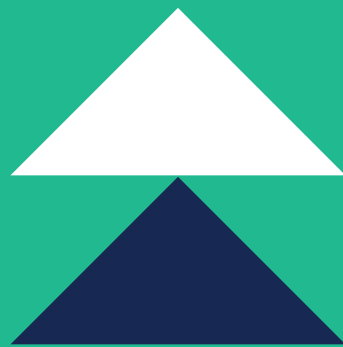


Scoping Report

Burkina Faso

January 2022



CHALLENGE
FUND
FXR
YOUTH
EMPLOYMENT

Contents

1. Why this report?	3
1.1 Who are we?	3
1.2 How does it work?	3
1.3 Why this report?	4
2. Major difficulties in Burkina Faso	5
2.1 Access to funding	6
2.2 Education	6
2.3 Infrastructure, access to markets	6
2.4 Agriculture	7
3. Operational options for CFYE in Burkina Faso	8
4. Proposed approach	11
4.1 Financial Service Providers - reach fundable partners (A1, see the table in §3)	12
4.2 FSPs - Limited access to credit for enterprises (A2)	14
4.3 Rural Areas - Agriculture (work around value chains, D2)	15
4.4 Rural Areas - Climate change (D3)	16
4.5 Rural Areas - Difficult to reach the rural population (D1)	17
5. Recommendations and outreach estimates	19
5.1 Recommendations	19
5.2 CFYE operational criteria	19
5.3 Partner selection criteria	20
5.4 Outreach, first estimates	21
6. A call for Solutions	22
6.1 Proposed tender approach	22
6.2 Eligibility criteria	22
6.3 Profile of Applicants	22
6.4 Types of projects and minimum job targets	22
6.5 Minimum grant amount	23

This report has been produced by the Challenge Fund for Youth Employment
<https://fundforyouthemployment.nl/>

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

1. Why this report?

1.1 Who are we?

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs. Launched in 2019, our multi-country challenge fund supports employment opportunities for young men and women in Africa and the Middle East. The management of the CFYE is contracted to Palladium, Randstad and VSO.

The aim of the CFYE is to create economic prospects – via decent work and income – for 200,000 young men and women in the Middle East, North Africa, Sahel/ West Africa, and the Horn of Africa. It strives for improved opportunities on work that is productive and offers a

stable income, with safe working conditions and social protection. In total, the fund co-invests approximately €70m in youth employment creation projects in about 15 countries.

Each country has its own specific challenges around youth employment, and each its own unique opportunities to solve them. This report presents an overview of the approach to be implemented in Burkina Faso. It is intended to be used as a key tool to guide prospective applicants in the design of relevant project ideas. The fund will launch a call for proposals in Burkina Faso in February 2022.

1.2 How does it work?

Private sector, civil society and knowledge institutions are invited to submit proposals for initiatives to address specific challenges framed around creating scalable solutions for more and better jobs for the youth. Solutions will be built around integrated approaches designed to bridge the mismatch between the demand for high quality jobs and the supply of skilled labour. They will be aligned with the aspirations of young women and men in the country.

In Burkina Faso, we are looking to provide co-funding of 10-50% to projects that create or improve at least 50 jobs. The minimum co-funding of CFYE is €50k, meaning that a total project budget should equal at least €100k, without a maximum value at this stage.

A standard open call for proposals is not expected to lead to the desired outreach in Burkina Faso. This is because of its limited market size, which implies a limited number of investment opportunities. Secondly, the fund wants to have a 'light' process, as we do not have an on the ground team. A more guided approach is expected to create more intervention options for the fund. This set-up implies that CFYE needs a more active local engagement to attract potential interventions.¹ This engagement is preferably done by one or several local partners, to diminish the time

spent on managing local partners. Even more efficient would be to work with a partner that operates regionally for subsequent regional calls. Finally, to create interesting impacts, it is considered useful to link the intervention focus to the major challenges in Burkina Faso (see next section).²

Technical support will be available for applicants throughout the process. The Fund Manager will organise information sessions for potential applicants. Interested parties are welcome to contact the Fund Manager to discuss ideas and seek guidance or support for concept note development. Once projects are selected for implementation, tailored technical support will be made available to maximise delivery of results.

¹ Use an active engagement approach to attract potential local interventions.

² Link intervention focus areas to major challenges in Burkina Faso

1.3 Why this report?

This document regards operational options for the foreseen rollout of the Challenge Fund for Youth Employment to Burkina Faso. As this country has a limited economic development and many social and political difficulties, operating in Burkina Faso is more challenging than in other CFYE focus countries. Hence, there is a need for an adapted set-up to find suitable local partners that improve youth employment. Usefully, elements of the proposed set-up for Burkina Faso can also be used for similarly difficult CFYE focus countries.

To help prepare CFYE to set-up operations for Burkina Faso, this background document concentrates on the following issues:

- A. Major difficulties in Burkina Faso**
helps focusing on key intervention possibilities
- B. Operational options**
based on CFYE's objectives and Burkina Faso's main difficulties
- C. Next steps**

This background document uses a field-level, practical perspective.. Implementing longer-term projects in less stable, underdeveloped areas takes time and not all can be done simultaneously. This general background document therefore concentrates on main issues and feasible options. The analysis is based on existing research, internal discussions, stakeholder interviews and experience in the region.

The following process to develop the approach for Burkina Faso was followed:

- ▶ Initial discussion with a broad range of ideas for intervention options (finished)
- ▶ Discussion and selection with CFYE management of feasible approaches (finished)
- ▶ Practical description of the selected options and a first overview of potential partners in this field (finished)
- ▶ Discussion with CFYE management on refining the selected approaches (finished)
- ▶ Finalisation of the set-up (finished and approved)
- ▶ Start of the intervention (February 2022)

2. Major difficulties in Burkina Faso

Development interventions in Burkina Faso are complicated compared to other CFYE target countries such as Uganda and Egypt. A major issue is its limited development (Burkina Faso ranks 182th out of 189 countries on the UN Human Development Index). The country has a plethora of issues that require attention. Nonetheless, Burkina Faso has some advantages:

- ▶ Currency stability (unless the FCFA would be devaluated)
- ▶ Some economic integration with other West African countries (UEMOA)
- ▶ (Temporary) work options for many seasonal workers in nearby countries (such as Cote d'Ivoire, Ghana and Senegal)
- ▶ Increasing urbanisation (now 31%, almost 5% growth per annum)
- ▶ Some strength in mining³, cotton and other agri production
- ▶ Warm climate, useful in areas with sufficient access to water (the southern 40% of the country, although soil moisture levels are expected to decrease due to climate change)

Unfortunately, there are many issues that block employment and economic development in Burkina Faso. The following main issues require long-term improvements, which places them outside CFYE's realm because of its limited term mandate:

- ▶ Security situation, terrorist attacks, political instability (January 2022 coup)
- ▶ Poverty: GDP/capita: €2k, 41% of the population lives below the national poverty level
- ▶ Corruption and bureaucracy (ease of doing business index ranking 151/190, of which starting a business 88/190, getting construction permits 95/190, getting electricity 183/190, registering property 141/190, getting credit 152/190)

- ▶ Underdeveloped infrastructure in a landlocked country
- ▶ High population growth: 2.6% per annum, high unemployment rate

Youth in Burkina Faso also face specific challenges.

- ▶ 64% of population <25 years, median age: 18 years
- ▶ Low literacy rate: 39%
- ▶ Limited job opportunities: 0.6m youth enter the market annually
- ▶ Difficult to set up a business: 129/137 in Global Entrepreneurship Index

However, there are also main issues that to some extent can be addressed through shorter-term interventions like CFYE. This regards for instance:

- ▶ Lack of access to funding
- ▶ Lack of education/skills
- ▶ Weak infrastructure, lack of access to markets, lack of market demand
- ▶ Weak agriculture productivity

The overview below provides background on these last issues. It will be used in section 3 to develop intervention ideas:

³ Mining is considered less suitable for CFYE as it is capital intensive; the sector is not expected to create much employment and because mining attracts much political involvement.

2.1 Access to funding

A major issue is that it is difficult for enterprises to access funding. Although at the lower end of the market there are about 130 microfinance operators, most of them are small credit cooperatives. These focus on providing short-term small amounts to members. Their main issues are a lack of funding, weak management capacity and high risk (including security risks). Furthermore, the World Bank estimates that only 20% of MFIs are compliant with the official local financial ratio norms. There are about five MFIs that have the capacity to cater for SMEs. This regards for instance ACEP, Baobab and Fadima.

Although fewer in number, the banks dominate the financial sector and hold about 95% of the sector's assets. There are 13 banks, plus two leasing companies. Banks include for instance BoA, Ecobank and Coris. Banks focus mainly on salaried people (a small percentage of the population), the low number of larger companies, real estate deals and state related finance.

Finance at the SME level is for an important part based on collateral, for which often a high coverage is needed. It is estimated that a collateral worth more than 2, allows for a credit of at most 1 (in other African countries debt coverage ratios below 2 are more common). Secondly, there is a preference for buildings as collateral, much less so for machinery and stock as these may disappear. Growing SMEs with a strong employment potential that have not yet developed a collateral base (a building) therefore have difficulties accessing finance. Another issue is that finance is often only available for shorter terms, especially when financial institutions lack long-term funding themselves. Short term funding is useful as working capital and for traders, but less for long-term investments.

2.2 Education

There are three main issues regarding education in Burkina Faso:

- ▶ Lack of access to education, especially in rural areas. Although improving, the literacy rate in the country is still only around 40% according to the Unesco.
- ▶ Limited duration of education, with an average of 9 years in school. Hence, many pupils stop their formal education when they are around 14-15 years.
- ▶ Limited practicality of education, including a lack of technical and business skills

Simplified, the result is that it is difficult for enterprises in Burkina Faso to find employees that have even just basic business skills. This regards for instance financial management, planning, production, control, IT and (internet) marketing.

2.3 Infrastructure, access to markets

Access to markets regards the possibility to sell wares and services freely. Burkina Faso has a shallow market as its population has a low purchasing power. Usefully, being member of the West African economic union (UOMEA) provides decent possibilities to export to neighbouring countries. An issue, however, is that some of them are equally underdeveloped (Mali, Niger).

Another issue is that transport costs are high because of a less developed infrastructure and because of unofficial levies. Another issue is that access to the internet is weak and expensive. A related issue is that knowledge on how to handle internet sales is low.

2.4 Agriculture

About 70% of the population lives in rural areas, of which about 80% farms at the subsistence level. A main issue is low productivity, with only limited usage of high yield seeds, modern production techniques and a lack of proper storage facilities. Other difficulties include droughts, desertification, soil degradation and deforestation. These issues are expected to deteriorate due to climate change.

3. Operational options for CFYE in Burkina Faso

Based on the general assessment of section 2 above, the following overview provides a range of ideas of how CFYE could reach its goals in Burkina Faso. Main options are worked out in section 4 based on a discussion with CFYE's seniors:

<i>Issue</i>	<i>Background</i>	<i>Option</i>	<i>Risks</i>	<i>Advantages</i>
A. Finance related through Financial Service Providers (FSPs)				
A1. Reach fundable partners	FSPs are in contact with many businesses. Funding them is sometimes considered too risky or the FSPs lack (long-term) funding to handle clients.	Partner with FSPs to vet clients and link them to CFYE when they want to share risk/ need funding. An option is to guarantee vetted clients, prefund a portfolio or provide Loans with a Plus (see below).	Reach high risk clients of FSPs, that would otherwise not be funded	Access to a decent number of preselected enterprises, that are interested in economic assistance
A2. Limited access to credit for enterprises				
B. Education related				
B1. Lack of education	It is difficult for (larger) enterprises in Burkina Faso to find qualified employees	Partner with business associations/schools/ impact hubs/incubators to improve the capacity of expanding enterprises. This could be part of a Loan with a Plus	Impact of trainings is not always clear, trained staff may leave (although that could benefit another enterprise),	Get into contact with potential CFYE projects; growing enterprises need skills; create future business leaders
B2. Lack of education centres	About 20% of schools in Burkina Faso are private, plus there are some private business schools in the country.	Provide mini MBA's to selected enterprises and help business schools get finance and clients. A focus area could for instance be to use the internet for sales and sourcing (Beogolab)		
		Assist FSPs to finance schools (EduFinance). In its basic form this requires market research, product development and staff trainings.		

<i>Issue</i>	<i>Background</i>	<i>Option</i>	<i>Risks</i>	<i>Advantages</i>
C. Infrastructure related				
C1. Limited access to electricity in Burkina Faso	The electricity grid is not well developed and enterprises need to rely on (expensive) generators. Only about one-third of the country is electrified.	Consider partnering with FSPs or energy businesses to finance alternative electricity sources (renewables, storage capacity). An option would be to use lease constructions.	Faulty equipment (lower risk if repair services are available); building stable energy sources is a multi-year intervention	Stable access to electricity helps enterprises to expand. Other benefits include work for installation firms and less pollution
C2. Urban areas grow by about 5% per year	Urban growth create opportunities, for instance for builders and service providers	Maybe CFYE could collaborate with builders and funders that provide affordable housing with a long-term finance. (i.e. Habitat).	Over-indebtedness by house owners	Reach many people, provide work and improve living conditions, stimulate FSPs to fund additional projects
D1. Difficult to reach the rural population	Almost 70% of the population lives in rural areas. Reasons why they are difficult to reach include security issues and a weak infrastructure.	Reach seasonal workers (mainly in Cote d'Ivoire, Mali and Senegal). An interesting option is to work with temporary work organisers. Maybe they need assistance in professionalization and expansion. Another option is to work with remittance handlers, to stimulate the productive use of remittances.	Deal with organisers that mistreat temporary workers	Possibility to reach a high number of rural people
D. Rural areas				
D2. Agriculture	Most agriculture is on the subsistence level, but Burkina Faso exports for instance cotton, oil seeds, fruits and nuts. Mostly this is done in the form of untransformed primary production (only about 15% is processed locally)	Work with main or upcoming (export) agrisectors to improve the value chain. Assistance could be for training, production (also the use of modern techniques such as drones), transport and packaging. An option is to work with distributors of local production, such as chicken/egg products. Another option is to increase the local primary production transformation capacity.	Not all agri organisations are known for decisiveness. Experience indicates that it is difficult to change the production approach for subsistence farmers.	Sustainable improvements in rural areas
	Low productivity, leads to a low surplus and the need for temporary jobs elsewhere	Improve productivity by collaborating with agri expert organisations (improved/ climate resistant seed providers, water preservation techniques, agri extension services)		

<i>Issue</i>	<i>Background</i>	<i>Option</i>	<i>Risks</i>	<i>Advantages</i>
D3. Climate change	Decrease soil moisture levels (climate change). Burkina Faso experiences increasing droughts, desertification, soil degradation and deforestation.	Improved farming techniques could decrease these risks (i.e. drip irrigation, climate resilient seeds, the use of soil coverage plants). By preserving farm production such approaches indirectly help employment. A more direct approach is to support massive tree planting (with follow-up maintenance work). This could also indirectly provide livelihoods (Non-Timber Forest Products, construction materials).	Less clear if improved farming techniques will increase employment. Planting and maintaining trees requires local community participation and a long-term view.	Especially planting trees provides direct employment, plus some maintenance work afterwards (and helps the local environment)
E. Other options				
E1. Limited market size	It is not expected that there are many initiatives in Burkina Faso that fall within CFYE's mandate	Operate regionally, for instance by collaborating with a sourcing partner that operates in multiple countries in the region	Less field knowledge outside the base country of the CFYE partner	Easier to find local partners that can handle options for CFYE, lower operational costs
E2. Link to funders	Collaboration with existing investments can strengthen the investment and the intervention	Help an existing investment initiative to improve youth employment	Risk of limited additionality	No need for local presence

4. Proposed approach

After discussions internally and with relevant stakeholders, it was felt that the following intervention options were best suitable for CFYE’s goals. It is practical that they are clustered around two themes: FSPs and rural areas. They are worked out in more detail in the sections afterwards:

1. Finance/FSPs and funders - Reach fundable partners (option A1 and E2, see §3)
2. Finance/FSPs - Limited access to credit for enterprises (A2)
3. Rural Areas - Agriculture (work around value chains, D2)
4. Rural Areas - Climate change (D3)
5. Rural Areas - Difficult to reach the rural population (D1)

Proposed handling process

It seems useful to organise an open call for proposals to attract partners, as already done by CFYE in other countries.⁴ The main reason is that this set-up allows for a transparent process, which is important for CFYE’s funders and in line with how the Fund operates. The difference for Burkina Faso is that it is proposed to actively engage with potentially interested partners to participate in these calls. This involves discussing proposals with contenders (obviously, the proposal should come from the potential partners, to avoid pushing external solutions).

The proposed set-up requires a local partners to handle interactions. A follow-up issue regards managing and assessing the proposals once they are received. Although local knowledge is key, that part of the process could also be handled remotely. The third step in the handling process regards supporting the selected interventions. For this part it is important to have a local partner deal with follow-up and checks:



It is foreseen that CFYE focuses on selecting the local handling partner and potentially also the FSP, while that local partner focuses on handling the funding proposals and the technical assistance. It is assumed that CFYE

finances a few larger proposals directly, while it is an option that a large number of smaller finance options could be financed through a local partner FSP, after receiving funding from CFYE:⁵

⁴ Combine active engagement with potential interventions with an open call for proposals

⁵ Start engaging with rural interventions. Once there is clarity on the options, start engaging with FSPs to handle funding as an extra option. Let CFYE focus on selecting the local handling partner and FSP, while the local partner focuses on handling the funding proposals and the TA. CFYE focuses on a few large proposals directly, while as an option smaller finance possibilities are financed through the local partner FSP, after receiving funding from CFYE.

4.1 Financial Service Providers - reach fundable partners (A1, see the table in §3)

Instead of directly reaching out to potential funding options, CFYE proposes to partner with FSPs, notably impact investors, to handle placements indirectly. The main advantage is that it negates the difficulty of reaching funding options in a less developed country. Usefully, FSPs are already in contact with many enterprises that are interested in finance and development. They have built a pipeline, and have already done some or all of the necessary analysis before an investment. Additionally, they have access to alternative source of funding to match the co-investment criteria required by CFYE. A difficulty, however, could be that FSPs may only share weaker options that would otherwise not be funded. This weakness is lower if the FSP shares the funding risk with CFYE.

This intervention opportunity takes some time to set-up partnerships and to provide follow-up. The follow-up needs to be done by a local partner, with some external involvement. The intervention has a decent involvement of CFYE and is expected to have a decent outreach. The key issue is that the FSP has an active involvement.

Intervention relevance for Burkina Faso and main sector issues

Research indicates that a lack of access to finance is a major hindrance for developing enterprises in Burkina Faso. Improving that access should therefore increase the prospects of enterprises to grow and employ more people.

FSPs are in contact with many businesses. An issue is that FSPs themselves often lack access to (long-term) funding. Another issue is that they consider certain types of enterprises as too risky or that they lack sectorial market knowledge. Another issue is that FSPs often provide only short-term finance (<12 months), especially when their own funding is short term. Although short term funding to enterprises is useful for working capital, it is less so for longer-term investments which are important for business expansion and job creation. Another issue is that banks in Burkina Faso often focus on a high collateral/ real estate coverage of their loans. Younger, growing companies often lack such assets.

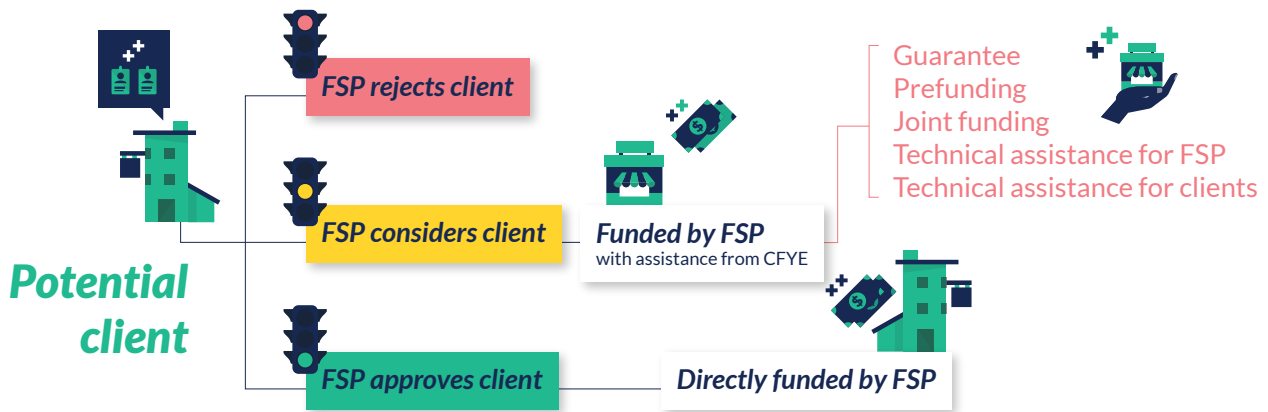
Usefully, MFIs are often more flexible in their collateral needs (group guarantees are used at the lower end of the market, while at the mid-range also inventories and movables can be used as collateral instead of real estate). However, MFIs often provide only smaller amounts for shorter terms. This limits their usefulness for growing enterprises.

How can CFYE be relevant in this sector

For FSPs main issues are access to funding and their limited risk appetite, while CFYE would like to get access to fundable projects. The proposed option is that CFYE partners with an FSP. The set-up is that the FSP screens potential clients. Those that it would anyway reject would not be taken into account for a partnership with CFYE, while those that it would anyway fund would also not be shared with CFYE. However, clients that are considered interesting by the FSP but yet unfundable would be shared with CFYE. These are accepted for assistance when they fall within its mandate and increase youth employment. CFYE could for instance guarantee the funding from the partner-FSP to these accepted clients, or prefund them or provide technical assistance. This could be in the form of a Loan with a Plus, where the clients gets a loan, with something extra like a productivity training.

As CFYE has a limited lifespan, it is important to ensure that follow-up funding is available for enterprises (research indicates that they need regular access to finance). Usefully, the proposed approach can help foster such follow-up as it improves the fundability of enterprises for FSPs.

Another option to increase access to funding for enterprises is to improve an FSPs knowledge of certain sectors. This is helped by giving FSPs insight in typical market risks and opportunities. Also help with translating that knowledge into focused financial services and training of staff in typical sector issues helps in that respect:



The joint funding could also consist of a partial guarantee to entice the partner FSP to fund certain clients. To make the agreement more attractive for the FSP, the guarantee could be in the form of cash collateral at an account of the FSP as this increases their liquidity position.

Partner options

The proposed partner selection criteria for this intervention are that the partner:

- ▶ Wants to work with CFYE
- ▶ Has access to fundable clients (growing SMEs)
- ▶ Has an interest to finance new types of clients
- ▶ Has a decent operational capacity
- ▶ Considers the intervention size suitable

CFYE intends to finance several projects in Burkina Faso, with a total funding amount around €1m as described in §1. If there would be an average placement of €50k, this translates into 20 finance options (with an average placement of €5k or €0.5k, there would be respectively 200 and 2000 finance options). For large banks such numbers are less interesting, while smaller MFIs would find it difficult to handle SMEs. It is therefore useful to focus on smaller banks and larger MFIs as potential partners, such as:

- ▶ PAMF-B, linked to the Aga Khan foundation, focus on rural areas and the cotton industry
- ▶ ACEP microfinance and SME-focused FSP

- ▶ Baobab microfinance and SME-focused FSP, operates in several African countries
- ▶ Cofina: SME-focused financial institution, operates in several African countries
- ▶ Coris bank: panafrikan bank that also serves SMEs
- ▶ Ecobank: panafrikan bank that also serves SMEs
- ▶ Orabank: panafrikan bank that also serves SMEs

Instead of an FSP, CFYE could also partner with social investors. They may have projects that need strengthening regarding youth employment. Options include for instance:

- ▶ Existing (Dutch) agri investors in the region
- ▶ Oikocredit, operates at the lower end of the investor market, includes agriculture
- ▶ Investisseurs & Partenaires, panafrikan investors, with an office in Burkina Faso
- ▶ Forth investment, with an office in Burkina Faso
- ▶ Cauris investissement, set-up by several banks and DFIs that operate in the region
- ▶ Bio, invests in larger scale SMEs and large companies
- ▶ Proparco, invests in projects and large companies
- ▶ FMO, invests more in large companies

4.2 FSPs - Limited access to credit for enterprises (A2)

This second intervention option is similar as the one described above. A difference is that it solely focuses on providing finance to partner-FSPs. The thinking is that this helps them to finance more enterprises, which should increase employment. The advantage of this approach is that the intervention does not require much attention from CFYE, apart from selecting partner-FSPs. A disadvantage is that CFYE becomes a passive sector improver.

This intervention opportunity takes some time to set-up partnerships, but not much on follow-up. The intervention has a limited involvement of CFYE and is expected to have a limited outreach.

Intervention relevance for Burkina Faso and main sector issues

Relevance is similar to what has been outlined in §4.1, as access to funding is one of the key hindrance for enterprises to grow in Burkina Faso. Providing liquidity to selected institutions should help them finance more enterprises, and consequently increase employment in the country.

How can CFYE be relevant in this sector

A risk is that the liquidity is used to finance consumer loans or companies without much employment growth. This risk is lower if CFYE selects FSPs that focus on growing enterprises such as SMEs. Another option is that funding is only released when employment-rich parts of an FSP's credit portfolio grow. Finally, CFYE could assess the employment growth at the funded companies through an impact assessment. The partner institution could in that case be stimulated to fund high employee growth oriented companies by setting-up a bonus system. It is noted that setting-up impact assessments and bonus systems would complicate operations and can be expensive, which this approach intends to negate.

As in §4.1, CFYE could cofinance placements together with a partner-FSP. However, that set-up is less attractive for FSPs as it does not help them much to grow their portfolio. This set-up also requires an internal approval system at CFYE, which is inefficient with only a limited number of cases. A more straightforward approach is to provide a partial guarantee to cover the growth of the employment rich credit portfolio of the partner-FSP. When these guarantees are combined with providing cash collateral, the FSP increases its own access to funding and its possibilities to actually expand its portfolio.



Partner options

As the approach is similar to the one described in §4.1, the same partner selection criteria and partnership options are proposed. A difference is that the current option is deemed more suitable for FSPs and less for investors as a partnership with them needs a tailor-made approach for each placement, whereas the current approach is focused on simplicity.

4.3 Rural Areas - Agriculture (work around value chains, D2)

The third option focuses on employment in rural areas. About 80% of the population in Burkina Faso depends on agriculture, often at a subsistence level. Due to seasonality, many farmers are often un/underemployed and a large part of male farmers regularly take seasonal jobs in neighbouring countries.

This intervention will look to build solid partnerships with private sector actors that have a strong local network and understanding of implementing activities in rural Burkina Faso. CFYE will look to outsource implementation, selecting partners that propose ambitious projects and come with co-investment. CFYE considers an intervention in the agrisector to be promising, including the option to work regionally.

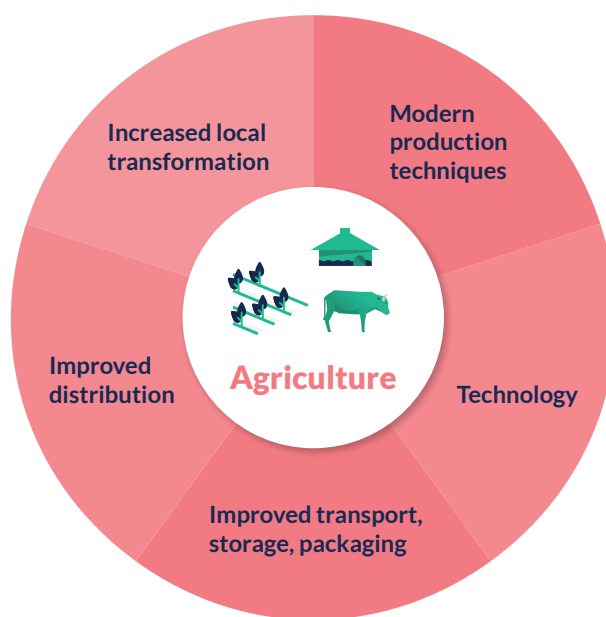
Intervention relevance for Burkina Faso and main sector issues

Improving agricultural employment would have a large impact, as most of the people in the country are dependent on agriculture. However, it is difficult to reach the many dispersed farmers and solve the underlying factors that cause rural unemployment. That would require a much improved infrastructure and practical education, a better security situation, access to modern farming techniques, improved quality and pest control, more storage facilities, better organisation and more access to long-term credit. Addressing such issues is beyond the CFYE scope. Instead, the Fund could focus on already better organised value chains, such as the cotton industry, oil seed exports and fruits & nut production.

Given its limited intervention period, it is proposed that CFYE focuses on more organised (export-oriented) value chains. Interventions could for instance be in the field of:

- ▶ Provide training in modern production techniques
- ▶ Introduce technology, including the use of drone/satellite images for surveillance and automated drip feeding
- ▶ Improved transport, storage and packaging
- ▶ Improve distribution of local production, such as chicken/egg products
- ▶ Increase the local primary production transformation capacity, which is currently estimated at only 15%

A strong approach to come with detailed intervention options is to perform a needs assessment by local agricultural organisations. Afterwards these findings can be transformed into intervention proposals for CFYE. This approach is in line with the active engagement approach described in §1.



Partner options

The proposed partner selection criteria for this intervention are that the partner:

- ▶ Wants to work with CFYE
- ▶ Has solid knowledge of agrineeds
- ▶ Has a decent operational capacity to address these needs
- ▶ Considers the intervention size suitable

4.4 Rural Areas – Climate change (D3)

This set-up focuses on the effects of climate change in rural areas in Burkina Faso. As the majority of the population works in agri value chains, climate change can seriously undermine their livelihood. It would lead to additional massive unemployment in a bad case scenario.

This intervention opportunity takes time to set-up partnerships and follow-up. In case a solid partner can be found, the follow-up could also be outsourced. The intervention has a decent involvement of CFYE and could have a high outreach and in the long-run potentially a large impact. A useful extra result is its positive impact on the environment.

Intervention relevance for Burkina Faso and main sector issues

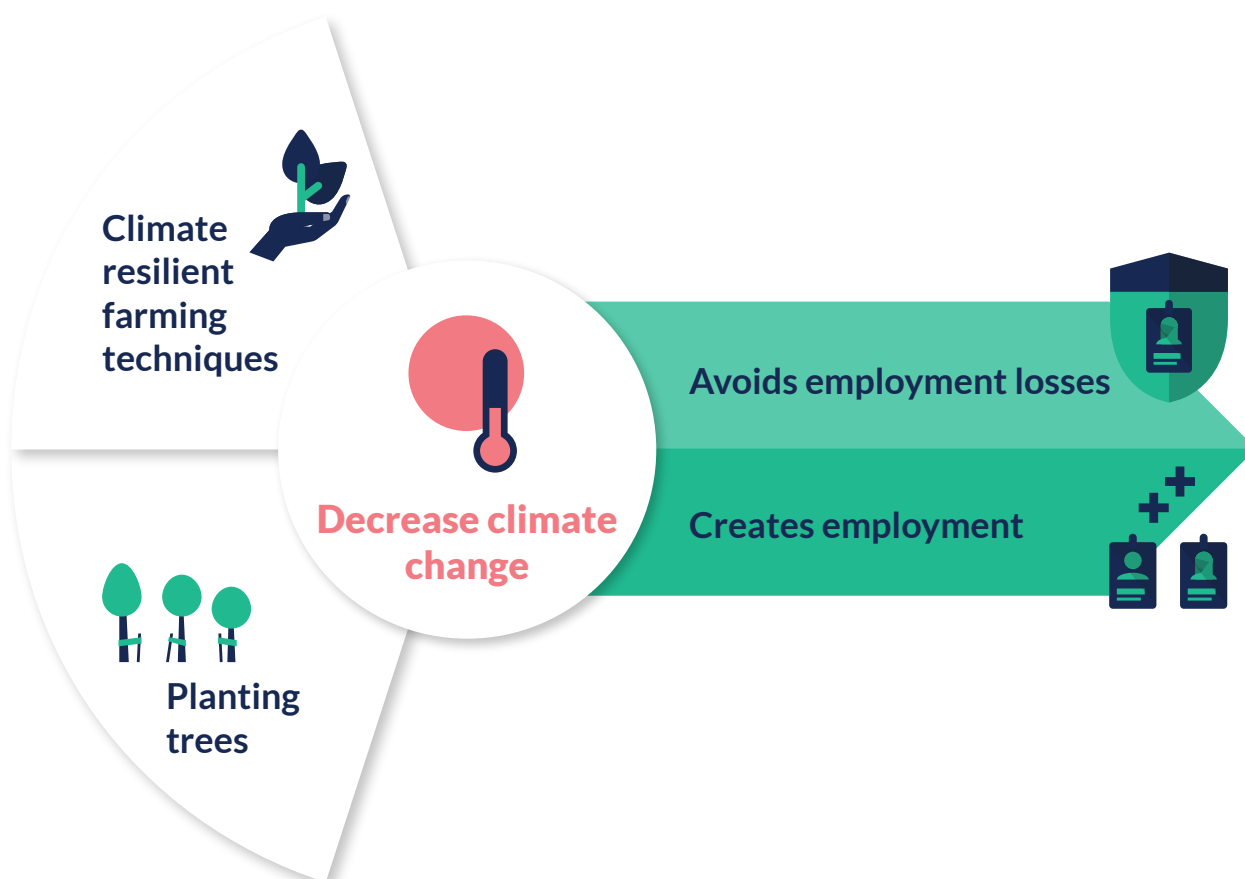
Climate change can become a major issue for Burkina Faso, especially for the majority of people that work in agriculture. A main issue is less (regular) access to water. This development can well decrease farming opportunities. By mitigating climate change, employment would be sustained. Usefully, the intervention can also create employment.

How can CFYE be relevant in this sector

CFYE could use several approaches to decrease the effects of climate change. CFYE could for instance work together with organisations that work on:

- ▶ Improved farming techniques, such as drip irrigation, climate resilient seeds and the use of soil coverage plants (see also §4.3B).
- ▶ A more direct approach is to support a massive tree planting effort (with follow-up maintenance work). This could also indirectly provide livelihoods (Non-Timber Forest Products, construction materials).

The first approach helps farmers to mitigate the risks of climate change. The second approach decreases the local risk of climate change; there is less risk of soil degrading and desertification in areas with sufficient plants and trees. While they have a cooling effect on the soil with their shade, which could preserve soil moisture. Obviously, climate change is a broad issue and is not easily solved locally.



Partner options

The approach to mitigate climate change risks is similar to working with agri value chains, described in §4.3. The proposed partner selection criteria for this intervention are that the partner:

- ▶ Wants to work with CFYE
- ▶ Has solid knowledge on decreasing climate change risks for farmers
- ▶ Has a good operational capacity to address these needs, for instance by planting trees
- ▶ Considers the intervention size suitable

- ▶ Has good experience to set-up interventions with local communities
- ▶ Considers the intervention size suitable

For the approach to decrease the risk of climate change a longer-term view and much local involvement is needed, as the planted trees require some maintenance and protection against cattle for instance. It is noted that a lack of local involvement could even lead to opposition to the intervention. Usefully, the intervention not only provides direct employment when the trees are planted and maintained, but also provides local communities with access to wood and Non-Timber Forest Products in the longer-term.

4.5 Rural Areas - Difficult to reach rural population (D1)

A key feature of the rural workforce is that they perform seasonal jobs during the off seasons. Important work destinations are Cote d'Ivoire, Mali and Senegal. Maybe CFYE could work with organisations that cater for these seasonal workers.

This intervention opportunity takes time to set-up partnerships and follow-up. In case a solid partner can be found, the follow-up could also be outsourced. The intervention has a decent involvement of CFYE and could have a high outreach and in the long-run potentially a large impact. There is some risk in working in this sector, as seasonal workers can be exploited.

Intervention relevance for Burkina Faso and main sector issues

The indication is that seasonal workers are not very productive, are not always treated well, usually get a low salary and use their earnings not so productively back home. The intervention could help improve the usefulness of seasonal workers.

How can CFYE be relevant in this sector

There seem to be four related issues for seasonal workers:

- ▶ Low productivity
- ▶ Low pay
- ▶ Weak treatment
- ▶ Low productive use of earnings at home

Although unclear if available, but CFYE could maybe partner with bona fide enterprises that handle seasonal workers. The partnership could involve assistance in expansion and professionalization of these enterprises. The work could also focus on providing productivity trainings to the workers, which would likely increase their pay and skills back home. An additional option is to work with remittance handlers, to stimulate the productive use of remittances. An option is for instance to use the remittances to get a guaranteed credit at low interest rates (see §4.1 and §4.2).

Partner options

Currently, no partner options have yet been discerned.
The proposed partner selection criteria for this intervention are:

- ▶ Wants to work with CFYE
- ▶ Bona fide handler of seasonal workers
- ▶ Has a decent operational capacity to improve workers' skills
- ▶ Considers the intervention size suitable
- ▶ Option: handle remittances



5. Recommendations and outreach estimates

5.1 Recommendations

The following operational recommendations are made:

- ▶ Select preferably not more than local partner that is likely to be actively engaged. For efficiency reasons it would be even better if the partner has a regional outreach.
- ▶ Combine an active engagement approach with potential interventions with an open call for proposal approach, both should preferably be handled by the local partner
- ▶ Link intervention focus areas to major challenges in Burkina Faso
- ▶ Start engaging with rural interventions. Once there is clarity on the possibilities, start engaging with FSPs to handle funding as an option. Let CFYE focus on selecting the local handling partner and potentially the FSP, while the local partner focuses on handling the funding proposals and the TA. CFYE could focus on a few large proposals directly, while smaller finance options could be financed through the local partner FSP, after receiving funding/guarantees from CFYE.

5.2 CFYE operational criteria

The goals and intervention approach are described in §1. They are compared with the proposed approaches, described in §4.1-4.5. A low score is indicated by X, and

a high score by XXX. In addition also an indication of the intervention visibility is given:

<i>CFYE goal and open market approach</i>		<i>§4.1: FSP/ funders</i>	<i>§4.2: access to credit</i>	<i>§4.3: value chains</i>	<i>§4.4: climate change</i>	<i>§4.5: rural population</i>
I	<i>Increase skills and</i>	XX	X	XX	X	X
	<i>youth employment</i>	X	XX	XX	XXX	XXX
II	<i>Be market based and</i>	XX	XX	XX	X	X
	<i>address market weaknesses</i>	XX	XXX	XX	X	XX
III	<i>Be innovative,</i>	X	X	XX	XXX	XX
	<i>additional</i>	XX	X	XX	XXX	XX
	<i>scalable and</i>	XX	XXX	X	XX	XX
	<i>sustainable</i>	XXX	XXX	X	X	X
IV	<i>Include local engagement</i>	X	X	XX	XXX	XXX
V	<i>Help create interesting impacts</i>	XX	X	XXX	XXX	XXX
VI	<i>Set-up a call for proposals</i>	X	X	XX	XX	XX

<i>CFYE goal and open market approach</i>		<i>§4.1: FSP/ funders</i>	<i>§4.2: access to credit</i>	<i>§4.3: value chains</i>	<i>§4.4: climate change</i>	<i>§4.5: rural population</i>
<i>VII</i>	<i>Focus on the mismatch between the demand and supply for jobs</i>	X	X	XXX	XX	XXX
<i>VIII</i>	<i>Projects have access to technical support during the application and implementation phases</i>	XX	X	XXX	XXX	XX
-	<i>Visibility</i>	XX	X	XXX	XXX	XXX

In short, working with FSPs helps addressing market weaknesses and can be fairly sustainable (if the FSP after the intervention continues to fund the selected partners).

Working with rural interventions can create interesting impacts and have a higher visibility. The combined approach could combine both advantages.

5.3 Partner selection criteria

The following selection criteria are proposed for partnering with FSPs (§4.1, §4.2):

- ▶ Interested to work with CFYE and clear additionality in two parties working together.
- ▶ Has access to fundable clients (growing SMEs) and an established pipeline
- ▶ Has an interest to finance new types of clients, and considers youth employment in its social impact objectives.
- ▶ Has a decent operational capacity & proven track record in Burkina Faso in similar investments.
- ▶ Considers the intervention size suitable, and can bring >50% in co-investments.

While for the intervention option in rural areas the following set is proposed (§4.3-§4.5):

- ▶ Interested to work with CFYE and clear additionality in two parties working together.
- ▶ Has solid knowledge of agrineeds/or climate change mitigation options & proven track record in Burkina Faso
- ▶ Has a decent operational capacity to address these needs
- ▶ Considers the intervention size suitable and can bring >50% in co-investments.

5.4 Outreach, first estimates

The following table provides a generic indication of the outreach and costs of the different interventions. The costs do not include technical assistance, such as trainings. It is assumed that partner-FSPs would finance SMEs that need on average €50k (§4.1 and §4.2, but

also §4.5), whereas the rural projects described in §4.3 and §4.4 have higher price tags. The amount per job disregards the option to have a reflow of the financed amount, which could be part of the approach described in §4.1-§4.3:

<i>Option</i>	<i># Funding</i>	<i>€/funding</i>	<i>Jobs/funding</i>	<i>€/job</i>	<i>Issues</i>
§4.1 Cofinance with FSPs	10-20	€50k, total €500k-€1m	<100, in total <1k-2k	>€500	Cofinance less attractive for FSPs
§4.1 Guarantee FSP	20-30	€50k, total €1m-€1.5m	<100, in total <2k-3k		More attractive for FSPs, especially if the guarantee is a cash collateral
§4.2 Finance FSPs	50-100	€50k, total €2.5m-€5m	<50, in total <2.5k-5k	>€1k	Limited influence, requires solid FSP assessment capacity
§4.3 Rural value chains	5-10	€100k, total €500k-€1m	500-1000, in total 2.5k-10k	€100-€200	Requires time and local involvement to set-up
§4.4 Rural climate change		€150k, total €750k-€1.5m		€150-€300	
§4.4 Rural climate change, plant trees	10 villages	€1 per tree, total €1m for 1000 hectares (100 hectares per village)	20-40 per village, plus extra for NTFP, in total <500	To be assessed	Requires a long-term view and much local involvement to set-up (amounts are first estimates)
§4.5 Temporary rural workers	5-10	€50k, total €250k-€500k	<500, in total <2.5k-5k	€100	Assess quality of partner and provided jobs

6. A call for Solutions

6.1 Proposed tender approach

CFYE proposes to focus its tender process on invited partners, although the tender process will also be open for additional options. Interested applicants will go through a two round selection process (draft concept note followed by a business case), where the CFYE team will provide direct support to answer questions that arise during the application process and to ensure that quality

standards are met. Selection of contenders will be based on:

1. If the eligibility criteria are met
2. Scoring by qualified members of the CFYE team through a scoring grid

6.2 Eligibility criteria

Burkina Faso is a low-income country, with a high youth unemployment. It therefore seems pragmatic not to limit the scope of CFYE-funded projects to specific sectors or opportunities. Nevertheless, projects will have to correspond to the themes highlighted below and where CFYE sees potential for job growth.

Additionality

Additionality is a central consideration in the review of proposed projects. CFYE co-financing must be additional, in other words it should be clear that CFYE funding enables activities and further investments in youth employment to take place. Furthermore, CFYE funding should not substitute or replace an organisation's core funding, or crowd out other funding sources.

6.3 Profile of Applicants

- ▶ We actively welcome partnerships or consortium responses to this challenge.
- ▶ We focus on inviting applications from private sector companies.
- ▶ We stimulate inviting applications from business accelerators, impact investors, social enterprises that handle pre-define projects and will be able to manage additional funding.
- ▶ We look for implementing partners with proven experience in Burkina Faso that are able to take ownership of the project's implementation.

6.4 Types of projects and minimum job targets

- ▶ Jobs should focus on wage employment or self-employment
- ▶ There should be a clear Pathway to Employment in the project approach. CFYE will not support trainings only projects.
- ▶ The project must meet the minimum eligibility criteria for job targets through a combination of CFYE categories: create, match and improve.
- ▶ Work creation, matching or improvement of jobs must be a direct outcome of the project
- ▶ The minimum job targets per applicant is 50 jobs.

6.5 Minimum grant amount

- ▶ The project must have a minimum total project value of €100k
- ▶ CFYE will provide a grant of up to 50% of the total project value
- ▶ There is no maximum project value, but the project must present a commercially feasible budget (including a ratio of cost/jobs of around €1,000 or less)
- ▶ The contribution requested from CFYE is expected to be within a reasonable range, in comparison with the lead organisation's average annual turnover in previous years. If the amount requested is significantly larger, CFYE requires an explanation as to how the organisation/project intends to manage the funds and match it with their own contribution. Guidance around the proof of managing finances is provided in CFYE's Business Case guidance.