



**IDA18**

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**IDA18 MID-TERM REVIEW:  
Progress Report on Jobs and Economic Transformation**

**October 19, 2018**

ACRONYMS AND ABBREVIATIONS  
Fiscal year (FY) = July 1 to June 30

ASEAN	Association of Southeast Asian Nations
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
DFID	(United Kingdom) Department for International Development
DPC	Development Policy Credit
ESMAP	Energy Sector Management Assistance Program
ESQ	Environmental, Social, Quality
FCI	Finance, Competitiveness, & Innovation
FCS	Fragile and Conflict-affected State
FY	Fiscal Year
GDP	Gross Domestic Product
GICA	Global Infrastructure Connectivity Alliance
GOST	Geospatial Operations Support Team
GP	Global Practice
GVCs	Global Value Chains
ICT	Information and Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organization
JET	Jobs and Economic Transformation
MDTF	Multi-Donor Trust Fund
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
OECD	Organisation for Economic Cooperation and Development
PSW	Private Sector Window
RMS	Results Measurement System
S4YE	Solutions for Youth Employment
SADC	Southern African Development Community
SAM	Social Accounting Matrix
SCD	Systematic Country Diagnostic
SEZs	Special Economic Zones
MSME	Micro, Small and Medium Enterprise
WBG	World Bank Group
We-Fi	Women Entrepreneurship Finance Initiative

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## EXECUTIVE SUMMARY

### Introduction

i. **IDA18 has identified job creation through private sector-driven economic transformation as a high priority for IDA countries.** It is recognized that growth alone is not sufficient for quality, inclusive job creation. Rather, in IDA countries it depends on the successful management of ongoing economic transformation, where investment is channeled to increasingly productive, job-creating activities, and populations are supported with the capabilities to manage the transitions that result.

### Progress and Trends

ii. **While the sectoral structure of IDA economies has shifted steadily and has been accompanied by rapid urbanization, the potential gains from economic transformation have been limited by insufficient creation of waged jobs in industry and services.** Since 2009, job creation in IDA countries has grown above the rate of growth of the working age population; this has been associated with a steady shift in sectoral structure of employment. As workers have shifted out of agriculture in IDA countries, urbanization, particularly in secondary towns and cities, has proceeded rapidly. However, workers moving out of agriculture are failing to find quality, waged jobs in the urban sector and are increasingly relying on self-employment in relatively low productivity, non-tradable services. This threatens the sustainability of economic transformation, growth, and poverty reduction in IDA countries.

iii. **In this context, IDA Participants endorsed an ambitious set of commitments to support jobs and economic transformation (JET) in IDA18.** IDA18 policy commitments build on IDA's long-standing support for private sector development but go beyond it to take a more deliberate approach to economic transformation and job creation. They include new approaches to operations, new financial instruments, enhanced analytics, and new tools for the evaluation and measurement of jobs impact. Given the comprehensive nature of the JET challenge, its policy commitments are integrated with the other IDA18 Special Themes and, therefore, are reinforced by complementary commitments, including on women's labor force participation, regional trade and integration, climate-smart urbanization and infrastructure, and enhanced governance, as well as primacy of job creation in addressing the challenge of fragility.

### Addressing Jobs and Economic Transformation in IDA18: Overall Progress and Policy Commitments

iv. **The JET Special Theme has further increased IDA's focus on job creation and introduced new momentum to IDA's support to countries' economic transformation efforts.** An analysis of the IDA operational portfolio shows US\$7 billion of projects approved in the first five quarters of IDA18 had an explicit focus on jobs. This puts IDA18 on pace to increase the scale of its commitment to the jobs agenda by close to 60 percent over IDA17. IDA's work is carried out together with increasing engagements by the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) in IDA countries. A number of innovative projects approved or made effective in IDA18 have an explicit target of economic transformation

as the channel for job creation, through interventions built around the JET framework of connectivity, capabilities, and the incentive framework. According to IDA RMS, in FY18 alone, about 9 million beneficiaries have been reached by jobs-focused IDA interventions.

v. **While concerted efforts will need to be maintained throughout the IDA18 period, evidence through the first year of IDA implementation indicates that substantial progress has been made across all nine policy commitments:**

*Supporting Job Creation through Economic Transformation*

- 1) **WBG has initiated or completed 7 of the committed 10 comprehensive Global Value Chain (GVC) analyses in IDA countries** – Chad, Ethiopia, Haiti, Mali, Nepal, Pakistan, and Tajikistan. Additional in-depth GVC analysis as part of IFC Country Private Sector Diagnostics (CPSD) is being undertaken in Ghana, Rwanda, and in the Southern African Development Community (SADC) countries. Learnings from GVC analytics highlight the importance of investments in connective trade infrastructure, firm capabilities, and developing standards, and findings have been integrated into a number of operations targeting jobs growth through GVC integration, including in Bangladesh and Haiti.
- 2) **The Global Infrastructure Connectivity Alliance (GICA) has launched a website containing more than 300 publications from various GICA members on connectivity, along with over 100 maps consolidating and structuring knowledge resources – this information is available to all IDA countries.** The GICA knowledge base increasingly informs innovative regional infrastructure investments in IDA. During FY18, the GICA connectivity framework was shared with Association of Southeast Asian Nations (ASEAN) countries, and a prioritization approach is starting to be applied to a list of connectivity projects in Cambodia, Laos, and Myanmar.

*Raising Job Quality and Ensuring Inclusion of Women and Youth*

- 3) **WBG has moved to conduct impact analysis as a standard part of undertaking SME and entrepreneurship programs and is preparing a report bringing together the learnings from these assessments across the portfolio.** The assessments have highlighted the importance of using screening tools to increase the effectiveness of entrepreneurship interventions and have substantially improved understanding of what works for designing and implementing matching grant instruments to SMEs. These learnings are already impacting SME operations in IDA countries, for example through increasing the use of business competitions as a mechanism to pre-select firms that are likely to be in a position to expand and create jobs and designing programs that complementing traditional supply side measures like finance and training with demand-side interventions, for example through support for marketing and business development.
- 4) **WBG has prepared detailed guidelines for task teams designing and implementing integrated supply-demand side youth employment programs.** These guidelines have begun to inform a new generation of integrated youth employment programs. For example, *Accelerating Inclusive Jobs Growth for Youth in Nepal* combines interventions promoting access to information, employer-worker intermediation, and addressing social barriers to youth employment with grants enabling firms to implement jobs-intensive expansion plans. *Promoting Access to New and Better Jobs* in Ghana includes a matching grant

program that helps firms to expand, while also supporting skills development to help match youth with the specific capabilities that expanding firms will require.

*Targeting Support for the Private Sector and Workers in High-Risk Contexts*

- 5) **WBG has made significant progress in operationalizing a ‘migration lens’ in a systematic way.** This included, first, adoption of a set of criteria to identify focus countries. Reviews of ongoing Systematic Country Diagnostics (SCDs) in focus countries, for example in Cape Verde, Tajikistan, Ghana, Gambia, and Sudan, show that migration issues have been addressed, even in the absence of formal migration diagnostics. In FY19 migration diagnostics are expected to be carried out in Nepal, Pakistan, Bangladesh, Sudan, Somalia, and Zimbabwe.
- 6) **Good progress has been made in implementing the IFC-MIGA Private Sector Window (PSW).** The PSW platform has been put in place, supported by financial, administrative, and legal infrastructure. With an initial project pipeline, PSW supported twelve projects and one program committing US\$185m of PSW resources that leverages more than US\$1.4 billion in total financing. Thus, the PSW has made a good start, but its pace of implementation needs to be accelerated.

*Operationalizing Knowledge in Support of Jobs and Economic Transformation*

- 7) **Five macro model pilots have been carried out to assess *ex ante* the direct, indirect, and induced jobs impacts of prospective infrastructure investments.** These include three pilots using input-output / social accounting matrix (SAM)-based macro tools for IFC airport, port, and power projects. Two pilots using computable general equilibrium (CGE) models have also been launched under the *Let’s Work* jobs measurement program – these include one focused on the oil & gas sector in Ghana as well a multi-sector structural model in Ethiopia. *Let’s Work* also implemented value chain analysis to assess jobs impacts of investments *ex ante*. Pilots are underway or completed in Bangladesh, Burkina Faso, Mozambique, and Tajikistan.
- 8) **WBG has met the IDA18 policy commitment to catalogue learnings from the *Jobs Diagnostics*.** ‘*Pathways to Better Jobs in IDA Countries: Findings from Jobs Diagnostics*’ has been finalized and is publicly available. The assessment shows that while there is large variation across IDA countries in terms of jobs outcomes and the severity of different problems, common challenges persist. These include high rates of inactivity, limited structural transformations, pervasive inequalities in labor market outcomes by gender, age, and type of household, and persistent gaps in regional development that concentrate investments and job creation in urban centers and narrow corridors. The assessment calls for greater attention to putting in place specific jobs strategies (beyond growth strategies) to inform public policy and investment. *Jobs Diagnostics* have informed several IDA operations in FY18 such as the Agribusiness and Trade project in Zambia, and the First Programmatic Jobs Development Policy Credit (DPC) in Bangladesh under preparation. More can be done to ensure these links are systematic, particularly through its links with SCDs, CPFs, and Country Private Sector Diagnostics (CPSDs).
- 9) **WBG is well on its way to meeting the commitment to pilot new approaches with spatial data to inform the JET agenda in IDA18.** The WBG piloted rapid machine learning approaches to extracting the network infrastructure and buildings from satellite imagery in Tanzania and Djibouti, to help develop inventories of critical infrastructure

mapped against the communities they serve. Urban jobs accessibility assessments were carried out in seven cities in IDA countries in Africa as part of a United Kingdom Department for International Development (DFID)-supported report launched in May 2018. Spatial tools have also been used to assess firm location and job creation patterns in Bangladesh, Tanzania, Uganda, Zambia, and Zimbabwe.

vi. **Beyond policy commitments, the ambition of the JET theme is reflected in the deliberate approach and investments that aim for a transformative impact on the ground.** The JET theme has become more embedded in the country strategies and in IDA's interventions at the regional level. Six out of eight IDA CPFs delivered in FY18 met the requirements to be tagged for the IDA18 Results Measurement System (RMS) indicator on Economic Transformation. Increasingly, World Bank Group (WBG) joint interventions through the Maximizing Finance for Development (MFD) framework and the PSW are supporting efforts to address challenges from both public and private sector sides. Quality analytical work and continued dialogue with partners are increasingly informing IDA support. A number of new and innovative toolkits are helping ensure knowledge is effectively informing on-the-ground operations in IDA countries. Moreover, continued efforts are being made to deepen cross-WBG collaboration—indeed, analytical tools like *Jobs Diagnostics* and CPSDs offer potential platforms to facilitate integrated approaches to addressing JET challenges.

### **Conclusions and Issues for Further Discussion**

vii. **As IDA18 advances, an increasing priority will be to facilitate the mobility of people from low to higher productivity activities.** Three issues, in particular, stand out: (i) Leveraging the opportunities and addressing the challenges brought by disruptive technologies; (ii) Investing in human capital and social protection systems to support workers through transitions; and (iii) Responding to migration to help ensure people and places maximize their productive potential. These questions are increasingly part of IDA's dialogue with clients, and answering these questions will bring IDA to the next frontier of supporting economic transformation.

**Table 1. Status of IDA18 Policy Commitments on Jobs and Economic Transformation**

Policy Commitment	Target	Progress
<p>1. WBG will deploy tools and resources from IDA and IFC to undertake 10 inclusive global value chain analyses in IDA countries to understand how they can contribute to economic transformation and job creation, including through growth in agri-businesses, manufacturing, and services and will use this analysis to inform activities within the IDA portfolio.</p>	<p>10 inclusive global value chain (GVC) analyses</p>	<p><b><u>On track:</u></b></p> <ul style="list-style-type: none"> <li>• <b><i>WBG has completed comprehensive Global Value Chain (GVC) analyses in 3 IDA countries:</i></b> Ethiopia, Nepal and Tajikistan. Work is ongoing in <b>4 countries:</b> Chad, Haiti, Mali, and Pakistan.</li> <li>• Additional in-depth GVC analysis in the pipeline as part of IFC Country Private Sector Diagnostics: Ghana, Rwanda, and the Southern African Development Community (SADC) countries.</li> <li>• Learnings from GVC analytics highlight the importance of investments in connective trade infrastructure, firm capabilities, and developing standards. Findings have been integrated into a number of operations targeting jobs growth through GVC integration, including in Bangladesh and Haiti.</li> </ul>
<p>2. WBG will use the Global Infrastructure Connectivity Alliance to make available to IDA countries knowledge on lessons and approaches related to cross-border investments and economic corridor development and will use this analysis to inform activities within the IDA portfolio.</p>	<p>Report</p>	<p><b><u>On track – being closely monitored:</u></b> GICA knowledge products available online and disseminated, focus remains on leveraging information to inform IDA operations</p> <ul style="list-style-type: none"> <li>• <b><i>The Global Infrastructure Connectivity Alliance (GICA) has launched a website containing more than 300 publications</i></b> from various GICA members on connectivity, along with over 100 maps consolidating and structuring knowledge resources – this information is available to all IDA countries. The first annual meeting of GICA on January 25-26, 2018 and identified key priorities for GICA Members. The first GICA online conversation through its GICA LinkedIn Group is ongoing.</li> <li>• The GICA knowledge base increasingly informs innovative regional infrastructure investments in IDA. During FY18, the GICA connectivity framework was shared with ASEAN countries, and a prioritization approach is starting to be applied to a list of connectivity projects in Cambodia, Laos, and Myanmar.</li> </ul>
<p>3. WBG will systematically carry out impact analyses of SME and entrepreneurship programs across IDA countries to assess their overall impacts and differentiated outcomes for women and youth, and will develop operational guidelines to inform future operations.</p>	<p>Report</p>	<p><b><u>On track:</u></b></p> <ul style="list-style-type: none"> <li>• <b><i>WBG has moved to conduct impact analysis as a standard part of undertaking SME and entrepreneurship programs.</i></b></li> <li>• <b><i>The WBG is preparing a report bringing together the learnings from these assessments across the portfolio.</i></b> The report builds on the collaboration between the Finance, Competitiveness, and Innovation (FCI) global practice and the IFC SME programs. It draws on the results of extensive evaluations of SME programs in recent years, including rigorous impact evaluations and randomized control trials through the ComPEL program. It also draws on a review underway to assess the effectiveness of programs seeking to support technology adoption and absorption by SMEs.</li> </ul>

Policy Commitment	Target	Progress
<p>4. WBG will prepare operational guidelines for integrated youth employment programs with a focus on connecting to demand-side interventions and supporting labor market integration to inform the design of a new generation of youth employment programs in IDA countries.</p>	<p>Report</p>	<p><b><u>Delivered:</u></b></p> <ul style="list-style-type: none"> <li>• <i>WBG has prepared detailed guidelines ‘A new approach to youth employment programs’ for task teams designing and implementing integrated supply-demand side youth employment programs.</i> These guidelines have begun to inform a new generation of integrated youth employment programs such as in Nepal and Ghana.</li> <li>• The guidance is complemented by <i>A Stock-take of Evidence on what works in Youth Employment programs.</i></li> </ul>
<p>5. WBG will enhance existing and introduce new operational instruments to improve risk sharing in projects and crowd-in private capital in high risk investment environments, including through the introduction of the IFC-MIGA PSW.</p>	<p>Report</p>	<p><b><u>On track – being closely monitored:</u></b> PSW fully operational supported by financial, administrative, and legal infrastructure; first set of programs delivered; strong focus remains on accelerating project origination, pipeline, and delivery.</p> <ul style="list-style-type: none"> <li>• <i>12 IFC/MIGA transactions have been approved,</i> supported by three PSW facilities</li> <li>• <i>A total of US\$185m of PSW resources have been committed to support nearly US\$1.6bn of total private investments</i> (IFC/MIGA and others).</li> </ul>
<p>6. WBG will adopt a ‘migration lens’ in IDA countries where migration has a significant economic and social impact (including home, host, and transit countries): this will include analytics that close critical knowledge gaps and, where there is explicit country demand, support for operations that focus on job creation, managing legal economic migration, and integrating young people and economic migrants.</p>	<p>Report</p>	<p><b><u>On track – being closely monitored:</u></b> Knowledge gaps being addressed; focus remains on increasing the number of countries and operations supported through analytical work.</p> <ul style="list-style-type: none"> <li>• <i>WBG has made significant progress in operationalizing a ‘migration lens’ in a systematic way.</i> This included, first, adoption of a set of criteria to identify of focus countries. Reviews of ongoing SCDs in focus countries e.g., Cape Verde, Tajikistan, Ghana, Gambia, and Sudan show that migration issues have been addressed, even in the absence of formal migration diagnostics.</li> <li>• In FY19 migration diagnostics are expected to be carried out in Nepal, Pakistan, Bangladesh, Sudan, Somalia, and Zimbabwe.</li> </ul>
<p>7. WBG will develop and make available for use in IDA countries a set of ex ante measurement tools and systems to assess the impacts of large-scale public and PPP investments targeting infrastructure and economic transformation on jobs, including pilot assessments on gender outcomes.</p>	<p>Report</p>	<p><b><u>On track:</u></b></p> <ul style="list-style-type: none"> <li>• <i>Five macro model pilots led by IFC in coordination with the WB Jobs Group have been carried out</i> to assess ex ante the direct, indirect, and induced jobs impacts of prospective infrastructure investments.</li> <li>• The <i>Let’s Work</i> program also implemented value chain analysis to assess jobs impacts of investments ex ante. Pilots are underway or completed in Bangladesh, Burkina Faso, Mozambique, and Tajikistan.</li> </ul>
<p>8. WBG will catalogue learnings from the Jobs</p>	<p>Report</p>	<p><b><u>Delivered:</u></b></p>

Policy Commitment	Target	Progress
<p>Diagnostics, assess how Jobs Diagnostics are informing the design and implementation of operations in IDA countries targeting job creation and economic transformation, and recommend any changes necessary to improve the impact of the tool.</p>		<ul style="list-style-type: none"> <li>• <b>WBG has met the IDA18 policy commitment to catalogue learnings from the Jobs Diagnostics.</b> <i>‘Pathways to Better Jobs in IDA Countries: Findings from Jobs Diagnostics’ has been finalized and is publicly available.</i></li> <li>• <b>Jobs Diagnostics have informed several IDA operations in FY18</b> such as the <i>Agribusiness and Trade project in Zambia, and the First Programmatic Jobs DPC in Bangladesh under preparation.</i> More can be done to ensure these links are systematic, particularly through its links with SCDs, CPFs, and Country Private Sector Diagnostics (CPSDs).</li> </ul>
<p>9. WBG will develop and integrate spatial perspectives into analysis of migration and urbanization trends, and the impacts of infrastructure on jobs and economic transformation, this will include piloting of: spatial inventory of infrastructure in five IDA countries; urban jobs accessibility assessments of 10 cities in IDA countries; and spatial assessment of trends in job creation and destruction in five countries.</p>	<p>Report overall with specific deliverables:</p> <ul style="list-style-type: none"> <li>-piloting of: spatial inventory of infrastructure in 5 IDA countries;</li> <li>-urban jobs accessibility assessments of 10 cities in IDA countries;</li> <li>- spatial assessment of trends in job creation and destruction in 5 countries.</li> </ul>	<p><b><u>On track:</u></b></p> <ul style="list-style-type: none"> <li>• <b>WBG is well on its way to meeting the commitment to pilot new approaches with spatial data to inform the JET agenda in IDA18.</b></li> <li>• <i>The WBG piloted rapid machine learning approaches to extracting the network infrastructure and buildings from satellite imagery in Tanzania and Djibouti, to help develop inventories of critical infrastructure mapped against the communities they serve.</i></li> <li>• <i>Urban jobs accessibility assessments were carried out in seven cities in IDA countries in Africa as part of a United Kingdom Department for International Development (DFID)-supported report launched in May 2018.</i></li> <li>• <i>Spatial tools have also been used to assess firm location and job creation patterns in Bangladesh, Tanzania, Uganda, Zambia, and Zimbabwe.</i></li> </ul>

## I. INTRODUCTION

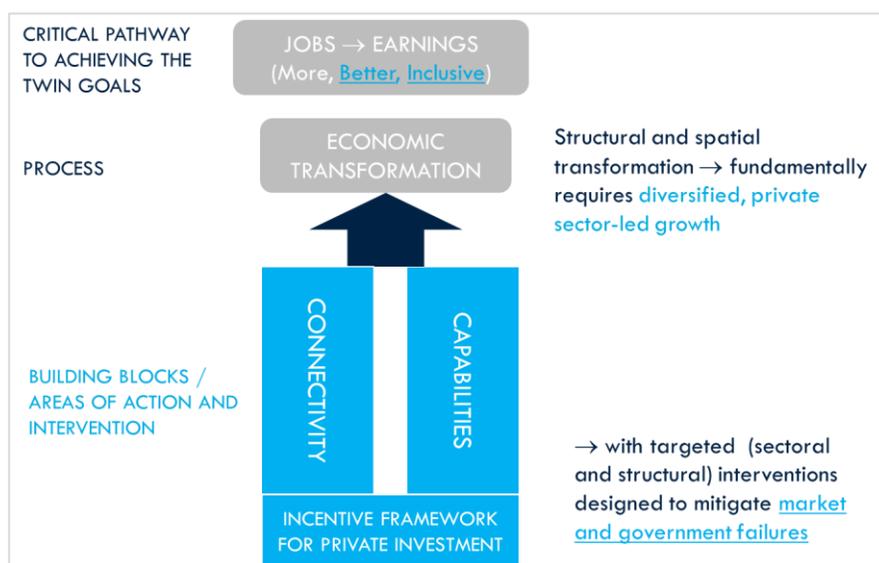
1. **Job creation and increased earnings through private sector-led growth are at the heart of delivering on the twin goals.** Economies grow when more people find work, when they get better at what they do, and as they move from low productivity work to better, higher productivity jobs. And jobs have substantial externalities well beyond their contribution to household earnings: they are sources of learning and skills development; they support empowerment of women and (through employment of women) increased investment in the human capital of children; and they mitigate sources of conflict and mass migration by occupying youth in productive, income-earning activities and by catalyzing self-sustaining development processes.

2. **The jobs challenge in IDA countries is huge and is made more acute by demographic pressures.** Between 2020 and 2030, more than 530 million jobs will be needed globally to accommodate school leavers seeking work – more than half of these jobs will be needed in key IDA regions of South Asia and Sub-Saharan Africa. Assuming no change in labor force participation and employment rates, South Asia will need to create more than 13 million jobs *each year* to keep pace with demographics. Sub-Saharan Africa, with a much smaller population, will need to create even more jobs – 14.6 million each year.<sup>1</sup>

3. **Growth alone is not sufficient for quality, inclusive job creation.** Large variations in the employment elasticity to growth across countries and over time shows that while growth matters for jobs, it is seldom enough. Rather what matters is the nature of that growth. Quality, jobs-intensive growth in IDA countries depends on the successful management of ongoing economic transformation, where investment is channeled to increasingly productive, job-creating activities, and populations are supported with the capabilities to manage the transitions that result.

4. **The IDA18 Deputies Report outlined a framework for facilitating jobs growth through private sector-driven economic transformation.** This approach includes the following dimensions (**Figure 1**): (i) Facilitating *connectivity* to markets, facilitated through domestic, regional, and global value chains, along with policy and infrastructure that support trade, urbanization, and labor mobility; (ii) Building *capabilities* for increased productivity and earnings, including through

**Figure 1. Jobs and Economic Transformation – Framework**



<sup>1</sup> Merotto, D., Weber, M., and Aterido, R. (2018) 'Pathways to Better Jobs in IDA Countries: Findings from Jobs Diagnostics' World Bank Group, Washington, DC.

building jobs-relevant skills, promoting productive inclusion and entrepreneurship, and raising management capacity in firms; and (iii) Establishing an economywide *incentive framework* that facilitates private investment, including through well-functioning product and factor markets, a supportive investment climate, and efficient and effective regulatory institutions.

5. **In line with this framework, IDA18 Participants asked the WBG to prioritize jobs and economic transformation through deliberate and coordinated interventions in IDA countries, including nine monitorable policy commitments – this paper provides a progress update on interventions under the JET theme.** This paper is structured as follows. Section II discusses progress and trends on jobs and economic transformation in IDA countries, and re-emphasizes the policy agenda. Section III discusses how the WBG has delivered on the overall aims set out by IDA Participants for the JET agenda, incorporating reporting on progress to date on the implementation of the specific IDA18 policy commitments for JET in text boxes. Section IV offers some issues for discussion in moving to the second half of IDA18 delivery and beyond.

## II. PROGRESS AND TRENDS

6. **This section provides a brief update on the progress in IDA countries towards achieving economic transformation to deliver quality, inclusive jobs.** The discussion draws primarily on the findings from an assessment of *Jobs Diagnostics* carried out in IDA17 and IDA18.<sup>2</sup>

7. **Facilitating economic transformation, and supporting workers through the transitions that result, is the key to generating good jobs and improving outcomes for the bottom 40 percent in IDA countries.** Economic transformation is the outcome of three, closely related processes, including: (i) *structural transformation*, where the sectoral employment share shifts out of agriculture and into industry and services; (ii) *spatial transformation*, as the rural agricultural workforce moves to take new jobs that are created in secondary towns and cities; and (iii) *formalization*, as workers shift from engaging in self-employment to securing waged jobs in the formal sector.

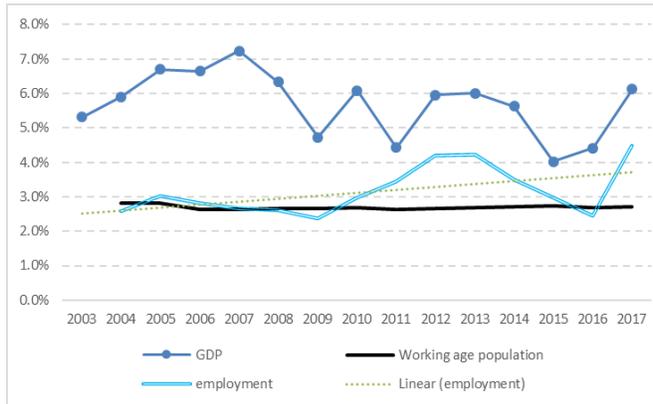
8. **Structural transformation: The sectoral shift in the structure of GDP has accelerated in IDA countries in recent years and is associated with more rapid job creation.** Since 2009, the employment elasticity of growth in low and lower middle-income countries increased significantly, in sharp contrast to upper middle income and OECD countries<sup>3</sup>, with job creation considerably above the rate of growth of the working age population since 2009 (Figure 2). This has coincided with a more rapid shift in sectoral structure away from agriculture in IDA countries (Figure 3). Moreover, the structural change component has accounted for a larger share of productivity growth in IDA countries since 2009, compared with the decade prior. Steady growth in agricultural productivity has played a critical role as a catalyst of economic transformation in IDA countries (Box 1).

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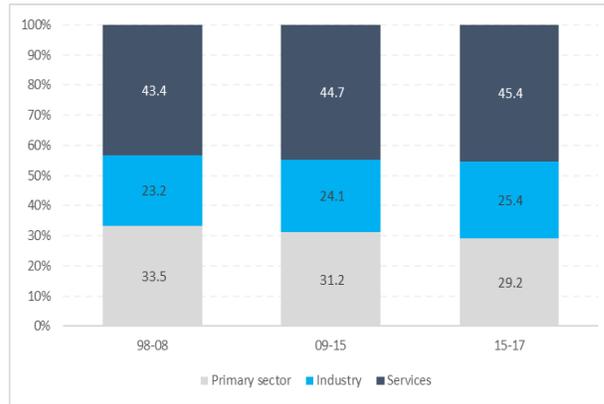
<sup>2</sup> Ibid.

<sup>3</sup> The analysis shows that the employment elasticity to growth in low income countries from 1991 to the financial crisis 2008 was 0.51 – this increased to 0.79 in the years from 2008 to 2015. For lower middle-income countries, comparable figures are 0.51 before the crisis and 0.54 after; for upper middle-income countries, the figures are 0.56 before the crisis and 0.18 after (Merotto et al, 2018)

**Figure 2. Annual Growth (%) of GDP, Working Age Population, and Employment**



**Figure 3. Composition of GDP by Broad Sector in IDA Countries**

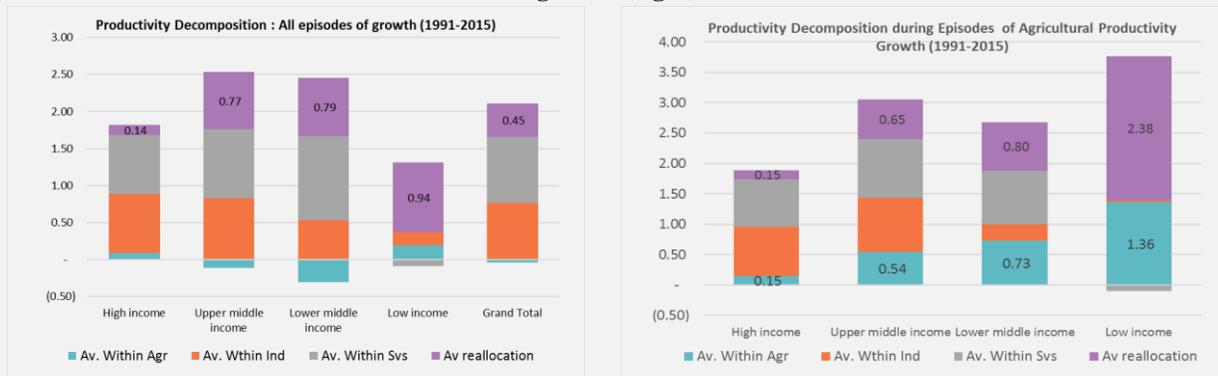


Source: World Development Indicators.

**Box 1. Why Agriculture Matters for Economic Transformation – Evidence from Jobs Diagnostics**

In structural models of economic development, the transformation process begins with increased productivity within the agricultural sector, which releases workers to shift into higher productivity sectors and activities, including industry and tradable services. This contributes to virtuous circle, whereby increased employment and earnings in the urban sector raise demand for agricultural output, leading to increased investment and further productivity gains in the agricultural sector. Findings from the *Jobs Diagnostics*, looking at growth episodes over more than two decades (Figure B1.1), supports this critical role of agricultural productivity in IDA countries. While annual productivity growth in low income countries averaged less than 1.5 percent overall, in periods of agricultural productivity growth, overall growth was dramatically higher – around 3.75 percent annually; and during these growth periods, the major contribution came from reallocation of workers from lower to higher productivity sectors – i.e., the shift of workers out of low productivity agriculture and into higher productivity industry and services.

**Figure B1.1. Productivity growth decomposition: overall (left) and episodes of agricultural productivity growth (right)**

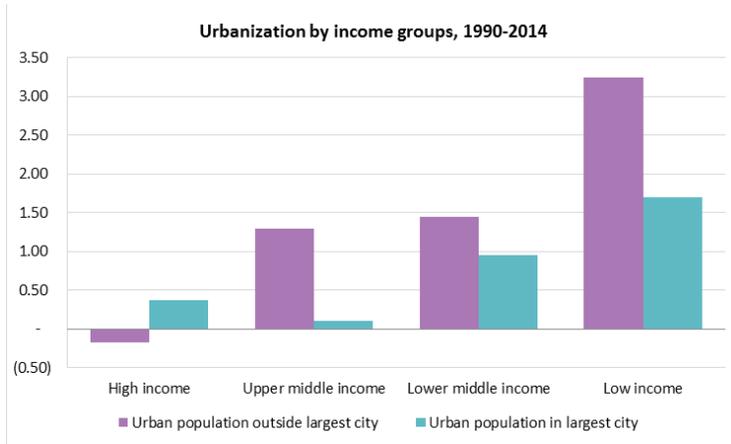


Source: Merotto et al (2018).

9. **Spatial transformation:** Structural transformation has been accompanied by rapid urbanization in IDA countries, particularly in secondary cities. Cities and towns typically provide the most productive and well-paid jobs in the economy. Thus, as workers shift out of agriculture in IDA countries, it is no surprise that urbanization has proceeded rapidly– at a rate around twice that in lower middle-income countries. However, as Figure 4 shows, this is not just about people moving

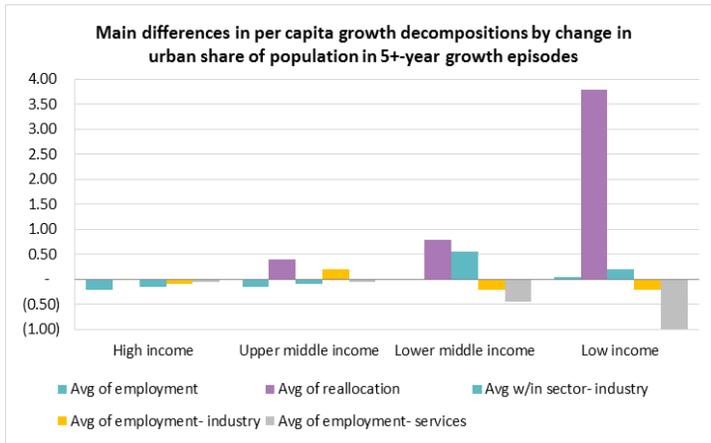
from rural areas into large cities – instead, the largest share of migrations coinciding with economic transformation involve movements from rural areas into secondary towns.<sup>4</sup> The challenge is ensuring these locations have the capacity to support quality job creation.

**Figure 4. Urbanization by Income Groups**



Source: Merotto et al (2018).

**Figure 5. Differences in Growth Decompositions by Change in Urban Share of Population**



Source: Merotto et al (2018).

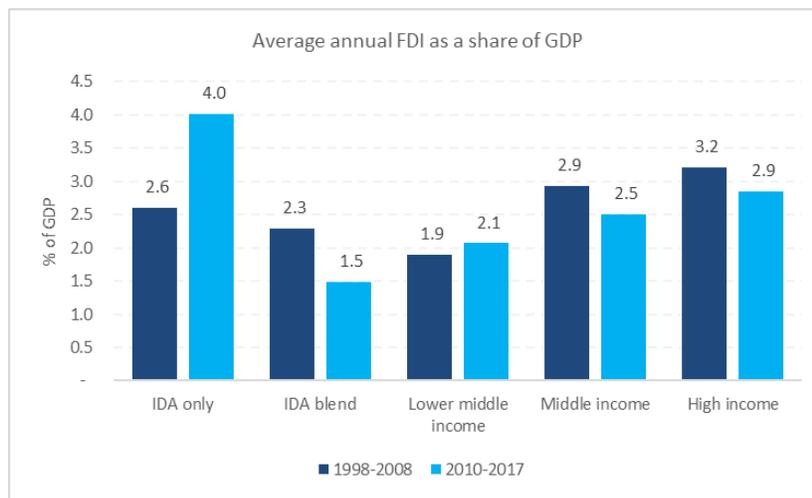
10. **Formalization:** The potential gains from structural and spatial transformation in IDA countries have been limited by insufficient creation of waged jobs in industry and services. Ideally, as workers shift out of low productivity agriculture, they should be moving into high productivity jobs in the urban sector. Findings from *Jobs Diagnostics* suggests this has been the exception rather than the rule. Most workers have shifted into services rather than to industry. More importantly, in the large majority of cases (70 percent in low-income countries), this shift of workers into services is associated with a productivity *decline* in the services sector, linked to a large rise in self-employment and reduction in average hours worked. Thus workers moving out of low productivity agriculture are moving into urban areas but not finding opportunities for good jobs in the formal sector (Figure 5). Given that informality is pervasive in most IDA countries, part of the answer lies in raising productivity among the self-employed. But sustainable, quality economic transformation ultimately relies on the private sector creating waged employment opportunities.

11. **Achieving economic transformation and generating quality jobs is dependent on the emergence of a competitive private sector – IDA countries are showing gains, but more progress is needed.** Private investment and market integration drives economic transformation. Private fixed investment in IDA countries has risen steadily as a share of GDP over the past decade and a half to reach more than 18 percent, on average, in 2015.<sup>5</sup> Yet this still trails the levels in middle income countries; moreover, progress is patchy with private investment remaining stagnant in many IDA

<sup>4</sup> Christiaensen, L., De Weert, J., and Kanbur, R. (2015). Urbanization and Poverty Reduction: The Role of Secondary towns in Tanzania. Working Paper.  
<sup>5</sup> The last year in which data is available.

countries. Foreign direct investment (FDI) as a share of GDP has increased by more than 50 percent in IDA-only countries since 2010 relative to the decade prior. This stands in contrast to stagnation or decline in IDA blend, and higher income countries (Figure 6). The fact that FDI grew rapidly in IDA countries in the years following the end of the commodity supercycle suggests a more dynamic and diversified pattern of investment may be emerging. Indeed, findings from the recent *Jobs Diagnostics* highlight the role of large firms (notably including FDI) as well as young firms as the main drivers of structural transformation and job creation. A review of *Jobs Diagnostics* in 16 mainly IDA countries found that in more than half of them, the top one percent of largest firms hold more than one-third of all jobs in the formal sector. Similarly, while the vast bulk of firms in IDA countries are relatively long-established, most of the net new job creation is coming in young firms.<sup>6</sup>

**Figure 6. FDI as a Share of GDP**  
(annual average)



Source: World Development Indicators.

12. **Translating private sector development into good, inclusive jobs also requires skilled human capital, supportive labor markets, and, often, targeted actions to promote jobs-intensive investment.** Supporting the development of the private sector is a necessary but not a sufficient condition. Findings from *Jobs Diagnostics* and recent research<sup>7</sup> suggest that the private sector in IDA countries tends to underinvest in job creation. This is partly due to social externalities of jobs, but also, particularly in IDA countries with high levels of underemployment, from the gap between the market price and the opportunity cost of labor. The situation is exacerbated by direct or implicit subsidies to capital, which bias investments toward capital and away from labor, as well as from large skills gaps that create a mismatch between the available labor and the available jobs. Targeted interventions to promote jobs-intensive investments may be key to delivering on the jobs challenge in IDA countries. Moreover, integrating women, youth, and migrants more effectively into labor markets and closing gender wage gaps, as well as improving working conditions will support transitions and contribute to rising productivity at both the micro and aggregate levels.<sup>8</sup>

<sup>6</sup> 'Young firms' are defined as those that started activities within the previous 5 years.

<sup>7</sup> Robalino, David A. and Walker, David Ian (2017). 'Economic Analysis of Jobs Investment Projects'. Jobs Working Paper No. 7. Washington, DC: World Bank.

<sup>8</sup> Countries with large gender gaps are estimated to incur income losses of up to 30 percent of per-capita GDP- See "Global Employment Trends in 2014: Risk of a Jobless Recovery?" ILO, 2014.

### III. ADDRESSING JOBS AND ECONOMIC TRANSFORMATION IN IDA18

#### A. OVERALL PROGRESS

13. **IDA Participants endorsed an ambitious set of commitments to support the JET agenda in IDA18, while also recognizing that delivering on the objectives of JET requires complementary efforts across themes and WBG institutions.** This section of the report reviews progress made against the IDA18 JET policy commitments after the first year of implementation, but also looks behind these specific commitments at how the JET theme is influencing the WBG to do things differently in IDA18. In this context, the IDA18 policy commitments build on IDA's long-standing support for private sector development but go beyond it to take a more deliberate approach to economic transformation and job creation. They include new approaches to operations, new financial instruments, enhanced analytics, and new tools for the evaluation and measurement of jobs impact. Given the comprehensive nature of the JET challenge, its policy commitments are integrated with the other IDA18 Special Themes and, therefore, are reinforced by complementary commitments, including on women's labor force participation, regional trade and integration, climate-smart urbanization and infrastructure, and enhanced governance, as well as primacy of job creation in addressing the challenge of fragility.

14. **Support for jobs and economic transformation has long been at the forefront of the WBG's activities, and IDA18 continues to deliver strongly.** In the decade prior to IDA18, WBG has committed more than US\$100 billion to support private sector development and economic transformation in IDA countries from both public and private sector sides. IDA investment had averaged US\$7 billion a year in enabling infrastructure, skills development, agribusiness, SMEs, and financial systems, and other private sector linked activities. The IFC has invested from its own account US\$25 billion in IDA countries over this decade, and MIGA has issued guarantees for US\$9 billion. In IDA18, out of the US\$26.9 billion record commitments of financing in the first five quarters of IDA18, the investments in sectors enabling economic transformation has taken the largest share—around half of IDA total commitments were invested in infrastructure with a focus on energy, transport and water, finance, industry and trade, and agriculture sectors (see Figure 7).<sup>9</sup>

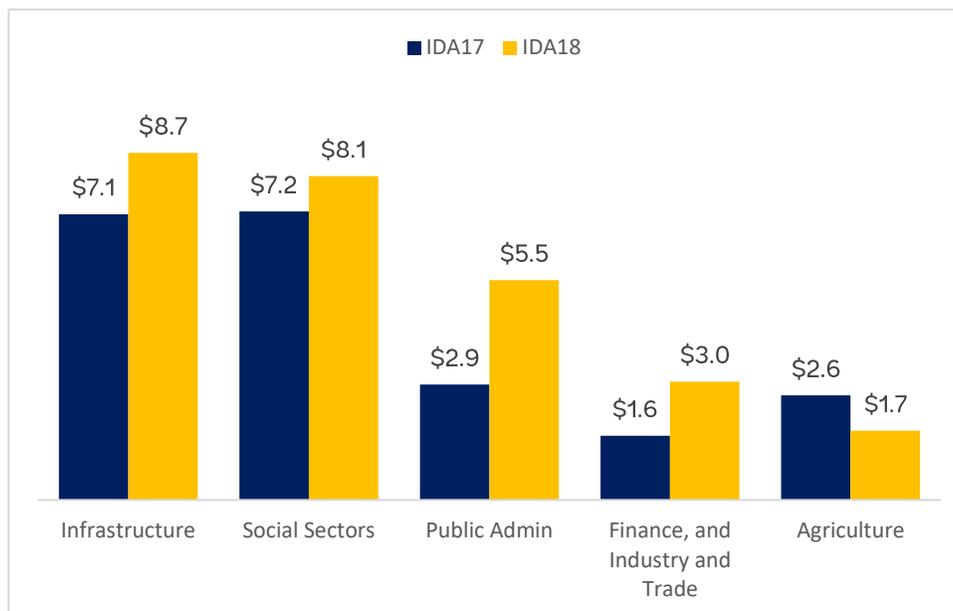
15. **The JET Special Theme has further increased IDA's focus on job creation and introduced new momentum to IDA's support to countries' economic transformation efforts.** An analysis of the IDA operational portfolio shows US\$7 billion of projects approved in the first five quarters of IDA18 had an explicit focus on jobs.<sup>10</sup> This puts IDA18 on pace to increase the scale of its commitment to the jobs agenda by close to 60 percent over IDA17 and by 90 percent over IDA16. Jobs-themed projects account for 32 percent of the IDA18 portfolio by value. More broadly, investment in sectors enabling economic transformation has increased strongly in the first five quarters of IDA18 comparing the same period of IDA17— for example investments in Finance, Industry, and Trade are up more than 85 percent and investments in infrastructure sectors are up 20 percent (Figure 7). According to IDA Results Management System (RMS), in FY18 alone, over 9 million beneficiaries have been reached by IDA jobs-focused interventions. Of these, half a million were in Fragile and Conflict-affected States (FCS) and 2.55 million were female beneficiaries.

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<sup>9</sup> For details, see IDA18 Mid-Term Review Implementation and Results Progress Report.

<sup>10</sup> This is based on projects tagged as having a "jobs" theme. These are defined as a World Bank lending activity that has an explicitly stated and substantive link to creating jobs, improving the quality of existing jobs, and/or helping individuals connect to jobs or move to better jobs. This means that activities are selected or designed with a focus on jobs or on addressing a jobs challenge.

**Figure 7. IDA Investments by Category (US\$ billion):  
First Five Quarters of IDA17 and IDA18**



Source: World Bank commitments.

16. **The increased volume of jobs-focused lending reflects the integration of the JET theme with the Bank’s well-established country engagement model, and IDA’s more deliberate efforts to support economic transformation at the country level.** The Systematic Country Diagnostic (SCD) – a joint product of the World Bank, IFC, and MIGA – increasingly supported by *Jobs Diagnostics*, is the key analytical instrument through which issues related to jobs and economic transformation are prioritized at the country level and inform operations through the Country Partnership Framework (CPF). Evidence from IDA SCDs suggests that the JET theme has become an increasing priority during IDA17 and especially in IDA18. Of the nine IDA SCDs completed in FY18<sup>11</sup>, all had a strong emphasis on job creation and/or economic transformation. For example, a priority theme in the Liberia SCD is “Productivity-driven growth, diversification, and job creation”, while the Guinea SCD priorities are organized around “Pathways to Structural Transformation”, and the Burundi SCD identifies “boosting agricultural productivity” and “fostering economic diversification” as the main priorities to build on from the urgent actions to address fragility and spearhead recovery. The JET theme appears to have also translated well into CPF priorities. A review of the eight IDA CPFs<sup>12</sup> delivered in first five quarters of IDA18 found that six (75 percent) clearly met the requirements to be tagged for the IDA18 RMS indicator on IDA ‘Support to Economic Transformation’.<sup>13</sup>

<sup>11</sup> Burundi, Caribbean (regional SCD), Republic of Congo, Guinea, Liberia, Nicaragua, Niger, Sierra Leone, and Solomon Islands.

<sup>12</sup> Benin, Burkina Faso, Guinea, Moldova, Nicaragua, Niger, Mauritania, and Tanzania.

<sup>13</sup> Based on the agreed Economic Transformation Indicator, which requires evidence from CPF Results Frameworks showing support for: (i) sectoral productivity; (ii) value chain expansion; (iii) increased productive capital stock or investment in energy, transport, manufacturing, or services; and (iv) export sector output / value added and/or trade facilitation. See IDA RMS.

## **Box 2. Prioritizing Jobs and Economic Transformation: Evidence from Recent IDA CPFs**

### Benin

In line with the findings from the SCD and the Government's own strategy to achieve rapid economic transformation and a rebalancing of the structure of the economy, the Benin CPF launched in July 2018 identified 'structural transformation for strengthened competitiveness and productivity' as the first of its three key focus areas for the next five years of programming. The strategy outlined in the CPF aims to support growth and job creation through by fostering agricultural productivity, improving the sustainability of infrastructure (electricity, water and sanitation, digital economy), strengthening governance in the management of public finances, and promoting a more conducive environment for private sector investment and competitiveness.

### Guinea

The new Guinea CPF, published in April 2018, recognizes the critical importance of JET as one component to address fragility. The CPF puts its primary focus on accelerating structural transformation, 'moving from an economy based on mining and low productivity agriculture to a more diversified, productive private sector capable of employing its young people.' In line with the JET theme, it prioritizes agricultural productivity growth and enhanced urban development and two critical pathways to achieving transformation. These CPF objectives translate to JET-themed operations on the ground, including the Integrated Agricultural Project, which targets high potential value chains, and the proposed cross-border electricity interconnection project with Mali.

17. **IDA's work is carried out together with IFC and MIGA's increasing engagements in IDA countries in support of JET during IDA18 period.** Under IFC's 3.0 strategy of creating markets, and IFC's commitment to shift towards IDA countries as part of its general capital increase package, IFC continues to increase engagement in IDA countries through aligned investment and advisory work to provide solutions at firm, sector and country levels. In FY18, IFC's own account commitments in IDA countries reached US\$1,874 million, with a total mobilization of US\$4,963 million and total financing volume of US\$6,837 million. MIGA, guided by its Strategy for FY18-20 with a focus on supporting IDA and FCS countries and Climate Finance, has committed 13 projects (out of 39 in total) in IDA countries totaling US\$1.24 billion in guarantees.

18. **Recognizing that economic transformation in IDA countries requires holistic efforts beyond IDA and WBG support alone, and that there is no one-size-fits-all solution, IDA has maintained an active dialogue with governments and partners on how best to support countries' economic transformation efforts.** Globally, there is a rich literature and active policy debates on different models of economic transformation, and experiences across countries vary widely. IDA's country-based model grounds IDA's support in the country context. Many dialogues take place at the country level through stakeholder consultations feeding into the SCDs or CPFs. Regional dialogue on specific sectoral issues have been instrumental in advancing potential transformative ideas, for example, the cocoa sector in Ghana and Côte d'Ivoire. IDA's approach in working with both public and private sectors at both country and transaction levels directly support global and regional initiatives such as the Compact with Africa. IDA has also organized dedicated consultations focusing on delivering results on the JET special theme (Box 3). The following sub-sections report on the progress of JET policy commitments as organized in the IDA18 Deputies Report and JET Special theme paper. For clarity, update on each policy commitment is provided in a text box, while the text offers broader context of IDA and WBG support in IDA countries.

### **Box 3. Sharing Experiences on Economic Transformation: JET Implementation Seminar in Beijing**

On May 10, 2018, a World Bank-Peking University roundtable workshop on Jobs and Economic Transformation (JET) was held in Beijing, hosted by the Institute of New Structural Economics at Peking University. The workshop was designed to continue the dialogue among policymakers and development practitioners on JET through a discussion of recent analytical studies and selected country experiences. The IDA18 Framework on JET around connectivity, capabilities, and incentives was presented, together with the Peking University team's study on the implication of China's industrial transformation for manufacturing sector in Africa and other developing countries. Three sectoral discussion followed, around agriculture to produce jobs in the global food value chain, the manufacturing sector in the era of new technologies, and innovation and the digital economy, including the growth experience of Alibaba. The Minister of Finance of Benin shared its experience and plan on economic growth and job creation through industrialization; and the Peking University team shared its study on Ethiopia's growth path, as well as experiences implementing special economic zones as an instrument of economic transformation. More than 60 participants from IDA client governments, development partners, private sector, Chinese government and research institutions, and World Bank Board members and teams joined the workshop. This is just one example of how IDA convenes public and private stakeholders to focus the attention and efforts on job creation and economic transformation in IDA countries.

## **B. SUPPORTING JOB CREATION THROUGH ECONOMIC TRANSFORMATION**

19. **A number of innovative projects approved or made effective in IDA18 have an explicit target of economic transformation as the channel for job creation, through interventions built around the JET framework of connectivity, capabilities, and the incentive framework.** Examples include: *Cashew Value Chain Competitiveness Project* (Côte d'Ivoire), which supports improved earnings and job creation in the cashew processing sector by building capabilities of smallholders and connecting them to markets through a value chain development approach; *Ethiopia Economic Opportunities Program*, which supports the Government of Ethiopia's efforts to improve the investment climate and supports the role of special economic zones (SEZs) and industrial parks as instruments of transformation; and the *Zambia Agribusiness and Trade Project*, which supports agricultural sector transformation by connecting farmers to markets through GVCs, strengthening trade logistics, and building regulatory capacity to ensure an effective incentive environment.

20. **Global value chain integration is a critical channel through which IDA countries can facilitate economic transformation and job creation by leveraging comparative advantage.** As technology and trade patterns continue to disperse production globally, GVCs offer IDA countries an opportunity to specialize in specific tasks to lower entry costs into new manufacturing and services sectors. And by connecting their firms into global supply networks, IDA countries benefit from technology and knowledge spillovers that will facilitate rapid productivity gains. Bangladesh's entry into the global apparel value chain created more than 4 million jobs during the 2000s, the large majority of which went to women. In recent years, lead firms, mainly from China, have established major new production facilities in Ethiopia to serve global markets in sectors like apparel and footwear. Ethiopia is targeting the creation of 2 million manufacturing jobs through GVC-linked investments in SEZs like Hawassa Industrial Park by 2025. The opportunities stemming from GVC integration are not restricted to large IDA economies in manufacturing. For example, an IDA investment in Mauritania – *Nouadhibou Eco-Seafood Cluster Project* – is helping expand the country's exports into higher value-added segments of the fisheries value chain. WBG has been at the forefront of global knowledge on GVCs and has developed a number of tools to support GVC analysis, working with partners such as the OECD, the European Union, and the governments of China, Japan, and the United Kingdom. The selection of GVCs as the topic of the World Development

Report 2020 underscores the WBG's continued commitment to lead on the GVC policy agenda. Informing SCDs and supporting design of investment operations, GVC analytics focus not only on the policies and capabilities required to enter and compete in GVCs, but also how to maximize the development impact of GVC participation.

**Progress on IDA18 Policy Commitment #1: WBG will deploy tools and resources from IDA and IFC to undertake 10 inclusive global value chain analyses in IDA countries to understand how they can contribute to economic transformation and job creation, including through growth in agri-businesses, manufacturing, and services, and will use this analysis to inform activities within the IDA portfolio.**

During the initial year of IDA18, the WBG has initiated or completed at least seven comprehensive GVC analyses in IDA countries – Chad, Ethiopia, Haiti, Mali, Nepal, Pakistan, and Tajikistan. In-depth GVC analysis is also being undertaken as part of CPSDs in Ghana and Rwanda, and are being launched as part of a wider initiative in SADC. This work is aiming to inform planned operations to develop the Nacala Corridor and surrounding regions in Mozambique, Malawi and Zambia. A further inclusive GVC analysis in the SADC region is planned for FY19, though the precise value chains and countries are still to be determined based in part on the ability to link to and inform operational demands. In addition, analysis of jobs impacts of GVC participation has been completed in Bangladesh.

21. **Learnings from GVC analytics highlight the importance of investments in connective trade infrastructure, firm capabilities, and developing standards.** Improving trade facilitation and developing more competitive trade logistics sectors to compete effectively in an environment that requires seamless importing and exporting are key recommendations coming out of many of the GVC analytics. In the IDA-financed Haiti Business Development and Investment project, this led to the incorporation in the project of a private sector provision of cold chain logistics services to support exporters in the mango value chain. Similarly, establishing national and sectoral standards, and supporting adoption of these standards by the private sector has been identified as a critical requirement for GVC entry. In Bangladesh, these findings have been incorporated into the IDA-financed *Export Competitiveness for Jobs* project, which builds capacity of industry bodies and firms on environment, social, and quality (ESQ) standards and provides a matching grant facility that enables firms to undertake investments to support ESQ compliance. The project also establishes technology centers to enable firms to invest in training and adoption of technologies and processes required to meet quality requirements from lead firms in GVCs.

22. **Value chain integration also plays a critical role in supporting regional integration in IDA countries.** The Africa Region's new Regional Integration Strategy emphasizes key aspects of JET around building regional markets, connecting through regional economic corridors, and supporting regional solutions for services and entrepreneurship. IDA support to transportation links in South Asia, Central Asia, and the Pacific Islands have significantly enhanced regional trade and economic activities. IDA, including through its Regional Window, is fully behind these regional efforts to bring regional solutions for economic transformation.<sup>14</sup> IDA's continued support to the West African Power Pool, directed toward completing primary interconnections along 4,000 kilometers of transmission lines, represents an important example of the potential for IDA to play a catalytic role in supporting critical infrastructure for the development of integrated regional value chains.

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<sup>14</sup> See IDA Regional Window Review MTR Paper.

23. **IDA18 commitments through the Global Infrastructure Connectivity Alliance (GICA) will help facilitate regional integration as a driver of economic transformation.** Regional trade integration represents a significantly underexploited opportunity to support economic transformation in IDA countries. Delivering on this opportunity requires not only implementing facilitative policies, but also investment in critical cross-border infrastructure, including transport, energy, water, and ICT.

***Progress on IDA18 Policy Commitment #2: WBG will use the Global Infrastructure Connectivity Alliance to make available to IDA countries knowledge on lessons and approaches related to cross-border investments and economic corridor development, and will use this analysis to inform activities within the IDA portfolio.***

Leading the coordination Secretariat, WBG has helped ensure that GICA – an initiative of the Chinese Presidency of the G20 – delivers on the IDA18 commitment. During its first year of operation, GICA has launched a website ([www.gica.global](http://www.gica.global)) containing more than 300 publications from various GICA members on connectivity (particularly addressing challenges for landlocked countries), along with over 100 maps consolidating and structuring knowledge resources. This information is available to all IDA countries. The GICA knowledge base increasingly informs innovative regional infrastructure investments in IDA. During FY18, the GICA connectivity framework was shared with ASEAN countries, and a prioritization approach is starting to be applied to a list of connectivity projects in Cambodia, Laos, and Myanmar. Further efforts to leverage GICA from both the supply and demand sides can help ensure knowledge available from GICA takes advantage of its potential to inform IDA’s expanding operations in regional cross-border infrastructure.

24. **A number of innovative cross-border infrastructure investments have been initiated during IDA18.** One example is the *Western Africa – Solar Development in Sub-Saharan Africa Project*, which includes a US\$21 million grant to the West African Power Pool (WAPP) to develop regional solar power infrastructure and strengthen regional technical capacity for large-scale solar energy generation in the Sahel. Another example is the US\$480 million *Khyber Pass Economic Corridor Project*, which coordinates investment in road and fiber optic infrastructure between Afghanistan and Pakistan, combined with technical and institutional support to integrate local producers along the corridor into GVCs.

### **C. RAISING JOB QUALITY AND ENSURING INCLUSION OF YOUTH AND WOMEN**

25. **Maximizing the effectiveness of interventions to support SMEs and entrepreneurs is critical to delivering quality jobs in IDA countries, particularly for women and youth.** As the economies of IDA countries begin to transform from being agrarian to industrial and service-based, the vast majority of jobs will be created in micro, small, and medium enterprises (MSMEs). Facilitating entrepreneurship and MSME growth will be particularly important to generating opportunities for youth, who face unemployment rates more than twice the overall levels in IDA countries. They will also be critical for women, who will often rely on entrepreneurship as the route to labor force participation, but face particular constraints to establishing and expanding a business. But designing and delivering MSME and entrepreneurship interventions to reach such a large and heterogeneous population raises significant challenges.

26. **Leveraging extensive impact analyses of SME and entrepreneurship programs across IDA countries has enabled the WBG to better inform IDA operations.** WBG, along many development partners, have made significant investments in recent years to re-invigorate the SME agenda, including efforts to improve knowledge on ‘what works’ for SME and entrepreneurship interventions. The assessments have highlighted the importance of using screening tools to increase the effectiveness of entrepreneurship interventions. The assessments have also substantially improved

understanding of what works for designing and implementing matching grant instruments to SMEs. Learnings from the evaluations are already impacting SME operations in IDA countries, for example through increasing the use of business competitions as a mechanism to pre-select firms that are likely to be in a position to expand and create jobs. The assessments are also informing design of programs to ensure traditional supply side measures like finance and training are complemented with demand-side interventions, for example through support for marketing and business development.

***Progress on IDA18 Policy Commitment #3: WBG will systematically carry out impact analyses of SME and entrepreneurship programs across IDA countries to assess their overall impacts and differentiated outcomes for women and youth, and will develop operational guidelines to inform future operations.***

WBG has moved to conduct impact analysis as a standard part of undertaking SME and entrepreneurship programs, and is preparing a report bringing together the learnings from these impact analyses across the portfolio. The report is the result of an ongoing collaboration between FCI Global Practice (GP) and IFC on SME programs, including the WBG SME Working Group established following the IEG evaluation of SME programs. It draws on the results of extensive evaluations of SME programs in recent years, including rigorous impact evaluations (including randomized control trials) through the ComPEL program. It also draws on the lessons from two other flagship publications, one on high-growth entrepreneurship and one a policy-manual on various instruments to support innovation. A number of key findings emerge that will shape future approaches to SME interventions. For example, evidence shows that, beyond size, the age and innovative activities within a firm are important characteristics associated with growth. While it is notoriously difficult to predict growth ex ante, the ability to discern weaker candidates is stronger. And the incentives built into programs matter, as do the capabilities of managers within the firm to adopt technology and take full advantage of the programs offered. Other characteristics of the entrepreneur, including their gender, age, prior experience also point to the types of support that may be relatively more effective.

#### **Box 4. Gender-informing SME Operations – Leveraging the We-Fi Initiative**

Around 70 percent of women who own SMEs in the developing world currently can't get the financing they need; they also often lack access to the technologies, market connections, networks, and training necessary to build and maintain a successful business. The Women's Entrepreneurship Financing Initiative (We-Fi) announced in July 2017 at the G-20 Summit in Hamburg, Germany, is an innovative, new facility that supports women-led businesses and works with governments to improve the laws and regulations stifling women entrepreneurs in developing countries.

US\$150 million of funding was allocated to the WBG as part of the first round of implementation of We-Fi. More than half of these funds will be dedicated to interventions in IDA countries, including:

- ***Bangladesh:*** WBG is undertaking a comprehensive effort to map and collect data on women business owners, identify the main stakeholders, assess the capacity needs of the women business owners, identify national supply chains and clusters with large concentrations of women-owned SMEs, and map the national and multinational companies that present high potential to explore opportunities for linking women-owned SMEs into their supply chains.
- ***Nigeria:*** WBG is working to increase market access for women SMEs through linkage programs and cluster development, which involves facilitating market linkages and technology transfer, and inducing network and joint actions among entrepreneurs. The project will work with business development service providers to identify the gaps in women-owned firms that impede their integration into the supply/value chains of foreign and domestic firms. These activities will be aligned with IFC work to support women in the rice sector, including enhancing women's participation in cooperatives.
- ***Zambia:*** WBG is working with the private sector to identify opportunities to pilot new financial technology products applicable to female entrepreneurs. In parallel, the team will map potential regulatory barriers to financial technology adoption, and provide capacity building to relevant regulatory agencies to facilitate their use.

In support of project interventions under We-Fi. WBG is also carrying out four rigorous impact evaluations, across Sub-Saharan Africa, South Asia and MENA that would help further build the existing body of evidence that points to what works and what does not work to promote female entrepreneurs.

27. **WBG is taking a new approach to supporting youth employment in IDA countries, through programs that integrate labor supply and demand-side interventions.** IDA has invested heavily in youth employment programs over a long period. However, to date most of these programs have focused largely on ‘supply side’ interventions that offer a combination of training, counseling and job-search assistance, wage subsidies, or different variants of entrepreneurship support. Recent meta-analysis of the evaluations of these programs suggest that more than two-thirds of them have not had significant impact on employment (either wage or self-employment) or earnings outcomes. In line with the IDA18 policy commitment, the Jobs Group led a stocktaking of the evidence on youth employment programs – *Integration: A New Approach to Youth Employment Programs*. This report highlights the heterogeneity of needs and situations, and emphasizes that the evidence base for demand-side interventions remains quite limited. However, what comes out clearly from the assessment is that the long-term success of programs to improve employability of youth will depend fundamentally on the demand for labor, and so more comprehensive approaches that intervene in a coordinated way on both the demand and supply side are more likely to be effective.

**Progress on IDA18 Policy Commitment #4: WBG will prepare operational guidelines for integrated youth employment programs with a focus on connecting to demand-side interventions and supporting labor market integration, and will inform the design of the new generation of youth employment programs in IDA countries.**

Following on from the report noted in the paragraph above, WBG has prepared detailed guidelines for task teams designing and implementing integrated supply-demand side youth employment programs. These guidelines have begun to inform a new generation of integrated youth employment. After being piloted in Tunisia<sup>15</sup>, the approach is now being adapted in IDA operations under preparation in Nepal and Ghana. *Accelerating Inclusive Jobs Growth for Youth in Nepal* combines interventions promoting access to information, employer-worker intermediation, and addressing social barriers to youth employment with grants enabling firms to implement job-intensive expansion plans. *Promoting Access to New and Better Jobs* in Ghana includes a matching grant program that supports firms to expand, while also supporting skills development to help match youth with the specific capabilities that firms will require as a result of their expansion. The guidelines have also been shared with the Solutions for Youth Employment (S4YE) community for broader use.

28. **Pioneering research, pilots, and evaluations are contributing to innovative approaches to addressing the employment challenges of youth and women in IDA countries.** Regional Gender Innovation Labs continue to support rigorous evaluations of innovative pilots testing initiatives to close gender gaps – the large majority of these evaluations address entrepreneurship and/or labor markets in IDA countries. Among published evaluations in FY18 are studies that inform SME and entrepreneurship initiatives through the use of training (Togo) and psychometric testing (Ethiopia), and assessment of interventions addressing gender and youth employment in Sub-Saharan Africa. Gender Innovation Labs are also supporting evaluations of projects targeting expanded agricultural earnings in Sub-Saharan Africa and South Asia. S4YE is conducting evaluations of innovative youth employment interventions in seven different IDA countries, including projects sponsored by bilateral donors and the private sector – for example UNICEF’s UPSHIFT program in

<sup>15</sup> The US\$60 million Tunisia Youth Economic Inclusion Project linked training and placement interventions, with support for development of value chains to employ youth in several lagging regions of the country.

Kosovo, Mastercard Foundation's U-LEARN program in Uganda, and DFID's Kuza project in Kenya. Findings from these evaluations are being integrated into the design of 'next generation' of youth employment programs.

### **Box 5. Innovative Training Initiatives Targeting More and Better Jobs for Women and Youth**

#### Training Women for Career Advancement (Solomon Islands, Bangladesh)

Two IFC-led initiatives piloted innovative training programs designed to increase women's access to higher-level positions (e.g., technical, supervisory, management) in sectors where women have traditionally dominated the lower-skilled positions but have had limited opportunity for career advancement. In the Solomon Islands, an intervention financed by the Jobs multi-donor trust fund (MDTF), provided training and advisory support to management and female employees of SolTuna (an IFC investment client in the tuna processing sector employing 1,800). Initial results included appointment of two women to senior management positions and significantly expanding the number of women in non-traditional jobs such as forklift driver, maintenance, and security. The project catalyzed interest by the private sector and mobilized additional funding to create a follow-on project funded from the Australian Department of Foreign Affairs and Trade. In Bangladesh, an initiative in partnership with the ILO-IFC Better Work Program, with financial support from Japan and the Jobs MDTF-funded *Let's Work Program*, developed, implemented, and evaluated an innovative training program for women operatives in 28 apparel factories. Of the 144 women who attended the training program, 92 were offered a promotion with an increase in salary within weeks of completing the program. The evaluation also found an average efficiency increase of five percent and reduction of absenteeism in lines where trained female supervisors worked.

#### Rapid Skills Training for Youth Employment (Kenya, Pakistan)

Through a grant from the Jobs MDTF, an assessment was carried out on key success factors in the design and implementation of rapid skills training programs ('bootcamps') for technology and entrepreneurship, with a focus on understanding their impact on employment and employability of youth. The findings showed that the interventions have a significant impact on providing access to higher-quality jobs (especially in the technology sector) and raise business creation rates (self-employment) among the low-income population. The evaluation also identified under-representation of women in this type of trained coupled with lower chances to employability under equal skills/training circumstances, suggesting the need for targeted support to this population. The results of the evaluation have contributed to the design of new lending operations (with adjustments to the model to overcome constraints to female participation), in Kenya and Pakistan as well as outside of IDA.

## **D. TARGETING SUPPORT FOR THE PRIVATE SECTOR AND WORKERS IN HIGH-RISK CONTEXTS**

29. **Bringing IDA, IFC, and MIGA together, Maximizing Finance for Development (MFD) is helping establish the incentive environment to mobilize greater private investment to support the JET agenda in IDA countries.** WBG is rapidly mainstreaming the MFD approach across operations, in line with objectives of the *Forward Look*. Among the nine MFD pilot countries are four IDA countries – Cameroon, Côte d'Ivoire, Kenya, and Nepal. Successful MFD operations have also been implemented in a number of other IDA countries, including Afghanistan, Bangladesh, Benin, Madagascar, and the Solomon Islands. These interventions have included support for development of agricultural value chains and improvements in access and quality of critical connective infrastructure (including electricity and water). According to IDA RMS, in FY18, US\$6.24 billion private investments have been catalyzed by IDA interventions.

### **Box 6. MFD in Action in Madagascar to Support the JET Agenda**

Three-quarters of Madagascar's population lives in extreme poverty, with 80 percent dependent on agriculture. While the country has excellent conditions for cattle and goat production, inadequate veterinary services and infrastructure limit economic opportunities and exports. Embracing the MFD approach, the government prioritized private sector involvement in the livestock sector value chain.

IDA provided two loans to assist sector-wide binding constraints. The first technical assistance project in 2014 tapped into a US\$50 million IDA credit that has helped the central and regional administrations promote sustainable agribusiness development, including potential support to procure fodder for an export-oriented abattoir in southern Madagascar. The subsequent US\$53 million project that started in 2017 is addressing agriculture value chain policy and governance issues, technical capacity building, land tenure, food safety, accessibility to veterinary services, and access to infrastructure such as roads for farmers. The project is helping provide quality assurance services through the training of veterinary staff and the funding of laboratory equipment for certification mechanisms, among other initiatives. In parallel, IFC is supporting transformation of the sector through advisory services funded by GAFSP to BoViMa (a private firm, the country's first modern feedlot and abattoir). The 4-year advisory program will help BoViMa improve animal husbandry in southern Madagascar. It will also strengthen the company's supply chain for animal feed (such as maize, cassava, grass, and sweet potato) to be sourced from local farmers. This will also create a reliable feed grain market for thousands of local farmers, which in turn benefits the local community by increasing farmers' incomes and connecting them to regional and global meat markets. Besides the advisory program, IFC and GAFSP are planning a US\$7 million investment in BoViMa.

It is expected that by 2021, the BoViMa abattoir and feedlot will establish the company as a world class meat export business that is able to drive the industry in Madagascar and demonstrate best practices in production efficiency, environmental sustainability, and animal welfare. BoViMa will directly employ 200 people in Fort Dauphin, a remote part of the country. It will also provide support to more than 20,000 local herders and farmers, improve small holder farmers' agricultural practices, and diversify their incomes. Over the long term, the project is expected to create a US\$300 million meat exports market.

**30. The launch of the IFC-MIGA Private Sector Window (PSW) has generated opportunities for MFD and mobilized WBG synergy in supporting economic transformation in the most difficult environments.** As one of the key innovations in IDA18, the PSW is expected to help unlock private sector investment in IDA countries. While building and delivering on the pipeline will take time, evidence from early transactions shows how the PSW can play a unique role in supporting the JET agenda by de-risking the type of sector-specific investments that complement IDA's typically more broad-based interventions. Efforts will continue to facilitate WBG teams to identify priority sector reforms and organize upstream efforts that lead to potential private sector investment opportunities, across sectors such as infrastructure, agribusiness, SMEs, etc. (see Box 7)

***Progress on IDA18 Policy Commitment #5: WBG will enhance existing and introduce new operational instruments to improve risk sharing in projects and crowd-in private capital in high risk investment environments, including through the introduction of the IFC-MIGA Private Sector Window.***

During the first year of implementation, substantial efforts were focused on the ensuring the successful establishment of PSW instruments, putting in place the financial, administrative, and legal infrastructure, and developing the initial project pipeline. In the first 15 months, PSW has supported 12 projects and 1 program committing US\$185 million of PSW resources and leveraging more than US\$1.4 billion in total financing. Another US\$1 billion of financing is possible for projects that are in the 'midstream' pipeline.<sup>16</sup> These include: support for housing finance institutions in West Africa and Bangladesh, and microfinance institutions in Cambodia (under the Local Currency Facility); three SME venture funds for Africa, Kyrgyz Republic, and Myanmar, a climate finance focused risk-sharing facility for the Pacific Islands, and an innovative pooled first

<sup>16</sup> Projects past the concept stage but no yet Board approved.

loss program to support SME lending in PSW countries across the world (under the Blended Financing Facility); and MIGA guarantees to an agri-processing factory in Afghanistan and to telecom sector-related investments in Myanmar and Sierra Leone (under the MIGA Guarantee Facility).

*For a more detailed discussion, please see the separate MTR paper on the PSW.*

### **Box 7. IDA Private Sector Window Gives Small Enterprises Big Opportunities**

**Local currency financing.** In Cambodia's highly dollarized economy, rural SMEs that rely on Cambodian riel (KHR) struggle to secure affordable loans. Further, an undeveloped debt-capital market means financial institutions lack access to local currency financing. Establishing a local bond market would enable financial institutions to sustainably source KHR and increase lending to rural SMEs. But exchanging currency is expensive, meaning IFC cannot normally offer local currency financing at affordable enough rates given the additional costs of hedging. IFC is working with a Cambodian microfinance institution to issue the first-ever KHR bonds up to the equivalent of US\$30 million. IFC will provide US\$20 million, which it will exchange to local currency at a concessional swap rate via IDA PSW's Local Currency Facility. The new bond will allow the institution to offer 60 percent more (14,000) micro loans in KHR – two thirds of which will be for women. The bond issuance will also serve as a first step in developing a local debt-capital market and facilitate World Bank Group and Cambodian government-supported de-dollarization plans.

**Private equity funds.** SMEs account for 60 percent of jobs in the Kyrgyz Republic, but face significant credit constraints that hinder economic growth. IFC is helping launch a first-of-its-kind private equity fund for Kyrgyz SME investments under its innovative SME Ventures program. Until now, political instability, a large informal economy, and other factors obstructed private investment in such a fund. However, IDA PSW offered US\$4 million in concessional funding, which will be matched with US\$4 million in IFC funds. This contribution will help the fund attract additional investors and reach its US\$30 million target, eventually spurring creation of a local private equity market for SMEs. IFC is also using IDA PSW to support two similar projects: one in Myanmar and one for 13 countries in West, Central, and East Africa.

**Risk-sharing mechanisms.** SMEs' informality, lack of collateral, and undocumented financial performance can make them risky investments – especially when they operate in volatile environments. Further, local financial institutions in IDA PSW markets often lack the capacity to manage lending to SMEs. Offering a programmatic approach to risk-sharing as well as comprehensive advisory services, IFC's Small Loan Guarantee Program aims to address these market failures and boost lending to SMEs in 54 IDA PSW-eligible countries – especially female-owned SMEs or those working in priority sectors such as climate or agriculture. During phase one, IFC is expected to invest up to US\$166 million in risk-sharing facilities for a total SME portfolio of US\$333 million supporting around 25,000 loans. IDA PSW is providing a US\$50 million pooled first-loss counter guarantee to the program. The program will strengthen the capacity of financial institutions for risk-taking and financing SMEs in IDA PSW countries, helping close the estimated US\$155 billion MSME financing gap globally.

**31. Migration – both internal and international – is a fundamental, but increasingly challenging aspect of the labor transitions that result from economic transformation.** As countries transition away from household agriculture, and youth entering working age struggle to find good jobs, they increasingly look to move to where the good jobs are, whether to a secondary town, a major metropolitan area, or across the world. In the coming years, demographic imbalances, climate change, persistent income disparities, along with declining communication and transportation costs, will contribute to rising international migration. In this context, IDA Participants asked the WBG to put greater emphasis on addressing the causes and consequences of migration in IDA countries, including home, host, and transit countries. This policy commitment derives from the FY17 Board paper on Migration and Development, which proposed the adoption of a 'migration lens', along with areas of WBG support for the migration agenda.

32. **Operations to leverage migration, remittances, and diaspora for development remain relatively limited in IDA countries.** On migration, *Tonga: Skills and Employment for Tongans* aims to improve opportunities for secondary school progression and facilitate the transition to jobs in the domestic and overseas labor markets for Tongans. The project will support pre-departure training of seasonal and longer-term migrant workers. On remittances, *Somalia: Supporting Remittance Flows* and a new project under preparation aim to support the Central Bank of Somalia to improve its supervisory role of the remittance markets and to develop its financial system. WBG has also provided technical assistance to the central banks of Ethiopia and Nigeria to improve data on remittances. On diaspora, WBG has received requests on diaspora bonds from Ethiopia and Pakistan and on mobilizing diaspora resources for trade, skills and technology from the Somalia, Syria, and Uganda diaspora. Additional funding for *Pakistan: Economic Revitalization of Khyber Pakhtunkhwa, Federally Administered Tribal Areas Project* aims to attract investment from the diaspora including private investment generated by matching grants provided to the SMEs. Overall, however, while good progress on addressing knowledge gaps have been achieved, there is need to focus on increasing the number of countries and operations that are supported through such analytical work.

***Progress on IDA18 Policy Commitment #6: WBG will adopt a ‘migration lens’ in IDA countries where migration has a significant economic and social impact (including home, host, and transit countries): this will include analytics that close critical knowledge gaps and, where there is explicit country demand, support for operations that focus on job creation, managing legal economic migration, and integrating young people and economic migrants.***

In FY18, WBG made significant progress in operationalizing the ‘migration lens’ in a systematic way, by addressing it through SCDs (and eventually CPFs) in focus countries. This included, developing criteria to identify focus countries, including the size of the outward or inward migration at the national, sectoral or subnational level, and the importance of remittances in the economy.<sup>17</sup> Reviews of ongoing SCDs in focus countries, for example in Cape Verde, Comoros, Tajikistan, Ghana, Gambia, Nigeria, Somalia, and Sudan, suggest that migration issues have been addressed, even if a systematic migration diagnostic has not been used. In FY19 migration diagnostics are expected to be carried out in Comoros, Nepal, Pakistan, Bangladesh, Sudan, Somalia, and Zimbabwe. In addition, an update to the Migration and Development Board paper is scheduled for December 2018.

The main constraints identified in CPFs related to migration include: emigration (and population decline in some countries), contributions of remittances on poverty reduction, high-level of rural to urban migration, and the need for creating jobs for youth and vulnerable populations to avoid conflict and further emigration. In Afghanistan, the CPF includes developing the pipeline on international migration technical assistance. The CPF for Kosovo identifies a lending project for a payment system infrastructure including remittances with a component for channeling remittances into investments through a credit guarantee. In Solomon Islands, the CPF will support the use of temporary migration programs.

## **E. OPERATIONALIZING KNOWLEDGE IN SUPPORT OF JOBS AND ECONOMIC TRANSFORMATION**

33. **Maintaining a strong and operationally-linked knowledge base is critical to delivering effective solutions on JET.** IDA’s strength lies not simply in its financing capacity, but also in its

<sup>17</sup> Emigration countries (Migrant sending countries) include: IDA: Afghanistan, Bangladesh, Burkina Faso, Ethiopia, Haiti, Ghana (health sector), Nepal. Blend: Cabo Verde, Pakistan, Sri Lanka, Vietnam. Immigration/Transit countries (Migrant receiving or transit countries) include: IDA: Côte d’Ivoire, Ethiopia, Kenya, Mali, Maldives, Niger, Senegal. Blend: Nigeria. Remittance receiving countries include: IDA: Bangladesh, Comoros, Ethiopia, Haiti, Kiribati, Kyrgyz Rep., Liberia, Nepal, Samoa, Somalia, Tajikistan, The Gambia, Tonga, Afghanistan, Burkina Faso, Cambodia, Ghana, Madagascar, Marshall Is., Senegal, Tanzania, Togo, Tuvalu, Yemen. Blend: Moldova, Nigeria, Pakistan, Sri Lanka, Cabo Verde. Remittance source countries include: IDA: Ethwhiopia, Kenya. Blend: Pakistan, Nigeria.

ability to leverage financing for the delivery of well designed, high-impact projects. This depends fundamentally on learning from the results of IDA operations, but also drawing on the global knowledge base, from the WBG, other development partners, and the wider global development community. As discussed throughout this paper, IDA places a strong emphasis on operationally-relevant knowledge. Indeed, the IDA discussion made it clear that IDA must continue to contribute to and benefit from the leading global research and knowledge, but also that this research must be linked as closely as possible to operations to ensure efficiency and impact.

34. **Understanding how investment choices impact jobs outcomes is critical for making informed decisions on the design and selection of projects.** An agenda that prioritizes jobs as a focus rather than simply an outcome of the development process needs to consider the relative jobs impacts of different policy and investment choices. For example, investment in a secondary road network versus a motorway corridor versus an inland waterway network may have significantly different outcomes in terms of job creation. Moreover, they may differ markedly in terms of the nature of the jobs that are created, the location of those jobs, and who gets them (e.g., access for women and youth). A recent study in MENA, for example, found that road projects focused more on maintenance (versus new construction), secondary roads (versus highways), and smaller (versus larger) scale had significantly greater impacts on job creation and access to jobs for women and residents in lagging regions. In this context, WBG is delivering on the IDA18 policy commitment to develop and make available *ex ante* measurement tools, particularly for large-scale investments targeting infrastructure and economic transformation.

**Progress on IDA18 Policy Commitment #7: WBG will develop and make available for use in IDA countries a set of *ex ante* measurement tools and systems to assess the impacts of large-scale public and PPP investments targeting infrastructure and economic transformation on jobs, including pilot assessments on gender outcomes.**

The IFC Sector Economics team has led the piloting of five macro model pilots to assess *ex ante* the direct, indirect, and induced jobs impacts of prospective infrastructure investments. These include three pilots using input-output / social accounting matrix (SAM)-based macro tools for IFC airport, port, and power projects. In addition, two pilots using CGE models have been launched as part of an initiative to support learning on jobs measurement under the *Let's Work* program – these include one focused on the oil & gas sector in Ghana as well a multi-sector structural model for an internal IFC analysis in Ethiopia. In addition, the jobs measurement program under *Let's Work* has implemented an *ex ante* tool to use value chain analysis as an instrument to assess potential jobs impacts of investments. Pilots using this tool are underway or completed in Bangladesh, Burkina Faso, Mozambique, and Tajikistan.<sup>18</sup> Findings from the new generation of jobs focused CGE/SAM models have generated important insights about the complex link between macro and regulatory policies and jobs. The models offer cost effective way to explore the range of potential jobs outcomes resulting from investments in specific sectors or changes in core macro policies. The models have also improved understanding of the links between direct, indirect, and induced jobs across different economic sectors. In most cases, the largest gains from an investment come from indirect and induced jobs, which are often not included, for instance, in cost benefit analysis carried out as part of project economic analysis.

35. **Leveraging the IDA17 commitment to implement *Jobs Diagnostics*, demand for the tool continues to expand in IDA18.** As of the end of FY18, *Jobs Diagnostics* had been completed in more than 25 countries, including 17 IDA countries.<sup>19</sup> Nine (9) further *Jobs Diagnostics* are underway

<sup>18</sup> The Ghana CGE assessment also included a complementary value chain analysis based on the *Let's Work* tool.

<sup>19</sup> Afghanistan, Bangladesh, Burkina Faso, DRC, Côte d'Ivoire, Ghana, Haiti, Kenya, Kosovo, Kyrgyz Republic, Moldova, Mozambique, Rwanda, Sierra Leone, Tajikistan, Tanzania, and Zambia.

with completion expected in FY19, six (6) of which are in IDA countries.<sup>20</sup> *Jobs Diagnostics* are also expanding the scope of its analytical tools, for example increasingly incorporating spatial analysis of jobs dynamics, and is implementing a user-friendly tool for rapid, online implementation of some parts of the diagnostic.

**Progress on IDA18 Policy Commitment #8: WBG will catalogue learnings from the *Jobs Diagnostics*, assess how *Jobs Diagnostics* are informing the design and implementation of operations in IDA countries targeting job creation and economic transformation, and recommend any changes necessary to improve the impact of the tool.**

WBG has met the IDA18 policy commitment to catalogue learnings from the *Jobs Diagnostics*. A report – ‘*Pathways to Better Jobs in IDA Countries: Findings from Jobs Diagnostics*’ – has been finalized and is publicly available. Many of the key learnings from the report have been incorporated in the introductory section of this paper. Overall, the assessment shows that while there is large variation across IDA countries in terms of jobs outcomes and the severity of different problems, common challenges persist. These include high rates of inactivity and, in some cases, unemployment; limited structural transformations that keep a majority of employed workers in informal or low-quality jobs; pervasive inequalities in labor market outcomes by gender, age, and type of household; and persistent gaps in regional development that concentrate investments and job creation in urban centers and narrow corridors. These patterns can be observed even in countries that have been able to introduce important structural reforms. The analytical work also suggests that addressing these challenges requires going beyond policies and programs that aim to promote investments and growth, but treat jobs as a residual. Indeed, where the opportunity cost of labor is overestimated, where jobs have social externalities, and where there are pervasive coordination failures among investors and workers, private investments that are good for jobs, particularly jobs for vulnerable workers, might not take place because private rates of return are too low, the social rates of return can be considerably high. This calls for greater attention to putting in place specific jobs strategies (beyond growth strategies) to inform public policy and investment.

36. **While the IDA *Jobs Diagnostics* tool did not aim to inform operations directly, its impact on operations is emerging and may strengthen over time.** As per the original IDA17 commitment, a new "job diagnostic tool" was piloted and tested, with some flexibility in approach, timing and content. It is now galvanized in a standardized approach. Ideally, *Jobs Diagnostics* provide input for the wider SCDs which in turn inform the preparation of the CPF. While this ‘ideal path’ happened in only 18 percent of the initial *Jobs Diagnostics*, going forward the opportunity to influence the next round of CPFs is substantial. Where *Jobs Diagnostics* have been produced in advance of SCDs, 62 percent of those SCDs integrated the *Jobs Diagnostic* findings fully or in substantial part. For example, the Tajikistan SCD provides broad analysis of both the labor market, job creation trends and demand for labor; analysis of vulnerable groups and in particular youth, and macroeconomic constraints, directly derived from the *Job Diagnostics*. In most CPFs prepared after a *Jobs Diagnostic*, jobs is identified as a priority.

37. ***Jobs Diagnostics* have informed several IDA operations in FY18, although more can be done to ensure these links are systematic.** In Bangladesh, the *First Programmatic Jobs DPC* (under preparation), is a direct consequence of the findings from the *Jobs Diagnostic*, and is being designed around the three main pillars of the *Jobs Diagnostic* report (diversified job creation, improved job quality, access to jobs for vulnerable populations). Also, in Bangladesh, results from the *Jobs Diagnostic* helped inform the design of M&E framework of the *Export Competitiveness of Jobs* project, in particular highlighting the constraints to growth and job creation linked to firm capabilities

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<sup>20</sup> Azerbaijan, Cambodia, Honduras, Nepal, Nicaragua, Pakistan, Vietnam, Uganda, and Zimbabwe.

in sectors outside of apparel. In Zambia, a *Jobs Diagnostic* played a key role in shaping the design of the *Zambia Agribusiness and Trade Project* (Box 8). Not all the jobs-themed operations in IDA countries target job creation and economic transformation directly; many also address labor and employability issues; or increasing productivity and job quality that will contribute to such transformation. For example, the *Rwanda Priority Skills for Growth* aims to expand opportunities for the acquisition of quality, market-relevant skills in Energy, Transport and Logistics, and Manufacturing, motivated by the finding from the *Jobs Diagnostic* on a persistent gap between the supply and demand for skills in the market. The pipeline for the IDA *Jobs Diagnostic* countries contain a number of innovative jobs projects under development. Ensuring a stronger link between *Jobs Diagnostics* and operations can be facilitated through a more systematic use of *Jobs Diagnostics* to inform SCDs and CPFs, as well as CPSDs.

**Box 8. Supporting Job Creation through Agricultural Transformation – the Zambia Agribusiness and Trade Project**

Most Zambians, and the large majority of working women in Zambia work in agriculture, most of which is subsistence or at least low productivity. Yet, as proven by the success of a small set of commercial farms, Zambian agriculture has massive potential to be regionally and globally competitive.

Leveraging in-depth analysis of agricultural value chain opportunities, the US\$50 million Zambia Agribusiness and Trade Project is designed to leverage the agricultural sector as a source of economic transformation and quality job creation. The project, launched in FY18, supports the agribusiness sector through a two-fold approach:

The first component provides training and support to growth-oriented SMEs to help link them to larger markets, along with supporting farmers' associations to improve their production standards and alleviate key constraints such as connectivity, inadequate technology or access to critical know-how and market intelligence.

The second component tackles the government policy and capacity side of the equation by supporting regulatory reform and financing investments that improve trade logistics and the standards of Zambian products so that they are better able to access regional and global markets. The project is expected to reach over 30,000 direct beneficiaries, at least one-third of which would be women.

38. **To enhance impact of the job diagnostic tool, strategic timing and linkages to jobs strategies are important, with strong government commitment playing a pivotal role.** From lessons to date, a *Jobs Diagnostic* is most effective when it is (a) clearly timed to coincide with, or ideally be part of, the SCD so that it can feed directly into the upstream country programming process; (b) combined with other analytical work such as value chain assessments; spatial analysis; impact evaluations to fill specific knowledge gaps or provide more in-depth insights; and (c) combined with the development of a broader jobs strategy. A diagnostic will not, in itself, point clearly to the way forward without appropriate country-driven prioritization of policy and program responses, and solutions to the jobs challenges. In fact, *Jobs Diagnostics* are increasingly being undertaken seamlessly as part of a jobs strategy.

39. **In addition, improving access high quality and consistent data across countries will be critical to ensure the results of *Jobs Diagnostics* are sufficiently specific to inform investments.** In many countries, particularly low-income countries, standard household and firm surveys are simply not available or very infrequently available. The available surveys are mainly cross sections (that is, household and enterprises are rarely followed over time) and information about the informal sector or the poor is often lacking. This lack of data constrains the type of analysis that can be conducted

within a *Jobs Diagnostic*. For instance, analysis to better understand the drivers/constraints affecting female labor force participation or the growth of informal SMEs is generally not possible to carry out.

40. **New technologies for carrying out spatial analysis are opening up opportunities for more precise analytics and monitoring, and will be particularly valuable in many IDA countries where data is scarce.** The advent of big data, increasing availability of affordable, high-quality satellite data, and access to data emerging from mobile technologies, is contributing to a revolution in spatial data tools. Such tools are increasingly available to support analysis infrastructure, investment, firm location, and labor markets in countries where national statistical information is limited. The data and tools also allow for a more coordinated approach to investments, for example linking infrastructure and complementary enterprise and labor market interventions in specific locations. Moreover, with the establishment of the Geospatial Operations and Support Team (GOST) at the end of IDA17, WBG now has a centralized technical team that enables access to and rapid dissemination of leading edge data and techniques.

**Progress on IDA18 Policy Commitment #9:** *WBG will develop and integrate spatial perspectives into analysis of migration and urbanization trends, and the impacts of infrastructure on jobs and economic transformation, this will include piloting of: spatial inventory of infrastructure in five IDA countries; urban jobs accessibility assessments of 10 cities in IDA countries; and spatial assessment of trends in job creation and destruction in five countries.*

WBG is well on its way to meeting the commitment to pilot new approaches with spatial data to inform the JET agenda in IDA18. The WBG tested several rapid machine learning approaches to extracting the network infrastructure and buildings from satellite imagery, in order to help develop inventories of critical infrastructure mapped against the communities they serve. These approaches were piloted at the national level in Tanzania and Djibouti, and are underway in Ghana. Urban jobs accessibility assessments were carried out in seven cities in IDA countries in Africa<sup>21</sup> as part of a DFID-supported report launched in May 2018. This methodology, which is replicable globally and is being implemented in several other cities, estimates employment opportunities across cities and comprehensively maps informal transit networks, enabling the identification of spatial patterns not easily evident in the present data-poor setting. Other innovative approaches include the use of cell data records to assess employment access and commuting patterns in Haiti (Box 9). Spatial tools have also been used to assess firm location and job creation patterns in 5 IDA countries (Bangladesh, Tanzania, Uganda, Zambia, and Zimbabwe). These assessments have highlighted unbalanced patterns of job creation within and between cities, and identified opportunities for investment and job creation along economic corridors.

#### **Box 9. Using Cell Phone Data to Assess Urban Jobs Access in Haiti**

As part of the Haiti Urbanization Review – *Haitian Cities - actions for today with an eye on tomorrow* – a grant from the Jobs MDTF financed innovative analytical work that contributed to a better understanding of the challenges that rapid urbanization brings under the pressures of high exposure to natural disasters, particularly with access to jobs and connectivity. The analysis used cellphone call data records to identify the job and residential locations of residents of Port Au Prince and Cap-Haïtien, and through that provided for the first time an assessment of commuting challenges and barriers to access to opportunities in Haitian cities. This work was the recipient of the WBG President’s FY18 Award for Excellence under the category of ‘Disruptive Technologies’.

41. **Beyond the policy commitment, innovative geospatial analysis is informing operations planning, delivery, and monitoring in IDA countries.** For example, WBG Energy & Extractives *Open Data and Analytics Project*, aims to give WBG staff and stakeholders access to energy sector

<sup>21</sup> Conakry, Lusaka, Bamako, Kigali, Kampala, Dar es Salaam, and Dakar.

data and advanced analytics that inform investment decisions. The Energy Sector Management Assistance Program (ESMAP), funded this effort to develop an accurate, open-source, cost effective method for mapping the high voltage transmission networks through using spatial analytical data and tools – it has been applied in projects in Nigeria, Zambia, and Pakistan. The WBG is continuing these efforts to inventory road and water infrastructure using machine learning and from satellite imagery over Ghana, Mali, and Tanzania. In addition, GOST and the FCV group are collaborating to implement the GeoEnabling agenda, in which WBG teams train local project staff in counterpart governments to rapidly collect georeferenced photos, questionnaires, details and reports on projects in FCV countries. Such training missions were conducted in Nigeria, South Sudan, and the Democratic Republic of the Congo, with another upcoming in Mali. Finally, in the SADC region, GOST developed a geospatial database for the region, which is now being linked to business census and poverty data, to provide a valuable resource for project planning and monitoring.

42. **IDA support to JET is also informed by the Bank’s own analytical work, and a number of major analytical reports published or launched in FY18 will inform IDA support for the remainder of IDA18 and beyond.** Some examples below:

- Publication of *The Future of Manufacturing-Led Development* by the Bank’s Equitable Growth, Finance and Institutions (EFI) Practice Group provides a critical analytical foundation to shape thinking on the nature and approach to economic transformation in IDA countries over the next decade, considering how technology and globalization will shape the dynamics of manufacturing and the subsequent demand for jobs and skills. The report’s recommendations tie in directly with the JET framework, and stress the importance of skills, trade infrastructure, and developing the environment to facilitate enabling services.
- Another flagship publication by EFI, the *Innovation Paradox*, points out that developing countries have not been adopting new technologies due to lack of absorptive capacity, in particular at the firm level. It is expected to contribute to the JET agenda by providing a framework for addressing the issue of firm capabilities.
- The issues of technology and its impact on jobs is also the focus of the latest *World Development Report – The Future of Work*, which also focuses on how social protection systems will need to change to respond. For IDA countries, the findings from the report will have important implications for how economic transformation is pursued to ensure that IDA countries are capable to adapt to a rapidly changing external environment.
- Publication in June 2018 of the report *Moving for Prosperity: Global Migration and Labor Markets*, represents the WBG’s most extensive study on the drivers and impacts of migration. While much of the report focuses on making a clear evidence-based analysis of the impacts of immigration, it also provides importance policy guidance for both sending and receiving countries.
- The Africa Region Chief Economist Office has launched a flagship report *Industrializing for Jobs in Africa?*, which focuses on the potential and policy levers for facilitating Sub-Saharan Africa’s participation in manufacturing GVCs.
- The regional report *Electricity Uptake for Economic Transformation in Sub-Saharan Africa* emphasizes the importance of complementing investments to increase access to electricity with interventions to address factors such as access to markets or capital to help turn electrification into economic impact.

- In South Asia, findings from *South Asia's Turn: Policies to Boost Competitiveness and Create the Next Export Powerhouse*, published at the end of IDA17, has helped motivate and support several operations supporting the establishment of special economic zones (SEZs), regional trade integration, and firm upgrading.

43. **Development of several high-impact toolkits and guidance notes will support task teams to operationalize learnings from JET analytics.** Translating the findings from analytics into investments on the ground requires organizational effectiveness, but also tools that turn research into guidance for task teams designing and implementing projects. Several such tools have been developed and/or operationalized during the initial phase of IDA18. One example is the Promoting *SME Growth in Agribusiness* diagnostic toolkit, developed by the FCI GP in collaboration with the Agriculture GP, Jobs Group, and IFC. The toolkit, which draws on the latest knowledge on supporting SME linkages into agricultural value chains, provides step-by-step guidance to support task teams in designing project components, planning implementation arrangements, and putting in place monitoring and evaluation (M&E) frameworks. The *Jobs in Value Chains Survey Toolkit* will help value chain mapping and firm-level surveys which quantify employment potential (inclusive of the informal sector), cover the extent and nature of relationships among actors in a value chain and identify possible constraints to business operations and growth. Data emerging from these studies can be analyzed to provide solutions to value chain gaps and existing constraints, as well as, to measure the impact of specific job interventions on job creation. *Integration: A New Approach to Youth Employment Programs* (a policy commitment under IDA18) provides detailed guidance to task teams on how to integrate supply and demand-side interventions to support the design and implementation of more effective youth employment programs. The *Integrated Framework for Jobs in Fragile and Conflict Situations*, published by the Jobs and FCV cross-cutting units at the end of IDA17, has informed strategic reviews of jobs needs and prospects in Iraq, Niger, and the West Bank and Gaza. Ongoing operational research activities on youth employment Mali and Lebanon seek to close some of the priority knowledge gaps identified in the *Integrated Framework*.

44. **New indicators will help measure progress on the JET theme.** While measurement and attribution on jobs is notoriously difficult, starting in FY18, WBG launched for the first time a corporate indicator measuring ‘beneficiaries of jobs-focused interventions’<sup>22</sup> – it indicates more than 9 million beneficiaries were reached in IDA countries FY18. Working closely with DFID, a new *Economic Transformation* indicator for IDA has been added to the IDA18 results framework that will report the percentage of CPFs which come online each IDA period that directly support the principles of economic transformation.<sup>23</sup> Efforts are also being made to substantially increase the monitoring of jobs results in individual operations. During FY18, the Jobs Group tested and launched a set of new jobs M&E tools and published a *Jobs M&E Toolkit*, which provides project teams and clients a package of resources, including indicators, questionnaires, and implementation guidelines, to standardize the assessment of jobs outcomes in WBG projects for direct individual beneficiaries and firms. The tools are designed to be simple to reflect limitations in institutional capacity and financial

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<sup>22</sup> “Beneficiaries” refer to individuals, workers, households, farmers, microenterprises, small and medium-sized enterprises (SME), and other target groups claimed as benefiting from WBG projects in different sectors and types of operations. “Jobs-focused interventions” refer to a World Bank lending activity that has an explicitly stated and substantive link to creating jobs, improving the quality of existing jobs, and/or helping individuals connect to jobs or move to better jobs. This means that activities are selected or designed with a focus on jobs or on addressing a jobs challenge.

<sup>23</sup> This is assessed based on evidence from CPFs showing support for: (i) sectoral productivity; (ii) value chain expansion; (iii) increased productive capital stock or investment in energy, transport, manufacturing, or services; and (iv) export sector output / value added and/or trade facilitation.

resources, and show promise in enabling WBG to track jobs and earnings outcomes linked to interventions where project tasks teams need such support. Through ongoing collaboration with the ILO and other agencies, WBG is helping define SDG Indicator 10.7.1 on recruitment costs for migrant workers.

45. **The new Country Private Sector Diagnostics (CPSDs) represents an opportunity to support a more targeted sectoral approach to facilitating economic transformation.** Following initial piloting of CPSDs at the end of IDA17, including one in Ghana, CPSDs are being rolled out starting FY18. Among the first wave are a number of IDA countries, including: Benin, Burkina Faso, Ethiopia, Guinea, Mozambique, Rwanda, Senegal, and Uzbekistan. The unique approach of CPSDs suggests they have potential to support JET ambitions in IDA countries by allowing for a more deliberate, sector-specific approach with an explicit agenda of supporting private investment. As the CPSDs remain in the early stages of implementation, close attention will be needed to ensure they are effective in translating into operations, and to take advantage of their potential to facilitate improved cross-WBG collaboration.

46. **Implementation of the JET special theme has leveraged strong partnership across public and private sector institutions globally and on the ground, some of which are in difficult operating environment.** The WBG is a close partner of the G20 Compact with Africa initiative in many of the IDA countries. In Mali, IDA and UN Peacebuilding Support Office are leading preparations for a pilot on youth employment in conflict areas. This is a follow-up to a joint review of employment programs in peacebuilding among ILO, WBG, UN Peacekeeping Support Office and UNDP. The S4YE program housed at the Bank is a partnership founded by Accenture, ILO, International Youth Foundation, Plan International, RAND Corporation, Youth Business International, and the World Bank. Membership includes bilateral and multilateral partners as well as private sector partners such as Microsoft and Mastercard Foundation.

47. **Finally, organizational changes have helped improve coordination and strengthen the link between knowledge and operations in the JET theme.** The ability of the Jobs Group to coordinate knowledge development and dissemination across the broad scope of the jobs agenda has been strengthened by integrating three dynamic units under its umbrella (i) *S4YE*, which plays a leading role in working with the private sector to implement innovative programs to promote youth employment in IDA countries and beyond; (ii) *Partnership for Economic Inclusion*, which was transferred to Jobs from CGAP, works with (mainly IDA) governments to help design, implement, and scale up programs that support graduation of the poor from social assistance toward sustainable livelihoods; and, (iii) *KNOMAD*, which is a leading global knowledge source on migration. Furthermore, on January 1, 2018, two new joint practices (i.e. housing both Bank and IFC staff) were created by merging three Global Practices, to ramp up the Bank's support for private sector investment. One of the new GPs, Finance, Competitiveness and Innovation, combines the Bank's expertise on the financial sector, competition policy, private sector development, etc. with related advisory services from the IFC. The other new GP, Macroeconomics, Trade and Investment, will integrate trade and investment policy analytics into macroeconomic work including through DPFs, supported by relevant advisory services from the IFC. At the country level, innovations include the piloting of *Jobs Platforms* in Bangladesh, Bhutan, Nepal, and Ghana. Jobs Platforms bring global knowledge and tools on the jobs agenda to task teams and CMU operational teams, with the explicit objective of putting a greater emphasis on addressing jobs challenges and measuring jobs impacts at the project and portfolio level.

#### IV. CONCLUSIONS AND ISSUES FOR FURTHER DISCUSSION

48. **IDA has achieved significant progress towards meeting the commitments related to the JET Special Theme.** The introduction of JET as a new special theme in IDA18 reflected the strong consensus among IDA Participants of the substantial development payoff that is possible from a comprehensive and targeted approach to supporting economic transformation and job creation in IDA countries. In line with the recognized importance of this theme came high levels of ambition and expectation for delivering against it in IDA18. These are reflected in the broad and substantial set of policy commitments that were agreed. Although concerted efforts will need to be maintained throughout the IDA18 period, evidence through the first year of IDA implementation indicates that substantial progress has been made across all nine policy commitments.

49. **Beyond the specific policy commitments, the ambition of the JET theme is being reflected in the deliberate approach and investments that aim to have a transformative impact on the ground.** The JET theme has introduced a more purposeful approach for IDA investments to target the areas for job creation and economic transformation. The special theme is more embedded in the country strategies and in IDA's intervention at the regional level. Increasingly, the WBG joint interventions through the MFD framework and the PSW are supporting efforts to address challenges from both public and private sector sides. Quality analytical work and continued dialogue with partners are informing IDA support.

50. **The JET theme is complex and will require deliberate efforts over a sustained period.** It will require applying the JET framework in a more targeted way customized to the specific context of the countries. It also will require more risk-taking to design IDA interventions for transformational change, including through IDA special windows such as the Regional Program and the Scale-Up Facility. There is potential to further linking IDA operations to the analytical work, and mobilizing the WBG synergy will continue to be essential in organizing public and private sector interventions.

51. **New issues and trends are emerging and will shape IDA support for the remainder of IDA18 and beyond.** As IDA18 advances, an increasing priority will be to facilitate mobility of people to enable them to take advantage of the opportunities that economic transformation will bring. Three issues in particular stand out:

- With the advent of technology changing the conventional industrialization and growth pattern, IDA needs to support countries to leverage opportunities and address challenges. How does IDA bring disruptive technologies—including through the “Build, Boost and Broker” framework presented in the Development Committee paper<sup>24</sup>—to help solve development challenges in local context? How does IDA help build the foundation of digital economy – through investing in digital and power infrastructure, building new capacity, and improving regulatory environment? How does IDA support boosting the capacity of government, firms and people to grow and thrive in a resilient society?
- Seizing the opportunity brought about by technological progress requires investment in people for new skills. Investing in human capital and updating social protection systems in response to technological advancement are subjects of the new World Development Report 2019 on

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<sup>24</sup> World Bank Group, “Disruptive Technologies and the World Bank Group: Creating Opportunities, Mitigating Risks, Development Committee Paper (DC2018-0010), September 18, 2018.

the *Changing Nature of Work*. Governments will need additional revenues to make new investments to meet the societal and economic needs for continued growth and transformation. Leveraging the opportunities underscored by the *Human Capital Project* to support the JET agenda will be an important priority for the remainder of IDA18.

- Supporting individuals to maximize their productive potential will also require more targeted efforts to promote physical mobility to connect households, workers, and firms to market opportunities. This includes improving access to information, facilitating transport and labor market connectivity, ensuring open labor markets, and strengthening social protection systems to help offset the risk inherent in transitions. It will also require considering the impact of mobility on places. A key part of this agenda will involve addressing more directly and comprehensively the challenge of internal and international migration, in home, host, and transit locations.

52. **These questions are increasingly part of IDA's dialogue with clients and answering these questions will bring IDA to the next frontier of supporting economic transformation.** These issues will shape IDA support for the rest of IDA18 and beyond.