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**COLOMBIA**

**REVITALIZING AND STRENGTHENING ENTREPRENEURSHIP AMONG  
LOW-INCOME YOUTH**

**(CO-M1100)**

**DONORS MEMORANDUM**

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## PROJECT SUMMARY

### REVITALIZING AND STRENGTHENING ENTREPRENEURSHIP AMONG LOW-INCOME YOUTH (CO-M1100)

This is the ninth project under the Youth Entrepreneurship Program (YEP) ([RG-M1240](#)), approved by the Donors Committee on 31 July 2013 and implemented by Youth Business International (YBI). The YEP's objective is to improve the entrepreneurial skills of low-income youth through greater access to quality business development services, laying the groundwork for a stronger youth entrepreneurship ecosystem in selected countries of the region, including Colombia.

The proposed model will consist of a partnership of ten chambers of commerce, which will be coordinated by the Confederación Colombiana de Cámaras de Comercio [Colombian Confederation of Chambers of Commerce] (CONFECAMARAS) and will support young low-income entrepreneurs (ages 18 to 35) in two main areas: advisory support for better business management and access to finance.

There is a lack of strong entrepreneurship initiatives and specialized business development services to facilitate and enable business growth. Stakeholders in this project agree that the main challenge is how to improve and strengthen acceleration and growth processes in business ventures run by low-income young entrepreneurs.

These young people face a number of obstacles to growing and strengthening their businesses: (i) the low level of development of entrepreneurial and management skills; (ii) training and assistance models to support business acceleration and strengthening that are out-of-date and do not meet the needs of young entrepreneurs; and (iii) an institutional setting with shortcomings and gaps that keep low-income youth from accessing financial and nonfinancial services adapted to their actual circumstances.

This project will develop a sustainable intervention model to drive the acceleration and growth of the businesses of young entrepreneurs, integrating and strengthening the institutional entrepreneurship ecosystem and promoting the delivery of specialized financial and nonfinancial business services. Various business diagnostic methodologies will be mapped. Once the diagnostic method to be used has been selected, the strengthening and acceleration methodology will be identified to support the young entrepreneurs. This acceleration will include setting up a network of advisors and/or entities that can provide nonfinancial services tailored to the target audience. The project will be implemented in ten cities/regions: Aburrá Sur, Armenia, Bucaramanga, Cauca, Cali, Cúcuta, Manizales, Neiva, Pereira and Santa Marta.

The project will raise awareness among 5,000 young people, develop the business skills of 3,000 young entrepreneurs, strengthen 1,500 young people and their enterprises, finance 750 businesses, provide mentoring to 720 entrepreneurs, and train 400 facilitators and advisors who will help guide the entrepreneurs and 360 mentors who will support the young entrepreneurs.

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## ABBREVIATIONS

CONFECAMARAS	Confederación Colombiana de Cámaras de Comercio [Colombian Confederation of Chambers of Commerce]
CRCs	Comisiones Regionales de Competitividad [Regional Competitiveness Commissions]
DNA	Diagnostic needs assessment
GEM	Global Entrepreneurship Monitor
ILO	International Labour Organization
LAC	Latin America and the Caribbean
MCIT	Ministry of Trade, Industry and Tourism
MIF	Multilateral Investment Fund
NGO	Nongovernmental organization
SENA	Servicio Nacional de Aprendizaje [National Learning Service]
SMEs	Small and medium-sized enterprises
SNC	Sistema Nacional de Competitividad [National Competitiveness System]
YBI	The Prince of Wales Youth Business International Limited
YEP	Youth Entrepreneurship Program

**COLOMBIA**  
**REVITALIZING AND STRENGTHENING ENTREPRENEURSHIP AMONG LOW-INCOME YOUTH**  
**(CO-M1100)**

**EXECUTIVE SUMMARY**

<b>Country and geographic location:</b>	Colombia. The project will operate in ten cities/regions: Aburrá Sur, Armenia, Bucaramanga, Cauca, Cali, Cúcuta, Manizales, Neiva, Pereira, and Santa Marta.		
<b>Executing agency:</b>	Confederación Colombiana de Cámaras de Comercio [Colombian Confederation of Chambers of Commerce] (CONFECAMARAS).		
<b>Access area:</b>	Access to Markets and Skills.		
<b>Agenda:</b>	Youth, Jobs and Entrepreneurship.		
<b>Coordination with other donors/Bank operations:</b>	The project will be executed with CONFECAMARAS through the commitment of ten chambers of commerce, and through these, with local governments, subnational government, municipal departments of economic development and regional competitiveness committees. The project will also work with iNNpulsa, the National Learning Service (SENA), nongovernmental organizations and other financial partners: Bancamía, Fondo Emprender, Red de Ángeles Inversionistas, Opportunity International and Procredit, which will provide several different financial options for the project beneficiary enterprises.		
<b>Direct beneficiaries:</b>	<ul style="list-style-type: none"> <li>– 5,000 young entrepreneurs (ages 18-35) who will be made aware of the importance of building their entrepreneurial skills and utilizing the services offered by the project as a strategy for their entrepreneurial acceleration and consolidation.</li> <li>– 3,000 young entrepreneurs who will receive support to strengthen their entrepreneurial skills.</li> <li>– 750 young entrepreneurs who will receive financing with the support of the financial services partners.</li> </ul>		
<b>Indirect beneficiaries:</b>	<ul style="list-style-type: none"> <li>– 20,000 indirect beneficiaries, 4 family members per direct beneficiary.</li> <li>– 1,500 jobs created by the businesses strengthened by the project (estimated one job created by each business).</li> </ul>		
<b>Financing:</b>	Technical cooperation:	US\$1,000,000	
	<b>Total MIF contribution:</b>	<b>US\$1,000,000</b>	<b>50%</b>
	Counterpart:	US\$1,000,000	50%
	<b>Total project budget:</b>	<b>US\$2,000,000</b>	<b>100%</b>

<b>Execution and disbursement periods:</b>	36 months for execution, and 42 months for disbursement.
<b>Special contractual clauses:</b>	<p><b>Special condition precedent to the first disbursement of the MIF resources:</b> (i) selection of the project director; and (ii) ratification and entry into effect of the respective Operating Regulations, on the terms previously agreed upon with the Bank.</p> <p><b>Special condition precedent to execution:</b> Evidence will be provided within the first three months of the Agreement, that collaboration agreements have been signed with at least eight regional chambers of commerce that have agreed in advance to contribute counterpart funding and serve as operators in their city. In the event that a regional chamber of commerce does not meet these special contractual conditions for counterpart contribution, or the midterm evaluations reveal that the project with such regional chamber of commerce is not running properly, the funds will be reallocated to other regions, and the scope of the regional activities will be readjusted.</p>
<b>Environmental and social impact review:</b>	This operation has been evaluated and classified in accordance with the requirements of the IDB Environment and Safeguards Compliance Policy (Operational Policy OP-703). Since the impacts and risks are limited, this operation has been classified as category "C."
<b>Unit with disbursement responsibility:</b>	MIF staff at the Bank's Country Office in Colombia (MIF/CCO).



## I. BACKGROUND AND RATIONALE

### A. Background

- 1.1 This is the ninth project under the Youth Entrepreneurship Program ([RG-M1240](#)) (YEP), approved by the Donors Committee on 31 July 2013 and implemented by Youth Business International (YBI). The YEP's objective is to create successful, sustainable businesses by improving the entrepreneurial skills of a larger number of young people through better access to quality services, laying the groundwork for a stronger entrepreneurship ecosystem in selected countries of the region, including Colombia.
- 1.2 Previously approved YEP projects include comprehensive methodologies for financial and nonfinancial support with different approaches: (1) in Peru, scaling up through other public and private institutions; (2) in Chile, online training and an incubator; (3) Paraguay, lending to young people and microfranchising; (4) Barbados, Jamaica, and Trinidad and Tobago, different approaches depending on the type of beneficiary (rural or urban) and business support services; (5) Brazil, a platform for training and services and support networks and events in partnership with universities; (6) Bolivia, a specific approach to create businesses in the hospitality sector; (7) Argentina, generation of evidence on the effectiveness of mentoring; and (8) Mexico, building entrepreneurial skills in young people through life skills.
- 1.3 This project in Colombia meets the YEP selection criteria inasmuch as it: (i) offers comprehensive support (financial and nonfinancial including entrepreneurial training, mentoring and consulting); (ii) involves collaboration with stakeholders from multiple sectors to find a common solution; (iii) is national in scope; (iv) offers relevant learning opportunities in the context of the regional learning agenda; and (v) has proven institutional execution capacity of other MIF projects and counterpart financing. The Confederación Colombiana de Cámaras de Comercio [Colombian Confederation of Chambers of Commerce] (CONFECAMARAS) will be the executing agency for this project and meets the criteria to ensure the quality of its management.
- 1.4 **Youth conditions in Colombia.** According to February 2016 statistics on the youth labor market, there is a total of 12,084,694 young people in the country, representing 32.3% of the working population, 49.9% of whom are employed, 1.2% inactive, and 9.2% unemployed. Unemployment among young people ages 14 to 28 is 15.5%. Of the total unemployed youth, 37% have higher education, 41.9% are men, and 58.1% are women. Employability is concentrated in retail, restaurants and hotels, with 29.9% participation.
- 1.5 Colombia is an upper-middle-income country, with 48.3 million inhabitants and a per capita GDP of US\$11,890. Micro, small, and medium-sized enterprises (MSMEs) represent around 40% of GDP, more than 80% of the workforce, and 13% of exports (OECD, 2014). Nevertheless, by OECD standards, Colombia has an extremely high level of income inequality and relative poverty.<sup>1</sup> Colombian youth

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<sup>1</sup> Joumard, I. and Londoño Vélez, J. 2013. "Income Inequality and Poverty in Colombia – Part 1. The Role of the Labour Market." OECD.

- face barriers keeping them from entering the productive sector, or if they do, it is on unfavorable terms limiting their capabilities.
- 1.6 **Youth entrepreneurship ecosystem.** According to the [Global Entrepreneurship Monitor](#) (GEM) 2014, Colombia's entrepreneurial activity rate is composed of primarily nascent entrepreneurs (12.4%) and to a lesser degree new entrepreneurs (6.7%). Young people form the largest portion of early-stage entrepreneurs, with 46.8% of the entrepreneurs in the country between the ages of 18 and 34. These statistics reflect the population's interest in becoming entrepreneurs, although the number of new entrepreneurs could suggest the adverse impact of certain factors in the environment that warrant attention. In general, Colombian entrepreneurs are motivated more by opportunity (12.2%) than by necessity (6.2%). In fact, almost 70% of the adult population perceives that there are good opportunities to start businesses in their environment, and 57% of these believe they have the knowledge, skills, capabilities and experience required to start and manage a new venture.
  - 1.7 Established entrepreneurs are not in such a good position. In 2014, Colombia's economy was ranked with the sixth lowest rate of established entrepreneurs in Latin American and the Caribbean (4.9%), where young people between 18 and 34 years of age account for only 23.3% of established businesses. From 2010 to 2014, the growth rate of established entrepreneurs was negative, which could indicate that a significant portion of the country's adult population is not managing to grow its businesses. **This project seeks to narrow this gap by providing quality services aimed at entrepreneurs, specifically young people, in the growth phase.**
  - 1.8 The country has been generating specific institutional initiatives to accelerate entrepreneurship in general. The 2006 Entrepreneurship Promotion Law has helped maintain continuity of efforts over time, making possible public initiatives that support the creation and growth of new businesses: improvement of the legal framework to foster the culture of entrepreneurship; establishment of the "Fondo Emprender" startup fund, which provides seed capital to projects launched by graduates of training programs of the National Learning Service (SENA) or Colombian universities; establishment of the Programa de Inversión Banca de las Oportunidades [Bank of Opportunities Investment Program] (PIBO), administered by Banco de Comercio Exterior (Bancoldex), for access to financial services for microenterprises and small businesses, and creation of iNNpulsa, which has supported the emergence of dynamic startups in the country since 2012.
  - 1.9 The 2006 "Colombia Joven" [Young Colombia] Presidential Program stands out in terms of policies to support youth entrepreneurship. In recent years efforts have been made to create conditions for young people to have equal access to economic, political and social participation and engagement: creation of the Colombia Joven Presidential Program for the National Youth System, as the apex agency of the national youth system that assists the national government and subnational authorities with the formulation, execution and monitoring of public policies on youth; Law 1429 of 2010 for the formalization and generation of employment for youth (microcredit and credit for businesses created by young people under age 28 in the rural and urban sectors); the Youth Citizenship Statute contained in Law 1622 of 2013, which establishes an institutional framework for

recognition of young people as having rights and a key role to play in national development; and the recent Pro Youth Law of the National Government, passed by Congress in 2016 to reduce youth unemployment.

- 1.10 The private sector has also been developing assistance models such as Tejido Empresarial [Business Fabric] (developed jointly by Ecopetrol, Universidad Jorge Tadeo Lozano and CONFECAMARAS); the Comprehensive Entrepreneurial Service Model (MISE) of the Chamber of Commerce of Bogotá; assistance to young entrepreneurs provided by SAJE International; and the Empretec program of the United Nations and operators of the Caja de Compensación Familiar [Family Compensation Fund] (CAFAM); and others.

## **B. Diagnostic assessment of the problem to be addressed by the project**

- 1.11 There is a lack of comprehensive entrepreneurship initiatives and specialized business development services to facilitate and enable business growth. Stakeholders in this project agree that the main challenge is how to improve and strengthen acceleration and growth processes in business ventures run by low-income youth.
- 1.12 These young people face a number of obstacles to growing and strengthening their businesses: (i) the low level of development of entrepreneurial and management skills; (ii) training and assistance models to support business acceleration and strengthening that are out-of-date and do not meet the needs of young entrepreneurs; and (iii) an institutional setting with shortcomings and gaps that keep low-income youth from accessing financial and nonfinancial services adapted to their actual circumstances.
- 1.13 Several different public and private organizations in the country offer services (both financial and nonfinancial) that contribute to entrepreneurial development, including the chambers of commerce, institutes of higher education, unions, and certain corporations and foundations specialized in promoting entrepreneurial activity. However, there are a number of asymmetries or gaps in information and matching supply with demand for business development services (BDS): it is not well known who offers what, where, how, and for how much, or what are providers' strengths and weaknesses, or what limitations or possible synergies and specializations exist in the national or regional offerings; there is no unified access to the available offerings.
- 1.14 These problems are seen at each link in the business value chain: awareness, identification, preparation, launch, and acceleration. Specifically, 33% of the programs show a deficit in scaling up and acceleration, which reinforces the project's plan to seek solutions that contribute to the development of business acceleration and growth models for low-income youth.<sup>2</sup>

## **C. Project beneficiaries**

- 1.15 Project beneficiaries will include 5,000 low-income young people (age 18–35) (50% women) whose ventures have shown market potential and require services

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<sup>2</sup> Ministry of Trade, Industry and Tourism. 2015. "Documento de caracterización de herramientas, instrumentos y metodologías existentes para el mercado nacional que atienden las etapas de identificación y validación del modelo de negocio." ["Profile of existing tools, instruments and methods in the national market to address the business model identification and validation stages."]

to achieve growth and consolidation, including skills, access to financial sources, mentors and needed contact networks. Among the low-income entrepreneurs will be shortcomings in technical skills and access to credit, mentors contact networks and other shortcomings that impede the business from growing and consolidating in the market. In addition to the direct beneficiaries, there will be 20,000 indirect beneficiaries (4 relatives per direct beneficiary) and 1,500 people who will be employed by the businesses (an estimated 1 employee per business).

**D. Contribution to the MIF mandate, Access Framework, and IDB strategy**

- 1.16 The project will help fulfill the mandate of testing new models for attracting the private sector to solve economic development problems, focusing on emerging enterprises with the capacity to grow and create economic opportunities, as this will make it possible to support young low-income entrepreneurs as they strengthen their businesses and create jobs while at the same time strengthening youth entrepreneurship ecosystems in the beneficiary cities.
- 1.17 The project's objective is consistent with the Bank's 2015–2018 country strategy for Colombia, particularly the strategic area related to strengthening the country's economic productivity, which is one of its strategic objectives: to stimulate innovation and entrepreneurial and agricultural development. Likewise, it is in line with the strategic area of social mobility and consolidation of the middle class, which is focused, among other aspects, on reducing poverty and the informal economic sector.
- 1.18 In addition, it coordinates with the MIF's new 2015–2018 strategy for Colombia and its agenda to identify projects and initiatives focused on construction and/or reinforcement of entrepreneurship ecosystems with extensive geographical reach, focused on strengthening MSMEs.
- 1.19 The project is part of the regional YEP program (RG-M1240), designed by Youth Business International (YBI) in conjunction with the MIF. YBI's experiences and lessons learned in the 43 partner countries in its network will be transmitted effectively so that they can be integrated in each country. It will also form partnerships and promote knowledge sharing through the Regional Learning Center for the Youth Entrepreneurship Initiative (located in Bogota, Colombia and part of the core regional program).
- 1.20 Knowledge gaps. The project will help reduce the knowledge gap evident in the question: "what methodologies for supporting low-income young entrepreneurs are most effective for creating jobs and improving profitability and/or sustainability?" Specific questions to be addressed include:
  - (i) What are the key factors that help strengthen regional entrepreneurship ecosystems?
  - (ii) What are the profiles of the most successful young entrepreneurs?
  - (iii) Do strengthening and support processes reduce investment risk?
  - (iv) Do customized methodologies lead to better outcomes than traditional training and acceleration?
  - (v) Which services offered by the project had greater impact on the young entrepreneurs?

- 1.21 Collaboration with the IDB Group and other partners. The project will coordinate with several strategic partners: (i) the departmental and municipal governments in charge of local economic development; (ii) the national government in its role of defining and executing public policies on issues of youth and promotion of MSMEs; and (iii) participating regional chambers of commerce in their role of local adaptation and execution in response to each locality's particular needs and features. SENA, iNNpulsa, nongovernmental organizations and other financial partners such as: Bancamía, Fondo Emprender, Red de Ángeles Inversionistas, Opportunity International and Procredit, which will provide different financial alternatives for the project's beneficiary businesses.

## II. OBJECTIVES AND COMPONENTS

### A. Objectives

- 2.1 The expected impact is an increase in the number of successful enterprises of low-income youth in Colombia. The expected outcome is an intervention model that promotes the acceleration and growth of enterprises of low-income youth and integrates strengthening of the institutional entrepreneurship ecosystem.

### B. Description of intervention model

- 2.2 The model is based on a partnership with ten chambers of commerce that, coordinated by CONFECAMARAS, will provide support for entrepreneurs in two main areas: guidance on better business management and access to finance. One of the main challenges is to craft an acceleration and growth model for low-income young entrepreneurs that reflects and integrates regional experiences and promotes diversity at the business and institutional level in the country. The model will be fine-tuned to the different needs of each region. Various business diagnostic methodologies will be mapped, including the following:

- (i) Strengthening of Tejido Empresarial [Business Fabric]. Ecopetrol, jointly with CONFECAMARAS, Universidad Jorge Tadeo Lozano, Corporación Calidad and 14 chambers of commerce, developed a systemic business diagnostic tool that compares/contrasts each organization with the conditions of its target market, identifies and presents business strengthening solutions that implement the diagnosis-training-consulting triangle, supplemented with a change management methodology based on coaching.
- (ii) Assistance to young entrepreneurs (SAJE). This model is part of the Entrepreneurship Network of Montreal and proposes an adaptation of the entrepreneurship network concept, in which SAJE is a pioneer in assisting entrepreneurs to maximize the network's existing resources. The SAJE model integrates modules for: (i) awareness-raising and promotion of entrepreneurship; (ii) validation of business ideas, business concept and entrepreneur profile; (iii) launch of business ventures and development of marketing and sales techniques; and (iv) growth management.
- (iii) Comprehensive business services model of the Chamber of Commerce of Bogotá. This model provides a self-diagnostic tool for

business owners and entrepreneurs to identify their own strengths and weaknesses according to the stage of entrepreneurship. The model identifies a solution to meet their needs with a customized, comprehensive services path across multiple areas related to building the business.

- 2.3 Once the diagnostic method to be used has been selected, the strengthening and acceleration methodology will be identified to support the young entrepreneurs. This acceleration will include setting up a network of advisors and/or entities that can provide nonfinancial services (tailored to the target audience) such as:
- (i) Management consulting processes, focused on the possibility of developing a center of experts on legal, fiscal, accounting, financial, marketing, strategy and other topics;
  - (ii) Specialized advisory support processes, including the possibility of offering technical assistance and development of prototypes and business models;
  - (iii) Mobility and networking processes, leading to the creation of working networks among young entrepreneurs, meetings with prominent entrepreneurs in a range of sectors, active linkages with different economic sectors and development of cultural missions;
  - (iv) Access to local, regional, national and even international markets as timely and relevant, which may include participation in fairs, business conferences, trade missions, agreements with major buyers, etc.;
  - (v) Individual mentoring for young entrepreneurs, developed by mentors trained in the project methodology.
- 2.4 For financial services, a strategic partnership will be formed with financial institutions, enabling young entrepreneurs to access a range of specialized sources of finance (lines of financing adapted to the target beneficiary) as a way of consolidating acceleration and growth processes.
- 2.5 Together with the participating chambers of commerce, the following guiding principles for project development have been established:
- Pilot test / trying new things is allowed;
  - Flexibility / things may work differently from region to region;
  - Autonomy / respect for regional dynamics;
  - Diversity / the same problem can have different solutions;
  - Innovation / outcome is essential;
  - Complementarity / one region can complement another;
  - Consensus / acceptance of the agreements.
- 2.6 The project will be launched in each of the chambers of commerce participating in the pilot, which will translate into the existence of capacity, management and quality at the chambers so that they can provide guidance and support for the enterprise. The execution unit will establish the profile of the professional and

technical the necessary supporting staff to provide the services, and make the necessary arrangements in the short and medium term, including financing.

- 2.7 Nine active and effective regional institutional networks will be structured in the public and private sectors with participation of national and regional governments, chambers of commerce, universities, incubators, assistance funds, unions, research centers, nongovernmental organizations and others, always bearing in mind that the primary client is the entrepreneur and his/her enterprise.

### **C. Components**

- 2.8 The project has three components: (i) strengthening of local entrepreneurship ecosystems; (ii) comprehensive entrepreneurship services; and (iii) knowledge management and strategic communication.

#### **Component 1. Strengthening of local entrepreneurship ecosystems (MIF: US\$80,000; Counterpart: US\$45,000)**

- 2.9 The objective of the component is to raise awareness, train, and provide technical assistance to the staff of entrepreneurship support organizations, including chambers of commerce, in order to offer tools that help identify the different needs of low-income young entrepreneurs with development potential and adapt the local institutional offerings to provide innovative methodologies and instruments for the acceleration and growth of enterprises.

- 2.10 The main activities under this component include the following: (i) train local entrepreneurship institutions, engaging and working together with public and private institutions that provide financial and nonfinancial services as local partners; (ii) identify intervention methodologies at both the diagnostic level as well as assistance models for acceleration and growth processes already in place and propose at least two options that can be adopted and adapted by the participating chambers of commerce and entities in each region; (iii) structure ten regional institutional networks in the public and private sectors; (iv) organize and raise the professional caliber of the nonfinancial service offerings of the participating chambers of commerce (awareness-raising, training, assistance, coaching, mentoring, advisory support, and specialized technical assistance) for low-income young entrepreneurs with businesses at least one year old that have real growth potential, based on the methodologies identified and appropriated by the project.

#### **Component 2. Comprehensive entrepreneurship services (MIF: US\$617,000; Counterpart: US\$746,520)**

- 2.11 The objective of this component is to facilitate access to entrepreneurship services for young entrepreneurs, to build their productive capacity, accelerate and revitalize the business unit, and grow the company.

- 2.12 The main activities under this component include the following: (i) define metrics, content, and methodological guidelines for the development of awareness workshops; (ii) foster and/or build business management skills in the entrepreneur, to successfully guide the company; (iii) provide support and technical assistance to improve business management skills; (iv) raise awareness so that young people can be regional leaders in productive activities; (v) provide management consulting in soft skills and entrepreneurship so that the young entrepreneurs can become leaders of their work teams (expert center in legal, fiscal, accounting, financial,

marketing, strategy and other areas); (vi) provide advisory support on accessing local, regional, national and international markets (participation in fairs, business conferences, trade missions, agreements with major buyers, etc.); (vii) raise awareness among financial services providers to facilitate access to resources for project beneficiaries (seed capital funding, banking, investment funds, angel investors, etc.); (viii) provide specialized advisory support on development of prototypes and business models; (ix) generate working networks of young entrepreneurs, meetings with leading entrepreneurs in different sectors, active ties to diverse economic sectors; and (x) provide individual mentoring for young entrepreneurs adapted to the circumstances of the project beneficiaries. Consideration will be given to convergence with other mentoring methodologies being developed that are proving effective, such as Endeavor Colombia.

**Component 3. Knowledge management and strategic communication (MIF: US\$22,000; Counterpart: US\$40,000)**

- 2.13 The objective of this component is to document, standardize, and communicate project outcomes and lessons learned in order to showcase an intervention model and methodologies for the revitalization of businesses owned by low-income youth. The project will thus include a strategy for disseminating the lessons learned and outcomes that will be updated periodically to meet communication needs.
- 2.14 The main activities under this component include the following: (i) identify and document good intervention practices at the institutional level and processes to assist low-income youth; (ii) build capacity of institutional partners through utilization and sharing of knowledge, methodologies, lessons and success stories in diagnostic and support methodologies for entrepreneurial strengthening; (iii) make necessary modifications and recommendations to the legal and procedural regulatory frameworks to stimulate and incentivize this type of business in the country; (iv) document the intervention model in the format of a manual.
- 2.15 The following audiences have been identified for dissemination of knowledge and sharing of good practices generated by the project: (i) nongovernmental organizations of Colombia belonging to the YBI network and MIF's YEP program, to improve the intervention methodology and implement innovative models to generate youth entrepreneurship programs with greater impact and better geographic coverage; (ii) government organizations such as the Ministry of Trade, Industry and Tourism, the National Learning Service (SENA), the Ministry of Culture, the Ministry of Information Technologies and Communication, and departmental and municipal governments, to support and/or execute locally coordinated youth entrepreneurship programs; (iii) private sector companies, to support youth entrepreneurship projects as well as provide a network of local providers that can meet demand for business development services; and (iv) educational institutions (universities, vocational training centers), to make young people aware of entrepreneurship from an early age as an opportunity for professional development.
- 2.16 The main channels for reaching these audiences will be workshops, face-to-face meetings, special events, print materials and project infographics. To meet the knowledge needs of these audiences, the following knowledge products will be developed: (i) documentation of the intervention model, including a case study on the project experience, emphasizing the intervention methodologies and modalities



used, outcomes and main lessons learned; (ii) an infographic that visually summarizes the project's strategy, main actions and outcomes; and (iii) two events with government authorities, private businesses and civil society organizations to present the project's outcomes and lessons learned.

- 2.17 The knowledge products generated by the project will contribute to the objectives of the umbrella Youth Entrepreneurship Program (RG-M1240), enabling a macro and comparative analysis of experiences, outcomes and lessons learned from projects implemented under the program in different countries. They will also be a key input for development of knowledge products at the program level.
- 2.18 This is expected to communicate that low-income young people can build and grow businesses, and so contribute to the country's economic development, earning income and lowering the nation's rate of youth unemployment. New youth-focused programs are expected to be developed, both in corporate social responsibility programs and in the development of new local and central government policies. The methodology and measurement of the baseline and impact of CONFECAMARAS are also expected to have a demonstration effect for other national and international organizations as a model for comprehensive assistance to young entrepreneurs that improves their quality of life and circumstances.

#### **D. Project governance**

- 2.19 The Colombian Confederation of Chambers of Commerce (CONFECAMARAS) will be the executing agency responsible for project implementation and meeting the project objectives. CONFECAMARAS will form an execution unit that will serve as liaison with the Bank and the YEP regional program team. The execution unit will be a unit of CONFECAMARAS located at its offices.
- 2.20 The execution unit team will have: (i) a project director responsible for ensuring that the project objectives are met; (ii) a project coordinator and an administrative/accounting assistant.
- 2.21 Each regional chamber of commerce will name a liaison who will be the point person responsible for project execution in that city/region. The execution unit's specific responsibilities and the terms of reference for execution unit members and regional coordinators are set forth in the Operating Regulations.
- 2.22 An Advisory Council will be established for the program, comprised of one representative from each of the following: CONFECAMARAS; the participating chambers of commerce; the Ministry of Trade, Industry and Tourism; and SENA. It will be the body responsible for consultation and analysis on the program's technical progress, budget execution, and other technical and operational commitments (at the regional and city level). The Advisory Council will also work to develop agreements with private and public institutions that contribute to strengthening the institutional ecosystem for entrepreneurship and to project sustainability. The council will operate as a collective body chaired by CONFECAMARAS as its technical secretary. Immediately upon formation, the Advisory Council will draft a basic internal operations manual to meet regional coordination objectives and functions. It will hold no less than one regular meeting every six months (two meetings per year) and as many additional sessions as

required for execution of the regional program. At least once a year it will organize information sessions on program progress that will be open to the general public.

- 2.23 The chief of project supervision and a YBI delegate will be invited to the Advisory Council. The project coordinator will serve as technical secretary. The council will make the regional institutional arrangements contributing to the sustainability of the joint negotiation mechanism proposed for this project.

#### **E. Sustainability**

- 2.24 CONFECAMARAS is part of the National Competitiveness System (SNC) and has been involved in designing the National Policy on Productivity and Competitiveness. In coordination with the Regional Competitiveness Commissions (CRC), jointly with the Ministry of Trade, Industry and Tourism, the chambers of commerce participated in introducing and launching the 32 regional entrepreneurship networks and in developing the Regional Entrepreneurship Plans. The chambers of commerce also serve as technical secretariat of the national entrepreneurship networks.

- 2.25 Institutional sustainability will depend on the ability of CONFECAMARAS as execution unit to transform itself into an agent of change that, through its own efforts or those of its networks, can enable the project to extend beyond its specific and general objectives and achieve a larger goal. This would come about through the systematic and sustainable generation of business ventures by low-income young entrepreneurs via the proposed intervention model.

- 2.26 CONFECAMARAS should ensure, in the medium and long term, sources or mechanisms of access to knowledge and additional financing and/or alternatives to MIF financing, to ensure the long-run continuity of the effort of the executing agencies and the organizational networks established in support of the project.

- 2.27 The documentation of project experiences should be geared toward fine-tuning the model developed, so that the project can later be replicated nationally and internationally by CONFECAMARAS.

- 2.28 The project's sustainability plan will begin to emerge and mature after the first year of execution. A sustainability workshop will also be held one year before project completion with representatives of YEP, the Bank and the execution unit, to enable CONFECAMARAS to continue managing project operations. This will ensure that regional actions to revitalize and strengthen business ventures led by low-income young entrepreneurs will be continued or stepped up, once MIF support has ended.

#### **F. Lessons learned in project design from the MIF and other institutions**

- 2.29 **Selection of young beneficiaries.** Identifying those participants with greater likelihood of launching a sustainable company leads to better outcomes. The use of experimental approaches to identify participants can help the projects find young people with promising entrepreneurial traits and behaviors such as innovative thinking, leadership qualities, and a results-driven mindset.

- 2.30 **Availability of personalized support.** Including personalized assistance for the young entrepreneurs from "advisors" or "mentors" has led to positive outcomes in their business management and sustainability of credit.

2.31 **Access to financial services.** The majority young entrepreneurs start their business by investing their own resources and those of their families, friends or individual investors, which clearly limits their chances of success. A common need expressed by young entrepreneurs is for external financing, which can be extremely difficult to secure since they lack entrepreneurial business that can be assessed by a financial institution. This project includes activities to facilitate access to finance for the beneficiary businesses/ventures.

2.32 **Coordination with actors.** Coordination with actors in the entrepreneurial ecosystem (national and regional) should be promoted so that those involved (young people, the community, instructors, financial institutions, companies) are not only aware of the needs and challenges of entrepreneurs but can better identify business opportunities to address unmet market demand. Although the process of building partnerships takes time, it is essential for the success and sustainability of the projects.

#### **G. MIF additionality**

2.33 **Nonfinancial additionality.** The project will benefit from MIF's experience with entrepreneurship and scaling up successful models, as well as the experience of its partners. In the context of the YEP regional program (RG-M1240)—based on close collaboration between YBI, which is in charge of its execution, and the MIF—the project with CONFECAMARAS will benefit from the regional program's services, knowledge, partnerships and experiences, including important knowledge elements, especially related to the scalability of support programs for entrepreneurs and training of mentors.

2.34 **Financial additionality.** The MIF's financial contribution will be essential for strengthening the program with CONFECAMARAS and its regional scope through the participating chambers of commerce. This will help create the institutional conditions to scale up the services offered even further, to reach a greater number of young beneficiaries.

#### **H. Project outcome**

2.35 An intervention model is expected to have been generated upon project completion that integrates institution-strengthening and strengthening of financial and nonfinancial entrepreneurial services for low-income young entrepreneurs. The expected outcomes include: (i) 3,000 young entrepreneurs supported in developing their entrepreneurial skills; (ii) 1,500 enterprises strengthened; (iii) 750 enterprises that receive financing from partner financial services providers; and (iv) 720 young entrepreneurs who receive mentoring.

#### **I. Project impact**

2.36 The expected impact of the project is an increased number of successful and sustainable businesses run by low-income youth in Colombia. Within one year after project completion there is expected to be: a 10% annual increase in sales at the strengthened enterprises; at least one more job created in addition to those already established at the 1,500 strengthened enterprises; at least 50% of the young entrepreneurs who continue to pursue their entrepreneurial activity.

## **J. Systemic impact**

- 2.37 The project will contribute to advancing systemic change by strengthening the national and regional ecosystem that promotes youth entrepreneurship development in Colombia. The model will be replicated in other cities/regions through partnerships established with both public and private stakeholders, to generate sustainable and scalable models at the level of the activities of CONFECAMARAS and its national institutional networks. The possibility will also be explored of introducing the model into different existing entrepreneurship programs.

## **III. MONITORING AND EVALUATION STRATEGY**

- 3.1 **Baseline.** The baseline will be set once comprehensive training of the young people begins. The monitoring and evaluation system will be designed beforehand and identify the strategies and responsibilities for collecting information at the project's various locations. The baseline will take into account information on: (i) the young people enrolled in the project, including personal information, education level, current job status and income, family environment, motivation for starting a business, etc.; (ii) the companies created, type, status of the business idea, own capital or seed capital to invest, access to finance, the business idea; (iii) types of financial and nonfinancial services available in the local market as well as their costs and quality; and (iv) partner institutions to be involved in training the young people, including their technical training and/or entrepreneurship models, methodologies used, instructors, etc.
- 3.2 **Monitoring.** At project start and with YBI's support, an evaluation and monitoring system will be designed. During the project, processes and outcomes will be monitored for both the project as a whole and the young entrepreneurs in particular; conditions of the context will be monitored as well. The system will use tools such as records of activities or events, interviews with actors and beneficiaries, direct observation, surveys and attendance lists. The monitors and evaluators will make field visits to interview at the organizations and with the young entrepreneurs in question. Surveys and focus groups will be conducted at each phase of the project and during implementation.
- 3.3 **Evaluation.** Two evaluations will be performed, one midterm and one final at the end of the project execution period. The evaluations will be commissioned by the MIF, chargeable against the contribution resources. The evaluation firm or independent consultants will determine the methodology to be used, with the Bank's concurrence. The evaluations will be coordinated with the YEP regional program, which will be collecting information on the effectiveness of the program's regional approach.
- 3.4 **Closing workshop.** CONFECAMARAS will organize a closing workshop at the proper time to evaluate, together with the other institutions involved, the outcomes achieved, identify additional tasks to ensure the sustainability of the actions begun by the project and identify and disseminate lessons learned and best practices.

#### IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$2 million. Of that amount, US\$1 million (50%) will be contributed by the MIF, and US\$1 million (50%) by the counterpart, half in cash and half in kind. The execution period will be 36 months, and the disbursement period will be 42 months.

	MIF (US\$)	Counterpart (US\$)	Total (US\$)
<b>Project components</b>			
Component 1. Strengthening of local entrepreneurship ecosystems	80,000	45,000	125,000
Component 2. Comprehensive entrepreneurship services	617,000	746,520	1,363,520
Component 3. Knowledge management and strategic communication	22,000	40,000	62,000
<b>Execution and supervision</b>			
Administration	201,000	168,480	369,480
<b>Other costs</b>			
Ex post evaluation and institution-strengthening	30,000	-	30,000
Midterm and final evaluation	50,000	-	50,000
<b>Grand total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>2,000,000</b>
% of financing	50%	50%	100%

#### V. EXECUTING AGENCY

- 5.1 The executing agency is the Colombian Confederation of Chambers of Commerce (CONFECAMARAS), a private nonprofit umbrella organization representing all 57 chambers of commerce in Colombia, founded in 1968. Its mission is to foster competitiveness and regional development by strengthening the chambers of commerce as institutions and proactively representing the system to the government on issues of competitiveness, formalization, entrepreneurship and business innovation. CONFECAMARAS has experience in executing projects of the MIF and other related organizations in the entrepreneurship sector.
- 5.2 **Procurement.** The procurement of goods and consulting services by the executing agency will be governed by the IDB's procurement policies (documents GN-2349-9 and GN-2350-9). Since the diagnostic needs assessment ([DNA](#)) of the executing agency returned a need/risk level of *low*, the project team has determined that pursuant to the terms of Appendix 4 of the aforementioned policies, the executing agency, as a private sector enterprise, will use its own procurement methods compatible with the Bank's policies. Additionally, project procurement reviews will be performed on an ex post basis with *annual* frequency. Prior to the start of project procurement, the executing agency will submit the project's procurement plan for MIF approval. The plan will be updated *annually* and whenever there are changes to the methods and/or the good or service to be procured.
- 5.3 **Financial supervision and management.** The executing agency will establish and be responsible for keeping proper accounting records and internal control and

- filing systems for the project, consistent with IDB/MIF accounting and auditing rules and policies. Since the [DNA](#) of the executing agency returned a need/risk level of *low* for the financial management section, review of the supporting documentation for disbursements will be performed on an ex post basis with *annual* frequency.
- 5.4 The IDB/MIF or the executing agency will engage independent auditors to perform ex post reviews of procurement processes and supporting documents for disbursement requests. The scope of the ex post reviews will include analysis of the financial reports that the executing agency must prepare on an annual basis as part of its financial management. The cost of this engagement will be covered by funds from the MIF contribution according to Bank procedures.
- 5.5 During project execution, the frequency of the ex post reviews of procurement processes and supporting documentation for disbursements, as well as the need for additional financial reports, may be modified by the MIF based on the findings of the ex post reviews conducted by the external auditors.

## VI. PROJECT RISKS

- 6.1 **Financial risks.** The project may not secure the required level of cofinancing. This risk has been rated as low since, as a special condition precedent to execution, evidence will be provided within the first three months of the Agreement, that collaboration agreements have been signed with the regional chambers of commerce that have agreed in advance to contribute counterpart funding.
- 6.2 Lack of interest from financial institutions in providing credit to young entrepreneurs because they are seen as a “risky” investment. To mitigate this risk, the plan is to identify potential financial institution partners during the study of the environment and pursue partnerships with at least one from the outset of the project. These partnerships will include development of specialized lending products tailored to the target audience.
- 6.3 **Risks to the project scope.** Not enough young people may be found who want to build their business. This risk will be mitigated given the experience of CONFECAMARAS working on projects in different regions where young people have already been identified who could participate in the project. All of this is rooted in the strategic partnerships with the public, private and civil society sectors that also have databases of interested young entrepreneurs unserved by them.

## VII. ENVIRONMENTAL AND SOCIAL IMPACT

- 7.1 No adverse secondary environmental and social effects of any kind are anticipated. The project will have an impact on low-income youths and their environment, so the only foreseeable social impact is positive for them and their families.

## VIII. ACHIEVEMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency agrees to follow the MIF’s standard arrangements concerning

results-based disbursements, procurement and financial management, as specified in the project annexes.

## **IX. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY**

- 9.1 **Access to information.** The project's information is not confidential in nature according to the IDB's Access to Information Policy, with the exception of the publication of strategic and marketing plans of the entities.
- 9.2 **Intellectual property.** The Bank and CONFECAMARAS will weigh the legal options as far as intellectual property rights and licensing thereof based on the Bank's legitimate interest in replicating the initiative in Colombia and other countries in the region, as applicable.