I. Project Context

Country Context

With a per capita income of approximately US$800, Benin ranks in the lower income group of countries. Growth has been moderate and steady over the past couple of decades, averaging around 4 to 5 percent annually. This growth performance remains marginally below the regional average and has contributed to only modest increases in per capita incomes and improvements in human development. The country's high rate of population growth (3.2 percent) poses a significant challenge as the Government struggles to keep up with the resultant increasing demand for public services.

More recently, economic growth slowed in 2009 and 2010 to 2.7 and 2.6 percent respectively following the onset of the global economic crisis and losses in 2010 as a result of serious flooding. Growth in 2011 rebounded only slightly to 3.5 percent and was expected to remain at 3.5 percent in 2012. This moderate growth performance, combined with the high population growth rate, remains insufficient to meaningfully reduce the incidence of poverty, which was estimated to be 36 percent in 2011, compared to 35 percent in 2009 and 37 percent in 2006.

Benin’s economy is highly informal. Given the prevailing business environment, incentives to engage in arbitrage opportunities related to Nigeria can be stronger than incentives to pursue...
productive, value creating and employment generating activities in Benin. Thus, economic growth remains muted and opportunities to diversify the economy, despite apparent comparative advantages, remain unexploited. On the positive side, the large, innovative and entrepreneurial informal economy, in which women play a large role, is a potential source of growth, investment and untapped fiscal resources. With an improved business and investment climate Benin could position itself favorably as a legitimate and competitive supplier to the Nigerian and regional market.

In the long term, the creation of jobs in Benin will depend on the private sector, which accounts for 90 percent of all jobs in the developing world. However, Benin’s investment climate does not provide a sufficiently enabling climate for the growth of the private sector. In 2013, Benin ranked 175 out of 185 countries in the 2013 Doing Business report, which measures the conduciveness of the regulatory environment to the starting and operation of a local firm. Areas of particular concern include enforcing contracts, paying taxes, and protecting investors. Benin’s President has created an Investment Climate Council (ICC) to examine ways to improve the investment climate and the ICC’s work is being supported by the IFC and Bank, and the Government is implementing an action plan to improve the investment climate in the areas of business creation, construction permits, land ownership, access to finance, protection of investors, payment of taxes and duties, cross-border trade, and contract enforcement. Besides the investment climate, other obstacles such as difficult access to credit for SME, weak human capital and inadequate skills of the workforce, hamper the development of private enterprises in the country.

**Sectoral and institutional Context**

The labor market in Benin is characterized by a relatively high participation rate, for both men and women. 73% of the working age population participates to the labor market according to the official national statistics (EMICOV 2010). The labor force in Benin is mostly young, with 60% of workers aged between 15 and 34 years, predominantly rural (62% of workers living in rural areas) and poorly educated (about 78% of workers in Benin have primary level of education or below). Workers with higher education account only for 2.2% of the labor force. Self-employment is predominant, covering about 70% of the employed population. Unpaid family workers and apprentices account for more than 20% of the workers. The wage sector is small in size and represents only 6.4% of the labor force. Only about 30% of wage workers are in the formal sector, the remaining are employed in the informal economy. About half of the employed population is engaged in the agriculture sector (52.6%). Trade is the second biggest sector with 21.4% of the employed, while services and manufacturing account only for 12.9%.

While unemployment rate is very low, underemployment is a substantial problem in the country, particularly for young people. The unemployment rate is very low standing at only 0.3% for the all population. Unemployment reaches 4.9% only for those with higher education, many of whom come from wealthier households and can afford to be unemployed and search longer for the right job. Rather than unemployment, the problem for many workers in Benin—especially youth—is underemployment. Underemployment can be described in three ways i) involuntarily working part time (underemployment by hours); ii) working full-time but earning less than a minimal salary, such as the minimum wage or poverty line (underemployment by earnings); and iii) a mismatch between one’s job and education, training and experience (underemployment by mismatch). The available data permits the measurement of the first two manifestations of underemployment in Benin. Thirteen percent of Beninese with employment are involuntarily working part-time and
would like to work more hours. This type of underemployment is more common in rural areas, among women, and in the 25-34 year-old age group.

The phenomenon of underemployment in Benin is most severe when looked at through the lens of earnings, which is in turn linked to low human capital and productivity. The majority of employed individuals in 2009/2010 in Benin earned less than the minimum monthly wage at the time, which was approximately equivalent to the poverty line. The percentage of employed persons earning less than the minimum wage decreased with age: the youth (15-34 year old) were much more likely to earn less than the minimum wage than the non-youth (35-64 year old). Females had a much higher probability of earning below the minimum wage than male: 73.6% of employed females earn below the minimum wage compared to 40.8% of men. In particular, underemployed workers are disproportionately female, rural, self-employed, with low levels of education, and engaged mainly in agriculture, livestock, fishing and forestry.

The labor market situation for Beninese youths is therefore even more precarious than that of the general population. Young workers continue to face disappointing prospects when it comes to jobs as they are often engaged in precarious or vulnerable activities that provide low income and little security. Vulnerable youths often lack adequate skills to enter the labor market and to find good quality employment. Access to formal professional trainings remains however limited for those vulnerable youths as they often lack basic educational qualifications and literacy skills needed to undergo formal training. In the context of the Benin labor market, programs supporting the low productivity self-employed youths should have more impact than those supporting the very small wage employment sector. Given the low level of human capital of this target group, employment programs should be associated with appropriate training schemes, coupling technical/traditional apprenticeships with basic life skills and/or literacy modules.

Youth employment issues are a policy priority for the Government of Benin and a number of initiatives have been introduced to address underemployment of youth. A National Employment Policy was adopted in 2012, including an Action Plan covering the period 2012-2016. The policy places a strong focus on the underemployment of youth and women and its main objectives are to i) promote access to employment by increasing the supply of jobs and youth employability, ii) improve the functioning of the labor market, iii) reinforce the capacity of institutions in charge of the National Employment Policy, and iv) regulate professional migration.

The Ministry of Microfinance and Employment of Youth and Women has the formal responsibility for youth employment in Benin, but there many other ministries and agencies are involved in the area, notably the Ministry of Secondary Education, Technical and Professional Training, and Youth Integration and the Ministry of Culture, Literacy, Artisanship, and Tourism. In total, about 30 structures within the Government of Benin are involved in youth employment, and coordination between these actors is generally weak.

A national employment agency, the Agence Nationale pour l’Emploi (ANPE), reporting to the Ministry of Microfinance and Employment of Youth and Women, was created in 2003 and is responsible for addressing unemployment and underemployment issues and for implementing the national employment policy. The main role of the ANPE is to orient job seekers, provide them with capacity building and training and promote their insertion into the labor market. The ANPE currently operates four main programs: (i) the Salaried Employment Support Program, which arranges and finances internships (Programme d’Appui à l’Emploi Salarié – PAES); (ii) Self-
Employment Support Program, which aims to train, assist with the development of a business plan, and finance entrepreneurs (Programme d’Appui à l’Emploi Indépendant – PAEI); (iii) Capacity Building for Job Seekers, which seeks to improve the technical skills of job seekers in agriculture, trades, and other high potential sectors (Renforcement de Capacité des Demandeurs d’Emploi – RCDE); and (iv) the Decentralized Partnership for Jobs, which aims to build the capacity of local governments in employment promotion (Partenariat Décentralisé pour l’Emploi – PaDE). These programs were all launched in 2006, reach between several hundred to one to two thousand beneficiaries per year each, and are not well evaluated. The PAEI, which targets mostly youth with higher levels of education, relies on the National Fund for Enterprise and Youth Employment (Fond National de Promotion de l’Entreprise et de l’Emploi des Jeunes – FNPEEJ), established in 2007, for provision of finance. However, in previous years the FNPEEJ suffered from weak selection criteria for projects and targeting of beneficiaries, lack of accompanying measures and follow up, and low repayment rates. After the completion of an ongoing restructuring, the FNPEEJ is expected to be operational again in early 2014, this time operating through local financial partner institutions (microfinance institutions or banks) instead of directly financing beneficiaries.

In recent years, the Government has made important efforts in organizing the informal/traditional technical and vocational training sector, notably with the support of Swiss Cooperation, DANIDA, and the ILO. Particularly, there has been an important movement to develop nationally-recognized certificates to recognize skills gained in apprenticeships, which remain one of the most common and effective mechanisms for vocational training in Benin. In close collaboration with private sector trade associations, the Government has adopted a system with two levels of qualifications (i) a Professional Qualification Certificate (Certificat de Qualification Professionnelle – CQP) open to youths who have at least completed primary school, which is the culmination of a three year “dual-type” apprenticeship combining work experience with classroom training; and (ii) an Occupational Qualification Certificate (Certificat de Qualification aux Métiers – CQM) targeting youth who have not finished primary school. The CQP and CQM are meant to cover eventually all 210 recognized occupational trades in Benin—covering a wide variety of economic activity from plumbing to auto mechanics to agriculture and bakers. While the CQP program has been operational since 2008, the first round of CQM exams were just held in selected communes on October 14, 2013. Development of lists of key competencies for each trade and skills tests is carried out through a partnership between Government and private sector trade associations. Currently, lists of key competencies and tests exist for 12 trades for the CQP, and have just been developed for 42 trades for the CQM. Prior to the launch of the CQM program, 29 communes in the departments of Borgou, Alibori, Ouémé, and Plateau piloted interim certification arrangements called End of Traditional Apprenticeship Exams (Examens de Fin d’Apprentissage Traditionnel – EFAT), but these were not widely recognized and are not available to youth in most of the country.

The Government is making available about FCFA 1 billion ($2 million) per year in financing for apprenticeships under the Continuing Professional Education and Apprenticeship Fund (Fonds de Développement de la Formation Professionnelle Continue et de l’Apprentissage – FODEFCA). FODEFCA was created with support from the World Bank’s Labor Force Development Project in 1999 to respond to the increasing demand for new skills in the formal private sector, enhance the employability of job seekers and strengthen capacities of training centers. FODEFCA supports youth employability by co-funding skills enhancement training, apprenticeship training, etc. with funding from both the Government and technical and financial partners. FODEFCA is attached to the Ministry of Labor and Public Administration.
Lack of information on youth employment remains a major constraint in Benin. A national Observatory for Employment and Training (Observatoire pour l’Emploi et la Formation – OEF), linked to the ANPE, was established in 1992. Its role is to collect and analyze data on the labor market to inform job seekers, private sector and policy makers on employment and training decisions. However information on employment and labor market indicators is very limited and specific data collection instruments for employment do not exist. Better information about the profiles required by the private sector or about sectors with higher growth potential would help youth making right employment and skills development decisions.

II. Proposed Development Objectives
The objective of the proposed project is to improve access to employment skills and employment opportunities for underemployed youth in Benin.

III. Project Description
Component Name
Developing Skills through Apprenticeships
Comments (optional)

Component Name
Developing Small Business Skills
Comments (optional)

Component Name
Start-up Support
Comments (optional)

Component Name
Institutional Capacity Building and Project Management
Comments (optional)

IV. Financing (in USD Million)

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V. Implementation
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Comments (optional)

The project is classified as a category C project, meaning that it is expected to have minimal or no adverse environmental impacts. The project will finance apprenticeships for selected youths who may be working with a master crafts person acquiring skills and work experience. This skill acquisition might involve occupational health impacts to both the apprentices and the masters. Therefore, a manual will be produced to outline safe occupational health and safety procedures. Business plans prepared under component 2 will be screened to ensure that proposals with environmental and social impacts are not financed under component 3.

VII. Contact point

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