



Agrarian Policy

Issues and Perspectives in Structural Transformation and Employment Creation

Jomo Kwame Sundaram

Assistant Director-General

Coordinator for Economic and Social Development

Food and Agriculture Organization (FAO)

ITUC-Africa – TWN-Africa

Consultative Workshop on Employment, Structural Transformation
and Economic Development in Africa

Fiesta Royale Hotel, Accra, Ghana, 21 July 2015



2008 financial crisis: Social impacts

- ILO: >200m more working poor
- ILO: Unemployment rose by >50m
- Fiscal austerity →
social spending cut
- Greater social unrest



Social impacts uneven

- Rapid increase of unemployment, underemployment, poverty, hunger
- Women often worse hit than men
- More children malnourished, out of school
- Increased morbidity, mortality



Livelihoods threatened

- Declining living standards
- Many livelihoods under threat, esp. with little social protection
- Slowdown, fiscal austerity in world economy has reduced remittances, job creation, tourism, ODA



Employment, incomes hit

- Unemployment, underemployment
- Wage cuts, benefits reduction
- More labour casualization
- Migrant workers more vulnerable
- Reduced remittances
- Lower returns from pension funds



Crisis → more inequality?

- Crisis reduces all incomes
- But financial 'safety nets' > social protection
- Finance demands pro-cyclical responses, i.e. fiscal austerity
- Finance recovery earlier, then austerity
- Pro-cyclicalities extends real economy stagnation
 - more unemployment, L market reforms
 - lowers L income, aggregate demand
- Rents recover, K + L shares decline further



Social spending counter-cyclical

- Employment crucial for incomes, especially for domestic demand, poverty reduction, multiplier effects
- Fiscal stimulus, esp. for job creation
- Conditional cash/income transfers
- Universal vs targeted social protection
- Social protection maintains demand



Social protection 1

- Adequate, **well designed SP** enables poor to **quickly overcome** poverty, hunger, under-nutrition
- **Social protection** not only for **consumption**, but also **investment** in productive capacities → **higher incomes**
- **Improving diets** for poor reduces high economic costs of undernutrition



Why social protection varies?

- Countries at same level of economic development **differ significantly** in terms of social protection spending
- **Reach** of social protection systems depends on political attitudes:
 - to win electoral support
 - political will to reduce poverty
- **Affordability** -- issue of **political will**: how much society willing to redistribute
- Universal rights-based approach: politically more acceptable to West, LA
- Targeting expensive, misses many



Social protection 2

- > 1 bn people in 146 LICs and MICs gain from SP
- 870 m. of world's 1.2bn poorest **uncovered**,
mainly rural
- **Recent SP expansion**, esp. cash transfers, in SSA
- 37 African countries currently have
unconditional cash transfer programs, almost
double 4 years ago
- Globally, countries with CCT programs increased
from 27 in 2008 to 52 in 2013
- Similar trends for public works, other programs



SP coverage uneven

Greatest shortfalls in reaching poorest in LICs:

- In **LICs**, **47%** of population extreme poor, **SP covers < 10%** of population
- In **lower MICs**, **SP** reaches about **1/4** of extreme poor, but **0.5 bn uncovered**
- In **upper MICs**, about **45%** of extreme poor covered by **SP**



Agricultural development → poverty reduction

Through:

- Higher rural incomes
- cheaper food?
- non-farm economic opportunities
- sustaining economic transformation



Poverty still mainly rural

- **>75%** of developing country poor rural (1/2 popn)
- Most poor still rural in years to come
- Poverty eradication needs reducing rural poverty
- Decline in rural poverty slowed in recent decades
- Addressing rural poverty cuts urban poverty by reducing migration
- Reducing rural poverty mainly involves raising productivity of poor -- unlike urban poverty which involves more social protection (welfare)



Agricultural investment

- Agricultural investment best for reducing poverty
- Farmers are the major source of agricultural investment, but **formal** credit, insurance **discriminate** against them, especially smallholder family farmers, others less well endowed
- *Business as Usual* investment, growth alone **cannot** eliminate hunger, poverty by 2030
- Most developing countries have **high unemployment, underemployment**, with youth unemployment rapidly growing
- Future **economic prospects uncertain**, esp. after recent slowing of world economy



Productivity → incomes

- Increasing agricultural productivity, incomes
-- most important determinant of poverty reduction
- Every 1% growth in per capita agricultural output → 1.61% growth in incomes of poorest 20% – much greater than for manufacturing, services
- Every 1% increase in agricultural labour productivity reduced poor by 0.6~1.2%.



Thank you