

THE LEAST DEVELOPED COUNTRIES  
REPORT 2015

*Transforming Rural Economies*

**The Least Developed  
Countries Report  
2015**

**Transforming  
Rural  
Economies**

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**#ldcreport**





# **The SDGs, LDCs and the Rural Transformation Imperative**

# Context: the 2030 Agenda/SDGs

The 2030 Agenda for Sustainable Development represents a ***paradigm shift*** in the development agenda....

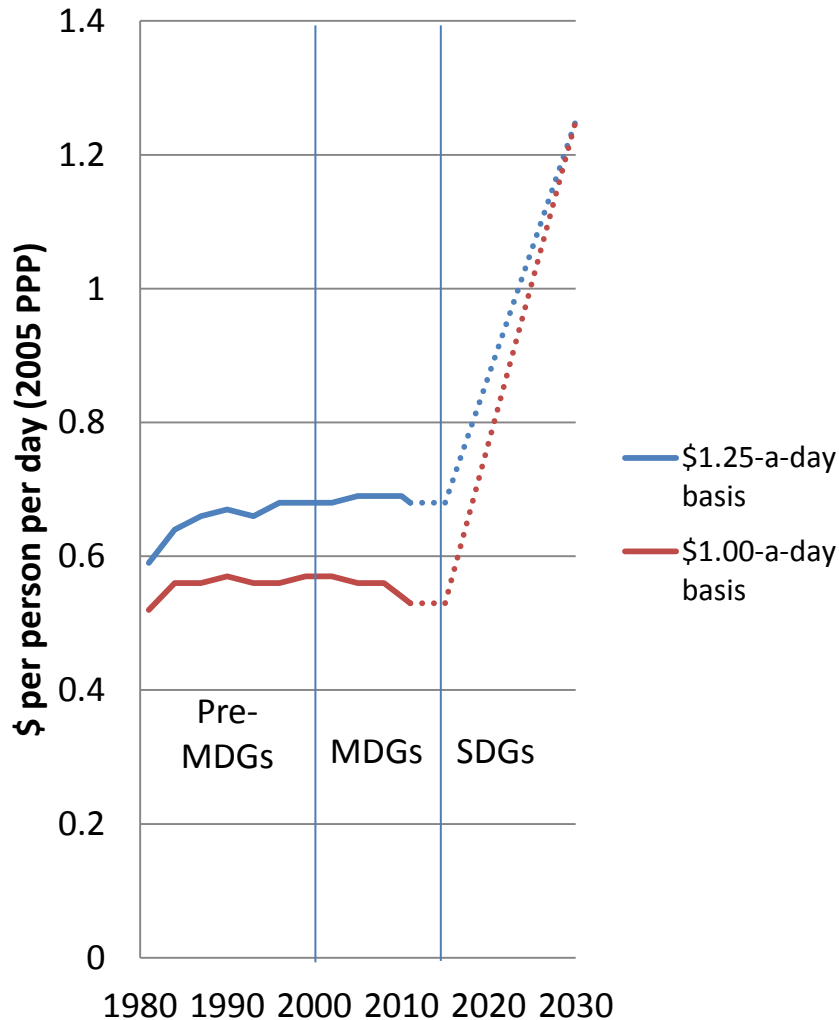
It also represents ***a step change in ambition***, which implies a ***new and different approach***, especially in the LDCs.

- Absolute goals require us to think differently
  - We can only ***eradicate poverty*** by ***eradicating it everywhere***
  - We need to focus where it's most difficult
  - LDCs are the ***battleground*** on which the SDGs will be won or lost...
  - ...and ***rural areas*** in LDCs are where the battle will be hardest



# The SDGs: a step-change in ambition

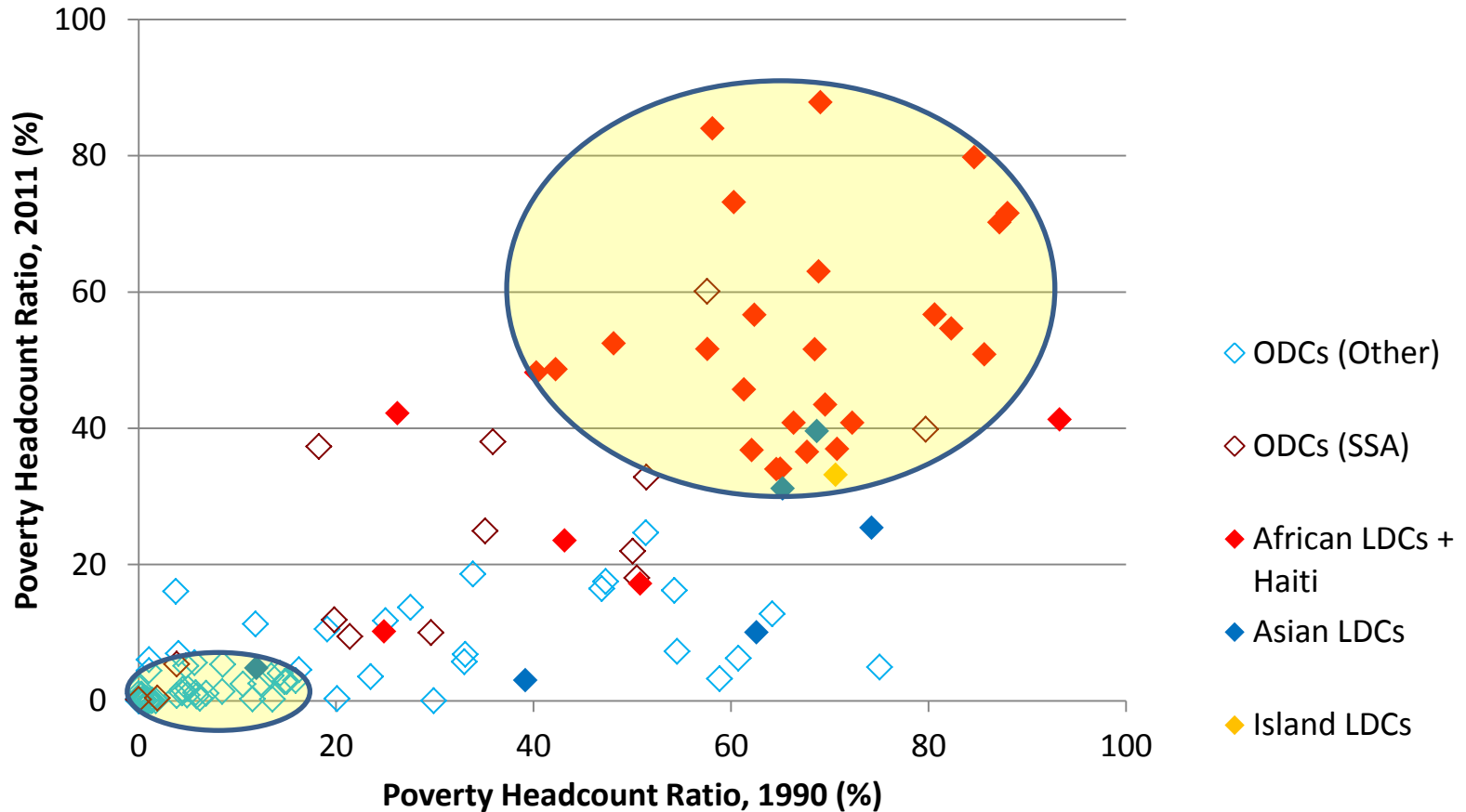
Estimated Global Consumption  
Floor, 1981-2011, and 2030 Target



- Poverty eradication means *doubling* the lowest household incomes globally in just 15 years...
- ...after they have *stagnated* for the last 20-30 years

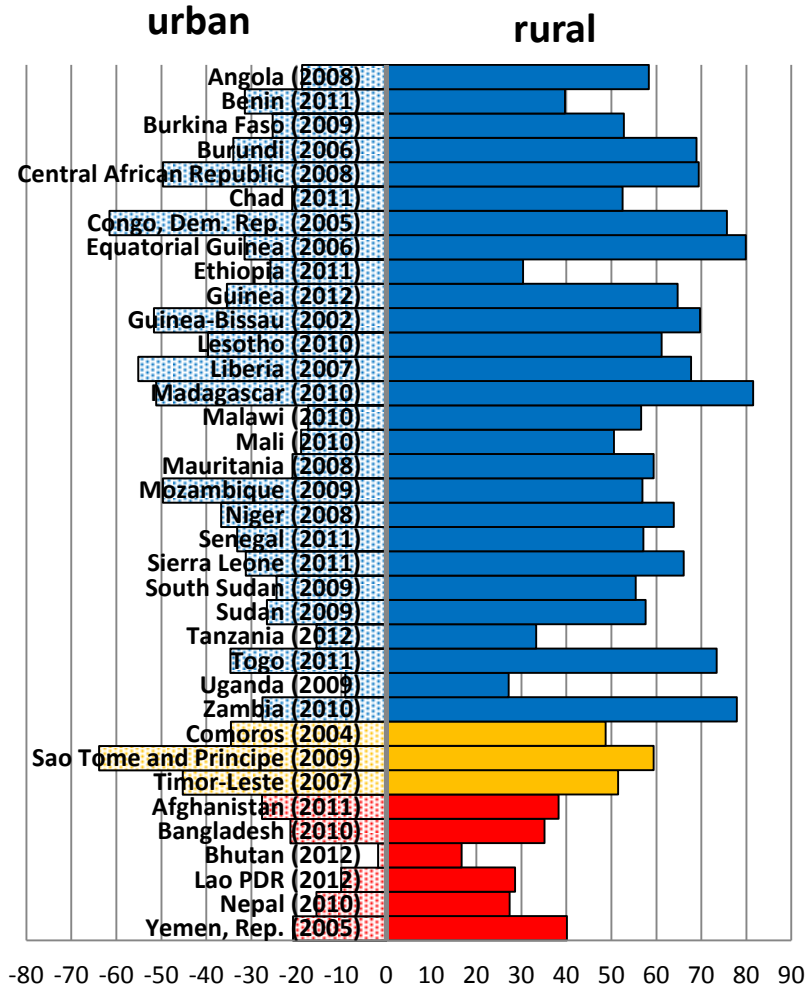
# Poverty is much higher in LDCs....

Poverty Headcount Ratio, 1990 and 2011 (%)



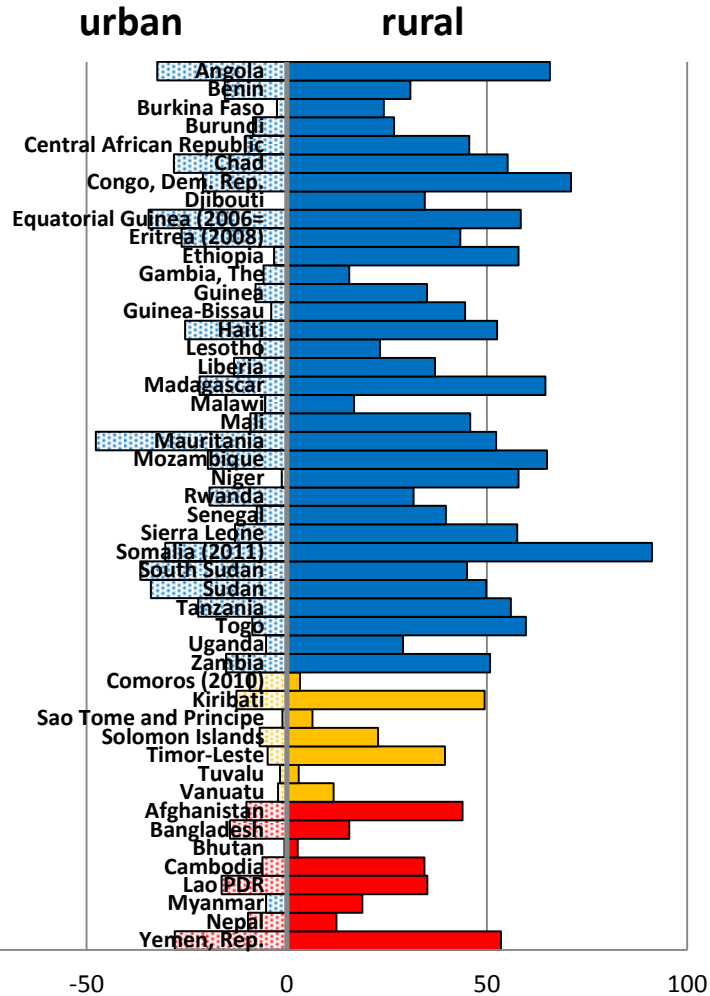
# Poverty rates are twice as high in rural areas as in towns and cities...

## Poverty Headcount Ratio

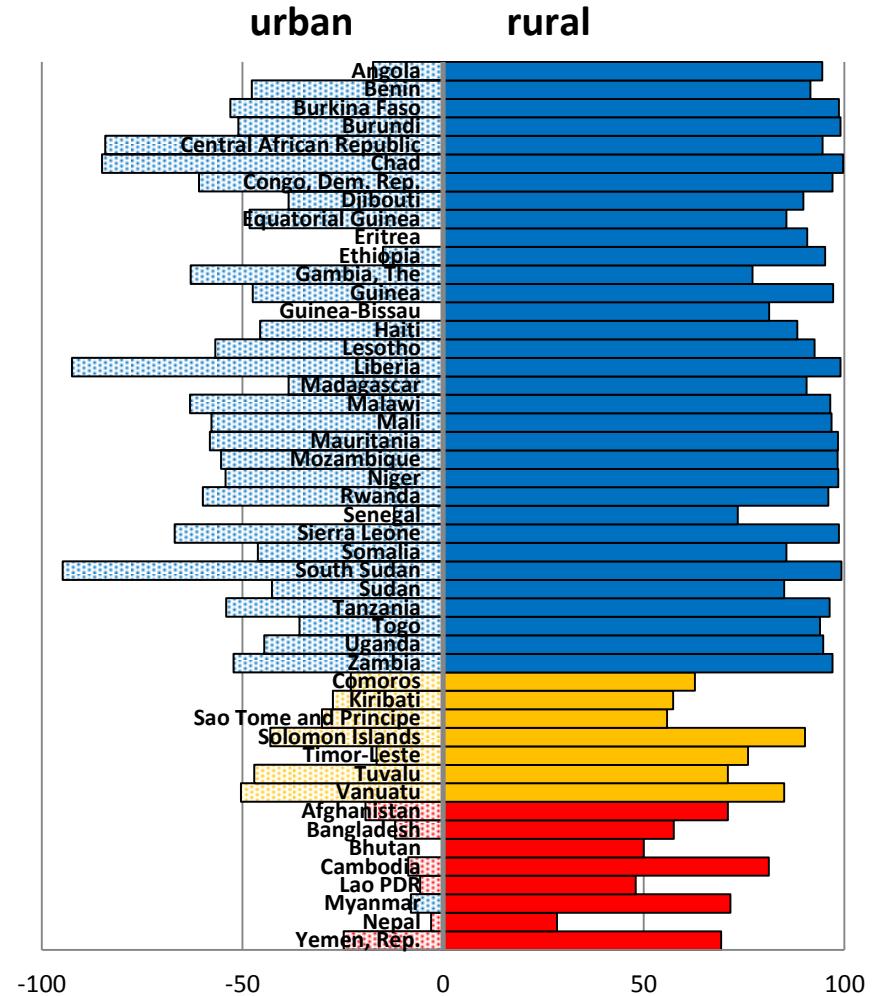


# ...and infrastructure gaps are much wider

## Population without Access to Water



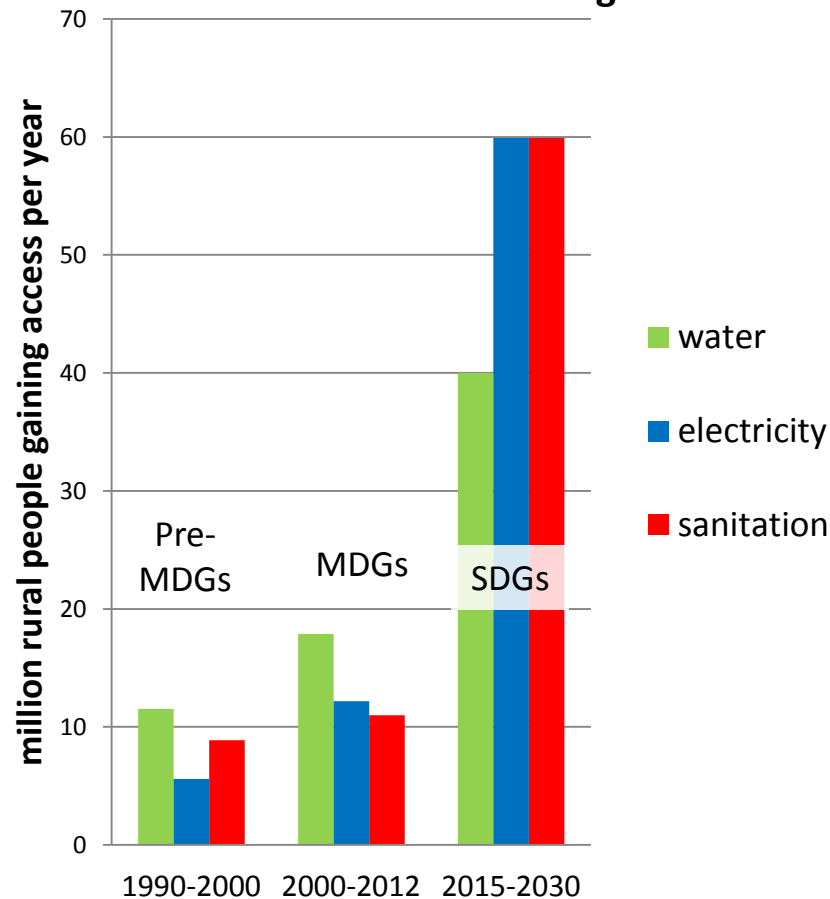
## Population without Access to Electricity





# Meeting the SDGs requires a seismic shift in the rate of progress

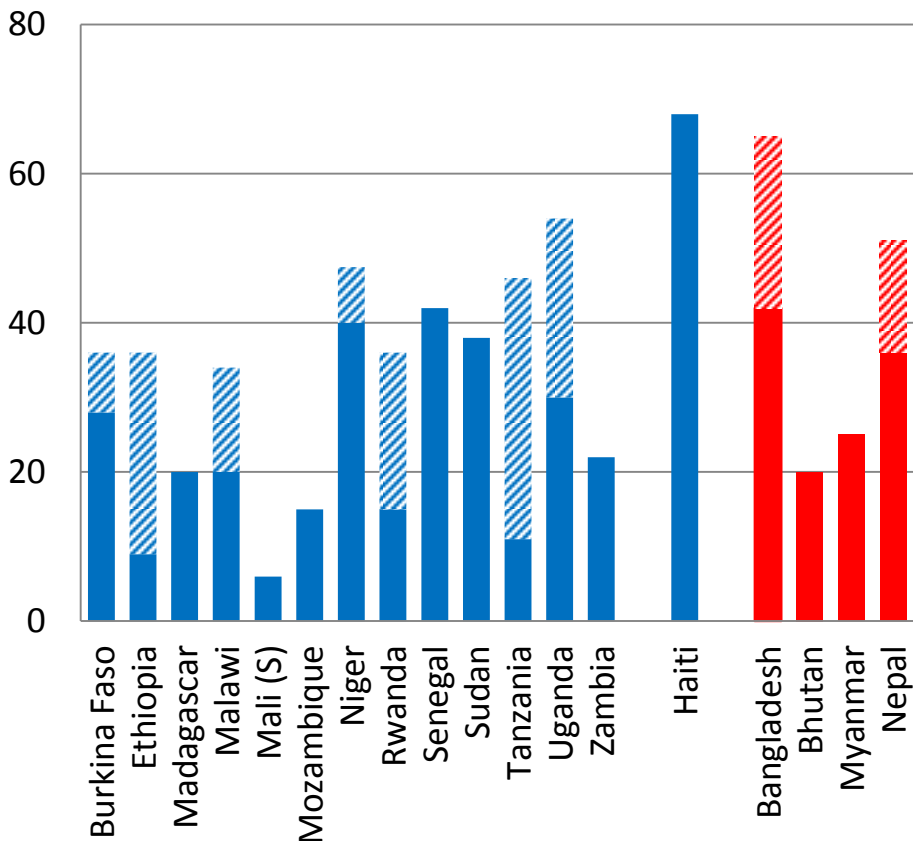
Annual net increase in rural access to electricity, water and sanitation, LDCs, 1990–2012 and 2030 target



# **Development of non-farm activities**

# Rural economic diversification varies very widely among LDCs

Non-Farm % of Rural Income, Various Years since 1983/4 (highest and lowest estimates)



But higher non-farm % does not necessarily mean more transformation, because it includes survivalist "entrepreneurship by necessity" as well as dynamic "entrepreneurship by choice"

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# Urban Proximity

- An important determinant of diversification and agricultural upgrading is distance and cost of transport to nearest town/city
- RNFE development is more difficult further from towns
- Report identifies broad categories of rural economies
  - Peri-urban - with daily commuting distance
  - Intermediate - beyond commuting but with regular trade
  - Remote areas - occasional link
  - Isolated areas - where connectivity with urban is minimal
- Identifying the right policies is critical
- So is recognising the very different needs and opportunities



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# Contradiction between need and opportunity

- Remote and isolated areas have the greatest need for diversification, but the least opportunities
- Similarly among households: poorer households
  - are forced into diversification by low agricultural incomes
  - but have limited capital and access to finance, and less education
  - face great human costs in case of financial losses
  - → "entrepreneurship by necessity" in activities with low entry barriers, low productivity and limited returns
- Shift to dynamic "entrepreneurship by choice" is critical for poverty-focused structural transformation



# **The Gender Dimension:** **Gender issues in the rural economy**

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# Gender Constraints

- Women constitute around half the rural and agricultural workforce
- They face **additional constraints**
  - Double burden ("care" and productive activities) → time & mobility constraints
  - Rural women activities more diversified and scattered
  - Disproportionate share of (unpaid) family labour
  - Limited control over commercial proceeds from agriculture and non-farm activities
  - Limited access to finance, markets (input & output)
- **Relieving these constraints** can make an important contribution to transformation

[Statistics](#)

[Next Slide](#)



# Female share of the agricultural labour force, LDCs

	Labour force											
	Total (Thousands)				Share in agriculture (% of total)				Female share of agricultural labour force (%)			
	1980	1995	2010	2014	1980	1995	2010	2014	1980	1995	2010	2014
<b>LDCs</b>	161'032	242'811	368'329	410'983	79	73	66	64	46	47	49	50
<b>African LDCs and Haiti</b>	92'854	142'046	227'337	258'984	82	78	71	69	47	48	49	50
<b>Asian LDCs</b>	67'619	99'936	139'816	150'690	75	66	57	54	43	44	48	49
<b>Island LDCs</b>	559	829	1'176	1'309	76	72	66	64	46	45	47	48

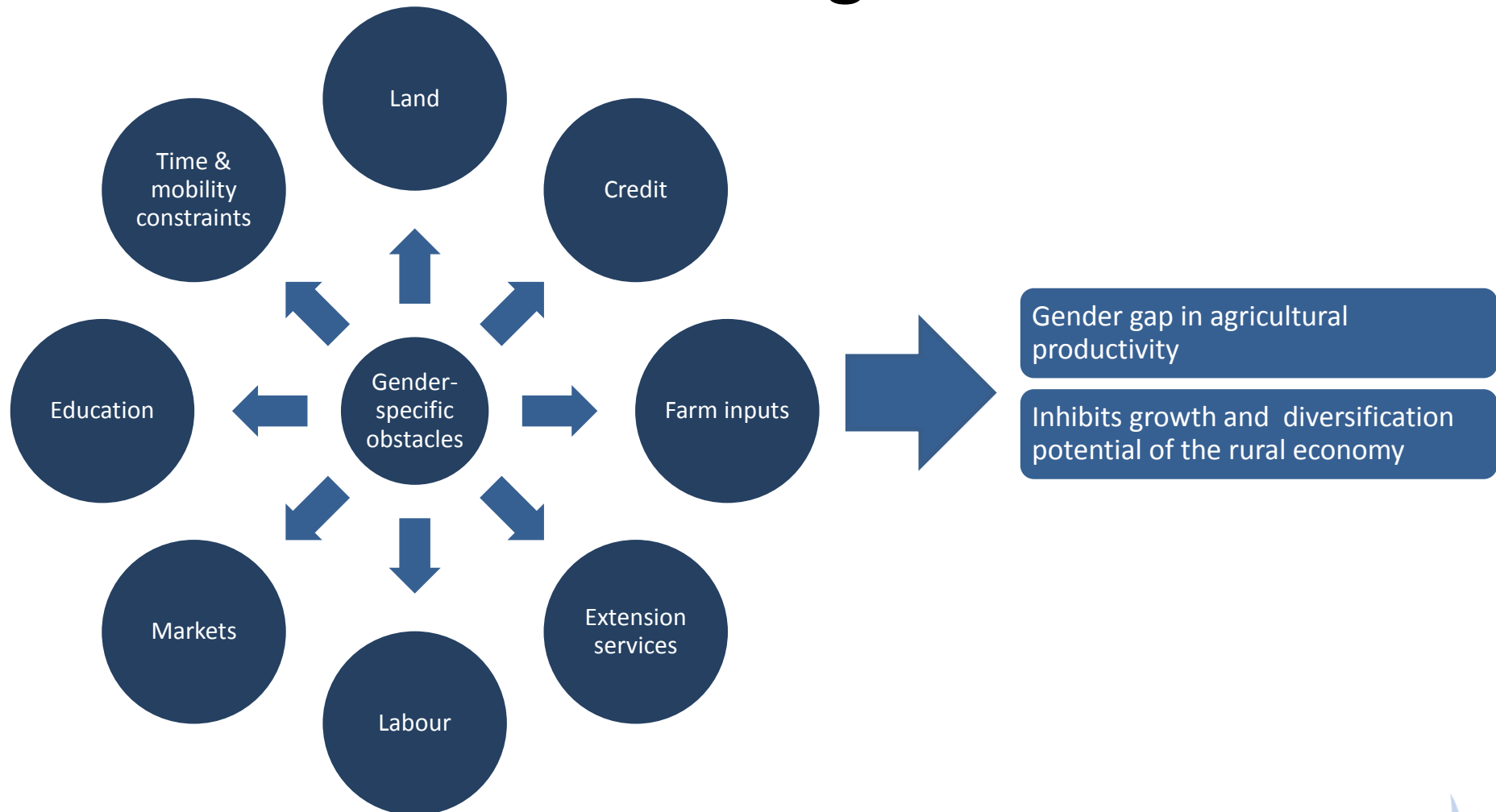
Source: FAOSTAT, Population Statistics (retrieved on 05/05/2015).

Female share of the agricultural labour force: total number of women economically active in agriculture divided by the total population economically active in agriculture



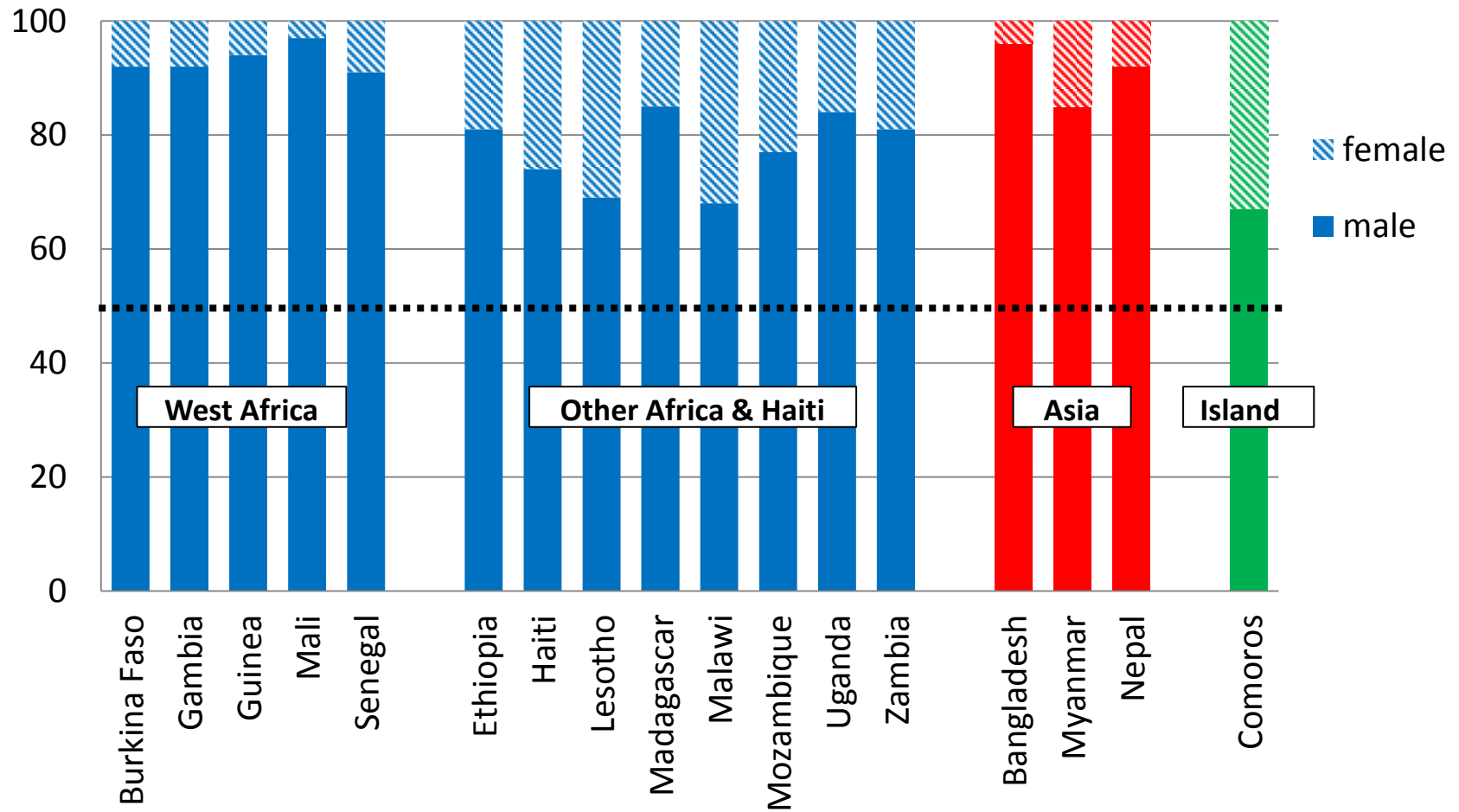


# Challenges



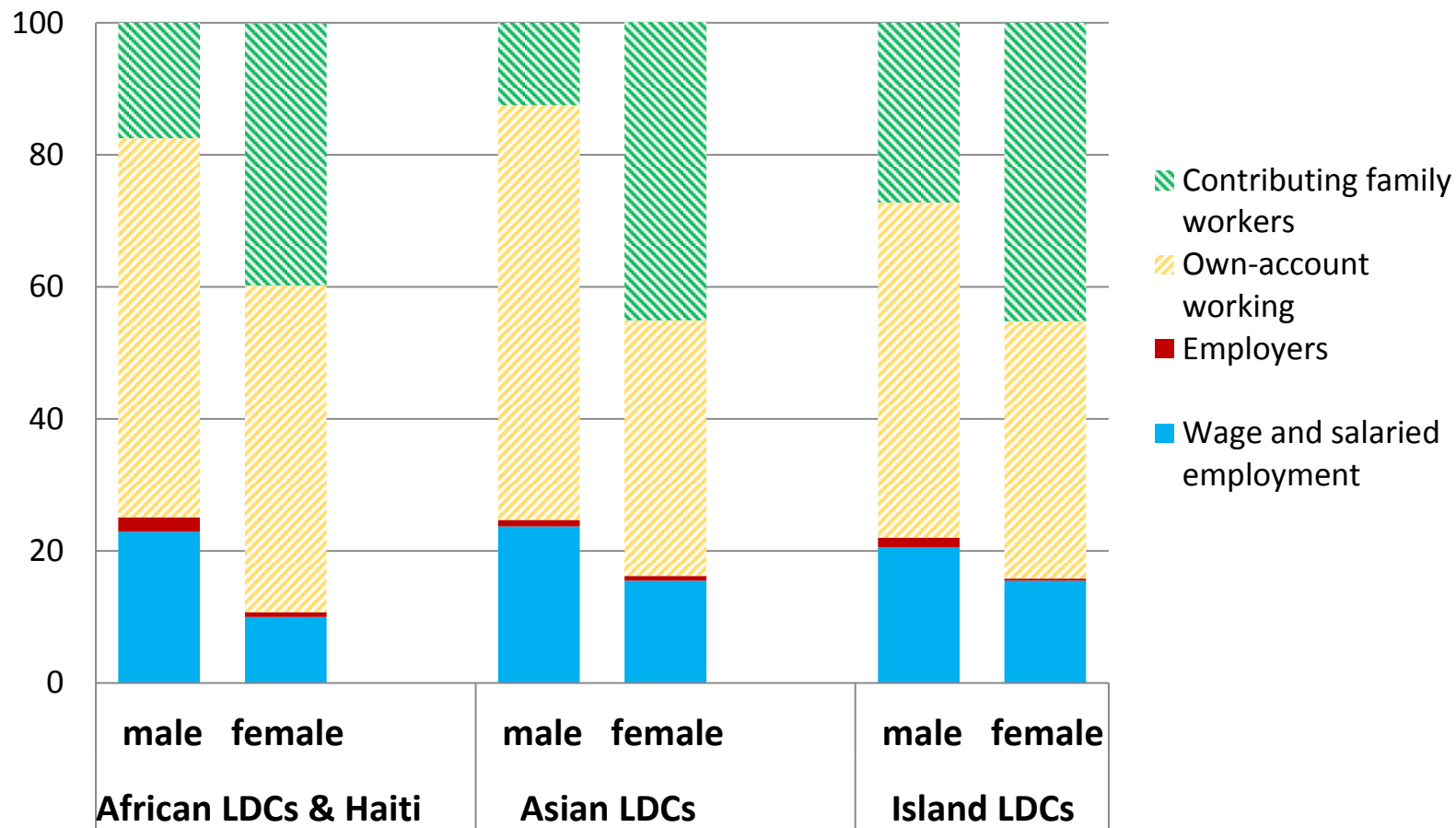
# Women's access to land is limited by customary law and practice....

Agricultural Landholders by Gender (%)



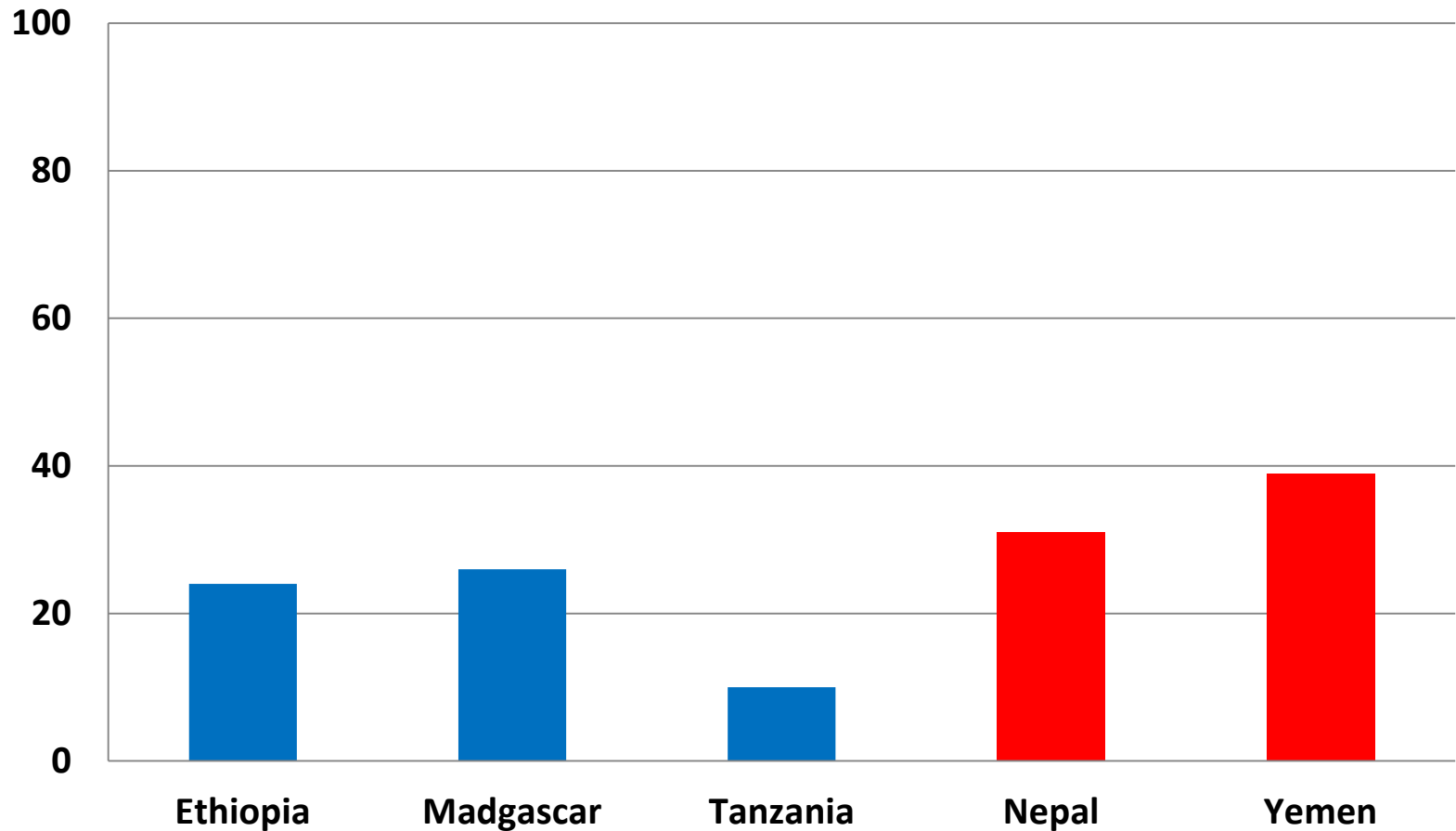
# ...they are more likely to be in vulnerable employment...

Vulnerable Employment, by LDC Regional Groups (%)



# ...and there are large gender gaps in wages

Gender Wage Gaps in Selected LDCs (%)



# **Transforming Rural Economies: A Policy Agenda**

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# Key Elements in Rural Structural Transformation: Policy Directions 1

- **Agricultural upgrading**
  - Extend cultivated area where possible
  - Diversify towards higher-value crops
  - Increase yield/productivity through technology and input use
  - Market differentiation to raise prices
- **Rural economic diversification**
  - Shift from survivalist "entrepreneurship by necessity" to dynamic "entrepreneurship by choice";
  - Enterprise expansion, not *informal sector* proliferation
  - Rural electrification is a key driver



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# Key Elements in Rural Structural Transformation: Policy Directions 2

- **Maximise synergies between agriculture and RNFE**
  - increased staple production + local food stocks important to ensure reliable access by NFRE
  - agro-processing - value-addition and tradability
  - low-season employment to off-set seasonality of agriculture
- **Gradually foster linkages between**
  - Rural areas
  - Urban areas
- **But, such linkages and the process of structural transformation does not happen automatically**



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# Kick-starting Rural Structural Transformation Essential: From both Demand and Supply Side

- **Demand-side kick start:**
  - Large-scale infrastructure investment, using labour-based construction methods and local procurement
  - Local food stocks in remote and isolated areas
- **Supply-side kick start**
  - Rural electrification
  - Access to technology and inputs, affordable finance, training, enterprise support, etc
- **The role of extension service providers critical - but equally essential is sequencing of investments and interventions -- The report identifies three phases**





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# Sequencing

- **Phase 1:** Focus on investments (public) that support supply response:
  - For example, rural **electrification; training in construction skills; metal and wood-work; etc**
  - Improve access to inputs/technologies, affordable finance, training financial literacy; etc,
- **Phase 2:** Focus on demand and productivity
  - Infrastructure investment with strong employment effects - for example, rural road network; construction of shschools, hospitals, etc
  - Support growth of enterprises through extension services to encourage employment creation
- **Phase 3:** Focus on opening
  - Strengthen rural-urban transport links



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# Financing Rural Structural Transformation

- Main sources of finance: **own resources** and **credit**
- Very limited access to financial services away from towns
- **Microcredit** is far from a panacea, esp. in primarily subsistence areas
  - High interest rates, short maturities, high uncertainty, limited business experience, vulnerability to financial risk
- Focus on credit to **dynamic microenterprises** and SMEs rather than "**entrepreneurs by necessity**"
- Link support to training in financial literacy, business skills
- **Differentiate policy according** to local circumstances:
  - Interest subsidies, subject to interest rate ceiling?
  - In-kind microgrants of productive inputs in remote and isolated areas?

## Additional policies: agricultural upgrading

- Public support to agricultural **R&D and extension services**
- Focus the support on disadvantaged farmers
  - Tailor training courses to their needs
  - Proactive support of women and in remote areas
- Extension services as two-way communication channel between producers and R&D agencies
- Identify and support local farm advisers



# Gender: a Dual Approach

- Through **direct** gender-specific measures (eg, on issues such as access to land; access to education; inheritance rights, etc) - special gender-specific actions;
  - **Indirectly** by treating gender concerns as an integral part of rural development strategy to create a dynamic rural economy that generates employment and income opportunities and benefit all disadvantaged groups in rural area:
- But, to eliminate the prevailing gender gap and for more **inclusive** development, **gender-sensitive/specific** approach may be necessary



# International Support Measure: A Proposal - Female Rural Entrepreneurship for Economic Diversification (FREED) Findings

- **Expectation:** Women in rural areas would benefit disproportionately from progress towards the SDGs; but, more needs to be done:
- **Promoting Entrepreneurship among rural women in LDCs**
  - Providing **start-up funding and funding for the expansion** of individual and collective enterprises led by women in rural areas;
  - 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;
  - Promoting and facilitating the establishment of **production cooperatives and collectives**, and the consolidation of existing microenterprises run by women;
  - Promoting **networking and collaboration** among new and existing rural women's enterprises, and facilitating mutual learning and sharing of experiences
  - 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 adaption and use in areas where there is network coverage



# Development Cooperation/ODA

- **Implementation of SDGs will require considerable investment - for LDCs ODA critical**
- **SDG17 reinforces existing ODA commitments**
  - The 0.7% and 0.15-0.2% commitments are explicitly included
  - This also implicitly includes aid effectiveness commitments, including on country ownership, untying, etc
- **Since LDCs' account for 40-50% of SDG shortfalls,**
  - 0.35% would be more consistent with the 0.7% overall target
- **Support to productive sectors is important, as well as social sectors, to make gains economically sustainable**
- **ODA shortfalls** would leave a stark choice:
  - Miss the goals, or
  - Borrow unsustainably → debt crisis, as in the 1970s/80s



# Statistical tables on LDCs

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



Available in:

.pdf

.xls spreadsheet

Downloadable from:

[www.unctad.org/ldcr](http://www.unctad.org/ldcr)

*Under The Least Developed Countries Report 2015*



STATISTICAL TABLES

ON THE LEAST DEVELOPED COUNTRIES - 2015



UNITED NATIONS

# E-pub (unctad.org/ldcr)

The screenshot shows a web browser window displaying the UNCTAD website. The page title is "The Least Developed Countries Report 2015 - IBM Lotus Notes". The browser's address bar shows the URL: <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1393>. The website header includes the UNCTAD logo and navigation tabs: ABOUT UNCTAD, MEETINGS, PUBLICATIONS, AREAS OF WORK, STATISTICS, and MEDIA CENTRE. A search bar is located on the right side of the page.

The main content area features the title "The Least Developed Countries Report 2015" and a sub-section "Transforming Rural Economies". Below this, there is a "Full Report ( 6953.74 KB )" link. A large blue arrow points to the "Book Information" section, which includes the following details:

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At the bottom right, there is a "MOBILE FRIENDLY" banner with an illustration of a smartphone and a tablet displaying the report cover. Below the banner, it states: "Available in: | English | French | Spanish | This e-book may be read on any device - PC, Tablet or Mobile (Android or Apple)." The browser's taskbar at the bottom shows the system tray with the date and time: 15:28.



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# THE LEAST DEVELOPED COUNTRIES REPORT 2015

## *Transforming Rural Economies*

### OVERVIEW



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