

INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PERU

**MULTIREGIONAL PROJECT TO PROVIDE TRAINING AND
SUPPORT TO YOUNG ENTREPRENEURS IN PERU**

(PE-M1097)

DONORS MEMORANDUM

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PROJECT SUMMARY

MULTIREGIONAL PROJECT TO PROVIDE TRAINING AND SUPPORT TO YOUNG ENTREPRENEURS IN PERU (PE-M1097)

This project is part of the Youth Entrepreneurship Program (RG-M1240) approved by the Donors Committee on 31 July 2013. It aims to enhance the business capacities of poor, vulnerable youth by providing increased access to quality services, laying the foundations for a stronger ecosystem for youth entrepreneurship initiatives in eight to ten selected countries. The program is based on close collaboration between the MIF and Youth Business International (YBI).

This project is the first prepared under the regional program. The selection of Peru as the beneficiary country is strategic, as it has the region's highest percentage of self-employed workers (48%), as well as a high rate of young people intending to launch enterprises in the next 12 months (23%). In recent years, Peru has seen the creation of dozens of initiatives intended to promote youth entrepreneurship. However, the supply of training and advisory support services does not always meet the needs of young people and/or match the diversity of circumstances and particularities of their businesses. The main causes of this problem include the following: (i) most public and private institutions do not generate effective, sustainable programs to promote youth entrepreneurship in a coordinated, comprehensive way; (ii) young entrepreneurs are isolated and do not establish ties among themselves to take advantage of the synergies that might arise among them and enhance their businesses; and (iii) the financial system considers lending to young people to be highly risky.

The expected impact of this project is to increase the number of successful and sustainable enterprises in eight of Peru's regions. The outcome will be to lay the foundations for ecosystems¹ to provide comprehensive services with greater coverage and quality favorable to the promotion of poor and vulnerable young peoples' enterprises. To this end, work will be done with the Colectivo Integral de Desarrollo [Integrated Development Collective] (CID), an organization with an outstanding record in the country in the promotion of youth entrepreneurship programs, which is seeking to establish itself as a second tier entity, transferring all or part of its intervention methodology to entities interested in promoting youth entrepreneurship in a specific territory.

In terms of knowledge, this project will emphasize the collection and analysis of data to produce evidence on the impact of interventions with poor and vulnerable youth, addressing the following gaps: how to scale an effective entrepreneurship methodology for these young people while maintaining the quality of the services provided, and which financial products

¹ In this project, "ecosystem" is defined as the association of two or more organizations interested in promoting youth enterprises in a defined local, provincial, or regional territory. Those called upon to be part of the ecosystem are local, provincial, or regional governments and the various public and private institutions or programs that promote youth entrepreneurship in those territories and show interest in receiving the CID methodology and participating in the project. The objective of creating an ecosystem for youth enterprises is to increase the delivery of a comprehensive set of quality services for young entrepreneurs, with special attention given to creating partner networks, standardizing interventions, and catalyzing collaboration among interested parties, to thus strengthen the ecosystem for youth entrepreneurship.

are effective for young entrepreneurs. The knowledge generated will be part of the regional program's knowledge agenda, and will be disseminated through the network of Youth Business International and the Regional Center for Youth Entrepreneurship, to be established by the regional program.

Expected outcomes include training 36,800 poor and vulnerable youth (60% women) on entrepreneurship topics, creating and strengthening 7,507 businesses, generating 9,910 new jobs, and accrediting² 16 institutions under the CID model. These outcomes will contribute to achieving the targets of the regional program.

² Accreditation will target those consultants and institutions interested in being youth entrepreneurship promotion service providers and in applying the CID methodology in whole or in part. Accreditation requirements will include: participation in training, advisory support, and pilot testing. Once completed, all phases will be evaluated. Accreditation will be granted in the CID's name.

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ABBREVIATIONS

CETPROS	Centros de Educación Técnico Productiva [Productive Technical Education Centers]
CID	Colectivo Integral de Desarrollo [Integrated Development Collective]
ENAJUV	Encuesta Nacional de la Juventud Peruana [National Survey of Peruvian Youth]
ILO	International Labour Organization
MTPE	Ministry of Labor and Employment Promotion
NGO	Nongovernmental organization
VUPE	Ventanilla Única de Empleo [one-stop employment promotion window]
YBI	Youth Business International

PERU
MULTIREGIONAL PROJECT TO PROVIDE TRAINING AND SUPPORT TO YOUNG
ENTREPRENEURS IN PERU
(PE-M1097)

EXECUTIVE SUMMARY

Country and geographic location:	The project will be executed in Peru and the scope of its intervention will cover eight regions in the country. ³
Executing agency:	Colectivo Integral de Desarrollo [Integrated Development Collective] (CID) – Peru
Access Area:	Microcredit associations (AMC)
Agenda:	Youth
Coordination with other donors/Bank operations:	The project will be linked to and supplemented by an investment loan (PE-L1152) being prepared by the Bank’s Labor Markets Unit (LMK) and will aim to strengthen the country’s Ventanilla Única de Empleo [One-Stop Employment Window] (VUPE) and employment training system. The Ministry of Labor and Employment Promotion (MTPE) has been developing the VUPE since 2012 in alliance with the regional governments. As a national strategy, this window integrates and coordinates in a single location the public provision of various employment services, including services promoting youth entrepreneurship, such as those offered by the “Jóvenes a la Obra” [Youth to Work] program.
Direct beneficiaries:	<p>36,800 young people (60% women): This is the number of low-income youth participating in the program, defined as those who completed the phase 1 training (business plan).</p> <p>36 local and regional organizations/institutions: In total in the eight local, provincial, or regional areas. These organizations are those that will receive the training and advisory services on the CID methodology and will be capable of executing on their own the activities in phases 1 and 2 of the model.</p>

³ Eight regions will be selected in the central, southern, and northern areas of the country and in urban and rural settings. The selection mechanism will take into account the existence of an ecosystem favorable to the promotion of youth enterprises; the capacity of local/regional governments; existing youth entrepreneurship programs in public and private institutions; the existence of socially responsible enterprises interested in committing funds and supporting programs favorable to the promotion of youth enterprises in the territories where they operate; dynamic youth organizations interested in participating, etc.

320 independent professionals: Consisting of those professionals who are accredited in the CID methodology in the eight territories (district, province, or region).

**Indirect beneficiaries:
Indirect beneficiaries:**

80,507 consisting of:

- Two family members for each direct beneficiary of the project (2 x 36,800 = **73,600**)
- The number of jobs generated by each business that has been strengthened based on the program, not counting the young owner of the business (4,504 x 1.2 = **5,405**)
- The number of employees for each business created under the program, not counting the young owner of the business (3,003 x 0.5 = **1,501**).

Financing:

Technical cooperation:	US\$2,151,700	35.41%
TOTAL MIF CONTRIBUTION	US\$2,151,700	
Counterpart:	US\$3,925,020	64.59%
Cofinancing (if any)		
TOTAL PROJECT BUDGET	US\$6,076,720	100%

Execution and disbursement periods:

42 months for execution and 48 months for disbursements.

Special contractual clauses:

Conditions precedent to the first disbursement will be: (i) approval of the Operating Regulations; and (ii) selection of the Project Manager.

Environmental and social impact review:

This operation has been preevaluated and classified according to the requirements of the Bank's Environment and Social Safeguards Policy (Operational Policy OP-703). Given that the impacts and risks are limited, the project has been proposed as a category "C" operation.

Unit responsible for disbursements:

MIF/CPE

I. BACKGROUND AND RATIONALE

A. Diagnosis of the problem to be addressed by the project

- 1.1 This project is part of the Youth Entrepreneurship Program (RG-M1240) approved by the Donors Committee on 31 July 2013. This program's main targets include the training of 64,800 young people in technical business competencies and the creation of 28,200 enterprises led by poor and vulnerable young people. The Youth Entrepreneurship Program is based on close collaboration between the MIF and Youth Business International (YBI) and provides a platform for developing and systematizing knowledge based on a series of specific initiatives in eight to ten countries. To ensure consistency and effectiveness among these initiatives, the regional program will establish a Regional Learning Center to promote the formation of alliances and the sharing of knowledge.
- 1.2 This project will be implemented in Peru and executed by the Colectivo Integral de Desarrollo [Integrated Development Collective] (CID). The project meets the regional program's selection criteria in that: (i) it provides integrated support (financial and nonfinancial, to include business training and mentoring); (ii) it is national in scope; (iii) it will provide learning opportunities in the area of the regional learning agenda, as pertinent; and (iv) it has counterpart financing.⁴ The CID is a member of the YBI network of partners, and therefore has been subject to compliance with criteria ensuring the quality of its management.
- 1.3 This project will contribute to achieving the beneficiary targets under the regional program, with 36,800 young people who will receive training and advisory support on business plans, and 7,507 businesses that will be created and/or strengthened.⁵ It will also help generate knowledge on how to scale successful programs and methodologies to promote youth entrepreneurship while maintaining their quality and effectiveness. Given their significance and success in the CID methodology for the selection process of the young beneficiaries and their financial participation in the businesses, these elements will be analyzed and systematized. The knowledge generated will be disseminated through the YBI network and the aforementioned Regional Center for the Youth Entrepreneurship Initiative. The CID will benefit from the institutional strengthening activities planned under the regional program, from knowledge and communication tools, and from the cross-fertilization that will occur among the various operations in the regional program. It is important to note that, with the support of YBI, the CID will incorporate a mentoring program into its methodology to help enhance efficiency and reduce the cost of the services, without affecting the quality or the individual support provided to the entrepreneurs.

⁴ The counterpart will be contributed by the following organizations: Organización Intereclesiástica para la Cooperación al Desarrollo [Inter-Ecclesiastical Organization for Development Cooperation] (ICCO), Antamina, Compañía Minera MILPO, Grupo Votoratim, AngloAmerican plc, Hochschild Mining plc, and Sociedad Minera Cerro Verde.

⁵ The CID will contribute to approximately one third of the regional program's targets.

- 1.4 The selection of Peru for this first project was not random. Peru has one of the highest percentages of self-employed workers in the region (48%). About 23% of young Peruvians plan to start a business in the next 12 months, motivated by a combination of need and opportunity.
- 1.5 However, the development of enterprises and youth self-employment in the country is limited. The businesses created by young people tend to generate little employment (an average of 1.1 workers, including the owner), yield low incomes (averaging US\$170/month while the minimum wage in Peru is US\$250), have negligible investment (between US\$150 and US\$600), and remain in the market for only a short time⁶ (70% of these enterprises go out of business during the first 24 months, and only 15% to 20% of those that survive rise above the level of self-employment).⁷ The reasons why the businesses do not survive are related to problems of business management (low levels of competitiveness, profitability, and incomes); personal problems and/or decisions; and contingencies (problems in which it is impossible to intervene since most of them depend on the entrepreneur).⁸
- 1.6 Businesses started by young women are usually more vulnerable than those of men (on average, of all the businesses that close, 58.7% belong to women entrepreneurs). During the initial months in the creation of a business, young women face problems similar to those of men: weaknesses in business management, availability of physical space for work, and lack of support, information, guidance, training, and advice. However, women must also face other difficulties specific to their gender, whether related to too much housework and child care and/or prejudices.
- 1.7 Over the last 10 years, the supply of youth entrepreneurship promotion initiatives in Peru has grown significantly. Several organizations undertake projects aimed at young entrepreneurs on a regular basis and apply methodologies that yield significant results.⁹ On the private sector side, these organizations include nongovernmental organizations (NGOs) (such as Instituto de Promoción del Desarrollo Solidario (INPET) and Consorcio de Organizaciones Privadas de Promoción al Desarrollo de la Pequeña y Microempresa (COPEME)), international volunteer associations (such as Veterinarians Without Borders), and

⁶ ILO, 2011, Linares Dino – Chapter 2 El emprendimiento juvenil: actualidad, tendencias y políticas de desarrollo.

⁷ ENAJUV 2009, “Survey of youth entrepreneurs” conducted by the CID on a sample of 1,567 young people in 14 regions of Peru in February 2013 (including the region for which this project has been proposed).

⁸ “Informe de seguimiento a usuarios del programa piloto del CID pro-joven emprendedor” (CID, 2013). This report covered the monitoring of 1,186 young people in April 2012 who had received services up to May 2011.

⁹ This information arises from an analysis of the information available on the Fondo Empleo website. Fondo Empleo is Peru’s National Labor Training and Employment Promotion Fund; www.fondoempleo.com.pe. The analysis was done by the CID.

technical training institutes (such as IPAE Escuela de Empresarios).¹⁰ On the public sector side, programs that are multiregional in scope include “A Trabajar Urbano,” promoted by the Ministry of Labor and Employment Promotion, and “Jóvenes a la Obra,” by the Office of the Deputy Minister of Labor and Employment Promotion.¹¹

- 1.8 **Problem to be addressed.** The supply of the aforementioned public and private programs to provide training and advisory support on youth entrepreneurship tends to be presented in a fragmented manner and does not always meet the needs of young people and/or is not tailored to the diversity of circumstances and particularities of their businesses. The principal causes of these problems are:
- 1.9 **The difficulties these programs have in providing:** (i) **coverage:** for example, according to the National Survey of Peruvian Youth (ENAJUV), the coverage of training services and technical assistance is 6.1% and 5.6%, respectively;¹² (ii) **relevance:** the service offering is focused on motivational aspects and basic training on business plans; (iii) **impact:** in many cases, the selection of young people with an entrepreneurial profile is insufficient, and there are no mechanisms for monitoring and supporting the young people, which makes it hard to retrieve/systematize the outcomes and lessons learned from the enterprises that manage to stay in business after two years of operation.
- 1.10 **Young entrepreneurs are isolated.** It has been noted that young participants in these programs do not know each other, and miss opportunities for synergies to improve their enterprises and access new markets, as well as complementarities among their enterprises’ goods and services. There are georeferenced information tools on formal establishments/businesses produced by the Ministry of Labor and the National Statistics Institute, and platforms/networks that could be leveraged by young people to learn from each other based on their lines of business and share lessons learned and good practices to improve their businesses.

¹⁰ Between 2012 and 2013, these organizations together have trained at least 4,982 young people and have supported the formation of 1,901 businesses, at an average cost per beneficiary of US\$884. Of the beneficiaries, very few manage to establish a business (about 15%). In general, there are no measurements taken of the duration of the businesses, the creation of new jobs, or the increase in income and formality. In the projects executed by the CID, regular monitoring and evaluation of these indicators is habitual (source: www.fondoempleo.com.pe).

¹¹ During the design of this project, meetings were held with the teams from “Jóvenes a la Obra” and with the specialist from the Bank’s Labor Markets Unit responsible for designing project PE-L1152 on strengthening the Ventanilla Única de Empleo [One-Stop Employment Window] (VUPE). The VUPE will include various services promoting regional employment, including the “A Trabajar Urbano” program. These meetings sought to establish joint actions in order to avoid duplication of efforts in the project’s intervention areas and establish complementarity of the services offered. For example, for those young people trained on business plans by the “Jóvenes a la Obra” program (phase 1), phase 2 of this project would be complementary (implementation and support for the business).

¹² ENAJUV 2009-2011, National Statistics Institute (National survey on youth, particularly module 600 on entrepreneurship).

- 1.11 **The financial system considers lending to young entrepreneurs to be highly risky.** According to the ENAJUV,¹³ only 2.5% of young people who plan to start a business have access to bank credit, while only 4% have access to credit among young people with businesses in existence for up to six months.¹⁴
- 1.12 **Limited knowledge on what does and doesn't work in scaled youth entrepreneurship models.** This is particularly clear with respect to business dynamics (creation and closure of businesses; business growth), targeting (segmentation and mechanisms for selecting users), and the characteristics of the supply of nonfinancial services (design of business plans, supporting methodologies). Without this information, most of the initiatives to promote youth entrepreneurship have low levels of coverage, efficiency (high unit costs),¹⁵ and impact.
- 1.13 The CID is an institution that has been operating in Peru since 1990 and specializes in promoting youth entrepreneurship programs. Since its creation, it has trained 60,000 young people and strengthened 12,000 companies that have generated 18,000 jobs. Some of these results were obtained through projects ATN/MH-8543-PE, ATN/ES-11885-PE, and SP/ES-09-13-PE financed by the IDB-MIF. Entrepreneurs supported by the CID tend to create businesses that sell more, earn more, and last longer than those of other entrepreneurs. Its methodology stresses the identification, training, and support of young entrepreneurs, achieving results and impact with a reasonable cost/benefit ratio.
- 1.14 Several impact assessments of the CID methodology, including one done for the project financed by the IDB-MIF found that 65% of the companies started or strengthened by the CID remained in operation three to five years after receiving training compared to 45% in the control group.¹⁶ In addition, 88% of the beneficiary companies were formal companies, compared to 69% in the control group.¹⁷ The incomes of the young beneficiaries had increased over 180%. As a

¹³ ENAJUV 2009-2011, National Statistics Institute (National survey on youth, particularly module 600 on entrepreneurship).

¹⁴ ILO, 2011, Youth, Employment, and Migration.

¹⁵ The average cost per young person trained by the CID is US\$160, while that of other organizations is US\$884. The CID's average cost per business started is US\$809, while that of other organizations is US\$2,794 (source: www.fondoempleo.com.pe).

¹⁶ Grupo SASE (a nonprofit organization focused on research, dissemination, and the practice of social responsibility) conducted the impact evaluation of the previous project that the CID executed with the MIF. In addition, in recent years, the CID has conducted impact assessments of its methodology through prestigious firms such as APOYO and GRADE. In total, of the 15 evaluations conducted between 2001 and 2013 in 17 regions in Peru (10 of which were quasi-experimental and one experimental, carried out by recognized independent organizations contracted by donors), program impacts were confirmed: the rate of enterprise survival to two years is close to 70%, young people's incomes improve between 30% and 60%, employment improves in similar proportions, the unemployment rate decreases significantly, and formality for tax purposes fluctuates between 40% and 90%.

¹⁷ MIF-IDB, Give Youth a Chance: An Agenda for Action. September 2012.

result of the high impact of the model in the area of youth entrepreneurship, the model was replicated with support from various organizations in Costa Rica, Nicaragua, Honduras, the Dominican Republic, Bolivia, and other countries. The CID will act and seek to establish itself as a second tier entity, generating skills and territorial institutional capacities through the transfer of its methodology, support, program monitoring, as well as the accreditation system to ensure the creation of efficient ecosystems for the promotion of youth entrepreneurship.

- 1.15 In the area of knowledge, this project will help address gaps with respect to how to scale an effective entrepreneurship methodology for poor, vulnerable youth, while maintaining the quality of the services provided and what financing products are most effective for young entrepreneurs. The knowledge generated will contribute to the regional program's knowledge agenda and will be disseminated through the YBI network of partners and the aforementioned Regional Center for the Youth Entrepreneurship Initiative.

B. Project beneficiaries

- 1.16 The project's direct beneficiaries will be 36,800 poor and vulnerable youth between the ages of 18 and 29 from peri-urban and rural areas who want to start their own businesses, many of whom are unemployed, underemployed, or have precarious employment, or who have started a business less than 12 months ago. The vulnerability criteria considered are: (i) gross monthly incomes of less than US\$180 (poor) or an emerging segment (subsegment of low-subsistence income of US\$280 per month); (ii) educational level: 80% up to higher technical education, 20% with completed or incomplete university studies (the vast majority of young university students study or studied in public institutions, where poor teaching quality is a constant).
- 1.17 **Participation of young women entrepreneurs.** It is anticipated that at least 60% of the beneficiaries will be women. In the CID's experience, there is greater participation by women in registration and in the first phase of the methodology. However, they tend to drop out of the program in higher proportions than men, and their companies grow less. The reasons for this include: the fact that women stop participating in the business when they start their reproductive life, or their partners often prevent them from developing as entrepreneurs by demanding that they devote themselves exclusively to work at home. In this project, particular efforts will be made to address these specific obstacles. Gender and diversity will be variables that are analyzed under the criteria for prioritizing beneficiaries. The content of the training and the methodology will include specific elements for women entrepreneurs. The support stage for the subsequent formation and

implementation of their businesses will be more customized to address their problems and differentiate their services.¹⁸

- 1.18 Other direct beneficiaries of this project will include organizations and professionals supporting youth entrepreneurship initiatives and other interested parties (NGOs, governmental agencies, financial institutions, volunteer mentors, and educational institutions like the Centros de Educación Técnico Productiva [Productive Technical Education Centers] (CETPROS)). The CID will transfer its methodology to these technical education centers, which exist in all the country's regions and serve young people who may or may not have completed basic education and need training in some vocational activity or in the management of enterprises.
- 1.19 The indirect beneficiaries of this project will include 80,507 members of the immediate families of the young people trained (who will benefit from the increased income derived from the newly established businesses, in which many of them could also obtain employment); and 6,906 individuals who will be directly employed in the jobs created by the established businesses.

C. Contribution to the MIF Mandate, the Access Framework, the Youth Agenda Strategy, and the framework of regional program RG-M1240

- 1.20 The project will contribute to the MIF poverty reduction strategy and is aligned with the poverty reduction and inclusion target under the GCI-9 by supporting poor and vulnerable youth in the development of their enterprises and increasing access to jobs as well as creating a favorable environment in the areas where these enterprises are created. To do this, it will strengthen the capacities of public and private institutions for developing entrepreneurship programs, create tools, establish the foundations or guidelines for the promotion and sustainability of youth enterprises, and establish opportunities for dialogue and collaboration that will be used to lay the groundwork for development proposals promoted by entrepreneurs and business creators.
- 1.21 The project is linked to the MIF youth employment and entrepreneurship agenda and will help to advance the following components of the “Give Youth a Chance: An Agenda for Action” strategy: (i) **scale**: the project proposes to scale up the CID's youth entrepreneurship model, which has already been validated and systematized with MIF support. This includes knowledge transfer of the CID model to 32 local organizations and 320 independent professionals; (ii) **innovation**: in the area of entrepreneurship, the project will help to (a) refine existing business models for youth through the addition of new components such as approaches for identifying young entrepreneurs and partnerships with the

¹⁸ Initiatives aimed at promoting women's entrepreneurship help improve self-esteem and self-confidence, in addition to addressing the position of women in the home. In the CID's case, in a survey conducted in March 2013 of 1,557 young people, 8.2% indicating having problems with machismo, discrimination, or mistreatment, a figure well below the rate of 51.8% for women in the intervention zones, according to the Peruvian National Statistics and Information Technology Institute.

public sector to implement effective models on a greater scale, and (b) identify the entrepreneurial spirit. In the area of financial inclusion for youth, the project will seek to establish partnerships with financial institutions to test models for lending to young entrepreneurs and to develop suitable products; and (iii) **outcomes, evaluation, and dissemination of knowledge**: a series of case studies, a methodological guide, and other knowledge products will be developed to systematize the evidence generated with respect to scaling successful youth entrepreneurship while maintaining their quality.

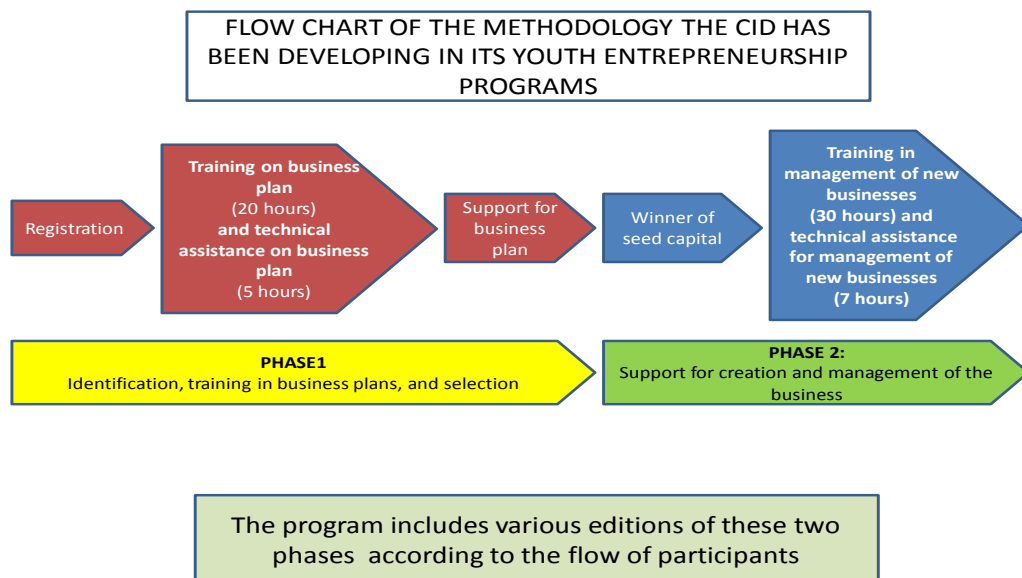
II. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 2.1 The expected impact of this project is an increase in the number of successful and sustainable enterprises in eight regions in Peru. The project outcome will be to lay the foundations for regional ecosystems providing comprehensive services with broader coverage and quality favorable to the promotion of poor and vulnerable youths' enterprises.

B. Description of the intervention model

- 2.2 Understanding the project's intervention model requires a description of the *methodology developed by the CID for training and supporting youth entrepreneurs as a first tier entity*. The CID methodology consists of two clearly defined phases.



2.3 The first phase includes the request for proposals, registration, training, and support for business plans, done within the framework of the “Make Your Business a Reality” competition.¹⁹ The request for proposals is done through outreach workers and in coordination with institutions in the area where the target population is concentrated. Talks are held to raise awareness, and young people who want to participate are identified, surveying their availability to organize groups for the training on business plans. For the training, the CID has prepared guides to support the training process. The advisory support is provided in parallel with the training process. The first phase culminates in the “Make Your Business a Reality” competition, the objective of which is to select the young people who will receive seed capital to start their businesses (approximately US\$450 to US\$500). One key element of this phase is the targeting strategy in the selection of the young entrepreneurs, which allows the program to identify a larger number of potential entrepreneurs. One important requirement is that young people must be willing to provide at least 50% of the investment financing needed to implement their business initiative.

Targeting strategy

Selection criteria	Phase when documented
Young people 18 to 29 years old, residents of the intervention area	During registration. National identity document must be presented with water or electricity receipts.
Young people who want to start a business and young people who have a business that has been operating for no more than 12 months	During registration, training, and technical assistance. For those wanting to start a business, emphasis is placed on recording experience, the status of the idea, and access to resources. For those who have a business, they should be owned and operated primarily by them.
Willingness to contribute at least 50% of the total investment required themselves	Home verification prior to support for business plan, and additional verification if declared a winner in order to address any observations by the panel.
Not subject to credit and have no pending debts in the financial system	During registration, training, and technical assistance, and after verification, prior to support for business plan.

2.4 During phase 2, seed capital is provided to the young people who took the top positions in this competition, and they are provided with training in business management, which strengthens the business’s management tools: purchasing

¹⁹ Since 1996, the CID, jointly with the IDB, UNESCO, and France’s SECOURS CATHOLIQUE, has organized this competition, which has been characterized by supporting candidates during and after the award process, providing them with specialized services such as training, advisory support, business promotion, and business networking. The panel is made up of three regional personalities, preferably entrepreneurs, officers of financial institutions, and public or private institutional officials devoted to promoting and training entrepreneurs. Since the first competition, more than 25,000 young people have registered, and more than 5,500 projects have been presented in the “Make Your Business a Reality” competition.

- records, inventory control, marketing, etc. This phase culminates with the technical assistance for the implementation of the enterprise and support for its sustainability.
- 2.5 It is important to note that the line that separates the first and second phases is the “Make Your Business a Reality” competition. The young people who go through the request for proposals, registration, and initial training but do not win the competition can also enter phase two and receive specific training to improve their business plans (unlike the competition’s winners, they do not receive seed capital). The approach is supplemented with an ongoing monitoring and evaluation system for detecting problems in a timely manner (monitoring) and producing evidence (evaluation) on what does and doesn’t work in the process.
- 2.6 The methodology developed by the CID also supports those young people who already have businesses that have been in operation for less than one year and face difficulties in terms of their management, administration, and sustainability. In this case, the CID performs an assessment of the youth’s profile, conditions for growing the business, and the young person’s commitment to receiving support. On the basis of a positive assessment, the young person enters the second stage directly and receives support services in the management of the business. In the intervention model to be described, the CID will transfer its methodology to the institutions that are part of the regional ecosystem.

Project intervention model; dissemination and transfer of the methodology

- 2.7 In this project, the CID will act and seek to establish itself as a second tier entity, generating skills and territorial institutional capacities through the transfer of its methodology, support, and program monitoring, as well as the accreditation system to ensure the creation of efficient ecosystems for the promotion of youth entrepreneurship. The CID has a solid track record in the development and innovation in youth entrepreneurship programs in the various regions of Peru, where it has involved government institutions, civil society organizations, and private enterprise to support project management or provide cofinancing.²⁰ Private sector participation is fundamental since its support will ensure sustainability and will help scale the project. Private enterprise will contribute a large part of the budget required and will commit to the supervision and support of the activities that entail fulfillment of the objectives.
- 2.8 The first step will be to select eight areas in the central, southern, and northern regions of the country in both urban and rural environments. The selection mechanism will be based on the existence of an ecosystem conducive to the promotion of youth entrepreneurship. The criteria for selecting the regions will include: (i) interest from private enterprise and/or international technical cooperation agencies; (ii) active participation by local governments in the promotion of youth entrepreneurship programs; (iii) interest from organizations in

²⁰ Regional and local governments, educational institutions, etc.

receiving the CID intervention model; and (iv) identification of young entrepreneurs who meet the conditions established to be assisted under the project. Awareness will then be built among those institutions that are interested in receiving the methodology transfer from the CID. Institutions will be selected that provide business training courses, that have experience with youth training, and that are willing to include elements such as youth mentoring and support and monitoring of entrepreneurs in their programs. A diagnostic assessment will be performed to determine the strengths and weaknesses of the selected institutions, in order to determine the content to be transferred. The methodology will be flexible and adaptable to each institution's needs, and there may be a mix of what is of interest and what is needed. According to this diagnostic assessment, a determination will be made with the institution on whether they want to apply for both phases of the project or just one. Consideration will also be given to those organizations that only want technical assistance to improve their own methodology, and technical assistance may cover supervision, monitoring and/or administrative issues, etc.

- 2.9 During the first year of the project, training sessions and technical assistance will be provided for the beneficiary organizations in each of the selected regions until they achieve accreditation. At the same time, the CID will directly carry out selection, training, mentoring,²¹ and support activities with young entrepreneurs (phases 1 and 2 of its methodology) with the beneficiary organizations participating in these activities. As a complement, the institutions will be trained in areas that enable adequate management of the project, in both technical areas, such as designing and executing awareness campaigns, organizing business plan competitions, reporting, and record-keeping and administrative areas (human resources, etc.).
- 2.10 During the second year, the organizations that received the CID methodology will carry out training and technical assistance activities corresponding to phase 1 of the intervention, or the activities corresponding to phase 2 of the methodology, or that part of the process that was transferred to improve their own methodology, always with CID support and monitoring.
- 2.11 During the third year, the organizations that received the CID methodology will themselves be able to carry out the activities under phases 1 and 2 of the project, with CID monitoring.

²¹ Mentoring will be carried out according to the YBI methodology to be transferred to the CID. Mentoring is a free service provided by entrepreneurs and professionals with extensive business experience.

C. Components

Component I: Foundation for generating ecosystems favorable to youth entrepreneurship (the CID as a second tier entity) (MIF: US\$69,439; Counterpart: US\$50,000)

- 2.12 The objective of this component is to establish the foundation for regional ecosystems conducive to youth entrepreneurship in the areas of intervention. To do this, the CID will transition and establish itself as second tier entity. This will be achieved through alliances with various stakeholders such as civil society organizations, governmental organizations, training institutions, financial institutions, etc. The approach within the regions will vary according to the local context depending on whether the youth are in an urban, peri-urban, or rural area, on the types of organizations located there, and the alliances created.
- 2.13 The activities in this component are as follows: (i) methodological workshop (launching the project); (ii) consulting services provided by the YBI network to define the strategy for the CID's transition to a second tier agency; (iii) internships to learn from successful experiences in other regions supported by YBI and/or the MIF; (iv) consulting assignment to adapt the CID's monitoring system as a second tier entity; (v) study of the regional business climate in the intervention areas; (vi) definition of the criteria for selecting regions/localities, as well as a diagnostic assessment of the institutional capacity of the organizations providing business management that will be part of the project; and (vii) systematization of the process for transitioning the CID as a second tier entity.
- 2.14 Expected outcomes include: (i) ensuring that CID has a second tier agency structure; (ii) local and regional alliances to promote programs promoting youth entrepreneurship using the CID methodology; and (iii) a network of organizations capable of providing quality, scaled training and technical assistance services in youth entrepreneurship in each of the project's eight areas of intervention.

Component II: Strengthening the providers of youth entrepreneurship services. (MIF: US\$414,000; Counterpart: US\$170,100)

- 2.15 The objective of this component is to train providers of youth entrepreneurship services participating in the project's areas of intervention, enabling them to strengthen their institutional capacities for providing services. There will be two institutional strengthening groups: those organizations that seek to strengthen certain aspects of their services and those that want to adopt the CID methodology in its entirety. Selection criteria will be developed before professionals and institutions are selected. Organizations to which the CID methodology will be transferred may include: civil society organizations, governmental organizations (such as local and regional governments, the one-stop employment promotion windows (VUPes) and others), NGOs, chambers of commerce, etc. The methodology will be tailored to the needs of the recipient organization as well as the urban or rural geographic context and the socioeconomic potential of each

- area.²² This means that the executing agency will provide a range of tools that could focus on the mechanism for selecting youth, targeting, motivation, training in business management, mentoring, and supporting youth during the development and/or strengthening of their businesses.
- 2.16 Under this component, it is important to briefly note the CID's experience in the process of methodology transfer to two institutions in the Dominican Republic: Casa Abierta and Pastoral Juvenil. The transfer included training, instruction, and monitoring of a group of ten professionals from these institutions, who gained the ability to identify, train, and support young entrepreneurs following the processes validated by the CID. The Dominican professionals trained 438 young people, 195 of whom submitted business plans, after which they were trained and advised on implementing those plans. The outcome of this transfer included the creation of an area or department dedicated to promoting youth entrepreneurship within the Dominican beneficiary organizations.²³
- 2.17 The principal activities associated with this component are: (i) the development of the training offered in the CID model, to be transferred to interested organizations; (ii) the selection (according to preestablished criteria) of organizations interested in the CID model; (iii) the instruction and training of the selected organizations; (iv) the instruction and training of the selected professionals; (v) the accreditation of the institutions and professionals to implement the training and technical assistance under the model;²⁴ and (vi) the support and supervision activities for organizations and professionals involved in the transfer process.
- 2.18 Expected outcomes include: (i) 32 organizations that will receive strengthening based on the CID intervention methodology; (ii) 12 organizations that will receive advisory support to improve their own services; and (iii) 320 individuals certified under the CID intervention methodology.

²² For this project, there is a methodological guide for the design and execution of youth entrepreneurship promotion programs: the CID model.

²³ This transfer experience differs from those planned under this project, as it was undertaken with an organization that had not previously worked on entrepreneurship issues. In this project, the beneficiaries of the transfer of the CID methodology are organizations that are already working on these issues.

²⁴ The institutions and professionals involved in the CID methodology transfer must participate in the following activities: (1) attend a methodological training workshop to be conducted by CID staff with extensive experience; (2) observe and experience the personalized support and technical assistance services for young entrepreneurs; and (3) put the training and technical assistance into practice, under the supervision and with the support of CID specialists. Once they have completed all programmed activities to CID's satisfaction, the organizations and professionals involved in the methodology transfer process will be accredited by the CID to provide training and technical assistance services on their own according to CID parameters. This accreditation is not formal in nature, but rather a "quality seal" that distinguishes those who have completed the CID program from those who have completed other programs.

Component III: Supply of entrepreneurship services (MIF: US\$1,235,680; Counterpart: US\$2,456,720).

- 2.19 The objective of this component is to train and advise young entrepreneurs and provide them financial and nonfinancial support. Training will include two phases. In the first phase, young people will be advised on preparing a business plan that they must submit to the panel. In the second phase, the selected youths, whether or not they have won the cash award (seed capital), will receive training in business management, technical assistance, seed capital,²⁵ training in information and communication technologies, and credit counseling for implementing or strengthening their business, among other services. In the first year of the project, the CID will directly carry out training and support activities with youth entrepreneurs (phases 1 and 2 of its methodology) in which the beneficiary organizations will participate. In the second year, the organizations that received the CID methodology will carry out training and technical assistance activities corresponding to phase 1 of the intervention, or the activities corresponding to phase 2, or that part of the process that was transferred to improve their methodology, always with CID support and monitoring.
- 2.20 The activities in this component are as follows: (i) request for proposals and selection of entrepreneurs; (ii) preparation of training and support materials; (iii) business plan workshops; (iv) development of business plans; (v) business management workshops; (vi) support and technical assistance in the implementation and strengthening of businesses; (vii) workshops on information and communication technologies; (viii) financial guidance; and (ix) follow-up and monitoring of organizations for implementing the transferred methodology; and (x) youth entrepreneurship events laying the groundwork for a favorable ecosystem, with the participation of civil society and government.
- 2.21 Expected outcomes include: (i) 36,800 youths who will receive training on preparing a business plan, a tool that will help them to decide whether to develop the business; (ii) 14,720 business plans completed and supported; (iii) 11,040 youths who receive training for phase 2; (iv) 9,384 youths who will receive advice on implementing management tools for their businesses; (v) 6,006 youths who use business tools in their businesses; and (vi) 1,500 youth entrepreneurs who gain access to venture capital.

²⁵ The seed capital does not represent the entirety of the investment that the young entrepreneur requires to implement the business, since the young person must invest at least a similar amount in the business. According to the most recent data from the INEI-ILO survey of young people (2009-2011), the average investment made by young Peruvians is US\$921. However, nearly 80% are below this amount, with the median amount being US\$111. The project is expected to focus on young people with an average of US\$450 in their own capital, which together with seed capital of a similar amount would provide US\$900, very close to the current amount. In this way, by being between the 20% and 30% of young people who make the highest investments, their chances of remaining in business or growing are much higher.

Component IV: Tools for entrepreneurial dynamism. (MIF: US\$0; Counterpart: US\$79,200).

- 2.22 The objective of this component is to develop a set of strategic actions and tools contributing to innovation in the creation of youth enterprises as a result of lessons learned and recommendations from the agenda. Based on the needs identified by the CID for achieving greater impact and sustainability in programs promoting youth entrepreneurship, the CID's experience has shown that training and support for enterprises are important but not sufficient to ensure long-lasting results that will allow young people to be entrepreneurs and develop sustainable and successful companies. For this reason, not only must the most innovative strategies be found to allow youths to better assimilate techniques, they must also be given access to other things such as financing that are critical once their companies have been established.
- 2.23 The activities in this component are as follows: (i) creation of a virtual space to facilitate communication, collaboration among entrepreneurs, promotion of their products, market analysis, and possibly electronic trade of their products; (ii) strengthening of the mentoring program for entrepreneurs;²⁶ (iii) convening and selecting entrepreneurs and professionals with extensive experience who will donate their time to be mentors for young entrepreneurs and conduct the mentoring program; and (iv) in alliance with a financial institution, a study will be conducted and validated and pilot financial products will be launched to support the development of youth-driven businesses.
- 2.24 Expected outcomes include: (i) a new CID virtual space for promoting the entrepreneurs; (ii) 400 youths who will receive support from mentors;²⁷ (iii) two financial products created or adapted to the needs of young entrepreneurs; and (iv) 500 youths who gain access to a loan tailored to their needs.

Component V: Knowledge and communication management strategy. (MIF: US\$120,081; Counterpart: US\$77,000)

- 2.25 The objective of this component is to document, systematize, and communicate the outcomes and lessons learned from the project in order to publicize an intervention methodology for promoting sustainable youth enterprises that can be replicated and scaled. The knowledge gaps to be addressed by this project are how to scale an effective entrepreneurship methodology for poor, vulnerable youth, while maintaining the quality of the services provided, and what financing products are most effective for young entrepreneurs.

²⁶ In the context of the Regional Employment Program, Youth Business International will transfer to the CID the methodology for creating and conducting the mentoring program. It will target primarily young entrepreneurs who demonstrate conditions for strong business growth and will aim to provide greater security and sustainability for the businesses.

²⁷ Only 400 young people will receive support from mentors inasmuch as this is considered a pilot activity in the project. The regional program will transfer this methodology to the CID, as it is not currently part of the CID's know-how.

2.26 The following audiences have been identified for purposes of dissemination and communication of the knowledge and experiences generated by the project:

- (i) NGOs interested in improving their intervention methodologies for generating youth enterprise programs or projects with better outcomes and impact.
- (ii) Governmental authorities (Ministry of Labor and Employment Promotion, regional, provincial, and district governments) interested in supporting and/or executing youth entrepreneurship programs on a coordinated basis.
- (iii) Private sector companies (including financial institutions) interested in supporting projects promoting youth entrepreneurship as well as having a network of local providers able to meet the companies' goods and services needs.
- (iv) Educational institutions interested in incorporating within their educational offerings training and support services on business management for youth enterprises.

2.27 The principal channels for reaching these audiences will be: workshops, face-to-face meetings, specialized events, printed materials. This approach will be put into effect by contracting communication and dissemination specialists.

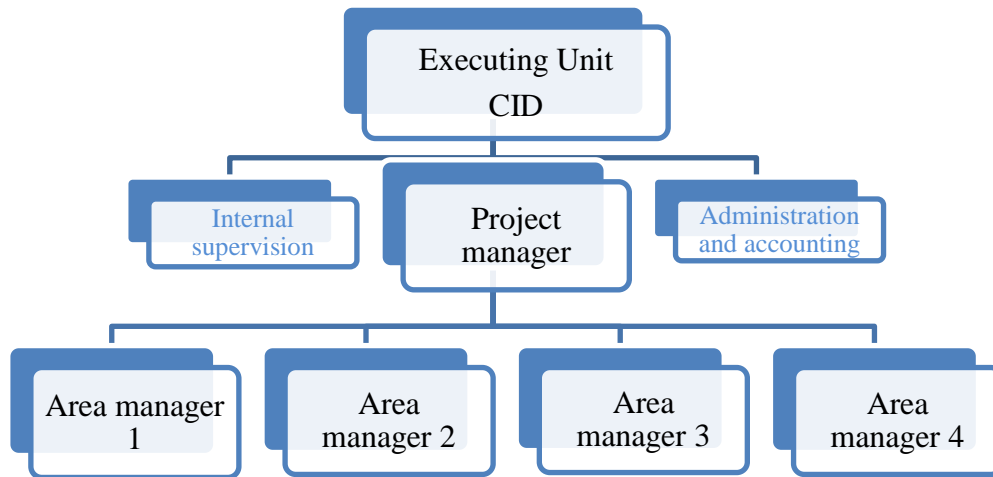
2.28 For purposes of meeting the knowledge requirements of these audiences, the following knowledge products will be developed:

- A series of case studies on youth entrepreneurship made up of four specific case studies—one for each of the project's intervention areas—making it possible to identify what does and doesn't work in the methodology used to generate entrepreneurship, to draw lessons learned, and systematize the experiences.
- Two events (workshops) with governmental authorities, private companies, and civil society institutions, for presenting the outcomes and lessons learned from the project in each of the intervention areas.
- A methodological guide for systematizing the phases of the CID intervention model and documenting the process of transferring this model to other organizations and professionals involved in youth entrepreneurship.
- A project factsheet with basic information on the project, the intervention strategy, outcomes achieved, contact information, etc. This instrument will be updated annually.
- Audiovisual material (two videos) to raise awareness and disseminate project outcomes.

D. Project governance and execution mechanism

2.29 This project will be managed by an executing unit consisting of a project manager, an advisory committee, an administrator, a monitor, and four assistant

managers. This executing unit will have an advisory committee made up of representatives of the companies cofinancing the project, a government official,²⁸ and an expert in youth entrepreneurship. The role of the committee is to provide guidelines and advice to support achievement of the project's established objectives. The project will be executed in eight regions, through four area managers (each responsible for two neighboring regions). This will ensure the proper execution and monitoring of the project's activities (see figure).



- 2.30 The executing unit will be responsible for the overall management of the project in the financial, administrative, and technical areas as established in the Operating Regulations; the operational monitoring of project activities; the design, implementation, and execution of the annual work plan; procurement and contracting, including preparation of the terms of reference; supervision and coordination of consultants hired; control of budget management and processing; submission of administrative and technical reports to the Bank and the MIF; and coordination of actions as necessary with the project's various stakeholders.

E. Sustainability

- 2.31 The project seeks to strengthen local organizations and authorities as sustainability and ownership mechanisms. It is expected that good practices and procedures developed in this project can be transferred to public and private organizations interested in promoting youth entrepreneurship.
- 2.32 The strategies for contributing to the project's sustainability include: (i) carrying out actions to lay the foundations needed to foster a local and regional ecosystem with the primary objective of promoting sustainable youth entrepreneurship;

²⁸ A government official will be selected from one of the project's territories with a background and demonstrated commitment to the promotion of youth entrepreneurship.

(ii) transferring methodology and building competencies in the ecosystem's organizations that are interested in or have been implementing programs to promote youth enterprise; municipalities, NGOs, technical education centers (CETPROS), business associations and networks, etc.; and (iii) technical strengthening of independent professionals and staff of organizations in the ecosystem on subjects related to policies for promoting, encouraging, and coordinating youth entrepreneurship programs.

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

2.33 Prior work done by the MIF in the area of entrepreneurship, including the project "Promotion of youth entrepreneurship in the northern macroregion of Peru" (ATN/MH-8543-PE) executed by the CID, provides a series of lessons learned that have informed the design of this project.

2.34 **Provision of integrated support, including personalized coaching ("advisors").** This coaching was the distinctive characteristic of the preceding project, distinguishing the CID from other entrepreneurship programs, and is to a large part responsible for the project's positive effects.²⁹

2.35 **Development of knowledge on youth entrepreneurship.** The evidence on what does and doesn't work in the area of youth entrepreneurship is still limited. This project has a knowledge component that will generate evaluations, studies, processes, and tools that will contribute to a better understanding of the needs and aspirations of entrepreneurs and help to better channel resources for improved impact. Since it falls under regional program RG-M1240, the project will benefit from knowledge produced in other similar initiatives, as well as the technical strengthening it will receive through that program.

2.36 **Processes for targeting and selecting young beneficiaries.** Identifying those participants who are more likely to develop a sustainable enterprise is still a challenge. The use of experimental approaches for identifying project participants may help projects find youths with promising entrepreneurial characteristics and behaviors such as innovative thinking, leadership, a results-based approach, and passion.

2.37 **Create institutional conditions for the scaling of initiatives of this type.** Access to financial services. Most young entrepreneurs start their businesses by investing their own resources and the resources of family members, friends, or individual lenders. This clearly limits their chances of success. One of the most common requests made by young people is their need to obtain outside financing, which is very difficult since they have no business experience that a financial institution could evaluate. The proposed project incorporates a financing component, planning to establish alliances with financial institutions to develop suitable products.

²⁹ Mentoring is the free service provided by entrepreneurs and professionals with extensive experience depending on the availability of mentors. Advisory services refer to professionals contracted by the CID at a specific cost per hour of advisory service.

G. MIF additionality

- 2.38 Nonfinancial additionality: The project will benefit from the MIF's experience in entrepreneurship topics and the scaling of successful models and its partners. Since the project is framed within the regional program (RG-M1240), which is based on close collaboration between YBI, responsible for its execution, and the MIF, the project with the CID will benefit from the services, knowledge, alliances, and experiences generated through the regional program, and will also provide important knowledge components, particularly those related to the scalability of entrepreneur support programs.
- 2.39 Financial additionality: The MIF has been a key partner in the CID's institutional growth, projects ATN/MH-8543-PE, ATN/ES-11885-PE, and SP/ES-09-13-PE, previously financed by the IDB-MIF, the financial support for developing the methodological guide for the design and execution of youth entrepreneurship promotion programs: the CID model, and thus has made a substantial contribution so that with this project the CID will be able to transition to a second tier institution. Without MIF financing, this project could not be implemented at the proposed scale.

H. Project outcome

- 2.40 The expected outcome is to lay the foundation for ecosystems that provide comprehensive services with greater coverage and quality and that are conducive to the promotion of the enterprises of poor and vulnerable youth. The project expects to achieve: 7,507 businesses created and strengthened, headed by poor and vulnerable youths; 36,800 young people with enhanced business and technical skills; 16 institutions having achieved accreditation in the CID model under the project and that are providing services for youth enterprises; 4 regional networks promoting youth entrepreneurship implemented under the agreed upon work plan; incorporation of a monitoring unit in the organic structure of the CID to provide support to the regional organizations and networks certified and supported by the CID; 1,126 youth entrepreneurs who have access to loans from the financial system.
- 2.41 The project will also help further the regional program's knowledge agenda by developing the aforementioned knowledge products, including a series of case studies on youth entrepreneurship made up of four specific case studies and a methodological guide to systematize the phases of the CID's intervention model and document the process of transferring this model to other organizations and professionals involved in youth entrepreneurship.

I. Project impact

- 2.42 The anticipated impact is an increase in the number of successful and sustainable enterprises in eight regions of Peru: 5,255 businesses developed by vulnerable youths that have been in operation for more than two years; 9,910 new jobs created thanks to the project; 5,255 businesses created, strengthened, and incorporated in

the formal tax system; 6,006 youth entrepreneurs with increased incomes (60% who create new businesses and 40% who strengthen their businesses); and a 50% survival rate for vulnerable youths' enterprises, supported by the organizations applying the CID model, in at least four areas of intervention at the end of the project.

J. Systemic impact

- 2.43 The project will contribute to systemic change by laying the foundation for ecosystems that promote the development of youth entrepreneurship. The aim will be for at least four public and private institutions to collaborate on and develop policy proposals and joint actions, coordinating them so as to promote sustainable youth entrepreneurship programs in their territories, to generate sustainable and scalable models based on the methodology transferred by the CID. Through the financial component, the aim is for at least four financial institutions to become interested in and implement financial products created and validated by this project.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** The CID will coordinate with the "Jóvenes a la Obra" program to obtain the database developed by this program on youth beneficiaries in the localities/regions where the project will be carried out, in order to generate its own baseline for defining the beneficiaries' current situation. A set of variables will be collected including: personal data, educational level, current status and income, access to loans, business idea, line of business, status of business idea, capital to invest, aspects relating to family environment, motivation for entrepreneurship, etc.
- 3.2 **Monitoring.** The evaluation and monitoring system will be designed at the beginning of the project. During the project, processes and outcomes will be monitored at the level of the program as a whole and with respect to the youths in particular. In addition, contextual conditions will be monitored. The system will use tools such as: records of activities or minutes, interviews with stakeholders and beneficiaries, direct observation, surveys, and attendance lists. The monitoring by the executing agency of the organizations and professionals adopting the CID model can be used to measure the outcomes of replication. Monitors and evaluators will conduct field visits to interview organizations and youth entrepreneurs. Ideally, CID model recipients will take ownership the CID's intervention strategy and tailor it to their organization.
- 3.3 **Evaluations.** Two evaluations will be conducted, a midterm evaluation and a final evaluation upon completion of the project. The Bank will prepare the terms of reference and will conduct the selection process for the evaluators. This process will be coordinated with the regional program, inasmuch as information must be collected on the effectiveness of the regional approach used in the project, and research questions and the scope of these evaluations will be coordinated. As for the evaluation questions, besides the project objectives and the purpose of the

evaluation, there are five considerations that all data gathering operations will bear in mind:

- **Relevance:** Are the proposed project and the CID methodology in particular the most appropriate for the situation targeted for improvement?
 - **Effectiveness:** Have the project's purpose and objectives been achieved?
 - **Efficiency:** Have we used the appropriate resources in the best way possible? What could have been done to improve their use and facilitate their sustainability?
 - **Sustainability:** To what extent has the project contributed to the organization's long-term achievements? Will positive impacts continue to be obtained after completion of the project? Will the project be sustained in the various regions on a comprehensive basis: in economic-financial terms, technically and institutionally?
 - **Replicability and scalability:** Can the model transferred from the CID be replicated in Peru and the region?
- 3.4 The project could be subject to an impact evaluation of youth entrepreneurship support models developed in the country, which would allow the comparison of several methodologies, the identification of best practices, and the analysis of the elements of each of the contexts.
- 3.5 Closing workshop. At the proper time, the executing agency will organize a **closing workshop** to evaluate the results achieved together with other stakeholders, identify additional tasks for ensuring 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 has a total cost of US\$6,076,720, US\$2,151,700 of which will be contributed by the MIF and US\$3,925,020 of which will be contributed by the counterpart. The execution period will be 42 months and the disbursement period will be 48 months.

Components	MIF	Counterpart	Total cost (US\$)
Component I: Foundation for generating ecosystems favorable to youth entrepreneurship (the CID as a second tier entity)	69,439	50,000	119,439
Component II: Strengthening the providers of youth entrepreneurship services	414,000	170,100	584,100
Component III: Supply of entrepreneurship services	1,235,680	2,456,720	3,692,400
Component IV: Tools for entrepreneurial dynamism		79,200	79,200
Component V: Knowledge and communication management strategy	120,081	77,000	197,081
Project management	212,500	1,092,000	1,304,500
Subtotal (US\$)	2,051,700	3,925,020	5,926,639
Agenda account	20,000		20,000
Impact evaluation fund (5%)	50,000		50,000
Audit	30,000		30,000
Total (US\$)	2,151,700	3,925,020	6,076,720

V. EXECUTING AGENCY

- 5.1 The CID is a nonprofit institution created on 1 June 1990. Since that time it has specialized in serving entrepreneurs and business creators, particularly young people, to whom it provides information, guidance, training, advisory services, and financing. Its mission is to improve and strengthen the business competencies of entrepreneurs, particularly those who come from the most vulnerable sectors of the population, providing them specialized and interrelated services in: training, support, and instruction for the development of their management skills. Its objectives are to improve the business competencies of male and female entrepreneurs as well as their circumstances; to promote the creation of sustainable businesses for generating jobs; to strengthen the local and regional business climate through strategic alliances with different stakeholders; and to promote the incorporation of an entrepreneurial culture in the mentality of young people. It has extensive experience working on gender issues: women account for 65% of the total number of beneficiaries and men for 35%.
- 5.2 The CID works in Peru in the regions of Piura, Tumbes Cajamarca, Lambayeque, Huánuco, Pasco, Junín, Huancavelica, Ancash, Ayacucho, Lima, Ica, Arequipa, Puno, Cusco, and Apurímac. It has 10 years of experience in training other government organizations (ministries and local governments) and NGOs, both inside and outside Peru. In this way, it is building a network of first and second tier supporting institutions that execute the CID methodology and know-how. In addition, various organizations have asked to replicate its intervention strategy in Costa Rica, El Salvador, Nicaragua, Honduras, Panama, and the Dominican Republic.
- 5.3 As a pioneering institution on the subject of entrepreneurship, the CID has achieved significant international and national recognition: Award for excellence

in enterprise development services granted by the IDB in 2007 and 2012, as the best program supporting youth entrepreneurs in Latin America; first place in the competition “Good practices and innovative experiences in the area of youth employment and migration” granted by Peru’s Ministry of Labor and Employment Promotion (2009) and “recognition as an outstanding entity in the provision of nonfinancial enterprise services for youth” in the competition organized by the IDB and UNESCO on best practices in youth policies and programs in Latin America (2009).

VI. PROJECT RISKS

- 6.1 **External risks:** Changes in the country’s regulatory framework leading to increased restrictions for starting a new business. To mitigate this risk, personalized counseling is planned for both the organizations and the entrepreneurs themselves in order to take these risks into account and anticipate them.
- 6.2 **Financial risks:** (a) The project could fail to achieve the required level of counterpart financing. The level of commitment obtained from the private companies that are supporting the project is adequate. In addition, in their social responsibility plans, they have expressed support for youth entrepreneurship programs, and they are also interested in participating in a project where the MIF is one of the financing entities. All of these aspects would mitigate the risk; (b) financial institutions fail to appreciate the opportunity for investing in young entrepreneurs, limiting access to formal financing. The feasibility study to be developed at the start of the project and the commitment of at least two financial institutions would minimize this risk.
- 6.3 **Sustainability risks:** (a) Delays in the selection of organizations and professionals interested in the CID methodology would seriously impact fulfillment of the project’s targets and indicators. To mitigate this risk, plans have been made for the timely identification of the criteria for selecting the localities/regions where the project will be implemented as well as the process for selecting both the beneficiary institutions for the methodology transfer and the professionals interested in participating in the project. In addition, awareness-raising activities on the benefits of the project are essential; (b) institutions are not interested in implementing the CID model, and the ecosystems conducive to youth entrepreneurship do not materialize. Planned mitigating actions include advocacy actions to highlight the importance of supporting the youth entrepreneurs and the continuity of the policies established.

VII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 7.1 No adverse environmental and social side effects of any kind are anticipated. The project will have an impact on vulnerable youth and their environment, so that the only social effect that can be anticipated is a positive one.

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 Results-based disbursements and fiduciary arrangements. The executing agencies will commit to the standard MIF arrangements regarding results-based disbursements, procurement, and financial management specified in Annex 8.

IX. ACCESS TO INFORMATION

- 9.1 Access to information. Information on the project is not confidential under the IDB Access to Information Policy, with the exception of publication of the institutions' strategic and marketing plans.