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SMALL AND GROWING

ENTREPRENEURSHIP IN AFRICAN AGRICULTURE

AGRICULTURE FOR IMPACT
GROWING OPPORTUNITIES FOR AFRICA'S DEVELOPMENT

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ENTREPRENEURSHIP IN AFRICAN AGRICULTURE

A Montpellier Panel Report

This report was authored by Agriculture for Impact, an advocacy initiative that convenes the Montpellier Panel to encourage better European donor support for the advancement of agricultural development in sub-Saharan Africa. The writing of the report was led by Dr. Katrin Glatzel, and supported by Emily Alpert, Stephanie Brittain and Professor Sir Gordon Conway, together with inputs from members of the Panel. Michael Hoevel led on the production of the report.

SUMMARY

WE, THE MEMBERS OF THE MONTPELLIER PANEL, BELIEVE INVESTMENT IN RURAL AND FOOD SECTOR ENTREPRENEURSHIP IN AFRICA CAN ACHIEVE SUSTAINABLE FOOD AND NUTRITION SECURITY FOR THE CONTINENT AND SIGNIFICANTLY CONTRIBUTE TO AFRICA'S RURAL AND URBAN ECONOMIC GROWTH.

A continent full of promise, Africa's transformation can be realised by catalysing an entrepreneurial environment that starts on the farm. Harnessing and enabling the entrepreneurial skill and spirit of smallholder farmers, young people and women in the rural economy should be at the forefront of every food security and growth agenda.

Despite increased attention to and financing for African agriculture over the last decade, the potential of the sector remains largely untapped. Smallholders represent the overwhelming majority of all farms in Africa and produce up to 90% of the food in some countries. But they need better connections to markets and more cooperation amongst each other.

Markets are the basis of rapidly developing agribusiness value chains that provide opportunities for entrepreneurship. Governments, donors and the private sector need to create a thriving entrepreneurial sector that provides rural people, especially women and young people, with the right conditions for their entrepreneurial skills, energy and ambition.

For young people agriculture is often seen as outdated, unprofitable and hard work. Yet, this is not the case. Agriculture is a dynamic sector, offering a multitude of opportunities for entrepreneurship along the entire agribusiness value chain.

Entrepreneurship is rooted in small farm agriculture, but it needs pro-active policy design and investment. Governments, donors and the private sector need to make these opportunities flourish by vigorously facilitating, supporting and encouraging the active involvement of young people and women.

To this end, we believe the priority should be to support the creation of Rural and Food Sector Enterprises along the agribusiness value chain through:

- Strong vocational and business management training for young people
- Adequate and affordable financing for starting and growing enterprises
- Appropriate enabling environments for entrepreneurship on an individual and collective basis

To achieve these goals we will also need political leadership that demonstrates the necessary vision and will. The costs of inaction will be high: rising levels of youth under- and un-employment coupled with sustained poverty, continued food and nutrition insecurity, and an unsustainable use of natural resources.

RECOMMENDATIONS

1. Farmers, rural communities, women and young people, must be better linked to markets to take advantage of the opportunities arising along the African agribusiness value chain. As the world's "youngest" continent, markets must be stimulated to create more job opportunities within the agriculture value chain. These opportunities can be scaled-up by ensuring that credits, inputs and extension are available.

2. Donor agencies and African governments, in cooperation with the private sector, should establish programmes to support the development of rural and food sector enterprises (RFSEs). While urban and industrial enterprises are crucial to African growth, there is an equally important role for RFSEs.

3. Support research into the optimal configuration of agribusiness value chains. More research is needed to identify value chains that will deliver greater value, reduce risks and increase resilience for smallholders.

4. Strengthen higher education institutions for the agricultural sciences. Taught materials need to be linked to advances in technology, facilitate innovation and have greater relevance to a diverse and evolving agricultural sector, with a focus on agribusiness and entrepreneurship.

5. Harness and catalyse the entrepreneurial spirit and skills of young farmers and entrepreneurs by providing technical assistance, vocational and business management training, including guidance for joint endeavours and cooperation. Beyond technical skills, building capacity for management, decision-making, communication and leadership should also be central.

6. Provide easy access to microfinance and credit to perceived high-risk groups. Women and young people often do not have enough collateral or other resources to raise funds. Making microfinance more widely accessible is crucial for starting and growing successful enterprises, on an individual and group basis.

7. Financial products need to be made available for the 'missing middle'. Once enterprises have grown beyond the threshold of microfinance they face an absence of credit providers, but still require financing to grow-up into sustainable businesses.

8. For individuals considered high-risk, investors should take the entire value chain into consideration when issuing loans and credits. Value chain financing allows borrowers to benefit from higher lending at better terms.

9. Inclusive partnerships along the agribusiness value chain need to be encouraged and strengthened. Partnerships between the public sector, research institutions, the private sector, farmers and civil society are needed to promote sustainable agricultural development and inclusive growth.

10. Successful entrepreneurship requires a stronger enabling environment and political leadership. While individuals with the right skills, energy and ambition are the basis for entrepreneurship, it will only flourish with appropriate economic policies, relevant institutions and infrastructure.

WHY ENTREPRENEURSHIP?

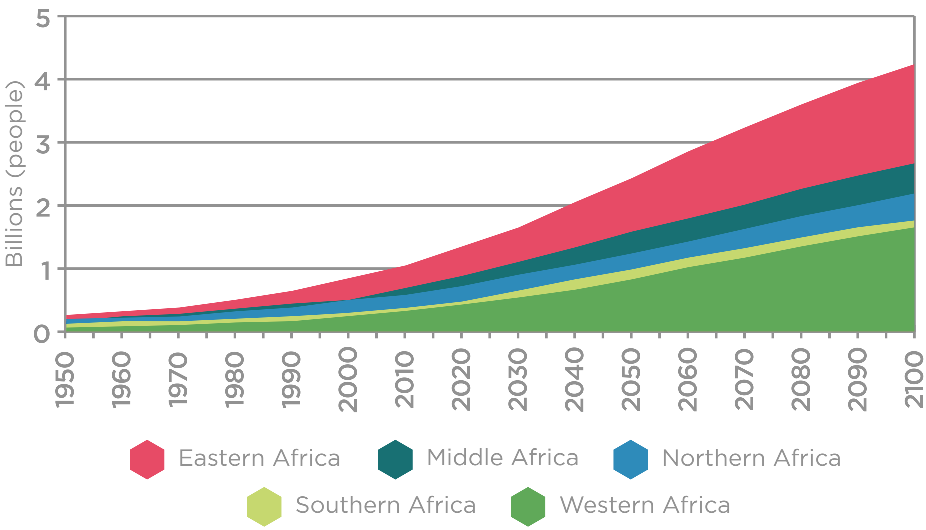
"African agriculture and food systems are changing rapidly in positive and exciting ways. Africa has the agricultural potential not only to feed itself but also to grow a surplus to help provide global food security. However, fulfilling this potential requires.... a broad perspective – looking at the needs of smallholder farmers as part of food systems and supply chains and considering agricultural productivity, food security, and nutrition in the context of overall economic development and social stability."

"Optimism for African Agriculture and Food Systems." Report of a high level dialogue chaired by Dr. Nkosazana Dlamini-Zuma, Chairperson of the African Union and former United Nations Secretary General, Kofi Annan, Addis Ababa, November 2013.[1]

YOUTH: PEOPLE BETWEEN 15 AND 24 YEARS OF AGE.

DRIVERS AND OPPORTUNITIES IN AFRICA

Food production in Africa is not keeping pace with demand. Although the proportion of hungry people in Africa has fallen slightly from 32% to 28% over the past ten years, the total number has actually increased from 200 to 234 million between 2003 and 2013.[2] Rising populations and stagnating crop productivity place unsustainable pressures on scarce government resources. In 2012, sub-Saharan African (SSA) countries' food import bill reached US$37.7 billion.[3] However, Africa not only has the ability and resources to meet its food needs, but it must realise this capacity to confront the challenges of a growing and increasingly young population.



By 2050 the total population of SSA, 1.7 billion, will be equal to roughly half of the additional global population by that time. Not surprisingly, SSA also has the youngest population in the world. Between 2010 and 2050, the number of young people is set to more than double from 126 million to 265 million.[4] Further, more than 70% of the young population lives on less than US$2 per day and youth underemployment is high. Currently unable to absorb its young population, Africa's urban labour markets are breaking under the pressures of young people migrating from rural areas into cities.

Even with rural to urban migration occurring in Africa, many young people, especially girls and women, still live in rural areas. According to the International Labour Organisation (ILO), youth are two times more likely than adults to be unemployed[5] and the growing mismatch between the supply and demand for skills is the main driver of high youth unemployment rates.[6] The lack of jobs for young people presents both an immense challenge and great opportunity.

Fortunately, the growing urban population and middle classes are demanding more nutritious, varied and processed food, generating new jobs and entrepreneurial opportunities for farm households, rural communities and young people through expansion along the African agribusiness value chain. Responding to this demand, national agricultural research systems (NARS) are developing new crop varieties that are high yielding, nutrient enriched or stress resistant as well as improving livestock breeds. This amongst other examples of sustainable intensification of agriculture can be found in the 2013 Montpellier Panel briefing paper *"Innovation for Sustainable Intensification in Africa".*

Africa's relatively decentralised urbanisation also contributes to growing demand. Alongside growth in larger cities, populations in smaller cities, towns and villages are also increasing. The growth of these provides market outlets closer to farmers, which will generate new jobs along the agribusiness value chain.

UNDEREMPLOYMENT: WHEN A PERSON IS EMPLOYED, BUT NOT IN A DESIRED CAPACITY IN TERMS OF SKILLS, EXPERIENCE OR COMPENSATION.

ENTREPRENEURSHIP ACROSS THE AGRIBUSINESS VALUE CHAIN

HARNESSING THE ENTREPRENEURIAL SPIRIT

“Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation” (European Commission).[7]

Entrepreneurs are a special group of people, but they can manifest anywhere, in rural and urban areas; among farmers and shopkeepers, among the barely literate and the highly educated. Entrepreneurs may not have been trained formally, but they all have an instinct for innovation and business opportunity – they have a certain mindset. Turning entrepreneurial spirit into a business primarily requires access to micro finance, the provision of relevant higher education or vocational training together with business management training, and better links to markets for individuals and groups.

Although entrepreneurship may be a common trait, highly successful entrepreneurial development is more likely to occur in a country that is economically stable with well-developed institutions, infrastructure, and health and education systems. Once these pre-requisites for a well-functioning business environment are sufficiently established, government and private funding can be focused on financial market sophistication, technology development and usage, education, training and labour market efficiency – the essence of harnessing and catalysing the entrepreneurial spirit.

OPPORTUNITY AWAITS YOUNG ENTREPRENEURS

“With almost 200 million people aged between 15 and 24, Africa has the youngest population in the world.” Estimates suggest that Africa’s total labour force will be 1 billion strong by 2040, making it the largest and youngest worldwide. Furthermore, Africa is the only region in which the rural population will be increasing.[8]

Young people are often dynamic, inquisitive and challenging. Everywhere in the world they create a distinctive culture, are innovative and often invent new forms of independent work. Young entrepreneurs are also more likely to hire fellow youths and pull even more young people out of unemployment and poverty. They are particularly responsive to new economic opportunities and trends and are active in high growth sectors. Further, entrepreneurship offers unemployed or discouraged youth an opportunity to build sustainable livelihoods and a chance to integrate into society.

Yet, there are many barriers and pitfalls. Young entrepreneurs are stifled by limited access to finance, low levels of skills and education, few market opportunities and a lack of broader institutional support, particularly if their businesses get into difficulties.

Innovation, often regarded as a pre-condition for successful entrepreneurship, is usually positively related to an entrepreneur’s level of education in most developed and emerging countries.[9] However, the lack of access to educational opportunities, especially for women, disadvantages the pursuit of an entrepreneurial career. High-quality school and university programs, particularly in areas such as the applied sciences, technology, and engineering, could dramatically increase Africa’s competitiveness, productivity and growth.

For young people agriculture is often seen as outdated, unprofitable and hard work. Yet, this is not the case. Agriculture is a dynamic sector, offering a multitude of opportunities for entrepreneurship along the entire agribusiness value chain. Donor agencies and African governments, in cooperation with the private sector, should establish programmes to support the development of rural and food sector enterprises. Agricultural supplies, innovation in farming technologies, especially in the information and communications technology (ICT) sector, or working in a commodities market as well as employment in processing, transport, marketing and retailing along the agribusiness value chain can offer attractive careers to young people.

FOR YOUNG PEOPLE AGRICULTURE IS OFTEN SEEN AS OUTDATED, UNPROFITABLE AND HARD WORK. YET, THIS IS NOT CASE.

ADDING VALUE

To meet increasing urban demand for food, agricultural supply chains must be upgraded, deepened and expanded. Inclusive market development in agriculture can promote economic growth and poverty reduction by facilitating the integration and deepening of large numbers of RFSEs into agribusiness value chains. Stimulating innovation and entrepreneurship by offering opportunities for young people within well-functioning farming and agri-food systems can go beyond alleviating hunger – it can offer livelihoods.

Value chains represent the complex relationship of how inputs and services are brought together and then used to grow, transform, or manufacture a product; how the product moves from the farmer to the consumer; and how value is increased along the way. At the heart of value chain development is the strengthening of mutually beneficial linkages between actors or businesses to work together to take advantage of market opportunities.[10] Within the African agricultural value chain, the opportunities for upgrading, deepening and ultimately expansion are extensive.

Upgrading value chains refers to moving value chains in a new direction, such as towards new customers, adding operations, or increasing efficiency. Examples include:

- **Developing novel breeding and agronomic practices** with an emphasis on climate change resilience and adaptation.
- **Building infrastructure** for water storage, conservation and irrigation.
- **Establishing small and medium sized local seed and fertiliser companies** so as to improve farm productivity and improve a customer base.
- **Stimulating microcredit systems or generating micro-insurance** projects utilising national banks, agrodealers, NGOs or government agencies.
- **Creating farm mechanization and the development of village-level micro-processing facilities** for milling and shelling.

UPGRADING THE VALUE CHAIN

SESACO FOODS COMPANY, UGANDA

Food processing offers opportunities for entrepreneurship and employment. SESACO Foods Company created in 1987 on the outskirts of Kampala, Uganda specialises in producing high-value nutritious foods made from millet, maize, soybeans, groundnuts and sesame. The products include Soya Cup, an instant soy-milk beverage and brown butter, a mixture of roasted sesame, groundnuts and soybeans, used as a seasoning and a substitute for dairy butter. The company has 80 employees (55 of whom are women) with a monthly sales average of UGX 100million (US$ 39,000). SESACO caters for neighbouring countries Rwanda, Burundi and the Democratic Republic of Congo.

Deepening value chains involves addressing gaps such as unmet market demand or seeking opportunities for vertical and horizontal integration, greater specialization, and the expansion of services. This may involve the formation of associations or cooperatives providing opportunities for fragmented producers or businesses to combine their resources to add value. Examples include:

- **Start-ups for mobile phone and agricultural information systems**, including marketing and extension information.
- **Small-scale trucking companies that deliver inputs to agrodealers** and produce to markets.
- **Support for cleaning, drying, grading, warehousing and storage** to prevent post-harvest loss and improve farmer negotiation power.
- **The creation of village level farm associations, such as cooperatives**, that provide a collective basis for acquiring inputs and higher prices for their marketed products. As a platform for collective financing, these associations, in effect drive the development of small enterprises.

INCLUSIVE MARKET DEVELOPMENT IN AGRICULTURE CAN PROMOTE ECONOMIC GROWTH AND POVERTY REDUCTION BY FACILITATING THE INTEGRATION AND DEEPENING OF LARGE NUMBERS OF RFSES INTO AGRIBUSINESS VALUE CHAINS.

DEEPENING THE VALUE CHAIN

AGROWAYS (U) LTD. GRAIN WAREHOUSE, UGANDA

The warehouse AgroWays (U) offers transport, cleaning, drying, grading and storage services to smallholder farmers at affordable prices. They encourage farmers to organize into village associations with up to 60 farmers in some cases to collectively produce 5mt, the minimum required for pick-up by AgroWays at village aggregation centres. To prevent spoilage, rot and infestation, the grain is retrieved within two days of harvest, taken to the Jinja warehouse cleaned, dried and graded into either grade 1 or 2 maize and stored in a fumigated warehouse. Farmers gain mainly from reducing post-harvest loss, but also through direct price negotiation with buyers. Representatives of the farmer associations negotiate with prospective buyers. Once a price is agreed, the farmer associations are paid for the amounts of grade 1 or 2 maize they have deposited and wish to sell, less the warehouse charges. A key element of this system is that the farmers retain ownership of their grain. If they find they can get a better deal elsewhere, farmer associations can take the equivalent number of bags back, pay the warehouse charges and sell them privately. The charges are clearly laid out prior to the famers depositing their grain.

Expanding value chains involves the growth of national and regional trade in foodstuffs for the urban retail sector and major supermarket chains. Examples include:

- **Joint ventures that share the risk** of incorporating new elements into the value chain or investing in new technologies between businesses, particularly in fresh produce preparation, packaging, and the establishment of logistics centres
- **Investments in commodity exchanges**, similar to the Ethiopian Commodity Exchange that create demand for delivery centres and warehouses to ensure quality products and fair price discovery

In all these examples, the challenge is to provide the right support and the enabling environment for fostering entrepreneurship. More research is needed into the optimum configuration of agribusiness value chains. They come in many forms, simple and complex, short and long. They have different dynamics and different outputs. The aim is to design value chains that deliver greater value to smallholder farmers, reduce their risks and increase their resilience.

EXPANDING THE VALUE CHAIN

REELFRUIT, NIGERIA

Reelfruit, created by a Nigerian entrepreneur Affi Williams, provides healthy snacks made from freshly dried fruits, mangoes and pineapples that are attractively packaged. Within three months of establishment the company started 20 retail outlets in Lagos and Abuja.

VALUE CHAINS THAT DELIVER GREATER VALUE TO SMALLHOLDER FARMERS, REDUCE THEIR RISKS, AND INCREASE THEIR RESILIENCE ARE NEEDED.

PORTRAITS OF ENTREPRENEURS

FLORA KAHUMBE, AGRODEALER

Flora Kahumbe owns two agrodealer shops at the south end of Lake Malawi. Trained by the Rural Agricultural Market Development Trust (RUMARK), a grantee of the Alliance for a Green Revolution in Africa (AGRA), in the proper storage of seeds, fertiliser and chemical pesticides as well as their safe and appropriate application to achieve maximum effect, Flora is also a private extension agent providing valuable knowledge to farmers on how to make the most out of the inputs she sells.

SANOUSSI DIAKITE, FARMER AND TEACHER, SENEGAL

Fonio, a highly nutritious cereal, grows in sixteen African countries and is one of the easiest crops to cultivate, growing under most soil and weather conditions. However, the husking of fonio is time-consuming and labour intensive, ultimately working against the popularity of the cereal. To reduce the amount of time it takes to husk fonio by hand, Sanoussi Diakite invented a machine in 1993 that removes the husks in a fraction of the time. Since then, the machine has undergone extensive field trials and is now manufactured in Dakar and operating throughout West Africa. In regions where the machines are in use, farmers are planting more of the cereal. "More than 20 [machines] are now operating in seven West African countries," says Sanoussi Diakite, who is seeking financing to set up a factory for large-scale production of the device. Fonio also offers a potential source of foreign exchange for West Africa as it is highly sought after by West African emigrants.

JOSEPHINE OKOT, VICTORIA SEEDS, UGANDA

Victoria Seeds Limited is a full line seed company that became operational in 2004 for the purpose of delivering quality seed to smallholder farmers who produce more than 90% of agricultural output in Uganda. Their core business is to provide quality vegetable and cereal seed and they offer a range of seed varieties for legume crops, oil crops and forage for livestock farmers, in addition to cereals. The company has now grown into a dependable seed house, exporting to the regional market and is engaged in seed research, production, processing and marketing. In 2006 Josephine Okot was proclaimed the leading woman entrepreneur by Business in Africa Magazine, demonstrating how to develop new markets and in 2008 was chosen amongst 100 individuals to be Uganda's torchbearer for the Millennium Development Goal on gender equality and empowerment of women.

HAPPY SHONGWE, SWAZILAND

In 2002, Swaziland was hit hard by a drought. Mrs Happy Shongwe listened to the advice that the FAO provided to her community about how best they can respond to the drought; she moved away from planting maize, and started planting drought tolerant leguminous plants. Successful yields motivated her to register a company as a seed producer, and she now produces certified seed. To this day, she continues to help other women in her community by sharing knowledge and information received through her extension training. (Story credit: FANRPAN)

PORTRAITS OF YOUNG ENTREPRENEURS

TEBOHO MOSEBO, LESOTHO

An entrepreneur from a young age, Teboho started a catering business at the age of 15 while studying marketing, before moving into waste recycling. In 2010, Teboho switched businesses again into poultry and piggery, starting with 500 layers and 6 pigs. Business flourished within 5 months to over 90 pigs and Teboho employed six young people to help run his expanding business. To date, the business is thriving despite volatile market conditions, growing to over 5000 layers and now expanding once again into the petroleum sector. As a member of the Lesotho National Farmers Union and Basotho Poultry Farmers Association (BAPOFA), Teboho hosts young people in his farm for experiential training, gives tours of his farm to school children and shares his experience in farming. Using his training in marketing to his advantage, he has also taken to the media to share his work and inspire other young people to take up farming in order to feed the Lesotho nation. (Story credit: FANRPAN)

SHAMBANI GRADUATE ENTERPRISE, TANZANIA

Shambani Graduate Enterprise (SGE) is a milk processing company co-owned by three Sokoine University graduates. In 2003, the graduates started-off with one milk supplier and an initial processing capacity of 30 litres. Today the plant receives milk from over 200 suppliers, has a processing capacity of 750 litres, and produces up to three different pasteurized products, cultured milk, fresh milk and flavored milk. The SGE supplies processed milk to retail outlets within the Morogoro municipality as well as the country's capital city, Dar-es-Salaam. The graduates use local technology to process their milk and meet hygiene standards to compete among the leading processors in the country. SGE plans to expand their operation by raising funds through a loan facility.

(Story credit: FANRPAN)

TUNA, ETHIOPIA[11]

Tuna, like tens of young farmers who are now working for him, is the son of poor farmers who rely on rain-fed agriculture farming on a plot of 0.5 ha. To support his family Tuna began working as a daily labourer when he was 15. 'I decided to quit school at sixth grade after I began working for a very hardworking rich farmer in our neighbourhood,' he says. 'Then I said to myself "one day I will have tractor like him and become a rich farmer." When my father died, I realised that it is time for me to act.' Tuna rented a water pump for irrigating vegetables with groundwater on his family's plot. Once he was able to afford his own water pump, Tuna rented nearby idle plots to expand his farming operation. He used both oxen and daily labourers in the village to help him develop the land. In addition to the half hectare of land he inherited from his father, he now produces fruits and vegetables on 25 hectares and cereals on another 12 hectares. Tuna has created jobs for 50 young people.

SENAI WOLDERFAEL, ETHIOPIA

Senai Wolderfael is a 27 year-old Ethiopian entrepreneur and founder of Feed Green Ethiopia Exports, an Addis Ababa-based outfit that produces and exports popular Ethiopian spice blends such as shiro, mitmita, korarima and berbere. Senai is a graduate of business administration and previously worked for Ethiopian Airlines before making his dream of having his own company a reality. In 2012, he founded Feed Green Ethiopia Exports primarily to serve the needs of the Ethiopian diaspora in the United States and in Europe. As demand for Ethiopian spices increased, the company began exporting into new markets in Africa.

DEVELOPING YOUNG ENTREPRENEURS

Although Africa's youth on the whole are increasingly better educated, rural youth are still plagued by low levels of literacy, poor numeracy, high drop-out rates, particularly in secondary education, and low levels of tertiary enrolments. Based on current trends, 59% of 20-24 year olds will complete secondary education in 2030, compared to 42% today. This will translate into 137 million young people with secondary education and 12 million with tertiary education by 2030.[12]

Ironically, the most educated people often confront a mismatch between their training and available employment opportunities. While 26% of students enrolled in university in Africa study humanities, only 2% of students are enrolled in agricultural programmes.[13] Further, more than half of the rural youth pursue activities other than farming, but often end up underemployed or unemployed. The gap between skills and available jobs also explains why Africa's youth resort to employment in the informal, rather than in the formal sector.

For those women and young people without access to higher education, vocational training and skill development are instrumental. While women make up about half of the African labour force, only 45% of women in Africa are literate, compared to 70% of men and about 1.5% of women achieve higher education.[14] By focusing on building the capacity of young people and women in particular, African governments will be able to increase the productivity of a large proportion of their labour forces.

Young people in the countryside are the most enthusiastic about creating their own businesses; nearly one-quarter of the rural youth have plans to start a business, compared to 19% of urban youth.[15] With knowledge about new and innovative production methods and opportunities for on and off-farm skill development young people could be more productive. Tailored support and an environment that allows young people in the informal sector to develop professionally could help them to reach their full potential. Furthermore, young people struggling with their own businesses, but showing potential in the form of managerial skills, can benefit from targeted training, support for technical assistance and mentoring. Adapting education curricula and skills training in rural areas to particular needs would be an important step in supporting the rural youth in becoming entrepreneurs along the agribusiness value chain.

WHILE WOMEN MAKE UP ABOUT HALF OF THE AFRICAN LABOUR FORCE, ONLY 45% OF WOMEN IN AFRICA ARE LITERATE, COMPARED TO 70% OF MEN AND ABOUT 1.5% OF WOMEN ACHIEVE HIGHER EDUCATION.

CREATING ENTREPRENEURS IN HIGHER EDUCATION

THE AFRICAN WOMEN IN AGRICULTURAL RESEARCH AND DEVELOPMENT (AWARD)

AWARD is a career-development fellowship program that equips women agricultural scientists across sub-Saharan Africa to strengthen their research and leadership skills. Through tailored leadership courses, fellows learn to navigate organisational gender issues, leverage team talents, manage conflict, use influence appropriately and develop entrepreneurial skills.

Dorcas Olubunmi Ibitoye started her botany studies as an undergraduate student. "I opted for plant breeding, because I saw the potential for creating improved crop varieties that could increase yields, and boost nutrition and incomes for smallholder farmers," she says. Afterwards, Ibitoye completed her master's degree in plant genetics and breeding at the University of Ibadan. Her MSc supervisor introduced her to cowpea, which became her specialty. Ibitoye's research is focused on finding rapid, efficient, and affordable screening methods for identifying drought-tolerant traits. Through molecular approaches to fast track the identification of resistant genes she crosses these traits with traditional ones to create varieties that contain other desired traits, such as easy peeling or short cooking times. "With the unpredictable rainfall associated with climate change, we need varieties that are more drought tolerant," says Ibitoye. "We need climate-smart crops."

AGRICULTURAL TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (ATVET)

A project[16] run by the German Development Agency (GIZ) aims to integrate sustainable vocational training for the agricultural sector into the Comprehensive Africa Agriculture Development Programme (CAADP) implementation process so as to establish the expertise that is needed to develop successful agribusiness value chains. Pilot vocational training courses for "agripreneurs" are designed to address market needs and are aimed at young people across Africa. The project has contributed to placing vocational training for the agricultural sector on the national agendas in Ghana and Kenya, in Benin, Namibia, Ethiopia and Sierra Leone, that promises a high level of awareness of the importance of agricultural training among policymakers.

PILOT VOCATIONAL TRAINING COURSES FOR "AGRIPRENEURS" ARE DESIGNED TO ADDRESS MARKET NEEDS AND ARE AIMED AT YOUNG PEOPLE ACROSS AFRICA.

VOCATIONAL AND SKILL DEVELOPMENT

JUNIOR ACHIEVEMENT AFRICA

Junior Achievement Africa, an Africa-based charity, aims to foster social mobility and financial inclusion among African youth through financial literacy, improved employability and microenterprise creation in 19 countries across Africa. Junior Achievement targets poor young people, young people without access to higher education and underemployed and unemployed youth to create sustainable micro-enterprises and jobs.

Fatou is turning her Junior Achievement student company experience into a successful, full-time career. She sells vegetables, condiments and buckets for water and storage at the local village market. From acquiring the skills to take charge of her own economic future, Fatou helps her extended family that relies on seasonal farming and harvesting wild fruit. In addition, Fatou helps her community by providing a local retail source for cooking supplies. Previously, shoppers had to walk a kilometre to a market in a neighbouring village to purchase supplies such as pots and pans.

STRYDE

TechnoServe and the MasterCard Foundation help rural young women and men in East Africa transition to economic independence. The Strengthening Rural Youth Development through Enterprise (STRYDE) program delivers a comprehensive package of services including skills training, business development and mentoring to young people ages 18 to 30 in Kenya, Rwanda and Uganda. Participants in the program take part in a three-month training program to develop life, entrepreneurship and career skills, followed by a nine-month follow-up program that includes business mentorship, and connections to employment opportunities and financial institutions. Participants can also apply their skills in experiential business exercises supporting them to identify the best economic opportunities for their skills and interests.

James Muturi started his small-scale poultry farm outside Nairobi after completing the STRYDE program. He started raising the chickens and feed crops with a few others after going through the training program for rural youth entrepreneurship.

FINANCING ENTREPRENEURSHIP

SMALL AND GROWING

"The challenges that entrepreneurs face in the developing world both magnify their need for capital and also create more hurdles to accessing it. Compared with their larger counterparts, small businesses are more likely to list "access to finance" as a significant barrier to growth." (Aspen Network for Development Entrepreneurs, Engines of Prosperity, 2012)

Without access to adequate and affordable financing to complement their education and vocational training, budding youth and women entrepreneurs will not be fully equipped to thrive in the agribusiness marketplace. As much as in any other sector, financing and credit are required to form viable farming businesses at all stages of enterprise development. Yet, financial support is often difficult to access due to the inherent risky nature of farming. Access to microfinance should be made available for starting and growing enterprises, while bridging products are needed to address the 'missing middle' – businesses that reach a level of growth beyond the capacity of microfinance. Value chain finance can ultimately help entrepreneurs in growing sustainable businesses.

GETTING STARTED

Establishing a small or medium enterprise is often very difficult. Farmers, and other perceived high-risk groups such as women and youth, often do not have enough collateral or other resources to raise funds. They may not own sufficient land or have formal rights to the land they do own. In addition to a lack of collateral, they may also lack sophisticated business skills. Making microfinance more widely accessible to smallholder farmers, young people and women, is crucial for starting and growing successful enterprises in the agribusiness value chain.

Josephine Okot, the founder of Victoria Seeds in Uganda established her company in 2004 at a time when commercial banks considered agricultural investments to be too risky. Despite offering to mortgage her house, private banks would not take her on. She only succeeded in securing start-up capital because of a guarantee from a USAID project.

Another example is Pearl Seed Ltd. in Uganda, which operates under the Alliance for a Green Revolution in Africa's (AGRA) Programme for Africa's Seeds Systems (PASS). A husband and wife set up this company, with a small loan from a friend. They had little collateral until 2010 when GIZ contracted them to send seed to South Sudan. With the assured income flow they gained bigger loans that enabled them to purchase seed, hire trucks and buy fuel, employ more workers and provide a market for smallholder seed producers.

GROWING UP

While start-up funding is sometimes available from micro-credit institutions, once enterprises have grown beyond the threshold of microfinance they face an absence of credit providers; they fall into a 'missing middle' of credit-worthy businesses. For those businesses that grow beyond the limits of microfinance, but have not yet satisfied eligibility criteria for commercial bank loans, bridging products are needed.

Facilitating access to financial services in the informal sector and helping traditional and informal operators acquire business skills for leveraging finance can be beneficial. For example, the Uganda Development Trust (UDET), supported through financing from AGRA amongst others, assists SMEs to prepare business plans and access credit. From this support, enterprises such as grain warehouses AgroWays (U) and Upland Rice Millers and food companies SESACO and East African Basic Foods all improved their profits, operating margins, production volumes and number of smallholder farmer suppliers, to name a few achievements.

TAKING ROOT

A key to sustainability is having a viable business model that enables growth from micro to small, from small to medium and from medium to large. In addition to becoming credit worthy through the successful repayment of start-up loans, enterprises need well-designed business plans and marketing strategies to ensure a long-term demand for their goods and services. Continued technical assistance and business management training are central during this stage. Governments also need to ensure that the wider economic and financial environment is conducive to on-going enterprise development.

Sharing risk throughout the supply chain further reduces the burden for smallholder farmers. Exposed to lower levels of risk, farmers can receive higher returns and improve profitability.[17] Value chain financing allows borrowers to benefit through higher lending at better terms and obtaining loans that reflect the cash flow pattern of their producing, processing or trading activities. An example for successful value chain financing is the Caisse des Affaires Financières (CAF) in Isonga in Northern Rwanda. The CAF has introduced several instruments such as production and marketing loans, voucher systems and leases for transport that ultimately led to productivity increases of approximately 30% between 2007 and 2008. Furthermore, all farmers in Isonga now have bank accounts and the farmers' cooperative was able to acquire a truck to reduce transport costs.[18]

WITHOUT ACCESS TO ADEQUATE AND AFFORDABLE FINANCING TO COMPLEMENT THEIR EDUCATION AND VOCATIONAL TRAINING, BUDDING YOUTH AND WOMEN ENTREPRENEURS WILL NOT BE FULLY EQUIPPED TO THRIVE IN THE AGRIBUSINESS MARKETPLACE.

AN ENABLING ENVIRONMENT FOR ENTREPRENEURSHIP

"My administration aimed to ensure a more efficient and productive agricultural base that would become the engine of the economy by providing food security, ushering in industrialization, creating jobs, and increasing export revenues. The critical need was—and is—for an agricultural transformation." (John Kufuor, President of Ghana, 2001 -2008)

While entrepreneurs with the right skills, energy and ambition are the basis for entrepreneurship, it will only flourish if there is an appropriate enabling environment combining supportive macro and micro-economic policies, financial incentives, relevant institutions and infrastructure. These begin with political leadership.

POLITICAL LEADERSHIP

Creating an appropriate enabling environment requires strong political leadership. This should go beyond short-term initiatives; it requires implementation of policies and regulation reflecting a long-term vision. For example, John Kufuor, former President of Ghana, is recognised for his personal commitment and visionary leadership to alleviate hunger and poverty.

President Kufuor funded research to increase yields, but claimed "While increasing crop yields is vital, it is of little use if the product cannot be stored safely or transported to markets." Therefore, along with supporting irrigation, improved seeds, and crop diversification, the government pursued an integrated rural development policy: building feeder roads, silos, and cold stores for crops, such as pineapples, mangoes, and bananas. The government also made mechanization, such as tractors, more affordable for farmers through favorable loan terms. As a consequence Ghana was the first country in SSA to reduce the proportion of people suffering from hunger and living on less than a dollar per day by half.

More generally, a government's responsibilities include building capacity and encouraging broader public participation in policy processes, establishing a culture of learning and innovation, and supporting coordination along the agribusiness value chain. There is also much to be gained from improving collaboration between government ministries for agriculture, education, energy, infrastructure and environment.

At the national level, an example is the Nigerian government's efforts to expand farmers' access to financial services and to inputs. To achieve this, the Central Bank of Nigeria has established a US$350 million risk sharing facility (NIRSAL) to reduce the risk of lending by banks to farmers and agribusinesses. NIRSAL plans

WHILE ENTREPRENEURS WITH THE RIGHT SKILLS, ENERGY AND AMBITION ARE THE BASIS FOR ENTREPRENEURSHIP, IT WILL ONLY FLOURISH IF THERE IS AN APPROPRIATE ENABLING ENVIRONMENT.

to reduce interest rates from 18% to 8% and share risks with banks by lending to private seed and fertiliser companies and agrodealers. In 2013 it was anticipated that this would make agricultural inputs available to 5 million smallholder farmers across the country by the end of the year.[19]

At the pan-African level, the 2003 African Union-led Comprehensive Africa Agriculture Development Programme (CAADP) intends to create more jobs and economic gains through increased production and a reduction in food imports. African leaders committed to allocating a minimum of 10% of their national budgets to agricultural and rural development over a period of ten years. On average, African agricultural sector spending increased by more than 7% annually between 2003 and 2010 and a total of 13 countries — Burundi, Burkina Faso, the Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Madagascar, Malawi, Mali, Niger, Senegal, Zambia, and Zimbabwe—met or surpassed the 10% target in one or more years since 2003. More progress can be achieved if governments with the support of donors meet or surpass these targets and integrate entrepreneurship into CAADP strategies and investment plans.

PARTNERING FOR SUCCESS

The challenge is for governments and the private sector to form effective partnerships that will deliver a balanced, equitable economic and agricultural growth and development. The use of emerging technologies combined with local knowledge to promote sustainable agricultural development and inclusive growth will require the transformation of many existing institutions, the formation of new institutions and the development of inclusive partnerships between the public and private sectors, research institutions, farmers and civil society. These partnerships have to be fair and mutually beneficial with smallholder farmers, including women and young people, at the heart of the terms that regulate the partnerships.

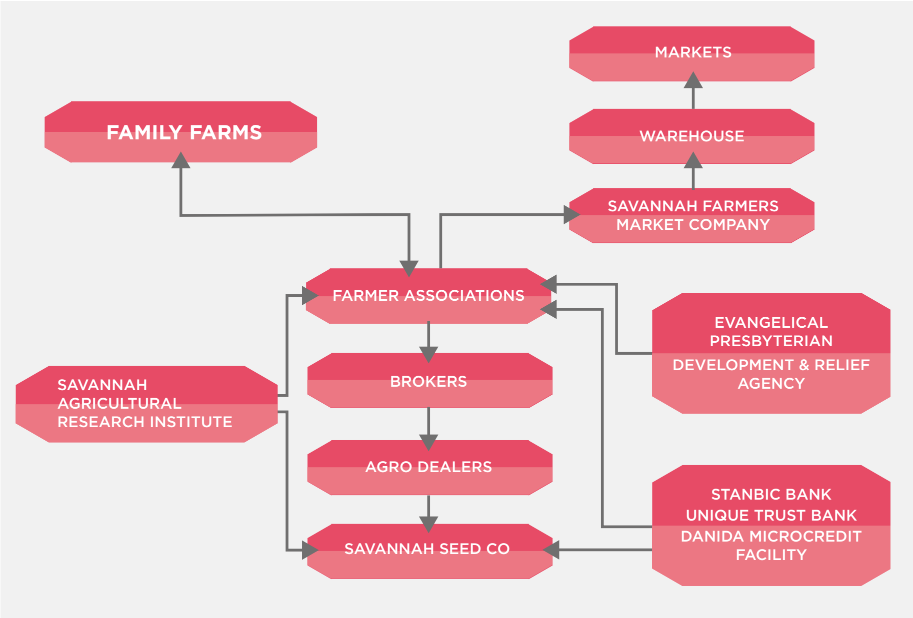
In some situations, institutions and financing already exist and the task is to facilitate stronger and more effective linkages between the public and the private sector. In northern Ghana, a programme led by the Evangelical Presbyterian Development and Relief Agency (EPDRA) and financed by AGRA aims to strengthen existing farmer associations and to improve their linkages to input and output markets and to the regional research organisation. Farmer groups are linked to financial institutions and marketing firms to acquire loans and to sell their produce at a fair market price. The programme also provides extension support to farmers to increase production.[20]

PUBLIC-PRIVATE ENTREPRENEURIAL PARTNERSHIPS

FARA'S INNOVATION PLATFORM APPROACH

The Forum for Agricultural Research in Africa's (FARA) innovation platform approach operates at sub-national level and is composed of researchers, primary producers, extension workers and NGOs, government policy makers, equipment manufacturers and suppliers, traders and processors. The partners analyse gaps in a commodity value chain to define specific interventions. The underlying rationale is that effective agricultural technology dissemination calls for understanding of farming systems through strong linkages and active participation among a range of actors.

THE EPDRA-AGRA NORTHERN GHANA PROJECT



Public Private Partnerships (PPPs) can also help compensate for market failures that would otherwise prevent or hinder private investments and reduce some of the risks associated with investing in new markets and new technologies. In many African countries the state still plays a major role in directing innovative and productive activities, however the private sector is increasingly important for commercialising new products and collaborating with academia and the public sector to drive research and innovative processes.[21]

Additionally, inclusive business models that work for both profit and people can considerably expand opportunities for farmers, young people and women. The fundamental idea underlying inclusive business is the integration of poor people into the value chain as consumers, producers, employers and business partners. For businesses and farmers, inclusive business models also offer the potential to scale up production, grow, evolve and adapt to new markets by using local knowledge and experience. Ultimately, inclusive business models drive new sources of profitability for farmers and businesses alike. This opens up new growth opportunities for businesses, while at the same time promoting sustainable and inclusive development.

IN ESSENCE THIS PROGRAMME IS A PUBLIC-PRIVATE PARTNERSHIP (PPP). THE PUBLIC SUPPORT IS PRIMARILY THROUGH THE RESEARCH INSTITUTE, WHILE PRIVATE ENTERPRISES INCLUDE SEED COMPANIES AND AGRO-DEALERS, AND LOCAL BANKS, AS WELL AS FARMER ASSOCIATIONS AND MARKETING COMPANIES RUN BY THE FARMERS THEMSELVES.

INCLUSIVE BUSINESS MODELS

AACE[22]

The Nigerian company AACE Food Processing & Distribution Ltd. aims to develop a value chain for sourcing local fruits and vegetables, and processing them into food products for the domestic market. The emphasis on local sourcing combined with affordable local sales provides opportunities for competitive differentiation in a Nigerian retail sector that is currently dominated by imported food products and raw materials. Farmers will gain access to markets and more predictable sales, while micro-distributors and employees will also gain.

develoPPP.DE PROGRAMME[23]

Through the develoPPP.de programme, the German Federal Ministry for Economic Cooperation and Development (BMZ) provides companies investing in developing and emerging countries with financial and professional support. The company is responsible for covering at least half of the overall costs and BMZ contributes up to a maximum of EUR 200,000 (US$ 270,000). These partnerships last up to a maximum of three years and span a wide variety of agricultural and other industries.

Through the develoPPP.de programme, German development cooperation mobilises knowledge and capital with a view to improving more effectively the living conditions in developing and emerging countries. Enterprises create jobs, safeguard incomes, provide technical know-how and introduce sustainable technologies. The programme also provides targeted support to involve the private sector in areas where there is particular need for action. This encourages companies to conduct their business activities in a responsible manner and fulfil their special role in the creation of a more equitable form of globalisation.

VANILLA FARMERS IN MADAGASCAR[24]

A partnership between Symrise, a Unilever supplier, and GIZ that ran from 2010 to 2012 in the Diana-Region of northern Madagascar has shown promising results: 500 farmers were trained in sustainable agricultural practices, Fairtrade standards and principles of certification and marketing. They have increased their productivity and created greater income opportunities by diversifying their production to include other crops. The economic situation of the farmers has greatly improved. On average, the 500 vanilla producers have benefited from a 24% increase of their incomes. A new project phase now aims at improving the livelihoods of 4,000 vanilla farmers in the Sava region. The partnership will run over three years and seeks to impact 32 communities and involve 44 schools and colleges, giving it the potential to reach 24,000 people.

THE mKRISHI INITIATIVE

The mKRISHI initiative offers personalised and integrated services in local languages for farmers on their mobile phones. Farmers in remote areas are able to connect to their stakeholders, access agricultural inputs, find advice on farming practices, and get information on market prices, weather and other essentials for improving yields. The business model involves Tata Consultancy Services maintaining the necessary software platform and inviting partners to use the platform to provide services and products to farmers.

CONCLUSION

A CONTINENT FULL OF PROMISE, AFRICA'S TRANSFORMATION CAN BE REALISED BY CATALYSING AN ENTREPRENEURIAL ENVIRONMENT THAT STARTS ON THE FARM.

Markets are the basis of rapidly developing agribusiness value chains that provide opportunities for entrepreneurship and employment for Africa's young and growing unemployed populations. Although young people often see agriculture as outdated, the sector is ripe with opportunity.

Harnessing and enabling the entrepreneurial spirit and skills of young people and other entrepreneurs will require strong political leadership and appropriate enabling environments. This must be evidenced through the development of vocational and business management training for young people and the provision of adequate and affordable financing for starting and growing enterprises.

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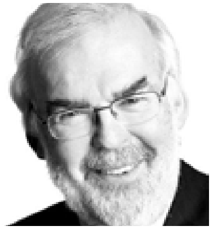

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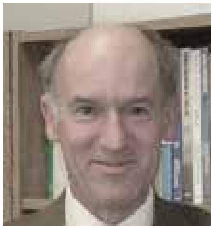

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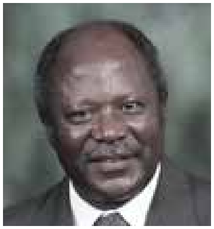

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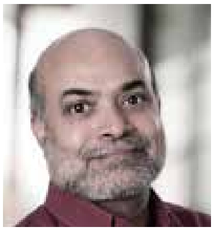

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