2013 surveys formed the basis for this report and provided crucial information to align strategy with client needs and showed how we have made a difference in the lives of our clients.

2013 Surveys

12,075 Progress Out of Poverty Index
7,289 Business Evaluation
888 Client Satisfaction
152 Exit
Friendship Bridge serves primarily indigenous women in rural Guatemala where the rate of poverty is the highest. Throughout 2013 we served 27,077 women (11,347 new and 15,730 renewing) through a combination of small business loans with basic education that we call **Microcredit Plus**. The program allows a client to expand an existing small business or an experienced entrepreneur to start a new business.

**Microcredit Plus** is based on a group lending model, meaning the women form Trust Banks, ranging in size from 7-30 members, and co-guarantee each other’s loans. The average loan for a new client is $250; renewing clients average $415 for a 4-12 month loan cycle. We boast one of the highest quality portfolios in Latin America, ending 2013 with a repayment rate of 98.7% and PAR>30 of only 0.4%. Education, the **Plus** in **Microcredit Plus**, is the true catalyst in our clients’ progress. In 2013, our clients logged 238,282 non-formal training hours. We also provided advanced training to over 800 of those same clients.

A strategic objective for 2011-2013 was to develop a segmentation strategy that would serve a client population diverse in both experience and ability. The natural first step was to identify those different client segments, or profiles. We successfully identified three segments – **Dreamer**, **Entrepreneur** and **Leader** – for whom we have already begun to tailor our product offerings. The process which led us to this conclusion is the basis of this report.

In short, we have begun implementing an increasingly comprehensive monitoring and evaluation program which has provided many insights into our clients and our effectiveness. Friendship Bridge has conducted evaluations over the years, but with the formalization of Social Performance Management (SPM) in 2011, our data collection systems and results became more robust and integrated with our regular everyday operations. That same year, we also adopted the Progress Out of Poverty Index® (PPI®). Developed by the Grameen Foundation, the PPI is a set of 10

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2. SPM is a management system which involves setting clear social objectives, monitoring and assessing progress towards achieving those objectives, and using this information to improve overall organizational performance in terms of achieving our mission.
pre-defined questions which measure poverty likelihoods by country. The results for Friendship Bridge were very insightful. We learned that our products were reducing the burden of poverty among our clients. We found a positive association between the number of loan cycles a client has with Friendship Bridge and her poverty likelihood. We have also seen stability or improvement in economic well-being in a sample of clients. Clients report that their income has either stabilized or improved since becoming a client, which makes unforeseen events such as illness in the family, adverse climate conditions, and country inflation no longer catastrophic. We are very encouraged that our program seems to be providing the appropriate support for our clients to find sturdy footing, allowing them to look up and forward, to dream and pursue a better future for themselves, their children and their communities.

Additionally, we discovered that the key to the most significant advances among the women we serve was social empowerment. Social empowerment manifests through self-esteem, increased opportunity, and self-actualization – having a vision for the future and a belief one can achieve it. Social empowerment enables a client to act assertively on her own behalf or to be an "agent of change" in her family and community. Friendship Bridge cultivates social empowerment through the Trust Bank model (clients borrow jointly and institute self-governance), through monthly participatory training (topics range from Health to Self-Esteem to Business Management), and through the support and mentorship our facilitators (loan officers) provide. Our findings indicate that even greater social empowerment could be cultivated through additional opportunities with more personalized attention via increased mentoring, a program we will be implementing later in 2014.

### 1 Poverty Alleviation

### 2 Empowerment

### 3 Business Development

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### IN THIS REPORT

The following report presents the results of our monitoring and evaluation activities in 2013 through the eyes of **Three Typical Clients – Maria, Juana, and Catalina**. How these three profiles weather the many unforeseen shocks that disproportionally affect the population we serve is shown in the Impact on Poverty section. Next, the section Impact on Social Empowerment demonstrates how clients learn new skills, gain confidence and participate in a larger support network. In Agents of Change, we see how improvements in both economic and social empowerment allow clients to realize the changes they want for themselves, their children and their communities.

The three client segments – Dreamer, Entrepreneur and Leader – identified through our research and upon which we based our Strategic Plan for 2014-2016, are presented next. Though tied directly to economic advancement, the segments are also distinguished by each client’s level of social empowerment. Some of the ideas we have for The Future will be presented next, given what we have learned in this process.

Finally, the section Social Performance Management at Friendship Bridge highlights the achievements, activities and people who made this report and these results possible.

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3. Reference to number of surveys collected – Panel surveys – 1) PPI is collected in disbursement meetings by loan officers and is meant to be a census. Valid surveys of single observation per client tabulated by time of analysis represents 38.7% of clients served during 2013, 99% CL for NPL, +/- 0.5%. 2) Business evaluation survey is collected in repayment meetings by loan officers and is a sample of convenience while also representing a large portion of clients. Indicator surveys – 1) Satisfaction survey is collected by Client Advocates. 2-3 clients are selected in a Trust Bank meeting by lottery to be interviewed individually following the meeting in a private setting. Sample represents 4.4% of clients at the end of 2013. 2) Exit survey is collected by Client Advocates. Clients are selected by random number generation of a list that surpasses goal and then clients who are willing to be interviewed and can be found are interviewed. Sample represents 2.1% of former clients. Note: Not all data collected could be cross-referenced with other data. The profiles presented here are representative for poverty level, but by splicing the data into the 3 profiles, the observation number is reduced for each category so that the interpretation can only be directional.
CLIENT RETENTION RATE INCREASED 3% 2013 - 2012
Three Typical Clients

The average Friendship Bridge client is a Guatemalan woman, 38 years old, with four children, two years of school, and a household that lives on $1.12-$4.51 per day⁴. In order to understand the data, it is helpful to look at the different experiences of women within that range. Maria, Juana and Catalina are profiles of women Friendship Bridge typically serves. Each profile is distinguished by poverty level:

**Poor ($1.11 - $2.35)** - is the National Poverty Line. Clients in this level earn enough to buy the basic basket of food but not much more. They have mud floors, cook over an open fire, depend on work activities with inconsistent income, have one or two sets of clothing and not much else. Sometimes they cannot eat. Their health is unstable, they probably cannot read or write, and it is very difficult to enroll their children in school.

**Extremely Vulnerable ($2.36 - $3.52)** - 150% over the National Poverty Line. Clients in this level earn enough to have more than one set of clothing, better houses (not extravagant), improved food security and nutrition, and a more consistent income, but it is very easy for them to fall deeper into poverty when they face economic and health challenges, or other shocks, which are very commonplace. Some may read and write, and it is more possible to enroll at least some of their children in school.

**Vulnerable ($3.53 - $4.49)** - 200% of the National Poverty Line. Clients in this level earn enough to have a cement, brick, or ceramic floor, and have improved nutrition, a refrigerator, and more consistent income. It is still easy for them to fall backward when they face economic and health challenges or other shocks, which are common. Most can read and write, and they are presently able to enroll their children in school.

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4. Based upon the PPI, 2006 Purchasing Power Parity
6. Based upon incidence rate in areas served, *Caracterización estadística República Guatemala, 2012*
### Three Typical Clients

#### Poor

<table>
<thead>
<tr>
<th>Name</th>
<th>Education</th>
<th>Occupation</th>
<th>Age</th>
<th>Location</th>
<th>Literacy</th>
<th>Children</th>
<th>Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>María</td>
<td>education</td>
<td>Farmer/weaver</td>
<td>38 years old</td>
<td>Quiché</td>
<td>43%</td>
<td>0-2 years</td>
<td>Own refrigerator 11%</td>
</tr>
</tbody>
</table>

#### Extremely Vulnerable

<table>
<thead>
<tr>
<th>Name</th>
<th>Education</th>
<th>Occupation</th>
<th>Age</th>
<th>Location</th>
<th>Literacy</th>
<th>Children</th>
<th>Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juana</td>
<td>education</td>
<td>Commerce</td>
<td>37 years old</td>
<td>Sololá</td>
<td>20%</td>
<td>0-3 years</td>
<td>Own refrigerator 52%</td>
</tr>
</tbody>
</table>

#### Vulnerable

<table>
<thead>
<tr>
<th>Name</th>
<th>Education</th>
<th>Occupation</th>
<th>Age</th>
<th>Location</th>
<th>Literacy</th>
<th>Children</th>
<th>Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalina</td>
<td>education</td>
<td>Commerce</td>
<td>39 years old</td>
<td>Totonicapán</td>
<td>19%</td>
<td>0-5 years</td>
<td>Own refrigerator 79%</td>
</tr>
</tbody>
</table>
CHRONIC MALNUTRITION

51% Population living in a state of chronic malnutrition in areas we serve

3rd Guatemala has the third highest rate of chronic malnutrition in the world

Impact on Poverty

Over the years, Friendship Bridge has gathered ample anecdotal and external evaluation evidence which has demonstrated that we were helping our clients create their own solutions to poverty. Through the implementation of a formal monitoring and evaluation system in 2011, we now have verifiable evidence of our impact on poverty. We see that our program enables clients to stabilize their income as well as weather unforeseen events like sickness and natural disasters through improved health and increased savings. In sum, we observe that clients do not necessarily have more money than they had before, but they have more security. In other words, if life for these women is a road made impassable by potholes, filling them is made possible through the services of Friendship Bridge.

7. Based upon data from the World Food Program, VAM 2012 Mapeo y análisis de la desnutrición crónica en Guatemala, data pulled from 2009 Guatemalan Census

### IMPACT ON POVERTY

<table>
<thead>
<tr>
<th>Client</th>
<th>Percentage of Clients</th>
<th>Impact on Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>María</td>
<td>43%</td>
<td>Improved</td>
</tr>
<tr>
<td>Juana</td>
<td>20%</td>
<td>Improved</td>
</tr>
<tr>
<td>Catalina</td>
<td>19%</td>
<td>Improved</td>
</tr>
</tbody>
</table>

#### Since becoming a client, have you started saving?
- María: Yes (58%)
- Juana: Yes (67%)
- Catalina: Yes (51%)

#### How did your income change?
- María: Increased (51%), Stabilized (44%)
- Juana: Increased (50%), Stabilized (46%)
- Catalina: Increased (47%), Stabilized (53%)

#### How did the loan help your family?
- María: Food (64%), Home improvement (9%), Medical (4%), Clothing (9%)
- Juana: Food (79%), Home improvement (8%), Medical (0%), Clothing (0%)
- Catalina: Food (44%), Home improvement (6%), Medical (6%), Clothing (6%)

#### With what money did you repay your loan?
- María: From Business (69%)
- Juana: From Business (88%)
- Catalina: From Business (94%)

#### Did your situation improve or worsen?
- María: Improved (21%), Remained stable (78%)
- Juana: Improved (39%), Remained stable (50%)
- Catalina: Improved (26%), Remained stable (49%)

3% of clients surveyed improved through two poverty levels.

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9. Based upon a sample of 1,111 clients interviewed with the PPI in late 2012 and again in late 2013.
Impact on Social Empowerment

In the process of seeing whether we do indeed lessen our clients’ burden of poverty, we also found that social empowerment is key not only to stability, but also to growth for our clients. Having more self-confidence, gaining new skills and abilities, increasing one’s support network, and improving one’s health are instrumental in a client’s ability to face daily challenges head-on. They begin to hope for the future and start to construct a pathway out of poverty. While each client, by the strength of her own personality and experiences, possesses a certain level of self-esteem and self-awareness, she can also rely on the support delivered via our education programs, Trust Bank methodology and her loan officers to help inspire others and grow into an “agent of change” in her community. With the roadblocks cleared and an unobscured view, a client can dream of the places she wants to go, and increasingly has the tools needed to get her there.

María
POOR

Juana
EXTREMELY VULNERABLE

Catalina
VULNERABLE

Are you **satisfied with the service** your loan officer provides?

Yes 98%
Yes 90%
Yes 94%

Do you **feel supported** by your group?

Yes 82%
Yes 91%
Yes 92%

What topics have you **put into practice**?

37% Control My Expenses
24% Improve My Business
23% Improve My Health
7% Improve My Self-Esteem

35% Control My Expenses
31% Improve My Business
17% Improve My Health
8% Improve My Self-Esteem

45% Control My Expenses
28% Improve My Business
13% Improve My Health
9% Improve My Self-Esteem

Have you taken on a **leadership role**?

Yes 95%
Yes 92%
Yes 96%
Agents of Change

The prior two pages highlight the inroads Friendship Bridge has made in reducing poverty and empowering women in Guatemala. The combination of these two factors is what we believe leads to the development of “agents of change”, women who are able to make choices for themselves and impact others. And we observe that clients are encouraged to send their children to school and know how to support them in school from training sessions on the topic. In addition, we see that clients, irrespective of poverty level, enroll their children in school at a higher rate than the regional enrollment rate. Finally, the data suggests that as clients improve in economic well-being, they are increasingly able to use their loans for productive purposes, which in turn allows them to prioritize education. Their choices have broad impacts on their families and their communities — having fewer children, taking educated risks, keeping children (especially girls) in school, sharing what they have learned and inspiring others — which we believe will break the cycle of poverty. One agent of change can help catalyze a generational shift where poverty rates are lower, and quality of life is improved through education, choices and opportunity.

<table>
<thead>
<tr>
<th>María</th>
<th>Juana</th>
<th>Catalina</th>
</tr>
</thead>
<tbody>
<tr>
<td>POOR</td>
<td>EXTREMELY VULNERABLE</td>
<td>VULNERABLE</td>
</tr>
<tr>
<td>79%</td>
<td>78%</td>
<td>78%</td>
</tr>
<tr>
<td>School age children enrolled in school</td>
<td>School age children enrolled in school</td>
<td>School age children enrolled in school</td>
</tr>
<tr>
<td>Loan used for education for self or children</td>
<td>Loan used for education for self or children</td>
<td>Loan used for education for self or children</td>
</tr>
<tr>
<td>10%</td>
<td>13%</td>
<td>28%</td>
</tr>
</tbody>
</table>

SCHOOL AGE ENROLLMENT

| Children of school age enrolled in areas served by Friendship Bridge | 76.7% |

10. Based upon incidence rate in areas served, Caracterización Estadística República Guatemala 2012
Dreamers, Entrepreneurs and Leaders

On this journey toward becoming agents of change, our clients fall into three distinct segments – Dreamer, Entrepreneur and Leader. Currently, each segment is differentiated by the client’s level of both social empowerment and economic advancement. As we continue to study the impact of our services on our clients, impoverished Guatemalan women, we hope to prove that a woman’s level of social empowerment is also critical to her level of economic well-being.

**DREAMER**

Dreamers are often new to the Friendship Bridge program. Most of them are just beginning to experience increased confidence and family decision-making. Their priorities are usually beginning to shift from basic survival to education for the children and healthier standards of living. Not surprisingly, one of the first things they do with their earnings is provide better nutrition for their families and put their children in school.

**ENTREPRENEUR**

Entrepreneurs are often women who are beginning to experience higher levels of social and economic empowerment and are creating a vision for what they want. They tend to invest their earnings into home improvements and are beginning to save so they can better weather economic and health related shocks. As entrepreneurs, they are growing their businesses, engaging the community, and may even have the ability to hire others.

**LEADER**

Leaders are women who are not only experiencing empowerment, but are using it to inspire institutional change in their communities. These women have the business skills to innovate and run larger businesses, and may be searching for expanded markets. They dream big and believe that with the right training and financial products, they can achieve their goals.
Since formalizing our data collection methodology and analysis, we have learned much about what is working for our clients and what is not. Our findings have helped guide our 2014 – 2016 Strategic Plan including the following goals:

» Further develop our strategy to offer the most relevant programs to each client segment

» Use SPM to ensure progress toward our social mission

» Strengthen our client retention and loyalty

In 2012 we introduced the Advanced Education Program in response to a more advanced client looking to acquire a new skillset. Through 2013, we provided training to over 800 clients. Also in 2013 we began offering Escolar (school) Loans, a short-term loan a client can request in addition to her Trust Bank loan to offset her child’s educational expenses such as school supplies, uniforms and books. We plan to continue diversifying our offerings both socially and economically depending on the needs of each client segment, so a client at any point along her journey can continue to advance along her own growth curve. Already in motion are plans to offer specific Agriculture Loans and training, an Artisan Market Access program and Mentor Program. We plan to have the products and services available for each woman to follow her dreams, whether that means becoming a community organizer, an employer, a proud mother, or all of the above! The potholes will get filled, the road will have lights and the bridge to opportunity will be expanded.

The Future

OUR MISSION

“TO EMPOWER IMPOVERISHED GUATEMALAN WOMEN TO CREATE A BETTER FUTURE FOR THEMSELVES, THEIR CHILDREN AND THEIR COMMUNITIES THROUGH MICROFINANCE AND EDUCATION.”
SOCIAL PERFORMANCE MANAGEMENT AT FRIENDSHIP BRIDGE

Although we have an SPM Department, all 104 current staff, 10 members of the Board of Directors, volunteers, donors, investors and clients have a role in ensuring that we realize our vision of a world in which empowered women eliminate poverty. Here are some of the achievements, activities and people that have helped us stay true to our mission and effective in reaching our desired results.

ACHIEVEMENTS

» 2012 Cerise Social Audit (SPI3) - Outperformed a majority of our geographic peers and international program peers in commitment to and ability to carry out our social mission

» STAR (Socially Transparent and Responsible) - Recognized by Mix

» Grameen Foundation - Featured for our use of the PPI in their 2014 Global Report, and have a staff member registered as a trainer for the PPI

» Kiva - Earned additional badge for Client Voice to add to Anti-Poverty Focus, Vulnerable Group Focus, Entrepreneurial Support, and Family and Community Empowerment badges.

ACTIVITIES

» Invited by Social Performance Task Force to present on exemplary practices with Dimension 2 on indicators for Ensuring Board and Management Commitment to Social Goals

» Participated as a panel presenter on implementation of SPM at the 6th Annual Latin American Conference on Village Banking

» Implemented cloud-based monitoring and evaluation database

» Ongoing Smart Campaign training

PEOPLE

» SPM Department currently is comprised of a department manager, three field interviewers and a part-time data-entry specialist.

  Caitlin Scott
  Rosana Magdalena Chavaloc Sosa
  Jorge Oliver Rosal
  Aida Cristina Lopez Granados
  Yolanda Adelaida Sicajau Sicajau
  Lindsey Richardson (honorary)

» Education and Social Performance (ESP) Committee advises the Board of Directors and staff. The organization is very fortunate to be advised by this impressive group.

  Francy Milner, Committee Chair
  JD Bergeron
  Tyler Clark
  Natalie Domond
  Chris Dunford
  Cara Forster
  Matilde Olazabal
  Carolina Roca
  Carmen Velasco
  Sandy Younghans

» A special thanks to the funders who underwrote our field interviewers

  Dining for Women
  Weyerhaueser Family Foundation
FOR ADDITIONAL INFORMATION and stories about women creating a better future for themselves and their children, please visit friendshipbridge.org and join us on Facebook.

Photography by Michael Allen

Friendship Bridge is a 501(c)(3) nonprofit organization / Tax ID# 84-1141078