

THE LEAST DEVELOPED COUNTRIES REPORT 2014

Growth with structural transformation: A post-2015 development agenda

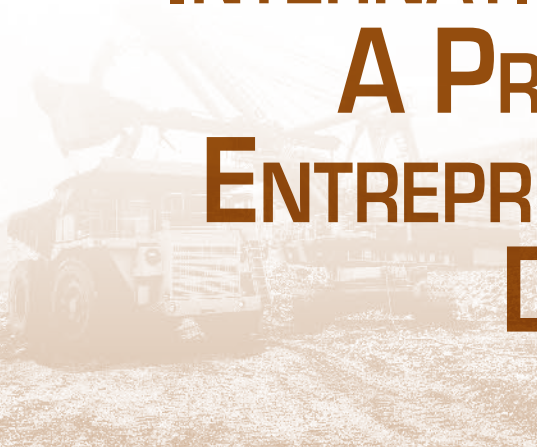
EPILOGUE

INTERNATIONAL SUPPORT MEASURE: A PROPOSAL – FEMALE RURAL ENTREPRENEURSHIP FOR ECONOMIC DIVERSIFICATION (FREED)



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**INTERNATIONAL SUPPORT MEASURE:
A PROPOSAL – FEMALE RURAL
ENTREPRENEURSHIP FOR ECONOMIC
DIVERSIFICATION (FREED)**



A. Women's entrepreneurship in non-agricultural rural activities, structural transformation and the SDGs

In all but a few LDCs, the majority of the population lives in rural areas.

Breaking the vicious circle of underdevelopment is critical to the structural transformation needed to unlock the productive potential of LDCs. Human and economic development in LDCs are hindered by the vicious circle of underdevelopment, as highlighted in chapter 3 (chart 20) of this Report. Poverty leads to undernutrition, poor health and limited educational attainment, and these undermine labour productivity. Together with the effects of poverty on investment, this limits structural transformation, weakens economic performance and hampers poverty reduction. Reversing this vicious circle, to unleash an upward spiral of human and economic development, is critical to achieving the planned SDGs.

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Rural development is critical to this process. As noted in chapter 6 of this Report, in all but a few LDCs, the majority of the population lives in rural areas. Given the rapid overall population growth and limits to the sustainable rate of expansion of cities, this means that the population will still be predominantly rural in 2030. Thus, it will be necessary to increase rural productivity and incomes if poverty is to be eradicated within the time frame set by the SDGs. This is also an important element of the structural transformation of LDC economies.

Rural development depends on exploiting the synergies between agriculture and non-farm activities. Due to limits to the rate of urbanization, the surplus labour shed by agriculture as productivity increases will need to be absorbed largely by rural non-farm production. There are important synergies between agricultural upgrading and non-farm production, as each generates both the supply to satisfy the other's increasing demand, and the additional demand needed to stimulate the other's supply growth (section 4b and chart 36 in chapter 6 of this Report). The resulting diversification of rural economies is also a key aspect of structural transformation. The complementary development of agriculture and of non-agricultural activities is thus central to successful and sustainable development in LDCs.

The diversification of rural economies is also a key aspect of structural transformation.

Women in rural areas would benefit disproportionately from progress towards the SDGs. As discussed in chapter 2 of this Report, there are wide gender gaps in education in most LDCs, particularly at the secondary and tertiary levels. Consequently, increasing net enrolment ratios to 100 per cent, as envisaged under the SDGs, would entail bringing more girls into school than boys in most LDCs. Universal primary education would benefit, on average, 20 per cent more girls than boys in LDCs, and universal secondary education would benefit 5 per cent more girls. The difference would be greater in rural areas, where the gender imbalance is generally wider.¹

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Needs for social infrastructure are generally much greater in rural areas, and particularly affect women due to traditional gender divisions of labour. For example, the considerable time many rural women spend collecting water could be greatly reduced through improved access to safe water supply. Rural electrification helps to accelerate the energy transition as incomes rise, reducing the time women spend gathering traditional fuels, as well as the serious adverse health effects, particularly on women and young children, from burning such fuels in the home. Women's health would also benefit considerably from improvements in maternal health care and increased access to reproductive health care. Increasing the number of health facilities could greatly reduce the time taken by women to access health services themselves and when accompanying children and relatives who require care. Thus improved rural infrastructure would

substantially increase not only the time available for rural women in LDCs to participate in income-generating activities, but also their productive potential in such activities.

However, rural women in many LDCs are the most constrained in translating increased potential into higher production and income. Their role in providing unpaid household and care work, often compounded by cultural norms, which are typically most entrenched in the more traditional rural areas, limits their ability to seek employment opportunities. While labour-intensive infrastructure development is likely to generate additional employment, this is likely to be predominantly in construction-related occupations that are traditionally male-dominated activities. Women are also often disadvantaged in their access to, and control over, land. Since land is an important form of collateral, this limits their access to credit, compounding the effects of cultural norms which restrict their control over household financial resources. Together, these constraints result in very limited opportunities for rural women, both for employment and for other income-generating activities.

Hence, increasing economic opportunities for rural women is critical to completing the virtuous circle of human and economic development in LDCs. Rural women account for a large proportion of the adult population in LDCs, and for a still greater proportion of the increase in productive potential arising from progress towards the planned SDGs. However, they are the least able to translate this into the higher incomes and the increased production needed to eradicate poverty on a sustainable basis. Unless their economic opportunities are increased, the economic and poverty-reduction benefits of human development will be seriously impaired.

Women can play a key role in rural development, particularly through non-farm income-generating activities. Traditionally, policies and technical cooperation in rural areas in LDCs have tended to focus on agriculture, as the primary source of income. However, expanding non-farm activities in rural areas would contribute to the expansion of rural aggregate demand and ease pressures for migration to urban areas. Promoting the role of women in such activities would also help to create a new female entrepreneurial class, adding to the dynamism and diversification of rural economies.

Collective action is as important as individual entrepreneurship. Where highly gendered cultural traditions are entrenched, it may be easier for rural women to develop enterprises collectively rather than individually. Conversely, where there is already a tradition of women's entrepreneurship, it may be more beneficial to increase collective action and coordination than to promote the emergence of new entrepreneurs, in order to expand economies of scale and strengthen bargaining power. A more collective approach may also be beneficial in terms of risk pooling.

International action is needed to help harness the entrepreneurial potential of rural women in LDCs for economic and human development. While LDCs themselves can do much to enable rural women to fulfil their entrepreneurial potential, the international community can also play an important role.

B. Promoting entrepreneurship among rural women in LDCs

This Report proposes the establishment of an international support measure, Female Rural Entrepreneurship for Economic Diversification (FREED), aimed at

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Promoting the role of women in non-farm sector activities would also help to create a new female entrepreneurial class.

This Report proposes the establishment of an international support measure to support women's non-agricultural enterprises in rural areas.

empowering rural women in LDCs through support to the development and consolidation of women's non-agricultural enterprises in rural areas. Such a measure would address various constraints on women's entrepreneurship, many of which are gender-related. While such constraints vary considerably between national and local contexts, appropriate support activities might include the following:

Appropriate support activities might include: 1. Providing start-up funding; 2. Providing training in enterprise management; 3. Promoting the establishment of production cooperatives; 4. Promoting networking among rural women's enterprises; 5. Developing appropriate mobile phone apps and other technologies.

1. Providing start-up funding and funding for the expansion of individual and collective enterprises led by women in rural areas;
2. Providing training in enterprise management and production skills, particularly in traditionally male occupations, designing such training to take account of low literacy rates (and supporting adult literacy programmes) where appropriate;
3. Promoting and facilitating the establishment of production cooperatives and collectives, and the consolidation of existing microenterprises run by women;
4. Promoting networking and collaboration among new and existing rural women's enterprises, and facilitating mutual learning and sharing of experiences;
5. Developing and/or disseminating appropriate mobile phone apps and other technologies (e.g. production methods and equipment) to meet the needs of rural enterprises, and supporting their local adaptation and use in areas where there is network coverage.

Sectors that are likely to merit support, include: food processing; food preservation and packaging; clothing/tailoring; wood- and metal-working and ceramics; commercial and marketing activities.

Appropriate sectors for support would vary according to local circumstances, and it would be important to maintain flexibility to respond to particular needs in a wide range of circumstances. Nevertheless, it is possible to identify sectors that are likely to merit support, as described below:

- Food processing for the local market, primarily processing of traditional ingredients (e.g. grinding, milling, shredding, drying, smoking and producing juices), depending on local diets. Such demand may increase as incomes rise and economic opportunities for women increase.
- Food preservation and packaging, which also increase opportunities to sell surplus production to a wider market, including urban areas, as agricultural output increases. This would also help to promote the introduction of new crops, and it could eventually lead to greater commercialization. For example, a recent UNCTAD study identified opportunities in Rwanda for processing and bottling tomatoes for sale in regional markets (UNCTAD, 2014).
- Clothing/tailoring, to meet increasing local demand as incomes rise.
- Wood- and metal-working and ceramics (depending on local availability of materials), including production of basic household goods, agricultural implements and artisanal tools.
- Commercial and marketing activities, including selling local products in local and regional markets and procuring inputs for agricultural and non-agricultural producers (e.g. fertilizers, pesticides, seeds, fabrics, tools and equipment).

Funding for this initiative could come from ODA, international organizations, philanthropic foundations and voluntary contributions.

Funding for this initiative could come from ODA, preferably through the provision of additional funds specifically aimed at fostering entrepreneurship among rural women in the LDCs. This could be supplemented by additional funding from international organizations, philanthropic foundations and voluntary contributions.

Note

- 1 Based on data from the World Bank, *World Development Indicators* database (accessed September 2014). Figures are the median for LDCs where data are available since 2005, using the latest available gender-specific net enrolment ratios at primary and secondary levels.

Reference

UNCTAD (2014). *Who is benefiting from trade liberalization in Rwanda? A gender perspective*. New York and Geneva, United Nations.

