Rural Transformations and Structural Change
Insights from Developing Countries facing Globalization

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Introduction

- This presentation refers to results developed in a 5-year research project named RuralStruc
  - A comparative study (7 countries)
  - 8,000 HHs surveys
    - => set of comparable statistics on patterns of development and diversity within rural societies
  - A focus on rural transformations and structural change
The major challenges facing Africa today

- SSA faces a strong demographic push and has to deal with its demographic transition
  - From 860 million people today, to 1.8 billion in 2050
  - Rapid change of the pop. structure (age distribution)

- The demographic dividend can open up a special window for faster economic growth and human development
  - Activity ratio $\Rightarrow$ fewer burdens on families

- But it must be rightly managed
Activity Ratio by Selected Regions, 1950–2050

Yearly Cohorts Entering the Labor Market by Region, 1950–2050

Note: Yearly cohorts correspond to 1/10 of the 15–24 age group.
The major challenges facing Africa today

- **Diversification and Urbanization:**
  - Structural inertia and tiny industrialization
  - Urban pop. X12 since 1960, but the pop. remains rural (>60%)

- **Employment:**
  - 60–80% of the EAP in agriculture
  - The others = informal
    - Formal jobs = 5–20%
The major challenges facing Africa today

- 11 out of the 17m people entering the labor market annually live in rural areas.

- Between now and 2025, economies will have to incorporate 330m youth (=current US workforce).

![Labor Market Entrants Graph](image)
The historical pathway

- Economic transition has always relied on a mix of specialization in agriculture, rural diversification, and migration
  - see the WDR08’s 3 main exits out of rural poverty

- This situation corresponds to the historical pattern of structural change, as it has been observed in different regions of the world

- What are the realistic alternatives and what are the options for the SSA’s growing labor force in the short/medium term?
The historical pathway

- Economic Diversification (out of agriculture)
  - Opportunities exist
    - Technical change, policy learning, growth of global markets, new options for manufacturing
  - But there are also major handicaps:
    - Assets and skills, growing asymmetries in productivity and competitiveness, increasing constraints
  - It will be difficult for SSA to “catch up”
    => there is no ‘silver bullet’ and the informal non-farm economy remains the major option
The historical pathway

- Migrations
  - A major historical component of structural change
  - The prospects for SSA’s migrants are constrained
    - Intra–Africa mobility dominates
    - Today, the “Golden Doors” are closed and the “market” for migration is highly competitive
    - The average migration rate of the “border countries” is not reproducible: with 10% migrants it would mean 86m African migrants in Europe today...
The historical pathway

- Agriculture and Rural Development in SSA
  - Given the existing surge of the labor force, the role of agriculture is critical
  - But, rural areas face major and well-known constraints:
    - weakness of rural incomes
    - insufficient provision of public goods
    - importance of market imperfections

- But a in-depth understanding of SSA rural reality remains limited
Rural transformations and structural change: Where do we stand in Africa?

Median Annual Income per Capita in the Surveyed Regions ($ PPP)
Sources: RuralStruc Surveys for the household incomes, WDI database for GDP data
Rural transformations and structural change: Where do we stand in Africa?

Contribution of Activities and Income sources in the Surveyed Regions
Sources: RuralStruc Surveys
Rural transformations and structural change: Where do we stand in Africa?

Self-consumption and Major farm Sales in the Surveyed Regions

Sources: RuralStruc Surveys
Main off-farm income sources and their contribution to overall income in the Surveyed Regions

Sources: RuralStruc Surveys
Possible causes and consequences of rural transformations: the “inverted U” pattern

- The relationship between income and economic diversification at the HH level can be characterized by an inverted U pattern

- In SSA, high level of risks and limited economic opportunities constrain HHs’ returns and options

=> Possible poverty traps for low income HHs
Possible causes and consequences of rural transformations: the “inverted U” pattern

As HHs get more room for maneuver they send HH members off-farm to earn more money...where they have enough money to begin to specialize.

They eventually become like OECD countries’ today, two partners specialized in one activity each (max).

Low income, low diversification \(\rightarrow\) Subsistence farm.

Diversification within and between Households and the Inverted U Pattern
Sources: authors
How to help rural transformations and structural change?

- Given the “long shopping list” of possible policy measures, prioritization and targeting are essential

- Policies must deal with big numbers and target an inclusive and sustainable growth

- This core objective shapes the priorities for agriculture in terms of strategic choices regarding the type of development model
How to help rural transformations and structural change?

- The type of development model
  - Family farms must be a priority
  - The small vs. large scale ‘debate’ must include employment issues
  - “Modernization” must deal with both employment and environment

- The type of markets
  - Staples must be a priority
  - A caveat: this choice is obviously not exclusive and other opportunities when they exist must be seized
How to help rural transformations and structural change?

- The necessary “territorial approach”
  - Need of a broader support to rural development fostering local VA and rural–urban linkages
  - New evidence on the potential of the ‘missing middle’

- The imperative reinvestment in strategies
  - No ‘one–fits–all’ solutions
  - Reinvestment in knowledge creation
  - Re-articulation of sectoral policies within development strategies
  - Reengagement in building local capacities for PP making
Thank you for your attention