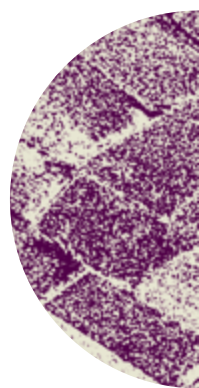




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**A new horizon
of opportunities
for rural areas**



Key messages

Economic development in Latin America and the Caribbean (LAC) is closely linked to the region's rural areas, where strategic resources such as food production, energy, biodiversity, forests, and critical minerals are concentrated.

Despite their importance for output and productive structures, rural areas continue to face persistent structural gaps in poverty reduction, access to basic services, job quality, and progress toward the Sustainable Development Goals (SDG).

Rural areas today are no longer defined solely by primary activities. Employment and income sources have become increasingly diversified, expanding into services and multiple stages of value chains.

Structural change in LAC has reduced the share of agriculture in employment and value added, yet the sector remains economically significant in most countries in the region.

Agricultural productivity has shown dynamic performance, but with pronounced heterogeneity and ample margins for sustainable improvement.

Growing international demand for differentiated food products creates opportunities for LAC to consolidate its position as a net global food supplier, but it also requires deep productive adjustments.



Productivity gains in agriculture are necessary but not sufficient. The development of agri-food value chains and stronger productive linkages is essential to magnify the sector's contribution to rural development and to diversify rural income sources.



Rural territories are strategic in the emerging energy landscape given their resource endowments and productive potential. However, capitalizing on these opportunities requires careful management of environmental and social risks.



The forestry, fisheries, aquaculture, and tourism sectors hold significant productive potential and can also benefit local communities by generating employment, strengthening food security, diversifying income sources, and promoting the inclusion of traditionally excluded groups.



Fully unlocking the development potential of rural territories requires public policies and institutions capable of adding value, fostering productive diversification, and closing long-standing gaps in well-being.

A new horizon of opportunities for rural areas¹

Introduction

Economic development in Latin America and the Caribbean (LAC) is closely linked to its rural territories. These areas concentrate strategic resources for the region, including food production, energy, biodiversity, forests, and critical minerals. Rural areas are home to nearly 120 million people and host close to 18 million farms. As such, they constitute a central foundation for food security, the energy transition, and sustainable development across the region.

Nevertheless, these territories also exhibit some of the most persistent social, economic, and environmental gaps in LAC. Poverty, informality, gaps in access to basic services, and infrastructure constraints coexist with low average productivity, albeit with substantial heterogeneity across sectors and production units. This combination of factors reduces the capacity of rural territories to translate the wealth of their resources into well-being for

local communities, generating systematic gaps with urban areas and sustained shortfalls in progress toward multiple Sustainable Development Goals (SDG).

This situation not only affects the opportunities available to rural populations, but also conditions the region's aggregate economic performance. A development pattern based primarily on the extraction of primary products with low value added constrains the generation of quality employment and limits the ability to diversify local economies. Strengthening linkages within value chains related to agriculture, the energy transition, and other activities with strong local impacts has the potential to expand income sources, reduce vulnerabilities, and promote more inclusive and sustainable growth.

¹ This chapter was written by Dolores de la Mata y Juan Odriozola. Juan Barnes, Belén Cañuelo, Delfina Silva, and Emilse Vargas provided research assistance.

From this perspective, this Report on Economy and Development (RED) starts from the premise that rural growth and aggregate economic development are inseparable processes. Rural areas host significant productive opportunities, whose realization requires adding value, diversifying value chains, and strengthening economic linkages. For these transformations to materialize, appropriate public policies and robust institutions are essential to close structural gaps and sustain an inclusive and sustainable development process.

This chapter begins with a conceptualization of rurality and a description of the systematic well-being gaps faced by rural populations in LAC.

It then outlines the demographic and structural change processes that have taken place in the region, together with the evolution of productivity across the main economic sectors. The chapter also addresses the challenges facing rural populations across different economic sectors, including cross-cutting challenges related to environmental and social sustainability. In addition, it examines the opportunities arising from economic activities traditionally associated with rural areas, as well as from others linked to the energy and environmental transition, in order to anticipate some of the policies needed to harness them. These issues are explored in depth throughout the report.

What do rural areas encompass?

This report focuses on the people who live in rural areas and on the productive activities that take place there. Understanding rural areas requires considering two dimensions that, while related, do not fully overlap. On the one hand, there is the sectoral dimension, linked to specific economic activities, particularly primary activities. On the other hand, there is the territorial dimension, associated with geographic location and the characteristics of population settlements.

Historically, these two dimensions have been closely connected: rural areas were associated with the agricultural sector and with low population density. However, structural change has substantially transformed this relationship. Many primary activities—such as agriculture, mining, fishing, or forestry—continue to be located mainly in rural

settings due to their reliance on natural resources and geographic conditions. Today, however, a growing share of the employment and income of people living in rural areas comes from other sectors, such as services, construction, tourism, or energy production—a trend that has intensified over recent decades.

This separation between territory and economic activity implies that not all people living in rural areas are engaged in primary activities, nor are all primary activities carried out by rural populations. This partial disconnect between where people live and what they do for a living is a central feature of contemporary rurality and poses significant challenges both for its definition and for the design of territorial development policies.

Delineation of rural areas and rural populations

The delineation of what is rural poses both conceptual and empirical challenges. In practice, there is no single, universal definition of what constitutes a rural area. Countries use a wide range

of criteria to classify their territories, reflecting demographic, productive, and administrative differences (European Commission et al., 2024; Nelson et al., 2021).

In LAC, definitions of rurality have traditionally been binary and established in opposition to urban areas. The most commonly used criterion is population size, with thresholds often close to 2,000 inhabitants, although in many countries this is complemented by indicators such as population density, access to services, infrastructure characteristics, or the predominant type of economic activity (see Box 1.1). In other cases, delineation is based primarily on administrative divisions. This heterogeneity complicates cross-country comparisons and may obscure the internal diversity of rural territories.



Under current national definitions, the rural population of LAC was approximately 120 million people in 2025, about 18% of the region's total population

Under current national definitions, the rural population of LAC was approximately 120 million people in 2025, about 18% of the region's total population (CELADE–Population Division of ECLAC and UNDP, 2024). Its relative share has declined steadily since the mid-twentieth century, and projections indicate that this trend will continue in the coming decades. In absolute terms, the total rural population has been decreasing since the early 2000s.

Box 1.1

National definitions of rural areas

There is considerable heterogeneity worldwide in national classifications of rurality. Most countries rely primarily on population density as a defining criterion. More than half combine population size or density with other criteria (108 countries and territories), but only 37 use these indicators as the sole parameter (UNDESA, 2019).

This diversity of approaches is particularly evident in Latin America and the Caribbean. Table 1 presents the definitions used in 20 countries in the region. While population size is the most frequently applied criterion, used in 10 of the 20 cases, only four countries (Argentina, Bolivia, Mexico, and Uruguay) rely on it as the sole criterion. Even within demographic criteria, there are important nuances. Countries such as Peru and Colombia, for example, incorporate density into their definitions, but measure it through the concentration of dwellings rather than directly through population counts.

Costa Rica, Cuba, Guatemala, Nicaragua, and Panama include infrastructure-related aspects in their definitions, such as access to electricity and water, the presence of paved streets, or the availability of commercial establishments. Other countries, such as Chile, integrate economic criteria, including the share of the population engaged in primary activities. A further group bases its delineations exclusively on administrative criteria, as is the case in the Dominican Republic and El Salvador.

Table 1
Definitions of rurality adopted in Latin American and Caribbean countries

Country	Definition of rurality	Type of criteria
Argentina	Localities with fewer than 2,000 inhabitants, including population dispersed across the territory. Urban areas are defined as population centers with 2,000 inhabitants or more.	Population
Bolivia	Population residing in population centers with fewer than 2,000 inhabitants.	Population
Brazil	Population residing outside the boundaries of cities (municipal seats), towns (district seats), and officially defined isolated urban areas.	Administrative
Chile	Human settlement with 1,000 inhabitants or fewer, or with a population between 1,001 and 2,000 inhabitants when more than 50% of its labor force is engaged in primary economic activities.	Population and economic
Colombia	Defined based on the classification of territory outside municipal seats. Includes population centers (clusters of 20 or more contiguous dwellings with some infrastructure and basic services, located outside the urban area [municipal seat]) and dispersed rural areas (isolated or scattered dwellings without a defined urban layout or household public services, located outside population centers and municipal seats).	Urban characteristics and administrative
Costa Rica	Territory outside administrative urban centers. A distinction is made between concentrated rural areas (50 or more grouped dwellings with basic services) and dispersed rural areas (the remainder of the territory). Urban areas are defined as administrative centers with blocks, streets, sidewalks, public lighting, and services, including their urban periphery.	Urban characteristics and administrative
Cuba	Localities with fewer than 500 inhabitants or lacking defined urban characteristics. Urban areas are defined as localities with 2,000 inhabitants or more, as well as those with between 200 and 500 inhabitants that provide multiple services (commercial, health, education, cultural).	Population and urban characteristics
Dominican Republic	Population not residing in municipal or municipal district seats.	Administrative
Ecuador	Population residing in rural parishes, both in parish seats and in the rest of the territory. Urban population is defined as that residing in urban parishes, corresponding to cantonal seats.	Administrative
El Salvador	Population living outside the official boundaries of municipal seats, generally characterized by a dispersed settlement pattern.	Administrative
Guatemala	Any territory that does not meet urban criteria. Urban areas include cities, towns, villages, neighborhoods, or condominiums with more than 2,000 inhabitants, where at least 51% of households have access to electricity and piped water.	Population and urban characteristics
Haiti	Territory not classified as urban. Urban areas include cities, commune seats, and other officially recognized agglomerations with urban characteristics.	Administrative and urban characteristics
Honduras	Areas that do not meet urban criteria, including zones with dispersed populations. Urban areas are defined as population centers with 2,000 inhabitants or more that have basic services and at least one of the following: electricity, sewerage, or a health center.	Population and urban characteristics
Mexico	Localities with fewer than 2,500 inhabitants.	Population
Nicaragua	Localities with fewer than 1,000 inhabitants that lack a defined urban structure, such as paved streets, household electricity, and established commerce, among other services.	Population and urban characteristics
Panama	Territory that does not meet urban criteria. Urban areas are defined as localities with 1,500 inhabitants or more that have a set of basic services and infrastructure (electricity, water supply, sewerage, paved streets, commerce, media access, and a secondary school).	Population and urban characteristics
Paraguay	Territory located outside district seats, characterized by dispersed dwellings typically surrounded by cropland or countryside.	Administrative
Peru	Population centers that do not reach the urban threshold. Urban areas are defined as population centers that concentrate 400 or more dwellings in a contiguous space.	Dwellings / infrastructure
Uruguay	Territory that does not meet urban criteria. Urban areas are defined as population centers with a block layout, delineated according to basic services, land conditions, and the operational criteria of the National Statistics Institute (INE).	Urban characteristics and other (operational criteria)

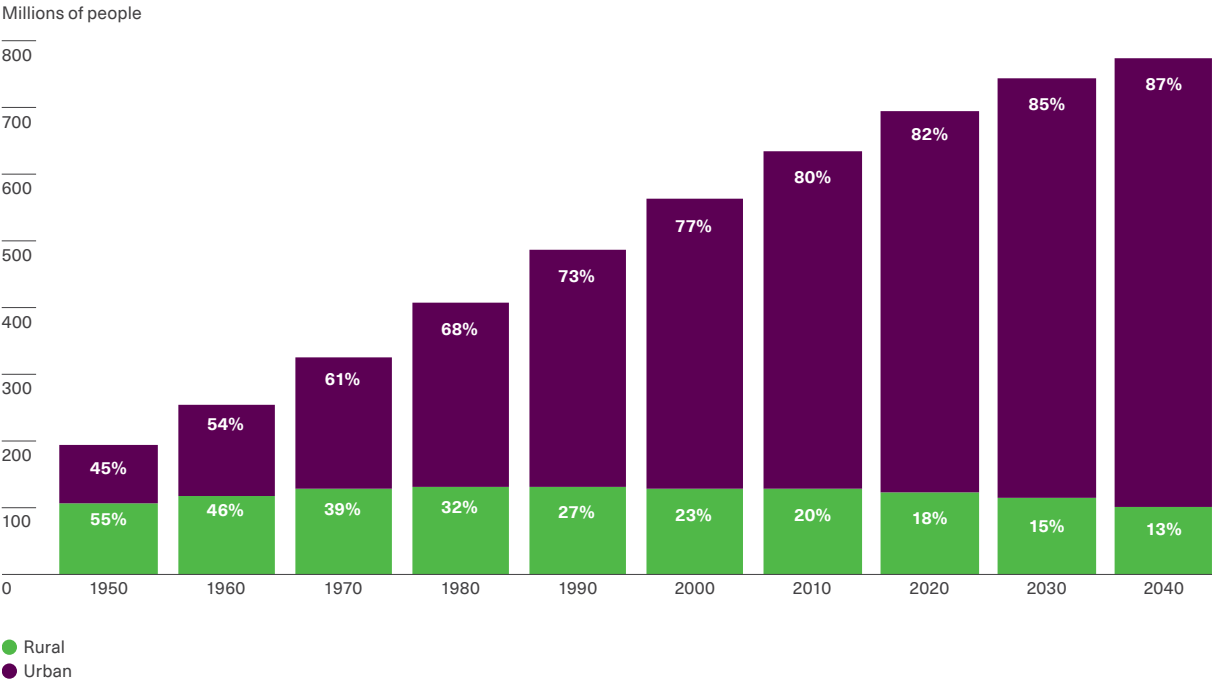
Source: Authors based on reviews by CEDLAS (2025) and ECLAC (2013).

The Degree of Urbanisation (DEGURBA) classification, which is based on harmonized population density and contiguity criteria, improves international comparability and allows for a more precise characterization of the rural–urban continuum. Under this methodology, which applies more restrictive parameters than many national definitions, the rural population of the region was estimated at around 100 million people in 2025, approximately 15% of the total. According to this criterion, about half of the rural population lives in rural villages (small settlements with some degree

of density), while the other half resides in dispersed or largely uninhabited areas.²

Throughout this report, the characterization of the population's socioeconomic and demographic conditions is based primarily on national sources, such as censuses and household surveys, which use each country's official classifications. Nevertheless, where data availability allows, the analysis is also complemented by the DEGURBA classification.

Graph 1.1
Total population and share of the rural population in Latin America and the Caribbean, 1950s-2040s



Note: Projection values correspond to the midpoint of each decade.
Source: Authors based on data from UNDESA (2019).

2 The DEGURBA classification distinguishes three territorial categories: cities; towns and semi-dense areas; and rural areas. Within rural areas, a further distinction is typically made between rural villages and dispersed or largely uninhabited rural areas (European Commission et al., 2024). For further details, see Chapter 6.

Lagging performance of rural areas in achieving the SDG targets

Rural areas show significant gaps across multiple dimensions of well-being, ranging from access to basic services to economic opportunities and job quality. These gaps are reflected in slower progress toward several Sustainable Development Goals. Table 1.1 presents a set of indicators linked to different SDGs and highlighting this situation.

In virtually all cases where comparisons between urban and rural areas are possible, a systematic gap is observed to the detriment of rural areas. The gaps are particularly pronounced for basic quality-of-life indicators: 69% of the urban population has access to safely managed drinking water services, compared with 51% in rural areas (SDG 6). Only 11% of rural households have access to basic sanitation services, compared with 65% in urban areas (SDG 1). In education, rural students achieve approximately half the level of mathematics proficiency attained by their urban peers (SDG 4). Labor informality affects 67% of rural employment, compared with 47% in urban areas (SDG 8). Rural women devote an average of 27 hours per week to unpaid domestic and care work, compared with 23 hours among urban women; as a result, gender gaps in this dimension are substantially wider in rural than in urban areas (SDG 5). These disparities not only limit the current well-being of rural populations, but also condition their future opportunities and the capacity of these territories to contribute to regional economic development.³



Rural areas lag behind in well-being, access to basic services, and economic opportunities, with slower progress toward the Sustainable Development Goals

A key issue to highlight is the limited availability of disaggregated information to adequately monitor progress toward many SDG targets in rural territories. The lack of sufficiently detailed data constrains governments' ability to diagnose gaps, prioritize interventions, and design evidence-based policies. A systematic review of SDGs 1 to 8 conducted for this report (based on multiple sources)⁴ shows that a significant proportion of official indicators either lack rural-urban disaggregation, are not comparable across countries, or are simply not measured in rural areas.⁵ Among the sources consulted, only 30% of the indicators actually have rural-urban information for, in each case, more than five countries in the region over the last 10 years. Graph 1.2 presents these results for each SDG.

The lack of information obscures key dimensions of rural realities and limits the ability to monitor progress toward the SDGs, as well as the design of public policies. Strengthening statistical systems to capture this territorial dimension is essential to improve the monitoring of territorial gaps and to guide more effective policy responses.

3 Some studies analyzing rural-urban gaps in life satisfaction, based on survey data, report mixed results for LAC. Valente and Berry (2016) find no significant differences between rural and urban areas, while more recent evidence from Tassinari et al. (2025) points to lower life satisfaction in rural areas compared with semi-urban and urban areas.

4 In addition to the Socioeconomic Databases for Latin America and the Caribbean (SEDLAC), the World Bank and United Nations databases, data collected by several of its agencies were used, including the Food and Agriculture Organization (FAO), the Economic Commission for Latin America and the Caribbean (ECLAC), the World Health Organization (WHO), the International Labor Organization (ILO), the International Telecommunication Union (ITU), and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

5 The analysis identified 64 official indicators associated with SDG targets 1 to 8, which, in principle, could be measured with rural-urban disaggregation.

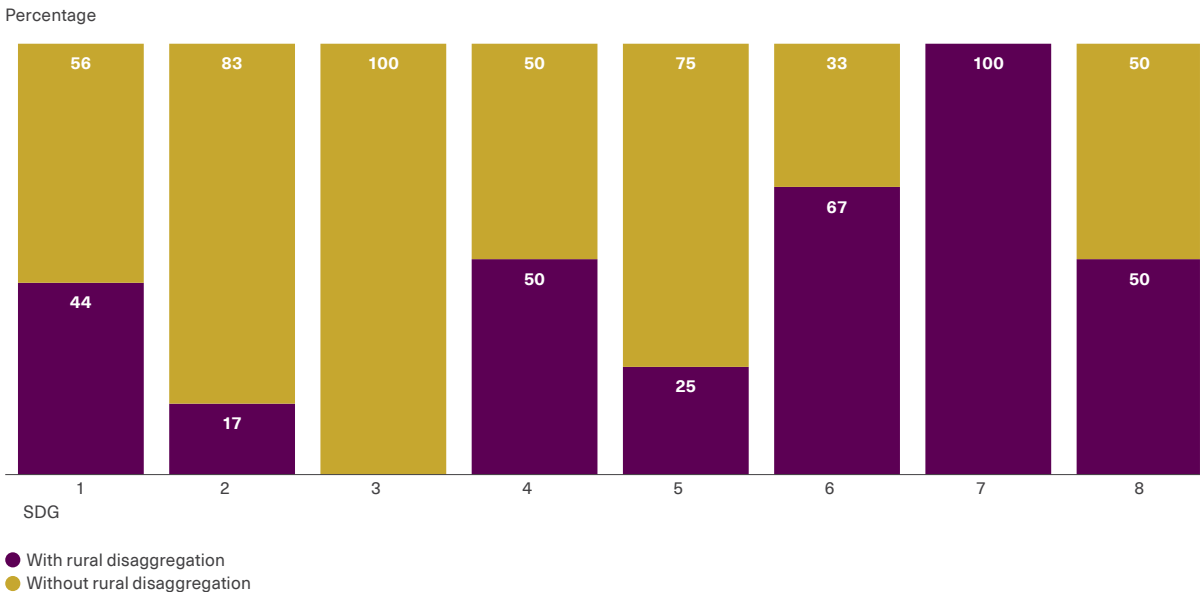
Table 1.1

Indicators linked to SDG targets by area. Average for Latin America and the Caribbean

Goal	Indicator	No. of countries with data	Rural	Urban	Year	Source
SDG 1 End poverty	Share of heads of household reporting that they live in households with access to basic sanitation services	25	11%	65%	2024	United Nations (n.d.a)
SDG 2 Zero hunger	Prevalence of stunting (height-for-age) among children under five	12	18%	12%	Multiple years	Bancalari et al. (2025)
SDG 3 Good health and well-being	Infant mortality rate (deaths in the first year of life per 1,000 live births)	17	28	21	Multiple years	Bancalari et al. (2025)
SDG 4 Quality education	Minimum proficiency level achieved in lower-secondary mathematics (ratio)	16	0.52*		2019	United Nations (n.d.a)
SDG 5 Gender equality	Time devoted to unpaid domestic and care work, by sex (hours per week)	9	Men: 7 Women: 27	Men: 8 Women: 23	2018	CEDLAS (2025)
SDG 6 Clean water and sanitation	Share of the population using safely managed drinking water services	13	51%	69%	2024	United Nations (n.d.a)
SDG 7 Affordable and clean energy	Share of heads of household reporting that they live in households with access to basic electricity services	14	96%	100%	2023	CEDLAS (2025)
SDG 8 Decent work and economic growth	Share of informal employment in total employment	14	67%	47%	2023	CEDLAS (2025)
SDG 9 Industry, innovation and infrastructure	Share of the rural population living within 2 km of an all-season road	33	66%		2025	Buccari et al. (2025)
SDG 10 Reduced inequalities	Share of people living below 50% of median income	11	35%	14%	2022	ECLAC (n.d.b)
SDG 12 Responsible consumption and production	Domestic consumption of fossil fuels per capita (million tons)	36	30**		2023	United Nations (n.d.a)
SDG 13 Climate action	Greenhouse gas (GHG) emissions from the agricultural sector (million metric tons of CO ₂ equivalent [MtCO ₂ e])	33	35**		2022	ECLAC (n.d.a, taken from WRI)
SDG 14 Life below water	Sustainable fisheries as a share of GDP	21	0.23%**		2021	United Nations (n.d.a)
SDG 15 Life on land	Share of degraded land over total land area	22	17%**		2019	United Nations (n.d.a)
SDG 16 Peace, justice and strong institutions	Women who have ever experienced sexual violence by their most recent partner, as a share of women aged 15–49	6	5.0%	5.6%	Multiple years	CEDLAS (2025)
SDG 17 Partnerships for the goals	Share of heads of household reporting internet use	13	50%	77%	2023	CEDLAS (2025)

Note: SDG 11 (Sustainable cities and communities) focuses primarily on dimensions associated with urbanization and is therefore not included. Some indicators are proxies for the targets established under the SDGs. *For SDG 4, the indicator is expressed as a ratio: a value of 1 indicates parity between areas; values below 1 indicate a disadvantage for rural areas. **SDGs 12–15, related to sustainability and climate action, are highly relevant for rural areas; however, their indicators are not easily assignable to a specific geographic area.

Graph 1.2
SDG monitoring indicators with available information in rural areas potentially measurable in Latin America and the Caribbean



Note: The graph includes SDG 1 (End poverty), SDG 2 (Zero hunger), SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), and SDG 8 (Decent work and economic growth). Within these goals, 64 official indicators with potential for territorial disaggregation were identified. Of these, 46 do not have published data with territorial breakdown, although such disaggregation would be feasible given the availability of underlying data. The total number of indicators (64) is distributed as follows: SDG 1 (9), SDG 2 (6), SDG 3 (24), SDG 4 (8), SDG 5 (4), SDG 6 (3), SDG 7 (2), and SDG 8 (8).

Source: Authors based on a review of SDG monitoring indicators from multiple organizations (see footnotes 4 and 5).

Rural poverty: Trends and characteristics

Among the indicators that reveal persistent gaps in the region, poverty is perhaps the one that best synthesizes the constraints faced by rural territories—and the one for which the most disaggregated information is available. Rural areas in LAC account for a disproportionate share of the population living in poverty. In 14 countries in the region, around 40% of all people living below

the international poverty line (USD 6.85 per day in 2017 purchasing power parity [PPP]) resided in rural areas in 2023. This share rises to 54% when considering those living in extreme poverty (USD 2.15 per day in 2017 PPP).⁶

6 These data are drawn from household surveys in the CEDLAS (2025) database. The countries included are Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, Paraguay, Peru, the Dominican Republic, and Uruguay. The database contains a harmonized measure of total household income, constructed by incorporating income from multiple sources (both labor and non-labor), including monetary income (such as wages, self-employment earnings, capital income, and other transfers) and non-monetary income (including the value of production for own consumption and in-kind remuneration, such as food, housing, or services provided by the employer). Income is also adjusted to account for differences in the cost of living between rural and urban areas. For further details, see Chapter 7.

Beyond the absolute concentration of poor populations, poverty incidence is also significantly higher in rural areas. In 2023, 34% of the rural population lived in poverty—twice the 17% observed in urban areas (Panel A of Graph 1.3). This persistent gap shows that even when economies grow and aggregate poverty declines, rural territories consistently lag behind.

Significant progress has been recorded over the past two decades. Rural poverty incidence declined from 66% to 34% between 2003 and 2023. Improvements in the well-being of rural households

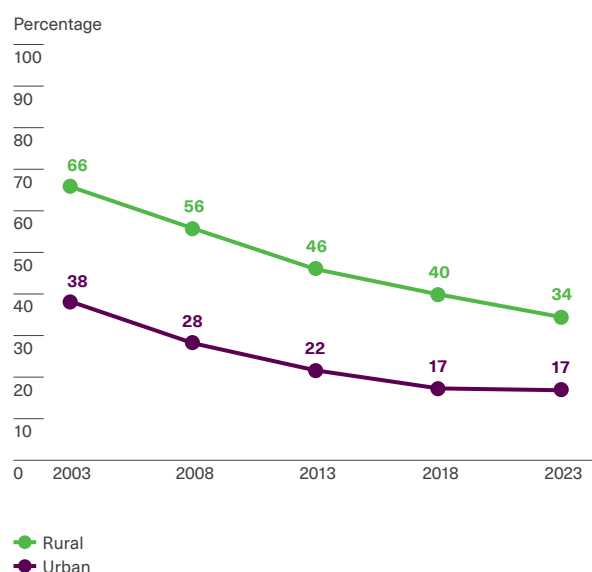
occurred alongside economic growth and changes in productive structures. Panel B of Graph 1.3 indeed shows a strong negative association between countries' GDP per capita and rural poverty rates.

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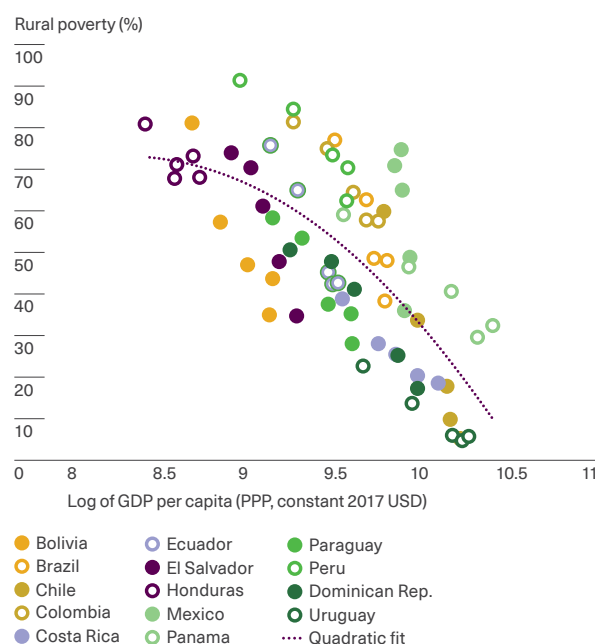
In 2023, 34% of the rural population lived in poverty—twice the 17% observed in urban areas

Graph 1.3
Rural poverty in Latin America and the Caribbean, 2003–2023

Panel A.
Poverty rate by area. Regional average



Panel B.
Relationship between the rural poverty rate and GDP per capita



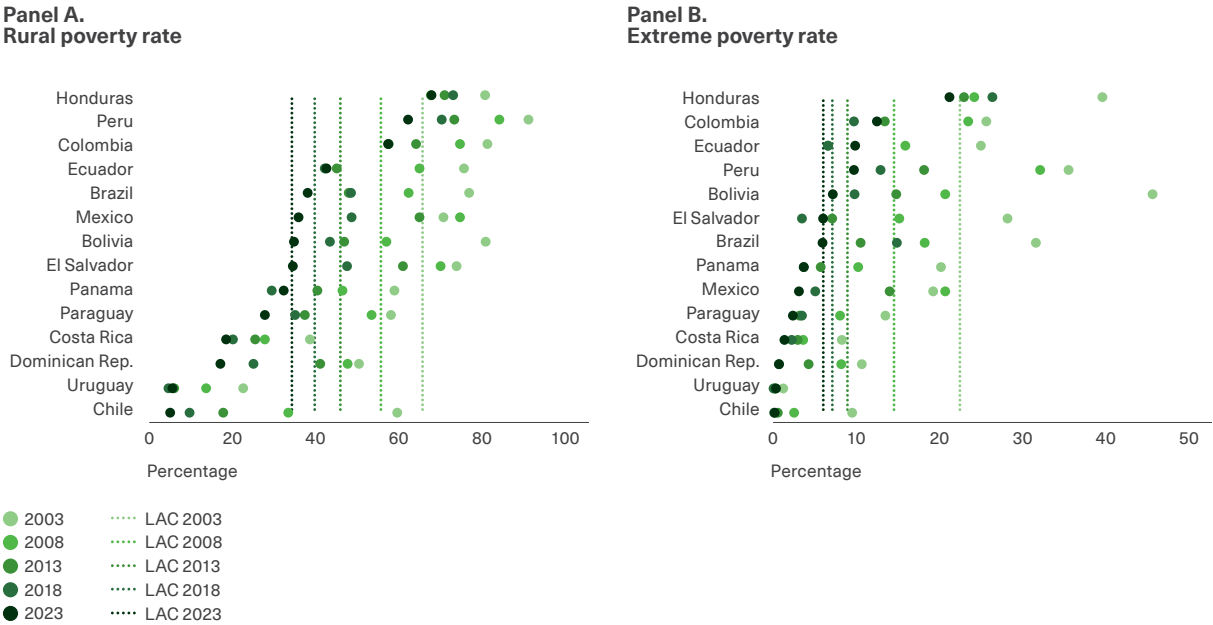
Note: Poverty is defined as the share of the population living in households with income below a threshold of USD 6.85 per person per day (PPP). Each point in Panel B represents a country–year observation. The years considered are 2003, 2008, 2013, 2018, and 2023.

Source: Authors based on data from CEDLAS (2025) and World Bank (2025h).

Reductions in rural poverty and extreme rural poverty over the 2003–2023 period were observed in all countries (Graph 1.4).⁷ In general, countries' relative positions in terms of rural poverty levels remained broadly unchanged, with Uruguay and Costa Rica recording the lowest levels, and Peru and Colombia among those with the highest. Chile and Bolivia stand out for particularly pronounced reductions in rural poverty levels.

Rural poverty rates display clear and persistent patterns by age, gender, education, and ethnicity, as shown in Graph 1.5. Poverty incidence declines with age (Panel A), is broadly similar for women and men (Panel B), decreases with the educational attainment of the household head (Panel C), and is higher among Indigenous peoples and Afro-descendant populations (Panel D).⁸

Graph 1.4
Incidence of poverty among rural households in Latin American and Caribbean countries, 2003–2023



Note: Poverty (extreme poverty) is defined as the share of the population living in households with income below a threshold of USD 6.85 (USD 2.15) per person per day (PPP).
Source: Authors based on data from CEDLAS (2025).

7 Haiti and Venezuela are possibly the only exceptions to the region's overall downward trend in poverty in recent decades; however, official statistics are not available for either country.
8 These patterns tend to be similar within each country, as shown in Graph A.1.1 in the appendix, available in the online edition of this edition of RED.

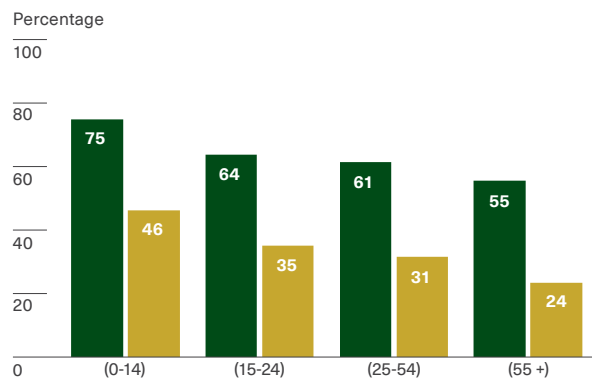


Mechanized coffee harvesting in Brazil.

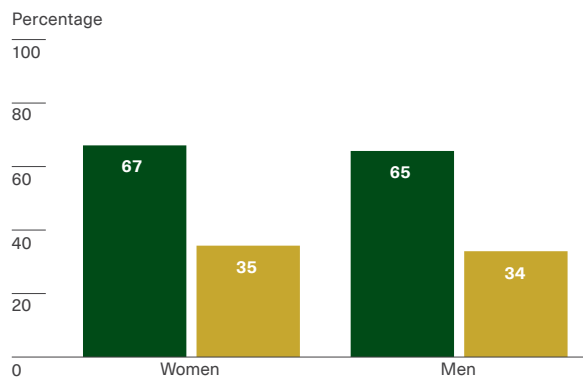
Graph 1.5

Rural poverty by age, gender, education, and ethnicity. Latin America and the Caribbean average, 2003 and 2023

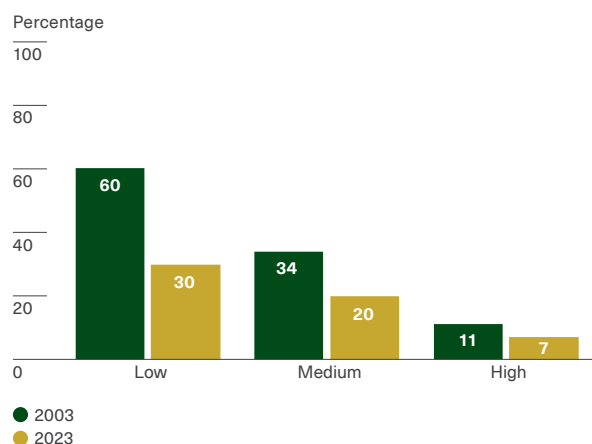
**Panel A.
Age**



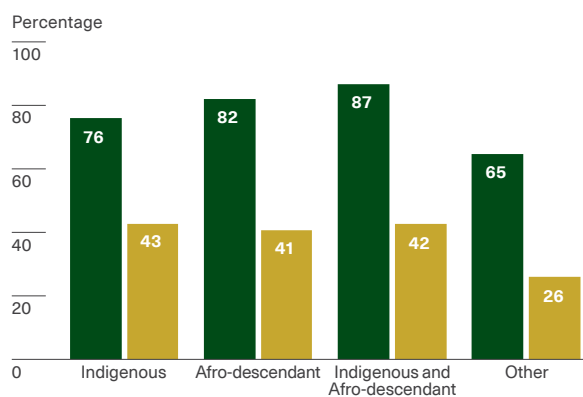
**Panel B.
Gender**



**Panel C.
Education of the household head**



**Panel D.
Ethnicity of the household head**



Note: Poverty is defined as the share of the population living in households with income below a threshold of USD 6.85 per person per day (PPP). Low education refers to individuals who have not completed secondary education; medium education to those who have completed secondary education or have incomplete tertiary education; and high education to those who have completed tertiary education.

Source: Authors based on data from CEDLAS (2025).

Structural change in Latin America and the Caribbean

Beginning in the mid-twentieth century, the region underwent a sustained process of urbanization which, as noted earlier, significantly reduced the

share of the rural population. In that context, more than 50% of total employment in LAC—and nearly all rural employment—was concentrated in the

agricultural sector, which accounted for around 12% of regional value added. As economic development progressed, this demographic transformation was accompanied by a simultaneous shift in the productive structure, with a gradual reduction in the relative weight of agriculture in both employment and production.

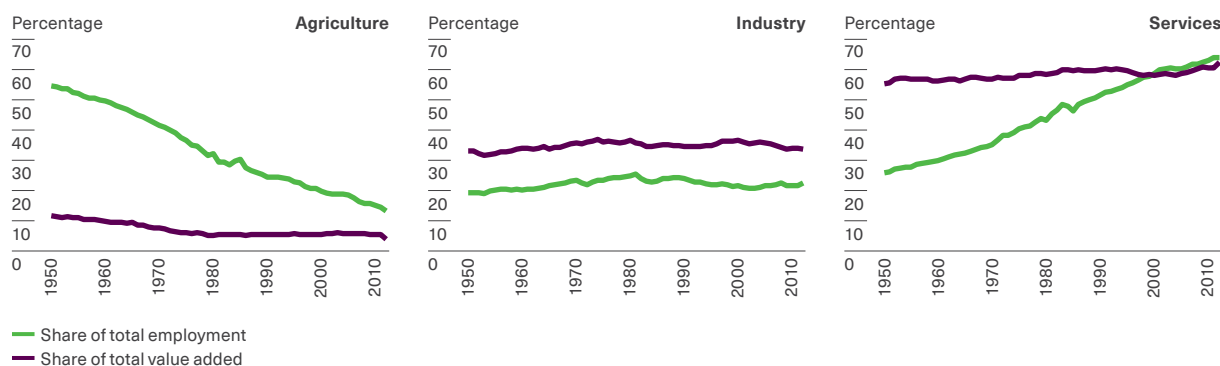
The reallocation of labor from low-productivity sectors, such as traditional agriculture, to higher-productivity sectors, such as industry and modern services, is known as structural change, one of the main characteristics of economic growth (Duarte & Restuccia, 2010, 2020; Herrendorf et al., 2014; Kuznets, 1973). Graph 1.6 illustrates this process in LAC by showing changes in the shares of employment and value added across three sectors—agriculture, industry, and services, according to the standard classification—for the average of nine countries in the region between 1950 and 2010. The graph shows a marked decline

in the share of employment in agriculture and a more moderate reduction in its contribution to value added. In contrast to the historical experience of developed countries, a large share of labor reallocation in LAC took place directly from agriculture to services, with manufacturing playing a less prominent role in the intermediate stages of development. Moreover, although agriculture's share of both value added and employment has declined substantially, it remains higher than in developed economies.⁹

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Although agriculture's share of value added and employment has declined significantly, the sector continues to account for larger shares in both dimensions than in developed countries

Graph 1.6

Evolution of the shares of employment and value added by sector in Latin America and the Caribbean, 1950–2010



Note: The data include employment levels and value added in national currency for Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, and Venezuela. Value added figures are deflated to 2005 US dollars using the World Development Indicators base (World Bank).

Source: Authors based on data from Timmer et al. (2015) and Kruse et al. (2023).

⁹ For example, in 2010 in the United States, agriculture accounted for 1.5% of total employment and 1.2% of value added, while services accounted for 83.9% of employment and 80.9% of value added.

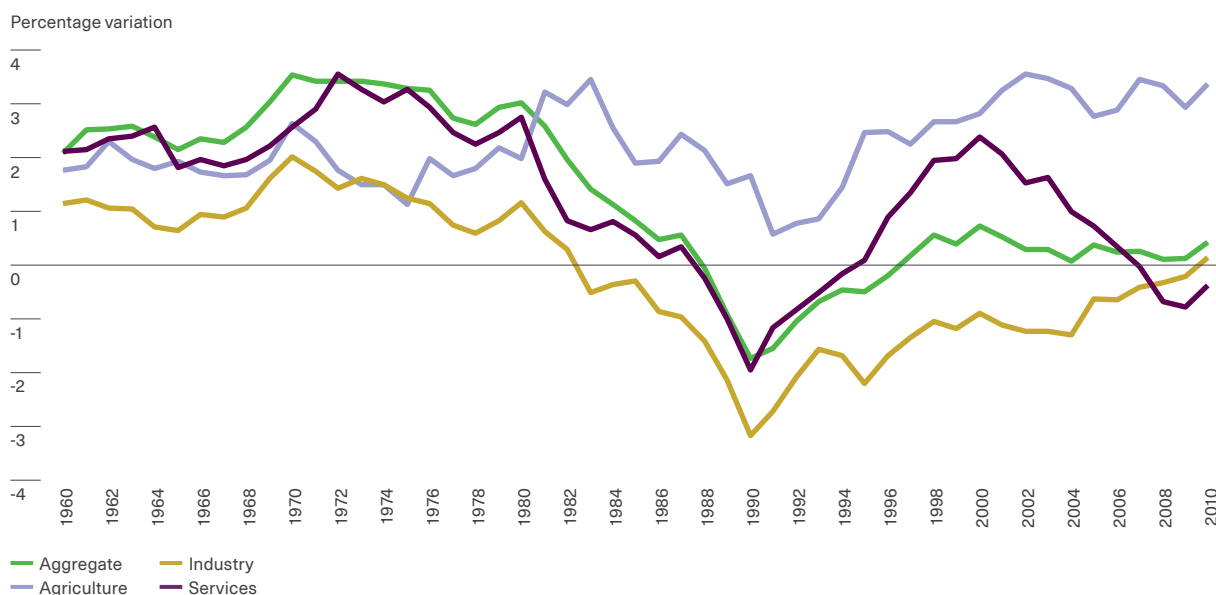
During this process of structural change, LAC economies went through a period of moderate productivity growth. Graph 1.7 presents the moving average of the rate of change in labor productivity since 1960, both at the aggregate level and by sector. At the aggregate level, an initial period is observed in which productivity growth rates were consistently positive. This period ended in the 1980s, when productivity growth began to decelerate progressively, eventually turning negative. From the 1990s onward, labor productivity growth for the economy as a whole remained virtually flat over the period analyzed. At the sectoral level, the initial period of sustained growth is also evident. The decline in aggregate productivity observed since the 1980s and the

subsequent stagnation are explained by a sustained fall in productivity in industry and services, while the agricultural sector shows positive productivity growth rates throughout the entire period analyzed.

A reallocation of workers toward low-productivity sectors, as occurs with the expansion of informal services, can have negative effects on aggregate growth (Rodrik, 2016). When successful, structural change allows for improvements in job quality, reductions in inequality, diversification of the export basket, and greater resilience to external shocks. Through this process, countries can move away from dependence on low-value-added sectors and advance toward more complex economies with higher technological content (Hausman et al., 2007).

Graph 1.7

Rate of change in labor productivity in Latin America and the Caribbean, 1960–2010



Note: The data include values for Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, and Venezuela. The lines represent the 10-year moving average of productivity growth rates.

Source: Authors based on data from Timmer et al. (2015).

As noted earlier, agriculture has lost relative weight in the economy, but this is an expected outcome of the sector's modernization and the associated process of structural change. As shown in Graph 1.7, agriculture has become an increasingly dynamic sector in terms of productivity growth, although there remains substantial scope to further expand production in a sustainable manner. Nevertheless, given its current weight in

the productive structure, the sector alone is unlikely to serve as the engine of economic development in LAC. In this context, it is also essential to develop non-agricultural primary sectors, strengthen value chains across all primary sectors, and reinforce linkages with industry and related services. These strategies can contribute to the development of rural areas and play an important role in reducing persistent well-being gaps.

Opportunities and challenges in rural productive sectors

From a productive perspective, rural territories constitute an important source of strategic goods and services for LAC. They host the agricultural sector, but also a wide range of activities linked to the energy and

environmental transition, as well as sectors that are intensive in local employment. Together, these activities make it possible to diversify rural household income sources and strengthen their economic resilience.

Agricultural sector

Productive potential and natural resource endowments

LAC has a favorable endowment of natural resources for agricultural activities, but this potential is not always fully realized. While this characterization masks significant differences across and within countries, the evidence indicates that the sector still has substantial scope to raise productivity. At present, two segments coexist: on the one hand, a dynamic and globally competitive agricultural segment that has successfully capitalized on many of the region's natural advantages; on the other, a more traditional segment characterized by medium and low productivity levels.

Average value added per worker remains well below levels observed in high-income countries (Graph 1.8). These productivity gaps can be

attributed both to lower endowments of other factors of production per worker (such as land and capital) and to more limited use of intermediate inputs, as well as to differences in the efficiency with which these factors are combined.¹⁰ Estimates produced for this report, based on satellite data and agronomic models, suggest that the productivity gap per unit of land relative to developed countries could be closed—or even turn into a surplus—through improvements in agricultural practices, more efficient use of inputs, and crop reallocation (Adamopoulos, 2025).

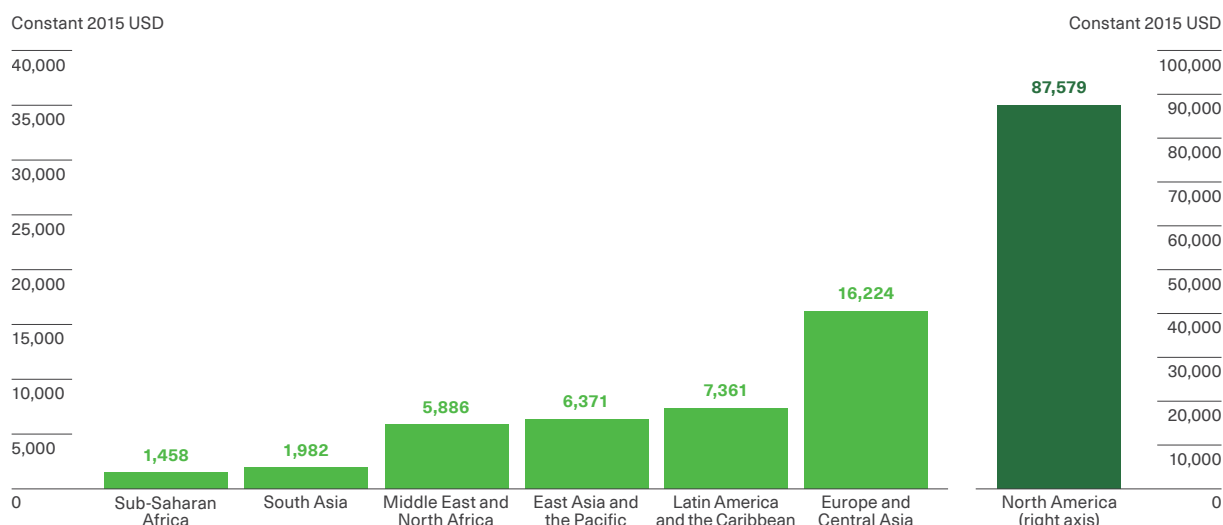


LAC has a favorable endowment of natural resources for agricultural activities, but this potential is not always fully realized

¹⁰ The efficiency with which factors are combined captures a range of effects, including technological progress, innovation, work organization, infrastructure, institutional quality, scale of operation, and the allocation of resources across productive units.

Graph 1.8

Value added per worker in the agricultural sector by region, 2023



Note: Value added per worker is expressed in 2015 US dollars. Values for North America are shown on the right axis, while those for the other regions are shown on the left axis. The agricultural sector includes agriculture, forestry, and fisheries.

Source: Authors based on data from the World Bank (n.d.).

Productive modernization of agriculture can generate labor market mismatches at the local level, which public policy must anticipate and address to ensure that productivity gains translate into broader improvements in rural territories.¹¹ Among the mechanisms that can amplify these effects and contribute to rural household well-being, investment in infrastructure—particularly road connectivity, logistics, and digital infrastructure—stands out. Improvements in rural roads facilitate access to markets and basic services and expand opportunities for labor mobility (Costinot & Donaldson, 2016; Sotelo, 2020). Digital connectivity, in turn, strengthens the development of non-agricultural rural activities, especially in services, allowing employment displaced from agriculture to move into more productive and more formal occupations.

Agri-food value chains and productive linkages

Agri-food value chains are a key factor in amplifying the sector's impact on rural development and on economies in general (Barrett et al., 2022). As countries develop, a growing share of value, employment, and income is generated in processing, logistics, storage, distribution, and marketing stages (Davis et al., 2023; Hazell et al., 2024). These linkages can raise productivity, attract investment, improve food quality and traceability, and generate higher-value added exports, while also helping to energize rural economies and facilitate consumer access to higher-quality, more diverse, and lower-cost food (FAO, 2021c).

¹¹ A study on Brazil illustrates the heterogeneous effects of technological change. While both the adoption of genetically modified soybeans and the introduction of a second maize harvest increased agricultural productivity in high-potential areas, their effects on employment differed: the expansion of soy reduced demand for agricultural labor and put downward pressure on industrial wages, whereas the second maize harvest increased agricultural employment, reduced industrial employment, and raised wages (Bustos et al., 2016).

Foreign direct investment has played a dominant role in transforming the region's agri-food systems, driving the expansion of supermarkets and food services, but with a high degree of concentration. In 2018, international chains accounted for 56% of supermarket food sales (Barrett et al., 2022). For agri-food value chain opportunities to translate into local impacts, these chains must therefore be linked to rural segments and domestic suppliers, including small-scale producers.¹²

International integration and product differentiation

The agricultural sector also plays a central role in LAC's international integration (Morris et al., 2020). Over recent decades, the region has consolidated its position as a net food exporter, with a large and growing trade surplus (Graph 1.9, Panel A). In 2023, agricultural and agro-industrial products accounted for 22% of LAC exports, compared with just 8% worldwide (UNCTAD, 2025b). In this context, projected global population growth and shifts in consumption patterns reinforce opportunities to consolidate the region's role as a food supplier to the world. However, these figures primarily reflect the export structure of most Latin American countries, while the Caribbean and some Central American countries remain net food importers (Graph 1.9, Panel B). For Caribbean and Central American countries, strengthening regional trade integration policies offers a channel to generate mutual benefits by improving access to food and enhancing food security (see Box 1.2).



The region has consolidated its position as a net food exporter, with agricultural exports accounting for a much larger share than the global average

In developed countries, a transition toward more sustainable diets is under way, accompanied by growing demand for differentiated food products, supported by increasingly stringent environmental and social standards.¹³ This creates significant opportunities for the region, while also requiring profound adjustments in productive systems.

In this context, product differentiation becomes key both to capitalizing on opportunities in international markets and to overcoming a long-standing challenge in the region: its structural exposure to volatility in primary commodity prices (Ocampo, 2017). Examples such as Colombian coffee or Uruguayan beef show that the adoption of quality, traceability, and certification standards can help stabilize incomes, improve international positioning, and open access to higher-value markets (Karl & Baethgen, 2025; Parente-Laverde, 2020).



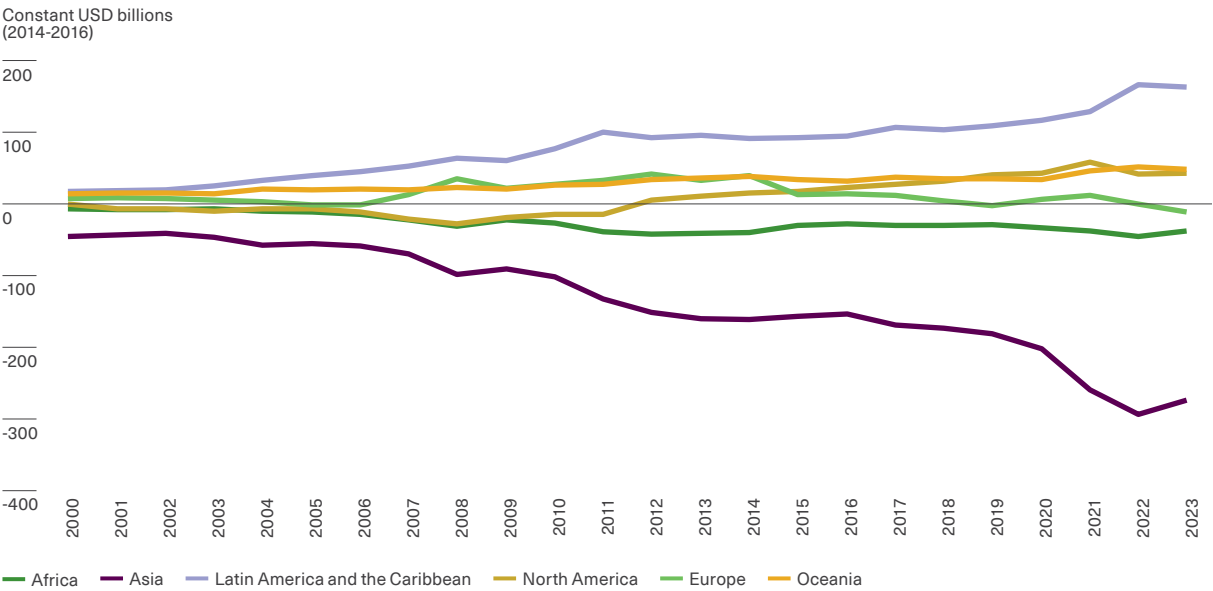
International demand for differentiated food products creates opportunities for LAC, but also requires profound productive adaptations

¹² Although the evidence is mixed, there are successful experiences when well-designed agricultural contracts are combined with technical assistance, access to finance, and mechanisms that reduce the high compliance costs associated with quality and traceability standards (Barrett et al., 2022). In particular, small producers may have comparative advantages in certain labor-intensive or differentiated crops, which allow them to compete effectively in niche markets.

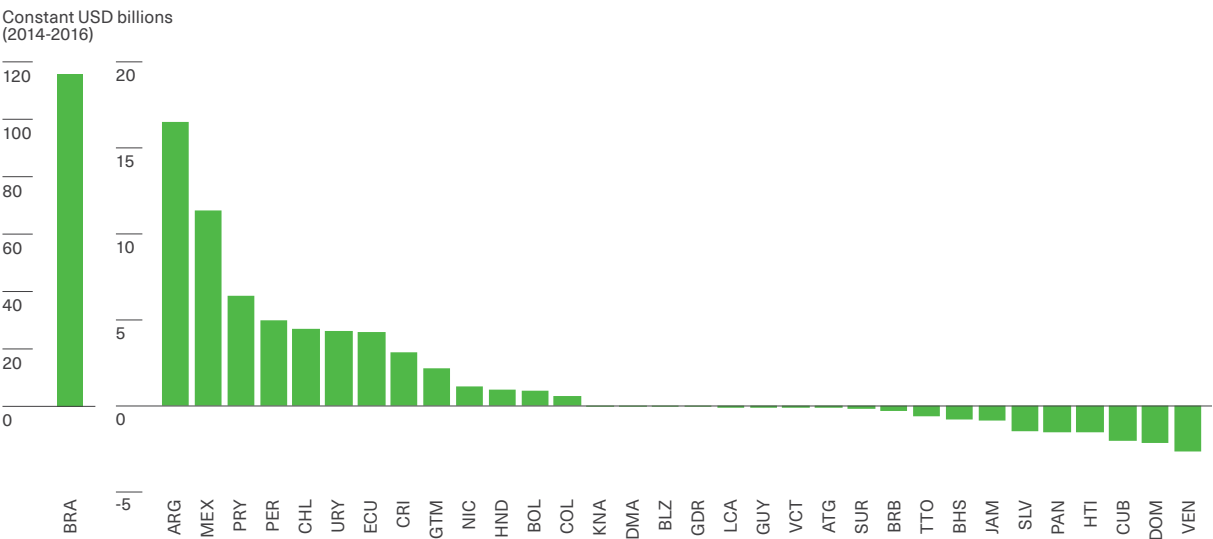
¹³ These may include requirements related to organic certification, deforestation-free production, animal welfare, fair trade, full traceability, and water or carbon footprints, among others.

Graph 1.9
Net food exports

Panel A.
By region, 2000–2023



Panel B.
By country, 2023



Note: The bars in Panel B represent food exports minus food imports, excluding fisheries and aquaculture products. Brazil is shown separately for visual clarity.

Source: Authors based on data from FAO (2024a).

Box 1.2

Regional integration and food security: the case of the Caribbean Community (CARICOM)

Food security has become a strategic priority on the regional integration agenda of the Caribbean Community (CARICOM). According to estimates by the World Food Programme (WFP, 2025) nearly 3 million people—close to 17% of CARICOM's population—face moderate or severe food insecurity. With the exception of Belize and Guyana, most member states are net food importers, with some countries relying on imports for more than 80% of their food consumption. This high degree of external dependence is compounded by the high cost of access to healthy diets.^a On average, the Caribbean records the highest costs worldwide, at levels approximately 42% higher than those observed in North America, the region with the lowest costs.

In this context, the Treaty of Chaguaramas—which established the Caribbean Community, its Single Market, and its framework for economic integration—includes an agricultural policy aimed at promoting productivity, competitiveness, and intraregional food trade as instruments to strengthen food and nutrition security. Building on this foundation, in 2022 CARICOM, together with the Inter-American Institute for Cooperation on Agriculture (IICA), launched the “CARICOM 25% by 2025 Vision” program, later extended to 2030, with the objective of reducing the cost of food imports by 25% through the promotion of local production and intraregional trade. The initiative includes actions such as reducing trade barriers, strengthening agro-industrial production, and improving access to insurance for the transport of agricultural goods. Between 2022 and the end of 2024, the program contributed to a 24% increase in regional food production (Caricom, 2025; IICA, n.d.).

Nevertheless, there remains substantial scope to deepen intraregional agrifood trade. The Caribbean continues to face a highly restrictive environment, characterized by high agricultural tariffs, with averages close to 20% in most countries—and even higher in some cases—and significantly above those applied to non-agricultural goods. These customs tariffs are also higher than the average most-favored-nation tariff applied to agricultural products in Latin America and the Caribbean, which stood at 14% in 2023 (ECLAC, 2024a).

These barriers are compounded by structural constraints, such as limited maritime connectivity, high freight costs, and weaknesses in logistics infrastructure, as well as costs associated with non-tariff measures—particularly compliance with sanitary, phytosanitary, and technical requirements—which globally are equivalent, on average, to a 17% tariff on agrifood products (ECLAC, 2024a).

Finally, shortcomings in trade facilitation—including the lack of harmonization of standards, customs procedures, certifications, and controls—increase transaction costs and clearance times. This constrains intraregional trade flows, even in the absence of high tariff and non-tariff barriers (Sanguinetti et al., 2021).

a. FAO defines a healthy diet as one that provides not only adequate calories, but also appropriate levels of all essential nutrients and food groups necessary for an active and healthy life.

Within this differentiation strategy, native foods can occupy a particular niche. Several emblematic products that began to be marketed on a large scale over the past 25 years—such as açai, quinoa, and chia—illustrate this potential. These products combine attributes valued in international markets, including nutritional benefits, resilience to climate change, and contributions to the conservation of agricultural biodiversity, by preserving local varieties that might otherwise be displaced by homogeneous agricultural systems based on standardized crops and varieties. In addition, they can be integrated into certification and traceability schemes that facilitate access to higher-value market segments. Recent studies emphasize that traditional plant genetic resources and the maintenance of crop diversity are essential for sustainable agriculture, access to micronutrients, resilience to climate change, and resistance to pest proliferation (Cadena-Zamudio et al., 2024; Goud et al., 2023).

Sustainable agricultural production

Opportunities to expand agricultural output and increase productivity can generate pressures on natural resources and emissions, in a context in which agriculture is one of the main contributors to greenhouse gas (GHG) emissions in LAC.¹⁴ However, the adoption of sustainable practices should not be understood as being at odds with productivity: in many cases, these practices are also the most efficient and help strengthen the sector's resilience to climate change, making it possible to sustain yields over time.



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The adoption of sustainable practices should not be seen as incompatible with productivity: in many cases, they are also the most efficient and help strengthen the sector's resilience to climate change

At the global level, recent studies suggest a slowdown in the growth rate of total factor productivity in agriculture, partly as a result of climate change. The increasing frequency and intensity of extreme weather events, together with gradual changes in temperature and water availability, are beginning to erode the gains achieved in productive efficiency across different regions. In this context, the adoption of more sustainable practices helps reduce vulnerabilities, limit losses, and increase the resilience of the sector.

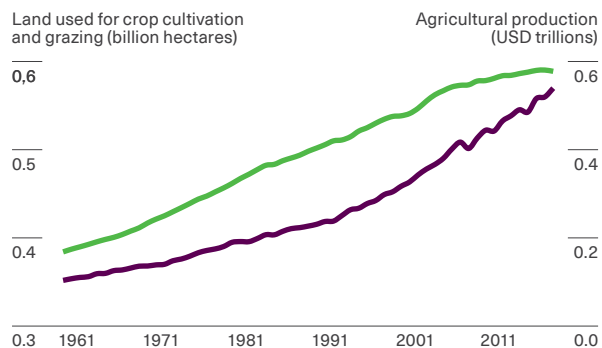
The expansion of the agricultural frontier—generally toward less productive land—represents the main sustainability challenge for the agricultural sector, given its close link to deforestation and GHG emissions (Brassiolo et al., 2023). This underscores the importance of ensuring that increases in agricultural production in LAC stem from productivity gains. Graph 1.10 shows that between 1960 and 2020, North America, Europe, and Oceania managed to significantly increase the value of their agricultural output while reducing the area devoted to cultivation, as a result of the modernization of their agricultural systems. This modernization included the use of improved seeds and resilient crops, mechanization, precision agriculture, and improvements in the use of fertilizers and irrigation (FAO, 2020b). In contrast, during the same period, the increase in the value of agricultural output in LAC was accompanied by an expansion of the area devoted to agriculture.

¹⁴ Nearly 60% of the region's carbon dioxide (CO₂) emissions originate from agriculture, land use, and land-use change. The latter are largely explained by deforestation driven by the expansion of the agricultural frontier (Brassiolo et al., 2023). This is compounded by other critical challenges, such as the overexploitation of natural resources, soil and water pollution, and ecosystem degradation, which reduce environmental services and affect both productivity and the well-being of rural populations.

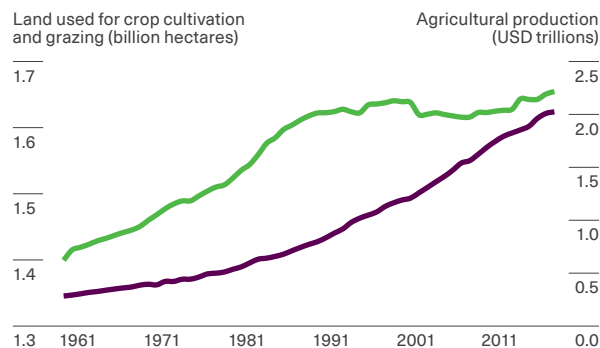
Graph 1.10

Evolution of agricultural production value and agricultural land use by region, 1960–2020

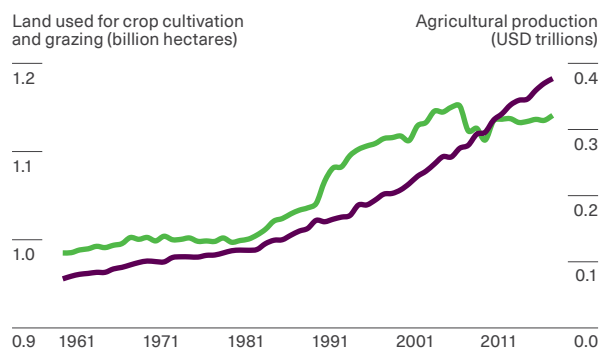
Latin America and the Caribbean



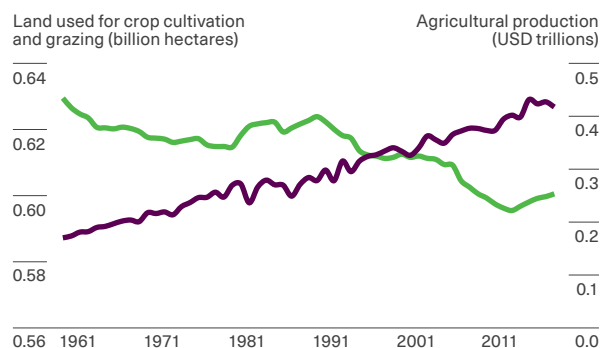
Asia



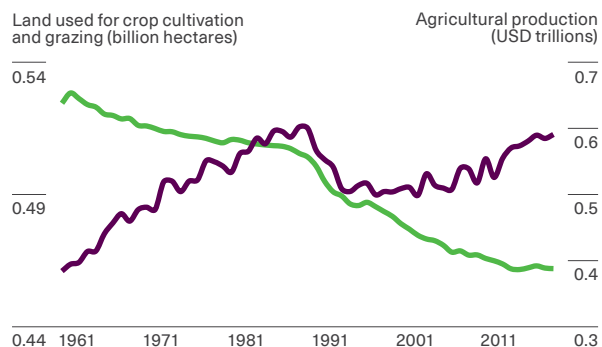
Africa



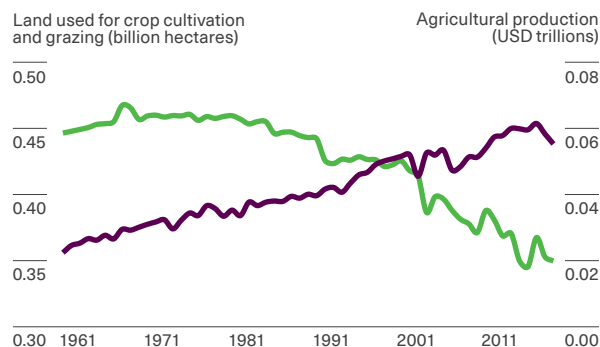
North America



Europe



Oceania



— Land use
— Agricultural production

Note: The left axis measures land use as the total area, in billions of hectares, devoted to cropland and grazing land. The right axis in each panel measures the gross value of agricultural production for the combined total of crop and livestock products and is expressed in 2015 US dollars.

Source: Authors based on Klein Goldewijk (2023) and FAO (2025n).

Productive sectors linked to the energy transition

Rural areas in LAC occupy a strategic position in the context of the global energy transition, given their abundance of natural resources (such as critical minerals) and their advantageous conditions for the production of low-carbon fuels, including green and blue hydrogen and biofuels. The reconfiguration of energy markets, marked by a shift away from fossil fuel dependence toward growing demand for renewable-based alternatives and electrification, offers a unique opportunity for LAC countries to develop their mining and energy sectors in a sustainable manner.



Rural areas in LAC are strategically positioned in the global energy transition, given their abundance of natural resources, such as critical minerals, and favorable conditions for the production of low-carbon fuels

Critical minerals and value chain development

LAC has an abundant endowment of critical minerals, concentrated largely in rural territories, which positions the region as a strategic actor in the global energy transition. Chile, Peru, and Mexico together account for nearly 45% of global copper production, with Chile ranking as the world's leading producer. In addition, territories in Argentina, Bolivia, and Chile form the so-called Lithium Triangle, which concentrates more than 60% of global reserves, primarily in brine deposits (IEA, 2025b; Valencia et al., 2025). This endowment has enabled the region to become a leader in several primary extractive markets, amid growing demand associated with renewable energy, electric vehicles, and other clean technologies (IEA, 2023b).

However, this regional leadership faces growing challenges. The discovery of large hard-rock lithium reserves and the accelerated development of these resources in other regions—often at lower extraction costs and shorter development timelines—are diversifying global supply and eroding LAC's dominant position. In this context, advancing the development of value chains is essential, particularly in activities such as refining and the production of intermediate and final goods, including batteries (ECLAC, 2023; López et al., 2019). Additional investment in this area could open opportunities for growth and economic diversification, including the creation of local processing capacities and the production of components for clean energy technologies (IEA, 2023a). Chile, for example, has begun to move in this direction through investments in research and development linked to lithium industrialization (ECLAC, 2023).

Artisanal and small-scale mining (ASM) represents an additional challenge. Although its presence in the extraction of critical minerals remains limited, growing global demand and territorial fragmentation could favor its expansion. ASM employs around 1.7 million people in the region, mainly in rural areas, and is characterized by high levels of informality, environmentally harmful practices, and greater exposure to criminal organizations (World Bank 2020a; UNODC, 2025a). In this context, strengthening regulatory, oversight, and support mechanisms for small-scale miners will be key to preventing negative impacts and ensuring more inclusive and sustainable exploitation (IGF, 2024).

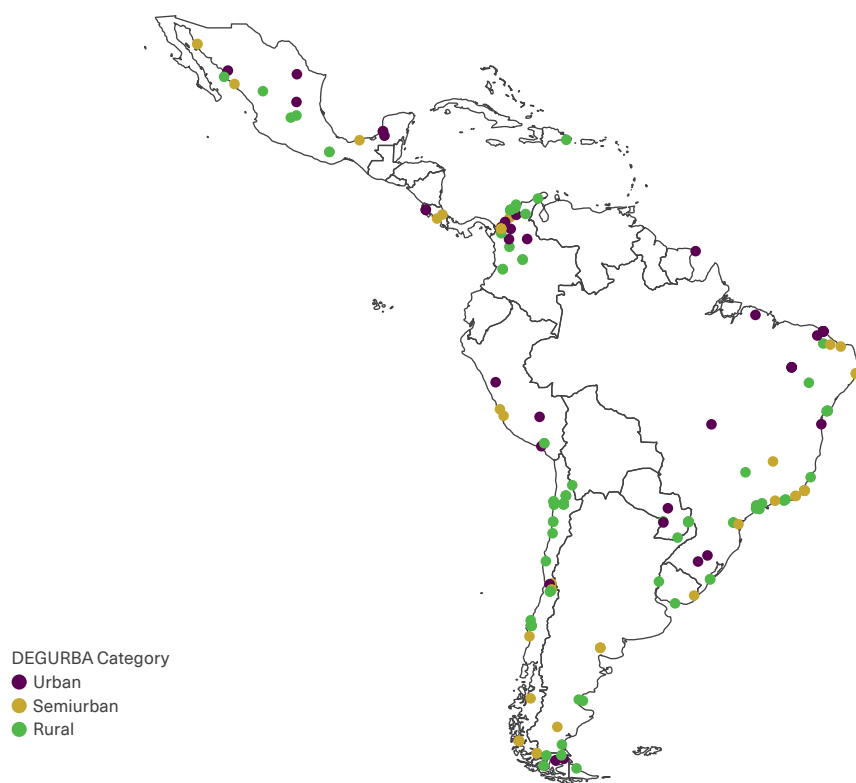
Mining has traditionally been associated with negative environmental impacts. The region exhibits high levels of social conflict and frequent complaints regarding environmental and social impacts, often in contexts marked by political, economic, and regulatory instability. This situation discourages large-scale, long-term investment, hampers the adequate capture and distribution of mining rents, and heightens environmental risks (IEA, 2023b).

Low-carbon fuels

LAC has particularly favorable conditions for the production of low-carbon fuels, especially hydrogen and its derivatives, as well as biofuels, by leveraging abundant natural resources located largely in rural territories. The region combines high potential for solar and wind power generation, availability of freshwater, and natural gas reserves, creating favorable conditions for the production of green and blue hydrogen at costs that could rank among the lowest in the context of the global energy transition (IEA, 2024).

Nevertheless, the deployment of green hydrogen currently faces constraints related to its high production costs, although these show a downward trend (IEA, 2024). In the case of LAC, advantages in renewable resource endowments make it possible to anticipate entry into the lowest-cost segments as technologies mature and project scale expands—projects that are already beginning to be developed in rural and semi-urban areas of the region. The territorial location of these projects also raises challenges related to access to freshwater, which in several countries is being addressed through the use of desalinated seawater, thereby reducing competition with other uses. The region has already made progress in low-carbon hydrogen projects (Figure 1.1).

Figure 1.1
Low-carbon hydrogen projects by level of urbanization (DEGURBA)



Source: Authors based on data from IEA (2023a) and Schiavina et al. (2023).



Aerial view of Villa Centro Castillo, Chile.

Biofuels represent another relevant opportunity, although one that remains largely underexploited outside Brazil. In particular, the production of biogas and biomethane from agricultural residues offers an attractive circular-economy pathway, with positive impacts on productive diversification, local linkages, and rural incomes.¹⁵ These fuels stand out for their energy versatility: biomethane for its ability to substitute fossil fuels in transport without requiring technological adaptations, and biogas for its use in electricity generation, heat production, injection into natural gas networks, or upgrading into biomethane suitable for transport.

However, the expansion of biofuels faces significant constraints, with access to financing representing one of the main bottlenecks. Limited lender experience with biofuel production projects, together with general risk perceptions and the long payback periods of biorefinery projects, often translates into high financing costs and limited access to credit (Makepa & Chihobo, 2024; OECD, 2022a). Added to this is competition for land use in primary production, which reinforces the case for advancing schemes based on organic residues that help reduce environmental and productive pressures.

Forestry, fisheries, aquaculture, and tourism

Forestry, fisheries, aquaculture, and tourism are essential sectors for employment generation, food security, income diversification, and the inclusion of traditionally excluded groups, such as rural women and Indigenous populations. The region has significant potential for the sustainable use of its natural resources to develop these activities, which could help strengthen local economies.

the need to consolidate more sustainable primary production and value chains.



Forestry, fisheries, aquaculture, and tourism are essential sectors for employment generation, food security, income diversification, and the inclusion of traditionally excluded groups

Forests and the forestry sector

LAC is home to the largest remaining expanse of tropical humid forests in the world, particularly in the Amazon basin. The clear competitive advantages that several countries in the region hold in the production of forest products, together with the expected dynamism of global demand for goods derived from these resources, point to a scenario of expansion for the sector. According to projections by the Food and Agriculture Organization of the United Nations (FAO, 2022a), global consumption of industrial forest products is expected to increase by 37% by 2050. Harnessing this opportunity to create goods and services places pressure on the environment, reinforcing

In this context, certification systems have gained increasing importance. These mechanisms make it possible to differentiate and add value to supply by opening access to more demanding markets, while requiring firms to comply with strict social, environmental, and labor criteria. In doing so, they help promote more equitable practices with forest-sector communities and workers. Such certifications become even more valuable in light of the European Union's Regulation (EU) 2023/1115, which imposes additional requirements for forest products to enter its market.

15 Although they tend to be more costly than first-generation biofuels, some studies show that fuels produced from residues can be cost-competitive (Jonker et al., 2015; Macrelli et al., 2012).

The climate crisis also presents an opportunity to generate income from forest resources and ecosystem services, as in the case of carbon credits. LAC accounts for 45% of the total volume of voluntary carbon credits in circulation globally,¹⁶ a market that reached its peak issuance volume in 2021, at around USD 2.1 billion annually (ILACC, 2025). In the voluntary market, a substantial share of these instruments (37% of carbon credits) comes from initiatives linked to forestry and land use. Beyond potential access to green finance, forest conservation provides key benefits for water regulation and soil erosion control, generating direct benefits for agricultural activities.

Fisheries and aquaculture

Nine out of ten fishers worldwide work in artisanal fisheries, mostly in rural areas, and their catches account for approximately half of global production (FAO, 2016). With coastlines on two oceans and abundant aquatic resources, LAC contributes around 9% of global fisheries and aquaculture production and 1% of global exports (FAO, 2025a). Chile and Peru rank among the world's largest producers and exporters of fishery products, while Ecuador stands out in shrimp aquaculture.

The main challenge facing the fisheries sector in LAC is ensuring the sustainability of catches. Only one of the four FAO-defined fishing areas in the region reaches levels close to 85% of assessed marine species within biologically sustainable limits,¹⁷ while in the Southeast Pacific Ocean area this share falls to around 33%. This situation is compounded by illegal, unreported, and unregulated fishing, as well as environmental pressures such as climate change, pollution, and habitat destruction, all of which threaten the sector's productivity and long-term viability.

Sustainable aquaculture emerges as the main opportunity for the region, as it allows for a sustainable response to growing global food demand while reducing pressure on marine and ocean fisheries (FAO, 2024b). The FAO (2022c) estimates that the Americas, from Canada to the Southern Cone, will be the region with the largest increase in aquaculture production, particularly in Chile, where output is projected to rise by nearly 50% between 2020 and 2030.

Fishery and aquaculture products are among the foods with the highest nutritional content and the lowest environmental footprint (FAO, 2024b). LAC is the second region with the lowest per capita consumption of these products, with notable exceptions such as Peru and some Caribbean countries. Dietary shifts that incorporate a greater share of such products could contribute to improving regional food security.

Rural tourism

Tourism in LAC has grown steadily over the past 25 years in both revenues and visitor numbers, a trend interrupted only by the COVID-19 crisis. Recent reports point to shifts in tourist preferences, with rising demand for cultural and nature-based tourism (Gandolfi & Ramírez, 2025), a segment of particular importance for rural areas in LAC.

For rural territories in particular, the emergence of rural and community-based tourism stands out. These activities tend to value and preserve natural and cultural resources while generating local income and employment (Gandolfi & Ramírez, 2025). They can also be especially important for economies with large rural populations, such as Andean countries and, in particular, Caribbean countries, given the central role tourism plays in their economies.

¹⁶ Voluntary carbon markets are global systems in which companies, governments, and individuals buy and sell carbon credits to voluntarily offset their greenhouse gas emissions, financing emissions-reduction or removal projects, such as reforestation or renewable energy projects, among others.

¹⁷ "Biologically sustainable limits" refer to catch levels that allow a fish population to maintain its size and reproductive capacity over the long term.

The main challenges facing tourism include the sustainability of activities, the capacity to adapt to the impacts of climate change, and the adequate provision of basic services. Given the sector's close reliance on natural resources, it is essential to strengthen it with resources that enable investment

in climate adaptation, alongside the development of resilient infrastructure in rural areas. In this context, access to basic services, including as safe drinking water, electricity, and internet connectivity, is a key factor in attracting and diversifying tourism demand.

Environmental and social sustainability challenges

Harnessing the productive opportunities of rural areas gives rise to cross-cutting environmental and social sustainability challenges, stemming from the simultaneous expansion of multiple economic activities across shared territories and natural resources. These challenges are not sector-specific; rather, they arise from growing pressure on public goods and common resources, as well as from negative externalities that markets do not adequately internalize.



Harnessing the productive opportunities of rural areas poses cross-cutting environmental and social sustainability challenges stemming from the simultaneous expansion of multiple economic activities across shared territories and natural resources

One of the main challenges facing agricultural, forestry, and biofuel production activities is competition for land use. Their expansion can generate risks of deforestation, biodiversity loss, and soil degradation if not accompanied by appropriate regulatory frameworks and sustainable production practices. In fisheries, challenges are linked to the management of common resources. Overexploitation of fish stocks, the growing presence of illegal, unreported, and unregulated fishing, together with the impacts of climate change, threaten the sector's long-term sustainability

and associated livelihoods in the absence of effective systems for regulation, monitoring, and enforcement.

Mining and low-carbon fuels also pose significant environmental tensions, primarily related to intensive freshwater use and the risk of water and soil contamination. These pressures can give rise to territorial conflicts with local communities and affect pre-existing economic activities, such as agriculture or fishing, particularly in river basins. In this context, the expansion of these activities requires regulatory frameworks and environmental management mechanisms capable of reconciling decarbonization objectives with the sustainability of rural territories.

Rural tourism, for its part, offers opportunities for productive diversification, but also entails risks of environmental degradation and infrastructure overuse when growth is not adequately planned.

The expansion of rural productive activities does not, by itself, guarantee significant impacts on local employment. Many of these sectors are capital- and technology-intensive and generate relatively low labor demand; without complementary policies, their benefits therefore tend to concentrate and generate limited spillovers. In agriculture, this dynamic is evident: rural agricultural employment has declined steadily despite sustained growth in production and, for the first time in 2023, accounted for less than 50% of total rural employment. The development of agri-food value chains, however, offers a key channel to expand local employment and income impacts. Mining is another capital-intensive sector. In this case, mechanisms for redistributing mining rents and stabilization funds,

together with requirements for local hiring and procurement, can contribute to better local capture of resource rents. Finally, in both artisanal and small-scale mining, artisanal fisheries, and certain forestry activities, the formalization of employment and improvements in working conditions can lead to direct gains in the well-being of rural populations.

Maximizing the local impacts of rural productive development requires cross-cutting enabling conditions. Investment in infrastructure, access to basic services and connectivity, together

with strengthening the human capital of rural populations, are key to ensuring that the benefits of sectoral growth translate into more inclusive and sustainable territorial development.



The expansion of rural productive activities does not, by itself, guarantee significant impacts on local employment

Institutional capacities to harness rural opportunities

The pursuit of the productive potential of rural territories to improve the well-being of their populations depends, to a large extent, on institutional capacity to effectively steer and coordinate the development of productive sectors.

First, institutions must be able to mobilize public and private investment toward rural territories. As documented in Chapter 8, the region faces significant gaps in road, digital, electricity, and social infrastructure—such as health and education—which constrain development and territorial integration. For these investments to materialize into effective projects, it is also essential to strengthen the management capacities of subnational governments, which, particularly in larger countries, are responsible for the formulation, execution, and oversight of these works (Alves et al., 2025). Institutional strengthening must be complemented by the training and empowerment of local actors, including producers, community organizations, and rural associations. Technical skills, knowledge of resource management, and organizational capacity enable communities to participate actively in project planning, oversight, and management, helping ensure that investments and initiatives translate into sustainable and equitable benefits while reducing environmental impacts.

Modern rural development also requires coherent and predictable regulatory frameworks that place sustainability at the center of productive transformations (De Salvo et al., 2025). Updated regulations help steer investment toward more efficient and sustainable practices, facilitate access to markets with environmental and social standards, and encourage innovation. In territories where activities compete for the same resources, regulatory quality and enforcement are essential to provide certainty for investors and producers, prevent negative environmental impacts and conflicts, and ensure that benefits translate into improvements for local communities. In this context, inclusive governance mechanisms that incorporate local communities, Indigenous peoples, and small-scale producers into decision-making processes strengthen the legitimacy of public policies, contribute to a more equitable allocation of resources, and reduce conflicts over land and resource use.

Another central aspect is closing the significant gaps in statistical information systems, cadastral records, and territorial data. The lack of systematic and comparable information limits the ability to design evidence-based policies, monitor inequalities, and evaluate outcomes. Addressing this challenge requires robust national statistical systems that integrate geospatial information

(Khalil y Di Candia, 2023), maintain up-to-date rural cadastres, and apply harmonized methodologies that allow for regional comparability.



Closing infrastructure gaps and promoting territorial integration require strengthening the institutional and management capacities of subnational governments

Consolidating sustainable rural development also requires addressing the expansion of illegal and illicit activities, which increasingly affect rural territories across the region (Dammert & Sampó, 2025). In many areas, illegal gold mining, unauthorized logging, illicit fishing, and other criminal economic activities linked to natural resources have led to environmental degradation, local rent capture, and weakened governance. This is compounded by the growing presence of criminal networks and organizations that, in contexts of limited state presence and weak institutional control, have increased violence, threats, and conflicts over territorial control (Maloney et al., 2025). This combination of illicit economies and insecurity not only hinders investment and service provision, but also undermines rights and erodes the social fabric of rural communities.

Finally, institutional strengthening must be accompanied by deeper regional integration and international cooperation. Many of the challenges and opportunities facing rural areas—such as the energy transition, food security, and productive sustainability—transcend national borders. Regulatory harmonization, information sharing, technical cooperation, and intraregional agreements can reduce costs, enhance regulatory capacities, and expand development opportunities for rural territories (ECLAC et al., 2024). Regional integration also provides a key platform for strengthening LAC's voice in increasingly demanding international markets.