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## The role of agriculture in closing development gaps of LDCs

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# **The role of agriculture in closing development gaps of LDCs\***

by Clovis Freire<sup>1</sup>

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## Abstract

The views expressed in this Working Paper are those of the author(s) and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate. This publication has been issued without formal editing.

Least developed countries (LDCs) in the Asia-Pacific region face severe structural impediments to growth and sustainable development. Given that the majority of their population makes living from agriculture, the development of that sector is a key priority of action for their inclusive and sustainable development. But agriculture in Asia-Pacific LDCs is characterized by subsistence practices with low levels of value added per worker, inadequate access to both national and global markets and inability to foster increases in labour productivity. This paper proposes a five-step integrated strategy that uses intersectoral linkages and labour movements between agriculture and agro-industries to accelerate progress in closing development gaps in Asia-Pacific LDCs.

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# **The role of agriculture in closing development gaps of LDCs**

**Clovis Freire**

## **INTRODUCTION**

**For a group of 12 least developed countries (LDCs) in the Asia-Pacific region, persistent forms of poverty, serious structural impediments to growth, low levels of human development and high exposure to shocks and disasters pose long term challenges that call for long term development strategies. These countries have a lot to catch up with the levels of development of other countries of the region (box 1). Given that the majority of their population is in rural areas and makes living from agriculture, the development of that sector is a key priority of action for promoting inclusive and sustainable development – a point being emphasized time and again in the Survey.<sup>1</sup>**

At the outset it is important to emphasize that agriculture in this paper is not only related to staple food crops.<sup>2</sup> Most LDCs have a sizeable production of meat (cattle, pig, chicken, goat, etc.), vegetables, fruits, and cash crops such as cotton and tobacco. Aquaculture and fisheries as well are part of the production basket not only of Pacific LDCs but also Bangladesh, Cambodia, Myanmar and even of landlocked LDCs such as Lao People's Democratic Republic and Nepal.

A review of the status of the agricultural sector in the LDCs suggests that some of the important differences between these countries and other countries of the region are the large shares of employment in the agricultural sector, dominance of subsistence agriculture and low levels of value added per worker, inadequate access to both national and global markets and inability to foster increases in productivity. Therefore, although agriculture is also a key sector in the majority of the developing countries in the Asia-Pacific region, these specific characteristics of agricultural sector in the LDCs justify a focused analysis on the challenges that these countries face and the opportunities that may present to them.

This paper argues that, given their particular situation, LDCs in Asia-Pacific should consider an integrated strategy that uses intersectoral linkages and labour movements between agriculture and agro-industries to promote agricultural and rural development. The implementation of that strategy has great potential to reduce development gaps of these countries by increasing per capita incomes, reducing their economic vulnerability through diversifying their production base and exports, and increase human assets by reducing rural-urban disparities.

**Box 1. The least developed countries: what and who are they?**

The LDCs comprise developing countries that face severe structural impediments to growth and sustainable development. The category was created by the United Nations through its resolution 2768 (XXVI) of 18 November 1971. Although refined over the years to take into account new insights from research on economic development, updated information on structural impediments to development and improvements in the availability of internationally comparable data, the principle underlying the criteria for identifying LDC has essentially remained the same.

Currently there are 48 countries in the world designated as LDCs, and 12 of them are in the Asia-Pacific region: Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu. These countries are substantially diverse in size and geography, with population sizes ranging from 150 million in Bangladesh to only 11 thousand in Tuvalu. Yet they share similar structural handicaps and impediments to growth. These limitations are manifested in a low level of human resource development and a high level of structural economic vulnerability. Currently, the identification of LDCs and graduation out of LDC status depends on predetermined threshold values of three main criteria that identify the structural handicaps:

(a) A “low-income” criterion, based on a three-year average estimate of the gross national income (GNI) per capita, with a threshold of \$905 for possible cases of addition to the list, and a threshold of \$1,806 for graduation from LDC status.

(b) A “human assets weakness” criterion, involving a composite index - the Human Assets Index (HAI) – based on indicators of (i) nutrition (percentage of the population that is undernourished); (ii) health (child mortality rate); (iii) school enrolment (gross secondary school enrolment rate); and (iv) literacy (adult literacy rate).

(c) An “economic vulnerability” criterion, involving a composite index - the Economic Vulnerability Index (EVI) – based on indicators of (i) natural shocks (index of instability of agriculture production, share of the population made homeless by natural disasters); (ii) trade shocks (an index of instability of exports of goods and services); (iii) exposure to shocks (share of agriculture, forestry and fisheries in GDP; index of merchandise export concentration); (iv) economic smallness (population in logarithm); and (v) economic remoteness (index of remoteness).

LDCs in Asia-Pacific lag behind developing countries in the region on a number of

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