



Progress Report

HAND IN HAND GROUP
OCTOBER 2012 – MARCH 2013

TABLE OF CONTENTS

EXECUTIVE SUMMARY	03
1. OUR RESULTS	04
2. OPERATIONS ACROSS THE GROUP	06
HAND IN HAND INDIA	06
HAND IN HAND AFGHANISTAN	10
HAND IN HAND EASTERN AFRICA	13
HAND IN HAND SOUTHERN AFRICA	16
3. FUNDING	19
4. CHALLENGES AND LESSONS LEARNED	20
5. LOOKING AHEAD	22

This report covers the activities of the Hand in Hand (HiH) group – covering four operations based in India, Afghanistan, Eastern Africa and Southern Africa, as well as two fundraising operations in Sweden and the UK.

We are continuously trying to develop and refine this report. We appreciate your feedback. Please get in touch with Dorothea Arndt for any suggestions or questions darndt@hihinternational.org.

EXECUTIVE SUMMARY

JOB CREATION IS MOVING UP THE AGENDA

Job and business creation for the poor - Hand in Hand's mission - has lately moved up the list of international development priorities. The World Bank, the UN's High-level Panel on post-2015 Millennium Development Goals and most recently Justine Greening, the UK's Secretary of State for International Development, have all highlighted the critical role of entrepreneurship and job creation in reducing poverty and ending aid dependency. The World Bank states: "If only a fraction of the self-employed succeeded in building a viable business, the ...impact on living standards and productivity would be substantial".

We welcome the attention of decision makers; globally, one in two women does not have a job today. An additional 600 million new jobs – most of them in the developing world – are needed to employ the world's growing population in the next 15 years.

DELIVERING BUSINESSES AND JOBS

In the past six months alone, the Hand in Hand (HiH) group has generated 72,000 gainful businesses and over 101,000 jobs for some of the world's poorest people. Setting this in context, HiH is supporting almost as many new family businesses as are being registered in the entire formal private sector of the countries we operate in. HiH India, which celebrated its tenth anniversary in February, reached a record 1.3 million jobs, while the three more recently established operations have doubled the number of businesses supported in Afghanistan, Kenya and Southern Africa in the past half year.

RAISING FUNDS IN A DOWNTURN

The group's dedicated fundraising operations in the UK and Sweden raised US\$ 8.9m in the past six months. Raising funds is becoming ever more challenging with a real drop of 4% in global official development aid in 2012 and charitable private giving also stalling in our key donor countries.

To finance our planned growth over the next three years (2013-2015) we need to raise an additional US\$ 40m. As part of our focus on sustainability, all HiH operations are making efforts to mobilize funds within their regions. HiH Southern Africa alone raised US\$ 5.9m in 2012.

GROWING THROUGH PARTNERSHIP

As well as continuing to grow organically, to reach our 2020 goal of generating 10 million jobs we will also partner with organizations that share our mission, complement our expertise and offer a presence in countries outside of the group's current footprint. Two partnerships have been agreed so far: one with the Cambodia Rural Development Team in 2012 and one with CARE in Rwanda in 2013. HiH India and HiH Eastern Africa are respectively providing technical expertise and support to these partnerships, for which we are actively raising funds.

LOOKING AHEAD: UNLOCKING CREDIT

HiH India's experience demonstrates that offering loans is critical to our approach to reducing poverty. The poorest families are typically unable to meet formal microfinance lending conditions. Yet to grow their businesses beyond subsistence levels and achieve a secure income, they often need credit.

The three newer HiH operations in Afghanistan, Eastern and Southern Africa are therefore also developing direct credit facilities - enterprise incubation funds - that will offer catalytic business micro-loans.

1. OUR RESULTS

GENERATING BUSINESSES AND CREATING JOBS

The Hand in Hand group has cumulatively supported almost 1.4 m jobs



BUSINESSES



JOBS



■ (000) CUMULATIVE OCTOBER 2012 ■ (000) CUMULATIVE MARCH 2013

TRAINING FOR BUSINESS SUCCESS

Every day in the past six months, 432 new members joined a Hand in Hand self-help group



SELF-HELP GROUP AND TRAINING REACH



■ (000 MEMBERS) CUMULATIVE OCTOBER 2012 ■ (000 MEMBERS) CUMULATIVE MARCH 2013

PROVIDING FINANCE

Currently only HiH India is offering access to credit at scale (with a cumulative value of loans of US\$ 183m - see page 7). HiH Southern Africa, Eastern Africa and Afghanistan all plan to ramp up their lending (see page 22).

HiH Afghanistan is piloting direct lending (with loans reaching a cumulative value of US\$ 353,000 in March 2013). HiH Eastern Africa has tapped into the well-developed Kenyan microfinance industry to link up some groups to credit (to a cumulative value of US\$ 139,000), but the conditions for this can only be met by a minority of the entrepreneurs we support.



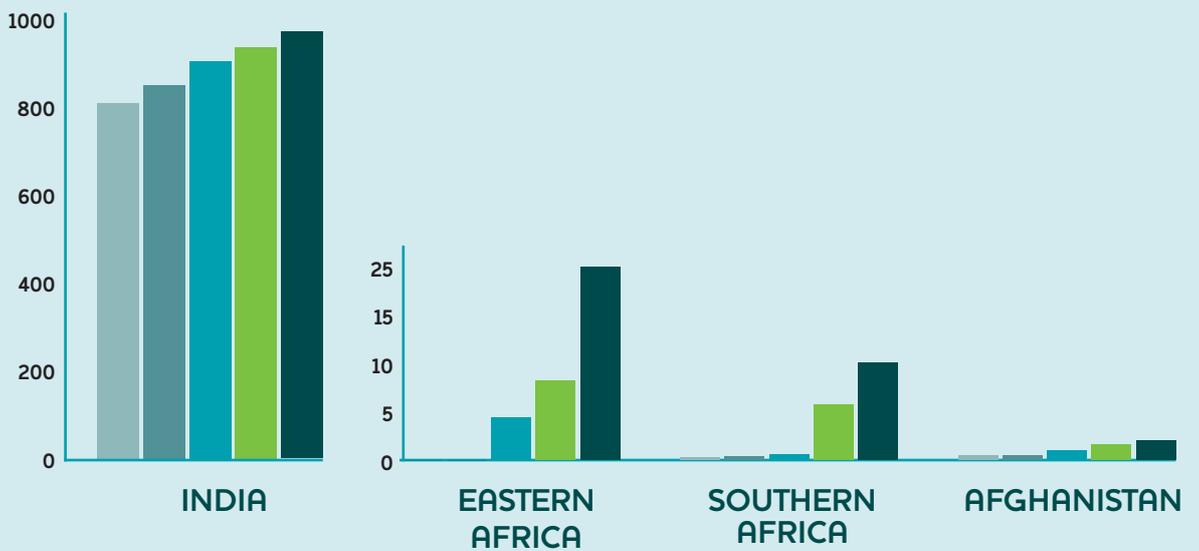
Business training | Tamil Nadu | India

TRENDS BY COUNTRY

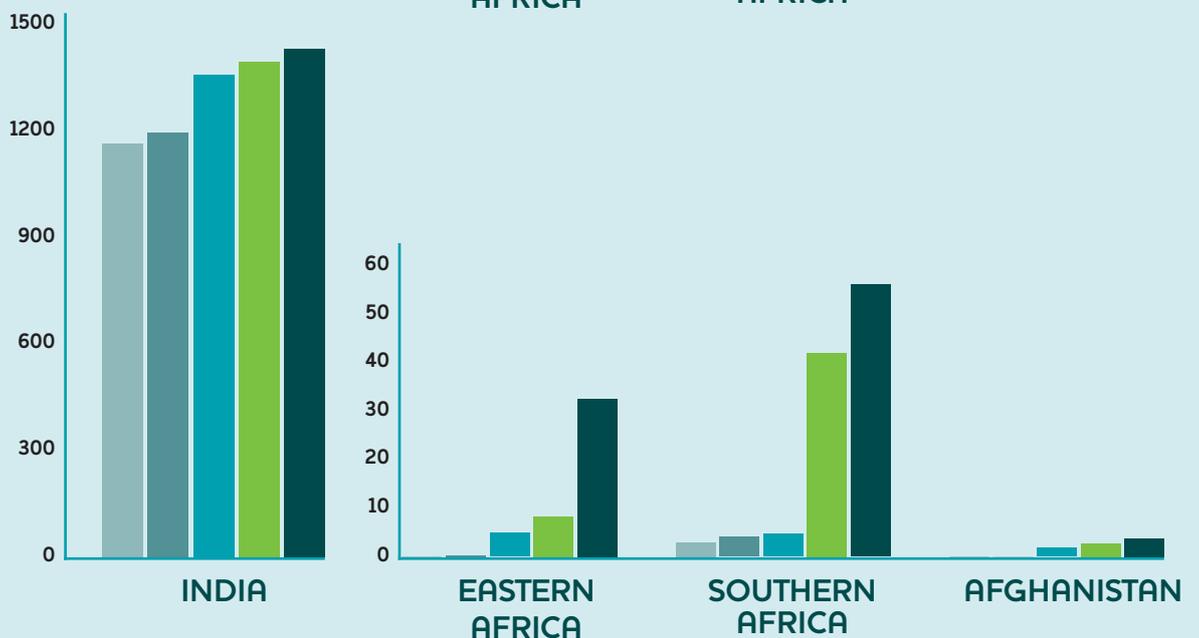
The newer operations – Eastern and Southern Africa and Afghanistan – doubled the number of businesses supported over the period while India continued to represent the bulk of the group’s results



CUMULATIVE BUSINESSES (000)



CUMULATIVE JOBS (000)

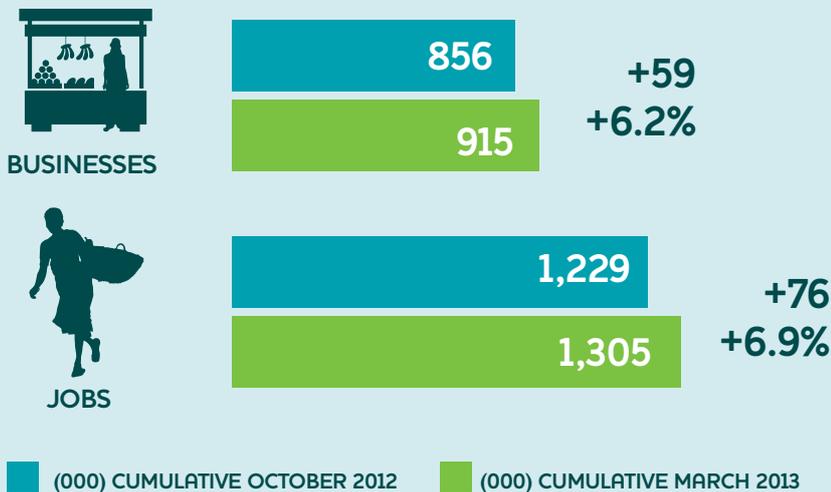


- MARCH 2011
- SEPTEMBER 2011
- MARCH 2012
- SEPTEMBER 2012
- MARCH 2013

2. OPERATIONS ACROSS THE GROUP: INDIA

GENERATING BUSINESSES AND JOBS

As HiH India celebrated its ten year anniversary in February 2013, the organization looked back at the 1.3 million jobs generated for some of the country's poorest people



* Previously reported numbers through March 2012 have been adjusted upward by approximately 200,000 to incorporate the findings of an independent study.

Business growth in the Indian context



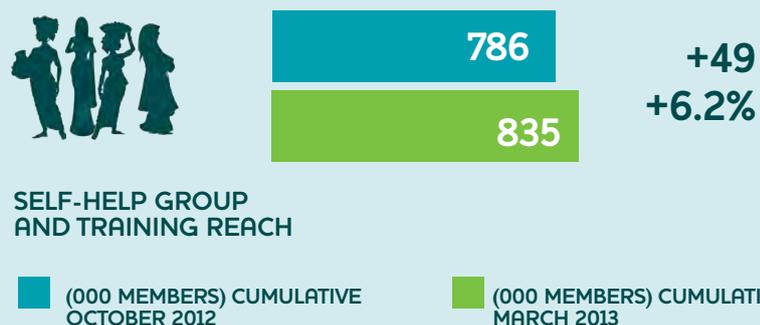
* The figure captures the average half-yearly figure of private companies with limited liability formally registered between 2004 and 2011 in India. Source: World Bank doingbusiness.org



Popcorn producer | Tamil Nadu | India

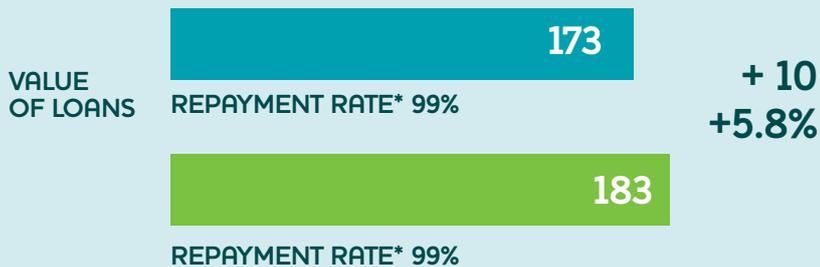
ENCOURAGING SAVING AND TRAINING FOR BUSINESS SUCCESS

In the past half year, over 49,000 disadvantaged Indian women joined a HiH India self-help group to work their way out of poverty



ACCESS TO CREDIT

Thanks to continuous business training and support as well as responsible interest rates, the loan repayment rate remains very healthy at 99.9%

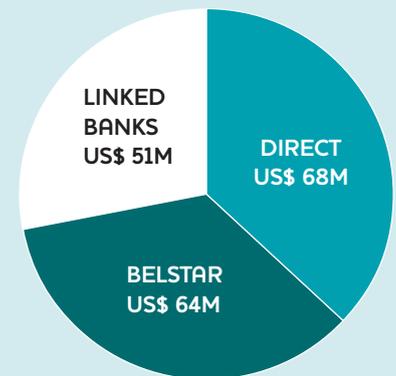


■ (US\$ M) CUMULATIVE OCTOBER 2012 ■ (US\$ M) CUMULATIVE MARCH 2013

* On HiH India direct loans.

HiH India lending channels

TOTAL US\$ 183M OF WHICH



- **Direct** - Direct HiH India loans to women who are unable to access other lending.
- **Belstar** - A microfinance institution (non-banking finance company) set up by HiH India as a separate legal entity to provide micro-credits where other credit is unavailable.
- **Linked banks** - Formal loans by microfinance providers and banks introduced by HiH India to women group members.



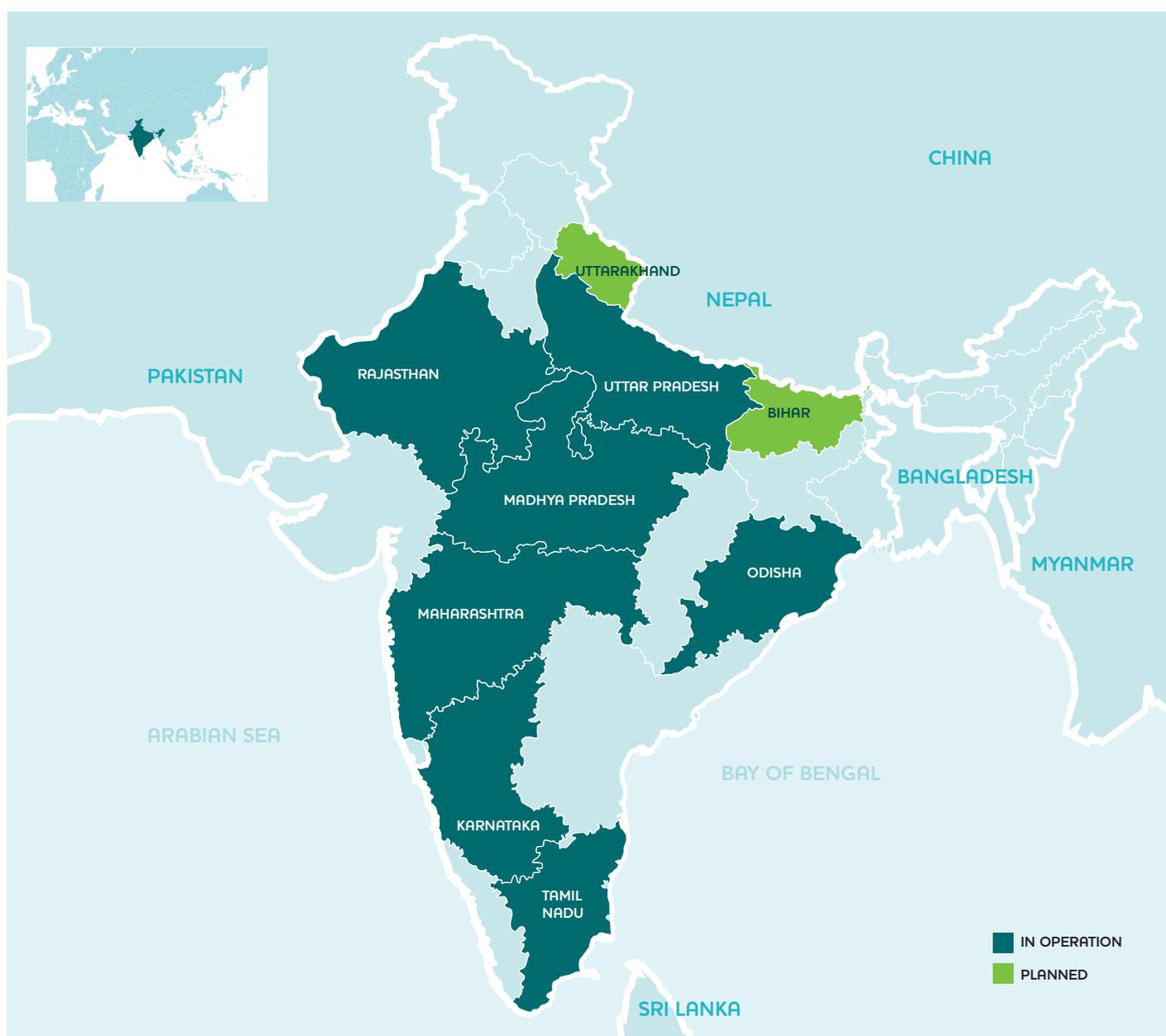
Weaver | Tamil Nadu | India

EXPANSION AND FUNDING

Operations have recently started in the states of Odisha, Uttar Pradesh and Rajasthan, with further expansion planned into Bihar and Uttarakhand.

HiH India's operations in the state of Madhya Pradesh have been boosted by a recent US\$ 935,000 grant from the Asian Development Bank (ADB). Rural communities in the state are gaining access to uninterrupted power as a result of a recent ADB

investment in the state's electricity distribution infrastructure. HiH India will train women to maximize the new small business opportunities that are emerging with the arrival of reliable electricity in their villages.





Sumitra | Boosted her monthly income to over US\$ 700 a month as a carpentry business owner thanks to a US\$ 270 micro-loan from Hand in Hand India | Thuraiperumbakkam village, state of Tamil Nadu, India

OTHER PROGRAMS

HiH India operates four programs, referred to as pillars, which complement job creation by focusing on education, environment, health and citizens' center enterprises (e-literacy). These programs are unique to India within the HiH group.

	CUMULATIVE OCTOBER 2012	INCREASE 6 MONTHS TO MARCH 2013	CUMULATIVE MARCH 2013	INCREASE 6 MONTHS TO MARCH 2013 (%)
EDUCATION				
Child labor elimination: villages (panchayats) reached	922	88	1,010	10%
Schooling: number of children enrolled	161,977	188	162,165	0%
ENVIRONMENT				
Solid Waste Management: households reached	307,299	53,260	360,599	17%
Water Resource Management: hectares covered	2,169	1,469	3,638	68%
HEALTH				
Anaemia: women reached	10,095	2,833	12,928	28%
Child malnourishment: children reached	6,739	453	7,192	7%
Sanitation: toilets constructed	7,452	409	7,861	5%
Community training: health workers	6,699	-570	6,129	-9%
CITIZENS' CENTRE ENTERPRISES				
Citizens' centres: IT kiosks established	3,034	88	3,122	3%
E-literacy: people trained	322,304	73,381	395,685	23%

2. OPERATIONS ACROSS THE GROUP: AFGHANISTAN

GENERATING BUSINESSES AND JOBS

In spite of continued security challenges, jobs and business creation is accelerating from previously low levels



BUSINESSES

1,973

2,598

+625
+32%



JOBS

2,959

3,895

+936
+32%

CUMULATIVE OCTOBER 2012

CUMULATIVE MARCH 2013

Business growth in the Afghan context



625

GROWTH IN
BUSINESSES
SUPPORTED
BY HIH 6 MONTHS
TO MARCH 2013



1,000

NATIONAL
AVERAGE OF
NEW FORMAL
BUSINESSES PER
HALF-YEAR*

* The figure captures the average half-yearly number of private companies with limited liability formally registered between 2004 and 2011 in the entire country. Source: World Bank doingbusiness.org



Beading businesswoman | Balkh | Afghanistan

ENCOURAGING SAVING AND TRAINING FOR BUSINESS SUCCESS

Over 2,000 new members joined a HiH self-help group in Afghanistan during the past six months



SELF-HELP GROUP AND TRAINING REACH



CUMULATIVE MEMBERS OCTOBER 2012

CUMULATIVE MEMBERS MARCH 2013

Relative to other NGOs operating in the country, HiH Afghanistan has achieved sizeable reach with its self-help groups



HIH SELF-HELP GROUPS REACH IN AFGHANISTAN (000 MEMBERS, MARCH 2013)

FORMAL NGO-LED SAVINGS GROUPS' REACH IN AFGHANISTAN (000 MEMBERS, 2012/2013)*

* Source: SEEP, a global network of 120 NGOs dedicated to reducing poverty through financial inclusion



Mushtary | The first shopkeeper and female entrepreneur in her village | Rejin village, Balkh province, Afghanistan

FUNDING NATIONAL EXPANSION

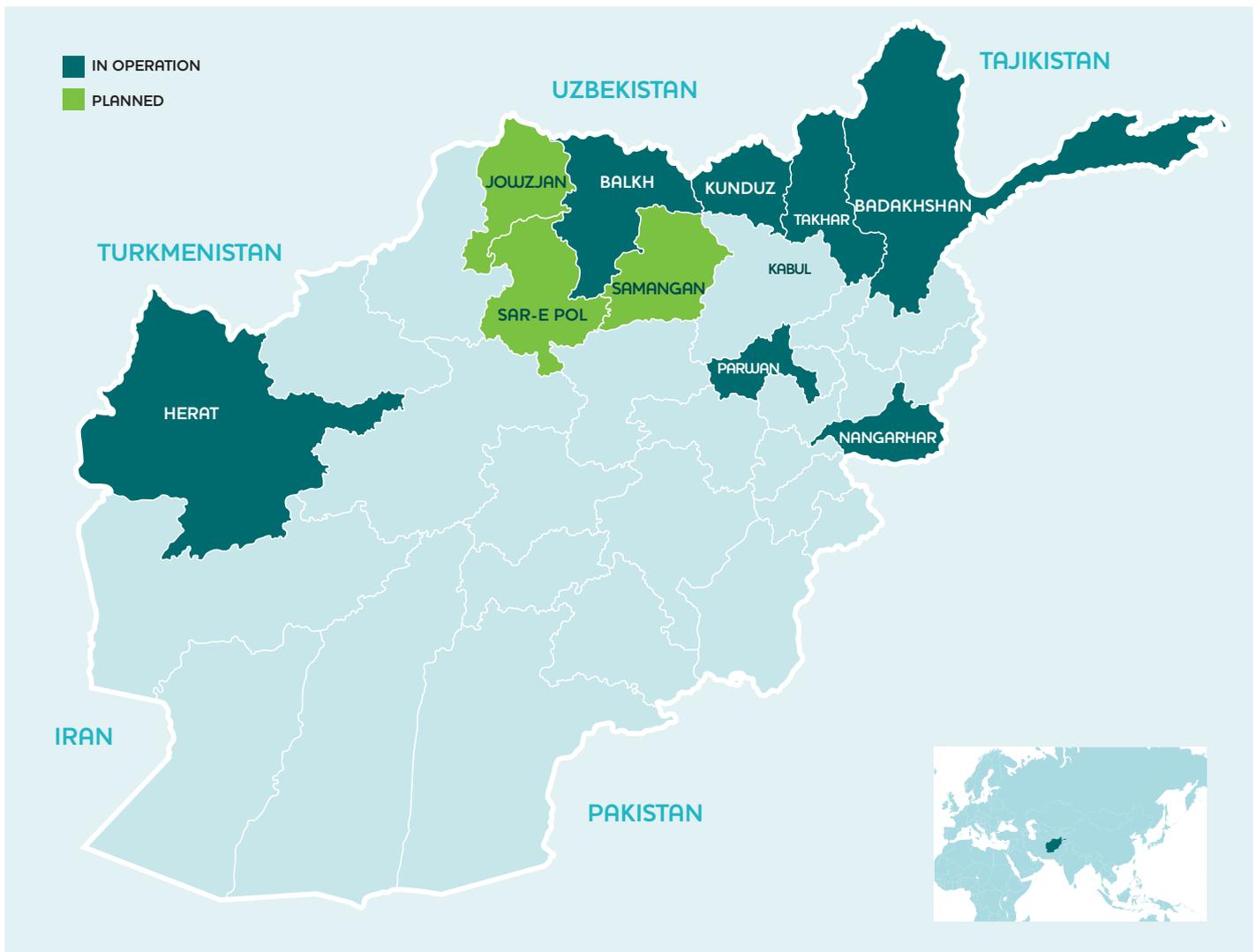
An in-depth analysis by HiH Afghanistan identified three provinces for future expansion. Bordering HiH Afghanistan's most developed operation in the province of Balkh, the three provinces offer relatively stable security, support from local communities and authorities and lack similar development programs. We are seeking funds for this expansion and HiH Afghanistan's strategic plan with further details is available on

hihinternational.org/SP_Afghanistan.

US\$ 94,000 in funding was secured in September 2012 from USAID for a pilot project focused on women entrepreneurs. As a result, HiH is now working with women's cooperatives from seven different Afghan provinces, providing mentoring, training and exposure visits to HiH India's operations in Tamil Nadu.

COMPLEMENTARY PROGRAMS

In addition to business mentoring, HiH Afghanistan also offers group members complementary hygiene and health training funded by the Johnson & Johnson Corporate Citizenship Trust. To date, 4,088 group members have been trained in family hygiene, emergency first aid and made aware of vital health services such as family planning and vaccinations.



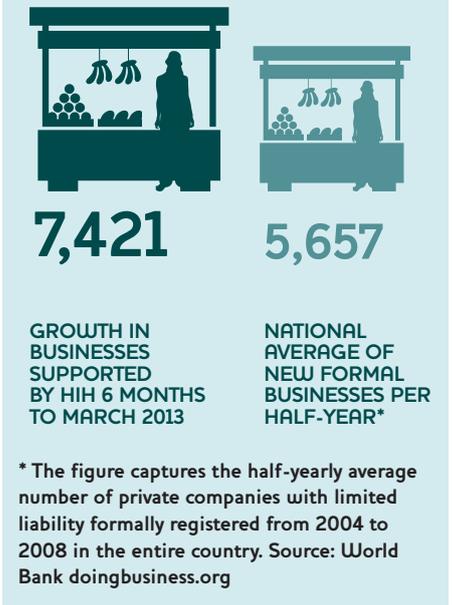
2. OPERATIONS ACROSS THE GROUP: EASTERN AFRICA

GENERATING BUSINESSES AND JOBS

Business and jobs generated in Kenya grew by over 40% in six months



Business growth in the Kenyan context



Greenhouse farmer | Rift Valley | Kenya



Basket retailer | Eastern province | Kenya

ENCOURAGING SAVING AND TRAINING FOR BUSINESS SUCCESS

Over 8,500 of the most disadvantaged Kenyans have joined a HiH self-help group in the past six months



SELF-HELP GROUP AND TRAINING REACH

CUMULATIVE MEMBERS OCTOBER 2012

CUMULATIVE MEMBERS MARCH 2013

With over 480,000 people enrolled in group saving schemes, Kenya offers a highly conducive environment for HiH Eastern Africa



HIH SELF-HELP GROUPS REACH (000 MEMBERS, MARCH 2013)

FORMAL NGO-LED SAVINGS GROUPS' REACH (000 MEMBERS, 2012/2013)*

* Source: SEEP, a global network of 120 NGOs dedicated to reducing poverty through financial inclusion



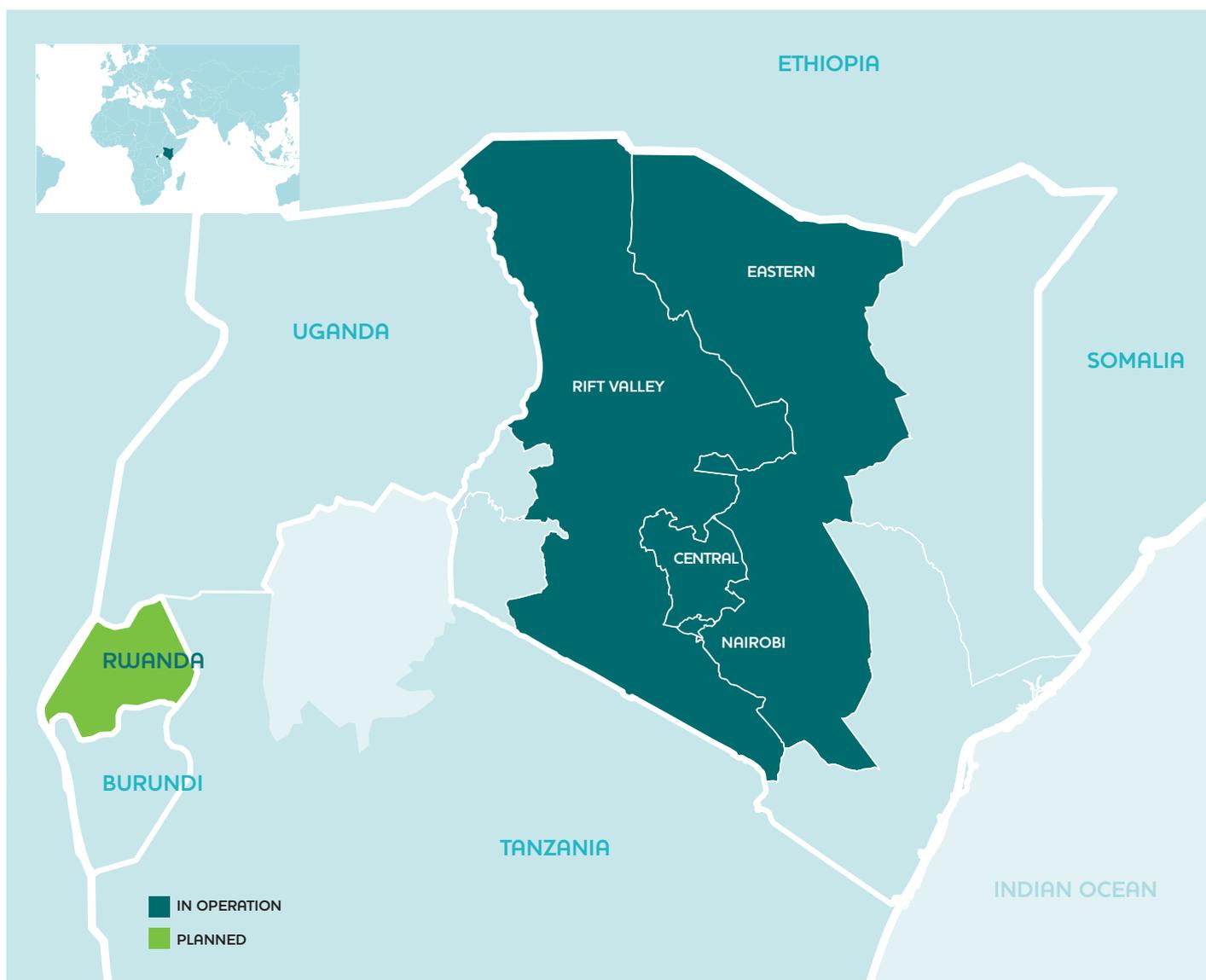
Beth | Vegetable stall holder | Planning to buy a plot of land after saving US\$ 1,178 in just five months as part of Hand in Hand Eastern Africa's Akiba Nyumbani' savings campaign | Ruiru town, Central province, Kenya

EXPANDING NATIONALLY AND BEYOND

Operations started in the Rift Valley in August 2012. Since then 2,476 members have been enrolled in the region. Within existing regions of operations, HiH Eastern Africa is now reaching further villages through six new branches where local trainers are based and data is collected for reporting.

A new partnership program in Rwanda has been agreed in March 2013, which will be implemented by CARE Rwanda with technical expertise and support from HiH Eastern Africa (see page 23). CARE Rwanda – an NGO focused on poverty reduction - has worked in the country since 1984 and built up a network of savings groups reaching 175,000 people.

We are seeking funds for expansion and HiH Eastern Africa's strategic plan with further details is available on handinhand-ea.org.



2. OPERATIONS ACROSS THE GROUP: SOUTHERN AFRICA

GENERATING BUSINESSES AND JOBS

HiH Southern Africa is reporting strong growth in businesses and job creation, particularly in Zimbabwe



BUSINESSES

7,154

12,384

+5,230
+73%



JOBS

42,077

56,222

+14,145
+37%

CUMULATIVE OCTOBER 2012

CUMULATIVE MARCH 2013

HiH Southern Africa's program in Zimbabwe aims to deliver 75,000 jobs by the end of 2013 and is jointly implemented with the Swedish Cooperative Center (SCC), an NGO which focuses on smallholder farmers and supports the development of savings and credit cooperatives. The project is funded by the Swedish Postcode Lottery.

Business growth in the Southern African context



GROWTH IN BUSINESSES SUPPORTED BY HIH 6 MONTHS TO MARCH 2013

NATIONAL AVERAGE OF NEW FORMAL BUSINESSES PER HALF-YEAR*

*The figure captures the half-yearly average number of private, formal sector companies registered from 2004 to 2010 in Lesotho and South Africa. Zimbabwe and Swaziland data is not available. Source; World Bank. doingbusiness.org



Brickmaker | KwaZulu-Natal | South Africa

ENCOURAGING SAVING AND TRAINING FOR BUSINESS SUCCESS

In the past 6 months, Southern Africa reported 39% growth in enrolling saving group members



+19,639
+39%



SELF-HELP GROUP AND TRAINING REACH

CUMULATIVE MEMBERS
OCTOBER 2012

CUMULATIVE MEMBERS
MARCH 2013

Self-help groups in the Southern African context



HIH SELF-HELP GROUPS REACH (000 MEMBERS, MARCH 2013)

FORMAL NGO-LED SAVINGS GROUPS' REACH (000 MEMBERS, 2012/2013)*

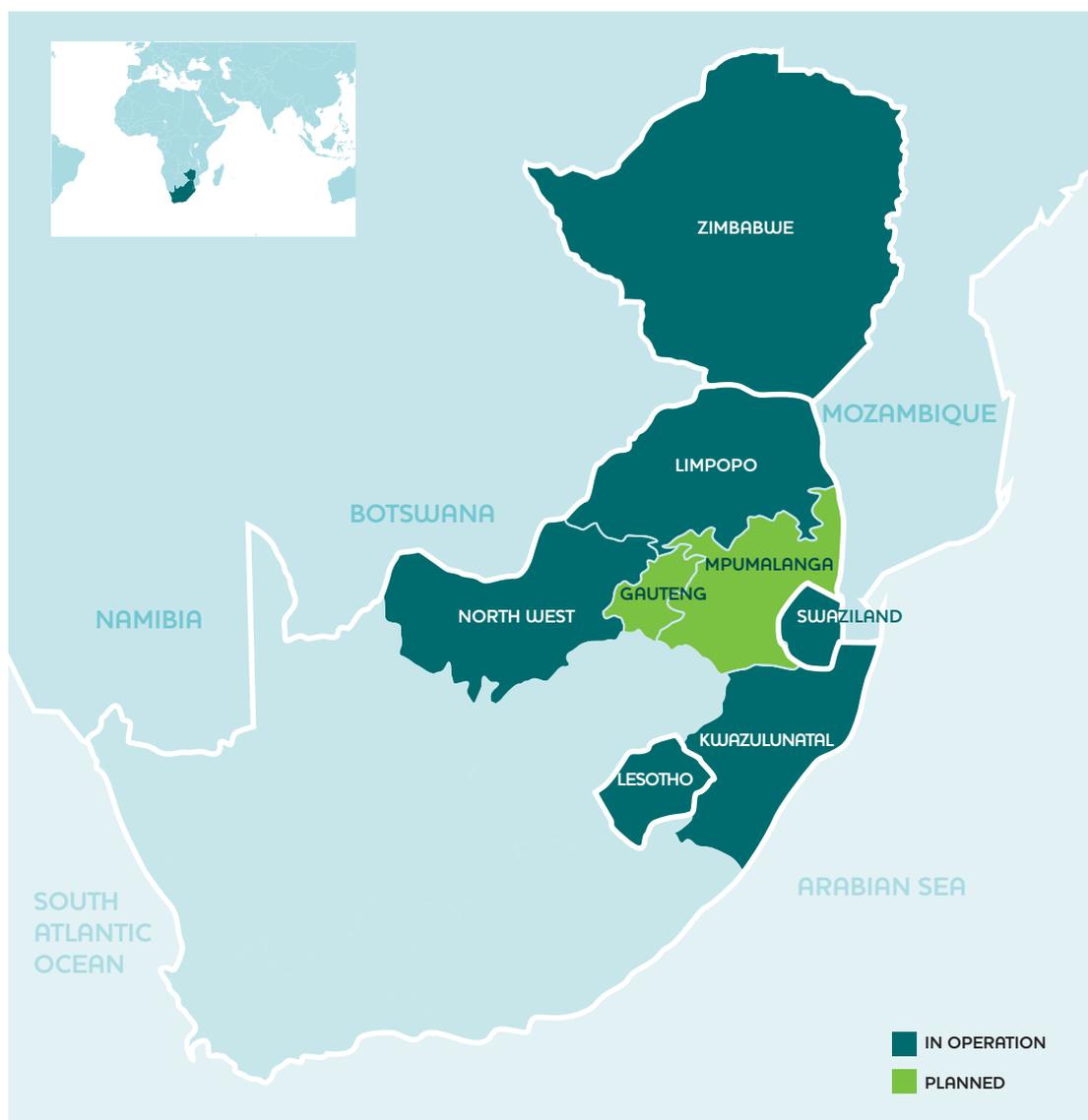
* Source: SEEP, a global network of 120 NGOs dedicated to reducing poverty through financial inclusion. Data includes South Africa, Lesotho, Zimbabwe and Swaziland.



Livuna sewing collective member | Earned a regular income for the first time, contributing to a group savings fund of US\$ 50 and co-founding a collective sewing business | Nkangala village, KwaZulu-Natal province, South Africa

EXPANSION

HiH Southern Africa's job creation program in the South African provinces of Limpopo, KwaZulu-Natal, North West and Mpumalanga was boosted thanks to a three-year, US\$ 2.7m grant from the Development Bank of Southern Africa's Jobs Fund, a national fund designed to reduce unemployment by funding enterprise creation initiatives.



3. FUNDING

Thanks to the generosity and loyalty of our donors, the two dedicated fundraising operations HiH Sweden and HiH International raised nearly US\$ 8.9m during the six months ended 31 March 2013.

On average, only 6.5% of income raised in the UK and Sweden over the period was spent on central administration and

fundraising, so that 93.5% of the funds raised went directly to job creation and poverty reduction programs.

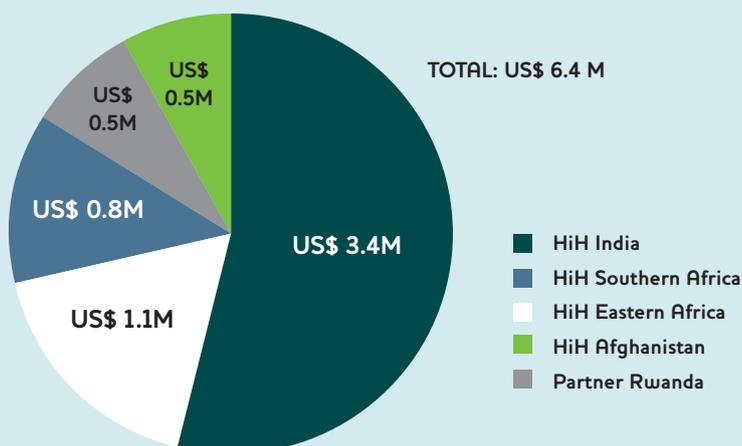
HiH Sweden raised approximately US\$ 5.9m, representing 26% growth over the same period in the previous financial year. This compares very favorably to Sweden's 2011 national growth in individual charitable giving of 5%.

The international fundraising environment has been challenging, as evidenced by the real drop of 4% in official global development aid in 2012. HiH International, while raising US\$ 3m in the six-month period, saw a 55% decline over the same period a year ago.

During the six-month period, HiH Sweden and HiH International collectively transferred US\$ 6.4m to the HiH group's four operating organizations and partners.

To create an additional 1.4 million jobs in the three years to 2015, we need to raise a further US\$ 40m, supporting scale-up and geographical expansion. This includes US\$ 6m of capital required for the newer operations to offer loans at scale (see page 22).

Geographical distribution of funds*



* Funds transferred by the dedicated fundraising operations HiH International and HiH Sweden

4. CHALLENGES AND LESSONS LEARNED

INVESTING IN WOMEN

There is abundant evidence that investing in women is investing in society. Women use increased income to feed, educate and care for their families and improve their communities. In many of the rural areas the HiH group operates in, cultural norms limit women's access to paid work. HiH works in consultation with community leaders to secure collective buy-in to HiH's approach. For instance, HiH Eastern Africa recently piloted a "train the trainer" program in Kenya's Central

province with respected community figures - such as retired government officials and church leaders - to build support for HiH's approach. HiH Afghanistan initially focused on men as a pathway to working with women - with success, as men's positive experience of self-help groups is making it acceptable for their wives and daughters to join. Female participation is currently 50%, well ahead of the 30-35% target set by the Afghan government for aid programs.

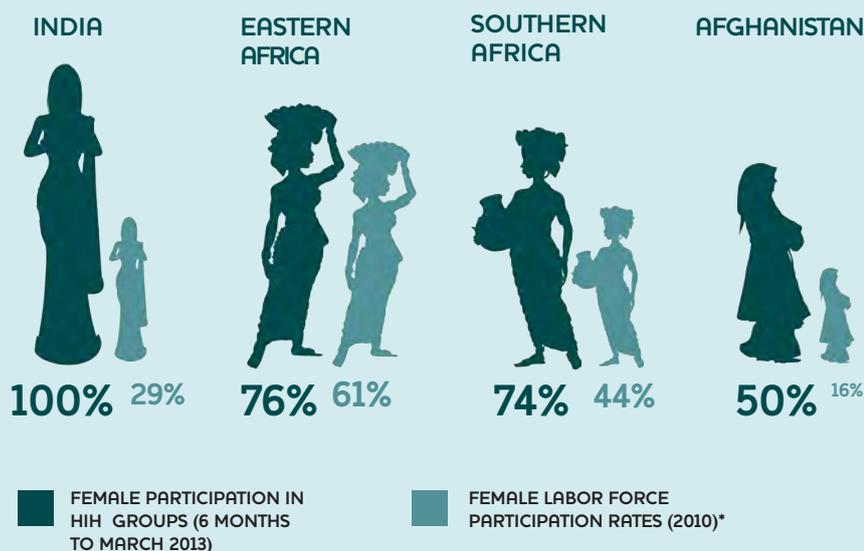
CLARIFYING OUR IMPACT

Measurement and analysis are essential to improve our effectiveness in creating jobs and reducing poverty. We monitor and compare outputs - businesses and jobs - as well as key inputs such as credits on a monthly basis across the entire group.

Periodically, we also measure the long term impact achieved on the income, education and health of the families we are working with. With funding by Norwegian foundation Voxtra, HiH India has initiated an independent impact study by the Institute for Financial Management and Research, a leading business school in Chennai collaborating with MIT's Poverty Action Lab. An in-depth assessment of HiH Afghanistan's work - funded by Sida (the Swedish International Development Cooperation Agency) - will also be available shortly. Please **contact Josefine Lindänge if you would like to know more about how data shapes our decisions.**



HiH is successful in helping women to set up a business even where this goes against the norm



* Source: World Bank, World Development Indicators

WORKING IN DANGEROUS CONDITIONS

In Afghanistan in particular, security is a key challenge. Security may deteriorate further in the run up to the withdrawal of international troops in 2014 and HiH Afghanistan is monitoring local security conditions and adapting operations accordingly. While security limits the movement of staff and increases the cost of operating in Afghanistan, HiH Afghanistan's work impacts some of the hardest to reach and most vulnerable people in the world.

In Kenya, HiH Eastern Africa faced the danger of political violence in the context of the presidential elections in March 2013. To mitigate the risk, HiH Eastern Africa partnered with the national Independent Electoral and Boundaries Commission to provide one-off civic education and voter rights training to over 1,000 group members. The elections were largely peaceful and our operations so far unaffected.



Self-help group | Balkh | Afghanistan

TEACHING BUSINESS WITHOUT THE ALPHABET

Illiteracy and very low numeracy is common among the groups targeted by HiH. For instance, in rural Afghanistan, nine out of ten women and six out of ten men lack basic reading and writing skills. In India, one out of two women is illiterate. Low literacy and numeracy clearly hamper the development of financial and business skills. To overcome this, HiH trainers use pictures, parables, activities and role play. The operations in Afghanistan and Kenya are now also adding basic literacy modules - based on public education materials - to their training.



Group book-keeping
| Balkh | Afghanistan

5. LOOKING AHEAD

SHARING SOCIAL ENTERPRISE KNOW-HOW

In August 2013, HiH will hold the Social Entrepreneurship Program (SEP) in Rustenburg, South Africa. Now in its third year, the program is a five-day interactive course showcasing the role of social entrepreneurs in reducing poverty, taught by Professor Kasturi Rangan of Harvard Business School. Entrepreneurs are at the heart of our model and the SEP grew from a desire to share in leading academic research and learn from the experience of other organizations advancing the role of entrepreneurs in development.

SEP alumni form an influential group spanning business, academia and development experts from over 30 countries. Participants have included representatives of donor agencies (such as FMO, the Dutch development bank), corporate social responsibility executives (such as Stora Enso, Folksam and Waitrose) and microfinance experts from a wide range of countries in South Asia and Sub Saharan Africa. Read more on hihinternational.org/sep and please **get in touch with Liselott Liungman to register your interest or recommend participants.**

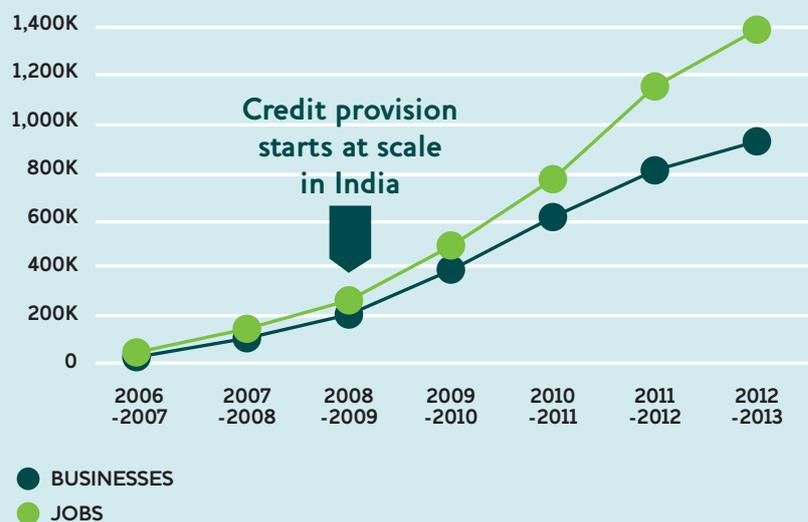
A STEP CHANGE IN MICRO-CREDIT

In all countries of operation, the groups we target typically cannot meet the conditions to borrow from microfinance institutions and certainly not from banks. HiH India's considerable experience of direct lending shows that credit is critical to allow women to develop businesses that create jobs for their families and their communities, as well as for themselves.

Lending in Afghanistan, Eastern and Southern Africa by HiH has so far been limited, yet is sorely needed: even in South Africa 46% of the population is

'unbanked' (i.e. lacks access to a formal financial institution). Three national enterprise incubation funds have been set up to provide catalytic business capital at responsible terms to those who would not have access to credit otherwise. HiH International plans to raise about US\$ 6m in donations and soft loans to help capitalize the three national enterprise incubation funds. If you would like to **share your expertise in social impact investment, or find out more about this opportunity, please contact Sandy Sullivan.**

Once credit is provided at scale, job creation takes off



PARTNERSHIPS: A SPRINGBOARD FOR GROWTH

HiH has established a partnership with the Cambodia Rural Development Team (CRDT), a local NGO working to raise living standards and support environmental conservation in rural areas. With the help of HiH India's training expertise and blue-prints, the joint project has launched in two provinces and trained 300 self-help group members to date. A scoping study of opportunities in Myanmar has also been initiated by HiH India.

HiH is also partnering up with CARE in Rwanda. Blending the best of both organizations' approaches, the program will draw on CARE Rwanda's experience of establishing saving groups and enabling them to access formal credit. HiH Eastern Africa will offer guidance on entrepreneurship training - from basic business skills to mentoring for improved productivity and access to wider markets. The goal of the US\$ 3m, three-year partnership is to empower

100,000 Rwandans – mostly women – to run their own businesses supporting 80,000 sustainable jobs. **Please contact Josefine Lindänge if you would like to know more about these partnerships, their goals and funding requirements.**



Self-help group | Tamil Nadu | India

CONTACT DETAILS

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