

Client Outcomes Report

2014-2016



EXPANDING THE BRIDGE



FriendshipBridge

Empowered Women Eliminating Poverty

Executive Summary

Friendship Bridge (FB) believes that microcredit must be combined with education and health services to help clients build resilience and pursue opportunities. We call this our *Microcredit Plus* program. 100% of our clients are women, and we target rural areas with high poverty levels in Guatemala.

Friendship Bridge focuses solely on Guatemala, a country that suffers some of the worst rates of poverty, illiteracy, violent crime, and child malnutrition in Central America. We currently work in 11 departments (which are akin to provinces or states) with predominantly Mayan clients who speak eight different indigenous languages and Spanish.

From 2014-2016, Friendship Bridge added several services and credit products to its *Microcredit Plus* program that were tailored to meet the needs of each client at her individual level of development. We believed this would contribute to client improvements in three outcome areas: 1) Reduced Household Vulnerability, 2) Increased Empowerment, and 3) Business Development. This report analyzes client data (relevant to the 2014-2016 Strategic Planning period) to understand how clients fared and how Friendship Bridge's interventions may have played a role in those outcomes. The summarized findings include:

- 1. Reduced Household Vulnerability** - data showed a 2% net reduction in poverty, a positive trend in savings and food security, and approximately a third of clients gaining access to preventive health services.
- 2. Increased Empowerment** – results indicate clients increasing leadership in their communities but not necessarily increasing participation in decision-making within the home or business. Clients gain social capital by being part of a group and learning from one another, which seems to be a critical lever in increasing self-esteem, a necessary precursor for taking action.
- 3. Business Development** - close to 88% clients reported stable or increased income. Clients in the *Artisan Market Access* program doubled their number of employees and increased their sales by 42%, but the average client did not exhibit increased business knowledge or behavior.

Client data was also used throughout the period to monitor quality and ensure that interventions were on the right track to achieve desired results. This information was used on a continuous basis to modify strategies and activities. Several important learnings surfaced from this analysis:

1. Social Capital gained via group lending and group learning is a critical lever to increasing empowerment.
2. Empowerment is an objective of the organization, but it is a “squishy” concept. In order to align interventions to achieve empowerment, a clear definition was necessary.
3. The new products and services introduced in 2014-2016 appear to be well suited to client needs and perhaps are contributing to accelerated improvements in the wellbeing of clients. Clients who took advantage of additional products and services experienced two to three times the rate of reduction of poverty.
4. Connecting the “right” clients to the “right” services would likely stimulate even more dramatic outcomes. Using a segmentation process that identifies clients through both quantitative data and qualitative insights (gained through strong relationships with clients) to link them to the most appropriate and effective product and/or service would serve clients in pursuing their objectives. Each client's objectives will differ, depending on where they fall within the Client Continuum.
5. Instituting the Client Continuum requires a willingness to test, fail, and try new things. It also requires a commitment to working toward a longer-term strategy even when regular data to encourage maintaining the course is not available.
6. In order to evaluate changes over time, measures need to be effective, highly aligned with the theory of change, and have sufficient time lapse between observations since clients' lives do not change overnight. In short, monitoring client data regularly is useful to provide direction, but time and good measures are required for conclusive information.

[EXECUTIVE SUMMARY CONTINUED]

Friendship Bridge's review of these client outcomes informed the 2017-2019 Strategic Plan in which the organization will continue to expand products and services to create *A Path for Every Client*. Clients will be at the center of decisions. We have seen that the longer a client stays with Friendship Bridge, the better off she is, so we will continue to work to retain clients. Growth will be careful and responsible to save space for constructing strong relationships between clients and Facilitators (loan officers).

When Facilitators have strong relationships with clients, they are able to provide the most effective products and services for clients, which help them move along the Client Continuum to grow in empowerment, business development, and reduced household vulnerability. Staff training and empowerment will also be critical in carrying out our work going forward. We will build on our strengths of credit and education and leverage partnerships to provide needed services outside our area of expertise. Modifications will be made along the way as we test, monitor, and learn from our future experiences and current data.

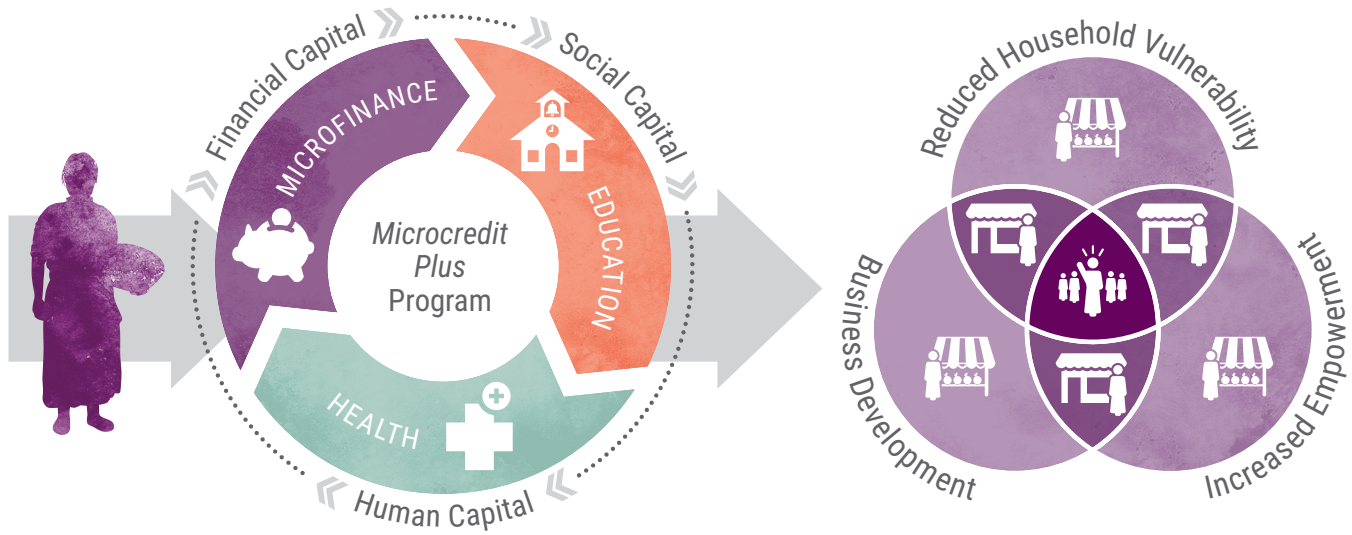
Introduction

Expanding the Bridge was the theme of the 2014-2016 Strategic Plan. Friendship Bridge set out to add products and services relevant to clients at every stage of development, whether she is a first-time client dreaming of a more stable future or an experienced leader searching for new opportunities and markets. The plan included continued, careful growth in the recruitment of new clients, growth of the portfolio, geographical expansion, and the development of corresponding staff and infrastructure to support this growth, with the continued goal of making a positive impact in the lives of clients, their children, and their communities. This document reports Friendship Bridge's achievements and learnings over the 2014-2016 period related to the client-centric, social performance objectives of the plan.

Friendship Bridge used the information presented here to develop the 2017-2019 Strategic Plan, to inform our understanding of the theory of change, and to improve program design and service delivery. This report will first present Friendship Bridge's theory of change and indicators, followed by a description of evaluation methodologies and samples related to the activities carried out as part of the 2014-2016 Strategic Plan. Finally, it will discuss results and learnings acquired during this period by responding to the questions, which comprised our Social Report Card for the 2014-2016 Strategic Period.

SOCIAL REPORT CARD

1. *Are we achieving our social objectives?*
2. *Are we working with the right clients/market?*
3. *Do we have the right set of tools to Increase empowerment, stimulate business development, and reduce household vulnerability?*
4. *Is the Client Continuum the right strategy?*



THEORY OF CHANGE

Our Client Continuum Strategy reflects our theory of change. In our Client Continuum, we segment our clients into three categories, *Dreamer*, *Entrepreneur*, and *Leader*, and based on their levels of individual development, we provide appropriate programs and services to our clients through the *Microcredit Plus* program. These products and services build a foundation for clients' growth along a path of increased empowerment, business development, and reduced household vulnerability.

To borrow through our *Microcredit Plus* program, women must first form groups of 7-25 members called Trust Banks. Each Trust Bank co-guarantees an individual member's loan, and during the monthly loan repayment meeting, they participate in a Non-Formal Education session. These education sessions are given by trained Facilitators (loan officers) and focus on topics like business skills, women's rights, health, and family.

With the knowledge gained in these trainings, our clients grow personally and professionally. We offer additional programs that include the *Health for Life*, *Artisan Market Access*, *Women's Agriculture Credit & Training*, *Advanced Training* and *Mentor* programs.

Using the levers of financial capital (credit, savings, physical assets), human capital (skills and capabilities), and social capital (relationships and networks) to accelerate the benefit of these products and services, Friendship Bridge expects to see improvements in client household vulnerability, business development, and empowerment, or what we call our social objectives.

13 SOCIAL INDICATORS TO EVALUATE THE MICROCREDIT PLUS PROGRAM

| SOCIAL INDICATORS | REDUCTION IN HOUSEHOLD VULNERABILITY | INCREASED EMPOWERMENT | BUSINESS DEVELOPMENT |
|-------------------|--|--|---|
| | <i>Clients fortify household ability to fend off and bounce back from shocks</i> | <i>Conditions are facilitated to increase self-esteem so that clients can make decisions and act on them</i> | <i>Client businesses grow in a way that will sustain clients and their families</i> |
| | Reduction in poverty | Increase in self-esteem and belief can make decisions about her life | Increase in business knowledge |
| | Increase in food security | Increase in community involvement | Application of business knowledge |
| | Increase in savings | Increase in control over independent income source | Increase in income |
| | Increased healthcare for clients | Participation in her own reproductive decisions | Increase in participation in business |
| | | Increase in number of employees | |

FRIENDSHIP BRIDGE MEASURE OF EMPOWERMENT

Empowerment is a difficult concept to define and even more difficult to measure. Empowerment has become the central objective of our organization, so creating a definition was an important step to measuring advancements. In 2016, we created our own definition based upon experiences with clients, knowledge of the Guatemalan context, the gender literature, and input from clients. From there, we identified empowerment indicators and developed measures. We collected baseline information in 2016 and plan to collect follow-up data in 2018.

Because Friendship Bridge is constantly using data to inform strategy and operations, we updated the theory of change and indicators a few times over the 2014-2016 period. Therefore, the results presented in this report will not always neatly tie to these indicators.

DEFINITION OF EMPOWERMENT

The process in which the necessary conditions are facilitated to increase self-esteem and skills so individuals can make their own decisions and act on them.

Description Of Evaluation Methodologies And Samples

During the 2014-2016 period, Friendship Bridge employed mixed methods to monitor and evaluate our progress toward our social objectives. A variety of staff were involved in the collection of data. For census data, Facilitators administered surveys to the total client population. This worked well since they are the only staff members that have contact with all clients. Program managers and coordinators collected data regarding pilot programs, either personally or through enumerators. Client Advocates, who are members of the Social Performance Management Department,

collected sample data, facilitated focus groups, and validated data collected by Facilitators. In total, more than 100,000 surveys (not including the credit application) were collected 2014-2016. Below is an overview of evaluation methodologies used over the 2014-2016 period. It is worthwhile to note that at the end of 2015, Friendship Bridge partnered with Freedom from Hunger to update evaluation methodologies and tools. As a result, some tools were eliminated and others introduced in 2016. **The changes are noted below with *.**

| TOOL | METHODOLOGY |
|---|---|
| 1. Credit Application – provides demographic information. | <u>Census</u> - Facilitators collect from all potential new clients and renewing clients |
| 2. Progress out of Poverty Index® (PPI®) ¹ - poverty measurement tool managed by Innovations in Poverty Action. The PPI is a set of 10 questions about a household's characteristics and asset ownership based upon national poverty data and responses that are scored to compute the likelihood that the household is living below a poverty line. | <u>Census</u> – Facilitators collect from all clients during disbursement meeting |
| 3. Business Evaluation – internally developed survey that evaluates business attributes, practices, and performance. | <u>Census</u> - Facilitators collect annually from clients attending repayment meeting as part of a non-formal education session. <i>Not administered in 2016*</i> |
| 4. Satisfaction Survey – internally developed survey provides feedback to improve product and service design, service, and performance of the program. | <u>Stratified Sample</u> – 5% sample stratified to reflect distribution of clients by Facilitator. Client Advocates attend repayment meeting, select by lottery, and interview after meeting. <i>Updated in 2016. Results not comparable to prior version.*</i> |
| 5. Exit Survey – survey product of consulting project with Freedom From Hunger helps understand client motives for not renewing. | <u>Stratified Sample</u> – 5% random selection of exited clients stratified to reflect distribution of ex-clients by Facilitator. Client Advocates interview in client home. <i>Updated in 2016.*</i> |
| 6. New Products and Services – internally designed surveys to designed to evaluate the success of new products and services in relation to their intent and design. | <u>Stratified Sample</u> – Methodology varies. Samples stratified to reflect distribution of clients by Facilitator. |
| 7. Outcomes Survey – survey product of project with Freedom From Hunger. Evaluates majority of social objectives (except poverty). | <u>Stratified Sample</u> – 5% random selection stratified to reflect distribution of clients by facilitator. Client Advocates interviews done in client home or business. The same survey will be administered biannually to the same clients. <i>New in 2016. It specifically measures Friendship Bridge's social objectives and relevant indicators. The first Outcomes Survey follow-up will be administered in 2018.*</i> |

¹ Based on 2006 Guatemalan PPI

The majority of results presented in this report come from the Outcomes Survey and the Progress Out of Poverty Index. The table in Appendix A describes in detail the methodologies, measures, metrics, and sample sizes.

Focus Groups were used to explore client preferences and needs, increase understanding of quantitative results, and solicit client feedback on proposals. Themes for the focus groups during the 2014-2016 period included: topics for Non-Formal Education, health beliefs and practices, understanding the competition, client satisfaction, understanding client motivations, and client over-indebtedness.

DISCUSSION OF RESULTS

In order to know if we were on the right track with client-centric strategies, we used the following questions to evaluate our success for the 2014-2016 period. The result is our Social Performance Report Card.

1. Are we achieving our social objectives?
2. Are we working with the right clients/market?
3. Do we have the right set of tools to Increase Empowerment, stimulate Business Development, and Reduce Household Vulnerability?
4. Is the Client Continuum the right strategy?

The presentation of results is organized by question, which is the way we processed the information to inform our next strategic plan.

1. Are we achieving our social objectives? Result = PROGRESSING

This table summarizes the results by outcome area and indicator. We have results for 9 of the 13 indicators. We observe improvements for 6 out of the 9 indicators, and most of these are related to the Reduction of

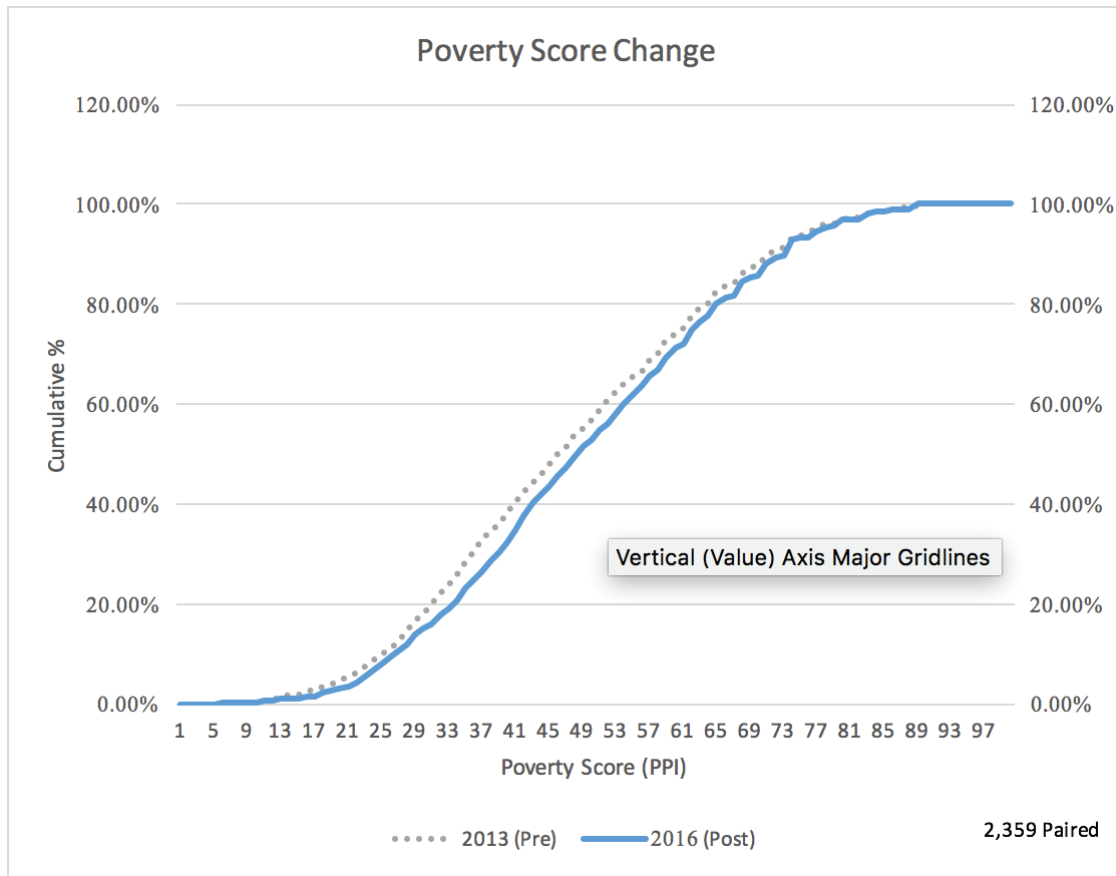
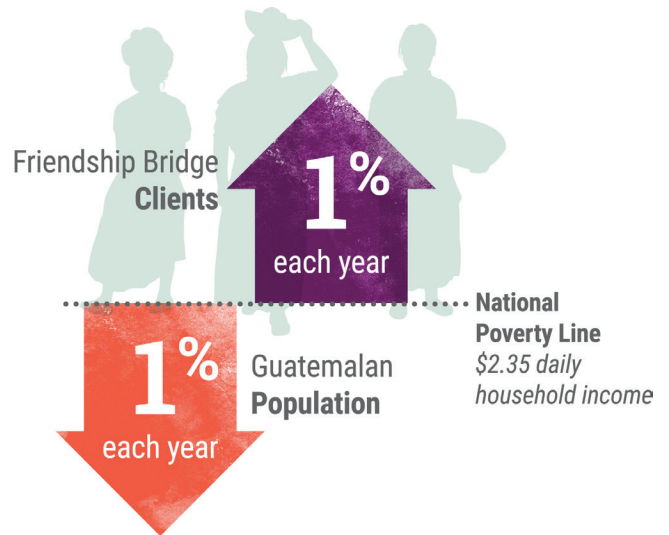
Household Vulnerability. For the remaining 3 indicators, we did not have clear results. No negative outcomes were observed for any of the indicators. Discussion by indicator is developed by Outcome on next page.

| OUTCOME AREA | OUTCOME | GRADE |
|---------------------------------|--|-------|
| Reduced Household Vulnerability | Reduced Poverty | ✓ |
| Reduced Household Vulnerability | Increased food security | ✓ |
| Reduced Household Vulnerability | Increased % of clients saving | ✓ |
| Reduced Household Vulnerability | Increased use of preventive services | ✓ |
| Business Development | Majority of clients report positive or stable income | ✓ |
| Increased Empowerment | Increased community involvement | ✓ |
| Increased Empowerment | Increased control over independent income source | X |
| Increased Empowerment | Increased participation in her own reproductive decisions | X |
| Business Development | Increased application of business knowledge | X |
| Increased Empowerment | Increased self-esteem and belief can make decisions about her life | N/A |
| Business Development | Increased business knowledge | N/A |
| Business Development | Increased participation in business | N/A |
| Business Development | Increased number of employees | N/A |

REDUCED HOUSEHOLD VULNERABILITY

CHANGE IN POVERTY

We observe a net reduction in poverty of our clients, even while poverty rates are on the rise in Guatemala. Clients for whom we have a PPI in both 2013 and 2016 (2,359) experienced a 3.2% reduction in poverty, or about 1% per year. A net of 2% of clients per year moved from below the National Poverty Line to above (or from living on less than \$2.35 a day to more than \$2.35 a day per household). Extrapolated to all clients, this would equate to 670 client households per year or 2,010 client households total. Another way to phrase it would be that 1 in 43 clients came out of poverty per year, or 1 in 32 came out of poverty over the period. This positive shift is visible in the cumulative percent chart below. We did not collect data from a control group, so we cannot know what would have happened without our intervention. We are encouraged, however, that our clients appear to be improving economically, even while poverty rates are increasing country-wide.



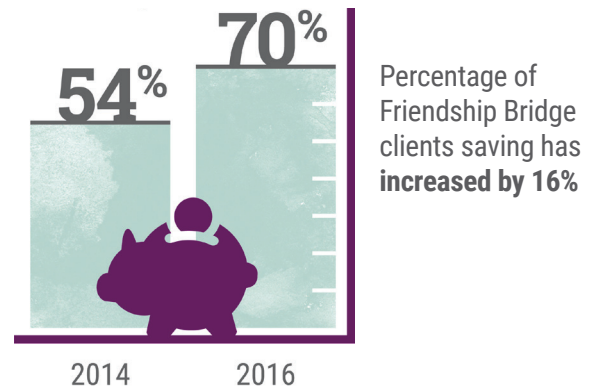
CHANGE IN FOOD SECURITY

Analysis of food security with tenure reveals that food security increases the longer a client stays active with Friendship Bridge. More than 90% of clients consistently reported in 2014 and 2015 that their loan helped them provide more and better food to their families. In 2016, we found that about 60% of clients are food insecure (do not have sufficient food or have sufficient food but not in variety), and that number increases to over 70% for clients who likely live under the National Poverty Line. However, results show a positive association between participation in Friendship Bridge and increased food security.²



CHANGE IN SAVINGS

The portion of clients who reported any savings activity increased over the period from 54% in 2014, to 56% in 2015 to 70% in 2016.



CHANGE IN HEALTHCARE FOR CLIENTS

Friendship Bridge partnered with Maya Health Alliance (MHA) to pilot *Health for Life* in the Sololá branch in 2015, and expanded to the Chimaltenango branch in 2016. *Health for Life* offers preventive health services (hypertension and diabetes screenings, papsmeears for cervical cancer and other sexually transmitted diseases, and family planning options), which are done in clients' homes by MHA nurses with cultural sensitivity and in their indigenous languages. By the end of 2016, 3,307 clients took advantage of the services in which 12 complicated cases were encountered. MHA provided 3,570 follow-up consultations based upon screening results.



² Chi-Square, Cycles 1-2 v. 3/+, p<0.05

INCREASED EMPOWERMENT

All of the measures for the indicators under this objective were new in 2016, so measurements overtime cannot yet be observed but will be available in 2018.

CHANGE IN SELF-ESTEEM AND BELIEF – SHE CAN MAKE DECISIONS IN HER LIFE

Prior to 2016, 80% of clients in 2014 and 2015 reported they had put into practice the Non-Formal Education sessions focused on self-esteem. In the 2016 Outcomes Survey, we gained a more nuanced understanding of self-esteem. When asked to respond with level of agreement to the following statements, we see that the majority are generally self-confident, but when considering external influences, they seem less confident. It will be interesting to see how these responses shift in the 2018 Outcomes Survey follow-up.

- *When I have a problem, I am able to find solutions*
– 70% Totally Agree and 25% Somewhat Agree
- *I feel I am capable of doing things, just like most other people*
– 75% Totally Agree and 21% Somewhat Agree
- *I am able to manage the situations I confront in life*
– 66% Totally Agree and 29% Somewhat Agree
- *It is easy for me to maintain my objectives and realize goals*
– 48% Totally Agree, and 40% Somewhat Agree

CHANGE IN COMMUNITY INVOLVEMENT

There is a positive correlation between leadership and participation in Friendship Bridge. In 2014 and 2015, around 90% of clients reported having taken on a leadership role since becoming a client. In 2016, the question was rephrased to ask if clients currently participate in community development activities. 24% say they participate. In both cases, there is a positive³ association with tenure as a client.



Longer-term clients are more likely to participate in community groups and take on leadership roles, an indication of growing empowerment.

CHANGE IN CONTROL OVER INDEPENDENT INCOME SOURCE

This is a new measure in 2016. When asked who has ultimate say over the use of her business income, 52% of clients said they do, another 34% say they do in conjunction with another person. When analyzed by tenure, clients who have longer participation in Friendship Bridge are not more likely to participate in the decision-making.

CHANGE IN INVOLVEMENT IN REPRODUCTIVE DECISIONS

Also a new measure in 2016. When asked who participates in the decision of when and how many children to have, 60% of clients report participating in the decision. There is not a clear association between this response and the client's length of time with Friendship Bridge. This will be another indicator to watch in the 2018 Outcomes Survey follow-up.

³ Chi-Square, 2014 $p < 0.01$, 2015 $p < 0.20$, 2016 $p < 0$.

BUSINESS DEVELOPMENT

Measurement tools for this outcome area changed in 2016, therefore, not all indicators have results for the period. A business survey administered annually from 2012 to 2015 was phased out due to resources and challenges. As we continue to understand client needs and preferences, we have learned that our *Dreamer* client has a diversity of needs, and business development may not be a priority or even an opportunity for her. *Entrepreneur* and *Leader* clients, on the other hand, are interested in growing and expanding their businesses. Therefore, for all our clients, business development is measured primarily by change in business knowledge and behaviors. As clients grow through the Client Continuum and as we work with them more closely with the *Advanced Training*, *Mentor*, and *Artisan Market Access* programs, we expect more distinct business outcomes (particularly for change in income and number of employees), and we will have the means to measure the changes in the future.

Artisan Market Access program clients **doubled their revenue and employees in one year**



CHANGE IN INCOME

Income is a notoriously difficult indicator to track in informal settings, which we validated in our business evaluation survey in 2014 and 2015. In 2016, we decided to change our approach. We began asking clients to report their perception of how their income changed in the last year. About 14% thought it had increased significantly, 43% said it somewhat increased, and 31% reported it stable. This will be a measure for follow-up in 2018 as well.

CHANGE IN BUSINESS KNOWLEDGE

Clients generally do not employ marketing and business management techniques. Clients frequently comment in exit surveys and anecdotally that they experience challenges in their businesses when confronted by competition. Therefore, knowledge of marketing, competitive advantage, and gaining market share would be useful to clients. This was the logic behind including these measures in a 2016 survey, and it was found that less than half of clients had knowledge in these areas. Annually, a non-formal education session focuses on the use of business control tools, such as a sales ledger and budget. Just under a quarter of clients reported using a written version of these in 2016. We had hoped that a larger portion of clients would have adopted their use as they were part of educational sessions in 2015 and 2016. We also believe that low literacy rates and the high portion of clients who speak a Mayan dialect are factors that may be limiting advances in this area. We hope to see greater rates of application in the 2018 Outcomes Survey follow-up after implementing improvements to the non-formal education program in 2017.

CHANGE IN PARTICIPATION IN BUSINESS

This is an indicator that we will be following closely, and we will have results from the 2018 Outcomes Survey follow-up. The 2016 results revealed that approximately 11% of clients were not involved in any decisions or management in the business, which has challenged our assumptions about the real productive use of the loan and what direct outcomes we can expect from our program. We know that many of our loans support family businesses, so we are beginning to include in our theories and policies consideration of inter-household dynamics.



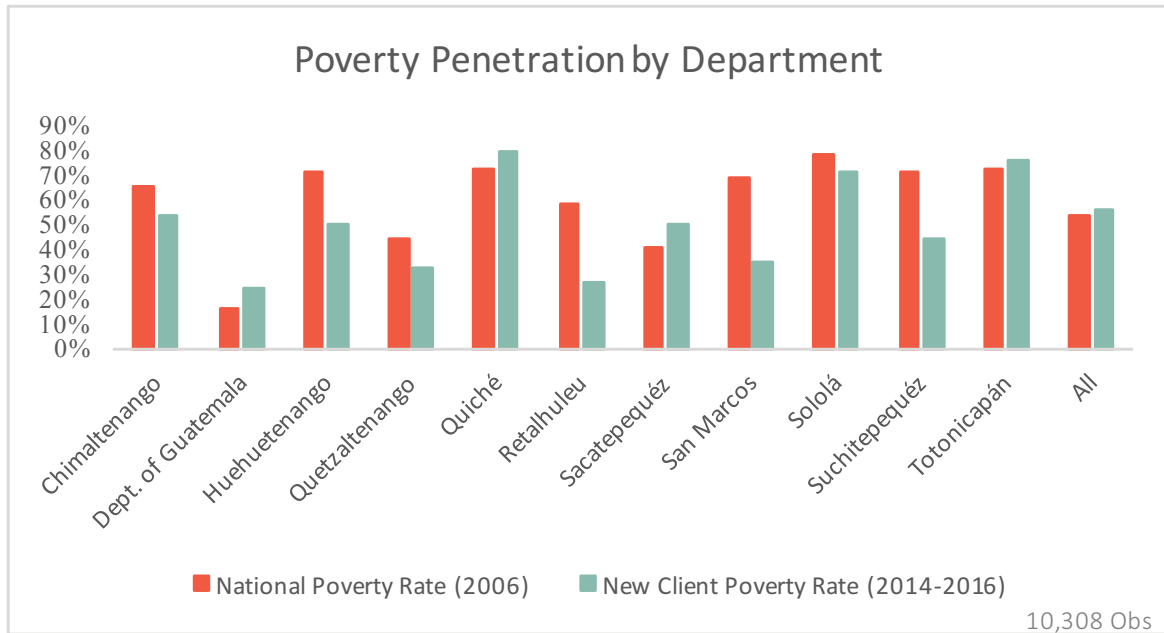


2. Are we working with the right clients/market? Result = YES

There is large disparity of socioeconomic outcomes for rural and indigenous populations in Guatemala due to the marginalization and vulnerability of these communities. Believing we should operate where there is the greatest need, Friendship Bridge's target market is marginalized, vulnerable, Guatemalan women with small businesses, living in poverty in our service area (predominately in the Western Highlands). To ensure that we continue to serve this market, we consider the following when deciding where we operate: poverty rate, geographic dispersion, and ethnic composition.

In 2016, we found that 63% of clients are geographically isolated (rural) using the following criteria: >1 hour from a major highway; the route is not always passable; and the route is insecure. And, 60% of clients speak a Mayan dialect in their home, which is a measure (although imprecise) of indigenous ethnicity. These were in-line with expected results. As for poverty penetration, our goal is that 86% of new clients fall between living on \$1.11 and \$4.55 per day, according to PPI.⁴ We consistently met or beat this target from 2014-2016.

⁴ 2006 Purchasing Power Parity



Based on PPI for new clients 2014-2016, confidence level 99% and confidence interval of +/- 0.7%, Guatemalan PPI Scorecard, 2006 Poverty Rates for National Poverty Line.⁵

Using poverty data to segment other social data, we have been able to build three distinct profiles of clients and understand their contexts. For example, we found that poorer clients are more food insecure, fewer felt they experienced an increase in income, fewer were able to support children in school, and more were dependent on a husband to repay their loan.

These relationships help us understand the context that affects the majority of our clients. When we analyzed changes in PPI results by poverty level, we also found positive and more pronounced movement with poorer clients, which led us to believe that our *Microcredit Plus* program is likely more effective for women living in more extreme poverty and validated for us that we should continue to work with our target market as it is currently defined.

CLIENT ADVISORY COMMITTEE

To provide regular feedback from clients and to inform strategic decisions, a committee was established in 2014 comprised of 10 clients elected to represent clients from their areas. From 2014-2016, the group met six times. They provided input on the development of our definition of empowerment; shared their understanding of our mission and the benefits of being a client; and gave feedback regarding our products, services and promotional strategies.

⁵ The version of the PPI used was developed based upon the 2006 Encuesta Nacional de las Condiciones de Vida (ENCOVI) by the Instituto Nacional de Estadísticas (INE) of Guatemala, and therefore must be benchmarked to that data. An updated ENCOVI was finalized in 2014, and the PPI was updated and published toward the end of 2016.

3. Do we have the right set of tools to Increase Empowerment, stimulate Business Development, and Reduce Household Vulnerability? Result=YES

Microcredit Plus delivered via group methodology seems to be a good recipe for achieving these outcomes. Longer-term clients are more likely to report having learned from group members and received emotional support. Feeling emotional support and having learned from their group is positively related to confidence in business success. Having learned from their group is also positively related to feeling capable of finding solutions. These findings suggest that group methodology is a critical tool for engaging the social and human capital levers to accelerate client growth along the Client Continuum.

Additional products and services also appear to be contributing to positive outcomes.⁶ Clients who in one year took advantage of a parallel loan (a loan in addition to group loan) or participated in *Advanced Training* at least once, experienced almost two times the rate of reduction in poverty as clients who did not. Clients who took advantage of these products and/or services two years in a row experienced more than three times the rate of reduction of poverty.

Mentor – Friendship Bridge started this program in 2015, partnering with organizations (Namaste Direct and Alterna) with business expertise in mentoring and coaching. A total of 76 clients participated for an average of 9 months in the program, learning general business management and administration concepts and addressing specific opportunities and challenges for their individual businesses. Analysis of revenue and expenses from the beginning of their participation and at the end suggests that participants seem to have implemented either cost savings or investment in an opportunity that has yet to pay off.

Artisan Market Access – Friendship Bridge started this program in 2015. In the two years of operation, 17 artisan clients participated in close to 500 hours of training related to pricing, negotiations, design, quality, order fulfillment, and exportation. These clients doubled the total number of employees from 65 to 130. They introduced 68 new designs, and their total sales to wholesalers increased 42% from \$14,000 in 2015 to \$24,000 in 2016.

⁶ A list of products and services is in Appendix B

4. Is the Client Continuum the right strategy? Result=YES

Friendship Bridge's Client Continuum Strategy reflects our theory of change. In our Client Continuum, we segment our clients into three categories, *Dreamer*, *Entrepreneur*, and *Leader*, and based on their levels of individual development, we can provide appropriate programs and services to our clients through the *Microcredit Plus* program. A strong understanding of client needs and preferences builds a foundation for clients' growth along a path of Increased Empowerment, Business Development, and Reduced Household Vulnerability.

Our basic *Microcredit Plus* program seems to be effective for reducing household vulnerability and increasing some empowerment indicators, particularly for clients living in more severe poverty. The data also suggests that over time, there is a net reduction in the poverty rate of clients. When we look at poverty change for active versus inactive clients, we see that active clients experienced a reduction in poverty of about 1% per year, which is 2.5 times more than the rate of change of inactive clients at the end of 2016. Additionally, clients who do not renew their loans are proportionately from higher economic strata. When paired, these findings suggest that Friendship Bridge's basic services are more effective in helping a poorer client improve economic status, but the same services are not sufficient as clients continue to improve their economic wellbeing, and become more independent and/or business savvy.

Since 2012, we have been increasing our understanding of our three client segments – *Dreamer*, *Entrepreneur*, and *Leader*. Constructed with both qualitative and quantitative characteristics, our research and testing of the profiles indicate that 90% of our clients are *Dreamers*, 8% *Entrepreneurs*, and 2% *Leaders*. During the 2014-2016 period, we piloted a variety of methodologies to segment nearly 3,500 clients. From this we learned:

1. There are quantitative indicators that help identify clients who have the capacity to move into another segment, including their - repayment history, borrowing capacity, number of borrowing cycles, and age.
2. Even if potential higher-segment-clients are identified using quantitative indicators, a few qualitative factors highly influence if she has the capacity and/or opportunity to take advantage of additional products and services including:
 - a. **Readiness** – ready for or want a change
 - b. **Context** – has a supportive family and mobility
 - c. **Vision** – has a clear, detailed vision of what she wants to achieve
3. To know the readiness, context, and vision of clients, Facilitators must understand and have strong relationships with their clients.

Data suggests that if we could more strategically match clients with products and services, it would both encourage clients to stay with Friendship Bridge longer and potentially produce more dramatic outcomes. Additional products and services seem to have positive effect, but we have several learnings from our monitoring of pilot programs that suggest that outcomes could be even greater. For example, 70% of clients interviewed after attending an advanced training in 2016, said that they were applying what they learned, but only 20% of them applied it in their business. The rest were applying it for their own consumption in the home or providing services to extended family and friends. For the 20% who applied their new skills in their businesses, they reported an increase of close to \$40 a month in revenue. Another example - the first group of participants in the Mentor program were not chosen through the segmentation process, and the dropout rate (decided to either stop participation in the meetings or did not remain an active client) was 75%. As the program developed and participants were carefully identified using both the quantitative and qualitative criteria of segmentation, dropout rate decreased to 60% by the end of 2016.

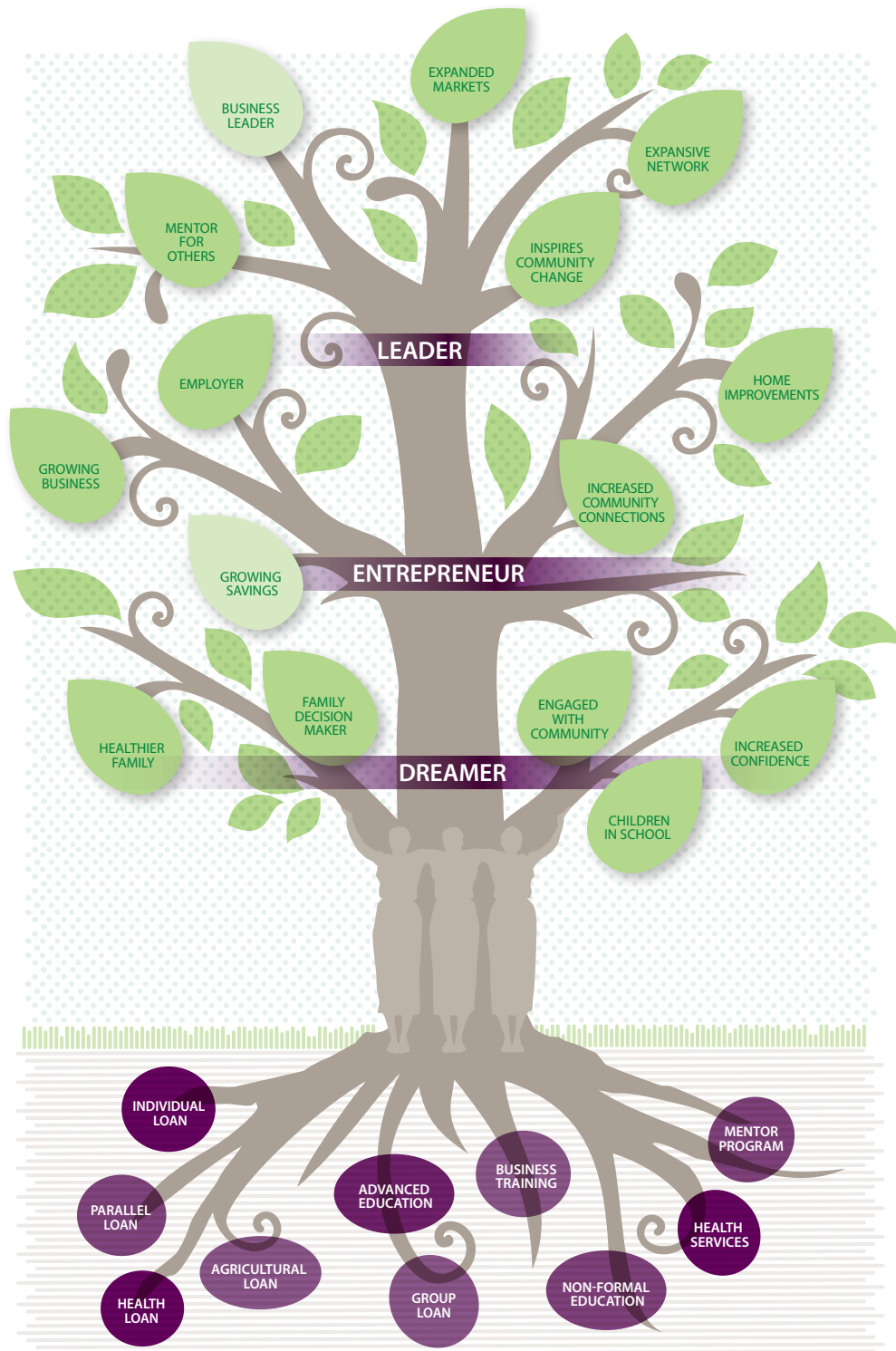


Advanced training participants averaged \$40 more revenue from their businesses.

CLIENT CONTINUUM

Our Client Continuum reflects our theory of change. We can understand this theory through the metaphor of a tree. The roots represent the various products and services we provide to our clients which build a

foundation for their path to empowerment. The leaves of the tree represent the outcomes clients experience as they grow along the Client Continuum over time – on a path to grow from *Dreamer* to *Entrepreneur* and to *Leader*.



Learnings

The 2014-2016 period presented us with several learning opportunities.

- 1. We needed to define empowerment for our organization in order to design relevant programs and measure progress.** Subsequent collection of baseline data is helping us to understand inter-household dynamics and level of client participation in decision-making and the business, which will likely require program delivery and design modifications.
- 2. We validated that our Client Continuum strategy is the right way forward for the organization, but it is neither simple nor easy.** We believe that outcomes could be even greater through further development and rollout of the segmentation process, better individual knowledge of each client, and more specifically linking clients to products and services suited to them. Because characteristics of clients ready to move up the Client Continuum are identified by both quantitative and qualitative characteristics, the segmentation process has taken us longer to implement than expected. Also, we now understand that many of our *Dreamer* clients borrow simply to make ends meet and not necessarily with a vision of growing or expanding a business.



As a result, we did not see these clients retaining and applying the business trainings nor did we see an increase in the number of employees like we expected. We anticipate that through our program, *Dreamers* will experience a reduction in the burden of poverty, whereas *Entrepreneurs* and *Leaders* will make advances out of poverty through growing and expanding their businesses by taking advantage of additional products and services.

- 3. The longer a client is with Friendship Bridge the better off she is.** While we are careful not to assume causality of these outcomes, we believe that we are a contributing factor.

We can also learn from our experience to improve our services, and we can continue to play a critical role in client development.

In summary, we observed the longer a client is with Friendship Bridge the more they experienced:



Summary

Friendship Bridge’s theme for the 2014-2016 period was *Expanding the Bridge*. The objective was to invest in understanding our clients and to introduce products and services relevant to each clients’ individual levels of development to accelerate growth along the Client Continuum. Our data indicates that we were successful.

Reflecting on the results from the 2014-2016 period, we saw generally positive movement related to our three social objectives.

- 1. Reduced Household Vulnerability** – data showed a 2% net reduction in poverty, a positive trend in savings and food security, and approximately a third of clients gaining access to preventive health services.
- 2. Increased Empowerment** – results indicate clients increasing leadership in their communities but not necessarily increasing participation in decision-making within the home or business. The social capital clients gain by being part of a group and learning from one another seems to be a critical lever in increasing self-esteem, a necessary precursor for taking action.
- 3. Business Development** – close to 88% clients reported stable or increased income. Clients in the *Artisan Market Access* program doubled their number of employees and increased their sales by 42%, but the average client did not exhibit increased business knowledge or behavior.

In relation to the Client Continuum, data shows 2-3 times the rate of reduction in poverty per year for clients who took advantage of additional products and services, indicating that these are key to accelerating outcomes. We believe that we are a contributing factor in having achieved these results, while we are careful not to assume causality. We will continue to learn from our clients and our data to improve outcomes. We will use that information to be more precise in identifying client position on the Client Continuum and to match clients to the most effective and appropriate products and services, fortifying clients’ ability to build resilience and pursue opportunities that create a better future for themselves, their families, and their communities.

Overall, our Social Performance Report Card indicates that we are on the right path in terms of strategy. With a 4-point system, we grade ourselves successful for three of the criteria progressing on the fourth. We will continue to monitor clients to track their progress in along their paths to empowerment, and we will continuously learn from their stories and experiences, so that we can provide the most effective programming possible.

These results and learnings were included in the many discussions involved in the crafting of the 2017-2019 Strategic Plan, *A Path for Every Client*, which reflects our commitment to offer opportunities that empower our clients and employees, ensures that we are innovative and client-centric, and emphasizes becoming more efficient and effective in our operations. In this plan, we will continue listening to our clients in order to best support their needs, and we will offer products and services in the most efficient and simple way.

| SOCIAL REPORT CARD | | |
|--------------------|--|-------------|
| NO. | CRITERIA | RESULT |
| 1 | Are we achieving our social objectives? | Progressing |
| 2 | Are we working with the right clients/market? | Yes |
| 3 | Do we have the right set of tools to Increase Empowerment, stimulate Business Development, and Reduce Household Vulnerability? | Yes |
| 4 | Is the Client Continuum the right strategy? | Yes |
| | | 3/4= 75% |

Appendix

A. Evaluation Program Structure

| Social Objectives | Indicators | Measure | Source | Enumerator | Subject | Target | Metric | Sample |
|-----------------------------------|--|--|------------------------------------|------------------|-----------------------------|---|--|--|
| Household Vulnerability Reduction | Change in poverty likelihood | Paired PPI scores 1 year or more apart | PPI | Facilitators | All clients | Scores increase | Cumulative % graph, no crossing lines, positive (right) shift. For poverty reduction: Post - pre probability that lives under National Poverty | 2,359 Paired PPI 2013 and 2016 |
| Household Vulnerability Reduction | Change in food security level | Association of cycle with- question G1. 1) Comió siempre de todo lo que quiso 2) Tuvo suficientes alimentos pero no en variedad | Outcomes Survey | Client Advocates | All clients | Observe shift 4--->1 | Chi-Square, Cycle v. Ordered Responses | 1,041 (2016) 4% of clients in 2015 |
| Household Vulnerability Reduction | Change in savings behavior | Response - Actualmente, ¿guarda algo de su dinero específicamente para los siguientes....?> | Outcomes Survey | Client Advocates | All clients | Observe reduction in clients who do not save | % of clients who save | 1,041 (2016) 4% of clients in 2015 |
| Empowerment | Change in control over independent income source | Association of cycle with - question E3. Quién en su hogar por lo general tiene la última palabra sobre cómo se | Outcomes Survey | Client Advocates | All clients | Observe significant positive association | Chi-Square, Cycle v. Ordered Responses | 1,041 (2016) 4% of clients in 2015 |
| Empowerment | Change in community involvement | Association of cycle with - question E5. Participa en actividades que | Outcomes Survey | Client Advocates | All clients | Observe significant positive association | Chi-Square, Cycle v. Ordered Responses | 1,041 (2016) 4% of clients in 2015 |
| Empowerment | Change in participation in reproductive | Association of cycle with - question E2. Quién en su hogar decide cuándo | Outcomes Survey | Client Advocates | All clients | Observe significant positive association | Chi-Square, Cycle v. Ordered Responses | 1,041 (2016) 4% of clients in 2015 |
| Business Development | Change in income (perception) | Response - C16. En el último año, cómo han cambiado sus ingresos? | Outcomes Survey | Client Advocates | All clients | Observe a majority reporting saving | % reporting increased or stable income | 1,041 (2016) 4% of clients in 2015 |
| Business Development | Change in business behavior | Association of cycle with - question C1. Lleva un control por escrito de las | Outcomes Survey | Client Advocates | All clients | Observe significant positive association | Binary regression, Cycle v. yes/no response | 1,041 (2016) 4% of clients in 2015 |
| Business Development | Application of business knowledge | Association of cycle with - question C2. Cuenta con un presupuesto por escrito, que le indica lo que tiene que | Outcomes Survey | Client Advocates | All clients | Observe significant positive association | Binary regression, Cycle v. yes/no response | 1,041 (2016) 4% of clients in 2015 |
| Business Development | Application of new skill in business | Response- B5. En dónde está aplicando lo que aprendió en la capacitación? | Advanced Training follow-up Survey | Client Advocates | Advanced Training Attendees | Observe a majority reporting applying in business | % positive "In my business" post - % "In my business" pre | 150 (2016) 20% of clients in same year |
| Business Development | Change in monthly income from application of new skill | Response- B6. Si respondió que está aplicando en su negocio: ¿cuánto cambió la ganancia por mes? | Advanced Training follow-up Survey | Client Advocates | Advanced Training Attendees | Observe an increase in income | Average change in Q/month | 150 (2016) 20% of clients in same year |

B. List of Products and Services

| NAME | TYPE | DESCRIPTION | TOTAL 2014-2016 (#) |
|--|----------------------------|---|-------------------------------------|
| <i>Advanced Training</i> | Service | Clients learn technical or advanced business skills at these trainings to help them diversify their income in topics such as baking, piñata making, flower arranging, candle making, basket weaving, canning, and sewing. | 2,640 |
| <i>Mentor</i> | Service | Clients participate in both group and one-on-one mentoring sessions over several months, designed to expand their business capabilities and leadership skills. | 76 |
| <i>Artisan Market Access</i> | Service | This program provides artisan clients with technical and business skills to access new markets. Artisans participate in trainings designed to prepare them to enter new local, national, and export markets | 17 |
| <i>Health for Life</i> | Service | The program offers preventive health services (hypertension and diabetes screenings, and papsmears for cervical cancer and other sexually transmitted diseases, and family planning options) – which are done in client homes by Mayan Health Alliance nurses with cultural sensitivity training and fluency in indigenous languages. | 3,307 |
| <i>CrediSalud</i> | Credit Product | This loan supports clients' investments in efficient, clean-burning stoves that replace open fires in their homes | 1,682 |
| <i>RapiditoEscolar</i> | Credit Product | This loan is for costs associated with school enrollment, such as uniforms and school fees. | 3,561 |
| <i>RapiditoComercial</i> | Credit Product | This loan gives our clients quick access to loan capital that has a shorter repayment period than our other loan products. | 6,739 |
| <i>Paralelo</i> | Credit Product | This individual parallel loan is available to clients who have a good credit history and higher credit needs in order to further grow their businesses. | 1,483 |
| <i>Solidarity Loan</i> | Credit Product | A smaller group loan (3 – 7 clients) for longer term, successful clients who have graduated from the Trust Bank model and qualify for a larger loan. Clients may only have one existing group loan either in a Trust Bank or in a Solidarity Group. | 131 |
| <i>Women's Agriculture Credit & Training</i> | Credit Product and Service | This pilot launched at the end of 2016 to give agriculture clients access to new markets through technical training and credit products that meet the unique needs in the agriculture sector. | 40 clients in training and 33 loans |



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