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Challenges for Transforming the Rural Sector in Latin America and the Caribbean: Rural Territorial Development, Family Farming, Social and Economic Inclusion and Innovation

Executive summary

- Transforming the rural sector involves guaranteeing quality of life, giving high priority to investment and funding policies and having an articulated multisectoral strategy for rural development based on a territorial approach, generating opportunities for all. Countries in the region have made significant advances in the fight against hunger; however, rural poverty is now double that of urban poverty (47.9 percent vs 23.2 percent) and over one-third of the rural population in Latin American and the Caribbean still face the double burden of malnutrition. The close link between rural poverty and food insecurity requires a fresh approach based on socio-economic and environmental development of these territories as well as major institutional, social and technological innovations. Urbanization trends, new consumer demands and environmental challenges in Latin America and the Caribbean represent windows of opportunity to transform rural territories in an appropriate framework of public policies. The state must resume its leadership in orientating development policies as well as creating institutional mechanisms to facilitate participation of the different stakeholders in the governance of these processes and in implementation mechanisms.

Suggested actions for the Regional Conference

- Highlight the contribution of the Regional Initiative on Family Farming and Territorial Development to technological, social and institutional innovations to achieve Food Security and Nutrition (FSN) and eradicate rural poverty in the region.
- Support the development of interinstitutional coordination mechanisms and governance to facilitate the interaction of policies and dialogue between governments, civil society and the private sector to achieve social and economic transformation of the rural sector in Latin

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America and the Caribbean.

- Strengthen South-South and Triangular Cooperation strategies to develop sustainable agrifood systems and to reduce rural poverty in the most vulnerable countries and territories of the region.
- Recommend that countries strengthen family farming and rural development policies based on a territorial approach with special emphasis on the interaction of policies for sustainable production, risk management, technical assistance and rural communication, social protection, and farm and non-farm employment in territorial development programmes that contribute to Sustainable Development Goals (SDG).

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I. Overview

1. In spite of rapid urbanization in the region's countries, in the year 2030, more than 120 million people (20%) will live in rural areas in Latin America and the Caribbean. Despite the efforts of governments to reduce poverty in recent decades, *at present rural poverty is now double that of urban poverty (47.9 percent vs 23.2 percent) and more than one-third of the rural population of Latin America and the Caribbean has high levels of malnutrition.*

2. Demographic trends such as the ageing of the rural population, migration of rural youth to the cities, and migration to countries within and outside the region present major challenges for public policies on territorial development. These trends also present a new perspective for the regional development of agriculture, livestock, forestry, aquaculture and fisheries. *In 2014, the amount of remittances received by Latin America and the Caribbean increased 5.3 percent in comparison to the previous year, totaling USD 65 billion and they continue to be a major source of income for millions of rural families.*

3. *The region has progressed in the reduction of hunger and poverty, although the rural world is still severely lagging behind.* The continuing job insecurity and the lack of employment opportunities and decent work, both in rural farm and non-farm activities as well as in urban sectors, affect inclusive growth and the reduction of rural poverty levels. Therefore, the strategies for production diversification and the creation of opportunities in non-agricultural sectors are essential for developing territories and combatting rural poverty.

4. However, *not all forms of diversification help boost livelihoods.* When rural households or family farmers have few assets and limited access to infrastructure, social protection and rural services, diversification tends to generate very low returns and could even draw them further into poverty. A greater investment in public assets is required (roads, public services, infrastructure, rural communication, education, etc.) as well as innovative strategies on territorial development that promote urban-rural linkages and value chains that guarantee the inclusion of family farmers, rural youth and women.

5. Consequently, public policies that promote inclusive agrifood systems, institutional food procurement, and the virtuous circles between family farming, school feeding programmes, nutrition and health are essential to strengthen urban-rural linkages and the sustainable development of the territories.

6. On the other hand, the impact of climate change is increasingly evident with consequent social and economic implications for production systems, family farmers, and food security and nutrition of rural inhabitants. Climate change will also increase health risks in rural territories with poor sanitation and poor access to drinking-water. Regions with low coverage of animal and plant health services will also be affected. Clear policies are urgently required to prevent and manage risks. This includes

integrated policies on public, animal and ecosystem health, articulated in sustainable rural development policies.

7. Change of direction: The greatest challenges to the eradication of rural poverty, sustainable development and the economic transition of rural territories are by no means easy to resolve. Over the last two decades, practical experience of rural development has created a wide variety of potentially useful policy measures. However, the persistence of rural poverty demonstrates that these measures have only achieved partial or lower than required outcomes and that they now merit new types of interventions, which need to be articulated in territorial development programmes.

8. The incorporation of all of the necessary elements into an integrated policy framework is a challenge in itself; finding the formula that will guarantee success is even more difficult. Policies must respond to local circumstances, which is why the most difficult task is to identify the combination of policy measures that will be effective within a specific context. For territorial development to succeed, there needs to be a fundamental improvement in governance systems and coordination and interaction mechanisms between sectors and institutions.

9. In January 2015, at the CELAC Summit for Heads of State and Government, the Food Security, Nutrition and Hunger Eradication Plan 2025 was approved. This plan gives great importance to family farming and territorial development in order to achieve FSN and reduce rural poverty. Strengthening intraregional food trade, stable production and timely mitigation against socionatural disasters are also included. Nevertheless, there is evident diversity not only in the situations of each country, but also within the regions of those countries and in individual households. Analysis of the situation indicates the need for member countries to use exchange mechanisms and South-South Cooperation to support the most vulnerable countries and place greater emphasis on specific territories within countries. The requirement to improve agricultural, social, environmental and economic integration is also being considered in priority territories. This includes interaction between family farming and both inclusive agrifood systems and sustainable agricultural systems within a framework of territorial development strategies based on prevention and risk management to guarantee the resilience of livelihoods, the diversification of value chains and new opportunities for the social mobility of rural inhabitants.

10. The three main policy-making recommendations that need to be taken into account are: (1) strengthen institutions and policy dialogue, with general public and private sector participation, to define national and subnational development strategies; (2) improve diagnostic and territorial management processes as well as capacities of institutions to design and implement intervention alternatives in priority territories; and (3) guarantee the necessary investment.

II. Rural Transformation

11. In order to transform the rural sector, it is necessary to guarantee quality of life, which is a high priority in investment and funding policies, to have an interactive multisectoral strategy and to create opportunities for all. Latin America and the Caribbean continue to be the regions in the world with the greatest inequality, in spite of the fact that in the last two decades, food security and nutrition have been firmly established on the regional agenda, setting the eradication of hunger and malnutrition as a development goal. Unfortunately, rural territories continue to present the highest levels of hunger and poverty. This situation merits more in-depth analysis and a greater emphasis on territorial policies including institutional innovation, social inclusion and technological innovation that go beyond the agricultural sector.

12. Urbanization trends, new consumer demands and environmental challenges in Latin America and the Caribbean all represent windows of opportunity for change in rural territories. The agricultural sector will continue to be an essential factor in the transformation of rural territories; however, agribusiness models and consortiums geared towards export markets (commodities) that use high levels of inputs will be concentrated on specific agro-ecosystems as a consequence of the slowdown of commodity export markets.

13. Additionally, it is estimated that there will be high consumer demand for sustainable agrifood systems that supply fresh high quality food, reinforcing local value chains and short circuits to promote healthy eating, nutrition, public health, ecosystem health and lower environmental costs linked to the transport of products. These virtuous circles consisting of agrifood production, nutrition, health and education are stimulated by the high level of urban-rural interaction existing in Latin America and the Caribbean, which will be the main thrust for family farming. This can already be seen in the countries of the region that have developed public policy frameworks on institutional food procurement from family farming that are linked to school feeding programmes, nutrition and supply systems.

14. Latin America and the Caribbean currently have high levels of urbanization (75% of the population live in urban areas) and the critical role played by agriculture needs to be re-evaluated within the context of sustainable territorial development that includes social, economic and environmental aspects, to help reduce rural poverty levels through greater integration of agricultural policies that also include social protection, employment, health, education and environmental policies.

15. With this new multisectoral approach it is necessary to improve: (1) policies that promote regional farm and non-farm employment opportunities, especially for rural youth and women; (2) institutional innovation to promote food markets that address the nutritional requirements of specific populations; (3) diversification of entrepreneurship and microbusiness opportunities in the territories, social innovation and production networks; (4) development of environmental services and innovative payment systems for environmental services; (5) infrastructure and capacity development focusing on added value of local products; and (6) new forms of commercialization and marketing as well as innovative rural communication services that make use of new information and communication technologies, to which family farmers, rural youth, women and others would have access.

16. Rural transformation requires clear investment and funding policies and an adequate provision of public assets (roads, basic services, health, education) as the fundamental basis for boosting production sector investments. Some FAO estimates suggest that resources from the multilateral bank are diverted increasingly to issues relating to infrastructure, health and education and less frequently to agriculture and rural development in Latin America and the Caribbean. This situation highlights the importance of South-South and Triangular Cooperation in issues relating to food security and nutrition and the sustainable development of rural territories. It should also be noted that private sector investments are essential for the transformation of rural territories.

III. Drivers for sustainable rural development

17. The greatest challenges to the eradication of rural poverty, the sustainable management of natural resources, and the social and economic transformation of rural territories call for innovative solutions and a commitment from the whole of society. *There is no single formula*; however, experience from FAO work in the region has demonstrated that there are three fundamental pillars needed to advance on a sure footing towards these achievements. The first is to have the political will of governments to address these challenges in terms of macroeconomic and political stability and to provide adequate public assets in order to make the necessary investments and to fund strategic programmes. The second is to develop judicial, legal and regulatory frameworks that guarantee the human right to food, food security and access on equal terms to productive resources, and social services for men and women. The third is the development of differing and targeted policies for the most vulnerable to tackle the huge productive, social and economic gaps that exist in some territories.

18. *It is important to re-evaluate the role played by agriculture and rural development in national development strategies.* The overall design of a development strategy has weakened over the last few decades in some of the region's countries as a consequence of the reduced role played by the state and the excessive segmentation in the creation of sectoral policies. This has also had an adverse effect on public and statistical information for understanding the dynamics of rural farming and the rural economy. The state must retake its lead in directing development strategies and in creating institutional mechanisms to facilitate the participation of different stakeholders in the governance of these processes and implementation mechanisms. *A territorial approach is essential for rural*

development in as far as it recognizes a complex system with multiple interactions between sectors that goes beyond the agricultural sector. There are strategic linkages between rural and urban environments, between public and private environments, between production and services, between production, markets and consumers, between governments and civil society organizations, within different agricultural, environmental, sociopolitical, cultural, institutional and economic contexts. Highlighting family farming as one of the key elements for generating economic, social and environmental development is a strategic goal for the countries in the region.

19. *Implementation of regional diagnoses within the framework of territorial approaches.* Rural poverty tends to be concentrated in certain regions at the subnational level. Therefore, regional diagnoses are indispensable for prioritizing goals, intervention alternatives and the sequence of action to follow. These diagnostic processes should not be exclusively based on the agricultural sector, but also on other broader approaches, which allow the recognition of synergies with other major areas for rural development within a multisectoral and regional development framework.

IV. Policies to promote sustainable and inclusive rural transformations

20. In spite of the huge diversity of conditions between countries, and within territories of the same country, in the majority of rural situations in Latin America and the Caribbean, where households are heavily involved in agriculture, some main policy guidelines can be recommended based on successes in other countries in the region. Relevant regional policies are (1) supporting family farming; (2) promoting local value chains and sustainable agrifood systems; (3) strengthening rural-urban linkages for territorial development; (4) developing risk management and environmental services strategies, including social protection to improve the resilience of rural livelihoods; (5) developing expertise to promote the rural business initiative and the diversification of employment, especially designed for young people and women; and (6) improvement of technical assistance and rural communication services for family farming.

21. *Supporting family agriculture.* Family farming is the most common form of food production in Latin America and the Caribbean. Its contribution towards FSN and the economy of the regions' countries was made clear in the UN-sponsored 2014 International Year of Family Farming. Family farming plays a fundamental role in addressing the region's rural hunger and poverty. However, it is necessary to strengthen the institutional framework in order to place it at the very centre of public policies for the sustainable development of rural territories. There is evidence that family farming can be competitive in terms of production costs in comparison to the management of large-scale farming, and additionally it plays a key social and environmental role including biodiversity protection and maintaining the cultural traditions of villages in Latin America and the Caribbean.

22. Support given to family farming involves three fundamental actions: (a) ensuring that family farmers have access to land and productive resources; (b) providing public assets, including the funding of social services and incentives for entrepreneurship; and (c) supporting farmer organizations so that they can access information, technical assistance, insurance, and both input and output markets.

23. *Ensure the right to land and productive resources.* Rural inhabitants face high levels of risk. The first steps towards achieving a safer environment are to facilitate access to arable land, water, forests and fishing, as well as access to funding. It is necessary to prioritize safe access to land for rural youth and women and to facilitate the transfer of farm assets to young family workers. In this context, the framework agreement on "Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security", officially endorsed by the Committee on World Food Security in May 2012, involving governments, civil society and private sector representatives as well as a contribution from prominent academics, offers a range of mechanisms to ensure access to tenure of natural resources.

24. *Emphasis on the provision of public assets.* The majority of family farm holdings are severely restricted because of their limited capacity to invest, which is a consequence of long-term poverty. A selective approach of direct support can help to overcome this limitation, although a more efficient measure is to increase the provision of public assets, especially information, training and capacity development for farmers. This also includes the provision of rural infrastructure (irrigation, roads,

power generation and transmission structure). Infrastructure investment can also facilitate access to sparsely populated areas and encourage internal migration. Innovative policies are needed to design and deliver rural services including: 1) rural communication services and technical assistance to help communities adopt sustainable practices and close productivity gaps; 2) funding and credit services adjusted to production system cycles and the socioeconomic characteristics of rural communities, which facilitate investment in technology and the innovation of family farming systems; and 3) institutional innovations to provide agricultural insurance for family farmers together with risk management programmes and specialist technical assistance.

25. *Support farmer organizations.* Due to size and limited production capacity, many farmers are incapable of achieving economies of scale that guarantee them access to supply systems and are also unable to transform and add value to their products or have access to more competitive markets. Lending support to farmer organizations will help to improve value chains and access to services and markets. The use of association mechanisms and cooperative organization models, based on a social economy framework, encourages inclusive and equitable development and improves income redistribution and access to both production and social services (fair credit funding for consumer goods, education, health) for the most vulnerable rural families, helping in turn to combat the extreme inequality and concentrations of wealth that affect the region.

26. *Promoting local value chains and sustainable agrifood systems.* Urbanization trends and new consumer demands in Latin America and the Caribbean are a window of opportunity for strengthening local value chains and sustainable agrifood systems. Many farmers in the region are involved in producing staple crops, and therefore specific policies that promote sustainable development and the commercialization of commodities generated from agrifood systems can have a major impact on the rural economy in terms of employment, income and growth. Promoting commodity production can help to accelerate added value for local producers, due to the enormous potential for the local transformation of products. This scenario could contribute to strengthening rural-urban linkages and rural diversification.

27. *Strengthening rural-urban linkages for territorial development.* The development of strong linkages between cities and surrounding rural areas is especially critical for territorial development. In the majority of the region's countries, urbanization trends are marked by a rapid metropolization on the outskirts of large cities, where there is an even greater concentration of economic activity, generally offering better job prospects. Metropolization is a consequence of better transport and communication networks, which have led to large scale migration directly from rural areas to metropolitan areas. Nevertheless, the consequence of this trend in the region has resulted in urban population growth outstripping the development of infrastructure and decent job opportunities, leading in turn to slums, the growth of informal services with low productivity, urban poverty and food insecurity. All of this limits sustainable urban development and prevents the formation of strong rural-urban linkages.

28. *Promoting economic development in small and medium-sized cities* seems to be a major step towards transforming the rural sector in Latin America and the Caribbean. Interventions in this area can offer beneficial solutions for all, not only creating better opportunities for local markets, but also facilitating access to services, strengthening communities and contributing to the creation of the social and economic fabric of a region, as well as reducing the burden of mega-cities. This type of regional rural-urban dynamic is more flexible and does not create a contrasting market between urban and rural conditions, permitting employment on both sides and creating a solid base for a sustainable rural economy. This approach recognizes the multifunctionality of agriculture and the fact that it can serve as a motor for rural and regional development. There are two types of action that can strengthen the rural-urban dynamic: (1) improving services and communications, and (2) strengthening local institutions and civil society organizations.

29. *Improving services and infrastructure in small cities and rural communities is fundamental.* Road infrastructure is important, but is not enough to foster territorial growth and development. The adequate provision of a range of other assets and public services is critical and needs to be a major objective for policy-makers responsible for territorial development. Social services such as health,

education, the permanent supply of water, electricity and telecommunications are extremely important. This type of improvement in services and specific support (especially in terms of creating access to credit) can strengthen non-farming activities, especially of smallholdings that complement the agricultural sector and are the main ingredient for sustainable territorial development.

30. *Strengthen capacities of local institutions.* Together with improving assets and public services, it is important to strengthen local institutions in order to facilitate the process of decentralization. Creating capacities and adequate competencies in locally-connected government agencies and civil society organizations is an important first step towards fostering an integrated and efficient rural development strategy. The power of decentralized decision-making linked to the proper functioning of local institutions favours balanced and sustainable territorial development.

31. *Development of risk management strategies and environmental and social protection services to improve the resilience of livelihoods.* Strategies for social, environmental and economic risk management in the rural sector include a) responsible governance for the tenure of land, fisheries and forests; b) an ecosystemic approach to the sustainable management of natural resources (land, water, climate), including biodiversity and the conservation and use of sustainable genetic resources for food and agriculture; c) climate change adaptation and promoting climate-smart agriculture; d) incorporation of a One Health approach integrating animal, plant, human and ecosystem health; e) promoting mixed and integrated production systems; f) creation of and payment for environmental services to family farmers that develop agro-ecological systems, and g) social protection, technical assistance and rural communication programmes together with family farming and territorial development policies.

32. *The key is in the construction of safe and dynamic agro-ecosystems that have greater resilience and are better equipped to deal with climate change, extreme weather events, emerging diseases, changes in population dynamics and economic crises.* Social protection programmes have been fundamental in reducing the levels of food insecurity in Latin America and the Caribbean. It is important to note the progress of these programmes in the region over the last few decades, especially with regard to the direct promotion of rural employment and agricultural production, as well as broadly implemented linkages between public purchases from family farming for school feeding programmes, based on experience gained from the Brazilian National Food Feeding Programme (PAE).

33. As social protection is provided in a more regular and predictable way, it becomes an essential instrument for territorial development, providing 1) direct income support, with immediate impact on the consumption of commodities; 2) support for households that depend on farming to overcome their liquidity restrictions, enabling them to undertake riskier and more profitable activities and investments and thus improve their quality of life; 3) the strengthening of human and social capital, stimulating local economic development and stimulating employment, and 4) a stronger and more sustainable management of natural resources.

34. In spite of the evident diversity, the common factor when it comes to deploying social protection policies and programmes in Latin America and the Caribbean is the overall access gap that exists between urban and rural populations.

35. The implementation of social protection programmes in rural areas requires support from strong rural institutions at both a governmental and civil society level (institutional innovation), and at the same time they need to be integrated into intersectoral policies for territorial development programmes, and adapted to the economic, social and cultural characteristics of the participating territories, communities and households.

36. *The development of competencies to foster rural business initiatives and diversify employment opportunities, especially for young people and women.* The rural population that is economically active in the region stands at approximately 57 million people, of which a little more than a third are women. Self-employed workers (mainly family farmers), unpaid family workers and salaried workers are also included in this figure, whether in farming or non-farming rural activities.

37. It is necessary to develop policies to support the demand for work within the food system (both inside and outside of the farm) by strengthening territorial planning instruments and institutions. This component includes developing local value chains, urban-rural linkages, labour-intensive infrastructure works and Micro, Small and Medium-Sized Enterprises (MSME). It is necessary to set up specific areas for interinstitutional coordination and policy dialogue to discuss issues such as youth unemployment, violence, migration and child labour.

38. Public policies are required to support employment opportunities by increasing employability and labour services for young people in rural areas. This component must include greater vocational training and education, setting up mechanisms to help recognize informal sector work experience, and creating greater awareness and information on employment opportunities and labour rights to guarantee that migration is an informed decision.

39. There are several examples of successful youth employment programmes and policy frameworks in the region's countries, which could be adjusted to the specific conditions of other countries through South-South Cooperation. Particular attention must be given to innovative development mechanisms that favour the productive use of remittances in family farming and territorial development of rural areas.

40. It is necessary to have close cooperation between institutional sectors that drive the agricultural sector, rural development and employment (ministries of employment), as well as a set of measures to improve production conditions and market access for family farming. Other major policies include: a) promoting self-employment, independent activities, rural smallholdings or services, focused on young people and women, who are normally excluded from the generation and distribution of family income, b) substantial improvement of training opportunities for employment and employability to which rural workers have access, or those who wish to be employable, with particular emphasis on young people and women, because of their greater difficulties in getting employment, and c) promoting legislation and above all complying with the legislation to protect male and female rural workers from a violation of their rights.

41. The promotion of appropriate forms of technical assistance and rural communication services to support family farming. Family farming is increasingly dependent on innovative technology and forms of technical assistance that integrate multiple requirements linked to production, social and environmental changes. There are participatory technical assistance methodologies within this framework which need the implementation of programmes and institutional arrangements to help increase and improve coverage by exploiting the existing capacity of producer organizations. At the same time, for sustained progress in family farming policy and programmes in the region, it is necessary to foster rural communication services that incorporate local media and new information and communication technologies to facilitate access to information, knowledge and participation by the rural population. This is subject to a proposal for a regional initiative by the Specialized Meeting on Family Farming (REAF), as well as the willingness of innovative institutions and regional programmes to cooperate on this issue that is included in FAO Regional Initiative 2 on family farming.