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MULTILATERAL INVESTMENT FUND

PERU

**NEW EMPLOYMENT OPPORTUNITIES FOR YOUTH IN PERU
NEO PERU**

(PE-M1110)

DONORS MEMORANDUM

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CONTENTS

PROJECT SUMMARY
EXECUTIVE SUMMARY

I.	BACKGROUND AND RATIONALE	2
II.	OBJECTIVES AND COMPONENTS	10
III.	MONITORING AND EVALUATION STRATEGY	20
IV.	COST AND FINANCING	21
V.	EXECUTING AGENCY	23
VI.	PROJECT RISKS.....	24
VII.	ENVIRONMENTAL AND SOCIAL IMPACTS.....	24
VIII.	FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS	24
IX.	ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY	25

PROJECT SUMMARY
NEW EMPLOYMENT OPPORTUNITIES FOR YOUTH IN PERU
(PE-M1110)

“New Employment Opportunities for Youth in Peru,” or NEO Peru, is part of regional program ATN/ME-13213-RG, “New Employment Opportunities for Youth (NEO)”. NEO seeks to improve the human capital quality and employability of one million vulnerable youth in the region within 10 years. It started with a five-year first stage from 2012 to 2017 for 500,000 vulnerable young people in at least 10 countries in Latin America and the Caribbean. Launched in 2012, it is led by the MIF, the Labor Markets Unit of the IDB’s Social Sector, and the International Youth Foundation, along with five founding corporate partners: Arcos Dorados, Caterpillar, CEMEX, Microsoft, and Walmart.

Peru has exhibited significant GDP growth rates in the last decade. Although this growth has translated into improvements in a number of employment indicators, it is still hard for many people, especially the young, to find quality jobs due to the low quality and relevance of employability services. The youth unemployment rate (7.8%) is three times higher than for adults (2.1%), and more than 50% of working youth have informal and seasonal jobs.

NEO Peru seeks to establish methodologies and processes for coordination among the productive sector, job training institutions, and public sector that can be replicated and expanded to other parts of the country. The purpose is to facilitate youth access to better comprehensive services and give them the skills required by the labor market, increasing their chances of finding quality employment and harnessing them as an important driver of the country’s development. A public-private partnership has therefore been created in which business, government, and civil society contribute resources, knowledge, and capabilities to implement effective and sustainable youth employment solutions. The members of the NEO Peru partnership are: the Ministry of Labor and Employment Promotion; Ministry of Education; Regional Government of Callao; Servicio Nacional de Capacitación para la Industria de la Construcción [National Training Service for the Construction Industry] (SENCICO); Lima Chamber of Commerce; Arcos Dorados; Microsoft; Fe y Alegría; the Roman Catholic Diocese of Callao; AVSI Foundation; and Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services] (CAPLAB).

The impact of NEO Peru will be to increase job placement opportunities for young people between the ages of 16 and 29. The outcome will be to improve the quality and relevance of the training programs and employability services for young people in the provinces of Callao and Lima. The port logistics, construction, retail commerce, and manufacturing sectors were pre-identified for implementation of the NEO project, as growing sectors with high unmet demand for qualified employees.

The project will benefit 14,000 poor and vulnerable youth, at least 50% of whom will be women. In addition, 25 job training and youth services centers will be strengthened, and at least 100 companies will have better prepared young employees. NEO Peru has five components: (i) identification of labor market demand for youth job placement; (ii) relevance of training offerings aligned with labor market demand and youth needs; (iii) coordination of job placement support services to meet the needs of more vulnerable youth; (iv) strengthening of youth employability service providers; and (v) knowledge management and communication strategy.

NEO Peru will complement and coordinate with the IDB Labor Markets Unit's Program to Improve the Effectiveness of Employment Center Services in Formal Job Placement of Youth in Urban Peru (loan PE-L1152), now in process of approval. NEO Peru seeks to impact youth employability services as a large-scale demonstration of youth employability, to validate an effective model, planned by the labor ministry, that can be replicated and transferred to potentially 2,593 official vocational and technical training institutions and 26 employment centers. The MIF's financial contribution is critical to incentivize partnership and secure public and private resources. At least three dollars of counterpart contribution will be leveraged for each dollar contributed by the MIF.

ANNEXES

Annex I	Logical Framework
Annex II	Summary Budget
Annex III	Quality for Effectiveness in Development (QED) matrix
Annex IV	Budget broken down by entity

APPENDICES

Proposed resolution

AVAILABLE IN THE DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

Annex V	Itemized budget
Annex VI	Preliminary list of milestones
Annex VII	Diagnostic needs assessment (DNA) of the executing agency
Annex VIII	Project status reports (PSRs), fulfillment of milestones, fiduciary agreements, and institutional integrity
Annex IX	Procurement plan
Annex X	Timetable of activities
Annex XI	Operating Regulations
Annex XII	Terms of reference for the project coordinator
Annex XIII	Monitoring and evaluation plan for impact assessment

ABBREVIATIONS

CAPLAB	Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services]
CCL	Cámara de Comercio de Lima [Lima Chamber of Commerce]
CETPRO	Centros de educación técnico productiva [production-oriented technical education centers]
ENAHO	Encuesta Nacional de Hogares [National Household Survey]
ENAJUV	Encuesta Nacional de Juventud [National Youth Survey]
IEST	Institutos de educación superior tecnológica [technological higher education institutes]
INEI	Instituto Nacional de Estadística e Informática [National Institute of Statistics and Information Technology]
IYF	International Youth Foundation
LMK	Labor Markets and Social Security Unit
MINEDU	Ministry of Education
MTPE	Ministry of Labor and Employment Promotion
NEO	New Employment Opportunities
PISA	Program for International Student Assessment
PTS	Passport to Success
SENCICO	Servicio Nacional de Capacitación para la Industria de la Construcción [National Training Service for the Construction Industry]
SII	Sistema de Información Integrado [Integrated Information System]
SOVIO	Servicio de Orientación Vocacional e Información Ocupacional [Vocational Guidance and Job Information Service]

PERU
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EXECUTIVE SUMMARY

Country and geographic location:	Republic of Peru, with a focus on the provinces of Callao and Lima.		
Executing agency:	Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services] (CAPLAB).		
Area of access:	Access to Markets and Skills.		
Agenda:	Youth: employment, skills, and entrepreneurship.		
Coordination with other donors/ Bank operations:	PE-L1152 Program to Improve the Effectiveness of Employment Center Services in Formal Job Placement of Youth in Urban Peru.		
Direct beneficiaries:	A total of 14,000 poor and vulnerable youth ages 16 to 29, at least 50% of whom (7,000) are women, who will have access to better employability services. A total of 25 youth employability service providers will be strengthened, and at least 220 of their professionals will be trained in providing services aligned with the needs of the labor market, introduction of teaching methodologies geared toward young people, life skills, and vocational guidance and job placement services. Of the 25 providers, 19 are technical and vocational training centers, and 6 are youth job placement and vocational guidance offices. Lastly, at least 100 companies will benefit by having young employees better prepared for their jobs.		
Indirect beneficiaries:	Given that Peruvian households have an average of 3.7 members, 51,800 individuals will indirectly benefit from the project.		
Financing:	Technical cooperation funding:	US\$1,523,684	
	TOTAL MIF CONTRIBUTION:	US\$1,523,684	10.8%
	Counterpart:	US\$500,864	3.6%
	Cofinancing:	US\$12,032,000	85.6%
	TOTAL PROJECT BUDGET:	US\$14,056,548	100%
Execution and disbursement period:	Execution period of 36 months, and disbursement period of 42 months.		
Special contractual conditions:	Conditions precedent to the first disbursement: (i) Operating Regulations for the operation; (ii) governance agreement for the NEO Peru partnership; (iii) commitment letters signed by the partnership members; (iv) submittal of the annual work plan; and (v) selection of the NEO Peru coordinator. All of these conditions will be met to the satisfaction of the IDB/MIF.		
Environmental and social impact review:	This operation has been prescreened and classified in accordance with the requirements of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Since the impacts and risks are limited, the proposed category for the project is "C."		

**Unit with
disbursement
responsibility:**

The project will be supervised by the IDB Country Office in Peru, with technical support from the NEO regional team at Headquarters.

I. BACKGROUND AND RATIONALE

1.1 NEO Peru is a new, country-level project under the New Employment Opportunities for Youth (NEO) regional program, approved by the MIF Donors Committee on 12 April 2012 (document MIF/AT-1175). The NEO regional program is led by the IDB through the Office of the MIF and the Social Sector (SCL/LMK), along with the International Youth Foundation (IYF) and five founding partner companies: Arcos Dorados, Caterpillar, Cemex, Microsoft, and Walmart. NEO seeks to improve the human capital quality and employability of one million vulnerable youth in the region within 10 years. It started with a five-year first stage from 2012 to 2017 for 500,000 vulnerable young people in at least 10 countries in Latin America and the Caribbean. This stage is expected to strengthen 200 providers of youth employability services and mobilize 1,000 companies to offer employment opportunities and internships. Three years into its existence, the NEO initiative is well on its way to meeting its goal of reaching half a million young people by 2017. Taken together, the existing NEO projects, once concluded, will offer employability services to some 382,000 young people.

A. Diagnostic assessment of the problem to be addressed by the project

1.2 **Economic growth.** Between 2005 and 2014, the Peruvian economy grew at an average annual rate of 6.1%. This growth was accompanied by improvements in several labor and welfare indicators, including a rise in the employment rate (from 68.2% in 2004 to 70.8% in 2012) and a reduction in poverty (from 58.5% in 2004 to 23.9% in 2013). Yet despite the fact that this growth has led to higher employment and better quality of life in the country in general, there are still major access barriers to quality jobs for many communities and for poor and vulnerable youth, especially young women. Moreover, more than 50% of businesses cite the low quality of worker training and the lack of technical human capital trained¹ for the country's growth needs, and close to 40% of employers point to an absence of soft skills as a key factor.²

1.3 **Youth conditions in Peru.** In 2013, there were 8.2 million young people in Peru between the ages of 15 and 29, constituting 27.2% of the total population and distributed evenly by gender. Of this age group, 76.6% live in urban environments, and 31.6% are poor.³ Of the total youth population in 2011, 44.2% only work, 22% only study, and 16.9% both study and work.⁴ In the 15-29 age bracket, 8.5% of men and 25.2% of women neither study nor work.

1.4 Despite the economic growth, the youth unemployment rate (7.8%) is three times higher than for adults (2.1%),⁵ and more than 50% of those employed have informal and seasonal jobs.⁶ Young women have a 2.5% higher unemployment rate than men and continue to face major obstacles in labor market access. Indeed, while the number of unemployed men declined 20.7% from 2007 to 2012, this figure was 8.9% for women, indicating that economic growth brought a large portion of the then-unemployed male population, especially adults, into the labor force, but a lesser proportion of the female population.

¹ GRADE, 2012; Lima Chamber of Commerce, 2014; [Sociedad Nacional de Industria 2012](#).

² [World Bank. "Strengthening skills and employability in Peru," 2011.](#)

³ [INEI, 2013.](#)

⁴ [ENAJUV, 2011.](#)

⁵ Although male youth unemployment in the 15-24 age bracket fell from 9.4% to 7.7% in 2011-2012, female youth unemployment rose from 9.7% to 10.7% in the same period.

⁶ [Informe Anual del Empleo \[Annual Employment Report\]](#), ENAHO, 2012.

- 1.5 There is also a group of young people neither in employment nor in education, known as “*ninias*,” the Spanish term for “the neither-nors,” who lack opportunities to study or work and are more vulnerable as outsiders to the educational and employability systems. The employability system includes job training and placement and vocational guidance services. This group accounted for 19.5% of the youth population in 2012. This figure did not change significantly between 2007 and 2012,⁷ and in fact rose 2.6% from 2011 to 2012 (16.9%). In addition, the largest percentage of young people who neither study nor work is between the ages of 25 and 29 (42.2%). These young people require a specialized approach with local visits and work with the community and family to motivate and bring them into the employability systems. There are also young people with very little schooling (primary or incomplete secondary school) or personal development, family responsibilities, and a foreshortened view of the future, who must meet the immediate needs for their survival; these require more special, personalized support to bring them into the labor market or educational system. The secondary school dropout rate due to financial difficulties or family responsibilities is 39.1% for boys, and 50.1% for girls, over and above the 9.1% who drop out because they get pregnant. Many of them do not find or keep jobs; those who do generally work in low-quality jobs, and others make a living through illegal activities. This is the biggest problem facing young people.⁸
- 1.6 **Problem to be addressed by this operation.** NEO Peru will address two main problems: (i) the low quality and relevance of youth employability services; and (ii) the difficulties faced by the most vulnerable youth in finding quality jobs in the fastest-growing sectors.
- 1.7 **Causes: (i) Limited stakeholder coordination and relevance of training:** 67% of employers say they have difficulty finding candidates with the required technical and soft skills to fill their job positions.⁹ Meanwhile, 77% of workers are employed in fields other than those for which they were trained.¹⁰ Technical and vocational training should enable students to develop the skills employers demand and update them as technology and the labor market change, but bureaucracy keeps such training from responding to productive sector demand in time to remain relevant.¹¹ There is a lack of coordination among the productive sector, the public sector, and the training institutions that stands in the way of effective and timely communication, to inform and train young people in what the market is looking for, and prepare them for well-paying formal jobs. At present there is no systematic process to help training institutions align their offerings to the needs of employers, whether in terms of cognitive skills or soft skills,¹² in order to train young people in the skills required by the labor market and increase their opportunities for satisfactory job placement. For example, the port of Callao accounts for more than 71% of total ocean freight, is planning a major pier expansion, and is experiencing productive growth, having moved more than 1.8 million TEUs in 2012. Yet no occupational profiles have been developed for the jobs needed in the sector, making effective human capital training difficult and hampering productive sector development.

⁷ [ENAHQ, 2012.](#)

⁸ [ENAJUV, 2011.](#)

⁹ Manpower, 2014; Jaramillo and Silva-Jáuregui (2011) found that employers in Peru, in addition to technical skills, also look for soft skills in their job applicants.

¹⁰ World Bank, 2011.

¹¹ Chacaltana et al., 2014; Chacaltana and Ruiz, 2012.

¹² Life skills, also [known](#) as socioemotional or soft skills, including knowing how to communicate, work as a team, be respectful, solve problems, and assess one’s own performance.

- 1.8 **(ii) Limited information on employability services:** 80% of young people search for employment through informal means and local contact networks that fail to connect them with formal jobs.¹³ Those looking for jobs generally do not have information on the labor market or know where to look for it. Less-educated youth who are further removed from employability services use more informal methods and find worse jobs. This lack of coordination between training institutions and employers creates a need for higher-quality centralized information on job offers and employment-related social support services for youth, as well as its appropriate dissemination. There are also major challenges to poor and vulnerable youth having access to relevant information geared toward the needs of the young population, to help them make better decisions. Job search strategies have a significant impact on the type of employment ultimately obtained, and a job search using public placement services boosts the likelihood of securing better-paid, formal employment. However, the mechanisms used by young people to find jobs in Peru rely mainly on friends or relatives.¹⁴
- 1.9 **(iii) Low quality of basic education and vocational technical education:** Although at least 59.3% of young people complete at least one year of secondary school, more than 60% of students in Peru are unable to understand a basic text.¹⁵ Since the majority of young people in Peru opt for a short course of study in order to join the labor market,¹⁶ public secondary education faces great challenges to make up for the basic skills deficits of young people, train them on the latest technological advances, and give them the necessary tools for successful transition to the job market. This quality shortfall¹⁷ produces young people who are not well prepared for the labor market and have few opportunities to find a first job. In response to poorly prepared human capital, employers raise their entry-level requirements for the general education and experience qualifications of technical and skilled workers, too high for the jobs to be done, making it hard for young people to get a first job. In Peru, there are two types of technical/vocational education institutions: institutos de educación superior tecnológica [technological higher education institutes] (IESTs) and centros de educación técnico productiva [production-oriented technical education centers] (CETPROs). The IESTs offer three-year post-secondary school programs, and the CETPROs offer short, stand-alone modules aimed primarily at low-income youth from the public schools.
- 1.10 **Context of NEO Peru.** Since 2012, the Government of Peru, acting through the Ministry of Labor and Employment Promotion (MTPE), has been working to establish employment centers that coordinate employment promotion services in a single physical and information technology space on a decentralized basis within the various regional governments, to improve employability and job placement results. At present, the MTPE is planning to open 26 employment centers in coordination with the regional governments. In addition, a Sistema de Información Integrado [Integrated Information System] (SII) is being developed as a digital platform for sharing and monitoring relevant employment information. The intention is to obtain the cooperation of private job placement agencies that have placement networks and meet certain requirements set by the SII, such as providing services free of charge, and connect these agencies to the SII. Similarly, the Ministry of Education (MINEDU) is currently working on policy guidelines for a new

¹³ Mazza 2012, estimates based on household surveys.

¹⁴ Flores Lima, 2010; ENAHO, 2010.

¹⁵ PISA 2009 and 2012.

¹⁶ Of the total youth population ages 15 to 29, 59.5% are not studying at a basic education center “due to financial difficulties and work.” ENAJUV, 2011.

¹⁷ Salazar-Cóndor, V., V. Quispe-De La Cruz, and R. Choque-Larrauri (2015).

management model that places new value on technological and production-oriented technical education in line with productive sector demand.

- 1.11 Although economic circumstances are favorable, they also pose significant challenges, such as lack of productive sector involvement, content and services not targeted to the most vulnerable youth population, slow updating processes, insufficient service coverage, and lack of awareness of public and private services on the part of the youth population. These challenges make it particularly important to address the work on a partnership basis to strengthen the country's employability ecosystem, creating a space for interaction among the public sector, civil society, and the relevant private stakeholders.
- 1.12 The NEO Peru project arises from a process of cooperation and participatory planning that has led to the creation of a strategic partnership comprised of Peruvian public, private, and civil society entities seeking to improve youth employability in the country. The vision of the NEO Peru partnership is to be a model and agent of innovation in youth employability, transforming the job culture of employers, the public service, and poor and vulnerable youth. This will prevent duplication of effort, enhance effectiveness, and ensure economic and social impact.
- 1.13 NEO Peru will complement and coordinate with the work being done by the IDB Labor Markets Unit and the Government of Peru under the Program to Improve the Effectiveness of Employment Center Services in Formal Job Placement of Youth in Urban Peru (loan PE-L1152), now in process of approval. Firstly, NEO will provide information to young job seekers who have received guidance or training from the partnership's public and private member institutions, referring them to the job placement services offered by the employment centers¹⁸ operating under the MTPE and to the job placement agencies strengthened by the NEO program. This will give a larger number of young people access to the job vacancies advertised by companies. Secondly, NEO Peru will build technical capacity and develop innovative services for *nini* youth at the Job Placement Office of the Regional Government of Callao (a region not covered by loan PE-L1152) to test models of dealing directly with businesses and promptly listing their job vacancies that could potentially be rolled out through program PE-L1152 and its employment centers. The NEO Peru partnership institutions that provide vocational guidance and employment promotion services will also be connected with the Servicio de Orientación Vocacional e Información Ocupacional [Vocational Guidance and Job Information Service] (SOVIO) with a view to transferring and rolling these services out to the private and civil society sectors, thus expanding youth access to quality vocational guidance.
- 1.14 The areas of Lima and Callao were chosen for this project due to their youth distribution and high youth unemployment rates. In 2013, the Peruvian provinces with the highest population were Lima (8.6 million) and Callao (1 million). Roughly one third of the country's youth population, equally distributed by gender, resided in the provinces of Lima (2.5 million) and Callao (0.3 million), primarily due to this group's migration to the country's capital in search of better living conditions and opportunities. Lima is in the average band of the national unemployment rates described above. However, youth unemployment in the province of Callao (9%) exceeds the national rate and is almost 7 percentage points higher than the adult rate (2%), while youth dependency (35.9%) is above average.¹⁹
- 1.15 The port logistics, construction, retail commerce, and manufacturing sectors in the provinces of Callao and Lima were preidentified for NEO, due to a combination of factors,

¹⁸ The "employment centers" are job placement and integrated services offices run by the MTPE. Note that offices not run by the MTPE that do not provide all the integrated services are referred to as job placement agencies in this document. For more information on integrated services, click [here](#).

¹⁹ The national youth dependency ratio is 34%.

including: (i) growth sectors with high unmet demand for skilled labor that matches the NEO youth profile; (ii) public and private entities offering employment training, counseling, and placement services that, in partnership with the productive sector, could prepare young people to fill available job positions; (iii) cities with significant economic activity, presence of key public and private operators, and a large youth population; and (iv) complementarity with the execution of loan operation PE-L1152.

1.16 The members of the NEO Peru partnership are as follows:

Public sector:	<ul style="list-style-type: none"> • Ministry of Labor and Employment Promotion (MTPE), tasked to serve as the main public institution and a resource for Peruvian society in promoting employability, self-employment, and decent work, seeks to ensure the validity and unfettered respect of social and employment-related rights and basic rights in the workplace, as well as consolidation of social and employment-related dialogue and cooperation in the interests of decentralized socioeconomic development with social inclusion. • Ministry of Education (MINEDU) is tasked safeguarding rights, ensuring quality educational services, and promoting sports-related opportunities for the population, so that every individual can achieve his or her potential and contribute to development in a decentralized, democratic, transparent, and results-driven fashion based on equity and interculturality. • Regional Government of Callao seeks to organize and conduct regional public management in accordance with its exclusive, shared, and delegated areas of authority in the context of national and sector policies, contributing to the comprehensive and sustainable development of the region. • Servicio Nacional de Capacitación para la Industria de la Construcción [National Training Service for the Construction Industry] (SENCICO). An entity subject to special treatment in the housing, construction, and sanitation sector that trains workers in the construction industry, provides nonuniversity higher education, conducts research with regard to housing and building issues, and proposing technical standards for nationwide use.
Private sector: ²⁰	<ul style="list-style-type: none"> • Lima Chamber of Commerce (CCL) seeks to promote the development of free enterprise by enforcing the legitimate rights of businesses, facilitating business opportunities, providing assistance and services to companies, and fostering competitiveness. • Arcos Dorados is the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, operating the largest fast-food restaurant chain in Latin America and the Caribbean. Recognized as one of the best companies to work for in Latin America, it is also one of the largest youth employers in the region. • Microsoft (Nasdaq "MSFT"), founded in 1975, is the worldwide leader in software, services, and solutions that help people and businesses realize their full potential. Microsoft YouthSpark is a global initiative that aims to create opportunities for 300 million young people, empowering them to imagine and realize their full potential by connecting them with greater opportunities for education, employment, and entrepreneurship.
Civil society sector and academia	<ul style="list-style-type: none"> • Fe y Alegría is an international popular education and social promotion movement rooted in the values of justice, freedom, participation, fraternity, respect for diversity, and solidarity working with impoverished and excluded populations to help transform societies. • Diocese of Callao seeks, through the New Evangelization, to form men and communities that are mature in faith and provide a response to the new conditions in which we live as a result of the social and cultural changes brought about by modernity. The diocese administers three technological higher education institutions and five production-oriented technical education centers.

²⁰ There are more than 14 private-sector trade unions that have partnered with Neo Peru and are represented by their foundations, trade union associations, and chambers of commerce.

	<ul style="list-style-type: none">• AVSI Foundation seeks to promote the dignity of the human person through development cooperation activities, with special attention to education, according to the social teachings of the Catholic Church.• Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services] (CAPLAB). A specialized entity that executes development projects in Peru and several other countries of the region, providing research, consulting, training, technical assistance, advisory support, and management services.
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B. Project beneficiaries

- 1.17 During the execution period, the project will benefit a total of 14,000 poor and vulnerable youth ages 16 to 29 (urban, unemployed, underemployed, at risk of dropping out of the formal education system, or neither working nor studying), at least 50% of whom (7,000) are women, who will have access to better employability services. Individuals or family groups are considered “vulnerable”²¹ when they are at high risk of falling into poverty. These beneficiaries will be divided into two groups: 11,000 youths who receive higher quality and more relevant training services (2,500 youths served by IEST public and private technical training institutes²² and 8,500 youths served by CETPRO public and private employment training centers²³), and 3,000 youths who receive relevant, high-quality vocational guidance and job placement services (2,500 youths who, not having gone through NEO training, enter the workforce through the services of the job placement networks to be strengthened by the project). Additionally, 300 young people with very little schooling (primary or incomplete secondary school) or personal development and a foreshortened view of the future, who must meet the immediate needs for their survival, will participate in the pilot projects for job placement support based on the AVSI model,²⁴ and 200 *nini* youths who are further removed from the employability and educational systems will be served under the pilot of the Regional Government of Callao to bring vocational guidance and job placement services to them.
- 1.18 Similarly, the project will benefit 25 preidentified employability service providers²⁵ that will be evaluated on the basis of the NEO Quality Standards Guide, and subsequently strengthened: (i) 19 technical and vocational training centers (5 CETPRO centers operated by the Diocese of Callao, 2 IESTs, 5 Fe y Alegría centers, 1 SENCICO center, 1 CCL center, and 5 MINEDU technical higher education institutions); and (ii) 6 vocational guidance and job placement offices for youth (1 AVSI office, 1 Diocese of Callao office, 1 SENCICO office, 1 CCL office, 1 Fe y Alegría office, and 1 Regional Government of Callao office). In addition, (iii) 220 staff at the above-listed centers and offices will be trained to provide services that meet the needs of the labor market, the introduction of youth-oriented teaching methodologies, life skills, and vocational guidance and job placement services; and (iv) at least 100 businesses in the preidentified sectors of

²¹ Based on “A Renewed MIF Vision: The Next Ten Years,” 2013.

²² Three-year postsecondary programs of study.

²³ The vocational or job training provided by CETPROs consists of predominantly hands-on courses, generally short in duration, aimed primarily at training unemployed or actively employed individuals to adapt to a specific occupation or work activity. The courses not subject to school calendar dates or hours since they are typically not part of the education system’s regulated technical training. Both CETPROs and IESTs offer educational services to young people who fit the profile of NEO youth, i.e., who are poor or have limited resources.

²⁴ The AVSI model refers to the use of a model validated and applied by the Italian nongovernmental organization for development cooperation, AVSI. The model involves job placement support for highly vulnerable, at-risk youth. The methodology and model will be provided by AVSI as a member of the partnership and documented for replication by the partnership institutions or other interested parties during project execution.

²⁵ The service providers to be strengthened are located in poverty areas in the provinces of Callao and Lima and work with the NEO target population.

construction, logistics, and tourism that participate by offering internships and jobs will benefit from having young employees better prepared for the job.

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

- 1.19 The NEO Peru initiative will contribute to the objective of poverty reduction by developing the capacities of poor and vulnerable youth in Lima and Callao. The private sector will also benefit, since the targeted youth will be better prepared to be productive in their jobs, thus reducing the costs of hiring, turnover, and training of employees.
- 1.20 **Gender dimension.** The NEO Peru project will evaluate the entities strengthened through the program in accordance with the NEO Quality Standards Guide, which includes gender indicators for job training, counseling, and placement services, so as to address gender differences on a crosscutting basis and thus achieve effective and equitable formal job market integration for men and women. To evaluate the program's outcomes and analyze the relevance of the gender dimension, plans call for (i) disaggregating the indicators by gender in the monitoring system; (ii) analyzing gender, ethnicity, geographic origin, or disability considerations in activities to evaluate quality and build technical capacity of the youth service providers included in the project (see paragraph 2.4); and (iii) promoting and facilitating equal access to training activities, social and employment services, and formal jobs for men and women.
- 1.21 **Link to the agenda.** NEO reflects the key good practices and lessons learned in smaller innovative projects in the past,²⁶ and this feedback continues as part of the new agenda. NEO Peru will contribute in particular to the scale element of the MIF's Youth Agenda, as well as to the innovation and knowledge generation elements by using an innovative and uncommon mechanism, i.e., public-private partnerships, to work at scale and business roundtables to align supply and demand, in addition to its two pilot models for providing job placement services to more vulnerable youth who are further removed from the educational and employability system.
- 1.22 **Knowledge gap.** This project will help to narrow the knowledge gap of the Youth and Employment Agenda in terms of determining which public-private partnership models are effective at improving employability, which models for collaboration between businesses and training centers exist and are effective for reducing the gap between job supply and demand, and which are the various job placement processes for poor youth that have been proven effective. Moreover, the NEO Peru knowledge products will contribute and feed into the objectives of the NEO regional program by making it possible to perform comparative thematic analyses of the country-level experiences for a regional reading of outcomes and findings. These knowledge objectives were developed as part of the NEO regional program knowledge strategy in order to close the identified gaps. Given the laboratory nature of the MIF, it has been particularly important to ensure that the knowledge generated by NEO is innovative and unique. To develop the knowledge strategy, the following three criteria were evaluated: (i) relevance for NEO; (ii) the usefulness of the knowledge to program managers and policy-making entities; and (iii) NEO's ability to provide noteworthy knowledge. The key issues selected were: (i) life skills as a part of employability skills; (ii) relevance of job training to market needs; (iii) public-private partnerships to promote youth employability; (iv) the coordination of job placement services for poor and vulnerable youth; and (v) vocational guidance services to help poor and vulnerable youth make better decisions about their training and professional development.

²⁶ "Give Youth a Chance. An Agenda for Action." MIF, 2012.

- 1.23 Specifically, the project will seek to answer the following questions: (i) How does a public-private partnership focused on strengthening and coordinating youth employability service providers work? (ii) What are the critical factors for ensuring the success of business roundtables? (iii) What are the critical factors for ensuring the success of youth employability policies in Peru? and (iv) Which job placement processes for vulnerable youth outside the system have been proven effective? Lastly, NEO Peru will be aimed at documenting and disseminating tools and methods geared toward the institutions and specific context of Peru, so that they can be replicated and scaled up.
- 1.24 **Link to the New Employment Opportunities for Youth (NEO) project (RG-M1210).** NEO Peru is a new, country-level project under the New Employment Opportunities for Youth (NEO) regional program (document MIF/AT-1175). NEO currently has initiatives²⁷ in Argentina, Brazil, Colombia, Dominican Republic, El Salvador, Mexico, Panama, Paraguay, Peru, and Uruguay. These initiatives offer a wide array of services, from online learning in Brazil to technical strengthening of secondary education in Mexico and improvements in vocational guidance and job placement in Panama. Taken together, the existing NEO projects, once concluded, are expected to offer employability services to some 382,000 young people. In addition to reaching out to youth, NEO encourages hundreds of companies, public sector agencies, and nongovernmental organizations to join the partnership. At year-end 2014 under all approved NEO projects, 2,000 companies were offering internships and employment opportunities to poor and vulnerable youth, while 159 providers of youth employability services had pledged to improve the quality and relevance of their services.
- 1.25 The table below summarizes the principal targets of the NEO program:

Key indicators	NEO regional target 2017 ²⁸	Progress toward targets *
Youths benefited	500,000	382,000
Service providers strengthened	200	159
Companies offering job positions and internships	1,000	2,000
National partnerships that adopt high-impact employability models	10	5

* Projections based on sum totals of indicators of NEO [projects](#) approved thus far, in chronological order: BR-M1114, DR-M1044, ME-M1091/MET1255, CO-M1094/CO-T1374, RG-M1256, PN-M1027, PR-M1031, and ES-M1049. Additionally, the projections include data from the NEO–Walmart regional project and the NEO–Caterpillar regional project. For more information, click [here](#).

- 1.26 **Collaboration with the IDB Group.** The project will complement and coordinate with the Program to Improve the Effectiveness of Employment Center Services in Formal Job Placement of Youth in Urban Peru (loan PE-L1152), now in process of approval, through the pilot model of the job placement office of the Regional Government of Callao, and the referral of young job-seekers previously receiving guidance or training from the public and private members of the partnership to the job placement services offered by the employment centers operating under the MTPE and to job placement centers strengthened by the NEO program. This operation represents the Bank’s ongoing support of Peru’s efforts to improve its active labor market policies. It is aligned with the Bank’s country strategy with Peru,²⁹ which includes labor markets as a dialogue area on issues of

²⁷ For the NEO country selection criteria, see www.jovenesneo.org/paises or MIF/AT-1175.

²⁸ All NEO partnerships are expected to have a 36-month period to implement their projects in the countries, so a one-year delay is expected in regional program RG-M1210.

²⁹ Document GN-2668.

informality and job training. The project is also consistent with the priority area of the Bank's Strategy on Social Policy for Equity and Productivity.

II. OBJECTIVES AND COMPONENTS

A. Objectives

- 2.1 The desired impact will be to increase job placement opportunities for poor and vulnerable youth between the ages of 16 and 29. The expected outcome will be to enhance the quality and relevance of the training programs and employability services for poor and vulnerable youth in Peru, focusing on the provinces of Callao and Lima.

B. Description of the model/solution/intervention

- 2.2 The objective of the New Employment Opportunities for Youth (NEO) program is to close the existing gap between the skills of young people and employer demand for qualified personnel through (i) coordination of the efforts of the main actors working in the areas of education/training, the labor market, and youth to address these problems in a systematic manner rather than through isolated and uncoordinated efforts; and (ii) scaling of effective models for vocational guidance, training, and job placement services, to improve service quality and job opportunities for poor and vulnerable youth.
- 2.3 NEO Peru is based on a large-scale intervention model that was designed at the regional level and is now being implemented in several countries. The model consists of forming public-private partnerships where businesses, governments, and civil society contribute resources, knowledge, and capabilities to implement effective, sustainable employment solutions for poor and vulnerable youth. The NEO Peru partnership was formed voluntarily, and a coordinating entity was selected: Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services] (CAPLAB). Through a joint and participatory process, CAPLAB formulated a youth employability diagnostic assessment and a time- and resource-bound strategic plan, including a mission, objectives, and expected outcomes. This plan was reviewed and adjusted with the MIF/IDB team, and is embodied in this operation.
- 2.4 The partnerships also undertake to adopt and implement a comprehensive job training model and good practices developed by the MIF, IDB, and the International Youth Foundation (IYF). The project will seek to build the technical capacity of public and private institutions that provide training, vocational guidance, and job placement services. This capacity-building will be achieved by sharing and adapting good practices validated in the IYF/MIF *entra21*³⁰ program and in other Bank-financed programs. These capacity-building services will be offered directly by IYF, as stated in paragraph 3.19 of the NEO donors memorandum (document MIF/AT-1175). To do so, IYF has developed two products under the NEO regional program: (i) a "Quality Standards Guide: Tool for Evaluating Job Training and Youth Placement Processes,"³¹ with an online portal that will allow entities to perform self-evaluations and determine what aspects of their employability services they wish to improve and then define their improvement and support plans; and (ii) a package of strengthening services and handbooks³² that includes training for life skills instructors,

³⁰ The *entra21* program (operation ATN/MH-10303-RG) was created by the MIF and IYF in order to improve the employability of disadvantaged youth in Latin America and the Caribbean. It was successfully implemented from 2001 to 2011 and benefited more than 137,000 vulnerable youth in 22 countries of the region through 50 civil society organizations. Seventy-five percent of the graduates found work or continued their studies six months after completing the program.

³¹ For more information about the guide, click [here](#).

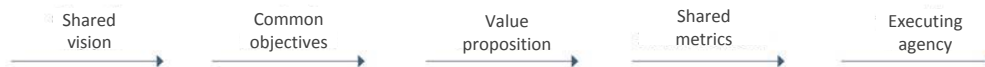
³² For more information about the capacity-building services, click [here](#).

training for workforce managers in job placement, training for vocational guidance counselors, training for instructors in teaching methodologies, and training for supervisors in all four areas, in order to build installed capacity at the institutions. The approach will be tailored to meet the needs of the poor and vulnerable youth population, considering gender-based differences and needs.

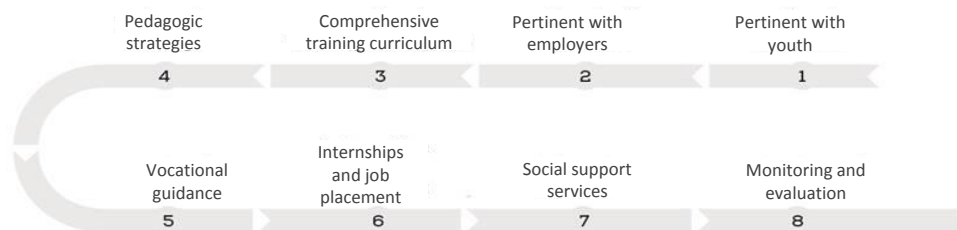
2.5 Introducing these good practices and scaling them up at public and private service providers is expected to lead to better outcomes in terms of youth employability. With this demonstration effect, it is hoped that providers will continue to implement these practices after the project has ended, once the model has been scaled to other entities, thereby contributing to the systemic impact objective and to many more young people benefitting beyond the project execution period. In other words, it is hoped that the institutions already investing and providing employability services to young people will open their doors and let themselves be assessed according to the NEO Quality Standards Guide and, based on the findings, develop plans for improvement in order to optimize the resources they invest while enhancing the quality and relevance of their training programs and job placement and guidance services. After a one-year period for implementation of the improvement plan, the progress made by the providers will be assessed, and a culture of ongoing improvement will be introduced. Moreover, and no less importantly, making this improvement effort in partnership with public, private, and civil society entities all seated at the same table, sharing what does and does not work, and measuring the same indicators, will make it possible to begin closing the coordination, dialogue, and knowledge gaps and coordinate previously isolated efforts in order to reach a consensus on youth employability programs and policies that work and have a high impact (see diagram below).

NEO Model

The formation of public-private participatory partnerships



... that strengthen and coordinate job services providers



2.6 NEO Peru will also contribute to the innovation and knowledge generation elements of the Youth Agenda through the innovative mechanism of business roundtables to align supply

and demand, more direct coordination of the job placement centers with the local productive sector, and two pilot models for providing job placement services to more vulnerable young people who are further removed from the educational and employability systems. One of the innovative aspects of the partnership in Peru is that it has decided to implement a business roundtable model in four pre-identified productive sectors: port logistics, construction, retail commerce, and manufacturing. These four sectors have unmet needs to fill entry-level semi-skilled jobs, which if met could achieve gender equity and youth placement targets. In addition, these roundtables become more important in the case of port logistics, which has not developed the job profiles necessary for the sector. The idea is to form working groups with businesses, training centers, and potentially young graduates, in order to: (i) obtain pertinent information on job profiles and required standards, identify the key technical and life skills, and analyze short- and medium-term demand; (ii) make recommendations on adapting training curricula and intervention strategies that are in line with the needs of the sectors, in conjunction with the training, counseling, and job placement entities; and (iii) promote feedback from youth and the businesses, updating the cycle as relevant on an ongoing basis.

- 2.7 To foster such institutional coordination, NEO Peru will also contribute to the development of management models for job placement offices, connecting them to the Integrated Information System (SII) digital platform of the Ministry of Labor and Employment Promotion (MTPE) to facilitate information sharing on job vacancies and other services between the offices and the MTPE employment centers. The objective is not merely to provide a connection to the digital platform but to enable the public, private, and civil society providers of the various services to engage in an ongoing dialogue in order to achieve better coordination, greater specialization, further reach, and increased use of services by vulnerable youth. This information will also be tailored and made accessible to young people, in order to narrow the existing information gap among young people on social and employment services by providing beneficiaries with information, guidance, and referrals to the NEO Peru partnership service providers and the MTPE employment centers and general services.
- 2.8 Additionally, NEO Peru will complement loan operation PE-L1152 through development and testing of a model for job placement services by building the technical capacity of the job placement office of the Regional Government of Callao, whose services are in high demand by youth, and linking it directly to the productive sector. The Regional Government of Callao's job placement office is expected to provide quality services to more than 2,500 young people during project execution. It will also be working with a pilot group of 200 additional young people who are further removed from the educational and employability systems, developing and implementing a specialized approach to visit and attract these *nini* youths (the "neither-nors") and motivate them to receive vocational guidance and job information services.
- 2.9 Importantly, NEO Peru has a special focus on serving the most vulnerable youth population who are worse off in terms of their socioeconomic, family, educational, or working conditions by documenting and testing more specialized service models. Work on this will be done with a pilot group of vulnerable youth referred by various partnership and public service stakeholders, implementing a specialized job placement support process for vulnerable youth based on the AVSI model. This pilot will target 300 young people with very little schooling (primary or incomplete secondary school) or personal development and a foreshortened view of the future, who must meet the immediate needs for their survival, providing them closer and more personalized support for approximately nine months to ensure that they are successfully placed in a job. These two models are very important for the country and the region due to the paucity of job placement models targeting young people who are further removed from both the education system and the

job market, and those who require more specialized social and employment support due to family and social circumstances, such as teenage mothers, young people with family responsibilities, and youth at risk of delinquency.

- 2.10 Lastly, the NEO Peru partnership seeks to make an impact on youth employability systems that will serve as a large-scale demonstration to validate an effective employability model that can be replicated and transferred to other productive sectors and potentially to 2,593 official vocational and technical training institutions in the country with an annual enrollment of 244,694 students in centros de educación técnico productiva [production-oriented technical education centers] (CETPROs) and 361,260 students in the country's public and private technical institutions.³³ Likewise, the pilot model of the job placement office of the Regional Government of Callao is expected to provide a learning experience on linking the job placement offices and employment centers with the business roundtables and productive sector, as well as the specialized approach for *nini* youth (the "neither-nors"), that can be replicated at the MTPE's 26 planned employment centers.

C. Components

Component 1: Identification of labor market demand for youth job placement. MIF: US\$20,890; Counterpart/cofinancing: US\$26,210

- 2.11 The objective of this component is to identify market demand by documenting data production and analysis systems and coordinating them with the needs of a group of local businesses in preidentified sectors. It seeks to produce information on and analyze the needs of the local productive sector, additional to the information available from the MTPE occupational demand survey and other sources. The idea is for senior executives of at least 30 to 45 companies (10 to 15 representative companies from each sector) to participate actively and systematically by providing information on this type of job openings and positions and when they expect to be hiring. The purpose is to coordinate the productive sectors with training institutions, fostering productive sector involvement in the development of training programs, as described in Component 2. The participating companies are expected to contribute their own resources and time with formation of the business roundtables and development of the job profiles.
- 2.12 Business roundtables will be created on the basis of priority sectors, meeting to channel and update information on currently available training based on projected demand to fill vacant positions.³⁴ An analysis will be done of short- and medium-term gaps between supply and demand for low-skill manual³⁵ and technical³⁶ positions, and ongoing review and updating of the processes will be encouraged. The manufacturing, port logistics, commerce, and construction sectors have been identified on a preliminary basis as priority sectors.
- 2.13 The component activities are as follows: (i) form four business roundtables, one for each sector; (ii) develop eight specific technical and manual job profiles, including job descriptions (required competencies), parameters, and skill standards, for the most in-demand positions according to the business roundtables (two for each sector); and

³³ 2014 data.

³⁴ These roundtables will also use the information on labor demand provided annually by the MTPE through the occupational survey.

³⁵ Low-skill occupations that require predominantly hands-on occupational or job training courses, generally short in duration and not subject to school calendar dates or hours, since they are typically not part of the education system's regulated technical training. Generally provided by the CETPROs.

³⁶ Technical occupations that require diversified secondary or post-secondary education courses generally provided by the IESTs.

(iii) prepare one procedural guide to connect employment training with job market demand and opportunities.

Component 2: Relevance of training offerings aligned with labor market demand and youth needs. MIF: US\$120,000; Counterpart/cofinancing: US\$10,682,000

- 2.14 The objective of this component is to align occupational and technical training with the requirements of a group of companies in the project's priority sectors, while adapting it to the needs of young people.
- 2.15 The idea is to adjust or develop the training modules³⁷ based on information obtained at the business roundtables under Component 1, incorporating the technical skills and life skills required by employers and relevant for young people, develop teaching materials, and train instructors based on the new technical requirements of the curriculum. Training service providers will thus be able to optimize their resources, making their training programs more relevant. The expectation is for 2,500 young people to attend three-year postsecondary technical training programs offered mainly by the IESTs, and for around 8,500 to attend vocational or job training courses of less than one year offered mainly by the CETPROs.
- 2.16 The main activities associated with this component are: (i) develop 8 training modules adjusted or created on the basis of identified needs; (ii) train or provide refresher training 40 to instructors in technical skills relating to the new modules to be introduced; and (iii) enroll³⁸ and train 11,000 young people in the training modules, in addition to which they will receive vocational guidance and job placement services.

Component 3: Coordination of job placement support services to meet the needs of more vulnerable youth. MIF: US\$200,375; Counterpart/cofinancing: US\$1,441,325

- 2.17 The objective of this component is to narrow the social and employment services information gap for poor and vulnerable youth and to coordinate vocational guidance and job placement services. To start, a document inventorying social and occupational services offered in the provinces of Lima and Callao and describing which institutions provide different services to the vulnerable youth population will be developed and made accessible to all public and private institutions. This document will serve as a resource guide for providing services, information, and referrals to youth at little or no cost.
- 2.18 The component will endeavor to ensure that all young people seeking guidance, training, and placement services receive the appropriate information from the public employment centers operated by the MPTE and the Regional Government of Callao, as well as from the job placement offices operated by private and civil society institutions. It will also seek to ensure that the public and nonprofit institutions offering job placement services comply with MTPE regulations and are able to connect to the SII platform in order to work collaboratively and share information on job vacancies.
- 2.19 Similarly, a key aspect of this component is the linkage with the productive sector and the mobilization of companies for job placement. In part, this will result in a very close relationship with the group of companies participating in Component 1 activities, since the job vacancies to be filled are specifically identified and training is custom-tailored. This component will also raise awareness and encourage companies to offer employment opportunities to vulnerable youth, especially women, and mobilize their trade unions.

³⁷ Training module is defined as the smallest unit of training for a work activity.

³⁸ The average dropout rate for the courses is estimated at 30%. See formulas in the Logical Framework.

- 2.20 Work will also be done under this component with two innovative models for specialized support for 500 additional young people who are more vulnerable and further removed from the educational and employment systems. A specialized approach will be developed and implemented to visit and attract a pilot group of these *nini* youths (the “neither-nors”) and motivate them to receive vocational guidance and job information services, specifically from the employment office of the Regional Government of Callao. Additionally, work will be done with a second pilot group of 300 young people with a special focus on the population who are worse off in terms of their socioeconomic, family, educational, and employment conditions, referred by various partnership and public service stakeholders, implementing a specialized job placement support process lasting nine months based on the AVSI model.³⁹
- 2.21 The component activities are as follows: (i) develop an inventory of public and private youth employability and support services; (ii) connect three job placement centers to the MTPE digital platform; (iii) develop a guide on the specialized job placement support process for vulnerable youth based on the AVSI model; (iv) serve 300 youths under the specialized job placement support pilot for vulnerable youth based on the AVSI model; (v) develop a guide on a specialized approach to visit and attract *nini* youths and motivate them to receive vocational guidance and job information services; (vi) train 40 professionals on the guide on a specialized approach to visit and attract *nini* youths and motivate them to receive vocational guidance and job information services; (vii) serve 200 *nini* youths at the job placement center of the Regional Government of Callao; (viii) serve 2,500 youths at the vocational guidance and job placement centers strengthened through NEO, in addition to the 11,000 young people trained under Component 2; and (ix) mobilize at least 100 companies to sponsor training centers and offer youth internship and employment opportunities.

Component 4: Strengthening of youth employability service providers and the NEO Peru Partnership. MIF: US\$443,100; Counterpart/cofinancing: US\$176,850

- 2.22 The objective of this component is to evaluate and provide training and advisory support to 25 vocational and technical training institutions and job placement offices in accordance with the NEO Quality Standards Guide, so that they can raise the quality of their services. This component calls for training professionals in such areas as: management skills for training center directors; courses in adaptive teaching methods for instructors of technical subjects; supplementary intervention⁴⁰ methods based on the curriculum of the MTPE’s Servicio de Orientación Vocacional e Información Ocupacional [Vocational Guidance and Occupational Information Service] (SOVIO);⁴¹ and methods for incorporating life skills into curricula. This will enable training course providers to improve their counseling practices, adapt their curricula to include the technical skills and life skills required by the market, and enhance their linkages with the private sector. In the specific case of NEO Peru, the capacity-building services provided directly by IYF will only include implementation of the life skills curriculum based on the Passport to Success (PTS) program.⁴²
- 2.23 The component activities are as follows: (i) evaluate 25 institutions under the NEO Quality Standards Guide and develop comprehensive improvement plans, a service provided directly by IYF; (ii) train 40 career counselors in the vocational guidance supplementary

³⁹ For more information on the AVSI model, click [here](#).

⁴⁰ A supplementary intervention in vocational guidance is defined as an intervention focused on guidance and life plan activities and exercises performed inside the classroom without involving a psychodiagnostic assessment or the use of psychometric tests.

⁴¹ For more information on SOVIO, click [here](#).

⁴² For more information on the Passport to Success (PTS) program, click [here](#).

intervention and occupational information, based on the MTPE's SOVIO; (iii) train 40 instructors of technical subjects in adaptive teaching methods; (iv) train 20 training center directors in best practices for educational institution management; (v) train 80 facilitators and supervisors in the Passport to Success (PTS) program, the first half in the first 12 months and the second half at the conclusion of the project; (vi) certify 5 instructors or supervisors as PTS program "trainers of trainers," who will train the second half of the facilitators and supervisors under activity (vii);⁴³ and (viii) conduct 3 NEO Peru partnership capacity-building events/workshops.

Component 5: Knowledge management and communication strategy. MIF: US\$193,750; Counterpart/cofinancing: US\$79,750

- 2.24 The objective of this component is to document and disseminate the initiative's outcomes and lessons learned, in order to consolidate and expand the NEO Peru partnership experience. As explained in section 1.23, the Youth Agenda's knowledge gap will be narrowed with respect to the NEO Peru scale project. In this process, the institutions that provide youth employability services will be motivated to make improvements and changes in how they operate, proven sustainable models will be scaled up and replicated, and dialogue will be fostered among the various stakeholders in society with a view to improving public policies. In addition, the project will develop a communication strategy to support the performance of activities under the various components and reaching beneficiaries.
- 2.25 The following audiences have therefore been identified: (i) businesses interested in addressing the issue of youth employment and skilled labor for their business; (ii) public entities interested in finding and implementing solutions to youth unemployment and attracting the attention of poor and vulnerable youth; (iii) educational institutions interested in improving the quality of their teaching practices; (iv) civil society organizations interested in strengthening their youth services.
- 2.26 The main channels for reaching these audiences will be: meetings with new members of the business roundtables, personalized face-to-face meetings, presence in online and print media, project launch and closing events, roundtable discussions to disseminate the technical notes and project outcomes, and other channels deemed relevant when formulating the communication strategy for the project.
- 2.27 The component activities are as follows: (i) develop and implement a strategic communication and dissemination plan to bring the developed products to the strategic audiences and help to achieve the project objectives; (ii) identify the knowledge products created by the project and convey them to a total of 20 interested institutions related to youth employment: 5 private sector institutions,⁴⁴ 5 public sector entities, 5 educational institutions, and 5 civil society organizations.
- 2.28 The following knowledge products will be developed to fill the NEO regional program gaps: (i) a thematic analysis of the NEO Peru partnership experience; and (ii) a thematic analysis of the work done by the business roundtables to achieve alignment of supply, demand, and training centers. Additionally, this project will produce the following knowledge products specific to NEO Peru: (iii) 3 technical notes (in the form of thematic analyses), including proposed improvements to the youth employability policy based on the experience and outcomes of the NEO Peru partnership; and (iv) a case study on the outcomes and history of success of the specialized job placement support process for

⁴³ The intent is for these "trainers of trainers" to train the second half of the facilitators and supervisors under activity (v).

⁴⁴ Including industry associations, companies, foundations, and trade unions.

vulnerable youth based on the AVSI model. Each year, the executing agency will update the project fact sheet, containing project basic information, challenges, intervention strategy, and outcomes achieved.

D. Project governance and execution arrangements

- 2.29 The NEO Peru partnership is comprised of public, private, and civil society institutions that act and have an influence on programs and strategies aimed at fostering more and better integration of youth in Peruvian society, primarily through youth, education, and employment policies. The IDB and IYF may participate as observers at meetings of the NEO Peru partnership. Given that this approach is very new in Peru, the MIF, in its role as donor, may participate as a full member, with the right to vote, whenever it sees fit.
- 2.30 The NEO Peru partnership was formed based on a governance agreement.⁴⁵ This agreement is signed by the members of the NEO Peru partnership and describes the intent of its members, the rules of operation, commitments,⁴⁶ contributions, roles, responsibilities, relationship between the NEO Peru partnership and the executing agency, and how it should be organized for the implementation, evaluation, and supervision of the budget. The governance agreement will be aligned with the NEO regional initiative and with the agreement to be signed by the project executing agency and the MIF. Approval of this governance agreement will be a condition precedent to the first disbursement.
- 2.31 Structurally, the NEO Peru partnership consists of a board, executive council, working committees, a consultative council, and collaborators. The board, made up of all members of the partnership, is responsible for reviewing and approving the annual work plans and budgets, delegating to a smaller and more operationally oriented executive council the task of ensuring compliance with the governance agreement and coordinated implementation of the annual work plans and budgets of the NEO Peru initiative. This executive council is represented by institutions in the three sectors (private, public, and civil society) and those institutions with greatest responsibility in the implementation of key activities. To ensure the executive council's best performance, the governance agreement provides for "specific working committees" covering areas such as securing funds, marketing, sustainability, coordination with program PE-L1152 and the MTPE, dispute settlement, and ethics and describes the respective decision-making processes. A consultative council may also be formed to advise the executive council and executing agency on priority issues, including trends and needs in the areas of youth, education, and youth employability.
- 2.32 Lastly, the governance agreement describes the role of the executing agency that will lead the project execution process, the coordination of actions carried out by the various members, and the administration of funds, under the direct supervision of the executive council of the NEO Peru partnership and the MIF. After serving as technical secretariat of the pre-partnership at the unanimous request of the partnership members, CAPLAB was reconfirmed as the executing agency and will sign the legal agreement with the MIF and be responsible for execution and meeting the objectives of the NEO Peru initiative. CAPLAB has obtained letters of commitment for the funding and formal support of the

⁴⁵ The NEO regional team has developed a guide based on conversations with the IDB Legal Department and the experience of NEO partnerships, is to provide the NEO partnerships in each country with guidance for crafting their respective governance agreements. It includes guidelines and examples which are merely illustrative and do not represent the NEO regional program's opinion on how the agreement should be crafted by each local NEO partnership. A governance agreement approved and signed by all members of the NEO partnership is required as a condition precedent to the first disbursement.

⁴⁶ Along with this governance agreement, bilateral agreements between each member of the partnership and the executing agency will be developed and included, confirming the amounts to be contributed and the responsibilities to be borne by the parties.

NEO Peru project from key partnership stakeholders, which were gathered during the process of forming the partnership and will be confirmed once the activities and respective costs have been identified. To ensure that the project is executed effectively and efficiently, CAPLAB will assemble a technical team. This team will be part of the executing agency's operating structure and will report to the executive council of the NEO Peru partnership.

E. Sustainability

- 2.33 There are three principal conditions that will ensure the sustainability of the operation: **The partnership and installed capacity with its members.** As explained in the description of the model, the objective of NEO Peru is to ensure that institutions in the system, including businesses, public and private training centers, public sector, and NGOs, offer more and better services for the employability of vulnerable youth. This does not necessarily entail additional investment, but rather improvements in the institutions' systems and better preparation of instructors, counselors, and job placement agents. Another factor ensuring the sustainability of NEO Peru may be the partnership itself. This partnership was created in a participatory manner, gradually bringing in key stakeholders with ties to the problem of youth employability and job training. The fact that the proposal was constructed in a collaborative, open, and transparent manner made it possible to reach a consensus and secure the support of all those involved. Trust should be built as the project is executed, and based on the outcomes and lessons learned, the NEO Peru partnership will be able to continue improving and contributing better youth employability programs and policies for the country.
- 2.34 **Institutionalization of the business roundtables.** The linkage and practical experience gained among the four targeted productive sectors, training institutions, and youth (as described in Component 1) is expected to continue and be replicable in other productive sectors.
- 2.35 **Transfer and scale.** Once the work model implemented at the 25 training, vocational guidance, and job placement centers has been validated, a partnership-led plan for transferring it to other service providers in Peru will be formulated after completing the pilot of the initial institutions. There are potentially 2,593 official occupational and technical training institutions in the country (CEPROs and IESTs), with an annual enrollment of 244,694 students at CETPROs and 361,260 students at the country's public and private technical institutions. Additionally, the Program to Improve the Effectiveness of Employment Center Services in Formal Job Placement of Youth in Urban Peru (loan PE-L1152) will in the next five years build the capacity of the employment centers, which together with the job placement agencies will boost the services available to vulnerable youth. An estimated 30,000 youths could be served yearly through the job placement agencies.
- 2.36 One year before project execution is complete, a **sustainability workshop** will be held with all entities involved, to identify what measures are necessary to ensure the continuity of the project actions once the funding ends.

F. Lessons learned from the MIF or other institutions used in project design

- 2.37 Below is a summary of the main lessons learned⁴⁷ that have shaped the design of this operation:

⁴⁷ In consultation with: Program status reports for NEO program [ATN/ME-13213-RG-1](#); Ibarraán, Ripani et al. (2012), MIF (2012), Baptista and Flores Lima (2014).

- 2.38 Scaling up a model means realizing that time is of the essence. It takes no less than six to eight years to achieve scale or implement models that have a systemic impact.
- 2.39 Building partnerships to develop a proposal in a participatory manner and begin joint implementation of a project requires a lead time of at least six to nine months, in order to form a group identity. The dynamics of partnership-building in the social sectors seem to go more slowly, depending on whether the partners have worked together before and the trust level among them, the election of an execution lead to coordinate planning, an organizational culture of prior experience working in a partnership, and a shift in outlook toward building a project together in which all contribute financially and technically.
- 2.40 Mechanisms for institutional collaboration and coordination to achieve scale or systemic impact require specific institutional strengthening for the partners, executing entities, and the partnership group itself.
- 2.41 To effectively transition from school to work, education must be linked to jobs. This is particularly important in the case of technical education, which involves preparing students for a trade so that, once they graduate, they can enter the job market. To ensure an effective transition, courses must be relevant to demand, and ongoing feedback must be provided.
- 2.42 Young people require information and guidance on occupations and their returns. When choosing what to study from the menu of possible educational offerings, young people and their families lack information on the different offerings, job profiles, and expected pay. This is even more true for vulnerable youth. Information and guidance on these key issues helps students make better decisions and minimizes an oversupply in certain occupations. Job placement services have some impact on shortening the time to find a job, and for those who get one, they help in securing formal employment with a higher monthly or hourly pay.
- 2.43 Employers value life skills, despite being difficult to measure and observe during the hiring process. In addition, research has shown that employers value these skills (motivation, work attitude, responsibility, commitment) even more than technical skills. Several studies⁴⁸ have demonstrated the impact of life skills on the success of interpersonal relationships, in the school environment, and in the job market.

G. The MIF's additionality

- 2.44 **Nonfinancial additionality.** The involvement of the MIF, the Labor Markets and Social Security Unit (SCL/LMK), the International Youth Foundation (IYF), and the other NEO regional partners acts as a catalyst in attracting and mobilizing key stakeholders in the public, private, and civil society sectors working toward more and better quality technical training and employability programs for poor and vulnerable youth. The MIF plays a key role as a facilitator in the negotiation process during the project design stage with this extensive network of partners and in the sharing of the technical knowledge and best practices accumulated not only by the MIF but also by the IYF and the Bank. Moreover, by creating incentives for higher quality (through the NEO quality standards) and greater relevance of employability services (through linkage of the public sector and training institutions with the productive sector), the MIF makes the investments and cofinancing of the partnership members in vocational guidance, training, and job placement activities more efficient, and resources are optimized, generating greater impact on the socioeconomic conditions and lives of the youths. Lastly, the MIF's monitoring and evaluation experience will complement the sharing of technical knowledge, thereby

⁴⁸ Cunha and Heckman, 2010; Carneiro and Heckman, 2003.

strengthening the entities in terms of monitoring and evaluation so that they can verify the results achieved and invest resources more efficiently with a better return.

- 2.45 **Financial additionality.** The MIF's financial contribution is critical to incentivizing the formation of the partnership and leveraging public and private resources. For every dollar contributed by the MIF, at least three dollars in other contributions have been leveraged; moreover, the MIF's involvement creates the necessary confidence to attract investments from other members.

H. Project outcomes

- 2.46 The NEO Peru initiative seeks to increase the quality and relevance of vocational and technical training programs and of employability service providers. To this end, service quality at 25 training, vocational guidance, and job placement centers in the provinces of Callao and Lima will be evaluated and improved in accordance with the NEO Quality Standards Guide. This includes 220 professionals in the aforementioned areas who work at the 25 centers. In turn, 14,000 young people will have access to better training services, vocational guidance, and information about educational, social, and labor supply and demand. Additionally, the project seeks to create a public-private partnership and include 100 employers who offer internships and employment opportunities to young people.

I. Project impact

- 2.47 The impact sought by this initiative is to increase job placement opportunities for 14,000 young people, 50% of whom (7,000) are women. Fifty percent of the youth who graduate from vocational and technical training programs are expected to find a job, and at least 20% are expected to continue their studies and/or reenter the formal education system. Fifty percent of the employed graduates are expected to have a formal job. In addition, the graduates hired are expected to earn above the minimum wage provided by law.

J. Systemic impact

- 2.48 NEO Peru will contribute to systemic change through the following indicators: (i) a public-private partnership that promotes and adopts high-impact, scaled youth employability models; and (ii) 25 key public and private institutions in the country that are strengthened and institute new practices and improvements in their youth employability services based on the knowledge and models sponsored by the MIF.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** A monitoring and evaluation system was designed at the regional level to capture outcomes and changes in all countries where the NEO digital platform is implemented. This system contains a limited set of indicators and a series of tools to measure them. All NEO countries are expected to implement this system so as to obtain information that can be aggregated at the regional level and be used to compare the different local experiences. As part of the NEO regional program, Neo Peru will digitally connect to the NEO technology platform, to track the educational and employment paths of young people and the institutions to be strengthened. A series of enrollment or registration tools will be implemented for this, assigning each participant and institution a unique number, which will serve as a baseline for the program.
- 3.2 **Monitoring.** In addition to tracking the performance of the young people and institutions, the information system will also be used to compile management indicators for the program to facilitate decision-making by the NEO Peru partnership. Plans call for

contracting an individual as part of the execution unit to monitor the system and ensure data quality control.

- 3.3 **Evaluation.** This project includes a midterm and final evaluation to analyze its execution and whether the knowledge questions have been answered: (i) How does a public-private partnership focused on strengthening and coordinating youth employability service providers work? (ii) What are the critical factors for ensuring the success of business roundtables? (iii) What are the critical factors for ensuring the success of youth employability policies in Peru? and (iv) Which job placement processes for vulnerable youth outside the system have been proven effective? Lastly, NEO Peru seeks to document and disseminate tools and methods geared toward the institutions and specific context of Peru to encourage their replication and scaling.
- 3.4 The evaluations will measure the initiative's impact on the socioeconomic conditions and living standards of the targeted youth and on the job placement of end beneficiaries and/or their return to school, differentiating between poor and vulnerable young men and women. Lastly, one of the questions to be answered will be: Has the NEO Peru partnership succeeded in positioning, adopting, and continuing to replicate best practices and high-impact programs for vulnerable youth that include a gender component, and achieve greater cohesion and coordination among the employability programs offered in the country?
- 3.5 **Closing workshop.** The executing agency will organize a closing workshop when the time comes, to jointly evaluate the outcomes achieved with other partnership members involved, identify additional tasks to ensure the sustainability of the actions undertaken by the project, and identify and disseminate lessons learned and best practices.

IV. COST AND FINANCING

- 4.1 The project has a total cost of US\$14 million. Of that amount, US\$1.5 million (11%) will be contributed by the MIF in nonreimbursable resources, and US\$12.5 million (89%) will be contributed by the NEO Peru partnership (counterpart and cofinancing). Although Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services] (CAPLAB) will sign the agreement with the MIF, the counterpart resources and cofinancing will be provided not only by CAPLAB but by the partnership members as well. For this reason, CAPLAB will use its best efforts to ensure that the members of the NEO Peru partnership contribute their respective resources, and to raise additional funds from other donors in order to reach the total contribution amount. The execution period will be 36 months, and the disbursement period will be 42 months.
- 4.2 Regarding the 89% contribution from the NEO Peru partnership, the public and private institutions that are members of the partnership will contribute approximately US\$12.5 million. On the public sector side, the Ministry of Education will contribute a total of US\$5.2 million to finance training courses. Servicio Nacional de Capacitación para la Industria de la Construcción [National Training Service for the Construction Industry] (SENCICO) will contribute a total of US\$1.3 million for Components 2 and 3. On the private sector and civil society side, the largest donors identified thus far are the Diocese of Callao, with a contribution of US\$1.92 million, Fe y Alegría, with a contribution of US\$1.89 million, and the Lima Chamber of Commerce (CCL), with a contribution of US\$1.5 million (see Annex IV for a list of the contributions of each entity by component). These contributions will be guaranteed via the governance agreement and the commitment letters for the counterpart or cofinancing of activities or the bilateral agreements between each of the partnership members and the executing agency, which will be attached to the governance agreement as annexes and confirm the amounts to be

contributed and responsibilities assumed by the parties. Approval of such governance agreement and delivery of the commitment letters will be conditions precedent to the first disbursement.

- 4.3 The MIF contribution finances mainly Components 3 and 4 related to evaluation and institutional strengthening of the job training and placement centers and assistance in developing plans to improve their services, as well as most of the knowledge, communication, and partnership-building activities. Another area where the MIF contribution is crucial is the executing agency, with resources to contact a general coordinator and support staff for project management. In principle, no MIF resources have been identified for the procurement of goods. The services for evaluation, development of plans for improvement based on the NEO Quality Standards Guide, and implementation of a life skills curriculum based on the Passport to Success (PTS) program, will be provided directly by the IYF (see paragraph 2.3).
- 4.4 In terms of scaling up the project, it should be noted that there is significant involvement on the part of the public sector, and a considerable number of the preidentified centers to be strengthened are from public-sector or subsidized institutions, in addition to the number of young people served by these institutions (see paragraph 2.5). Investments in direct services to youth planned or already being made are identified as cofinancing. The aim with NEO is to optimize the resources invested by increasing the quality and relevance of their training programs and guidance and job placement services. The cofinancing of these institutions will be recognized based on completion of the activities described in their commitment letters.

	MIF	Counterpart	Cofinancing	Total
Project components				
Component 1. Identification of labor market demand for youth job placement	US\$20,890	US\$26,210	-	US\$47,100
Component 2. Relevance of training offerings aligned with labor market demand and youth needs	US\$120,000	US\$82,000	US\$10,600,000	US\$10,802,000
Component 3. Coordination of job placement support services to meet the needs of more vulnerable youth	US\$200,375	US\$9,325	US\$1,432,000	US\$1,641,700
Component 4. Strengthening of youth employability service providers and the NEO Peru partnership	US\$443,100	US\$176,850	-	US\$619,950
Component 5. Knowledge management and communication strategy	US\$193,750	US\$79,750	-	US\$273,500
Execution and supervision components				
Executing agency/administrative	US\$389,569	US\$126,729	-	US\$516,298
Monitoring system*	US\$10,000			US\$10,000
Launch/closing/sustainability workshops	US\$2,000	-	-	US\$2,000
Midterm evaluation	US\$12,000	-	-	US\$12,000
Final evaluation	US\$12,000	-	-	US\$12,000
Audits and ex post reviews	US\$30,000	-	-	US\$30,000
Contingencies	US\$20,000	-	-	US\$20,000
Subtotal	US\$1,453,684	US\$500,864	US\$12,032,000	US\$13,986,548
% of financing	10.8%	3.6%	85.6%	
Impact Evaluation Account	US\$50,000	-	-	US\$50,000

	MIF	Counterpart	Cofinancing	Total
Agenda Account	US\$20,000	-	-	US\$20,000
Grand total	US\$1,523,684	US\$500,864	US\$12,032,000	US\$14,056,548

*Included in Component 4.

V. EXECUTING AGENCY

- 5.1 Centro de Servicios para la Capacitación Laboral y el Desarrollo [Center for Employment Training and Development Services] (CAPLAB)⁴⁹ will be the executing agency for this project and will sign the agreement with the Bank. It was assessed according to the diagnostic needs assessment (DNA) as a low-risk institution eligible for annual ex post reviews of procurements of goods and services. CAPLAB is a registered nonprofit civil association founded in 1997 and operated until mid-2009 as a job training program of the Swiss Agency for Development and Cooperation (SDC). At present, after 18 years of operation, it conducts projects focusing primarily on the youth population and women, as significant drivers of the country's competitiveness, fostering development of their personal and job-related abilities in order to improve their quality of life and their share in socioeconomic development effectively and on the basis of quality.
- 5.2 CAPLAB's services encompass rural and urban populations, with varying strategies based on culture, gender, age, and development. It continually innovates, ensuring access to knowledge, appropriate technologies, and the quality of its products and services, which contribute to the relevance of vocational training and guarantee better employability conditions.
- 5.3 In addition to its extensive experience in managing projects with public and private entities, CAPLAB has implemented programs and services with cooperation agencies such as SDC, GIZ, EU, BTC, ACDI/VOCA, the World Bank, and others. It has work experience in youth employability through the *entra21* program (among others), under which it carried out a successful urban and rural scalability project. Its main lines of action include: social and personal development for youths and adults; job-oriented training services; job training with focus on skills; development of occupational profiles; training of trainers; and influencing public policy management.
- 5.4 CAPLAB will establish an execution unit and provide the necessary structure for it to effectively and efficiently carry out the project's activities and manage its resources. This execution unit will be comprised of a general coordinator, an administrative/financial assistant, a monitoring and evaluation specialist, a communications and fundraising specialist, and a coordinator for the components to execute the activities and manage the resources of NEO Peru. CAPLAB will also be responsible for delivering project status reports and annual procurement plan updates. Details on the execution unit's structure and status report requirements can be found in Annex VII of this operation's technical files.
- 5.5 CAPLAB may contract the project coordinator by single-source selection. This position will be financed with MIF resources and must be approved by the members of the partnership. The rationale for single-source selection is based on the experience and qualifications of the candidate in implementing youth employability projects and is consistent with the "Policies for the selection and contracting of consultants financed by the IDB" (document GN-2350-9).

⁴⁹ www.capla.org.pe.

VI. PROJECT RISKS

- 6.1 **Risks associated with project sustainability.** Public-private partnerships are an essential part of the initiative, but with changeovers of institutional authorities, especially at public sector agencies, there is a risk that the members of the partnership will lose interest and stop being involved or making contributions over time. To mitigate this risk, the NEO Peru partnership has prepared a governance agreement describing the responsibilities of the members and ensuring their participation. Additional responses are planned, such as: (i) spreading responsibilities between the public and private sectors, to ensure a certain level of implementation of activities; (ii) lobbying the incoming and outgoing authorities in sector groups, informing them of the benefits and results of the initiative; and (iii) making the initiatives part of the government's long-run development plans that normally involve different sectors and civil society actors. Furthermore, project Component 4 provides for strengthening the NEO Peru partnership through specialized workshops on working in partnership, dispute settlement, and the standardization of processes, to mitigate the risks of dissolution.
- 6.2 **Sector risks.** Another risk is the inability to assemble a significant number of companies in the selected sectors willing to contribute by offering internships or employment opportunities. To mitigate this risk, the NEO Peru partnership, CAPLAB, and the MIF intend to use their network of contacts to reach out to these companies. Specifically, project Components 1 and 2 provide for making contacts with businesses for this purpose. Another way of getting companies involved will be through the communication campaign described in Component 5.
- 6.3 **Social risks.** By the end of the project, 50% of the young people who find jobs through the new training modalities are expected to be women. Similarly, the project is expected to serve 500 more vulnerable youths, 20% of whom are expected to obtain employment. This is a challenge, since labor statistics indicate that women and young people who are further removed from the educational and employability systems have more difficulty getting jobs than other groups. To mitigate this risk, strategies for connecting these youths and the productive sector will include activities focused on gender and vulnerable youth to foster job training and placement for more vulnerable groups, such as: (i) quality standards that include gender, ethnicity, geographic origin, or disability considerations in the activities to evaluate the quality and build the technical capacity of the employability service providers; (ii) raising the awareness of employers; (iii) strategic analyses of available jobs for these groups; and (iv) specific support to women with children (who participate in the pilot project for job placement assistance) and other vulnerable groups.

VII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 7.1 This project has no adverse environmental or social impacts. Indeed, it facilitates the social integration of low-income young men and women through technical training and training in life skills to help them enter the formal workforce or continue their education.
- 7.2 According to the Environmental and Social Review (ESR), this project was classified as Category "C."

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to comply with the MIF's standard arrangements regarding results-based disbursements, procurement, and financial management, as set out in Annex VIII.

IX. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 9.1 **Intellectual property.** The Bank will hold the intellectual property rights to any work produced or outcomes achieved in connection with NEO Peru. At its discretion, the Bank may grant a free nonexclusive license for noncommercial purposes covering the dissemination, reproduction, and publication in any media of the works that are solely owned by the Bank. The executing agency will ensure that all contracts signed with consultants under this operation include express assignment to the Bank of all copyrights, patents, and any other intellectual property rights.