation will be conducted to assess Katalysis and Partner performance.

KATALYSIS

The strengthening of Katalysis' own capacity and performance will be measured and monitored as follows:

1. Annual application, analysis, and debriefing of Discussion Oriented Self Assessment instrument (DOSA) including integration of field staff and support staff.
2. Quarterly and semester staff reports from technical and administrative staff under this program.
3. External evaluation of Katalysis in the final year of the program by an independent evaluator.

The monitoring and evaluation activities are integrated into the annual workplans and are shown in the Planning Matrix for each year of the program.

D.2. Resources

Within the partnership, we have established measurable institutional self-sufficiency and microcredit performance indicators that all Partners have pledged themselves to honor. Katalysis has been designated by the Partners as the point agency to do institutional diagnostics (baseline data), provide specific and customized training and technical assistance in defining and implementing the agreed-upon standards, set timetables and indicators for implementation, and tenaciously monitor results. All findings will be communicated and analyzed within the Partnership at periodic workshops and meetings. These deliberative sessions will include sharing of experiences, challenges, breakthroughs, and lessons learned by all Partners. Katalysis' institutional capability to provide this caliber of technical support and the underwriting of this incisive collaborative process are at the core of our program. Costs for such activities and Partnership meetings are included in the program budget.

Regional Field Office Honduras

Under the guidance and supervision of the Field Director, the microcredit team, consisting of the Microcredit Program Manager and two Community Banking Specialists, will provide the technical assistance and training designed to advance the program objectives. This team will also conduct the necessary monitoring and evaluation activities in conjunction with the Partners' technical staff and are fully qualified to carryout these responsibilities. Monitoring and evaluation activity in the Field will be carried out by Microcredit Program Manager Luis Felipe Borjas (financial and critical indicators); Community Banking Specialists Marta Maria Salgado and Xiomara Velasquez (methodology and impact) and oversight by the Regional Director, Daniel Martinez. (Resumes shown in Attachment 3).

Katalysis Headquarters

Program monitoring and evaluation for Headquarters is a responsibility of the Management Team reporting to the Katalysis President/CEO. Under this program, the following individuals are responsible for monitoring and evaluating data and reports from the Regional

Field Office and Partner organizations: Finance Director (financial statements and Partner audits); Microcredit Specialist and Microcredit Associate (program performance and critical indicators); Director of Administration (staff reports and organizational development); and Resource Development Director (sustainability strategies and cost-recovery).

Katalysis has established dates and budgeted resources for a final evaluation of this program. This will be carried out by independent short-term consultants, with strong qualifications in program evaluation, project monitoring systems, and impact analysis.



Sustainability strategy and methodology for Partners

- 1. Approach to sustainability:** Katalysis has embraced the principle of sustainability as a key element to effective development and a more productive relationship between Partners and clients. Each Partner has committed to achieving sustainability in the delivery of services to an expanding client base of poor microentrepreneurs, especially women. A fundamental commitment of Katalysis is to provide support in a manner that brings each of its Partners' credit program capacity to a point of full financial sustainability.
- 2. Technical sustainability:** The program will assist the Partners in securing technical expertise in microfinance, and credit methodology to build upon the current program foundation. All partners will gradually assume the costs and will have a competent technical unit to manage future growth at end of grant.
- 3. Cost recovery and Financial sustainability:** All Partners have developed a schedule of activities under their current strategic plans to generate income through interest on loans at rates above inflation and market, and through fees for such financial and training services. This system of cost recovery is already in place and will lead to the annual program targets. Katalysis will support this process by assisting the organizations to access capital, leverage future financial resources, and establish future links to formal financial markets.
- 4. Organizational and Management structures:** The Partners will be introducing minor organizational changes to include strengthening microcredit expertise, and instituting policies and procedures to ensure a viable loan portfolio for the institution. Within the Partnership increased managerial capacity is needed in the areas of financial management, microcredit programs, and management information systems. In order to respond to client demand in a sustainable manner, the Partners have committed to enhancing their management capacity in these areas.

Sustainability indicators

Inherent to Katalysis microcredit program methodology is the commitment to achieving full financial self-sufficiency at the partner level to ensure sustainable delivery of products and services over time. All Partners have set strategic objectives to move up the continuum of sustainability from D (weak) to A (strong) so that they achieve operational self-sufficiency within 3-5 years and full financial self-sufficiency in no more than 7 years. These annual indicators will be monitored quarterly and are shown in Attachment 1 for each Partner. They are also included in the specific grant agreements between Katalysis and the Partners.

PVO Sustainability

Katalysis has recently completed two PVC-funded business plans for KAT/USA and the RFO in Honduras. Both are geared to full implementation of the microcredit focus, clear identification of products and services, Partnership growth and expansion, upgraded staffing complement, and sustainability. Under this program Katalysis will begin to implement a

phased-in sustainability strategy at both headquarters and the regional office. The highest priority in this project, however, still remains the sustainability of the Partner organizations.

The Regional Field Office will develop a sustainability strategy to complement the institutional business plan. The strategy will involve: Partner contribution to RFO staff consultancies (lodging, meals), fees for services for non-Partner organizations and networks, participant fees for national and regional workshops, PVO/NGO and private sector consultation, and revenues from the Incentive Credit Fund to be initiated in FY1999.

Katalysis/USA's sustainability strategy is a combination of on-going grants from an increasingly diversified donor portfolio as well as some specific income generating initiatives. These include: commission on all direct credit funds raised for the Partners; revenue generated from sale of Katalysis publications, training materials and products; Board commitment to strengthen the endowment; new sources of credit funds from expanded Board contacts with private sector networks in Washington, D.C., New York, Seattle, and the Social Venture Network/Latin America; and North/North consultations on partnership building and management. The matching grant program will give Katalysis the necessary institutional underwriting to embark upon all of the above initiatives with strategic precision.

Section F: Organizational Strengthening

This program's primary purpose is to assist Katalysis Partner organizations in three countries in Central America to expand significantly the scope and depth of their outreach to poor clients, primarily women, in marginal urban and rural areas and to achieving self-sufficiency of their microcredit programs. In support of this primary objective, a secondary purpose is to build Katalysis' institutional capacity, so that it can pursue its strategy of excellence and competence in its service delivery to its Partner network. Strengthening institutional capacity is critical for both the Partners and Katalysis in achieving the purposes of this program.

Partner Organizational Strengthening

A primary constraint to providing credit and training services in a sustainable, cost-effective, and market-driven manner is a lack of institutional capacity at the local Partner level. In addition, there is a great need for sound methodologies and policies, effective management information systems, and a governing board fully aligned with the commitment to financial performance-based operations.

To achieve the program goal, Katalysis will pursue a multi-level strategy to move each of its Partner organizations along the standard continuum of organizational development, while applying microcredit best practices, adhering to industry standards, and practicing sound financial management. Institutional progress along the continuum will be assessed on the basis of financial and operational self-sufficiency⁶, considering financial indicators as well as institutional management and qualitative performance indicators. The rankings below are determined by assigning weighted values to performance ratios, resulting in a rating which corresponds to a scale of A (the highest) to D (the lowest).⁷

Institutional Progress by Partner

Organization	Rating 10/1/98	Rating 9/30/01
FAMA	Level C	Level A
Fundación Leon 2000	Level C	Level A
FUNDENUSE	Level C	Level A
MUDE	Level D	Level B
ODEF	Level B	Level A
Partner to be named	Pending	Pending

⁶ *Financial self-sufficiency* is defined as (total credit program income)/(total expenses including cost of capital). This measures the organization's ability to cover all costs, including the cost of acquiring capital, with client revenues and program generated income.

Operational self-sufficiency is defined as (total credit program income)/(total program expenses). This measures the organization's ability to cover its operating costs with client revenues and program generated income.

⁷ **A level:** Excellent outreach and scale with sustainability in providing products and services to poor clients. Consistent performance over time. Operational self-sufficiency above 100%; financial self-sufficiency above 100%. Access to commercial capital.

B level: Efficient service delivery with growing levels of outreach and scale; operational self-sufficiency 90 - 100%; financial self-sufficiency 78 - 100%.

C level: Proven credit methodology with rapid growth projected in scale and outreach to poor clients. Operational self-sufficiency 80 - 90%; financial self-sufficiency 70 - 78%.

D level: Good potential methodology without proven record over time, small client base with projected growth; operational self-sufficiency below 80%; financial self-sufficiency below 70%.

The strategy for accomplishing the above illustrated movement on the ranking scale combines: (1) Partnership-driven activities, (2) technical assistance, (3) resource mobilization to increase financial equity and lending capabilities, and (4) enhanced in-house microcredit staffing and systems management. All components of the strategy are aimed at building institutional capacity of individual Partners and strengthening the Partnership network as a whole. Expanded comments on the strategies follow:

I. Partnership Activities - Creating Lateral Learning Structures

Joint Partnership Trainings: As one of the most powerful vehicles for transfer of technologies, lessons learned, and successful innovations, joint Partnership trainings convene Executive Directors and technical staff of all Partner organizations on a semi-annual basis. Serving as collaborative training forums, they create a more structured environment for lateral learning, one of the key benefits of Partnership. Training topics will address organizational growth, human resources, financial management, new product development, microcredit methodologies and governance. (The training schedule is detailed in Appendix 2.)

II. Technical Assistance

Katalysis program staff will provide quarterly on-site consultations and technical assistance and monitor the progress based on established performance criteria and financial reports. The annual goals on the performance criteria are detailed in Section D under monitoring and evaluation by Partner organization. Each Partner's progression in meeting these benchmarks will help guide the technical assistance provided in the areas of human resource development, financial management and portfolio performance, management information systems, and impact analysis.

III. Resource Mobilization

A crucial element for achieving scale of operations is access to capital. Currently only two Partners operate with mixed funding portfolios and all Partners will have to access concessionary funds to scale up their operations during the proposed grant period. Katalysis will assist in two ways: 1) by developing joint proposals to financial institutions such the World Bank, the European Community, and loan funds of the religious community and other socially responsible lending institutions; 2) by establishing the Incentive Credit Fund for timely on-lending to qualifying Partners at interest rates slightly above inflation. Partners must meet strict institutional and portfolio performance criteria to qualify.

IV. Specialized Staffing and Systems Management

For effective implementation of the microcredit strategies within each Partner organization, an in-house microcredit specialist will be hired for each of the six organizations. The microcredit specialists will provide a crucial link between RFO technical staff and the management of Partner organizations and participate in microcredit-specific Partnership-wide technical trainings.

Members of the Partnership will also develop their portfolio and accounting management system capacity. The RFO staff provides guidance in the contracting for systems at each Partner site and for ongoing training and support in seeing that all Partner data is incorporated into the new system. With these systems fully operational, Partners will be expected and able to produce timely reports of consistent quality. They will be trained in the use of system reports, increasing the accuracy of data used in their planning and internal

monitoring and evaluation of activities. The goal is to help them become effective managers of more efficient organizations.

Katalysis Organizational Strengthening

The proposed program will help Katalysis strengthen its capacity in the following new areas and lead to sustaining these services as follows:

- *Building Capacity to Mobilize Diversified Funding Resources* – Katalysis is committed to building its funding base. The strategy includes diversifying the expertise in the Resource Development Department, intensifying the involvement of the Marketing and Fundraising Committee of the Board, and refining the tracking of the cost/benefit analysis of all department activities. This commitment will involve strategic fund development training for both the staff and the board members involved.

In addition, the focus of this project itself is to move Partners to higher levels of self-sufficiency so that they will be in a better position to operate efficiently and pay for services. The development of the Incentive Credit Fund, schedule of fees for services, and new private sector partnerships will enable Katalysis to sustain this aspect.

- *Increased Microcredit Capacity* - The cooperative agreement will assist Katalysis to continue to build its own expertise, providing a microcredit associate at headquarters as well as an additional member for the microcredit team in the field office, i.e. a second community banking specialist. This additional expertise will enhance Katalysis' ability to stay abreast of innovations in the rapidly evolving microcredit field and transfer learnings more effectively to the Partners. This commitment to increased staffing will ensure that technical assistance and program support is designed to meet the demands of Partners and clients, especially as the Partnership grows.
- *Increased Strength of Katalysis as a Microfinance Institution* – Strengthening Katalysis as a microfinance institution involves, first, the completion of the business plan as expected in this cooperative agreement. Then, the creation of an independent Incentive Credit Fund, enabling Katalysis to manage microfinance resources intended for direct onlending to Partners. This situates Katalysis as both a provider of technical assistance and as a lender.
- *Increased Microcredit Expertise* - Increased competency at the senior staff level will come through specialized training in selected microcredit training programs like the microfinance training program in Boulder, Colorado; participation in professional organizations and their meetings (e.g. SEEP annual meetings); and in-house management team trainings focusing on microcredit methods and issues.

The members of the board will gain additional expertise through the annual trainings presented during the international board meetings scheduled in the region, as well as through site visits and first-hand dialogues with the Partner directors. The Partner directors themselves participate as full board members of Katalysis Partnership, form a committee of the board to advise on the impact of Katalysis initiatives at the Partner level, and offer first-hand development expertise and experience in advising on proposed Katalysis' policies. In addition, new board members will be recruited in light of their understanding of, interest in

and commitment to international development through microcredit management and finance. Such capacity and interest affects all aspects of board committee work and policy-making decisions.

- *Improved Organizational Learning Capacity* – Katalysis has entered seriously into improving its organizational learning capacity and continues to participate in the pilot cohort field testing the Discussion Oriented Self-Assessment (DOSAs) tool. The annual application of the tool will begin to include field staff; the debriefing over results, internal study and follow-up and the integration of discerned outcomes into the successive decisions will insure that the organization continues to strengthen its learning capacity.
- *Improved Organizational Operational Efficiency* – Katalysis management team has committed itself to serious team building trainings to enhance internal collaboration and planning, as well as organizational efficiency. This training involves, but is not limited to, training in communication and personnel management skills, personal coaching and human dynamics.

Section G. Human Resources

G. 1 Organizational Chart

The organization charts for Katalysis are attached. To specify the names and titles of key staff:

- a) Program administrative management: Margaret Diener-Grant Administrator, supported by Mario Beltran-Finance Director
- b) Technical Oversight: Daniel Martinez-Regional Field Director
- c) Monitoring and Evaluation: the Regional Field Microcredit Team (comprised of Luis Felipe Borjas-Microcredit Program Specialist; Marta Maria Salgado-Community Banking Specialist and Xiomara Velasquez-Community Banking Specialist) under the direction of Daniel Martinez-Regional Field Director
- d) Liaison with Local Partners: Daniel Martinez and Microcredit Team of the Regional Field Office.
- e) Program Management, Research and Innovation, and Monitoring and Evaluation at the HQ level: Dennis Macray, Microcredit Specialist, and a Microcredit Associate.

All staff are full-time. Field staff are host country nationals.

G. 2 Role of the Community and Local Partners

The five local Partner organizations are briefly described below

Partner Name	ODEF (Organization for Women’s Enterprise Development)
Contact Information	Santa de Euceda, Executive Director, Apartado Postal #357; San Pedro Sula, Honduras Phone (504) 56 1280; Fax: (504) 58 0374
Year Founded	1985
Relationship with Katalysis	Partner since 1989; spearheaded community banking for the Partnership
Electronic Linkages	Telephone & Fax
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 During the Past Three Years	During the past three years, ODEF has rapidly expanded its microcredit programs. Institutional capacity was enhanced through ongoing technical assistance by Katalysis and through strategic intervention and financing of its credit portfolio by USAID-funded Fundación Covelo. ODEF’s expansion was further supported by a three-year grant from IGP/MIP which finances outreach to 3,600 new clients/per year. ODEF currently reaches 6,337 clients with a portfolio of \$1,112,000. 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.

Partner Name	FAMA (Family and Environment)
Contact Information	Camila Elvir, Executive Director Apartado Postal 111; San Nicolas; Juticalpa, Olancho, Honduras phone/fax (504) 85 1381
Year Founded	1990
Relationship with Katalysis	After an extensive exploration process spearheaded by ODEF and Katalysis Regional Field Director, 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.
Electronic Linkages	Telephone and fax
Mission	FAMA's mission is to introduce and implement innovative technologies which provide resources and information to stimulate individual efforts and community groups' initiatives, promote sustainability in Honduras, and improve the physical and spiritual quality of life.
FAMA's Principal Activities During the Past Three Years	Since its founding in 1990, FAMA has successfully implemented its community banking program, modeled after Freedom from Hunger's <i>Credit with Education</i> model but adapted to local conditions and extremely poor clients. 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 the proposed program for MG3. At the end of FY 1997, FAMA had a client base of 2, 584 and an active portfolio of \$203,000.

Partner Name	MUDE (Association of Women in Development)
Contact Information	Catarina Mendoza, Executive Director 3a Calle A 1-27A, Lomas del Sur, Villa Nueva, Guatemala Tel/Fax: (502) 6311663
Year Founded	1991
Relationship with Katalysis	Katalysis Partner since 1992
Electronic Linkages	Telephone and fax
Mission	To improve the socioeconomic conditions of poor women
MUDE's Principal Activities During the Past Three Years	During the past three years MUDE managed a diverse set of programs including community banks, individual microenterprise loans, small-scale agriculture (principally organic) and wood-burning cooking stoves. All of these activities were supported under MG2. 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.

Partner Name	Fundación Leon 2000
Contact Information	Maria Eugenia Sequeira Balladares, Executive Director. Headquarters: Del Parque Ruben Dario 1/2 bloque al Norte, Leon, Nicaragua phone: 505.311 66 80; Fax: 505.311 27-46; e-mail: leon2000@ibw.com.ni
Year Founded	1993
Relationship with Katalysis	New Partner. First contact w/Fundación 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 97, culminating in the acceptance of Fundación Leon 2000 as a new Partner starting FY 99.
Electronic Linkages	Telephone, Fax, and E-mail
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.
Fundación Leon 2000 Principal Activities During the Past Three Years	Founded as a microcredit organization in 1993, Fundación 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 the Individual Loan Program. (See also Attachment B for Nicaragua.) An integral part of all methodologies is the provision of training prior to group formation and during all cycles of loan disbursement. (For more specific information see section D23). The organization currently provides these services to 2,017 clients, indirectly benefiting 8,068 people. It operates with a portfolio of \$380,000 of which \$306,000 is a concessionary loan channeled through PAMIC (National Program of Support to Microenterprises) and financed by the Norwegian and Dutch governments.

Partner Name	FUNDENUSE (Foundation for Development in Nueva Segovia)
Contact Information	Abelardo Perez, Executive Director Ocotal, Department of Nueva Segovia, Nicaragua; Phone: 505.73. 22 329; Fax: 505.73.22 060
Year Founded	1993
Relationship with Katalysis	New Partner. First contact with FUNDENUSE 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 97, culminating in the acceptance of FUNDENUSE as a new Partner starting FY 99.
Electronic Linkages	Telephone and fax
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 During the Past Three Years	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. (See Attachment B "Nicaragua" for detail on FUNDENUSE's methodology.) From an initial client base of 169 and a portfolio of \$19,387, FUNDENUSE has steadily built its outreach and lending capability, currently serving 889 clients with a portfolio of \$440,000.

G.3 Role of Country Nationals in Program Management

All program management is in the hands of country nationals. The Katalysis regional field staff, who provide the technical assistance as well as the monitoring and evaluation elements of the program, are all Honduran and based in Tegucigalpa. They attend regional and international microcredit conferences as appropriate and maintain a high level of

professionalism. The regional field director participates in annual SEEP meetings and has been through the microfinance training program Boulder, Colorado.

The regional field technical team provides the primary services to the six Partner organizations, from technical assessments and recommendations to trainings, monitoring and evaluations. The Partner organizations employ all country nationals and participate in successive Partner trainings in planning, evaluation, budgeting, portfolio management, and service delivery to their clients. The sequence of those trainings is detailed in Attachment 2. Among the Partner organizations, the role of women is clearly incorporated at the staff and client levels: four of the six Partner organizations participating in this program have women as executive directors. Clients are predominantly women, as well. Women are likewise represented in the governance of these organizations. Whenever a Partner is brought into the network, one of the principles discussed is gender balance. Each executive director has been encouraged to maintain the involvement of women in all levels of the organization.

G. 4 Role of Headquarters Staff

Ultimate responsibility for this agreement rests with the President/CEO of Katalysis Partnership. He has delegated the administration of this grant to the Director of Administration and other members of the headquarters staff as noted above. The technical and management experience of the supervisory staff at both headquarters and the field office is substantial. At headquarters, the Director of Administration has over twenty-five years of management experience, with four years of grant administration experience on a previous AID award. The Director of Finance, likewise, has substantive financial management experience and extensive background in managing cooperative agreements. The Regional Field Director, prior to heading the Regional Field Office, was executive director of Fundación Covelo, a well-respected microcredit NGO in Honduras. In addition, he had significant technical experience at the USAID Mission in Honduras. The staff to supervisor ratio in the field office is six-to-one. At headquarters it is four-to-one, i.e. the CEO supervising four departments, with each department head supervising one support person and providing significant professional service. All headquarters' departments execute their respective functions, as well as supporting the full range of headquarters support functions for the field.

In terms of this project, each senior member of the headquarters' staff has particular responsibilities for building the organizational capacity of Katalysis and of the Partners. The President/CEO is involved in strategic leadership for Katalysis and the Partnership; in external relations both north and south, including new Partner exploration and development of northern alliances; and board development, including recruitment and Partner relations through the Partner Directors Board. The Resource Director will be guiding the organization in strengthening its capacity to mobilize a more diversified and expanded funding base, working closely with board members and enhancing expertise in her department. The Finance Director will be responsible for financial oversight and will ensure compliance with USAID financial standards. The Microcredit Specialist will provide guidance in program implementation, research and innovation of new products and services, as well as monitoring and evaluation at the headquarters level. Finally, the Director of Administration will facilitate human resource development at the staff and board levels, planning team building

trainings, board development trainings and organizational self-evaluations (DOSAs) and planning.

In the field, the technical oversight for the program service delivery has been delegated by the President/CEO to Daniel Martinez, Regional Field Director, with headquarters' program consultation and oversight and technical backstopping provided by Dennis Macray, Microcredit Program Specialist. He supervises a strong microcredit team as listed in **G.1.** above in the delivery of all program and training services. The general administration and management for this cooperative agreement is detailed in Attachment 7 and represents an integration of all administrative and programmatic responsibilities.

BASELINE DATA AND PROGRAM TARGETS: HONDURAS

Note: 9/30/98 is the end of FY98 (baseline year) for this program.

ODEF	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio¹</i>	\$2,309,660	\$2,088,000	\$2,613,000	\$3,106,000
<i>Avg. Loan Term (nominal /effective)</i>	36% / 38%	36% / 48%	36% / 50%	36% / 52%
<i>Avg. Loan Size</i>	\$238	\$210	\$204	\$194
<i>Delinquency Rate</i>	6.81%	5%	5%	5%
<i>Client/staff ratio</i>	509	431	431	467
<i># of Active Clients</i>	9,672	9,933	12,800	16,000
<i>% Women</i>	76%	80%	80%	80%
<i>Operational Self-sufficiency</i>	131%	132%	138%	138%
<i>Financial Self-sufficiency</i>	86%	115%	120%	120%

FAMA	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$369,815	\$413,800	\$500,200	\$586,100
<i>Avg. Loan Term (nominal /effective)</i>	36% / 23%	36% / 50%	36% / 55%	36% / 60%
<i>Avg. Loan Size</i>	\$91	\$79	\$79	\$79
<i>Delinquency Rate</i>	4.7%	5%	4%	4%
<i>Client/staff ratio</i>	407	411	463	508
<i># of Active Clients</i>	4,067	5,339	6,479	7,619
<i>% Women</i>	100%	100%	100%	100%
<i>Operational Self-sufficiency</i>	131%	130%	156%	170%
<i>Financial Self-sufficiency</i>	81%	95%	109%	117%

¹ ODEF will be replacing many of its large individual loans with smaller group loans at more competitive interest rates.

BASELINE DATA AND PROGRAM TARGETS: GUATEMALA

Note: 9/30/98 is the end of FY98 (baseline year) for this program.

MUDE	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$188,270	\$207,000	\$281,000	\$273,000
<i>Avg. Loan Term (nominal /effective)</i>	36% / 14%	36% / 40%	36% / 45%	36% / 50%
<i>Avg. Loan Size</i>	\$116	\$123	\$129	\$134
<i>Delinquency Rate</i>	22%	3%	3%	3%
<i>Client/staff ratio</i>	324	496	547	597
<i># of Active Clients</i>	1,622	1,680	2,180	2,780
<i>% Women</i>	100%	75%	75%	75%
<i>Operational Self-sufficiency</i>	82%	53%	70%	90%
<i>Financial Self-sufficiency</i>	59%	46%	60%	75%

BASELINE DATA AND PROGRAM TARGETS: El Salvador

Note: 9/30/98 is the end of FY98 (baseline year) for this program.**

ASEI*	9/30/98	FY99**	FY00	FY01
<i>Outstanding Loan Portfolio</i>	<i>N/A</i>	<i>\$372,000</i>	<i>\$400,000</i>	<i>\$500,000</i>
<i>Avg. Loan Term (nominal /effective)</i>		<i>36%/38%</i>	<i>36%/42%</i>	<i>38%/47%</i>
<i>Avg. Loan Size</i>		<i>\$128</i>	<i>\$116</i>	<i>\$125</i>
<i>Delinquency Rate</i>		<i>11%</i>	<i>9%</i>	<i>7%</i>
<i>Client/staff ratio</i>		<i>323</i>	<i>313</i>	<i>308</i>
<i># of Active Clients</i>		<i>2,910</i>	<i>3,445</i>	<i>4,000</i>
<i>% Women</i>		<i>88%</i>	<i>90%</i>	<i>90%</i>
<i>Operational Self-sufficiency</i>		<i>140%</i>	<i>155%</i>	<i>161%</i>
<i>Financial Self-sufficiency</i>		<i>118%</i>	<i>134%</i>	<i>140%</i>

* ASEI became part of the MG3 Agreement in February 2000 (Q2 FY00).

**Baseline as of 9/30/99

BASELINE DATA AND PROGRAM TARGETS: NICARAGUA

Note: 9/30/98 is the end of FY98 (baseline year) for this program.

LEON 2000	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$379,000	\$580,000	\$712,000	\$879,000
<i>Avg. Loan Term (nominal /effective)</i>	45% / 39%	45% / 40%	45% / 41%	45% / 42%
<i>Avg. Loan Size</i>	\$178	\$208	\$213	\$219
<i>Delinquency Rate</i>	10%	7%	5%	5%
<i>Client/staff ratio</i>	236	278	304	334
<i># of Active Clients</i>	2,127	2,784	3,341	4,007
<i>% Women</i>	59%	70%	70%	70%
<i>Operational Self-sufficiency²</i>	93%	113%	123%	139%
<i>Financial Self-sufficiency</i>	58%	84%	90%	97%

FUNDENUSE	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$450,000	\$441,000	\$520,000	\$590,000
<i>Avg. Loan Term (nominal /effective)</i>	49% / 38%	49% / 44%	49% / 47%	49% / 50%
<i>Avg. Loan Size</i>	\$420	\$412	\$398	\$381
<i>Delinquency Rate</i>	10%	5%	5%	5%
<i>Client/staff ratio</i>	107	134	163	193
<i># of Active Clients</i>	1,069	1,069	1,306	1,546
<i>% Women</i>	60%	60%	60%	60%
<i>Operational self-sufficiency⁴</i>	99%	95%	101%	114%
<i>Financial Self-sufficiency</i>	51%	76%	80%	88%

² Partners' sufficiency in 1999 includes costs of new staff and Matching Grant support. While short-term rates appear to drop in the case of these Partners, the institutional self-sufficiency will be in stronger in Years 3-5.

Schedule of Activities: KATALYSIS REGIONAL FIELD OFFICE/HONDURAS

ACTIVITY/PARTNER		GUATEMALA	HONDURAS		NICARAGUA	
		MUDE	ODEF	FAMA	LEON 2000	FUNDENUSE
1	Board Development	1		1	1	1
2	Strategic and Operational Plans	1		1	1	1
3	Management of Credit Administration					
3.1	Loan Portfolio, strengthening and consolidation	1-3	1-3	1-3	1-3	1-3
3.1.1	Analysis and evaluation of portfolio	1	1	1	1	1
3.1.2	Processes to approve and recover loans	2	2	2	2	2
3.1.3	Classification of loan portfolio	1	1	1	1	1
3.1.4	Portfolio oversight	1-2	1-2	1-2	1-2	1-2
3.1.5	Delinquency analysis	1		1	1	1
3.1.6	Implementation, follow-up and monitoring	1-3	1-3	1-3	1-3	1-3
4	Management of Financial Administration					
4.1	Cash flow, budget management, compliance and use of financial indicators	1-3	1	1	1-3	1-3
4.2	Structure of interest rates	1-2	1-2	1-2	1-2	1-2
4.3	Implementation, follow-up and monitoring	1-3	1-3	1-3	1-3	1-3
5	Management of Financial Indicators and Evaluation of Results					
5.1	Sufficiency of capital, quality of assets, management, profitability, liquidity, growth	1-2	1-2	1-2	1-2	1-2
5.2	Implementation, follow-up and monitoring	1-3	1-3	1-3	1-3	1-3

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

Schedule of Activities: KATALYSIS REGIONAL FIELD OFFICE/HONDURAS Page 2

	ACTIVITY/PARTNER	GUATEMALA	HONDURAS		NICARAGUA	
		MUDE	ODEF	FAMA	LEON 2000	FUNDENUSE
6	Management Information Systems (MIS)					
6.1	Installation and/or updating of computerized MIS and follow-up training and technical assistance	1			1-2	1-2
6.2	Use of computerized MIS	1-2	1-2	1-2	1-2	1-2
6.3	Follow-up and monitoring	1-3	1-3	1-3	1-3	1-3
7	Management of Microcredit Methodologies					
7.1	Preparation of Partnership Microcredit Model manual	1-3	1-3	1-3	1-3	1-3
7.2	Implementation, follow-up and monitoring	1-3	1-3	1-3	1-3	1-3
8	Partnership Exchanges					
8.1	Credit analysis	1-2	1-2	1-2	1-2	1-2
8.2	Portfolio management	1-2	1-2	1-2	1-2	1-2
8.3	Fund Accounting procedures and systems	1-2	1-2	1-2	1-2	1-2
8.4	Strategic planning	1-2	1-2	1-2	1-2	1-2
8.5	Cash flow management	1-2	1-2	1-2	1-2	1-2
8.6	Financial projections	1-2	1-2	1-2	1-2	1-2
8.7	Financial management policies and best practices	1-2	1-2	1-2	1-2	1-2
8.8	Policies, procedures, and standards for Partnership reporting	1-2	1-2	1-2	1-2	1-2
8.9	Policies for internal and external audits	1-2	1-2	1-2	1-2	1-2
8.10	Implementation, follow-up and monitoring	1-3	1-3	1-3	1-3	1-3

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

Program Implementation: PARTNERS

		GUATEMALA	HONDURAS		NICARAGUA	
Activity		MUDE	ODEF	FAMA	LEON 2000	FUNDENUSE
9	Microcredit Programs					
9.1	Community Banking	1-3	1-3	1-3	1-3	1-3
9.2	Solidarity Groups		1-3		1-3	1-3
9.3	Individual Loan Program		1-3		1-3	1-3
10	New Technical Staff					
10.1	Microcredit Specialist	1-3	1-3	2-3	1-3	1-3
11	Installation and/or Updating of Computerized MIS	1			1-2	1-2

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

Schedule of Activities: KATALYSIS HEADQUARTERS

	ACTIVITY	Year 1	Year 2	Year 3
12	KAT/USA Institutional Strengthening			
12.1	• Board Development	✓	✓	✓
12.2	• Business Plan Implementation	✓	✓	✓
12.3	• DOSA (Discussion-Oriented Self-Assessment) Implementation	✓	✓	✓
12.4	• Financial and Administrative Oversight	✓	✓	✓
13	Increase Microcredit Staff Expertise, Technical Capacity, Financial Portfolio Management			
13.1	• Participation in industry activities	✓	✓	✓
13.2	• Resource for information on best practices, newest tools and technologies for Regional Field Office	✓	✓	✓
13.3	• Hire Microcredit Associate	✓		
13.4	• Hire second Community Banking Coordinator at the RFO	✓		
14	Increase Staff and Board Competencies in Microcredit			
14.1	• Partner Directors Meetings	✓	✓	✓
14.2	• Katalysis Board Meetings	✓	✓	✓
14.3	• Microcredit Training for Senior Staff (Katalysis/USA and RFO)	✓	✓	✓
15	Grants Management	✓	✓	✓
16	Loan Products Development	✓	✓	✓
17	Mobilization of Credit			
17.1	• Development of Katalysis Capital Fund	✓	✓	✓
17.2	• Access to credit from large foundations, institutional funders, and multi-lateral organizations	✓	✓	✓
17.3	• Establish links to formal financial markets	✓	✓	✓

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

KATALYSIS HEADQUARTERS ACTIVITIES - Page 2		Year 1	Year 2	Year 3
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	✓	✓	✓
19	Resource Mobilization Training and Technical Assistance to Partners	✓	✓	✓
20	Consolidation of Central American Network			
20.1	• Orientation of New Partners in Nicaragua	✓		
21	Partnership Management & Strengthening			
21.1	• Partner Directors' Meetings	✓	✓	✓
21.2	• Partnership Workshops at Board Meetings	✓	✓	✓
22	Institutional Strengthening to RFO			
22.1	• RFO Board Development	✓	✓	✓
22.2	• Oversight of Business Plan implementation	✓	✓	✓
22.3	• Partnership Training	✓	✓	✓
22.4	• Management and Growth	✓	✓	✓
23	Program Evaluation			✓

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

Katalysis Partnership

Detailed Implementation Plan - Planning Matrix
CA: FAO-A-00-98-00052-00
May 26, 1999

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p><u>Program Country Level</u></p> <p>❖ Expansion of the Partnership network in Central America</p>	<p>1. Number of Partners in C.A. network</p> <p>2. Number of Countries in regional network</p> <p>3. # of new clients impacted</p>	<p>1. Increase in the number of C.A. Partners by 2</p> <p>Baseline: 2 Partners in Honduras; 1 in El Salvador; 3 in Guatemala</p> <p>EOP: 2 added in Nicaragua</p> <p>2. Increase in the number of countries in C.A. region by 1 (Nicaragua); total of 4 countries</p> <p>Baseline: 3 countries, i.e. Honduras, Guatemala and El Salvador</p> <p>EOP: 1 new country, i.e. Nicaragua</p> <p>3. Baseline: 18,557</p> <p>EOP: an increase of 13,395 clients</p>	<ul style="list-style-type: none"> • Annual Report • Quarterly HQ management team review 	<p>1. Consolidation of the Central American Network by orientation of new Partners in Nicaragua</p> <p>Activity #20.1</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p>❖ Significant increase in client outreach for each Partner, particularly to women in marginalized urban and rural areas</p>	<p>Increase in credit capital during life of grant, number and gender of clients, average loan size, number of loans, value of loans outstanding</p> <p>1. Increase in client base</p> <p>2. % of women clients</p> <p>3. Total loan portfolio</p>	<p>1. Client base/Honduras: BOP: 13,739 EOP: 23,619</p> <ul style="list-style-type: none"> • Client base/ Guatemala – BOP: 1,622 EOP: 2,780 • Client base/ Nicaragua – BOP: 3,196 EOP: 5,553 <p>2. % of women/ Honduras, BOP: 83% EOP: 86%</p> <ul style="list-style-type: none"> • % of women/ Guatemala BOP: 100% EOP: 75% • % of women/ Nicaragua BOP: 60% EOP: 67% <p>3. % of portfolio growth/ Honduras: 38%</p> <ul style="list-style-type: none"> • % of portfolio growth/ Guatemala: 45% • % of portfolio growth/ Nicaragua: 77% 	<ul style="list-style-type: none"> • Semi-annual program report to Grant Administrator • Quarterly financial reports from the Partners to RFO • Annual reports to Program Officer • Measurement using selected indicators from among the Micro-CAMEL-S indicators, i.e. <ul style="list-style-type: none"> ◆ Size of loan portfolio ◆ Average loan term (nominal/effective) ◆ Delinquency Rate ◆ Client/staff ratio ◆ # of clients ◆ % of women ◆ Operational self-sufficiency ◆ Financial self-sufficiency 	<p>Activities #9.1-9.3</p> <p>Activity #2.0</p> <p>Activities #3.1-3.1.6</p> <p>Activities #4.1 – 4.3</p> <p>Activities #5.1 – 5.2</p>

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OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
	4. Average loan size	4. Average loan size	<ul style="list-style-type: none"> • K/Partner funding portfolio (K/Partners) • Comparability of Partner microcredit data as verified in quarterly and annual reports (K) • Verified Partner organizational policies and practices for microcredit and organizational management (Partners) • MG quarterly and financial reports (K) • MG annual reports (K) • Annual audits (K/Partners) • Evaluation, Year 3 (USAID) 	

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OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p>❖ Movement of Partner organizations to technical, financial, and institutional self-sufficiency:</p> <p>1. Improved technical capacity</p> <p>2. Improved portfolio management/ accounting systems</p> <p>3. Improved financial self-sufficiency</p>	<p>➤ # microcredit staff</p> <p>➤ microcredit management software installed, operational and current at each Partner office</p> <p>➤ Operational and financial self-sufficiency data</p> <p>➤ Quality of loan portfolio or portfolio at risk</p>	<p>◆ 1 Microcredit specialist added to each of the 6 Partner staffs</p> <p>◆ BOP: RFO & 4 Partners have systems</p> <p>◆ EOP: RFO & 5 Partners have systems (Year 1 & 2)</p> <p>◆ Operational sustainability of 100% or better for 5 of 6 C.A. Partners; and financial sustainability of 100% or better for 2 of 6.</p> <p>◆ Baseline: rates at 5-10%</p> <p>◆ Target: 3-5%</p>	<p>• Job descriptions & personnel records to validate hires</p> <p>• Computer installations and training completed</p> <p>• Field staff monitoring trip reports (K)</p> <p>• Partner semi-annual reports describing implementation/use of management tools.</p> <p>• Onsite field staff follow-up and monitoring verifying that procedures are being implemented and integrated at the Partner level</p>	<p>Partners each hire a microcredit specialist in consultation with the RFO Activity #11</p> <p>Staff training at the time of installation.</p> <p>Activities #3 – 5</p> <p>Activities #8.1 – 8.10</p>



OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
4. Improved administrative management and governance	<ul style="list-style-type: none"> ➤ Consistent use of selected Micro-CAMEL-S indicators as management decision-making tools by Partner administrators ➤ Participation in Partnership trainings and cooperation with Katalysis ongoing technical analysis and assistance. 8 Partnership trainings (2 - 3 per year) for Partner staffs each year ➤ Partner boards have been trained in microcredit governance. 	<ul style="list-style-type: none"> ◆ Partner operational plans based on their strategic plans, year 1 ◆ Implementation of procedures resulting from financial administration trainings, years 1-3 ◆ Current pattern for Partners is 2-3 per year ◆ BOP: 1 trained EOP: 6 trained 	<ul style="list-style-type: none"> • Field staff trip reports • Field staff quarterly reports • Partners operational plans • Materials and agendas for trainings (K) • Participant evaluations for workshops 	<p>Activities #2, #3, #7 Activity #4 Activity #5</p> <p>Activity #8</p> <p>Activity #1</p>

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OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p style="text-align: center;"><u>Katalysis</u> <u>Headquarters/Field</u> <u>Office</u></p> <p>❖ To build Katalysis' institutional capacity so that it can pursue a strategy of excellence and competence in its service delivery to its Partner network by</p>				
<p>1. Building organizational capacity to mobilize diversified funding resources</p>	<ul style="list-style-type: none"> ➤ # of donors ➤ Diversified staff expertise ➤ Board Marketing/Fundraising Committee involvement ➤ Refined cost/benefit analysis 	<ul style="list-style-type: none"> ◆ BOP: # ◆ EOP: # ◆ BOP: Director and Assistant ◆ EOP: Director, Associate, Assistant & defined consultant specialists 	<ul style="list-style-type: none"> • Annual statistics for donor records, including # and amounts given • Cost of raising one private donor dollar • Department personnel job descriptions and resumes 	<ul style="list-style-type: none"> a. Expanding Marketing/Fund raising department b. 1 strategic fund development training for staff and board per year <p>Activities #17.1 – 17.3 #18.1 #19</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p>2. Increase capacity to deliver effective and efficient technical assistant services to the Partners</p>	<p>➤ # microcredit staff</p> <p>➤ Range of Products and Services</p>	<ul style="list-style-type: none"> ◆ Hire additional Community Banking Specialist, Central America (Year 1) ◆ Hire Microcredit Associate at Katalysis/USA (Year 1-2) ◆ BOP: Service to 6 Partners, 4 microcredit-based Partners and 2 multi-sectoral Partners ◆ EOP: Services to 2 additional Partners in a new country with growth of 5 out of 6 C.A. project participant Partners to 100% operational self-sufficiency ◆ Microcredit Model developed ◆ New Products Researched and Integrated 	<ul style="list-style-type: none"> • Organization charts • Copies of training materials • Field staff trip reports • Consultant trip reports • Production of Microcredit Model • Annual Reports 	<p>a. RFO adds Community Banking Specialist to the Microcredit Team Activity #13.4</p> <p>b. Microcredit Associate Hired Activity #13.4</p> <p>Activity #7.1 – 7.2</p> <p>Activity #16</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
3. Increase strength of Katalysis as a microfinance institution	<ul style="list-style-type: none"> ➤ Grant business plan ➤ Create an independent Capital Fund for onlending to Partners ➤ Implementation of the Fund 	<ul style="list-style-type: none"> ◆ Matching grant business plan, year 1 ◆ Establishment of the credit fund, year 1 ◆ Distribution of loans to Partners according to the procedures manual 	<ul style="list-style-type: none"> • The business plan document • Documents establishing the credit fund: incorporation, by-laws, and procedures manual • Loan records 	<ul style="list-style-type: none"> a. Strategic planning at HQ & RFO for business plan Activities #12.1 – 12.4 b. Research funds Activity #22.2 c. Develop fund d. Approval by Board Activity #17.1
4. Increase staff and board microcredit competencies	<ul style="list-style-type: none"> ➤ # microcredit industry trainings/conferences attended by staff 	<ul style="list-style-type: none"> ◆ Targets: ◆ Board-- Annual board meetings to involve a training ◆ Staff-- 1/staff/year x 3 years of project ◆ Partner Directors—3 joint meetings per year 	<ul style="list-style-type: none"> • Minutes of the board and Partner Directors meetings • Trip reports on trainings and conferences in which staff members participate 	<ul style="list-style-type: none"> a. Management and microcredit staff participate in microcredit-related conferences and trainings Activities # 14.1 – 14.3 13.1 – 13.2 21.1 – 21.2
5. Improve organizational learning capacity	<ul style="list-style-type: none"> ➤ Consistent annual organizational self-assessment 	<ul style="list-style-type: none"> ◆ Application of the DOSA tool + organizational integration of debriefing analysis 	<ul style="list-style-type: none"> • Internal analysis of DOSA results • Inclusion of the lessons learned incorporated in the annual report as appropriate 	<ul style="list-style-type: none"> a. Annual participation in DOSA Activity #12.3



OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
6. Improve organizational operational efficiency	<ul style="list-style-type: none"> ➤ Effective strategic planning ➤ Focused meetings at organizational and departmental levels ➤ Final Evaluation 	<ul style="list-style-type: none"> • Completed in 3 years 	<ul style="list-style-type: none"> • Consultant terms of reference • Institutional lessons learned detailed in staff reports and annual reports to USAID • Scope of work • Final evaluation document 	<ul style="list-style-type: none"> a. Team building workshop and follow-up trainings in communications skills, coaching for personal and managerial effectiveness, and human dynamics. Activity #12 Activity #23

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Program Implementation: PARTNERS

		GUATEMALA	HONDURAS		NICARAGUA	
Activity		MUDE	ODEF	FAMA	LEON 2000	FUNDEUSE
9	Microcredit Programs					
9.1	Community Banking	1-3	1-3	1-3	1-3	1-3
9.2	Solidarity Groups		1-3		1-3	1-3
9.3	Individual Loan Program		1-3		1-3	1-3
10	New Technical Staff					
10.1	Microcredit Specialist	1-3	1-3	2-3	1-3	1-3
11	Installation and/or Updating of Computerized MIS	1			1-2	1-2

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

Schedule of Activities: KATALYSIS HEADQUARTERS

	ACTIVITY	Year 1	Year 2	Year 3
12	KAT/USA Institutional Strengthening			
12.1	• Board Development	✓	✓	✓
12.2	• Business Plan Implementation	✓	✓	✓
12.3	• DOSA (Discussion-Oriented Self-Assessment) Implementation	✓	✓	✓
12.4	• Financial and Administrative Oversight	✓	✓	✓
13	Increase Microcredit Staff Expertise, Technical Capacity, Financial Portfolio Management			
13.1	• Participation in industry activities	✓	✓	✓
13.2	• Resource for information on best practices, newest tools and technologies for Regional Field Office	✓	✓	✓
13.3	• Hire Microcredit Associate	✓		
13.4	• Hire second Community Banking Coordinator at the RFO	✓		
14	Increase Staff and Board Competencies in Microcredit			
14.1	• Partner Directors Meetings	✓	✓	✓
14.2	• Katalysis Board Meetings	✓	✓	✓
14.3	• Microcredit Training for Senior Staff (Katalysis/USA and RFO)	✓	✓	✓
15	Grants Management	✓	✓	✓
16	Loan Products Development	✓	✓	✓
17	Mobilization of Credit			
17.1	• Development of Katalysis Capital Fund	✓	✓	✓
17.2	• Access to credit from large foundations, institutional funders, and multi-lateral organizations	✓	✓	✓
17.3	• Establish links to formal financial markets	✓	✓	✓

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

KATALYSIS HEADQUARTERS ACTIVITIES - Page 2		Year 1	Year 2	Year 3
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	✓	✓	✓
19	Resource Mobilization Training and Technical Assistance to Partners	✓	✓	✓
20	Consolidation of Central American Network			
20.1	• Orientation of New Partners in Nicaragua	✓		
21	Partnership Management & Strengthening			
21.1	• Partner Directors' Meetings	✓	✓	✓
21.2	• Partnership Workshops at Board Meetings	✓	✓	✓
22	Institutional Strengthening to RFO			
22.1	• RFO Board Development	✓	✓	✓
22.2	• Oversight of Business Plan implementation	✓	✓	✓
22.3	• Partnership Training	✓	✓	✓
22.4	• Management and Growth	✓	✓	✓
23	Program Evaluation			✓

NOTE: 1 = Year 1 (FY99); 2 = Year 2 (FY00); 3 = Year 3 (FY01)

Katalysis Partnership

Detailed Implementation Plan - Planning Matrix

CA: FAO-A-00-98-00052-00

May 26, 1999

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p><u>Program Country Level</u></p> <p>❖ Expansion of the Partnership network in Central America</p>	<p>1. Number of Partners in C.A. network</p> <p>2. Number of Countries in regional network</p> <p>3. # of new clients impacted</p>	<p>1. Increase in the number of C.A. Partners by 2</p> <p>Baseline: 2 Partners in Honduras; 1 in El Salvador; 3 in Guatemala</p> <p>EOP: 2 added in Nicaragua</p> <p>2. Increase in the number of countries in C.A. region by 1 (Nicaragua); total of 4 countries</p> <p>Baseline: 3 countries, i.e. Honduras, Guatemala and El Salvador</p> <p>EOP: 1 new country, i.e. Nicaragua</p> <p>3. Baseline: 18,557</p> <p>EOP: an increase of 13,395 clients</p>	<ul style="list-style-type: none"> • Annual Report • Quarterly HQ management team review 	<p>1. Consolidation of the Central American Network by orientation of new Partners in Nicaragua</p> <p>Activity #20.1</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
❖ Significant increase in client outreach for each Partner, particularly to women in marginalized urban and rural areas	Increase in credit capital during life of grant, number and gender of clients, average loan size, number of loans, value of loans outstanding 1. Increase in client base 2. % of women clients 3. Total loan portfolio	1. Client base/Honduras: BOP: 13,739 EOP: 23,619 • Client base/ Guatemala – BOP: 1,622 EOP: 2,780 • Client base/ Nicaragua – BOP: 3,196 EOP: 5,553 2. % of women/Honduras, BOP: 83% EOP: 86% • % of women/ Guatemala BOP: 100% EOP: 75% • % of women/ Nicaragua BOP: 60% EOP: 67% 3. % of portfolio growth/ Honduras: 38% • % of portfolio growth/ Guatemala: 45% • % of portfolio growth/ Nicaragua: 77%	• Semi-annual program report to Grant Administrator • Quarterly financial reports from the Partners to RFO • Annual reports to Program Officer • Measurement using selected indicators from among the Micro-CAMEL-S indicators, i.e. ♦ Size of loan portfolio ♦ Average loan term (nominal/effective) ♦ Delinquency Rate ♦ Client/staff ratio ♦ # of clients ♦ % of women ♦ Operational self-sufficiency ♦ Financial self-sufficiency	Activities #9.1-9.3 Activity #2.0 Activities #3.1-3.1.6 Activities #4.1 – 4.3 Activities #5.1 – 5.2

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
	4. Average loan size	4. Average loan size	<ul style="list-style-type: none"> • K/Partner funding portfolio (K/Partners) • Comparability of Partner microcredit data as verified in quarterly and annual reports (K) • Verified Partner organizational policies and practices for microcredit and organizational management (Partners) • MG quarterly and financial reports (K) • MG annual reports (K) • Annual audits (K/Partners) • Evaluation, Year 3 (USAID) 	

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p>❖ Movement of Partner organizations to technical, financial, and institutional self-sufficiency:</p> <p>1. Improved technical capacity</p> <p>2. Improved portfolio management/ accounting systems</p> <p>3. Improved financial self-sufficiency</p>	<p>➤ # microcredit staff</p> <p>➤ microcredit management software installed, operational and current at each Partner office</p> <p>➤ Operational and financial self-sufficiency data</p> <p>➤ Quality of loan portfolio or portfolio at risk</p>	<p>◆ 1 Microcredit specialist added to each of the 6 Partner staffs</p> <p>◆ BOP: RFO & 4 Partners have systems</p> <p>◆ EOP: RFO & 5 Partners have systems (Year 1 & 2)</p> <p>◆ Operational sustainability of 100% or better for 5 of 6 C.A. Partners; and financial sustainability of 100% or better for 2 of 6.</p> <p>◆ Baseline: rates at 5-10%</p> <p>◆ Target: 3-5%</p>	<p>• Job descriptions & personnel records to validate hires</p> <p>• Computer installations and training completed</p> <p>• Field staff monitoring trip reports (K)</p> <p>• Partner semi-annual reports describing implementation/use of management tools.</p> <p>• Onsite field staff follow-up and monitoring verifying that procedures are being implemented and integrated at the Partner level</p>	<p>Partners each hire a microcredit specialist in consultation with the RFO Activity #11</p> <p>Staff training at the time of installation.</p> <p>Activities #3 – 5</p> <p>Activities #8.1 – 8.10</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
4. Improved administrative management and governance	<ul style="list-style-type: none"> ➤ Consistent use of selected Micro-CAMEL-S indicators as management decision-making tools by Partner administrators ➤ Participation in Partnership trainings and cooperation with Katalysis ongoing technical analysis and assistance. 8 Partnership trainings (2 - 3 per year) for Partner staffs each year ➤ Partner boards have been trained in microcredit governance. 	<ul style="list-style-type: none"> ◆ Partner operational plans based on their strategic plans, year 1 ◆ Implementation of procedures resulting from financial administration trainings, years 1-3 ◆ Current pattern for Partners is 2-3 per year ◆ BOP: 1 trained EOP: 6 trained 	<ul style="list-style-type: none"> • Field staff trip reports • Field staff quarterly reports • Partners operational plans • Materials and agendas for trainings (K) • Participant evaluations for workshops 	<p>Activities #2, #3, #7 Activity #4 Activity #5</p> <p>Activity #8</p> <p>Activity #1</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
<p style="text-align: center;"><u>Katalysis</u> <u>Headquarters/Field</u> <u>Office</u></p> <p>❖ To build Katalysis' institutional capacity so that it can pursue a strategy of excellence and competence in its service delivery to its Partner network by</p>				
<p>1. Building organizational capacity to mobilize diversified funding resources</p>	<ul style="list-style-type: none"> ➤ # of donors ➤ Diversified staff expertise ➤ Board Marketing/Fundraising Committee involvement ➤ Refined cost/benefit analysis 	<ul style="list-style-type: none"> ◆ BOP: # ◆ EOP: # ◆ BOP: Director and Assistant ◆ EOP: Director, Associate, Assistant & defined consultant specialists 	<ul style="list-style-type: none"> • Annual statistics for donor records, including # and amounts given • Cost of raising one private donor dollar • Department personnel job descriptions and resumes 	<ul style="list-style-type: none"> a. Expanding Marketing/Fund raising department b. 1 strategic fund development training for staff and board per year <p>Activities #17.1 – 17.3 #18.1 #19</p>

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
3. Increase strength of Katalysis as a microfinance institution	<ul style="list-style-type: none"> ➤ Grant business plan ➤ Create an independent Capital Fund for onlending to Partners ➤ Implementation of the Fund 	<ul style="list-style-type: none"> ◆ Matching grant business plan, year 1 ◆ Establishment of the credit fund, year 1 ◆ Distribution of loans to Partners according to the procedures manual 	<ul style="list-style-type: none"> • The business plan document • Documents establishing the credit fund: incorporation, by-laws, and procedures manual • Loan records 	<ul style="list-style-type: none"> a. Strategic planning at HQ & RFO for business plan Activities #12.1 – 12.4 b. Research funds Activity #22.2 c. Develop fund d. Approval by Board Activity #17.1
4. Increase staff and board microcredit competencies	<ul style="list-style-type: none"> ➤ # microcredit industry trainings/conferences attended by staff 	<ul style="list-style-type: none"> ◆ Targets: ◆ Board-- Annual board meetings to involve a training ◆ Staff-- 1/staff/year x 3 years of project ◆ Partner Directors—3 joint meetings per year 	<ul style="list-style-type: none"> • Minutes of the board and Partner Directors meetings • Trip reports on trainings and conferences in which staff members participate 	<ul style="list-style-type: none"> a. Management and microcredit staff participate in microcredit-related conferences and trainings Activities # 14.1 – 14.3 13.1 – 13.2 21.1 – 21.2
5. Improve organizational learning capacity	<ul style="list-style-type: none"> ➤ Consistent annual organizational self-assessment 	<ul style="list-style-type: none"> ◆ Application of the DOSA tool + organizational integration of debriefing analysis 	<ul style="list-style-type: none"> • Internal analysis of DOSA results • Inclusion of the lessons learned incorporated in the annual report as appropriate 	<ul style="list-style-type: none"> a. Annual participation in DOSA Activity #12.3

OBJECTIVES	INDICATORS	BASELINE & TARGETS	MEASUREMENT METHOD, DATA SOURCE & FREQUENCY OF DATA COLLECTION	MAJOR PLANNED ACTIVITIES (See Attachment 2)
6. Improve organizational operational efficiency	<ul style="list-style-type: none"> ➤ Effective strategic planning ➤ Focused meetings at organizational and departmental levels ➤ Final Evaluation 	<ul style="list-style-type: none"> • Completed in 3 years 	<ul style="list-style-type: none"> • Consultant terms of reference • Institutional lessons learned detailed in staff reports and annual reports to USAID • Scope of work • Final evaluation document 	<ul style="list-style-type: none"> a. Team building workshop and follow-up trainings in communications skills, coaching for personal and managerial effectiveness, and human dynamics. Activity #12 Activity #23

**C. Revised Annual Targets
by Partner**

BASELINE DATA AND REVISED PROGRAM TARGETS: HONDURAS

Note: 9/30/98 is the end of FY98 (baseline year) for this program.

ODEF	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$2,309,660	\$2,088,000	\$2,613,000	\$3,032,446
<i>Avg. Loan Term (nominal /effective)</i>	36% / 38%	36% / 48%	36% / 50%	36% / 50%
<i>Avg. Loan Size</i>	\$238	\$210	\$204	\$280
<i>Delinquency Rate</i>	6.81%	5%	5%	5%
<i>Client/staff ratio</i>	509	431	431	217
<i># of Active Clients</i>	9,672	9,933	12,800	10,832
<i>% Women</i>	76%	80%	80%	80%
<i>Operational Self-sufficiency</i>	131%	132%	138%	139.2%
<i>Financial Self-sufficiency</i>	86%	115%	120%	95.3%

ODEF's decreased output projections for FY01 are directly related to recovery from Hurricane Mitch. Katalysis staff are working with them on their strategy and assisting them in reexamining their expansion strategy. ODEF will be replacing many of its large individual loans with smaller group loans at more competitive interest rates.

FAMA	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$369,815	\$413,800	\$500,200	\$526,407
<i>Avg. Loan Term (nominal /effective)</i>	36%/ 23%	36%/ 50%	36% / 55%	36%/65 %
<i>Avg. Loan Size</i>	\$91	\$79	\$79	137\$
<i>Delinquency Rate</i>	4.7%	5%	4%	7%
<i>Client/staff ratio</i>	407	411	463	275
<i># of Active Clients</i>	4,067	5,339	6,479	3,855
<i>% Women</i>	100%	100%	100%	98%
<i>Operational Self-sufficiency</i>	131%	130%	156%	102.8%
<i>Financial Self-sufficiency</i>	81%	95%	109%	81.5%

FAMA, too, is in a radical recovery from the damages of Mitch to their client base, plus a transition in organizational leadership. The FAMA Board of Directors is working closely with the RFO staff in getting the organization back on solid financial ground.

BASELINE DATA AND REVISED PROGRAM TARGETS: GUATEMALA

Note: 9/30/98 is the end of FY98 (baseline year) for this program.

MUDE	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$188,270	\$207,000	\$281,000	\$289,417
<i>Avg. Loan Term (nominal /effective)</i>	36% / 14%	36% / 40%	36% / 45%	36% / 65%
<i>Avg. Loan Size</i>	\$116	\$123	\$129	\$93
<i>Delinquency Rate</i>	22%	3%	3%	5%
<i>Client/staff ratio</i>	324	496	547	259
<i># of Active Clients</i>	1,622	1,680	2,180	3,104
<i>% Women</i>	100%	75%	75%	100%
<i>Operational Self-sufficiency</i>	82%	53%	70%	108%
<i>Financial Self-sufficiency</i>	59%	46%	60%	81.8%

MUDE's goals have been raised because they have been effectively responding to TA and seeing excellent results.

BASELINE DATA AND REVISED PROGRAM TARGETS: EL SALVADOR

Note: 9/30/98 is the end of FY98 (baseline year) for this program.**

ASEI*	9/30/98	FY99**	FY00	FY01
<i>Outstanding Loan Portfolio</i>	<i>N/A</i>	<i>\$372,000</i>	<i>\$400,000</i>	<i>\$500,000</i>
<i>Avg. Loan Term (nominal /effective)</i>		<i>36%/38%</i>	<i>36%/42%</i>	<i>38%/47%</i>
<i>Avg. Loan Size</i>		<i>\$128</i>	<i>\$116</i>	<i>\$125</i>
<i>Delinquency Rate</i>		<i>11%</i>	<i>9%</i>	<i>7%</i>
<i>Client/staff ratio</i>		<i>323</i>	<i>313</i>	<i>308</i>
<i># of Active Clients</i>		<i>2,910</i>	<i>3,445</i>	<i>4,000</i>
<i>% Women</i>		<i>88%</i>	<i>90%</i>	<i>90%</i>
<i>Operational Self-sufficiency</i>		<i>140%</i>	<i>155%</i>	<i>161%</i>
<i>Financial Self-sufficiency</i>		<i>118%</i>	<i>134%</i>	<i>140%</i>

* ASEI became part of the MG3 Agreement in February 2000 (Q2 FY00).

**Baseline as of 9/30/99

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BASELINE DATA AND REVISED PROGRAM TARGETS: NICARAGUA

Note: 9/30/98 is the end of FY98 (baseline year) for this program.

LEON 2000	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$379,000	\$580,000	\$712,000	\$995,000
<i>Avg. Loan Term (nominal /effective)</i>	45% / 39%	45% / 40%	45% / 41%	30% / 45%
<i>Avg. Loan Size</i>	\$178	\$208	\$213	\$303
<i>Delinquency Rate</i>	10%	7%	5%	10%
<i>Client/staff ratio</i>	236	278	304	253
<i># of Active Clients</i>	2,127	2,784	3,341	3,286
<i>% Women</i>	59%	70%	70%	70%
<i>Operational Self-sufficiency¹</i>	93%	113%	123%	150.6%
<i>Financial Self-sufficiency</i>	58%	84%	90%	115.4%

FL2000's goals have been modified to accommodate the Hurricane Mitch factor and the influx of additional funds for their credit portfolio.

FUNDENUSE	9/30/98	FY99	FY00	FY01
<i>Outstanding Loan Portfolio</i>	\$450,000	\$441,000	\$520,000	\$1,575,000
<i>Avg. Loan Term (nominal /effective)</i>	49% / 38%	49% / 44%	49% / 47%	36% / 43.5 %
<i>Avg. Loan Size</i>	\$420	\$412	\$398	\$374
<i>Delinquency Rate</i>	10%	5%	5%	5%
<i>Client/staff ratio</i>	107	134	163	175
<i># of Active Clients</i>	1,069	1,069	1,306	4,208
<i>% Women</i>	60%	60%	60%	62%
<i>Operational self-sufficiency¹</i>	99%	95%	101%	159.6%
<i>Financial Self-sufficiency</i>	51%	76%	80%	119.3%

FUNDENUSE's goals have been raised in response to their success thus far. In addition, they have had an influx of additional portfolio funding.

¹ Partners' sufficiency in 1999 includes costs of new staff and Matching Grant support. While short-term rates appear to drop in the case of these Partners, the institutional self-sufficiency will be in stronger in Years 3-5.

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D. Grant Activity Summary Charts

- 1. Cumulative Chart of Trainings & Partner Exchanges**
- 2. Schedule of Activities: Katalysis Headquarters**

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KATALYSIS PARTNERSHIP
TRAININGS AND PARTNER EXCHANGES
For KATALYSIS Partner Organizations
from OCTOBER 1, 1999 to SEPTEMBER 30, 2000 (FY00)

TRAININGS / EXCHANGES	DATE	ODEF	FAMA	MUDE	LEON	FUNDENUSE	ASEI
INSTITUTIONAL STRENGTHENING							
Managerial Development & Effective Communication Course (Module II)	Nov. 29- Dec. 1, 1999	X	X	X	X	X	
Managerial Development & Effective Communication Course (Module III)	January 17-18, 2000	X	X	X	X	X	
Katalysis' Partnership Strategic Planning Workshop	January 19, 2000	X	X	X	X	X	
Managerial Development & Effective Communication Course (Module IV)	March 03-09, 2000	X	X	X	X	X	
Human Behavior Laboratory on "Changing of Attitudes	March 27-28, 2000		X				
Social Marketing Course	June 26-28, 2000	X	X	X	X	X	X
Human Resource Development and Administration Course	Sept. 25-26, 2000	X	X	X	X	X	X
CREDIT PROGRAMS STRENGTHENING							
Best Microcredit Practices Solidarity Group Methodology with Genesis	January 24-28, 2000		X				
Credit Delinquency Management Workshop	March 29-April 1, 2000		X				
Best Microcredit Practices Solidarity Group Methodology with Genesis	June 17-23, 2000					X	
Portfolio Management Partner Exchange with ODEF	June 25-27, 2000	X		X	X	X	
Best Microcredit Practices Solidarity Group Methodology with Genesis	August 07-11, 2000				X		
PARTNER DIRECTORS MEETINGS							
Partner Directors meeting	January 20, 2000	X	X	X	X	X	
Partners Directors meeting to elaborate Katalysis' Strategic Partnership Plan	March 17 to 18, 2000	X	X	X		X	
Partner Directors meeting	April 05, 2000	X	X	X	X	X	X
Partner Directors meeting	Sept. 29, 2000	X	X	X	X	X	X
OTHERS							
Board of Directors Annual meeting	April 3-4, 2000	X	X	X	X	X	X
IDB's Project Programming and Evaluation meeting	June 29-30, 2000	X	X	X			
V IDB's Project Programming and Evaluation meeting	Sept. 28, 2000	X	X	X			

Schedule of Activities: KATALYSIS HEADQUARTERS

	ACTIVITY	Yr 2 Goal	Yr 2 Actual
12	KAT/USA Institutional Strengthening		
12.1	• Board Development	✓	✓
12.2	• Business Plan Implementation	✓	✓
12.3	• DOSA (Discussion-Oriented Self-Assessment) Implementation	✓	✓
12.4	• Financial and Administrative Oversight	✓	✓
13	Increase Microcredit Staff Expertise, Technical Capacity, Financial Portfolio Management		✓
13.1	• Participation in industry activities	✓	✓
13.2	• Resource for information on best practices, newest tools and technologies for Regional Field Office	✓	✓
13.3	• Hire Microcredit Associate	✓	✓
13.4	• Hire second Community Banking Coordinator at the RFO	✓	✓
14	Increase Staff and Board Competencies in Microcredit		
14.1	• Partner Directors Meetings	✓	✓
14.2	• Katalysis Board Meetings	✓	✓
14.3	• Microcredit Training for Senior Staff (Katalysis/USA and RFO)	✓	✓
15	Grants Management	✓	✓
16	Loan Products Development	✓	✓
17	Mobilization of Credit		
17.1	• Development of Katalysis Capital Fund	✓	✓
17.2	• Access to credit from large foundations, institutional funders, and multi-lateral organizations	✓	✓
17.3	• Establish links to formal financial markets	✓	

NOTE: Year 2 (FY00); GOAL for Year 2 is marked with an X; Q=quarter(s) in which goal is achieved

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KATALYSIS HEADQUARTERS ACTIVITIES - Page 2		Yr 2 Goal	Yr 2 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	✓	✓
19	Resource Mobilization Training and Technical Assistance to Partners	✓	✓
20	Consolidation of Central American Network		
20.1	• Orientation of New Partners in Nicaragua	✓	✓
21	Partnership Management & Strengthening		
21.1	• Partner Directors' Meetings	✓	✓
21.2	• Partnership Workshops at Board Meetings	✓	✓
22	Institutional Strengthening to RFO		
22.1	• RFO Board Development	✓	✓
22.2	• Oversight of Business Plan implementation	✓	✓
22.3	• Partnership Training	✓	✓
22.4	• Management and Growth	✓	✓
23	Program Evaluation		

NOTE: Year 2 (FY00); GOAL for Year 2 is marked with an X; Q=quarter(s) in which goal is achieved

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E. Documentation

- 1. Katalysis Newsletter – Katalysis Bank Accounts**
- 2. Katalysis Annual Report, FY 99**
- 3. Nicaraguan Bootstrap Bankers**
- 4. RFA Panel Presentation on Partnership by Gerald Hildebrand, September 12, 2000– Washington,DC**

Women Entrepreneurs of León

Meet Gladys Martinez, client of Katalysis Partner Fundación León 2000. Gladys has developed a successful panaderia in the Guadalupe section of León. With a sequence of four loans that have grown from C\$2,000 (\$160) to her current loan of C\$15,000 (\$1200), Gladys has expanded her business from her garage into an added room that doubled the size of her home.



What must have been a living room is her display area with cases of breads and cookies. Gladys has reserved a small sleeping area for her own personal living needs. The display area leads to the former garage where she and her employees prepare the



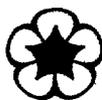
pastries. Sacks of flour line the garage ready for the days ahead. The large area that was added includes the bread preparation area where one of her staff uses equipment purchased with the loans to knead it until it is ready to be formed into the loaves or buns. The room radiates with heat from the oven itself which is stoked early each morning for the day's baking. Using large wooden paddles, the baker loads the shaped dough cement oven. Once the makes deliveries surrounding areas.

Gladys has dreams of business further, adding employees. However, baking business, and she buying increasingly maintaining prices that are suppliers. She knows learned how to hold their the size of the loaves regrets that she has to do that she must adapt to



continuing to expand her more space and competition is stiff in the is facing the challenge of expensive flour while competitive with larger these suppliers have prices down by reducing themselves. Gladys that, too, but realizes maintain her business.

Reported by Margaret Diener, OP, Katalysis' Director of Administration, on a recent visit to León (April 2, 2000).



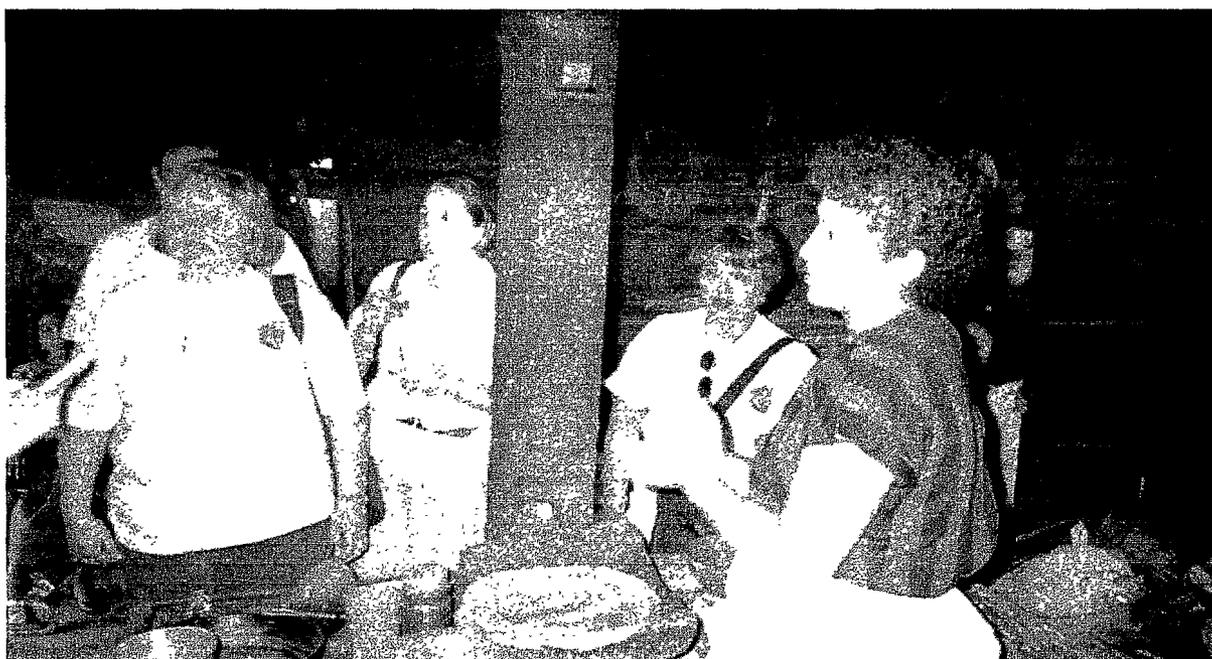
Maria Amparo Vargas lives in León. She became a client of Fundación León 2000 about one year ago, though she has eight years of experience in her tortilla-making business. She is in her fourth loan, increasing her borrowing from the initial loan of C\$1500 (\$120 US) to C\$3000 (\$240 US).

Maria has used these loans well. They have allowed her to change her purchasing patterns. Formerly she had to buy flour on a daily basis; now she can conserve her efforts buying sufficient flour in advance to focus on a higher daily output of delicious tortillas. She has also improved her work space. When we visited in April, she and her helper were making 500 tortillas a day.

She serves her piping hot tortillas with chili and cheese, a Nicaraguan treat!



Below, Maria visits with Katalysis Board of Directors members Devorah Miller of Washington, DC, and Santa de Euceda, Executive Director of ODEF in Honduras. Members were accompanied by translator Yvette Gurdian of Managua.



Reported by Margaret Diener, OP, Katalysis' Director of Administration, on a recent visit to León (April 2, 2000).



Marlon Sevilla Rodriguez, 21-year old bike repairman, is proud of his accomplishments of the past year.

He became a client of **FUNDENUSE**, Katalysis' Partner in **Ocotal, Nicaragua** a year ago. He has received four loans to-date. The first loan for 2000 cordobas (\$160) he repaid on time.

His subsequent loans have all been repaid ahead of schedule; and his current loan of C\$10,000 (\$800) is well on its way to repayment.

How has he built his business? Slowly. First he built the small repair "house" for his business and added a roof. Then he purchased some basic bike repair equipment, like the vise to hold parts of the bikes upon which he is working; and now he carries a small inventory of bike parts and add-ons.

The day we were visiting he was repairing and adjusting a new bike while his customer looked on. His mother poked her head in, too, to smile proudly at her son and to say hello to us. He has managed to improve the kitchen of the home they share, as well as to acquire a small stereo for himself and a small refrigerator in his shop.

What is his dream? To have a larger shop of his own and to be able to sell new bikes himself! With his record of accomplishments in one year, Marlon has a realizable dream in focus.



Reported by Margaret Diener, OP, Katalysis' Director of Administration, on a recent visit to Ocotal (April 5, 2000).

THE KATALYSIS PARTNERSHIP

PRESENTATION AT THE AID PVO PARTNERSHIP CONFERENCE

11 SEPTEMBER 2000

KATALYSIS IN BRIEF

The Katalysis Partnership is a network of one northern PVO and eight independent microcredit NGOs in four countries in Central America: Guatemala, Honduras, El Salvador, and Nicaragua. Its international headquarters is in Stockton, California (9 staff); its regional field office (RFO) is in Tegucigalpa, Honduras (14 local staff). Katalysis provides training, technical assistance, and access to credit to its southern Partners. The Partnership currently serves a client portfolio of 30,000 microentrepreneurs. Katalysis is in its third matching grant; it was the youngest and smallest PVO to receive its first matching grant in 1990.

DISTINGUISHING FEATURES OF THE KATALYSIS PARTNERSHIP

Katalysis has pioneered a new North/South developmental model that combines partnership and microcredit. The following represent its principal characteristics:

- ◆ MOU signed by all the Partners (North and South) which spells out shared values, practices and policies;
- ◆ Board of Directors comprised of 12 northern members and the 8 executive directors of southern Partner organizations which governs the Partnership;
- ◆ Annual Board of Directors meetings convened in the region and hosted by Partners on a rotating basis; includes field visits to Partner projects and North/South workshops;
- ◆ Partner Directors Council comprised of all Partner Executive Directors, Katalysis CEO and the Regional Field Director (one member, one vote), which deliberates all issues relating to the internal operations of the Partnership;
- ◆ Partner-driven south/south exchanges and mentorship initiatives which promote lateral learning;
- ◆ Joint trainings in which Partners share expertise, experience, and lessons learned; often co-facilitated by RFO and Partners;
- ◆ Partnership-wide proposal development and grant implementation;
- ◆ Partnership-wide commitment to institutional and microcredit performance standards;
- ◆ Shared commitment to sustainability at all levels: client, Partner, RFO, HQ;
- ◆ Partner responsibility for new Partner exploration, selection, and termination;
- ◆ Partner participation in selection of Katalysis CEO and Regional Field Director;
- ◆ Katalysis consultation on Partner executive director and technical staff hires;
- ◆ Full North-South transparency in all interactions;
- ◆ Partner cost-sharing in meeting Partnership expenses;
- ◆ Contractual agreements between Katalysis and Partners on all financial transactions defining roles, responsibilities, budget allocations, outputs, and reporting.

STRATEGIC CONTRIBUTIONS OF THE MATCHING GRANT PROGRAM (MGP)

1. NETWORK FORMATION AND DEVELOPMENT:

- Katalysis initiated the Partnership and fully funded its operation; MGP believed in the concept and provided the critical investment necessary to ensure its growth and maturation.
- MGP has funded Partner participation at Board meetings, Partner Director Council sessions, joint trainings, south/south exchanges, and mentorship relationships.
- MGP has funded customized training to each Partner in the areas of institutional strengthening and microcredit best practices implementation.
- MGP has underwritten the costs of new Partner exploration, selection and orientation.
- MGP provided funding to document the Katalysis Partnership experience (*CHOOSING PARTNERSHIP: The Evolution of the Katalysis Model*).

2. STRATEGIC FOCUS:

- MGP provided the funding that enabled Katalysis to embark upon an extensive strategic planning process which resulted in changing the organization's focus from that of a multi-sectoral PVO to one with a tightened microcredit focus.
- This process incorporated all principal stakeholders: Partners, Board, HQ and RFO and was consultant-facilitated.

3. STRENGTHENED TECHNICAL CAPACITY THROUGHOUT THE PARTNERSHIP:

- MGP helped to increase HQ expertise in the areas of financial management, administration, resource development, development education, and microcredit.
- MGP provided the funding for the establishment of a professional regional field office comprised of local microcredit technicians who provide cost-effective hands-on training and TA to the southern Partners.
- MGP strengthened the technical capacity of the southern Partners by funding the hiring of in-house microcredit specialists, installation of MIS systems, technical training in microcredit best practices, management training for executive directors, and compliance with institutional standards of performance which resulted in each Partner reaching operational self-sufficiency and all are also close to attaining financial self-sufficiency.

4. LEVERAGED FUNDING:

- MGP funding provided the seal of credibility to the Katalysis Partnership which helped us to attract significant co-financing from IDB/MIF (first regional program funded), CGAP, MIP (sustainability grants for 3 Partners), and AID country missions.
- This helped enable Katalysis to attract Board members who now donate more than \$200,000 annually to Katalysis operations.
- In addition, based on Katalysis' performance in microcredit delivery, the Board has seeded the Bootstrap Banking Fund to provide credit to the Partners to

onlend to their clients. Their initial contribution was \$600,000, with the intention to raise \$2 million in donations before accepting investments. The goal for the fund is \$10 million.

- The Partners have also instituted cost-sharing initiatives (based on a business plan commissioned under MG) that provide for annual membership fees (\$1000 per Partner per year), fees for service (\$27,000 in FY 2000), and meeting travel and per diem expenses to attend Katalysis Board and Partner Director Council meetings (previously funded by MGP).

5. FUTURE EXPANSION:

- MGP funding was instrumental in the development of a southern-driven Values-Mission-Vision-Strategic Plan for the network's three year growth strategy. This activity served to concretize the identity and ownership of the southern network by the Partners.
- Under the current MG, an extensive 18-week Market Study of the microcredit environment in Central America (northern PVO presence, independent NGOs, TA/training providers, national/regional coalitions) was completed and will be shared within the wider development community.
- This study will be the basis for developing the Partnership's comprehensive EXPANSION PLAN 2000, which will be a strategic document in the preparation of the next matching grant submission.
- Part of the EXPANSION PLAN 2000 will be the exploration of a new region (Mexico) where it is anticipated that the Partnership/Microcredit methodology will be replicated.
- In January, under MGP auspices, Katalysis will begin a comprehensive evaluation of the Partnership methodology and practices from the southern perspective. This will serve to both enhance and advance the future development of this evolving North/South enterprise.
- As the Partnership continues to grow, new categories of membership will be added which include emerging microcredit NGOs (who can benefit from the experience of the more advanced Partners) and Strategic Alliances that will incorporate the experience and expertise of universities, the private sector, and national microcredit coalitions in the region.
- All of the above will serve to increase the scale, deepen the market penetration and strengthen the southern voice in the microcredit industry in Central America.

ADVICE TO FIRST TIME MGP APPLICANTS:

1. You must demonstrate your ability to get your program off the ground with your own funds before you come to MGP for support. Although MGP is widely respected as the one grant program that takes risks and funds new and innovative initiatives, it is your responsibility to provide that initial investment that seeds your program and convinces MGP of its integrity and value.
2. Don't undertake the MGP application process (it is an extensive, time consuming process!) until you have given substantial thought to your mission, vision, values, and strategic planning process. The MGP is not a planning grant, it is an implementation grant which is designed to produce measurable results.
3. You may not be successful in your first grant submission (Katalysis wasn't either!). Don't be discouraged, at least you will get on MGP's radar screen. You will also get useful feedback on how you can strengthen your proposal for the next round.
4. MGP is one of the few grant programs that provides funding for both northern and southern institutional strengthening. It can be the launching pad to propel you into the full fledged development community. Get your act together and MGP will help you take it on the road!
5. Look closely at mentoring possibilities with PVOs that already have matching grants. At the very least, you can learn from their experience. Your initial association with an MGP recipient can help you position yourself for presenting the most convincing proposal to MGP. There are lots of lessons learned within the development community that can benefit you in this process.
6. Maintain direct personal contact with the AID country missions where you plan to initiate your program. Your proposal must fit within their strategic country framework and they have the authority to evaluate your proposal on that basis. The Missions should know you and your organization based on face-to-face meetings. It is especially helpful if your southern partner is included in those sessions.
7. MGP has put "partnership" on the map by mandating that all northern applicants must have pre-established relationships with southern NGOs. While this has advanced the concept more than any other single initiative, it can also be the impetus for arranging "shotgun partnerships" -- be cautious in the way in which you structure your association with your southern colleagues. It has implications beyond any grant cycle.
8. Take the MGP grant preparation process seriously -- the improved format will help you to analyze and understand your organization in ways that will have strategic impact. But get ready to dedicate significant human resources and appropriate time to its preparation. It is a rigorous undertaking but can be the single most pivotal funding decision you take in building and developing your organization.

**F. Katalysis Market
Study – Draft
Documents**

KATALYSIS PARTNERSHIP, INC.

DRAFT

***The Micro-Credit Environment
in Central America***

*Selection of Material from the Katalysis Partnership Market Study
Based on fieldwork from May 8-June 16, 2000*

Andrea L. Findley
in collaboration with
Martha Maria Salgado

April -August 2000

PREFACE

The information included in this document was originally prepared as a larger Market Study for the internal use of the Katalysis Partnership. This abridged version is a discussion of the micro-credit environment in the region—scope and scale of organizations present in the region, individual country market characteristics, technical assistance and training providers, micro-credit coalitions, and sources of program financing. Specific program information regarding the local organizations in our sample has been reduced to maintain confidentiality.

We would like to thank all of the organizations we visited during this study. Without the openness and collaborative spirit of the local organizations, coalitions, TA providers and USAID missions involved, this study would not have had the same depth and perspectives. We are particularly grateful to the local organizations who graciously accepted our interview invitations and shared sensitive program information and field perspectives.

Every effort was made to obtain the most up-to-date and accurate information from both international and local organizations. We apologize if any error is found.

We do not intend to suggest “the Market” identified in this study is the total and complete market in Central America. There are undoubtedly a number of organizations in all four countries that were not identified during this research. However, we are confident that the main actors in the field have been identified, and the study’s market and the sample from this market offer a reasonable overview of micro-credit activity in the countries examined.

Please note that the field data was collected from May 8-June 16, 2000.

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EXECUTIVE SUMMARY

The Katalysis Partnership proposed a Market Survey of the Micro-credit environment in Central America in order to gain a comprehensive understanding of the arena of existing local and international micro-credit practitioners, as well as technical assistance (TA) and training providers and national and regional coalitions.

Throughout the four countries of Nicaragua, El Salvador, Honduras and Guatemala, a total of 89 local NGOs were identified. Forty organizations were selected as the core survey sample. The overwhelming majority of the forty-nine other organizations that comprised the survey market were not personally visited because they did not meet basic survey criteria-- minimum 1,500 clients, micro-credit focus, and no exclusive international affiliation.

Three national micro-credit coalitions and six regional and national micro-credit TA and training providers were also interviewed, along with meetings with the USAID missions in each of the four countries.

There were some findings that are especially noteworthy. Of the 89 local organizations identified, nearly 46% of them are internationally affiliated and account for about 71% of the total 359,000 total clients reported. Katalysis ranks third in terms of total number of active clients reported by international organizations in the Central American region. Accion International and FINCA International rank first and second, respectively.

In addition, it was initially expected that the region would have fairly similar market characteristics. This was not the case, however. In fact, a varied micro-credit environment was found in each country. Agricultural and individual credit was found to be crucial in the Nicaraguan context, while Honduras was nearly dominated by group lending in urban areas (70%). Guatemalan organizations utilized a number of unique credit terms and practices not seen anywhere else in the region. In El Salvador and Guatemala, many smaller organizations were found and only two or three large ones. In Nicaragua and Honduras, a number of large and medium organizations dominated the market share. Access to capital also varied between countries, as did availability of external TA and training. This study most definitely confirmed that Katalysis is working in an emerging diverse micro-credit environment which has some shared similarities and some stark differences.

Throughout the region there appears to be limited availability of TA and training services, despite the fact that the demand for these services is high among local NGO's. Recently USAID missions have begun to provide TA and training through projects in El Salvador, Guatemala and Honduras and possibly Nicaragua in the near future. For a number of years in Honduras, the Mission entrusted this activity to Fundacion Covelo. Of all four countries, the Honduran organizations visited have received the most operational technical assistance due to their relation with Fundacion Covelo, who provided the TA along with program financing. Regionally based organizations are increasingly providing some assistance—most notably Genesis Empresarial of Guatemala. Accion International also appears to have begun providing some services to organizations outside of their network. Affordable TA and training services are definitely needed and the idea of cost-sharing appears to be entering the minds of many, although it is expected to take some time to wean local organizations from their dependence on free services and capital.

No regional micro-credit coalitions were found and national coalitions were identified only in Nicaragua and El Salvador. Deeper research to the nationally based coalitions illustrated that there is not much interaction between local micro-credit organizations, even though most groups interviewed sited information exchange as key to their continued development.

I. INTRODUCTION

❖ About Katalysis

Since its founding in 1984, Katalysis has been committed to advancing entrepreneurial solutions to the problems that underlie poverty and providing low-income populations in developing countries with tools to improve their economic and social conditions. Katalysis is known in the development community for pioneering a dynamic model of partnership which advances the common development goals, strengthens the sustainability of each Partner institution and creates a southern-driven lateral learning environment.

Initially a multi-sector development organization, the Katalysis Partnership Network has gradually expanded services from one partner in one country, to eight partner organizations in four countries. Leading up to 1996 the Katalysis Partnership began adjusting its focus to concentrate services to micro-credit programs as the vehicle to advance its development objective. The Katalysis network currently has a collective client base of over 27,000 and an active credit portfolio of over \$6.5 million.

The role of Katalysis is to help build the capacity of local Partners, advance the growth and sustainability of their microcredit services, and facilitate the ongoing exchange of relevant experiences and lessons learned within the network. Local professional staff at Katalysis' Regional Field Office (RFO) in Honduras provides all direct technical assistance, while Katalysis headquarters in California concentrates on Partnership expansion, resource mobilization, and research, development and documentation.

❖ Purpose of this Document

The original purpose of the Market Study was for internal Katalysis use—to provide solid information and insights from the micro-credit field to help in strategic planning. It is our intention to share what we learned with the general international development community through this abridged document. It is our hope that we will assist in expanding the understanding of the reality that currently exists in the micro-credit environment in the Central American region. To accomplish this, the document will:

1. Identify and investigate the universe of Micro-credit organizations in Central America, determining market characteristics in each country as well as the region.
2. Identify and investigate those organizations which offer technical assistance, training and capital mobilization services.
3. Identify any national and regional coalitions which connect the micro-credit community in the region.
4. Identify the sources of funding local organizations have accessed in each country.

❖ **The Research Team**

Actual fieldwork investigation was carried out by a joint team comprised of a member of the Katalysis USA staff, Andrea Findley, and a staff member of the Regional Field Office in Honduras, Martha Maria Salgado. Both have experience with a wide variety of micro-credit operations throughout the region.

Initial research was compiled by Ms. Findley. Project oversight was provided jointly by Gerald B. Hildebrand, President and CEO of Katalysis USA, and Daniel Martinez, Regional Field Director, with field supervision and coordination provided by Mr. Martinez.

The draft report was completed by Ms. Findley and was reviewed, discussed and edited by Mrs. Salgado, Mr. Martinez and Mr. Hildebrand, so that the final report is considered a joint product of both the North and the South. From initial research, to in-country fieldwork, to document preparation and revision, the study has been a major undertaking, involving more than twenty-two weeks of concentrated time and effort.

❖ **Research Methodology**

Initial information for this study was developed through California based research on the web. Among others, the following sources were consulted (through web-sites and links, publications, reports, personal contacts): the Micro-Credit Summit, SEEP Network, C-GAP personnel, Inter-Action, Inter-American Foundation, MIP/USAID and USAID missions. In addition, Katalysis Partner Directors gave their recommendations from the field, identifying other local NGOs, coalitions and TA providers.

Micro-Credit Organizations

Information regarding the International organizations was obtained through their web sites and phone interviews requesting information from their staffs in the United States. Every effort was made to acquire the most accurate and up-to date information.

Before beginning field investigations in the region, a preliminary list of local organizations working in micro-credit was completed. Further research in the field expanded this list and compiled basic information on all organizations to be used to define "the market". It should not be assumed that the market presented here is the actual scale in each country. There are surely many other small and far-removed organizations working in micro-credit which exist in these countries but were not identified in the study. However, it is believed that the markets presented here identify the most significant players in the field, and the scope reflects a good initial understanding as to the reality of the nature of the market.

From this market, various NGOs were chosen for the sample and formal letters requesting a meeting with the director of each organization were sent. Visits were planned based primarily on number of active clients and the methodology they use. Of the total number of organizations identified in each country, the sample includes 46% of the market in Nicaragua, 29% in Honduras, 52% in El Salvador, and 36% in Guatemala. Northern affiliated organizations, comprising an average of 33% of the market throughout the region, in most cases were purposely excluded from the sample, so the concentration would remain on local, independent NGOs.

Technical Assistance and Training Providers & Coalitions

International networks, which also provide TA and training, were initially researched in an effort to determine the market scope of micro-credit practitioners. Coalitions and local technical assistance providers were identified primarily through interviews with local NGOs and USAID representatives. All of the main, local technical assistance providers identified in each of the four countries were interviewed in the field.

An interview form was developed for meetings with Local NGOs, coalitions and TA and training providers. Local NGO interviews generally lasted 1-2 hours and attempted to draw out a picture of the organization's program, financial statistics, funding base, information system, technical assistance received, TA presently needed and attitude of the Director towards Katalysis.

❖ Organization of the Report

The most extensive element of the study, *Local Micro-credit Organizations* will be discussed first. This section is divided into country sections. The sections are identical in structure discussing the scale of the micro-credit arena first, and then the scope of the organizations contacted and characteristics of the market.

Next, *Technical Assistance Providers* will be discussed on the international, regional and local levels. The first part of this section addresses the main U.S. based networks. Also considered here are the locally based organizations that provide regional and/or national TA services to other local micro-credit institutions.

A short chapter, IV, *Coalitions*, will follow with a brief discussion of the findings from the national and regional arena.

Chapter V, *Funding Sources*, lists the various sources of financing accessed in each country by the organizations visited.

The last sections of the report will concentrate on region wide conclusions.

❖ Intent and Use of this Study

This release of the study is intended to provide a comprehensive view of the regional micro-credit environment in Central America. The market forces addressed include: distinctive characteristics of the microcredit movement in each country, the scale and scope of existing international and local microcredit NGOs, the nature of national and regional microcredit-focused coalitions, the presence and service coverage of microcredit TA and training providers, and some of the funding sources that have been accessed for micro-finance development. It is our hope that the findings will be beneficial for other micro-credit practitioners, donors and students in better understanding the nature of the environment in which we work. This document is copyrighted and should not be used without express permission from the Katalysis Partnership.

II. LOCAL ORGANIZATIONS

Local organizations providing micro-credit will be discussed by country, concentrating on the scale of the micro-credit arena; specifics regarding the sample selected; and characteristics observed in the micro-credit market of these countries.

Due to the focus of Katalysis to concentrate services on local NGOs, no commercial banks, formal financial institutions or cooperatives were considered in this study, although they have varying roles in the micro-credit market of these countries.

Note that all organizations in the body of the report are mentioned by their acronym; a full listing of their organizational titles appear in Annex A.

The following categories have been developed in order to initially classify the Micro-credit organizations identified in the market-wide scope.

International:*

- Micro-credit Replication network: NGOs which are directly linked to an International institution (as an affiliate, partner or branch office) or to an international micro-credit network. (*Acción, FINCA International, Opportunity International*)
- Multi-purpose International NGOs: have integrated or separate micro-credit programs, many of which are church-sponsored (*CRS, CARE, World Vision*)

International/ Local:

- Micro-credit NGOs which were spun off from an International NGO

*Local**:*

- Multi-purpose development NGOs which have micro-credit component within program.
- Locally initiated and often community based NGOs with regional or departmental scope, concentrating primarily in micro-credit.

* Internationally affiliated NGOs play a major role in the region's micro-credit activity. However the relationships between these northern and southern organizations differ substantially. Some generally range from very limited ties (perhaps some funding and consulting only) to a more involved relationship (specific TA and funding), to extensive affiliation (office may be directly tied to international organization). It is important to note that these "international ties" may be exclusive or inclusive in terms of collaborating with the Katalysis Partnership. Just because they are listed here does not automatically exclude them from consideration.

**Katalysis partner organizations were originally classified here although during the final region-wide conclusions in Part VI, they are considered "internationally associated" due to their relationship with Katalysis.

❖ NICARAGUA

1. Country Introduction*

Nicaragua is considered the “poorest” of Katalysis Partner countries in terms of GNP, GDP per capita income, adult literacy levels and the UNDP Human Development Index **. However it is not as poor as some of the other countries in terms of the UNDP Human Poverty Index ***, % of population under the international poverty line, nor the percentage of child malnutrition.

- Population: 4.8 million --lowest in Central America
- Surface area: 129,494 sq. km. (50,000 sq. miles) --largest in Central America
- GNP: \$2 billion
- Real GDP per capita: \$1997
- % Agriculture contributing to GDP: 34%
- % Rural population: 45%
- % Rural population contributing to agricultural production: 90% (from other source)
- % Population living below international poverty line****: 44%

- Human Development Index (HDI): 121 out of 174 nations (0.616)
- Human Poverty Index (HPI-1): 48th out of 92 nations considered (28%)
 - % Adult illiteracy: 36.6%
 - Child malnutrition (% of children under 5): 12%
 - % Population without access to safe water: 38%

2. The Micro-Credit Arena in Nicaragua

Through initial research, around thirty organizations were identified as comprising the “market” of micro-credit organizations in Nicaragua. Although the total number of organizations with some component of micro-finance is likely to be much more extensive, specific program information was obtained on twenty-four of these organizations, nine of which have a strong affiliation to an International organization or network.

* All data listed here is taken from the UNDP Human Development Report 1999 and the World Bank World and Country Development Indicator, 1998. For a compilation of data from all four countries, see Annex E.

** The Human Development Index (HDI) considers life expectancy at birth, literacy rate and education, as well as the adjusted per capita income in PPP \$ (purchasing power parity). Its value ranges from 0-1, with max. being 1.

***The Human Poverty Index for developing countries (HPI-1) is an additional measurement of poverty that considers the percentage of people not expected to survive to age 40, the adult literacy rate, and standard of living (percentage of people without access to safe drinking water, percentage of people without access to health services, and the percentage of underweight children under five years.

**** Defined by UNDP as \$2 (1985 PP\$) per day per person in the Latin American and Caribbean region.

- **International**

Five of the ten identified organizations with international ties are part of the International Micro-credit networks:

FINCA Nicaragua (FINCA)	ASODENIC (Opportunity International)
FAMA (ACCIÓN)	CRADHC (Enterprise Development International)
ProMujer	

Four are affiliated with multi-purpose International NGOs or were start-up projects receiving funding and some technical assistance:

- FUNDECAP (CRS)
- PRESTANIC (CEPAD)
- Caritas de Nicaragua/Matagalpa (Caritas Internationalis)
- World Vision (Fundación 4i 2000)

- **International/ Local**

One of these organizations, CHISPA, has spun off from its formal affiliation with MEDA and just recently achieved formal financial status as CONFIA, the only NGO to have done this so far.

- **Local**

Of the remaining fourteen local organizations identified in the market, four are multi-purpose development organizations containing a micro-credit component in their program. They include:

ADIM	CEPRODEL
Cenzontle	CESADE

Ten of the organizations are focused solely in Micro-credit. In Nicaragua these organizations may also have a large portion of their program in agriculture credit, but their primary activity is credit and not other development topics such as education, health, etc. Katalysis Partners, FUNDENUSE and León 2000 are included here along with:

ACODEP	FDL Nitlapan	FINDE	Fundación Nieborowski
ASODERI	FIDESA	FUDESI	Prodesa

- **Scale of operations**

In order to have an idea of the scale of the market, the twenty-four organizations have been divided into four categories based on size. Those with a check mark (✓) indicate organizations visited and included in the sample. Those with an asterisk (*) indicate some international affiliation.

Micro: organizations with less than 1,000 active clients

- ADIM
- CESADE
- CRADHC*
- FUDESI

Small: organizations that have between 1,000 and 4,500 clients

- ✓ ASODERI (not visited during this study but included in sample due to previous information gathered)
- Caritas de Nicaragua*
- ✓ CENZONTLE
- ✓ CEPRODEL
- ✓ FIDESA
- ✓ Fundación Nieborowski
- Fundación 4i 2000*
- ✓ FUNDECAP*
- ✓ FUNDENUSE
- ✓ León 2000
- ✓ Prodesa

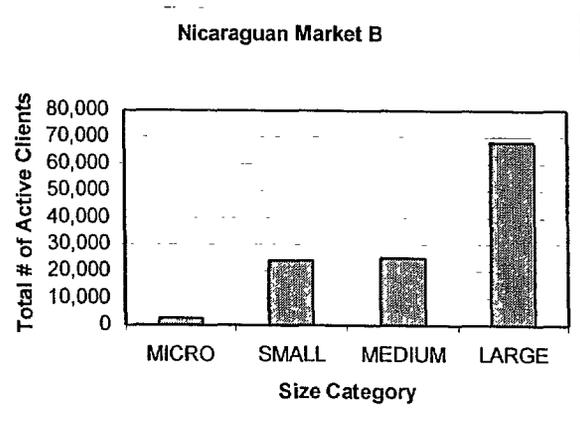
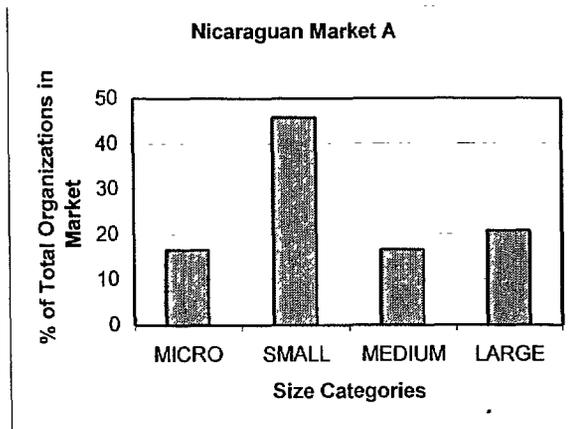
Medium: organizations with 4,500-10,000 clients

- ✓ FDL Nitlapan
- ✓ FINDE
- PRESTANIC*
- Pro Mujer*

Large: organizations with more than 10,000 clients

- ✓ ACODEP
- ASODENIC*
- CHISPA*
- FAMA*
- FINCA*

In total, these organizations considered to be the “market” have a combined total of about 120,000 clients. Of these, about 57% are concentrated in the 5 “large” organizations, around 21% in the four “medium”, 20% in the eleven “small” and less than 2% in the “micro” category. Chart A compares the percentage of the total organizations identified in market by their categories. Chart B illustrates the distribution of clients by category.



3. *The Sample: Organizations Contacted*

The field study was comprised of interviews with ten local organizations, in addition to information from the two Katalysis partners in the region, and previous information gathered on ASODERI (in June 1999), for a total of 13. FONDEFER was also visited but was identified as part of FENACOOOP, the National Federation of Cooperatives and therefore was not included.

The other eleven organizations in the Nicaraguan market not included in the sample were purposely excluded for various reasons. Nine of them were significantly associated with international organizations, and two had less than 1000 clients in their program.

Throughout the study the information presented for each of the four countries is what the organizations reported to us and undoubtedly ranges from highly accurate to speculative. The tables that follow give a quick view at the name of the organization, the number of clients reported at the time of the study and the primary lending methodology they use.

- **Micro Organizations**

NGO	# Clients	Primary Methodology
FUDESI	896	Individual

- **Small Organizations**

NGO	# Clients	Primary Methodology
ASODERI	1635	Individual
CENZONTLE	1,500	Individual
CEPRODEL *	2,274	N/A
FIDESA	1,500	Individual
NIEBOROWSKI**	1,918	Individual
FUNDECAP	3,000	Village Banks
FUNDENUSE	2,749	Individual
LEÓN 2000	2,797	Individual
PRODESA	3,000	Individual

- **Medium Organizations**

NGO	# Clients	Primary Methodology
FDL Nitlapan	9,000	Individual
FINDE	4,500	Individual

- **Large Organizations**

NGO	# Clients	Primary Methodology
ACODEP	17,000	Individual

*CEPRODEL: information could not be confirmed. It is believed that approximately 1,174 clients belong to six "village banks." This concept will be further discussed in the following section, *Characteristics in the Market*. The other 1,100 clients appear to be part of "Cajas de Credito y Ahorro". This organization also has individual clients in housing and small and micro-business although the approximate number could not be obtained

** Fundación Nieborowski After the analysis of various contradictory sources of information received from the organization, FJN is believed to have a total of 2,598 total clients. 680 of these "clients" are believed to be livestock cooperatives, which are comprised of various numbers of members (specific range unknown).

4. Brief Summary of the Local Organizations Contacted

IN NICARAGUA:

- **Total number of organizations in market:** 24
- Number of these with international ties: 10
- Number of these which are independent NGOs,
Having more than 1,500 clients, but not in sample: 0

Total number in sample: 13

ACODEP, *La Asociación Nicaragüense para el Desarrollo Económico y Social*, is the largest micro-credit organization in the country, even considering such internationally affiliated organizations as FINCA and FAMA. Regardless of the size of the organization, they still do not seem to have moved out of the poorer sectors, with the average loan a relatively low \$300. While their current loan portfolio is concentrated in individual lending, they have recently began solidarity group lending

ASODERI, *La Asociación de Desarrollo de Rivas*, provides financial services and business training to small and micro-enterprises in the Southeast region (Rivas) of the country. They are providing services to strengthen businesses in the commerce, service and agriculture/animal husbandry sector through group and individual loans, training, technical assistance and marketing.

CENZONTLE, *El Centro para la Participación Democrática y del Desarrollo*, is an organization dedicated to women's empowerment and development. They make individual loans, provide business development courses, and conduct training on gender, health and other client-driven topics, as well as encourage citizen participation and solidarity by educating women on their rights. They operate mainly in the capital and northern part of the country (Esteli and Nueva Segovia).

CEPRODEL, *El Centro de Promoción del Desarrollo Local*, was created locally to provide assistance in housing, public services and small and micro-enterprise development for the poor living in rural or semi-urban areas.

FDL Nitlapan, *El Fondo de Desarrollo Local Nitlapan*, was a pilot program developed by the Institute of Research and Development at the University of Central America (UCA) in Managua. They have extensive experience in rural field research and their credit program is designed to serve small and medium producers and merchants in rural area.

FIDESA, *La Asociación Financiera de Desarrollo*, is a newcomer to the micro-credit field, initiated at the beginning of 1999 and formed out of FACS—a community development foundation initiated in the name of Augusto Sandino. They primarily serve the rural sector.

FINDE, *El Fondo del Instituto Nicaragüense de Desarrollo*, is a strong medium sized micro-finance organization. They were founded based on an agreement between GTZ, the German Development organization, and the Nicaraguan government.

FUDESI, *La Fundación para el Desarrollo Social e Integral de Nicaragua*, is a local organization dedicated to the development of the small business sector in the region of Carazo. They support business activities in commerce, service, production, agro-industry and agriculture.

Fundación León 2000 provides credit through solidarity groups, cooperatives and individual loan programs. They were founded to support the socio-economic development of northwest Nicaragua through the provision of flexible, efficient, competitive and high quality financial and non-financial services.

Fundación Nieborowski works to serve the needs of poor entrepreneurs, farmers and livestock raisers in the urban and rural areas of the region of Boaco. They were founded by a group of local citizens who wanted to improve the socio-economic situation of their region by providing credit, technical assistance and training to the small micro entrepreneur.

FUNDECAP, *La Fundación de Desarrollo Campesino*, was established with assistance and funding from CRS. They have a traditional village banking program and have recently initiated a solidarity group lending program. It is a rural program with 90% of the clients active in agricultural activities (livestock raising).

FUNDENUSE, *La Fundación para el Desarrollo de Nueva Segovia*, works in the northern region of the country providing rural and urban poor access to micro-credit, business training, and marketing assistance. They use both the individual and solidarity group lending methodologies to encourage micro and small enterprise growth.

PRODESA, *La Fundación para la Promoción y Desarrollo de Chontales, Río San Juan y Zelaya Central*, located in the region of Juigalpa, Chontales (about 2 ½ hours outside of the capital) is dedicated to the economic and social development of the region and provides credit for urban and rural micro and small entrepreneurs and agriculture/livestock producers. They provide business training, technical assistance, personalized consulting and credit to solidarity groups, village bank cooperatives and small individual business.

5. Characteristics of the National Market

Based on the information analyzed in the sample and the additional insights gained through personal interviews, various predominant themes surfaced. A summary and description follows:

- Individual lending is embraced much more than group lending.
- Unique village bank definition.
- Agriculture credit is significant part of micro-credit Program.
- NGO interest in becoming regulated Micro-finance Institutions or formal banks.
- Lack of capital is big obstacle for both small and large organizations alike.
- Multi-purpose development organizations are separating their credit programs.

▪ Individual Lending is embraced much more than Group Lending.

The market tendency in this country is towards individual credit rather than solidarity groups or village banks. There appears to be a number of reasons why individual lending has been embraced, especially by nationally based organizations. First of all, this appears to be reflective of the desire to disassociate with the Sandinista characteristic of group activities, and cooperatives, as well as with associations of direct handouts, a concept now totally out-of focus. Although evidence that group lending methodologies are performing well in some internationally affiliated organizations like FINCA Nicaragua and CHISPA (formerly tied with MEDA), this practice appears to be primarily pushed by the international development community, and not a characteristic of the locally based Nicaraguan organizations.

The culture of micro-credit in Nicaragua really developed after the war; all of the organizations in the sample initiated their credit program in or after 1990 and over 90% utilize individual methodology as their primary program. Seven of the thirteen organizations for which we have information, have 87-100% of their total program involved in individual lending. This large

supply of individual credit makes it difficult for group lending programs to be accepted or to compete. Experience illustrates that when clients have the choice, the majority chose individual loans over group loans due to the more arduous requirements of time and responsibility demanded by the group methodology. Generally, group lending methodologies are designed to provide access to credit to very poor entrepreneurs who otherwise do not have collateral, and so the pressing question is: are very poor Nicaraguans without collateral able to access these individual loans? The low average loan sizes (\$300 and less) in many of the organizations visited suggest yes, but no studies were found to confirm this.

Another factor that may contribute to the reasons why individual lending is practiced so much in Nicaragua (in comparison to other Central American countries) is the fact that they have a high percentage of people working in agricultural production. Agriculture loans are generally individual in nature because of the risk involved, the need for longer and varying loan terms, the dispersed nature of the population, and the higher initial loan amounts. In general, local NGOs in Nicaragua appear to have more involvement with agriculture credit, a higher percentage of men in the credit programs, and a tendency towards individual loans. Findings suggest that these three factors are inter-related and therefore may offer clues as to why there is a tendency towards individual credit methodology in this country. However, the question still remains: Are the poorest of the poor non-agricultural entrepreneurs being underserved due to the misunderstood group lending methodologies?

- **Unique Village Bank Concept**

Also identified in this area is a different concept of village banking. For local organizations, which were not created initially from international organizations, village banks are like pre-cooperatives or “caja rurales.” They are generally large groups of people from 50-500 who manage funds granted from the organizations on a rotating basis. It is hoped that these groups will eventually be able to become independent from the organization and perhaps function as community cooperatives. Only three organizations in the sample reported a “village banking” program and only FUNDECAP, initiated and funded by the Catholic Relief Service (CRS), uses the traditional FINCA model.

- **Agriculture Credit is Significant Part of Micro-credit Program**

Credit for agriculture is a substantial part of the micro-credit market in Nicaragua. Agriculture activities range from planting and harvesting of crops for both consumption and for cash to the raising of large livestock such as cattle for the production of milk and cheese. Of the thirteen organizations in the sample, only three, two of which are Katalysis’ partners, did not have any agriculture loans in their credit portfolio. 73% of the organizations visited have some portion of their program invested in this area, ranging from a low of 12% to a high of 90% of total clients. It appears that some programs significantly dedicated to agricultural development are increasing the urban or commercial lending component of their program to otherwise strengthen their self-sufficiency goals. This was particularly true in the case of FDL Nitlapan, which currently dedicates over 50% of their program to agriculture production and has recently begun to enter the urban zone.

- **NGO Interest in Becoming Regulated Micro-finance Institutions or Formal Banks**

From the interview with the national micro-credit coalition, ASOMIF, as well as the directors of various other organizations, we have observed that there is a tendency in Nicaragua, more than the other three countries visited, for some micro-finance NGOs to want to become formal, regulated financial institutions. The main reason for this appears to be the need for greater access to more reliable funding. In addition, NGOs want to be able to capture and use client savings; they want to be recognized as “serious” financial institutions, regardless of the fact that they work with the poor. Many expressed that formal regulation of their activities would give them more credibility with potential funding sources. However, few organizations in Nicaragua, if any at this time, have the institutional capacity or financial strength and solvency to become formal regulated financial institutions.

ASOMIF is heavily invested in pursuing this strategy. The member organizations have created and presented a bill to congress to approve formal regulation of micro-finance NGO by the Superintendence of the Central Bank. This would allow for NGOs to retain their non-profit status, while at the same time applying formal rules and procedures to their operations. It is not clear what chance this bill has of passing nor in what time frame. Its approval would undoubtedly affect the movement of NGOs to formal banking status for those that would qualify, hopefully allowing them to retain a focus on the poor, which is difficult for formal institutions due to self-sufficiency pressures.

- **Lack of capital is big obstacle for both small and large organizations alike**

Even as many organizations begin to wean themselves from donor funds, access to credit lines for continued program development is also proving to be difficult. Generally in the micro-credit field “scale of operations” is discussed which is supposedly linked to self-sufficiency. While this may be the case for maintaining a certain portfolio, many organizations are not able to increase their program outreach to supply the demand of clients with the interest and asset income they bring in. Even the largest organization in the country, voiced a serious concern over the lack of available capital for program development. Even with these organizations willing to pay competitive commercial interest rates, they have not found the capital to be accessible.

- **Multi-Purpose Development Organizations are Separating Their Credit Programs**

Although the sample to support this observation is limited to two organizations, it is important to note that both of the multi-purpose development organizations visited were in the process of separating their credit portfolio from the other parts of their non-credit program. One of these organizations mentioned that they are in the process of becoming a formal financial institution. The motivation for this separation appears to be financially and operationally based—organizations increasingly need to access commercial funding sources, which are difficult if the financial indicators are not met. Separated programs allow for the organization to evaluate clearly the financial progress and downfalls of their Microfinance Program, to seek realistic levels of self-sufficiency, and to create a plan for program improvement.

❖ EL SALVADOR

1. Country Introduction*

Despite having the smallest land surface area, El Salvador is the second most wealthy of the four countries in relation to GNP and Real GDP per capita. In addition, the country ranks by far the highest in both the Human Development and Human Poverty Indexes.

- Population: 6.1 million
- Surface area: 21,040 sq. km. (8,000 sq. miles) --smallest of the four countries
- GNP: \$11.2 billion
- Real GDP per capita: \$2,880
- % Agriculture contributing to GDP: 12%
- % Rural population: 54%
- % Population living below international poverty line: N/A

- Human Development Index (HDI): 107 out of 174 nations considered (0.674)
- Human Poverty Index (HPI-1): 35 out of 92 nations considered (20.6%)
 - % Adult illiteracy: 23%
 - Child malnutrition (% of children under 5): 11%
 - % Population without access to safe water: 34%

2. The Salvadoran Micro-Credit Arena

Although more than thirty organizations were initially identified in El Salvador, information could be obtained for only twenty-one of them; six of these have international ties. The rest are local organizations, some having received funding from international NGOs but not created nor managed by them.

▪ **International**

Of the six organizations with international ties, two are part of the international micro-credit networks:

CAM (FINCA) CORDESAL (Opportunity International)

Two are affiliated with multi-purpose International NGOs although both of these programs are concentrated totally in micro-credit activity:

SUMA (CARE) FUNSALDE (World Vision)

* All data listed here is taken from the UNDP Human Development Report 1999 and the World Bank World and Country Development Indicators for 1998.

▪ **International/ Local**

The remaining two have begun to spin off from their formal affiliation with international organizations. FADEMYPE was created by ACT, the Belgium development association, and still receive some limited technical assistance and working capital funds from them. ENLACE was an original micro-credit project of CRS (to be discussed more later) which is in the process of becoming a formal financial institution.

▪ **Local**

Of the fifteen local organizations identified in the market nine are classified here as multi-purpose development organizations, which have a micro-credit component to their program. They include:

ASAPROSAR	ASDI	Asociación El Bálsamo
CREFAC	IDEA	FUNSALPRODESE
PROCOMES	REDES	Asociación Mujeres Campesinas

The remaining six local organizations are dedicated primarily to micro-credit:

ASEI	FUSAI	GENESSIS
Adel Morazán	ASALDI	F. Duarte

▪ **Scale of operations**

Of the twenty-one organizations identified in the market, ten were interviewed. Of the eleven remaining organizations not visited, they were either significantly linked to international organizations or were considered too small or too far from the capital to be interviewed.

Micro: organizations with less than 1,000 active clients

- ASAPROSAR
- ASDI
- Asociación El Bálsamo
- CORDESAL*
- CREFAC
- FUSAI
- IDEA
- PROCOMES

Small: organizations that have between 1,000 and 4,500 clients

- Adel Morazán
- ASALDI
- ASEI
- Asociación de Mujeres Campesinas
- CARE/SUMA*
- FADEMYPE/ACT*
- Fundación Duarte
- FUNSALDE*

- **Micro Organizations**

NGO	# Clients	Primary Methodology
CREFAC	413	Individual
FUSAI	900*	Individual
PROCOMES	531	Group

- **Small Organizations**

NGO	# Clients	Primary Methodology
ASALDI	1,250	Group
ASEI	3,173	Group
FADEMYPE	2,400	Group
Fundación Duarte	2,000	Individual
FUNSALPRODESE	2,500	Group/Individual
Fundación Genesis	1,074	Individual
REDES	1,489	Individual

- **Medium and Large Organizations**

NGO	# Clients	Primary Methodology
No local or international NGOs of this size identified		

*The figures cited for FUSAI are only related to credit clients for micro and small businesses. FUSAI's main focus is housing which is not considered here. They reported 3,000 total clients, counting those receiving credit for programs of micro-credit, habitat, home improvement and personal expenses.

The Catholic Relief Services (CRS) appears to have played an important role in the development of El Salvador's micro-credit market. In the early 1990's CRS along with USAID and the Secretary of Reconstruction (SRN) initiated a large project to assist the development of micro-credit services for a number of organizations (12-14). The goal was to promote group lending methodologies (village banks and solidarity group lending) and institutional sustainability.

Two of the organizations visited explained that in the first year of the project CRS would cover 70% of the operational costs of the program. In the second year they would cover 30% of the operating costs. By the third year the local organization was to be covering 100% of their own costs.

In addition, CRS, with USAID support, as well as a number of the local organizations assisted in the initial project, was also instrumental in initiating ENLACE, one of the only two large micro-credit organizations in the country. The idea for ENLACE was developed by CRS and the local organizations who advocated the need for a large-scale micro-finance institution and were willing to invest in this idea. As a result CRS "bought back" portions of the portfolios of these smaller local organizations that they had originally funded. In addition, some of these organizations themselves traded parts of their portfolios for shares in the new ENLACE.

4. Brief Summary of the Local Organizations Contacted

IN EL SALVADOR:

- **Total number of organizations in market:** 21
- Number of these with international ties: 6
- Number of these which are independent NGOs, having more than 1,500 clients, but not in sample: 0

- **Total number in sample:** 10

ALSALDI, *La Asociación Salvadoreña para el Desarrollo Integral*, is solely focused on providing micro-credit services and credit to village banks, solidarity groups and individuals. They are part of the CRS-ENLACE investors group.

ASEI, *La Asociación Salvadoreña de Extensionistas Empresariales*, provides technical and financial assistance to small business owners through community banks of 15-20 entrepreneurs, and for individual clients with a more established business and credit history.

CREFAC, *El Centro de Reorientación Familiar y Comunitaria*, is an integrated development institution in operation since 1967. They have a small credit component with individual loans.

FADEMYPE, *La Fundación para el Autodesarrollo de la Micro y Pequeña Empresa*, was formed with major assistance from the Belgian development organization, ACT. They offer a wide variety of financial and non-financial services for both micro-entrepreneurs and other micro-credit institutions.

Fundación Duarte focuses on credit to women micro-entrepreneurs in the capital of San Salvador. They also offer a program of training in democracy and participation, as well as a social program which assists various local development initiatives. Jose Napoleón Duarte created the organization in memory of his father the ex-President Duarte.

FUNSALPRODESE, *La Fundación Salvadoreña para la Promoción y el Desarrollo Económico*, is a local development organization with a micro-credit component. In April 2001, they plan to hand over all of their financial services to ENLACE and concentrate only on the other aspects of their program, namely education, health, etc.

FUSAI, *La Fundación Salvadoreña de Apoyo Integral*, was formed during the conflict to help displaced people return and settle in communities. They have been most active providing credit for housing construction and improvement and public services (water, electricity). They also have a small credit program for micro and small businesses and agriculture producers.

Fundación GENESISS is specialized in providing credit services to the small and micro business sector in the capital. A major portion of the program is individual lending.

PROCOMES, *La Corporación de Proyectos Comunales de El Salvador*, is a multi-sectoral development organization which offers micro-credit for community banks and solidarity groups and business training and environmental consciousness for small businesses. They are also involved in community development—municipal development, citizen participation and housing and basic infrastructure development.

REDES, *Fundación Salvadoreña para la Reconstrucción y Desarrollo de El Salvador*, is a development organization which concentrates mainly on local social development projects—training and technical assistance to small agriculture producers to help their economic development while preserving the environment. In addition, they provide credit and training to individual micro and small businesses, and infrastructure and housing development.

5. Characteristics of the Market

From the sample the following market characteristics were identified. It is believed that they describe the reality of the local micro-credit market—excluding the northern affiliated organizations FINCA and ENLACE.

- Scarcity of local independent organizations of significant size
- Individual and group lending methodologies utilized fairly evenly
- Group lending related to previous international assistance
- Individual methodology found in organizations specialized in micro-credit
- Lack of agriculture credit

- **Scarcity of local independent organizations of significant size**

According to the research, no local independent organizations of medium or large size were identified in the market. The largest local NGO in the sample is Katalysis' partner, ASEI, with just over 3,000 clients. The reasons for this are not clear but may be related to the presence of the high percentage of multi-purpose development organizations working in the micro-credit

field in El Salvador. Often such organizations do not reach the scale of organizations concentrated only in micro-credit. Multi-purpose development programs usually do not have the same inclination towards growth and scale, and they often subsidize their non-financial programs with income from the micro-credit program, thus preventing sustainable growth ability.

It is interesting to note that even the presence of internationally affiliated organizations is low in this medium-large range, especially considering the high population concentration in the country—especially in the urban capital area--which normally makes it easier to provide credit services. ACCIÓN International does not have an affiliate in this country; if they did, much higher total client numbers would be expected. The 55,500 total clients served by only twenty-one organizations is viewed as modest micro-credit activity, especially considering this country's reputation as having very industrious, active people.

▪ **Individual and Group Methodologies utilized fairly evenly in the market**

In this sample about half of the organizations utilize group lending as their primary methodology, and half lend in individual form. There is no clear preference of methodology in this market although each organization tends to concentrate its efforts through the methodology selected. Those active in group methodology reported a high 94-100% of clients involved while in those involved primarily in individual lending reported ranges from 69-100% of total clients.

▪ **Group lending related to previous international assistance**

Group lending has very strong presence in organizations whose credit program was developed with assistance from CRS. It is interesting to note that all of the organizations with group methodology as principal activity, except FADEMYPE who is much newer to the field (est. 1997), are investors in ENLACE.

▪ **Individual methodology found in organizations specialized in micro-credit**

Individual lending as primary methodology, appears to be concentrated in organizations dedicated mainly or totally to micro-credit (only CREFAC's small credit component is an exception). 90% of the organizations in the sample with credit as principal focus have more than 95% of their clients receiving individual loans.

▪ **Lack of agricultural credit**

Despite the fact that many programs reported substantial coverage in what are considered rural areas (USAID defines this as all area outside of the capital city) it was not observed that the organizations offered credit for agricultural activities. This perhaps signals that the demand for this type of credit is not high. With the relation of agriculture production contributing to the GDP as low as 12% of the total, it would not be surprising that there simply are not many "micro" producers. In addition, not many large and medium organizations were found in the market, which are precisely the organizations that generally have a better financial and organizational capacity to reach this rural market.

❖ HONDURAS

1. Country Introduction*

Next to El Salvador, Honduras has the second highest Human Development and Human Poverty Indexes of the four countries and the second lowest Real GDP per capita income.

- Population: 6.2 million
- Surface area: 112, 100 sq. km. (43,270 sq. miles)
- GNP: \$4.5 billion
- Real GDP per capita: \$2,220
- % Agriculture contributing to GDP: 20%
- % Rural population: 49%
- % Population living below international poverty line: 47%

- Human Development Index (HDI): 114 out of 174 nations considered (0.641)
- Human Poverty Index (HPI-1): 41 out of 92 nations considered (24.8%)
 - % Adult illiteracy: 29%
 - Child malnutrition (% of children under 5): 18%
 - % Population without access to safe water: 24%

2. The Honduran Micro-Credit Arena

The market in this study was primarily developed using Fundación Covelo's list of Private Development Organizations (PDO's) that are currently involved with Covelo, or are being considered for the future. This list contains nineteen organizations involved in micro-credit; six of which are associated with an international organization or network and two of which are already Katalysis partners. This market study of Honduras includes information on a total of sixteen of these plus three additional ones, including Covelo itself. Although CARE and CRS were also reported by Fundación Covelo to have micro-credit operations in Honduras, information on them could not be confirmed and are therefore not included here. The nineteen total organizations are classified as follows:

▪ **International**

Of the six organizations identified with international ties, three are part of international micro-credit networks:

- FINCA Honduras (FINCA)
- FINSOL (Acción)
- IDH (Opportunity)

* All data listed here is taken from the UNDP Human Development Report 1999 and the World Bank World and Country Development Indicators for 1998.

Two are affiliated with multi-purpose international NGOs:

FUNED (World Vision)
Project Hope

▪ **International/ Local**

Auxilio Mundial de Honduras has spun off from its formal affiliation with World Relief International and, although it has continued to receive some TA from them, this is significantly decreasing as the parent organization focuses on other developing regions.

▪ **Local**

Of the thirteen local organizations identified in the market, seven are multi-purpose development organizations:

Hermanidad de Honduras	CDH	FHA	ASIDE
UNISA	ADESAH	ADEJUMUR	

Six of the organizations are focused primarily in micro-credit:

ODEF	ADECOH	FAMA
FUNHDE	INHDEI	COVELO

▪ **Scale of operations**

Nineteen local and internationally affiliated organizations comprise the micro-credit arena identified. Although there were a handful of other organizations found to be working in the field, their program information could not be obtained. The following nineteen organizations are grouped here by size. The check mark indicates the 8 organizations included in the sample. The (*) symbol indicates those organizations affiliated with international NGOs.

Micro: organizations with less than 1,000 active clients

- ✓ FUNHDE
- ✓ ADECOH
- CDH
- FHA
- UNISA

Small: organizations that have between 1,000 and 4,500 clients

- Hermanidad de Honduras
- ✓ ASIDE
- ADESAH
- ADEJUMUR
- ✓ INHDEI
- ✓ FUNED*
- Project Hope*
- IDH*

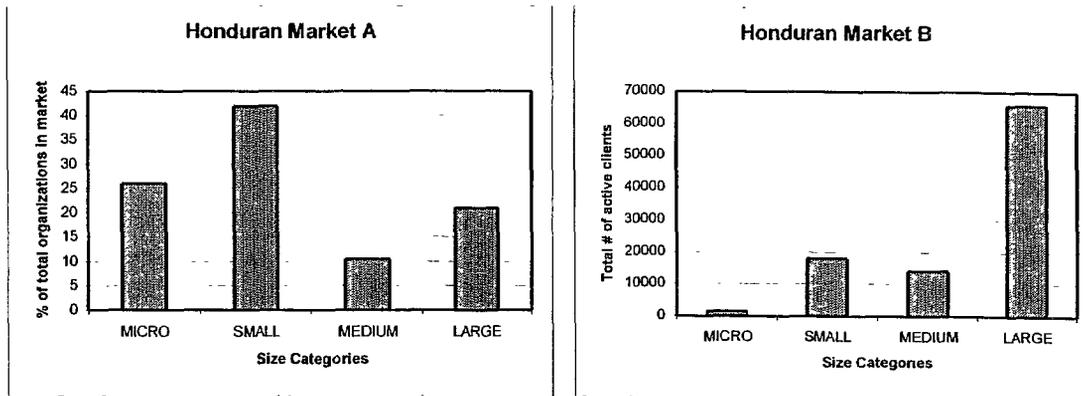
Medium: organizations with 4,500-10,000 clients

- ✓ FAMA
- Fundación Covelo

Large: organizations with more than 10,000 clients

- ✓ ODEF
- ✓ Auxilio Mundial*
- FINSOL*
- FINCA Honduras*

The market in Honduras has a combined total of about 100,000 clients. 66% of this market is concentrated in the top four largest NGOs, 18% in the eight “small organizations,” 14% in the two “medium” organizations and less than 2% in the 5 “micro” organizations. The following charts (A) compare the percentage of total organizations identified in the market by size category and (B) illustrate the distribution of the total clients by this same category.



3. *The Sample: Organizations Contacted*

In Honduras the sample consists of eight of the nineteen organizations identified. Two of these are Katalysis partners, ODEF and FAMA. Upon investigation it was found that the “micro” organization, FUNHDE, appears to be more of a small business credit program sponsored in part by the Honduran government. The eleven organizations not chosen for the sample were excluded for various reasons including international affiliation, small scale, distant location, or lack of program information obtained.

▪ Micro Organizations

NGO	# Clients	Primary Methodology
ADECOH	630	Individual
FUNHDE	115	Individual

▪ **Small Organizations**

NGO	# Clients	Primary Methodology
ASIDE	1,536	Individual
INHDEI	2,875	Group
FUNED	4,000	Group

▪ **Medium Organizations**

NGO	# Clients	Primary Methodology
FAMA	5,043	Group

▪ **Large Organizations**

NGO	# Clients	Primary Methodology
ODEF*	10,000	Group
Auxilio Mundial	22,000	Group

*ODEF reported 9,910 active clients at second quarter reports (March 31, 2000), which was rounded up to 10,000, placing them in the "large" category.

4. Brief Summary of the Local Organizations Contacted

IN HONDURAS:

- **Total number of organizations considered in market:** 21
- Number of these with international ties: 8
- Number of these which are independent NGOs, having more than 1,500 clients but not in sample: 1*
- **Total number in sample:** 8

* Although they have a credit program with over 9,000 clients, Fundación Covelo was not interviewed as a micro-credit provider, due to the extensive knowledge already available from Katalysis personnel.

ADECOH, *La Asociación de Desarrollo Comunitario Oriente*, is a "micro" micro-credit organization, the only regionally based micro-credit operation in Danli (Eastern Honduras). They offer business training and individual and group loans for micro-businesses involved in industry, agricultural production, commerce or service, as well as for housing construction and improvement.

ASIDE, *La Asociación de Investigación para el Desarrollo Ecológico y Socioeconómico*, is a small local organization primarily concentrated in micro-credit but with a variety of small, integrated development projects such as ecological development, housing and training for women.

Auxilio Mundial de Honduras is the largest organization operating micro-credit programs in Honduras, concentrating 100% on woman borrowers utilizing the village banking methodology. They also coordinate a health program that works through a network of community-based clinics. Although they were formally tied to World Relief International, in 1996 they spun-off becoming totally independent as WRI moved its focus to Africa and Asia.

FAMA, *La Familia y Medio Ambiente*, was founded to serve extremely poor communities in the Department of Olancho, Francisco Morazán and El Paraiso (Central-eastern Honduras). They focus on improving standard of living of poor families primarily through an integrated Community Banking program. FAMA also operate a small agriculture center to train local families in sustainable farming practices.

FUNED, *La Fundación para el Desarrollo de Honduras*, has been a World Vision affiliated program, although they are no longer receiving funding from the U.S. based organization. They use the village banking and solidarity group lending methodologies.

FUNHDE, *La Fundación Hondureña para el Desarrollo de la Pequeña y Mediana Empresa*, is a small and medium business development organization promoted by the Camera de Comercio y Industrias de Tegucigalpa and funded in part by the government of Honduras. They offer business training and larger loan amounts (than micro-credit programs) to individual businesses.

INHDEI, *El Instituto Hondureño de Estudios y Desarrollo Integral de la Comunidad*, is a locally initiated organization which offers consulting, training and technical assistance services as well as credit to micro and small businesses throughout Honduras. They are also involved in community development projects and socio-economic research. They have primarily used the village banking methodology and have expanded their program to include solidarity groups and individual loans.

ODEF, *La Organización de Desarrollo Empresarial Femenino*, provides financial services to low-income individuals through three different micro-finance programs: community banking, solidarity groups and individual loans. The organization complements its micro-credit programs with training in business development, personal development, the environment and sustainable agriculture. They are based in San Pedro Sula and serve the surrounding communities with a range of training modules to strengthen businesses as well as address other issues of client interest. ODEF also operates Hacienda Verde, a residential agriculture learning and training center.

5. Characteristics of the Market

- Larger organizations clearly dominate the market
- Covelo is the predominant funding source for micro-credit institutions in Honduras
- Group methodology is predominant (Covelo stats)
- Little presence in agriculture lending—more credit for commerce

▪ **Larger organizations clearly dominate the market**

The five largest micro-credit organizations—World Relief, FINCA, FINSOL, ODEF, and Fundación Covelo—cover about 75% of the market in terms of clients. These programs offer a variety credit methodologies and all receive major funding from USAID through the second floor lending institution of Fundación Covelo.

▪ **Covelo is the predominant funding source for micro-credit institutions**

Fundación Covelo is the principal funding source for the largest micro-credit organizations. In addition to the large organizations, various others of medium and smaller scale receive funding as well. In 1994 USAID chose Covelo to serve as an intermediary of funds for other local micro-credit organizations. The funds from USAID were donated to Covelo and then lent in rotating form to various local micro-credit NGOs at a soft and at or near-commercial annual interest rate of about 14-23%. Although other forms of financing were identified such as the Inter-American Development Bank, the European Economic Community and various other European organizations, they are much less significant. Future growth of micro-credit programs in Honduras will depend greatly on Covelo's access to funds and, in turn, the program's access to Covelo's funding. Currently, commercial lines of credit are not widely available to these organizations.

▪ **Group Methodology is Predominant**

According to the statistics presented at the micro-credit symposium sponsored by Fundación Covelo in June of this year, group lending is by far the most practiced methodology. About 70% of the market is dedicated to group lending activities—57% in village banks and 12% in solidarity groups. The other 31% is concentrated in individual loans. It can be concluded that this focus on group methodology is due to the influence of internationally affiliated organizations like FINCA, World Relief and FINSOL and our own ODEF and FAMA—all of which are committed to the development of group methodologies. While the village banking methodology is currently predominant in the field, it is important to note that in recent times, the solidarity group methodology has gained popularity, especially among organizations such as ODEF, INHDEI and Fundación Covelo, as well as even FINCA Honduras, who traditionally concentrates on their village banking methodology.

- **Focus on Commerce and Service-oriented Credit**

Micro-credit in Honduras is not a new trend in national development. FINCA, World Relief and Fundación Covelo have long had a foothold in the country offering credit to poor. Prior experience has shown agricultural credit to be detrimental to portfolio performance, and NGO's operating in the micro-credit arena today have been trained (both by their own experience and donor "recommendations") to steer clear of providing credit to this sector. There were no organizations found in the study which dedicate even 5% of their program to agriculture credit. The urban credit market on the other hand is saturated with more and more organizations competing for the same group of entrepreneurs in the central marketplace. Although there were a few organizations wanting to provide service to the rural sector, there were none that had been able to secure a source of funding for such an endeavor.

❖ GUATEMALA

1. Country Introduction*

Despite having the largest population, the largest GNP, and the largest Real GDP per capita of all four countries considered, Guatemala has the highest percentage of people below the international poverty line, the worst Human Poverty Index and the second worst Human Development Index.

- Population: 11 million
- Surface area: 108,890 sq. km. (42,000 sq. miles)
- GNP: \$17.7 billion
- Real GDP per capita: \$4,100
- % Agriculture contributing to GDP: 23%
- % Rural population: 61%
- % Population living below international poverty line: 53%

- Human Development Index (HDI): 117 out of 174 nations considered (0.624)
- Human Poverty Index (HPI-1): 50 out of 92 nations considered (28.3%)
 - % Adult illiteracy: 33%
 - Child malnutrition (% of children under 5): 27%
 - % Population with access to safe water: 23%

2. The Guatemalan Micro-Credit Arena

Of all of the national markets researched in this project, information on Guatemala's market was the most difficult to obtain prior to arrival. Sources of information regarding local NGOs, were hard to come by, and many that were eventually identified did not meet the minimum client requirements. It is believed that all key players were identified and examined.

There were more than thirty-two organizations identified that operate a micro-credit component in their program. Sufficient program information was collected on twenty-six of these; eleven are affiliated with international organizations.

Late in the study, information was found on three of the "international" organizations apparently associated with Caritas Internationalis and the Catholic Relief Services. Although these programs appear to be focused in micro-credit, they are listed here as belonging to a multi-purpose NGO.

* All data listed here is taken from the UNDP Human Development Report 1999 and the World Bank World and Country Development Indicators for 1998.

- **International**

Of the eleven organizations identified with international ties four are part of the international micro-credit networks:

Génesis (ACCIÓN)
 FUNDAP (ACCIÓN)
 FAPE (Opportunity International)
 FINCA

Seven are affiliated to multi-purpose international NGOs:

CARE	Pastoral Social Diocesis de las Verapazes (Caritas/CRS)
Project Hope	Caritas Diocesis Zacape-Chiquimula (Caritas/CRS)
FUNDEA (ACT)	Caritas Diocena San Marcos (CRS/Caritas)
AGUDESA (World Vision)	

- **Local**

Of the fourteen local independent organizations identified in the market about half are concluded to be multi-purpose development organizations and half are micro-credit concentrated organizations.

- **Scale of operations**

Information for the twenty-five organizations is listed here according to category of the size of the organization. Within the sections, they are organized from smallest to largest number of clients. It must be stressed however that this information is not completely reliable, some contradictions in the data have been found. For example, some programs listed only “micro” business clients while others also included “small” business clients.

Micro: organizations with less than 1,000 active clients

- FINCA Guatemala* (re-initiating program) +
- FUNDEMIX
- CEMADEL
- FUNDAMICROS
- Pastoral Social Diocesis de las Verapazes*
- PRODESSA
- Project Hope*
- AYNLA

Small: organizations that have between 1,000 and 4,500 clients

- ASDESARROLLO
- ✓ CDRO
- FAPE*
- ✓ MUDE
- ✓ ADEPH (not visited during this study but included in sample due to previous information gathered)
- AGUDESA*
- ✓ CADISOGUA

- Caritas Diocena San Marcos*
- ✓ FUNDESPE
- ✓ Fe y Alegria
- ✓ FAFIDESS (former Katalysis probationary partner; program information included in sample)
- Talita Kumi (FUNDEMI) ++
- Pastoral Social Caritas Diocesis Zacape-Chiquimula*

Medium: organizations with 4,500-10,000 clients

- ✓ ACT/FUNDEA*
- FUNDAP*
- CARE*

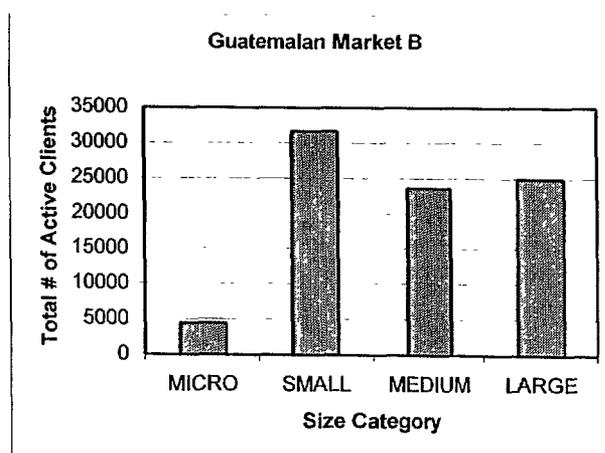
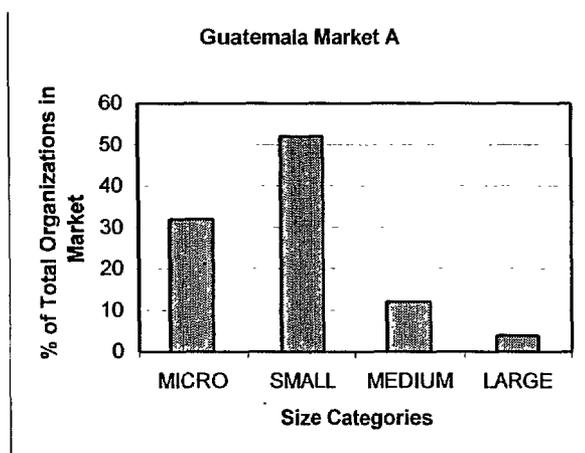
Large: organizations with more than 10,000 clients

- ✓ Génesis Empresarial*

- * International organization, network or project
- ✓ Organization visited

+ FINCA Guatemala's former program separated from FINCA International a few years ago and this new FINCA Guatemala program is in its initial stages.
 ++ Talita Kumi was formally known as FUNDEMI

According to this view of the market, with about 85,500 clients reported in twenty-five organizations, Génesis Empresarial is by far the largest micro-credit organization in the country, having about 29% of the market share. The three mediums have about 28% and the thirteen "small" organizations account for 38% of the total clients. The remaining 5% of clients are served by the eight smallest, or "micro" organizations. Chart A compares the percentage of total organizations identified in the market by size category. Chart B illustrates the distribution of the total clients by this same category.



3. The Sample: Organizations Contacted

Nine of the twenty-five organizations identified in Guatemala are included in the sample. Information regarding FAFIDESS and ADEPH was collected during previous contact with these two organizations (September 1998 and June 1999).

- **Micro Organizations**

NGO	# Clients	Primary Methodology
No local or international NGOs of this size identified		

- **Small Organizations**

NGO	# Clients	Primary Methodology
ADEPH	1785	Individual
CADISOGUA	1,875	Group
CDRO	1,622	Group
FAFIDESS*	4,148	Group
Fey y Alegría	2,800	Individual
FUNDESPE	3,027	Group
MUDE	1,780	Group

- **Medium Organizations**

NGO	# Clients	Primary Methodology
ACT/FUNDEA	9,704**	Individual

- **Large Organizations**

NGO	# Clients	Primary Methodology
Génesis Empresarial.	25,000	Group

*FAFIDESS information is from September 1998.

** ACT/FUNDEA reports 6,384 clients who are receiving individual and solidarity group loans. An additional 3,320 clients are reported to be receiving agriculture and livestock credit. Thus the total number of clients, both programs considered, is 9,704.

4. Brief Summary of the Local Organizations Contacted

IN GUATEMALA:

- | | |
|---|----------|
| • Total number of organizations in market: | 25 |
| • Number of these with international ties: | 11 |
| • Number of these which are independent NGOs having more than 1,500 clients, but not in sample: | 3* |
| • <u>Total number in sample:</u> | <u>9</u> |

*Caritas Diocena San Marcos and Pastoral Social Caritas Diocesis Zacape-Chiquimula were identified at the end of the visit and appear to be connected to Caritas Internacionalis and CRS.

*Talita Kumi (formally FUNDEMI) is a regional organization with over 4,000 clients and is located in the town of San Pedro Carcha in Alta Verapaz. The travel time to this organization was considered too long to merit a visit.

ADEPH, *La Asociación para el Desarrollo del Potencial Humano*, offers training, technical assistance and financing to individuals, groups, communities, organizations and other entities which are dedicated to productive activities or services. They also develop programs and projects of social and economic character for the human development of poorer populations.

CADISOGUA, *El Coordinador de Asociaciones de Desarrollo Integral del Sur Occidente de Guatemala*, although initially identified as a national coalition organization, it is actually a coordinator for various rural development projects throughout the western part of the country. Of the fifteen groups associated with CADISOGUA, about six of them have a micro-credit component. In the near future they are hoping to unite these separate programs, creating a stronger, more organized development program.

CDRO, *La Cooperación para el Desarrollo Rural de Occidente*, is an integrated Mayan community development organization located in the Western highlands. Working in collaboration with over 50 rural community councils, CDRO is involved in a number of development programs including: environment, health, education and women's village banking. Their newly expanded credit program, Banco Pop, serves solidarity groups of rural men and women involved in a range of productive activities.

FAFIDESS, *La Fundación de Asesoría Financiera a Instituciones de Desarrollo y Servicio Social*, was originally created by the members of Rotary Clubs of the City of Guatemala who wanted to contribute to the country's economic and social development. They focus on rural indigenous women through the use of the village banking methodology.

Fey y Alegría is a development organization, which is currently in the process of making their credit program a foundation. The majority of their clients receive individual loans although they introduced the solidarity group methodology to their organization a few years ago.

FUNDEA(/ACT), *La Fundación de Desarrollo Empresarial y Agrícola* is a NGO initiated by the Belgium organization ACT, the Association for Technical Cooperation. They offer credit for both agriculture and business activities and are primarily utilizing group lending methodology.

FUNDESPE, *La Fundación para el Desarrollo de la Pequeña Empresa* is a regional micro and small business credit organization located in Quetzaltenango. They currently offer credit to small and micro business in individual form and have recently initiated a rural village banking program for women.

Génesis Empresarial has a diversified, vibrant micro-credit program which serves over 25,000 clients and are currently working to become a formalized banking institution (the first of its kind in Guatemala and the Central American region). They offer a wide variety of technical assistance and training options for local micro-credit NGOs.

MUDE, *La Asociación de Mujeres en Desarrollo*, creates village banks of women in the rural communities and in the urban periphery of Guatemala City to provide micro-credit, general education and business training in order to advance women's personal, social and economic development.

5. Characteristics of the Market

Although a short time was spent in the field and a larger sample of organizations was possible, we can draw some preliminary observations about the micro-credit market in Guatemala.

- Group methodology is the primary focus in this market.
- Loan terms were unusually long in relation to traditional practices.
- Large and medium organizations are scarce; small and micro abound.

- **Group methodology is the primary focus in this market.**

The principal methodology used by the organizations in our sample in Guatemala was group-oriented—mostly village banking and/or solidarity groups. Génesis Empresarial, with about 29% of the total clients in the market, relies primarily on the solidarity group methodology. FUNDESPE, CDRO, MUDE and CADISOGUA also had a high concentration of clients receiving group loans.

- **Loan terms were unusually long in relation to traditional practices.**

In various cases, the loan terms utilized by local organizations visited were identified to be very unusual and outside of the so-called “micro-credit best practices” to which we are accustomed. For example, both Fe y Alegria, located in Guatemala City and FUNDESPE, in Quetzaltenango, apply long loan terms—even for commerce activities--between six to twelve months, with monthly payments of interest only and a balloon payment at the end of the period.

- **Large and medium organizations are scarce; small and micro abound.**

As in El Salvador, there appears to be a lack of larger micro-credit organizations in Guatemala. Only Génesis Empresarial, affiliated with ACCIÓN International, has more than 10,000 clients. FINCA Guatemala’s program was separated from FINCA International a few years ago; and although they have recently begun again, currently they have less than 300 active clients. The other ACCIÓN affiliate, FUNDAP is a medium organization reporting about 6,000 active clients. The two largest local organizations, which to our knowledge do not have an international affiliation, are Talita Kumi, reporting about 4,000 clients and FAFIDESS (previous probationary partner of Katalysis) with about 4,100 active clients.

Small and micro organizations were plentiful—as seen in the chart of the market arena. Numerous additional “micro” micro-credit organizations exist which were not even included on this list due to lack of reliable information. The market tendency appears to be small, community based and regionally focused organizations which focus on a range of development programs including the credit aspect.

III. TECHNICAL ASSISTANCE PROVIDERS

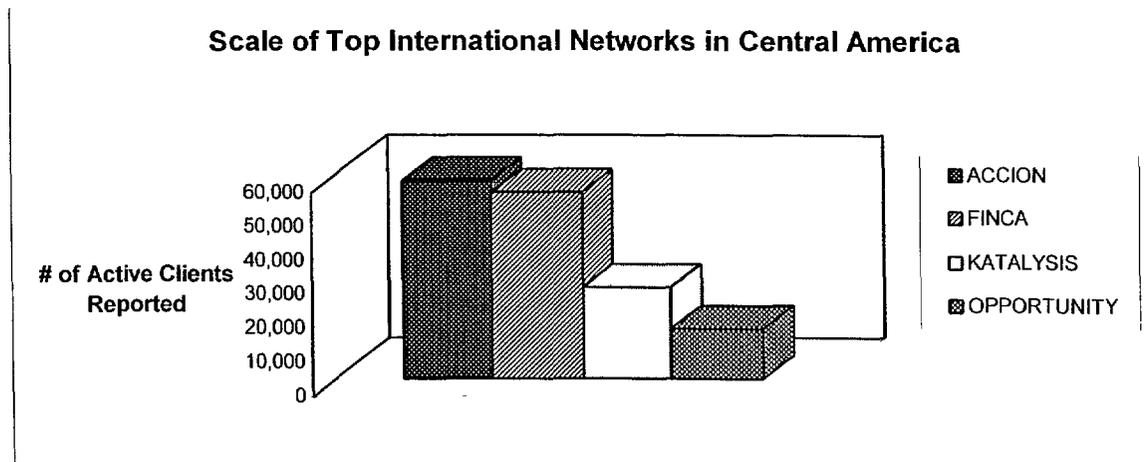
The providers of technical assistance (TA) and training in the region can be classified in four distinct groups:

- International networks with operations in Central America
- Central American-based organizations which provide technical assistance services for micro-credit institutions throughout the region
- USAID country mission initiatives
- National organizations that serve only nationally based institutions

❖ Regional Scope—International Network Organizations

In the Central American region there are two main kinds of organizations that offer TA and training on a regional scale. The first of these types is the international micro-credit networks, which, for our comparison purposes include: ACCIÓN International, FINCA International, the KATALYSIS Partnership and OPPORTUNITY International. Of all of the international development organizations working in the region, these four are the strongest in terms of regional coverage, number of clients, and focus in micro-credit.

Below we can see the relative size of each of the four organizations in terms of number of total clients reported at the time of the study*.



Although these organizations are similar in that they are all based in the United States, are international in scope, and have partners or affiliates in Central America, their approach and methods differ. Following is a comparison of these four organizations.

* ACCION International, FINCA International and Opportunity International figures are from end of year 1999. Katalysis figures are as of March 31, 2000. In December 1999 Katalysis reported 25,000 total clients.

ACCIÓN International is the largest international organization dedicated solely to micro-credit services. They concentrate on the region of Latin America serving all of the Americas—from the U.S. to Chile. ACCIÓN has four affiliates in the region—two in Guatemala, one in Honduras, and one in Nicaragua-- reportedly serving a total of about 59,000 clients and growing rapidly. ACCIÓN has pioneered the push for sustainable financial institutions and either partners with existing micro-credit institutions or play a key role in creating a new financial institution. They offer specific TA to affiliated organizations through their regional field office (located in Colombia), as well as provide them access to a guarantee fund which functions as collateral and enables them to borrow directly from local banks.

FINCA International is similar to ACCIÓN in total number of clients, reporting about 55,000 active clients, and having programs with affiliates in all four countries. However, unlike the other organizations considered here, FINCA is a replication network. They developed the village banking methodology and have exported this program to seventeen countries worldwide, initiating local NGOs to implement the program. Their technical assistance Hub in Guatemala City provides TA and training services to their Latin American partners. FINCA has a capital fund, referred to as a “credit enhancement” program, which guarantees commercial credit lines for program expansion.

The **KATALYSIS Partnership** is dedicated solely to the Central American region, serving over 27,000 clients through two partners in each of the four countries (Guatemala, El Salvador, Nicaragua and Honduras). The Katalysis model is unique in that all eight partners fully participate in the governance and strategic direction of the organization. Katalysis provides strategic technical assistance to help build the capacity of local partners and advance the growth and sustainability of their microcredit services. They also assist in resource mobilization to access loan capital, and provide a southern-driven lateral learning environment that encourages the exchange of relevant experiences and lessons learned among partners.

OPPORTUNITY International is a Christian-based organization that partners with local NGOs worldwide to implement micro-credit programs. They are active in all of the Central American countries considered in this study as well as twenty-one other countries throughout South America, Asia, Africa and the Middle East. Although they aim to work with local “indigenous” groups, the majority of their programs have actually been initiated directly by the institution. They provide technical assistance and training to their affiliates, but currently have no capital fund or guarantee system.

❖ **Regional Scope—Locally Based TA Providers**

Apart from the international networks of ACCIÓN, FINCA, KATALYSIS and OPPORTUNITY, other regional-scope organizations discussed in this section are locally based technical assistance providers. They do not offer a forum for exchange of ideas/experiences between local micro-credit institutions, except for those which happen naturally during an occasional joint training workshop; nor do they offer access to capital.

The following regional organizations offer TA and training generally on an occasional/pay-per-visit or workshop basis. The main organizations identified in the field are: COLCAMI of Mexico, Génesis Empresarial of Guatemala, and FUNDAMICRO of El Salvador.

COLCAMI was not visited during this study; however, much information was obtained through an informal but extensive conversation with a staff member who was traveling in the region promoting a broad program of TA sessions to begin throughout the region in June 2000.

Their focus is on “institutional strengthening” which includes a wide range of areas such as credit methodologies, financial analysis and indicators, marketing, planning, MIS, accessing funds, regulation, etc. These topics are presented through courses and workshops, which generally last three days. They offer these TA services for formal banks entering the micro-credit field, cooperatives/caja rurales, credit unions, as well as specialized and non-specialized NGOs. They expect participants to pay for these services.

Génesis Empresarial, an ACCIÓN International affiliate organization, is the most well known of the three regional TA providers identified. While their main focus is as a national micro-credit institution—by far the strongest in Guatemala—they also have shared their successful experiences by way of workshops as well as more long-term consulting and technical assistance to local institutions throughout the region.

The most substantial and longest of these projects (up to two months), which are completed at non-subsidized market costs, is the design of “Action Plans” for program development and expansion which often include written manuals for implementation. They have worked with several important institutions in this manner, among them are: Fundación Covelo in Honduras, ACODEP in Nicaragua and Fundación Genesis in El Salvador. Shorter workshops are also offered on various topics to all levels of micro-credit institutions, primarily in Central America.

FUNDAMICRO is a Salvadoran based organization which provides technical assistance to micro-credit institutions in the region. They have wide knowledge and experience in the field of micro-credit best practices and technology. Originally FUNDAMICRO grew out of FOMMI (Programa de Fomento a la Micro y Pequeña Empresa), a program initiated by the European Economic Community in 1992. FUNDAMICRO was created as a national organization in 1999 with the purpose of strengthening institutions involved in small and micro-enterprise development in the areas of financial management indicators, credit management and MIS. They offer this assistance through seminars, consulting and one-on-one technical assistance.

❖ National Scope—USAID Country Mission Initiatives to Provide TA and Training

The US AID missions, who have developed strategies for aiding the micro-enterprise sector, are the main providers of long-term technical assistance in all four countries. In many cases, the TA offered by these groups resembles and is complementary to the services that Katalysis provides to its partners.

Nicaragua

The USAID Mission in Nicaragua does not currently have a direct technical assistance program for micro-finance organizations. They currently provide over \$5.5 million to a number of large and small NGOs which in turn contract TA and training institutions or their international counterpart organizations for this service. In the past, the mission in Nicaragua sponsored the PL-480 project as well as the Small Business and Microenterprise Expanding Small Producers Program...

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El Salvador

The international consulting firm, Development Alternatives International (DAI), is managing the USAID project, FOMIR, Fortalecimiento de las Microfinanzas Rurales. The project is designed as a 3-year “comprehensive support package” offering targeted TA and training in institutional strengthening, organizational infrastructure (software, equipment) and portfolio funding. They are already working with six organizations and have specific plans to add four to seven other financial institutions (possibly one bank, three to five cooperatives, and one local NGO).

Honduras

USAID Honduras is currently in the process of implementing a comprehensive technical assistance project for micro-credit Private Voluntary Organizations (PVOs) in the country. AID has sub-contracted the international consulting firm CARANA to deliver these services, which will include a wide variety of technical assistance services aimed at serving the whole scale of national organizations from large to small.

Guatemala

USAID has recently begun a technical assistance project entitled AGIL, *Apoyo a la Generación de Ingresos Locales*, which will be managed by the U.S. based International Management and Communications Corporation (IMCC). The objective of the program is to stimulate the outreach of local micro-credit NGOs in the “Peace Zone.” The main focus of this program appears to be funding for program expansion (access to formal credit lines) along with some institutional strengthening. They are in the initial stages researching organizations for participant selection. At the time of the study, two organizations had already been selected and there were plans to add five or six other financial institutions (either NGOs or cooperatives).

❖ **National Scope—Organizations Providing TA and Training**

In each of the four countries, there were few nationally based organizations identified which provide TA and training services. The local organizations interviewed, as well as USAID personnel could not contribute much to this list. It is our belief that aside from USAID mission initiatives and a handful of other periodic international programs, TA and training to locally initiated micro-credit organizations is limited. While a few other organizations, like international consulting firms themselves, may be willing to consider offering assistance, the market cost of these services is often much more than a local organization can afford without some kind of subsidy.

Nicaragua

The study did not identify any locally initiated organizations which provide TA and training services to the micro-enterprise sector. In fact, the only technical assistance organization identified in the country was COSUDE, a Swiss development program which recently initiated *PROMIFIN*, a project specifically designed to strengthen the country's micro-credit sector by assisting local NGOs in becoming formal, regulated financial institutions. This TA is on-going for a period of up to 3 years and tailored to each organization's needs. A limited number of organizations are selected; currently participants at the time of the study included 3 of the top local organizations.

El Salvador

FUNDAMICRO, mentioned under Regional Scope, also provides some TA to local organizations and formal banks which have included micro-credit in their portfolios.

Honduras

The Honduran micro-enterprise sector previously received extensive technical assistance through Fundación Covelo, a local foundation which received funds from USAID for offering credit and TA/training services to other local micro-credit NGOs. Recently, however, USAID funding for the TA component ended and the services have been reduced. Currently member organizations receiving credit from Covelo, as well as potential member organizations appear to receive some TA with focus on operating plans and strategy but only in relation to the funding they receive from the Foundation.

FUNADEH, an ACCIÓN affiliate, also offers technical assistance to national micro-credit institutions. Originally FUNADEH was established as a micro-credit organization, but in 1999 FINSOL was created to manage the credit portfolio so that FUNADEH could concentrate on providing TA and training services to primarily micro-credit clients of FINSOL and, on a lesser scale, to other micro-credit institutions in the country.

Guatemala

Although Génesis Empresarial is based in Guatemala, none of the local organizations visited mentioned that they have received TA from them. Perhaps this is due to the fact that locally Génesis is identified as a “competing” micro-credit institution.

Although not investigated during the study, a group called FACETAS was also identified, though it appears to be in its initial phase, and is receiving start-up assistance from FUNDAMICRO of El Salvador. It is believed that FACETAS is either sponsored or initiated by a European organization, although this has not been confirmed.

The European Economic Commission is also said to be developing a technical assistance program, which would help multi-sector development organizations incorporate a micro-credit component into their programs.

IV. COALITIONS

In this short section, the issue of regional and national coalitions is presented. On the one hand Katalysis is a technical assistance provider, on the other hand, they are an organization, which brings local organizations together, giving them a forum for the exchange of experiences and information. Coalitions are strategic for Katalysis in that they serve as an initial contact in the country to learn about various local NGOs; they facilitate communication between organizations; and they are groups which potentially want access to technical assistance courses/workshops, a service Katalysis might consider at some point.

❖ Regional

Surprisingly, the study did not identify any solely micro-credit regional coalitions aside from the international network organizations like ACCION and FINCA. Initially, FOLADE and ALOP of Costa Rica, along with INAFI of Peru were investigated, but found to be coalitions involved more in general development than specifically micro-credit.

Late in the study, ADEL, the Agency of Local Economic Development, was mentioned as a coalition of micro-credit in the region. However, further investigation determined that the Local Economic Development Agencies (ADEL in Spanish) are actually created and promoted by the ILO (International Labour Organization) particularly in crisis areas to stimulate the process of social dialogue between public and private interests which are working to develop a certain area. These agencies are active throughout Central America and other areas of the developing world, and while they have the main purpose of promoting economic development, sometimes including micro-credit in their scheme, they are not considered a regional coalition for micro-credit.

❖ National

Nicaragua, by far, has the strongest micro-credit coalition in the region. *The Nicaraguan Association of Micro-finance Institutions (ASOMIF)*, formed less than one year ago, has eighteen member organizations, covering more than 100,000 total clients in all departments. Member institutions must have a focus in micro-credit and meet specific selection criteria. They pay a \$100 initial fee and a \$50 monthly membership fee.

This network was initiated by micro-credit leaders themselves, who wanted to create a stronger voice in the field, one that would be taken more seriously by the government and international donors, giving members better access to funding. To this end, they are working on a special law, which would allow for micro-finance NGOs to be formally regulated by the Superintendent of the Central Bank, helping them to monitor accounts and be more attractive to international donors, without taking the full step towards becoming a formal financial institution. In addition, the network presently provides some technical assistance through courses/workshops to strengthen member organizations. They expect to expand this service further in the future.

El Salvador has two coalitions in this field. The first is **ALPIMED**, *Alliance for the Development of the Micro-business*, which consists of eleven local NGOs, many of them multi-purpose development organizations with a micro-credit component. In total the network is serving a combined total of about 20,000 clients, with representation in all of the country's departments. The main focus of this group appears to be dialogue between members, i.e., exchange of information, ideas, and joint goals. Members pay an affiliation fee of about \$175 per month.

Within ALPIMED is a group called **FISA** which consist of organizations who are investors in ENLACE—originally a CRS project which combined parts of various organizations' portfolios to create ENLACE's initial portfolio. The purpose and strategy of this configuration is unclear.

ASOMI is the other El Salvadoran micro-credit coalition that is in its initial stages, having just formed one year ago. Currently five micro-credit organizations comprise this network including: Génesis, FUSAI, Fundación Duarte, FADEMYPE and Adel Morazán. In total they have about 8,000 clients among them. From the viewpoint of the founder and director, who is also the founder and director of Fundación Duarte, ASOMI is a serious micro-credit coalition with organizations dedicated to becoming self-sufficient. Member organizations pay a \$345 monthly fee, twice as much as ALPIMED.

In *Honduras* only Fundación Covelo can be considered a network of micro-credit organizations although the exchange of information and experiences between members is limited. The main role of the foundation is to provide funding for these organizations. This is a large and successful national organization, which also has its own micro-credit program with over 9,000 active clients. In addition to Covelo, there are ten other local organizations currently included in this network (organizations currently receiving funding from Covelo). They report a combined total of 86,750 clients, distributed in fifteen departments of the country with 57% in village banking, 12% in solidarity groups, and 31% in individual credit. No membership fee is required although these organizations are selected for funding through a competitive process.

In *Guatemala* no organization was identified, apart from CADISOGUA, a Mayan-based organization which coordinates various (8) separately organized and managed development programs throughout the western region, some with micro-credit components. [Recently a national coalition has been formed among 27 Guatemalan micro-credit NGOs spurred by a concerted movement to oppose the government imposed tax of 10% on interest collected by non-formal financial institutions. Their broader stated objectives are: to organize and coordinate actions in support of the micro-credit sector; create a second tier organization for training and the channeling of funds; support inter-institutional strengthening; attract technical assistance and training for organizations in the sector; help form a network of micro-finance institutions in Central America.]

V. FUNDING SOURCES

During interviews with local organizations, we attempted to determine the funding bases and ability to access credit of these institutions. This information presented here is limited due to the fact that many organizations did not want to go into detail regarding their funding sources and the interest rates charged. What is listed below is an idea of some of the major sources of funding in the region. To maintain our promise of confidentiality with the local organizations, we have excluded which organizations have received funding from these sources.

❖ NICARAGUA

Numerous donor and credit funds were identified in Nicaragua. Many of these were linked to livestock or agricultural production activities. The sources, which are known to be exclusively designated for agricultural development activities, will be listed separately below.

Financing for Micro-Credit

In 1993 the Norwegian government gave a lump sum of about \$4 million to the government of Nicaragua, creating PAMIC, el Programa Nacional de Apoyo a la Microempresa. The money was to be distributed to local NGOs involved in micro-credit. Eight organizations originally benefited, six of which were included in the sample. In 1997, with a change in the national government, PAMIC became INPYME, el Instituto Nicaragüense de Apoyo a la Pequeña y Mediana Empresa; and it was decided that this initial donation was to be considered a loan with an interest rate of 10% /year with tri-annual payments. INPYME currently manages a fund of about \$5 million that was developed from a number of international donor institutions

Credit lines for local organizations include:

- NICA Fund, a U.S. based group designed to finance economic development projects in the country.
- The Central American Bank for Economic Integration (BCIE): \$3 million credit line for micro-finance institutions.
- Inter-American Development Bank (BID): sponsors various micro-enterprise programs in Nicaragua. They are also active in agriculture development activities. The Micro Global Fund of \$19 million is specifically for credit to national commercial banks.
- CRS supports FUNDECAP's with much of their financing .
- GTZ, the German government's development organization, provides financing for one organizations identified in the study.

Also mentioned were commercial lines of credit from national banks. No specific name was given, and it appears that this source of funding is very limited with high collateral restrictions.

Donor sources for local organizations are:

- USAID currently has donated \$5.6 million to the country's larger micro-credit organizations, as well as some smaller organizations.

The PL-480, an anti-poverty project dedicated to helping the poorest, has been given to a number of groups. Post-Mitch funds totaling \$5 million are also designated for micro-credit organizations.

- Inter-American Foundation (IAF) has supported particular projects of various organizations in the country.
- NOVIB of the Netherlands was listed as a donor to micro-credit organizations in the country.
- FADES of Finland
- A number of other organizations were listed as minor donor sources for the sample organizations. It is not clear if they are specifically for the credit program or other part of an integrated program such as training, housing, agriculture, etc. They include: CIDEAL, FIADELSON, COSPE, ACSUR.
- USAID Mission sources added: TROPISCE (\$2 million); PROSESUR (\$4 million); and the United Nations Capitalization Fund.

Financing for Agriculture and Livestock

- El Fondo de Credito Rural (F.C.R.) is a \$4 million program designed for agriculture and livestock sectors affected by Hurricane Mitch.
- PRODEGA is a Finnish organization which supports agricultural cooperatives.
- The Norwegian government funds credit for agriculture sector.

❖ EL SALVADOR

Credit lines for local organizations include:

- EVOLS of Holland
- FINAVIPO
- USAID has begun a capital guarantee program with some national commercial banks in order to offer program participants funding for growth. AID also donates an amount of capital directly to these organizations.
- The Inter-American Development Bank (BID). This could be through the emergency Mitch fund.

Donor sources for local organizations:

- ACT, the Belgium Asociación de Cooperación Técnica
- European Community
- Government of Spain

❖ HONDURAS

Credit lines for local NGOs are primarily provided by Fundación COVELO. COVELO initially received funds from USAID and currently from CABEL, GTZ, BID and some private banks as well and now acts as the country's premier 2nd floor lending institution. It offers lines of credit to numerous national micro-credit providers.

Other lines of credit accessed:

- European Community
- The FINSA credit line, created with European Union funds and managed by the 2nd tier bank, FONAPROVI.

In our small sample, no organizations, except a small percentage of one of the sample organizations have received donations throughout the existence of the organization.

❖ GUATEMALA

FIS, the Fondo de Inversion Social, donates money for administrative costs as well as seed capital. The seed capital; is to be loaned out and rotated for three years collecting client interest payment and capital, and at the end of the period, this money must be given as a donation to the clients themselves.

Credit lines for local organizations include:

- SYME, the Fondo Nacional para la Micro Empresa
- BanRural
- BID

Donor sources for local organizations:

- ACT
- Austria
- Holland

It is interesting to note that the formal banking industry in the region is increasingly involved in micro-enterprise development. While in the past the formal banks were not interested in poverty lending—because of perceived risk, low return and high transaction costs-- the high success of the non-profit organizations in this sector seems to have sparked their attention. By opening their doors to the poor they, in effect, expand their potential client pool significantly.

Throughout the region this study found a few formal banks that are entering this sector either by offering credit lines to micro-credit NGOs or through their own direct lending programs to individuals, solidarity groups and community development banks.

USAID missions in a few of the countries have been instrumental in establishing a guarantee fund with local banks which would encourage them to open up much needed credit lines to local NGOs in the field.

VI. CONCLUSIONS

The market study identified a total of eighty-nine organizations in the combined micro-credit market of the region including Guatemala, Honduras, El Salvador and Nicaragua. Although there are undoubtedly still more organizations that the research did not uncover or did not include for various reasons, this extensive number of active organizations in the market is significant. It signals that there is a great interest in applying the micro-credit approach to the alleviation of poverty, and that there is a fairly wide variety of organizations throughout the region attempting to do so. This quantity of organizations, both large and small, operating various different approaches is a characteristic of a young, fledgling market, one which is still relatively easy to enter. If normal marketing patterns apply, we can expect to see consolidation within the markets as some organizations grow and expand a range of credit products and eliminate the smaller and/or less capable organizations. Perhaps it appears that this is already the case as will be seen when viewing the market share of the large international organizations and a few local indigenous organizations.

❖ Overview of the Market

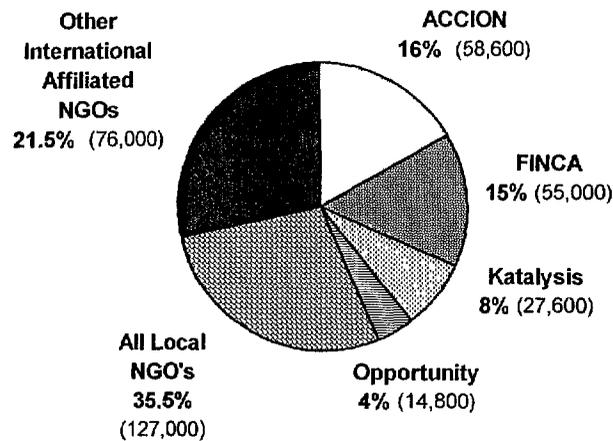
Drawing from the eighty-nine organizations identified in the regional market--the four countries of Nicaragua, El Salvador, Honduras and Nicaragua-- approximately 359,000 active clients were reported. For the purpose of this report this number will be viewed this as the size of the total micro-credit market in the region, although there most likely exists a number far greater.

Internationally affiliated organizations dominate, accounting for nearly 65% of the total clients served and approximately 46% of the total organizations*. In contrast, the remaining 35.5% of total clients are accounted for by about 48 local and independent NGOs (54% of total organizations identified).

Now concentrating on 65% of the market (232,300 clients) served by internationally affiliated organizations, even further concentration is found with 67% of clients divided between the four main networks—ACCION, FINCA, KATALYSIS, and OPPORTUNITY. These four international networks comprise nearly half (about 44%) of the total micro-credit client market identified, as well as about half of the total forty internationally affiliated NGOs. International organizations also dominate the arena of large organizations, comprising eleven of the twelve largest organizations, eight of which are affiliated to the previously mentioned networks.

* Katalysis partners considered here in “internationally affiliated organizations”

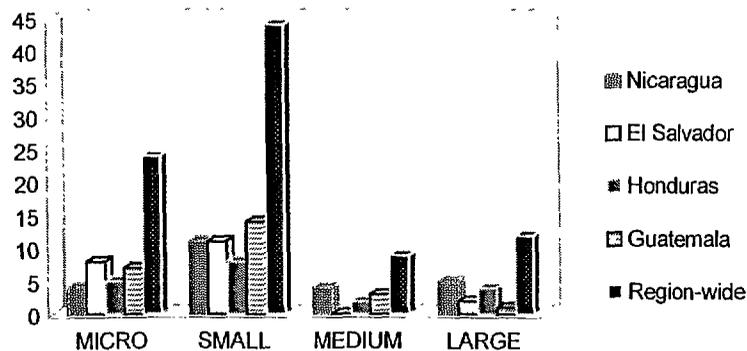
Market Share of Total Micro-Credit Clients
(based on 359,000 reported clients)



It is obvious that the micro-credit market in the region has been and is being greatly influenced and directed by the strong activity of the international organizations, which in total accounts for over two-fifths of the market. It is our finding (although our sample mainly illustrates characteristics of the local NGO market) that these international organizations have greatly contributed to the use of group methodology, especially in El Salvador, Honduras and Guatemala.

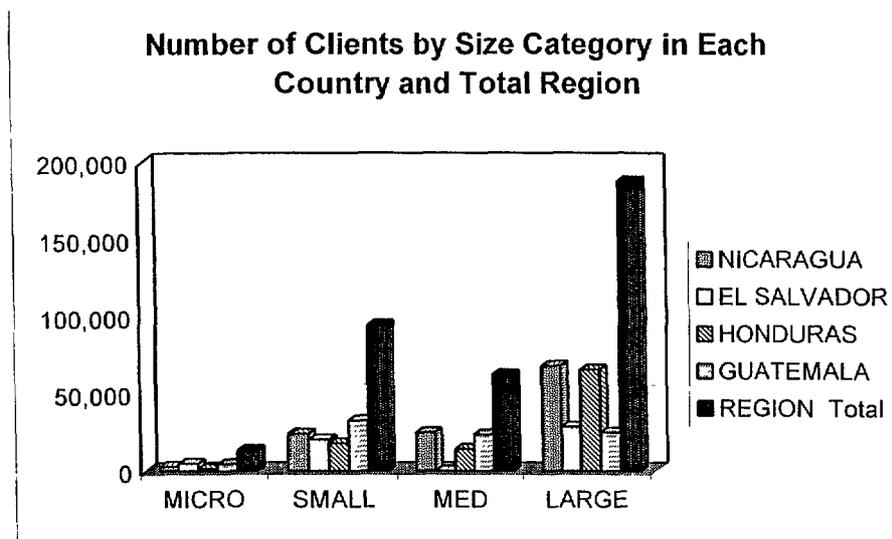
Of these eighty-nine micro-credit organizations, twenty-five were classified as "micro" organizations, forty-three as "small," nine as "medium" and twelve as "large." As was expected, the number of small and micro-sized organizations is far larger than the number of medium and large organizations in three of the four countries. The exception was Nicaragua, which had a number of strong medium-sized organizations and fewer "micro" ones. The following chart displays the number of organizations in the four classifications for each of the countries and the total region.

Number of Organizations by Size in Each Country and Total Region

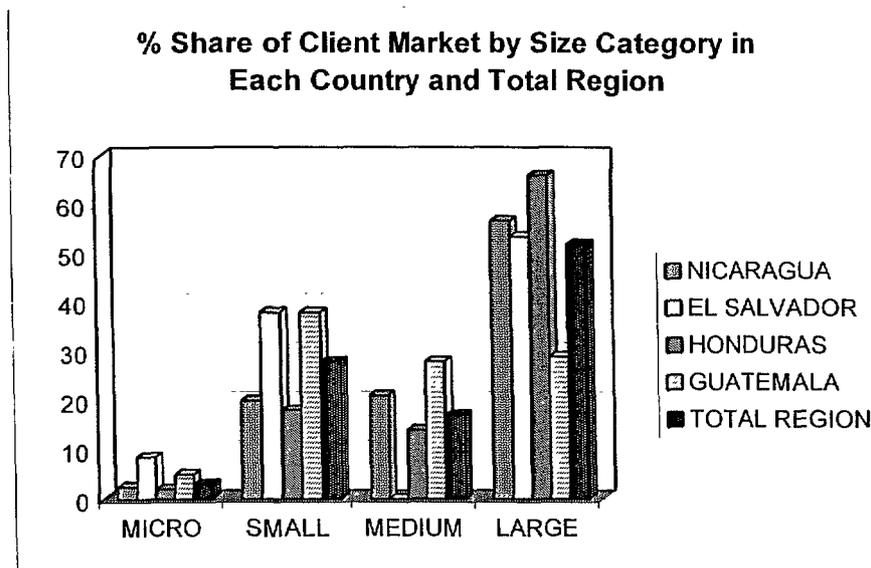


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While the previous graph illustrates that the majority of organizations are small, the number of clients served is of course, concentrated in the large organizations, as shown in this chart:



To provide further perspective we have calculated the percent share of the market based on the number of clients in each size category for each country and the total region, as shown in the chart below. This emphasizes the concentration of the market in the hands of the largest twelve organizations.



In summary, we see a regional market that is clearly dominated by the large internationally affiliated NGOs in terms of total clients reached, while the smaller, local NGOs account for the bulk of the total number of organizations identified in the market.

❖ **Characteristics of the Market**

The following chart compares the key characteristics of the NGO micro-credit market in each of the four countries. “Predominating Size of Organizations” refers to comparative information gathered for the whole market in each of the countries. The information regarding methodology (group vs. individual lending) relates directly to the sample; and, therefore, in general it relates more to local NGOs, rather than the total market which takes into account the large international organizations. The extent of agriculture as well is taken from the sample. Remarks on “Available Capital” are drawn from general observations of the market with examples from the sample.

**COMPARISON OF KEY CHARACTERISTICS OF THE NGO MICRO-CREDIT MARKET
IN ALL FOUR COUNTRIES**

	<u>NICARAGUA</u>	<u>EL SALVADOR</u>	<u>HONDURAS</u>	<u>GUATEMALA</u>
Predominating Size of Organizations	Large and Medium	Small and Micro	Large and Medium	Small and Micro
Individual vs. Group Methodology	Individual	Group and Individual Equal	Group	Group
Extent of Agriculture Lending	Extensive	Very Little	Very Little	Some (further study needed)
Availability of Capital	Low (major obstacle)	Low (lines of credit non-existent)	Middle/High (due to Covelo)	In Process (commercial lines of credit being developed)

Predominating Size of Organizations

In both Nicaragua and Honduras, large and medium organizations of both national and international character were numerous in comparison with the other two countries. Over 30% of the total organizations considered in each country fell in one of these two categories. In Honduras they accounted for about 80% reported clients; in Nicaragua they accounted for about 77%. The steady funding source through Fundación Covelo has undoubtedly contributed to the growth of the organizations. In Nicaragua, while access to funding has been more limited than in Honduras, six of the nine medium/large organizations have been closely affiliated to international NGOs which apparently have had access to the resources needed to steadily expanded their projects.

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In El Salvador and Guatemala there were many fewer larger organizations while small and micro-sized ones are plentiful and account for nearly 90% of total Salvadoran NGOs and nearly 84% of those in Guatemala. The integrated development focus of local NGOs in El Salvador is surely one contributing factor as concentration on a variety of development activities hinders steady growth in credit programs. In addition, ACCION and other typically large international NGOs do not presently have associates in the country.

Micro-credit activities in Guatemala appear to be in the initial stages of development compared with the other three countries in the region. Very few internationally associated organizations of size exist—FINCA Guatemala's program is barely getting off the ground after a decision to reorganize a few years ago; Opportunity affiliates and Katalysis Partners have also not reached any significant scale, apparently due to internal organizational and cultural challenges.

Individual vs. Group Methodology

In the region as a whole, group methodology dominates the market primarily because of the strong presence of internationally affiliated organizations that actively promote it, and the broad base of urban clientele desiring access to these services. Honduras's case certainly supports this with the presence of a wide array of larger organizations implementing the methodology, as well as in El Salvador where the influence of CRS was seen in five of the ten sample organizations. The dominance of Génesis Empresarial which alone captures 29% of the market share of clients contributes in sheer numbers as well as in competition for other local NGOs. Nicaragua is the exception to the case, clearly dominated by individual credit methodology, apparently due to a variety of cultural factors and the high concentration of people working in agricultural production.

Extent of Agriculture Lending

The supply of credit for agriculture in El Salvador and Honduras was minimal. Very few organizations offered this line of credit at all, and generally those who did, had a small percentage (less than 5%) of active clients receiving agriculture loans. Both of these countries have comparatively low percentages of their GDP contributing to agriculture. In El Salvador their 1998 total was about 12%--down from 43% since 1977. In Honduras the 1998 total was about 18%--down from over 30% in 1977. In both countries, many more people are involved in commercial and service activities, thus the micro-credit NGOs offer their services where the demand is strongest.

On the other hand, Nicaragua and to some extent, Guatemala showed opposite results. In Nicaragua the contribution of agricultural production to GDP has actually risen steadily from 23% in 1977 to 34% in 1998. Guatemala's agricultural sector also contributes a sizeable percentage to the country's GDP, over 23%. This figure has basically remained steady over the past two decades, dropping only a few points. The larger extent of agricultural credit in Nicaragua and Guatemala in comparison to Honduras and El Salvador is perhaps connected to the substantial role agricultural production plays in the reality of the country. An equally important idea is that the NGO community in these markets is still young and inexperienced and perhaps has not yet faced the reality that micro-credit and agricultural credit do not effectively mix for overall portfolio success. This implies that the smaller organizations are somewhat "in the dark" in relation to micro-credit best practices.

Availability of Capital

In Nicaragua small and large local organizations alike were considerably preoccupied with the lack of funding available for their programs. National banks still do not offer credit lines for local micro-finance NGOs. In El Salvador, very few of the organizations visited had accessed lines of credit from international organizations or commercial banks. However, the study found that FOMIR was in the process of assisting program participants access formal credit lines through a guarantee fund with some local banks. In Honduras Fundación Covelo supplies a large portion of credit to local institutions. While a few of the smaller organizations visited were in obvious need of funds, the majority were receiving them from Covelo. In Guatemala, although existing local NGOs had limited access to credit, it was found that some commercial banks were in the process of establishing lines of credit for local NGOs through a guarantee system offered through USAID Guatemala. In addition, there is a marked trend for commercial banks to become directly involved with micro-credit programs of their own.

❖ EPILOGUE

ANNEX A
Abbreviations of Organizations and Institutions

ABBREVIATIONS OF ORGANIZATIONS

General—International Institutions:

BCIE—Central American Bank for Economic Integration
BID/IDB—Inter-American Development Bank
C-GAP—Consultative Group to Assist the Poorest-- *World Bank program*
DAI—Development Alternative Inc.
IAF—Inter-American Foundation
IMCC—International Management and Communications Corporation
MC Summit—Micro-credit Summit
MIP—Microenterprise Innovation Project
SEEP Network—Small Enterprise Education Promotion
UNDP—United Nations Development Program
US AID—United States Agency for International Development

General—International Organizations NGO's

ACT—Association of Technical Cooperation
CEPAD—Council of Protestant Churches
CRS—Catholic Relief Services
FINCA—Foundation for International Community Assistance
GTZ—(German Technical Cooperation)—*Government Agency*
MEDA-- Mennonite Economic Development Association

Nicaragua—Local Organizations:

ACODEP—Asociación Nicaragüense para el Desarrollo Económico y Social
ADIM—Asociación Alternativa para el Desarrollo Integral de la Mujer
ASODENIC—Asociación de Oportunidad y Desarrollo Económico de Nicaragua
ASODERI—Asociación de Desarrollo de Rivas
CENZONTLE—Centro para la Participación Democrática y del Desarrollo
CEPRODEL—Centro de Promoción del Desarrollo Local
CESADE—El Centro de Estudios y Acción para el Desarrollo
CHISPA—Centro de Crédito y Capacitación Humanística, Integral y Sistémica p/la Pequeña Empresa
CRADHC—Comite de Reconstrucción y Ayuda al Desarrollo Hermanos en Cristo
FDL (NITLAPAN)—Fondo de Desarrollo Local
FIDESA—Asociación Financiera de Desarrollo
FINDE—Fondo del Instituto Nicaragüense de Desarrollo
FONDEFER—Fondo de Fomento Económico Rural
FUDESI—Fundación para el Desarrollo Social e Integral de Nicaragua
FUNDECAP—Fundación de Desarrollo Campesino
FUNDENUSE—La Fundación para el Desarrollo de Nueva Segovia
PRESTANIC—Fondo Nicaragüense para el Desarrollo Comunitario
PRODESA—Fundación para la Promoción de Chontales y Río San Juan
PROMIFIN—Programa de Fomento de Servicios Financieros para la Pequeña Empresa y el Pequeño Productor

Salvador—Local Organizations:

ADEL Morazán—Agencias de Desarrollo Económico Local, Morazán, El Salvador
ALPIMED—Alianza para el Desarrollo de la Microempresa
ASALDI—Asociación Salvadoreña para el Desarrollo Integral
ASAPROSAR—Asociación Salvadoreña Pro Salud Rural
ASDI—Fundación Salvadoreña para el Desarrollo Integral
ASEI—Asociación Salvadoreña de Extensionistas Empresariales
ASOMI—Asociación de organizaciones de micro finanzas
CAM—Centro de Apoyo a la Microempresa
CORDESAL—Corporación Salvadoreña para el Desarrollo
CREFAC—Centro de Reorientación Familiar y Comunitaria
ENLACE—Financial Services to Community Banks
FADEMYPE—Fundación para el Auto desarrollo de la micro y pequeña empresa
FISA—Fondo de Inversiones
FOMIR—Fortalecimiento de las Micro finanzas Rurales
FUNDAMICRO—Fundación de Capacitación y Asesoría en Microfinanzas
FUNSALPRODESE—Fundación Salvadoreña para la Promoción Social y el Desarrollo Económico
FUSAI—Fundación Salvadoreña de Apoyo Integral
PROCOMES—Corporación de Proyectos Comunales de El Salvador
REDES—Fundación Salvadoreña para la Reconstrucción y Desarrollo de El Salvador

Honduras—Local Organizations:

ADECOH—Asociación de Desarrollo Comunitario de Honduras
ADEHESA—Asociación de Desarrollo Social y Asistencia de Honduras
ADEJUMUR—Asociación Hondureña de Desarrollo de la Juventud y la Mujer Rural
AHDE—Asociación Hondureña de Desarrollo
ALDERH—Alianza para el Desarrollo Rural de Honduras
ASIDE—Asociación de Investigación para el Desarrollo Ecológico y Socio Económico
ASODES—Asociación para el Desarrollo
CDH—Centro de Desarrollo Humano
FAMA—Familia y Medio Ambiente
FHA—Fundación Horizontes de Amistad
FINSOL—Financiera Solidaria
FUDENA—Fundación de Desarrollo Nacional
FUNDHICOMUN—Fundación Hondureña de Desarrollo Integral Comunitario
FUNED—Fundación para el Desarrollo de Honduras
FUNHDE—Fundación Hondureña de Desarrollo de la Microempresa
IDH—Instituto para el Desarrollo Hondureño
INHDEI—Instituto Hondureño de Estudios y Desarrollo Integral de la Comunidad
ODEF—Organización de Desarrollo Empresarial Femenina
UNISA—Unidad de Servicios de Apoyo para Fomentar la Participación de la Mujer

Guatemala—Local Organizations:

ADEPH—Asociación para el Desarrollo del Potencial Humano

AGIL—Apoyo a la Generación de Ingresos Locales

AGUDESA—Asociación Guatemalteca para el Desarrollo

ASDESARROLLO—Asociación Civil Guatemalteca para el Desarrollo Integral

AYNLA—Ayúdense y nosotros les ayudaremos

CADISOGUA—La Coordinadora de Asociaciones de Desarrollo Integral del Sur Occidente de

CDRO—Cooperación para el Desarrollo Rural de Occidente

FAFIDESS—Fundación de Asesoría Financiera a Instituciones de Desarrollo y Servicio Social

FAPE—Fundación de Asistencia para la Pequeña Empresa

FDM—Fundación para el Desarrollo de la Mujer

FUNDAMICROS—Fundación de Desarrollo Integral Económico y Social

FUNDAP—Fundación para el Desarrollo Integral de Programa Socioeconómicos

FUNDEA—Fundación de Desarrollo Empresarial y Agrícola (local NGO of ACT)

FUNDEMI—Fundación para el Desarrollo y Educación de la Mujer Indígena

FUNDEMIX—Fundación de Desarrollo de Mixco

FUNDESPE—Fundación para el Desarrollo de la Pequeña Empresa

MUDE—Asociación de Mujeres en Desarrollo

PRODESSA—Proyecto de Desarrollo de Santiago--La Salle

ANNEX B
U.S Contact Information

U.S. Contact Information

<u>Northern NGO's</u>	<u>Countries Served and Relationship</u>	<u>Total # Clients</u>
ACCION International MA-617-492-4930 www.accion.org	Guatemala, Honduras, Nicaragua ▪ MC Network organization	58,700
CARE International GA-404-681-2552 www.care.org	Honduras, El Salvador, Guatemala ▪ Multi-purpose NGO's with MC components	13,389
Catholic Relief Services (CRS) MD-410-625-2220 www.catholicrelief.org	El Salvador (MC institution), Guatemala, Nicaragua ▪ MC projects and general development organizations with MC component	10,682
Enterprise Development International VA-703-277-3348 www.endpoverty.com	Nicaragua ▪ Micro-credit "Partner" organization	435
FINCA International DC-202-682-1510 www.villagebanking.org	Guatemala, Honduras, El Salvador, Nicaragua ▪ MC Network organization	55,037
Global Partnerships WA-206-652-8773 www.globalpartnerships.org	El Salvador, Guatemala, Nicaragua ▪ Fund Micro-credit organizations ▪ General Technical Assistance workshops	N/A
GTZ- German Technical Cooperation www.gtz.de	El Salvador, Nicaragua ▪ Funding and Technical Assistance to specific organizations	N/A
Mennonite Economic Development Association (MEDA) www.meda.org	Nicaragua ▪ Initiated Micro-credit organization, CHISPA (now known as CONFIA)	6,610
Opportunity International IL-630-645-4100 www.opportunity.org	El Salvador, Guatemala, Honduras, Nicaragua ▪ Micro-credit Network organization	14,753
Project Hope VA-540-837-2100 www.projhope.org	Guatemala, Honduras ▪ Micro-credit projects (Village Health Banks)	4,822
Pro Mujer NY-212-223-0198 www.promujer.org	Nicaragua ▪ Micro-credit organization	5,805
Trickle-Up Program NY-212-362-7958 www.trickleup.org	El Salvador, Guatemala, Nicaragua ▪ Provide "seed capital" grants through local organizations with credit program	N/A

Wisconsin Coordinating Council on Nicaragua
(WCCN)—
NICA Fund
WI-608-257-7230

Nicaragua
▪ Funding to local organizations in
Nicaragua

N/A

World Relief
IL-630-665-0235 www.worldrelief.org

Honduras
▪ Micro-Credit and Health organization

22,000

World Vision
WA—253-815-1000 www.worldvision.org

El Salvador, Guatemala, Honduras, Nicaragua
▪ Multi-purpose NGOs with credit
component

5,500

Contacted but no major projects, partners or info identified in region:

Christian Children's Fund (CCF)
VA-804-756-2700 www.christianchildrensfund.org

Technoserve
CT-203-852-0377 www.technoserve.org

Cooperative Housing Foundation (CHF)
MD—301-587-4700 www.chfhq.org

Oikocredit —(previously EDCS)
US contact: NY—212-870-2725 www.edcs.org

Food for the Hungry International (FHI)
AZ-1-800-248-6437 www.fhi.org

World Council of Credit Unions (WOCCU)
DC-202-682-5990 www.woccu.org

Additional Sources Contacted

C-Gap:
Mike Goldberg

Inter-American Foundation (IAF)
(El Salvador Representative)
(Guatemala Representative)
(Honduras representative)
(Nicaragua representative)

Researcher in Salvador:
Serena Cosgrove

ANNEX C
Directory of Organizations Visited (by country)

NICARAGUA: DIRECTORY OF ORGANIZATIONS VISITED

Local NGO's:

ACODEP: Asociación Nicaragüense para el Desarrollo Económico y Social

Executive Director: Armando Garcia
Costado Norte de Gallo y Villa Sur, Managua
Tel: (505) 266-3592 /3598 /8880 0987 /2813 Fax: 266-3614

ASODERI: Asociación de Desarrollo de Rivas

Executive Director: Nicolas Valdez
Contigo al BANIC, Rivas
Tel: (505) 453-3020 Fax: (505) 452-3371
E-mail: asoderi@correowev.com.ni

CENZONTLE: Centro para la Participación Democrática y del Desarrollo

Executive Director: Dr. Malena de Montis
Director of Business Development: Lizavetta Lanuza
Repto.Belmonte casa#5, Managua
Tel: (505) 265-1425 Fax: (505) 265-2983

CEPRODEL: Centro de Promoción del Desarrollo Local

Executive Director: Miguel Gonzalez
Director of Banking and Development: Juan Carlos Telleria
Av. Bolivar de los semaforos del INETER 1c al nor, 1 oeste, 25 vrs al s, Managua
Tel: (505) 222-6366, 222-3161 Fax: 222-6367

FDL Nittlapan: Fondo de Desarrollo Local

Executive Director: Julio Flores
UCA campus, Ed. Nuevo Nittlapan--Managua
Tel: (505) 278-0627, -0628, Fax: -0436

FIDESA: Asociación Financiera de Desarrollo

Executive Director: Alfredo Alaniz
Los Robles -from Edif .Plaza del Sol, 2c.al sur, 3 al este (esquina), Managua
Tel: 270-4954 Fax: 270-4947

FINDE: Fondo del Instituto Nicaraguense de Desarrollo

Executive Director: Jaime Lacayo Portillo
De la I.T.R. 1 calle arriba, ciudad jardin, calle 14 de septiembre, C.# P-26, Managua
Tel: (505) 248-1742 Fax: 248-1741

FONDEFER: Fondo de Fomento Economico Rural

Exec. Director: Alberto Blanco

FUDESI: Fundacion para el Desarrollo Social e Integral de Nicaragua

Executive Director: Melba Lau Solis
Del Reloj 3 cdrs abajo y 1 cuadra al sur, Diriamba, Carazo
Tel: 422-2845 Fax: 042-22880

FJK: Fundacion Jose Nieborowski

Executive Director: Jenny Reyes Alcantara
President of Board of Directors: Melvin Antonio Romero Angulo
Esquina Opuesta al BANIC, Boaco
Tel: (505) 842-1391 /2671
Fax: (505) 842-2399

FUNDECAP: Fundacion de Desarrollo Campesino

Executive Director: Padre Jose Maria Clarazo
Programs: Lilian Gueverra
Altamira de la Farmacia Altamira 1C al Este Casa No.564, Managua
Tel: 278-4931 Fax: 278-2282

PRODESA: Fundacion para la Promocion y Desarrollo de Chontales, Rio San Juan y Zelaya Central

Executive Director: Zoeida Hernandez de Ortega
Juigalpa, Chontales
Tel: (505) 812-0828 Fax: /0829

TA Provider:

PROMIFIN/COSUDE

Executive Director: Flora Maria Calvo
Calle 27 de mayo, contigo a ex-cine Cabrera #710, Managua
Tel: (505) 222-2873 Fax: 222-4791

National Coalition:

ASOMIF: Asociacion Nicaraguense de Instituciones de Microfinanzas

Executive Director: Ivan Gutierrez Aguirre
Apt. Postal: VF-116 Managua
Tel: 222-4696

Other:

US AID Nicaragua

Project Manager Specialist: Mario Brockmann
De los semaforos de la Centroamerica, 400 metros abajo, Managua
Tel: (505) 267-0502 Fax: 278-3828

EL SALVADOR: DIRECTORY OF ORGANIZATIONS VISITED

Local NGO's:

ASALDI: Asociación Salvadoreña para el Desarrollo Integral

Executive Director: Rufino Quintanilla
S41 Ave north, no.228, Colonia Flor Blanca, Sal Salvador
Tel: (503) 225-9530

CREFAC: Centro de Reorientación Familiar y Comunitaria

Executive Director: Nicolas Barrera
Colonia Malaga, calle Monserrat, No.27-B Barrio Santa Ana, San Salvador
Tel: (503) 270-1312, 270-9738 Fax: 270-1310

FADEMYPE: Fundacion para el Autodesarrollo de la Micro y Pequena Empresa

Credit Program Manager: Manuel Cruz (incoming)
Micro-credit Program Cooperante: Astrid Vreys
Integrated Services Cooperante: Peter Emanuel Moers
Calle Gabriela Mistral #209, San Salvador
Tel: (503) 225-9415 Fax: 225-9416

Fundacion Duarte

Executive Director: Jose Napoleon Duarte
17 Ave. norte #116, abajo de la tecnologia, San Salvador
Tel: (503) 271-3663 Fax: 271-1772
www.fundacionduarte.com

Fundacion GENESISS: Programa de Creación de Empleo Sector informal de San Salvador

Executive Director: Ernesto Mancia
San Salvador
Tel: (503) 223-7512 Fax: 245-0623/5533

FUNSALPRODESE: Fundacion Salvadoreña para la Promoción y el Desarrollo Económico

Executive Director: Rolando Mata
27 calle pte. Y 17 av norte, no 1434, Colonia Layco, San Salvador
Tel: (503) 225-2722 Fax: 225-5261

FUSAI: Fundacion Salvadoreña de Apoyo Integral

Executive Director: Luis Castillo; Gerente de Creditos: Samuel Elias Ayala Funes
Calle Nueva, No.1, casa 3733, Colonia Escalon, Apt. 1773, San Salvador
Tel: (503) 245-2611, 298-2040

PROPEMI: Programa de Promoción a la Pequeña y Micro Empresa

Executive Director: Ricardo Alfredo Velasquez
Edificio FUSADES, Blvd y Urb. Santa Elena, San Salvador
Tel: (503) 278-3366, 278-8274

REDES: Fundacion Salvadoreña para la Reconstrucción y Desarrollo de El Salvador

Executive Director: Juan Javier Martinez
Calle Cerro Verde No.3028, Colonia Miramonte, San Salvador
Tel: 260-1474, 1472, 1384
www.redes.org

TA Providers:

FUNDAMICRO: Fundacion de Capacitación y Asesoría en Microfinanzas

Executive Director: Sigfrido Aristoteles Esperanza
Centro Comercial Feria Rosa, Ed. "D", Alameda Manuel Enrique Araujo, San Salvador
Tel: (503) 243-2425, 243-2448, 243-2449 Fax: 243-2443

FORMIR-DAI: Fortalecimiento de las Microfinanzas Rurales

Director: Doug McLean Sub-Director: Robin Young
Micro-finance Specialist: Rafael Romero
3a Calle Poniente #3977, Colonia Escalon, San Salvador
Tel: (503) 264-3681 to 3683 Fax: 263-4706

National Coalitions:

ALPIMED: Alianza para el Desarrollo de la Microempresa

Executive Director: Cesar Rios
Colonia Medica, final pasaje San Ernesto, calle Guadalupe, #1314, San Salvador
Tel/fax: 225-2317

ASOMI: Asociación de Organizaciones de Microfinanzas

Executive Director: Jose Napoleno Duarte
Contact: same as Fundacion Duarte

Other:

US AID El Salvador

Office of Microenterprise Development: Sandra Lorena Duarte
Embajada Americana Blvd. Santa Elena sur, Antiguo Cuscatlan, San Salvador
Tel: (503) 298-1666 Fax: 298-0885

HONDURAS: DIRECTORY OF ORGANIZATIONS VISITED

Local NGO's:

ADECOH: Asociación de Desarrollo Comunitario Oriente de Honduras

Executive Director: Luis Alfredo Ordonez Montoya
Danli, El Paraiso
Tel: (504) 883-2409 Fax: 883-3092

ASIDE: Asociación de Investigación para el Desarrollo Ecológico y Socio Económico

Sub-Director: Pilar Reyes
Bo. Las Delicias 2 y 3 Ave. 4a calle sur, El Progreso, Yoro
Tel: (504) 647-0309 casa: 647-4002

FUNED: Fundacion para el Desarrollo de Honduras

Executive Director: Emilio Rodriguez
Tegucigalpa
Tel: (504) 232-5520

FUNHDE: Fundacion Hondurena para el Desarrollo de la Pequena y mediana Empresa

Colonia Humuya, Calle Alpha, Casa 2520, Apto. Postal # 2891
Tel: (504) 239-4282 Fax: 239-8760

INHDEI: Instituto Hondureño de Estudios y Desarrollo Integral de la Comunidad

Executive Director: Carlos Arturo Chavez
President of Board: Sr. Rosales
Edificio San Cayetano, 2nd floor, Ave, Cervantes, Tegucigalpa
Tel/fax: (504) 237-3154

World Relief de Honduras

Executive Director: Roberto Ruiz Pineda
Colonia Las Minitas, Ave. Las Minitas, casa #734-A Tegucigalpa
Tel: (504) 232-7667, 232-4578 Fax: 232-6139 239-3868 (private)

TA Providers:

FUNADEH

Regional Director: Norma Zepaeda
Tegucigalpa
Tel: (504) 239-4245

Other:

US AID Honduras

Senior Program Specialist—Agriculture and Natural Resources Office: Armando
Busmail
Embajada Americana Avenida La Paz, Box 3453 Tegucigalpa
Tel: (504) 236-9320 Fax: 236-7776

GUATEMALA: DIRECTORY OF ORGANIZATIONS VISITED

Local NGO's:

ADEPH: Asociacion para el Desarrollo del Potencial Humano

Executive Director: Obed Rocael Velasquez
19 Ave. 2-41, zona 1, Quetzaltenango
Tel: (502) 763-1941 Fax: 761-8593
E-mail: adeph@inforvia.com.gt

FAFIDESS: La Fundacion de Asesoría Financiera a Instituciones de Desarrollo y Servision Social

Executive Director: Reynold Osbert Walter Padilla
7a. Avenida 7-07, zona 9, nivel 5, Oficina 502, Guatemala City
Fax: (502) 331-5428

Fey y Alegría

Executive Director: Miguel Samayoa
12 Ave. 2-07, zone 1, Guatemala City
Tel: (502) 253-0473, 220-9103

FUNDEA (ACT): Fundacion de Desarrollo Empresarial y Agrícola

Executive Director:
Segunda Calle 7-73, zone 4, Chimaltenango
Tel: (502) 839-5466, 5467, 7466 Fax: 839-1050

FUNDESPE: Fundacion para el Desarrollo de la Pequeña Empresa

Executive Director: Jacobo Batz Son;
Director of the Rural Program (village banks): Ruth Lopez
Director of Administration: Juan Carlos Lau
15 Avenida "A" 3-33, zone 1, Quetzaltenango
Tel: (502) 761-8401 Fax: 761-9047

TA Providers:

Génesis Empresarial

Executive Director: Edgar Bucaro
13 calle 5-51, zona 9, Guatemala City
Tel: (502) 334-4466, 334-4751 (direct) Fax: 334-4474

AGIL: Apoyo a la Generación de Ingresos Locales

Director: Roberto Castro
13 calle 2-60, zona 10, Edificio Topacio Azul, oficina 1002, Guatemala City
Tel: (502) 339-0375 to 0379 Fax: 339-0380

National Coalitions:

CADISOGUA: Coordinador de Asociaciones de Desarrollo Integral del Sur Occidente de Guatemala

Executive Director: Oscar Celso Cabrera Lopez

Technical Director: Manuel Efraim Chamorro

23 Avenida, 10-59, zona 3, Quetzaltenango

Tel: 767-0866 Fax: 767-1558 Cell—Oscar: 512-3397

Other:

US AID Guatemala

Senior Financial Economist—Income and Natural Resources Office: Bernai Velarde

Tel: (502) 332-0202 Fax: 331-1573

ANNEX D
Local NGO Interview Form

ORGANIZACIONES LOCALES ESPECIALIZADAS EN MICROREDITO EN CENTRO AMERICA

I. INFORMACION GENERAL

- ❖ Nombre de la Organización: _____
- ❖ Nombre del Director Ejecutivo: _____
- ❖ Nombre/ cargo de la Persona Entrevistada: _____
- ❖ Dirección: _____
- _____
- _____
- Teléfono: _____ Fax: _____
- E-Mail: _____

- ❖ Fecha de Constitución: _____ ¿Tiene Personería Jurídica? SI NO
- ❖ Motivo/razon de su creación?
 - Compromiso para satisfacer las necesidades de la comunidad
 - Disponibilidad de fondos externos/donados
 - Otros: _____

II. EL PROGRAMA

1. Activiad principal de su organización? (% de acuerdo al # clientes, ingresos, etc.):

Enfoque principal en Micro-credito? SI NO
 Salud _____ Educación _____ Agricultura _____
 Asesoría _____ Asistencia Técnica: _____ Otros: _____

2. Numero de clientes en total: _____

Metodología	Número de Clientes	% Mujeres
a. Bancos Comunales		
b. Grupos Solidarios		
c. Individuales		
d. Otros:		
Total		

3. Areas de actividad de sus clientes:

- Comercio Industria Servicios Vivienda
- Agricultura Otros: _____

4. ¿Qué porcentaje de su programa se considera como rural _____ y urbana _____?

5. Cuenta su organización con Oficinas/agencias regionales? Cuantas? _____
 Dónde están ubicadas? _____

6. Cuantas personas trabajan en la administración? _____
 Cuantas en el areas de programas? _____
7. ¿Recibe actualmente su Organización Asistencia Técnica y Capacitación Externa?
 ¿De quién? _____
 ¿En qué Areas? _____

8. ¿Es esta Asistencia Técnica y Capacitación, pagada directamente por su institución? Explique

9. Pertenece a alguna Red o Coalición:
 Cual: _____
 Internacional Regional Nacional

III. AREA FINANCIERA, SISTEMAS DE INFORMACION GERENCIAL

A. Indicadores Financieros

1. ¿Bajo que parámetros e indicadores mide su Organización el Area financiera?
 a. Indicadores MicroCAMEL
 b. Indicadores PERLAS
 c. Otros: Especifique _____
2. ¿ Conocimiento de las mejores practicas: Alto / medio / bajo
 ➤ Cuáles de las **Mejores Prácticas** de la Industria del Microcrédito están siendo aplicadas e implementadas por su Organización:
3. Numero de miembros que conforman su Junta Directiva: _____
4. En escala de 1 a 10, ¿Cómo califica el nivel de participación e involucramiento de los miembros de su Junta Directiva en lo siguiente?
 ➤ Apobacion de las políticas de la organización: _____
 ➤ En la administración operativa: _____
 ➤ En la selección del personnel clave: _____
 ➤ En la fomulacion de la vision, misión, estrategias de la organiciacion: _____
5. Cuenta su Organización con un Presupuesto? Anual? _____ Semestral ? _____
6. Tiene un Plan Estratégico? _____ De cuantos anos? _____
 Hay planes elaborados de expansión? _____

7. Total de CARTERA _____ % Cartera en Riesgo _____

8. % Autosuficiencia Financiera operativa? _____

9. % Autosuficiencia Económica? _____

10. ¿Realiza su Organización Auditorías Internas y Externas?

a. Internas SI NO Externas SI NO

11. ¿Ha recibido y/o recibe financiamiento de fuentes externas? SI NO

➤ Si recibe financiamiento, quienes son sus fuentes primarias de fondos:

a. Organismos Internacionales b. Banca Comercial
c. Cooperativas d. Otros:
e. ONGs de Segundo Piso _____

12. ¿Dé cuáles Organismos Internacionales ha recibido apoyo financiero?

a. BID b. AID c. Banco Mundial
d. PNUD e. BCIE f. CODESPA
g. Otros: _____

13. ¿Bajo que condiciones ha recibido el financiamiento? Indique en Porcentajes.

a. Donado _____% b. Préstamo _____%
* tasa de interés(es): _____

B. Sistema de Información Gerencial

1. ¿Tiene su organización un experto o técnico en informática? _____

2. ¿Cuenta su Organización con un Sistema de Información Gerencial Computarizado? (Si no lo tiene, pase a la Sección IV) SI NO

3. Si su Organización cuenta con un Sistema de Información, ¿Cuál es, qué tipo (Integrado o Separado) y quién es su Proveedor?

4. ¿En qué nivel de operación se encuentra?

En Proceso Implementado y operando al 100%

5. Explicar que tipo de Reportes genera el Sistema de Información con que cuenta su Organización. (Explicar si trabaja en forma integrada o con componentes en forma separada).

IV. ASPECTOS CUALITATIVOS

1. ¿Considera usted que la Organización que representa necesita Asesoría, Asistencia Técnica y Capacitación para mejorar su gestión? Justifique su respuesta
 SI NO

2. Indique las áreas en las cuales considera usted que su Organización necesita ser fortalecida, a través de la Capacitación y Asistencia Técnica externa.

3. De tener la oportunidad de asociarse o afiliarse a una Red, o establecer alguna alianza, estaría su Organización dispuesta a participar? ¿Porque?
 SI NO

4. Si su Organización perteneciera a una Red, ¿Estaría dispuesta a intercambiar y/compartir de su experiencia, conocimiento e información con las otras Organizaciones Afiliadas? SI NO

V. COMENTARIOS GENERALES

Otra información ofrecida por la Persona Entrevistada:

De la Persona que realizó la Entrevista: (Opinión General)

Aspectos Cualitativos	Califique de 1 a 5 (*)
Cualitativos	
Actitud Positiva hacia la Red	
Visión Empresarial	
Disposición al Cambio	
Necesidad de Recibir Asistencia Técnica	
Disposición de Recibir Asistencia Técnica	
Apertura a brindar información	
Interés mostrado durante la Entrevista	

(*) Considere el número 5 como lo más alto.

ANNEX E
Compilation of Key Country Indicators

Population	4.8 million	6.1 million	6.2 million	11 million
Land Mass (sq. miles)	50,446	8,000	43,270	42,000
Real GDP per capita (PPPS)	\$1,997	\$2,880	\$2,220	\$4,100
GNP	\$2 billion	\$11.2 billion	\$4.5 billion	\$17.7 billion
% Agriculture contributing to GDP	34%	12%	20%	23%
% Rural population	45%	54%	49%	61%
% Population living below int'l poverty line	44%	N/A	47%	53%
<u>Human Development Index:</u>				
<i>Rank out of 174 countries</i>	121	107	114	117
<i>Index value</i>	0.616	0.674	0.641	0.624
<u>Human Poverty Index:</u>				
<i>Rank out of 92 developing countries</i>	48	35	41	50
<i>Index value (%)</i>	28%	20.6%	24.8%	28.3%
% Adult literacy	37%	23%	29%	33%
Child Malnutrition (% of children under 5)	12%	11%	18%	27%
% Population without access to safe water	38%	34%	24%	23%

G. Partnership Development

- 1. Katalysis “Ethos”**
- 2. Katalysis Vision: A
Consolidated View**
- 3. Draft Partnership Expansion
Plan**

The Katalysis Ethos

Our Mission:

To help poor families living in persistent poverty to become self-sufficient. We do this out of our commitment to unleash human creative potential and to realize our mutual humanity.

Our Values:

Partnership: building solidarity based on equitable relationships in all interactions;

Sustainability: nurturing human and financial resources to effect our mission;

Integrity: manifesting the highest standard of ethical behavior;

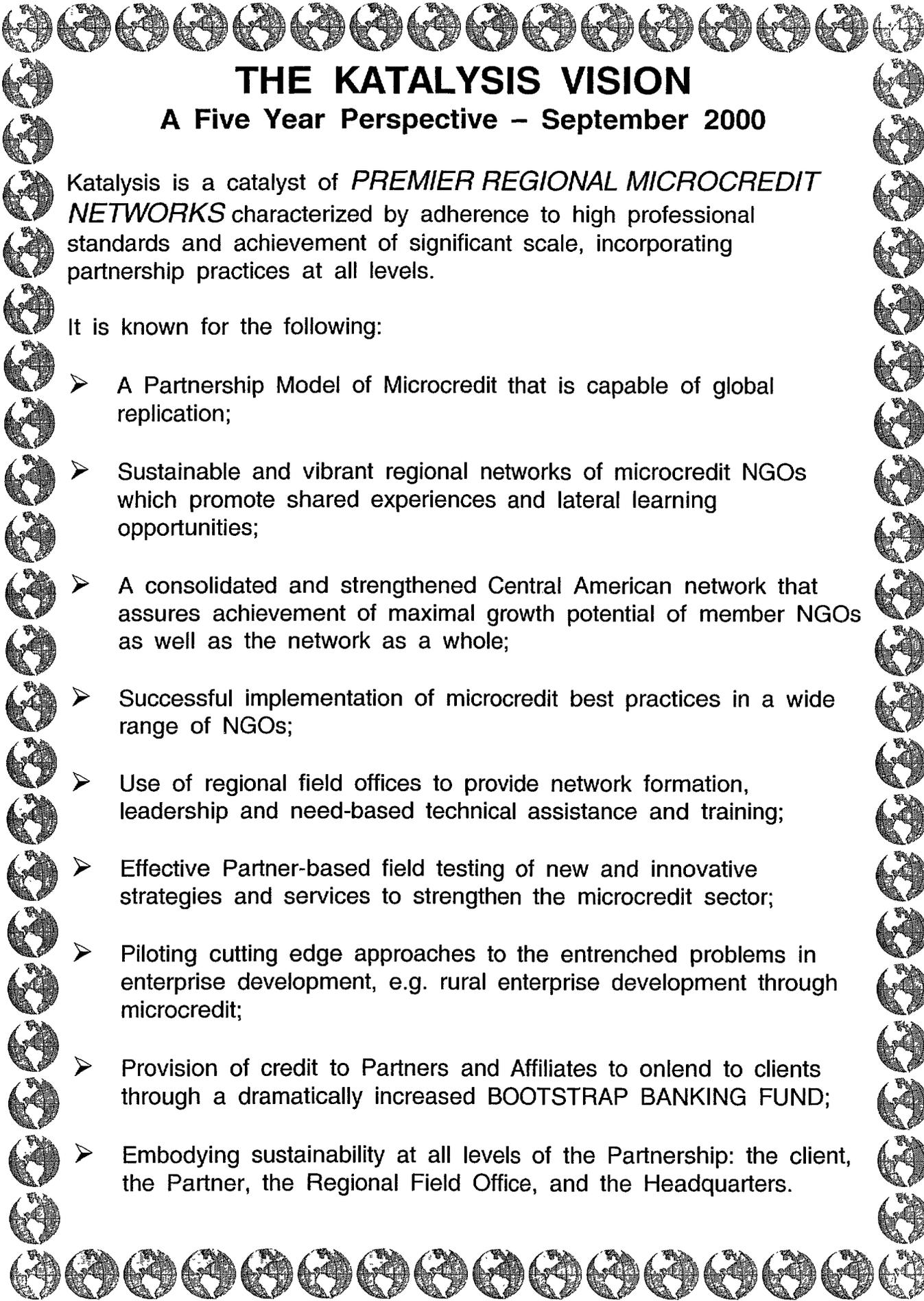
Accountability: honoring mutual commitments and financial transparency;

Social responsibility: making decisions with deep respect for all living systems;

Excellence: striving to be the best at what we do.

Our Strategy:

We collaborate with local Partner organizations, providing microcredit and business training to stimulate social and economic development.



THE KATALYSIS VISION

A Five Year Perspective – September 2000

Katalysis is a catalyst of *PREMIER REGIONAL MICROCREDIT NETWORKS* characterized by adherence to high professional standards and achievement of significant scale, incorporating partnership practices at all levels.

It is known for the following:

- A Partnership Model of Microcredit that is capable of global replication;
- Sustainable and vibrant regional networks of microcredit NGOs which promote shared experiences and lateral learning opportunities;
- A consolidated and strengthened Central American network that assures achievement of maximal growth potential of member NGOs as well as the network as a whole;
- Successful implementation of microcredit best practices in a wide range of NGOs;
- Use of regional field offices to provide network formation, leadership and need-based technical assistance and training;
- Effective Partner-based field testing of new and innovative strategies and services to strengthen the microcredit sector;
- Piloting cutting edge approaches to the entrenched problems in enterprise development, e.g. rural enterprise development through microcredit;
- Provision of credit to Partners and Affiliates to onlend to clients through a dramatically increased BOOTSTRAP BANKING FUND;
- Embodying sustainability at all levels of the Partnership: the client, the Partner, the Regional Field Office, and the Headquarters.

TERMS:

Katalysis Partnership – the overarching reality of all segments north and south driven by the mission, values and vision of Katalysis Partnership, Inc.

Partner Network – regionally-based and consisting of NGO members, including its northern Partner, Katalysis Partnership, Inc., and serviced by the Katalysis RFO. The network formulates and is guided by its own mission, values and vision as it is ready to define that and “own” its place in the region.

Katalysis RFO – regionally-based service provider and the program arm of Katalysis Partnership, Inc. Provides network management services as these become needed and defined. Looks for and develops opportunities to initiate income-generating services to off-set some or all operational expenses.

State-of-the-art: the “best” available in a given period in time. So, “state of the art communications infrastructure” refers to incorporating the best technologies in communications available in that particular moment to carry out the business at hand.

Sophisticated systems: functional and well-honed organizational systems in operations, finance, and information management, as well as policies and procedures for these systems.

VISION COMPLEMENTARITY

As we position the North and South statements back-to-back on *Vision, Mission and Values*, it is significant that there is marked similarity in intent, although the specific wording may be different. This page will convincingly demonstrate that there is a shared South/North focus and commitment, even though they both address them from differing perspectives.

KAT/USA VISION STATEMENT	PARTNERS' VISION STATEMENT
<p><i>Katalysis is a catalyst of Premier Regional Microcredit Networks characterized by adherence to high professional standards and achievement of significant scale, incorporating partnership practices at all levels.</i></p>	<p><i>The Katalysis Partnership will be the best Network in Central America, specialized in Microcredit, with an international consolidated image, providing services through each Partner, to the benefit of the low-income population.</i></p>

KAT/USA MISSION STATEMENT	PARTNERS' MISSION STATEMENT
<p><i>To help poor families living in persistent poverty to become self-sufficient. We do this out of our commitment to unleash human creative potential and to realize our mutual humanity.</i></p>	<p><i>To provide Microcredit services to the poorest of the poor in Central America with efficiency and effectiveness, through Katalysis' leadership and coordination.</i></p>

KAT/USA VALUES:	PARTNERS' VALUES:
<p>◆PARTNERSHIP: building solidarity based on equitable relationships in all interactions;</p> <p>◆SUSTAINABILITY: nurturing human and financial resources to effect our mission;</p> <p>◆INTEGRITY: manifesting the highest standard of ethical behavior;</p> <p>◆ACCOUNTABILITY: honoring mutual commitments and financial transparency;</p> <p>◆SOCIAL RESPONSIBILITY: making decisions with deep respect for all living systems;</p> <p>◆EXCELLENCE: striving to be the best at what we do.</p>	<p>◆PARTNERSHIP: We work in the spirit of democratic participation, characterized by equity, harmony, mutual confidence, and guided by a shared vision of the future.</p> <p>◆SELF-ESTEEM: We value the worth of each member of the Network by demonstrating confidence and support to the organizations that integrate it.</p> <p>◆INTEGRITY: As individual and organizational members of the Network, we act and work with honesty, rectitude and allegiance to the highest ethical standards of conduct.</p> <p>◆RESPONSIBILITY: We assume individual responsibility for our actions and conduct our business with dignity and mutual respect, realizing that everything we do reflects on the Network as a whole.</p> <p>◆SOLIDARITY: We will always act in solidarity, especially in those circumstances of difficult needs or in times of emergency, in which on the Partner members requires our support.</p> <p>◆TRANSPARENCY: In Microcredit and within the Network at large, we are strongly committed to clarity and transparency of accountability.</p> <p>◆CREDIBILITY: Each Network member is deeply committed to honoring the mutual obligations of the Partnership, knowing that the actions of one impact the perception and reputation of all.</p> <p>◆LOYALTY: We will be faithful to the Partnership principles.</p> <p>◆GENDER EQUITY: The Partnership will promote equal opportunity for both men and women in organizations that are members of the Network.</p> <p>◆EXCELLENCE: The Partnership will promote superior quality at all levels in all the activities it carries out.</p>

**H. Katalysis MG Staff
Travel Log, FY
2000**

KATALYSIS TRIP LOG FOR USAID MG3

<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
	Q1	El Salvador	Luis Felipe Borjas	Participate in the Management Information System workshop
	Q1	Hond./Nic.	Mario Beltran	Balance Sheet Review
	Q1	Mexico	Xiomara Velasquez	Participate in the Course Training to Micro-financial Institutions Trainers.
	Q1	Nicaragua	Luis Felipe Borjas	To present to ASODERI'S Executive staff its Organizational Institutional Diagnostic in order to reach agreements of understandings regarding programmatic and technical aspects, previous a visit to be made by Katalysis President to ASODERI.
	Q1	Nicaragua	Luis Felipe Borjas	To elaborate financial projections for FUNDENUSE/AID-MIP
	Q1	Peru	Martha Maria Salgado	Participate in the Microfinance Latin-American Workshop
	Q1	Peru	Leo Alvarez	Participate in Microfinance Latin-American Workshop in Lima, Peru
	Q1	Santa Fe, NM	Jerry Hildebrand	Presentation re: Bootstrap Banking Fund
	Q1	Santa FeNM	Jutta von Gontard	Bootstrap Banking Presentation . Personal contact with Katalysis supporters
	Q1	Wash.,DC	Daniel Martinez	Attend MIS conference and visit other offices in Washington DC

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<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
	Q2	El Salvador	Luis Felipe Borjas	Present Institutional Profile and Diagnostic of ASEI elaborated on November 1999.
	Q2	El Salvador	Boris E. Flores	Provide follow-up to the MIS System, the improvements plan and recommendations.
	Q2	El Salvador	Daniel Martinez	Provide follow-up to the MIS System, the improvements plan and recommendations
	Q2	El Salvador	Boris E. Flores	Technical Assistance impact analysis for the Microcredit Dept.
	Q2	El Salvador	Deysi Rosa	Provide TA and advisory regarding the accounts nomenclature structing, balances by each Fund, MIS system load.
	Q2	El Salvador	Luis Felipe Borjas	Provide follow-up to the MIS System, the improvements plan and recommendations.
	Q2	El Salvador	Xiomara Velasquez	Evaluate in the field the modifications that PROCOTES may have implemented since Aug 1999
	Q2	El Salvador	Deysi Rosa	Follow up to the re-installation of the MIS SYSTEM
	Q2	El Salvador	Norma Garcia	Provide TA and advisory regarding the accounts nomenclature structing, balances by each Fund, MIS system load.
	Q2	Guatemala	Martha Maria Salgado	Participate in a training event managed by GENESIS
	Q2	Guatemala	Deysi Rosa	To review the formats of the MIS system installed in FAMA & MUDE. Follow-up the MIS problems found in FAMA.

<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
	Q2	Mexico	Martha Maria Salgado	Finish the Katalysis Network Rector Plan, working with the Partners Directors during their meeting at the University of Hidalgo, Mexico.
	Q2	Nicaragua	Luis Felipe Borjas	Present FUNDENUSE AID-PIM project Profile to its staff and Board of Directors . Present results obtained from the Marketing Investigation made to current and potential clients of FUNDENUSE.
	Q2	Nicaragua	Leo Alvarez	Present FUNDENUSE AID-PIM project Profile to its staff and Board of Directors Present results obtained from the Marketing Investigation made to current and potential clients of FUNDENUSE.
	Q2	Nicaragua	Boris Eduardo Flores	Present FUNDENUSE AID-PIM project Profile to its staff and Board of Directors Present results obtained from the Marketing Investigation made to current and potential clients of FUNDENUSE.
	Q2	U.S.A.	Leonardo Alvarez	DOSA meeting
	Q3	El Salvador	Norma Garcia	MIS Implementation
	Q3	El Salvador	Deysi Rosa	MIS Implementation
	Q3	Hond./El Salv.	Mario Beltran	Review Financial Statements
	Q3	Honduras	Margaret Diener	Visit with RFO and preparation for the Board meeting Board meeting in Nicaragua- March 31, 2000 to April 7, 2000. Site visit with Dave Brown to Fundenuse. Return to Nicargura to preparation for departure to USA.
	Q3	Nic./El Salvador	Andrea Findley	Visit to Microcredit NGOs throughout the Central American Region for Market Study
	Q3	Nic./El Salvador	Marta Maria Salgado	Visit Microcredit NGO's throughout the Central American Region for Market Study

<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
	Q3	Nicaragua	D. Martinez & Key Staff	Katalysis Annual Board & Exec Mtgs.
	Q3	WashDC	Gerald Hildebrand	INTERACTION leadership Forum
	Q3	WashDC	Leonardo Alvarez	Seminar on Finances & Practices (Washington)
	Q3	WashDC	Jerry Hildebrand	AED/AID Partnership Conference
	Q4	El Salvador	Boris Eduardo Flores	TA to PROCOMES.
ASEI	Q1	El Salvador	Luis Felipe Borjas	To analyze the Institutional Profile of ASEI to submit to Katalysis's Board of Directors.
ASEI	Q2	El Salvador	Boris E. Flores	Present Institutional Profile and Diagnostic of ASEI elaborated on November 1999.
ASEI	Q2	El Salvador	Daniel Martinez	Present Institutional Profile and Diagnostic of ASEI elaborated on November 1999.
ASEI	Q2	El Salvador	Martha Maria Salgado	Visit new partner and meet all ASEI staff.
ASEI	Q3	El Salvador	Norma Garcia	Technical assistance for ASEI's staff
ASEI	Q3	El Salvador	Xiomara Velasquez	Elaborate on ASEI's Community Bank Methodology

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<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
ASEI	Q3	El Salvador	Deysi Rosa	Technical & support for staff
ASEI	Q3	El Salvador	Norma Garcia	Technical & support for staff
ASEI	Q3	El Salvador	Deysi Rosa	Technical Assistance for ASEI's staff
ASEI	Q4	El Salvador	Boris Eduardo Flores	Financial Analysis & projections to 2003.
ASODERI	Q1	Nicaragua	Daniel Martinez	Visit was to elaborate the Institutional Profile of ASODERI into the Katalysis Board of Directors for participation in network
ASODERI	Q1	Nicaragua	Jerry Hildebrand	Meetings in the region with ASODERI Board, AID/Nicaragua and RFO
ASODERI	Q1	Nicaragua	Daniel Martinez	Present ASODERI's Executive staff Organization's Institutional Diagnostic as a pre-selection phase for potential partner.
ASODERI	Q1	Nicaragua	Luis Felipe Borjas	Review and analysis the Institutional Profile of Asoderi
FAMA	Q1	Honduras	Luis Felipe Borjas	Follow-up to MIS implementation & support improving it's accounting processes.
FAMA	Q1	Honduras	Luis Felipe Borjas	Support FAMA in elaborating its AOP for FY 2000 and to make an analysis of the organization's financial progress.
FAMA	Q1	Honduras	Daniel Martinez	Follow-up to FAMA's MIS implementation to establish working agreements and an working emergent plan in order to update the MIS as of November 30, 1999.

<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
FAMA	Q1	Honduras	Xiomara Velasquez	Attend FAMA's training for it's program Coordinator. Prepare a Diagnostic and Analysis of the Solidarity Group Methodology
FAMA	Q1	Honduras	Deysi Rosa	Accompany the Soft Corporation staff during the revision of the work related to the implementation of MIS at FAMA. Support FAMA in the preparation of monthly close operation process
FAMA	Q1	Honduras	Martha Maria Salgado	Support FAMA developing research at the Community Banking clients level in order to determine the reasons why clients are leaving the Organization.
FAMA	Q1	Honduras	Deysi Rosa	Continued follow-up and monitor of the MIS
FAMA	Q1	Honduras	Deysi Rosa	Overall review of all the information introduced in the MIS by FAMA'S Staff in order to make monthly close operations.
FAMA	Q1	Honduras	Luis Felipe Borjas	Follow-up to the MIS System. Support Mr Luis Lopez from the SOFT Corporation
FAMA	Q1	Honduras	Luis Felipe Borjas	To provide follow-up to FAMA's MIS implementation to establish working agreements and an working emergent plan in order to update the MIS as of November 30, 1999.
FAMA	Q1	Honduras	Luis Felipe Borjas	To elaborate FAMA's Financial Plan for year 2000, which will serve as support to the Annual Operative Plan (AOP 2000).
FAMA	Q1	Honduras	Deysi Rosa	Provide follow-up and supporting in the implementation process MIS
FAMA	Q2	Honduras	Deysi Rosa	To review the information of the MIS Portfolio Module
FAMA	Q2	Honduras	Deysi Rosa	Following up to the MIS system



<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
FAMA	Q2	Honduras	Xiomara Velasquez	To collaborate in identifying the loan portfolios real delinquency amount through the revision of aged balance reports To jointly elaborate with FAMA's Solidarity groups Coordinator, the credit promoter's functions and loan scale proposal.
FAMA	Q2	Honduras	Deysi Rosa	Following up to the MIS system.
FAMA	Q3	El Salvador	Xiomara Velasquez	Train credit staff
FAMA	Q3	Honduras	Xiomara Velasquez	Meet director & review banking policies
FAMA	Q3	Honduras	Deysi Rosa	Technical & Support Assistance
FAMA	Q3	Honduras	Boris Eduardo Flores	Collect Financial Information presented by FAMA in the Q2 FY00 Report.
FAMA	Q3	Honduras	Xiomara Velasquez	Monitor & collect overdue portfolio
FAMA	Q3	Honduras	Boris Eduardo Flores	Technical assistance
FAMA	Q3	Honduras	Xiomara Velasquez	Delinquent portfolio recovery plan
FAMA	Q3	Honduras	Xiomara Velasquez	Participate in Solidarity Group Planning
FAMA	Q4	Honduras	Deysi Rosa	Review to the MIS Portfolio Module

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<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
FAMA	Q4	Honduras	Leonardo Alvarez	TA for FAMA regarding the Action Plan
FAMA	Q4	Honduras	Xiomara Velasquez	Current situation of overdue loans
FAMA	Q4	Honduras	Boris Eduardo Flores	Provide training for director & staff on MIS system
FAMA	Q4	Honduras	Boris Eduardo Flores	Implementation of loan collecting plan
FAMA	Q4	Honduras	Leonardo Alvarez	Discuss weekly reports with FAMA.
FAMA	Q4	Honduras	Deysi Rosa	Review MIS reporting system
FAMA	Q4	Honduras	Deysi Rosa	MIS Reporting system, internal audit by FAMA
FUNDENUS	Q1	Nicaragua	Luis Felipe Borjas	Fundenuse strategic plan to its board of directors for analysis and approval.
FUNDENUS	Q1	Nicaragua	Martha Maria Salgado	collect field information
FUNDENUS	Q1	Nicaragua	Daniel Martinez	Present strategic plan to FUNDENUSE Board of Directors for analysis and approval.
FUNDENUS	Q1	Nicaragua	Luis Felipe Borjas	To collect financial data and portfolio information to elaborate financial projections for FUNDENUSE/AID-MIP Projects Profile

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<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
FUNDENUS	Q3	Nicaragua	RFO Key staff	Implement Microcredit Program
FUNDENUS	Q3	Nicaragua	Leonardo Alvarez	Accompany DB & MMD to Ocotal
FUNDENUS	Q3	Nicaragua	Leonardo Alvarez	Strategies for implementing Microcredit
FUNDENUS	Q3	Nicaragua	Martha Maria Salgado	Board Meeting & accompany DB & MMD to Ocotal
FUNDENUS	Q3	Nicaragua	Daniel Martinez	Provide technical assistance and support to FUNDENUSE
FUNDENUS	Q4	Nicaragua	Martha Maria Salgado	Solidary Group Methodology re: FUNDENUSE
FUNDENUS	Q4	Nicaragua	Marta Maria Salgado	Monitor the Acitivites Plan
FUNDENUS	Q4	Nicaragua	Leonardo Alvarez	Solidarity Group Methodology re: FUNDENUSE
FUNDENUS	Q4	Nicaragua	Marta Maria Salgado	Follow up to the Working Plan
FUNDENUS	Q4	Nicaragua	Daniel Martinez	Solidarity Group Methodology re: FUNDENUSE
FUNDENUS	Q4	Nicaragua	Deysi Rosa	Restructure of the MIS Implementation

<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
FUNDENUS	Q4	Nicaragua	Boris Eduardo Flores	TA to FUNDENUSE
FUNDENUS	Q4	Nicaragua	Deysi rosa	Follow up on MIS implementation.
GENESIS	Q4	Guatemala	M.Salgado/N.Lagos	Participate in training re: Group Solidarity Methodology managed by GENESIS
LEON	Q1	Nicaragua	Martha Maria Salgado	Prepare Leon 2000 Solidarity Group Methodology's Diagnostic, design the technical assistance plan
LEON	Q1	Nicaragua	Luis Felipe Borjas	Presentation of the Strategic Plan to Leon's Board.
LEON	Q2	Nicaragua	Boris Eduardo Dlores	KATALYSIS programmed activities for Q1 FY00
LEON	Q3	Nicaragua	Boris Eduardo Flores	Implement overdue collection and control action plan and the credit staff incentive plan
LEON	Q4	Nicaragua	Boris Eduardo Flores	Review application of the credit staff incentive plan.
LEON	Q4	Nicaragua	Xiomara Velasquez	Provide Technical assistance
LEON	Q4	Nicaragua	Marta Maria Salgado	Train the Human Resources Dept re Solidarity Groups Methodology's basic principles
MUDE	Q1	Guatemala	Xiomara Velasquez	Provide support to the Promoter/Credit Advisors related to the Community Banks financial reports



<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
MUDE	Q1	Guatemala	Boris E. Flores	Additional TA to Mude's Staff
MUDE	Q1	Guatemala	Boris E. Flores	To intensify the TA assistance level provided by Katalysis Microcredit Program
MUDE	Q1	Guatemala	Boris E. Flores	Strategic Planning Workshops and update AOP and Financial Plan for the period of 2000-2003
MUDE	Q1	Guatemala	Xiomara Velasquez	Participate and Support Boris Flores in the Workshop of Strategic Planning programmed for MUDE in order to elaborate its diagnostic and its institutional strategic Plan.
MUDE	Q1	Guatemala	Boris E. Flores	Provide TA and advise to MUDE's Executive staff
MUDE	Q2	Guatemala	Xiomara Velasquez	To monitor and follow-up the credit methodology application in Mude To provide reinforcement in the elaboration of Monthly Progress Reports in MUDE.
MUDE	Q2	Guatemala	Deysi Rosa	Following up to the MIS system.
MUDE	Q2	Guatemala	Boris Eduardo Flores	Follow-up re Strategic Plan Implementation by Mude's Staff and follow-up on the MIS system. Review of documents to be used by MUDE's executive staff.
MUDE	Q3	Guatemala	Boris Eduardo Flores	Analyze Acctg. & Stats info
MUDE	Q3	Guatemala	Boris Eduardo Flores	Analyze Acctg.-Stats. Information
MUDE	Q4	Guatemala	Maria Cecilia Bogran	Procedures for Internal control

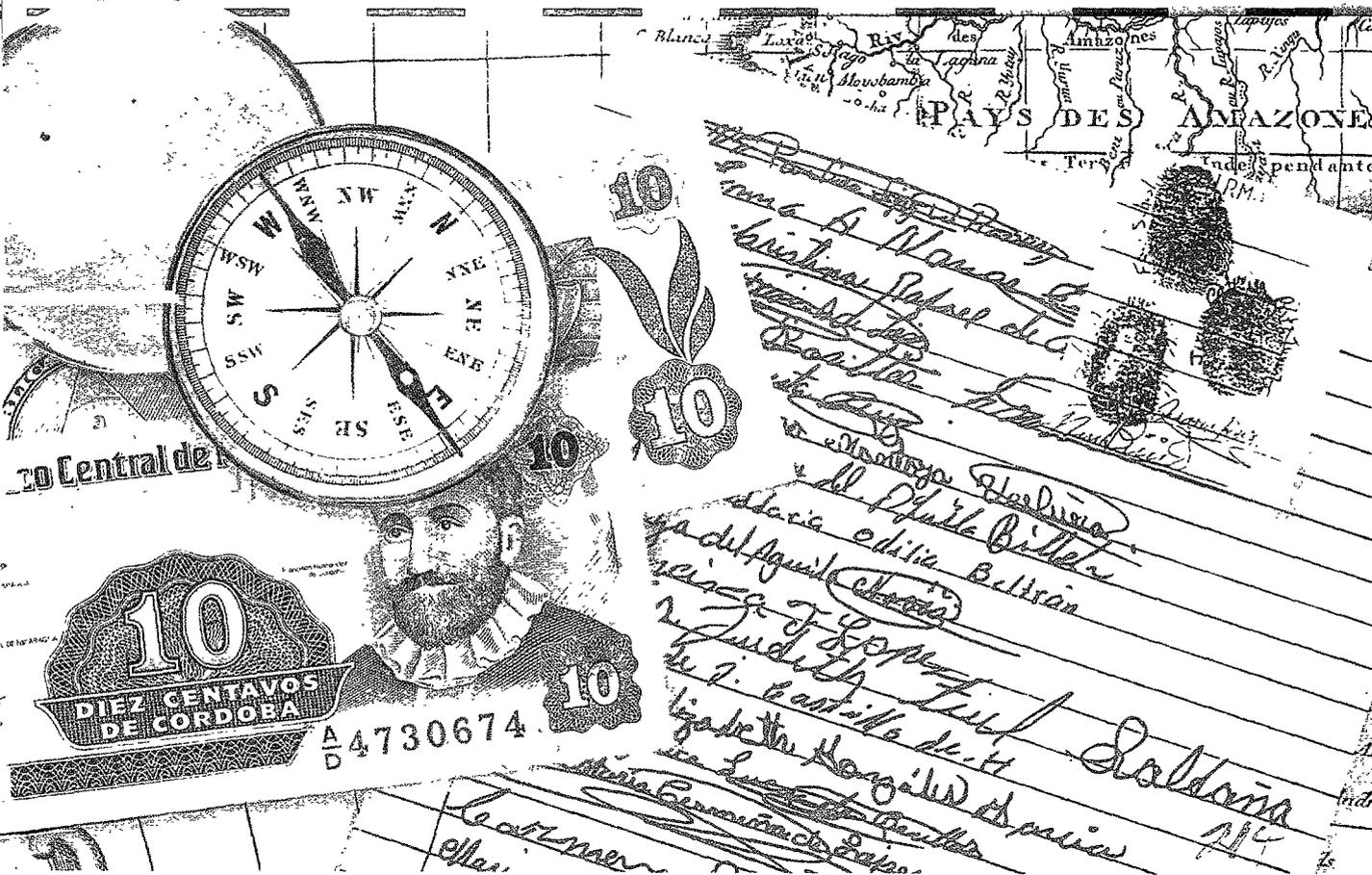
<i>Partner</i>	<i>Quarter</i>	<i>Country</i>	<i>Traveller</i>	<i>Service Notes</i>
MUDE	Q4	Guatemala	Xiomara Velasquez	Monitor the implementation of the Community Bank Lending.
MUDE	Q4	Guatemala	X. Velasquez & P. Amador	Explore potential zones for MUDE to initiate a Solidarity Group Program.
MUDE	Q4	Guatemala	Norma Garcia	Procedures for Internal control
ODEF	Q1	Honduras	Luis Felipe Borjas	Collect financial, portfolio and institutional information to elaborate the Final ODEF/MIP Project's Evaluation
ODEF	Q1	Honduras	Mario Beltran	Re: RFO: Balance Sheets review and meeting with auditors to analyze results for FY 1999, follow-up on recommendations from previous visits, review grant control log. Visit with Nicaragua partners go over cooperative agreement.
ODEF	Q2, Q	Guatemala/Hon.	Leonardo Alvarez	Projects Eval.
ODEF	Q3	Honduras	Xiomara Velasquez	Techniques for managing portfolio
ODEF	Q4	Honduras	Xiomara Velasquez	Provide technical assistance for the Banking Expansion
ODEF	Q4	Honduras	Marta Maria Salgado	Support for designing Activity Plan ISO 9002
ODEF	Q4	Honduras	Xiomara Velasquez	Participate in ODEF's Evaluation meeting.
ODEF	Q4	Honduras	Marta Maria Salgado	Participate in ODEF's Evaluation meeting.

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KATALYSIS PARTNERSHIP

DOING BUSINESS WITH GOVERNMENT OF BUSINESS



Dear Friends,

Being headquartered in earthquake country in North America and hurricane country in the South, we at Katalysis are well aware of the importance of a fitting framework and a strong foundation! In 1999 we turned our attention to our organizational framework and foundation, with gratifying results.



In an intense and illuminating six-month process involving staff from our Stockton and Regional Field offices, U.S. Board members, and Partner Executive Directors, we re-visited and re-framed the "Katalysis Ethos." The need to engage in this process emerged from several factors. First, we hadn't revised our Mission Statement since 1996, when our organization shifted its focus to microcredit. Second, as Katalysis continues to become a more visible presence in the world, it becomes increasingly crucial that our goals and our values are clearly articulated. Finally, in order to serve as a model, Katalysis needs to tell the world not only why we do what we do, but how we do it as well. The final version of the Katalysis Ethos appears on the opposite page.

Further strengthening our 'house,' we added three experienced, committed people to the Katalysis Board of Directors: Bill Clapp of Global Partnerships, a non-profit organization committed to connecting the worlds of business and microcredit; Tom Denhart, a former Madison Avenue advertising executive, and Helen Spector, organizational development consultant who helped articulate our Partnership's long-term vision. We've also chosen a new Chair of the Board – the third in Katalysis' history. Linda Orrick, a native Californian and an active Katalysis supporter since 1998, is Chief Financial Officer for two San Francisco-based religious congregations and has served on several nonprofit boards of directors, including PUENTE Learning Center in Los Angeles, CA.

We've also expanded our Central American network by adding an eighth Partner organization, ASEI (Salvadoran Association for Enterprise Development). Founded in 1993 by a group of professionals dedicated to the postwar development of their country, ASEI now reaches over 3,100 microentrepreneurs – 73% of them women – with small loans and business training. With their average income of \$3 a day, ASEI's clients are among the poorest people in El Salvador.

As promised, in 1999 we established the Bootstrap Banking Fund as a separate non-profit entity to provide additional capital to our Partners. ODEF, our Honduran Partner, was the first to make use of this new fund, borrowing \$60,000 – at 15% for one year, with monthly payments of principal and interest – to better serve their 9,900 clients.

Finally, we are pleased to report that thanks to Katalysis' prudent financial management, our dedicated donors and donor institutions, and our organizational commitment to sustainability and good stewardship, we ended fiscal year 1999 with a surplus – which will, of course, be invested in the programs and the people who are our reason for being.

We thank you for your participation in the worthy endeavor of Bootstrap Banking, and invite you to deepen your connection to Katalysis.

Sincerely,

Gerald B. Hildebrand
President & CEO

Linda Orrick, SNJM
Chair of the Board

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The Katalysis Ethos

OUR MISSION:

To help poor families living in persistent poverty to become self-sufficient. We do this out of our commitment to unleash human creative potential and to realize our mutual humanity.

OUR VALUES:

- **PARTNERSHIP:** building solidarity based on equitable relationships in all interactions;
- **SUSTAINABILITY:** nurturing human and financial resources to effect our mission;
- **INTEGRITY:** manifesting the highest standard of ethical behavior;
- **ACCOUNTABILITY:** honoring mutual commitments and financial transparency;
- **SOCIAL RESPONSIBILITY:** making decisions with deep respect for all living systems;
- **EXCELLENCE:** striving to be the best at what we do.

OUR STRATEGY:

We collaborate with local Partner organizations, providing microcredit and business training to stimulate social and economic development.



With her first Bootstrap Banking loan of \$140, Petrona Baten of Guatemala is building her business, raising and selling chickens.

What Katalysis Does

Katalysis Partnership fights poverty in a lasting way. The pioneer of the "Bootstrap Banking" model of economic development, Katalysis provides small loans and basic business training to low-income microentrepreneurs through its local Partner organizations in Nicaragua, Honduras, Guatemala and El Salvador – giving enterprising women the resources they need to "pull themselves up by their own bootstraps."

The results of Bootstrap Banking are immediate and dramatic: the lives of the women, their families, and their communities are transformed as their businesses become viable and they become economically self-sufficient. Based on sound business principles, prudent financial management, and peer accountability, with a current outstanding portfolio of \$6.8 million, Katalysis' Bootstrap Banking is reaching more than 27,600 Central American microentrepreneurs – 97% of whom repay their loans on time with interest.

How Katalysis Does It.

The Katalysis Partnership is an equitable North-South collaboration and division of labor based on shared core values of mutual respect, honesty, and transparency. Our Southern Partner organizations work directly with the borrowers in their respective countries, while Katalysis provides the Partners with the tools they need to succeed.

Through our headquarters staff in California and the technicians in our Regional Field Office in Honduras, Katalysis offers our Partners three essential ingredients for success: strategic technical assistance to ensure high-quality programs; resource mobilization to access loan capital; and a network-wide learning environment that enables Partners to share their successes and challenges with one another. The result is a vibrant network of solid microcredit organizations; their ultimate beneficiaries are the thousands of microentrepreneurs whose lives are transformed by access to credit and business training.



Roxana Alvarado de Michiele and María Eugenia Sequeira of Fundación León 2000, at the April 2000 Katalysis board meeting in Managua, Nicaragua



KATALYSIS PARTNERSHIP, INC.

September 30, 1999 and 1998

COMPARATIVE STATEMENT OF FINANCIAL POSITION

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash	187,858	166,207
Receivables	253,616	148,984
Prepaid expenses	10,800	11,321
Investments	267,402	243,283
Property and equipment – net	79,338	104,133
Other assets	<u>742</u>	<u>664</u>
Total assets	<u>\$799,756</u>	<u>\$674,592</u>
LIABILITIES & NET ASSETS		
LIABILITIES		
Accounts payable & accrued liabilities	142,086	199,255
Lease payable	<u>15,210</u>	<u>18,580</u>
Total liabilities	<u>157,296</u>	<u>217,835</u>
NET ASSETS		
Unrestricted – operating	136,775	118,791
Unrestricted – endowment	333,456	280,882
Temporarily restricted	<u>172,229</u>	<u>57,084</u>
Total net assets	<u>642,460</u>	<u>456,757</u>
Total liabilities and net assets	<u>\$799,756</u>	<u>\$674,592</u>

COMPARATIVE STATEMENT OF ACTIVITIES

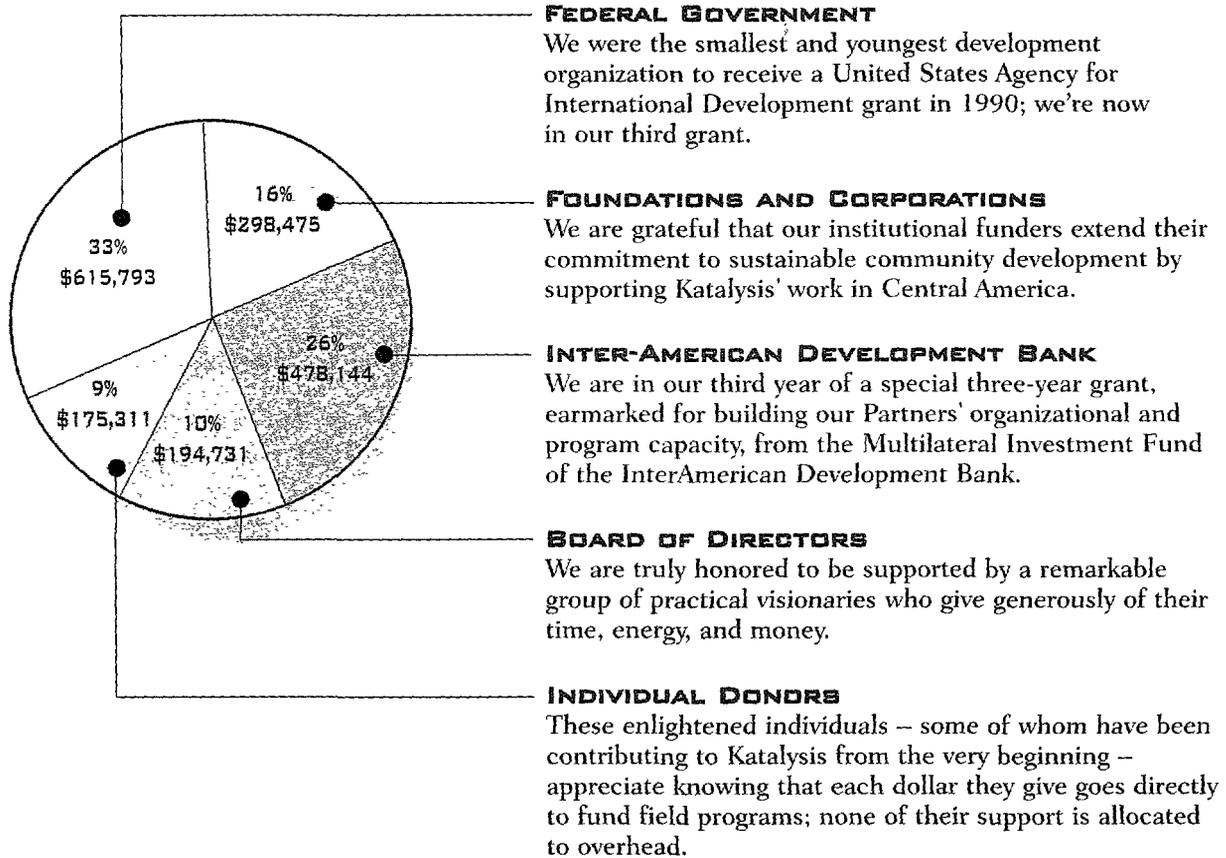
	<u>1999</u>	<u>1998</u>
UNRESTRICTED NET ASSETS		
UNRESTRICTED SUPPORT AND REVENUE		
Federal Government	615,793	729,962
Board of Directors	194,731	201,726
Individuals	175,311	128,832
Inter-American Development Bank	478,144	211,208
Foundations & Corporations	298,475	433,332
Hurricane Mitch Relief	117,396	—
Total unrestricted support and revenue	<u>1,879,850</u>	<u>1,705,060</u>
UNRESTRICTED EXPENSES		
Direct funding to Partners	733,874	603,011
Program support to Partners	660,735	800,391
Administration & fundraising	419,187	279,486
Total unrestricted expenses	<u>1,813,796</u>	<u>1,682,888</u>
Increase in unrestricted net assets	<u>66,054</u>	<u>22,172</u>
TEMPORARILY RESTRICTED NET ASSETS		
TEMPORARILY RESTRICTED SUPPORT AND REVENUE		
Contributions	169,357	47,449
Net assets released from restrictions	<u>-49,708</u>	<u>-32,500</u>
Increase in temporarily restricted net assets	<u>119,649</u>	<u>14,949</u>
Increase in net assets	<u>185,703</u>	<u>37,121</u>
Net assets, beginning of year	<u>456,757</u>	<u>419,636</u>
Net assets, end of year	<u>\$642,460</u>	<u>\$456,757</u>

An audited Comparative Financial Report: Sept. 30, 1999 and 1998, prepared by Bowman and Company, LLP, is available upon request.

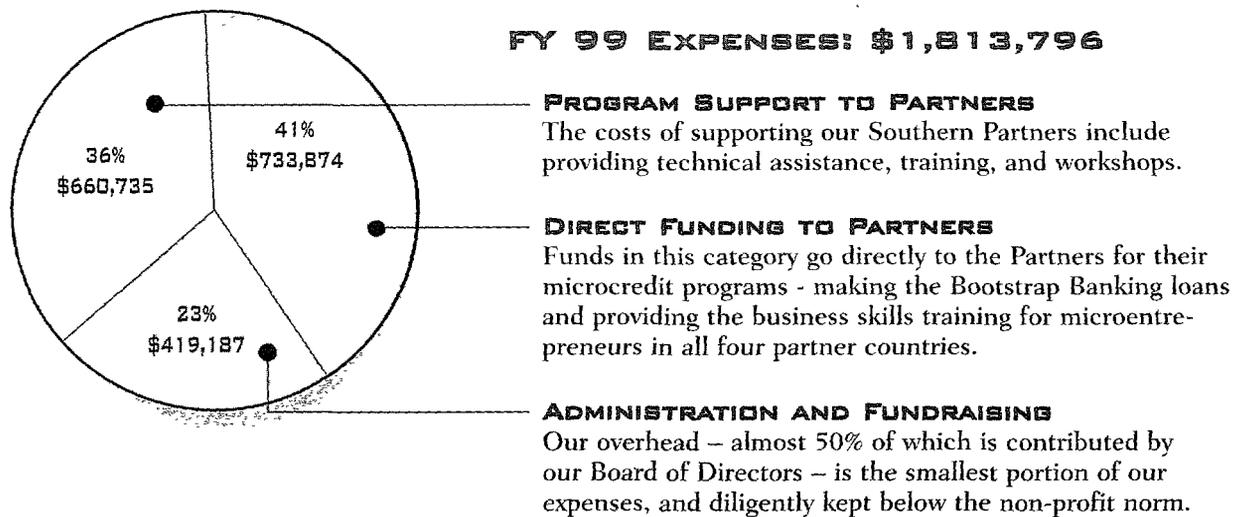
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Our Funding: WHERE IT COMES FROM AND HOW IT'S USED

FY 99 REVENUES: \$1,879,850



FY 99 EXPENSES: \$1,813,796



Our Supporters

INDIVIDUAL SUPPORTERS FY 99

VISIONARIES: \$50,000+

Dino & Joan Cortopassi
Linda A. Orrick, SNJM

VANGUARD: \$25,000+

David A. Brown
Robert E. Graham
Bob & Sherrie Ilse
David & Shirley Pollock

SUSTAINERS: \$10,000+

Tom & Gun Denhart
Eric & Debra Kloor
David Welborn &
Ann Hunter Welborn

SPONSORS: \$1,000+

Mary & Herb Anhaltzer
Richard Bakal
Herbert & Arlene Call
Robert S. Campbell
Bill & Paula Clapp
Amelia E. Diener
Howard & Karin Evans
Stephen & Andrea Dover
Thomas Filler

Jim & Betsy Hansen
Bruce & Ruth Hawkins
William Heck
Gerald B. Hildebrand
John R. Hunting
Art & Sarah Ludwick
Marshall Saunders
Paulette Meyer & David Friedman
Frederick F. Moon
Marie Rohnert
Helen Spector & Don Benson
Scott Smith & Julia Kim Smith
Greg & Sara Williams
Erica Whittlinger

ASSOCIATES: \$500+

Patrick & Mary Bennett
John Bingham & Karen Hastings
James & Yuko Brumm
Bill & Shirley Butler
Lowell and Patsy Chamberlain
Edward & Carol Diener
David Friedman
Lee Gallery
Jim & Mary Ganzer
Lara Graham Truppelli
Ted Herman

H. William Jesse Jr.
Peggy S. McLaughlin
Robert & Janet Kavanaugh
John Kotouc
John Ledbetter
Stephen & Mary Malkmus
Stuart & Elizabeth Muench
Martina Nicholson
Tony Silard
Menlo F. Smith
Seth & Suzanne Thompson
Ann & Bill Vanderbilt
Jutta von Gontard
Bob & Lillian Warren
Martha West



INSTITUTIONAL SUPPORTERS FY 99

FOUNDATIONS, CHURCHES & CORPORATIONS:

- Eugene S. Arntz Foundation: \$15,000
- Max and Bessie Bakal Foundation: \$1,000
- Capecchio Foundation: \$40,000
- Citigroup Foundation: \$25,000
- Food Industry Crusade Against Hunger: \$70,000
- The Friedman Family Foundation: \$2,000
- Jacobs Family Foundation: \$2,000
- Latter-Day Saints Charities: \$40,000
- The Ludwick Family Foundation: \$1,000
- Mitsubishi Corporation: \$5,000
- Mitsubishi International Corporation: \$15,000
- The Moriah Fund: \$25,000
- Namaste Foundation: \$6,000

- The Tamaki Foundation: \$50,000
- Tara Foundation: \$1,000
- Tides Foundation: \$30,000

GOVERNMENT:

- United States Agency for International Development, Matching Grants program: \$340,696
- United States Agency for International Development, Microenterprise Innovation Project: \$ 271,432
- United States Agency for International Development, Sustainable Development Services: \$ 3,665
- Inter-American Development Bank, Multilateral Investment Fund: \$478,144

INDEPENDENT CHARITIES OF AMERICA

- Workplace Campaign FY 99: \$10,144

PLEASE JOIN US!

An investment in Katalysis will leverage your dollars into sustainable self-reliance. You may make an immediate donation or:

- You may donate appreciated stock without incurring capital gains taxes. If you donate your appreciated assets you can receive a charitable deduction for the full market value as of the day of transfer.
- You may name Katalysis as a beneficiary in your will by including the following language: "To the Katalysis Partnership, a not-for profit, charitable, membership organization, having as its principal address 1331 N. Commerce St., Stockton, CA 95202, I give, devise, and bequeath (specific amount, percentage, or remainder of estate) for Katalysis' general purposes."

For more detailed information please phone, fax, or e-mail Katalysis' Development Director Jutta von Gontard:
209/943.6165 (phone): 209/943.7046 (fax); jvgontard@katalysis.org (e-mail) FEDERAL TAX ID #68-0015134

Bootstrap Banking IN THE YEAR 2001



Antonia Ordoñez owns a small cafe in an amusement park near Antigua. Since she took out her first loan two years ago she has expanded her space, hired two helpers, and added several new items to her menu.



Jerry Hildebrand, Katalysis President & CEO, responds to questions from the press during a recent visit to the headquarters of Katalysis' Nicaraguan partner Fundación León 2000.

1. EXPANDING THE NETWORK

Over the next three to five years we plan to bring the benefits of Bootstrap Banking to thousands more microentrepreneurs in Nicaragua, Guatemala, El Salvador, and Honduras. To prepare for this growth, we are undertaking a market survey of existing microcredit organizations in our four partner countries.

The goal of this research is to identify organizations that match our mission, values, and standards of program quality. These organizations should also be able to benefit from the technical expertise provided by our staff at the Regional Field Office, have something to share with the colleague organizations in the network, and be eager to learn from the collective experience of all the Partners. By the end of 2001, we're planning to have expanded the network from eight to twelve partner organizations, more than doubling the number of clients we serve.

2. BOOTSTRAP BANKING IN THE NEW MILLENNIUM

We know that Bootstrap Banking loans are making a world of difference in the lives of our clients and their families. We also know that much remains to be done to enhance our clients' ability to survive and thrive in the global marketplace. Toward that end, Katalysis is pledging its commitment to researching and testing new "products:" intensified business training for clients, including those in rural economies; connecting local microentrepreneurs to the global marketplace, especially through e-commerce; and use of state-of-the-art communication technologies for our Partner organizations. By the end of 2001 you'll be able to visit all our Partners on the Internet!

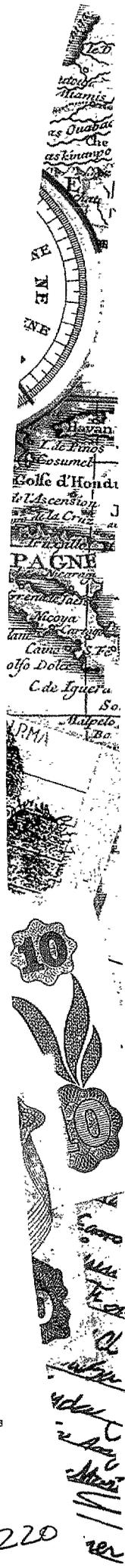
3. STRATEGIC ALLIANCES

'Think globally, act locally,' is a method of changing the world that Katalysis takes to heart. Katalysis 'acts locally' by making loans to thousands of struggling entrepreneurs in Central America. At the same time we 'think globally' by building connections with the people and organizations who are advancing the theory and practice of microcredit worldwide.

In the next year, Katalysis will make a special effort to recruit new organizations, outside the field of development, that offer resources to the field of microcredit. These organizations might include large corporations that can provide management capacity building to our Partner organizations; financial service companies to provide capital for the establishment of new community banks; and universities to conduct much needed research and to design programs that help train the next generation of microcredit specialists.

By actively collaborating with the private sector and academic institutions, Katalysis will ensure that our programs remain at the forefront of the microcredit industry, and that they benefit from the expertise of the professionals and academicians who are shaping the future of microcredit.

BY THE END OF 2001, WE'RE PLANNING TO
HAVE EXPANDED THE NETWORK FROM EIGHT TO
TWELVE PARTNER ORGANIZATIONS, MORE THAN
DOUBLING THE NUMBER OF CLIENTS WE SERVE.



KATALYSIS STAFF AND BOARD OF DIRECTORS

STAFF US HEADQUARTERS

Gerald B. Hildebrand
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Regional Field Director

Leonardo Alvarez
Rural Enterprise Specialist

Patricia Amador
Program Associate II

Cecilia Bográn
Administrator

Boris Flores
Microfinance Specialist

Norma García
Accountant

Nolvia Lagos
Program Associate I

Deysi Rosa
Accounting Assistant

Martha María Salgado
Microcredit Specialist I

Xiomara Velásquez
Microcredit Specialist II

Luis Enrique Yañez
Office Assistant

Doris Zavala
Secretary/Receptionist

KATALYSIS PARTNERSHIP CENTRAL AMERICAN REGIONAL FIELD OFFICE

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BOARD MEMBERS

FOUNDER:
Robert E. Graham
Tecopa, CA

CHAIR:
Linda A. Orrick, SNJM
Alameda, CA

David A. Brown
Berkeley, CA

Jaime Choto
San Salvador, El Salvador

Bill Clapp
Seattle, WA

Dino Cortopassi
Stockton, CA

Alexander M. Counts
Washington, DC

Tom Denhart
Portland, OR

Santa de Euceda
San Pedro Sula, Honduras

Gerald B. Hildebrand
Stockton, CA

Camila Elvir
Juticalpa, Honduras

Catarina Mendoza Silvestre
Villa Nueva, Guatemala

Devorah Miller
Washington, DC

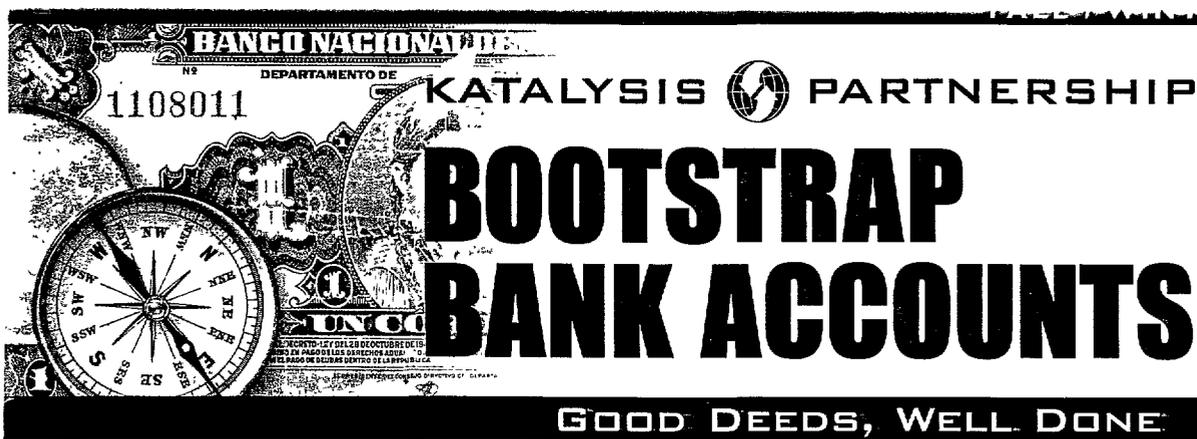
David M. Pollock
Portland, OR

María Eugenia Sequeira
León, Nicaragua

James H. Small
Washington, DC

Helen Spector
Oakland, CA

Gregorio Tzoc Norato
Tonicapán, Guatemala



Note from the Chair

Dear Friends,

As the new Chair of the Board of Katalysis, I feel extremely fortunate. I can't think of a more exciting time to be among the leadership of this amazing organization – as was proven to me once again at the recent Katalysis board meeting in Nicaragua, which I chaired for the first time (see page 3 for a full report). As the board has committed itself to doing, at the meeting we turned our attention to our organizational framework and foundation.

The 'business' part of the gathering was both inspiring and productive, reminding me anew of the benefits of the collaborative partnership model, which brings forth so much more from its participants than the more traditional hierarchical structure. But I must admit that my favorite part of the meeting – and my favorite thing about Katalysis – is the contact it allows with the Bootstrap Bankers themselves.

My fondest dream for our loan clients is that they will not only take leadership of their small businesses, but that they will also gain the confidence and the power to take leadership of their communities. These women are so well-suited in so many ways to shape the future of their countries, and I am confident that in the months and years to come, we will witness the evolution of this level of leadership among the Bootstrap Bankers.

I hope you'll join us on this exciting journey into a brighter future for the people of Central America – and for us all.

Sincerely,

Linda A. Orrick

Linda Orrick, SNJM
Chair of the Board

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

Partnership in Practice: Microcredit in Every Corner of Central America

YOLANDA GARCÍA, WHO LIVES WITH HER husband and two children in a small Honduran village will probably never meet Byron Jose Ordóñez Paragua. Nor will she know how hard he worked to rebuild his home and business after Hurricane Mitch descended on Nicaragua. And Rina Lorena Peña, who runs a small grocery store on the edge of San Salvador, will probably never have a chance to buy clothing from Anabella Collado Solares in the Colonia Santa Marta in Guatemala. But while they may not ever know one another personally, in their daily lives they struggle with problems common to many Central Americans. And they have all found a common source of support in Katalysis.

Poverty has no single face. The circumstances that make people vulnerable to economic, natural or human disasters are as varied as people themselves. It takes an organization that really knows a region to know how to best serve people as diverse as Anabella, Rina, Byron, and Yolanda. Making the most of local knowledge is one reason Katalysis is committed to the ideal of partnership. We rely on our Partners to implement microcredit programs in ways that respect the specific needs of the regions in which they work. And, in turn, our partners rely on Katalysis' wealth of experience to help them design and manage their programs.

WHO ARE KATALYSIS' PARTNERS?

Katalysis currently collaborates with eight local Partner organizations. Each is committed to promoting social and economic development by providing small loans to entrepreneurs who would otherwise be unable to obtain credit. These organizations vary in size, experience, mission and clientele. Some work in rural areas. Others focus their efforts on the urban and semi-urban areas of larger cities. Some serve largely indigenous populations, while others serve women exclusively or nearly exclusively. Some provide only microcredit services to their clients, and some integrate microcredit into development programs that address environmental, agricultural,

or educational needs. By working with a variety of small entrepreneurs, Katalysis ensures that credit is available to small entrepreneurs all across a region and a population whose needs, characteristics, and capacities vary widely.

For Katalysis, partnership is also a way of making connections between local organizations and a concerned international community that might not otherwise be able to assist their good work. For Katalysis donors, partnership is a way to give to the organizations most capable of doing the most with their money.

PLOTTING THE FUTURE OF PARTNERSHIP

Through its eight Partner organizations, Katalysis currently assists about 27,000 Bootstrap Banking clients. Recently, Katalysis completed a regional study (see page 3) which suggests that there are many more potential clients whose lives could be transformed by small loans. The study also shows that there are numerous local organizations in Central America struggling to establish viable microcredit programs. Katalysis' principle of partnership gives it the opportunity to link with these locally based organizations to establish programs that efficiently

serve the particular needs of the poor in specific regions.

The coming months will undoubtedly be exciting and challenging ones for Katalysis. As the organization works to expand its outreach and incorporate new organizations into the Partnership, myriad opportunities to learn and to teach will present themselves.

Anabella, Rina, Byron, and Yolanda are four Bootstrap Bankers who, through partnership with organizations in their villages, have benefited from Katalysis' experience and from the generosity of Katalysis' donors. But for every Bootstrap Banker we reach, there are many who still need our help. As Katalysis expands the Partnership, we will serve many more of Central America's poor entrepreneurs. And we will give our donors many more opportunities to touch the lives of people who they can only reach through this unique Partnership. ♦



By working with a variety of small entrepreneurs, Katalysis ensures that credit is available to small entrepreneurs all across a region whose needs, characteristics, and capacities of population vary widely.

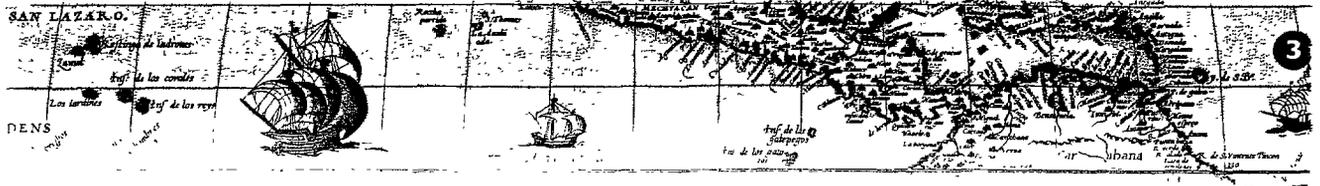
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KATALYSIS PARTNERSHIP

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EMAIL: INFORMATION@KATALYSIS.ORG
WWW.KATALYSIS.ORG



At Katalysis We're Talking About ...

THE ANNUAL KATALYSIS BOARD MEETING, which brings together all Katalysis board members from North and South, is a very special event in the life of the Partnership. Convened to focus on the business of governing Katalysis, board members (12 Northern and 8 Southern) discuss such critical issues as finances.



LEFT TO RIGHT Rene Becerra, Katalysis RFO board member, Jerry Hildebrand, Katalysis President/CEO Roxana Alvarado de Michiele Chair of Fundación León 2000 and Mario Brockmann, AID Nicaragua

institutional policies, and new adventures on which Katalysis might embark in order to further manifest its mission. There are always outstanding achievements to celebrate, both personal and institutional. And since the meeting is always held in Central America, the time together is also used to connect with Bootstrap Banking clients and experience the culture and traditions of the host country.

This year's board meeting in Managua, a gathering of 30 people from five countries, was the first ever held in Nicaragua. Hosted by Katalysis Partner organization Fundación León 2000, it filled three action-packed days in early April

THE MEETING'S THEME

Although the basic structure of the gathering is similar every year, each meeting has a particular theme that guides the discussions. The core issue of the Nicaragua meeting was the long-term vision for the Katalysis Partnership, from both the southern and northern perspectives. It is clear that Katalysis has made great strides in its work to reach aspiring microentrepreneurs, but it is equally clear that the partnership needs to continue to grow and explore new ways in which to meet market demands.

As always, the meeting's highlight was the day spent with several Fundación León 2000 clients in and around the colonial city of León, about two hours northwest of Managua, the capital. At

Fundación León 2000 headquarters. Executive Director María Eugenia Sequeira and her staff enthusiastically welcomed the Katalysis group. After a brief tour of the office, smaller groups were formed and dispatched to their assigned clients' homes or businesses. Everyone gathered again for lunch at the restaurant of Doña Petrona Morales Valencia, one of Fundación León's 2000 over 3,100 clients. Doña Morales was able to accommodate the almost 50 guests quite nicely in the restaurant she built with the loans she has received – and paid back – over the last three years. Not only did she share her delicious food, she also eloquently described her arduous road to successful entrepreneurship.

A MOVING CEREMONY

One of the most moving moments of the three-day meeting was during an award dinner when Dave Brown, outgoing chair of the board, was acknowledged for his outstanding manifestation of partnership values and principles. In his honor, Katalysis established the David A. Brown Partnership Award, which was promptly bestowed on Santa de Euceda, Executive Director of our oldest Partner organization,

ODEF (Organization for Women's Enterprise Development) in Honduras. It was one of the few times both Dave and Santa were speechless!

A special guest, Mario Brockmann from the AID (Agency for International Development) Mission, shared his perspective on the microcredit movement in Nicaragua. Mario is a native Nicaraguan who, before joining



Dave Brown and Jerry Hildebrand during the award ceremony

AID as the Microcredit Program Officer, was a successful entrepreneur in León. As such, he understands the volatile conditions a politically and economically unstable environment creates for entrepreneurs. Mario talked about the challenges that organizations and funders face in Nicaragua, a country of staggering unemployment (60-70%), and about the role played by organizations like Katalysis in the economic life of thousands of microentrepreneurs. According to his estimates, there are currently 300,000 to 500,000 struggling microentrepreneurs who could potentially benefit from Bootstrap Banking services.

All the more reason, the board meeting participants agreed, to put the Katalysis vision – to significantly expand its Bootstrap Banking in Central America – into action!



Margaret Diener, Katalysis Administrative Director, is having a great time!

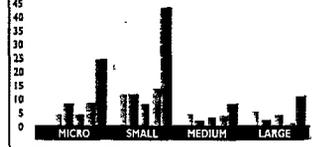
JUST WHAT THE PARTNERSHIP ORDERED!!

The Market Study

During their quarterly meeting near the end of 1999, the Southern Partner Directors discussed plans to significantly expand the Katalysis network. In order to first understand the current market, and to map hopes and strategies for the future, the Directors decided to conduct an extensive market study of the microcredit environment in Central America. One goal of the study, a collaborative project of the Northern and Southern Katalysis offices, was to compile a list of the independent and internationally affiliated organizations at work in the four countries, the national and regional microcredit networks, and all providers of technical assistance and training.

The study identified about 90 organizations throughout the four countries, reportedly serving about 360,000 clients. Most of the largest and strongest organizations are internationally sponsored or affiliated, with access to vital capital and institutional technical assistance. While

Number of Organizations by Size in Each Country and in the Total Region



agricultural and individual credit was found to be predominant in Nicaragua, in Honduras group lending in urban areas was more prevalent. In El Salvador and Guatemala, many smaller organizations were identified, whereas in Nicaragua and Honduras, large and medium-sized organizations dominate the market.

The findings have been instrumental in the design and development of an informed strategy to strengthen and expand the Katalysis regional network. This strategy will be announced in our next issue, and an abridged copy of the study will be available soon.

