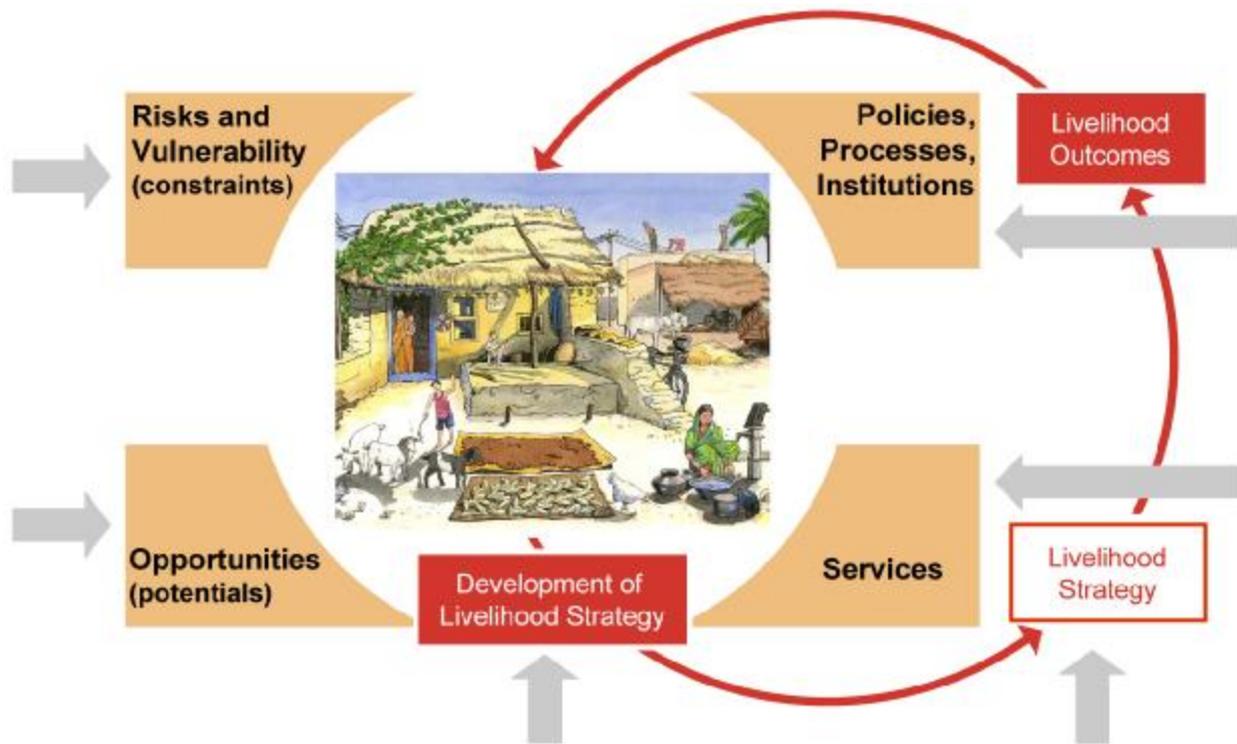# Working with a

Sustainable Livelihoods Approach

Version 1.1. (March 2007)

Introduction
The Sustainable Livelihoods Approach –
a reference frame for SDC!

Livelihood approaches emerged in the *Zeitgeist* of the 1990s and continue to prove their utility within today's international commitment of the Millennium Declaration and the Millennium Development Goals. The Sustainable Livelihoods Approach (SLA) as developed by the UK Department for International Development (DFID) has become as the most prominent framework among various concepts developed by other agencies. Basically, DFID subscribes to a system approach that attempts to capture the many factors that influence people's livelihoods and helps to identify priorities for action based on the needs and interests of poor people by reflecting their perceptions of poverty and well-being.

Today, the SLA represents the most appropriate of currently applied reference frameworks for effective poverty reduction. It takes into account that

- women and men have to be in the centre of attention

- specific contextual considerations are of great importance

- thorough links between macro level policy development and micro level realities need to be established

- participation is a means and an end to effectiveness.

From the beginning, DFID aimed to stimulate reflection and invited others to contribute to further development of the SLA concept. It is in this spirit that the Swiss Agency for Development and Cooperation (SDC) initiated the present effort to blend the SLA concept of DFID with an alternative approach originating from a collaborative research effort on rural livelihood systems (RLS) conducted by NADEL (Postgraduate Studies on Development at ETH Zurich) and three research partners in India (ISEC, Institute for Social and Economic Change, Bangalore, IRMA, Institute for Rural Management and SAMPARC, a Bangalore based NGO). The RLS approach acknowledges the fact that development is also shaped by inner-human forces and factors. The present paper illustrates how adequate blending of the two approaches may contribute to a more holistic understanding of livelihood systems and strategies.

The paper has three sections, or modules, and covers the following:

- Module 1 establishes the conceptual link between current international thinking and the SDC policy paper "Principles Guiding SDC in its commitment to fighting poverty". It highlights the need for a livelihood focus in poverty reduction.

- Module 2 describes the main features of the SLA and the characteristics of the RLS and presents the advantages of a blending of the two concepts.

- Module 3 makes a step towards application: What questions need to be addressed in analysing and identifying options for improving the livelihoods of poor people?

The documents and visuals are meant to sensitise for and improve the poverty focus. The Social Development Division of SDC would like to encourage all readers to make comments and contributions. This reference framework for poverty reduction will be all the more useful the more it is nurtured and further developed by concrete experience.

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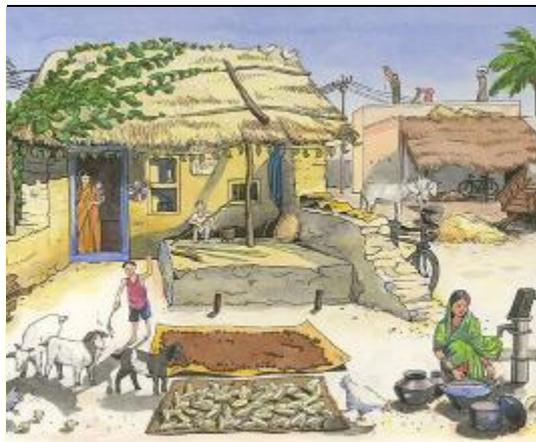
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POVERTY AND LIVELIHOODS IN DEVELOPMENT COOPERATION

Module 1:

Poverty reduction with a livelihood focus

1.1. Linking micro-macro levels

1.2. Meaningful concepts for effective poverty reduction

1.3. SDC's understanding of poverty

1.4. Arguments for a livelihoods perspective

1.5. Understanding vulnerability

Module 2:

Livelihood approaches in a nutshell

2.1 The DFID approach in a nutshell

2.2. The RLS approach in a nutshell

2.3. Common feature of the livelihood approaches DFID and RLS

2.4. The frameworks of DFID and RLS compared

2.5. Blending elements of DFID and RLS frameworks

Module 3:

Towards an application of livelihood approaches

3.1 Livelihood in the interface of two different perceptions

3.2 Analysing context and core of livelihood

3.3 Approaching livelihoods with a threefold focus

3.4 Choosing among entry points for interventions

3.5 A livelihood focus for cooperation strategies and Programme Cycle Management (PCM)

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Module 1

... shows the necessity of **linking micro and macro levels** for effective poverty reduction ⇨ Doc 1.1

... refers to a **capability-based understanding** of poverty and its causes ⇨ Doc 1.2

... recalls the **definitions and understanding** of poverty reduction in **SDC** programmes ⇨ Doc 1.3

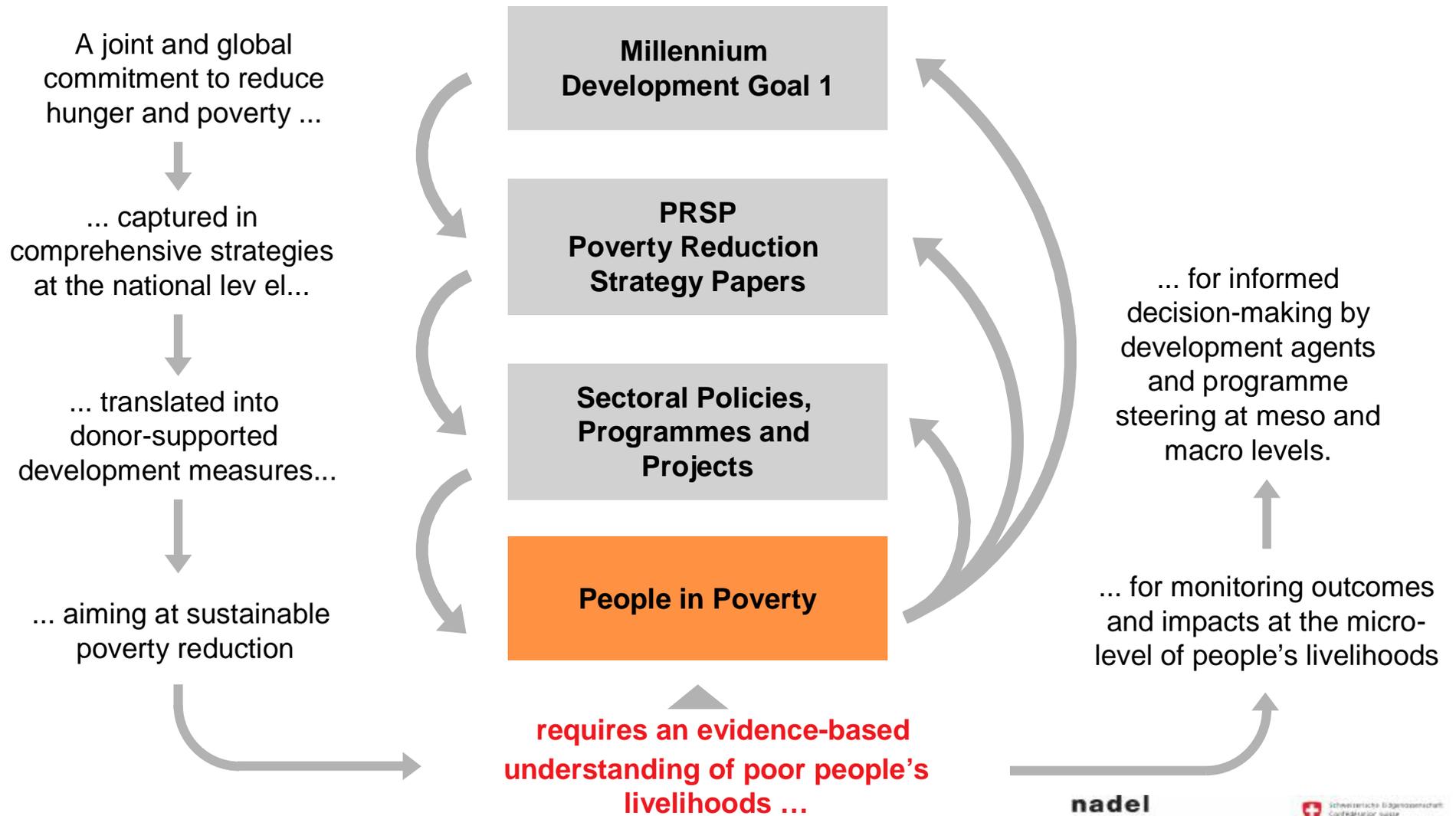... submits arguments and **key elements** for pursuing poverty reduction with a **livelihood focus** ⇨ Doc 1.4

... provides a conceptual **clarification** of **poverty and vulnerability** ⇨ Doc 1.5

Linking Micro and Macro Levels
Sustainable improvement of livelihoods as a cross-cutting concern, e.g., MDG 1

A joint and global commitment to reduce hunger and poverty ...

... captured in comprehensive strategies at the national lev el...

... translated into donor-supported development measures...

... aiming at sustainable poverty reduction

Millennium Development Goal 1

PRSP Poverty Reduction Strategy Papers

Sectoral Policies, Programmes and Projects

People in Poverty

... for informed decision-making by development agents and programme steering at meso and macro levels.

... for monitoring outcomes and impacts at the micro-level of people's livelihoods

requires an evidence-based understanding of poor people's livelihoods …

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Meaningful concepts of poverty for effective poverty reduction

Approaches to reduce poverty are informed by and based on **conceptual perceptions of poverty**. This underscores the relevance of meaningful concepts and indicators. Criteria should be defined and indicators specified according to the purpose envisaged. Simple poverty line concepts, for instance, allow comparisons and the tracing of impacts. Yet, tackling poverty requires **poverty concepts** that lead to **meaningful development hypotheses**. The poverty concept developed by the Development Assistance Committee (DAC) of the OECD in its guidelines on poverty reduction represents a generally accepted approach that also corroborates the need for applying a **livelihood focus**, **especially** when dealing with a poverty concept based on a **capability perspective**. The following five core dimensions are drawn from the 2001 DAC Guidelines in their original wording page 38 (see http://www.oecd.org/dataoecd/47/14/2672735.pdf).

Defining poverty: the core dimensions

Economic capabilities mean the ability to earn an income, to consume and to have assets, which are all key to food security, material well-being and social status. These aspects are often raised by poor people, along with secure access to productive financial and physical resources: land, implements and animals, forests and fishing waters, credit and decent employment.
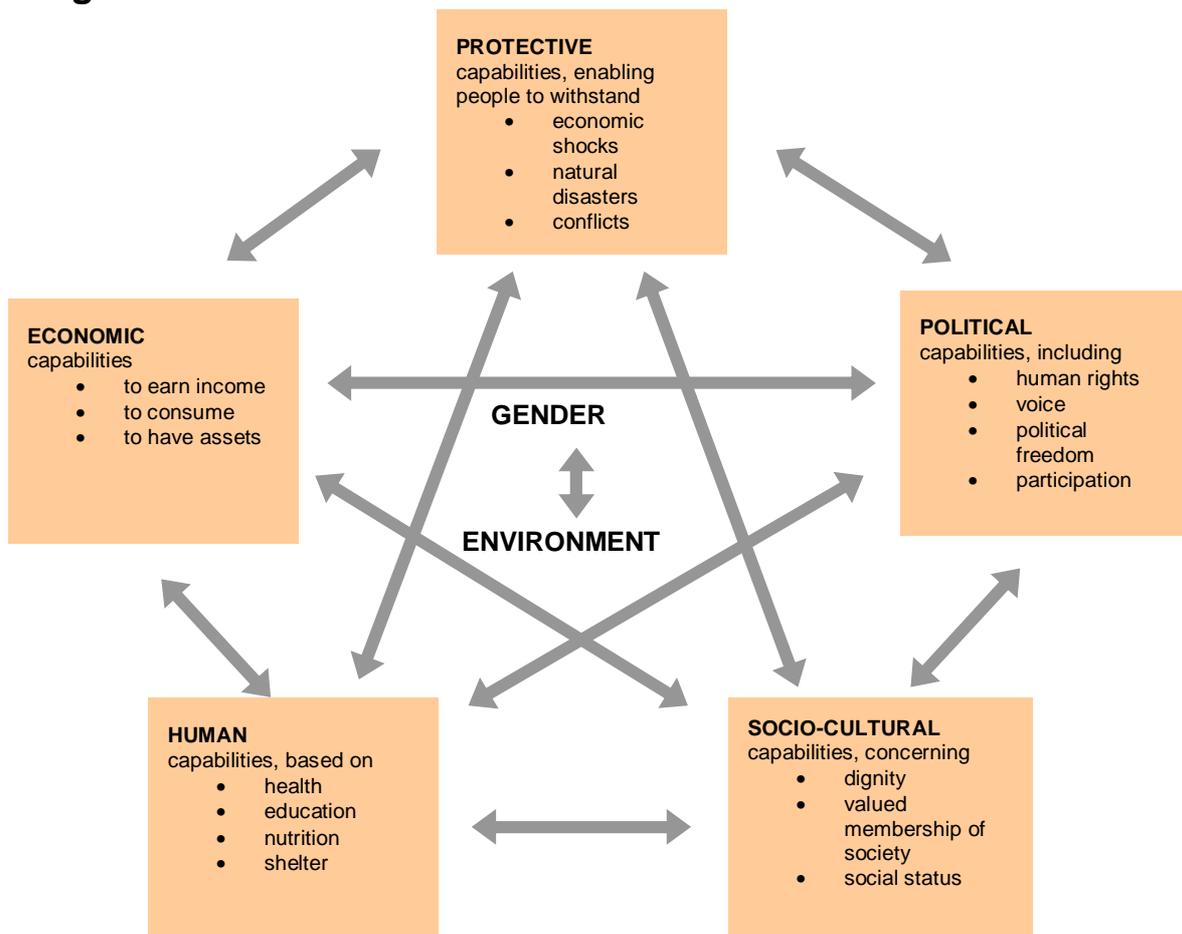
Human capabilities are based on health, education, nutrition, clean water and shelter. These are core elements of well-being as well as crucial means to improving livelihoods. Disease and illiteracy are barriers to productive work, and thus to economic and other capabilities for poverty reduction. Reading and writing facilitate communication with others, which is crucial in social and political participation. Education, especially for girls, is considered the single most effective means for defeating poverty and some of its major causal factors, for example illness – in particular AIDS – and excessive fertility.

Political capabilities include human rights, a voice and some influence over public policies and political priorities. Deprivation of basic political freedoms or human rights is a major aspect of poverty. This includes arbitrary, unjust and even violent action by the police or other public authorities that is a serious concern of poor people. Powerlessness aggravates other dimensions of poverty. The politically weak have neither the voice in policy reforms nor secure access to resources required to rise out of poverty.

Socio-cultural capabilities concern the ability to participate as a valued member of a community. They refer to social status, dignity and other cultural conditions for belonging to a society which are highly valued by the poor themselves. Participatory poverty assessments indicate that geographic and social isolation is the main meaning of poverty for people in many local societies; other dimensions are seen as contributing factors.

Protective capabilities enable people to withstand economic and external shocks. Thus, they are important for preventing poverty. Insecurity and vulnerability are crucial dimensions of poverty with strong links to all other dimensions. Poor people indicate that hunger and food insecurity are core concerns along with other risks like illness, crime, war and destitution. To a large extent, poverty is experienced intermittently in response to seasonal variations and external shocks – natural disasters, economic crises and violent conflicts. Dynamic concepts are needed because people move in and out of poverty. Today's poor are only partly the same people as yesterday's or tomorrow's. Some are chronically poor or inherit their poverty; others are in temporary or transient poverty.

Definitions and interactive core dimensions of poverty and well-being

PROTECTIVE
capabilities, enabling people to withstand
- economic shocks
- natural disasters
- conflicts

ECONOMIC
capabilities
- to earn income
- to consume
- to have assets

POLITICAL
capabilities, including
- human rights
- voice
- political freedom
- participation

GENDER

ENVIRONMENT

HUMAN
capabilities, based on
- health
- education
- nutrition
- shelter

SOCIO-CULTURAL
capabilities, concerning
- dignity
- valued membership of society
- social status

(Adapted from OECD (2001), *The DAC Guidelines: Poverty Reduction*, pp. 38-40)

"An adequate **concept of poverty** should include all the most important areas in which people of either gender are deprived and perceived as incapacitated in different societies and local contexts. It should encompass the **causal links** between the **core dimensions** of poverty and the central importance of **gender** and environmentally **sustainable development**" (OECD, 2001, p. 38).

SDC's understanding of poverty

The UN Millennium Declaration and the Millennium Development Goals reaffirm the basic right of all human beings to participate in the economic, social, and political processes of society. This means their right to freely, actively, and effectively participate in shaping society, take part in decision-making processes, and share in the fruits that development brings. SDC shares this point of view and bases its mandate of poverty reduction on the following values: dignity, solidarity and responsibility, peace, freedom and security. (See "Creating the prospect of living a life in dignity": Principles guiding the SDC in its commitment to fighting poverty.http://162.23.120/dezaweb/resources/resource en 24237.pdf)

The understanding is that:

Poverty means discrimination, barriers, and exclusion in satisfying the basic necessities of life

- in the use and development of an individual's physical and spiritual potential, capacities, and creativity;

- in seizing the opportunities and choices for fashioning a fulfilling and dignified life;

- in the realization of personal aspirations;

- from participating in the formulation and decision-making stages of social, political, and economic transformation processes.

Well-being implies

- being able to ensure your subsistence on your own in dignified living conditions, with the ability to ensure your livelihood thanks to the fruit of your own toil;

- being an equal-footed and responsible member in the social, political, economic, and cultural dimensions of society;

- having equal access to resources, information, services, institutions, and decision-making structures;

- being protected from violence and arbitrariness;

- being able to count on assistance, security nets, and solidarity in the event of crises and disasters;

- enjoying a positive outlook towards the future for yourself and for the coming generations.

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Fighting poverty means

- empowering the disadvantaged and enhancing their capacity to mitigate disparities and stop the advance of impoverishment;

- building on the capacities, experiences, and potentials of the disadvantaged;

- establishing priorities in favour of the poor and disadvantaged, and in so doing defending their point of view and respecting their priorities;

- fostering organizations operating in the interest the poor;

- working at all levels – on national as well as multilateral – towards a change in the structures and framework conditions leading to the discrimination, impoverishment, and exclusion of individuals and social groups;

- encouraging effective poverty-reduction policies;

- advocating for the poor in the defence of their rights and in the denunciation of the misuse of power;

- confronting the conflicts that may emerge in aligning ourselves with the poor and disadvantaged and helping to deal with them by peaceful means in the interest of the disadvantaged;

- utilizing disasters, crises, and conflicts as an additional opportunity for a shake-up and a new arrangement in the scope for action.

The focus of SDC is on

- combating the causes of poverty in the interest of sustainable changes and in order to achieve the largest possible impact;

- engagement at the local, national, and multilateral levels to enable people to improve their living conditions on their own. SDC also operates "from the outside" to encourage improvement in national and international framework conditions and in institutions;

- supporting civil society organizations and associations as well as state institutions that contribute to the promotion of human rights and the rule of law;

- coordinating its commitment to poverty reduction by aligning it with coherent national Poverty Reduction Strategies (PRS) processes and with other development actors.

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Arguments for a livelihoods perspective

1. Livelihood approaches and core principals of application

Livelihood approaches are **conceptual frameworks** that promote people-centred development. They are responsive and participatory, and they favour multidisciplinary and multilevel development interactions. Livelihood approaches generate a deeper understanding of the wide range of livelihood strategies pursued by people that poverty reduction measures address.

Livelihood approaches acknowledge the connections and interactions of the micro-cosmos of the livelihood of individuals, household and/or communities with the larger socio-economic, cultural and political context at the meso and macro levels. Livelihood approaches help to reconcile a holistic perception of sustainable livelihood with the operational need for focused development interventions. In other words, they give access to the complexity of poverty and livelihood while acknowledging the need to reduce complexity in a responsible way for drafting policies and designing programmes and projects.

The core principles underlying SL approaches are that poverty-focused development activities should be (Ashley & Carney 1999, p. 7):

- **People-centred**: sustainable poverty reduction will be achieved only if external support focuses on what matters to people, understands the differences between groups of people and works with them in a way that is congruent with their current livelihood strategies, social environment and ability to adapt.

- **Responsive and participatory**: poor people themselves must be key actors in identifying and addressing livelihood priorities. Development agents need processes that enable them to listen and respond to the poor.

- **Multi-level**: poverty reduction is an enormous challenge that will only be overcome by working at multiple levels, ensuring that micro-level activity informs the development of policy and an effective enabling environment, and that macro-level structures and processes support people to build upon their own strengths.

- **Conducted in partnership**: with both the public and the private sector.

- **Sustainable**: there are four key dimensions to sustainability - economic, institutional, social and environmental sustainability. All are important - a balance must be found between them.

- **Dynamic**: external support must recognise the dynamic nature of livelihood strategies, respond flexibly to changes in people's situation, and develop longer-term commitments.

Livelihood approaches can be applied to work with any stakeholder group. To be effective in poverty programmes the SL approaches must be underpinned by a clear commitment to poverty reduction, meaning that activities should be designed to maximise livelihood benefits for the poor.

Among the many approaches offered for livelihood-oriented development cooperation (see Hussein, 2002) we opt in this document for a blend between the UK Department for International Development (DFID) approach (Carney, Drinkwater, Rusinow, Neejes, Wanmali, & Singh, 1999) and the livelihood framework developed in the context of a collaborative Indo-Swiss research project on rural livelihood systems in semi-arid India (Baumgartner & Högger, 2004).

Framework for assessing core and context of livelihood systems
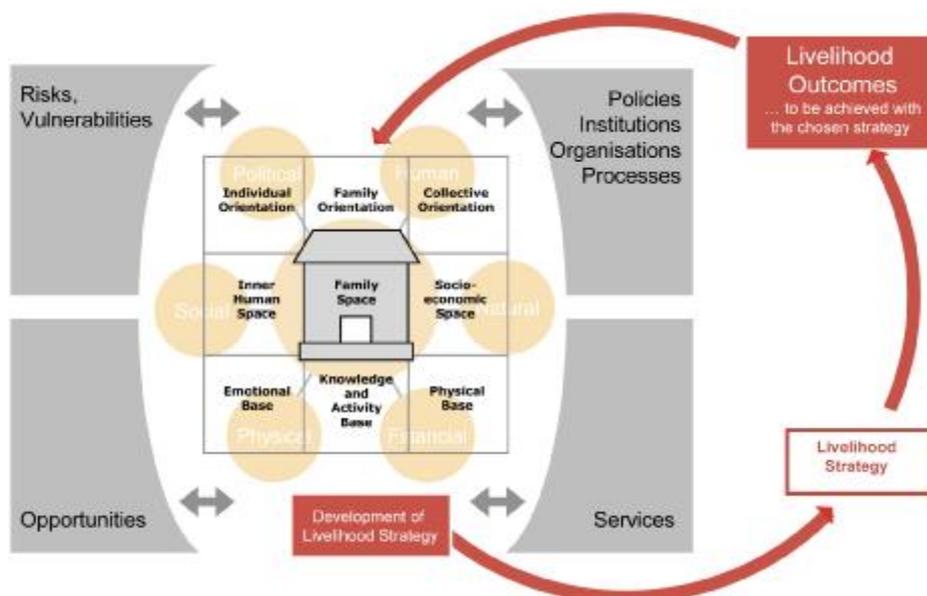
Module 2 of this document will introduce the two livelihood approaches on which the above graph is based.

2. More effective poverty reduction: Seven statements in favour of a livelihood focus

(1) Access to people's visions of "development and well-being"

People's visions of "development" are reflected in their livelihood strategies and in the livelihood outcomes they strive for. Thus "development" does not happen unless people participate in conceiving and realising "development". Each form of development cooperation therefore requires an adequate level of insight into and understanding of both the livelihoods addressed and the context with which they interact.

(2) Poverty reduction goes beyond material well-being

SDC's engagements in poverty reduction should enhance "the prospects of living a life in dignity". SDC's engagement is thus value-based. Living up to such a commitment requires a livelihood approach that can capture livelihood diversity in partner countries and provide operational guidance for conceiving and implementing poverty-oriented development support that takes livelihood diversity into account.

(3) Promoting coherence between poverty reduction concepts and definitions of poverty

SDC subscribes to the DAC definition and understanding of poverty, which are based on a capability approach (see Doc 1.2). Empowerment, understood as sustainable improvement

of capabilities of the poor, thus becomes a key element of poverty reduction. Basically, capabilities are not given but acquired by human beings. Capabilities are embedded in livelihood systems. They become functional in pursuing livelihood strategies.

(4) Building on strengths and potentials - acknowledging contextual factors and forces

A livelihood focus in poverty reduction means to build systematically on strengths and potentials of the poor. A livelihood focus also acknowledges the role and impacts of contextual factors and forces resulting from policymaking, institutional change, external shocks and trends, etc. It therefore invites assessment of the extent to which the socio-economic, political and cultural context is conducive to alleviating poverty.

(5) Understanding multifaceted rationalities in people's decision making

Diversity of livelihood strategies is also a reflection of a diversity of rationalities guiding decision-making. Approaching poverty with a livelihood focus thus means examining explicit and implicit rationalities that shape livelihood strategies pursued by the stakeholders (Syöstrand 1992, Simon 1984).

(6) Perceptions of sustainability and sustainable livelihood are context-bound

Poverty reduction aims at more sustainable livelihood. The generally accepted definition of sustainable livelihood reads: *"A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, without undermining the natural resource base (Carney et al 1999, p.8).* To become an operational guideline in development collaboration this definition also requires a context-related interpretation of sustainability that acknowledges the role of time, space, culture.

(7) Culture and spirituality as constitutive elements of development

Livelihood approaches help to integrate culture into development thinking and practise as an essential dimension. The holistic approach of a livelihood focus provides insights into "how culture matters" without promoting cultural determinism of development.

Spirituality, reaching beyond religious reference frames, forms part of inner development of livelihood. Worldviews, attitudes and goal setting, or livelihood strategies in general, are also informed by spiritual dimensions (Baumgartner & Högger 2004. Compare also Holenstein 2005). People-oriented development thus calls for approaches that further our understanding of the roles of these aspects of sustainable livelihood.

... it follows that an adequate and well-defined livelihood focus is a crucial pre-condition for aid-effectiveness!

3. Frequent misunderstandings regarding a livelihood orientation in development collaboration

Holistic analysis versus focused interventions?

CARE submitted the following statement to the DIFID's 1999 National Resources Advisers Conference (NRAC): *"A frequent misconception concerning the livelihoods approach is that holistic analysis must necessarily lead to holistic or multi-disciplinary projects. Although projects with a strong livelihoods approach may often work across a number of technical disciplines, applying a livelihoods approach does not preclude projects being largely sectoral in nature. What is important is that a holistic perspective is used in the design to ensure that cross-sectoral linkages are taken into account, and that the needs addressed in project activities are really those which deal with the priority concerns of households and build upon the experience and traditional coping mechanisms they have evolved"* (Drinkwater & Rusinow, 1999, p. 9).

Oxfam illustrated the above statement using a convincing metaphor: *"A useful analogy is the 'acupuncture approach': a good acupuncturist uses a holistic diagnosis of the patient followed by very specific treatment at key points. Holistic diagnosis does not mean needles everywhere!"* (Oxfam, NRAC 99, cited in Ashley & Carney, 1999). The assessment of the outcome of such a focussed treatment, however, calls again for a holistic perception, especially also for tracing unintended effects. The two statements illustrate the need for a holistic perception in development planning and as well as in monitoring the outcome and impact of development interventions. Compare Doc 3.5.

Livelihood approaches: Are they models – theories – frameworks?

Livelihood approaches, be it from DFID or other agencies (see Hussein, 2002), do not offer models or theories of livelihood systems. Instead, they suggest conceptual frameworks in line with Rapoport's (1985) definition and understanding:

"Conceptual frameworks are neither models nor theories. Models describe how things work, whereas theories explain phenomena.
Conceptual frameworks do neither; rather they help to think about phenomena, to order material, revealing patterns – and pattern recognition typically leads (thereafter) to models and theories".

Conceptual frameworks of livelihood systems, therefore, do not substitute subject matter based theories and methodologies for analysing economic, social, or religious dimensions of development issues. Rather, they suggest applying such subject matter competence in conjunction with a holistic perception of a livelihood system.

4. Examples illustrating a livelihood focus in the micro-macro interface

Millennium Declaration and Development Goals - a global commitment for local impacts

The Millennium Declaration (MD) is expected to enhance global resource allocation for fighting poverty. The Millennium Development Goals (MDGs) provide a generally accepted framework for global development efforts in eight selected goal areas. The MDGs are thus clearly goal-oriented and are – since they emanate from a top-down process - exposed to the risk of generating a predominantly goal-driven development without proper grounding in the realities of people's livelihoods.

The MDGs face their biggest challenge on the African continent, especially in countries of Sub-Saharan Africa. An uncritical orientation towards the MDGs when formulating PRSPs for countries of Sub-Saharan Africa may increase the risk of unrealistic goal setting exercises and an overtaxing of the absorptive capacity for increased aid flows, instead of developing context-related strategies in favour of more sustainable livelihoods.

There are valid reasons to assume that livelihood approaches must play an important role in assessing the specific nature of poverty and the absorption capacity of the poor. A pro-poor orientation also means acknowledging their visions and their criteria of well-being. In this way livelihood approaches provide a much needed complementary micro perspective for conceiving, implementing and monitoring pro-poor development, be it institutional change, new policy frameworks or programmes and projects.

Pro-poor growth in the interface between macro and micro perceptions

It is now recognised that pro-poor growth is an essential element for achieving sustainable poverty reduction (see Klasen, 2003). PRSPs are considered to provide useful platforms for conceiving strategies for economic growth that benefits the poor and poorest sections of the population over-proportionally, for instance by creating access to gainful employment. Yet, among the many hurdles at least two are generally acknowledged: Poverty is very often associated with a very skewed distribution of political power, which in turn allocates the gains of any economic growth once again to the rich and powerful members of a given society. Interventions in favour of good governance deal generally with this hurdle.

The second hurdle is also linked to distributional effects. In this case, however, the hurdle is part of precisely those livelihoods that should be favoured by pro-poor growth: Under conditions where actual dedications of resources for family welfare widely differ between husband and wife, a prevailing gender imbalance in decision-making within households can nullify or even reverse actual gains from pro-poor growth. An understanding of livelihood realities – and gender-related decision-making in poor households is part of livelihood realities – can provide essential insight and awareness for conceiving development interventions at the micro level, which are complementary to economic strategy formulation at the macro level.

Good Governance and decentralisation between constitutional and local reality

SDC supports decentralisation as an effective measure of good governance. Devolution of political decision-making to local levels, e.g., to communities, should promote effective political participation of citizens, women and men, in favour of local development – and thus also in favour of effective poverty reduction. It should lead to responsive and accountable local governance and give minorities a voice. Gender discrimination in political decision-making is expected to decrease. It may even be tackled directly by quota systems. A

prominent example in this respect is the amendment of the Indian constitution that makes the membership of women in local governance conditional.

Constitutional amendments are just one side of the coin, leaving unfinished business. Local livelihood systems are conditioned by traditions of local governance, embedded in worldviews and power relations that can only be understood when we turn attention also to the micro-cosmos of villages or communities where decentralisation should become reality, be it in India, Africa or the Andes. External support of local governance, therefore, requires a livelihood perspective providing access to local forces and factors that may favour or hinder successful decentralisation processes.

Right-based approach: Empowering right-holders – strengthening duty-bearers

A livelihood focus can contribute to a more meaningful analysis of context and actors for right-based approaches in development cooperation. A right-based approach to development basically means to address simultaneously two separate, yet interacting, parties – the right holders and the duty bearers. Yet, moving from rhetoric to action may require a closer look into livelihood conditions of both parties. A right-based approach would appear appropriate, for instance, in the case of a forest officer, as an official duty bearer, denying a tribal farmer, as right holder, entitled access to forest products. Yet, that kind of interaction between right holder and duty bearer takes place not only in the interface of two different institutional set-ups, but is conditioned at the same time by the specific livelihood strategies of right holders and duty bearers. There is no lack of empirical evidence showing that policy changes at the macro level, informed by purely institutional focus, often remain ineffective (Geiser & Steimann, 2004). Giving proper attention to livelihood strategies of the stakeholders may help us to understand why, for instance, "not claiming rights" and "not delivering duties" may be rational behaviour. It follows that a crucial challenge of a right-based approach is to promote empowerment of the right holders while simultaneously doing justice to the duty bearers by focusing also on forces and factors conditioning their livelihoods.

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The meaning of vulnerability and risks in the context of livelihood systems

What does living in a state of vulnerability mean? To a farming family in coastal Bangladesh, it could mean being unable to cope with tidal floods. To a slum dweller in a favela of Sao Paolo, it could mean being helplessly exposed to violence and corruption. Vulnerability stands for a crucial dimension of livelihoods in poverty, and, therefore, the term needs to be clarified for an application for poverty reduction measures.

Towards a clarifications of terms and definitions

In the wording of a dictionary (Collins, 1986) vulnerability means "the capacity to be physically or emotionally wounded or hurt." Vulnerability is thus susceptibility to physical or emotional harm or injury. In other words, vulnerability emerges when human beings, as individuals or as a social unit, have to face a harmful threat or shock with an inadequate capacity to respond effectively. This understanding is reflected in the two examples above, namely, exposure to tidal floods without access to a flood shelter in Bangladesh or exposure to violence and corruption in a favela without recourse to effective protection by the rule of law. Obviously, mere threat or risk alone is not a sufficient cause for vulnerability – not even if the threat has a high probability of occurrence. It is, ultimately, the combination of risk and inadequate capabilities to respond that leads to a state of vulnerability.

The above understanding is captured and refined in the definition of vulnerability proposed by the OECD Development Assistance Committee (DAC) Network on Poverty Reduction (POVNET): *"Risk is defined as the likelihood of occurrence of (external) shocks and stresses plus their potential severity, whereas vulnerability is the degree of exposure to risk (hazard, shock) and uncertainty, and the capacity of households or individuals to prevent, mitigate or cope with risk."* This differentiation of the term "vulnerability" is of crucial relevance for assessing causes of poverty and for conceiving poverty reduction measures.

Capturing vulnerability and poverty in the context of livelihood systems

A livelihood system is perceived as vulnerable if it lacks the capacity and the capability to cope with forces and factors threatening its sustainable existence. Poverty thus reflects lack or loss of sustainable livelihood. Indeed, the generally accepted definition of sustainable livelihood precisely reflects this understanding: *A livelihood system is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both in present and future, without undermining the natural resource base* (DFID Glossary, Sustainable Livelihoods). The definition also refers to the fact that livelihood as such becomes vulnerable when unsuitable strategies undermine the natural resource base.

Effective livelihood approaches must, therefore, prove their capacity to analyse the nature and extent of vulnerability in order to conceive effective poverty reduction measures. This task encompasses the analysis of risks (frequency, magnitude, probability) in the context of livelihoods **and** the exploration of crucial dimensions of coping capacities in the core of livelihoods. As far as vulnerability and risks are concerned, livelihood approaches should provide answers to questions such as: Should poverty reduction focus on preventing or mitigating the risks to which a livelihood is exposed? Is it more effective to increase the coping capacity of the livelihood concerned? Or, at the end, is a combination of all required?

Risks can be categorised along four main dimensions:

- Harmful trends, such as increasing soil erosion, frequent droughts, increasing incidence of HIV/AIDS, unfavourable development of commodity or input prices, etc.

- Shocks, such as earthquakes, floods, disease, loss of jobs, violent conflicts, destruction of physical infrastructure (such as roads, bridges), etc.

- Harmful seasonal fluctuations, such as price fluctuations in crop and livestock markets, fluctuations in food availability due to seasonal climatic changes, etc.

- Unfavourable socio-political environments, characterised by absence of rule of law, deprivation of rights, gender related discrimination, etc.

An adequate assessment of response capacities of livelihood systems to risks requires more than just a stocktaking of assets. People's reactions to risks are guided by their worldviews and experience and are informed by gender related decision-making as well as modes of cooperation in a given social system. When conceiving poverty reduction measures, it might be also appropriate to distinguish between interventions that favour coping or promote adaptation. Coping strategies are generally understood as shorter-term and direct reactions to a specific shock such as drought or flood. On the other hand, adaptive strategies entail a longer-term change in behaviour patterns as a response to a shock or stress.

References

Collins English Dictionary, Second Edition, 1986

OECD DAC Network on Poverty Reduction (POVNET) (www.oecd.org/dac/poverty)

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POVERTY AND LIVELIHOODS IN DEVELOPMENT COOPERATION

Module 1:

Poverty reduction with a livelihood focus

1.1. Linking micro-macro levels

1.2. Meaningful concepts for effective poverty reduction

1.3. SDC's understanding of poverty

1.4. Arguments for a livelihoods perspective

1.4. Understanding vulnerability

Module 2:

Livelihood approaches in a nutshell

2.1 The DFID approach in a nutshell

2.2. The RLS approach in a nutshell

2.3. Common feature of the livelihood approaches DFID and RLS

2.4. The frameworks of DFID and RLS compared

2.5. Blending elements of DFID and RLS frameworks

Module 3:

Towards an application of livelihood approaches

3.1 Livelihood in the interface of two different perceptions

3.2 Analysing context and core of livelihood

3.3 Approaching livelihoods with a threefold focus

3.4 Choosing among entry points for interventions

3.5 A livelihood focus for cooperation strategies and Programme Cycle Management (PCM)

Module 2

... introduces the **livelihood approach**
of the **UK Department for International
Development** (DFID)   ⇨ Doc 2.1

… introduces the **livelihood approach**
developed in the **Indo-Swiss research
project** on Rural Livelihood Systems (RLS)   ⇨ Doc 2.2

… highlights the **common features** of these
two livelihood approaches   ⇨ Doc 2.3

… offers a **comparison of strengths and
limitations** of the DFID and RLS approaches ⇨ Doc 2.4

… proposes a **merger** between
 the **two approaches** for the
development practice of SDC and
discusses the **value added** resulting
from blending the two approaches   ⇨ Doc 2.5

The DFID approach to sustainable livelihood in a nutshell

Origin and guiding assumptions of DFID's sustainable livelihoods approach

Sustainable livelihoods (SL) thinking gained ground in the Department for International Development (DFID) poverty reduction efforts in the 1990s. The guiding assumption of the DFID approach is that people pursue a range of livelihood outcomes by which they hope to improve or increase their livelihood assets and to reduce their vulnerability. The five types of assets that form the core of livelihood resources in the DFID SL framework range from financial, human, natural, physical, to social capital. These constitute the actual building blocks for livelihoods. In a recent extension to the DFID SL framework, political capital has been added.

The livelihood strategies applied for achieving livelihood outcomes evolve in interaction with a context of vulnerability and transforming institutions. The actual framework has been considered, from the beginning, as one of many possible ways to conceive a livelihood framework. DFID attached therefore more importance to the underpinning principles of a poverty focused and livelihood-oriented development.
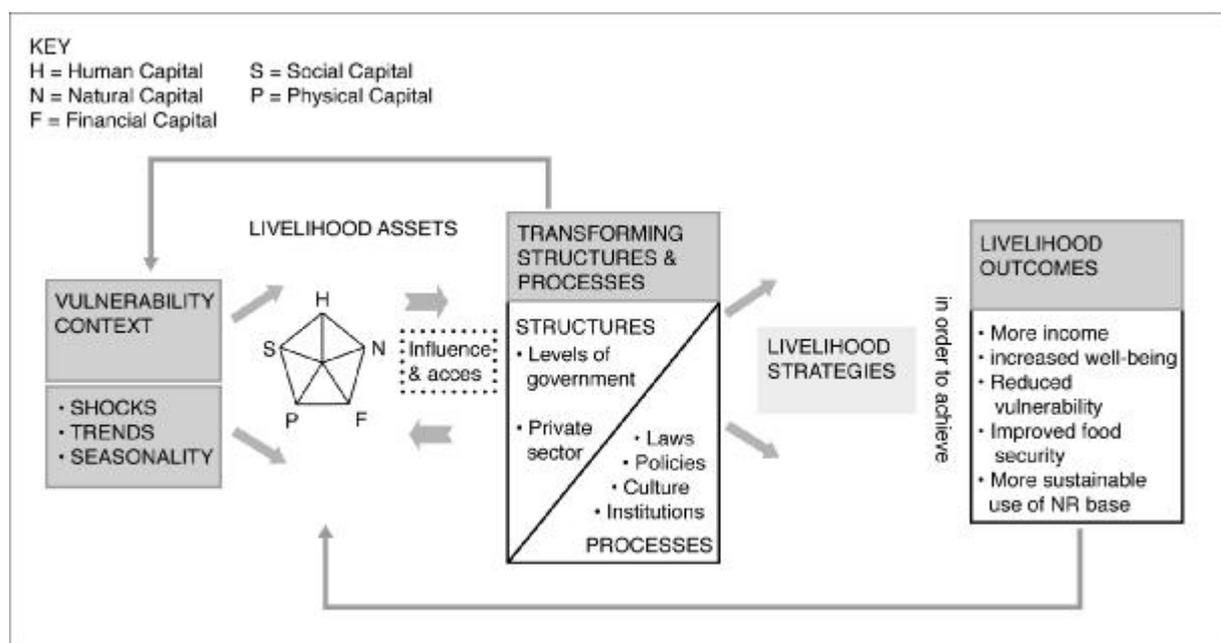
Main elements of the DFID SL framework and core principles of application

Based on above understanding, DFID differentiates between three groups of components in the livelihood framework: (1) the asset portfolio forming the core element of livelihood, (2) the Vulnerability Context and Policy, Institutions and Processes, and (3) the loop linking livelihood strategies and livelihood outcomes.

The Vulnerability Context of livelihoods refers to shocks, trends and seasonality with their potential impact on people's livelihoods, while Policies, Institutions and Processes on the
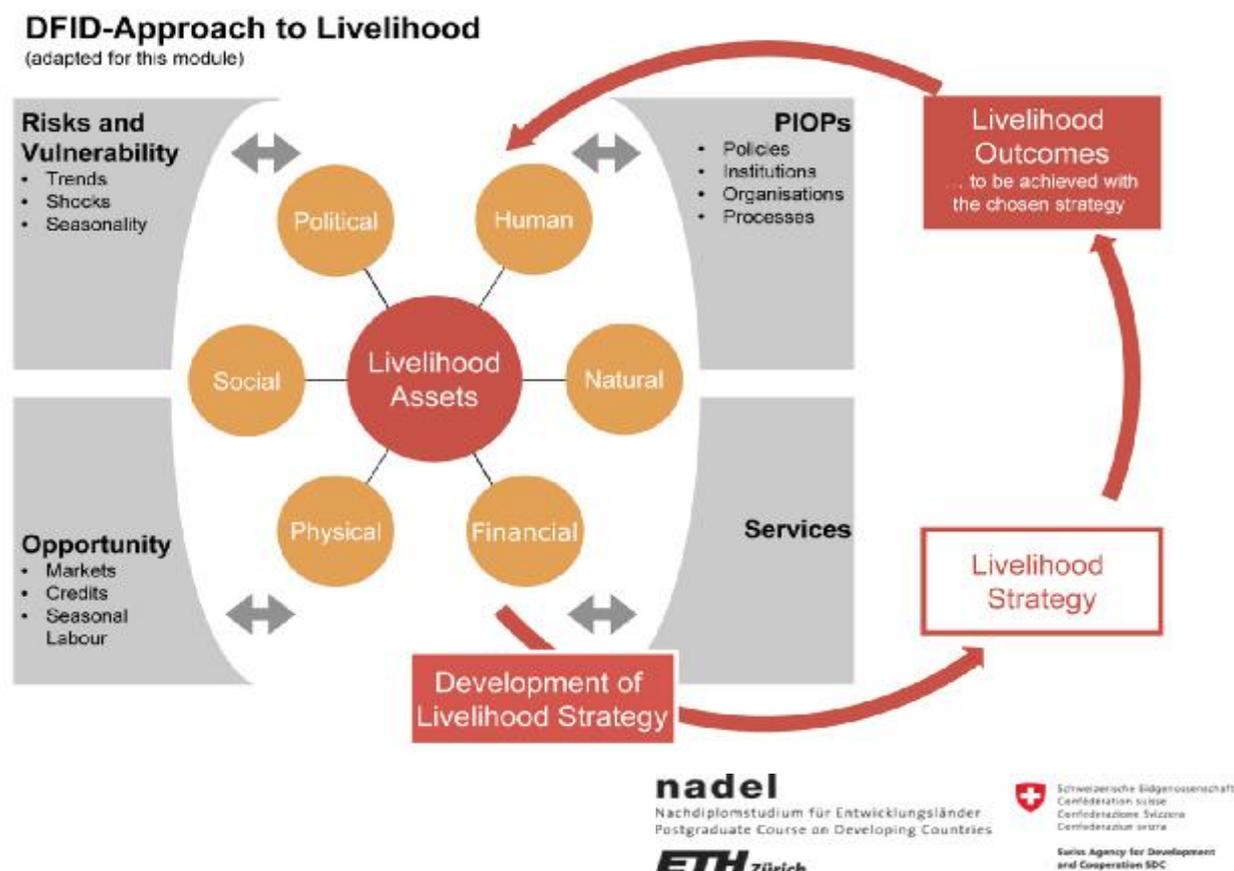
other side comprise the context of the political and institutional factors and forces in government and the private and the civil sectors that affect livelihoods.

The figure below offers a graphical representation of the DFID SL framework, slightly adapted for the purpose of this module. DFID stresses the illustrative purpose of the framework, as providing a structure and focus for thinking. It emphasises the necessity to adapt the framework flexibly to the requirements of the actual situation under analysis and underlines the need to respect and follow the guiding principles in application. Poverty-focused development activities should be people-centred, flexible, responsive and participatory. They should be conceived as multi-level approaches and be conducted in partnership with both the public and private sectors. Finally, they should strike a balance between key dimensions of sustainability and recognise the dynamic nature of livelihood strategies. For a detailed discussion, please consult Doc. 1.4.

SL approaches must be underpinned by a commitment to poverty eradication. Although they can, in theory, be applied to the work with any stakeholder group, an implicit principle for DFID is that activities should be designed to maximise livelihood benefits for the poor.

Need for integrating further dimensions

Some important dimensions appear to be under-emphasised in the SL framework or are not made explicit enough in the underlying principles. For the purpose of this paper the "vulnerability context" has already been extended by the "context of opportunities". Current areas of concern include also power relations and gender issues. When it comes to understanding the development of livelihood strategies, the DFID framework does not offer an explicit platform for dealing with crucial elements of decision-making, such as people's individual orientations and collective worldviews or their experience and emotional attachments. It is clearly important to remember these 'missing' aspects and to use different tools to ensure that they feed into development planning and our overall understanding of the driving factors behind livelihoods and poverty reduction. Doc 2.3 and 2.4 offer a closer look into these topics.

DFID-Approach to Livelihood
(adapted for this module)

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The RLS approach to livelihood in a nutshell

Origin and guiding assumptions of the RLS approach

Originally, the Rural Livelihood System (RLS) approach to livelihood was the outcome of a research effort (Swiss National Science Foundation, Module 7) for better understanding rural people's perceptions of what sustainable management of natural resources would mean in semi-arid areas of India. Over centuries, farmers and their communities have obviously developed culture and location-specific perceptions of sustainable management of natural resources. Yet, *sustainable land use* represents just one, however important, element of a much wider concern of farm communities for sustainable livelihood and the constant adaptation of their survival strategies towards this goal. It follows that rural households will participate in sustainable resource management projects only if the projects connect meaningfully with their concerns for *sustainability at the level of their livelihoods*. Therefore, the guiding assumption of the RLS research project was that effective strengthening of the self-help capacity of rural households calls for a shift from sustainability concerns about single natural resources, such as land, water, pastures, etc., to the meta-level of sustainable livelihoods.

Not very surprisingly, when interviewed on local meanings of sustainability, farmers in the Indian state of Gujarat captured their notion of sustainable rural livelihood with the expression "Ghar chalava", meaning, "to keep the house (-hold) going". "Keeping the house going" obviously implies more than just a narrow bundle of different income sources or assets; it points to the almost countless number of factors, forces and efforts on which the "sustained life of a given social unit" – in this case, the family – depends.

Main elements of the RLS framework and core principles of application

Inspired by interactions of above type with farm communities in India, the RLS project found a suitable answer in the interface of two powerful images useful for a holistic perception: the mandala as a cross-culturally accepted symbol for wholeness and a centred universe and the rural house as a metaphor for livelihood.

The metaphor of a rural house suggests a three-tiered perception of livelihood: The foundation represents the material and non-material resource base, including the emotional resource base of livelihood. The walls shape, metaphorically, the room for three different notions of 'space', putting the family space of decision-making into the centre. The roof, finally, points to the three-fold orientation of a livelihood system, (1) collective orientations, (2) orientations held by the family and (3) orientations in the mind and heart of the individual.

The RLS approach to livelihood subscribes to the same core principles established by DFID (see Doc 1.4 and 2.1). In practical terms, the RLS framework, represented as a nine-square mandala, advocates looking first through a multi-focal looking glass in order to gain a holistic perspective. It is therefore a heuristic tool, a framework, for discovering the properties of a livelihood system. Any of the nine squares of the RLS mandala qualifies as an entry point. The purpose of the assessment, at times also the dynamic of the process, determines the usefulness of starting, for instance, with elements belonging to the "base" or to the "orientations" of a livelihood system.

Need for integrating further dimensions

The RLS framework lacks an explicit reference to important factors and forces in the wider context of livelihood. For this reason it does not explicitly invite investigation of processes and impacts resulting from an interaction with policies, institutions etc., as DFID does. The RLS framework addresses, however gender dimensions in the core of the nine-square mandala. Both approaches lack a clear reference to power relations, which very often are at the core of sustained poverty in rural and in urban contexts. Doc 2.3 and 2.4 offer a comparison of similarities, strength and weaknesses of the two approaches.

Reference

Baumgartner R. and Högger R. (eds), 2004, In Search of Sustainable Livelihood, Managing Resources and Change, Sage, New Delhi, Thousand Oaks, London

The Research on Sustainable Livelihood was a collaborative Project of NADEL, ETH Zurich with three Indian Research Partners: **ISEC**, Indian Institute of Social and Economic Change, Bangalore (http://www.isec.ac.in/gkkaranth.htm) **IRMA,** Institute of Rural Management , Anand (http://www.irma.ac.in/people/fac/hiremath.html)and **SAMPARK** (Development NGO) Bangalore (http://sampark.org/)

RLS Framework: Capturing Meanings of Livelihood

The house as metaphor
for livelihood

„Ghar Chalava" meaning
„keeping the house going,"
a local perception for
sustainable livelihood

The RLS mandala as a
heuristic tool for
approaching livelihood

Individual Orientation e.g. visions, aspirations	**Family Orientation** e.g. ancestors, caste, social status	**Collective Orientation** e.g. religion, tradition, worldviews, education
Inner Human Space e.g. integrity, identity, selfishness/ compassion	**Family Space** e.g. gender relations, solidarity	**Socio-economic Space** e.g. systems of co-operation, community, organisation
Emotional Base e.g. memories, attachments	**Knowledge and Activity Base** e.g. technology, experience, skills	**Physical Base** e.g. natural resources, assets

Inner realities ⟵⟶ **Outer realities**

The nine-square mandala

a cross-culturally valid
archetypical symbol for
a centred universe
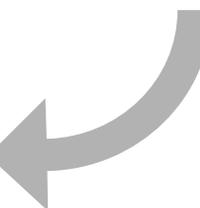
Common features of the livelihood approaches of DFID and RLS

- Both the DFID SL approach and the RLS approach offer a "heuristic" tool in form of a framework for exploring and analysing livelihood. They propose neither "models" nor "theories" of livelihood. Compare Doc 1.4.

- Both approaches to livelihood can only produce sensible results, if the application of the frameworks (here DFID SL framework and or the RLS Mandala) respects a set of guiding principles.

- Both approaches advocate a clear distinction between the application of a holistic perception for analysis and better understanding poverty on the one hand, and the need to adopt a focused approach for the design and implementation of development support for poverty reduction, on the other.

- Both approaches provide orientation for a livelihood-focused application of methods and tools, as they are made available by social and technical science, including the development of specific instruments like Participatory Rural Appraisal (PRA).

- Both approaches are a work in progress and not finalised products. They are not conceived as recipes but instead offer conceptual inspiration for development efforts aiming at more sustainable livelihoods. They are complementary to other development approaches in use.

The frameworks of DFID and RLS compared

DFID Approach	Issues	RLS Approach
Predominantly deductive reasoning Systemic and dynamic linkages in time and space, inspired by New Institutional Economics	**Conceptual approach**	Predominantly inductive reasoning based on practical experience. Applying metaphoric and symbolic representation of livelihood
Proposing explicit linkages between micro and macro contexts of livelihood, both in the field of Policy, Institutions and Processes and the Vulnerability Context	**Linking micro and macro perspectives**	Addressing micro-macro linkages only implicitly through the square called "Socio-Economic Space" in the RLS Mandala
Addressing poverty explicitly with the reference to vulnerability and its linkages to assets for coping	**Poverty orientation**	No explicit conceptual orientation towards poverty
Focusing on the constellation of assets of livelihood systems, with an economic bias	**Addressing psychological aspects of livelihood**	Acknowledging inner and outer realities of livelihood, including emotional dimensions
Focusing on changing asset portfolios of livelihood systems and interaction with institutions (value system) and policy context.	**Decision-making at household level**	Embedding decision-making into inner and outer realities of livelihood and it gender-related dimensions
Strategies explicitly addressed as a systemic loop, inviting exploration of livelihood activities and outcomes	**Role of livelihood strategies**	Strategies implicitly addressed, heuristic approach, stressing forces and factors relevant for strategy
Applicable for rural and urban livelihoods Not bound to project-based development efforts Can be integrated into PCM (Project Cycle Management)	**Scope for application**	Originally conceived for a rural context but adaptable to urban livelihood as well Not bound to project-based development efforts Can be integrated into PCM (Project Cycle Management)

Conclusion: A blending of elements of both frameworks generates value added.

See Doc 2.5. on the application of livelihood frameworks for analysing the context (Doc 3.2) and identifying entry points for interventions (Doc 3.4).

Blending elements of the livelihood approaches of DFID and RLS

Blending elements of the livelihood approaches of DFID and RLS combines the strengths of the two frameworks. The resulting new framework favours not only a comprehensive analysis of the context of local livelihoods but also directs the attention to people's decision making with regard to their own livelihood strategies. This focus is essential since successful poverty reduction ultimately means that people are empowered for improved livelihood strategies leading to more sustainable outcomes.
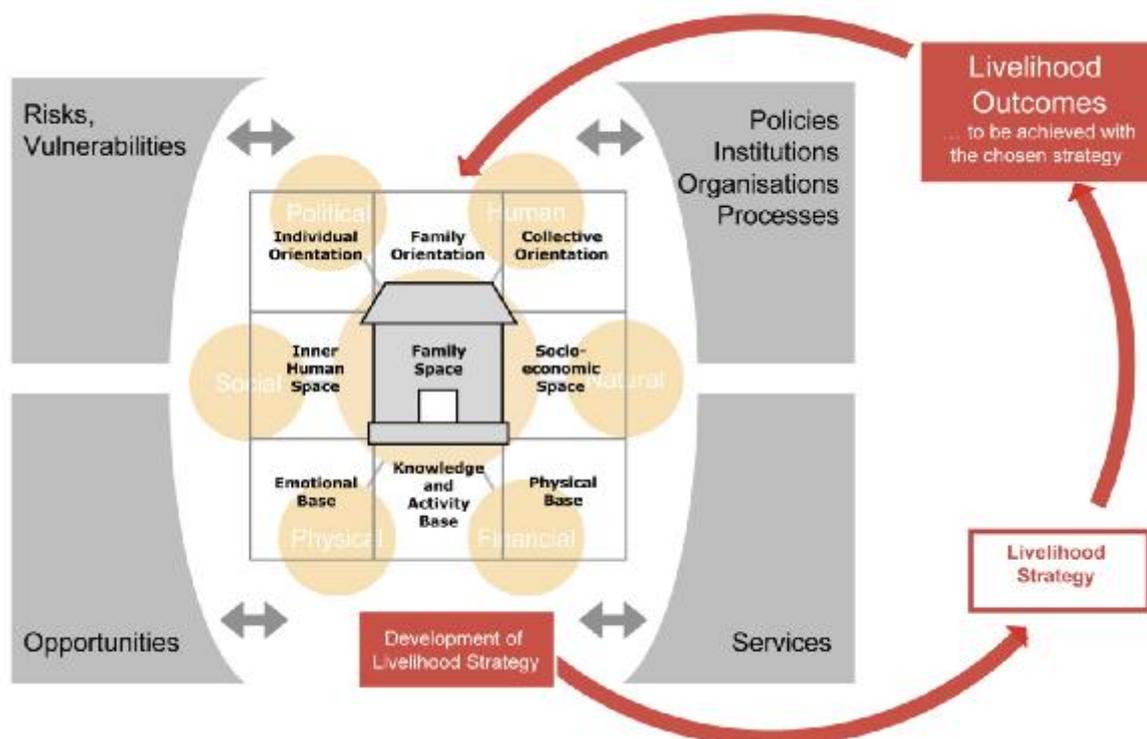
The added value of blending the livelihood approaches of DFID and RLS is the following:

In an rural context

Or in an urban setting

The strength of the DFID approach:

• Directs attention to forces and factors in the broader context of peoples' livelihoods, such as risks causing vulnerability, policies, services, transforming institutions.

• Facilitates exploration of the composition and relevance of a differentiated asset portfolio of people's livelihoods.

• Puts a clear focus on the links between the asset portfolio, livelihood strategies, and livelihood outcomes that people aim at.

The strength of the RLS approach:

• Directs attention to the centre and the process of decision-making in people's livelihoods regarding role sharing, gender and power relations.

• Facilitates consideration of the role of people's threefold value orientations in the process of strategy development.

• Extends the focus from outer to inner realities of livelihood, which constitute an important source for giving meaning to livelihood.

POVERTY AND LIVELIHOODS IN DEVELOPMENT COOPERATION

Module 1:

Poverty reduction with a livelihood focus

1.1.   Linking micro-macro levels

1.2.   Meaningful concepts for effective poverty reduction

1.3.   SDC's understanding of poverty

1.4.   Arguments for a livelihoods perspective

1.5.   Understanding vulnerability

Module 2:

Livelihood approaches in a nutshell

2.1   The DFID approach in a nutshell

2.2.   The RLS approach in a nutshell

2.3.   Common feature of the livelihood approaches DFID and RLS

2.4.   The frameworks of DFID and RLS compared

2.5.   Blending elements of DFID and RLS frameworks

Module 3:

Towards an application of livelihood approaches

3.1   Livelihood in the interface of two different perceptions

3.2   Analysing context and core of livelihood

3.3   Approaching livelihoods with a threefold focus

3.4   Choosing among entry points for interventions

3.5   A livelihood focus for cooperation strategies and Programme Cycle Management (PCM)

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Module 3

... starts out from the assumption that a poverty assessment begins by identifying groups and/or social strata of a given population who live in poverty. For this purpose, broad but generally accepted indicators are applied, e.g., based on poverty line criteria.

However, poverty reduction measures that aim at sustainable improvement of poor people's livelihood require a structured investigation into root causes of poverty in the wider context as well as within the core of people's livelihoods where poor peoples strategies root

… highlights the need for reconciling two basically different **perceptions** of livelihood strategies ⟹ Doc 3.1

… defines **core** and **context** of investigation of livelihoods systems ⟹ Doc 3.2

… illustrates **key areas of investigation** and application of a threefold focus ⟹ Doc 3.3

… introduces **Focus I** for analysing the **context** of livelihood, including its macro dimensions ⟹ Doc 3.3.1

… introduces **Focus II** for analysing the **assets** of a livelihood system ⟹ Doc 3.3.2

… introduces **Focus III** for analysing decision-making in people's **livelihood strategies** ⟹ Doc 3.3.3

… illustrates how **options** or entry points are identified, based on triangulation with Focuses I to III ⟹ Doc 3.4

… suggests a livelihood focus for SDC's **Cooperation Strategies** and **Programme Cycle Management** (PCM) ⟹ Doc 3.5
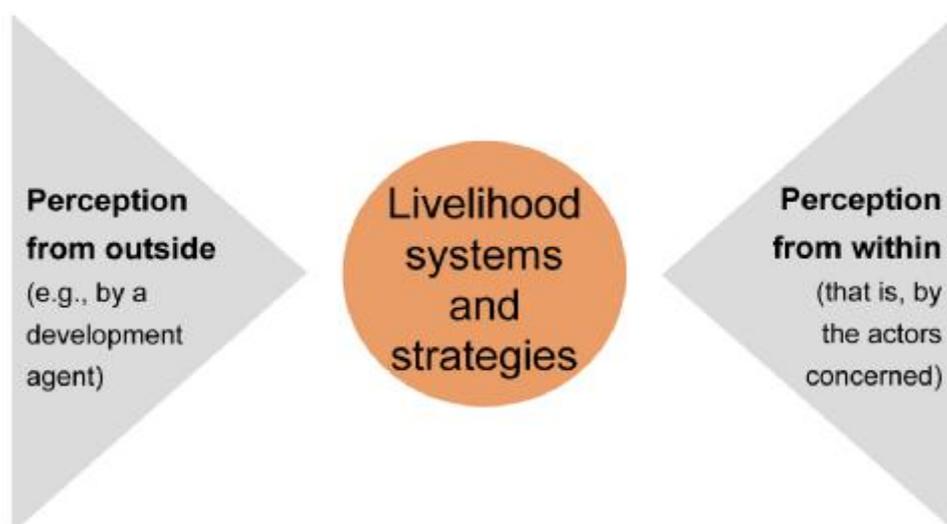
Livelihood in the interface of two different perceptions

Poverty is lack or loss of
sustainable livelihood

Livelihood-oriented poverty reduction requires an approach that
is able to reconcile two basically different perceptions of
livelihood systems and livelihood strategies

**Perception
from outside**
(e.g., by a
development
agent)

Livelihood
systems
and
strategies

**Perception
from within**
(that is, by
the actors
concerned)

"A livelihood is sustainable when it can cope with and recover
from stresses and shocks and maintain or enhance its
capabilities and assets both now and in future, without
undermining the natural resource base." (DFID)

A livelihood-oriented investigation means examining and blending two different perceptions of a livelihood system and the embedded livelihood strategy:

- the perceptions of the **outside** observers, such as researchers or development agents, and
- the perceptions of the **insiders** concerned, that is, the members of the livelihood system approached by the investigator.

Obviously, the two perceptions might project different realities. These may have to be negotiated and clarified before they become the facts and figures informing a planning process.

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Analysing Core and Context of Livelihoods

Fields of observation and methodological focus

The livelihood approach offers a framework for a structured and goal-oriented analysis of both the context and the core of livelihoods. It allows identification of patterns of livelihoods and specific conditions of poverty, with its constraints and potentials.

Analysing the context of livelihood
(*see Focus I in Doc 3.3.1*)

Key concerns regarding the context:

The political, economical, cultural and institutional context

The context of risks and vulnerability (shocks/trends, etc.)

The context of opportunities (e.g., potential income sources)

Macro

Core and context

of livelihood systems

Micro

Key concerns regarding the core:

The livelihood outcomes (actual and envisaged)

The livelihood strategy of a social unit (e.g., household)

The differentiated asset portfolio of a livelihood system

Analysing the core of livelihood
(*see Focus II in Doc 3.3.2 and Focus III in 3.3.3*)

Approaching livelihoods with a threefold focus

The preceding Doc 3.2 suggests to make a distinction between context and core of a livelihood system under investigation. Whether to approach first the core or the context of local livelihoods depends on the purpose and frame condition of an analysis. Yet, for the sake of didactic clarity the investigation in this document is guided by a threefold focus.

Focus I is on the four key elements in the context of a livelihood system. Focus II concentrates on the asset portfolio. Focus III is on the decision making space in which people develop and/or adapt their livelihood strategies and strive for outcomes with their own perception of inner and outer realities of their livelihoods. External support becomes meaningful, if they succeed in improving their livelihood strategies towards more sustainability.

Focus I: Analysing the context of a livelihood system

What **risks** may render people's livelihoods **vulnerable**?

How do **policies, processes** and **institutions** support or constrain people's livelihood?

Risks and Vulnerability
(constraints)

**Policies
Institutions
Organisations
Processes**

Opportunities
(potentials)

Services

What **opportunities** may offer potentials for improving livelihood?

Do **services** support or constrain livelihood? (availability, access, etc.)

Analysing the context of a livelihood system

Focus I, represented graphically on the preceding page, invites exploration of four crucial dimensions of the context of a livelihood system. Four key questions are used to address these dimensions.

Risks and Vulnerability: What renders people's livelihoods vulnerable?

Risks and shocks, adverse trends and seasonality have a bearing on people's livelihood. Yet, a livelihood becomes truly vulnerable when it lacks adequate coping or adapting capacities on the micro-level of livelihood. Compare Doc 1.5. The level of these capacities is explored with Focus II (asset portfolio) and Focus III (livelihood strategies). These two focuses help to clarify the following question: "Should the poverty reduction measures tackle an observed risk and reduce an assessed vulnerability in the context of poor people's livelihood, or should they target the core of livelihood and aim to increase people's coping capacity?"

Opportunities: What opportunities offer potential for improving livelihood?

Opportunities are as much part of the context of a livelihood as risks and threats. They may take the form of markets, credit facilities, education, social networks, etc. The task here, however, is to identify constraining reasons explaining why these opportunities are outside the reach of poor people's livelihood strategies.

Policies: How do policies support or constrain people's livelihood?

Exploration of the policy context and the way policies are implemented is crucial and highly livelihood specific. Do we address pastoralists, or urban slum dwellers, or marginal farmers? Are we inquiring into the effects of an overarching policy, such as pro poor growth, or of measures targeting poverty more directly, e.g., services like ration schemes? It can be beneficial to review both supporting and constraining policies.

Institutions: How do institutions favour or constrain livelihood?

In livelihood frameworks "institutions" embrace two important elements: on one hand, the rules and normative frame conditions that govern social interactions; on the other hand, the way that organisations operate in both the public and private sector, on the background of explicit and implicit values. Political participation, market systems, concepts of social orders (such as castes, clans, etc.) belong to this field of investigation.
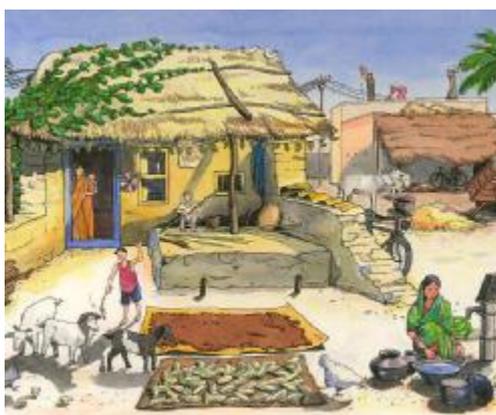
The four questions above make the limitations of a single focus approach obvious. Effective poverty reduction measures emerge from a triangulation of the three focal approaches to livelihood. See Doc 3.4.

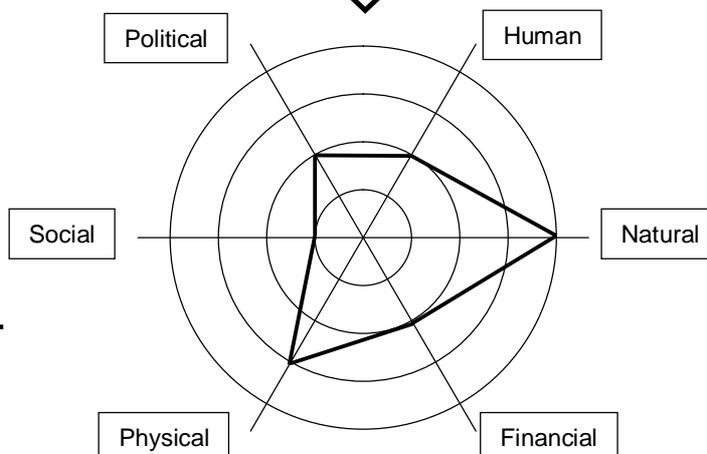# Focus II: Analysing the assets of a livelihood system

Diagnosing six crucial types of assets
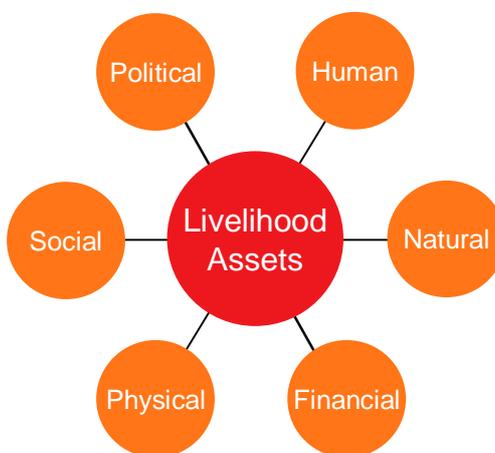
... in a real context of local livelihoods

... for identifying strengh and weakness of a given asset portfolio.

Asset portfolio of a social unit, e. g. a household

Analysing the assets of a livelihood system

Assets constitute a crucial element of livelihood. Establishing an overview of the asset portfolio of a livelihood system generates important information regarding the poverty status of a household. Focus II deals with the following assets: (see: DFID Sustainable Livelihoods Guidance Sheets: Glossary (except political capital). Available at: http://www.livelihoods.org/info/guidance_sheets_pdfs/sect8glo.pdf)

Human capital

Human capital represents the skills, knowledge, capacity to work and good health that together enable people to pursue different livelihood strategies and achieve their livelihood outcomes. (Human capital is important in its own right; health, knowledge and skills help create sustainable livelihoods. Human capital is also necessary to be able to make use of the other five types of assets.)

Social capital

Social capital is defined as the social resources upon which people draw in pursuit of their livelihood objectives. These social resources are developed through (1) interactions that increase people's ability to work together, (2) membership of more formalised groups governed by accepted rules and norms, (3) relationships of trust that facilitate co-operation, reduce transaction costs and can provide informal safety nets.

Natural capital

Natural capital is the term used for the natural resource stocks (e.g., land, water, forests, clean air, coastal resources) upon which people rely. The benefits of these stocks can be direct and and/or indirect, and they are tightly linked with property and user regimes.

Physical capital

Physical capital comprises the basic infrastructure and physical goods that support livelihoods. Infrastructure consists of changes made to the physical environment that help people to meet their basic needs and to be more productive.

Financial capital

Financial capital is defined as the financial resources that people use to achieve their livelihood outcomes. These are resources in the form of available stocks and regular inflows of money (for example, livestock and the related flow of income).

Political capital

Political capital is the power and capacity to influence political decision-making through formal and informal participation and/or access to political processes. It therefore includes the ability to represent oneself or others, the freedom and capacity to become collectively organised to claim rights and to negotiate access to resources and services. It also extends to the right to hold government and service providers accountable for quality and access.

Focus III: Analysing decision-making and strategy development in a livelihood
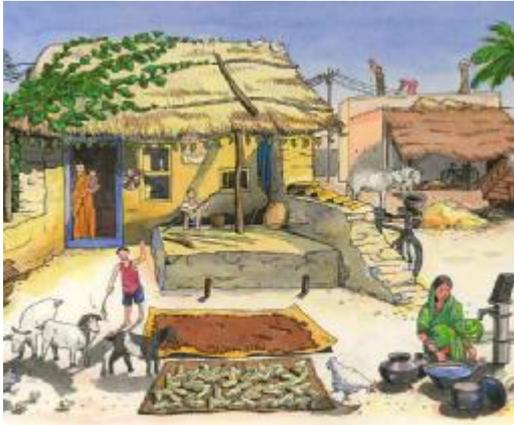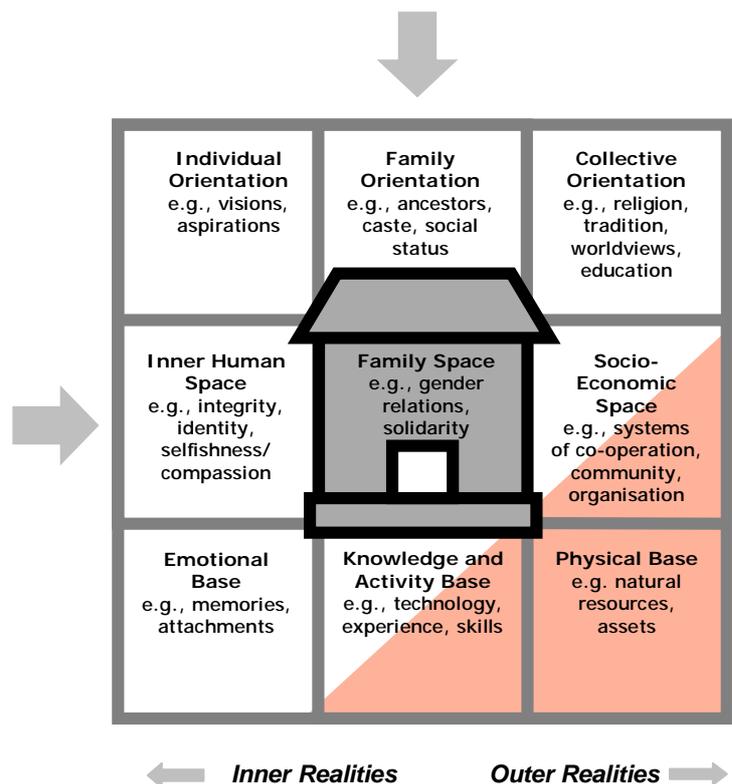

Livelihood strategies reflect the **range and combinations** of activities and **choices** that people make in order to achieve livelihood outcomes and goals.

Livelihood strategies evolve from implicit and/or explicit **decision-making**, which is informed by inner and outer realities of livelihood.

Livelihood strategies are **diverse** and in a constant process of change and adaptation.

The RLS Mandala offers a **framework** for **structuring** the exploration of decision-making in a livelihood system and for tracing material and non-material livelihood outcomes towards which people aim.

Understanding people's livelihood strategies means to **explore the role of factors and forces** determining the use of their resources, for example, the role of gender-relations, of collective or family based value-orientations and of individual ambitions.

Individual Orientation e.g., visions, aspirations	**Family Orientation** e.g., ancestors, caste, social status	**Collective Orientation** e.g., religion, tradition, worldviews, education
Inner Human Space e.g., integrity, identity, selfishness/ compassion	**Family Space** e.g., gender relations, solidarity	**Socio-Economic Space** e.g., systems of co-operation, community, organisation
Emotional Base e.g., memories, attachments	**Knowledge and Activity Base** e.g., technology, experience, skills	**Physical Base** e.g. natural resources, assets

Inner Realities   *Outer Realities*

Elements predominantly addressed by asset analysis (Focus II: asset portfolio)

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Swiss Agency for Development
and Cooperation SDC

Investigating Livelihood strategies and livelihood outcomes.

Livelihood strategies

Livelihoods are diverse and change over time. Livelihood strategies comprise the range and combination of activities and choices that people undertake and make in order to achieve their livelihood outcomes and objectives.

Livelihood outcomes

Livelihood outcomes are the achievements of livelihood strategies. DFID's SL framework lists five 'categories' of livelihood outcomes: (1) more income, (2) increased well-being, (3) reduced vulnerability, (4) improved food security, (5) more sustainable use of the natural resource base.

Yet, above all, through livelihood strategies people strive to give meaning to their lives, both individually and within the social unit to which individuals may belong. Livelihood ceases to be sustainable when it loses meaning. Meaning has its vital roots in the inner realities of a livelihood system, in personal experience and orientations, in emotions and people's perceptions of themselves. These elements of inner reality of livelihood manifest themselves in the development of livelihood strategies and the outcomes aspired at.

Tracing and understanding decision making in favour of sustainable livelihood

In the present framework the RLS Mandala is integrated into a conceptual approach to the livelihood context with its extension into the macro sphere of livelihood. See Focus I in Doc 3.3.1. The framework further builds on the asset portfolio identified in Focus II in Doc 3.3.2, additionally attaching importance to the emotional base of a livelihood system.

Under the present Focus III the RLS Mandala mainly offers a heuristic tool for exploring and understanding the worldviews and reasoning that guide people in developing livelihood strategies to achieve livelihood outcomes.

It draws attention to the centre of decision-making where strategies evolve, influenced by gender relations and guided by three types of orientations: individual, family/household and collective orientations. It builds on the strong conviction that these orientations exert influence on the manner in which the identified resources are used and internal and external relationships are managed, including those with development agents!

Choosing among entry points for interventions

Formulating **Impact hypotheses** and development interventions contributing to more sustainable livelihood

(5) **Reducing vulnerability?**
e.g. *by preventing or mitigating risks, reducing threats*

Risks and Vulnerability (constraints)

Policies, Processes, Institutions

Livelihood Outcomes
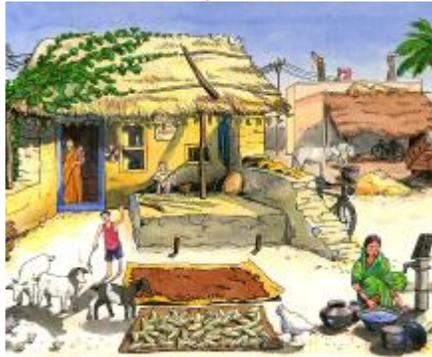
(1) **Promoting poverty oriented policies and pro-poor institutional change?**
e.g. *pro poor growth*

(4) **Promoting access to opportunities?**
e.g. *for increasing income, enhancing status etc.*

Opportunities (potentials)

Development of Livelihood Strategy

Services

Livelihood Strategy
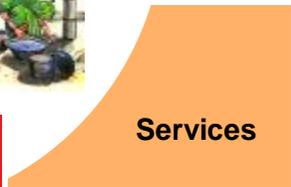
(2) **Improving services to the poor?**
e.g. *legal advice, social protection*

(3) **Assisting directly strategy development of households?**
e.g. *for diversification, empowerment, enhanced coping capacities, favouring gender balance*

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Entry Points for Interventions: Choosing among five basic options for effective poverty reduction measures

The essential step: Proceed from holistic exploration to focused intervention

Poverty reduction with a livelihood focus means basically the following:

1) To apply a holistic approach for the analysis of a poverty context with all concerned stakeholders

2) To validate the result for formulating one or several evidence-based development hypothesis for the design of effective and focused poverty reduction measures

3) To monitor and evaluate the impacts of the poverty reduction measure on the background of the holistic perception of people's livelihood acquired in the analysis.

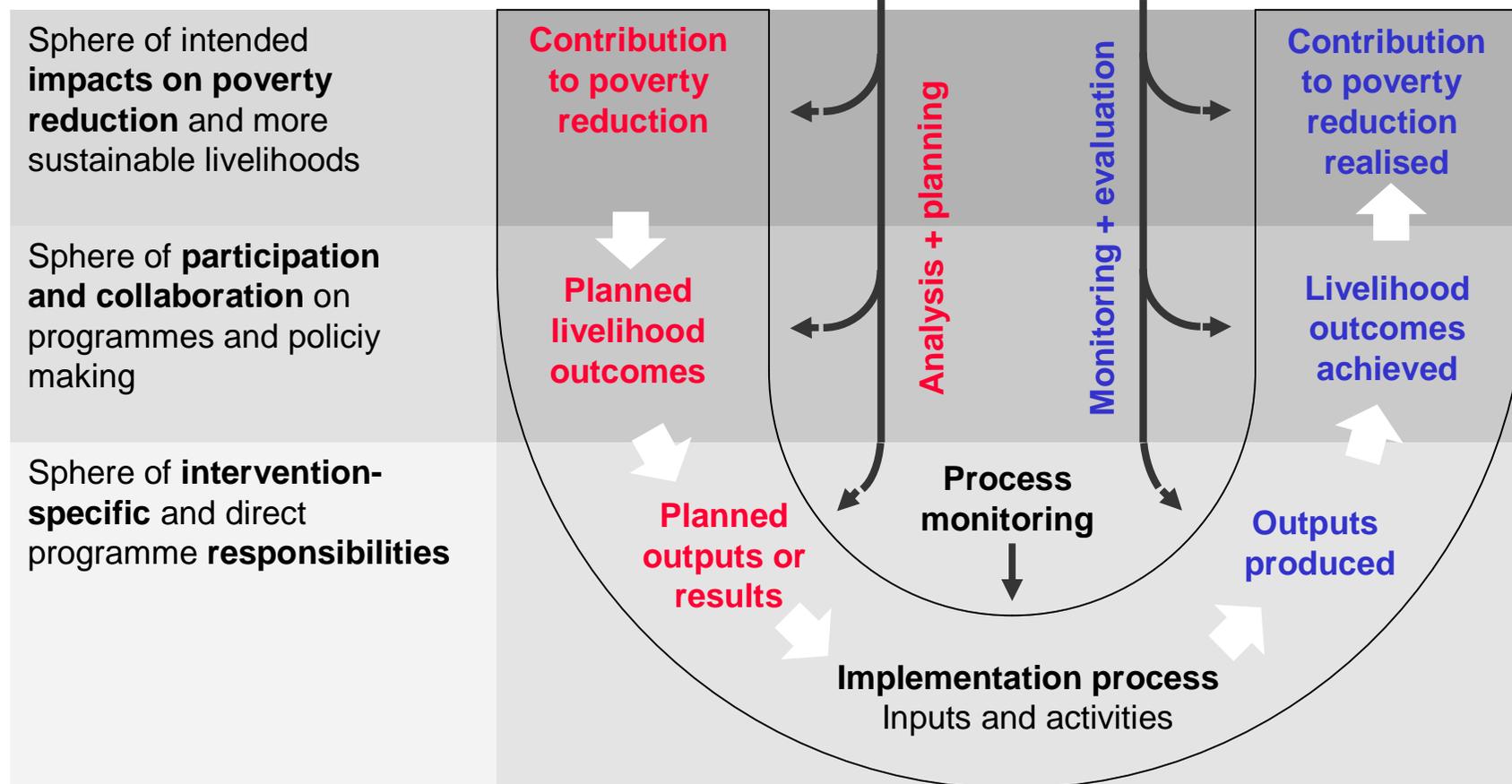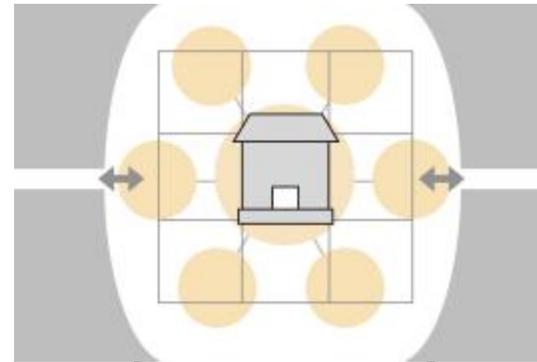A well-founded **development hypothesis** remains the kingpin of programme or project development.

The livelihood framework as platform for choosing options for poverty reduction

The illustration above demonstrates how a livelihood framework provides a platform for a clearer distinction between **five alternative options or entry points for interventions** for poverty relevant development measures. On an abstract level these options are:

1) Promoting and implementing **poverty oriented policies** (pro-poor growth, favourable labour markets, etc.).

2) Initiating **pro-poor institutional change** (e.g., increased organisational efficiency and effectiveness of public and private service providers, political participation, etc.).

3) Improving **coping capacities** of poor people, enhancing their **capabilities** for pursuing more sustainable livelihood strategies (e.g., negotiations skills, education, crop insurance, etc.).

4) Facilitating **access to existing opportunities** for people constrained in their access to such opportunities (e.g., access to credit systems, markets, new technologies, etc).

5) Reducing **exposure to risks** by tackling them directly and thus reducing poor people's vulnerabilities (e.g., vulnerabilities resulting from natural hazards such as floods, or caused by seasonal price fluctuations).

In actual development practice, an engagement in one of the five options may call for **complementary support** in one or several fields of the other four options. For example, access to micro-credit (option 4) might first require establishing adequate lending rules on the side of the banks (2), supplemented by empowering small farmers to handle credits (3) and, on top of that, changing re-financing policies of the national bank of the country (1).

The Livelihood Focus in PCM Programme Cycle Management

Sphere of intended **impacts on poverty reduction** and more sustainable livelihoods

Sphere of **participation and collaboration** on programmes and policiy making

Sphere of **intervention-specific** and direct programme **responsibilities**

Contribution to poverty reduction

Planned livelihood outcomes

Planned outputs or results

Analysis + planning

Monitoring + evaluation

Process monitoring

Implementation process
Inputs and activities

Contribution to poverty reduction realised

Livelihood outcomes achieved

Outputs produced

A Livelihood Focus for Cooperation Strategies and Programme Cycle Management (PCM)

The Cooperation Strategies (CS) of SDC define the medium-term frame and orientations for SDC's bilateral support in the respective country or region. They are analytical and strategic documents that make reference to SDC's mandate on poverty reduction and build upon SDC's experiences. Geographic areas, partners, and alliances as well as thematic priorities are defined in these documents.

Coherence between development support on livelihoods and on policy levels is a key requirement for SDC's Cooperation Strategies. The Sustainable Livelihoods Approach (SLA) promotes such integrated thinking. The SLA provides conceptual links between micro and macro levels of development programmes (see Doc 1.1) and contributes to a poverty-relevant programme outcome. Thus, the SLA offers a reference frame

- for analysing the context factors of livelihood systems, such as vulnerabilities and opportunities as well as the roles and influences of policies, institutions, and processes on poor people's livelihoods

- for identifying vulnerable groups, for analysing their endowment with assets, their strengths, and their requirements for development support

- for formulating hypotheses on livelihood outcomes and on the role and relevance of transforming institutions.

The underlying principles of the SLA (see Doc 1.4) apply to the Cooperation Strategies of SDC as well. The SLA facilitates investigation and monitoring of the interface between policies, institutions, processes, and structures on one hand, and the livelihood strategies and outcomes on the other throughout the entire Programme Cycle Management (PCM), as illustrated in the previous page. At the planning stage, it facilitates the identification and validation of alternative entry points in the context and core of livelihoods for effective poverty reduction measures (Compare Doc. 3.4). Moreover, it offers a useful framework for a quick assessment of poverty relevance, the guiding impact hypotheses, and the intervention logic at the level of a Cooperation Strategy. Finally, the SLA provides a useful framework for setting monitoring priorities, or in short, for tracking development-induced changes in poor people's livelihoods.