



Social Entrepreneurship Program

Expires: 17 December 2003

AT-1294

10 December 2003

Original: Spanish

To: The Board of Executive Directors
From: The Secretary
Subject: Guatemala. Executive summary of a proposal for nonreimbursable technical-cooperation funding for social and economic integration of young people at risk in marginal urban areas

Inquiries to: Mr. Fernando Campero (extension 1512)

Remarks: This operation is presented in accordance with Resolution DE-183/98 authorizing the "Reform of the Small Projects Program and creation of a Social Entrepreneurship Program," and meets the criteria established in document GP-75-9.

On **17 December 2003**, the date on which the five-day circulation period required for this document expires, the President, or such officer as he may designate, will approve this operation.

Reference: GP-75-9(11/98)

**Other
distribution:** Representative in Guatemala

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GUATEMALA

SOCIAL ENTREPRENEURSHIP PROGRAM

SOCIAL AND ECONOMIC INTEGRATION OF YOUNG PEOPLE AT RISK IN MARGINAL URBAN AREAS

(TC-02-12-00-5-GU)

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**SOCIAL ENTREPRENEURSHIP PROGRAM:
SOCIAL AND ECONOMIC INTEGRATION OF YOUNG PEOPLE AT RISK IN
MARGINAL URBAN AREAS**

(TC-02-12-00-5-GU)

EXECUTIVE SUMMARY

Executing agency: Asociación Grupo Ceiba

Amount and source:	IDB nonreimbursable technical cooperation funding:	US\$237,000
	Local counterpart:	<u>US\$ 50,000</u>
	Total:	US\$287,000

The Bank resources will be drawn on the net income of the Fund for Special Operations in local currency.

Terms and conditions:	Execution period:	36 months
	Disbursement period:	42 months

Problems to be addressed: The fast pace of urban growth over the last decade (3.8% annually) has brought about a number of social, economic, and cultural imbalances in Guatemala's major cities. About 300 neighborhoods and communities are found concentrated in the Metropolitan Guatemala City (AMG) area. These mainly irregular settlements are home to approximately one million persons living in precarious conditions with few basic services, rising crime and violence, and widespread poverty. These imbalances affect mainly young people who are amongst the most vulnerable groups in the population. Some 48.4% of children and young people in Guatemala are in the country's lowest income quintile and more than 4,000 young people live in the streets.

"El Limón", a neighborhood on the outskirts of the AMG, with 50,000 residents, is notorious for its lawlessness and the breakdown of its social fabric. The area is characterized by a general absence of gainful employment and sources of income generation. The residents sustain themselves as casual domestic help, in family microenterprises, as street vendors, or by begging in a climate of permanent labor unrest. In this setting, many young people, finding themselves barred from the formal educational system, turn to

violence, drugs, and juvenile delinquency as alternative sources of income or as an escape from reality, and this ruins any chance they might have of integrating into society and engaging in economic activities that are legal and socially acceptable.

The young people in “El Limon” and the surrounding communities are amongst the AMG’s most vulnerable social groups and are more at risk of engaging in illegal activities. One of the main reasons for this state of affairs has been the lack of opportunities and models that would enable them to pursue economic activities offering decent work or employment so that they can contribute to the family income. The absence of learning centers and alternatives for technical training that would help these young people integrate into the economy through employment or business opportunities has only aggravated the problems previously noted. The few training centers that do exist for young people in and around the AMG generally have poorly structured curriculums, with out-of-date teaching. They are also very expensive with strict entrance requirements and schedules that are ill-suited to the needs of young people at risk such as the inhabitants of El Limon. The course material offered to these young people is often for trades for which there is little market demand, thus further fueling the graduates’ endless sense of frustration.

Furthermore, the few young people who receive training or have an aptitude for business are unable to obtain any guidance on the labor market or support and financing for setting up a microenterprise of their own. They also face additional restrictions on access to capital and technical assistance services, which reduces the possibilities of economic integration.

Objectives:

The general objective of the project is to assist with the social and economic integration of low-income young people at risk in “El Limon” and other areas in the vicinity of Guatemala City under a pilot alternative training program and career guidance that develops their technical, business, and professional skills.

The specific objectives are (i) to provide young people at risk with technical training suited to their needs; (ii) to help young people find employment or set up businesses of their own; and (iii) to improve CEIBA’s institutional capacity to carry out the project and develop its own programs in support of young people at risk.

Description:

The nonreimbursable technical-cooperation funding will be divided into three components (i) alternative training for young people;

- (ii) assistance for young people in entering the labor force; and
- (iii) institutional strengthening of CEIBA.

1. **Alternative training for young people (Bank US\$124,250; Ceiba US\$23,600).** The proceeds of this component will be used for an alternative training program for young people at risk in “El Limon” and nearby communities to enable them to engage in a productive economic activity. It is estimated that 220 young people will benefit from this component. The training will be offered in information technology in areas where market demand has been identified and will also encompass “cross-cutting” topics that include business administration and management, entrepreneurship, and civic responsibility, using a methodology suited to the target population.

The project-financed technical training will cover the following phases (i) intermediate training in information technology (Intermediate Technical Training Program) that will be offered at CEIBA’s facilities in El Limon, together with courses on management and civic responsibility; and (ii) an advanced phase *specialized training* for graduates of the intermediate training program who satisfy the requirements for enrollment. Young people may take these courses at specialized information technology training institutes (ICEI) that offer advanced technical courses. The specialized training phase will be carried out under a Youth Specialized Technical Training Study Grant Program (Study Grant Program), to be administered by CEIBA.

This component will support the following activities: (i) developing a curriculum and an alternative training methodology with the general content of the main branches of the information technology teaching module and the curriculums of cross-cutting modules that will include: (a) training in entrepreneurship and business management; and (b) social aspects and attitudes that endow young people with the psychological and social tools for dealing with the challenges associated with their situation of poverty; (ii) developing a strategy to promote and disseminate information on the alternative training activities fostered under the project that will include: (a) an assessment of the expectations and academic aptitude of the youth population targeted in El Limon, and (b) a survey of their capacity to pay, which will serve as a parameter for setting the prices CEIBA charges for the training courses; (iii) promoting a community program that includes organizing workshops for youth focus groups; (iv) sensitizing instructors to pedagogical methods for

working with young people at social risk who are living in poverty; (v) developing the intermediate technical training program through courses imparted by qualified instructors hired by CEIBA (companies or individuals) to give the courses; (vi) preparing the final design of the Study Grant program and implementing it; and (vii) procuring computer software and hardware and teaching materials for the training.

2. **Assistance for young people in entering the labor force (Bank US\$31,150; Ceiba US\$14,900).** The purpose of this component is to set up an Entrepreneur and Worker Guidance and Support Office (OSALE), within CEIBA to help young people find employment, set up a business, and market their services; (i) the design of an organizational structure and development of an OSALE business plan that includes strategies for: (a) ensuring that the office is financially self-sustaining; (b) providing services to young people from “El Limón” to enable them to integrate more easily into the work force; (c) developing a network of socially responsible businesses and organizations to assist young people; and (d) encouraging companies to consider young people for possible employment; (ii) development of a marketing plan and promotion of events that help CEIBA to inform potential service takers in the market about the scope of the project and the qualified services that these young people have to offer; (iii) technical assistance for establishing partnership mechanisms with private information technology companies and systems for securing their support for young people in “El Limón”; (iv) design and update of a database, for registration of information on job seekers (young people trained under the project), employers (businesses, NGOs, etc.), support service providers for young people and microentrepreneurs and socially responsible businesses; and (v) engagement of an individual to run the office and make the support services available to young people.
3. **Institutional strengthening of CEIBA (Banco US\$47,500, Ceiba US\$11,200).** The purpose of this component will be to strengthen CEIBA’s institutional capacity to carry out the project and to develop programs of its own in support of young people at risk. To this end, the Bank’s financing will be used (i) to hire a project director to be selected in accordance with Bank procedures; and (ii) to perform a diagnostic assessment and make recommendations on improving CEIBA’s accounting and internal audit procedures. The local counterpart funding, which will be supplied by other donors, will be used (i) to design a

strategy and institutional business plan based on the activities initiated under the project and advisory assistance for the CEIBA administrative team in the areas of administration and management; (ii) to draft rules and regulations for CEIBA's board of directors and to train the latter to participate actively and effectively at this level of decision making; and (iii) to assist with the design and implementation of efficient management and administrative procedures.

Social and environmental and review:

The Committee on Environment and Social Impact reviewed this operation on 31 May 2002. The Committee's recommendations were taken into account in preparing the technical-cooperation proposal.

Beneficiaries:

The direct beneficiaries of the project will be about 220 young men and women between the ages of 16 and 24 from low-income families in poor neighborhoods of Guatemala City, specifically "El Limon" and other vulnerable communities nearby that CEIBA serves. These young people are at risk of drug addiction and delinquency. The project is expected to benefit men and women equally. The indirect beneficiaries will be the families of these young people and the community in general which will benefit from improvements in the economic capacity of its young people and a lower incidence of socially unacceptable behavior.

Risks:

The following risks are associated with the project: (i) the beneficiaries may have trouble finding jobs despite their technical training and the change in attitude simply because they are from areas that are notorious hotbeds of crime and businesses are disinclined to hire them; (ii) the project may not be the really suitable for young people at risk in the project area, a factor that would undermine demand for the services being offered; (iii) the young people because they lack discipline or proper incentives may drop out of the training programs, and fail to achieve the desired level of technical training; and (iv) upon conclusion of the program, it may not be possible to secure supplementary financing to expand the services for young people.

To mitigate these risks (i) funding will be provided for a marketing and promotion plan to help CEIBA contact potential employers on the scope of the project and seek business partnerships by promoting the concept of social responsibility whereby giving employment or business opportunities to young people is not viewed as a simple contract but as a contribution to society and a means of reducing the delinquency rate; (ii) the beneficiaries will be encouraged by their leaders to participate actively in designing training curriculums and

mechanisms for implementing the project and structuring OSALE through workshops, focus groups, and the participation of young people on the Study Grant Program Qualification Committee and other project bodies; (iii) the project design will include selection mechanisms for incorporating young people who are more stable and have more likelihood of success into the project as well as incentives for retaining young people in the program that include the possibility of providing financing for specialized courses for graduates of the intermediate level and reimbursement of part of the study grant costs as a penalty for dropping out of the training program; and (iv) international experts will be engaged to help CEIBA establish contacts and develop mechanisms for cooperation with social responsibility programs of international private companies that promote training in information technology and access by young people to computer equipment. Every effort will be made to ensure that these programs finance a possible deepening of the activities initiated under the project or their replication.

**The Bank's
strategy with
the country:**

The Bank's strategy with Guatemala (document GN-2149-3) resides in supporting the government in its efforts to meet the challenges of sustainable economic development, with priority on the fight against poverty. The strategy rests on three pillars: (i) economic growth and competitiveness that includes promoting activities to integrate training, employment, and education to support the labor market; (ii) equity, social protection, and human capital development that encompasses actions to enhance social protection mechanisms for the most vulnerable groups; and (iii) governance and modernization of the State. The present project fits in with this strategy insofar as its actions are closely linked to the three pillars: (i) it will support worker training and the labor intermediation systems envisaged in this strategy by contributing indirectly to productive capacity; (ii) it will pursue equity and human capital development by helping to raise the income of a highly vulnerable social group such as the young people at risk in marginal urban areas; and (iii) it will improve governability by removing the reasons for conflict and violence and thus improve citizen security.

The present operation is also consistent with the mission and main targets of the IDB Youth Juvenile Scope and Development Program that the Bank is promoting in the region. The IDB Youth program has developed a network of young people across the region and created strategic partnerships with the public and private sectors to sponsor programs to assist enterprising young people that the present project will seek to apply to the young people in "El Limón".

Coordination with other official development organizations:

The project has been conceived with the knowledge of other cooperation agencies that develop projects for young people in Guatemala. The project team has been in touch with organizations such as the Canadian International Development Agency (CIDA), which administers the Children's Educational Development Fund (FODE), of Canada; the nongovernmental organization "Centre Amitié de Solidarité Internationale" (CASIRA), of Canada, officials from the microenterprise and small and medium-sized business promotion program (PROMOCAP) of the German Technical Cooperation Agency (Gesellschaft für Technische Zusammenarbeit); and the Ford Foundation. Both the FODE and CASIRA are starting up projects with CEIBA that supplement the Bank's initiative.

Justification:

The project meshes with the policy of the Social Entrepreneurship Program (SEP), and is consistent with the criteria established in document GN-138-3 and document GP-75-9 of 23 November 1998, which entrust the SEP with authority for financing social and community development projects having a positive impact on sustaining poor and marginal groups. Also, in the context of the SEP policy, the project (i) directly benefits a population group, which is poor and highly marginal (the young people in "El Limon" and the surrounding areas) and which receives little in the way of assistance to improve its living conditions; and (ii) will help create employment opportunities and raise the income and well being of the beneficiaries, very poor young people who are out of the mainstream, and their families.

The project is justified because it will help create more opportunities for poor young people at risk for integrating successfully into the economy either as workers or running a business of their own since it will remove critical obstacles that have limited their capacity. These include (i) a lack of proper technical information on market demand and a broadly recognized level of qualification; and (ii) the absence of support services to provide guidance to young people on market opportunities.

The project will help to raise income and improve the socioeconomic situation of young people at risk in marginal urban areas as well as to reduce the incidence of gangs and drug addiction that are commonly found amongst this segment of the population and afflict the community as a whole. The present operation in the form of a pilot project will make it possible to test an intervention methodology with various innovative elements to help young people at risk presently being promoted by CEIBA, which could provide valuable lessons and

serve as an experiment in resolving the problems of marginality that beset this population group.

**Special
contractual
conditions:**

Once the agreement has been signed and the general contractual conditions have been fulfilled, the Bank will authorize the release of up to US\$5,000 for the purpose of engaging consultants to assist CEIBA fulfill the special conditions precedent to disbursement of the technical-cooperation funding.

As a condition precedent to disbursement of funding of more than US\$5,000 from the technical-cooperation component, CEIBA must demonstrate, to the Bank's satisfaction, that (i) it has a work plan that includes (a) the annual targets set for the project objectives and the anticipated results; and (b) a timetable for the project activities; (ii) the project director has been appointed; (iii) an initial base line had been prepared that quantifies in economic terms the income of the potential project beneficiaries; (iv) the terms of reference are available for the individual consultants to be hired during the first six months of the project; and (v) the Board of Directors has approved the Study Grant Program Regulations and the members of the qualification committee have been selected.

For disbursement of more than 30% of the technical-cooperation funding, CEIBA will be required to demonstrate, to the Bank's satisfaction, that it has complied with the following indicators: (i) the curriculums for the pilot alternative training program have been approved, instructors have been selected to give the Intermediate Technical Training Program, and the initial group of young people have enrolled in the program; and (ii) the OSALE marketing and business plans have been approved.

For disbursement of more than 60% of the technical-cooperation funding, CEIBA will be required to demonstrate, to the Bank's satisfaction, that it has complied with the following indicators: (i) the first group of at least 30 young people have graduated from the Intermediate Technical Training Program; (ii) at least 15 of the young people who were identified as qualifying for the Study Grant Program have applied for grants; and (iii) OSALE is functioning normally.

In addition, as evidence of improvements in their internal audit systems, CEIBA must demonstrate every year, within 120 days after the end of the financial period, that its Board of Directors has examined and approved the organization's financial statements and must submit a copy thereof duly signed by a certified public accountant.

Base line: CEIBA will be responsible for collecting and analyzing data relating to ongoing monitoring of project performance indicators and to ready assessment of its impact. At the outset, CEIBA will hire a consultant to design an indicator system to monitor and evaluate the performance of the project and its impact, and to establish a base line with initial parameters for measurement of indicators to supplement or update those set out in the logical framework. The indicator system will include the formats CEIBA will use for data collection and such information as the level of technical training, employment situation, and the young people's income level. The base line study will establish initial measurements for all indicators listed in the logical framework and any others that may be considered necessary. CEIBA will present the base parameters and proposed indicators to the Bank's Country Office in Guatemala (COF/CGU) for approval within three months after commencement of the project or such later date as may be agreed on with the Bank. Once agreement has been reached, these parameters and indicators, together with those contained in the logical framework, will be incorporated into the base line for monitoring project performance. CEIBA and the Bank will use the monitoring system and the indicators for project supervision and evaluation.

Reports: CEIBA will submit to the Bank within 60 days after the end of each six-month period, a project progress report and a report on the application of Bank funds. These reports must include: (i) the rate of advance of the project work plan and the extent to which the indicators have been met, as well as an account of the main successes and any difficulties encountered in achieving the targets and objectives in the current work plan; (ii) an update of the project work plan and the project indicators for the following 12 months, including any action taken to surmount the obstacles identified; (iii) information on the benefits flowing to young people in terms of training, guidance, and financing; (iv) information on project activities to sensitize young people to social, gender, and intercultural issues; (v) a statement showing how Bank financing and counterpart funding have been applied; and (vi) statistical information on activities supported by the different project components. The last of these reports, which will be the final report, must sum up the accomplishments of the project and the extent to which the original objectives have been achieved.

The Bank will review the content and results given in the report, and any recommendations made. If any significant shortcomings are encountered, the Bank may suspend any further disbursements until such time as CEIBA takes proper steps to correct the problems.

Within 90 days after the last disbursement, CEIBA will submit a financial report and project financial statements certified by an independent auditor acceptable to the Bank, showing how the Bank financing has been utilized. The financial statements must be prepared in accordance with Bank auditing policies.

Evaluations: The present project is a pilot alternative training program to bring about the social and economic integration of young people at risk. In evaluating the progress of the project and in taking any corrective steps that may be needed, a midterm evaluation will be performed when 40% of the project financing has been committed. This evaluation will assess the objectives that have been accomplished and the extent to which the indicators in the logical framework and the base line have been met. The scope of the evaluation will include: (i) the quality and relevance of the technical training that young people participating in the project have received and their attitudes (including gender and intercultural issues); (ii) the importance of the Study Grant Program to the specialized technical training for young people; (iii) the role of support and guidance services in helping young people to gain access to legitimate sources of employment as salaried workers or microentrepreneurs; (iv) the quality of the statistical information gathered by the executing agency; and (v) recommendations on improving project administration by the Bank and the executing agency.

Final evaluation: In the interests of documenting the experience and gauging the project successes, a *final evaluation* will be performed upon completion of the project. This evaluation will serve as a basis for systematizing the pilot project experiments and listing the lessons learned for use in future operations for this target population. The evaluation will concentrate on an analysis and teaching documentation of the process used by CEIBA, with a focus on the following factors: (i) the impact of the project on the target beneficiaries; (ii) the validity of the model CEIBA used to meet the desired objectives; (iii) the effectiveness of the mechanisms used in each component, (iv) the extent to which the program may be replicated; and (v) in general, the main accomplishments and shortcomings noted in project design and implementation as well as conclusions and recommendations on the possibility of replicating the project.

After each evaluation, CEIBA will organize a workshop to analyze the results, lessons learned, and the extent to which the project may be replicated. The workshops will be attended by members of the

community, beneficiary young people, the Bank, and other cooperants. Officials from the municipal and national government offices responsible for young people at risk will be invited to attend the workshops.

The Bank's Country Office in Guatemala will hire consultants directly to perform the evaluations envisaged with the technical cooperation funding budgeted for this purpose.

**Exceptions to
Bank policy:**

None.