



Brussels Policy Briefing no.24

Major drivers for rural transformation in Africa: Job creation for rural growth

Organised in partnership with the NEPAD Planning and Coordinating Agency

14th September 2011

European Commission, Building Borschette, Rue Froissart, 36- Brussels, Room AB-0D

<http://brusselsbriefings.net>

Context

About 75 per cent of the world's poor reside in rural areas, and in most developing countries rural areas have higher levels of poverty than urban areas. Rural areas suffer from low enterprise creation, poor infrastructure and inadequate provision of social protection. Public policy generally fails to correct the urban bias. In addition, rural areas face many challenges, ranging from climate change, to energy insecurity, high levels of population growth, unemployment migration, water and land scarcity to competition between food and biofuel production.

Rural economies are generally mixed, with farming and non-farming populations earning their living from interdependent agricultural and non-agricultural activities. During peak periods of the farming season rural areas frequently suffer from labour shortages. In some parts of the world, modern commercial agriculture and industries co-exist alongside small-scale farming and small-sized, traditional non-farm rural enterprises.

Globalization and urbanization have transformed economies and social systems in developing countries. The cost and benefits have been unequally distributed.¹ For some countries, abundant capital, high skills levels and technological excellence have led to unprecedented economic opportunities. However, the 50 least developed countries have received little benefit from globalization². World poverty has declined in the past two decades, but most of the change has been seen in a few dynamic economies, mostly in Asia.

The current world population of close to 7 billion is projected to reach, 9.3 billion by the middle of this century and 10.1 billion by 2100.³ Much of this increase will occur in areas of high fertility: 39 countries in Africa, nine in Asia, six in Oceania and four in Latin America. Between 2011 and 2100, the population of these countries is projected to increase from 1.2 billion to 4.2 billion.

More than half of the world's population now lives in urban areas. By 2030, over 80 per cent will live in the towns and cities of the developing world.⁴ This will be particularly notable in Africa and Asia where the urban population will double between 2000 and 2030. Despite this, the absolute number of people living in rural areas will continue to increase in some parts of Asia and sub-Saharan Africa. In most of sub-Saharan Africa, two-thirds or more of the population is under the age of 30. This very large youth arrives at working age with a right to expect gainful employment, adequate health care, education and social services and the ability to raise a family with an appropriate living standard.

People under the age of 24 will continue to constitute a large part of the total population (around 20 per cent in Eastern, Middle and Western Africa between now and 2030). Rural youth aged 15-24 represent between 8.2% to 21% of the total population in Sub-Saharan Africa.⁵

Feeding the projected global population of over 9 billion by 2050 will require a 70 per cent increase in global food production. Smallholder agriculture, in particular, will need to play a much more effective role

¹ ILO, *Promotion of rural employment for poverty reduction*, International Labour Conference, 97th Session, 2008
http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_091721.pdf

² World Commission on the Social Dimension of Globalization: *A fair globalization: Creating opportunities for all* Geneva, 2004

³ *2010 Revision of World Population Prospects*, the official United Nations population projections prepared by the Population Division of the Department of Economic and Social Affairs, May 2011- www.unpopulation.org

⁴ UNFPA, *State of the World Population 2007 –Unleashing the potential of urban growth*

⁵ Source: FAOSTAT and UNPD World Population Prospects 2008 Revision.

in many developing countries, and governments and policymakers will need to pay much greater attention to addressing the fact that poor rural people cannot afford buying food⁶.

Heterogeneity of rural labour markets

Labour markets in developing countries, particularly in Sub-Saharan Africa, differ from those in developed countries. The majority of people of working age is either self-employed, inactive or works in the informal sector.⁷ Rural wage labour markets are very thin and almost all occupied youth are in small-scale agriculture, petty trading or non-remunerated home production activities. Often, working conditions in agriculture are particularly unfavorable, hazardous and have little social recognition. This fact, along with low income and limited prospects of improving living standards and educational attainment, has led to a rural-urban exodus.

In many countries, especially in Sub-Saharan Africa, most jobs are taken by unskilled labourers who have little formal education or training. This contributes to low productivity, weak organizational skills and low bargaining capacity.⁸

Over 1 billion people are employed in the agricultural sector, making it the second largest source of employment after service industries. The majority of the rural workforce is involved in agricultural activities. With over 700 million agricultural workers, Asia accounts for more than 70 per cent of the world total, and sub-Saharan Africa, with 192 million workers, for almost 20 per cent. With 510 million and 276 million people engaged in agriculture respectively, China and India account for almost 60 per cent of the world's total agricultural labour force. The proportion of the population depending on agriculture is decreasing in all regions of the developing world, and at a similar pace. East Africa, Central Africa, West Africa and South and East Asia still have more than half of their population involved in agriculture. In Southern Africa, Latin America, the Middle East and Central Asia, only 20–30 per cent of the population is considered agricultural. North Africa takes an intermediary position.⁹

In 2005, young people accounted for an estimated 65 per cent of agricultural employment. However, low and precarious incomes and the lack of useful work experience are driving many to look for work in cities, despite the disadvantages they face in urban labour markets. Most rural work is poorly rewarded. For example, farming in much of Africa and Asia rarely generates more than US\$750 per worker a year. From this must be deducted the cost of any purchased inputs. The remainder is shared between the workers and their dependents, leaving too little to escape from a dollar-a-day poverty¹⁰.

Agriculture: a driving force for rural transformation in Africa

No country has been able to sustain a rapid transition out of poverty without raising productivity in its agricultural sector¹¹. Agriculture continues to be the predominant source of employment in many regions, accounting for 63 per cent of rural household income in Africa, 62 per cent in Asia, 50 per cent in Europe and 56 per cent in Latin America¹². Historically, agricultural growth was the precursor to industrial growth in Europe and, more recently, in parts of Asia. However, agricultural growth also has much broader linkages or multipliers and allows poor countries to diversify their economies to sectors where growth may be faster and where labour productivity and wages are typically higher. Where agricultural productivity has grown slowly, as in many parts of sub-Saharan Africa, non-farm activities have also tended to grow slowly and to offer low wages.

Women comprise an average of 43 per cent of the agricultural labour force in developing countries. The female share of the agricultural labour force ranges from about 20 per cent in Latin America to almost 50 per cent in Eastern and Southeastern Asia and sub-Saharan Africa. Almost 70 per cent of employed women in Southern Asia and more than 60 per cent of employed women in sub-Saharan Africa work in agriculture. Women in agriculture and rural areas have less access than men to productive resources and opportunities. If women had the same access to productive resources as men, they could increase yields

⁶ IFAD, *Rural Poverty Report*, 2011

⁷ Inactive means for ILO not registered as unemployed

⁸ ILO, FAO, IUF Report on *Agricultural workers and their contribution to sustainable agriculture and rural development* (2007)

⁹ FAO-STAT 2010

¹⁰ Steve Wiggins and Priya Deshingkar, *Rural employment and migration: In search of decent work*, ODI Briefing paper 27, 2007

¹¹ Peter Timmer and Selvin Akkus, *The Structural Transformation as a Pathway out of Poverty: Analytics, Empirics and Politics*, Centre for Global Development, Working Paper Number 150, July 2008;

¹² G. Anriquez and K. Stamoulis: *Rural development and poverty reduction: Is agriculture still the key?* ESA Working Paper No. 07-02 (Rome, FAO, June 2007).

on their farms by 20–30 per cent. This could raise total agricultural output in developing countries by 2.5–4.0 per cent. This, in turn, could reduce the number of hungry people in the world by 12–17 per cent.¹³ The younger household heads who are engaged in farming tend to derive a higher income from their agricultural activities than older household heads, probably due to their willingness to adopt innovations in crops and technologies and to undertake activities which add value. Therefore, targeted agricultural extension services for youth can be highly effective.¹⁴

Expanding rural job opportunities

Agriculture alone cannot alleviate rural poverty. In all rural communities, the presence of sustainable off-farm enterprises is necessary to generate more and better jobs. Increases in non-farm employment opportunities imply a potential reduction in the supply of agricultural laborers, thereby increasing wages. Policy measures that encourage non-farm employment are therefore likely to generate spillover benefits for rural labour.¹⁵

However, off-farm activities are increasingly important not just to complement or supplement on-farm activities, but as sources of strong income and employment growth. This is especially true for rural areas that enjoy good physical infrastructure and human capital such as allowing manufacturing activities.

The provision of infrastructure, including information and communications technologies (ICTs) and market information systems (MIS), credit facilities and the development of innovative economic alternatives such as processing, sustainable tourism and services will lead to sustained economic diversification.

Agricultural value chains can play a key role in generating employment and reducing poverty in rural areas, providing the benefits are not confined to large farms and exporters which are able to access global markets at the expenses of medium-sized and smaller producers. This requires policies that support smallholders and strengthen producer organisations so that farmers can achieve economies of scale in production and marketing and acquire new skills.

The way forward

Sustained growth to reduce rural poverty requires significant growth in agricultural value-added activities. It also requires multi-sectoral approaches that support agribusiness and rural diversification. Pro-poor growth policies should be designed to help the most vulnerable¹⁶. This will include policies to support smallholders and strengthen producer organizations to achieve economies of scale in production and marketing and upgrade their technical capacities. In the same vein, special efforts should be made to design and implement policies that favour women and young people.

The creation of jobs that increase rural incomes and stem the flow of young people into towns and cities requires significant increases in investment in water management, agriculture and research and extension. There is also a strong case to be made for increasing public services in rural areas. Policymakers should also address farmers' vulnerability to weather-related shocks and their limited responsive capacity, and the distorted incentives that keep farmers in subsistence farming. To be successful, labour market reforms need to be coordinated with other public policies, such as those in the fields of education, agriculture and public works. There is a need for a strong political leadership and an inclusive and integrated approach to rural development, which embraces a multi-dimensional, multi-sectoral and territorial approach to socioeconomic transformation. Micro, meso and macro-level policies and interventions are needed for rural transformation to happen¹⁷.

Governance in rural areas could be facilitated by decentralization processes which devolve resource allocation decisions to local leaders. We need to gain a better understanding of the links between towns and cities and rural economies. The economic interdependence between urban-based enterprises and rural consumers and between rural producers and urban markets, and the reliance of many households on both rural and urban-based resources, are often stronger in and around small and intermediate urban

¹³ FAO, *The State of Food and Agriculture, Women in Agriculture, 2010-2011*; <http://www.fao.org/docrep/013/i2050e/i2050e.pdf>

¹⁴ FAO, *Rural youth employment in developing countries: a global view, 2010*

¹⁵ World Bank: *World Development Report 2008*

¹⁶ C. Peter Timmer and Selvin Akkus, *The Structural Transformation as a Pathway out of Poverty: Analytics, Empirics and Politics*, Centre for Global Development, Working Paper Number 150, July 2008

¹⁷ Communiqué- Rural Futures Strategic Briefing Meeting- Addis Ababa, 25-26th May 2011-

<http://www.nepad.org/system/files/Final%20Communique%20of%20the%20Rural%20Futures%20Strategic%20Briefing%20meeting.pdf>

centres, underlining their important potential role in local economic development.¹⁸ The territorial approach¹⁹ is an important way to promote rural development by building local competitive advantages in farm and non-farm activities; promoting inclusive processes with the local populations; strengthening local governance through local institutional building; making good economic use of different territorial assets, and promoting economic coordination among institutions in the territory²⁰.

A lack of training opportunities and low skill levels have contributed to high levels of unemployment in rural areas. This problem needs to be urgently addressed by policymakers.

The very nature of agriculture is changing, and farmers need to acquire new skills if they are to make the most of new technologies, products and markets. Vocational schooling to prepare students for entry into the labour market and training programmes in niche markets with good growth prospects can raise the productivity and income of enterprises by upgrading technology and managerial skills. Farmers and entrepreneurs also need to acquire a better understanding of how to run their businesses efficiently. They need more and better market information and greater understanding of their costs and revenues, the required investments, and the value chains they operate in²¹.

Objectives of the Briefing

To improve information sharing and promote networking, CTA, DG DEVCO of the European Commission, the ACP Secretariat, Concord and various media organise bimonthly briefings on key issues and challenges for agriculture and rural development in the context of EU/ACP cooperation. The Briefing on 14th September 2011, organised with the NEPAD Planning and Coordinating Agency, will discuss the key challenges in rural transformation and rural employment in ACP countries. The Briefing will: i) raise awareness about existing and emerging challenges on rural transformation and rural employment; ii) promote the exchange of information and expertise from various parts of the world ; iii) contribute different perspectives to the debate on policy options for NEPAD in its strategic thinking on rural transformation in Africa.

The Briefing will build upon the outcomes of NEPAD's Rural Futures Initiative and the Rural Futures Strategic Briefing held in May 2011 in Addis Ababa²². In the context of the new thinking of NEPAD on rural transformation in Africa, we intend to organize joint Brussels Development Briefing once a year focusing on various priority topics.

We also draw upon the outcomes of the International Conference on "Dynamics of Rural Transformation of Emerging Economies"²³, held in New Delhi in April 2010, as many lessons can be shared of transformation processes from non-ACP countries, some of which will be presented at the Briefing.

Target group

120-150 ACP-EU policy-makers and representatives of EU Member States, civil society groups, research networks and development practitioners, and international organisations based in Brussels.

Available material

Input and comments before, during and after the meetings will be included in the Briefings blog: <http://brusselsbriefings.net/>. A Policy Brief, a short report and a Reader will be produced.

¹⁸ David Satterthwaite and Cecilia Tacoli, *The urban part of rural development: the role of small and intermediate urban centres in rural and regional development and poverty reduction*, IIED, 2003

¹⁹ The territorial approach is a new concept in which rural development is viewed not only in terms of its physical and sectoral dimensions, but also as a locus where the interaction of a set of social relationships creates and gives expression to an identity and to society's capacity to lead and manage its own development.

²⁰ ILO, *Promotion of rural employment for poverty reduction*, International Labour Conference, 97th Session, 2008

²¹ World Bank, world Development Report 2008

²² Rural Futures Strategic Briefing Meeting- Addis Ababa, 25-26th May 2011

²³ International Conference on *Dynamics of Rural Transformation of emerging economies*, New Delhi, April 2010
<http://www.ruraltransformation.in> and www.rimisp.org/dtr/conferenciaindia



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8h00-8h30 Registration
 8h30-8h45 Introductory remarks: *Dr Mohammed Chambas, Secretary-General of the ACP Secretariat, Francesca Mosca, Director, European Commission, Dr Ibrahim Assane Mayaki, Chief Executive Officer, NEPAD; Michael Hailu, Director, CTA*

8h45-10h15 Panel 1: Challenges and opportunities in rural transformation

Panel 1 will provide an overview of the main challenges in rural transformation by sharing different perspectives and lessons

Chair: *H.E. M. Paul Badji, Ambassador of Senegal to the EU and Belgium*

Panellists:

- Supporting rural economies to prevent food crisis
H.E Dr. Sileshi Getahun, State Minister of Agriculture, Ethiopia
- Rural transformation processes: what can we learn from current experiences?
Felicity Proctor, Expert on Rural Transformation, United Kingdom
- Experiences from the agricultural rural transformation in transition countries
Jo Swinnen, Professor of Development Economics, University of Leuven, Belgium
- Linkages between agriculture and the rural non-farm economy in support of rural transformation
Professor Peter Hazell, Imperial College London, School of Oriental and African Studies
- Implications of Rural-Urban Transformation for Growth and Poverty Reduction in Ethiopia
Paul Dorosh, Director, Development Strategy and Governance, IFPRI, USA
- Small-scale farmers and rural transformation: the case of Brasil
Elisangela dos Santos Araujo, Coordinator, Federation of Family Smallholders (FETRAF), Brasil

10h15-10h30 Coffee break

10h30-13h00 Panel 2: Creating rural employment for economic growth in ACP countries

Panel 2 will focus on rural employment and rural labour markets with case studies from the field highlighting success stories that have generated growth and employment.

Panellists:

- Rural employment and decent work: challenges and opportunities
Loretta de Luca, Coordinator, Rural Employment and Decent Work Programme, ILO
- Creating employment for rural youth and rural women
Peter Wobst, Senior Economist, Gender, Equity and Rural Employment Division, FAO
- Linking small-scale producers to dynamic markets
Dr. Dyborn Chibonga, Chief Executive Officer, NASFAM, Malawi
- Connecting rural populations through ICTs
Paul Barera, Executive Director RTN, Rwanda

Conclusions: *Dr Ibrahim Assane Mayaki, CEO, NEPAD; Michael Hailu, Director CTA*

Networking Lunch