

The Synergos Institute
Voluntary Sector Financing Program
Case Studies of Foundation-Building
in Africa, Asia and Latin America

Foundation for Higher Education (Colombia)

(Fundación para la Educación Superior-FES)

Alfredo Ocampo Zamorano with W. Bertrand
and Margee Ensign

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Voluntary Sector Financing Program

Case Studies:

- The Foundation for the Philippine Environment
- The Esquel Ecuador Foundation (Fundación Esquel-Ecuador)
- Child Relief and You - CRY (India)
- Foundation for Higher Education (Colombia) (Fundación para la Educación Superior - FES)
- Philippine Business for Social Progress
- The Puerto Rico Community Foundation
- The Mexican Foundation for Rural Development
- The Kagiso Trust (South Africa)

Cross-Case Analyses:

- Formation and Governance
- Organizational Financing and Resource Generation
- Program Priorities and Operations

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Glossary of Acronyms

CFC	Compañía de Financiamiento Comercial
CIMDER	A multidisciplinary center for rural development research
COLCIENCIAS	Colombia's national science institute
FES	Fundación para la Educación Superior
FLO	Foundation-like organization
FONADE	Colombian fund for development projects
FRB	Fundación Restrepo Barco
IAF	Inter-American Foundation
INCOLDA	Instituto Colombiano de Administración
NGO	Non-governmental organization
PRIMOPS	A FES program for investi- gat- ing models of health service delivery
WHO	World Health Organization

Synopsis

Origins

Fundación para la Educación Superior was founded in 1964 to help a public university meet its cash flow and program expenses. Given that government disbursements were habitually late, the University was forced to borrow from local banks at high interest rates. At the same time, funds received from foreign foundations were deposited in local banks without earning interest. Foreign foundations, which were contributing to the University, advised it to set up a mechanism to promote donations from alumni and the local business community. The president and trustees of the University (Universidad del Valle) proceeded to select a group of twelve prominent civic and business leaders in Cali to establish a private foundation and an office for fundraising and development.

To start its operations, each founding member gave FES a modest contribution and the Ford Foundation provided a seed grant; at the same time the Rockefeller and Kellogg Foundations committed to channel their grants through FES and allow FES to make use of the earned interest. In 1966 a full time officer was appointed; he served as CEO for 29 years.

FES became independent of the University in the early 1970s and its reach broadened. What was to become FES's Vice Presidency for Social Development (VPSD) was established to make grants, conduct research and create seed programs outside the original university.

Financing

FES's "take off" as a financial institution began

in 1975 when the government allowed it to become a "commercial financing company" that could seek monetary resources in the capital market and make loans, which could then be linked to capital accumulation to increase FES's earning capacity. Today, FES has evolved into a new corporate structure, controlled and owned by Fundación FES, that operates seven primary financial companies. The total consolidated capital for the corporate group is US\$42 million.

Governance

FES is governed by a board of trustees with fifteen permanent and five temporary members. In addition FES has advisory structures including a committee of presidents and CEOs of the enterprises and senior FES officials. The leaders of FES apply principles of business efficiency to the foundation — team work and horizontal communication are encouraged.

In addition to the VPSD, FES also has a Financial Vice Presidency (which is larger, in terms of staff size) and an Administration Vice Presidency.

Programs

FES' programs provide financial support to NGOs and research organizations in the form of direct grants and also matching grants to Permanent Endowment Funds. These funds, matched by FES on a 1:1 basis, are managed by FES in such a way as to maintain their value but also provide a sustainable source of income to the NGO. In 1994 there were 400 such funds worth nearly \$22 million.

FES also intermediates other organizations' money for social programs — in 1994 this included more than \$18 million for internation-

al donors and almost \$2 million from government and other domestic sources.

FES' programs focus on health, education, economic and social development, environment, children and youth and civil society support. To date, FES has distributed over US\$50 million in grants.

Preface

Background

In Africa, Asia and Latin America, citizen participation through a range of civil society organizations has become a growing and vital force. Civil society organizations have brought significant material and human resources from the community level to bear on poverty problems through donations of time, energy, materials and money.

Locally managed and controlled organizations that provide direct financial support to other organizations within their societies have been established over the last decade in many southern countries. A few were established twenty or thirty years ago. These organizations are injecting critical financial as well as technical resources into local civil society and mobilizing resources from a wide variety of sources both domestic and international for this purpose.

Few of them were created with a single large endowment, as was the case with most northern private foundations. Most of them rely on a wide range of strategies to mobilize financial resources including earned income contributions from individuals and corporations and grants from international organizations. Some managed donor-designated or donor-advised funds following the US community foundation experience.

General consensus over terminology has yet

been reached; these new types of organizations are usually referred to as "foundations" or "foundation-like organizations." Though many of these organizations have adopted legal identities as foundations or trusts, others are registered as nongovernmental organizations. In general, they differ in many ways from their northern counterparts. For example, they are more likely to mix program operation with grantmaking. Many of them act as convenors of civil society groups, as bridging institutions to other sectors of society or as technical assistance and training providers.

To distinguish this type of southern foundation-like organization from northern foundations we can use a term such as "community development foundation" or "southern foundation" or use a new term. One new term which has been proposed is "civil society resource organization" or CSRO. This term refers to organizations which combine financial assistance to community-based organizations and NGOs with other forms of support for organizations or the civil society sector as a whole. In this series of papers we will use the terms "foundation" and "civil society resource organization" interchangeably.

This expanding universe of foundations/civil society resource organizations around the world has not been systematically studied. As one of the first steps towards developing an understanding of this sector, Synergos responded to a request from a group of southern foundations. In April 1993, a group of foundations from a dozen southern countries met with northern foundations and official foreign aid agencies to discuss the emerging role of foundations in strengthening

civil society in Africa, Asia and Latin America. A major outcome of the discussion was a decision to learn more about how these organizations are created, how they develop and evolve, and how they sustain themselves as philanthropic entities. The group decided on case studies and analysis as the most fruitful approach. The Synergos Institute, which works with local partners to establish and strengthen foundations and other financing organizations, accepted the task of producing case studies of these organizations. These papers are one of the products resulting from this effort.

Methodology

A Global Advisory Committee of southern foundations guided the two-year effort by Synergos. The advisors selected eight geographically diverse cases from over sixty organizations identified through an initial survey. Local researchers were retained in each country and the Synergos research team worked with them and the Advisory Committee to develop a common protocol.

The protocol hypothesized four areas as key to the operational effectiveness and sustainability of southern foundations: origins and genesis of the institution; institutional governance; program evolution and management; and financing. The case researchers studied these issues via multiple data collection methods and sources. The primary method was to conduct direct structured interviews with individuals involved with each case organization, including board members or trustees, the managing director, staff members, grant recipients, and other relevant organizations. In addition to interviews, researchers gathered mission and vision statements, annual reports, operating strategies and plans, internal and external

evaluations, financial plans and administrative procedure manuals. Data collected by the different methods were systematically organized into distinct databases which were the basis for each written case study. The case studies were coordinated by the Synergos research team, which then provided the funding to a cross-case analysis team for the preparation of three analytical papers. The two teams prepared condensed versions of the case studies for publication.

Use of the Studies

The eight case studies bring to light key factors that have led these organizations to be successful, and the studies document the crucial processes they have gone through to respond effectively to the needs of their national civil societies. Across the very different conditions that brought about their formation, the cases reveal that foundations/CSROs can play a central and strategic role in strengthening civil society. Their comparative advantage as resource mobilizers enables them to have a large effect both in stimulating new financing and connecting financial resources to the community-level where they can have the greatest impact. In particular, they have excelled at:

- providing seed resources for the growth of civil society organizations in their countries;
- leveraging diverse sources of financing for the projects and programs of civil society organizations;
- assisting northern foreign aid to be channeled to civil society in more sustainable and effective ways; and
- acting as an interface for public policy

dialogue between civil society and the government and business sectors.

The case studies and the related analytical papers are a useful tool for those who wish to build foundations/CSROs around the world. Synergos hopes they will be widely used as a catalyst for the development and strengthening of this important group of institutions that provide financing to the voluntary sector.

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Genesis and Origins

From its inception in 1964 as a university foundation with a nominal endowment of less than US\$2,700, the Fundación para la Educación Superior (FES) has grown to become the most eminent private foundation in Colombia. In its three decades of operation, FES has accumulated an endowment of over US\$42 million and given out grants totaling almost US\$50 million. Among the eight foundation-like organizations (FLOs) included in this Synergos study, FES is a special case because of its unique growth pattern, its dual nature as a private and philanthropic enterprise, the wide range of social development programs it has promoted and its role in the support of civil society.

The environment in Colombia — especially what some see as “the country’s lengthy record of sound economic management [in] a region where boom and bust is the norm”¹ — has had a considerable influence on the Foundation’s pattern of growth and its successes. Colombia’s economic development has been basically financed by the private sector of the economy, with the public sector supplying less than one-third of gross domestic investment. Due to conservative financial management and a willingness to cut back government spending, Colombia has kept inflation relatively low by Latin American standards, the rate having exceeded 30% only once between 1983 and 1994.

But even more important than the national economic climate has been the vision, foresight, and dedication of FES’s founders, and their unique role in inculcating the spirit of enterprise and philanthropy among staff of the rapidly growing organization. Based in Cali, Colombia’s

second largest city, FES’s founders embodied the region’s unique mix of a can-do immigrant spirit, a sense of noblesse oblige among the local elite and exposure to foreign institutions and ideas.

FES was created in 1964 in response to a dire need at the Universidad del Valle, a public university, to adequately meet its cash flow and program expenses. Given that the state and central government were habitually late in meeting their budgetary commitments, the University was often forced to borrow from local banks at high interest rates. Meanwhile, the funds it received from three US foundations — Kellogg, Ford, and Rockefeller, which supported pilot programs in community health, economics/MBA, and local development, respectively — were deposited at local banks without earning interest.

As the University sought ways to solve this financial problem within existing legal limitations placed on the use of grant funds and government auditing requirements, the foreign foundations advised it to set up a mechanism to promote donations from alumni and the local business community. But such sources were reluctant to give funds to the general operating budget of a public institution that was in constant financial crisis.

The solution came from a recommendation given by Julius Stratton, President of The Massachusetts Institute of Technology, that the University establish a private foundation and an office for fundraising and development to facilitate and bridge private and foundation funds. The Ford Foundation expressed willingness to back this proposal. The President of

¹ *The Wall Street Journal*, January 31, 1995.

the University, Mario Carvajal, a humanist and poet, and the Board of Trustees welcomed Dr. Stratton's suggestion and proceeded to select a group of twelve prominent civic and business leaders from Cali who became the contributing founding members with a modest donation of 2,000 Colombian pesos each for a total US dollar equivalent of \$2,666.

Key Actors

The founders of FES consisted of representatives from the local elite acting as Trustees of the Universidad del Valle, and the President, Vice President, and deans of the University. A majority of the fifteen all-male founders were from immigrant families. The four youngest individuals represented a visionary group, the so-called "Grupo de los Martes," which met weekly at the local social club and served as a think-tank for the development of the Cauca Valley region. Nine of the founders had studied in the USA and/or England.

At that time, there were no social and economic development programs in Cali. The local chapter of INCOLDA, a business institute, which helped found FES, had some experience in fundraising. One of the trustees, a banker, was experienced in financial management, and the President and former President of the University were well-versed in institutional governance. With the exception of the then-dean of the School of Public Health, none of the others had any experience in working with low-income communities. As of mid-1995, of the original fifteen founders of FES, eight were deceased and four remained members of the Board of Trustees.

When FES was founded in December of 1964, the Colombian Constitution and the civil code regulated the establishment of nonprofit foundations to promote education and philanthropic endeavors. The tax code exempted it

from taxation as a nonprofit foundation.

Adding to the contribution of the founders was a seed grant of US\$ 20,000 from the Ford Foundation to cover administrative expenses. The Rockefeller and Kellogg Foundations agreed to channel their donations through FES and to allow the interest earned by these funds to be used for the administrative expenses of FES and to augment the initial endowment.

The Dean of the School of Economics and the Vice President of the University acted on a part-time basis as managers, but, by 1966, it was necessary to appoint a full-time officer. The Executive Director appointed at that point, Hugo Lora Camacho, served as CEO for twenty-nine years, and the individual who joined FES in 1966 as accountant and comptroller became Executive Vice President. Dr. Lora visited and studied North American foundations in order to learn how to promote FES and to stimulate the local community to give moral and economic support to the University. In the US, he visited the Foundation of the University of Houston, the fundraising program of the University of Southern California, and the Washington Alumni Center. In Mexico, he visited the fundraising program of the Universidad Autónoma de Guadalajara and the Instituto Tecnológico de Monterrey. In his words, these visits:

... demonstrated to us that we were not dreaming when we believed that we could become an active foundation and acquire a level of professionalism in obtaining and managing funds.

Evolution of FES as a Social Enterprise

To understand the history of FES, it is useful to distinguish several stages in its evolution.

The directors of FES note that in some aspects, the Foundation is in an advanced stage of self-sustained growth, while in other areas it may lag.

FES has gone through four stages in its development as a social enterprise.

- Transitional stage, from 1965-1972;
- Take-off stage, from 1973-1980;
- Maturation stage, from 1981-1990; and
- Institutional consolidation and leadership, 1991 to the present.

Transitional Stage (1965-1972)

In its early development, FES acted as a rather typical university foundation, playing two roles in accordance with its statutory mission that its corporate social objective be fulfilled through the University. Samir Camilo Daccach, one of the founders and a member of the Board of Trustees explains:

In the Board of FES we thought that by administering the resources [donated by foundations] that did not produce income to the University or its programs, a double purpose could be realized. [We could] endow FES with 25% of the yield, while the other 75% would be granted to the programs. This scheme was approved by the foundations and it initiated FES's endowment growth.

FES's primary role was to manage grant money from US and other foreign foundations. Because all funds did not need to be disbursed when received, cash was invested in very secure loans at prevailing interest rates. The sound and transparent management of these investments created an atmosphere of trust within the local community. Although FES began to accumulate an endowment during this period, as one of the Trustees points

out, "We still did not have an exact idea of how to use [it]." The experience of FES as an entrepreneurial entity grew, but its social objective was limited to managing funds donated by foreign foundations for various programs of the University.

The second role FES played was to attract a younger generation of business leaders to the University who were later to become the elite of the city. The Grupo de los Martes promoted the first MBA program at the University's faculty of economics in 1965-66, a program established with grants from foreign foundations. Prof. Peter F. Drucker became involved in the program and his business philosophy was instrumental in changing the outlook of participants. A number of FES Trustees participated as students in the MBA program and became convinced that entrepreneurial success and social responsibility went hand in hand.

During this transitional stage (1965-1972), FES accumulated a total equity of US\$ 261,666. In a period of three years (1970-1972), FES donated to the University US\$ 224,782 from these funds.

Take-Off Stage (1973-1980)

In the early 1970s, the Universidad del Valle experienced a serious crisis when a group of left-wing students took over the campus. To appease them, the Minister of Education changed the top levels of the University administration. As a consequence, the religious and business representatives on the Board of Trustees of the University resigned.

Confronted with this situation, the Board of Trustees of FES decided to expand its actions to other universities, a move allowed by FES's charter. FES moved its offices out of the University into space provided free of charge by a

founder and Board member. Though unanticipated by the founders, these events served to make FES independent of the Universidad del Valle and facilitated its take-off as an independent institution. While FES continued to provide financial security for many research activities and individual professors that the University could not support, its reach broadened so that in 1972, 49% of its total grants (US\$139,982) were given to three private universities in Cali and one in Barranquilla.

This same year, the Board of Trustees created the Department of Research and Education, which later became FES's Vice Presidency for Social Development. These decisions reflected FES's new orientation to actively promote higher education and research. The Board created a technical committee to study and approve grant requests. During the take-off stage, FES Board and staff gained expertise in making grants, administering research projects and creating seed programs.

The programs that FES funded and administered grew from seven in 1973 to 157 in 1979. The common thread among all was the promotion of education and research. It began to support and administer two major innovative projects of the public health school of the Universidad del Valle:

- PRIMOPS: a program for investigating models of health service delivery; and
- CIMDER: a multidisciplinary center for rural development research.

Another program FES supported was FUNDAEC (*Fundación para la Aplicación de la Enseñanza de las Ciencias*), which created and supported rural schools from the kindergarten to grade 12 level with an experimental and highly successful training course and pro-

tol.

FES also signed agreements to promote and carry out research with:

- Two government institutions (COLCIENCIAS and FONADE);
- A private management institute (INCOLDA); and

International agencies from which it received grants, include: the US Agency for International Development (USAID), the Inter-American Development Bank (IDB), the Canadian Foundation for Development, the World Health Organization (WHO), and the InterAmerican Foundation (IAF).

A concern about the direction and impact of FES generated some of the first attempts at evaluating its impact. The evaluation activities were carried out by a special staff group in collaboration with a consultant from Tulane University. They assessed several social action programs the interaction of FES with these programs, and the projects' effects on the target population. This process provided insights into how FES's activities could lead to social development, and helped it to develop criteria for project selection and priorities.

In 1977, the Board approved the following funding priorities, which were defined by the technical committee:

- Financing research;
- Establishing a prize for the best research work on social development;
- Providing permanent scientific and academic funds (Managed Funds);
- Supporting research on the problems of higher education in Colombia; and

- Financing cultural projects.

Towards the end of the decade, two large research projects were initiated: an in-depth survey of decisionmakers in the private and public sector of Colombia and an analysis of higher education. The results of these two research projects were discussed at the national level and published in book form, establishing FES as a creator of intellectual capital in its own right.

FES's economic growth and "take-off" as a financial institution began during this stage, when it was authorized by the Superintendent of Banks in 1975 to operate as a *Compañía de Financiamiento Comercial* (CFC). This authorization meant that FES could seek monetary resources in the capital market and make loans. Deposits and loans in these operations were linked to capital accumulation and, as such, they increased FES's earning capacity. The creation of Permanent Matching Funds during this period also contributed to the growth of equity and to increased financial capacity. By 1980, FES's total endowment had grown to US\$5,615,080. The total grants made by the Foundation during the 1970s were US\$3,130,697.

In 1980 the Board of Trustees redefined the general objectives of FES's charter as follows:

The Foundation will have as its general objective to promote the social development of the country, mainly giving its support to education, scientific and cultural programs that will contribute to improve the quality of life of the whole population, with emphasis on the most socio-economically deprived groups.

Throughout this stage, FES received deposits from other NGOs — a role which facilitated

interaction with them and later led to the creation of an important network of NGOs under the leadership of FES.

Maturation and Consolidation (1981-1990)

During this decade, FES matured into an entrepreneurial philanthropic organization by focusing on four critical areas:

- Building national recognition;
- Developing and prioritizing a social plan of action;
- Creating an endowment of permanent funds; and
- Developing a concept of social enterprise.

Recognition of FES at the National Level

The involvement of FES in social development activities during the 1970s earned it national recognition and, on its fifteenth anniversary, FES received an award from the government for its role in "active cooperation between the public and the private sector in the promotion, improvement, and financing of higher education in Colombia...."

During this period, FES had extended its operations to Bogotá, the capital, and to Medellín, then the second-largest city in the country. It expanded its Board to include representatives from these cities and created a national advisory Board that included intellectuals and statesmen under the leadership of former President Carlos Lleras Restrepo. During FES's general assembly in March 1983, President Lleras noted: "FES represents an innovative combination of community funds and sensible distribution of its earning programs that have a realistic objective for social transformation..."

² Cobo, Alex, *Facts about FES*, 1991

In the 1980s, FES served as a bridge between the public and the private sectors on social action programs through analysis of topics affecting national development. For example, two important research projects which covered the Institute for Family Welfare and the Institute for Social Security helped define the development of a social plan of action. Both were contracted by FES with groups of experts in each field and the results were widely communicated throughout the country and consolidated FES's recognition at the national level.

Prioritizing a Social Action Plan

As a result of the take-off stage, FES's social division received an increasing number of grant proposals. In 1979, FES received 100 proposals for every thirty-nine grants that it made. Clear criteria for grants were developed, which resulted in the elaboration of a general plan for social action — which identified four priority areas and covered twelve program-areas of activities.² During this stage FES opened an office in Washington, D.C. and in 1983 was authorized to function as a foundation in accordance with US law.

The Foundation's grants during the 1980s amounted to approximately US\$22.7 million.

Creating Permanent Funds and a Concept of Social Enterprise

During the 1980s, FES developed the idea of forming an endowment from permanent matching funds (PMF), and has since established three classes of funds: operating, permanent, and special restricted funds. The revenues of the Operating Fund, which are obtained from financial management activities, are not subject to any special restrictions and

are used according to the policies of the Board. Permanent and Special Restricted Funds have restrictions established by the donors. Permanent funds include the matching contribution programs jointly run by FES and other nonprofit entities that give the funds to FES as grants for special programs and projects.

From 1982-87, Colombia's commercial banking sector underwent a period of crisis, during which several banks were placed under central government control. This crisis reinforced the public's trust in institutions such as FES that had remained untainted — and thus FES's reputation and attractiveness to depositors grew. Permanent funds (including those with matching requirements) grew from US\$2,183,693 in 1980 to US\$11,393,443 in 1990, representing on average over 50% of the total equity of FES. Since the financial capacity of FES to receive deposits from the public and earn a differential interest was linked to total equity, the growth based on the permanent matching endowment funds allowed FES to increase its financial deposits, which grew threefold from US\$26.7 million in 1980 to US\$88.2 million in 1990.

As FES learned to manage funds to support social development programs and NGOs, it outgrew the nonprofit organization status of traditional types of foundations, for which the main source of funds is public generosity and philanthropy. In the words of Dr. Lora:

FES has learned about efficiency and the profit motive from the corporate world with the objective of managing humanitarian activities....After [many] years of experience, FES has demonstrated that if social development is administered correctly, civil society will have institutions with the characteristics of private social enterprises,

³ See Lora Camacho, Hugo, *El Camino de la Solidaridad*, FES, 1991 and *FES Trinta Años*, FES, 1995.

instead of charitable entities.

Two elements stand out as critical to FES's development and survival as a social enterprise during this period: 1) the transparent, honest, and efficient use of funds with modern banking criteria; and 2) the need to generate sustainable revenues to promote social action programs.

On the one hand, fiscal integrity was required to sustain the growth of the programs and the endowment. On the other, each financial transaction had to be open and could in no way be the source of any monetary gain or questionable involvement by the Trustees and/or executives, employees, social stakeholders or beneficiaries of FES. Their role as part of FES is marked by complete adherence to high standards of probity, integrity and truthfulness.

During the 1980s, through activities, publications, and appearances, FES promoted the concept of a solidarity sector or civil society as the third sector responsible for Colombian development.³

Institutional Consolidation and Leadership (1991 - 1995)

During the 1990s, FES entered a new stage of development. It now functions as a center of leadership for a network of NGOs and it offers diversified financial services. Under its Chief Executive Officer and Vice President for social development, FES's international relationships have expanded and its reputation has grown.

The organization is, however, facing its first major break in executive continuity. After his long tenure in office, Dr. Lora retired as CEO in mid-1995. In his place, the Board has elected Mauricio Cabrera Galvis, PhD an individual with experience in the banking sector, a clear social commitment and a strong philanthropic drive. He took office in August 1995.

Governance

Mission and Vision

In its thirty years of existence FES has fundamentally altered its mission three times. Its initial purpose was to operate as a foundation to administer specific resources from international foundations for a public university. In its transition and take-off stage, FES defined its purpose as funding research-related projects for promoting higher education in other universities. During its maturation stage, FES redefined itself as a foundation that administers health and development-related projects for less developed, socio-economically deprived groups. As FES reached its maturation stage, it grew financially and extended its social mission to the national level. It began to act as an intermediary between the private and public sectors of the nation and its role as the central institution in a network of NGOs became clear.

The mission of FES today is:

To foster the social development of the country by supporting programs and activities of an educational, scientific, and cultural nature that contribute to improve the quality of life of the entire population, with emphasis on the most deprived groups.

This role is further elaborated by the following:

The social action of the foundation should contribute to strengthening the democratic and representative institutional framework which governs the country and the liberties secured by our constitution. To that effect, it will encourage the private sector to participate in the solution of national problems.

To implement its mission FES today defines three specific areas of action:

- Social development programs and activities;
- Democratic reinforcement in the private sector; and
- Higher financial returns to support these activities.

The financial aspect of FES has been continuously emphasized as an integral part of its mission. Once FES broke its umbilical cord with the Universidad del Valle, the need to strengthen its finances and grow its own endowment became paramount. During the take-off stage, members of the Board and the CEO were oriented towards the social mission of the Foundation. Their academic backgrounds helped FES to develop a financial services entity whose earnings would be appropriated for social programs. This policy led the Foundation to support well-managed social programs of NGOs within FES's financial network.

The promotion of permanent funds as part of the "social mission" reflected FES's financial success during the take-off and maturation stages. The Foundation's endowment grew at an unanticipated pace and increased FES's ability to receive deposits, make loans and earn the differential interest, which in Colombia is one of the highest in the world.

The different visions of FES as both a financial conglomerate and a foundation that promotes social development have generated an energizing tension within the organization. The CEO and Board have used this tension to promote the image of FES as an entrepreneurial and creative social enterprise that lends its income and experience to well-managed social programs with the expectation that they will become self-sustaining.

⁴ See Drucker, Peter, *Managing the Nonprofit Organization, principles and practices*, Harper Collins Publishers, 1990.

Drucker⁴ identifies the “three musts for successful mission” for the nonprofit organization as: “...Opportunities; competence; and commitment. Every mission statement...has to reflect all three or it will fall down on what is the ultimate goal, its ultimate purpose and final test.

It will not mobilize the human resources of the organization for getting the right things done.”

These three “musts” are easily identifiable in FES’s case. The organization built on its strengths and became increasingly competent in doing better what it already did well. Other elements which helped FES’s mission to grow have been the creation of a Social Plan of Action that prioritized its goals and the participation of other NGOs. FES’s improved financial position and expertise have sustained its core values as a foundation. The commitment of the CEO, the Board, and the top executives of FES, reinforced by the support of the National Advisory Council, maintains the ongoing energy of FES as a socially committed enterprise.

During 1993 an internal survey was conducted in FES to study the institutional climate. According to the results, eight of every ten persons surveyed gave a positive response when asked about FES, its responsibility and commitment to Colombia’s development, and its treatment of employees. Nine of every ten persons gave a positive response when asked about FES’s mission, working environment, and relationship with their supervisor. However, research shows that the top echelon’s belief in social commitment still needs to spread widely to the financial managers of FES’s new corporate structure.

The Board of Trustees

FES’s Board of Trustees is made up of fifteen

permanent and five temporary members. The temporary members are elected by the other trustees, serve for two years, and may be re-elected. There are four founders on the Board, who are members for life. The other eleven permanent members become members of the National Council at age seventy-two and are replaced. In this way younger Board members can be appointed.

Today, the social status of most Board members is comparable and diversity is narrow. There are fewer members of the younger generation. Grassroots leadership is underrepresented, and only three of the twenty members are women. (Women’s participation on the Board of Trustees began only in 1991). Approximately one-third of the Board members are, or have been active in academia and two-thirds are from the business sector. There is no international representation among the Trustees.

Board presidents are appointed to serve for three-year terms. Since January 1, 1995, the president of the Board has been Enrique Tono Trucco, a former vice president of the *Universidad del Valle* who once headed an international NGO in South America. Dr. Tono has also been active in both the business and the nonprofit sectors of Colombia.

All Board members view themselves as an integral part of the organization’s success, and

it is apparent that the prestige of participation motivates them. Board members are not paid, except for travel expenses incurred to attend meetings. Attendance by the trustees is always very high at Board meetings, despite the fact that many of them have to travel from other cities to Cali.

Each Board member is extremely aware that any monetary involvement with FES needs to

be strictly regulated and subject to the independent review of the financial committee. Complete transparency of actions is their golden rule and unwritten code of conduct. In the complex financial, social and political environment of Colombia, this transparency has proven to be extraordinarily important.

The National Council and Corporate Committee

In addition to the Board, FES has a National Council that acts as an advisory board in matters of policy and for certain specific programs supported by FES. The president of the Board of Trustees is a member of the National Council and establishes an important link between the two groups. The CEO also participates in the meetings of the Board and of the National Council.

At the corporate level, a committee to support the social/developmental mission of FES includes the presidents of the Boards of the enterprises comprising FES's corporate group,⁵ the CEOs of each enterprise, the Vice President for Finance, members of the financial committee of FES, and the Executive Vice President of FES, who acts as the committee coordinator.⁶

The Chief Executive Officer and his Relationship with the Board

FES's first CEO joined during its formation and remained in the position for twenty-nine years. Together he and the founders learned and participated in the entrepreneurial process that turned FES into a social enterprise, borrowing principles of business efficiency from the corporate world and applying them to the Foundation. This close relationship was vital to steering FES's direction and a healthy balance was achieved between the foundation's philanthropic and financial objectives.

In general, the Board members play an active role at the operational level of the Foundation and are committed to their service on the Board and on committees, which they view as prestigious. Importantly, the members have viewed the CEO as a colleague in charge of the day-to-day management of FES with the responsibility and accountability for achieving the goals of FES's increasingly complex social mission.

Organizational Structure

FES has continued to grow during each of its different developmental stages. Early on, the social division was headed by the Vice President for Social Development and the financial side was headed by the Vice President for Finance. During the maturation stage the position of Vice President for Administration was added. At the beginning of 1995, each of these vice presidencies was organized into different divisions, encompassing several departments. However, in May 1995, a reorganization was proposed to elevate the financial and social development positions to the level of president. By so doing FES would operate under a tripartite presidential organizational structure, with the Executive President, Financial President and Social Development President.

FES's organizational structure espouses the principle of teamwork, at the core of which is a team of Trustees and the CEO. Branching out from the core are numerous committees which, along with overseeing the organization's social development plan, also perform important administrative and financial functions. These committees are described in each of the following subsections.

FES has introduced the guiding administrative principle of "horizontality" — developing new horizontal lines of communication in an effort to flatten the organizational structure. As one of

⁵ The corporations linked to FES are: FES Leasing SA, FES Valores SA, Fiduciaria FES SA, and CORFES SA. The nature and functions of these companies that operate "outside" of Fundación-FES, are described in Section Four.

⁶ FES is also the legal representative of another Colombian foundation, Fundación Restrepo Barco (FRB), which is based in Bogotá. Two NGO's, Instituto FES de Liderazgo and PRO-CIVICA, are also linked to FES.

the tools to accomplish this goal, FES is installing an electronic mail network aimed at engendering more efficient communication within and outside the organization.

The Vice Presidency for Administration

Five persons have headed the vice presidency for administration since 1978. The office operates with the following divisions:

- Human Resources;
- Accounting;
- Information Systems, Organization, and Methods; and
- Statistics and Records.

There are also two departments: one for purchases and services and the other for building maintenance.

The Division of Human Resources oversees the personnel of FES. One of its policies is to have supernumerary personnel so that when a person occupying a given position is appointed to the next one, the upward movement is reflected within the organization and an opportunity is given to another FES employee before hiring from the outside. The division evaluates FES's personnel using a system of qualifications and points. Evaluations by the employee's immediate supervisor are also required. The division also gives incentives to employees for good quality work through salary increases and promotions. From December 1993 to March 1994, a project to redesign all the processes of the Vice Presidency for Administration was completed under the leadership of the division of human resources.

The Division of Information Systems, Organization and Methods has three departments —

systems and development, technical support, and research and updating. It acts as an umbrella for the regional offices of FES. Software is being installed to create a common database of all of FES's financial clients and financial affiliates. This data base will enable regional offices of FES to share information on clients' credit worthiness, management and other general information.

The division of records and statistics operates as a center for documentation on all the programs financed by FES through donations and grants. A project to identify prominent features common to past and ongoing programs financed by FES is under way and will incorporate all the information contained in historical and current databases. FES and its NGO programs will be organized by area, programmatic lines and by common denominators so that they can be readily analyzed and studied.

In addition, Records and Statistics publishes a quarterly statistical bulletin and a yearly statistical summary. The bulletin presents: social data, with information about donations and permanent funds; financial data, with information about deposits, loans, leasing and commercial credit; and institutional data, with personnel data for each vice president, the ongoing training programs, cultural and sport activities, loans, and other social benefits; and finally, corporate data, which summarizes information presented to FES and its corporate affiliates.

At the core of FES's continuous process of innovation, and as part of the Vice Presidency for Administration, is the Committee of Total Quality. Its purpose is to facilitate the realization of the objectives delineated in FES's Plan 2000. Total quality aims to improve the quality of daily procedures at FES and includes the

development of training programs, the development of FES's human resources, such as in technological know-how, and the principle of teamwork with supervisors, peers, and subordinates. This plan also encourages employees to continually give each other feedback on the organization's various operations.

Vice Presidency for Finance

This is the largest of the three vice presidencies, which oversees sixteen divisions at corporate headquarters in Cali. It also oversees the operation of the *Compañía de Financiamiento Comercial*; details of which are presented in Section IV, including two branches in Cali, four branches in Bogotá, and one each in Medellín, Bucaramanga, Pereira, Ibagué and Pasto, the most important state capitals in the Andean Regions of the country; and in Barranquilla and Cartagena, the most economically active state capitals in the Caribbean Region.

The Board has delegated the direction of the CFC to a Financial Committee of thirteen persons: six trustees, who are the voting members, the five top executives of FES (CEO, executive vice president, and the other three vice presidents), and two members of the staff of the financial vice president. The committee meets twice a month and sets general financial policies. Also it establishes credit limits and guarantee requirements, reviews the operations of the CFC and reports to the Board on all issues relating to the CFC.

Through its CFC, FES "carries out all kinds of operations as a credit establishment. It receives public savings through fixed term deposits and savings accounts, negotiates securities, issues bank acceptances and

bonds and has its own credit card in association with Visa" (FES Facts, FES, 1995). FES's services include credit lines for companies for investment funds or working capital, discounting invoices and checks, leasing, and a complete advisory service for foreign trade operations. Because of its financial nature, FES is primarily a consumer credit institution which facilitates financing ranging from the acquisition of homes to credit lines for students or any other purpose.

For its financial operations, FES has presently contracted an international consulting firm to re-engineer the vice presidency for finance. This plan was to be implemented in the second semester of 1995.

Vice Presidency for Social Development

The core of FES as a philanthropic foundation operates under the Vice Presidency for Social Development (VPSD). Only two individuals have acted in this capacity since the beginning of operations with the first, Dr. Alex Cobo, retiring in 1993. The continuity in his tenure and his dedication and vision were key factors behind the success, growth, and acceptance of FES's social development actions and programs. The present vice president has continued his legacy and initiated several international social development programs.

Three committees operate to coordinate action: the primary committee, the technical committee, and the social committee. Trustees as well as staff participate in the committees, in which the different actions and programs of the different divisions are presented, approved and reviewed

The Primary Committee

The Primary Committee is headed by the vice president for social development and includes all the division directors and assistant directors. The fifteen members meet every quarter. Two of these meetings are for reviewing and reflecting on past performance. Trustees as well as program directors and other persons linked to the social development program are invited to these meetings. During these special meetings, the strategic Plan for Social Action is evaluated for mid-term or year-end adjustments. New opportunities and critical junctures are also examined to adjust ongoing programs and propose new ones. For example, in 1994, newly-inaugurated President Ernesto Samper's proposal to start a social solidarity network in the country motivated a revision of social strategies of FES. For this purpose, consultants were invited to prepare new study documents and plan future activities.

For FES's Vice President for Social Development, this concept of a network for social solidarity has opened new opportunities to contract and coordinate with the government on activities that dovetail with FES's own priorities. In this regard, the VPSD has issued guidelines for contracting developmental actions and programs with governmental bodies. This opens new areas of partnership for development, strategic alliances and consortia agreements.

The Social Committee

This committee is directly linked to the Board of Trustees. It is made up of six trustees and representatives of senior staff. The heart of the Foundation's actions, plans, programs and achievements are communicated to the rest of FES through this important committee.

The core of FES's mission is planned and strategies are developed during these meetings. The staff who are members of this committee participate on it but do not have voting rights.

The Technical Committee

The Technical Committee meets once a month in preparation for the Social Committee meeting. It is made up of the fifteen members of the Primary Committee, plus three others: the Social Director of the Fundación Restrepo Barco (described later in this case study), the Social Auditor of FES (described below), and FES's Director for Statistics and Information.

The divisions of the VPSD are described in the FES organizational charted included as Annex 1.

Strategic Planning

With the participation of the Board, FES has carried out several strategic planning exercises (called general study meetings) to guide its

institutional development. These exercises are usually conducted over a period of two to three days outside of FES's offices and serve as opportunities to review and plan the organization's growth.

The "Plan FES 2000" is one example of the impact of such exercises, during which FES's achievements as well as its future course, were analyzed. The first general study meeting with trustee participation was held in 1987 (Reunion de Quirama); two years later a second one was held (Reunion de Buga, 1989). During the latter, three-year social and financial plans were constructed. The "Plan FES 2000" was created during the third study meeting, held in 1992, and subsequent yearly meetings have updated this plan.

In these study meetings, objectives, goals, and strategies are reviewed and defined for each of the operating centers of FES, which consists of the presidency, the executive vice presidency, and the vice presidencies for social development, administration, and finance. In yearly study groups, each social objective is reviewed and adjusted to meet the new socioeconomic circumstances of Colombia as well as those of FES.

FES plans to consolidate its role as a leader in Colombia's social sector and maintain the quality and innovation of its programs in order to ensure the realization of its mission. As a result of the Plan FES 2000, a new total quality management approach is being applied to

"the performance of all activities, products, and services as part of FES's institutional mission, so as to satisfy the needs of all clients and customers linked to FES social actions."

As a result of the recommendations of these study meetings, FES has also begun a process of re-engineering, and an international management consulting group is guiding partial re-engineering programs in the financial and administrative groups. In addition, new information and communication programs are under way to establish common system standards and to consolidate data banks, as are linkages to the Internet.

External Auditing and Internal Controls

Since its inception, FES has used Arthur Andersen & Co. as its external auditor. The firm has also helped reorganize internal auditing procedures and controls and FES now operates under very specific auditing procedures for each of its basic accounting actions, which include deposits, loans, expenses, donations and investments. In addition, as a *Compañía de Financiamiento Comercial*, FES must operate under the approval and regulations of the Superintendencia Bancaria.

Program Operation and Evolution

Plan for Social Action and Social Balance Sheet

FES's social development programs developed as a result of trial and error during its early years, inspired by the vision and commitment of the Vice President for Social Development. In 1979 the VPSPD challenged the Board to redefine FES's mission and its course for maturation and consolidation. In January 1980 he expressed his worries about the turning point and future of FES:

Since FES is a philanthropic foundation, for

what purposes does it have to grow indefinitely as a financial institution? What is the reasonable limit for this growth and for how long? What are the social objectives that cannot be met if it keeps on growing...?⁷

In responding to these questions, the Board redefined FES's mission, a general plan for social action was established. The four priority areas and twelve programs of activities are presented in Table 1.

FES monitors the impact of its social development efforts using a "social audit." The Foundation prepares and presents a social balance sheet, which measures the results of social development projects. This practice

**Table 1: General Plan for Social Action
Priority Areas and Programs**

Education

- Promotion of rural education
- Quality of education
- Promotion of institutional capacity for research

Income and Well-Being (Integrated Human Development)

- Institutional and community development
- Generation of employment and improvement of family income
- Social security and public assistance (indigent care)

Health

- Improvement of healthcare and its administration
- Promotion of institutional capacity for research in health
- Physical and mental disability and rehabilitation of the handicapped

Environment and renewable natural resources

- Management of natural reserves, promoting human communities
- Environmental education for self sustained development
- Institutional support for conservation NGOs

⁷ Ocampo Zamorano, Alfredo, FES: riqueza, desarrollo y solidaridad social civil en Colombia, IAF, 1992.

ensures that the Foundation's activities are consistent with its general objectives, priority areas and programmatic lines. The auditing concept and the balance sheet were developed in detail during the 1990s to, in the words of the CEO, "provide good management to humanitarian endeavors."

The foundation provides financial, technical, promotional and administrative support to:

- Organizations and programs aiming to improve the quality of life of disadvantaged social groups;
- Educational institutions, especially universities;
- Scientists and research institutions addressing national problems;
- Community participation in efforts to solve

community problems;

- NGOs and the private foundation sector active in Colombia, both national and international; and
- Government.

These activities are administered through the office of the vice president for social development as direct and seed grant programs, permanent funds and jointly administered programs (i.e. USAID or IAF). Appropriations for direct and seed grant programs are approved on an annual basis by the Board and are included in the general plan for social action. Donations for permanent endowment funds are administered according to each specific founding agreement. Finally, FES also administers programs jointly with NGOs or other partner organizations, in which cases the partners provide part or all of program funds.

**Table 2: Direct Grants per Priority Area: 1987 to 1994
(in percentages)**

Area	1987	1988	1989	1990	1991	1992	1993	1994
Culture						5	4	5
Development	26	16	18	17	17	19	17	15
Education	42	41	32	29	29	19	16	17
Environment	5	17	18	13	13	18	17	15
Evaluation				4	4	2	3	5
Feedback								6
Health	27	26	32	34	34	33	18	16
Institutional						3	16	6
Other								5
Promotional				3	3	1	7	6
Youth							2	4
Total	100	100	100	100	100	100	100	100

By 1994, ten priority areas were identified in FES's plan for social development action. The evolution of funding for these priority areas is summarized in Table 2. A common thread in all priority areas is training, retraining and education aimed at improving the capacity for management and learning at the individual, family, and grassroots levels.

The evolution of each priority area during the eight-year period is reflected in the proportional allocations to each area. In 1986, a branch office for social development was established in Bogotá, as part of an agreement with USAID. From 1983 to 1989, programs were administered in the four original priority areas defined in the first plan for social action. In 1989, institutional support to NGOs was added. In the following year, evaluation and promotional activities were added. By 1992, cultural extension was recognized as an independent priority area. By 1993, FES administered programs in nine priority areas. These grants and programs are managed by different divisions, under the direction of the Vice President for Social Development, discussed in more detail in Annex 2.

Through the VPSD, common ground and action are identified to form partnerships between the private and public sectors and civil society. FES has also collaborated in the drafting of new legislation for the environment through fora such as the consortia for the rehabilitation of Florida (a rural area in the Cauca Valley); the Pacific health network; the network of juvenile institutions; the national network for primary health; an ecology consortium; and the network of teachers doing research.

A total budget of US\$8.5 million was approved for 1995 grants. Of this amount, 38% will be allocated for direct donations. The remaining 62% (a total of US\$5.25 million) will flow as donations through the permanent endowment funds.

Permanent Matching Funds

In addition to its direct grants, FES makes contributions to social development via permanent matching funds. These funds were created by the VPSD in the 1970s and fueled the take-off stage of FES by increasing the Foundation's social impact and the number and range of its programs. In addition, these funds increased FES's capital endowment and its capacity to intervene as a financial entity in the growing capital markets of Colombia during the 1980s.

Permanent matching funds are matched endowments set up through specific donations received by FES from:

- Non-profit organizations;
- Businesses;
- Other institutions; and
- Individuals.

The permanent matching funds are created under the terms established by the *Superintendencia Bancaria*. The beneficiary of the fund must be a nonprofit organization (or an individual in the case of scholarships) and there is a minimum amount of money that must be donated. Each of these funds is administered by a joint committee composed of representatives of the institution creating the fund and FES. FES makes a 50% matching contribution to each fund. In addition, FES accepts a financial cost by guaranteeing a donation to each fund equivalent to the prevailing interest in the market (as calculated by the Superintendent of Banks) plus one point. Of these donations, 70% is disbursed for the mission and objectives stipulated by that specific fund, 30% remains as capital in the fund to maintain a constant and/or increasing value.

The permanent matching funds are owned by

FES. However, FES does not intervene in the decision-making process or in the day-to-day activities financed by a particular fund — which are left exclusively to the organization that made the donation to establish the fund. Its policy is that permanent matching funds must be created to support activities related to FES's mission. Fund programs in strategic areas can call on technical assistance from FES staff for social development and evaluation.

The permanent matching funds have maintained a consistent rate of growth. By March 1995, FES had 389 permanent matching funds; the dollar value for these and other restricted funds was \$20,248,064. This represents 53% of FES's total net capital endowment. Except for a few matching funds created with international entities, most of the fund programs are geographically distributed across Colombia, thus increasing the geographical impact of FES as well as its capacity to finance social development and related programs.

Grant Terms and Evaluation**General Terms**

As a result of the learning experiences during the take-off stage, the VPSD established procedures for accepting and evaluating grant proposals. Depending upon the value of the request, the evaluating process takes from three to fourteen weeks. All requests for grants, outlined in an application form, have to fall within the guidelines of FES's social action plan. The feasibility of each request is reviewed by the corresponding division, after which an executive summary is prepared and presented to the Vice President and the members of the committee that makes the

approval decision. All of these processes are contained in a manual of procedures.

The general criteria applied for review and consideration are:

- Contribution to the objectives delineated in FES's Social Action Plan;
- Technical feasibility, evidence of appropriate market study, potential for impact;
- Response to the problems of development in Colombia;

Table 3: International Resources, Programs 1993-1994
(in thousands US\$)

Programs	Source	1993		1994	
		Negotiated	Disbursed	Negotiated	Disbursed
Justice	USAID	8,820	3,876	17,480	5,946
Malaria Control	OMS	305	91	75	75
Lactation	USAID	130	96	36	36
FES-PRODRE	UNDP	59	24	52	34
La Planada	WWF	120	54	142	142
BiNacional Project	AWAMcA	225	55	50	50
Green Scholarships	Wildlife	12	12	12	12
Tropical Ecology	Inal Cons	15		10	10
Ecotourism	PNUMA	10		3	3
Women as HF	Ford	100	100	60	
Pacific Network	CIID	81	27	51	51
Community Development	IAF	94	65	100	
External Evaluation	IDB			20	
External Evaluation	Tulane			10	
Technical Cooperation	IDB Eval.			100	
Others	CIID, Ford, USAID	85	83		
Total		10,056	4,483	18,201	6,359

- Potential for sustainability and replicability;
- Community support and potential for community participation;
- Potential for inter-institutional collaboration;
- Institutional capacity of the NGO (or NGOs) making the proposal;
- Follow-up and evaluation plan; and
- Possibility of co-financing by the proponent(s)/the project's future financial potential;

Once a proposal has been approved, a grant letter is prepared and co-signed by the grantee and the Vice President for Social Development.

Monitoring & Evaluation

FES monitors all programs that receive grants, as well as those financed by the permanent matching funds, through the Division for Monitoring and Evaluation, which reports to the Vice President for Social Development. The Division requires interim reports on ongoing projects and the activities of permanent matching funds. Division personnel visit ongoing projects and fund programs. All reports are entered into a database that is reviewed on a quarterly basis with results reported to the technical committee, which prepares summary reports for the social committee.

A social auditor under the direct supervision of the comptroller oversees all monitoring and evaluation, acting like an ombudsperson. This is an ongoing practice which FES plans to establish as a more formally defined role for its social development activities. Although every project the Foundation supports has an evaluation component, there has been no for-

mal evaluation of FES's overall impact as an organization.

For the last five years the Division has been implementing a successful program aimed at building NGO capacity through funding as well as technical assistance. Over 600 non-profit institutions are currently associated with FES and are involved in a variety of activities, many of which receive financial support from permanent endowment funds. The total budget for this division for 1995 is \$121,000.

The International Agenda

During the 1990s, FES has become more involved in multinational activities, including programs funded by multilateral and international donors and work with regional and multinational development networks. Four international programs were reported in 1990: the modernization of justice in Colombia (FES-USAID), Andean scholarships (FES-USAID), infant survival (FES-USAID) and the FES-IAF fund. For 1991, a project for maternal lactation (FES-USAID) was included. During the 1992 strategic planning meeting, one of the priority recommendations approved was that FES should more actively seek international funding to finance social projects.

In 1993, international activities included consultancies and technical assistance, joint committees, exploratory visits and cooperative work, and academic and scientific activities. The VPSD negotiated sixteen international programs with a total of US\$10 million, garnering US\$4.5 million in contributions for 1993 alone. By 1994, US\$18.2 million were negotiated and approved and US\$6.4 million disbursed. Table 3 summarizes the international programs for the last

two years.

International organizations consider FES to be a unique case of a nongovernmental institution developed in the South with a very successful track record. It has become an example for other organizations involved in philan-

thropy and in promoting civil society and grassroots projects. The Inter-American Development Bank included FES as one of the organizations representing Latin America for a Washington, DC meeting on the strengthening of civil society (September 1994). And more recently, under

Table 4: Total Grants 1970-1994
(in US\$ at annual average exchange rate)

Year	US\$
1970	108,731
1971	116,056
1972	139,982
1973	113,579
1974	127,360
1975	148,238
1976	228,501
1977	407,504
1978	725,118
1979	1,015,629
1980	932,000
1981	1,087,000
1982	1,515,000
1983	1,880,887
1984	2,263,197
1985	2,569,000
1986	3,039,000
1987	2,688,000
1988	2,897,225
1989	3,848,881
1990	4,262,240
1991	3,783,331
1992	5,488,781
1993	3,933,684
1994	6,585,188
Total	49,904,112

the auspices of The Synergos Institute, FES
was also presented in Copenhagen at the
NGO Forum for the United Nations World
Summit for Social Development (March 1995.)

Table 5: The Growth of Financial Deposits - 1965-1995
(in thousands US\$ at annual average exchange rates)

Year	Deposits
Transition and early Take-off Stage	
1965	1,365
1966	1,511
1967	1,582
1968	1,694
1969	1,772
1970	2,222
1971	1,915
1972	2,286
1973	3,019
1974	3,904
FES as a CFC during Take-off Stage	
1975	5,102
1976	6,496
1977	7,980
1978	12,306
1979	17,120
1980	26,756
NGO's NETWORK development (Maturation Stage)	
1981	33,997
1982	38,168
1983	44,653
1984	49,264
1985	58,039
1986	55,916
1987	64,729
1988	74,697
1989	83,704
1990	88,187
Corporate (Consolidation Stage)	
1991	82,456
1992	139,748
1993	228,616
1994	310,643

**Table 6: The Growth of FES's Endowment and Funds
(in US\$ at average exchange rates)**

Year	Total Value (Including PMF)	Restricted Funds	
1965	2,667		Transitional Stage
1966	17,667		
1967	103,734		
1968	164,591		
1969	187,442		
1970	218,872	65,050	Take Off Stage
1971	261,666	80,743	
1972	270,448	43,655	
1973	328,849	65,144	
1974	556,600	65,081	
1975	968,089	145,490	
1976	1,189,856	168,732	
1977	1,854,405	481,811	
1978	3,165,133	1,322,791	
1979	3,401,340	1,334,736	
1980	5,615,080	2,183,693	Maturation Stage
1981	6,964,490	3,325,734	
1982	9,019,786	4,975,535	
1983	11,700,025	6,738,302	
1984	13,841,536	8,354,713	
1985	13,188,342	7,674,148-	
1986	11,296,012	6,769,506	
1987	13,187,752	8,004,976	
1988	16,014,747	9,069,248	
1989	19,962,890	10,617,443	
1990	22,892,684	11,393,315	Consolidation Stage
1991	25,205,262	12,940,969	
1992	30,558,335	14,022,383	
1993	35,047,914	14,571,300	
1994	42,663,025	14,676,296	

Financing FES

Using its own means and through its successful financial intermediation, FES has increased its initial capital of a few thousand dollars to US\$42,663,025 by December 31, 1994. None of this money, except for the permanent funds, was received through nonrestricted direct donations from individual, corporate, or gov-

ernment, or international agencies. Its grants — US\$49,904,112 as of that date — were greater than the total accumulated value of the endowment (see Table 4). Overall, FES has leveraged a total of US\$92 million (the sum of these two figures) for the accomplishment of its mission. In so doing it has invigorated and energized Colombian's civil society at multiple levels.

Table 7: Five Year Earnings and Grants: 1980-84, 1985-1989, 1990-1994 (in US\$ at annual average exchange rates)

Year	Earnings	5 Years	Grants	5 Years
1980	689,890		932,000	
1981	774,850		1,087,000	
1982	833,390		1,515,000	
1983	1,274,708		1,880,887	
1984	2,414,090		2,263,197	
		5,986,928		7,678,084
1985	2,377,359		2,569,000	
1986	1,878,300		3,039,000	
1987	2,611,339		2,688,000	
1988	3,138,993		2,897,225	
1989	6,454,134		3,848,881	
		16,460,125		15,042,106
1990	4,408,679		4,262,240	
1991	4,803,169		3,783,331	
1992	4,185,549		5,488,781	
1993	5,939,545		3,933,684	
1994	5,505,721		6,585,188	
		24,842,663		24,053,224

FES's Financial Resources

FES grew with the understanding that it had to generate its own endowment and enough funds to pursue its mission. In the first stage of its development, FES acquired the financial expertise to manage the funds that the University received from US foundation sources. It loaned these funds to local businesses, sharing the returns on a basis of 75% for the program and 25% for FES. In this way, the Foundation increased its own endowment while supporting programs at the University. At the same time, FES received savings from local sources that trusted the Foundation as their money management agent and earned a differential interest.

Two internal factors determined the development of FES's financial expertise: the active participation of bankers and business people from the community on the Board and the professionalization of its staff in financial management.

Once it became a CFC in 1975, it increased its ability to receive deposits from outside sources. The professionalization of FES's financial expertise began to evolve rapidly and a financial committee and division were created. This division became the Vice Presidency for Finance during the consolidation stage.

Financial Growth of FES

Because of FES's small initial endowment, Board policy was to accumulate earnings from financial activities for growth. As has been stated, this rationale created a tension between those managing and/or committed to the financial side of FES and those managing and/or committed to the Foundation's social development mission. Philanthropic endeavors were considered limited by some due to the

need to emphasize FES's financial growth, despite the fact that this growth would enable FES to carry out its social mission more fully in the future. The dilemma confronting the staff and Board in the late 1970s (during FES's take-off stage) was whether to increase the endowment in order to have the capacity to finance more programs later, or to distribute more donations (equivalent to what income taxes would be). The creation of the permanent endowment funds solved this dilemma, and from then on this tension became an energizing factor for FES to grow and expand as a social enterprise with substantive financial know-how.

Table 5 illustrates the financial growth of FES as a CFC. By the 1990s, FES had become the most important CFC in Colombia.

⁸ See García de Claros, Nubia, *El Reglamento Jurídico de las Fundaciones y Corporaciones*, graduate thesis, Universidad Libre, 1980.

Table 6 summarizes 30 years of endowment growth and the participation of outside generated funds in this growth. In addition to the common operational fund (with no restrictions on use of income), FES also established a restricted special fund and permanent funds, which have specific objectives. The permanent funds include those for which FES has established a 50% contribution, the permanent matching funds. Although in peso terms the value of the endowment and the funds has increased constantly from year to year, this is not always reflected in Table 6 due to exchange rate fluctuations.

Table 7 illustrates how FES's earnings from its endowment, financial activities and grants have evolved over fifteen years. Grant distribution and support for social development programs and permanent matching funds total more than the amount accumulated for the endowment, a trend which continues.

The principle that FES's financial functions are committed to supporting specific social purposes is uppermost in the minds of Board members and staff. At other levels of FES,

particularly in areas devoted to finance, this commitment begins to fade. The staff of some of the new corporate organizations appear further away from the full understanding of FES's social mission, objectives and goals. One of the re-engineering efforts now underway is geared to solve this problem. The new President of the Board has emphasized that an understanding and commitment to the social mission of FES is indispensable for all of FES personnel, including those on the corporate side.

Problems and Solutions with Tax Regulations

When FES was founded in 1964, under prevailing laws, foundations with a public or social orientation were not taxable.⁸ By 1986, however, foundations were subject to a 20% tax — though a tax exemption was created for net income if it was allocated to the Foundation's social mission, or if it was to be invested in permanent funds for the promotion of the goals of the foundation (Decree 869/89).

Another problem arose during 1993-94, when a

**Table 8: Total Assets of The Corporate FES Group
(in millions of US\$ at annual average exchange rates)**

Year	Assets	Growth	Growth/Base
1965	1.3		
1970	2.5	1.2	.9
1975	6.4	4.1	1.6
1980	32.9	26.5	4.1
1985	79.9	47.0	1.4
1990	122.5	42.6	.5
1994	370.5	248.0	2.0

regulation was passed that would have restricted the use of permanent funds as part of technical capital to 50% in 1995, and eliminated their use by 1996. This restriction would have limited FES's capacity to receive deposits and make a profit on the differential interest for its loans. However, these regulations were changed in December of 1994. Permanent funds are again considered to be part of the Foundation's capital.

Nevertheless, FES is not entirely tax-exempt. It is subject to municipal taxes as well as to IVA tax, a direct tax on purchases. In addition, the financial corporations owned by FES (i.e. CORFES, FIDUFES, FES Leasing, and FES Valores) are subject to income tax and only their after-tax earnings can be returned to FES.

The New Corporate FES

Today, FES is evolving into a corporate structure controlled and owned by Fundación-FES. The first step leading to its new structure was the consolidation of FES as a CFC. FES and its affiliates began to offer multi-banking services in 1986, as permitted by the new regulations outlining Colombia's financial sector. By the end of 1994, FES CFC was the 35th largest financial enterprise in Colombia.

The new corporate FES group includes the following financial organizations:

- CORFES, SA is an investment bank or *Corporación Financiera* (CF), the eighth largest CF as measured by the volume of transactions and business. During 1993, its capital of US\$62 million grew 71%, the value of its assets doubled, its loan portfolio grew 118%, and total

deposits grew by 141%. By December 1994, CORFES had increased the size of its deposits 109% over those in 1993, to US\$70 million. Its net earnings for 1994 were US\$1 million.

- FIDUFES, SA is a fiduciary entity that manages third party monies in accordance with strict regulations set by organizations that have created specific investment funds. A total of US\$27 million and US\$3 million in real estate was handled during 1993. In 1994 its income grew 154% and the earnings for that year doubled in comparison to 1993. The goals for the year surpassed the budgeted ones by 125%.

- FES Leasing, SA is a typical leasing corporation with a capital totaling US\$2.5 million in 1993. Leasing arrangements grew 175% during that year and earnings for the same period grew 59%. During 1994 total assets increased by 92%; the leasing operations grew by 77% and by deposits 95%. Net earnings of US\$1.5 million were 55% greater than those for 1993.

- FES Valores, SA is a stock brokerage house operating in the Cali and Bogotá stock exchanges. It is the largest such corporation in the Cali stock exchange and numbers in the top ten in Bogota. During 1994 FES Valores consolidated its position and operations. It increased its capital by US\$847,047, with a volume of US\$1.3 billion and a net income of almost US\$1.8 million, which wiped out the accumulated loss of 1993 with a net balance of over

US\$60,000.

Overall, the FES corporate group operates in seven primary financial endeavors. It provides specialized financial services to medium and small-scale enterprises, private banking services, specialized consumer credit, corporate financial services, fiduciary management and brokerage services. As FES's Vice President for Finance stated:

Our common goal is to make FES the best financial institution of Colombia....overall we must not forget that the real owners of FES are the community members who organize participate and benefit from the FES programs.

For the fulfillment of this goal, the new corporate group must find its niche and consolidate itself. According to FES consultants, the most appropriate corporate structure for the new corporate group is a federate organizational model. Under this model, the corporate group would operate alongside the social and the financial groups and a corporate center would coordinate the three entities. Operationalizing this model would require modifying the role of the Board.

Table 8 illustrates the growth of the corporate group's total assets, illustrating its financial strength and clientele. It demonstrates that with this new corporate group, the reach of the foundation goes beyond the social-philanthropic sphere and its network of civil society organizations towards the multinational arena.

The total consolidated capital for the corporate group is US\$ 42 million. The group has ample financial strength to support the next stage of development for the foundation in a contemporary multinational world.

Conclusion

FES Stakeholders

FES has identified three different groups as stakeholders:

- The university community of Cali, characterized by instability and insecurity;
- Local leadership: academics and intellectuals, executives and bankers, who were committed to the development of the region, and dedicated their time and advice to make FES successful; and
- Individuals who saw in FES an honest and solid financial institution where they could deposit their savings and expect wise financial management that would pass on the differential interest to social philanthropy rather than to banking corporations with interests outside of Cali.

While each of these groups had its own characteristics, they shared in common the fact that they operated in a Latin American nation in which political violence was endemic and socio-political crises were widespread. As a consequence, these three groups of stakeholders were committed to the evolution and growth of the Foundation as a transparent, solid institution. At the same time, since the University of Valle was part of the public sector of the city and the region, the growth of FES was satisfactory to both the public and private sector.

During the take-off period (1973-1980), this mix of stakeholders provided fertile ground for FES's development. Nevertheless, there was expansion in the university community as well as in the leadership group, since actors from cities other than Cali played a role. FES expanded its clientele for its financial services

to three other cities, and consolidated a network of NGOs in Colombia.

While FES matured in the 1980s, the three groups of stakeholders lost their separateness. Inside FES a new vision of solidarity and participation as an important ingredient in community development took root. Working alliances were developed under the auspices of FES between the private and public sectors and the Foundation provided institutional leadership for the NGO subsector. Moreover, FES acted as an intermediary organization for social development activities of grassroots organizations. Pilot programs were implemented and later became national programs for socioeconomic development in health and education. The permanent matching funds were established. Each of these lines of action increased the coverage of FES stakeholders.

Financially, FES established itself as a strong and growing player in the banking arena. Its transparency, honesty and social development actions were basic elements that strengthened FES' position as the largest CFC of Colombia. FES's Colombian clientele gradually expanded during this phase within a wider geographic and demographic base. Beneficiaries as well as many financial depositors increasingly came from small and mid-size enterprises (PYMES) and the middle and lower strata of Colombian society. The network of grassroots NGOs completed this growing panorama.

In the current stage of consolidation, FES is becoming a player in the international philanthropic world. It is developing relationships and joint ventures with institutions like the World Bank, the Inter-American Development Bank and the members of the international academic community (including Tulane, Har-

vard, MIT, The University of Arizona Center for Inter-American Free Trade and Hosei University in Tokyo).

Moreover, FES and its affiliated institutions have taken their philosophy and experience to other countries in the Americas, Europe and Africa. For example, FES served as a model for the creation of a similar organization in Zaire. After contact by leaders in the educational sphere in Zaire with FES, a foundation was created using the general model of FES. Zaire's foundation is supporting public health education in that country.

The consolidation of the concept of an active civil society as the basis for social development enhances the role of FES as a unique institution with practical experience and positive results in pilot projects of health, education and community development. FES and its affiliates share with others, both organizational leaders and communities, the lessons that the Foundation has learned about how to solve social development problems. The transfer of tried technologies and their adaptation to different cultural milieus is another area in which FES has accumulated valuable experience.

A New Strategy for Strengthening FES

FES is currently in the midst of a self-examination process. Inspired by management theorist Drucker, the new president of FES's Board, Dr. Enrique Tono has shared with his colleagues the following basic questions:

First, question what is our product. Then, what is our expertise. Lastly, ask how to maximize our product and our expertise. With these premises, the questions [we] are looking to answer are: what is to be

done next and what will be our perspective in five, in ten years?

In interviews in May 1995, Dr. Tono emphasized the following institutional development objectives:

- Develop new strategies for the future of FES;
- Establish a better balance between centralization and decentralization in the administration, financial management and social development activities of FES;
- Strengthen, re-engineer and restructure FES;
- Consolidate the niche of FES;
- Define and specify the role of FES in the development and fortification of civil society;
- Identify the ultimate mission of FES;
- Increase and use the new information technologies in communications for development;
- Identify the international role FES is ready to perform; and
- Identify new financial strategies, such as social leasing and social fiduciary activities.

Lessons Learned

The evolution of FES, as understood by the analytical framework of the stages of entrepreneurial development, points to a first important premise: the importance of an entrepreneurial CEO to lead the growth of the organization until it reaches its maturity. But, in the case of a social enterprise, as FES has characterized itself, this is not enough. The continuous participation and involvement of a

group of leaders who, as members of the Board, identify themselves with the Foundation, its mission, objectives and specific goals is equally important. This group needs to be changed and enlarged as the Foundation grows and spreads out, but a core of senior members who can “pass on the torch” is key to maintaining continuity in governance.

In a social enterprise such as FES, collaborative decisions are very important. Functioning committees and continuous consultation are required so that basic and important decisions are taken by consensus.

The creation of a network of NGOs and other entities of civil society, which are linked to the social enterprise, guarantees the success of its social actions and takes them to grass-roots

levels. The innovative mechanism of the permanent endowment fund serves the double purpose of social and financial involvement with this core network. Advocacy and successful intermediation as well as the ability to form

partnerships with both the public and private sector for specific actions is another component that is identifiable as a fundamental factor in the rapid growth and consolidation of FES.

The importance given to the human factor and the concepts of total quality and re-engineering linked to the retraining and development of

personnel supports FES’s humanistic understanding of its mission and is an obvious component of its success. As it was constantly stressed: FES is the people who work in FES, and teamwork is the key to its effective operation.

Finally, but most importantly, transparency of

each and every action, from the grassroots to the top echelons, and commitment of the Trustees, staff, consultants and program participants are the main ingredients responsible for taking FES to where it is today.

Replicability of FES: Fundación Restrepo Barco

In 1986, the President of Colombia exercised his constitutional mandate and commissioned FES to take charge of another Colombian foundation, Fundación Restrepo Barco (FRB), which was undergoing a crisis. This demonstrated the public's recognition of FES effectiveness and honesty. FES accepted the challenge and reorganized the FRB under its guidance and philosophy. This is, thus, a case in which the replicability of FES has been partially tested.

During the last nine years FRB has operated independently of FES, but using the latter's guiding social, financial and administrative principles. The then-head of FES's financial division was commissioned to become the CEO of FRB and has held this position since. Members of FES's Board have also served in similar positions at FRB, as well as on its financial, social, and administrative committees. FES staff members also participate in these committees.

By 1993, FES's CEO considered that FRB had "graduated" to the point of becoming FES's partner in equal terms, since many projects are conducted jointly by both foundations in those programs for which the more concrete objectives of FRB are shared with FES. FRB's mission is restricted to "the educational and technical development of children and youth deprived of monetary means." In addition to education, FRB "advances projects in the areas of health and family" (*Balances*

Sociales, FRB, 1994). FRB has defined its principles for social action as the following:

- The underlying philosophy of joint leadership with other social development oriented NGOs;
- Contact with the entities in leading the programs and with their beneficiaries;
- The belief in management principles for social endeavors;
- Dialogue and communication for integrative action; and
- Innovation and creativity as basic tools for social development.

In 1994, FRB had an endowment totaling US\$25.6 million dollars, which had increased 300% in the previous five years. Total donations of US\$1.7 million were made from earnings that year of US\$5.1 million.

As an entrepreneurial conglomerate offering financial services, FES has proven to be successful and profitable. As an NGO, its role as an innovative foundation and its interactions with hundreds of other NGOs inside and outside Colombia are well known and tested. These two sides of FES can potentially be a source of tension. Only strong leadership and commitment of all those involved in FES can solve these tensions positively. In so doing FES is and can be shown to be a unique model for Latin America.

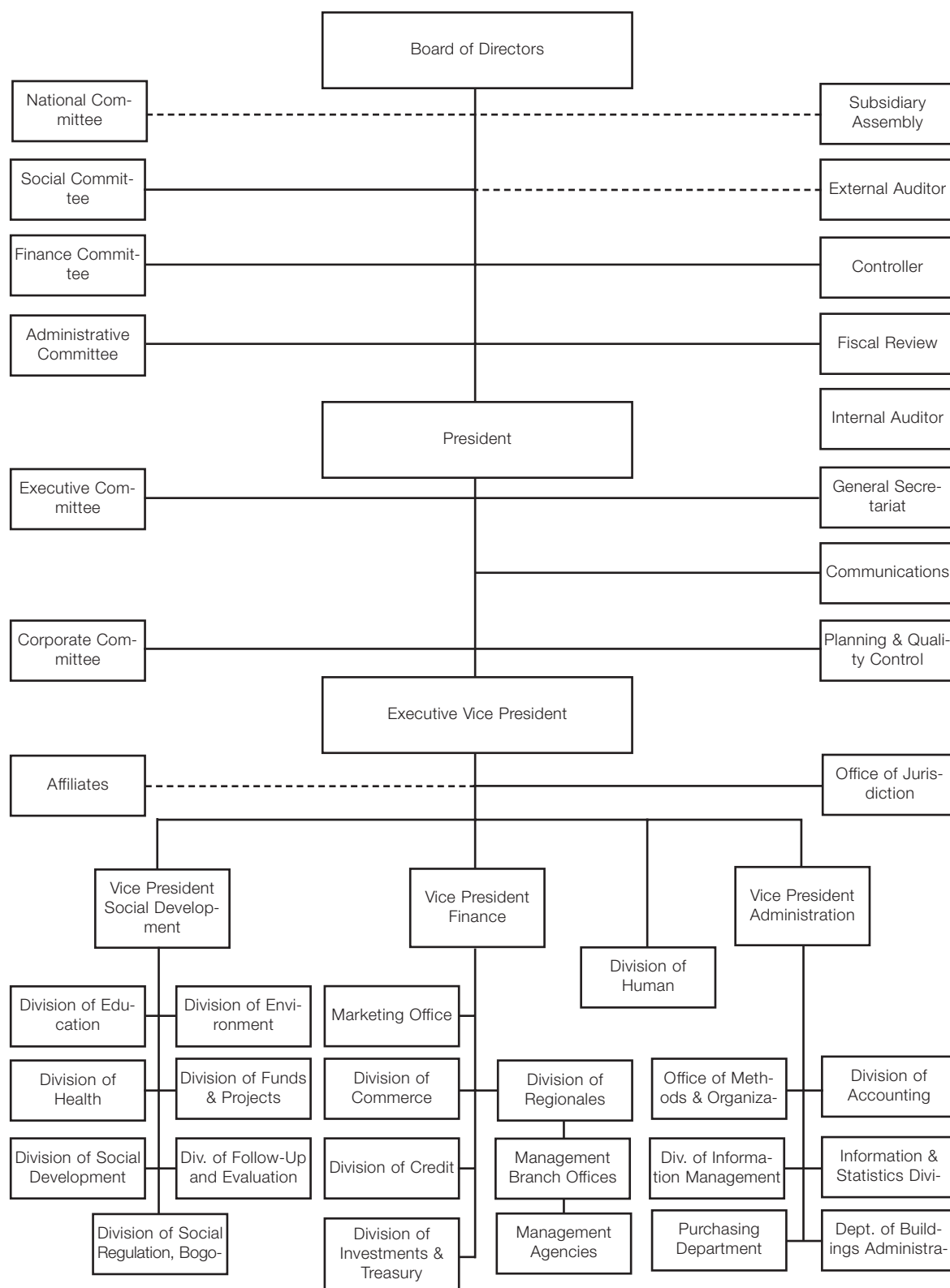
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Annex 1: FES Organizational Chart



FES, Environmental Division, *Informes*
 FES, Education Division, *Informes*
 FES, Health Division, *Informes*
 FES, Development Division, *Informes*
 FES, Bogotá Division, *Informes*
 FES, Bogotá Division, *Programa Andino de Becas*
 FES-USAID “*Justicia Moderna*”

 Fundación Valle del Lili, *Informes*

 GEHOS (Gestión Hospitalaria), *Informes*

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Health Projects		
Lines of Action	No. of Projects	% Budget
Delivery of Health Services	34	53
Primary Health Care	14	
Hospital Improvement	11	
Other Projects	9	
Essential Health Research	17	47
Insalpa	5	
Pacifice Health Network	5	
Research	7	

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Annex 2: Programs in VPSD

Basic Objectives and Programs - Vice Presidency for Social Development

The Division of Education

The Division of Education has defined its general basic objectives as follows:

To further promote the development of the educational sector, in such a way as to obtain the continuous improvement of its quality and give those segments of the traditionally marginal population more access to education. This goal can be realized through the sustaining and promoting of research activities, innovative experimentation and communication of the results to institutions working in education in the public and private sectors (SAP's sheets, 1995).

The Division of Education gears its basic objectives within the concrete social context of Colombian education. Two pivotal circumstances are important. The new legal framework for education (Law 115, 1994) and the presidential mission for science, education and development. The Division participates in these pivotal projects and within them has readjusted its aims in the improvement of the quality of Colombia's educational sector. The Division's pilot projects in local systems of education and democratization in schools have been incorporated into the general framework as innovative experiences to be spread out throughout the country.

The Division of Education has a budget of almost US\$484,000 for 1995. This budget covers three programmatic lines of action and is distributed among them thus:

Education Projects

Lines of Action	# Projects	% of Budget
Research & Training	17	42
Interventions	19	39
Communication	17	19

Research and Training

The objective of these activities is "to develop a process of training to train teachers about the different aspects of the school world through the use of methodological research."

The following three strategies are used to achieve this objective:

- Coordinating inter-institutional collaboration with universities and national level entities, such as COLCIENCIAS, the National Minister of Education, ICFES, etc;
- Developing a network of researchers in education; and
- Creating incentives and intellectual space for adolescents to do their own research, and to enable them to choose alternative courses of action.

Three programs will be financed for research and training:

- ATLANTIDA (which researches the culture of the adolescent student in Colombia);
- CAMALEON (a new magazine published by adolescents for adolescents); and
- Other Programs of various innovations, including the elaboration of a research data-base in Colombia, a meeting of teachers who have participated in research financed by FES.

Grants will be made for at least three new research projects.

Local Projects (Interventions)

These interventions will "help create a new

educational ground to make more dynamic the proposals of decentralization which the new educational law is contemplating, and to open the schools to the community and create a democratic climate and higher participation in the schools (SAP, 1995)."

Activities are to be concentrated in Aguablanca (a large lower strata neighborhood in Cali) and in two regions of Colombia with high rural populations: Nariño, at the boarder with Ecuador, and Boyaca, in the eastern mountain plains north of Bogota. These activities will eventually be expanded to Central America.

Publications and Meetings (Communication)

The basic program to be continued in this programmatic line is "The Joy of Teaching." This program has been directly managed by FES since its inception with the intent of eventually turning it into a self-sustaining NGO affiliated to FES. From time to time FES chooses special programs to be seeded during their development and take-off stages. These programs are directed by FES's Vice President for Social Development. Once they reach a stage of self-sufficiency, they continue on their own but with strong linkages to FES. FUNDAEMPRESA, a program to train and help small entrepreneurs, and the "Institute FES of Leadership (IFL)," are examples of this type of seeded programs.

"The Joy of Teaching Program"

The Joy of Teaching program is a joint project of FES and Fundación Restrepo Barco (FRB), in coordination with the Ministry of Education, which finances the distribution of the magazine. The purpose of this program is to improve the quality of primary education,

especially at the rural level. Its basic tool is the quarterly publication of a magazine for primary school teachers under the name "Alegria de Enseñar."

The magazine's circulation has reached 46,000 and it covers approximately 90% of the primary education subsector in approximately 1,000 municipalities, 40,273 schools and all the states.

Teachers are encouraged to do their own research and then to publish their results in the magazine. A good number of teachers' research projects and articles have been published to date. Research topics revolve around important themes for schools and teachers and include school violence, the conception of democracy, the definition of human rights and civic action in schools.

This publication is the first of its kind in Latin America. The program has also extended to individual publications. Fourteen titles have been published. Eight, all of which are the result of ethnographic research projects conducted by teachers in different regions of Colombia have addressed primary school life. Three publications examined school violence and the quality of education. Others have looked at creativity, the problems of adolescence and poetry.

The program has reached a break-even point and is starting to produce its own future endowment.

The Division of Health

The basic objective of the Division of Health is to:

Contribute to the improvement of the

health and nutrition of underprivileged groups in the population of Colombia by increasing the coverage, the quality, and the promotion of research in health services (SAP, 1995).

The Division of Health consults both the national and the international environment to realize its objectives. During 1994 a report of the World Bank coincided with the reform of Colombia's national health delivery services. The division also designed its projects together with the World Commission for Essential Health Research. The activities and programmatic lines have been redirected in its different projects with the aim of generating knowledge for the solution of the country's most important health problems in areas such as the pacific coastal region, as well as promoting working partnerships with local civil society groups and the private and public sectors.

A total budget of US\$460,000 was approved for 1995 and divided into two programmatic lines: delivery of health services and support for essential health research. The budget is divided into 52 projects, as shown above.

Delivery of Health Services

The specific objective in this programmatic line is "to contribute to a new development model for health in Colombia in order to improve quality, accessibility, efficiency, coverage, and equity" (SAP, 1995).

The following four strategies will be used to fulfill this objective:

- Collaboration in the decentralization process approved by legislation in Colombia. This will be accomplished by contacting authorities at the local level by giving technical assistance

to community-based organizations and health service institutions at this level;

- Identification and evaluation of projects to develop innovative alternatives to solving the problems of coverage, accessibility, quality, efficiency and equity. At least two innovative programs and three successful experiences to meet these goals have been identified;

- Development of primary health care strategy in marginal urban areas by strengthening the four basic components: community participation, inter-sectoral participation, administrative development and technical development. Evaluation of the projects is also a part of this strategy; and

- Joint financial, administrative and technical support of programs at the secondary and tertiary level hospitals. This is a continuous project which FES is supporting together with Fundación Restrepo Barco and Fundación Corona (an NGO supported by an important industrial group from Medellín). As a result of this project, two successful programs have been implemented:

1. GEHOS (improvement of the efficiency hospitals); and
2. SIAGHO (creation of hospital-oriented software).

Essential Health Research

FES plans to develop and support applied research directed at solving the most important health problems affecting the Colombian population as defined by the International Commission on Essential Health Research.

Four strategies are contemplated:

- To strengthen at least two institutions each at the national, regional and local levels;
- To continue support to the Institute of Health Research in the Pacific (INSALPA) in the Pacific coastal region of Colombia, with specific emphasis on malaria. Four research projects are to be financed in national and international partnerships and a Latin American malaria network is also to be organized and implemented;
- To strengthen strategies to coordinate and promote joint decisions among the local health systems and civil society which are linked to the Pacific Health Network. At least six townships are to be covered, three local institutions will be reinforced, a data base of institutions and research will be completed, and two bulletins will be published; and
- To back basic research projects in health which will contribute to the solution of some of the principal health problems of Colombia. Four research projects will be supported.

The Division for Socioeconomic Development

The 1995 budget for the division for socioeconomic development totals US\$411,423 to be divided into 64 projects for civil society, of which the majority (50), covering almost 60% of the budget, are linked to community development. Consulting the new socioeconomic development plan of the government, concrete actions follow for the support of civil society in democratic participation, the improvement of family income and productivi-

ty to promote well being. Along these lines, the basic objective of this division is (SAP, 1995) to:

Promote and support those actions which contribute to the welfare of the population through innovative strategies leading to the solution of specific problems faced by high risk population groups and to strengthen community participation, as well as that of the citizens, towards productive development and the increase of family income with an emphasis on urban and rural populations of low incomes.

Three strategies evolved from this basic objective, focusing on high risk groups, institutional community development, and family income.

The Division for the Environment and Natural Resources

FES is a pioneer in the promotion and awareness of the environment and the conservation of natural resources. In part as a consequence of FES's efforts, Colombia's new 1991 constitution includes the conservation of the environment as a basic issue. In 1993, Colombia created a ministry for the environment. With the collaboration of FES's Division for the Environment, a national environmental system (SINA) has been established. This division has promoted a basic administrative unit for national parks, the restructuring of regional environmental corporations, the establishment of new research institutes and education for the environment at all levels.

The 1995 budget for the division is equal to that of the Division for Socioeconomic Development (US\$411,423). Its stated objective is:

To promote and support actions which will contribute to the conservation of the biologi-

cal diversity and the ecological processes [as a strategy for sustainable development] and also for the perpetuation of the natural resources of Colombia (SAP, 1995).

Four programmatic lines have been defined in this area and forty projects are contemplated as shown below.

Green Projects

Lines of Action	# Projects	% of Budget
Protected Areas	4	36
Water	14	23
Education	11	21
Research	11	20

Protected Areas

This is part of a general strategy to support and promote a network of ecologically protected areas to conserve the biological diversity of Colombia.

This division of FES has directly been administering "La Planada." La Planada was identified in 1981 as an ecological conservation area. The following year, under the auspices of FES and the World Wildlife Fund, it was declared a natural reserve. The program is now in its 13th year.

The conservation area is located in the Nariño, which is in the southwestern part of Colombia on the border of Ecuador. It encompasses 3,300 hectares and is at an altitude of between 1,300 and 2,100 Mts. It is a very wealthy natural habitat with over 300 species of birds as well as carnivores and the almost extinct bear, "Tremarcus ornatus."

The Awa Indians resides in the reserve and the ecological programs have been developed with their collaboration. In addition, educational plans for conservation have been the basis

for extension programs in the rest of Colombia and are being carried out through exhibitions, educational pamphlets and video. The experience at La Planada served as an example for other reserves in Colombia under the auspices of FES.

Ecological Education

This second programmatic area has been directed toward teachers in the primary and secondary levels of education, as well as to ecological curricula at the university level. The 1995 goal for ecological education is to reach 2,000 schools and also to support three higher education courses.

Research

This programmatic line includes a scholarship program; 10 field studies; evaluation of five ongoing projects and three new projects; activation of a network of research centers on ecology; and support of an ecological center in the pacific region.

Ecological Policy

The purpose of this policy is to promote consciousness-raising at the municipal level for ecology and to promote legislation for the conservation of the natural resources of Colombia. In order to increase the awareness of the importance of the environment and the preservation of natural resources, the division guidelines stress the following:

- Research on biodiversity and forest dynamics;
- Alternatives for sustainable agriculture and forest management;

- Training of school teachers;
- Empowerment of native groups and civil society organizations; and
- Binational cooperation for the establishment of biospheric research.

Social Division, Bogotá

The Social Division in Bogotá is dedicated mainly to develop programs for children and the youth, in collaboration with the Fundación Restrepo Barco, and also programs for the family and human rights. In addition, it supervises the special program for Justice (PMAJ) that FES administers in conjunction with USAID, which will be discussed below. It is also the link for several activities of the different areas of the Foundation in Bogotá.

The new constitution, Colombia's adherence to the International Convention for Children's Rights, and the new socioeconomic plan of the government emphasize the welfare of children and the youth. In 1994 a Vice Ministry for Youth was created in the Ministry of Education. The social division in Bogotá and its programs for children and youth take all these factors into consideration.

Operating on a budget of US\$100,000, the division has seven programs for children and youth (54% of the budget) and two programs for the family and human rights (46% of the budget). In the children and youth program, child abuse, young delinquents, and a Latin American network (REDINJUV) are the main lines of action. An agreement with UNICEF and a joint project with Fundación CEDAVIDA on youth displaced by violence are the two lines of action in the family and human rights program.

Communication for Development

As the head of this new division explained, FES has decided to assume social communication as a basic tool to promote democratic participation in all of its social development programs and also to disseminate program results. The new division began in 1994 and coordinates its activities with Fundación Restrepo Barco and Fundación Corona. During 1995 this division will increase its involvement with the other divisions and their programs.

Cultural Extension Programs

FES promotes concerts, workshops and art exhibitions as part of its cultural extension programs with the objective of enriching the cultural background of the community. The Foundation's headquarters have three exhibition and conference rooms and a modern auditorium. It also promotes art workshops in the poor barrios of Cali.

A prize has been established by FES and the family of one of its founders, Edmond Cobo, to commemorate him and his great achievements as a sculptor.

Some Special Programs

Given their international character and their importance to national development objectives, three programs have been selected for description.

Program for the modernization of the administration of justice in Colombia (PMAJ).

In the 1980s, FES led a group of eighty NGOs in a discussion of the problem of justice in Colombia. In 1986, in response to wide interest and in coordination with the government of Colombia, an agreement was reached with

USAID for FES to administer the PMAJ program. The objective of the program is to contribute to the improvement of the administration of justice in Colombia and, in particular, to strengthen the reform measures undertaken by the state to modernize and simplify technical and operational aspects of the administration of the country's judiciary system.

The first phase of this program took place from 1986 to 1991. The four areas supported were:

- Analysis of the administration of justice;
- Systematization and modernization of the judicial sector;
- Training for personnel in the judicial sector; and
- Creation of a data base and information net work for the sector.

An agreement for a second phase (1992-1997) of the program was signed with the approval of the government of Colombia in 1992, as part of the cooperative agreement between the governments of Colombia and the United States. The agencies in charge of administering the program, in addition to FES, are the US Department of Justice's ICITAP program and the USAID office in Colombia. In addition to the above entities, the Executive Committee for the program also includes a representatives of the minister of justice, the attorney general, the supreme court, the director of security police and the US ambassador in Colombia. A technical committee appointed by the Executive Committee is also in operation.

In addition to research, training, and data processing, international symposia and conferences have been organized. During 1994 the program continued implementing the data

processing capabilities of the various judicial bodies. It contributed to the modernization of the DA offices. It promoted the publication of educational materials and the training of personnel for the new judicial entities created in the new Constitution. The program also aided in the sectoral planning processes that was approved in December 1994.

A new concept of getting justice services closer to the community and civil society is being implemented in 1995 by the program. After the inauguration of the second "House of Justice" in Bogota on June 3, 1995, modeled after the first one build in Aguablanca, Cali, a plan to build and provide one hundred similar "Houses of Justice" in the 25 largest cities of Colombia was approved as part of the government social development plan 1995-1998.

Fund FES-IAF for Development

Towards the end of the 1980's the Inter-American Foundation (IAF) of Washington, DC decided to decentralize its development grants made to grassroots NGOs. Its basic objective was to explore the means of securing continued financing so that these NGOs would have sufficient funds for further operational needs (Ritchey-Vance, 1992).

In Colombia, IAF found an excellent partner in FES, through the mechanism of the permanent funds. Between 1982 and 1989 funds were

created for eighteen projects. Of these, fourteen have become self-financed by the permanent funds and IAF has not had to supply additional donations. In addition, FES has continued helping these NGOs and as a result has enabled them to diversify their sources for financing projects.