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DIAGNOSTIC BURKINA FASO

Michael Weber

Overview and Suggestions for a Strategic Framework for Jobs



WORLD BANK GROUP

Jobs

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ABBREVIATIONS

BFA.....	Burkina Faso
EA	Enquête Annuelle
EICVM.....	Enquête intégrale sur les conditions de vie des ménages
EMC	Enquête Multisectorielle Continue
EP	Enquête Prioritaires
GDP	Gross Domestic Product
ILO	International Labor Organization
TVET.....	Technical and Vocational Education and Training
WAEMU	West African Economic and Monetary Union
WDI.....	World Development Indicators



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1. OVERVIEW OF THE JOBS DIAGNOSTIC

The main challenge facing Burkina Faso is how to generate sustainable economic growth that translates in progressively better job outcomes and increased prosperity shared more widely. Burkina Faso has registered solid economic growth over the recent past and poverty levels have been lowered, which indicate that growth has been pro-poor. Yet, in practice, life for many in the country remains a struggle, even in comparison to equally challenging conditions elsewhere in the region. Productive job opportunities outside agriculture—such that ensure meaningful progress in terms of earnings and economic security—remain limited, while employment in agriculture continues to provide the bare minimum. Among tradable sectors, gold mining and cotton production dominate, yet they provide limited employment opportunities and exacerbate the economy's fragility because of their exposure to fluctuations in international prices. Employment in nontradable sectors, mainly services in urban areas, remains largely informal and—for now—fails to ensure considerably better prospects. As a result, more substantive improvements in well-being remain elusive.

Strengthen the link between growth and poverty reduction through better jobs

To continuously grow sustainable and shared prosperity requires the creation of more and better jobs.

As highlighted in *World Development Report 2013*, jobs are at the center of development because they are vital both to translate economic growth into poverty reduction and to boost shared prosperity. Leveraging labor to generate an earnings stream, whether through wage employment or a range of household-based and other informal sector activities, is the most sustainable way out of poverty for individuals and households. Moreover, jobs offer numerous further important development payoffs that include skills acquisition and thus enhanced productivity; empowerment of women; enhanced security through productive engagement of youth; and supporting social stability in conflict and post-conflict societies (World Bank 2012). In the case of Burkina Faso, the lack of good jobs—those that ensure a decent living standard—in agriculture and other sectors has hampered more substantial improvements in well-being.

A multisectoral approach is a prerequisite for a comprehensive understanding of the factors that could unleash the creation of better, more productive jobs. A thorough review of jobs challenges requires an approach that goes beyond traditional analytical techniques and captures issues such as access to markets, inputs, capital, technology, skills, and matching of supply and demand. Standard labor analysis tends to miss out on crucial aspects of the demand side of job creation, while growth diagnostics have no direct link to jobs. In this context, a multisectoral jobs diagnostic approach developed by the World Bank aims to assess the relationships between macroeconomic, supply and demand side factors that, together, shape outcomes in terms of job creation, quality, and inclusion.

This overview note summarizes the jobs diagnostic effort conducted in Burkina Faso and outlines an initial framework for discussion on how to shape better jobs outcomes in the future. The aim of the note is twofold. First, to bring together the knowledge acquired through a multisectoral approach and to outline the main challenges to creation of better jobs in Burkina Faso, built around the analysis of macroeconomic trends, labor supply, labor demand, and—as the sector continues to dominate output and employment—the assessment of agricultural opportunities and constraints. Second, to highlight the need of a policy framework that would enable and support the creation of better jobs. To do so presents an initial set of discussion topics to consider as a future jobs strategy framework is prepared: (a) how to build an enabling environment that unleashes the creation of formal jobs; (b) how to improve the quality of informal sector jobs; and (c) how to connect vulnerable population groups to jobs.

GROWTH AND JOBS: CREATE BETTER JOBS FOR INCREASED PROSPERITY

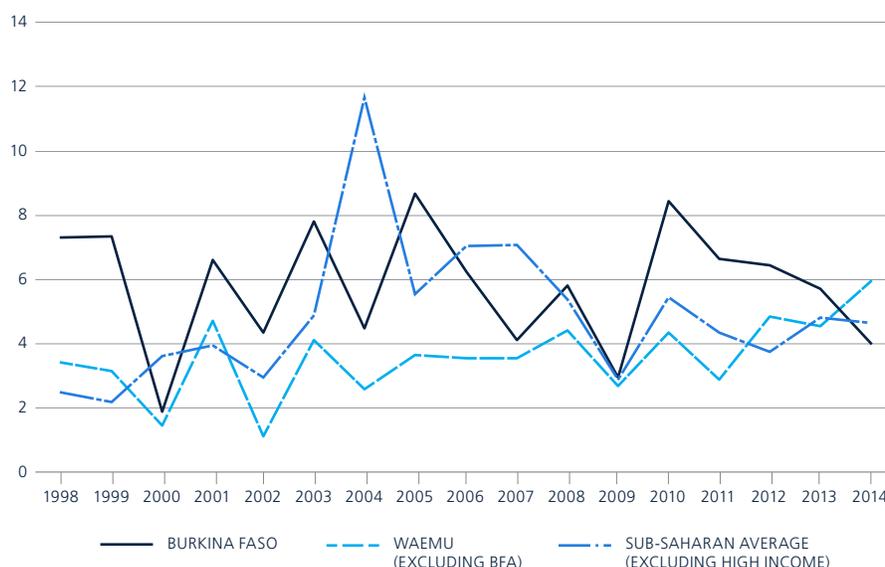
The economy of Burkina Faso has grown rapidly in recent years and has generated employment, but because of the poor quality of jobs, poverty remains widespread. Between 1998 and 2014, the gross domestic product (GDP) of Burkina Faso expanded on average by 5.7 percent each year—considerably faster than other countries that belong to the West African Economic and Monetary Union (WAEMU), where average growth was 3.4 percent per year. However, GDP per capita grew at less than half the pace of GDP; it expanded by 2.6 percent each year and increased from US\$421.10 to US\$637.90 over the observed period (Figure 1). Many jobs were created to absorb the expanding labor force, but the jobs were mainly in farm and low-productivity activities. Thus, while poverty had declined somewhat, over 40 percent of the population still lived below the poverty line in 2014, particularly in rural areas. To unlock the economy’s potential for the creation of better jobs is a key challenge, especially in light of slower GDP growth experienced over the most recent period.

The process of urbanization has gained traction in recent years but despite the earnings potential in urban centers, the overall level of urbanization is still low. In 1995, the total urban population was estimated at 1.5 million. By 2015, the urban population had grown to 5.4 million at a compounded annual growth rate of 6.5 percent, compared with the growth of the rural population from 8.5 million in 1995 to 12.7 million in 2015 at a compounded annual growth rate of 2 percent. Nevertheless, Burkina Faso is still predominantly rural with less than 30 percent of the population considered urban—the second lowest percentage among the WAEMU states. The movement of workers to urban areas was an important way through which Burkinabe gained access to better jobs. Differences in consumption patterns and per capita spending suggest that urban areas offer higher income potential, which is an incentive for migration. While the annual consumption per capita in urban areas amounts to US\$933 (purchasing power parity adjusted), it is only US\$400 in rural areas.

Shift focus from the quantity of jobs to the quality of jobs created

Jobs created in Burkina Faso during 1998–2014 were sufficient to keep pace with population growth, but the persistently high rates of poverty underline the low quality of the jobs. Between 1998 and 2014, the economy of Burkina Faso generated enough jobs to accommodate the fast expansion of the working-age

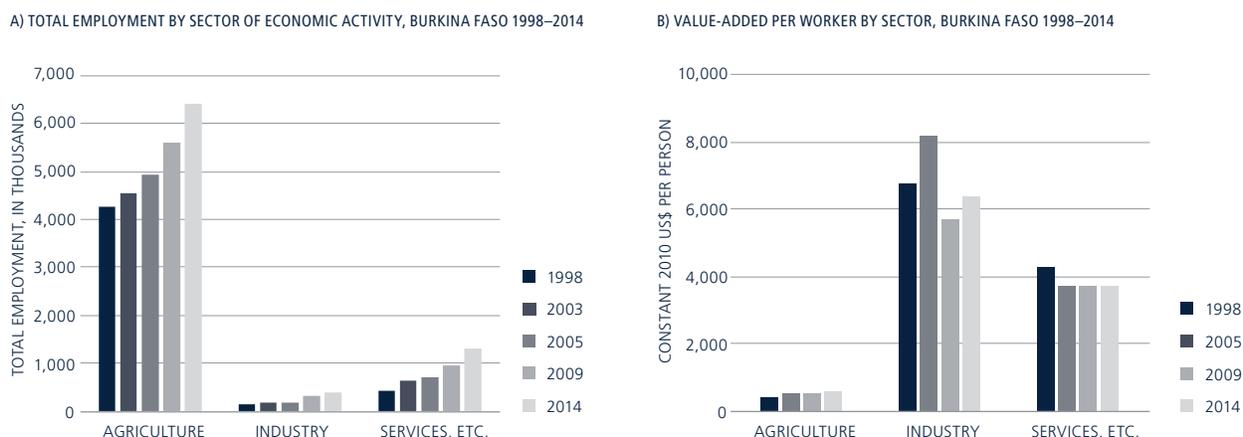
Figure 1
Burkina Faso has recorded high GDP growth rates between 1998 and 2014 compared with other WAEMU countries, GDP growth (%) in constant 2010 US\$



Source: World Bank, World Development Indicators (WDI).

Note: BFA = Burkina Faso; GDP = gross domestic product; WAEMU = West African Economic and Monetary Union

Figure 2
Agriculture continues to dominate employment but exhibits very low productivity



Source: World Bank, JobStructures Tool outputs.
Note: The services category includes commerce, transport, and communications.

population, roughly 174,000 net jobs per year (Figure 2). This is underlined by a significantly higher employment elasticity of growth for the period compared with that of a set of low-income countries. Thus, Burkina Faso has increased jobs along with increases in GDP. Unemployment in Burkina Faso is very low; only an estimated 0.6 percent of people were unemployed in 2014.¹ Similarly, Burkina Faso registers a high labor force participation rate of 89.8 percent. Yet, persistent levels of poverty suggest that the quality of jobs is a more pressing issue than the number of jobs that are created.

In fact, most new jobs have been created either in agriculture, which suffers from low productivity, or in nonagricultural low-productivity activities, mostly in the informal service sector. Growth has been fueled by spikes in commodity prices, the rapidly expanding mining sector, and the development of sectors such as communication, transport, and banking. Employment in services has grown at the fastest pace among all sectors and registered a 7.0 percent annual growth rate between 1998 and 2014 (Figure 2). Employment in industry also grew rapidly, at 6.2 percent annually, but overall employment in the sector remains relatively small. However, even with only modest growth in employment, at 2.3 percent annually, agriculture still accounts for the bulk of jobs—it employs approximately 80 percent of the workforce—and remains the default provider of “jobs” (Figure 2). In other words, agriculture continues to absorb the expanding workforce, not through productive formal jobs but through low-productivity, informal employment. The structural transformation has therefore been slow, with limited movement of labor from rural areas and agriculture.

Within-sector productivity growth remains limited but is key to better jobs

The registered growth in labor productivity that contributed to GDP per capita increases between 1998 and 2014 largely resulted from workers who changed sectors and took up more productive jobs, rather than from within-sector productivity improvements. GDP per capita expanded by a modest 2.6 percent annually between 1998 and 2014, with the economic gains from the rapid growth somewhat diminished by fast population growth. The change in labor productivity made the largest contribution to this

¹ This number is calculated from the Enquête Multisectorielle Continue [EMC] 2014 data set. Official International Labor Organization [ILO] estimates put the number at 3.1 percent. Although these rates are calculated using the same underlying concepts, differences between the ILO and the survey data occur. These differences are likely related to the fact that ILO’s rate is an estimate that uses regression techniques whereas the indicators provided herein are based on the survey data. Additionally, seasonal bias can influence results and explain some differences. It is worth noting that, on the basis of the ILO estimate, Burkina Faso’s national statistics office reports an unemployment rate of 6.6 percent.

growth; the second largest contributor was the shifting demographic structure in the form of an expanding workforce. However, the change in labor productivity came almost entirely from intersectoral reallocation—that is, the movement of workers across sectors, from less to more productive jobs (Figure 3).

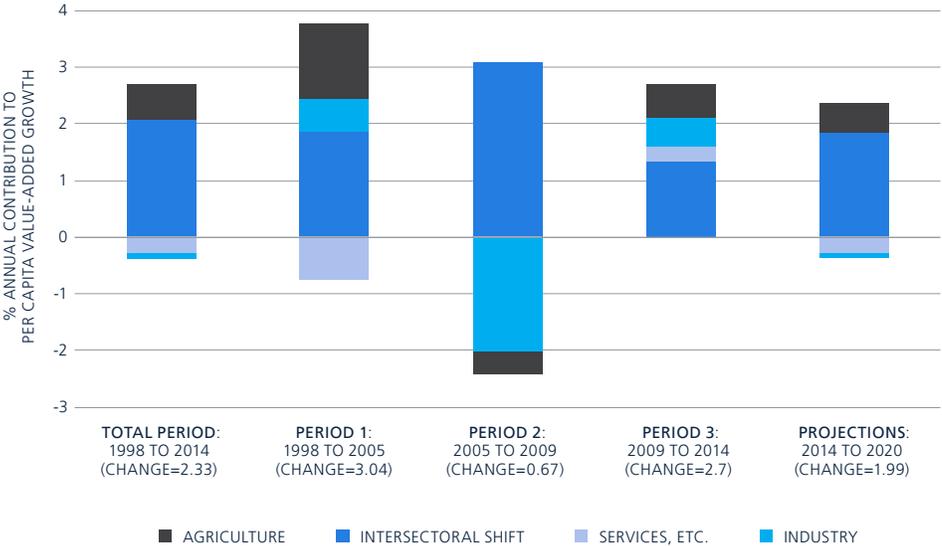
Within-sector productivity outside agriculture was negative during 1998–2014, a decline that reflects the mismatch between an increasing number of workers and a lack of investment. Between 1998 and 2014, agricultural productivity grew by an average of 1.7 percent per year, while average productivity declined in industry (–0.1) and services (–0.8) as a result of the inflow of new workers in the sectors and limited investment. With agricultural productivity low by regional standards, these trends suggest that while some workers improve their earnings potential by moving from low-productivity agricultural work to urban service sector jobs, the quality of those new jobs is not much better and is not improving. To rely solely on the ability of workers to obtain better jobs with a shift among sectors without the development of growth in within-sector productivity is unlikely to sustain a meaningful structural transformation with the expected improvement in the quality of jobs.

Ahead: Growth in within-sector productivity and tradables will be key for better jobs

With four out of five workers engaged in farming, productivity growth in agriculture will be key to improved jobs outcomes overall. Existing research shows that productivity gains in agriculture through technological progress benefit more households than investments in, for example, extractive industries. In short, benefits in technological progress in tradable agriculture are so widely spread to poor consumers that they have highly multiplied effects on jobs in both agriculture and nonagriculture through consumption-growth links. This benefit holds also for Burkina Faso, where agriculture is expected to remain the dominant provider of employment at least over the medium term. Improvements in productivity in agriculture would also boost the release of labor from smallholder farms and stimulate reallocation to more productive sectors.

Beyond agriculture, growth in other tradable sectors will result in more sustainable job creation. Production and sale of tradable goods generates incomes that sustain domestic demand in any economy, for related goods and services and overall consumption. For example, mining requires a variety of locally supplied services: extraction, shipping for either export or processing, and transporting and marketing to urban centers. An expansion of tradables can therefore directly affect growth in nontradables and sustain domestic earnings and consumption. This can in turn lead to increased job creation in higher productivity sectors such as services.

Figure 3
Workers who have moved into more productive sectors have contributed most to productivity growth during 1998–2014



Source: World Bank, JobStructures Tool outputs.

WORKERS AND JOBS: IMPROVE HUMAN CAPITAL FOR BETTER LABOR MARKET OUTCOMES

The demographic projections for Burkina Faso foresee a fast-growing population and an expanding workforce characterized by a youth bulge similar to that of other West African nations. The population of Burkina Faso is expected to grow from around 18 million in 2015 to 43 million by 2050. Between now and 2020, an estimated 300,000 jobs will need to be created each year to accommodate the expanding workforce. By 2050, the share of working-age population in the total population will increase from 52 percent to 61 percent. To have the bulk of the labor force tilted toward youth represents both an opportunity and a challenge: a successful response to an increasingly youthful workforce will have to feature more productive and inclusive jobs.

Although labor force participation is high in Burkina Faso, the country faces persistently high absolute numbers of the poor. The poverty rate declined from 52.7 percent in 2003 to 40.1 percent in 2014, but the absolute number of poor in Burkina Faso increased slightly. There is a significant disparity between rural and urban areas, with a poverty incidence of 48 percent in rural areas compared with 14 percent in urban areas. Employment-to-population ratios in Burkina Faso for ages 15 and over for both men and women are among the highest in Africa. They are particularly high in rural Burkina Faso (Table 1). This reflects the obligation, much more present in rural areas, to earn income and generate livelihoods independent of job quality.

Table 1
Key Labor Market Indicators

Category	Labor force participation (%)	Labor force participation female (%)	Labor force participation urban (%)	Employment as a share of the working-age population (%)	Unemployment rate (%)	Unemployment rate youth (15–24) (%)
All (15–64)	89.8	86.7	72.9	89.3	0.6	0.7
Age group						
15–24, all	84.8	81.3	56.1	84.2	0.7	0.7
15–24, not in school	91.1	86.5	70.8	90.5	0.6	0.6
25–64	92.6	89.6	83.2	92.1	0.6	n. a.
Gender						
Male	93.6	n. a.	80.0	92.9	0.7	0.8
Female	86.7	86.7	66.2	86.2	0.5	0.6

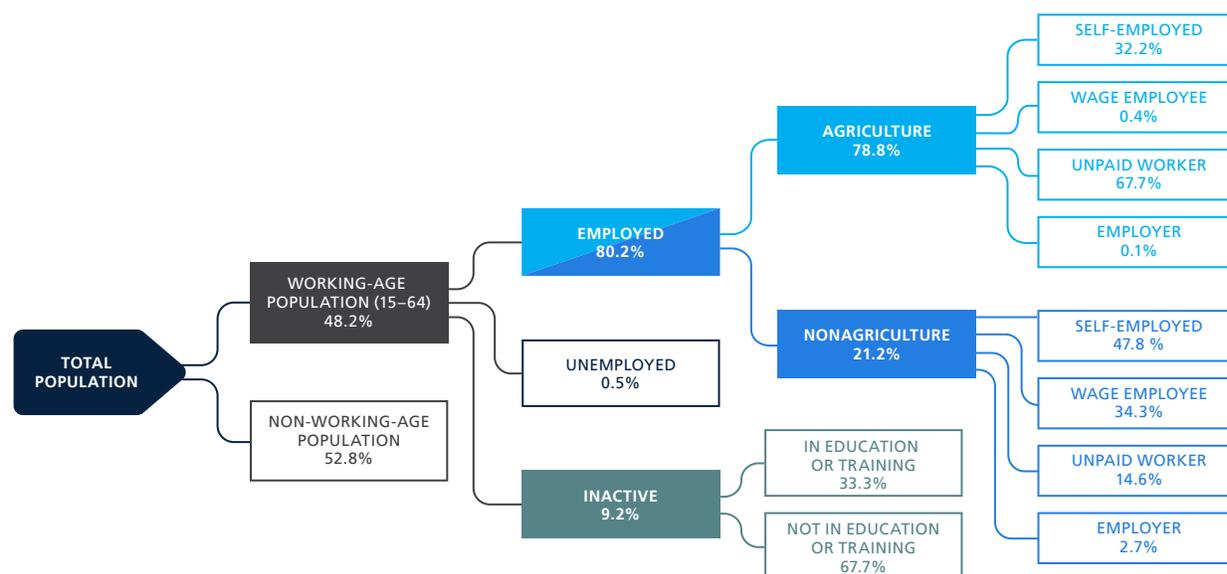
Source: World Bank calculations based on Enquête Multisectorielle Continue (EMC) 2014 data set third wave.
Note: n. a. = not applicable.

Most jobs are still in agriculture, and structural transformation is slow

Agriculture still accounts for almost 80 percent of employment but mainly consists of subsistence farming plagued by low productivity. In a regional comparison, agriculture in Burkina Faso continues to lag in value added per worker and has also registered significantly lower rates of growth over the recent period. Outside of agriculture, opportunities for employment are few and are usually found in low-paying informal jobs. This helps explain why agriculture remains dominated by unpaid (family) work; in fact, two-thirds of workers in agriculture are not paid (Figure 4).

Accompanied by urbanization, jobs have started to gradually move from agriculture to services, while the share of jobs in industry remains low. Urbanization has taken place only very slowly; 77 percent of

Figure 4
Job types in Burkina Faso: Jobs outside agriculture are of better quality



Source: World Bank calculations based on Enquête Multisectorielle Continue (EMC) 2014 data set third wave.
Note: Data are missing on 10.2 percent of the working-age population.

the population still lives in rural areas. However, some changes have occurred: over the past years, jobs have been incrementally created in urban areas, mostly in commerce and services. These shifts have been limited and restricted mainly to the two largest cities in Burkina Faso, the capital Ouagadougou and the second-largest city, Bobo-Dioulasso. The share of employment in the services sector has increased from 5.7 percent in 1998 to 16.2 percent in 2014. Industry remains a small segment and represents just about 5 percent of employment. Public sector jobs pay well but are very rare and mostly urban.

The shares of informal and unpaid jobs are high

Informal and nonwage employment remains widespread, with formal and wage employment mostly concentrated in urban areas. Most formal jobs are found in urban areas, where they represent 20 percent of all employment compared with only 1 percent in rural areas. Informality is dominant across all sectors; even in the public sector, 17 percent of wage workers have no contract. The share of wage workers, either public or private, has been stable between 1998 and 2009 and accounted for around 5 percent of overall jobs. Overall, 45 percent of all wage employment in 2009 was formal jobs.

Unpaid jobs are common, especially among women and youth. Overall, unpaid work has decreased from 69 percent in 1998 to 59 percent in 2003 but has stayed on a similar level since. The share of unpaid employment increases to almost 90 percent among young men in rural areas and 86 percent for young girls. Most unpaid jobs are found in agriculture, but there are persistently high levels of unpaid work in industry and services as well. Although the share of unpaid jobs is lower in urban areas, unpaid work still accounts for more than half of the jobs held by youth. Women and youth are particularly disadvantaged and often work in unpaid informal jobs.

Unemployment largely remains confined to urban areas and is very low, but underemployment is more common and subject to seasonality. Unemployment is associated with higher levels of education, and there are indications that unemployed individuals in urban areas wait for better paying jobs as higher household incomes permit them to do so. Underemployment is common and is particularly pronounced for women and

youth (Figure 5), as well as in rural areas and the agricultural sector.² The workload in the agricultural sector is characterized by high fluctuations that depend on the agricultural seasons. In a regional comparison, workers in Burkina Faso seem to report more working hours than their regional counterparts. This—along with the high incidence of secondary jobs—likely reflects the more pressing need to work and sustain a livelihood.

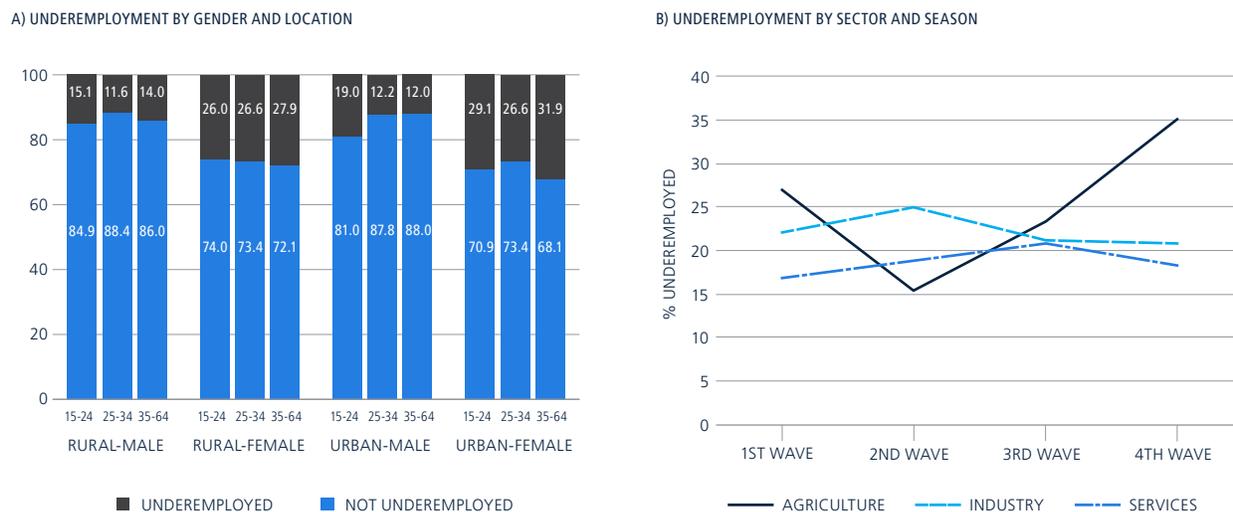
Low education levels remain a major constraint to better jobs, and gender inequality is high

Education is an important driver for higher quality employment among Burkinabe. There is a high correlation between education and the probability of work in wage employment or nonagricultural employment. Higher education levels also seem to have a significant effect on selection into formal employment, specific sectors, and occupations, which in turn are highly associated with individuals’ consumption levels. Earnings are positively associated with higher levels of education as well. In fact, completion of primary education already increases earnings significantly, as does completion of secondary and postsecondary education.

Low levels of education remain a major obstacle to better labor market outcomes and structural transformation. Low educational attainment remains the preeminent challenge for Burkina Faso. In 2014, approximately 4 percent of the population of Burkina Faso had completed primary education or further levels of education. Despite successful efforts by the government to increase primary school enrolment, more than a third of school-age children still have no access to schooling. Burkinabe youth have higher shares of education compared with adults, but they still register exceedingly high dropout rates at the primary level. School attendance is lower in rural areas, in particular for female youth.

Limited school enrollment and educational outcomes are most often caused by family disapproval, lack of financial resources, and the need to work; among girls, marriage and childbearing are also important factors. In general, large shares of early dropouts, or failures to enroll, are most often the consequence of poverty and the need to work. Low education achievement is determined by late enrollment ages (around 50 percent at age seven, around 65 percent at age nine), early dropouts (around the age of 14 or 15), and strong

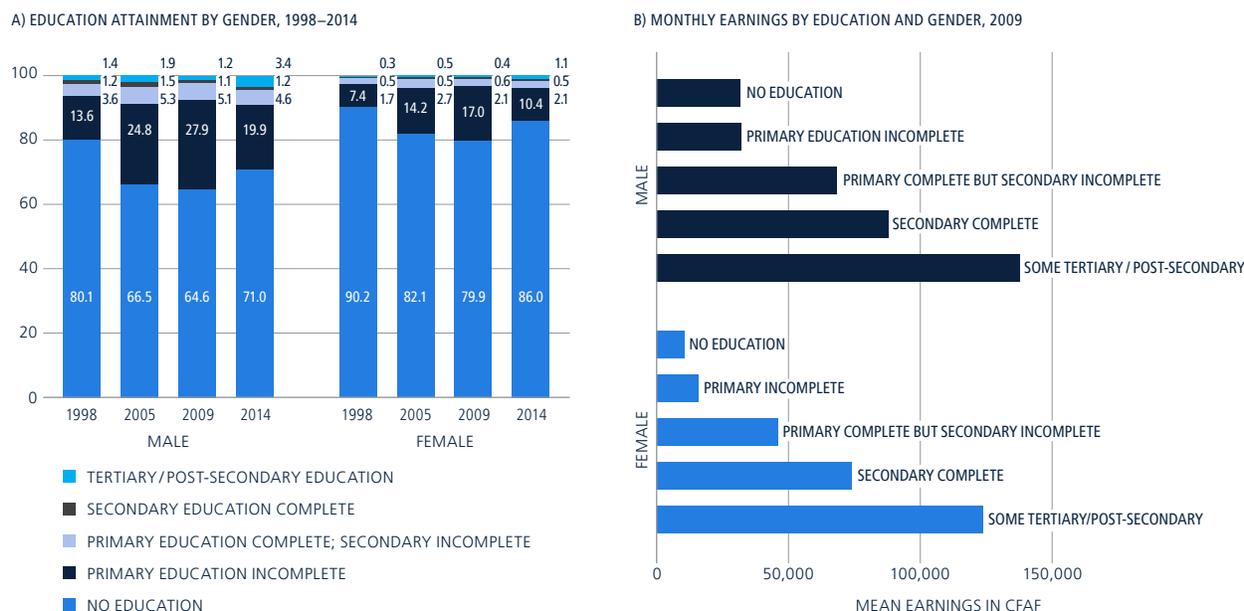
Figure 5
Underemployment: Women and youth report it more often, and it varies by sector and season



Source: World Bank calculations based on Enquête Multisectorielle Continue (EMC) 2014.
Note: Underemployment = works < 35 hours per week; the data measure workers ages 15–64; Wave 1 was conducted from January to March, Wave 2 from April to June, Wave 3 from July to September, and Wave 4 from October to December.

² The section “Agriculture and Jobs: Foster Productive Employment in the Food System” uses retrospective questions to also highlight the lower working hours per year in the agricultural sector.

Figure 6
Gender differences appear in educational attainment and earnings



Source: World Bank calculations based on household surveys: Enquête Prioritaires (EP) 1998, Enquête Annuelle (EA) 2005, Enquête intégrale sur les conditions de vie des ménages (EICVM) 2009, Enquête Multisectorielle Continue (EMC) 2014.

Note: In the calculation of average monthly earnings unpaid worker are excluded.

gender differences starting at age 17. Marriage and childbirth at a relatively young age seem to be correlated with early dropout rates, especially for female youth. Thus, postsecondary education features the highest gender differences, and men account for most enrollment.

A noticeable gender gap exists in jobs outcomes: women hold jobs of poorer quality, report lower earnings, and are often locked out of more dynamic sectors. Women constitute more than half of all farmers but are overwhelmingly involved in subsistence farming. A trend observed throughout West Africa, also valid in Burkina Faso, is that women rarely leave the agricultural sector; it is predominantly men who diversify out of agriculture. Among other impediments to more productive employment faced by women, the most notable is lower educational attainment, accompanied by limited ownership and land-use rights and lack of training in skills, all of which translate to lower earnings (Figure 6). A key challenge is the inclusion of women in the nonagricultural workforce, particularly in more dynamic sectors that offer better-quality jobs. The precarious position of women is confirmed by the United Nations Gender Inequality Index, which ranks Burkina Faso among countries with the highest inequality. The persistent gender gap may slow down Burkina’s productive employment growth.

FIRMS AND JOBS: ENABLE PRODUCTIVE JOB CREATION OUTSIDE AGRICULTURE

Job creation through private sector development is key for economic development in Burkina Faso, which is dominated by informal enterprises. These informal enterprises currently generate most of the employment outside of agriculture and are largely in commerce. Nearly two-thirds of informal nonagricultural enterprises can be found in rural areas. Within the private sector, 88 percent of nonagricultural enterprises were informal in 2008 and accounted for around 60 percent of all employment, but they generated only 11 percent of sales. Most of them are engaged in commerce (58 percent), followed by other services (21 percent) and manufacturing (20 percent).

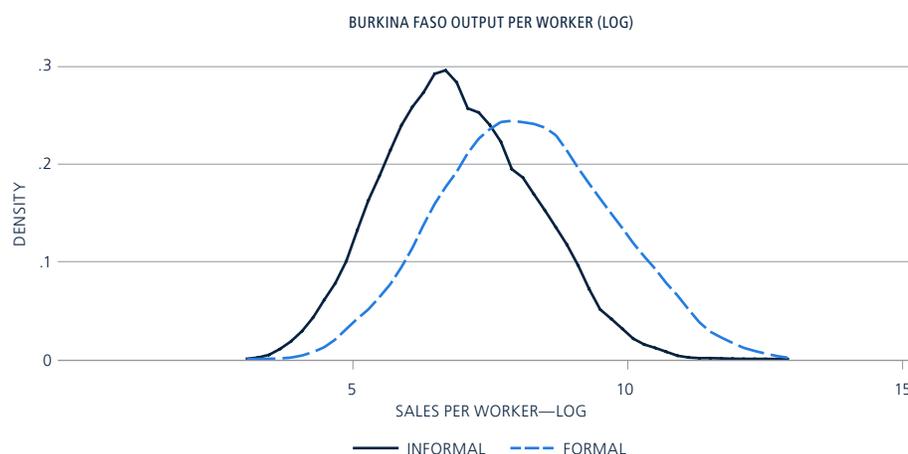
Informal enterprises register low productivity that increases with age rather than size. The productivity of informal enterprises is lower than that of formal enterprises, with the average ratio of 1:4 in favor of formal enterprises (Figure 7). This ratio grows to 1:20 in the most extreme case (construction), a matter that shows that informal enterprises are, in all sectors, less productive. There is no simple reason informal enterprises are less productive, but many partial explanations exist: reduced economies of scale, use of outdated technologies, lack of access to capital, little judicial protection, less professional management, and barriers to formal entry. Also, no evidence indicates that productivity in Burkina Faso increases with size—quite the opposite: productivity drops in informal enterprises with more than one employee.

Informal enterprises are predominantly small and seldom expand. More than 90 percent of informal enterprises employ five people or fewer and are almost evenly split between those that employ just one and those that employ two to five workers. Even enterprises that have been in existence for more than 10 years are only marginally larger than younger ones are. The reasons for remaining small are manifold and interconnected. In some cases, these enterprises are simply not productive enough to afford formality, thus transformation is not an option. In other cases, these enterprises could make the transformation, but the costs of formalizing operations are perceived to be larger than the benefits. Finally, some firms may simply see no benefits in formalization.

Formal firms hold a higher share of value added, are more productive, and offer better jobs

Formal firms operate in sectors that generate higher value added. The legal mining and quarrying sector is wholly operated by formal firms, as is the business and financial services sector—two of the sectors with highest value added in Burkina Faso. Even within the manufacturing sector, there is a clear divide between the value added of subsectors that feature formal firms and those with informal enterprises. For example, 57 percent of informal manufacturing enterprises are involved in the production of wearing apparel, while 31 percent of formal firms in the manufacturing sector produce fabricated metal products and 18 percent manufacture transport equipment. The latter two subsectors have much higher value added than does the production of wearing apparel.

Figure 7
The formal sector overall exhibits a higher level of productivity



Source: World Bank analysis of data from the 2008 Enterprise Census.

Formal firms are larger and appear to benefit from economies of scale. Formal firms on average employ nine workers. In contrast to the informal sector, large firms with 100 or more employees play a prominent role: they account for one-third of all jobs in the formal sector. While these large formal firms represent only 12 percent of nonagriculture firms, they account for almost 90 percent of all sales. Formal firms are also more productive than informal firms across all sector, region, size, and age classifications. However, there is a substantial variation in productivity levels of formal firms between sectors. For example, manufacturing firms are on average twice as large as service sector firms, but they are unable to generate larger sales.

Formal firms provide better jobs. Not only are jobs in the formal sector more productive, the jobs are also better paid. Even when accounting for industry, region, and productivity levels, formal firms pay, on average, between 30 and 60 percent more than informal enterprises.

Foreign-owned and exporting firms are best performers, but their share is small

Burkina Faso's exports contribute significantly to the GDP but are highly-concentrated—in gold and cotton—and involve little labor. Exports made up 25.2 percent of GDP, while imports equaled 40.2 percent in 2015. Gold and cotton dominate exports, together accounting for 70 percent of total exports (Table 2). Despite their significant contribution to GDP and exports, the jobs effect of the extractive industry and cotton remains low—only around 5 percent of the nation's workers are employed in these two industries. The remaining share of exports is mainly made up of agricultural crops and raw materials with low labor intensity. The share of more labor-intensive manufacturing exports declined from 12 percent in 2000 to 3.9 percent in 2014, but the composition of these exports has shifted toward more skill-intensive items, and medium-skill and technology-intensive goods accounted for 50 percent of manufacturing exports in 2014.

Table 2
Burkina Faso's five top export and import items (HS 6-digit level, 2015)

Exports	Value (US\$ thousands)	Imports	Value (US\$ thousands)
Gold in other semi-manufactured forms, nonmonetary	1,298,067.58	Petroleum oils and oils (excl. crude)	716,481.39
Cotton, not carded or combed	285,427.18	Other medicaments of mixed or unmixed products	131,596.16
Sesamum seeds	169,857.06	Cement clinkers	85,354.83
Cashew nuts, fresh or dried	86,044.58	Mineral or chemical fertilizers with nitrogen	51,001.43
Zinc not alloyed unwrought	55,332.03	Broken rice	50,288.16
All exports	2,177,496.62	All imports	2,979,784.87

Source: World Bank, WITS database.

Foreign-owned and exporting firms in Burkina Faso are significantly more productive. Just 5 percent of firms are foreign owned and only 4 percent are exporting (with little overlap between these two categories). At the same time, foreign-owned firms and exporting firms together employ about 14 percent of workers and account for 22 percent of sales. Those firms that both export and are foreign owned account for just 0.5 percent of all firms yet generate 6 percent of all sales. The observed higher productivity is consistent with existing research and expectations: empirical evidence from developing countries shows that foreign-owned firms are more productive than their domestic competitors, while the most productive firms self-select into exporting.

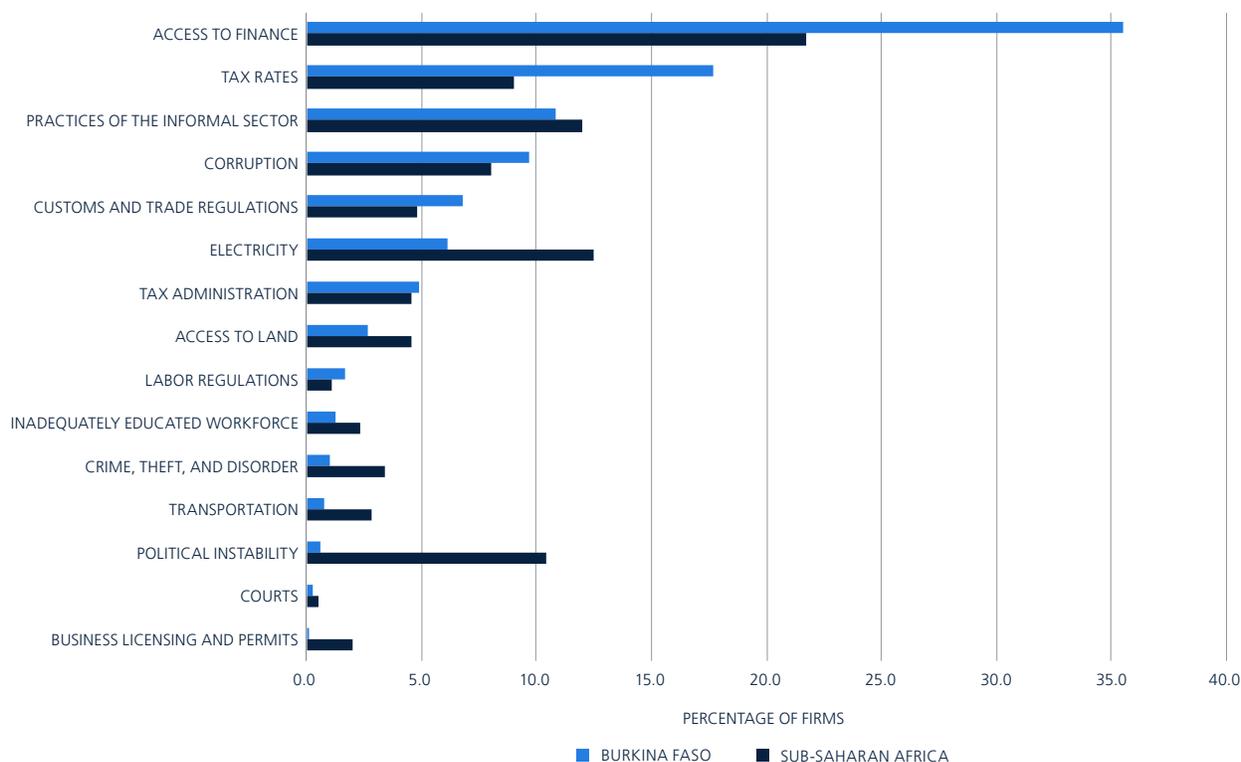
Limited access to credit, skilled labor, and electricity are major constraints faced by firms

Access to credit is named as the top constraint by Burkinabe firms. More than one-third of surveyed businesses listed access to credit as the most important hindrance, while 75 percent listed it as a major constraint, much larger proportions than in comparable countries of Sub-Saharan Africa (Figure 8). Financial inclusion is limited; only 14 percent of the population had a bank account in 2014. Access to credit is also limited and uneven—according to estimates, lending to firms with fewer than 100 employees amounted to just 10 percent of all bank lending. Thus, smaller firms face severe constraints in obtaining funds, especially informal firms in rural areas and agriculture enterprises.

Private sector employment in Burkina Faso is held back by a skills deficit and mismatch. Over one-third of employers report the lack of educated workforce as a business constraint. A similar skills gap applies to enterprise owners and managers. For example, 80 percent of owners of informal firms have never attended school. Limited skills seem to also hold back female entrepreneurship and, more generally, the skills deficit seems to limit the pool of female workers outside agriculture.

Firms are also constrained by underdeveloped and expensive electrical infrastructure. Burkina Faso compares unfavorably to other low-income countries in terms of electrification and cost of electricity. In fact, firms in Burkina pay some of the highest connectivity fees and electricity prices in the region. While progress has been made in recent years, demographic trends and consumption projections raise questions about the sustainability of existing electricity infrastructure. Limited access to electricity, highlighted as a major constraint to doing business by a little more than 54 percent of Burkinabe firms, and its cost are of particular concern to firms.

Figure 8
Formal enterprises in Burkina Faso report access to finance as the biggest obstacle they face



Source: 2009 Enterprise Survey.

AGRICULTURE AND JOBS: FOSTER PRODUCTIVE EMPLOYMENT IN THE FOOD SYSTEM

Agriculture continues to play a dominant role in the economy of Burkina Faso, in terms of both output and employment. Burkina Faso’s economy remains predominantly agriculture based. Over the past decades, farming has consistently accounted for between 30 and 40 percent of its GDP. More than 80 percent of its population is involved in farming, to various degrees, whereas 70 percent of the country’s labor force reports that agriculture constitutes its main occupation.

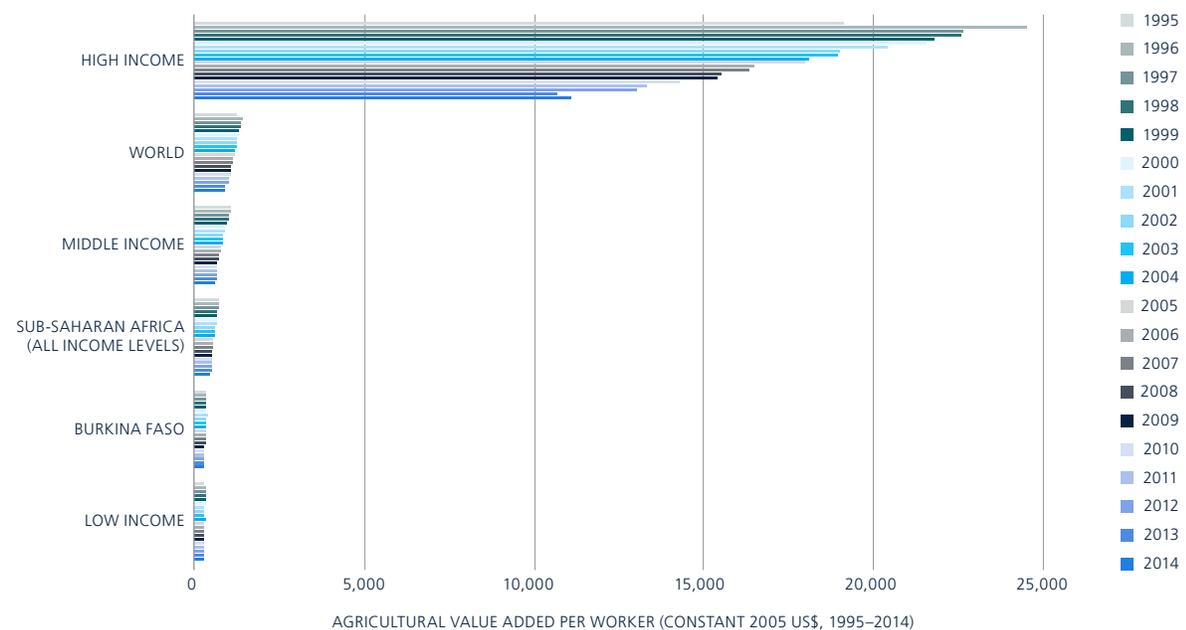
The young and the elderly are more reliant on farming than the middle-aged groups. Agriculture is reported as the main employment by 73 percent of people ages 15–24 and 76 percent of those ages 65 and above. The shares for the rest of the working-age population range from 64 to 68 percent. Because the middle-aged groups are more mobile, they are more likely to find alternative income opportunities, including salaried jobs.

Agriculture suffers from low productivity and is increasingly affected by external shocks

Burkina Faso’s agricultural sector exhibits a rather narrow production base and various exogenous shocks have exposed its vulnerability. Cotton, sorghum, millet, groundnuts, and cattle meat have accounted for more than 50 percent of the total sector output over the past decades. In 2013 cotton alone represented 20 percent of the agriculture’s output and 60 percent of Burkina’s agri-food exports. However, cotton revenues have been increasingly affected by waning international prices, exchange rate fluctuations, and weather vagaries. More broadly, natural and human disasters—such as droughts, floods, and locust invasions but also the civil wars in Côte d’Ivoire and the 2015 attack in Mali—have exposed the dangers of limited diversification as food production and security have repeatedly been hampered.

Both labor and land productivity in farming are low. In the production of many key crops, Burkina’s agriculture lags top regional and global producers, recording three to five times lower yields in some cases (such as cotton, sorghum, millet, dry onion, and cattle meat). Burkina Faso also exhibits one of the lowest labor productivities in agriculture in the world with a gross value added per agricultural worker of only US\$323. While in line with data for low-income countries, Burkina’s productivity represents only half of Africa’s continental average and is 60 times below top performers among high-income countries (Figure 9).

Figure 9
Agriculture productivity in Burkina Faso is close to the average for low-income countries but lags the rest



Source: World Bank, World Development Indicators (WDI).

The gap between agricultural and nonagricultural labor productivity is significant. Although agricultural productivity nearly trebled between 1994 and 2014, it is still 7 times lower than in the services sector and 10 times lower than in industry (Figure 10). The intersectoral gap has narrowed somewhat over the past decades, but this can be traced mostly to an uneven trajectory of labor productivity off the farm. Such a large intersectoral gap in productivity is not unique to Burkina and is—in general—much wider in less-developed countries than in developed economies. While it persists, however, it should represent an incentive for labor to move out of agriculture and into more productive industries.

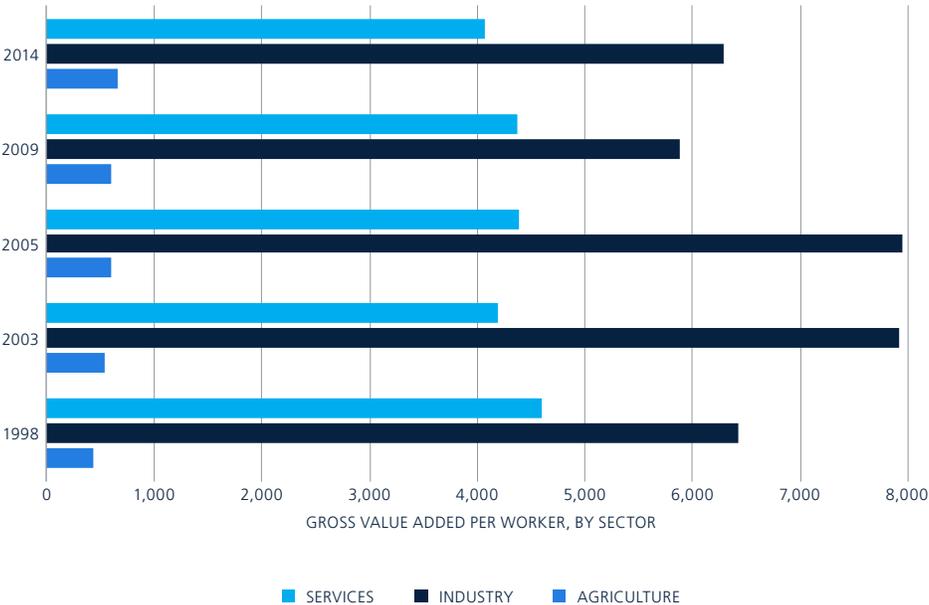
Subsistence farms are prevalent and they use labor differently than market-oriented farms do

Subsistence farming dominates the agricultural sector. Most of the agricultural production in Burkina Faso is informal and conducted at household level; its main purpose is subsistence. In fact, according to the 2014 household survey, 93 percent of all people employed in agriculture produce primarily to meet their own consumption needs.

Subsistence and commercial farmers differ substantially in how they employ and use labor. Market-oriented producers are more likely to hire from the working-age population groups (with a focus on the middle-age segment) and rely more heavily on seasonal labor. As a result, child or elderly labor is less prevalent on the holdings that are producing mainly for the market. Market-oriented producers are also more likely to use seasonal labor than subsistence farmers. This could reflect, on the one hand, the nature of their specialization—into cash crops, for example, that are more affected by seasonality than mixed production systems—and, on the other hand, a more efficient organization in that they hire additional labor only when they need it and can afford it.

There are no significant differences in how subsistence and commercial farmers are affected by, or respond to, exogenous shocks. Agricultural households in Burkina Faso report that three types of shocks most significantly affect their livelihoods: (a) drought (reported by 36 percent of respondents); (b) increase in food prices (16 percent); and (c) increase in input prices (11 percent). The negative effects of droughts are mainly manifested through reduced food production (96 percent of respondents affected), food stocks (89 percent), revenues (83 percent), and assets (72 percent). The main coping mechanisms were to sell livestock (25 percent

Figure 10
Agriculture productivity is significantly lower than the productivity in other sectors of the economy



Source: World Bank, World Development Indicators (WDI).

of respondents) and reduce consumption (14 percent). Only 10 percent of those affected were able to respond to the shock by getting an additional job. The low level of qualifications is one limiting factor that affects intersectoral mobility and the farmers' ability to diversify incomes on and off the farm.

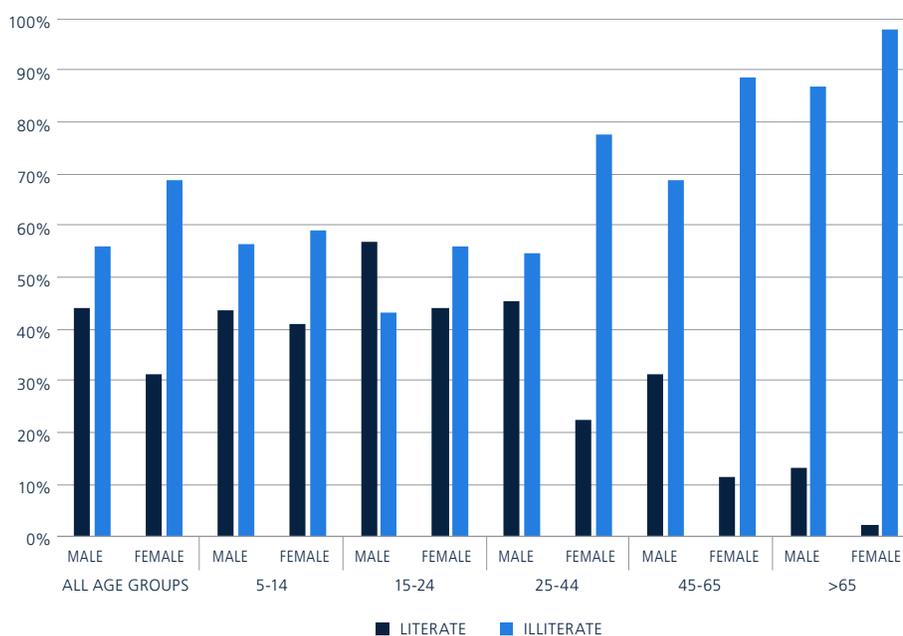
Workers in agriculture have little formal education, are frequently underemployed, and often hold a second job

Agricultural labor exhibits high levels of underemployment. Underemployment, approximated through low working hours, is significant among Burkinabe farmers and affects more strongly the term and seasonal employees who account for 93 percent of the entire agricultural population. On average, a person whose main occupation is farming works 1,108 hours per year, while a person involved in services works 1.9 times more, and one employed in manufacturing 1.6 times more. In turn, the hourly wage in services is 10 times higher than in agriculture, and in manufacturing it is 4 times higher. Seasonality is a contributing factor, but that alone cannot explain the gap: the difference in education and skills is likely a more important factor.

Low levels of education and skills among agriculture workers remain a challenge. Low education levels are prevalent among the Burkinabe in general but affect the rural population—which is predominantly involved in farming—much more. While 47 percent of the urban population lacks any formal education, 91 percent of the rural population lacks one. A substantial 63 percent of Burkinabe employed in agriculture are illiterate, but there are significant differences across age and gender groups, as illiteracy affects women and the elderly to a much greater extent (Figure 11). However, the younger generations now enjoy better access to education and are likely to turn the tide in the future.

Nearly half of people primarily engaged in agriculture have secondary jobs that secure a significant share of their income. Of the people primarily employed in agriculture, 48 percent have a secondary employment that provides about 37 percent of their income. (The share of workers among the general population with secondary employment is 36 percent.) This finding further emphasizes that considerable underemployment occurs in the agricultural sector and that there is significant scope for improvement through professionalization and specialization of farmers and agricultural workers.

Figure 11
Literacy level among Burkinabe in agriculture



Source: World Bank staff calculations based on EMC (2014) data.



2. TOWARD A FRAMEWORK TO IMPROVE JOBS OUTCOMES

The upcoming years present an opportunity for Burkina Faso to actively address the low productivity, quality, and inclusiveness of jobs. The declines in the poverty rate attest that recent economic growth was pro-poor, created new opportunities, and improved well-being. But challenges persist as poverty remains widespread and fast population growth demands constant job creation, while the quality of jobs receives less attention. The upcoming years—as is expressed through the ambitious targets included in the five-year National Strategy for Economic and Social Development 2016–20—represent the opportunity to focus on the structural transformation of the economy and the creation of more productive and inclusive jobs.

In light of an already high labor force participation rate, transitions to better jobs—both within and outside agriculture—with higher earning potential should become a new measure of success. Burkina Faso has traditionally featured high labor force participation rates and low unemployment. Yet these seemingly impressive scores mask the underlying reality: sizeable shares of working poor, high rates of unpaid work and underemployment, and the inability of the economy to provide better jobs. With one of the fastest rates of population growth in the region, Burkina Faso will need to target job creation and productivity improvements in parallel, as only better jobs—both within and outside agriculture—will ensure higher earnings that translate to improved livelihoods.

Preliminary suggestions to inform a comprehensive Jobs Strategy

A structured response to the existing jobs challenges should be formulated—this note provides an early attempt to help steer the conversation. To build pathways out of poverty through better jobs, Burkina Faso’s policymakers need to tackle key impediments to productive and inclusive job creation and overall growth. Building on the comprehensive Jobs Diagnostic results, this section outlines an initial framework for a possible future Jobs Strategy, developed around three complementary objectives:

- Create an enabling environment for formal job creation.
- Improve the productivity and earnings of informal jobs, such as smallholder farming.
- Connect vulnerable groups, such as women and youth, to better jobs.

These three objectives can be addressed through three broad sets, or pillars, of policy interventions:

- Pillar 1: Policy fundamentals, including macroeconomic and regulatory policies;
- Pillar 2: Labor supply and labor market policies, including skills formation by means of training and facilitation of transitions to productive employment through labor market services;
- Pillar 3: Sectoral and regional policies to increase labor demand by facilitating the growth of labor-intensive businesses.

Table 3 illustrates how the objectives and interventions interact. Note that at this stage all these suggestions are preliminary, but they are in alignment with the Country Partnership Framework and the Systematic Country Diagnostic for Burkina Faso. Only extensive consultations and additional work can ascertain whether the identified objectives and the chosen policy responses are those most appropriate to assist Burkina Faso in improving job outcomes. Similarly, an in-depth assessment of effects of individual policy measures has not been conducted yet. This could be subject to follow-up work on the Jobs Agenda in Burkina Faso.

Table 3
Preliminary discussion topics for a strategic framework for jobs

		OBJECTIVES		
		Job Creation Create an enabling environment for formal job creation	Job Quality Improve the productivity of informal jobs	Job Access Connect vulnerable groups to jobs
POLICIES	Pillar 1: Macroeconomic and regulatory policies	<ul style="list-style-type: none"> Strengthen fiscal policy to mitigate effects of gold or cotton price fluctuations on the investment climate and job creation. Keep jobs in mind as revenues from different types of taxes are mobilized. Decrease dependency on energy imports. Support diversification away from the exportation of a few commodities to specific markets. Create an environment that enables greater levels of processing before export. Review electricity regulation to strengthen supply and to ensure affordable prices. Improve the management of public investments. 		
		<ul style="list-style-type: none"> Address gender-related constraints in new and existing regulations 		
	Pillar 2: Labor supply and market policies	<ul style="list-style-type: none"> Increase the quality of education and expand access to it, especially for low-income households and for girls. Ensure the market-relevance and high quality of Technical and Vocational Education and Training (TVET) programs to address the needs of sectors with high jobs potential. 	<ul style="list-style-type: none"> Review labor regulations to encourage the growth of formal jobs. 	<ul style="list-style-type: none"> Train smallholder farmers, especially women and youth, to participate in value chains. Offer entrepreneurship development training, particularly for women and youth. Expand access and quality of social assistance and social insurance mechanisms to mitigate adverse effects of shocks and to increase resilience.
	Pillar 3: Sectoral and regional policies	<ul style="list-style-type: none"> Improve access to credit for micro, small and medium-sized enterprises. Define priority sectors with a high potential for job transformations within regions that have high poverty density. Strengthen agricultural policy to support increased productivity. Promote agri business value chains. Ensure infrastructure development, primarily of irrigation, electricity, and access roads. Develop secondary cities and plan provisions for industrial facilities there. 		

PILLAR 1: DEVELOP MACROECONOMIC AND REGULATORY POLICIES WITH JOBS IN MIND

The first pillar of a possible framework focuses on macroeconomic and regulatory policies. These are the fundamentals that governments need to establish to create a solid basis for jobs-intensive growth. In Burkina Faso, the analysis of the Jobs Diagnostic and other complementary studies point to five issues that stand out as possible priorities.

- (a) **Strengthen fiscal policy to mitigate the effects of gold or cotton price fluctuations on the investment climate and job creation.** Burkina Faso already has a strong fiscal policy that is subject to the WAEMU criteria of the monetary union. Yet, creating policies that would help to ameliorate price fluctuations and strengthen the macro-fiscal resilience can still be improved. A countercyclical fiscal policy, for example, can be adopted that builds up fiscal buffers during the phase of high prices. More stable macroeconomic fundamentals would strengthen investors' confidence and stimulate job-creating investments, especially in industries that rely on tradeable inputs (for example, imports of fuel). Such policies could, for example, include tax credits to encourage job creation in the gold or cotton sector depending on the economic situation, with the credits repaid during periods of growth. Those measures could be complementary to already existing ones like the stabilization fund (Fonds de Lissage) that protects the income farmers receive for selling cotton (see IMF 2014).
- (b) **Keep jobs in mind as revenues from different types of taxes are mobilized.** While all tax revenues increase the government's budget, some taxes have higher potential to improve jobs than do others. Taxes, such as personal income taxes and payroll taxes, tend to increase the price of labor and will discourage job creation and formalization. Other taxes, such as corporate income taxes, can make capital more expensive and discourage the capital investment needed to create jobs and increase productivity. Burkina Faso is suffering from both high employer and high employee costs in comparison with other countries in the region and member countries of the Organisation for Economic Co-operation and Development. These high costs likely discourage the creation of formal jobs (World Bank 2017). To keep the government's income and spending in balance, an alternative would be to strengthen the application of other tax instruments that do not have such a direct impact on labor and capital factors and to slowly ease the fiscal burden on employees and employers. The new mining code that was passed in 2015 and established tax and royalty schemes comparable to other resource extracting countries could be an example. Other taxes with reform potential are property taxes, value added taxes, and environmental taxes.
- (c) **Decrease dependency on energy imports.** Conversely, a step-by-step introduction of fiscal disincentives could be considered to decrease Burkina Faso's dependency on energy imports. Without known reserves of hydrocarbons, Burkina Faso is highly dependent on a stable provision of imported energy resources. Efforts to decrease dependency through diversification can provide a way forward. The example of lamgold's Essakane mine provides a model for how firms themselves can contribute with investments in alternative energy sources, including renewables such as solar power (Dougherty 2017). Possible policies could set tax incentives to support mini-grids or solar home systems in areas where grid connections systems are very expensive and would take too long build. The World Bank also continues to support several measures to increase energy provision, including off-grid systems (World Bank 2018).
- (d) **Support diversification away from the exportation of a few primary commodities to specific markets.** Specific fiscal incentives to exporting firms to diversify both their products and destination markets could help Burkina Faso's macroeconomic resilience against price fluctuations. Diversification could help Burkina Faso's highly concentrated export structure in terms of products (gold and cotton) and in terms of its relative focus on specific markets and a limited number of countries. A higher export diversification could reduce the dependency of exporting firms on international market prices and hence provide better job security.
- (e) **Create an environment that enables greater levels of processing before export.** Burkina Faso could create a supporting environment for manufacturing to thrive, through education, training, infrastructure,

and good governance. The quality of jobs normally provided by manufacturing is higher than the quality of jobs in primary sectors, because greater added value allows for higher incomes. Yet, very few items produced in Burkina Faso receive a substantive added-value transformation before being exported. For example, at present, gold is exported after it is refined to 18 carats, and all further refinement takes place outside Burkina Faso. This example reveals that there are opportunities to maintain a larger part of the value-added chain within the country and create employment opportunities. Ideally, this could be combined with a more diverse commodity portfolio in Burkina Faso.

- (f) **Review electricity regulation to strengthen supply and availability and to ensure affordable prices.** Currently, Burkina Faso has an electrification rate of 19 percent, which is one of the lowest in the region (World Bank 2018). In addition to efforts to expand and improve the electrical infrastructure and the diversification of energy imports, Burkina Faso should devise regulations to reduce prohibitive costs as well as the extensive wait times and bureaucracy for electrification of businesses and households. Improved energy access for urban and rural, formal and informal enterprises in conjunction with other infrastructural measures that increase market access should result in an expansion of productivity and income.
- (g) **Improve the management of public investments.** The budget of the Burkina Faso government is strongly dependent on aid inflows and revenues from mineral resources. Better management of the budget could help build a more resilient economy with higher growth and, eventually, more jobs. The potential for improvement could be found in the comparatively high share of specific budget expenditures. For example, the wage interest payment bill has amounted to almost 60 percent of the total expenditures reducing the fiscal space for the government (World Bank 2017).
- (h) **Address gender-related constraints in new and existing regulations.** Gender-related inequalities and constraints are apparent throughout the analytical results for Burkina Faso. These include (1) lower access to (secondary) education, (2) high fertility already in young years that could potentially prevent the country from reaping a demographic dividend, (3) low coverage of maternal health services for women, particularly in rural areas, and (4) lower land collateral for women, which downgrades their access to credit (World Bank 2018). To remedy the constraints, policies need to be devised to address gender issues across all key policies areas, including those that support higher productivity and inclusive jobs. Addressing gender inequalities can facilitate a better integration of women in Burkina Faso's labor market and provide them access to higher paid jobs.

PILLAR 2: STRENGTHEN LABOR POLICIES FOR TRANSITIONS TO BETTER JOBS

The second pillar of a possible strategic framework for jobs for Burkina Faso could focus on policies to improve the quality of the labor supply and achieve better market transitions. Relevant policies would (a) address skills mismatches and facilitate transitions to better jobs through active labor market programs, including technical and vocational education and training (TVET) programs and on-the-job training; (b) facilitate transitions to productive employment through labor market services, including entrepreneurship support; and (c) mitigate poverty and increase resilience to climate and income shocks through targeted social assistance and broad access to insurance mechanisms.

- (a) **Increase the quality of education and expand access to it, especially for low-income households and for girls.** More and better targeted investments are needed to increase the coverage and quality of education, especially in poor rural areas and for girls (World Bank 2018). This effort may require delivery mechanisms that reinforce the accountability of providers for service quality but also address important reasons for school dropouts. An example for the latter could be safety concerns for young women. To ensure that students learn what they are supposed to, another dimension of education quality requires that there is a match between what is taught and what the economy needs workers to know. This responsibility is especially important in postsecondary education, in which vocational skills are taught. University programs

also need to shift toward the production of professionals who can meet the needs of private firms rather than of the requirements of the public sector.

- (b) **Ensure the market-relevance and high quality of Technical and Vocational Education and Training (TVET) programs to address the needs of sectors with high jobs potential.** Burkina Faso's TVET programs need to be geared more to the market's needs. The programs should support upskilling and skills training for economic diversification into agribusiness and sectors outside agriculture. They would need to also cover basic skills including literacy training. TVET programs could support Burkina Faso to engage in off- and non-farm work in both rural and urban areas. Given the prevalence of informal work in Burkina Faso, TVET should not focus only on training workers to take up formal wage jobs. An improved apprenticeship system can be an important component to better prepare specifically youth to the demands of the labor market. Efforts to tackle the mismatch between education supply and demand have also been identified by the Education Sector Plan that was developed by the government of Burkina Faso.
- (c) **Train smallholder farmers, especially women and youth, to participate in value chains.** Training smallholders in modern production techniques will be a critical part of this transformation. Such training policies can be part of an active labor market program. Delivery mechanisms for this training should ensure the market relevance of the skills being taught by linking payments for service providers to job placements. The establishment of official extension services could help to institutionalize the training component and could particularly target farmers with little education or female farmers.
- (d) **Offer entrepreneurship development training, particularly for women and youth.** For those workers who aspire to develop their own businesses, many of them young and many of them women, it is also important to offer entrepreneurship training. This training could be provided as a labor market service.
- (e) **Expand access and quality of social assistance and social insurance mechanisms to mitigate adverse effects of shocks and to increase resilience.** Ongoing projects to provide social assistance or contributory insurance services against a variety of risks on the community and village or the regional level need to be scaled up and targeted particularly to subsistence and semi-subsistence farmers. An example would be a weather insurance scheme to protect farmers' income against climate shocks. Apart from the direct effect of increased resilience, improvements in the coverage and targeting of social safety nets may also lead to positive indirect effects on employment. Social assistance programs can be designed to help recipients and their families to productive employment opportunities and eventually graduate out of the social assistance program. For example, a social assistance payment is likely to increase consumption and ensure sufficient levels of nutrition. This in turn supports activities with a delayed payoff such as school attendance for young people or business investments to increase productivity. Additionally, the transfers can indirectly lead to the creation of new jobs, especially in rural areas.
- (f) **Review labor regulations to encourage the growth of formal jobs.** Burkina Faso does not feature a striking imbalance in its labor regulations as per the Labor Law of 2008. Although, labor regulations currently affect only a small number of workers, employers do cite them as a business constraint. To facilitate future growth of the formal sector and to address these concerns, the labor regulations could be reviewed in terms of their effects on the creation of formal jobs.

PILLAR 3. INCREASE LABOR DEMAND THROUGH SECTORAL AND REGIONAL POLICIES

To achieve faster structural transformations for better jobs outcomes, Burkina Faso will need to go beyond attempts to improve economic policy fundamentals and strengthen labor market, education, and training institutions. Officials need to work directly on the “demand side” to remove constraints to job creation. Such an effort calls for investment programs to release the productive potential of different sectors and regions of Burkina Faso through correction of the market failures that discourage firms from creating jobs and that prevent competition in areas like electricity generation. The following paragraphs suggest some initial ideas for discussion.

- (a) **Improve access to credit for micro, small, and medium-sized enterprises.** The formal sector continues to identify access to finance as the biggest obstacle to business expansion, while informal firms remain almost entirely unbanked and with only informal sources of expensive financing. Small and medium-sized enterprises are often excluded from access to finance preventing the use of economies of scale and improving productivity. Particularly the agricultural sector has problems in accessing credit and this has been reported as one of the top three constraints to higher productivity (World Bank 2017). To make financing accessible and affordable will not only support the growth of existing companies but also encourage the entry of new firms that subsequently create jobs.
- (b) **Define priority sectors with a high potential for job transformations in regions that have high poverty density.** Large numbers of poor Burkinabe live outside those regions that feature more productive industry and services sectors. Examples include the more fragile region Nord, Boucle du Mohon, Est, and Centre-Ouest. Policymakers can define priority sectors and regions to devise and implement strategies to accelerate job creation in those particularly poor regions. For example, work to develop sectors that are relatively labor intensive will contribute to improvements. A starting point to identify productive sectors that may have the potential to expand in those regions could be in agribusiness value chains.
- (c) **Strengthen agricultural policy to support increased productivity.** An overall agricultural policy framework that aligns different components of agricultural policies is needed. Such a policy may involve, among others, the management of natural resources (World Bank 2017, 2018). This management of natural resources should include measures to combat climate change with a view at the agricultural sector. Examples are to reduce the impact of deforestation and to better manage water resources. Additionally, an introduction of extension services for vulnerable groups as well as TVET programs on agricultural topics, could help raise the productivity levels of agricultural businesses in the long term. In the short term, the focus should be more on the reduction of entry barriers, such as reduced registration time or operational costs (World Bank 2017).
- (d) **Promote agribusiness value chains.** To improve jobs outcomes for poor Burkinabe does not necessary mean to move them out of agriculture. There is high potential to generate better jobs for excluded rural populations by linking them to modern, capitalized farming businesses that supply urban markets. Commercial farms with higher labor productivity could be nurtured more with an appropriate macroeconomic and trade-facilitation setting (see Pillar 1). Some of these companies may have the potential to become internationally competitive, so there is scope to develop agro-processing for export.
- (e) **Ensure infrastructure development, primarily of irrigation, electricity, and access roads.** To develop Burkina Faso's jobs potential, investments are needed in electricity, roads, irrigation, and logistics. The prevalence of rain-fed agriculture is a major factor behind low productivity and seasonal underemployment in rural areas. Thus, expanding irrigation is a clear priority, both through large-scale schemes and through small-scale systems that open up the option of commercial farming for smallholders. Other priorities include to expand the electricity grid (which also requires resolving the regulatory policy problems mentioned in Pillar 1) and to give greater priority to the improvement of access roads in sectors with high productive potential and large concentrations of poor people. Investments in the construction and maintenance of roads should provide higher rates of return compared with other public investment projects (World Bank

2017). To ensure that rural areas are better connected to (urban) markets, a combination of several infrastructure measures will be needed (World Bank 2018).

- (f) **Develop secondary cities and plan provisions for industrial facilities.** To avoid further metropolitan congestion, much of the expansion of agro-processing and other forms of light manufacturing could be concentrated in secondary cities that are located between the farming areas and the destination markets. The development of secondary cities positively affects farmer incomes in the surrounding rural areas. Related, cross-country research shows more pronounced declines in poverty for people who move to secondary towns rather than to big cities. Planners should consider options to create appropriate spaces for such firms, with the necessary infrastructure links. Furthermore, connectivity between rural hinterlands and secondary towns and between secondary towns and big cities should be improved. Policymakers should provide local authorities with targeted budget support or more administrative discretion for such policies so that secondary towns could better allocate resources to their local needs (World Bank 2018).

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