



©FAO/Giulio Napolitano

THE STATE OF FOOD AND AGRICULTURE

Achieving the Sustainable Development Goals requires investing in rural areas

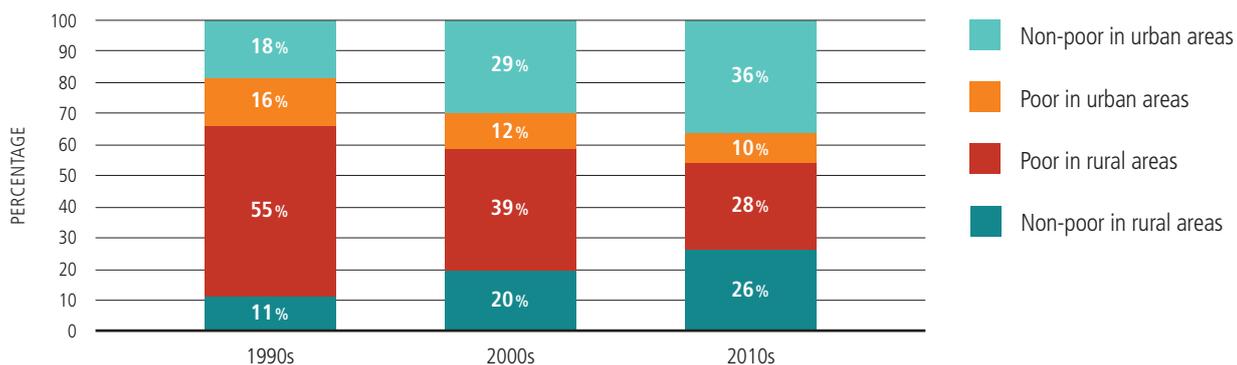
An underappreciated fact: people are escaping poverty while remaining in rural areas

Achieving the SDGs to end hunger and extreme poverty by 2030 will depend crucially on developing rural areas in the poorest nations of the world. More resources need to be allocated for investment in rural areas, not just because that is where most of the poor live, but also because these areas have great potential for economic development. The FAO report *The State of Food and Agriculture 2017* (SOFA) shows that, across all regions, rural-based economic activity can be just as effective for poverty reduction as that of urban sectors. Since the 1990s, rural transformation has lifted nearly as many people out of poverty as urban development (as shown in the Figure 1). An additional 750 million rural people now have incomes above the moderate poverty line of US\$3.10 (PPP) per person per day, thanks to both agricultural development and non-farm, rural employment generation. Many more will be able to climb out of poverty if greater priority is given to public investments in rural areas.

KEY MESSAGES

- ▶ Through agriculture or non-farm employment, many rural poor have improved their incomes and escaped poverty.
- ▶ Investments made to connect rural and urban areas and improve services have high potential to reduce poverty and create new jobs for the rapidly growing number of rural youth in sub-Saharan Africa and South Asia.
- ▶ New strategies are needed to leverage the untapped potential of food systems through agro-industrial development. This will help boost small-scale farm productivity and incomes, and create vast amounts of off-farm employment in the expanding segments of food supply and value chains.

FIGURE 1. Changes in proportions of rural and urban poor and non-poor in total population of 33 selected developing countries, 1990s–2010s



Source: FAO. 2017. *The State of Food and Agriculture 2017: Leveraging food systems for inclusive rural transformation*. Rome.

New challenges facing late-transforming countries

Industrialization, the main driver of transformation in the past, is not occurring in most countries of sub-Saharan Africa, and is lagging in South Asia. As a result, rapid urbanization in sub-Saharan Africa has not been matched with commensurate job growth in manufacturing and modern service sectors. Since the 1990s, poverty rates in the region have changed very little, while the absolute number of poor has continued to increase. Instead of finding a pathway out of poverty, poor rural Africans who migrate to cities are most likely to join the already large numbers of urban poor. A similar dynamic is seen in South Asia, where the rural poor are more likely to escape poverty by remaining in rural areas.

This challenge will be made greater by population growth. The combined population of Africa and Asia is projected to increase from 5.6 billion to more than 6.6 billion between 2015 and 2030, with over 1.5 billion youth turning 15 years old. This means that tens of millions of new gainful jobs will need to be created every year for the youth entering the labour market. Many of them will be born in rural areas. Current economic dynamics are far from sufficient to generate enough new employment and income opportunities. Unless addressed, the upshot will be a lot more pressure for people not only to migrate from rural areas, but ultimately also to emigrate from their countries.

What can be done?

As the SOFA report shows, to achieve substantial poverty reduction in countries where industrialization is lagging, new strategies are needed to leverage the untapped potential of food systems through agro-industrial development. This will help boost productivity and incomes on small-scale farms, and create off-farm employment through the development of downstream agriculture and food value chain development. The resulting transformation would not only help accelerate rural poverty reduction, but would also contribute to addressing urban poverty and food insecurity. Four areas of intervention stand out:

1. Placing agricultural and rural development policies and programmes at the centre of national development strategies aimed at poverty reduction and food security enhancement. As a result of excessive segmentation in sectoral policy-making, the rural dimension in overall strategy design has been neglected in recent decades. But it is not enough to simply declare that rural areas need more investment.

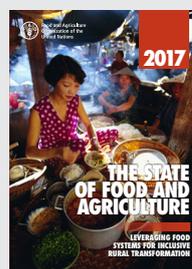
Regional diagnoses are needed for prioritizing objectives, targeting interventions and sequencing actions. Investments in roads, energy, irrigation, storage space and other productive infrastructure are key. However, the development of basic services is also essential, and complementary support measures may be needed for skills training and access to credit for small businesses. Finding the right mix of policies and investments will depend on the barriers to development in rural areas.

- 2. Creating opportunities beyond the farm.** The development of agro-industry is essential for rural development strategies and the creation of job opportunities. This requires investing in infrastructure that connects rural areas to urban markets. Overcoming bottlenecks along the value chain and barriers to smallholder participation also requires investments to facilitate storage, logistics and processing. With the associated growth of services in rural areas, small-scale farmers who decide to leave agriculture could find employment in a dynamic agro-industrial sector.
- 3. Providing public goods and services to enable businesses to participate in the food system.** In addition to improving infrastructure, governments have a key role to play in reducing the costs of doing business, providing incentives for investment, and creating conditions for the development of inclusive economic activities in the food system. This includes the creation of legal, regulatory and policy frameworks that reduce excessive transaction costs, ensure efficient and equitable contractual arrangements and promote farmer organizations, as well as the provision of public programmes of technical assistance to build enterprise capacities.
- 4. Ensuring that small-scale producers can tap into the potential provided by rapidly increasing urban food demand.** Policy measures are needed to reduce the barriers limiting input, credit and market access for small-scale farmers and agribusinesses. At the farm level, there is a need to facilitate farm mechanization, revitalize agricultural extension systems, and strengthen land tenure rights.

The State of Food and Agriculture

www.fao.org/publications/sofa
email: Andrea.Cattaneo@fao.org

The FAO Agricultural Development Economics Policy Brief series is available at www.fao.org/economic/esa/policy-briefs



The findings in this brief have been adapted from the FAO report *The State of Food and Agriculture 2017: Leveraging food systems for inclusive rural transformation* available at www.fao.org/3/a-i7658e.pdf