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**BRAZIL**

**ENTREPRENEURIAL GENERATION**

**(BR-M1136)**

**DONORS MEMORANDUM**

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## CONTENTS

PROJECT SUMMARY  
EXECUTIVE SUMMARY

I.	BACKGROUND AND RATIONALE .....	1
II.	PROJECT OBJECTIVES AND COMPONENTS.....	6
III.	MONITORING AND EVALUATION STRATEGY .....	16
IV.	COST AND FINANCING .....	17
V.	EXECUTING AGENCY .....	18
VI.	PROJECT RISKS.....	19
VII.	ENVIRONMENTAL AND SOCIAL EFFECTS .....	19
VIII.	FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS .....	19
IX.	ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY .....	19

**PROJECT SUMMARY**  
**ENTREPRENEURIAL GENERATION**  
**(BR-M1136)**

“Entrepreneurial Generation” (*Geração Empreendedora* in Portuguese) is the fifth project under the Youth Entrepreneurship Program (YEP) (operation RG-M1240), which was approved by the Donors Committee on 31 July 2013 and is being implemented by Youth Business International (YBI). The regional Youth Entrepreneurship Program is designed to enhance the entrepreneurial capabilities of low-income youth, by providing them better access to entrepreneurial support services adapted to their circumstances, thereby laying the foundations for a stronger youth entrepreneurship ecosystem in certain countries of the region, including Brazil.

The goal of the Brazilian project is to support 5,000 entrepreneurs, 60% of them women. The project will be executed by the nongovernmental organization (NGO) Associação Aliança Empreendedora (AE), an organization that has been working for 10 years to support microentrepreneurs in low-income communities, and that has supported more than 19,000 microentrepreneurs across Brazil, providing them with access to knowledge, financing, networking, advisory support, and market opportunities.

The main problem facing low-income Brazilian young people who are trying to launch or grow a business is the lack of suitable technical support services. Public support services for SMEs are beyond the reach of young low-income entrepreneurs, as such services have a complex approach and do not address the need to develop entrepreneurial skills. The project seeks to develop sustainable entrepreneurial undertakings and reduce the “mortality rate” of firms launched by young entrepreneurs in Brazil, by offering them access to knowledge and entrepreneurial skills development, linking them to a network of entrepreneurs geared to forging alliances and fostering businesses, while establishing connections with mentors and facilitating access to credit.

The project methodology is based on a partnership with the Brazilian Support Service for Micro and Small Enterprises (SEBRAE) to work with universities that have entrepreneurship centers and operate in areas of greatest need, combined with AE’s experience, through three pillars that underpin the model: (i) training to develop entrepreneurial skills and support in key aspects of developing and managing a business model; (ii) access to low-interest credit without collateral through local and national partnerships with financial institutions; and (iii) quality mentoring by experienced and professional entrepreneurs.

The project is innovative and flexible: 5,000 young entrepreneurs will have the chance to access face-to-face and online training. This training will be provided by advisers from AE, who will select, train, and coach between 10 and 15 partner organizations in different regions of Brazil. Those partners may be NGOs, universities (under the agreement with SEBRAE), or “junior enterprises” (nonprofit organizations that function within the universities and provide services to micro and small enterprises), which will be selected in accordance with project criteria. Online training will allow AE to serve other localities of Brazil and to work with more young people who for various reasons cannot participate in on-site training. Online support will be provided via the [“Tamo junto”](#) platform, which offers opportunities for young entrepreneurs to pursue continuous training, thereby making it possible to extend the face-to-face support offered by this program. The project is expected to generate 1,500 sustainable businesses for low-

income young people and to create 1,650 jobs. In addition, 1,200 young entrepreneurs will be able to increase their sales by 8%.

## **ANNEXES**

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

## **APPENDICES**

Proposed resolution

**INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE  
MIF PROJECT INFORMATION SYSTEM**

Annex IV	Itemized budget
Annex V	Preliminary list of milestones
Annex VI	<a href="#"><u>Diagnostic needs assessment of the executing agency (DNA)</u></a>
Annex VII	<a href="#"><u>Project Status Reports (PSR), fulfillment of milestones, fiduciary arrangements, and institutional integrity</u></a>
Annex VIII	Procurement Plan
Annex IX	Timetable of activities
Annex X	Operating Regulations
Annex XI	Terms of Reference for the Project Coordinator
Annex XII	Monitoring and Evaluation Plan for Impact Evaluations

## ABBREVIATIONS

AE	Associação Aliança Empreendedora
CEAPE-MA	Small Business Support Center of Maranhão
DNA	Diagnostic needs assessment of the executing agency
GEM	Global Entrepreneurship Monitor
IBGE	Brazilian Institute of Geography and Statistics
IIE	Entrepreneurial Inclusion Index
MEL	Monitoring, Evaluation, and Learning
MHDI	Municipal Human Development Index
MSC	Most Significant Change
NGO	Nongovernmental organization
OMS	Operations Management System (of YBI)
SEBRAE	Brazilian Support Service for Micro and Small Enterprises
YBI	Youth Business International
YEP	Youth Entrepreneurship Program

## EXECUTIVE SUMMARY

<b>Country and geographic location:</b>	The Project will operate in the states of Alagoas, Maranhão, Bahia, and Mato Grosso do Sul, regions where AE already has partner organizations. Other cities will be selected if they have grassroots organizations that can replicate the project's methodology in the field. These organizations will be selected through requests for proposals.		
<b>Executing agency:</b>	Associação Aliança Empreendedora (AE)		
<b>Access area:</b>	Access to Markets and Skills		
<b>Agenda:</b>	Youth Employment and Entrepreneurship		
<b>Coordination with other donors/Bank operations:</b>	<p>The main partner for the <i>Geração Empreendedora</i> program of AE, until March 2015, was Accenture Global. At present, AE is putting together a proposal to expand the program in cooperation with the Brazilian Support Service for Micro and Small Enterprises (SEBRAE), which will be the main source of counterpart financing for this project. SEBRAE is an independent social service that is an integral part of the Sistema "S," whose mandate is to foster the development of micro and small businesses by promoting entrepreneurship in the country. It is also working to formalize the economy through partnerships with the public and private sectors, training programs, business fairs, and seminars.</p> <p>SEBRAE and AE have been working in partnership since 2007, jointly carrying out socioeconomic development projects designed to promote and guide entrepreneurship. In 2010, the SEBRAE-AE partnership served 5,000 entrepreneurs.</p>		
<b>Direct beneficiaries:</b>	<ul style="list-style-type: none"> <li>– 5,000 young people (60% women) will be trained: they will be 18-29 years old, from low-income communities, with little education and no access to training, credit, mentoring, markets, and/or networks, and who have a business idea or an operating business.</li> <li>– 10 to 15 partner organizations, which will receive training and advisory services for spreading the AE methodology.</li> </ul>		
<b>Indirect beneficiaries:</b>	<ul style="list-style-type: none"> <li>– 15.000 family members, who will work with the entrepreneurs and derive benefits from the business.</li> <li>– Creation of 1,650 jobs.</li> <li>– 845 mentors enlisted and trained.</li> </ul>		
<b>Financing:</b>	Technical cooperation funding:	US\$770,000	38%
	Investment:	-	
	Loan:	-	
	Total MIF funding:	-	
	Counterpart:	US\$1,259,012	62%
	Cofinancing (if any)	-	
	<b>Total project budget:</b>	<b>US\$2,029,012</b>	<b>100%</b>
<b>Execution and disbursement period:</b>	Execution period: 36 months; disbursement period: 42 months.		



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<b>Special contractual conditions:</b>	Conditions precedent to the first disbursement: (i) approval of the Operating Regulations, (ii) contracting of the Project Director; and (iii) signature of agreements with the respective partners.
<b>Environmental and social impact review:</b>	This operation was screened and classified as required by the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given the limited impacts and risks, the project is proposed as a category "C" operation.
<b>Unit with disbursement responsibility:</b>	COF/CBR.

## I. BACKGROUND AND RATIONALE

### A. Background

- 1.1 The strategy prepared under the Youth Agenda, “Give Youth a Chance: An Agenda for Action,” was focused on scaling up the most effective models for labor market entry. This led to preparation of the regional program RG-M1210, “New Employment Opportunities for Youth” (NEO), designed to enhance the human capital and the employability of vulnerable youth in 10 countries of Latin America and the Caribbean. At the same time, recognizing that outcomes in terms of youth entrepreneurship have been mixed, and that there is no evidence as to what really works, the strategy calls for using various methodologies to address the specific challenges identified in the analysis of lessons learned from past projects, and for exploring new entrepreneurial alternatives for low-income youth.
- 1.2 This is the fifth project under the Youth Entrepreneurship Program<sup>1</sup> (YEP) ([RG-M1240](#)) approved by the Donors Committee on 31 July 2013 and implemented by Youth Business International (YBI). The objective of the program is to enhance the entrepreneurial skills of low-income youth by providing them with better access to high-quality services, thereby laying the foundations for a stronger youth entrepreneurship ecosystem in certain countries in the region, including Brazil.
- 1.3 Under the leadership of Associação Aliança Empreendedora (AE), this project complies with the selection criteria of the regional YEP program: (i) it offers comprehensive (financial and nonfinancial) support, including training, guidance, and consulting services; (ii) it is national in scope; (iii) it offers learning opportunities within the context of the regional program’s learning agenda, in all relevant aspects; and (iv) it has funds for the counterpart contribution. AE is a member of the YBI partners’ network, and has therefore fulfilled criteria that ensure the quality of its management.
- 1.4 **The youth situation in Brazil.** Young people face a much more complicated situation than do adults in terms of labor market entry. Although Brazil’s unemployment rate has been low, at around 6% for the last 14 years, it is higher among the younger population groups: 21% for the 14-17 years age group,<sup>2</sup> 14% for those 18-24 years of age, and 6% for persons between 25 and 39 years. These three age groups alone contain more than 5 million unemployed job seekers.<sup>3</sup> Moreover, the Brazilian Institute of Geography and Statistics (IBGE) classifies a portion of the unemployed, estimated at a further 2% of the economically active population, in the category of “hidden unemployment due to precarious work,” as reported by the Inter-Union Socioeconomic Statistics and Studies Department

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<sup>1</sup> The first project under the YEP regional program was the “Multiregional project to provide training and support to young entrepreneurs in Peru” (PE-M1097), approved on 12 March 2014; the second project was “Fostering youth entrepreneurship in Chile” (CH-M1063), approved on 21 November 2014; the third project was the “Program to scale youth entrepreneurship in Paraguay” (PR-M1035), approved on 4 September 2015; and the fourth project is one to strengthen entrepreneurship among Caribbean youth (RG-M1284), which is currently awaiting approval.

<sup>2</sup> Apprenticeship is mandated by Law 10,097/2000, regulated by Decree 5598/2005. It provides that all medium and large-scale firms must hire adolescents and youth between 14 and 24 years of age.

<sup>3</sup> Brazilian Institute of Geography and Statistics (IBGE) (Q4 2014).

- (DIEESE). Unemployment also rises to 8% when women alone are considered.<sup>4</sup> The National Household Survey (PNAD) shows that women are still employed for the most part in unsteady and unpaid work.
- 1.5 **The entrepreneurial ecosystem in Brazil.** The entrepreneurial aspirations of Brazilians are high: 76% would prefer to have their own business than to work for or be employed by third parties, and this is the second-highest rate recorded for any country by [Eurobarometer 2013](#). Moreover, starting a business is regarded as a way to achieve greater occupational satisfaction, independence, and a sense of personal achievement. According to the Global Entrepreneurship Monitor 2014 (GEM), entrepreneurs represent 34.5% of the population between 18 and 64, or more than 45 million Brazilians, of whom half have startup businesses, in operation for up to 42 months, (after 43 months of operation, these are considered to be established businesses). Furthermore, there is no significant difference in the entrepreneurship rate across Brazilian regions.
  - 1.6 Barely 20% of entrepreneurial ventures in Brazil are currently generating formal jobs, and although the number is high in absolute terms, the survey indicates that more than half of entrepreneurs do not even think of creating new jobs within the next five years (GEM Brazil 2014). This can be attributed primarily to high payroll taxes and rigid labor laws that are highly protectionist with respect to employees.
  - 1.7 Although the vast majority would prefer to be entrepreneurs, 29% are actually looking to open a business within the next five years. The profile of Brazilian entrepreneurs in general, regardless of region, reveals low levels of education and income, and more than half fall within the 18-34 year age bracket. These entrepreneurs generally leave school before completing their secondary education, and they start their own business due to a lack of opportunities, a fact that weighs both on their survival rate and on their opportunities for training and development with a view to gaining autonomy and becoming real entrepreneurs.
  - 1.8 A recent SEBRAE study of São Paulo found that 61% of businesses that failed received no support from other institutions. According to GEM Brazil 2014, 87% of Brazilian entrepreneurs did not seek help from support organizations, and this figure has been rising since 2012 (when it was 80%). Of those who sought assistance, more than 10% turned to SEBRAE,<sup>5</sup> and of those who did not seek help, 62% gave as their reason a lack of need and interest, while 26% cited a lack of familiarity with the institutions.

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

- 1.9 According to the GEM Brazil 2013, the three main factors that constrain entrepreneurship in Brazil are, in order of importance: (i) education and training; (ii) financial support; and (iii) government policies. The YEP pillars address two of these factors: training and financial support.

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<sup>4</sup> IBGE (Q4 2014).

<sup>5</sup> SEBRAE is the major Brazilian agency providing support to micro and small enterprises, through courses, seminars, consulting services, and technical assistance for small businesses in all sectors. However, the language used by SEBRAE is formal and difficult to understand for young entrepreneurs who need to develop their entrepreneurial capacities and skills quickly and in a way that is easy to understand.

- 1.10 The “government policies” factor reveals the need to make deeper changes in the sense of reducing the complexity of the tax system and the burden it places on the country’s businesses. The Northeast (86.7%), North (84.6%), and Center-West (82.4%) regions show a greater lack of government policies encouraging entrepreneurship than in the South (64.7%) and Southeast (76.5%).<sup>6</sup>
- 1.11 Inadequate training and limited coordination. The traditional structure of education in Brazil has not presented entrepreneurship as a career alternative. Without adequate training in entrepreneurship, the growth potential of Brazilian enterprises is limited, as the products and services offered on the market are for the most part of low value added and do not embody any kind of innovation.
- 1.12 There are many stakeholders committed to promoting entrepreneurship: these include SEBRAE, Endeavor (a nonprofit organization that focuses on dynamic entrepreneurs who are not covered by this program), grassroots organizations such as the Sustainable and Solidarity-based Development Association of the Sisaleira Region (APAEB), the Agency for Local Development and Support to Entrepreneurs (ADEL), the Consulado da Mulher [“Women’s Consulate”] and microfinance institutions, as well as the government-owned banks through the National Microcredit Program. Yet there is still little coordination of support for low-income microentrepreneurs based on their differing needs. Organizations such as Endeavor and other “accelerators” focus on entrepreneurs in higher growth stages, and on high-impact businesses that are already billing more than 2 million reais per year. While there are entrepreneurial training programs, there are few programs that offer comprehensive support to young low-income entrepreneurs to help them develop their entrepreneurial capacities and business ideas and provide them with the necessary tools and proper coaching.
- 1.13 Lack of financing. For the most part, microfinance institutions and government-owned banks regard young entrepreneurs as a risk, and end up denying them credit. The financing obstacle has to do not only with the difficulty of obtaining funds but also with the high cost of credit. In fact, given the profile of entrepreneurs and the country’s level of informality, 43% of entrepreneurs find it “very difficult” to obtain credit, which is quite high compared with the world average of 15%.<sup>7</sup> This demonstrates why, among those who have little interest in future entrepreneurship, 66% say that the lack of financing is the main reason for that stance (Empreendedores Brasileiros 2013).
- 1.14 The key distinguishing feature of Aliança Empreendedora is its focus on the base of the pyramid: indeed, it is the only institution of national scope that has a consolidated methodology for supporting low-income microentrepreneurs in Brazil. At present, AE is a benchmark for entrepreneurship in the country: it has been contracted by SEBRAE on various occasions to implement projects, and it constitutes a benchmark for YBI itself, which last year invited AE to design a training program for members of the worldwide network, and contracted it to provide consulting and training services to develop a facilitation methodology and training for about 20 members of the network. The project with the MIF will expand the scope of the Entrepreneurial Generation program to cover more regions of the

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<sup>6</sup> GEM Brasil 2013.

<sup>7</sup> Ernst and Young G20 Entrepreneurship Barometer 2013.

country with various partners, so as to reach a greater number of entrepreneurs, and it will also strengthen the structuring of monitoring and learning activities.

- 1.15 Government services in support of SMEs are beyond the reach of young, low-income microentrepreneurs, as those services have a complex approach and are not focused on skills development. The program will accordingly seek to lay the foundations for overcoming the lack of a support ecosystem suited to the needs of young, low-income entrepreneurs. It is expected that coordination with educational institutions, private parties, and financing sources will help lay the groundwork for a joint effort to establish a true support ecosystem for low-income youth.

### **C. Project beneficiaries**

- 1.16 The project's beneficiaries will include 5,000 young people (60% of them women and 40% men) between the ages of 18 and 29 from low-income communities, who have few technical skills and who lack access to training, credit, mentoring, and contact networks. In addition to the direct beneficiaries, the indirect beneficiaries will include 15,000 family members (three per family) and 1,650 persons in jobs created by the businesses.

- 1.17 **Gender considerations.** Participation in entrepreneurial activities is balanced across the country (52% men, 48% women). However, women are more driven by necessity (36% versus 21% for men). On average, 71% of entrepreneurial activity is opportunity-driven, a figure that is close to the 75% observed across countries of Latin America and the Caribbean.<sup>8</sup> According to the GEM 2012, fear of failure is the greatest concern among women who launch entrepreneurial ventures. Despite the high number of entrepreneurs in the country, fewer than 25% of Brazilian women tend to take part in entrepreneurial training and/or acceleration programs. The low participation in training could be a factor contributing to the fact that women entrepreneurs feel less prepared to undertake business ventures. A 2011 study by the International Finance Corporation found that only 46% of women in Brazil feel technically prepared to start a business.

- 1.18 Although at the national level there has been little participation by women in training programs, this has not been AE's experience, since overall, 60% of the people served by AE are young women. Nonetheless, SEBRAE of Mato Grosso do Sul has found that 44% of individual entrepreneurs in that state are women. In practice, this means that of every 10 entrepreneurs who acquire formal status, four are women. Therefore, the project will work to ensure that 60% of the beneficiaries are women, even in places, like Mato Grosso do Sul, where this is not the norm.

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

- 1.19 The project will contribute to fulfilling the MIF mandate for poverty reduction, as it will support young, low-income entrepreneurs with a view to strengthening their businesses and generating employment, and it will also help to develop the communities where these small businesses are located. To this end, it will strengthen the capacities of both public and private institutions that provide entrepreneurship services, through instruments generated and coordinated by the executing agency.

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<sup>8</sup> GEM Global Report 2014.

- 1.20 **Link to the agenda.** The project is aligned with the MIF strategy as it relates to: (i) **innovation** in the entrepreneurship area of the Agenda, as it will help to refine existing youth entrepreneurship models, such as AE's; this uses a methodology based on adult education, group dynamics, and "effectuation" theory, which views entrepreneurship not as a gift or as a set of characteristics but rather as a set of skills that can be developed through practice and experience, and (b) it will add new, innovative elements such as an online presence in order to reach greater numbers of young entrepreneurs; and (ii) **results, evaluation, and knowledge dissemination:** it will develop case studies for compiling the impacts of the new elements included in the methodology, such as virtual training and youth credit.
- 1.21 The project is part of the YEP program designed by Youth Business International (YBI) in collaboration with the MIF. The experience of YBI and the lessons learned in 43 member countries of the network will be suitably transmitted with a view to their integration in each country. In addition, through the Regional Learning Center for the Youth Entrepreneurship Initiative (which is located in Bogotá, Colombia, and is an essential part of the regional program), it will forge partnerships and promote the sharing of knowledge.
- 1.22 This project will help to reduce the knowledge gaps in the agenda, relating to "what methodologies for supporting vulnerable young entrepreneurs are most effective in terms of job creation, profitability, and/or sustainability?" Questions relating to regional program RG-M1240 will be addressed, including: what are the best practices for transferring and scaling up private- and public-sector models, and what are the key factors for achieving sustainable partnerships? **In addition, the project will yield new knowledge on virtual training and youth credit, specifically: what is the impact of comprehensive virtual and in-person models for young people? What are the key factors for providing comprehensive support to young people?**
- 1.23 The knowledge agenda for the YEP regional program has been developed, and a specialist in knowledge management has been hired to coordinate activities in this area. The Brazilian project will support that agenda by developing knowledge products from which lessons can be extracted concerning virtual education and youth credit. The results obtained from collaboration with SEBRAE and the participating universities will also be analyzed.
- 1.24 **Collaboration with the IDB Group.** This project will create opportunities for the MIF and the IDB Group through its linkages with various strategic partners, such as: (i) SEBRAE; (ii) two federal universities (the University of Alagoas and the University of Santa Cruz in Bahia) and the University of Mato Grosso do Sul; (iii) 14 municípios, through a partnership with the Small Enterprise Support Center of Maranhão (CEAPE-MA); and (iv) financial institutions such as Caixa Econômica Federal and Banco do Brasil.
- 1.25 This counterpart for this project will be SEBRAE, which intends to integrate this program into Brazilian universities. Thanks to that partnership, universities that want to conduct extension projects within the SEBRAE program of incentives for entrepreneurship, with the emphasis on young, low-income entrepreneurs, will be selected as partner organizations for achieving the project's objective. The objective is to provide students in higher education, entrepreneurship educators, and their universities with opportunities for networking, sharing best practices,

specialized content, and, above all, the opportunity for training to support young, low-income entrepreneurs in their region who are interested in launching an entrepreneurial venture, or who already have a business.

- 1.26 In addition to SEBRAE, the project will have other important partners such as Caixa Econômica Federal and Banco do Brasil, which will facilitate access to credit for young entrepreneurs with the support of the project and other microfinance institutions at the local level, and with the CEAPE-MA. The on-site training will be provided with the support of the partner organizations, which may be NGOs, universities, or “junior enterprises”<sup>9</sup> that will be identified in accordance with the project’s selection criteria.
- 1.27 For mentoring support, AE has strategic partnerships with business associations, Endeavor, and the “impact hubs” of the cities where it already has activities under way, with a view to gaining access to a network of high-quality mentors.

## **II. PROJECT OBJECTIVES AND COMPONENTS**

### **A. Objectives**

- 2.1 The impact of the project will be seen in the personal and social development of low-income youth through the creation and strengthening of sustainable businesses. The outcome will be to lay the groundwork of an ecosystem for providing suitable, comprehensive services that will boost the number of young entrepreneurs in five states of Brazil.

### **B. Description of the support model/solution/intervention**

- 2.2 The project is a comprehensive program to foster entrepreneurship among low-income youth and to provide them with the support they need for launching or enhancing their own businesses through on-site and online training, credit, and mentoring.
- 2.3 The project calls for the selection of 10 to 15 partner organizations in order to generate a greater impact in various cities through transfer of the AE methodology. Requests for proposals will be issued<sup>10</sup> every year to select these organizations, and once they are approved they will receive training in the proposed methodology and will be included in the activities network of the Entrepreneurial Generation program.
- 2.4 The methodology used by AE is known as “Jornada Empreendedora,” and it was customized for its target audience, thanks to AE’s 10 years of experience in field

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<sup>9</sup> A “junior enterprise” is a local nonprofit organization run entirely by students. The students market consulting services on topics relating to their field of studies, while gaining a unique learning experience through professional project work. Most junior enterprises have links to universities or business schools.

<sup>10</sup> The partner organizations will be recruited through a two-stage selection process: prequalification (with criteria defined by AE) and interview. The purpose of this process is to identify organizations with the values and the operating capacity needed to apply the methodology in the field. Eligible organizations will be all those that are duly organized and current with their obligations to federal, state, and municipal agencies, and that, as part of their operations, provide support to low-income microentrepreneurs, and have at least 10 years’ proven experience in this field. Under the project’s rules, any organization that has met the targets and has been favorably evaluated after one year may participate in the following year’s request for proposals.

work with low-income entrepreneurs to develop their entrepreneurial skills and to support them in key areas, their business model, and management. Jornada Empreendedora was developed with the objective of supporting individual entrepreneurs, whether beginners or experienced, whose status is identified as of the first contact. The methodology is divided into two cycles: (i) the “*beginners’ cycle*,” aimed at nascent entrepreneurs who still have no structured business idea. This cycle comprises a welcome session, four “getting acquainted” sessions (identification of the entrepreneur’s skills, knowledge, contact network, and resources, on the basis of which business ideas are generated), an experimentation period in which the entrepreneurs put their business ideas into practice, a session to evaluate the experimentation, and a “preview” section in which the entrepreneurs present their business ideas publicly; (ii) the “*experienced entrepreneurs’ cycle*,” targeted at seasoned entrepreneurs whose business is already up and running. It consists of seven-session cycles: a planning session (in which the entrepreneurs set forth their main difficulties and identify from among them the three topics that will be dealt with in the cycle), and two sessions for each of the three topics defined (the first for identifying the cause of the problem and the second for seeking solutions). At the end of each cycle, the class as a whole decides whether it wishes to conduct more than one cycle. If participants do not wish to continue, or when they reach the end of the fourth cycle, a closing session is held.

- 2.5 **Training.** Training will be provided in online and blended or “semi-distance” formats, for all those entrepreneurs who require support but who are located in cities where there is no in-person access to the Entrepreneurial Generation program. Young people will have access to the “[Tamo Junto](#)” online platform, which offers open video classes and connects individuals and organizations in order to offer entrepreneurs greater opportunities for personal growth and for growing their business, creating a virtual space that reduces the distance between the entrepreneurs and the knowledge they need to develop their business, making the entrepreneurs the protagonists of their own career path. The Tamo Junto platform was developed in 2014 based on the model of the Khan Academy, with the sponsorship of the Andean Development Corporation (CAF). This platform is part of the AE initiative, and allows any Brazilian microentrepreneur with Internet access to receive support. The results of Tamo Junto, which is still in its Beta phase, include: (i) 1,681 entrepreneurs registered; (ii) the average daily number of visitors to the site rose from 25 to 59; and (iii) 200 collaborators, who are responsible for promoting face-to-face encounters.
- 2.6 Tamo Junto offers microentrepreneurs access to two main products: (i) content in the form of short, dynamic video classes, management articles and tools for downloading. The classes include such topics as “How to start my business,” “How to win my clients’ loyalty,” and “How to secure financing.” In addition to the classes, the entrepreneurs will have access to articles, tools, and practical models available for downloading in Word and Excel. The tools include a model partnership (supplier) contract; organization of doubts; keeping of cash accounts; cash flow; sales control; and a registry of clients; and (ii) connections for these entrepreneurs (45% of users are in the 20-29 age group) with persons, organizations, and enterprises that offers services and support events to the program (lawyers, accountants, designers, etc.).



- 2.7 With the Tamo Junto platform, young entrepreneurs can take advantage of continuous training, making it possible to extend the support offered by the Entrepreneurial Generation program. In total there are 11 business management topics, ranging from how to launch a business to aspects related to financial organization, sales, disclosure, formalization, production management, etc. These main topics are divided into a total of 29 specific issues, each of which is covered by a video class produced by AE. In addition to the online content, young entrepreneurs will also find services, networks, and support events for low-income entrepreneurs in their region.
- 2.8 The methodology is dynamic and is based on adult education, group dynamics, and “effectuation theory.”<sup>11</sup> The adult education element takes people’s experience into account and uses as motivation the resolution of problems and the immediate application of all that has been learned. Using the concepts of group dynamics, the content is applied in accordance with the humanist line of thought that believes in the potential of human beings to resolve their own problems and to modify their behavior in order to achieve a different outcome.
- 2.9 For those entrepreneurs who are taking their first steps, the methodology provides for a cycle of sessions in which their characteristics, their knowledge, their contact network, and their available resources are evaluated. At the same time, one or more business ideas will be defined, which can be explored and evaluated during the process. The full cycle involves 21 hours of sessions, plus the hours that the entrepreneur must invest in experimental testing of his or her business idea.
- 2.10 For more experienced entrepreneurs, the methodology involves the holding of “solution cycles,” in which entrepreneurs can define, on the basis of a self-assessment, what are the main problems, doubts, and difficulties that they must overcome. Each cycle entails a planning session and six sessions for discussing three topics, including financial management, price setting, disclosure, negotiation and sales, strategic planning, time management, and formalization. The process is based on one session to discuss the problem and another session to discuss the solution. At the end of each session, the entrepreneurs define the practical activities that they will perform in the field. Each cycle can accommodate up to 12 participating entrepreneurs, and each entrepreneur may participate in up to four cycles.
- 2.11 **Credit.** AE has technical cooperation agreements with Banco Central de Brasil and Caixa Econômica Federal to facilitate access to credit for entrepreneurs participating in the project. The entrepreneurs can access initial loans of up to R\$2000 (approximately US\$514) with monthly interest of less than 1% and no collateral, and they can pay off the loan in two or three years at low interest rates. In addition to the signed agreements, AE intends to facilitate access for the

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<sup>11</sup> Effectuation theory, developed from research by Dr. Saras Sarasvathy, sees entrepreneurship not as a gift or as a set of characteristics, but as a set of skills that are developed through practice and experience. This concept was chosen for use in the methodology in light of its simplicity and its effectiveness and applicability for low-income entrepreneurs. The concept is designed to build on the three pillars: (i) “who am I?”—self-image, identity, dreams, and worldview; (ii) “what do I know?”—stock of skills, knowledge, and experience; and (iii) “whom do I know?”—network of contacts and existing relationships. On the basis of these three pillars, young entrepreneurs can “make do with what they have,” putting into practice their talents and their personal relationships to “create” opportunities.

microcredit institutions in its network, and to offer a financial guide to inform young entrepreneurs and to demystify the culture of access to credit as a constraint on their entrepreneurial activities.

- 2.12 **Mentoring.** Mentors play an essential role in the success of entrepreneurs, stimulating and guiding them, sharing experience and knowledge, and developing their self-confidence and self-esteem. Mentoring is targeted at those entrepreneurs who complete the cycle for experienced or beginning entrepreneurs. The process begins with a planning session, followed by mentoring sessions (which are held at least once a month). This cycle may take place up to four times, and a closing session is held to finalize the process. The mentors are selected volunteer entrepreneurs who agree to coach a young entrepreneur for at least six months after the loan is released, with a commitment of four hours per month. This mentoring process is a requirement for obtaining the microloan.
- 2.13 **Monitoring.** The “Entrepreneurial Inclusion Index” (IIE) is a metric developed by AE. It measures the progress of entrepreneurs participating in the program, not by the success of their business, but rather by their personal growth, in terms of their entrepreneurial profile, knowledge, and contact network, which will be reflected in the growth of the business and in the income generated. The IIE tool takes the form of a “board game,” which facilitates the entrepreneur’s interaction when completing the tool.
- 2.14 The IIE is divided into four parts, for evaluating the characteristics and skills that any entrepreneur needs:
- (i) *Who am I?* (entrepreneurial skills): self-knowledge and self-confidence, vision of the future, practical knowledge, willingness to learn new things, persistence, and interpersonal relations.
  - (ii) *What do I know?* (management knowledge): financial management, price setting, time management, market vision, personnel management, formalization, production management, disclosure, and negotiation and sales.
  - (iii) *Whom do I know?* (contact network): clients, other entrepreneurs, partners and financing sources, suppliers, reference entrepreneurs, and participation in networks and events.
  - (iv) *How much am I earning?* (income and growth of the business): evaluates the extent to which the entrepreneur’s growth has had an impact on his or her income and on the growth of his or her business. It also reveals the entrepreneur’s economic class, personal income, and the jobs that the business generates.
- 2.15 The measurement is done by means of certain activities that lead the entrepreneurs to evaluate themselves in each of these areas. Internally, each

entrepreneur is assigned a score ranging from 0 to 1. During 2014, the change in the IIE score was measured for 428 entrepreneurs.<sup>12</sup>

### **C. Components**

- 2.16 To achieve its objectives, the project is structured in three components: (i) mobilization, selection, and training of partner organizations; (ii) entrepreneurial skills development; and (iii) knowledge and strategic communications.

#### **Component 1. Mobilization, selection, and training of partner organizations (MIF: US\$285,226, counterpart: US\$228,408)**

- 2.17 The objective of this component is to mobilize, select, and train the organizations that will serve as field partners in imparting the methodology, as well as to establish strategic partnerships to facilitate mobilization and selection, such as for example, the alliance with SEBRAE for mobilizing and selecting universities and partnerships with associations of microfinance institutions for coordinating credit partners. These partnerships will lay the groundwork for creating an ecosystem of support to young low-income entrepreneurs.
- 2.18 This phase will evaluate at least 20 organizations with respect to their capacity to develop the support project for young entrepreneurs located in low-income regions. In the first year, requests for proposals will be issued and 10 partner organizations will be selected. Over the course of three years, five new organizations will be selected, with the possibility of retaining those that perform best during those three years.
- 2.19 Face-to-face training will be provided for 44 hours. After receiving the training and covering methodological considerations, each partner organization will present, through the executive team assigned to the project, an action plan for applying the methodology.
- 2.20 The organizations participating in the program will receive two follow-up visits in which the project executive team will meet with the persons directly involved in coaching the entrepreneurs, with a view to evaluating, compiling indicators, and guiding the application of the methodology. Virtual meetings will also be held every two weeks to monitor progress with the project and to compile indicators. To strengthen the network of partner organizations, a monthly meeting will be held with all the coordinators working on the project, for the purpose of exchanging knowledge and analyzing outcomes.
- 2.21 Since 2013, AE has had eight partner organizations, and has found it necessary to refine the methodology for monitoring the partner organizations in order to ensure entrepreneurs of their efficiency and quality. The monitoring tools will be restructured in order to make them more efficient and interactive.

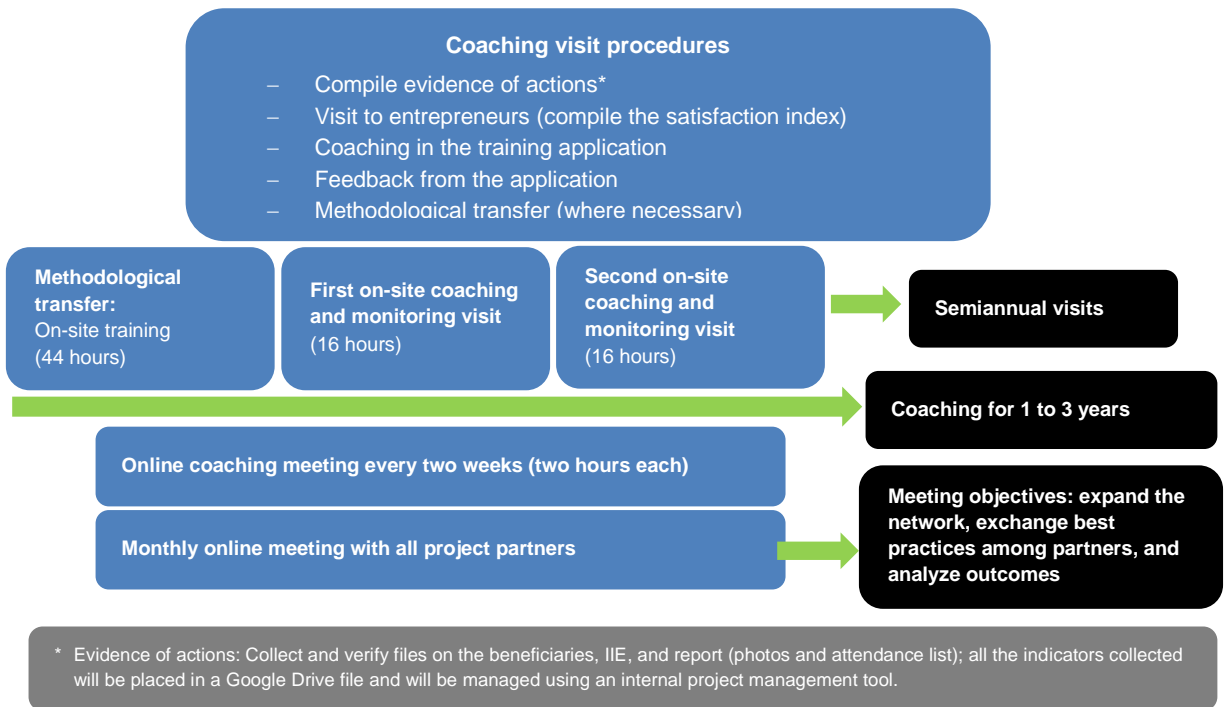
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<sup>12</sup> AE applied the IIE to its training classes (before and after) and evaluated the impact of the methodology on 428 entrepreneurs. In the general index, 84% succeeded in increasing their IIE, and of these 61% increased it by up to 0.15 points within the scale (-1 to +1). Women obtained the greatest increase (+0.09 versus +0.07 for men). In terms of education, the lower the level of schooling, the lower the IIE score. However, the increases were significant except for those entrepreneurs with postgraduate education whose IIE score remained at the highest levels.

- 2.22 The “gamification” methodology will be used: this involves the use of game mechanisms in order to resolve practical problems or to enlist active participation among a specific target audience. This set of techniques has been applied with increasing frequency by enterprises and institutions in various segments of the economy as alternatives to traditional approaches, particularly for inducing people to adopt certain behavior, to familiarize themselves with new technologies, to speed their learning or training processes, and to make tedious or repetitive tasks more pleasant.
- 2.23 AE has a partnership with two federal universities, a state university, and a microcredit organization. One of its partner organizations, the Federal University of Alagoas, is located in a region of northeastern Brazil that has one of the country’s lowest municipal human development indexes (MHDI).<sup>13</sup> The second university is in Mato Grosso do Sul, which ranks tenth among the 27 Brazilian states on the MHDI scale. The third university collaborating with this project, the State University of Santa Cruz, is located in the município of Ilheus in Bahia, which stands twenty-second in the national MHDI ranking. With these arrangements, priority will be given to supporting young people in rural communities, so that they can identify with their milieu and opt to remain there instead of emigrating.
- 2.24 The state of Maranhão stands second-to-last in the MHDI ranking. In that state, the project will work in 14 municípios through an association with CEAPE-MA. An organization with 25 years’ market experience, focused on the socioeconomic development of small enterprises, CEAPE-MA not only provides credit to its clients but also offers guidance to small entrepreneurs in productive microcredit and offers them financial education as a means of development.
- 2.25 The following flowchart illustrates the model for supporting the partner organizations:

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<sup>13</sup> Surveys by the United Nations Development Programme (UNDP).



2.26 The expected outcomes include: (i) 15 partner organizations trained; (ii) a satisfaction index of 85%; (iii) 75 coaching visits conducted; and (iv) website updated.

**Component 2. Entrepreneurial skills development (MIF: US\$165,007, counterpart: US\$788,673)**

2.27 Face-to-face and online training. The objective of this component is to develop the entrepreneurial capacities of young people through training and coaching in the development of their business idea or the strengthening of their business in a comprehensive manner, including training, mentoring, and coordination with financial institutions for obtaining credit. Training will be provided in both face-to-face and virtual formats, through an interactive distance education platform linked with the Tamo Junto platform. The online training will use the same methodology as the face-to-face sessions, with the emphasis on developing entrepreneurial skills and business management know-how.

2.28 The young entrepreneurs will be recruited and selected through a communication strategy that will offer a prize sponsored by Citi Foundation as a means of attracting and/or mobilizing entrepreneurs. The prize will be awarded to the 18 entrepreneurs who present the best cases, granting them R\$7,000 (US\$1,781) for their business.

2.29 At the end of the online training, the selected entrepreneurs will receive a prize during AE's National Microentrepreneurs Forum. An advisor from AE will be responsible for monitoring the investment made, once the prize has been awarded.

- 2.30 **Access to mentoring.** Mentors will be selected and trained to provide coaching for the young entrepreneurs, to which they will dedicate four hours a month over a period of at least six months. The task of matching mentors and entrepreneurs will draw upon the support of each of the partner organizations, which will receive training in managing the processes.
- 2.31 **Financial education and access to microcredit.** To expand access to microcredit for young entrepreneurs, local and national partnerships will be forged with microfinance institutions (mentoring is a requirement for obtaining credit).
- 2.32 In addition to facilitating access to credit, the project calls for the creation of a booklet with guidance on accessing financing, and preparation of training relating to credit, in order to help entrepreneurs in this process and also to overcome any reluctance to invest in the growth of their business, and to ensure that they do so responsibly.
- 2.33 The expected outcomes include: (i) 1,800 young entrepreneurs trained online and 3,200 trained in person (60% of them women); (ii) a satisfaction index of 50% among the entrepreneurs (entrepreneurs who share their training with other entrepreneurs); (iii) an online training program developed; (iv) 18 entrepreneurs awarded prizes; (v) 845 mentors trained; (vi) 650 entrepreneurs receiving mentoring; (vii) 1,500 young people receiving training about credit; (viii) six partnerships established with credit institutions; (ix) the mentoring platform developed; and (x) a financial education guide created.

**Component 3. Knowledge and strategic communication (MIF: US\$104,227, counterpart: US\$138,858)**

- 2.34 The objective of this component is to document, systematize, and disseminate the outcomes and lessons learned from the project in order to publicize the youth entrepreneurship intervention methodology that can be replicated and scaled. The following have been identified as target audiences: (i) NGOs belonging to the YBI network and the MIF's YEP program that are in a position to implement that methodology; (ii) government authorities interested in promoting entrepreneurship programs; (iii) private entities including financial institutions interested in accommodating young entrepreneurs, either as suppliers or as customers; and (iv) educational institutions such as universities and training centers, for raising awareness among young people and fostering entrepreneurship as a professional development opportunity. The main channels for reaching these audiences will be workshops, face-to-face meetings, special events, and printed materials, including the project's infographic. In addition, regional meetings of entrepreneurs will be sponsored in order to expand learning and promote integration, education, collaboration, and networking.
- 2.35 The knowledge products that will be prepared for dissemination will include a qualitative evaluation using the "Most Significant Change" (MSC) technique. Once they have been collected, the stories will be transformed into videos/case studies.
- 2.36 In order to understand and assess the transformation of young people, AE has developed the Entrepreneurial Inclusion Index (IIE), based on the "Effectuation" approach, including the evaluation of income: "Who am I?" (skills); "What do I know?" (knowledge); "Whom do I know?" (contact network); and "How much am I

earning?” (impact on income and growth of the business). Each month, the partner organizations will be asked to provide the indicators. The impact indicators will be compiled every 4 to 6 months. The IIE will be applied at the outset, after the training, after the mentoring phase, and one year after the business has started.

- 2.37 The knowledge products generated by the project will contribute to the objectives of the YEP umbrella program (RG-M1240), as they will allow a macro and comparative analysis of the experiences, outcomes, and lessons learned from the projects implemented under the program in different countries. They will also provide input for the regional Monitoring, Evaluation, and Learning (MEL) framework, and for the development of knowledge products at the program level. The knowledge products from this project will be coordinated at the regional level by a knowledge management specialist.
- 2.38 The expected outcomes include: (i) implementation of the MEL system; (ii) 45 cases with MSC stories collected; (iii) 216 local meetings and three national meetings for sharing experiences; (iv) 60 organizations participating in national meetings; (v) 100 institutions accessing the knowledge products; and (vi) two publications related to specific lessons about virtual and on-site interventions.
- 2.39 The partnership with SEBRAE will also result in the publication of case studies relating to the different approaches (virtual and face-to-face), as well as an evaluation of the participation and the working effectiveness of the teams formed in the universities to serve young low-income entrepreneurs.

#### **D. Project governance and execution arrangements**

- 2.40 This project will have an execution unit comprising a team that will be devoted exclusively to the project and will consist of a coordinator, an adviser from the partner organizations, an online training advisor, a mentoring advisor, and an administrative assistant. It will be supported by the various steering committees of AE in matters relating to fundraising, disclosure, recruitment and selection, project management, and knowledge management.
- 2.41 **Advisory Board.** The Advisory Board is made up of large-scale entrepreneurs and executives who have been providing strategic support to AE since 2013. The board is a permanent group with a mandate to provide advice and strategic guidance to the project team during implementation. The board consists of specialists and recognized individuals in the areas of entrepreneurship, technology, the business sector, and financial institutions. Given their participation in the program, efforts will be made to include representatives from academia.

#### **E. Sustainability**

- 2.42 The project seeks to establish a work model that is sustainable over the long term, by training and strengthening organizations and forging partnerships with public entities as a mechanism for sustainability. Since 2009, AE has been working on its methodologies (adult education and effectuation) so that they can be replicated and adopted by other partner organizations in civil society and/or government, generating skills and strengthening the ecosystem, and allowing them to use their facilities and their knowledge in various regions of the country to multiply the knowledge and expand access to entrepreneurs.

2.43 For financial sustainability, the Entrepreneurial Generation program will not depend on any single source of financing, rather, it will attempt to open AE's network of partners to other government agencies such as SEBRAE, the federations of industry and commerce, and the industry and commerce service and training systems (SESI, SENAI, SENAC, and SESC), recognizing that while many of these agencies have a structure and considerable outreach, they have no adequate methodology for providing services to microentrepreneurs. As an organization administering various projects simultaneously, it always seeks to leverage existing partnerships so that they will be more efficient and have a greater impact. Likewise, to ensure the project's sustainability, the Advisory Board has been providing strategic support and sustainability plans to AE.

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

2.44 **Use of information and communication technologies (ICT).** In light of MIF experience with the YEP project in Chile, "Fostering youth entrepreneurship in Chile" (CH-M1063), consultations have already begun on development of a suitable platform that can be readily used by both the execution unit and the young entrepreneurs. The platform ultimately selected will be piloted and subject to consultation with a group of young people to correct any shortcomings and to adapt it so as to avoid any delays in project execution.

2.45 **Access to credit.** Most young entrepreneurs start their businesses by investing their own funds, or those of their relatives, friends, or individual lenders, and this clearly limits the possibilities for success. One of the concerns most frequently expressed by young entrepreneurs is the need to obtain external financing, which is very difficult as they have no business experience that a financial institution can assess. The proposed project includes a financing component and calls for the establishment of partnerships with financial institutions for development of products to address this need.

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

2.46 **Nonfinancial additionality.** The project will benefit from MIF experience in the implementation of entrepreneurship projects and the use of technology as a tool in innovative models. In addition, because it is part of the YEP regional program, it will benefit from the services, knowledge, partnerships, and best practices generated by that program. The MIF is a key partner in the growth and institutional strengthening of AE, as it will offer the possibility of linkages with other partners from civil society and the private sector, as well as the universities that are part of the agreement with SEBRAE.

2.47 **Financial additionality.** MIF financial support is important for enabling AE to widen its radius of action to different states of the country and to develop the e-learning platform that will be coordinated with the Tamo Junto platform and thus make it possible to reach a greater number of young people through various partners. This support will help to consolidate AE as a second-tier institution.

#### **H. Project outcomes**

2.48 The expected outcome will be to lay the groundwork of an ecosystem for the provision of comprehensive and suitable services so as to boost the number of youth entrepreneurial ventures in five states of Brazil. The project is expected to



create or strengthen 2,500 entrepreneurial undertakings by low-income youth (60% of them headed by women and 40% by men). The expected outcomes are: (i) 750 businesses created, and 1,750 businesses strengthened; (ii) an 85% increase in the Entrepreneurial Inclusion Index (IIE); (iii) 80% of entrepreneurs seeking credit are successful in obtaining loans; (iv) 10 to 15 partner organizations are applying the mentoring methodology; and (v) four partner organizations are replicating AE's "Jornada Empreendedora" methodology in other organizations. In addition, the project will help to advance the YEP program's knowledge agenda by implementing products related to access to financing.

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

- 2.49 The expected impact of the project will be the personal and social development of low-income young people through the creation and strengthening of sustainable businesses. This program will serve to boost incomes for 1,200 entrepreneurs, create 1,650 new jobs, and ensure the survival of 1,500 entrepreneurial ventures after 12 months of support.

#### **J. Systemic impact**

- 2.50 Through an innovative approach, the actions related to this partnership will have a direct impact on the entrepreneurial ecosystem in low-income communities. Beyond promoting the evolution of joint activities with SEBRAE, the project will strengthen the education strategy targeting potential entrepreneurs, micro and small businesses, and primarily students in higher education, educational institutions, educators in the entrepreneurship area, and low-income youth. The program will result in an innovative model for university extension services which, in addition to promoting high-quality training for university students, will help address the great challenges facing Brazilian youth—especially low-income youth—such as unemployment and the high mortality rate of newly-created businesses. It will also strengthen the universities' activities with low-income communities and promote social inclusion. It will reinforce SEBRAE's position as a key agent for the country's development, and that of AE as an organization that works through entrepreneurial inclusion projects and the design of inclusive business models.

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

- 3.1 **Baseline.** Aliança Empreendedora will define the baseline as the number of beneficiaries served in the previous year (in this case 2014). It will compile a set of variables, such as personal data, level of education, current status and income, access to financing, business idea, the status of the business idea, capital to be invested, family environment, entrepreneurial motivations, etc.
- 3.2 **Monitoring.** At the outset of the project, an online evaluation and monitoring system will be designed, based on the Operations Management System (OMS/Salesforce), with the support of YBI. During the project, processes and outcomes will be monitored for the project as a whole, and for young people in particular. Three main mechanisms will be used for monitoring and compiling the project indicators:

- *Visits*: Bimonthly visits will be conducted to compile indicators and provide guidance for applying the methodology. The visits could be conducted by the AE executive team, the AE coordinators, and/or the coordinators of the partner organizations.
  - *Staff meeting*: The AE executive team and coordinators will meet monthly to monitor the indicators and targets, analyze the results, and share knowledge.
  - *Virtual monitoring*: The AE coordinators and those of the partner organizations will meet every two weeks to: (i) monitor the training conducted by the organizations; (ii) monitor the indicators and targets; and (iii) conduct audits (compiling and verifying records, evidence of sessions and training, etc.).
- 3.3 **Evaluations.** A qualitative evaluation will be performed using the Most Significant Change method which, once applied, will allow the stories to be transformed into videos or case studies. To expand the learning aspect, regional meetings of entrepreneurs will be held to promote integration, education, collaboration, and networking. In the second year of the project an expansion plan will be developed, based on the outcomes and lessons learned from the pilot project.
- 3.4 **Closing workshop.** AE will organize a closing workshop at the appropriate time to assess, along with other stakeholders, the results achieved, identify additional tasks to guarantee the sustainability of the actions initiated by the project, and identify and disseminate lessons learned and best practices.

#### IV. COST AND FINANCING

- 4.1 The project budget has a total cost of US\$2,029,012, of which US\$770,000 (38%) will be provided by the MIF, and US\$1,259,012 (62%) will represent the counterpart contribution. The execution period will be 36 months and the disbursement period will be 42 months.

	MIF	Counterpart	Total
<b>Project components</b>			
Component 1: Mobilization, selection, and training of partner organizations	\$285,226	\$228,408	\$513,633
Component 2: Entrepreneurial skills development	\$165,007	\$788,673	\$953,679
Component 3: Knowledge and strategic communication	\$104,227	\$138,858	\$243,085
<b>Execution and supervision</b>			
Administration	\$135,754	\$103,073	\$238,827
<b>Other costs</b>			
Evaluations	\$30,000	-	\$30,000
Ex post reviews and institutional strengthening	\$26,500	-	\$26,500
Contingencies	\$23,287	-	\$13,287
<b>Grand Total</b>	<b>\$770,000</b>	<b>\$1,259,012</b>	<b>\$2,029,012</b>
<i>% of financing</i>	<i>38%</i>	<i>62%</i>	<i>100%</i>

## V. EXECUTING AGENCY

- 5.1 Aliança Empreendedora (AE) is a nonprofit social organization that is active nationwide, supporting businesses, NGOs, and governments in the design, testing, and implementation of inclusive business models and projects to encourage and support entrepreneurship among low-income population groups, with a view to generating new business opportunities, creating jobs, and generating incomes, thereby promoting economic and social development.
- 5.2 Since 2005, AE has supported more than 19,000 microentrepreneurs throughout Brazil, offering knowledge, investment, networking, mentoring, and market opportunities. In 2009, AE adopted a strategy for transmitting its methodology to other social organizations, referred to as partner organizations. This model, working through partner organizations, expands the impact and makes the program more sustainable, as these organizations already have their own facilities and their knowledge is disseminated across various regions of the country. In addition, they understand local reality and can apply strategies best suited to their localities as a way of multiplying knowledge and gaining access to entrepreneurs. Within this strategy, AE has trained 64 organizations in 19 Brazilian states to replicate its methodologies, and it is now a benchmark for support to low-income microentrepreneurs in the country.
- 5.3 Thanks to its efforts and their impact, AE has achieved national and international recognition, with awards from such organizations as Fundación Avina, Ashoka, YBI –Youth Business International, Folha de São Paulo, and the World Economic Forum. It has developed more than 90 projects in partnership with major firms such as Coca-Cola, Natura, Gerdau, Santander, HP, Walmart, Danone, and SEBRAE. In 2010 it was recognized by Reader’s Digest [Seleções] magazine as “the most reliable NGO in Brazil” in the employment and income generation category.
- 5.4 **Procurement.** For the procurement of goods and the contracting of consulting services, the executing agency will be governed by IDB procurement policies (documents GN-2349-9 and GN-2350-9). As the diagnostic needs assessment ([DNA](#)) of the executing agency produced a *low* level of need/risk, the project team has determined that, in accordance with appendix 4 of those policies, the executing agency (which belongs to the private sector) will use its own procurement methods, compatible with Bank policies. Contracts and procurement processes for the project will be subject to ex post review, on an *annual* basis. Before initiating any procurement processes, the executing agency will submit the project’s procurement plan to the MIF for approval. That plan will be updated *annually*, and whenever there is a change in the methods or in the good or service to be procured.
- 5.5 **Financial management and supervision.** The executing agency will establish and will be responsible for maintaining adequate financial accounts, internal control, and filing systems for the project, in line with IDB/MIF financial management standards and policies. As the DNA found a *medium* level of need/risk for the financial management section, the documentation supporting disbursements will be subject to ex post review, on a *semiannual* basis. In addition, with funds from the MIF contribution, the IDB/MIF will hire a consultant to train the

executing agency in those areas of financial management that require strengthening, as identified through the DNA.

- 5.6 The IDB/MIF will engage independent auditors to carry out the ex post reviews of procurement processes and of the supporting documentation for disbursements. The scope of the ex post reviews will include an analysis of the financial reports that AE will prepare semiannually as part of its financial management. The cost of this engagement will be financed from the MIF contribution, in accordance with Bank procedures.
- 5.7 During project execution, the frequency of ex post reviews of procurement processes and disbursement documentation and the requirement for additional financial reports may be modified by the MIF on the basis of the findings of the ex post reviews conducted by the external auditors.

## **VI. PROJECT RISKS**

- 6.1 The greatest risk to the project is the potential threat to the quality of training offered to the entrepreneurs inherent in the fact that it will be delivered by third parties (the partner organizations). This risk will be mitigated, however, through the dedication and monitoring of the project executive team, its relationship with the partner organizations, and the fact that it has had a successful track record of more than five years in partnering with grassroots organizations for the execution of projects throughout Brazil.

## **VII. ENVIRONMENTAL AND SOCIAL EFFECTS**

- 7.1 The project is not expected to have any adverse social effects. It will have an impact on socially vulnerable young people and their environment in the cities, and the only effects expected are positive, both for them and for their families.

## **VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS**

- 8.1 Disbursement by results and fiduciary agreements: Aliança Empreendedora will agree to comply with the standard MIF arrangements concerning disbursement by results, procurement, and financial management.

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

- 9.1 **Access to information.** Under the Bank's Access to Information Policy, information on the project is not confidential and may be published, with the exception of the strategic plans and marketing strategies of the entities involved.
- 9.2 **Intellectual property.** In light of the Bank's legitimate interest in replicating the initiative in Brazil and elsewhere in the region, the Bank and Aliança Empreendedora will evaluate various legal alternatives with respect to ownership of intellectual property rights and the licensing of those rights, as the case may be.