African Agricultural Transformation Agenda

AGRIBUSINESS VALUE CHAIN APPROACH FOR AFRICAN YOUTH EMPLOYMENT CREATION

Dr. Mpoko Bokanga
Agriculture and Agro-industry Department
African Development Bank Group

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OUTLINE

• Problems targeted by the ENABLE Youth program
  • AfDB’s vision
  • Global vision
• The Agricultural Value Chain and the ENABLE Youth Objectives
• Success factors for enterprise development in agricultural value chains
• Recommendations for the ENABLE Youth program
• Conclusion
Problems targeted by the ENABLE Youth program

AfDB’s vision
AfDB’s Response:
High 5s, Jobs for Youth and Feed Africa

AFDB’S “HIGH 5” GOALS

1. Power and Light Up Africa
2. Feed Africa
3. Industrialize Africa
4. Integrate Africa
5. Improve the quality of life of Africans
Problems targeted by the ENABLE Youth program

Global vision

• African Union numerous declarations supporting agriculture
• CAADP
• UN MDGs and now SDGs against poverty
## Program Structure

### Enabling Environment

**National Level**
- Policy dialogue
- Stakeholders’ coordination
- Design of risk-sharing facility
- Knowledge management
- National Coordination Office

**State/Province level**
- Parallel public investment
- Negative mindset change
- State/Provincial Technical Hub setup

### Agribusiness Incubation

**Value chain identification**
- Promotion of agriculture as a business
- Value chain mapping and planning of interventions
- Strengthening governance

**Agribusiness incubation**
- Skills development for Agripreneurs
- Development of competitive business plans and loan application

### Business Development

**Transition from agribusiness incubation cycle to self-standing businesses**
- Managing the startup process
- Linkage to appropriate resources (mentors, agroprocessing zones, professional organizations, etc.)

### Program Coordination

- Monitoring & Evaluation
- Knowledge management and information exchange
- Quality management and Innovation support – Link to R4D
- Linkage to other initiatives (e.g. Agropoles, Youth entrepreneurship, Youth/Gender empowerment, etc.)

## Expected Results

- **USD 12.5 billion invested**
- **250,000 youth-led agro-enterprises created**
- **1.25 million agribusiness jobs created**
- **Reduced youth unemployment**
- **Increased food security**
- **Increased manufacturing value added in agriculture**
- **Increased export earnings**
Focus on priority value chains

- **North Africa**: Wheat
- **Sahel**: Sorghum, Millet, Cowpea, Livestock
- **Guinea Savanna**: Maize, soybean, livestock
- **West Africa**: Rice
- **Humid, subhumid zones**: Cassava
- **Across Africa**: Tree crops (cocoa, coffee, cashew, oil palm), Horticulture, fish farming
The Agricultural Value Chain and the Objectives of the ENABLE Youth Program
Why the value chain approach?

Economic growth in the agricultural sector is twice as effective in reducing poverty as growth in other sectors of the economy; strengthening agricultural value chains may be among the most effective ways to address global poverty.

ENABLE Youth: Jobs for youth, food for Africa

Supply Chain Chart

Processor Company

Website

Tier 1 Supplier

Tier 2 & 3 Suppliers

Website

Customer

Retailer

Retail

Retail

Retail

Source: J. H. Sheridan
"Managing The Supply Chain" Industry Week, September 6, 1999.
The cassava value chain in Nigeria
Value creation in the cotton/textile value chain

**Cost per kg of fiber equivalent**
- Cotton seed: $0.5/kg
- Cotton fiber: $1.0/kg
- Yarn: $2.3/kg
- Fabric: $7.5/kg
- Clothing: $14.6/kg

Data source: OLAM, 2016
Milk value chain in Kenya

VC Players

- ~ 1.8 M smallholders
- ~ 5K large farms
- Large number of individuals using bike, foot or vehicles
- Large number of bulking centers
- ~ 70 chilling plants, not all operational
- 34 registered, 3 large
- Informal: a number of brokers and hawkers
- Formal: a number of agents and distributors
- Mobile: a large number of traders selling milk door to door
- Fixed: kiosks, stores, supermarke
Milk value chain in Kenya
Job opportunities along agricultural value chains

Input industry
- Seeds, chicks, fingerlings supply
- Input dealers
- Fertilizers, soil management
- Mechanization, land clearing
- Land prep, irrigation services
- Production specialists
- Pest control services
- Greenhouse specialists
- Supply/Storage management
- Factory managers
- Equipment manufacturers
- Innovation, new product development
- Packaging specialists
- Warehouses managers
- Marketers, retailers
- Produce exporters

Primary production (farming)

First level processing

Second level processing

Distribution & Marketing

Transportation, Technical assistance, Logistics, Maintenance & Repair, Safety & Quality Control/Traceability, ICT services, Financial services
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NATIONAL AND INTERNATIONAL ENVIRONMENT

- Supportive national policies
- Access to R&D services
- Linkages to local and global value chains
- Quality management & Competitiveness support
- Business advisory services

INCUBATION CENTER

- Preparatory activities
  - Incubation center setup
  - Selection of priority value chains
  - Selection of participants
- Training
  - Practical
  - Lecturing
  - Mentoring
  - Attachment
- Business idea
  - Selection of business ideas
  - Validation of business idea
  - Preparation of business plan
- Enterprise creation
  - Company registration
  - Starting of operations
  - Loan application
  - Business operation
  - Graduation from incubation center

INCUBATOR ENVIRONMENT

- Linkage to Professional Services
- Mentors and Champions Board
- Business strategy development
- Access to technical & managerial information
Success factors for enterprise development in agricultural value chains

• Market
• Money
• Materials
• Manpower
Success factors for enterprise development in agricultural value chains

<table>
<thead>
<tr>
<th>MARKET</th>
<th>MONEY</th>
<th>MATERIALS</th>
<th>MANPOWER</th>
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<tbody>
<tr>
<td>• Local or export</td>
<td>• Capital and operational</td>
<td>• Raw materials, additives, processing</td>
<td>• Skills and know-how</td>
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<tr>
<td>• Links to Global Value Chains</td>
<td>expenditure</td>
<td>aids</td>
<td>• Innovation capacity</td>
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<tr>
<td>• Competitiveness</td>
<td>• Financial management</td>
<td>• Processing equipment</td>
<td>• Commitment/Motivation</td>
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<td></td>
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<td>• Others: transport, ICT, etc.</td>
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<td>• Facilities: factory, storage</td>
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</tbody>
</table>
Success factor: MARKET

- Local and export market assessment:
  - Essential for the business case
  - Buying and selling throughout the value chain
  - Need to secure the sales transaction

*Figure 3.1 Different ways to coordinate and structure the value chain*
*Source: Wenner (2006)*
Success factor: MARKET

• Link to Global Value Chains (GVC)
  • African participation in GVC is still marginal: from 1.4% (1995) to 2.2% (2011)
  • GVC are dominated by Transnational Corporations

• Market superpowers (power asymmetry)
• Cost reduction strategies

• Stringent quality requirements

• Timely deliveries

  ➔ Limited negotiation capacity

  ➔ Standards and quality management

  ➔ Logistics
Example of a global value chain: Nutella

Owner: FERRERO GROUP, Alba, Italy
250,000 tons of product sold in 75 countries

Factories:
- Europe (4)
- Latin America (2)
- North America (1)
- Australia (1)
- Russia (1)

Ingredients:
- Hazelnut (Turkey)
- Cocoa (Nigeria)
- Palm oil (Malaysia)
- Sugar (Brasil, Europe)
- Vanilla flavour (China, France)
- Skim milk, packaging (Local)
Success factor: MARKET

• Competitiveness: Commitment to quality and excellence
  • Best quality
    • Infrastructure to ensure compliance to quality standards in Africa is either weak or non-existent
    • Skills and know-how for quality management must be built up in the enterprise
  • Lowest price
    • Agricultural productivity is low (yields below half of world average)
    • Energy costs are high
    • Transportation costs are high
    • Transaction costs are high
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Quality and Safety Compliance Infrastructure
ENABLE Youth: Jobs for youth, food for...
Success factor: MONEY

• Big challenge for youth
  • Startup capital
    • Will be addressed in the ENABLE Youth program
    • Innovative approaches: e.g. *Entreprendre à Zéro Franc*

• Financial management
  • Training
  • Advisory services
  • Periodic audits
Success factor: MATERIALS

• Raw materials, additives, processing aids
  • Quality and cost

• Processing equipment
  • Right technology
  • Maintenance and repair

• Others: transport, ICT, etc.
  • Location of the enterprise is crucial
  • ICT is revolutionizing the way to do business

• Facilities: factory, storage
  • Must be adequate to meet market demand
Success factor: MANPOWER

• Skills and know-how
  • Training to be provided by ENABLE Youth program
  • Strategic to start with “graduates”

• Innovation capacity
  • Access to R&D centers
  • Enterprise drive towards excellence
  • Link to Global Value Chains

• Commitment/Motivation
  • Human Resources Management
Recommendations for the ENABLE Youth program
In the Incubation Center environment

• In addition to entrepreneurship, training should include
  • Quality and safety management
  • Innovation systems
  • Energy efficiency and environmental management (Going GREEN)
  • Legal aspects of business
  • Human resource management
  • Financial management

• A solution should be found for non-performing youth in the Incubation Center
In the national environment

• National policies should be aligned in support of selected priority agricultural value chains

• The ENABLE Youth program should provide an opportunity to harmonize the policies of neighbouring countries to stimulate regional integration and greater cross-border trade

• Countries participating in the ENABLE Youth program should commit to improving their quality infrastructure for greater competitiveness of the agro-enterprises created by the youth

• An initiative to create a positive mind set towards agriculture should be implemented in all participating countries, using social media and other media that are attractive to young people today
Conclusion

• The ENABLE Youth Program addresses three of the most critical challenges for Africa’s development: POVERTY, AGRICULTURE and YOUTH UNEMPLOYMENT

• Starting with “graduates” is a strategically good choice.

• The focus on priority value chains stems from evidence-based development research and policy recommendations from the highest levels

• A successful ENABLE Youth program should reverse the current negative view of agriculture in Africa
Thank you / Merci

Contacts:
Dr. Mpoko Bokanga
Agriculture and Agro-industry Department
Email: m.bokanga@afdb.org
Tel: +225.20.26.53.44