



# Employment Promotion in the Agri-Food Sector



**This module is part of the publication “Full and Productive Employment and Decent Work for All – Handbook on Employment Promotion in Development Cooperation”**  
**in Section 4 “Special Challenges and Trends”.**

As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

**Published by:**  
 Deutsche Gesellschaft für  
 Internationale Zusammenarbeit (GIZ) GmbH

Registered offices  
 Bonn und Eschborn

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**Design:**  
 DIAMOND media, Neunkirchen-Seelscheid

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On behalf of  
 Federal Ministry for Economic Cooperation and Development (BMZ),  
 Division “Special initiative on training and job creation”

GIZ is responsible for the content of this publication.

Eschborn, August 2021

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AFSD	<i>Agricultural Value Chains for Sustainable Development</i>	IKT	Informations- und Kommunikationstechnologie
ATVET4W	<i>Agricultural Technical Vocational Education and Training for Women</i>	KMU	Kleine und mittlere Unternehmen
BIP	Bruttoinlandsprodukt	OECD	<i>Organisation for Economic Co-operation and Development</i>
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung	RED	<i>Regional Economic Development</i>
CEFE	<i>Competency-based Economies through Formation of Entrepreneurs</i>	RWI	Leibniz-Institut für Wirtschaftsforschung
DIE	Deutsches Institut für Entwicklungspolitik	TZ	Technische Zusammenarbeit
EZ	Entwicklungszusammenarbeit	UN	<i>United Nations</i>
FAO	<i>Food and Agriculture Organization of the United Nations</i>	UNCTAD	<i>United Nations Conference on Trade and Development</i>
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	WSK	Wertschöpfungskette
IFAD	International Fund for Agricultural Development		

# Employment promotion in the agri-food sector

- Around 44% of all people worldwide live in rural regions but in sub-Saharan Africa it is around 60%<sup>1</sup>. Potential for and barriers preventing employment in rural areas are very different from those in urban regions.
- Global megatrends such as the emergence of new digital technologies and the need to decarbonise have a significant influence on the options for economic structural change in developing and emerging market countries – including in rural areas.
- The agri-food sector offers considerable potential to create more and better employment, not least as a result of stronger links to the increasing purchasing power in urban centres.
- In order to make effective use of this potential, in particular for women and young people, it is important to design context-specific packages of measures to create jobs in rural areas and systematically enhance the status of employment in the agri-food sector..

<sup>1</sup> Estimate of the World Bank based on the *United Nations Population Division's World Urbanization Prospects* (2019)

## Labour markets in rural areas

Key challenges for many developing and emerging market countries are unemployment and underemployment, informal work, wages that are not sufficient to live on and poor working conditions. This is particularly prevalent in rural areas where most employees work on smallholdings with low productivity and limited access to markets or earn low and insecure incomes as unskilled workers on a casual or seasonal basis. In spite of increasing urbanisation, the rural population of developing countries has more than doubled since 1950 and almost quadrupled in those countries that are the least developed (IFAD, 2019). In Africa, the percentage of those who live in urban areas has increased from 13% to 50% since 1950 albeit with strong regional differences. In spite of urbanisation, 60% of the inhabitants of sub-Saharan Africa (SSA) still live in rural areas. The average age is 18.3 years and 70% of the population are aged under 30. The population of Africa will double by 2050 (OECD 2020). This means that more than 25 million young people enter the jobs market each year and in the medium term more than half of these – around 14 million – will be from the rural areas of sub-Saharan Africa.

It is therefore extremely urgent to create additional job opportunities in rural areas.

There are a number of specific characteristics that differentiate labour markets in rural regions of developing and emerging market countries from urban employment markets. Firstly, these involve a high degree of informality and vulnerability because of the lack of social protection and working standards. Secondly, a high proportion of workers are self-employed, particularly in subsistence farming, generally with rather low productivity and a great deal of what is produced intended for their own consumption. Dependence on agriculture as an important source of income makes especially poor households susceptible to external shocks (weather-related and natural disasters) and seasonal fluctuations in demand (Ihring, Kluve and Störner, 2019).

Accordingly, many people who are primarily employed in agriculture pursue additional income-generating activities in order to compensate for the inadequate and unstable income from their main occupation. The proportion of people with secondary employment outside agriculture and in the informal sector is high and therefore it is mainly the non-agricultural sector that is growing in many rural



areas. Rural households are also increasingly dependent on transfer income from family members living in cities or abroad. At the same time, agricultural activities still provide the most important source of income for the majority of rural households. Accordingly, many people work simultaneously on their own smallholdings (consuming a high proportion of their own produce), as seasonal agricultural workers and on a self-employed basis outside agriculture. Only a small proportion of households are not involved in any non-agricultural work.

## Employment potential in rural areas

In contexts such as West Africa, agriculture and agribusiness – in particular smallholdings – are still by far the most important sector for employment and therefore income, accounting for two-thirds of the workforce (Allen, Heinrichs and Heo, 2018). Accordingly, this handbook module also focuses on the agri-food sector; other rural sectors such as forestry, protection of natural resources and other common employment options in rural areas such as trade or the public sector are not examined in detail.



Bangladesh: a large part of the rural population depends on income from agriculture

## Structural change in rural areas

Developments over recent decades have shown that economies with a strong rural bias, particularly in sub-Saharan Africa, have barely if at all seen an economic structural change away from subsistence agriculture and towards labour-intensive export industries such as electronics and clothing as experienced in South Korea, Taiwan or Malaysia. The relative weight of manufacturing in the economic output of sub-Saharan Africa has stagnated at around 10% of GDP since the 1970s and the contribution of manufacturing to employment is even smaller. Apart from the growing competition on the world market due to the rise of Asian countries, this can also be attributed to internal causes within the African countries. These include factors such as comparatively high wages in the formal economy, inadequate economic integration and infrastructure links, and the negative effects of conflicts.

Since the mid-1990s, employment in sub-Saharan Africa has therefore increasingly shifted from agriculture to the service sector (mainly trade). These are often jobs with low human capital input, i.e. minimal requirements for qualifications, and low work productivity. They are primarily created in the informal economy and in sectors that are not connected to international markets and have limited potential for innovation and productivity growth. Such a structural transformation without raising labour productivity has the potential to increase inequality in developing countries and does not help to improve the employment situation (Baymul and Sen, 2018).

In addition to this, the need to develop a low-carbon economy and the rise of new digital technologies have crucially changed the opportunities within the global economy to achieve inclusive and labour-intensive industrialisation as an economic development strategy. Consequently, leading economists recommend that today's developing countries, including in Africa, increasingly harness the potential of alternative and/or differentiated development models, including the expansion of so-called "industries without smokestacks" (Mbaye, Coulibaly and Gandhi, 2019). Depending on the resources available and the competitive advantages, these may include labour-intensive sub-sectors such as tourism, agricultural processing, the bioeconomy or ICT services, all of which offer relatively good potential for employment and can make a significant contribution to provide the rural population with better quality employment (decent work) and decent incomes.

In rural areas, a distinction can be made between structural and rural transformation (see IFAD 2019, p. 55ff): Whereas structural transformation describes the process that leads to an increase in formal employment relationships outside the agricultural sector, rural transformation means a fundamental change within the agricultural sector. This process involves two different types of developments in the labour market. Firstly, a sectoral shift from farming operations to a large number of non-agricultural activities, although many of these will still be related to agricultural. Secondly, increased mechanisation, market orientation and considerably increased productivity in the primary sector.

## The potential of the food economy

No single sector alone is capable of creating sufficient employment opportunities in rural areas. According to the World Bank (2017) in many countries by far the greatest potential (and thus the 'future of work' in rural areas) for the foreseeable future lies in the transformation of the "food economy", in other words the production, processing, preparation and marketing of food for a fast-growing population in developing and emerging market countries. In some countries in sub-Saharan Africa, the current share of agribusinesses in the total processing industry is as high as 60%, according to FAO. As many as 68% of all working women in West Africa are already employed in the "food economy" (Allen, Heinrigs and Heo, 2018).

### BOX 1 „FOOD ECONOMY“

The OECD divides employment in the „food economy“ into the following four segments:

- **Food agriculture** (Production of agricultural products— primary products)
- **Food processing** (Processing agricultural products for consumption – secondary products)
- **Food marketing** (Transport, retail, wholesale)
- **Food away from home** (Restaurants, street food)



It can be assumed that employment in the “food economy” will see a significant increase, even in the near future. The OECD forecasts that, in West Africa alone, 32 million new jobs will be created in agriculture and agribusiness by 2025, with a large share of these jobs in agricultural production<sup>2</sup>. However, the largest growth in employment is not expected in food production or processing but mainly in downstream services such as logistics, trade and marketing (Allen, Heinrigs and Heo, 2018 and World Bank, 2017). A similar trend applies to other agricultural value chains such as cotton or biofuels.



Post-harvest food processing in Mali: women thresh rice and separate the chaff from the rice grain.

### Sectoral trends and possible “game changers” for the agri-food sector

Comprehensive promotion of market-oriented and competitive agri-food sector is therefore the focus of all endeavours to promote rural employment and should be part of a coherent national employment strategy. In relation to this the DIE has identified **four sectoral trends and possible “game changers” that are significant for the agri-food sector** in African developing countries (Altenburg, 2020):

#### 1. Growth in the local “food economy” through urbanisation and new dietary patterns

Population growth, higher income and urbanisation in many countries of sub-Saharan Africa or Asia boost the demand for agro-industrial products. This growing demand from the urban middle class with purchasing power therefore has the potential to create significant employment in food production and processing. However, modernisation of cultivation methods must also be accompanied by considerable diversification in products and additional investment in processing, transport, storage and distribution.

#### 2. Employment potential of the bio-economy

Greater demand for organically produced food, biofuels, plant-based inputs for chemicals and pharmaceuticals, as well as biological building materials may give impetus to new business models, including the use of waste products, in agriculture and downstream sectors. Corresponding innovation provides potential for “leapfrogging”, i.e. bypassing what have previously been individual development stages. The associated potential for employment is still difficult to assess, as the relevant business models have to date only been piloted. It is likely that significant effects on employment can only be expected in the medium to long term.

#### 3. High-value export products and sustainable supply chains

The export of high-quality fresh and processed food products for regional and global markets and large supermarket chains offers attractive business potential – but only for a relatively limited number of companies that can meet the high requirements for quality, hygiene, safety and, in some cases, social standards and can ensure time-critical deliveries.

#### 4. Digital technologies and logistics services

Access to information and financial services has improved significantly and become more inclusive thanks to digital technologies. It is not yet possible to assess to what extent on-line marketing channels and platforms and the latest technologies in agriculture will increase employment and reduce inequality.

<sup>2</sup> The extent to which greater productivity in agriculture leads to a net reduction in employment within the “food economy” as a whole over the medium to long term depends greatly on the macroeconomic strategies adopted and the sectors in which the workers released as a result of this can find employment (cf. handbook module „Economic Growth, Employment and Poverty Reduction“, Box 3 „Sectoral Growth and Poverty Reduction“).



Employment promotion in rural areas is essential to offer young people a perspective.

## Barriers to employment to be addressed in rural areas

Promoting better employment in rural areas is a central concern of many developing and emerging market countries, especially since the rural population will grow considerably in the coming years due to demographic change. Lack of prospects in rural areas leads to high rates of urbanisation in secondary and major cities without these cities being able to offer sufficient employment opportunities, as well as to international labour migration. Due to migration, rural areas are losing young – and predominantly male – workers, which is leading to a feminisation and ageing of the rural population in many areas (FAO, 2017). Consequently, the need for rural development to be employment-effective is also highly important from a macro perspective.

In many respects, the challenges of promoting employment in rural regions are similar to those in urban areas. An important difference, however, is that market systems, public infrastructure and modern technologies are often poorly developed or do not exist at all in rural areas. Their provision is considerably more expensive than in urban areas because of the lower population density. This particularly affects access to vocational and entrepreneurial education and training, access to financial services, business networks and markets, as well as the availability of transport, energy, water and telecommunications infrastructure (GIZ, 2020). These barriers to employment, which are

often referred to as “enabling sectors” for economic growth, are examined in greater detail below.

## Access to qualitative education including TVET

Educational opportunities in rural areas differ significantly from those in urban areas, both in terms of quantity and quality. The education available is limited and in some cases involves long and difficult routes to school. Primary school teachers in rural areas are often less qualified than in cities and class sizes of up to 80 children are frequently the norm in rural regions of Africa. Girls and young women are particularly affected by these limitations in primary and secondary education and attend classes less often than boys because of the long distances to school, fear of being attacked, lack of sanitary infrastructure as well as domestic duties and early marriage.

Overall, the literacy rate in sub-Saharan Africa is an average of 54% among young people in rural areas, compared to 87% for young people in urban areas (FAO, 2019). The lack of literacy skills hampers youth access to vocational training and subsequent economic participation. TVET courses in the field of agriculture are very scarce in many places or they may not be sufficiently tailored to the labour market and practical requirements. Agriculture related courses are also frequently absent at tertiary level, with the result that only 2% of university graduates in sub-Saharan Africa have a specialisation in agricultural.



## Entrepreneurial skills and technical abilities

A lack of provisions for teaching entrepreneurial skills and modern technical skills contribute to the fact that people in rural areas are rarely able to produce and sell innovative and high-quality agricultural products. The potential of modern and more highly mechanised cultivation methods is also insufficiently utilized. Better access to entrepreneurial and agricultural skills, as well as basic financial literacy, are of crucial importance to young people who want to start their own business in rural areas. However, less than half of rural youth have the level of education required for their current job (OECD, 2018).

### BOX 2 SPECIFIC CHALLENGES FOR WOMEN: TRIPLE BURDEN

In rural areas women are often even more seriously affected by the barriers to employment outlined in this section than men. Moreover, women face additional constraints that arise from gender-specific social structures. IFAD refers to this as a „triple burden“: Being young, rural and female poses a triple burden that may result in fewer opportunities on the labour market. Furthermore, young women in rural areas often have gaps in their employment history because of family duties and reproductive work. They start their careers much later than young men, or often limit themselves to a role as an employee in the business of a male family member. Unpaid work, which is traditionally undertaken by girls and women, such as collecting water and looking after children, is very time consuming. These burdens and the associated mobility constraints pose substantial gender-specific impediments to accessing employment.

## Access to land

In many developing countries issues relating to land rights and limited access to land are an impediment to establishing new enterprises in the agricultural sector. Young people are generally reliant on inheritance, small leases or the availability of “community land” to gain access to land that can be used for agricultural purposes. With increasing life expectancy, however, inheritances are increasingly

occurring later in working life. Depending on inheritance laws, land division between multiple heirs may also result in uneconomical small parcels of land that make it impossible to support a family solely through agriculture. In addition to this, traditional tenure systems often exclude women and ethnic minorities from owning land entirely or make it very difficult for women to register land titles.

## Financial services and investments in the agricultural sector

The rural population often lacks the capital and access to financial services, which prevents them from establishing their own company and engaging in independent economic activities. This is particularly true for the so-called “missing middle” segment, with financing needs for longer-term loans of between EUR 20,000 and EUR 100,000. Banks and microfinance institutions, assuming that these are available at all in rural regions, demand collateral that young people often cannot provide and interest rates that are frequently very high due to high transaction costs. Women in rural areas are often subject to a further disadvantage when it comes to accessing formal financial services if they do not have official land titles.



Increasing literacy rates is a basic requirement for improving access to vocational training and employment in rural areas.

In addition to this, many financial institutions avoid investing in the agricultural sector because they do not have sufficient knowledge of the realities of agricultural production, sometimes long payback times and that there are factors that cannot be influenced such as the weather and natural disasters. Therefore, innovative approaches and needs-based financial products (e.g. savings and credit cooperatives, value chain financing, insurance as a risk transfer product, mobile banking) are needed to finance viable business models. *Matching grants* are currently also frequently used as investment subsidies to promote business start-ups. These can be used as a targeted (and complementary) instrument of economic and employment promotion, providing they do not distort the market and supplement or complement existing financial services.

### Access to networks and value chains

Young people in rural areas often only have limited access to farming cooperatives characterised by strict hierarchies and other networks dominated by long-established producers. Their access to public services and corresponding support measures (such as grants to promote business start-ups) is also limited. Young people are therefore often not adequately involved in decision-making processes. Traditional gender-specific norms reinforce this pattern, particularly for young women. The result of this is that they are often completely excluded from decision-making processes and leadership positions. Digital tools and a more democratic and transparent (self-)organisation can contribute to make farming cooperatives more democratic and thus give particularly young people a greater voice.

### Physical and digital infrastructure

Energy and water supplies, the transport infrastructure and telecommunications networks in rural areas are often not sufficiently developed and, depending on the country, the access costs are sometimes unaffordable. This makes it difficult to develop modern and efficient agricultural systems (e.g. irrigation systems) that might help to make agriculture more attractive to the rural population. Limited mechanisation and minimal use of technology in agriculture lead to arduous working conditions and unstable income. This makes the sector less attractive to young people who instead often migrate to urban areas.

#### BOX 3

#### MENTORING TO ASSIST WOMEN IN AGRICULTURE TO NETWORK

Many women-led agricultural businesses in Kenya fail after a short time as a result of problems such as inadequate technical knowledge and skills, a lack of management know-how, limited access to loans or insufficient market information. However, some companies managed by women are quite successful. The female owners of these companies have agreed to support and to share their experience with young or struggling female agribusinesses owners. In response to this, a mentoring approach has been developed as part of GIZ's ATVET4W project in Kenya in order to strengthen women's business skills. Mainly young mentees benefit from the experience, knowledge and networks of experienced female entrepreneurs as their mentors. This approach allows knowledge transfer at minimal cost, tailored advice and support in acquiring a pragmatic problem solving mentality. However, it also showed that mentoring can only be one element of a more comprehensive transformative support programme.

## Successful employment promotion in the agri-food sector

Employment strategies in the agricultural sector have so far primarily focused on promoting employment opportunities outside smallholder agriculture. However, more attention should be paid to approaches to boost agricultural productivity as a means of promoting employment, if increasing land productivity creates additional employment in the form of work for the family and paid labour (quantitative employment dimension) or if smallholders generate higher income because of the increased productivity of their work (qualitative dimension), thus making the agricultural sector more attractive.

### BOX 4 ENHANCING THE ATTRACTION OF THE AGRICULTURAL SECTOR

The prospects of higher yields and income and thus improved labour productivity can contribute significantly to making employment in agriculture more attractive. To date, many young people in developing countries have decided against working in agriculture because of the inappropriate working conditions and poor income prospects. The development of modern agri-food systems has the potential to create more attractive employment opportunities along the entire value chain in rural areas, both within and outside agricultural production. Apart from the production of agricultural products, this includes the distribution of agricultural inputs, extension services, transportation, processing, and the distribution and sale of food. The use of digital technologies can contribute significantly to the attractiveness of all these areas.

Depending on the local context, potential and resources, it is important to consider whether primarily general approaches towards the integrated promotion of rural economic and employment development and a structural change associated with this is to be pursued, or whether efforts are to be targeted at promoting the employment of individual target groups such as youth, e.g. through education and training, the provision of life skills and improved political participation<sup>3</sup>, or which combination can achieve the greatest impact. For instance, the Rural Development



The use of modern technology, for example here in a rice mill in Birnin Kebbi in Nigeria, can increase yields and quality of agricultural products and thus make employment in this sector more attractive.

Report 2019 (IFAD, 2019) shows that policies and interventions to promoting a broad-based rural transformation process do not necessarily lead to improved employment opportunities for young people.

If the full potential of employment is to be realised, in addition to an economic development strategy the impediments to employment listed in the previous chapter need to be addressed specifically and coherently through comprehensive and tailored measures to promote rural employment in order to achieve an integrated approach to employment promotion. Even if context-specific factors must always be taken into account, some generally valid recommendations for the promotion of rural employment can be derived from recent publications (including IFAD, 2019) and the analysis of existing approaches (see GIZ, 2020).

3 Cf. handbook module „Creating Employment Prospects for Young People“.



## Integrated employment promotion

Contributing to more and better employment in rural areas requires broad-based interventions on the labour demand side, as well as target group specific approaches (particularly for young people and women on the labour supply side (World Bank and IFAD, 2017). In this context it is important to identify the key impediments to employment in the agri-food sector and to prioritise interventions accordingly. Experience gained from GIZ projects also shows that addressing multiple impediments to employment as holistically as possible is more effective than promoting “stand-alone” approaches (e.g. skills training courses without adequate support to place applicants in

the labour market). Accordingly, activities on the supply and demand side in the sense of the integrated approach to employment promotion should be applied in one or over several projects and combined and interlinked as a contribution to policies, strategies and approaches of the partner countries. At the same time, the demand side of the labour market in particular appears as a lever in rural areas, since an improved education and training situation alone does not lead to an improved employment situation and the greatest impetuses for rural development can be expected from a targeted stimulation of the demand side.

### BOX 5

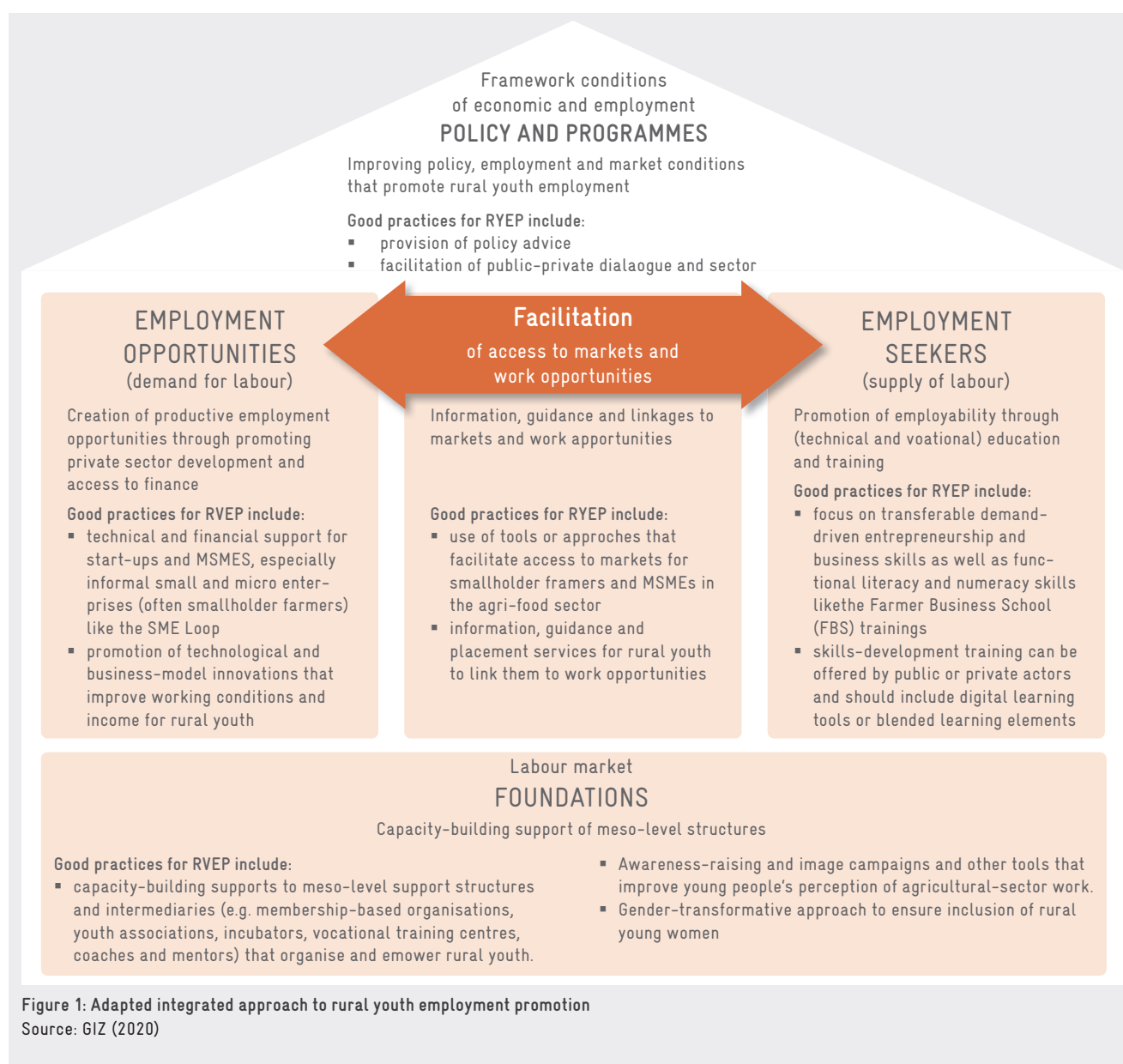
#### INTEGRATED APPROACH TO EMPLOYMENT PROMOTION IN THE AGRI-FOOD SECTOR

The conceptual framework for German DC interventions is the integrated approach to employment promotion adapted to the context of rural areas, with the three pillars of labour demand, labour supply and matching and the umbrella of economic and employment policy frameworks:

- promoting investment, productivity, economic growth and thus job creation in rural areas through improved access to networks and value chains, entrepreneurial advice and finance, in particular for smallholder farmers;
- improving both the employability of the rural population as well as raising labour productivity in agriculture and agribusiness through improved access to literacy, TVET, higher education with courses in agriculture and entrepreneurial qualifications;

- matching labour supply and demand more effectively through needs-based orientation, counselling and placement services (matching, mentoring).

Broad-based employment is primarily created if the key barriers to employment are removed across all the pillars in a coordinated way and supply and demand processes are interlinked in a coherent manner. A favourable business climate, employment-effective agricultural and structural policies and social security and insurance systems make a crucial contribution to the employment policy framework, but also, for example, to socio-cultural framework conditions.



## BOX 6

### EMPLOYMENT THROUGH QUALIFICATION OF SMALLHOLDER SUPPLIER STRUCTURES IN SELECTED VALUE CHAINS

*Agricultural Value Chains for Sustainable Development (A4SD)* is an umbrella programme with four projects to promote value chains for cotton, rice, cashews, cocoa and other food crops in sub-Saharan Africa. Overall, A4SD has helped to train 2.1 million people to integrate better into value chains and to create 850,000 additional jobs. 60% of the additional jobs in the cashew and rice value chains have been filled by young people. Of those who have been trained, 30% are women. Documented good practices and profitability analyses have been handed out in written form to all participants at the end of the training course. Additional communications measures such

as 3D animations and radio spots contribute to achieving an above-average adoption rate of the corresponding good practices. The cross-country and cross-value chain approach has considerable potential for scaling up. A4SD has established a network with over 180 private and public partners in the value chains which facilitate reaching a large number of beneficiaries. Support for the creation of additional employment for young people, linked to established companies in agricultural production and marketing, is primarily provided through SME promotion measures and financing as well as strengthening supply structures.

## Target group-specific approaches

Evaluations of various projects show that it is often not possible to reach the poorest or most marginalised population groups directly as a target group, for example via value chain promotion projects, but rather indirectly through projects that lead to the creation of employment opportunities with living incomes through productivity improvements in agricultural businesses and processing companies. When planning measures for selected target groups (e.g. poor households, minorities and marginalised groups, women and young people), it is important to take into account that some target groups might not be reached with the instruments of the integrated approach so that it may be necessary to implement complementary measures from the area like public works and/or social protection. A combination of supporting income (conditional cash transfers) and qualification can prepare those groups step by step for employment (*graduation*). Target group-specific public employment programmes (public works) for developing rural infrastructure, e.g. in India (“right to work”), have demonstrated the effectiveness of this approach. Compensation for “environmental services” may play an important role in the future in the context of climate protection and conservation of biodiversity.

### BOX 7

#### ECONOMIC PARTICIPATION OF DISADVANTAGED RURAL HOUSEHOLDS IN CAMBODIA

The Regional Economic Development Programme (RED IV) in Cambodia, working on behalf of BMZ, promotes local value chains for rice, vegetables and cassava facilitating disadvantaged households’ access to local, regional or international markets. In training courses producers learn about sustainable cultivation and processing techniques and are linked with trade and processing companies so that they can better market and distribute their products. Communal economic development projects are implemented together with other actors from the private sector, for example to strengthen artisanal activities and vegetable production. The supported value chains are particularly suitable for women, as they can usually be carried out flexibly in a domestic environment and on small plots of land. In addition, the project is supporting dialogue platforms between representatives of the local administration, civil society, private companies and producer initiatives in order to overcome market barriers.



Rural development in Côte d'Ivoire: Structural changes in rural areas and improvements in productivity, especially in smallholder farms, can also help marginalized groups to be better reached.



### Specific success factors with a focus on young people

Young people in rural areas are confronted with specific challenges, but at the same time also possess the key abilities and skills to drive forward rural transformation processes. A series of project-specific success factors have been identified in an extensive analysis of GIZ projects on rural youth employment promotion in Africa titled “What works?” (see GIZ, 2020). Apart from the central importance of a comprehensive package of measures in the sense of the integrated approach to employment promotion, the following key aspects can be identified which should be addressed in all projects for promoting rural youth employment.

1. **Improving the attractiveness of agriculture and rural areas:** Innovative business and employment opportunities as well as technology and ICT solutions form the basis (see Box 8). Information and campaigns via (social) media and successful examples of “role models” are also important to create enthusiasm among young people to become involved in agriculture and agribusiness. The topics of climate, conservation of resources and sustainable value creation can also improve the image of agriculture and contribute to innovative business models for the development of sustainable agri-food systems (see Box 9).

#### BOX 8 DIGITAL TOOLS AND BUSINESS MODELS

Today’s youth are the first generation of young people whose entire working life – including in the rural areas of our partner countries – will be shaped by digital technology. Technology has dramatically accelerated the speed and manner of economic change through reducing cost of information and making it available worldwide. This has two main effects: On the one hand, digital technology contributes to **increased automation** even in the agri-food sector, significantly reducing labour-intensive jobs in the medium to long term. At the same time, new technologies are opening up new opportunities for rural youth in terms of **productivity and connectivity** between rural and urban areas. More than 70% of the population of sub-Saharan Africa today have access to a mobile phone network (IFAD, 2019).

In countries such as Tanzania, for example, **mobile learning** offers enormous potential for modern cultivation and marketing methods. With online learning there is no limit on the number of people who attend the same

course („reach the masses“) and personalisation makes it possible to offer high-quality individual tuition (user-centred approach). Accessible technologies are often used (e.g. WhatsApp or text messages) so that even disadvantaged young people and the rural population can take part.

**Digital technologies** permit efficient and reliable monitoring of production, the harvest and finance. With this it is possible to ensure that all standards, e.g. in relation to food safety, are complied with. Innovative technologies such as drones, sensors and the use of big data improve the management of agricultural operations. Modern and precisely applied inputs such as pesticides, fertiliser and improved seeds can boost production.

**Digital business models** such as the „hello tractor“ sharing platform for the joint use of agricultural machinery enable even smallholder farmers to boost their productivity considerably and thus help to create higher-quality jobs.

## BOX 9 BUSINESS MODELS IN SUSTAINABLE AGRI-FOOD SYSTEMS

A future-oriented agricultural sector must ensure not only socio-economic sustainability, but also ecological sustainability. Agroecological principles such as good agricultural practices, conservation of soil and water, etc. also make economic sense, and organic agriculture can provide attractive market opportunities for certain segments. The FAO publication “*Constructing Markets for Agroecology*”, for example, provides a good overview of successful approaches. In recent years, sustainable production and links to the market for organic products have been specifically promoted in more than 30 projects as part of German TC. More than 40 development partnerships with the private sector have facilitated direct market access for small-holder producers. What agroecological approaches have in common is that they are often more labour-intensive due to the provision of ecosystem services and that negative external effects are internalised. This often leads to the creation of additional employment opportunities in rural areas. However, internalisation must in some part also be „rewarded“ publicly (e.g. via Payment for Environmental Services), if consumers are not sufficiently willing to pay the additional price compared with other products.

## BOX 10 PROMOTING AGRIPRENEURSHIP

**Agripreneurs** are generally young people who combine their passion for agriculture (*agri-*) and farming or processing healthy food with an innovative business activity (*entrepreneurship*). Tried and tested approaches such as CEFE or the SME Business and Coaching Loop help to improve business skills through training and coaching and provide support where there are questions about product and market positioning, building customer relationships and accessing financial services. Because of the high digital affinity of many *agripreneurs* the promotion of ICT-based business models is particularly promising.

Traceability and improvements in packaging enhance the quality of products and allow *agripreneurs* to enter new markets. Downstream services such as transport, processing, distribution, export and marketing of products can also be simplified through digital apps. New business models such as indoor farming and cellular food production provide interesting and attractive alternatives in the agricultural sector and may offer incentives for young people.

**2. Adaptation to local realities and employment needs while mobilising of youth as key actors of development:** Youth organisations and business networks play an important role when involving young people in decision-making processes and the development of adapted solutions. That also ensures that the support formats and services are appropriate for target groups.

**3. Identification of suitable business models and private sector partners:** Specific business models and close cooperation with actors from the formal private sector for business development and training help leverage expertise for demand and market-driven solutions and to mobilise resources for scaling up. These include promoting business creation through specific approaches for “*agripreneurs*” such as start-up promotion, incubators, mentoring, ICT-based business models, grants and financial matching.

**4. Multi-stakeholder coordination and strengthening of local structures:** Collaboration with all relevant public and private stakeholders at national and local level helps to overcome silo thinking and mobilise resources. Cooperation is also important to develop shared ownership for reaching targets and coherent support services in local entrepreneurial ecosystems. For example, this can be implemented through a partnership between national employment agencies and local community-based organisations or value-chain-based platforms which allow for stakeholders to negotiate interests and permit joint action. Such platforms also provide a good opportunity for youth representatives to articulate their positions in a systematic way and engage as actors in implementation.

In addition to this, complementing agricultural vocational training with flexible education and further training opportunities, combining technical, social and business

skills, has proven to be an effective approach on the labour supply side. In this respect, cooperation with existing TVET centres is particularly helpful for reaching rural youth. Most of these young people are better educated than their parents. They look for higher-quality trainings that can introduce them to innovations in the agricultural sector and business models.



Continuing education and networking provide Agripreneurs with the opportunity to develop and implement innovative business ideas.

## BOX 11 MEASURING EMPLOYMENT EFFECTS

The high proportions of informal and seasonal employment present particular challenges for measuring employment effects in agriculture. A methodology for measuring results of TC projects for rural development has therefore been developed in cooperation with RWI in order to broaden the basis for aggregated reporting and to improved monitoring of employment effects. In this context, GIZ's aggregated results reporting has been expanded to include the indicator „additional employment“ (measured in full-time equivalents).

For more information, consult the the handbook module “Fundamentals, Challenges and Methods Involved in Verifying Employment Effects” and RWI's comprehensive study „Methodological Guidelines for Measuring Employment Effects of Rural Development Interventions“ and the corresponding workbook.

## Further challenges to development policy

In the short to medium-term, the agri-food sector undoubtedly represents an important part for an inclusive and employment-creating structural change. The intensification of production (including through mechanisation), the use of new technologies and adding value through increased local transformation and integration into regional and global value chains are at the centre of attention. **Global developments** such as the rapidly advancing urbanisation, accelerating climate change and external shocks such as the Covid-19 pandemic present both challenges and opportunities for the agri-food sector in developing countries – to which development cooperation needs to find an appropriate response.

For instance, **increasing urbanisation** has a direct effect on the agri-food sector, even in the least developed countries. Already today, more than half of the global population lives in cities. According to forecasts by the UN, 64% of the population of developing countries will live in urban areas in 2050 and 86% in more developed countries. It is assumed that, in addition to megacities, “secondary cities” in particular will see strong growth, which in turn will have a significant influence on the rural-urban linkages. Firstly, this development will lead to increasing demand for the processed food and corresponding transport and logistics services, as described above. Secondly, if this trend towards urbanisation continues – which also means that alternative employment opportunities will arise in urban areas – the relative decline of the potential workforce in rural areas will result in higher incomes for those still employed in agriculture.

Communities that are highly dependent on agriculture will be particularly badly affected by the **effects of global climate change**. For instance, droughts may put pressure on food production systems and lead to famine. A widespread coping strategy in such a situation is **temporary migration** within a country (internal migration) but also internationally (circular labour migration). This enables households to diversify their incomes. Migrants often invest this additional income in the form of remittances in their families' agricultural businesses – for example, to invest in the use of better technology (UNCTAD, 2018). It is therefore important to incorporate such migration models into coherent employment strategies and to develop appropriate approaches.



Finally, the Covid-19 pandemic of 2020 is a good example of how deeply even the agri-food sector is integrated into international markets and can be affected by **external shocks**. The global control and containment measures have led to a sometimes sharp rise in unemployment and under-employment, with the result that global incomes decreased by more than 10% in 2020 compared to the previous year<sup>4</sup>. This is also causing a dramatic increase in the number of people affected by chronic food insecurity. Although to date world food prices have remained relatively stable, in some instances massive increases in food prices can be observed

at national level, especially in low-income countries. In many countries food prices in urban areas have been rising, whereas prices (and thus also producer prices) have been falling in rural areas, which affects poor food producers and consumers equally. This can primarily be attributed to a breakdown in the transport and distribution infrastructure caused by widespread lockdowns and is a clear illustration of the vulnerability of smallholder farmers and those in informal employment in agriculture and downstream sectors.

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<sup>4</sup> Source: [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_755875/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_755875/lang--en/index.htm)

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