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Strengthening rural livelihoods in the face of rapid urbanisation in Africa

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1. Background

Rural areas in many African countries are undergoing manifest transformation processes fuelled by dynamics such as a population growth, urbanisation and increasing mobility. The relationship between rural and urban areas is changing and the rural-urban divide is fading, with increasing flows of people, goods and services between the two and the emergence of new migratory and livelihoods patterns.

Next to the growth of capital and major cities, much of the urbanization witnessed in African countries has taken place in the continuum of rural areas with villages, towns and smaller cities below 500,000 inhabitants, fuelled in part by better infrastructure and digital connectivity as well as the search for economic opportunity¹. Rural towns and smaller cities have the potential to invigorate rural areas in their function as market hubs and basic service provision. Yet fulfilling such functions requires considerable investment and local institutional capacity as well as clear political commitment.

The transformation trajectories are bound to develop differently depending on the country, influenced by exogenous factors such as climate change effects, but also the availability of underutilized agricultural land or extent of dependence on export revenues from commodities². Yet despite rapid urbanization, more than 50% of the African poor will still live in rural areas by 2035, and depend significantly on agriculture. Moreover, unlike other regions, the total number of youth living in rural areas is still expected to grow in Sub-Saharan Africa until 2030-2040.³ In many African countries, agriculture will therefore continue to be the main sector providing jobs and income opportunities in rural areas and also indirectly hold most potential for non-farm economic activity in the food-related service and processing industry. At the same time, productive agricultural sectors will also be key to ensure food and nutrition security in Africa in the future and decrease the current import dependency.

In light of the demographic predictions for Africa, providing employment and income generating opportunities for the next generations will be the critical challenge for the next decades. According to the African Development Bank, 10 to 12 million youth complement the workforce in Africa each year, yet only about 3 million formal jobs are created, leaving millions under or unemployed.⁴ Urban areas continue to attract rural youth in large numbers, as many do not consider agricultural employment as an attractive future. This had led to an ageing of agriculture in some countries- in Ghana, for example, the average age of farmers is already 55 - while urban centres remain incapable of creating job opportunities to absorb the influx from rural areas.⁵ Moreover, young men are often the most likely to migrate, which also results in a further feminization of agriculture that entails a whole set of challenges related to access to productive resources and training.

To make sure this youth bulge produces a demographic dividend, it is critical that opportunities are created for young population, particularly in rural areas on- and off-farm. Strong rural-urban linkages

¹ AfDB, OECD, UNDP, 2016. African Economic Outlook. Sustainable cities and structural transformation. Part 2

² CIRAD, 2016. A New Emerging Rural World - An Overview of Rural Change in Africa, Second, revised and supplemented edition

³ Estherine Lisinge-Fotabong, Transforming Africa's Rural Areas through Skills Development, Job Creation and Youth Economic Empowerment: The youth of the Africa. Yaounde, Cameroon, 8-10 September 2016.

⁴ AfDB, Bank Group Strategy for jobs for youth in Africa, 2016-2025

⁵ Youth Employment in Developing Countries Background paper prepared under Service Contract DCI-EDUC/2012/310-255 Janneke Pieters, Institute for the Study of Labor. October 2013

https://ec.europa.eu/europeaid/sites/devco/files/study-background-paper-youth-employment-2013_en_0.pdf

will be key to this and include the physical movement of goods, people, money, information, the social networks and relations that span rural and urban locations but also the interactions between different economic sectors – agriculture, industry and services. These can include agricultural production's backward linkages (the manufacturing of inputs) and its forward linkages (processing, transport and distribution).⁶ Despite the significant changes that demographic growth, rapid urbanisation and migration have on rural areas, there are numerous opportunities within these trends to strengthen rural livelihoods through smart policymaking and interventions that break free of the rural-urban dichotomy and take advantage of better spatial integration.

2. Strengthening rural-urban integration for enhanced rural livelihoods: opportunities

Strengthening rural-urban linkages in terms of infrastructure, transport, market access and exchange of information, ideas and innovation can catalyse economic development in rural areas and provide future perspectives for rural population and especially youth. Rural development strategies should therefore consider some of the following opportunities:

- **New income-generating opportunities in food systems as a result of changing urban consumption patterns**

Increasing urban populations can represent a strategic opportunity for rural food economies. Changing consumption patterns and diets in urban areas create demand for processed foods and with the projected growth of the urban population in Africa over the coming decades, there is the potential for significant changes in food consumption patterns towards more processed, higher value non-staple or perishable goods, notably meat, dairy, fruit and vegetables.⁷ Rural economic policies that incorporate changing consumption patterns can stimulate growth in the rural farm and non-farm economy along food value chains and assist in shifting value-adding activities and jobs in the “middle” of value chains, often related to processing, packaging and distribution of agricultural products, to rural areas. At the same time, better integrated city-region food systems can contribute to increasing the food and nutrition security of whole regions by supporting local production and establishing short supply chains.

A recent study⁸ shows how diets are changing in Africa through survey data from six African countries that explores the consumption patterns of different income groups in rural and urban areas. It shows that as incomes rise, highly processed foods take an increasing share of the food basket value; this is true for rural as well as urban settings. In urban areas, in the highest income group, highly processed foods take 65% of the value of the food basket compared to 35% for this group in rural areas. The diets of the poorest households in urban areas are also a concern as they spend 31% of their food basket on highly processed foods.

For example, West Africans are consuming a wider range of starchy staples (cereals, roots and tubers) than in the past, including more convenient “fast foods” derived from them. Demand for convenience – foods that are quick and easy to prepare and consume – is an overarching trend cutting across all countries and income groups. Increasingly pressed for time, consumers are willing to pay for others in the food system (processors, street-food vendors) to carry out some or all of the food processing and preparation for them, leading to rapidly growing demand for processing activities.

However, in the past decades the food import bill of many African countries has increased significantly, representing lost market potential for domestic food production. According to the AfDB, Africa spends around 35.4 billion USD per year on food imports.

Much of the recent agricultural policy focus has been on understanding farmers' constraints and helping overcome them. Yet in increasingly buyer-driven agricultural value chains, consumers are the ultimate financiers of the food system. Therefore, an improved understanding of their evolving preferences in terms of quality, convenience, safety and other food attributes is a prerequisite for producers to respond better to demand trends and successfully compete with imports. Safely and efficiently producing and delivering these to consumers entails tight co-ordination along all stages of the food system — from seed to the consumer's table — requiring upgraded “hard” and “soft” infrastructure, such as reliable

⁶ Tacoli, C and Agergaard, J (2017) *Urbanisation, rural transformations and food systems: the role of small towns*. IIED, London. <http://pubs.iied.org/10806IIED>

⁷ IFAD, 2016. “Rural-urban linkages and food systems in sub-Saharan Africa The rural dimension”

⁸ Staatz, J. and F. Hollinger (2016), “West African Food Systems and Changing Consumer Demands”, *West African Papers*, No. 04, OECD Publishing, Paris,

cold chains and improved product grades and standards. More attention should focus on improving the performance of the off-farm elements of the food system (such as marketing, processing, packaging and logistics). At the farm level, public expenditures need to emphasise investments in infrastructure, technology development and farmer support services, rather than just input subsidies to boost long-term productivity.

The good news is that if such improvements can be made, the production, processing and marketing of these products are much more labour-intensive than those of cereals, offering the opportunity to create many new jobs for Africa's burgeoning labour force.⁹

- **Investing in towns and intermediary cities as hubs for economic growth and service delivery for rural areas**

Governments have an important role to play in making sure that rural areas are not left behind by diverting sufficient resources to these spaces. Small towns and intermediary cities provide a leverage point for investment rural development as: (i) centres of demand/markets for agricultural produce from their rural regions; (ii) centres for the production and distribution of goods and services to their rural regions; (iii) centres for the growth and consolidation of rural non-farm activities and employment, (iv) by attracting rural migrants from the surrounding region, and (v) by managing natural resources.

Small towns are also a central element of food systems as market nodes, centres for processing and storage, and access to inputs and services as the linkages between rural and urban areas, people and enterprises have become more intensive. These transformations have important implications for food systems, which include all processes involved in food-chain activities from the manufacturing and distribution of inputs, agricultural production, storage, processing to transport, distribution.

Supporting low-income producers and consumers in both rural and urban areas is likely to be much more effective if it is grounded in the understanding of local economies and the role of smaller urban centres which in a sense reflect the 'bottom-up' urbanisation of rural regions that combine a diversified economic base with access and links to wider markets.

However, rural areas need to become attractive beyond immediate income opportunities. This can only be guaranteed by a minimal amount of government steering through policies directed at strengthening service delivery in rural areas including health and education, but also the provision of cultural infrastructure such as cinemas or shops or ICT infrastructure such as high-speed internet connection in partnership with the private sector.

- **Boosting agricultural productivity and attracting youth to farming**

In light of the projected population growth, many argue that Africa's economies need an African green revolution to boost staple crop productivity notwithstanding the changes in urban food consumption. This requires scaled support for irrigation, modern variety seeds and fertilizer in line with Asia's 20th century successes and Malawi's approach since 2005).¹⁰ A green revolution can also advance a country's overall competitiveness, promote rural savings, enable diversification into higher-earning crops, free up workers to launch service enterprises, and in turn bolster local consumer demand for agricultural products. One key to Africa's industrial labour competitiveness might lie in the farm sector.

Increased access to new technologies and inputs is only part of the story of agricultural transformation. The other part is the shift away from subsistence farming and emergence of commercial production, which can only be achieved through organisation and professionalization of production across the continent. Where farmers organise themselves around a business model – whether collectively as co-operatives, or individually as a small enterprise, or using various other structures – they are encouraged to take a professional approach to agricultural production,

⁹ Staatz, J. and F. Hollinger (2016), "West African Food Systems and Changing Consumer Demands", *West African Papers*, No. 04, OECD Publishing, Paris. <http://dx.doi.org/10.1787/b165522b-en>

¹⁰ John W. McArthur (2014) "Pushing the employment frontiers for Africa's rural and urban youth. Foresight Africa: Top Priorities for the Continent in 2014." Brookings. <https://www.brookings.edu/wp-content/uploads/2016/07/01-foresight-employment-rural-urban-youth-mcarthur-1.pdf>

Examples in East Africa, particularly Kenya, Ethiopia, Uganda and Rwanda have demonstrated that smallholders who are organised are able to attract more opportunities for contract farming, access to important local markets, as well as enabling financing and other key services (Chapoto et al. 2016). Farmer's organisations, co-operatives and other farmer enterprises are also important vehicles for providing training, business development support and other forms of capacity building for their members, be they small-scale producers, farming households or contract farmers. Such structures can help to attract and retain young people in the farming profession and promote entrepreneurship.

Finally, investing in infrastructure scale-up is also key to increase productivity. A major challenge that is faced by rural producers is the cost of transport which significantly hampers the development of value chains linking rural producers to urban consumers, and further acts as a disincentive for investment by the private sector into the rural areas, even where there may be other potentially attractive factors. According to Chapoto et al (2016)¹¹, "reduced transport and transaction costs are a major incentive for adoption of improved agricultural production technology and better management of natural resources, leading to increased agricultural productivity."

Poor infrastructure causes also significant post-harvest losses in Africa. Lack of quality storage infrastructure, such as warehouses or silos, failure to use appropriate harvesting, processing and transportation technologies, and poor handling are all issues that need to be addressed if post-harvest losses are to be reduced. Although governments have a big role to play in improving infrastructure, successes have shown that the private sector's contribution can also act as a catalyst for enhanced infrastructure development (i.e. rural electrification, ICT's, mobile technology, value chain development).

However, commercialised farming and mechanisation of farming practices can have a flipside and lead to a decline in necessary agricultural labour force if focussed on mechanisation that is not labour intensive. Land and resource degradation also need to be added to the equation. There is a delicate balance to strike for policy makers: while increased productivity and production is to be promoted, longer term effects of such agricultural transformation also need to be addressed pre-emptively by supporting off-farm job creation that can absorb excess agricultural labour force in the future. As has been noted frequently, commercialisation and modernisation of agriculture can take many forms and be designed in a more or less pro-poor manner. Yet what becomes clear is that this shaping of commercialisation trajectories needs sound policymaking based on evidence rather than ideology.

- **Supporting job creation in the rural non-farm economy and enabling diversified and multi-local livelihood strategies**

With 60% of its population aged 24 or less in 2015 (compared to 42% globally and 30% in high-income countries), Africa has the youngest population of any continent in the world. In Sub-Saharan Africa, the percentage of youth rises to 63%. Eleven million youth are expected to enter Africa's labour market every year for the next decade. Despite rapid growth in formal wage sector jobs, the majority of these youth are likely to work on family farms and in household enterprises, often with very low incomes. To boost young people's earnings, governments need to hasten overall business climate reforms, strengthen basic education, and make land, infrastructure, training and financing more accessible.¹²

It is increasingly acknowledged that the creation of employment opportunities for young people is among the major development challenges of our time. In Africa, agriculture, is still in most cases the sector which can absorb large numbers of new job seekers and offer meaningful work with public and private benefits. With a more vibrant entrepreneurial culture, new skills and access to capital, young people should be able create their own jobs.

A significant number of workers in the agricultural sector in Africa are not skilled, and lack formal education or qualifications. Therefore, there is a mismatch between the skills produced and those required by the labour market. The lack of organisational, business and technical skills remain a major challenge to increase profitability of the farming sector and attracting youth and hampers the ability of local farmers to supply to rural consumers greater added value foods and produce, as well as to the ability of farmers to strengthen their position in value chains.

¹¹ Chapoto et. al. 2016. "Getting More for Farmers from Post-Harvest to Market" Africa Agriculture Status Report 2016 <https://agra.org/aasr2016/public/assr.pdf>

¹² World Bank report, *Youth Employment in Sub-Saharan Africa*.2014

It is crucial to support job creation off-farm, as much potential for non-farm economic activity lies in the food-related service and processing industry. To unlock this economic potential, it is especially rural youth that needs support to become productively engaged in growing food systems and access basic services and finance, infrastructure, skills training and innovation.

Strong partnerships between the public and the private sector to eliminate barriers to growth and strengthen the competitiveness of the private sector would leverage the development of SMEs. Given the disproportionate number of young people currently working in small family businesses and self-employed in the agricultural sector, putting measures in place to improve the investment climate in Africa is critical.¹³ Policies to increase rural non-farm employment will involve many sectors, including financial services, transport, health, education and the management of natural resources. The spread of information and communication technologies (ICTs) will also help to stimulate rural employment.

Moreover, Africa urgently needs massive increases in investment for energy and transport. Employers need reliable energy to produce goods and services, and reliable roads to compete in product markets. Yet Africa invests only 4% of GDP on infrastructure financing, which is far lower than most other emerging markets. The returns of infrastructure investments to both growth and employment can be extraordinary. As just one example, South Africa's post-apartheid rural electrification program helped boost female employment alone by more than 9 percentage points.¹⁴ In Africa's more remote rural economies, such huge leaps in economic connectivity can undoubtedly yield equal or greater employment gains for generations to come.¹⁵

Yet one strategy should also be supporting the already existing flexible livelihood strategies of rural households. As mentioned before, due to predominantly male out-migration the number of female-led households has increased in many African countries, making gender-sensitive policy-making even more relevant. At the same, the remittance flows back to rural households can play a pivotal role in providing private social safety nets, access to basic services and education as well as investment capital for agricultural production or other income-generating activities in rural households. Policymakers can support these multi-local livelihood strategies by better analysis and integration of mobility patterns into the planning of infrastructure connecting rural areas to urban centres, improved connectivity in terms of phone and internet coverage and better financial service infrastructure.

3. A favourable international and regional policy environment

The relevance of strengthening rural-urban linkages has also been confirmed on the global policy agenda, especially in the Sustainable Development Goals (SDG). One of the targets of SDG 11 is "Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning." Rural-urban linkages also figure prominently on the New Urban Agenda recently launched at the Habitat III conference in Quito in November 2016, marking a paradigm shift away from the rural-urban dichotomy to a more holistic perspective on local development that is shared by city and rural stakeholders alike. Additionally, SDG 2 also recognizes the need to invest in rural infrastructure, specifically in the context of increasing agricultural productivity in developing countries. Given that the single largest employment activity in Africa is still farming¹⁶, achieving stronger rural-urban linkages will in part depend on greater modernisation of agri-food systems across the continent.¹⁷ Above all however, it is the cross-sectoral character of the SDGs that calls for new perspectives on sustainable development that are centred on people and the places they live and move in, rather than just certain sectoral dimensions of their lives.

Additionally, the adoption of the agreement on Finance for Development (Addis Ababa Action Agenda) will change the ODA architecture and financial flows to developing countries, including for agriculture

¹³ AFDB. Africa WEconomic Brief. Accelerating the AfDB's Response to the Youth Unemployment Crisis in Africa Agnes Soucat, Ginette Muteta Nzau, Nawsheen Elaheebocus and Joao Cunha-Duarte. 2014

¹⁴ Dinkelman, Taryn. 2011. "The Effects of Rural Electrification on Employment: New Evidence from South Africa." *American Economic Review*, 101(7): 3078-3108.

¹⁵ Pushing the employment frontiers for Africa's rural and urban youth. Foresight Africa: Top Priorities for the Continent in 2014. John W. McArthur, Visiting Fellow, Global Economy and Development.

¹⁶ Kwame Yeboah and T.S. Jayne. 2016. "Africa's Evolving Employment Structure: Causes and Consequences" FAO <http://www.fao.org/3/a-bp111e.pdf>

¹⁷ Ibid.

and rural development (ARD). The Africa Development Bank has highlighted the need for increased private sector finance to bridge the funding gap needed to deliver agricultural transformation in Africa.

Greater private sector investment and growth remains one of the biggest priorities for Africa in terms of achieving inclusive development, creating profitable rural-urban linkages and supporting job creation. In its “Strategy for agricultural Transformation in Africa 2016-2025”, the African Development Bank identifies mobilisation of private sector participation – particularly through finance and value chains – as a central pillar to advance Africa’s agricultural economy and increase opportunities for rural employment.¹⁸ Indicators point towards emerging success in this area, with an increase in interest, and investment, by the private sector into agriculture.¹⁹

This recognition of the importance of the private sector in rural transformation is also shared by development partners, notably the European Union, which has made increased participation of the private sector in development a priority of its external action. In the European Commission’s 2014 strategy on “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries”,²⁰ and in 2016, under its latest development strategy “European Consensus on development”, there is an emphasis on the private sector both as a partner in delivering sustainable development, through investment and job creation.²¹

Moreover, the 2014 Malabo Declaration, through which African Union leaders pledged to achieve a set of goals in the agriculture sector by 2025, provides a strong reference point for strengthening rural labour markets. One of its core aims is to increase youth employment in Africa’s rural areas by 30 per cent, especially through the strengthening of agriculture value chains, while another was to prioritise and support livelihood and in-come generating opportunities for women and the rural youth.

4. The way forward: spatial approaches to rural development

In many African countries agriculture will continue to be the main sector providing jobs and income opportunities in rural areas. Policymakers have to consider how to ensure that agricultural productivity remains high and retain youth in the farming profession and rural areas. Rural development requires a new approach that ensures diversified agricultural production and makes sure that rural areas are not left behind and provide for its populations in terms of service delivery, connectivity and employment opportunities. **This can only be achieved if policy makers adopt a more spatial and thereby holistic approach to rural transformation.** Therefore donors should support partners in improving governance by regional planning and decentralization which foster spatial-oriented policy making. Such spatial approaches take a territorial view to development and provide a framework that allows for the coordination of different policy priorities, such as increasing agricultural productivity or strengthening rural infrastructure, to achieve cross-cutting goals like creating youth employment and ultimately allowing for a more inclusive and sustainable transformation of rural areas.

Objectives of the Briefing: To improve information sharing and promote networking, CTA, the DG DEVCO from the European Commission, the ACP Secretariat, Concord and various media organise since 2007 bimonthly briefings on key issues and challenges for agriculture and rural development in the context of EU/ACP cooperation. This briefing co-organised with BMZ/GIZ will promote exchange of views and experiences on rural-urban linkages for rural transformation and job creation.

Target group: Around 150 ACP-EU policy-makers, civil society groups, research networks, development practitioners, private sector representatives and international organisations based in Brussels.

Outputs: A short report and a Reader in printed and electronic format will be produced shortly after the meeting. Input and comments before, during and after the meetings will be included in the Briefings Website: <http://brusselsbriefings.net>.

¹⁸ African Development Bank (2016) “Feed Africa: Strategy for Agricultural Transformation in Africa 2016-2025” https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Feed_Africa-Strategy_for_Agricultural_Transformation_in_Africa_2016-2025.pdf

¹⁹ Agra (2016) “Africa Agriculture Status Report 2016: Progress towards Agricultural Transformation in Africa”

²⁰ https://ec.europa.eu/europeaid/sites/devco/files/ps_communication_may_2014.pdf

²¹ https://ec.europa.eu/europeaid/sites/devco/files/communication-proposal-new-consensus-development-20161122_en.pdf