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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT

IN THE AMOUNT OF EUR 150.9 MILLION
(US\$160.0 MILLION EQUIVALENT)

TO

BURKINA FASO

FOR A

BURKINA FASO ENTREPRENEURSHIP, SKILLS AND TECHNOLOGY PROJECT

April 17, 2023

Finance, Competitiveness and Innovation Global Practice
Western and Central Africa Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective February 28, 2023

Currency Unit =

EUR 0.94259591 = US\$1

1.32879000 US\$ = SDR 1

XOF 618.30300557 = US\$1

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AfCFTA	Africa Continental Free Trade Area
BCEAO	Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest)
BDS	Business Development Services
CAFI	Climate Assessment for Financial Institutions
CCI	Chamber of Commerce and Industry (Chambre de Commerce et de l'Industrie du Burkina Faso)
CE	Circular Economy
CEBNF	Center for Non-Formal Basic Education (Le Centre d'Education de Base Non Formelle)
CEFTP	College of Education and Technical and Vocational Training (Collèges d'Enseignement et de Formation Techniques et Professionnels)
CERC	Contingent Emergency Response Component
CFA	Franc of the Financial Community of Africa
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
DA	Designated Account
DFS	Digital Financial Services
DMP	Directorate of Public Procurement (Direction des Marchés Publics)
EDGE	Excellence in Design for Greater Efficiencies
EFA	Economic and Financial Analysis
ERR	Economic Rate of Return
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESMS	Environmental and Social Management Systems
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standards
FDI	Foreign Direct Investment
FI	Financial Intermediary
FM	Financial Management
GDP	Gross Domestic Product
GHG	Green House Gas
GM	Grievance Mechanism
GoBF	Government of Burkina Faso
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GVC	Global Value Chain
ICT	Information and Communication Technology
IDA	International Development Association
IDP	Internally Displaced Person
IEG	Independent Evaluation Group

IFC	International Finance Corporation
IFR	Interim Financial Report
IGB	Institute Governing Board
IMF	International Monetary Fund
IPF	Investment Project Financing
ISO	International Organization for Standardization
LEED	Leadership in Energy and Environmental Design
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MEBF	Maison de l'Entreprise du Burkina Faso
MFI	Microfinance Institution
MDICAPME	Ministry of Industrial Development, Commerce, Handicrafts and Small and Medium-sized Enterprises (Ministère du Développement Industriel, du Commerce, de l'Artisanat et des Petites et Moyennes Entreprises)
MINEFID	Ministry of Economy, Finance and Development (Ministère de l'Economie, des Finances et du Développement)
MENAPLN	Ministry of National Education, Literacy and National Language Promotion (Ministère de l'Education Nationale, de l'Alphabétisation et de la Promotion des Langues Nationales)
MSMEs	Micro, Small and Medium-sized Enterprises
NPV	Net Present Value
PAAQE	Education Access and Quality Improvement Project (Unité de Coordination du Projet - Projet d'Amélioration de l'Accès et de la Qualité de l'Education)
PAD	Project Appraisal Document
PCG	Partial Credit Guarantee
PDO	Project Development Objective
PFI	Participating Financial Institutions
PFM	Public Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PPCG	Portfolio Partial Credit Guarantee
PPP	Purchasing Power Parity
PRA	Prevention and Resilience Allocation
RRA	Regional Risk and Resilience Assessment
SCD	Systematic Country Diagnostic
SEA/SH	Sexual Exploitation and Abuse and Sexual Harassment
SEP	Stakeholder Engagement Plan
SME	Small and Medium-sized Enterprise
SOFIGIB	Financial Institution of Interbank Guarantee of Burkina (Société Financière de Garantie Interbancaire du Burkina)
SORT	Systematic Operations Risk-Rating Tool
SPD	Standard Procurement Document
SSA	Sub-Saharan Africa
STEP	Systematic Tracking of Exchanges in Procurement
TFP	Total Factor Productivity

TOR	Terms of Reference
TVET	Technical and Vocational Education and Training
WAEMU	West Africa Economic and Monetary Union
WB	World Bank
WBG	World Bank Group
XOF	West African CFA franc



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Burkina Faso	Burkina Faso Entrepreneurship, Skills and Technology Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P177005	Investment Project Financing	Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input checked="" type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
08-May-2023	30-Jun-2029
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

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

Components

Component Name	Cost (US\$, millions)
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1. Strengthening the Enabling Environment for MSME Development	60.00
2. Improving Access to Finance for MSMEs and Green Investments	40.00
3. Developing a Productive and Entrepreneurial Labor Force	60.00
4. Contingent Emergency Response Component	0.00

Organizations

Borrower:	Burkina Faso
Implementing Agency:	Ministry of Industry, Commerce and Handicrafts Ministry of National Education, Literacy and Promotion of National Languages

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	291.50
Total Financing	291.50
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

Non-World Bank Group Financing

Commercial Financing	131.50
Commercial Financing Guaranteed	131.50

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Burkina Faso	160.00	0.00	0.00	0.00	160.00



National Performance-Based Allocations (PBA)	160.00	0.00	0.00	0.00	160.00
Total	160.00	0.00	0.00	0.00	160.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025	2026	2027	2028	2029
Annual	6.41	15.00	21.49	27.21	37.88	39.97	12.04
Cumulative	6.41	21.41	42.90	70.11	107.99	147.96	160.00

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Education

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	● High



10. Overall

● Substantial

COMPLIANCE**Policy**

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).



Legal Covenants

Sections and Description

The Recipient shall carry out the Project in accordance with the Implementation Arrangements set out in Section I, Schedule 2 of the Financing Agreement.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	The Recipient has entered into a Subsidiary Agreement with MEBF in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement and the Subsidiary Agreement has been duly authorized or ratified by all parties to said agreement and is legally binding upon said parties in accordance with its terms.
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has adopted the Project Implementation Manual in form and substance satisfactory to the Association.
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has recruited or appointed two (2) accountants and two (2) environmental and social specialists for the Project, with experience and under terms of reference satisfactory to the Association
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has updated MENAPLN PIU's and MEBF's accounting system in form and substance satisfactory to the Association.
Type Effectiveness	Financing source IBRD/IDA	Description The Recipient has prepared, disclosed, consulted upon, and adopted the Security Management Plan for the Project, in form and substance satisfactory to the Association
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made for Small Grants, Standard Grants or Green Transformation Grants under Category (3), unless and until: (i) the Recipient has caused MEBF to adopt the Partnership Fund Grants Manual in form and substance satisfactory to the Association, and (ii) the Recipient has caused MEBF to recruit or appoint a Partnership Fund Manager and a financial manager in charge of administering all aspects related to the Partnership Fund Grants under the Project.



Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made for Improvement Plan Grants under Category (4), unless and until the Recipient has adopted the Improvement Plan Grants Manual in form and substance satisfactory to the Association.
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made for Emergency Expenditures under Category (5), unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures: (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; (ii) the Recipient has ensured that all environmental and social instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.G.3(b) of this Schedule; (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.G.2 of this Schedule, for the purposes of said activities; and (iv) the Recipient has adopted the CER Manual, in form and substance acceptable to the Association, and the provisions of the CER Manual remain in accordance with the provisions of Section I.G.1(a) of this Schedule so as to be appropriate for the inclusion and implementation of said activities under the Emergency Response Part.



I. STRATEGIC CONTEXT

A. Country Context

1. **Burkina Faso is one of the world's poorest countries, with an extreme poverty headcount of 40 percent¹ in 2022 (8 million people), a gross domestic product (GDP) of US\$16.4 billion, and an GDP per capita of US\$740 in 2021.²** According to the World Development Indicators, its population growth was 2.7 percent in 2021, one of the highest in the world. Its turbulent political history, difficult biophysical environment, and isolation from major trade corridors generate daunting development challenges. 19 percent of the population had access to electricity in 2020, and less than one-third of adults are literate.³ The country ranks 144th out of 157 countries in the 2020 World Bank's Human Capital Index and 184th out of 191 countries in the 2021-22 Human Development Index report of the United Nations Development Program.
2. **Burkina Faso is confronted with acute insecurity threats that compound its considerable development challenges.** The security situation has deteriorated dramatically over the past eight years. Since 2016, the country has suffered multiple terrorist attacks, resulting in numerous deaths and massive population displacement (1.94 million people - women and children accounting for 22.9 percent and 60.4 percent, respectively in January 2023) and an unprecedented humanitarian crisis in the country.⁴ Displacement has affected new areas as violent extremism spreads, and internally displaced persons (IDPs) are now hosted in 302 communes, or 86 percent of the country's municipalities. The continued deterioration of the security situation has made the humanitarian situation more complex, with persistent food insecurity and absence of basic services in several regions. The attacks have also negatively impacted the economy by disrupting the labor supply, impeding mining, threatening vital gold exports, and undermining agricultural production. The insecurity has further deteriorated service delivery and is eroding social cohesion. The regions of Sahel, East, and Centre-North are hit hardest.
3. **Burkina Faso's overall medium-term fiscal outlook is adequate to ensure the sustainability of the Project.** Potential growth remains relatively solid (over 5 percent), underpinned by private consumption, gold exports, public consumption, and public investment. With past World Bank (WB) development policy financing and International Monetary Fund (IMF) programs, the Government has established a track record of fiscal adjustment in times of need. Public debt, as assessed in the latest Debt Sustainability Analysis (2023), is sustainable, and the risks of overall and external debt distress are rated as moderate. Further, supported by IDA's Sustainable Development Finance Policy, the country has made substantial progress over the past years, including under the successive post-coup governments in 2022, on the front of fiscal risks monitoring, management, and mitigation, and debt management and transparency. Following a recent IMF mission centered on the joint WB-IMF Debt Sustainability Analysis and a Food Shock Window financing of the Rapid Credit Facility, the 2023-2027 medium-term budgetary framework unveiled provides a path to regain the West African Economic and Monetary Union's 3 percent of GDP deficit target by 2027. Negotiations for a new IMF Extended Credit Facility program are set to resume in the coming months, and its conclusion could mitigate downside risks to the macro-fiscal outlook.

¹ The World Bank in Burkina Faso. <https://www.worldbank.org/en/country/burkinafaso/overview>

² World Development Indicators (WDI) in Burkina Faso: World Bank. <https://data.worldbank.org/country/burkina-faso>

³ World Development Indicators (WDI) in Burkina Faso: World Bank. <https://data.worldbank.org/country/burkina-faso>

⁴ Burkina Faso: Internally displaced population Overview (January 31, 2023), UN Office for the Coordination of Humanitarian Affairs.



4. **GDP growth slowed to an estimated 2.5 percent in 2022 (-0.1 percent per capita), with an additional 1.5 million extremely poor recorded.** Growth was driven by the primary and tertiary sectors, which grew 5.1 and 5.6 percent, respectively, underpinned by a return to average rainfall and higher government support through public services. After strong 2021 growth, the secondary sector contracted 4.9 percent in 2022 due to the insecurity-induced closure of several mines. As a result, growth was restrained by lower exports (-0.6 percent) and private investment (-6 percent). Soaring food prices (peaking at 30.8 percent year-on-year inflation in July) brought annual inflation to 14.1 percent, which, coupled with negative per capita income growth, rapidly eroded the purchasing power of households. Ultimately, poverty incidence is estimated to have increased by 5.9 percentage points, implying that an additional 1.5 million fell into extreme poverty in 2022. Assuming improvements in security and the implementation of the transition agenda, growth is projected to improve over the medium term, reaching 5.1 percent by 2025, driven by the agriculture and service sectors and a recovery in gold mining. Poverty rates are predicted to hold steady in 2023, as inflation offsets growth in the incomes of poor households, before beginning to trend downwards by about 1 percentage point a year. This marginal decline will only just keep up with increasing population growth, and the number of poor is expected to remain around 7.5 million.
5. **Two military coups d'état occurred in less than eight months in 2022, on January 24 and on September 30.** These were strongly linked to the security situation and to widespread dissatisfaction with the successive governments over their failure to curb the violence in the country. The country is currently led by a Transition Government and a Transition Legislative Assembly, appointed after the second military coup with the ambition to restore security. 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, and which should lead to the organization of elections in July 2024, in an improved security environment. The Heads of State and Government welcomed the signing of the Memorandum of Understanding between Burkina Faso and ECOWAS on the establishment of a Monitoring and Evaluation Mechanism of the transition timetable for a successful transition.

B. Sectoral and Institutional Context

6. **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.⁵ 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.⁶ Agriculture, which absorbs four-fifths of the labor force, has contributed only 15 percent to aggregate growth. 90 percent of the poor live in rural areas and engage in smallholder agriculture. The conditions

⁵ World Bank Group. 2017. Burkina Faso Priorities for Poverty Reduction and Shared Prosperity; Burkina Faso Priorities for Poverty Reduction and Shared Prosperity : Systematic Country Diagnostic. © World Bank, Washington, DC.

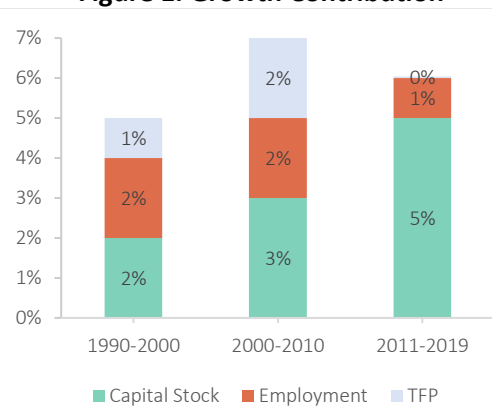
⁶ Ibid.



are particularly difficult for women and youths who are over-represented in the informal sector.

7. **In the last decade, labor productivity increases were low and total factor productivity (TFP) growth was flat** (see Figure 1). The mining sector has attracted a lot of private investment, but it has offered limited spillovers to the rest of the economy. The under-performance of enabling sectors—including energy, transport, logistics, and skills formation—has impeded productivity growth and job creation in non-mining activities. This is exacerbated by the low degree of complexity and formalization of the economy. Overall, stagnating labor productivity, flat TFP, and structural constraints such as limited access to credit and the high transaction costs for businesses impede the growth potential outside mining. Addressing these issues is essential to create more jobs and facilitate economic transformation.

Figure 1. Growth Contribution



Source: World Bank staff calculations.

8. **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.⁷ 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.⁸ 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.
9. **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.

10. **The legal, regulatory, and public administrative environment is far from conducive to private**

⁷ See <https://oec.world/en> and <https://atlas.cid.harvard.edu/rankings>.

⁸ World Bank (2019), *Creating Markets in Burkina Faso Growing Burkina Faso's Private Sector and Harnessing it to Bolster Economic Resilience*, Country Private Sector Diagnostic.



investment, trade, and entrepreneurship. The GoBF has implemented several business enabling 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) 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 (114) and ahead of Nigeria (118), Cameroon (123), Mali (124), and Niger (129).⁹ 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.

11. **The business enabling environment has led to a high degree of informality and few jobs.** 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.¹⁰ The informal economy absorbed an estimated 89 percent of the non-agricultural workforce and contributed 35 percent of GDP.¹¹ 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.¹² 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.

12. **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.**¹³ 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

⁹ 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#.

¹⁰ World Bank (2018), *Burkina Faso Jobs Diagnostic : Overview and Suggestions for a Jobs Policy Framework*, World Bank Group. United States of America. Retrieved from <https://policycommons.net/artifacts/1459601/burkina-faso-jobs-diagnostic/2099581/> on 14 Apr 2023. CID: 20.500.12592/gjd0ss.

¹¹ Medina, L, A.W. Jonelis and M. Cangul (2017), "The Informal Economy in Sub-Saharan Africa: Size and Determinants", IMF Working Papers, Vol 2017: 156, <https://doi.org/10.5089/9781484305942.001>.

¹² www.insd.bf/.

¹³ <https://microdata.worldbank.org/index.php/catalog/124>



developed banking sectors. In the first half of 2020, only 12 percent of businesses were able to obtain financing.¹⁴ 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 17 percent, which elevates 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.

13. **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.¹⁵ 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. 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. 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.

14. **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.**¹⁶ 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 suggests 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. The adoption of improved production techniques and the use of ICT and other technical equipment are essential to raise productivity. It has also proved effective at accessing old and new markets, as shown in enterprise surveys throughout the COVID-19 pandemic.

¹⁴ According to Chambre de Commerce et de l'Industrie du Burkina Faso.

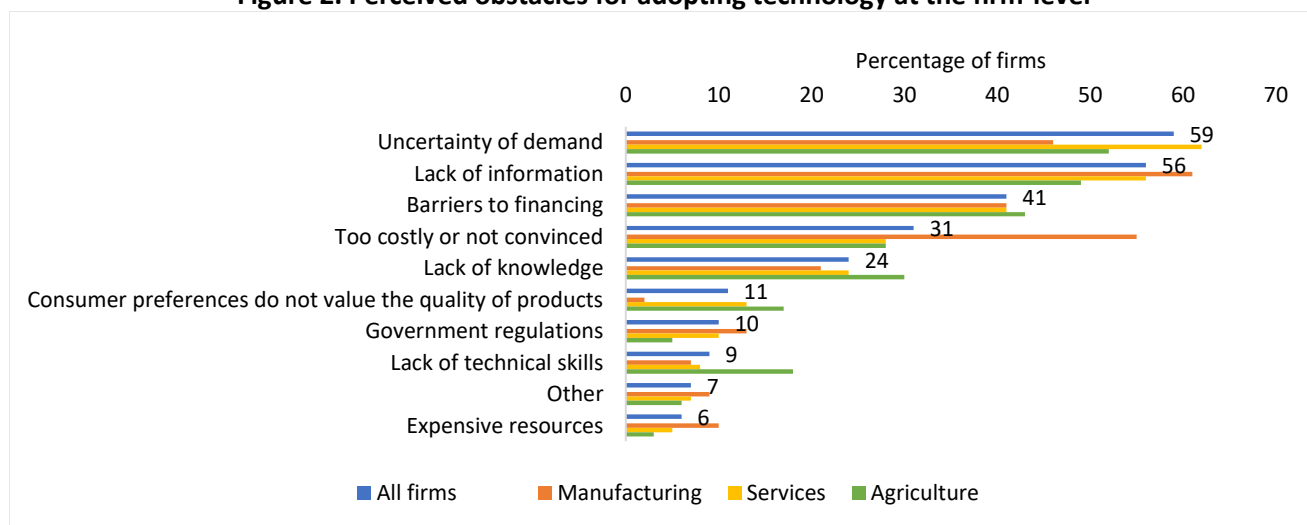
¹⁵ See www.doingbusiness.org.

¹⁶ 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.



15. **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 also minor in comparison. However, 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 skills. Figure 2 summarizes common barriers that firms face in adopting new technologies in Burkina Faso. The perceptions about the obstacles to technology adoption are relatively homogenous across firms of different sizes although there are some differences across sectors. There could be significant demonstration effects by first movers and technology adoption pilot programs.

Figure 2. Perceived obstacles for adopting technology at the firm-level



Source: World Bank (2021), Burkina Faso Firm-Level Adoption of Technology Survey.

The private sector is highly disadvantaged by the erratic and costly supply of electricity. There are cost competitive renewable energy solutions available that could be promoted with better information and financing options.

16. **The combination of poor access, high cost, and unreliability of electricity is the greatest operational constraint for many manufacturers and agro processors.** This message was consistent from the participants in six business roundtables hosted by the GoBF and the World Bank in 2021-22, and in numerous factory visits. The quality of electricity is low with common load shedding and brownouts. Many rural areas do not have access to grid electricity at all. As of December 2021, businesses in Burkina Faso paid the highest price for electricity in Africa, or around US\$0.42/kWh.¹⁷ Many enterprises rely on their own generators, which are polluting and expensive to operate. However, captive generation solutions can

¹⁷ Kamer, Lars (2022), "Electricity Prices for Businesses in Africa 2021, by Country", www.statista.com/statistics/1277621/electricity-prices-for-businesses-in-africa-by-country/.



provide cost savings of 30-50 percent of the cost of grid electricity.¹⁸ And there is a lot of scope to expand industrial symbiosis networks between agro-industries and town centers for resource efficiency and energy recovery as well as to expand the adoption of solar energy solutions. An added benefit, which would be of large value to many of Burkina Faso's export-oriented businesses, would be easier access to various product quality certifications linked to green and sustainable production processes. The implementation of the Burkina Faso National Adaptation Plan 2021-25 that support objectives around energy, agriculture and the resilience of ecosystems is vital to adapt to a harsh and changing climate, to reduce economic and social fragilities, and to build a more resilient economy.

- 17. Solar energy and local biogas solutions could provide more cost-effective and sustainable energy, and by extension raise the competitiveness of aggregators, processors, and manufacturers.** Most mini and micro grids are powered by solar panels combined with battery storage and a local distribution system that are particularly effective in areas beyond the reach of the main grid. The cost of mini/micro grid components such as solar and battery storage technologies has dropped, and solar grid solutions are becoming economically viable. The survey of 600 Burkinabè firms in 2021 found that nearly a quarter of them relied on their own power generator and solar represented 34 percent.¹⁹ The task team estimates that a switch to efficient solar solutions would yield cost savings of 5-10 percent compared to the use of captive energy generation based on diesel engines.²⁰ Grid developers would benefit from an easier process to secure local currency financing at affordable rates and longer tenors. Support to the development of mini/micro could help improve business continuity to a lower operational cost.ⁱ The development of smart mini grids based on the recovery of organic waste from rural activities, especially within the agriculture sector, could stabilize the generation and distribution cost competitive electricity. Producers especially outside core production centers could produce biogas instead of electricity, which would then be stored or transported by truck (costing US\$0.07/kWh) and fed to back-up engines with relatively small retrofitting investments to ensure dual-fuel use. The technology is already available and the main barriers to these private solutions are mainly linked to access to finance and coordination.
- 18. Burkina Faso is increasingly confronted by climate-change-induced natural hazards that threaten livelihoods and exacerbate existing vulnerabilities.**²¹ The country contributes to just 0.08 percent of global emissions, yet it scores 99.3 in the Global Climate Risk Index.²² With a Global Adaptation Initiative (GAIN) Index ranking of 161 out of 181 countries, Burkina Faso is also ranked among the most climate vulnerable countries globally.²³ This ranking indicates that Burkina Faso has extremely high vulnerability levels and low levels of readiness to adapt to climate change. Deforestation, desertification, low rainfall

¹⁸ The World Bank estimates that 0.107 US\$/kWh is the cost of captive energy generation using high efficient backup engines (based on available data) assuming 50 kW engine capacity, 8,500 working hours per year, and 1 US\$/l (diesel).

¹⁹ US\$0.8/kWh is the cost of captive solar energy generation using solar panels with a contribution to improve energy cost savings in the range of 5-10% of the energy bill compared to the use of captive energy generation based on a diesel engine. The figures are estimated based on available data and assuming: 50 kW engine capacity, 8,500 working hours per year, and 1 US\$/l (diesel).

²⁰ Investors Forecast Bright Future for Mini-Grids in Africa (IFC), Market Insight – June 2020).

https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/africa-mini-grids.

²¹ RCCC-ICRC Country profiles: Burkina Faso (2021), www.climatecentre.org/wp-content/uploads/RCCC-ICRC-Country-profiles-Burkina_Faso.pdf and WBG (2019), *Creating Markets in Burkina Faso: Growing Burkina Faso's Private Sector and Harnessing it to Bolster Economic Resilience*, CPSPD.

²² www.climatecentre.org/wp-content/uploads/RCCC-ICRC-Country-profiles-Burkina_Faso.pdf

²³ <https://gain-new.crc.nd.edu/country/burkina-faso>

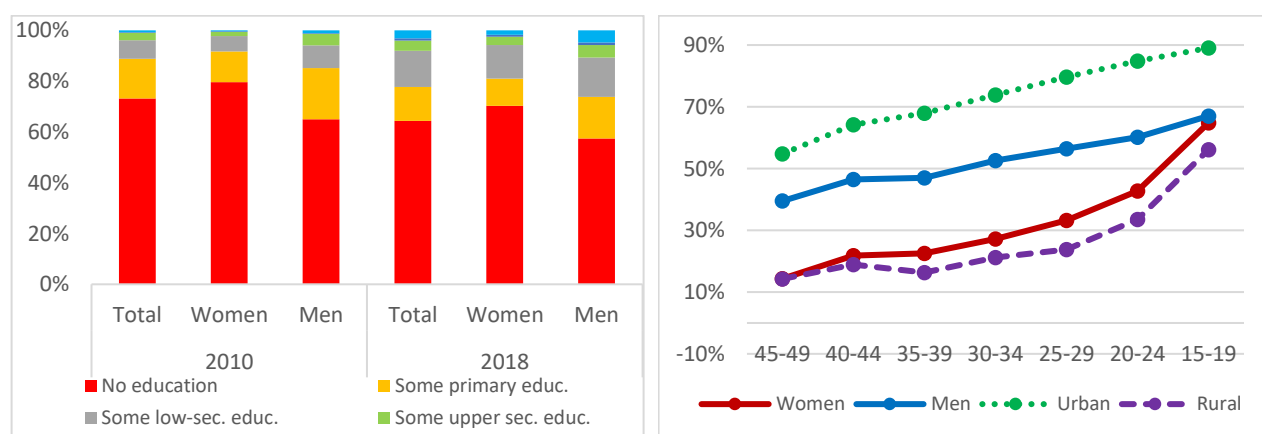


and extreme weather events are significant challenges. The country faced two major droughts in the last decade. It is estimated that one-third of the land area is degraded because of climate change and desertification and the ratio will grow with rising temperatures and soil erosion. Greater investment in climate adaptation is essential to reduce the adverse social and economic effects. More sustainable governance of water resources and investment in renewable energy could reduce the negative effects that constrain agricultural productivity, increase food insecurity, and hurt the development of agro-processing.

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.

19. 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 (see Figure 3). 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.²⁴ 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 year olds, and 59 percent among the youngest cohort (see Figure 4). Women and rural dwellers 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.

Figure 3: Educational attainment, working age population **Figure 4: Literacy rates based on gender and geography**



Source: World Bank estimations based on EHCVM (2018) and EBCVM (2010).

20. 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

²⁴ See www.worldbank.org/en/publication/human-capital.



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.²⁵ 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.²⁶ 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.

21. **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.²⁷ 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. Girls made up 36 percent of these students. The quality of TVET is relatively 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 highlight the mismatch in skills that hurt productivity and retards the development of export industries.
22. **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.
23. **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

²⁵ World Bank (2021), *The Wealth of Today and Tomorrow : Sahel Education White Paper*, Report 166882.

²⁶ World Bank (2018), *The Changing Nature of Work*, World Development Report 2019.

²⁷ MENAPL Statistical Yearbook 2019-2020.



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.²⁸ 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. Youth would benefit from better life skills and employability training 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. Relevance of Higher-Level Objectives

24. **The proposed project supports people focused interventions in line with the Burkina Faso revised Country Partnership Framework for FY18-FY24 (CPF, Report N123712)²⁹**, which was adjusted during the Performance Learning Review (PLR, Report number 166080), to respond to the dramatic changes in country circumstances with significant adjustments that increase the focus on resilience and conflict reduction and prevention, while continuing to improve the long-term prospects for progress in the focus areas. In line with the decisions made under the OP/BP 7.30 assessment, new lending reflects the Bank's commitment to remain engaged, prioritizing people-focused interventions that support the most pressing needs of populations to increase access income and basic services.³⁰ The CPF targets select economic and social interventions with high potential to create jobs for women and youth. Focus area 1 of the CPF is to accelerate sustainable private sector-led growth for job creation. Focus area 2 supports investment in human capital and social protection systems. The project would support these two focus areas. For example, CPF objective 1.1 (improve agriculture productivity and agribusiness value chains in targeted areas), CPF objective 1.4 (promote small and medium-sized enterprises (SMEs) and access to inclusive finance), and CPF objective 2.1 (support inclusive high-quality education and skills development) are primary objectives of the proposed activities.
25. **In line with the people centered approach, the project is expected to directly benefit over 2,550 businesses and 30,000 students.** The direct beneficiaries include the entrepreneurs and MSMEs who will benefit from support under the Capabilities Program and the Partnership Fund (1,750); improved access to finance through the PPCG (800); improved access to a better trained workforce (thousands of businesses); and more sustainable utilities. Those 2,550 businesses sustain a large work force and supplier network. In addition, an estimated 30,000 students of which around 12,000 women, 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;

²⁸ World Bank, Harmonized Survey on Households Living Standards, Burkina Faso 2018/19, <https://doi.org/10.48529/d5s2-kq92>.

³⁰ Following the first coup on January 24, 2022, and the second coup on September 30, 2022, the World Bank determined that OP/BP 7.30 on "dealings with de-facto governments" had been triggered. In accordance with OP/BP 7.30, the World Bank undertook an assessment of the criteria set under paragraphs 3, 4 and 5 of OP 7.30. The assessment found that the criteria in paragraph 3 and paragraph 4 of OP 7.30 to resume disbursements on active operations have been met as well as the criteria in paragraph 5 of OP 7.30 to resume new lending focusing on people centered operations.



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. IDPs will receive special treatment and the access to finance activities under Component 2 will help mitigate fragility in some regions under stress.

26. **The project also supports three of the four goals of the people-first approach of the World Bank's Western & Central Africa Region Priorities 2021-2025:** (i) removing bottlenecks that prevent firms from creating more and better jobs; (ii) strengthening human capital and empowering women; and (iii) boosting climate resilience. It also contributes to the three strategic priorities in the IFC Country Strategy for FY22-26 of: (i) growing and formalizing the MSME segment; (ii) diversifying the agribusiness sector beyond cotton; and (iii) alleviating various infrastructure barriers.
- 27 **The project is aligned with the WBG Strategy for Fragility, Conflict, and Violence (FCV), 2020-2025 and the GoBF Prevention and Resilience Allocation (PRA).** In December 2020, Burkina Faso became the first country to gain eligibility to the IDA19 PRA. In seeking PRA eligibility, Burkina Faso set quantitative conflict risk indicators and developed a government strategy to reduce conflict risk. The project supports the Regional Sahel Prevention and Resilience Allocation, which recommends activities to prevent the escalation of conflict, such as strengthening inclusive governance and provision of services (Sub-component 1.1 and Component 2) and promoting inclusive opportunities to education (Component 3).
- 28 **The design of the project is based on the findings and recommendations of key World Bank Group studies** such as: (i) the Burkina Faso Country Private Sector Diagnostic (CPSD, 2019)³¹; (ii) the Private Sector Recovery and Jobs Creation Post COVID-19 in Burkina (2021)³²; (iii) the Youth Employment in Value Chains in Burkina Faso: Opportunities for Youth in High-potential Value Chains in the Cities of Dori and Fada N'Gourma (2021)³³; (iv) the Burkina Faso Jobs Diagnostic (2018)³⁴; and (v) the World Bank's Sahel Education White Paper, in addition to relevant reports from the Independent Evaluation Group (IEG). Finally, it aligns with the WBG's (2022) Global Crisis Response Framework Paper and its pillar 2 (protecting people and preserving jobs), pillar 3 (strengthening resilience) and pillar 4 (strengthening policies, institutions and investing in rebuilding better).³⁵

³¹ World Bank (2019), *Creating Markets in Burkina Faso Growing Burkina Faso's Private Sector and Harnessing it to Bolster Economic Resilience*, Country Private Sector Diagnostic.

³² World Bank (2021), *Burkina Faso: Supporting Job Creation and the Private Sector During the Recovery from Covid-19* (English). Washington, D.C. : World Bank Group.
<http://documents.worldbank.org/curated/en/099815012062113587/P1754100e4b5f00c0b6450d4453c0f4d12>.

³³ World Bank (2021), *Youth Employment in Value Chains in Burkina Faso : Opportunities for Youth in High-Potential Value Chains in the Cities of Dori and Fada N'Gourma*, <https://policycommons.net/artifacts/1849928/youth-employment-in-value-chains-in-burkina-faso/2596515/>.

³⁴ World Bank (2018), *Burkina Faso Jobs Diagnostic : Overview and Suggestions for a Jobs Policy Framework*, World Bank Group. Retrieved from <https://policycommons.net/artifacts/1459601/burkina-faso-jobs-diagnostic/2099581/> on 14 Apr 2023. CID: 20.500.12592/gjd0ss.

³⁵ <https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>.



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

29. The project development objective (PDO) is to increase MSMEs' access to finance, technology, and a better trained workforce.
30. 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 the formal sector. Table 1, below, presents an overview of each activity's effect on businesses based on their size. 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. Figure 8 presents the Components in a Results Chain/Theory of Change, with the constraints, the interventions, and the expected low- and high-level development outcomes.

PDO Level Indicators

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

PDO-1: New lending to businesses supported by the PPCG (...o/w green financing) (US\$)

PDO-2: Businesses adopting a more sophisticated technology or organizational practice (... o/w women-owned/led) (number)

PDO-3: Businesses implementing new climate adaptation and/or mitigation measures (number)

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

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

B. Project Components

32. The project is structured around three components that will help tackle critical constraints to MSME development. 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.³⁶ 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. Table 1 presents the components and budgets.

³⁶ The specific target populations would include refugees, internally displaced persons, and persons with disabilities.



Table 1: Project components and budget allocations*

Components	IDA allocation
1: STRENGTHENING THE ENABLING ENVIRONMENT FOR MSME DEVELOPMENT	US\$60mn
<i>1.1: Improving the Business Enabling Environment</i>	<i>US\$12mn</i>
<i>1.2: Strengthening MSME Capabilities and Technology Adoption</i>	<i>US\$48mn</i>
2: IMPROVING ACCESS TO FINANCE FOR MSMEs AND GREEN INVESTMENTS	US\$40mn
3: DEVELOPING A PRODUCTIVE AND ENTREPRENEURIAL LABOR FORCE	US\$60mn
<i>3.1: Improving formal TVET delivery at the secondary level</i>	<i>US\$45mn</i>
<i>3.2: Increasing recognized non-formal training opportunities for low-skilled youth</i>	<i>US\$15mn</i>
4: CONTINGENT EMERGENCY RESPONSE COMPONENT (CERC)	US\$0mn

* The cost of project administration is allocated under each component rather than under a separate component.

33. There are strong complementarities between the firm-level activities under Components 1-2 that will be managed by the Ministry of Industrial Development, Commerce, Handicrafts and Small and Medium-sized Enterprises (Ministère du Développement Industriel, du Commerce, de l'Artisanat et des Petites et Moyennes Entreprises, MDICAPME) and the skills activities under Component 3 that will be managed by the Ministry of National Education, Literacy and National Language Promotion (Ministère de l'Éducation Nationale, de l'Alphabétisation et de la Promotion des Langues Nationales, 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 modelled 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.
34. 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 5 illustrates how sub-component 1.1 strengthens the business enabling environment at large whereas sub-component 1.2 and components 2-3 supports growth oriented MSMEs. Figure 6 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.
35. Three broad sectors and value chains were identified by recent WBG analytical work such as the CPSD and highlighted in GoBF policy announcements.³⁷ They cover: (i) *light manufacturing*, including textiles, garments, leather goods, and food processing; and (ii) *horticulture*, including edible fruits, nuts, and seeds.

³⁷ A draft Government concept note shared with the task team dated July 15, 2021, highlight textile/clothing, cultural and creative industries, information and communication technology, energy, mango, onion, sesame, cashew, shea, tomato, meat, hides and skins. This list is closely aligned with the CPSD (2019), which excluded tomato, but also highlighted integrated logistics and mining value chains.



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. Annex 3 summarizes the interventions of other IDA-funded operations that offer complementarities to this Project.

Figure 5: Project structure: economy-wide vs MSME focused interventions

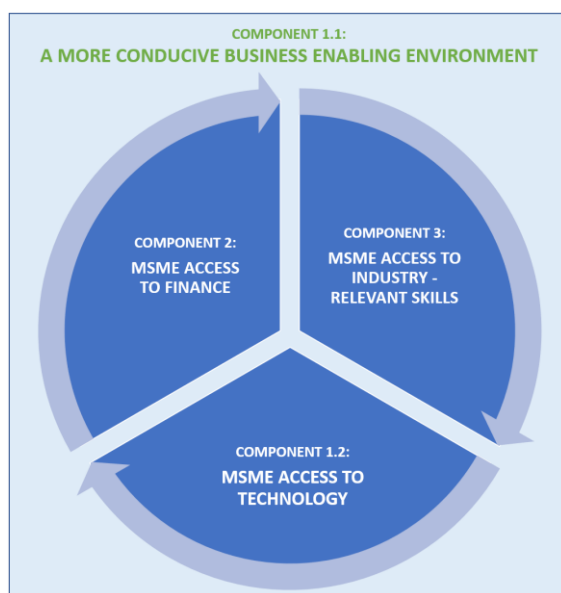
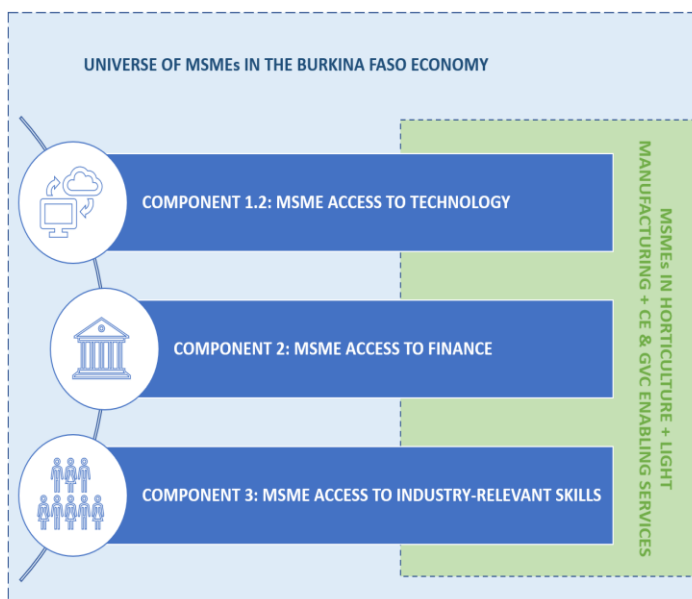


Figure 6: Project structure: MSME universe vs sector-specific focus



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

36. 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). A budget of US\$4 million is set aside for the management and implementation costs of Components 1 and 2.

Sub-component 1.1: Improving the Business Enabling Environment (US\$12mn)

37. This Sub-component will finance technical assistance, goods, and training to support GoBF's efforts to improve the overall business enabling environment with focus on economy-wide reforms and sectoral initiatives. The reform priorities are outlined in the National Economic and Social Development Plan for



2021-25 and in other government plans and strategies. These reform priorities will be achieved through two sets of actions: (i) an economy wide effort to modernize the public-private interface and streamline access to public services; and (ii) the development of sector specific initiatives.

38. First, the **economy-wide** reform process aims to modernize the public-private interface, streamline some public services, address information asymmetries, increase digitalization and transparency of service delivery, and thereby make the country more attractive to local and foreign investors. Specifically, the project will finance: (i) the streamlining and digitalization of procedures to start a business; (ii) the digitalization of the collateral registry and the facilitation of online access for commercial banks; and (iii) the strengthening of the legislative and judicial environment to support businesses, enhance the efficiency of the judiciary with respect to the business environment, and ensure timely online publication of court decisions. This reform effort will be led by the Steering Committee on Investment Climate Reforms. This sub-component will also provide technical assistance for the implementation of the Africa Continental Free Trade Agreement (AfCFTA) and the Action Plan that MDICAPME is currently developing for that purpose. Annex 2 describes these activities in greater detail and the specific steps and sequencing of the activities.³⁸
39. Second, **sector-specific** initiatives under this sub-component will: (i) undertake reforms to unlock opportunities in key value chains; (ii) promote quality and environmental standards, contribute to resource efficiency, and adopt the necessary quality and environmental accreditations needed to participate in GVCs; and (iii) support selected investment facilitation, promotion, and aftercare services in the targeted sectors. The sector specific initiatives will be led by three working groups hosted by MDICAPME and *La Maison de l'Entreprise du Burkina Faso* (MEBF) and they will identify constraints in supply chains, export markets, and sustainable processes. This will be complemented by financing for entrepreneurs and private enterprises under sub-component 1.2. The sector-led initiatives will be administered in partnership with the relevant industry associations and help improve sector coordination, increase the knowledge and flow of information on good practices, and promote the adoption of new technologies and productivity-enhancing techniques in production.

Sub-component 1.2: Strengthening MSME Capabilities and Technology Adoption (US\$44mn)

40. This sub-component will promote entrepreneurship, build MSME capabilities, and crowd in investments in technology adoption and circular and green solutions for water and energy. The activities will be delivered through: (i) the Entrepreneurship and Firm Capabilities Program (or the 'Capabilities Program'), which will provide group-based training and technical assistance; and (ii) the Partnership Fund for Technology Adoption and Green Transformation (or the 'Partnership Fund'), which will incentivize private investments through co-financing of primarily capital equipment and new technologies. Both activities will be implemented in a highly interactive and iterative process with the leadership and workers of an estimated 2,550 MSMEs.
41. The sub-component will build MSME capabilities through training, consulting, coaching and business development services (BDS). This will be delivered through a differentiated structure where the level of support will depend on each business' needs, managerial commitments, and potential for growth. The

³⁸ The process of digitalization of public services is expected to support sustainability goals by lowering activities, which are energy intensive, and by increasing energy efficiency. Digital solutions may also help reduce the use of other materials such as paper, kilometers travelled by customers and citizens to access services, and require less space to conduct transactions.



Capabilities Program will help strengthen basic competencies of micro entrepreneurs and aspiring entrepreneurs by encouraging the adoption of new technologies and organizational practices for SMEs through a group-based consulting program. The Partnership Fund will incentivize businesses to adopt new technologies—especially green technologies—and finance the necessary capital expenditures needed. Progression between the different parts will be encouraged so that some high performers can graduate to more tailored support in line with other funneling programs (e.g., as adopted in Malawi and Mozambique). Besides building capabilities of businesses, it will also strengthen entrepreneurship opportunities for youth, which is essential to combat fragility and economic vulnerability.

42. The Capabilities Program will upgrade specific value chains and industry clusters. The Partnership Fund will target the same value chains and industry clusters, but it will be inclusive and accept proposals from other productive industries on a competitive basis. The MEBF will work closely with industry associations of the three identified value chain and sector groupings to improve sector coordination, address information asymmetries, and increase the adoption of product certifications, and quality and environment accreditations. It will also promote circular solutions for water, waste, and energy, which are critical to improve outcomes for the light manufacturing and horticulture value chains. Figure 7 illustrates this process.

43. The **Entrepreneurship and Firm Capabilities Program** (US\$18m) will use a two-tiered approach:

- a) **Entrepreneurial skills and mindset** (US\$8mn). The first tier will help develop entrepreneurial capabilities and mindsets through a combination of training and coaching. This tier will focus on:
 - (i) socio-emotional competencies (personal initiative, entrepreneurial mindset),
 - (ii) organizational skills (target setting, monitoring, good managerial practices),
 - (iii) financial management (accessing finance, basic accounting, record-keeping), and
 - (iv) sustainability, specifically, on adaptation and mitigation measures to improve integration in GVCs.

The emphasis on socio-emotional and other soft skills has proven to be effective in a wide variety of contexts, and the evidence regarding this approach for women entrepreneurs is particularly strong. The first tier is expected to support 1,300 beneficiaries and will develop a replicable design to support scale-up based on outcomes and further demand. The target groups are both aspiring entrepreneurs (1000 beneficiaries) and existing micro and small enterprises (300 beneficiaries). The activities will be tailored to reach disadvantaged groups, particularly, women and youth entrepreneurs, as well as internally displaced persons (IDPs).

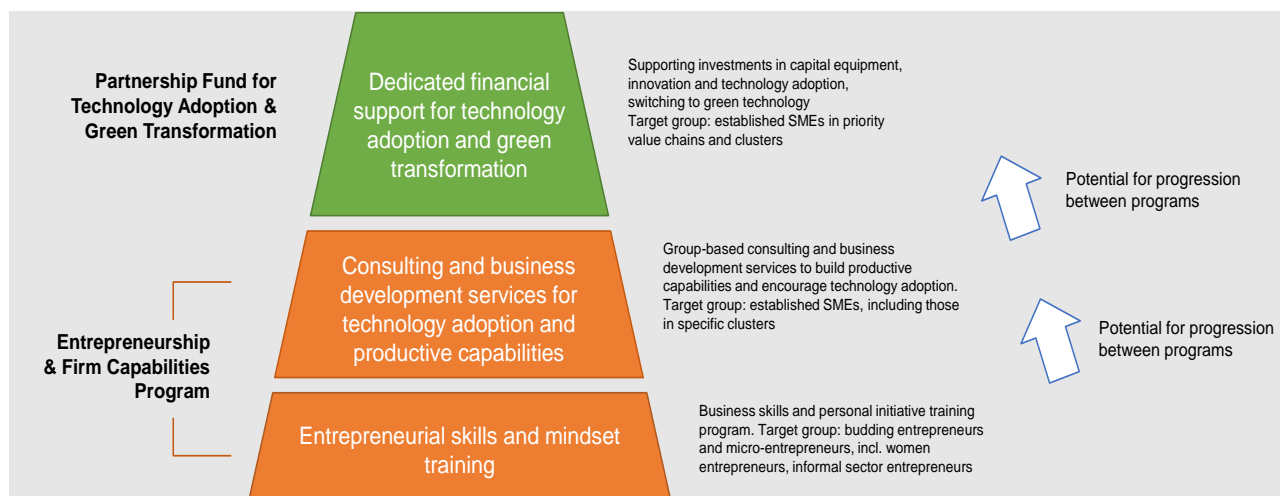
- b) **Technology adoption and productive capabilities** (US\$10mn). The second tier will provide consulting and BDS through a group setting to support technology adoption, managerial practices, and market access with a focus on green and quality certifications.³⁹ Group-based consulting services can yield similar results to consulting services delivered to individual businesses but tend to be more cost effective and supports learning benefits across the group. Initial cohorts will be SMEs operating in specific clusters and the selected value chains (light manufacturing, horticulture and CE & GVC enabling services). The aim is to

³⁹ Including green and sustainable business practices: implementing circular economy strategies and adopting business continuity (resilience) measures. Among the main certifications, the component will create awareness about the adoption of: ISO 9001 (quality), ISO 14001 (environment), ISO 14064 (GHG emission reduction), ISO 14067 (carbon footprint of products), ISO 50001 (energy management), ISO 22301 (business continuity).



improve, among others, the efficient use of resources. Later cohorts may include other sectors and small enterprises that have demonstrated success under the first tier. The World Bank's Firm-level Adoption of Technologies (FAT) benchmarking tool will be adapted to assess participating firms of their technology use and areas for improvement. The second tier will cover 250 businesses and last around 9 months and cover up to 100 hours of consulting per beneficiary (an average of 2 hours per week). Services will be provided by local BDS suppliers, who will also receive technical assistance to upgrade their own delivery capacity. A budget of US\$1 million will be reserved for this technical assistance.

Figure 7: Overview of the Capabilities Program and Partnership Fund



44. The **Partnership Fund for Technology Adoption and Green Transformation** (US\$26 million) will co-finance investments in capital equipment and technical assistance to support technology adoption, business and product innovation, and the use of product certifications and quality accreditations. Half the fund will support green solutions associated with the switch to renewable and more resilient energy sources and CE solutions. It will use the FAT benchmarking tool to assess technology adoption. For green technologies the green taxonomy embedded in the IFC Climate Assessment for Financial Institutions (CAFI) tool will be used to assess current and proposed green technology use (more below). The Partnership Fund administrator will proactively promote private investments in technologies that improve climate adaptation and resilience through CE strategies that reuse, reduce, replace, recycle, or remanufacture. The Partnership Fund will be sector-agnostic and target growth-oriented businesses and businesses that trade and integrate in international value/supply chains. The Partnership Fund administrator will work closely with industry associations for outreach and coordination to reach the target groups and especially within the three selected value chains and product category groups. Details of the Fund is provided in Annex 2. Grants will be allocated on a competitive basis under three windows:

- a) Small sub-projects (up to US\$20k) will have a grant ratio of 65 percent and an estimated 550 sub-projects will be awarded with an estimated average grant size of US\$8k (a total of ~US\$4.5mn).
- b) Standard sub-projects (up to US\$100k) will have a grant ratio of 50 percent and an estimated 150 sub-projects will be awarded with an estimated average grant size of US\$75k (a total of ~US\$11m).⁴⁰

⁴⁰ It would build on lessons learnt and complement the Agriculture Resilience and Competitiveness Project (P167945). It would also build on BDS and Business Plan Competition for women and Fintech within the Financial Inclusion support project (P164786).



- c) Green transformation sub-projects (up to US\$200k) will have a grant ratio of 40-50 percent of capital equipment/goods and 60-80 percent for technical assistance and training. The sub-projects will focus on solutions to integrate renewable energy and CE concepts into local value chains and production networks. An estimated 50 sub-projects will be awarded with an estimated average grant of US\$150k (a total of ~US\$7.5m). The Partnership Fund manager will coordinate with La Société Financière de Garantie Interbancaire du Burkina (SOFIGIB, or the Financial Institution of Interbank Guarantee of Burkina) to connect prospective beneficiaries with PFIs to facilitate private financing solutions.

45. The Partnership Fund will apply the following principles: (i) technical assistance will be offered before the implementation of sub-projects to help with the preparation of business/investment plans, and after any equipment is procured, to ensure proper installation, use and maintenance; (ii) productive alliances will be encouraged to promote stronger linkages along value chains; and (iii) linkages with local banks and financial institutions will be encouraged to crowd-in private financing and promote formal savings. Informal small businesses will be offered a path towards formalization (see Annex 6 for more principles and lessons learnt from similar funds).

46. The Partnership Fund administrator will proactively target women entrepreneurs and women business owners as well as aspiring entrepreneurs graduating from the TVET institutions improved under Component 3. The digital transformation of Burkinabè SMEs is happening but rather slowly and the grants are expected to support not only digital upgrading internally within businesses but also improved delivery of digital services to other businesses. MEBF has successfully managed three grant programs over the last two decades and it will establish and manage the Partnership Fund administration with external outsourcing of fiduciary supervision and monitoring and evaluation.

COMPONENT 2: IMPROVING ACCESS TO FINANCE FOR MSMEs AND GREEN INVESTMENTS (US\$171.5MN EQUIVALENT)

47. 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.⁴¹ It will finance, first, an increase in the endowment (US\$20 million) 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 70 percent) that builds on 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 (US\$10 million). 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 (US\$8 million). This expansion of the scope

⁴¹ The PPCG administered by SOFIGIB works with six commercial banks and two microfinance institutions. Between its inception in June 2020 and January 2023, the PPCG covered 7,248 borrowers with 9,420 loans worth US\$116 million. Nearly 70 percent of the loans were provided to first-time borrowers. It offers silent and automatic guarantees that make it attractive to the private sector while ensuring additionality and sustainability. Borrowers do not know whether their loans are partially guaranteed by the quasi-public fund, which minimizes delinquency. The guarantee is partial, so participating financial institutions (PFIs) have a strong interest to screen loan applications, select viable borrowers and ensure that each borrower meets specific criteria. The guarantee is applied to the entire portfolio of qualifying loans so the PFIs cannot limit guarantee coverage to the riskiest loans, which helps avoid adverse selection. All loans meet eligibility criteria that are verified at the time of the claim. Claims are processed for a payout within 30 days, which is attractive for PFIs. In addition, the PPCG already counts a few microfinance institutions as clients, so the instrument is reaching micro enterprises.



aims to promote economic inclusion and help combat fragility. The financing of the PPCG will follow a series of governance and risk mitigation mechanisms as presented in Box 2 under section III.A. on Institutional and Implementation Arrangements.

48. Finally, this component will finance technical assistance (US\$2 million) 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.⁴² 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. Private capital mobilization (PCM) is estimated at US\$131.5 million. This amount represents the value of commercial loans that can be guaranteed by the PPCG with an endowment of US\$38 million, assuming a leverage ratio of two; a coverage ratio of 50 percent for the MSME window and 70 percent coverage for the green and underserved regions windows. Box 1 presents a summary of the financial intermediary financing (FIF) review and Annex 6 presents the memo for OP10.

Box 1: Summary of the FIF review

The PPCG will be managed by the institution that also implements the PPCG established under the Financial Inclusion Support Project (FISP, P164786). During the preparation of the FISP, an FIF review was carried out (see Annex 6), and it concluded that the PPCG design complies with the requirements of the OP 10 FIF Policy based on the following elements:

- The design of the PPCG is compliant with the 16 principles and best practices, which cover four areas, legal and regulatory requirements, corporate governance and risk management, the operational framework, and monitoring and evaluation.
- Financial sector framework and interest rates: There is an interest rate cap in the financial sector; however, the design and implementation of the PPCG doesn't interfere with interest rates. In addition, the project is financing technical assistance to PFIs, including on adoption of digital technology solutions that can reduce operational costs.
- SOFIGIB as PPCG operator (and maximizing finance for development): SOFIGIB is a public-private company that is licensed and supervised by the financial sector regulator. As per the review recommendations, a monitoring and reporting system is maintained to provide key metrics such as outreach, client type, collateral requirements, efficiency, and documentation that shows how the SOFIGIB guarantee is different and does not crowd out other guarantee schemes. SOFIGIB presents this data monthly for each PFI and each window.

⁴² See CAFI TOOL IFC - <https://worldbankgroup.sharepoint.com/:v:/t/ifcfinancialinstitutionsgroupclimatefinance-CAFIFiles/EVHsdvrJLtlJtNLqsaxzGAB76JhxlgydvqhqETknfMg?e=Qsa4W6>.



- On lending terms and eligibility criteria for PFIs: SOFIGIB and the PFIs receive technical assistance to build internal capacity and the PFIs are selected based on criteria such as the compliance with all regulations, being in good standing with regulators, and demonstrating good financial performance.
- Coordination between the World Bank and IFC: there is no direct overlap with the IFC, and the World Bank and the IFC country teams keep each other informed on of the progress of the PFIs and the guarantee system, as well as the portfolio of the targeted client bases.

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

49. This component will support the development of a more productive and entrepreneurial labor force, with the specific aim of helping to build the set of skills needed for the success of activities identified under Components 1 and 2. An estimated 30,000 people will benefit directly from these activities during the course of the Project and many more thereafter. In addition, the project will invest in developing a set of transferable skills to provide workers with the flexibility needed for labor mobility 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 trainings relevant to the immediate labor market needs for the activities noted above. 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 ensure that training needs address the existing skills gaps, meet the stated training standards and certification requirements, and are well documented, monitored and evaluated. Additionally, close coordination between training providers and private sector employers is needed to guarantee that new skills, such as the development of green activities, can be supported under 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 consequently, labor market outcomes; and (iii) establishing new pathways for skills acquisition for youth 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.

Sub-Component 3.1: Improving formal TVET delivery at the secondary level (US\$45mn)

50. A key priority of the National TVET Strategy is to increase the number of people with technical and vocational skills needed for employment and entrepreneurship in the private sector. This sub-component helps to address the skills deficit through a targeted approach to increase the employability of TVET graduates for the private sector supported under this project. To strengthen the links between the private sector and training providers, the project will support a training model similar in form to the *dual training system*⁴³ in which trainees spend part of their time in center-based training and the rest of their time getting hands-on industry experience under experienced industry professionals and mentors. This will

⁴³ Although the dual training system was popularized by successes in the advanced economies of Europe – Germany, Austria, and Switzerland – they are increasingly becoming common-place and replicated in less complex adaptations in countries like Ethiopia, Ghana, Côte d'Ivoire, Nepal and the Philippines, with students benefitting from center-based learning, and immediately applying this knowledge by working and training with targeted counterpart companies.



significantly change the ratio of hours of theory versus practice in these new programs compared to existing TVET programs. It will also place trainees in work-based training environments which will give them access to equipment, machinery and other inputs that are in current use in industry in Burkina Faso. Given that the project has a significant climate focus, this *dual approach*, will prepare the trainees for the challenges of the green economy through the access to training for climate related technologies. This will help increase program relevance and consistency with Components 1 and 2. The sub-component will finance the following activities:

- a) **Establishment of a company-training provider network:** the dual training system requires close partnership between training providers and private employers. A company-training provider network will be formalized based on two factors: distance and thematic coverage. The thematic coverage will help standardize training provision and selected companies/MSMEs within the catchment area of a suitable training provider will form this network. Depending on the needs, several company-training provider networks covering the same training may be formed. The company-training provider network would be governed by a contractual obligation which will fully specify the roles and responsibilities of each party, and be financed through the project based on the number of apprentices accommodated for work-based training, the number absorbed for employment during the apprenticeship period, and on some measures of the quality of the training that would be mutually agreed to between the company and the training provider before the contract takes effect.
- b) **Assessment of skills gaps:** within each network, the specific skills constraints and gaps that are critical to the success of these companies/MSMEs will be identified. Private employers will be asked to develop for each available position and task type, a profile of the preferred worker, and a screening of all potential trainees regarding worker aptitude, academic attainment, and prior work experience, and suitability for the proposed companies.
- c) **Development of training modules and packages:** based on the assessment of skills needs, a set of training modules will be developed to alleviate these constraints and gaps. Modules will be developed to support the breadth of skills needed by workers in the company, and the depth of training needed to improve the quality of services. Once these modules are developed, a package will be prepared addressing all key inputs into a high-quality training program, including infrastructure, training equipment, training of trainers, training consumables, assessments, and certification. All trainees will participate in both formative and summative assessments at all points during the training and with a particular emphasis on the in-situ company training. Successful completion of all modules will qualify the trainees to receive an appropriate certificate. The proprietary nature of many modern technologies requires type-specific training. The dual approach will ensure that trainees will gain industry relevant training during their apprenticeship program by being directly placed with industry, even though students will train on generic equipment as part of their basic training.

Special focus will be given to the development of skills to work in emerging green economy sectors consistent with the needs of the country, for example, to reduce the cost associated to energy and water consumption for example by promoting solutions around renewable energy, energy efficiency, water efficiency, bio-waste to energy, etc. A package of transferable skills covering life-skills, employability skills, foundational literacy, numeracy, climate adaptation, language and IT/digital skills will be included as part of all training programs. This is critical given the low levels of human capital development in Burkina in general and the difficulties associated with identifying the skills attained through work experience. Training in a set of transversal skills is also needed given the weak signaling capacities of the current education and training system in the country.



- d) **Infrastructure and equipment:** once the new modules and training packages have been developed, the project will also support a set of measures including the improvement of infrastructure (rehabilitation and extension) and the installation of relevant training equipment and other technical platforms in TVET institutions and workshops supported under the project.
- e) **Package implementation:** these training packages will be implemented by all training institutions in close coordination with partnering companies. This may require strengthening of trainer competencies in both the training institution and facilitators and mentors in partnering companies.
- f) **Institutional support:** for a better management of the project, it is planned to acquire office equipment and furniture, rolling stock and computers for the project implementation agencies. Also, for social mobilization, a communication plan will be developed and implemented. Meetings, workshops and seminars will also be organized.

51. The sub-component will finance works, machinery/goods, training of trainers, and technical assistance for assessments and certification et al. The focus will be on developing trained workers to address the skills needs for the specific value chains and enabling services supported under Components 1 and 2. The sub-component will support all aspects of the modernization of training programs to support the specific objectives of private sector partners. Infrastructure improvements will be largely limited to reconstruction and rehabilitation of existing schools and institutions, with the possibility of additional small-scale infrastructure such as new classrooms or training workshops and laboratories—all designed to be energy efficient and resilient. The implementing agency will undertake data-driven, annual reviews and plan for critical inputs needed for future years. This would include an inventory of existing and needed equipment and infrastructure. If during the project implementation period, the construction of greenfield infrastructure or facilities becomes an important requirement, the project will be restructured to include investments in such facilities and efforts will also be made to bring additional partners on board to finance such construction. The number of participating schools and institutions will be a function of the number of sectors covered by the MSMEs/private sector partners.

52. A secondary objective of improving the infrastructure base for TVET programs would be to support the greening of the sector both in terms of the rehabilitation and design of existing facilities with the aim of meeting Excellence in Design for Greater Efficiencies, Leadership in Energy and Environmental Design or equivalent energy efficiency certifications and by improving the efficiency with which inputs are used in the training process. All participating institutions will be granted limited academic, administrative, and financial autonomy from the concerned Ministry. Participating training institutions will be required to establish an Institute Governing Board (IGB) to help oversee program implementation. The project will finance the development and implementation of Improvement Plan Grants that will serve as an initial injection of resources to help institutions establish the IGB and carry out its first-year activities.

Sub-Component 3.2: Increasing recognized non-formal training opportunities for low-skilled youth (US\$15mn)

53. Given the structure of the labor market, the high number of out-of-school youth and low literacy rates, this Sub-component will promote an accelerated program of non-formal skills development with an emphasis on imparting a package of the transferable skills identified earlier, with at least 10,000 students. Specifically, it will finance:

- a) **Communications strategy and assessment of existing skills:** develop a communications strategy to



inform youth about this new program and carry out an assessment of skills to support their participation. The campaign will be targeted to enhance the participation of marginalized groups, especially, of girls and women in the training programs.

- b) **Development of accelerated skills development modules:** Training for low-skilled youth encompassing foundational skills such as basic literacy, numeracy and digital literacy skills. Additionally, trainees would be able to access life skills, employability skills, job-search assistance, socio-emotional skills, and counselling services during their participation in the program. Programs will be modularized to allow trainees to complete modules and return to the workforce as needed. Each module will be certified, with students having to complete a full set of modules to receive an equivalent qualification. The delivery of the transversal skills training will be carried out through selected Non-Formal Basic Education Centers (CEBNF) by trainers whose skills have been upgraded under the project.
- c) **Technical assistance to strengthen non-formal training delivery in the CEBNF:** CEBNF will be provided with infrastructure support, training equipment, new technology and tools, teaching and learning materials and other relevant inputs as needed to support training activities. Technical assistance will also be used to develop a certification mechanism to recognize learning acquired through non-formal training and education.

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

- 54. A Contingent Emergency Response Component 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.

C. Project Beneficiaries

- 55. 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 (1,750); improved access to finance through the PPCG (800); improved access to a better trained workforce (thousands, but unclear exactly how many); 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.
- 56. Numerous state level and regional level officials will be able to perform with enhanced 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.

57. 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 (see Table 2). 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.
58. **Gender interventions:** the Project will support several activities that promote the economic empowerment of women and girls. Under Sub-component 1.2, 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 as special efforts to provide appropriate industry practice and to measure outcomes over time for women’s careers following the training.

Table 2: Project Interventions and Expected Beneficiaries based on the Size

	Micro (1-4)	Small (5-19)	Medium (20-199)
<i>Component 1: Strengthening the Enabling Environment for MSME Development</i>			
1.1: Business Enabling Environment reforms	XXX	XXX	XXX
1.2: Capabilities Program	XXX	XXX	XXX
1.2: Partnership Fund	XX	XXX	XXX
<i>Component 2: Improving Access to Finance for MSMEs and Green Investments</i>			
PPCG	XX	XXX	XXX
<i>Component 3: Developing a Productive and Entrepreneurial Labor Force*</i>			
3.1: Expansion and upgrading of TVET network	XXX	XXX	XXX
3.1: Adoption of dual training approach	XX	XXX	XXX
3.2: Non-formal training opportunities for out-of-school youth	XXX	XX	XX
3.3: Supporting youth’s insertion into the labor market	XXX	-	-

Note: ‘-’ = no measurable impact, X = modest impact, XX = moderate impact, XXX = strong impact.



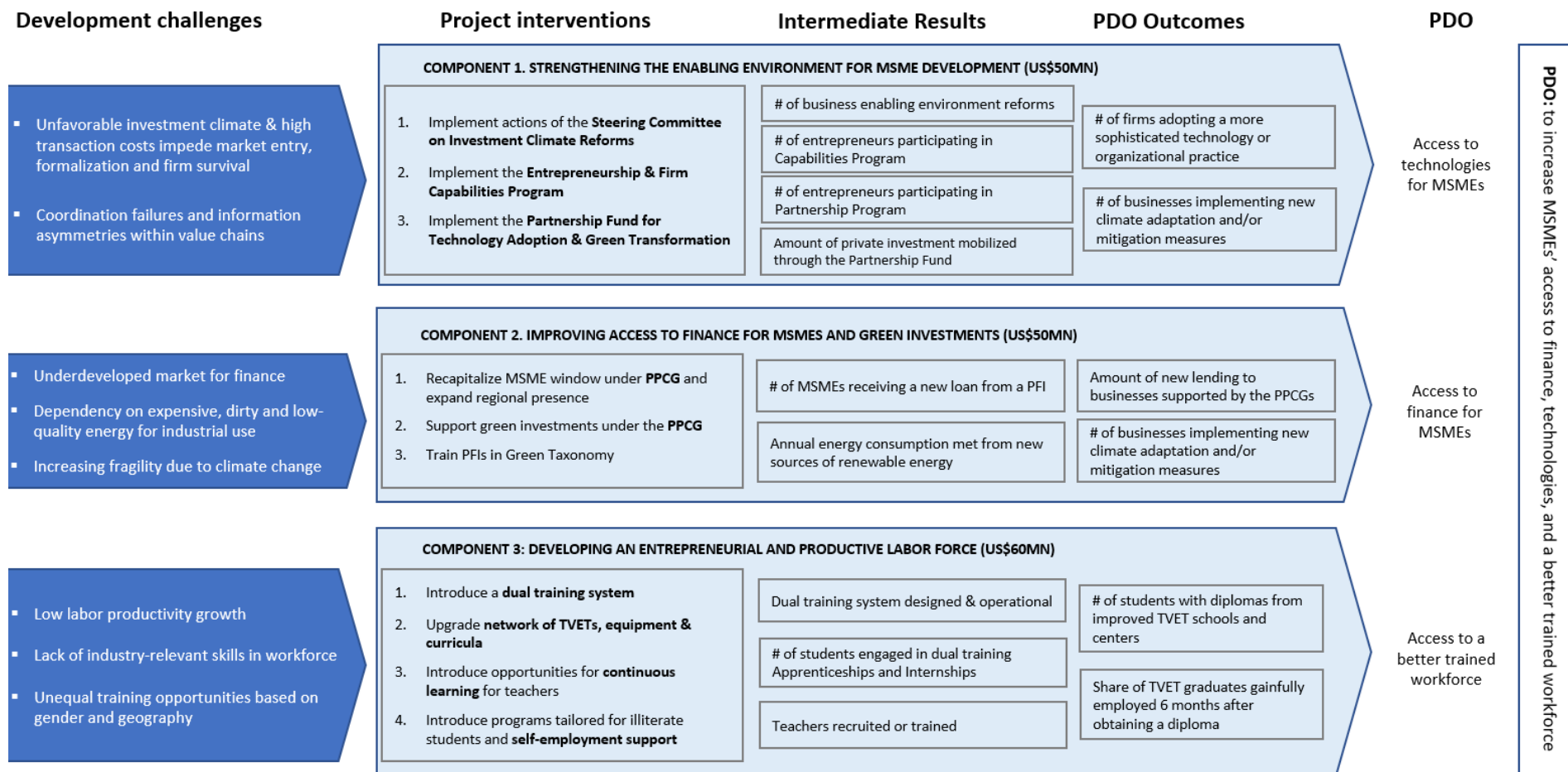
** The businesses are indirect beneficiaries and students are direct beneficiaries of project interventions.*

59. **Underserved regions interventions:** the Project will proactively encourage uptake of support activities beyond metropolitan Ouagadougou and Bobo-Dioulasso where most formal businesses are located. The Capabilities Program and Partnership Fund will target programs to micro and smaller enterprises in these regions when feasible. The PPCG will pilot a new window for under-served regions that will offer a higher portfolio guarantee (70 percent instead of the standard 50 percent for MSMEs) than the standard rate. The 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 two main metropolitan areas.

D. Results Chain

60. Figure 8 summarizes the results chain—or the theory of change—in a single comprehensive illustration.

Figure 8: Results Chain - Theory of Change



E. Rationale for World Bank Involvement and Role of Partners

61. The World Bank can offer the combination of concessionary finance, technical expertise and analytics required to design and supervise the implementation of cross-sectoral undertakings needed to achieve the project's development objectives. It offers not only the presence of local technical staff needed to support day-to-day implementation of the activities but also the convening power required to overcome coordination failures and bring private sector and government partners together to collaborate. The proposed Project draws upon several recent studies, including the CPSD for Burkina Faso, to identify key constraints to private sector development and the policy solutions that can help relieve them. Besides the government entities and implementation partners directly tasked to implement the activities, the project is also being prepared in collaboration with the Delegation of the European Union to Burkina Faso and the Burkina Faso Chamber of Commerce and Industry (CCI).

F. Lessons Learned and Reflected in Project Design

62. **The success of the project will depend on the effectiveness of the interventions in addressing major constraints to private sector development and the GoBF's continuous engagement with the private sector to seek feedback.** This Project seeks to tackle a series of binding constraints to private sector development and job creation. It covers two separate PIUs under a joint Project Steering Committee that will work in parallel to address issues with strong complementarities. The guiding principle during project design has been—and must remain throughout the implementation—that the interventions are meant to facilitate and enable businesses to invest, to innovate and to grow. It means that the voice of entrepreneurs and businesses should be heard throughout the implementation. The PIUs will continuously seek their feedback and suggestions to adjust interventions. This includes for example the validation of plans at the grassroot level and the Project Steering Committee level as well as the use of client and beneficiary satisfaction and feedback surveys. The MEBF has very close ties to the private sector and the appointment of this semi-autonomous entity as a PIU for Components 1-2 is an important decision by the GoBF to ensure strong private sector participation.

63. **The project needs to manage public expectations in a cautious manner given the risk of exogenous shocks such as violent attacks and commodity price depreciation that could hurt micro- and macroeconomic fundamentals.** Burkina Faso is experiencing increasing insecurity in many regions that is hurting social and economic development. The economic growth record has been closely associated with rising gold production and a buoyant gold price that have financed a steady increase in public consumption and partly concealed a more lackluster performance of other sectors of the economy. Before the COVID-19 pandemic, the economy failed to create enough productive jobs to absorb the many new entrants in the labor force. The pandemic has reduced the rate of new job creation further. Thus, while one of the ulterior objectives of the project is to promote the creation of more and better jobs, it factors in the particularly uncertain external environment in the setting of results targets and other expectations. The project will develop a communications strategy to inform and help manage public expectations.

64. **Exclusion and marginalization contribute to violent mobilization and World Bank operations should proactively seek to address patterns of exclusion, whether inter-group inequalities or geographical imbalances.** This was a key recommendation of the World Bank's Sahel Regional Risk and Resilience Assessment (RRA) and Prevention and Resilience Allocation (PRA) Eligibility Note. The project integrates measures to ensure coverage well beyond the capital metropolitan area by explicitly tailoring the support



to other regions, such as the PPCG under Component 2, which includes some less secure (orange) areas, and the Capabilities Program and Partnership Fund under Sub-component 1.2, which will be implemented across the country, as feasible. The footprint of the TVET activities under Component 3 will use inclusion as a selection criterion. The RRA and PRA recommended that task teams allow for flexibility in both the design and implementation. The project includes a CERC (Component 4) for this purpose and it adopts a broad definition that covers conflict and man-made disasters, as recommended, and it allows for the use of third-party execution and/or monitoring if and where needed. It is also flexible in terms of geographical targeting given the evolving security situation. Finally, the interventions that target insecure regions address well-defined constraints and none of them increase the risk of communal tension.

65. **The Capabilities Program draws upon successful interventions to boost firm performance and productivity in other countries and incorporates lessons from the WBG's Independent Evaluation Group (IEG).**⁴⁴ The 2019 IEG evaluation of WBG SME programs highlights that well-designed BDS programs can achieve positive effects and it notes that accompanying capacity building with financial support can contribute to the success of these programs. Analytical studies involving randomized controlled trials have shown that well-targeted BDS can result in sustained higher levels of firm performance. Entrepreneurial mindset training focusing on personal initiative have shown positive results particularly for micro-enterprises and women entrepreneurs in numerous countries like Ethiopia, Togo, and Uganda. More customized and intensive SME support programs involving consulting have helped to raise productivity and performance even years after the support was delivered. Group-based interventions have yielded similar impacts as individually delivered interventions, while also allowing for peer learning.⁴⁵ These are considerations that have been included under Sub-component 1.2.
66. **The design of firm-level interventions should be flexible to allow for complementarities across interventions and integrate lessons from beneficiary selection and the quality of services.** IEG evaluations of firm support programs such as matching grants highlight the importance of targeting beneficiaries using clear procedures, bringing in international expertise mixed with local knowledge and assuring quality. The tiered structure with the potential for progression between tiers ("funneling") allows for a better targeting of participants, as demonstrated performance in a lower tier of the program is used as a selection criterion for graduation. Earlier programs have shown that much of the impact of firm support programs is determined by the quality of the program service delivery. To increase the quality, the project will bring in regional and international experience on business development services, provide capacity building to domestic providers of business development services, and closely vet and evaluate business development service providers under Sub-component 1.2.

⁴⁴ The IEG has published two key publications on SME Support by the WBG. See: World Bank Group IEG (2019), *World Bank Group Support for Small and Medium Enterprises. A Synthesis of Evaluative Findings* and World Bank Group IEG (2014), *The Big Business of Small Enterprises. Evaluation of the World Bank Group experience with targeted support to small and medium-size enterprises, 2006-12*.

⁴⁵ Consulting services have been found to improve profitability for both large (e.g., Bloom et al (2020) in India) and small firms (e.g., Bruhn et al. (2020) in Mexico; Anderson & McKenzie (2021) in Nigeria). Group-based consulting approaches have seen similar performance improvements as individually delivered approaches, with profitability increases of 5-26 percent (Iacovone et al. (2020) in Colombia). Bloom, Nicholas, Aprajit Mahajan, David McKenzie, and John Roberts. 2020. "Do Management Interventions Last? Evidence from India." *American Economic Journal: Applied Economics* 12 (2): 198–219. Bruhn, Miriam, Dean Karlan, and Antoinette Schoar. 2018. "The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico." *Journal of Political Economy* 126 (2): 635–87. Iacovone, Leonardo, William Maloney, and David McKenzie. 2022. "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia." *Review of Economic Studies* 89 (1): 346–71.



67. **An IEG evaluation of SME support programs in 2019 identified several features that contribute to the success of matching grants schemes within World Bank lending operations.**⁴⁶ They include: (i) careful consideration of modalities for fund management; (ii) accompanying technical assistance, capacity building and institution strengthening; (iii) combining a mix of international expertise and local knowledge; (iv) allocating sufficient resources for due diligence functions; (v) autonomy of administration; and (vi) adaptability to market demand. An earlier IEG evaluation of matching grant schemes in 2013 focused on factors that contribute to an effective implementation of matching grants and highlights that matching grant mechanisms can be effective when there is a selection process that is rigorous following clear procedures, a flexible design to deal with changing circumstances, an expeditious processing of claims for reimbursement, and involvement of the private sector in the administration. This Project will setup an autonomous Partnership Fund management unit at arms' length distance from the MEBF, located separately, with an experienced Fund Manager, deputy Fund Manager and investment officers hired on a competitive basis from the private sector. The MEBF has also administered other matching grants programs and it is arguably the most experienced administrator of this mechanism in Burkina Faso. Common themes associated with ineffective programs were failures to identify target beneficiaries, slow and costly implementation, and low uptake, too strict or too lax eligibility criteria, complex processing, rigid procurement processes, political interference, and unfavorable macroeconomic conditions. See Annex 6 for a more extensive discussion on lessons learnt.
68. **A portfolio partial credit guarantee can be an effective mechanism to increase access to finance if it tackles common issues linked to its attractiveness, additionality, and sustainability.** Unlike Partial Credit Guarantees (PCGs) provided on an individual basis, PPCGs have had a strong and positive track record in Burkina Faso, the West Africa region and beyond. First, on its attractiveness, a PPCG should be a local fund with financial autonomy that is supervised by the Central Bank. It should be a flexible fund with the PFI determining the category of credits it wishes to cover and as agreed between the fund and the PFI. Claims should be paid in a timely manner. Second, on additionality, the guarantee should be offered for loans that would not have been granted without the guarantee. For example, renewals would only be granted if there is a decrease in collateral requirements. Third, on sustainability, a PPCG needs to handle the risk of adverse selection and the best way to do that is arguably to grant guarantees on a portfolio basis for all loans that comply with specific criteria. It also needs to address the risk of moral hazard on the borrower side and silent guarantees help mitigate the risk as borrowers are unaware about the PPCG's existence. Moral hazard on the lender side can be addressed by a reduction in commissions when portfolio quality is high, and by the partial characteristics of the guarantee. A resident technical assistance program attached to the scheme can help build capacity in the PFIs. These are lessons that were specifically integrated in the design of the PPCG managed by SOFIGIB under Component 2 to avoid common concerns in PCGs.
69. **Effective TVET programs provide a mix of foundational skills, theoretical vocational training, and work-based learning, and offer a variety of economic inclusion services such as business skills and support to start an economic activity.** The design of Component 3 includes dual training principles to ensure an improved TVET learning experience. It also puts an emphasis on the provision of foundational skills given the education profile in the country. Lessons on the need to ensure appropriate infrastructure, trained instructors, connectivity, and equipment capabilities to support technical and vocational education are

⁴⁶ World Bank (2019), *World Bank Group Support for Small and Medium Enterprises (SMEs)*, DOI: 10.1596/IEG142212.



also considered. The project's design ensures support for building and equipping TVET schools, training the instructors on design and pedagogy, as well as efforts to ensure improved management and autonomy to generate financing for sustained impact. Furthermore, impact assessments of skills development initiatives suggest that life skills and entrepreneurship training with start-up grants have large effects on unskilled youth's socio-emotional well-being. Thus, the project includes economic inclusion interventions to capitalize on the training.

70. **TVET systems should be aligned to the needs of employers and the nature of the labor market.** There is a need for skills training programs to adapt to address specific constraints of the workforce, often underpinned by social norms. Additionally, support should be provided to ensure effective collaboration with the private sector and build the government capacity to ensure quality control. The evidence also suggests that while high-quality training in hard and soft skills relevant to jobs can improve labor market outcomes for both women and men, women are less likely to enroll, stay in, and graduate from such programs.⁴⁷ The project design seeks to address these constraints by providing mentoring activities for female students and targeted communications campaigns; and by creating a conducive and safe learning environment with increased sensitization of instructors and administrators and improved school facilities. The technical design of the proposed formal and non-formal TVET activities has drawn upon lessons and experience from previous and ongoing technical and financial partner-supported projects in Burkina Faso, including (i) the completed TVET Sector Policy Support Project, which supported, inter alia, selected infrastructure support and training of TVET instructors in the country; (ii) the ongoing Vocational Training Reinforcement Project financed by the Chinese Government; (iii) the World-Bank financed Education Access and Quality Improvement Project (P148062), and (iv) the Youth Capacity Building Project financed by the Swiss Confederation. Thus, close donor coordination is another aspect that needs to be integrated in Burkina Faso's TVET sector.
71. **The project incorporates good practices from job skills training projects implemented in several countries.** Operations should: (i) clearly define whether the goal is to facilitate transition into wage employment or to promote self-employment and entrepreneurship; (ii) use tailored strategies to reach girls and members of vulnerable groups; (iii) manage student expectations by informing them about the expected returns on the investment in education before they select a trade; (iv) integrate the costs of transport, childcare and lunch in the overall price setting model; and (v) incorporate post training support into the TVET programs such as start-up capital, wage subsidy and job search assistance.
72. **Proactive procurement planning and close sequencing of linked procurement packages are essential to adhere to public works delivery schedules.** The implementation of the Bagré Growth Poles Project (P119662/P161234) offers lessons on how the PIUs must adopt a proactive, integrated approach to procurement planning and management. This is especially relevant for the TVET activities under Component 3 that covers a lot of public works. First, a project will significantly reduce the risk to the implementation timeline if it works exclusively with unencumbered land parcels that are publicly owned and controlled. It has also been the starting point to all discussions about public works and new TVET locations during the preparation of the project. Second, the design and supervision functions should preferably be bundled and procured jointly to avoid unnecessary fragmentation of design, construction, and supervision. Finally, it is essential that both PIUs and the task team embed sufficient civil works

⁴⁷ Adapting Skills Training to Address Constraints to Women's Participation. World Bank Jobs Notes, 2020.



management expertise, including with regards to the GoBF's procurement committees, to avoid unnecessary delays. The PIU for Component 3 that is tasked to procure some public works has extensive experience of building and upgrading schools.

III. IMPLEMENTATION ARRANGEMENTS

Institutional and Implementation Arrangements

73. The multisectoral nature of the Project requires implementation arrangements where each partner has clear responsibilities and full ownership of the activities. Figure 9 illustrates the implementing arrangements with an organogram. The project activities will be implemented by two implementing entities:

- a) **The MEBF for Components 1-2 and 4.** The MDICAPME has appointed the MEBF to act as implementing entity for the activities under Components 1-2. MEBF has implemented three IDA operations in the past and other government-funded programs. MINEFID requested a project preparation advance (PPA) from IDA that was prepared and signed in FY22-Q4 to cover project preparation activities. It includes the recruitment and mobilization of the team at MEBF. The MEBF will partner with the CCI and the *Centre de Gestion Agréé* (the "Authorized Management Center") (Sub-components 1.1-1.2) and SOFIGIB (Component 2) in the delivery of some activities. It will also support the work of the Steering Committee on Investment Climate Reforms for Sub-component 1.1.
- b) **The MENAPLN for Component 3.** The MENAPLN will oversee the activities under Component 3, and it will make use of an existing PIU within the ministry that already acts 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.

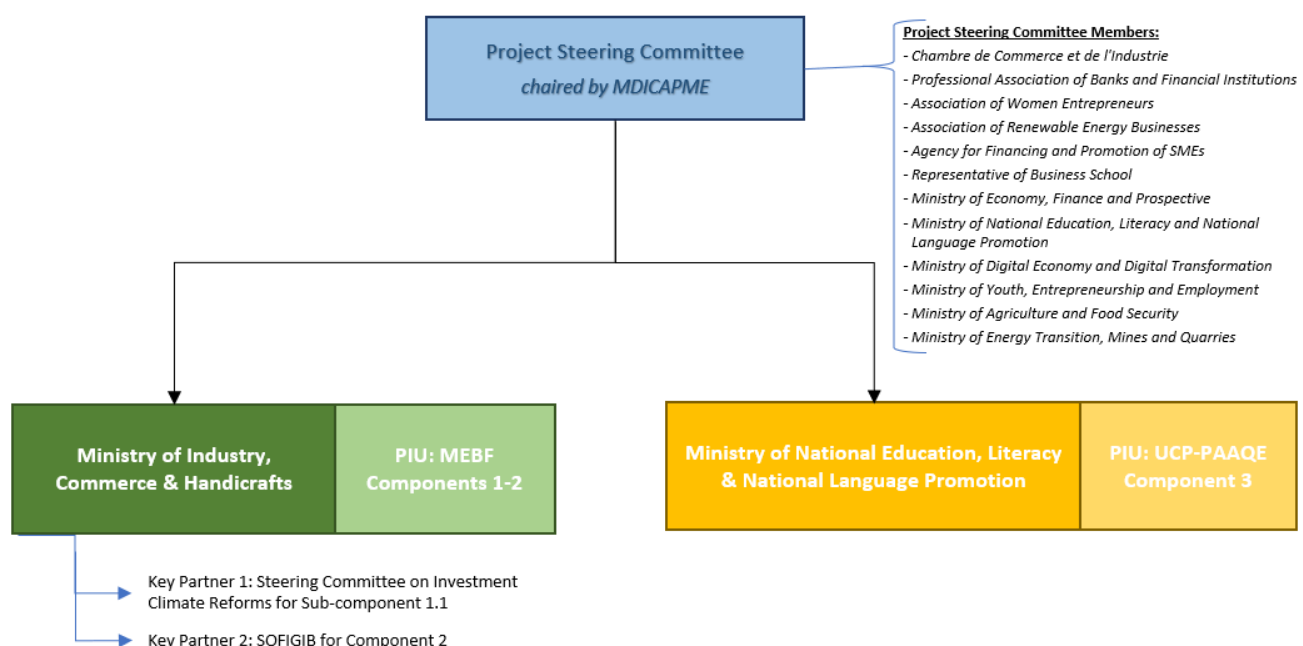
74. Two committees will ensure adequate coordination and oversight of the activities.

- a) A **Project Steering Committee** will function as the supervisory board for the project and be chaired by the MDICAPME. It will consist of: (i) the two concerned line ministries (i.e. MDICAPME 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.⁴⁸ The Project Steering Committee will meet twice annually to approve annual work plans and budgets, and review implementation progress and achievement of development objectives.
- b) A **Technical Coordination Committee** chaired by MENAPLN will guide Component 3 to ensure that the TVET activities serve to primarily strengthen employment outcomes and facilitate productive

⁴⁸ Association Professionnelle des Banques et Etablissements Financiers du Burkina (APBEF-BF), Association des femmes cheffes d'entreprises, Association Burkinabé des Professionnels et Acteurs de l'énergie solaire (APROFA-SOLAIRE).

partnerships between TVET institutions and private employers. It will include representatives from the MEBF/MDICAPME and the UCP-PAAQE/MENAPLN in addition to *ad hoc* invitations of representatives of private employers and TVET institutions. This committee will meet at least on a quarterly basis, and as needed, to: (i) review terms of reference of critical training and technical assistance packages, and technical reports of strategic and cross-cutting interest; (ii) review and endorse new policies and program tools to strengthen employability; and (iii) ensure active participation and partnership between TVET institutions and private employers.

Figure 9: Implementing Arrangements Organogram



75. The MEBF will also 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. In addition, it will have the responsibility to prepare aggregate reports on implementation progress and results for all four components, which will be submitted to the Project Steering Committee and the World Bank task team. The readiness and institutional capacity of the two PIUs can be characterized as follows:

- PIU 1:** MEBF has implemented three IDA credits since its establishment, and it operates the government's One Stop Shop for Trade and Investment. It is fully staffed and an effective implementing partner with full support from both the private sector, which constitutes most of its Board, and MDICAPME and MINEFID, which constitute the two Board members from the GoBF. The MEBF has commenced hiring and scale up due to its US\$4 million PPA that allows for retroactive financing and preparation for the implementation of key activities. As the administrator of the PPCG that supports PFIs, SOFIGIB operates an MSME Window and a Gender Window that both are committed under a parallel IDA credit. This new project will allow it to recapitalize and broaden its scope to achieve project objectives Under a series of governance and risk mitigation mechanisms



presented in Box 2.

- b) **PIU 2:** UCP PAAQE has managed four IDA projects in the education sector. It will administer Component 3 of this project and the Project will finance additional technical expertise.

Box 2: Governance and risk mitigation mechanisms for the PPCG under Component 2

The project will adopt a series of governance and risk mitigation mechanisms for the PPCG to ensure that the PPCG is proactively managed in a transparent and professional manner, and facilitates access to finance for the targeted beneficiaries:

1. **Disbursement linked to performance:** the guarantee funds will be disbursed in tranches. SOFIGIB will be able to make calls on additional resources when 60 percent of the previous disbursement has been committed to guarantee loans (i.e., disbursement linked to the volume of loans portfolio).
2. **Technical assistance (TA) to strengthen the capacity of SOFIGIB and PFIs:** a TA program will complement the PPCG scheme to strengthen the capacity of the PFIs and SOFIGIB. The TA will integrate the PPCG in the internal systems of participating PFIs and assist with the development of the new products tailored for the targeted beneficiaries and techniques and tools to assess new clients. This includes TA to develop internal tools and procedures to analyze, extend and monitor credits, to speedily formalize guarantees, and to improve the assessment of risks. Within SOFIGIB, the TA will develop separate systems to deal with the PPCG and build capacity to manage the existing PPCG platform and the IT systems of PFIs which are linked for a faster electronic cross-registration of credit.
3. **Monthly monitoring system:** SOFIGIB will submit a monthly report with detailed figures on PPCG activities with institutions on an institution-by-institution and window-by-window basis. Monthly monitoring meetings will also be held between SOFIGIB, the PIU and the World Bank task team to review progress. This monthly reporting mechanism will complement the technical committee that oversees the PPCG and that is composed of representatives from relevant ministries, associations of banks and microfinance institutions, and financial sector specialists, including from the World Bank.
4. **Annual technical and financial audits:** The PPCG operates through dedicated deposit accounts that are strictly separated from other SOFIGIB operations. As such, the operations are audited on an annual basis by an external auditor who assesses the financial management of the resources and ensures that all credits meet the eligibility criteria for the guarantee.
5. **Dedicated Manual of Procedures and Safeguards Framework.** The PPCG will maintain a dedicated Manual of Procedures that is different from SOFIGIB's standard manual of operations to ensure that activities are implemented in alignment with the project. Additionally, a dedicated safeguards framework for the PPCG will be followed to ensure compliance with World Bank policies.
6. **Business development services to strengthen bankability:** The project will also finance BDS to help improve financial management and bankability in the SME segment to also increase their capacity to grow their businesses.



Results Monitoring and Evaluation Arrangements

76. 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, MDICAPME 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 at the end of the Project. 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 in developing a linked system of information allowing different data to be mapped across sub-systems. It will address one of the key issues in collecting data from TVET systems, which involves system fragmentation and hence a fragmented M&E system.

Sustainability

77. The Project will rely on existing institutions for project implementation. The two-line ministries and their appointed implementing entities are familiar with World Bank operations and procedures. Both the line ministries have successfully implemented and supervised several World Bank-financed operations. The fiduciary and safeguards-related arrangements will draw upon existing capacity and be complemented with additional manpower and continuous training.

78. The Steering Committee on Investment Climate Reforms under the Prime Minister's Office will lead the business enabling environment reform agenda under Sub-component 1.1 and the Project will strengthen its capacity and especially the technical committees that works below it for more effective program delivery. Thus, overall, the project interventions will strengthen the capacity of already existing institutions and thereby contribute to building sustainability of the public administration. The activities that will require budget commitments from future administrations after the closing of the Project are linked to the new and expanded TVET institutions. Thus, an important contribution under Component 3 is to develop stronger management and cost-recovery business models for the TVET sector.

79. The Project is also designed to strengthen the resilience and sustainability of the private sector. The focus on value chains beyond gold and cotton production will contribute to export diversification. The central focus on technology adoption and green solutions under all components and especially under Sub-component 1.2 and Component 2 will help diversify energy resources and improve the management of finite water resources, which are critical for the competitiveness of the private sector in several sectors, and also essential in tackling negative externalities that will benefit the country at large.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis



80. The GoBF and the task team designed the project along government policy priorities and with inputs from extensive consultations with representatives from industry associations, the private sector, micro entrepreneurs, TVET students, line ministries, public agencies/authorities, etc. The Project design process benefited from a rich and comprehensive output of analytical products prepared by members of the task team as well as other World Bank Global Practices (see examples presented in paragraph 23). It also learnt from and integrated recent data from the Firm-Level Adoption of Technology survey that covered 600 businesses in Burkina Faso, and which informed sub-component 1.2. The Project was designed in partnership with existing GoBF implementation entities (MEBF and PAAQE UCP) that have implemented several IDA credits. The Project design process also benefited from including technical leads from World Bank sister projects, including the Burkina Faso Financial Inclusion Support Project (P164786), which helped establish SOFIGIB and prepared some of the due diligence documentation, including for the PPCG (see Annex 6), and which could provide monthly data on the demand for commercial credit.
81. An economic and financial analysis (EFA) was prepared to determine the value of the anticipated benefits relative to the costs associated with this Project. The total Project Net Present Value (NPV) is estimated at US\$116 million at a 15 percent discount rate, and the Economic Rate of Return (ERR) at 35 percent based on the total Project investments under Components 1, 2, and 3.⁴⁹ The economic analysis is based on increased revenues for SMEs, TVET students, and other beneficiaries through the activities and investments under this Project. The assumptions and methodology are presented in Annex 4.
82. The NPV for Component 1 is estimated at US\$49 million with an ERR of 44 percent. The economic analysis of this component is based on increased revenues for SME beneficiaries due to the impact of the Project's investments. Since Sub-component 1.1 focuses on technical assistance to improve the business environment overall, these activities have been excluded from the analysis as their impact is difficult to quantify; however, Annex 4 includes a discussion on the literature supporting such investments. The NPV for Component 2 is estimated at US\$32 million with an ERR of 29 percent. As with Component 1, SME beneficiaries of Component 2 are also expected to have lower failure rates and higher revenue growth rates due to the Project activities. The NPV for Component 3 is estimated at US\$35 million with an ERR of 34 percent. TVET beneficiaries are expected to have lower unemployment rates due to Project impacts, along with higher salaries. The specific infrastructure investments to be supported under Component 3 are yet to be determined so a specific valuation for these investments as part of Project preparation would be premature. However, Annex 4 provides a discussion on the economic returns for different types of investments which could be supported under this Component.

B. Fiduciary

83. Adequate financial management (FM) arrangements for budgeting, accounting, internal controls, funds flow, financial reporting, and auditing are required for project implementation. An assessment of the FM capacity of the pre-identified implementing entities was carried out to mitigate the risks identified during project preparation. This assessment included a review of the institutional arrangements and FM capacity of the implementing entities. The GoBF has a lot of experience of working with World Bank procedures and it has made progress in strengthening its Public Financial Management (PFM) system. It has also adopted the WAEMU directives, regulations, and rules on public finances in its national law. However,

⁴⁹ We estimate a 12 percent discount rate as the risk-adjusted opportunity cost of capital. Additional NPV estimates at other discount rates have also been provided as a measure of the sensitivity of our analysis.

significant shortcomings remain, including weaknesses in investment planning, investment management and auditing. Effective external oversight of the PFM system, which is essential for accountability and transparency, needs to be strengthened within the context of the project.

(i) Financial Management

84. The GoBF has requested the use of a ring-fenced financing mechanism for fiduciary management: one for the MEBF as PIU for Components 1-2; and another one for the Education Access and Quality Improvement Project PMU (UCP PAAQE) as PIU for Component 3. The task team assessed the fiduciary capacity of the two proposed PIUs in December 2021 and the FM performance was updated in February 2023 to determine whether their FM units have adequate arrangements in place to ensure that the IDA funds will be used only for the purpose for which the financing is provided in an efficient manner. The assessment complied with the FM Manual for World Bank Investment Project Financing Operations, effective on March 1, 2010, and reissued on September 7, 2021.
85. The assessment concluded that the two PIUs are familiar with WBG procedures. First, the MEBF implemented several WB-funded projects between 2004 and 2020, including (i) the Competitiveness and Enterprise Development Project in 2004-2013 (P071443); (ii) the Agricultural Diversification and Market Development Project (P081567) in 2015-2017; and (iii) the Bagré Growth Pole Project (P119662) in 2012-2020. Second, the UCP PAAQE is implementing two IDA projects: the PAAQE Project (P148062) and the Burkina Faso Improving Education Of Children With Disabilities (P166596). The performance in the last FM assessments was rated Moderately Satisfactory for MEBF and Satisfactory for UCP PAAQE. Both PIU have FM staff with qualifications deemed acceptable; use the TOMPRO accounting software, which is deemed acceptable; have FM manuals deemed acceptable; and received their financial statements with unmodified opinion from external auditor.
86. The FM risk before the mitigation measures is rated High because of the following key risks associated with project activities: (i) an insufficient capacity of the two PIUs staff to simultaneously handle several projects; (ii) weak current capacity of the internal control function; (iii) delays in disbursements; and (iv) delays in the justification of advances. The overall FM residual risk is deemed substantial for all the implementing entities as well as for the project after implementing the following mitigations measures: (i) update the Project Implementation Manual (PIM) and the detailed FM Procedure Manual to include the proposed project; (ii) update the current accounting system to include the proposed Project, (iii) recruit an external auditor with terms of reference (TORs) and qualifications satisfactory to IDA. The same external auditor should preferably be recruited to cover both PIUs; and (iv) hire or appoint an accountant as well as an internal auditor fully dedicated to the Project with TOR and qualifications acceptable to IDA. Additionally, the FM team will monitor the risk during the project life, and the mitigation measures will be adjusted accordingly by using alternative fiduciary arrangements when needed. The field visit will be conducted during the project life, and the results will be reconciled with the disbursement. The detailed FM assessment is provided in Annex 1.

(ii) Procurement

87. Given that insecurity and fragility affect considerable areas in Burkina and the country is also facing capacity constraints, the project will use flexibility and simplification in procurement. Proposed measures

include the use of Borrower's national procurement provided the arrangements are consistent with the WB's Core Procurement Principles. Other key measures to fast-track procurement non-governmental organizations, Direct Selection and/or Limited Competition, Community-driven Development, and Request for Quotations with identified manufacturers and suppliers for other urgent items. If need be, the Recipient can also request a Hands-on Expanded Implementation Support on procurement during project implementation or request special arrangements like use of local NGOs as third party monitors. The simplified procurement arrangements will be detailed on the procurement section of the project operations manual.

88. Procurement will be carried out in accordance with: (i) the World Bank Procurement Regulations for Investment Project Financing (IPF) Borrowers Procurement dated July 2016, revised in November 2020; (ii) the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, revised in January 2011 and July 2016; and (iii) the provisions stipulated in the Financing Agreement. Systematic Tracking of Exchanges in Procurement (STEP) will be the platform for preparing, submitting, reviewing, and clearing procurement plans and prior review procurement activities. STEP will also be used for uploading the documents and evaluation reports for Post Review Contracts. The PIM will elaborate on the procurement procedures, standard procurement documents (SPDs and model contracts associated with the market approaches and selection methods, for various procurement categories. As for the Procurement Capacity Assessments Summary, Components 1-2 and 4 (CERC) will be implemented by MEBF and Component 3 will be implemented by the current Education Access and Quality Improvement Project (PAAQE, P170454) UCP under the MENAPLN. A procurement assessment was conducted as part of project preparation and the conclusions are as follows (see Table 3).
89. **MEBF:** Components 1-2 and 4 will be implemented by the MEBF. It was established in 2002 with World Bank support to assist the GoBF develop the private sector. The MEBF has sound experience of implementing projects financed by donors, including the World Bank. The organization and staffing are acceptable for the implementation of the proposed activities. Areas of improvement include: (i) the reinforcement of the procurement team (DMP, Direction Générale du Contrôle des Marchés et Engagements Financiers Direction, PAAQE UCP, MEBF and the tender committee) in the World Bank's latest procurement regulations since the MEBF administered IDA credits under old guidelines (red and green); (ii) the elaboration of a procedures manual applicable to these components, including the CERC Component; and (iii) the elaboration of a PIM to put in place simplified procurement procedures specific to this operation (may be incorporated in the PIM). To avoid delays in contract award procedures, consideration may be given to procurement method thresholds recommended by the World Bank instead of those of the national procurement system. The review process of contracts documents and the approval of award decisions by national institutions should be made more flexible with some decisions delegated to the MEBF board.
90. **PAAQE UCP:** Component 3 will be managed by the coordination unit of PAAQE UCP. The procurement performance during the last supervision mission was rated Moderately Satisfactory. The unit is staffed by a competitively recruited procurement specialist. The main risks identified at the project level are: (i) the workload of the procurement specialist, and (ii) procurement delays. For this reason, another competitively recruited procurement specialist should be devoted to this project and the procurement processes and contract approval should be delegated to the Project PIU in accordance with the Prime

Minister letter of June 15th, 2021. In respect of the new institutional arrangement for projects implementation in Burkina Faso, this procurement specialist will work with the Directorate of Public Procurement (DMP) at MENAPLN. The main risks identified at the DMP level are: (i) limited qualifications, insufficient procurement skills, and inadequate experience in World Bank procurement regulation; (ii) difficulty to mobilize tender committee members trained in the World Bank's new procurement procedures; and (iii) significant time delays in the procurement process.

91. The assessment rated the procurement risk as **Substantial**. It will be downgraded to Moderate if the identified constraints are addressed. The Project Procurement Strategy for Development and a Procurement Plan detailing the first 18 months of implementation have been prepared and approved by the World Bank. During implementation, the Procurement Plan will be updated as required and at least annually, to reflect actual program implementation needs and improvements in institutional capacity.

Table 3: Procurement risks and mitigation measures

Risk	Procurement Mitigation Measures	Responsibility	By when
Procurement workload	Competitively recruit two full-time procurement specialists respectively for MEBF and PAAQE to be devoted to the project.	MENAPLN and MEBF	Before Project effectiveness
Limited qualification and experience in Procurement Regulation	Reinforce procurement capacity by training the DMP, Direction Générale du Contrôle des Marchés et Engagements Financiers Direction, PAAQE UCP, MEBF and the tender committee in Bank procurement procedures with external training courses.	Project coordinator	During project life
Delays in reviewing/clearing procurement documents	Conduct regular reviews and update the Procurement Plan(s).	DMP and MEBF	On a regular basis
internal organization and implementation procedures for procurement activities	Update the Procurement Manual to ensure appropriate implementation of activities in line with the Bank's general framework related to the Project. The Manual should describe procurement rules applicable to the project and present a clear accountability system with responsibilities for decision making and describe streamlined procurement procedure when applicable.	MENAPLN and MEBF	Before Project effectiveness
Procurement delay at MENAPLN	Delegate procurement and contract approval to the Project PIU in accordance with the Prime Minister letter of June 15 th , 2021.	MENAPLN	Before Project effectiveness

92. **Special procurement considerations.** Other key measures to fast-track procurement include an increased threshold for Request for Quotations to US\$0.5 million for goods and US\$1 million for works. Bid Securing Declaration may be used instead of the bid security. Advance payment may be increased to 40%, while secured with the advance payment guarantee. The time for submission of bids/proposal can be shortened to 15 days in competitive national and international procedures, and to 3 days for the Request for Quotations, although if bidders request an extension, it should be granted. The simplified procurement arrangements will be detailed in the procurement section of the PIM.



C. Legal Operational Policies

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

Environmental and Social

93. The environmental risk is rated *Moderate* due to civil work activities that will be financed under Component 3. The potential risks and impacts associated with the civil works are expected to be low to moderate, as the scope of activities are limited, and reversible with appropriate mitigation measures. The civil work activities will consist of updating existing TVETs and expanding with new ones under Component 3. The actual number (new and/or existing facilities) will depend on the results obtained under 3.1(a) and 3.1(b) of the Project. The proposed civil works may generate adverse environmental risks and impacts that will need to be managed to comply with the Environmental and Social Framework (ESF). Under Sub-component 1.2, the project will also provide grants that will finance investment projects for MSMEs. A screening process is described in the Environmental and Social Management Framework (ESMF), which was disclosed on April 14 2023 on the World Bank website (Environmental and Social Management System (ESMS)) to ensure that the E&S risks and impacts associated with these activities will be addressed appropriately. The key risks and impacts associated with the project's activities identified in the ESMF are related to: (i) resource efficiency and pollution prevention and management linked to the sourcing of raw materials for civil works, water and energy use, dust, noise, potential contamination of water sources due to construction waste management mainly; and (ii) occupational and community health and safety as well as human security that are more specifically air, soil and water pollution and community health and safety issues.

94. The social risk is rated *Substantial* due to the risk of the exclusion of vulnerable groups, including women, young women who have left school or are with children, youth, rural communities, persons with disabilities, the elderly, and internally displaced persons, in consultation processes and their risks of lack of access to project benefits because of project interventions. Such risks often result from weak communication and outreach campaigns on the potential benefits of the project activities, weak institutional capacities, non-inclusive consultation mechanisms, non-functional grievance mechanisms, or the lack of correct information dissemination. Overall insecurity in Burkina Faso is also a social risk that could affect the successful implementation of project activities. Under Component 3, there will be infrastructure-related activities supporting either new or existing TVETs and which may be associated with the potential risk of child labor and forced labor and sexual exploitation and abuse and sexual harassment (SEA/SH). Furthermore, while the two implementing agencies have acceptable capacity in the implementation of World Bank projects under the safeguards policies, their experience regarding implementation of environmental and social risk management under the ESF is limited and will require support. These combined social risks therefore result in a substantial risk rating for the project. The main impacts identified in the ESMF include potential exclusion of the project beneficiaries particularly vulnerable groups, potential for child and forced labor, SEA/SH, weak communication and outreach, weak capacity for ESF implementation, and general nuisances during civil works. These risks will be mitigated through inclusive and meaningful stakeholder engagement, an adequate and widespread grievance

mechanism with accessible uptake channels, and prevention and control measures for SEA/SH.

95. Environmental and Social Instruments: The Borrower has prepared a Stakeholder Engagement Plan (SEP), the Labor Management Procedures (LMP), an Environmental and Social Commitment Plan (ESCP), an Environmental and Social Management Framework (ESMF) and an ESMS—the last which was prepared and finalized by SOFIGIB. The ESMS is in accordance with the relevant environmental and social laws in Burkina Faso and the applicable ESSs of the World Bank’s ESF. All instruments will be cleared and disclosed by project appraisal on the Government and World Bank websites. The negotiated ESCP was disclosed on April 12, 2023. The SEP was disclosed on February 16, 2023; and the LMP was disclosed on March 10, 2023. The ESMF and ESMS were both disclosed on April 14, 2023.
96. SOFIGIB is supported by the World Bank under the Financial Inclusion Project (P164786) and it will be the FI of this project. The World Bank assessed the existing ESMS of the SOFIGIB to determine if it contains adequate measures to continuously identify, assess, manage, and monitor the environmental and social risks and impacts of overall MSME subprojects. The assessment showed the need to update the ESMS in consideration of the ESF requirements. The updated ESMS sets out the requirements to: (a) screen all FI subprojects against any exclusions in the legal agreement; (b) screen all FI subprojects for E&S risks and impacts as per the ESF; (c) require that FI subprojects be prepared and implemented in accordance with relevant environmental and social national and local laws and regulations; (d) require specified FI subprojects to apply the relevant requirements of the ESSs under the ESF; and (e) conduct appropriate E&S due diligence of FI subprojects, including E&S assessments. The updated ESMS has been prepared by the Borrower and is in line with the ESF requirements. It outlines the screening criteria for the subprojects.
97. The Borrower prepared an SEP, which was approved and disclosed on the Government and World Bank websites on February 16, 2023. As part of the SEP, the Borrower conducted stakeholder consultation workshops. These meetings were held in the Central (Ouagadougou), Central-Western (Koudougou) and Hauts-Bassins (Bobo-Dioulasso) regions on January 14, 17 and 18, 2022, respectively, and attended by stakeholders such as state, private and non-governmental actors who expressed their concerns and recommendations following the presentation of the project interventions as follows: (i) request for clarifications on the institutional framework of the project for a better understanding by stakeholders and clarification of the roles and places of several stakeholders (institutional actors of the administration); (ii) problem of legal security of investment sites, due to risks of land conflicts; (iii) long procedures for obtaining building permits and the notice of approval of environmental assessments, which does not facilitate the realization of investments, which may result in the suspension or termination of the project; (iv) the need for the Project to take into account IDPs; (v) weak capacity of relevant and concerned institutions to enforce environmental impact assessment regulation; and (vi) recurrence of the phenomenon of the employment of schoolchildren on construction sites and the risks of potential project related SEA/SH. The implementing agency responded by confirming that the relevant E&S mitigation measures as per the ESMF will be implemented and monitored by the relevant E&S staff, and that relevant awareness raising, and capacity building measures will be undertaken as per the ESMF and pertinent E&S instruments with continuous stakeholder consultations, which will be undertaken throughout the project, including with vulnerable and marginalized groups.
98. The two implementing agencies (MEBF and MENAPLN) responsible for implementing project activities will each have core specialists, including environmental and social specialists, whose capacity will be built with

World Bank support, to ensure compliance with the ESF. These teams will be closely engaged in the implementation of the cleared and disclosed social and environmental instruments, including the SEP, ESCP, LMP, ESMF and ESMS and will also be involved in the preparation of site-specific environmental and social instruments in line with the provisions of the ESCP.

99. Climate/Disaster Risk screening: Based on the rapid screening tool, the overall project risk is *Moderate*.

100. Citizen Engagement: The project supports the participation of targeted beneficiaries and other stakeholders through consultative processes that inform the approach to economic inclusion and maximize, through the project interventions, benefits to the vulnerable individuals and enterprises. Annual surveys and an impact evaluation at the end of the project are integral to the consultative process and feedback will be integrated into project interventions and/or inform corrective measures when necessary. The Results Framework includes two citizen engagement indicators that will be used to collect regular client satisfaction information that will then be used by the Project Steering Committee to take corrective actions as needed. For the Partnership Fund, each grantee will provide feedback through a standardized client satisfaction survey following the completion of the grant agreement. For the Capabilities Program, the participants will also evaluate the services they receive. For both project activities, the surveys will be collected on a rolling basis since both activities will be implemented throughout the project lifecycle. During project preparation, a large and diverse group of stakeholders was consulted in the capital and accessible regions such as Bobo-Dioulasso. Feedback loops will also be integrated in the TVET activities to allow for course corrections and adjustments, in addition to the measurement of employment outcomes.

101. Grievance Mechanism (GM). A GM will be established for the project and maintained throughout project implementation for project beneficiaries, citizens, and stakeholders. The SEP has outlined the principles of the project grievance mechanism, which will be transparent and accessible to key stakeholders, including vulnerable groups, and will include referrals to locally available medical, psychosocial and/or legal aid services for any SEA/SH survivor signaling abuse. Responsibility for management and resolution of complaints will lie with the who will work with community members and representatives of vulnerable groups (women, youth) at the implementing agencies. The Project's Social Specialists will be responsible for ensuring the GM is operational, including logging and tracking all complaints received and their timely resolution, which will be tracked with the help of an indicator in the Results Framework. Staffing and operational procedures are further developed in the SEP and will be detailed in the PIM. The GM will incorporate specific provisions to allow safe and ethical registration, documentation, and management of complaints, including sexual exploitation and abuse complaints, for which a specific reporting mechanism with response protocol will be established

V. GRIEVANCE REDRESS SERVICES

102. Communities and individuals who believe that they are adversely affected by a WB supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their



complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

103. The overall risk to the development outcome is rated **Substantial**. Besides 'Sector Strategies and Policies', 'Institutional Capacity for Implementation and Sustainability' and 'Stakeholder' risks, which are rated moderate, remaining ratings are assessed as substantial except for 'Political and Governance' and 'Others', which are rated high due to the current political transition process and widespread insecurity and violence in parts of the country.
104. **Political and Governance** risk is rated high. The lack of tangible results in providing adequate security and protection to citizens could undermine the legitimacy of the transition authorities and the country would be pushed back to high levels of sociopolitical instability. The country's stability will largely depend on the Transition Government's capacities to control or improve the security situation and to maintain social cohesion. The political transition process gives rise to uncertainty for investors and private businesses even if there have been no discernible changes in the policies and objectives captured under this Project. The two PIUs have extensive experience of implementing large IDA-financed operations and there are few concerns about the project among its stakeholders. It is designed in an inclusive manner with strong stakeholder participation, including in the Project Steering Committee, and through the selection of MEBF as one of the two PIUs. The proposed sector strategies and policies have been tested in other countries and in similar contexts with good outcomes.
105. **Other (security)** risk is rated high. Security risks could directly affect the achievement of the Project results if the spatial operating environment for the government is continuously curtailed and local businesses need to close. The Project will in response direct support towards some insecure regions in which the GoBF still operates, and this holds for all three main components, including a special new window under the PPCG (Component 2) that will offer a higher guarantee, support activities under the Partnership Fund and Capabilities Program (Component 1), and the targeting of youth and IDPs in regions under stress. A portfolio-wide risk monitoring approach is being conducted to better identify specific risks of fragility, conflict, and violence (FCV) to ensure effective and safe implementation of World Bank Group supported operations.
106. **Macroeconomic** risk is rated substantial. The heightened uncertainty following the coups d'état has raised the country's risk premium, delayed potential private investment, including foreign direct investment thereby negatively affecting growth and fiscal accounts. The pressure on fiscal accounts is further exacerbated by Russia's invasion of Ukraine which is driving up prices of the main subsidized goods



(food, fertilizer, and fuel), and impeding public investment and consumption. The Project's strong focus on the support to private businesses will help mitigate the macroeconomic risk by facilitating investment and commerce, including international trade, and by extension support the GoBF's long-term public revenue potential of a stronger formal economy.

107. Technical Design of the Project is rated substantial. This is mainly due to the internal reforms required to: (i) transform the TVET system from a supply-driven and theoretical model to a demand-driven and practical model under Sub-component 3.1; and (ii) improve the business enabling environment under Sub-component 1.1. The appointment of two implementing agencies with considerable experience of managing large, IDA-financed operations helps reduce this risk. The planned activities were designed to avoid unnecessary complexity, for example with regards to the diversity of project activities, procurement activities, and infrastructure investments. With regards to the planned reform agenda, it is critical for MENAPLN to engage closely with major private recruiters of TVET diploma holders to ensure that the new dual system and associated reforms are meaningful and driven by the needs of recruiters. Strong public and government ownership of the skills development and jobs agenda is an indication that potential threats to the agreed activities are relatively modest. The project is also establishing coordination functions both at the technical and project steering levels to ensure that the public and private entities work together. The proposed support of the existing Steering Committee on Investment Climate Reforms chaired by the Prime Minister's Office under Sub-component 1.1 has been designed in a flexible manner so that the project can support any institutional arrangement aimed at tackling the reform agenda, independently on where it is anchored and led in the public administration. The Project design process benefited from the fact that GoBF counterparts and implementing entities have remained intact since the technical conversations between the GoBF and the task team began in the fall of 2021. There has been no disruption or changes in the technical dialogue.

108. Fiduciary and Environmental and Social risks are rated substantial. There are some institutional capacity constraints to bridge in a multi-sectoral operation with public investments that require strong fiduciary controls and comprehensive management of safeguards-related activities. Dedicated sections in IV.B, IV.D and Annex 1 present how the Project will mitigate and manage these risks. The adoption of more robust and transparent procedures, regular external/third party audits, the recruitment of new staff and specialized training programs are some of the mitigating measures. On the social safeguards side, the inclusion of vulnerable groups is an important consideration to strengthen the positive impact given Burkina Faso's fragile security situation. A special effort to integrate and allow IDPs to take advantage of project activities—for example by addressing their vulnerabilities linked to a lack of assets often needed to access finance or the difficulty of enrolling in TVET programs—will support inclusive outcomes. This also holds for pastoralist and semi-pastoralist populations.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Burkina Faso

Burkina Faso Entrepreneurship, Skills and Technology Project

Project Development Objectives(s)

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

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
1. Increase MSME access to finance and technology								
1. New lending to businesses supported by the PPCG (Amount(USD))		0.00	15,000,000.00	45,000,000.00	75,000,000.00	100,000,000.00	125,000,000.00	131,500,000.00
...of which green financing (Amount(USD))		0.00	0.00	7,000,000.00	14,000,000.00	21,000,000.00	28,600,000.00	28,600,000.00
2. Businesses adopting a more sophisticated technology or organizational practice (Number)		0.00	0.00	0.00	650.00	1,100.00	1,450.00	1,700.00
...of which women owned or managed businesses (Percentage)		0.00	0.00	0.00	30.00	30.00	30.00	30.00
3. Businesses implementing		0.00	0.00	40.00	150.00	225.00	275.00	300.00

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
new climate adaptation and/or mitigation measures (Number)								
2. Develop a better trained workforce								
4. Number of trainees who complete a credentialed, industry-oriented program from TVET schools and centers (cumulative) (Number)		0.00	0.00	1,275.00	2,925.00	4,800.00	7,000.00	7,000.00
Of which women (Number)		0.00	0.00	510.00	1,170.00	1,920.00	2,800.00	2,800.00
Of which non-formal TVET trainees (Number)		0.00	0.00	800.00	1,800.00	2,900.00	4,200.00	4,200.00
5. Share of TVET graduates gainfully employed 6 months after obtaining a diploma (Percentage)		0.00	0.00	0.00	33.00	37.00	40.00	45.00
Of which women (Percentage)		0.00	0.00	0.00	30.00	33.00	36.00	40.00
Of which non-formal students (Percentage)		0.00	0.00	0.00	33.00	37.00	40.00	45.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Components 1-2: Strengthening Enabling Environment for MSME Development and Access to Finance								
1. Business enabling environment reforms implemented (Number)		0.00	0.00	0.00	2.00	4.00	5.00	5.00
of which related to administrative simplification (Number)		0.00	0.00	0.00	1.00	2.00	3.00	3.00
Of which related to commercial justice (Number)		0.00	0.00	0.00	1.00	2.00	2.00	2.00
2. Entrepreneurs and businesses participating in the Capabilities Program (Number)		0.00	200.00	450.00	750.00	1,100.00	1,350.00	1,550.00
Of which women-owned/led (Percentage)		0.00	0.00	30.00	30.00	30.00	30.00	30.00
Of which share of beneficiaries satisfied with the Capabilities Program (citizen engagement) (Percentage)		0.00	0.00	70.00	73.00	76.00	79.00	80.00
3. Entrepreneurs and businesses benefitting from the Partnership Fund (Number)		0.00	0.00	200.00	400.00	525.00	700.00	750.00
Of which women-owned/led (Percentage)		0.00	0.00	30.00	30.00	30.00	30.00	30.00
Share of beneficiaries satisfied with the		0.00	0.00	75.00	77.00	78.00	79.00	80.00

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Partnership Fund (citizen engagement) (Percentage)								
4. Amount of private co-investment leveraged by the Partnership Fund (Amount(USD))		0.00	0.00	2,000,000.00	6,000,000.00	10,000,000.00	15,000,000.00	16,000,000.00
5. Businesses that received a new loan from a PFI (Number)		0.00	100.00	300.00	500.00	650.00	750.00	800.00
Of which were for investments in green solutions (Percentage)		0.00	15.00	25.00	28.00	30.00	30.00	30.00
Of which were based or operating outside the metropolitan capital (Percentage)		23.00	23.00	30.00	31.00	32.00	33.00	33.00
6. Annual energy consumption met from new sources of renewable energy (Megawatt hour(MWh))		0.00	0.00	0.00	6,000.00	10,000.00	13,000.00	15,000.00
Component 3: Developing a Productive and Entrepreneurial Labor Force								
7. Dual training system designed and operational: (i) curricula available based on the selected fields; (ii) monitoring mechanisms established; (iii) beneficiary youth, schools and firms identified (Text)		NO	No	No	Yes	Yes	Yes	Yes
8. Number of		0.00	T=0, W=0	T=2275, W=910	T=5975, W=2390	T=10450, W=4180	T=15500, W=6200	T=17650, W=7060

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
trainees/students engaged in improved training programs (disaggregated by gender) (Text)								
Teachers recruited or trained (CRI, Number)		0.00	200.00	450.00	750.00	0.00	0.00	750.00
Number of teachers recruited (CRI, Number)		0.00						0.00
Teachers recruited or trained - Female (RMS requirement) (CRI, Number)		0.00	0.00	50.00	100.00	250.00	250.00	250.00
Number of teachers trained (CRI, Number)		0.00	0.00	200.00	450.00	750.00	750.00	750.00

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
1. New lending to businesses supported by the PPCG	This indicator measures the volume of lending to businesses supported by the PPCG (aggregated).	Monthly	SOFIGIB	Survey of PFIs	SOFIGIB
...of which green financing	Disbursement from the PPCG Green Window (aggregated).	Monthly	SOFIGIB	Financial audits	SOFIGIB

2. Businesses adopting a more sophisticated technology or organizational practice	This indicator covers the number of beneficiaries from the Capabilities Program and Partnership Fund that have recorded an improvement according to a composite index measuring technology adoption and capabilities.	Annual	MEBF data	Beneficiary survey	MEBF
...of which women owned or managed businesses	Women owned or managed businesses as a share of all MSME beneficiaries.	Annual	MEBF data	Beneficiary surveys	MEBF
3. Businesses implementing new climate adaptation and/or mitigation measures	This indicator is aimed to measure the number of businesses implementing new climate adaptation and/or mitigation measures.	Annual	MEBF	Beneficiary survey	MEBF
4. Number of trainees who complete a credentialed, industry-oriented program from TVET schools and centers (cumulative)	The number of youth completing a credentialed, industry-oriented program from TVET schools and centers. [Note: Industry orientation includes courses that can allow trainees to be placed in the partner industry and trainees currently enrolled in an in-demand sector.]	Annual	Project report progress	Implementing Partner regular reporting corroborated with monitoring by PIU with independent survey-based verification	Department in charge of EMIS and PIU (MENAPLN)
Of which women					
Of which non-formal TVET trainees					



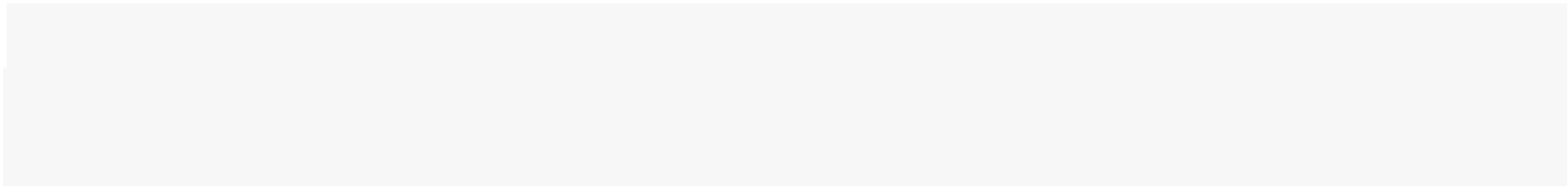
5. Share of TVET graduates gainfully employed 6 months after obtaining a diploma	The number of TVET graduates gainfully employed or self-employed at month M+6 divided by the number of TVET graduates at month M. [M is the month of graduation] [Gainful employment means either (a) the TVET graduate has secured employment that pays at least the minimum salary as per the industry standards, OR (b) the TVET graduate has an economic activity that has generated revenues above a minimum threshold (the appropriate threshold will be determined during implementation based on the findings of the local assessment)]	Annual	Project progress reports	Implementing Partner regular reporting corroborated with monitoring by PIU with independent survey based verification	Department in charge of EMIS and PIU (MENAPNL)
Of which women					
Of which non-formal students					

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
1. Business enabling environment reforms implemented	This cumulative indicator will measure the number of business enabling environment reforms implemented	Semi-annual	MDICAPME data	Semi-annual progress reports documenting legal, regulatory and procedural changes.	MDICAPME
of which related to administrative simplification	Cumulative. Legal, regulatory and procedural changes as supported under Sub-component 1.1.	Semi-annual	MDICAPME data	Semi-annual progress reports documenting legal, regulatory and procedural changes.	MDICAPME
Of which related to commercial justice	Cumulative. This indicator captures legal, regulatory and procedural changes to improve commercial justice.	Semi-annual	MDICAPME	Semi-annual progress reports documenting legal, regulatory and procedural changes.	MDICAPME
2. Entrepreneurs and businesses participating in the Capabilities Program	This cumulative indicator will measure the number of entrepreneurs and firms participating in the Capabilities Program.	Semi-annual.	MEBF	Beneficiary count	MEBF
Of which women-owned/led	This supplemental indicator will measure the percentage of female entrepreneurs/firms benefitting from the Capabilities Program.	Semi-annual	MEBF	Beneficiary count	MEBF
Of which share of beneficiaries satisfied with the Capabilities	This is a citizen engagement sub-indicator to measure	Annual	MDICAPME	Beneficiary surveys	MEBF

Program (citizen engagement)	the percentage of the beneficiaries satisfied with the Capabilities Program.				
3. Entrepreneurs and businesses benefitting from the Partnership Fund	Cumulative. This indicator will measure the number of direct beneficiaries of the Partnership Fund.	Semi-annual.	MEBF	MDICAPME progress reports.	MEBF
Of which women-owned/led	This sub-indicator will measure the percentage of females benefitting from the Partnership Fund.	Semi-annual.	MEBF	MDICAPME progress report.	MEBF
Share of beneficiaries satisfied with the Partnership Fund (citizen engagement)	This sub-indicator is aimed to measure the level of beneficiaries' satisfaction of the Partnership Fund	Annual	MEBF	Client satisfaction survey	MEBF
4. Amount of private co-investment leveraged by the Partnership Fund	This cumulative indicator is aimed to measure the volume of private co-investment leveraged by the Partnership Fund.	Quarterly	MEBF	Partnership Fund audit reports	MEBF
5. Businesses that received a new loan from a PFI	This cumulative indicator is aimed to measure the number of businesses that received a new loan from a PFI disaggregated by investments in green solutions and outside capital operations.	Annual	SOFIGIB	PFI survey	MEBF
Of which were for investments in green solutions	This is a CCB sub-component to measure the percentage of the businesses investing in green solutions	Annual	SOFIGIB	PFI surveys	MEBF

Of which were based or operating outside the metropolitan capital	This sub-indicator will measure the share of the business operating outside the capital region.	Annual	SOFIGIB	PFI surveys	MEBF
6. Annual energy consumption met from new sources of renewable energy	Capturing cumulative investments in renewable energy solutions supported under Components 1.2 and 2.	Annual	MEBF and SOFIGIB	Beneficiary surveys by MEBF (Sub-component 1.2) and SOFIGIB (Component 2)	SOFIGIB and MEBF
7. Dual training system designed and operational: (i) curricula available based on the selected fields; (ii) monitoring mechanisms established; (iii) beneficiary youth, schools and firms identified	The availability of the designed training system with has been rolled out in selected schools	Annual	Project progress reports	Regular reporting corroborated with monitoring by PIU with independent survey-based verification	PIU
8. Number of trainees/students engaged in improved training programs (disaggregated by gender)	The cumulative number of students and/or trainees engaged in dual training, non-formal training, work-based training, and short-cycle training programs.	Annual	Project progress reports	Regular reporting corroborated with monitoring by PIU with independent survey-based verification	PIU
Teachers recruited or trained		Annual (cumulative number)	Project progress reports	Regular reporting from implementing partners corroborated with monitoring by PIU	Department in charge of EMIS and PIU
Number of teachers recruited					
Teachers recruited or trained - Female (RMS requirement)					
Number of teachers trained					



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Burkina Faso **Burkina Faso Entrepreneurship, Skills and Technology Project**

A - Fiduciary

Financial Management

- 1. The financial management (FM) arrangements for the proposed Project have been designed considering:**
(i) Burkina Faso's recent political situation; (ii) the country's overall Public Finance Management (PFM) performance; and (iii) the World Bank's minimum requirements under the World Bank Policy and Directive on Investment Project Financing, which describes the World Bank's policies and procedures for FM.
- 2. The legislative and institutional framework for public financial management is in place in Burkina Faso.**
This framework is in line with or approximates international standards. In addition, Burkina Faso has transposed the WAEMU directives, regulations, and rules on public finances into national law. However, the challenges faced in operationalizing the various financial management components including cash constraints as well as compliance with this legislative framework, rules, and regulations, do not allow at present to rely fully on the public expenditure framework for the proposed Project.
- 3. The Government of Burkina Faso has requested to use a ring-fenced financing mechanism for the fiduciary aspects of the proposed project.** The project will be implemented by two Project Implementing Units (i) the MEBF which has been chosen by MDICAPME to implement Component 1-2 and (ii) The Education Access and Quality Improvement Project PMU (UCP PAAQE) which has been chosen by the MENAPLN to implement Component 3.
- 4. The assessments of the two PIUs were carried out in December 2021.** The objective of the assessment was to determine whether the FM Unit has adequate FM arrangements in place to ensure that the funds will be used only for the purpose for which the financing was provided, with due attention to considerations of economy and efficiency. The objectives of the assessments were to determine whether the respective selected implementing entities' planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, timely, and reliable financial statements; (c) safeguard the project's assets; and (d) are subject to auditing arrangements acceptable to the Bank. The FM assessment was carried out in accordance with the Financial Management Manual for World Bank-Financed Investment Operations effective on March 1, 2010, and reissued on September 7, 2021.
- 5. The assessment of MEBF was carried out in December 2021.** The assessment revealed that MEBF is familiar with WBG procedures. The MEBF implemented several WBG funded projects between 2004 and 2020:
 - a) P071443 - BF-Competitiveness & Enterprise Development Project (2004-2013)



- b) P081567 - Agricultural Diversification and Market Development Project (2015-2017)
- c) P071443 - BF-Competitiveness & Enterprise Development Project (2004-2013)
- d) P119662 - BF - Bagre Growth Pole Project (2012-2020)

6. The last FM supervision of the Burkina Faso Bagre Growth Pole Project (P119662) conducted in June 2020, concluded that the Project financial management was Moderately Satisfactory and the financial management risk Substantial, mainly because of (i) delays in disbursement; (ii) the lack of transmission of internal audit reports to the World Bank; (iii) delays in implementing external auditor's recommendations.
7. The external audit reports of 2018, 2019 and 2020 expressed a clean opinion on the project financial statements. However, in 2020, the external auditor recommended (i) the payment of the remaining balances (22 million XOF, or US\$39,286) due to third parties at the closure of the Project; and (ii) a better planning and monitoring of withdrawal applications to avoid cash shortages.
8. The current FM team is composed of one Financial and Administrative Director, one chief accountant and budget, five accountants (with each accountant responsible for one project), one cashier accountant and one payable accountant. The MEBF is already implementing seven active projects financed by the European Union, the German Agency for International Cooperation, the Belgian Agency for Development, and the International Fund for Agricultural Development (five ending in 2022, one in 2023 and one in 2025). The MEBF FM team will be strengthened to manage the proposed project.
9. Other existing FM arrangements include an FM manual which complies with WBG procedures and accounting software (TOMPRO V2) which will be updated to include the proposed project.
10. The assessment of UCP PAAQE was carried out in December 2021 and updated in August 2022 with the conclusion of the FM supervision held in April 2022. The UCP PAAQE is familiar with WBG procedures. The PIU is responsible for the FM aspects of the PAAQE parent project, and Additional Financing (AF) (P148062).
11. The PIU Financial Management (FM) team includes one financial management specialist and two accountants.
12. The FM performance of the PAAQE project was rated Satisfactory following the last supervision mission completed in April 2022 and the FM risk was deemed Substantial. Indeed, the staffing has remained adequate, the project accounting is up to date, the Interim un-audited financial reports as well as 2021 audited financial statement were submitted on time and were deemed acceptable to IDA. However, the following key issues were identified: (a) an inactive designated account due to a slowdown of some project activities; (b) unjustified advances to implementing agencies; and (c) the lack of transmission of internal control reports to the World Bank and absence of internal audit tools such as risk mapping and internal audit charter.
13. There is no overdue external audit report in the project at the time of this assessment. The audit report covering the period ending on December 31, 2021, was submitted on time and the external auditor expressed a clean opinion on financial statements. Nevertheless, (i) the Project will strengthen the FM team with an additional accountant to ensure timely reporting and the timely justification of advances to

implementing agencies. In addition, the Project will update the FM manual to (ii) include the project specifications; (iii) ensure at least a bi-annual documentation of the designated account; (iv) include the justification of previous advances as prior condition to the payment of new ones; and (v) ensure the transmission of internal controls reports to the World Bank on a bi-annual basis.

14. Key risks. The project risk before mitigation measures is High because of the following key risks associated with project activities:

- an insufficient capacity of the MEBF and UCP PAAQE staff to handle simultaneously several projects;
- weak current capacity of the internal control function,
- delays in disbursements
- delays in advances justification.

15. MEBF and UCP PAAQE, will both adopt the following risk mitigating measures:

- (i) Update the Project Implementation Manual (PIM) and the detailed FM procedure manual, to include the proposed project (upon effectiveness).

In addition, the MEBF will develop a manual of procedures for the management of the partnership fund under component 1.2 specifying among others: the responsibilities of the parties, the methods for selecting beneficiaries, the conditions for granting funds, the modalities of payment, etc. (3 months after effectiveness)

- (ii) Update the current accounting system to include the proposed project (before effectiveness)
- (iii) Recruit an external auditor with TORs and qualifications satisfactory to the World Bank. If possible, the same external auditor will be recruited for both PIUs. For the MEBF the TORs will include the review of the matching grants allocated under component 1.2 on a quarterly basis and specific provisions to include SOFIGIB. (6 months after effectiveness)
- (iv) Hire or appoint (a) an accountant fully dedicated to the project (before effectiveness), and (b) an internal auditor fully dedicated to the proposed project with TOR and qualifications acceptable to IDA (3 months after effectiveness)

16. Both PIUs will open a designated account at the Central Bank of West African States (BCEAO) and a transactions account in a commercial bank, within two months after project effectiveness.

17. The residual FM risk after mitigation measures is Substantial.

18. Monitoring. During implementation, continuous monitoring and flexible adjustment of the planned financial management system will be undertaken. The PIUs will be required to prepare and submit to the World Bank, (a) an annual work plan and budget and a six-month disbursement forecast, both aligned with PDO and project activities no later than two weeks after effectiveness; (b) un-audited interim financial reports (IFR) on a bi-annual basis; and (c) audited annual financial statements on an annual basis. The project will comply with the World Bank disclosure policy of audit reports.

19. Disbursement arrangements: Project advance will finance 100 percent of eligible expenditures of the project. Two designated accounts (DA) in XOF will be opened at the BCEAO, one for each PIU. Upon effectiveness, an initial advance of an amount to be set in the DFIL, will be released by IDA to each DA, at

the request of each PIU. Each PIU will open in a commercial bank a Project Account (PA), managed by the FM Unit with signatories of the Project Coordinator and the Project FM Specialist.

20. **Disbursements supporting documentation:** Disbursements will be made using report-based disbursement procedures. The DA will be set up to fund eligible expenditures based on the approved annual activity plans. The ceiling of the designated account would be the equivalent of the cash forecast for two (2) semesters as provided for in the semi-annual Interim Financial Report. All other supporting documentation evidencing eligible expenditures should be retained by the PIU and must be made available for review by World Bank missions, external auditor, and other controllers if any. Disbursement methods and formats for withdrawal applications and disbursements documentation will be stated in the disbursement letter.

Table 1.1: Category of eligible expenditure by credit proceeds and percentage

Category	Amount of the Credit Allocated (in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services and consulting services, Training and Operating Costs under Parts 1.1, 1.2(a), 1.2(c), and 2 of the Project	68,840,000	100%
(2) Goods, works, non-consulting services and consulting services, Training and Operating Costs under Parts 3.1(a), 3.1(c), 3.1(d), 3.1(e), 3.1 (f), 3.1(g), 3.2, and 3.3 of the Project	55,640,000	100%
(3) Small Grants, Standard Grants and Green Transformation Grants under Part 1.2(b) of the Project	21,690,000	100%
(4) Improvement Plan Grants under Part 3.1(b) of the Project	950,000	100%
(5) Emergency Expenditures under Part 4 of the Project (CER Part)	0	100%
(6) Refund of Preparation Advance	3,780,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	150,900,000	

Financial Management, Disbursements and Flow of Funds

21. In addition to the financial management (FM) and disbursement, and flow of funds arrangements outlined in the main body of the PAD, below is a more detailed description of the applicable arrangements.



Table 1.2: Risk assessment

Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Risk after mitigation measures	Conditions for Effectiveness (Y/N)
Country level - The PEFA Assessments and the Public Investment Management Assessment (PIMA) undertaken in 2017 have highlighted critical areas of weaknesses in PFM that the Government needs to address	S	MEBF and UCP PAAQE Use of IDA FM procedures supported by the decree on projects implementation and modalities in Burkina Faso. Use of a ring-fenced financing mechanism.	M	N
Entity /Project level Some project activities could be prone to irregularities (workshops, missions, matching grants, activities in insecure areas etc.)	H	MEBF and UCP PAAQE Develop a Grant Manual for the matching grants	S	N
INHERENT RISK	S		M	
Budgeting MEBF and UCP PAAQE - Inaccurate budget figures due to unreliable forecast and databases.	S	MEBF and UCP PAAQE: Each PIU will prepare an annual work plan and budget	M	N
Accounting MEBF and UCP PAAQE - Insufficient capacity of the current PIUs FM staff to handle several projects	H	Each PIU will hire an accountant fully dedicated to the Project.	S	Y
Internal Controls / Internal audit MEBF and UCP PAAQE - Weak capacity of the internal audit function	S	MEBF and UCP PAAQE will - Update the Project Implementation Manual (PIM) including the Project FM manual to include the proposed project - Recruit an internal auditor fully dedicated to the proposed project Include the timely transmission of the internal audit reports to the Bank in the PIM and ensure the follow-up of audit recommendations	S	Y N N
Funds Flow MEBF and UCP PAAQE – Delay in disbursements Delays in the justification of advances to implementing entities	H	MEBF and UCP PAAQE - Each PIU will open a Designated Account at the BCEAO. Each PIU will open transaction accounts at commercial banks. The PIM will include the justification of advances before the payment of new ones	S	N



Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Risk after mitigation measures	Conditions for Effectiveness (Y/N)
Financial Reporting MEBF and UCP PAAQE - Delay in producing acceptable IFRs	S	MEBF and UCP PAAQE - will update the accounting system to include the proposed project and automatically generate IFRs	M	Y
Auditing MEBF and UCP PAAQE - Delays in implementation of audit recommendations	S	MEBF and UCP PAAQE - Recruit an external auditor	M	N
CONTROL RISK	H		S	
Overall FM risk	H		S	

Note: M = Moderate; S = Substantial; H = High.

*Financial Management Assessment Report

Action Plan to reinforce the fiduciary arrangements

22. The Financial Management Action Plan described below has been developed to mitigate the overall financial management risks.

Table 1.3: Financial Management Action Plan

Action	Responsible body	Completion
Update the Project Implementation Manual (PIM) and the Project FM manual to include the proposed project.	MEBF/UCP PAAQE	By effectiveness
Extend the existing accounting software to include the new project	MEBF/UCP PAAQE	By effectiveness
Recruit, on a competitive basis, (a) an accountant (b) one internal auditor with qualifications and experience satisfactory to the World Bank.	MEBF/UCP PAAQE	By effectiveness for the accountant and 3 months after effectiveness for internal auditor
Recruit an external auditor, with TOR and qualifications satisfactory to the Bank. For MEBF, the TORs will include specific provisions for SOFIGIB and also a review of the matching grants on a quarterly basis.	MEBF/UCP PAAQE	6 months after effectiveness
open a Designated Account at the Central Bank (BCEAO) by effectiveness and transaction accounts at commercial banks.	MEBF/UCP PAAQE	Dated covenants 2 months after effectiveness

23. **Internal control system and internal audit:** The assessment revealed that both MEBF and UCP PAAQE have a weak internal control function. To complement those controls, both PIUs will hire an internal auditor fully dedicated to the proposed project. The internal audit tools (risk mapping, internal audit charter, code of deontology) will be developed and internal audit report will be transmitted to the bank after 45 days of closing of each semester

24. **Planning and budgeting:** Each PIU will prepare a detailed annual work plan and budget (AWP&B) and a disbursement forecast which should be approved by the Project Review Committee no later than two weeks after effectiveness. The work plan and budgets will identify the activities to be undertaken and the role of respective parties in implementation.



25. **Accounting policies:** The prevailing accounting policies and procedures in line with the West African Francophone countries accounting standards—SYSCOHADA—in use in Burkina Faso for ongoing World Bank-financed operations will apply. The accounting systems and policies and financial procedures will be documented in the project’s administrative, accounting, and financial manual.
26. **Interim financial reporting:** Each PIU will submit an audited IFR to the Bank within 45 days after the end of each semester. The IFRs will include (a) an introductory narrative discussion of project developments and progress during the period, to provide context to (or other explanations of) financial information reported; (b) a Sources and Uses of funds Statement, both cumulatively and for the period covered by the report, showing separately funds provided under the Project; (c) a Use of funds by components Statement, cumulatively and for the period covered by the report; (d) the designated account reconciliation, including bank statements and general ledger of the bank account; (e) the disbursement forecasts of the upcoming six months; and (f) explanation of variances between the actual and planned. The bi-annual IFR will reflect the activities implemented by other partners involved in the Project.
27. **Annual financial reporting:** In compliance with International Accounting Standards and IDA requirements, the Project will produce audited annual financial statements. These include (a) a Balance Sheet that shows assets and liabilities; (b) a Statement of Sources and Uses of Funds showing all the sources of project funds and expenditures analyzed by project component and/or category; (c) a Statement of Commitments; (d) notes related to significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements; and (e) a Management Assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements .
28. **External Auditing:** An external auditor, with experience and qualifications satisfactory to the World Bank, will perform an audit of annual financial statements. If possible, the same external auditor could be recruited for the two PIUs. For MEBF, The TORs will include the review of payments of matching grants under components 1.2 and specific provisions for SOFIGIB activities. If necessary, each PIU in accordance with the World Bank, may consider recruiting an individual consultant to perform additional and independent ex-post verifications. The cost of external audit and independent verification, if any, will be met by the project the Project Management Component. The project will comply with the World Bank disclosure policy of audit reports.
29. **The Project will submit audited financial statements satisfactory to the World Bank (IDA) every year.** A single opinion on the Audited Project Financial Statements in compliance with International Standards on Auditing will be required. In addition, a Management Letter will be required. The audited financial statements must be submitted to the World Bank within six (6) months after closure of the fiscal year.

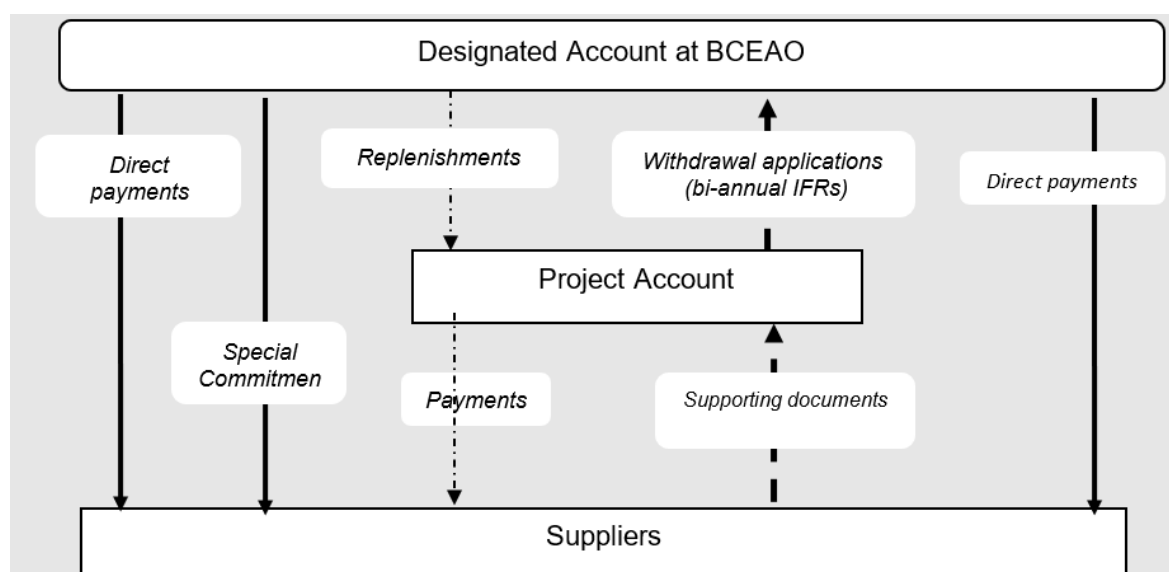
Table 1.4: Audit report requirements

Report	Deadline	Responsible
Audited financial statements including audit report and management letter	6 months after the end of the year	PIUs

30. **Governance and anti-corruption:** The risk of irregularities and corruption within the project activities is Moderate given the nature and implementation arrangements of the project activities. The following

measures are envisaged to mitigate the risk of misuses, irregularities, and corruption (i) the ToR of the external auditor will comprise a specific chapter on fraud and corruption auditing; (ii) measures to improve transparency such as providing information on the project status to the public and public disclosure of audit reports on Project annual financial statements are built into the project design; (iii) the Grievance Redress Mechanism will highlight the possibility of anonymously reporting suspected fraud.

Figure 1.1: Funds flow – Future financing



31. **Local taxes:** Expenditures will be inclusive of tax.

32. **Support to the implementation plan:** FM supervisions will be conducted over the Project's lifetime. The Project will be supervised in a risk-based approach. The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout its life. Based on the current risk assessment, which is Substantial, we envisage at least two supervision missions per year. The supervision will include an FM rating of the Project. An implementation support mission will be carried out before effectiveness to ensure the project readiness. The supervision intensity will be adjusted over time considering the project FM performance and FM risk level.

Table 1.5: Implementation support plan

FM Activity	Frequency
Desk reviews	
Audited interim financial reports review	Bi-annually
Audit report review	Annually
Review of other relevant information	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Annually
Monitoring of actions taken on issues highlighted in audit reports,	As needed

FM Activity	Frequency
auditors' management letters, internal audit and other reports	
Transaction reviews	Bi-annually and as needed
Capacity building support	
FM training sessions	As needed

33. **Procurement documents.** For international competitive procurement of works, goods, non-consulting services, and consulting services, the Borrower shall use the WB SPDs with minimum changes, acceptable to the WB, as necessary to address any Project-specific conditions.
34. **Procurement information and documentation—filing and database.** Procurement information will be recorded and reported as follows:
- Complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, and related correspondence will be maintained at the level of respective ministries in an orderly manner, readily available for audit.
 - Contract award information will be promptly recorded and contract rosters, as agreed, will be maintained.
 - Comprehensive quarterly reports will be prepared indicating: (i) revised cost estimates, where applicable, for each contract; (ii) status of ongoing procurement, including a comparison of originally planned and actual dates of the procurement actions, preparation of bidding documents, advertising, bidding, evaluation, contract award, and completion time for each contract; and (iii) updated Procurement Plans, including revised dates, where applicable, for all procurement actions.
35. General Procurement Notice, Specific Procurement Notices, Requests for Expression of Interest, and results of the evaluation and contracts award should be published in accordance with advertising provisions in the Procurement Regulations. For request for bids and request for proposals that involve international bidders/consultants, the contract awards shall be published in the United Nations Development Business in line with the provisions of the Procurement Regulation.
36. **Training, workshops, study tours, and conferences.** Training (including training materials and support), workshops, and conference attendance (based on individual needs as well as group requirements), and on-the-job training will be carried out based on an approved annual training and workshop/conference plan that will identify the general framework of training activities for the year. A detailed plan and ToR providing the nature of training/workshop, number of trainees/participants, duration, staff months, timing, and estimated cost will be submitted to IDA for review and approval before initiating the process. The appropriate methods of selection will be derived from the detailed schedule. After the training, each beneficiary will be requested to submit a brief report indicating what skills have been acquired and how these skills will contribute to enhance his/her performance and contribute to the attainment of the PDO. Reports by the trainees, including completion certificate/diploma upon completion of training, shall be provided to the Project Coordinator, will be kept as parts of the records, and will be shared with the WB if required.
37. **Procurement Manual.** Procurement arrangements, roles and responsibilities, methods, and requirements for carrying out procurement shall be elaborated in detail in the Procurement Manual, which will be a section of the PIM. The context of fragility and the capacity constraints in Project countries will be

considered, and simplified procurement arrangements will be designed accordingly. The PIM shall be prepared by the Recipients and agreed with the WB before effectiveness.

38. **Operating costs.** Operating costs financed by the Project are incremental expenses, incurred by PIT as approved by the WB, on account of Project implementation, management, and M&E, including utilities; office space rental; office supplies; bank charges; vehicle operation, maintenance, and insurance; maintenance of equipment and buildings; communication costs; travel and supervision costs (that is, transport, accommodation, and per diem); and salaries of contracted and temporary staff. They will be procured using the procedures specified in the Project manual of administrative, financial, accounting, and procurement procedures, accepted and approved by the WB.
39. **Procurement Procedures.** When approaching the national market, the country's own procurement procedures may be used with the requirements set forth or referred to in paragraphs 5.3–5.6 related to National Procurement Procedures and subject to certain requirements for national open competitive procurement. Other national procurement arrangements (other than national open competitive procurement) that may be applied by the Recipients (such as Limited/Restricted Competitive Bidding, (Request for Quotations), Shopping, Local Bidding, and Direct Contracting), shall be consistent with WB core procurement principles and ensure that WB Anticorruption Guidelines and Sanctions Framework and contractual remedies set out in the WB Legal Agreement apply.
40. **Frequency of Procurement Supervision.** In addition to the prior review supervision which will be carried out by the WB, semi-annual supervision missions are recommended. Annual WB procurement post review will be conducted in the respective countries by the WB procurement specialists. The sample size will be based on the procurement risk rating for the implementing agencies in each country. The prior review procurements will be reviewed and cleared in STEP by the respective country's WB procurement specialist.
41. **Procurement prior review.** The procurement risk is rated **Substantial**. Table 1.6 summarizes the procurement prior review for Substantial risk. These prior review thresholds can evolve according to the variation in procurement risk during the life of the Project. Regarding contract management and administration, for all prior review contracts, contract management plans (in line with the provisions of Regulations Annex XI) will be developed during contract creation and completed at the time contracts are signed.

Summary of the Project Procurement Strategy for Development

42. The Project Procurement Strategy for Development and the Procurement Plan detailing the first 18 months of implementation has been prepared and shared by the Borrower. The Project envisages several goods such as workshops equipment, licenses, IT equipment, servers, etc. as part of the new platform, teaching materials, IT and office equipment, ICT equipment for Commercial Courts, etc. The most important procurement of works will be the reinforcement of technical platforms and rehabilitation of establishments. The consultant services are the design and deployment of the new ICT platform, the design and deployment of the ICT solution, including the training of administrators and customers for the Register of Guarantees, etc. The different approaches, selection methods, need for pre-qualification, estimated costs, prior review requirements, and timeframe are agreed between the recipient and the World Bank in the Procurement Plans. The initial Procurement Plans have been approved by the World



Bank. During implementation, the Procurement Plans will be updated as required and at least annually, to reflect actual program implementation needs and improvements in institutional capacity implementation needs. While open national competition is generally the preferred method, in some areas the market and security situation might lead to other options.

Table 1.6: Procurement prior review thresholds (US\$ millions) based on the risk

Contract category	Risk level			
	High	Substantial	Moderate	Low
Works, turnkey contracts and PPPs	\$ 5,000,000	\$ 10,000,000	\$ 15,000,000	\$ 20,000,000
Goods including Information systems and non-consulting services	\$ 1,500,000	\$ 2,000,000	\$ 4,000,000	\$ 6,000,000
Consulting services (firms)	\$ 500,000	\$ 1,000,000	\$ 2,000,000	\$ 4,000,000
Individual consultants	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000



ANNEX 2: Detailed Project Description

COUNTRY: Burkina Faso Burkina Faso Entrepreneurship, Skills and Technology Project

Sub-component 1.1

- Tables 2.1 and 2.2 present the phasing and sequencing of key reforms and initiatives at the economy-wide and sectoral level. In addition, Table 2.3 presents examples of product and process standards and accreditations/certifications of which qualification and adoption will be supported.

Table 2.1: Economy-wide Reform Process: Key Actions, Timeframe and Expected Impact

	Action	Delivery	Impact
1. Streamline and digitize the procedures to start a business			
a)	Assess non-functioning SIGU platform, propose technical solutions to replace/upgrade SIGU and prepare technical specifications	2025-06	
b)	Deploy new automated ICT platform with streamlined procedures + training of administrators and users	2027-06	Reduction in time and compliance cost to register a business.
2. Digitize the collateral registry and facilitate online access for commercial banks			
a)	Assess existing collateral registry functions + technical specifications	2024-09	
b)	Design of ICT solution and deployment + training of administrators and clients	2027-06	Increase access to information (for banks) and finance (for clients)
3. Strengthen commercial justice and efficient court decision making			
a)	Prepare a Legal Process and Re-engineering Map + ICT Assessment + technical specifications	2025-06	Clarity on required amendments
b)	Adopt the Code of Civil and Commercial Procedures	2026-09	Reduce time of decisions
c)	Installation of ICT equipment and training of commercial courts	2027-06	Increase transparency



Table 2.2: Value Chain and Sector-specific Initiatives: Key Actions, Timeframe and Expected Impact

	Actions	Delivery	Impact
1. Sector-specific reforms to unlock opportunities in key value chains			
a)	Establish and equip Secretariat for 3 Sector Working Groups (SWG)	2023-03	Improved communication and coordination
b)	Develop Sector Scan and Action Plans for each SWG	2023-09	Improved communication and coordination
c)	Continuous technical support for implementation of Action Plans	Contin.	Increased competitiveness of value chains and sectors
2. Adoption of standards and quality accreditations/certifications			
a)	Prepare of technical sector guidance notes on standards and quality accreditations/certifications	2023-09	Knowledge dissemination
b)	Coordinated roll out of communication and adoption campaigns, including with support under Capabilities Program and the Partnership Fund	Contin. fr 2023-09	Improvement in firm capabilities and adoption of product and process standards and certifications
c)	Prepare feasibility studies for light manufacturing and horticulture to identify CE potential with focus on material recovery and renewable energy generation	2024-03	Knowledge dissemination to improve resource efficiency
3. Investment facilitation, promotion, aftercare in the targeted sectors			
a)	Embed technical advisor(s) for institutional strengthening	2024-01	Institutional modernization
b)	Develop investment promotion and aftercare tools	2024-06	Institutional modernization
c)	Organization of domestic investment fairs for each sector	Contin. fr 2024-12	Attraction of private investors, including FDIs

Table 2.3: Examples of Product and Process Standards, Certification and Accreditations

Sector	Product and Process Standards, Certification and Accreditations
Sector neutral	ISO 9000/1, ISO 14000/1, 14067, ISO 45001
Textiles, garments, leather and leather products	Zero Discharge of Hazardous Chemicals Certification & Testing Programs, The Global Organic Textile Standard, SA8000, Fair Trade certification, Worldwide Responsible Apparel Production, FLOCERT, Fair Wear Foundation, Bluesign, Leather Standard by OEKO-TEX, Leather Working Group certification, ICEC, ECOSECURE Product Mark
Agribusiness	ISO 14064, ISO 17989, ISO/TC 23/SC18, ISO/TC 134, ISO 22000, ISO 22005, ISO 14055, ISO/TC 34



Sub-component 1.2

2. This Sub-component will establish two mechanisms to strengthen MSME capabilities and promote green technology adoption: the Entrepreneurship and Firm Capabilities Program focused on providing technical assistance to groups of entrepreneurs and firms, and the Partnership Fund for Technology Adoption and Green Transformation to co-finance investments in these areas. The table below provides an overview of supported activities under this sub-component.

Table 2.4: Overview of the Capabilities Program and the Partnership Fund

	Tier / Window	Target group	Form of assistance	Target number	Amount reserved
Entrepreneurship and Firm Capabilities Program	1. Group-based entrepreneurship development	Micro-and aspiring entrepreneurs	Training and coaching with focus on entrepreneurial capacities	1000	US\$8mn
		Established micro & small entrepreneurs	Training and coaching to improve managerial and organizational capacities	300	
	2. Group-based consulting program	Established SMEs in priority VCs/clusters	Group-based program to drive change and promote the adoption of new and green technology, access new markets, meet regulatory and quality standards, etc. over 9 months.	250	US\$10mn
Partnership Fund for Technology Adoption and Green Transformation	1. Small subprojects	Emerging entrepreneurs, micro and small enterprises	Co-finance investments in ICT solutions and technical assistance + small goods to support innovation, new technology adoption, product certifications,	550	US\$4.5mn
	2. Standard-sized sub-projects	MSMEs	Co-finance investments in capital equipment and technical assistance to support innovation, new technology adoption, product certifications, market access and export promotion, renewable and more resilient energy sources	150	US\$11mn
	3. Green transformation subprojects	Established SMEs	Co-finance investments related to renewable energy solutions, circularity, CE solutions	50	US\$7.5mn

3. The support will be differentiated in terms of the target group and the intensity of support. More stringent selection criteria will be applied to more intensive forms of support. Selection criteria will be based on the absorptive capacity of firms, managerial commitment, and the firm's potential for growth. Additional criteria will include whether a firm is in a priority sector and the degree of trade exposure of a firm. Firms that are ineligible for more intensive forms of support can be referred to other forms of support offered in this sub-component.
4. Successful participant firms can progress to more intensive forms of support, in line with other successful funneling programs. Although firms can be selected directly into a program without being required to complete another program first, participants that successfully completed a program and that have a further need for more intensive forms of capacity building or financial support will be supported in the application process for such support and referrals will be actively sought. The selection procedure will take past performance and evidenced improvements as part of participation in lower-tier programs into account and "referrals" between parts of the program will be actively sought. Funneling interventions

have shown that performance in lower tier programs can be predictive of absorptive capacity of more intensive interventions.

5. The Program will also seek capacity building of local BDS and training providers, with the aim of strengthening local capacity in delivering SME support programs. The programs will be delivered by local and regional training providers, for example the *Centre de Gestion Agréé*, and BDS providers in cooperation with consultants with international experience. These consultants will provide training, coaching and capacity building to the local training providers and BDS providers engaged in the delivery of the support program as well as work with the local and regional BDS providers to develop firm-level diagnostic tools. Furthermore, links with knowledge institutions (e.g., business schools) will be sought.
6. The Program and the Fund will build on existing diagnostic and taxonomy tools related to technology adoption and green technologies. The Capabilities Program and the Partnership Fund will include technology benchmarking based on the Firm-level Adoption of Technology (FAT) survey which was conducted in Burkina Faso in 2021. This tool – already implemented in Senegal – benchmarks firms on their level of technological sophistication and provides suggestions for where further improvement on the adoption and use of technologies would be feasible. For the assessment of green technologies, the green transformation window of the Partnership Fund will adopt the Climate Assessment for Financial Institutions (CAFI) tool to determine what classifies as a green investment. Technical assistance will be provided to the MEBF to assist with the adoption and adaptation of these tools.
7. Focus on clusters/value chains. Support will have a specific focus on strengthening the competitiveness of sectors and value chains: (1) light manufacturing, covering product categories such as textiles/garments, leather goods, and food, edible oils and juice processing; and (2) horticulture, covering edible fruits, nuts and seeds. In addition, these value chains are unlikely to prosper in the long run without the development of a stronger market for certain specialized support and enabling services. Thus, (3) CE and GVC enabling services such as the design, integration, installation and maintenance of green technical solutions such as solar photovoltaic cells, wind turbines, and biomass; laboratory, technical standards and sanitary and phytosanitary services; and information technology and engineering services are also covered as a third group.
8. Implementation arrangements. The Capabilities Program and the Partnership Fund will build on existing capabilities of the MEBF, but also rely on external partners. The Partnership Fund will be managed by the MEBF, and the team will consist of a Grant Manager, a Deputy Grant Manager, 10-12 Investment Officers (of which at least six at a senior level) as well as administrative and IT support staff. An external auditor will be embedded within the MEBF or appointed to do quarterly audits of all goods/service deliveries and milestone payments. The training program of the Capabilities Program will be implemented by MEBF using a combination of trainers from the public and private sectors, including academia. The group consulting program of the Capabilities Program is managed by the MEBF but will be implemented by 4-6 local and regional BDS providers, supplemented by consultants with international expertise who will provide technical assistance to the BDS service providers to improve their capacity as well as to participant firms where local knowledge does not suffice.

Component 2

9. The Partnership Fund and the SOFIGIB Green Window will seek to render value chains more resilient to



power outages, which is one of the main hurdles for business continuity. It will also finance adaptation measures to extreme weather events and optimize the recovery and reuse of water resources. The project will prepare technical assessments by mapping the distribution of industries in proximity of large urban centers to identify opportunities for establishing industrial symbiosis networks based on: (i) resource availability, such as organic waste from households; (ii) capacity of logistics services; and (iii) energy demand analysis. The information will be collected with the support of local authorities to implement actions to determine the most impactful solutions, including resource recovery (e.g., waste sorting, collection and transportation). The technical assessments will provide the basis for the preparation of feasibility studies and technical design for the establishment of industrial symbiosis networks (including, but not limited to, biogas/high temperature pyrolysis plants). The establishment of sustainable supply chains will improve access to green product certifications and the adoption of international production standards for light manufacturing industries.

ANNEX 3: Complementarities with Other WBG Projects

COUNTRY: Burkina Faso Burkina Faso Entrepreneurship, Skills and Technology Project

1. The BEST Project complements other IDA-funded projects that are under preparation or under implementation. The most relevant ones are:
 - The **Financial Inclusion Support Project in Burkina Faso** (P164786/P177087, US\$100mn) seeks to increase access to digital financial services and facilitate access to credit for targeted beneficiaries. The Project was approved in April 2019 and scheduled to close in April 2025. It supports SOFIGIB and several windows under the PPCG and the task team of this project is also designing Component 2 under the BEST Project within the same FCI GP.
 - The **Regional Sahel Pastoralism Support Project II** (P173197, US\$45mn for BF) seeks to improve the resilience of pastoralists and agro-pastoralists in selected areas in the Sahel region, including in Burkina Faso. The project was approved in March 2021 and is scheduled to close in December 2027. The main complementarity is that this project will improve animal health by expanding the vaccination coverage rate and sustainable landscape management practices, which should improve the source material for the leather goods sector.
 - The **Burkina Faso Livestock Resilience and Competitiveness Project** (P178598, US\$150mn) seeks to improve the productivity, commercialization, and resilience of key sedentary livestock production systems for targeted beneficiaries in Project areas. The project has yet to be approved and is scheduled for Board decision on May 8, 2023 and would close on December 31, 2029 if approved. As for the Regional Sahel Pastoralism Support Project II, a more competitive livestock sector will provide more source material for the leather industry, that would benefit from complementary support activities.
 - **West Africa Food System Resilience Program** (P172769, US\$110mn for Burkina Faso) seeks to increase preparedness against food insecurity and improve the resilience of food systems in participating countries. It was approved in November 2021 and is scheduled to close in December 2026. It is expanding hydro and agrometeorological advisory services to food system actors, supporting the adaptation by farmers of climate-smart agricultural technologies and services, expanding areas under sustainable landscape management practices, and increasing intra-regionally traded production of maize, cowpeas, and vegetables. There are no concerns about overlap, but the strengthening of upstream food production should help improve demand for downstream production and processing capabilities. The project's partial focus on reducing border barriers and improving regional policy for agricultural trade will also help reduce regulatory barriers to producers.
 - The **BF-Agriculture Resilience and Competitiveness Project** (P167945, US\$152mn) seeks to increase agricultural productivity and market access for small producers and small and medium agribusiness entrepreneurs within selected value chains and within select intervention areas. The project was approved in August 2019 and is scheduled to close in November 2025. The project covers essential food crops such as maize, rice, onions and tomatoes and is financing extensive irrigation and connectivity. It aims to greatly increase the agricultural yields in these food stuffs and construct 130 km of new roads, rehabilitate 215km of existing roads, construct 117 marketplaces, expand or upgrade irrigated areas by 5,500 ha, etc. This project could have a drastic impact on the country's



overall production of food if successfully implemented. Some of this output could ultimately be processed to become food or juices under the BEST Project's light manufacturing activities. There are also some activities around mango and shea butter production where the two projects will need to coordinate to avoid any duplication. The BEST Project is focused on downstream activities and the inclusion of the agriculture line ministry in the Project Steering Committee will help in this regard and so will the inclusion of one of the World Bank task team leaders in the BEST Project's task team.

- The **Solar Energy and Access Project** (P166785, US\$75mn) seeks to increase access to electricity services in selected rural areas and the availability of solar energy in Burkina Faso by leveraging private finance. This project was approved in June 2021 and is scheduled to close in December 2028. It is focused on the connection of households and deployment of variable solar generation in optimal conditions. With regards to increasing access, the project aims to support the electrification of 120,000 households, community infrastructures such as school and health centers, and some businesses to modern and reliable electricity services. The main means to achieve the ends of large-scale solar (US\$420mn) is private sector mobilization. The BEST Project has a different target group (select value chain clusters) and a smaller scale of its interventions—yet there will likely be lessons learnt in both directions when it comes to solar power solutions.
- The **Communal Climate Action and landscape Management Project** (P170482, US\$125mn) is expected to be submitted for a Board decision in early 2022. This project will aim to strengthen sustainable landscape management and improve income generation in targeted forest areas in Burkina Faso. While the heart of the project is not directly relevant to the BEST Project, it does have a component (3rd, of US\$20mn) to support the sustainable development of 'green economy' value chains in the forest areas it targets, and to support cooperatives and SMEs in targeted municipalities that the overall project covers. The project will be implemented by the Ministry of Ecological Transition and Environment, and it will be necessary for MDICAPME and MEBF to coordinate and ensure that there is no overlap between this project's upstream activities and the BEST Project's downstream activities. If the two key line ministries' implementing entities establish a communication channel, there are opportunities for positive synergies around the horticulture value chain work.



ANNEX 4: Economic and Financial Analysis

COUNTRY: Burkina Faso

Burkina Faso Entrepreneurship, Skills and Technology Project

1. As part of preparation for this Project, an EFA was prepared to determine the value of the anticipated benefits relative to the costs associated with this Project. The total NPV for Components 1, 2 and 3 was estimated at US\$116 million at a 15 percent discount rate, and the ERR at 35 percent based on the total investments under these components.⁵⁰
2. In reference to this valuation estimate, several points are worth noting. First, this calculation is indicative, using expected average parameters for the component beneficiaries and the resulting impact of the component activities. While these assumptions are based on the Project team's discussions with potential beneficiaries along with results of other projects and economic literature, they are not precise representations of the impact that the Project will have. The exercise of financially modelling projected impacts helps to ensure that Project funds are being allocated to investments and activities that will provide a return to the local population, along with helping to identify key risks and thresholds for the Project to achieve its desired impact. Additionally, international development projects often target regions and sectors where the risk is high since these types of projects can specifically take on higher risk investments because of the social good that could result from them. As such, financial valuations of these investments may not be as high as those in other regions, yet the social and/or environmental value of such investments could be considerably higher.
3. The methodology detailed below accounts only for the Project's impact on direct beneficiaries rather than using a broader multiplier approach, which would encompass positive externalities and spillover effects, along with overall growth of the entrepreneurial ecosystem. The value of externalities is difficult to estimate; project investments could result in larger-scale private and public investments. The social rate of return could be even higher since private sector investment could reduce over time without this Project and other development initiatives addressing key bottlenecks on the ground.
4. Greenhouse gas (GHG) impacts of the Project are expected broadly to be moderate. The PPCG activities under Component 2 will focus on supporting green investments. The Partnership Fund supported under Component 1 also proactively targets green transformation; as such, SMEs supported under both components will help to support both climate change mitigation and adaptation.
5. The following economic analysis is based on increased revenues for SMEs and income for TVET beneficiaries through the activities and investments under this Project. Details on the analysis for each component are as follows.

Component 1: Strengthening the Enabling Environment for MSME Development

6. Based on the analysis, the NPV for Component 1 is estimated at US\$49 million with an ERR of 44 percent. This estimate is based on the following parameters.

⁵⁰ We estimate a 15 percent discount rate as the risk-adjusted opportunity cost of capital. Additional NPV estimates at other discount rates have also been provided as a measure of the sensitivity of our analysis.



7. Number of beneficiaries: We estimate the number of SME beneficiaries receiving support as 1,550 total SMEs based on the team's estimates of Project pipeline. These beneficiaries have been split into micro, small, and medium-sized businesses as beneficiaries of Component 1.2.
8. Channels of impact: The primary assumption in the analysis of SME impacts is that Project beneficiaries will demonstrate additional growth above that without the Project investments. Additionally, we assume that Project investments will result in a lower failure rate amongst beneficiaries.
 - a) Additional growth rate: We estimate a steady state revenue growth rate of 3 percent for entrepreneurs without the Project investments, with an additional revenue growth of 5 percent for beneficiaries receiving Project support.

The above assumptions are supported by a wide range of studies in different regions on the impact of different types of support services for SMEs. We've provided a summary of the different supporting studies below:

- Sarder, et al. (1997) study "The Importance of Support Services to Small Enterprises in Bangladesh" find 5-16 percent increase in employment, sales and productivity with technology adoption support provided to SMEs.
- Tan & Lopez-Acevedo (2005) look at the impact of SME programs in Mexico using panel firm data and find that 9-14 percent improvement in training and 9 percent improvement in technology absorption have been achieved. Various SME programs – Business Advisory Services, Technology Development, Credit, Supplier Development (1992 – 2000) in Chile presented similar results.
- Lopez-Acevedo & Tan (2010), "Impact Evaluation of SME Programs in Latin America and Caribbean" found an 8 percent increase in wages and 9 percent increase in productivity as a result of these programs.
- Bloom et al. (2013)⁵¹ demonstrates the importance of supporting firm managerial capabilities to improve firm productivity and growth based on evidence from India. In a similar vein, Bruhn et al. (2013)⁵² document the impact of this type of support based on a randomized trial conducted in Mexico. Evidence from Colombia shown in Iacovone, et al. (2019)⁵³ also supports this underlying thesis in support of the impact of improving firm managerial capabilities. Based on a cross-country review, business training programs also help to increase SME profits and sales (McKenzie 2020)⁵⁴.
- A Harvard Business Review Study conducted by Anne Marie Knott calculates the impact of R&D and equipment investments in the US by estimating a *Research Quotient* (RQ) which defines a relationship between firm inputs (capital, labor, and R&D investments) and firm output (revenues) based on regression analysis of American firms. Their analysis estimates that a 10 percent increase in RQ results in an increase in market value of 1.1 percent, which can translate to a 10-20x multiple in firm

⁵¹ Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., and Roberts, J. (2013). "Does management matter? Evidence from India." The Quarterly Journal of Economics, 128(1), 1-51.

⁵² Bruhn, M., Karlan, D., and Schoar, A. (2013). "The impact of consulting services on small and medium enterprises: Evidence from a randomized trial in Mexico." World Bank Policy Research Working Paper 6508 (2013).

⁵³ Iacovone, L., Maloney, W., and McKenzie, D. (2019). "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia." World Bank Policy Research Working Paper 8854. World Bank, Washington, DC.

⁵⁴ McKenzie, D. (2020). "Small Business Training to Improve Management Practices in Developing Countries: Reassessing the Evidence for 'Training Doesn't Work'." World Bank Policy Research Working Paper 9408.



revenues. Since this analysis is based on R&D investments in established firms rather than start-ups, we have increased revenue growth assumptions for the Project's start-up beneficiaries.

- b) Reduction in failure rate: The analysis assumes a 20 percent reduction in the failure rate of beneficiaries (from 60 to 40 percent) due to the assistance provided by the Project.
- c) Time of impact: We estimate a two-year delay for impact of the activities and investments under the Project.

Additional assumptions are provided below:

Table 4.1: Assumptions of the economic analysis for component 1

Type of beneficiaries	Skills and Mindset			Partnership Fund		
	Aspiring	Small	Tech adoption	Small	Standard	Green
Number of beneficiaries	1,000	300	250	550	150	50
Failure rate w/o project	60%	60%	60%	60%	60%	60%
Failure rate w/ project	40%	40%	40%	40%	40%	40%
Average annual income (US\$)	10,000	25,000	50,000	50,000	150,000	300,000
Job creation (\$ revenue per job)	15,000	15,000	15,000	15,000	15,000	15,000
Average annual salary (US\$)	2,000	2,000	2,000	2,000	2,000	2,000
Annual revenue growth (w/o project)	3%	3%	3%	3%	3%	3%
Additionality to growth rate	5%	5%	5%	5%	5%	5%
Number of years that additionality applies	1	1	1	1	1	1

- 9. With the assumptions noted above, the Project valuation and other key metrics are estimated as follows:

- a) NPV at a 15 percent discount rate: US\$49 million
- b) ERR: 44 percent
- c) NPV at a 12 percent discount rate: US\$67 million

Sensitivity analysis:

- a) Reducing the estimated number of SME beneficiaries by 50 percent reduces the Component ERR to 21 percent.
- b) Increasing the estimated number of SME beneficiaries by 50 percent increases the Component ERR to 64 percent.

Sub-component 1.1: Improving the Business Enabling Environment

- 10. Improvements in the regulatory environment are widely supported in the economic literature although the precise impact is difficult to quantify because of their wide-ranging impact potentially across all sectors. The relationship between the characteristics of the business regulatory environment and the performance of firms has been documented for example by Djankov et al (2002), Botero et al (2004), Acemoglu and Johnson (2005), Mastruzzi (2006) and Kaufmann et al (2006). Most of this work is non-



experimental but it is widely accepted that an improved regulatory environment supports the overall performance of firms. Barriers to starting a business are negatively and significantly correlated with business density and entry rate. Fewer procedures are associated with a greater number of registered firms and higher entry rates (Klapper, 2006). A similar relationship can also be found with the cost of starting a business. It is estimated that for every 10 percent decrease in entry costs, density and the entry rate increase by about 1 percent (Klapper, 2006). Simpler entries encourage the creation of new companies. Easier start-up is also correlated with higher productivity among existing firms. A study which analyzes data in 157 countries finds that a reduction in entry costs raises output per worker by an estimated 29 percent (see Barseghyan, L. (2008) "Entry Costs and Cross-Country Differences in Productivity and Output", Journal of Economic Growth 13 (2008)).

Component 2: Improving Access to Finance for MSMEs and Green Investments

11. Based on the analysis, the NPV for Component 2 is estimated at US\$32 million with an ERR of 29 percent. This estimate is based on the following parameters.
12. Number of beneficiaries: We estimate the number of SME beneficiaries receiving support as 800 total SMEs based on the team's estimates of Project pipeline, as noted in the Results Framework.
13. Channels of impact: As with the analysis for Component 1, the primary assumption in the analysis of SME impacts is that Project beneficiaries will demonstrate additional growth above that without the Project investments. Additionally, we assume that Project investments will result in a lower failure rate amongst beneficiaries.
 - a) Additional growth rate: We estimate a steady state revenue growth rate of 3 percent for entrepreneurs without the Project investments, with an additional revenue growth of 5 percent for beneficiaries receiving Project support.
 - b) Reduction in failure rate: The analysis assumes a 20 percent reduction in the failure rate of SMEs (from 60 to 40 percent) due to the assistance provided by the Project.

Additional assumptions are provided below:

Table 4.2: Assumptions of the economic analysis for component 2

Type of beneficiaries	Window		
	MSME	Green	Underserved
Number of beneficiaries	400	200	200
Failure rate w/o project	60%	60%	60%
Failure rate w/ project	40%	40%	40%
Average annual income (US\$)	100,000	100,000	75,000
Job creation (\$ revenue per job)	20,000	20,000	20,000
Average annual salary (US\$)	2,000	2,000	2,000
Annual revenue growth (w/o project)	3%	3%	3%
Additionality to growth rate	5%	5%	5%
Number of years that additionality applies	1	1	1

14. With the assumptions noted above, the Project valuation and other key metrics are estimated as

follows:

- d) NPV at a 15 percent discount rate: US\$32 million
- e) ERR: 29 percent
- f) NPV at a 12 percent discount rate: US\$49 million

Sensitivity analysis:

- a) Reducing the estimated number of SME beneficiaries by 50 percent reduces the Component ERR to 11 percent.
- b) Increasing the estimated number of SME beneficiaries by 50 percent increases the Component ERR to 44 percent.

Component 3: Developing a more Entrepreneurial and Productive Labor Force

15. Based on the analysis, the NPV for Component 3 is estimated at US\$35 million with an ERR of 34 percent. The economic analysis is based on higher salaries and lower unemployment rates amongst TVET student beneficiaries. These estimates are based on the following parameters:

- a) Number of beneficiaries: The analysis estimates that the Project will support approximately 7,000 TVET beneficiaries based on the team's estimates of Project pipeline, including 700 that pursue self-employment.
- b) Channels of impact: The primary assumption in the analysis is that Project beneficiaries will demonstrate a lower unemployment rate than without the Project investments. Additionally, we assume that Project investments will result in higher salary growth amongst beneficiaries.
 - Reduction in unemployment rate: The analysis assumes a 60 percent reduction in the unemployment rate of beneficiaries (from 80 to 20 percent) due to the assistance provided by the Project.
 - Additional growth rate: We estimate a steady state salary growth rate of 1 percent for TVET beneficiaries without the Project investments, with an additional salary growth of 20 percent for beneficiaries receiving Project support.

Additional assumptions are provided below:

Table 4.3: Assumptions of the economic analysis for component 3

	General TVET	Self-employed
Number of students	6,300	700
Unemployment rate w/o project intervention	80%	80%
Unemployment rate w/ project intervention	20%	20%
Average annual salary (US\$)	3,000	3,000
Annual salary growth (w/o project)	1%	1%
Additionality to growth rate	20%	20%
Number of years that additionality applies	2	2



With the assumptions noted above, the Project valuation and other key metrics are estimated as follows:

- NPV at a 15 percent discount rate: US\$35 million
- ERR: 34 percent
- NPV at a 12 percent discount rate: US\$9 million

Sensitivity analysis:

- a) Increasing the unemployment rate for TVET beneficiaries by 10 percent (to 30 percent) reduces the Component ERR to 29 percent.
16. Reducing the unemployment rate for TVET beneficiaries by 10 percent (to 21 percent) increases the Component ERR to 40 percent.

ANNEX 5: Lessons from MSME capacity building and support programs

COUNTRY: Burkina Faso **Burkina Faso Entrepreneurship, Skills and Technology Project**

1. This project incorporates best practices and lessons from earlier (M)SME capacity building and support programs, including recommendations made by the IEG. Sub-component 1.2 of the project provides capacity building of firms through a program of capacity building of both aspiring and micro-entrepreneurs as well as more established SMEs as well as financing for technological upgrading through financing.
2. The Capabilities Program under sub-component 1.2 will provide BDS to selected beneficiary firms. BDS is a general term that includes a wide range of services offered to firms to increase productive capabilities and/or market access through technical assistance. The modalities usually involve a program of training, consulting services and other capacity building programs. As highlighted by the 2019 IEG evaluation of SME support programs, there is important evidence that well-designed BDS programs can yield benefits. Analytical studies involving randomized controlled trials have shown that well-targeted BDS can result in higher levels of sales, and that these impacts are sustained even after multiple years after the end of this intervention.
3. The Partnership Fund under the same sub-component will provide financing to eligible SMEs for investments in technological upgrading and capital equipment through a matching grant mechanism. Matching grants are an instrument aimed at promoting private sector development that has been used extensively over the past years. A matching grant is defined as “a one-off, non-reimbursable transfer to project beneficiaries, for a specific purpose, based on the condition that the recipient makes a contribution for the same purpose.”⁵⁵ These grants can be used for a variety of activities, including technical assistance through BDS, investment in assets, or financing of working capital.
4. In the 2019 IEG evaluation of SME support programs, several features are highlighted to contributing to the success of matching grants schemes within World Bank lending operations. These features include “(i) [careful] consideration of modalities for the management; (ii) accompanying technical assistance, capacity building and institution strengthening; (iii) a good mix of international expertise and local knowledge; (iv) sufficient resourcing of fieldwork and due diligence functions; (v) autonomy of administration; (vi) adaptability to market demand; and (vii) an assessment of the situation and needs.” All these features have been integrated into the current project.
5. An earlier IEG evaluation of matching grant schemes (IEG 2013) focuses on factors contributing to an effective implementation of matching grants and highlights that matching grants mechanisms can be effective when there is a selection process that is rigorous following clear procedures, a flexible design to deal with changing circumstances, (3) an expeditious processing of claims for reimbursement and involvement of the private sector in the administration. Ineffectiveness of matching grant programs was associated with failures on the identifications of target beneficiaries, slow and costly implementation and

⁵⁵ Sberro-Kessler, Rachel (2019). *How Can Matching Grants in Agriculture Facilitate Access to Finance? Lessons Learned from World Bank Group's Experience*. World Bank, Washington, DC.



low uptake, too strict or lax eligibility criteria, complex processing, rigid procurement processes, political interference and unfavorable macroeconomic conditions.

6. Design considerations highlighted by review studies of matching grant schemes (Sberro-Kessler 2019, World Bank 2016), and incorporated in the design of the Partnership Fund through the Grant Manual, include:⁵⁶

- **Matching grants projects should include technical assistance to beneficiaries**, both for preparing and implementing business plans.
- **Having a strong communication plan from the beginning of the implementation is key to ensure equal access, promote accountability, and foster spillovers**. For instance, showcasing beneficiaries on local television, radio, and social media increases project ownership and decreases the risk of grant misuse. Additionally, it can foster innovation and technology adoption among non-beneficiaries, which is a key expected impact. Task team leads should work in coordination with social development specialists to ensure communication materials and information reach indigenous populations.
- **Contracts with BDS providers should be designed to ensure quality and results**. For instance, TORs may include a payment schedule where most of the payment is made at the end of the contract based on the achievement of specific objectives (e.g., productivity improved, website built, etc.)
- **Mechanisms should be put in place to avoid the risk of companies overcharging for eligible equipment**. Such mechanisms include the following: clear product specifications vetted by an independent qualified consultant; standard bid document to allow for price comparisons and promote price transparency to help farmers choose between different products; lists of pre-approved qualified vendors who have a track record where applicable; independent verification and audit of prices charged with and without subsidy, as well as sanctions (such as debarring from future bids) in case of overcharging; and (depending on amounts and complexity) an auction where several companies compete on price and quality, and project beneficiaries are only allowed to purchase equipment from approved vendors.

7. While matching grants are often used in the absence of and as substitutes for well-functioning financial markets, design features should be determined carefully to foster linkages with the financial sector. The literature suggests that many matching grants do not sufficiently work as enablers of financial markets. Indeed, while the primary objective of matching grants is often to increase the income of beneficiaries in the absence of well-functioning financial markets, matching grants should also be designed in a way that helps beneficiaries build relationships with financial institutions so that their future expenses and investments can be undertaken without the need for grants. Particular design features that should be determined and that could be integrated in the Grant Manual include:

- Size of the grant and level of grant matching should differ by type of beneficiary (micro-enterprises and farmer groups, small enterprises, medium enterprises) and by type of investment (technical assistance, fixed assets, working capital) so as to ensure additionality and sustainability.

⁵⁶ See: Sberro-Kessler, Rachel (2019). *How Can Matching Grants in Agriculture Facilitate Access to Finance? Lessons Learned from World Bank Group's Experience*. World Bank, Washington, DC., and: World Bank (2016). *How to Make Matching Grants a Better Match for Private Sector Development*



- Beneficiaries' contribution must be set high enough to ensure ownership and crowd in commercial credit.
 - For beneficiaries who have no relationships with financial institutions, a path towards financial inclusion through "low-leverage" matching grants should be promoted. Such an approach would incentivize beneficiaries to save part of the proceeds in an account at a financial institution, but also support legal formalization, preparation of business plans and financial accounts, acquisition of income-generating assets, etc. This model can be an effective instrument to pave the way for financial inclusion.
 - For beneficiaries who have limited relationships with financial institutions, "high-leverage" grants should be considered. Such an approach requires stronger financial discipline from beneficiaries because it requires or incentivizes blending of matching grants with commercial credit. Opting for high-leverage grants may be effective at deepening financial inclusion but requires a solid assessment of beneficiaries' financial capacity and financial institutions' appetite. In particular, requiring a mandatory share of credit might jeopardize project disbursements and/or create challenges for borrowers.
 - For beneficiaries who have lost access to finance, financial institutions could play a leading role in the identification and selection of matching grants beneficiaries.
 - Involving financial institutions in the matching grants selection may both: improve the quality of the selection process and improve financial institutions' knowledge of the SME market.
8. To ensure equitable access for women entrepreneurs, it is important that schemes address constraints that are specifically faced by women. Design features that should be taken into account include:
- **Ensure that communication about matching grants is delivered in a gender-sensitive manner** (e.g., choice of location, time) so that women are not excluded and are encouraged to apply.
 - **Either provide equipment in-kind, or make sure that an account is opened in the name of the beneficiary** (at financial institution or mobile money) to avoid appropriation by spouse
 - **Create a specific window for women.** Evidence shows that women tend to avoid competition when they compete against men. A solution is to have different windows of competition for men and women separately
9. **Ensure that accounts that are opened for beneficiaries offer "value for money"** (low opening and maintenance fees). One potential option is to share with matching grants beneficiaries a list of all participating financial institutions and mobile money providers with the terms and conditions so that beneficiaries are aware of the fees to open/maintain account. Alternatively, the costs of opening the account and maintaining the account could be covered by the project (particularly for small grants).



ANNEX 6: ORIGINAL FIF REVIEW

COUNTRY: Burkina Faso

Burkina Faso Entrepreneurship, Skills and Technology Project

OP 10 Review for the Burkina Faso Financial Inclusion Support Project (P164786)

(By Mike Goldberg, Lead Operations Office)

1. This memo summarizes the OP 10/Paragraph 16 Financial Intermediary Financing (FIF) compliance review for the abovementioned project, based on the PAD and detailed technical discussions with the team. Given the PCG in Component 3, which supports financial intermediation, the project requires this review. The objective of this memo is to assess the incorporation of good financial sector practices, to avoid interfering with the Bank's ongoing financial sector dialogue with national authorities and raise the chances for sustainable outcomes. **The conclusion of this review is that the project design is compliant with the requirements of the OP 10 FIF policy.**
2. **Project Summary.** The project proposes to enhance access to digital financial services and credit for individuals and SMEs in Burkina Faso over a six-year period for US\$100 million. Under Component 1, the objective is to bring more people into the financial sector by promoting the use of simple transaction accounts to receive and send payments from/to the Government and to transact with MFIs. Under Component 2, the project supports activities to strengthen institutional capacity and clean up the microfinance sector to broaden the reach of financial services. To enhance credit supply to individuals and SMEs, Component 3 supports the establishment of a PPCG and the strengthening of BDS and fintech solutions. Under Component 4, the project supports project management through the establishment of the PIU. Component 5 is a CERC.
3. **Objectives of the project.** The PDO is to increase access to digital financial services and credit for targeted beneficiaries. Targeted beneficiaries refer to individuals, farmers, women, youth and SMEs that are unserved and underserved financially.
4. **Macroeconomic environment.** A sustainable PCG requires a stable macroeconomic situation (since the loans supported are more likely to go into default if there is hyperinflation). According to the Economist Intelligence Unit, there are strains in terms of policymaking, attracting investors, and regional terrorist threats. However, inflation is low (estimated 1.3% in 2019), real growth strong (5.9% estimated in 2019), and the fiscal deficit is shrinking (from 6.1% last year to an estimated 4.5% by 2020). This macroeconomic and fiscal situation is supportive of a sustainable PCG.
5. **Financial sector framework – interest rates.** There is an interest rate cap affecting microfinance institutions, making lines of credit less sustainable and outreach to more expensive markets (like microbusinesses, SMEs in rural areas) more restricted. The effects have been clear. Over recent years, several MFIs have been in difficulty and reported negative adjusted returns for more than a year. The Bank's ongoing financial sector policy discussions with key government policymakers should address this. For the project, this presents a challenge to the sustainability of project activities and should be mitigated with technology solutions that could lower operational costs of participating financial institutions using the PCG.



6. **Best Practices (16 Principles).** The project design uses the 16 principles, which cover four areas, legal and regulatory requirements, corporate governance and risk management, the operational framework, and monitoring and evaluation. Key concepts include efficiency of treatment of guarantee coverage, financial soundness, ownership, and independent management.
7. **SOFIGIB as PPCG operator (and maximizing finance for development).** Since there are existing guarantee systems, albeit inferior in terms of coverage and efficiency to the planned SOFIGIB one, the task team needs to demonstrate why support for SOFIGIB does not “crowd out” existing private sector guarantee funds. Some metrics on key elements are necessary (on outreach, client type, collateral requirements, efficiency, documentation, and so on) to show why the SOFIGIB guarantee will be different.
8. **On lending terms and eligibility criteria for Participating Financial Institutions (PFIs).** SOFIGIB will receive training and technical assistance to make sure that it uses commercial criteria to select PFIs and portfolios. All PFIs (both wholesalers and retailers) need to comply with local regulations and be in good standing with regulators. PFIs should have acceptable loan collection levels, staff capacity for loan selection and managerial autonomy, the ability to mobilize funds, demonstrated managerial autonomy and a commercial orientation, and portfolio risk management policies.
9. **Monitoring.** The Bank has core indicators for microfinance and small business lending so that is the preference. At a minimum, it is useful to track (i) number of PFIs, (ii) number of clients (in this case, first time borrowers from CUs), (iii) portfolio outstanding, and (iv) an indicator of portfolio quality.
10. **Coordination between the Bank and IFC.** While there is no direct coordination with the IFC, it would be good to inform all potential investors, including the IFC, of progress of the PFIs and the guarantee system, as well as the portfolio of the targeted client bases.



COUNTRY MAP OF BURKINA FASO

