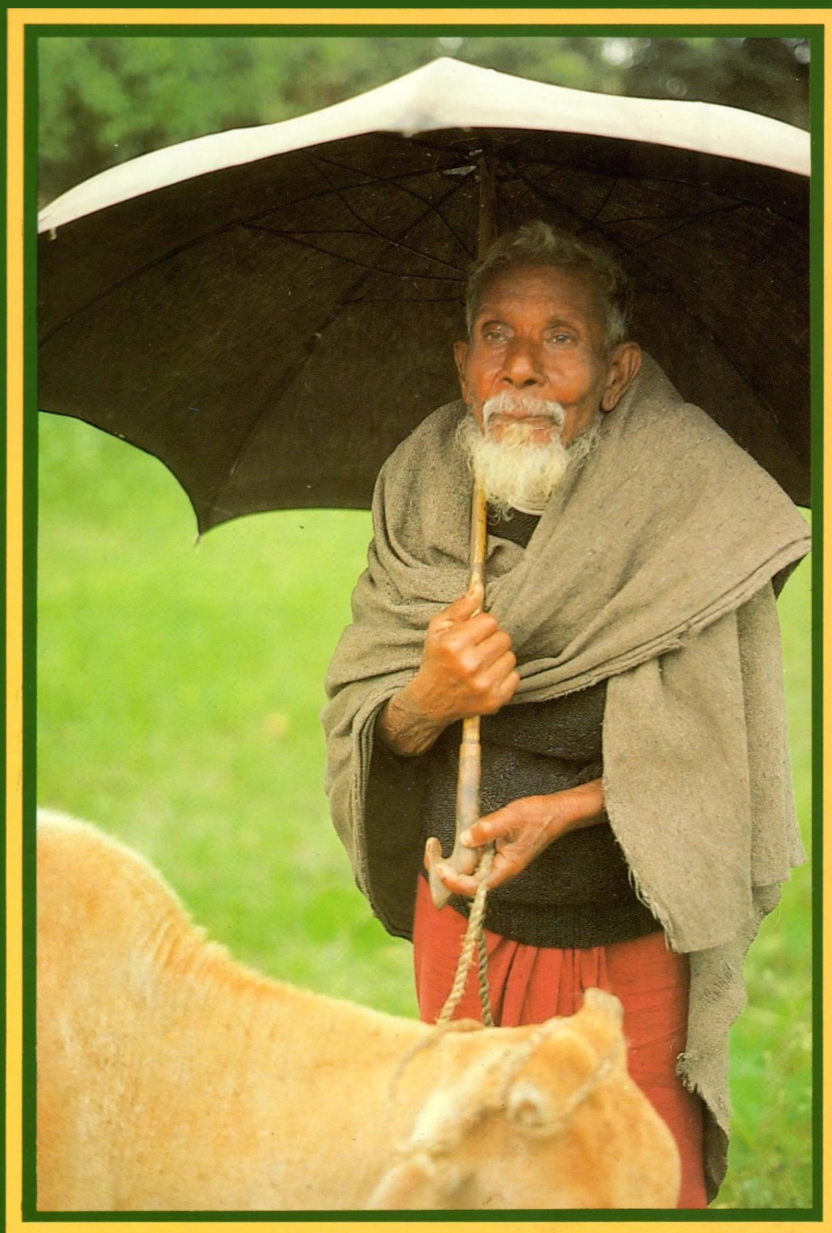


NON-FARM EMPLOYMENT FOR RURAL POVERTY ALLEVIATION



UNITED NATIONS
ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

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NON-FARM EMPLOYMENT FOR RURAL POVERTY ALLEVIATION

A REPORT ON THE REGIONAL SEMINAR,
PILOT PROJECTS, AND COUNTRY PAPERS



UNITED NATIONS

NATIONS UNIES

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FOREWORD

One of the most potent instruments for poverty alleviation is the creation of opportunities for poor people to earn a regular and decent income. However, the creation of employment opportunities, especially in the rural areas, has traditionally been viewed as requiring heavy capital investments to lure industry out to the countryside. It is timely, therefore, that the approach adopted in this joint project with the International Labour Organisation, *Promotion of non-farm employment for rural workers*, was somewhat different from traditional ones. This pilot project tested the potential for employment generation in rural areas primarily through skills and leadership training, combined with a management input, and a minimal capital investment.

A group of disadvantaged people exists in rural areas, including small farmers, tenants, agricultural labourers, and the landless, who have not been able to reap their share of the 'Green Revolution'. The project focused on this disadvantaged group by exploring ways of offering them viable employment in the non-farm sector.

The success of the project, in terms of actual units of employment created, may not be very large, and the project encountered many difficulties, both natural and man-made, which had to be overcome. The value of the project lies in the insights and experience gained, and in the possibilities of extension and replication in other parts of the region, especially as the minimal investments required could easily be provided by national governments. The design of the project permits much flexibility on behalf of implementing agencies, and so some countries may wish to reach out to beneficiaries through Government field officers on an individual basis, while others may wish to involve non-governmental and private organizations. Employment creation was just one part of a holistic approach, which promoted the mobilization of savings and the improvement of health and sanitation, as well as nutrition. The role of women also received a high profile in the project.

A number of important lessons were learned, and will have to be taken account of, such as the credibility gap between the disadvantaged groups and the village level development workers, and the dangers of basing projects around field officers' leadership, against the more sustainable approach to beneficiaries through participatory groups. Any sound non-farm employment strategy should be complementary to agricultural development policies. Selection of activities and marketability of products proved to be two further key elements, and planners should be bold enough to project their minds into the future to identify non-traditional activities, which at the same time, by taking into consideration local skills, traditions, interests, and conditions, have a good chance of success.

The five country papers describing the pilot projects provide a wealth of practical detail from which future directions may be gauged. In addition, developments and strategies in a further six country papers broaden our perception of the potential for non-farm employment creation in a variety of contexts. Our attention is brought to township enterprises, exemplifying rural industrialization and the containment of migration, the importance of the macro-policy framework, and the role of the private sector, banking and financial institutions, and non-governmental and voluntary organizations.

Lack of readily available credit figures as a major constraint in all of the pilot projects, bringing attention to the urgent need for such systems to meet the needs of the poor and assetless, and to the fact that they are, with the right approach, creditworthy.

We are deeply grateful to the Government of the Netherlands for generous financial support to this project, and to the International Labour Organization for its continuing cooperation, and for the benefit of the considerable work already undertaken on non-farm employment.

Bangkok
January 1993



Rafeeuddin Ahmed
Executive Secretary

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ABBREVIATIONS

General

RDP	Integrated Rural Development Programme
Lao PDR	Lao People's Democratic Republic
NFEP	Non-Farm Employment Promotion Project
NGO	Non-governmental organization
TCDC	Technical Cooperation among Developing Countries
UNDP	United Nations Development Programme
UNESCO	United Nations Educational and Scientific Commission
WFP	World Food Programme

Bangladesh

BKB	Bangladesh Krishi Bank
BSCIC	Basic and Small Cottage Industries Programme
DRR	Directorate of Relief and Rehabilitation
FFWP	Food for Work Programme
MLD	Ministry for Local Development
NIA	National Implementing Agency
RWP	Rural Work Programme
Tk	Taka

India

DRDA	District Rural Development Agency
DWRCA	Development of Women and Children in Rural Areas
EGS	Employment Guarantee Scheme
FWP	Food for Work Programme
JRY	Jawahar Rozgar Yojana
MEGS	Maharastra Employment Guarantee Scheme
NREP	National Rural Employment Programme
RGLEGS	Rural Landless Employment Guarantee Scheme
TRYSEM	Training of Rural Youth for Self Employment

Indonesia

LKMD	Village Committee
KPD	Village Development Volunteer
PKK	Family Welfare Movement
PKT	Integrated Area Development Programme
PIPIK	Small-scale Industrial Development Agency
UDKP	Local Development Working Unit

Nepal

IGA	Income generating activity
NPC	National Planning Commission

NR	New Rupiah
UNM	United Mission to Nepal
WID	Women in Development
WTC	Women's Training Centre

Philippines

BIADP	Bohol Integrated Area Development Programme
BRW	Bureau of Rural Workers
CARP	Comprehensive Agrarian Reform Programme
DAR	Department of Agrarian Reform
DOLE-RO7	Regional Office No. VII
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
FIT	Field Implementing Team
HIMABA	United Labourers of Bantolinao
IPPID	Institutionalization of People's Participation for Integrated Development
LBP	Land Bank of the Philippines
MANCOM	Management Committee
NACAID	National Council for Integrated Area Development
NAKAMAS	Farmers' Assistance Board, Nagkakaurusa nga Kablas nga Mag-uruma sa Sta. Fe
NEDA	National Economic Development Authority
NIC	National Implementing Committee
P.	Peso
PBSP	Philippine Business for Social Progress
PUMA	Labourers Group of Angilan
RMC	Regional Management Committee
TRUGA	Training for Rural Gainful Activities

Sri Lanka

CAP	Change Agent Programme
Rs.	Rupiah
RDTRI	Rural Development Training and Research Institute

Thailand

AED	Agricultural Extension Department
BAAC	Bank for Agriculture and Agricultural Cooperatives
CDD	Community Development Department
GDP	Gross Domestic Product
KU	Kasetsart University
IPD	Industrial Promotion Department
MOI	Ministry of Interior
NESDB	National Economic and Social Development Board
NIA	National Implementing Agency
NSC	National Steering Committee
SIFO	Small Industrial Financial Office

Part One

SEMINAR REPORT

REPORT OF THE ESCAP/ILO REGIONAL SEMINAR ON PROMOTION OF NON-FARM EMPLOYMENT AMONG RURAL WORKERS, BANGKOK, 15-17 JANUARY 1992

A. ORGANIZATION OF THE REGIONAL SEMINAR

The ESCAP/ILO Regional Seminar on Promotion of Non-farm Employment among Rural Workers was held at the United Nations Building, Bangkok from 15 to 17 January 1992.

1. Attendance

Representatives and experts from the following countries and organizations participated in the Seminar: Bangladesh, China, India, Indonesia, Islamic Republic of Iran, Lao People's Democratic Republic (Lao PDR), Nepal, Netherlands, Philippines, Sri Lanka, Thailand and Viet Nam, the United Nations Development Programme (UNDP), and the ILO. The list of participants is annexed to the report.

2. Opening of the Seminar

In his message, the Executive Secretary of ESCAP welcomed the participants and shared with them some views on critical issues related to poverty alleviation and economic growth.

He indicated that there was a high potential for income generation in rural areas through skills and leadership training, combined with management and minimal investment. The joint project was therefore directed to finding mechanisms for employment generation, especially among disadvantaged groups.

Some lessons learned from the pilot projects in Bangladesh, Nepal, the Philippines, Sri Lanka and Thailand were that the employment-creation activities had taken root in the projects where beneficiaries were approached through groups; that a sound non-farm employment policy should be complementary to agricultural development policies; that the market ability of products had to be the first criterion for the selection of a non-

farm enterprise; and that the appropriate macro-policy framework was critical in sustaining sound non-farm employment programmes. The most important lesson emerging from the joint project was the significance of limited capital for rural enterprises, which was identified as the biggest constraint on non-farm employment creation. Often the poor and assetless were marginalized from using formal credit systems, forcing them to use non-formal credit systems notorious for high interest rates. The joint project showed, however, that the poor and assetless were no less creditworthy than other segments of society, if correct approaches, such as group lending, peer supervision and sound credit discipline, were adopted.

The Executive Secretary expressed deep gratitude to the Government of the Netherlands for supporting the joint project and thanked ILO for continuing cooperation in its implementation.

The Assistant Director General of the ILO greeted the participants and thanked them for their contributions regarding non-farm employment creation.

The development of modern industry alone would not be enough to absorb the huge masses of unemployed and underemployed in Asia. Rural development through local initiative that fully mobilized local resources was an indispensable approach in creating employment opportunities.

The project showed the limited extent of some grass-roots initiatives, in particular the mobilization of rural workers. An indirect approach, concentrating on services and on the enabling environment, was required to support worker mobilization. The challenge was to mobilize rural workers, taking into account their aspirations and their organizations, through appropriate policies, institutions and supporting actions.

3. Election of officers

The Seminar elected Mr. N. J. Kurian (India) Chairman, Ms. Dhanu Rana (Nepal) Vice-Chairman, and Mr. Josefino I. Torres (Philippines) Rapporteur.

4. Adoption of the agenda

The Seminar adopted the following agenda:

- i Opening of the Seminar.
- ii Election of officers.
- iii Adoption of the agenda.
- iv ESCAP/ILO project on promotion of non-farm employment among rural workers:
 - a. Presentation of the experience of five countries.
 - b. Presentation of a regional perspective.
- v Policies and programmes for non-farm employment: the experience of other countries.
- vi Discussion of issues related to the expansion of non-farm employment:
 - a. Macro-policy adjustments.
 - b. Role of public and private sectors, banking institutions and non-governmental organizations (NGOs).
 - c. Institutional aspects.
 - d. Regional support to national policies and governments.
- vii Conclusions and recommendations.
- viii Adoption of the report.

B. REVIEW OF COUNTRY EXPERIENCE IN THE PROMOTION OF NON-FARM EMPLOYMENT AMONG RURAL WORKERS

1. Documents and reports

The Seminar had before it the following documents, abstracted in Part Four, "Regional Synthesis": "Institutional framework for non-farm employment"; "Macro-policy adjustments for non-farm employment"; "Discussion of issues related to non-farm employment: regional support to national policies and programmes"; "Promotion of non-farm employment among rural workers:

regional synthesis"; and "Promoting rural non-farm employment: role of the Government and private sectors, banking institutions and non-government organizations". Five country papers were presented based upon pilot projects implemented by the ESCAP/ILO joint project, and re-printed here. In Part Two, Sri Lanka is presented as a success case, and Thailand as a mixed success case. In Part Three, country reports describe pilot projects in Bangladesh, Nepal, and the Philippines. In addition, selected country papers are reprinted here in Part Five: China; India; Indonesia; the Islamic Republic of Iran; the Lao People's Democratic Republic; and Viet Nam.

2. Summary of country reports

The salient points of the country reports are summarized in the following section.

(a) BANGLADESH

Bangladesh was one of the most densely populated and poverty stricken countries. The bulk of the population lived in rural areas, depending largely on agriculture. Of the total labour force, 65% were engaged in agriculture and agriculture-related occupations. Over one third of the labour force was unemployed, with most situated in rural areas.

The land-population ratio was 0.12 hectare cultivated land per capita. There was a group of underemployed in Bangladesh, a very sensitive group, consisting of small farmers, tenants, the landless and agricultural labourers. This group had no access to resources and were in fact becoming further marginalized from the main stream of development.

The Bangladesh project was designed to test the potential for this group to engage in income-earning activities of a non-farm nature. Two upzilas were selected, targeting four villages and 129 beneficiaries.



Cattle-rearing

Six types of income-generating activities were selected: petty business, poultry-rearing, rickshaw-pulling, beef-fattening, cattle-rearing and goat-rearing. Credit was advanced to the 129 families involved, which achieved an average yearly income of Tk 17,745 in Narsingdi and Tk 11,475 in Sakhipur, a result which was considerably above expectations. A large number of the participants in both the upzilas reported during evaluation that the objectives of an increase in income and an advancement in social status had been fully achieved.

Despite certain constraints and limitations, it was felt that the project should be replicated in other parts of the country.

(b) NEPAL

In Nepal, an experimental pilot project on the promotion of non-farm employment had been implemented in 1987, with the dual aim of alleviating the poverty of the rural poor and supporting national economic development. The ESCAP/ILO non-farm employment project was modest in extent when compared with the large and growing numbers of rural poor who had dwindling access to adequate rural employment opportunities. The specific objectives of the project included:

- i Increasing income through secondary non-farm activities;
- ii Helping strengthen the capacities of the rural poor to participate in social activities through group formation; and
- iii Delivering institutional credit facilities.

The evaluation study conducted on the project in 1992 had revealed that more than 60 per cent of the participants had developed self-confidence in dealing with matters within the



Group Formation

household and also with various line agencies for inputs, services and enterprise training. Considerable time and effort were required to initiate the process to empower the poor socially and economically through a continuous education programme.

The average recovery rate of project loans was about 80 per cent, which was quite high when compared with other banking programmes in Nepal, where the average was below 70 per cent. When considering the use of increased income generated by women in the project, they gave top priority to investments in the expansion of:

- i Income earning enterprises; followed by
- ii Children's education;
- iii Health; and
- iv Nutrition.

In addition, most of the women had proved equal to male involvement. Women strived hard for better prices as well as other achievements in marketing. Because of exposure to leadership roles during the training organized by the project, some females were now taking the lead in matters concerning health, children, preservation of the environment and community activities.

During the implementation of the project in Nepal, several innovative strategies and approaches had evolved which were noteworthy. The experience had shown that poor women could develop if given the opportunity. One path was through building rapport to establish mutual trust and confidence between the beneficiaries, followed by the identification of felt needs and local potential. This was complemented by teaching women to obtain inputs and services from the agencies associated with development. These steps are worth replicating in other areas of Nepal.

In view of the existing state of the economy of Nepal and the low status of the majority of the women, external assistance for several years would be very much welcomed. Such assistance, however, need not be large in dollar terms. Experience gained from the project indicated that such external assistance was essential only during the initial stage. The beneficiaries could gradually generate their own resources through improved production and marketing.

(c) *SRI LANKA*

(i) *Objectives*

The objectives of the project were:

- i To improve the living conditions of the rural poor by providing non-farm employment opportunities; and
- ii To create an institutional framework enabling the poor to promote and to participate in their own development.

(ii) *Project activities*

The process used to achieve these objectives included:

- i Creating awareness;
- ii Mobilizing resources;
- iii Pursuing self-help group activities; and
- iv Striving for social and economic benefits.

(iii) *Achievements*

The achievements of the project were the creation of gainful employment for the rural poor (840 employed at the end of December 1991). Eventually, the poor began to generate their own resources, such as group funds and the pooling of labour. Through this process, the poor were gradually freed from indebtedness. Accompanying these general achievements were:



Coir yarn making from coconut husks

- i Increased bargaining power;
- ii Access to resources such as credit and technology;

- iii Better utilization of income through collective consumer activities;
- iv The ability to take decisions and implement them;
- v Better relationships with bank and government officials; and
- vi Deeper understanding of their problems and potential.

(iv) *Management structure and training*

The management structure of the project was composed of three levels: small groups (95), which were grouped into regional confederations (10), which in turn were grouped into a single central organization.

Organizational and technical training was provided to group mobilizers, group members and technical personnel.

(v) *Constraints*

Constraints faced by the project included inadequate resources (finances, skilled people) and liberalized economic policies.

It was suggested that there should be a readjustment of government policies and programmes to ensure the sustainability of this kind of small project. In addition, in-depth studies analyzing the experience of the project should be conducted and shared. The project could be expanded to cover more beneficiaries.

(d) *PHILIPPINES*

The non-farm employment project was established in Antequera, Bohol, specifically in the barangays of Bantolinao and Angilan. Given the current levels of open unemployment and underemployment and the limited absorptive capacity of agriculture, as well as the expanding population in Bantolinao and Angilan, it was increasingly clear that non-traditional sources of employment must be promoted and/or expanded to complement agricultural development efforts and to supplement farm incomes.

(i) *Objectives*

The development objective of the project was to improve the standard of living of the target

group, consisting of landless artisans, agricultural workers and other rural workers living below the poverty line. It also aimed to assist the target groups in organizing themselves into functional groups based on feasible non-farm activities, through which they could generate improved employment and income.



Survey to identify those below the poverty line

(ii) Project phases

The project was divided into three phases. Phase I included the undertaking of a survey and a participatory workshop, followed by a group dynamics training programme for all participating agencies, which eventually resulted in the formation of two organizations: the Pundok ug Mansumnong Angilanon (PUMA Labourers' Group of Angilan), and the Hiniusay Mansumuo pa Bantolinao (HIMABA Labourers of Bantolinao). Phase II gave more emphasis to strengthening the two organizations and the provision of training to enable them to manage their basket weaving business by themselves. Phase III was devoted to evaluation and follow-up activities.

(iii) Strategic outcomes

The project generated the following strategic outcomes.

- i It increased the income of the members of the organizations, but did not contribute very much to the community as a whole.
- ii PUMA and HIMABA were thus functioning but there was a need to share their benefits with the rest of the community.
- iii PUMA and HIMABA were quite strong, but their business abilities remained somewhat weak.

- iv The training in organization and leadership formation was effective, but the training in business management was inadequate.
- v PUMA and HIMABA were at a development stage between that of a dependent organization and that of a sustainable and self-managed one.
- vi The concern for the advancement of women, the preservation of the environment and the contribution to peace and order were not well integrated into the overall objectives of the project.

(iv) Methods and strategies

The use of the following methods were believed to have contributed to the initial success of the project:

- i Encouraging people to have faith in themselves;
- ii Assuring strong commitment by the implementing agencies;
- iii The use of approaches suited to local needs and conditions;
- iv The participants' willingness to learn and to be assisted; and
- v The presence of a strong and cohesive core group.

Moreover, the following strategies had been employed and had contributed to the attainment of the project's objectives: immersion of the field workers on a full-time basis; application of the on-the-job training concept to training (interim credit scheme); pursuance of indigenous, collective activities that strengthened the groups; streamlining/simplification of project management structure and adherence to the participatory approach in community organizing with a certain degree of what is called in the Philippines "facipulation" (facilitation and manipulation).

(v) Replication

In terms of replicability, the process or method applied in the project was readily applicable in other projects. If the replication concerned a basket weaving project, care should be exercised to avoid possible competition with projects in other areas with the subsequent depletion of the sources of raw materials and the

possible saturation of the market demand for baskets. There was an opportunity to expand the project to cover other beneficiaries in Angilan and Bantolainao.

The Government financial institutions and NGOs played critical roles in the furtherance and generation of non-farm employment. There was, however, an urgent need for the diverse actors to coordinate and possibly pool resources. Their cooperation would enhance the capability of each of them to solve the complex issues and problems attendant on the common pursuit. Finally, concrete areas to strengthen regional and sub-regional cooperation were identified as follows:

- i Information exchange;
- ii Sharing of expertise and technology;
- iii Training and study tours;
- iv Collaborative regional research; and
- v Regional workshops and consultations.

(e) THAILAND

Many activities resulted in upgrading the standard of living of the rural people in targeted areas. Participants in the project have a revolving fund for investment purposes.

(i) *Coordinating groups in non-farm business*

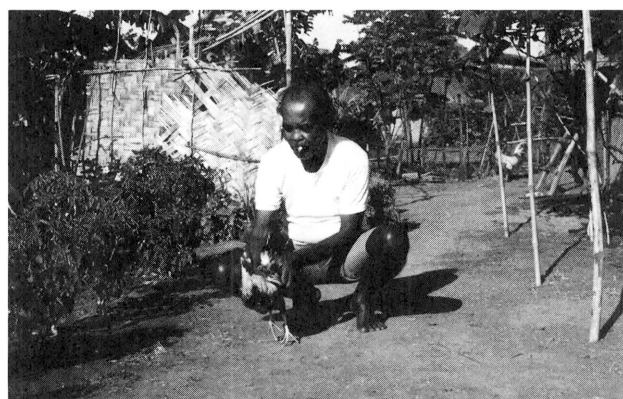
The project had led to the development of a "four coordinating policy" which included the four groups involved in non-farm businesses:

- i Farmers as producers;
- ii Government agencies as technical supporters;
- iii Financial institutions for funding support; and
- iv Private sector assistance for marketing.

(ii) *Selection of non-farm activities*

The success of the project was largely due to the selection of non-farm activities, project finance, training, government support and the participatory approach.

The selection of non-farm activities should be undertaken in consultation with external vocational technicians. It should be based on villagers' actual interests and needs. Selection should be reinforced by the similarity of income, economy and social status of the group's members. It should help the village to maintain the traditional way of life.



Income earning activities selected by the villagers

(iii) *Project finance*

Project finance should concern itself with the establishment of financial institutions for the poor and landless. These institutions should supply credit, contribute market information and help to analyze the costs and net returns of the project.

(iv) *Training*

Trainers should be qualified specialists in group training, project planning, management and technical specialization. The villagers concerned should be provided not only with the above skills, but also with basic knowledge of accounting and marketing.

(v) *Government support*

Government support should be concerned with:

- i Increasing the role of the private sector and non-farm employment activities;
- ii Increasing the efficiency of vocational groups;
- iii Establishing saving groups to be the centre of vocational development; and

- iv The participatory approach, through which the villagers controlled project activities and implementation, and which was absolutely essential to guarantee the success of the project.

(f) CHINA

The Government of China had launched a pilot project on the promotion of employment for the rural labour force. The main objectives of the project were to gather experience in non-farm employment by implementing the project on an experimental basis, and to share such experience with the rest of the country; to improve current legislation as well as policies governing rural employment; and to establish a network of employment in rural areas of the country. The Government of China would appreciate the assistance of international agencies in future implementation activities relating to the above programme.

The lessons learned from the ESCAP/ILO project were as follows.

- i The beneficiaries should not depend solely on the government for creating employment opportunities. While the government should offer assistance for this purpose, beneficiaries should take the initiative in employment generation.
- ii Skills training was critical to employment programmes.
- iii Employment programmes must be cost-effective.
- iv There should be flexibility in the adoption of ESCAP/ILO projects by different countries.



Skills Training was critical to success

It was further suggested that the project should be extended to cover China and that a seminar on non-farm employment experience should be held there. A regional plan for the promotion of non-farm employment should be developed at the regional level. A fund should be established to recognize and give publicity to rural people who were innovative in generating employment opportunities.

(g) INDIA

There was a great need to promote non-farm employment in view of the limited capacity of the agriculture sector to absorb rural labour, currently growing at a rate of 2 per cent. Approximately 80 per cent of the rural work force was employed in agriculture.

Two approaches to employment creation were through self-employment and wage employment. The Integrated Rural Development Programme (IRDP), the principal self employment programme, had adopted the strategy of providing income generating assets to the poor to enable them to become productively self-employed. Simultaneously, the Government had initiated wage employment programmes to provide wage labour at minimum wages.



Self employment

Various evaluation studies had identified a number of constraints and shortcomings, and concluded that only limited success had been achieved by these programmes. The major critique of the programmes was that they attempted to correct structural consequences without altering structural characteristics. The wage employment programmes would assume special importance in the wake of the macro-economic adjustment programmes introduced recently.

(h) *INDONESIA*

The Government recognized the importance of human resources development, particularly of the rural poor, in its Fifth Five Year Plan as a strategy for poverty alleviation. Under the plan, skills and vocational training were given strong emphasis. Special programmes for this purpose, known as "Integrated Area Development", have been implemented in Indonesia. Under these programmes, the loan requirements of rural communities were met, and they were encouraged to participate actively in the development process.



Rural communities receive government loans

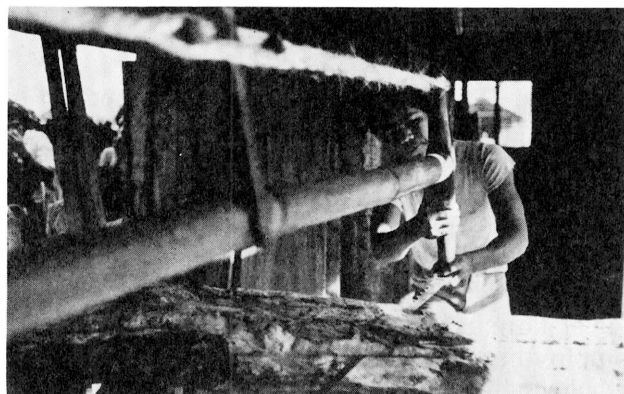
(i) *ISLAMIC REPUBLIC OF IRAN*

In the Islamic Republic of Iran, there was no major problem of rural unemployment. On the contrary, there was a dearth of manpower to farm the land. The problem of unemployment occurred in the urban sector, as a result of the large-scale migration of rural people. It was important to evolve macro- and micro-policies to develop the rural sector so that people would remain in rural areas.

(j) *LAO PEOPLE'S DEMOCRATIC REPUBLIC (PDR)*

In the Lao PDR, approximately 90 per cent of the population was dependent on agriculture for employment. The problem was that most of the farmers had work for only four or five months in the year. Thus, they were compelled to find supplementary jobs such as wood cutting for saw mills, firewood cutting for sale, manufacture of handicrafts or hunting. The most urgent need was to develop appropriate skills in the above areas of activity. There was also good potential for exporting handicrafts, and in this respect, rural women particularly were in need of skills development. Employment generating activities

in the rural sector would check migration to urban centres. There were few successful small scale projects being implemented in Lao PDR, but many of those that were successful were run by women's organizations.



Wood cutting

(k) *VIET NAM*

Viet Nam had adopted a number of strategies for non-farm employment. These included:

- i Promotion of small scale industrial products;
- ii Development of productive service systems;
- iii Development of industrial crops;
- iv Introduction of biotechnology; and
- v Restoration of traditional occupations.

The Government has already initiated a programme to reclaim land for the improvement of infrastructure in rural areas. Programmes had been launched for vocational training, credit funds and for the re-integration of asylum-seekers.

The Government was in the process of evolving policies for land utilization and for taxation in relation to non-farm employment.

A major constraint on the promotion of non-farm employment in Viet Nam was the absence of a good database relating to this area of activity.

C. ISSUES AND CONSTRAINTS

During the presentation of the country papers and the discussion that followed, certain

common issues, noted below, were highlighted by the participants.

The Seminar expressed the view that the ESCAP/ILO non-farm employment project might be replicable in any part of the region. In each of the five participating countries, the government policy formulators, implementing agencies, and the beneficiaries themselves, were prepared to launch new projects and to expand the scope of existing projects to cover more people and new areas. In this process, the seminar felt that the following factors should be taken into account:

- i Previous experience in community development activities and the availability of workers/organizers who could live with the people and motivate them to form groups;
- ii Identification of target groups and areas through detailed surveys and finding out the people's own perception of their problems and needs and approaches to catering for these;
- iii Their response to group action;
- iv Participatory and informal forms of group action, emanating from the targeted beneficiaries;
- v Availability of credit and the system of loan disbursement;
- vi Project organization, management, coordination and mutual understanding between government agencies, local officials, village leaders and field workers;
- vii The appeal of an integrated approach and perspective covering not only income generation, but also improving the overall socio-economic environment through group action; and
- viii Homogeneity and cohesiveness, common traditions, and existing skills and trades that could be upgraded should be taken advantage of.

The role of the political leaders and the support, or lack of it, at both national and local levels came up repeatedly during discussion. These would largely determine the macro-policy adjustments and the government's role and cooperation at the macro- and micro-levels. The Seminar felt that the role of the government should be more supportive than regulatory in nature.

Similarly, the role that the NGOs could play (and had played in the past) emerged as an issue. The consensus was that there was no conflict between the role of the government and the activities of NGOs. They could supplement each other in non-farm, income generating activities and further build up and strengthen local leadership and group formation through the participatory approach.

The participants identified many constraints that they faced during the implementation of the non-farm employment project in their respective countries. Most of the constraints were common in the region and called for attention and redress.

1. Finance

Lack of capital and access to commercial banks or institutionalized credit was a major handicap. The capital requirements in most activities were still beyond the means of most operators in the sector. Insistence on the provision of collateral in some cases and high interest rates or services charges in other cases were general complaints.



Access to the commercial credit system

2. Materials

Small producers could not obtain quality materials locally at reasonable prices. Many small producers had to depend on supplies from outside, usually dominated by the big producers.

3. Skills

A particular problem that affected the rural non-farm sector was the high turnover of skilled labour in rural areas. The current capacity of governmental and non-governmental agencies for skill development was inadequate, and the impact that they had on manpower development was small.

4. Training

Training had a crucial impact on group activities. Training to impart new skills, in marketing, account keeping, group dynamics and leadership training, were all critical to the success of the project. Some of the skills needed to be upgraded or modernized and raised to higher productivity levels; those skills which were obsolete needed to be replaced by new ones; and the scope for other skills needed to be expanded by finding solutions to problems related to marketing, inputs and finance.

5. Organization

Organization of both the project and the beneficiaries were important, and both posed problems which were discussed at the Seminar. The point underscored was that lack of coordination and cooperation among the various agencies involved threatened the groups' activities.



The group organization is essential

D. OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS

1. Macro-policy adjustments

The seminar noted that it was in the interests of all concerned that programmes for non-farm employment should be developed for disadvantaged groups. It felt that continued marginalization of these groups in the development process could have undesirable consequences. The Seminar strongly urged that emphasis should be placed on non-farm employment creation, as it could be used as a potent strategy for poverty alleviation.

The Seminar observed that it was not possible to sustain non-farm employment programmes unless a conducive policy

environment was created by governments through macro-policy adjustments.

The Seminar expressed concern that although the larger modern industries were acknowledged to be the major generators of non-farm employment, the benefit of such employment might sometimes be at the expense of those employed in traditional rural crafts. Furthermore, the Seminar noted that although industries were acknowledged to be the major generator of non-farm employment, unless properly handled, they could have an adverse effect on the welfare of those employed in the long term.

The Seminar noted the need for the creation of agriculture-industry linkages through the process of adding value to products, with a view to increasing employment opportunities.

It noted that there were vast possibilities for creating non-farm employment opportunities in the land settlement schemes.

The Seminar recommended that governments should take cognizance of the impact of import and pricing policies on the employment situation.

It recommended that special employment programmes focusing on poor and disadvantaged groups should be organized, in addition to other programmes. Furthermore, it recommended that self employment and wage employment programmes should be pursued concurrently.

The Seminar observed that constraints of limited access to capital for rural people was inhibiting the pursuit of non-farm employment opportunities, and recommended that governments should evolve sound credit policies to extend institutional credit to the poor.

2. Role of the government and private sectors, banking institutions and non-governmental organizations

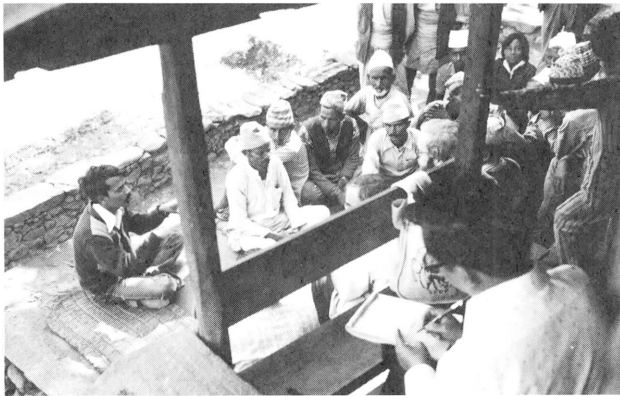
The Seminar noted several constraints on both the supply and the demand side of non-farm employment opportunities. It was necessary for governments to focus more on effective demand-side policies, such as creating favourable price policies. It was noted that, in the absence of increasing demand for non-farm products, promotion of non-farm employment through supply-side policies would become largely

ineffective.

The Seminar noted that land reform, and expansion of markets for non-agricultural goods, through demand linkages with the private sector, could be effective in improving non-farm employment opportunities. The private sector played an important role in this regard.

It was noted that NGOs played a useful role in the promotion of livelihood projects among target groups which covered non-farm activities.

The Seminar recommended that, in view of the inadequacy of the formal banking system to meet the needs of small borrowers, innovative strategies such as group lending and peer supervision should be adopted to expand the institutional lending programme for the poor.



Local money leaders impose high interest rates

3. Institutional aspects

The Seminar noted the insufficiency of the non-farm employment dimension in some country development plans. This concern was not often taken into account in the development-related government programmes. Non-farm employment programmes were implemented outside the context of the national development plans and programme.

The Seminar stressed the need for non-farm employment opportunities to be identified and matched with available skills and resources.

There were still many opportunities for farm and non-farm employment in areas such as the manufacture of simple machines, tools and equipment, the adoption of new technologies, and the conversion of biomass for energy purposes.

The Seminar stressed the need for training programmes to be sensitive to the demands for skills for non-farm employment.

4. Regional support for non-farm employment

The Seminar strongly recommended that the information generated by the project, as well as other information relating to non-farm employment, should be stored by ESCAP and disseminated by macro-planners, rural development practitioners, NGOs and other concerned parties. Video films depicting related success stories should also be distributed as an effective medium for passing on information.

The Seminar suggested that the member countries should initiate suitable proposals to ESCAP for Technical Cooperation among Developing Countries (TCDC) exchanges, and requested ESCAP's assistance in this respect.

The Seminar requested ESCAP and ILO to provide technical services to the member countries in the formulation of projects for non-farm employment generation.

The Seminar recommended that an inter-agency project should be initiated among ESCAP, ILO, United Nations Educational and Scientific Commission (UNESCO), World Food Programme (WFP), and UNDP, to promote non-farm employment on a wider scale in the region.

5. Related concerns

The Seminar noted the advantages of a holistic approach to non-farm employment generation, which would encompass primary education, health care, sanitation and nutrition as well as the development of physical infrastructure.

The Seminar expressed the need for continued support to the agricultural sector, which would lead to an increase in the purchasing power of people, and create market outlets for non-farm employment products.

The Seminar noted the immense potential within the agricultural sector for expansion of non-farm employment opportunities through:

- i Labour-intensive crop production and livestock and fisheries development; and

ii Integrated farming systems and diversified agriculture.

The Seminar strongly recommended the adoption of a participatory approach in implementing non-farm employment projects. At the field level, government functionaries should play the role of facilitators.

While commending ESCAP and ILO on having initiated and supported the non-farm employment project, the Seminar strongly recommended that the joint project should be expanded in the five participating countries. ESCAP and ILO were urged to continue their support for the project.

The Seminar further recommended that similar projects should be replicated in other countries of the region, especially those represented at the Seminar. ESCAP and ILO were requested to provide the necessary assistance in this respect.

The Seminar expressed deep appreciation for the generous Netherlands financial assistance to the ESCAP/ILO non-farm employment project. It strongly urged that further assistance be provided by the Netherlands for expansion and replication of the project. The Seminar further requested other donors and international agencies to provide financial and technical assistance for similar non-farm employment activities.

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Part Two

**PILOT PROJECTS:
MORE SUCCESSFUL COUNTRIES**

I. SRI LANKA: A SUCCESS CASE IN NON-FARM EMPLOYMENT PROMOTION¹



Sri Lanka – A non-farm employment success case

Sri Lanka is presented as an example of success in non-farm employment promotion, and deserves careful analysis as a paradigm for potential extension and replication.

A. INTRODUCTION

While achievements on the social front have been impressive, the heavy investment in social welfare activities has resulted in governments being unable to implement meaningful development projects which could generate employment for the increasing population. Since 1977, priority has been given to economic growth and employment generation, and the economy has been liberalized and opened up for private enterprises with attractive incentives for foreign investment, but recently, some development projects have been curtailed, as a result of social disturbances and the diversion of resources to

fight terrorism.

Today, the majority of the people remain poor, and more than 60 per cent of the population live in rural areas, depending mainly on government welfare assistance and the Janasaviya.² Small land holdings make earning a living from agriculture difficult, and opportunities for non-farm employment activities are rare in rural areas.

B. NON-FARM EMPLOYMENT PROMOTION PROJECT (NFEP)

Rural development remains the paramount responsibility of the State, and the Rural Development Training and Research Institute (RDTRI) of the Division of Rural Development, Ministry of Plan Implementation, implemented the project (see Annex I).

1. Objectives

The main objective of the project was to create opportunities for off-farm employment, and employment for the rural poor.

Primary objectives were:³

- i To improve the living conditions of the poor by providing adequate non-farm employment opportunities; and
- ii To create a viable institutional framework enabling the poor to promote and participate in the development process.

2. Project components

The project was viewed as a continuous process and included:

- i Village survey;
- ii Village and national workshops;
- iii Awareness raising and group formation (see Annex III);
- iv Resource mobilization;
- v Technical training;
- vi Income generating activities; and
- vii Economic and social benefits.

3. Strategy⁴

A process of catalytic intervention was employed, whereby group mobilizers played a key role to:⁵

- i Create awareness among the poor of their problems and potential.
- ii Capitalize on this awareness to help them organize themselves into small groups to initiate collective action (see Annex III.).

This is similar to the Change Agent Programme (see below).

(a) Change Agent Programme (CAP)⁶

CAP has the following main characteristics:

- i The programme is confined to the poor in rural areas.
- ii Emphasis is placed on raising awareness amongst the poor to a high degree.
- iii Organizational capacity is promoted by means of the formation of small groups (see Annex III.).
- iv Self-reliance is promoted and dependency minimized.

(b) Major steps in the intervention methodology

- i Selection of villages, and identification of target groups.
- ii External intervention of a catalytic nature, and informal building of rapport with the people.
- iii Creating awareness of problems and potential, and stimulating the building up of their own organizations.
- iv Mobilizing them to generate their own resources, and to improve access to outside resources.
- v Encouraging the use of appropriate technology.

4. NFEP Phase I

(a) Project site

The experimental Phase I of NFEP was initiated in two villages of Hambantota district in 1985.⁷ The villages had an agricultural base and were selected after a detailed study of eight villages in the district.⁸

(b) Mobilizers and group activities

Three mobilizers were employed in this experimental phase, under the guidance of a National Coordinator, who was the Director of RDTRI (see Annex II.). As a result of their intervention, ten informal groups of poor people were formed (see Annex III.), and members of the groups undertook a wide range of collective activities (see Annex IV.):

- i Making of coir yarn (see Annex VII.);
- ii Collective purchasing of consumer

- goods and distribution amongst members;
- iii Collection, weaving, and sale of cadjans;
- iv Production of local sweetmeats;
- v Exchange of labour for the improvement of home garden cultivation;
- vi Building up of group funds (see Annex V.);
- vii Granting of short-term loans from the group fund to its members;
- viii Rice saving schemes; and
- ix Religious activities.

In addition to the promotion of income generating activities, group members were provided with training in nutrition, family planning, etc. As a group, they were also able to obtain services provided for the construction of latrines, and subsidies for coconut cultivation. The close links they established with government officials were very helpful in achieving their objectives.



Making of coir yarn

5. NFEP Phase II

With the success of Phase I, Phase II was commenced in Galle district in 1987, and the activities were taken over by the Social Mobilizer Component of the Integrated Rural Development Project (IRDP) in Hambantota (see Annex II.).

(a) Project site

Based on a village survey, four villages were selected:

- i Gorakagasbokka;

- ii Kekillamandiya;
- iii Imbulagoda; and
- iv Katudampe.

These villages differed from the Phase I sites, in that they were not entirely in an agricultural setting, and coir braiding was already a traditional cottage industry.⁹ The villages were highly populated and suffered problems arising from poverty: scarcity of land; unemployment and under-employment; malnutrition; and inadequate health facilities.

(b) Village survey

(i) Common problems of the coir industry

The survey identified the following common problems:

- i Low investment, as a result of non-availability of capital to purchase raw materials, and resulting low production and income.
- ii Low income as a result of poor quality, unfair marketing systems, lack of knowledge of marketing systems, and the lack of suitable marketing facilities.
- iii Indebtedness to money lenders and traders, and the high rates of interest charged by them.
- iv Village traders fixing prices lower than the market prices, as a result of the system of buying consumer goods and settling dues in kind (coir products).
- v Individual rather than group efforts to overcome the problems of procuring raw materials and limitation of products to the traditional type of coir yarn.

(ii) Indebtedness and dependency

Loans were taken not only for production purposes, but also for consumption, sickness in the family, etc. Indebtedness to money lenders and to traders was one of the major causes of poverty and deprivation, and on a repeated basis, this leads to dependency, and one of the main tasks of the mobilizers was to free the coir yarn makers of this dependency.

(iii) *Mobilizers and group activities*

The eight mobilizers were able to form 23 groups, involving 260 women, with funds of Rs. 6,695 (see Annex III.). Activities were expanded into 14 villages around the four project villages, and the following were initiated:

- i Weekly group discussions on the problems and issues concerned;
- ii Contribution of membership fees to the group fund.
- iii Giving and recovering short term loans from the group fund;
- iv Exchange of labour for production and social welfare purposes;
- v Collective purchase of consumer goods and raw materials (husks);
- vi Collective selling of coir yarn; and
- vii Home gardening.



Weekly group discussions

(c) Statistical summaries

Table I.1. End of February 1988

Village	Mobilizers	Groups	Members	Fund (Rs.)
Katudampe	2	4	61	2,457.50
Kekillamandiya	2	6	64	1,410.55
Imbulagoda	2	6	73	1,604.35
Dodanduwa	2	7	62	1,222.50
Total	8	23	260	6,694.90

Table I.2. End of December 1988

Village	Mobilizers	Groups	Members	Fund (Rs.)
Katudampe	2	9	89	34,918.95
Kekillamandiya	2	10	95	19,103.60
Imbulagoda	2	13	122	33,311.65
Dodanduwa (Goragakasbokka)	2	8	70	19,349.85
Total	8	40	376	106,684.05

Table I.3. End of December 1989

Village	Mobilizers	Groups	Members	Fund (Rs.)
Katudampe	1	9	69	41,360.50
Kekillamandiya	1	7	57	28,355.25
Panvila	1	5	39	12,066.35
Imbulagoda	1	10	74	45,403.40
Anhandiya	1	5	44	5,203.00
Goragakasbokka	1	8	50	20,320.70
Welikanda	1	5	42	7,218.90
Total	7	49	375	159,928.10

Table I.4. End of December 1990

Village	Mobilizers	Groups	Members	Fund (Rs.)
Katudampe	1	7	51	36,054.00
Kekillamandiya	1	7	46	36,038.00
Panvila	1	5	30	14,982.75
Imbulagoda	1	9	86	50,160.00
Anhandiya	1	5	40	4,963.00
Welikanda	1	7	50	13,007.00
Total	7	40	303	155,204.78

(d) *Setbacks*

The good progress in 1988 was not maintained in subsequent years. There were 44 groups with 398 members at the end of 1988. The number of groups increased to 49 at the end of 1989, but the number of members decreased, and 1990 did not see a favourable change. In this period, some groups have collapsed, and others emerged, the civil disturbances being unfavourable to such participatory development programmes, and to project coordination and supervision.

However, the economic activities of most groups were not severely affected, indicating the effectiveness of project methodology.

(e) *Dynamic phase*

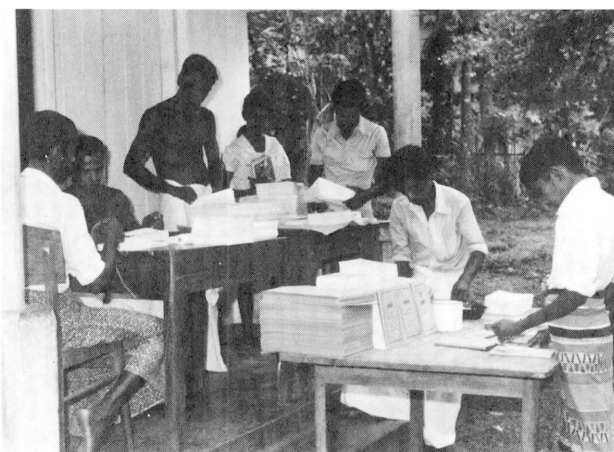
Since January 1991, there has been considerable progress, with 90 groups consisting of 827 families for the period July to September 1991. Group members were able to increase their income and assets substantially through their collective efforts, and the group fund stood at Rs. 203,498.¹⁰

Five regional organizations interacted with three banks and were able to obtain Rs. 362,000 for 98 members to expand their income generating activities. The group cohesiveness and group fund helped them to impress bank authorities to obtain their credit requirements, and, as a regional organization, groups were able to build up their links with large companies such as Heleys. Transactions with Heleys helped them sell their products in bulk and get stable prices, as well as to carry on their work in the off season with coir fibre provided by the company.

The Divisional Secretary of the area was impressed by the group activities, and provided Rs. 38,000 to purchase coir machines, encouraging the groups to further action.

(f) *New income generating activities*

A number of groups began new income generating activities, such as the production of Maldive fish, exercise books, and straw hats. Exercise book manufacture in Imbulagoda alone has been able to provide regular employment for 25 group members, and the success inspired the Provincial Council to offer Rs. 500,000 for new machines and power supply to expand activities in the industry.¹¹



Exercise book manufacture

(g) *Training*

Training was critical to the project and there were three components.¹² The training methodology adopted was participatory.

(i) *Training of mobilizers (Change Agents)*

The success of the project largely depended on sensitized and committed mobilizers, and therefore priority was given to training eight mobilizers to undertake the complex task of mobilizing the poor towards self-reliant development during 1991. Programmes were based on analysis of development experience in village society:

- i Analysis of the impact of past and on-going development programmes, and causes of failure to reach the poor.
- ii Understanding of social and physical realities, through direct exposure to the village situation, power structure, exploitation, etc.
- iii Acceptance of the inability to reach the poor through existing village level institutions, and the need for an alternative strategy to overcome their problems.

(ii) *Training of group members*

Group members were selected and given residential training, enabling them to learn from their own experience and continue their tasks on their own.

(iii) *Technical training*

Key factors in the technical training were:

- i Increasing the quality and quantity of production.
- ii Assistance in starting new income generating activities.
- iii Use of appropriate technology to maximize scarce resources.

6. Organizational structure

The Director RDTRI, as National Coordinator, was responsible for overall coordination, and field activities came under a field supervisor appointed by the Director, although recently these roles have changed. Activities were managed by members through groups confederated into 10 regional organizations with one central body, with responsibility to support weaker groups.¹³ Each regional organization had a sub-committee, selected by members, to assess financial, production, and welfare needs.

Both groups and regional organizations had funds. The latter made their own plans to assist their member groups in providing raw materials, financial assistance, funeral aid, etc. Neither groups nor regional organizations had offices such as Chairman or Treasurer, and, perhaps a unique feature, responsibility was shared. Membership of regional organizations and committees was rotated.

Representatives of all groups met on the last day of the month to form the central body, to discuss the role of the regional organizations, larger issues such as health and housing, and to exchange experiences.¹⁴ Government and bank officials were often invited to attend meetings.

C. BENEFITS OF THE PROJECT

Although difficult to quantify, the benefits may be summarized as follows (see also Annex I):¹⁵

- i Gainful employment for over 800 members and their families, and increased production and income through regular activities (see Annex VII.).

- ii Greater freedom from indebtedness, and less dependence on traders and money lenders, through group funds and personal savings, and increased bargaining power with power groups.¹⁶
- iii Access to external resources, such as credit and technology, leading to expansion of activities (see Annex VI.).
- iv Reduction of production costs through collective efforts, especially exchange of labour, and better prices for products through collective marketing.
- v Building of own funds and organizational structure, and better use of income through consumer activities.
- vi Deeper understanding among poor producers of their problems and situation, and better relationships with village level government officials and politicians, and bank officials.
- vii More linkages between similar groups, unity among members, and ability to take decisions, and to manage their own affairs.
- viii Increased social status.

The success of the project is indicated by the expansion from two villages in 1985 to 33 in 1991, and the demand by neighbouring villages to be involved. Furthermore, the commercial banks were impressed by the project, and have encouraged poor producers to organize themselves into groups, before applying for assistance such as credit.

The womens' role was crucial to success.¹⁷

D. CONSTRAINTS ON THE PROJECT

The project suffered a number of constraints:

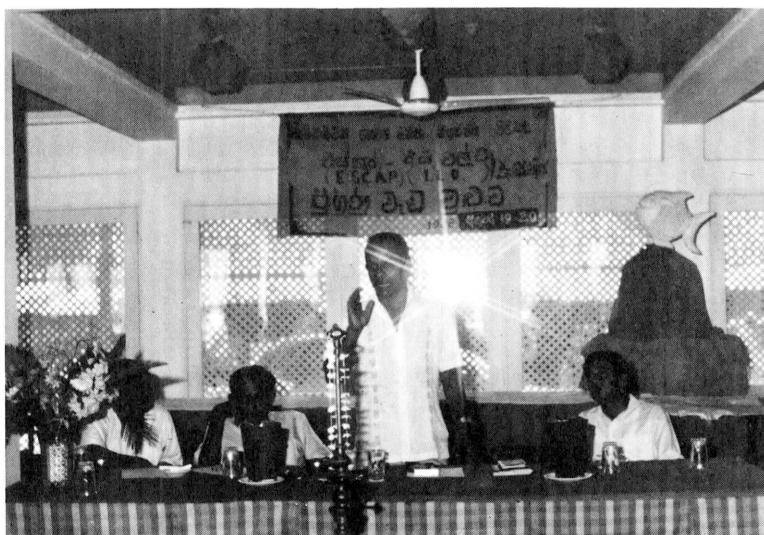
- i Difficulties in obtaining raw materials throughout the year, and the limitation of activities primarily to coir string braiding, owing to limited resources in the area.
- ii Resistance to the diversification of existing, or the introduction of new, activities.
- iii The adverse effect of macro-level policies on indigenous production.

- iv The extensive use of sophisticated machinery, minimizing the demand for manual labour.
- v Wastage from groups owing to marriage, finding a permanent job, etc.

E. REPLICABILITY OF THE PROJECT

There appears to be a good chance of replicating the project.¹⁸

- i The Government has initiated a national poverty alleviation programme called Janasaviya, based on the principles of self-reliance and participation, key factors in the success of this project.
- ii There is strong Government commitment to this type of project, particularly at the Divisional Secretary level.
- iii The success and impact of the project facilitates replication.



Government commitment is essential

F. RECOMMENDATIONS

- i In view of the impact of the project on the economic and social standards of the poor, it should be extended to all the villages under the Hikkaduwa Divisional Secretary, and to other Divisions with purely agricultural environments.
- ii More attention needs to be given to diversifying existing activities, and to exploring new income generating activities.
- iii Existing groups need training in small entrepreneurship development, and accounts.
- iv Groups should be encouraged to further utilize bank facilities, and to expand existing activities.
- v ILO/ESCAP and RDTRI management should take care to document the experiences of group and regional confederation activities.
- vi An in-depth external evaluation of the methodology and achievements of the project should be undertaken.
- vii The project should incorporate more social welfare services, especially in respect of health and sanitation.
- viii Since the success of the project largely depends on the resources of members, action should be taken to foster both personal and group assets.
- ix The training of potential mobilizers and group members should be given high priority, anticipating the future withdrawal of the RDTRI management.
- x National policies should be adjusted to ensure the sustainability of this type of people-based project.

Annex I. Major features of the Pilot Project¹⁹

The major features of the Pilot Project, with its emphasis on self reliant development, are easily identified. They are:

- i Mobilization of the villagers to initiate remedial action relying, on their own capacity and resources, through awareness of creating and training, enabling them to identify the development problems affecting them.
- ii Utilization of the resources and skills available within the community, to enhance the capacity and capability of the poor people, and put them to productive use.
- iii Improving group cohesiveness among poor people, and development of more positive attitudes for collective action among them, as a prelude to improving their socio-economic conditions.
- iv Improvement of credit facilities and the financial position of the group, by inducing the people to save.

- v Encouraging the people to look for new avenues of production, by providing technical know-how and information.

Among the highlights of the Project are the kindling of the community spirit, the fostering of a sense of awareness among the rural people that they are possessed of the capacity to take decisions and choose a course of action without being circumscribed by external forces or influences. Project activity, particularly in betel cultivation and coir making, would suggest that these rural people have broken away from the bondage of dependence on outside institutions and individuals, unequal partnership, and exploitative relationships. The saving habit has minimized their dependence on the money lender, and in two villages at least, the money lenders have gone completely out of business. This must be reckoned as a major achievement, for in rural Sri Lanka, many villagers believe in the magnanimity of the money lender, and they regard him as a source of security to whom they owe a debt of gratitude for services rendered - his predatory and distrustful ways are taken as a matter of course, for the money lender is also a fellow villager!

Annex II. Role of the Social Mobilizer²⁰

The three social mobilizers selected for the project (male - 1, female - 2) were knowledgeable in the techniques of participatory development activity at the rural community level. They resided in Walalhakumbura and worked in both villages. They visited individual households in both villages, and within a month or so, they built up a strong and endearing relationship with many of the target families. They addressed their mind to the social and economic structure of the villages, while continuing to maintain their relationships with the villagers through informal discussions with individuals, socializing with them, and sharing with them their hour of happiness and their moments of grief. They also identified members who were sensitive to the problems of rural poverty, who would eventually play the lead roles in the new community experiment.

At the group discussions with villagers, which became more frequent with the passage of time, these social mobilizers attempted to sensitize the community and draw their attention to the besetting social and economic problems that the villagers faced in their day to day living. These deliberations were designed to:

- i Improve the awareness among group members of the nature and reasons for poverty in the village.
- ii Mobilize them to identify solutions, implementation procedures, and constraints, if any.
- iii Sensitize the members, change their sense of values, attitudes, and, in the course of time, build up self reliance and self esteem.
- iv Develop a more positive attitude towards cooperation amongst themselves, with a view to improving their social and economic standards.
- v Mobilize the groups to identify and undertake self reliant, sustainable economic activities, which would in turn give them the requisite confidence to continue such activities without much external support.

The social mobilizers in the programme were drawn from the same social and economic strata as the group members. This was a major contributory factor in building up intimate and friendly relations with the target group families.

Annex III. Group formation and performance²¹

The social mobilizers were able to form three women's groups by the end of December 1985. Most of the group members did not have any clearly identified economic activity. A few of them were occasionally engaged in the weaving of cadjans, while the majority were unemployed housewives. As soon as the consensus was established for collective action among the group members, they embarked upon a group savings fund on a very modest scale as a solution to their indebtedness to the village money lender. Simultaneously, they continued their group discussion for a more enduring solution to the problems of low income and unemployment. Through this process, they were able to identify a few economic activities, and undertook them on their own initiative on a modest scale.

The organization of small and informal producer groups was an important feature of the project. The largest group consisted of 12 members. Group discussions, which were warm and friendly, were held at the residence of a group member. All group members, therefore, felt free to talk and exchange ideas and opinions frankly. These groups are not registered with, or supervised by, any government agency: each group has its own rules, regulations, and norms, according to the specific requirements of the members.

In addition to the three groups already in operation, a male group was formed. The members of this group were semi-skilled in different trades and worked in the outlying villages. Whilst they continued to be engaged in different trades, brick making was begun as a group activity, as a prelude to the formation of a well knit and cohesive group. Their level of expectation was high, and they were optimistic that financial assistance would be forthcoming as soon as the group was formed. Their hopes were shattered when no such financial assistance was available, and the disappointed members disbanded the group. It must be mentioned that the members of this group worked primarily outside the village, and therefore did not have the opportunity to meet each other regularly. In addition, there were no common issues on which

discussion could be focused, as their economic activities were so diverse.

The social mobilizers have made several other attempts to form male groups in the villages, but with little success. A farmer's group required substantial cash at the commencement of each cultivation season to purchase their inputs. They could not wait the period of time it took to accumulate group savings in order to satisfy their credit needs, and were not, therefore, keen on building up their own savings fund. A second group expected a substantial loan to finance poultry farming on a moderate scale. To date, it must be said that the experience of forming male groups in the two villages has been less than successful.

Apart from the three women's groups, several other groups were formed during the last two years. Today, there are eight active groups in the villages, comprising six women's groups, one male group, and a mixed group. However, the male group is primarily directed and guided by the wives who are members of another production group.

From experience in this phase, it takes at least six months to build a viable and cohesive group, and there is a high rate of membership turnover during the initial stages of group activity. Reasons for this include:

- i Many members participated in the initial discussion with expectation of immediate benefit.
- ii Many people drop out of the groups as they are not satisfied with the scale of operations and the pace of activities.
- iii Some member drop out because of failure to make contributions to the weekly savings fund.
- vi Highly capable members tend to leave a group, where there are marked disparities in the individual capabilities of the members.

Annex IV. Income generating activities²²

There are five types of income generating activities pursued by group members in the two villages. While cadjan making was a pre-existing activity in both villages, four new activities were initiated under project auspices. Three more activities (manufacture of soap, mattresses, and sweetmeats) were tried without success.

Key points relating to each of the activities are summarized below.

1. Successful activities

(a) Brick making

Initial progress was slow owing to:

- i Lack of experience and requisite skills;
- ii Lack of adequate assistance from male members of some families in the completion of difficult tasks;
- iii Lack of time available for members to work collectively; and
- iv Lack of equality in labour contribution from the family members of the group.

A system of part family and part collective work was more productive than the initial fully collective system. By working for 10-12 days in a 20 day period, the groups were able to produce 20,000 bricks, and with intensification of building construction work, and access roads to the kiln yard, demand has increased and marketing does not pose a problem.



Brick making

(b) Copra processing

Instead of selling the few coconuts, which are the plucker's entitlement in addition to wages, coconuts were collected, and an improvised oven used to process copra. At the same time, a group savings fund was built up by undertaking other employment and some IRDP 'seed money', and the fund was used to redeem 'mortgaged' coconut trees, and to lease further trees.

At the time of writing, the group was fairly stable with a regular supply of fresh coconuts for processing from purchase as well as the other sources mentioned. However, difficulties included:

- i Small group size leading to difficulties in achieving economies of scale;
- ii A long period was required to collect sufficient coconuts for copra processing, creating liquidity problems for the group fund; and
- iii The group was not able to compete with the well established copra producers in the area.

(c) Betel cultivation

This was a new crop to the area and more than 50 per cent of the 15 members failed owing to a prolonged drought. The four successful members were able to save Rs. 20-25 per month on the family purchase of betel, as well as earning about Rs. 20-25 per month on sales. Betel cultivation holds out the promise of being a good home garden crop for the near landless families.

(d) Coir making

30 members of six groups were involved in coir making. The groups were able to purchase seven hand operated coir machines with group funds and IRDP seed money, and to repay the fund from their monthly earnings, as there is a high national demand for coir yarn made out of white fibre.

Difficulties were similar to those encountered by the brick makers, and the coir

workers found the best system was to purchase and transport the raw material collectively, but to make the yarn on an individual basis, with labour exchange among family members providing the three people required to operate a machine. There is no labour contribution from men in coir work, as they consider it a lowly and unremunerative job.



Collective marketing of coir yarn

(e) Cadjan making

This is a traditional source of income, and is a seasonal activity, reaching its peak in the rainy season. There is a ready market, but, over the years, cadjans were sold to middlemen at low prices. The 31 members were able to negotiate bulk sales of their product to wholesale dealers, as well as re-sale of cadjans purchased with the group fund. Direct sales to the Salt Corporation have also been established, and the transport

costs involved have proved justified.

Group cohesiveness and self confidence, gained through the project, have enabled them to deal directly with traders, rather than being dependent on middlemen, and to sell their production at very much higher rates than they were accustomed to.

2. Unsuccessful activities

The production of mattresses faced the following limitations:

- i Need for a special sewing machine at substantial investment;
- ii Requirement for large quantities of fibre at heavy initial cost;
- iii Local demand was limited, and transport to distant markets involved heavy costs; and
- iv Stiff competition from established firms.

Soap production required an initial investment capital of Rs. 25,000 if it was to be run as a profitable venture, and this was beyond the means of the group.

Attempts at making milk toffee (sweetmeats) failed owing to high production costs, and a market already saturated with such products.

Annex V. Savings and the group funds²³

The savings habit is not well established among the rural people of Sri Lanka. The most distinctive feature of this programme was the inducement for participants to save money, and contributions to the group fund symbolized members' commitment to, and participation in, group activities.

1. Contributions

The amount contributed to the group fund depended on the individual's saving capacity, the type and range of economic activities engaged in, group cohesiveness, and the group decision on this issue. The eight production groups with a membership of 62 built up funds totalling Rs. 11,979 during the one and a half year period.

Groups commenced their operations with a saving of Rs. 2.00 to 5.00 per week, and raised it to Rs. 2.50 to 10.00 during the project. Contributions were initially collected in kind (cadjans for example) on a weekly basis, at the weekly discussion, with the exception of one group. Collections in kind helped to ease the women into the saving habit, and to avoid the difficulty of asking their husbands to finance.

2. Group savings

Total group savings in the two villages increased from Rs. 11,979 to Rs. 16,497 through productive investment. One group suffered a decrease in group fund owing to a loss incurred in cadjan sales, but all other groups strengthened their fund through the following activities.

- i Lending of savings to group members and outsiders (savings accrued from undivided interest income).
- ii Savings of profits generated by joint income earning activities.
- iii Saving of profits from consumer services (sale of group purchased consumer items).

Six of the groups had a 'seetu' fund using, rice for contributions. Half of the weekly collection was given to a member for domestic consumption, while the remaining participants

received a similar amount when their turn came. The balance was pooled, sold after several weeks, and the proceeds shared equally.

The outstanding feature of the seetu system, and consequently the reason for its popularity and success, is the fact of local control and responsibility in the allocation of seetu money, leading to the promotion of the savings habit. Each group enlists for its membership fellow villagers with like interests, similar financial resources, and common forms of employment and social standing.

3. Common fund

The two villages have established common funds in bank accounts to finance economic activities which need to be undertaken on a cooperative basis to achieve economies of scale. The fund was used:

- i To meet expenses and absorb losses of economic activities common to all production groups.
- ii To grant loans to groups.
- iii To cover social events common to the village.

Transactions amounting to Rs. 40,394.75 took place in a sixteen month period.

4. Money lending

All groups except one were involved in money lending, one group lending to outsiders only, and three groups lending only to their own members:

- i An amount equal to a member's savings could be borrowed without collateral at a rate of five per cent per month, compared with a money lender's rate of 20 per cent per month.
- ii Four groups provided credit facilities for outsiders at a rate of 10 per cent per month. Some form of collateral was required, such as a member's pledge or valuable article.

5. Group purchases (consumer service)

All groups engaged in this to reduce costs, and keep a small profit margin for the group fund.

One group had opened a shop in a member's house, and goods were sold even to non-members. This increased availability of goods, and reduced dependence on shopkeepers.

Annex VI. Increased access to the Government's delivery system²⁴

The knowledge and experience of the social mobilizers proved to be an asset in creating awareness among the people of the various services available from the Government and non-government organizations. Group members gathered data, and took the initiative in meeting Government officials and informing other villagers, using the group fund for support. This led to routine visits and training from a range of services, as well as the utilization of subsidy schemes which provide financial and material

assistance.

Increased contact coupled with the collective approach gives members a bargaining power, representing an important step in the empowerment process. Groups in one village, for example, negotiated with IRDP and obtained assistance for a community well and culvert. By involving themselves in the construction process, they were able to add to the group funds, as well as to ensure quality work.

Annex VII. The Coir yarn industry²⁵

1. Changes in the industry

The husk (brackish water) pits, which are basic to the success of the coir yarn industry in the supply of raw materials, were owned by rich people, traders, and middlemen. The poor did not own husk pits because of lack of capital and the traditional power of the owners. There was constant demand for husks, and the intense competition worked against cooperative action to give the poor bargaining power, keeping them in a dependency relationship.

Fresh coconut husks are soaked in husk pits for four to six months, beaten, and the fibre extracted for spinning into yarn. In spite of difficulties placed in their path by owners, traders and middlemen, one of the groups leased out an abandoned husk pit, and took turns at night to prevent the theft of husks. After nearly six months, the group had a plentiful supply of husks at low rates, the majority of which were used by members, while some were made available to other groups.

Other groups followed this example, and the traders were forced to reduce the selling price of husks, and pay a fair price for the finished product.



Collective husk pit established by women group

2. Benefits

At the time of writing, the following gains had been made:

- i Villagers could afford to buy husks with cash payment, with a resulting increase in employment.

- ii Production had increased six fold or more.
- iii The improved quality of the coir rope had brought additional income.
- iv Groups sold directly to traders, and the middlemen were virtually out of business.
- v Groups marketed their products collectively, promoting unity, group cohesiveness, and village solidarity.

3. Cost-benefit analysis

Before Phase II, it is assumed that a single family purchased husks to the value of Rs. 50 per week, and earned a profit of Rs. 50, or Rs. 200 per month. In reality, difficulties in obtaining husks and lack of finance to purchase them reduced this, and the working period was limited to six to ten days per month. With the six fold increase in production, family purchases and profits nominally increased to Rs. 300 per month, making a nominal profit of Rs. 108,000 per month for the 39 groups.

Group purchase and sales of consumer items at wholesale prices could save a family Rs. 60 per month. As of the end of August 1988, group funds had increased by Rs. 10,040 over the previous month, savings from consumer activities contributing more than 50 per cent of this total amount. As such, the total amount 360 families could save in a month amounts to Rs. 21,600 (60 x 360).

Interest rates were reduced from the money lender's 20 per cent, to five per cent, on credit from group funds. Assuming that each family borrows Rs. 300 per month, the saving is Rs. 45 per month, which for the 360 families is Rs. 16,210 per month. There were also various other forms of savings for members under the project.

With a total project budget of Rs. 303,000 for two years, it is assumed that 50 per cent (Rs. 151,000) of this had been expended in the nine month period. The total income earned by the 360 families during the nine month period amounts to Rs. 1,312,290. Thus, the cost-benefit ratio is 1:8. This ratio could improve during the second half of the project, with increased product

quality, increased number of groups, lower overhead costs, etc.

4. Future plans

Future plans include:

- i Production of finished products such as door mats, which would bring a good income when tourists return.
- ii Industrial quality coir ropes.
- iii Improvements in the ownership and management of husk pits, and sale of husks to non-members at reasonable prices.
- iv Streamlining of consumer activities, by engaging members full time in the shop, and keeping longer opening hours.
- v Laying greater emphasis on social and cultural functions.

Notes

¹ A. P. Dainis, "Non-Farm Employment Promotion Project in Sri Lanka", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

² A recent national poverty alleviation programme based on the principles of self-reliance and participation.

³ S. Amarasekara and Edgar Fernando, *Two Case Studies: ESCAP/ILO Projects on Promotion of Non-farm Employment, Hambantota and Galle*

Districts, Sri Lanka, (Rural Development Training and Research Institute, Ministry of Plan Implementation, Sri Lanka), Phase I, p. I:

(a) To improve the standard of living of the target group consisting of landless and near landless artisans, agricultural workers, and other rural workers, whose income level was below the poverty line.

(b) To assist the target group to organize themselves into functional groups based on feasible non-farm economic activities through which they could improve their employment and income.

Phase I, p. II: In Sri Lanka, those below the poverty line may be defined as the families whose respective incomes are not more than Rs. 8,400 (\$US 350) per annum, and who are therefore in receipt of Food Stamps under the Poor Relief Act No. 32 of 1985.

⁴ Ibid., Phase I, p. II: In terms of the project, development is viewed in fundamental humanistic terms, as a process of releasing and mobilizing the creative energy of the people ... Development strategy also takes into consideration the more intangible changes that occur as the participants become more self reliant and self confident.

⁵ Ibid., Phase I, p. III: These Social Mobilizers have provided the much needed stability and direction to group activities, and have instilled a strong sense of group identity among the rural people. It must be emphasized that most of these mobilizers are women.

⁶ Ibid., Phase II, pp. 1-2: The Change Agents Programme was sponsored by the United Nations Development Programme and implemented in 1978, now covering 10 districts. It starts at the grass-roots level as a micro-level activity and aims at evolving a methodology for catalytic intervention in the rural sector to stimulate self reliant mobilization of the rural poor to overcome their poverty through the generation of internal leaders (change agents) and participatory processes.



Smaller groups have amalgamated into an APEX Organization

⁷ Ibid., Phase I, p. I: The important peasant crop is paddy, and agriculture is the principal means of livelihood for the villagers. The coastal waters of Sri Lanka are rich in edible marine species, and fishing is a gainful industry for the people in coastal areas, such as Galle, Hambantota and Matara in the south.

Phase I, p. 5: The main form of land use is coconut cultivation, which is seasonal and considered a risky business, with small- and medium-sized holdings that belong to the relatively affluent farmers and the village elite. The majority of the villagers are landless, and work as share croppers. The paddy fields have not been cultivated for the last 15 years owing to damage to the irrigation system.

⁸ Ibid., Phase I, p. II: Both villages are densely populated, and are characterized by unfavourable man/land ratios. Most of the villagers are engaged in seasonal agricultural labour for their livelihood, and they live below the poverty line.

Phase I, p. 1: Both villages have historically been subjected to intense discrimination by other groups that constitute the village community. Ostracized and segregated, their ability to aid and assist each other limited, these two villages have hardly been reached by helping hands from outside.

⁹ Ibid., Phase I, p. II: The principal means of livelihood of the people is fishing and manual labour, and most of them live below the poverty line.

¹⁰ This amount is the remainder of the overall group fund, after deduction of expenses for the New Year celebrations of April 1991.

¹¹ Ibid., Phase II, p. 18: This is undertaken by an all-male group of seven on a part-time basis. Quality is high, and, in spite of competition from established manufacturers, books are being sold in schools and cooperatives.

¹² Phase II, p. 22: Special emphasis was placed on the organization of training programmes, both for project personnel and group members on the one hand, as well as Government officials and community development workers on the other.

Phase II, p. 24: The timing of the training programmes was also an important factor. From about 1985 onwards, the process of decentralization and devolution of administrative and political power in Sri Lanka had gathered momentum, and a training programme for district and village based government officials which incorporated the major aspects of such devolution was indeed timely and constructive.

¹³ Ibid., Phase II, p. 14: refers to "central organization", Small contributions at monthly meeting made the organization economically viable, lending money to groups, or returning surpluses for investment purposes.

¹⁴ Ibid., Phase II, p. 17: referred to as the "Apex Organization", funded by surpluses from the Central Organizations, and with a Finance Committee. The objectives of the Apex Organization are to "provide finance to the groups which cannot raise sufficient funds at the Central Organization level through re-allocation of resources, without resorting to loans being taken from other sources such as the commercial banks, money lenders, etc, the idea being to promote self reliance among members".

¹⁵ Ibid., Phase II, p. 28: Another intangible benefit is the cultivation of the reading habit. An improvised reading room has been opened in the home of one of the villagers.

¹⁶ Ibid., Phase II, p. 19: Through the group funds, short-term interest-free loans were made available, with a nominal interest charged after a stipulated period. In most cases, the members paid back the loans within the grace period. This merits special attention in the context of Phase II, as it was responsible, in many ways, for sending the money lenders out of business.

¹⁷ Ibid., Phase II, p. 25: One of the major reasons for the success of the project is the emphasis placed on the role and contribution that women could play in the development of their villages. Particularly in Phase II and the activity areas selected, cadjan weaving and coir yarn making, the project would not have achieved the success it did, if major emphasis was not placed on the role of women.

¹⁸ Ibid., Phase I, p. IV: The project is worthy of replication, not only in other areas of Sri Lanka, but also in countries of the south and east areas of Asia, as well as countries of the Pacific where similar socio-economic conditions obtain.

¹⁹ Ibid., Phase I, pp. III-IV.

²⁰ Ibid., Phase I, pp. 2-3.

²¹ Ibid., Phase I, pp. 3-5.

²² Ibid., Phase I, pp. 5-16.

²³ Ibid., Phase I, pp. 16-28.

²⁴ Ibid., Phase I, pp. 29-33.

²⁵ Ibid., Phase II, pp. 5-9.

II. THAILAND: A MIXED SUCCESS CASE IN NON-FARM EMPLOYMENT PROMOTION¹

Thailand is brought forward as an example of a mixed success case in non-farm employment promotion. In many respects, it may provide a paradigm for extension and replication, and invites analysis in relation to Sri Lanka above, and the country studies in later sections.

A. INTRODUCTION

In the period 1961 to 1990, the average annual increase in agricultural production has been 4.6 per cent, while agriculture's contribution to Gross Domestic Product (GDP) increased from 25,914 to 90,711, dropping from 33.3 per cent to 14.4 per cent. In the industrial sector, the average annual increase was over 10.0 per cent (except in the Fourth and Fifth Development Plans), with an increasing contribution to GDP over the same period, from 12.1 per to 24.7 per cent. While the agricultural sector will continue to grow in absolute terms, in relative terms, it is declining.



Group discussions

B. THE SITUATION OF THE LABOUR FORCE

1. General situation

The situation outlined above affects the labour force, 60.26 per cent of whom were (1991) engaged in agriculture, with 80 per cent of the population living in rural areas, and 1,460,000 of them unemployed. Problems responsible for unemployment include the following:

- i The structure of the economy, with a large proportion of the labour force depending on agriculture, resulting in

inefficiency of production per person per cultivated area, low income, and seasonal unemployment.

- ii The rapid growth of the population and the labour force.
- iii The damage to land suitable for agricultural production, by the rapid growth of production, and the horizontal agricultural development.
- iv The small unstable industrial sector, with low technology, is unable to absorb the rural unemployed.

2. Rural unemployment

It is estimated that 443,900 rural people were, at the time of writing, unemployed, and causes include the following:

- i Climatic and irrigation constraints.
- ii The seasonal nature of agricultural employment.
- iii The small capacity of the industrial sector to absorb labour.
- iv Lack of technology.
- v Uncertain markets.

C. BACKGROUND OF THE PROJECT

The main objective of the project was to raise the standard of living of rural people, and the project was divided into three phases.

1. Phase I

The National Economic and Social Development Board (NESDB) was nominated as the National Implementing Agency (NIA). The NESDB invited six agencies to participate as implementing agencies: Community Development Department (CDD); Industrial Promotion Department (IPD); Agricultural Extension Department (AED); Kasetsart University (KU); Bank for Agriculture and Agricultural Cooperatives (BAAC); and Small Industrial Financial Office (SIFO).

2. Phase II

In the period 1987 to 1988, CDD was directly involved in project implementation. Two activities were successfully implemented with a supporting budget from ESCAP of 285,427 Baht (\$US 11,420):

(a) *Income generating activities in Khon Kaen Province*

The budget was 214,544.50 Baht (\$US 8,580) and was used as follows:

- i 104,400 Baht (\$US 4,180) was deposited in a savings account as a loan guarantee.
- ii 110,144.50 Baht (\$US 4,400) was used to support the following:
 - a. Cubic zirconia polishing;
 - b. Chicken raising;
 - c. Silk worm raising; and
 - d. Expenses for the provincial coordinating committee.

(b) *Case study*

20,000 Baht (\$US 800) was used for the case study.

3. Phase III

This phase took place in the period 1989 to 1990, with a budget of \$US 7,000 (175,000 Baht) for the following activities:

- i \$US 3,500 (87,500 Baht) was used for activities in Khon Kaen:
 - a. Fish breeding; and
 - b. Plastic awning making.
- ii \$US 2,500 (62,500 Baht) was devoted to the project evaluation; and
- iii \$US 1,000 (25,000 Baht) was used for the national seminar on project evaluation.

All of the project activities were successfully implemented, and a summary follows.

D. PROJECT ACTIVITIES

1. Cubic zirconia polishing (1987 to 1990)

(a) *Budget and objectives*

With a budget of 100,370 Baht (\$US 4,020), and an initial group size of 15, objectives were to:

- i Encourage young people, working in groups, to gain knowledge and skills in the occupation to gain supplementary income.
- ii To provide job opportunities, and income generating activities, and to encourage young people to spend their leisure time efficiently.
- iii To provide an example for young people in adjacent villages.

(b) *Activities*

Activities were divided into three stages:

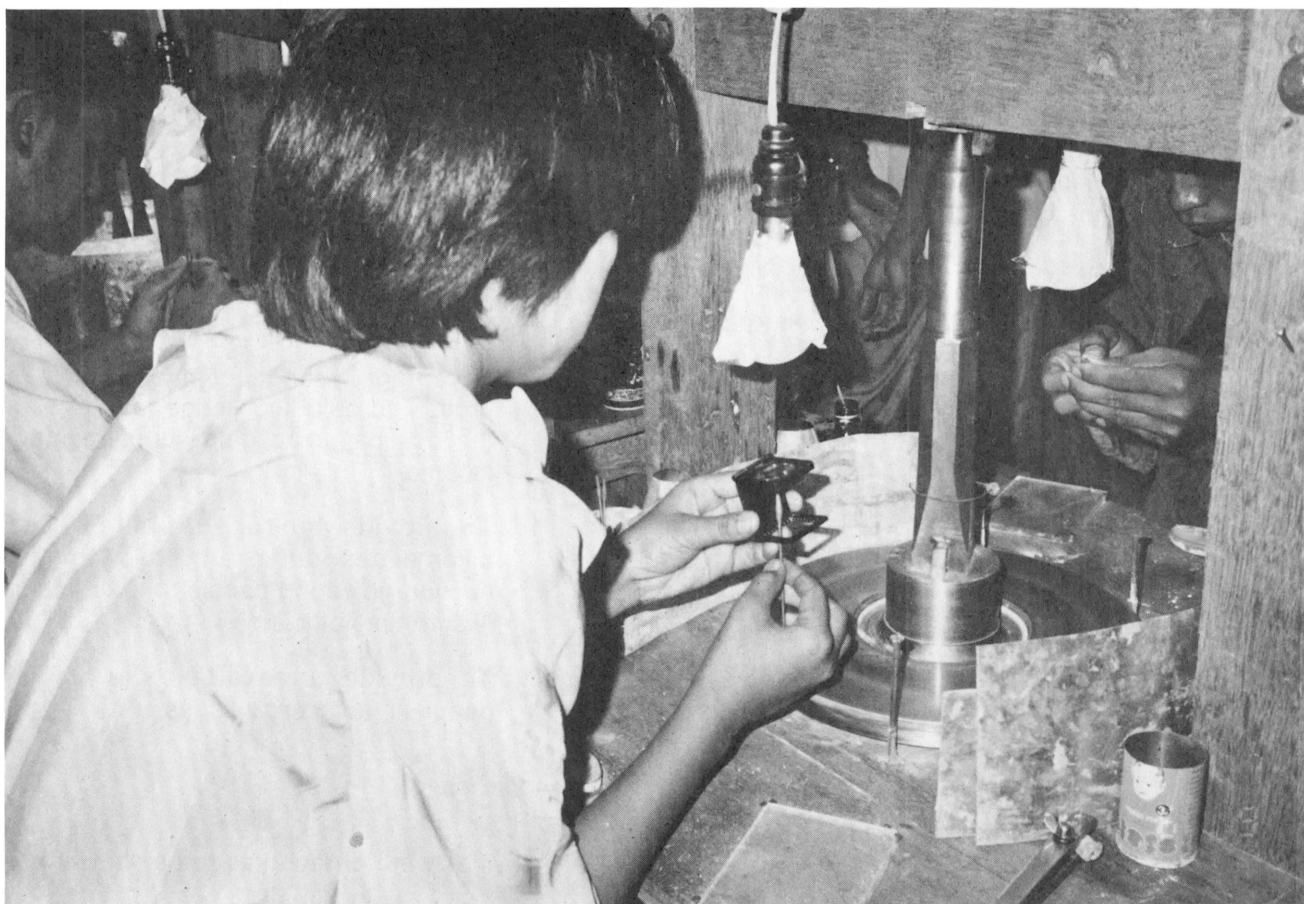
- i Training in the knowledge and basic skills required for gem cutting.
- ii Training in the necessary advanced skills.
- iii Provision of equipment and funds.

A resource person provided the raw material, and the average income for each member was 400 Baht (\$US 16) per month. In 1988, the resource person became sick, the quality of cutting declined, and sale prices dropped, resulting in the leaving of some group members. The coordinating committee provided further training and elected a new group committee.

With unstable prices in 1989, and lack of marketing experience, more group members left, and the project was moved to other villages.

(c) *Benefits*

- i Members obtained knowledge and skills in gem-cutting and polishing.
- ii Four of the original members, and ten later members in other villages, were



Village youth trainee inspecting the polished surface of zirconia stone

able to earn 2,500 to 3,000 Baht (\$US 100 to 120) per month.

- iii Two youths working outside the village could earn 2,100 to 2,800 Baht (\$US 84 to 112) per month.

(d) Summary evaluation²

The evaluation records that three skill training sessions were held in 1987, 1988, and 1989; and in 1987, the group had a revolving fund of 28,000 Baht (\$US 1,120). Objectives of the project were: to increase members from 13 to 30; to create additional income of 1,500 Baht per month; and to produce 45,000 carats of cubic zirconia per year. However at the end of the project in October 1990, the group had only one member.

(i) Constraints and difficulties

The following constraints and difficulties were found:

- i Youth groups were initiated and organized by officials, rather than the

villagers themselves, and the members had no interest or experience in gem polishing, resulting in lack of motivation.

- ii Group administration was inefficient, with frequent changes of group committee, and lack of responsibility on behalf of functionaries.
- iii The group lacked good quality tools, and low quality gems and polishing skills, resulted in poor market prices.
- iv Of the initial loan of 28,000 Baht, the group could repay only 6,300 Baht (\$US 250), and lack of capital limited the group's capacity to expand.
- v As a result of the structural constraints of the group, many members looked for other alternatives.

(ii) Policy options

If this activity is to be further promoted, the following policy options need to be taken into consideration:

- i Groups should be reorganized, and administration improved, in a business-like fashion.
- ii Polishing skills and tools need to be improved. Members should be encouraged to buy their own tools by means of loans.
- iii Young villagers should be mobilized to see the potential and value of working in their own village.

2. Chicken raising (1989 to 1990)

(a) Project activities

With an initial group of 16, objectives were:

- i To increase the availability of protein food for members and their neighbours.



Village youth trained in zirconia grinding

- ii To gain skills in chicken raising.
- iii To encourage self-reliance.
- iv To increase income.

After CDD training, the group borrowed ESCAP seed grant of 13,000 Baht (\$US 520) from the bank to purchase chickens. After initial success and repayment, the group borrowed a further 20,000 Baht (\$US 800), but Newcastle disease and drought prevented some members from repaying their contributions to this second loan, and some members left. By mutual support, the group was able to repay the loan.

At the time of writing, group size stood at 18, and members were able to earn an additional income of 500 to 600 Baht (\$US 20 to 24) per month. The group would like to undertake cattle

raising, if a further revolving fund is made available.

(b) Summary evaluation³

The expected outcomes of the project were that each member could: raise 50 chickens per batch; earn 2,000 Baht (\$US 80) per batch; have more protein foods; and work together in groups. Group members were adolescent, unlike the polishing group, but suffered similar overbearance from government officials.

At the time of writing, the group had only one member, who raised around 50 chickens, and 650 Baht (\$US 26) was still owed to the bank with an interest rate of 11.25 per cent. Constraints and difficulties were similar to those of the polishing group, and included additionally:

- i The revolving fund was mis-used, and many members used the fund for personal matters, such as buying clothes.
- ii No training was provided on raising chickens for business purposes, and no surveys of progress or problems were undertaken.

In spite of these difficulties, the project itself was a good one, and each villager could make up to 2,000 Baht profit, by raising 50 chickens per batch in three months.

3. Silk worm raising (1988 to 1989)

(a) Project activities

The development of silk production is a major policy of Khon Kaen province, and CDD and IPD provided training to introduce new appropriate technology in silk yarn making. A group of 28 women requested financial support, and advanced training in tied-dyeing techniques, use of equipment, accounting, and marketing, was provided for 20 members.

With a budget of 18,197 Baht (\$US 730), objectives were:

- i To increase the income of the women.
- ii To enhance their working abilities and leadership skills.

Using the revolving fund, members borrowed mulberry breeding and silk worm raising equipment. At the time of writing, the group had 16 rai of mulberry, one silk demonstration room, and five underground, economical silk raising rooms. The average income per member was 13,400 Baht (\$US 540).

(b) Summary evaluation⁴

Several training sessions were run in weaving for this women's group during 1988 to 1989, and a revolving fund of 13,000 Baht was set up for 11 members, all over 30 years old. Each member could raise a loan of 9,000 Baht (\$US 360) at three per cent interest, and a specific fund of 3,100 Baht was offered to members as a short-term loan.

The author's survey recorded that previously, two households earned a living through rice farming, two farmed rice and crops, and three were agricultural wage earners.

The project was quite successful in relation to its objectives:

- i Group membership increased from 15 to 35.
- ii Each member could gain additional income. Four out of seven members in the sample were able to increase income by more than 5,000 Baht (\$US 200), but the increase for the other three members was less than expected.
- iii Expansion of mulberry planting per member was less than five rai, which did not meet project expectations.

4. Fish breeding (1989 to 1990)

With resources available, and a good market for fish, 16 villages established a fish breeding group. Two already had fish ponds, and CDD dug fish ponds for the eight members. Objectives were:

- i To increase household income from 10,000 to 15,000 Baht (\$US 400 to 600) per year.
- ii To generate income for the poor in the village.
- iii To promote small scale business.

With a total ESCAP/ILO revolving fund of 42,500 Baht (\$US 1,700), the group decided to produce fingerlings for breeding and selling, and used 30,000 Baht (\$US 1,200) for training by the Fishery Provincial Department, and a common nursery pond. The members joined together to hire tractor services to dig a further 20 ponds, and membership rose from 16 to 30. They were able to repay the loan and to earn 3,500 Baht (\$US 140) from plants and 20,000 from fish. At the time of writing, the average income of each group member was 26,597 Baht (\$US 1,060).

(a) Summary evaluation⁵

The five male members, between 36 and 65 years old, in the author's survey previously farmed rice with additional jobs, including growing plants, cassava, soyabean, as well as trading and factory work. Family income ranged from 13,200 Baht (\$US 530) per year to 96,300 Baht (\$US 3,850) per year, and this village was in a better economic situation, than the other villages in the project.

CDD organized a three-day training course for 16 members in fish breeding, selecting, and maturing. All members reporting satisfaction with the programme.

However, a number of difficulties remained:

- i The project aimed to expand members from 16 to 26, but in 1990, there were only 18 members. Reasons included:
 - a. Waiting to see the outcome of the project before joining; and
 - b. Only 30 of the 108 households having rice plots on low land where water resources were available the whole year.
- ii A second project objective was to help members increase fish ponds from five to ten, but in 1990, only four new fish ponds, and one new breeding pond, were dug. This resulted from the relatively high cost of ponds and the inadequacy of the simple tools provided by the authorities.
- iii A third objective to achieve a revolving fund of 42,000 Baht (\$US 1,680) was not reached, with the fund at 30,000 Baht (\$US 1,200) at the time of writing.
- iv A fourth target of achieving an income of from 10,000 to 15,000 (\$US 400 to

600) Baht per year was still questionable, as the fish were still too small to be sold. The estimated income was 3,750 Baht (\$US 150), much lower than expected.

Nevertheless, a number of members were satisfied with the project, as fish breeding yielded food for home consumption, and did not interfere with their main occupation of rice farming or wage earning.

5. Plastic awning making (1989 to 1990)

(a) Project activities

With a budget of 45,000 Baht (\$US 1,800), objectives were:

- i To increase household income from 16,600 to 18,600 Baht (\$US 665 to 745) per year.
- ii To help the poor earn income in the village.
- iii To promote small scale business.

Plastic awning making had been introduced in 1988, and products were sold directly to customers with free instalments in several provinces. Only seven out of 1,183 villagers initially joined the activity. The members were required to have their own sewing machine, and to teach technical know-how to new members.

The group increased to 24, and were trained for 10 days. 12 sub-groups were formed, each producing 480 to 500 pieces per month. Each piece cost 10 to 20 Baht (\$US 0.4 to 0.8), and the group revenue was divided: 120 to 200 Baht (\$US 6 to 8) per day for the plastic awning makers; and 200 to 250 Baht (\$US 8 to 10) per day for the procurement sector.

The group had (1991) 55 sewing machines and 51 trucks to convey their products to the market outside the village.

(b) Summary evaluation⁶

The project was conducted in one of the poorest villages in Khon Kaen, where rice farming was not successful because of lack of rain, and migration was high. In the sample of 28, ranging in age from 26 to 65 years with two-thirds women, the majority undertook rice farming for

basic subsistence, and other occupations for wage earning, such as cassava and salt making.

(i) Achievement of project objectives

This is the most successful of the projects in terms of achievement of the following objectives:

- i The target increase in membership was 74 to 139, and the number stood at 147 in 1990.
- ii The project aimed to increase production from 4,116 sets to 8,663 sets per year, and 17,000 sets were produced in the last year.
- iii The target increase in income was from 16,600 Baht to 18,600 Baht per year, and in fact pre-project incomes were lower than the former sum. After the project, all of the members could earn more income than before, with the lowest income being 10,599 Baht (\$US 425) per year, eight members earning over 18,600 Baht per year, and one member achieving 72,000 Baht (\$US 2,880) per year.

(ii) Reasons for success

From the members' point of view, half of them regarded the revolving fund as the determining factor in success, with cooperation among members, and market demand seen as supporting factors. Diligence was considered a minor factor.

In spite of slow growth, the activity could be maintained and expanded without outside support, and the author sees four factors as key to success:

- i The members had a good basic knowledge of the whole cycle of this activity, from production through marketing in 1985, before CDD's intervention. This resulted in savings in production, enabling them to be competitive, and knowing the best locations for distribution.
- ii The support provided by CDD matched the villagers' interests and needs, promoting their active participation in administering the project. Specific CDD support included:

- a. Financing the revolving fund organized by members;
 - b. The raising of low interest loans; and
 - c. Skills training.
- iii The nature of plastic awning making mixed subsistence production, and the modern market system, and the business organization of the activities were characterized by kinship.
 - iv Plastic awning making was seen as an attractive job, as it did not interfere with the main occupation of farming.

(iii) Recommendations

The author views that this programme greatly benefited villagers, and should be further promoted. CDD and ESCAP/ILO should consider the following in relation to future projects:

- i Budget and tools should be fairly distributed among old and new members.
- ii The revolving fund should be increased.
- iii More industrial sewing machines should be offered to members.

E. INSTITUTIONAL STRUCTURE

1. Thai Government

The Ministry of Interior (MOI) is responsible for rural people who are poor and disadvantaged. In order to spread development throughout the country, the MOI uses the following guidelines in implementing development activities:

- i Encouraging the use of appropriate technology and local resources.
- ii Providing necessary basic knowledge.
- iii Encouraging rural people to take part in identifying and solving their own problems.

The CDD, under the MOI, provides technical and material assistance, and supports other agencies in promoting income generating activities.



Government support, in this case from the Community Development Department, was an essential ingredient for success.

2. Institutions involved in project implementation

The following institutions were involved in project implementation:

(a) National Steering Committee (NSC)

The NSC was responsible for setting guidelines and monitoring.

(b) Community Development Department

The CDD was responsible for:

- i Approval of the revolving fund.
- ii Selecting appropriate farmers' groups to join project activities.
- iii Organizing skills training programmes for farmers.
- iv Providing funding according to objectives, and supervising the operation of the project.
- v Project monitoring at every level.
- vi Collecting reports from involved institutions, and reporting to ESCAP on a six-monthly basis.
- vii Providing knowledge and technical assistance in production and marketing.

(c) Provincial Coordination Committee

This Committee was responsible for coordinating project implementation at the

provincial level, and for conducting the quarterly meeting.

(d) *Provincial Community Development Office*

This Office was responsible for:

- i Ensuring the smooth operation of the project, and funding according to objectives.
- ii Monitoring and follow-up group progress, and loan repayment on a regular basis.
- iii Reporting progress to CDD every three months.

(e) *District Level Working Group*

This Group was responsible for implementing the project through two-monthly meetings.

(f) *District Community Development Office*

This Office was responsible for:

- i Monitoring the project, and procedures for the revolving fund.
- ii Making recommendations and solving problems.

(g) *Farmers' Groups*

Responsibilities included:

- i Following CDD guidelines, and undergoing training.
- ii Applying for loans, undertaking activities, marketing the products, and repaying the loans.

(h) *Krung Thai Bank Ltd*

The Bank's duties were to:

- i Bank money from CDD, screen proposals from, and provide loans to, farmers' groups.
- ii Monitor project activities against loan objectives, and follow up loan

repayment.

- iii Share information and experiences, and liaise, with CDD.

F. LOAN CRITERIA AND PROCEDURES

Loans were made as follows:

- i Loans were made to groups selected by CDD to purchase equipment, supplies, and other items, necessary for project activities.
- ii The loan ceiling of each group would not exceed the collateral fund, and the total disbursement would not exceed the total deposit.
- iii The rate of interest would be 1.5 per cent higher than the deposit rate, without accumulating the initial fund.
- iv Loans would be made available for a 12 month period, and extensions considered on a case-by-case basis.
- v In the event of non-repayment of loans, the Bank would request again after two months, and inform CDD after a further month.



ESCAP and CDD staff inspect the "Learning by doing" zirconia training.

G. TRAINING ACTIVITIES

Much of the training was carried out through 'learning by doing' and study tours, and subjects included:

- i Participation and self reliance;
- ii Gem cutting, silk worm raising and

other activities;

- iii Group management, and the roles of groups and group members;
- iv Revolving fund management;
- v Steps in project implementation; and
- vi Marketing, accounting, and business procedures.

The training courses contributed to the project's success. Other subjects which should be included are: data analysis; giving opinions; and maintaining the village's traditional way of life.

H. BENEFITS

1. Financial gains

(a) *Cubic zirconia polishing*

Each member could increase income by 1,500 to 2,500 Baht (\$US 60 to 100) per month.

(b) *Silk worm raising*

Each member could increase income by 400 to 500 Baht (\$US 16 to 20) per month.

(c) *Chicken raising*

Each member could increase by income of 500 to 600 Baht (\$US 20 to 24) per month, and gain an extra 1 to 3 rai of mulberry plantation per household.

(d) *Fish breeding*

Each member could increase income by around 2,000 Baht (\$US 80) per month, and have more fish ponds.

(e) *Plastic awning making*

Each sewing member could increase income by 100 to 200 Baht (\$US 4 to 8) per day, and each selling member, by 200 to 500 Baht (\$US 8 to 20) per day.

2. Other benefits

- i Greater mutual support and assistance in solving problems.
- ii Greater knowledge of production and management.
- iii The provision of revolving funds.
- iv Increased employment in, and decreased migration from, rural areas.
- v Greater income for women and youths.

I. CONSTRAINTS

- i Changes of committee membership, and lack of understanding of roles and responsibilities, resulting in lack of continuity and inefficiency.
- ii Lack of coordination between agencies.
- iii Backward and poor target areas, making adopting new technology and work difficult.
- iv Insufficient and poor quality instruments and tools, and an inadequate revolving fund.
- v Lack of information on markets and sales opportunities for products.

J. RECOMMENDATIONS

Because of confusion in Government policies, rules and regulations, and the various agencies' policies, resulting in difficulties in making decisions in relation to business operations, it is necessary to support Government agencies at the provincial level to provide vocational and skills information and training. The Government should also emphasize the 'four coordinating policy', which includes the four groups in the business cycle: farmers as producers; Government agencies providing technological support; financial institutions; and marketing and private sector support.

In respect of CDD support, consideration of the success of the project should take into account the following factors:

- i Selection of activities should be agro-based, and should be undertaken in consultation with the group members and external vocational technicians, taking particular account of the villagers' interests, potential, constraints, and traditional way of life.
- ii The participatory approach is essential to guarantee the success of the project.
- iii Commercial banks and financial institutions should be encouraged to provide credit and information on marketing, as well as support in the analysis of costs and benefits to the villagers.
- iv Trainers should be specialists in group work, management, technical, and group planning.
- v Villagers should be provided not only with skills, but also with basic knowledge of management, accounts, and marketing, as well as self reliance in savings.
- vi The Government should support and increase the role of the private sector, and non-farm employment activities.
- vii CDD should stipulate policy and conditions for coordinating and implementing the project, and support economic organization, by increasing the efficiency of the vocational groups, especially in respect of the savings group, establishing a centre for vocational development.

Annex Summary evaluation of the non-farm employment project⁷

1. Objectives

The objectives of the evaluation were to:

- i Study the implementation of the planning process of the activities.
- ii Assess the overall achievement of the activities.
- iii Study the success of the activities in relation to the project objectives.
- iv Identify difficulties and constraints in implementing the project.

2. Methodology

The following methods were employed in the study:

- i Questionnaire with a sample of 20 per cent for each activity.
- ii Interviews with involved villagers and government officials.
- iii Study of the following documents.
 - a. North-Eastern Institute of Skill Development, "Report of the Coordination on Training for Cubic Zirconia Polishing Youth Group in Ban Kok-lam", (Thai Mimeo, 1988).
 - b. Jitwimol Phompak, "A Study on Villagers' Satisfaction upon Making a Curtain Project in Ban-non-bor Tambon Phra-yuen Amphoe Phra-yuen Khon Kaen Province", (Thai Mimeo, Loei Teachers' College, August 1990).



- c. "Training Report of the Plastic Awning making Group Ban Non-bor Tambon Pra-yuen Pra-yuen District", (Thai Mimeo).

Notes

¹ Community Development Department, Ministry of Interior, "The Non-Farm Employment Project: Thailand", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1991).

² Sangsit Pirayarangsarn, *Summary Evaluation of the Non-Farm Employment Promotion Project*, (ESCAP/ILO, Bangkok, December 1990), pp. 3-5. See Annex.

³ Ibid., pp. 5-7.

⁴ Ibid., pp. 7-8.

⁵ Ibid., pp. 8-11.

⁶ Ibid., pp. 11-13.

⁷ Sangsit Pirayarangsarn, Faculty of Economics, Chulalongkorn University, Bangkok, December 1990.

Part Three

PILOT PROJECTS: OTHER COUNTRIES

I. BANGLADESH¹

A. BACKGROUND

Agriculture is the mainstay of the economy, with 25.4 million of the estimated civilian labour force of 29.6 million living in rural areas, and almost 65 per cent of the rural labour force engaged in agriculture and agriculture related occupations. Over one third of the country's active labour force is unemployed, 14 million according to unofficial studies, and 88 per cent live in rural areas. It is expected that a total of 34 million people will be unemployed by the end of the century, almost half of them women.

Persistent problems include:

- i Diminishing land/man ratios.
- ii An increasing proportion of rural people without land and living below the poverty line, exacerbated by natural calamities.
- iii Rapid population growth and low literacy levels.
- iv Under-developed human resources and skills, and low labour productivity.

B. DESCRIPTION OF THE ESCAP/ILO PROJECT

1. Pilot sites

The Non-Farm Employment Promotion Project in Bangladesh selected two upazilas for piloting:

(a) *Narsingdi Sadar*

This newly created district north-east of Dhaka is known for its entrepreneurship and industrial progress.

(b) *Shakhipur*

This newly created upazila is in a poverty stricken area north-west of Dhaka. The majority of the population are landless with no permanent source of income, and most economic activity is on a daily wage basis, a small proportion of the population engaging in horticulture and poultry farming, representing the forerunners of local entrepreneurs.

2. Objectives

The overall project objectives were to find alternatives to agriculture as a source of employment in rural Bangladesh, and to help the rural poor achieve higher income levels through employment in viable non-farm activities, chosen by themselves, through a participatory group decision making process.

(a) *Immediate objectives*

- i To increase the income of members of groups of the rural poor.
- ii To help the rural poor to strengthen their capability of taking action through their own groups.
- iii To increase credit facilities.

(b) *Development objectives*

- i To improve the standard of living of the rural poor, especially landless, tenant, and small farmers.
- ii To increase income from secondary activities.
- iii To help strengthen the capability of the rural poor to participate in social activities, through the formation of groups, and the extension of institutional credit facilities.

3. Scope of the project

(a) *Phase I*

A socio-economic study was undertaken of four selected villages, a national seminar organized, and six types of income generating activities were identified as prospective areas for financing (numbers of loanees shown in brackets):

- i Petty business (43);
- ii Poultry rearing (25);
- iii Rickshaw pulling (12);
- iv Beef fattening (3);

- v Cattle rearing (2); and
- vi Goat rearing (3).

(b) Phase II

Loans were sanctioned to 88 selected target households in both sites, and project activities commenced.



Goat rearing, a popular income earning activity.

(c) Phase III

This phase expanded the activities begun in Phase II, with the exception of rickshaw pulling, with 41 households. Only 10 women loanees participated in poultry rearing (7.75 per cent of the total).

C. INSTITUTIONAL ARRANGEMENTS MADE TO IMPLEMENT THE PROJECT

1. Project approval, implementation, and monitoring

The Ministry of Relief was the approving authority, and the Director General, Directorate of Relief and Rehabilitation (DRR), was made head of the National Implementing Agency (NIA), which implemented the project. At the field level, the Project Implementation Officer (PIO) was responsible for implementing the project, reporting to NIA. An advisory committee was formed at upazila level to supervise, implement, and monitor the project, comprising Upazila Chairman, Nirbahi Officer, PIO, Rural Development Officer, Branch Manager of the Bangladesh Krishi Bank (BKB), and the Union Parishad Chairman.

2. Formation of group sub-committee

A three member group sub-committee was formed to make group activities more effective, an MIDAS, and NGO, was made consultant to the project, responsible for group formation, arranging training, monitoring loan utilization, etc.

3. Financial institutions

The BKB matched the ESCAP seed grant of \$4,000, advancing credit to the beneficiaries at an agreed rate of interest.

D. GROUP FORMATION

On the basis of the village survey, DRR, MIDAS, and the Project Advisory Committee held extensive discussions with the selected villagers to form activity-based groups. Interest of the group members, and the feasibility of particular skills in the project area, were taken into account, and a total of 58 groups formed.

E. TRAINING

DRR and MIDAS designed the training programme, and attention was given to the conceptual and technical skills of the trainers. The following programmes were completed in both project areas for village level officials, group leaders, Upazila officials, and Bank officials:

1. Types of training

Types of training included:

- i Sensitization;
- ii Trainer training;
- iii Skills development;
- iv Leadership; and
- v Refresher training.

2. Training areas

The following areas of training were covered:

- i Management and leadership development;
- ii Awareness raising;
- iii Entrepreneurship development;

- iv Simple accounting; and
- v Income generating activities.

3. Training methods and aids

In order to make the training effective, attractive, and understandable, the following aids and methods were used:

- i Group discussions and presentations;
- ii Lectures and practical demonstration sessions;
- iii Field visits;
- iv Role playing and case studies; and
- v Audio-visual aids.

F. BENEFITS AND PROBLEMS

1. Income generating activities

During the implementation of the project, it was discovered that more attention needed to be paid to the identification of the activities in terms of the marketability of the service or product. The Pathway study observed, however, that all six activities were still viable, with certain reservations.



Project staff try rickshaw pulling.

2. Awareness raising

A number of the loanees were not aware of the benefits that they could expect to derive from the project, and more attention needs to be paid to this aspect.

3. Women's participation

A perception study by the consulting firm Pathmark observed that the percentage of

disadvantaged females is higher than their male counterparts.

4. Economic benefits

Members gained increases in income, with average annual earnings amounting to Tk 17,745 at Narsingdi, and Tk 11,475 at Shakhipur, although there is no report of the pre-project incomes of the loanees. A large number of respondents to the project evaluation reported increase in income.

5. Credit fund

In view of the small fund, the amount advanced could not be increased.

6. Loan recovery

The rate of loan recovery varied, and was recorded at 71 per cent in Narsingdi, and 96 per cent in Shakhipur. A comparative analysis of both sites indicated a need to improve the process of identifying loanees, monitoring the loanee's activity, and follow-up in the field. The BKB was not involved in monitoring and the full responsibility fell on DRR.

7. Financial sustainability

In the seminar, it was emphasized that external support was required to meet the institutional expenditure, and the following estimate was made. A loan of Tk 5,000 for each of 10,000 beneficiaries would require a fund amounting to Tk 50 million. However, in the recent national seminar, the Director General of DRR proposed that DRR was capable of bearing this additional burden with existing resources.

He also stated that alternatives at the national level could be looked for. In this respect, he pointed out the shortcomings of BRDB's Area Development Programme, and that BKB could extend more valuable support to the project.

8. Social benefits

From the evaluation, over 85 per cent of the respondents in both sites reported that the project contributed to a rise in their social status.

Notes

¹ Harun-al-Rashid Md. Karim Dad, "Country Paper", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

INCOME-EARNING GROUP ACTIVITIES

DRIFTWOOD COLLECTION	FISH
CATTLE FATTENING	RICE
RICKSHAW PULLING	PIGS
DRAUGHT ANIMALS	FRUIT
CLOTH WEAVING	CALFS
BLACKSMITHING	PUMPSET
WELL DIGGING	BROILERS
GOATS/SHEEP	POTATOES
MILK COWS	MUSHROOM
FISH NETS	BULLOCK CARTS
SILKWORM	

Income earning activities identified by the participants.

II. NEPAL¹

A. THE EMPLOYMENT SITUATION IN NEPAL

Of the total estimated population of 18 million, around 90 per cent live in rural areas, and agriculture is the only source of livelihood for 91 per cent of the people. Agricultural productivity is low, and has been barely sufficient to feed the population in recent years. In rural areas, only 5.6 per cent are fully employed, and 63 per cent semi-employed.²

Increase in population has inhibited development, and economic achievements on a per capita basis have been extremely low. On the one hand, agricultural production has not increased as expected, in spite of increased food grain production. On the other hand, the extension of cultivable land is limited because of the mountainous nature of the country. Logging in the Hilly and Terai Regions has exacerbated these problems, with migration from rural to urban areas increasing.³ Table II.1 gives data on internal migration.



Stunning scenery masks difficult living conditions.

B. THE PROJECT SITE

1. The village

The project was implemented in Siddhipur Village, Lalitpur District, an accessible suburban village four kilometres east of Mangal Bazaar. The village covers an area of 243.51 hectares, and more than 85 per cent of the land is highly fertile. The United Mission to Nepal survey recorded a population of 5,026 with an average family size of 5.54, and a population density of 21 people per hectare of land.

2. Language and culture

The majority of the population is Hindi, with Newari as the dominant language, and Nepali as the second. Life style reflects a conservative economic and cultural background.

3. Industries

While the majority of the villagers earn their living from agriculture and related activities, followed by government employment, the village economy is supported by such traditional activities as straw-carpet weaving, and other straw-based products, with farmers undertaking this work when they are free from agriculture. A number of cotton looms are run in traditional ways, and there are seven modern woollen carpet industries, with an average of ten looms each, carpets being exported overseas.

C. DESCRIPTION OF THE ESCAP/ILO PROJECT IN NEPAL

An experimental pilot project on the promotion of non-farm employment was implemented in 1987, with sponsorship from ESCAP/ILO and the Governments of Australia and the Netherlands.

1. Project goal and objectives

(a) Goal

To improve the standard of living of the target population of landless and near landless artisans and rural workers living below the poverty line.



Life struggle

(b) Objectives

The overall objectives of the project were to provide alternative sources of income for poor women in rural areas of Nepal, and to assist the target group to organize themselves into groups based on feasible non-farm activities. Specific objectives were to:

- i Increase income through secondary activities.
- ii Help strengthen capabilities to participate in social activities through group formation.

Table II.1. Internal migration data, 1971-1981

Region	Internal Migration	External Migration	Net Migration
Himali	35,619	297,086	261,467
Hilly	169,923	594,634	424,711
Terai	724,043	37,865	686,178
Nepal Total	929,580	929,585	0

Source: Central Bureau of Statistics Population Census, 1981.

- iii Extend institutional credit facilities.

2. Project activities

(a) Phase I

The Local Development Training Centre, Lalitpur, launched the programme.

(b) Phase II

In 1987, the Women's Training Centre (WTC), Jawalakhel, conducted the following activities:

- i Formation of national team with representatives from the Agriculture Development Bank.
- ii Preliminary village survey of the project area.
- iii Participatory meeting and identification of target group.
- iv Formation of the groups on the basis of expressed needs.



Cloth weaving

- v Skills training:
 - a. Knitting;
 - b. Wool spinning;
 - c. Cloth and shawl weaving; and
 - d. Poultry farming.
- vi Establishment of a loan guarantee fund with the Agriculture Development Bank, Lagankhel, amounting to NRs 86,000.
- vii Encouraging personal savings in the Bank.
- viii Collation of successful case studies.
- ix Assignment of one local group organizer in the village.
- x After completion of the training, organizing loans from the Agricultural Development Bank, and monitoring related projects.

(c) *Phase III*

(i) *Leadership Training Programme*

This training was organized in the WTC, Jawalakhel, for 20 male members from families where female members had taken loans from the Agricultural Development Bank.

(ii) *Evaluation⁴*

Women in Development (WID) were nominated by ESCAP to undertake an evaluation of the project in July 1991. Results indicated that more than 60 per cent of the participants had developed self confidence in dealing within the household, and with the various line agencies for inputs and services.

(iii) *National Evaluation Workshop*

This was organized by WTC in October 1991, to consider the results of the WID evaluation. Participants came from UN and government agencies, and included beneficiaries of the project.

D. INSTITUTIONAL ARRANGEMENTS FOR PROJECT IMPLEMENTATION

The Ministry of Local Development (MLD) was responsible for coordination of the project, and for implementation in cooperation with WTC, using the existing line agencies: banks and local level NGOs. Monthly review meetings were held involving formal and informal leaders in the field to ensure their participation.

WTC and Bank officials were responsible for disbursing loans and assessing the viability of proposed projects and credit utilization. WTC officials were solely responsible for monitoring use of funds and projects, following loan disbursement, with the head of WTC as National Project Director.

E. TRAINING

Training courses were designed after careful assessment of the needs, skills, and resources of the participants.

1. Skills training

This training was given to women in Phase II before starting enterprises. Once income generating activities (IGAs) began, supplementary training was given in such areas as banking, community development, food, health and nutrition, the importance of literacy, and the preservation of the environment. The objectives of the skills training were to develop in women leaders:

- i Ability to organize and manage programmes identified by women in their own village;
- ii Knowledge of what resources were available, and how to gain access; and
- iii A feeling of solidarity and mutual support among their members.

2. Leadership training

To support the activities undertaken by the female borrowers, leadership training was

organized, including the participation of male members of their families. Methods included lectures, demonstrations, discussions, and field visits, and a variety of aids were used: videos; flash cards; flip charts; handouts; and posters.

(a) Objectives

The objectives of the leadership training of the target group were to:

- i Raise awareness of the IGAs.
- ii Develop leadership qualities.
- iii Improve weaving and poultry farming skills.

(b) Curriculum

- i Types of non-farm employment project and their importance.
- ii Banking procedures.
- iii Community development, health, and environment.
- iv Food and nutrition.
- v Importance of functional literacy.
- vi Designs and colour combinations for shawl and cloth weaving.
- vii Poultry farming.

- i The inter-sector income comparison revealed that shawl weaving produced by far the greatest benefits followed by poultry farming, and then cotton weaving.

- ii With an average household cash income from non-IGAs of NRs 3,662, the per capita income of the trainees was estimated at NRs 1,030 with IGAs, and NRs 636 without, both figures well below the national average of US \$180.

- iii The net profits generated were 55 per cent among the shawl weaving group, with the lowest investment of NRs 8,800. The poultry farming group invested NRs 9,755 and returned a net profit of 43 per cent, while the cloth weaving group invested NRs 12,000 and returned a net profit of 33 per cent.

- iv The WID evaluation reported an average rate of return of 78 per cent, with poultry farming making the highest profits, in spite of the early death of many chickens. 91 per cent of the target group remarked that through the project, their achievements flourished.

- v Average loan recovery was 80 per cent, compared with other banking programmes with an average recovery rate of 70 per cent. The WID evaluation reported loan recovery at 78 per cent.



Leadership training

F. BENEFITS OF THE PROJECT

1. Economic

The economic benefits of the project were reported as follows:

G. CONSTRAINTS ON THE PROJECT

Constraints on the project involved organizational, financial, and sociological factors. The project management was strained to attempt to ensure timely inputs in respect of materials and technical services to the project participants, and availability of funds from the executing agencies.

Persisting apathy towards women in a patrilineal society was a major obstacle to implementation, as was real support for women's programmes, in spite of stated policies to involve women in development efforts. The WID evaluation reported that, although it was the women who generated the income, 70 per cent of this was handled by the men; this was necessary as the women had no knowledge of accounting, and proved to be positive.

Shortage of capital was a serious impediment to the growth of enterprises to achieve their goals.

Specific constraints to IGAs are listed below.

1. Poultry farming

- i Training was of too short duration.
- ii Late diagnosis of disease by the veterinary office resulted in high mortality rates.
- iii Lack of selection led to the raising of low grade layers, with resulting low production.
- iv Rapid increases in the cost of feed caused shortage of working capital.

2. Shawl weaving

- i The seasonal market.
- ii The large capital required for cumulative shawl work.
- iii The production of diversified colours and designs was not possible, resulting in inability to meet consumer demands.
- iv The fierce competition from large scale producers.

3. Cotton weaving

- i Lack of capital to maintain required stocks of cotton yarns, and the uncertainty of availability.
- ii Poor quality products, which found difficulty in competing in the market.

4. Knitting (hosiery)

- i The short duration of training.
- ii Lack of capital to establish enterprises.

5. Spinning (raw wool)

Wool and required materials were not available in the village.

6. Mushroom farming

- i The short duration of training and over-sophisticated technology.
- ii Lack of knowledge concerning disease.
- iii Shortage of appropriate space.
- iv Lack of motivation and supervision by technicians.

H. RECOMMENDATIONS

The WID evaluation made the following recommendations.

- i Future site selection should depend on carefully pre-determined criteria, and emphasis should be placed on entrepreneurship and competence of the target group.
- ii Training should be more selective and more prolonged.
- iii WTC should only be responsible for technical assistance and the Agricultural Development Bank should be solely responsible for loan administration. The latter process needs to be made more efficient.
- iv WTC technical assistance and supervision should go on until the target group are fully trained and self sufficient, preferably through the formation of a cooperative. Expert advice is required, particularly for poultry and mushroom farming. Community development activities should be continued, as well as IGAs.
- v The loan guarantee and the credit limit should be raised. Individual and group saving should be promoted with appropriate incentives. Funds should be mobilized by such activities as cultural performances, and registering the fund at the cooperative office.
- vi Any replication of the project should be undertaken judiciously, taking into account areas in which problems have been encountered. Diversification of IGAs into dress making, shoe making, etc. should be considered.

- vii Women beneficiaries should have some decision making prerogative in the use of income generated from their role in the project. The positive involvement of male members of the household should be brought to the attention of projects which advocate only female participation.

Notes

¹ ESCAP/ILO/WTC, "Project Report of Nepal: Promotion of Non-Farm Employment among Rural Workers", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

² Figures from National Planning Commission (NPC).

³ Census data suggests that 929,585 people migrated between 1971 and 1981.

⁴ Women's Training Centre, Jawalakhel, Nepal, *A Report on National Seminar on the Findings of Evaluation Study of Non-Farm Employment Project*, (October, 1991).

III. PHILIPPINES¹

A. INTRODUCTION

The household population of the Philippines, 15 years and older, increased at the rate of 3 per cent per annum for the period 1988 to 1990, while the labour force grew from 23.4 million to 24.2 million. For the same period, unemployment stood at around 9 per cent, and underemployment at 20 per cent. Thus while aggregate employment had grown at fairly satisfactory rates, it was not enough to absorb the large numbers of openly unemployed, much less to impinge on high and sustained underemployment.

The rural sector accounted for 62 per cent of the labour force in 1990, and while rural unemployment rates were lower than the national figures, the rural underemployment rates were higher. Given the limited employment capacity of agriculture, largely attributable to its gradually declining contribution to the national economy, expansion of non-agricultural pursuits provides an economically viable alternative to providing employment for rural households on a seasonal or permanent basis.



Landless poverty

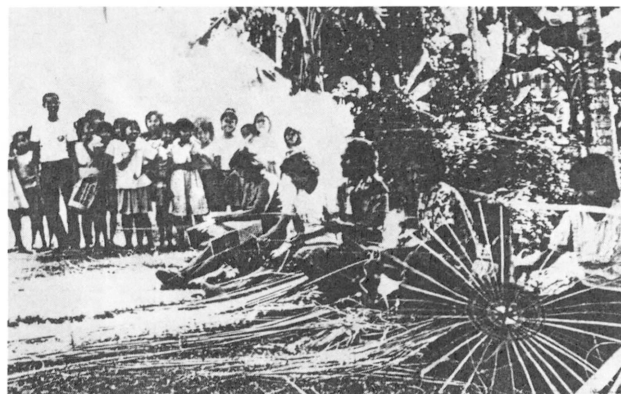
B. DESCRIPTION OF THE ESCAP/ILO NON-FARM EMPLOYMENT PROJECT IN ANTEQUERA, BOHOL/PHILIPPINES

1. Background

After the consultative workshop for the Promotion of Non-Farm Employment and Incomes among Rural Workers through Participatory Approaches held in Bangkok in January 1985, the project was piloted in Angilan and Bantolinao, of Antequera, Bohol.

2. Project site

Antequera, Bohol, is predominantly a rural community, with almost 95 per cent of the population relying on agriculture as a source of livelihood. Over the years, the income derived by each family had become insufficient to cover the cost of living, owing to the shrinking productivity of the limited agricultural land, aggravated by the growing population per family. Basket weaving has been the principle source of income.²



Basket weaving demonstration by villagers of Angilan and Bantolinao, Bohol Province

3. Project objectives

The project's main objective was to organize functional groups engaged in non-farm activities, with the intention of helping improve their employment and income status, through credit and training. Emphasis was given to organizing and participation.

4. Phase I

The project was divided into three phases. In Phase I, a survey and participatory workshop were conducted, and a group dynamics training programme run for all involved agencies. The design was first to organize, at the national level, an implementing team composed of members from the cooperating groups. This National Implementing Committee (NIC) oversaw the project and reviewed its progress from time to time. It also organized a Regional Implementing Team.

In 1985, two villages were surveyed and a consultation held, providing baseline data, and

directions in which the project might proceed. The village level activities also included leadership training for the community members and leaders, and led to the organization of two groups, the beneficiaries of the project: the Labourers Group of Angilan (PUMA); and the United Labourers of Bantolinao (HIMABA).



Village Survey

There was initial enthusiasm on behalf of project implementors and beneficiaries, but as the project progressed, the implementors became less available owing to their other duties. There was, therefore, no full time community integration, and so a part time community organizer was hired, lacking, however, proper monitoring and supervision.

The National Workshop in November 1985 assessed PUMA and HIMABA as still weak, requiring more support in order to be more financially self sufficient. Events in the country overtook the project in 1986, when it was more or less abandoned. Revival of the project in 1987 and 1988 was difficult, in view of the unfulfilled expectations of the people.

5. Phase II

Phase II began with an assessment of the organizations formed during 1985, and it was realized that Phase I raised the expectations of the people owing to its very lavish meetings and consultations attended by very prominent people. There were also material incentives, such as warehouses, promised to the people, but which never appeared. These, together with the virtual neglect of the project in 1986, made the people very disillusioned, and it was a very difficult struggle to get them interested in the project again.

This phase was devoted to group formation and training, information and education at the grassroots level, and skills and leadership training programmes, beginning in August 1988. It gave more emphasis to strengthening the two organizations, and to training them to manage their basket weaving business by themselves. Full time immersion began with a Field Implementing Team (FIT), composed of members of the cooperating groups, a full-time, trained, Community Facilitator, and a single, streamlined Management Committee (MANCOM).

The major activities undertaken in this phase were the introduction of FIT and the Community Facilitator, starting the Interim Credit Scheme, and building up the capital funds of the organizations through their 'hungos-hungos' system.³ During this period, the implementation of the project was interrupted for around two months, because FIT and the Community Facilitator were accused of being communists and satanists.

Assessments and evaluations of Phase II were very positive, in view the training received, the large orders placed, experimentation with the Interim Credit Scheme, and the organizational strengthening with support from the members' informal organizations.

6. Phase III

With the glowing reports of the success of the organization, there was encouragement to expand the project to other areas, which was the initial aim of this phase.

Phase III involved: advanced and upgrading training for the existing organizations; efforts to expand membership and activities; expansion to other municipalities; the undertaking of an independent evaluation; and the National Workshop.

7. Project implementation

The evaluation⁴ recorded that implementation of the project in the early stages was poor because of unavoidable reasons, but improved later as more effective methods were applied. Improvements depended heavily on the work of the Community Facilitator, and in immersion of the NIC in the community.

C. INSTITUTIONAL ARRANGEMENTS TO IMPLEMENT THE PROJECT

As originally planned, the project was a joint effort between the Department of Labour and Employment through the Bureau of Rural Workers (BRW), Regional Office No. VII (DOLE-RO7), the Land Bank of the Philippines (LBP), the National Economic Development Authority (NEDA), the then National Council for Integrated Area Development (NACIAD) through the then Bohol Integrated Area Development Programme (BIADP), the Commission on Audit, with the assistance of the International Labour Organization (ILO), and the Economic and Social Commission for Asia and the Pacific (ESCAP).

In Phase I, these various agencies, working jointly as the National Implementing Committee (NIC), laid down policy and guidelines and assessed performance, while the other agencies provided financial and technical advice and support, through a (subsequently formed) Regional Management Committee (RMC), consisting of counterparts of the various agencies, overseeing the project. Project funds were transferred from the BRW to the RMC, with DOLE-RO7 acting as custodian, and control exercised by the Commission of Audit.

MANCOM and FIT were formed at the beginning of Phase II, working through the Community Facilitator. The mayor and his assistants provided active support, and assisted with networking. Inputs were provided by the Department of Trade and Industry (DTI), and the Departments of Agrarian Reform (DAR), and Social Welfare and Development (DSWD).

Three prominent non-governmental organizations (NGOs) were of great assistance in the implementation of the project activities: Silliman University was hired to provide the project with the full time Community Facilitator; the PROCESS Foundation was involved in the baseline study; and CARE Philippines. LBP was actively involved in meetings and administration of the project, especially the Interim Credit Scheme, as well as training.

While the implementation of Phase I required no formal linkage, under the new administration in 1986, a memorandum of agreement was made in 1987 between the cooperating agencies, the Department of Labour and Employment, and LBP, and a further memorandum made for Phase III.

D. TRAINING AS THE MAJOR INTERVENTION

Training needs assessment was undertaken informally through a series of consultations and workshops, conducted to share the results of surveys, and evaluate progress of the project. Activities were conducted as follows.

1. Community information and education

This took the form of consultations and workshops, encouraging community participation in directing the course of the project.

- i A Village Participatory Workshop in May 1985 was lavish, and gave the impression of a huge project, but it did get things moving.
- ii A National Workshop in November 1985 was attended mainly by Government officials, aimed to familiarize those involved with project objectives and progress.
- iii An Assessment Workshop in September 1989 examined the FIT study, questioned:
 - a. The slow pace of operations of PUMA as compared with HIMABA;
 - b. Decrease in membership in both organizations;
 - c. The need for skills upgrading; and
 - d. Lack of coordination among Government agencies and their programmes.
- iv The Presentation of the Evaluation Results in August 1991 compared and analyzed the situation to date with that in 1985.
- v The National Workshop in December 1991 discussed the Evaluation by Xavier University, and formulated strategies for expansion and replication.

Overall, these activities indicated that there was a mechanism in the project for the people to share lessons and contribute ideas, and they provided a source of feedback and evaluation.



National Non-farm Employment Workshop 17-18 November 1985 (discussion of the action plan)

2. Leadership and organization training

These were integral to the overall objective of the project, and involved the following.

- i Leadership Training in July 1985 for PUMA and HIMABA leaders, again, a lavish affair.
- ii Participatory Needs Assessment in November 1988 provided inputs in group building and strengthening, as major deficiencies identified were in expectations on individual attitude, leadership, and organizational weaknesses.
- iii Immersion of the FIT in the community in September to November 1988, and the deployment of the Community Facilitator provided, according to the beneficiaries, useful learning experiences through daily interaction.
- iv Leadership and Organization Development Skills Training in January 1989 stressed a range of topics, such as concepts of development, and decision making.
- v Reformulation of Constitution and By-Laws in March 1989 established committees, whose efforts were received enthusiastically by HIMABA, but less so by PUMA.

3. Skills training programme

These sessions were intended to develop and enhance basket weaving and project management skills, and were conducted in response to actual job orders.

- i Project Management Skills Training in May 1989 proved too difficult technically, and covered such topics as entrepreneurship and budgeting.
- ii Technical Skills Training in November 1989 covered the manufacture of eyelets in basket weaving, and the marketing of baskets, involving 33 members.
- iii On-the-Job Training in October 1988 to February 1989 was designed to meet orders from FILCRAFT Philippines, a major exporter of baskets, though members were subsequently discouraged by the experience, and orders from FILCRAFT were discontinued.
- iv Interim Credit Scheme in March 1989 to 1991 covered aspects of regular loan mechanisms of local financial and banking institutions. However, misunderstandings arose concerning the Scheme, and it was only HIMABA who could fulfil the requirements.

4. Assessment

Both organizations were found to be quite functional in terms of organizational ability, especially HIMABA, and beneficiaries attested that the training greatly helped them in strengthening their organizations, and in gaining self-confidence, as well as preparing them for community development.

In relation to the socio-economic aspects of the projects, the beneficiaries had initial gains in dealing with job orders, responding to new designs, and in handling a credit scheme. By and large, however, they lacked confidence in their business skills, and over-relied on the project manager.

More training was required with the right pace and method for their situation, particularly the day-to-day support provided by the Community Facilitator. The formal training sessions were spread over a long period of time, and, although individually rated as satisfactory, the people remembered little from them.

The evaluation⁵ recorded that the groups were able to upgrade their skills in basket weaving, and thus responded to the varying and particular market demands, but still needed further training in business management.

E. BENEFITS OF THE PROJECT

1. Improvement in standard of living

The project increased the income of members by around 20 per cent (P.10.00 per day), although analysis showed that this came more from agriculture than from basket weaving.⁶

2. Organization momentum and demonstration effect

PUMA and HIMABA were functioning, but there was a need to share their benefits with the rest of the community.

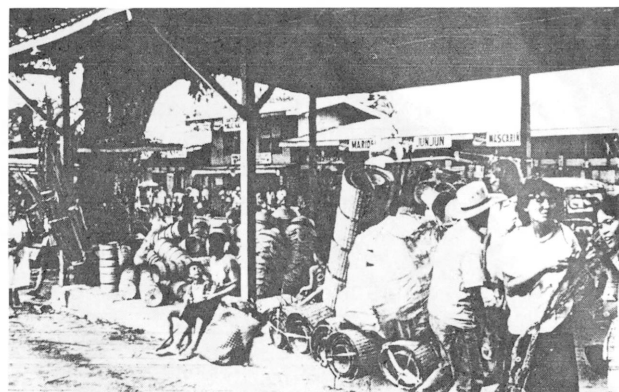
3. Strength of the organizations and emergence of leadership

PUMA and HIMABA were quite strong and members had a good knowledge of problems of the community, being able to request support from Government agencies, and their aspirations had broadened to include education for themselves and their children.

The training in organization and leadership was effective, and had helped members gain self confidence to face problems and deal with Government officials.

F. CONSTRAINTS AND DIFFICULTIES

- i The project was faced with frequent interruptions, and three successive changes of leadership.
- ii The limited scope of the project made it difficult for members to influence marketing practices, especially product pricing, leaving them open to being taken advantage of by middlemen.
- iii The product chosen was export-oriented, compounding the influence of middlemen.



Basket market at Antequerra

- iv The organization of the project left the members open to suspicion of communist activities.
- v The project contributed little to the community as a whole. Little was done to improve water and health services, regarded as a major problem, resulting from a lack of coordination between Government agencies. The proliferation of agencies in community development made it difficult for the project to involve more members.
- vi In terms of credit, the people of these two communities were already used to borrowing through informal sources, and they did not change their habits, as they regarded the Interim Credit Scheme as belonging to their organization, rather than to themselves. Furthermore, the Interim Credit Scheme was undermined by another department's loan programme, which was more lenient and insensitive to the idea of building self reliance in the community.

G. RELEVANCE TO THE CURRENT SITUATION IN THE COUNTRY

1. Replication

In spite of the costs involved, it has shown that the Government can undertake this kind of activity to generate income and employment, and the active involvement of Local Government units is crucial to replication of the project, as is that of NGOs.

The following are recommended issues in relation to replication:

(a) Process and method

- i Institutionalize the project, so that it becomes more immune to changes in the political system and other influences.
- ii Key figures must be informed before the project, and kept constantly briefed.
- iii Training programmes must be appropriate, and should consist of formal training, practice, coaching, and evaluation.

- iv The Community Facilitator is an essential ingredient.
- v Credit schemes and other policies need very clear elucidation to members.
- vi Implementation should be kept to three years.
- vii Phasing out from the community should be well timed and well prepared for. The evaluation⁷ sees the threat of dissolution of the groups, unless there is a Community Facilitator who is well versed in basket business management, and training is provided to organize the groups as cooperatives, rather than associations.
- viii Linkage and coordination between the various Government agencies is essential.
- ix Documentation of success and failure be carefully maintained.⁸
- x Funding requirements need careful attention and planning.

(b) Basket weaving industry

Competition with other areas in terms of marketing and sources of raw materials, on which basket weaving is heavily dependent, should be carefully considered.

(c) Replication near the project site

In spite of all the resources poured in over a six year period, only 27 out of 439 families in the two villages directly benefitted from the project, non-members complaining that they received no benefits.

(d) Other issues

Concerns for the environment, women, and peace and order need to be built into any efforts at replication of the project.

- i It was observed that women were the ones involved in basket weaving, but they took little part in project activities.
- ii Political support and stability are key factors in choosing likely locations for replicating the project.

2. Similar schemes, plans and programmes

- i Institutionalization of People's Participation for Integrated Development (IPPID)
- ii Self-reliant organizations for the Comprehensive Agrarian Reform Programme (CARP)
- iii Training for Rural Gainful Activities (TRUGA)
- iv Farmers' Assistance Board, Nagkakaurusa nga Kablas nga Maguruma sa Sta. Fe (NAKAMAS)
- v Philippine Business for Social Progress (PBSP)

H. RECOMMENDATIONS⁹

1. Macro- and micro-policy adjustments

Adjustments in macro- and micro-policies should address the following issues and problems.

- i The effect on non-farm employment on farm productivity as labour moves away from agriculture.



Traditional agriculture no longer provides adequate income

- ii Market and product innovation in terms of the quality required to compete locally and internationally, in relation to traditional methods and skills.
- iii The difficulties in professionalizing non-farm entrepreneurs.
- iv Stiff competition among small, non-farm entrepreneurs in a limited market

constricts the coordination required to meet quotas in the sub-contracting market.

- v The seasonal nature of demands for non-farm products discourages rural entrepreneurs from pursuing production on a sustained basis, as do control of raw materials and purchase prices by middlemen.
- vi Difficulties of financing and profitability are compounded by the reluctance of private capital to participate in the development of rural areas, especially when there are problems of peace and order.
- vii Inadequate Government support services and poor coordination are still very evident.
- viii Slow-paced structural reform limits opportunities for non-farm activities to thrive.

2. Lessons from the project

(a) Funding agencies

Agencies need to be flexible in setting guidelines and time limits, and to appreciate modest changes, rather than immediately looking for impressive indicators in terms of infrastructure.

(b) Administrative insights

- i Administrators must be facilitative and not obstructive, and show all out support and trust in the capability of field workers.
- ii Project/staff houses are preferable to living with members, in view of debts of gratitude.
- iii Credibility of project staff and linkages with Local Government are decisive factors in project success.

(c) Ideal characteristics of implementors

- i Homogeneity of development orientation is essential in the selection of an implementing team, and it is best to field community workers who can speak and understand the local dialect.

- ii Propriety and respect for community mores are necessary for implementors as role models.
- iii Total immersion in the project site is a requisite.

(d) Insights into organization dynamics

- i Homogeneity in membership characteristics is desirable.
- ii Development efforts aimed at understanding self and organization skills are at least as important as those aimed at financial matters.
- iii Organizational structure, while important, will develop of its own accord, and it is best to start with knowing the community, consciousness raising, and building and maintaining rapport.
- iv The gains of the group should be stabilized and built on, and, as self-reliance is the project's main concern, when continued guidance is required, it must be sustained.

3. Institutional roles

(a) Government

Along with appropriate policy adjustments to promote non-farm employment, the Government needs to assume two parallel roles, as facilitator, rather than generator:

- i Provision of access to resources, adequate institutional and infrastructure support, and information on markets, opportunities, and technology.
- ii Provision of programmes and services to assist those employed in non-farm activities in their chosen enterprise, in the formation of functional groups, and in enhancing worker protection and welfare.

(b) Financial institutions

Besides the primary role related to the outlay of funds, innovative approaches to lending have put a premium on other roles:

- i Channelling finance;
- ii Assessment and tracking of performance; and
- iii The provision of advice if necessary.

- iii Credit delivery and collection; and
- iv Project monitoring.

4. Regional and sub-regional cooperation

Concrete areas in which regional and sub-regional cooperation could be strengthened include the following:

(c) Non-governmental organizations

NGOs can assume the following roles and responsibilities in the generation of non-farm employment:

- i Selection and social preparation of the clientele;
- ii Provision of technical assistance in project packaging;

- i Information exchange;
- ii Sharing of expertise and technology;
- iii Training and study tours;
- iv Collaborative regional research; and
- v Regional workshops and consultations.

Annex An Evaluation of the Non-Farm Employment Project (NFEP) in Angilan and Bantolinao, Antequera, Bohol, March - October 1991¹⁰

1. Objectives

The objective of this evaluation was to assess and analyze the impact of the project, and to formulate a policy framework appropriate to the development of other non-farm activities nationwide. Specific objectives were to determine:

- i How well the project was implemented;
- ii How much improvement in the standard of living resulted;
- iii The strengths of the organization and the effectiveness of the training; and
- iv Factors that may help sustain or replicate the project in other areas.

2. Methodology

An evaluation team was hired from Xavier University and undertook:

- i Review of documentation and consultation with involved agencies;
- ii A survey using the same questionnaire as the baseline study;
- iii Drawing up of a historical map of the project to examine morale;
- iv A gender analysis on the activities of the organization to study the effects of the project on women;
- v A study of availability of raw materials to examine the effect on the environment; and
- vi A study of the allegations against the organization to determine the effect on peace and order.

3. Recommendations

(a) Status of the organizations

- i Provide more structured training in business management, with a Community Facilitator who is good in both business and cooperative formation. This should be combined with a planned one-year phase out programme.
- ii Train the organizations to become a cooperative during the phase out programme, and link this to existing cooperatives and services available.
- iii Try to reach out to non-members to join in the expansion of the project, by involving them in the participatory process.
- iv Link the organizations with other programmes, and address other problems of the community, other than just raising income, and strengthening organization.



Essential basket weaving supplies that need to be purchased from outside (Angilan and Bantolinao)

(b) *The basket weaving industry*

- i Preserve sources of raw material, by careful assessment of resources, and replenishment programmes.
- ii Involve women in positions of responsibility and decision making, and give them more support in their work.
- iii Explore markets for baskets, by undertaking market studies and promotional campaigns.
- iv Sell baskets with value added, by establishing the cooperative, and finishing and decorating the baskets, in line with current fashions.
- v Give emphasis to basket weaving without neglecting agriculture, as the basket weavers still need to eat.
- vi Harness local ingenuity and indigenous skills for basket weaving, by capitalizing on such traditional systems as hungos hungos, bringing in new technology, and the particular skills of different households.

(c) *Improvement on the process used*

- i Provide overall coordination, but with an implementor/facilitator based in the community, to provide a more effective bridge between the community and the implementing agencies. Democratize top-level coordination, and ensure decisions made by the implementing teams are communicated to the community directly.

- ii Provide top-level support to make the people become the implementors of the project.
- iii Make provisions for a Community Facilitator, whose skills depend on the current needs of the community, which will change as the project progresses.
- iv Training programmes should use the most effective methodology, which is learning by doing, especially for business management, and follow up with carefully planned support in the community.
- v Provide credit for the programme. The ESCAP/ILO provision of \$US 4,000 for the Interim Credit Scheme, and \$US 4,750 to assist in the administration of this fund, was very useful. However, other credit schemes are required, and these need to be properly linked to the programme, and efforts made to increase the capital of the group, and to increase the ceiling of their loans, when they have proven to be creditworthy.
- vi There is a need for broader training and organizational objectives for the organization. The skills of the members should be upgraded, so that they achieve what in NGO circles is known as 'paper power'. Ultimately, a multi-purpose cooperative needs to be formed.
- vii The constant assessments, evaluations, and documentation in the project should be replicated in any future projects.

Notes

¹ Josefino I. Torres, Ponciano M. Ligutom, "The Promotion of Non-Farm Employment among Rural Workers: The Philippine Experience" (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

Much of the Country Paper is extracted directly from the Evaluation, see the Annex below.

² There was also difficulty in assessing the effectiveness of introducing a non-farm activity, which in this case was basket weaving, because basket weaving was already in existence in these areas much earlier than the project, Rachel Polestico, Elmer Sayre, and Father Antonio Ledesma, "An Evaluation of the Non-Farm Employment Project (NFEP) in Angilan and Bantolinsao, Antequera, Bohol, March - October 1991", College of Agriculture, Xavier University, pp. 7.

³ This system has allowed the community to earn much from agriculture, and to build up capital and savings. Through *hungos*, an individual can ask the group to do some work on his farm, he then pays the volunteers half, and the other half goes to the organization.

⁴ Ibid., pp. 89-90.

⁵ Ibid., p. 96.

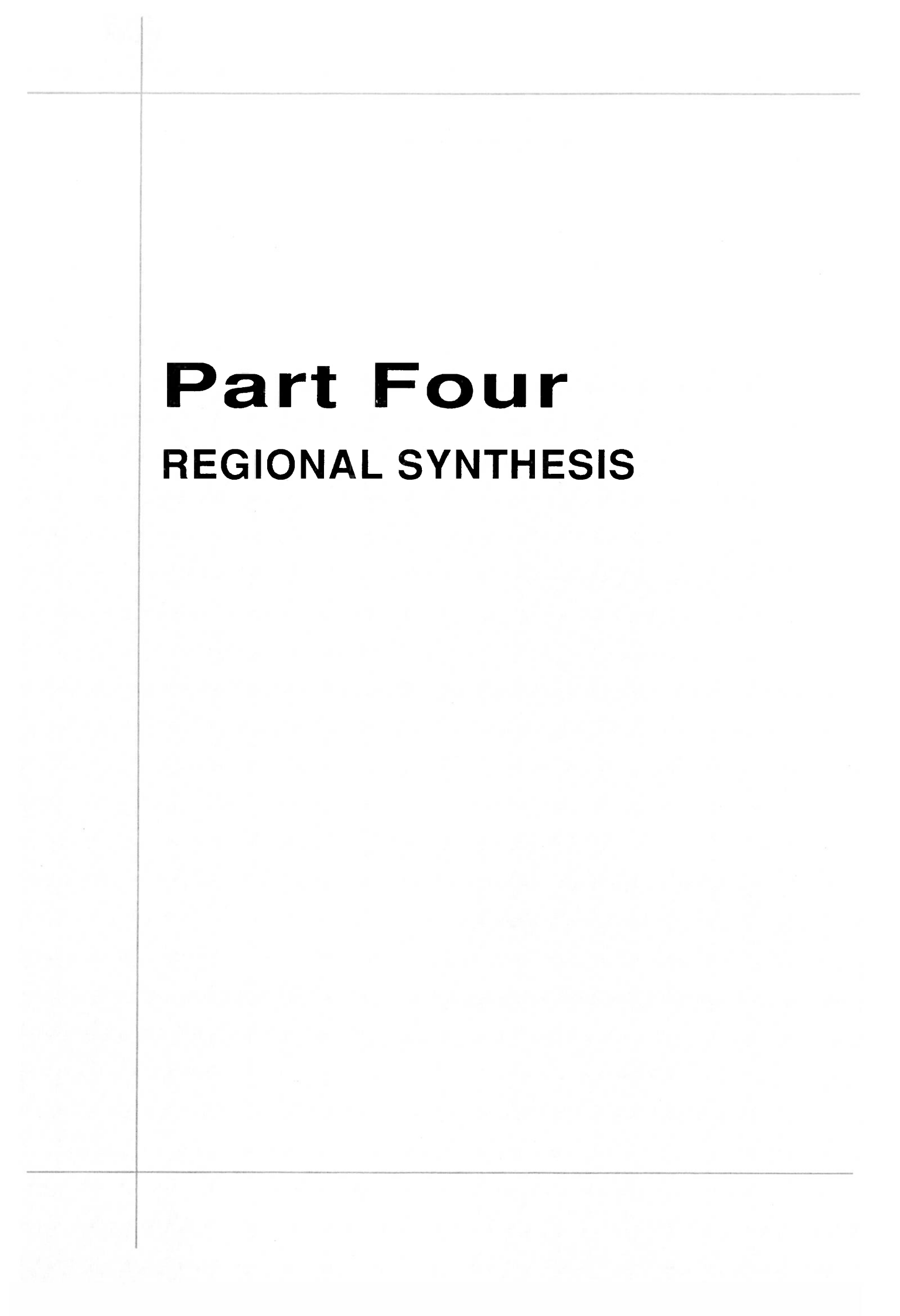
⁶ There was difficulty in determining the changes in income of the target beneficiaries, because over the years the value of the peso has changed, and even if the values are imputed, the evaluators were still left in doubt about the results, because they were only gross estimates that might not conform to real income. For one, it was found that the target beneficiary seldom saw actual money in transactions, but most of the payments were recorded as deductions which they got from debts in kind, *ibid.*, pp. 6.

⁷ Ibid., p. 90.

⁸ It was not possible for instance to get the original Village Survey questionnaire from PROCESS, the records of NACIAD, and others, *ibid.*, pp. 6.

⁹ See the Annex for recommendations from the evaluation.

¹⁰ Rachel Polestico, Elmer Sayre, and Father Antonio Ledesma, College of Agriculture, Xavier University.



Part Four

REGIONAL SYNTHESIS

I. REGIONAL SYNTHESIS¹

A. INTRODUCTION

With the pilot projects as a perspective, this chapter analyzes the experience generated in the various pilot projects, and delineates guidelines for future efforts.

1. Perspective on poverty

"The objective of a sizeable reduction in the incidence of poverty is the highest priority for the international development community".² Eradication of poverty remains the top priority, not only of the countries suffering from it, but also of the international community, multilateral, and bilateral agencies.

2. Nature and causes of poverty in Asia

More than 75 per cent of the people in the developing Asian countries live in rural areas. According to an estimate for the late 1970's and early 1980's, 43 to 70 per cent of rural people suffer from poverty in the countries under review (Bangladesh, India, Pakistan, the Philippines, and Sri Lanka). The rise in numbers of the rural poor comes from changes in the relationship between land and a growing labour force, and the impact of the institutions on them. In most of the countries, land holding ratio is in decline, and cultivable land is becoming fragmented as a result of property inheritance systems.

3. The challenge of development

In countries with no agrarian reform and continuing land concentration, the average size of holdings inexorably shrinks. The class of small and marginal farmers grows, and so does another class, the landless labourers. A number of studies attest to the association of small holdings and landlessness with rural poverty.³ The largest groups of rural poor are small/marginal farmers and landless labourers.

The nature and extent of unemployment and underemployment vary in different countries; but from available data, underemployment seems to be more serious and widespread in rural areas than open unemployment.

4. Alleviation of poverty in Asia: non-farm employment

In the circumstances of most countries of the region, strategies for alleviation of poverty require an equitable distribution of productive assets, adoption of policies to generate higher employment, and real wages, or both. It is also generally agreed that organization of the rural poor, and restructuring of the delivery mechanism to improve their access to inputs, are necessary to enhance their production capability, and help raise their standard of living through a higher level of employment. Since the rural poor are primarily the working poor, with farms too small to support them, and the demand for labour is insufficient in terms of duration, productivity, and stability, it is generally considered that the major scope for their employment, and thus for the alleviation of poverty, lies in the rural non-farm sectors.

5. Concepts and definitions of the rural non-farm sector

The term 'RNF sector' has generally not been used in policy planning in rural Asia, for the obvious reason that development priorities were generally viewed as a choice between emphasis on agriculture, or on industry. Recent attention stems from the observed limited absorption of surplus rural labour into the formal sector, and consequent interest in special employment programmes.

Generally, the RNF sector comprises all activities, excluding primary production in agriculture (including livestock and fisheries). Thus defined, the RNF sector includes rural manufacturing (including agro-based processing), trade, and construction services. It is possible for different members of households, or individual members, to be engaged in both farm and non-farm activities during a given period. They may be described as 'part-time farming households' or 'part-time farmers'.

A number of other issues are relevant in considering rural non-farm employment (RNFE):

(a) *The scope of RNFE*

Whether or not RNFE includes government and public sector employment, as our primary concern is with the private component of RNFE.

(b) *The scale of RNFE*

RNFE, as commonly advocated, covers only small scale rural enterprises (often both agricultural and non-agricultural activities) and not big public sector or private enterprises in the rural sector.

(c) *Rural industries*

This dimension is important, as clearly RNFE covers more than just rural manufacturing.

(d) *Off-farm employment*

Another common concept is 'off-farm employment'⁴, referring, in an agricultural community, to employment opportunities off one's own farm, thus including even wage work on other farms. The focus here is on rural non-farm enterprises, not on sources of non-farm employment, and therefore wage employment in other farms and public works programmes will not be discussed.

(e) *Rural non-crop activities*

A definition of this would include agricultural activities which are not crop-based (livestock production and fisheries), along with non-agricultural activities.

While the above definitions can be distinguished conceptually, application is difficult in view of lack of data, especially for production or value added data, in terms of rural/urban breakdown. National accounts statistics present a source of such data, but they are not available on a sectoral basis. Employment data is more readily available, where periodic population censuses and labour force, and socioeconomic surveys, have generated useful, but not always consistent, information on the subject.

6. Factors underlying the evolution of non-farm employment

A study of seven countries in South Asia has shown that the rapidly expanding "wedge" of

rural non-farm labour now comprises one-fifth of the total labour, and about 40 per cent of total agricultural labour, in those countries.⁵ The relative importance of employment in the rural non-farm sector has increased as a result of a number of factors:

- i Labour absorption rates in agriculture could not keep pace with the growth rates of output and population owing to technological and institutional innovations.
- ii All available rural labour could not be siphoned off by the urban sector and by emigration in most South and South East Asian countries, and therefore sought non-agricultural work in the country-side.

Especially in the land-poor and densely populated countries of the region, the future evolution of non-farm labour will likely be governed by a 'push' out of agriculture, as in the past.

7. Types of non-farm activities

There are a number of approaches to grouping the various types of non-farm activities.

(a) *Traditional versus modern*

A simple classification of rural non-farm activities is divided into traditional, neo-traditional, and non-traditional (modern) activities, with traditional activities dominating. The pattern of activities is influenced, among other factors, by nearness to urban centres, levels of development or growth potential, and socio-cultural factors, such as the caste system and level of education. Employment may be self employment, or wage employment. Their relative importance in the non-farm sector varies from country to country.

(b) *Sectoral grouping*

There appear to be three broad areas where employment can be created in the rural sector in the ESCAP region:

(i) *The agricultural sector*

The development of agro-processing and agro-based industries will wean large numbers of surplus labour from agriculture, as has happened in many East Asian economies, and is happening

in Malaysia and Thailand. Agriculture will also create linkage areas for future employment activities, with the adoption of new technologies such as bio-technology, the requirements of environmental protection and sustainable development, and the regular maintenance of, for example, irrigation systems.

It is expected that higher incomes, increased energy prices, and adding value to agro-based industries will counter increased labour costs.

(ii) *The promotion of rural industries*

Such promotion has been strongly advocated, but problems remain of lack of infrastructure and required services in the rural areas of most countries in the ESCAP region. There is, thus, little motivation for industrialists to move from urban centres.

Important factors in success are: linking cottage industries to larger markets; flexibility for government agencies to operate commercially; involvement of the private sector; and linkage to tourist markets.

(iii) *The service sector*

Employment opportunities can be created in the service sector to take up seasonal slack labour periods in the agricultural sector, such as public assistance "food for work" programmes, and the clearing of irrigation canals.

Adaptation of these institutional mechanisms needs to be undertaken with sensitivity and caution as evaluations have illustrated a number of shortcomings: assets created not matching labour inputs, and not being well maintained; and deficiencies in financial/administrative management.

(iv) *Grouping according to productivity and income*

RNFE, as commonly observed in developing Asia, can be divided into two main groups:

- i Activities which represent survival strategies for poor families, with low productivity and low wages, which add marginally to household incomes, especially for rural women, but which

cannot be expected to serve as employment generating, dynamic enterprises.

- ii Enterprises which are small, but with higher productivity and incomes, and which can adapt product quality to new demands, such as traditional artisan and village craft based industries.

The large and growing share of RNFE in some countries is a reflection of lack of other avenues, and it therefore becomes a source of 'distress employment', as is the case with much RNFE under special programmes. It is necessary to focus on the dynamic sector for a rural industrialization strategy, even though it may conflict with equity objectives in the short run.

It is important to recognize the different objectives of the promotion of RNFE, and a policy which proves functional in one country may not enable another country to achieve these same objectives.

The specific role that the government, banks and the private sector could play depends on the observed constraints, primarily relating to demand and supply side factors, on the development of the RNF sector. The role of the various agencies will have to be appraised in relation to these constraints.

In most developing countries, the popular approach has been supply side interventions to overcome the above constraints, and special small industry development agencies have been created for the purpose.⁶ Yet experience has shown that supply side measures cannot succeed in an environment where macro-policy stifles demand impulses, and creates various biases against non-farm enterprises.

B. LESSONS LEARNED AND COMMON SALIENT FEATURES

1. Prerequisites

Village surveys, identification of target groups (beneficiaries), their problems and needs, and their homogeneity and cohesiveness, must precede all action.

Previous experience in community development work is essential, as is the availability of a cadre of dedicated workers, prepared to live and work among the people,

organize and motivate them into group formation and group action, and create awareness about their strengths and rights.

The availability of credit, a system of loan disbursement, and the role of banks and financial institutions are important factors and need to go hand in hand with awareness raising, group formation, and the selection of activities.

Effective project management and coordination among government agencies, local officials, and field workers, are pre-conditions for success. Inter-sector linkages should involve upgrading the technological capabilities of the rural industrial sector, harnessing rural skills and technological development for local infrastructure and agricultural development needs.

2. Selection

(a) Area

Criteria for selection should be discussed and commonly accepted.

(b) Target groups

A baseline study needs to identify land ownership, income, unemployment conditions, degree of being underprivileged, permanent residence, entrepreneurial ability and personal traits.

(c) Group formation

Motivation and training are essential, and a 'Participatory Approach' is key for success.

'Change Agents' should act as community facilitators and motivators, and not as leaders. They should help develop local leadership, 'resource pools' for group action, and encourage beneficiaries to interact in a conducive manner in a wide range of areas, not just employment.

(d) Choice of trades

A survey of availability of resources and raw materials, skills and skills help, markets, prices, cost-benefit ratios, capital, risks involved, potentials and constraints and access to technology needs to be undertaken. Activities based on traditional skills, indigenous materials, and the beneficiaries actual interests have proved

relatively more successful. The introduction of such activities must be undertaken with extreme caution, and only after appropriate training.

(e) Role of women

Women have a key role to play in group activities, organization and development, and projects have highlighted their strength, motivation, hard work and willingness to learn.

(f) East Asian experience

A number of important lessons can be drawn from the East Asian experience in relation to RNFE⁷:

- i In the short-and medium-term, the existing rural industries were not wiped out by urban industrial competition, and in the medium- to long-term, the rural industrial sector moved into items which have a high elasticity of demand, and which involve more advanced technologies.
- ii The role of subcontracting and development of ancillaries is especially important, with this type of linkage breaking the demand side contradiction between large and small scale industries by structuring the two in a complementary and mutually beneficial relationship (see also section E.6. below).

(g) Problems in implementation

The success or failure of projects will largely depend on a number of factors which may be broadly divided into the following categories:

- i Overall socio-economic environment;
- ii Financial factors;
- iii Local and environmental factors;
- iv Government policies and roles of the agencies involved;
- v Political factors and special situations; and
- vi Susceptibility to external factors.

Expectations once raised should be sustained and fulfilled.

C. REGIONAL EXPERIENCE: OVERALL STRATEGIES AND POLICIES FOR RURAL EMPLOYMENT

1. Overview

The problem solving approach falls short of a total commitment, and lacks an institutional and planning framework, thus inhibiting the impact of assistance provided.

Sectoral approaches have a better and more specialized focus on the scope of the work, but they usually conform to specific administrative systems, resulting from the allocation of subject functions among line ministries and agencies. Very often, the responsibility for programme implementation devolves on an existing specialized agency, or in its absence, a specialized agency is created. The approach of these specialized agencies has been largely oriented towards moving along designated grooves, and, not surprisingly, the performance is often evaluated against the ability of these organizations to avoid overlapping. Finally, the organizational design becomes obsessed with division of work and the need to achieve coordination among agencies. They thus deviate from a performance oriented role and accord a low priority to principal objectives.

Distinctions between rural and urban industries, choice of technology to be adopted, and different schemes of development assistance are bound to become controversial with centrally controlled systems of administration. By and large, problems associated with the sectoral approach to rural industrialization are also related to developing linkages between organization and industry.

The redistribution of the means of production would appear to be too radical and governments would be unwilling to implement such measures.

A less radical approach, gaining ground among Asian countries, is to strengthen the institutional capacity and capability of the small farmer sector and the rural poor to increase their collective bargaining power and optimize benefits through supply side programmes of the government. These approaches have already been applied in certain areas and are found to evoke a very positive impact on demand side improvement in ensuring that benefits will accrue to the targeted groups.

In the context of the above approaches, strategies which underscore national level policies can be broadly classified into programmes which have a direct bearing on:

- i Improving production and generating income: land policies; IRDP; and area programmes which are designed to address less developed regions.
- ii Focusing on a target group or households so as to improve their income: employment creation schemes; and projects designed especially for disadvantaged groups.

A programme which basically incorporates several aspects of production, income generation, and target group orientation is land settlement schemes. This is singled out in view of its relative neglect by planners.

2. Land settlement projects (LSP)

Many LSP programmes envisioned the need for certain restraining measures against subdivision and the sale of land to ensure the economic viability of the land allotment, and also for the purpose of protecting the landless peasant against ensnarement by external forces.

There is a danger that these projects are viewed as centres for increasing food production, without integration with the surrounding areas, markets, and people who do not belong to the project proper. Long-term benefits which could have provided the settlers with sustainable incomes have even been neglected by foreign donors.

Scudder (1986)⁸ who undertook a global evaluation of settlement projects in Asia, Africa and Latin America, concludes that "a major reason why settlement projects have generated so little non-farm employment is because they have been planned and implemented primarily as agricultural production schemes, emphasizing a small number of export crops. Just as production has been emphasized rather than the net income of settler families, so also where attention has been paid to non-farm employment, that too has been production oriented, emphasizing the processing of agricultural products, in spite of existing evidence that the generation of non-farm employment is more closely related to the production and consumption needs of settler families for a wide range of services and goods." Scudder divides the process of settler

development into four stages:

(a) Planning

Failure to perceive land settlement in an integrated area perspective in the first stage of planning has led to missed opportunities.

(b) Transition

Non-farm incomes can contribute to household expenditure during the transition stage which, under normal circumstances, creates a period of stress and uncertainty for the settler in the new physical and social environment. Thus the settler becomes averse to risks and attempts to survive through a low input/low productivity regime and the expectations of project design by the planner are not easily fulfilled by the settler.

(c) Economic and social development

This stage prepares the settler to venture out with an increased willingness to take risks and diversify his crops and income sources. It is during the transition stage that the settler will consider livestock development and non-farm employment for his family, and non-family members as well.

(d) Handing over and incorporation

This refers to the successful ability of the farming community to take over certain functions from the specialized state agencies, through institutional strengthening and increasing the scope of decision making in respect of activities concerned with the management of the settlement. The take over of operations and maintenance activities by farmers' organizations, together with responsibilities for input supplies and group credit, would certainly increase labour intensive work, falling outside the purview of on-farm activities.

It is essential that policies and strategies are consistent with the right environment for the second generation to move out into non-farm employment so that settlement schemes do not perpetuate poverty. In this respect, the need for a multi-sectoral approach has been highlighted by Weitz and others (1978)⁹.

3. Land policies, redistributive justice, and non-farm employment

Land reform measures comparable to programmes carried out in Japan, the Republic of

Korea, China, and Taiwan Province of China have not been implemented elsewhere in any Asian country.

4. Integrated rural development programme (IRDP)

In most Asian countries, IRDP does not have a deep ideological commitment, except that it has been formulated to overcome certain limitations in the development process which lacked harmony and consistency. It has, however, earned a high degree of acceptance among the donors who desire to help the rural sector in developing countries, and donor perceptions have largely shaped its nature and characteristics. It has been widely adopted in India and several other Asian countries which have faced the problem of strengthening the asset base of the poor, but with widely varying success.

The initial focus of IRDP was on the development of the physical and social infrastructure, under which large irrigation projects have been included for want of funds, under regular budgetary allocations to finance them. On the whole, however, IRDP helped in moderating the redistribution of governments' capital budget expenditure, from highly concentrated capital intensive projects, towards achieving a more spatial balance in the national context.

The over-riding sectoral approach, which is characteristic of government administration, has its impact on IRDP, resulting in local level planning and institutional strengthening through a multi-level strategy not being very successful. The target approach was lacking in certain countries, and it cannot be safely concluded that repeats and expansion of programmes would contribute towards a sustainable impact in solving problems in rural areas.

A World Bank evaluation of 112 IRDP projects with assistance provided by the Bank reports that, on the basis of rate of return, 63 per cent of the projects were successful, and that projects overall had an average rate of return of 17 per cent (10 per cent being considered successful).

The World Development Report 1990 recounts the following lessons from IRDP projects:

- i Many projects were too ambitious and complex, and, in many cases, benefits flowing from projects were not sustained beyond project complement.
- ii Project beneficiaries did not usually participate in decision making, and, where they did, projects worked better.
- iii Projects proved to be meaningful 'enclaves' within national agricultural systems that were still largely inefficient and inattentive to the needs of poor farmers.
- iv Government policies on certain key variables were not compatible with project objectives.
- v Projects often proved ineffective levers for influencing overall national policies for agricultural development.

5. Special employment programme

The rapid expansion of special employment programmes by various countries is a clear indication of the pressing problems of poverty and unemployment, and these programmes often provide a means of striking a balance between other measures. They roughly conform to rural public employment schemes and are designed to reduce poverty by providing employment, and also utilizing the opportunity to create rural infrastructure and public assets.

Country programmes have been criticized on account of the seasonality of employment, heavy concentration on roads with low quality work, leakage, and wastage. Political support is attributed to the fact that the beneficiaries from these infrastructural developments are the rich landowning classes in rural areas. It has therefore been suggested that programmes should concentrate on the maintenance of assets that benefit the poor, such as the rehabilitation of agricultural lands, reforestation, and erosion control, which have more relevance to environmentally degraded regions. A further criticism is that since employment has to be provided within a reasonable distance for beneficiaries to obtain real benefits, the long term sustainability of these programmes cannot be accomplished without loss of productivity.

An important variant of special employment schemes is the programme for self-employment, often associated with macro-level implementation of rural development programmes, and work carried out by NGOs. Many of these incorporate

the development of entrepreneurship, and the provision of extension, equipment, and credit facilities.

The majority of these programmes, which require substantial mobilization of assets and institutions, cover less than two to four per cent of those unemployed and underemployed in the countries concerned.

6. Other target group programmes

Efforts by the government of Sri Lanka for structural adjustments, with the objective of improving the allocative efficiency of capital and accelerating economic growth, have affected some of the most vulnerable poor in the country. The Janasaviya Programme (JSP) is designed to provide basic needs such as food and clothing to the selected targeted group, whose productivity levels have been severely eroded as a result of malnutrition, poor health, etc., with a view to providing them with an opportunity of finding productive, self-employment for sustainable income. The JSP entitlement grant involves a consumption component, and an investment component, deposited in a saving account for the recipient to start a self-employment project using credit facilities provided by the bank, against the savings deposit. The programme provides a stimulus for small enterprise development in the rural sector as the investment component can be supplemented with additional loan financing up to three times the initial amount, providing the investment is viable. Ad hoc evaluations have shown promising results.

7. Women's employment

There appears to have been a gender bias against female participation in concepts, definitions, and methods of enumeration adopted by countries in South Asia. To a large extent, ambiguities and errors arising out of these prejudicial situations have been responsible for underestimation of the rate of female participation in labour. Recent revisions, amongst other factors, may account for the sudden spurt of growth in the female labour force, even exceeding the population growth rate.

A sector wide classification shows that the largest percentage of the female workforce is in the agriculture sector. On the whole, figures of women joining the labour force are on the increase, and the increase is more pronounced in industries and services than in agriculture. The decline of the direct employment of women in the

area of on-farm activities in some countries may be explained by the Asian tendency to withdraw female family members from agricultural work when farms prosper. There is also the likelihood of mechanizing those operations which are largely assigned to women in traditional societies.

Factors which facilitate absorption of female workers into the labour force are: growth in the economy; demand for female labour in such areas where growth is recorded; and technological change favouring increased employment of women. This is evident in export oriented industries established in South Asia for textiles and micro-electronic industrial products, although the exploitation of cheap female labour may be an issue here.

The East Asian experience shows that the quantitative change attained through investments in education acted as an important determinant of women's participation in economic activity.

8. Country experience

The emphasis on rural employment is common to all countries concerned, as reflected by the respective policies and programmes over recent years. Integrated rural development programmes and poverty alleviation programmes have become common features of national plans.

In India, the central element in the development strategy of the Seventh Plan (1985-1990) is the generation of productive employment. The current practice in developing village and cottage industries can be broadly divided into two areas:

- i Development of industries by the State to absorb surplus labour, as well as the provision of general incentives for private individuals to establish such industries.
- ii Introduction of target group-oriented programmes, with emphasis on providing financial assistance to disadvantaged families, and providing them with skills and/or assets so that they can become self reliant.

Bangladesh's Third Plan (1985-1990) states that: "Its (poverty alleviation) sheer magnitude and complexity require also taking a long-term view. Further, poverty, unemployment, rapid population growth, malnutrition, illiteracy – all are so interactive that they will need to be addressed

simultaneously in the national plan to establish their relative priority". Poverty alleviation and employment generation through human resource development form one of the three major objectives of the Fourth Plan.

The Medium-Term Development Plan of the Philippines (1987-1992), formulated by the new government, addresses the need to institute the necessary structural reforms within the economy in order to facilitate the goals of poverty alleviation, employment generation, income redistribution, and sustained economic growth. The Plan adopts a "demand-led, employment-orientated, and rural-based strategy" to achieve economic recovery and long-term economic growth.

The major thrust in Pakistan of the Seventh Plan (1988-1993) and the Perspective Plan (1989-2003) is on the twin objectives of achieving economic growth of output on the one hand, and improving the quality of life on the other. It goes on to add that "this has to be achieved within an overall economic framework which encourages the private sector and maximizes employment generation. The quality of life during the Seventh Plan will be further improved by providing infrastructure in rural areas ... and employment opportunities to the weakest groups of the population".

It is also important to note that only a few plans have gone to the extent of identifying landless groups or weaker sections directly, although rural employment has been accorded high priority. Rural women workers are increasingly being treated as a distinct target group, with some countries defining target groups primarily in terms of geographical location.

Overall employment planning is generally the task of a specialized Planning Commission or other specialized agency. Rural employment planning at macro-level is conducted within an overall framework of national planning, and rural development and employment-related issues are handled by a large number of Government agencies, departments and ministries, with varying degrees of coordination.

Decentralized and local level planning is essential for effective rural employment programmes and different systems are found in the region. It is a common feature in most countries that the degree of coordination between planning structures and line agency structures is not very effective, particularly at lower levels.

This results in duplication of programmes and waste of resources, in addition to constraints on the implementation of projects and programmes.

In China, the development of township enterprises, some collectively and some privately owned, has proved successful in: linking the agricultural sector mainly with rural industries, but also with other sectors, such as commerce and transport; generating employment and augmenting income; and reducing migration to urban areas. Rural enterprises are principally involved with secondary and tertiary industries and are primarily run by farmers. They are rooted in agriculture, which is the basis for their development, support agricultural development, help transform the rural economic structure, and promote the development of the rural commodity economy.

In Indonesia, the goal of rural industrialization and its linkage with agricultural development had been incorporated in the Main Guidelines of State Policy, which are:

- i Creation of employment opportunities, particularly for the poor;
- ii Integration of agricultural development into national development by increasing food production, the income of rural people, and the export of agricultural commodities; and
- iii Establishing a firmer base for rural industrialization through agro-industrial development.

Agencies have been established to develop rural industries and to provide technical and managerial assistance and credit schemes.

In the Republic of Korea, the condition of the rural economy and the problem of poverty in rural areas are different and far less severe than in the case of most developing countries. Overall industrialization of the country has successfully absorbed the surplus rural labour force for the last few decades. However, the Government has pursued policies for rural industrialization to improve rural household income, in view of the large discrepancy in rates between the average national annual growth and the growth in the agricultural sector. The policy goals have been achieved through the setting up of rural industrialization promotion zones, which have assisted in raising the off-farm incomes of rural people.

D. PROBLEMS AND CONSTRAINTS

See the Seminar Report in Part One Chapter I for a summary of most of these points, with additional items listed below.

1. Finance

Difficulty in raising capital is the foremost constraint on increasing the supply of non-farm goods and services. The capital requirements in most activities are still beyond the means of most operators in the sector, however small the amount may be. Though there are institutions expected to cater to the needs of rural industries, these have not been successful, and most rural people are unaware of existing institutional facilities, lack adequate and acceptable collateral, and are put off by procedural complications and irritating delays in obtaining loans.

2. Materials

Basically, the extension of agriculture and human settlements has left little land to be devoted to forestry, pasture, fuel, and agro- and mineral materials. This problem calls for land use planning at national and local levels.

3. Skills

These countries need a rapid proliferation of short-term training programmes, rather informal in nature, and mobile enough to reach the numerous self-employed, scattered over the country-side in their own situations. Training programmes need to be coordinated with, and linked to, package facilities and special programmes for small enterprise development.

4. Training

The training of rural women is a complex problem deserving special attention. Female labour is particularly vulnerable to mismatch between skill structures and opportunity structures, mainly because of their restricted occupational and spatial mobility. This problem requires a multi-pronged approach.

A comprehensive training programme is also essential within the macro-institutional framework, although the training proper may have to be carried out at the micro-level. In formulating skills training programmes, current trends in the labour market need to be taken

account of, both within the country, and in labour employing countries, for example, the Middle East labour market.

In view of the variety of training activities, a coordination mechanism for institutions within the public and other sectors, such as vocational training centres and apprentice boards, is desirable to achieve optimum productivity. Attention needs to be given to:

- i Training needs of all sectors involved.
- ii Short- and medium-term government policies in regard to these sectors.

Under India's TRYSEM scheme, for example, around 50 per cent of youths trained succeeded in obtaining self-employment.

5. Organization

Village producers are constrained on several accounts: finance, skill, technology, input supplies, and marketing. They would be better able to overcome these constraints if they were able to act as groups, rather than as individuals, and with groups, promotional schemes and assistance would be far easier to administer. Organization of village producers in groups helps to foster a spirit of self reliance and raise awareness, while providing the necessary institutional framework for people's participation in local level planning and implementation.

6. Subcontracting

Arrangements between small scale enterprises and large scale modern ones, whereby the latter transfer technology and provide advice and facilities to the former, and 'putting on' systems, linking the home-based activities of self employed persons with private enterprises or state agencies, are two types of organization which could offer solutions to supply-side problems.

E. POLICY OPTIONS

1. Macro-level options

In the agricultural sector, growth should be fostered, labour-saving devices should be discouraged, and labour intensity should be increased. Productivity increases should be sought through appropriate technical and institutional channels.

Growth in agricultural income by itself is not enough; incomes should be equitably distributed among farm households. The linkage mechanism for mutually reinforcing the growth of the agricultural and the industrial sector will not work unless growth in agricultural income is sufficiently egalitarian, requiring land and other productive assets to be distributed equitably (see Annex).

Manufacturing should be carried out on a cottage, handicraft, small to medium scale basis in rural areas. Each unit should be encouraged to develop a bias in favour of: labour use in the factor-mix; reliance on indigenous technology; and locally available skills and materials.

The rural manufacturing sector should be encouraged to develop production of capital goods, i.e. tools, implements, and equipment for the agricultural, transport, construction, and service sectors, as well as the manufacturing sector itself. Rural manufacturing should be encouraged to develop an export component.

General industrial policies should be sympathetic towards the rural non-farm sector, and linkages between large industries and rural small scale industries should be encouraged on the basis of subcontracting arrangements.

Trade policies should be designed to encourage the rural non-farm sector.

2. Micro-level strategies and actions

It is necessary to delimit rural non-farm sector development issues on a geographical basis, and to recognize them within the framework of Integrated Rural Development for regions, districts, and areas. Within this framework, it should be possible to:

- i Plan the spatial aspect of development;
- ii Plan the development of infrastructure required for the area; and
- iii Devise intervention and assistance schemes, and coordinate such schemes among government agencies, financial institutions, and NGOs.

All development of non-farm activities at the local level must be with reference to local needs and the mobilization of local resources. This requires local level organizations which can

facilitate the participation of local people in decision making and implementation.

It has been observed that programmes which are sustainable at the micro-level may not necessarily be so at the macro-level.

3. Policy implications

In view of their success, NFEPs should be extended to relatively backward areas, although attention needs to be paid to design and delivery mechanisms, especially in terms of targeting. More comprehensive packages are required, with attention to both social and economic components, and the household and individual needs of the poor.

Good infrastructural facilities are required with links to other programmes in infrastructure development, and care should be taken that the additional demand for labour, particularly unskilled labour, does not conflict with the peak demand for agricultural labour.

NGO programmes may have an edge on government ones in targeting and achieving positive social change, and thus there is a need for coordination of the various NFEPs and PAPs. Such coordination should be appropriate in terms of level, and indicative rather than regulative in nature, with regular monitoring built in to the programme, with an emphasis on transparency.

There is an urgent need for the development of institutional capacity in certain public organizations, so that governments can formulate and design their own projects and programmes, rather than depending on donors.

F. INSTITUTIONAL FRAMEWORK

1. Introduction

There is a strong need for a desirable institutional framework¹⁰, both at the macro-, as well as the micro-level, in respect of improvement of economies and generation of employment. This involves appropriate governmental units in such areas as employment, welfare, and planning to provide a healthy environment for those institutions involved in employment generation activities, such as NGOs.

A good statistical database related to non-farm employment opportunities at the macro- and micro-levels is required. The database should include specific geographical information on such opportunities, and operators should be familiar with both internal and external markets. This should allow a desirable blend of traditional activities with those identified by professional staff.

2. The role of the government

Priority for government support should be given to self employment, rather than to wage employment programmes, as the latter are more sustainable, have longer term benefits, give higher yields, help the poor directly, are more easily replicable, and can spread benefits all over the country. Because of target oriented considerations, these self employment programmes ease pressure on the government.

Governments have intervened in the sector, both directly and indirectly, with the objective of providing employment for the increasing labour force. Such intervention has been mainly in the area of supply side programmes, and implementation of special employment schemes, generally with limited impact.

(a) Demand side

The major role that governments can play is on the demand side and includes:

- i Ensuring a favourable economic environment, focusing more on demand side policies than hitherto;
- ii Providing some degree of protection against cheap imports on a time-bound basis;
- iii Ensuring that policies favouring urban and large industries do not stifle the growth of RNFE;
- iv Setting overall industrialization policy with a clearly defined role for the RNF sector; and
- v Contributing to growth in demand for rural products by making arrangements to purchase its requirements from the rural sector as far as possible.¹¹

(b) *Supply side*

On the supply side, governments can play a useful role in:

- i Undertaking research and development of appropriate technology;
- ii Promoting methods of enhancing the productivity of existing enterprises;
- iii Developing new products and introducing flexible training systems to match changing demand patterns; and
- iv Encouraging state financial institutions to lend more for this sector.

3. Role of banks and financial institutions

Access to credit on reasonable terms has been generally viewed as a primary constraint on the promotion of RNFE, and recent years have seen considerable interest in exploring innovative approaches to the supply of credit, and the replication of successful experiences in different countries. Both institutional and non-institutional sources figure among the sources of finance for RNFE. Apart from their own funds, RNFEs do rely on credit from suppliers and buyers. The formal banking system has failed to respond to the needs, being used to dealing with large borrowers, and even utilizing the deposits from rural areas, in urban areas.¹²

(a) *Emerging patterns in Asian countries*

The main response of policy makers has been to adopt measures to enlarge the supply of credit on the one hand, and reduce its cost (interest rates) on the other. The emerging pattern in Asian countries can be summarized as follows:

- i Provision of special incentives to the formal banking sector to lend to the priority sector. These incentives may take the form of loan guarantee and refinance programmes, and additional credit lines, often from donors.
- ii Creation of specialized financial institutions such as the regional development banks to focus on priority.
- iii Grants and subsidies to non-financial institutions such as NGOs, government agencies, and voluntary groups.

- iv Reduction of interest rates on loans granted to the priority sector, through ceilings on interest rates, government subsidies, etc.

- v Reduction of risks and the cost of lending, through targeting loans, guarantee programmes, and joint-liability provisions.

Despite these measures, success has been limited.

(b) *Innovative approaches to credit provision*

The coverage and scope of these approaches vary widely, and some of the common elements are noted below.

- i Group lending involves the formation of groups of borrowers, who undertake joint responsibility. It has helped bypass the need for collateral by the banking system, and the financial institution finds it easier to reach a larger number in this way.
- ii. Encouragement of group savings and loan associations among target groups. The ESCAP-ILO projects, the Change Agent, and the Social Mobilizer and Janasiviya programmes in Sri Lanka, have promoted mobilization of group savings as the first phase in financial services.
- iii Integrated packages consisting of credit, training, and technical assistance, for the development of micro-enterprises.
- iv Special incentive to bank staff for loans to RNFE.

In evaluating the successful elements in these programmes, the role of credit as a constraint must be examined. According to some, credit is not the overriding constraint, but markets. In a particular case, credit may be the binding constraint, and so special focus on credit in the delivery system is relevant.

There is sufficient evidence from these micro-interventions to conclude that the poor are creditworthy. While replication of a successful programme in its entirety is fraught with dangers, what is necessary is to draw upon successful elements, such as the group approach, provision of related services, charging market rates of

interest, and reliance on change agents or social mobilizers, initially. In the medium term, the objective should be to integrate such enterprises into the normal banking process. The exact form of the intervention would depend upon specific factors relating to location and the target group. Special programmes and projects cannot provide sustainable models because of continued dependence on personalities, subsidies, or external assistance.

4. Role of the private sector and small scale entrepreneurs

(a) Role of the private sector

This sector is assumed to consist of larger private enterprises, mainly in the urban sector. RNFE will be undertaken by a large number of small private entrepreneurs in the rural sector. The lesson to be learned from the East Asian experience is that significant impact can be achieved through the linkages that developed between large and small enterprises through sub-contracting arrangements. This would make the two sectors complementary, rather than competitive, and overcome marketing, credit, and technology constraints. Yet it is a fact that sub-contracting has not developed to any appreciable degree in developing Asian countries. The small size of the large industrial sector, and the lack of incentives for sub-contracting, may explain this. In Sri Lanka, a sub-contracting exchange was set up specifically for this purpose, but its success has been limited.¹³

It is, however, not realistic to expect the large-scale private sector to invest in rural areas, without substantial improvements in infrastructural facilities and other incentives, particularly tax concessions. Moreover, these industries can increase wage employment, but they may drive out smaller RNFE. This may be attractive if self-employment means a soft option, and a path to low incomes and low productivity.¹⁴

(b) Entrepreneurship skills

NFEPs are realizing entrepreneurship skills among their group members, and, while in some cases they may be eliminating vested interest groups, by expanding employment opportunities and creating purchasing power, they open up new markets for products, and further the process of development.

5. Role of non-governmental organizations (NGOs)

(a) Strengths of NGOs

Increasing recognition is being made by policy makers, as well as donor agencies, of the role of NGOs and private voluntary organizations. Concern with inefficiency, lack of flexibility, and high cost of public delivery systems, and their traditional bias towards richer groups, partly explain this trend. Strengths of NGOs are said to include:

- i Demonstrated capacity to reach the rural poor;
- ii Capacity to promote local participation;
- iii Flexible operating procedures;
- iv Dedicated and motivated staff; and
- v Innovative approaches.

Only recently have NGOs begun to focus on income generating activities, and while there are few currently working on RNFE, they nevertheless play a useful role in the promotion of livelihood projects among the target groups which cover non-farm activities. They have been particularly active in assisting RNFE in overcoming supply side constraints through organizational measures, provision of limited credit schemes, and skills training schemes.

Of particular interest from the viewpoint of the present discussion are NGOs which represent organizations of beneficiaries. Small producers or labour cooperatives should be able to better their conditions if they are properly organized.

(b) Limitations of NGOs

Given the general welfare approach of NGOs, they do not necessarily promote those enterprises with the greatest potential, and in many countries, the sum total of NGO effort is negligible compared to need. The main constraints are:

- i Limited resource base, and in some cases undue dependence on external sources;

- ii Lack of technical capacity to identify suitable investment opportunities;
- iii Lack of sectoral and national perspectives; and
- iv Duplication of effort.

Conflict may arise with governments, in view of the narrow focus of some agencies, and coordination becomes a major problem when numerous NGOs with diverse objectives operate in the same field or area.

6. Some institutional experiences

A number of micro-level institutions have had a significant impact on the creation of non-farm employment, many of which have been implemented through NGOs:

(a) *Integrated Rural Development (IRDP)*

IRDP programmes, particularly in India and Sri Lanka, have the creation of non-farm employment as important components.

(b) *Small Farmer Development Agencies (SFDA)*

Committees working on, for example, water management can expand their activities to include non-farm employment, involving unemployed rural people in many of the peripheral activities of agriculture.

(c) *Community development by the private sector*

50 corporations involved in PBSC, for example, in the Philippines have supported over 1,700 employment projects for disadvantaged groups. Religious groups have also taken an active role in creating employment opportunities within their respective communities.

G. REGIONAL SUPPORT TO NATIONAL POLICIES AND PROGRAMMES

The need for creating non-farm employment opportunities in rural areas is being increasingly appreciated by many countries in the region. The developments that have taken place in the last two decades have clearly shown that increasing agricultural productivity by itself is not enough to offer good living standards to rural people.

Prices of agricultural commodities become depressed, often resulting in sudden drops in the income of farm families. Those worst affected by this process are the disadvantaged groups, such as small farmers, tenants, and landless labourers. During the 1970's and 1980's, agrarian reform was strongly advocated as a strategy to offer wider avenues of income to these groups. Since little impact had been made by such reforms, the promotion of non-farm employment has been considered to be a parallel course of action in the 1990's.

Observation of the management of successful non-farm employment projects at field level would be a valuable experience for rural planners and development practitioners, as well as for the beneficiaries themselves. Such observation would be a fertile area for TCDC activity, as would observation of the contribution of the private sector and NGOs by macro- and micro-planners. Particular attention could be paid to the macro-policy adjustments made in respective countries, the mode of selecting activities, and the role of the government and other agencies in the process of marketing products.

Since a number of governments have already decided to formulate projects related to non-farm employment with assistance from bilateral and international donors, technical assistance in the design of such projects may be considered. Resources for this purpose could be drawn from ESCAP, ILO, and other concerned United Nations agencies.

A well-conceived inter-agency project with United Nations agencies involved in the following aspects could provide a lead for meaningful programmes on non-farm employment in the region:

- i Institutional aspects of non-farm employment;
- ii Human resources development and transfer of technology; and
- iii Temporary employment in post-disaster situations.

H. CONCLUDING REMARKS

An analysis of the NFEP projects in the participating countries must conclude that there has been a varying degree of success. The common criteria are:

- i The degree of success in project implementation.
- ii To what extent there has been an improvement in the standard of living through the generation of employment.
- iii. The creation of new institutions which are viable and which inspire hopes and aspirations among the beneficiaries.
- iv To what extent there has been an increase in organizational strength, ability to take care of their own affairs, and emergence of leadership.

- v The effectiveness of training in imparting new skills, techniques of production, marketing approaches, group activities, and participatory development.
- vi The impact on women and the extent of their participation.
- vii The impact on the environment.
- viii Sustainability and replicability.

The consensus is that the foundations have been laid, and that the onus now lies with the beneficiaries, their leaders, relevant institutions in their counties, and their governments.

Annex Linkages between agriculture and rural industries¹⁵

Although the importance of non-farm employment in generating rural income and reducing inequities is clear, and although World Bank statistics (1978) show that such employment accounts for 20 to 50 per cent of the rural labour force in countries in the region, production linkages which invigorate employment potential in agriculture and rural industry have not received much attention until recently.

Forward production linkages gain their importance from the desirability of processing agricultural produce in the locality by applying labour intensive methods which provide economies in scale. Proximity of the supply source is a strong determinant for the growth of rural industries.

Backward production linkages also have the same important role in supporting agricultural activities to provide tools and equipment and also spares, maintenance and repairs. As opposed to forward production, backward production linkages depend on market demand and the availability of entrepreneurship skills to develop the industry. Furthermore, experience shows that backward production linkages will have to depend much

more on the awareness of the potential and complementary push through government policies.

The next stage of consumption demand linkage is inspired to a great extent by the sum total of demand resulting from forward and backward linkages which will confer new purchasing powers and an investible surplus, creating a demand for consumption goods and services, and giving the required dynamism to rural industry.

In the evolution of the above linkages, factor transfer linkages will have to be effected between the agricultural sector and industry. This will involve physical resources, such as land, and the agricultural surplus will provide the basic capital outlay for the establishment of industry. During the initial stages, invisible transfers from the agricultural sector, by reversing the terms of trade against the rural sector, is more often a reality which could be removed only if the agricultural sector could assert its position through official support from government policy, and, more importantly, by improving the productivity and net income from the agricultural sector.

Notes

¹ This chapter consists of abstracts from the following documents, available to participants in the Regional Seminar in Bangkok, 15-17 January, 1992:

a. "Institutional framework for non-farm employment".

b. "Macro-policy adjustments for non-farm employment".

c. "Regional support for national policies and programmes".

d. "Regional synthesis".

e. "Role of the government and private sector, banking institutions and non-government organizations", Piyasiri Wickramasekara, ILO-ARTEP, New Delhi, January 1992.

² *The World Bank Annual Report*, (1991).

³ *Promotion of Employment and Income for the Rural Poor*, (ILO/ACRD, 1983).

⁴ R.T. Shand, *Off-farm Employment in the Development of Rural Asia*, (Australian National University, 1986).

⁵ *Labour Absorption in Rice Based Agriculture*, (ILO/ARTEP, 1982).

⁶ See: UNDP, *Small Industrial Enterprises: Lessons from Experience*, (Vienna, 1988).

⁷ A. Saith, *Contrasting Experiences in Rural Industrialization: Are the East Asian Successes Transferable?*, (ILO/ARTEP, New Delhi, 1987).

⁸ T. Scudder, *"Increasing employment potential of new land settlements in the tropics and sub-tropics", Transforming rural livelihoods*, (Marga Institute, Colombo, 1986).

⁹ R. Weitz and others, "Employment and income generation in new settlements", (World Employment Paper No. 10, ILO, Geneva, 1978).

¹⁰ Institutional mechanisms have been established in a number of countries:

Bangladesh	Food for Work Programme (FWP) Rural Work Programme (RWP) Small and Cottage Industries Corporation (BSCIC)
India	Maharashtra Employment Guarantee Scheme (MEGS) National Rural Employment Scheme Rural Landless Employment Guarantee Scheme (RLEGS) Training of Rural Youth for Self-employment (TRYSEM)
Indonesia	Small-scale Industry Development Agency (PIPIK)
Philippines	Business for Social Process (PBSP)
Republic of Korea	Rural Industrialization Promotion Zone
Sri Lanka	Export Development Board Industrial Development Board

¹¹ See the report of the ILO Mission to Sri Lanka, op. cit.

¹² See S. Tilakaratne et al, *Rural Credit in Hambantota and Monaragala Districts: Evaluation and Proposals, A Report of a Mission*, (NORAD, Colombo, June 1990).

¹³ "Agroskills, Study on Sub-Contracting Exchange", (Report to the MIRD, March 1988).

¹⁴ In Hambantota District, the IRDP made an attempt to attract a big industrialist to the district, with a package of incentives, but without success.

¹⁵ Drawn from Strategy for Rural Poverty Alleviation: *Agriculture-Industry Linkages*, (ESCAP, 1990).



Part Five

COUNTRY PAPERS

I. CHINA¹

A. BACKGROUND

Until the end of the 1970's, 90 per cent of the rural labour force were engaged in agriculture, and by the end of 1990, 420 million people, or 74 per cent, out of a total labour force of 567 million, worked in rural areas, with an estimated surplus (1992) of 120 million in agriculture. Migration to the cities is no solution, as for the period 1991-1995, a labour surplus of 36 million is estimated. Non-farm employment is, therefore, a key issue.

B. DEVELOPMENT OF RURAL NON-FARM EMPLOYMENT IN THE 1980'S

1. General situation

Economic reform policies at the end of the 1970's included opening markets, enlivening the economy, and promoting commodity production in rural areas.

(a) Increase in employment

By the end of 1990, non-farm employees in rural areas had reached 86.7 million, a net increase of 52.4 million over 1980. In the same period, the proportion of non-farm employees in the total rural labour force rose from 11 per cent to 21 per cent.

(b) Growth of output value

The output value of non-agricultural sectors in rural areas was 896 billion yuan in 1990, 809 billion yuan more than in 1980, with the proportion of rural out of total output value rising from 31 per cent to 54 per cent.

(c) Expansion of trades

Rapid development has been seen in trades such as industry, construction, and transportation; for the period 1980-1990, the respective increase of rural labour engaged in the three areas was 66 per cent, 43 per cent, and 56 per cent.

(d) Rise in incomes

The net income per capita in rural areas increased from 191 yuan in 1980, to 630 yuan in 1990, with income from non-agricultural production rising from 17 yuan to 167 yuan.

2. Policies and experiences

(a) Household based contract system with remuneration linked to output

This policy encouraged rural households to produce and manage by themselves, and to develop sideline production. The sideline production of agriculture including farm produce processing and traditional handicrafts developed rapidly, with output value reaching 47.5 billion yuan in 1990, a sixfold increase over 1980.

(b) The "double-deck management" and socialized services systems

The Government called for the development of the collective economy, while ensuring the decision making power of the rural household. Villages organized farmers to carry on, for example, the construction of irrigation facilities, and service organizations were established in rural areas, such as seed and farm machinery stations. These systems both promoted production, and provided more opportunities for non-farm employment.

(c) Development of the free market

Rural people were encouraged to sell farm produce and manufacture goods for daily use in urban and rural free markets. In the period 1980 to 1990, there was an increase of 78 per cent in the number of such markets, and an eightfold increase in the volume of business.

(d) Expansion of rural enterprises

Township and village enterprises appeared in the 1960's and developed gradually in the 1970's. Preferential policies, such as low taxes

and interest loans for rural enterprises, were introduced, the special administrative organization was established, and state and rural enterprises encouraged to undertake joint ventures. By the end of 1990, 2.7 million employees were working in rural enterprises (22 per cent of the total labour force), with 98 per cent of these engaged in non-agricultural sectors. The output value reached 95.8 million yen, accounting for 59 per cent of the total output value in rural areas.

(e) *Guidance in the migration of the rural labour force*

Planned migration was seen as one way of solving the problem of underemployment, and the Department of Labour Administration were requested to administer the labour markets, and to provide services for the migrating rural labour force.

(f) *Building small towns*

In the 1980's, the Government implemented policies encouraging rural people and enterprises to centralize in towns, and to develop centres of industry, commerce, and culture in rural areas. In the period 1982 to 1988, the number of towns increased threefold to 10,609.

3. Forms of employment for rural labour transferred from agricultural to non-agricultural sectors

(a) *"Leaving neither land nor villages"*

Farmers work in agriculture as their main job, and undertake non-agricultural production as a sideline.

(b) *"Leaving land but not villages"*

Rural people keep their land, stay in their village, but are employed in rural enterprises undertaking non-agricultural production. Others use their land on a temporary basis, and, should they lose their job, it is easy to take their land back.

(c) *"Leaving villages but not land"*

Rural people work in agriculture for a basic income, but find work in non-agricultural sectors in slack seasons.

(d) *Leaving land completely*

In the 1980's, some four million rural people emigrated to urban areas annually, with 40 per cent finding employment.

C. PROBLEMS AND POLICIES OF RURAL NON-FARM EMPLOYMENT IN THE 1990'S

It is estimated that in the 1990's, there will be a net increase of 80 million in the rural labour force, which together with the surplus, makes 200 million labourers looking for work in non-agricultural sectors.

1. The main problems

- i At the present time, the development of rural non-agricultural enterprises is not steady, and is hindered by the shortage of energy and raw materials, poor management and quality of products, and the irrational industrial structure.
- ii In spite of Government measures to control the overflow of rural labour, millions flow into the cities, especially during the slack employment periods.
- iii The quality of rural labour is low.
- iv A system of management, services, and social security for rural employment has not been established, and policy and laws have not been systemized.

2. Policies in the 1990's

- i Central and Local Government will undertake investigation and planning of rural and non-farm employment, with a view to integrating it into the national programme of economic and social development.
- ii To develop rural industries, the Government will set policies to adjust the industrial structure, improve the management of rural enterprises, encourage cooperation between enterprises in urban and rural areas, promote the diversified ownership of rural enterprises, and give strong support and guidance to ensure their smooth development.

- iii To expand employment in tertiary industry, the Government will encourage the surplus rural labour force to engage in commerce, transportation, catering, and services.
- iv Organizations and a network of employment services will be established, to collect labour market information, and provide it to job seekers, undertake non-farm vocational training, and provide social insurance to employees in non-agricultural sectors.
- v To practise systematic administration of employment in urban and rural areas, the Government will make an overall plan of employment, systemize and issue appropriate laws, and

facilitate the migration of urban and rural workers. The development of small towns will also be promoted to keep the labour force in rural areas.

D. PILOT PROJECT

A pilot project will be implemented in selected provinces over five years. A review of the first two year stage will be made in 1993.

Notes

- 1 Lin Danhua, "Prospect on the Development of Rural Non-Farm Employment in China", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

II. INDIA¹

A. INTRODUCTION

Some two thirds of the population of 844 million (1991) derive a livelihood from agriculture, and even under normal conditions, significant unemployment exists among sub-marginal farmers and agricultural labourers. The labour absorption of the small operational holding is limited, and the marginalization of these holdings is accelerating at an increasing rate.

The total number of non-factory enterprises in rural India is more than three times those in urban India, and with the value of fixed assets at around five per cent, it has been able to generate more than 50 per cent of the total employment in the rural non-factory sector, indicating the enormous employment potential.

B. SPECIAL PROGRAMMES FOR EMPLOYMENT

The two main anti-poverty programmes being implemented in India are:

- i Self employment programmes, the major one being Integrated Rural Development Programme (IRDP); and
- ii Wage employment programmes, the principal one being the National Rural Employment Programme (NREP).

1. Integrated Rural Development Programme (IRDP)

The core of IRDP was to provide poor rural families with income generating assets, to enable them to earn the requisite incremental income to cross the poverty line. The programme was financed by a combination of Government subsidies (40 per cent) and soft bank loans. Under the Seventh Plan (1985-1990), 18.2 million families were assisted under IRDP for a total investment of Rs. 86,800 million.

The autonomous District Rural Development Agency (DRDA) was responsible for implementation of the programme at the district level. Staff consisted of a project director, half a dozen subject matter specialists and complementary staff, and a three member

planning team. Coordination at the State level was by a senior officer and committee, and the responsibility for providing the policy frame and general guidelines for implementation rested with the Ministry of Rural Development. Overall planning was the responsibility of the National Planning Commission, and the Government and the States share budget supported on a matching basis.

The principal objective of IRDP was to enable the assetless and the inadequately endowed to become productively employed. The poorest households were selected by a survey, with assistance depending on the background and skills of the beneficiaries, the assets of the region, market opportunities, and other logistic support needed for the success of the scheme.

Components of IRDP included Training of Rural Youth for Self Employment (TRYSEM), and Development of Women and Children in Rural Areas (DWRCA).

2. National Rural Employment Programme (NREP)

NREP was financed on an equal share basis between the Centre and the States, and developed in 1980 from the Food for Work Programme (FWP), which utilized national stocks of food grains.

The main objectives of NREP were:

- i Creation of direct gainful employment for the unemployed and underemployed in rural areas.
- ii Creation of productive community assets for the benefit of poverty groups, and for strengthening economic and social infrastructure.
- iii Improvement in the overall quality of life in rural areas.

The programme was implemented through DRDA's, and work was mainly executed through Panchavati Raj Institution workers, engaged under NREP. To ensure the creation of durable assets, up to 50 per cent of outlay could be used for materials.

3. Rural Landless Employment Guarantee Scheme (RLEGS)

RLEGS was introduced in 1982, was funded entirely by Central Government, and implemented by State Government. A minimum of 50 per cent of the total project cost should form the wage component, and workers were paid a minimum wage. Other operational details of RLEGS are similar to NREP.

4. Jawahar Rozgar Yojana (JRY)

The various problems and limitations of NREP and RLEGS had been under debate and, since the two programmes were similar in respect of implementation, they were merged into JRY in 1989-1990. Under this programme, finances, planning, and implementation are devolved on the elected village Panchayats, which is expected to increase efficiency, appropriacy, and impact, as well as to reduce administration costs.

5. Employment Guarantee Scheme (EGS)

This is the only State level employment generation scheme, producing 100 to 200 million mandays per year since inception in 1972. Based on the experience of EGS, the National Rural Employment Guarantee Programme (NREGP) has been formulated by the Ministry of Rural Development.

C. AN APPRAISAL AND DISCUSSION

1. Evaluation studies

Several evaluation studies, including the nationwide Concurrent Evaluations, have indicated that IRDP and NREP suffered various problems:

- i Faulty planning and ineffective delivery systems.
- ii Absence of decentralized decision making and people's participation.
- iii Ad hoc and piecemeal approaches.
- iv Absence of commitment on the part of political leadership and bureaucracy.
- v Lack of motivation, inefficiency, and corruption in administration.
- vi Lack of coordination amongst planning and implementation agencies at the

local level.

vii Inadequate attention to forward and backward linkages.

viii Non-application of refined management techniques in planning, monitoring, and evaluation.

2. Structural problems

It is argued that present day anti-poverty programmes attempt to correct structural consequences, without altering structural characteristics. The iniquitous social order and economic structure do not allow the weaker sections of society to receive benefits from development programmes, even though these are targeted at them. While direct results to change the structure have not been yielding results, alternative approaches of erecting counter veiling, non-exploitative institutions for credit, marketing, input supply, etc., have provided some bargaining power for the poor.

3. Special programmes and social sector investment

There is a forceful argument that these programmes need complementing with an assured social security payment for the unemployable destitutes. A balance needs to be struck with investment in vital sectors, such as primary education and primary health, and further extension of these services in rural areas will generate significant non-farm employment for educated rural youth.

4. Macro-economic adjustment programme and targeting

Wage employment programmes provide a safety net for the poor, but the massive funds required starve vital sectors of investment. Targeting is required, and wage-related issues need to be sorted out. National integration of the EGS with other programmes is required, and it has to be conceived, planned and implemented within a highly decentralized framework.

5. Priorities in agricultural investment

The twin objectives of agricultural development should be maximization of employment and output per unit of land. The use of land-augmenting and labour-absorbing technologies for this purpose may call for a

significant re-ordering of priorities in agricultural investment. This involves a shift from capital intensive to labour intensive technologies, and an understanding of the importance of investment in assured irrigation, in animal husbandry, and fish farming.

Notes

- ¹ N. J. Kurian, "Non-Farm Employment in Rural India", (Paper presented at the Regional Seminar on the Promotion of Non-Farm Employment among Rural Workers, 15-17 January 1992, Bangkok, Thailand).

III. INDONESIA

A. INTRODUCTION

Using the officially adopted poverty line, there was a substantial decline in the percentage of the poor in both urban and rural areas during 1984-1987. Outside agriculture, employment expanded in non-farm activities, workers employed in small scale rural manufacturing activities benefitted from the surge in non-oil exports. In summary, the ability to sustain a reasonable pace of economic growth, based on higher economic efficiency, and a more labour-intensive form of production, was a key factor in Indonesia's ability to reduce poverty, even as major adjustments were implemented to restore financial stability. This has important implications for Indonesia's development strategy in the 1990's.

B. FUTURE RESEARCH FOR POVERTY ALLEVIATION

1. Indicators of poverty and poverty measures

A poverty profile should assemble sufficient information about the poor to permit analysis of the causes of poverty, and to identify appropriate public responses to the priority poverty problems, and should be organized to show a clear link to the policy environment. This information typically includes:

- i Demographic and social profile;
- ii Income profile and summary of the economic activities of the poor by occupational group;
- iii Consumption and expenditure patterns of the poor;
- iv Trends in key social and income indicators;
- v Regional poverty distributions; and
- vi Country specific characteristics, such as ethnic or national composition of the poor.

Poverty should be clearly defined, with a poverty line ideally based on the real cost of some appropriate basket of minimum food, plus

minimum non-food requirements. The extent of poverty should be quantified using household consumption data, adjusted to a per capita basis. In the absence of such data, aggregate household consumption, rather than per capita consumption, is often recommended by experts, or income rather than expenditure data.

Measures of the extent of poverty typically include a headcount, poverty incidence, or a more distributionally sensitive measure, such as the (weighted) poverty gap. As an indicator to the intensity of poverty, the poverty gap is particularly important to policy formulation.

Information on the economic activities, and nutrition, health, and education characteristics of the poor, should also be included, with trend indicators, both to illustrate the different dimensions of poverty, and to provide additional information to guide the design of poverty reduction strategies.

2. Institutional issues

Special efforts to reach the poor are usually needed, because the poor are a heterogeneous group, with generally lesser access to public programmes and services, or to market and delivery systems. Institutional capabilities to make contact at the local level, and to forge constructive links with the local government units, are thus vital to programme effectiveness and sustainability, and merit close attention, especially when major programme reforms or new initiatives are under consideration.

C. POVERTY ALLEVIATION DURING REPELITA V (FIFTH FIVE YEAR DEVELOPMENT PLAN, 1989/90-1993/94)

The Government recognized the need to introduce human resource development programmes to have:

- i An investment effect, in the form of augmenting the human capital of the poor, leading to increased productivity and income; and
- ii A consumption effect, by improving present welfare.

Rural development programmes, integrated to regional and sectoral development, typically cover the following activities.

1. Village development assistance

This is provided to villages in isolated, critical, remote, and coastal areas, to support the efforts of developing rural community participation in accelerating village development. Village development assistance is used specifically for activities capable of motivating mutual self help, and developing creativity in the rural community.

2. Fostering local development working units (UDKPS)

LKMD (village committees) have been established in all villages to accommodate community aspirations, and to forward development messages to the village community. The implementation of development in several villages in one sub-district is coordinated by UDKPs.

Coordination involves planning, implementation, supervision, and evaluation systems for rural development. Fostering activities for this role are mainly pursued in the form of training for sub-district apparatuses, support for planning the design of rural development, and the support of rural

development projects at the sub-district level.

3. Development of community self help

The development of creativity, auto-activity, and self help, in the community is encouraged by a guiding team from central to village level, to improve the functioning of the LKMDs, and the establishment of the Family Welfare Movement (PKK). Village Development Volunteers (KPDs) are trained to improve the quality of the LKMDs, by assisting in village administration and development. It is expected that all villages will have KPDs by the end of REPELITA V.

4. Integrated area development programme (PKT)

In PKT, UDKP will plan the type and scale of development of villages with special problems, and/or in scarcely populated areas. The Provincial Government will be responsible and will bring in each regional government element. It is expected that 300 areas will be involved during REPELITA V.

Notes

1. Susmanto, "Poverty Alleviation through Non-Farm Employment in Indonesia", (Paper presented at the ESCAP/ILO Regional Seminar, Promotion of Non-Farm Employment among Rural Workers, Bangkok, Thailand, January 15-17, 1992).

IV. THE ISLAMIC REPUBLIC OF IRAN¹

A. BACKGROUND

The rural sector is defined as comprising villages with fewer than 5,000 inhabitants, and the 1986 census yielded 104,908 villages, accounting for 45 per cent of the total population, with 2.2 million people engaged in non-farm activities. Although the proportion of the labour force occupied in agriculture declined from 34 per cent in 1976 to 29 per cent, accounting for 60 per cent of rural employment in 1986, it is still an important sector in terms of its contribution to the Gross Domestic Product.

Factors contributing to growth of unemployment, 1.8 million or 14.2 per cent of the labour force in 1986, particularly in urban areas, included natural increase and rural to urban migration.

B. STRATEGIES AND PROGRAMMES FOR EMPLOYMENT

Under the First Five Year Plan (1989-93), some two million employment opportunities are planned, based on public and private investment, and of these, 92 per cent will be in the non-farm sector: manufacturing, 342,000; water, electricity and gas, 43,000; construction, 721,000; and services, 705,000.

The Plan has allocated resources for Rural Development and Renovation, and for the following programmes, with rural development and non-farm employment components:

1. Electricity

The target is to provide 10,000 villages with electricity.

2. Transportation

Construction of 5,000 km of rural roads and 1,000 km of railroads is planned, with the rehabilitation of 750 km of old railroads.

3. Housing

The target is construction of 703,000 housing units in rural areas, and implementation of 600 rural development projects. Loans for construction and repairs in rural areas are provided free of interest.

4. Health

Programmes include rural health centres, piped water supply, increase in health insurance, obligations for doctors to serve one month per year in deprived areas of the country, and for fresh graduates to serve two years.

5. Industry

The Plan has made provision in rural areas for the rehabilitation of existing industries, the construction of new ones, and the implementation of the ones in hand.

C. AGRICULTURAL CREDIT AND COOPERATIVES

The Agriculture Bank provides loans for the development of agriculture and rural industries. 3,118 rural cooperatives, with a membership of 4.1 million, had been established by the end of 1987, servicing the major part of the rural population.

D. SMALL SCALE INDUSTRIES AND HANDICRAFTS

The Plan has given emphasis to the development of labour-intensive, small- and medium- scale industries, particularly in backward regions, with the provision of technical, advisory, and credit services. The Government has initiated schemes to deal with requirements for collateral by lending institutions.

The Iranian Handicraft Centre provides technical aid and credit to craftsmen and artisans, and organizes displays and exhibitions, both in-country and overseas. The promotion of traditional handicrafts will assist in reducing rural-urban income disparities, increase export earnings, and promote urban and rural employment.

Notes

¹ "The Employment Situation in the Islamic Republic of Iran with Reference to Non-Farm Employment", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

V. LAO PEOPLE'S DEMOCRATIC REPUBLIC¹

A. INTRODUCTION

The country has an area of 236,800 sq km, 80 percent of which is mountainous and densely forested. With a population of 4.1 million and a labour force of 46 percent, 90 percent of these are farmers and forest products account for 60 percent of the Gross Domestic Product.

The development of the economy must start from the household level and women make up approximately half of the country's active workforce (60 percent of the workforce in the agricultural sector and 20 percent in the industrial sector). Economic diversification is hampered by inadequate transport and communications facilities and shortage of skills. With low levels of domestic savings, most development spending is financed through external assistance.

B. EMPLOYMENT SITUATION

There is very little private sector production, with the Government taking responsibility for labour administration, regulation of employment and social welfare policy, and formulation of plans for short and long term training and education.

However, the automatic enrolment of educated people in public positions has created problems of qualifications not matching jobs, compensation, inability to keep up with the growth of the labour force and unwillingness to work in rural areas. Public employment thus places a heavy strain on the budget and the number of civil servants has been reduced by 17 percent.

C. STRUCTURAL ADJUSTMENT

The Government was assigned to improve the overall administrative organization as follows:

- i The distribution of roles, functions and labour requirements at different levels.
- ii The appropriate placement of personnel.

Emphasis is given to the introduction of subject-matter specialists throughout the country. It is expected that the New Economic Mechanism will open the way for market-orientation and the recent Foreign Investment Law will provide incentives to operate and invest in the country.

D. THE UNEMPLOYED

The New Economic Mechanism has led to some unemployment with a small social impact, but the high degree of social solidarity at the village level has facilitated integration of the unemployed into rural activities where income may be gained. Employment guarantees cannot be given in this period of privatization and the employment situation will require careful monitoring over the next few years.

E. PROPOSALS AND PROSPECTS FOR EMPLOYMENT

Inadequate irrigation restricts farmers to one crop a year and they often seek supplementary work after the harvest. 100 foreign investment projects over the last 2-3 years have created more than five thousand jobs. Handwork and training in the efficient use of natural resources must go along with industry, particularly in rural areas, helping to prevent migration.

The Labour Department is paying close attention to employment promotion and creation, and the assistance of the private sector and international agencies is essential in this process.

To guarantee smooth and stable economic development, the Government is taking the following measures:

- i Encouraging the development of private and foreign investment, especially labour service companies.
- ii Supporting and assisting rural and urban enterprises with funds, loans, raw materials and land.
- iii Promoting such services as employment information and vocational training.
- iv Strengthening the deployment of the labour force, controlling the influx of rural labour to cities and encouraging the development of hand-made work to provide self-employment, particularly for rural people.

Notes

¹ Bounpone Sayasenh, "Country Paper, Lao People's Democratic Republic", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

VI. VIET NAM¹

A. INTRODUCTION

It is estimated that at present, employment in agriculture is taking up under 50 per cent of the total working time of the labour force of 26.5 million. 84 per cent of rural workers work in agriculture, and the rest in non-agricultural production: 8.67 per cent in industrial production; 3.5 per cent in trades and services; 2.8 per cent in cultural and social fields; and 0.68 per cent in state management.

B. PROGRAMMES TO PROMOTE NON-FARM EMPLOYMENT

1. Development areas

In the process of changing to a market economy, the Government plans to diversify employment in rural areas, and the following developments are being encouraged and promoted:

- i Small-scale industrial production in rural areas, particularly for export processing.
- ii Bio-technology for exploiting resources with high export values, such as shrimps, eels, mushrooms, etc.
- iii Production requirements, such as fertilizers and insecticides, and services, such as public bars and sports.
- iv Short term industrial crops, such as beans, and long term ones, such as rubber and coffee.
- v Restoration of traditional occupations and handicrafts aimed at exports, such as pottery and weaving.

2. Development programmes

The Government is promoting non-farm employment by carrying out the following programmes:

- i Migration to areas reclaimed from the sea.
- ii Establishing regional trading centres in rural areas, and the development of small scale enterprises.
- iii Establishing vocational training, employment service networks, and technology transfer into rural areas.
- iv Associations and credit funds.
- v Reintegration of asylum seekers into communities.

3. Policy adjustments

The Government is paying much attention to the policies and mechanisms necessary to establish appropriate conditions for rural people to freely engage in economic activities, accumulate resources, and hire labour under a unified body of law and regulations. The following policies are receiving priority:

(a) Land policy

This policy aims at a land concentration of 1 to 1.5 ha of sown land per household, based on rights for long term use, inheritance, and conditional transfer. 4.5 to 6 million households could have to be transferred to the non-agricultural sector in rural areas.

(b) Credit policy

The Government plans to establish revolving employment funds, enabling rural people to gain loans for mini-projects, without placing their land as collateral. Non-farm employment activities would receive priority in these schemes.

(c) Tax policy

No taxes, or low taxes, will be levied on households embarking on trading or small scale business activities in rural areas. Priority will be given to previous state workers, returned overseas workers, and voluntary repatriates under UNHCR programmes.

(d) *Vocational training and employment services*

A national system is planned, and will provide occupational training, and instruction in organizing business activities with loans from employment funds.

C. CONSTRAINTS

A Number of constraints are envisaged:

- i The drafting, systemization, and implementation of policies on labour and business law.
- ii Lack of capital, instability of the economy, inflation, and the economic embargo preventing investments,

particularly affecting rural areas.

- iii The developing system of vocational training and employment services lacks necessary equipment and facilities.
- iv Lack of international information, trained personnel, and experience for developing non-farm employment in rural areas.
- v Lack of data on pre-conditions and potential for designing projects.

Notes

¹ Nguyen Huu Dung, "Encouragement of Develop Non-Farm Employment in the Context of Renovation in the Socialist Republic of Vietnam", (Regional Seminar on Promotion of Non-Farm Employment Among Rural Workers, Bangkok, Thailand, 1992).

