

INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PANAMA

**NEW EMPLOYMENT OPPORTUNITIES FOR YOUTH -
NEO PANAMA**

(PN-M1027)

DONORS MEMORANDUM

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PROJECT SUMMARY
NEW EMPLOYMENT OPPORTUNITIES FOR YOUTH – NEO PANAMA
(PN-M1027)

“New Employment Opportunities for Youth in Panama,” or NEO Panama, is part of the regional program New Employment Opportunities for Youth (NEO) (ATN/ME-13213-RG). NEO seeks to improve the quality of human capital and the employability of one million vulnerable young people in 10 years. It is starting with a five-year first stage from 2012 to 2017 for 500,000 vulnerable young people in at least 10 countries of Latin America and the Caribbean. It was launched at the 2012 Summit of the Americas and is headed by the MIF, the IDB’s Social Sector, and the International Youth Foundation, along with five founding corporate partners: Arcos Dorados, Caterpillar, CEMEX, Microsoft, and Walmart.

In the last decade, Panama has experienced rapid economic growth driven by increased investment in certain highly dynamic sectors, such as the aviation industry, the Panama Canal, port logistics and management activities, the financial sector, and the construction sector. Although this growth has translated into low levels of unemployment and a substantial increase in the minimum wage, there are still significant obstacles to obtaining quality jobs for many groups, particularly poor and vulnerable youth. There is a wide gap between the skills required by companies and the actual skills of the workforce, as a consequence of shortfalls in the education and professional and vocational training programs systems and youth employability services.

NEO Panama seeks to increase coordination between the productive and training sectors in order to give vulnerable youth the skills required by the job market and include them as an important driver of the country’s development. To this end, a public-private partnership has been created in which companies, governments, and civil society provide resources, knowledge, and capacities in order to implement effective and sustainable youth employment solutions. The 17 members of the NEO Panama Partnership are: (i) public sector: the Ministry of Labor and Workforce Development, Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano [National Vocational Training and Education Institute for Human Development], and the Ministry of Education; (ii) private sector: the Panama Chamber of Commerce, Industries and Agriculture, the Panama Maritime Chamber, the Panama Chamber of Construction, the Panama Hotels Association, the National Center for Competitiveness, CoSPA’s Institute for Youth Competitiveness, and the Telefónica Foundation; and (iii) civil society and academia: the Fundación del Trabajo [Labor Foundation], United Way of Panama, Universidad Tecnológica de Panamá [Panama Technology University], Fe y Alegría Association, Global Shapers Panama, the Calicanto Foundation, and Movimiento Cultural Nueva Generación [New Generation Cultural Movement].

NEO Panama’s impact will be to increase employment opportunities for poor and vulnerable young people between the ages of 16 and 29. The outcome will be to increase the scope and quality of training programs and employment systems for young people in Panama City and the cities of David, Penonomé, and Colón. The construction, logistics, and tourism sectors were identified as areas where the NEO program will begin, since

these are growing sectors with high unmet needs in terms of qualified employees. The project will benefit 33,200 poor and vulnerable youth, at least 50% of whom will be women. It will also strengthen 25 public and private job training and youth services centers, and 200 companies will have better prepared young employees.

NEO Panama includes three components: (i) Alignment of technical and vocational training with the needs of the productive sector; (ii) Comprehensive career counseling and job placement services for young people; (iii) Knowledge management, communication strategy, and strengthening of the partnership. Public institutions in the Ministries of Labor and Education will transfer and scale the project to other sectors and cities in Panama. The IDB's Labor Markets Unit is expected broaden the impact through possible operations with the Panamanian government.

Financial support from the MIF is critical to incentivize partnership work and leverage public and private resources. For every dollar contributed by the MIF, at least three counterpart dollars will be leveraged.

ANNEXES

Annex I	Logical Framework
Annex II	Itemized Budget
Annex III	Quality for Effectiveness in Development (QED) Matrix
Annex IV	Budget broken down by entity

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Proposed resolution

INFORMATION AVAILABLE IN THE DOCUMENTATION SECTION OF THE MIF'S PROJECT INFORMATION SYSTEM

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Annex XII	Monitoring and Impact Evaluation Plan

ABBREVIATIONS

CoSPAЕ	Consejo del Sector Privado para la Asistencia Educacional [Private Sector Council for Educational Assistance]
INADEH	Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano [National Institute of Vocational Training and Education for Human Development]
INEC	National Statistics and Census Institute
IPT	Instituto Profesional y Técnico [Professional and Technical Institute]
ITS	Institutos Técnicos Superiores [Higher Technical Institutes]
IYF	International Youth Foundation
LMK	Labor Markets Unit
MEDUCA	Ministry of Education
MITRADEL	Ministry of Labor and Workforce Development
SERPE	Servicio Público de Empleo [Public Job Service]
USAID	United States Agency for International Development
UWP	United Way - Panama

**PANAMA
NEW EMPLOYMENT OPPORTUNITIES FOR YOUTH -
NEO PANAMA
(PN-M1027)**

EXECUTIVE SUMMARY

Country and geographic location:	Panama, focusing on four cities: Panama City, David, Penonomé, and Colón.
Executing agency:	Consejo del Sector Privado para la Asistencia Educacional [Private Sector Council for Educational Assistance] (CoSPAЕ).
Access area:	Access to Markets and Capabilities.
Agenda:	Youth: employment, skills, and entrepreneurship.
Coordination with other donors/Bank operations:	<p>With the support of the IDB’s Labor Markets Unit, a strategic partner of the regional NEO initiative, and based on the Labor Sector Framework, the project seeks to promote the creation of better jobs (productive and formal) as a driver of growth with equality. In particular, it seeks to ensure that young people transition to work more quickly and effectively, with better prospects of obtaining better jobs.</p> <p>In addition, NEO Panama seeks to complement and provide continuity to the work carried out in the completed technical cooperation project <i>Support for Panama’s National Logistics Plan</i> (PN-T1108) executed by the IDB’s Transport Division, in order to strengthen the capacities of relevant institutions in the logistics sector.</p>
Direct beneficiaries:	The beneficiaries will be a total of 33,200 poor and vulnerable youth between the ages of 16 and 29, at least 50% of whom will be women (16,600), divided into three subgroups: (i) 7,800 young people served by technical and vocational training centers; (ii) 5,400 young people served by career counseling and job placement centers; and (iii) another 20,000 young people informed through the digital youth employability services platform.

A total of 25 service providers and 228 trained professionals from those entities will also be direct beneficiaries of the project. The 25 providers include: 14 technical and vocational training centers (four technical professional institutes, four higher technical institutes, four from the National Vocational Training and Education Institute for Human Development, one from Fe y Alegría, one from Calicanto), and 11 career counseling and job placement centers (four from the Ministry of Labor and Workforce Development (MITRADEL), two from CoSPAЕ's Institute for Youth Competitiveness, four from USAID Outreach Centers, and one from the New Generations Cultural Movement). In addition, 200 companies will benefit by having youth who are better prepared for their jobs.

Indirect beneficiaries: Given that the average Panamanian family has 3.7 members,¹ the project will indirectly reach 122,840 people.

Financing:	Technical cooperation funding:	US\$1,558,000	20%
	Investment:	-	
	Loan:	-	
	Total MIF contribution:	US\$1,558,000	20%
	Counterpart:	US\$476,647	6%
	Cofinancing	US\$5,725,000	74%
	Total project budget:	US\$7,759,647	100%

Execution and disbursement timetable:

Execution period:	36 months
Disbursement period:	42 months

Special contractual conditions: Conditions precedent to the first disbursement: (i) Operating Regulations for the project; (ii) governance agreement for the NEO Panama partnership; (iii) annual work plan; and (iv) selection of the NEO Panama coordinator. All of these conditions will be met to the satisfaction of the IDB/MIF.

Environmental and social impact review: This operation has been screened and classified in accordance with the requirements set forth in the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given that the impacts and risks are limited, the project has been proposed as a C operation.

¹ [2010](#) Census.

**Unit
responsible for
disbursements:**

The project will be supervised by the MIF office in the IDB Country Office in Panama, with the technical support of the regional NEO team at Headquarters.

I. BACKGROUND AND RATIONALE

A. Problem to be addressed by the project

- 1.1 **Economic growth and youth employment.** There are 905,255 young people in Panama between the ages of 15 and 29 who account for nearly 24% of the country's total population, with an equal gender distribution. Fifty-one percent of this population works, 25% studies, and nearly 24% neither works nor studies, representing approximately 214,094 young people. Of all youth, 65% live in urban areas, and 30% live in poverty.
- 1.2 Between 2003 and 2013, Panama's gross domestic product (GDP) grew 126%.² This growth was accompanied by a nearly 55% increase in employment,³ which not only accommodated demographic growth but also led to a higher workforce participation rate and a drop in overall unemployment, primarily in urban areas. In addition, the country leads economic growth projections in Latin America for the period 2014-2016, with expected year-on-year increases in its gross domestic product of 7.3%, 6.9% and 6.5%, respectively.⁴ However, despite these major advances in the fiscal area and the high growth rates achieved, Panama's development in recent years has been characterized by wide disparities in terms of opportunities.
- 1.3 Between 2009 and 2013, only one out of every three new jobs was filled by young people, despite the fact that they represent 59% of all job seekers. Only 16,996 (7.4%) of the 228,680 jobs created between 2009 and 2013 benefited those under 30. This situation was even worse among the female population. Currently, the proportion of young men to young women with jobs is two to one, and "NiNis" (youth who neither work nor study)⁵ accounted for 19% of the population between the ages of 15 and 29 in 2012, with 26% of them men and 74% woman. In addition, nearly half of the young people who work do so informally, which affects their employment future since those who are unemployed or have informal jobs are more likely to have worse job performance as adults.⁶
- 1.4 During the 10-year period from 2001 to 2011, the vigorous growth of the tourism services sector created approximately 50% of all new jobs in Panama, with nearly 6% created in the transportation and communications sector, most of which were technical and operator jobs. Construction contributed nearly 19% of the new jobs created. This situation seems to be continuing, as illustrated in the 2010-2014

² The 126% growth rate in 2003-2013 was calculated based on the most recent GDP rate measured by the Office of the Comptroller General available to date (2012 estimate): <https://www.contraloria.gob.pa/inec/archivos/P5061Cuadro1.pdf>.

³ National Statistics and Census Institute (INEC), Office of the Comptroller General.

⁴ Global Economic Prospects: Latin America and the Caribbean, World Bank, 2014, page 2. http://www.worldbank.org/content/dam/Worldbank/GEP/GEPArchives/GEP2014a/Overview_LAC_GEP_Jan2014_Sp.pdf

⁵ Rubio, 2008; INEC, August 2012.

⁶ Cruces et al. 2012; Rubio, 2008.

- Strategic Plan, which identified the tourism, logistics, construction, and agribusiness sectors as the sectors with the greatest need for trained personnel.⁷
- 1.5 Public and private authorities interviewed during the analysis of this operation, commented on the difficulty of filling vacant positions with either skilled or unskilled labor, as well as high turnover rates, which has forced some companies to increase their hiring expenses and benefits package costs. This has also led to recruitment searches outside the country and a significant inflow of foreign workers.⁸ Moreover, according to the 2014 Manpower talent shortage survey, 58% of Panamanian businesses have difficulty filling vacant positions.
 - 1.6 **Problem to be addressed by this operation.** The main problem is the gap between the skills required by companies and the current skills of vulnerable youth.
 - 1.7 **Causes.** Despite a high school enrollment rate, **the quality of education in Panama is low.** Of the 65 countries that participated in the 2009 PISA study,⁹ Panama came in sixty-second in terms of math skills, reading, and sciences, and was the Latin American country with the highest percentage of students who view education as a “waste of time,” with 83% of youth feeling that school does not improve their job prospects. In addition, 31.1% of youth do not enter the secondary level of education when they reach the ages corresponding to that level. Furthermore, the dropout rate has remained at an average of 12% in recent years, which affects the secondary education completion rates of youth, thereby exacerbating the skills deficit in this important segment of the country’s population and reducing their chances of entering the productive world, achieving economic and social mobility and self-realization, and condemning them to a future of poverty and exclusion.¹⁰
 - 1.8 Along the same lines, **training programs are not geared to the needs of the productive sector,**¹¹ due to the lack of pertinent information, weaknesses in job market analyses in terms of guiding the short, medium, and long-term supply of such programs, and a lack of effective links with the productive sectors. Skills-based training is in the early stages. A National Skills Commission exists, but it has a low profile and very little support, and has therefore not become a real mechanism for identifying the key skills and abilities required by the labor market.¹²

⁷ World Bank, 2012. <http://www.bancomundial.org/content/dam/Worldbank/document/mejores-empleos-panama.pdf>.

⁸ See also: Cruces & Galiani, 2013.

⁹ 2009 PISA Report. Note that 2009 was the only time to date that Panama participated in the report.

¹⁰ Unidos por la Educación. La educación en Panamá: 5 metas por mejorar [United by Education. Education in Panama: 5 goals to be improved, 2013].

¹¹ Flores Lima and Monroy Taboada, 2012.

¹² Baptista and Flores Lima, 2014. Labor Markets and Social Security in Panama. Forthcoming, IDB.

- 1.9 Moreover, **the systems and methodologies used to perform ongoing evaluations of training centers are deficient**, and bureaucratic red tape in adapting course curricula makes it difficult to meet the needs of the productive sectors in a timely manner. There are also no mechanisms for monitoring graduates to identify any weaknesses in the system and implement corrective measures, nor any job counseling services to help young people make better decisions about their training and professional career. The government's investment in professional and vocational training and education could be optimized, considering, for example, that its investment in vocational training for the period 2010-2014 was an estimated \$353 million, \$115 million of which was allocated to the program "Mi Primer Empleo" [My First Job]. This program seeks to provide job opportunities to youth between the ages of 18 and 29 and has benefited 100,000 young people,¹³ although it is not known if they ultimately obtained a formal job.
- 1.10 Another weakness of training institutions is **their almost exclusive focus on technical aspects, with limited inclusion of life skills**,¹⁴ which is what the productive sectors want most. The "*Report on Economic Supply and Demand and the Pilot Technical Training Program in Logistics*," recently prepared by the IDB's Transport Division, shows that 45% of logistics businesses have difficulty finding skilled employees, particularly young people with the values and "soft" and technical skills they require.¹⁵ The lack of these life skills appears to be having a negative impact on the prospects of hiring youth, as well as their longevity on the job. This is consistent with the fact that the average age of hires recorded between 2009 and 2013 in the formal sector of the economy was 45.
- 1.11 **Job placement services are not geared to youth.** The Servicio Público de Empleo [Public Job Service] (SERPE) of the Ministry of Labor and Workforce Development (MITRADEL) is the country's main job placement service. This program is supplemented by the Programa de Apoyo a la Inserción Laboral [Job Placement Support Program] (PAIL), which is also administered by MITRADEL and offers job training and financial resources during the placement process. These areas, although essential to MITRADEL's mission, do not yet have a solid and efficient operating structure targeted to youth, and technological support,¹⁶ which is so critical to the timely and ongoing delivery of information, is weak. Proper functioning of SERPE is particularly relevant for people who are poor and are more removed from the job vacancies that open up at companies, since SERPE's services provide their only opportunity to connect with formal job openings. It is also necessary to promote specific activities to communicate and

¹³ Panama: 2010-2014 Government Strategic Plan, page 82.

¹⁴ Life skills, also known as soft or socioemotional skills, include knowing how to communicate, team work, respect, problem-solving, self-evaluation, etc.

¹⁵ Capt. Orlando Allard. Page 3. April 2014.

¹⁶ Mazza, 2012. Based on the National Workforce or Household Survey, several years, 2007-2010.

disseminate these services at the community level in order to inform and motivate vulnerable young people to use them.

- 1.12 Lastly, there is a lack of coordination at the institutional level among the various stakeholders working for youth employability. This is due to the weakness of public policies on your employability, of institutions with the ability to regulate and send effective signals to the various productive stakeholders, of job training to align objectives and results, of forums for dialogue and the building of public-private consensus, and a culture and patterns of individualistic work.
- 1.13 The **effects** of this problem are: (i) a high drop-out rate from training courses, the courses students enroll in do not match their interests and skills, which could lead to a lack of direction for the young person and their potential dropout. As mentioned before, these institutions do not focus their analyses on life skills, but rather on the technical skills of trainees; (ii) high job turnover: young people seem unable to hold the job because they do not have the attitudes, interests, or skills required by the productive sector. Thus, the youth unemployment rate in 2013 was 10.8 points, more than double the overall unemployment rate; (iii) poverty and unequal opportunities: Panama is one of the region's countries with the most unequal income distribution;¹⁷ iv) crime and youth gang membership: in 2012, youth under age 20 represented 30% of the prison population.
- 1.14 The NEO Panama project stems from a consensus-building and participatory planning process that led to the formation of a long-term strategic partnership composed of public, private, and civil society entities in Panama that seek to improve the employability of vulnerable youth in the country. The vision of the NEO Panama partnership is be a model and agent of innovation in the employability of the most vulnerable youth, which will transform the work culture of employers, public service, and vulnerable youth. The initiative thus seeks to prevent a duplication of efforts, improve effectiveness, and guarantee economic and social impact.
- 1.15 As this document is being drafted, the 2015-2019 Government Strategic Plan for Panama is in the process of being formulated. According to preliminary contacts with the new authorities, the issue of youth and employment is included in the plan's strategic guidelines for that period. Moreover, In August 2014, MITRADEL established the "High Commission of Public Policy for Employment in Panama in Technical and Professional Fields," involving all social stakeholders related to the issue of employment, including many of the institutions in the NEO Panama partnership. MITRADEL also invited the IDB to serve on the Commission, and together with CoSPAEE, they are organizing the first

¹⁷ World Bank DataBank, <http://bancomundial.org/indicador/SI.POV.GINI>.

international forum under the High Commission for Employment, which will take place in October 2014 in Panama City.¹⁸

1.16 In Panama, the construction, logistics, and tourism sectors and Panama City, David, Colón and Penonomé were initially identified as the sectors and cities where NEO will begin. This is due to a convergence of several factors such as: (i) growing sectors with high unmet needs for skilled workers who match NEO's youth profile; (ii) public and private entities that offer training, counseling, and job placement services, which in partnership with the productive sector could prepare youth to fill available jobs; (iii) cities with significant economic activity, the presence of key public and private stakeholders, and population indexes.

1.17 The members of the NEO Panama partnership are:

- Public sector:
- **Ministry of Labor and Workforce Development (MITRADEL).** Responsible for formulating labor-related policies and actions.
 - **Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano [National Institute of Professional Training and Education for Human Development] (INADEH).** Government agency responsible for implementing actions in the training of human resources in high demand technical and professional areas in the country.
 - **Ministry of Education (MEDUCA).** Responsible for formulating education policies and actions.
- Private Sector:¹⁹
- **Cámara de Comercio, Industrias y Agricultura de Panamá [Panama Chamber of Commerce, Industries and Agriculture] (CCIAP).** Private sector business association that brings together most of the country's companies in various productive sectors.

¹⁸ At this forum, the NEO Panama proposal will also be presented, and in the Commission, one of the diagnostic assessments discussed was *Más y mejor formación técnica y profesional para aumentar la productividad y la inclusión social*. Atencio, Quevedo, and Ríos, 2014. MITRADEL.

¹⁹ There are more than 1,000 private sector businesses that are in some way connected to NEO and are represented by their foundations, business associations, or chambers of commerce that are part of the NEO Panama partnership.

- **Cámara Panameña de la Construcción [Panama Chamber of Construction] (CAPAC).** Association of companies engaged in construction and related industries.
- **Panama Maritime Chamber.** Maritime association that represents the maritime transportation industry, ports, logistics businesses, and auxiliary maritime services.
- **Asociación Panameña de Hoteles [Panama Hotels Association] (APATEL).** An association that brings together businesses associated with the hospitality sector.
- **Centro Nacional de Competitividad [National Center for Competitiveness] (CNC).** Nonprofit technical organization that analyzes the indicators and variables that impact the country's competitiveness and makes recommendations about the areas that need attention from the government and productive sectors.
- **Instituto de Competitividad Juvenil [Institute for Youth Competitiveness] (ICJ) of the Consejo del Sector Privado para la Asistencia Educativa [Private Sector Council for Educational Assistance] (CoSPA).** Nonprofit centers that provide education and training to vulnerable youth in Panama in order to develop their life, job, and leadership skills. The ICJ centers also form partnerships with local employers and the Ministry of Labor to place youth in internship positions and jobs.
- **Fundación Telefónica [Telefónica Foundation].** Uses tools and technologies applied to knowledge, culture, and solidarity for social development and the creation of opportunities in Europe and Latin America.
- **Universidad Tecnológica de Panamá [Panama Technology University] (UTP).** Public higher education institution responsible for providing training in technical subjects and engineering.
- **Fundación del Trabajo [Labor Foundation] (FUNTRAB).** Bipartisan organization that brings

Civil society and academia

together the labor and business sectors and seeks to establish mechanisms to establish a harmonious relationship between employers and employees.

- **United Way Panama (UWP).** Foundation organization that channels contributions from private sector businesses to programs and projects that have an impact on improving the quality of life of Panamanian citizens.
- **Fe y Alegría.** An international nonprofit organization that carries out projects and programs to address the needs of socially disadvantaged children and youth in cities as well as in remote areas.
- **Global Shapers of Panama.** A global community of young professionals committed to improving the world by promoting the social engagement of youth in processes to discuss national issues with high impact.
- **Movimiento Cultural Nueva Generación [New Generation Cultural Movement] (MCNG).** A community-based social organization that carries out comprehensive prevention work targeting vulnerable youth.
- **Fundación Calicanto.** Nonprofit foundation that conducts a training program for young women from poor areas who live under conditions of social risk.

B. Project beneficiaries

- 1.18 During the execution period, the project will benefit at least 33,200 poor²⁰ and vulnerable young people between the ages of 16 and 29 (urban, unemployed, underemployed, who are at risk of dropping out of the formal education system or do not work or study), at least 50% of whom will be women (16,600), who will have access to better services aimed at their employability. These young people will be divided into three subgroups: (i) 7,800 young people served by public and private technical and vocational training centers; (ii) 5,400 young people served by public and private career counseling and job placement centers; and (iii) another 20,000 young people will be informed through the digital youth employability services platform.

²⁰ The monitoring and evaluation system of the regional NEO initiative contains several indicators to determine poverty classification. It is estimated that approximately one third of the beneficiaries may come from Panama City.

1.19 The project will also benefit 25 preidentified employability service providers that will be evaluated and strengthened in accordance with the NEO *Quality Standards Guide*: (i) 14 technical²¹ and vocational training centers:²² four technical professional institutes (IPTs), four higher technical institutes (ITS), four from the INADEH, one from Fe y Alegría, one from Calicanto; and (ii) 11 career counseling and job placement centers for youth: four from MITRADEL, two from the CoSPAIE Institute for Youth Competitiveness, four USAID Outreach Centers, and one from the New Generations Cultural Movement. Some 228 professionals from these centers will be trained in providing services that meet the needs of the labor market, the inclusion of teaching methodologies geared to youth, life skills, and career counseling and job placement services. Lastly, at least 200 businesses from the preidentified construction, logistics, and tourism sectors that participate by offering internships and jobs will benefit from having youth who are better prepared for the job.

C. Contribution to the MIF mandate, access framework and Bank strategy

1.20 **Poverty reduction.** The NEO Panama initiative will contribute to the objective of poverty reduction by developing the skills of poor and vulnerable youth. It will also benefit the private sector since the targeted youth will be better prepared to be productive at their jobs with the companies, which will reduce the costs of hiring, turnover, and the training of new employees.

1.21 **Gender focus.** NEO Panama will draw attention to gender issues by: (i) disaggregating gender indicators in the monitoring and evaluation system, (ii) analyzing gender, ethnic, geographic origin, or disability considerations in the activities that evaluate the quality and build the technical capacities of the youth services organizations described in the project (see paragraph 2.3), and (iii) promoting and facilitating equal access to training activities and social-employment services for both men and women.

1.22 **Link with the Agenda.** NEO embodies the key good practices and lessons learned in smaller innovative projects in the past,²³ and this feedback continues in the framework of the new agenda. NEO Panama will contribute in particular to the scale element of the MIF's Youth Agenda as well as the innovation and knowledge-sharing pillars by using an innovative and uncommon mechanism, i.e., public-private partnerships in order to scale up an initiative.

²¹ The educational system in Panama is comprised of the primary or general basic education level (preschool, primary, and presecondary school), a secondary education level that is divided into: general, education focused on preparing students for primary school teaching, and technical, focused on preparing students for a nonteaching trade or profession. Lastly, there is a tertiary or higher education level.

²² Vocational and professional training involves courses, eminently practical and generally of short duration, whose main purpose is to train unemployed or inactive persons, to prepare them for a specific profession or job. These courses are not subject to typical academic year hours and dates, since they are usually independent from the technical training regulated by the educational system.

²³ Give Youth a Chance: An Agenda for Action. MIF. September 2012.

- 1.23 **Knowledge gap.** This project will help close the knowledge gap of the Youth and Employment Agenda in terms of determining what public-private partnership models are effective for improving employability. In particular, the project will seek to answer the following questions: (i) How does a public-private partnership focused on strengthening and coordinating youth employability service providers work? (ii) What are the critical factors for ensuring the success of youth employability policies in Panama? (iii) What type of support should businesses receive to work with vulnerable youth? (iv) How can career counseling and job placement services models be created to be sustainable, replicated, and scaled? NEO Panama aims to systematize tools and methodologies geared to the institutions and specific situation in Panama that will make replication and scaling possible.
- 1.24 In addition, NEO Panama's knowledge products will contribute to and fuel the objectives of the regional NEO program by making it possible to conduct comparative thematic analyses of the experiences in the countries and be able to take a regional reading of the outcomes and findings. These knowledge objectives were developed as part of the regional NEO's Knowledge Strategy in order to close the identified gaps. Given the MIF's laboratory nature, it has been especially important to ensure that the knowledge generated by NEO is innovative and unique. To develop this knowledge strategy, the following three criteria were evaluated: (i) relevance to NEO; (ii) the usefulness of the knowledge to program managers and policy-making entities; and (iii) NEO's ability to provide outstanding knowledge. The key issues selected were: (i) life skills as part of the skills needed for employability; (ii) relevance of job training with respect to market needs; (iii) public-private partnerships to promote youth employability; (iv) the coordination of job placement services for poor and vulnerable youth; and (v) career counseling services to help poor and vulnerable youth make decisions about their training and professional development.
- 1.25 **Link with the New Employment Opportunities for Youth (NEO) project RG-M1210.** NEO Panama is a new country initiative that is part of the regional NEO program, which was approved by the MIF Donors Committee on 12 April 2012 (document MIF/AT-1175). The initiative is headed by the IDB, through the Labor Markets Unit (SCL/LMK) and the International Youth Foundation (IYF), together with five founding corporate partners: Arcos Dorados, Caterpillar, Cemex, Microsoft, and Walmart. NEO seeks to improve the quality of human capital and the employability of one million vulnerable youth in 10 years. The initiative will start with an initial five-year stage, from 2012 to 2017, for 500,000 vulnerable youth in at least 10 countries of Latin America and the Caribbean. This stage is expected to strengthen 200 service providers involved in youth employability, and mobilize at least 1,000 companies that offer jobs and internships. As the MIF Donors Committee was informed in May 2014, four of

the initiative's projects were approved.²⁴ In August, the Donors Committee approved a fifth NEO project, the regional project with the Forge Foundation (RG-M1256). In addition to NEO Panama, there are another two NEO projects in preparation, which should be submitted for approval in 2014. The following table summarizes the progress made toward the principal NEO targets:

Key Indicators	Regional NEO targets 2017	Progress made toward achieving targets*	Including 3 projects pending approval in 2014**
Youth benefited	500,000	291,000	347,220
Service providers strengthened	200	80	134
Companies offering jobs and internships	1,000	1,200	2,000
National partnerships that adopt high-impact employability models	10	3	5

* Projections based on the total indicators in the NEO projects approved as of August 2014: DR-M1044, ME-M1091/ME-T1255, CO-M1094/CO-T1374, BR-M1114, and RG-M1256.

** Projects pending approval: PN-M1027, PR-M1031, and ES-M1049.

1.26 **Collaboration with the IDB Group.** It must be recognized that the operation does not address the priority sectors identified in the Bank's current country strategy with Panama (2010-2014),²⁵ with the exception of gender equality, which is a crosscutting priority issue. However, given the available assessments and broad consensus reached with government, private sector, and civil society stakeholders, in order to build the NEO Panama partnership, the intervention needs to have a sound logical premise in line with the current situation in the country and the intentions demonstrated by the new government of Panama for the period 2015-2018. With the support of the IDB's Labor Markets Unit (LMK) and based on the Labor Sector Framework, the project seeks to promote the creation of better jobs (productive and formal) as a driver of growth with equity. In particular, it seeks to help youth transition into jobs as quickly and effectively as possible with the best prospects of obtaining better jobs. Youth are expected to receive more relevant training by improving links with the productive sector and providing better information and guidance about the job market. The project also seeks to improve the institutional and impact monitoring and evaluation capacity of the institutions responsible for job placement and training policies.²⁶ Currently, LMK, which is a member of the NEO Panama team, is conducting studies and

²⁴ Document MIF/PP-81. NEO. A million youth, a million opportunities. Status report. The four projects are NEO in the Dominican Republic (DR-M1044), NEO in Nuevo León (ME-M1091/ME-T1255), NEO in Urabá (CO-M1094/CO-T1374), and Free Digital Education Project for Job Market Inclusion (BR-M1114).

²⁵ Document GN-2596. There was no new country strategy at the time this document was being written.

²⁶ IDB, 2013. Labor Sector Framework Document. Labor Markets Unit.

holding meetings with key stakeholders to formulate its country strategy, which will be aligned with the NEO Panama project. In turn, NEO seeks to complement the work carried out in the technical cooperation project *Support for Panama's National Logistics Plan* (PN-T1108) of the IDB's Transport Division, which included an "Assessment of needs, academic courses offered, and a pilot technical training plan in logistics." This assessment analyzes the current and future situation of the supply and demand of logistics training, which this operation will use as a basis for working in this sector, and whose methodology may also be used for the two other targeted sectors.

II. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 2.1 The project's impact will be to increase the job placement opportunities of poor and vulnerable youth between the ages of 16 and 29. In terms of outcomes, the project is expected to increase the scope, quality, and effectiveness of the job training programs and systems for poor and vulnerable youth in Panama, focusing on Panama City and the cities of David, Penonomé, and Colón.

B. Description of the model/solution/intervention

- 2.2 NEO seeks to close the existing gap between the skills that young people have and the demand for qualified employees required by companies, and coordinate the efforts of the principal stakeholders that work in the areas of education/training, the labor market, and youth, in order to address these problems in a systematic manner, not simply through isolated and uncoordinated efforts. NEO Panama is based on the intervention model that was designed at the regional level and is being implemented in several countries. The model consists of forming public-private partnerships where companies, governments, and civil society contribute resources, knowledge, and capacity to implement effective and sustainable employment solutions for poor and vulnerable youth. The NEO Panama partnership was voluntarily formed and a coordination agency, CoSPAÉ, was selected to formulate a strategic youth employability plan through a joint and participatory process, which is limited in terms of time and resources and has a mission, objectives, and outcomes. This plan was subsequently reviewed and adjusted with the MIF/IDB team, and is embodied in this operation.
- 2.3 The partnerships also agree to adopt and implement a comprehensive job training model and good practices developed by the MIF, IDB, and IYF. The project will seek to build the technical capacity of the public and private institutions that provide training, career counseling, and job placement services. This capacity-building will be achieved by sharing and adapting the good practices validated in

the IYF/MIF's entra21²⁷ program, as well as other IDB-financed programs. These capacity-building services will be directly offered by IYF as stipulated in paragraph 3.19 of the NEO Donors Memorandum (document MIF/AT-1175). Accordingly, IYF has developed two products within the framework of the regional NEO initiative: (1) a "Quality Standards Guide: Tool for Evaluating Job Training and Placement Processes for Youth,"²⁸ with an online portal that will allow the entities to perform self-evaluations and determine what aspects of their employability services they would like to improve and then define their improvement and support plans; and (2) a guides and services package²⁹ that includes the training for life skills instructors, training for workforce managers in job placement, training for career counselors, training for instructors in teaching methodologies, and training for supervisors in all four areas, in order to build installed capacity in the institutions.

- 2.4 The introduction of these good practices among public and private service providers is expected to result in better outcomes and impacts in terms of youth employability. With this demonstration effect, it is hoped that providers will continue to implement these practices after the project has ended, thereby contributing to the systemic impact objective and the objective that many more young people will benefit beyond the project execution period. In other words, it is hoped that the institutions will optimize their resources while increasing the quality, access, and effectiveness of their training programs and services for youth employability. In turn, and no less importantly, making this improvement effort in partnership with public, private, and civil society organizations all seated at the same table, sharing what does and does not work, and measuring the same indicators, will make it possible to close the coordination, dialogue, and knowledge gaps and coordinate previously isolated efforts in order to reach a consensus on youth employability programs and policies that work and have a high impact (see diagram below).

²⁷ The program 'entra21' (ATN/MH-10303-RG) was created by the MIF and IYF in order to improve the employability of disadvantaged youth in Latin America and the Caribbean. It was successfully implemented from 2001 to 2011 and benefited more than 137,000 vulnerable youth in 22 countries in the region through 50 civil society organizations. Seventy-five percent of the graduates found work or continued their studies six months after leaving the program.

²⁸ For more information about the guide, visit: http://www.jovenesneo.org/Portals/13/Images/NEO/SW_Recursos/e57ee874-bd7d-483d-a939-4c2e5ad1c63b_Guia%20Estandares%20de%20Cali%20dad%20NEO%202014%20final%20web.pdf.

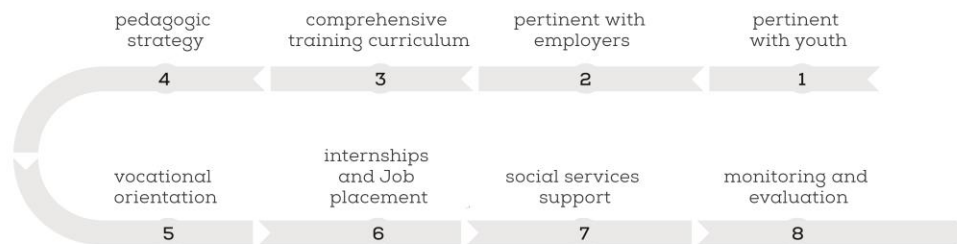
²⁹ For more information about the services, visit: http://www.jovenesneo.org/Portals/13/Images/NEO/SW_Recursos/d0e4c708-d535-4185-b2fe-6838b2fc0fcf_NEO%20Servicios%20For%20talecimiento.pdf.

NEO's Model

The formation of public - private participative alliances...



...that strengthen and articulate job services providers



- 2.5 One innovative aspect of the partnership in Panama is that it has decided to implement this model in three productive sectors: logistics, tourism, and construction. These three sectors have unmet needs to fill entry-level semi-skilled jobs, which if met could achieve gender equality and youth placement targets. Furthermore, in the case of logistics, progress has already been made on an assessment study. The idea consists of forming multidisciplinary panels or roundtables with a group of companies, training centers, and eventually young graduates, in order to: (i) obtain pertinent information on job profiles and required standards, identify the key technical and life skills, and analyze short and medium-term supply and demand; (ii) make recommendations on adapting training curricula and intervention strategies that are in line with the needs of the sector, in conjunction with the training, counseling, and job placement centers; and (iii) obtain feedback from youth and the companies, and make the relevant updates on a continuous basis.
- 2.6 NEO Panama will also seek to develop operation and management models for employment offices or community centers focused primarily on youth employability, as well as a digital platform that will help youth access information on the educational courses offered, grants, job openings, job fairs, social programs, and other services. Through these job placement centers and the digital platform, public, private, and civil society providers of the different services will

engage in an ongoing dialogue to achieve better coordination among all those involved, as well as better specialization, and a larger scope and use of services by vulnerable youth.

- 2.7 Lastly, the NEO Panama Alliance seeks to make an impact on youth employability systems, which will serve as a scale demonstration example aimed at validating an effective youth employability model that can be replicated and transferred to other productive sectors and potentially to 133 official technical and vocational training institutions in the country with an annual enrollment of 175,346 students.

C. Components

- 2.8 The NEO Panama initiative includes three components: (i) Alignment of technical and vocational training with the demands of the productive sector; (ii) Comprehensive career counseling and job placement services targeted to youth; (iii) Knowledge management, communication strategy, and strengthening of the NEO Panama partnership.

Component I: Alignment of technical and vocational training with the needs of the productive sector (MIF: US\$416,700; Counterpart/Cofinancing: US\$5,486,640)

- 2.9 The objective of this component is to align technical and vocational training with the needs of a group of companies in the tourism, logistics, and construction sectors for entry-level operations and technical positions in Panama City and the cities of Colón, David, and Penonomé. It should be noted that during project execution, the possibility of including a fourth sector, the agribusiness sector, will be explored. The idea is for the executives of some 30-45 companies (between 10 and 15 representative companies per sector) to actively participate by providing information on the types of job openings and positions and when they would be available to hire personnel.
- 2.10 This component also seeks to evaluate and provide training and advisory support to 14 technical and vocational training centers and their professionals in accordance with the *NEO Quality Standards Guide* and through the capacity-building services provided directly by IYF using MIF resources (see paragraph 2.3). The training will be offered in the following areas: (i) teaching methodology; (ii) career counseling; (iii) the inclusion of life skills so that the centers offering training courses adapt their curricula to the technical skills and life skills required by the market, and (iv) job placement to improve connections with the private sector. The counterpart resources will be used to finance technical and vocational training courses.
- 2.11 This component includes the following activities and products: (i) systematize reports on labor market demand and the supply of training courses in a group of companies in the identified sectors; (ii) form multidisciplinary panels in each sector that will continuously analyze market trends; (iii) develop three reference

packages with the skills criteria and standards identified by the multidisciplinary panels (one per sector) for purposes of adapting short-term vocational curricula (training curricula and methods/evaluation); (iv) evaluate and strengthen 14 public and private training centers in accordance with the *NEO Quality Standards Guide*; (v) train 28 instructors in life skills best practices according to NEO's quality standards; (vi) train 75 instructors in teaching methodology best practices according to NEO's quality standards; (vii) train 28 professionals in career counseling best practices according to NEO's quality standards; (viii) conduct a study on how youth and their families perceive the technical and vocational job training offered, given that no study has been conducted to find out why young people do not choose technical careers and why they have such high turnover rates; and (ix) free or low-cost enrollment of 7,800 youth in technical and vocational training courses.

Component II: Comprehensive career counseling and job placement services targeted to youth (MIF: US\$422,516; Counterpart/Cofinancing: US\$543,152)

- 2.12 The objective of this component is to reduce the information gap for poor and vulnerable youth and improve employability services. The idea is to begin by preparing a document that can be accessed by all public and private institutions, which inventories the social-labor services offered in the country, describes the institutions that provide various services for vulnerable youth, and serves as a reference guide for providing services, information, and referrals to youth on a low or no-cost basis.
- 2.13 It also seeks to evaluate and improve the quality of 11 career counseling and job placement centers for youth, in accordance with the *NEO Quality Standards Guide*, through the capacity-building services directly provided by IYF with MIF resources (see paragraph 2.3). IYF will train career counseling professionals in life skills and job placement, so that they can serve as a liaison between employers, youth, training centers and social services, among others, and improve job placement methods and practices targeted to poor and vulnerable youth. The counterpart funds will finance counseling and placement services for youth.
- 2.14 A key point of this component is the connection with the productive sector in terms of job placement, which will in part provide a very strong link with the group of companies that participate in the activities described in Component 1, since the job openings to be filled and customized training will be specifically identified. This component also seeks to mobilize business associations to raise awareness and attract other companies that offer job opportunities to poor and vulnerable youth, including education about equal opportunities for women in nontraditional jobs.
- 2.15 The principal activities and outputs associated with this component are: (i) develop an inventory of the public and private services offered in the area of employability and support services for youth; (ii) evaluate and strengthen 11 career counseling and job placement centers in accordance with the *NEO*

Quality Standards Guide; (iii) train 15 professionals in job placement best practices in accordance with NEO's quality standards; (iv) train 15 professionals in career counseling best practices in accordance with NEO's quality standards; (v) train 15 professionals in life skills best practices in accordance with NEO's quality standards; (vi) upgrade one digital employment platform so that it is accessible and user-friendly for youth; (vii) design a handbook to guide and raise awareness among companies and their workers on how to welcome and work with the vulnerable youth hired and provide them with support; (viii) raise awareness among 200 companies about the *Orientation Handbook for Companies and Their Employees about the Induction of Poor and Vulnerable Youth* who are trained under the NEO program; (ix) provide information to 20,000 young people who visit³⁰ the digital platform to help them make decisions with respect to training, jobs, and other support services; and (x) serve 5,400 youth in the career counseling and job placement centers.

Component III: Knowledge management, communication strategy, and strengthening of the NEO Panama partnership (MIF: US\$179,100; Counterpart/Cofinancing: US\$51,150)

- 2.16 The objective of this component is to document and disseminate the outcomes and lessons learned from the initiative, in order to strengthen and expand the NEO Panama partnership. During this process, the institutions that provide youth employability services will be motivated to make improvements and changes in how they operate, proven sustainable models will be scaled and replicated, and a dialogue between the different stakeholders in society will be promoted in order to improve public policies.
- 2.17 To this end, the following audiences have been identified: (i) companies interested in addressing the issue of youth employment and skilled labor for their business, (ii) public agencies interested in finding and implementing solutions to youth unemployment and attracting the attention of poor and vulnerable youth, (iii) educational institutions interested in improving the quality of their teaching practices, (iv) civil society organizations interested in improving their youth services.
- 2.18 The primary channels for reaching these audiences will be: meetings with new members of the multidisciplinary panels, personalized face-to-face meetings, presence in online and print media, and other media identified as relevant when formulating the communication strategy for the project.
- 2.19 The following knowledge products will be developed: (i) a case study on a successful employer-youth experience; (ii) a case study on the sustainability of career counseling and job placement services for the offices of nonprofit organizations; (iii) a thematic analysis of the NEO Panama partnership

³⁰ Visits to the platform will be monitored through accounts created by users (e.g., to post their résumés), the number of information downloads, or the videos and tutorials viewed.

experience; (iv) a thematic analysis of the NEO practices implemented in Panama and recommendations on critical factors to ensure the success of youth employability policies; and (v) capacity-building events for the NEO Panama partnership. Lastly, a strategic communication plan will be formulated for the project, for which an outside specialist will be contracted. The executing agency will update the project sheet on an annual basis. This document contains basic information on the project, and the challenges, intervention strategy, and outcomes achieved.

D. Project governance and execution arrangements

- 2.20 The NEO Panama partnership is comprised of public, private, and civil society institutions that act and have an influence on programs and strategies aimed at facilitating greater and better integration of youth in Panamanian society, particularly through youth, education, and employment policies. The IDB and IYF may participate as observers at meetings of the NEO Panama partnership. Given that this is a new approach in the country, the MIF, in its role as donor, may participate as a full member whenever deemed appropriate.
- 2.21 The NEO Panama partnership was founded based on a “governance agreement.” This agreement is signed by the members of the NEO Panama partnership and describes the intent of its members, the rules of operation, commitments, contributions, roles, responsibilities, relationship between the NEO Panama partnership and the executing agency, and how it should be organized for the implementation, evaluation, and supervision of the budget. The governance agreement will be aligned with the regional NEO initiative and with the agreement to be signed by the executing agency for the project and the MIF. The approval of this governance agreement will be a condition precedent to the first disbursement.
- 2.22 The structure of the NEO Panama partnership consists of a Board of Directors, Work Committees, an Advisory Board, and staff. The Board of Directors, initially comprised of all members of the partnership, is responsible for reviewing, approving, and ensuring compliance with the memorandum of understanding and work plans of the NEO Panama initiative. To ensure the best performance of the Board of Directors, the agreement provides for “specific work committees” such as fund-raising, marketing, sustainability, dispute resolution, and ethics committees, and describes the respective decision-making processes. An Advisory Board will also be set up to advise the Board of Directors and executing agency on priority issues, including trends and needs in the area of youth, education, and youth employability.
- 2.23 Lastly, the agreement describes the role of the executing agency that will head the project execution process, the coordination of actions carried out by the different members, and the administration of funds, under the direct supervision of the Board of Directors of the NEO Panama partnership and the MIF. After acting as technical secretary of the preliminary partnership, at the unanimous request of its

members, the NEO Panama partnership confirmed CoSPAÉ as the executing agency. CoSPAÉ will sign the legal agreement with the MIF, and will be responsible for execution and fulfilling the objectives of the NEO Panama initiative. CoSPAÉ has obtained letters of commitment for the funding and formal support of the NEO Panama project from the partnership's key stakeholders (see table in paragraph 1.17), which were gathered during the process of forming the partnership and will be confirmed once the activities and respective costs have been identified. To ensure that the project is effectively and efficiently executed, CoSPAÉ will form a technical team. This team will be part of the executing agency's operating structure, and will report to the Board of Directors of the NEO Panama partnership.

E. Sustainability

- 2.24 There are three principal conditions that will ensure the sustainability of the operation.
- 2.25 **The partnership and the installed capacity left with its members:** As explained in the description of the model, NEO Panama would like all the entities in the system—companies, public and private training centers, public sector, and NGOs, to offer more and better quality services for the employability of vulnerable youth, which does not necessarily involve additional investments, but rather improvements in their systems and better preparation of instructors, counselors, and job placement agents. Another factor that will ensure the sustainability of NEO Panama could be the partnership itself. The partnership was created in a participatory manner, gradually including key stakeholders linked to the problem of youth employability and job training. The fact that the proposal was constructed in a collaborative, open, and transparent manner made it possible to reach a consensus and obtain the support of everyone involved. Confidence should be reinforced as the project is executed, and based on the outcomes and lessons learned, the NEO Panama partnership will be able to continue improving and providing better youth employability programs and policies for the country.
- 2.26 **Institutionalization of the multidisciplinary panels:** The connection and experience gained in the three targeted productive sectors, training centers, and youth (described in Component 1) is expected to continue, and it should be possible to replicate the experience of these three sectors in other productive sectors.
- 2.27 **Transfer and scale:** Once the working model implemented in the 25 training, career counseling, and job placement centers is validated, a plan to transfer it to other service providers in Panama will be formulated. There are potentially 133 official institutions involved in technical and vocational training in the country (INADEH centers, ITS, ITPs) with an annual enrollment of 175,346 students. They could potentially reach 20,000 young people per year through the digital information platform and career counseling and job placement centers.

2.28 During the time this plan is in effect, **capacity-building workshops** will be conducted by the NEO Panama partnership together with all involved entities in order to identify and strengthen the measures required to ensure the continuity of the actions of the NEO Panama partnership, both during this project and after it has ended.

F. Lessons learned by the MIF or other institutions during project design

2.29 The principal lessons³¹ that shaped the design of this operation can be summarized as follows:

- To ensure an effective transition from school to work, education must be relevant to jobs. This is particularly important in technical education, which is known for preparing a student for a trade so that once he or she graduates, she can enter the job market. To ensure an effective transition, courses must be linked to demand and ongoing feedback must be provided.
- Young people require information and counseling about the different professions and their returns. When the time comes to choose a course of study, youth and their families lack information about the different courses offered, job profiles, and expected salaries. Being able to have information and counseling about these basic matters will help students make better decisions and minimize an oversupply of certain professions.
- Employers value life skills. Life skills are highly valued by employers in the region, despite the fact that they are difficult to measure and observe during the hiring process. Recently, research has shown that employers value these skills (motivation, work attitude, responsibility, commitment) even more than technical skills. Several studies have demonstrated the impact of these life skills on the success of interpersonal relationships, in the school environment and job market.³²
- Job placement services have a certain impact on reducing the time involved in looking for a job, and for those who are hired, help them obtain a structured job with a higher monthly or hourly income.
- Recognizing and addressing the different needs, preferences, and circumstances of young men and women is key to creating pertinent programs for both sexes.

G. MIF additionality

2.30 **Nonfinancial additionality.** The presence of the MIF, LMK, and IYF as well as other regional NEO partners acts as a catalyst for attracting and mobilizing key stakeholders in the public, private, and civil society sectors that are working toward more and better quality technical and vocational training programs for

³¹ In consultation with: [Ibarrabán, Ripani et al. \(2012\)](#), [MIF \(2012\)](#), Baptista and Flores Lima, 2014.

³² Cunha and Heckman, 2010; Carneiro and Heckman, 2003.

poor and vulnerable youth. The MIF plays a key role as a facilitator in the negotiation process during the project design stage with this extensive network of partners and the sharing of the technical knowledge and best practices accumulated not only by the MIF, but also by the IYF and IDB. Lastly, the MIF's experience in monitoring and evaluation will complement the sharing of technical knowledge, thereby strengthening the entities in terms of monitoring and evaluation so that they can verify the achievements that are made and invest resources in a more efficient manner with a better return.

- 2.31 **Financial additionality.** The MIF's financial contribution is critical to incentivizing the formation of the partnership and leveraging public and private resources. For every dollar contributed by the MIF, at least three dollars in other contributions have been leveraged, and its presence generates the trust required to attract investments from other members.

H. Project outcomes

- 2.32 The NEO Panama initiative seeks to increase the quality, access, and effectiveness of the technical and vocational training programs and employability service providers. To this end, the quality of these services will be evaluated and improved in accordance with the *NEO Quality Standards Guide* in 25 training, career counseling, and job placement centers in Panama City and the cities of David, Colón, and Penonomé. This includes 228 professionals in the aforementioned areas who work at the 25 centers. In turn, 33,200 youth will have access to better training services, career counseling, and information about educational, social, and labor supply and demand. The project also seeks to create a public-private partnership and include 200 employers who offer internships and jobs to youth.

I. Project impact

- 2.33 The impact sought by this initiative is to increase job placement opportunities for 33,200 young people, 50% of whom will be young women (16,600). Fifty percent of the youth who graduate from technical and vocational training programs are expected to obtain a job, and at least 20% of them are expected to continue their studies and/or reenter the formal education system. Fifty percent of employed graduates are expected to have formal jobs. In addition, the graduates who are hired are expected to earn a salary that exceeds the minimum wage established by law.³³

J. Systemic impact

- 2.34 NEO Panama will contribute to systemic change through the following indicators: (i) one public-private partnership that promotes and adopts scaled, high-impact youth employability models; and (ii) 25 key public and private institutions in the country that implement new practices and improvements in their youth

³³ Note that this refers to the average minimum wage in each sector and region, as applicable.

employability services based on the knowledge and models sponsored by the MIF.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** The project includes the development of an information system to help monitor the education and employment paths of young people as well as the institutions to be strengthened. To this end, an enrollment or registration form will be developed with a unique number for each participant and institution, which will serve as a baseline for the program.
- 3.2 **Monitoring.** In addition to tracking the performance of youth and the institutions, the information system will also be used to compile management indicators for the program to facilitate decision-making by the NEO Panama partnership. The executing agency will contract a person to monitor the system and ensure data quality control. In addition, the program will be aligned with the monitoring and evaluation system of the regional NEO initiative, which will provide the information platform for the system.
- 3.3 **Evaluation.** The operation includes a midterm and final evaluation to analyze the execution of the project and the impact of the training and job placement activities on these young people, and identify the lessons learned from the intervention.
- 3.4 The initiative's impact on job placement of end beneficiaries and/or their return to school will be measured, distinguishing between poor and vulnerable young men and women. Another area to be evaluated will be the link established between the training courses offered and the demands of the labor market, and its impact on the quality of the courses offered by training centers and on the hiring practices of companies through job placement services. Lastly, one of the questions to be answered will be: Was the NEO Panama partnership able to position, adopt, and continue replicating best practices and high-impact programs for vulnerable youth that include a gender component, and achieve greater cohesion and coordination between the employability programs offered in Panama?
- 3.5 **Closing workshop.** The executing agency will organize a closing workshop and event at the appropriate time, in order to jointly evaluate the outcomes achieved with all partnership members, identify additional tasks needed to ensure the sustainability of the actions undertaken by the project, and identify and disseminate the lessons learned and best practices to other institutions in the identified audiences.

IV. COST AND FINANCING

- 4.1 The project has a total cost of US\$7,759,647, of which US\$1,558,000 (20%) will be contributed by the MIF as nonreimbursable funds, with US\$6,201,647 (80%) in contributions from the NEO Panama partnership. Although CoSPAEE will sign the agreement with the MIF, the counterpart funds will be provided not only by

CoSPAЕ but by members of the partnership as well. For this reason, CoSPAЕ will do its best to ensure that the members of the NEO Panama partnership contribute their respective resources, and raise additional funds from other donors in order to come up with the total contribution amount. The execution period will be 36 months, and the disbursement period will be 42 months.

- 4.2 With regard to the 80% contribution from the NEO Panama partnership, the public and private institutions that are part of the partnership will contribute approximately US\$6.2 million. On the public sector side, INADEH will contribute a total of US\$4.7 million to finance the training courses. The largest private and civil society donors identified to date are CoSPAЕ, United Way, and CAPAC, with an approximate contribution of US\$331,585 (see Annex IV for a list of the contributions of each entity by component).
- 4.3 The MIF contribution finances the strengthening of the social-career counseling and job placement centers described in Component II, the activities included in Components I and II related to the evaluation and institutional strengthening of the training centers, and assistance in formulating plans to improve their services, which will be directly provided by IYF (see paragraph 2.3), as well as most of the knowledge, communication, and partnership-strengthening activities. Another area where the MIF’s contribution is key are the resources provided to the executing agency to contract a general coordinator and support staff to execute the project. In principle, MIF resources have not been identified for the procurement of goods.
- 4.4 It should be noted that in terms of scaling the project, there is significant involvement on the part of the public sector, and a large number of the preidentified centers to be strengthened come from public sector institutions, not to mention the number of young people served by these institutions. The cofinancing of these institutions will be recognized based on completion of the described activities.

	MIF	Counterpart	Cofinancing	Total
	(US\$)			
Project Components				
Component 1. Alignment of technical and vocational training with the demands of the productive sector	416,700	16,640	5,470,000	5,903,340
Component 2. Comprehensive career counseling and job placement services targeted to youth	422,516	288,152	255,000	965,668
Component 3. Knowledge management, communication strategy, and strengthening of the partnership	179,100	51,150		230,250
Execution and supervision components				
Executing agency/administrative staff	286,576	120,705		407,281

	MIF	Counterpart	Cofinancing	Total
	(US\$)			
Monitoring system	40,000			40,000
Midterm and final evaluation	30,000			30,000
Ex post reviews and audit	30,000			30,000
Launch and closing workshops	2,000			2,000
Contingencies	60,632			60,632
Sub-total	1,467,524	476,647	5,725,000	7,669,171
% of financing	20%	5%	75%	
Impact evaluation account (5%)	70,476			70,476
Agenda account	20,000			20,000
Grand Total	1,558,000	476,647	5,725,000	7,759,647

V. EXECUTING AGENCY

- 5.1 The Consejo del Sector Privado para la Asistencia Educacional [Private Sector Council for Educational Assistance] (CoSPAЕ) will be the executing agency³⁴ for this project and will sign the agreement with the Bank. CoSPAЕ is non-profit organization that has been carrying out educational activities over the last 30 years, through the management of national and international, private and public funds.
- 5.2 CoSPAЕ has been executing projects with similar characteristics since 2005 (including entra21,³⁵ RISE, Youth Improving Communities (YICO), and most recently, Equip Youth, developed jointly with IYF and Caterpillar³⁶). In these projects, the emphasis has been on training youth in various regions of Panama, and serving several different sectors such as the tourism and hotel industries, which are considered major drivers of economic development.
- 5.3 Because of its natural connections with the private sector, CoSPAЕ has been able to establish successful partnerships with the largest business associations (the Chamber of Commerce, Panama Chamber of Construction, Panama Hotels Association, Maritime Chamber, etc.), as well as many well-known companies such as Minera Panamá, Petro Terminal de Panamá, Ricardo Pérez, Banco General, COPA Airlines, and the Panama Canal Authority.
- 5.4 In addition, CoSPAЕ has executed a number of programs promoted by the government and the IDB, in which most of the beneficiaries were youth. These operations included the National Dual Training Program with the former Instituto

³⁴ Executing agency and executing unit are used interchangeably.

³⁵ Project financed by the MIF and coexecuted by IYF. <http://www.fomin.org/mif/HOME/Projects/ProjectHighlights/ENTRA21/tabid/458/language/en-US/Default.aspx>.

³⁶ Project under the NEO umbrella to train 500 young people in the tourism sector, <http://www.cospae.org/index.php/noticias/69-equipyouth1.html>.

Nacional de Formación Profesional [National Professional Training Institute] (INAFORP), the Productivity Program for Business Training (PRODUCE) with INADEH, the SEBRAE Challenge Program to awaken the entrepreneurial spirit among university students, executed with AMPYME, and numerous other programs with public financing such as the Training of Workers in Micro, Small and Medium-Sized Enterprises (PROCAMYPE) with MITRADEL.³⁷

- 5.5 CoSPAЕ will set up an executing unit and provide the necessary structure so that it can effectively and efficiently carry out the program's activities and manage its resources. This executing unit will be comprised of a general coordinator, administrative/financial assistant, a monitoring and evaluation specialist, a communications and fund-raising specialist, and a coordinator of the components to execute the activities and manage the NEO Panama resources. CoSPAЕ will also be responsible for submitting project status reports. Details on the executing unit's structure and status report requirements can be found in Annex 7 in the operation's technical files.
- 5.6 CoSPAЕ may contract the project coordinator directly. This position will be financed with MIF resources and must be approved by the members of the partnership. The rationale for direct contacting is based on the qualifications and experience of the candidate in implementing youth employability projects and is in line with the provisions of the Policies for the selection and hiring of consultants financed by the IDB (document GN-2350-9).

VI. PROJECT RISKS

- 6.1 *Risks associated with the sustainability of the project.* Because the formation of a public-private partnership for youth employability is very new, yet key to this operation, there is a risk that the members of the partnership will lose interest and stop being involved over time. To mitigate this risk, the NEO Panama partnership has prepared a governance agreement describing the responsibilities of the members and ensuring their participation. In addition, letters of commitment have already been received from the majority of the members of the NEO Panama partnership, which guarantees their participation and the continued membership in the partnership. Furthermore, Component III of the initiative addresses strengthening the NEO Panama partnership through workshops specialized in working in partnerships, dispute resolution, and the standardization of processes, which will mitigate the risks of dissolution. In addition, the NEO Panama partnership will assist the executing agency by supporting its actions, if necessary.
- 6.2 *Sector risks.* Another risk is the impossibility of assembling a relevant number of companies (which contribute by offering internships or jobs) in the selected sectors to participate on the multidisciplinary panels described in Component I.

³⁷ Component II of the project *Building a Training and Employment System in Panama* (PN0125) and the program *Demand-Based Employment and Training System* (ATN/MH-5739-PN).

To mitigate this risk, the NEO Panama partnership, CoSPA E, and the MIF intend to use their network of contacts to reach these companies. Components I and II of the initiative specifically provide for making contact with the targeted businesses for this purpose. Another way to get companies involved will be through the communication campaign described in Component III.

VII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 7.1 The project has no negative environmental or social impacts. On the contrary, it facilitates the social integration of low-income young men and women through technical training and training in life skills to help them enter the formal job market or continue their education.
- 7.2 According to the Environmental and Social Review (ESR), this project was classified as a category “C” operation.

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to comply with the MIF’s standard arrangements related to results-based disbursements, procurement processes, and financial management, as set out in Annex VII.

IX. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 9.1 **Intellectual property.** The IDB will hold the intellectual property rights to any work produced or outcomes achieved in connection with NEO Panama. At its discretion, the Bank may grant a free nonexclusive license for noncommercial purposes covering the dissemination, reproduction, and publication in any media of the works that are exclusively owned by the Bank. The executing agency will ensure that all contracts signed with consultants under this operation include express assignment to the Bank of all copyrights, patents, and any other intellectual property rights.