

1. Where tomorrow's jobs are: Feeding local and regional markets

Growing populations, urbanisation and rising incomes of the working class are increasing demand for more diverse and higher value added agricultural and food products in Africa and developing Asia. This rise in food demand could boost job creation for youth in the food economy if local food systems were mobilised to take up the challenge of higher and changing domestic and regional demand for food.

Today, the global youth population is at its highest ever and still growing. The highest proportion of youth lives in Africa and Asia, and a majority of them are in rural areas. The youth population is expected to increase in Africa, at least until 2050, when it could exceed 400 million. By 2030, some 375 million youth in sub-Saharan Africa are expected to be in the labour force (Losch, 2016^[1]). Asia, with over 650 million, will remain the region with the highest proportion of youth population in 2050 (UN DESA, 2019^[2]). With such a large number of new labour market entrants, the challenge is not only to create jobs but also good jobs.

Young people in rural areas face the double challenge of age-specific vulnerabilities and underdevelopment of rural areas. Such challenges include low or no access to quality education and vocational training, assets such as land and finance, and limited opportunities to participate in decision making. One in five rural youth in developing countries never attended school, making it even more difficult for rural youth to find work outside of low-skilled agriculture jobs (OECD, 2018^[3]). The challenges are even greater for youth under 18, as there is often a gap in national legislation between the age for compulsory school and the legal working age. According to the *Global estimates 2020* by the International Labour Organization and the United Nations Children's Fund, 35 million youth aged 15 to 17 are in child labour (ILO and FAO, 2021^[4]), and this age group falls largely through the cracks of youth employment programmes. This is of particular importance because investing in youth early has proven to be more cost-effective and to increase their chances of gaining access to decent employment in the future (ILO, 2015^[5]).

While agriculture absorbs the majority of rural workers in developing countries, low pay and poor working conditions make it difficult to sustain rural livelihoods. The majority of agricultural workers work informally, in poor and dangerous conditions, with long hours, earning low and unstable incomes, and many of them have to combine more than one activity to make a living (Niu, 2013^[6]). As a result, rural youth in developing countries do not want to farm like their parents, and seek jobs outside of agriculture (OECD, 2018^[3]).

Potential job opportunities for rural youth exist in agriculture and along the agro-food value chain, however. Growing populations, urbanisation and rising incomes of the working class are increasing demand for more diverse and higher value added agricultural and food products in Africa and developing Asia. The demand for higher value added foods as well as other goods and services will create demand for off-farm labour, especially in agribusinesses, which tend to be better paid and located in rural areas and secondary towns (Christiaensen, 2020^[7]). This rise in food demand could boost job creation in the food economy if local food systems were mobilised to take up the challenge of higher and changing domestic demand for food.

Agriculture plays a key role in African economies, and the sector has the potential to contribute significantly to production and employment in other sectors through processing and agriculture-related manufacturing and services. The import share of total food consumption in sub-Saharan Africa was about 10% in 2017 demonstrating the centrality of domestic food supply chains in the region (Liverpool-Tasie, Reardon and Belton, 2021^[8]). Nevertheless food import bills are on a rising trend, estimated at USD 37 billion in 2016 (FAO, 2017^[9]) and USD 44 billion in 2021 (FAO, 2021^[10]), while at the same time, total packaged food sales are growing annually at 13%, 28%, and 7% in low-income, lower middle-income and upper middle-income countries, respectively, compared to 2-3% in developed countries (Reardon and Timmer, 2012^[11]). This is an opportunity to develop the domestic and regional agri-food industry that could create decent jobs in the sector, particularly for rural youth. Agricultural transformation through increased productivity and quality of African farms and support to agro-processing and other agriculture-related manufacturing and services could change this (ACET, 2017^[12]). The midstream segments (processing, logistics and wholesale) can make up 30% to 40% of the value added in food value chains in developing countries (Reardon, 2015^[13]).

In Southeast Asia, rapid urbanisation, dietary changes and export opportunities have transformed agriculture over the past decades. Over the past few decades, the region has sustained high growth rates and successfully reduced income poverty. One consequence of this rapid growth, however, is that the region reached worrying levels of environmental degradation while inequality is on the rise, both within rural and urban areas and between them (IFAD, 2019^[14]). Despite the share of agriculture in GDP decreasing, many countries in the region are still majority-rural and agriculture continues to play a key role in poverty reduction and rural job creation. Therefore, how the sector links to the rest of the economy, through agri-businesses and the development of agri-food industry in the downstream, will determine its social (jobs and livelihoods) and environmental impact (IFAD, 2019^[15]). Improving the competitiveness of agriculture will be crucial to ensure that the growth and transformation of the agri-food economy remains pro poor (IFAD, 2019^[15]).

Strategies to develop the agri-food sector have often focused mainly on developing exports of cash crops, neglecting the large potential of the domestic market. Global value chains (GVCs), when coherent with sustainable development objectives, can facilitate the dissemination of sustainable technologies and practices and promote productivity and income growth across countries (FAO, 2020^[16]). Agriculture trade is also increasingly organised within GVCs and participation in agri-food GVCs can have spillovers in terms of productivity improvements, production growth and livelihood improvement (OECD, 2020^[17]). However, for many developing countries, particularly in Africa, participation in agri-food trade has been a lot about primary inputs in the low-value added stages of the GVC, resulting in their share of global trade in value added remaining small, with limited spillover to the domestic economy (AfDb, OECD and UNDP, 2014^[18]; UNCTAD, 2018^[19]). A global study estimating the gains from linking in GVCs in terms of net value-added exports shows that 67% of total global value created under GVCs accrue to OECD countries, 25% to newly industrialising countries and Brazil, Russia, India, China and South Africa and only 8% to all other developing countries and least developed countries combined (Banga, 2013^[20]).

As an attempt to benefit more from their participation in global trade, many developing countries are looking at ways to upgrade in GVCs. Indeed, upgrading is necessary to increase the share of value added captured domestically (Kaplinsky, 2013^[21]). However, upgrading participation in agri-food GVCs through higher value activities has proven to be difficult for new entrants from developing countries. Part of the difficulty lies in the limited productive capacities and infrastructure of these countries, while GVCs are dominated by a few players from advanced economies, who design value capture on their own terms (UNCTAD, 2018^[19]). Successful cases of upgrading in horticulture trade can be found in Senegal and Kenya who entered the “high end” horticulture trade through contract farming and large estate farming by exporting firms (Maertens, 2009^[22]; Muriithi and Matz, 2015^[23]). However, spillover effects in terms of job creation have been rather limited, and employment in the horticulture sector is mostly nonwage, in the form of family labour (Munga et al., 2021^[24]). In general, structural and rural transformation is slow in most African countries as they are not diversifying the commodity mix much (IFAD, 2016^[25]).

Upgrading in GVCs via value added manufacturing does not necessarily create more jobs. There are large differences as to the level of direct employment creation and value added within agri-food processing industries. Sector-specific market characteristics and the type of technology used can be more or less capital- and skill-intensive. A specificity of GVCs in Africa is that the indirect employment effects tend to be small, as their spillovers on the local economy are usually limited (AfDb, OECD and UNDP, 2014^[18]).

Another major challenge is that the current trajectory of growth in agricultural production is environmentally unsustainable in developed and developing countries alike. According to the Food and Agriculture Organization (FAO), one-third of farmland is degraded, up to 75% of crop genetic diversity has been lost and 22% of animal breeds are at risk. Seventy-five percent of the world’s food is generated from only 12 plants and 5 animal species, making the global food system highly vulnerable to shocks

(Altieri and Koohafkan, 2008^[26]). Globally, deforestation continues at an alarming rate, with some 13 million hectares of forests a year converted into other land uses between 2000 and 2010 (FAO, 2010^[27]). Close to 90% of global marine fish stocks were fully fished or overfished in 2013 (FAO, 2016^[28]).

Notwithstanding the positive effects on productivity growth of GVCs in the manufacturing sector, exporting through GVCs cannot be a panacea for developing countries (Pahl and Timmer, 2020^[29]). The complexity associated with the possibility to move to higher-valued added segments of GVCs, and the sustainability challenge associated with current food production systems bring growing attention to alternative food system models that are inclusive of smallholders and environmentally-friendly. An important question, therefore, is to what extent local food systems will take up the challenge of higher and changing domestic demand for food, and which type of local agri-food systems shall be promoted.

Recognising the potential of local and regional food value chains in developing countries for domestic and regional markets, the present study explores the potential contribution of local food economies to decent employment creation and environmental preservation. Specifically, the study addresses the following three questions:

1. What is the current structure of employment for youth (15-29 years old) in the different segments of the food economy?
2. What is the potential of job creation and decent work in the different segments of the food economy, taking into account rapid urbanisation and changing consumption patterns?
3. Which local food production and distribution models seem most promising to ensure not only economic gains but also social and environmental benefits?

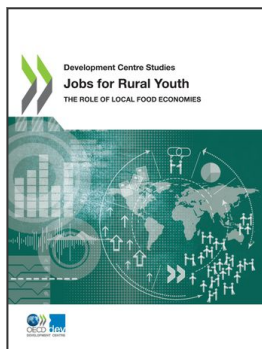
The rest of the report is organised as follows: Chapter 2 provides a detailed description of youth in the food economy for five African countries (Namibia, South Africa, Tanzania, Uganda and Zambia) plus two Southeast Asian countries (Thailand and Viet Nam). Chapter 3 provides an employment forecast in the food economy for sub-Saharan African countries, based on data from the five countries above and six additional ones as well as for the two Southeast Asian countries reviewed above. Chapter 4 reviews several local economic models commonly found in developed countries and discusses replicability and scaling-up issues in the context of developing countries. Finally, Chapter 5 looks at key economic, social and environmental bottlenecks and offers policy directions that could unleash local food economies.

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