

Thinking differently about rural youth

Chapter 1

Why young people are important for rural development

Youth is a distinct stage of human development, a time of transition from dependence to independence and a time marked by critical decisions that affect the future of the individual and society. A successful transition results in a well-adjusted adult who is able to prosper and to contribute to the economy and society. This generates long-term pay-offs for the individual, his or her family and the broader social and economic groups of which the individual is a part. An unsuccessful transition may result in lifelong poverty and social maladaptation, generating long-term negative outcomes for the individual, his or her family and society at large. Thus, since the stakes are so high, this period of life is universally a focus of intense concern.

Concern about youth has deepened even further across developing countries¹ over the past decade for several reasons. First, there is the sheer number of young people and this population segment's rate of growth. Nearly 1 billion of the 1.2 billion people in the world between the ages of 15 and 24² reside in developing countries, and their numbers are growing far more rapidly than in higher-income countries. Second, there is the unprecedented rate and nature of change to which today's young people and their societies are having to adapt, and there is a tremendous degree of uncertainty about how to respond to these changes. Third, there is the fact that young people's aspirations are rapidly increasing in step with their rising incomes and unprecedented access to globalized information. Together, these factors have created a sense of urgency among national policymakers and international organizations as they strive to understand what needs to be done in order to ensure these young people's futures and, with them, the futures of the developing countries in which they live.

The large youth populations and their rapid growth in the world's poorest countries, especially in Africa, has to do with the slow pace of these countries' demographic transitions from high birth and death rates to lower ones. Because the decline in birth rates comes later than the decline in death rates, countries pass through a period during which they have increasingly young and rapidly growing populations. If this transition happens quickly, with only a short lag between the initial fall in death rates and the later fall in birth rates, then the period of rapid population growth is short and the number of youth remains manageable. If, instead, the fall in birth rates is slow in coming, then countries may experience an extended period of rapid population growth combined with a very young population.

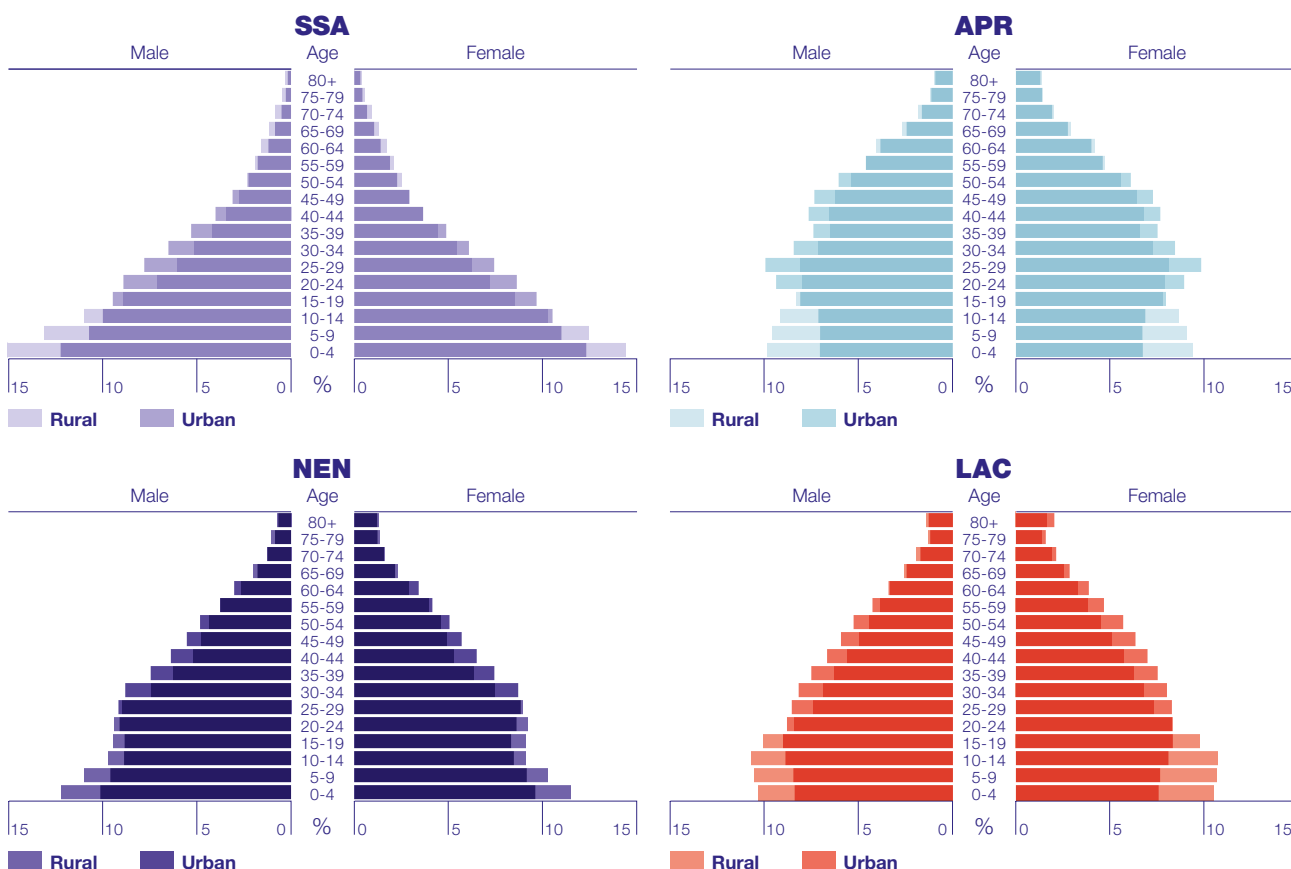
FIGURES 1.1 and **1.2** indicate that Africa is now in the midst of this dynamic. Population pyramids (see **FIGURE 1.1**) show that while Asia and the Pacific, Latin America

¹ The term "developing countries" is used to refer to low-income countries, lower-middle-income countries and upper-middle income countries, as defined by the World Bank.

² Youth is defined differently in different countries. In order to ensure comparability, this report employs the United Nations definition of youth as people between the ages of 15 and 24 (see paragraph 19 of the annex to the report of the Secretary-General on the International Youth Year, A/40/256, 1985). In recognition of the fact that the concept of youth is a social construct, at times quantitative information whose scope exceeds the bounds of this age group is provided.

FIGURE 1.1 Unique among continents, Africa's population pyramid rests on a massive base of young people

Rural and urban populations, by age group and continent



Notes: SSA: sub-Saharan Africa; APR: Asia and the Pacific; NEN: Near East, North Africa, Europe and Central Asia; LAC: Latin America and the Caribbean.
Source: United Nations Department of Economic and Social Affairs, *Urban and rural population by age and sex*, 2014; Stecklov and Menashe-Oren (2018).

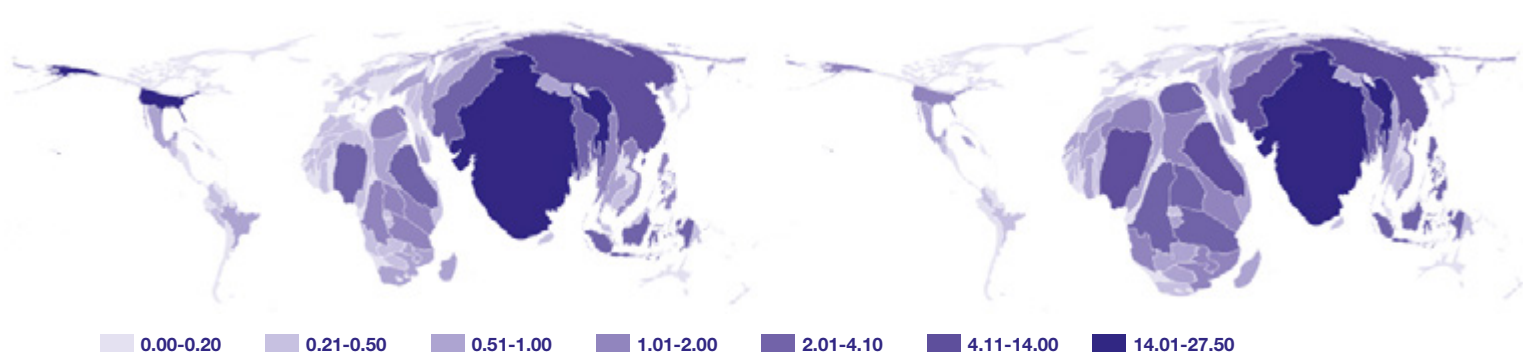
and the Caribbean and, to a lesser extent, the Near East and North Africa are beginning to see declines in the share of young people in their populations, sub-Saharan Africa's population pyramid has a massive base of young people. This base is even larger in rural areas of the continent than it is in urban areas. As a result of this immense youth base and the persistently slow pace of declines in fertility, the absolute number of youth in Africa is projected to continue growing far more rapidly than in the rest of the world, driving a huge increase in Africa's share of the world's rural youth over the next 30 years (see **FIGURE 1.2**). Today, 65 per cent of the world's rural youth live in Asia and the Pacific and 20 per cent live in Africa (shown in the left panel of **FIGURE 1.2**), but Africa's share is projected to rise to 37 per cent by 2050, while Asia and the Pacific's will fall to 50 per cent.

The second driver of concern about developing-country youth is the transformative technological change of unprecedented speed that is now being generated by the advancing wave of digital technology. This dynamic is driving rapid social and economic change and penetrating every aspect of people's lives. While this digital revolution is opening up

FIGURE 1.2 A disproportionate share of rural youth today are in Asia, but Africa's share is projected to rise rapidly

Percentage share of global rural youth, 2015

Percentage share of global rural youth, 2050



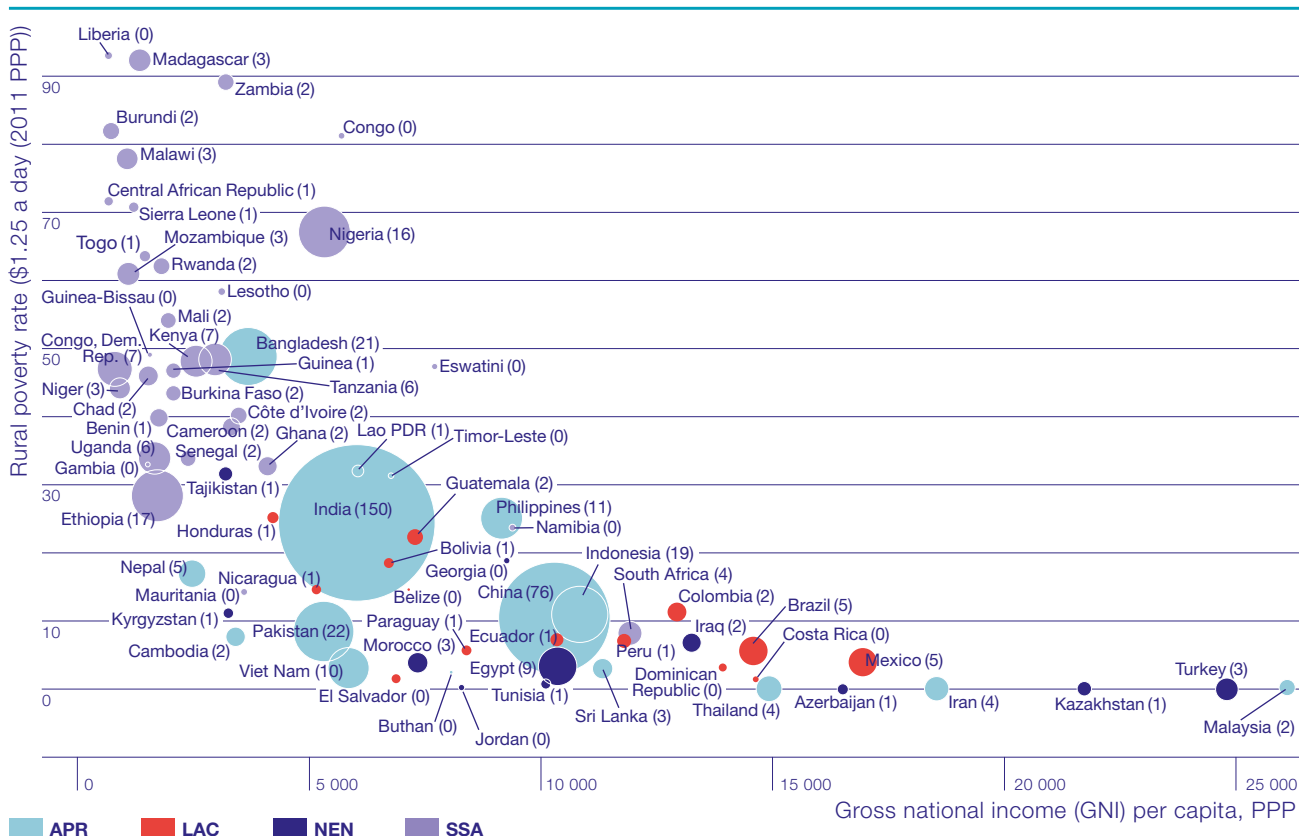
Note: This map is an equal-area cartogram (also known as a density-equalizing map) of the share of global rural youth, by country. The cartogram resizes each country according to its share of the global rural youth population. The seven different colours shown on the map differentiate the various categories of countries according to their shares. The projected increase in Africa's share of rural youth by 2050 is represented by the larger size of that continent relative to the others.

Source: Authors' calculations using the Gastner-Newman method (2004) based on spatially disaggregated population data for 2015 and projections for 2050 from the United Nations Department of Economic and Social Affairs. The rural youth projections are created by applying the projected share of the rural population to the total projected youth population. This is based on the assumption that age structures in rural and urban areas will remain the same. Potential deviations from this assumption are not expected to have a noticeable effect on overall trends in rural youth populations across regions.

new, undreamed-of opportunities, it is also closing down more traditional paths of rural development (World Bank, 2019) and creating a great deal of uncertainty among decision makers about how to respond to these changes.

This digital revolution, combined with strong economic growth in developing countries over the past 20 years, is one of the factors behind the third main source of concern about developing-country youth: young people's rapidly rising aspirations in terms of economic advancement and having a say in their societies' decisions. The defining characteristic of the digital revolution is a massive decline in the cost of information and the consequent massive increase in access to the information that is embedded in ideas, images, values, and goods and services from around the world. Despite considerable economic progress, the rising aspirations of young people may be outpacing the expansion of their economic and social opportunities (World Bank, 2019). These rising aspirations, and the potentially negative social and political outcomes of a failure to meet those aspirations, underscore the need for action on the part of policymakers.

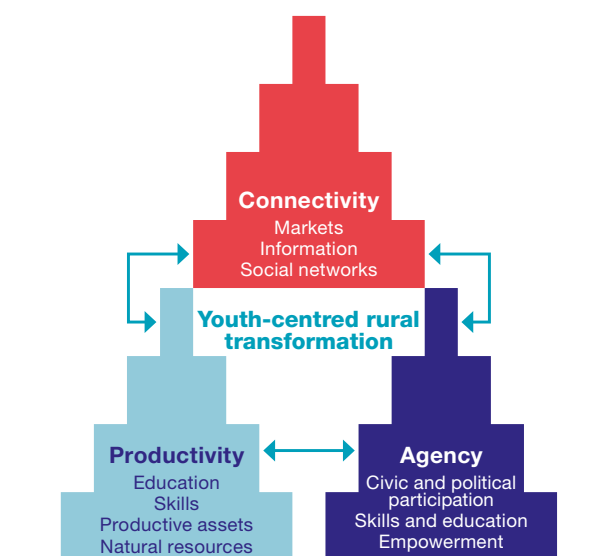
The *Rural Development Report 2019* focuses on rural youth, who make up around half of the total youth population in developing countries if rural is defined by administrative delineations of rural and urban (UNDESA 2014 and 2017). This number rises to 778 million if we consider all youth except those living in densely populated urban areas. Three additional facts should be borne in mind in this connection. First, as shown in **FIGURE 1.1**, in all developing countries, young people make up a larger share of the rural population than of the urban population, and youth issues are therefore especially relevant in rural areas. Second, although the world's two biggest youth populations are in China, an upper-middle-income country, and India, a lower-middle-income country, the majority of countries with large rural youth populations are low-income nations with high poverty rates (see **FIGURE 1.3**). Most of these countries are in sub-Saharan Africa and Asia, where the large percentage of the population composed of young people, the large number of young people in absolute terms and widespread poverty pose formidable challenges for countries that want to invest in a better future for their citizens at a time of great transition.

FIGURE 1.3 The majority of countries with large youth populations have high rural poverty rates**Number of rural youth (in millions)**

Three foundations for rural youth development: productivity, connectivity and agency

Youth-inclusive policies and investments for encouraging rural transformation should be based on the three foundations of rural development: productivity, connectivity and agency. These are the cornerstones of well-being for all individuals and societies. The fact that young people are transitioning into a life that should incorporate these foundational elements – that they are striving to *become* productive and connected individuals who are in charge of their own futures – makes these elements an essential consideration when thinking about rural youth development.

Each of these core elements needs to be taken into consideration because each one reinforces the others. Focusing on just one of them will be less effective than focusing on all three (see **FIGURE 1.4**). Social, political, economic, educational and psychological connections allow young people to accumulate resources and deploy them in ways that increase their productivity and incomes while also generating value for society. Creating these connections requires agency, having a measure of control over one's decisions and trajectory in life. Connectivity and agency will make a greater contribution to productivity in an enabling

FIGURE 1.4 Foundations of rural youth development

Source: Authors.

environment that supports and rewards youth initiative through effective policies and institutions and that provides young people with health care, education and infrastructure. An effective rural youth policy and investment agenda includes a broad set of the actions that are necessary in order to promote the development of a population of rural youth who are productive, connected and in charge of their futures.

Productive

The productivity of rural young people is central to their well-being and to the broader development and prosperity of society. “A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker”, as Paul Krugman noted in *The Age of Diminished Expectations* (Krugman, 1994). Productivity depends on the quality of the environment that people work in and on the level of people’s skills and learning.

Learning is more than schooling, as discussed in the *World Development Report 2018: Learning to realize education’s promise*. Learning can be improved if governments make it a priority and take heed of the evidence, which indicates that all stakeholders in the educational ecosystem need to be aligned in order for the system as a whole to work for learners (World Bank, 2018). Supporting improved learning is particularly important in the case of rural youth, especially young rural women, who tend to lag behind the rest of the population. Better learning outcomes among rural youth embedded in a supportive environment will play a direct role in boosting their productivity and will also improve their sense of agency, thereby feeding into a virtuous spiral of improving welfare (see, for example, Brady et al., 2007).

Connected

Connectivity – to people, markets, services, ideas and information – creates opportunities for rural youth to become more fully integrated into their transforming economies, which increases their productivity. For instance, rural areas that are better connected to markets through information flows and good transport infrastructure offer more opportunities for commercializing products and services. There is a great deal of potential for shortening the distances between rural areas and their markets by increasing both physical links (infrastructure) and digital connectivity (mobile technology) in many developing countries. In sub-Saharan Africa, for example, almost half the young population lives in the most remote and least connected areas (according to WorldPop project data). Greater connectivity also offers young people a way to build and strengthen their social and human capital, develop skills and boost their self-confidence, thus enhancing their sense of agency and increasing their productivity.

In charge

In order to become more productive and connected, young people in rural areas must have the power to make decisions in their own best interest. While agency is important for everyone, it is especially critical for the successful inclusion of youth in the rural transformation

process, since rural youth tend to be excluded more than urban youth or adults are (Trivelli and Morel, 2018). The rapid pace of change today, while providing opportunities to enhance agency, can also be challenging for rural youth, especially for those young people who are facing multiple layers of exclusion. For example, young rural women's sense of agency cannot be developed only by increasing their resources and social positions, their voice and aspirations, because social norms that constrain them will also need to be addressed by changing the attitudes and expectations of their family and society (Van den Broeck and Kilic, 2018; Doss et al., 2018). Poor infrastructure and educational systems and weak sociopolitical structures and institutions can also impede the development of agency.

In context

Individual characteristics clearly influence young people's productivity, connectivity and agency. Yet the pay-offs for these characteristics, and the set of characteristics that young people need, depend on the context in which they operate. In particular, there are two aspects that require special attention. The first is the overlapping national, local and family settings in which youth live, learn and work. The intersection of these settings – the level of transformation attained by the national economy and society, the potential productivity and connectivity of the particular area they live in and the capacities of their families – will largely determine the opportunities available to rural youth. The second aspect has to do with the fact that rural youth must contend with a rate of change and with types of changes that are dramatically different from what previous generations experienced. In addition, it is important to identify the particular constraints associated with young people's transition from youth and dependence to adulthood and greater independence. An effective rural youth policy and investment agenda must take into account the particular overlapping settings in which a young person lives and how the dynamics of global change are playing out in those settings. Given the transitional nature of youth, it is also important to determine if and in what particular ways the challenges for them, and therefore the policies and programmes needed to help them, may differ from those faced by the general rural population.

Structural and rural transformation on a national scale

A country's level of structural and rural transformation sets the basic parameters of the opportunities open to rural youth by broadly determining the material welfare that rural youth might realistically attain and the structure of opportunities through which they can do so. Generally speaking, as the structural transformation process proceeds, people become more likely to earn their incomes outside the agricultural sector by engaging in wage labour or entering into other formal employment relationships rather than through self-employment. This process is both driven by, and contributes to, rising productivity and incomes throughout the economy (IFAD, 2016).

Rural transformation can be thought of as the manifestation in rural areas of the economy's broader structural transformation. Rising incomes lead consumers to spend an ever greater share of their income on non-food items, even as the absolute level of spending on food increases (Engel, 1857). This leads to two kinds of shifts in labour. First, it drives a sectoral shift as labour moves off the farm and into a wide range of non-farm activities, although many are still linked to agriculture (IFAD, 2016). Rural areas become more productive, income levels rise and a more diversified set of farm and non-farm economic activities takes shape. Meanwhile, agricultural activities begin to make greater

use of external inputs, produce more for the market and achieve dramatic increases in farm productivity.

In the initial stages of the transformation process, the sectoral shift in labour is mostly a shift from self-employment on the farm to self-employment off the farm in informal household enterprises. But as incomes rise and markets expand, firms begin to appear that are capable of hiring people and putting them to work while also bringing in new technology (capital) and expanding their production. By boosting overall productivity, these firms become key agents in the rural transformation process. And this drives the second kind of shift in labour: a functional shift from self-employment to wage employment. This transformation of employment is a fundamental characteristic of structural and rural transformation (IFAD, 2016). The overall transformation of the rural economy affects rural youth by influencing both the level and kinds of opportunities available to them and by helping to determine the types of financially viable policies that will be assigned the highest priority.

Structural transformation is frequently measured by the share of non-agricultural activity in GDP, while rural transformation can be measured by agricultural value added per worker (IFAD, 2016). Countries experience different combinations of structural and rural transformation as their overall transformation process proceeds (see **FIGURE 1.5**). In some – ones with larger natural endowments and public policies that support agriculture – the rural transformation process will progress faster than their overall structural transformation will (countries in quadrant III). Others have achieved a broader structural transformation even while retaining a small-scale, labour-intensive farm sector that yields relatively low returns (quadrant I). Some countries have transformed in both dimensions (quadrant II) and, in still others, a structural or rural transformation process has barely begun (quadrant IV). The patterns of structural and rural transformation depicted in **FIGURE 1.5** have implications for the kind of rural youth policies and programmes that countries can or should pursue.

Many different patterns tend to correlate strongly with the level of transformation that a country has achieved (see chapter 2 for further information on these patterns). Broadly speaking, in the more highly transformed economies (quadrant II), non-farm income represents a larger share of total income, the farm sector has higher productivity rates, and average income levels are higher. Their populations are made up, on average, of a smaller proportion of youth (18 per cent) and a larger proportion of urban residents (65 per cent), with the result that the proportion of rural youth is much smaller (7 per cent). They also tend to have stronger institutions and more fiscal resources per capita. As a result, even the very populous countries in this category, such as Indonesia, have more resources to invest in youth, a greater capacity for programming and using those resources and fewer rural youth to focus them on. If the political will is there, these countries can often make great strides by investing in their rural youth. Most of these countries are in Latin America and the Caribbean and in the Near East and North Africa; Namibia, South Africa and Eswatini are the exceptional cases in sub-Saharan Africa.

The situation is quite different for the least transformed economies (quadrant IV), which have rural poverty rates of around 50 per cent and average per capita incomes only one tenth as high as those found in more highly transformed economies. Most of these countries are in sub-Saharan Africa, although some are in Asia and the Pacific. They have the largest share of young people overall (20 per cent of the population) and in rural areas (13 per cent). They also have the fewest resources on which to draw and the weakest investment capacities (see chapter 2).

FIGURE 1.5 Structural and rural transformation processes at the national level set the basic parameters for rural youth opportunities

Country transformation typology



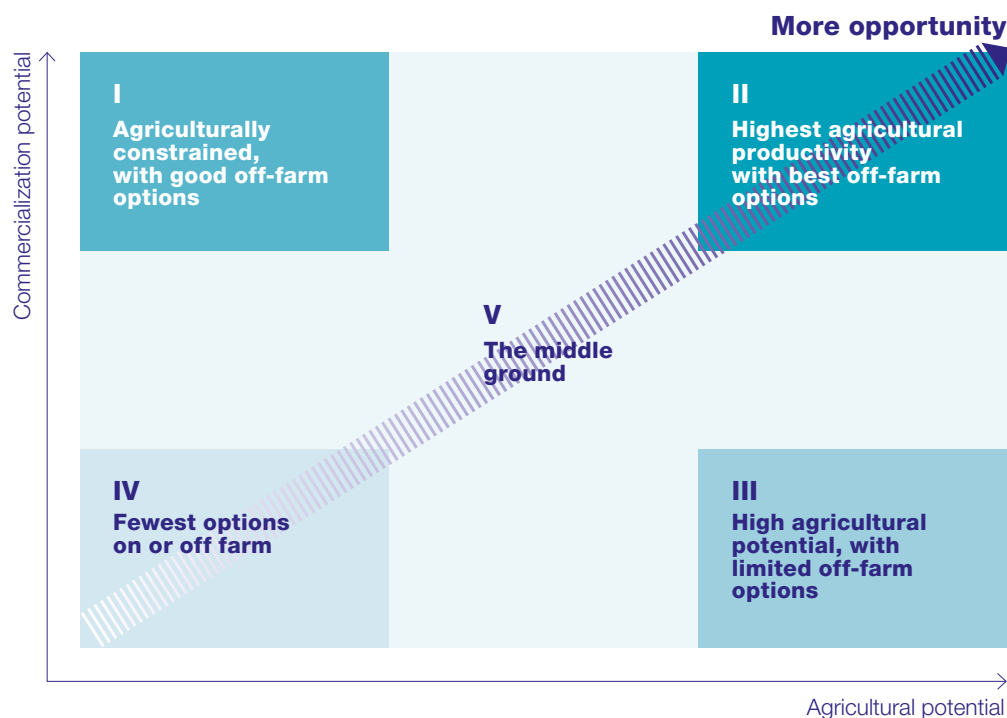
Notes: APR: Asia and the Pacific; LAC: Latin America and the Caribbean; NEN: Near East, North Africa, Europe and Central Asia; SSA: sub-Saharan Africa. Countries are classified as having attained a relatively high degree of rural transformation if their value added per worker exceeds the sample median (US\$1,592) and as having attained a relatively high degree of structural transformation if the share of non-agricultural value added exceeds the sample mean (80%). The sample consists of 85 low- and middle-income countries as defined by the World Bank (2018). Source: Authors.

The rural opportunity space

Within a country, rural youth opportunities vary by location. While an economy may be experiencing structural and rural transformations at the national level, not all areas within the country will be transforming in the same way or to the same extent. In rural areas, opportunities are determined to a large extent by market access (access to agricultural output, input, labour, finance and other markets), which is what, in turn, determines the area's *commercialization potential*, and by the nature of the natural resource base, which is what determines, in turn, the *potential agricultural productivity* of the area. Both of these factors have strong spatial dimensions (Wiggins and Proctor, 2001; Ripoll et al., 2017) and, together, these two factors form the *rural opportunity space* (ROS) (see **FIGURE 1.6**), which influences what opportunities and challenges rural youth will be confronted with, subject to the characteristics of the broader national economy. This economic geography framework shapes what is possible at the highest level, independent of local context, specific social norms or any individual preferences (Sumberg et al., 2018).

FIGURE 1.6 The commercialization potential and agricultural potential of a particular rural area condition the opportunities that the national setting provides for rural youth

Rural opportunity space



Source: Authors.

Commercialization potential increases with connectivity to cities and their markets and with the potential for private sector investment, all of which are of crucial importance in extending opportunities to rural youth. Promisingly, rural towns and secondary cities closer to rural areas are growing faster than more distant capital cities (Roberts and Hohman, 2014). This expansion of secondary cities and towns has had a greater impact in terms of poverty reduction than has the growth of large metropolitan areas because these smaller cities and towns offer more accessible migration destinations for rural residents. Such urban centres are playing an increasingly central role in the welfare of rural areas (Tanzania is one example) and in the generation of more inclusive growth patterns (as in India) (Christiaensen, De Weerd and Todo, 2013; Gibson et al., 2017).

Yet physical and virtual connections between these urban centres and rural areas are often poor. The formation of many of the requisite connections depends both on the availability of public goods, such as improved roads and communications infrastructure, and on private investment. Increasingly, the private sector is providing mobile technology, post-harvest facilities, processing capacity and agricultural inputs in rural areas. Public goods such as improved roads, well-designed legal and regulatory systems and an educated populace are, however, prerequisites for large-scale private investments. A more productive economy and better spatial connections within it will increase the pay-off on investments that specifically target rural youth. Sustained growth and structural transformation are typically associated with a public commitment to investment in health, education and infrastructure (World Bank, 2018). As a result, in countries that are making these

investments, their more educated and skilled young people will have more opportunities for productively employing their skills and more agency in seizing those opportunities.

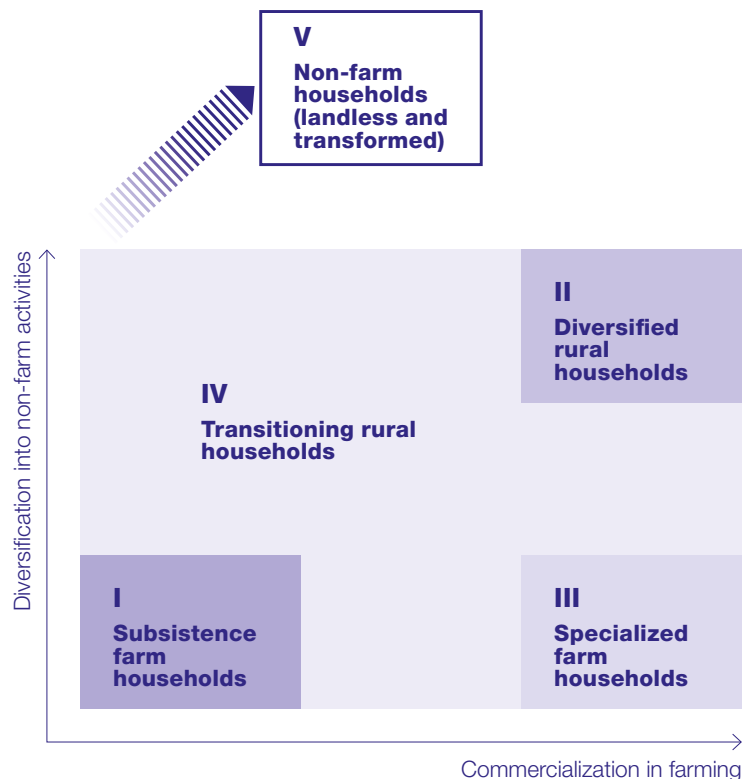
Household transformation categories

The vast majority of rural youth in developing countries live as dependants in large families. Thus, in addition to the level of transformation of the national economy and the rural opportunity space in which young people reside, the characteristics of their households also help to shape their opportunities and challenges.

Rural households, like nations, achieve differing levels and mixes of transformation depending on their livelihoods (see **FIGURE 1.7**). Connections to a wide range of markets are required to permit these transformations. Households can diversify beyond the farm to add non-farm income to their portfolio (vertical axis), and some of them may become fully transformed *non-farming households*. Alternatively, they can invest in their farms in order to make them more productive and market-oriented, with some of them then becoming *specialized farmers* who make a large share of their sales directly from their farming operations and have little off-farm income. Households may also undergo transformations in both dimensions, intensifying their farming activities and selling much of their output while, at the same time, adding more non-farm income to their portfolios. Those moving the furthest in each of these directions become dynamic, economically *diversified rural households* (top right cell). Others continue to operate as *subsistence farmers*, who have little non-farm income and sell very little of their farms' output (bottom left cell). Finally, perhaps the most challenged group of all are the households with no land and few other resources, which remain *landless non-farmers*. Households that have partially diversified without moving into any of these groups are referred to as *transitioning rural households*.

The types of households in which rural youth live frame the opportunities that they are actually able to grasp out of the set of opportunities that their national and rural settings present to them. The types of household categories are likely to be influenced by the country's level of transformation and by the space in which the household is located. More highly transformed countries provide more opportunities for economic diversification and for the intensification of farming activities by persons who choose to remain in that sector. Such countries should therefore have larger shares of transformed non-farmers, diversified rural households and (perhaps) specialized farmers in their rural areas. By the same token, more connected rural spaces (those shown to have a high commercialization potential in **FIGURE 1.6**) are likely to have more diversified and fully

FIGURE 1.7 Household transformation categories



Source: Authors.

transformed non-farming households, while less connected settings (those with a lower degree of commercialization potential as shown in **FIGURE 1.6**) are likely to feature more subsistence households.³ These empirical patterns will be examined in chapter 2 using spatially explicit global data on age- and gender-differentiated population distribution and agricultural potential.

Constraints in the transition from dependence to independence

While the opportunities open to rural youth depend on the national, rural and household settings in which young people reside, creating broad opportunities in these settings does not guarantee that rural youth will be able to seize them. To do that, rural youth who are transitioning from dependence to independence must have the capacity and skills, financial resources and key assets, such as land, that will empower them to seek out opportunities. This is doubly true of young rural women, who often face cultural and social constraints that prevent them from pursuing the capacities and connections they need in order to take charge of their own lives. Rural youth from ethnic minorities may similarly face more severe constraints than members of the dominant ethnic group.

Capacities and skills

Rural youth need capacities and skills that their parents did not need. The nature of work is changing more rapidly than ever before, creating a demand for new sets of skills. Rural transformation, particularly of the agrifood system (AFS), is extending the reach of markets into new areas, linking rural and urban areas and fuelling competition for the output of farms of all sizes. The digital revolution is making access to information increasingly central to success both on and off the farm. Young people need to understand the modes of communication that are embedded in these applications and to know how to search for information and create networks of contacts.

Rapid technological progress is reshaping the future of work by increasing the demand for the types of human capabilities that cannot be fully mimicked by machines (World Bank, 2019). In order to adapt to this complexity, educational institutions have to teach not only basic technical skills but also the advanced cognitive skills (critical thinking and problem-solving) and non-cognitive skills needed for successful youth employment (Fox, 2018; Filmer and Fox, 2014; World Bank, 2019). Non-cognitive skills include personality traits such as conscientiousness, extraversion, agreeableness and openness to experience. Evidence is emerging on the importance of these skills in both wage employment and self-employment and in the establishment of microenterprises in rural and other settings in developing countries. These skills, together with cognitive skills, are strongly linked to employment and earning outcomes (Heckman and Kautz, 2013).

Land

Rural youth who wish to become farmers have always faced the challenge of gaining access to land, but three factors now make this challenge even more formidable. First, owing to rapid population growth, particularly in sub-Saharan Africa, much of the rural population now lives in more densely settled areas. Land is becoming less available, and plots are becoming smaller and more fragmented. Second, parents are living longer and are continuing to farm

³ “Subsistence” is used in a relative sense, since truly subsistence farmers, who are not engaged in markets on or off the farm, are rare.

their land for a longer time, and they are therefore less likely to transfer land to their children when the time comes for their children to enter the labour force. Young people who want to farm can thus either work their parents' land, thereby delaying their transition to independence and their attainment of greater decision-making authority, or, if their finances and local rental markets allow, they can rent land. If they do rent, issues of land quality and security of tenure become a concern (Yeboah et al., 2018). Third, the rapid rise of medium-scale commercial farms, driven by the expansion of markets made possible by the structural and rural transformation processes, is increasing the competition for land. Such farms control an estimated 30 to 50 per cent of farmland in Ghana, Kenya, Malawi and Zambia (Jayne et al., 2016). As a consequence, young people are significantly less likely than adults to own land, and they are even less likely to hold sole title to it.

Finance

Access to finance is more important in today's transforming economies, and rural youth face greater challenges in this regard. The profitability of farming increasingly depends on the use of purchased inputs, especially when producing for dynamic markets, such as fresh produce for growing cities. Access to credit can ease entry into such markets (Tschirley et al., 2017). Entry into off-farm self-employment also requires some initial investment, and operations can thus be greatly enhanced by access to credit. Young people in rural areas have fewer contacts and assets and so have more difficulty gaining access to formal financial services. They also make up a disproportionate share of the unbanked population worldwide (Gasparri and Muñoz, 2018).

There is some good news on the financing front, however. Digital financial services such as mobile money accounts are facilitating the financial inclusion of rural adults and youth alike (Clement, 2018; Sekabira and Qaim, 2017). Mobile money account penetration is similar in rural and urban areas, and youth have higher uptake rates than adults (Aker, 2018; Gasparri and Muñoz, 2018). These dynamics are creating opportunities for the development of comprehensive programmes to address the financing constraints experienced by rural youth (see **BOX 1.2** for a case study on this subject).

BOX 1.2 IFAD's Rural Youth Economic Empowerment Programme

In 2016, IFAD completed the execution of its Rural Youth Economic Empowerment Programme (RYEEP). This large-scale regional grant programme focused on promoting rural employment through the creation and financing of small youth-led enterprises in **Egypt, Morocco, Tunisia and Yemen**. Its aim was to increase the employment and self-employment of young people aged 15-35 in those four countries by testing out new models of inclusive financial services for rural youth. Overall, the programme provided savings services to 20,543 young programme participants, credit to 7,292 young people and non-financial support services (financial education training) to almost 14,252 young persons. These financial services helped participants to launch 5,830 businesses. In addition, the project helped rural finance institutions to better understand the rural youth market and to develop financial products that were adapted to the needs of rural youth.

In Egypt, RYEEP supported Plan Egypt's project aimed at modifying its existing village savings and loan association financial model to meet the needs of rural young people. This involved the formation of youth savings groups (YSGs) that offered both savings and credit services, together with life-skills-based entrepreneurship and financial literacy training. By the pilot project's end, it had adapted the YSG methodology for rural youth, developed a youth-specific, life-skills-focused entrepreneurship curriculum and launched the programme in rural areas in three of the country's governorates. The project created important opportunities for learning how non-financial services can be integrated directly into a financial service and how informal savings groups can be linked to formal financial institutions.

In Morocco, through RYEEP, the Al Barid Bank (ABB) began to adapt its new youth "Savings for Tomorrow" product [Tawfir al Ghad] (TAG) to better suit the needs of its young rural clientele. TAG is an innovative savings product that offers subscribers a free ATM card and no transaction fees and that requires them to maintain no more than a US\$5 minimum balance. Through this project, ABB developed a customized financial literacy training course for rural youth, experimented with full-service mobile vans as a means of expanding outreach and began working on linking up TAG clients with microfinance institutions (MFIs). By the project's end, ABB had supplied 6,277 rural youth with its TAG product, provided 3,000 with financial literacy training and linked 30 TAG account holders to microfinance lending services. Lessons learned from the pilot indicate that, when working with savings products, a combination of numerous access points and product modifications can increase inclusion.

In Tunisia, RYEEP supported Microcred, a newly established greenfield MFI, in the design and development of Irada, the first small enterprise start-up loan developed specifically for youth in Tunisia, with a focus on rural areas. In order to strengthen these clients' non-financial skills, Microcred partnered with Tunisian NGOs to design and deliver a package of business development services in conjunction with the Irada product. In addition, Microcred delivered expansion loans to young rural clients. By the project's end, Microcred had conducted extensive market research on the youth market, developed and piloted the Irada and Expansion loan products with 54 young people, and designed and piloted a business management training and coaching programme for another 71. The pilot provided insights into financial product design and the challenges involved in seeking to target the youth population before an institution has established a rural presence.

Gender

Young rural women face gender-based constraints that may impede them from gaining the agency they need to prosper in the new economy. Economic and technological change often outpace changes in social norms. A young woman in a rural village in Bolivia, Cambodia or Niger with a smartphone has access to information, ideas and possibilities that her parents could not have dreamed of, but social norms may prevent her – more than they would a young man – from acting on these possibilities. There is a greater need than ever before for investments that will ease the triple burden of being young, being a woman and living in a rural area.

The unprecedented rate and nature of change

Many of the changes accompanying structural and rural transformations are unfolding at a faster pace or in different ways than in the past. These demographic, economic, environmental and technological changes are simultaneously opening up some opportunities and closing off others for rural youth. Investments, policies and programmes centred on rural youth need to take these differences into account.

Demographic change

Three types of demographic changes are rapidly altering the national and rural context in developing countries. The first is urbanization. Since 1990, urban populations in low- and middle-income countries have risen from 33 per cent of those countries' total populations to 50 per cent (UNDESA, 2017b); this has important implications for the level and structure of opportunities and challenges within an economy. For example, urban areas now account for over half of the total domestic market for food in developing countries. Market links to urban areas are central to the income and food security of smallholder farmers.

The second demographic change, which is playing out primarily in the least transformed countries, is a rapid increase in rural population density. Even as countries have urbanized, rural populations have more than doubled since 1950 in developing countries and increased nearly fourfold in the least developed nations (UNDESA, 2017b). Urbanization, including the rise of secondary cities, and rural densification and the growth of rural towns are reducing the literal and figurative distance between urban and rural areas and are giving rise to increasing opportunities in rural areas thanks to improved connections to markets.

The third major demographic process that is now under way is the demographic transition, which yields a *demographic dividend* that could potentially have long-lasting positive effects in terms of growth and transformation. The process has reached quite an advanced stage across all developing regions with the exception of sub-Saharan Africa, where the number of young people is growing very rapidly in absolute terms and is even growing modestly relative to the total population. The challenge for countries in this region is to find a way to respond to the needs of the most rapidly growing youth populations in the world even though they have the fewest fiscal resources with which to do so. The very slow pace of their demographic transition may also hold back their long-term growth.

Digital revolution

Today's rural youth are the first generation of young people whose entire working lives will be permeated by digital technology. By reducing the cost of information and massively

increasing its availability, this technology has dramatically sped up the pace and altered the nature of change. This is having two main effects. On the one hand, the rise of the “intelligent automation” made possible by digital technology is speeding and broadening the advance of automation while partially closing off previous avenues, such as labour-intensive manufacturing, used by rural youth to escape poverty (World Bank, 2018; McMillan et. al., 2016).

Yet the penetration of digital technology into all economic and social spaces is also opening up new opportunities for rural youth to increase their connectivity, their productivity and their agency. An explosion in mobile finance in some of the world’s poorest countries (see chapter 8) is lowering the barriers that have persistently blocked access to formal credit for young people, people residing in rural areas and women. In agriculture, new technology-enabled farming and marketing practices are increasing productivity and opening up new ways of engaging with markets (Bello, Bello and Saidu, 2015; Noorani, 2015). The rapidly emerging “Internet of things” is paving the way for precision agriculture, the use of drones to monitor livestock and crops, and “smart greenhouses” that can automate many crop husbandry activities (Ravindra, 2018). For rural youth to profit from these new technologies, investments are needed to expand broadband and physical infrastructure in rural areas and equip youth with the cognitive and non-cognitive skills they will need to see the promise of these technologies, anticipate their perils (e.g. overindebtedness as a consequence of the temptations of easy-access mobile finance) and use them to their benefit.

The digital revolution does not play out in a vacuum. While its impacts on the changing nature of work and competition are being felt globally as they work their way through the various markets, the *opportunities* that the revolution engenders are in proportion to the *fundamental capabilities* existing in a given location. Rural youth living in countries and spaces in which fundamental capabilities are lacking – poor physical infrastructure and educational systems, socio-political structures that impede agency and empowerment, and weak public and civil society institutions – will have a much harder time capitalizing upon the opportunities that this revolution offers. How governments respond to this situation will determine whether the revolution widens or bridges the rural/urban digital divide.

Climate change

Rural youth are likely to be worse off than the rest of the population in terms of all three of the elements that determine the extent of vulnerability to climate change: exposure, sensitivity and adaptive capacity (Füssel, 2017; Füssel and Klein, 2006; IPCC, 2014). The latest report of the Intergovernmental Panel on Climate Change warns that the world has little time left to take action to avert the devastating impacts of climate change (IPCC, 2018). Addressing the challenges faced by rural youth becomes even more difficult in this context.

Countries with large youth populations are typically poor and still heavily agricultural: almost all countries that depend on agriculture for more than 20 per cent of their GDP have youth populations equivalent to more than 19 per cent of their total population and low levels of structural and rural transformation. Many of the countries most affected by climate change are also in the midst of post-conflict or fragile situations, making it all the more pressing to address the youth inclusion challenge.

Climate model projections indicate that many developing countries will be subject to increasing exposure to the impacts of climate change, such as extreme heat

stress and generally more extreme weather events. This will have an especially strong impact on rural youth, who have limited options outside of the farm sector. Sensitivity to climate shocks rises in step with a lack of social capital, skills and community participation (Brooks, 2003; Adger, 2003). Finally, adaptive capacity depends on access to resources such as land, credit and insurance, again putting rural youth at a disadvantage (Gasparri and Muñoz, 2018; Yeboah et al., 2018).

Thinking differently about investing in rural youth

In the rush to help rural youth navigate today's rapidly changing environment so that they may become productive and connected individuals in charge of their own future, decision makers may be at risk of making two mistakes. One would be to continue to invest in old solutions that are no longer effective in this changing environment. An example could be old-style vocational/technical programmes that do not prepare youth for the new structure of economic opportunities and challenges that is taking shape. It would also be an error to focus too much on investments specific to youth in countries and spaces where the primary problem is a broad-ranging lack of economic opportunity that would undermine the effectiveness of these kinds of targeted investments.

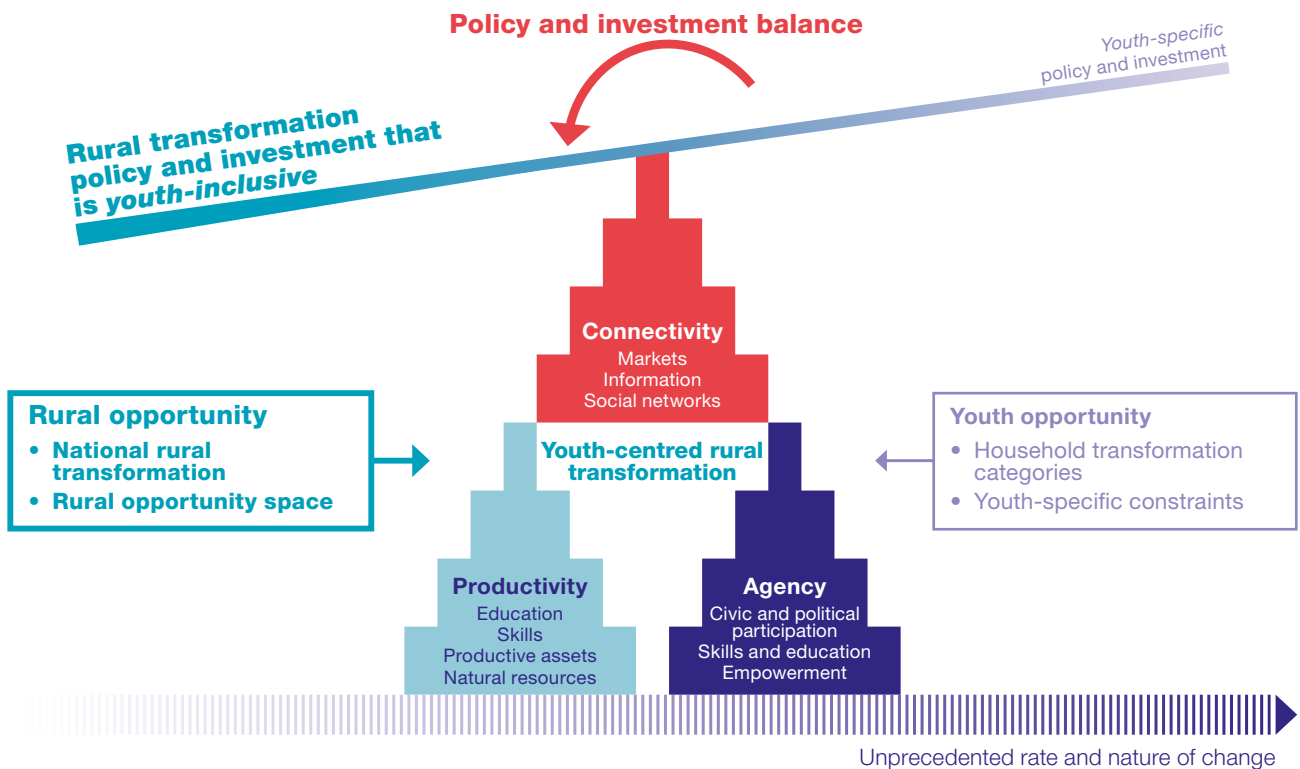
The challenge is to strike the right balance between investments that promote rural opportunity in general and those that focus specifically on youth opportunity (see **FIGURE 1.8**). The right balance between these different kinds of interventions will depend on the extent of the different types of transformation processes and opportunities to be found in a given space. Thus, in places with low levels of transformation and limited opportunities, youth-specific approaches that do not address broader issues are unlikely to yield sustainable results. Therefore, if rural opportunity is limited by a low level of rural transformation in a country or by a limited commercial potential, policies and investments will need to focus primarily on promoting rural transformation. This entails improving productivity, connectivity and agency among the rural population as a whole in order to foster rural transformation and thus expand the opportunities for all.

On the other hand, when rural opportunities already exist because a region has reached a high level of rural transformation and has strong commercial potential, then policies and investments may seek to address constraints that are specific to young people and their families. Investing in broader rural development policy initiatives will continue to play an important role in these contexts as a means of supporting and enhancing ongoing transformations, but *youth-specific investments* can complement these wider-ranging efforts and help to overcome specific constraints that are impeding the inclusion of the young population.

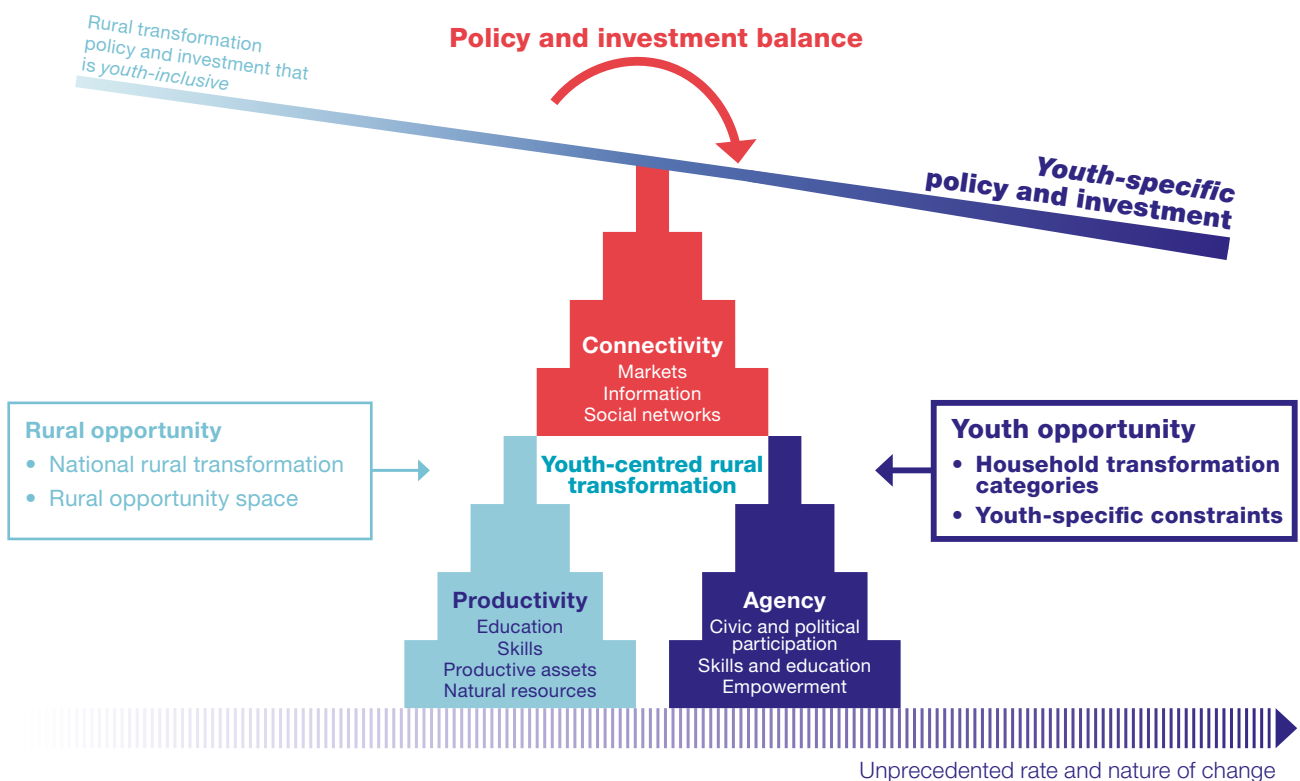
The unprecedented rate and nature of change and the dynamics that surround rural youth are such that their opportunities and constraints are changing so rapidly that policymakers should consider which investments are required now to alleviate rural youth constraints and which ones will be required later on in order to generate medium-term pay-offs (Filmer and Fox, 2014). The *Rural Development Report 2019* focuses on helping decision makers at all levels think clearly about how to strike this balance.

FIGURE 1.8 Balancing investments that promote widespread rural opportunity and those that focus specifically on youth opportunity

Low level of rural opportunity



High level of rural opportunity



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