
Hand in Hand Group

Semi-annual Progress Report

April 2012 – September 2012

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Introduction

1. This report summarizes the progress made by the Hand in Hand Group during the six-month period April 2012 – September 2012. It covers the activities of all six Group organizations – HiH India, Afghanistan, Eastern Africa, Southern Africa, Sweden and International (including the HiH International team in Brussels). The focus is on implementation and results in India, Afghanistan, Eastern Africa and Southern Africa.
2. Our mission is to reduce poverty through sustainable job creation that raises family income. We do so through the social and economic empowerment of the poorest and most marginalized people, the majority of whom are women. Raising family income reduces vulnerability and contributes to greater food security, better education of children, increased access to medicines and healthcare, and improved housing.
3. To date the HiH Group has mobilized just over 830,000 people into self-help groups (SHGs) and helped create more than 1.28 million jobs. Over five million people have benefitted from these jobs. The work began in India and HiH India has delivered the majority of these results. However, HiH Afghanistan, Eastern Africa and Southern Africa are rapidly expanding their operations. In addition to the 1.2 million jobs, HiH India helps reduce poverty through its four other “pillar” programs, which build on the SHGs: child labour elimination, environment, health and citizen centres. Well over two million people have seen their lives improved through these four programs. Hence, a total of more than seven million people have so far benefitted from the work of Hand in Hand.
4. This is our third semi-annual progress report. Continued feedback is appreciated.

Highlights

5. Consolidation and expansion continued over the past six months with further progress seen in all regions; some 4,100 new SHGs and 112,000 new jobs were created during this reporting period. HiH India continues to lead the way and its approach is being adapted by the three younger organizations to suit local needs and circumstances. In total, for this period, about 42,000¹ new jobs were created and nearly 14,600 people were mobilised into self-help groups by the organizations in Afghanistan, Southern Africa and Eastern Africa.
6. Figure 1 below shows cumulative HiH Group results since the start of operations, as of end of September 2012. Figure 2, which follows, illustrates the growth in SHG members and jobs since March 2011.²

¹ Of this total, HiH Southern Africa reports the majority (90%).

² HiH India’s monitoring and reporting systems are robust, having been developed, used and evaluated over several years. The three younger organizations are in the process of strengthening their own monitoring and reporting systems. Additionally, the common definition of a job and enterprise recently agreed to by each Partner at the Global Council meeting in May require re-assessment of past performance figures by some organizations. Therefore, performance numbers may require adjustment in upcoming progress reports.

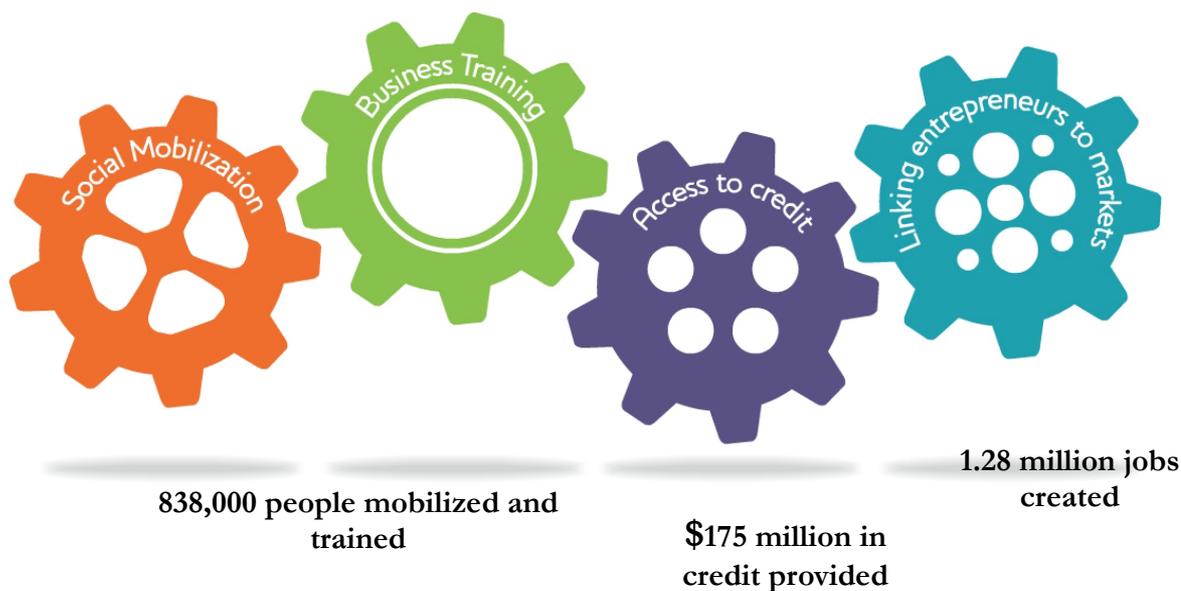
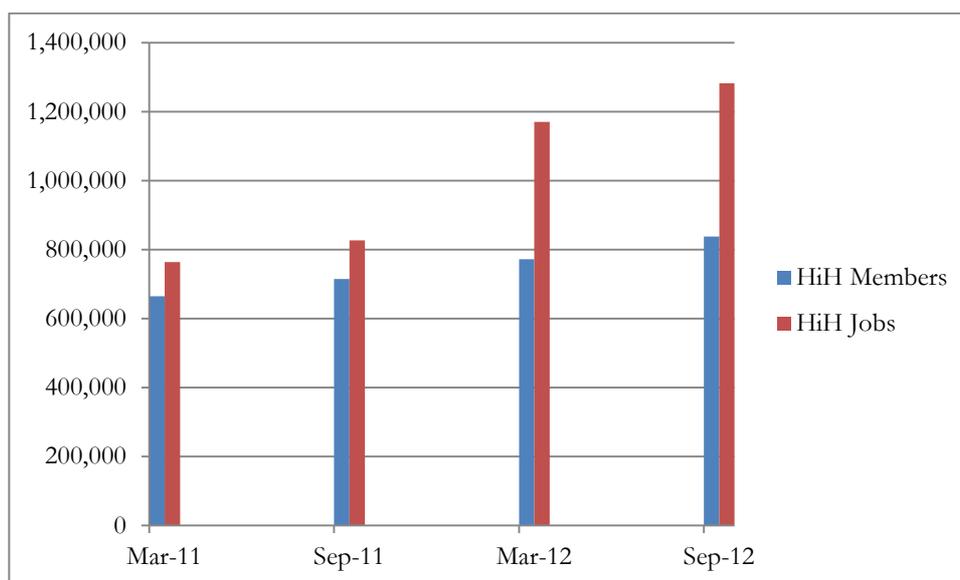


Figure 2: HiH Group Cumulative SHG Members and Jobs



- The effectiveness of the Hand in Hand approach was recently validated by a third party study commissioned by HiH India. Micro-Credit Rating International Limited (M-CRIL), a renowned rating organization, was engaged to produce an independent study to estimate and validate the number of jobs supported through the HiH India program. The final report shows that HiH India has created or supported 1.2 million sustainable jobs in less than eight years. The report also finds that beneficiaries are predominantly poor and disadvantaged adult women, 71% of whom live in rural areas and 85% of whom are members of 'backwards communities' in terms of caste. Further, 97.4% of the jobs are considered sustainable. All in all, the study verifies that HiH's integrated approach works, which serves to further motivate and strengthen our resolve going forward. The full report, including a cover note from HiH India's CEO Dr. Kalpana Sankar, is available on HiH India's website [http://www.hihindia.org/our_model/the_five_pillar_programme/jobs_for_growth_\(shg\)/reports/](http://www.hihindia.org/our_model/the_five_pillar_programme/jobs_for_growth_(shg)/reports/).

8. In line with HiH's ambitious long-term goal of creating ten million sustainable jobs by 2020, HiH is actively seeking appropriate partners to engage with to further spread the HiH approach. HiH India is currently engaged in partnership discussions for its planned expansion into Cambodia and Myanmar. HiH International has engaged in discussions with potential partners for expanding into Eastern Africa. While these discussions are still at preliminary stages, the possibility of partnering with organizations that share the HiH values represents an efficient means of implementing the HiH model and approach in additional countries. Further details will be provided as the discussions progress.
9. In May, HiH SA rolled out implementation of its operations in Zimbabwe, in partnership with the Swedish Cooperative Center (SCC). The target of this partnership is to support the creation of 75,000 jobs.
10. The most recent semi-annual meeting of the Global Council, which consists of the six CEO's of the HiH Group, took place in May in Stockholm, Sweden. The meeting and discussions were productive in the continued effort to synthesize knowledge and document the HiH approach. Of particular importance, the Group adopted common definitions, that mirror the ILO's, of a job and enterprise.³ In the coming months each organization's performance reports will begin to reflect this newly accepted, shared definition. Additionally, principles and criteria for the allocation of unrestricted funds were formally approved and agreed to by each organization; please refer to Annex 1. HiH Southern Africa will be the next host of the Global Council meeting, which is to take place during the first quarter of 2013.
11. The second HiH Social Entrepreneurship Program (SEP), organized jointly by HiH International and HiH Eastern Africa has just concluded. Building on the success of the first SEP, which was hosted by HiH India in August 2011, this annual program was now taken to Limuru, Kenya, September 24-28, 2012. Professor Kasturi Rangan of Harvard Business School again led the five-day course, which included a mix of both classroom-based, case study learning and field visits to the operations of HiH Eastern Africa and JamiiBora, one of the most well-known microfinance organizations in Kenya. The 2012 SEP gathered some 50 participants from 18 countries, representing social enterprises, multi-/bilateral donor organizations, microfinance institutions and corporate trusts. The post-course evaluation was overwhelmingly positive towards the unique mix of academic teaching, field visits and networking opportunities, supported by effective logistics and administration.

³ The definition of family based, micro, or small enterprises will be determined by the practice or requirements in each country. Definitions will be set out in the monthly reports.

The definition of a full time job is a person engaged for 24 hours or more a week. It covers everyone who works for pay, profit or family gain irrespective of their employment status, whether it is their main or a secondary job, in paid or self-employment. Only those aged 18 and over will be counted in the total of new jobs created.

Country Operations and Performance⁴

India

12. HiH India continues to produce impressive results, creating another 70,460 jobs during the past six months. With members now more than 785,000 and jobs created just over 1.2 million, the program's scale and impact are impressive. Table 1 below summarizes HiH India's performance over the reporting period.

Table 1: HiH India 6-month and Cumulative Results

	Cumulative Results Through March 2012	6-month Apr - Sept 2012 Results	Cumulative Results Through September 2012	6-month growth
SHG members	741,523	45,099	786,622	6%
% Female SHG members	100%	100%	100%	0%
Enterprises Created	800,939	55,057	855,996	7%
Jobs Created ¹	1,158,563	70,464	1,229,027	6%
Credit	\$164.2m	\$10.2m	\$174.4m	6%
Repayment Ratio	99.9%	99.9%	99.9%	0%

¹ Previously reported numbers through March 2012 have been adjusted upward by approximately 200,000 to incorporate the findings of the M-CRIL study.

13. As indicated in the table below, in addition to direct job creation, HiH India continues to expand its other four pillar programs, helping to improve lives and reduce poverty.

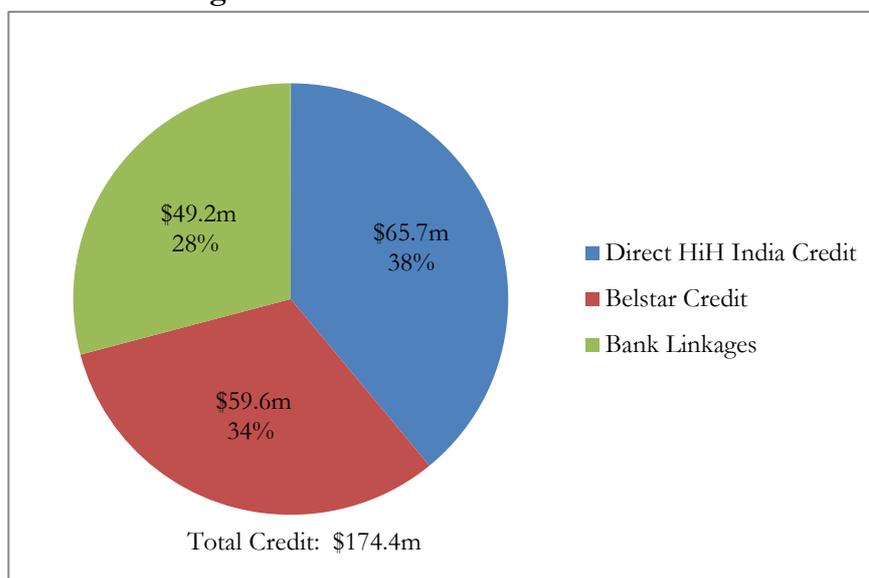
Table 2: HiH India – Four Pillar 6-month and Cumulative Results

Performance Metrics	Cumulative Results Through March 2012	6-month Apr - Sept 2012 Results	Cumulative Results Through September 2012	6-month growth
Child Labor Elimination				
Child -friendly Panchayats	878	44	922	5%
Children enrolled in regular schooling	103,402	58,575	161,977	57%
Environment				
Households covered by Sold Waste Management Program	283,799	23,500	307,299	8%
Hectares covered by Water Resource Management Program	1,594,700	574,010	2,168,710	36%
Health				
Women brought out of Anemia	9,345	750	10,095	8%
Children brought out of malnourishment	6,409	330	6,739	5%
Total toilets constructed	6,890	562	7,452	8%
SHG women health workers	6,699	0	6,699	0%
Citizen Centers				
Number of Citizen Centers	2,907	127	3,034	4%
People trained in e-literacy	278,524	43,780	322,304	16%

⁴ All information on specific country performance and results is sourced from monthly progress reports prepared by each Partner Organization.

14. HiH India continues to be a leader in microfinance with its high repayment rate despite a difficult market environment. As shown below in Figure 3, the organization has, over the years, provided a total of \$174 million of credit through its three channels.

Figure 3: HiH India - Credit Channels



15. HiH India is expanding its operations into northern India, and an office has been established in Delhi to support the expansion efforts, including fundraising. Continuing to spread the HiH approach further, HiH India is also developing programs outside India. HiH Lanka has been set up in Sri Lanka, and work has progressed well to start operations in Cambodia and Myanmar. In Cambodia, group formation for self-help groups is expected to start during the fall of 2012. In Myanmar the largest microfinance institution active in the country, PACT, has requested HiH India to provide training and consultancy on financial inclusion through self-help groups. In September, a week-long training program was organized for alliance partners in Cambodia and Myanmar. Additionally, consideration is being given to provide support in the Philippines and in Central America.

Afghanistan

16. In spite of the many challenges faced, especially security, HiH Afghanistan has continued to push forward and make progress. During the period, approximately 1,260 members have been enrolled in self-help groups and just over 1,020 jobs have been created. Training also continued on hygiene and sanitation during the reporting period, where nearly 950 people have been enrolled to date. Table3 below summarizes HiH Afghanistan's performance over the reporting period.

Table 3: HiH Afghanistan 6-month and Cumulative Results

	Cumulative Results Through March 2012	6-month Apr - Sept 2012 Results	Cumulative Results Through September 2012	6-month growth
SHG members added	10,501	1,262	11,763	12%
% Female SHG members	45%	65%	47%	5%
Enterprises Created	1,290	683	1,973	53%
Jobs Created	1,935	1,024	2,959	65%
Credit	\$104,239	\$129,076	\$233,314	124%
Repayment Ratio	n/a	86%	86%	n/a

17. HiH Afghanistan continues to focus efforts on strengthening the current base of operations in the Balkh province, including expansion into an additional district, Sholgara. HiH Afghanistan will thereafter expand its operations into the Kishendeh and Char Kent districts of Balkh province before moving into additional provinces as and when the security situation and funding allow.
18. HiH Afghanistan initiated credit activities during the reporting period. With loan funds from HiH International and Johnson and Johnson Corporate Citizenship Trust, the program began direct lending to members who had successfully completed the required training. To date, about \$233,000 has been distributed to qualified members.
19. **Challenge – Deteriorating security:** The security situation in Afghanistan has deteriorated in recent months. While security has always been forefront of mind and posed its own challenges, the current climate underscores the sensitivity of HiH’s operations in Afghanistan. Conflict sensitivity analyses have been undertaken, and the potential for continued expansion is continuously being assessed based on the security situation.

Eastern Africa

20. HiH Eastern Africa is in its second year of operations. The focus has been on rolling out the HiH model through social mobilization, group formation and business and financial management training. There has been considerable growth during the past six months, including mobilizing nearly 12,450 members, nearly doubling its total membership to date, which is now over 25,100. This means HiH Eastern Africa has surpassed its target of mobilizing 22,000 members by December 2012. A total of more than 8,400 jobs have been created, nearly half of which were within the past six months alone, demonstrating the relevance of the model and the impact now seen of training delivered during the first year of operations.

Table 4: HiH Eastern Africa 6-month and Cumulative Results

	Cumulative Results Through March 2012	6-month Apr - Sept 2012 Results	Cumulative Results Through September 2012	6-month growth
SHG members	12,715	12,427	25,142	98%
% Female SHG members	80%	76%	80%	0%
Enterprises Created ¹	5,535	4,671	10,206	84%
Jobs Created ¹	4,964	3,475	8,439	70%
Credit	\$0	\$0	\$0	n/a
Repayment Ratio	n/a	n/a	n/a	n/a

¹ As agreed during May’s GC meeting, HiH EA recently adopted the ILO definition of a job and enterprise; however, the adjustment of the numbers has not yet been completed. Therefore, the figures above may be adjusted in future reports.

21. HiH Eastern Africa's partnership with the Kenya National Agriculture and Livestock Extension Programme (NALEP) has been instrumental in HiH Eastern Africa's rapid growth. NALEP is now in the process of transferring into a new program, the Agriculture Sector Development Support Programme (ASDSP). HiH Eastern Africa will continue to work with NALEP's successor ASDSP, which is expected to be fully operational before the end of the year.
22. HiH Eastern Africa has also begun to form partnerships with credit providers. To date, these credit partnerships have enabled HiH Eastern Africa to facilitate access among its members to more than \$70,000 of lending support. In addition, HiH Eastern Africa will launch its own microfinance program, through its Enterprise Incubation Fund (EIF), which is set for rollout during the first quarter of 2013.
23. In June, the independent consultancy firm PEM Consult completed a Mid-Term Review of the current Sida-funded project. The review serves as an independent assessment of the progress and performance of HiH Eastern Africa to date. Specifically, it concluded that: the HiH Eastern Africa program is relevant to the Kenyan context and the Government's strategic objectives; HiH Eastern Africa's training is effective and quickly results in changed and improved practices among members and groups; and, critically, that there are already early signs of impact through increased incomes and livelihoods.
24. HiH Eastern Africa is well positioned for continued expansion of its programs across Kenya. In August, HiH Eastern Africa expanded into a fourth region, Rift Valley, with the opening of its eighth branch in Nakuru. The move into Rift Valley further aligns the program with the Government of Kenya's priorities as it has identified Rift Valley as a priority. HiH Eastern Africa plans to open an additional six branches during the first half of 2013: one each in Central and Eastern Regions and two each in Nairobi and Rift Valley, resulting in further penetration of its operations.
25. **Challenge – Upcoming election:** Kenya will hold its Presidential election in March 2013. Given the violence and fragmentation experienced in the aftermath of the 2008 elections, there is need for caution and preparation in advance of the upcoming election. As a consequence HiH Eastern Africa has embedded civic education in its regular training, and has also set relatively conservative targets for mobilization and group enrollment during the last quarter of 2012 and the first quarter of 2013.

Southern Africa

26. With operations currently in South Africa, Swaziland and most recently Zimbabwe and Lesotho, HiH Southern Africa continues expanding its reach. HiH Southern Africa mobilized 8,175 members and created 37,300 jobs during the period. Table 5 below summarizes HiH Southern Africa's results.

Table 5: HiH Southern Africa 6-month and Cumulative Results¹

	Cumulative Results Through March 2012	6-month Apr - Sept 2012 Results	Cumulative Results Through September 2012	6-month growth
SHG members	7,101	8,173	15,274	115%
% Female SHG members	84%	84%	84%	0%
Enterprises Created	768	6,386	7,154	832%
Jobs Created	4,764	37,313	42,077	783%
Credit	\$0	\$0	\$0	n/a
Repayment Ratio	n/a	n/a	n/a	n/a

¹ Definitions currently applied and used for reporting are under review.

27. During the reporting period, HiH SA established and initiated operations in two additional areas of Southern Africa. In June 2012, in partnership with the Swedish Cooperative Center, a program financed by the Swedish Postcode Lottery rolled out in Zimbabwe. Most recently, in August, work began in Lesotho with a 10-person team implementing a project targeted at creating 10,000 jobs. HiH Southern Africa continues to pursue an ambitious fund raising plan and explore a variety of implementing and funding partnership opportunities.
28. HiH Southern Africa was recently awarded a grant from the Department of Cooperative Governance and Traditional Affairs (CoGTA). The approximately USD 3.6 million award is part of the Community Work Programme (CWP), which is similar to a public works program, and will be implemented over the coming two years. HiH Southern Africa will serve as a Provincial Implementing Agent in KwaZulu-Natal whereby they will mobilize 5,500 people into useful work for 100 days per year. These 5,500 individuals will also receive group mobilization, entrepreneurship and finance training through the HiH Southern Africa program, thereby providing an exit strategy to the 100 days program through the creation of sustainable jobs. Additionally, HiH Southern Africa is in advance stages of discussing funding opportunities with the National Lottery Board and the DBSA Jobs Fund.

Key Annual Targets

29. The HiH group is strategically pursuing expansion, both in the current regions of operations, as well as in new regions and countries. The table below summarizes the targets of the four HiH operating partners through 2014.

Table 6: Key Annual Targets 2012-2014¹

	2012	2013	2014	Total	Cumulative Projected Results
Members	194,470	180,650	193,575	568,695	1,338,757
Enterprises Created	182,233	155,986	164,745	502,964	1,307,081
Jobs Created ²	290,509	253,689	266,242	810,440	1,974,281

¹ The exact period varies, but broadly reflects the January to December Calendar year. Specifically for India, the respective years represent its April to March financial year.

² Jobs Created reflects the upward adjustment to India's previously reported figures, as well as its future targets.

Funding and Finance⁵

30. HiH's fundraising efforts have resulted in a stable inflow of donations during the reporting period. In the case of HiH International, total donations reached \$2.8 million during the six months, a majority being unrestricted funds. For HiH Sweden, total donations reached an impressive \$3.5 million during the first nine months of 2012. Of this, more than 70% represent unrestricted funds. Additionally, concerted efforts continue for new country- and project-specific donations with a focus on foundations, bilateral development organizations and the European Commission.
31. The balance of unrestricted funds carried forward by HiH International and HiH Sweden is used flexibly for in-country capacity building, to help build the SEP, to start up microfinance operations, to cover long-term commitments not matched by restricted donations, and to meet short-term funding gaps in order to avoid disrupting operations. They will also be used to help start new partnerships in new countries.
32. Fundraising efforts are guided by the HiH Group Fundraising Strategy, which is instrumental in identifying funding gaps and coordinating fundraising efforts. The strategy sets out challenges and objectives and helps ensure fundraising efforts are aligned and efficiently targeted. The coordination of funding efforts will become increasingly necessary as each partner increases its own local fundraising efforts, which, as confirmed in the most recent Global Council meeting, is of high priority. These local efforts will complement and support the global efforts led by HiH Sweden and HiH International.
33. HiH Sweden and HiH International continue to strengthen their collaboration through regular meetings, a common fundraising strategy, joint country visits and agreed funding priorities. HiH Sweden is increasingly exploring funding opportunities with the three younger organizations.
34. Table 7 below summarizes the financial results for HiH International during the six months ended 30 September 2012. It shows the flow of unrestricted donations and restricted donations.

Table 7: HiH International Financial Summary for April to September 2012⁶

Financial Year 2012-13						
(\$ in 000s)	Unrestricted	Afghanistan	India	Eastern Africa	Southern Africa	HiH Int'l Total
Inflows	\$ 1,909	\$ 166	\$ 756	\$ -	\$ -	\$ 2,831
Outflows	\$ 1,327	\$ 166	\$ 423	\$ -	\$ 112	\$ 2,029
Net Inflows	\$ 581	\$ -	\$ 333	\$ -	\$ -112	\$ 802
Brought forward from FY 2011-12	\$ 6,573	\$ -	\$ 169	\$ 25	\$ 117	\$ 6,884
Carry forward at 30 September 2012	\$ 7,154	\$ -	\$ 503	\$ 25	\$ 4	\$ 7,686

35. During the period, HiH International disbursed \$605,000 in unrestricted funds to implementing organizations while \$722,000 was used for fundraising, the SEP and direct in-country partner

⁵ Audited statements of financial activity are attached as annexes to the Semi-annual progress reports as they become available, depending on the financial year of each organization. Full audited financial statements are available on request.

⁶ In the long run, the net flows of restricted funds to each HiH organization are, of course, zero. However, the timing of individual payments can leave balances at year-end or at end of reporting period.

support and capacity building, including start-up costs for microfinance operations. The allocation of unrestricted funds during the reporting period is given in Table 8 below.

Table 8: HiH International Allocation of Unrestricted Funds April to September 2012

<i>(\$ in 000s)</i>	Unrestricted	HiH Afghanistan	HiH India	HiH Eastern Africa	HiH Southern Africa	Total
HiH International	\$ 722	\$ 97	\$ 154	\$ 182	\$ 172	\$ 1,327

36. HiH Sweden's financial results from January to September 2012 are summarized in Table 9.

Table 9: HiH Sweden Financial Summary for January to September 2012

YTD September 2012						
<i>(\$ in 000s)</i>	Unrestricted	HiH Afghanistan	HiH India	HiH Eastern Africa	HiH Southern Africa	Total
Inflows	\$ 2,547	\$ -	\$ 953	\$ -	\$ -	\$ 3,499
Outflows	\$ 2,010	\$ -	\$ 1,889	\$ -	\$ 279	\$ 4,177
Net Inflows	\$ 537	\$ -	\$ -936	\$ -	\$ -279	\$ -678
Brought forward from FY 2011	\$ 1,506	\$ -	\$ 70	\$ -	\$ 692	\$ 2,269
Carry forward YTD September 2012	\$ 2,043	\$ -	\$ -865	\$ -	\$ 413	\$ 1,591

1 Exchange rate of SEK 6.6 to USD 1 used, reflecting an average rate for the period.

37. As indicated in Table 10 below, HiH Sweden distributed a little over \$1.3 million in unrestricted funds to HiH India, \$91,000 to HiH Southern Africa and \$318,000 to HiH Eastern Africa from January to September 2012.

Table 10: HiH Sweden Allocation of Unrestricted Funds January to September 2012

<i>(\$ in 000s)</i>	Unrestricted	HiH Afghanistan	HiH India	HiH Eastern Africa	HiH Southern Africa	Total
HiH Sweden	\$ 280	\$ -	\$ 1,321	\$ 318	\$ 91	\$ 2,010

38. While the current HiH International and HiH Sweden financial picture is healthy, there are major near-term funding challenges. The draft Strategic Plans propose the mobilization of 569,000 SHG members and the creation of 810,000 jobs by the end of 2014. These plans have helped further crystallize the Group's fundraising challenge. The funding required to support this level of growth is significant -- roughly \$55 million through 2014. Of this, about \$17.5 million is currently estimated to be available in the form of country-restricted, multi-year donations already contractually committed by donors, plus internally generated revenues (mainly in India). The net funding gap is, therefore, about \$37.5 million, which is distributed as shown below in Table 11.

Table 11: HiH Group Three-Year Operational Funding Gap¹

<i>(\$ in 000's)</i>	2012	2013	2014	Total
HiH India	\$ 2,242	\$ 6,943	\$ 6,943	\$ 16,129
HiH Afghanistan	\$ 67	\$ 3,137	\$ 4,838	\$ 8,042
HiH Eastern Africa	\$ -	\$ 2,170	\$ 6,354	\$ 8,524
HiH Southern Africa	\$ -	\$ 2,293	\$ 2,483	\$ 4,776
Total	\$ 2,309	\$ 14,543	\$ 20,619	\$ 37,471

¹ The exact period varies but broadly reflects the January to December Calendar year. Specifically, for India, the respective years represent its April to March financial year. Presented funding gaps are based on each organization's Strategic Plan and available financial reporting.

39. As indicated, the funding gaps are significant. These gaps are consequences of the ambitious plans for scaling up and continued expansion to new countries. All members of the HiH Group are therefore engaged in ambitious fundraising efforts.
40. The 2012 funding gap has declined considerably since the previous report. The funding gaps associated with Eastern and Southern Africa have been met by additional funding commitments. In Afghanistan, the decline in the gap represents a re-assessment of operations in view of the challenges of implementation.

Looking Ahead

41. HiH Afghanistan has recently begun direct lending activities, and HiH Eastern and Southern Africa are both in the final stages of preparing for a rollout of their respective credit operations. In order to raise funding for such microfinance operations, HiH International is establishing a \$5 million Enterprise Incubation Fund (EIF) to which investors and donors can contribute. Funds raised by HiH International to capitalize the incubation lending activities will be in the form of grants and/or investments providing a nominal rate of return and principal repayment. Such EIF funds will be on-lent to the three younger organizations for a five-year period, allowing each to establish the lending element of their program, through their own EIF and to operate it on a revolving basis.
42. Given the HiH Group operations are growing quickly, there is a strong need for appropriate and effective financial and organizational structures. Establishing these critical building blocks have been a focus over the past six months and will continue to be going forward. The clear expectations and requirements donors provide guide the structures and processes created and help to build discipline within each organization. Constant adaptation and improvement of our methodology, through shared experience and knowledge, is critical to continued success. HiH India plays a vital role in this regard as the three younger organizations work hard to establish a track record. A good track record, with sustained, independently verified results, is critical to help build confidence and support among donors.
43. The HiH Group is constantly working hard to improve measuring and reporting on the number of jobs that have been created. Over time more emphasis will be placed on the more challenging task of measuring the actual impact of our program, i.e. increase in family incomes and improvements in education, health and living conditions. As reported above, an important first step has been taken with the study by M-CRIL verifying the number of jobs created in HiH India. A major 3-year

impact study is also being undertaken for the HiH India project funded by the Norwegian foundation Voxtra. The study follows a randomized control trial methodology and is being independently done by the Institute for Financial Management and Research (IFMR, <http://www.ifmr.ac.in/>) in cooperation with the MIT Poverty Action Lab. It will be completed in December 2014 with interim results available during the first quarter of 2013.

44. Over the coming months, continued emphasis will be placed on synthesizing knowledge and documenting the HiH approach, including lessons learned and adaptations made in different country contexts. Such knowledge will increasingly be shared with new partners in new countries who will be encouraged to start job creation programs using the HiH approach, thereby leveraging our impact and taking us more rapidly towards the ultimate goal of poverty eradication.

Annex 1. Hand in Hand Principles and Criteria for Allocating Unrestricted (Core) Funds

The lines of accountability are different for restricted funds (from the implementing organisation to the donor) and for unrestricted funds (from HiH International to the donor). Transparent principles and criteria are necessary for the allocation of unrestricted funding and they must reflect requirements that are shared among such donors. HiH Group members must also know the basis on which funds are allocated and what they must do in order to be eligible to receive funding. And auditors and evaluators must be informed.

HiH International will adhere to the following broad **principles** for the allocation of unrestricted funding. It will:

1. Prioritize **countries** with high poverty levels, national governments committed to poverty reduction through job creation, and a conducive business environment.
2. Prioritize allocations that have a **multiplier effect** by triggering additional funding from other donors.
3. Prioritize **ongoing and well-performing organizations and operations** over new start-ups.
4. Only fund **organizations** that
 - a) are committed to job creation and are results focused,
 - b) demonstrate good practice with regard to governance and management of resources, and
 - c) share our values and are willing to work in full partnership with all HiH Group members.

In order to receive unrestricted funds, an organization must meet a set of specific **criteria**. It must:

1. Demonstrate its efforts and ability to raise funds from domestic sources, where available.
2. Provide quality support for international fundraising.
3. Demonstrate fit with written HiH mission and values.
4. Have sound strategic and implementation plans.
5. Demonstrate its ability to create sustainable jobs and be committed to validate this through independent evaluations.
6. Carry out financial audits, including a management letter, by independent auditors approved by HiH International.
7. Provide for a HiH International ex officio seat on the Board of the organization, or equivalent as may be required to comply with national laws.
8. Freely share all knowledge: manuals, systems documentation, lessons learned, etc. Staff should be made available to assist other organizations when requested and study visits should be welcomed, on a fee basis.

Annex 2. Case Study from Balkh Province, Afghanistan

Najiba - female entrepreneurs in Qalai Hajiri, Balkh province, Afghanistan

Najiba and her daughters run two micro-enterprises and are now respected entrepreneurs in their village, Qalai Hajiri in the northern Afghan city of Mazar-e-Sharif.

However, just a few years ago, life was very different. Najiba and her daughters used to struggle to make ends meet, often borrowing from friends and family to get by.

Their lives began to change when Najiba joined the local Savings and Credit Group (SCG) set up by Hand in Hand Afghanistan.

Here, guided by Hand in Hand Afghanistan, Najiba and the other SCG members began saving a little money each week. At the same time, Hand in Hand Afghanistan also taught them the basic principles of financial management and the skills they needed to set up their own businesses.

Najiba was among the first to take a loan from the group and set up her own micro-enterprise, 'beading' business. Using the traditional Afghan skill Najiba embellish clothing, rugs, tablecloths etc. with brightly coloured beads.

The business flourished. Najiba repaid the loan to the SCG and built up a regular income of AFN 16,000 per month (USD 320).

However, Najiba's entrepreneurial ambition did not stop there, within a year she transferred the beading business to her daughters and set up a carpet weaving business. Today she makes and sells a hand woven carpet every two months, making an average profit of AFN 20,000 (USD 400) on each one.

Najiba said, "My life has changed beyond belief. My daughters and I are today business women."



HAND IN HAND INTERNATIONAL

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure account)

FOR THE YEAR ENDED 31 MARCH 2012

		Restricted £	Unrestricted £	Designated £	2012 Total £	2011 Total £
Incoming resources	Note					
Donations and similar incoming resources in furtherance of the charity's objects	2	1,620,110	1,513,721	2,838,084	5,971,915	4,588,054
Interest Received		-	12,119	-	12,119	1,732
Other Income		-	-	-	-	862
Total incoming resources		1,620,110	1,525,840	2,838,084	5,984,034	4,590,648
Less: Costs of generating funds						
Fundraising costs		-	332,586	-	332,586	321,305
Net incoming resources available for charitable application		1,620,110	1,193,254	2,838,084	5,651,448	4,269,343
Charitable expenditure						
<i>Supporting people in Afghanistan</i>		454,229	223,117	-	677,346	615,144
<i>Supporting women in India</i>		795,524	25,240	-	820,764	2,873,499
<i>Supporting people in Kenya</i>		401,694	188,767	110,711	701,172	377,835
<i>Supporting people in Southern Africa</i>		566,769	209,652	87,735	864,156	867,218
<i>The Social Entrepreneurship Programme</i>		61,060	-	-	61,060	60,862
Governance Costs	3	-	7,290	-	7,290	3,525
Total charitable expenditure		2,279,276	654,066	198,446	3,131,788	4,798,083
Total resources expended		2,279,276	986,652	198,446	3,464,374	5,119,388
Net incoming resources and net movement in funds		(659,166)	539,188	2,639,638	2,519,660	(528,740)
Transfer between reserves		(198,838)	198,838	-	-	-
Funds at 1 April 2011		1,000,952	343,115	438,468	1,782,535	2,311,275
Funds at 31 March 2012	12	142,948	1,081,141	3,078,106	4,302,195	1,782,535

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are shown in note 12 to the accounts.

The notes on pages 9 to 14 form part of these accounts.

HAND IN HAND - AFGHANISTAN
 RECEIPTS AND EXPENDITURE STATEMENT
 FOR THE YEAR ENDED 19 MARCH 2012

	Note	2012 US\$	2011 US\$ Restated
INCOME	6	809,518	1,020,487
OTHER INCOME	7	-	10,612
		<u>809,518</u>	<u>1,031,099</u>
EXPENDITURE	8	<u>(907,327)</u>	<u>(579,133)</u>
(DEFICIT) / SURPLUS FOR THE YEAR		(97,809)	451,966
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME		<u><u>(97,809)</u></u>	<u><u>451,966</u></u>

The annexed notes form an integral part of these financial statements.




 CHAIRPERSON


 COUNTRY DIRECTOR

Hand In Hand Development (Association Incorporated Under Section 21)

(Registration number 2008/027033/08)
for the year ended 29 February 2012

Statement of Comprehensive Income

Figures in Rand	Note(s)	2012	2011
Funds received		3,730,000	4,363,208
Direct costs		(4,340,632)	(3,716,241)
Operating surplus/deficit		(610,632)	646,967
Interest received		8,226	29,893
Surplus/deficit for the year		(602,406)	676,860
Other comprehensive surplus		-	-
Total comprehensive surplus/deficit		(602,406)	676,860
Total comprehensive (loss) income attributable to:			
Owners of the parent		(602,406)	676,860