

Growth and Jobs

Creating Better Jobs for Increased Prosperity

World Bank
Jobs Diagnostic

2017

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CONTENTS

EXECUTIVE SUMMARY 5

INTRODUCTION 9

1. ECONOMIC GROWTH, JOBS AND POVERTY 11

2. DEMOGRAPHIC CHANGE AND URBANIZATION 20

3. THE FACTORS BEHIND GDP PER CAPITA GROWTH 28

4. PROSPECTS FOR FUTURE JOB CREATION 38

CONCLUSIONS 44

BIBLIOGRAPHY 45

EXECUTIVE SUMMARY

The economy of Burkina Faso has grown rapidly over the recent years and generated employment, but due to the poor quality of jobs poverty remains widespread. Between 1998 and 2014, the GDP of Burkina Faso expanded on average by 5.7 percent each year—considerably faster than other countries belonging 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\$421.1 USD to US\$637.9 over the observed period. Many jobs were created to absorb the labor force but mainly in farm and low productivity activities. Thus, while poverty has declined somewhat, over 40 percent of the population still lived below the poverty line in 2014. Absolute poverty remains high especially in rural areas. Unlocking the economy’s potential for the creation of better jobs is a key challenge, especially considering slower GDP growth experienced over the most recent period.

SHIFTING FOCUS FROM THE *QUANTITY* 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 imply low quality of jobs. Between 1998 and 2014, the economy of Burkina Faso generated enough jobs to accommodate the fast expansion of the working-age population, creating roughly 174,000 net jobs per year. This is underlined by a significantly higher employment elasticity of growth for the period compared to a set of low income countries. A high employment elasticity typically signals an increase in jobs along with GDP growth. Unemployment in Burkina Faso is very low; only an estimated 0.6 percent of people were unemployed in 2014.¹ Similarly, Burkina registers a high labor 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 being created.

In fact, the bulk of new jobs has been created either in agriculture, which suffers from low-productivity, or in non-agricultural 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, registering a 7.0 percent annual growth between 1998 and 2014. Employment in industry also grew rapidly, at 6.2 percent annually, but overall employment in the sector remains relatively small. However, even with only

¹ This number is calculated from the EMC (2014). Official ILO estimates put the number at 3.1 percent. Although these rates are calculated using the same underlying concept¹, differences between the ILO and the survey data occur. These differences are likely related to the fact that ILO’s rate is an estimate using 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, based on the ILO estimate, Burkina Faso’s national statistics office reports an unemployment rate of 6.6 percent (INSD 2015).

modest growth in employment, at 2.3 percent annually, agriculture still accounts for the bulk of jobs—employing approximately 80 percent of the workforce—and remains the default provider of ‘jobs’. In other words, agriculture continues to absorb the expanding work force, but not through productive formal jobs, but low-productivity informal employment. The structural transformation has therefore only been slow, with limited movement of labor out of 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 was in largest part the result of workers changing sectors and taking up more productive jobs, rather than within-sector productivity improvements. GDP per capita has expanded by a modest 2.6 percent annually between 1998 and 2014, with the economic gains from the rapid growth being somewhat diminished by fast population growth. The change in labor productivity made the largest contribution to this growth; the second largest contributor was the shifting demographic structure in the form of expanding workforce. However, the change in labor productivity came almost entirely from intersectoral reallocation; the movement of workers across sectors, from less to more productive jobs.

Within-sector productivity outside agriculture was negative during 1998-2014, reflecting the mismatch between the increasing number of workers and investments in these sectors. 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 are improving their earnings potential by moving from low productivity agricultural work to urban service sector jobs, the quality of these new jobs is not much better and not improving. Relying solely on workers accessing better jobs by shifting sectors without enabling growth in within-sector productivity is unlikely to sustain a meaningful structural transformation with the expected improvement in the quality of jobs.

URBANIZATION AND POPULATION GROWTH REPRESENT TRANSFORMATIONAL OPPORTUNITIES

Burkina Faso has been urbanizing rapidly, though the overall level of urbanization is still low. In 1995, the total urban population was estimated at 1.5 million. By 2015, urban population had grown to 5.4 million at a compounded annual growth of 6.5 percent, compared to the growth of the rural population from 8.5 million in 1995 to 12.7 million in 2015 at a compounded annual growth of 2 percent. Nevertheless, Burkina Faso is still predominantly rural with less than 30 percent of the population considered urban—2nd lowest percentage among the WAEMU states.

There seem to be better economic opportunities in urban areas, but the process of urbanization has not yet been transformative. The movement of workers to urban areas was an important way through which Burkina Faso accessed 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 (PPP adjusted), it is only US\$400 in rural areas. The poverty incidence also declined faster in urban than rural areas between 2003 and 2014; 47.4 percent of the rural population lived in poverty in 2014, compared to 13.5 percent of the urban population. However, with the rapid growth in urban population, there was an increase in the absolute number of urban poor, despite the otherwise declining poverty rate; urban housing and infrastructure also remain a concern.

Burkina's youthful population offers an opportunity that should be seized. In 2014, 46 percent of the population was below the age of 15. With the fertility rate and total dependency ratio in Burkina Faso having declined over time, the share of working age population (ages 15-64) is projected to increase from 51.8 percent in 2014 to 61.1 percent by 2050. The expanding workforce offers a unique opportunity: if young workers entering the labor market find productive employment, Burkina Faso will have the opportunity to reap the benefits of a 'demographic dividend'. However, Burkina's demographic structure also highlights the need for equipping youth with the right skills and finding drivers for higher quality jobs that can engage them as they begin entering the labor force in the coming years. This process will be key to future structural transformation and growth in prosperity.

LOOKING TOWARDS THE FUTURE: 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 impacts on jobs in both agriculture and non-agriculture through consumption-growth linkages. This 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, or transporting and marketing to urban centers. An expansion of tradables can therefore directly affect growth in non-tradables and sustain domestic earnings and

consumption. This can in turn lead to increased job creation in higher productivity sectors such as services.

INTRODUCTION

This report is part of a larger jobs diagnostic effort aimed at understanding better the labor market in Burkina Faso, its link to poverty reduction and prospects for the future. A jobs diagnostic is a tool for developing jobs strategies to unlock the economic potential, increase productive and inclusive employment opportunities, foster social cohesion, and provide pathways out of poverty. Jobs are central both to translating economic growth into poverty reduction, as well as to boosting shared prosperity.

This report takes a bird’s-eye view of the economy of Burkina Faso and provides a macro-economic perspective on how future growth can lead to the creation of better jobs. The report looks at how the different economic sectors are performing, what the main drivers of job creation and growth are, and where the main constraints lie. It analyzes the contribution of various factors to economic growth (productivity, employment, participation rate, and intersectoral reallocation) to identify possible drivers of further structural transformation that would favor the creation of better jobs, that is more productive, inclusive and better paid jobs.

The report is accompanied by three further studies on labor demand, labor supply and agriculture. To support the Jobs Agenda in Burkina Faso, four perspectives on jobs challenges have been explored in parallel to help build a foundation for effective jobs strategies. In addition to the present report, there are important conclusions stemming from separate reports on: (i) *Firms and Jobs*; analyzing private sector labor demand outside agriculture and identifying main bottlenecks for further job creation; (ii) *Workers and Jobs*; looking at the supply side of labor markets and providing a profile of workers and their jobs to better target interventions; and (iii) *Agriculture and Jobs*; looking at specific issues pertaining to employment and jobs in the agriculture sector as the largest contributor to GDP and employment. The combined ambition of these efforts is to provide the Government of Burkina Faso with evidence to consider when building a policy framework that will support the creation of better jobs.

Data and Methodology. The analysis in this report is based largely on data from the World Development Indicators database of the World Bank. The employment data is from household surveys harmonized by the International Income Distribution Data Set (I2D2) team at the World Bank. Demographic analysis is supplemented by projections from the World Population Prospects database provided by the United Nations Department of Economic and Social Affairs (UNDESA). Trade analysis data is drawn from the World Bank’s World Integrated Trade Solution (WITS) database and from statistical database of the United Nations Conference on Trade and Development (UNCTAD). Other datasets used were the World Bank’s World Governance Indicators, its Commodity Markets Outlook and the Doing Business Report, as well as the statistical database of the Food and Agriculture Organization (FAO). The decompositions of

growth, structural change analysis and demographic structure analysis are produced through the suite of JobStructure tools developed and maintained by the Jobs Group of the World Bank.

The note is structured as follows. In *Section 1*, the report starts by examining the relationship between economic growth and jobs in Burkina Faso. It looks at recent trends in growth, how it affected employment, and explores the shifts in sectoral shares in employment and value added. *Section 2* turns to Burkina Faso's demographic structure and the process of urbanization. It first looks at the implications of the youth bulge for future labor supply and dependency ratios and then explores the impacts of urbanization on jobs and poverty. *Section 3* unpacks the relationship between changes in the labor market and growth. It decomposes recent growth and identifies specific contributions made by demographic change, employment growth and labor productivity growth to the change in value added per capita. *Section 4* outlines alternative growth paths that could inform the implementation of Burkina Faso's National Plan for Economic and Social Development (PNDES) 2016-2020 and its ambition to generate high GDP growth and more productive jobs. Five alternative paths are discussed, indicating the policy possibilities available—and efforts required—to reach the set targets of growth and job creation. The report ends with concluding remarks.

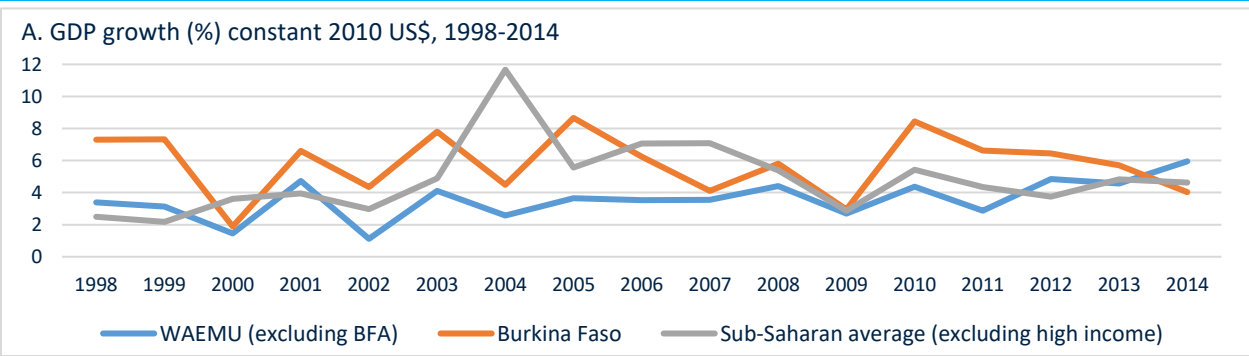
1. ECONOMIC GROWTH, JOBS AND POVERTY

Poverty is still widespread in Burkina Faso despite robust economic growth in recent years. For the most part, economic growth has generated employment, but jobs were created in sectors with low productivity and low earnings potential. This explains why persistently high labor force participation and employment rates have not translated into considerably lower rates of poverty. Yet, there are signs that structural transformation is slowly changing the jobs structure. While agriculture remains the largest employer by a significant margin, employment growth in services and industry has gathered pace. The challenge of improving job outcomes is expected to become somewhat more difficult to address, as economic growth in Burkina Faso appears to be slowing down.

ECONOMIC GROWTH HAS CREATED JOBS, BUT NOT SUBSTANTIALLY REDUCED POVERTY

Despite recent high rates of economic growth, Burkina Faso remains one of the poorest countries in the world. The economy of Burkina Faso has grown rapidly over the past years (Figure 1): between 1998 and 2014 its GDP expanded on average by 5.7 percent annually, benefitting from increases in cotton and gold prices in the mid-2000s. Burkina Faso’s GDP growth has also been strong compared to other Sub-Saharan and, particularly, WAEMU countries. Other WAEMU countries registered around 2-3 percent less growth over time but the difference decreased in recent years.

Figure 1
GDP and GDP per capita in Burkina Faso have grown in parallel between 1998 and 2014

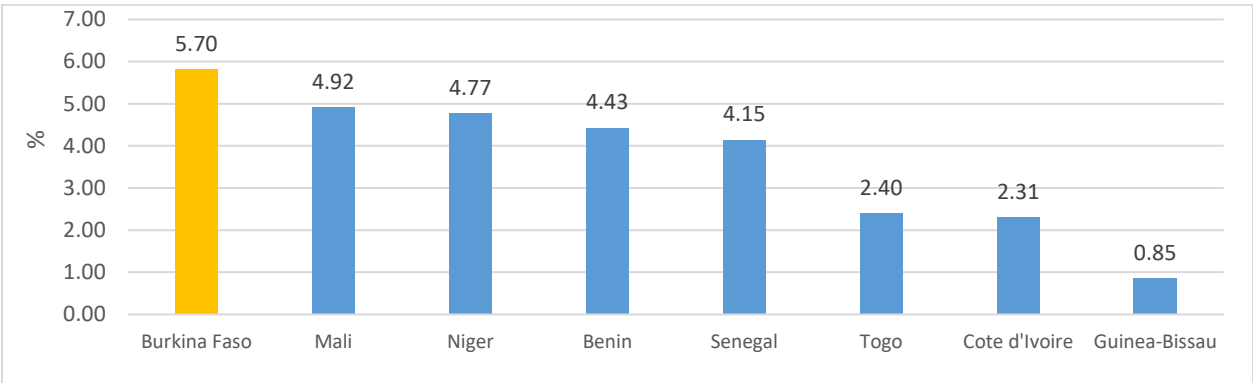


Source: World Development Indicators, World Bank.

Burkina Faso’s rapid growth between 1998 and 2014 has generated employment opportunities, but mostly in low-productivity agriculture. On average, Burkina Faso’s economy grew faster than the economies of the other West African Economic and Monetary Union (WAEMU) states between 1998 and 2014 (Figure 2). Employment was responsive to growth and grew at roughly

the same rate as the labor force, 3 percent annually. 2.8 million jobs—roughly 174,000 net jobs a year—were generated over the 16-year period; 63.4 percent of these new jobs were in agriculture (1.7 million jobs), while the service and industry sectors accounted for 28.1 percent (788,000 jobs) and 7.8 percent (220,000 jobs) respectively.

Figure 2
Burkina Faso has recorded high GDP growth rates between 1998-2014 compared to other WAEMU countries



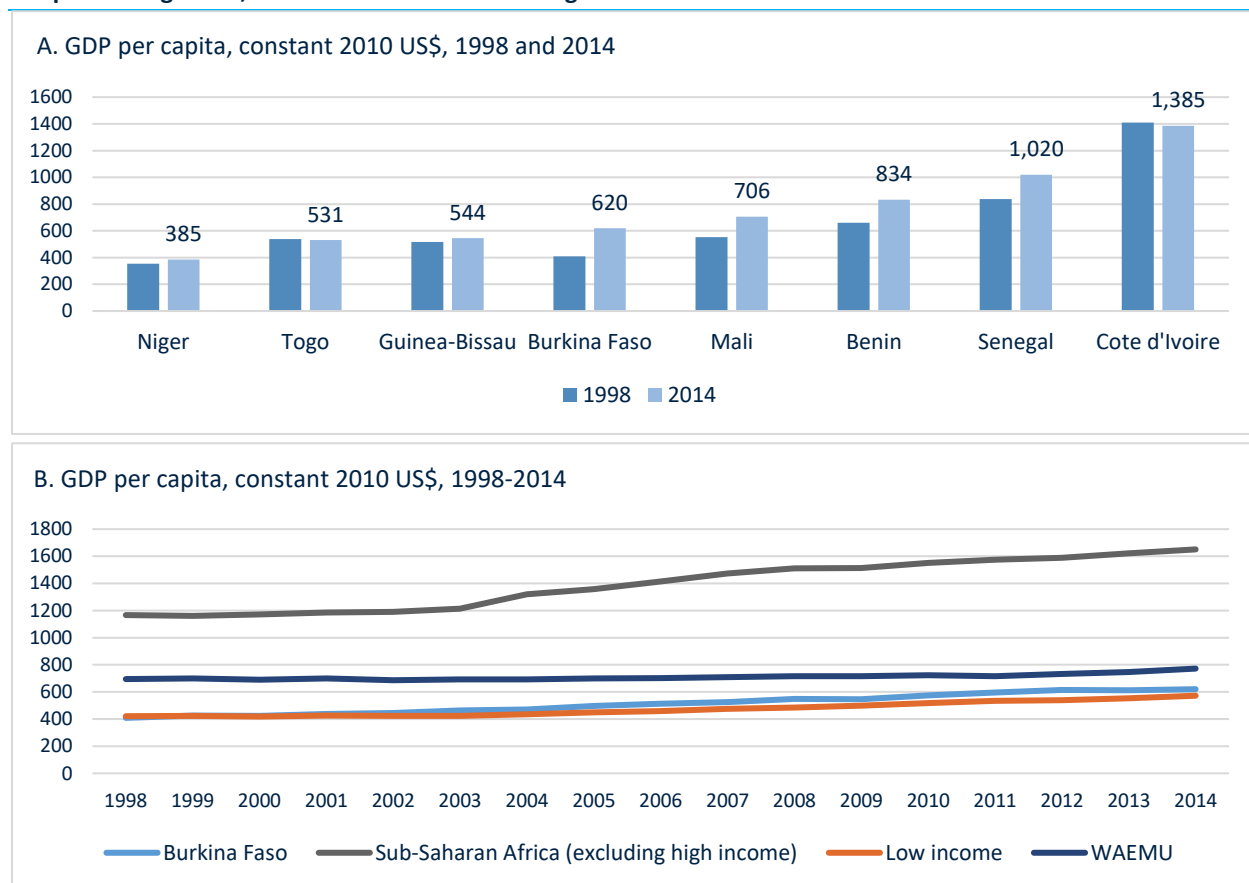
Source: World Development Indicators, World Bank.

However, despite recent high rates of GDP growth Burkina Faso continues to lag behind other WAEMU and Sub-Saharan countries in terms of GDP and GDP per capita. While its economic growth between 1998 and 2014 has been strong, Burkina Faso continues to lag behind other WAEMU countries and is well below the average for Sub-Saharan African countries (*Figure 3*). This also holds for GDP per capita. Within the WAEMU countries, Burkina Faso’s GDP per capita was the second to last in 1998 but the country surpassed Guinea-Bissau and Togo until 2014. However, Burkina’s GDP per capita of US\$620 in 2014 accounted for less than half of that in Cote d’Ivoire (US\$1,385). In a global comparison, Burkina Faso’s GDP per capita ranked 180th out of 195 countries in 2014, close to Afghanistan, Sierra Leone and Rwanda.²

² GDP per capita in constant 2010 US\$.

Figure 3

Despite solid growth, Burkina Faso continues to lag behind other WAEMU and Sub-Saharan countries



Source: World Development Indicators, World Bank.

Burkina Faso was able to hold the labor force participation rate stable despite a large increase in the total labor force from 1998 to 2014. The total labor force increased by around 3 million from 4,844,402 in 1998 to 7,966,019 in 2014 (*Table 1*). At the same time, the labor force participation rate remained constant with around 83 percent, translating to an increase of around 2,600,000 workers that were integrated in the labor market.

Table 1

Despite a large increase in the size of labor force, the participation has remained almost unchanged

	1998	2003	2008	2014
Total Labor Force	4,844,402	5,627,166	6,575,427	7,966,019
Labor force participation				
<i>Share</i>	83.3	83.4	83.5	83.6
<i>Absolute value</i>	4,035,387	4,693,056	5,490,482	6,659,592

Source: World Development indicators, World Bank

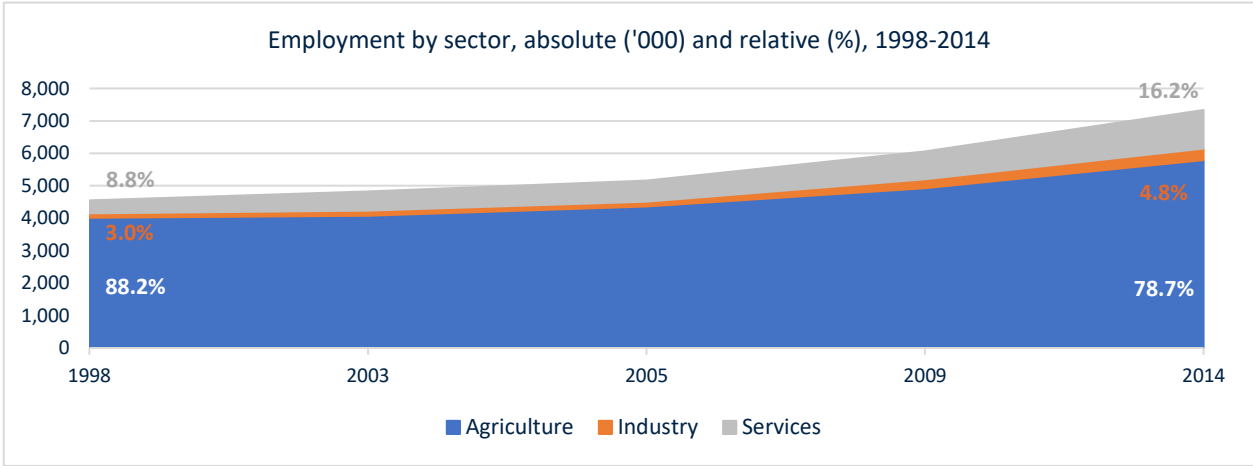
Note: Values are calculated using modelled ILO estimates. Labor Force includes people aged 15 and older.

Although relative poverty rates have decreased, poverty in Burkina Faso remains widespread. The share of the poor living below the national poverty line decreased from 52.7 percent in 2003 to 40.1 percent in 2014 (World Bank 2016). The decline is similar if the internationally recognized US\$ 1.90 poverty line is assumed where the share dropped from 57.3 percent in 2003 to 43.7 in 2014 (WDI 2017). However, despite the decline in relative terms, the absolute number of poor has not declined and even increased slightly from 7,012,000 in 2003 to 7,171,000 in 2014 due to a fast-increasing population (World Bank 2016). The largest share of the poor is concentrated in rural areas.

GROWTH IN SERVICES IS UNDERPINNING A SLOW STRUCTURAL TRANSFORMATION

Faster employment growth in services has started to change the employment structure, but agriculture remains the largest employer by a considerable margin. With an average growth of 7 percent annually, the employment in services increased faster than that in industry and agriculture, bringing the total employment in the sector to 1.2 million people by 2014 (16.2 percent of total, *Figure 4*). Employment in industry also grew rapidly, registering an annual average growth of 6.2 percent, but included only 360,000 people in 2014 (4.8 percent of total). Employment in agriculture grew more moderately, on average by 2.3 percent annually, yet the sector continued to provide the bulk of jobs, employing 5.8 million people in 2014 (78.7 percent of total). Overall, the rapid employment growth in industry and services has started to change the employment structure.

Figure 4
Rapid employment growth in industry and services has started to change the employment structure



Source: I2D2, World Bank.

Agriculture had a positive employment elasticity to productivity growth from 1998 to 2014, while employment in industry and services surpassed productivity growth.³ Overall, the results for agriculture indicate a strong link between employment growth and increasing labor productivity over the years, featuring an elasticity of 0.59 (*Table 2*). This value is, however, still below the average for this sector for 11 comparator countries, including countries such as Senegal or Zimbabwe. For services and industry sector, the values above 1 indicate higher employment than productivity growth. Closer examining the trends over time, reveals that employment growth was higher than productivity growth from 2005 to 2009 in agriculture and industry. This coincides with the beginning of the rapid increase in prices of cotton and gold and suggests that these sectors, likely in the absence of access to capital goods, absorbed labor in order to get the most out of the high commodity prices. For services, the trend points to both, higher employment and productivity growth in the last years with the productivity growth being slightly higher, bringing this sector closer to the average of the comparator countries.

Table 2

Employment elasticity of value-added p.a. in Burkina Faso and comparator countries (1998-2014)

	1998-2014	1998-2005	2005-2009	2009-2014	Average for comparators
Agriculture	0.59	0.37	1.60	0.61	0.77
Industry	1.07	0.52	2.82	0.67	0.74
Services	1.10	1.32	1.01	0.91	0.83

Source: JobStructure Tool Outputs, World Bank.

Note: Values for comparator countries are averages of 23 growth periods of a set of comparable 11 Low Income Countries.

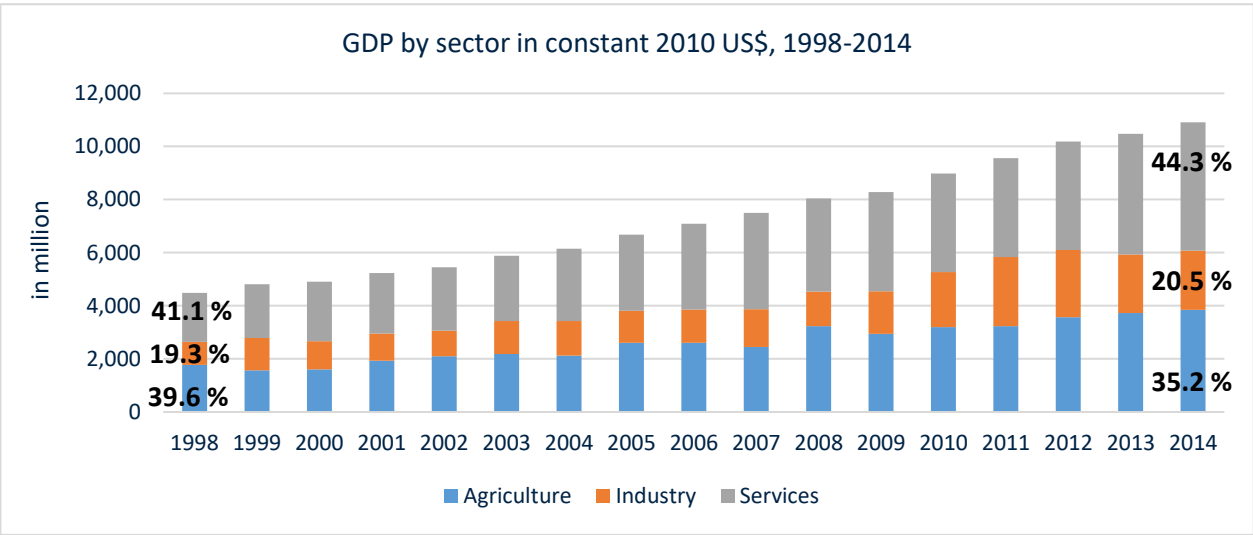
A similar trend can be observed in terms of output: services are starting to play a larger role in the economy. The service sector accounted for 44.3 percent of GDP in 2014, up from 41.1 in 1998 (*Figure 5*). The share of agricultural output meanwhile declined from 39.6 percent in 1998 to 35.2 percent in 2014,⁴ while the share for industry increased slightly from 19.3 percent to 20.5 percent over the same period. From 1998 to 2014, value added growth was fastest in the industry sector which grew by 6.2 percent annually. While the sector remains relatively small in terms of employment (360,000 employees), its share in output is significant: fast growth is likely associated with mining which benefited from the substantial increase in gold prices. The value

³ *Table 2* describes the employment elasticity for the main sectors of Burkina Faso and for 11 comparator countries. A negative elasticity signals a negative employment growth but a positive productivity growth. An elasticity between 0 and 1 demonstrates employment and productivity growth and an elasticity higher than 1 is a sign for employment growth but not productivity growth. For a more detailed discussion on the relationship of output, employment and productivity growth, see Kapsos (2005).

⁴ A longer time horizon reveals some volatility in the change of the share of agricultural output in GDP. In 1987 the share of agriculture was 32 percent, which is approximately the same as in 2014. By the early 2000s however the share of agriculture had increased to over 40 percent. Looking even further back to 1970, the share of agriculture was roughly 45 percent. While the trend of a declining share of agriculture holds for more recent years and in the long term, it is important to note that this has not always been a steady decline.

added in the service sector grew by 6.1 percent annually over the same period and agriculture by 4.2 percent. The growth that was sustained over recent years was broad-based with all three major sectors exhibiting dynamic growth over the period. The relatively faster growth in industry and services can explain the shift in the sectoral composition of output, similar to that in employment.

Figure 5
The changes in GDP structure are relatively modest, but suggest a slow structural transformation



Source: World Development Indicators, World Bank.

Growth in tradable goods can stimulate demand for non-tradables, thereby creating jobs. Tradable goods typically require special financing, storage, actual trading, logistics and transportation support and services. This is also the case in Burkina Faso where the extraction industry is an important part of the economy. For example, mining requires a variety of locally supplied services: extraction, shipping for either export or processing, or transporting and marketing to urban centers. An increase in the export of tradables can therefore directly affect growth in non-tradables and sustain domestic earnings and consumption. This can in turn lead to increased job creation in higher productivity sectors such as services. Yet, while this effect on non-tradables can provide a growth multiplier upwards when exports are booming, the opposite effect can occur in the case of a decreasing export volume. This underlines the need to carefully manage export dependency.

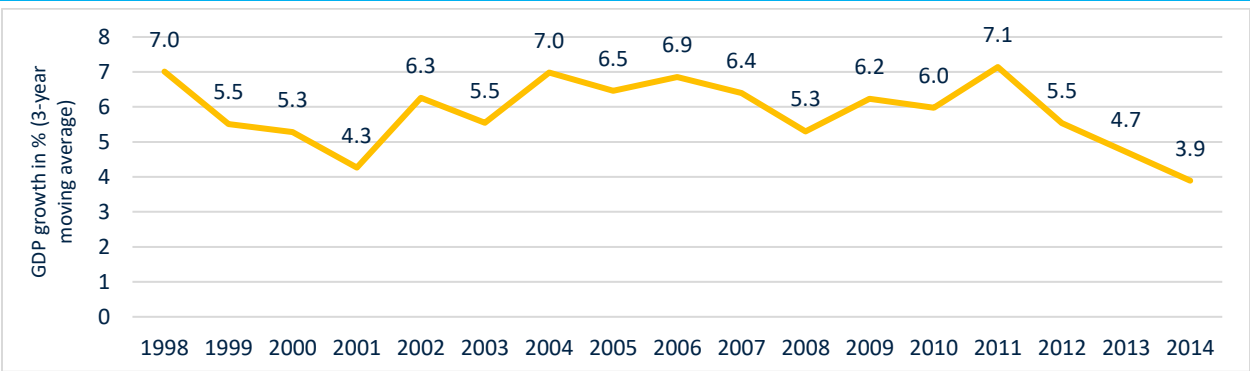
IMPROVING JOB OUTCOMES IN FACE OF SLOWER ECONOMIC GROWTH

The coexistence of persistently high poverty rate with very low unemployment rate and high labor force participation highlights the concern about the quality, not quantity, of jobs. Despite considerable job creation in Burkina Faso across all sectors, the jobs generated were for the most

part low quality, informal jobs. With continued employment growth in agriculture, a sector characterized by unpaid and self-employed work, but also employment growth in services concentrated in low-skill retail jobs, overall job quality in Burkina Faso remains low.⁵ Most workers, but especially the poor, are engaged in low quality and low productivity jobs (unpaid, precarious self-employment or informal work) that offer limited earnings. Consequently, most workers struggle to ensure a decent livelihood.

Improving job outcomes is likely to become even more challenging amidst slower economic growth. GDP growth has lost momentum, declining from 8.4 percent in 2010 to 4 percent in 2014 (Figure 6). The 3-year moving average dropped to 3.9 percent in 2014 (covering 2013-2015); the last time GDP growth dipped below 4.0 percent was in 1994.

Figure 6
Economic growth appears to be slowing down



Source: World Development Indicators, World Bank.
Note: The moving average is calculated for a three-year interval; e.g., the value for 2014 is the average of 2013-2015.

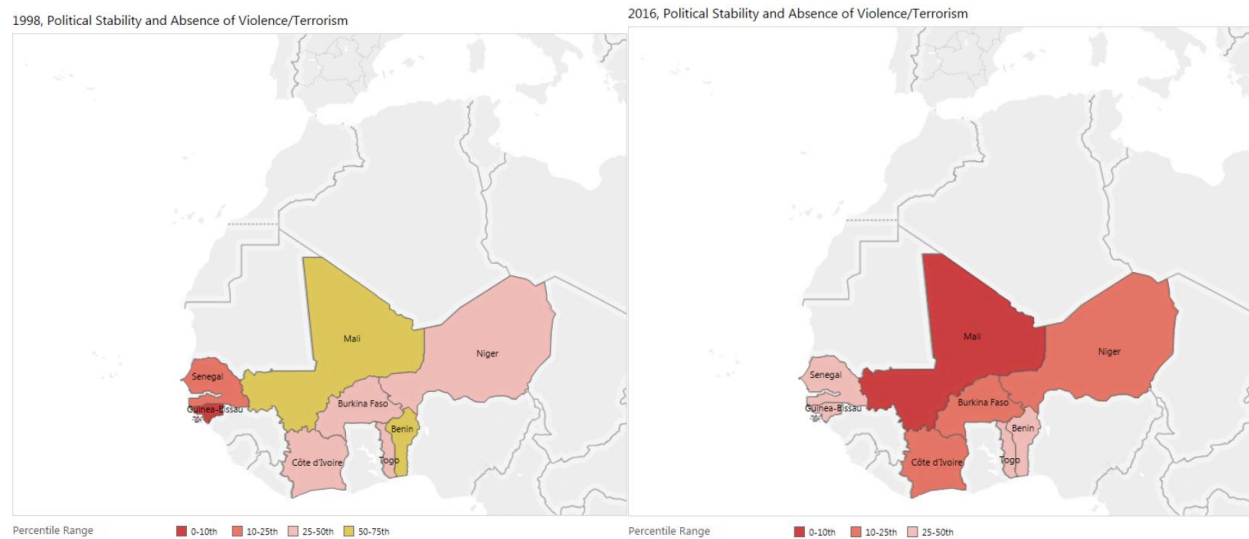
Slower growth in recent years occurred in the context of falling global prices for Burkina’s key exports and amid growing political instability and violence. The declining prices of gold and cotton (Figure 8A) which are both important exports have contributed to slower growth. Prices are projected to stay flat in the coming years and this also moderates growth prospects (WDI 2017). While the political landscape was relatively stable over most of the 1998 to 2014 period, in recent years, political stability deteriorated with an increased likelihood of violence (

Figure 7).

⁵ For a more detailed discussion see the note *Workers and Jobs: Improving human capital for better labor market outcomes*.

Figure 7

Political instability and violence in the WAEMU countries are on the rise

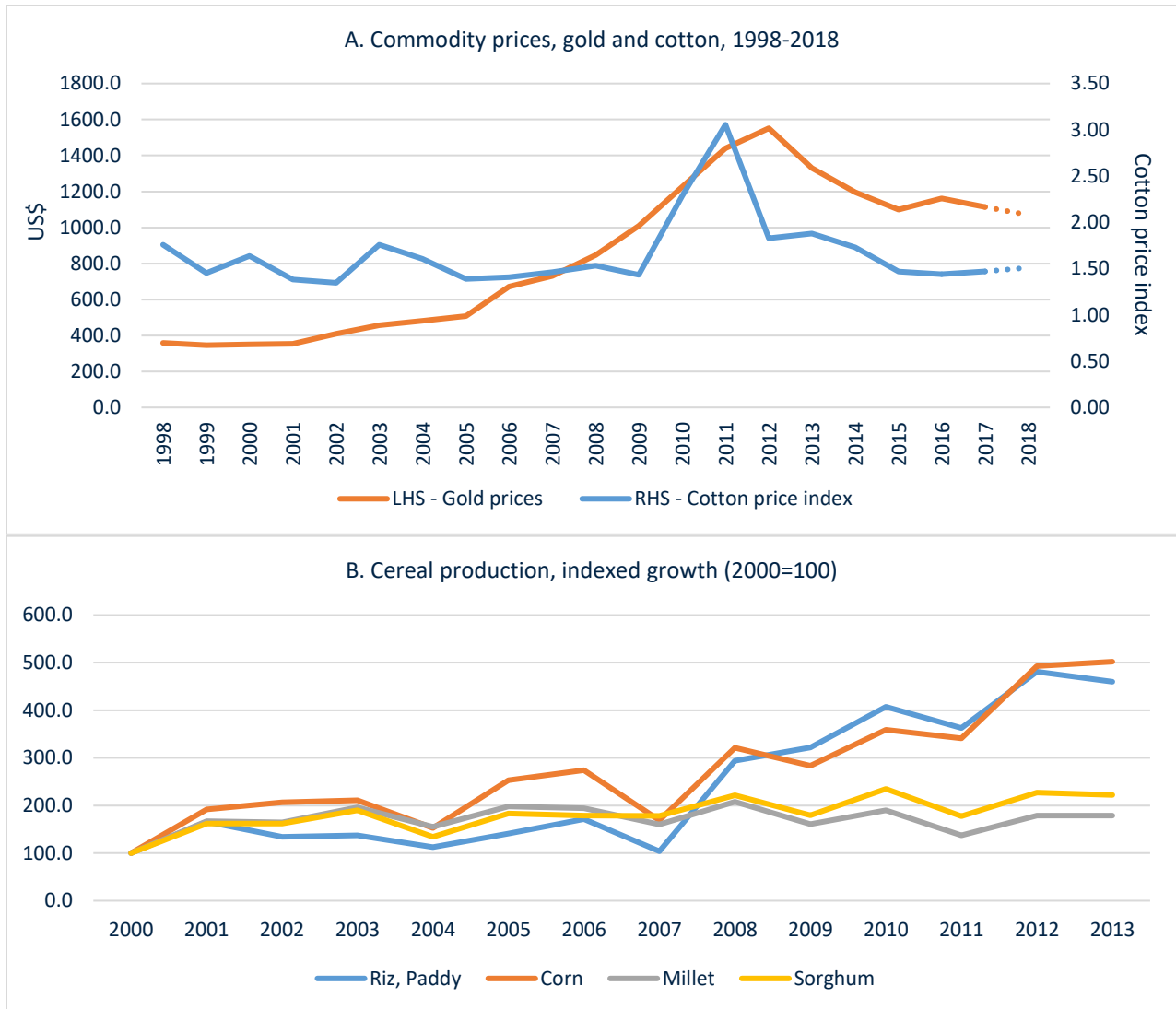


Source: World Governance Indicators, World Bank

Agriculture has recently also registered slower growth. The growth of total agricultural output slowed in recent years from an annual growth of 7.8 percent in 2012 to 3.5 percent in 2013 and finally 2.1 percent in 2014. This can largely be linked to slower growth in cereal production (*Figure 8B*). Sorghum, rice, corn and millet together account for roughly 65 percent of primary crop production. Furthermore, there has been a reduction in the cotton production in the years 2011 to 2013 (World Bank 2017). Besides the aforementioned price fluctuations, quality problems caused a drop in output for the cotton sector. These problems have been related to genetically modified cotton which, as a consequence, is being phased out (Dowd-Urbe and Schurr 2016). As agriculture retains a dominant role in employment, addressing the volatility in its output plays an important role in improving jobs outcomes.

Figure 8

Context of slower growth: lower world prices of gold and cotton, and slow growth in cereal production



Source: World Bank Commodity Markets Outlook, FAO CountryStat.

2. DEMOGRAPHIC CHANGE AND URBANIZATION

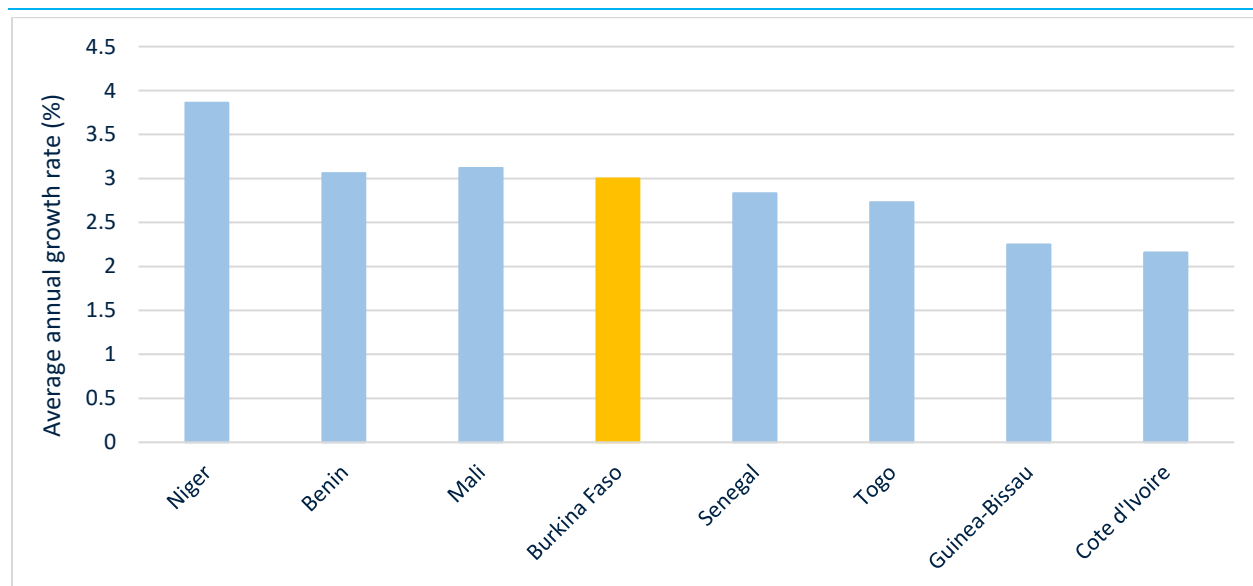
Burkina Faso continues to exhibit a high fertility rate, resulting in a fast-growing and youthful population. While this is expected to remain the case for the foreseeable future, the dependency ratio is projected to decline, as more youth enter the labor force. This represents an opportunity for boosting economic growth, but also improving well-being if new entrants find productive employment. In parallel, urbanization is gathering pace, yet the overall share of urban population remains low by regional standards. While the overall poverty rate in urban areas remains much lower than the rate in rural areas, the absolute number of poor in urban areas has risen over the recent years, highlighting the modest earning potential of newly created urban jobs, mostly in the informal services sector.

A MARKEDLY YOUTHFUL POPULATION AND LABOR FORCE

Burkina Faso has a fast-growing and youthful population. The population of Burkina Faso increased from 11 million in 1998 to 18.1 million by 2015, growing at roughly 3.0 percent per year (Figure 9). With 46 percent of the population (8.3 million) below the age of 15, the demographic structure of Burkina Faso is markedly young. This is unlikely to change significantly anytime soon: even by 2050, the population aged between 0-14 is projected to account for roughly 35 percent of total population.

Figure 9

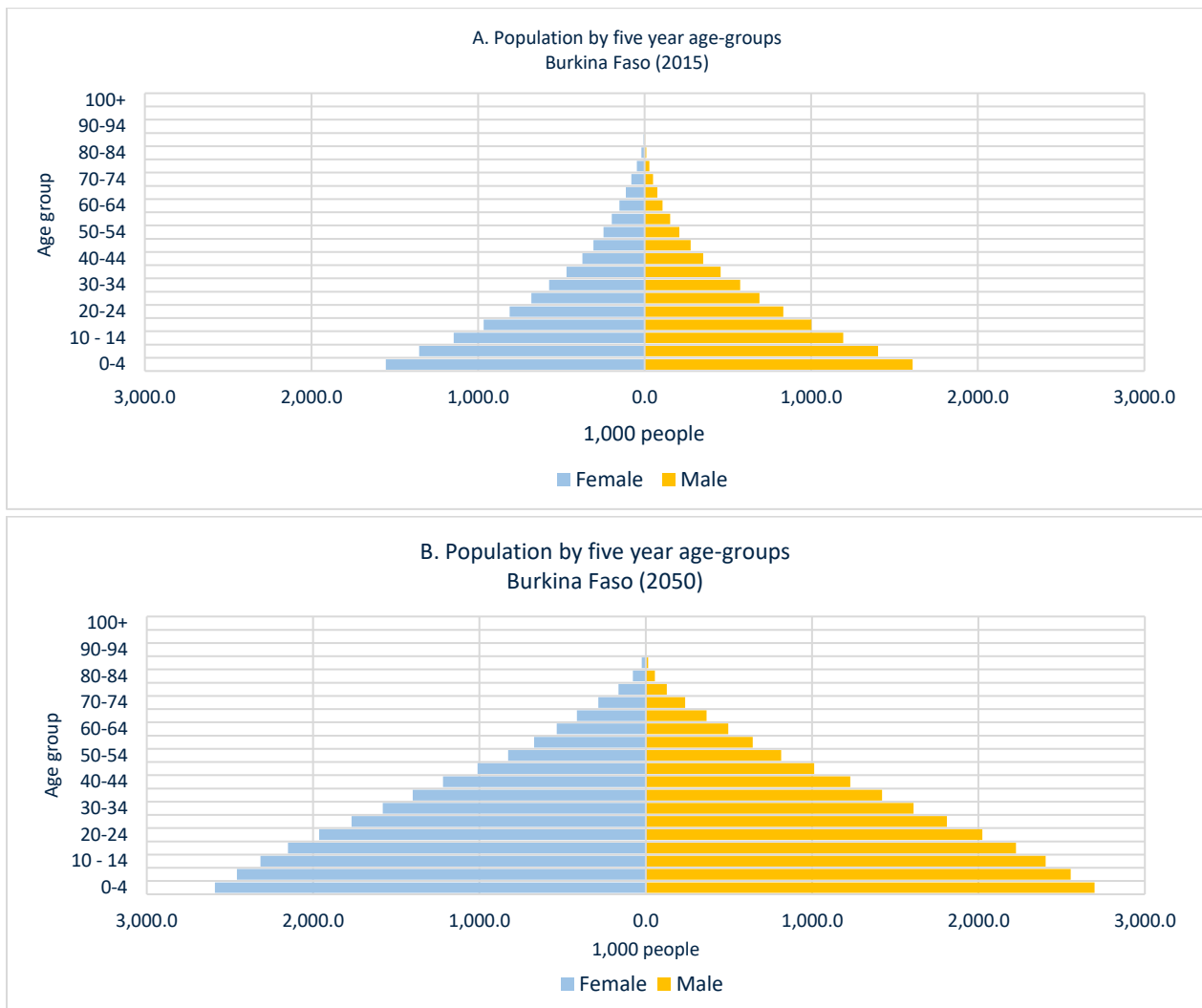
Average annual population growth in the WAEMU countries (1998-2014)



Source: World Development Indicators, World Bank

Figure 10

The structure of the population of Burkina Faso is unlikely to change: it will remain markedly youthful



Source: UN Population Statistics, UN Department of Economic and Social Affairs

Note: The projected population assumes a medium fertility.

Similarly, the labor force is markedly young and expanding fast, representing a rich source of human potential, but also a significant jobs challenge. Looking at the demographic projections until 2020, roughly 300,000 jobs need to be created annually to keep employment rates steady at current levels.⁶ The creation of employment for young job-seekers, if possible through formal jobs, remains an important challenge. This has been recognized by Burkina’s Government in the National Plan for Economic and Social Development (PNDES) where it outlined a reduction in

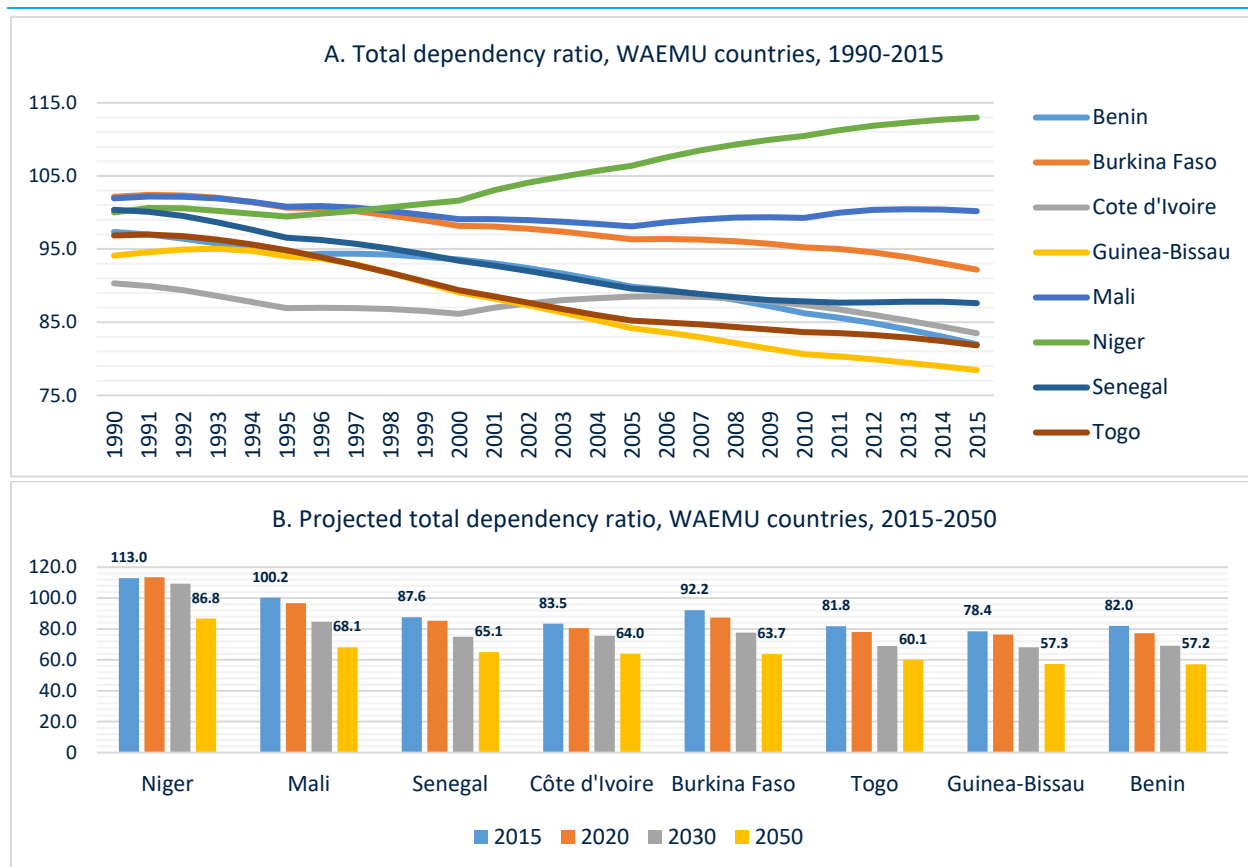
⁶ Source: United Nations Department of Economic and Social Affairs (UN DESA).

demographic growth and an increase in annual GDP growth combined with the generation of new jobs, though the proposed number of 50,000 jobs per year is likely too small.

The dependency ratio is projected to decline, offering the opportunity to reap the benefits of a demographic dividend. The dependency ratio—calculated as the ratio between the number of people of non-working age, that is younger than 15 or older than 64, and those of working age (15-64)— is projected to further decline. This means that Burkina Faso’s working age population grows faster than the dependent population (*Figure 11*). The ratio is projected to fall from 92.2 percent in 2015 to 77.7 percent in 2030, and further to 63.7 percent by 2050.⁷ In other words, while there were 9.4 million people of working age and 8.7 million of non-working age in 2015, this is projected to change to 26.1 million of working-age and 16.7 million of non-working age by 2050. If these projections materialize, Burkina Faso will experience—along with strong population growth—one of the strongest drops in dependency in the region until 2050.

Figure 11

The lowering of the dependency ratio offers the opportunity to reap the benefits of a demographic dividend



Source: UN Population Statistics, UN Department of Economic and Social Affairs

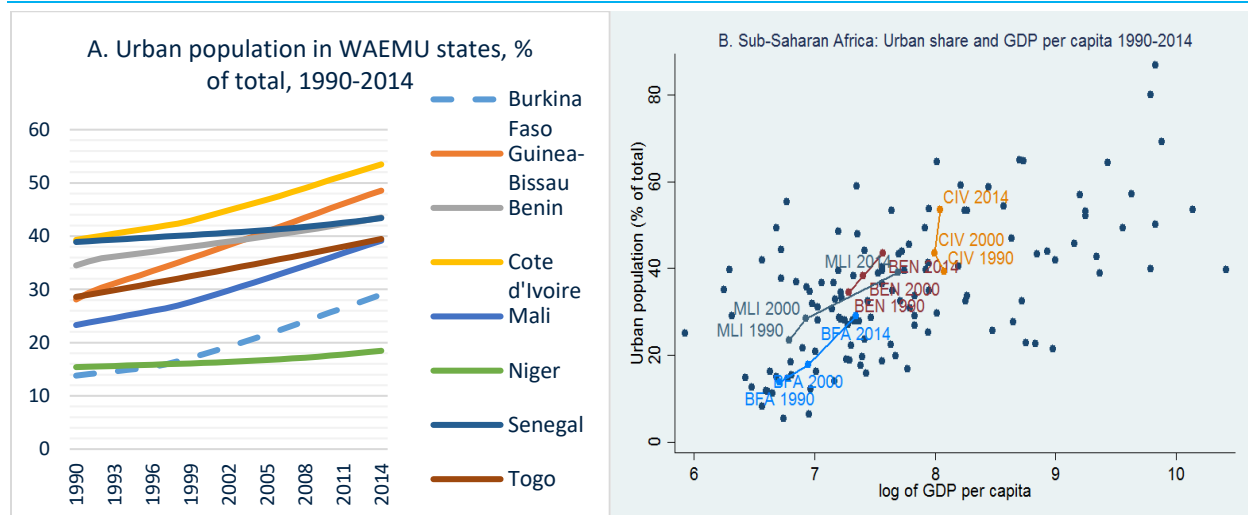
⁷ Based on UN Medium Fertility Projections 2015-2100.

URBANIZATION IS GATHERING PACE, BUT ITS RESULTS ARE MIXED

While Burkina Faso has been urbanizing rapidly, its overall level of urbanization remains low by regional standards which may affect GDP per capita and points at future growth potentials. The share of Burkina Faso's population living in urban areas has more than doubled between 1990 and 2014, increasing from 13.8 percent to 29.0 percent. Niger had a similar rate of urbanization as Burkina Faso in 1990 (15.4 percent) but increased to only 18.5 percent in 2014. Nevertheless, despite this considerable shift towards urban areas, Burkina Faso is still the 2nd least urbanized among the WAEMU states (*Figure 12 A*). For Burkina Faso as well as other WAEMU countries, an increasing share of urbanization has been accompanied by rising levels of GDP per capita over time. Given the low level of urbanization in Burkina Faso this points at a yet untapped potential for more urbanization and GDP per capita growth (*Figure 12 B*).

Figure 12

Burkina Faso is urbanizing fast but remains 2nd least urbanized country within the WAEMU



Source: World Development Indicators, World Bank

Not unexpectedly, urban employment is also exhibiting fast growth, mainly driven by job creation in urban services. Mirroring the pace of urbanization, the share of urban employment is rising fast: from 15.3 percent of total employment in 2003 to 23.7 percent in 2014. Urban services created 457,000 jobs between 2003 and 2014, only agriculture has created more (1.7 million jobs).⁸ This suggests that urbanization is occurring through "consumption cities" where workers find jobs in non-tradeable (and informal) services.

While urban jobs seem to be better and enable relatively higher consumption levels, they may still not sufficiently address poverty as urban areas are registering increases in the absolute

⁸ Data sources for this calculation are EBCVM 2003 and EMC 2014

number of poor. 90 percent of the poor in Burkina Faso live in rural areas, reflecting the prevalence of low quality jobs in agriculture that still accounts for most employment.⁹ Consumption levels are higher and poverty rates lower in urban areas, supporting the fact that urban centers tend to have better economic opportunities (*Table 3*). However, while the poverty headcount ratio is lower in urban areas, the *absolute* number of urban poor increased between 2003 and 2014. This suggests that the reduction of poverty in urban areas has not entirely kept up with the increasing urban population.¹⁰

Table 3

Burkina Faso: Key Population and Poverty Indicators

Indicator	2003	2009	2014
Total poverty headcount ratio (% of population)	52.7	48	40.1
Urban poverty headcount ratio (% of urban pop.)	24.6	27.9	13.7
Rural poverty headcount ratio (% of rural pop.)	57.9	52.6	47.5
Total poor, (thousands)	7,012	7,473	7,171
Urban population, total (thousands)	2,060	2,924	3,962
Rural population, total (thousands)	11,235	12,656	13,971
Urban poor, total (thousands)	507	816	535
Rural poor, total (thousands)	6,505	6,657	6,636

Source: World Bank (2016) calculations using INSD surveys QUIBB-2003, EICVM-2009, EMC-2014.

Data on consumption confirm that urban households, on average, are more prosperous than their rural counterparts, but also that there is greater inequality in urban areas. The service sector jobs in urban areas—while considered “better” than those in agriculture—are still largely informal, low productivity jobs which in turn have limited capacity to improve welfare. While the productivity differentials create an incentive to relocate to urban areas, the promise of better living standards has been left unfulfilled for many of those who made the move. *Table 4* confirms this as the inequality in urban areas is higher than in rural areas, but overall the consumption levels in urban areas are nevertheless higher.¹¹ What also emerges clearly from *Table 4* is that the difference between urban and rural households, in terms of consumption, is smallest in Côte d'Ivoire and Benin, while the rest of WAEMU countries exhibit larger differences, but of similar magnitude.

⁹ World Bank (2017)

¹⁰ Because the poverty headcount ratio is defined as the number of urban poor over the total urban population, the decline can also be driven by a larger denominator, i.e. a larger urban population, which seems to be the case here as Burkina Faso urbanized increasingly over this period.

¹¹ This difference in inequality is illustrated by a lower ratio between the consumption of lowest consumption segment of the urban households and all urban households (65.2 percent for Urban households in Burkina Faso in 2010 and 96 percent for rural).

Table 4

Consumption data confirm inequalities between rural and urban households

Country	All households			Lowest consumption segment			Ratio all-lowest consumption segment**	
	URBAN	RURAL	Ratio urban-rural*	URBAN	RURAL	Ratio urban-rural*	URBAN	RURAL
Benin	769.27	489.23	63.6%	569.59	457.57	80.3%	74.0%	93.5%
Burkina Faso	932.59	400.00	42.9%	607.63	383.85	63.2%	65.2%	96.0%
Mali	988.24	427.28	43.2%	649.58	411.84	63.4%	65.7%	96.4%
Togo	1003.96	425.75	42.4%	673.31	406.1	60.3%	67.1%	95.4%
Niger	1116.15	459.28	41.1%	661.3	436.05	65.9%	59.2%	94.9%
Senegal	1367.06	591.73	43.3%	797.91	537.36	67.3%	58.4%	90.8%
Côte d'Ivoire	1761.78	891.17	50.6%	789.55	627.23	79.4%	44.8%	70.4%

Source: Global Consumption Database, World Bank

Note: Although part of WAEMU, Guinea-Bissau is not included due to lack of comparable data.

*Expressed as *percentage* of rural annual per capita consumption in the total urban annual per capita consumption.

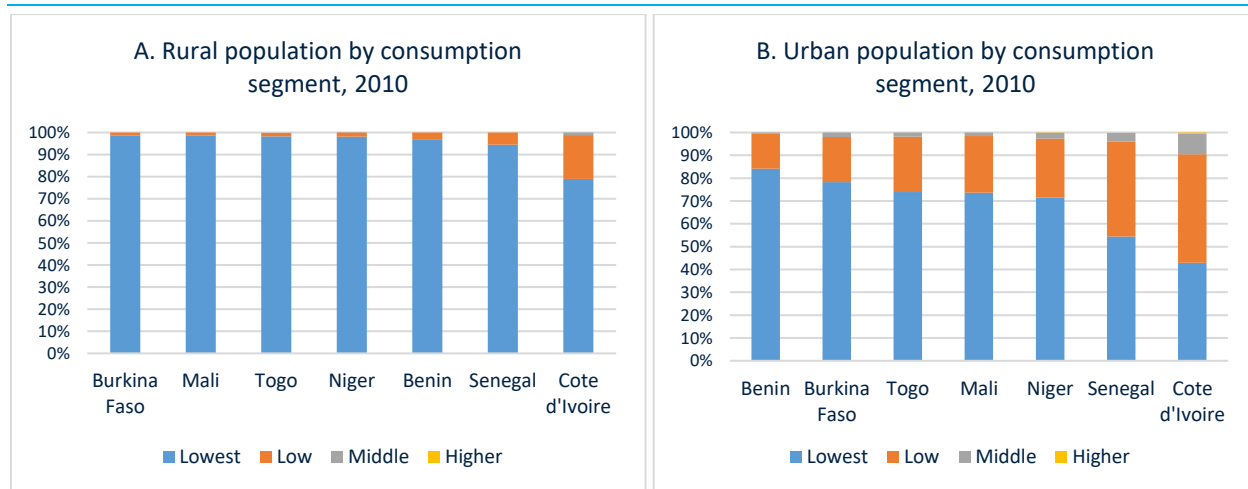
**Expressed as *percentage* of the lowest consumption segment annual per capita in the respective consumption of all households, within the respective urban or rural grouping.

The regional comparison underlines that urbanization has not led to substantial improvements in household consumption yet. Based on consumption data, nearly all rural households (98.7 percent) in Burkina Faso spent less than US\$2.97 per capita a day in 2010 (*Figure 13*).¹² This constitutes the lowest consumption for rural households in the WAEMU region. Urban households were relatively better off—78.3 percent of all urban households spent less than US\$2.97 per capita. However, 98 percent of all urban households still belonged to the low or lowest consumption segments, living on less than US\$8.44 per capita a day. Only the urban population of Benin features lower consumption levels than Burkina Faso.

¹² Consumption segments are based on global income distribution data. The following thresholds were used to establish the four segments: 'Lowest'—below US\$2.97 per capita a day, 'Low'—between US\$2.97 and US\$8.44 per capita a day, 'Middle'—between US\$8.44 and US\$23.03 per capita a day, 'Higher'—above US\$23.03 per capita a day.

Figure 13

Households in Burkina Faso report some of the lowest consumption levels among the WAEMU countries



Source: Global Consumption Database, World Bank

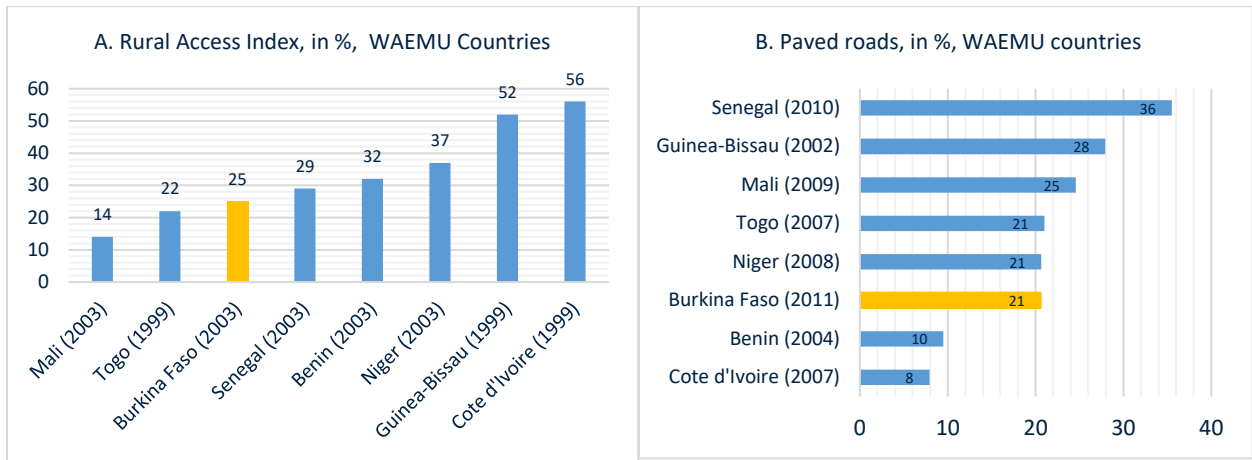
Note: Although part of WAEMU, Guinea-Bissau is not included due to lack of comparable data.

Low rural-urban connectivity and insufficient urban transportation infrastructure restrict the urbanization process and its growth and job creation potential. In 2004, it was estimated that 75 percent of the rural population—7.9 million people—did not have access to urban centers. In 2011, only 21 percent of roads were paved (*Figure 14*). The lagging rural-urban connectivity impedes rural development and job creation by making it difficult for agricultural workers to access urban centers where consumption is higher. In fact, 60 percent of the urbanized population in Burkina Faso lives in Ouagadougou or Bobo-Dioulasso. As those two cities are far away for many living in rural areas, the development of secondary urban cities is important.¹³

¹³ For a complete discussion see the note on *Workers and Jobs: Improving human capital for better labor market outcomes*.

Figure 14

Access to urban areas and infrastructure in WAEMU countries



Source: Rural Access Index and Jobs Database, World Bank; most recent data available.

3. THE FACTORS BEHIND GDP PER CAPITA GROWTH

GDP growth per capita in Burkina Faso has mainly been driven by productivity growth, and more recently by the expanding labor force. In turn, productivity growth—while modest overall—was mostly the result of workers switching from a sector with low productivity (agriculture) to those with higher productivity (services, industry). The absence of substantial growth in productivity within sectors results in an “incomplete” structural transformation with persistently high poverty rates. Urbanization has accounted for a large share of increased labor productivity. However, it has not yet resulted in better jobs overall. While some modern service subsectors helped generate productive employment, most of the actual jobs created were in low productivity subsectors. Comparing Burkina Faso’s productivity over the last years to its neighbors Benin and Cote d’Ivoire shows that Burkina Faso has fared relatively well with respect to GDP per capita and productivity growth.¹⁴

THE MOVEMENT OF WORKERS TO MORE PRODUCTIVE SECTORS HAS SUPPORTED GDP PER CAPITA GROWTH

Between 1998 and 2014, the GDP per capita in Burkina Faso increased by 2.6 percent annually, mainly due to labor productivity growth.¹⁵ The decomposition of GDP per capita growth for the period between 1998 and 2014—and sub-periods as described in *Table 5*—shows that increasing labor productivity in Burkina Faso accounted for the bulk of per capita growth, contributing 2.33 percentage points annually (*Figure 15*).¹⁶ The second most important driver was the increase in the working age population relative to the total population, i.e. demographic change that reduced the dependency ratio. It contributed 0.21 percentage points annually. The influence of the growth in the labor force participation rate was comparatively lower, contributing 0.07 percentage points annually. This reflects that the share of the working age population has grown faster than the labor force participation rate. The role of the growth in employment rate was marginal in terms of its impact on GDP per capita; it added 0.01 percentage points annually over the 1998-2014 period.

There is some variation to what has driven growth over the observed period, but the contribution of an expanding workforce has been positive throughout. The change in productivity had a dominating role between 1998-2005 and 2009-2014, while the participation rate growth had the biggest impact in 2005-2009 (*Figure 15*). The employment rate growth also

¹⁴ This section uses the term ‘driver’ as the statistical component of per capita growth that positively contributed to growth.

¹⁵ GDP as total value added measured in constant 2010 US\$.

¹⁶ Methodology explained in Box 1.

had a large positive influence during the most recent 2009-2014 period. During 2009-2014, the drivers of growth became more balanced: employment grew considerably faster and contributed positively, as opposed to the periods spanning 1998-2009 when its contribution was negative. *Figure 15* also shows that while the contribution of demographic change was relatively small for the whole period, it was consistently positive. This suggests that the impact of the favorable shift in demographic structure is gradually taking effect.

Table 5

GDP, population and labor force: annual growth rates (1998-2014, in %)

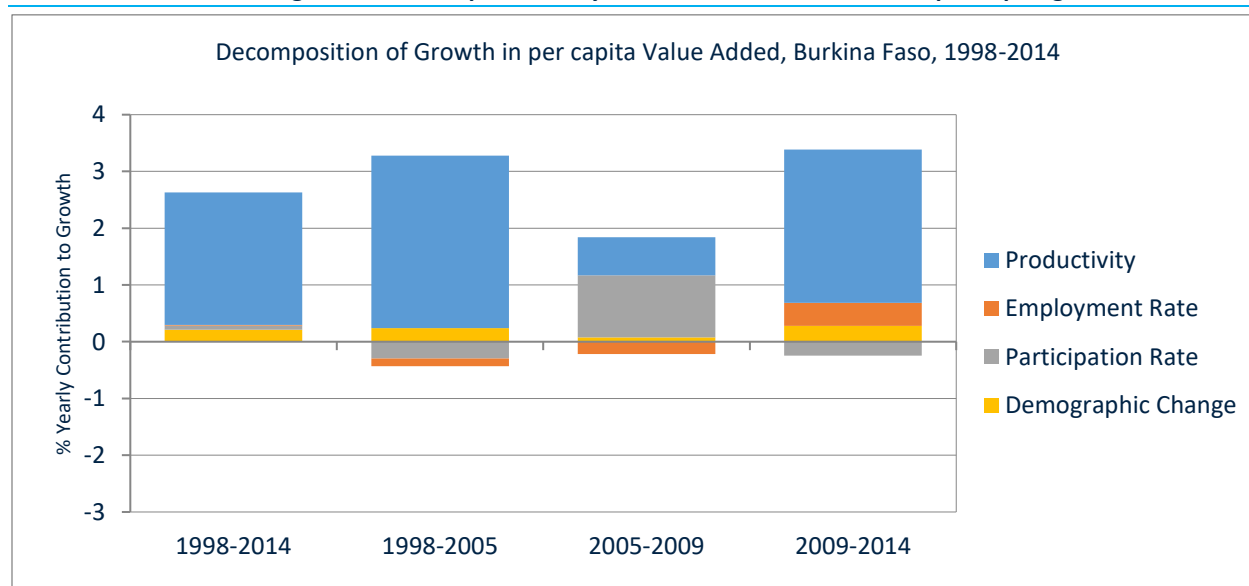
Indicator	1998-2014	1998-2005	2005-2009	2009-2014
GDP (CAGR)	5.70	5.85	4.77	6.24
GDP per Capita (CAGR)	2.63	2.84	1.62	3.14
Population (total)	3.00	2.92	3.10	3.01
Population (15-64 years)	3.21	3.17	3.18	3.29
Labor force (15-64 years)	3.28	2.87	4.31	3.05
Employment (15-64 years)	3.29	2.73	4.08	3.46
Dependent Population (< 15 and 65+)	2.77	2.68	3.02	2.71

Source: JobStructure Tool, World Bank

Note: Total Value Added in constant 2010 US\$ (WDI).

Figure 15

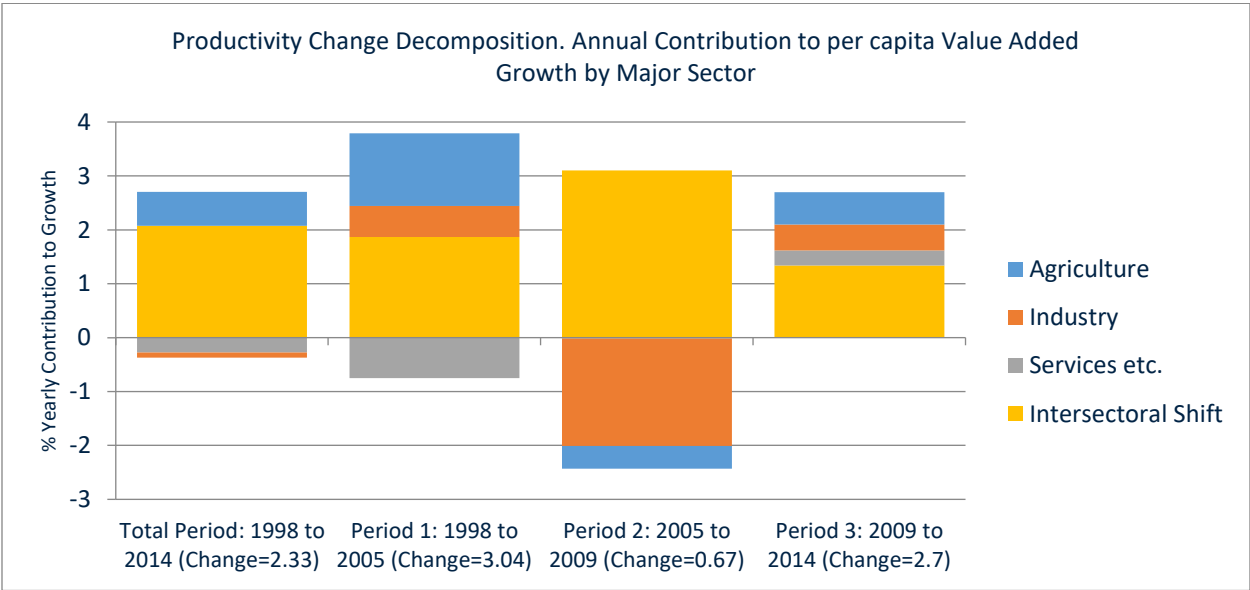
Between 1998 and 2014, growth in labor productivity has contributed most to GDP per capita growth



Source: JobStructure Tool Outputs, World Bank

The growth in labor productivity was driven almost entirely by the movement of workers to higher productivity jobs. As Figure 16 illustrates, the movement of workers from sectors with low productivity jobs to sectors with relatively higher productivity jobs—a process referred to as ‘intersectoral shift’—had the biggest impact on productivity growth throughout 1998-2014, both overall and within sub-periods. It contributed 2.07 percentage points to the total labor productivity growth of 2.33 percentage points per year. The remaining 0.26 percentage points were due to growth in productivity within individual sectors. The intersectoral shift, and its impact on productivity growth, mirrors the change in the employment structure, whereby the share of services (higher productivity) in total employment increased and that of agriculture (lower productivity) decreased.

Figure 16
Workers moving into more productive sectors have contributed most to productivity growth during 1998-2014



Source: JobStructure Tool Outputs, World Bank

BOX 1. DECOMPOSING GROWTH

The analysis of the drivers of growth in Burkina Faso that focuses on employment and structural transformation is built on the Shapley decomposition of growth based on the following identity:

$$\frac{Y}{N} = \frac{Y}{E} \times \frac{E}{L} \times \frac{L}{A} \times \frac{A}{N}$$

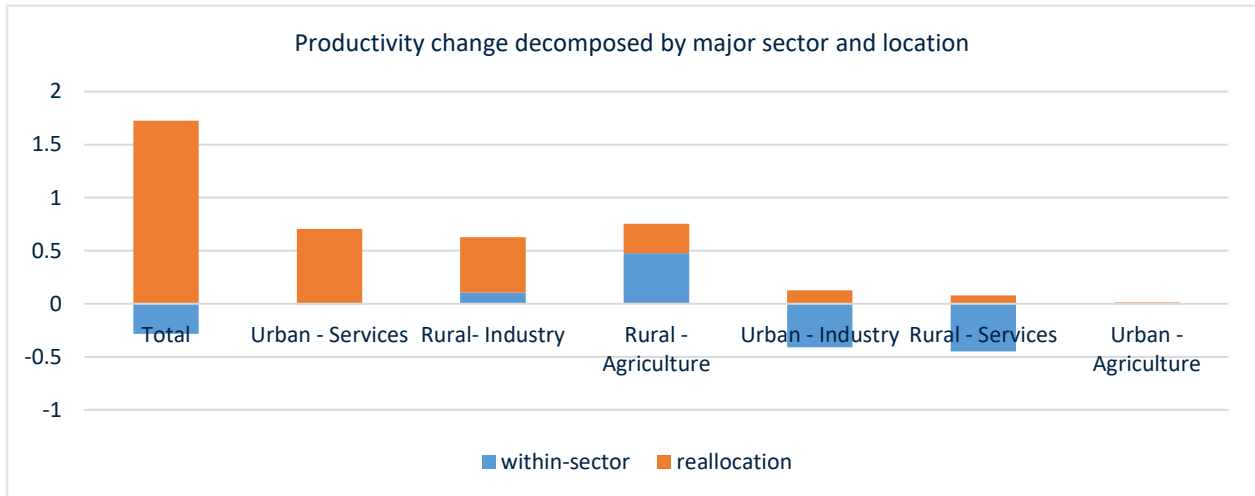
where Y is total value added, E is total employment, L is the labor force, A is total working age population, and N is total population. Alternatively, it can be expressed as:

$$y = w * e * p * a$$

where y is value added per capita, w is total value added per worker, e is the employment rate, p is the labor force participation rate, a is the share of working age population to total population.

THE SWITCH TO URBAN SERVICE SECTOR JOBS IS THE MAIN CONTRIBUTOR TO LABOR PRODUCTIVITY GROWTH...

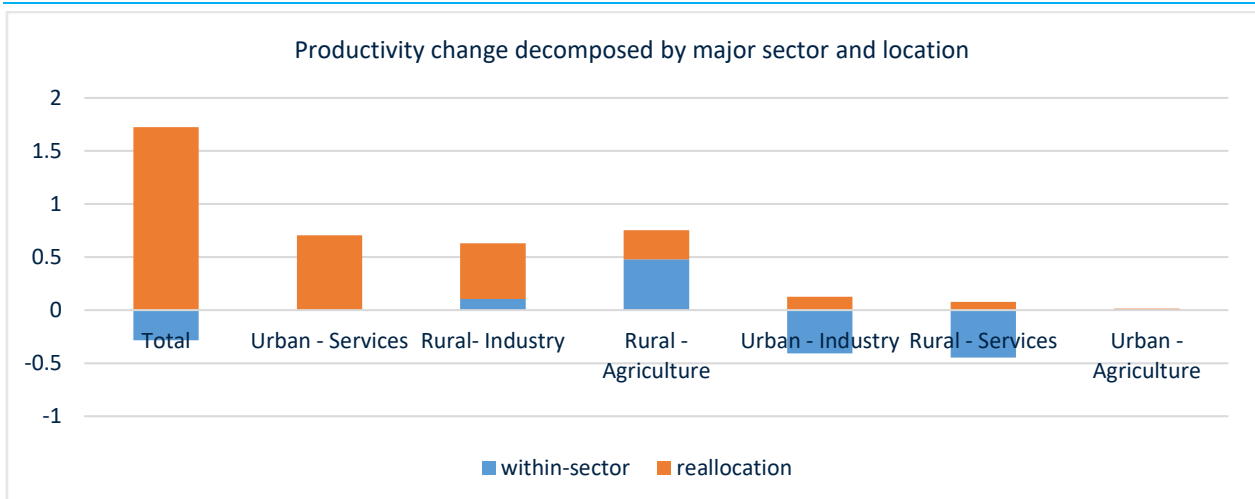
The movement of workers to service jobs in urban areas was an important way through which Burkinabe increased their productivity. *Figure 17*



illustrates a decomposition of labor productivity growth by urban and rural areas and shows that the movement of workers to urban service sector jobs accounted for nearly half (48.9 percent) of the total change in labor productivity over the 2003-2014 period.¹⁷ The reallocation into urban services underlines how growing urbanization has benefitted at least some workers as they found relatively higher productivity jobs in urban areas.

Figure 17

Workers moving to more productive sectors have increased the overall productivity during 2003-2014



¹⁷ Due to data constraints, the period of analysis for this detailed decomposition for rural and urban sectors is shortened to 2003-2014. Overall, labor productivity grew by 1.44 percent annually during the period 2003-2014, as opposed to 2.33 percent during the period 1998-2014.

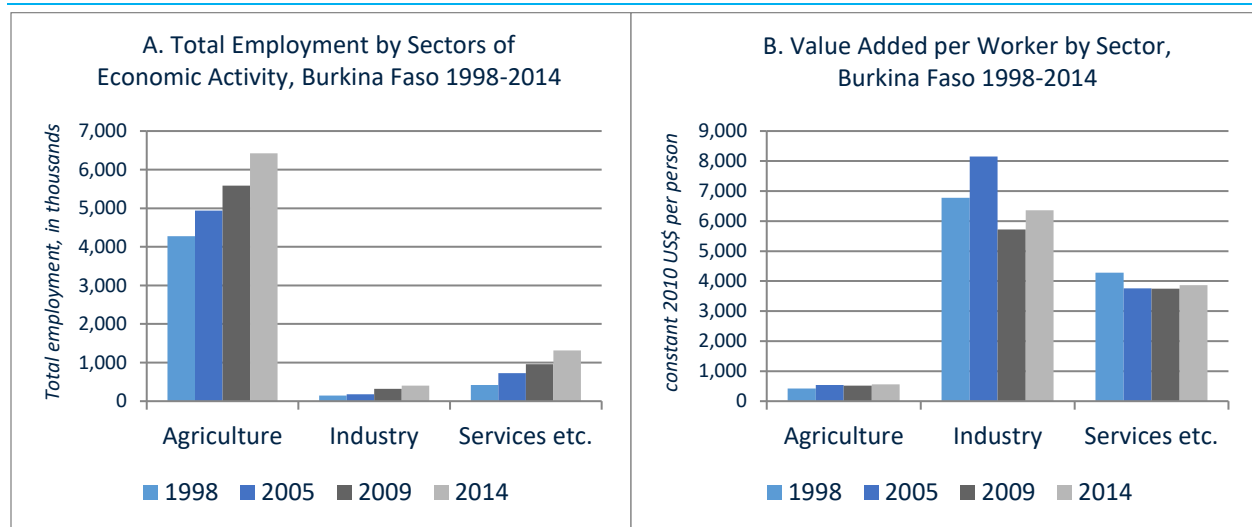
Source: JobStructure Tool Outputs, World Bank

...BUT LABOR PRODUCTIVITY GROWTH OUTSIDE AGRICULTURE IS NEGATIVE

However, **within-sector productivity outside agriculture has been declining.** While the movement of workers towards industry and services provided a boost to overall labor productivity, within-sector productivity in industry and services actually registered an annual negative growth of -0.1 and -0.8 percent during 1998-2014, respectively (*Figure 18*). *Figure 17* indicates that—at least during the period 2003-2014 for which spatial data is available—this was the case even in urban areas. Within both industry and services, the lack of investment is an impediment to the maximization of the benefits brought by the inflow of new workers, attested by the fact that as more workers found jobs in these sectors, a proportionate increase in outputs has not occurred.

Figure 18

Agriculture continues to dominate employment, but exhibits very low productivity



Source: JobStructure Tool Outputs, World Bank

Note: The services category includes commerce, transport and communications.

Productivity in agriculture remains low and hampers poverty reduction. While agricultural productivity grew by an average of 1.7 percent per year during the period 1998-2014, the overall productivity of labor in agriculture was still much lower than in non-agricultural sectors. With nearly 80 percent of all workers dependent on agriculture for their incomes, the weak productivity growth in agriculture is a key constraint to poverty reduction.¹⁸

The move to higher productivity employment can be an effective pathway out of poverty—also in Burkina Faso where informal, low-productivity jobs remain widespread. Workers taking up jobs with higher productivity are likely to benefit from higher earnings. In fact, the shift in employment shares in Burkina Faso indicates that more workers are now earning higher non-

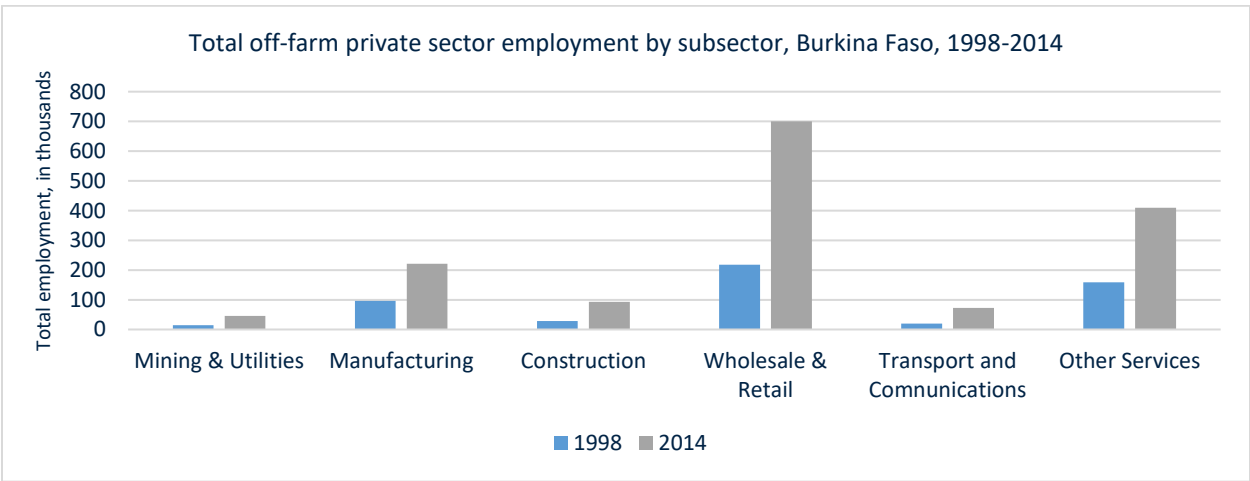
¹⁸ For a more detailed analysis see the accompanying note *Agriculture and Jobs: Analyzing employment in the agricultural sector*.

agriculture incomes. However, most of the jobs in Burkina Faso—across all sectors—are still characterized as informal and are marked by low productivity. According to estimates, over 86 percent of employment in both industry and services in 2014 consisted of workers without contracts.¹⁹ Informality is strongly associated with poverty (OECD 2009) and in the case of Burkina Faso the “incomplete” structural transformation from agriculture to informal services points to untapped potential to further reduce the high overall poverty rates.

A CLOSER LOOK: MOST OF JOB CREATION OUTSIDE AGRICULTURE OCCURRED IN LOW PRODUCTIVITY SUBSECTORS

While some modern service subsectors helped create better jobs, most of the jobs created since 1998 were in low-productivity non-tradable subsectors. Encouragingly, some modern sectors are helping drive the economy: both employment and productivity grew in the transport and communications subsector which is indicative of at least some positive transformation. However, the bulk of employment growth in services occurred in the wholesale and retail trade subsector which grew by 7.5 percent annually, doubling its employment share from 4.9 percent to 9.7 percent between 1998 and 2014 (*Figure 19*). As illustrated by *Figure 20*, productivity in this sector was only slightly higher than agriculture and did not grow over the period, confirming earlier assumptions that most workers moving off the farm found jobs that represented little improvement.

Figure 19
Most off-farm jobs since between 1998 and 2014 were created in wholesale and retail

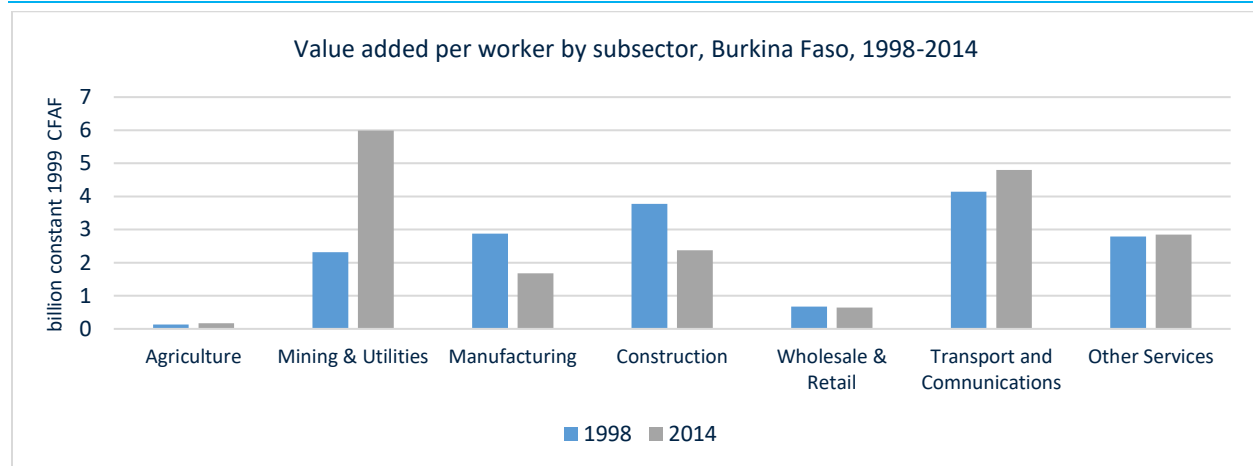


Source: JobStructure Tool Outputs, World Bank
 Note: Agriculture is not included in the figure to allow for clearer presentation across other subsectors.

¹⁹ For a complete discussion see the note on *Workers and Jobs: Improving human capital for better labor market outcomes*.

Figure 20

Productivity in mining and utilities has increased most, while productivity in wholesale and retail remains low



Source: JobStructure Tool Outputs, World Bank

The effects of recent value-added growth in mining were likely limited, as the sector continues to employ a marginal share of the workforce. The movement of workers to rural industry was the second largest contributor, accounting for 36.3 percent of the labor productivity growth. This suggests that some workers benefitted from the growth in mining associated with the substantial rise in gold prices over this period. However, employment in *industrially* exploited mines still accounted for less than 1 percent of total employment in 2014. This reflects the limited capacity of the mining sector to absorb labor and so even if the high gold prices translated into higher wages, only few workers had the opportunity to benefit from them (Box 2 *Error! Reference source not found.*).

Employment in manufacturing has increased between 1998 and 2014, but productivity remains low. Employment in manufacturing has more than doubled (from around 100,000 to more than 200,000) over the observed period, but this increase has been accompanied by a decline in productivity, suggesting that within-sector productivity growth was likely minimal. However, the development potential of manufacturing is well-established: it is a tradeable sector that drives innovation and typically creates better jobs.

BOX 2. THE MINING SECTOR IN BURKINA FASO

Burkina Faso has large mineral resources. Its gold reservoirs are considered the largest identified in Western Africa, suggesting that it can benefit from the resource over a longer period (IMF 2014). Burkina is the fourth largest gold producer in Africa and has recently discovered copper and manganese reservoirs. Gold has been at the forefront of exploitation over the last ten years and the accompanying revenues have changed the economic structure in Burkina Faso. Gold extraction increased from 1,579 kg in 2007 to 30,169 kg in 2012 and 36,909 kg in 2014. In parallel, the gold price almost doubled and reached US\$1,266 per ounce in 2014. The share of extractive industry in GDP has multiplied by a factor

of 15 between 2006 and 2014, from an original level of 0.7 percent to 11 percent (World Bank 2016a). All the gold is exported and accounted for around 75 percent of all exports in 2012 (IMF 2014).

Despite the increased importance of the extractive industry for GDP and exports, the impact on formal employment is small. Since the start of the exploitation between 5,700 and 9,000 formal jobs were created in the industrial mines. These jobs are usually for unskilled, low-wage workers (IMF 2014; World Bank 2016a). In addition to the 12 industrially exploited mines, an estimated 600 non-industrial mines operate in Burkina Faso. Typically, these mines are exploited illegally with estimates suggesting the employment of a high number of workers (World Bank 2016a). These are, however, undocumented.

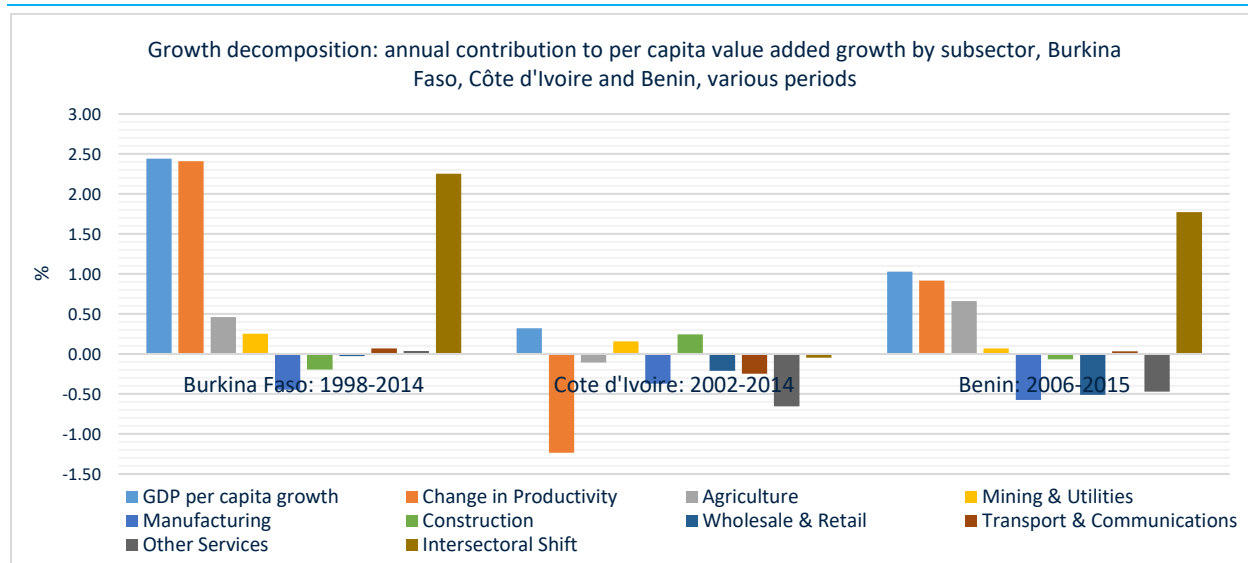
Fiscal revenues from the extractive industry continue to be small. They accounted for 3 percent of GDP on average between 2010 and 2013. To address this, the Government of Burkina Faso introduced new legislation in 2015 that aims at increasing fiscal revenue and improving local investment. This among others requires the mining companies to rely on local workers. Yet, it remains to be seen how this works out in practice and future interventions may be needed to realize the full potential domestically. Further strengthening of governance in the sector while nurturing competition and ensuring security in the mining areas are considered high priorities (World Bank 2016a).

Strong institutions are particularly important as large revenues from resources are not necessarily resulting in strong economic growth and improved livelihoods. A “resource curse” may apply for countries that are fixated on a narrow base of resources. For example, Angola’s crude oil resources led to high resource dependency with oil exports accounting for 97 percent of all exports on average between 2006 and 2015 (World Bank 2016b). This high dependency turned out to become a curse for Angola’s development. Recent dips in oil prices resulted in hyperinflation, social unrest, and currency devaluation. An interesting counterexample is Botswana. The discovery of large diamond resources in Botswana in 1965 resulted in steady growth of the economy. This is often credited to strong government institutions, preventing corruption, and efforts to develop other sectors and diversify (World Bank 2016c). To ensure positive and long-lasting growth effects for resource-rich countries, Mehlum et al. (2006) highlight the importance of functioning institutions, such as a strong rule of law, functioning bureaucracy and absence of corruption. The recently introduced Mining Act of Burkina Faso (2015) that emphasizes transparency and accountability while increasing revenues from mining is a step in this direction.

When compared to Côte d’Ivoire and Benin, the economy of Burkina Faso stands out in terms of GDP per capita growth, productivity growth, and intersectoral reallocation. While growth in GDP per capita has not been fast enough to substantially lower the poverty rate, it has been considerably faster than in two neighboring countries, Côte d’Ivoire and Benin (*Figure 21*). The large contribution of intersectoral reallocation clearly stands out, suggesting that in the face of disappointing within-sector productivity growth workers at least have some capacity to move across sectors and space. Moving forward, it will be important to harness this mobility by equipping workers with skills and creating better quality jobs that they can move to. The case of Ghana can serve as a useful example (*Box 3*).

Figure 21

Comparing growth decomposition in Burkina Faso, Côte d'Ivoire and Benin



Source: Source: JobStructure Tool Outputs, World Bank.

BOX 3. ECONOMIC TRANSFORMATION AND POVERTY REDUCTION IN GHANA

Between 1991 and 2012 the national poverty rate in Ghana declined by more than half, from 52.6 to 21.4 percent. This drastic decline in poverty coincided with a gradual transformation of the labor market; the share of agricultural employment fell from 75 percent to less than 55 percent in central and southern regions as workers moved to non-agriculture self-employment and, to a minor extent, wage jobs in highly urbanized areas. Regions that experienced rapid urbanization tended to be more successful in reducing poverty. (World Bank, 2015)

An important aspect of the structural transformation in Ghana that distinguishes it from the experience of Burkina Faso was that the labor force had accrued significantly higher levels of education. In 1991, very few people had advanced degrees; by 2013, workers with tertiary degrees accounted for 12 percent of the workforce. Higher educational attainment allowed workers to take on more complex jobs, becoming technicians, teachers, or office workers among others. This was closely associated with urbanization—in Accra, for example, the highly-urbanized capital, 30 percent of workers had advanced degrees. Overall, the share of labor force with no education had become a tiny minority in most regions by 2013.

Burkina Faso clearly lags in terms of education outcomes. In 2015, the adult literacy rate (percent of people ages 15+) was only 37.7 percent whereas it was 76.6 percent in Ghana. Completion rates of lower secondary school were much lower in Burkina Faso than in Ghana (24.7 percent vs. 69.1 percent in 2014). In 2013, less than 5 percent of college-aged Burkinabe were enrolled in tertiary education (14.3 percent in Ghana).

Improving educational outcomes and facilitating urbanization proved instrumental for the development of Ghana. A similar understanding of subnational poverty, education and urbanization

patterns in Burkina Faso could help with identifying challenges and formulating more targeted policy interventions.

As labor in Burkina Faso leaves agriculture, more and better jobs will be needed in industry and services. Productivity gains in agriculture through technological progress would benefit more households than would investments in extractive industries (World Bank 2007; Christiaensen and Demery 2007). Moreover, it would release labor from smallholder farms. Job creation will be needed in services and agri-business/agro-processing and construction. As labor moves from agriculture to these relatively higher productivity sectors, the economy gains a “static” productivity gain from the labor shift. However, as Vries et al. (2015) note, in many African countries, structural transformation has been associated with falling average productivity in the labor receiving sectors. To offset this “dynamic loss”, Burkina would need to stimulate productivity gains in manufacturing, construction, and services. This can be achieved through sector specific investments to increase within sector productivity growth.

4. PROSPECTS FOR FUTURE JOB CREATION

Taking the National Plan for Economic and Social Development (PNDES) 2016-2020 as a starting point, this section explores future paths of job creation and growth. These paths are derived from past macro-economic developments and compare a baseline projection (without an effective macro-economic policy change) to alternative policy scenarios (with a range of policy changes). These alternative growth paths target the 7.7 percent annual GDP growth until 2020, set out in the PNDES, and outline what changes would be needed to achieve the target through a combination of structural transformation and within-sector productivity growth. Three conclusions stand out: (i) the capacity to sustain labor productivity growth based almost entirely on intersectoral reallocation will decline; (ii) the impending demographic change can have a powerful impact by almost completely offsetting the slowly declining contribution of productivity growth; and (iii) increased structural transformation or new drivers of within-sector productivity are needed to reach GDP growth goals and create better jobs.

THE CURRENT DEVELOPMENT TARGETS ARE AMBITIOUS, BUT DIFFICULT TO ACHIEVE WITHOUT POLICY CHANGE

The PNDES 2016-2020 is setting out to “achieve a strong, sustainable, resilient, inclusive growth, generating decent employment for all and eliciting improved social welfare”. To achieve these goals, the plan foresees an average annual GDP growth rate of 7.7 percent, creating at least 50 000 jobs every year. It thereby assumes a decline in the poverty rate from 40.1 percent in 2014 to 35 percent in 2020. Furthermore, it anticipates a drop in the demographic growth rate from 3.1 percent in 2015 to 2.7 percent by 2020, the acceleration of the human capital development level, and the advent of production and consumption methods guided by a sustainable development perspective.

Several development targets included in the PNDES are ambitious and will be difficult to achieve given past and current trends. Considering the current economic and demographic trajectories and the time it takes for policies to take effect, it is unlikely that the PNDES growth targets can be achieved. First, if past growth patterns persist²⁰, the GDP growth through 2020 will rather be 5.4 percent than 7.7 percent annually. This growth will also not suffice to catch up with Benin or Mali, the countries with the two next highest levels of GDP per capita within the group of WAEMU countries.²¹ Second, while the employment creation target is achievable, the

²⁰ See *Section 1* for a presentation and discussion of those patterns.

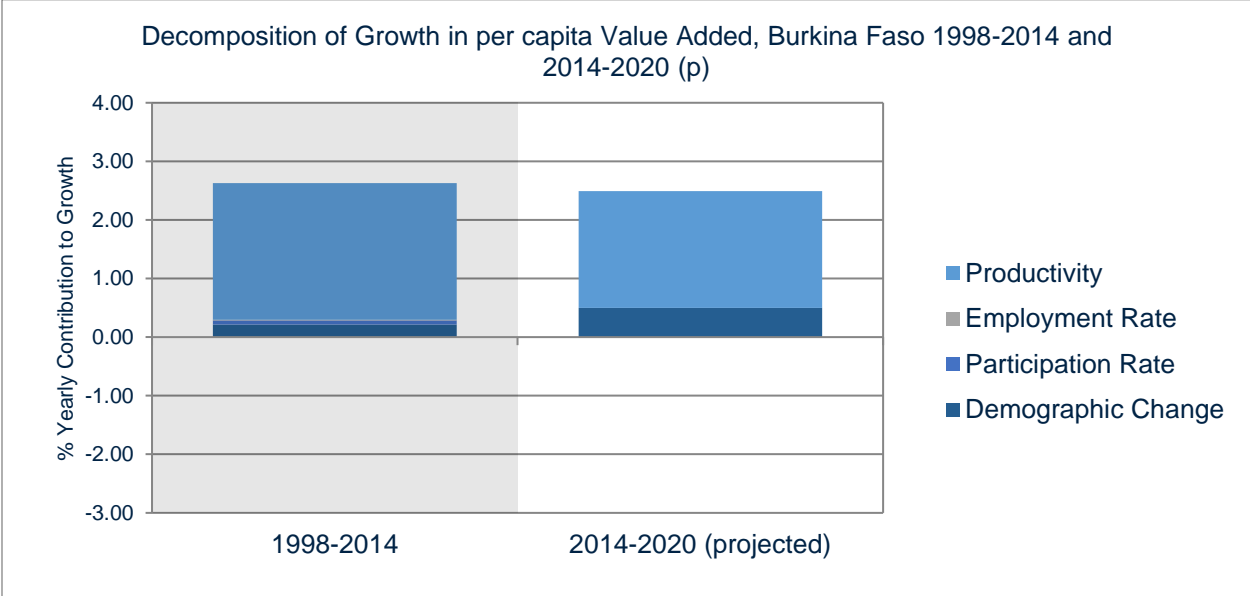
²¹ Ranking all eight WAEMU countries in terms of GDP per capita (2015), Burkina Faso was 5th with a GDP per capita of US\$630.7 (constant 2010) coming behind Benin (US\$827.2), Mali (US\$902.5), Senegal (US\$1,044.0) and Cote d’Ivoire (US\$1,491.7).

targeted 50,000 jobs created would not be enough to productively employ the projected annual inflow of 300,000 people into the labor force. Third, the targeted poverty goal is achievable, but largely depending on poverty reduction policies, including the effective use of cash transfers in the fight against poverty. Finally, even if policies to reverse demographic trends could be devised over such a short period, it would take about 15 or more years for them to affect the working age population.

LOOKING TOWARDS 2020: GROWTH IN WORKING AGE POPULATION GAINS IN IMPORTANCE

In the near future, labor productivity growth through intersectoral reallocation will likely be the main driver of GDP per capita growth, but its contribution is expected to decline. This is the result of a basic projection of the 2009-2014 sectoral employment and growth rates of value added until 2020, depicted in *Figure 22*.²² The projection implies that the elasticity of employment to growth for each sector will remain the same through 2020. Incorporating demographic trends, these projections yield a yearly GDP per capita growth rate of 2.49 percent until 2020 and approximately 300,000 additional jobs per year. The projected GDP per capita growth is slightly slower than the actual growth for the full period of 1998-2014. Most importantly, the drivers of this growth change: labor productivity remains the dominant driver, contributing 1.99 percentage points annually, but its influence starts to decline (from 89 percent for 1998-2014 to 80 percent for 2014-2020).

Figure 22
Looking ahead: labor productivity remains the dominant driver of GDP growth, but its influence starts to decline



Source: JobStructure Tool Outputs, World Bank.

²² Demographic projections are based on UN DESA population projections. The projections are made with a restriction on the growth of the employment to not outperform the labor force participation.

The impact of demographic change on the growth of GDP per capita will likely become stronger, but addressing seasonality and underemployment should gain in importance. According to the projections, the contribution of demographic change more than doubles: from 0.21 percentage points recorded during 1998-2014 to 0.50 between 2014 and 2020. This highlights how the increasing share of working age population can have a positive impact on per capita GDP growth. An important difference in this projection to previous periods is that growth from 2009-2014 was employment-intensive, in other words, the growth in output was driven to a larger extent by bringing in more workers, rather than enabling incumbent workers to produce more. With the unemployment rate already low, sustaining the previous growth path through 2020 would require expanding the pool of potential workers. However, Burkina Faso already has a high labor force participation rate and increasing it further does not appear to be a sustainable growth strategy.²³ Addressing seasonality and underemployment could be alternative approaches.

FOR STRUCTURAL TRANSFORMATION TO GATHER PACE, THE POLICY ENVIRONMENT NEEDS TO CHANGE

The continuation of current policies will *not* result in a faster reallocation of labor out of agriculture into sectors with higher productivity. The projected growth path—that does not assume any major policy change until 2020—will lead to a decline in the employment share of agriculture, but the sector will still account for three-fourths of employment by 2020 (Table 6). To achieve a more substantial boost in prosperity, structural transformation should gather pace with workers increasingly obtaining jobs in non-agricultural sectors with higher productivity and better earnings potential. Faster labor productivity growth will allow output to continue growing with a lower employment-intensity. Since higher productivity work is associated with higher wages, it will also lead to opportunities for increased incomes.

Table 6

If the policy environment remains unchanged, the current slow pace of structural transformation will continue

Employment shares (% to total)	1998	2014	2020 (projected)
Agriculture	88.2%	79.0%	74.6%
Industry	3.1%	4.9%	5.7%
Services	8.7%	16.1%	19.7%

Source: JobStructure Tool Outputs, World Bank

However, to achieve a stronger GDP growth of 7.7 percent per year—as targeted by the PNDES—and to create more jobs with higher earnings, faster structural transformation or greater within-sector labor productivity are needed. At the current rate of structural transformation, GDP is projected to grow 5.4 percent annually, while employment in industry will

²³ With 83.6 percent Burkina Faso had the highest labor force participation rate among WAEMU countries in 2014.

only rise by a total of 28,000 per year and in services by 107,000 jobs per year (*Table 7*). This corresponds to an annual increase of 2.5 percent in the industry share of employment and 3.4 percent in the service share of employment. The higher rate of annual GDP growth of 7.7 percent—as targeted by the PNDES—could be achieved through two channels: (i) faster sectoral transformation; and (ii) within-sector productivity growth. *Table 7* outlines the main parameters of five additional growth paths, as alternatives to the base 2020 projection offered by the PNDES, using these two channels to enhance GDP growth and job creation:

i.) ALTERNATIVE 1: ACCELERATION OF SECTORAL TRANSFORMATION

This alternative growth path to 7.7 GDP growth per year requires a much faster sectoral transformation that would more than double in pace.²⁴ This would result in an accelerated shift of employment out of agriculture and into industry and services by an additional 16,000 jobs to 44,000 jobs in the industry section and an additional 77,000 jobs to 184,000 jobs per year, respectively.²⁵ This corresponds to an annual increase of 5.3 percent in the industry share of employment and 7.1 percent in the service share of employment.

ii.) ALTERNATIVE 2: ADDITIONAL PROPORTIONAL PRODUCTIVITY INCREASES IN ALL SECTORS

This growth path is built around the proportional within-sector productivity increases in all sectors, doubling the total annual productivity increase from 1.99 percent in the PNDES 2020 projection to 4.17 percent per year.²⁶ This implies an additional annual productivity increase of 2.1 percent per sector. These alternative productivity projections hold structural transformation and implicit productivity shifts unchanged from the base projection. They do not lead to additional employment reallocation but to a general increase in labor productivity.

iii.) ALTERNATIVES 3, 4 AND 5: ADDITIONAL INCREASES IN PRODUCTIVITY IN INDIVIDUAL SECTORS

These remaining three growth paths would achieve the target of 7.7 percent annual GDP growth through additional increases in sector specific productivity: 6.56 percent for agriculture, 8.0 percent for industry, and 4.26 percent for services. As for alternative 2, these productivity projections hold structural transformation and implicit productivity shifts unchanged from the base projection, with no additional employment reallocation, but a general increase in labor productivity.

²⁴ Specifically, an increase of both the structural transformation and its induced productivity changes by a factor of 2.1 from the base 2020 projection is required to achieve 7.7 percent annual GDP.

²⁵ By sector, the induced productivity shifts would translate to increases in sectoral value added of 4.5 percent for agriculture, 14.5 percent for industry, and 18.8 percent for services.

²⁶ Such overall productivity increase would result in an annual productivity increase of 3.8 percent for agriculture, 1.8 percent for industry, and 1.6 percent for services.

Table 7

Growth projection scenarios for Burkina Faso for through 2020

Projections	Base 2020 projection	ALTERNATIVE 1: Acceleration of <u>sectoral transformation</u>	ALTERNATIVE 2: Additional proportional productivity increases in <u>all sectors</u>	ALTERNATIVE 3: Additional specific increase in productivity in <u>agriculture</u>	ALTERNATIVE 4: Additional specific increase in productivity in <u>industry</u>	ALTERNATIVE 5: Additional specific increase in productivity in <u>services</u>
GDP growth	5.4%	7.7%	7.7%	7.7%	7.7%	7.7%
Acceleration of sectoral transformation	-	2.10%	-	-	-	-
Additional productivity change	-	-	2.14pp	6.56pp	8.04pp	4.26pp
Employment change in industry per year (absolute number of additional workers)	28,000	44,000 (+16,000)	28,000	28,000	28,000	28,000
Employment change in services per year (absolute number of additional workers)	107,000	184,000 (+77,000)	107,000	107,000	107,000	107,000

Source: JobStructure Tool outputs, World Bank.

Note: pp = percentage point

The growth paths built around within-sector productivity growth appear more realistic. Different combinations of policies can be conceived that would use these two basic levers—structural transformation and within-sector productivity—for higher GDP growth and more productive employment. In practice, the chosen combination will result in changes that fall between the two “extremes” of a mere acceleration of structural transformation and a mere increase in within-sector productivity. But most importantly, which changes are realistic given the structure and economic history of Burkina Faso or comparator countries? Looking at Burkina Faso’s experience, no such economic development leap—built on suggested pace of structural transformation and within-sector productivity—has been achieved yet. A comparison with 22 similar countries and their 214 growth episodes²⁷ by sector shows that the needed annual employment changes for more than doubling accelerated structural transformation have hardly been reached by comparator countries before (*Table 8*).²⁸ In contrast, the within-sector

²⁷ Restricted to agrarian lower- and lower-middle-income countries. The growth episodes span a minimum of three to a maximum of 10 years. They exclude extreme values.

²⁸ This compares the value for Burkina Faso to all growth episodes from the Benchmark countries and then places it within the percentile of all growth episodes.

productivity changes seem somewhat more likely (*Table 9*). The list of countries with growth episodes that leveraged their annual within-sector productivity at similar values than the ones stipulated by the alternative growth paths presented here is longer.

A policy mix aimed at increasing the pace of structural transformation and proportional productivity increases across all sectors would likely deliver best results in terms of job outcomes. A policy mix that accelerates structural transformation with a stronger focus on increasing within sector productivity seems advisable. The latter should aim at a proportional increase of all sectors rather than focus on a small subset. This would enable a more balanced development, make the achievement of the target more realistic, and affect more people.

Table 8

Comparison of three main projections (2014-2020) and benchmarks: change of shares in employment

	Change of employment (CAGR*)		
	Agriculture	Industry	Services
Base Case Projection	-0.94%	2.52%	3.38%
Sectoral Transformation Projection (Alternative 1)	-1.97%	5.28%	7.09%
Within-Sector Productivity Projection (Alternative 2)	-0.94%	2.52%	3.38%
Average of Comparators	-1.65%	1.93%	1.26%
Percentile rank within range of Benchmark countries values			
Base Case Projections	63 percentile	63 percentile	90 percentile
Transformation Projection (Alternative 1)	41 percentile	83 percentile	98 percentile
Within-Sector Productivity Projection (Alternative 2)	63 percentile	63 percentile	90 percentile

Source: JobStructure Tool outputs, World Bank.

*Compound annual growth rate

Table 9

Comparison of three main projections (2014-2020) and benchmarks: value added per worker

	Value Added per Worker (CAGR*)			
	Total	Agriculture	Industry	Services
Base Case Projection	1.99	1.66	-0.37	-0.59
Transformation Projection (Alternative 1)	4.17	3.49	-0.78	-1.23
Within-Sector Productivity Projection (Alternative 2)	4.17	3.81	1.77	1.56
Average of Comparators	2.39	2.74	0.48	2.19
Percentile rank within range of Benchmark countries values				
Base Case Projections	47 percentile	40 percentile	38 percentile	9 percentile
Transformation Projection (Alternative 1)	86 percentile	63 percentile	34 percentile	6 percentile
Within-Sector Productivity Projection (Alternative 2)	86 percentile	65 percentile	61 percentile	43 percentile

Source: JobStructure Tool outputs, World Bank

*Compound annual growth rate, in percent

CONCLUSIONS

Recent high rates of economic growth in Burkina Faso have generated sufficient jobs to keep employment levels up, but these jobs were not of a commensurate quality to allow for a substantial improvement in living standards. In fact, the problem of Burkina Faso is not the number of jobs, but their quality in terms of productivity and earnings. The present assessment of the macro environment outlines that for the structural transformation—understood as the reallocation of jobs from the currently dominant agriculture towards manufacturing and services—to gather pace, more fundamental changes in the economy need to occur. A move to higher added value and more productive jobs would allow for a leap forward in economic development. If continued, the slower pace of growth over the most recent period will likely pose further jobs challenges.

An integrated jobs strategy can guide interventions for better and more inclusive jobs. The jobs challenges facing Burkina Faso are numerous. A comprehensive and broad discussion that eventually focuses on the most effective actions will thus be key. This report provides only a partial assessment of which areas might be pivotal and is one out of four Jobs Diagnostic notes for Burkina Faso. Further accompanying notes are on labor supply, labor demand, and agriculture. The note provides an identification of constraints from a macro-economic perspective that—together with the other notes—can form the basis for informing a comprehensive Jobs Strategy. A separate note entitled *Jobs Diagnostic: Burkina Faso – Overview and Suggestions for a Jobs Strategy Framework*, summarizes all perspectives and provides a preliminary policy framework with initial suggestions to guide a potential future Jobs Strategy for Burkina Faso.

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