



**EMPLOYMENT FOR RURAL YOUTH IN
ASIA AND THE PACIFIC**

JOBS AND EMPOWERMENT ON AND OFF FARM

**OPPORTUNITIES IN THE RURAL
NON-FARM SECTOR IN INDIA**



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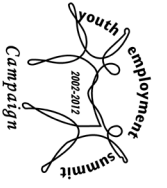
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EMPLOYMENT FOR RURAL YOUTH IN ASIA AND THE PACIFIC

JOBS AND EMPOWERMENT ON AND OFF FARM¹

The forces that shape and influence youth today will be the forces that dominate our world tomorrow. Youth look not only for a livelihood, but for dignity and for purpose and meaning in their lives. They are as easily seduced by evil doctrines, as they are by positive and constructive ideologies so youth can be a country's weakness or its strength.

This booklet will try to provide some answers. It aims to look at some of the root causes of rural underdevelopment and to outline some of the approaches that have been successful in the promotion of youth employment. It concludes that skills and jobs are not enough. Initiatives for rural youth employment must include elements of empowerment for youth and mechanisms to promote a sense of achievement and self-worth among young people.

1. THE CURRENT SITUATION OF RURAL YOUTH

There are over one billion youth (aged 15 – 24) in the world today. Eighty five (85) per cent of these youth live in the developing world, where 99 per cent of population growth is occurring. Around 50 per cent of the population in developing countries live in rural areas. Some 61.5 per cent of youth live in Asia.

Many youth are unable to reach their potential because of poverty and associated hunger and poor health. Also, education and training is often of poor quality and is irrelevant and inappropriate for the needs of rural youth and of the labour market. So although many youth today are more educated than their parent's generation, they often do not possess employable skills.

Even when good education and training are available and youth have been well trained, obstacles still exist, such as social customs (for example, caste and traditional values), lack of support mechanisms and lack of access to capital. Corruption is also a problem, as are structural impediments (institutional and governmental). Also, because youth numbers are growing faster than the rate of job creation, too few decent employment opportunities are available for the number of youth seeking them.

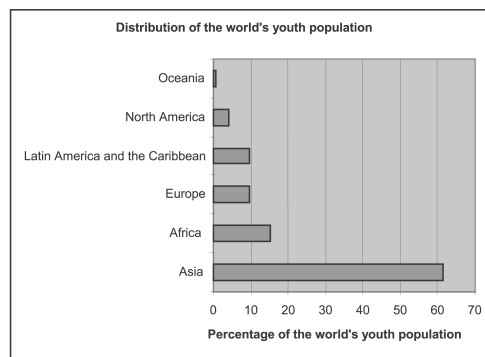
The result is that a large number of youth are unemployed or underemployed. Not only do these youth lack income, they lack a means of gaining respect and a sense of belonging in their communities. Inability to find decent employment means youth often find employment in the informal sector, with poor working conditions and pay. Rural youth will often look to urban areas for employment and move to cities. But without training in skills suited to the urban labour market, these youth have few opportunities in urban areas. Often, poverty and alienation may lead youth to drugs, crime and make them subject to exploitation.



Below are data and figures that detail the current situation of rural youth.

The vast majority of youth live in the developing world, many in rural areas, where many are vulnerable to poverty

Youth Population (those between 15 and 24 years)	18% of the world's population, 1 billion people
Expected growth in youth population between 2000 and 2010	116 million ²
Percentage of youth living in developing countries	Approximately 85% ³
Percentage of youth living in Asia	61.5% ⁴
Growth in youth unemployment between 1995 and 1999	8 million



Source: United Nations, World Population Prospects: The 2000 Revision

Although urban poverty is visible, rural poverty is argued to be more extensive and severe⁵. Over 40 per cent of rural families live below the poverty line, whereas only 20 per cent of urban families do so⁶.

Two thirds of the rural population rely on agriculture and farm income for their livelihood but control very little farmland⁷. This lack of control means the rural on-farm workers do not get the full benefits of their labour and also translates into uncertainty, food insecurity and unwillingness to take risks (particularly with new technology). Factors such as inequality in land distribution and associated poverty restrict the choices available to farmers and mean there is no land for young people to make a living.

Poverty translates as hunger and malnutrition which impede learning by children and youth⁸. When the learning abilities of children and youth are impaired by poverty they are unable to complete their education and have fewer opportunities for employment, therefore continuing the hunger and poverty cycle⁹.

People living in poverty	1.2 billion¹⁰
Percentage of people in poverty living in rural areas	75% ¹¹
Percentage of rural populations of developing countries that are youth	50% ¹²
Rural families in poverty	Over 40 per cent
Urban families in poverty	20 per cent ¹³
Percentage of rural population who rely on agriculture for their livelihood	Around 67% ¹⁴
Youth living in on less than US\$1 a day	Around 25 per cent of youth ¹⁵
Youth living in on less than US\$2 a day	Around 37 per cent of youth ¹⁶



Many youth lack adequate and appropriate education and training

Appropriate and useful education is vital in order for youth to improve their ability to find good jobs and lead responsible and productive lives. But for a number of political, economic and cultural reasons, not all children and youth have schooling or training. This is particularly the case for rural youth in developing countries. An estimated 40 percent of all children in rural areas either do not finish primary school or complete it later than formally expected¹⁷. Female children and youth are even less likely to get basic primary education¹⁸.

Reasons why rural youth education levels are below those of urban youth include:

- School curricula not designed for the situation, future needs or interests of rural youth. Many drop out because what they are taught seems irrelevant to their needs.
- Many rural families cannot afford the opportunity costs of keeping youth at school when their labour is needed; so many children only attend school in the off-peak agricultural season. In many parts of the world rural children and youth cannot attend school during the monsoon months due to swollen rivers and impassable muddy tracks.
- These conditions and the demands of the agricultural cycle deter teachers from attending their duties. Further, teachers are often poorly paid and unmotivated¹⁹.

School age children out of school world wide	115 million²⁰
Illiterate male youth	57 million
Illiterate female youth	96 million

Unemployment is highest among youth

Youth are twice or three times more likely to be unemployed than older people²¹. As many as one in three young people are unemployed in some countries, and teenagers and young women are disproportionately affected. Many more are underemployed, with work only available seasonally or for a few hours a week. However many youth who do find employment work long hours for little payment. Many of those who do work do so in the informal sector in which some are subject to exploitation, especially in non-family agricultural and rural industrial occupations.

Unemployment statistics may be misleading in countries and regions where the informal economy is dominant, and in rural areas, but the ILO statistics nevertheless present a challenging issue.

Number of countries with unemployment rates over 15 per cent	50
Unemployment rates in the poorest countries	27 per cent or more ²²
Percentage of youth in the global population	18 per cent
Percentage of youth unemployed worldwide	41 per cent ²³

While rural youth unemployment often stems from lack of adequate education, even educated youth are frequently unable to find work. In fact, the unemployment rates for educated youth can be higher than those for youth with



little schooling. Often this is because these educated youth are not skilled in areas in which there is demand for their labour. But this unemployment of educated youth is also a result of the lack of employment opportunities, of good, productive jobs which educated youth can apply for.

There are a number of other barriers which also prevent educated youth from finding dignified employment. In many countries young women do not have the same employment opportunities as young men. And in some countries social barriers exist, such as caste barriers in India. While well-intended affirmative action programs enable youth from disadvantaged groups to attend high school and even university, because of caste barriers these literate and educated youth from poor families are often no better off in the labour market than their fellows who have had little or no schooling. For example in a poor agricultural district in Guna, Madhya Pradesh, a young man from a low caste had earned a BA degree, yet the only work he could find in his village, where he was needed to support his family, was as a seasonal labourer²⁴.

Exploitation threatens youth

Children and youth without education and dignified employment are victimized in many ways:

- Through employment in unsafe occupations without living wages
- In bonded labour in conditions of semi slavery
- As victims of criminal human trafficking for slave labour and sexual exploitation
- Through extreme vulnerability to HIV-AIDS
- Through recruitment as under-age soldiers in civil conflicts

Because children are vulnerable and easier to control and exploit many employers prefer to employ children and youths. This adds to the plight of young people seeking dignified work at a living wage. When children and young people lack education and skills, when their families cannot adequately support them, and when the local economy offers no prospects of dignified work at a living wage, youth are vulnerable to exploitation. The exploitation of children is a precursor to the exploitation of youth.

Let us look at some facts relating to randomly selected developing countries with large rural populations in Asia (Cambodia²⁵, Sri Lanka²⁶, India²⁷ and China²⁸).

Rural Youth are most likely to have begun working in childhood...

- In Cambodia over 600,000 children below 18 years of age are economically active. A high proportion is in bonded labour.
- In Sri Lanka approximately 35,000 children aged 10-14 are economically active. 170,000 young Sri Lankan women work as servants in the Middle East, Korea and elsewhere and many are shamefully exploited.
- In China the ILO estimated that in the year 2000 there were 9,224,000 economically active boys and girls. Rural teenagers are recruited to industries such as coal mining and to urban factories.
- In Indonesia between 6 and 8 million children worked in 2001. 8,368,985 teenagers between 15-19 years

are economically active. A 1992 survey concluded that 1,200 factories producing garments, electronics, glass and mosquito repellent, food and farm products employed over 50,000 children, or 35% of the total labour force. Another study documented several thousand children forced to work on fishing platforms off the east coast of North Sumatra in conditions of bonded labour. They live in isolation on the sea and work 12 to 20 hours per day.

- In India, in the carpet industry alone, there may be as many as 300,000 children working, many of them under conditions that amount to bonded labour. 428,305 child labourers have been identified working in hazardous industries. An estimated 17% of domestic workers were under 15 years old and girls aged 12 to 15 were reported to be the preferred choice of 90% of employing households. Around 40 million persons, including 15 million children, are bonded labourers. For example an estimated 3,000 bonded child labourers' work in the Magadi silk twining factories in Karnataka. More than 80% were girls. Bondage is often passed from one generation to the next.

Photo: A Nepalese Child works as a market carrier



Rural Youth are the main victims of human trafficking and sexual exploitation....

Young women from Indonesia, the Philippines, Thailand, China, India, Taiwan, Singapore, Burma, Vietnam, Sri Lanka and Laos are trafficked in the Asian region and around the world mainly to work in the commercial sex industry. Similar situations prevail in other poor countries and regions. For example:

- In Cambodia an estimated 10,000 to 15,000 women, girls and boys are trafficked for the purpose of commercial sexual exploitation. Surveys indicate that 30 to 35 per cent of all sex workers in Cambodia are children between the ages of 12 and 17 years of age. It is estimated that 30% of commercial sex workers in Cambodia are below 18 years of age. At least half are forced into the trade either by being tricked with promises of high paying jobs or are sold.
- It is estimated that Nepalese children constitute 20% or 40,000 of the estimated 200,000 Nepalese prostitutes in India. As well as supplying brothels in India, young Nepalese, Bangladeshi and Pakistani women are trafficked through India to Eastern Europe and Saudi Arabia
- Up to 30,000 Sri Lankan teenage boys are used by sex tourists in Sri Lanka. Thousands of children from rural areas are trafficked and prostituted to paedophiles by organized crime groups who operate globally.
- An estimated 10,000 teenagers are enslaved in brothels in Sri Lanka.
- From 1991 to 1996, Chinese police freed 88,000 kidnapped young women and children and arrested 143,000



people for participating in the slave trade. Internationally, young people are trafficked to Malaysia, Burma, Japan, North America, Australia, the Philippines, and Taiwan for indentured servitude in sweatshops and restaurants. Officials have uncovered over 50,000 cases of abduction and sale of women and children

- In Indonesia teenagers are the main victims of both domestic and international trafficking for sexual exploitation and forced labour. Some observers estimate that 20% of Indonesia's 5 million migrant labourers have been trafficked.
- In India ILO estimates 15% of the country's estimated 2.3 million prostitutes are children. As many as 50,000 women and children are trafficked into the country annually from neighbouring states. Thousands of girls from Bangladesh girls and Nepal are trafficked out each year. 90% of the 100,000 women in prostitution in Bombay are indentured slaves.



Because of this vulnerability to sexual exploitation, youth are also at risk of exposure to HIV and other sexually transmitted diseases.

Youth and HIV infection	Every 14 seconds a youth is infected with HIV
New cases of HIV infection worldwide	Youth account for nearly half of the cases
People between the ages 15-24 infected with HIV every day	6,000 cases ²⁹

Rural youth in areas of civil conflict are the most likely to have been recruited as child soldiers...

Children are used, in violation of the law, as combatants and servants in rebel movements and insurrection in 85 countries. Amnesty International³⁰ points out that new, simple, lightweight weapons have made it easier to arm children and teenagers than ever before. Worldwide, more than half a million children under 18 have been recruited into government armed forces, paramilitaries, civil militia and other non-state armed groups in more than 85 countries. At any time more than 300,000 of these children are engaged in fighting. Many girl soldiers are required to provide sexual services. Young people are easily manipulated and many are 'voluntarily' recruited. Others are abducted by force. The grievous acts they are encouraged or compelled to commit without full comprehension inflicts terrible psychological damage on them. For example:

- In Cambodia the United Nations reported 1,300 child soldiers in one region between July 1997 and June 1999
- Before the Peace negotiations began in Sri Lanka, an assessment of the LTTE fighters killed in combat revealed that 40% of its fighting force comprises males and females between 9 and 18 years of age. At least 60% of the dead LTTE fighters were estimated to be aged below 18, and of these, most are girls and boys aged 10-16 years.

Rural youth are most vulnerable to recruitment by militant extremist movements...

Religious sects, movements and groups that advocate murder of civilians and other forms of violence and intolerance are attracting unprecedented numbers of youthful members from rural backgrounds. Some youth are even convinced that dying for their cause will create heavenly rewards they are unlikely to find on earth. In many countries with stagnant economies and large, poor, youthful populations the discontents and frustrations of youth are likely to be channelled into religious extremism.



Similar sectarian ideologies also attract millions of youthful followers. Violent secular revolutionary movements such as the Maoists of Nepal find fertile ground for converts among rural youth, offering them excitement and (false) hope for the future.

- Among various Assam insurgency groups in India, approximately 50% of all the insurgents are children. About 10% are girls, numbering 3,000-4,000, with the lowest recorded age at 12 years. Nagaland insurgents have a strength of 18,000-20,000, with over 50% of the soldiers below 18 years. Girls are being recruited in growing numbers for tactical purposes. Naxalites have begun recruiting boys to the Bala Sangham, a militant children's organization based in district towns such as North Telengana. There are reportedly around 75 Bala Sanghams in Andhra Pradesh with over 800 children in their ranks.

2. RETHINKING THE FUTURE

Globalisation, urbanisation, stagnating agricultural sectors and rural environmental degradation are issues rural youth are dealing with today. Rethinking the future involves making changes to current policies and programmes so that rural youth can overcome obstacles and take advantage of the opportunities in the changing world.

Coping with globalisation and change

Globalisation can be defined as the many economic, political, technological and social processes, innovations and changes that are increasing the interconnectedness of our world³¹. This level of interconnectedness means that decisions made in one corner of the world can have enormous consequences in another, unrelated, far-removed corner.

Youth are both most vulnerable to the effects of globalisation and potentially the most adaptable to the changes it brings. That is, young people can be both victims of globalisation and key agents for change.

Globalisation has the potential to bring positive changes to rural youth such as improved telecommunications, but also has the potential for detrimental effects. For example it can entrench existing power differentials which increase income concentrations and the gap between rich and poor³². The processes of globalisation can make education more accessible to the privileged. The literate and wealthy can afford the technology and can benefit



from such things as the internet. Thus the benefits of globalisation flow to the already privileged, while the burdens of globalisation are borne by the disadvantaged³³. In such a situation, rural youth are more powerless than before.

Another side effect of globalisation is a reduction in cultural diversity and a negative portrayal of rural life and culture. Globalisation also promotes the values of consumerism, so that youth, when their aspirations cannot be achieved, become disillusioned or discontented.

The effect of globalisation has been to intensify international competition and increase the need for rural youth to develop more productive and higher value-adding means of competing. Knowledge, education and training have become even more important in order that rural youth can participate effectively and feel part of the new global situation.

But globalisation does have positive impacts and youth are more likely to benefit from the positive impacts of globalisation than older rural inhabitants. Youth are more open to new technologies such as computers and the internet, so are more likely to benefit if they are given the opportunities and context to do so. Also their ideas and perceptions have been shaped by exposure to television and film so youth are potentially more adaptable and able to cope with the changes globalisation can bring. Through the globalised media, young people have been more exposed to and are therefore more aware of ecological issues, for example.

It is important that countries recognise the challenges that globalisation presents so that they can take advantage of the opportunities but minimise the social costs.

Reforming national and international policy and overcoming structural barriers

Agriculture underpins almost all economies of developing countries and accounts for over one-third of export earnings for almost 50 developing countries. For about 40 of these countries agriculture accounts for over half of export earnings³⁴. If all developing countries could sustainably produce enough agricultural products to meet their own needs and larger surpluses to export, the result would be greatly increased rural industry and expanded employment opportunities.

A key to surmounting rural poverty is agricultural transformation. The challenge is for agriculture to provide employment and higher incomes for people as well as meet growing demands for food at stable prices, but in ways which do not do more damage to rural ecosystems. It must provide commodities to keep factories running and for export to earn the foreign exchange that is needed to finance capital imports to increase agricultural productivity.

For this to occur there are three necessary pre-conditions:

- Removal of social constraints to rural development

Agricultural change can work to reduce poverty but it must be linked to programs that promote social changes that will overcome social constraints that circumscribe the horizons of their possibilities³⁵. Rural people, especially young people, need access to land and to credit. Policies should be directed at enabling reasonable equity in the distribution of land and in encouraging micro-finance to entrepreneurial youth.

Countries need to maximise their citizens' freedom of choice and opportunity if they wish to encourage rural development and youth employment. And it is important that freedom of expression and action are encouraged in order to ensure optimal outcomes. A free-press is a particularly important component of a free society. Nobel Prize winning economist Amartya Sen points out that countries which practice openness and demand public accountability are more likely to be able to respond adequately to crises than countries of the same poverty-level which deny democratic freedoms. Sen gives the example of India which has a free press and relatively open society and has avoided famine since independence, compared to China which experienced its greatest famine during a time in which its institutions were most restrictive³⁶.

- Access to markets

Widening market access and liberalization of trade increasingly allows rural people to escape poverty by allowing them to diversify production away from traditional staples, which stimulates markets, trade and value added industries. And supportive infrastructure and institutions help small units to maintain market access in a globalizing economy.

Structural barriers exist which perpetuate rural poverty and underdevelopment. At present the key obstacle is enormous agricultural subsidies in OECD countries which hinder developing countries from maximizing the benefits of agricultural trade. At the same time, consumers in countries that provide these market-distorting supports are denied the benefits from competitively priced food and agricultural products while tax payers are forced to subsidize high-cost and often environmentally damaging production. Not only rich countries are blind to the problems created. Barriers to agricultural imports also remain high in many developing countries, creating obstacles to trade and implicitly taxing their own consumers.

In terms of employment cost, the International Monetary Fund (IMF) calculates that the Multi-Fibre Agreement (MFA) quotas are responsible for 19 million jobs for low-skilled workers being foregone in developing countries and 27 million jobs if tariffs are included³⁷. While jobs in developed countries are 'saved' by these protective measures, jobs are foregone in developing countries. "For every job saved in developed countries, 35 jobs are foregone in developing countries"³⁸.

- Higher productivity

Adequate and appropriate education and training will enable youth to be more employable. Skills which match new opportunities will enhance productivity. Governments must invest in research that will adapt technology to local conditions and must apply price policies that will encourage adoption of appropriate technology. Aid donors must help to provide the necessary technology and know-how³⁹.

Revitalizing agriculture with increased aid and technical assistance

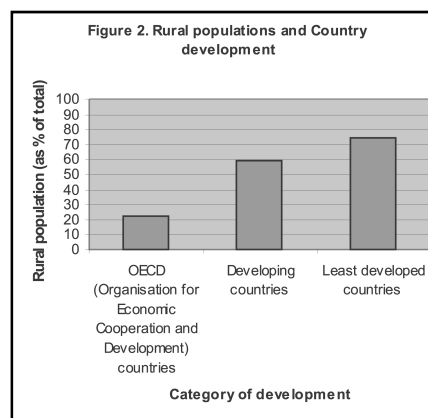
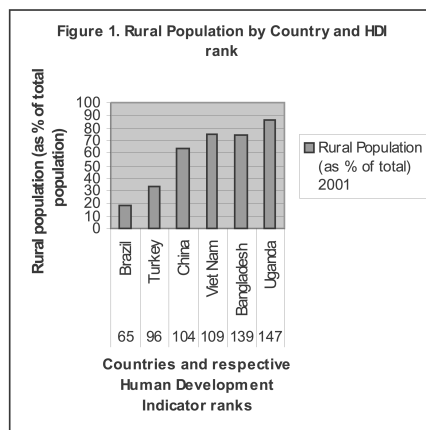
Rural areas produce most of the world's food and harbour the biodiversity that the health of our planet depends on. In many developing countries the majority of the work force is employed in agriculture (See table below). The association of agricultural dependence with poverty has been interpreted by many governments as a directive towards policies that squeezed agriculture in order to promote industrial development. But in most poor countries agriculture is the largest sector of the economy and economic growth can not occur unless there is sustained agricultural development⁴⁰. A focus on rural development does not imply neglect of economic growth goals but rather can speed up economic growth⁴¹.

Region or group of countries	Percentage of work force employed in agriculture
World's 20 richest economies	Less than 8 per cent
South America	Almost 50 per cent
South Asia and sub-Saharan Africa	Over 70 per cent

Source: International Labor Organization. Key Indicators of the Labor Market. Third Edition. Geneva 2003

In spite of the need to revitalise agriculture there is massive agricultural stagnation and declining aid and technical assistance to agriculture. Donor assistance for agriculture has declined in response to new development agendas. Aid to agriculture has fallen by two thirds⁴². Aid to the agricultural sector in developing countries peaked in the early 1980s, and then declined from 17% of total aid to 8% in the late 1990s.

Figures 1 and 2: Country Development Classifications and Rural Population



Source: UNDP Human Development Indicators 2003

Figure 1 indicates that the lower the country's rank in terms of HDI, the greater the rural population as percentage of total population. For example, Uganda has a lower HDI rank than Brazil and has a higher rural population percentage. Figure 2 indicates that the more developed countries have lower rural populations.

Rural Reform I's – Factors important in rural reform⁴³

INCENTIVES	Prices and food crops that encourage production and marketing
INVESTMENT	Accessible health and education services
INFRASTRUCTURE	Access road, irrigation systems, schools, clinics, electrification and telecommunication
INNOVATION	Adaptive research on new crops and varieties
INDUSTRY	Labor intensive rural industries to generate income and employment
INSTITUTIONS	Effective institutions to organize and communicate with farmers, provide credit and extension services, and govern ownership and distribution of land

Fighting urban bias and arresting urban drift

Around the world urbanisation is growing and cities are becoming more overcrowded and polluted, decreasing the quality of life there for many inhabitants and intensifying the poverty trap in which they find themselves.

Urbanisation happens for a number of reasons. When rural youth see no future for themselves, they migrate to urban areas. Some rural youth also grow up to believe they are missing out on a better life, and aspire to move to town. Also, the urban bias heightened by globalised media means that rural youth are often aware of the perception by some that country people are inferior to city people, so they desire to migrate to urban areas.

But when rural youth are not adequately trained to compete successfully in urban labour markets they often suffer worse levels of poverty and marginalization in town than in rural areas.

Compounding the problem, development planning often focuses disproportionately on urban development and neglects rural areas. At present, because of a range of political, social and economic reasons, urban areas attract more funding, particularly for educational and health facilities. Because cities have the infrastructure needed for manufacturing, technology and construction, activities are concentrated there, perpetuating the cycle of urban bias.

While the challenges posed by urbanisation are great, rural people, and rural youth in particular, require as much attention, if not more, than urban people. Revitalising the rural economy will alleviate the pressures of urbanisation, so it makes sense to focus more upon rural areas and their needs.

Arresting rural environmental degradation

Widespread issues such as desertification, soil erosion and growing scarcity of arable land and quality water supplies have a direct impact on the lives of rural youth⁴⁴. Rural youth face diminished prospects of employment as the environment on which their livelihoods depend becomes more and more degraded.

PHOTO: Fish ponds reduce pressure on wild fish stock



There is a clear link between rural poverty and environmental degradation⁴⁵. Poverty is both a cause and effect of mismanagement of environmental resources. Rural youth development efforts cannot succeed when the physical resources on which they depend are increasingly degraded. And at the same time, environmental resources cannot be managed effectively in the face of issues such as poverty and widespread rural unemployment.

Deforestation is an example of the impact of poverty in rural areas. The need for more farming land and fuel sources often leads to the clearing of forests by the



rural poor. However rural poverty is compounded when forests, which provide medicines, building materials, and food, are cleared. Deforestation also means the loss of the services provided by the forest, such as maintenance of water supplies and protection against erosion. The loss of these services then undermines the ability of rural communities to farm their lands sustainably.

The tightening squeeze on rural water supply is another particularly pressing issue. Due to growing demand for water in both rural and urban areas, groundwater tables are falling and surface water is becoming scarcer⁴⁶, diminishing the prospects for increased agricultural production. The rural poor often lose out when the demands of urban and industrial uses compete with the needs of rural communities for sufficient quality water supplies⁴⁷. More efficient water use by all users is a high priority in order to enable sustainable rural development.

Investment in environmental programs in rural areas will provide skills and employment for youth, as well as a more prosperous future. Reforestation, sustainable water use, fishponds, alternative fuel sources (reduced use of wood) and improved land use are just a few examples of areas in which investment will pay huge dividends in terms of a better future for rural youth.

Overcoming the gender gap in education and training

Educating girls is one of the keys to development. Early drop-out of school by young women is a precursor to poverty. The longer a girl stays at school the smaller her family will be, the more likely that her children will survive infancy, the better cared for her children will be, and the more likely it will be that her family will move out of poverty.

But there are many complications. In many poor counties girls are taken from school after a few years (if they attend at all) because labour cannot be spared, since women and girls are often responsible for food production. By attending school, the labour girls normally provide is lost and this endangers the food-security of poor families⁴⁸. Also, in some countries of the Asia Pacific region, particularly those of South Asia, values of family honour and female modesty compete with educational goals⁴⁹. In such countries, only those with the resources to provide gender segregated schools and door-to-door school buses for girl student can maintain traditional values while educating their daughters and their communities for a better future.

Gender gaps in education are closing faster than those in the labour market. Even when young women's enrolment and literacy rates are similar or higher than those of young men, men are still likely to earn more than women. As a result of the lack of equal opportunity for young women, they are more likely to be in the informal economy and therefore more likely to suffer in dangerous or inadequately-paid employment.

Gender facts:

- Girls are less likely than boys to attend secondary school and in many countries only girls from the most privileged families will attend college.
- Girls and young women have an illiteracy rate of 18 per cent globally and 31 per cent in low-income nations⁵⁰.
- The literacy rate for adult women (over 15 years of age) is lower than that of adults in general.
- The literacy rates for female youth are lower than those for youth in general.

See table and figures 1 and 2 below for details.

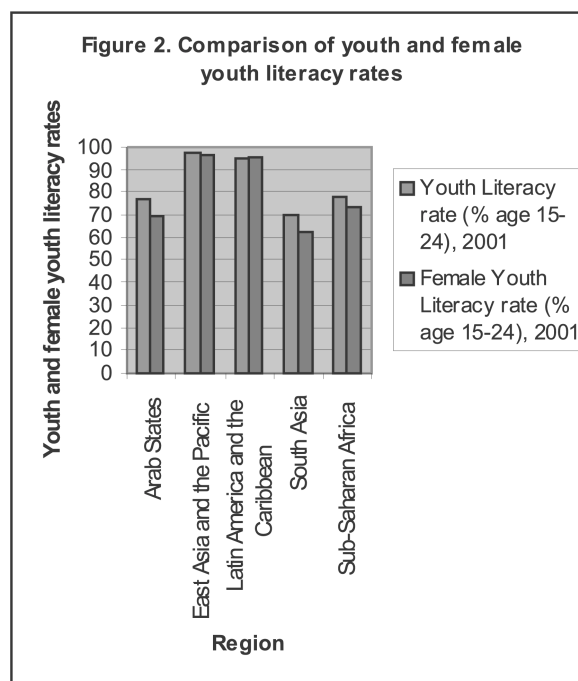
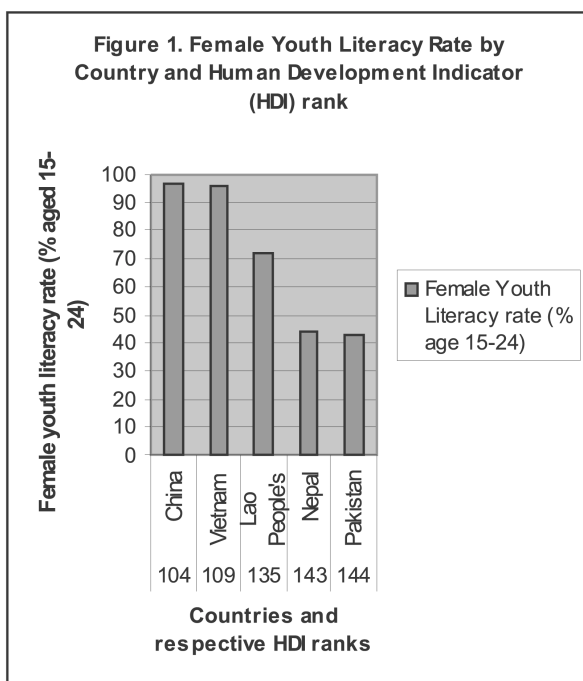


Photo: These lucky few in their village attend high school

Category	Literacy rate in developing countries	Literacy rate in Least Developed Countries (LDCs)	Literacy rate in Low Human Development countries
Adult (over 15 years of age)	74.5%	53.3%	55%
Female (over 15 years of age)	67.1%	43.8%	44.4%
Youth (aged 15-24)	84.5%	65.9%	71.7%
Female youth (aged 15-24)	80.9%	59.3%	63.9%

Source: UNDP Human Development Reports, Human Development Indicators 2003⁵¹

Figures 1 and 2: Gender, Education and Development Indicators⁵²





3. INVESTING IN YOUTH

Youth are the present and the future of humanity, as well as of nations. A well educated and trained population gives a country enormous potential for economic and social development. Youth are also a growing client base. The numbers and potential impact of youth mean that they are a vital part of any sustainable development strategy. It is important that youth are both viewed as an investment opportunity and are treated as partners in the development process.

The factors which lead to rural youth unemployment and lack of opportunity need to be addressed directly. Issues such as rural youth poverty cannot be solved by simply focusing on economic growth and assuming an eventual trickle-down. Direct investment in rural youth is required. A direct approach involves measures that focus on improving the quality of life and productivity of rural small holders and landless young men and women⁵³.

The focal points for investment in youth are:

- Investment in skills training for youth employment that is linked to labour demand and to national and youth goals
- Investment in appropriate technology and microfinance programs for youth
- Investment in capacity building for youth-led and youth-serving organizations

Revitalising rural education and training

Only when the fundamental right to education is guaranteed, and when labour laws protect children and youth, can we end child labour, the demoralization of youth, and the vicious cycle of poverty. Basic education is the right of every child and the duty of every government and is a prerequisite for promoting youth employment.

Photo: Even the poor in India may choose private schools for their children



The 2004 World Development Report focuses on the issue of how service provision can be improved and how service providers can be induced to serve the poor. Service providers will be more accountable when their clients have choices. In many parts of rural India, parents prefer private education for their children, even though this may be simply conducted under a tree or in the teacher's house.

Private schools are accessible to all but the poorest families, and parents prefer such schools because they have more control over the quality of service and the performance of the teachers. Government teachers tend to be less accountable to their clients.

Governments should encourage choice by establishing voucher systems for the poor. This will increase their choices and create incentives for government school systems to improve their services to the rural poor. Many young graduates are also able to remain in their villages and make a living by opening or working for private village schools.

Another means of revitalising rural education is by targeting the economic and social barriers to education. For example, by learning from the experience of schemes such as the “take home rations for girl’s education” carried out in Pakistan by the World Food Programme (WFP). By providing food aid the problem of food-insecurity (through loss of a girl’s labour by her school attendance) was overcome and the food was also was an enticement for parents to overcome cultural barriers to girl’s education⁵⁴. At WFP schools in Pakistan enrolment of girls increased by 247 per cent between 1994 and 1998⁵⁵.

Enhancing rural youth employability through better education

Two barriers must be overcome in order to enhance the employability of young rural people:

- lack of investment in rural areas
- lack of effective institutions, including education and training, to channel and direct the productive potential of young people.

The employability of many rural youth is low because they have inadequate and inappropriate education, so lack the skills, competencies and knowledge to secure and retain productive work and adapt to changes in the labour market.

Although literacy⁵⁶ is often thought to be the answer to youth unemployment, ILO studies show that there is not necessarily a correlation between literacy and employment levels. For example Mexico and Colombia both have youth illiteracy rates of around 3 to 4 per cent, but in Mexico youth unemployment is 4.4 per cent, whereas in Colombia 36 per cent of youth are unemployed. Although youth often have higher literacy rates than their parents⁵⁷, they have few employable skills.

These facts require us to ask what kind of education will benefit rural youth and help them to achieve empowerment and to find dignified employment at a living wage?

Key areas to address:

- Education and training curricula need to be relevant to labour market needs and to the goals and needs of rural youth

A large proportion of rural youth who work do so in off-farm paid employment, many outside the agricultural sector. So rural youth should be given the opportunities both to be productive farmer-entrepreneurs and to learn specific agricultural, agro-industrial or non-agricultural skills demanded by agro-businesses. Core work skills such as problem solving, communication and teamwork skills must be emphasised in any training programme, in order to prepare rural youth for work in a knowledge and skills-based society.



Rural schools that have included agricultural topics relevant to pupils' experiences at home have been successful in retaining student interest and participation. Contextualized teaching approaches are also effective, such as using school gardens to teach agricultural, mathematical and scientific principles⁵⁸.

- Vocational training needs to become more flexible and responsive to changing employment needs.

Formal training establishments currently do not have sufficiently flexible training methods and do not provide training sufficiently in line with the realities of the workplace. Current vocational training options often focus on developing manual skills for rigidly defined occupations. Traditional apprenticeships are often a successful means of skills transfer but have weaknesses which need to be overcome by matching labour demand and supply. Rural youth need to learn by doing and they need to implement the skills they acquire if they are to be productive members of the community and contribute to rural development.

Effective and appropriate training for enhancing youth employability:

The Success-Case Replication (SCR) method of employment training has been found to be both cost-effective and successful in training rural people to establish sustainable income-earning activities⁵⁹. SCR is an informal apprenticeship and peer training model that employs successful entrepreneurs or farmers at the village-level to train interested fellow-villagers. The training is relevant to the trainees' abilities and is hands-on and practical, so that literacy is not required. The training is also appropriate in terms of availability of raw materials and market demand for the products, and hence, employability of the trainees. Training is given in skills and enterprises such as production of coir rope and tea seedlings, milling of rice and 'Patiya' ground mat weaving⁶⁰.

SCR training has its limitations as it can only be successful on a small-scale before the market becomes oversupplied with the products of the trainees. The SCR method is also complex and careful planning is involved⁶¹. However, this method, when implemented effectively, enables rural poor to affordably improve their skills and develop their own on-farm and off-farm employment opportunities. SCR methodology is particularly suitable for training rural youth who are more likely to be interested in entrepreneurial activities. Specific examples of how SCR has benefited rural youth can be found in the 'Success Stories' section below.

Training youth in new technologies for employment

New technologies are rapidly spreading around the world, with the help of the forces of globalisation.

Employment opportunities can potentially be enhanced by enabling access to appropriate technology.

However, barriers to adoption of technology exist:

- *While such technological developments such as the internet have overcome physical barriers, economic and language barriers still exist. Although the technology exists, the opportunity for rural youth to access it is often unavailable.*

The majority of rural youth do not have access to Information and Communication Technology (ICT), due to financial restrictions and cultural differences. Efforts to provide free ICT training in schools or training centres can help to overcome this limitation. Training centres promote youth employability by not only providing ICT training but also equipping youth with entrepreneurial and leadership skills⁶².

Often lack of electricity, telephone lines and existence of language barriers are also setbacks to adoption of ICT. Initiatives such as the Jhai Foundation Remote IT Village Project may help overcome such problems. The Jhai foundation recognized the need for rural Laotians to access information on market prices and export opportunities so designed a computer that can be powered with a car-battery, with the ability to withstand the climate and with software that is in the Lao-language. Youth IT entrepreneurs in Laos are being trained in order to support their elders in the use of the technology and in business operations⁶³.

- ***Unless technology has a useful place in their lives, rural youth will not necessarily take advantage of access to it.***

The establishment of technology access centres has been one initiative that attempts to address the divide between those who have access to technology and those who do not. But technology needs to be appropriate and useful to the community in which it is implemented. The generic application of technology that globalisation has brought about can place strains on communities⁶⁴. When rural youth cannot take advantage of ICT or cannot be a part of the ‘information revolution’, they can become more marginalised and less able to compete in a globalised world. The rural youth can become disconnected from the benefits of the use of ICT and other technology.

ICT is therefore not the only form of technology that should be promoted. Technology advances in such things as Integrated Pest Management (IPM) can provide as much, if not more benefit, to rural youth than ICT – which may not be relevant to their needs. Farmers in India, for example, have benefited from IPM strategies to protect their chickpeas from podborers⁶⁵. Because the technology was useful and economical, these farmers readily adopted and profited from it.

- ***Rural youth will not adopt new technology if it is perceived as being too risky***

In situations of poverty, risk aversion is high. Risks will be taken only when sufficient institutional support exists⁶⁶. New technology will not be applied if its implementation threatens a family’s food security. Therefore the factors that inhibit risk taking and innovation must be considered and dealt with before youth can be trained and new technology can be effectively introduced⁶⁷.

Factors that will enable and enhance the value of training youth in new technologies:

- ***Training needs to be tailored to specific needs.***

Training programmes can prepare rural youth not yet exposed to television or internet to enable them to cope better with the onslaught of diverse messages and information. But when training rural youth who have already been exposed to globalised media, it is important to ensure the material takes advantage of that prior exposure and familiarity with these types of communication, and is able to keep the interest of these youth.

- ***Rural youth need to have capacity and control over rural development initiatives in order for them to accept and successfully introduce technological advancements.***

Testing, adaptation and revision of technologies, to ensure their appropriateness and effectiveness is required before they can be confidently implemented and bring productivity improvements.



- ***Technologies, policies and institutions need to be employment-intensive.***

Rural youth lack capital but represent an abundant supply of labour. The technology chosen should be labour-based rather than capital-intensive. Such things as subsidies for labour-displacing technology and equipment, such as tractors, often cannot be justified⁶⁸. When aid is required, it should be directed to labour-intensive sectors, which will in turn attract investment and create more employment. Training in technology that aims to increase farm size and economies of scale is counterproductive for youth development. Smaller farms should be encouraged over larger enterprises. Small farms employ more labour per hectare than large farms. Also, farmers and on-farm workers on small farms spend a greater proportion of their incomes on employment-intensive products from off-farm rural enterprises⁶⁹.

Mobilizing youth through community based organisations

A conference of rural youth producer associations and rural youth leaders held in Accra in 1980, showed that the members of these organizations wanted five things above all else: *knowledge, better technology, more individual autonomy, more experience, and more authority*. The latter desire for *more authority* surprised many observers. They found that it meant that young men and women wanted to gain the respect of elders in their communities.

The attempts of young people to participate in decision-making processes are too often rejected, with the result that many drift away to towns or become marginalised⁷⁰. Development workers observe that the loss of many able-bodied young people further impoverishes their home communities. What can we learn from this fact?

- The dynamism, openness, responsiveness to new ideas and resilience to change that youth possess should be harnessed in any rural development endeavour. Their potential must be maximized. If youth are not provided with opportunities to participate and contribute, the vital resource they represent would be wasted.
- Rural youth, the intended beneficiaries of rural development policies, should not be treated as ‘objects’ of policy but as active agents. When youth are given the opportunity to engage and directly participate this directs their attention to relevant, productive activities thus minimizing the chances of youth becoming involved in violence and crime.
- Involving rural youth as active participants in rural development enables them to learn and change; to articulate their needs; and to design and implement solutions to problems in order to achieve what they need.
- The traditional power hierarchy in many rural areas has served to allow the most powerful economic elites to maintain their position and prevent youth from participating in the key economic and political decisions that have the potential to increase youth’s share of power and control. Steps need to be taken in order to ensure rural youth have the power and opportunity to participate. Often this may involve the creation of new institutions, ones in which rural youth can have some control.
- Rural youth motivation requires proper educational opportunity. This educational opportunity needs to be rurally relevant and to instil in rural youth the value of playing a more productive role in their community. By cooperating and joining forces, rural youth can have a collective voice and more control in decision making.



Rural youth peer group organizations - with effective leadership based on strong institutional foundations can:

- promote learning and build employment and entrepreneurial skills,
- create cooperative enterprises
- inspire, empower and motivate youth
- channel the energies and talents of youth constructively
- encourage stable and harmonious rural communities
- add to their enjoyment of life and encourage positive forms of recreation
- ensure the systematic transfer of livelihood skills from experts in the older generation to the young.

Development needs to be community based, with youth engagement, because people in communities know what they need and why and often have sustainable solutions to their problems.

The ultimate goal of any development programme is to improve quality of life, and this can be achieved only when people are self-reliant and self-motivated. Youth who are well-organised, provided with appropriate training, opportunities and incentives, have the capacity to engage in enterprises that bring both economic and social benefits. Rural institutions at the grassroots level need to be strengthened. Youth should be part of designing and implementing programmes that bring benefit to the entire rural community.

Administrative decentralization should be part of any effective rural development strategy in order to enhance popular participation. However, in poor rural areas such decentralization may simply have the effect of enhancing the domination of traditional local elites⁷¹.

Youth organisations can be effective ways to empower and enable rural youth to participate in the development of their communities.

4-H (Head, Heart, Hands and Health) is a youth organisation that has existed for over 100 years⁷². There are programmes similar to 4-H in 80 countries worldwide⁷³, including in the US, Philippines and Thailand. 4-H seeks to train and empower youth and facilitate youth development. The general policy of 4-H clubs is that youth human resource training is the best mechanism for sustainable economic and social improvement.⁷⁴

The **Thanat Samakhee Club**, a Thai 4-H youth organisation, has specific objectives including: to provide rural youth with opportunities to improve their skills and to encourage youth to apply their new skills in practice in their rice fields and orchards⁷⁵. The Club has been successful in training youth and coordinating production of asparagus and organic baby corn in their region.

A **national youth consultative committee** has been set up by the Malaysian government including members of local youth organisations. It will promote recognition of the value of youth participation and discuss issues relevant to young people.

The **Yap Community Action Program Youth Program** in the Pacific islands of Yap state in the Federated States of Micronesia has formed village youth groups to make rural life more attractive to the young. The program promotes cultural values and skills, economic self-reliance, environmental awareness and conservation learning, and team sports. It sponsors inter-village contests and exchanges. The movement has grown from one district five years ago to six districts today and continues to grow.

4. YOUTH EMPLOYMENT OPPORTUNITIES

Orienting agricultural extension programs towards youth

In order to improve employment prospects for rural youth there needs to be investment in agricultural extension services which focus on the young.

Such extension services should:

- target young farmers;
- encourage parents to give land to school leavers;
- set up agricultural credit schemes to help young people acquire livestock, equipment and other productive assets of their own;
- encourage food production in order to increase food-security for communities;
- transmit effective and appropriate ideas and methods in agriculture;
- employ as many school leavers as possible, with on-the-job training;
- establish incentives, so that some young workers may eventually become para-professional extension agents,
- provide leadership and organisational skills training.



A study of Agricultural extension services in a poor region of Brazil showed the responsiveness of youth to innovations for improved productivity. When extension workers were permitted to customize their programs to meet the specific needs of farmers, better results ensued. Farmers had more say about their requirements, and extension agents found greater job satisfaction⁷⁶.

Examples from Vietnam

In Vietnam various extension and credit agencies enabled young farmers with no previous experience to establish successful new enterprise and escape poverty, as the following examples show.

- A couple (aged 18 and 20 respectively) in rural Phan Theit in Vietnam built their piggery with loans from a credit cooperative and the local farmers union. Although they had very little land, the piggery enabled them to make a living. Government extension services and their local youth group provided them with technical advice on modern methods of raising pigs.
- A 19 year old man in Bin Thuan, Vietnam, borrowed half an acre from his father to grow dragon fruit, which made him economically self-reliant. He obtained his start up capital from a private credit cooperative and extension support from the fruit marketing firm that purchased his crop.
- A couple, both aged 21, built their own house themselves with the proceeds from their third coffee crop. They received a lease of land from the government, an establishment loan from their district People's Credit Fund cooperative and technical advice and guidance from both their local youth federation and from the coffee mill in their district.

Dragon Fruit in Bin Thuan



Piggery in Phan Thiet



Coffee in Dac Lac



Because rural youth are vulnerable to poverty, hunger and food-insecurity, it is important that employment opportunities enable them to gain food-security. Often, youth simply need assistance in producing sufficient food for their families. The Food and Agricultural Organisation (FAO) Telefood campaign raises money to fight hunger directly. Telefood funds small, sustainable projects that help small-scale farmers produce more food for their communities⁷⁷. Schools have also benefited from Telefood, through funding of school gardens. These gardens provide nutritious food for school meals, giving children and youth the nourishment they need to attend school regularly and perform well⁷⁸. Some examples of Telefood projects are detailed in the ‘Success Stories’ section below.

Promoting entrepreneurship with policy reforms

At least 20 per cent of unemployed youth worldwide have the potential to become entrepreneurs⁷⁹, but less than 5 per cent do so⁸⁰. A supportive environment that creates conditions for business success needs to be developed in order that entrepreneurship is encouraged and current high rates of entrepreneurial business failure do not continue.

Some of the ways entrepreneurship can be encouraged:

- ***Make microfinance more readily available to suitable rural youth.***

Often business start-up costs are the major obstacle preventing rural youth from creating their own employment opportunity⁸¹. Youth often do not have sufficient capital of their own to invest in a business. However, credit is seldom available or sufficient for rural youth. Rural youth, in particular young women, are unlikely to be given loans by mainstream banking and credit institutions as they are considered to be too high a risk. But given the right support, these youth enterprises can succeed and loans will be repaid. Start-up costs are often very small and loans for these small amounts need to be more readily available to rural youth.

The Bharatiya Yuva Shakti Trust (BYST) in India is an example of an organisation that provides support, including micro-finance, for underprivileged youth in order that enthusiastic and innovative youth have the opportunity to set up or develop their own businesses⁸². See the “Success Stories” section below for examples of rural youth who have succeeded with the help of BYST.

Resources such as the BYST are available to rural youth if they know where and how to find them. Publications such as “The group saving resource book” published by FAO’s Rural Development Division, offer rural and youth groups a source of information on ways to strengthen their capacity to accumulate productive capital for on and off-farm employment and business opportunities⁸³.

- ***Bring the informal economy into the mainstream economy.***

Jobs in the informal economy are characterised by low and irregular incomes, long working hours and poor working environments, as well as by being unstable forms of employment often with few prospects of advancement⁸⁴. And since many of the employed rural youth work in the informal economy, any savings or assets they hold cannot be turned into capital. Businesses they own are not legally and formally recognised, their property may not be built on land to which they have legally-accepted property rights⁸⁵. In the informal economy, without a business licence or permit, it is hard to borrow or to sell a business as a going concern even though an established business, no matter how small, is an asset. This can act as a disincentive to opening new businesses.

If informal businesses are brought into the mainstream economy, employment conditions can be regulated. And if businesses shift into the formal economy young entrepreneurs can then access reasonable sources of finance and can buy and sell businesses more easily.

- ***Examine and understand institutional obstacles to opening of businesses in the formal economy so that they can be changed or overcome.***

In many countries the legal and institutional frameworks for businesses are often not conducive to the starting and running of businesses. Awkward and complex procedures and systems hamper rural youth in their efforts to start-up new businesses. As a result, new youth-run businesses often can only operate in the informal economy. Also, entrepreneurs are often concerned that regulations and taxes will be too complex and costly for businesses operating in the formal economy so resist moving out of the informal economy. An examination of the obstacles to opening businesses in the formal economy would enable the finding of ways to overcome these impediments.

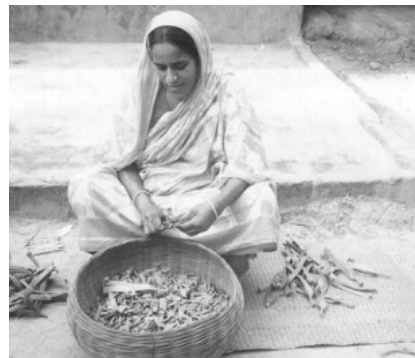


Photo: This self-employed young rural woman in Bangladesh makes sandal straps from scrap materials

- ***Fight against corruption***

Corruption prevents many businesses from surviving or growing. Bribes are a significant cost to businesses and corrupt bureaucracies delay and hinder business development.

Improving administrative transparency is an important step in enhancing small-business success. A village in India has cut bribery and red-tape levels by introducing a computerised administration system⁸⁶. Such a system means that revenue loopholes are plugged and there are no longer excuses for bureaucratic delay.

- ***Provide training and support networks and encourage cooperation***

Young people have limited life and work experience, business networks and cash-flow management skills so are restricted in their ability or interest in entrepreneurship. Also, fear of failure and of the stigma attached to that failure, is a strong disincentive to start one's own business. Youth also have few role models and are subject to age discrimination.



Youth require relevant training in key business skills and need adequate support networks and mentors. The “Start and Improve Your Business” (SIYB) programme set up by the ILO is an example of a programme which aims to enhance the skills needed for successful entrepreneurship. SIYB has provided training to entrepreneurs and enabled them to start businesses or increase business profits and productivity.

Existing businesses may perceive new businesses as threats so do not readily assist entrepreneurs⁸⁷. But if existing business owners are approached to be mentors to young entrepreneurs and are shown how the new enterprise can benefit their industry, they will be more willing to cooperate.

One of the beneficial services the BYST in India provides to young entrepreneurs is a mentor with business experience who teaches and also helps to develop discipline in the young person⁸⁸. This role model and support mechanism helps youth overcome their limitations in experience and problem-solving skills.

- ***Encourage a culture of entrepreneurship***

Some cultures value earning wages over creating wealth and many perceive that if someone is qualified educationally, they should become employed rather than self-employed. Efforts must be made to change these attitudes by promoting positive role models.

Utilising technology for youth employment

When technology is affordable and appropriate, it can be applied in a number of ways and youth can develop the technology suitable for their needs while creating employment for themselves or enhancing their productivity.

If youth have sufficient support, including access to microfinance, then low-cost appropriate technology can be the basis of enterprises, as seen in the following examples:

- A 16-year old girl in rural India has made a business out of a cellular phone. By charging members of her community to use the phone as a public telephone, this rural youth is able to make over US\$8 on a good day⁸⁹.
- Low cost cellular phone technology has been used as the basis of the Grameen Village Pay Phone program (VPP) in Bangladesh. Borrowers from the Grameen Bank, a bank aimed at helping the poor gain access to credit, can, through VPP, borrow to buy a cell phone and hire out that phone to other villagers⁹⁰. One rural woman expanded her cell phone business to the extent that she has created an employment position for her nephew, who moved back from Dhaka to the rural area where she lives⁹¹.
- Low-cost technology such as cellular phones, fax machines and basic computers with internet access have been used by rural youth to establish small kiosks, with low start-up costs, providing communication services in their communities. And youth have also grouped together and shared the costs and risks of forming larger kiosks or telecentres. Such ‘telekiosks’ are growing in number in India⁹².
- Some Indian farmers can now have access to hand held computers which are operated using symbols, so that the farmers do not have to be literate to use them⁹³.



What these examples show is that when the technology is useful to the rural community, and the start-up costs are affordable and accessible, youth will take advantage of them and will create employment opportunities for themselves. If youth are then assisted through microfinance and support mechanisms, including training in such things as cash-flow and business management, the enterprises are more likely to get off the ground and prosper.

When the benefits of globalisation and technological development can be harnessed, the advantages for rural youth are evident. The intensification of international competition can be advantageous to rural youth, for example in allowing a young farmer to source supplies from overseas rather than be locked into traditional supply networks. Or rural youth can benefit from having access to vital business information. One example is of fishermen in Kerala who purchased cell phones in order to keep constantly up to date with catch prices and markets while they are off-shore⁹⁴.

The Village Pay Phone (VPP) program shows that access to technology can have employment and productivity benefits in a variety of ways. The VPP program is not only valuable as a direct source of employment but is assisting rural communities to overcome obstacles to trade by enabling them access to information and opportunities. The service is valued by the rural community for many reasons. For example, many of the users use the telephone service to gain information about consumer prices for their farm products. Such information gives them a stronger position when negotiating with traders and can help them to secure prices for their produce that are up to ten per cent higher. Telephone users also access information on foreign exchange rates to ensure they are not swindled by foreign currency dealers when they exchange remittance money from family members working abroad. And the service also enables members of rural communities to save money and time normally spent on travelling to see business contacts in person⁹⁵.

Access to technology can open up new opportunities that have not previously been considered. For example, because the language of the internet is to a large extent English, a youth with English language skills could benefit even more from access to the internet. In a situation where such skills are scarce, those English and internet skills could then be marketed. Youth could use their skills to search for valuable information from the internet as a paid service for the rural community⁹⁶.

ICT can open markets to rural youth. Youth have used the internet to market their off-farm products worldwide. The 'One Tambon [district], One Product' (OTOP) project in Thailand has taken advantage of internet technology to market their products globally and OTOP products are now sold worldwide. See details of OTOP in the 'Success stories' section below.

5. SUCCESS STORIES

Matching labour market needs with job training for youth in Sri Lanka

Hundreds of thousands of young people leave primary and secondary schools around the world without employment skills. Even more tragic are the numbers of graduates from institutes of higher education whose qualifications are not in demand by employers. While most countries have post-primary vocational training programs, these are seldom realistically linked to the labour market. They are typically under-funded and the number of training programs does not come near to matching the demand for job training or the requirements of the labour market.



Sri Lanka has created a model for investment in youth. In 1996 in Sri Lanka, the Department of Labour upgraded its role in promoting national employment by establishing a Human Resources Placement Services (HRPS) Division, to monitor the labour market. The Service maintains a database on the job market, and helps to match supply and demand in job training and job placement activities. It provides career guidance and runs programs for the promotion of self-employment including promoting credit schemes among the nation's numerous microfinance institutions.

The Department provides both state and private training providers with information to develop curricula aimed at short and long term needs for job seekers and employers. It has paid special attention to new opportunities to train young people to work in the Information and Communication Technology industries. Expansion of technical education and vocational training systems were undertaken with the establishment of agencies such as Human Resources Development Council, the Tertiary and Vocational Education Commission and the National Technical Teacher Training College with a mandate for coordination and provision of specialist services. On-the-job training has been systematically promoted. The number of agencies now involved is impressive.

Since the program began more than one hundred thousand youth, young women and men, have been trained in a wide range of job skills in 1035 training centres in jobs skills ranging from those in hi-tech industries to traditional arts and craft.

A nationally recognized set of skills standards has been established and the criteria for certification of different types and levels of skills have been determined for 59 trades and training standards for 133 trades. However, most of the training providers undertake curriculum development by themselves.

Bridging the digital divide with young people

A project in India, called 'Narrowing the digital divide' has specifically aimed at improving employment opportunities for youth by providing access to and training in ICT.

The project targets rural youth in remote areas. There are two phases to the project, first to train rural youth in ICT skills, with an emphasis on training in small enterprise development, and second to develop solar powered broadband wireless ICT centres in remote rural areas where access to conventional infrastructure is unavailable.

Since 1999 457 rural youth have been trained in ICT skills. 211 trained youth have found employment using these skills in various organisations and 38 youths have started their own businesses, such as cyber cafes and business facilities centres⁹⁷.

The success of the project is put down to the fact that the training is application oriented and suitable to local needs. Also, the provision of alternative-powered ICT centres enables access to technology that otherwise would not be possible in these areas and allows these rural youth to remain in their communities.

Mobilising rural youth for agricultural development

The Thanat Samkhee Club, a rural youth organisation in Thailand, has been successful in mobilising and training rural youth and has enabled creation of employment and income-earning opportunities in the Thanat sub-district⁹⁸. Other youth organisations can emulate Thanat Samkhee's successes by following their approach, summarised as follows:



- Ensure community support and participatory decision-making. Community members facilitate group activities by providing venues for meetings and acting as trainers so youth groups need to collaborate with the community.
- Learn by doing and share knowledge. 'Learning by doing' is an effective means of training and sharing of knowledge and skills enables all group members to benefit.
- Income-generating activities will succeed if they provide benefits to the club and the community⁹⁹.

Training to create rural employment opportunities

The Success Case Replication (SCR) employment training method is not new, but is a version of the Farmer Trains Farmer (FTF) and similar informal apprenticeship training methods of the past¹⁰⁰. While not specifically for youth, SCR can be successful in training youth and has had a number of success stories.

For example, a young couple in rural Thailand became successful in making and selling Chinese steamed buns from their home. Through SCR this couple trained people from outside their market area. While not all of those trained were successful in the business, trainees who were successful were youth, as they had the manual dexterity to do this kind of work¹⁰¹.

Another example is a farmer, Gup Amber Dorji, in Bhutan, who was successful in cultivating large onions and through the SCR programme, trained 13 of his neighbours, some of whom were youth, to do the same. These farmers were able to receive good prices for this new commodity in the region. When these farmers faced difficulties in obtaining sufficient quantities of seedlings, they began growing seedlings themselves and became self-sufficient for the next growing season¹⁰².

A similar example is Mr Sanguan in Thailand, who became successful in his village polishing zirconia stones and trained many of his fellow villagers. Through the SCR programme, Mr Sanguan also trained 17 young people in another village which faced problems of seasonal unemployment. Five of the youth had returned to the village from Bangkok to learn the trade. This employment was particularly suited to youth, who were more able to master the technical aspects of the trade than older trainees. Through SCR, youth were able to stay in their village and have meaningful employment year round¹⁰³.

SCR methods could be a cost effective and successful means of training large numbers of unemployed youth. Past experience has shown SCR employment training as an efficient way of training a large number of farmers. For example in the Philippines, an organic rice variety, Masipag, was developed in order to increase the profitability of rice farming by decreasing the use and costs of pesticides and chemical fertilizers. A Masipag training farm did not have the funding to train hundreds of farmers so SCR methods were used so that farmers were able to train their neighbours, who subsequently trained other farmers.

Youth learning from elders in “One Village One Product” programs in Thailand

Thailand’s ‘One Tambon (district), One Product’ project is an off-shoot of the ‘One Village, One Product’ movement begun in rural Japan in 1979. This movement aims to enhance rural development by facilitating the production of traditional local products in rural communities.

The philosophy of OTOP is centred around three principles: Local Yet Global, Self-reliance and Creativity, and Human Resource Development. Government provides support to communities in areas of funding, research, design and marketing¹⁰⁴. Communities have decision-making power and as they gain skills they have more control over the design and marketing aspects of the project. Ultimately the aim is for rural communities to be strong and independent.

Launched in Thailand in 1999, OTOP has been successful in creating new livelihoods for rural people and in increasing their skills and incomes. OTOP has been a new employment source for rural youth that allows them to develop new skills while earning an income. Communities use local raw materials and aim to produce environmentally friendly products¹⁰⁵. The launch of the OTEP website has allowed sales of OTEP products to go worldwide, thus bringing the benefits of internet technology to rural youth.

The success of OTOP has inspired the Malaysian government to launch its own One Village, One Product project¹⁰⁶, the Satu Kampung, Satu Produk. The Malaysian government is particularly keen for rural youth to participate in the project and Kobena, a national youth group, is expected to assist in mobilising rural youth and ensuring their participation. In July 2003, Sri Lanka’s Ministry of Rural Economy also launched a program based on OTOP. They specifically aim to empower traditional resource-rich villages and find marketing outlets for industries such as the traditional Kitul (honey) industry¹⁰⁷.

Training in Business skills and Entrepreneurship

The International Labour Organisation’s Start and Improve Your Business (SIYB) programme is a system of training packages and supporting materials for small-scale entrepreneurs¹⁰⁸. The programme aims to provide training and skills so that the barriers to starting and successfully-running businesses can be overcome. The SIYB programme began in 1991¹⁰⁹ and as of October 2002 had benefited around 150,000 entrepreneurs and led to the creation of at least 125,000 new jobs¹¹⁰. SIYB has had a number of success stories in Asia.

For example, in Vietnam, Mr Nguyen Chi Thien, a small-scale chicken farmer, participated in the SIYB programme and benefited from the training in people management and record keeping. As a result of the training, Mr Thien’s business profits increased by two per cent, a small amount, but which made a great difference in his life¹¹¹.

In Sri Lanka, a young man, Mr Wejenayake, used the business start-up training to determine the best kind of business to start. Once he had decided to start a noodle manufacturing business, the business skills he gained through the training assisted him in ensuring the business runs smoothly. His business employs five people and won the Shell LiveWIRE ‘best new business’ award¹¹².



Microfinance and support for rural entrepreneurs

The Bhartiya Yuva Shakti Trust (BYST), a non-profit NGO in India, has assisted almost 900 youth entrepreneurs since it began in 1992¹¹³. By providing both microfinance and mentor support, including training in business-related skills, BYST has enabled youth to overcome the barriers to creating their own employment opportunities.

Udham Singh, is a young rural entrepreneur assisted by BYST. Mr Singh comes from a poor rural family and left school at the age of 12 to begin working in his father's blacksmith workshop. When he and his father became unemployed due to divisions in family property Udham applied to BYST for a loan to begin a business in the manufacture and repair of agricultural implements. He was assigned a mentor and attended mobile mentor clinics, from which he received advice and training. In the space of four years Mr Singh grew his registered business to the extent that he was able to purchase land on which to place his shop and has generated employment for 9 people¹¹⁴.

A young woman named Kasturi is another example of an entrepreneur assisted by BYST. Although creative and talented in making soft toys, Kasturi lacked the finance and expertise to launch her products into the market. BYST provided Kasturi with a loan of Rs 25,000 (around US\$550) and assigned her a mentor. Kasturi is now a successful businesswoman with plans to expand her business abroad¹¹⁵.

Telefood: Employment that creates food-security

Telefood, a campaign by the Food and Agriculture Organisation (FAO), aims to directly increase food-security and decrease hunger by funding small-scale projects that increase food production for families and communities.

One example is the Philippines women and youth project. Telefood funded training in organic, bio-intensive farming for a group of unemployed women and youth in Cotabato, Philippines. These women and youth increased crop yields while using less fertilizer and fewer pesticides. While the produce provides food for the participants' families, excess produce is sold by the participants to get cash incomes¹¹⁶.

Another example is the Giant Clam project in Samoa. Because of destructive fishing methods and natural disasters, the Fusi Safata village was faced with declining stocks of marine food resources. Telefood has funded inputs such as giant clam seeds and packaging in order for villagers to create a sustainable fisheries industry. The industry provides food for their community as well as income from the sale of excess clams¹¹⁷.



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OPPORTUNITIES IN THE RURAL NON-FARM SECTOR IN INDIA

Some current policy issues¹

Background

Generating productive and sustainable employment for growing populations is a challenge faced by many developing countries in Asia. In India, the daunting numbers further compounds the task. Approximately 65% of the country's billion plus population is below the age of 45. The Tenth Five-Year Plan (2002-2007) has estimated that India's labour force will increase faster than the ability of the economy to create new working opportunities. The average growth rate of employment in India, which stayed above 2% per annum during the 80s and the early part of the 90s, fell to only 1.1% in the late 90s. The country is adding 2 million young people to the ranks of the unemployed every year. The Plan document estimates that open unemployment could be as high as 5% at the end of the Tenth Plan period, from 2.8% at present. This is likely to entail tremendous costs, including social unrest and dislocation.

India's planners have set the country a goal to create 100 million employment opportunities over the next 10 years. This is envisaged by raising the annual growth rate of the economy during the Tenth Plan period to 8% and further to 9.3% during the Eleventh Plan. This ambitious goal can only be met by a ramping up of the rate of employment generation across all sectors of the economy. While a significant portion of these new jobs must come from the agriculture and manufacturing sectors, high hopes have been pinned on the off-farm, or the rural non-farm sector (RNFS), as it is better known in India, to make a significant contribution to job creation. This paper examines some current policy issues in respect of the RNFS. The attempt is to highlight areas of concern that inhibit the capacity of the sector to fulfill its desired role as an engine of growth for the rural economy.

The role of RNFS in employment generation

While jobs in the RNFS may vary from lucrative entrepreneurial activities to low paid casual labour in distressing conditions, on an average, RNFS jobs have tended to be superior to those in agriculture. Workers in RNFS are better paid, less poor and more educated than their counterparts in agriculture. There is also less evidence of child labour in this sector. Jobs in the RNFS build up the skill base of the rural population, are generally less capital intensive, use less energy and imported inputs and, in certain sub-sectors, make significant contribution to exports, e.g. handmade textiles, gems and leather goods. The RNFS also has a significant impact on poverty reduction and studies show that there is a strong link between higher output in RNFS and low rural poverty. The rate of growth of the RNFS has been ahead of the average agricultural growth rate for the past decade. This trend is likely to sustain in the coming years. The example of states like Punjab, Haryana and Gujarat stands out in this regard, as the RNFS is seen to have contributed significantly to their economic development and relatively lower poverty levels. The 1991 census reported that over 25% of rural workers in Punjab and Haryana were engaged in the RNFS, while the comparable figure for Bihar and Madhya Pradesh was just over 10%.

Given the above, the policy makers' attraction to the sector as an auxiliary engine to drive the rural economy (after agriculture) is understandable. India has experienced more than a decade of economic reforms since the early



90s and, while overall growth and the competitiveness of Indian industry has significantly improved, the hoped for boom in employment generation has not materialized. If anything, India's experience follows the path of many growing economies in the developing world that witnessed near-jobless growth after liberalisation. Several studies conducted in the late 90s and the early years of the new millennium suggest that farm based employment in India actually declined in the post-reform period as farmers adjusted to rising input costs by increased mechanisation and shifting to less labour intensive cropping patterns. Public investment in agriculture has steadily declined since the early 90s and the slack has not been taken up by substantially higher private investment. The net result is a shrinking of rural farm based job opportunities and a further distortion of the already skewed rural-urban income pattern. Urban per capita income was already 3.9 times the rural figure in 1994-95. There is disquiet in many circles that these inequities may reach a point in the near future where growing numbers of the rural unemployed and under-employed, especially the young, will migrate to urban areas, seriously stressing the already pressurized civic infrastructure and social stability.

Jobs in RNFS: an overview

With such hopes riding on the sector it becomes important to understand the broad contours of the Indian RNFS and further, what contributes to growth in the sector. For one, a vibrant RNFS is strongly linked to a thriving agriculture economy. In areas of sluggish agricultural growth, the RNFS may merely act as a safety net for off-season employment or distress employment. A robust agricultural sector supports the RNFS by providing raw materials for rural agro processing units, by developing demand for agricultural inputs and services and in general, by increasing rural incomes, which in turn create demand for RNFS products and services. On its part, the RNFS supports agriculture through improvements in agricultural markets, modern inputs and improved technologies and provides an incentive for increasing productivity and savings among agricultural households. In addition to crop production, other agricultural produce such as fruits and vegetables, spices, plantation crops and flowers as well as allied activities such as dairy, poultry and fisheries all provide the basis for RNFS livelihoods through processing, manufacturing, storage, distribution, transport and trade.

A second major source of support to the RNFS is the forestry sector. Despite the alarming shrinkage in the area under forest cover in India and the gradual decline of logging related activities as a source of RNFS jobs, there is a significant linkage of the sector through non-timber forest produce (NTFP) such as bamboo, *tendu* leaves (used for rolling cheap cigarillos), and over five thousand commercially exploited medicinal and plant species. While not directly linked to forestry, mining and quarrying is often an associated activity that also creates RNFS jobs through demand for equipment supply and labour services, as well as transportation, processing and trading.

In the secondary sector RNFS jobs have tended to concentrate in traditional industries such as cotton textiles, wood, pottery, food, metal products and handicraft items, especially gems and jewelry. Though many of these are sunset sectors and have seen the loss of hundreds of thousands of jobs in the past two decades, new areas such as electrical equipment, paper and chemicals as well as powerlooms have tended to partly offset the decline in older industries. Not surprisingly though, and again in line with the experience of most developing countries, the majority of jobs in the RNFS (estimated to be around 60% in India) come from the tertiary or services sector. Here the major drivers are wholesale and retail trade, transport, hotels and restaurants, education and health services as well as public administration and personal services. The significant aspect of tertiary sector employment in India is the fact that the majority of these jobs are in the informal sector and a large proportion of these workers are

women.

However, for all its promise, the RNFS is heavily dependent on an enabling policy regime for dynamic growth. As things stand the RNFS in India is administered through a plethora of rules, regulations and agencies that often prove to be counter-productive to the needs of growth in the sector. While a single, umbrella policy may not be feasible, we propose to highlight below some major policy issues that must be addressed if employment opportunities, especially for youth, in the RNFS, are to grow in the future.

Institutional and Regulatory Framework

It may be an obvious statement to make, but it must be reiterated that in order to facilitate a healthy growth of RNFS, an appropriate institutional structure and regulatory framework will play an increasingly important role. There is an urgent need to rationalise the working of the dozens of existing agencies and regulations in the emerging environment. At the same time steps must be taken to factor in the needs of producers as well as protect workers from exploitation and hazardous working conditions. Although in an increasingly liberalised economic scenario the role of the state will be limited and that of the market mechanism enhanced, the former would still be required to perform the important functions of ensuring access to inputs as well as quality of output. It has also to undertake organisational reform and strengthen financial institutions to support the healthy growth of RNFS.

The roles of various institutions and organisations have to be clearly demarcated and the space for partnership among them explored. Even as the state gradually withdraws from resource allocation and distributive functions, it must facilitate cooperative-NGO, corporate-cooperative and other such partnerships. Associations of producers and workers' organisations can play an important role in the development of many sub-sectors. Producers' cooperatives may find it more profitable to operate as companies and develop strategic relations with the corporate sector. There is need to frame rules and evolve community collateral to empower producer groups. Areas and sub-sectors where these association/organisations can replace/cooperate with government and other institutions need to be identified. This needs to be done for various sub-sectors at the central, state and local levels.

In many spheres, the state has to give up five decades of intrinsic mistrust and work in close partnership with the private sector. This partnership is most important in technology dissemination, quality enhancement, setting standards and skill development. Supporting institutions for such partnership should be evolved and strengthened. In this process, local and community institutions, such as *panchayati raj* bodies, producer and trade associations etc., must play the role of anchors in location-specific need assessment and dissemination of information.

NGOs have a critical role to play in this scenario, especially to continue their decade-long engagement to form and strengthen self-help groups (SHGs). Governments, both at the central and state level, which are of late tempted to dabble directly in social mobilisation and SHG formation, should desist from doing so and see their role as limited to providing resources to quality NGOs to undertake this task, for the latter is best equipped to do so.

Apart from setting up a simplified regulatory framework to enable RNFS enterprises to thrive, there is a tremendous need for ensuring transparency. The government has to mount an ambitious effort to build greater awareness about its policies and programmes through simplification of procedures, publicity, public education and grievance redressal. Producers' associations and workers' unions could be actively involved in reviewing the regulations and other policies that affect them.

Government has over the past five decades created dozens of bodies that are mandated with promoting RNFS



activities. Unfortunately, many of these bodies never really got off the ground, especially in the central and eastern Indian states, and most survive as shell organisations without a meaningful role in the sector. However, they often capture significant human and financial resources and may end up obstructing, if not facilitating, growth in RNFS. There should be effective coordination among a wide range of promotional agencies that have to function as part of a focussed strategy of intervention. They should adopt a cluster or region-specific approach to be able to identify clearly the local conditions and constraints in different sub-sectors. There is a strong case for hiving off promotional agencies from the direct control of government and structure them as public-private partnerships. Above all, they need to be economically viable and generate their own resources.

Rural-Urban Linkages

A focussed policy and programme for establishing rural-urban linkages is vital to facilitate the growth of RNFS, particularly in the less developed states. Linking rural producers with the urban market would help the former to get fair prices for their products and adjust to changing market conditions. Strengthening of these linkages would enable rural manufacturing units to obtain critical raw materials and access government facilities such as subsidised credit, marketing support, facilities for training, etc. So far the availability of these facilities has been largely confined to urban areas. With the strengthening of rural-urban linkages, rural producers can commute to nearby urban centres and establish channels for the flow of commodities and information. The role of efficient transport links between rural and semi-urban/urban areas is a critical need in this regard.

While urban planning has hitherto been regarded as a stand-alone exercise limited to the immediate region of the urban agglomeration, the development of small and medium towns and their linkages with the rural hinterland and semi-urban areas is a factor that must be increasingly factored into metropolitan planning. As a first step, it would be important to identify a large number of small and medium towns that can play a key role in the overall rural transformation of a state or region. The provision of a few infrastructural facilities in these towns can help in strengthening the linkage with the hinterland, which is essential for ensuring balanced regional development. States such as Gujarat, Maharashtra, Punjab, etc., provide good examples of the growth of RNFS along corridors linking two or more large cities. Development of more corridors may create important channels for extending the demand support from national and international markets to the hinterland. The state governments may identify such transportation corridors, particularly in the backward regions, wherein an individual town is unlikely to succeed or provide adequate demand support to its hinterland. All these measures call for the coordinated planning of rural and urban development at the micro level.

Women and RNFS

The RNFS can be an important instrument of poverty alleviation if women, and especially the newly emerging rural class of young women with basic education, are able to exploit the opportunities offered by the sector. This can be achieved through various means such as programmes of skill development as well as institutional mechanisms. This is borne out by several examples, such as the success achieved by SEWA in Gujarat and lately by many SHGs in Andhra Pradesh. The key appears to be nurturing genuinely participatory institutions of women and linking them with credible financial and marketing services, skill development as well as appropriate technology.

So far as skills and training are concerned, an institutional base for imparting skills to such groups of people already exists. But most of the skills acquired by women and poor artisans are traditional ones that are handed

down from one generation to the next or learnt from neighbours and friends. This process must be institutionalised and attention should be paid to standardisation and quality, so that the skill is raised to a level that it is marketable. This calls for a significant effort by both government and private actors to map, standardise and impart skills on a wide scale.

Technology

Technology is a crucial factor in increasing the productivity of RNFS. Use of both incremental and leapfrogging technologies is required to give a big boost to RNFS. The use of information technology (IT) would not only provide information and help in reaching viable solutions, it will also open up significant job opportunities in rural areas. Introduction of new technologies will necessitate building the capacity of the local population to acquire and internalise these technologies. Though some organisations are documenting available technologies and technology providers, the mechanism to disseminate them at the grassroots level is disjointed and uncoordinated. Innovative and participatory mechanisms need to be used for documenting and disseminating relevant technologies, and appropriate institutions and training systems need to be evolved for this purpose. Successful cases of IT applications in rural areas need to be researched to provide viable models for replications.

The importance of a mechanism to institutionalise the process of dissemination, transfer and adoption/adaptation of technology to enable the RNFS to withstand the onslaught of free market forces and compete globally, on the basis of its competitive advantage is well recognised. Several approaches and models could be adopted for achieving this objective, such as setting up Rural Technology Parks, Biotech Parks, Common Facility Centres, Information Science and Technology Centres, Prototype Development Centres, Industrial Training Institutes, Rural Polytechnics, *Krishi Vigyan Kendras*, to name a few. In the first place, the existing infrastructure could be reactivated to meet the local needs. As the RNFS and agriculture are strongly interlinked in several ways, these institutions could be multipurpose in nature, which meet the needs of both farm and non-farm sectors.

Human resources development for RNFS

The special needs of training human resources for RNFS have never really been directly addressed or understood in India. The “rural entrepreneur” is expected to lurk within every enterprising rural youth, though the reality is far more sobering. Except for the TRYSEM#, no serious attempt has been in the past few decades to transfer entrepreneurial skills to the rural population. The need is for a national effort to impart a wide variety of managerial and technical skills, especially aimed at rural youth, to kick-start RNFS. Such training for entrepreneurs should preferably be organised on a decentralised approach, based on sector or area-specific priorities and coordinated by local institutions such as technical colleges, and district level agencies such as District Industry Centres (DICs) and District Rural Development Agencies (DRDAs). Apex, central and state level training institutions can guide such activities.

To augment the supply of service providers, promoting entrepreneurship development and strengthening the human capital base, there is an urgent need to revitalise the network of ITIs and private technical institutions to provide appropriate technical training to existing and potential rural entrepreneurs. Private manufacturers may also be attracted to enter into tie-ups with regional technical institutions to design industry specific courses that lead to the growth of ancillary industries in rural areas.

The other crying need of the RNFS today is for business development services (BDS). If provided in an appropriate



manner, this would make for major value addition in terms of providing strategic information on markets, the prevailing demand-supply situation, availability of raw materials, technology sourcing and other related matters. These services could help in providing the crucial forward linkage to the market and backward linkage to the raw materials and other supply-side services including technology to a RNFS unit. In addition, the BDS could take up comprehensive entrepreneurial development programmes by imparting extensive training and providing exposure to market systems. BDS should form an important element in a programme of enterprise development and support programme in order to make RNFS activity viable in the long-term. While the BDS programme should aim to be self-sustaining to the extent possible, in the initial stage they would need support from the government and other funding agencies. Industry associations, corporate bodies and fee-based other private initiatives could also be tapped for providing business services. This could be a highly fruitful area of public-private partnership. Gradually, they should generate an increasing proportion of their fees in revenues from local enterprises.

Infrastructure: how critical in RNFS

A proper assessment of the infrastructural gap should be made at the regional level keeping in view the demand pattern and type of infrastructure that will be needed for promotion of RNFS. However, basic infrastructure facilities need to be made available to all areas to augment opportunities for income generation activities and to facilitate and create forward and backward economic linkages. The provision of basic physical infrastructure like roads, power and communications is an urgent need and a prerequisite of any attempt to revitalise the RNFS. Infrastructure for dissemination of technology, standards setting, product development and for training people in hi-tech segments, ensuring availability of hardware and software and institutions like biotech laboratories, which is non-existent in most parts of the country, must be created at the local level.

The government must continue to have the major responsibility in the provision of infrastructure, but efforts also need to be made to identify areas in which private investment, whether or not in partnership with government, can be attracted. In this connection, it is important that the Rural Infrastructure Development Fund (RIDF) anchored in NABARD should be used in an innovative manner and private players are allowed access to these funds for targeted creation of rural infrastructure.

Financial services: the key to success

Finance is a very crucial factor in enabling the RNFS to graduate from subsistence to commercial activity. While the present mechanism of extending financial assistance to the rural non-farm sector through a wide network of branches of commercial, cooperative and regional rural banks (RRBs) was aimed at facilitating this process, various constraints have emerged over a period of time. There is, therefore, a need to work out an integrated strategy to finance the rural non-farm sector as well as the farm sector. Community collateral and borrowing for viable infrastructure projects are at present not possible on an extended scale and thus the reform of financial organisations assumes critical importance.

Besides these traditional avenues of channeling funds, little has happened in the RNFS as far as innovative financing models is concerned. A special RNFS fund on the lines of a Venture Capital Fund (VCF) could be set up to look into the diverse needs of the non-farm sector, such as technology upgradation, quality standardisation, marketing support, including development of brands, etc. The fund could be set up with contributions from Government of India, National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India and through private sector participation. At an appropriate time the possibility of

participation of international financial institutions could be explored. To overcome the problem of collateral efforts could be made to set up mutual credit guarantee funds (MCGFs) by industry associations/cluster level units with support from banks. These MCGFs could be federated and inter-linked with a national level credit guarantee fund trust.

The political economy of development in India has engendered a huge subsidy burden over the years on the central and state exchequers. A situation has arisen where competitive populism has forced political executives to prefer subsidies to productive investments in virtually every sector. Yet there is a mountain of evidence that most, if not all, of these subsidies are mistargeted or that they are cornered by a few in the name of many. The element of subsidy being provided by the government through various schemes to promote RNFS could be gradually replaced by upscaled expenditure on infrastructural facilities and capacity-building initiatives for the benefit of the rural farm and non-farm sector.

At the retail level, and especially in rural branches, bankers need a lot of sensitisation to nurture RNFS activity. This may require comprehensive and continuous training and reorientation, a task impossible without strong leadership by the central bank. The role of RRBs must be widened and should be redefined with the objective to promote and strengthen a select number of micro-finance institutions that would cater to the needs of micro-enterprises in the rural areas.

Summing up

Within a decade of shifting ideological gears in the economic sphere, China could transfer more than 100 million rural jobs to the RNFS, bringing down the percentage of people dependent on land for the primary livelihood from 70 to 45. The township, village and private (TVP) sector in China is one of its most dynamic performers, accounting for 40% of the country's industrial employment, more than 25% of its output and almost a third of its exports as far back as 1991. This achievement was made possible by a focused national effort and determination to realize the full potential of the sector. The example holds many lessons for India's policy makers, more so because of the several similarities in the rural conditions of the two countries. The isolated models of thriving RNFS within India could themselves be used as case studies to replicate elsewhere in the country. Only then can the ambitious goals adopted by the Tenth Plan can be realised.

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Training of Rural Youth for Self Employment – formerly a separate programme under the now terminated rural poverty alleviation programme known as Integrated Rural Development Programme (IRDP)