



# STRATEGIC PLAN 2003 – 2007

## KATALYSIS CENTRAL AMERICAN MICRO-FINANCE NETWORK

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## I. INTRODUCTION

On April 26, 2002 the *“Katalysis Central American Micro-finance Network (The Katalysis Network)”* was formally organized with the general objective to “stimulate the growth and strengthening of micro-finance institutions under the principles, values and operational standards of Katalysis International and assist in the application of norms and quality standards by the micro-finance industry in Central America, contributing to its development continuum.”

With the resolution of initiating the task of building a Network of First Tier Institutions to spur the development of micro-finance in Central America, this 5 year Strategic Plan was approved to guide the development and consolidation of the growth process of the micro-finance industry and to facilitate permanent monitoring and evaluation to achieve the objectives included in this document.

This 5 year Strategic Plan was completed after many months of work by the Network’s Board and assistance of its Technical Secretariat. The strategic plan includes the overall objective of leading the Network through a qualitative, quantitative and philosophical growth process that enlightens its participation and image in the micro-finance market, developing actions in support of the network members and its primary beneficiaries, the micro-entrepreneurs, as the ultimate goal of the strategic thinking of the institution.

The implementation of the Strategic Plan represents an authentic institutional challenge to make its stated objectives a reality, and thus develop a true platform for micro-finance services based on social and ethical principles. It will be implemented through different work schemes that are based on the strategic axis that has been established as the center of the work to be developed by the network during the next five years (2003-2007).

## II. PROFILE OF THE MICRO-FINANCE INDUSTRY

With an area of 411,000 square kilometers, Central America has a unique geographical position, which constitutes a natural bridge between North and South America, and a natural pass between the Atlantic and Pacific Oceans.

The economic significance of this geographical advantage allows Central America to position itself in the crossroads of world trade (European Union, Asia (Japan) and NAFTA / Latin America).

At the end the 1990’s, the region had a population of approximately 32 million, and a population density that varies between 34 people per square kilometer in Nicaragua to 292 people per square kilometer in El Salvador. Among the multiple problems that prevail in this geographic area, the principal one is the high poverty levels, particularly in the rural sector.

In this context, micro and small business constitute an important source of employment generation, stability and economic activity in the Central American countries.

Many studies indicate that Central America has about 3,708,869<sup>1</sup> micro-enterprises that generate between 24% and 28% of the employment<sup>2</sup> in each country and between 13% and 20% of the Gross Domestic Product (GDP).

In spite of the importance of the micro and small business sector in the Central American economies, it still faces problems related to low technological levels that do not allow production of high quality products at competitive prices, the markets are limited and there is little access to credit.

During the 1980's and in response to the problems mentioned above, international aid initiated support for the implementation of specialized financial services programs to micro and small businesses. These programs are managed by not for profit institutions that through time were identified as micro-finance institutions (MFIs). The experience accumulated by these organizations has allowed the design of strategies oriented to the pursuit of more effective and permanent institutions to service this micro-enterprise clientele.

The decade of the 1990s was characterized by important changes in the micro-financial markets such as the elimination of directed credit with subsidized interest rates and the search for specialization of micro-finance services. In the framework of this great transformation, new institutions have been created along with innovative credit technologies; situation that has allowed continuity to institutions that have reached economic self-sufficiency and a greater coverage of clients.

Another important and salient characteristic of this decade was the evolution of MFIs to a nascent micro-finance industry capable of facing future challenges. According to a market research study conducted by Katalysis in year 2000, there were approximately 96 institutions that heavily focused in micro-finance in 4 countries of the region and were servicing about 360,000 clients (over 10% of the total estimated market).

The new millennium brings important challenges that need to be faced and overcome by the different actors of this nascent industry, without overlooking the degree of sustainability achieved to date. It is essential that MFIs will continue to expand their services to new markets, particularly in the rural area, in such a way that it contributes to reverse the situation of extreme poverty that prevails in this area.

The design of new credit technologies and the availability of innovative financial products that satisfy client's needs and expectations (such as savings, insurance, remittances, house loans, etc.) are part of an explicit strategy that will allow positioning in the market place.

A priority agenda item of all governments, MFIs and international donors is the development of a regulatory framework that will allow supervision and regulation of the work conducted by MFIs, the implementation of business practices, the efficient use of resources, and the transparency and soundness of the Central American micro-finance industry. The trends in technological improvement demand the development of sophisticated management information systems capable of generating timely information for decision-making and that in addition, contribute to measure the impact of the financial services that are delivered by the different micro-finance institutions.

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<sup>1</sup> Fuente: Westley, Glenn D ¿Pueden las Políticas de los mercados financieros reducir la desigualdad de ingresos? Banco Interamericano de Desarrollo; Washington, D.C, 2001; 60pp; Datos obtenidos de la encuesta de Hogares.

<sup>2</sup> Estudio sobre Pobreza, CEPAL

### III. SHARED STRATEGIC DECLARATION

#### VISION

Become the Central American Network leader in the provision of quality micro-finance services, implemented by specialized organizations with a consolidated international image, participating in innovative initiatives to promote the well being of micro-entrepreneurs of the informal economic sector.

#### MISION

Network partners provide of effective and efficient services to the Central American population that have no access to the traditional sources of financial services, and contribute to the development of the micro-finance industry of the region and to the social and economic improvement of its communities.

#### CODE OF ETHICS

The Code of Ethics is focused on the shared values of the Network members and defined by behavior standards.

*As individual member organizations of the Network, we act and work with honesty, loyalty, and high ethical standards such as those described through the following expressions of shared values.*

- **FELLOWSHIP:** We appreciate the value of each member working within the spirit of democratic participation characterized by equity, harmony, respect, and mutual trust.
- **GENDER EQUITY:** We promote fellowship practices that ensure the equity of opportunities for both men and women within the Network members.
- **TRANSPARENCY:** We are committed to the responsible and transparent sharing of all official information and in regard to all of our inter-institutional relations.
- **COMMITMENT TO THE POOR:** Partner organizations are committed to give priority to the poorest families in their communities for the provision of financial services.
- **RESPONSABILITY:** Each network member is profoundly dedicated to honor mutual commitments and to maintain the best image of the Network, knowing that the actions of one member impact the management and reputation of all the members.
- **EXCELLENCE:** Fellowship will promote quality performance between all and each one of the Network members. We are committed to achieve the highest standard of performance in all of our activities as individuals organizations and as part of the Network.

## IV. STRATEGIC AXIS

The strategic axis on which the work of the KATALYSIS NETWORK is based are the following.

a) **Fighting Poverty**

All strategies and activities of the Network are geared toward making a substantial contribution to the elimination of poverty in the Central American region and specifically, Network members will deepen their financial intermediation activities through the development and provision of products and services that addresses the profile of poverty that prevails in the region.

b) **Gender Equity:**

The actions undertaken by the Network strive to promote gender equity and empowerment with equal opportunities.

Gender equity will be promoted between Network members through the implementation of practices that services the highest number of poor women and men in the region.

The empowerment of women will be deepened through programs that highlight women's role in the generation of income and employment.

c) **Quality, Standards and innovation:**

Membership in the Network implies emphasis on quality in service delivery and product design. As micro-finance institutions, Network members are committed to applying best practices and promoting ongoing Innovation in the areas of product design and service delivery.

Adherence to best practices at the financial and institutional management levels will be fostered through exchanges of relevant experiences among members of the Network and other colleague organizations.

Technological innovation will be fostered through research and development of new financial products and will be client-led.

## **V. STRATEGIC OBJECTIVES**

1. Stimulate among Network members an institutional management committed to the principles of sustainability, efficiency, best practices and the application of high quality standards in financial service delivery.

### Strategies:

- 1.1 Develop and strengthen internal administrative systems in Network organizations to allow them to offer a better service to their clients.
  - 1.2 Stimulate in all Network members a focus on the client that allows them to provide a preferential and personalized treatment, with observance of the values and ethical principles of the Katalysis Network.
  - 1.3 Develop appropriate training and advisory methodologies and instruments that guarantee the healthy and progressive development of each Network member.
  - 1.4 Maintain updated technology for the information systems in support of decision making processes in each member institution.
  - 1.5 Promote the development of new financial products and services that are in line with the needs of clients and institutional growth.
- 2 Stimulate the Katalysis Network to maintain a continuous growth process and exchange of experiences that promote the consolidation of the Network and the development of each of the Network members.

### Strategies:

- 2.1 Strengthen mechanisms and procedures that allow the incorporation of new MFIs within the Katalysis Network.
- 2.2 Design financial mechanisms that allow access to resource mobilization and capital markets in favor of the growth, sustainability and strengthening of the Network and its members.
- 2.3 Systematically collect statistical information from the Network members, using the most advanced technologies and systems.
- 2.4 Emphasize the strengthening of the Network, stimulating its organizations to maintain continuous market expansion.
- 2.5 Promote the exchange of experiences within Network members regarding the technologies and newly developed products that facilitate their continuous innovation both as individual entities and as a Network.
- 2.6 Stimulate among Network members, the extension of micro-finance services to the rural sector, through the application of existing best practices and innovative methodologies to service this sector in the region.

### **3 Promote within the Central American region, the KATALYSIS Network, its values and standards.**

#### Strategies:

- 3.1 The Katalysis Network will embody the philosophy and work values in all of its actions.
- 3.2 The Katalysis Network members will maintain their commitment to the principle of solidarity and will look for all means to promote it, ensuring shared ownership.
- 3.3 The dissemination of success stories and best practices of each member organization and the Network will contribute to the continuous advancement of the micro-finance industry in the region.
- 3.4 Create a culture that highlights the existence of the Katalysis Network as an organization that coalesces institutions that provide microfinance services with emphasis on the poorest of the poor.

### **4 Strengthen the integration process through the development of strategic alliances within the micro-finance industry in Latin America in all forms, to ensure an international commitment to common goals and objectives.**

#### Strategies:

- 4.1 Promote strategic alliances with regional and international entities.
- 4.2 Create and maintain a standardized information network that stimulates information exchange among Network members and their links with the micro-finance industry at the global level.
- 4.3 Promote the integration of services with other international institutions to facilitate strategic alliances that benefit end-user clients of member organizations.

### **5 Support the transformation process of member institutions based on the regulatory frameworks that are developed and approved in each country.**

#### Strategies:

- 5.1 Facilitate the technical tools required by member organizations in their transformation processes.
- 5.2 Train the staffs of member organizations at all levels to create an organizational culture, which operates in a professional and regulated manner.

## **VI. REQUIRED RESOURCES**

To implement its 5 year Strategic Plan, the Katalysis Network will require the development of its technical and human resources as follows.

### **Training:**

Training is a fundamental component to facilitate implementation of the plan and it includes short courses, seminars, workshops and specific training events all oriented to maintain an updated Network regarding its knowledge of the latest developments of the micro-finance industry in Central America.

### **Technical Assistance:**

Short, medium and long-term consultancies will be offered in support of the social, economic and technical development of the Network members.

### **Research:**

Research activities will be a constant in the work of the Katalysis Network to obtain new knowledge that increases the development of new products and services that respond to the poorest population in the region.

### **Communication:**

Documentation and publishing of best practices will serve to increase the Network's impact on the development of the micro-finance industry in Central America.

New and specific communication methods will be used to allow access to different sectors of the population to interact in micro-finance. This will be accomplished by the integration of information technology in the improvement of service delivery and the expansion into underserved regions.

### **Governance:**

The Katalysis Network will be directed by a team of voluntary leaders, who through their board will establish policies, directives and standards to implement the Strategic Plan that has been agreed upon.