

RURAL ECONOMY

Expanding economic potential in rural areas



Abstract

In many countries of the Global South, the majority of the population work in agriculture. However, this sector is often unable to provide sufficient jobs and income. Economic poverty is therefore still one of the main problems in rural areas, although many people already improve their income by taking on supplementary work outside agriculture.

Support for businesses and services – particularly in pre- and post-processing of agricultural products, but also in the non-farm economy – is of great significance for the socio-economic development of rural areas. This is the only way in which new sources of income can be developed for the rural population, who are most affected by hunger. The creation and expansion of physical infrastructure is an essential precondition for this development, particularly in neglected rural areas.

Good governance also entails the creation of functioning state institutions which ensure the implementation of participative regional planning and the development of physical infrastructure designed to reduce poverty. Good governance also entails the creation of functioning state institutions which ensure the implementation of participative regional planning and the development of physical infrastructure designed to reduce poverty.

In many countries of the Global South, agriculture is still the backbone of the rural economy. Therefore, rural development is closely linked to the development of the agricultural sector – for example via increasing productivity in crop production and animal husbandry/pastoralism, in fisheries and forestry (cf. Sections on agriculture and agro-pastoralism). This process is indeed worthy of support, as long it is carried out in a sustainable and appropriate manner. But it can, albeit need not, mean that working capacities are set free, for instance when agricultural machinery or digital processes replace human labour. Neither does primary

production always provide sufficient potential for sustaining the livelihoods of the rural population. In the long run, pro-poor growth can only be achieved via economic diversification, with which new jobs and income opportunities are created and overall economic development is triggered.

The potential for this kind of diversification often arises directly from agricultural production. Here promising fields comprise activities in the pre- and post-harvest sector (including optimised storage, preservation and transformation of agricultural produce as well as packaging and transport). Agriculture-related services such as the repair and maintenance of machines and tools, but also services in consulting, (inclusive) financing, information, education and training also bear potential. Agricultural inputs are necessary as well, as is product marketing.

However, economic diversification for sustainable rural development reaches beyond the agricultural sector, including its upstream and downstream areas. The non-farm economy offers jobs, and hence income opportunities, too, for example in sustainable tourism and environmental protection, but also in classic crafts such as electronics, tailoring, hair-cutting, phone repair, construction, etc. Given the global challenges which urgently need to be addressed (cf. Sections on water, biodiversity and climate change) “green skills” should be supported in particular which create the preconditions for employment in areas such as eco-friendly construction, renewable energy production or recycling and waste prevention. Properly employed, digital technologies can also help develop a climate- and natural-resource-friendly economy and adopt sustainable production processes (cf. Section on agriculture). However, accepting new technologies and production methods or even switching to a new job calls for a certain readiness to take risks, which smallholders and the rural poor in particular often do not have. Development cooperation has different levers

to minimise these risks (e.g. vocational training, investment support for SME, ecopreneurship, support of market access).

Women suffer discrimination in relation to access to resources (including finance) as well as on the labour market (cf. Section on gender equality). The same applies to young people. Special support for these groups gives women and youth new opportunities. Here, it is also necessary to look for solutions in respect to the disadvantages which result from the usually inadequate vocational training opportunities in rural areas (owing to insufficient funding, lack of clear strategies and policies, poorly qualified trainers, outdated curricula, neglect of soft skills such as leadership, business development, etc.). Technical and vocational education and training (TVET) opportunities have to be better adapted to the needs of the participants and should also be accessible in terms of fees. They ought to take cultural norms into account, above all the restricted time and mobility of women and girls. In addition, the contents ought to be tailored to the job opportunities in rural regions so that they are not only attractive for those seeking to migrate to the cities.

The recognition of non-formal education and related curricula, both at state level and by the private sector, also has a significant impact on employability. In fragile contexts, security aspects play a role, too.

Provided they are well organised and managed, cooperatives and similar self-help business organisations can be important instruments for the economic development of small-scale farming communities. Joint economic activity reduces costs and improves the negotiating power of the members. Benefits may result from cooperation in purchasing, transport, storage and marketing, as well as in financing investments. Successful cooperative businesses can also have a positive effect on the division of labour and specialisation, which helps to improve product quality. Moreover, cooperatives themselves can promote diversification if they expand their activities to, for example, educational and financial services or the trade of non-agricultural products. However, cooperatives have not always proved to be efficient and effective. This was usually the case when cooperatives were not demand-driven but imposed and/or misused for political expediency. A lack of common interest and mutual trust, of business skills and leadership and of fair relationships between the different actors can also result in the failure of co-

operatives. A longer-term set-up, capacity building of cooperative members, the development of solid business plans as well as partnering with older/proven cooperatives or specialised local partners who have substantial experience in cooperative formation can enhance the efficiency and effectiveness of cooperatives and secure their sustainability. When there is no foundation for self-organised responsible cooperation, then either private business solutions or collaboration between self-help structures and the private sector are preferable.

In recent years, the idea of social business has provided new incentives for development-friendly entrepreneurship. Development cooperation is particularly well suited to supporting start-ups and businesses that combine the idea of economic efficiency, social purpose and environmental sustainability. Support can be provided in a variety of ways, including seed capital, training, access to technology, and building market access.

In the medium run, support for the economy as a whole leads to reduced dependency on a single sector. New sources of income increase the population's purchasing power, which also strengthens local and regional markets. In this way, a diversified local economy provides more socio-economic stability in the long run than an export-oriented economy which is highly dependent on a few products and sectors and external market demand. A diversified economic structure is also more likely to be successful in countering undesirable developments in the market economy (e. g. price distortions, development of monopolies) and in intervening to regulate the situation. International markets can provide important contributions to the economic development of rural areas as well. However, they must be thoroughly analysed to assess their true potential. International trade (cf. Section on agricultural trade) usually requires a much higher degree of organisation, larger quantities of goods and higher product quality. Agricultural production should generally, but especially when producing for global markets, be linked to social and ecological minimum standards and human rights due diligence.

A special attention to the Global Compact and to the respect of the right to adequate food of farmers and farm workers is essential.

In order to be able to utilise international market opportunities despite underdeveloped infrastructure

and inadequate framework conditions, new industries in the Global South must protect their products from superior competition. For this, countries of the Global South should be able to make use of existing WTO instruments (e.g. safeguards, green box) to fend off imports of cheap, subsidised products which damage their domestic agricultural production and the development of strategically important industries (cf. Section on agricultural trade).

Sustainable economic development requires a functioning physical infrastructure (roads, storage facilities, reliable energy and water supply, communications), as well as suitable institutions for education and vocational training and health services. Financial services must cover investment and liquidity requirements (cf. Section on microfinance).

Good governance is essential for a pro-poor economic development. Functioning local and regional administrative structures and governmental institutions are the main actors in establishing suitable instruments for supporting economic activity and in creating appropriate framework conditions. This especially includes the rule of law, for example in relation to the land ownership situation and land use rights (cf. Section on land). In addition, a coordinated national policy for efficient regional planning and development is needed. This can reduce urban-rural disparities and lead to more effective coordination and implementation of economic funding programmes at the regional level. Economic support should also include active labour market policy, particularly in relation to vocational education and job opportunities for rural youth. Policies ought to be guided by the principles of decent work and living wages.

Welthungerhilfe's involvement in relation to developing economic potential in rural areas:

- Supporting farmers and pastoralists in sustainably increasing agricultural/livestock production, productivity and efficiency.
- Supporting target groups in expanding pre- and post-harvesting activities related to agricultural produce, in order to create vertically integrated, diversified value chains with opportunities for value addition (e. g. by certification, quality produce), thus generating income opportunities.
- Promoting vocational training for the rural poor, especially for women and rural youth, with respect to farming as well as non-farming professions, including "green" skills and digital literacy.
- Strengthening self-help organisations and cooperative business models as well as supporting private enterprise development with clear commitment to social and ecological responsibility (e.g. social business).
- Supporting measures designed to improve the functioning of markets for the local, regional and international exchange of goods.

Welthungerhilfe's demands in relation to the development of economic potential in rural areas:

- Countries of the Global South must implement an integrated, transparent and participative regional policy which focuses particularly on the agricultural sector and its forward and backward linkages; support for decentralised structures is beneficial for efficient public services.
- Activities and initiatives that generate new jobs beyond agriculture should be particularly strengthened.
- (Suitable) vocational education and training, especially for young people and women, are urgently required, as is the transfer of know-how and adapted technologies.
- Locally and regionally established business cycles ought to be promoted.
- Countries of the Global South should reform their market structures and invest more in infrastructure. This includes rural markets and social structures (overcoming the urban bias) as well as essential physical infrastructures.
- Industrialised and emerging countries must not be permitted to thwart the economic development of poor countries by forcing them to open their markets and triggering floods of cheap imports.
- Countries of the Global South must make more use of the legitimate (WTO) instruments to protect their (agricultural and other) producers from cheap imports.

References

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Contacts:

Policy & External Relations
policy@welthungerhilfe.de

Sector Strategy, Knowledge & Learning Unit
sectorsupport@welthungerhilfe.de