

**MULTILATERAL INVESTMENT FUND  
PROJECT ABSTRACT**

**I. BASIC PROJECT DATA**

**Project title:** Corporate Social Responsibility to Develop Young Entrepreneurs  
**Project number:** RG-M1016  
**Country:** Regional (Argentina, Brazil, Colombia and México)  
**Beneficiaries:** The creation of at least 3000 new, viable businesses led by young individual entrepreneurs and the creation of approximately 6000 new jobs in the startup businesses.  
**Project team:** Daniel Shepherd (MIF), Team Leader; Marisa Vela (MIF); Mariel Sabra (COF/CAR); Kai Hertz (INT/RTC); Fabian Koss (EXR/SPE)  
**Executing Agency:** Fundación Impulsar  
**Financing plan:** MIF: Facility III-A: US\$ 4 million  
Counterpart: US\$ 4 million  
Total: US\$ 8 million  
**Tentative dates:** CRG – April 2004  
Donors Committee – June 2004  
**MIF Classification:** CSR / Entrepreneurship

**II. BACKGROUND AND PROBLEM STATEMENT**

**A. Entrepreneurship and its Importance to Economic Development**

- 2.1 Entrepreneurship is defined as the capacity to create and develop new business ventures. A recent 37-country study undertaken by the Global Entrepreneurship Monitor found a positive correlation between entrepreneurship and national economic growth.<sup>1</sup> Another significant finding is that of those entrepreneurs researched, 85% had started up with the support of informal networks of “family and friends.”
- 2.2 The Bank commissioned a study<sup>2</sup> regarding entrepreneurship in emerging economies that confirmed that the creation of new enterprises is an effective mechanism for improving economic performance and generating important opportunities for the developing the professional skills of the labor force. Among the principal recommendations of the Bank study was the need to formulate integrated strategies that develop the entrepreneurial process including business culture, business support networks, financing and entrepreneurial skills. The study also highlighted that contact networks are critical for new entrepreneurs to identify business opportunities to gain access to financial resources, supplies and know-how and to face the challenges and problems involved in management during the company’s early years. Among the more dynamic of the entrepreneurs, their networks tend to include other SMEs and executives of large companies.

**B. Corporate social responsibility and entrepreneurship**

- 2.3 Corporate social responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increases value added and thus improves the competitive position of a firm. Over the past decade, it has become clear that multinational corporations investing or doing business overseas must be good corporate citizens. As a result, many firms find themselves devoting considerable resources to education, health, family planning, environment and other similar programs that are not necessarily part of their core

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<sup>1</sup> Reynolds, P.D., Bygrave, W.D., Autio, E., Cox, L.W. and Hay, M. 2002. Global Entrepreneurship Monitor: 2002 Executive Report. Babson College, Ewing Marion Kauffman Foundation and the London Business School.

<sup>2</sup> Kantis, H., Ishida, M. and Komori, M. 2002 Entrepreneurship in Emerging Economies: The Creation and Development of New Firms in Latin America and East Asia. Inter-American Development Bank.

operations. In many sectors, industry groups concern themselves with conservation and community issues, as a means to secure a sustainable, environmentally sound, and profitable, community of suppliers of the higher quality product on which their industry depends. Many large companies are becoming interested in identifying ways in which they can provide support to local communities in which they operate, as a means to improve their supply chain and local conditions for its workforce.

**C. The Youth Business International model for developing entrepreneurs**

- 2.4 In 1983, The Prince of Wales founded The Prince's Trust in the United Kingdom, which began working with disenfranchised youth and their need for meaningful work. Business start-up was one solution to this problem. Since its founding, The Prince's Trust has helped over 65,000 18 to 30 year-olds to fulfill their ambitions, and has gained a world-wide reputation for creating sustainable youth businesses and giving young people greater self-respect, economic independence and improved employability.
- 2.5 The core principle of business mentoring has international relevance and applicability in different economies. In 1992, this model was exported to India where it has had similar success. To date, 20 countries have Youth Business International (YBI) programs, all based on similar methodology. Each was developed independently by local partners and was modified to reflect local conditions and needs. The same model has recently been introduced in China, where it is gaining ground and support at an accelerating rate. YBI works with this growing network to develop new ideas, exchange best practices and build partnerships between business, governments and civil society.

**D. Current problem in the region**

- 2.6 Lack of employment opportunities, especially among low-income youths between 18 and 30 years old remains a serious issue in the region. In most countries, youth unemployment is two to three times the amount of the national average. Current estimates are that at least 20% of these young people have the potential to become entrepreneurs yet less than 5% do. Young people are confronted by similar obstacles when attempting to start a new venture. Throughout the region access to financing is virtually impossible, as banks and micro credit organizations cannot take the risk of working with young people that are unable to offer collateral, guarantees or a track record of a working business. In many communities, close support for businesses during the critical initial two to three years of operating is not available. Moreover, in many countries, there is little encouragement or help offered to young people wanting to start their own businesses.
- 2.7 Other initiatives exist in the region to help tackle this problem, though the pervasiveness and chronic nature of this issue merits further attention and alternative approaches and strategies so that the skills developed result in real work opportunities for the young participants.

**E. The YBI model and entrepreneurship in the region**

- 2.8 In 1999, the Fundación Impulsar in Argentina was established for the purpose of helping young people to set up and manage their own business, particularly when the appropriate financial or practical help has not been available. The Fundación was accredited by YBI in 2000 (and re-accredited in 2003). By end of October 2003 more than 2100 applications were received out of which 88 loans were approved for businesses such as a cycle tourism venture, a kindergarten, a furniture factory specializing in iron pipe structures and a cycle repair workshop. The Fundación has been successful in attracting the interest and support of large companies (see paragraph 5.1), which has helped to generate a supply of highly skilled mentors. The Fundación has established programs in Salta, Mendoza and Tartagal and is interested in expanding into ten different provinces over the next few years, though financial support has proven to be the bottleneck.
- 2.9 A program in Mexico has also been accredited to the YBI methodology and pilot programs in Brazil and Colombia are in the process of being accredited. Accreditation ensures a uniform approach

among the different countries, though minor adaptations are permissible. In general, the programs target unemployed or underemployed youths between the ages of 18 and 30, preferably from low-income backgrounds. The youths come to the program with a possible business venture and if deemed viable, the youth receives small amount of financing, which is to be repaid with low or no interest after a grace period. Each youth is assigned a volunteer mentor, generally a local businessperson that serves as advisor and guide throughout the first three years of the business venture.

#### **F. Proposed program**

- 2.10 This proposed program seeks to build upon on these earlier experiences the Fundación Impulsar and the use of this entrepreneurship model by expanding the reach of this approach throughout multiple countries in the region. More specifically, this proposed program intends to provide assistance to low-income youths interested in becoming entrepreneurs by provide technical assistance, guidance and small amounts of start-up financing for their ventures. Based on market opportunities and institutional support, the program expects to include Argentina, Brazil, Colombia and Mexico. In each of the countries a participating organization will assist in implementing the activities within the scope of the project, through the leadership of the Fundación Impulsar.
- 2.11 An important aspect of this program will be the participation of a group of core corporations including Diageo, British Petroleum (BP) and Unilever. Anglo-American has expressed an interest in joining the group. These companies will be closely involved with the design and preparation of the program. During program implementation the corporations will participate through access to company employees as mentors in the program and, where appropriate, through local funding as part of their corporate social responsibility efforts.
- 2.12 The specific interest of these large companies in entrepreneurship is for several reasons. Developing young entrepreneurs is a proven and easily implemented method of building their local supply chains and strengthening the local SME sector. Through mentoring, their employees are offered a simple and business oriented way to engage in the communities where they work. By transferring their knowledge and experience to young people it improves the pool of talent from which they can recruit. These companies become regarded as good citizens and earn the respect and appreciation of the local communities and government and so improve their "license to operate" in that country. By building a reputation for responsible corporate practices it makes them more attractive when they wish to recruit new employees. In addition, the company can benefit of enhanced development and possible improved retention of their good young managers by offering them the opportunity to work as mentors.
- 2.13 The participation of these large companies will be useful in scaling up the use of mentors and promoting corporate involvement in this important area. The program expects to also have an impact on the way in which large companies view their CSR focus by establishing a relationship with the regional or international headquarters, rather than only at the individual manufacturing plant level, which has been the more common path. By bringing in these large companies at the regional level, the program expects to influence their CSR strategies, providing for increased support to entrepreneurship in the region and thus improving the sustainability of the proposed program.

### **III. PROGRAM OBJECTIVE AND DESCRIPTION**

#### **A. Objectives**

- 3.1 The general objective of the program is to improve income and employment opportunities for youths in the participating countries. The purpose of the program is to obtain the support of large companies through their interest in corporate social responsibility (CSR) in order to assist new young entrepreneurs in creating and managing viable new business ventures.

- 3.2 To achieve these objectives, the program will include the following three components: (i) Promotion of CSR and developing the local capacity of mentors; (ii) Financing for young entrepreneurs; and (iii) Strengthening networks and disseminating the results.

## **B. Components**

### **1. Component I: Promotion of CSR and developing the local capacity of mentors**

- 3.3 The purpose of this component is to promote the general concept of corporate social responsibility (CSR) among large companies and to develop a cadre of mentors in the participating countries. To this end, the project expects to include the following activities: (i) promotional campaigns to create awareness surrounding CSR, entrepreneurship and the program in particular; (ii) workshops with media representatives to help broadcast the proposed program; (iii) working with the business community to develop CSR policies for enterprise development through business support and use of their supply chains; and (iv) recruitment and training of mentors in basic communication skills and counseling techniques.

### **2. Component II: Assistance to young entrepreneurs**

- 3.4 The purpose of this component is to foster and develop small business ventures by young entrepreneurs. The three important aspects of this component are: (i) to provide initial guidance to young entrepreneurs in how to develop and formulate a business plan; (ii) provide small amounts of reimbursable financing to the young entrepreneurs; and (iii) assign a mentor to provide guidance and advice to each young entrepreneur. As a first step, young entrepreneurs are expected to present an idea for a possible business venture that is screened by program staff and if determined viable, technical support will be provided to the young entrepreneur to develop a business plan. Panels of local business people and staff of participating organizations will then evaluate the formal business plan, interview the prospective entrepreneur and determine whether the application for support should be approved. If accepted, the young entrepreneur will be provided with a small amount of reimbursable financing and will be assigned a mentor to assist with the start-up and subsequent business management. The expectation is that the financing and this relationship with the mentor will continue for three years.
- 3.5 The final results of this component will include the creation of 3000 new, viable businesses and the creation of approximately 6000 new jobs in the startup businesses assisted by the program. Since entrepreneurs will pay back this start-up financing, the program will eventually be able to assist a much larger group beyond the life of MIF supported program.

### **3. Component III: Strengthen the networks and disseminate the results**

- 3.6 The purpose of this component is two-fold: strengthen the national and regional networks of participating entities in this program and to disseminate the results and lessons of the program to a wide audience as a means to foster replication. To this end, the following activities are expected: (i) periodic meetings of the different regional centers within a particular country (see paragraph 5.2); (ii) annual meetings of participating organizations to discuss lessons learned and promote the exchange of information; (iii) program participation in other forums and conferences to present program's advances and results; (iv) development and installation of databases among participating entities as a means to track results and monitor the performance of the young entrepreneurs in Component II; and (v) organize and facilitate a final region-wide conference on CSR and entrepreneurship to disseminate the lessons learned and experiences resulting from the program.

#### **IV. COST, FINANCING AND EXECUTION TIME**

- 4.1 The total project cost is expected to be US\$8 million, of which MIF would contribute US\$4 million in non-reimbursable funds through Facility III-A, and the remainder of US\$4 million would be expected from counterpart resources. The project would be implemented in 60 months.

#### **V. EXECUTING AGENCY AND FACILITY STRUCTURE**

- 5.1 The Fundación Impulsar in Argentina will be the executing agency for this regional project. The Fundación was established in 1999 with the purpose of helping youths that have been unable to access assistance to establish and effectively manage their own enterprise, thus providing them with the opportunity to become economically self-sufficient and contribute to the community through self-employment and new employment positions. The Fundación was originally created with a group of founding companies including BG Argentina, Borax Argentina, Grupo Zurich Financial Services, Nobleza-Piccardo, Royal & Sun Alliance Seguros, Unilever de Argentina, Vidriería Argentina and the Asociación Argentina de Cultura Inglesa. Within Argentina, the Fundación has created Regional Centers in three provinces in the country (Salta, Mendoza and Tartagal) that administer resources and supervise the work of the entrepreneurs and mentors in their respective provinces.
- 5.2 The Fundación currently functions at the regional coordinator for programs that utilize the YBI model in the region. Other organizations will participate in this project from each of the respective countries including Jóvenes Empresarios por México (JEMAC) in Mexico, Instituto Negócios da Juventud in Brasil, Youth Business Colombia and others. The program will be guided by a Program Advisory Council (PAC) made up of representatives of participating organizations from each country, the large company participants such as Diageo, British Petroleum (BP), Unilever and Anglo American, YBI, and other interested organizations.

#### **VI. ENVIRONMENTAL AND SOCIAL IMPACTS AND PROPOSED ACTIONS**

- 6.1 Given the nature of the proposed program, adverse environmental impacts are not expected. Each of the business ventures financed through the program will have to adhere to a general exclusion list related to environmentally deleterious activities and potentially harmful social or labor practices. The program expects to create employment opportunities, especially for those underserved members of society and the program will include measures to ensure equal access to participants regardless of gender and ethnicity.

#### **VII. MAJOR ISSUES**

- 7.1 The following aspects warrant further consideration during the design and preparation of this proposed project: (i) the institutional capacity of Fundación Impulsar to function as executing agency; (ii) coordination with the organizations in the other participating countries; (iii) development of comprehensive guidelines for eligible business ventures to be financed through the program; (iv) specific role and contributions of the participating corporations (Diageo, BP, Unilever and Anglo American) in the program; (v) explore the recruitment of other corporations to participate in the program, especially more localized companies and operations; and (vi) define the use of resources for entrepreneurs in Component II; (viii) ensure that support for the project is built up, especially among private companies, so that it is sustainable beyond the life of the MIF supported project.

#### **VIII. ACTION PLAN**

- 8.1 If the project were determined eligible by the POC, the project team would continue forward with the design and preparation of the program, which is expected to take at least five months followed by submission to the MIF Donor Committee for approval.