

## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SUMMARY

1. **Country:** Guatemala
2. **Project number:** GU-G1010
3. **Name of Project:** SOCIAL IMPACT INCENTIVES (SIINC) FOR 21ST CENTURY SKILLS AND JOB RETENTION FOR VULNERABLE YOUTH
4. **Executing Agency:** Programa Valentina S.A
5. **Borrower:** Programa Valentina S.A
6. **IDB División:** Multilateral Investment Fund (MIF) – IDB Lab
7. **Financing amounts:**

	<u>IDB US\$</u>	<u>LOCAL US\$</u>	<u>Total US\$</u>
Social Impact Incentive (SIINC):	<u>300.000</u>	<u>500.000</u>	<u>750.000</u>
Total:	300.000	500.000	750.000

### 8. Objective and purpose of the project:

This project aims to help the most vulnerable youth participating in Programa Valentina's skills training and certification program who are defined as profile D, to increase both their probability to be placed in formal jobs and to be working after one year of being certified by from the program. At the same time, the purpose of the project is to help Programa Valentina attract capital investment in their next round of financing in order to scale its impact.

### 9. Project Components:

#### *Non-reimbursable Technical Cooperation*

Social Impact Incentives (SIINC) are a funding instrument that rewards high-impact enterprises with premium payments for achieving social impact. The mechanism operates based on the company (executing agency) generating social impacts for a defined period of time and reporting them to the independent verifier, which examines whether the Impact Performance Indicators (IPIs) agreed upon for that period were met and determines the sums that the impact payor should disburse to the social enterprise. Payments are made in parallel with the revenue the company earns through its operations and thus the company's social performance is directly linked to its returns, making the company attractive to local and international impact investors.

With this operation PV will continue to implement specific actions to improve its impact on young women, by strengthening three key aspects that contribute to women dropping out or not being able to take advantage of training and job opportunities. One is to improve the negotiation skills of young women with their families, as they have less autonomy than young men and are generally more protected, due to the high levels of insecurity in public transportation and general violence towards women. Early engagement with families and support groups to increase safety to go to the training will also be implemented. Second, PV will continue to improve the standard learning content with a stronger gender lens footprint, for instance exemplifying the role of women in positions of

supervision and power. Lastly, the issue of sexual abuse and harassment at the workplace will also be strengthened, by training mentors and trainers.

**Emergency funds and additional outcome metrics.** US\$50,000 of total budget were added to compensate PV from the lost revenues of the impact placement fee they normally charge to companies, which PV decided to waive due to the COVID-19 pandemic, as companies are not able to pay the placement fee or are less likely to hire certified graduates because of this additional cost. PV would be eligible to claim premiums for the achievement of the following outcomes related to the new outplacement program (see paragraph 3.19 and 3.20 business performance and strategy): (i) US\$300 for every person placed and (ii) US\$50 for every upskilled person part of the outplacement program plus US\$250 if this person is hired. The measurements would be performed on a quarterly basis and will last for two measurement periods, i.e. a total of six months. The emergency funds would be essential to support the work of PV in the short-term and put it on the growth path it was on before the COVID-19 crisis.

**Project innovation:** the innovation in this project is the new Social Impact Incentives (SIINC), which contribute to improve profitability and attract investment to scale. Thus, SIINC can effectively leverage public or philanthropic funds to catalyze private investment in underserved markets with high potential for positive impact.

Programa Valentina's data and analytics platform allows the most efficient program in the market for skills training, certification and placement. Valentina's bootcamp style training, is a part-time, in-classroom model, that simulates the work environment, where participants are certified in market-driven soft skills and tech skills using over 1,000 data points, all done in six weeks in less than 100 hours. These data points are then used to match each certified participant with job openings to make sure it's the best fit for both the certified participant and the hiring company.

## **10. Project Beneficiaries:**

Programa Valentina works with vulnerable populations defined as: low income young Guatemalans who are unemployed, underemployed, and/or are part of the informal economy; between the ages of 16-29, indigenous and non-indigenous, living in marginalized urban and rural areas, at risk of migrating; the majority of which are women.

PV has also piloted interventions with other excluded groups, such as youth living on the streets, with a partnership with NGO's and a local supermarket chain, and returned migrants, in partnership with organizations like IOM and AVINA Foundation. In both cases, PV helped certified their skills understanding that their lives force them to develop different skills that were very beneficial for a formal job.

PV categorizes its participants in four different profiles: A, B, C, and D based on the data gathered during the admissions process. Group D is defined as "Deficient" in their results for the Terman psychometric evaluation, in which it measures the individual's capacity to learn and their intellectual quotient. The data collected in these past three years has shown that group D are usually youth from rural areas, with a poor education and/or little to no access to internet, indicating their low socioeconomic status; hence, group D is the most vulnerable of all the groups trained.

## **11. Expected results and capture of benefits:**

The project's main beneficiaries will be the most vulnerable youth served by PV. The SIINC will allow PV to experiment with different ways to reach these students, and eventually settling on a model that is both profitable and impactful. It is estimated that by the end of year three, PV will increase the percentage of this group of beneficiaries youth placed out of the total placed of all groups from 16% to 30% and will also increase the percentage of group D who are employed after one year from 80% to 85%. Additionally, PV will track the percentage of women in group D, the percentage of youth from ethnic backgrounds in group D, total number of participants placed, total number of group D placed.

In the first semester of implementation, the SIINC will also allow PV to recover the lost revenue due to the impact of COVID-19 on companies' ability to hire new employees, by claiming additional payments when PV places certified students, trains and upskills outplacement students and places outplacement students in new jobs.

The Project will benefit Programa Valentina in financial terms improving its cash flow / accounts receivable with the expected impact payments during f the life of the SIINC transaction. At the same time, the improved social performance will improve the profitability of Programa Valentina, making it more attractive to prospective impact investors in their next capital fundraising round. At this point, it is expected that the impact payments will no longer be needed, and that PV will have established a profitable business model and will be able to attract new investors based on their ability to be profitable.