Development Context

• RDR new IFAD flagship replacing the Rural Poverty Report last released in 2011

• Since then, the global context continues to evolve creating opportunities and challenges
  – Relevance of emerging economies, BUT slowing growth
  – Changing trends in finance, trade, investments
  – Increased urbanization, incomes and diets
  – Rising inequality

• Against this context, we have also set ourselves a dramatic challenge in the 2030 agenda.

• Achieving the goals of the SDGs requires careful analysis of pathways forward.
1. What are the different pathways of structural and rural transformation across the developing world?

2. What are the consequences of transformations for rural poverty reduction and inclusion?

3. What can the main actors do to promote an inclusive rural transformation?

- Database of 60 countries in Asia, Latin America, Middle East and North Africa, and Sub-saharan Africa
- Period: since 1990’s to early 2010s
Globally, extreme poverty has been significantly reduced but rural areas still lag behind and much remains to be accomplished.

Economic growth tends to lead to structural transformation thereby changing, but not diminishing, the role of agriculture.

**Sectoral structure of the economy by region, 1980s-2010s**

**Notes:** APR = Asia and the Pacific; LAC = Latin America and the Caribbean; ESA = East and Southern Africa; WCA = West and Central Africa; NEN = Near East, North Africa, Europe and Central Asia. Source: IFAD, based on World Bank (2015c).
Structural transformation in the economy is accompanied by rural transformation.

**Agrifood Industry Output per Capita (US$)**

- **1991-95**: 150
- **1996-00**: 200
- **2001-05**: 250
- **2006-10**: 200

**Share of Agriculture in GDP (%)**

- **1991-95**: 10
- **1996-00**: 15
- **2001-05**: 20
- **2006-10**: 25

**Non-farm Share of Rural Household Incomes (%)**

- **Africa**: 37%
- **Latin America**: 47%
- **Asia**: 51%

**regions**

- Africa
- Latin America
- Asia
Rural transformation happens as part of a broader process of structural transformation altering the role of agriculture and broadening rural investment opportunities.
Rural poverty falls as structural transformation proceeds

Change in Rural Poverty Rate (%) (circa 1990s – 2010s)

Change in Share of Non-agricultural GDP (%) (circa 1990s – 2010s)
Rural poverty falls as rural transformation proceeds, but regional and country experiences vary significantly.
While rural transformation may generate both positive and negative effects for rural people, inclusive rural transformation will not happen automatically – it must be made to happen.
Rapid rural or structural transformation, while necessary, do not automatically lead to a rapid reduction in rural poverty

Two Prepositions Tested:

1. No country has reduced poverty significantly in the absence of rapid ST and/or RT

2. Countries that have gone through rapid ST and/or RT have significantly reduced rural poverty
Rapid structural or rural transformation do not automatically lead to rapid rural poverty reduction

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<th>Total Countries</th>
<th>Structural Transformation</th>
<th>Rural Transformation</th>
<th>Rural Poverty Reduction</th>
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<td>60</td>
<td>FAST 39</td>
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Rapid structural or rural transformation do not automatically lead to rapid rural poverty reduction.
Inclusive rural transformation hinges on agriculture, which retains its importance as the transformation unfolds.

Distinct agricultural policies must be adopted at different stages of rural transformation.
The “right approach” to rural development for IRT depends on the role and importance of agriculture and rural areas at different levels of structural transformation.

**Agriculture-boosting**

- Low level of ST
- Focusing on agriculture productivity growth despite pressures to concentrate on other “more efficient” Sectors of the economy
- LIDCs
- Much of SSA

**Agriculture-modernizing**

- Moderate level of ST
- Focusing on rural areas (agriculture and SMEs) despite pressures to devote attention to the needs of the urban middle class
- LMICs
- Parts of SSA
- Much of APR

**Agriculture-sustaining**

- High level of ST
- Meeting the needs of rural populations despite pressures to generate critical public goods from the broad agrifood systems
- HMICs
- Much of LAC
- Much of NEN
Rural development strategies for inclusive rural transformation are context-specific, but structured.
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- High-priority policy reforms, institutional innovations and investments are determined by the speed and inclusiveness of the transformation pathways to date.
Four Decades

*Investing in Rural People*

*Fostering Rural Transformation*

Thank you