The Least Developed Countries Report 2015

Transforming Rural Economies

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#ldcreport

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.
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. This 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

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

Poverty Headcount Ratio

urban | rural
--- | ---
Angola 2008 | \(\text{ Olivier Tagal }\)
Benin 2011 | \(\text{ Olivier Tagal }\)
Burkina Faso 2009 | \(\text{ Olivier Tagal }\)
Burundi 2006 | \(\text{ Olivier Tagal }\)
Central African Republic 2008 | \(\text{ Olivier Tagal }\)
Chad 2011 | \(\text{ Olivier Tagal }\)
Congo, Dem. Rep. 2005 | \(\text{ Olivier Tagal }\)
Equatorial Guinea 2006 | \(\text{ Olivier Tagal }\)
Ethiopia 2011 | \(\text{ Olivier Tagal }\)
Guinea 2012 | \(\text{ Olivier Tagal }\)
Guinea-Bissau 2002 | \(\text{ Olivier Tagal }\)
Lesotho 2010 | \(\text{ Olivier Tagal }\)
Liberia 2007 | \(\text{ Olivier Tagal }\)
Madagascar 2010 | \(\text{ Olivier Tagal }\)
Malawi 2010 | \(\text{ Olivier Tagal }\)
Mali 2010 | \(\text{ Olivier Tagal }\)
Mauritania 2008 | \(\text{ Olivier Tagal }\)
Mozambique 2009 | \(\text{ Olivier Tagal }\)
Niger 2008 | \(\text{ Olivier Tagal }\)
Senegal 2011 | \(\text{ Olivier Tagal }\)
Sierra Leone 2011 | \(\text{ Olivier Tagal }\)
South Sudan 2009 | \(\text{ Olivier Tagal }\)
Sudan 2009 | \(\text{ Olivier Tagal }\)
Tanzania 2012 | \(\text{ Olivier Tagal }\)
Togo 2011 | \(\text{ Olivier Tagal }\)
Uganda 2009 | \(\text{ Olivier Tagal }\)
Zambia 2010 | \(\text{ Olivier Tagal }\)
Conjoros 2004 | \(\text{ Olivier Tagal }\)
Sao Tome and Principe 2009 | \(\text{ Olivier Tagal }\)
Timor-Leste 2007 | \(\text{ Olivier Tagal }\)
Afghanistan 2011 | \(\text{ Olivier Tagal }\)
Bangladesh 2010 | \(\text{ Olivier Tagal }\)
Bhutan 2012 | \(\text{ Olivier Tagal }\)
Lao PDR 2012 | \(\text{ Olivier Tagal }\)
Nepal 2010 | \(\text{ Olivier Tagal }\)
Yemen, Rep. 2005 | \(\text{ Olivier Tagal }\)
...and infrastructure gaps are much wider

Population without Access to Water

Population without Access to Electricity

[Chart showing countries with population without access to water and electricity, differentiated by urban and rural settings.]
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.

- **Pre-MDGs**
- **MDGs**
- **SDGs**

- **Water**
- **Electricity**
- **Sanitation**
Development of non-farm activities
Rural economic diversification varies very widely among LDCs

But higher non-farm % does not necessarily mean more transformation, because it includes survivalist "entrepreneurship by necessity" as well as dynamic "entrepreneurship by choice"
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
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
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
### Female share of the agricultural labour force, LDCs

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<th>Labour force</th>
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<td>LDCs</td>
<td>161'032</td>
<td>242'811</td>
<td>368'329</td>
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<td>79</td>
<td>73</td>
<td>66</td>
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<td>African LDCs and Haiti</td>
<td>92'854</td>
<td>142'046</td>
<td>227'337</td>
<td>258'984</td>
<td>82</td>
<td>78</td>
<td>71</td>
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<td>Asian LDCs</td>
<td>67'619</td>
<td>99'936</td>
<td>139'816</td>
<td>150'690</td>
<td>75</td>
<td>66</td>
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<td>Island LDCs</td>
<td>559</td>
<td>829</td>
<td>1'176</td>
<td>1'309</td>
<td>76</td>
<td>72</td>
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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.
Gender-specific obstacles

Challenges

- Land
- Credit
- Farm inputs
- Extension services
- Labour
- Education
- Markets
- Time & mobility constraints

Gender gap in agricultural productivity
Inhibits growth and diversification potential of the rural economy
Women's access to land is limited by customary law and practice.

Agricultural Landholders by Gender (%)

- West Africa
- Other Africa & Haiti
- Asia
- Island

Legend:
- Female
- Male
...they are more likely to be in vulnerable employment...
...and there are large gender gaps in wages

Gender Wage Gaps in Selected LDCs (%)
Transforming Rural Economies: A Policy Agenda
Key Elements in Rural Structural Transformation: Policy Directions

• **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
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
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
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 schools, hospitals, etc
  – Support growth of enterprises through extension services to encourage employment creation

• **Phase 3:** Focus on opening
  – Strengthen rural-urban transport links
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 (e.g., 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)

- **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

Available in:

.pdf
.xls spreadsheet

Downloadable from:

www.unctad.org/ldcr
Under *The Least Developed Countries Report 2015*
E-pub (unctad.org/ldcr)
E-pub

- E-pub available for download in
  - English
  - Français
  - Español
  for PC, Tablet and Mobile (Android and Apple)

- Short video of the Report in
  - English
  - Français
  - Español
  - Portugues
  by Mr. Rolf Traeger, chief of the LDC Section
Thank you

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