

Working Paper 148

**The Potential of Using Sustainable Livelihoods  
Approaches in Poverty Reduction Strategy Papers**

**Andy Norton and Mick Foster**

**Centre for Aid and Public Expenditure**

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Overseas Development Institute  
111 Westminster Bridge Road  
London  
SE1 7JD  
UK

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## Acronyms

CBO	Community Based Organisation
HIPC	Highly Indebted Poor Country
IDA	International Development Agency
IFI	International Financial Institution
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Papers
IRD	International Rural Development
MTEF	Medium-term Expenditure Framework
NGO	Non-governmental organisation
NRAC	Natural Resources Advisory Conference
NSSD	National Strategy for Sustainable Development
PEAP	Poverty Eradication Action Plan (Uganda)
PMA	Plan for Modernisation of Agriculture
PPA	Participatory Poverty Assessment
PRSC	Poverty Reduction Strategy Credit
PRGF	Poverty Reduction Growth Facility
PRS	Poverty reduction strategy
PRS	Poverty Reduction Strategy
PRSP	Poverty reduction strategy papers
SL	Sustainable Livelihoods
SLA	Sustainable Livelihood
UPPAP	Uganda's Participatory Poverty Assessment
WDR	World Development Report

## Executive Summary

This paper addresses the question of whether sustainable livelihood approaches have value at the level of overall policy on poverty reduction, and specifically addresses to what extent the approach might be used in support of poverty reduction strategy papers.

The SL approach is one of a number of conceptual frameworks which take an asset/vulnerability approach to analysis of the livelihoods of poor people. It emphasises understanding the vulnerability context and the organisational and institutional environment within which poor people draw upon assets of different types in order to implement a livelihood strategy. It defines five types of asset: human capital, social capital, natural capital, physical capital, and financial capital. Though the particular approach differs, similar ideas underlie the treatment of risk and vulnerability in the 2000 World Development Report.

The strengths of the approach are that it aims to reflect the complex range of assets and activities on which people depend for their livelihoods, and recognises the importance to poor people of assets which they do not own. It provides a framework for addressing the whole range of policy issues relevant to the poor, not just access to health and education, but issues of access to finance, markets, and personal security. It emphasises sustainability, and the need for a people centred and participatory approach, responsive to changing circumstances, and capable of working at multiple levels from national to local, in partnership with public and private sector.

Concerns which have been expressed about the approach are that it is stronger on micro detail than on how these concerns may be linked to macro policy, that it does not address issues of politics and of power and authority, and that it has been stronger in developing the analytical framework than in showing how it may add operational value, especially to overall policy.

These concerns emphasise the need for a flexible, pluralist and multi-disciplinary approach to working with the ideas embodied in the SL framework. Using the framework does not do away with the need for rigorous social, economic and political analysis. It is particularly important to address the ways in which power relations produce and reproduce deprivation. The fact that this critical dimension is not strongly addressed in the framework significantly weakens its claim to be (on its own) a holistic analytical approach. A rights analysis (founded on a concern for maximising human agency and freedom) provides one way of addressing political and institutional relations.<sup>1</sup>

The production by countries of a Poverty Reduction Strategy Paper is now a key requirement for low income (IDA only) countries, and is the gateway to access to HIPC debt relief and to concessional IMF support, and a factor in IDA and bilateral donor support. The aim has been to encourage a locally owned participatory process for formulating and implementing a coherent poverty reduction strategy, financed from Government and donor resources. There are some tensions between the aspiration of creating a locally owned and locally accountable process, and the timetables and conditionality which will be associated with access to donor finance in support of the PRSP.

As the SL approach is applied to national policy dialogue in general, and to the PRSP process in particular, it will need to be recognised that the multiplicity of participants in that dialogue limits the scope for insisting on specific approaches. This point is reinforced to the extent that aid dependent countries are seeing a movement towards not only broader policy dialogue in the context

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<sup>1</sup> Specifying how this could best be combined with or integrated within a livelihoods analysis is beyond the scope of this paper – and is suggested as an agenda for further work.

of the introduction of PRSPs, but also an evolution in donor instruments away from projects towards approaches which provide general support to Government programmes, using Government procedures. To the extent that this becomes common, the scope for introducing SL approaches will depend on persuading Governments of their merits. This may in turn depend on persuading other constituencies (donors, elements of civil society in the countries concerned) to prioritise the concerns represented in the SL approach within their dialogue with government about policy. These limitations reinforce the case for focusing on the principles, rather than the particular analytical model. This is especially important because many of the key principles which are brought together in the SL methodology are not new, though they are welcome.

A feature of the SL approach is that it facilitates and encourages multi-sector working. A key concern is that the scope for actually working this way in country depends on the existence of structures within Government able and willing to do so. The Uganda programme to modernise agriculture takes a cross-sectoral approach which was introduced after a period of frustration with the narrower agricultural focus of the line ministry. Achieving it required Ministry of Finance and Economic Planning to take over control of the programme, moving leadership away from agriculture.<sup>2</sup> This type of approach may not be widely replicable. Cross sectoral working may be more feasible at local level, where decentralisation has given local Government reasonable discretion over resource allocation. However, outcomes for the poor will depend, inter alia, on the accountability of local bureaucratic and political institutions, recognising that the overall record on the extent to which the interests of the poor get reflected in local Government is at best mixed.

In looking at the scope for applying the SL approach, the paper emphasises the need to work with existing processes, tools and institutions, with the accent on underlying principles rather than methodology. The asset/vulnerability framework is nevertheless identified as having considerable potential to improve the PRSP process – in terms of the diagnosis, the design of the strategy, and the monitoring framework. A more participatory and people centred approach is a key aspect of the SL approach. Box 4 sets out how the participatory approach may contribute to the PRSP process; Box 5 contains some tentative thoughts on specific features of the assets/vulnerability framework which may add value to the process and content of the PRSP.

An SL based analysis of the main livelihood groups will be helpful in identifying where and how Government may intervene. It could be especially valuable if it proved possible to integrate this analysis convincingly with the more quantified frameworks of economic analysis used for assessing policy and expenditure proposals. Achieving this aspiration would require some further work, however, in terms of reliable translation of asset frameworks into such models. The SL approach and diagnosis may also have implications for the nature of the strategy which is to be approved. A credible SL analysis could provide persuasive analytical support for greater decentralisation, and for development of cross-sectoral institutions. An enhanced focus on issues of vulnerability and the analysis of poor people's asset endowments could enhance the setting of targets and benchmarks and the development of monitoring frameworks.

The paper also considers which specific policy issues addressed by a typical PRSP process might especially benefit from a SL framework. It identifies opportunities to extend analysis in this direction at every level from macro policy through taxation, expenditure, and regulatory changes. However, to be most useful, the tools need to be further developed to take the SL analysis beyond description towards a richer capacity to look at the implications and behavioral responses to alternative policy prescriptions. This will require some further methodological development beyond the material which we have become aware of in this short piece of work. A fruitful area for further

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<sup>2</sup> The administrative structure for the PMA has been moved back into the agriculture ministry. However, the focus on a cross-departmental approach remains, including unconditional grants through local government for purposes not limited to direct agricultural support.

development might be modifications to traditional economic appraisal methodologies to incorporate more realistic behavioral assumptions, especially as regards risk and vulnerability.



# 1. Introduction

This working paper is a revised version of a discussion paper which was prepared at the request of the Rural Livelihoods Department of the UK Department for International Development. It addresses the concerns which had been identified by practitioners in DFID and elsewhere about the extent to which tools and methods developed under the ‘sustainable livelihoods’ approach to development practice could be applied to the development of national level poverty reduction strategies. While the original paper addressed primarily DFID staff we hope that the ideas discussed will be of interest to a broader audience.

Sustainable livelihoods approaches came to prominence in the UK Department for International Development as a follow-up process to the White Paper on International Development of 1997. The development of these approaches has been led from the natural resources advisory group and has formed part of a cultural change within that professional group that has profound dimensions, and includes the following elements:

- a shift from an emphasis on natural resource issues and programmes to a people-centred approach which emphasises the goals of poverty reduction, empowerment and the promotion of increased security of livelihoods for the poor;
- a shift in emphasis from seeking improvements in forms of agricultural production to looking at the full diversity of strategies by which poor people in rural areas sustain a livelihood, and seeking ways to strengthen their options.

Alongside other analyses (such as the theme of ‘security’ in the WDR 2000/01: *Attacking Poverty*, and the results of participatory poverty assessments) the SL approach has also emphasised issues of vulnerability for understanding rural deprivation. It is one of a number of approaches which have become known as ‘asset vulnerability’ frameworks. These start from the experience of poverty as the lack of secure conditions of life – and bring together an analysis of the ‘threats’ which poor people face with an examination of the assets which they can deploy to deal with contingencies. This kind of analysis can be traced through from the work of Chambers and Swift (1989), via early participatory poverty assessments,<sup>3</sup> to the work of Moser on urban poverty in the mid-90s,<sup>4</sup> and eventually one of the three ‘pillars’ of the 2000 WDR – the emphasis on livelihood security. The SL approach has sought to systematise this kind of analysis – and place it within a holistic context that allows for rigorous development of cross-sectoral anti-poverty programming.<sup>5</sup>

The changes instigated by the approach in terms of DFID’s culture and approach to issues of rural poverty are considered beneficial by the relevant managers, and by the advisory group as a whole. It is one of a number of themes that have been taken forward within DFID following on from the 1997 White Paper which have amounted to a profound and dynamic change in orientation. Among others we could cite:

- the adoption of the International Development Targets as a mobilising framework for the international development community;

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<sup>3</sup> the PPAs for Zambia and Ghana both employed early versions of an asset/vulnerability analysis (Norton et al 1995, World Bank 1995)

<sup>4</sup> Moser (1996)

<sup>5</sup> SLA is, however, not the only approach which seeks to link an asset/vulnerability analysis to the development of a framework for policy response. The ‘Social Risk Management’ perspective of the World Bank’s Social Protection Sector Strategy Paper builds on very similar ground. It is, in fact, potentially quite complementary to the SL approach – inasmuch as it emphasises the actions that public policy can take to directly assist the poor to cope with risk – where SLA tends to emphasise the role of public policy in creating an enabling environment for poor people to deploy their own resources to improve the livelihood security and well-being.

- the emphasis on seeking to enhance the poverty reduction impact, and equitable distribution, of economic growth;
- the application of a human rights framework to development thinking in order to promote participation, inclusion and accountability.<sup>6</sup>

As the SL framework has been developed its remit has been extended to encompass urban as well as rural milieu.

We will not attempt within this paper to expound the SL approach – but instead assume the reader is familiar with certain key texts. These are in particular:

- Sustainable Rural Livelihoods: A Framework for Analysis by Ian Scoones (IDS 1998). While the presentation of the framework differs schematically from later versions this paper was seminal in the development of the approach and remains a useful guide to the basic mode of analysis.
- the Sustainable Livelihoods Guidance sheets (DFID 2000). These papers provide the definitive overview to the approach as understood by DFID.
- Sustainable Rural Livelihoods: What contribution can we make? edited by Diana Carney, 1998. This collection of papers presented to the DFID natural resources advisers' conference indicates the range of issues which advisers dealing with rural poverty were seeking to deal with through SLAs in the months following the publication of the White Paper on International Development.
- Sustainable livelihoods: Lessons from early experience (1999) by Caroline Ashley and Diana Carney. A brief and practical summary of where thinking in DFID currently stands – building on the experiences of DFID's NR group brought together in the advisory conference of 1999.

For any reader completely unfamiliar with the approach, SL Guidance sheets 1.1-1.5 are appended to this paper (annex 1).

Over the course of the development of the SL approach certain concerns have been frequently raised – repeated to us in discussions with advocates of the approach as much as critics. These include the following:

- the sense that the framework is easier to apply at the micro-level, for ground level project programming, than at the meso or macro policy levels;
- related to this a sense that the framework's weakest area is the conflation of a large number of key issues for linking micro realities with macro policies in what is now known as the 'PIP box' (policies, institutions and processes);
- a concern that political processes, and issues of power and authority, are not strongly represented in the framework.<sup>7</sup>

The key issue we seek to address is whether SLAs have anything to add to national level poverty reduction strategies in terms of enhancing their effectiveness at lifting people out of poverty – and if so how, and what steps need to be taken to enhance this potential.

A final introductory point is merited – we are approaching this on the basis of a literature review and some brief key informant interviews and with a very limited allowance of time. Given the considerable volume of potentially relevant literature on both SLAs and PRSPs (published and

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<sup>6</sup> The development of DFID's Target Strategy Papers largely encompasses these changes (see DFID 2000).

<sup>7</sup> Ashley and Carney (1999) raise these issues.

'grey') we have had to be more selective than we would have liked in what we could address, and hope that this has not led to us missing key elements of the DFID experience.

## 2. SLAs – history and approach to policy linkages

### 2.1 History and salient characteristics of the approach

The Sustainable Livelihoods Approach can be seen as one of a number of analytical frameworks which deal with the dynamic dimensions of poverty and well-being through establishing a typology of assets which poor individuals, households and communities deploy to maintain well-being under changing conditions. It has conceptual roots in various traditions, including applied social science, agro-eco systems/farming systems analysis and especially participatory approaches to rural development. The main distinguishing feature of the approach is the attempt to set the analysis of livelihoods within a comprehensive framework which encompasses policy and institutional processes at various levels, as well as micro-level conditions and determinants of livelihood.

Some key messages of the livelihoods approach over the last twenty years have been the following:

- That poor people, especially in rural areas, manage a complex range of assets and activities to sustain themselves – and that development professionals and officials often fail to adequately see and understand this. The approach has been the main corrective to the tendency for professionals to assume that everyone survives primarily by being within a household that has a limited number of economically active adults who are each engaged in one main ‘job’ or occupation.
- That the poorest people are often disproportionately dependent on access to assets which are not privately owned – common property or open-access resources such as forests, common grazing land and fisheries.
- That effective poverty reduction through public budgets is not simply a question of what are classically perceived as ‘social expenditures’ (health, education, welfare). Poor men and women also need access to a range of other assets and services, including financial services, markets, equitable justice systems.

There is no doubt that the tradition of livelihoods analysis has played a major role in structuring the current consensus on the nature of poverty and appropriate public policies to deal with it – as represented, for example, by WDR 2000/01.

The key claims for the operational value of the SL approach are that it can promote:

- systematic analysis of poverty and its causes in a way that is holistic, realistic and manageable;
- a wider and better informed view of the opportunities for development activities and their likely impact;
- placing people and the priorities they define firmly at the centre of analysis

One of the characteristics of working at the policy level in contexts such as the development of Poverty Reduction Strategy Papers is a need to engage with multiple partners, and to acknowledge that the donor agency should not be driving (and cannot control) the process. Ashley and Carney argue that the experience of using SL with partner organisations suggests that in this kind of context the emphasis should not be on SL as an operational ‘tool’, but should focus on a core set of SL principles outlined in Box 1 below.

### Box 1: DFID core SL principles (Ashley & Carney 1999)

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 is congruent with their current livelihood strategies, social environment and ability to adapt.
- **Responsive and Participatory:** poor people themselves must be key actors in identifying and addressing livelihood priorities. 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 micro-level activity informs the development of policy and an effective enabling environment, and that macro-level structures and processes support people to build on their 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. 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.

One of the key learning points which emerges from the later syntheses of experience of SL approaches is that the basic framework itself, as presented in the DFID guidance, is poverty-neutral. It can be applied to analysing the livelihood situation of any stakeholder group. In the context of DFID's overall objectives, therefore, the application of SL approaches must be underpinned by a commitment to poverty eradication. An implicit principle for DFID, therefore, (to add to the above) is that activities should be designed to maximise livelihood benefits for the poor. This in turn implies that the framework on its own is not sufficient to produce a poverty analysis. Social, economic and political analysis is also necessary to disaggregate populations according to different dimensions of poverty. While elements of the framework can contribute to poverty analysis there are two critical areas where additional tools and perspectives are necessary:

- The analysis of social relations and power as determinants of inequality and deprivation.
- The use of quantitative 'metric' measures such as household consumption. For all their frequently cited weaknesses (a 'reductionist' approach to poverty, and a general inability to analyse intra-household dimensions of poverty) the single metric retains value in terms of providing a basis for addressing differing levels of poverty both over time, and between different social groups and regions.<sup>8</sup>

Ashley and Carney's summary of the core principles of livelihoods approaches is persuasive – and provides a useful way of 'loosening up' the understanding of the content of SLAs for practitioners. It does, however, raise the question of how much of this is new. The lessons and guidance contained within can all be located as key elements of other approaches (for example WDR 2000) – so the test of the livelihoods approach becomes whether it can prove helpful in better mainstreaming these principles into institutions, policies and practices. The process messages in the livelihoods approach (participation, responsiveness) are valuable and welcome, but not innovative. Some value-added in terms of the analysis of policy content also needs to be shown.

<sup>8</sup> The DFID Guidance sheets 4.4-4.7 outline approaches to combining analytical and methodological approaches.

## 2.2 Some lessons from the operational experience – and approaches to applying SLAs to policy change

The experience of using SL approaches in operational contexts has tended to highlight particular generic strengths and weaknesses. Among the key strengths identified by practitioners are the capacity of an SL approach to:

- Promote multi-disciplinary team working (especially within DFID) through providing a common language;
- Support a learning approach in implementation of projects and programmes;
- Help DFID staff to communicate and interact with other stakeholders taking a multi-dimensional and cross-sectoral approach (e.g. NGOs and CBOs).

Curiously, one of the advantages often cited for SLAs is that they highlight the significance of the very dimensions that are often argued to be weak in the framework itself, for example power relations, the institutional context, and macro-micro linkages.<sup>9</sup>

Some of the weaknesses and problems that have been identified include the following:

- That the holistic, multi-dimensional nature of the framework – with its emphasis on the ‘complex world’ – can be unhelpful for the prioritisation of action (the agenda is ‘too big’);
- That there are translation and linguistic problems in working with partners and it can be difficult to ‘bring government along’;
- That it may not be attractive to key partner organisations organised on sector lines (who may even perceive it as a threat);
- That it does not deal adequately with historical and political factors;
- That the framework is not naturally adapted to providing a ‘national analysis’ and therefore not user-friendly for macro analysis;
- That too many key variables for policy analysis are contained in one ‘box’ in the framework – and the guidance to unpacking macro-micro linkages (economic, social and political) is not strong.

## 2.4 Two key linkages – decentralisation and rights

The issue of decentralisation is clearly of critical relevance – as one would expect with any approach which seeks to find means to make policy more responsive to local level realities. It seems natural to assume that moving the location of decision-making closer to the community level will lead to more responsive, poverty-focused public services. In practice, of course, the evidence suggests that decentralisation will not necessarily produce pro-poor outcomes.<sup>10</sup> Without certain pre-conditions decentralisation processes may predominantly empower local elites rather than the poor. Manor<sup>11</sup>, distilling findings from empirical studies of decentralisation processes in 60 countries concluded that three factors are essential if they are to lead to better outcomes in terms of the promotion of sustainable livelihoods for poor people:

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<sup>9</sup> As summarised for NRAC 1999 case studies on India, Nepal, Zambia, Indonesia, Southern Africa in Ashley & Carney (1999), p.12.

<sup>10</sup> ref. Studies on the poverty focus of decentralisation:

<sup>11</sup> Manor (2000)

- Elected bodies at lower levels must have adequate funds;
- They must have adequate powers;
- Reliable mechanisms must exist to ensure two kinds of accountability: the accountability of elected representatives to citizens, and the accountability of bureaucrats at lower levels to elected representatives.

Manor concludes that when such factors are in place decentralisation can enhance the transparency, responsiveness and accountability of government for people at the local level. It can enhance political participation, and provide incentives for people to develop new and stronger forms of organisation (which corresponds to ‘strengthening social capital’ within the SL framework). There is also good evidence that under these conditions decentralisation enhances the uptake/impact of health, education and environmental programmes. It does so partly by making it possible to adapt such programmes to local conditions and preferences.<sup>12</sup>

To provide a practical illustration of the potentials for linking a macro analysis of poverty to enhanced poverty reduction impact by making processes of public policy and implementation more decentralised it is instructive to look at the experience of the Plan for the Modernisation of Agriculture in Uganda, presented in box 2.

### **Box 2: Linking macro and micro – the experience of the PMA in Uganda**

The Plan for the Modernisation of Agriculture (PMA) is GoU’s strategic framework for eradicating rural poverty through a transformation of the agricultural sector in general and subsistence farmers in particular; it constitutes a key pillar of Uganda’s Poverty Eradication Action Plan (PEAP).

PMA represents the culmination of a process of wide consultation and debate since 1996 involving central and local government, civil society and donors. Since 1998 it has been co-ordinated by Min of Finance who co-presented the document with 5 other Ministries at the 2000 CG meetings. Whilst PMA now exhibits many features of a Sustainable Livelihoods (SL) framework, this has arisen through GoU’s enhanced understanding of poverty rather than through explicit promotion of an SL agenda.

The PMA is distinctive for its consensus about a desired result — poverty reduction through improved agriculture-based livelihoods. Uganda’s participatory poverty assessment (UPPAP), key actors in the Min of Finance, selected donors, and external facilitators have ensured that this poverty focus is not diluted by a diversion to agricultural productivity goals — or the ‘agriculturalisation’ of PMA that remains a continual threat. PMA is unique for its broad, trans-sectoral analysis of the multiple factors that determine whether or not agriculture (and other NR-based activities) can thrive and thereby translate into improved rural livelihoods. Government’s contribution to this is clearly limited to the creation of the enabling environment.

PMA implementation poses challenges to traditional ways of working and the sectoral thinking so pervasive amongst governments and donors. Whilst it does offer opportunities for budgetary support within a coherent policy framework, it questions many other fundamentals of conventional agriculture sector plans. PMA implementation will deepen and help realise the decentralisation process underway in Uganda by giving poor people greater control over the use of public resources, and will provide new mechanisms by which policy and action at ‘the centre’ is informed by ‘the poor’.

*Source:* Chilver, presentation to NRAC 2000

<sup>12</sup> Manor (2000)

A key learning point to emerge from the PMA is that the process of turning this policy initiative from a cumbersome, production focused and state-led ‘agriculture plan’ into a genuine cross-sectoral approach relied for its support and implementation on three sets of institutions. These institutions shared a mandate for a cross-sectoral approach focused on achieving poverty outcomes. They were: the poverty planning sections of the Ministry of Finance and Economic Planning; local governments, and; some sections of the donor community. The fact that an active process of decentralisation (administrative, fiscal and political) had been ongoing for some years was critical to establishing the capacity for taking forward the cross-sectoral perspective of the PMA at the local level.

The overall messages on decentralisation with respect to the goals of an SL approach seem to be mixed. On the one hand, there is the ‘good news’ – under conditions of effective governance a decentralisation process really can provide the institutional framework to take forward some of the goals of a sustainable livelihoods approach. On the other hand, the ‘bad news’ – such conditions are not particularly widespread, especially in poor countries. Moving forward with an implementation process for a ‘livelihoods-friendly’ approach (although one which did not stem from SL analysis) was difficult under favourable conditions in Uganda – is it pie in the sky in countries where there is no notable pro-poor orientation to public policy and key institutions?

The SL framework assumes a concern for local realities and needs on the part of the institutions which will apply it – this is only likely to be the case for a publicly led process such as a PRSP where government is reasonably transparent and accountable. This in turn emphasises linkages to issues of citizenship and governance. A guidance sheet is currently in preparation on the links between sustainable livelihoods and human rights. The text of the draft emphasises the political dimensions of the rights debate: ‘Rights-based approaches aim to strengthen the claims of the most vulnerable, such as women, children and minorities, to the social, political and economic resources that all should enjoy’. The kinds of actions which might provide a bridge to the SL framework include:

- Strengthening the organisations of the poor;
- Participatory planning to allow for poor people’s priorities to be integrated;
- Training for service providers to ensure equity of treatment ;
- Reform of laws and policies, e.g. securing rights of tenure to land;
- Civil society monitoring of the performance of public institutions.

This is an evolving field, and it is not possible at present to be clear about the potentials for linking SL and rights frameworks in a development context. The rights framework does offer potential for dealing with the major acknowledged gap in the SL analytical tools – namely issues of power and authority. At the same time there are some issues and questions which need to be addressed in taking this forward:

- The relationship between rights, entitlements and the nature of state obligation- in particular, to meet the concern that an emphasis on individual rights and entitlements might ‘crowd out’ other key elements of public expenditure;<sup>13</sup>
- How variables of freedom and individual agency could best be integrated into – or combined with – a livelihoods analysis.<sup>14</sup>

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<sup>13</sup> It is important to note that the nature of state obligation in assuring livelihood security is not restricted to direct transfers – but may also include the creation of an enabling environment which facilitates the capacity of individuals and communities to take action themselves.

<sup>14</sup> Recent work on concepts of freedom and rights and their significance for development, economics and ethics by Sen (1999) are conceptually relevant – although he does not specifically develop these ideas in relation to a livelihoods or capital/asset framework.



### **3. Poverty Reduction Strategy Papers**

#### **3.1 Origins of PRSPs and the state of current knowledge**

The World Bank and International Monetary Fund (IMF) originally endorsed the preparation and implementation of Poverty Reduction Strategy Papers (PRSPs) by borrower countries seeking to benefit from the enhanced HIPC (Highly Indebted Poor Countries) Initiative:

‘[This] enhanced framework for poverty reduction [...] seeks to ensure a ‘robust link’ between debt relief and poverty reduction by making HIPC debt relief an integral part of broader efforts to implement outcome-oriented poverty reduction strategies using all available resources’ (World Bank website, 22 September 1999).

The PRSP model, although originally conceived of in the context of the HIPC debt relief initiative, is now envisaged as the centrepiece for policy dialogue in all countries receiving concessional lending flows from the World Bank and IMF. The IMF’s facility for poor countries (formerly known as the Enhanced Structural Adjustment Facility) has been renamed the Poverty Reduction and Growth Facility. The PRSP has replaced the ‘Policy Framework Paper’ as the overarching document which outlines the policy directions and resource allocation frameworks for IMF and Bank lending in countries eligible for concessional assistance. It comes in two parts: the paper itself, drafted and owned by Government, to their own preferred format; and the Bank/Fund assessment of it, which accompanies the paper when it is presented to the Boards of the IFIs.

The government is expected to prepare the PRSP through a process which consults widely, in order to reinforce ownership within and beyond the Government. It covers a three-year time-frame, but with annual review and update.

#### **3.2 Key issues in PRSPs – ownership, participation and mainstreaming recommendations into policy and budget processes**

The PRSP was conceived as a more effective means for donors to interact with recipient countries in order to stimulate effective poverty reduction. Though it is an initiative of the IFIs, the objective is to encourage a process by which Government takes charge of poverty reduction strategy, attempting to prioritise the most effective policy interventions and make the best use of all resources (domestic and external) in pursuit of the objective of poverty reduction. In order to fulfil these aspirations the PRSP process would need to provide real progress in over-coming some of the major constraints to achieving sustained poverty reduction in poor countries, including problems in the donor relationship. For example, could the PRSP process help to achieve any of the following?:

- Providing the conditions under which governments could take leadership in the process of developing national poverty for poverty reduction (acting in consultation with key elements of civil society, and through accountable, democratic policy processes);
- Promoting enhanced processes of public dialogue and consultation between government, civil society and communities on the issue of how to achieve sustained poverty reduction;
- Providing the conditions where the government can produce an analysis regarded as credible by the majority of key stakeholders of the nature of poverty, its distribution and causes, and the priority actions for public policy to reduce it;
- Ensuring that planning frameworks become integrated into policy and budget frameworks, and followed through into implementation on the ground;

- Providing the incentive for governments to take a pro-poor stance in public policy, confronting where necessary constituencies which may oppose this in whole or part.

These are ambitious aspirations, made more so by time pressures imposed in order not to delay debt relief. In recognition that speed would undermine the objective of broad participation, it was agreed that HIPC debt relief could be effected on the basis of an 'Interim Poverty Reduction Strategy Paper' or IPRSP. The IPRSP, it was argued, could provide the 'roadmap' to guide a process whereby a full PRSP would be developed over the space of 23 years.

### **Box 3: DFID Expectations of the Content of PRSPs and IPRSPs**

#### **Elements of a full PRSP:**

DFID's guidance states that PRSPs need to show an evolution in content from the issues dealt with in the 'Policy Framework Paper' which it replaced, to justify the claim that this is a new approach. The PRSP needs to include, in whatever format:

#### *Analysis:*

- nature of poverty
- obstacles to, and opportunities for, poverty reduction and faster growth: macro-economic, structural, environmental, social and institutional
- trade-offs and win-wins in policy choices: options

#### *Goals*

- long-term for key anti-poverty targets
- linked to International Development Targets
- indicators and monitoring system

*Policy actions* – economic, structural, environmental, social and institutional

*Medium-term budget framework*

*External assistance* – requirements and coordination

#### *Participatory process*

- what has happened so far
- process for monitoring and review

#### **Elements of an Interim PRSP**

The key criterion for an interim PRSP is the 'roadmap' indicating the process whereby a full PRSP will be developed.

IPRSPs should present an analysis of poverty (distribution, causal processes, constraints and strategies) based on the best available information. The IPRSP should also set out the key performance criteria that would be used as the basis for a PRGF (IMF assistance). It is important that they should be inside the IPRSP and not left until the design of the PRGF to establish the principles of ownership and linkage to poverty reduction.

DFID's approach to the process and content of PRSPs is summarised in the internal guidance paper: Poverty Reduction Strategy Papers: DFID Expectations. This paper emphasises strongly the process dimensions of PRSPs. The outcome which is really important is the development of a Poverty Reduction Strategy for the country itself (along the lines of Uganda's Poverty Eradication Action Plan) – which is approved by the domestic structure of governance and for which

government holds itself accountable to its citizens, not the donor community. A PRS is thus more important than a PRSP – and the hope is that the process can work to stimulate this. In addition to the emphasis on participation and accountability the paper outline the key elements DFID would hope to see in terms of the content of PRSPs and IPRSPs. These are outlined in Box 3.

As of now – based largely on anecdotal information – it seems that the PRSP project is capable of producing some positive outcomes, even under the most difficult of circumstances. In Kenya, even in a situation where the level of trust between civil society and government is very low, the PRSP process seems to have stimulated useful public debate – and played a role in creating a ‘space’ where dialogue over the nature of poverty and the actions needed to overcome it can take place.<sup>15</sup> Information from NGO networks credits the same sort of impact in Zambia.<sup>16</sup> There was also evidence emerging from the PRSP process in Bolivia that consultations were providing a vehicle for useful dialogue between government and civil society over public policy for poverty reduction – although the process was disrupted by civil unrest at a key point. Early results emerging from a study of the institutional aspects of the PRSP process in eight African countries indicate that there are limited but worthwhile gains in most countries. These can be seen in enhanced incorporation of poverty reduction goals into policy and budget processes and creating space for public discussion of poverty reduction and policy processes.<sup>17</sup>

Nonetheless, some major concerns have emerged about the way in which the PRSP process is evolving which we will summarise briefly:

- Is it realistic to talk of ‘stakeholder participation’ in an environment where certain players (especially the IFIs) hold such a powerful position?
- Will the donor community be able to resist the temptation to be heavily prescriptive about the content of PRSPs?<sup>18</sup>
- Can a process which is driven by donor time schedules and bureaucratic procedures be expected to stimulate country leadership (let alone ownership)?
- Will rapidly prepared IPRSPs contain any real substantive new directions for policy – or simply provide a sanitised platform for the prescriptions which the IFIs would have offered in any case?
- Specifically, is the IMF prepared to concede more open discussion of fiscal policy, recognising the scope, without taking unreasonable risks, for making policy choices on budget deficits, public spending and how it is financed?
- Is there anything new in the practice and methodology of PRSPs – or will the outcome be a repetition of the Washington orthodoxy?
- Can the conditionality of IFI lending instruments for supporting poverty strategy (PRGF and PRSC) be designed in ways which avoid undermining local ownership, accountability, and flexibility to manage the policy process?

There are anecdotal grounds for concern on each of these issues,<sup>19</sup> though there are also some very positive examples. It really is too early to seek to establish a balance sheet on the PRSP initiative. Most observers are uncomfortable with the speed with which the initiative spread from being

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<sup>15</sup> Lucia Hamner pers.comm.

<sup>16</sup> Eurodad (2000)

<sup>17</sup> David Booth, 3<sup>rd</sup> Progress Report, PRSP Institutionalisation Study, May 2001

<sup>18</sup> The Bank’s PRSP Sourcebook reputedly weighs in at something over 1,000 pages. This appears an unfortunate message in terms of standing back and allowing countries to take the lead, however much individual authors have tried to gear their sections to a non-directive tone and approach.

<sup>19</sup> Concerns have been raised for Tanzania, Honduras, Nicaragua and Zambia that the IFIs took insufficient note of existing planning frameworks in their dialogue over PRSPs (Eurodad 2000). Calls from civil society commentators for the IFIs to introduce systematic social assessments of the content of reform have not so far been successful.

'HIPC-only' to a world-wide requirement for all poor countries<sup>20</sup>, and the absence of the opportunity to pilot such an initiative and learn from experience has proven problematic. Nonetheless it is too early to evaluate the benefits and problems at this point.

### **3.3 Implications for donor behaviour, practice – role of multilaterals, bilaterals**

The PRSP process implies a change in the focus and nature of policy dialogue. Policy dialogue traditionally concerned issues of macro-economic stabilisation, on which the IMF lead, and issues of structural adjustment aimed at creating an enabling environment for competitive, private sector led development, with the Government role confined to correcting market failure. The Washington Consensus also concedes a role for Government in seeking to modify distributional outcomes in ways which do not undermine private sector growth, though distributional objectives have not until recently been prioritised in policy dialogue. The PRSP process, the new lending instruments which are based on it, and the use of the PRSP as a major factor in country assistance strategies, make poverty reduction the over-riding objective of policy dialogue. The bilateral donors were content for Bank and Fund to lead on the traditional structural adjustment agenda, where their expertise was broadly acknowledged, if with some reservations on poverty impact. However, the broader dialogue needs to involve a broader group of stakeholders in the development community, by no means all of whom will feel themselves to be adequately represented through their group constituencies in the IFI Boards. There has therefore been the beginnings of a development towards more organised policy discussions around poverty and public expenditure issues involving the whole donor group: this has been an important aspect of the process in Uganda, not just for preparing the PEAP, but also as part of annual consultations on the MTEF which is one of the key instruments by which Government implements its own role in poverty reduction.

The PRSP process has also been accompanied by a move towards new forms of development assistance, instruments which provide general support to the strategy as a whole. This is especially important in aid dependent countries. If the Government policy and strategy merits support, donors are increasingly recognising that earmarking to individual donor projects is unhelpful. The project approach absorbs Government capacity in dealing with a multiplicity of donors with different procedures, while risking an uneven pattern of development, fragmenting resources between projects which do not add up to a replicable, sustainable approach to reducing poverty and building sound institutions. Moreover, project earmarking may in any case be frustrated in its objectives through fungibility, with Government adjusting its own resources in order to frustrate donor attempts to achieve additionality through project spending. These concerns have been behind the movement from project towards sector approaches, and are now behind the further push by some donors in Uganda and Tanzania towards supporting the poverty strategy with general budget support.

There are implications for SL approaches. If the movement is towards overall support for national strategies, then the scope for donors themselves to use the SL approach in the development of their own aid programmes is circumscribed, since the donor role is to influence and support the Government strategy. In this new aid relationship, the extent to which SL has a role at any level in the country relies entirely on the extent to which Government chooses or is persuaded to use SL friendly approaches in developing and implementing its policies, programmes, and projects. Moreover, the new types of aid relationship imply and require a degree of pooling of influence among the donors, an agreement on which issues should be prioritised in policy dialogue. The experience of sector wide approaches shows that failure to do this results in a severe risk of

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<sup>20</sup> all countries which receive only concessional assistance from the IFIs are supposed to produce PRSPs – non concessional borrowers and so-called 'blend' countries (e.g. India, China) are exempt

planning paralysis, and of over-crowded agendas which can not be implemented. This reinforces the point that the focus should be not on the tool, but on ensuring that the concerns which an assets-livelihoods framework aims to address are taken on board in the policy discussion. The key to ensuring that they are lies partly in persuading Government of their merits, but also requires the support or at least acquiescence of other key stakeholders, domestic and external. The World Bank remains a key player at this level (and we should acknowledge that there is an element of direct contradiction between this fact of life and the stronger aspirations for national ownership which have been associated with the PRSP concept). Though the Bank may be persuaded to be less dominant than in traditional dialogue, it is unlikely that aid dependent countries will implement analytical approaches without some degree of recognition by the Bank of their worth.

### **3.4 PRSP ‘cycle’ – stages of development and options for participation**

The following section examines the PRS process and the various forms of participation open to different actors at particular stages. A basic description of stages of the process is offered to help map out the possibilities for engagement at different points (drawing on Mcgee with Norton 2000). This should not be seen as a ‘blueprint’ for a PRSP, to be inflexibly applied. In countries where a government-led poverty strategy has been developed with considerable levels of dialogue and consultation, it would not make sense for donor agencies to promote the development of a new strategy. Rather, they and CSOs should try to identify the entry-points for participation in the existing strategy. While mapping out a cycle is helpful for identifying opportunities for participation, it does not imply that a technocratic planning process takes precedence over either domestic political processes, or political action to influence and contest policy change. This is not the case, nor should it be. Nonetheless, it must be recognised that a major impetus behind the PRS process is the donor agencies’ desire to account for their actions against poverty reduction objectives, an imperative which calls for some form of planning framework for policy change.

A basic PRS cycle includes the stages of formulation, implementation and evaluation. The formulation stage is likely to include preparatory analytical work, the actual formulation of the formal PRS text and content, and the process of approval and legitimisation of the strategy. A full outline of the cycle is thus:

- Analytical or diagnostic work to prepare for PRS formulation (covering both analysis of poverty, and institutional and budget analyses)
- Formulation of strategy, and of policy and programme interventions
- Approval
- Implementation, monitoring and feedback
- Impact assessment or evaluation.

Participatory approaches have a contribution to make at each stage, as shown in Box 4. Participatory assessment methods provide one set of approaches which are compatible with an assets/vulnerability approach, but other types of analysis and information will also be needed in this context. Box 5 therefore looks explicitly at what an SL approach might contribute to the PRS.

#### **Box 4: What can participatory approaches add to the PRS?**

Participatory practice can contribute to the PRS process in several ways and at each stage (Mcgee with Norton 2000).

##### **Analytical or diagnostic work:**

- Participatory research or consultative exercises: involving poor communities in analysing the nature, causes and dynamics of poverty, what their priorities for public action are and which institutions they see as effective. Participatory research for poverty assessment usually involves intermediary actors (research institutes, NGOs, service ministry and local government personnel). Participants need to be selected to provide a representative picture of livelihood conditions of the poor. The exercise is primarily a consultative one, but, arguably, the creation of relationships among the various actors affected by or engaged in the policy process is the most significant innovation of participatory poverty assessment.
- Participation of civil society actors in analytical and research processes on institutional frameworks and national and local government budgets: to contribute to identifying strategies and setting priorities.

##### **Formulation of the strategy:**

- Joint formulation between civil society and government: formulation of the PRS can involve civil society specialists and advocates representing diverse groups from among the poor, as well as government technocrats and independent analysts. There will probably be little opportunity for direct involvement of poor people or community-level actors at this stage, although their interests can be represented by their intermediaries.
- Donors' participation in formulation is likely, although not necessarily desirable.

##### **Approval:**

- Parliamentary approval: PRS needs to be approved by formal political structures within the country, as well as being approved at the global level by the World Bank and IMF to trigger debt relief and concessional loans. While under formulation, the PRS must pass through legitimate democratic political processes and ultimately attain formal ratification by elected political representatives.
- Public approval: given the stress placed on civil society engagement with the PRS process, it is vital to the PRS's credibility and implementation that civil society itself holds a well-publicised national dialogue around the PRS process which culminates in its public endorsement of the final product.
- Donor agencies will need their Boards to approve programmes associated with the PRS, but these approval processes do not need to proceed in step with the country process.

##### **Implementation:**

- Negotiating roles, responsibilities and entitlements at the local level: the PRS can only provide a framework for empowerment if people in poor communities are clear about what they can and cannot expect from public agencies, and can make claims according to their expectations. Thus the negotiation and communication of roles, responsibilities and entitlements relating to the PRS are crucial. These local-level negotiations will, of course, occur against a backdrop of all the normal structures of local development and government and must iterate with them rather than supplant or contradict them.
- Monitoring the effectiveness of policy measures: participatory approaches can be used to test the effectiveness of policy changes by monitoring the changes actually experienced by local level actors, against the implementation of policy goals.
- Citizens' monitoring of outcomes: citizens can be directly involved in formulating and monitoring local budget, and in monitoring service delivery, and holding service providers and local government to account.

**Box 4 cont.****Impact assessment or evaluation:**

- In addition to the monitoring of PRS implementation, there may also be an attempt to evaluate the PRS retrospectively and synthesise lessons from it to inform future policy. During PRS evaluation, participatory approaches can contribute through gathering perceptions of the strengths and weaknesses of the PRS experience from actors at multiple levels, including community, ‘street-level bureaucrats’, local government staff, civil society representatives, politicians and central government technocrats. The perceptions of these actors on the PRS process, content and outcomes can be fed into formal processes for assessing policy change and impact.

**Box 5: What can an SL approach add to the PRS? Some tentative suggestions...****Analytical or Diagnostic Work**

Integrate household survey, environmental, social and political analysis to identify livelihood groups; identify trends, threats to existing livelihoods (supplementing expenditure/income analysis with information on trends in assets held by the poor, the returns obtained from them, the costs required to sustain them). Identify issues poor groups themselves prioritise.

**Formulation of the Strategy:**

Integrate asset/vulnerability information with economic analysis, to identify which interventions have biggest sustainable impact on most poor people at affordable cost; and which interventions have most positive impact on identified poorest and most vulnerable groups<sup>1</sup>. An SL approach could help to bring household expenditure/income data into a common frame with information on assets, including what is required to maintain and enhance them, and what returns might be. Participatory and historical analysis might be used to identify how different groups may react to new conditions, threats, opportunities. The vulnerability framework might be captured by modelling alternatives to traditional economic assumptions of income maximisation, e.g. maximising worst-case expenditure, or maximisation subject to at least achieving a minimum expenditure level. In moving the SL framework from local to national concerns, some sacrifice of the detailed, holistic approach will be required, but the analysis can inform decisions on where the main variations lie, and what features are important.

**Approval:**

By identifying the importance of heterogeneity, an SL approach might help promote a more decentralised and locally responsive approach, in which the centre is approving a process by which resources are allocated but with greater discretion for adaptation through local level planning and budgeting processes.

**Implementation:**

The SL approach can inform the development of frameworks for setting objectives and designing monitoring systems which capture early-warning indicators of poverty, including asset sales.

**Impact Assessment:**

Recognition of need to assess longer term trends in assets, especially environmental assets.

### 3.5 Brief comments on existing IPRSPs/PRSPs

It has not been possible within the time allowance for this piece of work to extensively review existing PRSPs for the extent to which they conform to an SL approach (as indicated, for example, by the principles outlined in Box 1).

It is notable, from a brief review, that the focus on vulnerability and participation is much more robust in the two cases where a process of the PRS kind was underway before the PRSP 'requirement' was introduced into the donor relationship. Uganda has already been discussed in the context of the Plan for the Modernisation of Agriculture under section 2. This has become the government's vehicle for tackling livelihood issues (despite its misleading name). The Uganda PRSP is effectively the pre-existing Ugandan Poverty Eradication Action Plan. Many elements of the framework have been informed by the Uganda Participatory Poverty Assessment Process – which has achieved a striking level of integration into the government's policy and budget processes.<sup>21</sup> The PEAP, in addition to extensively addressing the task of strengthening the livelihoods of the rural poor also emphasises the key significance of enhancing citizen participation, strengthening governance and dealing with livelihood and human insecurity. It is comprehensive without being overly technocratic – and has been widely disseminated within Uganda.

Another document with a great deal in common with the SL approach is the Bolivia Interim PRSP. The analysis of poverty and policy prescriptions within this document cover a range of issues of relevance, including regional inequalities, enhancing human and social capital, participation and the theme of 'fighting discrimination' (conceptualised on lines of gender and ethnicity). Of particular relevance to an SL approach is the section of the proposed poverty reduction strategy title 'Reducing the Vulnerability of the Poor'. This includes the following elements:

- Guaranteeing ownership of the assets of the poor in urban areas. This encompasses measures to increase the security of tenure of land and housing of the urban poor – which has often shown to be a critical issue in participatory and qualitative studies of urban poverty.
- Guaranteeing small farmers' land ownership rights through acceleration of land titling and creation of a decentralised land appraisal system.
- Increasing the value of the assets of the poor through providing basic services in peri-urban areas, building roads and constructing micro-irrigation systems.
- Reforms in the administration of justice aimed at increasing access for the poor.

It is worth noting that Bolivia was well on the way to developing a comprehensive, poverty focused development strategy through a process of dialogue and consultation before the PRSP initiative was launched. Like Uganda it had a head start – and critically, perhaps, this factor enabled these two countries to take strong ownership of the PRSP process.

While these two examples provide much to suggest that the basic concerns of a livelihoods approach are integrated, our impression is that many other IPRSPs do not.

In Mongolia, DFID and World Bank have supported a participatory poverty assessment designed to feed into and inform the PRSP process. It is of particular interest because a specific livelihoods approach was adopted to the analysis. The objectives included :

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<sup>21</sup> A description of the UPPAP and its influence of policy formulation in Uganda by Bella Bird and Margaret Kakande will be included in the forthcoming guidance on participatory poverty assessments being prepared by CAPE/ODI for Social Development Department in DFID (Norton et al, 2001)



- To deepen understanding of the multiple dimensions, causes, dynamics and perceptions of poverty in Mongolia;
- To integrate that understanding with existing household survey data and poverty analysis;
- To broaden public policy debate on poverty;
- To bring this deeper understanding to bear on policy formulation.

The value of the approach is reinforced by the starting context, in which public debate had previously turned on distinctions between deserving and undeserving poor, while poverty strategies had been focused on safety nets rather than enhancing the capabilities of the poor to sustain their own livelihoods.

The report contains a good, disaggregated analysis of who the poor are, and how different groups sustain a livelihood, with analysis of seasonal patterns and of aspects of vulnerability and coping strategies to deal with it. It includes analysis of poor peoples' assessment of which institutions and structures are important to their livelihoods and wellbeing, and how effective they are, covering not only Government services such as schools and health facilities, but also shops markets and communications. The critical issue, which it is too early to assess, concerns how this wealth of information will be integrated with more quantitative sources, and used to inform the development of a poverty reduction strategy.

## 4. Applying SL Approaches to the PRSP process

### 4.1 Process approaches derived from SL

Potential approaches to applying SLAs to Poverty Reduction Strategy Papers can be grouped crudely into messages about process and content. The process messages can be taken to start with the SL ‘principles’ outlined by Ashley and Carney (Box 1). To recap in short, an SL approach implies that poverty focused development activity should be:

- People-centred
- Responsive and participatory
- Multi-level (with appropriate subsidiary and making full use of a decentralised approach where effective local structures exist)
- Conducted in partnership – and engaging both private and public sectors
- Sustainable – in economic, institutional, social and environmental terms
- Dynamic and flexible enough to respond to change

All of the above principles contain messages about process although they also have implications for the content of Poverty Reduction Strategies.<sup>22</sup>

We would argue that while the messages about the process whereby PRSPs are put together are useful, they are not new. They amount in total to support for the principle established in theory in documentation such as the World Bank PRSP Sourcebook, that PRSPs should be based on an inclusive process of dialogue – led by central government (which is clearly the appropriate tier of government in this case). This process should seek to include as far as possible representation for poor men and women, intermediary civil society organisations and the private sector – as well as different kinds and levels of government institution.

There is one area where the SL mode of analysis may be helpful. The structuring of successful participatory processes requires effective social analysis to establish:

- A typology of different social groupings which need to be represented, along fault lines which may include gender, ethnicity, region, age and livelihood groupings.
- An analysis of differential interests and access to information, power and influence which may affect the participation of different groups.

Without such an analysis the process will be vulnerable to a number of risks. The first of these is that it will be unrepresentative – and thereby fail to achieve the aspiration that it should be inclusive of key groups among the poor. A second risk is that conflicts will arise which will either remain unresolved, or lead to the exclusion of views of significant groups of participants. The application of livelihoods analysis can be deployed (among other forms of analysis, including rigorous analysis of social, economic and political dimensions) to generate dimensions of the disaggregation of populations. The disaggregation of population according to livelihood groupings has one distinct advantage in this context. The typology of different groups among the poor thus developed should relate on key dimensions to different causal processes (e.g. deficiencies in access to particular kinds of assets, or vulnerabilities to particular ‘threats’, e.g. drought).

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<sup>22</sup> Enhancing poor people’s participation, for example, forms part of the Bolivian IPRSP action programme

## 4.2 Sustainable Livelihoods and the Content of PRSPs

Such disaggregated frameworks for looking at poverty issues can clearly be used for content analysis. In this context, however, we are suggesting that they be applied to structuring the process – in particular ensuring that no significant groups among the poor are left out of the processes of consultation leading to the formulation of a PRSP.

Where would a SL approach possibly lead to different outcomes, different policy choices? Box 5 suggests how a SL based analysis might contribute to an overall PRSP process. It may be worth further illustrating this with a discussion of the main content areas of policy choice around PRSPs, and how a livelihoods approach might be helpful.

Before discussing specific policy areas, it is important to recognise that most issues where SLA might help could also be addressed in other ways, and often are. SLA is neither necessary nor sufficient for the types of analysis we need. Nevertheless, it is potentially helpful as a way to look at some issues, and can help ensure some of the right questions are asked, including issues concerning assets that have often been ignored or under-emphasised. The discussion which follows simply looks at PRS policy issues, and asks if and how SLA might contribute: We do not assert SLA is the only or best approach to any of the issues, only that its role might merit further research.

Macro-economic policy is concerned with ensuring price stability and avoiding debt and balance of payments problems. Traditionally, it was conducted between the IMF and central economic authorities, with little explicit consideration of trade offs between different targets. The PRSP process potentially opens up an opportunity for discussion of alternative macro-economic policy scenarios.

There are policy choices to be made concerning the inflation target to be aimed at, and the speed at which inflation is reduced, which in turn will have implications for the extent of any necessary squeeze on public spending, and for the level of interest rates and the availability of credit. It is normally argued that inflation particularly hurts the poor, but the interactions are quite complex, and different groups among the poor will be affected in different ways. If all prices adjust smoothly, real incomes will not be affected, but in practice higher inflation will also be associated with the potential for larger swings in relative prices, which increase risk and vulnerability. Inflation is also a tax on holding money, which can be avoided to the extent that savings can be held in assets which retain their real value. The assumption that the poor suffer disproportionately from inflation is often made, but rarely is it rigorously justified. It could be worth using an assets/vulnerability framework to explore in a number of pilot cases for different groups, how successfully they are able to protect their livelihood strategies, and the balance between the costs of abrupt cuts in public expenditures relative to the phasing of reductions in inflation. This would not be easy to address. A fully satisfactory analysis would probably require some formal modelling process, perhaps using the SLA analysis to characterise the main livelihood groups. Data on how they hold assets would need to be mapped for each group, drawing on a combination of quantitative and qualitative information, in order to infer how they are affected. This might be supplemented with case studies on how different groups were in practice affected by recent episodes of rising and falling inflation, and related changes in the cost and availability of Government services.

It might also be worth exploring the demand for money, a critical component of the design of a fiscal framework, based on a broader assets/vulnerability framework. Monetisation of the economy as development proceeds has been the province mainly of macro-economists, and the micro foundations in poor countries are poorly understood. Could an SL approach help in understanding the circumstances in which financial assets gradually substitute for assets held in other forms? It is perhaps unlikely to be of much help in the design of short-term demand for money responses, the

main province of the IMF. However, it might help to illuminate important policy issues surrounding how asset holding choices change over time, and what determines them:

- Cash (non) availability changes the costs to poor families of engaging in trade and paying taxes or user fees, and it is important to improve our understanding of the costs of transforming other assets to cash, and the implications for the poverty effects of Government-induced cash requirements in the presence of high transactions costs to get cash;
- Future economic growth, and hence the whole poverty strategy and its sustainability, depends on understanding investment and savings behaviour, and what affects it, for which systematic analysis based on an SL framework could be a helpful way forward. Micro studies and qualitative analysis would be needed to add insight and understanding to more quantitative statistical analysis of the differences between households and communities with differing characteristics.

Insights can be developed on changes needed in the legal and regulatory framework (especially for the holding of different kinds of assets) which can be revealed through participatory and social analysis with poor people from different livelihood and social groups. An SL approach may help in providing a framework for mapping their relative significance to different groups within the population. Household survey based data typically asks about primary and secondary occupations of the household, but does not capture the significance of a diversified livelihood strategy, and will perhaps tend as a result to give biased estimates of the potential impact of measures which affect a source of income which is of some significance to a large segment of the population, and may in particular miss intra-household effects where there is gender separation of income and expenditure. Sources of livelihood which are significant at difficult seasons of the year may also risk being missed.

Taxation policy is perhaps best addressed through incidence analysis based on household expenditure data, which will enable first round incidence of taxation by income decile to be readily analysed for major occupational groups, though SLA might help in identifying the more important livelihood groups for analysis purposes. Where a livelihoods approach may add further value is in understanding better some of the behavioural consequences of taxation policy. For example, the impact of VAT on whether small businesses decide to formalise themselves, the impact of user fees on decisions to invest in human capital, the impact of high nominal tax rates on tax evasion and avoidance behaviour (including changes to the mix of economic activities pursued, and to input supply and output marketing channels). By placing insights from participatory research and other sources within a framework, the SL approach can not only potentially reveal how groups have behaved in the past, but also predict how they may react to specific policy reforms, especially if the framework can be integrated in a way which enables impacts to be quantified.

Cross-cutting issues require a more holistic framework for analysis and policy formulation. Pre-eminent here is HIV/AIDS. The epidemic has multiple, inter-linked impacts which do need to be understood in an assets/vulnerability framework. Governments need to understand how the epidemic is eroding human capital and social capital, leaving communities unable to cope with the consequences in the short term, and with reduced capacity to recover in the long term. IFPRI for example have used the SL approach to characterise different agricultural technologies in terms of their vulnerability to HIV/AIDS.<sup>23</sup> Similarly, the SL approach provides a potential way to ensure that environmental concerns, often underplayed in planning exercises, are taken into account, through an emphasis on understanding how environmental resources contribute to livelihoods, and what needs to be done in order to ensure that their erosion does not undermine future livelihoods.

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<sup>23</sup> Lawrence Haddad, personal communication.

A livelihoods approach may also contribute to decisions on prioritisation of expenditures through ensuring that expenditure priorities reflect not just existing per capita expenditure levels, but an understanding of their future sustainability. The priority given to specific regions or population/livelihood groups should be informed not only by their present consumption levels, but by knowledge of threats to their sustainability: are environmental assets rapidly eroding, are consumption levels being sustained by reducing other asset holdings? These issues will inform both overall planned resource allocation, and the design of social assistance measures, where monitoring of asset holdings can be one indicator of the degree of stress.

The design of expenditure programmes which support poverty reduction needs to be informed by good understanding of where the poor are, how they obtain their livelihoods, and which interventions will make most difference. This clearly needs to be disaggregated. It will also be important to look specifically at the problems of the very poorest and most vulnerable groups. In turning analysis based on SL approaches into a national strategy, it will be important to begin to quantify those variables which can be quantified. This will require models representing different livelihood patterns, and which can be used for assessing the likely impacts of alternative interventions against their costs. It should be noted, however, that the quantification of the SL framework raises a range of difficulties. Social capital, for example, is best seen as a loose metaphor – attempts to quantify it are problematic and potentially misleading. There are also differences in the units which ‘hold’ different forms of capital which pose major challenges for a unified quantitative analysis<sup>24</sup>. The SL approach can supplement, extend and inform the analysis which can be undertaken to inform choices between expenditure priorities, but will be most helpful where these insights can be considered alongside and integrated with social, economic and technical appraisal.

A livelihoods approach may also help to highlight the possibilities for including goals related to enhancing the transparency, accountability and responsiveness of institutions within a PRSP framework. Enhancing the opportunities for poor people to participate in policy and decision making arenas can be a specific objective of a PRS (as in the Bolivian case) with its own framework for planning and measuring progress.

We have raised a number of methodological issues, but do not claim to have the solutions to them. The extent to which an SL analysis can actually deliver in some of the areas outlined above has yet to be demonstrated in practice. There is at present a fair degree of methodological eclecticism in the design of poverty strategies, with no approach able to provide more than partial insights to inform Government policy choices. In practice, pragmatic Governments adopt a partial approach to analysis of specific issues. The SL approach is not yet developed into a methodology for making choices between policy alternatives. It would nevertheless be worthwhile to attempt to marry the insights from the SLA asset framework to more conventional forms of analysis, including cost-benefit and cost-effectiveness approaches, as well as econometric analysis of the determinants of poverty. It is difficult to generalise, but the best approach is likely to be based on drawing on a range of sources of information and types of analysis, in order to illuminate policy dilemmas. SLA has a place as one of the tools which can be drawn on in combination with others, helping to better focus their objectives, and to identify the domain to which policy conclusions might be applied.

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<sup>24</sup> While, for example, human capital is a property of individuals, social capital is (in the work of different authors) either a public good, a ‘club good’ or (occasionally) a private good.

## 5. Conclusions

Our main conclusion is that, in considering the role of the SL framework in PRSPs, the emphasis should be on the principles underlying the approach (both analytical and normative), rather than the specifics of the particular framework which DFID has helped to develop. Those key principles are:

- Seek processes which are accountable, engage with the disaggregated, specific realities of poor people's conditions, allow for appropriate subsidiarity in dealing with key issues, and take a cross-sectoral perspective on the causes of deprivation and the analysis of measures to reduce it.
- Focus on the need to achieve livelihood outcomes for the poor as a guide to applying the conceptual framework in practical situations, and encouraging partners to use it.
- Seek to prioritise policy and programme actions – the analysis of the 'complex reality' of local livelihoods must not become an impediment to action or an excuse to avoid making choices in terms of how to apply scarce public human and financial resources. The challenge is to use SLAs to help determine whether the right priorities have been chosen – but not to over-complicate a policy agenda to the point where nothing can be delivered. There is no necessary contradiction here – it is a question of how the analysis is applied.

The major entry point is through processes of poverty diagnosis – introducing a pluralism of methods and analytical viewpoints – and focusing particularly on the causes of poverty. It also permits a focus on the equity of asset distribution, not just income. Key messages include:

- disaggregate the poor and seek to understand how they make a living
- livelihoods are more than income
- policy should address key sources of vulnerability
- policy processes need to be able to cope with diverse local realities
- work on asset distribution – not just income issues
- public policy for poverty reduction is not just 'social' expenditures – access to financial services, infrastructure, markets, natural assets and justice systems matters
- Draw links between the insights from participatory poverty assessment and the more quantitative frameworks more commonly used for assessing policy and programme interventions
- Do not just describe, but seek to explain and predict.

The best entry point in many country contexts is likely to be through assisting poverty monitoring and diagnostic processes to take a differentiated view of livelihood conditions of the poor, as was done in Mongolia by supporting a participatory poverty assessment which took an explicit livelihoods approach, and which will be a key input to the IPRSP process. The SL approach is not necessarily best addressed through the PRSP as such – but through long-term work with the country's poverty assessment and monitoring frameworks and systems.

The assets/livelihood framework is important for re-balancing the debate on policy for poverty reduction, which has arguably been excessively dominated by health and education expenditures, and needs to give more attention to poor people's access to productive assets, infrastructure, financial services etc. A further dimension which is needed in the debate would address the key dimension of the freedoms and opportunities which are available to people to make use of their assets in political, economic and social arenas. This takes the debate into issues of accessible justice, political voice and human rights.

In interpreting the framework, it is important to:

1. always work with appropriate policy partners in the country concerned;
2. keep working with other donors;
3. focus on the linkages between different levels (not just the ‘capitals’).

The SL approach might also be used to help in further developing views on what should be included within a good PRSP, not as a blueprint which countries are expected to follow, but as a tool for DFID to assess what has been done, and an agenda for future dialogue on how the process might be developed. Key points are perhaps fairly obvious and build on the points outlined above e.g. does the analysis disaggregate the poor by livelihood group, does the analysis address asset distribution? does the analysis go beyond income and look at poverty dynamics?

The SL approach to disaggregated analysis may be helpful for assessing whether the design of the participatory processes to support PRSP production have covered all relevant groups. The SL approach can be used to identify significant groups left out of consultative processes and can prompt action to support them to organise for participation.

The basic framework can best be seen as a device for enabling and facilitating inter-disciplinary dialogue and analysis. Such a device is often helpful in producing a thorough poverty analysis – and SLA offers one option (though not the only one). To take the analysis forward in a complex context of analysing linkages between macro and micro realities (as in a PRSP) will inevitably require other methodologies and approaches.

Nevertheless, though there are grounds for having reservations about how hard the specific approach should be pushed, there does appear to be scope for applying the underlying ideas across the spectrum of policy issues which are addressed in PRSPs. Our core recommendation would be to develop some pilot examples to demonstrate the value added by working with sympathetic governments. The Mongolia PPA and the Uganda PEAP both have potential to develop further in this direction.

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## Annex 1 – The Sustainable Livelihoods Framework

(DFID Sustainable Livelihoods Guidance Sheet 1)

### Section 1: Introduction

#### 1.1 Overview

##### *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.

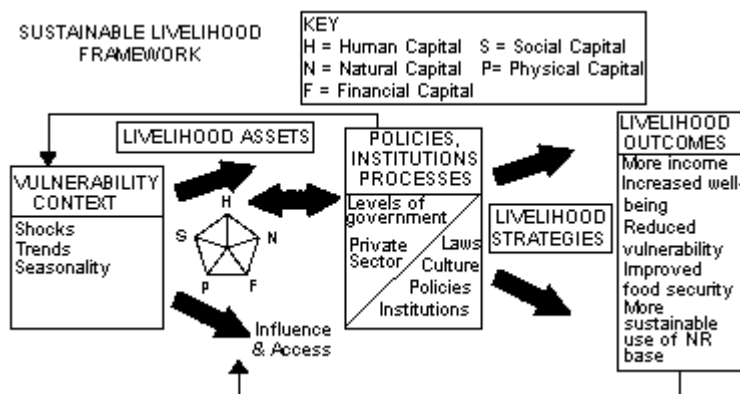
The framework does not attempt to provide an exact representation of reality. It does, however, endeavour to provide a way of thinking about the livelihoods of poor people that will stimulate debate and reflection, thereby improving performance in poverty reduction. In its simplest form, the framework 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.

#### **INSIGHT: 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 21<sup>st</sup> century*. IDS Discussion Paper 296. Brighton: IDS.

**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](mailto: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).

## 1.2 Origins and Objectives

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.

*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.

#### **INSIGHT**

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.

## 1.3 Core Concepts

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.

#### **INSIGHT**

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.

### *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.

### *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).

#### **INSIGHT**

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.

## 1.4 The Sustainability of Livelihoods

### *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.).

#### **INSIGHT**

**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.

#### *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.

**INSIGHT**

**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’.

## 1.5 Links with other Approaches

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.

#### **INSIGHT**

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.

The table below juxtaposes the two approaches and suggests where some of the main differences lie.

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

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

ENDNOTE: These Guidance Sheets aim to stimulate reflection and learning. Readers are encouraged to send comments and contributions to [livelihoods-connect@ids.ac.uk](mailto:livelihoods-connect@ids.ac.uk),  
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