5. Policy options to stimulate local food economies

The previous chapters showed that, in the countries examined, the majority of youth work in the food economy, mostly in agriculture, but that the highest employment growth potential is in the downstream segments of the food economy. For the local food economies to respond to the rising domestic and regional food demand and create quality jobs for youth, strengthening local food systems must become more central in national development strategies. A number of economic, social and environmental bottlenecks will need to be addressed. Policy directions are laid out to stimulate and strengthen local food economies.

The food economy represents an important source of employment for youth and particularly rural youth in developing countries, and will remain so for some time to come, especially in sub-Saharan Africa. Yet, by and large, youth jobs in the food economy remain of poor quality. The study shows that, in the countries examined, the majority of youth work in the food economy and although most of them are found in the agriculture segment, a non-negligible share are working in downstream segments in upper middle-income countries. Indeed, job forecast in the food economy for 11 sub-Saharan African countries for 2030 shows the highest employment growth in the downstream segments, but these segments start from a small base. Downstream activities also tend to attract more educated youth and women, which means that the agri-food sector could partially fulfill youth aspirations to work outside of agriculture. How can the local food economy therefore become more vibrant to respond to the rising domestic demand for diversified and nutritious food and create more quality jobs for youth both on and off farm? This calls for a number of policy actions to create a conducive environment that will boost domestic food markets to become more vibrant, productive and efficient.

Foremost, local food systems must become more central in national development strategies. Many developing countries rely on agriculture for an important share of their GDP and total employment. However, at present, only few export-led growth strategies aimed at increasing participation in agri-food GVCs have been successful in terms of spillovers to the local economies and decent job creation. Most often, value-chain specific challenges such as reliable cold chain and logistics services, access to quality inputs, and the initial investment needed to meet requirement for traceability and international certification make it difficult for many small farmers and firms in developing countries to participle and thrive in processing and higher-value activities. Given these difficulties in upgrading in the GVC and in light of the rising domestic food demand in developing countries, the local food system represents a real opportunity to tap into to meet economic, social and environmental objectives. For this, governments must first put local food systems and agri-food industries as priority investment sectors in their national development plans.

Making local food economies more vibrant so that they create a real market demand for producers and all actors along the agri-food value chain will require addressing the bottlenecks in different segments of the food economy. Interventions aimed at improving a specific segment of the value chain will not lead to long-term impact if the dysfunctionalities of the local food markets are not dealt with in a holistic manner. A systems approach that involves all actors in the agri-food value chain needs to be adopted when designing policies and programmes aimed at job creation in food economies. The policy directions listed in this section are organised by key economic, social and environmental bottlenecks that need to be tackled in order to unleash the food economy in developing countries and contribute to SDG goals 2, 8 and 12.[1]

Overcoming economic barriers

Agriculture is the largest employer of youth in many developing countries, especially in Africa, yet, youth are not wanting to farm like their parents and are turning their backs on agriculture. The biggest reason is the low earnings. Farming is associated with poverty and in order for young people to be attracted to agriculture, farming has to pay better incomes and wages. Agriculture must become an attractive business. Low farm productivity in developing countries is often cited as the main bottleneck to better earning, together with poor market linkages. Indeed, when there is a demand for local food products (raw or processed) buyers often complain of low quantity and inconsistent quality. An enabling environment for local producers and SMEs in agri-food to better access local markets is perhaps the first knot to untie. This includes facilitating better access to a range of financial products including soft loans for youth entrepreneurs to help business development, improving productivity through mechanisation and transfer of technologies and improving regulatory frameworks on food safety standards. In France, the network of Technology Resource Centres (CRT, Centre de Ressources

Technologiques) and Technology Diffusion Centres (CDT, Cellules de Diffusion Technologique) are well-established institutions which have been providing such comprehensive services for over 30 years. CRT/CDTs support small and medium entreprises to address their needs through technology transfer and equipment. However they also provide business development services such as marketing, project management, hygiene certification, link to financial services, etc. The model operates on a nominal user fee basis, with co-funding by the local governments.

Adapting the CRT/CDT model in developing countries is showing promising results. Tech-Dev, a non-profit association, provides technological solutions to micro and small and medium entreprises (MSMEs) working in food transformation in selected Sahel countries using the CRT/CDT operational model. Tech-Dev considers first and foremost the local conditions and existing actors in the entire local agri-food ecosystem in order to help MSMEs boost their business. Common assistance provided include not only the transfer of suitable technology but also support for equipment and packaging purchases, obtaining food safety checks and general business development such as access to financing and markets. A pilot project in Mali was expanded, with funding from the French Development Agency (AFD), to Burkina Faso, Sénégal and Tchad. Tech-Dev has now established seven "technology hubs" (HUB-IIT – Intégrer l'Information Technologique) which works in partnership with local institutions in these four Sahel countries. These hubs follow closely the development of 950 MSMEs in the food economy – more than 80% owned by women – and support over 1 500 MSMEs, which employ around 6 000 workers. While the core objective of HUB-IITs is the transfer of technologies to improve agri-food processing and distribution, the lessons-learned from projects led by Tech-Dev in developing countries is that the technology support must come after careful consideration of the entire agri-food ecosystem in which the business operates. Understanding the interactions between stakeholders in the agri-food value chain, the adequacy between the technology and the staff that will be using it, and the physical accessibility of the business activity are all critical elements to consider in order to ensure sustainability of the HUB-IITs support.

Improving rural-urban linkages has proven to have important spillover-effects on local economies. Taking into account the inherent interdependence of rural and urban areas can help unlock some of the bottlenecks limiting the potential of food systems. This entails strengthening linkages between rural and urban areas both through hard and soft infrastructure – including facilitating access to urban services (for rural dwellers), improving market linkages between the two territories and facilitating the flows of goods and services as well as circular mobility between rural and urban areas. Intermediary cities (as well as small towns) play a critical role in this process as they are located close to rural areas, and are often linked to their rural hinterlands through formal and informal supply chains (OECD, 2016[1]); (OECD/PSI, 2020[2]). Intermediary cities (or small and medium size cities) play a critical role in food economies as they facilitate access to markets for rural producers, and are often the nodes that connect rural areas to urban services and to national and international markets. Intermediary cities also serve as entry points to agricultural supply chains for small holder farmers and also play important roles in creating off-farm employment for rural and urban dwellers (OECD, forthcoming[3]).

Countries like Ethiopia, Rwanda and South Africa have recognised the potential of intermediary cities and developed explicit strategies targeting the development of intermediary cities (Government of Rwanda and GGGI, 2015[4]; COGTA, 2016[5]; OECD/PSI, 2020[2]). Ethiopia is one of the least urbanised countries in sub-Saharan Africa, but thanks to intermediary cities Ethiopia is urbanising at an unprecedented rate. The Government of Ethiopia has put deliberate efforts to boost intermediary cities through national development and urban plans since the early 2000s as well as spatial plans to develop seven intermediary cities with high potential to function as poles for economic and urban growth (OECD/PSI, 2020[2]). Moreover, in 2015, the Government launched the Integrated Agro-Industrial Parks programme, with the plan to develop agro-processing parks in small and medium size cities. The programme aimed at boosting the commercialisation of the agricultural sector, increasing rural job creation and reducing rural poverty while also building agricultural value chains (UNIDO, 2015[6]).

Overcoming social barriers

The majority of jobs in the food economy are of poor quality. In developing countries, informality is pretty much the norm for youth working in the food economy, and it is particularly high in the agriculture segment. As youth move to jobs in the downstream segments, the pay scale improves, the skills gap narrows and informality decreases. Notwithstanding the importance of improving jobs in agriculture, more investment in the processing, marketing and food-away-from home segments of the food economy will likely create jobs that better match youth career aspirations. In sub-Saharan Africa, the share of students studying agriculture is equal to that of OECD countries at 2%, while agriculture contributes 14% to Africa's GDP compared to 1.4% in Europe (AfDB et al., 2012[7]). Youth skills development to improve labour matching along the agri-food value chain will need to become about holistic food system education that goes beyond agricultural techniques or production yields, but teaches complex issues of ecological sustainability, food safety and security, food sovereignty, and emerging changes to food systems including production and distribution using digital technology (HLPE, 2020[8]). Food system education programmes are being implemented in Europe, North America and Latin America, with increasingly diverse curricula on food processing and food technology. (HLPE, 2020[8]). Accurate profiling of youth will be important to capture different needs and challenges based on gender, age, education, wealth, ethnicity, health and geographic location. This will allow applying a youth lens to value chain/food system analysis and design targeted programmes (OECD, 2018[9]). Through careful targeting, programmes can for example offer youth aged 15-17 access to capacity-building and decent and age-appropriate work opportunities (FAO, 2018[10]).

The issue of informality needs to be addressed carefully because informal jobs in the agri-food sector sustains livelihoods of millions of vulnerable workers and formalising without adequate social protection will expose them to more difficult situations. Social protection to informal youth workers need to take the heterogeneity of this groups into account. Agriculture has higher work-related risks than jobs in the downstream segments of the food economy and social protection programmes should consider these aspects. Policies should look at how to build the capacity of entitlements as youth are more likely to fall into disguised employment relationships. Robust social protection systems must also recognise frequent movements among various forms of employment and ensure continued coverage. This can be achieved through better co-ordination of social insurance schemes and efforts to facilitate portability of entitlements between schemes (OECD/ILO, 2019[11]).

Overcoming environmental barriers

Agriculture is and will remain the main supplier of jobs in developing countries, particularly in sub-Saharan Africa and even in Southeast Asia, for some time to come. However, conventional farming practices through heavy use of chemical pesticides and fertilisers have been harmful to the environment in developed and developing countries alike. Alternative modes of production that are environmentally more sustainable need to be further explored. Several empirical studies on the potential of organic or agroecological agriculture (Aubert, 2009[12]; Badgley and Perfecto, 2007[13]; Halberg et al., 2006[14]; Stanhill, 1990[15]) find that large-scale conversion to organic agriculture would not severely diminish either the global food supply or food security in developing regions. The Halberg et al's study (2006[14]), which modelled scenarios of conversion to organic agriculture in Europe, North America and sub-Saharan Africa, using a globalised market model concludes that food policies favouring food availability, rather than export crops, would enhance the impact of conversion to organic farming and increase food security in sub-Saharan Africa. The issue of yield gap between organic and conventional farming keeps the opinions divided, however one thing is certain, sustainable food systems will need to address not only production methods but also food waste, crop-grass-livestock interdependencies and human consumption patterns (Muller et al., 2017[16]). At the same time, policies aimed at containing the adverse

environmental effects of current agricultural production practices, such as more stringent regulatory procedures for use of harmful pesticides and chemical fertilisers, need to be further consolidated and enforced to achieve significant improvements in environmental outcomes of current production practices (OECD, 2021[17]).

Securing price premiums on agricultural products seems to be also a promising GVC upgrading option and so far the one that has proven to work for developing countries. There is evidence that price upgrade through organic farming and certification works. Organic agriculture is a rapidly growing sector in Africa, with strong links to economic and sociocultural development in the continent (Willer and Kilcher, 2012[18]; Auerbach et al., 2013[19]). Organic farming is also more labour intensive than regular farming. Organic agriculture can also be seen as a relevant tool to advance the Sustainable Development Goals (SDGs) 2, 12, 13 and 15 on sustainable agriculture, sustainable consumption and production, climate change and the sustainable use of ecosystems (UNCTAD, 2016[20]). Securing price premiums for organic products in export markets is one of the main drivers for the development of organic production in Africa, along with increased environmental sustainability and reduced dependence on external inputs (UNCTAD, 2009[21]). So far, export markets are regarded as the main destination of most certified African organic production. One of the best-documented illustrations of the export potential of African organic agriculture is the East Africa Export Programme (EAEP), which contributed to raise regional organic exports from USD 4.6 million in 2002-03 to USD 35 million in 2009-10. The EAEP led to the adoption of a common regional organic standard, the inclusion of organic products in national trade strategies and the development of supportive national policies and programmes. It also brought about a significant increase in average crop yields and the number of certified producers in Burundi, Kenya, Rwanda, Uganda and in the United Republic of Tanzania (UNCTAD, 2011[22]).

Recently, more holistic and multi-dimensional approaches that encompass the entirety of agriculture and food systems are being adopted. Agroecology is a concept that simultaneously applies ecological and social principles to the design and management of sustainable agriculture and food systems (FAO, n.d.[23]). It seeks to optimise the interactions between plants, animals, humans and the environment while also addressing the need for socially equitable food systems within which people can exercise choice over what they eat and how and where it is produced. Agroecology is based on applying ecological concepts and principles to optimise interactions between plants, animals, humans and the environment while taking into consideration the social aspects that need to be addressed for a sustainable and fair food system. By building synergies, agroecology can support food production and food security and nutrition while restoring the ecosystem services and biodiversity that are essential for sustainable agriculture. Agroecology can play an important role in building resilience and adapting to climate change (FAO, n.d.[23]). So far few studies exist on the impact of agroecology on labour. Bottazzi et al (2020[24]) looks at channels of labour control in agriculture based on four agroecological initiatives in Senegal. The study finds that despite the emphasis on improving farmers' well-being, without a holistic institutional backing to protect markets for their products and include farmers in the agro-ecosystem and take local communities into account, agroecological farming only becomes technical demonstrations rather than agents of transformation (Bottazzi et al., 2020[24]).

Table 5.1 below summarises some of the policy orientations countries could take to overcome the major bottlenecks and develop more vibrant local food economies.

Table 5.1. Overview of policy implications for local food economies

	Constraints	Bottlenecks	Policy directions
Economic	Low earnings for farmers and local food producers	Low productivity	Support mechanisation and technology transfer
		Poor market linkages	Improve rural-urban linkages, especially with secondary cities to create better access to local markets through better infrastructure and digital connectivity
		Low agricultural prices	Address unfair competition and price distortion by factoring in environmental externalities into final price
		Inconsistent quantity and quality of agricultural products or processed food by local SMEs	Support transfer of technologies and know-how in food processing, packaging and labelling, and marketing to ensure consistent quality and quantity of food products Develop transport and logistics for agri-food value chains, including storage and cold chain transport and distribution
		Lack of awareness or non-respect of food safety standards by local producers and processors	Strengthen phytosanitary and hygiene regulations, ensuring inclusive policies to support smallholder producers and processors Simplify hygiene regulations for informal markets Decrease compliance cost for smallholder producers
Social	Poor quality jobs in the food economy	High informality	Support local agribusinesses and high-potential youth entrepreneurs to grow their businesses and create more formal wage jobs through financial services (e.g. soft loans) and technology transfers and training Dialogue with the private sector and local SMEs to better understand labour market needs and link youth to internships and wage jobs Extend social protection to informal youth workers, taking into account the heterogeneity of work-related risks, disguised employment relationships and portability of social insurance entitlements between jobs
		Skills mismatch	Develop more training in agroecological practices and for jobs in downstream activities of the food economy Reform curricula in schools to include more agricultural sciences and food systems related subjects as well as soft skills development Profile youth to identify the different needs based on gender, age, education, wealth, ethnicity, health and geographic location and design programmes by applying a youth lens to value chain/food system analysis. Improve co-ordination between ministries of agriculture and rural development and those in charge of education and vocational training
Environmental	Environmental degradation from unsustainable agricultural practices	Low development of organic or agroecological practices in developing countries Low technological transfers	Promote organic or agroecological farming or conservation agriculture through more share of the agricultural subsidies or tax incentives Upgrade agricultural products through premium products (organic, fair trade certification) Promote territorial branding by improving knowledge of the market and marketing/branding strategies for local products, business development, utilisation of co-operative networks (support for marketing and branding) Engage local and regional authorities to 'champions' territorial development Increase environmentally-friendly technological transfers
		Poor consumer awareness of the benefits of farm-to-fork models and organic or agroecological farming	Raise consumer awareness for local, quality and organic products to create a market demand Improve public information about food safety certifications

Notes

[1] SDG goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture; SDG goal 8: Promote sustained, inclusive and sustainable growth, full and productive employment and decent work for all; SDG goal 12: Ensure sustainable consumption and production patterns.

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