Creating Jobs in the Non-Farm Economy: Lessons from Global Experiences for Ethiopia

Parmesh Shah, Global Lead, Rural Livelihoods and Agriculture Employment, Agriculture Global Practice
The World Bank
Email: pshah@worldbank.org
Twitter: @ShahParmesh
Households with Non-Farm Enterprises in Rural Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Malawi</td>
<td>17</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>23</td>
</tr>
<tr>
<td>Tanzania</td>
<td>39</td>
</tr>
<tr>
<td>Uganda</td>
<td>43</td>
</tr>
<tr>
<td>Nigeria</td>
<td>53</td>
</tr>
<tr>
<td>Niger</td>
<td>62</td>
</tr>
</tbody>
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Non-farm income as share of total income in rural areas, from local sources and from migration income

Source: Reardon et al. 2007
Employment in Medium and Small Enterprises in Ethiopia

2.8 million are employed in MSEs (2015)

Source: Esubalew and Raghurama, 2017
Ethiopia is the second largest flower producer in Africa next to Kenya

Revenue **213 million USD** 80% of the total foreign revenue earning,

Production of **50,000 tones**

Over **180 thousand** employment

85% are **women**

Annual income **$350-950/employee**

Export to Italy, France, Germany, Middle East, Korea, Japan, Russia, Cameroon, Nigeria and South Africa
Leather shoes Industry in Addis Ababa

Around **6000 workers** are employed in 22 medium and large scale footwear manufacturers.

China’s total imports from Ethiopia **US$27.5 million** — Italy’s imports **US$39.4 million**

More than **5,000** micro and small enterprises
OPPORTUNITIES: Moving towards Non-Farm Economy

ON FARM

OFF FARM

NON FARM
OPPORTUNITIES:
Diversification in Agriculture Value Chain

Commercial millers and food processors

Packagers of produce for National and international markets

Wholesalers, aggregating produce from a number of small-scale farmers

Transport providers

Farm equipment and fuel suppliers

Finance and IT related services
Rural Non-Farm sector

Tourism
Food & Beverages
Handicraft and cultural industry

Textile & Garment
Leather and Footwear
Repair and manufacturing
Lessons from Global Experiences: 
**Four Pathways** to Creating Jobs in the Non-Farm Economy
Lessons from Global Experiences:
Five Pathways to Creating Jobs in the Non-Farm Economy

Pathway 1: Development of non-farm entrepreneurship through access to finance, counseling, and incubation

Pathway 2: Development of Non-farm economy through economic clusters

Pathway 3: Development of Non-farm economy through spatial and product specialization

Pathway 4: Development of Non-farm economy through rural e-commerce
Pathway 1: Development of non-farm entrepreneurship through access to finance, counseling, and incubation
ENTERPRISE JOURNEY: ‘The two-stage process’

**Stage 1**

**Nano & Micro-Enterprises**
- First Generation entrepreneurs
- Nearly 9 million enterprises directly impacted
- Simplest form of enterprises; employing mostly family labour
- Serves local village or nearby market

**Enterprise Support Services**
- Access to Credit
- Enterprise Counselling
- Better Quality Inputs

**Stage 2**

**Small & Medium Enterprises**
- 1 out of 4 graduates
- Nearly 2 million SME ecosystem
- Complex and more institutional
- Specialized skills and division of labour
- **New Jobs** beyond family labour
- Use of technology-processing/manufacturing

**Customized Package of Services**
- Access to Financial Services
- Access to new technology
- Business Advisory Services
- Access to markets
- Private sector linkages

**Enterprise Support Services**
- Access to Credit
- Enterprise Counselling
- Better Quality Inputs
India: Approach to Enterprise Promotion: 2 stage process

Stage 1:

- Access to Financial Services
- 45 million women organized
- Counselling
- Incubation

4 to 5 million Nano and micro enterprises
Stage 2:

- Access to Financial Services
- Skill building, including access to New Technologies
- Business Advisory services
- Access to Markets
- Facilitate Partnerships with the Private Sector

4 to 5 million Nano and micro enterprises

Higher level of small and medium enterprises
Impact:

Enterprises are in the **manufacturing**, **retail and services sector and are home based** and are contributing to **enhancing women’s labor force participation**
Manufacturing Cluster: India
A USD 5 million enterprise cluster around Individual Brass-ware Units

HHs involved: 75
Number of Jobs created: 300 + 225 (self)
Retail: Product Aggregation & Branding: India  
Aajeevika Fresh - A USD 4 million brand

More than 200 stores

Procuring primarily from Women Farmer Producer Companies

Multi-commodity Trading:
Fresh Products, Spices as well as specialized items like Sanitary Pads, all sourced from small manufacturing units run by rural women
Processed Food Collective: India

HHs involved: 550

Number of Jobs created: 480 + 70 (self)

Business Size: USD 1 million; $ 30,000 per household
Crafts Collective: India
Taking Madhubani Art to Global Audience

120 rural artisans in Madhubani, Bihar
Global outreach for the products under the brand name “Jiyo”

Annual Turnover: USD 0.4 million

Design upgradation, branding and marketing of artisanal products
blueMoon
Ethiopia’s first youth agribusiness incubator

Twice a year, select 10 startup, teams of 2 to 3 entrepreneurs
4-month incubator program in Addis Ababa

Invest in innovative and scalable businesses
within agriculture, livestock, fisheries, forestry across the value chain

Provides services on:

- **SKILLS TRAINING**
- **COACHING**
- **MENTORING**
- **LIONS:** Access to successful agri-business CEOs
- **SEED FUNDING**
- **WORKING SPACE**
Pathway 2: Development of Non-farm economy through economic clusters
Tirupur garment cluster: India

More than 500 production units

$3.85 billion export supplying clothes to several leading brands

Direct employment over 300,000

Full value chain of knitwear starting from spinning, knitting wet processing, printing, garment manufacturing and exports.

Ancillary units supplying buttons, laces, embroidery, cones and yarn processing etc.
The size of the BPO 1,200 call center seats and 2,200 staff.

BPO providers and Information Technology Services (ITS) providers represent 30% of the profession.

Information and communications technology (ICT) was worth US$ 520 million in 2013.

Policies targeting the domestic ICT ecosystem in Senegal played a significant role in underpinning the success of BPO and ITS, e.g. elimination or reduction of tariffs and taxes on ICT.
The South African Wine Cluster

The wine cluster represents 40% of agriculture’s valued-added
Annual turn-over around $1.8 billion

The cluster employs 126,000 people. 50,000 farm workers, 27,400 retailers, 4,400 producers and 3,300 cellar staff.

An additional 140,000 are employed in related and supporting industries, mostly tourism

Contributing Factors

- Farmers collective actions
- Government support
- South African Wine Information Service
Pathway 3: Development of Non-farm economy through spatial and product specialization
One Village One Product: Thailand

Local entrepreneurship, handicrafts, textiles, cotton and silk garments, pottery, woven handicrafts,

There are 36,000 groups in Thailand,
Each 30 to 3,000 members.

Sales 4.75 billion USD (2016)

Continuous development of human resources at all levels of the production-marketing chain;

Product standards and product quality and continuous innovation

Creativity, productivity and decision-making at the local level

Regional brands competitive in the global market
Pathway 4: Development of Non-farm economy through rural e-commerce
Taobao Villages in China

1,311 Taobao Villages

200,000+ active online sellers

25 Taobao Village Clusters

71 Taobao Towns
Taobao Village is a cluster of rural e-tailers where:

- at least 10% of village households engage in e-commerce
- at least 100 online shops have been opened by villagers
- at least $1.6 million total annual turnover
Alibaba’s Strategy on Rural Areas
Impact study: Suichang and Jinyun Villages

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<th>Suichang</th>
<th>Jinyun</th>
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| Initial Economic Conditions (as of 2009) | • One of the 26 less developed counties in Zhejiang Province  
• More than 70% of the 50,000 population are farmers and have not attended high school  
• 18,564 rural residents were living with annual per capita net income of less than 2,500 yuan (USD 400)  | • A county with the highest number of poor villages in the province  
• More than 92 percent of the population work in the agricultural industry  
• Half of the population lives with an annual per capita income of less than 2,500 yuan (USD 400) |
| Product Offerings on Taobao and Increased Income | • Villagers sell agricultural products such as bamboo shoots, tea, sweet potatoes, and wild herbs online  
• More than 1,500 online stores in Suichang, generating annual sales of 110 million yuan (USD 17.7 million) in 2013 | • Villagers sell outdoor equipment such as tents, backpacks, sleeping bags, and barbeque pits online  
• About 1,300 online stores, generating annual sales of 450 million yuan (USD 72.4 million) in 2013 |

Key elements of mobilization:
Regular interaction, Intensity, Iteration

Community mobilization using face-to-face interaction

Economic capital
Financial capital
Social capital

Key elements of mobilization:
Mobilization through Digital Interaction
Combining Entrepreneurial and Organizational Aspect
Connected Network Approach

Self-Renewal
Expansion
Birth

Community mobilization using digital stimuli
From subsistence laborer to Amazon seller: Bihar, India

Some pathways to consider:

1. **Develop a continuum** of on farm, off farm and non farm growth opportunities, enterprises and services. Develop a more integrated growth strategy.

2. **Develop a spatial approach** which connects rural, small towns and large cities.

3. **Support existing micro enterprises** (both formal and informal) to graduate to SMEs. Support incubators which enable this.

4. **Introduce incubation** in technical schools and business institutions. Develop skills for businesses and entrepreneurship at all levels.
Some pathways to consider:...

5. Support Ag Tech incubation

6. **Build on existing clusters** and help them in spatial scaling up

7. **Built new enterprises and clusters** around services

8. **Invest in an enterprise support ecosystem** for non farm economy