



**The imperative of transforming rural economies in the
2030 Agenda for Sustainable Development**

Strategies and policies to accelerate rural transformation

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Context: the 2030 Agenda/SDGs

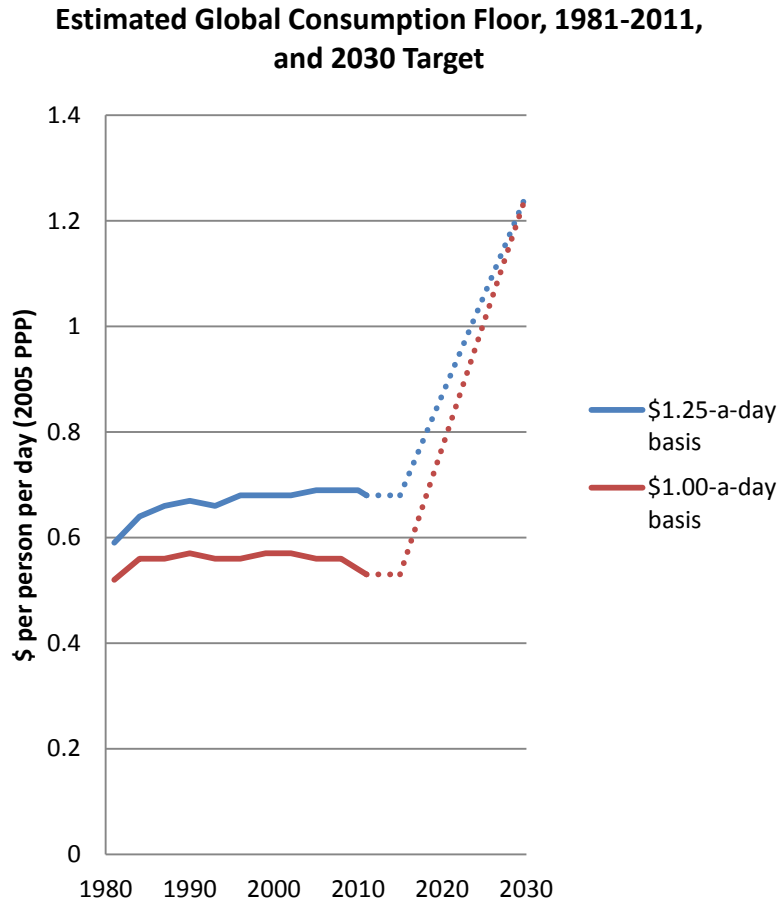
"The 2030 Agenda for Sustainable Development represents a **paradigm shift** in the development agenda.... It also represents a **step change in ambition**, which implies a **new and different approach** to development and development policies, especially in the LDCs."

(Mukhisa Kituyi, UNCTAD Secretary General)

"We reaffirm the outcomes of all major United Nations conferences and summits which have laid a solid foundation for sustainable development and have helped to shape the new Agenda.... The challenges and commitments identified at these major conferences and summits are interrelated and call for integrated solutions. To address them effectively, **a new approach is needed.**"

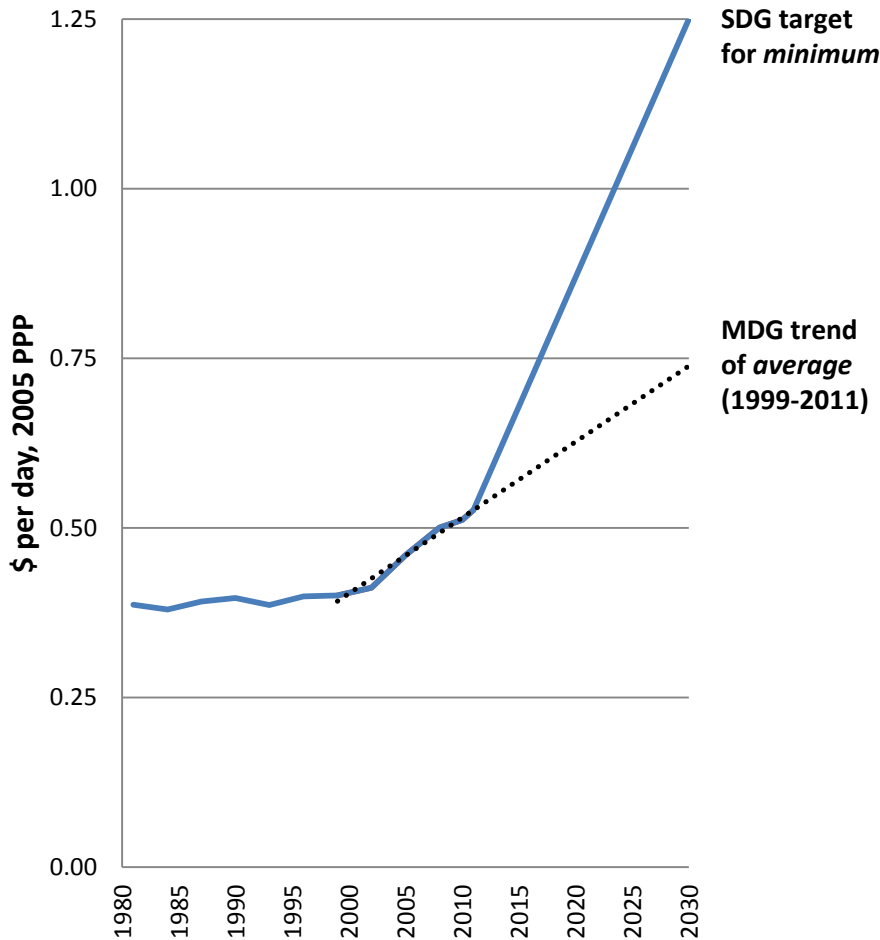
(2030 Agenda for Sustainable Development, paras 11, 13)

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



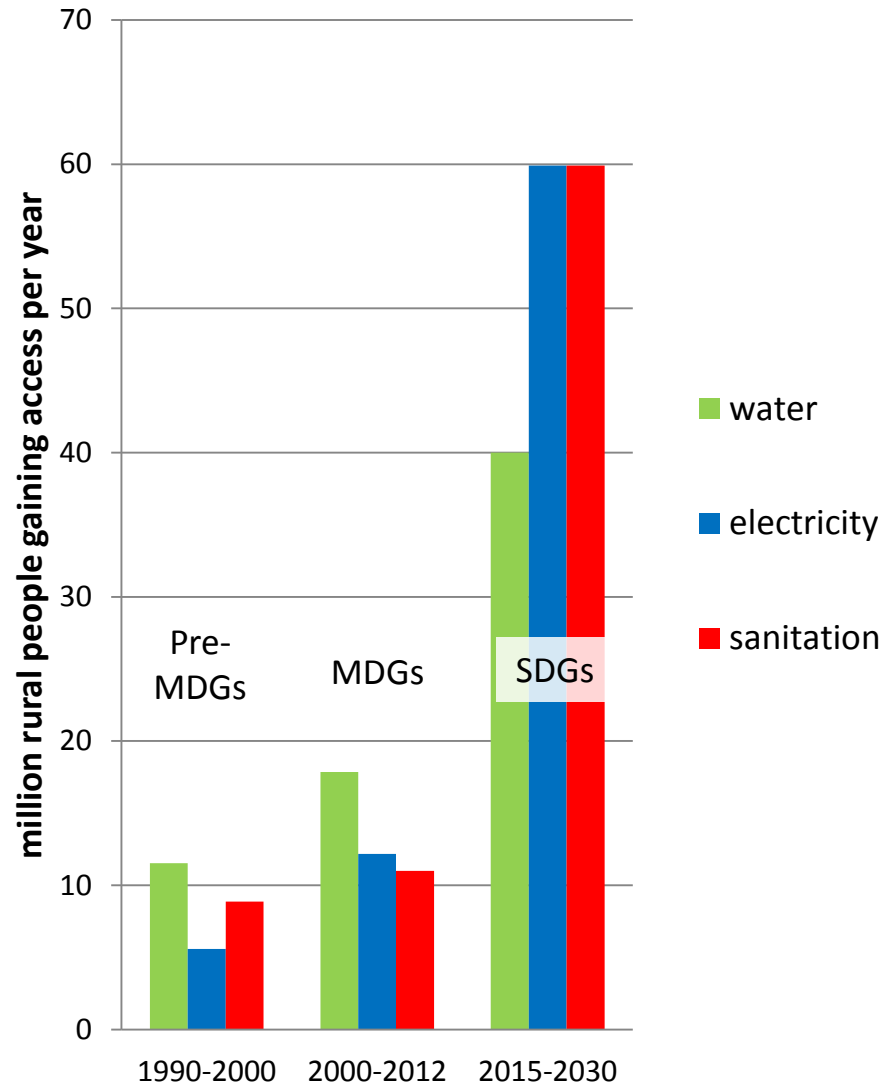
- The global consumption floor has stagnated for the last 20-30 years
- Poverty eradication means ***doubling it*** in the next 15 years

Average income of the poorest 10%, LDCs

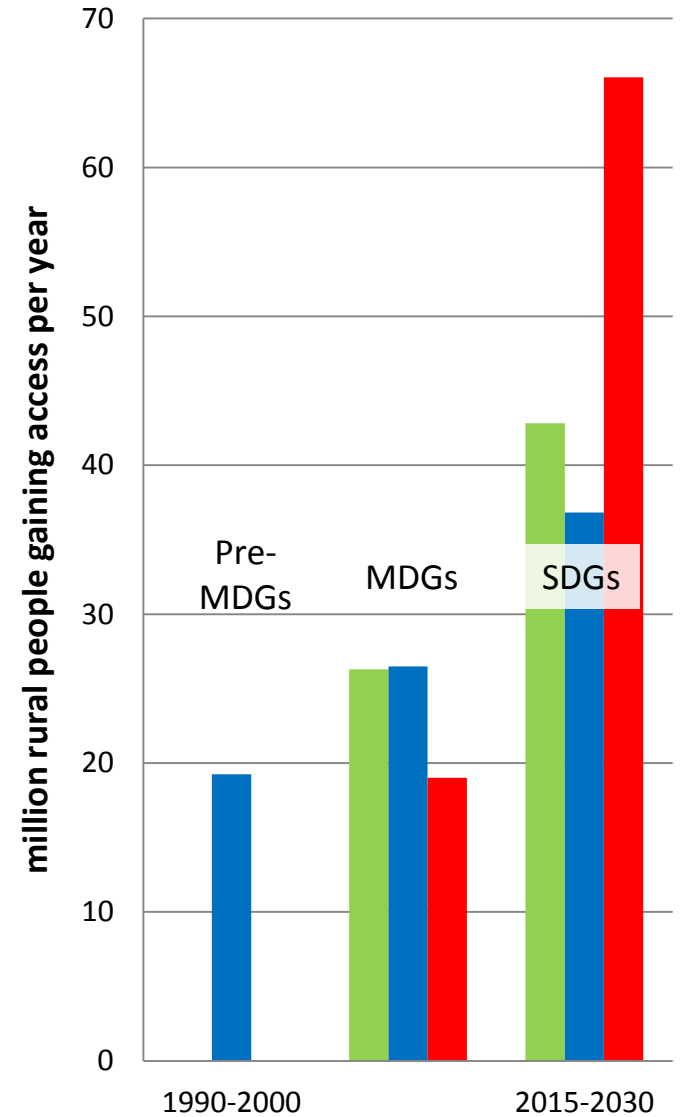


- Continuing the trend of the MDG period:
 - the *average* income of the poorest 10% of people in LDCs would be 40% below the extreme poverty line in 2030
 - it would not reach the poverty line until 2056
 - even then, some 5% would still be in extreme poverty.

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



Annual net increase in rural access to electricity water and sanitation, other LMICs, 1990-2030



Implications of the SDGs

- This highlights the ***need*** for new and different approaches to development
- But efforts to fill the gaps will also change the ***economic environment*** for development:
 - improved infrastructure etc will increase ***productivity***
 - increased infrastructure investment and poverty reduction will increase ***demand***
 - delivery on the means of implementation would dramatically improve the ***external environment***
- This provides the ***opportunity*** for a new model of development



Structural transformation

- Income transfers can only be *part* of the solution
 - financially unsustainable and logistically infeasible
- Main engine must be primary incomes, from economic activity
- But sustainability means incomes must be supported by productivity
- This requires structural transformation
 - Increasing labour productivity within sectors
 - Shifting resources from lower- to higher-productivity sectors/activities
- Translating this into poverty eradication means combining this with full employment
 - ***Poverty-oriented structural transformation (POST)***

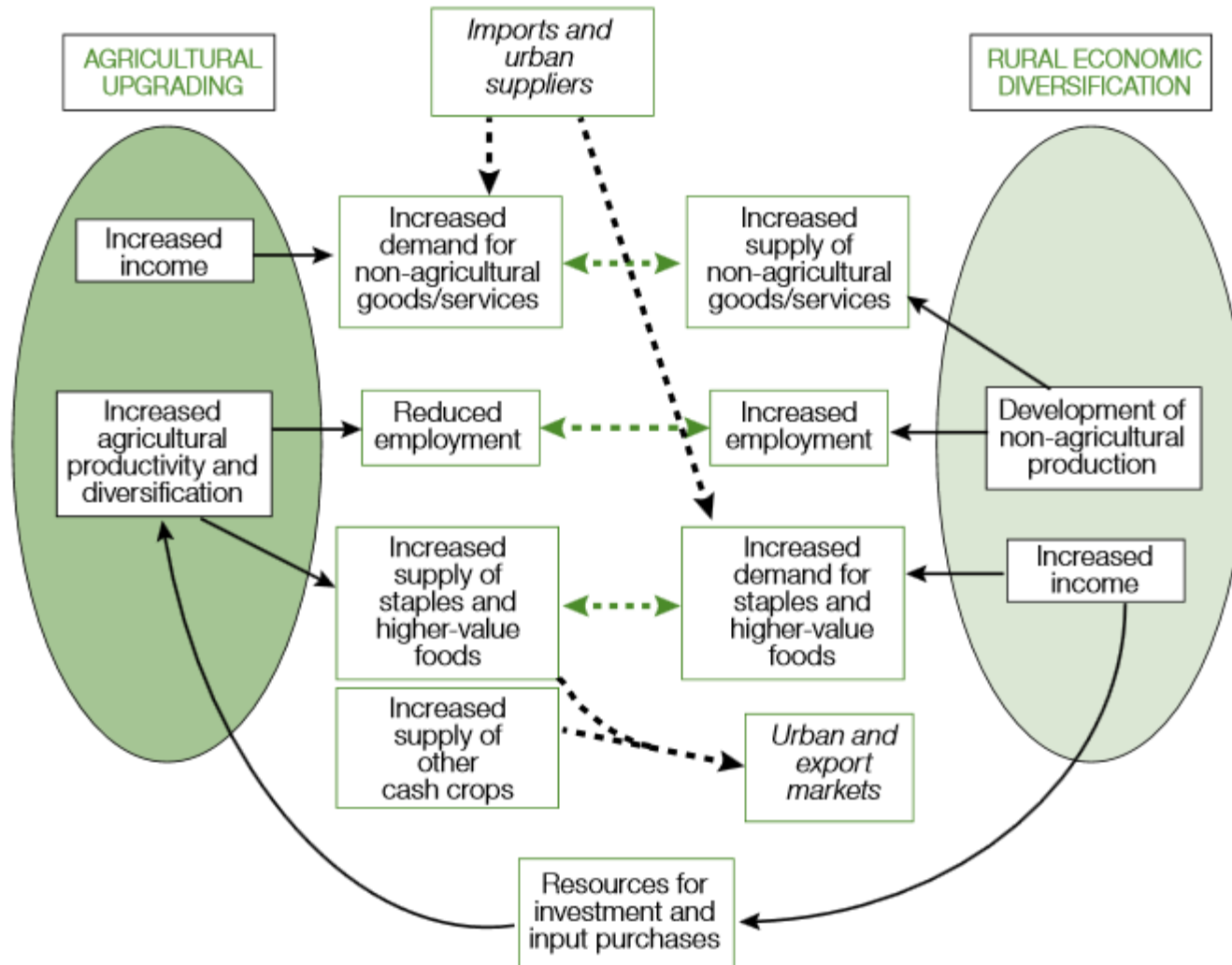


Structural transformation of the rural economy

- Increasing labour productivity
 - in agriculture
 - in non-farm activities
- Shifting resources
 - from lower to higher-value crops in agriculture
 - from agriculture to non-farm production - rural economic diversification
- The keys are productivity and technology...
- ... and harnessing the synergies between agriculture and the non-farm economy

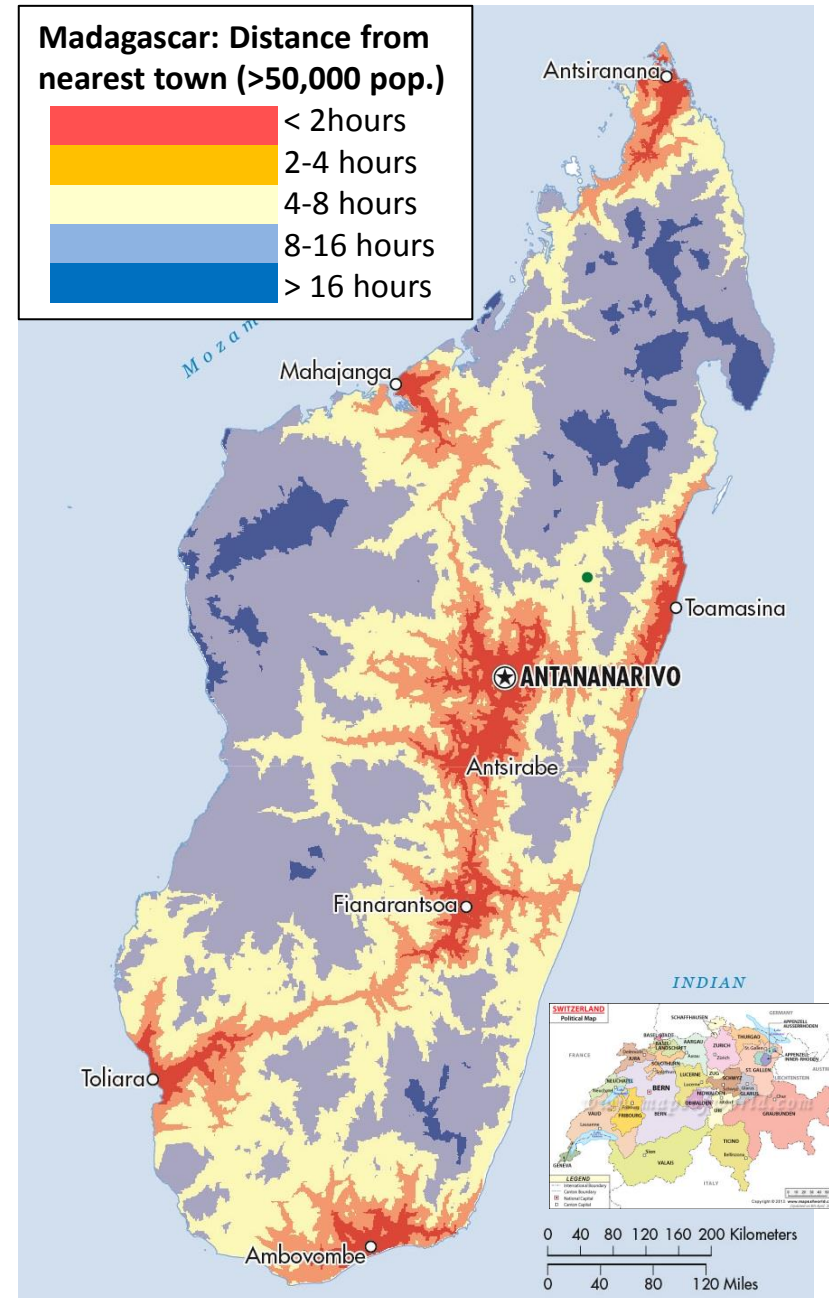


Complementarity of Agriculture and the Non-Farm Economy is Central



Urban proximity/ remoteness

- Opportunities differ considerably
 - RNFE development is more difficult further from towns
- But increasing rural-urban access is two-edged
 - Wider markets and increased access to inputs
 - Loss of natural protection
 - Disadvantages of established urban suppliers
- Managing the opening process is critical



Policy Principles/Objectives 1

- Agricultural upgrading
- Rural economic diversification
 - Shift from survivalist "entrepreneurship by necessity" to dynamic "entrepreneurship by choice"
- Maximise synergies between agriculture and RNFE
- Foster demand linkages and supply response
- Differentiate among rural areas in terms of remoteness
- Maximise benefits from infrastructure investment
- Sequence investment and policies
- Dual approach to gender inequality, distinguishing between its *causes* and its *effects*



Upgrading Agriculture

- Extend cultivated area where possible/sustainable
- Diversify towards higher-value crops
- Market differentiation to raise prices
- Promote technology and input use to increase yield/productivity
 - Stronger and more stable support to R&D and extension services
 - Extension services as two-way communication channel between producers and R&D agencies
 - Focus extension on needs of disadvantaged farmers, through recruitment and training policies
 - Identify and support local farm advisers
 - Subsidies for locally appropriate packages of inputs and complementary services



Diversifying Rural Economies

- Shift from survivalist "entrepreneurship by necessity" to dynamic "entrepreneurship by choice"
 - Enterprise *expansion*, not microenterprise *proliferation*
- Finance
 - Microcredit is not a panacea: look at variants
 - Interest subsidies, subject to interest rate ceiling?
 - In-kind microgrants of productive inputs?
 - Link to training in financial literacy, business skills
- Technology
 - Prioritise rural electrification, as a key driver
 - Urban-rural technology transfer through circular migration
 - Human resource legacy of infrastructure investment
- Demand and market knowledge are critical



Maximising Agriculture/Non-Farm Synergies

- Increase staple production + local food stocks, to ensure reliable access
- Agro-processing - increase value-addition and tradability
- Low-season employment, to off-set seasonality of agriculture
- Foster demand linkages
 - Non-staple and processed foods
 - Basic consumer goods and services
 - Agricultural input supply
- Foster cooperatives, producers' associations, women's networks, etc



Linking Demand and Supply

- Potential virtuous circle of investment, productivity and income growth
- Supply-side kick start:
 - Rural electrification
 - Access to technology and inputs, affordable finance, training, enterprise support, etc
 - Support to cooperatives, producers' associations, women's networks, etc
- Demand-side kick start:
 - Large-scale infrastructure investment, using labour-based construction methods and local procurement
 - Local food stocks in remote and isolated areas
- Estimate anticipated changes in demand patterns
 - as guide to policy (eg training, finance) - "picking possibles"
 - disseminate to producers/financiers as market information



Making the Most of Infrastructure Investment

- The SDGs imply a massive increase in investment in rural infrastructure
- This has direct benefits for opportunities, productivity, human resources, connectivity, etc
- It also has potential secondary benefits
 - on demand: maximise through labour-based construction and local procurement
 - on skills base: local employment and training policies to generate a human resource legacy
- Sequencing (including with other policies) is critical
- Important to donor policies as well as recipients



Sequencing

- **Phase 1:** Focus on increasing productivity and preparing supply response
 - Infrastructure investment, esp. electrification
 - Strengthen demand impact of Phase 2 investments - eg training in construction skills
 - Access to inputs/technologies, affordable finance, training, etc, targeted to priority activities
- **Phase 2:** Focus on demand and productivity
 - Infrastructure investment with strong employment effects
 - Support to supply response
 - Enterprise strengthening
- **Phase 3:** Focus on opening
 - Strengthen rural-urban transport links



Gender: a Dual Approach

- **Causes:** *direct* impacts of gender norms (eg access to land, inheritance rights)
 - Direct, gender-specific actions
 - Need gender sensitivity in implementation, eg male "champions"
- **Symptoms:** *indirect* consequences (eg lack of capital, education, access to finance)
 - Similar to other disadvantaged individuals/households
 - Gender-specific actions arbitrarily exclude others and risk antagonism
 - → More inclusive but gender-sensitive approaches



The International Dimension: ODA

- Additional funding for infrastructure investment in LDCs will need to come mainly from ODA
- SDG17 is for "developed countries to implement fully their ODA commitments"
 - Explicitly includes the 0.7% and 0.15-0.2% commitments
 - Also implicitly aid effectiveness (ownership, untying, etc) - essential to maximising impact
- 0.35% for LDCs would be more consistent with the 0.7% overall target
 - LDCs account for 40-50% of SDG shortfalls, and greater financial constraints
- Inadequate ODA would leave a stark choice:
 - Miss the goals, or
 - Borrow unsustainably → debt crisis, as in the 1970s/80s



Trade and Investment

- Benefits of trade preferences will be eroded by further multilateral tariff reduction
- More important is fulfilment of commitments for 100% duty-free-quota-free access
- Existing preferential arrangements could usefully be prolonged, and rules of origin improved
- As important as market access is ability to exploit it
- Consider developing/promoting a global "SD brand", building on existing fair trade/sustainability labeling
- Potential for diaspora direct investment: finance, linkages, market access and technology transfer
- Link with proactively ethical "impact" financing



The International Dimension

"in adopting the SDGs, the international community has effectively committed itself to delivering the means necessary to their achievement: It is a long-established philosophical principle that "to will the end is to will the means."

(Mukhisa Kituyi, UNCTAD Secretary General, 2015)

"Whoever wills the end, wills also (so far as reason decides his conduct) the means in his power which are indispensably necessary thereto."

(Immanuel Kant, 1785)

"this Agenda and the Sustainable Development Goals and targets, *including the means of implementation*, are universal, indivisible and interlinked."

(2030 Agenda for Sustainable Development, para 71)

