

The Fundación Capital Story

Improving the Financial Lives of Millions of People Living in Poverty

ScalingSNAPSHOT

March 2019



QUICK FACTS

NAME Fundación Capital **WEBSITE** fundacioncapital.org
FOUNDED 2009 **HQ** Bogotá, Colombia
REGIONS SERVED Africa, Latin America, Asia
IMPACT AREAS Economic Opportunity, Financial Services
2017 REVENUE \$7 million **LEGAL STRUCTURE** Hybrid Nonprofit

PROBLEM	SOLUTION	IMPACT	AUDACIOUS GOAL
Governments spend trillions of dollars on welfare programs to address poverty, yet too few of the programs provide more than temporary relief to the poor.	Fundación Capital (FC) aims to align the needs and leverage the assets of all financial services and livelihoods' stakeholders—including low-income families themselves—to co-develop long-term, scalable solutions, increase access to financial services, and build economic resilience.	As of 2018, FC has improved the financial lives of more than 6 million people in 18 countries. Partnering with governments and financial institutions, Fundación Capital works to improve systems and increase the economic well-being and prospects of millions of people so that they can get out of and stay out of poverty.	FC seeks to eliminate extreme poverty by ensuring that people have access to knowledge and tools that enable them to save, build assets, and manage risk. By 2025, FC expects to have reached 10 million people across 25 countries.

MODEL-IN-BRIEF

Fundación Capital (FC) works with public and private sector partners to ensure that financial service and economic opportunity programs meet the needs of low-income populations and that programs align with the incentives of the public and private institutions that deliver them. In order to support the development and testing of programs, FC employs a user-centered approach through the following steps:

1. Assess the assets and gaps in-country related to the financial lives of the poor.
2. Develop relationships with relevant stakeholders, including government, financial institutions, and low-income communities.
3. Co-design, with all stakeholders, programs and strategies to address identified gaps and leverage assets to lay the foundation for systems change.
4. Support piloting and implementation of programs through private and public sector partners.

FC has a portfolio of tested solutions and is able to accelerate progress in new countries by leveraging and adapting these for new contexts or, where appropriate, creating new solutions.

CORE INNOVATION

Partnerships and Alignment

FC departs from the way financial inclusion and economic opportunity initiatives are traditionally delivered (i.e., short-term, top-down) by bringing together the key public, private, and end-user stakeholders to co-create programs that align with the needs and incentives of each, so as to ensure long-term sustainability and scalability.

SNAPSHOT OF KEY SCALING STRATEGIES

additional detail on following pages

DIRECT



Increase services and reach within existing countries and **expand** approach and portfolio solutions to new countries.



Partner with public and private sector actors (primarily government and financial institutions) to adopt and sustain solutions.



Influence government policy to create a more enabling environment for sustainable poverty solutions.

INDIRECT

SCALING JOURNEY

GETTING READY FOR SCALE (2009-2013)

Yves Moury founded Fundación Capital in 2009, after his work throughout Latin America exposed him to the impact that financially empowered women could have in their communities. He saw the opportunity to extend this impact throughout the continent, leveraging existing policies (e.g., cash transfers) and adding value by promoting savings behavior. FC quickly realized its unique position in fostering communications between financial institutions, end-users, and governments, thereby ensuring that any solutions met the needs of all stakeholders. FC began testing and embedding strategies in Peru, Colombia and Bolivia, and then expanded throughout the region. Over the next few years, it gradually expanded its geographic footprint to Brazil, Chile, the Dominican Republic, Ecuador, El Salvador, Guatemala, and Paraguay. By 2013, its work spanned 10 countries.

Fundación Capital was born with the exclusive objective of getting to scale.
-Yves Moury, Founder

Key Factors in Positioning for Scale:

FINANCIAL VIABILITY: FINDING AN ALIGNED, FLEXIBLE FUNDER. From the start, FC found an aligned funder in the Ford Foundation. Frank DeGiovanni, a member of the Ford Foundation team, had spent many years working on economic inclusion and had a vision of innovation and scale across a number of countries. He, along with the Foundation's Latin America team, saw potential in FC's model of engaging the public and private sector together in this work. Ultimately, the Ford Foundation provided the critical, patient capital for FC to build relationships and create a portfolio of successful solutions.

ENSURING SCALABILITY: ENVISIONING SCALE FROM THE START. "Fundación Capital was born with the exclusive objective of getting to scale," says Moury. That meant partnering with governments from the start—co-creating solutions that would align with country systems and could ultimately be adopted for long-term sustainability. It also meant leveraging technology and designing digital training solutions, even for the most marginalized, in order to build capabilities more cost-effectively. Finally, it meant that every pilot project took into account realities of scaled implementation, such as identifying a payer, achieving economies of scale, measuring results, and co-creating with partners.

CLARIFYING CORE ASSETS: ESTABLISHING THE UNIT OF SCALE. Given the different systems and needs of each country that require a customized methodology, FC thinks about its scaling unit as an innovative approach that can be replicated across geographies. The approach includes engaging multiple stakeholders (government, private sector, and end-users), identifying incentives for all parties, and engaging in an informed co-design process that builds on a portfolio of successful solutions that can be tailored for different contexts. In order to replicate this approach, FC also sees its staff as a critical core asset—individuals who can manage relationships and technical knowledge on many different levels.

PRIMARY STRATEGIES FOR SCALING IMPACT (2014- PRESENT)

FC began to attract a more diverse group of funders interested in supporting its work and taking risks as it refined its model, expanded programming from financial inclusion to include livelihoods, and dug deeper into aligned technology solutions (e.g., digitized training). In 2014 FC was named a Skoll Foundation Awardee, which supported its expansion of the model into Africa and eventually Asia. FC continues to expand the breadth and depth of offerings in existing countries of operation and engages with new countries—all with the vision of building the capacity (and commitment) of its private and public sector partners to sustain the work long-term. Additionally, FC leverages its data and knowledge to pursue policy and regulatory change, thereby creating a more enabling environment to advance what it calls economic citizenship (i.e., achieving a level of economic standing to be able to participate fully within one's society).



STRATEGY: **EXPANDING WORK WITHIN AND ACROSS COUNTRIES.**

Fundación Capital continues to reach more people by expanding in existing countries of operation and by bringing its approach to new countries.

Fundación Capital scales its impact by growing its footprint and continuing to innovate—always hand-in-hand with partners. FC adds to its portfolio of process, program, policy, and technology solutions within each country and expands to new countries—often by invitation.

EXPANSION WITHIN EXISTING COUNTRIES OF OPERATIONS

In each country of operation, FC begins work focused on identifying and co-creating one or two financial inclusion or livelihood interventions. As FC builds trust through the initial project, new and existing partners often see the opportunity to bolster their programs with FC's support—and thus create new or deeper partnerships with FC. For example, in Colombia, FC's initial project supported the government's digitization of cash transfers in order to increase financial inclusion outcomes. FC quickly demonstrated its value by bringing in new perspectives and ideas and expanded to other interventions, such as embedding a livelihoods' initiative for families in extreme poverty (i.e., the "graduation" approach) into the government's social protection system. After a successful pilot with cash transfer recipients, FC and the government designed a graduation initiative for recipients of government reparation payments (including victims of the internal conflict) and scaled the intervention to more households. To date, FC has embarked upon dozens of different projects in Colombia with a diversity of partners—all stemming from the initial financial inclusion efforts and the relationships built through that work. This "deep dive" approach caught the attention of Co-Impact, a new philanthropic collaborative supporting systems change, which, in early 2019, selected FC as part of its first round of five-year funding investments to help FC expand and deepen its graduation work in Latin America.

EXPANSION TO NEW COUNTRIES

Often by invitation of the government, FC expands its approach into new countries of operation, and, as of 2018, it has initiated work in 18 countries. FC brings its reputation, systems approach, and a portfolio of successful programs to each new country—but always begins with an assessment of assets and gaps and the engagement of multiple stakeholders to be sure that any potential solutions align with unique country needs. "Taking the time to understand the problem is crucial. You can't just come in with a solution; rather, you should co-create it with your partners," says Chief Strategy Officer Ana Pantelic. Recognizing that many of the lessons learned in Latin America could be applied elsewhere, FC began expansion into Africa in 2014 and into Asia in 2018.

CROSS-CUTTING: EXPANSION THROUGH USE OF TECHNOLOGY

Throughout FC's expansion within and across countries, it has strategically used digital solutions to create more impact, efficiency, and, therefore, scalability. Early in its work, FC realized that it would need to use digital tools to reach scale and began designing apps and dissemination strategies to not only make field workers more productive, but also to provide services and training directly to end users in their own homes. FC challenged the assumption that people in poverty would not engage with such advanced technology and demonstrated that they could overcome digital and literacy barriers to use technology to learn (e.g., financial training), connect to resources, and manage their assets. With significant funding from the Innovation Investment Alliance (a funding collaboration between the Skoll Foundation and the U.S. Agency for International Development), in 2017, FC pursued additional pathways to scale with its technology-based LISTA initiative; the effort sought to support expanded reach in several countries and to build additional local partnerships around this technology solution. FC is currently exploring how to use its spin-off for-profit social enterprise to expand use and access to some of these technology solutions, subsequently generating revenues for the nonprofit arm to continue to innovate and take risks.

WHAT YOU SHOULD KNOW: IMPLICATIONS OF EXPANSION

In-Country Expansion

- **Established Relationships.** FC can leverage the up-front investment in relationship building with key country stakeholders to pursue additional, aligned outcomes within the country. The challenge, however, is that, when elections bring significant shifts in political parties, it can take many months to build relationships with the new leadership.
- **Innovation.** Given the trusting relationship between FC and the country partners based on initial successful projects, country stakeholders are often more open to taking new risks, and FC can leverage philanthropic resources to test innovative approaches, particularly with governments.
- **Financing.** In some countries, FC has been able to secure direct funding from the government or private sector partners to continue to deepen its work. In others, these partners provide equally crucial in-kind support.

New Country Expansion

- **Aligning with Funders.** While FC's criteria for entering a new country includes seeing demonstrated interest, commitment, and need from key local stakeholders (including the government), the criteria for funders' support is often different. Most funders have country or regional priorities, which makes it challenging for FC to garner funding support for many of the countries where it works, namely in Latin America. Additionally, some funders prefer to support "new" innovations, so their interest to accompany long-term development, or the scale-up of a proven innovation from one country to another can be limited.
- **Staffing.** Staffing a new country requires significant investment from FC. It must identify a best-fit country lead and commit significant time from its global technical experts and senior leadership to help establish relationships and programming in that country.



STRATEGY: ENABLING PUBLIC AND PRIVATE SECTOR PARTNERS TO ADOPT SOLUTIONS.

At the core of its work, Fundación Capital seeks to develop solutions that public and private sector partners in-country can adopt and sustain long-term. It spends significant time building trusting relationships and supporting the partners in implementation.

In all of its work, Fundación Capital co-creates solutions with relevant public and/or private sector partners and leverages existing country systems, networks, and assets to develop and deploy solutions. The partners' role can range from co-managing the project in-house with the close advisement of FC, to closely advising FC as FC manages the entire development, testing, and deployment process. Roles vary based on local capacity, maturity of the innovation, and funding mix. Ultimately, FC works to ensure that all partners are successfully solving a problem and are moving toward full adoption and management of the solutions. To date, FC has engaged over 60 public and private sector partners in its work; below are examples of two different types of engagement:

ADVISING A PRIVATE SECTOR PARTNER ON DIGITAL PLATFORM EXPANSION

In Brazil, FC received funding from the MetLife Foundation to work with the GuiaBolso financial technology company to expand its personal finance-tracking platform for use by low-income people. FC worked closely with the company's developers to help them understand the target population's user behavior and relationship with smartphone technologies. Through research and design sprints, GuiaBolso simplified its interface and the partners collaborated on field-testing. GuiaBolso ultimately deployed the solution to all four million of its users (i.e., all original users, as well as first-time low-income users), as the improved interface was determined to be the new standard.

MANAGING DEVELOPMENT OF A TECHNOLOGY SOLUTION WITH A GOVERNMENT PARTNER

For the development of the LISTA Initiative, a digital solution to build the financial capabilities of low-income people, FC led a co-creation process in Colombia. With support from the Citi Foundation, it brought together the government, banks, and end-users and tested prototypes to understand how to reach end-users most effectively. LISTA was a completely new product and approach to financial training, so FC orchestrated all aspects of development, testing, and building the product—all while collaborating closely with the stakeholders. As LISTA has expanded to other geographies and contexts (as of the end of 2018, it has reached half a million people across seven countries), FC has helped governments leverage their networks and data to deploy the product to the target audience and collaborates with banks to ensure that language and interfaces align with their products. FC continues to manage the technology platform and engages in a robust research agenda, but partners are adopting and scaling the innovation.

WHAT YOU SHOULD KNOW: IMPLICATIONS OF ENABLING PARTNERS

- **Timing.** FC (and its funders) must be patient in the progress of the work, as outcomes reliant upon partners are subject to the priorities, operational constraints, and bureaucracies of those stakeholders.
- **Impact.** Even with external partners implementing FC's digital solutions, FC still hosts backend data and engages in analytics to track performance. It seeks other data sources from government and bank databases to measure outcomes, but those can be hard to come by in some countries due to strict consumer protection laws.
- **Sustainability.** Partnering increases the sustainability of FC's efforts by embedding them with long-term actors in-country, including financial institutions and governments (who provide crucial in-kind and financial support and, in many cases, adopt and scale the interventions).



STRATEGY: SUSTAINING CHANGE BY INFLUENCING GOVERNMENT POLICY.

Fundación Capital brings program results and data to governments to help influence policy around financial, productive, and digital inclusion.

For ten years, Fundación Capital has worked across 14 Latin American countries to embed financial inclusion into social protection systems through policy and regulatory changes and unlocking of capital. While FC strives to influence policy so that financial inclusion work is sustained, it approaches the process more organically to ensure that the government itself is leading the way. FC does not bring a firm policy agenda into its work with the government but, rather, brings its technical expertise to help the government understand and develop solutions around financial inclusion gaps. As policy, regulatory, and national strategy opportunities arise during that process, FC uses its data and experience to advocate for aligned changes. FC has also assisted four country governments in the design and implementation of a policy-based graduation approach, securing commitments from those governments to co-finance this initiative with an additional \$70 million.

FC's "South-South collaboration" has been key to its ability to influence government entities across 18 countries. Through this effort, FC connects policymakers across countries to see and learn what is possible, leveraging "best practices" beyond national borders.

WHAT YOU SHOULD KNOW: IMPLICATIONS OF INFLUENCING THE ENABLING ENVIRONMENT

- **Impact.** As FC focuses on catalyzing systems change rather than providing direct services, it is increasingly challenging to measure and attribute impact.
- **Financing.** While many funders view policy change as an important step to scale impact, the challenge of measuring that impact can make it difficult for funders to directly support this work.
- **Susceptibility to Politics.** Efforts to influence policy can be sidetracked by quickly changing political priorities or changing political parties. FC seeks to achieve buy-in across political parties and levels of bureaucracy to have multiple "champions," so, when there is a transition in government, there will likely still be internal advocates for the work.
- **Staffing.** FC doesn't hire advocates to lead this work; rather, its technical experts provide direct support to policymakers in a way that is more impact-oriented (with policy resulting only from impact work) rather than policy-focused.

Scaling Pearls of Wisdom from Fundación Capital

1

PRIORITIZE CO-CREATION.

Our “secret to success” is co-creation. We don’t design in a vacuum or come with ready-made solutions. Instead, our role is to drive co-creation, which requires us to manage the “build-measure-learn” agile development process together with partners. Our solutions are most effective when they leverage partners’ existing networks and scaffolding and lean into their priorities, helping them see how the solution fits well within their standing investments. Co-creation drives ownership and capacity, builds trust, and generates efficiencies by embedding solutions into existing systems.

2

CREATE “WINS” FOR ALL STAKEHOLDERS.

We have found that partnerships require us to be chameleons—meaning we have to immerse ourselves in the environment to understand what drives each of our stakeholders. For example, when we launched Proyecto Capital, a regional initiative to embed financial inclusion into social protection systems in Latin America, we first identified our stakeholders’ pain points. We found that governments were struggling with the digitization of cash transfers, financial service providers were facing difficulties engaging with low-income clients, and the clients themselves lacked the financial capabilities to interact effectively with the financial system and take advantage of their cash transfer funds. By adding value to policymakers, banks, and low-income women, we were able to create “wins” for all stakeholders—at least nominally. The initiative still faced hurdles, (e.g., balancing bureaucratic restrictions with governments), but, by chipping away at the core of the problem and working simultaneously on all levers, we were ultimately successful in improving the enabling environment and increasing the financial prospects for millions of women.

3

IF GOVERNMENT PARTNERSHIPS ARE CRITICAL TO YOUR SCALING PATHWAY, THEY SHOULD BE PART OF YOUR ORGANIZATIONAL DNA.¹

For us, government partnerships were part of our founding story. We know that for them to work there has to be mutual trust, a clear value-add, and, ultimately, the funding to commit to a partnership beyond a particular project. Social ventures exploring government partnerships should consider whether it is the right fit for their mission and staff, and also recognize that they could jeopardize the government’s trust of all outside partners if the partnership goes awry.

If you are committed to partnering with government, set yourself up for success by

- Actively listening to the government’s needs, concerns, and goals.
- Clearly articulating your value proposition with respect to the partnership.
- Letting your government partners be the ones to shine if you’re successful.
- Ensuring that you can adapt to government funding cycles and know what they can and cannot fund, particularly if you are hoping to receive public sector funding.
- Checking that your funders value government partnerships and are willing to be flexible on timelines—because it may take longer than you anticipated to get things up and running.
- Identifying a “champion” from within the government to help guide you and collaborate. Note that champions can exist at many levels and may even be at auxiliary institutions.

1: To read more about Fundación Capital’s lessons learned in partnering with government, see: Erin Worsham, Kimberly Langsam, and Ellen Martin. “Leveraging Government Partnerships for Scaled Impact,” Innovation Investment Alliance and CASE at Duke, Scaling Pathways Series (2018): <https://scalingpathways.com>.

*“You can’t just zoom in and out of government partnerships – you need to commit to the long-term”
-Ana Pantelic, Chief Strategy Officer*

4

IF PEOPLE ARE CORE TO YOUR BUSINESS, BE CRYSTAL CLEAR ON THE TYPE OF TALENT YOU NEED.

Our entire business hinges on relationships, so our staff is critical to success. Making a hiring mistake can set your work back by years and cost you your most critical assets: reputation and social capital. We have a small team but many roles to play—from setting up a program to scaling it—so we look for people who can wear many different hats. To identify those individuals, one tactic includes framing the interview as a two-way process in which we describe the nature of the work and expectations to ensure that there is an awareness of the organization’s culture and the likely tasks. For example, we will highlight that a program coordinator needs to be as comfortable talking to the Minister of Finance as she is with a woman in the field. Finally, we value diversity and celebrate our staff’s passions outside of work as well as their backgrounds, noting that there are more than 20 different nationalities represented by our 70-person staff.

5

DON’T GET STUCK IN THE SUNK COST FALLACY.

Many think that deciding when to enter a country is the hardest decision, but we see the hardest decision as determining when to stop investing when the work is not progressing. Key to making this decision is establishing checkpoints along the road to be sure all partners—and especially government partners—are still viewing the work and the social venture positively. We have found it helpful to establish KPIs related to depth and breadth of expected impact, as well as metrics around financial sustainability, which we review regularly. We also pay close attention to innovation as a metric, considering the extent to which we are continuing to learn or generate new opportunities within a particular country. If the work is not progressing, we should unload the sunk costs and move our resources elsewhere. We can always return when there are better opportunities, and we check back in regularly with contacts to ascertain that potential—whether it is a change in government leadership, a new partnership, or a funder preference.



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