

HIGHLIGHTS



Strengthening rural livelihoods in the face of rapid urbanisation in Africa

Brussels Development Briefing No. 48

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On March 20th 2017, the CTA organized the 48th Brussels Development Briefing – part of a series of bi-monthly development briefings on ACP-EU rural and agricultural issues. Around 150 participants gathered in Brussels to discuss rural-urban linkages and the opportunities that they present for inclusive agricultural transformation and youth employment.

Strengthening rural livelihoods in the face of rapid urbanisation in Africa

This Briefing discussed and promoted new opportunities for income-generation in food systems as a result of changing urban consumption patterns. It looked at successful approaches to invest in intermediary cities and develop hubs for economic growth and service delivery for rural areas. Examples were provided of cases in agricultural value addition and attracting youth to farming which can be scaled up, as well as public-private partnerships delivering jobs in the rural non-farm economy.

Partners in the Briefing:

- CTA
- German Federal Ministry for Economic Cooperation and Development (BMZ), German Development Agency (GIZ)
- European Commission (DG DEVCO)
- ACP Secretariat
- CONCORD

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Isolina Boto



Olusola Ojo



Annelene Bremer

Isolina Boto, Manager of the CTA Brussels Office and coordinator of the Brussels Briefings, on behalf of CTA, the European Commission/DG DEVCO, the ACP Group and Concord introduced the Briefing which is part of a series held every two months since 2007. She welcomed BMZ and GIZ as co-organisers and stressed the importance given to this topic by the G20 presidency held by Germany. She highlighted the timeliness and interest of this topic which brings various dimensions needed for the rural transformation of the continent. Urbanisation could present new opportunities to retain or attract women and youth into more lucrative segments of the value chain and address the challenge of migration.

The Briefing was opened by **Olusola Ojo, expert on rural development at the ACP Secretariat**. He provided an overview on the trends and latest figures on Africa's population growth linked to the movement of people from the rural to the urban areas, and the challenges which remain to be addressed in rural areas. He emphasised the need to

relate this demographic shift to rural populations who are engaged in agriculture and are dependent on rural activities for their livelihoods. Africa is a continent with very high proportion of young population in their most productive age without jobs or in the informal economy. So investment into jobs within and outside the rural areas is needed. Mr Ojo recommended the creation of productive cities, to overcome urban poverty and slums, investment into rural development and rural adaptation to climate change.

According to **Annelene Bremer, Senior Policy Officer, Rural Development, Land Rights, Forestry of BMZ (the German Federal Ministry for Economic Cooperation and Development)**, rural transformation and livelihoods are important issues, particularly in respect to the uneven development of rural and urban areas. Small and medium towns need to be supported as rural service hubs. Agriculture will remain key to rural transformation in Africa, and holds potential for non-farm economic activity as well. Through the "One



Michael Hailu



Steve Wiggins



Thomas Allen

World, No Hunger” initiative, BMZ places strong emphasis on rural development and seeks to support agriculture in partner countries to create jobs within and outside the agricultural sector. In this vein, Germany’s G20 presidency will propose an initiative for rural youth employment and agricultural innovation as key deliverables of the G20 development working group. BMZ has also launched a global public consultation on a Charter for Rural Development (“Berlin Charter”), which will be finalised in April.

Michael Hailu, Director of CTA concluded the opening remarks by emphasising the importance of rural-urban linkages for agricultural transformation, particularly in terms of making this transformation inclusive. The importance of implementing the right policy instruments and bringing together public and private sector actors was also highlighted, including in the areas of infrastructure and investment, giving the example of Ethiopia’s agro-industrial parks. He also added that the experiences of countries and regions outside of Africa could prove valuable, especially those of Latin America and Asia, with important lessons for policymakers. The issue of youth opportunities in rural areas and the availability of jobs and services is very much linked to new opportunities in ICTs, and the need to draw upon and scale up successful approaches and lessons learnt from the Briefing.

Panel 1: The potential of closer rural-urban linkages for rural transformation and job creation

The first panel, which discussed the potential of closer rural-urban linkages for rural transformation and job creation, was chaired by **Michael Hailu**.

Steve Wiggins, Senior Researcher at the Overseas Development Institute (ODI) presented the state of play and implications of rural-urban links for the rural economy. Proximity to towns and closer links with urban areas means lower transport costs, improved access to markets and services, which for farmers translates to cheaper costs of production and a higher price for the outputs, and a stimulus for agricultural development. Rural households also benefit, from opportunities in the non-farm economy, including in services and leisure, which means more diversified income and higher earnings. The overall effect is to create a stimulus to the non-farm economy. He provided some examples of successful rural-urban linkages in India, which gave empirical data on how labour and wages of people in villages have benefited from proximity to cities, particularly as a result of the boost to the rural non-farm economy and a big tightening of the rural labour markets. Another example of Kigera,

in Tanzania, demonstrated similar effects. In terms of policy, three broad recommendations were made in Steve Wiggins’s presentation. First, that the interventions needed to build rural-urban links are largely already in place, but need to be implemented over a significant period of time, for example, the building of roads and infrastructure. Second, he recommended spending less public finance on big showpiece projects in the metropolises and capitals, so that more money can be spent in secondary cities and agglomerations. Lastly, he also recommended making sure that the baseline policies are right for the specific context of each country, whether it is the application of territorial development, industrial clusters or another approach.

Thomas Allen from the OECD – Sahel and West Africa Club Secretariat presented opportunities for employment in West Africa’s food systems. He noted that West Africa is urbanising at a very rapid pace: a five-fold population increase in the last 65 years has led to a spatial redistribution of the population, and a profound transformation in the regional economies. Consumer demand is changing: urban dwellers consume more fruit, vegetables, meat, and fish, and a bigger demand for convenience (processed foods), represent a trend in urban dietary patterns that will diffuse to rural areas. The food economy in West Africa was estimated at \$178 billion in 2010, or equivalent to 36% of

Strengthening rural livelihoods in the face of rapid urbanisation in Africa | HIGHLIGHTS



Edson Mpyisi



Petra Jacobi

regional GDP, making it the top private sector activity. Although imports have been increasing, they only make up 7% of the food economy – meaning 93% of the food demand in West Africa is being met by local and regional producers. Likewise, the domestic food economy is 16 times bigger than the agricultural export sector. Mr Allen argued that it will be the biggest opportunity for the region in the coming decades: in terms of economic diversification and value addition, up to 40% of the value of the food sector comes from outside agriculture. Examples were given of Nigeria, with data showing the potential of off-farm employment opportunities, which are largely commercial. However, in terms of absolute numbers of jobs, farming will continue coming out on top. Critical questions raised concerned access for youth to these jobs and the need to connect farmers in rural (hinterlands) to urban markets, as 67% of the overall food demand is concentrated in urban areas, which are mostly along the coast.

The African Development Bank's (AFDB) Edson Mpyisi, Principal Agricultural Economist, Coordinator, Agropoles and Agro-Industrial Parks, advanced the theme of youth opportunities and jobs in agriculture. The AFDB has a flagship programme, *Enable Youth*, aimed at getting youth back into the agricultural sector. Approximately 40% of Africa's over 1 billion population is made up of youth, which is still growing, including in the

rural areas. It is estimated that 10-11 million African youth join the labour force in annually, but only around 3 million jobs are being created. A third of the youth population in Africa is under-employed, unemployed or out of school, presenting an important opportunity for growth in Africa, which otherwise would present a risk for social cohesion within and outside the continent. The challenges of youth employment relate to bottlenecks in terms of jobs demand, related to policy and credit, inadequate skills by youth, and insufficient mechanisms to link qualified youth with available jobs. The AFDB is responding to this through the "Jobs for Youth in Africa Strategy" focusing on agriculture, industrialisation, and ICTs. *Enable Youth* targets graduate youth from all backgrounds, who are interested in agribusiness or agriculture. It has three main components: first, creating an enabling environment, working with governments on policy and changing perceptions about agriculture; second, to support and expand agribusiness incubation to give experiential training for the youth; and third, finance mechanisms to de-risk lending to youth, including guarantees, interest rebates and insurance. Thirty countries have made an expression of interest in this programme, with the aim of targeting 1.5 million jobs over 5 years. A successful case of an Enable Youth agripreneur from the Democratic Republic of Congo in the cassava sector, whose turnover went from \$6000 to \$10,000 a week, was also shared.

Petra Jacobi, Project Manager at GIZ, presented the Kenya-Germany cooperation example in relation to rural transformation. Inclusive rural transformation brings together important issues including agricultural development and rural development, and feeds into structural transformation. The GIZ Western Kenya portfolio covers many of the components of rural transformation, ranging from policy, food security, the environment, training, finance, infrastructure, markets and irrigation. Additionally, the One World – No Hunger "Green Innovation Centres" address the value chain, by providing logistics support, market development, skills development, finance and innovation which strengthen farmer's organisations and co-operatives capacities. The example of the milk value chain demonstrated this approach, whereby a solar milk-cooling project has been supported, which incorporates sustainable energy solutions, using solar and biogas. This milk is in fact primarily sold to meet demand in the rural counties and only the surplus, processed milk is sold to urban agglomerations. This provides opportunities for more milk production, employment and income. In terms of policy, the Institutional Capacity Development for Country Government supports Kenya's decentralisation strategy, a central component of which is the "localisation" of the national agricultural policy, and the provision of better services. Lastly, the Agricultural Technical and

Strengthening rural livelihoods in the face of rapid urbanisation in Africa | HIGHLIGHTS



H.E. Mr Amadou Diop



Denis Pesche



Nono Dimakatso Sekhoto

Vocational Training (A-TVET), under the regional CAADP programme, was also presented. For Petra Jacobi, a more inclusive approach by stakeholders is needed, which acknowledges the fading rural-urban divide supported by more coherent policies and scalable Public Private Partnerships. She finished by arguing in favour of the territorial approach to rural transformation and the need to also look beyond agriculture.

During the **questions and answers session**, some key issues on rural-urban dynamics were raised. These covered women's challenges in entering the formal sector, as well as the exodus from rural areas, rural processing and storage capacity, new innovations in education and governance, particularly using new technologies, the need to better integrate smallholder producers into the rural-urban value chains, and getting youth interested in agriculture from a school age.

Steve Wiggins highlighted the importance of tightening the rural labour market, which can promote inclusiveness (agriculture and the rural non-farm economy), as well as for the public sector to continue with the right policies. Rural access to finance, however, continues to be challenge, and successes should be communicated and learnt from.

Thomas Allen noted that in terms of supporting those in the informal sector, examples from Peru showed promise as they included informal businesses to submit tenders for food service. However, in terms of

rural processing, there is insufficient data on West Africa on the location of agro-processing. **Edson Mpyisi** informed the audience that the AFDB is also looking at agro-industrial parks or "agropoles" to build agriculture clusters that can link production and processing, such as in Ethiopia, and also the use of ICT for youth, as this demographic is using new technology and the internet to acquire skills, build networks and access markets.

Panel 2: Creating opportunities for rural youth in transforming food systems

The second panel, which looked at creating opportunities for rural youth in transforming food systems, was chaired by **H.E. Mr Amadou Diop, Ambassador of Senegal to the EU**.

Denis Pesche, researcher at CIRAD, presented examples of fostering employment through territorial development, based on research studies on development in Africa. Whereas other continents will see their overall population numbers decline over the next forty years, this is the opposite case for Africa, and in the rural areas it can be expected that the number of people will continue increasing right up until around 2040. There is a big diversity in terms of the working population involved in

agriculture in Africa, significant in West and Eastern Africa compared to Northern and Southern Africa. A considerable challenge faced by Africa is its incomplete economic and demographic transition: the pace of industrialisation has not kept pace with the rate of urbanisation, nor the population growth meaning that there is very little economic diversification and high levels of informal work. Secondary cities will play a big role only if policies shift away from lionising big cities and capitals. Two case studies were used to demonstrate different approaches for labour creation in rural areas. Ségou in Mali, jobs growth has been more in services rather than agriculture, also reflecting the circular migration from rural to cities. In the Senegal River Delta, two agro-businesses provide lessons in different approaches for job creation. Senhuile, which produces maize, rice and soya, has a high degree of mechanisation but of its 180 jobs, most are not in agriculture, but rather security and other services. WAF (West Africa Foods) on the other hand, producing horticulture for export, is a model that has managed to create more local agricultural employment.

Nono Dimakatso Sekhoto discussed opportunities for young entrepreneurs in serving urban or semi-urban markets based on her experience with African Farmers' Association of South Africa (AFASA). Her background in financial services has helped

Strengthening rural livelihoods in the face of rapid urbanisation in Africa | HIGHLIGHTS



Omar Ouedraogo

her on the agribusiness and entrepreneurship areas, capitalising on the farm purchased by her father. A big challenge is that youth are not aware of, or struggle to access opportunities that are available in agriculture, even when they are educated, are tech savvy, and have access to land. Although South Africa's agriculture is already well advanced, there are still many barriers to entry for black educated youth. To address this, the government has introduced policies, but their implementation needs greater fine-tuning. Two notable components of these policies is to create incentives for the private sector to work more with black youth, and to maximise the use of new farms which have been created through land redistribution. Nono Dimakatso developed the GrowthShoot business in order to support and mobilise youth to access and succeed at capturing these new opportunities, working with the members of AFASA. GrowthShoot identifies commodities for which there is a demand, selects young farmers who are interested in this sector, and then develops programmes to address gaps in skills, finance, resources, mentorship and other inputs or services which are needed for them to enter into the value chain. Two examples were provided of this approach: the Rabbit Farming Project, which counts SAB and Coniglio among its partners, and the Young Farmers Potato Planting Project, which includes McCain, ABSA, John Deere and NULANDIS

as some of its partners. AFASA also has a partnership with Standard Bank through where young farmers apply to enter into a competitive mentorship programme, for which they develop business skills and are ultimately able to access funding and implementation support.

The final presentation was by **Omar Ouedraogo of the Fédération des Professionnels agricoles du Burkina (FEPAB)**, a network of 241,261 producer members in Burkina Faso. It grew out of a need to improve the quality of produce to match expectations from growing urban consumers. FEPAB produces, process and markets maize, as its main commodity, as well as some cowpea and non-wood forest products, and works with national and international partners. A central component of FEPAB's work has been to invest in machinery and equipment to address post-harvest losses, and developing artisanal and semi-industrial processing, making maize flour and meal, of which mainly women and youth are involved. It uses three supply channels a network of 49 shops: direct retail sales to consumers, institutional sales to national government and WFP food stock programmes, and wholesale distribution to traders and large factories (mills and breweries). This approach allowed FEPAB to enter into lucrative markets for urban consumers where imported goods – pasta, wheat and rice – are traditionally dominant. The private sector has also been a more

secure market, and consumers have responded very favourably to the improved quality of FEPAB's products. This has led to a turnover of CFA 262 million in 2015, and greater employment for youth and women in rural and urban areas. Some critical challenges FEPAB is trying to address in growing its operations include the costs of post equipment, through which has developed a machinery pooling system for its members. FEPAB is also addressing marketing limitations through training, and is also looking towards establishing linkages with commercial banks to address the lack of financing. Finally, the scale of production of FEPAB still outpaces local demand and storage capacity, so the organisation is looking into sub-regional markets (Niger, Ghana, and Mali), where interest for supply has been expressed for maize.

During the **question and answer session** of the second panel, the audience raised comments on access to finance, the support for small-scale producers and family farmers and the lack of developed farms to attract youth into the sector. Further questions were raised on the status of processing capacity in rural areas, the availability of suitable machinery and technology for farming, and the need for more youth to be involved in forums and discussions of agriculture. Finally, it was inquired of the speakers whether having large commercial partners has assisted with access to finance, the local impact of growing agribusiness

Strengthening rural livelihoods in the face of rapid urbanisation in Africa | HIGHLIGHTS

in West Africa, and whether new products for regional markets will be developed by FEPAB.

Omar Ouedraogo noted that microfinance had its advantages – namely low rates – but also disadvantages in the ceiling for credits which can be given. Commercial banks on the other hand request guarantees that FEPAB doesn't have, and high rates, which is why FEPAB is advocating for a national agricultural bank. The products it makes will largely respond to market demand.

Denis Pesche noted that there is limited data on domestic investment in agribusiness, which needs more research. **Nono Dimakatso Sekhoto** confirmed that having links with big private sector companies has helped in terms of accessing finance, but the initial groundwork

involved sensitisation of investors to the sector, before the possibility to get credit was available. As awareness grew of the projects, then more investors and companies were making direct approaches, expressing interest for partnerships. In term of food processing in West Africa, Thomas Allen clarified that it has grown over the period measured, and will continue to grow, but in order to determine the impact on rural areas, more data and research is needed to map the food processing activities, which is presently not available.

The Briefing was concluded by **H.E. Mr Amadou Diop**, Ambassador of Senegal to the EU who highlighted that the demographic expansion in Africa and the related mobility between rural and

urban areas present significant opportunities for the agricultural sector. In order to capture them, greater professionalization of agriculture, supporting access to land, more innovation, better market access and availability of finance, and a global integrated approach to put agriculture at the heart of development and social promotion for young people. He added that agriculture which supports women and youth should be at the heart of sustainable development.

Michael Hailu added that the cases discussed demonstrated successful approaches and lessons for other countries, to reinforce the benefits which investing in and prioritising agriculture and rural areas can have for inclusive development.

Further information available online:

- Brussels Briefings: www.brusselsbriefings.net
- Reader: <http://bit.ly/2nBTX5g>
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