

Measuring Social Capital: Fundación del Empresariado Chihuahuense
A Case Study

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Presented at the Synergos Institute's 2003 Global Senior Fellows Meeting

Oaxaca, Mexico

May 2003

BACKGROUND

Fundación del Empresariado Chihuahuense is a grant-making non-profit institution that had its origins in 1990, when a flood ravaged the capital city of Chihuahua, Mexico. Business leaders assessed the need to create a community fund to repair and build the damaged homes and asked the state governor to impose a contribution based on the payroll tax on all businesses. By 1994, the business leaders of the state had seen the effectiveness of private philanthropy to address the effects of the flood. They again lobbied the state government to renew the contribution, through a state-wide decree. Under the 1994 legislation, the state's 38,000 business owners contribute the equivalent of 10% of the basic state payroll tax to the Social Trust Fund of the Chihuahua Business Community. This mechanism, plus interest earned and other donations, provide the foundation with approximately 8 million dollars annually, of which it utilizes 5% for administration and 95% for grant-making and related activities such as research.

In 1996, **Fundación del Empresariado Chihuahuense, A.C.** was established to serve as the philanthropic vehicle of the trust fund.

The foundation focuses its giving in the areas of health, education, income-generation and the promotion of philanthropy. It aims to address the needs of marginalized and vulnerable populations, including indigenous groups, children and youth, and the elderly. It funds primarily construction, remodeling and purchasing of equipment and vehicles. The foundation requires applicant organizations and institutions to demonstrate strong involvement of their boards, a track record of community work, community participation, and co-financing from other funding sources. Due to the lack of other organizations that could carry out important projects for FECHAC, we decided to operate our own social programs that address issues related to older adults, indigenous people, lack of economic opportunities and CSO capacity.

Since 1996, Fundación del Empresariado Chihuahuense has invested more than 30 million dollars, to improve the lives of people in more than 100 communities throughout the State of Chihuahua.

"The history of your foundation's creation and the ongoing changes in state legislation that allow for a steady income based on business tax allotments is a fascinating one. Clearly the state is quite progressive in its support for civil society and you enjoy the participation of a very enlightened business community"

Jess Gersky, Executive Director, Pan American Health and Education Foundation.

PROGRAMS AND PROJECTS

Health and Social Services

A fifth part of our assets are allotted to the construction, rehabilitation and equipping of medical centers and hospitals as well as to support community health programs, especially those located in hard-to-reach communities of the Sierra Tarahumara, a region that four indigenous groups call home. As far as social services are concerned, we work to improve the lives of children, the elderly and the disabled. Resource allocation favors projects oriented to incorporate to society those who, for some reason, have been left aside.

Education

We work to improve the facilities of educational centers serving groups in disadvantaged conditions. We firmly believe that a proper education enables people to act on their own with a higher capacity and improves the possibilities for individual and family development. Bearing this in mind has led us to allocate more than 50% of our resources in this area.

We also invest on the most valuable resource of our communities: families, through the *School for Parents* program, which helps parents raise their children as valuable, self-confident and committed individuals.

Sustainability

By supporting productive projects and programs, we have witnessed the difference a subsidiary participation makes for those in need of an impulse to actively integrate to a new and dynamic economy. In 1998, with support from the Inter-American Foundation, we established the Community Micro-enterprise Groups program to tackle some of the main problems affecting our society today: low wages, economic hardship to meet basic needs and few work opportunities for women.

Through this state-wide program, we provide low interest loans to community groups for them to invest in their own businesses. At the end of the term, they repay the loan plus interest to the foundation. As a program requirement, beneficiaries keep 20% of the amount of their loan in a joint savings account. Although men are not excluded, each group averages fourteen low-income women. We support people living in poor, urban neighborhoods who are able to demonstrate honesty and a track record of community service. We also provide them with training workshops in business-related topics such as marketing, sales, budgeting and management. This program's success has led to the incorporation of new initiatives aimed at fostering economic development: individual loans with a higher credit line (through a partnership with *Banco de México*) for people without access to traditional banking institutions; and PROFESSIO, a program that focuses on providing social enterprises with training and technical assistance to help them become sustainable organizations.

Development of Social Responsibility

CSO Capacity Building Program

In the State of Chihuahua there are hundreds of non-profit organizations that carry out various activities in favor of others. The vast majority emerge from the good-will of those committed to a good cause, without real knowledge about administration and development. We hire nationally and internationally recognized specialists to teach periodic training workshops and seminars aimed towards CSO's employees, board members and other volunteers throughout the state.

This year, through a partnership with a prestigious higher education institution, we are improving our program by creating two non-profit resource and volunteer centers in located in the 2 cities with a higher social activity: Chihuahua and Juárez.

Corporate Social Responsibility

The year 2003 will witness a new initiative to foster the incorporation of CSR practices into businesses located in Chihuahua, through research, self assessment, and technical assistance. In addition, we will launch an awareness campaign to promote the concept of social responsibility among people of our communities.

Shared Programs

For FECHAC, conforming strategic alliances has blossomed in various programs of multi-sectorial participation. From these programs emerge actions sustained on the sum of abilities, experiences, originality and ingenuity from various institutions with common goals, in a democratic dialogue of exchange and respect of each others priorities and interests. Both PIAI and PRODIA are our programs that seek solutions for problems related to indigenous peoples and older adults in coordination with other organizations.

FUTURE PERSPECTIVES

We are involved in a process that includes both resource and institutional development. Through this process, we will increase and diversify our sources of funding as well as transform FECHAC into a truly community foundation.

This new vision as well as our past successes (and errors!) have also brought new challenges for FECHAC. For years, we have concentrated our efforts to fund CSO's bricks and mortar projects to help them carry out their missions. Our strategic planning process and other factors have influenced our decision to shift our focus to provide long term benefits by investing in the only resource capable of transforming the current state of things: people.

We have many concerns about changing the way we have been operating:

- ✓ How will we know what projects better address this new funding priority?

- ✓ How will we know that the projects and programs we will support will really reach the right population and how do we evaluate them?
- ✓ What specific projects and programs are more likely to build social capital?
- ✓ What are the best ways for our foundation to target social justice philanthropy when CSO's and society in general have immediate needs for support that nobody else is willing to meet?
- ✓ Are there any proven tools or methodologies that help measure the impact our grants make in terms of social capital?
- ✓ How do we make the most out of our current programs and projects in terms of social capital and justice?
- ✓ What are the best strategies in terms of capacity building for CSO's when our funding priorities shift to projects that create social capital and justice and how do we evaluate these strategies?

We feel that this is a step that we can not take without assistance. I will appreciate your input and expertise on these issues. For additional information, please contact:

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