

# Introduction



In 2015, as the world reflected on achievements against targets in the Millennium Development Goals (MDGs) and crafted the 2030 Agenda for Sustainable Development, the dominant narrative was sober yet positive and upbeat, and rightly so. In 1990, some 44 per cent of the population in developing regions lived on less than US\$1.90 a day. This rate had dropped to 14.9 per cent by 2012, reducing the number of people living in extreme poverty by 1.06 billion (World Bank 2016). Progress on inequality was not as strong. As measured by the Gini coefficient, inequality in low- and middle-income countries increased from 38.5 in the early 1990s to 41.5 in the late 2000s (UNDP 2013). Nevertheless, between 1990 and 1992 and 2010 and 2012, the proportion of undernourished people in developing countries declined from 23.3 per cent to 12.9 per cent, and from 1.01 billion people to 795 million in absolute terms (FAO et al. 2015).

The declines in poverty and undernutrition were sharpest in Asia, with China alone reducing its rural poverty rate from 66.6 per cent in 1990 to 6.5 per cent in 2012 (World Bank 2015). Gains in other regions of the world were less dramatic, but also important. But there is no escaping the fact that in most regions poverty rates in rural areas stood well above those in urban areas. With the exception of Asia and the Pacific and, to a lesser extent, Latin America and the Caribbean, the gap did not decline significantly over the period.

Rural development is one of the most reliable and potent forces for overcoming these trends and achieving broad-based social and economic development. The evidence is strong and clear that sustained investment to enhance productivity in agriculture and the broader rural economy has a large impact on both growth and poverty reduction (Fan 2008; Fan et al. 1999, 2002). The impact pathways are both direct, through increased incomes and enhanced food and nutrition security, and indirect, through improved education, healthcare and other important services.

This report examines rural development through the prism of the transformation of rural areas and the wider economy – rural

transformation and structural transformation. By embedding rural development within rural transformation, and that within structural transformation, developments in urban and rural areas can be viewed together and seen to be interconnected. The implications for rural development and rural transformation of deep and rapid demand-side changes in global and national factor markets and agrifood value chains can be examined. Drivers and determinants of pathways and levels of structural and rural transformation can be explored, with the aim of building an understanding of how they shape both opportunities and constraints to rural development and its inclusiveness.

The core strategic challenge facing governments, development agencies and other stakeholders is how to draw ever-increasing numbers of the poor and marginalized in rural areas into the mainstream.

### Focus and analytical framework

With the aim of speaking to these strategic challenges, shedding light on the strategic opportunities, and thereby articulating and clarifying the strategic choices facing decision makers in the coming years, the following three questions shape the report's overall narrative and content:

1. What are the different pathways (or patterns) of structural and rural transformation across the developing world?
2. What are the consequences of transformation for poverty reduction and inclusion?
3. What can be done by governments, the private sector, civil society and development partners, including IFAD, to stimulate and support inclusive rural transformation in different contexts?

### Propositions

In addressing these questions, the primary proposition of the report is that historical legacies and policy and investment choices shape the pathways, speeds and results of structural and rural transformations, leading to sharply different transformation and inclusion outcomes across countries. A supplementary

proposition is that a rural development strategy to promote inclusive rural transformation must recognize and accommodate these outcomes, strengthening inclusion-enhancing forces and blunting exclusion-promoting ones. These two propositions shape the design of the report's analytical framework, the selection and interpretation of evidence gathered in applying the framework, and the development of implications for policy reform, institutional innovation and investment.

### Analytical framework

Figure N illustrates the analytical framework guiding the report. As signalled by the propositions, the point of departure is the set of initial conditions that exist in a country: endowments or factors of production, human capital, traditional identities and historic legacies. These initial conditions affect the range and nature of choices available to governments and other key actors with respect to institutions, policies and investments aiming to affect the pace and nature of structural and rural transformation, which, in turn, condition and reflect each other.

These influences are mediated through interventions that, directly or indirectly, affect the level and rate of employment, access and rights to land and natural resources, availability of, and access to, rural finance, the depth and complexity of agrifood markets and value chains and agricultural technology innovation, empowerment and gender equality, and social protection. Several external factors shape the contexts within which these choices are made. Notable among these factors are political and social fragility, demographic conditions, urbanization, conditions of trade in international markets and, more recently, climate change.

Outcomes of structural and rural transformation include a reduction in rural poverty, improved food and nutrition security, and increased resilience to shocks and overall fragility, and more social and political inclusion for rural people. To be truly inclusive, these outcomes have to create lasting effects in the lives of rural people and thus be sustainable over

the long run. The extent to which this occurs, however, is predicated on the pace and quality of the underlying transformation.

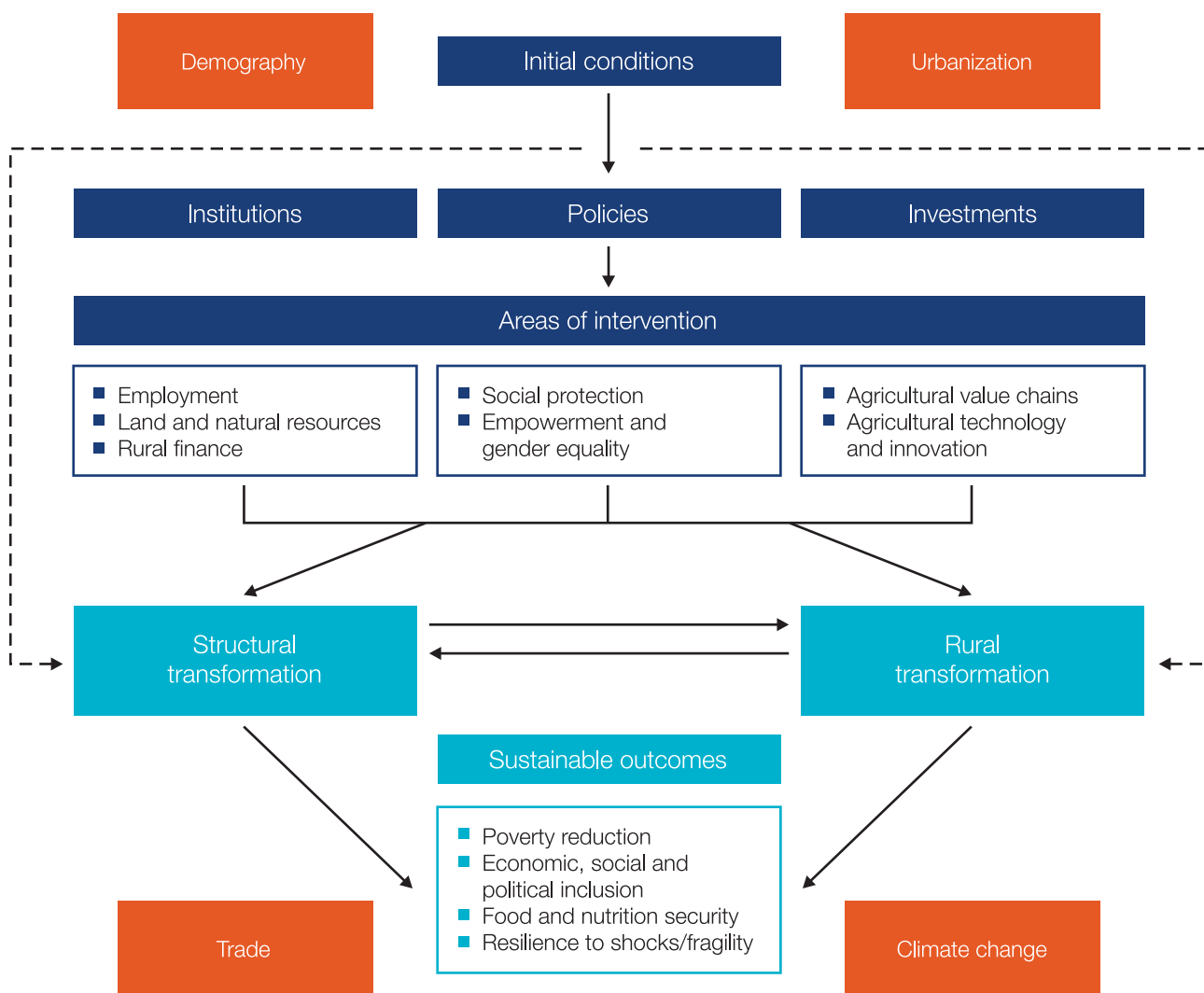
The analytical framework is employed to examine these issues from two perspectives: (1) a regional perspective based in part on a cross-cutting empirical analysis of levels and speeds of transformation and inclusion for a set of countries selected from all regions of the developing world, and also by examining how regional developments and country-specific choices featured in the framework have impacted transformation pathways and outcomes, and (2) a thematic perspective based on an analysis of the key policy action areas, key outcome areas, and cross-cutting issues signalled by the analytical framework.

### The regional perspective

The empirical analysis (detailed in the Overview and synthesis) reveals several regularities regarding structural transformation, rural transformation and rural inclusion (as captured by rural poverty reduction). Relatively more structurally transformed countries are also more rurally transformed. The higher the speed of structural transformation, the faster the pace of rural poverty reduction. Similarly, the higher the speed of rural transformation, the faster the pace of rural poverty reduction. Where structural transformation is relatively slow, fast rural transformation coincides with fast rural poverty reduction. Both rural transformation and rural inclusion would therefore appear to be most dynamic in the context of fast structural transformation, which, in turn, and especially where it is proceeding relatively slowly, is most vibrant alongside rapid rural transformation and rapid rural inclusion.

Rapid reduction in rural poverty in the absence of rapid structural and/or rural transformation is rare. However, several fast-transforming countries have not done so inclusively. Structural and rural transformations may be necessary for rural inclusion, but they are not sufficient. To achieve inclusion, not only must countries transform quickly, they must also take specific actions to reduce rural poverty and enhance inclusion more broadly.

FIGURE N Analytical framework



Source: Authors.

Based on these findings, the report hypothesizes that the inclusiveness of structural and rural transformation is an empirical issue whereby the path and speed of transformation and inclusion are linked to initial conditions, institutional factors, policy and investment. Two specific hypotheses are examined: (1) No country has reduced rural poverty significantly in the absence of rapid structural and/or rural transformation. This statement should be confirmed by the data, with few exceptions. (2) Countries that have gone through a significant structural and/or rural transformation have reduced rural poverty – and enhanced inclusion – significantly. This statement should be qualified by the data, with some countries having transformed inclusively, but several

having transformed non-inclusively. Four regional chapters, as now summarized, consider the extent to which these hypotheses hold in different parts of the world, further examining how initial conditions, institutional factors, policy and investment choices have manifested themselves in each region, and how – or if – they have affected the speed and inclusiveness of rural transformation.

**Latin America and the Caribbean**

Most countries in the LAC region had already reached relatively high levels of structural and rural transformation by the start of the period of analysis, with an urbanization rate of over 75 per cent. Growth and poverty reduction over the period were strong overall. Countries

underwent a vast rural transformation in the second half of the twentieth century, with four features in common: spatial integration as functional rural-urban territories formed where the majority of the rural population lives, diversification of rural economies from agriculture, transformation of agrifood systems and value chains under the dominance of corporations, and a blurring of the cultural distance between rural and urban youth owing to rural roads and communications technologies. The old rural and fundamentally agrarian societies have been replaced by new types of rural societies, in which agriculture is still important but no longer predominant.

Findings are consistent with the main hypotheses, namely that all countries (but one) that have reduced rural poverty faster than the region as a whole have also experienced rapid structural or rural transformation, or both, but that not all countries that experienced rapid transformation cut rural poverty rapidly. Almost every country with rapid rural poverty reduction also narrowed rural income inequality faster than the regional average.

As in APR, therefore, agricultural productivity growth and strengthening of the agriculture-based rural non-farm economy will be important to enhanced inclusion. In addition to pro-smallholder productivity-enhancing policies and investments (such as infrastructure investment in lagging areas, land reform for excluded people, focused agricultural R&D and improved access to technology and finance), social protection programmes have been and will remain central to rural poverty reduction in LAC.

Training to allow people to have access to more productive jobs and support for collective action and empowerment were critical to inclusion, and will remain so. In countries with sharp subnational differences in agro-climatic, socio-economic and structural conditions, territorial development strategies may be appropriate. A major emphasis should be to support the expansion of high-quality public goods, which will also demand a major effort to coordinate agricultural (and smallholder) policies and programmes with those related to public services, infrastructure and broader

economic development – something that probably can only be done on the basis of regional and territorial development approaches.

### **Asia and the Pacific**

In APR, where growth was rapid and poverty reduction significant over the period of analysis, the rural sector has been gradually transforming, moving from largely cereal- or grain-based production to higher-value production, such as livestock and fisheries. Driven mainly by rising income and urbanization, food-consumption patterns have been changing, shifting from starchy staples and rice towards fruit and vegetables, livestock and dairy products, fish, sugar and oils. Findings are strongly consistent with the two hypotheses, and more so than for any other region. Recent transformations of economies and rural societies in the region have coincided with the deepest and fastest structural transformation in developing countries, cutting sharply into rural poverty. The data do not reveal any country that transformed quite quickly that did not also cut poverty relatively fast. The data confirm that countries that transformed relatively slowly made significant progress against poverty, but did so more slowly than the regional average.

In countries registering fairly high rates of transformation and poverty reduction, productivity growth on smallholder farms and rapid growth of the rural non-farm economy were decisive. While labour-intensive manufacturing is a source of inclusive employment growth in the region, agricultural productivity growth and the agriculture-based rural non-farm economy remain central to structural and rural transformation that draws the rural poor into the mainstream.

Inclusion-enhancing policies and investments included infrastructure investment in lagging areas, land reform for excluded people, demand-driven agricultural R&D and enhanced smallholder access to technology and finance. Especially important were coherence and appropriate sequencing of institutional reforms, policies and investments.

Labour-intensive manufacturing will remain an important source of inclusive employment

growth in many countries in the region, but continued agricultural productivity growth and strengthening of the agriculture-based rural non-farm economy will be central to the structural and rural transformation that draws the rural poor into the mainstream.

### **Sub-Saharan Africa**

In SSA, the dominant narrative of a fast-transforming continent showing mixed but generally positive performance is valid, but must be tempered by recognition of challenging trends that threaten continued progress. Agriculture shows healthy growth in terms of both output and productivity, but the commodity mix has not been diversified much. The picture that emerges is of an expanding agricultural sector, but one with weak fundamentals that are preventing a broad-based reduction in poverty and inequality. Nevertheless, Africa's rural areas are transforming deeply and rapidly. Findings with respect to the hypotheses are that of the 23 countries out of 28 in the region that registered quite fast structural and rural transformation over the period of analysis, only 15 managed to cut poverty quickly. The burden of high population growth rates, poor infrastructure, and policy and institutional gaps is heavy. Notably, however, nine relatively slow transformers were able to reduce poverty at quite fast rates. These cases confirm that the demographic and political challenges facing African countries are not insurmountable. They also show that the direction and quality of public investment is central to inclusive pathways.

Because of the continued "youth bulge" in the labour force across the continent, inclusive transformation must focus on youth. Despite rapid urbanization, the waves of young people reaching adulthood and seeking to establish families and livelihoods will be predominantly rural for at least two more decades. While speeds and patterns of structural and rural transformation differ across the continent, similarities in factor proportions and competitive advantage imply that inclusive transformation springs mainly from agriculture

and the rural non-farm sector. Both of these require sustained productivity-enhancing investment to reach their full potential.

Agriculture is the primary employer, and will be called on to absorb new entrants to the labour force. Increased agricultural productivity and improvement in agriculture-related rural livelihoods will continue to be the primary avenue to achieve such inclusion in the near term. Enhanced agricultural growth will also drive growth in the rural non-farm sector. Targeted investment in infrastructure, skill development, and increased access to land and finance are critical. Rapid urbanization and fast changing food consumption patterns point to continued demand-driven changes in agrifood systems as high-potential sources of employment and income growth in rural areas.

### **Near East, North Africa, Europe and Central Asia**

In the NEN region, despite high diversity in their geography, history, natural resource endowments and socio-political contexts, countries have in common deep and far-reaching political and economic transitions that are strongly determining their structural and rural transformations. In particular, many countries are grappling with the aftermath of two major events separated by nearly two decades: the far-reaching remodelling of the Commonwealth of Independent States (CIS) triggered by the demise of the Soviet Union in the early 1990s, and the current reshaping of NEN political and socio-economic landscapes unleashed by the Arab "revolutions" that began in 2011. Factor endowments, particularly natural resource endowments such as water, farmland and minerals, are important drivers of structural and rural transformations. In most countries in the NEN region, dependence on oil revenue and its cyclical commodity effects translate into pronounced volatility in economic growth, which is particularly detrimental because stable growth is better than volatile growth at tackling poverty.

Findings indicate that the urban-rural poverty gap is a strong indicator of inclusion (the wider the gap, the lower the inclusiveness). Countries

that have succeeded in narrowing the gap typically register higher agricultural value added per worker. A combination of above-average structural transformation with above-average rural transformation results in relatively fast rural poverty reduction and a narrower urban-rural poverty gap. Conversely, countries featuring a combination of below-average structural and rural transformations achieve slow rural poverty reduction and see a wider urban-rural poverty gap.

Thus, no country has achieved an inclusive development pattern characterized by relatively fast overall poverty reduction and a concomitant narrowing of the urban-rural poverty gap without paying careful attention to how rural transformation interacts with the wider structural transformation. Key interventions to promote inclusive transformation patterns include boosting agricultural productivity and shifting to high-value agrifood chains, building resilience to anthropogenic and climate-induced shocks, empowering women, investing in infrastructure, and expanding access to farmland and other productive assets, especially for historically excluded populations.

### The thematic perspective

At issue in this report are drivers of inclusiveness and policies and investments that can enhance inclusiveness. The logic of inclusive rural transformation as captured in the analytical framework points to a set of six critical areas for policy action and investment: employment, markets and value chains, rural finance, agricultural technology innovation, land and natural resources, and collective action. Six chapters are devoted to these issues.

The report also includes eight brief thematic “Spotlights.” Two spotlights focus on two socio-economic outcomes that are powerful signals of the degree of inclusion: food and nutrition security and resilience to shocks. Given the increasing importance of civil strife, population dislocation, and natural and anthropogenic disasters, prospects for inclusive transformation in fragile situations are also considered in a spotlight. Also examined in spotlights are two

issues that cut across the policy actions and outcome areas set out above: gender equality and environmental sustainability. Not only do both of these issues have strong policy content in themselves, they are also powerful reflections and outcomes of inclusion. A sixth spotlight is devoted to the special circumstances facing indigenous peoples under rural transformation, a seventh to social protection and an eighth and final one to institutions and governance. Outlined below are key findings of the thematic chapters and spotlights.

### Employment

Overall employment trends – globally and nationally – will strongly influence the types and qualities of employment opportunities open to rural populations in the future. The better the overall employment prospects, the greater the chances that rural people will be able to improve their lives via employment and higher wages in rural and urban areas. The converse is true, of course – poor employment trends will have major implications for rural and agricultural development strategies.

Patterns of transformation seen in the past, where low-skilled labour left agriculture for low-skilled but higher-paying industrial jobs, will be hard to replicate. Manufacturing will not be available to many countries as an avenue for significant employment growth. The role of the state is thus primary, entailing a strengthening of the fundamental capabilities of the populace, expanding access to new technology, addressing gender- and culture-based inequities, providing a broad cushion of benefits, providing public goods, and strengthening the business environment through policy and infrastructural investment, which rural areas especially need.

### Markets and value chains

This chapter documents the drivers and implications of radical but predictable changes underway in the industrial organization of food markets across the globe. The drivers are urbanization, changes in food demand (dietary change itself driven by rises in income), the diversification of rural economies, and institutional changes that modify the set of

actors in the agrifood system and the relations (including power relations) between them.

The overall configuration of agrifood supply chains has changed from local and fragmented to geographically far longer chains. The role and importance of traditional village traders have declined, while those of urban wholesale markets and specialized modern wholesale and logistics have risen. Concentration (with a rise in scale), multi-nationalization and technology change (capital:labour ratio increase) of food retailing, processing and wholesale logistics have also increased. The expansion of these segments has provided employment opportunities to the poor as workers in food processing and wholesale/logistics firms.

Private standards of quality and safety have emerged, as has greater contract use. New opportunities are opening up for smallholder farmers, small traders and rural processors and other rural agrifood SMEs. But barriers to entry remain a significant problem.

The best remedial strategies are broad policy and public investments to enhance collective and individual assets and to improve capabilities for participating and prospering in the changing domestic markets for major staples, livestock and horticulture – the mainstream of market change.

### **Rural finance**

Over the past few decades, with the emergence and spread of innovative institutions and models, financial services have expanded around the world, with investments in rural financial systems being increasingly profit driven. Several investment funds now target agriculture. Agricultural value-chain finance offers new mechanisms that respond more closely to the investment needs of smallholder farmers and rural SMEs.

Remittances have become increasingly prominent sources of finance for rural households, and are especially important for the most vulnerable. But access is not yet broad-based, excluding the vast majority of poor, leaving them with unreliable ways to save money, protect and build assets, transfer and receive money and obtain credit.

The implications of expanding their access to these services for the inclusiveness of rural transformation are profound. Remedies include changes to regulations that reduce the costs of formal lending and financial service delivery to the poor, alongside support for financial literacy. Informal channels, too, fill important gaps that formal systems cannot address, and their roles should be recognized as valuable for financial inclusion.

### **Agricultural technology innovation**

Increases in agricultural productivity can drive rural and structural transformation by helping farmers to produce more and of greater value, as illustrated by Asia's Green Revolution. The types of technologies most suitable to support inclusive transformation depend on context-specific conditions, often changing as the transformation proceeds.

Smallholder farmers must be able to adopt and adapt more productive technologies. For that, they must have the means to overcome a range of impediments such as inadequate education and knowledge of the new technologies, as well as constraints on access to financing and markets. The remedies include innovative approaches to technology development and dissemination, improved governance, a better institutional environment for agricultural R&D, and enhanced access to agricultural finance, inputs, advisory services and output markets.

### **Land and natural resources**

Land, forest and water resources are crucial to transformation processes and to the livelihoods of rural people, especially smallholder farmers and ethnic minorities. Historically, depriving people of access to these resources has led to the mass exclusion of smallholders, indigenous groups and ethnic minorities – and for the latter two groups, often pushing them near to extinction – creating many of today's most vulnerable and marginalized populations. Risks of exclusion remain high because structural and rural transformations demand more and more of all three resources. Collective action is vital in



inclusion, as are institutions that can manage the resources at local, meso and micro level.

Remedies include institutions and policy measures that foster proper management of these resources while preventing further threats to rights-holders. It is critical to clarify and enforce property rights, especially for women, by enhancing transparency in managing and allocating the resources, ensuring participation in policy processes, enabling greater inclusion of historically deprived groups and reducing risks of exclusion of other groups.

### **Collective action and empowerment**

Even as structural and rural transformation opens up new opportunities for rural communities, it also generates major risks that smallholders, rural SMEs and other marginalized groups in rural areas may be left behind, excluded from benefits or rendered worse off in absolute terms. Such transformation can weaken the legitimacy of local norms and institutions and lower the potential of collective action as a force for inclusion.

Historically, rural elites all over the world have primarily used collective action to extract tribute or labour services from peasants. Even today, the capture of benefits of policies and programs by rural elites is still very widespread. Still, collective action organizations of small farmers and disadvantaged groups, while fraught with profound difficulties in largely uncharted waters, can enhance the scope for inclusive rural transformation. Countless farmer organizations and other rural collective bodies are already in place, often as entry points for multiple development initiatives. Building robust organizations that can empower rural communities to benefit from changes brought on by rural transformation can only be gradual – but is critical. Support must be consistent and sustained. Traditional norms and institutions, based on local culture and authorities, may serve to exclude women and other disadvantaged groups from participating on an equal basis in economic, social and political terms. Several trends and conditions associated with structural and rural transformation challenge the legitimacy of local norms and traditional

authorities and institutions and, therefore, may weaken both negative and positive forms of collective institutions. New forms of inclusive collective organizations need to take their place and tackle both existing and new challenges.

Policy and investment to enhance the delivery and inclusion-enhancing capacities of these organizations must focus on four areas: governance, operations, financing, and strategy and policy engagement. Government and the private sector have complementary roles for enabling them to deal with their many constraints. These roles must be identified, to provide incentives and enabling conditions for rural collectives to form, operate effectively and contribute to shaping rural transformation pathways in the interests of marginalized groups and individuals.

### **Social protection**

When inclusion-fostering policies and programmes are not enough to remedy exclusion, social protection – general or targeted – becomes necessary. Social protection regimes featuring safety nets and direct interventions to address vulnerability can be key complements to growth strategies. Where well targeted and run, they can ease access to investments and supply-side interventions, enhance resilience, promote equitable distribution of economic and social benefits from growth, and draw vulnerable areas and groups into mainstream growth processes.

When “preventive” and “protective” measures are supplemented by “promotional” investments in the productive capacities of rural populations, social protection can provide pillars of inclusive transformation. However, these measures must be supported to overcome challenges related to targeting in rural areas and long-term financial sustainability.

### **Institutions and governance**

Institutions are important in catalysing and sustaining inclusive transformation, as for example through setting common rules and creating incentives. They can open up opportunities for poor people and their organizations to seize economic, political and social chances, but can also increase

the challenges they face. Under different conditions of governance, income and capacity, similar institutional arrangements can lead to vastly different outcomes. Thus, asking which institutional arrangements matter most for inclusive rural transformation would be misleading. There is no unique set of formal and informal rules that can foster economic growth and social inclusion. Initial conditions – natural endowments, human capital, traditional identities and historical legacies – and governance affect the range and nature of choices open to governments and other key actors.

Macro institutional reforms may not be needed to boost sustainable and inclusive transformation but what are definitely needed are political and economic institutional principles that release the binding constraints on the rural economy, help strengthen state capacity to implement programmes and enforce decisions, ensure property rights (so that more investment goes into agriculture and the rural sector), and promote the participation of rural people, making them active actors in the transformation processes.

### **Resilience to shocks**

While structural and rural transformation does not “cause” shocks, it is a powerful disruptive force that fuels changes in rural economies that can potentially affect households’ and communities’ capacities to cope with the myriad hazards, vulnerabilities and risks they face. The forces underlying the transformation – especially commercialization and specialization – can catalyse and reward acquisition and use of new kinds of assets and capabilities that yield new livelihood options and new organizational forms and arrangements. Together these can confer greater resilience to shocks and boost capacity to recover from them. Yet those same forces can breed new hazards, vulnerabilities and risks that may combine to blunt the capacity to withstand and recover from shocks.

On balance, however, the forces underlying structural and rural transformation generate impacts that do more to enhance households’ and communities’ capacities to cope with and recover from shocks than the converse. But as

the overall aim is a transformation that features ever greater inclusion, there is scope for policy to enhance measures to improve capacity to manage risk: promoting efficient and effective disaster preparedness and response, enhancing risk transfer, and encouraging prudent risk-taking and livelihood diversification.

### **Fragile situations**

Fragility is a key driver of socio-economic change and is among the greatest development challenges. There were 47 fragile states and economies in 2013 and 50 in 2015, according to the OECD. In 2015, these states were home to 1.4 billion people – 20 per cent of the world’s population, with 43 per cent of those in absolute poverty. Over half of these states were in Africa. Although fragility is a complex phenomenon that varies over time and space, its impacts on structural and rural transformation are specific to the context, population and period.

Fragility may impede the efficient flow of resources to industrial and urban-based economic activities, forestalling higher productivity and incomes. It may also exacerbate rent-seeking behaviour that works against equitable and inclusive development.

Situations of fragility and violent conflict have some common elements such as poverty, inequality and vulnerability. They typically lack good governance and strong and effective policies, have limited numbers of highly educated and skilled workers, suffer from poor infrastructure and services, and sometimes have limited civil society and private sector activity. International support may be required to meet people’s basic needs, including security, and to ensure access to basic services according to humanitarian principles.

### **Gender equality**

Structural and rural transformations may have very different impacts on women and men. This is especially apparent in migration, where women may be disadvantaged because of the importance of childcare. For similar reasons, opportunities to participate in the rural non-farm sector also differ by gender. The same is true of access to land and a range of

productive resources. Women often face major barriers to entering the high-value agrifood supply chains that take on greater importance as transformation evolves. Women also face major hurdles in rural labour markets, which tend to favour educated young men.

Measures to overcome these constraints include direct interventions to enhance skills, build assets and improve access to key resources, alongside broader policy and institutional reforms to address sociocultural dimensions of gender bias and inequality.

### **Food and nutrition security**

Inclusive structural and rural transformation requires expanded food and nutrition security. Such transformation has been accompanied by wide and deep improvements in food and nutrition security, with food availability, access and utilization all registering steep gains.

But even in some places where the transformation has been rapid and sustained, incomes have increased, and food supply has been relatively easy with comparatively low and stable prices, food and nutrition insecurity has persisted, with undernutrition, overnutrition and micronutrient deficiencies coexisting. Different forms of food and nutrition insecurity thus serve as powerful signals of incomplete, uneven, unbalanced and non-inclusive transformation.

Policy on food and nutrition security – serving as a platform for inclusive and sustained structural and rural transformation – centres on nutrition-specific and nutrition-sensitive measures and investments that render fast-changing food systems better able to deliver and support healthy and nutritious diets for all consumers, especially pregnant women and young children, for whom malnutrition has long-lasting consequences. Also key are policy measures to counter the effects of forces that militate against expanded participation by small farmers and traders in commercial food production and trade.

### **Environmental sustainability**

In the long run, rising incomes associated with transformation enhance environmental consciousness and lead to environmental

improvements, albeit at different times and varying speeds depending on the issue at hand and other conditions. In the shorter run, however, transformation is likely to lead to environmental stresses. Spotlight 7 argues that transformation cannot be considered successful unless progress is being made with respect to environmental sustainability. During their period of classic transformation, OECD countries experienced many severe problems of urban sanitation, deforestation, loss of biodiversity, and air and water pollution. Sanitation improved during the late nineteenth and early twentieth centuries, but other challenges were not systematically addressed until the 1970s and 1980s. Since then environmental laws and programmes have led to major improvements.

Developing countries have also initiated programmes to safeguard the environment. Over the last decade, India and China have started to remedy the enormous congestion and pollution problems associated with their rapid economic growth. Yet many rural areas, especially in Africa, are experiencing serious soil degradation, and while progress has been made, especially on setting aside protected areas, deforestation and loss of biodiversity continue. To manage these issues, there is a need for major policy and institutional reforms and physical, institutional and capacity-development investments.

### **Indigenous peoples**

The world has more than 370 million self-identified indigenous peoples in some 70 countries. Latin America has more than 400 groups, each with a distinct language and culture. The biggest concentration is in Asia and the Pacific – an estimated 70 per cent.

They have rich and ancient cultures and regard their social, economic, environmental and spiritual systems as interdependent. They make valuable contributions to the world's heritage via their traditional knowledge and their understanding of ecosystem management. But among those who have been traditionally subjected to social, political and economic exclusion, indigenous peoples continue to face discrimination based on their identities

and disadvantages that limit (or even prevent) their access to social, economic and political opportunities and resources. Their socio-economic and human development conditions are significantly worse than those of other population groups. Even when they have made social and political progress, rural transformation may represent a threat to their traditional land-use practices or to their cultural and linguistic diversity.

### Organization of the report

The remainder of the report is in two parts. Part One comprises the regional analysis. Chapters 1–4 address rural transformation in LAC, APR, SSA (combining ESA and WCA) and NEN. Each regional chapter presents detailed descriptions of the pace and nature of structural and rural transformation, and tests the two hypotheses using available data. This part also has four thematic spotlights on social protection, institutions and governance, resilience to shocks and fragile situations.

Part Two is devoted to the thematic analysis. Chapters 5–10 address the implications for inclusive rural transformation of trends and developments in employment, markets and value chains, rural finance, agricultural technology innovation, land and natural resources, and collective action and empowerment. In each case, potential opportunities for, and threats to, inclusive

rural transformation are identified, along with implications for policy and investment to seize the former and mitigate the latter. Four thematic spotlights are also presented in this part, on gender equality, food and nutrition security, environmental sustainability and indigenous peoples.

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