Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 27-Feb-2023 | Report No: PIDA33076

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Burkina Faso	P177005	Burkina Faso Entrepreneurship, Skills and Technology Project	
Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
WESTERN AND CENTRAL AFRICA	20-Feb-2023	08-May-2023	Finance, Competitiveness and Innovation
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Minister of Economy, Finance and Prospective	Ministry of Industry, Commerce and Handicrafts, Ministry of National Education, Literacy and Promotion of National Languages	

Proposed Development Objective(s)

To increase MSMEs' access to finance, technology, and a better trained workforce.

Components

1. Strengthening the Enabling Environment for MSME Development
2. Improving Access to Finance for MSMEs and Green Investments
3. Developing a Productive and Entrepreneurial Labor Force
4. Contingent Emergency Response Component

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	160.00
Total Financing	160.00
of which IBRD/IDA	160.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	160.00
IDA Credit	160.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The deteriorating security situation has been a key driver of political instability and resulted in the second military takeover in eight months, following the first coup on January 24, 2022**. The primary reasons cited by coup leaders were the lack of tangible progress in the improvement of the security situation and the loss of focus on security. On October 14, 2022, a new Transition Charter (TC) was discussed in the framework of a national conference and adopted. The TC sets the government priorities as restoring security and reestablishing territorial integrity; providing an urgent, effective and efficient response to the humanitarian crisis; promoting good governance and the fight against corruption; undertaking political, administrative and institutional reforms to strengthen the democratic culture and consolidate the rule of law; working for national reconciliation and rebuilding social cohesion; and ensuring the organization of free, transparent, fair, and inclusive elections. The new authorities reconfirmed a transition period of 21 months consistent with the transitional plan agreed with the Economic Community of West African States (ECOWAS) on October 4, 2022

2. **Burkina Faso is a landlocked country with a small and open economy in the West African Sahel. In recent decades, the economy has grown relatively fast, but its reliance on exports of a few primary commodities makes growth volatile.** In 2020, Burkina Faso's gross domestic product (GDP) per capita on a purchasing power parity (PPP) basis was US$2,279, and the GDP equaled US$17.4 billion.[1] Since 1995, the economy has grown on average by 6 percent, which was nearly twice the average growth rate of the post-independence era (*i.e.* 1961-1995) and faster than the average growth rate of Sub-Saharan Africa (SSA). But the population grew by 2.9 percent per year in the last decade as Burkina Faso recorded one of the world's highest fertility rates (5.1 percent). Hence, the economy needs to grow even more rapidly to make a difference in people's lives. The growth record has been volatile due to the economy's reliance on exports of a few primary commodities. For example, in the decade to 2020, exports quintupled to US$6.0 billion, driven by a strong expansion of gold production. In 2020, gold and raw cotton jointly accounted for 92 percent of exports with 83 percent of total exports absorbed by India, Singapore, and Switzerland.

The high degree of export concentration leaves the economy highly vulnerable to variations in the price and demand for two basic commodities.

3. **Burkina Faso's growth performance has not led to significant poverty reduction in recent years as the economy has failed to create sufficient opportunities for the 300,000 youth who join the labor force each year.** Pre-COVID-19, the economy absorbed roughly 60 percent of new entrants into the labor market. Few of these new jobs offered decent incomes. Economic vulnerabilities are widespread with two-thirds of households reporting that they suffer from adverse shocks that hurt family incomes and erode wealth.[1] The extractive industry has been the engine of growth, but it generates relatively few jobs. Mining accounts for 10 percent of GDP and 0.8 percent of formal jobs. The largely informal, artisanal gold industry currently absorbs a lot of labor, but the scope and sustainability of these jobs are unclear. The recent growth in public expenditures—driven by an increase in mining royalties—has helped increase public consumption and public investment to represent 25 and 12 percent of GDP, respectively.[2] Agriculture, which absorbs four-fifths of the labor force, has contributed only 15 percent to aggregate growth. As a result, in 2018, the official national poverty rate remained high at 41 percent. 90 percent of the poor live in rural areas where they are engaged in smallholder agriculture. The conditions are particularly difficult for women and youth who are over-represented in the informal sector.

4. **In 2000-2019, exports increased twentyfold. The economic complexity, however, has decreased significantly and the modest inflows of foreign direct investment (FDI) has produced relatively few productivity spillovers**. In 2000, raw cotton made up more than half of US$306 million in exports. In 2019, exports increased to US$6.0 billion, but 78 percent consisted of gold exports. This increased reliance on gold production has reduced the complexity of Burkina Faso's export profile.[3] Nevertheless, some other sectors are also on the rise: besides raw cotton, an agricultural export-oriented industry that includes cashew nuts, sesame seeds, other oil seeds, tropical fruits, and vegetable oils has emerged and shows strong growth potential. The rapid increase in international commerce has thus far not led to a commensurate increase in FDI. In 2010-2019, net FDI inflows averaged 1.8 percent of GDP, which was below the SSA average of 2.3 percent, and well below neighboring countries such as Niger (6.6 percent of GDP) and Ghana (6.5 percent). The gold and cotton industries were primary beneficiaries of FDI in addition to the construction and business services sectors linked to urbanization.[4] Burkina Faso would have much to gain from a stronger foreign participation in its economy—not least from technology transfers and knowledge transfers—beyond mining.

Sectoral and Institutional Context

5. **The private sector holds the key to sustained and inclusive growth in Burkina Faso.** The private sector is largely made up of micro, small and medium-sized enterprises (MSMEs) and many of them are informal. The economy's capacity to grow and generate more and better jobs, and the private sector's ability to progressively diversify into new and more complex products and services, are mainly impeded by: (i) the weak enabling business environment, (ii) the scarcity of finance for productive investments; (iii) the low degree of technology adoption at the firm level; and (iv) the scarcity of industry-relevant skills in the labor force.

Entrepreneurship and private investment are adversely affected by a challenging business environment.

[1] World Bank (2017)

[2] Ibid.

[3] See https://oec.world/en and https://atlas.cid.harvard.edu/rankings.

[4] WBG (2019)

6. **The legal, regulatory, and public administrative environment is far from conducive to private investment, trade, and entrepreneurship.** The GoBF has implemented several reforms over the years, but many services provided by the public bureaucracy remain slow, relatively costly, and far from best practice. The country has a somewhat mixed record in the West Africa Economic and Monetary Union (WAEMU) and other Sahel countries on leading competitiveness indices. For example, the country ranks 127th out of 137 countries in the Global Entrepreneurship Index 2019: above Chad (137) and Mauritania (134) but behind Mali (123), Cameroon (121), and Senegal (93). It ranks 115th out of 132 countries in the Global Innovation Index 2021, which was behind Senegal (105) but nearly on par with Côte d'Ivoire (104) and ahead of Nigeria (118), Cameroon (123), Mali (124), and Niger (129).[5] Burkina Faso has particularly cumbersome procedures to enforce contracts, to obtain credit, and to register property. For example, there are only 18,000 formal land titles in the country although there is a parallel, informal system. Insecure property rights are a source of conflict and uncertainty for the private sector, especially in the context of rapid land degradation. Modernizing, streamlining, and digitizing public services and regulatory oversight are essential to strengthen the business environment. The GoBF's Steering Committee on Investment Climate Reforms recently adopted a strategic plan for 2021-2025 to tackle these constraints.

7. **The paucity of public services and high business transaction costs have led to a high degree of informality and relatively few businesses invest to grow their operations.** The Economic Census of 2016 found 99,000 active businesses of which 9,000 were classified as formal. 95 percent of the businesses had fewer than ten employees and an annual turnover below XOF15 million. Most businesses were based in Ouagadougou (55 percent) and Bobo-Dioulasso (17 percent) and dominant sub-sectors were commerce (35 percent of total), 'other services' (40 percent; this includes personal services) and manufacturing (23 percent). In 2019, formal wage employment in the non-agricultural sector covered 570,000 persons out of a working age population of 9.8 million.[6] The informal economy absorbed an estimated 89 percent of the non-agricultural workforce and contributed 35 percent of GDP.[7] Income vulnerabilities associated with the informal economy disproportionately affect women as 93 percent of the female labor force is employed in occupations associated with informality.[8] The scarcity of formal employment opportunities leaves many Burkinabè with no other option than to engage in subsistence entrepreneurship. The semi-informal state of much of the private sector is not so much a cause as an effect of the weak enabling business environment. An accelerated transition from informal, low-productivity activities to formal, high-productivity activities is needed to help create better paying jobs.

Burkina Faso's MSMEs struggle to obtain finance to invest and improve their operations.

8. **Access to finance is a critical business constraint as highlighted in the World Bank enterprise survey where it was identified as the single biggest obstacle for 36 percent of the respondents.[9]** In the first half of 2020, only 12 percent of businesses were able to obtain financing.[10] In 2019, the banking sector's lending to the private sector was 28 percent of GDP, which was below the SSA average and between one-third (Morocco) and one-fifth (Vietnam) of the ratios in emerging markets with more developed banking sectors. The bank credit is largely allocated to large clients: the country's largest 50 enterprises absorb about 40 percent of total loans, and the top-5 clients represent

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[5] See the Global Entrepreneurship and Development Institute (2019), *Global Entrepreneurship Index*, https://thegedi.org/wp-content/uploads/2021/02/2019_GEI-2019_final_v2.pdf, and the World Intellectual Property Organization (2021), Global Innovation Index 2021: Tracking Innovation through the COVID-19 Crisis, www.globalinnovationindex.org/gii-2021-report#.

[6] World Bank (2018b)

[7] INSD (2019), Medina and al. (2017)

[8] INSD (2019)

[9] https://microdata.worldbank.org/index.php/catalog/124

[10] CCIBF (2020)

17 percent, which elevate risks due to market concentration. The MSME segment of the economy has few sources of formal finance, and it impedes investments in firm capabilities and growth opportunities. However, with the second largest mobile money market in the WAEMU, Burkina Faso's MSMEs may increasingly benefit from digital payments and transactions, and ultimately greater product innovation that will increase access to finance.

9. **High collateral requirements, information asymmetries, and weak regulation are factors that impede the development of the financial sector.** World Bank Group (WBG) assessments have shown impediments created by the legal and regulatory environment that is harming businesses, for example with regards to the lack of a functioning credit registry underpinning the financial sector and weak commercial justice linked to the lack of transparency, tardiness, and high cost to enforce contracts.[11] This is particularly difficult for the agriculture sector, which accounts for only 4 percent of total bank assets. Indeed, bank collateral requirements can be as high as 120 percent of the loan value. They consist mainly of fixed collateral, while most individuals and small businesses possess only moveable collateral in Burkina Faso. Producers and agro-enterprises struggle to meet these collateral requirements as an estimated 8 percent of agricultural households have a legal land title.[12] Typically, financial institutions struggle to assess the ability of MSMEs to borrow partly due to a lack of information. Following the enactment of the WAEMU law on credit bureaus, a private operator (*Creditinfo VoLo*) has been active since 2016, and it has service agreements with all banks and a few microfinance institutions (MFIs). However, in 2020, the coverage was limited to 2 percent of adults and the financing gap for MSMEs remains large.[13] Digital financial services (DFS) have grown rapidly and the World Bank's Global Findex report notes that Burkina Faso is one of ten countries in the world where more adults have mobile money accounts (23 percent) than traditional accounts at financial institutions. Digital credit is nevertheless almost non-existent and DFS are currently focused on urban areas.

Technology adoption is generally low in the private sector, but ICT use is starting to catch up.

10. **A recent World Bank survey of 600 firms in Burkina Faso found that the private sector is rapidly accessing modern technical tools, but there is a lot of scope to make more effective use of the opportunities they offer.** The survey found that most firms rely on mobile telecommunications (83 percent), but computers (52 percent), the Internet (39 percent) and smartphones (30 percent) are less commonly used for business purposes. Technology adoption rates are positively correlated with the size of the business. The data suggest that the creation of websites and the use of social media networks for business purposes are still relatively low. The findings indicate that there is a lot of scope to raise firm-level technology adoption for most general business functions that apply to all firms, such as sales, payments, business administration, and quality control, and in more specialized/niche business functions related to specific sectors and sub-sectors.[14] The adoption of improved production techniques and the use of ICT and other technical equipment are essential to raise productivity. It has also proved to be effective at accessing old and new markets, as shown in successive enterprise surveys throughout the COVID-19 pandemic.

11. **The greatest barriers to the adoption of more advanced technologies are linked to information asymmetries**: the uncertainty about demand (59 percent of firms), a lack of information about what technologies to adopt (56 percent), and a lack of knowledge about the technologies themselves (24 percent). These concerns are greater than those about the cost of adopting them (31 percent) and the cost of financing the technology transition (41 percent). Concerns about government regulations or the availability of technical skills are minor in comparison

[11] See www.doingbusiness.org
[12] WBG (2019)
[13] WBG (2020)
[14] See the World Bank (2022), Burkina Faso: Supporting Job Creation and the Private Sector During the Recovery From Covid-19, Report No: AUS0002632, Finance, Competitiveness and Innovation Global Practice.

although the concerns about the availability of technical skills would naturally increase if the information asymmetries were addressed. Thus, the ability for firms to grow through technological upgrading will depend on the availability of workers with relevant and often industry-specific skill. Survey data show that perceptions about the obstacles to technology adoption are relatively homogenous across firms of different size although there are some differences across sectors. There could be significant demonstration effects by first movers and technology adoption pilot programs.

The private sector is disadvantaged by the low level of educational attainment and general lack of technical and industry-relevant skills of the labor force.

12. **Human capital gaps are pervasive despite the progress made in recent years**. The working age population is characterized by low educational attainment and high illiteracy rates. In 2018, nearly two-thirds of the working age population had no formal education whereas 22 percent had some low-secondary education or higher. Despite some improvements in recent years, the educational profile of workers has severe implications for businesses that struggle to raise productivity and spur economic transformation. In 2020, Burkina Faso's Human Capital Index was 0.38, which put the country roughly around the 10th decile in the world.[15] Moreover, most of the working age population, including the youngest cohort (15-24 years), have considerable deficiencies in basic cognitive skills. In 2018, the literacy rate was 45 percent among 15-49 years, and 59 percent among the youngest cohort. Women and those living in rural areas are the most disadvantaged. Finally, the expected productivity of future workers is also low. A child born today is thus expected to be 38 percent as productive when s/he grows up compared to what s/he could be with a full complement of education and health inputs.

13. **Greater investment in human development is essential to reduce poverty and achieve long-term growth objectives.** At an estimated US$1,633 per employee, Burkina Faso's labor productivity is significantly lower than in Ghana (US$3,554), Côte d'Ivoire (US$5,250) and Senegal (US$5,746); and way below a country like Morocco (US$ 10,043). A better educated and trained workforce would help move the economy into higher productivity areas across sectors and hence facilitate economic diversification and greater value addition in production. In this respect, it would be essential to raise the adult literacy rate, with a focus on women and young adults, to improve labor productivity and foster empowerment. This is aligned with the recommendations made in the World Bank's *Sahel Education White Paper*, which highlights how crucial literacy and numeracy skills improve access to other skills and, ultimately, access to better jobs. Technical and Vocational Education and Training (TVET) can act as a catalyst for productivity improvements and economic transformation. As noted in the World Bank's World Development Report (2019) on *The Changing Nature of Work*, the frontier for skills is offering both opportunities and risks. There is mounting evidence that unless human capital bases are strengthened, countries cannot achieve sustained, inclusive growth, and will not have a workforce prepared for the jobs of the future.

The TVET sector could prove to be a more effective vehicle for skills development and technology adoption at the firm level, which is critical to sectors such as horticulture and light manufacturing given Burkina Faso's export interests.

14. **Despite its potential to improve occupation-specific skills and promote technology adoption and inclusion, many TVET centers fail to offer industry-relevant training courses with practical content**. Access to formal TVET remains limited and unevenly distributed. In 2019/20, there were 161 secondary TVET schools and the public centers served 35 percent of enrolled students. Nearly two-thirds of total TVET students were enrolled in Ouagadougou and the Central Region. The number of students enrolled in TVET secondary schools was about 3 per 100 students at the general secondary education level.[16] Girls made up 36 percent of these students. The quality of TVET is relatively

[15] Assessment performed by the WB's team on available data.

[16] MENAPL Statistical Yearbook 2019-2020.

low and curricula are often obsolete and fail to meet the needs of the private sector. Most schools do not have the essential equipment and materials needed for practical training. Consequently, many programs are focused on theoretical training of an administrative or managerial nature. Few teachers have access to continuous learning opportunities and fail to adapt to technological developments in industry. Students often enroll in fields for which there is little demand: for example, training offered in the agricultural sector accounts for only 3 percent of students despite agriculture employing 80 percent of the labor force. Value chain studies in horticulture and light manufacturing sub-sectors like textiles highlight the mismatch in skills that hurt productivity and retards the development of export industries.

15. **Governance challenges impede effective TVET delivery and there are few TVET centers that provide specialized skills required to develop Burkina Faso's export industries.** TVET schools lack autonomy in developing curricula and generating revenue. The sector is fragmented and there is little coordination among relevant ministries, which makes it difficult to implement reforms. About 100 private firms are regulated by the Ministry in charge of TVET, but very few participate in the development of curricula or in offering internships. The lack of autonomy impedes the development of TVETs with specialized and sector-focused training programs that can support emerging industries. Finally, there are no technology centers that could offer, for example, technical assistance or the renting of capital equipment for prototyping, test batch production or other tailored technical services to MSMEs, which impedes technology adoption, upgrading and upskilling at existing businesses.

16. **Second-chance opportunities are limited despite the large out-of-school youth population and low educational attainment. A systemic approach is necessary to improve TVET and skills development for out-of-school youth.** The labor force is young with 49 percent of workers aged 15-34 years. But only 13 percent of the working age population have some primary education, and women (11 percent) lag men (16 percent). An estimated 2.5 million youth aged 15–24 years are out-of-school (64 percent of total) and 1.4 million youth are economically inactive.[17] Out-of-school youth are unlikely to have a productive future without the benefits of adequate training, acquisition of skills, and credentials that have the ability to signal these skills. Additionally, the youth would also benefit from life skills and employability training programs that could support them through their life cycle. Despite the GoBF's commitment and ongoing efforts to provide second-chance programs, out-of-school youth face daunting social and economic challenges. The demand for skills covers foundational skills acquired in basic education or second chance programs as well as job-relevant skills gained from secondary education, including TVET, and high-level professional skills. The GoBF's Education and National TVET Strategy (*Plan Sectoriel de l'Education et de la Formation*) for 2017-2030 identifies the TVET sector as essential to develop skills after primary education. Its effective implementation would facilitate hiring for business in all industries in the country, including in digital and green domains.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

17. The project development objective (PDO) is to increase MSMEs' access to finance, technology, and a better trained workforce.

18. The proposed interventions will support entrepreneurs and small businesses that mostly operate in the informal sector, and dynamic, growth-oriented small and medium-sized enterprises (SMEs) that mostly operate in

[17] EHCVM (2018)

the formal sector. The integrated set of support activities are expected to positively affect the survival rate of new enterprises and help strengthen the competitiveness of select value chains.

Key Results

19. The PDO will be measured by five PDO outcome indicators:

PDO-1: Amount of new lending to businesses supported by the PPCG (…o/w green financing according to CAFI)

PDO-2: Number of firms adopting a more sophisticated technology or organizational practice (… o/w women-owned/led)

PDO-3: Number of firms implementing climate adaptation and/or mitigation measures

PDO-4: Number of students who complete a credentialed, industry-oriented program from TVET schools and centers (…o/w women, …o/w non-formal TVET students)

PDO-5: Share of TVET graduates gainfully employed 6 months after obtaining a diploma (…o/w women; o/w non-formal TVET students)

D. Project Description

20. The project is structured around three components that will help tackle critical constraints to MSME development.2 The first and the second components will help increase the demand for skilled labor whereas the third component will increase the supply of skilled labor. Component 1 will improve the business enabling environment and strengthen firm capabilities and technology adoption. Component 2 will increase access to finance for MSMEs and promote private investments in resilience and climate adaptation. Component 3 will develop industry-relevant technical skills in the working population through increased access to quality TVET programs driven by private sector needs. Program access would emphasize inclusivity with a specific focus on women and marginalized communities.3 Finally, the project includes a Contingent Emergency Response Component (CERC) that could be activated in case of severe disruption, for example due to rising national insecurity.

21. There are strong complementarities between the firm-level activities under Components 1-2 that will be managed by the Ministry of Industry, Commerce and Handicrafts (MICA) and the skills activities under Component 3 that will be managed by the Ministry of National Education, Literacy and National Language Promotion (MENAPLN). Components 1-2 will generate more demand for skilled labor in the MSME sector whereas Component 3 will generate more supply of skilled labor in the areas where employers are hiring. The demand driven nature of training will be based on a new approach to training modelld on the dual training system to support industry-relevant formation of skills. Component 1 will also help reduce administrative barriers to entrepreneurship whereas Component 3 will train and encourage youth to become entrepreneurs. Thus, the project will address both demand- and supply-side constraints to firm growth.

22. The project is designed as an MSME support project that will benefit the private sector in general, and growth-oriented businesses in particular. But the activities under Component 3 will directly benefit Burkinabè youth who will benefit from higher quality training and improved employment outcomes. Figure 1 illustrates how Component 1 strengthens the business enabling environment at large. Together with components 2-3, it also supports growth oriented MSMEs. Figure 2 also illustrates how most project activities are inclusive of all growth oriented MSMEs at the same time as the project will collaborate with industry associations and clusters of specific sectors and value chains to ensure that they are comprehensively covered.

23. Three broad sectors and value chains were identified by recent WBG analytical work and highlighted in GoBF policy announcements. They cover: (i) light manufacturing, including textiles, garments, leather goods, and food processing; and (ii) horticulture, including edible fruits, nuts, and seeds. Burkina Faso has a revealed comparative advantage and/or rich natural endowments in several product categories of these two sectors. In addition, these sectors are unlikely to prosper in the long run without the development of a stronger market for specialized support and enabling services. Thus, (iii) circular economy (CE) and global value chain (GVC) enabling services such as ICT and engineering services, the design, integration, installation, and maintenance of renewable energy systems (solar photovoltaic cells and biomass solutions); and laboratory, technical standards and sanitary and phytosanitary services are covered as the final group. Importantly, this selection of sectors and value chains maximizes complementarities with other government programs.

Figure 1: Project structure: economy-wide vs MSME focused interventions

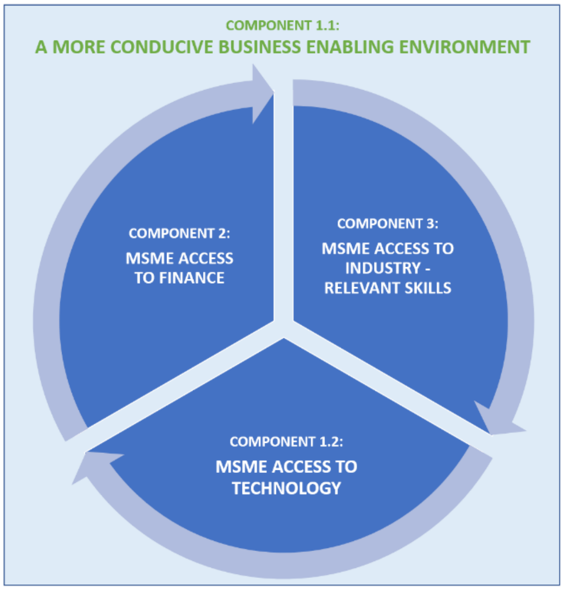
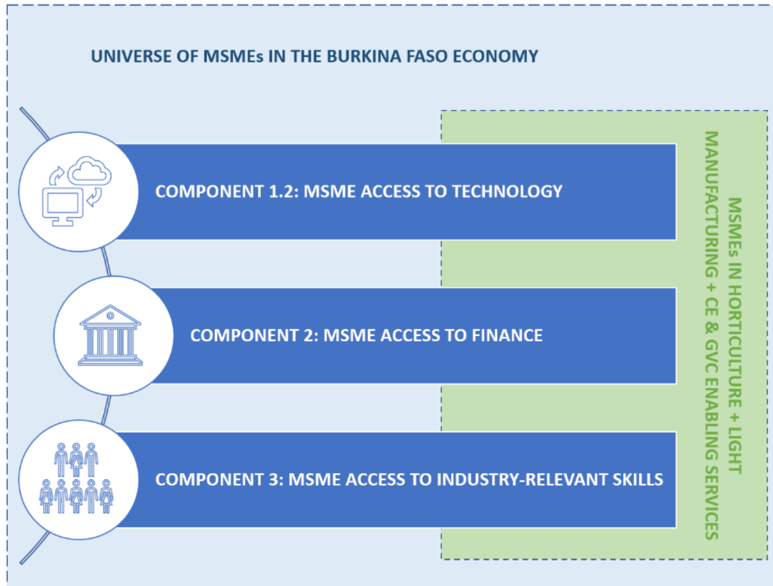


Figure 2: Project structure: MSME universe vs sector-specific focus



COMPONENT 1: STRENGTHENING THE ENABLING ENVIRONMENT FOR MSME DEVELOPMENT (US$60MN)

24. The first component will strengthen the enabling environment for MSME development. It will do so by selectively improving the business enabling environment and strengthening firm capabilities. These are binding constraints that impede entrepreneurs and investors from entering markets, and SMEs from investing in their internal capabilities to grow and compete regionally and with large enterprises. To the extent possible, the support will be tailored to the three sectors and value chains identified by the GoBF, the World Bank's CPSD, and the recent IFC Country Strategy (as outlined above).

COMPONENT 2: IMPROVING ACCESS TO FINANCE FOR MSMEs AND GREEN INVESTMENTS (US$40MN)

25. This component will expand the reach and scope of SOFIGIB's recently established Portfolio Partial Credit Guarantee (PPCG), which has proven to be an effective instrument for promoting access to finance for MSMEs. It will finance, first, an increase in the endowment of the PPCG's MSME Window (with a portfolio guarantee of 50 percent) since demand from PFIs greatly exceeds the capital allocation. Second, it will create a Green Window (with a portfolio guarantee of 60 percent) that applies IFC's CAFI tool to guarantee loans for investments in projects linked to resource efficiency, renewable energy, agro-industrial symbiosis, and climate adaptation and mitigation. This will be used to promote circular economy and in particular renewable energy solutions. Third, it will finance the endowment of a new Window for Under-served Regions (with a portfolio guarantee of 70 percent), which aims to maintain and develop new PFI operations outside the metropolitan area. This expansion of the scope aims to promote economic inclusion and help combat fragility. The financing of the PPCG will follow a series of governance and risk mitigation mechanisms.

26. Finally, this component will finance technical assistance to strengthen the capacity of PFIs to assess the risk of small lenders and reassess collateral requirements in addition to promote and appraise loans for green investments. The project will adopt the CAFI Green Taxonomy, which is a digital, web-based platform that helps banks and other financial institutions to assess the climate eligibility and measure development impact, including adaptation, energy efficiency, green buildings, renewable energy, transport, water efficiency and more. Growth-oriented clients of the

PFIs and especially clients under the Green Window will be encouraged to engage in the Capabilities Program to improve firm performance and leverage the Partnership Fund to render green investments more attractive. In addition, MEBF will work with industry associations in light manufacturing and horticulture to address challenges of coordination to promote joint private investments in green sub-projects especially around resource efficiency and renewable energy. These activities will be covered by a comprehensive monitoring and evaluation function.

COMPONENT 3: DEVELOPING A PRODUCTIVE AND ENTREPRENEURIAL LABOR FORCE (US$60MN)

27. This component will support the development of a more productive and entrepreneurial labor force, with the specific aim of helping build the set of skills needed for the success of activities identified under Components 1 and 2. In addition, the project will invest in developing a set of transferable skills that provide workers with the flexibility needed for labor mobility and to move from one sector or industry to another over the course of their working lives. The main objectives are to increase the number and share of workers who have received job-related and industry-oriented training which are relevant to the immediate needs of the labor market. Industry orientation and market relevance will be achieved by establishing strong links between the training providers and the private sector supported under Components 1 and 2. This is required to sustain the development of the green activities of the project. The component's objectives will be achieved by: (i) strengthened engagement with the private sector; (ii) targeted reforms in TVET sector governance and administration to improve the quality and efficiency of programs and labor market outcomes; and (iii) establishing new pathways for skills acquisition for youth, children and others in the work force. It will also strengthen awareness and technical skills to contribute to the development of a green and resilient economy.

COMPONENT 4. CONTINGENT EMERGENCY RESPONSE COMPONENT (US$0MN)

28. This component could finance a CERC. It is included to offer flexibility to re-focus the scope of the activities in case of a natural disaster, security, emergency, or catastrophic event, which would be triggered following the proclamation of a state of emergency or declaration of disaster. This component is being introduced given the rising insecurity in parts of the country and the associated uncertainties.

C. Project Beneficiaries

29. The Project's direct beneficiaries include: (i) the entrepreneurs and MSMEs who will benefit from direct support under the Capabilities Program and the Partnership Fund; improved access to finance through the PPCG; improved access to a better trained workforce; and more sustainable utilities; (ii) an estimated 30,000 students of which around 12,000 women, who will receive improved and practically oriented, industry-relevant training during the project period (and many more thereafter). This large group covers youth with some basic education who opt for a technical and vocational education; unemployed and underemployed youth and workers who either plan to enter or already entered the labor market, including informal apprentices, master craftsmen, and youth interested in digital skills and entrepreneurship development; and (iii) industry associations through increased exposure, information, and coordination capacity.

30. Numerous state level and region level officials will be able to deliver with a greater competence within improved organizations, with better technical training, using modern equipment. This includes for instance around 1,000 teachers, trainers, and pedagogical advisers. In addition, the private sector at large will benefit from an improvement in the business enabling environment and a more capable and user-friendly public interface for government services. The project is tailored to attain gender inclusion targets and foster increased female labor force participation across the skills development system. It will also tailor interventions to support vulnerable people including girls, internally displaced students, and youth with disabilities.

31. Finally, the beneficiaries will cover: (i) individuals such as trainees and aspiring entrepreneurs who may either seek employment in an existing enterprise, start an own enterprise or expand an existing micro business without employees; (ii) small (5-19 employees); and (iii) medium-sized (20-199 employees) enterprises. Large enterprises (>200 employees) will also benefit from several of the interventions—especially the TVET interventions—but mainly in an indirect manner. Some of the beneficiaries will operate in the informal sector whereas others will operate in the formal sector. The distinction is relevant for the Partnership Fund and the PPCG where all beneficiaries will have to be registered as legal entities, sole proprietors, or partnerships, and have valid business licenses and permits according to the Business Laws of Burkina Faso.

32. **Gender interventions**: the Project will support several activities that promote the economic empowerment of women and girls like targeted trainings and technical assistance under the Capabilities Program and the Partnership Fund will ensure that women entrepreneurs, business managers and business owners benefit from the services and the financing on offer in a tailored manner. The results indicators offer clarity that roughly twice as many women as their current market share would indicate will benefit from the support activities. Under Component 3, the TVET interventions will develop specific training programs that tailor to the needs of women and girls. This covers communication campaigns to attract more women and girls to train in the TVETs as well special efforts to provide appropriate industry practice and to measure outcomes over time for women's careers following the training.

33. **Underserved regions interventions:** the Project will proactively encourage uptake of support activitie beyond metropolitan Ouagadougou and Bobo-Dioulasso where most formal businesses are located. Th Capabilities Program and Partnership Fund will target programs to micro and smaller enterprises in thes regions when feasible. The PPCG will pilot a new window for under-served regions that will offer a highe portfolio guarantee (70 percent instead of the standard 50 percent for MSMEs) than the standard rate. Th project will also finance technical assistance to strengthen the capacity for risk assessments in these areas Finally, the TVET activities will actively seek to strengthen the presence of training programs outside the tw main metropolitan areas.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

34. The potential **environmental risks and impacts** associated with the project's activities are related to: (i) Resource efficiency and pollution prevention and management (sourcing of raw materials for civil works, water and energy use, dust, noise, potential contamination of water sources due to construction waste management mainly; (ii) Occupational and community health and safety as well as human security. The potential social risks and impacts associated with the project interventions are related to the risk of the exclusion of certain vulnerable groups such as women, youth, persons with disabilities, and rural communities, in consultation processes and

their risks of lack of access to project benefits, the risk of child labor, and the potential for project activities exacerbating conflicts. The construction and upgrading project activities of TVET secondary schools may also be associated with temporary labor influx which may result in SEA/SH-related risks and impacts.

E. Implementation

Institutional and Implementation Arrangements

35. The multisectoral nature of the Project requires implementation arrangements where each partner has clear responsibilities and full ownership of the activities. The Ministry of Commerce, Industry and Handicrafts (MICA) will chair a Project Steering Committee that functions as the supervisory board for the project. It will consists of: (i) the two concerned line ministries (i.e. MICA and MENAPLN) that each will supervise an implementing agency; (ii) participants from the following line ministries: the Ministry of Youth, Entrepreneurship and Employment; the Ministry of Digital Economy and Digital Transformation; the Ministry of Agriculture and Food Security; and the Ministry of Energy Transition, Mines and Quarries; and (iii) representatives from the national umbrella and concerned industry associations, civil society and academia. The Project Steering Committee members will be made up of an equal number of representatives from the government (6) and representatives from the private sector, civil society, and academia (6). Among the latter, heads of the CCI, the Association of Women Entrepreneurs, the Association of Renewable Energy Businesses, and the Professional Association of Banks and Financial Institutions will be invited.

36. The MICA will play a proactive role to ensure coordination and effective involvement of relevant ministries through the creation of a Competitiveness Task Force. The role of the Competitiveness Task Force will be to provide strategic direction, coordinate with concerned line ministries and partners in charge of day-to-day implementation and monitor results. The project activities will be implemented by two implementing entities:

a. **The MEBF for Components 1-2.** The MICA has appointed the MEBF as the coordination unit of the overall project and implementing entity for the activities under Components 1-2. MEBF has implemented three IDA operation in the past and numerous other government-funded programs. The MEBF will partner with the CCI and the Centre de Gestion Agréé and SOFIGIB in the delivery of some activities. It will also support the work of the Steering Committee on Investment Climate Reforms that has been active for a number of years.

b. **The MENAPLN for Component 3.** The MENAPLN will oversee all activities under Component 3, and the Project Coordination Unit of the ongoing Education Access and Quality Improvement Project (EAQIP) (P148062 will as implementing entity for four IDA-financed projects. This team will be able to take on the additional tasks and start the work with some complementary recruitment of technical staff.

B. Results Monitoring and Evaluation Arrangements

37. The PIUs will each employ a Monitoring and Evaluation (M&E) Specialist who will ensure that data is collected in a timely manner. The M&E Specialists will be responsible for data collection, compilation, and the preparation of quarterly M&E reports for the Project Steering Committee. Monitoring of the project's results indicators will use administrative data sources available from the MINEFID, MICA and MENAPLN. The Results Framework will enable the GoBF to track performance and demonstrate impact. First, the MEBF will conduct impact assessments of the Capabilities Program, the Partnership Fund and the PPCG. Second, the MENAPLN will use a wide variety of mechanisms to measure project outcomes including but not limited to administrative data collected through both the Education Management Information System, other centrally sourced data in the

country, and data from periodic surveys, tracer studies, labor market analysis, and studies planned to be carried out annually to support project implementation. This will help developing a linked system of information allowing different data to be mapped across sub-systems. This will help address one of the key issues in collecting data from TVET systems, which involves system fragmentation and hence a fragmented M&E system.

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