



 **Fundación Capital**

ADVANCING ECONOMIC CITIZENSHIP
GLOBALLY AND AT SCALE

CELEBRATING DIVERSITY

2018 ANNUAL REPORT

WORKING TO IMPROVE THE FINANCIAL LIVES OF MILLIONS

According to the 2017 Global Findex, 1.7 million adults lack access to a bank account, and do not possess the ability to save nor have access to reliable credit to invest into their businesses. Furthermore, one out of every ten people on this planet still lives in extreme poverty and experiences financial vulnerability daily.

For the people living under such conditions, accessing basic products and services such as food, housing, medicine, education, and healthcare becomes more difficult with each passing day. Moreover, they lack social participation and recognition, and face difficulties by not having access to development opportunities, not being able to save money in safe locations, and not possessing sufficient information or the knowledge to make informed financial decisions or manage their personal resources.

Fundación Capital is a non-profit social enterprise that works to improve the financial lives of people living in poverty around the world.

We design solutions that make families more economically resilient and, together with governments and financial institutions, work to improve the system to increase their financial, productive, and digital inclusion. Along with our partners and with low-income families itself, we co-create economic and productive opportunities at scale by leverage of digital technology, research, and our growing network of allies in order to improve systems and change lives.

To date, Fundación Capital has, in collaboration with policy makers, banks, and other actors, helped increase the economic prospects of more than six million people, primarily women and youth, living across social vulnerability in eighteen countries.

WHY DIVERSITY?



2018 was a year of diversity for Fundación Capital. Throughout this year, we were able to expand our geographic presence, increase our client portfolio, and work on more topics than ever before. Some of our highlights include the following:



We began to take our first steps towards working in Asia, and extended our work with different types of audiences.



We expanded our innovation portfolio by incorporating experiences brought over from other geographic and technical fields.



We successfully concluded ten years of promoting financial inclusion in Latin America through Proyecto Capital.



We completed many research initiatives, and shared what we learned with the community which, in turn, succeeded in replicating those best practices.



We celebrated the fact that our team grows more diverse with each passing year, as are our partners who accompany us.

This was, without a doubt, a year of diversity, and in this report we will share why we believe this.

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WORKING IN ALLIANCE WITH GOVERNMENTS TO REACH SCALE


1.1. TEN YEARS OF PROYECTO CAPITAL

The year 2018 was extraordinary in terms of financial inclusion. After more than ten years, Proyecto Capital (henceforth referred to as PK) concluded its work. PK was an initiative focused on promoting financial inclusion of the most vulnerable and those with the lowest incomes, which mainly included both adult women and rural youth receiving conditional cash transfers (CCTs). Under the auspices of the Ford Foundation and the International Development Research Centre (IDRC), in association with the Institute of Peruvian Studies (IEP), PK allowed us to work hand in hand with governments, financial institutions, and other allies in fourteen Latin American and Caribbean countries. These lessons learned have allowed us to expand our radius of action, both in terms of financial and digital inclusion, as well as in geography, specifically by reaching the Asian and African continents.

PK's achievements were made possible thanks to the joint efforts of governments, CCT programs, regulatory bodies, financial institutions, and the women participants themselves. The highlights of the past ten years of this initiative are summarized as follows:




Strengthening Systems and the Financial Environment in the Region:

-  Actively working in fourteen Latin American and Caribbean countries (Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Paraguay, Peru, and the Dominican Republic).
- 23** 23 signed agreements with public institutions from the entire region, the vast majority with Ministries commissioned with social protection programs.
- 18** 18 signed agreements with financial institutions and banking associations.
- 11k** More than 11,000 trained female leaders who themselves voluntarily contributed to increase the initiative's actions in rural communities and vulnerable urban areas.

Increasing Financial Abilities and Inclusion:

- 5m** More than five million women received or are receiving financial training.
- 4m** More than four million CCT program recipients receive their cash transfers in a bank account or a mobile wallet.
- 3m** Nearly three million people improved their financial capabilities as a result of our efforts to design the educational training programs, and later implement them in the field.
- 12** Twelve financial products were designed, taking into account the CCT recipient's needs.
- 4** Four countries received technical support in order to develop or consolidate their national strategies of financial inclusion and education (Chile, Honduras, Paraguay, and Peru).
- 7** Seven financial inclusion projects were designed -with differential- focus on youth.

Training and Diffusion of Knowledge:

- 8k** More than 8,000 civil servants from governmental Social Protection programs were trained through the initiative, thereby laying the foundation for its scaling up.
- 500** More than 500 people from the public and private sector participated in workshops, trips in the field, and seminars promoted by PK.
- 71** 71 research projects (documents called "InBriefs") that summarize the main findings of the initiative, were published and are available on [project website](#).
-  The creation of a course for the implementation of financial inclusion policy, developed in Peru to strengthen the National Strategy for Financial Inclusion and increase the capabilities of civil servants.

To celebrate the conclusion of this initiative, an event including many of our partners was held in Mexico, and a [digital repository](#) for Proyecto Capital was created.

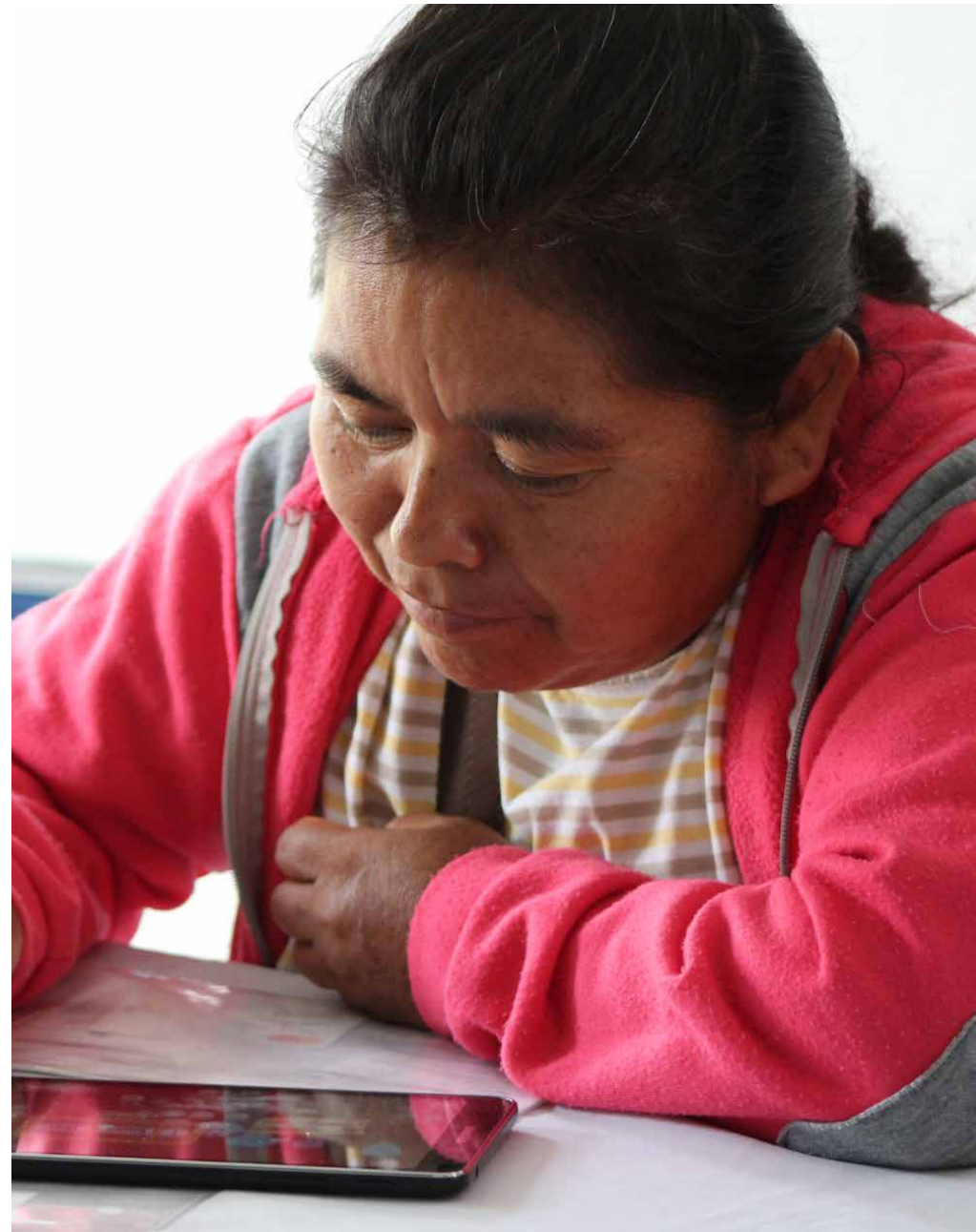


1.2.

GOVERNMENTS ADOPT OUR DIGITAL SOLUTIONS

Prior to commencing a project, we always consider scale-up potential and how we plan to attain sustainability. For social initiatives whose aim is to include populations with low resources, one of the main ways of reaching scalability is for governments to adopt the project. This is how we conceived the “Advancing Digital Solutions for Financial Inclusion” initiative, financed by USAID-Skoll Innovation Investment Alliance, which we successfully concluded in 2018. It posed the challenge of improving financial capabilities for low-income individuals in Latin America (particularly female CCT recipients), with a systemic approach (supply, demand, regulation), and the scaling up of effective and cost-efficient technology-based solutions that focus on inclusion. Under the auspices of the U.S. government through USAID, we succeeded in scaling up our LISTA initiative in Colombia, as well as in expanding it to Honduras, Mexico, and the Dominican Republic.

We made some important strides over the course of twenty months, but what stands out the most is that the initiative was adopted by national governments that facilitated and financed its scaling up within their own countries. The national government of Honduras made it possible for LISTA to reach 37,000 individuals in the country, enabling all of the processes of expansion, which it did in collaboration with other partners such as the Inter-American Development Bank. After attaining and surpassing its goal of reaching 20,000 people in Mexico within the framework of the USAID funding, the Government decided to continue implementing the initiative after the project’s conclusion, and scaled up to reach 40,000 additional individuals in just two-and-a-half months. This meant that the initiative succeeded in increasing the financial well-being to over 250,000 people in those four countries. This was made possible thanks to the government’s great commitment to adopting and scaling up in a collaborative and innovative way.



1.3.

TOWARDS A SYSTEM OF TRANSFORMATIVE SOCIAL PROTECTION

One of Fundación Capital's most important initiatives is "Graduation", which was designed for the productive inclusion of individuals living in extreme poverty, and which has proven impactful all over the world. Our efforts in this field were fruitful this year, based on the results we obtained from the impact evaluation and those yielded by the Graduation Learning and Evaluation Platform in Latin America, led by the University of the Andes. This means that, in addition to the results achieved in earlier years that had already improved the livelihoods of 150,000 people in four countries (Colombia, Honduras, Mexico, and Paraguay), we now have far more academic inputs to continue to improve the initiative's design and processes.

The most remarkable results of the research developed in Paraguay demonstrate that change has been generated in the intertemporal decisions made by the participants who, as a result of the program, are thinking less in the short term, and making more long-term decisions. This will have a positive impact on their development, and allows them to break the cycle of poverty.

Researchers carried out an evaluation of the "Transformando mi Futuro" Graduation Program in Colombia, which focuses on the victims of armed conflict, and which demonstrated similar results in terms of improving productive and behavioral capabilities. An increase in monthly domestic income points towards an incremental exit path out of poverty. A decrease in per capita expenses and an increase in formal and informal household savings were additionally detected, allowing for the better management of financial flows.

The effectiveness of Graduation has generated great interest throughout the world, and Fundación Capital is working together with many players in the sector to be able to share the lessons learned, as well as to help them embed it into social policy.

This vision was shared by [Co-Impact](#), an global philanthropic collaborative that supports initiatives striving towards systemic change, focusing on healthcare, education and economic opportunities. At the end of the year, Co-Impact selected the Graduation Initiative Approach as its first investment in the field of economic opportunities. Together with Jeevika in India, and the Partnership for Economic Inclusion (PEI), housed at the World Bank by the World Bank, Fundación Capital and these partners have set the ambitious goal of helping more than a million people exit extreme poverty and social exclusion over the next five years. Through this initiative, Fundación Capital will work with partners on the ground in Latin America, to support the expansion of Graduation in Latin America, thereby achieving unprecedented scale-up that allows households to increase their income and assets sustainably, as a way to lift millions out of extreme poverty.



DIGITAL INNOVATION FOR PROMOTING ECONOMIC PARTICIPATION

2.1.

NEW COUNTRIES AND NEW CONTEXTS: FURTHERING OUR WORK IN AFRICA

Fundación Capital invests in the design and development of digital solutions to reach groups of diverse peoples without scaling up the costs. This is how we are reaching greater impact, and how in 2018 we were able to further extend our work in technology for development.



2.1.1. Jijenge

Gathering the lessons learned in Latin America with the LISTA Initiative, an adaptation of the application was made for the African context with the goal of furthering digital financial inclusion for conditional cash transfer conditional cash transfer beneficiaries in Tanzania. Since the government was digitizing its CCT payments, this represented an attempt to help them reduce the state's operating costs. It also helped the transition from cash payments to electronic ones so as to not only gain access, but also the use of digital financial services. We called this digital solution Jijenge.

Furthermore, we decided to ally ourselves with additional partners to try Jijenge out in the field and diversify our channels of distribution. This is how we began to collaborate with the Mercy Corps' AgriFin Accelerate program and CRDB Bank (Tanzania's second largest bank), as well as with a tea grower's cooperative boasting over 12,000 members. We made a few modifications to the technology to provide a user-centric experience in CRDB's SimAccount product. As an initial result of its implementation in the field, we witnessed Jijenge's effectiveness, since 41% of users immediately signed up for the bank's SimAccount after using Jijenge.

2.1.2. Jifunze Biashara

In order to increase livelihoods capabilities of families living in extreme poverty, we collaborated with the Tanzanian government in order to design a digital training tool that was adapted to the Tanzanian context. Building off of the lessons learned from the APptitude application used in Latin America, Fundación Capital developed Jifunze Biashara, which complements the paper-based content that was already in use. Using audio, visuals, and interactive games, Jifunze Biashara was also designed to address literacy challenges.

2.2.

DEVELOPING DIGITAL SOLUTIONS WITHOUT LOSING SIGHT OF THE HUMAN FACTOR (HIGH TECH & HIGH TOUCH)

Between 2015-2016, Fundación Capital implemented an impact evaluation of LISTA for 2015-2016 with the intention of better understanding the impact our digital solutions had on people. The results were impressive. Given the increase of knowledge, capabilities, and financial behaviors which significantly surpasses the traditional efforts of improving financial capability, we decided to continue the research to better understand not just LISTA's long term impact, but also its impact in other environments.

To better understand the initiative's effectiveness, researcher Matthew Bird of the University of the Pacific in Peru, together with his collaborators, implemented a follow-up to the initial study to determine that LISTA continued to positively impact the financial well-being of its users in Colombia a full 25 months after they had interacted with it. To gauge its impact in other environments, the research team carried out additional impact evaluations in three Latin American countries, all of which rendered similar results. The similarity between the results of those three countries demonstrated that LISTA had measurable impact across a diverse set of country contexts and CCT programs.



2.3.

EXPANDING OUR DIGITAL PRODUCT PORTFOLIO

We managed to consolidate our work on research methodology and product development in 2018, moving from theory to practice. We contributed to generating digital transformation through innovation that allows for the economic inclusion of those individuals that do not enjoy full economic citizenship.

We describe the digital solutions we have developed, and which were adopted by the various projects we had worked on throughout the year, as follows:

LISTA FAMILIA (LISTA FAMILY)

This digital solution is based on LISTA, but was adjusted to focus on the prevention of domestic violence. It has an extra module that tells the story of a couple going through difficult times as a result of illness and money shortage. This ends up creating a conflict which could spark violence. Through empathy exercises, users try on the roles of both characters, and explore assertive communication and other methods to remain calm. These are tools to resolve conflict and, most of all, to prevent it from transcending into resorting to violence.

JIFUNZE BIASHARA

Jifunze Biashara is a tablet-based learning application designed based on Graduation's APptitude to increase the productive inclusion of people living in extreme poverty.

This application aims for users to acquire basic life skills, and knowledge in entrepreneurship and business development, allowing them to establish their own income-generating activities.

JIJENGE

Jijenge is an edutainment application whose objective is to increase financial capabilities and help people develop business plans. It is made up of five modules that teach its users how to save and budget, among other things, in a clear and well-planned manner, as well as how to safely and digitally use financial products. Jijenge was developed based on LISTA and designed for Tanzania.

GUARDIANES DEL AHORRO (GUARDIANS OF SAVINGS)

Guardianes del Ahorro is an application aimed at improving the financial capabilities of children aged 7 to 12. The application combines learning games with short, animated tales in which the users are transformed into explorers who must overcome challenges in order to reach the top of the pyramid. At the same time, its users absorb basic financial concepts. It has been implemented in Colombia, Mexico, Paraguay, and Peru.

SUPER EMPRESARIAS (SUPER BUSINESSWOMEN)

The digital solution Super Empresarias (Super Businesswomen) was developed to strengthen the financial capabilities of low income businesswomen to help them reach their goals. It tells the story of a woman who turns into a super businesswoman when she acquires business and financial skills that allow her to take her business to the next level. It was designed for Mexico.

ALCANZA TUS METAS (REACH YOUR GOALS)

Alcanza tus Metas (Reach Your Goals) is an application whose goal is to connect clients in rural areas with financial entities. Through the story of the García Atonal family, the users participate by giving their best financial advice to overcome the daily difficulties this family faces, which mimic real-life scenarios. It was designed for Latin America.

'TONCES

'Tonces is a mobile and tablet- used application designed for youth between the ages of 16 and 24. It was created to strengthen life skills, vocational orientation, and leadership, as well as to generate access to relevant offers of work, studies, and entrepreneurship. It was designed and implemented in Colombia.

CALCULADORAS INDEPENDIENTES (INDEPENDENT CALCULATORS)

To streamline access to digital solutions that facilitate the administration of personal finances, several light and practical personal calculators were created to serve the users as a tool for their daily or periodic use. They also allow the incorporation of data at the time of the user 's financial behavior.

Tu Ahorro (Your Savings): The user defines the parameters of their savings, and receives notifications on the progress toward meeting their goal.

Tus Cuentas (Your Accounts): This app supports the user in the registry of their accounts in a manner adapted to their finances. It likewise allows the consolidation of a monthly balance, and helps people compare expenses from month to month.

Tu Capacidad de Pago (Your Ability to Pay): The user can calculate whether they are eligible for a loan based on the balance of their income and expenses. It is a planning tool which can be useful when considering applying for a loan.

Tu Deuda (Your Debt): This app consolidates the total value of a loan, taking into account basic data and information, and helps users compare the total costs of a loan before requesting it.

SIMULADORES TUIO (TUIO SIMULATORS)

This solution consists of virtual bank, email, and ATM simulators, so that the users recognize and access more financial services while simultaneously strengthening their financial skills.

3



DIVERSIFYING OUR WORK IN FINANCIAL INCLUSION

3.1.

EXPANDING ACCESS TO ADDITIONAL MARKETS: GUIABOLSO

In Brazil, we joined forces with GuiaBolso, a financial technology company which has developed one of the most popular personal finance applications in the country, boasting four million users in 2018. GuiaBolso was designed for urban, middle class users. We decided to collaborate with the goal of adapting the original product to the needs of low-income individuals to thereby diversify the market, as well as to bring the product to low-income individuals themselves.

Working in partnership, we carried out visual, functional, and linguistic changes, making it easier to use, and adding the option of registering cash-based transactions in order to increase our user base. According to the information gathered through the application, 43% of the users improved their financial well-being after two months of using the application, while more than 80% improved or maintained their financial well-being. Moreover, 50% of the users increased their digital payments and bank transfers, and on average 8.3% of the low income users improved their poor credit history. Over the two months of the pilot phase, 73% of the users entered the app more than five times to verify the state of their finances.

During the pilot phase (June to October 2018), 38,500 low-income users were reached, and the number of users continues to rise as the adjustments were permanently integrated into the application, and rolled out to all four million users.

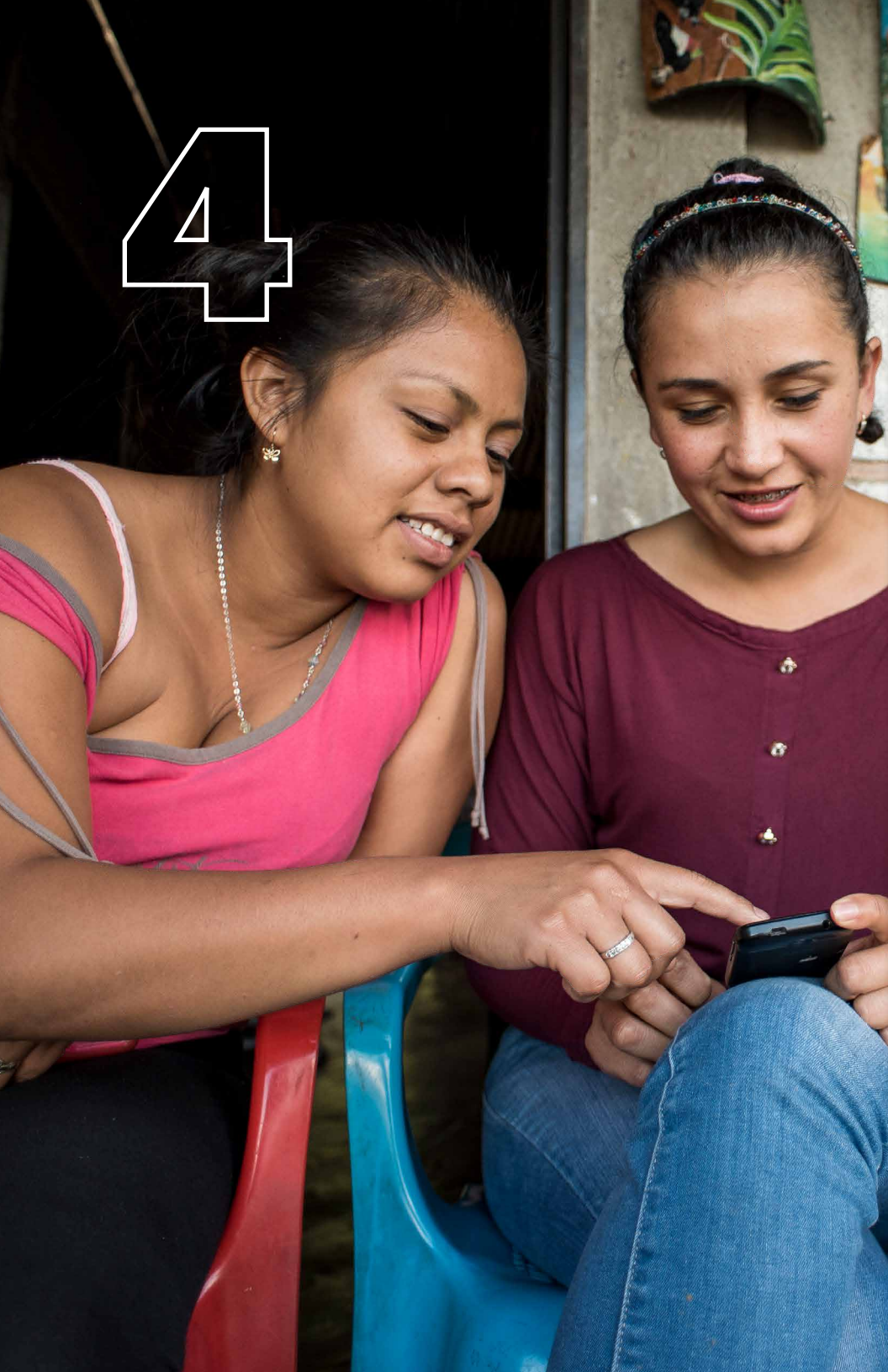
3.2. STRENGTHENING MICROENTREPRENEURS IN THE AMAZON

We carried out a binational initiative in 2018, backed by cooperation between Brazil and Colombia, and with the goal of strengthening the financial skills of microentrepreneurs in the Amazon region, as well as generating skills at the local level through the transfer of the methodology to local allies.

This initiative began with a research phase, followed by methodological development. Local partners received skills transfers, and through a cascading approach, increased the capacities of microentrepreneurs. 68% of the participants indicated that the workshop exceeded their expectations, and all indicated that they would recommend it to others. The microentrepreneurs expressed that they felt trusted, shared their experiences, and learned from the others, highlighting the importance of having been able to establish a network of contacts with the other participants.



4



FOCUSING ON THE NEEDS OF DIVERSE AUDIENCES

4.1. FINANCIAL AND DIGITAL STRENGTHENING OF REFUGEES IN TANZANIA

We adapted the Jijenge digital solution together with UNCDF to the needs of refugees to support an existing financial inclusion program. The technology was used to increase basic financial knowledge, as well as savings and budgeting behavior. Despite not having any experience in technology, users of all ages were able to develop skills, including those over the age of 80.

Following the intervention, a 20% increase was detected among the participants in the use of mobile money, and there was a 50% increase in savings balances. Moreover, better practices and financial behaviors were generated, which is why now the users have a higher likelihood of establishing savings goals.



4.2.

INCREASING THE FINANCIAL INCLUSION OF YOUNG RURAL WOMEN

In 2018, we continued implementing the MuJeR initiative (“Promoting Financial Inclusion of Young Rural Women”) under the auspices of the UN’s International Fund for Agricultural Development (IFAD), which aims to advance and facilitate access to financial services in three countries.

More than 3,000 rural young women CCT program participants were trained in Colombia, and within four months more than 2,000 women began to utilize financial products. The project is being implemented similarly in Mexico, but activities are still ongoing. MuJeR has been implemented in schools in Paraguay, reaching 2,700 youths. Both educators and students have been trained not only in financial education, but also how to access and utilize various products through innovative teaching methodologies in the classroom with a focus on gender, as well as developing new abilities through them.

4.3.

WORKING TOGETHER WITH YOUTH ON PEACE-BUILDING

Through the Jóvenes Activos para la Renovación del Territorio initiative (“Youth Active in Renewing Territories”), which seeks to contribute to skills-development, access to opportunities, and community and territorial integration of youth in regions affected by the armed conflict in Colombia, over 7,000 youth were empowered in post-conflict territories.

At an individual level, the initiative contributed to the strengthening of life skills, providing vocational training through the ‘Tonces! digital tool. At a community level, it contributed to the empowerment of youth through the development of identification strategies, mapping, and strengthening of youth initiatives and businesses. This was achieved through technical and financial support, with the goal of promoting the reconstruction of the social fabric and the sustainable development of these areas.

4.4.

RAISING FINANCIAL AWARENESS FROM AN EARLY AGE

Although it has been demonstrated that savings behavior from an early age makes it more likely that kids will continue saving regularly as adults, few primary school initiatives work on raising awareness of financial topics and saving. To this end, we designed a playful application for children between 7 and 12 in order to generate new knowledge on saving and better usage of available resources (water and electricity).

The Guardianes del Ahorro (Guardians of Saving) application was installed on tablets not requiring an Internet connection, and comes with an activities workbook. It additionally integrates a platform for online monitoring in order to measure and improve its usability. The initiative has been used in Colombia, Mexico, Paraguay, and Peru.

4.5.

STRENGTHENING THE FINANCIAL CAPABILITIES OF THE PRODUCERS

We increased our work with small producers in 2018, thereby further diversifying our client base. For example, in Paraguay we worked together with members of commissions and agricultural school students receiving support from the Saemaul Undong Project under the auspices of the Korea International Cooperation Agency (KOICA) with the goal of strengthening their capabilities relating to personal and organizational development.

We also worked with small producers in Colombia on the “Café Paga” (Coffee Pays) Project, together with Mastercard and Neumann Kaffee Gruppe, with the goal of creating a digital payment ecosystem for scattered communities. The idea was for the financial system to be brought closer to the coffee growers, thereby allowing direct contact with those who would purchase coffee. In Mozambique, we created a new product for small farmers, together with the BCI financial institution, so that the product could add value to the population’s financial lives and its economic well-being.



5



NEW PERSPECTIVES FOR A DIVERSE FUTURE

Each day at Fundación Capital we face new challenges and opportunities that emerge from our world's diversity and complexity. This requires continuous efforts to respond to topics such as gender and youth-based needs, and to incorporate the evidence into the development and definition of solutions.

5.1.

INTEGRATING A GENDER-BASED FOCUS WITHIN THE FRAMEWORK OF GRADUATION PROGRAMS

Although Graduation programs have globally been primarily aimed at women, there are opportunities for this initiative to have a transformative impact on them. At Fundación Capital, more than 70% of the direct participants of Graduation are women, and the evidence indicates that our program design is creating positive impact in their lives. For example, in Paraguay it was discovered that the participants increased the remuneration of their working hours by 24%, and that there was a reduction in the number of hours they spent dedicated to cleaning their households, thanks to a more balanced distribution of roles and collaboration from other members of their households.

At the end of the year we confirmed a new initiative which will address the social vulnerabilities associated with gender under the auspices of the International Development Research Centre (IDRC Canada).

Through a research agenda which includes designing, testing, and evaluating a graduation program with a focus on gender in Paraguay for the next two years, we hope to not only influence public policy in Paraguay, but also to demonstrate that this model can be extended throughout all of Latin America, and beyond.

5.2.

LISTA FAMILIA

Numerous studies have demonstrated a reduction in domestic violence among female CCT recipients. This is attributed to, among other reasons, a lowering of stress levels in families thanks to the gaining of more resources, which implies a reduction in conflict and a reduction in violence. Nevertheless, other studies counter this, demonstrating an increase caused by factors such as the man's loss of financial power over the household's money.

It is still difficult to reach conclusive decisions on the positive or negative links between CCTs and domestic violence, since the research has not yielded conclusive results. We are therefore working on solutions to increase gender relations and in addition to strengthening the power of women's decision-making in household resources, allow them to change social and gender norms.

5.3.

RESEARCHING THE STRENGTHENING OF SKILLS WITHIN SOCIAL PROGRAMS

In 2018, we created an alliance with Women's World Banking to research the needs of skills and financial capabilities within government to

person payment programs (G2P), as well as CCTs.

With support from the Bill and Melinda Gates Foundation, our teams prepared an evidence review, interviewed experts, and analyzed the grey literature. Using an analytical framework that considered efficiency, effectiveness, environment and scale, we analyzed the information and produced nine deep dive case studies in seven countries.

We concluded that if we want G2P programs to increase women's economic empowerment, meaning the power to make informed financial decisions, they must be trained to be able to interact with the financial system. We identified five global principles based on this evidence and research. Over the next year, we plan on disseminating these lessons learned so that governmental investments in G2P can yield better results for women's participation and empowerment.

5.4.

BRIDGING THE FINANCIAL SERVICES

Both digital payments and correspondent banks represent a great opportunity to reach both the most remote areas and low resource populations. In Colombia, we began working to identify the barriers to the adoption, acceptance, and use of digital payment means in rural areas, as well as strengthening and improving the banking correspondents' skills so that channel might be used better. This way we continue to invest in initiatives that seek to reach ever further, through more inclusive and sustainable models.

5.5.

INNOVATIONS AND EXPERIMENTATIONS FROM THE FIELD

Fundación Capital has identified municipalities in which it could experiment with alternative methodologies that could later be scaled up with the goal of ensuring that they are derived from the realistic needs and the very communities themselves. This was the case of the Marcala municipality of Honduras, where a pilot program called “Yo Decido Mi Cuenta de Ahorros” (“I Decide My Savings Account”) was developed with the aim of observing what would happen to CCT recipients if they were given the opportunity to choose the bank accounts in which to receive their transfers in an informed manner.

CCT programs normally disseminate transfers through pre-established accounts with financial institutions that have been contracted by the state. This experiment aimed to study the effect of giving the recipients the power to choose where they wished to receive their funds. Since they had not previously used banks, an empowerment and financial training process was undertaken, accompanied by the delivery of seed capital worth \$100 USD, for the strengthening of 38 women-led entrepreneurships.

This case’s successes grabbed our attention, since 100% of the participants (1,700 women) opened savings accounts in an informed, autonomous manner, and are using them effectively. This indicates that their decision-making skills, in terms of which bank to choose for saving, after receiving financial skills training, in addition to feeling comfortable with their own accounts, generated positive results in terms of using the accounts, in their savings and, thus, in the microentrepreneurships they head. This experience will inform future digitalization processes of government payments in Honduras.

5.6.

EXPANDING BORDERS FOR THE REHABILITATION OF VICTIMS

In previous years, Fundación Capital had worked with the Colombian government on programs specifically designed for the victims of armed conflict, recipients of government reparations. We used that experience to create a proposal to help Mexico’s government in their process of citizen reparations in El Quemado, a community where more than 200 people were the victims of torture and forced disappearances in the 70’s. The work to connect reparations with productive projects begins in 2019, but it shows us that the project’s proven effectiveness in Colombia has brought about learnings necessary for adapting the design to other realities, and for generating a positive impact on new populations and countries, thereby expanding our borders of innovation.



6

SHARING KNOWLEDGE

Throughout the year we worked on a number of projects and initiatives that generated a great deal of knowledge. Sharing it with the community is key to creating knowledge more efficiently for all. This year we increased our efforts towards sharing this knowledge.

6.1.

TEN YEARS OF ADVANCING FINANCIAL INCLUSION

While celebrating ten years of Proyecto Capital, and with the goal of systematizing the lessons learned so that the sector may draw upon our experiences, we created and disseminated a number of publications:

The Book [Proyecto Capital: Ten Years of Linking Financial Inclusion to Social Protection](#). *(in Spanish)*

A magazine including a [brief summary of the book: Proyecto Capital: Ten Years of Linking Financial Inclusion to Social Protection](#). *(in Spanish)*

Several documents on Proyecto Capital's lessons learned and challenges in [Colombia](#) and [Paraguay](#). *(in Spanish)*

6.2. SHORTCUTS

We developed a series of in-house publications, named ShortCuts, in order to share our learnings in diverse topics

1- [What We Mean When We Talk About Economic Citizenship](#)

At Fundación Capital, we believe that the way to escape poverty, vulnerability, and marginalization is essentially by developing capabilities and accumulating assets, thereby opening doors for new opportunities. This document defines the concept of economic citizenship, and we highlight our commitment to expanding economic opportunities to those living in poverty.

2- [Mystery Shopper](#) *(in Spanish)*

With the aim of assessing the customer service offered by banking entities to low income individuals within the framework of CCT programs, we designed a protocol adaptation of the “mystery shopper.” Choosing the Bono Vida Mejor CCT program in Honduras as our first case, we undertook a study to identify opportunities for improvement by clearly defining the needs and concepts of good service, considered apt for this segment. The results of this research indicated the key points for achieving a more enjoyable user experience for the customers, adjusted to their expectations. This publication presents the findings and methodology so that it may be applied to other contexts for the same population.

3- [Inputs for Creating a Financial Inclusion Strategy With a Differential Approach](#) *(in Spanish)*

Based on our experience of supporting governments in their creation of financial inclusion strategies, we recognize the need for integrating a differential approach for indigenous communities. This document presents a summary of the results of a study that generated input for the indigenous population of Colombia.

4- [Financial Inclusion Through Savings Groups](#) *(in Spanish)*

Savings groups can be powerful tools leveraging on social capital in order to increase financial inclusion. This document presents the principal findings of the evaluation of the results of the forming and implementation of savings groups through the Dominican Republic’s government. The analysis focuses on promoting both formal and informal savings, as well as generating a discipline and practice of saving for members of savings groups.

5- [Microinsurance Factors of Supply and Demand](#) *(in Spanish)*

The initiatives supported by Fundación Capital have promoted, among other things, the development of supply, access, and use of electronic means of payment (particularly mobile banking and mobile wallet) and microinsurance. This document defines the concept of microinsurance, particularly for people with low incomes, and analyzes the implications of supply and demand by offering recommendations to maximize its impact on the population. The promotion of access to insurance has been a bottleneck in the financial inclusion of low resource populations. This analysis will help those who are working on improving the supply, and increase the demand of microinsurances.

[6- Electronic Wallet in Monetary Transfers with Co-responsibility – Paraguay](#) *(in Spanish)*

In the process of digitizing governmental payments, Paraguay's government introduced of mobile payments with its CCT recipient population. This document summarizes the use of an electronic wallet as a means of payment, and analyzes its advantages and disadvantages according to the results of the experiment.

[7- National Strategy for Financial Inclusion in Paraguay](#)

Accompanying the development of a National Strategy for Financial Inclusion (ENIF in Spanish), Fundación Capital defined its work model and analyzed the strategy's achievements, advances, and challenges, which are presented in this document. The ENIF highlights a series of objectives that will lead the way for defining indicators that will help the government reduce poverty and for social development, as well as for inclusive economic growth.

[8- Country of Diagnosis: Haiti](#) *(in Spanish)*

This document provides an analysis of the National Strategy for Financial Inclusion (NSFI) in Haiti, and the implementation of the "Ti Manman Cheri" program, with the goal of delivering resources through a mobile banking payment system.

[9- Financial Inclusion of Youth in Latin America](#)

Given the need for increasing financial inclusion for youth and to ensure they continue studying, a study was carried out to better comprehend the realities they face in the region. This includes obstacles to accessing formal financial services, and the best way to overcome them.

[10- Financial Education Strategy Through SMS for FINRURAL-Associated Financial Institutions](#) *(in Spanish)*

The Association of Financial Institutions for Rural Development (or FINRURAL) collaborated with Fundación Capital on the development of a financial education campaign through SMS messages tailored for their clients. The document shares lessons learned from the initiative, and describes the need to reach clients at mass scale using a tool that is both low-cost and available in most of the country's households.

[11- CajaVecina](#)

This document presents an analysis of factors that have helped the CajaVecina financial institution of Chile achieve success with correspondent banking, which extends daily financial services to millions of Chileans, as well as a summary of the main challenges for the future of said model.

[12- Financial Inclusion Progress and Results Among the Participants of Bono Vida Mejor in Honduras](#)

This document shares the progress, results, and challenges that were identified in the financial inclusion exercise for female participants of the Bono Vida Mejor CCT program in Honduras, who were accessing bank accounts for the first time in order to receive their transfers.

7



REACHING EVEN FURTHER WITH OUR IDEAS

In 2018, our work has caught the attention of various institutions that have featured us in the following publications:

1. Organisation for Economic Co-operation and Development (OECD): Case Studies on Leaving No One Behind - [page 14](#)

This paper complements the Development Co-operation Report and highlights our Graduation work in Colombia, Paraguay, Mexico, and Honduras. It also covers the best way to implement it through governmental policy.

2. ESADE: The Digital Revolution for the World's Great Challenges – 100 Digital Social Innovations Transforming Latin America - [page 93](#) (in Spanish)

In a case study on Fundación Capital, with an emphasis on Colombia, the report describes our growth from the early days, highlighting the drive to advance economic citizenship through scalable and innovative digital solutions, and weighs the importance of collaboration for social impact.

3. World Bank Group: Integrating Financial Capability into Government Cash Transfers - [page 6](#)

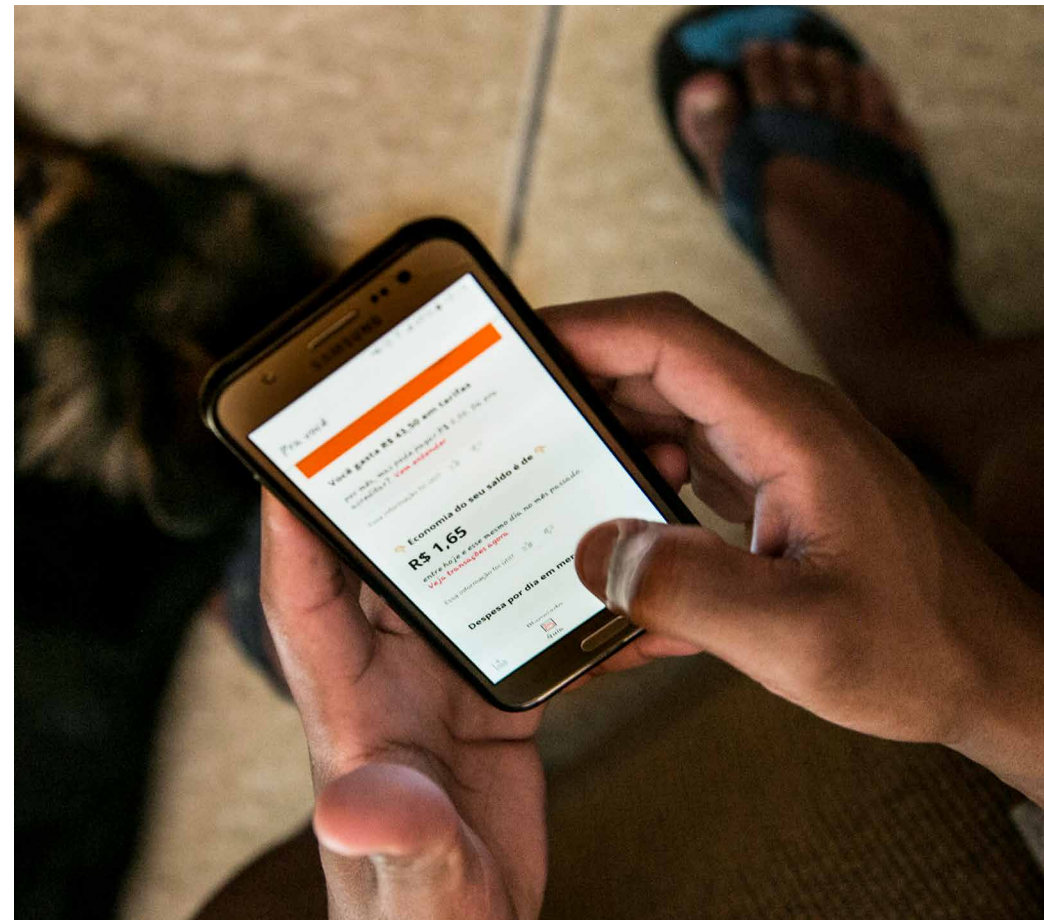
This publication brings together diverse experiences and learnings from the World Bank Group team, which has supported the governments of various countries in the development and implementation of financial education through governmental cash transfer programs. It highlights the case of LISTA as an initiative which reduces the risks and inefficiencies of providing digital payments to recipients with little to no formal financial experience.

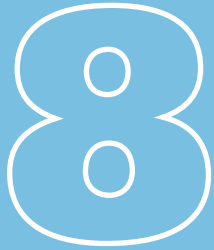
4. Scaling Pathways: Leveraging Government Partnership por scaled impact - [page 28](#)

Scaling Pathways is a series of documents which explores the strategies that leading social businesses have adopted with the goal of scaling their social impact. This focus is placed on generating alliances with governments to reach scale. Harnessing the perspectives and experiences of some of the world's main social businesses, this document presents key strategies and advice for businesses which are exploring government partnerships. Fundación Capital was called upon to share its experience and transmit its lessons learned.

5. Partnership for Economic Inclusion (PEI): 2018 State of the Sector - Synthesis Report - [page 2](#)

The report presents the findings of the 2017's Graduation State of the Sector survey. It demonstrates the general vision, identifies trends, and provides implementation analysis. It includes Fundación Capital as a leader of the global graduation movement thanks to its contribution of over a decade to the community of practice as facilitated by the Consultive Group to Assist the Poor (CGAP).





OUR TEAM, WHO MAKE EVERYTHING POSSIBLE

At Fundación Capital, we celebrate diversity and constantly seek to maintain a lean and horizontal structure that allows for the equal participation of all. Our team is interdisciplinary and international, with 70 people working all over the world in 2018. The majority of our team consists of women (65%), including those in leadership positions (60%). This is important for fulfilling our mission, as well as ensuring that a diverse team is making decisions. We are also proud to have over twenty nationalities represented.

The majority of our team is based in the countries where we work, particularly in Africa and Latin America. Our projects are usually administered by individuals native to the countries themselves. In addition to our founding headquarters in Panama, Fundación Capital has registered subsidiaries in Belgium, Colombia, Mexico, Mozambique, Paraguay, and Tanzania.



OUR PARTNERS



10

AUDIT REPORT



Statutory Auditor's Report

To the Board of Founders
Fundación Capital - FundaK

Report on the Consolidated Financial Statements

We have audited the attached consolidated financial statements of Fundación Capital - FundaK, which comprise the statement of financial position at December 31, 2018 and the corresponding consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Management's Responsibility Regarding the Consolidated Financial Statements

Management is responsible for the fair preparation and presentation of the consolidated financial statements in accordance with International Financial Reporting Standards; designing, implementing and maintaining the internal control relevant to the preparation and fair presentation of consolidated financial statements free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and, making accounting estimates that are reasonable in the circumstances.

Statutory Auditor's Responsibility

Our responsibility is to express an opinion on the mentioned consolidated financial statements based on our audit. I carried out my audit in accordance with auditing standards generally accepted in Colombia. Such standards require that I comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures that support the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement in the consolidated financial statements. In making this risk assessment, the statutory auditor considers internal control relevant to the preparation and presentation of the consolidated financial statements, to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted and the significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained provides a reasonable basis for my audit opinion expressed below.

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Opinion

In our opinion, the above attached consolidated financial statements, taken from accounting books, present fairly, in all significant respects, the financial position of Fundación Capital - FundaK at December 31, 2018, the results of its pre-operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Other Matters

Consolidated financial statements under accounting and financial reporting standards accepted in Colombia by Fundación Capital - FundaK as of December 31, 2017, which are part of the comparative information of the accompanying consolidated financial statements, were audited by another statutory auditor designated by Ernst & Young Audit S.A.S., on which he expressed his unqualified opinion on March 21, 2018.


Luz Marina Sotelo Rueda
Independent Public Accountant
Professional Card 9490-T
Designated by Ernst & Young Audit S.A.S. TR-530

Bogotá D.C., Colombia
March 20, 2019



fundacioncapital.org

