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MULTILATERAL INVESTMENT FUND

MEXICO

**TRAINING MODEL FOR A CULTURE OF YOUTH ENTREPRENEURSHIP AND
PRODUCTIVITY**

(ME-M1109)

DONORS MEMORANDUM

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PROJECT SUMMARY
TRAINING MODEL FOR A CULTURE OF YOUTH ENTREPRENEURSHIP AND PRODUCTIVITY
(ME-M1109)

This is the eighth 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 objective of this program is to improve the entrepreneurial skills of low-income youth through expanded access to quality services, laying the foundation for a stronger youth entrepreneurship ecosystem in certain countries in the region, including Mexico.

In order to foster productive projects and entrepreneurial businesses ventures, the program also seeks to provide young people with life skills, financial education, and entrepreneurial skills, and instill in them a culture of savings, based on the Framework for Enabling Empowerment (FrEE). This project will be implemented in Mexico, in the states of Hidalgo, Jalisco, and Mexico, and will be executed by the Instituto Mexicano de Investigación de Familia y Población, A.C. (better known as “Yo Quiero, Yo Puedo” [I want to, I can] (YQYP)).

In Mexico, young people (ages 15-29) account for 18.2% of the country's total population. This demographic dividend presents an opportunity to stimulate investment in human capital, nutrition, health, education, and job training. Because many young people are living in poverty and unemployed, this dividend is being squandered. Young people who want to become entrepreneurs lack capabilities such as intrinsic empowerment, personal agency, entrepreneurial spirit, and leadership, because the business services available focus only on developing basic technical skills.

To address this situation, the project includes five stages with specific targets. The focus of these targets, in the short term, is to provide personal tools that allow people to take charge of their lives, and in the medium and long term, to strengthen productive activities for financial self-sufficiency. During the project, 2,000 young people will receive training in technical business skills and life skills, and 600 of them will receive business management advisory support. The project is expected to: (i) establish or strengthen 1,500 youth-led businesses; (ii) create 840 new jobs; and (iii) increase annual sales by 8% for 80% of the young entrepreneurs.

The project's implementation will be based on training processes carried out through participatory and experiential workshops and on advisory support for young people, and will seek to comprehensively address needs specific to entrepreneurial activity. The three most relevant technical aspects that will be covered are financial education, technical business skills, and specialized technical workshops based on business needs. In addition, the two relevant aspects of human development that will be covered are life skills and cultivation of the entrepreneurial spirit.

ANNEXES

Annex I	Logical Framework
Annex II	Summary Budget
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Proposed resolution

AVAILABLE IN THE DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

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ABBREVIATIONS

CONEVAL	Consejo Nacional de Evaluación de la Política de Desarrollo Social [National Social Development Policy Evaluation Council]
DNA	Diagnostic Needs Assessment of the Executing Agency
INADEM	National Entrepreneurship Institute
SME	Small and medium-sized enterprise
YBI	Youth Business International
YEP	Youth Entrepreneurship Program
YQYP	Instituto Mexicano de Investigación de Familia y Población, A.C. [Mexican Institute of Family and Population Research] (Yo Quiero, Yo Puedo [I want to, I can])

MEXICO
TRAINING MODEL FOR A CULTURE OF YOUTH ENTREPRENEURSHIP AND PRODUCTIVITY
(ME-M1109)

EXECUTIVE SUMMARY

Country and geographic location	Mexico, specifically the states of Hidalgo, Jalisco, and Mexico.		
Executing agency	Instituto Mexicano de Investigación de Familia y Población, A.C., better known as “Yo Quiero, Yo Puedo” (YQYP).		
Access area	Access to markets and capabilities.		
Agenda	Youth, employment, and entrepreneurship.		
Coordination with other donors/ Bank operations	Firestone Trust, Microsoft, CEMEX, Pepsico, Municipal Government of Guadalajara, and Banamex.		
Direct beneficiaries	<ul style="list-style-type: none"> - 2,000 low-income youth (ages 15-30) with limited skills get trained to start-up and/or develop their businesses. - 1,500 youth-led businesses are established or strengthened. - 600 young people receive business management advisory support. 		
Indirect beneficiaries	<ul style="list-style-type: none"> - 8,000 relatives of young entrepreneurs who benefit from the project (4 members of each family) - 840 people get a job in the businesses established or strengthened (1.4 jobs per sustainable business, including the entrepreneur). 		
Financing	Technical cooperation	US\$1,000,000	
	Total MIF contribution	US\$1,000,000	32%
	Counterpart	US\$2,087,234	68%
	Total project budget	US\$3,087,234	100%
Execution and disbursement period	36 months for execution and 42 months for disbursement.		
Special contractual clauses	Conditions precedent to the first disbursement: (i) hiring of Project Director and (ii) signing of agreements with applicable partners.		

**Environmental
and social
impact
assessments**

This operation has been pre-evaluated and classified pursuant to the requirements of the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given its limited impacts and risks, the project has been classified as a category "C" operation.

**Unit
responsible for
disbursement**

MIF/CME.

I. BACKGROUND AND RATIONALE

A. Background

- 1.1 This is the eighth 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 objective of this program is to improve the entrepreneurial skills of low-income youth through expanded access to quality services, laying the foundation for a stronger youth entrepreneurship ecosystem in certain countries in the region, including Mexico. Projects that the YEP previously approved include comprehensive financial and nonfinancial support methodologies that use various approaches: (1) Peru is seeking to achieve scale through other public and private institutions; (2) Chile is conducting online training and hosting an incubator; (3) Paraguay is providing access to credit for youth and developing microfranchises; (4) Barbados, Jamaica, and Trinidad and Tobago in the Caribbean are implementing various approaches depending on the type of beneficiary (rural or urban) and business support services; (5) Brazil is using a platform for training, services, networks, and support events, in partnership with universities; (6) Bolivia is focusing on developing entrepreneurial businesses in the hospitality sector; and (7) Argentina is seeking to gather evidence on the effectiveness of mentorship.
- 1.2 This project meets the selection criteria of the YEP regional program, as follows: (i) it provides comprehensive support (financial and nonfinancial, including life skills training, business training, mentoring, and advisory support); (ii) it has a national scope; (iii) it offers learning opportunities within the regional program's learning agenda, as applicable; and (iv) it has counterpart financing. The executing agency is the Instituto Mexicano de Investigación de Familia y Población, A.C., better known as "Yo Quiero Yo Puedo" [I want to, I can] (YQYP). YQYP meets the criteria to ensure quality management and is a member of YBI's partner network. The project's objective is to improve economic opportunities for low-income youth through the development of entrepreneurial business ventures, enabling them to increase their income level.
- 1.3 **Situation of youth in Mexico.** Young people make up a significant segment of the population, with 15-29-year-olds accounting for nearly 25% of the population. According to estimates, in the next 20 years, about half of the population will be of working age.¹
- 1.4 Nevertheless, Mexico has been unable to take advantage of this demographic dividend, since fewer than half (46.6%) classify as economically active. Of the 10 million economically active young people, 9.1 million are engaged in an occupation, while 923,000 are engaged in specific actions to find work. In other words, 9.2% of the young population is unemployed.² It should be noted that the

¹ National Institute of Statistics, Geography, and Information Technology (INEGI) (August 2015). "Estadísticas a propósito del día internacional de la juventud: datos nacionales" [Statistics for International Youth Day: National Data].

² INEGI (2013). "Panorama de la población joven en México desde la perspectiva de su condición de actividad 2013" [Overview of the youth population in Mexico from the perspective of their employment status 2013].

- youth unemployment rate is almost double (7.4%) the estimated national rate for the population of 15 years of age and older (4.2%).³
- 1.5 In 2014, the Consejo Nacional de Evaluación de la Política de Desarrollo Social [National Social Development Policy Evaluation Council] (CONEVAL) estimated that 55.3 million people in Mexico (46.2% of the population) lived in poverty, with 36.6% of the population (43.9 million) living in moderate poverty and 9.5% (11.4 million) living in extreme poverty.⁴ Among young people ages 12-29, almost half (47.1%) are living in poverty (17.5 million). The 2010 National Youth Survey revealed that 7.8 million, that is, two out of 10 young people ages 12-29, do not study or work.
 - 1.6 Low levels of self-confidence lead to risky and criminal behaviors. This, coupled with difficulties in finding a job, results in young people having entrepreneurial businesses with low innovation levels, led by poorly prepared teams, making the businesses unsustainable. Of those businesses, 80% fail in the long term because they lack a product that is suitable for the market, and only 35% have the tools needed for innovation.¹
 - 1.7 According to the “Diagnostic assessment of the situation of youth in Mexico” by the Mexican Youth Institute, Mexico’s young people face three main problems: (1) dissociation from the environment around them, that is, the low formation of groups or organizations with common interests, and a lack of venues to engage in relevant decision-making environments; (2) poor education and development of skills that foster personal growth, including life skills; and (3) limited sexual and reproductive education, leading to a higher incidence of teen pregnancies. Because of those problems, it is difficult for young people to find jobs, mainly in the formal workforce but also in informal jobs, and young entrepreneurs have poor development. This has a direct impact on the high level of poverty among the young population, the demographic dividend that is currently being squandered, and the high level of victimization of young people.⁵
 - 1.8 **Entrepreneurial ecosystem.** According to the 2014 Mexico Global Entrepreneurship Monitor, the percentage of 18-24-year-olds engaged in entrepreneurial activities had been rising since 2011, and by 2013 had reached almost 15% of this age group. Nevertheless, in 2014, the entrepreneurial activity rate decreased to 12.6%. This was the only age group for which the rate decreased during this period. This could be related to the attitudes and perceptions of young Mexicans, because one-third mention fear of failure as an obstacle to entrepreneurship (the highest percentage among all age groups) and more than half (51%) think they lack the necessary capabilities to become entrepreneurs.
 - 1.9 Small and medium-sized enterprises (SMEs) are the backbone of Mexico’s economy because of their high impact on job creation, national production, and international trade. According to the National Institute of Statistics, Geography, and Information Technology (INEGI), there are 4,015,000 companies in Mexico;

³ INEGI (August 2015). Statistics for International Youth Day: National Data.

⁴ CONEVAL (July 2015). “CONEVAL informa los resultados de la medición de pobreza 2014” [CONEVAL reports 2014 poverty survey results].

⁵ National Population Council and Mexican Youth Institute (2010). “The current situation of youth in Mexico.” Series of technical documents.

99.8% of them are SMEs and generate 52% of the GDP and 72% of the jobs. The development of SMEs is indispensable to Mexico's growth.^{6,7,8}

- 1.10 However, according to the Global Entrepreneurship Index, Mexico dropped nine places in the worldwide ranking, since it obtained very low scores for indicators like the skills and ambition of entrepreneurs. Taking into account the 14 pillars included in the index, it is important to improve the following factors: definition of innovation processes, attitude toward failure, and business abilities.⁹
- 1.11 Even though there is a large entrepreneurial ecosystem in Mexico, young people are excluded from certain services offered within it. In addition, due to their lack of resources, low-income youth get excluded because of their inability or difficulty meeting the requirements.

B. Diagnostic assessment of the problem to be addressed.

- 1.12 This project aims to respond to the limited and inadequate availability of comprehensive services for youth entrepreneurship in Mexico. Young people who want to become entrepreneurs lack capabilities such as intrinsic empowerment,¹⁰ personal agency,¹¹ entrepreneurial spirit, and leadership because the business services that are available focus only on developing basic technical skills. They also lack proper support during the startup and development of their businesses, which would increase the likelihood of success. The main causes of the problem are as follows:
 - 1.13 **Limited availability of entrepreneurial support programs.** Young people interested in entrepreneurship are unaware of existing programs or have difficulty accessing them as a practical matter. In addition, traditional entrepreneurial programs generally lack strong selection mechanisms to identify the most suitable profiles. Mexico has a National Entrepreneurship System that is part of the Department of the Economy and associated with the National Entrepreneurship Institute (INADEM). Entrepreneurship programs mainly focus on dynamic, high-growth business ventures. Few of these programs specifically target young people, and none specifically target young people from vulnerable areas. Therefore, it is very difficult for vulnerable youth to access the government's general programs.
 - 1.14 According to a 2015 report from the National Entrepreneurship Observatory,¹² the majority of interventions on entrepreneurship focus on companies that are in the growth and development stages, and new businesses or business ideas have the fewest interventions and the least support. One third of support programs do not specify in their guidelines the stage of entrepreneurship that they focus on. Less than one third of the support provided directly benefits low-income youth.

⁶ INEGI (2015).

⁷ Fernández Zurita, R.G. and C.M. Barber Kuri, "Las Pymes en México" [SMEs in Mexico]. [Pepe y Toño](#).

⁸ Observatorio de la Economía Latinoamericana [Latin American Economy Observatory]. (2014). "Las PYMES en México: Desarrollo y competitividad" [SMEs in Mexico: Development and competitiveness].

⁹ Global Entrepreneurship Index (2015).

¹⁰ Becoming agents of change in the family and community.

¹¹ Personal control over decisions and actions.

¹² [National Entrepreneurship Observatory](#) (2015). "Análisis transversal del gasto en políticas de apoyo a emprendedores, micro, pequeñas y medianas empresas" [Cross-sectional analysis of spending on support policies for entrepreneurs, micro, small, and medium-sized enterprises].

According to the Observatory, this shows that boosting this sector of the population through entrepreneurship or self-employment is not currently a priority. Most interventions support access to credit or financing, and fewer support the development of human capital for potential entrepreneurs (i.e. training). In last place, with few interventions, is support for research and development, access to markets, or public policies that improve the regulatory environment, which becomes even more limited for startups.

- 1.15 **Inadequate training in life skills.** Inadequate training and development of personal skills has resulted in a low impact on the creation of businesses. Since these are directly related to self-confidence and leadership, which are essential for successful entrepreneurs, it compounds the aforementioned problems. Entrepreneurship programs do not include the development of human and life skills. The majority include training components that generally represent no more than 30% of the allocated amount, a majority of which must be allocated to specialized or highly specialized technical training. Amounts are generally allocated to other areas, like certification, specialization, sales, infrastructure, equipment, information technology, etc.¹³
- 1.16 **Difficult access to credit for young people.** Young people who are inspired to become entrepreneurs and pursue seed capital or financing are not always able to obtain it. Financial institutions perceive them as high-risk customers, and it is uncommon to find financial products specifically for startups. The 2012 National Youth Values Survey estimated that 16.4% of all young Mexicans once attempted to start a business. Among young people whose businesses were unsuccessful, 26.1% attributed it to a lack of money.¹⁴

C. Beneficiaries

- 1.17 The project's direct beneficiaries will be: 1,500 low-income youth (ages 15-30) (young people in nuclear families with incomes below US\$625 per month) in the states of Mexico, Hidalgo, and Jalisco, who will be able to establish or strengthen their businesses, increase their income, and as a result, raise their own standard of living and that of their families; 2,000 young people who will be trained in life skills, finance, and entrepreneurship; and 600 young people who will receive specialized business management advisory support. Participants will be low-income youth, currently in high school or high school graduates, may be attending college or technical school, and must be from the priority areas for the federal, state, or municipal government.
- 1.18 The project's indirect beneficiaries will be: 8,000 close relatives of the young people trained (four per family) and 840 people employed in the businesses established (estimated as 1.4 jobs per sustainable business, including the entrepreneur).

D. Contributions to the MIF Mandate, Access Framework, and IDB Strategy

- 1.19 The project will help meet the MIF mandate of testing new approaches to get the private sector involved in solving economic development problems, by focusing on startups with the capacity to grow and create economic opportunities. It will also

¹³ National Entrepreneurship Institute (2016). [Tutorial announcements](#).

¹⁴ National Youth Values Survey (2012).

- provide support to low-income young entrepreneurs in order to strengthen their businesses and create jobs, as well as establish a youth entrepreneurship ecosystem in the beneficiary states. Moreover, the project is aligned with the productivity pillar of the IDB Country Strategy with Mexico 2013-2018 (document GN-2749), which considers interventions in priority areas such as the labor market and business competitiveness.
- 1.20 **Connection to the Agenda.** The project is aligned with the MIF's strategy as follows: (i) innovation in the agenda's entrepreneurship area, since it will help refine existing youth entrepreneurship models, not only those based on previous experiences with YBI, but others, like the methodology of the Framework for Enabling Empowerment (FrEE), which focuses on the socioemotional skills of this type of beneficiary; and (ii) outcomes, evaluation, and knowledge sharing, since YQYP's assessment team will develop a rigorous quantitative assessment to measure the project's economic impact on the income of beneficiaries.
- 1.21 The project is part of the YEP regional program (RG-M1240), which was jointly developed by Youth Business International (YBI) and the MIF. The experiences and lessons learned by YBI through its network of 43 partner countries will be shared with the goal of taking advantage of them in each country. Through the Regional Learning Center for the Youth Entrepreneurship Initiative (based in Bogotá, Colombia and part of the essential regional program), the project will develop partnerships and promote the exchange of knowledge.
- 1.22 **Knowledge Gaps.** This project will help close the following knowledge gaps in the agenda: "Which support methods for vulnerable young entrepreneurs are most effective when it comes to job creation, profitability, or sustainability? The questions addressed will be as follows:
- (i) What is the impact of training models that include training on socioemotional skills for entrepreneurs?
 - (ii) What are the most efficient and innovative ways to select young entrepreneurs to support?
 - (iii) What are best practices to transfer and scale models to the private and public sectors, and what are the key factors to achieve sustainable partnerships?
- 1.23 **Cooperation with the IDB Group and other partners.** This project will provide opportunities for the MIF and the IDB Group thanks to connections with several strategic partners: (i) municipalities and local governments, which are responsible for local economic development and play a decisive role in creating conditions of increased equality and social inclusion, will support the program's call for applications and dissemination by providing training space; and (ii) other public and private stakeholders, such as Instituto Hidalguense de Competitividad Empresarial, Aspen Institute, Microsoft, Banamex, Skala Ventures, CEMEX, and National Entrepreneurship Institute, have also expressed an interest in cooperating with the project throughout the five stages.

II. OBJECTIVES AND COMPONENTS

A. Objectives

- 2.1 The expected impact is to increase the number of successful low-income youth business ventures in three Mexican states. The expected outcome is to develop a training and service model for entrepreneurs based on life skills, financial education, a culture of savings, and business management, within the Framework for Enabling Empowerment.

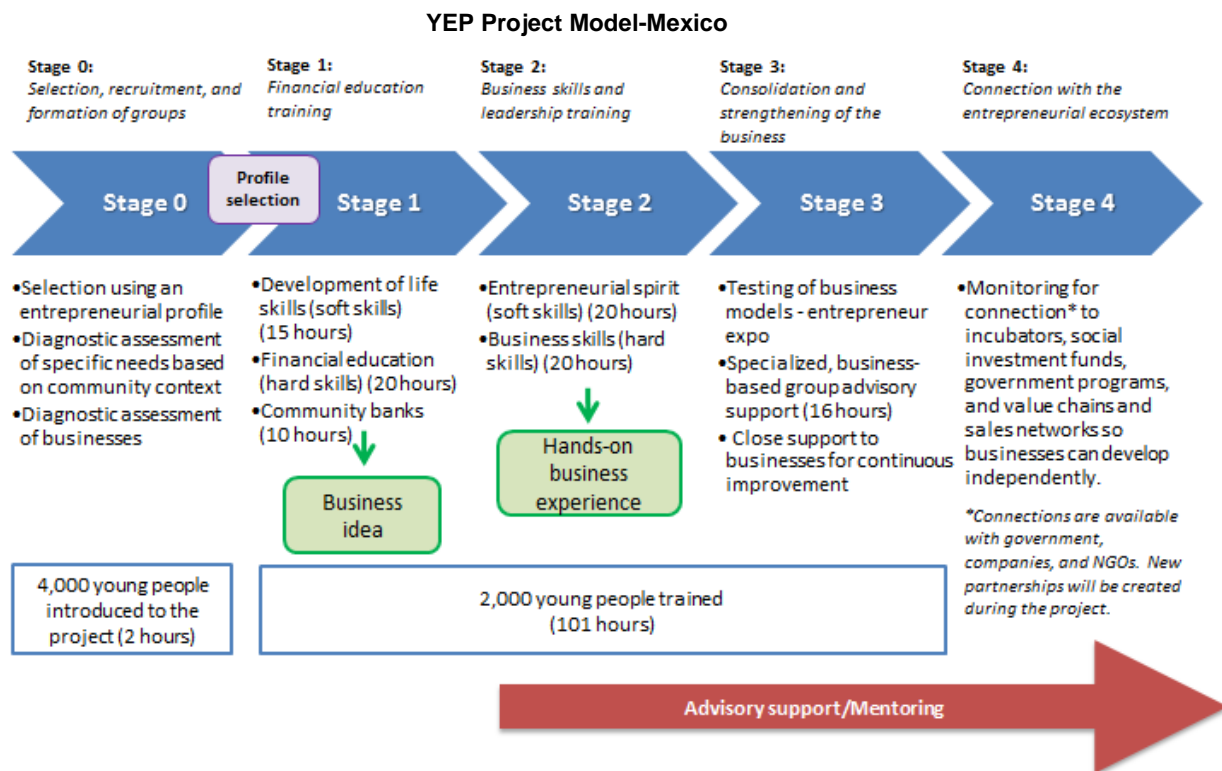
B. Description of the Intervention Model

- 2.2 The project's implementation will be based on processes to develop capabilities through life skills. The two relevant aspects of human development that will be covered are life skills and cultivating the entrepreneurial spirit. The three most relevant technical skills that will be covered are financial education, technical business skills, and specialized technical workshops based on business needs.
- 2.3 The model that will be used is known as the Framework for Enabling Empowerment,¹⁵ which facilitates a process of long-lasting behavioral change. Participants feel empowered, express their opinion, think analytically, make informed decisions, and communicate those decisions assertively once they have attended training workshops and benefitted from a series of support sessions.
- 2.4 By acquiring these skills, individuals can verify that behavioral changes are possible, and that their actions, decisions, and lives are under their control (personal agency). That feeling of control also leads individuals to become agents of change in their families and communities (intrinsic empowerment). YQYP's programs promote the development of healthy habits in both individuals and their families.
- 2.5 This project strengthens the tools that young people have to overcome the obstacles of daily life, experience new types of relationships, and be able to perform new activities. Personal agency translates into actions promoted by the persons themselves and that have real impact on their lives. Intrinsic empowerment is achieved when these internally motivated actions have an impact not only on individual lives but also on the context, making the change become a social and real one within the environment.
- 2.6 Training workshops will consist of the implementation of participatory and experiential learning techniques. Participatory techniques involve having participants take turns to share their knowledge of the subject, and actively exchange opinions, discuss, and reflect. The objective of experiential techniques is for participants to use their creativity and explore ways to behave and resolve situations in a manner that benefits them, without stepping on others. Using participatory methodology and the prior knowledge and experience that participants have, they are encouraged to begin the process of developing personal agency and to achieve healthy behavioral changes targeted to their

¹⁵ Pick, S. and J. Sirkin (2010). "Breaking the Poverty Cycle: The Human Basis for Sustainable Development." Oxford University Press.

needs. Some of the tools available during work sessions are questions that invite introspection in a space for reflection.^{16,17}

- 2.7 The result of this way of working is a real, positive impact on the development of life skills, lower psychosocial barriers, knowledge acquisition, and behavioral change on the part of participants, which is long-lasting and sustainable.
- 2.8 The intervention to support business management among young people was divided into five stages (see model below):



- 2.9 **Stage 0: Selection, recruitment, and formation of groups.** This stage represents one of YQYP’s main differentiating factors, since the organization has demonstrated that it can efficiently find and select the participants who are most likely to succeed, and leverage their growth as entrepreneurs through human development. Part of the search and selection process focuses on finding or creating interest groups for young people, based on sports, arts, culture, academic, and other activities. The sociodemographic characteristics, level of economic development, entrepreneurial spirit, and life skills will be taken into account and the materials, training, and advisory support will be tailored to what the young people really need for their businesses to succeed.
- 2.10 **Stage 1: Financial education training.** During the first stage, the training objective will be based on: (i) development of life skills; (ii) financial education; and (iii) savings habits that allow them to achieve specific goals in their lives, and then

¹⁶ Framework for Enabling Empowerment. “Breaking the Poverty Cycle: The Human Basis for Sustainable Development.” Pick, S. and J. Sirkin, (2010).

¹⁷ “Teoría del constructivismo social de Lev Vygotsky en comparación con la teoría de Jean Piaget [Lev Vygotsky’s social constructivism theory compared with Jean Piaget’s theory].” Payer, M. (2000).

establish or improve their businesses. It will include 45 hours of training and support from business consultants, aimed at developing a culture of savings and training on business ideas. The 15-hour life skills (soft skills) workshop will allow participants to develop individual freedoms and exercise their personal agency through a life plan that gives them a clear idea for business venture and the tools to achieve it. Banamex will teach the first business skills (hard skills) workshop, a 20-hour financial education workshop to train participants on individual efficiency as well as on taking better advantage of resources (time, effort, money) to achieve their goals. The last part of this stage, a 10-hour workshop, will focus on community banks, which are organized savings groups that offer the possibility of granting loans at lower interest rates, supporting entrepreneurs through savings and loans to start their businesses. Significantly, the loan repayment compliance rate for this strategy is 98%.

- 2.11 **Stage 2: Business skills and leadership training.** With 40 hours of training, during the second stage the training objective is to develop: (i) the entrepreneurial spirit and (ii) business skills. For the entrepreneurial spirit, a 20-hour workshop will provide training on life skills needed to develop teams and facilitate the achievement of joint goals. The fewer people a business venture has, the more it is likely to fail. These skills are based on leadership and teamwork. For technical business skills, there will be a 20-hour workshop to develop a business model using the Canvas model,¹⁸ promoting the development of value propositions that can be validated as soon as possible and at the lowest cost, generating a culture of evidence-based experimentation and continuous improvement through validated learning.
- 2.12 **Stage 3: Consolidation and strengthening of the business.** With 16 hours of training, the third stage will focus on developing technical skills for business based on continuous improvement and innovation. Through specialized technical consulting in groups, there will be monitoring and advisory support on improving a business, seeking and accessing more financing, and new market opportunities. Business models will be tested in order to demonstrate or rebut hypotheses to apply specific optimization strategies during an entrepreneur expo.
- 2.13 **Stage 4: Connection with the entrepreneurial ecosystem.** Lastly, through advisory support and monitoring, productive activities will be connected to incubators, social investment funds, government programs, and value and sales chains/networks in order to enable them to mature independently. Some possibilities for access to connections include: (i) Microsoft for its development and programming programs, as well as access to its technology incubator; (ii) Instituto Hidalguense de Competitividad Empresarial for assistance including financing, laboratories, and advisory support; (iii) Skala Ventures for incubation; (iv) Instituto Tecnológico y de Estudios Superiores de Monterrey for access to its social incubator; (v) Pepsico for access to its Tosticentros microfranchise program; (vi) CEMEX for access to its local and community supplier development programs; and (vii) the Posible initiative for access to its online training and incubation programs. Additional partnerships will be explored with: (i) Grupo Paisano for

¹⁸ Canvas uses a format that displays the business model divided into nine fields on one page. This provides a document that directly offers an overview of the business idea and clearly shows the links between the various elements: customers, value proposition, distribution channels, customer relationships, revenue streams, resources, key activities, partners, and cost structure.

capital financing and training for entrepreneurial businesses in the primary sector; (ii) National Entrepreneurship Institute for subsequent access to its programs; and (iii) Oikocredit for strengthening of youth community banks and access to financing, for both capital and loans.

C. Components

- 2.14 In order to achieve its objectives, the project was structured as three components: (i) Institutional capacity building; (ii) Offering comprehensive business services to young entrepreneurs; and (iii) Knowledge management and communications strategy.

Component 1. Institutional capacity building. (MIF: US\$43,500; Counterpart: US\$163,356)

- 2.15 The objective of this component is to strengthen YQYP's productivity program and develop cross-sector partnerships to be able to create spaces favoring the inclusion of the young population in the productive sector, within a framework of equal opportunity. Another objective is to strengthen the social fabric and community identity based on participation in local economic activities. Despite its 30-year track record implementing human, social, and economic development projects, YQYP has little experience working on youth entrepreneurship. Its work on entrepreneurship has been predominantly with women of various ages. Therefore, YQYP requires strengthening in the selection of young people who have potential as entrepreneurs. The organization will enrich its model through the instruments and experience of other YEP projects working on youth entrepreneurship.
- 2.16 This component's activities include: (i) adapting the training curriculum; (ii) adapting the selection tool for the project beneficiary entrepreneur profile; (iii) developing nine strategic partnerships; (iv) recruiting and training 20 facilitators; (v) recruiting and training 16 business management consultants; and (v) developing a mentoring program.
- 2.17 This component's training activities are based on the real needs of the target population regarding entrepreneurship and productivity. Therefore, training materials will be based on a diagnostic assessment whose results will provide guidelines to develop cross-sector networks that benefit institutional capacity building. The goal of partnerships is to build connections in society through the productive activities of other members of the same community, which will help the local economy and foster the development of commercial networks among several towns.

Component 2. Offering comprehensive business services to young entrepreneurs. (MIF: US\$824,066; Counterpart: US\$1,786,963)

- 2.18 The objective of this component is to develop the entrepreneurship skills of young people through training and support during the development of their business idea, or strengthening their business through a comprehensive program that includes three aspects: financial education, technical business skills, and specialized technical workshops based on business needs.
1. *Financial education* as an essential foundation for entrepreneurship; knowing how to save, but mainly knowing how to spend, enhances the efficiency and effectiveness of people's goals, resulting in a better quality of life.

2. *Technical business skills* that concretely help them consider, plan, establish, and improve their businesses by proposing hypotheses for experimentation and validation.
 3. Focus on the *specific technical needs* of each business according to its characteristics and evolution.
- 2.19 Specialized business consultants will provide ongoing advisory support throughout the stages of the process, in order to apply the training in a practical manner. In addition, with support from YBI, a mentoring program will be created for the young people, to expand the reach of ongoing monitoring.
- 2.20 This component will include the following activities: (i) introducing the project to 4,000 young people; (ii) training 2,000 young people in: (a) development of life skills, (b) financial education, (c) savings habits, and (d) technical skills and life skills; (iii) providing business management advisory support to 600 young people (they will receive advisory support from a specialized business management consultant for 2-6 hours per month, including financial management of the business); and (iv) hold six entrepreneur expos to promote sales and disseminate their products.

Component 3. Knowledge management and communications strategy. (MIF: US\$88,900; Counterpart: US\$46,000)

- 2.21 The objective of this component is to document, systematize, and communicate the results and lessons learned from the project, in order to publicize an innovative intervention methodology to promote entrepreneurial businesses with an emphasis on life skills. Therefore, the project will have a strategy to share lessons learned and outcomes that will be updated periodically in order to meet communication needs.
- 2.22 The following audiences have been identified to communicate knowledge and exchange good practices identified by the project: (i) nongovernmental organizations from Mexico, the YBI network, and the MIF's YEP program, in order to improve the intervention methodology and implement innovative models to develop youth entrepreneurship programs that have more impact and better replication and scaling; (ii) government authorities such as municipal and state government offices interested in supporting or executing youth entrepreneurship programs in a joint manner; and (iii) private sector companies interested in supporting projects that favor youth entrepreneurship and having a local supplier network able to meet the goods and services needs of the businesses.
- 2.23 Audiences identified will be reached with workshops, in-person meetings, special events, and print materials, based on the project's dissemination strategy. Through the information obtained and its dissemination, there will be opportunities to have additional partners to continue or replicate the model in other parts of Mexico and abroad.
- 2.24 To address the knowledge needs of these audiences, the following knowledge products will be developed: (i) a project fact sheet that visually summarizes the project's strategy, main actions, and results, to be updated annually; (ii) a monitoring and evaluation system developed and implemented (OMS); (iii) three events to promote the project and share knowledge; and (iv) an impact evaluation.

D. Governance

- 2.25 The executing agency will be the Instituto Mexicano de Investigación de Familia y Población, known as “Yo Quiero, Yo Puedo” (YQYP), which will have the following team for project implementation: an administrative coordinator, a project coordinator, field consultants, staff from the materials area for updating, staff from the evaluation area, two persons for office-based general coordination, and external facilitators for training.

E. Sustainability

- 2.26 To avoid creating dependency, YQYP’s programs include seeking opportunities to connect entrepreneurs with capital, financing, incubation, acceleration, development of value chains, laboratories, etc. YQYP actively seeks to have entrepreneurs, after the training and advisory support process, continue their paths independently. The intervention is based on community strengthening, with an increase of the marginal propensity for consumption as well as savings through investment for productive development.
- 2.27 YQYP has been able to create an institutional framework in public entities for successful programs (for example, a national breastfeeding program, civic and ethics education for elementary schools, and a youth sexuality program). Future connections with both government and private entities will be explored in order to introduce the model into some of the existing entrepreneurship programs, such as those from the Social Development Department, the INADEM, and the Department of the Economy. YQYP will also have an Advisory Committee to help develop strategic partnerships with the private sector to replicate the program in other states and ensure its sustainability. The updated model is being registered with the INADEM. In the future, this will allow municipios and states in Mexico to allocate economic resources for the development of young entrepreneurs as a coinvestment with the INADEM for state, regional, or national programs using this model.

F. Lessons learned from the MIF and other institutions on project design

- 2.28 **Selection of young beneficiaries.** Identifying those participants with the highest likelihood of developing a sustainable entrepreneurial business is a challenge. Applying experimental approaches to identify participants used by other implementing organizations can help the project find young people with promising business characteristics and behaviors, like innovative thinking, leadership attributes, and results-oriented attitudes.
- 2.29 **Life skills (soft skills).** Social, cognitive, and emotion-control skills are a determining factor in establishing and developing entrepreneurial businesses. Therefore, this project will focus on life skills and seek to develop them with active educational methods that use participatory and experiential learning techniques, since it is possible to acquire skills and reinforce them in spaces outside a person’s own environment. The youth training will therefore seek to develop and strengthen skills including leadership, communication, negotiation, assertiveness, and empathy.
- 2.30 **Access to financing.** The majority of young entrepreneurs start their businesses by investing their own resources, and those of their relatives, friends, or individual lenders, which limits their likelihood of success. One of the most frequent requests

from young people is for outside financing, which is very difficult to obtain because they lack collateral and business experience that financial institutions are able to evaluate. The proposed project includes two elements, financial education and community banks, in order for young people to take a first step toward financial responsibility. It will also attempt to connect them with entities that offer financing.

G. MIF additionality

2.31 **Nonfinancial additionality.** The project will benefit from the MIF's experience in entrepreneurship and scaling of successful models, and from its partners. Within the framework of the Regional Program (RG-M1240), based on close cooperation between YBI, which is responsible for its execution, and the MIF, the project with YQYP will benefit from services, knowledge, partnerships, and experience developed by the regional program. It will also offer important knowledge elements, in particular those related to the scalability of entrepreneur support programs.

2.32 **Financial additionality.** The MIF's financial support will be essential to solidify YQYP's productivity program and its expansion to other Mexican states. This will help YQYP develop the institutional conditions needed to scale the services offered even more and be able to reach more young beneficiaries.

H. Outcome

2.33 The expected outcome is to develop a training and service model for entrepreneurs in the states of Mexico, Hidalgo, and Jalisco, based on life skills, financial education, a culture of savings, and business management, within the Framework for Enabling Empowerment. Expected outcomes include: (i) 1,500 youth-led businesses are established or strengthened; (ii) 1,800 young people enhance their business skills; (iii) 1,400 young people develop their life skills and abilities; and (iv) 60 young people with growth potential are connected with financial entities, value chains, or incubators in order to grow their businesses.

I. Impact

2.34 The expected impact is to increase the number of successful entrepreneurial businesses among low-income youth in three Mexican states. A total of 600 young people will have established or strengthened a business, increased their incomes, and as a result, raised their own standard of living and that of their families. In addition, 840 new jobs will be created and 80% of young entrepreneurs will increase annual sales in their businesses by at least 8%.

2.35 The project is also expected to achieve sustainable behavioral changes, contributing to strengthening a culture of savings, and to the use of loans and management of personal finances in a responsible manner. It will also support the development and strengthening of productive projects in the region.

J. Systemic Impact

2.36 The project will contribute to advancing systemic change by laying the foundation for an ecosystem that promotes the development of youth entrepreneurship in Mexico. The project will seek to replicate the model through partnerships with public and private stakeholders, in order to develop sustainable, scalable models for YQYP's operations and the partnerships established in the states. The possibility of introducing the model into some of the existing entrepreneurship

programs, such as those in the Social Development Department, the INADEM, and the Department of the Economy, will also be explored.

III. MONITORING AND EVALUATION STRATEGIES

- 3.1 **Baseline.** The baseline will be established when the comprehensive training of the young people begins. A monitoring and evaluation system will be designed in advance for that purpose; it will define the strategies and responsibilities for collecting information. YQYP will determine the baseline on the basis of participants' knowledge, skills, and attitudes, and specifically identify the stage that the person is in: contemplation, preparation for action, action, or maintenance. Information collected will include personal data, level of education, current situation and income, access to and knowledge of financing, business idea and sector, aspects regarding the family environment, motivations for entrepreneurship, etc.
- 3.2 **Monitoring.** Processes and outcomes for the project and the young people will be monitored throughout its duration, in order to validate lessons for immediate implementation of improvements, and achieve objectives (impact and outcomes). To monitor quality during the project's various stages, the following monitoring activities will take place: (i) questionnaires before and after the training; (ii) interviews to document testimonials from young people; and (iii) measurement of the level of economic development (savings, income, expenses, impact). These monitoring activities will measure the project's results for the indicators defined. The questionnaires will be designed, pilot tested, and validated in advance.
- 3.3 **Experimental evaluation.** There will be an evaluation using experimental design for each state participating in the project. Two control groups, two semi-experimental groups, and two experimental groups will be formed in each state. They will be evaluated longitudinally at three times during the project. The lack of human skills, risk prevention, and entrepreneurship in some groups will be compared with those participants who receive 100% of the training and advisory support.
- 3.4 **Closing workshop.** In a timely manner, YQYP will hold a **closing workshop** to jointly evaluate the outcomes with other entities, identify additional tasks to guarantee the sustainability of actions started during the project, and identify and share lessons learned and best practices.

IV. COST AND FINANCING

- 4.1 The project will have a total budgeted cost of US\$3,087,234, of which US\$1,000,000 (32%) will be provided by the MIF and US\$2,087,234 (68%) by the counterpart—38% of it in cash and 30% in kind. The execution period will be 36 months and the disbursement period 42 months.

	MIF	Counterpart	Total
Project components			
Component 1. Institutional capacity building	US\$43,500	US\$163,356	US\$206,856
Component 2. Offering comprehensive business services to young entrepreneurs	US\$824,066	US\$1,786,963	US\$2,611,029
Component 3. Knowledge management and communications strategy	US\$88,900	US\$46,000	US\$134,900
Execution and supervision			
Management	US\$0	US\$90,915	US\$90,915
Other costs			
Ex post review and institutional strengthening	US\$12,000	US\$0	US\$12,000
Evaluation	US\$10,000	US\$0	US\$10,000
Contingencies	US\$21,534	US\$0	US\$21,534
Grand total	US\$1,000,000	US\$2,087,234	US\$3,087,234
<i>Financing %</i>	<i>32%</i>	<i>68%</i>	<i>100%</i>

V. EXECUTING AGENCY

- 5.1 The executing agency is the Instituto Mexicano de Investigación de Familia y Población, better known as “Yo Quiero, Yo Puedo” (YQYP), a Mexican nongovernmental organization that works with marginalized and vulnerable populations in Mexico, facilitating the process for every individual to become an agent of change. Through its mission of “facilitating human, social, and economic development,” YQYP works on education, health, citizenship, and productivity to empower persons to improve behaviors for well-being and become agents of change in their own lives, families, and communities, thus generating sustainable human, social, and economic development. All of its programs have a gender equity approach. YQYP works closely with governments so that successful programs can be implemented on a large scale once their success has been demonstrated. Eight programs have been adopted for nationwide implementation.
- 5.2 YQYP designs, implements, and evaluations programs that help break the cycle of poverty. Since its foundation in 1985, and with the support for more than 300 public and private institutions, YQYP has helped improve the well-being of more than 20 million people in 14 countries. It has received more than a dozen awards, including the IDB award in 2012 for the best social development program in the Americas. Its work is based on four fundamental pillars: education, health, citizenship, and productivity. This project will be implemented within the productivity pillar. In the productivity pillar, YQYP has achieved promising results including: (i) more than 7,000 persons participated in microfinance and entrepreneurship programs. (ii) the loan repayment rate is 98%. One third employs paid staff and half provides salary to owners, a majority of them women.
- 5.3 **Procurement.** For procurement of goods and contracting consulting services, the executing agency will follow the IDB’s Procurement Policies (documents GN-2349-9 and GN-2350-9). Since the Diagnostic Needs Assessment of the Executing Agency ([DNA](#)) revealed a *high* need/risk level, the project team

determined that, pursuant to the provisions of Appendix 4 of these policies, the executing agency, as part of the private sector, will use the private sector methods indicated in Annex 1 of the Operational Guidelines for Technical Cooperation Projects (document OP-639). In addition, there will be ex post reviews of the project's procurement on a *quarterly* basis. Before starting procurement, the executing agency will submit the project's procurement plan to the MIF for approval. This plan will be updated quarterly and whenever there is a change in the methods or the goods or services to be procured.

- 5.4 **Financial management and supervision.** The executing agency will establish and be responsible for maintaining appropriate accounting of finances, internal control, and records systems, as per the provisions of the IDB/MIF's financial management rules and policies. Since the [DNA](#) revealed a *high* need/risk level in the financial management section, there will be ex post reviews of the supporting documentation for disbursements on a *semiannual* basis. In addition, with funds contributed by the MIF, the IDB/MIF will retain consulting services to train the executing agency in financial management areas that need reinforcement, identified by analyzing the [DNA](#).
- 5.5 The IDB/MIF will retain independent auditors to perform ex post reviews of both procurement procedures and supporting documentation for disbursements. The scope of the ex post reviews will include analyzing financial reports prepared by the executing agency annually as part of its financial management. As per the Bank's procedures, funds contributed by the MIF will be used to cover the cost of these reviews.
- 5.6 During project execution, the MIF may modify the frequency of ex post reviews of procurement procedures and supporting documentation for disbursements, and the need for additional financial reports, based on the findings of ex post reviews conducted by external auditors.

VI. RISKS

- 6.1 **Financial risks.** The project may not achieve the required level of cofinancing. This risk has been determined to be minimal, since YQYP has enough public and private sector partners interested in providing the counterpart and has guaranteed 80% of the project's total financing to date.
- 6.2 **Risks involving the project's scope.** The project may not have enough young entrepreneurs interested in starting a business. This is mitigated by YQYP's experience with projects in various regions, since the organization already has identified young people who could participate in the project. All of this is based on strategic partnerships with the private and public sectors, and civic groups, which also have a database of young entrepreneurs who are interested but who they have been unable to help.

VII. ENVIRONMENTAL AND SOCIAL EFFECTS

- 7.1 No adverse environmental or social impacts are expected. The project will have an impact on low-income youth and their environment, and therefore the only social effect that can be expected for them and their families is positive.

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 Results-based disbursements and fiduciary arrangements: YQYP will comply with the standard MIF arrangements on results-based disbursements, procurement, and financial management, as specified in the project's Annexes.

IX. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 9.1 **Access to Information.** Information for this project is not confidential under the IDB's Access to Information Policy, except for the publication of the entities' strategic and market plans.
- 9.2 **Intellectual Property.** Based on the Bank's legitimate interest in replicating the initiative both in Mexico and other countries in the region, the Bank and YQYP will evaluate several legal alternatives regarding the ownership of intellectual property rights and the licensing of those rights, as applicable.