

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



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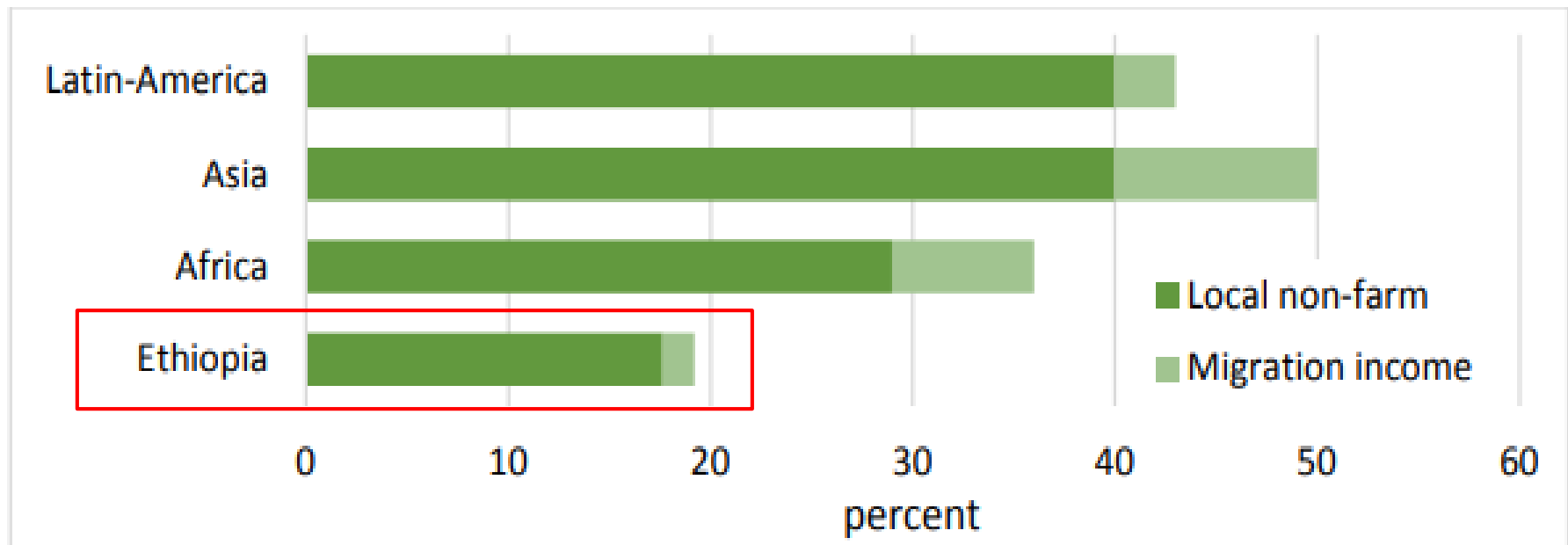
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Households with Non-Farm Enterprises in Rural Africa



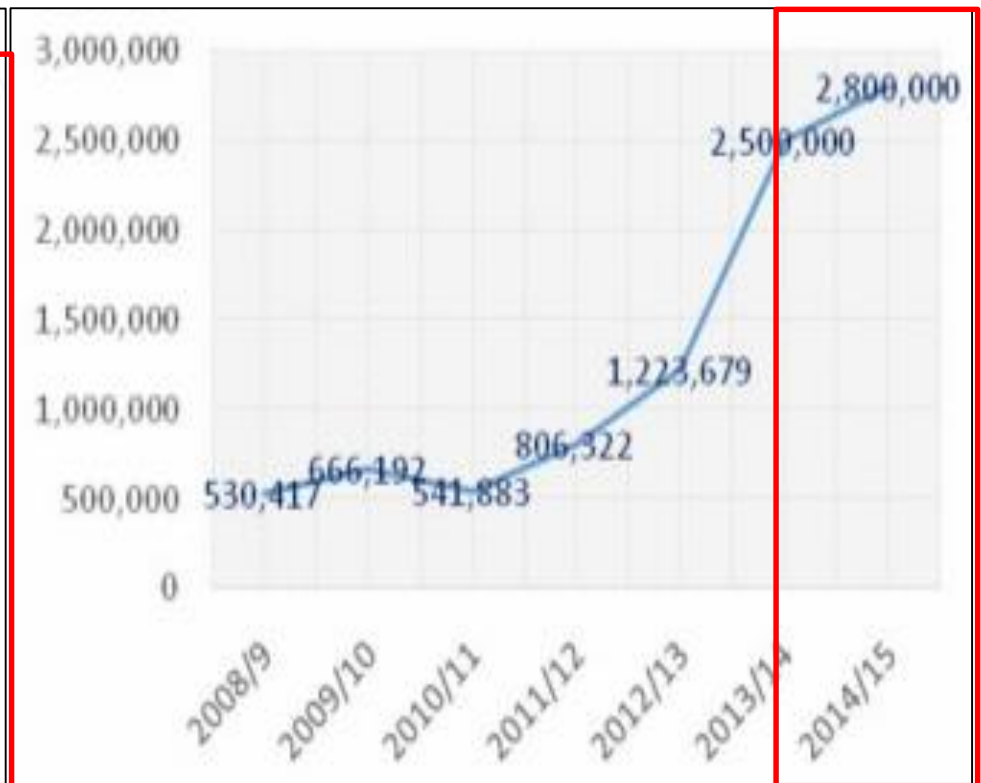
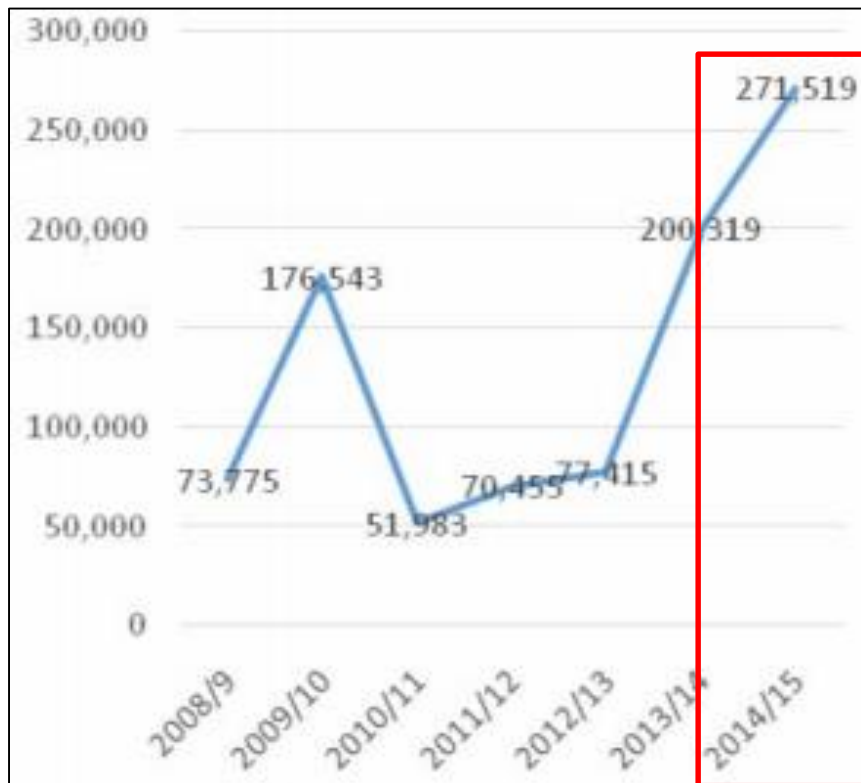
Source: "Nagler, Paula; Naude, Wim. 2014. Non-Farm Enterprises in Rural Africa : New Empirical Evidence. Policy Research Working Paper;No. 7066

Non-farm income as share of total income in rural areas, from local sources and from migration income



Employment in Medium and Small Enterprises in Ethiopia

2.8 million are employed in MSEs (2015)



Trends of MSEs establishment(Number)

Employment Generated by MSEs

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



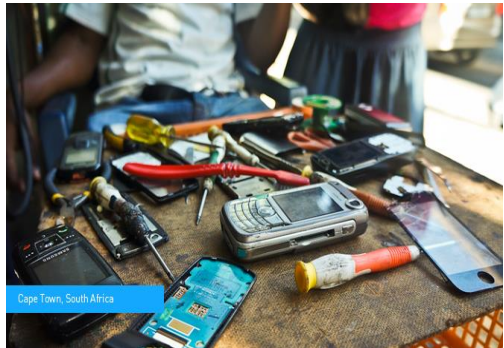
Handicraft and cultural industry



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

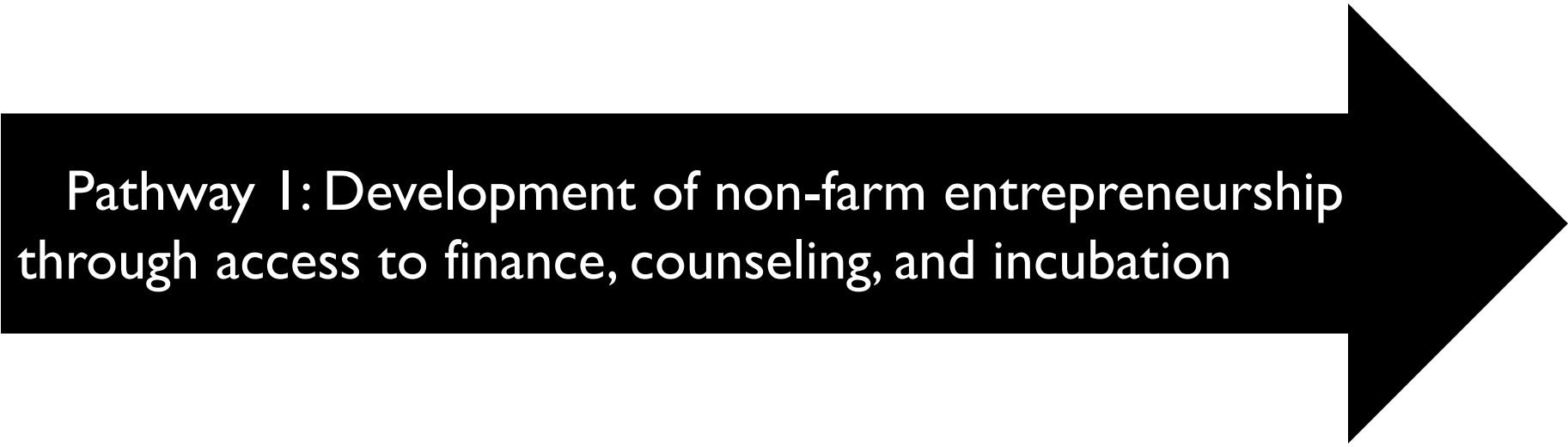


Pathway 3 : Development of Non-farm economy through spatial and product specialization



Pathway 4 : Development of Non-farm economy through rural e-commerce





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

ENTERPRISE JOURNEY: 'The two-stage process'

Enterprise Support Services

- Access to Credit
- Enterprise Counseling
- Better Quality Inputs

Customized Package of Services

- Access to Financial Services
- Access to new technology
- Business Advisory Services
- Access to markets
- Private sector linkages

Stage2

Small & Medium Enterprises

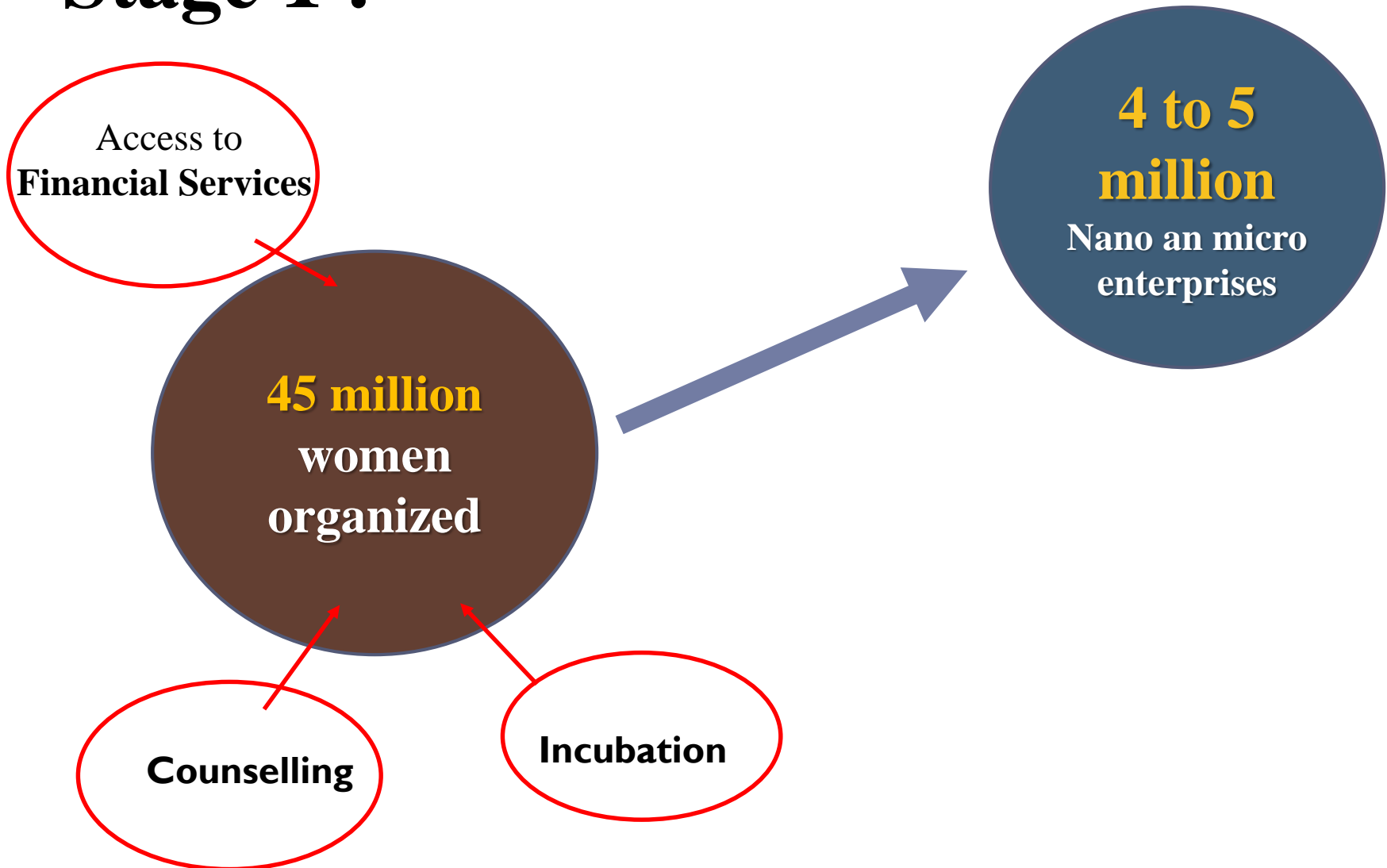
- 1 out of 4 graduates
- Nearly 2 million SME ecosystem
- Complex and more institutional
- Specialized skills and division of labour
- **New Jobs** beyond family labour
- Use of technology-processing/manufacturing

Stage I 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

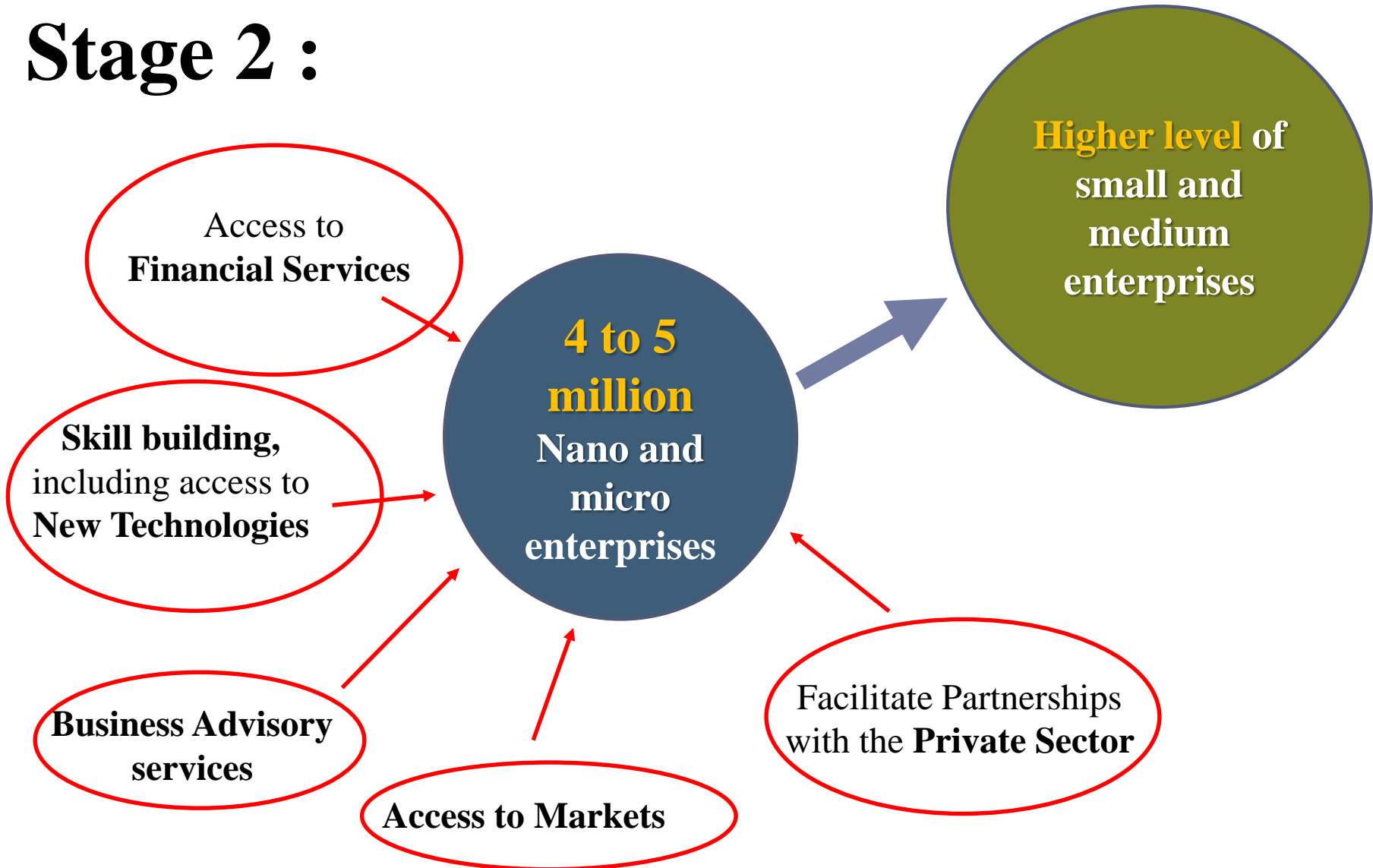
India: Approach to Enterprise Promotion : 2 stage process

Stage 1 :



India: Approach to Enterprise Promotion : 2 stage process

Stage 2 :



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

Direct employment
over 300,000

\$3.85 billion export supplying clothes to several leading brands

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.



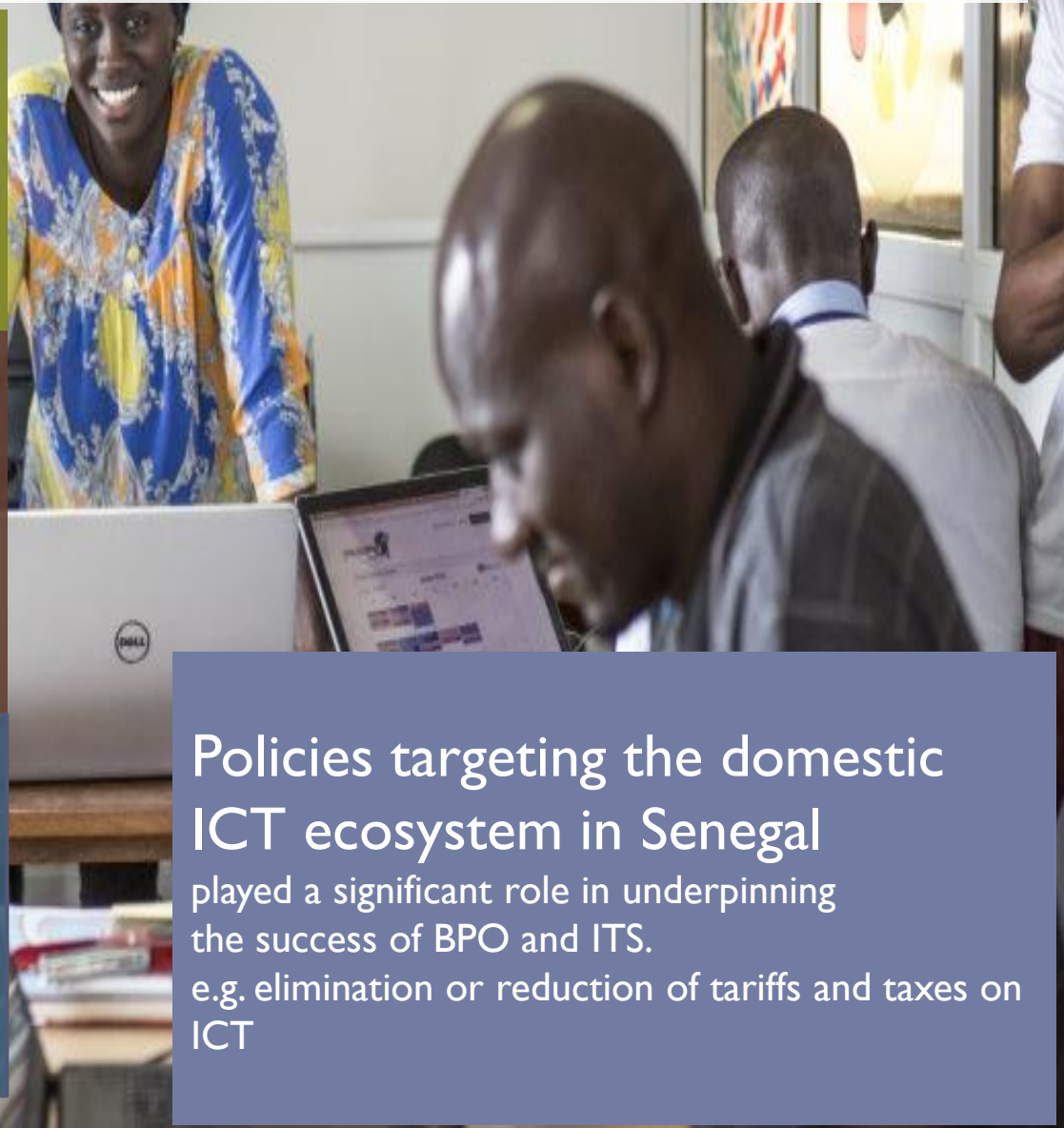
Business Process Outsourcing and Information Technology Services: Senegal

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)



Creativity,
productivity and
decision-making
at the local level

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

Product
standards and
product quality
and continuous
innovation

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



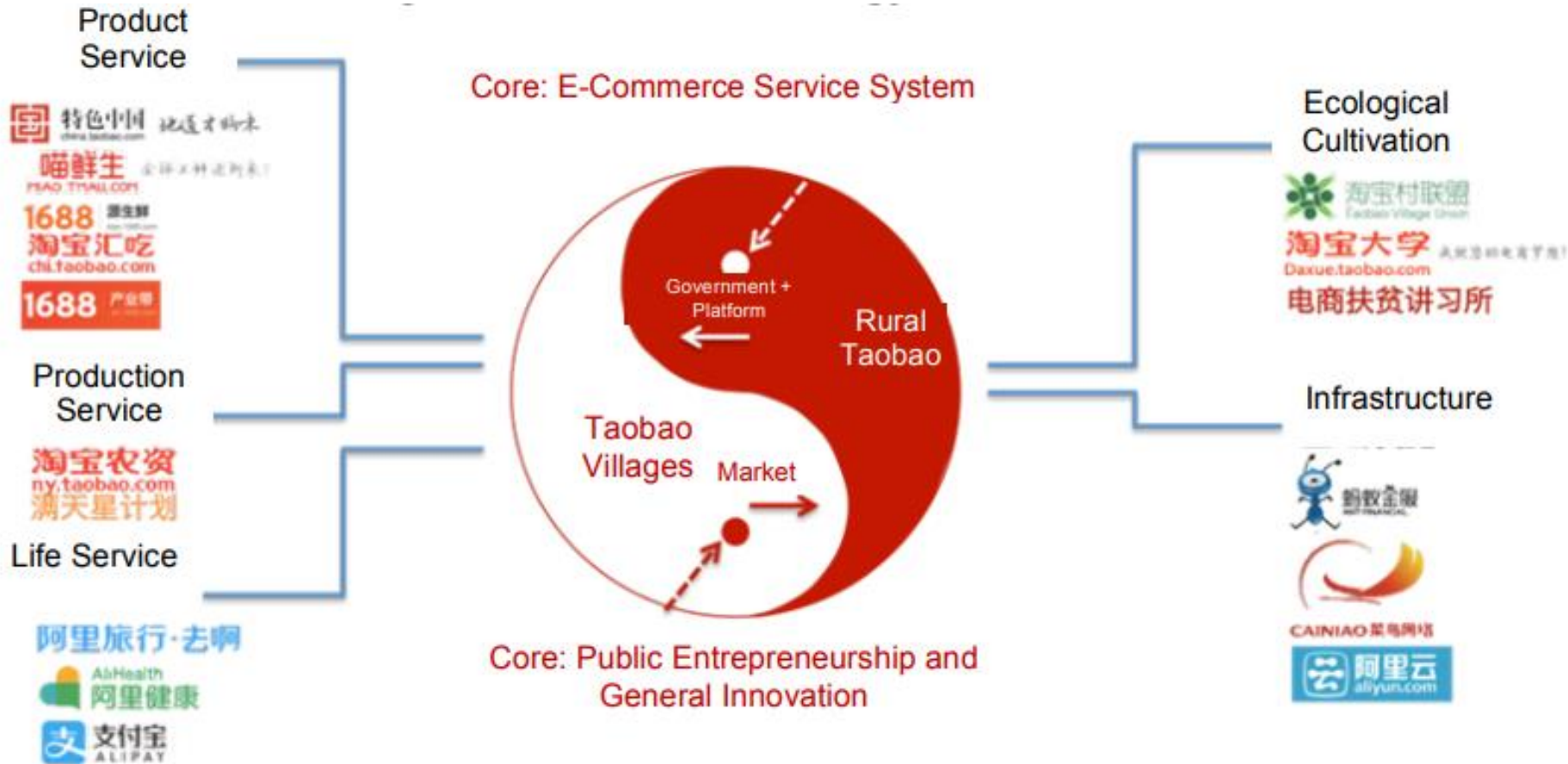
Taobao Village is a cluster of rural e-tailers where:

**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

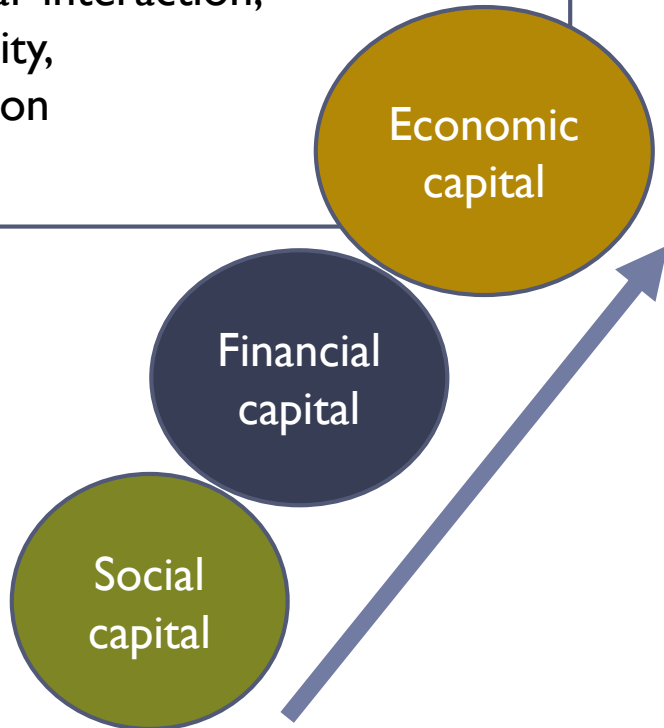
Villages	Suichang	Jinyun
Initial Economic Conditions (as of 2009)	<ul style="list-style-type: none"> • One of the 26 less developed counties in Zhejiang Province • More than 70% of the 50,000 population are farmers and have not attended high school • 18,564 rural residents were living with annual per capita net income of less than 2,500 yuan (USD 400) 	<ul style="list-style-type: none"> • 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 per income of less than 2,500 yuan (USD 400)
Product Offerings on Taobao and Increased Income	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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

Leong, C. M. L., Pan, S.-L., Newell, S., & Cui, L. (2016).

The Emergence of Self-Organizing E-Commerce Ecosystems in Remote Villages of China: A Tale of Digital Empowerment for Rural Development. MIS Quarterly, 40(2), 475-484.

Key elements of mobilization:

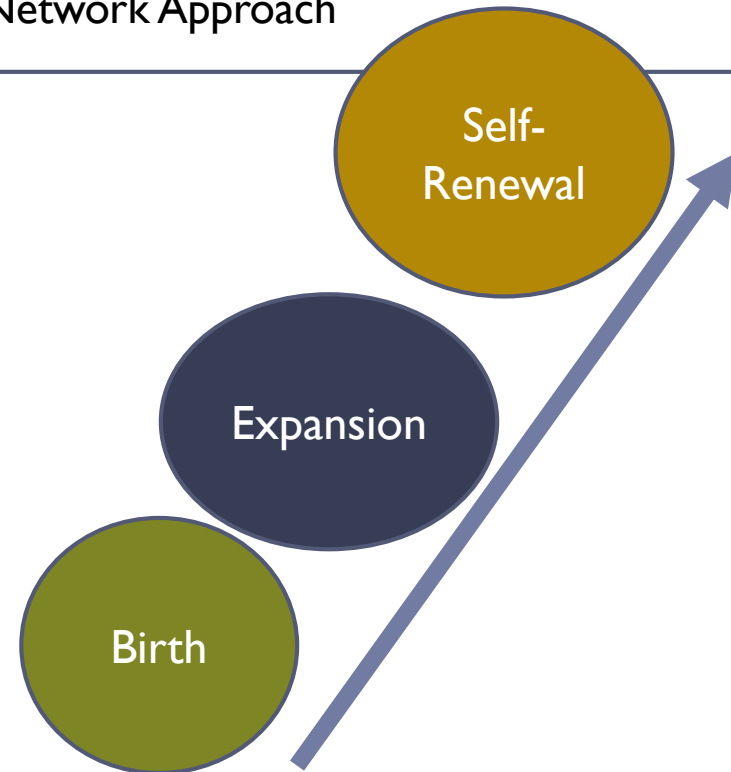
Regular interaction,
Intensity,
Iteration



**Community
mobilization using face-
to-face interaction**

Key elements of mobilization:

Mobilization through Digital Interaction
Combining Entrepreneurial and Organizational Aspect
Connected Network Approach



**Community
mobilization using
digital stimuli**

From subsistence laborer to Amazon seller: Bihar, India

The screenshot shows the Amazon website interface. At the top, the Amazon logo is on the left, and the search bar contains the text 'madhubani painting'. To the right of the search bar is a magnifying glass icon. Below the search bar, the delivery location is set to 'Washington 20001'. Navigation links include 'Departments', 'Your Amazon.com', 'Today's Deals', 'Gift Cards', 'Registry', 'Sell', and 'Help'. On the right side, there are links for 'Hello. Sign in', 'Account & Lists', 'Orders', and 'Try Prime'. A shopping cart icon is also visible.

Below the navigation bar, it shows '1-16 of 709 results for "madhubani painting"'. A 'Sort by' dropdown menu is set to 'Relevance'. On the left side, there is a sidebar with a 'FREE Shipping' filter and a 'Show results for' section. The 'Show results for' section lists categories: 'Home & Kitchen' (Paintings, Hanging Shelves, Key Hooks), 'Office Products' (Bookmarks, Storybook Sketch Pads), and 'Kitchen & Dining' (Bar Coasters). There is also a 'Refine by' section at the bottom of the sidebar.

The main content area displays two sponsored products. The first product is 'Lord Surya - Madhubani Painting on Hand Made Paper - Folk Painting from the Village of Madhubani (Bi)' by Exotic India. It features a colorful painting of Lord Surya with a yellow face and a crown, surrounded by trees and a decorative border. The price is \$108.28, with a crossed-out price of \$113.98. It includes a Prime logo and text indicating 'FREE Shipping on eligible orders' and 'Only 1 left in stock - order soon.' The second product is 'Lord Ganesha - Madhubani Painting on Hand Made Paper - Folk Painting from the Village of Madhubani' by Exotic India. It features a painting of Lord Ganesha with a white face and a large elephant head, surrounded by a decorative border. The price is \$248.68, with a Prime logo. It includes text indicating 'FREE Shipping on eligible orders' and 'Temporarily out of stock. Order now and we'll deliver when available.'

Blog Link: <http://blogs.worldbank.org/endpovertyinsouthasia/subsistence-laborer-amazon-seller-story-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:... cont'd

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