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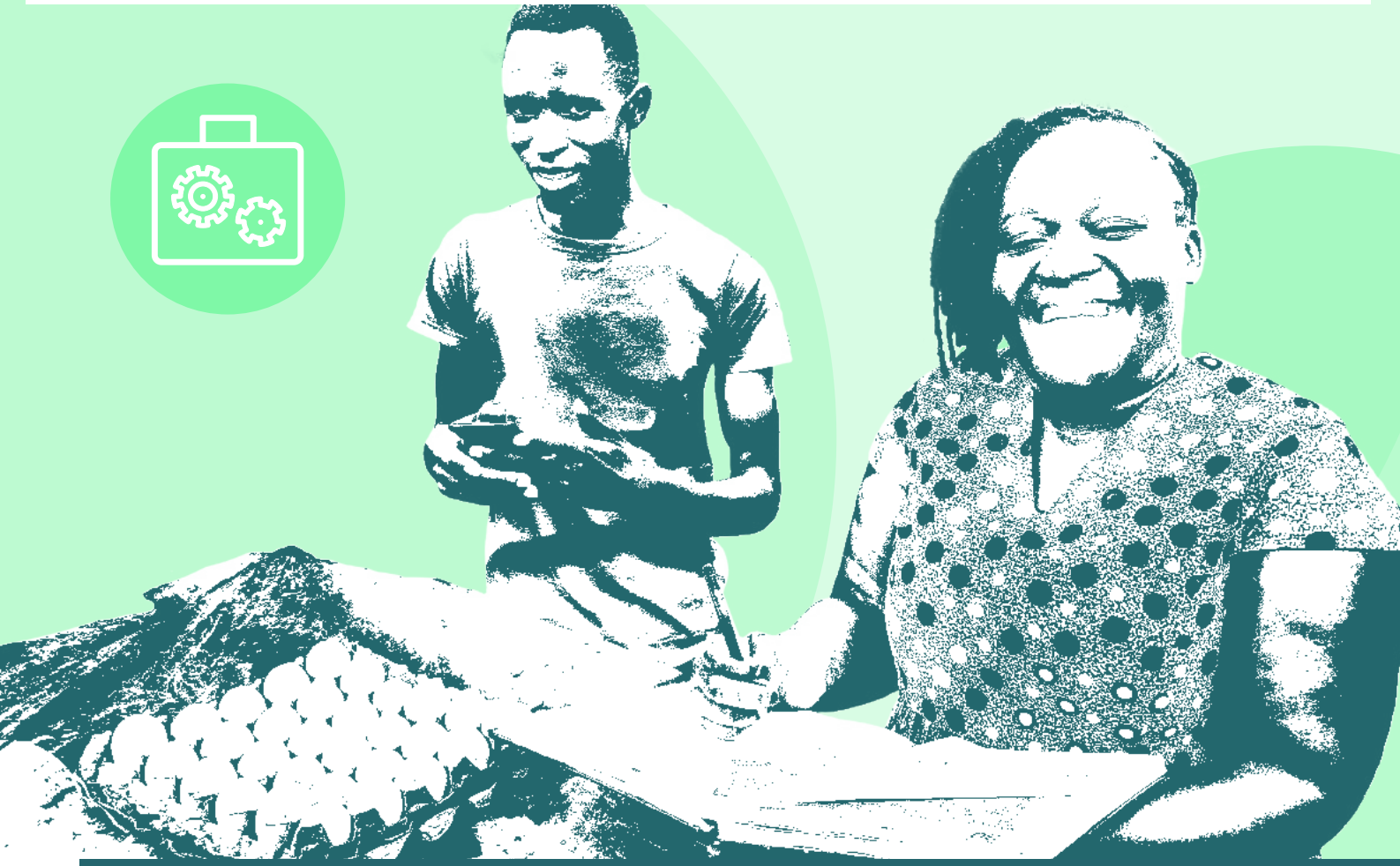

# HOW TO... PROMOTE BUSINESS MODELS FOR RURAL YOUTH EMPLOYMENT IN THE AGRI-FOOD SECTOR

## A Paper Series for Rural Youth Employment

This How-to-Paper outlines strategies for promoting business models that support rural youth employment in the agri-food sector in Sub-Saharan Africa. It emphasizes the need for viable models specifically tailored to youth and women, considering factors like market potential, employment creation, and financial as well as geographical accessibility. The paper discusses the process of prioritising agricultural value chains (VCs), analysing youth-friendly business opportunities, and identifying the necessary technical and entrepreneurial skills set for successful promotion through local partnerships. Finally, it explores case studies highlighting experiences, and lessons learned from various business models in production, processing, and service provision in four countries.

# Content



## THE CHALLENGE

Despite urbanisation trends, the rural population in Sub-Saharan Africa will continue to grow in the coming decades. With around 25 million young people entering the labour market every year in Africa, there is a demand for more and better jobs in the agri-food sector (BMZ). Unemployment and under-employment are challenges in rural areas, where agriculture and informal agriculture-related enterprises remain key to earn a living (IFAD).

An increasing number of educated young people choose to react to the lack of formal jobs by seeking business opportunities through the creation of micro-enterprises or self-employment. However, it is still rare for youth to prioritise the agricultural and food sector, due to a combination of factors, including the lack of incentives, social stigma and limited expected productivity and profitability, thus low income.

Traditional education systems usually do not promote the development of business and financial analysis nor management or entrepreneurial skills. This, paired to the lack of business ownership in the family, perpetrates the cycle of subsistence farming and rather traditional farming practices – considered as unattractive for young people. Rural youth may test business models out of necessity and simply trying to replicate experiences of larger businesses, without an understanding of business and financial modelling, nor market insights that would guarantee its success and sustainability. This increases the risk of failure even for innovative and promising ideas and prevents youth to access any form of capital, forcing them to start business operations at such small scale which, even when cash flow is positive, averts the business to accumulate profits to reinvest for growth.

Nevertheless, successful pilot experiences suggest that, when opportunities available throughout agricultural VCs are facilitated to young people, they may be interested to embrace the entrepreneurial journey. These opportunities may include (1) production, e.g. of vegetables, chicken etc., (2) improving market access and increasing access to higher value markets or value-added products through processing, (3) the provision of business and financial services, e.g. selling of agriculture inputs, offering information etc. With proper guidance, enterprising youth succeed at grasping business opportunities and pursue them. It is therefore useful to identify, promote and bring into practice viable and sustainable business models that are appealing to rural youth and women.

# HOW TO IDENTIFY AND PROMOTE RURAL BUSINESS MODELS THAT WORK?

The actual successful promotion of business models requires an upstream preparatory process of identification and analysis. These steps enable customisation to the target group and context where project measures are implemented but also allow for a strategic targeting of results and outcomes.

The Global Project Employment in Rural Areas with a Focus on Youth together with the consultant company **Economic Sense**, specialised in VC analysis and business modelling, developed a **5-step approach** to identify and promote business models for rural youth: The process starts with the prioritisation of promising agricultural VC based on a quick scan. Followed by a comprehensive VC analysis and a first identification of potential business models, including gender and youth considerations. After this, the in-depth business modelling starts, and each model is subject of a detailed cross margin analysis to ensure profitability and feasibility before implementation. In the fourth step the skill set required for successful implementation of the model is further defined, and guides to see who the ideal persona is to implement the model. Finally, the business model is promoted through a network of partners, and brough into practice through diverse partnerships and collaborations.

## Step by step

**Step 1**

### QUICK SCAN

**Desktop Research, Expert Interviews**

- Quick analysis of agricultural VC
- Agree on 5-10 high potential VC for next step

**Step 2**

### VALUE CHAIN ANALYSIS

**Interviews with Actors along the VC and Service Providers**

- Sketch functionality of 5 VC
- Identify employment opportunities for youth within the VC

**Step 3**

### BUSINESS MODELLING

**Business Case Fieldwork, Business Case Modelling**

- Develop Business Case Briefs
- 10 in-depth Business Models of 10 employment opportunities

**Step 4**

### SKILLS GAP ANALYSIS

**2-Level Skills Gap Analysis, Interviews with VC Actors and Training Providers**

- Identify Skill Gap to provide the ‘right’ training offers
- Identify potential training providers as partners for collaboration

**Step 5**

### BUSINESS MODEL PROMOTION

**Desktop Research, Expert Interviews, Partner Consultations**

- Target-group Screening
- Stakeholder Mapping for collaborations
- Establishment of partnerships for implementation



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Step 1

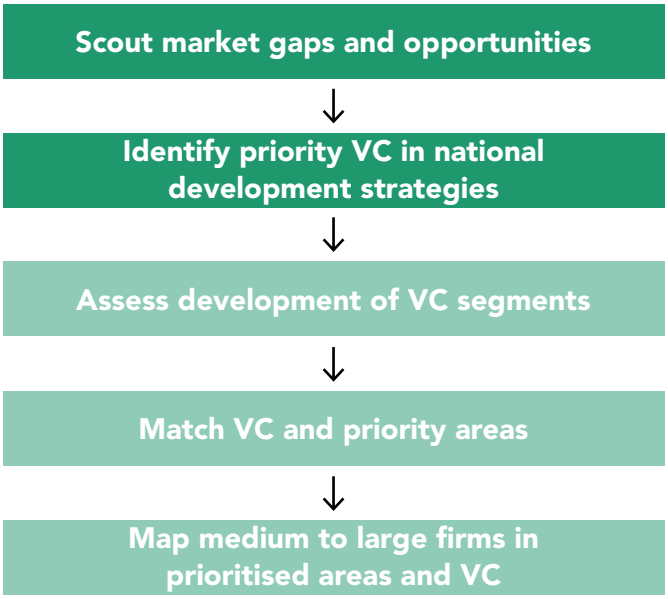
## VALUE CHAIN PRIORISATION: QUICK SCAN

To get a better grasp of the agricultural economic environment and its potentials, a first prioritisation of VCs through a quick scan proves to be crucial, to mark out the field for following steps. At the beginning of the project phase, a quick scan in form of a desk research is performed to identify 10 priority VCs.

Basis for the quick scan are:

**1 Scout market gaps and opportunities**
The analytical process starts with a desk research of existing value chain studies, food consumption studies and market studies, statistics and trade data reporting on opportunities and gaps available to private players in those VCs.

**2 Identify priority VC in national development strategies**
For this also gender and youth reports play a crucial role as well as government priorities and national development strategies to complete the picture.




The gathered information scored and compared with help of the following three main criteria on commercial potential, employment potential and potential for synergies:

| **a. Is the chain commercially self-sustaining?** | |
|---|---|
| Size of the sector (turnover, export, number of farmers) | |
| Growth potential | |
| Competitive and comparative advantage of local products->businesses and VC | |
| **Sub-Score** | **0** |

| **b. Does the chain provide quality jobs at scale for the target market?** | |
|---|---|
| Number of jobs | |
| Inclusivity of diverse groups (women, small-scale agri-producers, youth, rural population etc.) | |
| Impact on wages, wealth, and livelihoods | |
| Future proof – are we creating modern sustainable jobs/modern skills relevant in the future | |
| **Sub-Score** | **0** |

| **c. Are there synergetic factors increasing chances of success?** | |
|---|---|
| Does it fit the priorities of the (political) partner and its development strategies | |
| Does it fit with capabilities and priorities (e.g. VG or regions) of GIZ | |
| Complementarity with other GIZ or other donor/partner programmes that can lower costs and risks for investors (e.g. existing knowledge or training materials etc.) | |
| Likelihood of access to finance and commercial investment | |
| **Sub-Score** | **0** |

| **Total score** | **0** |
|---|---|

Additionally, context-related **cautionary and disqualifying effects were factored into the score**, e.g. negative spillover effects for the environment or likely conflicts over access to land, as well as **positive Halo effects**, e.g. opportunities for a circular economy, positive impact on socio-economic development. Highlighting of such positive factors is especially helpful if there is a gridlock in the selection after total scores have been allocated. In this step three to five VCs are chosen for closer analysis in the next step.



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Step 2

## VALUE CHAIN ANALYSIS AND IDENTIFICATION OF BUSINESS MODELS

It is time to move from the desk (step 1) into the field to get a full and real picture on the micro, meso and macro level in the country. The VC analysis continuous more in-depth to validate first tendencies and impressions of the quick scan – on the one hand with direct interviews with statical and commercial players such as private sector, industry experts, government representatives but also banks and micro finance institutions. On the other hand, with local farmers, processors, retailers, cooperatives.

**Scout market gaps and opportunities**

↓

**Identify priority VC in national development strategies**

↓

**Assess development of VC segments**

↓

**Match VC and priority areas**

↓

**Map medium to large firms in prioritised areas and VC**

VCs that are fitting according to the scoring in step 1, are now assessed and differentiated by their VC segments. This information facilitates the identification of promising economic areas of intervention, i.e. on crops, processing activities and services that have the highest potential to generate tangible benefits in form of viable business models.

### 3 Assess development of VC segments

All the VCs are assessed based on the development of their segments, to facilitate the identification of preferred areas for interventions. The segments assessed are a) research and development, b) seed production, c) inputs, d) production, e) rural commerce, f) processing, g) distribution, h) consumer's market, i) recycling.



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Step 2

Here you find relevant criteria and concrete examples of how to apply it when looking into the VC segments to discover high potentials:

- Business activities with potentially high demand and market opportunities that are important for the **development of the sector** but so far underdeveloped: e.g. vegetable farmers tend to be poorly linked to markets, so there is an opportunity for traders to perform this interlinking function.
- **Good infrastructure** is relevant for the success of business activities due to cost effectiveness, market accessibilities but also to enable businesses to scale and remain competitive. E.g., for the commercialisation of certain products WhatsApp groups and Facebook play a major role to commercialise the products.
- Business activities with **high employment creation**: rough calculations provide helpful estimates at this point, e.g. if 20% of farmers are interested in orchard maintenance services, there is space for 400 orchard maintenance teams of 10 people each, and a total job potential of 4000.
- Business activities should likely **be profitable**: simple calculations often already show profit potentials, e.g. when there is a large gap between farm gate and wholesale prices in cities.
- Business activities should focus on **local value addition**: it creates jobs and income in the sector itself but also has an economic multiplier effect by stimulating related sectors. E.g., a trader can add multiple traders and tricycles and develop a cold storagee. In time, trained mechanics are needed for maintenance etc. which creates additional jobs.
- Business models should be **accessible to youth and or women**: ideally, models should require limited land, limited investments and offer a quick return on investment. E.g., vegetable trade requires a tricycle, but youth have very limited access to finance and low working capital.
- Business models should be **attractive to youth**, meaning there should be earning potential, growth prospects and preferably some machinery and technology involved, accompanied by necessary skills. E.g., a solar irrigation pump services, involving a digital 'Pay-As-You-Go solution'.

The analysis proceeds by adding a spatial dimension to assess whether a prioritisation is possible based on selected geographic areas targeted by the project.

**4 Match VC and priority areas**

A matrix is developed by matching official secondary data available and primary data collected during field work. The matrix considers four indicators: a) status of general infrastructures and connectivity, b) status of agriculture infrastructures, c) conditions of the business environment, d) priority districts for youth employment creation. Districts are contrasted with prioritised VCs, to identify which VC should be the focus in each target area of the project.

As a last stage but often parallel to the previous ones, interesting private sector stakeholders are mapped. This shows well the structure of the VC and is a preparatory work as it already points towards concrete collaboration potentials for implementation.

**5 Map medium to large firms in prioritised areas and VC**

Mapping specific private sector players who could be involved in the project as lead firms to engage within the framework of public-private partnerships or grants, to catalyse activities implemented within the VC.

Docking with the apparent opportunity structure of the analysed VCs, about **five potential business models per VC are identified**. They consist of several products or services – linked to one VC –, e.g. passion fruit production of purple variety, passion fruit production of yellow variety, juice processing, nursery management, transportation service, extension service, etc. of which a selection is then properly modelled in the next step.

**Are you interested in learning more about the concrete steps of VC analysis? Then check out:**

Value Links Manual and Training of the Value Links Assocation

Step 3

## BUSINESS MODELLING

Once a bunch of potential business models have been identified, the models are evaluated more precise regarding their economic profitability and feasibility. In this step detailed data is gathered in the field for each model and entered into a cross margin calculation template, focussing especially on variable cost, fixed cost, investments, and sales revenues. The final calculations show if a business model is profitable enough and thus worth to promote amongst youth from an economic point of view.

This financial analysis also helps to improve the initial business idea. While playing with the model, several insights can become visible: fitting scales to make it profitable, products that should be scrapped due to their unprofitability and what sales prices are needed for a healthy margin. Sometimes when a model is not profitable, a redesign is needed. For instance, a transport service is added to the harvesting service. However, even at this point of the process calculations can show that a model is just not suitable and better skipped.

Overall, a total of about 10 in-depth business models is finally developed presented in the following structure:

**Description of the Model**
- Introduction to the business case.
- Description of production capacity required.
- Definition of the typical entrepreneur profile (target audience)

**Process**
- Description of:
  - the production process and crop/race/variety
  - processing process
  - implementation of a service in a given geographical area

Examples of developed business model briefs **Burkina Faso**, **Kenya**, **Malawi**, **Mozambique**

**Opportunity Recognition**
- Description of market potential and gaps
- Rationale for competitive advantage of newly established businesses, to appeal to investors

**Key Success Factors**
- Description of 3-4 key success factors necessary to guarantee successful start-up process, market entry and sustainability of business solution

**Risk Analysis**
- Clear outline of potential risks
- Respective recommended mitigation strategies

**Business Unit Economics**
- Income and costs breakdown
- Cost analysis
- Projections based on potential growth forecast

**Capital Investment**
- Definition of the minimum investment required
- Recommendations for cost-effective solutions to build infrastructures and adopt innovative technology
- Investment pay-back period forecast

**Profit Analysis**
- Break-even point
- Net profit margin definition

**Impact Analysis**
- Estimates of Potential impact on employment creation
- Analysis of potential for business model replicability and scalability



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Step 4

## SKILLS GAP ANALYSIS

After clarifying the **demand** for certain businesses in promising value chains as well as their financial prospects, a closer look on the **supply side of labour** proves to be essential to put identified and thought-through business models into practice. Thus, the skill set required to implement a potential business model is a key variable considered in the overall analysis.

The project conducted a **2-Level Skills Gap Analysis** to get an understanding of the actual skills profile needed for a business-oriented, demand-driven and competency-based private sector venture. In a first step, the prevailing gaps between required and existing skills in each agricultural sub-sector were identified. Based on data collection through interviews with managers, employees as well as company visits and observations, the concrete needs and foundations for intervention were derived. In a second step, complementary desk research on international industry benchmarks, best practices and skills' profiles was carried out to enrich an ideal profile of the entrepreneur able to adopt the business model.

Considering the **entrepreneurial qualities** needed to put the afore identified business models into practice, the definition of skills should go beyond traditional **technical training** and include business-related skills and capabilities like financial literacy or marketing. Soft skills may also be a crucial part for the economic success – especially for more innovative and service driven business models.

**Also have a look at:**

**How to… Promote an Entrepreneurial Mindset Within Youth Employment Programmes**

To close the uncovered skills gap, an **assessment of training and education services providers** proves to be useful to understand the current operational status of training institutions, their capabilities and potential fields of improvement. Through this process, a selection of key stakeholders in Agricultural Technical and Vocational Education and Training (ATVET) can be identified for future collaboration to develop curricula tailored to the needs of the private sector or demand driven short-term courses with higher accessibility for vulnerable and marginalised groups of rural youth and women.

Step 5

## BUSINESS MODEL PROMOTION

**1 Targeting the right person, knowing where to find them and how to engage them is key** to successfully bring business models into implementation. The target group is usually not a homogeneous group. Therefore, aspects like level of education, existing access to resources such as land or finance etc. (which can highly differ from region to region or in rural vs. peri-urban/urban areas) need to be taken into account to match the right person to the most suitable business model for him/her and equip them with the skill-set and additional support they need. To better understand the target group, it helps to develop personas.

**2 Stakeholder mapping for potential collaboration:** When the business models with the highest potential have been identified, the project team presents them to local stakeholders that have an interest in or relation to the specific business model, e.g. private sector partners, incubation hubs, VC associations, cooperatives, women groups, youth organisations etc. Thereby the team explores opportunities to establish partnerships in order to jointly promote and implement the models or provide/strengthen support structures to do so.

**3 Types of partnerships for business model adoption:** The stakeholders identified may vary country by country, based on the characteristics of the business environment and the entrepreneurial ecosystem in the target areas. In this step it is also crucial to look at the theory of change and figure out what are the intended results, what needs to be done to achieve them and which partner can contribute in what way.

**Examples of partnerships developed by the project included for instance:**

- **Cooperation with local incubation programme providers and innovation hubs** by supporting with qualification measures, mentoring and coaching; strengthening networking activities amongst peers and with sector players, incl. financial institutions; sponsoring business plan competitions to access small matching grants, equipment, and support on legal matters or from research institutes for certification.

- **Supply chain incubation anchored with an established private company** by conducting business plan competitions to allocate small matching grants to micro-processing firms that then add value – up-stream or down-stream the VC – to the crops produced by the anchor firm.

- **Business promotion through franchise models** by promoting a proven and ready-to-star t business model with an established partner setting the framework.

- **Soft incubation** through distributing physical boxes, called Agri-biz in a box, with learning materials, business calculations and practical tools to start chicken or passion fruit production on youth' own initiative.

- **Youth Organisations** benefitting from training opportunities or incubation programmes act as business entities, jointly adopting and working together on a business model. Or they acted, same as **VC associations or cooperatives**, as channel to reach out to their members which then benefitted as individuals from those support measures.

- **Within the framework of public-private partnerships**, private companies promoted business models, e.g. passion fruit or chili production, to expand/intensify/diversify their business and involve youth entrepreneurs in their **contract farming schemes** while offering them a safe market and often also input credits or other incentives.



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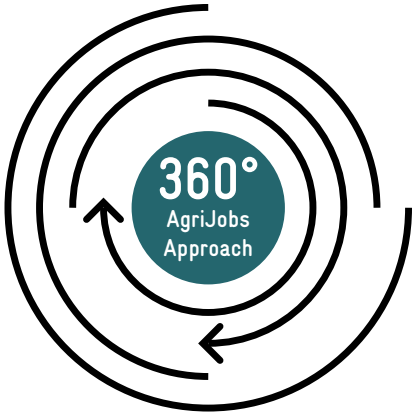
360°

The promotion and adoption of innovative business models requires the engagement of various players realising specific measures in all the three pillars, roof, and foundation of the 360°AgriJobs Approach, in order to contribute to improved employment opportunities, and better income for rural youth.




## The promotion and adoption of innovative business models

### FRAMEWORK CONDITIONS

Strengthening of government policy and action framework for sustainable rural youth employment promotion, advocacy work, gender sensitive policy-making, education, access to capital, land, information etc.

| DEMAND FOR LABOUR | MATCHING | SUPPLY OF LABOUR |
|---|---|---|
| Start-up promotion in key VCs, through incubation, seed funding, coaching support. | Improvement of labour market coordination and matching mechanisms, e.g. matching to markets and information. | Short-term, demand driven courses focused on technical skills required in key VCs. |
| Support (M)SMEs in their business development and growth by facilitating linkages along VCs and within the sector. | Networking activities and facilitation of economic linkages with firms and other VC actors. | Business skills and entrepreneurial mindset training to promote self-employment. |
| Facilitate young farmer's access to finance/ inputs/ markets through their integration into out-grower schemes. | Matching opportunities, career counselling, internships. | Innovative digital tools to engage youth in agribusiness learning. |

### FOUNDATIONS

| | | |
|---|---|---|
| Equitable access to productive assets for youth. | Awareness raising in rural communities on opportunities for youth-led business creation, including through the promotion of local role models and success stories. | Work with youth organisations and networks to overcome structural challenges, thus also promoting entrepreneurship as a career option to youth. |
| Support of decision makers and private sector associations to see value in supporting and contributing to youth-led business creation. | | |

**Look for**
**360° AGRIJOBS (https://agrijobs.snrd-africa.net/)**

# CONCRETE ACTIVITIES

The following section presents a selection of practical experiences with selected youth-friendly business models as well as approaches to promote them that have been implemented within the Global Project Employment in Rural Areas with Focus on Youth.

PRODUCTION

## Passion Fruit Production

**Kenya**

The passion fruit VC has been identified as an employment-enhancing VC through the described process due to its labour-intensive requirements with high representation of women and youth in the VC, adequate revenues, fast returns on investment and further employment opportunities in value added processing, nurseries, extension services and input distribution. Further, only small plots of land are required making it more feasible to achieve in a setting where agricultural land is difficult to access. The project identified a large opportunity for profitable passion fruit farming, increasing the production of passion fruit farms and matching them with higher paying markets. For that, the business model suggests establishment of nurseries as well as training on production and marketing to establish linkages with off-takers. It is presented to youth organisations in target areas. The VC provides several advantages for youth engagement, including high profitability of small-scale production when access to land and quality healthy plant stock is available. The rural youth members of the youth organisations are invited to trainings on primary production but also on service provision and are transparently informed about financial implications of the business model through a digital platform, *Budget Mkononi*, that guides them step-by-step on the necessary investments, costs and returns.

Furthermore, the project established public-private partnerships with several private sector partners such as Equatorial *Hortifresh* and Mountain Berean. Within these partnerships small businesses producing, processing and exporting passion fruits were created while they had a secure and guaranteed market.

**Budget Mkononi**

**Equatorial Hortifresh Ltd**

**Mountain Berean Company**



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## Chicken Production

**Mozambique**

The project developed grant agreements and public-private partnerships with ATVET institutions to train 323 youths on small-scale, live, broiler chicken production, fed with industrial feed produced from national large-scale poultry processing companies. These large firms are linked, or are direct shareholders of the ATVET, and promote capacity building for the producers in their supply chain. The large firms supply chicks, feed, medication, and extension services to producers in their scheme, and guarantee them a market for wholesale. Successfully trained youth receive a starter-kit to establish their broiler house and production. The production is started by youth at small scale, the national demand in local markets is big enough to absorb all the production at a better price than what large off-takers can offer. 76% of youth who have taken part in this training have confirmed improved employment prospects and 58 youths have a profitable chicken business, and this continues to grow.

## Honey Production

**Malawi**

Project partners promote technical capacity building to youth organisation and support them to set up locally produced beehives in a forest covered land. This honey is mainly harvested and commercialised in local markets. Larger producers are supported to establish linkages to off-taker firms who collect the honey at farm gate. 202 youths have been trained through a Bee Keeping Camp, and 72% of the individuals have grown or diversified their business with honey. From those individuals 56% of trainees have increased their income and additional employment.

## Processing of Organic Compost

**Burkina Faso**

The project facilitated the grouping of 10 start-ups, made up of 10 young people each, to engage in the production of organic compost from cashew and mango processing residues. This business model was chosen because it promotes a circular economy activity that offers added value to large processing companies, which thus get rid of their organic waste, and to local (M)SMEs, which can access reliable suppliers of certified high-quality organic compost.

The individuals of those group start-ups were selected in consultation with the processing companies, following a call for applications. The processing companies further agreed to co-finance 50% of the purchase of one shredder per start-up. The youth took part in a number of training courses (technical, entrepreneurial, personnel management, internal organisation and group management) consisting of theoretical and practical sessions.

The start-ups have developed their marketing and financial plans and received small grants to acquire improved processing equipment. They have established commercial links with major buyers and customers and have benefited from project support to monitor their performance. In addition to the hundred young people who form the start-ups, 37 new jobs have already been created thanks to the compost business model.

**DryMore Platform**

## Solar Irrigation Service

**Malawi**

The project promoted the access to Solar Powered Irrigation Systems (SPIS, mainly mobile solar water pumps) through offering 'Pay-As-You-Go solutions'[1]. PAYGO lowers the upfront investment for youth farmers who cannot afford the full pump price at once by offering them monthly payment schemes. Each solar pump is equipped with a PAYGO switch, which activates or deactivates the pump based on provided payments. The pump purchase was promoted and incentivised by offering additional free water tanks and pipes on a first come first serve basis on project funds. The project partnered with a local NGO, *MAEVEproject*, who established a revolving component under which incoming PAYGO payments will be re-invested in new SPIS solar pumps for new farmer clients.

In addition to access to the solar pump technology, the project and *MAEVEproject* tested three business models: a) introduce solar irrigation systems in conventional farming, b) introduce solar irrigation in farming combined with partial rental of the pump to other producers, c) offering fee-based irrigation services with the mobile pumps. Results showed that solar pumps were mainly used by the pump owners to irrigate their own land (!). Renting out the pump (b) or offering fee-based services (c) was not attractive in the Malawian context due to risks like theft or damage of the pump by other users. Overall, the solar sector needs to reduce entry barriers for clients, for example through more capacity development and solar pump repair and maintenance services in rural areas. However, option a) proved that introduction of this new and green technology allowed farmers to increase their yields and their income. 165 pumps have since been distributed, and 60 youth technicians have been trained to provide services for these pumps and been hired by two solar companies.

**maeveproject.mw**



1 PAYGO comes from 'pay as you go' and is a financing method that enables end-users to pay for a product or service when they have available funds.

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## Orchard Maintenance Service

**Burkina Faso**

The project, in conjunction with the mango interprofession, and with the support of orchard owners linked to the interprofession, selected and trained 150 young people in orchard maintenance services. The 150 youth are organised in 15 groups of 10 persons each. They were trained in pruning techniques, pest and disease management as well as harvesting techniques. Furthermore, they received equipment and support for the promotion of the rather new service towards orchard owners to proper kick off the business. Equipment for the start-up groups was purchased, including small contributions from their end, based on recommendations from specialised technicians to ensure the existence of maintenance services in Burkina Faso. Capacity-building activities were carried out by regional specialists from neighboring countries, who trained 20 national trainers in vocational training centres and thus anchor the business model in the education system.

71% of the trained youth confirmed that their job prospects positively improved, and 4% of them have already employed additional people.

# LESSONS LEARNT & RECOMMENDATIONS

## Conceptualisation Phase

- Business Modelling should ideally **be timed at the start of the project**. If started midway, local entrepreneurs and donors have already invested a lot in potentially unprofitable business activities difficult to abandon at this point. It also helps to design focused interventions that are very concrete: specific qualification measures for a specific target group.

- It is crucial to also **get the entire project team in this commercial business mindset** because only economically viable practices will be adopted and applied by the target group in the long run and thus make a change.

- It can be very helpful to **establish personas of the target group** to have an exemplified understanding of their needs, capacities and motivation and shape project measures as target group centred as possible.

- The VCs chosen to be promoted should be **appealing to youth** and focus beyond only production on services or commercial opportunities where there is a larger area for expansion compared to standard farming alone.

- In most cases, the recommended business models were identified in VCs where some youth already operated. However, **professionalising their activity, developing entrepreneurial attitude and business skills require time** to reiterate the experiment and fail process, until new practices become the norm and the business ecosystem evolves.

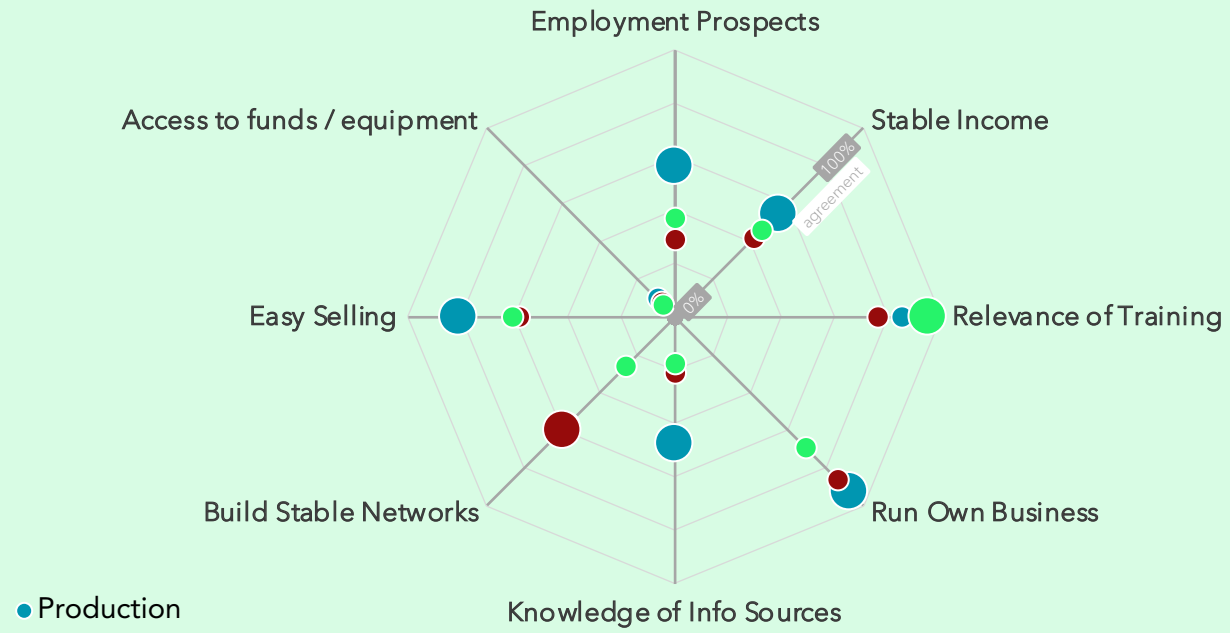
- **Business models** that can be easily adopted by youth and women are **characterised by**:

  - No need to own land titles
  - Low assets requirement (e.g. finance, equip ment etc.)
  - Generate short-term positive cash-flow
  - Secure market access
  - Large demand
  - Low barriers to entry, especially in terms of operational standards' compliance

- Youth-led start-ups and MSMEs have high potentials when **serving the wide local and regional market**, which is far less sophisticated (and often less regulated) than export markets, whilst being much larger.

- Another option is that youth-led start-ups and MSMEs should seek for **opportunities in (more) structured VCs**, such as those of cash-crops produced for export markets, and in the framework of out-grower schemes. Within these VCs, it is easier to identify large anchor firms that already made significant investments on infrastructures stimulating all other direct and indirect economic activities. Thus, opening opportunities up-stream and down-stream of VC, as well as for indirect economic linkages.

**Evaluation of Training Effects by Type of Business Model**




- Trainees in **production** point out easy access to markets and business information, leading to good prospects and stable income.
- Trainees in **transformation** rated trainings least relevant, lacking access to business opportunities and markets, affecting their employment prospects and income negatively.
- Trainees in services struggled most to find markets, networks and information on business opportunities. They struggle to put the innovative skills into running a profitable business.
- Lack of access to funds and equipment is a major obstacle for all youth.

- **Production businesses are easier to start** for youth than businesses in processing and service provision as they have clear markets and can be started small-scale.
- **Business models focusing on service provision and value addition through processing**, including models with technological and digital innovation make it more interesting and attractive for youth and move away from the traditional perceptions of self-sustaining agriculture. However, experiences in the project suggest not to underestimate the costs and efforts of establishing businesses in service provision, which may require less assets than processing, but a higher marketing investment to launch and position the activity.
- For the promotion of any business model the **education level and general capacity of the target group** to take up business concepts are crucial to explore beforehand and embed accordingly in implementation strategies. Data reveals that more complex business models suggest higher education levels to show success.

## Implementation Phase

- In context where the ecosystem is still under-developed or weak, the **sequencing of interventions is key to the success of implementation**, having a) initial identification of business model, b) initiating the development or adjustment of training courses to c) train the target group on the adoption of such business model, including technical skills and business skills, d) support business creation with services and access to finance, e) facilitate the matching of youth-led businesses to established market players.

- To help establish and support business models it is vital to include **trainings and coaching on the managerial skills required to run a business**. This can include how to do sales, administration, operational organisation, and financial management.

- Compared to business models kickstarted by individuals, some are suitable or even require a **group model**. While the complexity of internal organisation of group members increases, the risk of failure decreases due to the improvement of accountability. This can be further supported by **mentoring and coaching opportunities** for the group.

- Youth-led start-ups and MSMEs should be supported to **access financial resources** to kick-start/grow their businesses. This can be done for instance through incubation programmes or acceleration programmes, complemented with seed /matching grants. It is however important that even winners of competitive processes are required to match their grant with cash or in-kind, to demonstrate commitment. Furthermore, the funding is more effective when delivered in cash, giving it a sense of ownership. Yet, **on-going coaching or mentoring support** during the implementation phase is highly recommended.

- In addition, accompanying local start-ups and MSMEs to grow during a project term, and in the best case provide evidence with data, creates a viable business case to present to **local financial institutions**. It proves business viability and increases chances that targeted financial products will be offered to the target group.

- For rural youth, who lack capital, it might be better to **diversify sources of income and venture into more than one VC** to minimise the risk of unforeseen events. This advocates for a farming system approach instead of a VC approach, fostering resilience and better mitigation in case of shocks. However, this also requires to well identify and demonstrate synergies between economic activities, e.g. through inter-cropping. It also adds complexity and asks for additional capacities and skills. The project needs to weigh up pros and cons.

- It is vital to **transfer what works theoretically into practice**. This requires **constant observation and potential modifications of business models** due to changing real situations e.g. inflation and market situations etc.

**The learnings from project implementation suggest continuous promotion of youth entrepreneurship and employment creation by identifying and replicating viable business models. They can be turn-key solutions to propose to anchor firms potentially interested in entering public-private partnerships to strengthen their VC, to promote to youth organisations, integrate it in offers of incubation hubs or training institutions or engage on it with any other stakeholder of the project. Doing so, allows to simplify the dialogue with other parties interested to pursue the same objective of the project and in need of ideas and models to do so.**

## FURTHER RESOURCES

**Toolbox for Rural Youth Employment Promotion**

Examples of developed business model briefs **Burkina Faso**, **Kenya**, **Malawi**, **Mozambique**

Do you want to explore more topics, tools, and testimonials on rural youth employment? Then visit our website

**360° AgriJobs** **(https://agrijobs.snrd-africa.net/)**

This **series of How to Papers** has been developed by the **Global Project Rural Employment with Focus on Youth** and aims to process and systematise the project's practical experiences. Each **How to Paper** has a thematic focus and provides a brief overview of innovative approaches and inspiration for practical implementation. The series targets implementing organisations and donor agencies working in the field of youth employment.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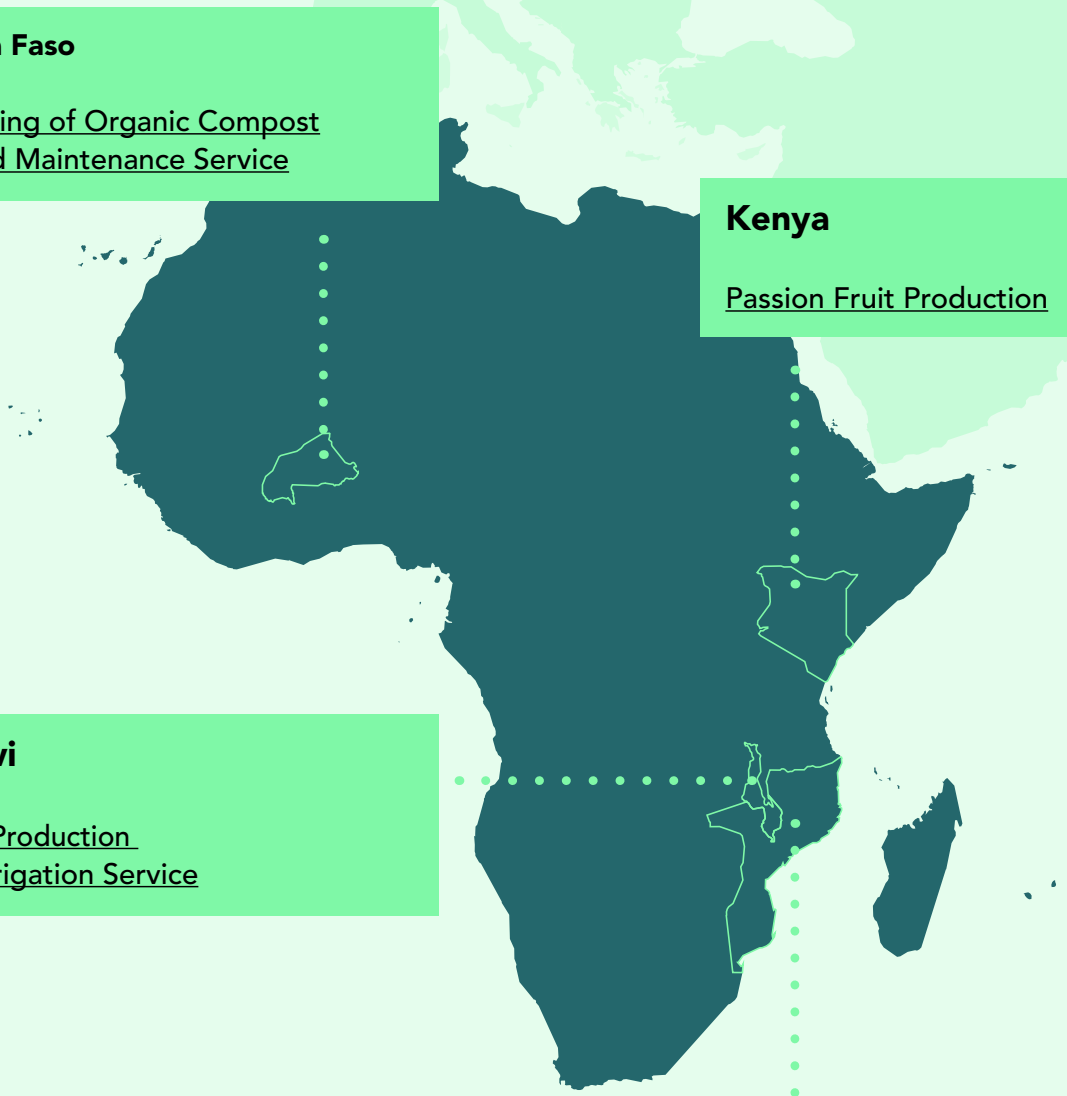
January 2025

# DEEP DIVE: COUNTRY CASE STUDIES



**Burkina Faso**

Processing of Organic Compost
Orchard Maintenance Service

**Kenya**

Passion Fruit Production

**Malawi**

Honey Production
Solar Irrigation Service

**Mozambique**

Broiler Production

# COUNTRY CASE STUDIES

## Broiler Production

**Mozambique**

**Description of Business model**
Small-scale, live, broiler chicken production, fed with industrial feed produced from national large-scale poultry processing companies.

**Economics**
The farm has capacity to produce 10 cycles of 500 to 1,000 live chicken each, on production cycles of 28 days, separated by 5 days for deep cleaning, and with an average mortality rate of 3-5%. This production scale is profitable assuming the rural youth have a network of local buyers who purchase and collect live chicken at 'farm-gate' for household consumption or they are taken by the farmers to live market. The model allows to achieve ±2,500EUR annual net profit, which represents a monthly income 60% higher than agriculture minimum salary in Mozambique.

**Entrepreneur profile**
- Team of 3-4 proactive and motivated village women, who partner to diversify their income sources and professionalise their household backyard production. They receive a short training and technical assistance during their first production cycle, to ensure they can respect health and safety measures, minimising chicks' mortality.
- Rural youth graduating from ATVETs, who received technical knowledge on broiler production in school and are motivated to start a business.
- Existing young small-scale farmers who already grow broiler chicken but wish to professionalise and grow their business.

**Challenges**

- Initial working capital expenditure is a challenge for rural youth.
- Small-scale production is profitable, under the assumption that, at least during its start-up phase, it is operated informally. Full costs implied by a formal business can be absorbed only once the business reaches a higher scale (minimum 500 poultry produced per cycle).

**Solution**

- The business model can be profitable from 100 poultry produced per cycle, allowing to scale to reach full production capacity by reinvesting profit earnt in 6-7 subsequent production cycles.
- The project financially supported the establishment of these businesses with seed grants, and incentivised youth to start their production at small scale to grow in an organic manner. This decreases operational and financial risks and can allow the entrepreneurs to learn 'on-the-job'.
- In the initial 4-6 production cycles until reaching at least 500 chicks, youth needed close, hands-on technical support as well as handholding to ensure adequate financial management of income and profit to be able to invest in assets and to have enough working capital.


**Drivers of the efficient poultry farm management include**

- Good quality feed.
- Good quality day-old chicks.
- Access to veterinary care and vaccines.
- Poultry house biosecurity along full production and post-production.

**Recommended prerequisites**

- Rural youth require access to seed capital to build the poultry house and invest in initial production inputs. This capital should be availed to them through 1) starter-kits, 2) inclusion in out-grower schemes promoted by large-scale feed manufactures.
- Commercial bank loans are no realistic option. Micro-loans are often financially not sustainable.

**Lessons Learnt**

There is a high demand for the product in rural areas, so young people can easily trust the business opportunity, understand the business model, and be motivated to implement it.

## Passion Fruit Production

**Kenya**

**Description of Business model**
Production of passion fruits in out-grower schemes, to stream to large businesses supplying more sophisticated national and regional markets.

**Economics**
Small-scale passion fruit farmers with contract to supply off-takers would require a start-up investment of ±400EUR to plant 0,125 acre of land. This requires the work of the owner and 2 seasonal staff. 50% of the start-up investment should be allocated to establish the plantation and 50% to pay for training and extension services. At the end of the 12 months cycle, the net income for the small-scale farmer is ±950EUR. Fruit production spans from 8 to 36 months lifecycle of the tree.

To increase economic return passion fruit production can be integrated with bee keeping as the benefits of pollination and additional income source can improve overall longevity of the VC. Further the establishment of plots should be staggered meaning passion fruit groups should be planted in different years in order to even out variation in harvest volume and cash flow.

**Entrepreneur profile**
- Young agronomist willing to start a business.
- Rural youth with family-owned land.
- Women farmers on family-owned land.
- Farmers with land to allocate to new cultures (intercropping with vegetables is recommendable for passion fruit, particularly within the first year where no passion fruits are produced for harvest).

**Challenges**
- Production challenges: Passionfruit is susceptible to soil borne diseases, insect pests and fungi. The risk of drought or irregular rainfall patterns can reduce yield and the economic lifespan of the orchard.
- Working Capital: Farmers need working capital to cover the costs of inputs and labour for the first 8 months until revenue begins. In addition, new entrant farmers may not master Good Agricultural Practices (GAP) techniques and their yields may be lower than expected, leading to lower motivation by the youth, in the face of lower incomes.
- Youth Engagement: Trained youth entered the scheme but discontinued their production along the process due to previously described reasons or often other upcoming/more promising opportunities.

**Solution**
- The project can support negotiations with an anchor firm to supply starter kits and quality inputs to the farmers of their out-grower scheme. Further it can provide extensive technical, legal, managerial support and training to all parties.
- The project can facilitate new/broader market linkages for the anchor firm to lower the market risk, easing access to local and potentially export markets.
- Strengthening of support structures: The anchor firm received support in the establishment of nurseries to provide good quality planting material to the youth; An online platform to budget and follow step-by-step guidelines on

the technical implementation was created; Capacity development of local extension services was key to assist producers.
- Youth organisations have been approached to engage in passion fruit production, nursery management and fruit processing.

**Drivers of the efficient operations include**
- Quality technical training on production, provided by trained village-based agents and extension services providers.
- Quality input supplies are necessary to guarantee the quality of the fruit. In some cases, anchor firms distribute inputs to their out-growers. Alternatively, the project can support technical schools to develop nurseries and multiply seeds and plants for distribution, as additional revenue stream.
- Establishing market linkages is key to guarantee a market for the youth. Business models promoted were developed with specific private sector partners in mind, which are approached by the project even before identifying potential producers.


**Recommended prerequisites**
- The model is applicable when anchor firms operate in the VC and have an interest in diversifying or expanding their network of suppliers.
- The project invested in a digital platform that allows any youth to access the financial data to analyse him/herself the opportunity to start this business and take a solid decision (see below Budget Mkononi).

**Lessons Learnt**
- Promoting business models on export-oriented VCs to rural youth is challenging without a strong anchor firm providing quality training and ongoing technical assistance. Thus, it is crucial to first focus on regional market demand before considering international expansion.
- Youth should venture into multiple VCs to reduce risk and diversify income sources. This supports a farming system approach over a VC approach, enhancing resilience against shocks. For out-grower schemes, this could foresee intercropping passion fruit with beekeeping and vegetables.

**Budget Mkononi**

**Equatorial Hortifresh Ltd**

**Mountain Berean Company**

## Honey Production

**Malawi**

### Description of Business model

Rural youth set up locally produced beehives in a forest covered land, to harvest and commercialise it in local markets and to established off-taker firms who collect it at farm gate.

### Economics

The hives are produced by local craftsmen and women, with local techniques and materials, to minimise costs. Once positioned in the forest, the hives are untended, so the only cost related to honey production is the initial investment of ±15EUR to purchase the beehive, which will have a life cycle of 10 years and be harvested two times per year. Youth owned on average 5 or 6 beehives, harvesting an average of 25kg of honey from each. Honey is sold at farm gate price for 1.50EUR per kilo, young rural youth have an opportunity to generate significant additional incomes – for a rural context.

### Entrepreneur profile

- Youth looking for additional income: They are already engaged in an economic activity such as paid employment but own a beehive as a low effort activity or minor source of income.
- Youth already involved in honey production in forests who want to increase capacity or to start in-orchard honey production.
- Youth living in remote rural areas, covered by forest, where only limited access to arable land is available, and they seek income generating opportunities.

### Challenges

- Identify the right partner, with a good understanding of the local context and locally effective technology.
- Price negotiation with off-takers to guarantee decent incomes to the young producers.
- Access to finance by the youth to purchase sufficient beehives to generate decent incomes from production.

### Solution

- Proper site selection: It is recommended that beehives are in an area with adequate vegetation, such as coffee, sunflower, mangoes, oranges, bananas and other flowering plants. Not more than six beehives shall be placed on one hectare of agricultural land.
- The project should partner with a reputable technical partner, entering a grant agreement or public-private partnership, to support youth' access to seed capital or equipment through the partner.
- The project can facilitate and support the negotiations with established off-takers to engage them in development partnerships and foster fair conditions.
- The project should target youth organisations for the business model. They can act as collective bodies to increase negotiation power of the youth towards off-takers and jointly provide bigger volumes.

**Drivers of the efficient operations include**

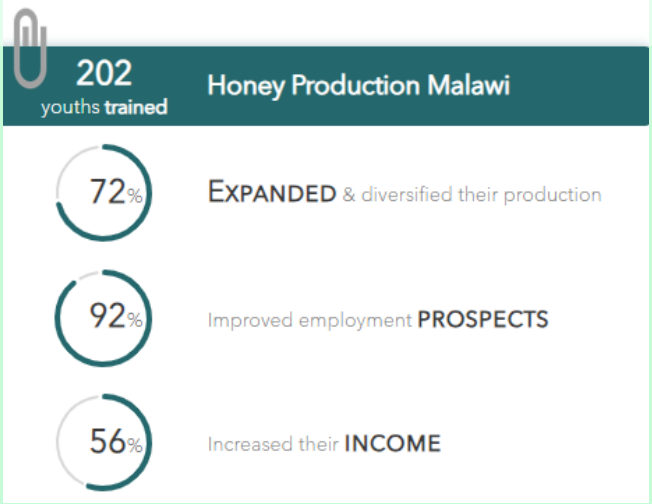
- Access to good quality beehives which were funded as starter-kits through a grant agreement with a local partner.
- Access to short-term training courses in honey harvesting and post-harvest handling. In the described case it was successful thanks to a highly qualified technical partner who provided skills and technical assistance to the youth along the production process.
- Access to finance during start-up phase, to purchase new beehives.

**Recommended prerequisites**

- The project shall support the implementation of short-term training in constructing good quality beehives, the basics of beekeeping with focus on site selection, harvesting and post-harvest handling, as well as finance and marketing skills for the honey producers.
- Nevertheless, beekeeping should mainly be considered as additional income stream for youth, not a main source of income.

**Lessons Learnt**

- It is important to leverage local knowledge and adapt local techniques to production, in order to minimise costs of equipment.



## Processing of Organic Compost

**Burkina Faso**

### Description of Business model

Group start-ups consisting of 10 youth each collect organic waste of mango (peel, seeds) and cashew apple and shells) of big processing companies with tricycles to bio-process it into fertilising compost. The organic compost which is also certified by a national research institution to ensure quality and better commercialise it towards farmers, cooperatives and SMEs in the agri-food sector.

### Economics

Organic materials require 60-90 days to compost. The profitable scale to begin the activity is estimated at 750t of fresh mango, which transforms in 337t of dried fruit and is mixed with residuals 84t of poultry and 421t of rice peel to originate 295t of enriched compost. The reference for the business model is 280t of enriched compost mixed with 280t of simple compost, which matched factory waste of 100t of mango. The products can be placed in the market with a 35% operating margin.

### Entrepreneur profile

- Mango processors, interested to generate additional income streams.
- Groups of young entrepreneurs formally organised in groups, e.g. youth organisations.
- Cooperatives

### Challenges

- Most beneficiaries are familiar with the techniques and the activity, but never operated it as a business, lacking business skills, capital and a benchmark for expected quality by customers.
- Customers trust in the certification of compost to ensure the quality and suitability for their production. Therefore, the certification by, for instance a local research institute is very important to support commercialisation.
- Working as a group involves specific organisational challenges that do not appear for individual agri-preneurs and require special consideration. Who does what when and where?

### Solution

- The project should provide the group start-ups with subsidies or matching grants to access advanced equipment, to improve the quality and quantity of their compost production.
- The required skills set is a mix of technical qualification, safe use of machinery/equipment, entrepreneurship and group organization/management as well as commercialisation.
- Local youth should be prioritised, as they understand the local context/communities and can thus more easily develop trustable relationship with their customers.

### Drivers of the efficient operations include

- Access to finance for the group start-ups to acquire equipment and working capital. The investment can be recouped already by year 2 of operations.
- Access to quality testing for the compost, e.g. through a research institute, to facilitate commercialization and to maximise the return on investment for the customer.

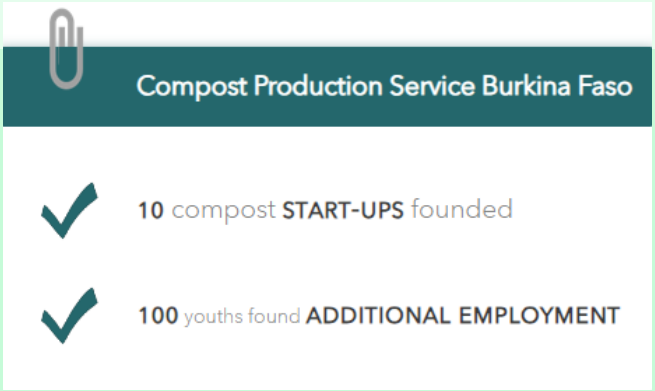
- Establishing strategic cooperations within the VCs to on the one hand get access to enough organic waste and on the other hand commercialise the compost to farmers/(M)SMEs afterwards.
- To create and convince clients: Producers need technical training and technical assistance on Good Agricultural Practices (GAP) for the application of compost.

**Recommended prerequisites**

- The model applies where side products or organic waste, such as mango and cashew or others are available in high-quantity, and high-quality technical assistance and a mix of other qualifications (see above) can be provided.
- The quantity of material is ensured through cooperations with private sector (processing) companies that have an own interest in getting rid of the waste.

**Lessons Learnt**

- Youth selected to benefit from the interventions should be based in the surrounding of the area targeted for implementation.
- Co-financing of equipment between the private sector, project, and contributions from the youth themselves creates ownership.
- A special training on safe use of machinery/ equipment is necessary to ensure safety for all users.
- It is important to think about the maintenance of equipment: therefore, contacts and procedure is required.
- Marketing is a key skill that is required when it comes to selling the compost. This is best addressed in a specific training and coaching.




Video: Compost Production as a Means of Protecting Agricultural Soils

## Orchard Maintenance Service

**Burkina Faso**

**Description of Business model**
Groups of youth and women, 10 persons each, offering orchard maintenance services (pruning, grafting, tree planting, spraying, chipping & mulching, ploughing, fertiliser & compost spreading, harvesting, top grafting) to established medium and large-scale mango and cashew farms, mainly producing for export markets.

**Economics**
A variety of services are needed all year long. Groups of youth equipped with a variety of tools can offer their services during all seasons. The main services include pruning and mulching, fertilisation, spraying and soil preparation. It is envisaged that a small business could start with an initial investment of ±12,000EUR, which can be minimised for a micro enterprise not equipped with motorbikes and trucks to ±6,000EUR. The business can be recovered in 3 years, through an operation margin of 29%.

**Entrepreneur profile**
- Unemployed rural youth.
- Small fruit and nuts producers, with an interest to modernise their business.
- Cooperatives

**Challenges**
- The technique is very new to the sector, advantages are not well known or seen on other farms in Burkina Faso and farmers are generally skeptical to this innovation.
- Orchard maintenance start-ups challenge to find customers because the willingness of farmers to pay and understanding the return on investment of the service for their productivity remains low and requires sensitisation and support of VC actors.

**Solution**
- The project should invest in high quality technical training for the youth, to ensure that the service provided are of high standards and can demonstrate results to the customers.
- The project should support the start-ups to establish strategic partnerships with larger processing companies that can test and recommend the service to their linked producers.
- It needs a mindset shift from farmers to accept and actively demand and pay for such a service. Therefore, the project invested in sensitisation videos, demonstration farms, promotion flyer, TV spots and close collaboration with sector associations to convince farmers of the service and make the business model work.

**Drivers of the efficient operations include**
- Access to finance to acquire quality equipment as well as consideration of maintenance services.
- Establishing strategic cooperations within the VC, e.g. with cooperatives, VC associations and private sector.
- Access to a skill set of technical and entrepreneurial training, safe use of machinery/equipment, group organisation/management as well as commercialisation.
- Onboarding of key players and general sensitisation of VC actors to adopt the innovation and promote such a service amongst others.

**Recommended prerequisites**

- The identification of private sector partners active in (large-scale) production is key to ensure a stable demand for the service.
- The project must ensure the presence of ATVET or other capacity building services providers who can adequately train youth on the needed specialised technical skills, and with the appropriate equipment.

**Lessons Learnt**

- A big focus needs to be on promotion and sensitisation work when introducing such a sector innovation. Crucial actors need to be on board, e.g. VC associations, private sector etc. and support the uptake of the service.
- Supporting groups of youth to provide such a service proves more effective than supporting and funding one individual who would have needed to hire and train several staff.
- See also lessons learnt of *Country Case Study 4: Compost Processing in Burkina Faso*.


DryMore Platform

## Solar Irrigation Service

**Malawi**

**Description of Business model**
Three viable scenarios were identified, promoting a) the adoption of solar irrigation pumps into traditional farming activities, b) adopting the solar irrigation pump for own business and renting it out to other farmers to maximise usage, c) offering fee-based irrigation services with a pump.

**Economics**
All the three models were economically viable on paper. In this case, however, the rental model from farmer to farmer was not adopted due to trust issues. Solar irrigation pump for own production, instead, was based on a 'Pay-As-You-Go Model' (PAYGO)[2], offered by the promoting NGO, to meet affordability challenges of small-scale farmers.

**Entrepreneur profile**
Established young small-scale farmers, requiring irrigation for their farms.

**Challenges**
- Youth lack access to land to farm by themselves.
- Youth lack access to finance to pay even the initial instalments for the pumps.
- Cultural barriers, preventing farmers to adopt rental models, due to lack of trust in others and fear of high costs of maintenance that would have occurred in case of damages caused to the pump.
- The NGO promoting the solar powered irrigation equipment should have established a revolving fund to keep re-financing more equipment to more farmers. However, this is an administrative challenge in project set-ups.

**Solution**
- The initiative should target existing farmers, who already have land and production space, as well as minimal working capital to invest on the asset.
- 'Pay-As-You-Go Model' solutions are an effective tool to leap-frog the lack of accessible and affordable credit lines on offer by financial institutions for this target audience, which is considered too risky.

**Drivers of the efficient operations include**
- Accessible equipment, which in this case were supplied by an established NGO, through a 'Pay-As-You-Go Model' to leap-frog formal financial institutions.


2 PAYGO comes from 'pay as you go' and is a financing method that enables end-users to pay for a product or service when they have available funds.
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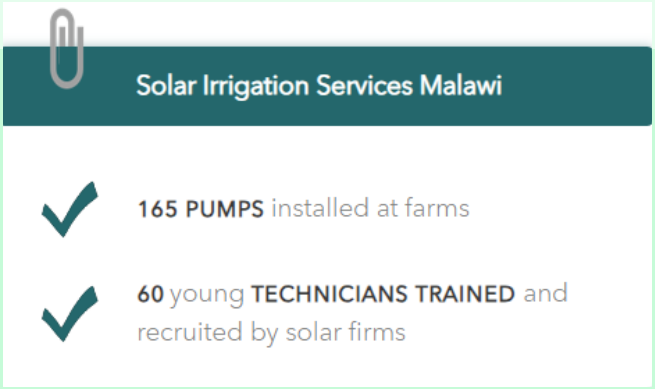
**Recommended prerequisites**

- The model is replicable when there is for instance a NGO, a donor or similar pre-financing assets.
- Alternatively, the promoter of the solar powered irrigation system should be an established social enterprise, already backed by impact investors and already established in the market at a scale which allows the firm to have sufficient cash flow to sustain the risk of low or slow repayments.

**Lessons Learnt**

- Initial analysis on potential business models through a service provider are important.
- It is strongly recommended to establish and integrate those activities with the support of existing large private sector players within a/ several value chains to facilitate the anchoring of the interventions.

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