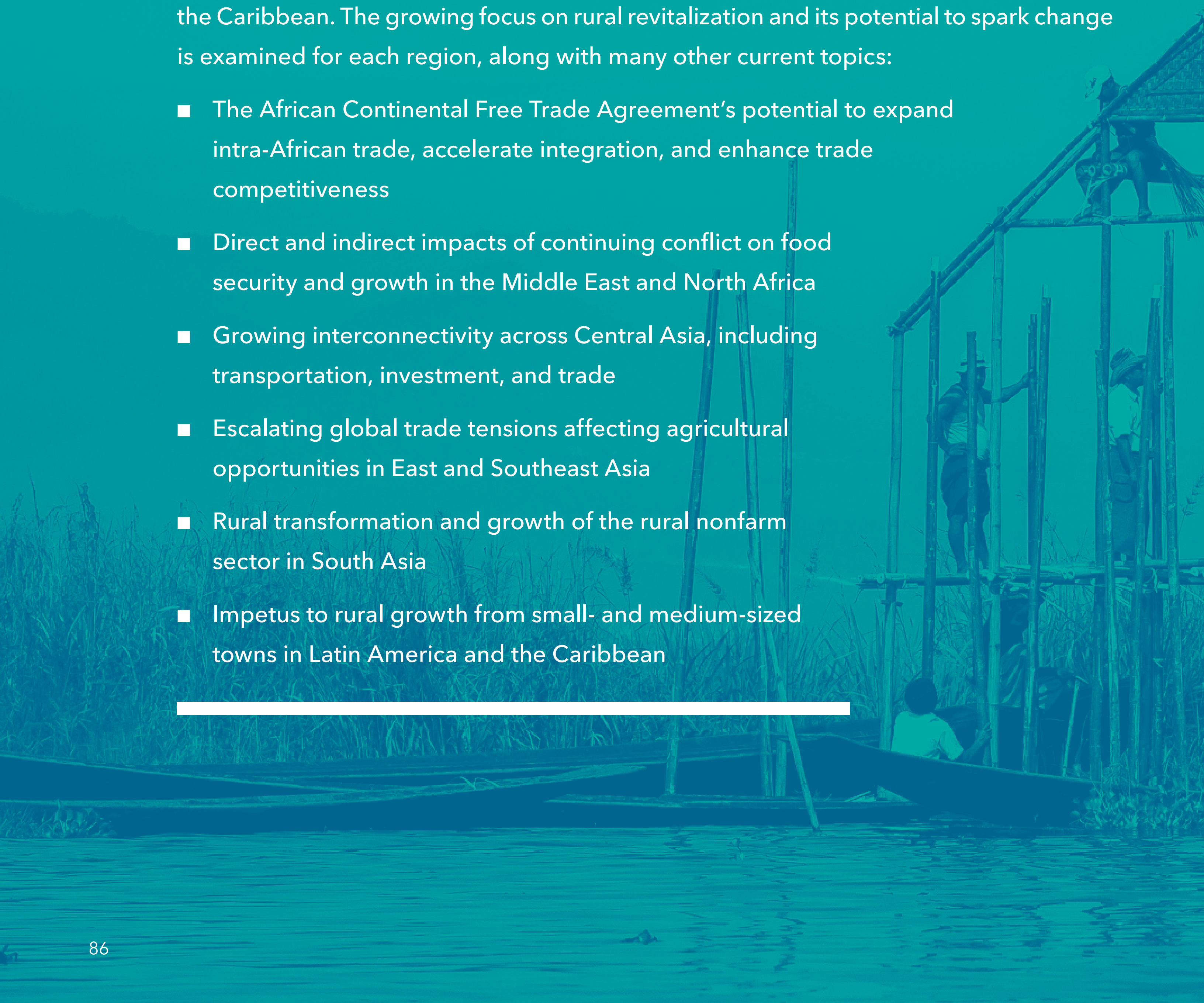
REGIONAL DEVELOPMENTS

AT THE REGIONAL AND COUNTRY LEVEL, DEVELOPMENTS IN 2018 had important repercussions for food security and nutrition. This section offers perspectives on food policy developments across the major regions: Africa, the Middle East and North Africa, Central Asia, South Asia, East and Southeast Asia, and Latin America and the Caribbean. The growing focus on rural revitalization and its potential to spark change is examined for each region, along with many other current topics:

- The African Continental Free Trade Agreement's potential to expand intra-African trade, accelerate integration, and enhance trade competitiveness
- Direct and indirect impacts of continuing conflict on food security and growth in the Middle East and North Africa
- Growing interconnectivity across Central Asia, including transportation, investment, and trade
- Escalating global trade tensions affecting agricultural opportunities in East and Southeast Asia
- Rural transformation and growth of the rural nonfarm sector in South Asia
- Impetus to rural growth from small- and medium-sized towns in Latin America and the Caribbean



AFRICA

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In 2018, African leaders took important steps to accelerate agricultural and rural transformation across the continent. These include the January launch of the first-ever continental Biennial Review of countries' progress in meeting commitments to agriculture sector development. In addition, the signing of the African Continental Free Trade Agreement in March moved the continent toward tighter integration and greater intraregional trade through the free movement of goods and people. Progress in reducing poverty and hunger has continued, but levels remain high, particularly in rural areas. While there is a pressing need to provide for the poor, governments should target investments to areas of synergy between improving social services and promoting productivity growth to ensure that recent increases in agricultural productivity are sustained.

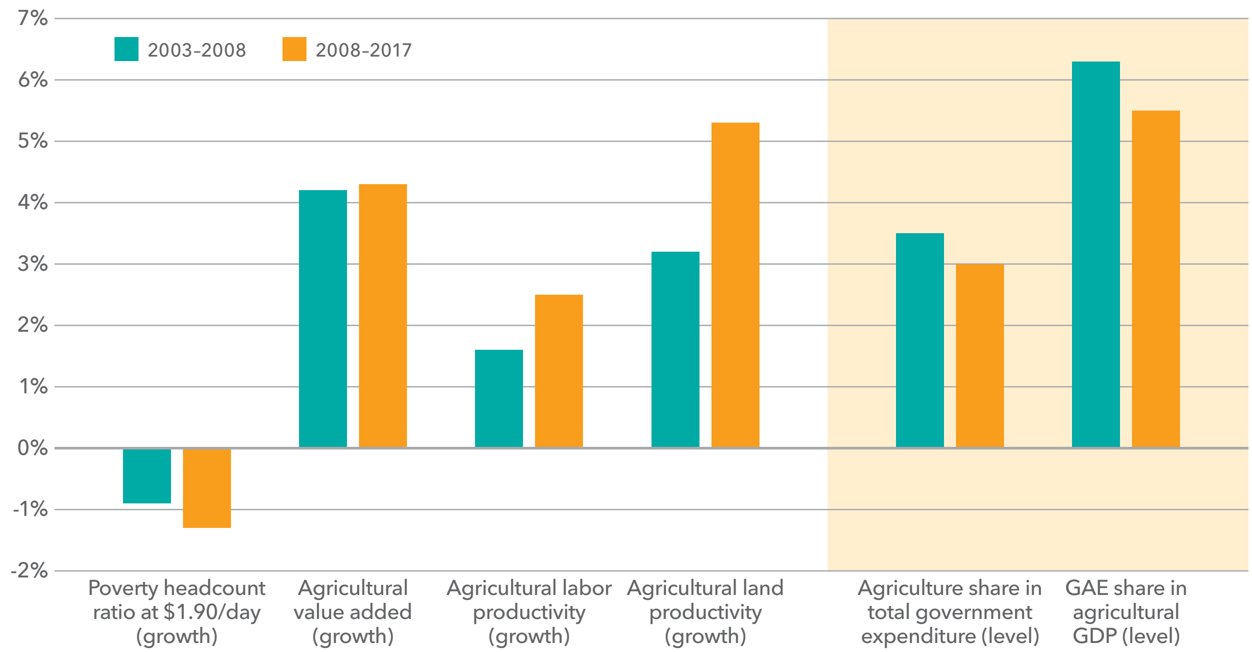
TRENDS IN GROWTH AND RURAL DEVELOPMENT

After a slowdown in 2016 due in part to lower commodity prices and weaker global growth, gross domestic product (GDP) growth in Africa south of the Sahara rose to 2.6 percent in 2017 and was expected to reach 3.1 percent in 2018.[1] Higher commodity prices have helped exporting countries to improve their fiscal situation, but many African economies remain vulnerable to global risks, and growth remains weaker than in the 2000s. Poverty, as measured by the international poverty line of $1.90 per day, continued to fall, declining at around 1 percent per year between 2003 and 2017.[2] However, 36 percent of the population of Africa as a whole remained poor as of 2017. An acceleration in poverty reduction is urgently needed. Similarly, hunger indicators are improving, but levels remain high. In Africa as a whole, 17.6 percent of the population was undernourished in 2015, and among children under five, stunting (low height-for-age) affected 33.3 percent and underweight (low weight-for-age) affected 18.5 percent in 2017.

Agricultural value added for Africa grew at an average annual rate of about 4.3 percent during the period 2003 to 2017, meaning that the continent did not meet the target of 6 percent annual agricultural growth set under the Comprehensive Africa Agriculture Development Programme (CAADP). However, West Africa did meet the 6 percent target during the 2003–2008 period, and North Africa exceeded the target during the 2008–2017 period. Agricultural labor productivity grew at 1.6 percent annually from 2003 to 2008 and at 2.5 percent annually from 2008 to 2017, while land productivity grew more rapidly, at 3.2 and 5.3 percent during the two periods, respectively (Figure 1). These productivity growth rates are the highest in several decades, and reflect reforms enacted in previous decades to improve the environment for agriculture and private sector participation, as well as increased public investments in agriculture in the years following CAADP's launch in 2003. Continued productivity growth suggests that agriculture is contributing positively to reducing poverty and hunger and to increasing economywide productivity.[3]

The share of agriculture in total public expenditures averaged 3.5 percent during 2003–2008 and 3.0 percent during 2008–2017, falling short of the CAADP goal of a 10 percent agricultural public expenditure share (Figure 1). Five countries (Burkina Faso, Ethiopia, Madagascar, Malawi, and Mali) met the 10 percent goal during the 2008–2017 period,

FIGURE 1 Change in poverty and agriculture indicators for Africa



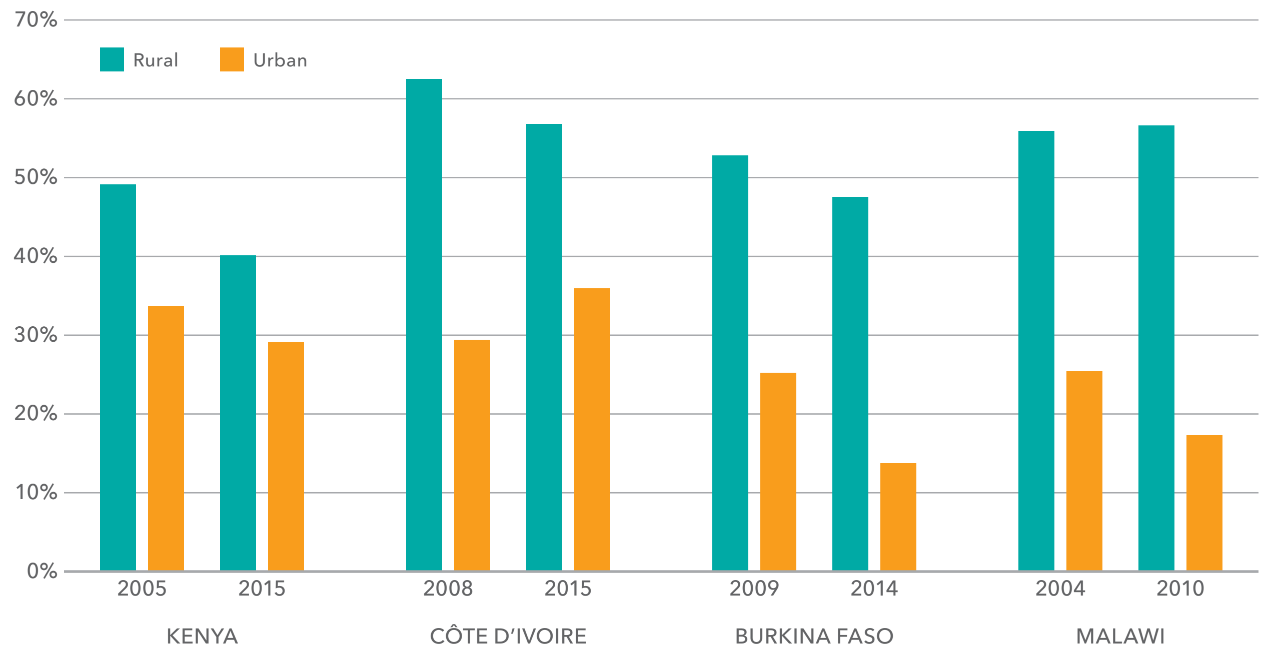
Source: T. Makombe, W. Tefera, and S. Benin, "Tracking Key CAADP Indicators and Implementation Processes," in *Boosting Growth to End Hunger by 2025: The Role of Social Protection, 2017–2018 ReSAKSS Annual Trends and Outlook Report*, ed. F. Wouterse and A. S. Taffesse (Washington, DC: IFPRI, 2018).

Note: GAE = government agricultural expenditure. GDP = gross domestic product.

and Senegal came close to reaching the goal. In Africa as a whole, the share of public agricultural expenditures in agricultural GDP also decreased, from 6.3 percent in 2003–2008 to 5.5 percent in 2008–2017. Although absolute levels of public expenditures in agriculture rose between 2003 and 2008, expenditures actually decreased between 2008 and 2017. At the same time, expenditures for social services such as health, education, and social protection rose sharply. This reflects the trade-offs that governments face due to the pressing needs of the poor; however, reversing the decline in agricultural expenditures is imperative if we are to spur continued productivity growth, improve livelihoods, and accelerate poverty reduction.

Rural areas tend to have significantly higher rates of poverty and hunger. For example, analysis of household survey data suggests that in 2015, poverty rates in rural Kenya were 11 percentage points higher than in urban areas, while the gap between rural and urban poverty rates was over 20 percentage points in Côte d'Ivoire.[4] Hunger rates, as proxied by the share of the population below the national food poverty line, were around 10 percentage points higher in rural areas in both Kenya and Côte d'Ivoire. In both countries, the poverty gap has narrowed since the 2000s, due to greater declines in rural poverty in Kenya and increases in urban poverty in Côte d'Ivoire. However, in other countries, including Malawi and Burkina Faso, the gap widened as poverty fell more rapidly in urban areas than in rural areas (Figure 2).[5] Rural areas also have significantly less access to services than urban areas. As of 2016, only 24.8 percent of the rural population in Africa south of the Sahara had access to electricity versus 75.7 percent of the urban population. And urban residents were twice as likely as rural residents to have access to basic drinking water and sanitation services.[6] The combination of high poverty rates and poor services drives high levels of hunger and undernutrition in rural areas.

FIGURE 2 Change in rural and urban poverty rates in select African countries



Source: Authors, based on the World Bank's World Development Indicators database, accessed November 2018, and IFPRI microsimulation results.

Note: Poverty is measured using national poverty lines, which are not comparable across countries. The 2015 data for Kenya are estimated.

POSITIVE POLITICAL DEVELOPMENTS AND POTENTIAL ECONOMIC RISKS

While conflicts in Nigeria, Somalia, and the Central African Republic are unresolved, several recent political developments bode well for greater peace, security, and economic stability. Ethiopia and Eritrea signed a peace agreement in July 2018, ending a two-decade-long cold war and reopening trade ties.[7] In early 2018, political changes in South Africa gave rise to hopes for reduced corruption and political renewal. In South Sudan, leaders signed a peace agreement in September, potentially ending a civil war that has displaced millions and killed tens of thousands since 2013.[8]

However, serious threats to growth and food security remain. Foreign direct investment inflows to Africa in 2017 dropped by 21 percent from their 2016 levels, with much of the decline attributable to still-low oil and other commodity prices.[9] The ramping up of global trade wars could be detrimental to growth and welfare worldwide by raising uncertainties around investment, creating barriers to the sharing of technology, and reducing the purchasing power of consumers.[10] Some African analysts foresee potential opportunities in changing markets, such as the possibility of increasing African exports to the United States, as well as potential threats, including reduced capacity of domestic producers to compete with Chinese imports in African markets.[11] Many countries are still struggling with high levels of debt stemming in part from commodity price declines in the past several years; in 2017, 15 countries in Africa south of the Sahara were deemed to be in debt distress or at high risk of debt distress.[12]

TRADE POLICY DEVELOPMENTS AND RURAL ECONOMIES

In 2018, African countries invested in institutional support for agricultural and rural transformation with the launch of the inaugural Africa Agriculture Transformation Scorecard (AATS) and the CAADP Biennial Review report. Their launch during the African Union (AU) Summit in January 2018 marked a milestone in promoting mutual accountability at the highest political level and in strengthening evidence-based agricultural planning and implementation, as called for in the 2014 Malabo Declaration. With 47 of 55 AU member states submitting reports, the inaugural Biennial Review was a major success.

The signing of the African Continental Free Trade Agreement by 49 African countries as of July 2018 was another major milestone. This agreement is an ambitious endeavor that aims to create a single African market for goods and services, along with free movement of businesspeople and investments, and to establish a continental customs union.[13] These measures are expected to expand intra-African trade (which remains low compared with intraregional trade in other world regions), accelerate regional and continental integration, and enhance trade competitiveness.[14] To enter into force, the agreement must be ratified by at least 22 countries; as of late 2018, 18 countries had ratified it.[15] The AU carried out an advocacy campaign to urge more countries to ratify ahead of the January 2019 AU Summit. And although Africa's economic powerhouses, South Africa and Nigeria, initially did not sign the agreement, South Africa signed in July and Nigeria's president signaled that his country would also sign.[16] These developments may persuade more countries to ratify the agreement soon. While implementation, monitoring, and enforcement of the Africa-wide agreement will likely be complex, if successfully implemented, the African Continental Free Trade Area would be one of the world's largest free trade markets, with 1.2 billion people across 55 countries and a GDP of US$2.2 trillion.[17]

The 2016 slowdown in Africa's economic growth exposed the continent's continued economic vulnerability and underscored the need to diversify Africa's export base and raise productivity and value added in the agriculture sector. The African Continental Free Trade Agreement presents Africa with an opportunity not only to improve productivity and value added through trade, but also to create decent jobs, raise incomes, and reduce economic vulnerability. Intra-African trade is expected to grow by 53 percent solely as a result of the elimination of import duties.[18] Trade facilitation efforts under the agreement will help to boost trade and also promote trade diversification, economic growth, and industrialization, in particular of the agribusiness sector.

POLICIES FOR RURAL REVITALIZATION

Africa is urbanizing rapidly, creating new opportunities for rural transformation and revitalization, in large part through growing demand for food. Patterns of urbanization in Africa differ from those in other regions, with relatively more growth in small and medium cities than in large cities.[19] The strong growth in smaller cities and towns presents opportunities for rural producers and agribusiness firms to cater to urban demand for more convenient processed forms of local foods. Retail inventories conducted in Ghana, Mali, and Tanzania have documented the significant presence of domestic brands of processed local dairy and grain products.[20] In Senegal, following years of low and declining millet consumption in Dakar and other cities, new processing technologies have fueled a rapid expansion in small firms producing ready-to-cook and ready-to-eat millet products that have boosted urban consumption.[21] As a result, employment opportunities in off-farm segments of the agrifood system are growing rapidly and are projected to continue rising.[22] However, firms must adapt to meet consumer preferences for food safety, quality, and marketing to capture a greater share of urban markets. Focus group discussions in Ghana and Nigeria have found that urban consumers prefer traditional foods, but often lack confidence in the quality of locally processed food products.[23]

POLICIES TO PROMOTE RURAL ENTERPRISE GROWTH

Rural areas will benefit greatly from strategies to promote private sector investment in the emerging agro-processing sector. Growth in the agribusiness sector is likely to be particularly effective in reducing poverty, given the sector's geographic dispersion and strong linkages to upstream and downstream value chain actors.[24] Policies to boost enterprise growth should aim to strengthen markets to lower transaction costs; increase access to management-skills training to enable innovation; facilitate the transfer and adaptation of knowledge and technologies from abroad; and increase access to credit.[25] Several African countries have invested in comprehensive, place-based strategies to increase private investment in agriculture, sometimes referred to as agribusiness parks or staple crop processing zones. For example, the Democratic Republic of the Congo established a special agricultural economic zone in 2014, incorporating public–private partnership companies as well as smallholder farmers. Actors including the government, private sector, development organizations, and farmer organizations offer smallholders mechanization and extension services, infrastructure improvements, access to inputs, and output purchase agreements. Smallholders involved in the initiative have increased both the land area cultivated and cassava yields.[26] Such place-based strategies can contribute to rural transformation and sustainable development in Africa by encouraging innovation through technology transfer along agricultural value chains; providing opportunities to introduce reforms at a small scale; and bringing together multiple actors to carry out complementary actions along the value chain.

LINKING RURAL AREAS TO GROWING URBAN DEMAND

Better infrastructure is also urgently needed to enable rural producers and firms to seize opportunities presented by increased urban demand. Infrastructure in Africa tends be of poorer quality and yet more expensive than in other regions, creating bottlenecks in potential food value chains.[27] Poor rural roads, for example, affect the ability of processing firms to obtain farm products from local producers reliably and on time; and inconsistent access to electricity raises firms' costs.[28] Renewable energy is increasingly affordable, but much needs to be done to take advantage of recent advances in order to bring power to rural communities. However, Africa is more advanced in terms of mobile connectivity, and closer to connectivity levels in the rest of the world.[29] Further progress in expanding mobile Internet would enable broader access to content, such as technical education and skills development. Public investments in the transport and communications sectors in Africa south of the Sahara increased over the 2000s, but investment levels remain insufficient to meet the region's infrastructure needs.[30] The Programme for Infrastructure Development in Africa (PIDA), an initiative of the AU Commission, NEPAD Planning and Coordinating Agency, and African Development Bank, identifies strategies and priorities and facilitates investments in a variety of infrastructure projects in Africa.[31] In November 2018, the African Development Bank approved a US$40 million investment in the African Infrastructure Investment Fund, which will support investments in transport, energy, and telecommunications infrastructure.[32] Private investments in solar power have surged in recent years, enabling the expansion of electricity to hundreds of thousands of customers who are not connected to existing electrical grids.[33]

BETTER WATER TECHNOLOGIES

In the face of a changing climate with more frequent weather extremes, the longstanding need to invest in water management in rural Africa is increasingly urgent. Many of the poorest and most vulnerable areas of Africa are those where water is the main constraint to agricultural productivity. Increasing water availability is thus an indispensable component of strategies to reduce poverty. Only 6 percent of agricultural land in Africa is irrigated, a much lower share than in other world regions. However, Africa has high potential for expanding irrigation—an IFPRI study estimates that irrigation could be expanded profitably to 24 million hectares by 2050, from the current 13 million, with most of this expansion potential in Africa south of the Sahara.[34] Increasing irrigation would bring multiple benefits, including a longer growing season and mitigation of weather risks, with higher income opportunities for smallholders; the possibility of producing more diverse and nutritious crops; and increased rural employment opportunities. Several African countries have achieved rapid expansion of irrigated areas since the early 2000s, including Ethiopia, Kenya, and Niger. Strategies in these countries have included improved water and irrigation regulations, stronger partnerships with the private sector, the use of new technologies, and in some cases a prioritization of small-scale irrigation.

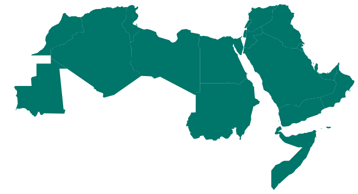
SOCIAL SERVICES FOR INCREASED PRODUCTIVITY AND RESILIENCE

Finally, strategies to increase rural growth must also make rural areas more livable by expanding access to social services, including healthcare, education, and social safety nets. Social protection programs such as Ethiopia's Protective Safety Net Programme (PSNP) have successfully increased the food security and assets of the country's poorest and most vulnerable rural residents.[35] Numerous studies have demonstrated the importance of education and healthcare to increasing agricultural productivity.[36] Improved social services in rural areas, particularly education and training, will also be key to helping ensure that agriculture remains an attractive sector for Africa's growing youth population. In particular, vocational training is an important component of strategies to prepare youth for current and future employment opportunities arising from transforming value chains, increased agro-processing, and on-farm technological changes such as increasing mechanization. Investments in services in rural areas today will increase productivity and growth into the future, both in the agriculture sector and in the wider economy.

OUTLOOK FOR 2019

In 2019, GDP growth is projected to accelerate to 3.8 percent in Africa south of the Sahara.[37] The African Continental Free Trade Agreement is expected to come into force, advancing regional trade and integration and contributing to improvements in competitiveness and employment. African leaders will build on recent advances in mutual accountability in the agriculture sector by preparing the second CAADP Biennial Review, to be launched at the AU Summit in January 2020. Consolidation of peace processes in Ethiopia, Eritrea, and South Sudan, if sustained, will open the door to faster growth and poverty reduction in these countries. However, high levels of debt will continue to pose a challenge for African countries as this debt reduces the fiscal space for necessary investments in agriculture, infrastructure, and social services. In addition, global trade wars threaten to reduce growth and investments worldwide. Despite these constraints, African countries must continue to make productivity-enhancing investments and provide a supportive environment for farmers and agribusinesses across the value chain to respond to growing opportunities in the agriculture sector.

MIDDLE EAST AND NORTH AFRICA



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Relatively stable world food prices in 2018 were a boon for all countries of the Middle East and North Africa (MENA), which, as net food importers, saw improvements in the region's food affordability index (Table 1). Global fuel prices also increased, but at a faster pace than food prices.[1] The higher fuel prices reduced the pressure for economic reform in oil-exporting countries but increased the pressure for reform in the oil-importing countries, especially for reform of energy subsidies. Oil continues to shape development in the MENA region—along with issues related to finding employment for the region's expanding youth population; arid, natural-resource challenged rural environments; and conflict.

THE TWO MENAS: CONFLICT AND STABILITY

Conflict-related food insecurity in the region continued to increase, reflecting infrastructure damage (Yemen, Iraq, Syria, Libya), supply chain disruptions (Libya, Iraq), and soaring input prices (Iraq, Yemen, Syria).[2] However, there is reason for cautious optimism in Syria at the time of writing this report (November 2018) as the country's major battles, with the exception of Idlib, have ended.[3] Yemen "remains the world's largest humanitarian disaster with an ongoing fight against famine, civilians dying from preventable diseases and an economy on the verge of collapse," in the words of a UN special envoy.[4] Fighting intensified in many areas, particularly in and around Hodeida, a port that is vital for food imports and the survival of Yemenis, as only a fraction of the country's food needs can be grown domestically, even in peaceful times. As a result, more than half of the country's population of 29 million is food insecure—with 8 million relying entirely on external food assistance.[5] Other flashpoints of violence in MENA include Iraq, Libya, and the West Bank and Gaza.

MENA countries that are indirectly affected by conflict, especially Lebanon and Jordan, continue to struggle with managing their large refugee populations. In some cases, tensions are building between refugees and host governments and populations. In Lebanon, the refugee situation, compounded by the weakness of Lebanon's economic and political institutions, continues to constrain investments, tourism, and trade; Lebanon's real annual gross domestic product (GDP) growth is projected to remain modest at 2.7 percent between 2018 and 2022.[6] Similarly, in Jordan, which borders two conflict states (Iraq and Syria), growth recovery has been slow. Jordan's real annual GDP growth is projected to average just 2.6 percent from 2018 to 2020, and protests over austerity measures are impeding further structural reforms.[7]

The economic outlook for Egypt improved in 2018. As a result of growing confidence in the country's stability and commitment to the ongoing economic reform process, growth is projected to reach 5.5 percent in 2019, up from 4.2 percent in 2017.[8] But growth rates in other MENA countries were more modest—11 out of 21 MENA countries reported negative per capita growth rates between 2016 and 2017 (Table 1). For oil exporters, the record low international oil prices from 2015 through 2017 largely explain the current negative per capita growth rates. In response, most of the oil exporters (Bahrain, Qatar, Saudi Arabia, and the United Arab Emirates) adopted business-friendly policies in 2017 and 2018 to attract foreign investment. Oman and Kuwait also pushed forward with policies to reduce the number of expatriates as a means to increase the employment of nationals. Such reforms that are likely to harm the MENA countries that benefit from workers' remittances.[9]

TABLE 1 Overview of key indicators and policy changes in MENA

	GDP per capita annual % change 2016–2017, or latest two years[a]	Affordability of food (index)[b]	Policy changes[c] (2016/2017/2018) 🟠 Policy reform in 2016 ⚫ Policy reform in 2017 🟣 Policy reform in 2018			
			Macro/ fiscal/trade	Investment/ investment climate	Social protection	Agriculture
Oil exporters						
Algeria	-0.1	-0.1	🟠⚫⚫⚫🟣	🟠		⚫
Bahrain	-0.8	-0.2	🟠🟠⚫⚫⚫🟣	🟣🟣		
Kuwait	-4.8	-0.1	⚫🟣			
Oman	-4.8	-0.3	🟠⚫⚫		🟣	
Qatar	-1.1	-0.3	🟠⚫	🟠🟣🟣		
Saudi Arabia	-2.7	0.8	🟠🟠⚫⚫⚫⚫🟣🟣	🟠🟣	🟣	🟠⚫🟣
United Arab Emirates	-0.6	0.2	⚫🟣🟣🟣	🟠🟠⚫🟣🟣🟣		
Oil exporters affected by conflict						
Iraq	-3.6	–	🟠🟠🟣		⚫🟣	
Libya	25.1	–			⚫🟣	
Sudan	1.8	-0.1	🟠⚫🟣			
Yemen	-35.9	-0.2				
Oil importers						
Comoros	0.2	–	⚫			
Djibouti	2.5	–	🟠🟠			🟠
Egypt	2.2	0	🟠🟠🟠⚫⚫⚫🟣🟣🟣	🟠⚫🟣	⚫⚫🟣	
Jordan	-0.6	-0.1	🟠🟠⚫🟣	🟠⚫🟣🟣	🟣	🟠
Lebanon	0.8	–	🟠🟣🟣		🟠🟣	
Mauritania	0.7	–	🟣	⚫		🟣
Morocco	2.7	0	🟣🟣	🟠🟠🟣	⚫🟣	
Tunisia	0.8	0.3	🟠	⚫	⚫	
West Bank and Gaza	-6.1	–				
Oil importers affected by conflict						
Syria	–	-0.1		🟣🟣	🟠🟣	
Somalia	–	–			⚫	

Source: [a] **GDP per capita figures** are from World Bank, World Development Indicators Database, accessed September 2018. [b] **Affordability of food figures** are based on Economist Intelligence Unit, Food Security Index. [c] **Policy changes** are based on authors' compilation from Economist Intelligence Unit, Country Reports (2016, 2017, and 2018).

Note: – indicates no data available. GDP = gross domestic product. Affordability includes the following indicators: food consumption as a share of household expenditure, proportion of population under global poverty line, GDP per capita (US$ PPP), agricultural import tariffs, presence of food safety net programs, and access to financing for farmers.

BEYOND MACROECONOMIC REFORMS: ADDRESSING UNEMPLOYMENT

With low and in some cases even negative growth rates, MENA economies cannot meet the urgent need for jobs for the region's growing population. Total youth unemployment (between the ages of 15 and 29) is more than 27.5 percent in the Middle East and 30.5 percent in North Africa.[10] Oil-importing countries have undertaken some initiatives to deal with growing unemployment: directly through improvements in the business environment designed to boost private sector–led growth and achieve an even distribution of employment opportunities across the urban–rural divide (Egypt, Jordan, Mauritania); and indirectly through reform of labor markets and the education system (Morocco). The Syrian Investment Authority, in an ambitious attempt to mitigate the impact of conflict, drafted tax incentives to encourage import-substitution and export-oriented projects.[11] However, for the future needs of the region, doubts are being raised as to whether the traditional industry-based, export-oriented model of growth will work (as it did for many Asian countries)—and how a technology-driven, digital "new economy" could help absorb the excess labor force.[12] The impact of the digital economy on rural areas in MENA may be particularly beneficial, as it could afford new prospects for youth to revitalize rural areas; the aging population of rural areas is unlikely to manage the agricultural and food system transformation. And youth involvement in the rural economy could slow migration to MENA's urban areas, where unemployment is the highest in the world. Young women and men are attracted to better education in urban areas and are willing to "wait" for the few jobs there rather than move to rural areas, thus contributing to an aging of MENA's rural areas and unemployment in urban areas.[13]

Table 1 summarizes the region's key policy changes between 2016 and 2018. These macroeconomic reforms and various efforts to improve the business climate are necessary, but likely insufficient to create urgently needed jobs and reduce poverty and food insecurity. Additional sectoral or area-specific policies and investments are required. Given the region's large rural populations and the potential of rural areas, greater attention should be given to fostering rural development as a driver of economywide development.[14]

A FRESH APPROACH TO RURAL DEVELOPMENT

Despite agricultural support policies that often favor rural areas in MENA countries, significant inequality persists between rural and urban areas (Figure 1). Globally, a pattern of diverging rural–urban living standards is common as countries become more urbanized, until they reach upper-middle-income levels.[15] Consistent with this global pattern, high- and upper-middle-income countries in MENA tend to have less rural–urban inequality than do lower-middle-income countries. Because urban areas generally enjoy more favorable geography, infrastructure, and human capital, they attract more private sector firms, investment, and job opportunities. But there are good reasons for governments in MENA to rethink their agricultural support policies and broaden their policy scope toward revitalizing rural areas, especially in upper- and lower-middle-income countries. Rural areas are still home to 25 percent of people in upper-middle-income countries and 51 percent in lower-middle-income countries, and job growth in urban areas is too slow to absorb the growing number of rural workers.[16] Moreover, rural economies of the 21st century can reap the benefits of technological advances that allow for the modernization and diversification of traditional rural sectors such as agriculture, agro-processing, and tourism and attract new investments into nontraditional rural sectors that emerge with the spread of digital technology.

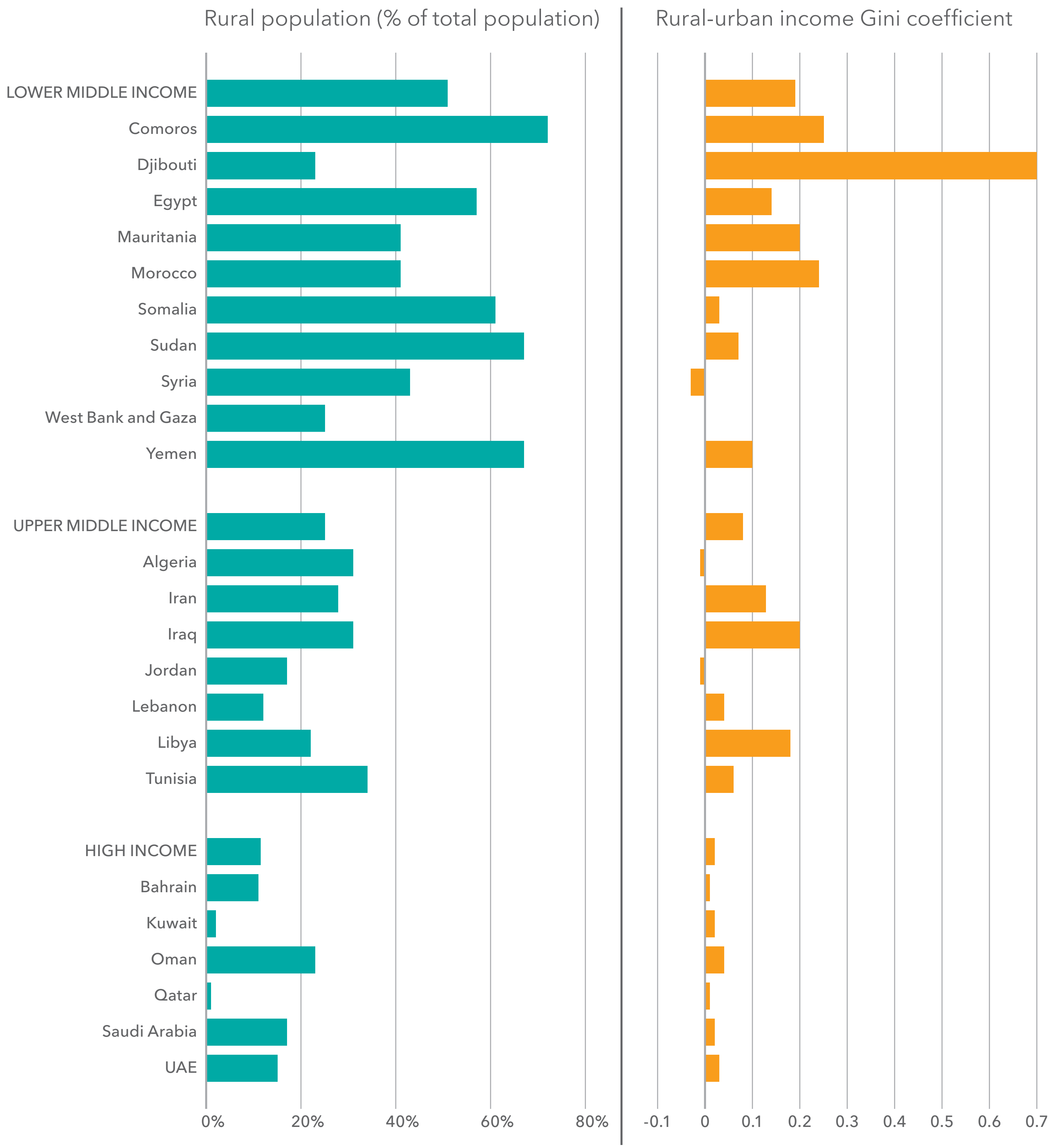
Adopting a rural revitalization approach will require assessing MENA's institutions, policies, and public investments in terms of their effectiveness in fostering rural development. For example, does the current, often centralized institutional setup incentivize local governments to advance local development? Does current agricultural policy, which often favors cereals over fruits and vegetables, contribute to rural revitalization? Is the use of scarce public resources for food and fertilizer subsidies the most effective way to support growth in rural areas in the 21st century? Beyond agriculture, what other sectors could drive growth in rural areas, and how can rural economies be better linked to urban economies, for example through food supply chains?

MODELS FOR RURAL REVITALIZATION

Outside of MENA's major cities, regional economies still depend heavily on traditional rural and on-farm economic activities, and the need to move toward more diverse and modern rural employment is widely recognized.[17]

Global experience suggests that modernizing rural economies requires shifting decisionmaking power to local governments and local communities. Such was the Chinese experience, where the close collaboration between central and local governments proved to be essential for the success

FIGURE 1 Rural share of population and rural–urban inequality



Source: A. Nin Pratt et al., *Agriculture and Economic Transformation in the Middle East and North Africa: A Review of the Past with Lessons for the Future*, Food Policy Report (Washington, DC, and Rome: IFPRI and FAO, 2018), based on World Bank, 2016 World Development Indicators , http://databank.worldbank.org.

Note: The rural-urban income Gini coefficient is the share of agricultural GDP minus the share of agriculture in employment, which provides a measure of the income gap between the rural and urban sectors. See C. P. Timmer, "The Structural Transformation and the Changing Role of Agriculture in Economic Development: Empirics and Implications," Wendt Lecture, October 30, 2007, American Enterprise Institute, Washington, DC.

of many of its industrial parks. In these parks, the central government focused on providing infrastructure to connect rural and urban economies, a business-friendly environment, and public services, and local governments worked closely with local communities and businesses to address common bottlenecks and promote private investments in promising local industries and services.[18] "Clusters"—the geographic concentration of interdependent, specialized firms working in similar or related activities—are a model drawn from the industrial development of Europe, the Americas, and Asia. Clusters can build on the strengths of local communities, including social capital and abundant labor, to overcome common constraints to economic expansion, such as weak financial markets and institutions.[19]

Because many of the existing clusters in the MENA region are labor intensive, they fit the comparative advantage of the rural populations. In many instances, these clusters develop organically without government intervention. For example, in an attempt to leverage existing rural strengths and generate productive employment opportunities for economic development, Egypt's government is working to promote the growth of the existing industrial clusters across the country, especially those in the poorest rural areas (for example, the El-Mahalla El-Kubra Textile Cluster, Robiky Leather Cluster, Damietta Furniture Cluster, and many other agro-processing clusters). All these clusters benefit from abundant cheap labor and densely populated communities.[20]

At the regional level, agriculture, food security, and natural resources are central to the recent "Beirut Declaration," adopted in June 2018 by the majority of Arab countries. The declaration aims to boost the supportive role of MENA governments in ensuring a key role for technology in achieving equitable and sustainable development.[21] Not surprisingly, energy, and in particular renewable energy (solar and wind mainly), is seen as one of the promising engines for sustainable and diversified growth in MENA's rural areas.[22]

Private sector employment rates in the MENA region are among the lowest in the world; the situation is worse in rural areas. Meanwhile, the scale of MENA countries' economic and fiscal vulnerabilities indicates that the public sector does not have the capacity to absorb the new labor market entrants.[23] Politicians are increasingly aware of the need to accelerate structural reforms to allow the private sector to flourish and generate the required jobs in rural areas. For example, Morocco's economic development policy targeting rural and lagging regions was updated in 2018 with a new territorial development approach that increases the voice of the regions in determining social and economic development policies—with a heavy reliance on public–private partnerships.[24]

With a shift toward rural revitalization, rural areas can play a key role in national economies by creating jobs, contributing to export earnings, and producing food and environmental benefits. For countries currently in conflict, the postconflict reconstruction era will provide an opportunity for the modernization of rural areas, especially in traditionally strong agricultural countries like Iraq, Syria, and Yemen. But revitalization will bear fruit only when the private sector begins to invest in rural areas. Budding initiatives to encourage entrepreneurship—with a special focus on agribusiness and on rural areas—that are ongoing in several countries, for example in Lebanon, may already be contributing to rural revitalization.[25]

OUTLOOK FOR 2019

In 2019, action at the national level—in peacebuilding, economic reform, and increased rural investment—is likely to be the key focus of MENA countries, as the lingering political divisions in the region will continue to stymie regionwide initiatives. Increased efforts in conflict countries should finally lead to peacebuilding and development interventions that will help stem the flow of displaced persons and contribute to peace. In nonconflict countries, governments should be deepening economic reforms and assessing the early results of recent reforms—especially in terms of targeting rural areas and increasing equitability. The renewed consensus around on- and off-farm rural revitalization should lead to more practical and localized implementation of policies and investments in emerging clusters, linking private and public sectors and taking advantage of the benefits of technological advances that allow for modernization and diversification.

CENTRAL ASIA

KAMILJON AKRAMOV, JARILKASIN ILYASOV, EVGENY TSVETNOV, AND ALLEN PARK

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Food security in Central Asia continues to be largely shaped by international commodity markets and developments in the region's major trading partners. Nevertheless, recent political events in the region had a positive impact on overall economic development as well as on food and nutrition security by stimulating intraregional trade and integration.

MAJOR DEVELOPMENTS IN 2018

Favorable external conditions led to better-than-expected economic growth in Central Asia in 2017. Increased demand for commodities boosted natural resource exporters while other economies in the region benefited from rising remittances and strong external demand.[1] However, in 2018, external economic conditions were mixed for Central Asian countries. Oil prices continued rising during the first three quarters of the year, but began to drop sharply in the fourth quarter. Wheat prices rose by about 15 to 18 percent during the year. Prices of the region's other commodity exports, such as metals, changed little in 2018.[2] In addition, geopolitical and trade tensions slowed economic growth in the region's key trading partners (Russia and China) and led to depreciation of regional currencies.[3] The Russian ruble depreciated by about 20 percent and the Kazakh tenge by nearly 13 percent against the US dollar during 2018. On balance, these external factors had a slight positive effect on economic activity and food security in Central Asia through their impact on export earnings, remittance flows, and investments from the region's main economic partners. Remittance flows from Russia to Kyrgyzstan, Tajikistan, and Uzbekistan increased by 3 to 7 percent in the first nine months of 2018 (valued in US dollars),[4] and depreciation of the national currencies of these countries meant even greater increases when converted to local currencies.

Depreciation of national currencies, however, also generated inflationary pressures in Central Asia's consumer markets, including food markets.[5] For example, in Uzbekistan, continuing price reforms and the lagged effects of official exchange rate devaluation triggered double-digit inflation in 2018. Ongoing efforts to reform utility and energy prices also led to increasing inflationary pressures in Turkmenistan. While no official data are available, reports of increasing food supply difficulties and shortages in Turkmenistan have appeared in the media since 2017.[6]

Recent political and economic developments in Central Asia led to a surge in intraregional trade and investment. A report from the Asian Development Bank finds that intraregional trade increased by 7.3 percent in 2017 over the previous year, and intraregional foreign direct investment increased by 5.5 percent.[7] Kazakhstan and Uzbekistan are the biggest trading partners within the region. Bilateral trade between these two countries increased by 31.2 percent to about US$2 billion in 2017, and by an additional 46.6 percent in the first three quarters of 2018. Likewise, movement of goods, capital, and people improved significantly between Tajikistan and Uzbekistan after the two countries ended visa requirements in March 2018, some 18 years after their introduction.[8] Direct bus and airline connections began operations between the two capital cities and other major cities in the two countries. And trade between the two countries increased more than twofold to US$283 million in the first three quarters of 2018, compared to the same period of 2017.[9]

China has become an important trading partner for the region. In 2017, Chinese trade with Kazakhstan reached US$1.3 billion; with Turkmenistan US$590 million; and with Kyrgyzstan US$567 million.[10] China has now replaced Russia as Uzbekistan's leading trade partner. In the first three quarters of 2018, trade between Uzbekistan and China reached US$4.4 billion, accounting for nearly one-fifth of Uzbekistan's total foreign trade.[11] China is also the largest buyer of Turkmenistan's hydrocarbon exports. However, Turkmenistan is trying to diminish the risk of overreliance on a single market by embarking on construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, considering the potential resumption of gas exports to Russia, and evaluating gas swaps with Iran.[12]

In recent years, Central Asian countries have begun exporting a wider variety of agricultural products to China. According to the World Bank, rising demand for food products in China and elsewhere in Asia may provide an opportunity for Central Asian countries to diversify their agricultural production and increase export earnings, especially from oilseeds, horticulture, and livestock.[13] Central Asian countries are working with Chinese trade authorities to promote agricultural exports: in September 2018, Chinese inspectors visited Kazakh grain and livestock producers to assess the feasibility of exports, and Uzbekistan began exporting cherries in 2018. Some observers suggest that Central Asian countries could take advantage of China's growing trade disputes with the United States to act as alternative suppliers to China, especially as transportation infrastructure develops and regional integration progresses.

MALNUTRITION

Multiple forms of malnutrition continue to burden the region. Although the prevalence of childhood stunting has declined by over 20 percentage points since the early 2000s in Tajikistan, about 17 percent of children under five are still stunted.[14] The latest available data suggest that nearly 12 percent of children under five in Turkmenistan are stunted.[15] Also prevalent among Central Asian populations are micronutrient deficiencies including anemia, which is estimated to affect 34 percent of women of reproductive age. At the same time, overweight and obesity are becoming more common. The number of overweight children under five in the region nearly doubled between 2000 and 2017, from 0.5 to 0.8 million.[16] In fact, the prevalence of overweight has overtaken wasting among children in all Central Asian countries except Tajikistan. While the obesity rate for Central Asian adults remains relatively low (16.4 percent in 2014), the prevalence of obesity grew by 41 percent between 2000 and 2014. About 7 million adults could be considered obese in 2014.[17]

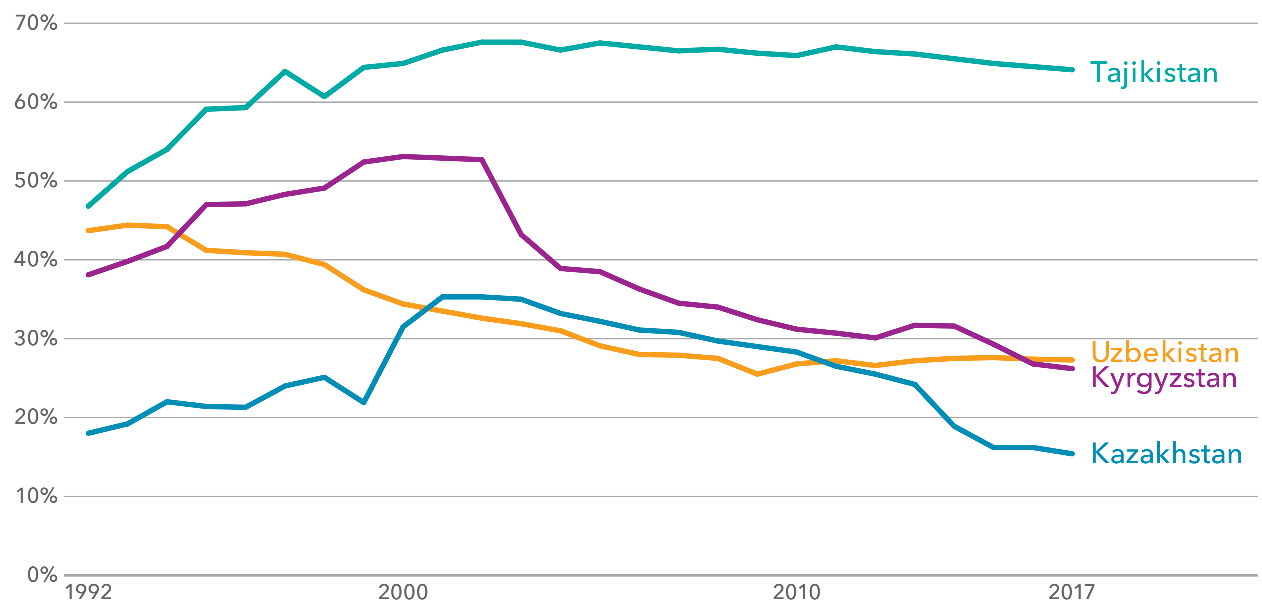
To help Central Asian countries support a nutrition agenda for meeting the UN Sustainable Development Goals (SDGs), the countries of the region together with several UN agencies established the Central Asia and Caucasus Regional Nutrition Capacity Development and Partnership Platform. Central Asian governments also adopted laws on food security as part of their 2030 SDG agenda. In 2017, the government of Kyrgyzstan amended its law on food security to include the concept of a "healthy diet" in response to recent changes in its food security situation.

POLICIES RELATED TO RURAL REVITALIZATION

More than one-half of Central Asia's population resides in rural areas. Kazakhstan is relatively urbanized, with 57 percent of the population living in urban areas, but Kyrgyzstan and Tajikistan are predominately rural, with nearly 64 percent of Kyrgyzstan's population and 73 percent of Tajkistan's population living in rural areas. In both Turkmenistan and Uzbekistan, approximately half of the population lives in rural areas. Projections suggest that urbanization will continue in the region, but a considerable share of the population will continue to live in rural areas. Although agriculture's share in value added has declined considerably in recent years, it still accounts for a large share of employment due to significant sectoral productivity differences (Figures 1 and 2). The persistent productivity gaps between agriculture and nonagriculture sectors are reflected in the higher levels of poverty and malnutrition in rural areas in comparison with urban areas.[18] The majority of the poor in the region live in rural areas. For example, nearly 70 percent of the poor in Kyrgyzstan and more than 80 percent of the poor in Tajikistan live in rural areas.

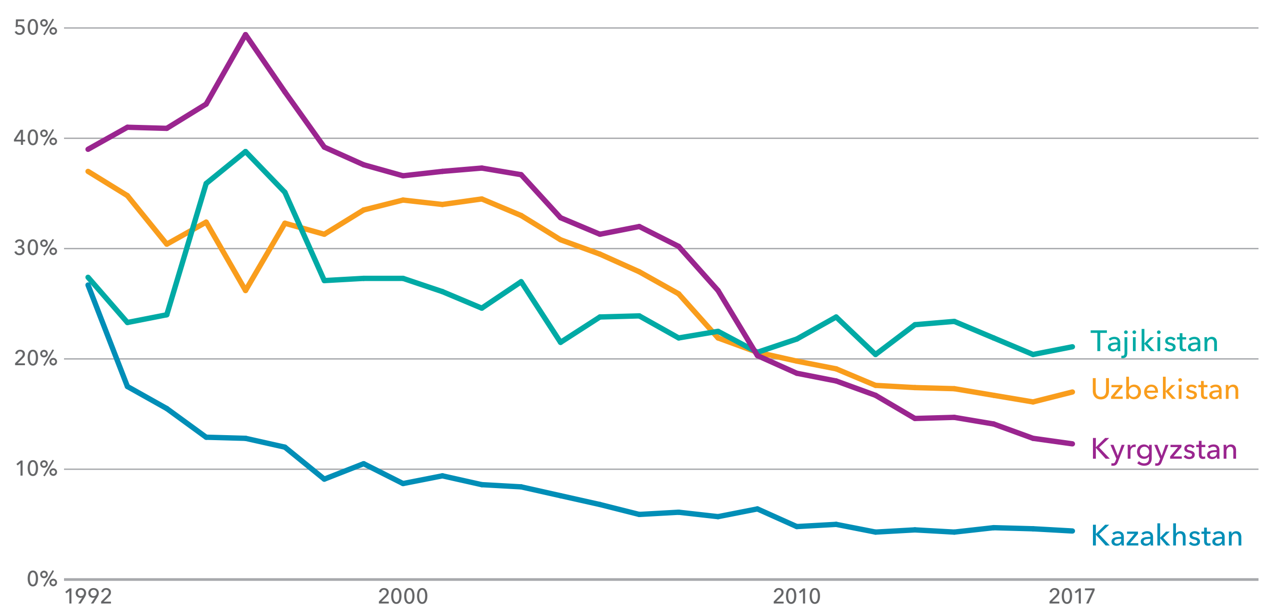
Central Asian countries are promoting rural development and revitalization through rural infrastructure development, establishment of agriculture-based economic clusters, promotion of trade and service cooperatives, adoption of innovative technologies for agricultural production, and economic diversification in rural areas.

FIGURE 1 Agriculture's share in total employment



Source: Authors' computations using data from the World Bank's 2018 World Development Indicators database, the Asian Development Bank's Key Indicators for Asia and the Pacific 2018 database, and national statistical offices.

FIGURE 2 Agriculture's share in GDP



Source: Authors' computations using data from the World Bank's 2018 World Development Indicators database, the Asian Development Bank's Key Indicators for Asia and the Pacific 2018 database, and national statistical offices.

Efforts to develop specific regions or sectors of an economy through cluster development and special economic zones have had mixed results. The earliest efforts date to the 1990s, when the Kazakh government established nine free economic zones across the country to spur transition from its centrally planned economy to market-oriented development. Due to corruption, a lack of transparency, and an ineffective legal and regulatory framework, these economic free zones were replaced in 1996 by a new initiative known as special economic zones (SEZ).[19] Kazakhstan now has 10 SEZs, of which 6 have fully developed infrastructure. SEZs are intended to accelerate the development of competitive industries and the introduction of advanced technologies, attract investments, and create employment opportunities.[20]

Beginning in 2004, Kazakhstan adopted "cluster" development as a cornerstone of its industrial diversification strategy. However, a recent report suggests that although programs promoting SEZs and industrial zones (IZs) could potentially support the development of clusters, a disconnect exists between current SEZs and cluster development in Kazakhstan. Kazakhstan's SEZs and IZs are viewed as industrial infrastructure to attract investment, but their potential to create employment opportunities, enhance productivity and competitiveness, and promote cluster development is neglected.[21]

In Uzbekistan, development of the cluster approach in the food and agriculture sector is a newer phenomenon, more focused on both attracting foreign direct investment and making use of domestic industrial and production capacity. The country's policy of developing agriculture-based clusters, adopted in 2018, aims to promote processing and logistical centers for export of select agricultural products. A special presidential decree created clusters for production of horticultural and fruit products throughout the country, with specific focus on certain regions such as Bukhara and Andijan for grapes and wine products, and for fish products in various regions of the country.[22] Uzbekistan's cotton and textile industry is being restructured by expanding clusters for harvesting and processing cotton and producing textiles. The country plans to process all domestically produced cotton fiber and increase the share of finished textile products from its current 40 percent to 60 percent by 2020.[23] While the benefits of agriculture-based clusters—economies of scale, cost sharing, diffusion of innovations, and off-farm employment opportunities in rural areas—are well known, policymakers should be aware of potential limitations and risks, such as possible negative impacts on land tenure practices and smallholders' welfare.

Central Asian countries have been opening their economies and improving the business environment to increase competitiveness in regional and international markets. These efforts are reflected in the World Bank's annual *Doing Business* report, where all Central Asian countries (except Turkmenistan, which is not included in the ranking) improved their rankings in 2018 in terms of the ease of doing business, with the greatest progress reported for Kyrgyzstan. Kazakhstan ranked 28 among 190 economies in the list, thus becoming the first Central Asian country in the top 30. Nevertheless, considerable progress can still be made in other Central Asian countries, especially in Tajikistan, which remain at the lower end of the report's rankings.[24]

Agricultural diversification and development of competitive agricultural and food value chains are given priority in the region's national development strategies. Kazakhstan, for example, remains committed to its efforts to diversify production away from grain crops to other products, such as oil crops, by providing financial incentives to farmers and access to other forms of financial support through its joint-stock company KazAgroFinance.[25] Uzbekistan and Tajikistan are using both administrative and financial instruments to promote agricultural diversification.

Bilateral and multinational development partners, including the World Bank Group and the Asian Development Bank, remain committed to supporting these initiatives. Beyond their continuing support for infrastructure development, donor agencies have become more active in recent national economic diversification initiatives, including initiatives for agricultural diversification and for development of competitive agrifood value chains.

The Asian Development Bank plans to provide substantial financial support for investments in agriculture, natural resources, and rural development—pledging about US$620 million to support agricultural productivity and export orientation in

Kazakhstan for 2019–2021, about US$85 million to strengthen agricultural services and improve climate change adaptation and disaster resilience in Kyrgyzstan during the same period, and more than US$400 million to improve productivity of a diversified agriculture sector in Uzbekistan for 2018–2020.[26] The World Bank has pledged support for development of the region's horticultural sector and signed loan agreements for US$940 million with Uzbekistan in 2018 to finance four new projects focused on horticulture and on energy efficiency and emergency medical services.[27]

BUILDING ON REFORMS

Central Asian countries will continue to face global and regional risks in 2019 and beyond. At the global level, commodity price uncertainty and the pursuit of inward-looking policies in other regions may threaten the momentum of growth and amplify fiscal and external vulnerabilities. Regionally, reform fatigue or vested interests could threaten economic development efforts, particularly given the difficulty of persevering with structural reforms for long-term benefits. These uncertainties pose risks for economic growth as well as for food and nutrition security.

The working-age population is growing rapidly in the region, especially in Kyrgyzstan, Tajikistan, and Uzbekistan, but many of these people are either inactive, unemployed, or working abroad.[28] Given the uncertain environment and growing demand for employment, especially in rural areas, Central Asian countries should look to strengthen the role of the private sector in their economies by accelerating reforms and improving their institutional frameworks, and should continue to look for opportunities for regional integration.[29] This is especially important for agriculture and rural nonfarm development in countries that are still heavily rural, such as Kyrgyzstan, Tajikistan, and Uzbekistan. In agriculture, reforms to liberalize land tenure policies and create an enabling environment for collective management of common-pool resources are needed to promote the expansion of labor-intensive and high-value sectors such as horticulture. Such reforms should consider direct and indirect impacts of climate change on the availability of water resources for irrigation and the increasing frequency of extreme events such as droughts. These countries also should support women's participation in the workforce, given that women's labor participation rates remain markedly low in Central Asian countries.

In this regard, expected reductions in transaction costs may help to expand international and regional trade and boost growth and employment opportunities across the region. China's Belt and Road initiative is expected to significantly reduce shipment times and trade costs for Central Asian countries. If border delays are reduced by half, shipment times could fall by more than 25 percent along the China–Central Asia–West Asia Economic Corridor; likewise, trade costs could fall by over 21 percent along this economic corridor.[30]

These developments offer hope of significant socioeconomic progress in the region. If the governments in Central Asia can create an enabling environment for regional integration, trade, and private sector development, the payoff will be not only economic development but also a more competitive, healthy, and well-nourished population.

SOUTH ASIA

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South Asia remained the fastest growing region in the world in 2018, as economic growth continued to strengthen. However, growth rates varied greatly across the region—exceeding 7.0 percent in Bangladesh, India, the Maldives, and Nepal, and reaching 5.8 percent in Pakistan, but only 2.6 percent in Afghanistan. Growth in most of the South Asian nations was driven primarily by domestic consumption, with limited contributions from exports and investments. Rising oil prices are a concern because the region is a net importer of oil; higher oil prices exert pressure on current accounts and add to fiscal deficits.

The structure of South Asia's national economies has changed dramatically in recent decades, marked by a sharp decline in the share of the agriculture sector. Agriculture now accounts for less than 16 percent of regional gross domestic product (GDP) in South Asia, varying from 5.9 percent in the Maldives to 27.0 percent in Nepal.[1] However, the share of the labor force in agriculture has declined more slowly, remaining substantially greater than agriculture's share in GDP—agriculture's share in employment across the region is about 43.0 percent, varying from 7.5 percent in the Maldives to 62.0 percent in Afghanistan. Although the share of agriculture in rural employment remains higher, growth of the rural nonfarm sector is accelerating. The rural nonfarm sector now provides a sizable share of rural income and employment, primarily in services, and has grown more quickly than agricultural employment—the rural nonfarm sector now generates about 60 percent of rural income in India and Nepal and 57 percent in Pakistan and Bangladesh.[2]

RURAL TRANSFORMATION

Despite an acceleration of urbanization in recent years, South Asia's demographic transition has been slow and the region remains predominately rural—67 percent of the population lives in rural areas.[3] In many countries, literacy rates remain low, especially in rural areas: about 60 percent of the rural population in South Asia is literate as compared to 79 percent of the urban population.[4] Although rural poverty has declined sharply, one-fifth of South Asia's rural population remains poor. The incidence of rural poverty is highest in Afghanistan (38.0 percent) and lowest in Sri Lanka (7.6 percent).[5] And while some countries, including Bangladesh and Nepal, have made impressive progress in reducing malnutrition, South Asia is still the biggest contributor to malnutrition in the world. More than one-third of children (about 60 million) under five years of age are stunted in South Asia, accounting for about 35 percent of the world's stunted children, and stunting rates are higher in rural areas than in cities.[6] Further, over 5 million children in South Asia are overweight, accounting for about 14 percent of the world's overweight and obese children.[7] South Asia is subject to multiple burdens of malnutrition—inadequate dietary energy and protein, micronutrient deficiencies, and, more recently, overweight and obesity, which have been increasing rapidly. These problems can coexist in the same household and even the same individual.[8] Although undernutrition remains more prevalent than obesity, governments, the private sector, and civil society would be well-advised to address this emerging problem now.[9]

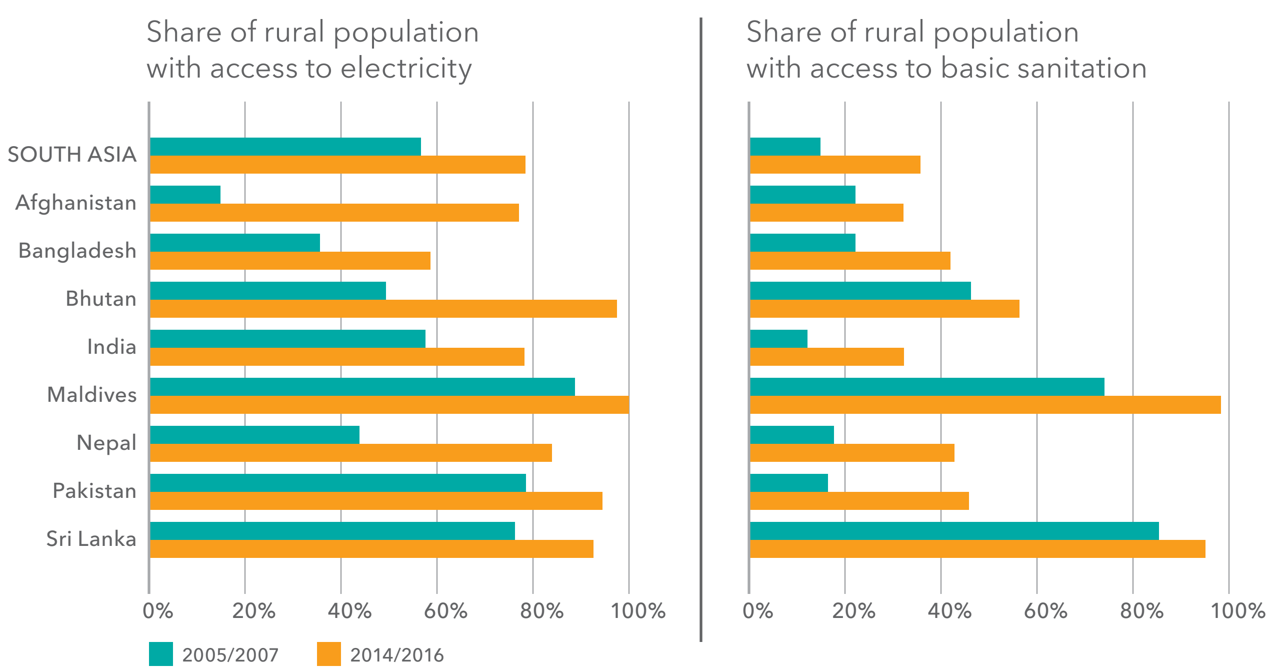
MIGRATION AND REMITTANCES

Migration and remittances have direct and indirect effects on both the countries that migrants leave and their destination countries. For the countries of origin, the welfare benefits of migration are often sizable; remittances can reduce poverty and stimulate economic activity. In Nepal, a dramatic increase in remittances is credited with between one-third and one-half of overall poverty reduction; poverty fell from 42 percent in 1996 to 31 percent in 2004. Migration within and from South Asia has increased significantly over the past two decades, sparking employment, economic growth, and development in the destination as well as source areas. In 2018, South Asia registered an international migration of over 39 million people—17 percent of the world's total migration—and the region received US$132 billion in remittances. Remittances to the region have been increasing since 2000 and are the now the world's second highest after East Asia and the Pacific, making a substantial contribution to South Asian economies. A recent upsurge in remittances, which rose 13.5 percent in 2018, was driven by stronger economic conditions in the advanced economies, particularly the United States, and the positive impact of higher oil prices on remittances from Gulf Cooperation Council countries. For Nepal, remittances account for more than one-third of GDP; for Sri Lanka, remittances constitute an estimated 8.5 percent of GDP; and for Bangladesh and Pakistan, about 7.0 percent of GDP. Bangladesh and Pakistan registered a surge in remittance inflows of 18 and 6 percent, respectively. India receives the largest amount in international remittances (US$80 billion in 2018), accounting for 2.8 percent of GDP. Remittance flows to Afghanistan are officially about 1.8 percent of its GDP, but the actual flows are believed to be higher.[10]

BASIC SERVICES AND QUALITY OF LIFE IN RURAL AREAS

South Asian governments have increased their commitment to providing basic services in rural areas in recent years, and their efforts are showing results for rural residents (Figure 1). About 80 percent of the region's rural population now has access to electricity, a big increase from 57 percent in 2007. Rural areas in Bhutan, Pakistan, and Sri Lanka are almost

FIGURE 1 Access to basic services in rural South Asia



Source: World Bank, 2018 World Development Indicators, https://data.worldbank.org/.

entirely electrified. Access to electricity is lowest in Bangladesh (59 percent), followed by Afghanistan (77 percent) and India (78 percent). Basic sanitation services have also expanded, but as of 2016 only 36 percent of South Asia's rural population had access to these services (ranging from 32 percent in Afghanistan and India to more than 95 percent in the Maldives and Sri Lanka). About 53 percent of the population in rural South Asia had access to safe drinking water in 2016, up from 38 percent in 2002. The incidence of open defecation remains quite high at 47 percent, but is down substantially from 2002, when it stood at an alarming 70 percent.[11]

Recently, air pollution related to the burning of crop residues has generated concern in some countries (notably, India and Pakistan). This burning continues because it offers an easy solution to disposing of those residues, reduces pests and diseases, and allows for increased cropping intensity.[12] Although burning of crop residues is prohibited by law in many countries, enforcement is difficult. More pragmatic and coherent policies along with appropriate technological solutions, such as monitoring through satellite imagery, should be explored to minimize the burning of crop residues and reduce air pollution.

CHANGING CONSUMPTION PATTERNS AND CHALLENGES

Rice and wheat are the region's major staple crops, accounting for about two-thirds of total dietary energy. But food consumption patterns have changed in the region over the past few decades, and the changes are most apparent in rural areas—consumption of cereals is declining while consumption of animal-sourced foods, fruits and vegetables, and processed foods is increasing. Pressure to expand food production to meet growing demand is putting stress on natural resources. The resulting expansion and intensification of agriculture are leading to land degradation, deterioration of soil quality, and loss of biodiversity, potentially jeopardizing the region's capacity to meet future food demand. Agricultural growth also poses risks for water resources. Facing the world's lowest per capita renewable freshwater resources, millions of rural South Asians have benefited from the growing use of groundwater. But aquifers are being depleted and the water table is falling, particularly in India. Water quality is also deteriorating throughout the region due to nutrient overloads and industrial pollution, raising concerns about food safety and drinking water quality.

Nevertheless, the changing dynamics of consumption patterns—driven largely by urbanization, demographic transitions, increasing income, and growing integration of food supply chains and food systems—offer new opportunities for entrepreneurship and employment in rural areas. Similarly, climate change increases concerns about sustainability, but also offers opportunities for rural communities to generate benefits through improved management of natural resources.

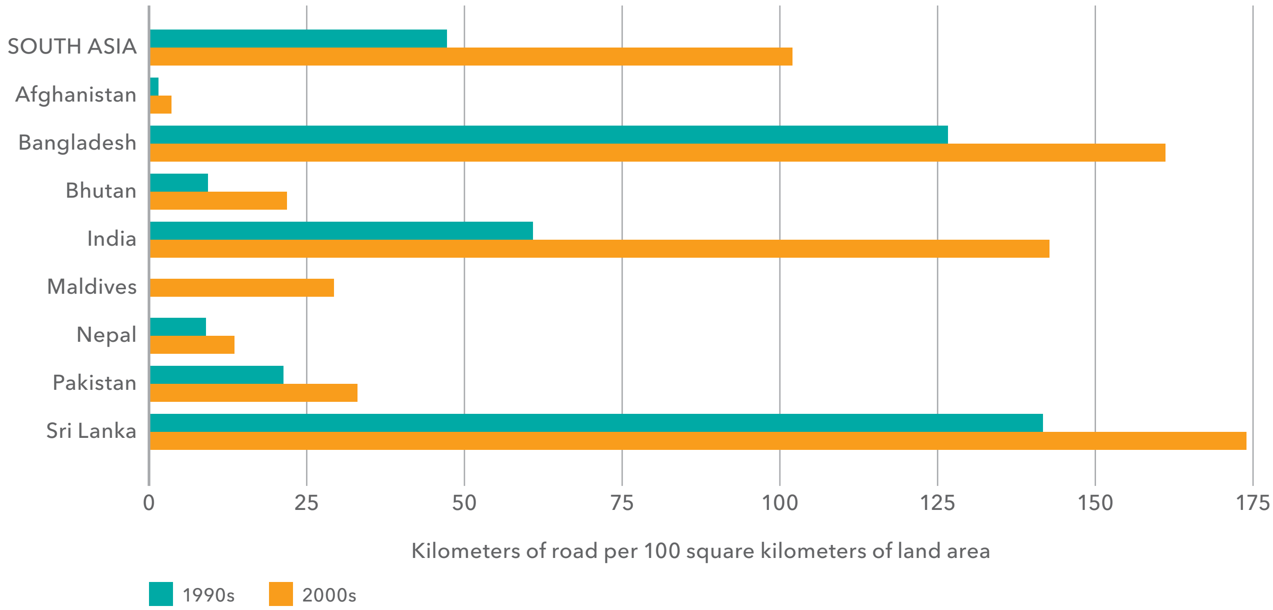
POLICY DEVELOPMENTS

A rural transformation is taking place in South Asia because of changes in demography, urbanization, incomes, and livelihoods. Most countries in the region are reemphasizing and reorienting their rural development efforts toward revitalizing rural economies.

India, home to 70 percent of the region's rural population, has unveiled a number of measures to bolster the rural economy: The government will maintain minimum support prices for major crops (25 at present) equal to at least 1.5 times their production costs. The efficacy of this policy will depend on the extent of implementation, as government procurement has been largely restricted to rice, wheat, sugarcane, and cotton. Further, this policy risks creating barriers to private sector entry into agricultural markets. India will also upgrade 22,000 rural *haats* (local informal markets) to Gramin Agricultural Markets (GrAMs), and a fund of about $US350 million is proposed to develop and upgrade agrimarketing infrastructure. All Indian residences are expected to be connected by all-weather roads by early 2019 (Figure 2).

Other government measures to boost India's rural economy and improve rural livelihoods include development of cluster-based specialized farming, promotion of organic farming, support for farmers' organizations and processing through the Operation Greens scheme, extension of farmer credit to fisheries and animal husbandry farmers, assured purchase of solar energy generated by farmers, and establishment of funds for infrastructure for irrigation, dairy processing,

FIGURE 2 Road density in South Asia



Source: Land Portal, accessed December 10, 2018, https://landportal.org/book/indicator/fao-21017-6124.

Note: Road density for South Asia is calculated as the average of road density of South Asian countries, weighted by their respective geographical areas. Data for Afghanistan are for 2004 and 2010; Bangladesh, 1990 and 2003; Bhutan, 2001 and 2011; India, 1990 and 2011; Maldives, 2005; Nepal, 1999 and 2008; Pakistan, 1990 and 2011; Sri Lanka, 1990 and 2010.

aquaculture, and animal husbandry. Further, in 2018, India's government embarked on two ambitious schemes under the Healthy India initiative (Ayushman Bharat): the creation of 150,000 healthcare centers and the Prime Minister's Public Health Scheme (Pradhan Mantri Jan Arogya Yojana), which will provide health coverage to over 100 million poor and vulnerable families (approximately 500 million individual beneficiaries) of about US$8,500 for hospitalization per family per year. It will be the world's biggest health scheme.[13]

In Pakistan, despite political instability, several recent policies have created a framework for agricultural reform and rural revitalization. These include the 2018 National Food Security Policy and National Water Policy, the 2012 National Climate Policy and enabling legislation of 2017, the 2018 Provincial Agriculture and Water Policies, and the National Drinking Water Policy. The National Food Security Policy focuses on value-added growth in the agriculture sector for both domestic and export markets and raising overall rates of economic growth to promote food security. It sets a goal of 5 percent growth in the agriculture sector to reduce poverty and support a GDP growth rate of 7 to 8 percent. The policy also includes minimum standards for food safety, seed certification, and pest and animal health surveillance. Federally and provincially funded flagship programs—such as promotion of high-value crops, development of marginal and environmentally fragile areas, and targeted food distribution systems—have been initiated to create a modern, efficient, and diversified agriculture sector, with the aim of ensuring domestic food security and providing high-quality products for both domestic sale and export.

In response to its emerging water crisis and concerns about climate change, Pakistan recently announced a National Water Policy designed to enhance water storage capacity, improve water governance, increase efficiency of water use, and introduce climate-resilient agricultural practices, watershed management, better management of subsoil water, and hydropower development. Likewise, provincial agricultural policies focus on enhancing farm productivity, diversifying to high-value and climate-resilient agriculture, increasing value-addition and competitiveness, strengthening research and extension, phasing out wheat procurement and diverting resources to agriculture, and enhancing resilience of smallholder farmers to climate change and natural disasters.[14]

Bangladesh has emerged as a leader in improving rural development indicators as well as food and nutrition security. In 2018, Bangladesh earmarked 27 percent of its budget for development of social infrastructure. To maintain the momentum, Bangladesh initiated measures focused on health and nutrition in rural areas and on consolidation of agricultural growth. A health protection program was introduced in 2018 for people below the poverty line, and free physician consultancy services are now available 24 hours a day. Almost 14,000 healthcare providers have been recruited to staff 13,500 community clinics that bring health services directly to the rural poor and marginalized communities.

Bangladesh has long commited to providing affordable and quality health, nutrition, and family welfare services. Rural social service programs were first introduced in 1974 to reduce poverty. Today, interest-free microcredit of 5,000 to 30,000 taka (about US$65–375) per family is being distributed among the rural ultra-poor through a variety of social service and development programs; such microcredit schemes are generating self-employment opportunities. Bangladesh is also supporting the political, social, administrative, and economic empowerment of women by facilitating women's participation in the workplace—for example, by reducing violence against women and by providing access to information technologies to rural underprivileged woman. Bangladesh is also investing in rural roads, and recently signed a memorandum of understanding with the Asian Development Bank to upgrade about 1,700 kilometers of rural roads to all-weather standards. To support agriculture, Bangladesh imposes no import tariffs on primary inputs, including fertilizer, seeds, and insecticides.[15]

Other countries in the region are also pursuing rural revitalization. Nepal registered robust growth in agriculture and overall GDP in 2017. Following the country's transition from a centralized system of governance to a federal structure, the government began several initiatives to revitalize the rural sector, including programs for employment, women's empowerment, and agricultural modernization.[16] In Sri Lanka, major goals include development of rural economies and strengthening land ownership for the rural population. The Sri Lankan government is working to improve rural connectivity, enhance healthcare facilities, provide low-interest credit to farmers, launch a weather-based index insurance scheme, and create "fair price" shops in rural areas.[17]

CHALLENGES AND OPPORTUNITIES

The rural transformation in South Asia is at a crossroads. The rural sector has been gradually transforming, but agricultural livelihoods still provide more than 43 percent of employment, meaning that most jobs in South Asia are in the informal sector. Implementing a "decent employment agenda" will require improving rural livelihoods. The predominance of smallholder farming communities, their increasing political voice, and national commitments to the Sustainable Development Goals are prompting governments in the region to emphasize inclusive rural development strategies.

Looking forward to 2019, the prospects for rural development are encouraging. A general election is scheduled for early 2019 in India, with potential to increase attention to rural areas where the majority of voters live. Policy decisions in India have significant spillover effects on policy developments in other countries of the region. Across South Asia, inclusive employment growth, continued agricultural productivity growth, and strengthening of the agriculture-based rural nonfarm economy will be essential to ensure inclusive rural transformation. However, the region remains poorly integrated and is not taking advantage of its cultural affinities, common geography, or the advantages of proximity. In addition, escalating trade tensions and tighter global liquidity may constrain the prospects for South Asia in 2019.

EAST AND SOUTHEAST ASIA

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East Asian economies were buoyed by domestic consumption that stimulated growth in the first half of 2018, despite an external environment that was less favorable than in 2017.[1] The region is expected to remain on a positive trajectory through 2022, with economic growth in China and member states of the Association of Southeast Asian Nations (ASEAN) projected to average 6.2 percent and 5.2 percent, respectively.[2] This continued growth should lead to further declines in poverty. But a combination of factors—including escalating protectionism, China's slower growth, and adverse climate conditions in some countries—may prevent the region from meeting its full economic potential and further improving food security. In 2018, a year of both opportunities and challenges, countries worked toward deeper regional integration and rejuvenation of long-neglected rural areas to enhance preparedness and resilience amid growing uncertainty.

FOOD SECURITY AND NUTRITION TRENDS

East Asia has made substantial advances in food security. The number of undernourished people fell from 320.7 million in 2005 to 203.1 million in 2016. But in recent years, the rate of decline slowed significantly, and in 2017 the number of undernourished rose slightly to 203.3 million—124.5 million of whom live in China alone. The number of people suffering severe food insecurity, defined as those experiencing entire days without eating at times during the year, rose significantly, up from 48.9 million in 2015 to 82.2 million in 2017.[3] Considering the worsening global picture, these developments indicate that the region has considerable work to do to reach Zero Hunger.

Among factors that influence food security, climate variations in particular—especially increasingly frequent and intense weather-related disasters—are a growing concern. According to the Global Climate Risk Index, Myanmar, the Philippines, Viet Nam, and Thailand were among the countries most affected by extreme weather events in the past two decades.[4] In 2018, prolonged drought in Indonesia and an unusually heavy rainy season and related dam failures across Cambodia, Laos, Myanmar, the Philippines, and Viet Nam resulted in localized crop losses, particularly in agricultural heartlands where vulnerable subsistence farmers are concentrated.[5]

As countries strive to increase agricultural productivity and overall production, measures to mitigate the impacts of climate change on the rural sector are becoming institutionalized and often included in national plans.[6] Countries in East Asia are exploring adaptation and mitigation actions supported by research to develop climate-smart agriculture across the region, including increased education and capacity building for farmers, introduction of climate-resilient crops and cropping techniques, product diversification, and better access to meteorological information that can assist in weather forecasting and development of planting schedules. Risk-transfer mechanisms and social protection programs are also designed to enhance the resilience of communities vulnerable to climate change. The ASEAN Guidelines on Disaster Responsive Social Protection currently being developed are intended to help member states design and implement such programs. Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam have all either already established or are piloting agricultural insurance schemes.[7]

Rice remains a key staple in East Asia, although its dietary importance has decreased over time. Nevertheless, rice still dominates much of the region's agricultural landscape and helps to ensure livelihoods and freedom from hunger. Food security policies in the region therefore focus primarily on the staple, with some large importing countries such as China, Indonesia, Malaysia, and the Philippines aiming for food self-sufficiency and price stabilization, though at higher domestic price levels than in the region's rice exporters.[8] For low-income households, the current high prices caused by restrictive trade policies have clear negative impacts on food security. In the Philippines, domestic rice prices reached record levels after steady increases from the beginning of 2018. To help address the country's soaring inflation, the Philippine legislature passed a bill seeking to replace the quantitative restriction on rice imports with tariffs. How that law is implemented in 2019 will determine the impacts on rice farmers and consumers, food security, and agricultural transformation.[9]

Food insecurity—uncertain access to sufficient, safe, and nutritious food—can contribute to various forms of undernutrition, with particularly harmful impacts on the well-being of children. Despite impressive reductions, 19.7 million children in the region suffered from stunting and 6.7 million from wasting in 2017. In addition, overweight, obesity, and diet-related diseases are increasingly common as consumers in rapidly growing economies become more urban (and sedentary) and diets shift toward consumption of fats, meat, and sugar. Likewise, because poor, food-insecure families must prioritize cost when purchasing food, they often consume relatively cheap diets that are energy-dense but nutrient-poor.[10]

Tackling the challenges of food insecurity and malnutrition in all its forms is becoming a regional priority. Countries have implemented nutrition-sensitive interventions at national, district, and community levels, most of which identify and target the needs of vulnerable groups such as women and children. Some successful efforts include strengthening maternity protection in Viet Nam and Brunei, infant and young child feeding interventions in Cambodia, Laos, and Indonesia, and a weight management program for children in Singapore.[11] Progress has also been made at the regulatory and legislative levels, creating an enabling environment for the implementation of nutrition policies and programs. An emerging nutrition governance system in China is fostering political and administrative commitment to promoting agriculture–nutrition linkages for more nutritious and diversified crops. In 2017, ASEAN introduced its Regional Guidelines on Food Security and Nutrition Policy. The guidelines aim to ensure a sustainable and sufficient supply of affordable, safe, and nutritious foods by promoting the integration of policies for agriculture, trade, infrastructure, health, and education. The guidelines also advise member states to establish food-security and nutrition regulatory bodies and to adopt a more proactive stance to promote policy changes.[12]

UNCERTAINTY IN TRADE AND REGIONAL INTEGRATION

The US-China trade war is creating ripple effects worldwide, with agricultural markets for soybeans, pork, fruits, and nuts bearing the brunt of tariffs and retaliations.[13] Although the full impact of the turbulence has yet to be seen, the region already feels the heat.[14] If higher US tariffs weaken economic growth in China, the negative impact on growth throughout East Asia could be substantial.

The escalating tensions over trade are affecting soybean production and trade. China, which buys 60 percent of soybeans traded worldwide, is diversifying away from its usual trade partners—the United States, Brazil, and Argentina—and is boosting efforts to reduce imports by promoting soybean substitutes and increasing domestic production. Although subsidies to encourage soybean farmers have stimulated Chinese production, China is still projected to need imported soybeans to meet 87 percent of its domestic demand.[15]

Despite uncertainty, other economies in the region may find new opportunities in the turbulence. For example, exporting members of the Asia-Pacific Trade Agreement have benefited from China reducing tariffs on imports of 415 agricultural and related products to fulfill pledges to further open its consumer market. And Indonesia, Malaysia, Myanmar, Thailand, and Viet Nam may enjoy a boost in exports of some of their agricultural products, such as palm oil, cattle, fresh and processed fruits, and cashews, as China's retaliatory tariffs reduce imports of these products from the United States.[16]

Against the current backdrop of antiglobalization sentiment, most countries in the region recognize the long-term benefits of accessing a larger market and are working toward regional economic integration.[17] In 2017, the ASEAN Economic Community (AEC) adopted the AEC 2025 Consolidated Strategic Action Plan to foster regional integration. Major objectives include increasing trade and investment, integrating micro-, small-, and medium-sized enterprises into the digital economy, and developing an innovation-driven economy.[18] The Comprehensive and Progressive Agreement for Trans-Pacific Partnership has been ratified by 4 of 11 signatory countries and may take effect in early 2019. The ASEAN-led Regional Comprehensive Economic Partnership, which includes Australia, China, India, Japan, New Zealand, South Korea, and all 10 ASEAN members, took steps toward a year-end agreement on what could become the world's largest trading bloc.[19]

CREATING OPPORTUNITIES FOR RURAL AREAS

East Asia is undergoing the largest wave of urban growth in history, bringing huge social, economic, and environmental transformations. However, that progress has been uneven and insufficiently inclusive, with rural regions often left out of economic development. Recognizing this, governments in the region have pioneered various strategies to reverse rural decline in favor of a more resilient and sustainable economy, and some have made the issue of rural development central to their national goals.

A multidimensional rural revitalization strategy has been at the top of the Chinese government's agenda amid growing concerns over widening rural–urban disparities and the slowing economy. The strategy aims to modernize China's countryside and farm sector by 2035 by improving infrastructure, supporting technology innovations, integrating rural primary, secondary, and tertiary industries, improving rural public services, and deepening governance reforms in the countryside. It is estimated that China will increase funding for rural infrastructure development to about US$600 billion over the next four years. Key areas including transport, hydraulic engineering, energy, and information will benefit from joint efforts of relevant departments and different levels of government. The government is encouraging businesses to invest in the rapidly growing fields of e-commerce and information technology. Chinese Internet service providers, for example, have plans to invest US$2.16 billion in rural areas to improve 4G coverage and build fiber-optic networks.[20]

ASEAN countries are also implementing policies aimed at developing agriculture and rural areas. Myanmar launched its Agricultural Development Strategy to promote integrated value chain development, agricultural diversification, and institutional development. Cambodia has also put agriculture high on its national development agenda. The country's Agricultural Sector Strategic Development Plan 2014–2018 aims to keep the agriculture sector on its positive course of rising productivity, diversification, and commercialization while also promoting sustainable resource management and human development. Viet Nam will continue its national program to build "new-style" rural areas, which began in 2010. Under the program, more than 9,000 communes must meet 19 quantitative criteria set for the new rural areas, including criteria on planning, infrastructure, socioeconomic development, culture, and environment. The communes should assess their status against the criteria, support specific plans that identify priorities, and channel the necessary funds toward meeting their development needs. The program has already made progress in improving rural residents' well-being and increasing modernization.[21]

Several successful rural development efforts have called on the people themselves to take the initiative. For example, South Korea's New Village Movement (Saemaul Undong), launched in 1970, made the case that diligence, self-help, and cooperation, once catalyzed by government initiatives, could spark bottom-up efforts to improve the livelihoods of local communities, strengthen rural infrastructure, and protect farmers' rights. Similarly, Japan's One Village One Product program was introduced in 1979 to slow rural depopulation by encouraging rural residents to develop local products and industries with potential to be nationally, or even globally, marketable. By 2002, this program counted 338 local specialties among its products. Other countries in the region have established similar programs for rural development and poverty reduction—notably, Thailand's One Tambon One Product program, first established in 2001. By increasing employment opportunities and alternative income sources through community-based entrepreneurship, the Thai program has helped the rural workforce to grow and prosper. With the government's efforts to promote products of this program, sales reached 153 billion baht in 2017.[22]

LOOKING AHEAD

Looking forward, technological innovations in agriculture, especially the development of information and communication technologies (ICTs), will likely play a key role in transforming agricultural production and the lives of farmers. Countries including Thailand, Malaysia, and China are implementing national plans to encourage more efficient management and mechanization across the agricultural value chain.[23] A variety of e-services are expected to help the agriculture sector better leverage the power of the Internet. International organizations are also exploring the potential of ICTs to promote inclusive and sustainable food systems in the region.[24] The Asian Development Bank is supporting Cambodia's efforts to create a more effective environment for climate risk management and to reduce the agriculture sector's carbon footprint through use of ICTs. The Food and Agriculture Organization of the United Nations has been promoting an e-agriculture strategy in Laos, Myanmar, and the Philippines since 2015, and has worked with China to develop a Belt and Road Initiative umbrella program for innovation in food systems.

The sharing economy, online platforms, and other types of e-businesses have gradually won support in the region as effective tools to connect rural areas with broader markets. China allocated about US$654 million in 2017 to encourage e-businesses in rural areas with the goal of reaching 60 percent of impoverished counties. International e-retailers are beginning to make inroads in Southeast Asia, but the base remains small. If all goes according to plan, small- and medium-sized enterprises and farmers in the region will soon be able to sell fresh products directly to foreign customers, potentially contributing to poverty alleviation and rural rejuvenation.[25]

With growing urban markets, supportive domestic policies, and advances in technology, the revival of rural areas can facilitate agricultural transformation and help to make major economies more balanced by generating domestic demand. At the same time, ongoing trade disputes are threatening the regional economic outlook. Governments will therefore need to manage a complex array of policy tools to navigate uncertainty in an era of rising protectionism and to achieve Sustainable Development Goal 2, eradicating hunger by 2030.

LATIN AMERICA AND THE CARIBBEAN

EUGENIO DÍAZ-BONILLA AND VALERIA PIÑEIRO

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Global political and economic trends, including worrisome trade developments, as well as domestic change affected the economies and food and nutrition security of Latin America and the Caribbean (LAC) in 2018. According to recent estimates, the number of undernourished people in the region increased for the third consecutive year, reaching approximately 39 million, an increase of 400,000 since 2016. A primary cause was the deterioration in the food security situation in Venezuela. At the same time, the number of obese individuals in the region increased by more than 3 million annually over this period, and overweight and obesity have emerged as the main malnutrition and health problem.[1]

Repercussions are being felt around the region resulting from changes in US policies on trade and migration. Renegotiation of the North American Free Trade Agreement (NAFTA) led to the US-Mexico-Canada Agreement (USMCA) among the three partner countries, which has eliminated the threat of a trade war and larger disruptions in North American markets. The full implications of the agreement's new and expanded language on labor conditions, exchange rates, tariff rate quotas, intellectual property rights, and arbitration are still being analyzed, but the changes are likely to shape the US position in other trade agreements. The evolving "trade war" between the United States and China is also expected to affect the region. Analysis of the potential impact of this dispute, under several possible scenarios, finds that US–China trade disputes will reduce overall welfare for both countries. But other countries, including several in LAC, may benefit, at least initially, from trade diversion that increases demand for their exports.[2] Nonetheless, the region, and in fact the whole world, will suffer if those disputes escalate and depress global growth through trade and financial channels.

US migration policies are also affecting many countries in the region, particularly those in Central America. Large-scale deportations from the United States will hurt growth in these countries, increase poverty, and generate fiscal imbalances. But deportations also have a negative impact on the US economy.[3] Humanitarian crises such as the recent events related to a caravan of migrants, primarily from Honduras, that moved through Mexico toward the United States, will most likely continue to generate political tensions for all countries involved.

Recent elections in Mexico and Brazil are changing the political landscape in the region's two largest countries. At the end of 2018, the incoming government in Mexico announced its intention to invest in revitalizing rural areas, emphasizing the need to support small and family farms, particularly in the poorest regions in the south of the country. If those same efforts can be extended through regional cooperation to help Central American countries, as proposed by the new Mexican government, this could reduce migratory flows that pass through Mexico's territory to the United States. In Brazil, the new authorities have announced policies that may significantly reduce environmental safeguards in agricultural production, including proposals to leave the Paris Climate Agreement and to merge the Ministry of Environment with the Ministry of Agriculture. As of early 2019, it is not clear what the final position will be. Brazil's president-elect also suggested that the international community should compensate Brazil for continuing to protect lands now designated as reserves. Furthermore, economic advisors from the elected government indicated that they intend to take a broader approach to trade agreements and downplay the role of the regional trade bloc, MERCOSUR.

In Argentina, economic conditions deteriorated, forcing a strong devaluation of the peso, which lost about half its value between January and December 2018. While this adjustment should have helped to boost agricultural exports, its impact was offset in part by an increase in export taxes on a variety of products. Nevertheless, the net result has been an improvement in international competitiveness for Argentina's agrifood exports.

The humanitarian disaster in Venezuela continues to deepen. Five years of recession have reduced gross domestic product (GDP), which for 2018 is estimated to be roughly half of its 2013 value. Annual inflation may reach 1,370,000 percent by the end of 2018 (comparable to the worst historical hyperinflation, such as Germany in the 1920s and Zimbabwe more recently).[4] On average, about 60 percent of Venezuelans lost 11 kilograms of body weight in 2017, after losing 8 kilograms in 2016.[5] More than 40 percent of the population depends on government-provided food boxes. In addition to excluding a large part of the population, this food assistance program has allegedly been used to coerce political support in elections; accusations have also been made of corruption in the government's food procurement for the program.

In Nicaragua, social and political protests show no likelihood of resolution yet. Over the course of 2018, changes of government occurred in Colombia, Chile, and Honduras. In the first two countries, the new authorities announced departures from previous policies, which in the case of Colombia relate to peace agreements with guerrilla groups.

In regional developments, Argentina held the presidency of the G20 in 2018. As reflected in the theme for the year, "Building Consensus for Fair and Sustainable Development," Argentina's presidency aimed to help generate equal opportunities for all people and advance efforts to eradicate poverty, focusing on infrastructure, development, and a sustainable food future. The Ministers of Agriculture of the G20 issued a joint communiqué in May highlighting international cooperation on a series of topics, starting with soil management (the special topic selected by the Argentine government for its presidency) and also including trade, climate change, antimicrobial resistance, and reduction of food waste and loss.

LATIN AMERICAN AGRICULTURE AND RURAL REVITALIZATION

LAC has a long history of rural development approaches with a territorial focus, including the agrarian reform and settlement schemes of the 1950s and 1960s and "integrated rural development" in the 1970s and 1980s.[6] For much of these decades, rural development strategy subordinated agriculture to urban needs and to industrialization. Policy changes in the 1990s may have changed relative macroeconomic incentives in favor of the agriculture sector, but also resulted in the downplaying of specific policies and territorial strategies for agriculture and rural development. More recently, the concept of a territorial and multisectoral approach to rural development has been revived, for example in the 1999 Inter-American Development Bank Strategy for Agricultural Development.[7]

In general, territorial approaches, old and new, aim to stimulate the demand for products and services in local markets by strengthening urban–rural linkages. This entails promoting investments in infrastructure to establish linkages to local markets and foster intersectoral linkages and helping to develop small- and medium-sized agricultural and nonagricultural rural enterprises, including services.[8] In LAC, this approach has been accompanied by a process of decentralization and devolution of activities to local governments.

Urbanization plays a key role in shaping rural development in LAC. Among developing regions, LAC is the most urbanized: the urban population share is now almost 79 percent, well above the world average of 54 percent. While there are several megacities, almost 60 percent of the region's urban population lives in smaller urban agglomerations of fewer than one million inhabitants.[9]

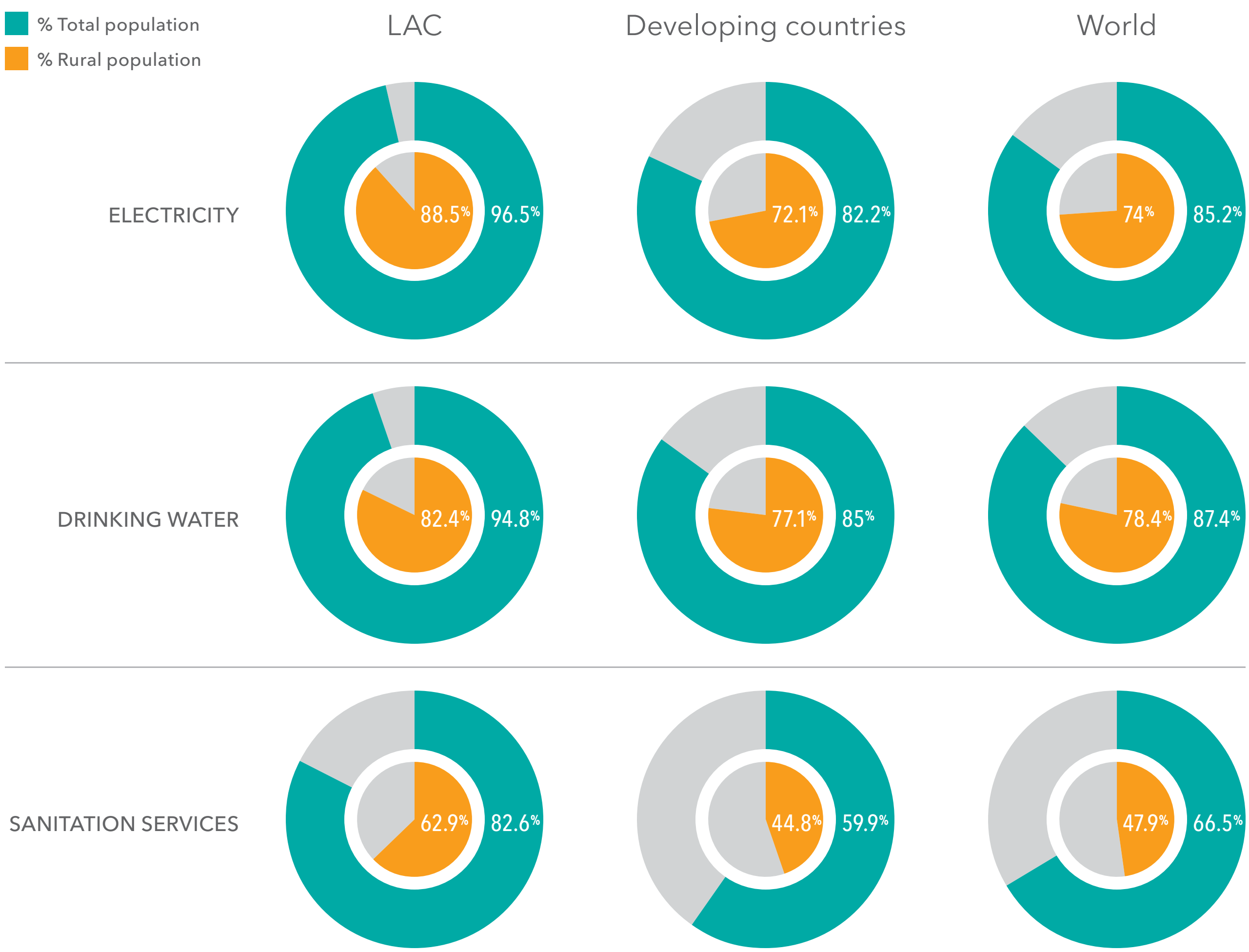
The process of urbanization, along with the expansion of infrastructure and growing integration of rural and urban markets, has led to important changes in rural labor markets and nonagricultural rural activities, as well as the expansion and increasing complexity of agrifood value chains, both for domestic markets and for exports. Notably, small- and intermediate-sized towns have developed the strongest links to rural spaces and have had the greatest impact on agricultural value chains and the structure of food production, employment, and consumption. The growth of cities means that urban food security must be considered along with traditional concerns about food security in rural areas.

Rural areas in LAC enjoy access to basic services—electricity, water, and sanitation—that is above the average for developing countries and the world (Figure 1). In addition, the gap between rural and urban service coverage in the LAC region (measured as the ratio between rural to urban coverage) is smaller than for developing countries and the world as a whole (with the exception of drinking water), reflecting national and local investments and the pattern of urban development.

During recent decades, value chains also evolved significantly, with different waves of changes in the processing and retail segments reflecting increased urbanization and the large presence of intermediate cities. Agricultural and agro-industrial activities are increasingly controlled by large agricultural operators, input companies, agro-industrial processors, and supermarket chains. Farmers have become more involved in markets and commercialization.

In the processing sector, in addition to the traditional milling and meatpacking industries, a more recent expansion of large conglomerates has occurred, particularly in beef, poultry, and pork production.

FIGURE 1 Access to basic services



Source: FAOSTAT, accessed October 30, 2018, http://www.fao.org/faostat/en/#data.

The larger South American countries (Brazil, Argentina)—which were more advanced in terms of development and urbanization than their smaller Latin American peers—saw a surge of foreign direct investment in the processing sector in the mid-1980s and early 1990s (following liberalization and privatization in those years). Since then, the expansion of these investments related to processed and packaged products has transformed several value chains.[10] On the input side, international seed companies and other providers have expanded in the region, providing technology mainly for cereals and oilseeds. Machinery and irrigation companies have also extended their operations.

On the retail side, supermarkets have driven a restructuring of entire food chains, including processed and fresh products.[11] LAC is the developing region of the world with the earliest and widest expansion of supermarkets.[12] Retail transformation started in the early 1990s in Brazil and Argentina; Mexico and other countries followed later, in the mid-to-late 1990s.[13]

However, much is still needed to ensure dynamic urban–rural linkages and to ensure that revitalization of the rural sector reaches everyone, including vulnerable ethnic groups (Native Americans and Afro-descendants) and regions (such as the Dry Corridor in Central America, the Brazilian Northeast, and sections of the Andes) that are not receiving adequate support.

PROSPECTS FOR 2019

Regional developments in 2018 were framed by deteriorating world conditions related to the increases in interest rates in the United States, a softening of the world economy, escalating trade disputes, the reversal of capital flows from developing countries and emerging economies, and geopolitical uncertainties. Those negative trends are likely to deepen in 2019, a year that many observers expect to be difficult not only for the region but for the world as a whole. In view of a potentially deteriorating global scenario, LAC countries should tailor their macroeconomic, trade, and agricultural policies to strengthen their social resilience in a complex and uncertain environment.

"Now the time has come for *rural revitalization*—to make rural areas more productive, sustainable, healthy, and attractive places to live."