



Fundación Colunga

A range of financial vehicles to support social purpose organizations in different stages of development

This foundation finances and supports projects for social purpose organizations in their early and growth stages, develops partnerships with multiple actors to promote public policy, and manages a collaborative learning platform for civil society organizations working to overcome poverty in Chile.

Fundación Colunga

A range of financial vehicles to support social purpose organizations in different stages of development



LOCATION:

Chile



MAIN PARTNERS:

- CORFO
- ProACTIVE Executive Search
- PwC
- Fundación Credicorp Capital
- Fundación Probono Rivadeneira Colombara Zegers
- BHP Foundation



TYPE OF INVESTOR/SILO:

Foundation



MOTIVATION/PROBLEM TO TACKLE:

Child poverty and education in vulnerable environments.



FINAL BENEFICIARIES:

Boys, girls, and adolescents from vulnerable environments.



NON-FINANCIAL SUPPORT OFFERED:

- Impact measurement and management
- Strategy and/or business model



DURATION:

2012

- now



TYPE OF FINANCING:

Donations

RESOURCES INVESTED OR DONATED

2019

USD 1,707,000

2018

USD 2,158,000



SECTOR:

Economic and social development



SDGS ADDRESSED:

IMPACT:

63%

of the supported organizations **increased the number of program users.**



66%

increased their **income.**

78%

increased their **staff recruitment** and strengthen their teams and institutional capacity.

Five years after the end of the projects with Colunga, **the retention rate** of the organizations is

85%

17,388

children and youth **benefited** in the area of education.



25,000

people in **vulnerable situations** benefited directly.

7537

people benefited by poverty alleviation programs.

120

supported **organizations** work in a collaborative way.



BACKGROUND AND CONTEXT

The protests that began in October 2019 in Chile led to question the political and economic stability that the country had had over the past two decades. Beyond the major economic crisis, the social outburst exposed structural problems such as inequality and poverty. All of this was aggravated by the COVID-19 pandemic because, according to ECLAC, poverty could increase considerably in Chile. “This is especially serious for children, whose current percentage of poverty is almost twice as high as that of adults, and because they are a more vulnerable group,” said Paolo Mefalopulos, UNICEF representative in Chile, in an opinion column on the pandemic and child poverty.¹

Since the nineties, the Cueto family² began to address the issue of children and adolescents in Chile, especially in the areas of education and poverty. In 2012, they created Fundación Colunga in order to support civil society organizations that have managed to address complex problems at the base of the pyramid, focusing especially on this population. The aim was to transcend traditional philanthropy in order to achieve a greater social impact and strengthen innovation, especially in the areas of education, poverty and social vulnerability.



DESCRIPTION

Fundación Colunga works with a business and technical method that prioritizes social impact (impact first). It channels philanthropic capital through different lines of action: Social Development, Research and Public Policy, Center for Social Innovation, and the articulation and development of the civil society and social change ecosystem.

¹ Mefalopulos, Paolo (2020) “Pandemia y pobreza infantil”. Opinion column by the UNICEF representative in Chile. Press releases, UNICEF. Available at: <https://www.unicef.org/chile/comunicados-prensa/pandemia-y-pobreza-infantil>

² One of the ten wealthiest families in the country.

"If we leave the achievement of solutions to the market, those solutions will not come. With the patient capital logic, we aim for organizations to have diversified financing schemes."
Arturo Celedón, Executive Director of Fundación Colunga.

They manage their work in a collaborative and intersectoral manner through partnerships with individual philanthropists and foundations such as San Carlos de Maipo, Olivos, Mustakis, Luksic, Careno, Ilumina, Kawok, BHP International, CORFO, and multilateral agencies such as UNICEF and the IDB.

Through the Social Development Program (PDS), the Foundation finances and supports projects in the early and growth stages. The Research and Public Policy area establishes partnerships with foundations, academia, international agencies, and also with the State (such as the Ministry of Social Development and Family) in order to promote public policy.

Hand in hand with the Center for Philanthropy and Social Investment (CEFIS) and the Catholic University Center for Public Policy, the Foundation has managed to conduct important research on relevant topics. Additionally, the Foundation also has the Social Innovation Laboratory, a collaborative learning platform for civil society organizations working to overcome poverty in Chile.

To evaluate results and impact, it has set up partnerships with academic institutions (the University of Chile and the Catholic University's Public Policy Center), actors that it also considers key to the generation, dissemination, and application of knowledge in public policy.

Of the 36 projects supported by the foundation, 22 are at an early stage (they join with tested prototypes, with the challenge of developing a minimum viable product), and 14 are at a growth stage (minimum viable product or service already tested, with the challenge of consolidating their operations and sustainability model).



IMPLEMENTATION

Criteria such as systemic change, relevance of the diagnosis and quality of the design, social innovation, impact and scaling potential, levels of inclusion, and sustainability are taken into account for the selection of projects in its Social Development Program.

Colunga has different funds that allow it to make donations strategically. These are:

- a... **Fondo Inicia (start):** Convenes talented teams and organizations with value proposals, supporting them with funding, training, and mentoring for one year, so they can implement their initiatives and develop their minimum viable services.
- b... **Fondo Transforma (transform):** Finds and selects organizations and teams that implement high-value proposals and require to strengthen the quality of their initiative in order to expand their impact. In this three-year program, Colunga collaborates in the consolidation of working models, collecting evidence, and development of sustainability strategies that allow for a greater impact and scale of the projects. This fund holds 56% of the Foundation's resources.
- c... **Fondo Alianzas (partnerships):** It focuses on promoting partnerships that create programs that accelerate public policy advocacy. It represents 13% of the Foundation's active portfolio.
- d... **Fondo de Investigación Aplicada (applied research):** Seeks to provide initial information that will allow to strategically guide the different impact investors, whether they are public or private, as well as to produce reliable evidence of the results of the interventions to guide the scaling of the programs.
- e... **Fondo de Colaboraciones (collaborations):** Makes strategic and specific contributions to relevant initiatives for the development of social programs and their ecosystem, favoring collaborative projects that strengthen and accelerate impact.



Fundación Colunga works with a business and technical method that prioritizes social impact (impact first).

In order to allocate fund resources, the Foundation makes open and closed calls for proposals through which it selects the organizations and projects to be supported.

For both types of calls, the general criteria for selection and definition of the amounts granted are:

- 1... Effectiveness evaluation based on four dimensions: the potential for inclusion, innovation, interconnection with other networks, and advocacy.
- 2... Coherence of the project formulated and institutional capacity for its implementation.

For each call, some particular characteristics are defined regarding funding amounts, and type and duration of non-financial support. The support is provided for one year for early stage organizations and for three years for growth stage organizations. The exit strategy depends on the fund. Once an organization receives non-financial and financial support and is exited, each organization becomes part of Colunga's network.



Tailored Finance

Since 2012, Colunga has supported programs with nearly USD 13 million in donations. Approximately USD 1 million is provided in each public call for proposal, and at least USD 150,000 is awarded for growth stage projects.

There is another call for startups, each receiving USD 15,000. For public policy advocacy projects, the maximum awarded is USD 300,000.

In addition to donations awarded through their funds, the Foundation participates in a Social Impact Bond program, as the final payor, in order to explore other financial instruments that enable them to continue establishing partnerships and promoting co-investment in projects with high social impact potential.



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Non-financial support

"Some organizations were failing, and we realized that it was not only a matter of funding, but also a matter of capacities that needed to be strengthened." Arturo Celedón.

The Foundation offers work spaces and develops acceleration learning workshops in key dimensions of organizational development; it also consolidates networks and promotes the articulation of social purpose organizations (SPOs). Additionally, it hires third-party services when specialized advice is required for projects.

Once the organization is selected through one of the funds, it receives non-financial support and follow-up. The Social Innovation Laboratory develops different initiatives by means of learning exchanges

that allow the acceleration of the different key areas of the organization. The last component that is established and strengthened is impact measurement.

Fundación Colunga gets involved in the strategic decisions of the projects and organizations it supports, which implies a constant follow-up of human talent. Part of this support is focused on management design and planning, so that the donations are better invested and given when the organization has the capacity to receive them effectively.

In the area of Social Development, the purpose of the first stage is to develop a minimum viable product or project, then focus on standardizing the process to make it scalable. The last step is scalability, where the maturation processes of the offer are accelerated.

It has been identified that organizations usually require more support in impact management, staff development, governance and measurement.



RESULTS

"If all the projects come out perfect, it means that we are not evaluating, that we are in our comfort zone, and that we are not taking enough risks." Arturo Celedón.

All projects report progress and effectiveness twice a year. To monitor overall performance, surveys are conducted among all the organizations. Emerging factors are evaluated in the monitoring process to adjust the work plans.

For public policy projects, the evaluation is designed with the production of evidence in mind. In addition, legitimate external evaluators are sought, usually academic organizations. Evaluation is a requirement of the Public Policy Fund, so the resources allocated for this purpose are part of the overall budget of the initiative.


According to the "Ficha Estadística Codificada Uniforme" (FECU Social 2019), which presents results from civil society organizations supported, the main actions were aimed at supporting the development of

innovative projects (52 projects by 38 social organizations were supported). FECU Social 2019 includes specific information about each project and their results.³

“The main action areas of the Social Development Program (PDS) were education and protection of children’s rights, supporting impact programs throughout Chile. In total, 47 projects were funded, directly impacting 6442 people and 9376 indirectly”.⁴ The Social Innovation Laboratory had an impact on 381 organizations and 2122 people; this is a collaborative learning platform in which 46 civil society organizations formed a development unit to overcome poverty in Chile.

The direct impact achieved between 2017 and 2019 by the organizations supported by Colunga is reflected in the following results:⁵

- a 63 % increased the number of users of their programs.
- b 66% increased their income, from USD 8.7 million to USD 11.6 million, which represents a 33% increase.
- c 78% increased their hired staff, strengthening their teams and institutional capacity.
- d 42% of the programs developed products to collaborate in public policy and participated in working groups and coordination spaces to improve them. Another 15% of the organizations developed products for public policy or participated in advocacy spaces.
- e Of the 30 finalized projects, 24 were able to complete their work agreement with Colunga, and only five ended their support process early.
- f Of the 30 finalized projects, 22 are still operating.



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3 Information on all projects can be found here: <https://www.fundacioncolunga.org/wp-content/uploads/2020/08/FECU-Social-Fundaci%C3%B3n-Colunga-2019.pdf>

4 Fundación Colunga, (2019) FECU Social 2019. Available at: <https://www.fundacioncolunga.org/wp-content/uploads/2020/08/FECU-Social-Fundaci%C3%B3n-Colunga-2019.pdf>

5 Ibid. Calculated on 33 out of 53 organizations that have participated in the community between 2017 and 2019. The projects presented in the two data compilations were used to make the calculation, excluding América Solidaria Internacional, whose variation between the two surveys is too significant.

- g**...Of the 18 projects for which data is available, 10 improved their internal effectiveness (used by Colunga to measure organizational capacity).
- h**...13 of the projects are identified as high growth potential (5 at a growth stage, 8 at an early stage). All of them have managed to improve their work models with vulnerable populations and have access to other impact investment funds or strategic philanthropy.



LEARNINGS AND PERSPECTIVES

Fundación Colunga has understood that its organizational and institutional structure must allow sufficient flexibility and adaptability that enables it to innovate and meet the particular needs of the organizations it supports.

It has also learned that:

- a**...Social impact is achieved collectively, not by an organization alone. That is why working in partnership is fundamental.
- b**...The social organizations' teams are the ones that make it possible to bring about transformations.
- c**...It is necessary to contribute to the construction of effective impact models.
- d**...It is important to be willing to not always win, which implies patience and a mentality that allows to focus efforts for the long term.
- e**...Innovation is fundamental and for that it is necessary to build trust and collective knowledge exchanges.
- f**...Listening and feedback mechanisms are necessary in order to truly know the opinion of social organizations.
- g**...Management and operations mechanisms are key to achieving social impact.
- h**...Transparency in decision-making processes is fundamental to act professionally.