Module 3
A framework for analyzing livelihood intervention choices

External Context
- Institutional conditions
- Objective of the Intervention
- Nature of Intervention
- Design of the livelihood activity
- Industry conditions

Demand conditions
- Intervening Agency
  - Mission
  - Capacity
  - Funding

People's conditions
- Portfolio
- Capacity
- Strategy

Factor conditions
- Assets
- Awareness
- Ability
- Access
A framework for analyzing livelihood intervention choices

In this section after introduction of the framework and its use for designing a livelihood intervention, we will look into elements of design of livelihood intervention. Followed by this we will examine understanding the context of our intervention, both the internal context: the people and the intervening organization and the external context. This will be followed by a discussion on making livelihood intervention design choices, which will involve framing our objectives, designing the nature of the intervention and the design of the livelihood activity.

1. Introduction

In the previous module we looked at the experiences of several agencies/organizations, whose work has left a mark on the livelihoods of people. These experiences illustrated different approaches to livelihood promotion. In this module, we will once again use the same cases to look more closely at various choices that were made while designing and implementing the intervention.

While making a livelihood intervention, we are continuously engaged in making choices. These choices include decisions on the objectives we wish to achieve, the communities, groups or individuals we seek to help, the sector we work in, the scale of impact we desire, how we organize the livelihood activity, and so on. This module proposes a framework that helps us think analytically and systematically about the choices and help design a livelihood strategy.

The key learning in this module is that, whatever the constraints, we DO have significant choice as an organization, to chart the path we will walk in promoting or supporting livelihoods. Reflecting on what choices we have made in the past, why we made them, and whether they were the best choices in the given context is crucial. All too often, organizations do not believe they have choices, and are not conscious of the implicit choices they are constantly making.

The framework is not a planning or evaluation tool - its utility lies in the fact that, it helps us to be more conscious and thoughtful about the choices we are making. Real learning from the framework will emerge after it is applied to cases or to our own organization’s experience.

Choices in one element of the design may depend on choices made in another part. This means that when we are designing an intervention
we may need to go back and forth to different design elements, as one choice influences another.

We have raised some questions towards the end of the section. These might help bring out key issues and dilemmas that may arise from making some choices.

In this section, we will use examples from the eleven case studies discussed in Module II to illustrate various choices made by implementing agencies. In addition, we will also refer to examples of many other organizations, cases on which have been included in the CD-Rom.

2. Elements of Design of Livelihood Intervention

There are three elements of design of a livelihood intervention. These are: (i) the objective of the intervention, (ii) the nature of the intervention and the design of the livelihood activity.

Livelihood intervention could be done with an objective to hold migration, as was in the case of PRADAN Lift Irrigation, or for assuring a regular market, as in NDDB, or for ensuring that people got what they were entitled to by law, as in SEWA. In other words, there could be different objectives of a livelihood intervention. As most livelihood interventions evolve around some economic activities, there is also an element of design of the livelihood activity. Interventions of different nature, such as introduction of a technology, or treatment of a watershed, or making credit available could have significant impact of the livelihoods of people.

Further, the Nature of Intervention proposed and the Design of the Livelihood Activity depends on the chosen Objective.

This relation can be depicted schematically as follows:
Fig 1. Three Elements of Design of a Livelihood Intervention

However, choices of these elements of design are made within a Context: the External Context and an Internal Context.

Fig 2: Context of Livelihood Intervention Design

Let us begin by looking at the context first and then we shall explore how the different elements of the design fit into this context.
3. Understanding the internal context of intervention

There are two elements of the internal context that we need to keep in mind while designing a livelihood intervention. These are:

- People, whose livelihoods are to be promoted
- Organization, which is going to promote/support livelihoods.

Let us look at these two elements in greater details.

3.1.1 Internal context: the people

Livelihood promotion/support efforts are always around a set of people. It is a set of people whose livelihoods we are trying to promote. Therefore, it is essential for us to get to know the people and their livelihood patterns before we design any intervention.

Though there may be inadequacies in their livelihood options, they are not bereft of any livelihood activities. Therefore, whatever new activities are proposed will have to be incremental to their present livelihoods. It is therefore, important for us to know: their livelihood portfolio and their livelihood strategy.

As have been mentioned earlier, poor households are involved in a set of activities to maintain their livelihoods. This constitutes their diversified livelihood portfolio.

Therefore it is important for us to understand:

- What is the livelihood pattern of the people,
- Existing mix of activities in which different members of a household are engaged in,
- At different parts of the year.

However, the livelihood portfolio of a household depends on their livelihood capacity. Livelihood capacity of a household is determined not only by the number of people in the family, but also on the skills and knowledge set of the people, their attitudes towards new activities, their asset base, and their opportunities, as well as cultural and social conditions of the area. Therefore it is important to know:

- What are various sets of skills and knowledge that the people have
- Shortfalls in a household’s income and buffers from which these are met.
- Opportunities that are accessible to them as a family in the area, including barriers posed by the social and cultural conditions.
- Finance, including credit available throughout the year, to make investments as well as to even out cash-flows at different seasons.
But even to use these capacities, different households use different livelihood strategies. Some work in other people’s land, while some others chose to migrate. If there is some additional income some chose to expand the existing activity, while some others chose to diversify. (BASIX, 2002) Different people use different strategies for coping with the risks¹ and shocks². Thus it may also be useful to understand:

- The preferences of the families in choice of different livelihood strategies
- The risks and shocks they face
- Their ability and coping mechanism to meet these risks and shocks
- Entrepreneurial ability of the people: both in terms of their ability to take risks and their attitudes towards taking new initiatives.

These features of the livelihood patterns of people that we need to look at have been discussed in the following chapter on identification of livelihood opportunities.

### 3.1.2 Internal context: the intervening agency

The other important element of the internal context is provided by the organization making the intervention. Let us now look at what are the various aspects of our organization we need to pay some attention to.

**Mission:** While intending to get involved in livelihood promotion, we need to understand what the mission of our organization is. How does the intervention fit with our mission? How core is livelihood promotion to the mission of our organization? Is it one of the many things our organization does? What competences do we have for such an intervention? Where will the funding come?

**Competencies:** We need to remember that livelihood promotion is a difficult task and it is better to understand what we are getting into, before jumping in. It is important to be aware of our core competency, as it is likely to have serious implications on what intervention we would take up.

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¹ **Risks** are patterns of uncertainties in income/cash flow from an activity. For example, if once in five years there is a drought, it can be said to have a risk of 20%.

² **Shocks** are unpredictable shortfalls in income/cash flow due to event such as ill-health, cost of marriages, death of earning member, accidents.
For example: AKRSP(I) addressed the problem of migration in parts of Gujarat through a watershed intervention, as the core competency of AKRSP(I) was in making techno-managerial interventions, which is necessary for effective management of watersheds. SEWA chose to organize the beedi-rollers of Gujarat to assert their rights as their core strength was in their trade union activities, which is necessary for asserting the rights.

Often livelihood interventions necessitate getting involved in commercial business activities by default. Therefore, it is important to access our strength in that area too.

**Source of Capital:** Livelihood interventions need substantial capital investment that may come from different sources. The source could be a donor, or a government programme, or investment made directly in the activity. The more we engage in livelihood promotion, the more funding we will need. Grants may be great to get us started, but the total fund available is likely to be limited. A large volume of capital can be mobilized from capital markets if, and only if, adequate returns on investments can be generated.

Different funding sources may also influence the objectives and the implementation strategy. Whether we receive funding from donors or from government, the missions of those agencies are likely to play a major role in design of the intervention.

**Legal Form of Organization:** Livelihood activities are commercial in nature. While promoting livelihood activities, we need to remember that all organizational forms are not permitted to undertake all types of commercial activities. Certain part of the intervention may be charitable in nature, like giving training, skill building or building people’s organizations; but these often are only a part of the intervention.

Some commercial activities can be taken up in small scale without really violating the law (like any NGO can take up micro-finance activities in a small way, many NGOs do marketing of handicrafts and handloom items). But once the activity scales up and volumes are large, legal complications related to taxation, capital mobilization, licenses might arise. Therefore, it is advisable to look at one’s own organization form, as this would also help us in taking decisions on our strategy for scaling up.

### 3.2 The External Context

There are four elements of the external environment: namely, the Factor Conditions, the Demand Conditions, the Industry Conditions
Institutional Conditions

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Fig 3: Elements of the External Context

Let us look at each of these conditions:

**Factor Conditions**

Livelihood activities utilize various accessible resources. These resources that go into production of goods and services constitute the Factor Condition. For example, land, water, agro-climatic conditions, availability of skilled people, the prevailing political economy, conditions of roads, availability of electricity, general development indicators of the place define what activities can support large number of livelihoods in that area. These are the **Factor Conditions** we need to understand.

Presence of different Factor Conditions lead to adoption of different livelihood intervention strategies. For example, the organization PRADAN, made intervention in promoting Lift Irrigation in the Ranchi-Lohardaga area, while worked on Leather Sub-sector in Barabanki-Uttar Pradesh, because of different favorable factor conditions (many of the resources) in these two locations.

Department for International Development (DFID) of the UK Government has developed a framework, which helps us look at the factor conditions for sustainable livelihoods systematically.
**Factor Conditions:**  
*Five Types of Resources that Define the Boundaries of Livelihood Choices*

**A. Natural resources**
- Land: terrain, quantum, quality, distribution and uses
- Water: annual rainfall, groundwater levels, sources of irrigation
- Humidity
- Forests: quantum, tree species and usage
- Livestock
- Mineral wealth
- Energy sources
  
  *Are there any environmental threats to these natural resources?*

**B. Physical resources**
- Irrigation infrastructure: Tanks, Canals, Borewells
- Shandies, *Haats*, Market yards
- Warehouses
- Electricity
- Roads, Railway lines
- Transport facilities
- Post Office, Banks
- Health facilities

**C. Human resources**
- Population
- No. of households and family size
- No. of earning members per family
- Labor availability and skill levels – manual, craft, service and knowledge base
- Entrepreneurial ability of various communities in the population
- Education profile of population
- Health profile of population
- Gender division of all the above

**D. Social resources**
- Relationships of trust and reciprocity within and between communities
- Gender relations
- Caste relations
- Agrarian relationships

**E. Financial resources**
- Available sources of credit – formal and informal
- Interest rates and collateral requirements on different credit sources
- Credit requirements of different income/occupational groups of people
- Savings mechanisms
- Other financial services

However, while looking at the factor conditions, we must remember that just presence of the factor conditions in the area is often adequate to make them useful. For a factor condition to actually enable livelihood opportunities, it must have the 4-A’s:
• **Asset:** The asset, physical or otherwise must exist.
• **Awareness:** People must be aware that such an asset exists.
• **Ability:** People must have the ability to use that asset.
• **Access:** People must have access to the asset.

Unless these are also present with the resources, they are not useful for any livelihood intervention effort.

What are other resources we have that limit our livelihood choices? We may like to look at some of these resources described in the box. Which of these are available in our area? Which of these can act as constraints for us?

**Demand conditions**

Whatever be the chosen livelihood activity, there is some output of goods / services. These goods / services are bought by some people that constitute the demand for them. Try to find: who is demanding them? Is the demand local? Is it increasing, decreasing or stagnant?

Such things determine the **Demand Conditions**, which in turn determines the number of livelihoods that can be supported, the kind of income that can be generated from the activity.

Demand Conditions play a significant role in determining livelihood intervention strategy. For example, MEADOW could be promoted by MYRADA because there was a scope of promoting ancillary units in that area. Similarly with the introduction of lift irrigation by PRADAN, people started growing vegetables for which there was a growing demand.

**Industry conditions**

The third element of this external context is the nature and status of the industry, of which, the livelihoods activity is a part. Here we use the word ‘industry’ in a broader sense, to include all economic activities. For example, production of paddy is a part of cereal food industry. *(See the section on Sub-sector in Stage IV in Module 4)*

Thus, it is important to assess what is the status of the industry, in which we are going to promote livelihoods. Is it growing and vibrant? Is it stagnant and dieing? Are there other related and supporting industries that extend services?

These related and support industries often play a critical role in the chosen livelihood activity. Their presence or absence creates conditions for making one livelihood intervention more effective than the other.
Institutional conditions

All livelihood activities, for that matter, all economic activities are bound by some institutional context. Apart from state policies, tax laws that govern the activity there are local norms, social arrangements that also infringe upon the livelihood choices. Presence of various institutions such as promotional, research and training institutions, producer associations, also has significant influence on the choice of livelihoods. These together define the Institutional Condition of the livelihood choice. Therefore, Institutional Conditions form the fourth element of the external context, which influence the choices in a livelihood intervention.

Therefore, livelihood interventions are made in a context, which has an internal and external facet:

4: Context of livelihood intervention design
4. Making livelihood intervention design choices

Having taken a close look at the context within which the livelihoods intervention is going to be made, let us now focus on the three elements of the design of our intervention:

![Diagram of the three elements of design of a livelihood intervention]

Figure 5. Three Elements of Design of a Livelihood Intervention

4.1 Framing our objectives

In the section on Principles of Livelihood Promotion, we have seen livelihoods can be enhanced in many ways. Among others, it can be done by:

- Enhancing income
- Creating assets or wealth
- Increasing food security
- Reducing risk
- Reducing variances in income
- Reducing rural to urban migration
- Organizing producers to have greater control over their livelihoods
- Enhancing the money that circulates within the local economy

Although achieving one objective sometimes leads to fulfilling the other objectives, this is not always so. Thus, unless we are clear about which is the prime objective of our intervention, it may become...
difficult to make the right choice. Our livelihood intervention strategy will vary depending on what we want to achieve.

Creating assets

A household’s most important livelihood assets are the labor and skill of family members. They are of course important because they provide people with a means of earning income in the first place.

The home, which can double up as a business premises, is often another very important asset. In contrast, poultry sheds or lift-irrigation infrastructure are examples of enterprise assets outside the home.

The common fund of savings and credit groups is another example of an asset created through a livelihood intervention. Pooling savings within a group, and then lending it to members of the group, is also a means of circulating resources within the community.

If creating assets is our objective, we need to consider:

- Who will own the assets?
- What rights and responsibilities will individuals have, if the community owns the asset?
- What rights will users have if an individual entrepreneur owns an asset?

In most contexts, creating assets (like savings, or credit history, as we see in cases of most micro-finance institutions) may be more important than enhancing incomes. For, income from wages may fluctuate from year to year, but assets generate a steady stream of income over more than a year. They can also act as a buffer against future risk, fall in income and shocks to the household.

Increasing food security (e.g. the case of introducing lift irrigation by PRADAN, case 10) in regions where families do not have sufficient food to eat may be another livelihood objective. Emphasis on food security also protects producers from the vagaries of the market (where demand and prices fluctuate), as their own families will eventually consume whatever they produce.

Reducing risk is an important livelihood-enhancing objective. Many poor households may prefer to engage in livelihoods which generate lower incomes but which involve less risk, as a sudden drop in income might throw them even deeper into debt. For example, livelihood support may actually aim to reduce risk in existing livelihoods; for instance, providing access to irrigation, which will protect the monsoon crop in years when rainfall is scarce.
Reducing variations in income due to seasonality or shocks is important to reduce the vulnerability of poor families. One way of doing this may be by encouraging people to save or to invest in assets, which may be sold during lean periods.

Another objective of livelihood promotion may be to reduce rural to urban migration (such as BAIF-DHRUVA, case 1). Migration frequently involves tremendous stress and displacement for rural people. It also results in undue pressure on urban areas, which are unable to cope with the growing influx of livelihood refugees. Reducing migration would involve creating livelihood opportunities, which are located in rural areas.

Organizing producers, in unions (such as SEWA, case on 11), cooperatives or societies (such as SIFFS, case 5), helps them secure better prices and enhance their power in the market. This enables them to invest collectively in their business; secure their rights against outside competitors or under law; create some buffers against market fluctuations and ensure that the market does not exploit individual producers.

Enhancing the money that circulates within the local economy may benefit all producers in that economy. As seen in the case of DHRUVA, the expenditure that a cashew producer makes on either purchase of vermin-compost or on post-harvest treatment of the nuts become an income of another in the village. This in turn enhances the total income within the local economy. See the section on Developing Local Economy in the Introductory Module.

Meeting poor people’s basic needs more reliably and at lower cost to them could also be a livelihood intervention. After all, why do poor people require more income if not to meet their basic needs? Since all funds are fungible, reducing outflows from a household allows a household to reallocate its resources to meet other needs, including, for example, investing in activity to earn more income, or in education to enhance the household’s long-term productivity.

Though enhancing income is one of the mechanisms of supporting livelihoods, in the absence of appropriate opportunities, helping people increase their effective purchasing power by reducing their costs can also support livelihood. Some initiatives primarily focusing on reducing expenditure are emerging in Andhra Pradesh. In these initiatives, the members of various thrift and credit federations are pooling in their capital to buy essential consumption commodities in bulk from the wholesale market. These are further packaged and sold, in small packs, as required by the members. Bulk purchase gets the members quality commodities at a cheaper rate than what they would have got from the local kirana. These initiatives, apart from reducing
consumption expenditure, make good quality food and other essential items available to poor households and generate wage employment.

The primary objective of most livelihood interventions in India today, is enhancing incomes and food security. Asset creation is usually seen as a means to enhance incomes. While organizing producers, again to achieve better returns, is also common, however, strategies to reduce risk are less common, and very few interventions explicitly focus on enhancing the money that circulates within the local economy. Reducing migration is often an outcome of other livelihood strategies, but is very rarely a stated objective. However, in the recent years, with the opening up of the insurance sector, many new initiatives in this direction have been started. ICICI-Lombard, ICICI-Prudential, AVIVA, among others, has developed different products to reduce the risk of various livelihoods supporting activities.

Why do we think some livelihood objectives are more commonly pursued than others?

### 4.2 Nature of the intervention

The nature of livelihood intervention can vary along three dimensions:

- **The sector in which we intervene**: What livelihood activity we want to intervene in? Do we want to improve on an existing livelihood activity or promote a new one?

- **The point of intervention**: Which part of the value-addition chain will we focus on? Will we provide one missing input, such as technology development or credit, integrate the delivery of inputs, or intervene at multiple points providing several services?

- **The instrument of intervention**: What is the tool of intervention? Do we want to train the people to make the necessary changes?

**Phases in a Livelihood Intervention**

We find that most livelihood interventions go through three distinct phases.

- **The pilot phase**: when we are still testing out a new idea to see if it works on a small scale.
- **The development phase**: the pilot phase has proved successful and we are now developing a model, with the expectation of scaling it up or replicating it.
- **The scaling up or replication phase**: we now have a model, which works and we go to scale by expanding or replicating the business.

Interventions may also change over time, as the intervention agency learns from experience, or shifts from one phase of the project to another. This should be a planned rather than a haphazard process.
Do we want to change some policy to bring about changes that help people?

4.2.1 Sector in which we intervene:

The sector in which we intervene is often a choice based upon the demand and factor conditions. We intervene in a sector, which is large or is growing and the factor conditions are favorable for it being taken up by large number of people.

However, there are choices:

- We could choose to improve upon an existing livelihood activity. For example, *SIFFS introduced motorized boats among small fishermen in Kerala* (See case 5)

- We could work on a livelihood activity new to the area. For example, *MYRADA introduced assembling watchstraps in collaboration with Titan Watches into a predominantly agrarian area* (see Case study 6 in Module 2).

4.2.2. The point of intervention

After choosing the sector in which to intervene, it is important to identify in what to intervene in. For example, if we have chosen to intervene in the dairy sub-sector, it is necessary for us to identify whether to improve fodder production, or to help process the milk, or to build linkages with the market, to get the best benefit to the producers.

A specific activity is part of a larger value chain, from pre-production through production to marketing and finally reaching the consumer. We will need to determine at which stage of the value-addition chain the key constraints are and what can be done to overcome these bottlenecks. If we can manage to work on one or many of these critical bottlenecks, our livelihood intervention is likely to impact the livelihoods of many.

For example:

- Inputs like raw materials or credit can be provided to rural producers to help them increase their production. For example, *KribhCo focuses on making fertilizer available to farmers. Many agencies involved in minimalist credit like SHARE or Cashpor provide only credit to rural producers.*
• Intervention can be to improve the production process itself as in the case of PRADAN, which developed a small-scale technology for rearing poultry and is helping tribals to take up such production. Seri-2000 with the support from SDC helps silk farmers improve their rearing processes (see case in CD-Rom)

• Producers can be helped to get a better market price for their produce. Example, SIFFS facilitates marketing of the fish caught by its members. NDDDB 9 case in additional resources has set up processing plants and is the marketing channels for the milk produced by farmers.

The case of NDDDB is a good example to illustrate how the lives of more than 15 million dairy farmers was influenced by providing a multiple set of services. An intervention of this kind at many points in the value-chain is called sub-sector intervention. We will explore how this can be achieved in Module 4 Stage IV.

One should remember that these stages do not represent exclusive choices. We could work with the production stage while simultaneously extending support for pre- or post-production activities. For example, the poultry project of PRADAN has not only intervened at the production stage, but also supports post-production marketing of the birds that are reared.

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**NGOs and Marketing: Which of This Apply to Us?**

- **NGO workers have an ideological bias against the commercialized activity of marketing; the market doesn’t follow emotions.**
- **The market demands good quality, assured supply and lowest price. NGOs lack the business acumen to ensure this.**
- **Their motivation makes NGO professionals want to work close to the poor rather than spend time exploring distant markets.**
- **The chicken and egg problem - markets need volume, but production at volume is not possible in small, scattered, rural settlements.**
- **To develop a market we have to invest as an entrepreneur (by taking risk), but NGOs are not structured to do this. NGOs seek to reduce risks poor people face, and do not have the capital to take risks themselves. To be a player in the market, we need deep pockets.**

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4.2.3. The intervention strategy

The issue of where to intervene in the value-addition chain and the choice of approaches on how to intervene are closely linked. We can either intervene by providing a single missing input, integrating several inputs or taking a systemic approach.
Organisations that work with a single focus intervention strategy often develop core competencies in their respective specialisation and may achieve scale.

The International Development Enterprise (IDE), pedal pumps involve the marketing of a niche technology (foot operated treadle pumps) to small and marginal farmers. The intervention has reached 200,000 farmers in the country, with an estimated total rise in income of Rs 220 crores in the span of nine years. It has developed staff, internal systems, marketing channels for irrigation related products and services.

Which of these inputs do we want to focus on?

a) **Technology:** Some interventions in livelihoods have evolved around technological intervention. SIFFS has introduced motorized boats using a simple technology to help the fishermen compete in the changing environment of fishing in the advent of mechanized trawlers.

b) **Training:** Training inputs have been an integral part of most interventions in livelihoods. MYRADA had given significant skill building to rural girls to take up the contract for watchstrap manufacturing of Titan, while promoting MEADOW.

c) **Marketing:** The Association of Crafts Producers (ACP) provides marketing assistance to a wide range of producers in Nepal. Other interventions like Janarth, NDDB, extended market support services to the producers. MYRADA chose to deal with marketing by linking up with Titan Watches, who undertake the marketing function with MEADOW.

d) **Asserting Rights:** The National Alliance of Street Vendors lobbied for the rights of street vendors worked with national, state and local governments. Similarly, SEWA focused on ensuring that the biddi roller got what law entitled them to.

e) **Policy Advocacy:** Livelihood choices are often enabled or restricted by the policy environment. SEWA made significant dent in the policy environment, which earlier never recognized unorganized workforce as labor.

f) **Building Local Interdependent Economy:** Interventions designed to strengthen an interdependent local economy, where a large proportion of the inputs required for an activity are procured locally, and value addition is done to the produces also at the local level, have been tried by some agencies, as in the case of Dhruva-BAIF.
g) **Credit:** BASIX, a rural livelihoods promotion institution working in many states in India, extends micro-credit services for a variety of rural activities including farming, animal husbandry, cottage industries, trade and services.

h) **Infrastructure:** Some interventions also provide infrastructure, such as developing milk-chilling centers, various food processing units etc. Infrastructure such as creating milk chilling centers or building a road is often beyond the capacity of NGOs. However, there are several examples of NGO interventions in creating small or micro infrastructures like grading and sorting platform or creating a common work place for community. We may refer to the case on DHRUVA, which has created community owned processing unit.

i) **Institution building:** In some cases the organization promoting or supporting livelihoods has focused only on building producer organizations. The Aga Khan Rural Support Programme (AKRSP) in Gujarat has been involved in organizing communities into various peoples’ institutions such as Water Users’ Association, Mahila Vikas Mandal while developing watershed in this area. These institutions have emerged as strong peoples’ organizations, where the livelihood choices are made by these organizations and not by the intervention agency.

It is not essential that we should choose only one instrument of intervention; it is also possible to use more than one. For example providing livelihoods support services of many kind like provision of good quality input, timely credit and output marketing (as AKRSP does, Case 2) or technology along with community organization (as PRADAN does when it organizes people into water user associations to manage lift-irrigation schemes, Case 9). This can also span to extent of an intervention along a complete sub-sector as was done by NDDB (see case on NDDB in the additional resources)

However, this choice needs to be made, keeping in view the mission and competence of the organization, as discussed in the section on Internal Context earlier.
The Challenges of integration

Organizations taking up multi-pronged interventions will need to invest in acquiring new skills and competencies. This may have implications for the scale of their intervention and its costs.

In its watershed programme (Case study 2 in Module 2); the Aga Khan Rural Support Programme (AKRSP) realized that soil and water conservation measures do not necessarily mean more production leading to more income and to better quality of life. To ensure more production, one needs to introduce better quality inputs. Once production increases, lucrative markets need to be found in order to obtain competitive prices for increasing income to farmers. Once incomes rise, there need to be opportunities created for investment. AKRSP initiated various actions to address these issues. What started as a land and water treatment project culminated in a programme for agricultural extension, training, marketing and institution building.

One of the serious difficulties of integration is at the level of action. Though strategically an organization may chose to intervene in multiple areas, the man who actually delivers the services, may find it difficult to prioritise and integrate the variety of services that are required.

4.3 Design of the livelihood activity

Finally, the livelihood activity can be structured on different aspects in different ways. How are we going to organize the producers? Will they be self-employed or wage earners? Who will own the activity or network of activities? Who will manage it? And where will it source its funds? Though these are some of the choices that we have, the type of employment an activity provides, its ownership, management and size are closely interlinked issues. Note, however, that describing the business activity is very different from choosing the sub-sector or industry in which we intend to work (which we covered above under the type of intervention).

4.3.1 The prime actor

The first choice is who are we going to work with: individual self-employed entrepreneurs; entrepreneurs who generate wage employment for others or community owned livelihood activities, which generate profits in addition to wage employment?

Livelihood opportunities often come in the form of micro-enterprises generating self-employment. But, let us not forget that they also come in the form of wage employment. Often livelihood interventions are designed with an assumption that, given the necessary training,
capital and access to market, the poor producer will be able to establish and manage his/her own enterprise.

An assumption is fine, but one should also first find out if s/he wants to be an entrepreneur? Why not ask ourselves: Do I want to run my own enterprise or am I more contended with a job? Does the poor producer want to run an enterprise or is s/he looking for regular wage employment?

Second, if reducing risk is more critical than enhancing income, what is more risky? Running our own business or having regular wage employment?

Finally, poor people out of necessity are highly entrepreneurial when it comes to coping in difficult economic circumstances. But not all poor people are good business entrepreneurs.

We may need to ponder these issues and choose whether we would like to promote micro-enterprises that generate self-employment, or do we want to promote activities that generate wage employment? The latter may of course be more difficult, and in most cases, poor producers have no other option than to be self-employed. It may still be possible to organize micro-enterprises into a network of activities, which supply and buy from each other. DHRUVA’s (Case study 1) mango and cashew orchard development programme has supported a range of activities, comprising both the landed and the landless. For example, the landless are involved in manufacturing mango pickles, decorticated cashew, which are marketed and producing vermi-compost, which is used by all the farmers developing orchards.

An alternative to both, self-employment and wage employment for a private enterprise, is to organize producers in a collective, such as a cooperative, a savings and credit group, a water users’ association. This leads us into issues of ownership and management of the livelihood activity. This often creates opportunities for employment-by-the-collective.

4.3.2. Ownership of the livelihood activity

Ownership is another related area of choice for designing the livelihood activity. Questions like, who will own the activity? Do they have the capacities to discharge the roles of the owner? What interest do they represent? Is there some party whose say in management of the activity has to be considered? Are we willing to give the power to the chosen group of owners? need to be addressed while designing the ownership.
Ownership also has significant legal implications, it is useful to consult someone who has good understanding of the legal issues related to organizations.

Livelihood Activities Owned by Individual Producers
Examples of such livelihood activities include the tassar grainages promoted by PRADAN and the pedal pump promoted by IDE for irrigated agriculture.

Livelihood Activities Owned by a Collective of Producers
Examples of collectively owned livelihood activities include MEADOW, milk co-operatives promoted by NDDB and marketing of fish by SIFFS.

Livelihood activities Owned by the Livelihood Promotion Organization
Livelihood activities owned by the livelihood promotion organization include several marketing organizations such as Dastkar, which markets handicrafts of a variety of producer groups. the Tassar products produced by the weavers.

Livelihood Activities with mixed ownership
Often the livelihood activities are organized in multiple tiers, with different tiers performing different functions in the value addition chain. These cases also open up opportunities of different tiers being owned and structured differently. For example in Tamil Nadu, SHGs at the village level have promoted a for-profit trust at the block level. These trusts in turn have invested in a Non Banking Finance Company, Sarvodaya Nano Finance Limited.

What do we think are the advantages and disadvantages of each of these ownership structures?

Who’s in Charge?
Managing the interface with rapidly changing markets is a highly skilled job. The dilemma is whether the capabilities of local communities can be built so that they can manage unfamiliar tasks (such as negotiating with export markets) themselves, or should hired professionals manage them? What could be the cost? If we had to pay the full professional fees of professionals, would we remain competitive in the market?

As a marketing agency, the Association of Crafts Producers (see additional case-studies provided on the diskette) seeks to act as a buffer between producers and the vagaries of the market. Can we ensure that the producers are able to meet the demands of the market themselves? How will the losses, if any (that’s what being a buffer means!) be borne?
4.3.3. Management of the Livelihood Activity

Management of the livelihood activity need not always rest with the owners. Even in large corporations, owners engage a group of professionals to manage the enterprise. AMUL, though owned by farmers of Khaira District, is professionally managed. There are various such choices available.

Producer-managed Livelihood Activities
Local producers themselves very successfully manage many small livelihood activities, which deal with local markets. However, there are many functions in larger business activities, which are difficult for local producers to manage. For example, functions like estimating sales trends in Bhopal city for broiler chicken, negotiating prices with urban consumers, surveying urban markets for consumer preferences in handicraft design, etc. may be some of them.

Livelihood Activities Managed by Hired Professionals
Many producer-owned livelihood activities hire professionals to manage key functions of their business. Managing business activities with a developmental focus involves special people. Such special people, however, are in short supply. When hiring professionals to manage producer-owned organizations, it may be challenging to build the capacities of local producers to maintain control over the management.

4.3.4. Size of the livelihood activity

The size of a livelihood activity should ideally be determined by viability considerations. Economic viability may suggest the need for a larger activity to achieve economies of scale. But the limited ability of the producers to manage the activity may weigh in favor of a smaller activity. Collective ownership may be an option for managing a larger activity. Example, a farmers’ cooperative establishing a paddy-processing unit.

PRADAN in its intervention has worked hard to divide the production processes for poultry and mushrooms. Those processes that require more capital investment are to be managed as a large enterprise by a collective group or by a more entrepreneurial member of the community. Other processes those are viable, as micro-enterprises should be managed by individual households.
4.3.5. Funding of the Livelihood Activity

**Grant-based Funding**
Grants are good to start with and to provide a range of services in addition to the primary activity itself, but may lead to uncompetitive businesses, which close down when grant funds run out.

**Loan-based Funding**
Loans allow for proper investment in the business, but may be difficult to access and difficult to repay if the business fails.

**Equity**
Equity is more flexible and less risky than loans, and is in many ways the ideal finance for an activity, but is often very difficult for a micro or small enterprise to secure. The case of MYRADA-MEADOW (Case 6 in Module 2) provides an example where workers themselves contributed equity-type funds to allow the business to invest in infrastructure. In many livelihood interventions, poor households provide sweat-equity in the form of their labor.

**Financial Orchestration**
We can also choose to have a combination of grants, loans and equity. This kind of financial orchestration gives us flexibility to do initial work (which is often not commercially feasible) with grant support and then take loans when the livelihood activity is in a position to scale up.

Thus, we see that there are three design areas:
1. the Objective,
2. the Nature of the Intervention and
3. the Design of the Livelihood Activity
which are critical for designing a livelihood intervention. These choices are made in an Internal and External Context, both of which have several elements that one needs to take stock of.

This is schematically represented in the following diagram:
Exercise

Now that we have seen the different ways of promoting livelihoods, we may already feel like a development professional. Just imagine how many choices, permutations there can be in an intervention!

To restore our balance, why not analyze a case study to take a reality check?

- Using the framework, compare the choices made in some of the interventions
- What were the implications of each choice for the producers and for the intervention agency?
- Why did the intervention agency make these choices, and what could they have done differently?
**Additional Resources**


Caroline Ashley and Diana Carney, *Sustainable Livelihoods: Lessons from early experiences*, DFID, available on the web