

S Y S T E M S

C M A U N I T

C H A N G E

2021

A N U A L

R E P O R T

TOWARDS A SYSTEM CHANGE



Fundación Capital

TABLE OF CONTENTS

01

Creating the change the world needs

P. 3

02

About Fundación Capital

P. 4

03

Initiatives

P. 10

Financial Health

- P11.** DigitAll: MSE digitalization to improve their productivity and financial health.
- P12.** Financial education and awareness in Mozambique's Beira region.
- P13.** Improving financial skills and access to the formal financial system for people linked to rural entities.
- P14.** Scalable initiatives to create financial and business capabilities, along with access to the financial system, for low-income groups in Honduras.
- P15.** Wider coverage with financial cooperatives through mobile correspondents with digital technology.

Employment, income and financial means

- P16.** Digital transformation for group financial mechanisms.
- P17.** Financial education for refugees and migrants.
- P18.** Data for Workforce Nurturing (D4WN)
- P19.** Café Paga
- P20.** Fostering the Graduation Program in social protection systems: Latin America's contribution
- P21.** Impulso Local Economic reactivation of subsistence entrepreneurship

- P22.** Strengthening entrepreneurial skills and supporting the economic integration of refugees and asylum applicants.
- P23.** Toward graduation programs with a focus on transformative gender.
- P24.** C@nnected: Supporting female entrepreneurs in their digital transformation
- P25.** Saemaeul Undong (SMU) for sustainable agriculture and rural development in Paraguay
- P26.** Implementing the prospect of developed investment for the coconut value chain in the Dominican Republic.

Natural Capital

- P27.** Financing rural businesses.
- P28.** Strategy to strengthen the value chain of goods and services for the water, sanitation and hygiene sector.
- P29.** Listening to the needs of plants

04

Digital Solutions

P. 30

- P30.** LISTA
- P31.** Con-Héctor
- P32.** Igualdapp
- P33.** DIMO

05

Toward 2022: A commitment to strategic innovation and environmental sustainability

P. 34

06

Support and recognition

P. 35

07

Financial report

P. 38



YVES MOURY

CEO and Founder

01 CREATING THE CHANGE THE WORLD NEEDS

2021 will be remembered by most people as the year of the massive roll-out of COVID-19 vaccines in most parts of the world. However, we will also remember it as a record year for Latin American impoverishment, with 287 million people living in poverty or extreme poverty, according to the Economic Commission for Latin America and the Caribbean (ECLAC). **This represents a setback of almost 30 years.**

These people are excluded from the economic and financial opportunities that would allow them to overcome their situation, and it is Fundación Capital's mission to help them by driving sustainable economic citizenship—globally and on a smaller scale—with the help of digital services and a data-based strategy that allows us to learn and adapt in real-time to the needs of these population segments.

2021 was the year with the strongest growth for Fundación Capital: with 8,7 million dollars in sales and nearly 100 partners, we were able to impact the lives of 350,000 people, for almost 7 million throughout the years. In addition to consolidating our initiatives in Honduras, Colombia, Paraguay and Brazil, we also opened offices in Beira and Maputo in Mozambique, thereby adapting our work to the Sub-Saharan situation we had launched years ago in Tanzania.

In addition to dealing with extreme poverty approaching 60%, Mozambique is ranked as the second country most affected by climate change according to forecasts, and Latin America is one of the hardest-hit regions by this phenomenon. As a result, this year we launched our **climate change strategy**, which is made up of four key aspects: (1) green financing; (2) adaptation and environmental mitigation for small businesses; (3) technological innovations and climate resilience; and (4) conservation, creation and appreciation of biotic life.

Another aspect that Fundación Capital has improved this year is the gender focus, particularly through our IgualdApp digital solution. In a region historically defined by gender inequality, it is necessary to have “social pacts that address the structural knots that reproduce gender gaps and allow an equitable distribution of power, resources and free time between women and men, moving toward a new development style based on equality and sustainability” (ECLAC, 2022). This is precisely what we seek, progressively shifting from gender awareness initiatives to those with a focus on transformative gender.

Lastly, we are proud to have launched our **systemic change strategy** this year, which is something we have been doing for years, but without conceptualizing it. Our goal is to establish strategic alliances in each region and focus on three major ecosystems (financial health; employment, income and financial means; and natural capital) to gain a more systematic understanding of the interests of the players involved, the knots or obstacles to be addressed, the links between existing and new partners, and the ecosystem elements we can help alter in a lasting manner. A fundamental part of our focus on systemic change lies in our willingness to create a culture that harnesses the power of data for social good, which is why in 2021 **we also launched our data governance policy and built a robust team specialized in data science.**

None of the achievements this year would have been possible without the priceless support of our donors, clients and partners in each of the countries where we operate, and the commitment and hard work of our team members, whom I sincerely thank for their contributions and the trust placed in us.



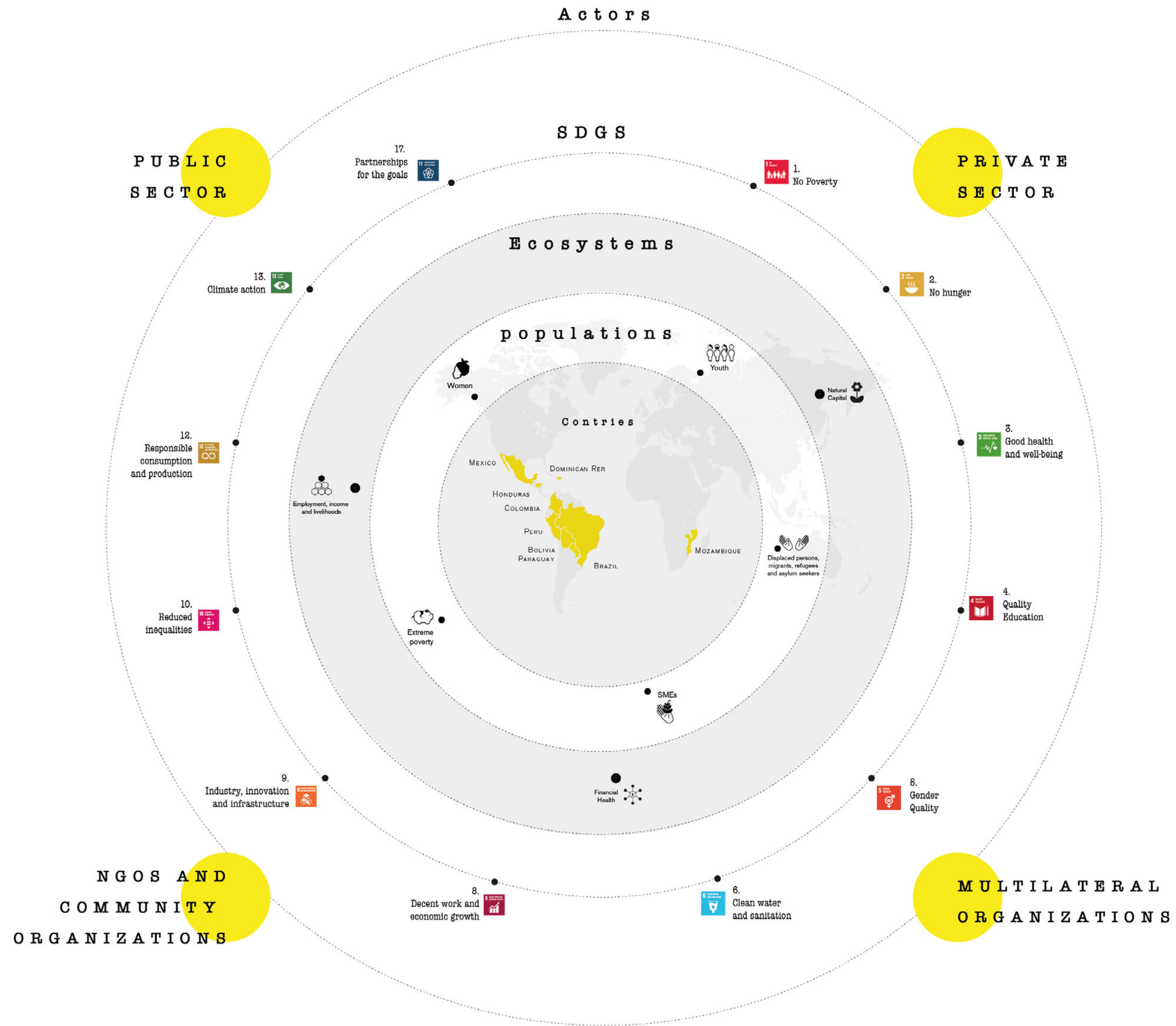
ABOUT FUNDACIÓN CAPITAL

Fundación Capital is a non-profit international organization that has worked since 2009 on **promoting systemic changes that support economically sustainable populations, both globally and on a smaller scale.**

We work toward transforming the existing balance and paving the way for equality so everyone has the opportunity to reach their maximum potential and establish full economic citizenship.

Implementing a systemic focus that addresses the causes instead of the symptoms of the challenges faced by people living in poverty around the world requires constantly working with the actors that comprise the ecosystem, such as governments, donors, financial institutions, businesses and universities.

Collaborative work has allowed us to reach nearly **7 million people in 19 Latin American, Caribbean, African and Asian nations.**



TOWARD SYSTEMIC CHANGE

Fundación Capital seeks to generate **systemic change by reaching different populations, especially women, youth, MSEs and extremely vulnerable people around the world.** In turn, we seek to impact 3 ecosystems: **Natural Capital; Employment, Income and Livelihoods; and Financial Health**, which allow us to contribute to most of the Sustainable Development Goals (SDGs). Through a growing trust and constant work in alliances with the public and private sectors, and with various multilateral and civil society organizations, we are able to achieve such an ambitious impact in the communities with which we develop our actions.

Since its early days with the **Capital Project** nearly 12 years ago, **FundaK** has had an impact on the social security and financial inclusion ecosystems of several countries in the region because we helped change the behavior of key players such as governments and financial institutions, shifting from cash or in-kind subsidies to wire transfers through formal financial products that operate via digital channels. This led to significant public savings for governments by developing new products at financial institutions, which helped reduce the financial and digital divide. The same occurred with our **Graduation Program**, which modifies social security systems in various countries to have a sustained impact on the lives of hundreds of thousands of households that lived in extreme poverty.

These initiatives were already creating systemic change. **Today, all of Fundación Capital's actions, initiatives and innovations work toward systemic change, and they include some, or preferably all, of these practices¹:**

01 **Strengthening collectives as the central elements in change.**

02 **Promoting social platforms for learning and collaboration.**

03 **Continuing education for those who undertake challenges, allowing them to create customized solutions.**

04 **Transforming the patterns—norms, beliefs and values—that guide social behaviors:**

A common belief among vulnerable populations and the financial system, and that we have managed to overcome by providing evidence, is that households living in poverty—and particularly extreme poverty—are unable to save, so it is therefore not appropriate or profitable to create savings products for this population segment.

05 **Changing policies—laws and norms—that comprise social structures:**

The transformation achieved with the Capital Project, from cash subsidies to transfers into bank accounts or mobile wallets, marked a deep regulatory change that transcended policy changes and remains in effect to date.

The path toward systemic change is complex, which is why we continue learning and improving daily, aware that “systemic change is not a result but rather a process.” And to focus our efforts, we have prioritized three ecosystems. Each one is joined transversally through a **global data strategy**, an essential part of the organization's overall strategy, and the integration of the **gender perspective** in each of our actions.

1. Source: Cynthia Rayner and François Bonnici (2021). “The Systems Work of Social Change: How to Harness Connection, Context, and Power to Cultivate Deep and Enduring Change”



Jobs, income and Livelihoods

We seek to strengthen people’s skills so they can get out of extreme poverty through personalized guidance and digital technology. This allows us to connect supply and demand, and also provide more efficient training on becoming more resilient in a dynamic and changing context.



Natural Capital

We achieve our organization’s mission if all of our actions have a positive effect on mitigating or adjusting to climate change. This is why we work to ensure that people living in poverty or extreme poverty can protect, care for and regenerate their fundamental assets such as land, water and biodiversity.



Financial Health

We promote the adoption and use of formal financial services to create more income by harnessing mobile digital technologies for scalability and using the power of data efficiently. We implement a strategy based on the needs of each community (particularly women, young people and migrants, among others) through a framework founded on behavioral sciences.

OUR COMMITMENT

What?

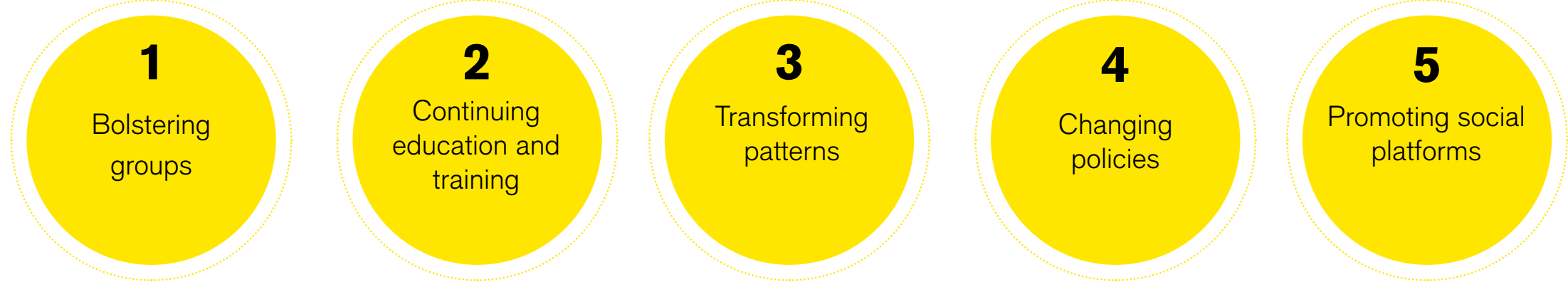
Promoting **economic citizenship** in a **sustainable**, global and **scalable** manner

How?

Bolstering ecosystems for:

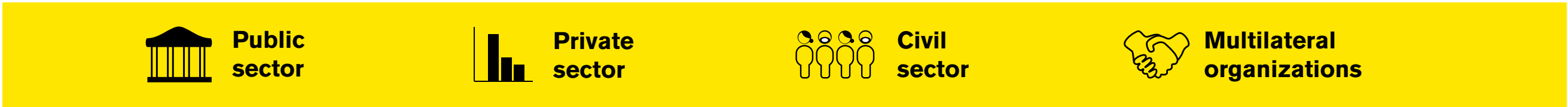


Systemic Change



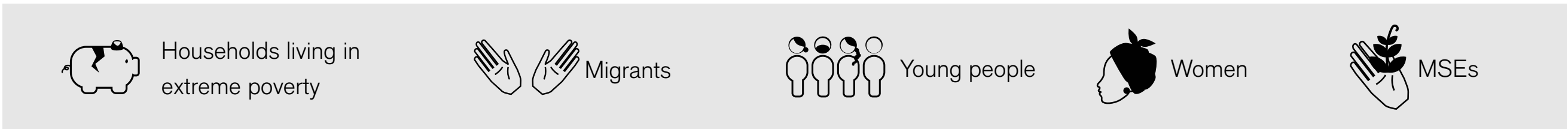
With whom?

Allies



For whom?

Population segments



2021

IN NUMBERS

33

Initiatives carried out

28

Clients and donors

71

Associations and alliances

377,398

People participating in our initiatives

10,662

Small enterprises that develop their business skills and productive inclusion

272

Banking correspondents with whom we partner to improve financial inclusion in remote locations





A JOURNEY THROUGH OUR SYSTEMIC IMPACT

In 2021, we carried out 33 initiatives in 12 countries. Each one operates with population segments, ecosystems, alliances and Sustainable Development Goals that strengthen Fundación Capital's mission. They include research and development projects, project implementations and advisory services. We have put together a summary of the most important ones.

DigitAll: MSE digitalization to improve their productivity and financial health



In Latin America, micro and small enterprises (MSEs) are the stars of development in the region. Despite their major contribution to job creation, they are affected by low productivity and high informality. Most are family businesses with multiple shortfalls (human capital, financing and technology), and they struggle to transform to grow and insert themselves into the large value chains of the formal economy.

Objective: To improve the productivity and financial health of micro and small enterprises (MSEs) by creating business capabilities, digitalizing key operations and gaining access to financial services.

Since 2020, DigitAll has worked with MasterCard's Center for Inclusive Growth to provide "strivers" (business owners with between 2 and 10 employees and a desire to expand their operations) with **access to a wide array of digital services and products, building skills for their use**, among other services. This initiative, built on alliances with several public and private entities, **will take place over three years and strive to reach 57,000 MSEs**.

2021 achievements:

1. Tested digital channels like WhatsApp and/or webinars to promote content related to digitalization.
2. Consolidated a comprehensive strategy to be implemented as of 2022 and that contains:
 - » A package of three digital solutions: a) a digital adoption coach based on the architecture of the virtual assistant ConHéctor; b) a digital onboarding platform; and c) the RedNodus tool, which is a mobile-first platform that consolidates the digital services and products available with solid information to allow direct, simple and fast decision-making;
 - » a tech-touch distribution strategy featuring digital tools through local partners;
 - » a research calendar to share knowledge, results and lessons learned.
3. Reach: 10,000 MSEs

Digital solutions used:



Partners:

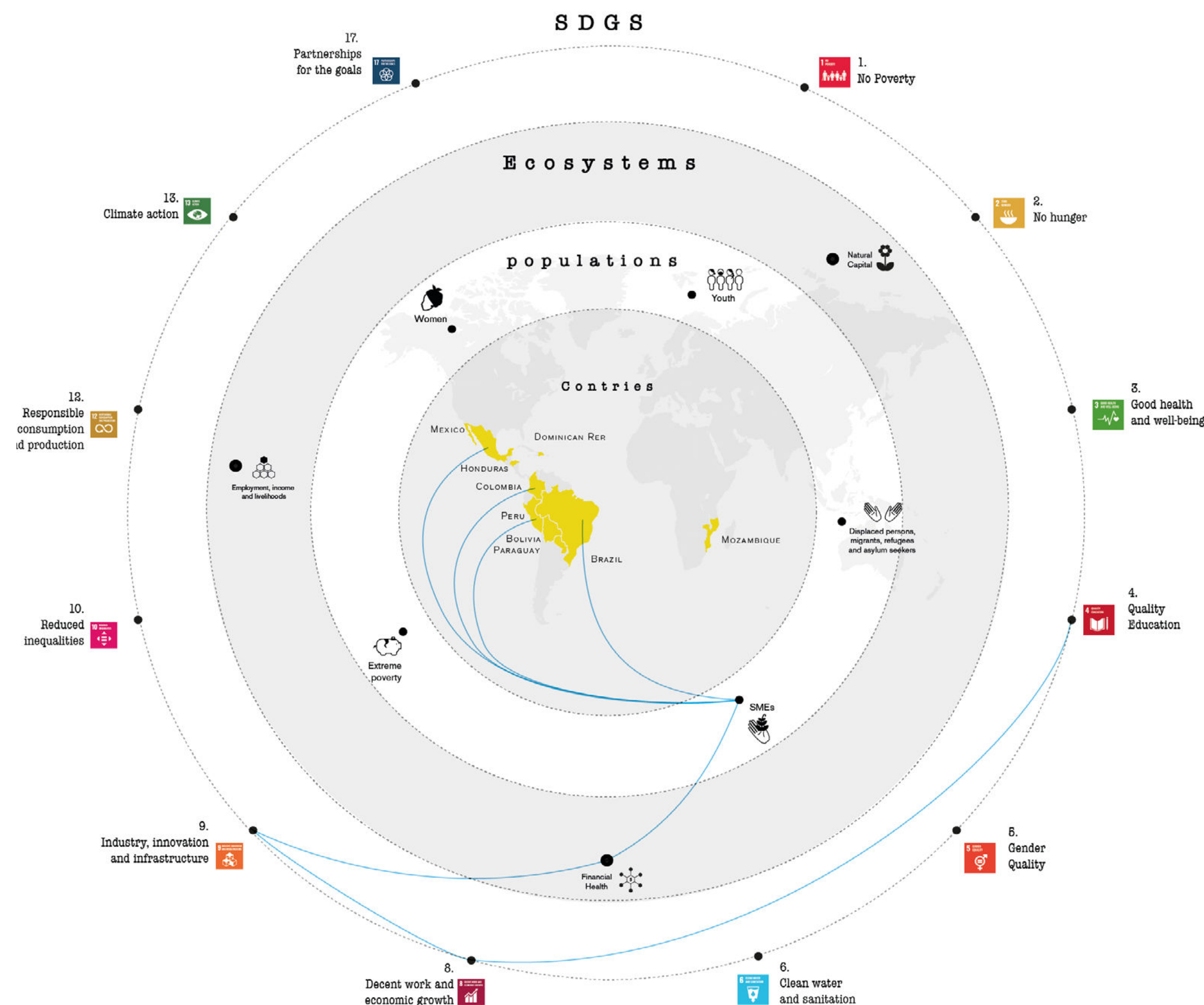


Funding:



Articles published:

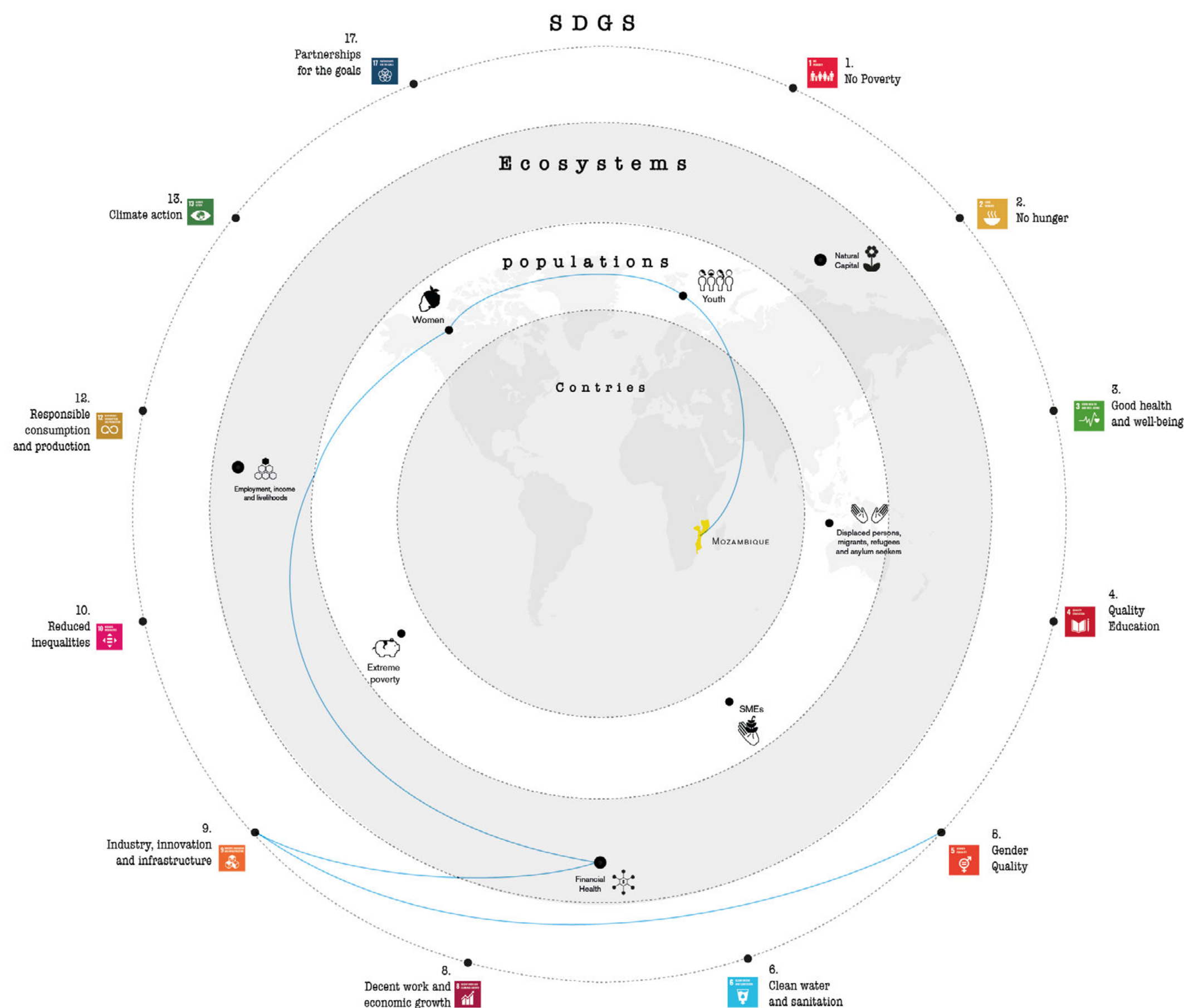
- » Salud financiera de pequeños negocios (Financial health for small businesses)
- » What can digital solutions offer MSEs in Colombia?
- » The importance of a gender-based approach for MSE resilience and reinvention
- » What role can technology play in economic recovery for SMEs in Latin America?



Financial education and awareness in Mozambique's Beira region



All the recipients of the *Programa Acção Social Produtiva* (PASP), who are primarily women, live in cyclically vulnerable situations and rely on government subsidies. The low level of financial knowledge, combined with recurrent natural disasters, worsens this situation.



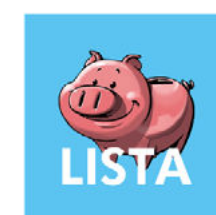
Objective: To improve the financial skills of the wire transfer recipients from the PASP program of the Instituto Nacional de Acção Social (INAS).

In 2021, this initiative provided PASP recipients with technical knowledge to help manage their subsidies; create savings habits to self-fund their revenue-creation activities; and increase their resilience against potential threats such as cyclones, illness, drought, etc. We used a multi-channel strategy with LISTA, voice messages (IVR), a radio series, and in-personal financial advice with educators.

2021 achievements:

1. 5,832 participants trained in savings, family budgets, financial services and mobile wallets.
2. The results show better financial health:
3. The share of people who spend their PASP allowance dropped from 50% to 33%.
4. People saved more in the formal financial system, primarily in the form of mobile wallets, and for more productive reasons: business, home and education.
5. The share of people who made a financial plan for their family grew from 27% to 47%.
6. The number of women with businesses tripled during the project.

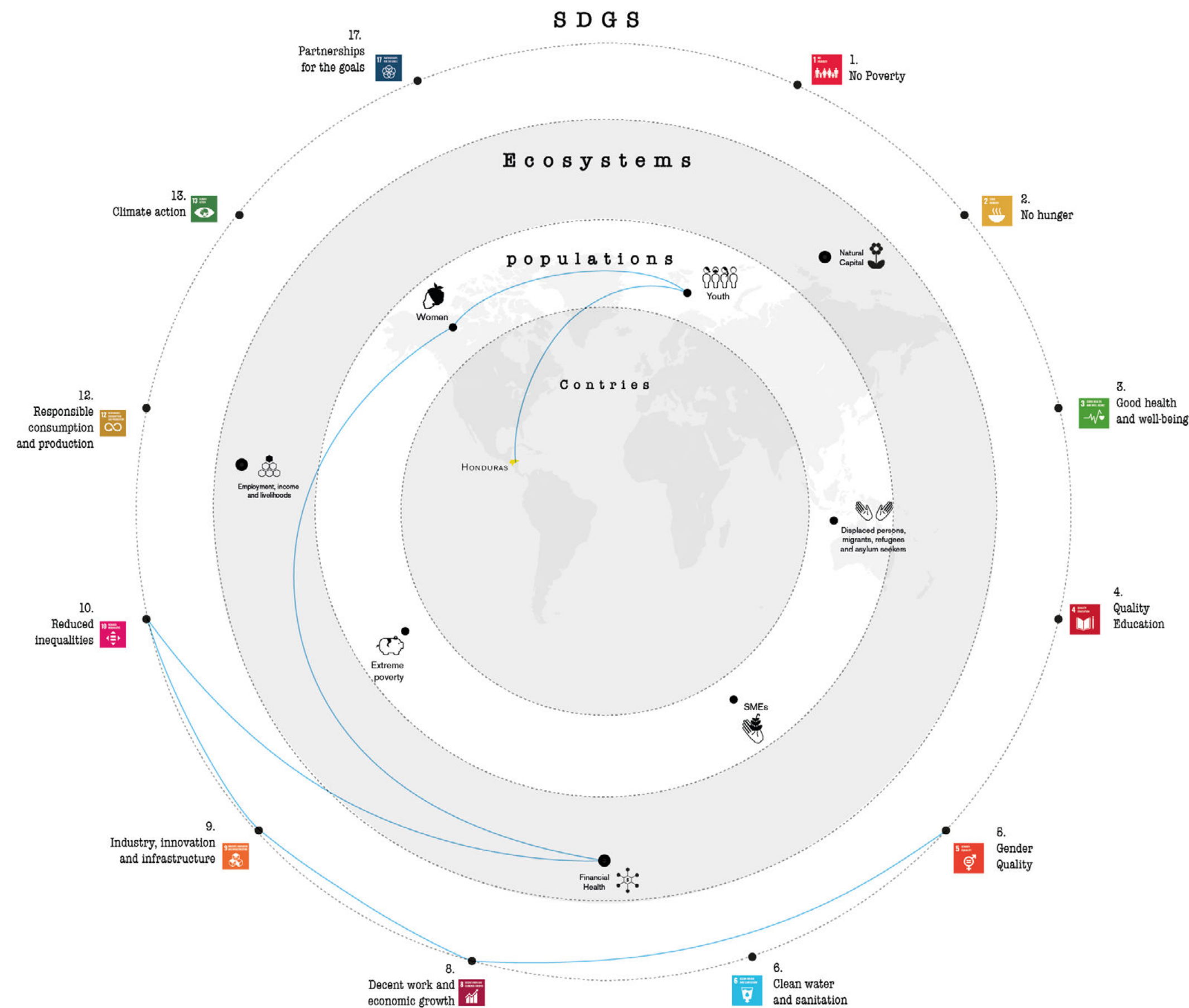
Digital solutions used:



Funding:



Improving financial skills and access to the formal financial system for people linked to rural entities

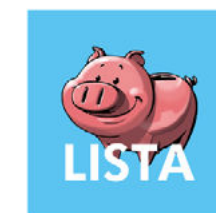


Objective: To improve the financial skills of low-income people linked to the rural entities identified by PRO-LENCA as part of the “Project for Competitiveness and Sustainable Development in the South-Western Border Region” in Honduras so they can gain access to the formal financial system.

2021 achievements:

1. 5,602 people improved their financial skills using the LISTA digital tool (51% were women and young people).
2. 196 leaders honed their financial skills and then shared this knowledge in their communities.
3. 4,039 people opened savings accounts in cooperatives, banks, micro-finance institutions, and credit and savings banks (CRAC in Spanish).
4. 128 credit and savings banks were strengthened in the savings certification processes.
5. 179 banking outreach workshops (replicas) were held with entity members.
6. 4,501 team members attended banking outreach workshops.

Digital solutions used:



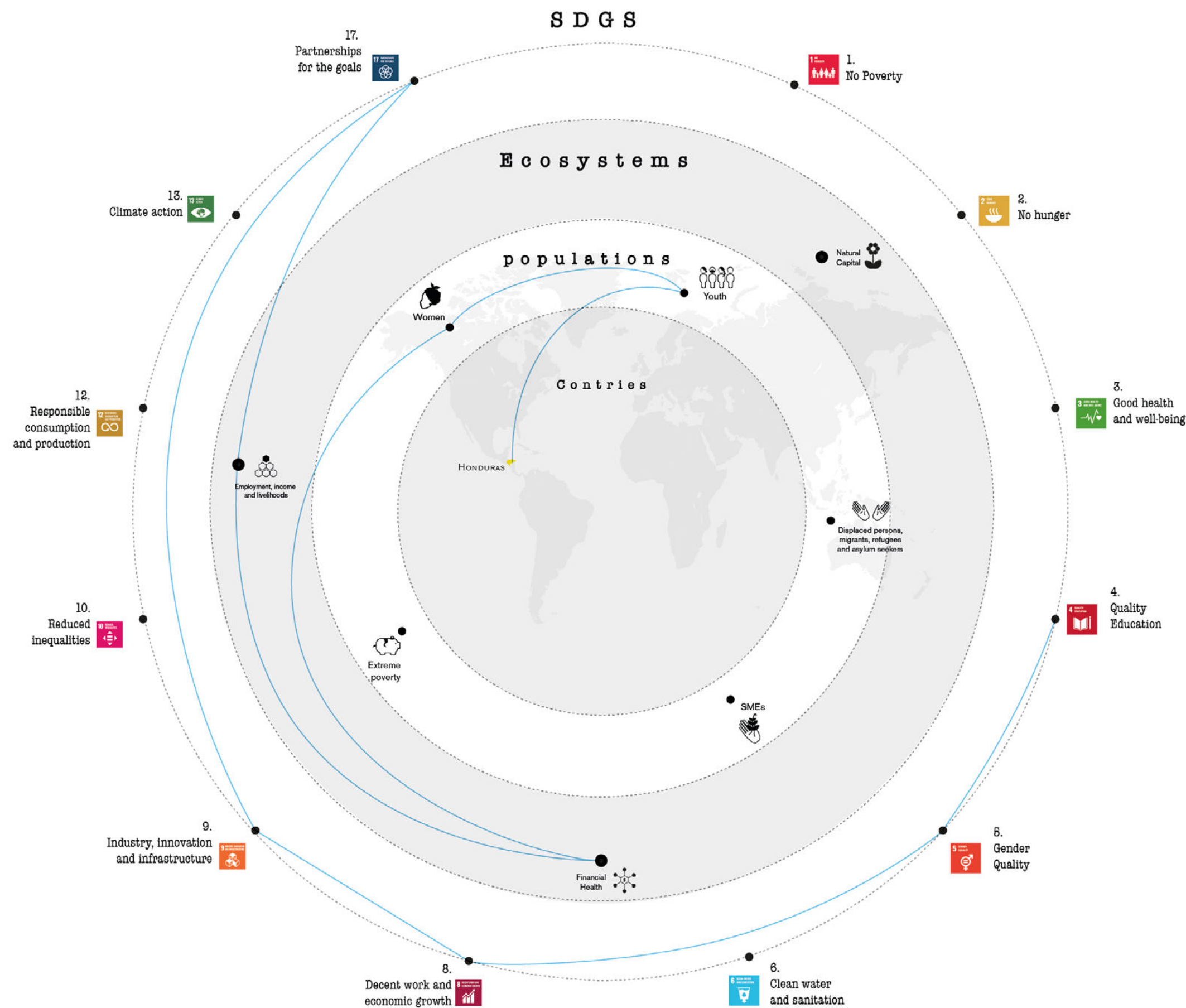
Partners:



Funding:



Scalable initiatives to create financial and business capabilities, along with access to the financial system, for low-income groups in Honduras



Objective: To improve the financial skills of Bono Vida Mejor program participants; to train professionals from public and private entities focused on gender under an instructor training model to promote learning among peers; to strengthen the business skills of community leaders, and to update the LISTA application to include the Garifuna and Misquito languages.

2021 achievements:

1. 16 of the 18 departments in Honduras were reached, thereby affecting urban (27%) and rural (73%) areas.
2. Using the LISTA SENPRENDE tool, provided training on financial and business skills for 262,952 low-income people, of which 74% were women.
3. Provided training on leadership skills for more than 5,101 community leaders.
4. Improved the financial skills of over 5,300 program participants.
5. Updated the LISTA Honduras digital financial education model to include Garifuna and Misquito.

Digital solutions used:



Partners:



Funding:



Wider coverage with financial cooperatives through mobile correspondents with digital technology



The correspondent networks of cooperatives with financial activities are less developed than those of banks. This is due to: a) a lower ability to mobilize resources and a smaller financial muscle to make key investments for developing and operating correspondents; b) limited access to specific technical knowledge and important public information about the correspondent concept; c) a lower ability to invest in technological developments and integration with their information systems, and d) a limited ability to launch new management areas.



Objective: To expand the service coverage of cooperatives with financial activity by opening 100 new correspondents and improving mobile customer service systems with digital technology.

2021 achievements:

1. Provided technical support and guidance for nine cooperatives with financial operations.
2. Opened 100 new solidarity correspondents in 92 Colombian municipalities, most of which are classified as rural and dispersed rural.

Digital solutions used:



Partners:



Funding:



Digital transformation for group finance mechanisms



Colombia and Peru do not have digital mechanisms that can be shaped into a clear value proposition for financial institutions, allowing them to improve their group credit and savings products and make their handling more efficient.



Objective: To co-create a digital product or model for micro-finance and financial institutions in Latin America to manage group credit products.

CAF and Fundación Capital identified a key opportunity in the use of technology to digitalize the management processes of local credit and savings groups (LCSGs), with two expected benefits. The first is as a way to optimize this business model and make it profitable for financial institutions, thereby strengthening their expansion and growth. The second is as a way to contribute toward the financial inclusion of vulnerable populations and those with a greater need for financial services and products, since LCSGs are usually the first touchpoint and gateway for non-banking segments to the formal financing system.

2021 achievements:

- 1. Developed Muttuo, a digital solution for the advisors of group credit and savings at micro-finance entities, so those groups can be managed more easily and efficiently

Digital solutions used: Partners: Funding:

Muttuo
(digital solution developed for CAF)



Financial education for refugees and migrants



Colombia houses the largest number of Venezuelan refugees and migrants. Approximately 1.9 million have major needs as a direct result of the crisis. In addition to emergency humanitarian services, educational, economic and financial opportunities are essential for the recovery of Venezuelan migrants and returnees in the short and medium-term.

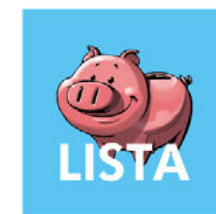


Objective: To use the LISTA app to improve the financial skills of 280 participants from the International Labor Organization's Business Accelerator Program for Migrant Populations.

2021 achievements:

1. Trained educators on improving the financial skills of 280 Venezuelan migrants in Cali and Barranquilla.

Digital solutions used:



Funding:



Data for Workforce Nurturing (D4WN)



Over 90% of the workers in Mozambique hold informal jobs. This situation keeps them in greater poverty and exclusion, with fewer opportunities for social mobility. They live in a survival economy, doing sporadic work that requires little specialization, and without access to information that could make a difference in helping them find opportunities to improve their work and income.



Objective: To improve the income, employment and financial means of workers in Mozambique's informal job market. Created in collaboration with Data Elevates and UX, D4WN is a business intelligence system that provides tips and recommendations for workers operating in the informal job market, using data they upload to two platforms: Biscate (a platform that belongs to our partner UX and connects workers with clients) and Com-Hector (Fundación Capital's virtual assistant). This provides them with additional information about the job market so they can make better decisions for their well-being.

- 2021 achievements:**
1. Created a joint database from Biscate and Com-Hector.
 2. Modified Com-Hector for Mozambique and completed two controlled tests with the target population. We plan to make it available throughout the country in 2022, along with tools that are increasingly useful and innovative for users.

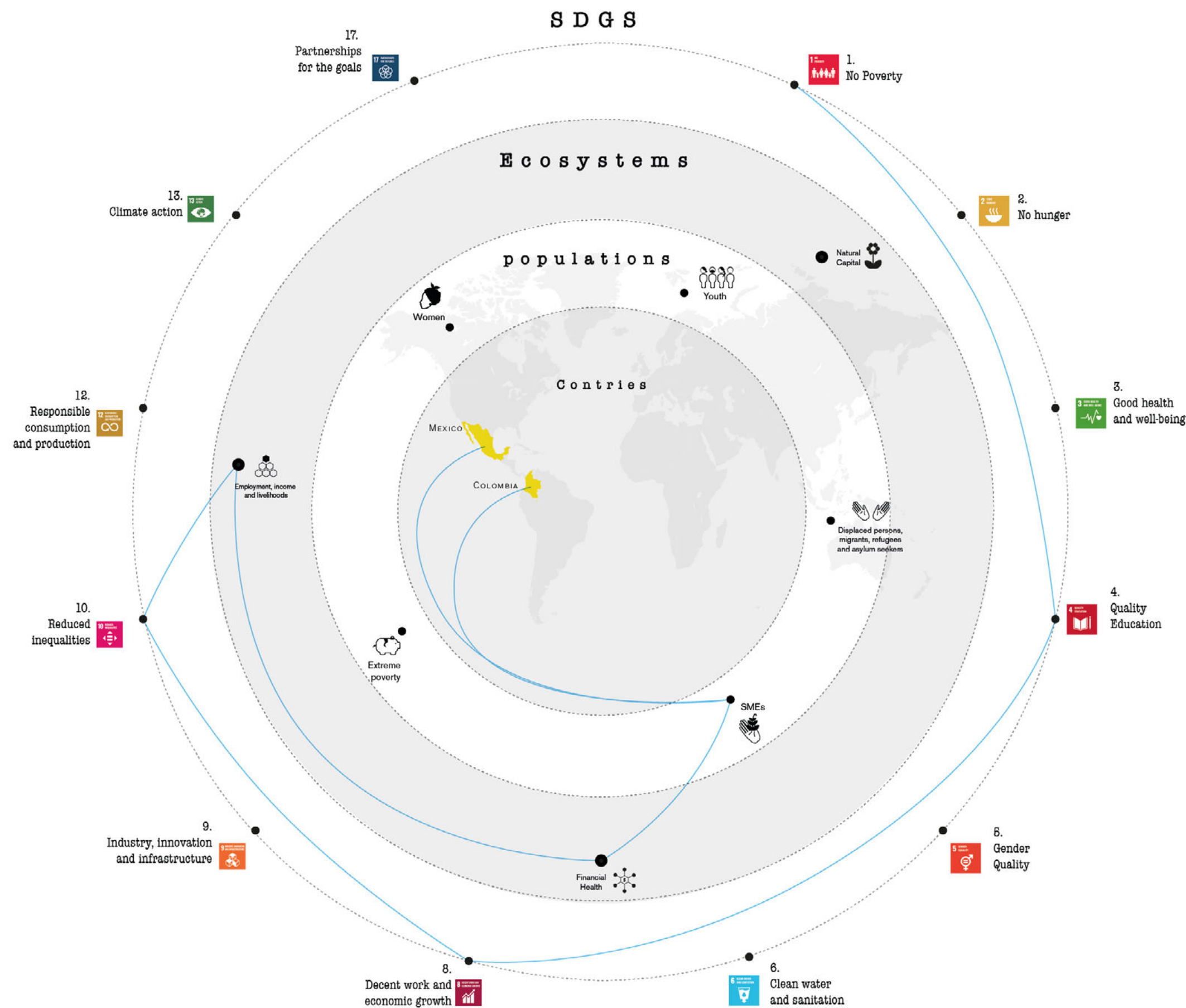
Digital solutions used: **Partners:** **Funding:**



Café Paga



According to Neumann Kaffee Gruppe (2019), 90% of the coffee growers they work with in several countries do not have access to financial services. Therefore, cashing a check remains the most practical option for them, although spending hours traveling to a bank and physically carrying the money creates opportunity costs and other types of risks for most farmers.

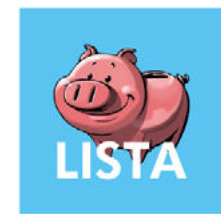


Objective: To strengthen the digital payment ecosystem in the coffee value chain by expanding the financial capabilities of 1,500 coffee growers and day laborers in Mexico and Colombia, as well as of other actors in the production chain, promoting access to formal financial services and helping to consolidate digital payments for coffee growers.

2021 achievements:

1. Offered relevant financial services with added value to coffee growers so they can receive payments for their harvest.
2. Promoted the use of other payment mechanisms (other than cash) for the standard transactions carried out by coffee growers (such as purchasing agricultural materials and paying day laborers).

Digital solutions used:



Partners:



Funding:



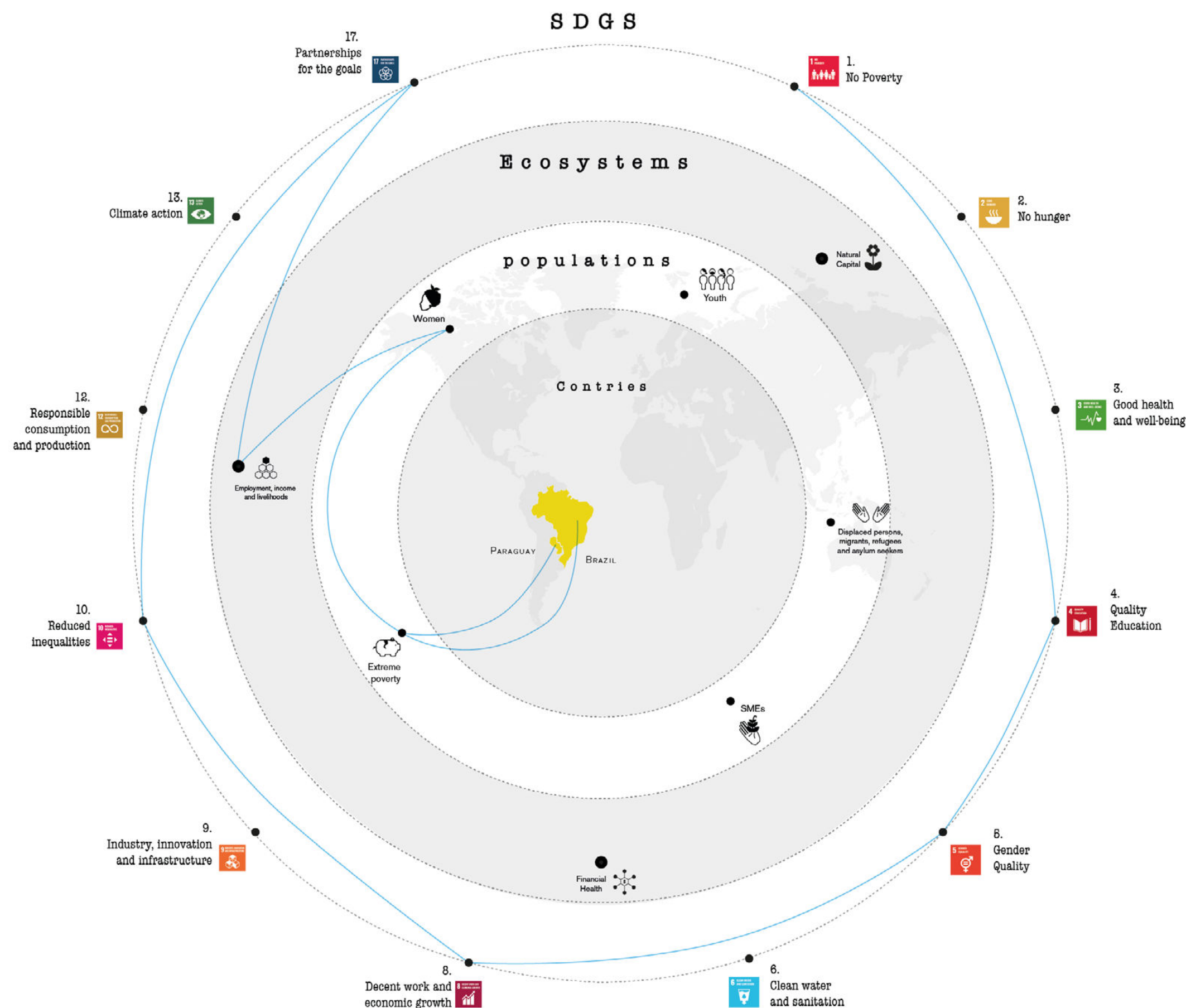
Multimedia support:

» Café Paga in Colombia

Fostering the Graduation Program in social protection systems: Latin America's contribution



Poverty is caused by multiple factors. It is multidimensional and affected by structural aspects regarding access to services and opportunities. Although the latest challenge targeted by the program is poverty and extreme poverty, it does so by focusing on bolstering the social protection system so it evolves from a basic safety net to a productive safety net that promotes economic opportunities for participants and their families.



Objective:

- » **In Brazil:** To help the São Paulo State Government design and implement Prosperous Family, an innovative economic inclusion program inspired by the Graduation model aimed at single-parent households primarily led by women, with children under the age of 6 and who live below the national extreme poverty threshold. Our goal is to assist 25,000 families and break the cycle of poverty by supporting consumption, the transfer of assets to invest in production activities, and training to improve their financial, business and life skills.
- » **In Paraguay:** To help the Government of Paraguay integrate the Graduation focus into their safety net system. This entails joint work with the Ministry of Social Development to strengthen their social protection and promotion programs. With our technical assistance, the goal is to reach 75,000 families living in poverty or extreme poverty in the nation's rural regions.

2021 achievements:

- » In Brazil:
 1. Helped the government design an impact assessment for the program from a gender perspective.
 2. Evaluated needs with participants to create materials used to design training content on entrepreneurship, gender and financial education.
 3. Designed the Financial Education syllabus and the corresponding in-person workshops, and training coach coordinators to apply this knowledge in the field.
 4. Created a digital messaging strategy via WhatsApp to reinforce entrepreneurship, gender and financial education content.
- » In Paraguay
 1. Fortified the human capital in the Tenondera program through an annual training program that reached civil servants in the field, providing tools and content for their work.
 2. Provided technical assistance to improve the Tenondera program along with guidance for digitalizing the management tools. Tenondera added more than 9,300 families in 2021 and has migrated to the use of digital records to track participants.
 3. Co-designed a specific project with the Tekopora program that is in addition to the Graduation program and that managed to create a baseline of over 16,295 families in 2021.

Partners:



Funding:

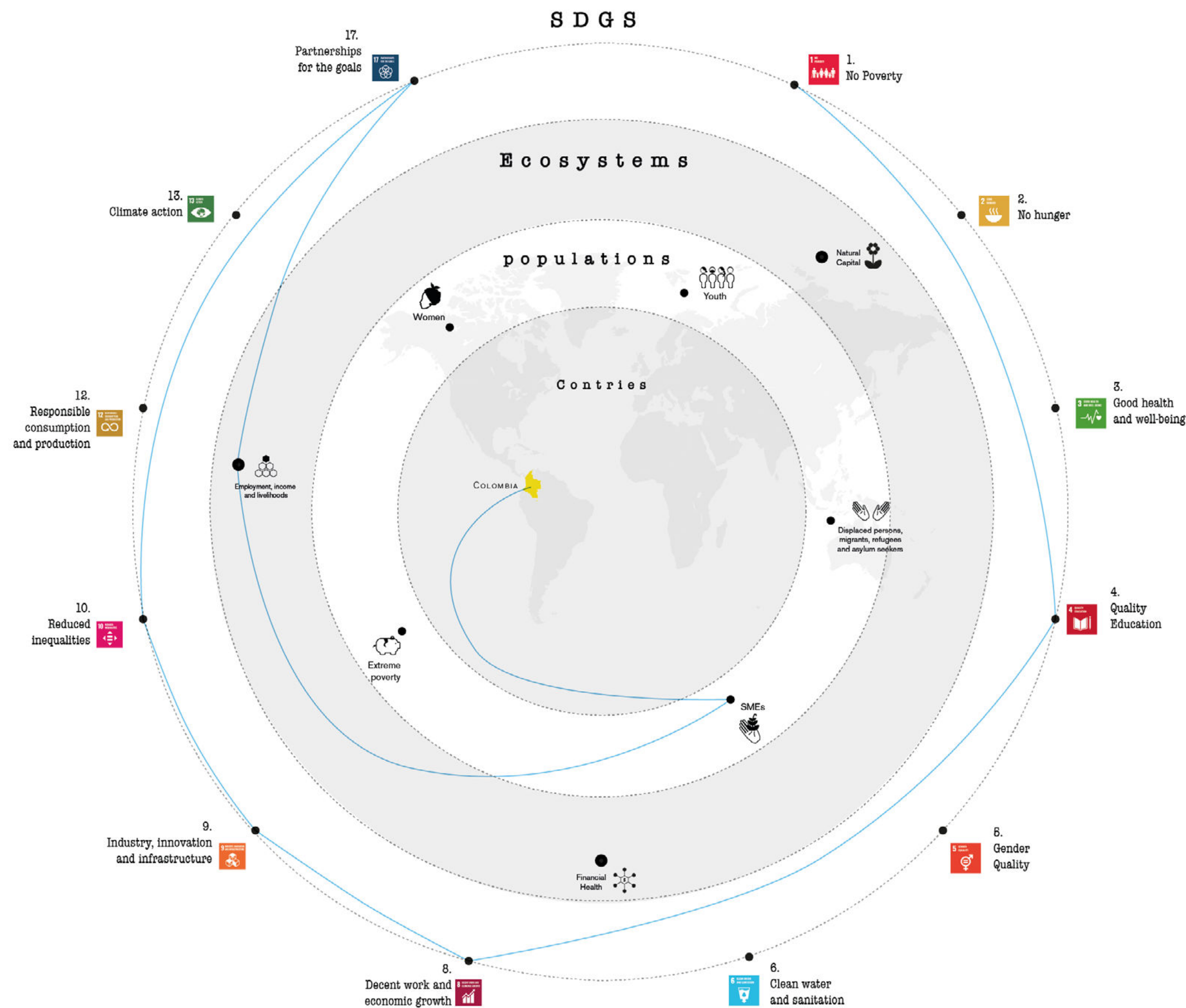


A GLOBAL COLLABORATIVE FOR SYSTEMS CHANGE

Impulso Local: Economic reactivation of subsistence entrepreneurship



The COVID-19 pandemic has seriously affected Bogotá's economic activity, and subsistence businesses in particular are struggling to reactivate. This is due to their limited access to capital that could help boost their operations, and their low digital and management skills.



Objective: To support the economic reactivation of 4,436 subsistence businesses in Bogotá by improving their business capabilities, developing their digital skills, and delivering a capitalization resource to invest in assets and other markets for small businesses.

2021 achievements:

1. Tracked the delivery of capitalization resources.
2. Helped create the reactivation and investment plan, and participated in the virtual sessions to improve businesses, addressing management skills, digital wallets, sales, customer service and digital marketing.

Digital solutions used:



Partners:



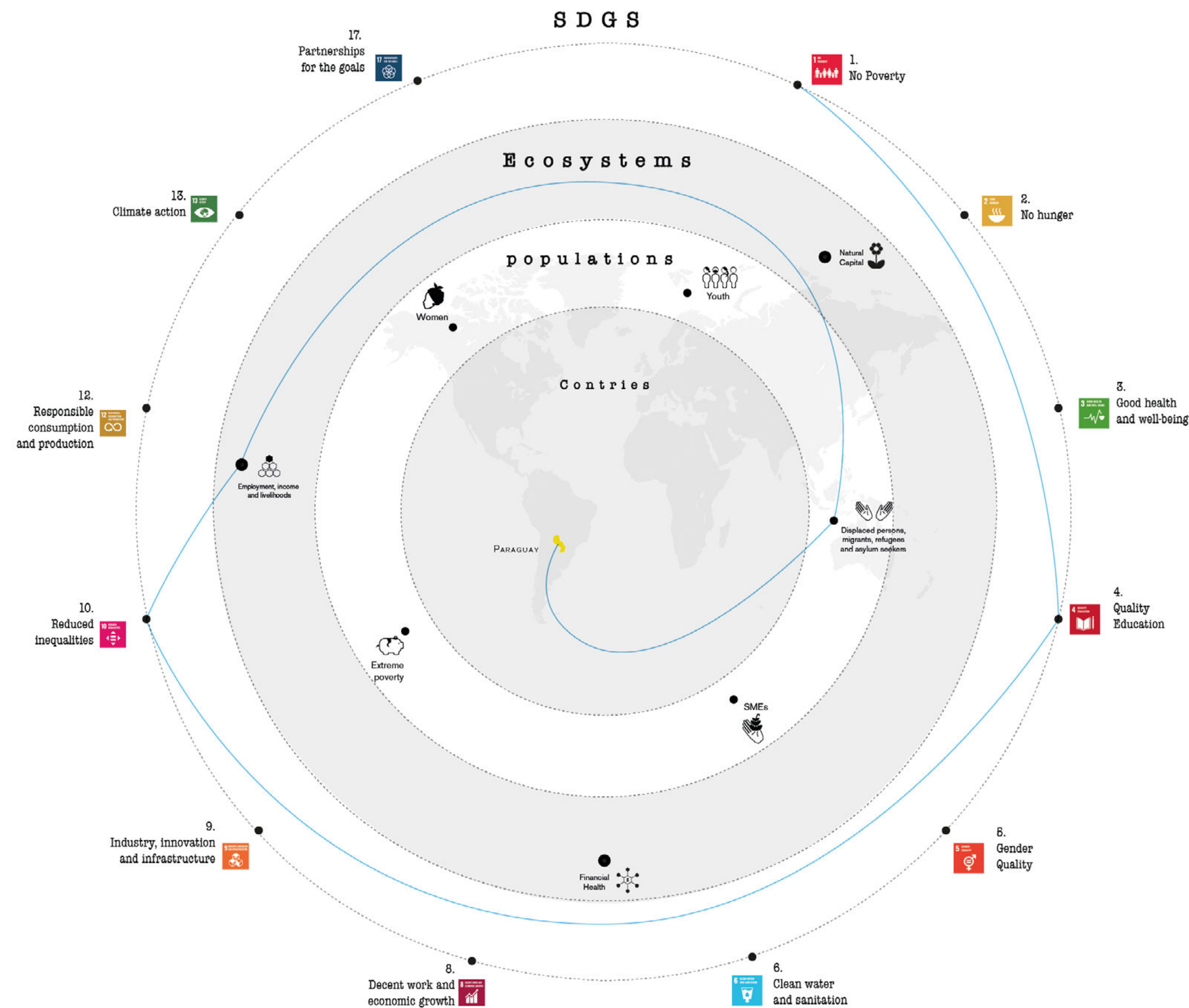
Funding:



Strengthening entrepreneurial skills and supporting the economic integration of refugees and asylum applicants



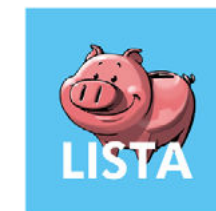
The economic crisis caused by the COVID-19 pandemic and the rise in entrepreneurship in Paraguay does not favor refugees and asylum applicants, who must deal with extensive paperwork to obtain residency documents in the country and gain access to financing opportunities.



Objective: To train and assist 40 refugees and asylum applicants in Paraguay so they can improve their entrepreneurship skills. Specifically, the project seeks to reach individuals interested in starting a business, thereby contributing to their social and economic insertion in a healthy, sustainable and safe manner.

- 2021 achievements:**
1. Implemented Ser & Crecer, the training and guidance strategy for soft skills, financial education and business management, involving 31 participants.
 2. Successfully implemented the Ser & Crecer Challenge from the Entrepreneur Kit to improve the development of 6 businesses.
 3. Coordinated and hosted a roundtable on the population's financial inclusion with 5 strategic institutions (Banco Nacional de Fomento, Treasury Department, Ministry of Industry and Commerce, Paraguay Association of Entrepreneurs, and Seeds for Democracy).

Digital solutions used:



Funding:



Toward graduation programs with a focus on transformative gender



Objective: To learn, create and exchange knowledge through an applied research schedule to promote a transformative gender focus in the Graduation Programs thanks to the involvement of women in the Abrazo Program of Paraguay's National Secretariat for Children and Adolescents.

2021 achievements:

- 77 brands were co-created, designed and applied to micro-enterprises.
- The Banco Nacional de Fomento gave 38 loans to the female entrepreneurs selected by the bank and who met all the requirements.
- 22 savings groups were created, for a total of approximately 300 participants.
- 421 participants received Igualdapp.
- 830 participants formed part of the Luci and ConHector digital strategies during the 14-month implementation period.
- 40 field laborers received content from the digital campaign.
- Evaluated, documented, distributed and promoted knowledge sharing on transformative gender between policymakers, professionals, researchers and the global community active in the Graduation Program. Of the studies linked to this focus and the importance of technology in addressing gender matters, the following stand out:
 - » Can digital technologies influence gender norms? A behavioral study in Paraguay, led by Sonia Laszlo and McGill University.
 - » Evaluating the transformation of gender norms in Paraguay and Colombia by analyzing vocal indicators and natural language processing, led by Daryl Collins.

Digital solutions used:



Partners:



Funding:



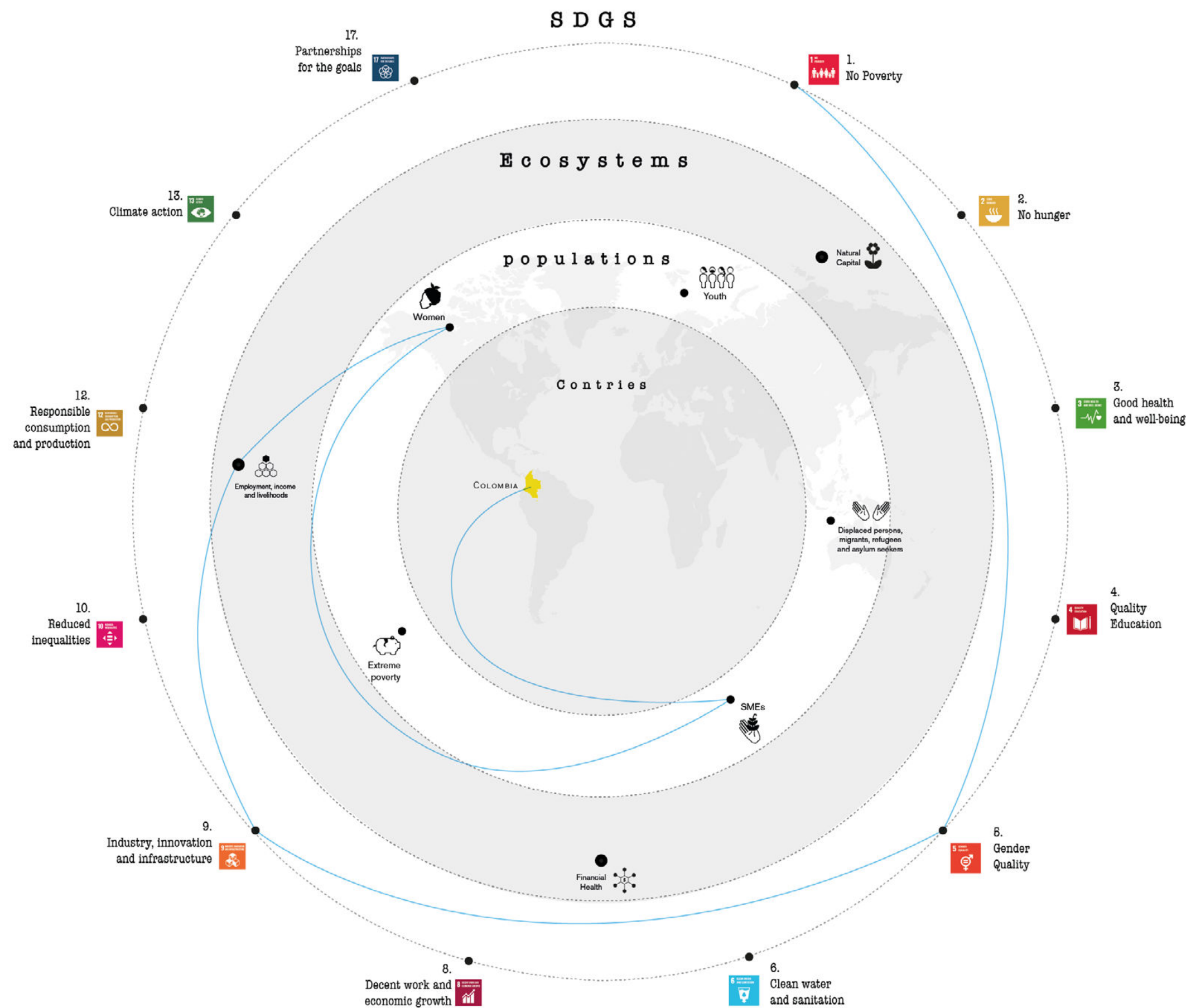
Articles published:

- » Thank you for asking
- » How digital strategies can be great allies for gender equity and economic inclusion?

Conectad@s: Supporting female entrepreneurs in their digital transformation



The digital transformation that the pandemic forced micro-enterprises in the region to undergo continues to pose many challenges due to limited connectivity and little knowledge of the digital solutions that exist and the advantages of adopting them to manage businesses. Micro-enterprises led by women face even greater challenges due to the additional limitations of unpaid caregiving and the lower degrees of digital and financial inclusion, which have only worsened with the crisis.



Objective: To leverage the power of digital solutions to promote the resilience of 500 female micro-enterprise owners living in vulnerable conditions in 6 departments (Casanare, Cauca, Cundinamarca, Huila, Nariño and Santander) so they may face the existing crisis and strengthen their business to be more competitive and sustainable in the long term.

2021 achievements:

- 1. Evaluated** the initial state of female entrepreneurs to gain a better understanding of participants' digital literacy level.
- 2. Guided entrepreneurs** with activities such as group workshops, masterclasses on Facebook Live, digital challenges, and using additional tools such as ConHéctor and Igualdapp.
- 3. Digital transition** by using the digital tools available to participants (cell phones, Internet connection, WhatsApp, Facebook, digital wallets).
- 4. Provided individual guidance** that promoted the practical application of the knowledge learned, creating an atmosphere of trust, and carrying out the digital transition plan for the business.

Digital solutions used:



Partners:



Funding:



Saemaeul Undong (SMU) for sustainable agriculture and rural development in Paraguay



The most advanced technologies and techniques are relatively inaccessible to small farmers due to the cost, the lack of training and the resistance to innovation. This results in a lack of quality input materials that, when combined with land deterioration and climate vulnerability due to limited infrastructures, leads to low yields for the cultivated surface area.



Objective: To optimize the agricultural value chain to improve the quality of life of 1,200 growers in the family farming segment. The project focuses on organizational and employee development to help empower, build trust and strengthen organizational skills in financial management, business planning, sales, savings and social mobility, among others.

2021 achievements:

1. Made progress implementing the value proposition: establishing a sustainable business model for each organization and transferring resources to fulfill their business plans.
2. Strengthened and formalized 10 organizations to prepare them for future challenges.
3. Created a new brand identity and the input materials needed to improve the product presentation at each organization, promoting the use of social media and accessing commercialization channels.
4. Worked with a group of organizations for the Good Agricultural Practices certification.

Digital solutions used:

Partners:

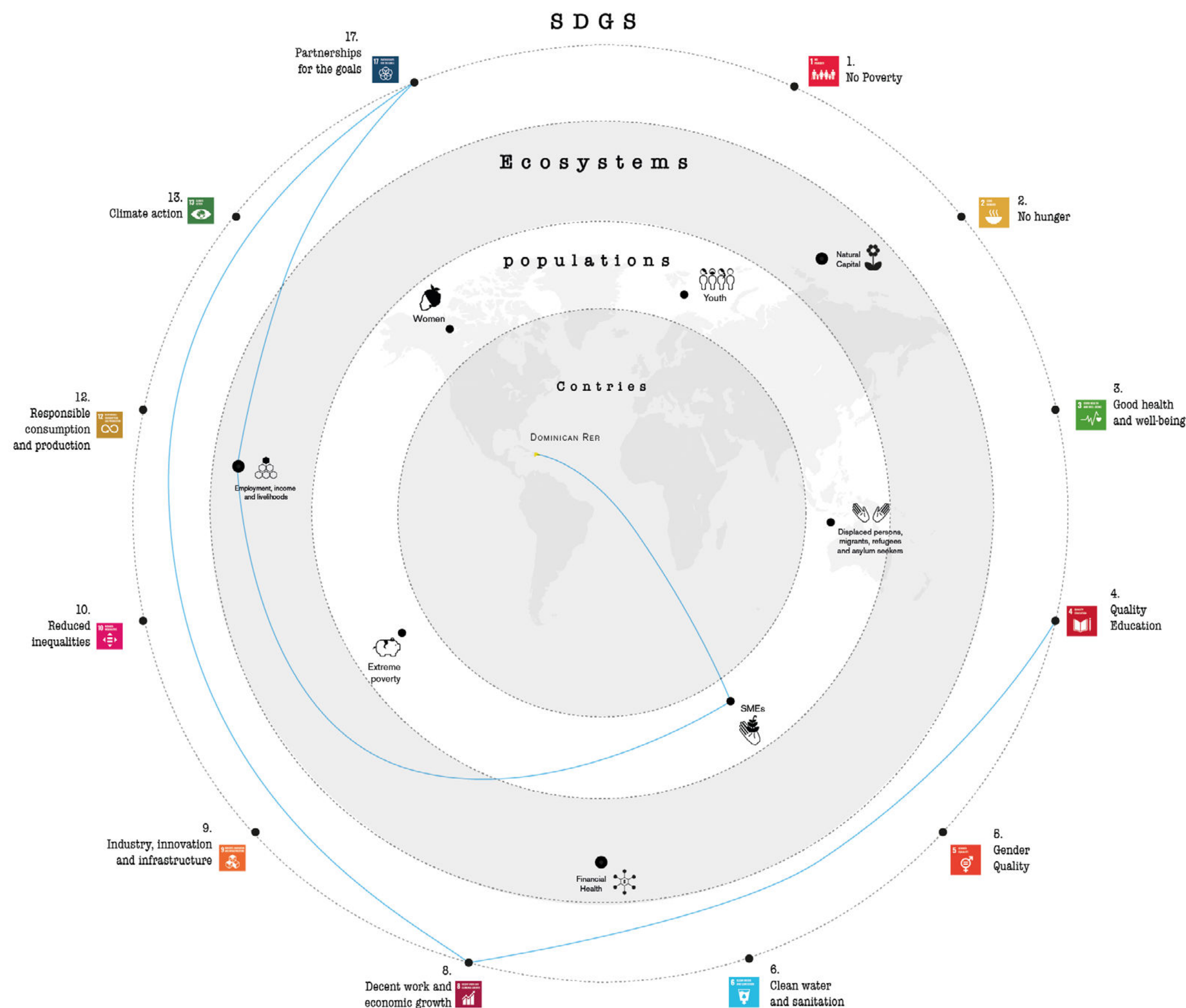
Funding:



Implementing the prospect of developed investment for the coconut value chain in the Dominican Republic



The lack of coordination between the actors involved in the coconut value chain, combined with a shortage of financing alternatives, particularly for small and medium-sized coconut farmers and processors, create production deficiencies (implementing certified seeds, renewing crops, new sowing, technical support and more) and business deficiencies (high cost of raw materials, shortage of raw materials, price speculation, low-quality coconut and more).



Objective: To identify allied institutions that can provide financing for the coconut value chain, including: government bodies, financial institutions, cooperating sources, farmer associations (small and medium-sized) and processors; and to establish a credit and/or investment product to finance coconut production, along with a financing system.

2021 achievements:

1. Assessed the value chain, identifying conditions and determining factors to develop and institutionalize coconut in the Dominican Republic.
2. Designed the implementation strategy for 2022:
 - » Institutional Framework, through the National Coconut Platform, to establish a competitiveness agreement in the coconut value chain.
 - » Provided financial education for the coconut value chain. Pilot: digital financial services, formal savings, life and agricultural risk insurance, and access to financing.
 - » Adjusted the available supply to the potential demand: finance and micro-finance sector.

Funding:



Funding rural business through the Graduation Program in Mozambique



A very high number of families live in extreme poverty in Mozambique. One of the main effects is economic/financial exclusion, which does not allow them to improve their standard of living or carry out economic activities that are sufficiently solid to become sustainable.



Objective: To improve the standard of living and economic/financial inclusion of rural families that live in extreme poverty by implementing the Graduation Program in Mozambique's central region as part of the Financing for Rural Businesses Project (REFP in Spanish).

2021 achievements:

1. Confirmed the team of 23 members to carry out the project.
2. Identified 5,000 families living in extreme poverty as participants.
3. Expanded the offices in 3 provinces: Sofala (Beira), Manica (Chimoio) and Zambezia (Quelimane).

Partners:

Funding:



Strategy to strengthen the value chain of goods and services for the water, sanitation and hygiene sector



Objective: To analyze the value chain for the water, sanitation and hygiene sector (WASH); to analyze and customize financial products; and to promote access to capital for implementing WASH systems aimed at improving the access, use and appropriate sustainable maintenance to the facilities, along with suitable hygiene practices for MSMEs, hygiene councils and associations, wholesale WASH suppliers and financial institutions in the cities of San Pedro del Ycuamandyyu, Fram, Capitán Miranda, Iturbe and Yhú.

2021 achievements:

1. Created status mapping against COVID-19 for 4 cities.
2. Improved 5 hygiene councils with communications strategies and business plans.
3. Prepared 3 business plans with hygiene council associations.
4. 256 hygiene council users harnessed the EFI personal finance app.
5. Trained 135 MSMEs and independent professionals in personal finance and social media communication for business purposes.
6. Completed 5 communication campaigns with hygiene councils and municipalities.
7. Developed financial products with banks, cooperatives, suppliers and hygiene councils to provide access to sewage systems and home improvements.
8. Created WASH business solutions with 13 MSMEs for users in each city.

Digital solutions used:

EFI

Partners:



Articles published:

» When water builds bonds

Listening to the needs of plants



Water plays a key role in agriculture because it is essential for producing goods and services. The inefficient management of this resource alters natural ecosystems. Climate-smart agriculture can effectively address climate change and make it easier to alter the production systems of small farmers.



Objective: To test and modify profitable climate-smart agricultural technology that can improve the yield and quality of fruit and vegetable crops of small farmers, while lowering the cost of key input materials such as labor, water, electricity and fertilizers.

2021 achievements:
 Reported water savings (with GBI technology) equivalent to 60% of the protected environment (in greenhouses) while production in terms of kg/plant remained stable.
 Reported 50% water savings for tomato crops in half shade and 23% higher productivity in the treatment group versus the control group.

Digital solutions used:

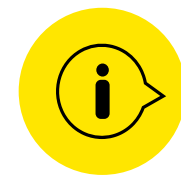
Partners:

Funding:



LISTA

DIGITAL SOLUTIONS 2021



Currently, one-third of adults across the globe do not have access to banking services, and most (1.7 billion) are from 40% of the poorest households. This segment of the world population has been systematically excluded, particularly from the education, economic and financial system, thereby reducing its probability of developing the financial skills needed to prosper, and exacerbating the negative effects of poverty and its persistence in these households, which are primarily headed by women. In addition, existing financial education methodologies are not always pertinent or cost-effective for reaching low-income populations.



LISTA is a scalable, cost-effective solution for developing financial skills in marginalized and low-income populations.

This financial education strategy uses information technology and the skills of local vulnerable populations. It offers practical information about savings, responsible debt, risk management, personal and family caregiving, shared in a fun manner through stories, videos, exercises and simulators.



INNOVATION IN 2021: LISTA Upgrade

1. New technological structure (works offline and on multiple mobile devices)
2. Solid system for data collection and analysis
3. New interface and user experience
4. Modular, flexible and intuitive

“I no longer spend everything that I earn through my business. I used to buy clothes and shoes, but now I will save that money to expand my business.”

Indira Gutiérrez Espinoza, 22 years

CON-HÉCTOR



Currently, 61% of the world population uses the Internet actively and 53% uses it via a smartphone and for social media. However, the most vulnerable people fall within the digital divide, with minimal Internet use, difficulty in accessing reliable and accurate information, and lack of knowledge of digital tools that help address needs and improve living conditions, taking into consideration that they are excluded groups without access to the digital economy.



Con-Héctor is a virtual assistant specialized in offering tips and practical recommendations for products and services. It allows users to make informed decisions

and improves their quality of life through WhatsApp and Facebook Messenger, providing information in several areas, and always committed to promoting digital inclusion and driving economic citizenship by developing new skills.



INNOVATION IN 2021

- 1. CON-HÉCTOR:** We are currently implementing a project in Mexico, Colombia and Peru to address the needs of small business owners by providing information and tools for digitalization. The goal is to promote and streamline local economies.
- 2. COM-HÉCTOR:** We are currently creating and testing a virtual assistant to address the needs of the Mozambique community, where more than 90% of workers (over 11 million people) operate in the informal job market and face higher poverty rates, greater economic insecurity and fewer prospects for upward mobility.

Our goal is to provide information based on data about salary references, employment trends, tips on finding work, job security and worker rights, and to also connect mentors and apprentices interested in the same region/profession. We also help users prepare their CVs and virtual business cards.

Com-Hector can handle data collection from the BoP (this data is rarely available beyond the telecommunications sector) and data distribution toward BoP users and the organizations that support them.



IGUALDAPP



It is clearly urgent to transform the social norms that sustain gender inequality, which affects women and their families in their ability to decide about their future without violence.



Igualdapp is a digital app developed with support from IDRC Canada and promotes equality through a transformative gender focus by integrating various types of skills linked to gender inequality.

It offers tools for reflecting on and preventing situations that go against the scope of gender equality on an individual, family and community level.

IgualdApp seeks to expand its scope in the region and reach millions of families through programs and projects aimed at promoting gender equality as a training tool.

Without violence against women

In late 2021, we joined forces with Paraguay's Ministry of Women and the Inter-American Development Bank (IADB) to begin developing a comprehensive digital solution that helps reduce gender violence, which had worsened due to the COVID-19 crisis. This channel will be convenient, easily accessible and safe for women, connecting them to the support hotlines of entities that deal with gender violence and to their closest contacts.



DIMO



Banking correspondents are strategic channels for financial inclusion, particularly in rural areas, but financial institutions face multiple challenges when expanding their networks. Specifically:

The high cost of establishing an agent (selecting, hiring and training); lack of convenient and effective communication channels between financial institutions and bank agents to answer questions, resolve incidents or share information about new announcements, agreements, etc.; deficiencies when processing the payments of banking correspondents; and limited data in real-time for network management. The initial training is essential for developing this channel because it has a strong impact on the service, quality and productivity in terms of the number of transactions (CGAP 2011). However, this training tends to be costly and ineffective. This affects the service and decreases the number of transactions, thereby lowering the channel's profitability which in turn discourages financial institutions from opening new points. From the agent's perspective, few transactions translate into lower income, which also disincentivizes the service's continuity.



DIMO is a smartphone app to train banking correspondents. It operates online and offline. It is structured into independent modules and is easy to use.

It has simulators for certain transactions that can be personalized to the specific alternatives at every financial institution.

DIMO helps train banking correspondents most cost-effectively. It includes a tracking system to monitor the progress of training activities. It also has a direct communication channel between the financial institution and the correspondent to help easily resolve any questions or issues.



INNOVATION IN 2021:

1. Integration of a communication system
2. Training module for cooperatives and banks
3. Integration of simulators

TOWARD 2022: A COMMITMENT TO STRATEGIC INNOVATION AND ENVIRONMENTAL SUSTAINABILITY

In 2022, Fundación Capital will seek to expand its focus on systemic change, attempting whenever possible to strengthen collectives as the central elements in change; promote social platforms for learning and collaboration; equip those who undertake challenges, allowing them to create customized solutions; and transform the underlying values, norms and beliefs linked to social inequality.

It will also open two new lines of work: (1) strategic innovation and (2) climate change. By creating an Innovation department and putting into practice its data governance strategy, Fundación Capital will build the population database of the largest and most comprehensive bottom of the pyramid in the world. It will include a transformative gender focus and empower our colleagues and allies to devise, implement and expand powerful business models that drive this segment's economic citizenship. In the near future, the aforementioned will be done through predictive analysis prototypes as the basis for *machine learning* and artificial intelligence, along with the incubation of two of our digital solutions through our company builder, among other strategies.

In the area of climate change, Fundación Capital will launch its new strategy by including a climate change perspective in its latest projects, documenting the lessons learned, developing a series of indicators, researching state-of-the-art inclusive green finance and the effects of climate change on agricultural production, the vulnerabilities that affect food security, and the adoption of climate-smart solutions. After sharing and learning with many organizations of small-scale fishermen, some of them linked to the Slow food

and Slow fish movement, we will participate in activities for the regeneration of marine areas and wetlands and in organic agriculture. We seek to connect various experiences among them, bringing our capabilities as a social enterprise and learning from proactive actions on climate change directly with local communities. Lastly, internally, we will seek to measure and reduce our carbon footprint.

However, we can't reach these goals on our own! We plan to build strategic alliances: with civil society organizations to better understand and address the populations most in need by focusing on demand and creating synergies; with policy creators so we can reach scalability by modifying existing public policies, as we have done for years through cash transfer programs; with financial institutions to provide quality financial products and services; with multilateral entities to foster knowledge transfer between countries and share the risk of social innovation; with key start-ups to build joint learning labs and innovation in the field; with the academic world to document, evaluate and share the lessons learned; and with important investors to obtain (pre-) seed capital for our social business models. To explore partnership opportunities, please contact us at info@fundacioncapital.org.

In 2022, let's celebrate transforming deep-rooted structures, imagining beyond our reality and creating change to find new ways of living, thinking, feeling and creating that are more fair and equitable.

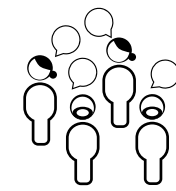


SUPPORT AND RECOGNITION

AWARDS



TEAM



135 Members



20 Nationalities



62% WOMEN



38% MEN

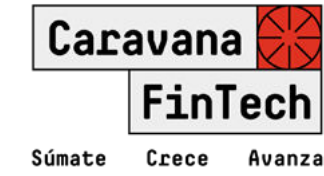
DONORS AND CLIENTS



Al servicio de las personas y las naciones



ASSOCIATIONS AND ALLIANCES



AUDIT REPORT



Statutory auditor's report

To the Founders Council of:
Capital Foundation - Fundak and Subsidiaries

Opinion

I have audited the consolidated financial statements of Capital Foundation - Fundak and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of my report. I am independent of the Group in accordance with the International Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated financial statements in Colombia, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence in relation to the financial information of the entities or business activities that are part of the Group, in order to express my opinion on the consolidated financial statements. I am responsible for the direction, supervision and execution of the group audit and, therefore, of the audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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Other Issues

The consolidated financial statements under with International Financial Reporting Standards of Capital Foundation - Fundak and Subsidiaries as of December 31, 2021, which are part of the comparative information of the accompanying consolidated financial statements, were audited by me on which he expressed an *unqualified* opinion on March 10, 2021.

MARIA CECILIA
MORALES MARTINEZ

Firmado digitalmente por MARIA
CECILIA MORALES MARTINEZ
Fecha: 2022.04.04 15:09:23 -05'00'

María Cecilia Morales Martínez
Statutory Auditor
Professional Card 91341-T
Designated by Ernst & Young Audit S.A.S. TR-530

Bogotá D.C., Colombia
April 4, 2022

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