

CONFIDENTIAL
INTERNAL USE
PUBLIC UPON APPROVAL

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PARAGUAY

PROGRAM TO SCALE YOUTH ENTREPRENEURSHIP IN PARAGUAY

(PR-M1035)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Maritza Vela (MIF/AMC) Project Team Leader, Fernando Balsevich (MIF/CPR), Maria Elena Nawar (MIF/MIL), Micaela Cordero (MIF/AMC), Clarissa Rossi (MIF/AMC), Paola Zorrilla (MIF/AMC), Siobhan Pangerl (MIF/AMC), and Luciane Medeiros (LEG/NSG).

This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. The document will be disclosed and made available to the public upon approval.

CONTENTS

PROJECT SUMMARY EXECUTIVE SUMMARY

I.	BACKGROUND AND RATIONALE	1
	A. Background	1
	B. Diagnostic assessment of the problem to be addressed by the project.....	3
	C. Project beneficiaries	6
	D. Contribution to the MIF Mandate, Access Framework, and IDB Strategy.....	6
II.	PROJECT OBJECTIVES AND COMPONENTS.....	8
	A. Objectives.....	8
	B. Description of the model/solution/intervention.....	8
	C. Components	12
	D. Project governance and execution mechanism.....	15
	E. Sustainability	15
	F. Lessons learned from the MIF or other institutions for project design	15
	G. MIF additionality	16
	H. Project outcome.....	17
	I. Project impact.....	17
	J. Systemic impact	17
III.	MONITORING AND EVALUATION STRATEGY	17
IV.	COST AND FINANCING	18
V.	EXECUTING AGENCY	19
VI.	PROJECT RISKS.....	21
VII.	ENVIRONMENTAL AND SOCIAL IMPACTS.....	21
VIII.	FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS	21
IX.	ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY	21

PROJECT SUMMARY

PROGRAM TO SCALE YOUTH ENTREPRENEURSHIP IN PARAGUAY

(PR-M1035)

This is the third project of the Youth Entrepreneurship Program (YEP) (ATN/ME-12444-RG), which was approved by the Donors Committee on 31 July 2013 and is executed by Youth Business International (YBI). Its objective is to strengthen the entrepreneurial skills of low-income youth by improving their access to quality services, laying the foundation for a stronger youth entrepreneurship ecosystem in selected countries of the region, including Paraguay. This project will be executed by Fundación Paraguaya de Cooperación y Desarrollo (FP).

Paraguay is experiencing a demographic dividend, with almost one third of its population between the ages of 15 and 29. Of these young people, more than 11% are unemployed and 15% neither work nor study. Young women are at a more serious disadvantage: 23% of women (compared to 11% men) are less likely to have opportunities to study or to work. The problem faced by youth as a whole, and low-income youth in particular, is the lack of access to employment. The main factor placing young people at a disadvantage is the dearth of specialized training and services to prepare them for the workplace, and of technical and/or business training to help them get a job or start an enterprise.

Although government plans and entities offer technical training, it is often insufficient, provides low coverage in the country, and does not include entrepreneurship as a feasible option. According to the Centro de Investigación y Desarrollo [Research and Development Center] (CIRD), each year only 28% of Paraguayan high school graduates are able to get a job or are accepted at university. In this setting, entrepreneurship offers youth an opportunity to generate income as a means to improve the quality of their lives and those of their families.

FP has been in existence for 30 years and has been implementing entrepreneurship initiatives for 10 years. Through its structure, the project aims to reach low-income youth in urban and rural areas who normally do not have access to this type of training, offering them an opportunity to generate income by creating a sustainable enterprise. The project aims to produce synergies that support low-income youth with complementary technical and business training, reaching the communities through FP's regional offices, and partnerships with departmental and municipal governments throughout the country.

Young people who complete the training and develop a business plan will receive a youth loan and mentoring support from Paraguayan entrepreneurs. A microfranchise initiative, which FP has been using with women, will be implemented for young people, who will have the opportunity to establish a microfranchise as an alternative to a traditional enterprise or in parallel with an existing one. The project will benefit from the MIF's experience with both entrepreneurship and scaling up successful models, as well as the experience of its partners.

Through this project, 850 new sustainable enterprises will be created by low-income youth, 1,650 businesses in existence for no more than one year will be strengthened, 2,000 young people will receive loans, and 200 young people will receive microfranchise training. The project will create 1,850 jobs, and 1,320 beneficiaries are expected to increase their sales by 10%.

ANNEXES

Annex I	Logical Framework
Annex II	Itemized Budget
Annex III	Quality for Effectiveness in Development (QED) Matrix

APPENDICES

Proposed resolution

AVAILABLE IN THE DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

Annex IV	Preliminary list of milestones
Annex V	Diagnostic needs assessment (DNA) of the executing agency
Annex VI	Progress Status Reports (PSR), Fulfillment of Milestones, Fiduciary Agreements, Institutional Integrity
Annex VII	Procurement Plan
Annex VIII	Timeline of activities
Annex IX	Operating Regulations
Annex X	Terms of reference for the Project Coordinator
Annex XI	Monitoring and evaluation plan for impact assessment

ABBREVIATIONS

AJE	Asociación de Jóvenes Empresarios [Youth Entrepreneurs' Association]
FP	Fundación Paraguaya de Cooperación y Desarrollo [Paraguayan Foundation for Cooperation and Development]
INCUPAR	Red de Incubadoras del Paraguay [Paraguayan Network of Incubators]
MIC	Ministry of Industry and Commerce
MSMEs	Micro, small, and medium enterprises
NEO	New Employment Opportunities for Youth
PEU	Project executing unit
RCT	Randomized controlled trial
SINAFOCAL	Sistema Nacional de Formación y Capacitación Laboral [National System for Vocational Education and Training]
SNPP	Servicio Nacional de Promoción Profesional [National Professional Development Service]
UNDP	United Nations Development Programme
YBI	Youth Business International
YEP	Youth Entrepreneurship Program

PARAGUAY
PROGRAM TO SCALE YOUTH ENTREPRENEURSHIP IN PARAGUAY
(PR-M1035)

EXECUTIVE SUMMARY

Country and geographical location	The project will be implemented in Asunción and 24 other cities of Paraguay through the offices of Fundación Paraguaya de Cooperación y Desarrollo.		
Executing agency:	Fundación Paraguaya de Cooperación y Desarrollo (FP).		
Area of access:	Access to Markets and Capabilities		
Agenda:	Youth Employment and Entrepreneurship		
Coordination with other donors/Bank operations:	The project will create partnerships with various strategic partners: (i) municipal and departmental governments; (ii) Ministry of Youth; (iii) Ministry of Industry and Commerce (MIC) (through the Office of the Deputy Minister for Micro, Small, and Medium-sized Enterprises (MSMEs)); (iv) Asociación de Jóvenes Empresarios (AJE); and (v) Red de Incubadores del Paraguay [Paraguayan Network of Incubators] (INCUPAR) (which includes 18 institutions and universities).		
Direct beneficiaries:	The direct beneficiaries of this project's activities and resources are:		
	(i)	5,000 low-income youth (3,000 women and 2,000 men) between the ages of 18 and 29 with limited technical skills, who will receive training to start up and consolidate their own businesses;	
	(ii)	2,000 young people (1,200 women and 800 men) who gain access to financing in the form of youth loans, a financial product of the FP; and	
	(iii)	25 FP offices that will be strengthened as business development centers.	
Indirect beneficiaries:	(i)	20,000 immediate family members of the 5,000 beneficiary youth (average 4 members per family); and	
	(ii)	1,850 jobs created by the businesses (1.2 per business)	
Financing:	Technical cooperation funding	US\$1,000,000	34%
	Investment	US\$000.00	
	Loan	US\$000.00	
	Total MIF Contribution	US\$1,000,000	34%
	Counterpart	US\$1,931,680	66%
	Cofinancing (if any)	US\$000.00	
	Project Budget	US\$2,931,680	100%
Execution and disbursement periods:	Execution period:	36 months	
	Disbursement period:	42 months	

Special contractual conditions:

The following are conditions precedent to the first disbursement: (i) Bank approval of the Operating Regulations, (ii) hiring of the Project Director; and (iii) signing of agreements with Servicio Nacional de Promoción Profesional [National Professional Development Service] (SNPP) and Sistema Nacional de Formación y Capacitación Laboral [National System for Vocational Education and Training] (SINAFOCAL). All of these conditions will be satisfactory to the IDB/MIF.

Environmental and social impact review:

This operation was pre-evaluated and classified in accordance with the requirements of the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given that impact and risks are low, the project has been proposed as a Category "C" operation.

Disbursing unit:

Country Office in Paraguay

I. BACKGROUND AND RATIONALE

A. Background

- 1.1 The strategy prepared for the youth agenda “Give Youth a Chance: An Agenda for Action,” aims to bring the most effective job placement models to scale, for which regional program RG-M1210 “New Employment Opportunities for Youth (NEO)” was prepared, seeking to enhance the quality of human capital and the employability of vulnerable youth in 10 countries in Latin America and the Caribbean. At the same time, since youth entrepreneurship programs have had heterogeneous results, and there is no evidence of what really works, the strategy aims to work with various methodologies, addressing specific challenges identified in the lessons learned from past projects and the exploration of new entrepreneurial alternatives for low-income youth.
- 1.2 In response to the strategy, the project “New Employment Opportunities for Youth – NEO Paraguay,” approved by the Donors Committee on 29 October 2014, seeks to establish methodologies and coordination between the productive sector, job training institutions, and the public sector to facilitate young peoples’ access to better, comprehensive services, thus increasing their chances of finding a quality job. This project has been prepared for the entrepreneurship area.
- 1.3 This is the third project¹ under the Youth Entrepreneurship Program (YEP) (ATN/ME-12444-RG), approved by the Donors Committee on 31 July 2013 and executed by Youth Business International (YBI). The purpose of the program is to strengthen the business skills of low-income youth by increasing their access to quality services and laying the groundwork for a stronger youth entrepreneurship ecosystem in selected countries of the region, including Paraguay.
- 1.4 The project will be executed by the Youth Entrepreneurship Unit of Fundación Paraguaya de Cooperación y Desarrollo (FP), and meets the following selection criteria of the regional program: (i) it will provide integrated support (financial and nonfinancial, including business training, mentoring, and advisory services); (ii) it is national in scope; (iii) it will offer relevant learning opportunities in areas of the regional program’s learning agenda; and (iv) it includes counterpart funding. FP is a member of the YBI network of partners, which means it has met the criteria for management quality.
- 1.5 **The situation of youth in Paraguay.** Approximately 28.5% of Paraguay’s total population (6,709,730) are young people between the ages of 15 and 29.² This marks Paraguay as a country with a significant demographic dividend for the coming years. Although the youth unemployment rate in Paraguay is slightly lower than the regional average (11.3% compared to 13.6%), breaking this figure down by age group shows that the unemployment rate for youth is more than double that of adults (11.3% compared to 5.2%). As far as regional distribution is concerned, the Centro de Investigación y Desarrollo (CIRD)³ found that youth unemployment in urban areas is 13%, and in rural areas it is 7%. The unemployment rate for

¹ The first project carried out under the YEP regional program was the “Multiregional Program to Provide Training and Support to Young Entrepreneurs in Peru” (PE-M1097), approved on 12 March 2014; the second is “Fostering Youth Entrepreneurship in Chile” (CH-M1063), approved on 21 November 2014.

² Statistics and Census Bureau (2013). “Permanent Household Survey.” Asunción: DGEEC.

³ CIRD. 2012. “Situación del Empleo Juvenil en Paraguay” [State of Youth Employment in Paraguay].

- young women is higher than that of their male counterparts (15% compared to 9%),⁴ indicating that women face additional challenges in finding a job.
- 1.6 Even more troubling is the situation of youth who do not have access to education and training, that is, those who do not have opportunities to study or to work. The percentage of youth between the ages of 15 and 29 who neither work nor study is around 15%,⁵ and young women are even less likely to study or work (23% compared to 11%). Approximately 12% of Paraguayan youth are part of an even more excluded group that neither studies nor works nor is seeking employment;⁶ in other words, this segment of the population has no opportunities to study, work, or access the social capital that would enable them to enter the labor market or lead a productive life.
- 1.7 The phenomenon of young people who neither study nor work is a troubling social reality because youth is the stage in life when they should be learning and developing their productive capabilities. This is a risk factor both for young people and for society as a whole because: (i) not having a job in the present increases young people's insecurity in the present; (ii) not studying in the present limits the likelihood of finding a job in the present, which further aggravates insecurity; and (iii) it is unlikely that they will be able to improve their work conditions and job security in the future if they are not accumulating educational capital or work experience in the present.⁷ Young people in this situation face risks such as becoming isolated or victims of discrimination, obtaining insecure or unstable jobs, and becoming involved in juvenile delinquency.⁸
- 1.8 Most employed youth in Paraguay have vulnerable jobs that limit their own development and the development of their families. For the most part, employed youth between the ages of 18 and 29 work in microenterprises and small businesses that have very low productivity and are unstable. Eight out of ten work in the informal sector.⁹ In 2011, only one out of every twelve employed youths (8.5%) had health insurance and retirement coverage, or half the figure for people between the ages of 25 and 65 (16.6%).¹⁰
- 1.9 A lack of quality training limits employment options for most Paraguayan youth. Although almost 52% of young people between the ages of 15 and 19 attend school, only 27% between the ages of 20 and 24 pursue further studies.¹¹ Geographical gaps also show up in this area, as only 11.1% of rural youth study as compared to 37% of urban youth.¹² The educational system does not meet young

⁴ 2013 data on youth unemployment (ages 15 to 24) (World Bank, World Development Indicators).

⁵ 2013 data for youths between the ages of 15 and 29 (IDB/LMK [Labor Markets and Social Security Unit], based on household surveys updated in February 2015).

⁶ Ibid.

⁷ United Nations Development Programme (UNDP). 2013. Paraguay Human Development Report: Decent Work and Human Development.

⁸ Economic Commission for Latin America and the Caribbean (ECLAC). Social Panorama of Latin America 2014.

⁹ International Labor Organization. 2014. "Formalizing the informal youth."

¹⁰ UNDP. 2013. "2013 Human Development Report Paraguay 2013: Human Development and Decent Work."

¹¹ Ibid.

¹² Ibid.

people's expectations: 18% of youth who dropped out of school stated that they did not see a direct relationship between continuing to study and better living conditions in the future.¹³ According to the World Economic Forum, lack of worker training is the fifth most serious challenge in the business world.¹⁴

- 1.10 The inadequacy of education is also a factor that has prevented Paraguay from making progress in the area of entrepreneurship. Support for entrepreneurs is at an initial stage of development in Paraguay, although the number of initiatives that make resources available to entrepreneurs is growing. There are insufficient indicators for gathering information on entrepreneurship in general in Paraguay, and none at all for the segment of youth entrepreneurs.
- 1.11 **The entrepreneurship ecosystem.** The entrepreneurship ecosystem in Paraguay generally receives weak public support. Some government initiatives do support new enterprises, including the National Science and Technology Council (CONACYT), the Ministry of Labor, and the Ministry of Industry, but their programs are scattered and not far-reaching.¹⁵ As a result, the weight of action to promote and support entrepreneurship is currently being carried by civil society, where associations, universities, and private organizations offer a variety of support services and tools. These programs focus largely on entrepreneurship orientation, raising awareness, and promotion, and most target their support toward dynamic entrepreneurs at the startup stage. A recent mapping of the entrepreneurship ecosystem in Paraguay revealed numerous actions and agencies working to motivate entrepreneurs, a smaller number providing support for formulating business ideas, and only four supporting the implementation and maturation of enterprises.¹⁶ No communities and organized forums of entrepreneurs that promote enterprise acceleration or scaling services were identified. Training initiatives for low-income entrepreneurs are quite incipient, and there are no comprehensive initiatives providing financial and nonfinancial support.

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

- 1.12 The main problem faced by youth, and especially low-income youth, is lack of access to employment. They are at a disadvantage because of the limited supply of specialized training and services that can prepare them for the workplace, and of technical and/or business training that equips them to get a job or to start an enterprise. Although entrepreneurship initiatives¹⁷ can offer youth an empowering alternative, young people face significant barriers in starting a business.

¹³ CIRD. 2012. *Situación del Empleo Juvenil en Paraguay* [The State of Youth Employment in Paraguay].

¹⁴ MIF (forthcoming in 2015). *Transferencia Conocimiento Madrid Emprende: Paraguay y Republica Dominicana* [Madrid Emprende Knowledge Transfer: Paraguay and the Dominican Republic].

¹⁵ The recently created Office of the Deputy Minister for MSMEs may open new and crucial avenues of support and leadership.

¹⁶ MIF (forthcoming in 2015). *Transferencia Conocimiento Madrid Emprende: Paraguay y Republica Dominicana* [Madrid Emprende Knowledge Transfer: Paraguay and the Dominican Republic].

¹⁷ Entrepreneurship includes the adoption of microfranchises as a recognized strategy for promoting entrepreneurship and boosting the incomes of disadvantaged populations. Microfranchises replicate a business model that has been tested, is low-cost and easily applied, and provides potential entrepreneurs with tools and support for owning, managing, and growing a profitable microenterprise. FP has already gained considerable know-how in this area through the project "Microfranchise Development for Low-Income Women Microentrepreneurs" (PR-M1023).

- 1.13 **Lack of access to support programs.** On the supply side, there is a lack of access to comprehensive entrepreneurship support services. A key cause of this is the limited body of knowledge of models that can support youth entrepreneurship. The fact that there are limited models that have proven effective hinders the ability of practitioners to apply best practices and models. This situation also affects the confidence of funders and other partners considering investing in expanding the scope of and access to entrepreneurship support services.
- 1.14 The lack of entrepreneurship support services limits options and creates instability for young people's enterprises in Paraguay. Although some entrepreneurship training programs do exist, very few help young entrepreneurs develop their ideas, provide them with tools (including financing), and offer support for running their business. The Ministry of Industry and Commerce (MIC) is responsible for microentrepreneurship training and support programs. The MIC courses offered to youth through these programs focus primarily on business skills (preparation of business plans, market research, basic accounting, business management, administration, and improvement of business management). However, they do not have selection criteria and accept any interested youth 18 years of age or older. Moreover, program outcomes and impact related to the creation and sustainability of youth enterprises are not monitored and evaluated.
- 1.15 A number of institutions in both the public and private sectors promote job training. In the public sector, the State has offered training through the Ministries of Labor, Employment, and Social Security; the Ministry of Education and Culture; and the Ministry of Agriculture and Livestock. Most relevant in Paraguay in this subject area are the National Professional Development Service (SNPP) and the National System for Vocational Education and Training (SINAFOCAL), both of which are under the Ministry of Labor. The SNPP directly provides training services while SINAFOCAL coordinates the supply of vocational training, basically by outsourcing these services to institutions operating in the market, primarily in the private sector. Notwithstanding their advantages, these programs do not have the comprehensive approach needed by low-income youth who have had little access to formal education for starting a sustainable business. In order to be able to offer effective and sustainable support to young entrepreneurs, institutions and organizations must be able to properly identify existing skill gaps and provide specific support.
- 1.16 Some private institutions also offer specific vocational training and job placement programs, noteworthy among which are the Centro de Información y Recursos para el Desarrollo, Instituto de Formación Profesional Kolping, Fundación Paraguaya de Cooperación y Desarrollo (FUPACODE), and Centro de Educación, Capacitación, y Tecnología Campesina (CECTEC).
- 1.17 More than 40% of the population lives in rural areas with no access to entrepreneurship services. The institutions offering this type of support are located in the capital and do not extend their services to all regions in the country. As a result, many rural youth are excluded from existing entrepreneurship programs.
- 1.18 On the demand side, many young people lack awareness of entrepreneurship as a viable career choice and do not have sufficient know-how or skills to start and develop a formal business of their own.

- 1.19 **Lack of access to financing.** Young people who are interested in entrepreneurship cannot obtain seed funding because they lack collateral and business experience. They are therefore perceived as high-risk by financial institutions, which are reluctant to provide start-up financing. It is rare in the financial markets to find specific products for startups; if the entrepreneur is a young person, it will be even more difficult to access financing as they are perceived as even higher risk.
- 1.20 The government lacks a strategy for financing young people's emerging enterprises. The Law on Micro, Small, and Medium-sized Enterprises (MSMEs), passed in 2012, aims to boost the formal establishment of businesses by easing current requirements, for any size of business. With the law now in force, there is a determination to support entrepreneurs, but mainly to help them with the formal establishment process. This is a complex and expensive process for emerging enterprises, especially those in the startup stage, when they are essentially seeking to consolidate.
- 1.21 **Limited channels for cross-sector coordination.** Coordination is lacking among the stakeholders of the ecosystem, especially among those in the public and private sectors and civil society. Although a strategy has been reached by consensus by many of them, roles and responsibilities have not been distributed efficiently to benefit entrepreneurs. Among the channels that do exist, such as the Red Paraguaya de Incubadoras [Paraguayan Network of Incubators] (INCUPAR), there is limited awareness of opportunities for collaboration, which results in missed opportunities for possible synergies and efficiencies, and limits the identification of more profitable approaches. Accordingly, partnerships need to be created among the different stakeholders for the purposes of providing mentoring services, coordinating training and lending programs to supplement the different capacities, and providing comprehensive support to vulnerable young people so they can develop sustainable enterprises.
- 1.22 Because of the limited coordination among institutions and the lack of statistical information on youth entrepreneurship, FP will work in partnership with other agencies including SNPP and AJE, which will participate in the project. It will create a board with the members of the INCUPAR network, for which FP serves as vice chair, and the board of the New Employment Opportunities (NEO) program, which includes representatives from 18 institutions. The intention will be to coordinate efforts and share information, methodologies, and results for laying the groundwork of an ecosystem that supports low-income entrepreneurs.
- 1.23 FP's Youth Enterprises Unit has ten years' experience implementing youth entrepreneurship programs, such as the one executed with Junior Achievement to promote the business spirit in schools, and one implemented with CISCO in 2009-2010 where it provided online business education to low-income youth in its offices; it has also been offering a program to support urban entrepreneurs since 2006.
- 1.24 However, because of staff limitations, the Youth Enterprises Unit has focused its efforts in the central area of the country, that is, in the capital Asunción and its surrounding areas. To extend its scope to cities in rural areas, the unit team needs to be increased and strengthened, and the staff in the offices outside the central

area require training to bring them into the project so they can deliver quality entrepreneurship services to youth.

C. Project beneficiaries

- 1.25 Project beneficiaries will include 5,000 young people (gender emphasis: 60% women, 40% men) between the ages of 18 and 29, with a family monthly per capita income of less than US\$500.¹⁸ Beneficiaries will have limited technical skills, that is, no university education or not currently pursuing university studies but with a high school education or currently enrolled in high school, and at-risk youth with basic reading and writing skills.
- 1.26 The aim is to benefit youth residing outside the capital through partnerships with departmental and municipal governments, and youth residing in the Central Department which, according to statistics, is home to the greatest number of youth. Both the departmental and municipal governments have youth employment or youth entrepreneurship departments (that actually promote youth employability),¹⁹ which will contribute to strengthening the partnerships. Beneficiary youths will be selected through FP's 25 regional offices in partnership with the departmental and municipal governments. In addition, the Youth Entrepreneurship Program will strengthen the capabilities of the 25 regional offices, the partnerships and programs of the departmental and municipal governments, and the ministries that deal with employment and youth.
- 1.27 Indirect beneficiaries of the project include 20,000 immediate family members (four per family) of the youth who receive training, and 1,850 people who will be hired directly for the jobs generated by the businesses established.
- 1.28 **Participation of young women.** FP has considerable experience working with women heads of household and has addressed their difficulties. To date, it has 42,000 women clients ranging up to 60 years of age. It also has 2,141 Women Entrepreneur Committees operating throughout the country. At least 60% of the project's beneficiaries are expected to be women. It has been FP's experience, through its Youth Enterprises Unit, that women are more interested in signing up and participating. Gender and diversity variables will be analyzed, beginning with the definition of criteria for prioritizing beneficiaries. Training content and methodology will include specific features for women entrepreneurs. When it is time to create and later implement their enterprises, support will be customized so it can address their problems and provide differentiated services.

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

- 1.29 The project will contribute to the MIF mandate of poverty reduction by helping low-income youth create enterprises, increase their access to jobs, and generate an

¹⁸ The poverty line for a typical Paraguayan family is around 1,758,782 guaraníes or US\$342 (considering a national poverty line of 438,954 guaraníes (US\$85) and an average 4 members per household). (DGEEC. 2011. *Principales resultados de pobreza y distribución del ingreso* [Principal findings on poverty and income distribution].

¹⁹ Operating within the departmental and/or municipal governments, their objective is to dignify work for inhabitants who visit their offices. They strive to create employment opportunities for people through job placement services, help improve employability through training courses and vocational orientation, and assist companies in the Central Department regarding the human resources available and the profiles they require.

enabling environment for these enterprises. To this end, the capabilities of participating departmental and municipal governments will be strengthened, public-private partnerships will be created, along with partnerships between other sectors of civil society and the private sector with an interest in contributing to development in their areas of operation. The project will be national in scope, with coverage being provided through the operations and logistics of FP's regional offices.

- 1.30 **Link to the Youth Employment and Entrepreneurship Agenda:** The project is aligned with the MIF strategy as follows: (i) **Innovation** in the entrepreneurship area of the agenda, as it will help refine existing models for youth entrepreneurship, such as the one promoted by FP (learn-by-doing methodology) which: (a) fosters practical, dynamic learning related to business ideas with formal education tailored to beneficiaries' profiles, and the Canvas methodology,²⁰ which offers a practical way of understanding the business model of an enterprise, as well as training materials accessible to people with a basic level of education; and (b) reaches youth in their communities (rural) and is adapted to the local context; and (ii) **Results, evaluation, and knowledge dissemination:** Case studies will document the impact of the new elements of the methodology, in this case, microfranchises and loans.
- 1.31 The project is part of the regional Youth Entrepreneurship Program (operation RG-M1240) executed by Youth Business International (YBI). The relevant experience gained and lessons learned by YBI in the 38 countries of its network will be shared with the executing organization in each country. Also, partnerships and knowledge sharing will be promoted through the Regional Center on Youth Entrepreneurship (a key element of the regional program, located in Bogotá, Colombia).
- 1.32 This project will help reduce the knowledge gaps of the Agenda relative to "what support methodologies for young at-risk entrepreneurs are most effective in creating jobs, profitability, and/or sustainability?" Questions related to regional program RG-M1240 will also be addressed, including: What are the best practices for transferring and scaling models to the private and public sectors, and what are the key factors for achieving sustainable partnerships? The project will also provide new knowledge on youth loans and microfranchises, specifically: What is the impact of microfranchise models on young people? What are the key factors needed to provide comprehensive support, including loans, to rural youth and young women?
- 1.33 The knowledge agenda of the YEP regional program has been developed, and a knowledge management specialist has been hired to strengthen action in that area. The project in Paraguay will contribute to the Agenda by developing knowledge products that provide lessons on youth loans, youth microfranchises,

²⁰ A business model, created in 2010 by Alex Osterwalder, that describes the rationale of how an organization creates, delivers, and captures value. Its format provides a means to visualize, on one page, the business model in accordance with nine fields. The result is a document that provides an overview of the business idea, and clearly shows the connections among the different elements: clients, value proposition, distribution channels, customer relationships, revenue streams, resources, key activities, partnerships, and cost structure.

and the use of the “Poverty Stoplight,”²¹ with its indicators on multidimensional poverty elimination as a tool for measuring outcomes and impact. The outcomes of coordination with public technical training programs outside of Asunción will be also be examined.

- 1.34 **Collaboration with the IDB Group.** This project will create opportunities for the MIF and the IDB Group through their ties with various strategic partners: (i) departmental and municipal governments; (ii) Ministry of Youth, whose mission is to design, plan, and coordinate public policy for young people; (iii) Ministry of Industry and Commerce (particularly its Office of the Deputy Minister for MSMEs), the public institution that supports entrepreneurship and the formalization of small and medium-sized enterprises; microenterprise and small business development; and the strengthening of entrepreneurs’ management skills; (iv) AJE; and (v) INCUPAR (representing 18 institutions and universities), for which FP serves as vice chair.

II. PROJECT OBJECTIVES AND COMPONENTS

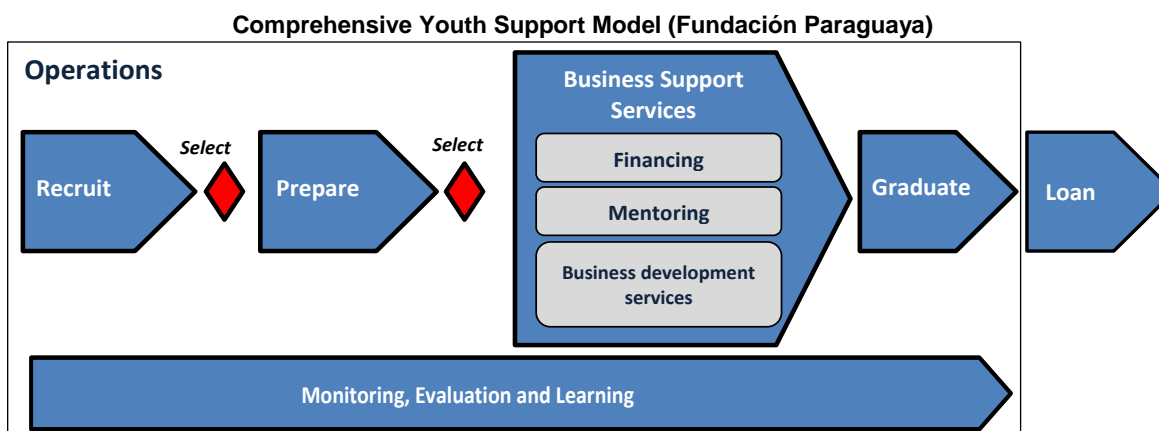
A. Objectives

- 2.1 The project’s expected impact is an increase in the number of successful enterprises of low-income youth throughout the country. The outcome will be a training model that includes a loan component for low-income youth entrepreneurs.

B. Description of the model/solution/intervention

- 2.2 To reach its objectives, the project proposes a model of comprehensive support for young people that combines the following: (i) business skills training; (ii) trade-specific training; (iii) financing through loans; and (iv) mentoring.
- 2.3 The project will serve low-income youth in Asunción and 24 other cities in the country through FP’s structure in each of the cities: Asunción, Caacupé, Caaguazú, Carapeguá, Chaco, Ciudad del Este, Concepción, Coronel Oviedo, Curuguaty, Encarnación, Itá, Lambaré, Luque, Mariano Roque Alonso, Paraguarí, Pilar, San Ignacio, San Lorenzo, San Pedro, Santaní, Villa Elisa, Villarrica, Villa Ygatimí, and Ybycuí. The project will have the following phases: (i) recruitment and selection of young people; (ii) training in business skills and design of business plan; (iii) appointment of mentor; (iv) specific training; and (v) loans.

²¹ Developed by FP, the “Poverty Stoplight” is a practical, easy-to-use methodology and metric that enables poor families to self-assess their poverty level as the first step in a customized strategy to eliminate poverty permanently. It is named Stoplight because it refers to the colors of a stoplight (red, yellow, green), which will reflect the family’s poverty level. It has six dimensions and 50 poverty indicators. The tool uses a practical visual survey with photographs that can be viewed on a tablet or cell phone so that families can easily measure their poverty level and pinpoint what they are lacking; it helps them design a poverty elimination plan powered by motivation and skills development.



- 2.4 **Recruit and select youth.** This stage will involve working in partnership with the Ministry of Youth and three departmental governments (Central, Cordillera, and Alto Paraná), which will coordinate with the local FP office and respective municipio to recruit young people. Interested youth who meet the selection criteria detailed below will be enrolled in a three-session selection workshop that includes motivational dynamics, preparation of a profile of each interested participant, and selection interviews. This process will involve a team comprising a trainer, a promoter,²² and a volunteer vocational counselor.
- 2.5 Selection criteria will include: (i) young people between the ages of 18 and 29; (ii) high school education (having a high school degree or currently enrolled); and (iii) at-risk youth with basic reading and writing skills. All youth interested in taking the course will complete a closed questionnaire with some open-ended questions in order to identify the participant's profile. The questions will collect information on the following: (i) personal data; (ii) family data; (iii) experience in income-generating activities (as an employee and in enterprises); (iv) perception of the main problems faced by youth; and (v) outlook.
- 2.6 **Business skills training and design of business plan.** Selected youth will receive entrepreneurship training during six three-hour sessions. The training methodology will be harmonized with the training offered to FP by the YEP regional program team, and will include support for each stage of enterprise development, both in terms of technical management and the strengthening of soft skills. While the program intends to train 5,000 youth, only those who achieve 80% attendance and submit a business plan will graduate. The training team will include the trainer and the promoter, who will foster and identify business opportunities with participants. A training coordinator will be responsible for implementing the training and will coordinate training activities in all 25 offices.
- 2.7 Young people who complete the training and decide not to start a business will be connected to the Paraguay NEO Network (operation PR-M1031), of which FP is a part. The network is working to build coordination among the production, job training, and public sectors in order to provide young people with access to better

²² Promoters will be charged with encouraging and advising youth regarding their business ideas; supporting the implementation of microfranchises; and measuring results. They will also map the market availability of technical training that is requested.

- comprehensive services to increase their likelihood of obtaining a quality job. To this end, a public-private partnership has been established through which companies, governments, and civil society contribute resources, know-how, and capacities to implement effective and sustainable youth employment solutions.²³
- 2.8 **Access to financing.** Once the training has been completed, the young people may access the youth loan service²⁴ provided they have a business plan approved by a loan officer at the corresponding regional office. Those who agree to a loan will receive support from a group of promoters and in-house advisers²⁵ who will help them manage their businesses and gain access to a microfranchise. The support is designed to solve specific problems related to management issues, the design of the business model, planning, image, formalization, search for clients, as well as the preparation of designs and logos, etc. Youths will receive customized consulting services four to six hours a month as long as their loans are active.
- 2.9 **Mentoring.** Young people will receive the support of a mentor during the first year of their enterprise's operation. In-house mentoring will be required for youth who obtain loans in order to ensure repayment and proper use of funds. To recruit business mentors, partnerships will be established with the Asociación de Empresarios Jóvenes (AJE), Asociación de Empresarios Cristianos (ADEC), Unión Industrial del Paraguay (UIP), Asociación de Profesionales y Empresarios del Paraguay (APEP), among other business organizations. The mentoring coordinator will be responsible for implementing the mentoring program with entrepreneurs, and for monitoring in-house mentoring services.
- 2.10 **Customized training.** Young people who need specific skills or know-how to manage an enterprise will receive technical trade-related training (bakery, mechanics, carpentry, etc.) through partnerships with organizations including SNPP and SINAFOCAL, which will offer courses or workshops at FP's regional offices, as necessary.
- 2.11 **Microfranchises.** Once the young people's business plans are complete and they have obtained loans, they will be encouraged to consider the microfranchise model as a way to boost their revenues. Microfranchises offer an alternative to youth who do not want to engage in a traditional business; they can also be viewed as an

²³ "NEO Network" refers to the businesses and organizations involved in the project "New Employment Opportunities for Youth in Paraguay" (operation PR-M1031), which was approved by the Donors Committee on 11 April 2012. The members of the network are: (i) in the public sector: Ministry of Labor, Employment, and Social Security, Ministry of Industry and Commerce (Office of the Deputy Minister for MSMEs), Ministry of Education and Culture (Office of the Deputy Minister for Higher Education), National Youth Secretariat, and Technical Secretariat for Planning; (ii) in the private sector: PIVOT, LUMINOTECNIA, and the Paraguayan Industrial Union; and (iii) in civil society: the Paraguayan-American Chamber of Commerce Foundation, Fundación Kolping Paraguay, Plan Internacional Paraguay, Fundación Solidaridad, Fundación Sarakí, Fundación Paraguaya, and Fundación CIRD.

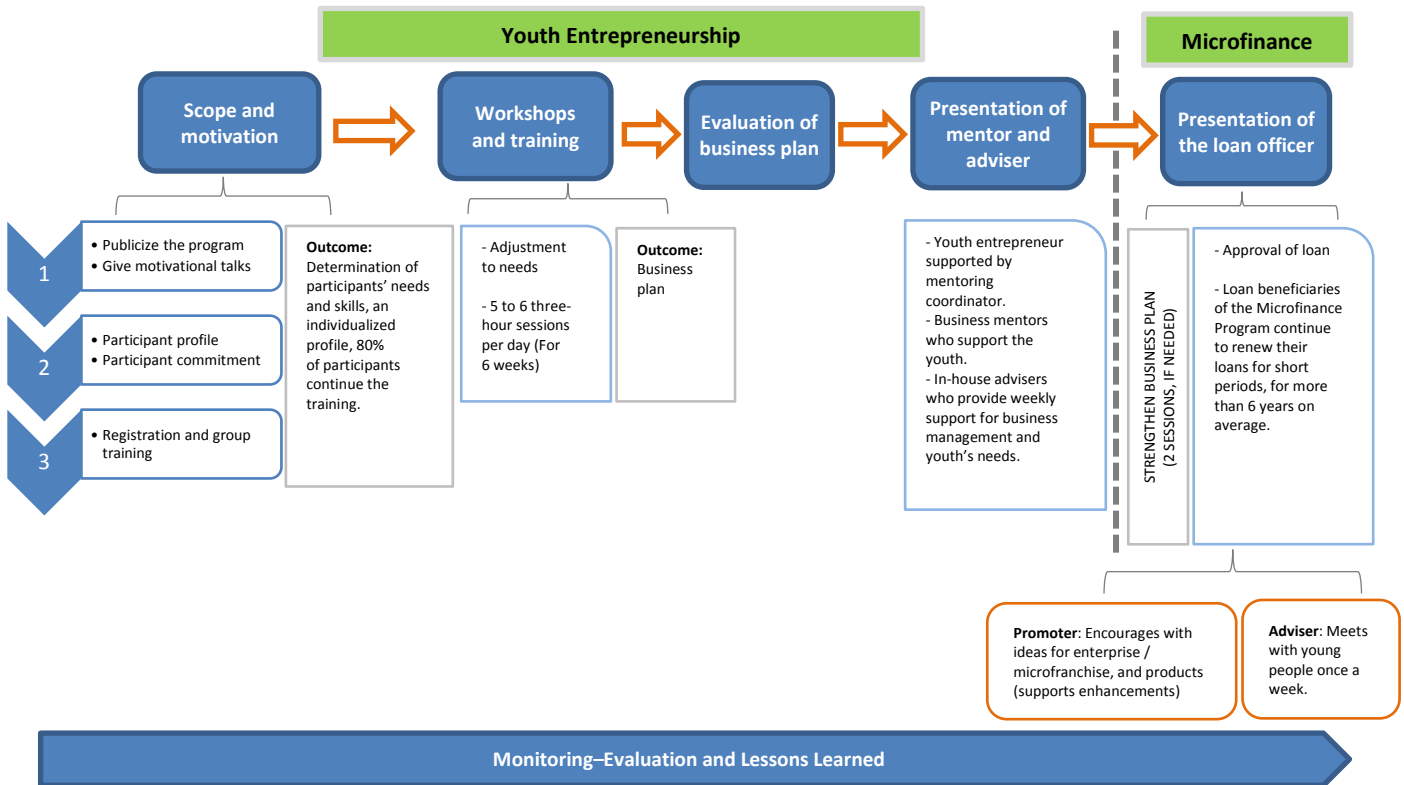
²⁴ The youth loans to be offered by Fundación Paraguaya are a financial product of its microfinance program, which have been available in the Central Department since 2011. Fundación Paraguaya was founded with its microfinance program, and it has a great deal of experience lending to low-income people. The loan portfolio of the offices in the Central Department has 2,110 active loans to date (with an arrears rate of 3.85%).

²⁵ In-house mentors will provide support, once a week, to young people who have active loans; their purpose will be to monitor business management and loan payments. Promoters will encourage the young people and provide advice related to business ideas, support microfranchise implementation, and measure results. They will map the market availability of technical training that is requested.

additional opportunity for young people who wish to launch a microfranchise parallel to an existing enterprise. This pilot plan will be based on FP's experience within the framework of the MIF-financed project "Microfranchise Development for Low-Income Women Microentrepreneurs" (PR-M1023). Lessons were learned and methodologies developed on the basis of the project with low-income women. With these inputs the project intends to generate microfranchise prototypes tailored to youth, and a market survey will be conducted among FP clients within the age range of this project's beneficiaries. Existing microfranchise prototypes determined to be viable through the survey for implementation with youth will be used as models. The project also aims to develop at least one new youth microfranchise product.

- 2.12 **Youth microentrepreneurs forum.** Lastly, a forum will be held for young microentrepreneurs, to be attended by approximately 400 young people. The forum will offer participants an opportunity to discuss and share experiences, generate synergies and learning, and learn lessons from prominent Paraguayan entrepreneurs. Participants will work with the business incubator model for three days and set up a network of entrepreneurs. They will learn to use the technology and have an opportunity to exchange experiences, ask questions, and share information through discussion forums with other entrepreneurs who are starting up businesses.

Detailed comprehensive youth support model



C. Components

2.13 To meet project objectives, the project has three components: (i) institutional strengthening; (ii) entrepreneurship services; (iii) knowledge management and strategic communication.

Component I: Institutional strengthening (MIF: US\$169,700; Counterpart: US\$22,500)

2.14 The objective of this component is to provide training and develop instruments to strengthen the institutional capacities of FP and its regional offices.

2.15 This component includes the following activities: (i) provide training workshops for staff to raise awareness of the project at each of FP's 25 offices (2 staff members per office); (ii) refine entrepreneurship training curriculum for work with rural youth; (iii) adapt microfranchise curriculum to youth; (iv) localize and adapt two manuals (mentoring and Stoplight) for rural youth; (v) adapt "Stoplight" methodological manual for youth; (vi) develop and implement monitoring and evaluation system (Operating Management System); (vii) establish at least five public-private

partnerships²⁶ (for recruiting youth and for the mentoring program); and (viii) conduct diagnostic assessment of businesses in rural areas.

Component II: Entrepreneurship services (MIF: US\$481,942; Counterpart: US\$1,550,800)

- 2.16 This component will provide training to develop young people's entrepreneurial capabilities. Training and support will be provided for developing their business ideas or strengthening their enterprises by means of a comprehensive program that includes: raising awareness, training, business plan, customized consulting services on commercial, legal, or design matters, mentoring, product marketing, and a business leader forum. The aim is to generate income by building and strengthening young people's business skills, and by supporting the sustainability of their enterprises.
- 2.17 The following activities are included in this component: (i) recruit and train 50 trainers; (ii) recruit and train 100 mentors; (iii) provide training to 5,000 young people; (iv) train 50 advisers/promoters; (v) provide microfranchise training to 200 young people; and (vi) organize two business leader forums.
- 2.18 Motivational sessions (three to four) will serve as a filter to ensure that participating youth are committed to the project and show the necessary interest and commitment. Youth who participate in the project during training will prepare business plans and strengthen their business ideas; existing businesses should be startups in operation for less than one year.
- 2.19 A module will be included for existing enterprises with information on how to formally establish the business, and the advantages of doing so. This will be done in partnership with the Office of the Deputy Minister for MSMEs.
- 2.20 The 5,000 project beneficiaries will receive training and tools for microbusiness development, and will end the six-session courses with a business plan. Of those who receive training, 2,500 will launch or strengthen their businesses, and 2,000 will receive loans through FP's microfinance area. These young people will receive further support through workshops to strengthen their business plans.
- 2.21 The remaining 2,500 youth who do not continue on with microbusiness development will attend an extra session to receive basic tools (on how to find a job, how to prepare a résumé, etc.). They will be connected to the Paraguay NEO Network (operation PR-M1031), of which the FP is a part (see paragraph 2.7). In addition, the young people whose businesses and loans have been approved will have opportunities to strengthen their business ideas and to access the youth microfranchise option.

²⁶ The focus of the partnerships created through this project will be to create synergies for recruiting youth that meet the project profile and for recruiting businesspeople to serve as mentors and advise youth with their startup businesses. Public-private partnerships will be established and will include, from the public sector, the Ministry of Youth, the Ministry of Industry and Commerce (Office of the Deputy Minister for MSMEs), the Ministry of Labor. Partners from the private sector (civil society organizations) will include INCUPAR (which includes 20 universities and companies), AJE, Unión Industrial del Paraguay Joven, as well as market companies that support volunteer work, among others.

**Component III: Knowledge management and strategic communication
(MIF: US\$72,000; Counterpart: US\$42,000)**

- 2.22 The objective of this component is to document, systematize, and communicate the outcomes and lessons learned from the project, in order to publicize the innovative and sustainable intervention methodology for promoting entrepreneurship among at-risk youth that can be replicated and scaled up.
- 2.23 The following audiences will be targeted for receiving the knowledge products and good practices generated by the project:
- (i) Paraguayan nongovernmental organizations belonging to the YBI network and to the MIF's YEP program: in order to refine the intervention methodology and implement innovative models for youth entrepreneurship programs with greater impact and wider geographic coverage;
 - (ii) Government authorities including the Ministry of Industry and Commerce, the Ministry of Youth, and municipal and departmental governments interested in jointly supporting and/or implementing youth entrepreneurship programs;
 - (iii) Private enterprises interested in supporting projects that support youth entrepreneurship and having a network of local providers that can meet their business needs for goods and services;
 - (iv) Educational institutions, including universities, vocational training centers, SNPP, and SINAFOCAL, to raise awareness among youth at an early age about entrepreneurship as a career option.
- 2.24 The main channels for disseminating this knowledge will be workshops, on-site meetings, special events, and printed materials including a project infographic.
- 2.25 To meet the knowledge needs of these audiences, the following knowledge products will be developed: (i) two brief case studies that systematize the project experience (one on youth loans; one on microfranchises),²⁷ highlighting the different intervention formats used, the outcomes, and main lessons learned; and (ii) an infographic that provides a visual synthesis of the project strategy, main actions, and outcomes.
- 2.26 The expected outcome is to demonstrate that low-income youth can contribute to the country's economic development, generate income, and in that way reduce the country's youth unemployment rate. Another expected outcome is the development of new programs for youth, through corporate social responsibility programs and new policies designed by the central and local governments. In addition, the methodology and the measurement of the baseline, the impact of Fundación Paraguaya, and the impact of the youth microfranchise model will create a demonstration effect for other organizations in Latin America and the world as a comprehensive support model for young entrepreneurs that improves their quality of life and their environment.

²⁷ The findings of these case studies will be incorporated into the midterm and/or final evaluations.

- 2.27 Once a year, the executing agency will update the project fact sheet (using the MIF's standard format), which contains basic information on the project, its challenges, the intervention strategy, and its outcomes. The project's knowledge products will contribute to the objectives of the umbrella program "Youth Entrepreneurship Program" (operation RG-M1240) as they can be used for macro- and comparative analyses of the experiences, outcomes, and lessons learned in other YEP projects in other countries. They will also provide inputs for the Monitoring, Evaluation, and Learning Framework, at the regional level, and constitute a key input for developing knowledge products at the program level. The knowledge products of this project will be coordinated at the regional level by the knowledge management specialist.

D. Project governance and execution mechanism

- 2.28 The project executing unit (PEU) will be a unit of Fundación Paraguaya, the executing agency. It will comprise the program director, training coordinator, monitoring specialist, mentoring coordinator, administrator, project coordinator, and a part-time accountant.
- 2.29 A management committee will be set up to guide the PEU and to coordinate joint activities. The committee will be composed of the general manager, program director, microfinance director, FP's business director, and its planning director. Committee members will provide advisory services, contacts, and support during project execution, and will collaborate in promoting the project and in decision-making as needed for effective project implementation. The committee will meet monthly.

E. Sustainability

- 2.30 By strengthening FP's 25 offices and the partnerships with public, private, and nongovernment organizations, this project intends to develop a work model that is sustainable over the long term to ensure that beneficiaries will continue to receive support after the project comes to an end.
- 2.31 A variety of actions will be taken to ensure the sustainability of the comprehensive services for young people, primarily by strengthening the microfinance program and the regional offices with the addition of the youth loan, nationwide. Moreover, FP has a network of partners (government, private, nongovernmental) that enables it to implement entrepreneurship programs with different stakeholders. With its vast 30 years' experience in the world of training and inclusive microfinance, it can achieve its targets through strategic partnerships.
- 2.32 This project will build loyalty and strengthen the Youth Entrepreneurship Program at the national level, positioning itself as a model solution for young people and youth unemployment. When project execution comes to an end, it will be sustainable because of FP's commitment to continue this type of program, and primarily because of the sustainability of the youth loan financial product.

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

- 2.33 A number of lessons have been learned from implementing the MIF project and from FP's prior work with entrepreneurship (since 2006), which have informed the design of this project:

- 2.34 **Processes for targeting and selecting beneficiary youth.** It continues to be a challenge to identify participants who are most likely to create a sustainable enterprise. The experimental approaches used to identify participants in this project can help other projects target young people with promising characteristics and entrepreneurial behavior, such as innovative thinking, leadership qualities, and being focused on results.
- 2.35 **Access to financial services.** Most young entrepreneurs start their businesses with their own resources and the resources of their family members, friends, or individual lenders, which certainly constrains their likelihood of success. One of the most frequent requests expressed by young people is for external financing, which is very difficult for them to obtain because they lack business experience that can be evaluated by a financial institution. The proposed project includes a financing component with a youth loan product developed by FP's microfinance department.
- 2.36 **Microfranchises.** FP is executing "Microfranchise Development for Low-Income Women Microentrepreneurs" (operation PR-M1023), which has generated some important lessons for the design of this project's microfranchise component.²⁸ The lessons learned include the following: (i) a good market study to identify potential microfranchises, and a good study of the profile of potential microfranchises are important; (ii) microfranchises tend to be more successful if they deal with low-cost, nonperishable goods with a recognized brand name that can be easily attached to an existing activity of the potential microfranchisee; (iii) microfranchises that require the full-time dedication of the microfranchisee, have logistics that require frequent replenishment, and involve transportation costs and time (although they project higher revenues) are not attractive; (iv) it takes time and ongoing support to become a successful salesperson and to use an operating manual and forms; (v) loan policies should be adapted to the characteristics of the microfranchises and their products, in other words: (a) loans for perishable goods with a high turnover can be for shorter terms and smaller amounts; and (b) loans for nonperishable goods with slower turnover can be for longer terms and higher amounts; and (vi) microfranchisors should be actively involved in both the design process and in implementing and correcting the model in order to ensure success, generate additional revenues, and make it possible to scale the enterprise sustainably.

G. MIF additionality

- 2.37 **Nonfinancial additionality.** The project will benefit from the experience of the MIF and its partners in the areas of entrepreneurship and successful scaling of models. Because it is framed by the regional program (operation RG-M1240), which involves close collaboration between YBI (executing agency) and the MIF, the project with FP will benefit from the services, know-how, partnerships, and experience of the regional program, and will also provide important know-how, especially regarding the scalability of entrepreneurship support programs and access to financing, as well as lessons learned about the implementation of youth microfranchises.

²⁸ As of June 2015, there were four microfranchise models designed and implemented, with 410 microfranchisees operating their business models and 220 loans granted by FP.

- 2.38 **Financial additionality.** The MIF's financial contribution is of key importance for the strengthening of FP's 25 offices. Logistics and transportation expenses will be needed for the awareness raising and training activities carried out at the regional level. This will help FP create institutional conditions that will enable it to further scale its services and thus be able to increase the number of young beneficiaries.

H. Project outcome

- 2.39 The expected outcome is that low-income youth will create new and strengthen existing enterprises through a training model that includes a loan component.
- 2.40 The project expects to create or strengthen 2,500 enterprises started by low-income youth, 60% of whom will be women and 40% men. To this end, the business skills of 3,100 youth will be strengthened (1,860 women; 1,240 men), the leadership skills of 500 will be strengthened (300 women; 200 men), microfranchise training will be provided to 200 (120 women; 80 men), and loans will be provided to 2,000 for their enterprises (1,200 women; 800 men).
- 2.41 The project will also help advance the knowledge agenda of the YEP program by implementing products related to access to finance, working in rural areas, and introducing microfranchises as an option for young people.

I. Project impact

- 2.42 The project aims to increase the number of successful and sustainable enterprises in the country through FP's 25 offices. It also expects to develop 1,250 enterprises that last for more than one year, create 1,850 jobs in low-income areas, and increase the sales of 80% of young people with a new or strengthened enterprise.
- 2.43 The project intends to have an impact 60% of on women beneficiaries, and will demonstrate impact by measuring the baseline with poverty elimination indicators (from the Stoplight methodology used by FP); after one year, it will be able to show progress and improved income and quality of life indicators.

J. Systemic impact

- 2.44 The project will help foster systemic change by laying the groundwork for an ecosystem that promotes youth entrepreneurship. At least four public and private institutions will coordinate and prepare joint policy proposals and actions to promote sustainable youth entrepreneurship programs, to develop sustainable and scalable models through FP's operations and the partnerships forged in the different cities. The project will strengthen the youth loan product to ensure the product's financial sustainability and scalability.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** The executing agency will use various tools to determine the baseline of the beneficiaries:
- (i) The Stoplight tool: to collect information on a set of variables and indicators that determine the socioeconomic status of each young person, including personal data, level of education, current situation and income, access to credit, business idea, family environment, entrepreneurial motivations, etc. The system marks each beneficiary's

file with the colors red, yellow, and green, where red signals indicators most in need of supportive intervention and green refers to issues already solved for the young person and his or her environment.

- (ii) Profile sheets: each participant will also have a profile sheet containing all their basic information and their profile.
- 3.2 **Monitoring.** FP has an exhaustive system for monitoring its clients. In addition, the Salesforce system will be introduced with YBI support. Project processes and outcomes will be monitored for the program as a whole, and for the young people in particular.
- 3.3 **Evaluations.** Two project evaluations will be performed: a midterm and a final evaluation. The Bank will draw up the terms of reference and select the evaluators. The evaluation process will be coordinated with the regional program in order to collect information on the effectiveness of the regional approach in the project; the research questions and scope of the evaluations will also be coordinated. One aim will be to determine the impact of the loans on the young entrepreneurs.
- 3.4 Among the MIF's working areas, the effectiveness of youth entrepreneurship programs is one of the least studied and understood. The MIF has a growing body of evidence on training programs for formal employment (with some research done by the MIF itself), but there is almost no evidence on programs fostering entrepreneurship for low-income youth. With the understanding that the two methods are very different and target different youth populations, the project provides the opportunity to move forward on the knowledge agenda in this field and test the effectiveness of the different approaches identified by the project. Therefore, the project intends to conduct a randomized controlled trial (RCT) of the various components addressed with FP. The RCT will be essential for proving the effectiveness of the training, youth loan, and other innovative approaches to be applied. Given the high demand among youth for the FP program, application of the RCT is expected. This will be financed with funds from the MIF Impact Evaluation Account.
- 3.5 **Closing workshop.** At the appropriate time, the executing agency will organize a **closing workshop** to jointly evaluate with other stakeholders the outcomes achieved, identify additional tasks to ensure the sustainability of the actions undertaken by the project, and identify and disseminate the lessons learned and best practices.

IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$2,931,680, of which US\$1,000,000 (34%) will be contributed by the MIF and US\$1,931,680 (66%) by the counterpart. The execution period will be 36 months and the disbursement period 42 months.

	MIF	Counterpart	Total
Project components			
Component 1: Institutional strengthening	US\$169,700	US\$22,500	US\$192,200
Component 2: Entrepreneurship services	US\$481,942	US\$1,550,800	US\$2,032,742
Component 3: Knowledge management and strategic communication	US\$72,000	US\$42,000	US\$114,000
Execution and supervision			
Administration	US\$185,280	US\$316,380	US\$501,660
Other costs			
Ex post reviews and institutional strengthening	US\$12,000	-	US\$12,000
Contingencies	US\$9,078	-	US\$9,078
Subtotal	US\$930,000	US\$1,931,680	US\$2,861,680
Impact Evaluation Account (5%)	US\$50,000	-	US\$50,000
Agenda Account	US\$20,000	-	US\$20,000
Grand Total	US\$1,000,000	US\$1,931,680	US\$2,931,680
% of financing	34%	66%	100%

V. EXECUTING AGENCY

5.1 Fundación Paraguaya was founded in 1985 and is a self-sustaining social enterprise headquartered in Asunción, Paraguay with 30 years of uninterrupted work in the country. It has 25 offices distributed throughout the country and 420 staff members. FP has the capacity to provide, on a sustainable basis, a package of different services to young entrepreneurs through a scalable model that specifically targets youth. With services delivered through a format tailored to their needs, at-risk youth acquire technical and personal tools that enable them to develop their business ideas or grow their existing enterprises. The organization's mission is to develop and implement practical, innovative, and sustainable solutions for eliminating poverty and creating decent living conditions for families through with an integrated strategy offered to more than 80,000 active clients through the following programs:

- (i) **Poverty elimination using the Stoplight tool.** This self-assessment methodology measures poverty through 50 indicators that enable its clients (87% of whom are women) to take a stock of their poverty-related problems and design their own life maps for overcoming them.
- (ii) **Microfinance, microfranchises, and microinsurance.** The purpose of this program is to boost clients' incomes, reduce their financial risk, and create partnerships with other specialized institutions for addressing other aspects of poverty.
 - a. **Entrepreneurship education.** Provides enterprise management training and tutoring to help clients and their children find jobs and/or create their own jobs. This component works with two programs operating in the country: Junior Achievement, which supports children and youth within the traditional school system, and Emprendimientos Juveniles [Youth Enterprises], which, since 2006, has been supporting entrepreneurship development for

post-school age young people with a methodology that includes training, loans, and mentoring.

- (iii) **Financially self-sustainable agricultural schools.** This component seeks to convert poor rural youth into rural entrepreneurs. Its dual objectives are: (i) provide youth with training in the business environment so they can become rural entrepreneurs, and (ii) generate revenue to sustain the schools.
- 5.2 FP will also execute a project under the regional program “Green Finance for MSMEs and Low-income Households: The EcoMicro Program” (RG-M1205), with the objective of improving the health and productivity of low-income microentrepreneurs and individuals in Paraguay who use cookstoves that cause pollution, the project (still in the design phase) will develop a green financial product that will enable low-income microentrepreneurs and households to access efficient cookstoves.²⁹
- 5.3 **Procurement:** The executing agency will be governed by the IDB’s Procurement Policies (documents GN-2349-9 and GN-2350-9) for the procurement of goods and consulting services. Because the diagnostic needs assessment of the executing agency found low need/risk, the project team determined that, pursuant to Appendix 4 of those policies, the executing agency, a private sector entity, will use its own procurement methods compatible with Bank policies. Project procurement will be subject to annual ex post review. Before initiating project procurement, the executing agency will submit the project procurement plan to the MIF for approval. The plan will be updated annually and whenever a change occurs in the procurement method and/or in the goods or services to be procured.
- 5.4 **Financial management and supervision:** The executing agency will set up and be responsible for maintaining suitable accounting of project finances, internal control, and filing systems, pursuant to IDB/MIF financial management standards and policies. Since the diagnostic needs assessment of the executing agency found low need/risk in the financial management area, supporting documentation for disbursements will be subject to annual ex post review.
- 5.5 The IDB/MIF will contract independent auditors to perform the ex post reviews for both the procurement processes and the supporting documentation for disbursements. Ex post reviews will include analysis of the financial reports the executing agency submits annually as part of its financial management. The cost of this contract will be covered by the MIF contribution, pursuant to Bank procedures.
- 5.6 During the project execution period, the MIF may modify the frequency of ex post reviews of procurement processes and supporting documentation for disbursements, and the need for additional financial reports, based on the findings of the ex post reviews performed by the external auditors.

²⁹ Click [here](#) for more information on Fundación Paraguaya’s EcoMicro project.

VI. PROJECT RISKS

- 6.1 **Project scope risks:** Work in rural areas involves risk because rural youth might not be interested in participating, or they might want to develop enterprises that are not suitable and are unlikely to be successful. To mitigate this risk, a partnership will be sought with Universidad San Carlos for developing agribusiness enterprises in those areas. The project will take into account the instruments developed for FP's Women Entrepreneurs Committees, as well as the expertise of the office managers in their areas of action.
- 6.2 **Project scope risks:** (i) Delays in the selection of partners and the qualified human resources team could affect achievement of project targets and indicators. To mitigate this risk, the criteria for selecting partnerships and the selection process itself will be defined on a timely basis. Activities to raise awareness the merits of the project are of key importance. (ii) Partnerships to strengthen the ecosystem that supports youth entrepreneurship may not be established on a timely basis or as envisaged. To mitigate this risk, actions will be taken with outside organizations and with FP's regional offices themselves to underscore the importance of supporting youth entrepreneurship and giving continuity to established policies.

VII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 7.1 No adverse environmental and social impacts are expected. The impact of the project will be felt at the level of at-risk youth and their environments, meaning that only positive social effects are foreseen.

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Disbursement by results and fiduciary arrangements.** The executing agency will adhere to the standard MIF disbursement by results, procurement, and financial management arrangements spelled out in Annex 6.

IX. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 9.1 **Access to information.** Under the IDB's Access to Information Policy, information on the project is not confidential, with the exception of the publication of agencies' strategic and marketing plans.
- 9.2 **Intellectual property.** In light of the Bank's legitimate interest in replicating the initiative both in Paraguay and elsewhere in the region, the Bank and Fundación Paraguaya will evaluate various legal alternatives regarding the ownership of intellectual property rights and the licensing thereof, as applicable.