

Sustainable livelihoods guidance sheets

“A livelihood comprises the capabilities, assets and activities required for a means of living.

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, while not undermining the natural resource base.”

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the *White Paper on International Development*, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and also seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination in middle income countries, and helping the transition countries in Central and Eastern Europe to enable the widest number of people to benefit from the process of change.

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What is a livelihood?

The word 'livelihood' can be used in many different ways. The following definition captures the broad notion of livelihoods understood here: *'A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. 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, while not undermining the natural resource base.'*

Adapted from Chambers, R. and G. Conway (1992) *Sustainable rural livelihoods: Practical concepts for the 21st century*. IDS Discussion Paper 296. Brighton: IDS.

Sustainable livelihoods: Putting people at the centre of development

The livelihoods approach is a way of thinking about the objectives, scope and priorities for development. A specific livelihoods framework and objectives have been developed to assist with implementation, but the approach goes beyond these. In essence it is a way of putting people at the centre of development, thereby increasing the effectiveness of development assistance.

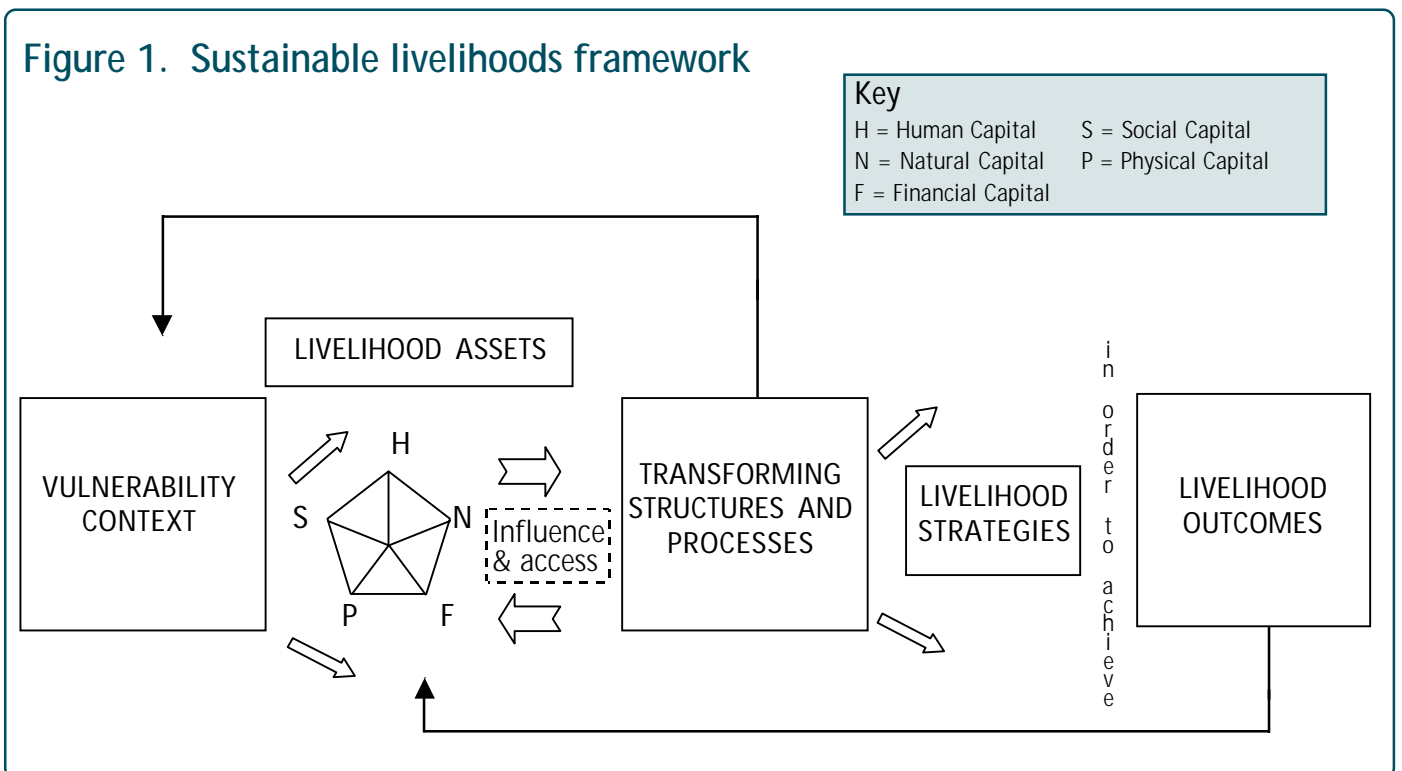
This set of Guidance Sheets attempts to summarise and share emerging thinking on the sustainable livelihoods approach. It does not offer definitive answers and guidelines. Instead, it is intended to stimulate readers to reflect on the approach and make their own contributions to its further development.

The sustainable livelihoods framework

The framework, which is presented in schematic form below and discussed in detail in Section 2 of the Guidance Sheets, has been developed to help understand and analyse the livelihoods of the poor. It is also useful in assessing the effectiveness of existing efforts to reduce poverty. Like all frameworks, it is a simplification; the full diversity and richness of livelihoods can be understood only by qualitative and participatory analysis at a local level.

The framework does not attempt to provide an exact representation of reality. It does, however, endeavour to provide a way of thinking about the livelihoods of poor people that will stimulate debate and reflection, thereby improving performance in poverty reduction. In its simplest form, the framework views people as operating in a context of vulnerability. Within this context, they have access to certain assets or poverty reducing factors. These gain their meaning and value through the prevailing social, institutional and organisational environment. This environment also influences the livelihood strategies – ways of combining and using assets – that are open to people in pursuit of beneficial livelihood outcomes that meet their own livelihood objectives.

Figure 1. Sustainable livelihoods framework



The Guidance Sheets

These Guidance Sheets are intended to be a 'living' series. As the sustainable livelihoods approach evolves, so the sheets will be updated. Suggestions for modifications and/or new topics for sheets are welcomed. These should be sent to: livelihoods@dfid.gov.uk.

Specifically the sheets aim to:

- show how the livelihoods approach fits in with DFID's overall aims;
- explain the livelihoods framework (as it is currently understood);
- explain links between this and existing/past approaches and methodologies;
- lay out suggestions for how the approach can be implemented in practice;
- pinpoint priorities (notable 'gaps' in understanding) for future work;
- identify relevant expertise (projects, experience and literature).

The sheets will be made available on the DFID website.

Process: Consultation and collaboration

The Guidance Sheets are one product of a lengthy and still ongoing process of consultation about sustainable livelihoods. The consultation, which commenced in January 1998, has extended to:

- DFID personnel (both at headquarters and in regional offices)
- NGO representatives
- representatives of other bilateral and multilateral donors
- researchers
- DFID consultants.

The process of consultation and collaboration has been highly productive. These Guidance Sheets are a genuinely joint product; they try to capture thinking from well beyond DFID itself. However, thus far, DFID's developing country partners – policy-makers, leaders and clients – have not been adequately involved; their views have been sought only indirectly. These sheets can therefore be thought of as a starting point from which DFID personnel, and others who find the sheets useful, can begin to explore and develop further the new ideas with partner organisations.

Outputs and resources

Other outputs of the consultation process include:

- A book of edited papers presented at the 1998 DFID Natural Resources Advisers' Conference: *Sustainable rural livelihoods: What contribution can we make?* Available from Marnie Durnford (m-durnford@dfid.gov.uk).
- The Sustainable Livelihoods 'Virtual Resource Centre' formed to provide support to DFID's learning about and implementation of the sustainable livelihoods approach. This resource centre brings together a wide range of external expertise in support of DFID. Management is from DFID headquarters. Contact is through: livelihoods@dfid.gov.uk
- The Sustainable Livelihoods Theme Group, an internal DFID grouping charged with enhancing DFID's effectiveness in promoting sustainable livelihoods. The Virtual Resource Centre will report through the DFID management point to the Theme Group.
- The establishment of productive working relations with a number of other development partners (including various NGOs, the UNDP, the World Bank).

Livelihoods thinking dates back to the work of Robert Chambers in the mid-1980s (further developed by Chambers, Conway and others in the early 1990s). Since that time a number of development agencies have adopted livelihoods concepts and made efforts to begin implementation. However, for DFID, the sustainable livelihoods approach represents a new departure in policy and practice.

Origins: The White Paper

This series of Guidance Sheets comes out of an ongoing process of dialogue about how to achieve the goals and policy directions laid down in the UK Government's 1997 *White Paper on International Development*. The *White Paper* commits DFID to supporting:

- (i) policies and actions which promote sustainable livelihoods;
- (ii) better education, health and opportunities for poor people;
- (iii) protection and better management of the natural and physical environment;

thereby helping to create a supportive social, physical and institutional environment for poverty elimination.

Although the sustainable livelihoods approach appears to focus on objective (i), in its interpretation it subsumes the other objectives. It explicitly recognises the importance of physical well-being, education and the state of the natural environment (amongst other factors) to poor people and to the achievement of sustainable livelihoods.

Sustainable livelihoods objectives

The sustainable livelihoods approach is broad and encompassing. It can, however, be distilled to six core objectives. DFID aims to increase the sustainability of poor people's livelihoods through promoting:

- improved access to high-quality education, information, technologies and training and better nutrition and health;
- a more supportive and cohesive social environment;
- more secure access to, and better management of, natural resources;
- better access to basic and facilitating infrastructure;
- more secure access to financial resources; and
- a policy and institutional environment that supports multiple livelihood strategies and promotes equitable access to competitive markets for all.

These objectives relate directly to the livelihoods framework; they will be explored in greater detail in Section 2 of the Guidance Sheets. Together they define the scope of DFID's livelihood-promoting activities (though not all objectives will be pursued in any given situation).

What are we trying to achieve?

DFID's aim is the elimination of poverty in poorer countries. Specifically, DFID has signed up to the International Development Target of reducing by one-half the proportion of people living in extreme poverty by 2015. Adopting the livelihoods approach to understanding poverty, and pursuing the livelihoods objectives above, is expected to make a direct contribution to achieving this aim. It will provide structure to debate and discourse and help DFID and its partners respond to poor people's views and their own understanding of poverty – both its income and non-income dimensions. Most important, it will facilitate the identification of practical priorities for action that are based on the views and interests of those concerned.

The approach recognises the multiple dimensions of poverty identified in participatory poverty assessments (see 1.5). Its goal is to help poor people to achieve lasting improvements against the indicators of poverty that they themselves identify, and from a baseline they define. Through taking a wider and better informed view of the opportunities, constraints, objectives and interactions that characterise people's lives, it extends the 'menu' for DFID support to livelihood development. The

analysis that the approach entails helps improve the targeting of that support and makes explicit the connections between different activities undertaken by DFID and its partners. The result is a more effective contribution to poverty elimination.

Sustainable livelihoods and poverty elimination

DFID's Theme Group on the Reduction of Poverty and Social Exclusion provides the overarching focus point for DFID's poverty reducing activities. The Theme Group's aim is to enhance DFID's potential for fostering pro-poor growth, undertaking poverty analyses and designing, implementing and assessing the impact of poverty reducing interventions. It works at both a conceptual level – developing background papers and guidance material – and providing operational support to country programmes. It also plays a role in the dissemination of publicity material on DFID's approach to poverty reduction and it liaises with external networks such as the DAC Informal Poverty Reduction Network.

The Sustainable Livelihoods Theme Group and the Theme Group on the Reduction and Poverty and Social Exclusion share a commitment to develop close links, facilitated in the first instance through overlapping membership. The Sustainable Livelihoods Theme Group looks to the Poverty Theme Group for advice on general approaches to poverty reduction and specific methodologies for understanding poverty (e.g. participatory poverty assessments). At the same time it is hoped that the Poverty Theme Group can gain from the perspectives and approaches to implementation promoted by the Sustainable Livelihoods Theme Group.

Adopting the sustainable livelihoods approach provides a way to improve the identification, appraisal, implementation and evaluation of development programmes so that they better address the priorities of poor people, both directly and at a policy level. In this way it represents one means of pursuing DFID's poverty elimination aim.

Sustainable livelihoods and rights-based approaches

The 1997 *White Paper* commits DFID to promoting human rights through policy and practice.

Rights-based approaches to development take as their foundation the need to promote and protect human rights (those rights that have been recognised by the global community and are protected by international legal instruments). These include economic, social and cultural as well as civil and political rights, all of which are interdependent. Running through the rights-based approach are concerns with empowerment and participation, and with the elimination of discrimination on any grounds (race, language, gender, religion, etc.).

Rights-based and sustainable livelihoods approaches are complementary perspectives that seek to achieve many of the same goals (for example, empowerment of the most vulnerable and a strengthened capacity of the poor to achieve secure livelihoods). The primary focus of the rights perspective is on linkages between public institutions and civil society and, particularly, on how to increase the accountability of public institutions to all citizens. The livelihoods approach recognises the importance of these links and of enhancing accountability, though it takes as its starting point a need to understand the livelihoods of poor people in context. From this starting point it then tries to identify the specific constraints which prevent the realisation of people's rights and consequently the improvement of their livelihoods on a sustainable basis.

Partnerships

The *White Paper* stresses the importance of partnerships at all levels. The debate about what this means in practice is still ongoing. It is hoped that the dialogue around the development and implementation of the sustainable livelihoods approach will eventually provide the basis for deeper and more meaningful development partnerships. Indeed this is already proving to be the case for DFID's relations with other donors. The debate has not yet extended adequately to partner organisations in developing countries. This is now a priority: DFID can only work effectively with partners with which it shares common objectives and approaches to development.

The unit of analysis in livelihoods investigation is likely to be an identifiable social group. It is critical not to assume homogeneity in populations or within households themselves. Relevant social divisions may include those relating to class, caste, age, ethnic origin, gender; they can only be defined and agreed through an iterative process of participatory enquiry at community level.

The word 'multiple' is used here because it helps emphasise not only that different people adopt different livelihood strategies and pursue different livelihood objectives, but that the same people simultaneously undertake a range of different activities and seek to achieve a range of different goals. Some goals may even conflict; most goals and activities will evolve over time.

The livelihoods approach is necessarily flexible in application, but this does not mean that its core principles should be compromised. This sheet outlines these principles and explains why they make such an important contribution to the overall value of the approach.

People-centred

The livelihoods approach puts people at the centre of development. This focus on people is equally important at higher levels (when thinking about the achievement of objectives such as poverty reduction, economic reform or sustainable development) as it is at the micro or community level (where in many cases it is already well entrenched).

At a practical level, this means that the approach:

- starts with an analysis of people's livelihoods and how these have been changing over time;
- fully involves people and respects their views;
- focuses on the impact of different policy and institutional arrangements upon people/households and upon the dimensions of poverty they define (rather than on resources or overall output *per se*);
- stresses the importance of influencing these policies and institutional arrangements so they promote the agenda of the poor (a key step is political participation by poor people themselves);
- works to support people to achieve their own livelihood goals (though taking into account considerations regarding sustainability, see 1.4).

Sustainable poverty reduction will be achieved only if external support (i.e. support from outside the household) works with people in a way that is congruent with their current livelihood strategies, social environments and ability to adapt.

People – rather than the resources they use or the governments that serve them – are the priority concern. Adhering to this principle may well translate into providing support to resource management or good governance (for example). But it is the underlying motivation of supporting people's livelihoods that should determine the shape of the support and provide the basis for evaluating its success.

Holistic

The livelihoods approach attempts to identify the most pressing constraints faced by, and promising opportunities open to, people regardless of where (i.e. in which sector, geographical space or level, from the local through to the international) these occur. It builds upon people's own definitions of these constraints and opportunities and, where feasible, it then supports people to address/realise them. The livelihoods framework helps to 'organise' the various factors which constrain or provide opportunities and to show how these relate to each other. It is not intended to be an exact model of the way the world is, nor does it mean to suggest that stakeholders themselves necessarily adopt a systemic approach to problem solving. Rather, it aspires to provide a way of thinking about livelihoods that is manageable and that helps improve development effectiveness.

- It is **non-sectoral** and applicable across geographical areas and social groups.
- It recognises **multiple influences** on people, and seeks to understand the relationships between these influences and their joint impact upon livelihoods.
- It recognises **multiple actors** (from the private sector to national level ministries, from community-based organisations to newly emerging decentralised government bodies).
- It acknowledges the **multiple livelihood strategies** that people adopt to secure their livelihoods.
- It seeks to achieve **multiple livelihood outcomes**, to be determined and negotiated by people themselves.

In this way it attempts to gain a realistic understanding of what shapes people's livelihoods and how the various influencing factors can be adjusted so that, taken together, they produce more beneficial livelihood outcomes.

Dynamic

Just as people's livelihoods and the institutions that shape them are highly dynamic, so is this approach. It seeks to understand and learn from change so that it can support positive patterns of change and help mitigate negative patterns. It explicitly recognises the effects on livelihoods of external shocks and more predictable, but not necessarily less damaging, trends. Attempting to capture and build upon such livelihood dynamism significantly increases the scope of livelihood analysis. It calls for ongoing investigation and an effort to uncover the nature of complex, two-way cause and effect relationships and iterative chains of events.

The true dynamism of livelihoods cannot be adequately presented in a two dimensional framework, but it can be reflected in process and modes of analysis. This is an important area for monitoring and learning as we move forward.

Building on strengths

An important principle of this approach is that it starts with an analysis of strengths, rather than needs. This does not mean that it places undue focus on the better endowed members of the community. Rather, it implies a recognition of everyone's inherent potential, whether this derives from their strong social networks, their access to physical resources and infrastructure, their ability to influence core institutions or any other factor that has poverty-reducing potential. In 'livelihoods focused' development efforts, a key objective will be to remove the constraints to the realisation of potential. Thus people will be assisted to become more robust, stronger and better able to achieve their own objectives.

Macro-micro links

Development activity tends to focus at *either* the macro *or* the micro level. The livelihoods approach attempts to bridge this gap, emphasising the importance of macro level policy and institutions to the livelihood options of communities and individuals. It also stresses the need for higher level policy development and planning to be informed by lessons learnt and insights gained at the local level. This will simultaneously give local people a stake in policy and increase overall effectiveness. It is, though, a difficult task to achieve. Much macro policy is developed in isolation from the people it affects. Indeed, understanding of the effects of policies on people (what actually happens as opposed to what is assumed will happen) and people on policies (the policy making process itself) is remarkably limited. Both these areas will need to be better understood if the full value of the livelihoods approach is to be realised.

The isolation of rural areas has frequently led to an underestimation of the impact upon rural people of policies and events emanating from the capital city or further afield at international levels. The focus of rural development has therefore tended to remain quite micro and local.

Sustainability

While it is common to hear and use the short-hand 'livelihoods approach' (i.e. omitting 'sustainable'), the notion of sustainability is key to this approach. It should not be ignored or marginalised. Its different aspects are discussed in detail in the following sheet (1.4).

Sustainable systems – whether livelihoods, communities or national economies – accumulate stocks of assets; they increase the capital base over time. Unsustainable systems deplete or run down capital, spending assets as if they were income, and so leaving less for future generations.

For institutional sustainability to be achieved it is important to have in place: well-defined laws, participatory policy-making processes and effective public and private sector organisations that create a framework within which the livelihoods of the poor can be continuously improved.

An externality occurs when one person's behaviour automatically has effects on other people. This is common in the case of use of natural resources, for example, and has a significant impact upon the sustainability of overall systems.

What is sustainability?

Sustainability has many dimensions, all of which are important to the sustainable livelihoods approach.

Livelihoods are sustainable when they:

- are resilient in the face of external shocks and stresses;
- are not dependent upon external support (or if they are, this support itself should be economically and institutionally sustainable);
- maintain the long-term productivity of natural resources; and
- do not undermine the livelihoods of, or compromise the livelihood options open to, others.

Another way of conceptualising the many dimensions of sustainability is to distinguish between environmental, economic, social and institutional aspects of sustainable systems.

- **Environmental sustainability** is achieved when the productivity of life-supporting natural resources is conserved or enhanced for use by future generations.
- **Economic sustainability** is achieved when a given level of expenditure can be maintained over time. In the context of the livelihoods of the poor, economic sustainability is achieved if a baseline level of economic welfare can be achieved and sustained. (The economic baseline is likely to be situation-specific, though it can be thought of in terms of the 'dollar-a-day' of the International Development Targets.)
- **Social sustainability** is achieved when social exclusion is minimised and social equity maximised.
- **Institutional sustainability** is achieved when prevailing structures and processes have the capacity to continue to perform their functions over the long term.

Very few livelihoods qualify as sustainable across all these dimensions. Nevertheless sustainability is a key goal and its pursuit should influence all DFID's support activities. Progress towards sustainability can then be assessed, even if 'full' sustainability is never achieved.

Why is sustainability important?

Sustainability is an important qualifier to DFID's view of livelihoods because it implies that progress in poverty reduction is lasting, rather than fleeting. This does not mean that any given resource or institution must survive in exactly the same form. Rather it implies accumulation in the broad capital base that provides the basis for improved livelihoods, especially for poor people.

Trade-offs and choices

Recognising the multiple dimensions of sustainability and people's multiple livelihood objectives is key to the sustainable livelihoods approach. However with diversity come trade-offs; trade-offs within livelihood outcomes (see 2.6) and between dimensions of sustainability and livelihood outcomes are inevitable. The following are just some of the different types of tension that may arise:

- tension between locally identified needs for greater livelihood security and wider concerns about environmental sustainability;
- tension between maximising production/income in the short term and guarding against vulnerability to external shocks in the longer term; and
- tension between achievement of individual, household or community livelihood objectives and the requirement not to compromise the livelihood opportunities open to others.

The sustainable livelihoods approach can offer no simple 'solutions' to these challenges. What it does do is to provide an approach to thinking through the conflict, including providing a framework that facilitates coherent and structured discussion of differing perspectives. By encouraging local people to think about a broad range of livelihood outcomes, potential conflicts can be explicitly discussed. Through coupling livelihoods analysis with a broader process of social assessment, equity and 'externality' issues can be brought to the fore. This is, however, an area in which further work is required.

The asset pentagon that lies at the heart of livelihoods analysis (see 2.3) encourages users to think about substitutability between different types of capital. This is particularly useful when considering whether a decline in the quality or availability of natural capital can be compensated for by an increase in other types of capital (for example social or financial capital).

- Some argue that sustainability is achieved when overall stocks of capital (in whatever combination) are maintained and accumulated. This metaphor presents problems in practical application (e.g. certain types of capital cannot be readily measured). At the same time it seems to reflect well the way in which we think about our environment and the way technology can be manipulated to compensate for losses in non-renewable natural resources.
- Others argue that different types of capital cannot readily substitute for each other. This type of 'strong sustainability' thinking is reflected in the International Development Target on environmental sustainability. This takes the view that natural resources are sufficiently important to such a wide range of livelihoods, that absolute preservation – even replenishment, given the extent to which they have already been degraded – should be the aim.

In all cases, the feasibility/acceptability of interchanging types of capital will depend on the type of environment in which people live (e.g. the types of shocks and trends that they are likely to face, the reliability of markets and institutions, etc.).

The International Development Target on environmental sustainability and regeneration calls for 'the implementation of National Strategies for Sustainable Development in all countries by 2005 so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015'.

National Strategies for Sustainable Development

The 1997 *White Paper* commits the UK Government to work at both an international level and with partner countries to help develop and implement National Strategies for Sustainable Development (NSSDs). The international agreement that these NSSDs should be under implementation by 2005 makes this an immediate priority for DFID.

Essential elements of DFID's current thinking on NSSD implementation are that:

- NSSDs should build on existing work rather than being new, stand-alone documents;
- environmental sustainability (and poverty reduction) objectives should be integrated into mainstream development policy, rather than being 'add-ons';
- implementation should be considered not only at the national level but also at sub-national, district, local levels, etc.;
- consultation and participation should be balanced with sound analysis;
- while donors can help co-ordinate, domestic governments – and other domestic stakeholders – must own NSSD processes;
- it is vitally important to build local capacity for design and implementation of NSSDs; and
- environmental costs should be internalised through the development of appropriate policies and incentive structures.

There is clearly much congruence between the sustainability concerns of the livelihoods approach and NSSDs. In addition, to be effective NSSDs must build upon extensive stakeholder participation, coupled with a strategic and long-term approach to development. Both these features are also key to the success of the livelihoods approach.

Maximising the positive (as opposed to minimising the negative)

Both NSSDs and the livelihoods approach go well beyond traditional notions of 'the greening of aid'. These tend to focus upon minimising the negative impacts of development interventions through the use of environmental impact assessment and checklists. These methodologies are important but limited; they are often costly, seldom participatory and have a tendency to emphasise the state of resources themselves, rather than people and their livelihoods. By contrast, the livelihoods approach views the sustainability of resources as an integral component of the sustainability of livelihoods (which has many dimensions). Rather than seeking to minimise the negative, it seeks to maximise the positive contribution made by the natural environment to people's livelihood outcomes.

The livelihoods approach enters an already crowded conceptual and operational landscape for development. Understanding the links between different approaches is essential, both to avoid confusion and to improve the scope for collaboration with colleagues and partners who come from a different starting point. Section 4 of the Guidance Sheets deals with links and overlap at a methodological level. This sheet briefly outlines links at the level of broad approaches to development (participatory development, sector wide approaches and integrated rural development). Other linking issues, such as decentralisation, public sector reform and community-based development are addressed at relevant points in subsequent sheets.

Participatory development

The livelihoods approach will not be effective unless operationalised in a participatory manner by people who are skilled in social analysis and who share an overall commitment to poverty elimination. The approach incorporates and builds upon existing participatory methodologies (see Section 4).

- It promotes people's achievement of their own livelihood objectives. There is no prejudgement about what these are – they must be 'established' through participatory activities.
- It builds upon people's strengths. Again, this is only possible if participatory methodologies are used to establish who has access to which types of capital and how this is affected by the institutional, social and organisational environment.
- It seeks to understand, through participatory analysis, the effects of macro policies upon livelihoods.
- Indicators of impact are expected to be negotiated with local people. This idea of 'negotiation' goes well beyond minimal ideas of participation as consultation.

There are particularly strong links between the sustainable livelihoods approach and participatory poverty assessments (PPAs). PPAs have been developed as an instrument for including the perspectives of the poor in the analysis of poverty and the formulation of strategies to deal with it. Early PPAs were mostly commissioned to contribute to the preparation of a particular broader document (e.g. a World Bank Country Poverty Assessment, or a UN Country Human Development Report). Increasingly, the trend is to build PPAs into ongoing welfare monitoring and policy formulation processes and to use them as a way to build ownership and new relations between various actors in the policy process.

Like livelihoods analysis, PPAs are rooted in traditions of participatory research and action. The two share many themes in common (e.g. an emphasis on vulnerability to shocks and trends and on various kinds of assets) and are therefore expected to be complementary. However, since both vary by context, it is not possible to make definitive statements about the links in any given case.

Sector-wide approaches

Livelihoods and sector-wide approaches are broadly complementary; each should gain from recognising the strengths of the other. Livelihoods analysis lays a heavy emphasis on understanding the structures and processes that condition people's access to assets and their choice of livelihood strategies. Where the major constraint is poor performance by government agencies at a sectoral level, then sector wide support programmes will be highly appropriate. This is especially the case for government-dominated areas such as health and education.

Sector programmes themselves will be enriched if they build on the information gathered in livelihoods analysis. This will help those involved to perceive the interactions between different sectors and the importance of developing inter-sectoral links in order to maximise impact at a livelihood level (the benchmark for performance). It will also encourage public sector institutions to recognise the many different players in the development process, creating pressure within the sector planning process to open up the dialogue beyond government, to innovate and to incorporate best practice from existing project-level activities.

The quality of PPAs is uneven – those that have produced a deeper analysis have generally involved the participation of experienced social researchers with a detailed knowledge of the country or area concerned.

It is important not to treat capacity-building work within public sector agencies as an end in itself. Its ultimate goal should be to contribute to poverty elimination through more effective delivery of services, better management of resources, etc.

Livelihoods approaches and the support activities which derive from them should also gain from the lessons learnt and the objectives pursued in sector approaches. These include:

- the importance of ensuring domestic government ownership of the development process;
- the need to base all support on best-practice public management principles (i.e. not to extend the role of government to inappropriate activities and to stress the importance of developing capacity in areas such as financial management and budgeting); and
- the value of co-ordination between different donors (and the steps required to achieve this).

Integrated rural development

One of the early 'criticisms' that has been levelled at the livelihoods approach is that it is too similar to the failed integrated rural development (IRD) approaches of the 1970s. It is easy to see where this reflection is coming from; the two approaches share much in common. But the sustainable livelihoods approach endeavours to build upon the strengths of IRD (especially the recognition of the need for broad-based support in rural areas) without falling into the traps that caused IRD's downfall. In particular, the livelihoods approach does not aim to establish integrated programmes in rural areas. While recognising the importance to rural poverty reduction of a wide range of factors it will target just a few core areas (with the help of thorough analysis of existing livelihoods and a bottom-up planning process) so that activities remain manageable. The livelihoods approach will also address macro level and institutional factors where these are a major constraint. IRD, by contrast was forced to operate within a hostile macro-economic and institutional environment, dominated and often heavily distorted by government.

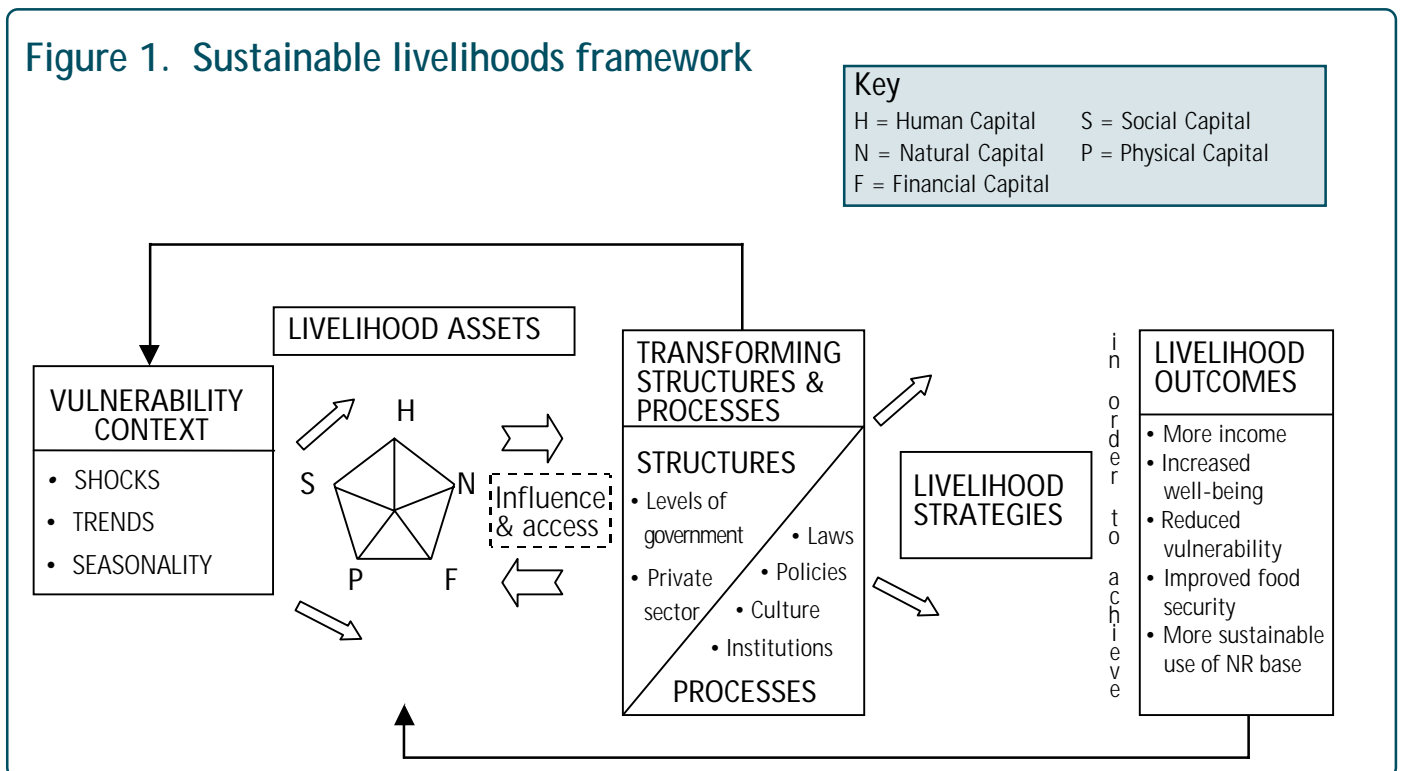
Table 1 juxtaposes the two approaches and suggests where some of the main differences lie.

For a fuller version of Table 1 see Chapter 1 (p. 19) of *Sustainable rural livelihoods: What contribution can we make?* Papers presented at DFID Natural Resources Advisers' Conference, July 1998.

Table 1.	Integrated Rural Development (1970s)	Sustainable Livelihoods (late 1990s)
Starting point	Structures, areas	People and their existing strengths and constraints
Conceptions of poverty	Holistic, multi-dimensional Recommendation domains suggest uniformity (an operational simplification)	Multi-dimensional, complex, local Embraces the concepts of risk and variability
Problem analysis	Undertaken by planning unit in short period of time, viewed as conclusive	Inclusive process, iterative and incomplete
Sectoral scope	Multi-sectoral, single plan Sector involvement established at outset	Multi-sectoral, many plans Small number of entry points Sectoral involvement evolves with project
Level of operation	Local, area-based	Both policy and field level, clear links between the two
Partner organisation	National and local governments	Local and national governments NGOs, civil society organisations, private sector
Project management structure	Dedicated project management unit, external to government	Project within partner organisation
Co-ordination (between sectors)	Integrated execution (donor-driven)	Driven by shared objectives, benefits of co-ordination identified by those involved
Sustainability	Not explicitly considered	Multiple dimensions Core concern

The livelihoods framework is a tool to improve our understanding of livelihoods, particularly the livelihoods of the poor. It was developed over a period of several months by the Sustainable Rural Livelihoods Advisory Committee, building on earlier work by the Institute of Development Studies (amongst others). This section of the Guidance Sheets provides an introduction to the framework itself. The individual components of the framework are described in more detail in the subsequent sheets in this section. Practical questions and challenges of operationalising the approach will be covered in Section 3 and following.

Figure 1. Sustainable livelihoods framework



Why a framework?

The arrows within the framework are used as shorthand to denote a variety of different types of relationships, all of which are highly dynamic. None of the arrows imply direct causality, though all imply a certain level of influence.

The sustainable livelihoods framework presents the main factors that affect people’s livelihoods, and typical relationships between these. It can be used in both planning new development activities and assessing the contribution to livelihood sustainability made by existing activities.

In particular, the framework:

- provides a checklist of important issues and sketches out the way these link to each other;
- draws attention to core influences and processes; and
- emphasises the multiple interactions between the various factors which affect livelihoods.

The framework is centred on people. It does not work in a linear manner and does not try to present a model of reality. Its aim is to help stakeholders with different perspectives to engage in structured and coherent debate about the many factors that affect livelihoods, their relative importance and the way in which they interact. This, in turn, should help in the identification of appropriate entry points for support of livelihoods.

Understanding the framework

- The form of the framework is not intended to suggest that the starting point for all livelihoods (or livelihood analysis) is the *Vulnerability Context* which through a series of permutations yields *Livelihoods Outcomes*. Livelihoods are shaped by a multitude of different forces and factors that are themselves constantly shifting. People-centred analysis is most likely to begin with simultaneous investigation of people's assets, their objectives (the *Livelihood Outcomes* which they are seeking) and the *Livelihood Strategies* which they adopt to achieve these objectives.
- Important feedback is likely between:
 - (a) *Transforming Structures and Process* and the *Vulnerability Context*; and
 - (b) *Livelihood Outcomes* and *Livelihood Assets*.

There are other feedback relationships that affect livelihoods which are not shown. For example, it has been shown that if people feel less vulnerable (*Livelihood Outcome*) they frequently choose to have fewer children. This has implications for population trends which might be an important part of the *Vulnerability Context*.

Using the framework to help eliminate poverty

The framework is intended to be a versatile tool for use in planning and management. It offers a way of thinking about livelihoods that helps order complexity and makes clear the many factors that affect livelihoods.

A more important task than perfecting the framework itself is putting the ideas that it represents into practice. If that calls for adaptation of certain boxes or revision of certain definitions to make the framework more useful, all the better; the framework becomes a living tool.

Use of the framework is intended to make a distinct contribution to improving DFID's ability to eliminate poverty. It is not simply a required step in project/programme preparation, nor does it provide a magic solution to the problems of poverty elimination. In order to get the most from the framework:

- The core ideas that underlie it should not be compromised during the process of adaptation. One of these core ideas is that (most) analysis should be conducted in a participatory manner.
- Use of the framework should be underpinned by a serious commitment to poverty elimination. This should extend to developing a meaningful dialogue with partners about how to address the underlying political and economic factors that perpetuate poverty.
- Those using the framework must have the ability to recognise deprivation in the field even when elites and others may want to disguise this and skew benefits towards themselves (this will require skill and rigour in social analysis).

The framework summarises the main components of and influences on livelihoods; it does not provide an exhaustive list of the issues to be considered. It should be adapted to meet the needs of any given circumstance.

The sustainable livelihoods framework continues to develop. Use it as a flexible tool and adapt it as necessary. You can focus on any part of the framework, but it is important to keep the wider picture in mind.

What is the vulnerability context?

The *Vulnerability Context* frames the external environment in which people exist. People’s livelihoods and the wider availability of assets are fundamentally affected by critical trends as well as by shocks and seasonality – over which they have limited or no control. The box below provides examples (this is not a complete list):

<p>Trends</p> <ul style="list-style-type: none"> • Population trends • Resource trends (including conflict) • National/international economic trends • Trends in governance (including politics) • Technological trends 	<p>Shocks</p> <ul style="list-style-type: none"> • Human health shocks • Natural shocks • Economic shocks • Conflict • Crop/livestock health shocks 	<p>Seasonality</p> <ul style="list-style-type: none"> • Of prices • Of production • Of health • Of employment opportunities
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Why is it important?

The factors that make up the *Vulnerability Context* are important because they have a direct impact upon people’s asset status and the options that are open to them in pursuit of beneficial livelihood outcomes.

- **Shocks** can destroy assets directly (in the case of floods, storms, civil conflict, etc.). They can also force people to abandon their home areas and dispose of assets (such as land) prematurely as part of coping strategies. Recent events have highlighted the impact that international economic shocks, including rapid changes in exchange rates and terms of trade, can have on the very poor.
- **Trends** may (or may not) be more benign, though they are more predictable. They have a particularly important influence on rates of return (economic or otherwise) to chosen livelihood strategies.
- **Seasonal shifts** in prices, employment opportunities and food availability are one of the greatest and most enduring sources of hardship for poor people in developing countries.

Is it always negative?

Not all the trends listed above are negative or cause vulnerability. For example, economic indicators can move in favourable directions, diseases can be eradicated and new technologies may be very valuable to poor people.

However, use of the term *Vulnerability Context* draws attention to the fact that this complex of influences is directly or indirectly responsible for many of the hardships faced by the poorest people in the world. It is common for there to be a vicious circle in action. The inherent fragility of poor people’s livelihoods makes them unable to cope with stresses, whether predictable or not. It also makes them less able to manipulate or influence their environment to reduce those stresses; as a result they become increasingly vulnerable. And even when trends move in the right direction, the poorest are often unable to benefit because they lack assets and strong institutions working in their favour.

Different types of conflict can have profound adverse effects on the livelihoods of the poor. In areas of civil conflict people suffer from lawlessness and physical damage. Conflicts over access to resources are of increasing importance as populations expand and resource use intensifies. If unaddressed, such conflicts may further marginalise already poor groups.

What can be done to alter the vulnerability context?

The *Vulnerability Context* is the part of the framework that lies furthest outside people's control. In the short to medium term and on an individual or small group basis there is little that can be done to alter it directly (though there are exceptions: for example, direct intervention to diffuse conflict).

Most externally-driven change in the *Vulnerability Context* is a product of activity at the level of *Transforming Structures and Processes* (e.g. changes in policy). Another way of managing the *Vulnerability Context* is to help people to become more resilient and better able to capitalise on its positive aspects. This is a core aim of the sustainable livelihoods approach. It can be achieved through supporting poor people to build up their assets. For example, increasing people's access to appropriate financial services – including insurance – is one way of reducing vulnerability. Another approach is to help ensure that critical institutions and organisations are responsive to the needs of the poor.

What type of information is required to analyse the vulnerability context?

Livelihoods analysis does not have to be exhaustive to be effective. Rather than trying to develop a full understanding of all dimensions of the *Vulnerability Context*, the aim is to identify those trends, shocks and aspects of seasonality that are of particular importance to livelihoods. Effort can then be concentrated on understanding the impact of these factors and how negative aspects can be minimised. This requires a prior understanding of the nature of local livelihoods – what types of livelihood strategies are employed by local people and what factors constrain them from achieving their objectives. Such understanding cannot be gained without social analysis so that particular social groups and their relationship with factors within the *Vulnerability Context* can be identified.

While it is important to narrow down the extent of analysis, it is also important to think broadly about factors within the *Vulnerability Context* that *might* affect local people, so that less-obvious issues are not neglected. For example, when thinking about seasonality, it is important to consider both immediate and more distant effects.

In a rural setting, it may be necessary to find answers to the following types of question:

- Which groups produce which crops?
- How important is each crop to the livelihoods of the groups that produce it?
- Is the revenue from a given crop used for a particular purpose – e.g. if it is controlled by women is it particularly important to child health or nutrition?
- What proportion of output is marketed?
- How do prices for different crops vary through the year?
- How predictable is seasonal price fluctuation?
- Are the price cycles of all crops correlated?
- What proportion of household food needs is met by own consumption and what portion is purchased?
- At what time of year is cash income most important (e.g. school fees might be collected one or more times during the year)? Does this coincide with the time at which cash is most available?
- Do people have access to appropriate financial service institutions to enable them to save for the future? Does access to these vary by social group?
- How long and intense is the 'hungry period'?
- What effect do the 'hungry period' and other seasonal natural events (e.g. the advent of the rainy season) have on human health and the ability to labour?
- Has the length of the 'hungry period' been increasing or decreasing?
- How do income-earning opportunities vary throughout the year? Are they agricultural or non-farm?
- How does remittance income vary throughout the year (e.g. falling off at times when it is most needed because of food price rises)?

Methodologies for conducting this type of analysis will be investigated in more detail in Section 3.

Different components of the *Vulnerability Context* affect different people in different ways. Thus, natural shocks may have a more adverse effect on agricultural activity than on urban employment. Likewise, changes in international commodity prices will affect those who grow, process or export such commodities but have little direct effect on those who produce for, or trade in, the local market. Understanding the nature of vulnerability is a key step in sustainable livelihoods analysis.

Seasonality is usually associated with rural economies. It can, however, be equally problematic for poor people in urban areas, especially when these people spend a large proportion of their income on foodstuffs, the prices of which may be very volatile.

FRAMEWORK

LIVELIHOOD ASSETS

2.3

The livelihood framework identifies five core asset categories or types of capital upon which livelihoods are built. Increasing access – which can take the form of ownership or the right to use – to these assets is a primary concern for DFID in its support of livelihoods and poverty elimination.

The livelihoods approach is concerned first and foremost with people. It seeks to gain an accurate and realistic understanding of people’s strengths (assets or capital endowments) and how they endeavour to convert these into positive livelihood outcomes. The approach is founded on a belief that people require a range of assets to achieve positive livelihood outcomes; no single category of assets on its own is sufficient to yield all the many and varied livelihood outcomes that people seek. This is particularly true for poor people whose access to any given category of assets tends to be very limited. As a result they have to seek ways of nurturing and combining what assets they do have in innovative ways to ensure survival.

The asset pentagon

The asset pentagon lies at the core of the livelihoods framework, ‘within’ the vulnerability context. The pentagon was developed to enable information about people’s assets to be presented visually, thereby bringing to life important inter-relationships between the various assets.

<p>For definitions and explanations of the different types of capital, please refer to the following sheets:</p> <ul style="list-style-type: none"> 2.3.1: Human capital 2.3.2: Social capital 2.3.3: Natural capital 2.3.4: Physical capital 2.3.5: Financial capital 	
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Although the term ‘capital’ is used, not all the assets are capital stocks in the strict economic sense of the term (in which capital is the product of investment which yields a flow of benefits over time). The five capitals are perhaps best thought of as livelihood building blocks; the term ‘capital’ is used because this is the common designation in the literature.

The shape of the pentagon can be used to show schematically the variation in people’s access to assets. The idea is that the centre point of the pentagon, where the lines meet, represents zero access to assets while the outer perimeter represents maximum access to assets. On this basis different shaped pentagons can be drawn for different communities or social groups within communities.

It is important to note that a single physical asset can generate multiple benefits. If someone has secure access to land (natural capital) they may also be well-endowed with financial capital, as they are able to use the land not only for direct productive activities but also as collateral for loans. Similarly, livestock may generate social capital (prestige and connectedness to the community) for owners while at the same time being used as productive physical capital (think of animal traction) and remaining, in itself, as natural capital. In order to develop an understanding of these complex relationships it is necessary to look beyond the assets themselves, to think about prevailing cultural practices and the types of structures and processes that ‘transform’ assets into livelihood outcomes (see 2.4).

Pentagons can be useful as a focus point for debate about suitable entry points, how these will serve the needs of different social groups and likely trade-offs between different assets. However, using the pentagon in this way is necessarily representative. At a generic level there is no suggestion that we can – or should – quantify all assets, let alone develop some kind of common currency that allows direct comparison between assets. This does not, of course, rule out the development of specific, quantifiable indicators of assets where these are thought to be useful.

Change in asset status

Asset endowments are constantly changing, therefore pentagons are constantly shifting. A three dimensional framework, with the third dimension representing time, would enable this change to be visualised. A two dimensional framework does not. However, it is imperative to incorporate a time dimension into any analysis of assets. Information should be gathered on trends in overall asset availability (e.g. if societies fragment, the overall 'stock' of social capital might decline) as well as on which groups are accumulating assets, which are losing and why. Where processes of 'social exclusion' are at work, those who are already poorly endowed with assets may well be becoming gradually, but notably, more marginalised.

Relationships within the framework

Relationships between assets

Assets combine in a multitude of different ways to generate positive livelihood outcomes. Two types of relationship are particularly important:

- **Sequencing:** Do those who escape from poverty tend to start with a particular combination of assets? Is access to one type of asset (or a recognisable sub-set of assets) either necessary or sufficient for escape from poverty? If so, this may provide important guidance on where livelihood support should be focused, at least at the outset.
- **Substitution:** Can one type of capital be substituted for others? For example, can increased human capital compensate for a lack of financial capital in any given circumstance? If so, this may extend the options for support.

Relationships with other framework components

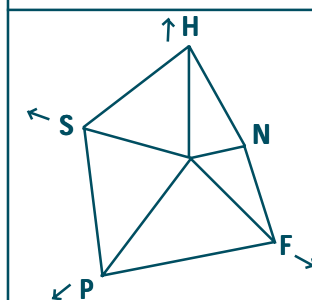
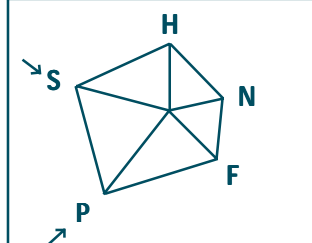
Relationships within the framework are highly complex. Understanding them is a major challenge of, and a core step in, the process of livelihoods analysis leading to action to eliminate poverty.

- **Assets and the Vulnerability Context:** assets are both destroyed and created as a result of the trends, shocks and seasonality of the *Vulnerability Context*.
- **Assets and Transforming Structures and Processes:** The institutions and policies of the *Transforming Structures and Processes* have a profound influence on access to assets. They:
 - (a) Create assets – e.g. government policy to invest in basic infrastructure (physical capital) or technology generation (yielding human capital) or the existence of local institutions that reinforce social capital.
 - (b) Determine access – e.g. ownership rights, institutions regulating access to common resources.
 - (c) Influence rates of asset accumulation – e.g. policies that affect returns to different livelihood strategies, taxation, etc.

However, this is not a simple one way relationship. Individuals and groups themselves influence *Transforming Structures and Processes*. Generally speaking the greater people's asset endowment, the more influence they can exert. Hence one way to achieve empowerment may be to support people to build up their assets.

- **Assets and Livelihood Strategies:** Those with more assets tend to have a greater range of options and an ability to switch between multiple strategies to secure their livelihoods.
- **Assets and Livelihood Outcomes:** Poverty analyses have shown that people's ability to escape from poverty is critically dependent upon their access to assets. Different assets are required to achieve different livelihood outcomes. For example, some people may consider a minimum level of social capital to be essential if they are to achieve a sense of well-being. Or in a remote rural area, people may feel they require a certain level of access to natural capital to provide security. Such relationships will need to be investigated case by case.

Different shaped pentagons – changes in access to assets



The upper pentagon shows reasonable, but declining, access to physical capital and limited access to natural capital. Social capital is also falling. Perhaps the people whose livelihood assets are represented live in an urban area but do not have the skills or finance to invest in infrastructure maintenance. The decline of social capital also constrains their ability to form shared work groups. The lower pentagon shows the situation after support that has extended access to financial capital (perhaps through group-based micro-finance schemes that also help build social capital) as well as providing skills and training (human capital). Together these enable the people to maintain and extend their physical capital. Access to natural capital remains unchanged.

In its *Statement of Purpose* DFID commits itself to promoting 'better education, health and opportunities for poor people' through various means. These range from providing direct support to education and health to helping to provide safe drinking water and emergency assistance in times of crisis.

What is human capital?

Human capital represents the skills, knowledge, ability to labour and good health that together enable people to pursue different livelihood strategies and achieve their livelihood objectives. At a household level human capital is a factor of the amount and quality of labour available; this varies according to household size, skill levels, leadership potential, health status, etc.

Human capital appears in the generic framework as a livelihood asset, that is, as a building block or means of achieving livelihood outcomes. Its accumulation can also be an end in itself. Many people regard ill-health or lack of education as core dimensions of poverty and thus overcoming these conditions may be one of their primary livelihood objectives.

Why is it important?

As well as being of intrinsic value, human capital (knowledge and labour or the ability to command labour) is required in order to make use of any of the four other types of assets. It is therefore necessary, though not on its own sufficient, for the achievement of positive livelihood outcomes.

What can be done to build human capital for the poor?

Support to the accumulation of human capital can be both direct and indirect. In either case it will only achieve its aims if people themselves are willing and able to invest in their own human capital by attending training sessions or schools, accessing preventative medical services, etc. If they are prevented from doing so by adverse structures and processes (e.g. formal policies or social norms that prevent girls from attending school) then indirect support to human capital development will be particularly important.

In many cases it will be necessary to combine both types of support. The most appropriate mechanism for such combined support may well be a sector programme. Sector programmes can adopt an integrated approach to human capital development, drawing on information gathered through livelihoods analysis to ensure that effort is focused where it is most needed (for example, on disadvantaged groups).

DFID sustainable livelihoods objective: Improved access to high-quality education, information, technologies and training and better nutrition and health. Achieved through, for example:

Direct support to asset accumulation

- To health/education/training infrastructure
- To health/education/training personnel
- To the development of relevant knowledge and skills (these should be developed with and made readily available to the poor)

Indirect support (through *Transforming Structures and Processes*)

- Reform of health/education/training policies
- Reform of health/education/training organisations
- Changes in local institutions – culture, norms – that limit access to health/education/training (e.g. for women)

Feedback from achievement of livelihood outcomes (virtuous circles)

- Health status is directly related to income/food security (with relevant knowledge)
- Higher income is often reinvested in education
- Reduced vulnerability can reduce the birth rate (with knock-on effects on nutrition and labour)

Another indirect way of promoting education is to increase its value, by helping to open up opportunities for those who have invested in education. This can be done through providing direct support in other areas, for example through extending access to financial capital thereby enabling people to put their knowledge to productive use. Helping to reduce the drudgery of day-to-day activities can also help free people up so that they have the time for education and can then make better use of that education.

Specialist training – as opposed to general education – will be effective only when trainers have access to relevant information. If investments in knowledge generation (research) are considered in terms of the contribution that they make to human capital it is immediately apparent that:

- The knowledge generated must be relevant to existing or potential future livelihood strategies. One way to ensure this is to adopt participatory processes of knowledge generation that build upon and complement existing local knowledge.
- Provision must be made for extending access to the knowledge generated. Just as school buildings do nothing for human capital if they are not brought to life with learning, so new technologies and ideas are redundant if they do not reach people. Sharing knowledge with the poor has proved to be a particular problem in the past, hence the need to consider new options for supporting information networks using new types of communication channels, etc.

What type of information is required to analyse human capital?

There are many quite well-developed indicators of human health, though some – such as life expectancy – may be difficult to assess at local level. Rather than focusing on exact measures, it may be more appropriate to investigate variations. Do different social groups have obviously lower or higher life expectancy? Are the children of indigenous groups, for example, more poorly nourished than other children? Does the quality of health care available to different groups differ markedly?

Education indicators may be easier to assess. It is relatively simple to determine the average number of years a child spends in school, or the percentage of girls who are enrolled in school. What is far more difficult is understanding the quality, impact and value to livelihoods of these years in school, the correlation – if there is one – between years in school and knowledge, and the relationship between either of these and leadership potential.

Formal education is certainly not the only source of knowledge-based human capital. It is equally important to understand existing local knowledge, how this is shared, added to and what purpose it serves. For example, some knowledge can be highly useful for production – think of knowledge about modern, intensive farming techniques – but be neutral or negative in terms of its effect upon the environment and environmental sustainability. Or some knowledge – again, think of knowledge for production, either agricultural or industrial – may be effectively useless unless it is coupled with other types of knowledge (knowledge about how to market goods, about appropriate quality standards, etc.)

The following types of questions are likely to be important when thinking about human capital:

- How complex is the local environment (the more complex the problems, the greater the importance of knowledge)?
- From where (what sources, networks) do people access information that they feel is valuable to their livelihoods?
- Which groups, if any, are excluded from accessing these sources?
- Does this 'exclusion' affect the nature of information available? (e.g. if women are excluded, then knowledge of traditionally female production activities may be limited.)
- Are knowledge 'managers' (e.g. teachers or core members of knowledge networks) from a particular social background that affects the type of knowledge that exists in the community?
- Is there a tradition of local innovation? Are technologies in use from 'internal' or 'external' sources?
- Do people feel that they are particularly lacking in certain types of information?
- How aware are people of their rights and of the policies, legislation and regulation that impact on their livelihoods? If they do consider themselves to be aware, how accurate is their understanding?

Knowledge generation should be based upon a broad understanding of the current livelihood strategies of the poor and the internal and external factors that may cause these to change.

Clearly there is a close relationship between the way that knowledge is generated and transmitted and social capital (see 2.3.2). High levels of social capital can therefore substantially add to human capital. Minimum levels of other types of capital – plus broadly conducive transforming structures and processes – may be necessary to give people the incentive to invest in their own human capital.

Some people choose to distinguish between social capital and 'political capital', derived from access to wider institutions of society. Though we do not make this distinction here, this should not be taken to suggest a 'downgrading' of the importance of political factors and issues of access beyond the community.

As well as having its own intrinsic value, social capital may be particularly important as a 'resource of last resort' for the poor and vulnerable.

It can:

- provide a buffer that helps them cope with shocks, such as death in the family;
- act as an informal safety net to ensure survival during periods of intense insecurity; and
- compensate for a lack of other types of capital (e.g. shared labour groups compensating for limited human capital within the household).

What is social capital?

There is much debate about what exactly is meant by the term 'social capital'. In the context of the sustainable livelihoods framework it is taken to mean the social resources upon which people draw in pursuit of their livelihood objectives. These are developed through:

- **networks and connectedness**, either vertical (patron/client) or horizontal (between individuals with shared interests) that increase people's trust and ability to work together and expand their access to wider institutions, such as political or civic bodies;
- **membership of more formalised groups** which often entails adherence to mutually-agreed or commonly accepted rules, norms and sanctions; and
- **relationships of trust, reciprocity and exchanges** that facilitate co-operation, reduce transaction costs and may provide the basis for **informal safety nets** amongst the poor.

The above are all inter-related. For example, membership of groups and associations can extend people's access to and influence over other institutions. Likewise trust is likely to develop between people who are connected through kinship relations or otherwise.

Of all the five livelihood building blocks, social capital is the most intimately connected to *Transforming Structures and Processes* (see 2.4). In fact, it can be useful to think of social capital as a product of these structures and processes, though this over-simplifies the relationship. Structures and processes might themselves be products of social capital; the relationship goes two ways and can be self-reinforcing. For example:

- when people are already linked through common norms and sanctions they may be more likely to form new organisations to pursue their interests; and
- strong civil society groups help people to shape policies and ensure that their interests are reflected in legislation.

Why is it important?

Mutual trust and reciprocity lower the costs of working together. This means that social capital has a direct impact upon other types of capital:

- By improving the efficiency of economic relations, social capital can help increase people's incomes and rates of saving (financial capital). (Isolated studies have shown that communities with 'higher levels' of social capital are wealthier – but questions remain about measuring social capital.)
- Social capital can help to reduce the 'free rider' problems associated with public goods. This means that it can be effective in improving the management of common resources (natural capital) and the maintenance of shared infrastructure (physical capital).
- Social networks facilitate innovation, the development of knowledge and sharing of that knowledge. There is, therefore, a close relationship between social and human capital.

Social capital, like other types of capital, can also be valued as a good in itself. It can make a particularly important contribution to people's sense of well-being (through identity, honour and belonging).

Is it always positive?

Social capital can be used in negative as well as positive ways.

- Those who are excluded from strong groups that convey multiple benefits may be disadvantaged in a variety of other ways (e.g. landless women with few skills).
- Networks may be based upon strictly hierarchical or coercive relationships that limit mobility and prevent people from escaping from poverty.
- Membership of a group or network often entails obligations (e.g. to assist others in times of distress) as well as rights (to call upon assistance). Calls for assistance may come at difficult times.

What can be done to build the social capital of the poor?

Social capital has the fortunate quality of being, in some cases, self-reinforcing; stocks can be increased, rather than depleted, by the right type of use. Neglect, on the other hand, can undermine social capital and trust (unlike savings in the bank which, if neglected, continue to accrue). Social capital can also be actively, though often unintentionally, destroyed through heavy-handed interventions that impose new social relations without taking into account the strengths of the old.

Most attempts to build social capital focus on strengthening local institutions, either directly (through capacity building, leadership training or injection of resources) or indirectly through creating an open, democratic environment in which they flourish.

DFID sustainable livelihoods objective: A more supportive and cohesive social environment.

Achieved through (for example):

Direct support to asset accumulation

- To improve the internal functioning of groups
 - leadership
 - management
- To extend external links of local groups

Indirect support (through *Transforming Structures and Processes*)

- To group/network formation and structure
- To the development of more open and reliable policy environment ('good governance')
- To organisations to help them develop systems for external consultation with civil society

Feedback from achievement of livelihood outcomes (virtuous circles)

- Self-reinforcing relationships (e.g. success in increasing the sustainability of natural resource use can strengthen the managing group)
- Greater household income may extend scope for participation in external activities

While empowerment of groups may be a primary objective, social capital can also be a by-product of other activities (e.g. participatory research groups formed to develop and test technologies may develop a life of their own). Most commonly, increases in social capital are pursued in conjunction with, or as a necessary component of, support in other areas. Thus joint responsibility savings and credit groups rely on social capital, as do integrated pest management efforts which require joint action to combat a problem.

What type of information is required to analyse social capital?

Levels of social capital are hard to gauge from the outside. They may be discernible only after lengthy analysis (which may be beyond project/programme resources) and it is unlikely that they will be quantifiable. For example, simply counting the number of registered groups in a community is not likely to yield a measure of social capital; group nature and quality is as important as group numbers. Often we will be looking at trends – whether the state of social organisation appears to be becoming better or worse for livelihoods – rather than trying to gauge exact levels of social capital.

It is very important not to permit these difficulties to cause neglect of social factors when working with communities. Over time it will be vital to develop an understanding of the nature of civic relations at a wider community level, of the types of social resources upon which households rely and of who is excluded from these benefits. Groups with overlapping membership can be particularly problematic if it emerges that people with a particular social profile are excluded from all groups. Another important point for observation is people's coping strategies in times of crisis and the extent to which they have relied on social resources to see them through.

(For further suggestions in this area see the *Key Sheet* on social capital. *Key Sheets* are available on the Internet at: <http://www.oneworld.org/odi/keysheets/>)

There is clearly much to learn about building social capital, including:

- how best to support groups (especially of the poor who may lack time for group activities);
- what are appropriate indicators of effective group functioning; and
- what is the relationship between various types of government structure and ideology and the 'density' of social capital at the community level.

Examples of natural capital and services deriving from it:

- land
- forests
- marine/wild resources
- water
- air quality
- erosion protection
- waste assimilation
- storm protection
- biodiversity degree and rate of change.

For all these it is important to consider access and quality and how both are changing.

What is natural capital?

Natural capital is the term used for the natural resource stocks from which resource flows and services (e.g. nutrient cycling, erosion protection) useful for livelihoods are derived. There is a wide variation in the resources that make up natural capital, from intangible public goods such as the atmosphere and biodiversity to divisible assets used directly for production (trees, land, etc.).

Within the sustainable livelihoods framework, the relationship between natural capital and the *Vulnerability Context* is particularly close. Many of the shocks that devastate the livelihoods of the poor are themselves natural processes that destroy natural capital (e.g. fires that destroy forests, floods and earthquakes that destroy agricultural land) and seasonality is largely due to changes in the value or productivity of natural capital over the year.

Why is it important?

Clearly, natural capital is very important to those who derive all or part of their livelihoods from resource-based activities (farming, fishing, gathering in forests, mineral extraction, etc.). However, its importance goes way beyond this. None of us would survive without the help of key environmental services and food produced from natural capital. Health (human capital) will tend to suffer in areas where air quality is poor as a result of industrial activities or natural disasters (e.g. forest fires). And although our understanding of linkages between resources remains limited, we know that we depend for our health and well-being upon the continued functioning of complex ecosystems (which are often undervalued until the adverse effects of disturbing them become apparent).

What can be done to build the natural capital of the poor?

Past donor rural development efforts focused largely on building natural capital. Indeed concern with natural capital itself has tended to detract attention from the more important issue of how natural capital is used, in combination with other assets, to sustain livelihoods. The livelihoods approach tries to take a broader view, to focus on people and to understand the importance of structures and processes (e.g. land allocation systems, rules governing extraction from fisheries, etc.) in determining the way in which natural capital is used and the value that it creates.

DFID sustainable livelihoods objective: More secure access to, and better management of, natural resources. Achieved through (for example):

Direct support to asset accumulation

- To conserve resources and biodiversity (through technology and direct action)
- To the provision of services/ inputs for forestry, agriculture, fisheries

Indirect support (through *Transforming Structures and Processes*)

- Reform of organisations that supply services to those involved in forests/agriculture/fisheries
- Changes in institutions that manage, and govern access to, natural resources
- Environmental legislation and enforcement mechanisms
- Support to market development to increase the value of forest/agricultural/fisheries produce

Feedback from achievement of livelihood outcomes (virtuous circles)

- More sustainable use of natural resources has a direct impact upon stocks of natural capital
- Some positive correlation between higher income and investment in natural capital

These structures and processes govern access to natural resources and can provide the incentives or coercion necessary to improve resource management. For example, if markets are well-developed, the value of resources is likely to be higher, prompting better management (though in some cases, developed markets can lead to distress sales by the poor resulting in increased poverty).

Though indirect support to natural capital through *Transforming Structures and Processes* is very important, direct support – focused on resources themselves as opposed to people's ability to use those resources – still has a place when it comes to conservation for future use (e.g. *in situ* biodiversity conservation). One of the foundations of the sustainable livelihoods approach is the belief in and pursuit of various types of sustainability (see 1.4). This includes, but is not limited to, environmental sustainability (i.e. sustainability of natural capital and the services that derive from it, such as carbon sinks and erosion control).

What kind of information is required to analyse natural capital?

It is not only the existence of different types of natural assets that is important, but also access, quality and how various natural assets combine and vary over time (e.g. seasonal variations in value). For example, degraded land with depleted nutrients is of less value to livelihoods than high quality, fertile land, and the value of both will be much reduced if users do not have access to water and the physical capital or infrastructure that enables them to use that water.

With natural resources it is also very important to investigate long-term trends in quality and use. This is familiar territory for those skilled in the practice of rural appraisal techniques (mapping, transect walks, etc.). Typical issues for analysis might include:

- Which groups have access to which types of natural resources?
- What is the nature of access rights (e.g. private ownership, rental, common ownership, highly contested access)? How secure are they? Can they be defended against encroachment?
- Is there evidence of significant conflict over resources?
- How productive is the resource (issues of soil fertility, structure, salinisation, value of different tree species, etc.)? How has this been changing over time (e.g. variation in yields)?
- Is there existing knowledge that can help increase the productivity of resources?
- Is there much spatial variability in the quality of the resource?
- How is the resource affected by externalities? (For example: the productive potential of different parts of watersheds is affected by the activities of other users and the way in which resource systems operate; the value of fisheries depends upon the number of other users who have access and the choices they make about their catches; biodiversity is often damaged by intensive agriculture.)
- How versatile is the resource? Can it be used for multiple purposes? (This can be important in cushioning users against particular shocks.)

Environmental economists have invested considerable effort in trying to determine overall values for natural assets that take into account:

- direct use value (e.g. of land used for agricultural production or of recreational areas);
- indirect use value (e.g. biodiversity, erosion protection and other ecological services); and
- non-use value, or existence value (often calculated on the basis of the amount people would be willing to pay to see the continued existence of a given resource, regardless of whether they use it).

This type of valuation exercise helps remind us of the many uses of natural resources and also of our obligations as 'custodians' rather than 'owners'. However, most livelihoods analysis of natural capital will not go this far. Indirect use values are likely to feature prominently in calculations only when they are problematic or where they offer significant income prospects. For example:

- Problems might arise where tree felling has caused knock-on erosion problems, or over-exploitation of coastal areas is leading to increased storm damage in adjacent areas.
- Significant income earning opportunities might exist in areas of high natural biodiversity.

Various organisations (including the World Bank, the Royal Tropical Institute in the Netherlands, various CGIAR centres and the University of Bradford, Development and Project Planning Centre) are currently working on the development and refinement of (participatory) indicators of environmental sustainability and resource quality.

Infrastructure – such as roads, rails and telecommunications – are key to the integration of the remote areas where many of the poor live. Not only are people able to move between rural and urban areas more easily if the transport infrastructure is good, but they are also more likely to be better informed about opportunities (or the lack of them) in areas to which they are thinking of migrating, either temporarily or permanently.

Development of physical capital must be led by demand from the intended users. Without a perceived need for the service it is unlikely that the required infrastructure maintenance will be carried out, meaning that the service is likely to become unsustainable.

What is physical capital?

Physical capital comprises the basic infrastructure and producer goods needed to support livelihoods.

- Infrastructure consists of changes to the physical environment that help people to meet their basic needs and to be more productive.
- Producer goods are the tools and equipment that people use to function more productively.

The following components of infrastructure are usually essential for sustainable livelihoods:

- affordable transport;
- secure shelter and buildings;
- adequate water supply and sanitation;
- clean, affordable energy; and
- access to information (communications).

Infrastructure is commonly a public good that is used without direct payment. Exceptions include shelter, which is often privately owned, and some other infrastructure that is accessed for a fee related to usage (e.g. toll roads and energy supplies). Producer goods may be owned on an individual or group basis or accessed through rental or 'fee for service' markets, the latter being common with more sophisticated equipment.

Why is it important?

Many participatory poverty assessments have found that a lack of particular types of infrastructure is considered to be a core dimension of poverty. Without adequate access to services such as water and energy, human health deteriorates and long periods are spent in non-productive activities such as the collection of water and fuel wood. The opportunity costs associated with poor infrastructure can preclude education, access to health services and income generation. For example, without transport infrastructure, essential fertiliser cannot be distributed effectively, agricultural yields remain low and it is then difficult and expensive to transport limited produce to the market. The increased cost (in terms of all types of capital) of production and transport means that producers operate at a comparative disadvantage in the market.

Insufficient or inappropriate producer goods also constrain people's productive capacity and therefore the human capital at their disposal. More time and effort are spent on meeting basic needs, production and gaining access to the market.

What can be done to build physical capital for the poor?

In the past DFID has supported the direct provision of producer goods for poor people. This can be problematic for a number of reasons:

- Acting as a direct supplier of producer goods can cause dependence and disrupt private markets.
- Direct provision can detract attention from the need to reform *Structures and Processes* to ensure that gains are sustainable and producer goods are put to the best use.
- Many producer goods are private goods – direct provision through an external agency entails favouring one set of potential recipients over another. This can be divisive and counter-productive. In addition, when goods are 'rationed', the rich often manage to gain access at the expense of the poor, for whom the goods were intended.

The livelihoods approach therefore focuses on helping to provide access to appropriate infrastructure that enables poor people to achieve their livelihood objectives. Participatory approaches are essential to establish users' priorities and needs.

Physical capital (in particular infrastructure) can be expensive. It requires not only the initial capital investment but an ongoing commitment of financial and human resources to meet the operation and maintenance costs of the service. The emphasis is therefore on providing a level of service that not only meets the immediate requirements of users but is affordable in the long term. It can also be important to provide simultaneous support to skill- and capacity-development to ensure effective management by local communities.

Infrastructure is only an asset in as far as it facilitates improved service provision to enable the poor to meet their needs. For example, a participatory assessment may reveal that a key constraint to the livelihoods of a particular group is the difficulty of carrying produce to market, especially during the rainy season. A livelihoods 'response' to this problem will include not only improvements to the physical infrastructure to improve water crossings, or drain a track during the rains, but also would also consider encouraging an affordable transport service using appropriate vehicles, for example ox carts.

'Assistance for basic infrastructure provision is most effective when it is part of a broader plan for improving the effectiveness and coherence of government'

Basic infrastructure for poor people. London: DFID (March 1998).

DFID sustainable livelihoods objective: Better access to basic and facilitating infrastructure.

Achieved through (for example):

Direct support to asset accumulation

- Service provision (e.g. development of intermediate means of transport)
- Infrastructure provision (e.g. pumped wells and latrines)

Indirect support (through *Transforming Structures and Processes*)

- Reform within managing ministries (possibly through sector programmes)
- Support to sector strategies and regulatory frameworks – including participatory processes with the poor
- Support to the development of private sector alternatives
- Capacity building for community-based construction and management

Feedback from achievement of livelihood outcomes (virtuous circles)

- Increased income is often spent on shelter, water and power supplies
- Better domestic infrastructure is often a core component of well-being

What kind of information is required to analyse physical capital?

The approach to analysing physical capital must be participatory. Users may place a greater importance on some services than others and these priorities must be taken into account. For example, people may prefer to use a surface water supply a long way away rather than to pump a well near at hand.

- Does the infrastructure support a service? There is little benefit in a school building if there are no teachers, or the pupils cannot get to it when classes are being held.
- Is the infrastructure appropriate? Can the physical capital provided meet the needs of the users in the long term. This involves not just the sustainability of the service as it stands but an analysis of the ability of the capital to be adapted and upgraded in response to changing demand.

Access is also a key concern. Sometimes costly infrastructure exists in an area, but this does not mean that the poor have access to it. This might be because the user-fees are too expensive for them, or because richer groups use their strength and influence to control or monopolise access.

Two important characteristics of savings are varying levels of:

- productivity (how much value do they gain when they are left untouched?)
- liquidity (how readily they can be turned into cash?).

Generally speaking, both are desirable characteristics, though liquidity also has a downside: the more liquid one's savings, the more difficult it tends to be to defend them from claims from family members or others.

There may also be trade-offs between liquidity and productivity as well as between productivity and risk.

What is financial capital?

Financial capital denotes the financial resources that people use to achieve their livelihood objectives. The definition used here is not economically robust in that it includes flows as well as stocks and it can contribute to consumption as well as production. However, it has been adopted to try to capture an important livelihood building block, namely the availability of cash or equivalent, that enables people to adopt different livelihood strategies.

There are two main sources of financial capital.

- **Available stocks:** Savings are the preferred type of financial capital because they do not have liabilities attached and usually do not entail reliance on others. They can be held in several forms: cash, bank deposits or liquid assets such as livestock and jewellery. Financial resources can also be obtained through credit-providing institutions.
- **Regular inflows of money:** Excluding earned income, the most common types of inflows are pensions, or other transfers from the state, and remittances. In order to make a positive contribution to financial capital these inflows must be reliable (while complete reliability can never be guaranteed there is a difference between a one-off payment and a regular transfer on the basis of which people can plan investments).

Why is it important?

Financial capital is probably the most versatile of the five categories of assets.

- It can be converted – with varying degrees of ease, depending upon *Transforming Structures and Processes* – into other types of capital.
- It can be used for direct achievement of livelihood outcomes – for example when food is purchased to reduce food insecurity.
- Rightly or wrongly, it can also be transformed into political influence and can free people up for more active participation in organisations that formulate policy and legislation and govern access to resources.

However, it is also the asset that tends to be the least available to the poor. Indeed, it is because the poor lack financial capital that other types of capital are so important to them.

There are, in addition, assets or desirable outcomes that may not be achievable through the medium of money (such as different components of well-being and knowledge of human rights).

What can be done to build financial capital for the poor?

Development agencies are not in the business of handing out money to poor people (direct support to financial capital). Access to financial capital is instead supported through indirect means. These may be:

- **Organisational** – increasing the productivity of existing savings and financial flows by helping to develop effective, tailored financial services organisations for the poor. So long as they are well-trusted, accessible and widely-known they may encourage people to save. Another option might be to help develop organisations that transit remittance income more efficiently to final recipients.
- **Institutional** – increasing access to financial services, including overcoming barriers associated with poor people's lack of collateral (either by providing some sort of umbrella guarantee or by identifying mechanisms that enable people's existing assets to act as collateral).
- **Legislative/regulatory** – working to reform the environment in which financial services operate or to help governments provide better safety nets for the poor (including pensions).

The issue of **institutional sustainability** is of particularly importance in the area of micro-finance. Unless people believe that financial service organisations will persist over time, and will continue to charge reasonable rates of interest, they will not entrust their savings to them, or be reliable in making their loan repayments.

Although financial capital tends to be quite versatile, it cannot alone solve all the problems of poverty. People may not be able to put their financial resources to good use because:

- they lack knowledge (and cannot purchase this knowledge with small amounts of money); or
- they are constrained by inappropriate *Transforming Structures and Processes* (e.g. under-developed markets, a policy environment that hinders micro-enterprise, etc.).

It is important to take these factors into consideration when planning support. On the positive side, it is also important to be aware of the way in which existing social structures and relations (forms of social capital) can help facilitate group-based lending approaches.

When savings are held in unconventional forms, particular to the needs and culture of owners, different modes of support may be appropriate. For example, pastoralists may be more likely to benefit from improved animal health or marketing systems that reduce the risks associated with their savings (held in the form of livestock) than the establishment of a local bank.

There is ample literature on the subject of building financial services. For a summary of issues in rural areas, please refer to the *Key Sheet* on rural finance. This *Key Sheet* stresses the importance of considering credit as one of a range of financial services to which the poor should have access.

DFID sustainable livelihoods objective: More secure access to financial resources.

Achieved through (for example):

Direct support to asset accumulation

- NONE

Indirect support (through *Transforming Structures and Processes*)

- Support to the development of financial services organisations (savings, credit, insurance)
- Extending access to financial services organisations
- Reform of financial sector legislation/regulation
- Support to develop marketing (e.g. for pastoralists)

Feedback from achievement of livelihood outcomes (virtuous circles)

- Increased income increases the scope for saving
- More sustainable resource management prolongs financial flows from natural capital

What kind of information is required to analyse financial capital?

First it is important to gain a straightforward understanding of:

- Which types of financial service organisations exist (both formal and informal)?
- What services do they provide, under what conditions (interest rates, collateral requirements, etc.)?
- Who – which groups or types of people – has access? What prevents others from gaining access?
- What are the current levels of savings and loans?

Understanding the nature of savings behaviour requires finding answers to questions such as:

- In what form do people currently keep their savings (livestock, jewellery, cash, bank deposits, etc.)?
- What are the risks of these different options? How liquid are they? How subject to changes in value depending upon when they are liquidated?

In the past, the existence and effects of what can be quite sizeable flows of remittance income have often been over-looked. To correct this, it is important to understand:

- How many households (and what type) have family members living away who remit money?
- How is remittance income transmitted?
- How reliable are remittances? Do they vary by season? How much money is involved?
- Who controls remittance income when it arrives? How is it used? Is it reinvested?

It is through activity at the level of structures and processes that DFID aims to secure its sixth livelihood objective: a policy and institutional environment that supports multiple livelihood strategies and promotes equitable access to competitive markets for all.

Transforming Structures and Processes within the livelihoods framework are the institutions, organisations, policies and legislation that shape livelihoods. Their importance cannot be over-emphasised. They operate at all levels, from the household to the international arena, and in all spheres, from the most private to the most public. They effectively determine:

- access (to various types of capital, to livelihood strategies and to decision-making bodies and sources of influence);
- the terms of exchange between different types of capital; and
- returns (economic and otherwise) to any given livelihood strategy.

In addition, they have a direct impact upon whether people are able to achieve a feeling of inclusion and well-being. Because culture is included in this area they also account for other 'unexplained' differences in the 'way things are done' in different societies.

Examples: Access to shelter and land

In order to understand the basis for the asset distribution at the level of the individual or community, it is necessary to extend the analysis well beyond to the relevant *Transforming Structures and Processes*. Table 2 provides an example of the various types and levels of structure and process that affect access to shelter and land.

Table 2	ACCESS TO	
	Shelter	Land
STRUCTURES		
Public sector	<ul style="list-style-type: none"> • Efficacy of organisations that make and enforce legislation 	<ul style="list-style-type: none"> • Efficacy of organisations that make and enforce legislation
Private commercial	<ul style="list-style-type: none"> • Existence of building organisations, material suppliers, transport, credit organisations 	<ul style="list-style-type: none"> • Existence of credit organisations and land traders
Civil society	<ul style="list-style-type: none"> • Existence of self-help, self-build groups 	<ul style="list-style-type: none"> • Existence of local resource management organisations
PROCESSES		
Policy	<ul style="list-style-type: none"> • National land use policies • Policies on settlement priorities, credit availability, etc. 	<ul style="list-style-type: none"> • National land use policies • Policies on decentralisation of resource management
Legislation	<ul style="list-style-type: none"> • National/district land legislation • The rule of law in general (security of persons/transactions) • Housing, health and social law 	<ul style="list-style-type: none"> • National/district land legislation • The rule of law in general (security of persons/transactions)
Institutions	<ul style="list-style-type: none"> • Local conventions on land allocation/inheritance • Informal restrictions on shelter ownership • Existing ownership rights and power relations • The state of housing/land markets 	<ul style="list-style-type: none"> • Local conventions on land allocation/inheritance • Informal restrictions on land ownership • Existing ownership rights and power relations • The state of land markets
Culture	<ul style="list-style-type: none"> • Within household power relations and conventions on access to shelter 	<ul style="list-style-type: none"> • Within household power relations and conventions on access to land

The value of shelter and land

The value to livelihoods of assets depends upon a further range of structures and processes, for example:

- **Shelter:** the value of shelter is particularly affected by the existence of organisations that supply services, such as water, waste disposal and electricity, and policies/institutions that regulate access to these. The value of the location of any shelter may be affected by cultural beliefs.
- **Land:** the value of land will be affected by policies and laws on agriculture, environment, import/export, marketing, etc. It will also depend upon the existence and effectiveness of agricultural technology organisations, private sector trading/financing organisations and membership organisations that can influence policy and draw down services for those engaged in agriculture. Cultural issues will affect land and labour use and local institutions will govern share-cropping percentages (where relevant).

Analysing transforming structures and processes

Methods for conducting cost effective, linked policy and institutional analysis at multiple levels are not well developed. However, a useful starting point for analysis may be to investigate the overall relationship between *Transforming Structures and Processes* and communities/individuals. This is the context – or governance structure – that confers legitimacy on different organisations and provides the framework within which they operate.

The following general ideas – drawn from work in progress at IIED – may be useful when thinking about both governance and the individual structures and processes that affect livelihoods.

- **Roles:** Who (which organisations) *actually* does what? (i.e. reality as opposed to theory)
- **Responsibilities:** What responsibilities do different organisations have? Is there adequate responsibility at lower levels and outside formal structures? How are responsibilities established and enforced? Are they reflected in policy/legislation?
- **Rights:** How aware are different groups/organisations of their basic human and political rights? Do given groups have other rights (including rights to collect revenue)? Are these commensurate with responsibilities? How are they enforced/safeguarded?
- **Relations:** What is the current state of relations between different groups? How do policies (and the bodies that make them) relate to legislation (and the bodies that implement this)?

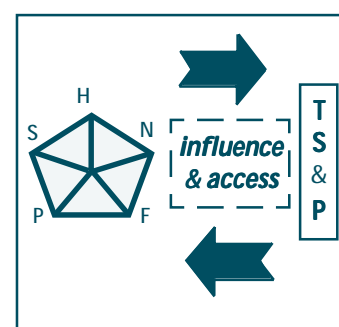
It is always important to think beyond the state of the structures and processes themselves to the effect that these have on the livelihoods of different groups.

Relationships within the framework

The influence of *Transforming Structures and Processes* extends throughout the framework:

- There is direct feedback to the **Vulnerability Context**. Processes (policies), established and implemented through structures, affect trends both directly (e.g. fiscal policy/economic trends) and indirectly (e.g. health policy/population trends). They can also help cushion the impact of external shocks (e.g. policy on drought relief and the density of relief providing agencies). Other types of processes are also important. For example, well-functioning markets can help reduce the effects of seasonality by facilitating inter-area trade.
- Institutions can absolutely restrict people's choice of **Livelihood Strategies** (e.g. in rigid caste systems). More common are policies and regulations that affect the attractiveness of particular livelihood choices through their impact upon expected returns.
- There may also be a direct impact on **Livelihood Outcomes**. Responsive political structures that implement pro-poor policies, including extending social services into the areas in which the poor live, can significantly increase people's sense of well-being. They can promote awareness of rights and a sense of self-control. They can also help reduce vulnerability through the provision of social safety nets. Relationships between various policies and the sustainability of resource use are complex and sometimes quite significant.

Governance has much to do with the two-way 'influence & access' arrows between people's assets and *Transforming Structures and Processes*.



A priority for future work will be to develop both:

- a better understanding of overall governance structures and their effect on livelihoods; and
- better ways to understand the relationships between the micro and the macro to enable us to pinpoint, with confidence, where constraints to the development of more sustainable livelihoods lie.

Farmers make their cultivation choices based upon a number of factors, including the availability of germplasm. If they are purchasing germplasm, their choice will be limited to the varieties stocked by local traders. These, in turn, will depend upon the R&D choices made by giant, multinational seed companies. Farmers are therefore affected by the actions of both local and very distant private organisations.

What are structures?

Structures in the framework are the hardware – the organisations, both private and public – that set and implement policy and legislation, deliver services, purchase, trade and perform all manner of other functions that affect livelihoods. They draw their legitimacy from the basic governance framework.

Structures exist at various levels. This is most obvious in the case of governmental organisations. These operate in cascading levels with varying degrees of autonomy and scope of authority, depending upon the extent and nature of decentralisation. Private commercial organisations also operate at different levels from the multi-national to the very local; it is not only the local level that is relevant to livelihoods. Analysis should therefore be sensitive to the roles and responsibilities of the different levels of structures and seek to identify those that are of greatest importance to livelihoods.

Public sector

- Political (legislative) bodies at various levels from local through to national
- Executive agencies (ministries, departments)
- Judicial bodies (courts)
- Parastatals/quasi-governmental agencies

Private sector

- Commercial enterprises and corporations
- Civil society/membership organisations (of varying degrees of formality)
- NGOs (international, national, local)

Why are structures important?

Structures are important because they make processes function. Without legislative bodies there is no legislation. Without courts to enforce it, legislation is meaningless. Without traders, markets would be limited to direct trades between buyers and sellers. An absence of appropriate structures can be a major constraint to development. This is a particular problem in remote rural areas. Many important organisations – both private and public sector – do not reach these areas. As a result services go undelivered, markets do not function and people's overall vulnerability and poverty increases. Moreover, when people do not have access to organisations of the state they often have little knowledge of their rights and only a very limited understanding of the way in which government functions. This disenfranchises them and makes it hard for them to exert pressure for change in the processes (policies, legislation, etc.) that affect their livelihoods.

What can be done to build structures for the poor?

One of the most common problems in development is that *Transforming Structures and Processes* do not work to the benefit of the poor. This can be a deliberate outcome driven by the failure of prevailing – elite controlled – governance arrangements to recognise the legitimate interests of the poor. Or it can be more accidental, the result of an evolutionary process in which the poor have played little part. External support can help solve these problems through building structures for the poor. However, structures on their own – without accompanying processes – have only 'potential' or 'option' value; the two must be considered together. It is not effective to invest in building impressive organisations if the processes that govern their activity prevent them from providing benefits to the poor. For example, it is not a good use of money to provide capacity-building support to micro-finance organisations if national legislation precludes the provision of financial services except by registered banks. Likewise, it makes little sense to invest in building up networks of para-veterinarians if legislation outlaws practice by non-registered vets. In such instances the primary, or at least simultaneous, focus must be on processes and ensuring that these work to the benefit of the poor.

As long as due consideration is given to processes, the following types of activity at the level of structures can achieve positive outcomes.

- **Building structures that represent the poor:** Membership organisations can help people to draw down services, increase local information flows and innovation, exert influence on higher-level structures and processes and perform numerous other functions. These can all be thought of as dimensions of empowerment. However, capacity-building support is frequently required to ensure that membership organisations remain representative of all their members – including the poorest – and that they develop financial and internal management systems that facilitate effective operation and interaction with other organisations.
- **Promoting reform within structures that make policy and provide services to the poor:** Increasing the responsiveness of various organisations to the poor is an important objective. Sometimes this can be achieved through helping organisations to extend the scope of their activity. There may also be a need for structural change within organisations (e.g. decentralisation, rationalisation of departments, etc.). More often it is a question of facilitating change in the way that organisations operate, their organisational behaviour, reward systems and culture – i.e. processes rather than structures.
- **Providing support to the establishment or expansion of scope of private sector organisations:** Competitive markets are valued for their economic efficiency and ‘built in’ responsiveness to clients. But they will not function in the absence of traders (individuals and organisations). Where missing markets seem to be a particular constraint, it may be appropriate to provide short-term support (information, start-up finance, training, etc.) to certain types of private sector organisation to stimulate their development.
- **Supporting joint forums for decision-making and action:** There are many dangers associated with the creation of entirely new organisations. However, it can be important to support the establishment and operation of new forums that bring together existing interests and organisations. Such forums may be problem-oriented and temporary (e.g. if they are formed to resolve a particular conflict) or more lasting (e.g. if they oversee common resource management). Problem-oriented organisations may also develop into more permanent bodies if are successful and gain the trust of local people.

In some cases appropriate membership organisations may not exist, in which case they can be externally catalysed, though this can create problems of unsustainability and dependence and is usually best avoided.

What type of information is required to analyse structures?

It is relatively straightforward – though time-consuming – to analyse through observation and survey which structures exist and what they do. What is more difficult to understand is how different structures relate to each other (the processes that govern their interactions) and how, in conjunction with various processes, they impact upon the poor, and *vice versa*.

Depending upon the importance attributed to various structures it may be important to understand their:

- legal/constitutional basis, authority and jurisdiction (including degree of decentralisation);
- membership/ownership structure;
- leadership/management structure;
- objectives and activities;
- financial basis (sustainability); and
- geographic location/extent.

At the same time it is obviously important to understand how they operate (processes), the extent to which they are held in popular trust and the nature of their relations with other structures.

This type of information is required in order to establish whether and how existing structures can act as building blocks for the promotion of the interests of the poor.

At various times and in various places, private sector – particularly civil society – organisations have been either ignored or outlawed. As a result, many of the private sector organisations that exist now are quite ‘young’, under-developed and rather informal. This can make them more difficult to understand. However, it may also mean that they have significant unrealised potential to contribute to livelihoods.

What are processes?

If structures can be thought of as hardware, processes can be thought of as software. They determine the way in which structures – and individuals – operate and interact. And like software, they are both crucial and complex: not only are there many types of processes operating at a variety of different levels, but there is also overlap and conflict between them. The box shows just some of the transforming processes of importance to livelihoods.

Policies	Legislation	Institutions	Culture	Power Relations
<ul style="list-style-type: none"> • Macro • Sectoral • Redistributive • Regulatory 	<ul style="list-style-type: none"> • International agreements • Domestic 	<ul style="list-style-type: none"> • Markets • Institutions that regulate access to assets • 'Rules of game' within structures 	<ul style="list-style-type: none"> • Societal norms and beliefs 	<ul style="list-style-type: none"> • Age • Gender • Caste • Class

When people engage in market transactions they have certain expectations of how different parties will behave. Markets cannot function in the absence of this reliability (and associated sanctions for those who 'break the rules').

- **Policies** inform the development of new **legislation** and provide a framework for the actions of public sector implementing agencies and their sub-contractors.
- **Institutions** have been variously defined as the 'rules of the game', 'standard operating practices', 'routines, conventions and customs' or 'the way things are done'. They are informal practices that structure relationships and make the behaviour of organisations somewhat predictable. Thus, informal arrangements on land access are institutions, as are markets. 'Rules of the game' operate both within structures and in interactions between structures.
- Institutions are embedded in and develop out of the **culture** of communities or larger societies.
- This culture will often include widely recognised hierarchies of **power relations** that confer a particular status on people and constrain their behaviour and opportunities according to factors that are essentially out of their control (age, gender, etc.).

Why are processes important?

It may sometimes be in the interests of the poor to substitute 'formal' processes for 'informal' ones, extending the reach of the state into new areas (for example, when a government enacts legislation on equal opportunities or gender discrimination or when customary land tenure arrangements are superseded by formal legislation). Before such changes are made, the impact on livelihoods of existing arrangements should be fully understood – formal is not always better.

Processes are important to every aspect of livelihoods – these are just some examples.

- They provide the incentives – from markets through cultural constraints to coercion – that stimulate people to make particular choices (about which livelihood strategy to pursue, where to pursue it, how much to invest in different types of livelihood assets, how to manage a resource, etc.).
- They grant – or deny – access to assets.
- They enable people to transform one type of asset into another (through markets).
- They have a strong influence on inter-personal relations – how different groups treat each other.

One of the main problems faced by the poor is that the processes that frame their livelihoods systematically restrict them and their opportunities for advancement. This is a characteristic of social exclusion and it is one reason why it is so important that governments adopt pro-poor policies. If higher-level policy is genuinely pro-poor and designed to protect the rights of excluded minorities, this may in time filter down and influence not only legislation but also less formal processes.

What can be done to build processes for the poor?

The fact that processes can 'transform' livelihoods makes them a key focus for donor activity. The aim is to build or reform policies, laws and institutions (culture is not an area for direct donor activity) so that they provide better opportunities for the poor.

This may entail, amongst other things:

- providing information to support a more pro-poor policy-making process;
- deepening and strengthening the contact between the poor and policy makers (reinforcing the arrow that runs from the asset pentagon towards *Transforming Structures and Processes*);
- supporting participatory processes of policy formulation;
- increasing the accountability and transparency of public decision-making (a key objective of decentralisation, also achieved by separating delivery from the regulation and financing of services);
- assisting with the planning, drafting and implementation of legislation of importance to the poor (e.g. land tenure legislation);
- promoting the adoption of redistributive policies and the establishment of social safety nets that directly benefit the poor;
- promoting the expansion of fair and competitive markets;
- providing support to help local organisations adopt pro-poor ways of operating; and
- improving the institutional context of private decision-making (reducing risk, streamlining regulation, ensuring fairness, etc.).

One comprehensive means of addressing problems in this area is through sector programmes. The potential of these to benefit the poor has not yet been fully realised. While their intentions may be very good, they can become too concerned with the structures that execute processes and fail to ensure that the processes themselves adequately represent the interests of the poor.

Amongst other things, sector programmes are concerned with defining the appropriate role of the state and helping it to execute this role better. This improves the efficiency of public sector management. It also helps to **promote markets** both directly (the state has a role in facilitating markets) and indirectly (as the state retreats from areas of the market in which there is no justification for it to remain).

Markets can provide enormous opportunities for poor people (think, for example, of the production boom when Chinese agriculture was liberalised), but they can also discriminate against the interests of poor people. Local culture frequently prevents women from accessing markets and markets often fail to reach the poorest rural areas, thereby further marginalising them. Donors may be able to help address this problem by both supporting the extension of structures into remote areas and reducing the costs associated with market development (standardising weights and measures, helping to make financial regulations more conducive to trading, etc.).

What type of information is required to analyse processes?

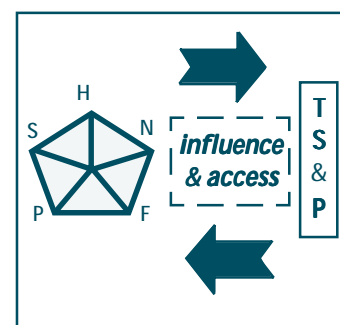
In order to understand the impact of existing processes on livelihoods, it is necessary to be able to trace through the effects of given processes on particular groups. The understanding gained through this analysis will then assist with the development of more effective processes, if this is a priority.

Analysis of policies and legislation is complicated by the need to know:

- what is written in statute books;
- what the intended effects of policies and associated laws are; and
- what happens in practice.

Some policies and legislation – including some of governments' more impressive pronouncements – are never acted upon or are not enforced. In other cases they may have perverse outcomes (e.g. legislation preventing tree-felling may reduce the amount of trees planted, changes in factor prices under adjustment policies may not have the expected impact on production). Unless this is known, it will not be easy to think about the effects of processes on livelihoods and whether change is a priority.

Further work is required to develop more effective methodologies for analysing policies, their effects on livelihoods and how they themselves are influenced by what happens at local level.



Analysis of processes should be selective, casting a wide net at the outset and then - with the help of participatory exercises with various groups of local people - homing in on key areas for more in-depth work.

Some versions of livelihoods analysis use the term 'adaptive strategies' instead of 'livelihood strategies'. Adaptive strategies are distinguished from 'coping strategies' adopted in times of crisis.

The more choice and flexibility that people have in their livelihood strategies, the greater their ability to withstand – or adapt to – the shocks and stresses of the *Vulnerability Context*.

The livelihoods approach seeks to promote choice, opportunity and diversity. This is nowhere more apparent than in its treatment of livelihood strategies – the overarching term used to denote the range and combination of activities and choices that people make/undertake in order to achieve their livelihood goals (including productive activities, investment strategies, reproductive choices, etc.).

Diversity, straddling and linkages

Recent studies have drawn attention to the enormous diversity of livelihood strategies at every level – within geographic areas, across sectors, within households and over time. This is not a question of people moving from one form of employment or 'own-account' activity (farming, fishing) to another. Rather, it is a dynamic process in which they combine activities to meet their various needs at different times. A common manifestation of this at the household level is 'straddling' whereby different members of the household live and work in different places, temporarily (e.g. seasonal migration) or permanently. Social patterns such as this clearly complicate analysis and underline the importance of viewing households and communities within their wider context. Since goods, financial resources and people are all mobile, an accurate picture of livelihoods cannot be gained if artificial boundaries are drawn. Thus links between urban and rural centres will need to be explored, as will the implications for decision-making and asset usage of split families .

What can be done to assist poor people with their livelihood strategies?

In the past rural people were essentially viewed as farmers, foresters or fisherfolk and urban people were generally considered to be wage labourers seeking employment or participants in the 'informal sector'. Development efforts sought to improve the services and opportunities available to these categories of people. The sustainable livelihoods approach, by contrast, seeks to develop an understanding of the factors that lie behind people's choice of livelihood strategy and then to reinforce the positive aspects (factors which promote choice and flexibility) and mitigate the constraints or negative influences. It does not try to promote any given livelihood strategy simply because the 'raw materials' (e.g. forests, land, employment opportunities) for this exist.

This expansion of choice and value is important because it provides people with opportunities for self-determination and the flexibility to adapt over time. It is most likely to be achieved by working to improve poor people's access to assets – the building blocks for livelihood strategies – and to make the structures and processes that 'transform' these into livelihood outcomes more responsive to their needs.

Access to assets

People's access to different levels and combinations of assets is probably the major influence on their choice of livelihood strategies. Some activities require, for example:

- particular skills or may be very labour intensive (high levels of human capital required);
- start-up (financial) capital or good physical infrastructure for the transport of goods (physical capital);
- a certain type/level of natural capital as the basis for production; or
- access to a given group of people achievable only through existing social connections (social capital).

Different livelihood activities have different requirements, but the general principle is that those who are amply endowed with assets are more likely to be able to make positive livelihood choices. That is, they will be choosing from a range of options in order to maximise their achievement of positive livelihood outcomes, rather than being forced into any given strategy because it is their only option.

Structures and Processes

Transforming Structures and Processes can reinforce positive choices. If they function well, they will facilitate mobility in labour markets and reduce risk and the transaction costs associated with embarking

upon new ventures. They can also increase the efficiency of investment. However, in other cases they can act as a major constraint to choice, restricting access (e.g. in the case of rigid caste systems or state-dominated marketing systems), reducing the mobility of goods and labour and manipulating returns to given activities to make them more or less attractive (e.g. heavy-handed pricing policies). Under such circumstances, people might be viewed as making 'negative choices' as to their livelihood strategies, or they may have no choice at all. Effort in this area should therefore focus on turning the negative into positive – widening choice, reducing costs and extending access.

What type of information is required to analyse livelihood strategies?

It is very important that preconceptions about what the poor do – what their livelihood strategies are – should be put aside. It has been common in the past to make untested assumptions about the poor, and as a consequence, to misdirect support (e.g. supporting agriculture on the assumption that most of the poor are farmers, when the poorest of the poor may be wage labourers outside agriculture).

The following types of issues are important when thinking about livelihood strategies.

- What does the livelihood 'portfolio' of different social groups look like (percentage of income from different sources, amount of time and resources devoted to each activity by different household members, etc.)?
- How and why is this changing over time? (Changes may be, for example: long-term, in response to external environmental change; medium-term as part of the domestic cycle; or short-term in response to new opportunities or threats.)
- How long-term is people's outlook? Are they investing in assets for the future (saving)? If so, which types of assets are a priority?
- How 'positive' are the choices that people are making? (e.g. would people migrate seasonally if there were income earning opportunities available closer to home or if they were not saddled with unpayable debt? are they 'bonded' in any way? are women able to make their own choices or are they constrained by family pressure/local custom?)
- Which combinations of activities appear to be 'working' best? Is there any discernible pattern of activities adopted by those who have managed to escape from poverty?
- Which livelihood objectives are not achievable through current livelihood strategies?

As always, it is important to take a socially differentiated view of livelihood strategies in order to focus support in the most appropriate area. This means thinking about variations in livelihoods strategies between different social groups, why these exist and what effect they have.

Caveat: Competing livelihood strategies

One of the many problems of development is that projects while favouring some, can disadvantage others. When considering livelihood strategies it is important to recognise that people compete (for jobs, for markets, to secure better prices, etc.). This makes it difficult for everyone to achieve simultaneous improvements in their livelihoods.

The sustainable livelihoods approach values social sustainability, inclusion and equity and prioritises the interests of the poor. But the poor are themselves a heterogeneous, and internally competitive, grouping.

There is no 'solution' to this problem. However, its existence does underscore the importance of:

- extending choice and opportunities for the poor and building up their ability to take advantage of these opportunities (through building capital assets) while leaving them to make the final choice of what they will do; and
- thinking about safety nets for those who remain unable to achieve their livelihood objectives in what will always be a competitive environment.

Strategies are intimately connected with people's objectives – the beneficial *Livelihood Outcomes* that they seek.

IDS has developed a useful checklist of questions about livelihood strategies.

- **Sequencing** – what is the starting point for successfully establishing a particular livelihood strategy? Is one type of resource essential?
- **Clustering** – is there a clustering of particular livelihood assets associated with particular livelihood strategies?
- **Trade-offs** – in pursuing a particular portfolio of livelihood strategies, what are the trade-offs faced by different people with access to different assets?

Adapted from: Scoones, I. (1998) *Sustainable rural livelihoods: A framework for analysis*. IDS Working Paper 72. Brighton: IDS.

Why are livelihood outcomes important?

Livelihood outcomes are important because they help us to understand:

- the 'output' of the current configuration of factors within the livelihoods framework (a first step to understanding the nature of causality);
- what motivates people to behave as they do;
- what their priorities are (as a basis for planning support activities);
- how they are likely to respond to new opportunities; and
- which performance indicators should be used to assess support activity.

The right to 'a standard of living adequate for health and well-being, including food and housing' is enshrined in international agreements. It is not, however, achieved for many of the poor whose primary day-to-day objective continues to be to secure enough food to eat.

Livelihood Outcomes are the achievements or outputs of *Livelihood Strategies*. Once again, the important idea associated with this component of the framework is that we, as outsiders, investigate, observe and listen, rather than jumping to quick conclusions or making hasty judgements about the exact nature of the outcomes that people pursue. In particular, we should not assume that people are entirely dedicated to maximising their income. Rather, we should recognise and seek to understand the richness of potential livelihood goals. This, in turn, will help us to understand people's priorities, why they do what they do, and where the major constraints lie.

Terminology: Outcomes not objectives

In the framework the term 'outcomes' is used in preference to 'objectives' for two main reasons.

- **Sustainability:** The framework provides a way of thinking about livelihoods and tries to promote responsiveness. However, it also has a normative dimension: DFID's objective is to promote *sustainable* livelihoods (sheet 1.4 investigates the various dimensions of sustainability). The difficulty is that this broad sustainability objective is unlikely to be shared by all those involved. Hence the *Livelihood Outcomes* component of the framework is something of a hybrid, combining the aims of both DFID and its clients. Using the term 'objectives' would raise the question of 'whose objectives?' while the term 'outcome' is more neutral and encourages us to focus on what actually happens.
- **Achievement-orientation:** The framework is not just an analytical tool. It is intended to provide the basis for action. Thinking about 'objectives' can be descriptively interesting. Thinking about outcomes focuses attention on achievements, the development of indicators and progress in poverty elimination.

What are livelihood outcomes?

The livelihood outcomes that appear in the generic framework are effectively categories introduced to make this section of the framework manageable. Each one may or may not be relevant in any given situation – this can only be established through participatory enquiry.

- **More income:** Although income measures of poverty have been much criticised, people certainly continue to seek a simple increase in net returns to the activities they undertake and overall increases in the amount of money coming into the household (or their own pocket). Increased income also relates to the idea of the economic sustainability of livelihoods.
- **Increased well-being:** In addition to income and things that money can buy, people value non-material goods. Their sense of well-being is affected by numerous factors, possibly including: their self-esteem, sense of control and inclusion, physical security of household members, their health status, access to services, political enfranchisement, maintenance of their cultural heritage, etc.
- **Reduced vulnerability:** Poor people are often forced to live very precariously, with no cushion against the adverse effects of the *Vulnerability Context*; their livelihoods are to all intents and purposes unsustainable. For such people, reducing their vulnerability to the downside and increasing the overall social sustainability of their livelihoods may well take precedence over seeking to maximise the upside.
- **Improved food security:** Food insecurity is a core dimension of vulnerability. It appears as a separate category in the framework in order to emphasise its fundamental importance, and because this helps to locate the activities of those governments and donors that focus on food security. It is also worth noting that participatory poverty assessments have shown hunger and dietary inadequacy to be a distinct dimension of deprivation.
- **More sustainable use of the natural resource base:** Environmental sustainability, or sustainability of the natural resource base, is not the only dimension of sustainability that is important to DFID. However, it is a major concern that is not adequately captured in the other livelihood outcome categories. Although often viewed as a donor objective, it is of course shared by many who recognise the long-term benefits of prudent resource use.

Trade-offs between livelihood outcomes

One of the main difficulties with this part of the framework is that livelihood outcomes are not necessarily coherent and are certainly incommensurable. It is hard to weigh up the relative value of increased well-being as opposed to increased income, but this is the type of decision that people must make every day when deciding which strategies to adopt.

There may also be conflict between livelihood outcomes. An obvious example is when increased income for particular groups is achieved through practices that are detrimental to the natural resource base. Or perhaps different family members prioritise different livelihood objectives – some seeking to reduce vulnerability, while others seek to maximise income streams. The framework does not offer any answers to these dilemmas but does provide a structure for thinking them through, considering how they affect other aspects of livelihoods (e.g. strategies adopted) and perhaps coming to a mutually acceptable 'solution'.

Outcomes as a basis for indicator development

The sustainable livelihoods approach is about supporting people to achieve their own livelihood goals (with the proviso about sustainability). Livelihoods programmes should therefore be judged on whether they contribute to the achievement of the livelihood outcomes that people consider important. One way of ensuring this is to negotiate indicators with particular groups and to draw these groups into monitoring processes. Care should also be taken to observe unplanned changes associated with development activity (for example, changes in social relations, accumulation or loss of assets by particular groups, etc.).

There are, though, several difficulties in this area, including that:

- different outcomes may conflict (as above);
- some outcomes (such as increased well-being) may be extremely difficult to translate into monitorable indicators; and
- it is hard to ensure objective monitoring of impact by groups with different interests, especially when they themselves do not prioritise a given outcome (e.g. environmental sustainability).

As always with development activity, it is hard to achieve an adequate understanding of the nature of causality, though the comprehensive approach of the livelihoods framework may provide some assistance here.

What information is required to analyse livelihood outcomes?

When thinking about *Livelihood Outcomes*, it is important to understand not only the aims of particular groups but also the extent to which these are already being achieved. If certain social groups are systematically failing to achieve their aims, it may be because their aims conflict with the aims of other, more powerful groups. Or it may be because they do not have the means (assets) to achieve them. This distinction will help inform activity in support of the weaker groups.

Assessing non-tangible outcomes, that may be very subjective and private, is a challenge. When thinking about well-being, for example, the following types of issues might be important:

- To what extent are people aware of their rights (political, human, social, and economic)?
- Do they have any access to means of ensuring that their rights are met?
- How 'secure' (against physical damage, violence, seizure by the state, natural and economic shocks, etc.) are people and their assets?
- What sources of information are open to people? How high is the quality of that information?
- To what extent are particular groups represented within the political process?
- How good is the access of different groups to core services (e.g. education, sanitation, health)?

For all issues it will be important to investigate what the current situation is, how it is changing over time, and whether securing change is a priority for local people.

There is a close relationship – note the feedback arrow in the framework – between *Livelihood Outcomes* and *Livelihood Assets*, the two being linked through *Livelihood Strategies*. For example, a person may choose to reinvest most or all of any increased income in assets, with a view to catalysing a virtuous circle of asset accumulation and increased income.

Following sections of the *Guidance Sheets* will address issues of indicator development and monitoring in more detail. This is certainly an area that requires further work.

Participatory poverty assessments provide some important lessons about the wide range of people's objectives and how best to gather reliable information on these.

REFERENCE

GLOSSARY

Asset Pentagon

The Asset Pentagon is an important component in the SL Framework. It is a visual representation of information about people's livelihood assets. It brings to life important inter-relationships between the various assets.

Asset Status

This refers to an individual's or group's access to livelihood assets. A change in Asset Status may involve an increase or decrease in access to livelihood assets or a change in the composition of the livelihood assets to which there is access.

Barriers to Entry

Refers to the obstacles facing potential newcomers to a market. Typical obstacles include: the high level of skills and/or investment required to enter the market, bureaucratic/regulatory obstacles, cultural/social obstacles, action taken by established firms to discourage new-entrants etc.

Capital

In the sustainable livelihoods framework it is best understood with reference to the following five categories: human capital, natural capital, financial capital, social capital, and physical capital. These are also known as livelihood assets. Outside the sustainable livelihoods framework the term Capital is used in a variety of ways. In economics it is commonly defined as being one of three factors of production, the other two being labour and land.

Core Principles of Livelihood Analysis

The Core Principles of Livelihoods Analysis are as follows:

- Effort should be devoted to identifying and understanding the livelihood circumstances of **marginalised** and excluded groups.
- Analysis should take into account important **social divides** that make a difference to people's livelihoods. For example, it is often appropriate to consider men, women, different age groups, etc. separately. It is not sufficient to take the household as the sole unit of analysis.
- The SL approach seeks to build upon **people's strengths** and resourcefulness. When conducting analysis it is important to avoid thinking only about need.
- The SL approach embraces the idea of **dynamism**. Avoid taking one-off snap shots and instead think about change over time, including concerns about sustainability.
- There will never be a set recipe for which method to use under which circumstances. **Flexibility** is key. Equally, it is not necessary to produce one definitive 'map' of livelihoods. Different 'maps' may be appropriately used for different purposes.

The Core Principles of Livelihood Analysis should not be confused with the core principles of the sustainable livelihoods approach which are much broader.

Core Principles of The Sustainable Livelihoods Approach

These are that poverty-focused development activity should be:

- **People-centred**: sustainable poverty elimination 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 fits in with their current livelihood strategies, social environment and ability to adapt.
- **Responsive and participatory**: poor people must be key actors in identifying and addressing livelihood priorities. Outsiders need processes that enable them to listen and respond to the poor.
- **Multi-level**: poverty elimination is an enormous challenge that will only be overcome by working at multiple levels, ensuring that local-level activity informs the development of policy and an effective enabling environment, and that higher-level policies and institutions 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.

The Core Principles of the Sustainable Livelihoods Approach should not be confused with the core principles of livelihood analysis which relate more specifically to the activities involved in investigating livelihoods.

Cross-Sectoral Links

The connections between different sectors, such as agriculture, health, infrastructure, etc, particularly, the way in which livelihoods span these sectors.

Economic Appraisal/Analysis

Economic analysis is an essential tool in project and programme appraisal. It involves the techniques of cost-benefit analysis which compares the total costs of the project/programme to the total stream of benefits flowing to society. It assesses whether the returns are sufficient to justify investing funds. It may also include financial appraisal which assesses the financial viability of the project/programme from the perspective of specific participants (e.g.

whether the returns for individuals and businesses are sufficient incentive for their participation).

Macro-economic analysis provides insights into the impact of current macro policy on the livelihoods of different groups and the possible effects of proposed policy changes.

Economic Shocks

see Shocks.

Economic Sustainability

It is usually associated with the ability to maintain a given level of income and expenditure over time. It can be defined in relation to expenditure by individuals, households, projects, programmes, government departments, countries etc. Maintaining a given level of expenditure, necessarily requires that the income/revenue which supports that expenditure should also be sustainable over time. In the context of the livelihoods of the poor, economic sustainability is achieved if a minimum level of economic welfare can be achieved and sustained. Economic sustainability is one of a number of dimensions of sustainability that also include environmental sustainability, institutional sustainability and social sustainability.

Empowerment

Occurs where people take greater control over the decisions, assets and Policy, Institutions and Processes that affect their livelihoods.

Entry Point

An Entry Point refers to the area or activity in which intervention efforts are initially directed. Examples include: capacity building, support to micro-credit, investment in infrastructure, a watershed programme, efforts to change policy etc.

Environmental Checklists

One of a number of tools that can be useful in SL Analysis. Environmental checklists contain recommended issues and factors to ask about to gain a better understanding of the relationship between the livelihoods of the poor and their environment.

Environmental Sustainability

Achieved when the productivity of life-supporting natural resources is conserved or enhanced for use by future generations. By productivity we mean its ability to produce a wide range of environmental services, such as the supply of food and water, flood protection, waste management etc. Environmental sustainability is one of a number of dimensions of sustainability that also include, institutional sustainability, economic sustainability and social sustainability.

External Environment

A very general term that refers to the environment outside a person's immediate influence. Within the SL framework trends, shocks, and

seasonality are part of the External Environment. Many policies, institutions and processes (PIPs) may also be treated as part of the external environment, although people may have more influence over some of these than over trends, shocks and seasonality.

External Shocks

Shocks emanating from the external environment.

External Support

Support provided from outside, e.g. government support for a village community, or donor support for a government department etc.

Extractive

Usually refers to approaches that involve the extraction of information from the proposed beneficiaries of a development intervention – the implication being that 'outsiders' then decide on how best to use that information. Contrasts with more participatory approaches in which the proposed beneficiaries have greater control over what information is important and how it should be used.

Financial Capital

Financial Capital is a category of livelihood assets. Within the SL framework, it is defined as the financial resources that people use to achieve their livelihood objectives. These resources include:

- **Available stocks:** Savings are the preferred type of financial capital because they do not have liabilities attached and usually do not entail reliance on others. They can be held in several forms: cash, bank deposits or liquid assets such as livestock and jewellery. Financial resources can also be obtained through credit-providing institutions in which case liabilities are attached.
- **Regular inflows of money:** Excluding earned income, the most common types of inflows are pensions, or other transfers from the state, and remittances. In order to make a positive contribution to financial capital these inflows must be reliable – while complete reliability can never be guaranteed there is a difference between a one-off payment and a regular transfer on the basis of which people can plan investments.

It should be noted that this definition is different from a strict economic definition of financial capital as it includes flows as well as stocks. (Economists would look only at stocks).

Governance

The form and quality of government systems – structure, power, effectiveness, efficiency, rights and representation. Key governance concerns include:

- Is political power exercised fairly? If not, who is disadvantaged?
- How efficient and accessible are local service providers?

- Are government organisations honest, efficient, effective and accessible?
- Are basic human rights protected and enforced through the rule of law?
- Are property rights clear and enforceable?
- Do all have equal access to the formal justice and legal system?
- Do informal/traditional justice systems discriminate against certain groups?
- Accountability.
- Decentralisation.

Human Capital

Human Capital is a category of livelihood assets. It represents the skills, knowledge, capacity to work, and good health that together enable people to pursue different livelihood strategies and achieve their livelihood outcomes. At a household level human capital is a factor of the amount and quality of labour available. This varies according to household size, skill levels, education, leadership potential, health status, etc. Human capital is necessary to be able to make use of the other four types of livelihood assets.

Inflation-Indexed Assets

Assets that hold their value in times of high inflation (e.g. land and housing).

Institutional

Relating to institutions.

Institutional Appraisal

The analysis of institutions, particularly institutions that are influential in any given context: their role, degree of influence, how they function and how they inter-relate. This is important for understanding key influences on local livelihoods. It is often done by and with local people – through participatory methods – to establish their perceptions of institutional roles. This can also be called ‘institutional appraisal’ or ‘institutional mapping’.

The term can also apply to analysis of a single institution: its strengths, weaknesses, leadership, internal structures etc, with a view to institutional strengthening.

Institutional Sustainability

Achieved when institutions, structures and processes have the capacity to continue to perform their functions over the long term. One of a number of dimensions of sustainability that also include economic sustainability, environmental sustainability and social sustainability.

Institutions

One of the components of Policy, Institutions and Processes (PIPs). The term ‘Institutions’ can be used in a number of different ways.

In the SL framework it covers two important elements:

- (a) organisations or agencies that operate within both the public and private sector; and
- (b) the mechanisms, rules and customs by which people and organisations interact with each other (i.e. the “rules of the game”).

Examples of (a) include: the district department of health; the department of agriculture; the local branch of an NGO; DFID; a religious organisation such as a church or mosque; a workers union; a village committee; an informal organisation based around kinship, such as a clan.

Examples of (b) include: the rules for deciding membership of a village committee; the conditions of membership in a co-operative; the norms which shape local customs, lending, cultural events; the contract between a company and its workers; the laws governing the way companies do business with each other; the codes and rules of an organisation or bureaucracy; the allocation of responsibilities in the policymaking process; the rules for enacting legislation; the mechanisms by which legislation is implemented at national and local levels; the procedures for voting in a new government; the rules governing the financing of a water users association; the mechanisms for facilitating good governance and accountability in the public sector; the chain of command within the government health service; religious ceremonies; marriage rules, laws and customs governing land tenure and rights to access for other assets.

You should be aware that there is some controversy about the definition of institutions. You will come across situations in which organisations, (a), are excluded from the definition, with the definition being restricted to that provided by (b). However, in a number of domains organisations are often referred to as ‘institutions’ (e.g. financial institutions, charitable institutions etc).

International Development Targets

Refers to a variety of targets agreed by the United Nations at a Special session of the General Assembly in July 2000 – especially the one calling for a halving of the proportion of people living in extreme poverty by 2015.

Iterative Process

A process involving the continual refinement of goals and objectives as new knowledge and questions generated by investigation and analysis feed back into the investigative cycle. See also Process Approach.

Key Informants

Individuals who are approached for their views on particular issues, such as those relating to livelihoods. Useful for acquiring information quickly as well as for investigating sensitive issues.

Key informants are chosen for their particular knowledge (e.g. as a teacher, nurse, poor farmer etc). Care should be taken not to interpret their information as representative of a wider sample.

Livelihood (s)

One could describe a livelihood as a combination of the resources used and the activities undertaken in order to live. The resources might consist of individual skills and abilities (human capital), land, savings and equipment (natural, financial and physical capital, respectively) and formal support groups or informal networks that assist in the activities being undertaken (social capital).

Livelihood Assets

A key component in the SL framework, they are the assets on which livelihoods are built, and can be divided into five core categories (or types of capital). These are: human capital, natural capital, financial capital, social capital, and physical capital.

People's choice of livelihood strategies, as well as the degree of influence they have over policy, institutions and processes, depends partly upon the nature and mix of the assets they have available to them (see Livelihoods Asset Pentagon). Some combination of them is required by people to achieve positive livelihood outcomes – that is, to improve their quality of life significantly on a sustainable basis.

No single category of assets on its own is sufficient to achieve this, but not all assets may be required in equal measure. It is important to note that a single asset can generate multiple benefits. For example, if someone has secure access to land (natural capital) they may also be able to get better access to financial capital, as they can use the land both for productive uses and as security for a loan.

Livelihood Components

Refers to the different elements of the SL Framework.

Livelihood Goals

The objectives pursued by people through their livelihood strategies. Closely related to livelihood outcomes.

Livelihood Outcomes

Livelihood Outcomes are the achievements – the results – of livelihood strategies. Outcome categories can be examined in relation to the following categories:

- more income
- increased well-being
- reduced vulnerability
- improved food security
- more sustainable use of the natural resource base
- social relations and status

- dignity and (self)respect

The term 'outcome' is used – as opposed to 'objectives' – to focus attention on two key issues. These are:

- **Sustainability:** DFID is concerned with promoting a particular type of livelihood – sustainable livelihoods. Problems can occur because people very often have objectives that lead them to 'unsustainable livelihoods'. The word 'outcome' is used to indicate that DFID is not concerned entirely with people's own objectives but also with the sustainability objective.
- **Orientation to achievement:** The word 'outcomes' helps focus attention on results and the progress that is made towards poverty elimination rather than thinking only about what people are trying to achieve.

Livelihood Strategies

The term used to denote the range and combination of activities and choices that people make in order to achieve their livelihood goals. Livelihood Strategies include: how people combine their income generating activities; the way in which they use their assets; which assets they chose to invest in; and how they manage to preserve existing assets and income. Strategies may reflect underlying priorities, such as to diversify risk.

Livelihood Strategies are diverse at every level. For example, members of a household may live and work in different places, engaging in various activities, either temporarily or permanently. Individuals themselves may rely on a range of different income-generating activities at the same time, and are likely to be pursuing a variety of goals.

Livelihoods Analysis

see SL Analysis.

Livelihoods Asset Pentagon

see Asset Pentagon.

Livelihoods Review

A Livelihoods Review is an exercise targeted at an existing project or programme with the aim of understanding both how well the project/programme is doing in meeting stated objectives and its impact on the broader livelihoods of various stakeholder groups. The review adopts a sustainable livelihoods approach and can be used in any existing project/programme, even if it was not originally designed using an SL approach. It can help bring a new perspective to the project/programme and provides an opportunity to stand back and explore how the project/programme is affecting the livelihoods of the poor, and to see how positive impacts can be enhanced.

Logical Framework (log frame)

A tool that is commonly used to design, manage and evaluate projects and programmes. A Logical Framework (log frame) defines what an intervention will do, what it will deliver, the impact it is expected to achieve, and the contribution of that impact to higher-level objectives (such as poverty elimination). It mentions all the indicators that will be used to monitor progress and outlines how information on indicators will be collected. It also outlines how the external environment is expected to shape project impact.

Macro Policy

Macro Policy is policy which affects the whole country. It is concerned with monetary, fiscal, trade and exchange rate conditions as well as with economic growth, inflation and national employment levels. It is distinct from micro policy which only affects particular sectors, districts, neighbourhoods or groups.

Micro Policy

Micro Policy is policy which only affects particular sectors, districts, communities, villages, neighbourhoods or groups. It is distinct from macro policy which affects the whole country.

You will sometimes find reference to 'meso' level policy which overlaps somewhat with definitions of micro policy. Meso is the level between micro and macro, or between service delivery and policy-making, and is the level that often is needed to link the two. In government terms it could be District, Provincial or Regional authorities and services. Local councils and regional authorities would be included here. Other organisations, such as federated, regional farmers' associations are also at the meso level. It can be difficult to define the cut-off point between micro and meso, and perhaps for this reason meso can get ignored (the 'missing middle' of policies, institutions and processes').

Natural Capital

Natural Capital is a category of livelihood assets. It is the term used for the natural resource stocks (e.g. trees, land, clean air, coastal resources) upon which people rely. The benefits of these stocks are both direct and indirect. For example, land and trees provide direct benefits by contributing to income and people's sense of well-being. The indirect benefits that they provide include nutrient cycling and protection from erosion and storms.

Natural Shocks

see Shocks.

Objectively Verifiable Indicators

Refers to measurable indicators that will demonstrate whether or not objectives specified in the Logical Framework have been met. Used in monitoring and evaluation.

Outputs

Typically used in relation to the Outputs of a project or programme and linked to measurable indicators of project/programme impact, such as agricultural yields, number of visits by health workers, area of land brought under irrigation, number of teachers trained, legislation revised, trade agreements implemented etc. Outputs are an important element in the Logical Framework.

Participation

Occurs when decision making and development activities are participatory.

Participatory

The quality of an approach to development and/or government in which the underlying principle is that the key stakeholders (and especially the proposed beneficiaries) of a policy or intervention are closely involved in the process of identifying problems and priorities and have considerable control over the related activities of analysis, planning and the implementation of solutions. To facilitate this approach there are a variety of participatory methods or techniques that can be used.

Participatory Activities

see participatory.

Participatory Development

see participatory.

Participatory Methods

These are methods that are used to encourage people's participation in the processes of identifying/analysing livelihood opportunities and problems, setting priorities and planning, implementing solutions, and monitoring and evaluating changes and impacts. They are very important for understanding livelihoods and are designed so as to promote learning and empower people in their dealings with external agencies and institutions.

There are several visualisation tools for group discussions which enable a large number of people, including illiterate people, to contribute views and see the results. These include timelines, seasonal calendars, transect walks, resource maps, preference ranking, matrix ranking, wealth ranking, and venn diagrams. These are often called 'rapid appraisal' or 'participatory rural appraisal'. Depending on how they are used, they may only promote participation in information gathering (if the information is used by outsiders), or they may be used as tools for participatory decision-making. Both uses have a role. Either way, the methods can be used within an SL approach to investigate a wide range of factors in a relatively open-ended way, such as:

- income and wealth distribution within a community or neighbourhood;

- the historical, social and environmental context of livelihoods;
- trends, forces of change, influence of policies;
- pros and cons of different livelihood strategies, reasons behind people's choices, what they wish to see being done by local authorities, etc.

Participatory Poverty Assessments

Used to understand poverty from the perspective local people. PPAs make flexible use of a wide range of participatory methods.

Participatory Principles

see participatory.

Partners

see Partnerships.

Partnerships

Refers, in the SL Approach, to Partnerships in the development process. The SL approach stresses the importance of partnerships at all levels including:

- Partnerships with poor people;
- Partnerships with both public sector and private sector implementing agencies and stakeholders in developing countries – the SL approach explicitly recognises the important role that the private sector plays in development;
- Partnerships between different departments within DFID;
- Partnerships with other donors;
- Partnerships with research organisations.

It is hoped that the dialogue around the development and implementation of the SL approach will provide the basis for deeper and more meaningful development partnerships. Such partnerships will only be possible if care is taken to ensure that the approach builds on the accumulated experience of all partners and is not imposed on any partner.

People-centred approach

An approach that involves a focus on people, i.e.

- what matters to people;
- what distinguishes one group of people from another group;
- working with people in a way that fits in with their current livelihood strategies, social environment and ability to adapt.

One of the core principles of the sustainable livelihoods approach is that it should be people-centred.

Physical Capital

Physical Capital is a category of livelihood assets. It comprises the basic infrastructure and physical goods that support livelihoods. Infrastructure consists of changes to the physical environment that

help people to meet their basic needs and to be more productive.

Key components of infrastructure include: affordable transport systems, water supply and sanitation (of adequate quantity and quality), energy (that is both clean and affordable), good communications and access to information. Shelter (of adequate quality and durability) is considered by some to be infrastructure, while others would consider it to be a private physical asset and somewhat different from infrastructure.

Other components of physical capital include productive capital that enhances income (e.g. bicycles, rickshaws, sewing machines, agricultural equipment), household goods and utensils and personal consumption items such as radios and refrigerators. Most of these are owned by individuals or groups. Some, such as larger agricultural equipment or processing units, can be accessed through rental or by paying a fee for the services used.

Policy

One of the components of Policy, Institutions and Processes (PIPs), Policy can be thought of as a course or principle of action designed to achieve particular goals or targets. These tend to be broader and less specific than those of the programmes and projects used to implement Policy. The idea of policy is usually associated with government bodies, but other types of organisation also make policies – for example a local NGO's policy about who is eligible for its programmes.

Policy can be divided into macro policy – affecting the whole country – or micro policy – affecting particular sectors, districts, neighbourhoods or groups. Also meso policy. It can also be strategic – designed to create a long-term framework for action – or quite short-term and temporary.

Policy, Institutions and Processes (PIPs)

A key component in the Sustainable Livelihoods Framework combines Policies, Institutions and Processes (PIPs) because the three are closely inter-related contextual factors that have a great effect on all aspects of livelihoods.

The PIPs dimension of the SL framework comprises the social and institutional context within which individuals and families construct and adapt their livelihoods. As such it embraces quite a complex range of issues associated with power, authority, governance, laws, policies, public service delivery, social relations – gender, caste, ethnicity –, institutions – laws, markets, land tenure arrangements – and organisations – NGOs, government agencies, private sector.

This component was referred to as 'transforming structures and processes' in earlier versions of the framework, and may be titled differently by others. This emphasised, in addition to the desirability of institutional and organisation change, the need for development agencies to transform the institutional context of livelihoods.

The common theme is that it relates to the bigger picture and the complex array of political and institutional factors affecting livelihoods. It is different from the vulnerability context because policies, institutions and processes are not 'given' but are continually shaped by people – although the direct influence exerted by the poor is often limited. They effectively determine:

- access (to various types of capital, to livelihood strategies and to decision-making bodies and sources of influence);
- the returns to different types of capital, and to any given livelihood strategy.

Process Approach

An approach to interventions in which broad objectives for change may be identified and agreed but the exact means by which these objectives will be achieved may, at the outset, be unknown and unknowable. Such interventions are approached in an exploratory mode. Implementation takes place in successive, defined, iterative stages with future activities being planned in the light of results gained as implementation proceeds.

Processes

One of the components of Policy, Institutions and Processes (PIPs). 'Processes' attempts to capture the dynamic element of policies and institutions and avoid a 'snapshot' approach. It refers to how things are done rather than what is done. It also refers to the ways policies and institutions change and/or interact with broader processes of change. Change may happen as a result of policies or due to other factors such as:

- the nature of authority and decision-making structures;
- the form and quality of government systems (governance);
- the extent and nature of public participation in policy and other processes;
- the effect of this participation;
- other factors behind change (for example, external shocks that form part of the vulnerability context).

Programme

A programme is a set of activities designed to achieve a specific purpose. The term may describe a mix of projects, training and capacity building, budgetary support and policy dialogue. A programme may focus on a region – such as southern Africa –, a country, or an area within a country. It may be multi-sectoral or focus on a single sector.

Project

A project is a discrete funding package, comprising an activity or set of activities that can contribute to – but not necessarily achieve on its own – a particular development objective.

Project Scope

The range of activities and issues addressed by a project.

Remittances

Money that is sent home by family/household members living and working away from home.

Sample Surveys

This is a tool for investigating the characteristics of a particular population – the population may be one of households, individuals, farms, villages, animals or any other unit of study. To facilitate the investigation a sample of the population is surveyed and studied. Usually, though not always, the sample is selected at random to increase the chances of it being representative of the whole population.

Seasonality

Seasonality is a key element in the vulnerability context. It refers to seasonal changes, such as those affecting: assets, activities, prices, production, health, employment opportunities etc. Vulnerability arising from seasonality is often due to seasonal changes in the value and productivity of natural capital and human capital (through sickness, hunger etc). The poor are often more vulnerable to these changes than wealthier groups.

Sector Programmes

Programmes that focus on specific sectors such as health, education, agriculture, infrastructure, transport etc. Sector programming is an increasingly popular approach with donors, as a way to help partner governments with their work across a sector, rather than in specific projects. Donors' sector programmes usually include budgetary support for on-going government activities.

Sectoral

Relating to specific sectors such as health, education, agriculture, infrastructure, transport etc.

Sector-Wide Approaches

The prioritisation of sector programming as a key intervention used by international development agencies.

Shocks

Shocks are a key element in the vulnerability context. They are usually sudden events that have a significant impact – usually negative – on livelihoods. They are irregular and vary in intensity and include events such as natural disasters, civil conflict, losing one's job, a collapse in crop prices for farmers etc. They can be classified into the following categories:

- Human shocks (e.g. illness, accidents);
- Natural shocks (e.g. floods, earthquakes);

- Economic shocks (e.g. job losses, sudden price changes);
- Conflict (e.g. war, violent disputes);
- Crop/livestock health shocks.

Shocks and trends may be linked. For example some changes that appear as trends at a national or even regional level (such as increased infection rate for diseases such as AIDS and malaria) can impact upon a household or individual as severe shocks (i.e. death in the family).

SL Analysis

The analysis of livelihoods using the core principles of livelihood analysis.

SL Approach

See Sustainable Livelihoods Approach.

SL Framework

see Sustainable Livelihoods Framework.

Social Analysis/Appraisal

Investigation of social structures and relations. In the SL Approach it is used to provide information on the relevant characteristics of poverty, vulnerability and social exclusion. It can help to understand:

- the social positioning of individuals or families (distinguished by kinship, age, gender, ethnicity, religion, caste, etc.);
- which social characteristics (e.g. standard of living or extent of poverty, gender, age, ethnicity) are important in defining groups for more detailed livelihoods analysis;
- what the dimensions and effects of exclusion of various groups are (e.g. lack of access to assets, to services, to household or community-level social institutions, or lack of voice);
- the existence and cause of conflicts within communities;
- power and authority as manifested by traditional authority (e.g. village chiefs, community leaders) and the authority of the state and its agencies;
- non-market, social institutions such as customary tenure, common property;
- the way policy, institutions and processes affect different social groups.

Social Capital

Social Capital is a category of livelihood assets. It relates to the formal and informal social relationships (or social resources) from which various opportunities and benefits can be drawn by people in their pursuit of livelihoods. These social resources are developed through investment in:

- interactions (through work or shared interests) that increase people's ability to work together;

- membership of more formal groups in which relationships are governed by accepted rules and norms;
- relationships of trust that facilitate co-operation, reduce transactions costs and sometimes help in the development of informal safety nets amongst the poor.

Critical benefits of social capital are access to information, to influence or power, and to claims or obligation for support from others.

Social Resources

see Social Capital.

Social Sustainability

An initiative is socially sustainable if it rests on a particular set of social relations and institutions, which can be maintained or adapted over time. One of a number of dimensions of sustainability that also include economic sustainability, institutional sustainability and environmental sustainability.

Stakeholder Analysis

Stakeholder analysis involves

- a) identifying key stakeholders in relation to any initiative: i.e. groups who have a similar interest (or 'stake'), and which differs in some way from others' interest
- b) analysing the perspective of the key stakeholder groups: their role, views, needs, etc. and their relationship with other stakeholder groups.

Stakeholder analysis can help to reveal, for example:

- the capacities of different stakeholders to participate in (and benefit from) development activity as well as their perspectives on that activity,
- the relative political power, access to information and institutional means to command attention (including blocking change) of different groups,
- the complexity of organisational relationships,
- the area and sources of power and patronage,
- who depends upon which environmental resources and services and how they are affected by change,
- gaps and overlaps in the roles and functions of different stakeholder groups.

Stakeholders

People who are affected in some way or another by an activity. Can be divided into primary stakeholders and secondary stakeholders:

- Primary stakeholders are those who are directly affected by an activity, as beneficiaries, losers or implementing agencies or those with a direct influence the activity. N.B. to be a primary

stakeholder you do not have to benefit from an activity, you simply have to be closely involved with it. So, for example, in an urban slum renewal project, primary stakeholders might include slum dwellers, slum landlords and partner implementing agencies, though it is only the slum dwellers who will actually benefit from the project. It is usually necessary to sub-divide primary stakeholders into several smaller stakeholder groups.

- Secondary stakeholders are indirectly affected by an activity. For example, traders may benefit from a new road that is built to connect a remote community to the capital city or from the increased productivity that results from a technology project.

See also Stakeholder Analysis.

Structured Checklists

A list of questions that an interviewer will seek answers to in the course of an interview. Interviews involving structured checklists tend to be less formal and more open-ended than those conducted by an enumerator using a questionnaire.

Sustainable / Sustainability

Something is sustainable when it can continue into the future, coping with and recovering from stresses and shocks, while not undermining the resources on which it draws for existence. These resources may be natural, social, economic or institutional, which is why sustainability is often analysed in four dimensions: economic sustainability, environmental sustainability, institutional sustainability and social sustainability. Sustainability does not imply that there is no change, but that there is an ability to adapt over time. Sustainability is one of the core principles of the sustainable livelihoods approach.

Sustainable Livelihoods

A livelihood is sustainable when it is capable of continuously maintaining or enhancing the current standard of living without undermining the natural resource base. For this to happen it should be able to overcome and recover from stresses and shocks (e.g. natural disasters or economic upsets).

Sustainable Livelihoods Approach

An approach to development in which people's livelihoods are the focus of attention and which adopts the core principles of the sustainable livelihoods approach.

Sustainable Livelihoods Framework

DFID's sustainable livelihoods (SL) framework is its version of a visualisation tool that has been developed to help understand livelihoods. It is intended to help users think through the different aspects of livelihoods, and particularly those factors that cause problems or create opportunities. Other organisations have developed similar SL frameworks that compliment DFID's.

The SL framework can be divided into five key components: the Vulnerability Context, Livelihood Assets, Policy, Institutions and Processes, Livelihood Strategies and Livelihood Outcomes.

The SL framework gives an impression of how these factors relate to each other. Indeed the links between them (arrows in the framework) are also critical, reflecting how people convert assets to activities, or how policies, institutions and process affect the key components.

The framework aims to stimulate debate and reflection, which should result in more effective poverty reduction. The framework does not attempt to provide an exact representation of reality. It is a simplification and it should be adapted for use in any given circumstance. Real livelihoods are complex and varied, and can only be properly understood through direct experience.

Sustainable Livelihoods Guidance Sheets

The more detailed guide to DFID's Sustainable Livelihoods approach on which these distance learning materials are based.

Transactions Costs

The costs associated with making, monitoring and enforcing agreements/transactions/contracts etc. The agreements may be formal or informal and transaction costs may be incurred before and after an agreement is made. A large proportion of the costs are associated with acquiring information about the nature of an agreement (e.g. the quality of goods or services being transacted) and the reliability of other parties to the agreement. Transaction costs are incurred gaining information or commitments in order to reduce risks of loss in a transaction.

Trends

Trends are a key element in the vulnerability context. They can have either a positive or a negative effect on livelihoods and involve changes that take place over a longer period of time than is the case with changes brought about by shocks or seasonality. Examples of trends include the following:

- Population trends (e.g. increasing population pressure);
- Resource trends (e.g. soil erosion, deforestation);
- Economic trends (e.g. declining commodity prices, development of new markets);
- Trends in governance/politics (e.g. increasing accountability);
- Technological trends (e.g. the development of more efficient production techniques).

Triangulation

Seeking confirmation or better understanding of a subject or question by getting information from a variety of independent sources (e.g. soliciting the views and opinions of a diverse range of individuals, or using different methods to gain information on the same topic).

Venn Diagrams

Diagrams of circular (often overlapping) areas used to represent relationships. They are a useful means of showing the links between different types of groups, in a clear, graphic format. They can also be used to summarise the roles that different groups play and what people's expectations are about how these groups will function. One of a number of different participatory methods.

Vulnerability

see Vulnerability Context.

Vulnerability Context

A key component in the SL framework, the Vulnerability Context refers to the shocks, trends and seasonality that affect people's livelihoods – often, but not always, negatively. The key feature of all the factors within the Vulnerability Context is that they are not controllable by local people in the immediate or medium-term. Vulnerability or livelihood insecurity resulting from these factors is a constant reality for many poor people.

White Paper

A report produced by the British Government setting out its proposals for, and providing information on, a particular policy issue, such as international development. The goals and directions of the British Government's policy on international development are laid down in the 1997 White Paper on International Development. This is now built upon in the 2000 White Paper II.