ALC India
ISO 9001:2008


Basic Module for Promotion of Sustainable Livelihoods Practitioners Guide

National Level Training Programme




March 2008

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Introduction to Training Manual

The training manual has been prepared as an induction guide for the participants who are working or have an interest to work on the livelihoods of poor. There have been many programmes on livelihood aspects and relevant literature already exists. The existing literature covers issues related to micro finance, enterprises or certain aspects related to livelihood issues, but is not comprehensive in nature.

This manual aims to fill that gap by covering the livelihood aspects at three levels – conceptual, practical and reflective levels. As the preparation of this manual required integrating the existing literature, adding new topics, dimensions and giving it a practical touch, has been a challenging exercise for ALC India. As it is a pioneering effort and no benchmarks available, the manual still has a scope for improvement and further modifications with inputs and experiences of the participants as well as the resource persons. The experience has been satisfying to the team of ALC India as it has tried to put together a comprehensive manual in a limited period.

The team recognizes the need for further improvement in terms of presentation, more exercises and comprehensiveness of few topics, which will be improved upon in the due course. This manual has been essentially prepared to enable experienced trainers with varied background and exposure to economic aspects of development to undertake a training programme on livelihoods. Economic aspects of development which deals with the inequities and anomalies in the markets and economic system have been the core theme of the manual.

Many of the traditional voluntary organisations especially the first and second generation ones, which have been initiated in the late 1960s and early 1970s, have not experimented and or slowly entering the field of livelihoods. Many have started their work with welfare orientation. However, a professional, systematic approach and economic orientation is needed to work on the livelihood issues of the poor that requires economic and market orientation. This calls for a shift in the perspective, processes and systems to understand the development programmes in the livelihood sector.

Given such a context the induction of the participants in to these aspects will be critical. The manual attempts to sensitise the participants to the entire gamut of issues and basic concepts of livelihoods. Though exhaustive in nature, the manual is not an attempt to give expertise in the area of livelihoods and leaves it open to the participants to explore and delve deeper. In this manual, unless otherwise stated, poverty refers to rural poverty. The key indicators, which need to be kept in mind to utilize this manual, are presented in the box below.

Finally with the hope that both the participants as well as trainers enjoy using the module, the team wishes them the very best.

KEY INDICATORS

- **Nature of Manual** – Trainers guide for conducting a basic induction course in the area of livelihoods

- **Expected Facilitators Qualification:**
    - Must have worked on economic aspects and livelihoods issues for at least 5 – 7 years.
    - Is expected to have considerable training skills and should understand and practice Adult Learning Principles and Participatory Training Methodology.
    - Should also be able to adopt the manual according to the local requirements and develop relevant examples to be used as part of the training.
    - Facilitator is also expected to have good knowledge of accounting, financial management, project management and planning, collective institutions and concepts of development/poverty.

- **Expected Participants Profile:**
    - Program Coordinators or Chief Executives of voluntary organisations and internal staff.
    - The participants would have working knowledge of English, Economics, financial and basic accounting. The participants are expected to have decent calculation and numeric ability.

- **Outcomes of the Manual:**
    - The participants will be able to clearly explain the basic concepts of development, poverty and livelihoods and the inter-linkages.
    - The participants will be able to develop a picture of successful and sustainable livelihoods initiatives across India.
    - The participants will be familiar with livelihoods intervention development process and principles.
    - The participants will be able to appreciate the various aspects related each stage of intervention development process.
    - The participants will have clear understanding of tools for livelihoods analysis, livelihoods intervention and business planning and implementation arrangements for livelihoods interventions.

- **Design of Training Module:**
    - The training module has been designed keeping the learning principles and process in mind. The process of learning as attempted in this manual is Reading/Observations – Discussions/Reflections – Facilitators Guidance – Field/Practice – Further Discussions and then Learning Reviews and tests.
    - The training program is for 4 days and has 20 sessions of which 14 sessions demand discussions among the participants to be facilitated by trainer and few sessions where the trainer is expected to make presentation.
    - The module has been prepared with an idea to provide considerable freedom to the experienced trainers to evolve and adapt the entire process and contents.

Session Plan: Promotion Of Sustainable Livelihoods, 5th – 8th Mar 2008, Ranchi

#	Session 1 9:30 - 11:00 Hrs		Session 2 11:10 - 12:40 Hrs		Session 3 13:40 - 15:10 Hrs		Session 4 15:20 - 16:50 Hrs		Session 5 17:00 - 18:00 Hrs
Day 1	Introduction - Setting the objectives and Discussions on Development Definition - Case Study	Tea Break	Discussions on the poverty reduction and four arrows	Lunch Break	Livelihoods concepts	Tea Break	Micro Finance to Livelihoods	Tea Break	Livelihoods Interventions and Principles - Case Studies (Review of day's learning)
	Session 6		Session 7		Session 8		Session 9		Session 10
Day 2	Livelihoods Interventions and Principles - Case Studies		Livelihoods Framework - for understanding livelihoods		Livelihoods Framework - for understanding livelihoods		New Interventions in Livelihoods		New Interventions in Livelihoods (Review of day's learning)
	Session 11		Session 12		Session 13		Session 14		Session 15
Day 3	Process and livelihoods Intervention Development -		Tools for Livelihoods Assessment - Individual Level		Tools for Livelihoods Assessment - Village Level or Community Level		Tools for Livelihoods Assessment - Markets		Tools for Livelihoods Assessment - Value Chain and Sub-sectoral Approach (Review of day's learning)
	Session 16		Session 17		Session 18		Session 19		Session 20
Day 4	Intervention Plan development - Business Plan Development for Livelihoods Programs		Intervention Plan development - Business Plan Development for Livelihoods Programs		Implementation arrangements for livelihoods Programs		Implementation arrangements for livelihoods Programs		Review of the Learning from the training

Facilitators Guide - Session 1

Introduction and Goal Setting

Objective

The main objectives of Session 1 are

1. Getting to know each other
2. To create a friendly atmosphere for maximizing co-operation
3. To get familiarized with the training schedule and the manual
4. To come out with views on livelihoods
5. To asses the basic understanding of the participants on livelihood

Duration: 1.5 hours

Method: Micro lab Technique

Facilitation tip:

- Introduce yourself – Name, occupation and purpose of forming this group.
- Ask participants to form a circle and walk in the circle
- Tell them to stop and form small groups of 4 each after few rounds and ask them to introduce themselves to each other.
- The introduction includes personal information, occupation and experience in livelihoods.
- Then ask them to get into the bigger circle and walk / run for a few minutes.
- Ask them to stop, form a new group of 5 each and tell others what are the livelihoods that exist in their respective places.

- Ask them to get in to the bigger circle and walk/run for a few minutes.
- Ask them to stop, form a new group of 6 members each and tell others about success / failures in existing livelihood interventions in their respective places

Exercise

Ask the participants to fill the baseline form given in the next two pages of this manual. This form will help the trainer to understand the present knowledge levels. Also it should help trainer to elicit active participation of participants based on their experience and skill sets. A thorough analysis of the baseline information may sometimes lead to change in the session schedule that a good trainer should be able to accommodate.

Baseline

1. *What do you understand by poverty and list 5 important indicators of poverty?*
2. *Define development and list 5 important dimensions of evelopment?*
3. *Define livelihoods.*
4. *Explain the challenges in livelihoods of poor?*
5. *Is micro-finance different from livelihoods promotion? Express your views.*
6. *What are the main processes in livelihood intervention evelopment?*
7. *What is livelihood intervention plan? Is it important?*
8. *What is appraisal? Is it important?*
9. *What is livelihood analysis? Is it required for livelihood promotion? Why? And at what level should it be undertaken?*
10. *What are the arrangements required for implementation of livelihood interventions?*

Facilitators Guide - Sessions: 2

Understanding Basic Definitions and Issues – Development and Poverty

Objective

The main objectives of these sessions are

1. To understand poverty, its dimensions and issues related to it.
2. To understand definition of development and issues related to it.
3. To understand the inter linkages between poverty, development and livelihoods

Duration: 3 hours

Methods: Small/ large Group Exercises and Case study Discussions

Facilitation tip:

The facilitator can ask the participants to share their understanding of poverty and development, either in a small group (ask them to make group presentation) or in large groups, where they share definitions one by one. The facilitator should sum up their understanding by adding the points from the material given. The participants should be asked to read the case study and discuss it in the classroom to further clarify their understanding on development and poverty.

While discussing the case studies, the facilitator is expected to listen carefully and give feedback on the opinions being expressed on development and the value based statements that the participants make. Questioning them and also helping them to understand the various other possibilities and dimensions will be useful for the participants.

Exercise for Discussions

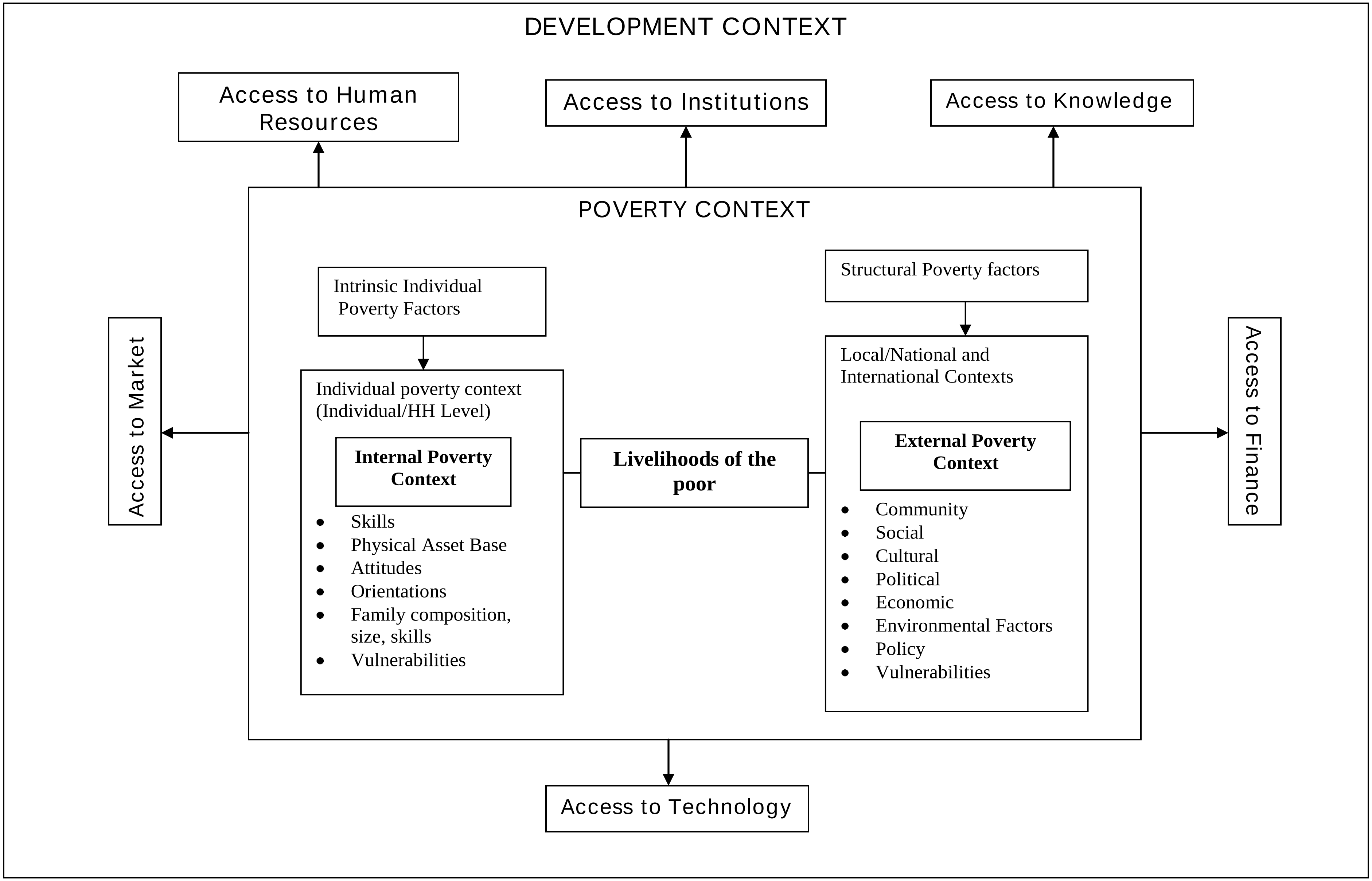
Ask the participants to choose an intervention and analyse. The intervention can be on poverty reduction or community development.

Minimum Learning:

Participants should be able to understand poverty and development, its dimensions and related issues.

Reading Material

Chapter-1: Development and Poverty Reduction


DEVELOPMENT CONTEXT
Access to Human Resources
Access to Institutions
Access to Knowledge
POVERTY CONTEXT
Intrinsic Individual Poverty Factors
Structural Poverty factors
Access to Market
Access to Finance
Individual poverty context (Individual/HH Level)
Internal Poverty Context
Skills
Physical Asset Base
Attitudes
Orientations
Family composition, size, skills
Vulnerabilities
Livelihoods of the poor
Local/National and International Contexts
External Poverty Context
Community
Social
Cultural
Political
Economic
Environmental Factors
Policy
Vulnerabilities
Access to Technology

Livelihoods are sometimes narrowly defined as income generating activities. The first step in understanding the livelihoods of the poor calls for a holistic perspective to understand the broader issues of development and the overall context of poverty. Conditions of poverty in a way define the contours of the livelihoods of the poor.

Thus, understanding poverty context is useful in affecting changes in the livelihood options of the poor that will lead to their development. Understanding livelihoods in the context of poverty with social, political and cultural underpinnings is necessary.

Livelihood is a means of subsistence or support for physical and mental well-being. Also livelihoods of the poor are different from those of other social classes. So, an effort to understand the livelihoods of the poor begins at comprehending poverty itself.

This section gives a brief about poverty in general and rural poverty specifically. Defining poverty, looking at inter-connections between rural and urban poverty, brief on rural poverty scenario, terms related to poverty and development and in conclusion definition of development is covered in this section.

Understanding Poverty

Poverty does not have a commonly agreed definition. From being a material concept in earlier times, it has expanded to include non-material and social shades in its definition. According to Oxford dictionary, poverty means "*the condition of having little or no wealth and material possessions; destitution,* *indigence*". Off late the definition of poverty has widened to include vulnerabilities, social exclusion, political and cultural deprivations.

The terms that are used to describe poverty are:

- Income or consumption poverty
- Human Underdevelopment
- Social exclusion
- Ill-being
- Lack of capability
- Vulnerability
- Livelihood Un-sustainability
- Lack of basic needs
- Relative deprivation

Also while defining poverty, the other critical issues that need to be included are:

1. Understanding of poverty at the individual, household, community and at national levels
2. Poverty can be defined in terms of private consumption as well as income arising out/usage of the common property resources or public goods.
3. Equal emphasis to monetary and non-monetary components of poverty
4. Poverty to be measured at a point of time as well as across the time line to understand implications of people moving in and out of poverty, cyclic and seasonal nature of poverty
5. Poverty as to be seen in the perspective of flow of material goods as well as the stock of goods that a household controls. Hence, the stock and flow concept of material/assets needs to included

   (Ref: ODI poverty Briefing, February, 1999)

Poverty is divided into three types: *Absolute poverty*, meaning the human being is not able to service even the minimum survival requirements/needs. Income of the individual/family is used as the yardstick. *Chronic poverty*, is experienced where the people are left out from the economic development of the nation or are least benefited. This section of the population faces multi-dimensional deprivation – material and social. *Relative poverty* is based on the position of the individual/family in relation to others in the community. Here the concept of poverty is relative and a person classified as poor in one country may have greater wealth than the rich in other nation.

Income/consumption level is the basic yardstick for measuring poverty. A person is considered poor if he falls below certain income level or the calorie intake is lower than the prescribed standard and is termed as living below the "poverty line". There are other methods of measuring poverty 1) Unsatisfied Basic Needs (UBN) method, 2) Sectorial Gaps Method, 3) Integrated Measurements Method and 4) Social Progress Index Method. (Ref: i4D, February 2005)

Urban and Rural Poverty

Though many of the underlying critical factors are same for urban and rural poverty, there are distinctions in terms of the resource base, social security issues, range of income. Understanding the inter-connections between urban and rural poverty is also essential to develop suitable livelihoods interventions. In many developing countries, urban poverty is accentuated by rural-to-urban migration, shifting resources, assets and access factors. Urban poverty is growing in city slums where poor from rural and peri-urban areas settle down in search of work with no access to any basic services. India currently has predominant rural population, but its population in urban areas is growing faster than in rural areas. It is predicted that nearly 50% of India's population will be urban by the year 2030. (Ref: India Together, September 2003)

Dimensions	Rural Poor	Urban Poor
Shelter	The rural poor at least have access to shelter	Cost of shelter is high for the urban poor to afford and they end-up in vacant areas and make-shift houses, which leads to proliferation of slums
Resources	The natural resource base is absent but rural poor may at least have access to CPRs	The natural resource base is absent
Range of income sources	The range of income sources is limited and in some cases cyclical	The range of income source is varied as the employment opportunities are also varied
Social Networks	Close-knit social networks that serve as fall-back option	Social networks are absent due to diverse population and spatial distribution
Accessibility to sanitation, water, education, health	Moderate	Low due to migrant nature of the population
Governance	Less reliance on civic institutions	Accessibility is comparatively high but the affordability is less
Women and Children	Relatively lesser vulnerability due to existence of social	Vulnerability of women and children to sexual abuse, ill health is high. Sometimes the

	networks and varied livelihood options	urban slums become source of trafficking
Identity	Rural poor are recognized by the concerned village Panchayat	Migrant poor are not recognized in the cities and do not posses any identity cards, place of origin proof
Occupation	Semi-skilled to unskilled occupations. Existence of producers and entrepreneurs	Un-skilled occupations. Poor are not the producers
Regularity of income and competition	Sources of income are stable and social norms prevent individuals from encroaching others' work	Highly instable income with adverse demand-supply conditions for the poor

Rural Poverty Scenario

Access and control of the assets and linkages are important in defining elements of poverty. To understand poverty, the access and control over the following four dimensions are important: 1) Assets, 2) Technology, 3) Institutions and 4) Markets

1. Assets:

Lack of assets is the distinctive feature of poverty. Rural poor have less or no access to, control over and ownership of assets. Assets empower the rural poor by increasing their incomes, increasing their reserves against shocks and increasing the choices they have to escape from harsh and exploitative conditions i.e. they serve as the 'exit options'. Control over assets of the poor is crucial in determining their ability to keep their heads above the poverty line. The ownership of asset gives a fall back option for the poor and act as shock absorbers in the time of crises.

The assets are classified into
1) Land,
2) Water,
3) Health & Education and
4) Movable and intangible assets.

The gap in asset ownership between urban and rural areas and between rich and poor is much greater than the gap in income and consumption and has not shrunk since the 1970`s. The natural resource asset base of the poor can be classified into
i) Individual private asset holding and
ii) Common Property Resources (CPRs) that are jointly owned by the village or a particular group e.g. Common grazing land, street bore wells, forest land, etc.

1.1. Land

The main issues related to land and poverty are:
- Ownership and control of land
- Quantum and quality of land
- Support services required to make the land usable
- Gender dimensions in access and control
- Access and usage of common property resources

Land is the most important natural resources and primary asset base in the rural areas. Most of the rural poor derive income from land either as owners or as agriculture labourers. Not only land gives them an option to increase their income but also helps them to be rooted in the village. To correct land ownership inequalities, the government has redistributed land but little emphasize was laid on the ownership at the household level, the quantity and the quality of land. Ownership by men in the household have further contributed to the gender divide making women more vulnerable to the shocks of poverty. Shift from joint family system to neutral families has also caused fragmentation of landholdings rendering the divided land too small for experimenting with new technology, new crops and also the economies of scale.

The policymakers and planners fail to understand the complexity of owning land. Giving a piece of land is only a first step; farm planning, training and other extension services for several planting seasons are necessary. In the context of urban poverty, the ownership and control of land does not arise as the poor depend on service based livelihoods like wage labour or as a worker in factories.

The marginalized decide to stand up for their rights

A unique Parliament of the Deprived, an initiative by a grassroots organisation, has urged the government to meet the livelihood needs of the rural poor before October 2007 or face a protest march by thousands of marginalised farmers to New Delhi, reports Grassroots Features. The Parliament of the Deprived, part of a wider initiative of the Ekta Parishad, was organised here on Human Rights Day Dec 10 last year. Representatives from tribals and social activists across the country gathered to discuss multi-sided exploitation, its causes and possible solutions. The Janadesh (People's Will), part of the Ekta Parishad's initiative, has stated that if by Oct 2, 2007, (Gandhi's birth anniversary) the essential land and livelihood rights of the rural poor are not recognised by the government, around 25,000 marginalised people will march for 22 days from Gwalior to Rajghat, in Delhi, Mahatma Gandhi's memorial.

People from other parts of India will also join them there, on the day of Gandhi Jayanti. They plan a gathering of 100,000 people who will stage a peaceful protest in Delhi till their essential demands are met.

Ekta Parishad, a grassroots organisation, works primarily for the rights of the rural poor to ensure that demands of rural workers and peasants are met in an effective way. This organisation is committed to non-violent, peaceful means of fighting inequality and injustice. P.V. Rajagopal, its convenor, is a senior Gandhian activist. Announcing the 'People's Will' march at the meet, he said that one reason for choosing Gwalior as the starting point is that it is the most centrally located town of the Chambal region. It was here that notorious dacoits surrendered, seen as a heart-warming example of the strength of the Gandhian peace movement.

Rajagopal said that essential land and livelihood demands of the poor, particularly tribals, have not been met even 58 years after independence. He called upon the government to make its development planning, village and poor-centric. He said there were massive displacements caused by giant projects that were snatching the homes and livelihoods of people. Where will they go, he asks? Even in cities there is an increasing intolerance to slum dwellers, and their colonies are being demolished. Stories poured in of atrocities across the country, during the Parliament gathering.

Gautam Bhai from Ektapura village in Chambal valley, Madhya Pradesh, recounted that his ancestors and those of his neighbours worked as bonded labour. The Ekta Parishad got them released and placed them in rehabilitation projects. They were given land but could never occupy and cultivate it. This struggle has continued for years now. Roshan, another tribal from Chambal, said that he had been in a land struggle for a long time in the course of which there was an attack on him with 'lathis' (rods) and spears. The medical report on injuries was tampered with due to corruption. He still hasn't received the land.

Tulsi Bhai from Satna, Madhya Pradesh, said that he had fought a legal battle for five years to protect the land. "How long can a poor person fight a court?" he asked. "It seems government exists only for the rich, not for the poor." Prabhu from the Gujarat Maldhari Samaj said that the Maldhari pastoral people were beaten, and asked to leave their settlements. Senior officials visited the site but could not settle the case. Poor people who are with organisations involved in struggles are sometimes deliberately denied land 'pattas' (land rights) to victimise them and discourage other people from becoming members of these organisations.

Sri Kumar from Kollam, Kerala, observed that reckless mining of black sand, important to the armaments industry was the cause for the December 2004 tsunami in and around his village. However, those who opposed this destructive mining were denied rehabilitation benefits because big business interests involved in this high lucrative mining were able to influence officials.

Jharkhand's Pritam Bhai said that dense forests had been destroyed by wrong government policies, including clearing of natural forest substituted by trees with low ecological value and lesser use for local people. Farmers displaced by coal projects have been reduced to the lowest forms of drudgery, and in some extreme cases were forced by their destitution to sell their daughters. Pariram, a youth employed in a mine in Gwalior district, helped two girls escape who were in danger of being molested at the mine. For this he was beaten and grease pushed into his anus with an iron rod. Pariram died and the cause of his death was known only before his cremation, said Bhai Mansharam from Ghati village. The bedridden father could not go to police and so went ahead with the last rites. Later, someone complained to the police and an investigation was started. Then, the mine contractor threatened to kill the father.

Dadri Behan said that in Dadar Ghugni area of Dindori district, Madhya Pradesh, tribals were first asked to give up cultivation and not allowed to settle down. Their ploughs and farm animals were taken away, huts burnt down, they were forced to pay fines at three places and their crops destroyed. They are still implicated in court cases.

Mantoo, an adivasi (tribal) from Madhya Pradesh, said, "I've spent a lifetime fighting for forest rights. We don't want palaces or pearls, we only want land that can provide us sustenance." (Ref: webindia123.com, January 31st, 2006)

1.2. Water

After land, water is an important asset for the rural poor. Control of the poor over water is essential, if they are to realize the full benefits from land. In a way, rural poverty reduction can be said to have a direct relationship with water availability for irrigation. Even green revolution was largely confined to irrigated lands. Water control is also vital for adequate, clean drinking water and for sanitation.

The main issues related to land and poverty are:

- Access to water
- Water user collectives – ownership, rights, usage
- Depleting water resources
- Privatization of water

Rural poor have even more difficult access to water when compared to land land. Control over the common water resources is also minimal and the large farmers benefit the most even from CPRs. Apart from agricultural use, clean water is more cost-effective in improving rural health and productivity. Small farmer controlled collective water supply systems benefit the poor most. User participation in design, management and maintenance are proven keys to asset efficiency. Adequate supply of water for sanitation purposes is essential especially for women and children.

1.3. Health and Education

Access to health care and education that are intangible assets can improve child health, general nutrition level of the household and aid in moving out of poverty. Nutrition improvement raises subsequent learning, productivity, wage rates and cuts the risk of income loss due to illness. In human capacity development apart from improving the knowledge base, the three components – health, nutritional status and reproductive choices contribute to capacity enhancement. Good health and adequate nutritional standards directly affect the labour force participation, which in turn is directly tied to the economic development of the nation.

There are many interventions in this field in terms of providing physical infrastructure like hospitals, schools, providing trained human resources like nurses, RMPs and various capacity building initiatives. Though to some extent access issues in health has been addressed, trained and empathetic manpower is inadequate and this drives away the poor to expensive private options. This in turn makes health care and education a resource intensive proposition for the poor. Health care in many rural areas has still remained a curative option and has not moved into the realm of preventive health care.

Education is a catalyst in the development process. Education of the poor in terms of formal literacy interventions to informal education to the farmers, women on livelihoods have remained inadequate. Lack of trained teachers, non-adoptability of the curriculum to the local needs and social factors have impeded the education process. Education has an indirect impact on poverty through offering varied livelihood choices and serves as a base to make informed decisions.

Main issues in health and education are: 1. Availability of the services 2. Quality of the services 3. Absence of teachers and doctors 4. Private practices by teachers and doctors 5. Inadequate infrastructure or absence of it

1.4. Other Assets:

Livestock, house, transport and communication are other important assets for the rural poor. Common infrastructure is also an important asset that defines the development of a community. Veterinary services, supporting structures and related infrastructure are inadequate and inaccessible. Private players have come in who offer these services at prohibitive costs.

2. Technology

Technology is defined as any process/product or mechanism through which enhancement in income, quality, reduction in expenditure, improved risk management and improved productivity can be achieved. Throughout the history technological revolutions have built and ruined many communities. Technology for poor includes infrastructure technology, process improvement technology to information technology.

The technological development so far has been pro-rich and remained in the control of the rich. Investment in the common technological intervention has no takers as poor cannot pay. Also some of the useful technological breakthrough in medicine, agriculture and market information have been protected and distorted by the legal framework to benefit the rich.

Each technological break through brought with itself the following issues:

The main issues in technology and poverty are:

- Who will invest in the technology for the common good?
- Adoption of the new technology and its cost
- Capacity building for the technology
- Technology management
- User rights, benefits and access to the poor
- Developing pro-poor technology
- Creating infrastructure for technology
- Integrating traditional practices in new technology

A significant technological shift occurred in agriculture sector in 1965-85, called green revolution in Asia and Central America. Increased yields in rice, wheat and maize enhanced employment with resultant fall in poverty. But all these changes proved to be short lived. Market saturation coupled with raising costs, falling returns, growing indebtedness and damaged soil fertility due to excessive and indiscriminate application of chemical fertilizes and pesticides became the hallmarks of the agriculture-developed regions. Permanent indebtedness, bankruptcy and consequent loss of social status triggered suicides among farmers. Initial gains of green revolution technology seemed to have evaporated.

The main shortcoming in this process is the way it bypassed the pockets of the poor and many crops that are staple to them. Research institutions are not ready to allow inclusion of farmers in the design of these interventions. Hence, many of the research have remained in the academic realm and did not yield any action.

Exploring how technology can be harnessed in a way that the poor can easily adopt and manage them, where productivity is increased without transforming the production into a capital intensive one is a critical factor. Information Technology that will be help poor know about the distant markets, best practices, details about the government schemes, land records, status of particular grievances filed with government, etc will go a long way in making information accessible to them. Some of the areas where technology can be used for the betterment of poor are mentioned below in the table. The table is not exhaustive as application of technology for the needs of rural poor is large and complex area.

SL	Area	Some Areas of Technological Applications
1.	Productivity Enhancement	*Farm Productivity* • Improved varieties of seeds for yielding better quality and quantity outputs. Seeds, which can also withstand adverse agro-climatic conditions, are required for the poor. Rain-fed and dry land agriculture is what majority of them depend on. • Agricultural practices which will ensure higher returns even in water scarce areas are also an important area where technological improvements are required. • Research and technology improvements in food staples and improving crop diversity are very important. • Sustainable resource utilization especially land and water the key inputs of agriculture processes are to be developed. These include development of bio-pesticides, improved water management practices as advocated in watershed development and enrichment of land through correct crop rotation practices become important. *Artisan Production* • Improved productivity and reduced drudgery without

		affecting the natural quality is required. Applications like mechanization of the potters wheel and weavers loom movement are some of the examples. • Better inputs and input efficiency enhancing technology are also of need. These help improve cost competitiveness of their produce in the markets. • Technology, which will help artisan to understand the changing needs and also help them design new things are of importance. *Credit and other infrastructure for Production* • Credit availability – at lower cost and higher quantum is needed in rural areas to improve productivity. Technology which will reduce the transaction cost both for the financial delivery agencies and the rural poor are improvement • Infrastructure facilities which will reduce cost, duration and time of transport from interior rural areas are all important. Storage and processing facilities which will improve the marketability of the products and help achieve higher returns become important. *Productivity of Labour – Agriculture, Migrant and Earthwork* • Market information systems to identify the potential opportunities; provide remittance services, access to other services at the work place, contracting mechanisms and other have to be explored for application of technologies in favour of labour.
2.	Improving service quality – education, drinking water, sanitation, energy, health and other services	• Simple applications which will improve quality of education, delivery in classrooms, help reduce the learning burden of children, improve availability of the reference material, and help in improving teaching standards are required which can be obtained technological improvements • Health services where in the poor are able to access to specialty diagnostic services, obtain simple medical solutions without traveling to the nearest towns and

		obtain advices on nutrition, maternal care and other issues through technology. Any new medicines for the long standing problems and diseases become important. • In energy decentralized production and distribution units especially based on local and renewable resources will be important if the needs of the remote and interior villages are required. • Water purification devices especially those which will improve quality and reduce fluoride content and other major pollutants which are cheap are required.

Technology – SIFFS

Intermediate technology has helped the South Indian Federation of Fishermen Societies build new types of craft for artisanal fishermen

If you were to visit the beaches along the southern districts of Quilon, Trivandrum or Kanyakumari in south India, you are almost certain to see fishermen on plywood boats landing their catches. More likely than not, you would have seen a 'stitch-and-glue' plywood boat built by one of the boatyards under the network of the South Indian Federation of Fishermen Societies (SIFFS).

SIFFS has four boat building centres at Muttom, Anjengo, Quion and Veil. Together they account for over half of the plywood crafts ever built in this region. SIFFS with considerable assistance from the Intermediate Technology Development Group, UK has been involved with boat building for the last ten years. In fact, the first craft built by the Muttom yard in 1982 is still in operation. Most of the fishermen who today use plywood boats were using the dugout or plank built canoes or the traditional 4-log *kattumarams.* (A kattumaram or catamaran is made up of logs of lightweight wood lashed together with rope. The most commonly used species of timber in south India is *Albizzia falcataria).* Plywood boats in this region are mainly of two types - the decked boats and the canoes or open *vallams.* The decked boats are unsinkable crafts. They are generally preferred by the erstwhile *kattumaram* fishermen for their hook-and-line operations. The open *vallams,* on the other hand, are used by the fishermen who earlier used the dugouts or the plank-built canoes to fish with gill nets or drift nets. In the 1980s, motorisation and an increasing difficulty in obtaining logs of the right size and quality to manufacture new dugouts forced the fishermen to look for alternatives. They then took to plywood crafts in a big way. The fishermen found that these were safer, faster, sturdier, easier to beach, had a greater carrying capacity and were more suitable for fishing in deeper waters than their traditional crafts.

The needs of the fishermen have been constantly changing. SIFFS has consequently been modifying the plywood boats or making new models depending on the demands from the fishermen. Not all modifications or new models have been successful. Some of the fishermen in the backwaters of Quilon wanted a substitute for their traditional plank-built crafts. For them SIFFS built the *thoni*.

The barrier of cost

While fishermen in general agreed that the *thoni* was a good craft, no one actually placed an order for the raft. This was because the *thoni* is a more expensive craft than the one they are currently using. The increased investment in a *thoni* would not translate itself into increased returns because they would still be working in the same fishery.

When the fishermen of Pozhiyoor wanted a bigger craft that would enable them to carry large quantities of drift nets comfortably, SIFFS responded with the 28-feet long Pozhiyoor model. This has been a big success with the fishermen of this area and sin's now gets a large number of orders for this model. Concerned with the increasing signs of over fishing in the inshore waters, SIFFS attempted to promote fishing in deeper waters by building 'offshore crafts' and the 'PV series' of *ply-vallams.*

These have not yet become popular with fishermen. SIFFS is now promoting the use of ice boxes and awnings these can double as sails and a few fishermen are currently using them for motor sailing and indigenously built diesel engines. These, SIFFS hopes, will eventually lead the fishermen to 'stay fishing', where they fish for a longer duration and do not return the same day. Changes in design have also been made depending on the availability of suitable raw materials for boat building. The plywood boats themselves were a response to the shortage of large logs of timber for building dugouts. Today, good quality marine plywood has become scarce in India and is increasingly difficult to procure. A large quantity of marine-grade plywood is manufactured m India using timber imported from Africa and Southeast Asia.

The result is that the prices of plywood have increased by about 20 per cent in the last one year alone. Last year, the Muttom boatyard (the largest under the SIFFS network) had to close down production of plywood boats for about three months, due to non-availability of marine-grade plywood.

SIFFS is currently experimenting with a different technique of boat building called 'strip plank construction'. This uses cheap, locally available timber which is cut into thin strips of 40mm x 10mm and tooled so that they have a concave and a convex surface along either edge. These strips will then easily fit into one another and can be glued and nailed together. Strips of smaller width of, say, 20 mm, can be used while building around curves.

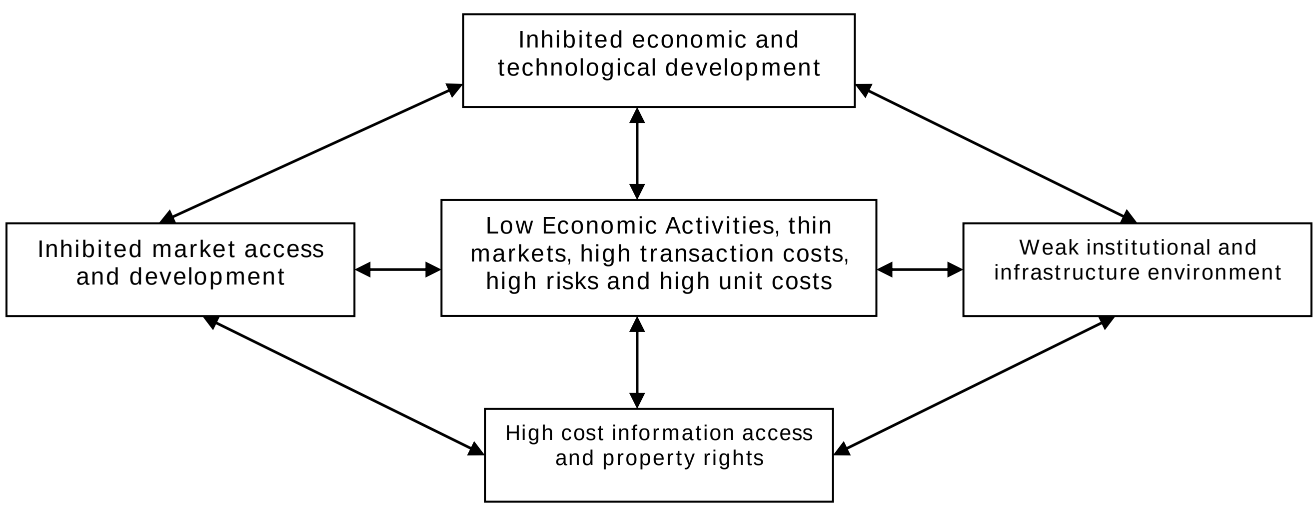
A sheathing of fiber glass is then given to the craft to protect the timber from marine borers and deterioration from prolonged direct contact with sea water. This is especially necessary when the crafts are not beached daily but are left anchored in harbours until the next trip. Strip plank construction results in crafts that are quite strong. Moreover, the building method is itself easy to learn.

3. Institutions

Institutions provide a framework to the activities of the association of persons. Institutions are the association of persons based on certain norms, common objectives and render services to its members. The institutional form defines the ownership, control and management of the institution. The institutions in the context of poor are 1) Institutions of the poor and 2) Institutions for the poor. In the first category, community based organizations like cooperatives, self-help groups and village forest committees, etc are covered. History shows that poor bear the greatest burden of institutional failure. Badly designed formal institutions like regulatory bodies distort the delivery channel and the benefits of common/pro-poor infrastructure never reach the poor.

Institutions or departments of the government, banks, NGOs and other service institutions come under the second category, which render services to the poor. The rural poor do not have access to many formal institutions. Despite manifold growth in banking sector in recent decades; the large numbers of poor rural producers are still heavily dependent on private moneylenders, landlords and traders to meet their credit requirement. This renders them not only economically vulnerable but also politically and culturally dependent.

Institutions and low-level equilibrium trap



The figure above explains the interconnections between technological, information and access issues that result in low equilibrium institutions that cannot service the needs of its members. Information asymmetry, high transaction costs, high cost of accessing the markets coupled with weak institutional structures and infrastructure affects the performance of the institutions.

The main issues in the institutions and the poor:

- Government controlled CBOs
- Lack of linkages of the institution
- Procedural difficulties rendering access to the formal institutions difficult
- Lack of institutions to address issues of the urban poor and the migrant population
- Policies and legal framework not in consonance to provide accessibility and transparency
- Lack of investment in building the capacities of the poor in managing their institutions

The problem for current mode of top-down approaches in institutional decentralization and participation is that the rural big men tend to run local institutional for their own interest. Cooperatives have become instruments of the government in channelising the schemes and act as ready vote banks for the political parties.

The legal framework governing institutions is also restrictive. For example in Andhra Pradesh, 1964 Cooperative Societies Act is restrictive in nature, giving more power to the government rather than to the members who are the true owners. With the coming of new "Mutually Aided Cooperative Societies" Act, 1995, the member management and control of the cooperatives have led to the successful functioning of many thrift and milk cooperatives in Andhra Pradesh.

4. Markets

"The market mechanism, which arouses passion in favour as well as against, is a basic arrangement through which people can interact with each other and undertake mutually advantageous activities. In this light, it is very hard to see how any reasonable critic could be against the market mechanism as such. The problems that arise spring typically from other sources and include such concerns as the adequate preparedness to make use of market transactions, unconstrained concealment of information of unregulated use of activities that allow the powerful to capitalize on their asymmetrical advantage.

These have to be dealt with not by suppressing markets, but by allowing them to function better and with greater fairness, and with adequate supplementation. The overall achievements of markets are deeply contingent on political and social arrangements." ***Amartya Sen (1999:142).***

Market in simple economic terms is defined as a place where buyers and sellers exchange services and goods. Thus there are transactions of exchange that takes place. Thus problems in market access severely affect livelihoods of poor especially in a global economy. The problem of market access may usefully be considered in three dimensions: the physical (the distance of the poor from markets); the political (their inability to influence the terms upon which they participate in the market); and the structural (the lack of market intermediaries).

In the case of the poor they exchange labour-intensive services and products in markets. However, with the opening up of markets world wide there is increased exposure in terms of risk in price fluctuation and margin realization from the services and goods.

In the dynamic, liberalized and globalized markets, how much the rural poor have access to markets determines the ability of the poor to come out of the poverty. From localized markets in earlier times, now the whole world has become one single market where the market places, consumers, producers and middlemen are dispersed. The rural poor producers engaged in subsistence production have less marketable surplus. Even that little surplus cannot be exchanged profitably because:

- Small quantities,
- Quality, grading and value-addition issues
- Inaccessibility to the markets,
- High transaction costs,
- Non-availability and non-existence of the market information
- Non-existence of supporting institutions
- Lack of appropriate technology for accessing the market
- Lack of knowledge about the legal issues in different markets

These factors play an important role in limiting the growth of non-farm sector thus reducing the scope for new employment generation within rural sector. Inaccessibility to institutional credit, inputs and extension services, traps the producer in tying-up the sales with the local middle-men who renders the service of a money-lender and input supplier. This limits the price that a producer can get.

Coupled with this, lack of storage facilities, grading and quality preserving processes further affects the price. At an individual level to gain access to these facilities is unviable for the producer. The macro level factors, government interventions further complicate the marketing processes. Hence, the risk of marketing the produce on their own for the poor is much higher due to anomalies existing in the market. This renders them in the hands of the middle-men who offer low prices and the producers are debt-trapped.

In the urban context, the condition of the migrant labourers is similar. The contractor is the middle-man who pays advance to the labourers and traps them in the exploitative cycle. Due to lack of knowledge about wider livelihood choices in urban areas, many of the migrants undertake unskilled labour work. Their own skill level, lack of capital and access to social security limits their negotiation capacity of the labourers. But this migration often takes the form of a blind journey guided by the sheer survival instincts, under the pressure of indebtedness and bondage. Limited and unhealthy space for living, remittance facilities to send the money to their families in the villages, lack of access to health care and legal recourse are the main problems of the migrant labourers.

Organizing the producers/labourers is one of the key solutions. Providing the labourers with identity cards, registration of the migrating labourers at the village and at the point of entry in cities, helps in monitoring the movement of the labourers and this can lead to designing social security and legal systems for migrants.

Access to markets would thus mean focusing on the following points –

- improving physical access – in terms of roads, transportation and storage facilities,
- increasing information access and creating systems for the same,
- promoting decentralized networks of community based institutions for transacting with markets in favour of poor,

- training the poor with better skills, knowledge and information regarding the quality, ability to understand market changes and interpret the market information

CASE STUDY

Fish marketing. Mahalaxmi and Varlaxmi SHGs in Akkaram village were organized in 2001 with 20 members each. They were assisted by the NGO and linked with the Bank. The groups have accumulated savings of over Rs. 80 000 and took out loans of approximately the same amount to be used as capital for fish marketing. Repayment rates were reportedly at 100 percent. One of the major benefits in joining an SHG is freedom from moneylenders. With more capital at hand, fisherwomen in these groups have been able to upscale their fish trade by increasing the volume of fish they sell. Internal borrowings of members have also enabled them to provide for consumption needs, especially during closed or lean fishing seasons, and to take up other alternative income-generating activities such as milk vending, rice trading and other petty trade. They have also undertaken some group social activities for the improvement of their villages, such as clearing of drainage and the construction of toilets.

The access and control over the above four elements are crucial for development, the government has started its poverty alleviation programme in early 1950s through land reforms[1]. In this first phase, this strategy seemed ineffective. In the second phase, government started addressing the rural under-development though schemes like IRDP, JRY, DWCRA, etc which again failed to make dent due to implementation inefficiencies.

Now in the third phase, the government is trying to see the spread off effects of its previous interventions and is focusing on non-farm opportunities as a strategy to alleviate poverty. In spite of the efforts, the government was not

[1] Extracts from *The Rural Non-Farm Economy in India – A Review of the literature"* by Daniel Coppard, 2001

able to bring any structural changes in the society and still the access and control of poor over the resources remain unaddressed.

Gender and Livelihoods[2]

The livelihoods of the men and women are different and hence their impact due to their different roles, responsibilities and resources is also different. The inequality in participation and access of women in livelihood related decisions, policies and in creating economic structures has to be kept in mind during livelihood analysis. Also on the other hand, increased access to employment and income does not really translate into better bargaining power. Gender equity is multi-dimensional implying equality in legal, social, political, economic spheres and in personal relationships between men and women.

Economic dimension is central to achieving gender equality, though it has to be supported by other measures. Economic equality between men and women means their equal ability to support a standard of living; abilities can be equal only if opportunities are equal. Though women may be fully involved in an economic activity, sometimes, access to market determines the control over earnings. The factors affecting women's participation in economic activities especially the market are lack of education and training, occupational segregation and discriminatory attitude.

Some of the livelihoods activities promoted by NGOs/government – pickle making, pappad making accentuate the gender stereotypes about the role of women and their traditional work.

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[2] Extracts from *Employment and Sustainable Livelihoods: A Gender Perspective* by Rachel Masik with Susan Joekes

Box 3: Common Explanations for Women's Disadvantage in the Labour Market

Economic analyses of labour markets explain about gender discrimination in terms of:

Supply factors, which determine the quantity and quality of women workers in the labour market (family responsibilities and constraints; and inequalities in education, training and access to productive resources);

Demand factors (labour market segregation, discrimination in pay differentials and quality of employment, higher risks of unemployment) which are conditioned by specific structures of the economy; implicit policies that include or exclude women (discriminatory legislation and regulations, employment discrimination, unequal hiring standards and lower pay for equal work), and govern their treatment in the economy and labour market (World Bank, 1994, ILO, 1994).

Other analyses have distinguished market and production factors from household factors such as household structure, income, resources and decision-making. Neo-classical economists have argued that reproductive labour is a cause of female disadvantage in the labour market. This has been dismissed by feminists who have argued that female specialisation in child rearing and domestic labour is not 'natural but socially constructed and hence susceptible to change' (Stichter, 1990).

Feminist perspectives have pointed out that not only do definitions of work tend to exclude and underestimate much of women's work but that within a patriarchal family structure, women may not control the proceeds of their labour. They may be obliged, coerced or predisposed to allocate their own incomes towards household or family, rather than personal needs (Baden with Milward, 1995).

Recent trends indicate that there is increasing unemployment rate of women in developing countries, increased migration that was previously the realm of men and "feminization of agriculture" due to migration of men to cities.

The recent SHG movement across India and other financial initiatives involving women across the world in some cases has led to economic empowerment. Measuring the empowerment of women not just by the income earned and ability to spend but by her market knowledge, shifts the focus from her household status to her involvement with the market and thus to her demonstrated capabilities.

Women's empowerment through economic equity can be achieved through putting women at the policy level and decision making position, through improving their property rights, making women key players in the market and through ensuring membership, participation and decision-making powers in the institutions.

ILO Strategy: Gender, Poverty and Employment

The ILO has identified the following means of action: research, laying down the rules (setting down standards, making recommendations and adopting conventions) and technical co-operation (promoting policy dialogue, policy advisory missions and pilot field programmes). The ILO closely links gender and employment to poverty issues arguing that the vulnerability of the poor (largely women) is largely due to underemployment and low returns to labour rather than open unemployment. A number of strategies have been proposed by ILO. The main priorities identified are:

Increasing women's access to land and other assets (rights over forests and common property resources) through a number of measures (land reform, resettlement schemes, legislating equity in land rights, safeguarding rights of forest dwellers, regeneration of forests and land improvement schemes).

Investing in human capital by focusing on training, particularly non-formal skills training (community-based training and self-assisted training approaches). Improving and expanding training opportunities of poor women for productive employments demand action in two major areas: overcoming or removing obstacles to women's access to training systems; and directing training investments into marketable skills.

Providing financial resources for the poor with a particular focus on credit. Improving women's access to informal sources of credit, special credit schemes run by banks, intermediary programmes run by non-financial institutions, NGOs and government agencies linked to micro-businesses and parallel credit schemes.

Expanding wage employment opportunities. Multi-pronged approaches are necessary (legal reform to remove laws and practices which discriminate against women, employment intensive infrastructure programmes, compensatory programmes and social fund.

Extending social protection by improving workers' protection and working conditions specifically in the informal sector (social insurance schemes).

Enhancing women's ability to initiate change through organizational and negotiating power. Empowerment through organisation (informal women's groups, formal women's associations, trade unions).

Empowerment

In simple terms, empowerment can be defined as a capacitating process where people have the ability and opportunity to control their resources. At another level it is the right to exercise one's choices. In the context of poverty, empowerment subsumes the issues relating to resources, market, technology and institutions. Access and control of the above factors enables the poor to make choices and decision that affect them favourably. On one hand it takes about the resources and on the other about the actors – women, poorest household, disabled who have to be included to make the development process empowering through providing access /control/ enhancement and including all the actors.

Empowerment has been lightly understood in the development context by simply equating it to women able to talk in public. The development paradigm has essentially assumed top-down approach where the poor have been regarded as the beneficiaries and not the active participants in the development process. Empowerment process in its real meaning signifies the change of poor from being receivers to change agents.

Few of the important parameters that indicate the degree of empowerment are:

Socio-Economic Indicators

- Percentage of households with incomes above poverty line
- Percentage of household that have access to social services (health, education, water, etc)

Socio-Political Indicators

- Control over resources
    - Land and forest resources
    - Capital
    - Infrastructure
    - Information technology
- Participation in policy and decision making
- Participation of women in the community activities
- Participation in law and policy enforcement and implementation
- Conflict resolution and management
- Position of the vulnerable sections in the community – women, destitute and resource-less families

Risk

Risk is defined as an uncertain event that may have negative outcomes. Perception of risk among the poor is determined not only by inaccurate information but also by the cultural norms, social relationships and their physical environment. Changes in demand, supply, technology, environmental conditions bring both opportunities and risks. Poor are more exposed to diverse forms of risk. The poor are more vulnerable to risks as the shocks have well-fare consequences. The risk also involves cost – cost of loss and coping cost.

The sources of the poor households in meeting the costs can be classified into three categories (a) positive coping (examples are soft credit mobilization at zero or low interest rate, mobilization of kin-support), (b) negative coping (examples are distress sale of assets, borrowing at high interest rate), and (c) dissaving, which is an intermediate category. In case of the last categorization, it would get a negative rating if the dissaver is a poor household dispensing with the already very low amount of savings in times of distress (being cut-off from credit market).

Understanding risk become important as it plays an important role in determining the livelihoods portfolio of the poor. Vulnerability to risk is accentuated by economic failure, social exploitation and political powerlessness.
(Ref: Risks, Vulnerability and Poverty in Bangladesh: Issues and Evidence by Binayak Sen)

Risk can be classified into the following categories.
Partial and Total Risk: Total risk has wide-spectrum affect and partial risk affects only some of the determinants of well-being.

Generic and Specific Risk: Generic risk affects large number of people due to geographical implication or particular activity. There are certain types of risks that affect an individual or a household hold. This kind of risk can be divided into macro (international), meso (national) and micro (individual) levels.

Known and Unknown Risks: Known risks are predictable and hence to some extent can be provided for. Unknown risks are unforeseen and are not predictable.

To illustrate the link between poverty and environmental risk (one form of risk) induced vulnerability has been illustrated in the case study presented below:

Box 1: Adverse Ecology, Vulnerability, and Chronic Poverty: Experience of the 1998 Flood

Chronic poverty is often the result of vulnerable ecology. Bangladesh provides a striking illustration in this respect. Here the most persistent poverty has historically been found in the river-erosion areas, which in years of severe flooding have been susceptible to widespread starvation and even famine. The 1974 famine, for example, was particularly severe in the river erosion belts along both sides of the Brahmaputra. These form the most economically depressed thanas and unions of what are now Kurigram, Lalmonirhat, Gaibandha and Jamalpur districts. These were also the areas hardest hit during the massive floods of 1988 and 1998. In the later years, however the damage was not so great. In 1998 both the Government and NGOs were very active with a large-scale distribution of foodgrains via the Vulnerable Group Feeding program, the Cash-for-Works program, and a variety of lean-season food-assisted programs essentially aimed at preventing the potential entitlement failure that can lead to famine.

Amartya Sen in his famine-related writings has emphasized the importance of an active opposition and a free press– both factors were much in evidence in 1998. However NGOs also played an important role in publicizing the issues as well as providing initial help to the most needy. But compared to 1974 the rural economy itself was more resilient and the international aid climate was also more favorable. Apart from the impact of an immediate crisis those living in ecologically vulnerable areas also find it more difficult to recover. This is because apart from having few savings or other assets they tend to have less access than richer areas to non-farm employment and to microcredit. They also find it difficult to borrow the money to migrate. And since everyone is affected simultaneously the markets for both assets and credit also collapse – a consequence of 'covariate risk'. While all households in these areas are exposed to ecological risk, those most vulnerable are small landowners and agricultural laborers.

The poor and the poorest living in these areas deserve priority attention during times of distress. They should get higher allocations of food to meet their short-term consumption needs as well as other assistance for rebuilding homes, roads, culverts, schools and clinics damaged by floods. Given the widespread credit and insurance market failures during times of disaster the microcredit agencies should also consider financing seasonal migration of the poor.

But the longer-term future of such areas remains open to question. Should more attempts be made to protect them or should their populations be resettled elsewhere? The problem with resettlement is that it is not easy to change the way of life of a large community. In any case the problem is one of fluctuation between normal and flood-affected years rather than of a collapse of the economic potential of the area in general. In these circumstances it is probably better to think of arranging some forms of insurance. Traditional methods of informal insurance have been breaking down and poor communities have little prospect of arranging formal private insurance. This means that the public sector will have to find ways of guaranteeing food supplies, though how this is best done will need to be ascertained in close consultation with the beneficiaries themselves.

Is the cost of supporting the most vulnerable areas too high? No. The river-erosion belts in the three most vulnerable districts of Kurigram, Gaibandha and Jamalpur amount to only 15 of Bangladesh's 484 thanas. With sufficient commitment it should surely be possible to mitigate the effects of excess flooding.

The sources of risk are:

- Environmental Risks (drought, floods, pests)
- Market Risks (price fluctuations, wage variability, unemployment)
- Political Risks (civil strife, change in subsidies)
- Institutional Risks (insecure property rights)
- Social Risk (reduction in community support)
- Health Risk (diseases that which prevent from work)
- Personal insecurity (death of earning member)

Management of risk involves understanding risk-induced vulnerability, origin of risk, lifecycle factors and structural changes in poor moving in and out of poverty. Some risks can be managed if markets can be made to work for the poor through institutionalizing and legalizing the processes with say contracts, insurances, etc. Institutional risks can be mitigated through pro-poor policy changes that are enforceable.

The strategies for minimizing risks are as follows:

Risk Prevention: Mechanisms that adopt preventive measures before the risk occurs

Risk Mitigation: Mechanisms to mitigate or remove the impact of risk after the risk occurs

Risk Diversification or coping: Spreading the risk across different activities or livelihoods. Savings and informal groups help spread the risk and are a good coping mechanism.

Development Definition and Discussion

Development includes economic, social and human development. Economic development leads to increase in wealth and has to be supported by social development which deals with distributive justice. This in turn should be supported by overall human development that includes human well-being in terms of literacy, life-expectancy and poverty.

"Development is a process by which a society transforms its institutions in ways that enhance the ability of its people to mobilize and manage resources to produce sustainable and justly distributed benefits consistent with their own aspirations".

From the above definition we can list out the following:

- Development as a process
- Development refers to the enhancement of the capabilities of the people to make their own choices
- Development involves sustainability of the benefits meaning the benefits are for the present generation and for the coming ones too without affecting the resources adversely
- Development that is just, works on the principle of equity. Because development without distributive justices has far reaching ramifications that can lead to large-scale revolution between poor and the rich
- Development of different levels – individual, societal and global

Development Fable - Does Development Generate Conflict[3]?

In her study of the people of Ladakh, Tibet, Helena Norberg – Hodge makes the case that increasing levels of violence between and within Ladakh's Buddhist and Muslim communities

[3] Reproduced from Vimukta Shiksha – A bulletin of Shikshantar Sansthan, 21 Fatehpura, Udaipur 313 004

can be attributed to the 'the intensely centralizing force of the present global development model'. The displacing of people from rural areas to urban centers, the growing levels of competition and inequities in those urban centers, and the struggle for formal political power, together contribute to an exaggeration and distortion of religious or ethnic differences. The following text from the article 'The Pressure to Modernize and Globalize' illustrates how the blame for increasing levels of violence and fundamentalism can be linked to modernity and global development:

"Most people believe that ethnic conflict is an inevitable consequence of differing cultural and religious traditions. In the South, there is awareness that modernization is exacerbating tensions: but people generally conclude that this is a temporary phase of the road to "progress", a phase that will end once development has erased cultural differences and created a totally secular society. On the other hand, Westerners assume that conflict always smoldered beneath the surface, and only government repression kept it from bursting into flames. It is easy to understand why people lay the blame at the feet of tradition rather than modernity. Certainly, ethnic friction is a phenomenon that predates colonialism, modernization, and globalization. But, I am convinced that 'development' not only exacerbates tensions, but also actually creates them. Development causes artificial scarcity, which inevitably leads to greater competition. Just as importantly, it puts pressure on people to conform to a standard Western ideal – blond, blue eyed, 'beautiful' and 'rich' – that is impossibility out of reach. Striving for such an ideal means rejecting one's own culture and roots – in effect, denying ones' own identity. The inevitable result is alienation, resentment and anger. I am convinced that much of the violence and fundamentalism in the world today is a product of this process.

Helena Norberg – Hodge's indictment on what is development exhorts us to think about:

1. Is every thing 'new' development?
2. Is modernization development?
3. Is economic growth development?
4. Is social change development?

Answers

A black and white "yes" or "no" can never give clarity on what is development. Taken in totality, development includes new processes, growth and social development that will ultimately promote equity. But the notion of development gets clouded by the stereotypes like:

1. The poor are lethargic and they need external push for mobility
2. They are responsible for their present state
3. The poor are more sentimental and superstitious and spend a lot unnecessarily on rituals and other social functions.
4. They are risk averse.
5. Development (read modernization) is important and has to be achieved at any cost.

Points to Ponder

- How to improve the access of the poor to the resources?
- What are the institutional structures that will improve accessibility, control and improvement of the resources?
- What are the current environmental concerns about the depleting natural resource base and its implications on the livelihood options of the poor?
- What are the emerging issues in the private control of the natural resources, for example corporates in mining?
- Who are the facilitators helping the poor in the control of their resources?
- What are the legal aspects associated with control of resources, especially forests that will empower or impede the poor?
- What is the meaning of rights-based approach to livelihoods?
- Can you name some of the major livelihood movements in Indian history?
- Think about increasing standardization in jobs, tastes, occupations, consumer patterns and its link to development

Facilitators Guide - Session: 3

Understanding Livelihoods Definition and Multi Dimensions

Objective

The main objectives of this chapter are –

- Understanding the definition of livelihoods
- Understanding factors, issues and realities, which influence the livelihoods strategy and choices of livelihoods
- Understanding the factors, issues and processes of decision making in livelihoods
- Understanding the multiple livelihoods of poor, major livelihoods of poor and its classification

Duration: 1.5 hours

Methods: Interactive session and Small Group Exercises on Case study

Facilitation tip:

The facilitator can ask the participants to share their understanding of livelihoods. After asking most of them, the facilitator should provide the definition given in the material. After this, the facilitator should explain the Nine Square Mandala, which should be followed by reading of case studies and discussion on the case study. This discussion can be in small groups (participants are divided into groups), where all the participants are discussing with the facilitator. Alternatively the facilitator can use the case study presented in the reading material for analysis in small groups by the participants. The participants are then asked to identify the factors that the farmer considers in making a choice on the crops to be sown. While listing all the factors identified by the participants the facilitator can also add points and hint at tips to identify the dimensions. Finally the participants will have to be introduced to concept of livelihoods as represented by Nine Square Mandala. The pictorial representation of the concept is given in subsequent pages of reading material.

Exercise

- Visit to a village or assume a village and write all the possible livelihoods of the families there. Classify them into farm, on farm, off farm and non-farm.
- Using Nine Square Manadala, understand the realities of livelihoods. For this, you can either choose your livelihoods or livelihoods of any of your family member or your friend's livelihoods.
- Ask participants to reflect on the factors that have affected the livelihoods choices in their own life

Minimum Learning:

The participants should be able to appreciate the factors, issues and realities, which influence the livelihood strategies and choices of livelihoods of poor.

Reading Material

Enclosed as Chapter-2: Livelihoods Concepts

Chapter-2: Livelihoods Concepts

Livelihood is the way in which people satisfy their needs or gain living. A livelihood should be sufficient to avoid poverty, and preferably, increase well-being for a family. A widely accepted definition of livelihood provided by Chambers and Conway is: "*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 future, while not undermining the natural resource base*".

The sustainable livelihoods approach rests on few core concepts listed below:

- People-centered
- Holistic – multi-dimensional, cutting across different sectors
- Dynamic – complex situations, iterative events
- Considering micro and macro factors

Livelihood means a system of how people make a living. In other words, it is a set of flows of income from various sources and activities, variable over time. It comprises of several different activities for each given household; it is determined by the type of strategies that household adopts and how it responds to changes. Although some households adopt strategies that rely on few activities, most of them adopt strategies that are complex, diverse and versatile.

As rural households derive their livelihoods from different sources, adjustment measures are expected to affect them in a variety of ways. Thus, one has to examine not only the outcomes, but also the institutional mechanisms by which adjustment measures are translated into production and investment decisions by poorest of the poor households. In short, livelihood covers material aspects of living and non-material aspects – social and inner realities.

Although the phrase Livelihood Systems is not an uncommon term among practitioners and researchers, it is not easy to define or agree on how to understand the realities behind the livelihoods systems. In addition to this, the perspectives of rural households differ from that of practitioners and researchers. While working on Rural Livelihood Systems,

RLS Research Forum (consists of researchers from Institute of Rural Management, Anand, Institute of Social and Economic Change, Bangalore and NADEL, Switzerland and a few individual researchers) realized this and efforts were put to develop a framework to understand the realities behind livelihood systems.

This recognition resulted in the development of the N*ine Square Mandala*[4] (by Ruedi Hogger, 1994) that sensitized the research partners to look at livelihoods system in a holistic manner.

It not only considers the outer realities (material) but also the inner realities (non-material) that are equally important to our understanding of the livelihoods systems. The *Nine-Square-Mandala* is a practical heuristic tool that helps one view livelihoods systems in a multidimensional way.

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[4] Abstract from the reading material for the course " Rural Production System" prepared by Prof. K.V. Raju, Assistant Professor in Institute of Rural Management, Anand. The original article is written by Ruedi Hogger.

With this nine fold focus, we can approach and understand rural livelihood systems from various angels, ranging from the outer (material) to inner (non-material) realities and from tradition bound to more future oriented perspectives. Rudi Hogger conceptualized the *Nine-Square-Mandala* taking a typical rural home as the metaphor.

The three rows of the Mandala – the Basic (physical and emotional foundation), the Space (living area including individual, familial and socio-economic space) and the Orientation (roof- individual, family and community) – form integral part of the house and also the livelihood systems.

- The Base – is the primary foundation on which the entire livelihood systems rest.
- The Space – as the various types of enclosures differentiate the living space of a house, it helps to distinguish and understand the individual, family and community space.

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<td>9. Individual Orientation
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• Hopes
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• Fears
• Self-image
• “Gurus” Models</td>
<td>8. Family Orientation
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• Caste, social status
• Aspiration to education, leadership, jobs, etc.
• Aspirations to power, wealth, social mobility</td>
<td>7. Collective Orientation
• Subsistence agriculture
• Food security
• Religion, tradition, values
• State laws, Common property resources
• World view, ideology</td>
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<td>6. Inner Human Space
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• Awareness
• Selfishness-compassion
• Task-people oriented
• Curiosity, courage</td>
<td>5. Family Space
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• Solidarity</td>
<td>4. Socio-economic space
• Production relations
• Patterns of cooperation
• Community organizations
• Factors and good markets
• Intermediation processes</td>
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<td>3. Emotional Base
• Memories
• Attachment
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<td>2.Knowledge-Activity Base
• Technical skills
• Agricultural patterns
• Experiences
• Traditional knowledge
• Labour, crafts, service
• Modern professions</td>
<td>1. Physical base
• Natural habitat (climate, topography, location)
• Natural resource base
• Animals-population-trees
• Distribution of wealth
• Accumulation of wealth</td>
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- The Orientation – provides a sense of direction and comprises of aspiration, perspectives and ideologies.

In the words of Rudi Hogger, "the Base, the Space and the Orientation form the three complimentary levels of the reality. As we move through the Nine-Square-Mandala from right to left, we always go from the outer realities to inner realities. From the bottom to the top, it is a transition from the physical and emotional basis to the mental roof with its concepts and perspectives. None of the nine compartments are truly independent from each other. Every one of them is intricately linked with every other and the transition from one to the next is gradual, not abrupt."

To understand the usage of the tool in the analysis of the livelihoods in terms of - factors affecting the livelihood strategies, choices of livelihoods, process of decision-making in livelihoods, case study of *Kanu Bhai* is given below. This example will bring into focus various factors that have affected the livelihood strategies adopted by Kanu Bhai that comprise of both material, non-material, physical and mental realities, which the *Nine-Square-Mandala* will capture.

Case Study[5]

Kanu Visiya Katara – A Case of Successful Adoption

Kanu Visiya Katara (Kanubhai) is a farmer in Bhoraj faliya (hamlet) of Mahudi village. Mahudi is located in the Panchmahal district of Gujarat, India. His case analysis illustrates the multi-facetted considerations of a farmer in arriving at a decision to adopt a new technology. He perceives that his family is above the livelihood security threshold.

The family: Kanubhai (50 years) is the head of a joint family with 19 members. The three sons and their wives are living with Kanubhai on the farm. He has two unmarried daughters. None of the family members is literate. Only the younger children are in school. He has a small mud house on one of the elevations of the hills of Bhoraj faliya that is inadequate. To accommodate the large family, Kanubhai constructed another house for his younger son and his family to stay. Kanubhai, his wife, and 2 elder sons along with their families share the old house, which has 3 rooms and a kitchen.

Cultural Identity: Being a follower of "*Guru – Jyotisar*", he preaches the tribal community to speak the truth, to be self-reliant and self-dependent, to practice non-violence, to avoid superstitious beliefs, to maintain peace at home, to practice vegetarianism and non-alcoholism, to discourage bride price, etc. The white flag hoisted on top of his house indicates that he is a follower of the *Bhagat* ideology. Since Kanubhai did not accept bride price

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[5] Abstract from the reading material for the course " Rural Production System" prepared by Prof. K.V. Raju, Assistant Professor in Institute of Rural Management, Anand.

during the marriage of his 2 daughters, he encourages others to follow it. He believes that his belonging to the *Bhagat* Panth has enabled him to maintain a cohesive joint family, to take collective decisions, to reduce wasteful expenditure and to make the family self-reliant and self-dependent.

Kanubhai's social, cultural and traditional responsibilities towards festival celebration, birth, death and marriage rituals prevent him from moving out of the tribal society. The tribal community also has strong emotional attachment towards their ancestor's stones, land and ritual with cattle, the temple, fast on particular festivals.

Resources: Kanubhai owns 2.5 acres of land out of which 2 acres are irrigated. On the 2 acres of irrigated land he grows crops and the other 0.5 acres of land are used for growing trees and for grazing cattle. He owns 2 bullocks, 1 cow and 2 goats. In addition, Kanubhai has a small kitchen garden near his house, where he grows chillies, brinjal, lady's fingers, beans, red pumpkins on the roof, bottle gourds, castor and tobacco to meet his family's needs. However, the land has not been divided among the children.

Personal Traits: Kanubhai is open-minded, innovative, extrovert and co-operative in nature. He would like to analyse a new technology before its adoption. As per his own perception, he has crossed the line of livelihood security and is willing to take more risk and to experiment with new crops. At the same time, he is thankful of having a joint family that is crucial for labour intensive agriculture. In recent years, he has started providing loans to other farmers as moneylender. Kanubhai undertook tomato cultivation on scientific line about three years back. The crop was grown under economic rationale and the motive was to maximize the profits – a deviation from the normal traditional approach towards growing staple food crop. To have a proper understanding of his decision-making behaviour, it is essential to note the background that led him to technology adoption.

Technology Adoption: The Sadguru Water and Development Foundation (SWDF) built a check-dam across Macchan River in 1993. The Check-dam provides irrigation to the farmers living in Bhoraj hamlet. Irrigation co-operative was formed to manage the check-dam. The successful operation of the Bhopraj Irrigation Co-operative Society is attributed to the co-operative nature of Katara caste, which belongs to Bhagat Panth. The Bhagat Panth brings them together with a strong cohesive feeling. Kanubhai is one of the active members of the Irrigation Co-operative Society.

Before the check-dam was built, he used to grow a mixed crop of maize and pigeon pea (upland) and paddy (lowland) in the Kharif season and a mixed crop of maize and gram in the "*Rabi*" season. In summer, the land was kept fallow. Importance was given to the maize as this met the food requirement of the family and fodder for the animals. The cultivation practices were traditional and the use of the chemicals in the field to increase yield was minimal. The grain yield was low, about 350 kilos per acre. The income generated from the land did not offer a livelihood security for the family. He along with his sons had to undertake seasonal migration for generating enough income to the maintain family.

With the check-dam near Bhoraj faliya, some farmers started cultivating three crops a year. The availability of water not only reduced the risk of crop failure, but also increased the yield of crops sustainability (2-3 times). With the increased yields, the farmers were assured of livelihood security. Irrigation did not induce an instantaneous change in farmers' agricultural technologies or practices. The increase in yield was, mainly, due to the availability of water rather than improved practices. However, the increase in crop yield was sufficient to bring down the magnitude of seasonal migration. The various shifts observed in Bhoraj faliya are:

- Some farmers started growing two to three crops a year
- Cultivating a pure crop of maize rather than a mixed crop
- Adopting improved varieties of same crops
- Experimenting with various cash crops
- Shift towards commercial crops
- Increased application of fertilizers and chemicals
- Drop in the magnitude of seasonal migration

In the case of Kanubhai, the intervention by SWDF had two effects. The first was to give him an opportunity to do labour work on the construction site of the check-dam and thus not go for seasonal migration. He could save some money earned from such work and thereby increase his assets. The second facilitated him to take three crops in a year as against two.

"Things have changed. Earlier Kharif used to be dependent on monsoon rains and the Rabi crop was dependent on availability of leftover moisture in the soil. Now, we are assured of irrigation water and we can take up to 3 crops in a year."

Instead of growing maize mixed with other pulse crops, he started cultivating a pure crop of local maize. The yield increased noticeably. He could meet the food and fodder requirement of his family and animals from the increased production of maize. Once the basic food and fodder requirements were met, Kanubhai ventured to grow cash crops. The change was gradual. With the assured water supply, Kanubhai had the following options to increase his income:

- Growing high yielding varieties of staple crops using fertilizers and chemicals and going for a market-oriented agriculture, i.e. shift to cash or commercial crops.
- Diversify his activities by shifting to non-farm activities like flourmill, shops, etc.

He has used both the options in variation; Kanubhai did not go for high yielding varieties of maize. He still prefers to grow local varieties of maize on part of his land because of his families' preferences and needs take priority over the market consideration. On the remaining part of the land he continues to experiment with different commercial/ cash crops for the market. With the increased yield from agriculture due to water availability and the 'monetary cushion' provided by the migratory income. Kanubhai could pull himself out of the livelihood threshold level. Once livelihood security was assured he shifted to groundnut cultivation. Here also the technology package was not adopted in total. Kanubhai also experimented with Soya bean for one season. Although he succeeded in the experiment, he abandoned Soya bean due to non-availability of the market. He then decided to experiment with tomatoes and he succeeded. There was a ready market for tomatoes. At present, he grows tomatoes while he continues his experimenting with other crops like potatoes, green chillies, brinjal, etc. Not only availability of water and markets but also joint family (labour) financial means from irrigation, availability of technical know-how, negative effects of fertilizers on the soil among others influenced his decisions.

"Income from migration is used for cash and Chandla and for purchasing seeds, fertilizers and for irrigation."

The assets of Kanubhai increased with the increased income from his fields and the savings from migration work. He started lending out money against usury rights of the land. He found this venture to be more profitable than depositing in banks or diversifying in non-farm activities.

"It is better to cultivate the land by taking it on mortgage rather than investing it in other activities like opening shops. In the case you open a shop you will have to give material to others on credit items and the Bhil community is not very good in paying you back. This leads to fights within the community."

Kanubhai came to know about the cultivation of tomato crops during his migration to other areas before the check-dam, but he could undertake tomato cultivation in his own field, as the resources available with him were not adequate then. More importantly, at that time he was below livelihood security threshold. However, after the check-dam, he could experiment with his knowledge base once he was assured of food for his family (He never experimented with crop at the expense of maize and paddy). He diversified his profession (assuming the role of a moneylender) and agricultural practices (experiments with new crops and chemicals). Thanks to the stability and relative security of his livelihood system. Kanubhai's orientation changed from subsistence towards the market. The case study explains various external and internal factors, which affect the livelihood strategy as well as the livelihood choices. This case study also reflects on the fact that the poor have multiple livelihoods, which together provides the living to the family, as single livelihood is often not sufficient for them.

Classification of Livelihoods

The principal basis for the classification of the livelihoods is based on sectoral definition occupations. These sectoral definitions are based in relation to the natural resource base, form of the services and processes. The major sectors are defined as follows:

Primary Sector essentially refers to agriculture and agriculture allied production and farming along with fisheries and other basic livelihoods sources.

Secondary Sector includes manufacturing firms, which process the basic raw materials, natural minerals, agriculture and agriculture allied produce and other material. Some of the examples of these industries are - ready to eat food and drink manufacturing, tobacco, textiles, leather, wood, fuels, chemicals, rubber, glass, furniture, metals, machinery, and equipment.

Tertiary Sector covers service based industries - construction, distributive trade, accommodation, transport and utilities, wholesale and retail distribution, telecommunications, postal and courier services, food and accommodation, transport, utility distribution, financial and related services, finance, renting and leasing, business and professional services, repairs, telecommunications and data, community, social and personal services, public administration, education, health, entertainment and sports, personal services, and domestic services.

The growth trends in these sectors within India shows that the primary sector has almost stagnated while the service sector is growing at much faster pace and the manufacturing sector has remained stunted. In fact in the last few years the service sector has grown to occupy the major share of our GDP beating the manufacturing/secondary and primary sectors. Hence, taking the sectoral definition as base, the livelihoods of the poor are broadly classified as follows:

<u>Farm based and Off-Farm livelihoods</u>

Farm livelihoods are those, where income/employment is derived from primary sector, particularly from the production or gathering of unprocessed crops (food, flowers and fibers), rearing livestock, horticulture (flowers, fruit and vegetables), forestry, fisheries and from natural resources. Farm based livelihoods have natural resource base. It excludes any food processing (although this may happen on-farm), agricultural services (whether technical or commercial) and also other primary sectors such as mining or quarrying.

Income/employment based on activities away from ones own property, regardless of sectoral or functional classification are termed as off-farm and can be wage or self-employment. Activities in primary sub-sectors such as forestry, fisheries or hunting and gathering are sometimes called `off-farm´. Hence, the broad classification in farm-based livelihoods (both on and off farm) is:

- Primary Production: Farming, dairying
- Service Based: Agriculture wage labour

The employment growth in the agriculture sector is less than 1% per year in the last decade. But in the off-farm livelihoods, the employment growth has been 5%. Te main interventions in the off-farm livelihoods pertain to establishing forward and backward linkages, generating wage employment and catering to the local needs of the village. But also the challenges are many in promoting off-farm livelihoods-identifying market opportunities, managing linkages, responding to changing markets and capital requirements.

Non -Farm based livelihoods

Non-farm livelihoods are indirectly connected or not connected with the natural resources. The non-farm livelihoods can be classified into i) casual non-farm wage labour, ii) own-enterprises and iii) regular salaried employment. The poor families are engaged in the non-farm activities in the first category of casual labour while the rich earn from regular, salaried jobs.

The other broad classifications can be:

- Traditional and modern livelihoods
- Area-based livelihoods - coastal, dry land, industrial areas, migration intense areas, pilgrim areas, tribal areas, urban and rural, etc
- Steady and Migrant livelihoods

These classifications are over-lapping but they nevertheless help in identifying the peculiarities of a livelihood, reasons for its adoption and overall intervention points. If the finer points are not considered in intervention planning, it may lead to inappropriate identification of livelihood options.

The main livelihoods of the rural poor are

#	Sector	Livelihoods
1	Farm and Off-Farm Livelihoods	
	Agriculture (with resource base) Agriculture (Landless)	• Subsistence Crops • Cash Crops • Dry-Land Crops • Coastal Crops • Organic Crops • Horticulture • Non-Timber Forest Produce • Agriculture Wage Labourers
	Animal Husbandry	• Agriculture Processing • Dairying • Sericulture • Fishery
2	Non-Farm Based Livelihoods	• Artisan Livelihoods – Weaving, pottery, stone-cutting, etc • RMPs, washer men, barber, etc • Wage Labour in construction, hotels, factories, etc • House hold/own enterprises • Small-scale manufacturing activities • Regular salaried jobs

The linkage between the farm and non-farm sectors is symbiotic and the growth in one leads to positive change in other. There are production and consumption linkages between both the sectors. Production linkages will be in terms of demand for agricultural inputs, equipments and on the consumption side, increased agriculture income will increase the demand for goods produced in nearby villages and towns.

Growth on the non-farm sector will increase the agriculture productivity through lower input costs, technological change and profits being invested back into agriculture. Hence, growth in both the sectors are re-enforcing with increase in employment and incomes.

Since early 1970s, the significance of the non-farm sector in rural economy has increased. There is a significant link between poverty and non-farm sector and a positive relation between unemployment and non-farm sector. It is particularly important for the landless, small and marginal farmers. When agriculture was unable to provide widespread employment opportunities, the non-farm sector has picked up the slack.

Service and cottage industries dominate the non-farm sector in rural India various the shift is towards manufacturing industries and growth of services in towns. The access to non-farm occupation largely depends on the education which means greater access to educated population.

The opportunities, growth and the negatives in both farm and non-farm sectors are related and have reinforcing effect on poverty and consequently on development.

Points to Ponder

- How non-farm sector is emerging as one of the growing sectors with scope for creating more employment opportunities?
- What are the limitations of non-farm sector?
- Draw out a comparison between livelihoods in dry-land areas with water-rich areas
- What are the key features of traditional livelihoods and their present status in globalized scenario?
- What is organic farming?
- What are the advantages in incorporating environmental sensitive/friendly approach in designing interventions for livelihoods of the poor?

Facilitators Guide – Session: 4

Understanding the Micro-finance and Livelihoods Connections

Objective of the Session:

To help the participants understand the difference between the micro finance and livelihoods; appreciate the need to go beyond micro-finance to meet the various needs for promotion of livelihoods of the poor.

Duration: 1.5 hours

Methods: Interactive session and Small Group Exercises on case study

Facilitation Tips:

He/She should also be able to present the case studies of a few micro finance and livelihoods intervention, which they have observed and learnt about. The analysis of these interventions will help in making participants understand the difference between micro finance and livelihoods as well as the shortcomings in the micro finance intervention to address the wider needs of livelihoods of the poor.

The facilitator can start the session with basic questions like asking the participants to narrate the experience of whether micro finance is sufficient for livelihoods promotion. The facilitator can then give some critical analysis of micro finance and livelihoods promotion intervention through the discussions from the participants. After having the initial discussions the participants can be divided in to four different groups.

The groups are expected to study the case studies given in the reading material. The facilitator may give roughly 20 minutes for the groups to discuss and make a presentation. Finally to consolidate the learnings the facilitator may make a presentation of the case study and ask the participants to go through the reading material.

Exercise:

Group exercise - discussion on case studies

Expected Minimum Learning:

The participants should be able to appreciate the difference between micro finance and livelihoods.

Reading Material

Enclosed as Chapter-3: Micro Finance to Livelihoods

Chapter 3: Micro finance to Livelihoods

For nearly past two decades the development paradigm has been revolving around the micro finance movement. The initial seeds for such a movement were laid in Grameen Bank of Bangladesh. Small groups essentially of 5 people known as joint liability groups would come together and would take loans and repay in suitable installments. There have been several variations to the basic model in terms of size of group, the management and governance structure, the nested ness – networks of these groups, the product variations, peer pressure, services rendered and in distribution of margins generated across world over. Central to all these is the innovation in the delivery channel of credit to the poor/rural people.

In the formal sector banks have serviced the rural poor/people. They have been characterized by low reach (albeit introduction of regional rural banks and increased number of rural branches within the nationalized banks), low per capita lending or credit extended (even though the Government regulates the priority lending requirements) and poor terms of lending (in terms of conditions to access of loans – security & collateral, transaction costs.). All these have resulted in large-scale dependence of rural poor on the informal lending sources. A point to be noted is the data from RBI which shows that banks had only 37 million loan accounts of small borrowers (below Rs 2 lakhs) in March 2002. This, as compared to the fact that the same year the number of agricultural farms was nearly 110 million and rural plus urban non-farm enterprise was 35 million.

More significantly in the recent past is the role of Micro finance institutions (MFIs), which through various products and channels including the original joint liability group's mechanisms extend credit to the rural and urban poor. However, they have been able to reach only 1 million. The achievement of these institutions cannot be understated but really are these efforts sufficient enough to make significant effect in guaranteeing secure livelihoods for poor?

The answer to this question is a definite 'no'. Typically the micro finance institutions extend loan against the savings of the member. This restricts the total amount accessible by the poor for making investments in the various livelihoods needs. The livelihoods needs of the poor are varied as discussed in the earlier sessions. The needs are related to –

1. Access to and to enrich the resources like land, water, trees, livestock, energy which are basic factors of production
2. For human resources development through better nutrition, education and vocational training, services (safe drinking water, sanitation facilities, health facilities) and through development of institutional structures of support
3. Infrastructure – roads, energy and power, market places, storage places, basic transportation, communication and other support services
4. Access to institutions especially the state, civil society, free markets and banks

All of these require investment in large proportions. Some of these investments are public goods whose users are not defined but need to be maintained. There are other investments, which can be made only when collective action is initiated, otherwise the entry costs and operations at small scale are unviable. And some others require public investment in services. While these investments are at the aggregated level even when one considers the investments at the household level it sometimes seems beyond the scope of micro finance. The following case[6] would prove the point.

"Let me take you to a village called Chinthapaka in the Pinakota panchayat of Ananthagiri mandal of the Vishakhapatnam district of Andhra Pradesh, truly the tribal heartlands of India. The village is 16 kms from a tarred road. The district is densely forested, though now the forest cover is denuded near inhabited areas. The rainfall is plentiful. The soil cover is still good. The inhabitants are mainly tribals – Nookadora sub clan, who till generation ago lived off the forests and patches of valley land irrigated by rivulets.

Vanthala Ramanna, a resident of this village has 3 acres of cultivable land and a separate patch of 2 acres on the hill slope. He has about twenty livestock, including a scrub buffalo, two cows, a pair of bullocks and dozen goats. He is married and has three children, and his old mother lives with him as his father is no more and his brothers have separated. Ramanna is unable to make a living from his land and goes to Hyderabad, for about six months every year. His wife joins him for part of the time, but comes back after every two weeks to look after the children, and his old mother. With all this, we estimate Ramanna's annual income to be Rs 15,000, putting him squarely below the poverty line. On first sight, he looks like a potential candidate for micro-credit. But I maintain micro-credit will not benefit him much, if at all. Let us take the typical micro-credit loan, through the SHG route, which his wife could get by being a member of an SHG. For this, she will have to join an SHG, which someone, perhaps an NGO or a government agency would have to form. No such agency is in sight. But even if an SHG was formed, and then its members met and save regularly, it would take a bank at least 18 to

[6] Case is adopted from Mr Vijay Mahajan's article.

20 months before the SHG would qualify for a loan. By that time Ramanna's wife would have saved say Rs 20 per month, or Rs 360 in 18 months, to eventually get a SHG loan of perhaps Rs 1000 to 1500. What would Ramanna and his wife do with this loan?

- They cannot level or bund their 3 acres of farm land, since it requires at least Rs 3,000 per acre or Rs 9,000
- They cannot dig a well, which they need, since that requires Rs 20,000
- They cannot buy a diesel pump set and pipeline to raise water from a nearby stream, since that needs another Rs 15,000
- They cannot buy a buffalo, for that needs Rs 9,000 even for a graded Murrah
- They cannot plant trees on their 2 acres of sloppy land, since that needs Rs 5,000
- They cannot get a road to their village or electric line to their field, since the proportionate cost of each of these is Rs 15,000
- They cannot educate their daughter beyond the local school as it will need Rs 12,000 for her to pass the teachers training course."

All of the potential investment options as sighted in the case study have sound financial returns. The structure of financial support required also varies. From the discussions already that we have had, it is clear that livelihoods promotion can simply not be achieved with simple credit provision through micro finance. The alternative that is emerging as livelihoods finance is only but simplification of the entire problem scenario. If livelihoods interventions have to achieve secure livelihoods for poor, integration of various components have to take place. Forward and backward linkages, institutional support mechanisms, technological changes for productivity enhancement, market intervening mechanisms, social capital in terms of paraprofessionals, infrastructure both productive and social, financial investments (grant, debt and equity funds), risk reduction and mitigating mechanisms and enabling policy changes are some of the important components of livelihoods enhancement."

The following table lists out the needs of the poor and necessary services to address the issues of livelihood beyond micro-finance.

#	Stage	Type of Investment Required	Investing Agency	Products Required
1	Consumption	Simple, small amounts and low cost credit with easy terms	Micro finance agencies	Savings and Small credit, Equity based products
2.	Subsistence production	Small amounts of credit at easy terms	Micro finance agencies	Small credit, equity based products
3.	Enterprise investment and small surplus based production system	Medium term loans	Banks, New generation banks and sometimes Micro finance agencies to some extent	Medium term loans, equity and debt based products both, medium term and short term loans
4.	Large scale investments to support value addition, skill up gradation, supporting infrastructure	Long term and short term loans	Formal bankers, Livelihoods financing agencies, new generation banks, government organisations	Equity and debt based products both, including the long term and working capital investment

Having understood the major differences in the approach and the basic inadequacies of the micro finance interventions for livelihoods enhancement we will further reinforce the difference in approach and products for financing through the case study given below.

Phoolmati – The Gitti Worker: Part A

Phoolmati sat on her haunches, hammer in one hand, breaking big stones into "gitti"[1]. Phoolmati had been doing this for the previous 30 years, and now over 70, she was wondering how many years she still had left. Thirty years had gone by without much change in her life in her village Palosara, by the side of the road from Bhanjanagar to Nayagarh, in the interior part of Orissa. She had lost her husband, and being childless, had to take care of herself since then. Fortunately, the contractor who had leased a stone quarry near her village, gave her this work – to make gitti out of big stones.

She came every morning from her home, to the work place, about a kilometer away, walking. The work place was just a long row of thatch-covered sheds, without walls. The quarry could be seen about half a kilometer away on the other side of the road. Men used to work there, hewing big boulders out of the side of the hill. As these boulders fell, they were broken up into big stones, and loaded into tractor trolleys. The trolleys then made their way to the row of work huts where Phoolmati and 50 others worked form morning to evening, breaking big stones into gitti.

Trucks came once or twice a week and the truck labourers loaded the piles of gitti into the truck for transporting to distant places. Phoolmati had heard about these places, but had never been to Bhubaneswar, Cuttack and Berhampore, all big cities. But she had been to Puri, twice, once by bus and once in a gitti truck, to visit the Jagannath Puri temple. It was every crowded there but still she was happy she went.

Some two years back, some babus had come to their work huts. They sat around, talking, asking all types of questions. They looked like city people. Phoolmati kept working while answering their questions. First she was afraid they may be after something. But then she thought, "What do I have lose any way?" So when the babus asked her and others what they did for a living, she told them how the gitti business worked. There was the quarry contractor, but she did not even know his name. His man who dealt with them was one Mishra babu, who paid them on the basis of how much gitti they could make. For one "chowka"[2] of gitti, which they could make in about three day, they got Rs.75. " That was it, fair and simple. No gitti, no payment, less gitti, less payment" she told the babus from the city.

Sometimes, if they worked two-three hours more each day, they could make a chowka in two days, bit it used to hurt their hands and arms, and then it meant slowing down the next few days. So they all just made a chowka in three days. The good thing was, Mishra babu allowed them to take an advance if they needed, for a festival or if there was someone sick. Once Phoolmati could not come for a whole month due to fever, and Mishru babu sent Rs. 300 to her home. She repaid him over several months by producing more gitti chowkas.

Though the work was hard, it was simple. Big stones were delivered to her work hut and gitti taken away from there. She was paid on spot, twice a week. She worked and rested as she liked and there were fifty others to talk to. There was always someone falling ill, or marrying off a son or daughter or buying a goat.

The city babus asked Phoolmati is she had ever taken a loan she told them no, never. What she meant was no loan from a bank. Of course, she borrowed once in a while from her neighbours and even lent to them, but this was Rs. 50 or 100 at a time and paid back without interest in a few weeks. This was just to help each other out and she did not think of it as a loan. She told the city babus, that some years ago, a bank manager had come to her home, along with the village Sarpanch, and asked if she would like to take a bank loan for buying a cow. But she told them she could not keep a cow, as she did not have any land. "Where will I get fodder from? And then the whole day I have to make gitti so who will take the cow for grazing to the nearby forest" she had asked. They said she could send the cow with the village boy who took several cows but then the question was where will she sell the milk every day? There was a man who came on a motorcycle to the main village with a milk can, but he was not going to come another kilometre to her hut to pick up one litre of milk. No, she said she did not want a cow or a loan for it and that was that.

The city babus looked disappointed by her story. One of them asked: "So, what will you do, just continue to make gitti?" Phoolmati said, "Yes, babu, that is what I have been doing for 30 years since my husband died. I am not going to start any new business now". "But, this work is very hard and you are quite old now", one of the kind babus said. Phoolmati responded, "Yes, but I am accustomed to it and any way I don't need much".

Shyly, Phoolmati asked the city babu, what brings them here. The older babu told her that they were from Berhampur, where they were form a company, which gives loans to poor people. "That is very good of you", Phoolmati said, "but why do you come all the way, there must be lot of people needing against land or jewellery." The babus said, no, Phoolmati thought this was strange. What if anybody did not repay?

Then the babus explained that they would have to form into a group of five borrowers and guarantee each other's loan. Phoolmati decided this was not for her. Why should she take a loan in the first place and then on top of it, guarantee the repayment of four others? She had lost enough time talking to these babus, she thought, and she went back to breaking stones into gitti. But from the corner of her eye, she could see the babus talking to several others, and she saw Siro Mallik, that fellow who had been to Berhanpur and Cuttack several times and even worked there as a truck loader, talking to the babus for a long time.

Siro Mallik told the babus from the company that he would like to take a loan for buying a buffalo and he will find four others to do the same. They will sell the milk to the motorcycle man who comes to their neighbourhood anyway. Siro also introduced them to Guna Rajak, who was also willing to form a group of five for a loan, but they wanted to trade in sabai grass, which grows in the wild area. The babus said they will come back after a week.

Next week, one of the babus came back, on a motorcycle. This time he explained the rules of the company once more and said they have to give 10% of the loan amount first. Phoolmati knew there will be some catch. But Siro was not daunted and he said he would bring Rs. 600 from his home savings to get a loan of Rs. 6000. Siro could do it as he had two sons and the three of them used to carry home Rs. 500 every week. He and four others took loans to buy cows.

After that the company babu on the motorcycle would come once a month to collect the loan installments. He was always welcomed by Siro who was ready with the money. He has to pay Rs. 500 per month. Phoolmati was told by Siro's wife that their cow was yielding two liters a day and they managed to earn Rs. 16 per day just sitting at home, or so she said, for she did not come for gitti work and was able to take care of the cow in the morning and evening and sent it out for grazing with the village cowherd during the day.

Phoolmati could not see what benefit they got, paying to the company a little more than they were earning from the cow but Siro's wife told her, "After one year the cow will be ours fully and then we will have Rs. 500 per month more income". But after eight months, the cow went dry. Siro continued to pay the company from his gitti income. Of course, they also had two acres of land, which they had leased out, from which they had paddy for feeding themselves for four months.

Then one morning, they saw a big machine being hauled by a truck towards the quarry and realized after a while that it was a mechanical stone crusher, which could produce four truckloads of gitti per day. Siro Mallik had repaid only part of his Rs. 6000/- loan and his wife told Phoolmati that they were very worried. When the company babu came the following month, Siro told him "What will we do know? All of us will lose our jobs making gitti. We don't know any thing else except to break stone and do manual work. We won't be able to take any more loans from you because we are paying partly out of our wages."

The babu said, "This is a real problem. I will talk to may boss and come back next week. But in the meantime, ensure that you pay back your installment in time somehow." Phoolmati thought to herself, "I am glad I did not take any loan from these fellows."

Phoolmati – the Gitti Worker. Part B

The company babu came back after a few days with the big babu. He talked to them and they told him that all of them would be out of work soon, except may be a few younger men who will get jobs at the stone crusher. He asked: "Why don't you think of using your stone work skill to make other types of things than gitti. I was in Rajasthan and I saw lot of stone items there – "Jails" and "gamlas" and door frames."

Siro showed interest and the babu said he could arrange a visit to the Rajasthan project. So Siro Mallik and Guan Rajak decided to make a visit. The trip was going to cost Rs. 1000/- but the company said it would bear all the cost. They reached the stone cluster of Sikandra, between Agra and Jaipur, after a two-day train journey to Agra and three hours by bus. When they reached Sikandra, they were dumb struck. There were at least a hundred units producing stone items, each equipped with center cutting machines and lathes and drills, all under a work shed and all having a direct power connection. It was so far ahead of their thatch work huts. "Even in two generations, we cannot be like this. Let us go back and become truck loaders," Siro told Guna Rajak.

The company babu who had gone with them assured them that they will be provided training and all help. Siro said, "But this stone is very different from the stone we worked with. Our stone cannot be cut or shaped. We only know how to break stones. Even if we learn polishing stones, who is going to arrange to bring this stone to our village and then where will we sell it?" The company babu had only vague answers for these questions.

They came back to their village after a few days. Siro's sons had managed to get jobs in the stone crusher, where the daily wage was Rs. 35/-, so at least they cold run the house. But Siro was at a loss as to what to do for a living. Moreover, he still had not paid the last four installments of his loan and was worried that the company babu will come to his house for recovery. After a month, the babu came to Siro's house and asked for the loan installment. Siro explained to him the situation and the babu said again, "Somehow you have to repay us." Siro could see that the babu was losing patience.

The babu then went to see Phoolmati at her home. It was a simple one-room hut, with a small cooking area on one side, and a neat mud floor courtyard. The babu asked, "So, what will you do now that you didn't have gitti work?" she said, "See, here I grow some vegetables and I have one drumstick tree, a jack fruit tree and also a papaya tree. And I have two goats and I keep three country chicken."

He asked what the rope bundles were. Phoolmati replied : " At the end of the rainy season, I collect a few stacks of sabai grass and dry it to made rope, which I sell in the weekly haat." The babu asked: "So if you had all this, why were you doing the hard work of breaking stones at your age?" After some thinking, Phoolmati said: "I used to go to the gitti work every day, because that is where I could spend all my days talking to my neighbours and other women. So, now I will start a teashop keep chatting with the boys who work on the trucks. May be one day will go to Jagannath yatra with them in a truck."

Points to Ponder

- What are the major financial needs of the poor in different sectors say fishery, artisan livelihoods, etc?
- What are the major organizations involved in financing the livelihoods of the poor?
- What are the emerging financial instruments in farm and non-farm sectors?
- Can you list what kind of livelihood finances are designed by micro-finance organizations?

Facilitator Guide - Sessions: 5-6

Principles of Livelihoods Interventions

Objective

The main objective of this chapter is to understand the principles of livelihoods intervention. The secondary objective is to expose the participants to various livelihoods interventions in India and abroad.

Duration: 3.00 hrs

Methods: Case study and Small/ large group discussions

Facilitation tips

H/She should read each and every case study and identify the critical principle of livelihoods intervention in that case study. The facilitator can start the session with dividing the participants in to four-six different groups. The groups are expected to study two case studies given in the reading material. The facilitator may give roughly 40 minutes for the groups to discuss the salient points of the case studies, identify the main success factors in those case studies and make a presentation. Finally, the facilitator should integrate all the salient points and the success factors from all the presentations. The facilitator should guide the discussion in the classroom to arrive at principles of livelihoods.

Minimum Learning

The participants are expected to be aware of main principles, essential for any livelihoods interventions to be successful.

Reading Material

Enclosed as Chapter-4: Livelihoods Interventions and Principles

Chapter - 4: Livelihoods Interventions and Principles

To understand the various potential livelihoods interventions and the underlying principles in the choice of these interventions let us first understand some of the case studies give below and answer the following questions as we read them. After each question various dimensions have been given for you to look at the interventions keeping in mind these dimensions.

1. What is the livelihood intervention being described in the case study?
    a. Type of livelihood– whether it is Farm, Off-Farm, Non-Farm,
    b. What are the resources utilized – physical, intangible resources, local resources and external resources
    c. What is the target group – composition of the target group, size, homogeneous or heterogeneous nature of the target group
    d. What is the scale of the interventions – number of households/individuals, geographic reach, time-span
    e. Who are the main stakeholders and what are their roles?
2. What benefits are accruing to the poor because of the intervention mentioned in the case study?
    a. What are the benefits accrued at - Individual Level, Community Level?
    b. What is the nature of benefits - Economic, Non-economic?
    c. What is the time span throughout which benefits are accrued - Long-term, short term?
    d. What is the spread of the benefits to – men, women, poorest, vulnerable households?
    e. What are the new skills that the community acquired?
    f. Are their any attitudinal changes that the intervention brought about?

3. Are the interventions described in the case study useful to promote large number of livelihoods?
    a. What have been the spin-off benefits from the intervention?
    b. What are the institutional structures created?
    c. What are the new linkages created?
    d. What are the factors that have contributed for the Sustainability of the intervention?
4. What were the factors that have helped these interventions/peoples' efforts to be successful in terms of
    a. Design
    b. Structure for implementation
    c. Management of resources – finance, human and others
    d. Organizational Capacity
    e. Processes

Case let 1: MP Government Steps in to End Tribals Exploitation

The sour "Tamarind" a staple ingredient for South Indian Cuisine, has soured relations between the district administration and the "Koochiyas (money-lenders)" here. So intense is the battle of (vested) interests that the Congress (I) Chief Minister. Mr. Digvijay Singh is under attack from the Opposition (BJP) for allegedly playing a game of one-upmanship over his neighboring counterpart- Mr. Chandrababu Naidu, Chief Minister of Andhra Pradesh – now that both are bracketed as the country's two most visionary and progressive CMs.

Though Mr. Digvijay Singh dismisses it as a "figment of the local press' imagination." It is the BJP – backed traders in this backward district who are up in arms over the "assault on their freedom to trade". " For 50 years, when the Government was no where in sight. At least we lent a market support system to the poor tribal people for their subsistence. But now we are thrown out of business," is their complaint.

They were apparently making hay till an accidental discovery by the District Collector, Mr, Praveen Krishna. During an inspection of a 'haat' here, four months ago, he caught a 'koochiya' red-handed for bartering a basket of charota seeds (used in the manufacture of soaps) for a basket of rough salt drawn from a sack marked "unfit for human or animal consumption."

Close monitoring of MFP movements further revealed how the adivasis were losing Rs. 200 crores annually due to the malpractices of traders and their agents. In the case of tamarind, the koochiya buys a tree from the villager for a less than Rs. 300 and then hires the villager on a daily pittance of Rs. 2 to gather the crop, thereby reducing the rightful owner of forest wealth into a daily wager.

The tamarind that is procured so cheaply from the villager is sold at a price at least five times in the ready markets in the city. If the stock is held in cold storage, it sells for not less than Rs. 30 to 50 a kg. Mr. Digvijay Singh confident that the "imli andolan (tamarind revolution)" is Bastar's gateway to prosperity. "Gaon ka paisa gaon mein, imli ki chhon mein": is today's battle cry of the natives of Bastar, a district spread over 40,000 sq. km with 55 percent of its area under forest cover. Rich in natural resources, it is estimated that Bastar registers Rs. 1,000 crores worth trade per annum at its weekly bazaars – 'haats' – with over 30 Minor Forest Products (MFP). An equally large unregistered trade is also allegedly flourishing, and this has forced the district administration – with the full support of CM secretariat – to step in.

With an annual procurement ranging from 35,000 to 60,000 metric tones, tamarind comes third, after Kosa (silk) cocoons and bamboo, in the MFP list of Bastar and accounts for 60 per cent of the total tamarind production in the country. The popularity of the commodity is not only felt on the other side of the Vindhyas, but the Bastar "imli" even has a large international market in the Gulf, particularly in Dubai where it sells for a whopping Rs. 220 a kg and upward. But the irony is that aspirations of the Bastar adivasis – the rightful agent of a potential MF market – are crushed by the principles of manipulative market controlled by the 700-odd "koochiyas" in the district.

"The exploitative free market system had to be cleansed of foul-weighing, under pricing, swindling and distress selling". Says the District Collector who has been fondly rechristened" Mr. Imli Krishna by the Bastar natives. The tribal cooperative Federation's (TRIFED) intervention was sought to check the malpractices of traders, boost the ruling price of tribal produces and generate substantial employment for the local population in their homeland.

Today, TRIFED is the center of a network of village level cooperatives acting as its agents to procure tamarind from the forest-gatherers. The State Government aims at setting up at least 1,000 totally independent village-level cooperatives in the district and generating employment – 50,000 seasonal and 30,000 full-time for procuring and processing tamarind and thereby liberating the local adivasis from the clutches of money lenders-middlemen-traders.

It took the district machinery 200 workshops to convince the 20 lakh strong tribal population of the benefits of the State Government's "van-dhan (forest wealth) cooperative system", envisaging more outreach bodies and cooperative societies buying Tamarind at a higher rate of Rs. 7 a kg from the villagers. In this build-up of 10 weeks, 50 persons have already been prosecuted for illegal trade under the Agricultural Commodities Act, while two village committees have earned a profit of Rs. 80 lakhs, Mr. Krishna said.

With the villagers increasingly becoming aware of the wealth they were unwittingly letting up slip all these years, the State is confident of converting the region into an international mandi – probably the largest in Asia – for MFPs.

(*Reproduced from "The Hindu" dated April 24, 1999 article by Soma Basu.*)

Case let 2: Mini Dairy Farm Scheme – A Runaway Success

The mini-dairy farm scheme launched by the Rs. 44 crore Hatsun Dairy in Salem district has proved to be a runaway success. "We have already granted a loan of Rs. 2 lakhs each for 12 such dairies and 18 more are under process. So far, there has not been a single defaulter". Mr. K. Natarjan, Chief Manager, State Bank of India. Attur Branch "We now plan to provide them loans for purchase of two-wheelers also as we have been highly impressed with their performance", he added. It was Attur branch of SBI. Which boldly tied up with Hatsun Dairy to launch the scheme followed by Vijaya Bank in Mettur.

Plagued by chronic water scarcity, Salem and Namakkal districts have hardly any remunerative farming. Hence, they have been forced to look for avocations that could sustain them. Born were the lorry bodybuilding and poultry units, granite and magnetite quarrying. Animal husbandry has also been basically sound in this region.

This region, which has enormous potential for dairying, has a history of bankers' involvement in dairy development, points out Dr. A.M.V. Reddy. Basically a veterinarian and the Assistant General Manager, SBI, Salem Main Branch. "Our bank has come forward once again to help dairying in a big way and we are prepared to help to any extent, "Mr. S. Deivanayagaram, Regional Manager, SBI, Coimbatore, told this correspondent distributing assistance for mini dairies at Navakurichi, about 80 km from here, last November.

As a first step, it granted a loan of Rs. 50 lakhs to 25 farmers through the Attur branch to set up mini-dairies of ten animals each in a tie-up with Hatsun Dairy. It was the responsibility of the dairy to identify the beneficiaries, provide them all technical support, recommended them to the bankers and also to ensure recovery by procuring milk from them. "The system is much like that of sugar mills which register cane in advance," observed Mr. R. Chandramohan, Managing Director, Hatsun.

Salem is one of the districts where cooperative and private sector dairying has been on a sound footing. The Salem District Cooperative Milk Producers' union has already a handling capacity of three lakh liters a day and is trying to expand it by one more lakh litres. Hatsun, which has been operating here in the last five years, has a handling capacity of 1.3 lakh liters and has a more ambitious target. Such a competitive atmosphere, aided by dedicated bank assistance, has boosted the morale of dairy farmers. Mr. K.S. Dhanraj, Joint Managing Director, Hatsun, observes that the most interesting feature is that many educated men are also willing to take up dairying.

Navakurichi village alone supplies more than 5,000 litres of milk – about 2,200 litres to Hatsun, and an equal measure to the Aavin and the balance to a few private vendors. Mr. M, Selvaram, plant manager, Hatsun, points out that the contribution of per animal to a farmer is around Rs. 1,000 a month and the entry of Hatsun has had an immense impact on the rural economy.

Mr. Chandramohan said the dairy, which started with 750 litres now procured more than one lakh litres from 400 villages in Salem and Namakkal districts from about 16,000 farmers involving more than 61,000 animals. "By the turn of the century we are confident of enrolling 25,000 farmers involving at least one lakh animals" he said. Hatsun had not stopped with mere procurement and marketing but was interested in the "overall development" of dairying itself. Apart from providing veterinary assistance round-the clock on all milk routes, it had set up an R&D center at a cost of Rs. 6 lakhs wherein it was demonstrating latest technologies like "heat stress", milking machines, fodder development and the like. Already it had been arranging training classes in collaboration with TANUVAS. The Hatsun MD said the company was also organizing "camps" for the animal population to coordinate with the Animal Husbandry Department in organizing "camps" for artificial insemination. "We are trying for upgrading of both income and knowledge of our farmers. We propose to extend group insurance schemes also. Our objective is to make this a model dairy.

He said the concept of mini-dairy farms was born because most suppliers to Hatsun had just two or three animals. While mini-dairy farms could uplift these people economically, it would also help Hatsun in a big way in procurement. “Thus we started promoting mini-dairy farms. While SBI has already assisted launching of about a dozen such units, Vijaya Bank has assisted 11 and Lakshmi Vilas Bank is also interested. Besides, on seeing the success of the Navakurichi Project, enquiries are coming in from many other places as well. We are hopeful of launching at least 300 such dairies by the turn of the century”.

He points out that the major assistance provided by Hatsun to mini-dairy farms was not only getting them bank loans but also providing them veterinary assistance. As their marketing is ensured and their proceeds deposited in the concerned bank branches recovery is also no problem. “Our next focus would be on Namakkal district”, he adds.

Case let 3: Experiment in Cooperative Collective Farming – A case of Gambhira Wasteland Improvement Project

Anand district is known for Co-operative structure like Amul dairy in the state of Gujarat and country as a whole. A similar case is of co-operative collective farming started in the surrounding villages of Mahi riverbank in Ankalav taluka of Anand district. This has improved socio-economic condition of its members and also of the villages.

1. Evolution

Before independence, Gayakvad was the ruler of Vadodara Regional State. The villages like Gambhira, Kanthiakhad, Nani Sherdi, Bilpad etc. were under the administration of Anand taluka which was an integral part of Vadodara State. These four villages are located on the bank site of Mahi River. Due to frequent heavy floods and tide in Mahi River during 1927, 1941, 1948-49 and 1952 the surrounding bank site villages suffered devastation. As a result of constant sedimentation and infiltration of waste materials, the fertile layer of soil got washed away. Sand got deposited in deep layers and land got converted into desert form. As a result the farmers whose livelihoods depended upon agriculture and livestock became unemployed and were starving for food.

2. Ideas of Cooperative Farming

People in front of ruler of Vadodara put a request demanding reduction of land revenue tax forward. Land revenue settlement act was changed to reduce the land revenue tax. Again people made a to Shri Morarji Desai for distributing wastelands to flood affected farmers. At the end Bombay Government decided to give small islands to flood affected farmers. The villagers had stopped open auction of wastelands near Mahmadpura village. Farmers had opposed the contractual system of cultivating wastelands by few big landlord contractors. In fact, these landlord contractors were cultivating land with the help of farmers from surrounding villages.

In 1951, to help the distressed 176 cultivations from the above villages, government granted 246 acres of land. This helped them little since most of the cultivators were resource poor. Some of the land was salty and yielded nothing. Finally each farmer got 2 bighas of land, which was saline in nature. Initially, all farmers were cultivating their respective lands individually. However, land alone could not improve economic condition of these farmers, as they did not have capital to make necessary investments in land development, adequate agricultural implements and skill. Thus, despite of distribution of land, flood affected farmers could not get any concrete benefit from this.

A Gandhian social worker – Mr. Changanbhai Muljibhai Patel had put forward following proposal to the land distribution committee under the guidance of district collector. The proposal was to allocate wasteland on one side of Mahi River in each village to each and every flood affected farmer in that village. These respective village wise farmers should be allowed to cultivate the land collectively. The committee accepted his idea. And had given birth to co-operative farming society.

3. Establishment of Cooperative Farming Society

The farmers of different villages got together and registered co-operative society under the co-operative act. The Mahisagar Bhatha (wasterland) Collective co-operative Farming society was registered on 14-10-1953. At the time of inception there were 176 members recorded under the Presidentship of Mr. Changanbhai Muljibhai Patel. With the admission of 84 persons enrolled 160.75 acres of kharland to the society. 31 landless persons from Kanthiakhad village were also admitted as members. Members are predominantly from socially and economically backward communities. Caste composition of the members is as follows: Baria 272, Macchi 8, Harijan 3, Rawal 2, Muslim 1, Patidar 2 and others 3. About 274 acres of land were being cultivating by these farmers.

4. Crop Production Arrangements, Distribution Of Produce And Surplus

The society divided the total of 246 acres of land initially into 17 plots; similarly members were divided into 17 groups with a group size of 10 to 17 members. Each group had been assigned a plot. Each group elects its own leader with special consideration to qualities like integrity of character, experience in farming, economic status and ability to command etc. The group leader prepares the crop plan in consultation with the managing committee and Chairman of society. Group executes this plan under the general supervision of the group leader. Each group team leader and group members are responsible for their plot with a view to avoid laborious accounting within the group. The labour schedule is so devised that every member of the group puts more or less equal amount of labour. Absence from work gets penalized. The group leader distributes works amongst the members. He is supposed to see that all the field operations are efficiently carried out in time. Group leader in paid a special bonus in relation to the productivity of the group as a whole. The farmers were illiterate, but hard workers and honest. They produced grains and other crops and thereby helped the society mobilize resources.

Members of the society are not working on daily wage basis as is generally observed in other collective farming societies. Members of the group jointly cultivate the plots and the society supplies inputs such as seeds, seedlings, fertilizer, irrigation facilities, tractor services etc. Against this, the members give a proportion of their farm produce to the society and retain the rest as a reward for their contribution of labour etc. The portion retained by the group is shared equally among the members of the group. The responsibility of marketing the produce rests with the society. Members share the crop residuals among themselves equally.

6. Present Situation of Co-operative Society:

At present, society has 291 members – 120 from Gambhira Village, 112 from Kanthiakhad, 49 from Nani Sherdi and 6 farmers form Bitpad Village. The society cultivates about 526 acres of land on one side of Mahi riverbank. Out of 526 acres of land, 455 acres of land has been allocated for paddy, wheat, pearl millet, tobacco, sorghum crops. To maintain a healthy ratio between plots and members and to work effectively and efficiently members are divided into 30 groups. Each group contains 8 to 14 members.

Cost of Production: Each group does farming collectively in each plot. The society does not give daily wages for their daily work but distributes 60 percent of crop produced to each and every member. The remaining 40 percent of crop produced is kept for meeting production and administrative expenditure. The respective group team leader facilitates the distribution of work and crop production. The 40 percent of crop produced is used to buy agricultural equipment, irrigation equipment, improved seeds, chemical fertilizers, pesticides, gypsum etc. to hire tractors to cultivate lands and to pay irrigation charges, land revenue tax, leased-in land charges, marketing, transporting cost, godown cost etc. Some portion of the surplus money is used for development work of villages. The co-operative distributes bonus to members if there is any.

Income of members: On the share of 40 guntha, each member gets rupees 15000 to 20000 per year in the form of wage labour. While ploughing, harrowing, irrigation cost, seeds, fertilizers, pesticides expenditure are being met by co-op. They also get share in the surplus.

Financial status of co-operative: To bring society in better economic condition. Mr. Pankajbhai M Patel. (Present President) and Mr. Kanchanbhai S. Patel (Manager) are trying their best. In the year of 1997-98, the society generated Rs. 469,297 from crop production and Rs. 4,643,179 from tobacco production. As per its rules, 60 per cent of crop produce, Rs. 3,067,358 was distributed in the form wages to the members, and generated net profit of Rs. 807,580. At present the society has a reserve fund of Rs. 3,009,466.

Distribution of Net Profit: In the current year 1998-99, about 70 percent of net profit Rs. 807,580 means Rs. 443,582 has been distributed to members in the form of Bonus and 20 percent of net profit, Rs. 126,737 has been allocated for village development funds. Out of total development funds, Kantniakhad gets Rs. 48,507, Rs. 54,188 for Gambhira, Rs. 21,413 for Nani Shedi and Rs. 2,629 for Bilpad Village.

Development Activities: The money is spent on certain development activities of villages likes building rooms for primary and secondary schools, aanganvadi to construct small bridge across roads, river, nalla, canals, etc, to make drainage, sewage and gutter line, to buy medicines for primary health centres etc. So far Rs. 914,668 for Gambhira, Rs. 829,520 for Kanthiaikhad. Rs. 362,236 for Nani sherdi and Rs. 4,382 for Bilpad village have been made available by this co-op.

Gambhira cooperative is known for the impressive mechanism of groups within society to ensure good deal of incentive for the members. Merit lies in blending land resources with human labour under cooperative framework to accomplish viability and growth along with prosperity of the member households in a well-balanced way. Theoretically speaking, collective farming makes cultivation economically viable, technically feasible and practically meaningful to the small farmer families. But rarely its potential has been realized by the disadvantaged rural peasantry to come out of poverty trap and subsistence economy through sustained group action as demonstrated in Gambhira. This case has proved that small and marginal farmers through co-operative and collective farming institutions can meet green revolution technology requirements like capital investments in land development, irrigation, crop storage facilities etc. Thus collective farming makes cultivation economically viable, technically feasible and practically meaningful to the small farmer's families.

Case let 4: Bio-fuel Spell Prosperity Here

In Tumkur district, life is changing because of a development programme that hinges on the use of alternative energy fuels. SK Ramoo analyses a project that is erasing the stereotyped images of deprivation. Reproduced from THE HINDU

In semi-arid Tamkur district of Karnataka, the villages of Kodavathi and Yadavanne panchayats, Kunigal taluk, are witnessing a vibrant, silent revolution. Thanks to a package evolved by a group of scientists of the Indian Institute of Science (IISC), Bangalore, called sustainable transformation of Rural Areas (SuTRA). The package (currently involving five villages) is aimed at integrated rural development. And is based on bio-fuel options. It is designed to provide water for drinking irrigation and domestic lighting. Meeting the energy requirements of the rural population has led to increased production of crops, improvement of livestock and more tree cover. Electricity is generated locally form biogas plants and wood gassifiers using non-edible oils such as Honge, Neem, Castor, and Hippe. By replacing diesel they are used to power generators for providing domestic lighting and drinking water.

Only about one-third of the capacity to generate 80,000 MW is available to 73 per cent of the country's rural population. The remaining two-thirds is consumed by urban dwellers. The energy demand in the agriculture sector is growing and from a mere two per cent in 1970, it is around 45 per cent now.

In about half a million villages, only about 27% of households have access to power. It only meets a portion of the annual energy requirement of rural areas. The yearly shortfall is made up using draft animal power, fuel wood, pumping water for irrigation, milling flour and agro-processing. Fuel wood is becoming increasingly scarce in recent years. Cow dung is used for cooking and heating water, although it is valuable organic manure. But transferring dung from the farm to the hearth results in the loss of a potential grain output of up to 50 percent. Further, its replacement by inorganic fertilizers will greatly push up the cost of agriculture production. It is estimated that over 100 million households use low-thermal efficient, traditional wood stoves for cooking. In addition to making cooking laborious, they emit smoke.

The people of Suggenahalli and Kageenahalli are happier lot today, mainly because they get drinking water from taps in their homes and in addition, uninterrupted power for domestic lighting for three hours in the evenings. Earlier, the women and children had to trek over a kilometre to fetch drinking water from an irrigation tank. According to Kullappa, a native of Suggenahalli, the women now spend more time on their lands. The villages have ceased to depend on the Electricity Board, which supplied power marked by frequent disruptions and low voltage. He says that the people are happy that their children study using lights powered by generators, using locally available non-edible honge oil (karani) and biogas. The three-hour daily power supply from 6.00 pm is mercifully free of problems. According to Mr. MS. Swaminathan, former Director General of Indian Council for Agricultural Research (ICAR), About 6,000 million tones of valuable topsoil is either washed or blown away annually, resulting in 2.5 million hectares of agriculture land becoming unproductive.

The daily piped water supply, tapped from bore-wells has improved health remarkably, scientists of the IISC let by Prof. Udupi Shrinivasa, Chief Programme Executive of SUTRA, have familiarised villagers with the benefits of bio-fuel-based renewable energy. This has led to the economic empowerment, as water is available while cooking. The advantages of bio-fuels or plant-based fuels are multifarious. In addition to providing non-edible oils (locally) for powering generators, they contribute to the spreading of tree cover, which checks soil erosion and stabilize groundwater levels. The emission of harmful carbon dioxide has been reduced and leaf litter, used as a feedstock for biogas plants, is available.

In addition to social and economic benefits help the soil retain moisture for several months. Mr. Kullappa says villagers have stopped felling trees. The completion of the first phase of the irrigation project, in addition to increasing crop production has prompted villagers to grow fruits are vegetables to augment their income. The SUTRA package is also teaching them the benefits of managing utilities and systems put of for their benefit. They have been motivated to establish village forums and *vikas kendras* manned by their own members to run the services provided and are made to pay a nominal charge village youth are taught how to maintain generators, gassifiers and other equipment.

Another component of the package is the setting up of a chain of driers, a common community facility used in processing fruits and vegetables to extend their shelf life. The greatest challenge is motivating villagers to grow the species of trees, which provide the bio-fuels. Plans are on to motivate villages to plant about three lakh saplings. A chain of 20 borewells has been sunk to provide water all round the right groundwater-bearing zones. The villages have been taught the benefits of recharging borewells by harvesting rainwater.

SuTRA has a sanctioned budget of Rs. 2.70 crores. Spread over a three-year period, provided by the Union Ministry of Non-conventional Energy Sources and the Department of Rural Development and Panchayat Raj of the State Government. The Karnataka State Council for Science and technology is also involved. The infrastructure established is capable of providing sustainable service for comprehensive rural development, based on eco-friendly parameters villagers around the area witnessing the prosperity of their neighbours are demanding a replication of the project in their regions. According to Prof. Shrinivasa, the SuTRA package can easily be extended to any other semi-arid region with minor modifications.

Case let 5: Mondragon – Humanistic Enterprise

Mondragon was a sleepy town of 8,000 inhabitants in Basque Province of Spain. Since 1950`s. It had one major industrial plant employing several hundred workers, the union Cerrajera producing locks and similar items. After the bloody Spanish Civil war and the extra reprisals of the revengeful Franco dictatorship, Mondragon, like the rest of the Basque areas, struggled with an economic collapse and almost hopeless poverty. Almost half of the population of Mondragon was unemployed.

It was in this gloomy situation that a twenty five year old young curate arrived to work with lock workers and youth. Shortly after arriving he encouraged the boys in his youth group to join together and using community contributions create a technical vocational school with small donations from a quarter of the Mondragon families and with father Arizimendi`s dedicated leadership the school opened in 1943. Some of the students went on to study for engineering at the university at Zaragoza. Five out of eleven graduated from there were to become the nucleolus of the Mondragon experiment.

After completion of engineering these five joined in local private companies. They tried hard to develop these companies. But attitudes there were rigid and all their efforts got frustrated. They decided to start on their own and bought a local bankrupt paraffin cooker business. They mobilized the money by pooling their saving and raising more than $130,000 in over 200 small local contributions. The new enterprise, which started in 1956 become the vehicle of their ideas of dignity of work and democratic enterprise. Initially operations were carried out informally without by laws, as a small self-managed firm; soon a new and bigger plant was built at Mondragon in order to produce butane gas stores. From 24 worker-members in 1956, it rose to 170 worker-owners by 1959. They built a new factory and daunted gas stores with their own brand name. Other new co-operative were created based on two foundries.

In 1958 Father Arizimendi came up with another idea: The formation of a co-operative bank. After initial hesitation it started. The new bank is called Caja Laboral Popular (CLP). It provided a badly needed source of outside capital for the expanding co-operatives. Families in Mondragon deposited their savings, enjoying better interest rates and also gaining from the local investments the bank made generating work and wealth for every body.

The New bank was also to assist in the formation of new co-ops and to provide and administer funds for a cooperative social security system. Any Co-operative if it wants to access the financial resources and services of CLP needs to sign a contract of association, articulating principal that would regulate economic and operational relations among the associated member enterprises.

The CLP, as the center of the group expanded rapidly. After ten years it featured 54 branches all over the Basque region. In 1986 the number was 171 with an overall staff of 1,223. Under the leadership of CLP four to five new industrial co-ops were created every year, by 1986 all industrial co-ops together had almost 18,000 working members. A new consumer co-operative was set up in 1968. By 1980s it had about 1,50,000 consumer members, a staff of 1,400 approximately 100 supermarkets spared all over the Basque region and annual sales of $300 million. A social security services co-operative was set-up in 1970 and provides its 50,000 associated members with comprehensive health and pension benefits.

In 1977 a separate research and development co-operative was established to ensure that the enterprise of the Mondragon group remain competitive in newest industrial technology. Recently a co-operative business school was opened to help the member co-operatives better respond to new challenges of increasing international competition. The co-operatives together have a workforce of 20,000 men and women, and it all happened in just three decades with no outside help. Mondragon is built upon the novel legal and economic structures, which borrows the best from capitalism and socialism. It is a case of labour employing capital.

Institutional innovation.

There are three new ideas the key to Mondragon's success.

1. Management
2. Financial and legal structure

3. Financial support from the Co-op Bank.

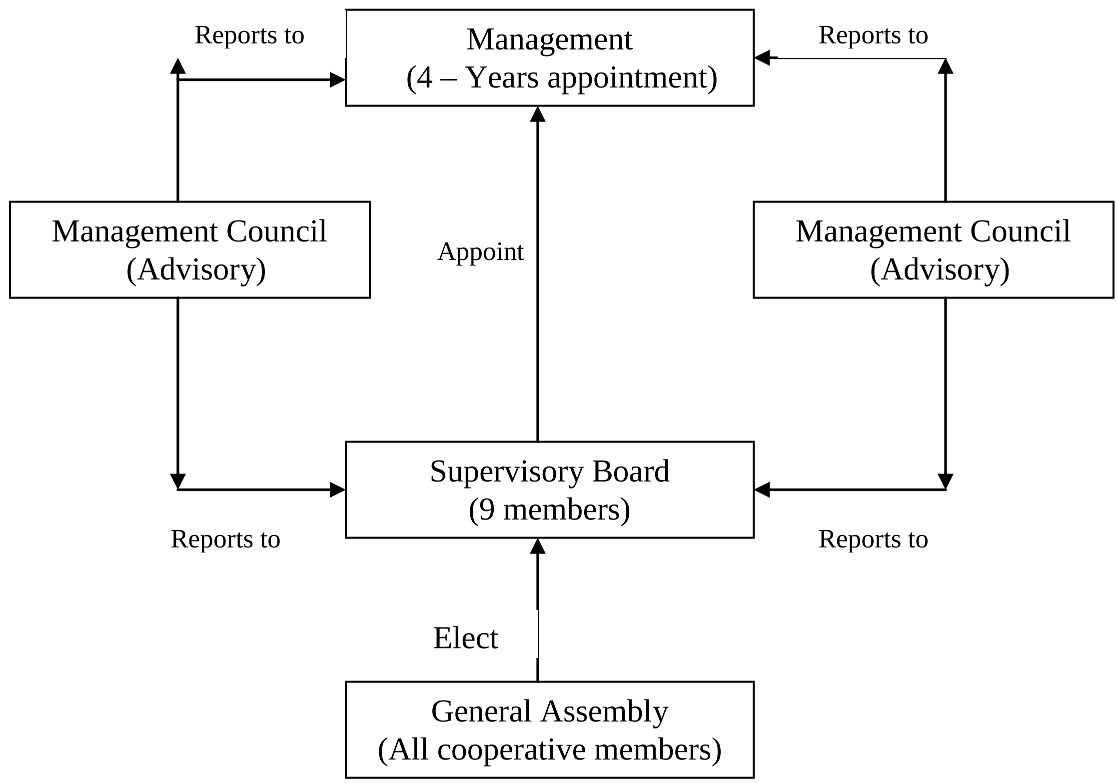
Management structure

A democratic workers co-operative is different in that its executive manages in the name and interest of all the co-operative members, rather that in the interests of absentee stock holders. A board of directors, which in turn is elected by the members of co-operative, appoints the executive. It is true, many co-operatives have failed, the main reason is a lack of discipline amount the member workers who often clashed with management orders.

Father Arizmendi who was fully aware of this problem took adequate precaution to handle the problem. Paragraph 3 of ULGOR`S "Internal code of Rules" worked out by father Arizmendi reads like this.

> *"Human work must be subjected to discipline and its performance as a team effort requires order and thus authority. The members of this co-operative, once they have elected those most suitable for government, must show spontaneous and rigorous respect for the order of those who hold positions of command within their internal structure".*

The chart given below illustrates the Organizational elements of Mondragon co-operative.



A clear separation of functions made this structure highly effective. Management is appointed for 4-year term. Once appointed Management is free to attend to day-to-day business as seems fit as long as it stays within the general guidelines set by the bylaws and supervisory board.

There is a **Management** **Counsel** comprising of three permanent members of advisory board, Chairperson, Vice-Chairperson and the secretary meet with the mangers several times during a month. But there meeting are advisory and consultative in nature where management can be criticized rather than voted. Like were there is a **Social Council** comprising the representative of various departments, that meet with management to discuss job charts, salary scales, grievance and safety matters.

Legal Structure:

Individualised internal capital accounts (IICA) are an innovative method designed by Mondragon. Membership entails a threshold payment, the level of which changes every year determined by the general assembly. 15-25% of the threshold payment goes into a non-refundable contribution to the cooperatives financial services.

The rest is considered as member's initial deposit. Each year a large part of profits is divided in proportion to patronage. The net surplus is distributed into three components. A 'social fund' financing schools and retraining facilities for the community at large was created from the surplus. 20% goes into non-refundable collective reserves. Remaining 70% goes in to members IICA.

Financial Support in Cooperative Bank

Coja Laboral Popular (CLP) – literally means the working peoples' bank was set up in 1960. There are two divisions in CLP – banking division and entrepreneurial services division.

Baking Division: The assets of the bank have grown phenomenally from 50 million dollars in 1965 to more than 2 billion dollars in 1985. There are three main reasons behind the growth – one is the aggressive policy of branching out. Now CLP has more than 200 branches all over Basque region. Two, depositors have extra 1.5% of interest more than other banks. Three, an assurance that all the money invested in the new cooperative enterprises and jobs located in local region itself.

Because of the rapid growth of the financial power of the bank Mondragon Cooperatives not only withstood the general slow down of Spanish economy, and could do better even in the terms of recession defying all conditional wisdom that the workers cooperatives are severely handicapped in securing external sources of finance. But the basic purpose of the bank not to earn profits but rather it is about community job creation through generating economically viable new enterprises.

*Entrepreneurial Division***:** CLP has specialised systems for entrepreneur development. Who ever approaches with the intention of starting new enterprise CLP provides them with an expert to conduct a market study. Gives the aspirants handholding support for nearly 18 months. Different departments of Mondragon readily extend their help to them. Once the feasibility of the product is established CLP provides a seven-year loan based on assumption that cooperatives will turn profitable after three years.

Case let 6: Sarvodaya Sramadana Movement (SSM)

SSM is a large social movement covering 8000 towns and villages and 3 million people and with 40,000 full time workers. It was started in Srilanka. It believes in the key principles that rightly motivated people can change their lives themselves. Its methodology has 5 aspects –

1. Finding entry point in to the villages - based on the identified activity by the community, could be food security related or Sramadan program the activity is implemented.
2. Finding, nurturing the community leadership is second stage. Often SSM prefers leadership to emerge from the marginalized but efficient people. They form the core group responsible for leading various groups and training them. These leaders undergo a thorough process of induction into the methods of program management.

3. Institution building – Designing appropriate institutions and grounding them with active community participation is critical in the success of all the future programs in the village. These future institutions not only unite the people around a common purpose but also resolve the differences between the different social groups and create a favourable environment for achieving the common goals.
4. Identification and prioritization of needs – Identifying and prioritizing the needs keeping in view of the availability of the resources is important aspect. Without this process, development plans tend to become unrealistic and finally become unmanageable and unsuccessful. SSM identified 10 basic needs of the people. All of its development programs begin with one of them – healthy surroundings, water, clothing, food, proper housing, health, education, energy, infrastructure, cultural/spiritual needs.
5. Developing indicators to monitor the progress and implementation of development projects in yet another aspect of SSM.

SSM gave emphasis to motivate the people to become self reliant in all respects. The movement encouraged people to voluntarily contribute their labour, resources and time for collective good.

Some of other interesting aspects of the movement are that they have always worked with single village without any inter-linkages with other villages. But when they started economic activities they SSM realized that it is disadvantageous to have village as a unit –

1. Processing units are viable only servicing many villages together rather than one village. Collective marketing is also easy for group of villages.
2. Many times it is difficult for the poor communities to challenge the rural elite even when they are politically divided because of the economic

clout they have. Only when many villages came together there is a matching clout.

3. By group approach the people can share their meager resources and capacities and help each other.
4. Group approach enable the people to access the governmental financial and technical assistance and also make it easier to appoint an external facilitator for a cluster of groups where his expenditure is not by the cluster.

SSM rapidly expanded its area of work to hundreds of villages and thousands of people. SSM faced problem of coordination of its work to meet these needs. So meet these growing needs they planned and created many tiers of support structures at various levels. Through these centers helped meeting the growing needs it centralized the decision making process, which was against one of the basic tenet of the democratization and decentralization process of the movement.

Orientation of SSM, in the beginning stages, was voluntary service. But gradually it inducted many professionals into its fold. It created new situation and tensions within the SSM. One of them is leadership issue and another is remuneration issue. Voluntary activist feel depressed when professionals start playing important roles and getting more salaries. SSM attempted to solve this problem by separating the movement from its central organization. It partially solved the problem but how to keep up the motivation levels of activists is a difficult problem.

Under the demand SSM had to expand and this expansion reached unmanageable levels. Though SSM evolved new structure to manage demands, it could not ensure professionalism in its services. The tension between the quantity and quality of services emerged. If results are not sustainable people get disheartened and the possibility of the movement getting weakened increases. Donors put limits on SSM from further expansion. SSM tried to overcome this limitation by restricting donor supported program to limited areas at the same time motivating these villages to extend support to non- funded programs in other villages.

Learning from Sarvodhaya

1. SSM has not started with predetermined management systems. Management systems evolved as a response to the challenges surfaced in the course of the movement progression.
2. SSM focused more on participatory and empowerment processes to identify the priority needs, appropriate solutions, technology and in facilitating people centered institutions run on the principle of self-reliance rather than efficient management methods.
3. SSM emphasized on solving peoples problems through community driven development programs. SSM always thought management not as an external technology but as a mechanism to the internal development processes.
4. By establishing the Sarvodaya financial and development services SSM helped the people's institutions professionally to understand and design strategies to overcome structural inequalities and market asymmetries. SSM made use of social, political and government processes to further its movement.

Case Study 7: ITC's E-Choupal and Profitable Rural Transformation

Agriculture is vital to India. It produces 23% of GDP, feeds a billion people, and employs 66% of the workforce. Because of the Green Revolution, India's agricultural productivity has improved to the point that it is both self-sufficient and a net exporter of a variety of food grains. Yet most Indian farmers have remained quite poor. The causes include remnants of scarcity-era regulation and an agricultural system based on small, inefficient landholdings. The agricultural system has traditionally been unfair to primary producers. Soybeans, for example, are an important oilseed crop that has been exempted from India's Small Scale Industries Act to allow for processing in large, modern facilities. Yet 90% of the soybean crop is sold by farmers with small holdings to traders, who act as purchasing agents for buyers at a local, government-mandated marketplace, called a *mandi*. Farmers have only an approximate idea of price trends and have to accept the price offered them at auctions on the day that they bring their grain to the *mandi*. As a result, traders are well positioned to exploit both farmers and buyers through practices that sustain system-wide inefficiencies.

ITC is one of India's leading private companies, with annual revenues of US$2 billion. Its International Business Division was created in 1990 as an agricultural trading company; it now generates US$150 million in revenues annually. The company has initiated an e-Choupal effort that places computers with Internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information (*choupal* means gathering place in Hindi) and an e-commerce hub.

What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company—an e-commerce platform that is also a low-cost fulfillment system focused on the needs of rural India. The e-Choupal system has also catalyzed rural transformation that is helping to alleviate rural isolation, create more transparency for farmers, and improve their productivity and incomes. This case analyzes the e-Choupal initiative for soy; efforts in other cropping systems (coffee, wheat, and shrimp aquaculture), while different in detail, reflect the same general approach.

The Business Model

A pure trading model does not require much capital investment. The e-Choupal model, in contrast, has required that ITC make significant investments to create and maintain its own IT network in rural India and to identify and train a local farmer to manage each e-Choupal. The computer, typically housed in the farmer's house, is linked to the Internet via phone lines or, increasingly, by a VSAT connection, and serves an average of 600 farmers in 10 surrounding villages within about a five kilometer radius. Each e-Choupal costs between US$3,000 and US$6,000 to set up and about US$100 per year to maintain.

Using the system costs farmers nothing, but the host farmer, called a *sanchalak*, incurs some operating costs and is obligated by a public oath to serve the entire community; the *sanchalak* benefits from increased prestige and a commission paid him for all e-Choupal transactions. The farmers can use the computer to access daily closing prices on local *mandis*, as well as to track global price trends or find information about new farming techniques—either directly or, because many farmers are illiterate, via the *sanchalak*.

They also use the e-Choupal to order seed, fertilizer, and other products such as consumer goods from ITC or its partners, at prices lower than those available from village traders; the *sanchalak* typically aggregates the village demand for these products and transmits the order to an ITC representative. At harvest time, ITC offers to buy the crop directly from any farmer at the previous day's closing price; the farmer then transports his crop to an ITC processing center, where the crop is weighed electronically and assessed for quality. The farmer is then paid for the crop and a transport fee. "Bonus points," which are exchangeable for products that ITC sells, are given for crops with quality above the norm. In this way, the e-Choupal system bypasses the government-mandated trading *mandis*.

Farmers benefit from more accurate weighing, faster processing time, and prompt payment, and from access to a wide range of information, including accurate market price knowledge, and market trends, which help them decide when, where, and at what price to sell. Farmers selling directly to ITC through an e-Choupal typically receive a higher price for their crops than they would receive through the *mandi* system, on average about 2.5% higher (about US$6 per ton). The total benefit to farmers includes lower prices for inputs and other goods, higher yields, and a sense of empowerment.

The e-Choupal system has had a measurable impact on what farmers chose to do: in areas covered by e-Choupals, the percentage of farmers planting soy has increased dramatically, from 50 to 90% in some regions, while the volume of soy marketed through *mandis* has dropped as much as half. At the same time, ITC benefits from net procurement costs that are about 2.5% lower (it saves the commission fee and part of the transport costs it would otherwise pay to traders who serve as its buying agents at the *mandi*) and it has more direct control over the quality of what it buys. The system also provides direct access to the farmer and to information about conditions on the ground, improving planning and building relationships that increase its security of supply. The company reports that it recovers its equipment costs from an e-Choupal in the first year of operation and that the venture as a whole is profitable.

In mid-2003, e-Choupal services reached more than 1 million farmers in nearly 11,000 villages, and the system is expanding rapidly. ITC gains additional benefits from using this network as a distribution channel for its products (and those of its partners) and a source of innovation for new products. For example, farmers can buy seeds, fertilizer, and some consumer goods at the ITC processing center, when they bring in their grain. Sanchalaks often aggregate village demand for some products and place a single order, lowering ITC's logistic costs. The system is also a channel for soil testing services and for educational efforts to help farmers improve crop quality. ITC is also exploring partnering with banks to offer farmers access to credit, insurance, and other services that are not currently offered or are prohibitively expensive. Moreover, farmers are beginning to suggest—and in some cases, demand—that ITC supply new products or services or expand into additional crops, such as onions and potatoes. Thus farmers are becoming a source of product innovation for ITC.

Development Benefit

The e-Choupal system gives farmers more control over their choices, a higher profit margin on their crops, and access to information that improves their productivity. By providing a more transparent process and empowering local people as key nodes in the system, ITC increases trust and fairness. The increased efficiencies and potential for improving crop quality contribute to making Indian agriculture more competitive.

Despite difficulties from undependable phone and electric power infrastructure that sometimes limit hours of use, the system also links farmers and their families to the world. Some *sanchalaks* track futures prices on the Chicago Board of Trade as well as local *mandi* prices, and village children have used the computers for schoolwork, games, and to obtain and print out their academic test results. The result is a significant step toward rural development.

Analysis

From these above-mentioned case studies each one of us would have picked up some interesting points on livelihoods interventions. Some of the following points mentioned below are important during planning the various livelihoods interventions:

<u>Community Realities</u>

1. Poor have multiple livelihoods – this is basically to overcome the income cycles, to spread the risk across two to three options as the returns on each of the livelihoods is insufficient to meet the needs and finally to ensure that there is optimal usage of various resources available and accessible to them.
2. Access – Control – Ownership of assets is the basis for secure livelihoods.
3. Existing livelihoods of the poor cannot be sustained at the present level of production, technology and thus enhancement would mean adding value to these livelihoods
4. New investments in existing livelihoods entail new risks. A simple example is value addition in any of the existing livelihoods in terms of better quality inputs, value addition in marketing and technological innovations to increase the value will all mean higher investments and they do entail adoption and enterprise risk.

5. New livelihoods have bigger risks – these are risks related to appropriateness of the choice of the livelihoods, new technology, the viability and feasibility of the choice, the enterprise risk and finally the sustainability of the choice.
6. Livelihoods of the poor are seriously affected by even smaller fluctuations in the market and vagaries of nature. Thus this is one of the major reasons for poor not investing in their available resources adequately. If higher investments are expected from the poor then suitable safety net arrangements are required.
7. Introduction of new technology demands requires new peoples' institutions to make technology work for poor. Especially it is important to neutralize the present technology, which has scale bias.

Institutional aspects

8. Formal institutions are not accessible to the poor and many times go against the interest of livelihoods of the poor. The poor will be able to access the services of the formal institutions when these institutions tend to provide flexibility in their approach.
9. Collectives become successful when individual initiation is channelized through robust institutional design which will ensure equitable distribution of benefits
10. Small private enterprises can flourish if there is an enabling environment and strong market tie-up. Even more important is that a package of integrated services related to inputs and marketing is created.

Integrated Services

11. For livelihoods intervention to be successful it should be comprehensive in addressing different stages of value chain from inputs, production, and value addition to marketing.

Macro Environment

12. Enabling legal environment is crucial for livelihoods security
13. Government Policy aimed at protection of livelihoods of the poor can generate new exploitative monopolies if proper institutions are not created.

Approach

14. For large scale enhancement of livelihoods - movements, as well as large projects, can be suitable strategies to reach out. Each of these approaches demand caution in terms of professionalism vs. voluntarism and quantity vs. quality.
15. The enterprise skills required for larger investments are not so wide spread. Usually this weakness can be overcome through collective effort or through providing employment opportunities to large number of poor.

Critical principles of livelihood promotion

1. **Livelihood is a basic right**: A decent livelihood is a basic right of every citizen. Supreme Court in one of its land mark judgments interpreted the "Right to life"_as "Right to life with dignity'. Dignified life is a mere jargon without a decent livelihood. Thus right to life is right to decent livelihood.
2. **Skills first:** Up gradation of skills is very important before any other value addition in terms of assets, infrastructure and resources. The most poor in any village are wage labourers. Giving them a piece of land or a buffalo in itself is not sufficient. Rather building the capacities on the management of the resource will be important. The critical step for both enhancing the present livelihoods and promoting new livelihoods

opportunity or enabling for a job in the industry require skill building initially.

In the changing scenario where the cycles of new livelihoods are becoming shorter and new opportunities are emerging faster, the skills are becoming outdates faster. This calls for focus on acquiring ***Meta Skills***. Meta Skills refer to those kinds of skills that are required for identifying emerging new livelihood opportunities and acquiring the relevant skills to utilize the opportunities. At one level, acquiring meta skills involves understanding and managing change and at physical level, it calls for working on improving the skills.

3. **Consumption credit**: Rural poor often find it difficult to meet their basic needs and end up in the 'generous hands' of local grocery shopkeeper who readily gives credit for compound interest. All the financial support they get to start a micro enterprise is usually channelized into servicing the consumption credit. Credit for production is properly used only after consumption is taken care of. It helps the poor to be free from the hands of the rural elite, reduces their expenditure, and provides them with a necessary buffer to wait for a better price or opportunity.

4. **Collective: Individual**: The poor due to their low skill, small quantity, low quality and constraints of infrastructure like warehouse, road, power, communication and preservation facilities, encounter insurmountable problems in profitable marketing of their commodities (produce or labour power). The only solution to this is collective marketing.

Collective purchase of consumption article/inputs and collective sale of commodities reduces their transaction costs dramatically, gives them opportunity to leverage large quantity to bargain for better price quality and service. A point to be noted is collective has to be seen as an institution, not as a magic wand. There are certain activities on which people are ready to get collectivized and there are other kinds of activities where a collective is neither feasible nor desirable. Within the collectives a space for individual innovation, learning and incentive should be structured to make the collective a success.

5. **Market first**: Many income-generating programs in the past have miserably failed. There could be multiple factors behind it. The most important one is neglecting the market. The typical program begins with some training on making of a product arbitrarily chosen by an external agent i.e., candle making, slate making, soft toy making and many more. Working capital is provided through either a bank or an agency and so called beneficiaries start producing till the working capital dries up and sit on the mound of finished goods waiting for an imaginary buyer to rescue him and his investment. This has happened umpteen number of times but nobody read its meaning. Its lesson is simple. Study the market thoroughly before making an investment decision. This elementary principle of business management is totally ignored by the livelihood promoting agencies. The results are costly.

6. **Micro: Macro**: Livelihoods of the poor have come under the heavy influence of the market forces. Local production for local consumption was the old mode. Under the new mode everybody is producing for

the market. The rural poor are not an exception. The social, economic, policy and natural environments surround the poor. What change he is able to introduce into his livelihood at micro level is an important issue, but what is happening in his external environment at macro level is even more important. The poor often are handicapped to visualize macro conditions. The inter play between micro and macro need to be understood by the poor so as to adjust and respond accordingly and this needs help of a professional or a supporting organization.

7. **Role of promoting agencies:** For the long-term sustainability of any intervention, the kind of role played by the promoting agencies is crucial. Building the capacities of the community and promoting community owned institutions makes the interventions sustainable. By being the facilitator, the promoting agencies can avoid dependency of the community on it. As much as possible, the resources have to be generated from the community to build their stake and the welfare orientation has to be replaced with economic orientation at the organization and community level.

8. **Support Services:** For livelihood promotion the services to be provided by the supporting agencies either directly or indirectly involve:
   a. Financial Linkages
   b. Production enhancement
   c. Capacity Building – Technical, institution management, financial, market exploration
   d. Market exploration and linkages
   e. Networking with similar interventions

f. Linking with government

9. **Economic aspects: Social Aspects:** Many consider that the livelihood interventions are purely economic in nature and do not factor in the social aspects of livelihood enhancement. A well-planned livelihood intervention that is born out of the needs of the community, is participatory in nature, inclusive in its approach, has equity at its base – address the social aspects linked with livelihoods. An economic intervention cannot be viewed in isolation as it will lead to the failure of the intervention itself. It is crucial to model the economic intervention according to the local context – social groups, cultural requirements, and social norms, position of the women, community practices and readiness of the community.

Points to Ponder

- What are the crucial elements for scaling-up?
- How movements can be sustained?
- What is the role of networking and the types of organizations to be networked with to make the network complementary?
- What kind of leadership anchors interventions?

Facilitators Guide - Session: 7-8

Frameworks for Livelihoods Analysis

Objective

The main objectives are

- Understanding various livelihood frameworks
- Comparing various livelihood frameworks
- Pickup the salient features from all the livelihood frameworks

Duration: 3 hrs

Methods: Small Group discussion and interactive presentation

Facilitation tip:

The facilitator should read all the frameworks; analyze the main features of each framework and shortcomings of each framework. Since, this chapter is only to familiarize the participants with various frameworks, the facilitator can start the session by dividing the participants into the groups and each group can be asked to take one framework and discuss in the group. The discussion should be focused on main elements of the framework, important features and shortcoming of the framework. The facilitator can ask each group to make a presentation in the plenary.

The facilitator can also ask them to compare the main elements, features and shortcoming of each framework in the classroom or small groups. The facilitators can also suggest to the participants the salient features from the entire framework to prepare a comprehensive framework.

Exercise

- Compare each framework for its main elements, important features, shortcomings and identify the similarities and difference in each framework.
- Pickup the salient features from all the livelihoods frameworks and prepare a comprehensive framework.

Minimum Learnings

The participants are exposed to various Livelihood Analysis Frameworks.

Reading Material

Enclosed as Chapter-5: Framework for Livelihood Analysis

Chapter – 5

Framework for Livelihood Analysis

Having understood the basic principles of livelihoods promotion, the next step is to focus on livelihoods analysis. To analyse livelihoods, a framework is required to take through the entire process to understand the dynamics, complexities, inter linkage, problems, issues, opportunities and constraints within the livelihoods system as well as within each livelihood. There has been significant work done by various organisations to develop their own frameworks. As, each framework has some merits and some shortcomings, attempt here is to introduce some of the important frameworks so that one can pick up relevant features from each framework, integrate them together and evolve the suitable framework for use.

CARE's Livelihood Framework [7]

In line with its organisational mandate to focus its programmes on helping the poorest and most vulnerable, CARE has developed a livelihoods approach, which provides the primary programming framework across its relief and development work in both rural and urban context. As per its livelihoods approach, three fundamental attributes of livelihoods are: possession of human capabilities (such as education, skills, health), access to tangible and intangible assets and the existence of economic activities; and the interaction between these attributes defines what livelihood strategy a household will pursue.

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[7] Abstract from a DFID document "LIVELIHOODS APPROACHES COMPARED, A brief comparison of the livelihoods approaches of the UK Department for International Development (DFID), CARE, Oxfam and the United Nations Development Programme (UNDP)" by Diana Carney with Michael Drinkwater and Tamara Rusinow (CARE), Koos Neefjes (Oxfam), Samir Wanmali and Naresh Singh (UNDP) November 1999

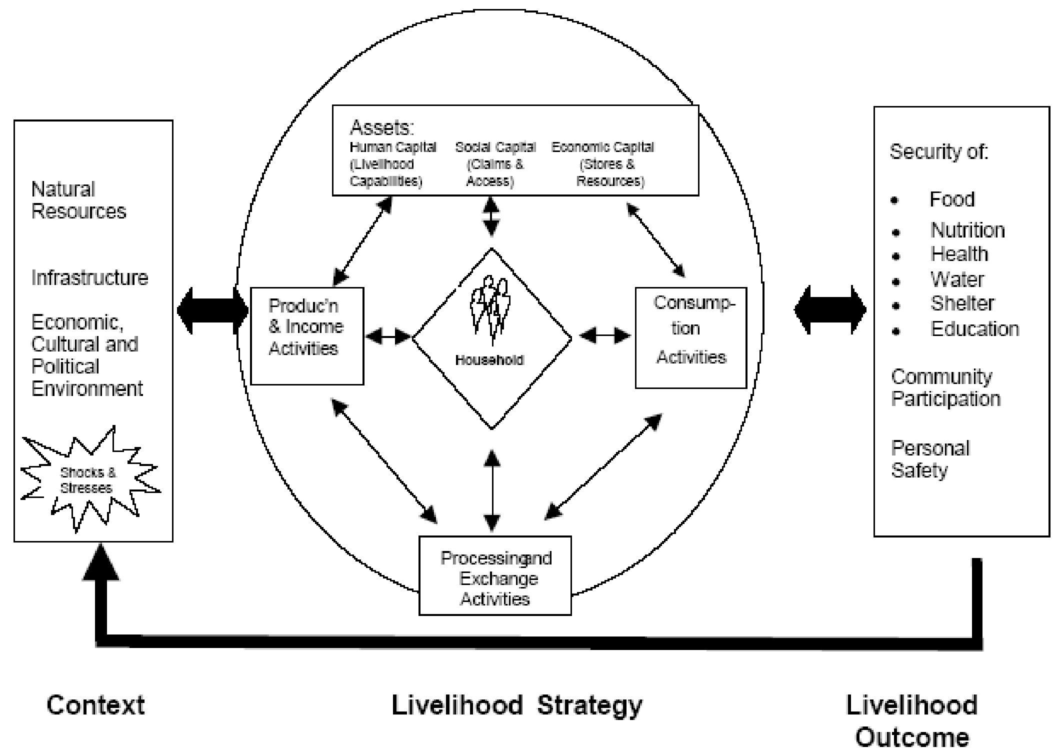
CARE's livelihoods framework focuses on household livelihood security linked to basic needs. However, it does not mean that the household is the only unit of analysis, nor does it mean that all CARE's interventions must take place at the household level. These interventions are of three types. These are:

- Livelihood promotion - savings and credit, crop diversification and marketing, reproductive health, institutional development, personal empowerment or community involvement in service delivery activities.
- Livelihood protection - early warning systems, cash or food for work, seeds and tools, health, education, flood prevention
- Livelihood provisioning - direct provision of food, water, shelter and other essential needs, most often in emergency situations.

In all these three types of interventions, CARE lays emphasise on personal empowerment, social empowerment and service delivery. To operationalize its approach, CARE follows the steps outlined below:

- Identify potential geographic areas using secondary data to find where poverty is concentrated;
- Identify vulnerable groups and the livelihoods constraints that they face;
- Collect analytical data
- Note of trends over time and identifying the indicators that will be monitored; and
- Select the set of communities for programme interventions.

Figure 2 CARE's Livelihood Model



CARE has developed some specific tools for the livelihoods approach, but makes flexible use of a variety of existing tools including rapid participatory assessments of livelihoods and baseline surveys. Its aim in using various tools is to gain a multi-dimensional view of livelihoods that helps to identify the most vulnerable households and place people's own priorities and aspiration at the centre of the analytic and planning process.

Missing Links

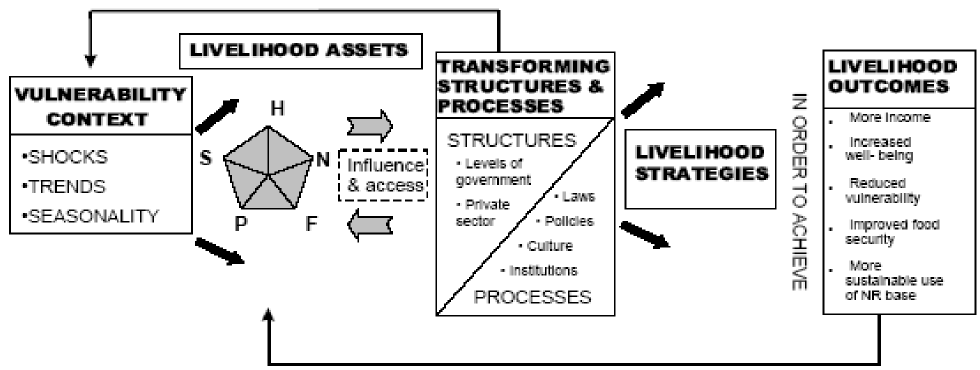
- Technology aspect is not highlighted
- Institutions for the poor is absent
- Market dynamics are also not shown

DFID's Livelihood Framework

DFID's livelihood framework is built on understanding that a livelihood comprises of the capabilities, assets and activities required for a means of living. DFID stresses the importance of capital assets and distinguishes five categories of such assets: natural, social, physical, human and financial. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, both now and in the future, while not undermining the natural resource base. DFID stresses that there are six underlying principles to the livelihoods approach. These are:

- People-centred: Sustainable poverty elimination will be achieved only if external support focuses on what matters to people.
- Responsive and participatory: Poor people themselves must be key actors in identifying and addressing livelihood priorities.
- Multi-level: Poverty elimination is an enormous challenge that will only be overcome by working at multiple levels, ensuring that micro level activity feds into the development of policy and that macro level structures and processes support people to build upon their own strengths.
- Partnership: Conducted in partnership with both the public and the private sector.
- Sustainable: there are four key dimensions to sustainability – economic, institutional, social and environmental sustainability.
- Dynamic: external support must recognise the dynamic nature of livelihood strategies, respond flexibly to changes in people's situation and develop longer-term commitments.

Figure 3 DFID's SL framework



H represents human capital: the skills, knowledge, ability to labour and good health important to the ability to pursue different livelihood strategies;
P represents physical capital: the basic infrastructure (transport, shelter, water, energy and communications) and the production equipment and means that enable people to pursue livelihoods;
S represents social capital: the social resources (networks, membership of groups, relationships of trust, access to wider institutions of society) upon which people draw in pursuit of livelihoods;
F represents financial capital: the financial resources which are available to people (whether savings, supplies of credit or regular remittances or pensions) and which provide them with different livelihood options; and
N represents natural capital: the natural resource stocks from which resource flows useful for livelihoods are derived (e.g. land, water, wildlife, biodiversity, environmental resources).

Based on its framework, DFID has identified three broad types of action points that can contribute to poverty elimination:

- Enabling actions are those, which support the policies and context for poverty reduction and elimination.
- Inclusive actions are broad-based and improve opportunities and services generally. They also address issues of equity and barriers to participation of poor people.
- Focused actions are targeted directly at the needs of poor people.

Missing Links

- Technology aspect is not highlighted
- Institutions for the poor is absent
- Market dynamics are also not shown
- Risk factors are also not highlighted

UNDP's Livelihood Framework

UNDP's sustainable human development mandate is to eradicate poverty through sustainable livelihoods covering gender issues, protection and regeneration of the environment and governance. The sustainable livelihoods agenda is part of this mandate, which is one way of achieving poverty reduction and offers both a conceptual and programme framework for poverty reduction in a sustainable manner.

Conceptually, 'livelihoods' denotes the means, activities, entitlements and assets by which people make a living. Assets, are defined as: natural/biological (i.e. land, water, common-property resources, flora, fauna); social (i.e. community, family, social networks); political (i.e. participation, empowerment – sometimes included in the 'social' category); human (i.e. education, labour, health, nutrition); physical (i.e. roads, clinics, markets, schools, bridges); and economic (i.e., jobs, savings, credit). The sustainability of livelihoods becomes a function of how men and women utilise asset portfolios on both short and long-term basis.

Within UNDP, SL brings together the issues of poverty, governance and environment. UNDP employs an asset-based approach and stresses the need to understand adaptive and coping strategies in order to analyse use of different types of assets. Other key emphases of UNDP are the focus on strengths against needs, macro-micro links and sustainability.

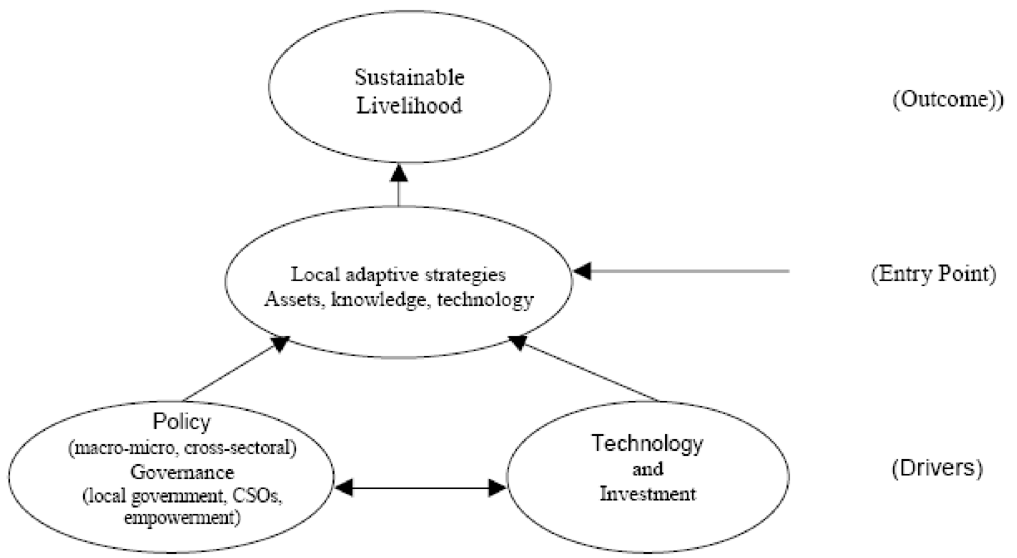


Figure 5: UNDP's approach to promoting sustainable livelihoods

UNDP explicitly focuses on the importance of technology as a means to help people come out of poverty. One of the five stages in its livelihoods approach is to conduct a participatory assessment of technological options that could help improve the productivity of assets.

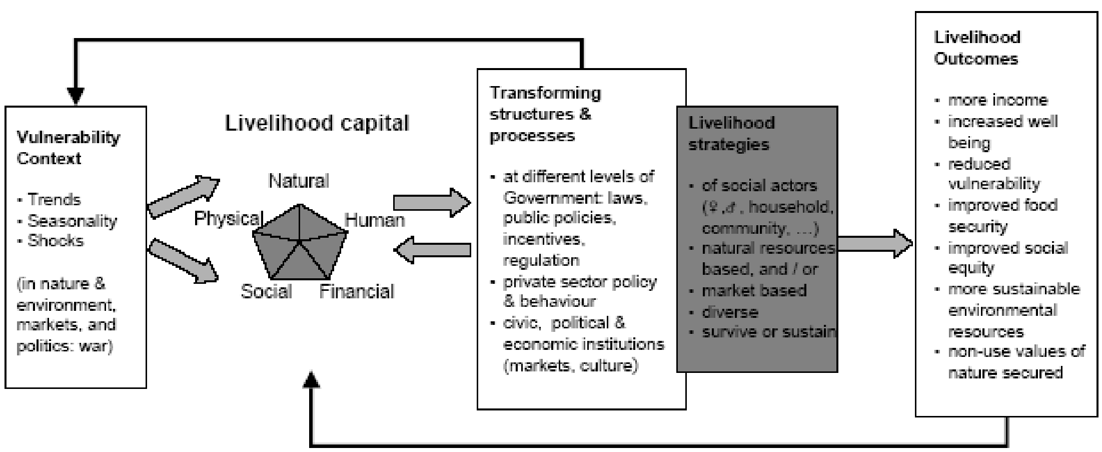
Missing Links

- Institutional aspect is missing
- Risk factors are also not highlighted
- Market dynamics are also not shown
- Too simplistic

<u>Oxfam' s Livelihood Framework</u>

This framework also focuses on the fact that the choice of livelihood strategy is the interaction between livelihood capitals, vulnerability context and transforming structures and processes. However, Oxfam's livelihoods framework stresses that sustainability of livelihoods needs to be looked at from various perspectives such as economic (e.g. the functioning of markets, credit supply), social (networks, gender equity), institutional (capacity building, access to services and technology, political freedom) and ecological (quality and availability of environmental resources).

Figure 4 Oxfam's SL framework



Oxfam's desired outcomes from livelihoods interventions are people living in poverty will achieve food and income security, and have access to secure paid employment, labour rights and improved working conditions.

<u>SERP' s Livelihood Framework[8]</u>

SERP's Livelihood Framework envisions substantial increases in incomes and savings in expenditure of the poor with increased employment days and decreased/diversified risks (four arrows) through their self-managed

[8] Abstract from Operational Manual of APRPRP

institutions. Livelihoods framework begins with the understanding that rural poor:

Are Both Consumers and Producers - The rural poor consume products/ items and produce goods and services for local consumption and for distant market. They, as consumers and producers, suffer from multiple interrelated handicaps in purchasing their requirements and in marketing their produce and services. Therefore, the elements of the framework are to reduce the costs of consumption of various items, to augment the returns from goods and services, to scan for the opportunities and add new lines of goods and services, to augment the skill set and to encourage the entrepreneurs from the poor and group enterprises.

Have Multiple Livelihoods of the Poor - It also admits that the poor have multiple livelihoods. As the rural poor are not having enough capital assets to make their living on a single livelihood, they depend on multiple livelihoods and pursue diversified coping strategies to bridge the gap between income and expenditure.

Have Access and Control Problems **-** Among the most significant problems of poor are high transaction cost, lack of exposure and access to markets, indebtedness, access to formal institutions and lack of control over resources.

The problems of the poor can be overcome by the activities around the three pillars of livelihood framework.

1. Organizing the Poor **–** in appropriate institutional models
2. Knowledge and Skills - recognizing and learning from the people's knowledge and filling the gaps in their knowledge base to build upon the existing skill base.

3. Resource Support - Resource support includes accessibility to natural capital available in a village and developing physical and human capital.

The main elements of Livelihoods Framework: The Contours

1. *Existing Livelihoods First* **-** Identify the scope to augment returns from the existing livelihoods by plugging the leakages, rather than searching for new opportunities.

2. *Science and Rural Poor* **-** Pro-poor science and technologies can help the poor in each stage of the value chain of the livelihoods. It is also important to be cautious of technology, which displaces the labour-force, endangers sustainability, creates health problems, badly affects biodiversity and where the trade-off with the existing socio-cultural factors is high.

3. *Rural Poor need support of Activists/ Paraprofessionals* **-** The activists will provide extension services/training, support in livelihoods, marketing and enterprises of the poor.

4. *Enterprises of the Rural Poor* **-** Rural poor also take up enterprises based on the demand scenario and the resource availability. Logic of collective enterprises is to reduce the transaction costs, to increase the bargaining power, to pool and share the risk, to utilize common resources and/or the capital assets.

5. *Convergences with the Line Departments*

6. *Partnership* **-** The partnerships can be with the corporates, individual professionals, scientists, technologists, research institutions, management institutions, academia etc.

7. *Bank Linkages for Community Investment Fund (CIF)* **-** Unless substantial credit flows to the poor, incomes will not be enhanced appreciably.

Missing Links

- Socio-political and cultural inter-linkages are not highlighted

<u>MART's Livelihood Framework[9]</u>

MART's livelihood framework, also known as 3M model, is designed to help NGOs in assisting the poor to start micro enterprises based on their own potential for self help and in ways that are locally sustainable. The 3 Ms are –

1. Micro finance – is the first input required to start any income generating activity. This model is most appropriate, where SHGs are already in existence and functioning systematically, making it possible for a member to take a loan from the group fund for starting a micro enterprise.
2. Micro markets – are perennial or periodic markets, which function locally through village shops, vendors and traders, local haat and melas. Local markets are important for poor entrepreneur as they have better access and control over them than they do over the distant town and city markets, which they find hard to tap without the help of an external marketing agency.
3. Micro Planning – aims to assess the local market demand pattern through surveys of local haats, village shops and the supply pattern. The supply side is assessed through surveys of local resources available at villages such as raw materials, infrastructure, skills and support services.

The model is pictorially presented in the following way –

[9] Abstract from User Manual for 3M, by Marketing and Research Team, New Delhi

Supply possibility	Demand pattern	Income opportunity	Enabling environment
Survey in villages (to assess availability of) • Raw material/ resources • Skills • Technology • Finance • Infrastructure • Support Services	Market **Haat Bazar** (reflects local demand pattern) Leads to **Own village** • Shop • Trader • Vendor	**Identification of Viable micro Enterprises** Sustainable Micro enterprises	For creating sustainable MEs **Handholding services** **Interventions** **Infrastructure**

Features of 3M Model

- 3M is a generic approach to micro enterprise development and can be conveniently applied to any rural area in the country.
- It is a self-sustainable model as it relies on the local resources, existing skills and local markets without depending on any external agency for support.
- It uses a practical approach to collect ground level information through the involvement of practicing entrepreneur in the villages. At the same time "haats", retail and wholesale markets in the rural area, which bring together the producers, service providers, traders and contractors from the radius of surrounding villages, are studied in detail to understand the income generating opportunities in the local economy.

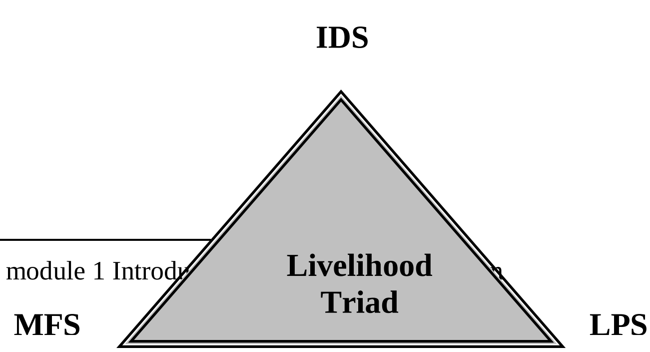
- Through a comprehensive step-by-step approach, the model analyses this data for finding the predominant and emergent activities, the key problems in pursuing these activities and employment opportunities.
- A detailed micro enterprise plan is prepared which focuses on intervention at two levels – one at the project level wherein the NGO would plan a range of intervention to improve the micro environment of promising activities and the other at the village level which would rely on the motivation and commitment of the community – along with a grassroots implementation strategy evolved for use by the NGO staff.

Missing Links

- Micro-enterprise is not the solution for all the problems of livelihoods. Aspects of collectives of the people is absent
- Micro-planning is a narrow term and does not talk about a more holistic capacity building approach – marketing, institution management
- Social context is ignored and its focus on economic aspects is more
- Macro context is ignored which have considerable influence on local factors

<u>BASIX's Livelihood Framework</u>[10]

The BASIX's livelihood framework conceptualises livelihoods promotion work in the form of a "Livelihood Triad", as shown in the following diagram.



[10] Abstract from module 1 Introd…

The Livelihood Triad includes the following services.

Micro Finance Services (MFS)	**Livelihood Promotion Services (LPS)**	**Institutional Development Services (IDS)**
Savings	Identification of livelihood opportunities	Formation of groups, federations, cooperatives, etc. of producers
Credit for consumption as well productive needs	Productivity enhancement	Capacity building of the institutions
Insurance, for lives and livelihoods	Market linkages - Input supply, output sales	Accounting and management information systems
Commodity futures, to reduce price risk	Local value addition	Performance management systems
Financial orchestration (arranging funding from multiple sources for the same sub-sector)	Risk mitigation (non-insurance)	Policy analysis and sector work

Micro-credit in particular and micro-finance (including savings and insurance) in general, is helpful for the more enterprising poor people in economically dynamic areas. However, for poorer people in backward regions, a whole range of other livelihood promotion services (input supply, training, technical assistance, market linkages) needs to be provided.

Likewise, it is not possible to work with poor households individually as they need to be organized into groups, informal associations and sometimes cooperatives or producer companies, all of which requires institutional development services.

Missing Links

- Socio-political and cultural inter-linkages are not highlighted
- Macro context is not highlighted

CARE, DFIF, OXFAM, UNDP livelihood frameworks lack emphasis on the markets that play the most important role in livelihoods development. In the livelihoods framework, markets related issues (micro and macro level) have to be incorporated and more explicit attention has to be paid in highlighting the dynamics between markets, technology and institutions.

Points to Ponder

- What is the role of framework?
- What are the other livelihoods frameworks that you know about?
- What kind of implications livelihoods framework of the organization has on the livelihoods approach of the organization?

Facilitators Guide - Session: 11

Process and Livelihoods Intervention Development

Objective of the Session: To help the participants familiarize with the livelihoods intervention process and understand the sequence of steps involved in planning and implementation.

Duration: 1.5 hours

Methods: Interactive Presentations and Small Group Exercises

Facilitation Tips

The facilitator should be able to present the case studies of few livelihoods intervention process they have observed and learnt about. The preparation of case studies will help enliven the entire session.

The facilitator can start the session with basic questions like asking the participants to narrate the experience of how to develop any livelihoods interventions from their experiences. The facilitator can then give some tips on the planning process through the discussions from the participants. After having the initial discussions the participants can be divided in to four different groups. The groups are expected to undertake exercise to develop the livelihoods intervention process for any chosen livelihood. The facilitator may give roughly 30 minutes for the groups to discuss and make a presentation.

Finally to consolidate the learnings, the facilitator may make a presentation of the process and ask the participants to go through the reading material.

Exercise:

Group exercise on developing the livelihoods intervention process for any chosen livelihoods.

Expected Minimum Learning:

The participants should be able to appreciate the various steps in the intervention process and also understand certain key steps, which will have determining role in the success of the project.

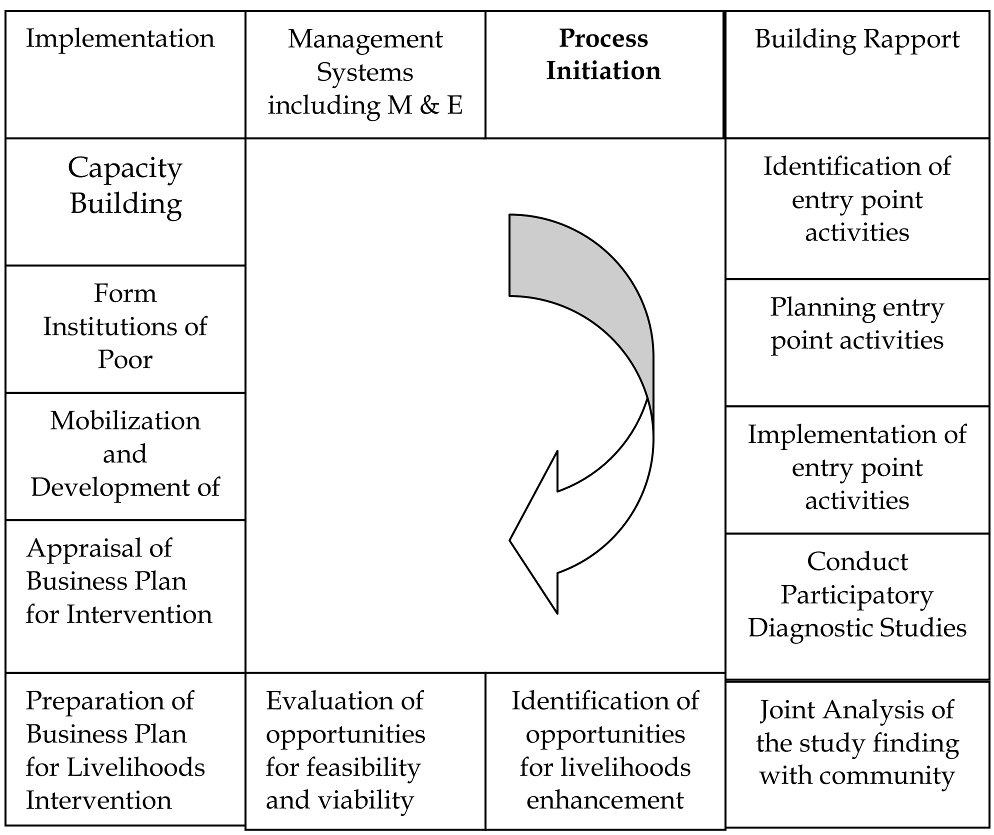
Reading Material

Chapter-6: Processes and Livelihoods Intervention Development

Chapter -6

Processes and Livelihoods Intervention Development

The livelihood intervention process is contextual and may follow different routes based on the need, readiness of the community and the capacity of the intervening organization. Though the steps mentioned below are in detail, the process followed may be more elaborate or shorter. But they will broadly follow the steps of – 1) Knowing the community and its needs, 2) Discussions and Analysis with the community on the potential activities/livelihoods to be explored, 3) Analysis of the options, 4) Piloting the opportunities and 5) Scaling-up. The livelihoods intervention process can be depicted through the following cycle:



Process Initiation and Building Rapport: The process of promoting livelihood interventions starts with understanding the geographic context, socio-cultural issues, poverty levels and the broad understanding of the need of the community. Building connection with the community through interacting with key stakeholders and other institutions working in the area will give firsthand information and acts as a caution from reinventing the wheel. The objective should be to cover the entire village/potential project area and interact with various groups. As this is the first step, any mistake in interacting with the community may induce long-term biases and thus impede the intervention. Another note of caution is to avoid looking at issues with pre-conceived notions.

Identification, planning and implementing entry point activities: The entry point activities should be such that it is non-controversial and has a scope to easily involve people. Even non-monetary activities like mobilizing the community to work on their common property resources, helping spread awareness about new government initiatives or informally help in improving the existing interventions will help in building trust and lay foundation for future activities.

Conduct Participatory Diagnostic Study: This is a crucial step in understanding the dynamics in the village, socio-political and economic conditions and the overall areas of improvement. Through the livelihood analysis tools mapping the local conditions, existing enterprises, product and services that come in and go out are undertaken. Understanding the livelihoods portfolio in the area/household is also important. The study is termed participatory as it involves the community too. Instead of collecting information like a census officer, the emphasis should be placed on empowering local people to assume an active role in analyzing problems and drawing-up plans and the organization acting as a "facilitator". This enables them to assume responsibility in implementing the interventions. The participatory techniques have been discussed in the subsequent chapters.

Joint analysis and identification of opportunities: Once the diagnostic study is completed, it has to be presented to the community for analysis and exploring opportunities. Not all groups will come forward due to social, economic and cultural constraints. Involvement of all the villagers – men, women, rich and poor is crucial during discussions. If any of the groups are missed or absent during this phase, mainstreaming them in the intervention at a later stage becomes difficult.

Evaluating the options: In the first phase, few potential ideas that have fair chance of success and have demonstrative affect, have to be identified. The criteria for selecting the livelihood interventions have been mentioned in the preceding chapters. Working on enhancing the existing livelihoods and which are not resource-intensive and where market linkages can be easily established should be taken-up. Apart from this, financial, economic and environmental feasibility tests have to be undertaken. Stakeholder analysis is also a part of evaluation. Also understanding the organizational capacity to provide support in different interventions has to be assessed.

Preparation of livelihood intervention plan/business plan: Based on the opportunities identified, livelihood intervention plan has to be prepared by the promoting organization for the opportunities identified. Community with the help of the promoting organization has to prepare individual business plan for the activity to be improved or for the new activity to be taken up by them. The livelihood intervention plan includes details about– the opportunities, target group, implementation arrangements, systems, evaluation of the opportunities, impact assessment and time frame. The business plan is more specific and is related to one single livelihood containing information about – production, marketing, financial, enterprise model and processes.

Appraisal of business plans: Many organizations have worked on promoting livelihood interventions without performing suitable appraisal of the business ideas that were generated. Hence, the target group was left with production and no foreseeable market or where the markets existed, the production base was shaky. Suitable appraisal of the business plans in terms of the following factors has to be undertaken:

- Resource intensity – whether external funds at huge scale is required
- Market proximity
- Additional support required
- Infrastructure investment
- Number of people involved
- Profitability
- Impact on the environment
- Equity issues
- Risks

Pointers
• How will the proposed livelihood opportunities meet the needs of the household? • How well does it match the resources and skills available to the household? • How will it fit into the daily and seasonal rhythms of the household? • Will it increase the household's income and assets? • Will it reduce or enhance the risks faced by the household?

- What assurances can be put in place to mitigate risks?
- Will the activity require organizing poor households in groups?
- How capable is the household in participating in such organization?

(Ref: Rebuilding Sustainable Livelihoods, Workshop by Action Aid International)

Then rate the potential livelihood option on the scale of 1to 5 using the following dimensions. 5 – Highly Favourable, 4 – Favourable, 3 – Medium, 2 – Unfavourable, 1- Very Unfavourable

Activity	Suitability for poor in the area	Employment generation ability of the activity	Favourable Demand Conditions	Favourable Factor Conditions	Competence of the organization	Total

(Ref: Rebuilding Sustainable Livelihoods, Workshop by Action Aid International)

Mobilization and Development of resources: The resources should be mix of community contribution and external contribution. Interventions that involve local resources and where the community contribution is more have a greater chance of becoming self-reliant. The financial resources should be a mix of grant and loans. The non-financial resources like human resources, contribution in kind by the community and partnership have to be carefully mobilized without community becoming dependent on the promoting organization.

Institutions of the poor: Suitable institutional form holds the intervention together. Promoting social form of organization for economic activities can make the whole project unviable. Promoting a society for marketing weavers' will lead to divergence in the larger objective of the institution and the members. Many of the organizations have failed to understand this fact and keep promoting SHGs and societies for economic activities. Cooperatives, sole proprietorship, partnership, companies are some of the suitable forms for economic interventions.

Capacity Building: Capacitating the community and the staff in technical aspects about the livelihood, marketing and institutional management will give them varied skills to run the institution and the business. Capacity building to change the attitudes is also crucial in few of the interventions.

Implementation: Community needs support in implementing one complete business cycle. During the course of implementation many new issues, challenges and losses may crop up. The process of implementation and flexibility to adjust to dynamic situations are important.

Monitoring and feedback: Periodic monitoring of the steps has to be undertaken to incorporate the changes required. Milestones have to be defined to measure the periodic progress and deviations. Monitoring also serves as source of feedback. Monitoring and evaluation systems have to be developed at the business level and at the promoting organization level. Logframe is one of the important project and programme monitoring tools.

The social, cultural and gender aspects have to be taken care while devising and implementing the intervention. All the stakeholders have to be involved and informed during the whole process. Many of the interventions fail not in the print but in the implementation because either the wrong people were involved or important stakeholders were ignored. Hence, there should be caution in

- Identifying the stakeholders
- Involving the stakeholders
- Keeping the processes away from the local politics and power play
- Women, disabled, poorest households are many time ignored, which may become a critical failing of the project
- Benefit distribution – equity
- Impact
- Systems

The "Livelihoods Approach"

- It builds on people's strengths rather tan their needs
- It brings all relevant aspects of people's lives and livelihoods into development planning, implementation and evaluation
- It unites different sectors behind a common theme
- It takes into account how development decisions affect distinct groups of people – men, women, rich, poor, vulnerable
- It emphasizes the importance of understanding the links between policy decisions and household level activities
- It draws in relevant partners whether state, civil, private, local, national and international

(Ref: Rebuilding Sustainable Livelihoods, Workshop by Action Aid International)

Points to Ponder

- What are the factors that facilitate withdrawal from the intervention?
- What are the challenging issues in the process adopted by your organization?

- What are different monitoring and evaluation tools available currently?
- What is log-frame?

Facilitators Guide - Session: 12-15

Livelihoods Analysis and Tools

Objective - The main objectives of this chapter are-

1. Understanding of tools that are useful for livelihoods analysis at household and village level
2. Understanding of importance of analysis of micro level scenario, macro level scenario and market opportunities
3. Understanding of tools for analysing micro level scenario, macro level scenario and market opportunities

Duration: 2 days

Methods: Interactive class room sessions and Field work

Facilitation tip:

The facilitator should read all the tools given in the reading material and understand the use of each tool, information to be collected by each tool and how to collect the information by that tool. The facilitator should explain each tool and information to be collected in the classroom. The facilitator should also use examples to explain each tool. H/she should show the participants the charts depicting tools prepared for various programs in the past. This will help them to understand the pictorial presentation of the information.

Having explaining them about each tool, divide them into the groups and take them to a village for hands on experience in using these tools. Here, they should be asked to use various tools to collect the information from villagers. The facilitator should help them in ensuring the participation of villagers and collecting the information from them. Taking the participants to different villages, will help in identifying the differences, contexts and the issues in these villages and will contribute to better understanding.

After coming back from the village, the facilitator should ask them to make presentations of information collected by using various tools. During the presentations the facilitator should help the participants to identify the gaps in the tools. Having presented all the tools, the facilitator should help them in the analysis of livelihoods based on these tools and identify the opportunities, gaps, leakages and problems in the existing livelihoods and opportunities for new livelihoods.

Exercise

1. Visit or assume a village and analyze the livelihoods of that village using the Village-Household assessment tool. Make the presentation of the analysis.
2. Identify a livelihood, analyze its value chain and make a presentation.
3. Select a sub sector and conduct a sub sector analysis.
4. Visit a local market/ shandy/ wholesale market/ supermarket and conduct the market survey for a product / commodity.

Reading Material

Enclosed as Chapter-7: Livelihoods Analysis and Tools

Tips for the Facilitator

- Market place and the village in which the participants are going to field test the tools should be a new one or unfamiliar to the participants
- Do not provide any pre-pared checklist. Instead ask the participants themselves to prepare suitable checklist in their groups
- Divide the participants into a small group to avoid free-riding. Maximum three members is ideal
- The groups should be given some time to plan the visit and allocate responsibilities, topics, etc
- The participants should introduce themselves and stress that they have come to learn from the business and not to "teach them'
- Ensure that each group has at least one person who can speak the local language
- Ask the participants that at any point of time only one person has to ask questions and the rest should take notes
- The group should allow the business to continue and should not make the owners lose business during discussions. Hence, ask the participants to stand aside when the owner is attending any customer
- In the market following aspects should not be missed
    - Interviewing women run businesses
    - Should cover services, manufacturing and small vendors – that is all types of business should be covered
    - Should cover group enterprise, individual micro enterprise, big, small and seasonal businesses
    - Ask the participants to observe things around and gather information by looking at stock, quality, treatment with customers
    - Ask for financial details such as
        - Daily sales figures
        - Expenses, investment, profits

Chapter-7

Livelihoods Analysis and Tools

This chapter deals with the tools of livelihoods analysis at household, village level and macro level. In order to prepare a plan for livelihood enhancement, the livelihood practitioner should analyze micro level scenario, macro level scenario and market opportunities. The livelihoods enhancement plan, thus, should emerge from incorporating the understanding and outcomes from these three levels. This would facilitate the coverage of all the poor and poorest families through either individual or collective interventions. The tools used for information gathering can be other than what has been presented in the chapter. The required information and the participatory methodology are the crux of the livelihood analysis. Tools only act as a medium and can be modified according to the context. Also while looking at the livelihoods of the poor following points have to be kept in mind.

- Investigating the livelihoods of the poor also requires looking into the livelihoods of the rich. The livelihood trajectories of one social class have a significant impact on the livelihoods of other classes too.
- Combination of different methods and tools have to be used
- The livelihood analysis have to be undertaken at three levels:
  1. Micro level – Village-household assessment
  2. Macro level - Sub-sectoral studies
  3. Market opportunities – Market study

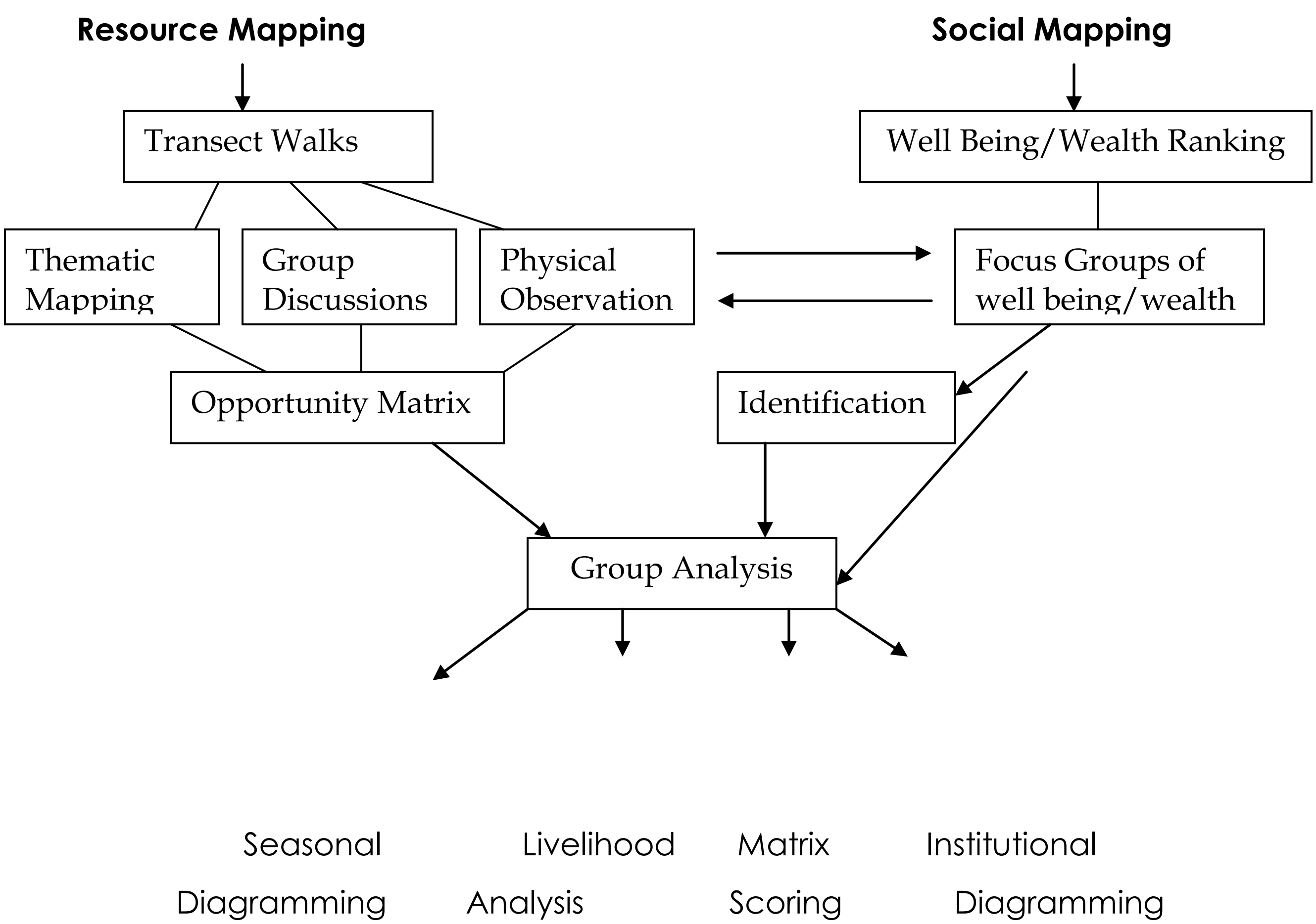
Level	**Micro level**	**Macro level**	**Market opportunities**
Tool	Village-household assessment	Sub-sectoral studies	Market survey
Focus	Household and village	Region/ livelihoods/ resource	Demand in the market
Possible level of intervention	Family	Village/ cluster of villages	Village/ cluster of villages
Scale of Benefit	Marginal	Significant through integration of various stages in value chain	Significant due to high demand
Sustainability	Less	High	Less
Risk	Less	Moderate	High
Support required	Less	High	High
Reach to poorest household	High	Moderate	Very less

The priority should be given for existing livelihoods in planning for livelihood intervention as –

- Poor have skills, experience and confidence in existing livelihoods
- Infrastructure facilities (minimal) and market are already there to support existing livelihoods
- Existing livelihoods (of family/village) are less risky.

The effort should be to augment returns from these livelihoods by plugging the leakages, rather than searching for new opportunities. This is done through Village-household assessment at micro level and Sub-sectoral study at macro level. If there is no scope of improving returns from the existing livelihoods or there is no demand for the products/services in the market, then the option would be to add new livelihoods, add new lines of goods and services, new produce collection, new crops/varieties or provide new sources of income (skills, assets and opportunities), etc. Market study is undertaken to scan new market opportunities and demands.

Participatory Appraisal Sequence



1. Micro level - Village-household assessment [11]

Tool "Village-household assessment" is used to analyse the existing livelihoods of families and village at micro level. The objective of this is to plan intervention for a family. The intervention planed, thus, requires less support in implementation as it builds on the single or more than one stages of value chain of existing livelihoods. In addition to this, it is less risky for family as they already have experience, skills and access to infrastructure required for pursuing the livelihoods. In addition to this, it has high probability of reaching out to poorest of the poor families and vulnerables as it focuses on a family and involves every family from the starting of the analysis. However, the returns from micro level interventions are marginal as it addresses one or two stages of value chain; these interventions are less sustainable due to lack of forward and backward linkages. In addition to this, it requires comparatively bigger financial outlay.

The "Village-household assessment" tool includes –

a) Secondary data analysis
b) Timeline of village
c) Social map
d) Wealth Ranking
e) Mapping vulnerable
f) Institutional map - Venn diagram
g) Resource map
h) Seasonality calendar
i) Common Property Resource analysis
j) Traded-in and out
k) Farming system

[11] Build on the LEAP of SERP, taken from operational manual of APRPRP

l) Technology map
m) Local opportunities
n) Analysis of existing and possible alternative livelihoods and Prioritisation of livelihoods

At the household level

o) Income and Expenditure patterns

The first step in the village-household assessment processes is collection of secondary data from various sources and next step is general discussion with the community about the existing socio-economic and physical environment of a village. For deeper understanding, the following sub tools are used.

1.1. Secondary data analysis

Secondary data is collected from the information, data, record, reports, etc. available with various institutions. This is collected to build the initial understanding of the village, plan for primary data collection and augment the primary data collected. For village level information, the following data matrix can be used.

Information matrix

#	Particulars	Information Needed	Sources
1	District/Mandal/Village Information	• Location • Climate • History • Political Conditions	• District Economic Census: District Statistical Office • DRDA • MRO Office • District Potential Link Plan (NABARD) • District Credit Plan

2	Population	• Rural – Urban areas • Male – Female – Child • Working – Non-working • Growth rates	• District Census Data
3	Literacy Rate	• Rural – Urban areas • Male – Female – Child • Growth rates	• District Census Data
4	Land	• Land Classification • Land Types • Land availability • Land Distribution – Marginal, Small, Medium and Big landholders	• District Census Data • Mandal Revenue Office
5	Agriculture	• Crops – food, cash crops • Yield • Cropping pattern • Market Linkages • Backward Linkages • Value-addition practices • Constraints	• District Census Data • Mandal Revenue Office • NABARD: District Potential Link Plan
6	Water	• Irrigated Land • Sources of Irrigation	• District Census Data • Mandal Revenue Office • Community
7	Animal Husbandry	• Livestock Profile • Value-addition practices • Market linkages • Veterinary Facilities	• District Census Data • Mandal Revenue Office • Animal Husbandry Department in the district • Local veterinary doctors • Community

8	Forestry	• Coverage, type • Forest Produce • Institutions – Joint Forest Management • User groups • Commercial activities	• District Census Data • Mandal Revenue Office • District level forest department • Community
9	Manufacturing	• Persons employed • Health issues • Contribution to the economy	• Concerned industry • Community
10	Services	• Types –traditional, emerging, dying • People involved	• Local survey
11	Financial Services	• Formal Institutions • Informal credit sources • Delivery cannels • Reach • Services rendered	• Local banks • Money lenders • SHG groups • Community • NABARD, Lead bank
12	Institutions	• Types – CBOs, government, NGOs • Reach • Membership • services	• Local Survey • Community
13	Government Schemes	• Types • Performance Status	• DRDA • Community
14	Local Market	• Weekly markets • Traders • Spread • Nature, structure	• Local survey

Sources of secondary data

At the national and state levels:

The census and National Sample Survey; Survey of Livestock, industries and small-scale industries; the India Yearbook and the Statistical Abstract of the Indian Union; RBI Banking Statistics; as well as economic data from the Centre for monitoring Indian Economy. Other sources are, Libraries, universities, research institutes, government departments and Internet – Site of Government of A.P., Government of India, Google, etc.

<u>At district, block and village levels:</u>

District Census Handbook, Statistical Handbook and Gazetteer; NABARD Annual Link Plan and the District Annual Credit Plan; publications of the District Industries Centre and the District Rural Development Agency; topography sheets and soil and water conservation maps.

1.2. Timeline of village

Timeline is a historical profile of major events, which have contributed in the evolution of village. Therefore, it helps in understanding the major events that have occurred in the village in a chronological way, with regard to

- Village development,
- Social and Economic changes,
- Resource availability,
- Natural calamities,
- Infrastructure development,
- Technology introduction, etc.

Livelihood Opportunities: This exercise helps in identifying the factors contributing to the changes in livelihood scenario and the adaptability of the community. It carves out the background for the present state, status and choice of livelihoods in the community.

1.3. Social Map

Social map is to understand the social structure and characteristics of a rural society. The social map can be drawn on a chart using pictures and symbols. Social map provides the following information:

- Total population (women and men ratio), total number of families, family size – adult (male and female) and children, age
- Literacy level,
- The social composition (caste groups) of the village,
- Housing pattern of various castes, types of houses,
- Major livelihoods,
- Land holding, assets, skills, number of different livestock,
- Migrated population
- Number of single women, vulnerable, destitute, and old age pension holders
- Infrastructure – road, water, electricity, transport, Haats, Market yards, Warehouses, Post office, etc.

Livelihood Opportunities: The inequities, skill sets, asset base and vulnerability context will be known by this exercise. It helps in identifying the target groups and gives the base for the intervention to plan on resources that are available locally, ones that need to be mobilized externally and infrastructure suitability, creating and improvement. As the major livelihoods are brought out through this exercise, interventions for different groups – based on their caste, traditional occupation, etc can be designed.

1.4. Wealth ranking

Wealth ranking refers to placing people on the different steps of the wealth ladder (rich, middle, poor, very poor, etc.) according to their own criteria. Wealth ranking is a way of finding out about wealth, poverty and vulnerability in a village. It helps in finding out the perceived (as by the villagers) inequalities and difference in wealth in a village that leads to overall understanding of the socio-economic condition of the entire village. This ranking is very useful, if livelihood intervention is planned to focus on only very poor or only poor (poor and very poor) as it differentiates between poor and non-poor.

Livelihood Opportunities: Through this exercise, the poorest in the community can be identified. Their needs, causes for their present status and the types of assets needed to enhance their livelihood can be understood through this tool.

1.5. Mapping vulnerable

If the livelihood intervention is planned to give special attention to the vulnerable from the village community, mapping vulnerable is a tool to identify them and analyze their vulnerability, livelihood potential and support extended to them by other institutions so far. Based on this analysis, further support for livelihoods and non-livelihoods activities (welfare/ rehabilitation) can be planned. The mapping includes -

- Name, age and sex
- Type of vulnerability (single women, destitute, differently able) and degree
- Main livelihoods or sources of income
- Education level, assets owned, skills, access to resources
- Social network support – family, community, organisation
- Opportunities available in local economy
- Relevant government schemes and access to those schemes

Livelihood Opportunities: This helped in identifying kinds of support needed by vulnerable households and their constraints in accessing different livelihood opportunities. Specialized livelihood interventions have to be developed keeping in mind aspects like – mobility, acceptability and household responsibilities of these groups.

1.6. Institutional map

This is to get an understanding of institutions (formal and informal) with which the villagers have dealings, the perceived relative importance of these institutions and to assess their access to these institutions.

For this, the Venn diagram is used. In this, a circle is drawn and the name of the institution is written within that circle. All the institutions that villagers are dealing with are depicted in the form of circles. The perceived importance of each of these institutions is depicted by their size, bigger the size, more the importance. However, the access to these institutions is depicted in the form of their distance from the center of the Venn diagram, more the distance, lesser the access.

The institution map includes formal and informal institutions such as

- School,
- Primary health centre,
- Veterinary hospital,
- Panchayati office,
- DWACRA groups,
- Watershed societies,
- Caste-based organisations,
- Vana Samrakshana Samities,
- Water users associations etc.

Livelihood Opportunities: Identifying already existing institutions that can partner or implement the interventions, capacities of such institutions and their accessibility to the poor can be gauged from this exercise. This helps in designing the institutional set-ups, linkages for the livelihood interventions keeping in mind the opportunities and limitations of the existing institutions.

1.7. Resource Map

Resource map helps in giving an overview of the natural resources available in the village for meeting the needs of the village. The village may or may not be using these resources, may or may not know the potential use of these resources. Resource map reveals the following information:

- Total land in the village
  - Dry land, Wetland, Fallow land, Wastelands and Temple lands
  - Total land, Cultivated land, Cultivable land with irrigation and without irrigation
  - Agricultural land – low land, upland and Irrigated land
- Type of soils, terrain and quality
- Water – annual rainfall and ground water level
- Water and irrigation resources
- Forest coverage – area, tree species and usage
- Minerals
- Energy sources – electricity, diesel, kerosene, draught power
- Infrastructure
- Trees in village lands etc.

Livelihood Opportunities: This is crucial in identifying local livelihood opportunities that require less/no external resources and thus more sustainable options where the local resources can be utilized. This exercise is also useful in designing the asset and resource component of the livelihood intervention and the external professional help required in the utilization of these resources.

1.8. Seasonality calendar

This is used to indicate month wise engagement of villagers in various activities, livelihoods and non-economic activities. This includes month wise depiction on map of –

- Major livelihoods
- Major crops, produce from forest, water bodies, livestock
- Festivals, marriage duration, other major social events
- Availability of leisure time/ lack of employment
- Regular diseases outbreaks
- Regular natural calamities – water shortage, excess rain, draught, pest attack, etc.

Livelihood Opportunities: Migration patterns, production cycles and cultural contexts that come out from this exercise is useful in the timing, staggering of the livelihood interventions especially the economic aspects like start of production cycles etc. This helps in keeping the intervention in rhyme with the local context.

1.9. Common Property Resource (CPR) analysis

This helps in estimating the availability of CPRs, its size, profile and number of dependent families, total income generated from CPR, days of employment provided, access to these CPRs to various social strata of village, ownership rights, user rights, problems related to these CPR, etc.

CPR analysis helps in understanding the above dynamics in the following –

- Water bodies - River, Canal, Ponds, Irrigation tank
- Waste land, Grazing land, fallow land, temple land
- Mining
- Streams and Stream bed
- Forest, Trees outside forest
- Watersheds
- Community buildings
- Shandy place

Livelihood Opportunities: The access issues are brought forth by this exercise. It also helps in devising such interventions that are large-scale in nature as many poor depend on CPRs for their livelihood and day to day requirements.

1.10. Estimates of Traded-in and Traded-out

As the poor are producers as well as consumers, it is essential to understand what is traded-in and traded-out of the village. Traded-in and traded-out analysis of a village will be useful in understanding the village economy and its linkages in and out of the village. It also brings out the ideas of possible interventions such as elimination of middlemen, collective purchasing of agricultural inputs, capacities/skills imparting for better wages etc.,

<u>Table for trade in and trade out</u>

Item	No. of families	Period of purchase (daily/ weekly/ monthly/ yearly/ season)	Qty	Price of purchase	Alternate price of purchase	Special items (time of purchase)

This analysis will indicate the significant areas of intervention in each village, the items that need to be retained in the village for later consumption, the items that need to be sold in instalments and/or periodically, the local value-addition possibilities for local consumption and for marketing, aggregation possibilities, improvements in grading, storage, and other post-harvesting practices etc. In case of migrant wage labour, skills should be imparted if there are opportunities for skilled labour.

Livelihood Opportunities: It helps in identifying the economics involved at the household level and in testing the feasibility for local production of such products that are required by the community in bigger quantities and which are not available locally.

1.11. Technology map

Technology map is used to depict the technologies that are found in the village as well as the technological decision behaviour of the villagers. In other words, this indicates the technologies that are adopted, discontinued, over adopted, rejected and reinvented for various activities/ livelihoods.

- Adoption refers to use of technology by an individual for many years,
- Discontinuance refers to a decision to reject a technology after having previously adopted it,
- Over adoption refers to adoption of a technology by an individual when experts feel that the technology should be rejected,
- Reinvention refers to the degree to which a technology is changed or modified by the user in the process to its adoption,
- Rejection means not at all used after being heard or seen the use of it.

Livelihood Opportunities: Technological innovations for enhancing the livelihoods can be explored through this exercise and other aspects like management and control of technologies in the livelihood interventions can also be explored.

Local Opportunities

A 'livelihood' is a set of flows of income, from agriculture, hired employment, self-employment, remittances or a seasonally and annually variable combinations of all these. Therefore, it is essential to have basic knowledge of the local opportunities, which includes *resources* (natural and physical, human and social, financial and institutional), *market demand* and *enterprises*. By analysing each of these one can determine livelihood opportunities which could generate a significant number of livelihoods, whether through enhanced income, assets, food security or economic control, or by reducing risks, variances in income or migration.

After analysis of the value chain of commodities and services, it is required to list out the local opportunities to support the existing livelihoods and to focus on new livelihoods. Possibilities of producing new products and services from the existing resources about which the community is well aware of, is dependent on the available resources and market demand. Therefore it is essential to study the local opportunities before taking a step forward in the process of interventions.

Analysis of existing and possible alternative livelihoods and Prioritisation of livelihoods

The analysis of existing livelihoods gives clear understanding of different livelihood opportunities and possible alternative livelihoods with given assets. The analysis also helps in prioritisation of livelihoods based on dependency, sustainability and productivity. The prioritisation will be helpful in identifying the livelihoods for sub-sectoral study and plan for macro level intervention.

2. Household Level

At the household level, the information to be collected includes:

- Income and Expenditure Patterns
- Resource Base
- Sources of Credit
- Participation in village activities/institutions
- Specific livelihoods related information
- Migration patterns

2.1 Income and Expenditure Patterns

Income and expenditure analysis for one year can be done at household level. This analysis tells about the income and expenditure patterns of significant livelihoods and also reflects on the gaps that need to be plugged to reduce the expenditure and to increase the income. Moreover, it discloses the people's various coping mechanisms for their survival.

Table for Annual Income and Expenditure Analysis for a household

S.n.	Income		Expenditure	
	Item	Amount	Item	Amount
			Food	
			Other provisions	
			Health	
			Ceremonies	
			Interest	
			Cloths	
			Assets	
			Educations	
			Entertainment	
			Habits	
			Miscellaneous	
	Total		Total	

3. Macro level - Sub-sectoral studies

Once the list of existing livelihoods in the village is ready, main and important livelihoods should be identified based on number of families dependent and quantum of annual turnover. This should be followed by in-depth sub-sectoral studies of these main and important livelihoods. The objective of this is to understand the gaps and opportunities in the particular sub-sector that would be used for developing strategies and plan for intervention in the particular sub-sector. This would help in reaching out to large number of families with one intervention.

The focus of macro level sub-sectoral study is to plan for intervention for a region, a particular livelihood or a resource. The intervention covers most of the families from village or cluster of villages depending upon their involvement with livelihood or resource. The interventions planned through sub-sectoral approach ensures significant returns to the families due to integration of various stages in the value chain and the sustainability of such an intervention is high on account of backward and forward linkages. However the risk of failure is moderate and support required for livelihood intervention is high. In addition to this, reach of intervention to poorest of the poor household is also moderate as it depends on the engagement of the family to that particular sub-sector. The macro level intervention requires a huge total financial outlay, however the per capita investment is lower than that of the micro level intervention.

Sub-sector is the network of firms and/or firms that supply raw materials, transform them, and distribute finished goods to a particular consumer market. For example paddy cultivation (primary sector), its trading (tertiary sector) and its processing into rice, bran and rice bran oil (secondary Sector) and finally retailing it (tertiary sector) together constitutes Paddy Sub-sector. Group of Commodities with common procurement, processing and distribution channel can form a sub-sector: For example paddy and wheat together is part of the food grain sub-sector.

Sub-sector analysis is a process of getting to understand who does the value addition, using what technology, at what terms and with whose help. There are several aspects, which need to be looked into to understand the sub-sector to generate/support livelihoods of large number of families and smoothly pass the larger proportion of the value addition to the primary producers. The sub-sector study includes four steps

i) Preparing a preliminary sub-sector map
ii) Refining the understanding of the sub-sector
iii) Value chain analysis
iv) Analysing sub-sector dynamics and leverage points
v) Choosing the intervention points

Step 1: Preparing a preliminary sub-sector map[12]

To start the sub-sector analysis, collect basic information related to raw materials, source of procurement of raw material, various value additions/processing methods, the end products, buyers of products, use of products, final market for each products, etc. This information can be collected by talking to people who are involved in the business. They could be producers, traders, bankers, government officials, buyers, NGO staff, researchers etc.

To summarize the initial understanding of sub-sector based on above discussions, prepare a sub-sector map. The map includes -

[12] This is an abstract of sub sectoral approach of BASIX, taken from livelihoods manual of BASIX and value chain analysis of SERP, taken from operational manual of APRPRP.

- List the functions and write these functions one above the other on the left side starting with the base raw material at the lowest corner.
- List of participants, performing each function and map them opposite the respective functions.
- For each function, identify technologies and quality differences.
- Identify final markets and list the markets across the top.
- Draw arrows to describe product flows among the participants.
- Define principal channels.
- Review sub-sector boundaries.

Step 2: Refining the understanding of the sub-sector

Once the preliminary map of sub-sector is prepared, it needs to be study in depth, add more dimensions and refine it. For this, understand the institutional context, environmental context and add these points in the sub-sector map.

For understanding the institutional context, study the following four factors:

I. Regulation – identify main laws/ rules that are relevant to different stages in the sub-sector, main agencies responsible for enforcing the above, understand the actual application of law vs. the rule as laid down, identify the most bothersome aspects of regulation.

II. Promotion –identify main promotional policies of the government, main agencies responsible for implementing those policies, understand the actual implementation, and identify the most useful aspects of the policies. Is there any special policy for women? Credit- identify the quantum and purpose for which credit is available, main sources of credits, their terms and conditions, the most constrained part of the sub-sector by the lack of appropriate credit.

III. Other institutional factors – existence of producer's organisation, any other institution that affect the sub-sector, affect of political economy on sub-sector

For examining the environmental context of sub-sector, look into the following:

I. The status of social, political, legal and policy environment
II. Status of environmental (favorable or unfavorable) conditions for taking up the selected activities

With the improved understanding of sub-sector along with information on institutional and environmental context, there is a need to look back at the preliminary sub-sector map. Look out for information missed, add new information collected and add the institutional and environmental context on the map.

Step 3: Value Chain Analysis

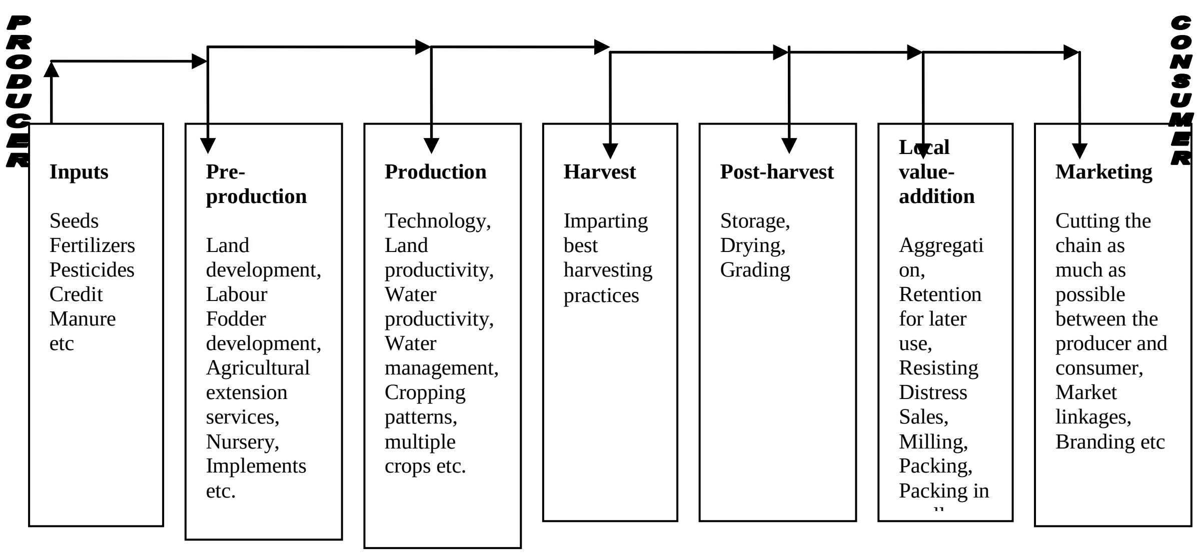
The value chain consists of different stages starting from inputs --- pre-production -- production--- harvesting --- post-harvesting --- local value addition --- marketing nearer to the consumer. In the value chain analysis, the linkages, backward and forward, will thoroughly be analysed for appropriate intervention.

The value chain analysis involves the following processes:

a. Identification of the various produce/commodities produced in the village; business cycles
b. Pre-production: Inputs – Raw material, processing systems, support services for supplying inputs, infrastructure, actors

c. Production: Infrastructure, technology, processes, actors, quality, productivity
d. Post-Production: Storage, Cleaning
e. Local Value-addition: Aggregation, retention for later use, resisting distress sales, packing, etc
f. Marketing: Marketing channels, actors, terms & conditions, credit requirements
g. Identifying the gender dimension in every stage of the value chain

Value-Chain format for agricultural products



Level 1: Local market: In this stage the local traders/middlemen purchase the produce from the producer at meager price than the market price. Most of the time it is tied sale.

Level 2: Wholesaler/Millers: Local traders do some value addition (grading, packing etc) and sell it to the wholesalers. If the farmers could sell to wholesalers directly they will get more than what they are getting in the local market. The wholesalers do greater value addition and /or produce new products, and sell to retailers.

Level 3: Retailers: Retailers sell the products to the consumers taking some margin. By the time it reaches the consumer, the value of the product increases 3-4 times comparing the value of produce. In case the producer moves forward in the market chain towards consumer, s/he will realise higher returns.

Step 4: Analyzing sub-sector dynamics and leverage points

Having refined the sub-sector map, the effort should be to analyze the sub-sector. Here, it is necessary to understand that the sub-sector is not static, but a dynamic one with change in production, supply, demand, technology, key players, institutional framework, environmental context, etc. To analyze the dynamics of the sub-sector, the following needs to be undertaken carefully:

- Identify the channel with most secure prospect of growth
- Assess the emerging threats for these channels
- Role of micro- and small enterprises in these channels
- Method to enhance their ability to participate in the growing niche

To analyze the above points, the following factors are important to study in detail:

- Market demand - estimate demand and trends (local, national and international) over the last few years, population growth, changes in the larger economic environment leading to change in consumption patterns.
- Technological changes – new machinery, know how.
- Profitability of different niches.
- Risk in the entire sub-sector stages – due to change in demand, inputs, technology, labour, institutional and environment context.
- Barriers to entry – Regulation, banking practices, lack of information or collusion restricting the entry of new players.
- Large firm behaviour – change in the level and range of activities of large firm may dramatically affect the opportunities open to micro- and small enterprises.
- Input supply – poor quality raw material, unreliable supply and environmental damages can restrict the growth of enterprises.

- Institutional support – change in regulation, promotional and credit policies can have a major impact on sub-sector.

Step 5: Choosing the intervention points

Having understood the sub-sector, the next step is to choose the appropriate intervention for livelihood promotion. For this, based on the need of the families and competency of the assisting organization, intervention should be identified from all the possible interventions. The intervention identification process will require the following steps to be followed –

1. Understanding the intervention context which will have the following components –
    a. Understanding the organizational context in terms of long term objective of the organization, competency and skills existing of the organization and the funding possibilities.
    b. Understanding the area context – the level of development, characteristics of the target group, nature of political economy prevailing, the social structure and the cultural practices within the area.
    c. Understanding the macro economic and policy context
2. The prioritization of peoples needs based on the existing scenario of the rural poor in the area. While the sub-sector approach will ensure that the gaps are identified across the value chain right from the pre-production stage to the post harvest marketing stage it is very important to identify the critical issues and gaps. The gap to be addressed immediately should appeal to the rural poor and also be able to provide immediate relief and better livelihood within the entire value chain. The other important means to choosing the intervention points and mechanism is to go for strategic planning exercise which will ensure that they develop the priority areas

and also form the objectives based on which the intervention can be designed.

3. The three critical variables to be finalized for setting the boundary of intervention is the likely scale of intervention, the point of intervention and relative importance of the intervention to the rural poor.

Once the intervention is identified, develop strategies and business plan for successful implementation of the intervention.

4. Market opportunities – Market study

The market forces influence the livelihoods of rural poor. Therefore, unless livelihood interventions fall in the sequence with market trends and cater to market demands, the success of that intervention is highly unlikely.

In order to capitalize on the market opportunities, while promoting the livelihoods of poor, it is important to analyze and understand the market trends and demand at local, national as well as global level. The result of these analysis and understanding should be incorporated within the analysis of existing livelihoods (through Village-household analysis and sub-sectoral study) to identify the opportunities in the existing livelihoods. The match between the demand in market and supply from existing livelihoods results into livelihoods intervention that creates significant economic returns to the poor families. In addition to this, it also helps in identifying the new opportunities emerging in the market and introducing new livelihoods to the poor families. In this approach, profile of market, buyers and sellers are studied carefully to identify the market opportunities.

4.1. Market Profile

- Location
- Type of products and number of outlets
- Duration and timings
- Organizations
- Fee charged from participants
- Approximate number of visitors/ buyers
- Infrastructure and services available
- Level of bargaining

Buyers Profile

- Name, address, age
- Reason for visiting, Pattern of visiting market and Mode of transport
- Peak and lean season for purchase
- Visits to other markets for purchase and reason for this
- Specific product purchased and reasons for purchasing
- Mode of purchase, credit required and sources of credit
- Price paid for the product, quantum of purchased and frequency of purchase
- Satisfaction level with the existing product
- Quality requirement of product
- Problems with the existing products
- Any new product desired and additional elements required in a new product
- Willingness to pay for the product

Sellers Profile

- Name, address
- Type of business, Products sold and mode of sale

- Initial investment in the business, working capital required and sources of finance
- Credit requirement, sources, terms and conditions
- Technical, legal, financial, institutional and social requirements to start the business
- Source of products, purchased price and means of transporting the products
- Peak hours and seasons for trade and reason for this
- Prices during peak hours and seasons
- Quantity sold in a day, in a week, in a month, during peak hours, peak season, lean season
- Change in price, quantity sold and quality required from the product over last few years.
- Satisfaction level and problems with the existing products
- Change in the buyers profile, their place and occupation
- Change in buyers requirement, reasons and is any new product emerging to cater this

Methods to use the tools

To use all the above tools to collect the respective and relevant information, there are several methods. Any of these methods can be used for any of the tool to collect the required information. These methods are –

(1) Questionnaire
  (a) Individual
  (b) Household
  (c) Village/ community
(2) Interview
  (a) Individual
  (b) Household

(c) Key informants

The interview can be structured or unstructured.

(3) Discussions

(a) Few individuals or household (up to 5)

(b) Key informants

(c) Group

- Big group
- Small group
- Focused group discussion -
- Transact walk

The participatory approach and tools have to be used keeping in mind the different perceptions of different stakeholders. Hence, sensitivity towards difference in perceptions of men and women has to be displayed and consequently incorporated in the analysis. The following example illustrates the point well:

Example: Participatory Methods Illustrate Different Perceptions of Well-Being

The use of gender-sensitive participatory methods in Darko, Ghana identified differences between women and men in their understanding of poverty. These methods documented people's own perceptions of intra-household relations and provided a far better understanding of the situation and changes underway than would have been possible through data collection on externally-selected indicators. Men and women prepared separate social maps of the village and carried out wealth and well-being rankings.

Differences in the two discussions were analysed:

- Men's criteria of wealth centred around assets like a house, car cattle and type of farm. They considered crops grown by men and not women's crops. Initially they left those with no assets out of the ranking altogether. They then moved on from wealth to a discussion of well-being, using 'god-fearing' as the main criterion.
- Women started with indicators like a house, land and cattle but moved to analyse the basis of agricultural production. Again they considered only 'female' crops and did not mention cocoa or other crops grown by men. Contrary to common perceptions, women focused on marketed crops and not on subsistence food crops.
- Women's criteria for the 'poorest' were related to a state of destitution, and the lack of individual entitlements or health-related deprivation. Men focused on the absence of assets.
- Each group had its own perception of well being. Women tended to identify factors for women, while men focused on men. Neither group looked at the household as a unit for analysing welfare.
- For both women and men, being wealthy did not always mean being better off. In the men's analysis none of the rich were 'god-fearing' and two houses with no assets had 'god-fearing' people. As for the women, the biggest vegetable producers (seen as an indicator of being well off) were not in the richer categories.

Source: www1.oecd.org/dac/gender/pdf/tipsheets/participa.pdf Summary of M. K. Shah (1998) "Gendered Perceptions of Well-being in Darko, Ghana," in Guijt and Shah (eds.) The Myth of Community: Gender Issues in Participatory Development.

Facilitators Guide - Session: 16-17

Intervention Plan Development

Objectives

- Understanding the learning process approach for developing the livelihood intervention plan
- Understating the elements of Livelihood Intervention Plan and Business Plan
- Understating the critical aspects of Appraisal

Duration: 3 hrs

Methods: Interactive Session and Small Group Exercises

Facilitation tip

The facilitator should read the given material and come prepared with some case studies to explain the need of planning and appraisal. This will also help the facilitator in explaining the planning and appraisal process. The facilitator should start the session with explaining the learning process approach. The facilitator can also ask the participants of share their experiences in learning process. An exercise for this is given below. For livelihood intervention Plan, the facilitator can ask them to share the main elements of livelihoods plan from their experience. After this, s/he can divide the participants into the groups and ask to prepare plan for any intervention. If they have visited a village, ask them to prepare a plan for livelihoods based on the livelihood analysis. Or the exercises (2,3 & 4) given below can also be used. While the group is presenting the livelihood intervention plan and the business plan, the facilitator can add the left out elements and also explain the difference between livelihood intervention plan and business plan. For appraisal, the group can exchange their plans and appraise the plan of other group. This should be followed by their presentation. During the presentation, the facilitators should explain the critical aspects of appraisal and add the left out one.

Exercise

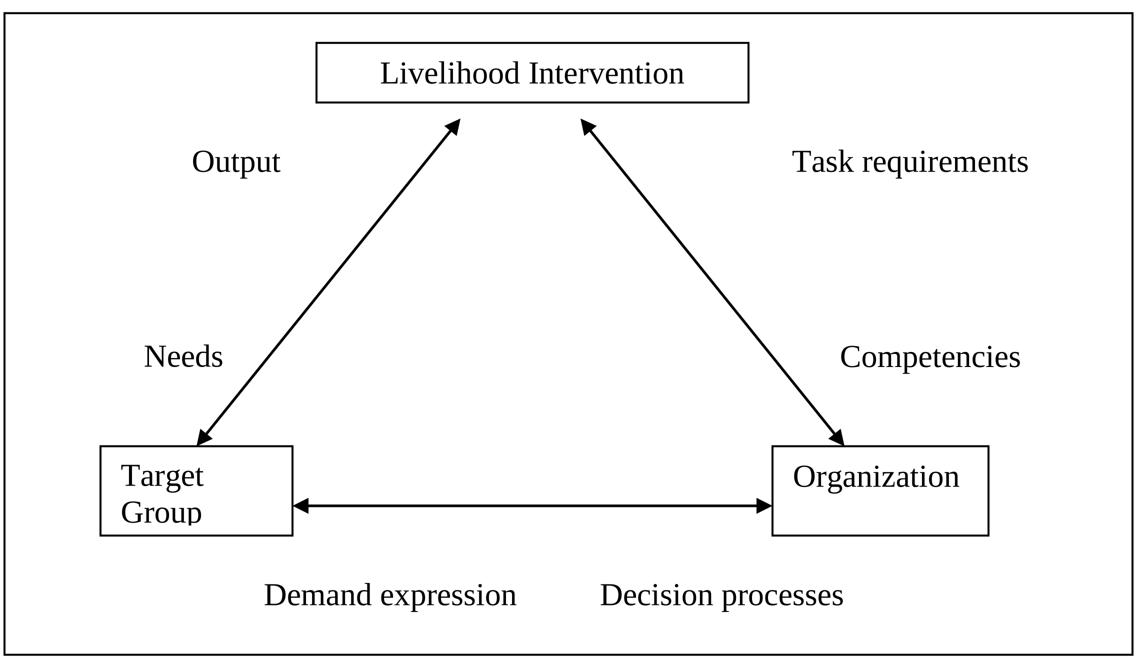
1. Analyze a livelihood intervention of any NGO with respect to learning approach and present your views on that.
2. Prepare a livelihood intervention plan for a livelihood activity, which you are familiar with.
3. An NGO like to give loan for Buffalo for marketing of milk. Prepare a business plan for it.
4. A NGO like to promote the livelihood of wage labour. Plan for it.
5. Exchange the wage labour plan and milk-marketing plan from co-participants and appraise it.

Reading Material

Enclosed as Chapter-8: Intervention Plan Development

Chapter-8
Intervention Plan Development

From the opportunities and gaps identified through the livelihood analysis, a livelihood intervention plan has to be prepared for the learning to take form into an intervention. However, there is a need to understand, in the beginning itself, that the success of livelihood intervention depends on the fit achieved between families, livelihood plan and supporting organization. This means that livelihood intervention will fail in promoting the livelihoods of the poor unless there is a close relationship between: target group needs and livelihoods intervention output, livelihoods intervention task requirements and the competencies of the supporting organization; and the mechanisms for family demand expression and the decision processes of the supporting organization.



The target group and the organization staff need to share their knowledge and resources to create a fit between needs, actions and the capacities of the assisting organisations. Both, families and staff need to spend time on an idea on pilot basis, try it, get the result and correct its errors. Organization staff/team leader needs to spend time in the village on that idea. In the learning process approach, the ideas need to be tried, tested, modified and scaled-up.

The learning process approach[13] has three main stages for successful implementation of intervention plan

1. Stage 1: learning to be effective: One or two staff spends time with families to understand the problem and develop an idea with them. The idea is tried and modified/corrected based on the errors and successes; thus a final idea emerges.
2. Step 2: learning to be efficient: Efforts are focused on eliminating activities which are non-productive and working out simplified problem solving routines for handling critical activities for a layman or less qualified staff.
3. Step 3: learning to expand: Efforts are to build the skills, management systems, structures and values in the assisting organization to carry out the prescribed activities on a large scale.

Hence, on the one hand there should be a fit between the needs of the community, the organizational capacity and the livelihood intervention. And

[13] Abstract from the reading material for SERP's training programme "Induction Programme for Livelihoods associate", prepared by Prof. K.V. Raju, Assistant Professor in Institute of Rural Management, Anand. The original article is written by David C Korten.

on the other hand the livelihood intervention should follow the steps outline above.

8.2. Elements of Livelihoods Intervention Plan (LIP)/ Business Plan (BP)

Livelihood Intervention Plan – This involves systematic planning of objectives, activities, institutional framework, timeframe, responsibilities and budget.

Business Plan – Business plan is prepared for micro-enterprises or business activity. This mainly involves planning for activities, timeframe, responsibilities, budget, forecasting costs, inputs, outputs, sales, profits and cash flows.

Difference between Livelihood Intervention Plan and Business Plan

Business plan is part of Livelihood Intervention Plan. Business plan is mainly related to economic - estimation of production, cost and profits, finances. However, the livelihood intervention plan deals with social and economical aspect of the intervention.

Livelihood Intervention Plan	**Business Plan**
LIP helps in assessing 1. Number of families to be supported 2. Activities to be undertaken and resources required 3. Financial support required 4. Various sources to arrange resources and methods to raise it. 5. Make a stepwise progress in developing systems, arranging resources, establish infrastructure,	BP is mainly prepared • To show the creditors so that the credit can be ascertain on the basis of soundness of the business. • To assess the potential of micro-enterprise to make profit in future. • To assess the financial support required **It also helps in assessing**

initiate intervention, monitoring the activities and take corrective action. 6. Responsibilities, assign them to right persons and monitor it 7. Timeframe and deadlines to start the work on time. 8. Training need for families and staff.	1. Activities to be undertaken and resources required 2. Various sources to arrange resources and methods to raise it. 3. Shortcomings of micro-enterprise need to be improved. 4. The requirement of money on certain point of time during production

The Livelihoods Intervention Plan, clearly, consists of –

Idea
Number of families to be covered
Institutional Framework

↓

Productivity, Equity and Sustainability
Feasibility and Viability

↓

Objectives
Outputs
Impact

↓

Activities
Sub activities
Time frame
Responsibilities

↓

Resources required to undertake above activities
Budget

The Business Plan consist of –

Number of families

↓

Activities,
Timeframe,
Responsibilities,

↓

Budget,

↓

Inputs
Fixed costs
Working capital
Outputs
Sales
Profits
Cash flows
Cost-benefit analysis
Break even
NPV, IRR and payback period

8.2.1. Steps in Livelihoods Intervention Plan

1. *Idea* – As we have fair understanding of livelihoods analysis tools and its uses for livelihoods analysis from previous chapter, livelihoods system of a village is analyzed at micro and macro level to identify potential activity in existing or new livelihoods to improve the incomes of a family or group of families. That potential activity is an idea for suitable livelihood intervention. Before selecting this idea for further work, one should ensure that it meets the requirement of the family/group of families as well as the competency of the supporting organization. Once it is ensured, the idea should be selected for further work with the concerned family or group of families. This idea would be central for livelihood intervention and the entire livelihood Intervention Plan would be woven around it.

2. *List of families and their expected business under that idea* – Once the idea is identified, discussions with all the families, whose needs for livelihood promotion will meet from it, need to be conducted to finalize the list of the families. Based on this list, assess the quantum of livelihood activity for each of the family to arrive at a total quantum of activity. This will be the input for selecting the appropriate institutional form to undertake the livelihood activity, plan for activities, assess the resources required and finalize the budget.

3. *Institutional framework required implementing this idea* – based on the idea, number of families and quantum of the livelihood activity, the appropriate institutional form should be selected. It can be an enterprise or collective action. If one or small number of families are coming together, micro or small enterprise would be suitable, however for large number of families, collective is a better idea. Collective can also be of

various institutional form – society, trust, cooperative, producer's company, etc.

4. Before moving further and doing any more work, it is essential to ascertain that *the idea qualifies for productivity, equity, sustainability, feasibility and Viability*. Although, this will be undertaken in-depth and with rigorously during the appraisal of the plan, the rapid assessment of plan with regard to this is essential at this stage. This will save time, energies and resources from being wasted in detailed planning, if the idea would fail on these parameters later. The details with regards to assessment of plan on these parameters are discussed in detail in the next chapter. The method for assessment would be same here, but for the intensity and rigor.

5. *Main objective of livelihood intervention, its outputs and impact on poor families* – once the idea passes the rapid assessment with regard to above parameters, the main objectives of undertaking the idea should be clearly spelt out in a joint meeting with all the families. This is very important, as it will help in refining the choice of institutional model further and finalizing the activities and sub activities that will further affect the resource requirement and budget. While defining the objective, output of each objective and impact of overall idea should also be defined. This will be helpful for monitoring as well as evaluation of the project later on.

6. *Defining the activities and sub activities* – For achieving the main objectives of the idea, activities and sub activities need to be defined. For this, identify the activities to each objective separately and break these activities down into sub activities.

7. *Specify time frame (starting and end date) for each activity and sub activities* -This will be helpful in preparing for the upcoming activities,

arranging and coordinating the resource, implementing the activities smoothly and accomplishing the task on time.

8. Along with planning for activities, sub activities and timeframe, *assign the responsibility of each activity* to families and concern staff of supporting organisation. This will help in reducing the confusion, make people accountable, and smoothly carry out the activities without hassles. This will also hasten the process.

This should be prepared in the form of following table for the convenience and presentation of entire activity sub activity plan, time frame and responsibility at a glance.

Activity Plan

#	Activity	Sub activity	Timeframe	Responsibility

9. The next step is to assess the *requirement of resources and external support*. The resources include human, financial, physical, infrastructure, assets, technology, skills, knowledge, etc. The external support means support from out of the community, either from supporting organisation or from other institutions/individuals. The assessment is important for making arrangement for it, sourcing it and coordinating the resources (as they are usually limited). This also has implications on the budget, therefore on the finance required.
10. *Detailed budget* should include unit, unit description, unit cost, total cost, year wise and source wise distribution for each activity and sub activity.

Detailed Budget

#	Activity/ sub activity	Unit description	Unit	Unit cost	Total	Year			Source		
						1	2	3	1	2	3
	Total										

11. If livelihood intervention is for income generating activity like micro enterprise, marketing, shop, a *detailed business plan* also needs to be made. The business plan is discussed in detail below.

8.2.2. Steps for developing Business Plan for micro enterprise

The business plan also includes a brief mention of number of families, activities, sub activities, timeframe, responsibilities and budget. These are same as discussed above in livelihood investment plan. In addition to this, the main and important parts of Business Plan are –

1. *Production cost*

All the cost related to the enterprises must be considered. Even the long-term expenses related to equipments, annual depreciation, should be worked out so that the entrepreneur knows the full costs before venturing into the business. The steps for this are

- Identify all the items needed to produce or sell
- Calculate the quantities of all these items – total production
- Calculate the cost of getting them for the production of a specific quantities
- Identify Production inputs:
    - Raw material: these are required to produce a product.
    - Equipment: These are the tools, machineries or implements required to produce a product.

- Labour
- Transport
- Other expenses: utilities like water, fuel, repairs, interest on loan
- Wastage/Defects

- Calculate the total production cost - Total production cost will arrive at by adding the above costs
- Costs per unit – total cost divide by number of units produced.

2. Total Sales value and profit

The total sales value is the function of total units sold and the per unit price. It is important to notice that the total sales value should cover all the production costs, labour expenses, maintenance and replacement costs for tools, equipments, implements and machinery. The difference between the sale revenue/ total sale value and total costs is profit. For estimating costs and sales, following formats can be used:

	Month **Item**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**
1	Sales									
	Quantity									
	Price									
	Total value									
2	Cost of Sales									
a.	Raw Material									
	Quantity									
	Price									
	Total Cost									
b.	Labour									

	Number Employed									
	Wages									
	Total Cost									
c.	Power									
	Quantity									
	Cost									
d**.**	Other Production Cost									
e.	Depreciation*									
	Total Cost of sales									
3	Operating Profit (1-2)									
4	Less:									
a.	Interest									
b.	Selling, general, administrative Expenses									
5	Profit before taxation (3-4)									
6	Provision for income tax									
7	Net Profit (5-6)									

Depreciation is the reduction in the value of assets.

3. Cash flow

Cash flow refers to the amount of cash being received and spent by an enterprise during a defined period. A cash flow plan is a forecast which shows how much cash is expected to come into and go out of the enterprise in a given period. The cash flow plan helps the entrepreneur to make sure that the enterprise/institution does not run out of the cash at any time and has enough cash to pay its costs. An institution can make a profit in a year but can still run out of the cost. But adverse cash flows or shortage affects profits. There are several reasons why an institution runs out of cash:

- The business has to buy raw material before it makes finished goods and sells. This means that cash goes out before cash comes in
- If the business gives credit to its customers, repayment may not happen regularly in stipulated time. But business has to run before these credit customers pay
- Business needs cash to invest in infrastructure, equipment the benefits of some of which are not immediate but have long-term implications. But still business has to incur these expenses before any cash flow through sales.

The cash flows are of three types:

- Operational Cash Flows: Cash received or expended as a result of the companies core business activities
- Investment Cash Flows: Cash received or expended by making capital expenditures (i.e. the purchase of new machinery), the making investments or acquisitions
- Financing Cash Flows: Cash received or expended as a result of financial activities such as receiving or paying loans, issuing stock, and paying dividends

A cash flow statement is the financial report showing the cash inflows and outflows and used in understanding the short-term viability of an enterprise, especially its ability to meet its costs. It helps an entrepreneur to make sure that the enterprise does not run out of cash at any time. In other words, this can be used to make sure that the enterprise always has enough cash to pay its costs. The cash flow plan 1) gives a warning in advance about the future cash shortage, 2) facilitate more control over the flow of cash, 3) prepare to solve or avoid the problems before they happen and in 4) managing the working capital. To make cash flow plan, one needs to forecast the amount of cash, which will come in and go out. For this, use the following table.

Months	1	2	3	4	5	6	7	8	9	10	11	12
In flow:												
Cash at the start of the month												
Cash in from sales												
Any other cash in												
Total cash in												
Out flow:												
Cash out for direct material cost												
Cash out for direct labour cost												
Planned investment in equipment												
Cash out for paying loans, dividends, issue of stocks, etc												
Any other cash out												
Total cash out												
Net in and out												
Cash at the end of the month												

4. Total working capital requirement

Working capital also known as operational capital refers to the amount required to run the day to day operations of the business. In this context, we are talking about the net working capital which is the difference between current assets and current liabilities.

In estimating the working capital requirement, operating expenses directly or indirectly related to the production and sales operations are taken into account. Inventory, work-in-progress, receivables, creditors and contingency are the main components of working capital. Working capital requirement are calculated for a business cycle, which is the time period between purchase of raw material to realization of the money from sales. While estimating the working capital requirement sometimes, the interest on working capital is not included. This happens because in the case of a sound business enterprise, the financers believe that the interest on working capital should be generated from the business activities and should not be borrowed as a loan.

Working Capital = Current Assets – Current Liabilities

Terms

Current Assets: Current assets include cash, cash equivalents, accounts receivable (debtors), inventory, which will be used within a year and can be easily converted into cash when required.

Current Liabilities: Accounts payable for goods (Creditors), services or supplies that were purchased for use in the operation of the business and payable within one year would be current liabilities.

Inventory: Raw material, Finished goods and Work-in-Progress (semi-finished goods)

Debtors: Are the people/institutions who owe money to the enterprise

Creditors: Are the people/institutions to whom the enterprise owes money

Liquidity: In this context, liquidity means the possibility of converting into cash quickly

Format for working capital estimation

WORKING CAPITAL ESTIMATES							
		Norm in months	**M-01**	**M-02**	**M-03**	**M-04**	**M-05**
1	Raw materials						
2	Work-in-progress						
3	Finished Goods						
4	Book Debts						
	Total current assets						
1	Working capital margin @ 25% of total current assets						
2	Trade credit						
3	Bank credit for working capital						
	Total current liabilities						
1	*Interest rate on Working Capital Loan (%)*						
	TOTAL WORKING CAPITAL						

5. Break-even

The **break even point** for a product is the point where total revenue received equals total operating costs associated with the sale of the product. Break-even analysis is a tool to calculate at which point of sales volume the variable and fixed costs of producing your product will be recovered. Another way to look at it is that the break-even point is the point at which the product stops costing you money to produce and sell, and starts to generate a profit for your company. The break even point helps in:

- Setting the price levels
- Optimal fixed and variable costs combination
- Products to be manufactured or dropped

Break even quantity = Total Fixed cost / (Unit selling price – Unit variable cost)

Terms:

Fixed Cost: It does not change with the change in the production and long-term in nature. It varies only when there is additional capital investment. It has to be incurred even when the production is not happening

Variable Cost: Variable cost varies directly with the production and is incurred only when the production happens. Unit variable cost is the variable cost of the single unit of the product/service

Unit Selling Price: It is the sales price of a single unit of product/service

Unit selling price – Unit Variable cost is called the contribution margin. It explains the relationship between the variable cost and the selling price. Estimation of break-even helps in determining the sales per day, per month and per year. Knowing the required time and quantity of break-even will give an idea whether to start the business or not.

Project Selection Methods

The projects are selected based the time period to get back the investment. Higher the profits, it is easier to get back the investment in short period. Apart from the financial benefits, risk, environmental concerns, distribution of the benefits (equity) and regularity of income are some of the other criteria used. The following methods for project selection based on financial soundness are detailed below:

<u>Cost Benefit Analysis</u>

In simple words, cost benefit analysis compares the cost of the project and returns from the projects for a period and reflects whether the total benefits from the project would be higher or lower than the total cost of the project in the long run. For a project to be taken-up, the benefits should be more than the costs. Here the cost includes not only the monetary costs but also the social and environmental costs.

Cost Benefit Analysis include -

Cash Flow Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Total Cash Inflow (A)					
Total cash Outflow (B)					
Net Cash Flow (A-B)					
Cumulative Cash Flow					
Payback Period	Year				
IRR					
NPV					

Methods to judge the merits of Investment

The most commonly used method of appraisal for the viability of the project is looking at the rate of return i.e. the money generated by the project. It indicates the overall financial viability of the project/intervention. The three important measures used are: 1) Payback method, 2) Net Present Value Method and 3) Internal Rate of Return Method.

A. Payback Period:

The best way to judge the investment is to calculate the amount of time it takes to recover the investment. According to this criterion, the shorter the duration of the recovery of initial investment, the more desirable the project is. Longer the payback period, the greater is the risk associated with the project. For example –

#		Year 1	Year 2	Year 3	Year 4	Year 5
1	Net Cash Flows	**-18005**	**12470**	**12470**	**12470**	**21803**
2	Cumulative Cash Flows	**-18005**	**-5535**	**6935**	**19405**	**41208**
3	**Pay Back Period**	3rd Year				

In this case, the payback period is less than 3 years. The only shortcoming of this method is that it does not account the time value of money as it just adds the cash flows and does not look at the timing of the cash flows. Also, in the case of few projects, the cash flows may continue even after covering the initial investments. For example, two projects with initial investment of Rs.1,00,000 each will recover the initial investment in 2 years. One project may cover the initial costs faster and provide no cash flows at all after 2 years, whereas the other project may continue to provide inflows even after 2 years.

Hence, to overcome this problem, Net Present Value (NPV) & Internal Rate of Return (IRR) method is used for sub project selection.

B. Net Present Value (NPV):

The NPV method estimates the projected earnings from an intervention for the entire life of the intervention and also the residual/salvage value that can be obtained at the end of the project. Thereafter, the earnings are discounted at an appropriate interest rate to bring the earnings of all the years to a common comparable date, which is the state of the project. This is done because the value of money that is hand is more than that is anticipated in the future. Hence, the future value of money is discounted.

The process of discounting is the reverse of compounding of interest rate. For example, Rs.1000 in a safe investment will yield Rs.1100 in the next year and

Rs. 1210 in the second year and so on at an interest rate of 10%. Discounting reverses the process and finds out the present value of Rs. 1220 that we will get after two years. The current value of future money that we get after discounting is called the present value and is calculated by:

$$\text{Present Value} = \frac{\text{Future Sum}}{(1+i)^n}$$

Where *i* is the rate of interest and *n* is the number of periods or years.

The NPV of a business plan is the sum of the present value of net cash flows (Positive/negative) of each year that is expected to occur over the business plan period. In this method year wise net cash flows are converted in to their present values (PV) by multiplying with suitable discounting factors. It is the most accurate and theoretically correct method. If NPV is positive, accept the business plan. If it is negative, reject the business plan.

Example:

Two projects A and B's earnings over 5 years are discounted with an interest rate 10%. The initial investment available is Rs.1000.

	Project A		Project B	
	Earnings	Present value	Earnings	Present Value
Year 1	200	181.80	500	454.50
Year 2	300	247.80	400	330.40
Year 3	500	375.50	100	75.10
Year 4	200	136. 60	200	136.60
Year 5	200	124.20	200	124.20
Total		1065.90		1120.80

By deducting the initial investment from Project A, the surplus is Rs. 65.90 (1065.90-1000) and from Project B is Rs.120.80 (1120.90-1000). From Project B, the institution is able to pay back the loan in 5 years and also able to make a surplus more than the Project A. Hence, Project B should be taken up.

C. Internal Rate of Return (IRR)

IRR method is the modification of NPV method. NPV method does not furnish exact rate of return. IRR is that rate at which the sum of discounted cash flows is equal to the original investment. It makes the present value of earnings equal to the investment or makes the NPV zero. The calculation of discount rate (IRR) involves a trial and error. Accept the sub project if the IRR is greater than the cost of capital (interest rate of loan amount). Reject the business plan, if it is less than the cost of capital.

Case Study 2 - Potato Wafer Unit – a New Start

A group of Ismailis at Bhavnagar are involved in the business of vegetables for more than twenty-five years. At present this business is facing a huge competition due to the entry of number of unskilled labour from cotton mills after its closure. This situation has adversely affected the volume of business being done by each retailer of the *mand*i. With the growing members in the family coupled with the limited capacity of their business, is posing a great threat for the future of their upcoming generation. So in anticipation of the likely problems, the local council of Bhavnagar feels that there is a need to identify some business activities, which can consume the younger generation of the community who will otherwise become a part of the vegetable business after few years. It is against this backdrop that "Enterprise Support Program" launched by Aga Khan Economic Planning Board-India took up the promotion of a potato wafer unit for a group of three young people of the community.

Planning for the Business

Identification of the entrepreneurs: The head of the community was entrusted with the task of identifying the potential entrepreneurs as it a first crucial task for starting an enterprise. Willingness to participate in the programme was made the main criterion to select the youth in the age group of 20-25 years, as the professional inputs can yield result only when the entrepreneur is desirous to give the input a chance to be experimented. This broadly the selection was done on the basis of the following criteria:

- Willingness of the entrepreneur to participate and seek support of the programme
- They should have the mandate of their family members
- They should not be the sole earners of their family

Based on it nine entrepreneurs were selected. Out of which three most compatible were selected for the first phase.

Identification of the Activity

There are two major tasks before taking a final decision into the activity:

- Checking the suitability of the entrepreneurs for the activity: This was done through holding four to five sessions with the entrepreneurs to have a comprehensive understanding of their backgrounds. After assessing the skills of the entrepreneurs, various activities necessary like production, marketing, financial management and procurement were identified. The activities were further categorized into skilled, semi-skilled and unskilled activities. Based on this, attempt was made to judge the suitability of each entrepreneur vis-à-vis each activity using the following format.

Suitability **Activity**	**Very Fit**	**Fit**	**Misfit**
Production			
Marketing and Sales			
Procurement			
Financial Management and Planning			

Based on the above table, trainings were conducted to strengthen the strong areas of each entrepreneur.

- Environmental assessment of the potato wafer business: Key informant and physical market survey were two methods adopted to assess the environment. EDA along with the entrepreneurs visited number of shops to see the brand preferences of the customers as well as the retailers, margin available with the retailers, the level of competition in the business and appropriate distribution channel for the product.

Formulating Business Plan

Marketing Plan

After the environmental assessment a detailed marketing and sales plan was drawn up by diving the whole Bhavnagar city into five zones and plan was made to penetrate each zone in a phased manner. In each zone, suitable location, preferably near schools or circles were identified to sell the product directly to the customers at a price lower than the competitors. A marketing plan with the following elements were drawn-up:

- Product: plain potato wafer in small packs of 50 gms was decided upon on the grounds of affordability, ease of buying and preference of the customers. Depending on the feedback after the first phase, the products will be diversified into new flavours like masala wafers and similar snacks and different pack sizes.

- Price: Based on the customers' willingness to pay and to maintain the quality of the product in the customers' eyes, lowest price strategy was not adopted. OS it was decided that the price would be Rs.5 per 50 gms and Rs.60 per kg.
- Position: The product was positioned as "fun food snacks" item targeted at people spending relaxing moments with friends at cinema halls, parks, etc
- Place: Based on the above positioning, the distribution channel was supposed to be the general stores, paan shops near theaters, schools, parks and temples.
- Promotion: Due to limited funds, promotion was done with posters and banners to be place at prominent places. Point of purchase materials were prepared to be pasted on the retail counters to create awareness among customers.

Financial Plan

To judge the project from financial angle, information on the following aspects were collected:

- Costs of the project: The cost of the project includes fixed assts, pre-operative expenses and provision for contingencies. All of this amounted to Rs.60, 000. (See the annexure for detailed cost sheet)
- Means of financing: Since the formal source have declined to finance the project, the entrepreneurs borrowed from the private people at nominal rate of interest of 1.5% per month
- Estimation of sales and production: For practical purposes it was assumed that the production would be equal to sales as under utilization of the capacity of the plant was not going to give all three of them an expected income.

- Cost of production: The major components of cost of production are material cost and utilities cost.
- Working capital requirement and its financing: In estimating the working capital requirement, operating expenses directly or indirectly related to the production, procurement and sales operations were taken into account.
- Profitability projections: Based on sales revenues and cost of production, the next step followed was preparation of profitability projections

Implementation and Monitoring of the Plan

Initial problems were faced in getting the finances from the formal sources. Next, there were problems in production to produce what was fit for the market and resulted in wastage of raw material as well as the end product. This problem was solved after consulting with the expert in the field. Due to the lack of salesmanship, dynamism and understanding of the logic behind various interventions, the entrepreneurs were unable to take up the tasks assigned to them in initial phase. So they were constantly being sensitized about all these facts of marketing.

Lessons for others

Promoters of the micro-enterprise will have to address the following issues while counseling the entrepreneurs:

- Suggest the name of the business that will give assured and high returns for a very long duration of time
- Suggest business that will enjoy monopoly for a long duration
- Suggest ways to make quick money
- How the support provided by the promoting organization will be useful to the business
- How much is the support duration to yield the desired results
- What will happen if the support fail to yield the desired result

Firstly, the above list clearly brings out the element of risk attached with any business activity and the risk absorbing capacity of the small entrepreneurs is limited. Also the expectation of the entrepreneurs from the promoting organization is high and hence the main consultant should act as a counselor.

Secondly, the entrepreneurs will not be able to visualize the logic behind the projects that do not give them immediate benefit and will participate in it half-heartedly.

Thirdly, it is important to monitor the implementation of the plan to get regular feedback and bring changes accordingly

Fourthly, it is important for the promoter to impress upon the credit-disbursing agency about the potential of the project rather than securing credit on the basis of the past record of the organization.

Fifthly, the business plan should have a ling-term vision. Enough attention has to be paid to the financial management

Most importantly, business plan should be made with the involvement of the entrepreneurs

TABLE 1: COST OF THE PROJECT				
SL.	**Plant and Machinery**	**Unit No**	**Rate (Rs.)**	**Total (in Rs.)**
1	LPG Oven	1	850	850
2	Packing Machine	1	900	900
3	Weighing Machine	1	325	325
4	Peeling Machine	1	160	160
5	Knife	1	70	70
6	Can	1	400	400
7	Disks for slicing, drying and storing	4	100	400
	Total A			**3105**
	Miscallaneous Fixed Assets			
1	Electrical Equipments			300
	Total B			**300**
	Pre-Operative expenses			
1	Interest on borrowing		1.5% per month	150
2	Travelling expenses			200
3	Rent on building		600 per month	600
4	Miscallaneous			200
	Total C			**1150**
	Consultancy fee (D)			**600**
	Provisions for contigencies (E)		5% of the est. cost	**310**
	Total (A+B+C+D+E)			**5465**

TABLE 2: ESTIMATION OF SALES AND PRODUCTION						
#	Items	1st Month	2nd Month	3rd Month	4th Month	5th Month
1	Installed Capacity (qty. per month in kg)	300	300	300	300	300
2	No. of working days	30	30	30	30	30
3	Estimated production (in kg)	75	150	200	250	270
4	Capacity utilization (in %)	25	50	66	84	90
5	Sales (in kg)	75	150	200	250	270
6	Value of sales (in Rs)	4500	9000	12000	18750	20250

Note: From fourth month onwards, the pack size will be reduced to 40 gms in the place of existing 50 gms. This will increase the selling price of potato wafers from Rs.50 per kg to Rs.75 per kg.

TABLE 3: COST OF PRODUCTION (PER 10 KG OF POTATO WAFER)				
	Mineral Cost			
#	**Items**	**Total Cost (Rs.)**	**Qty. (kg)**	**Rate (per kg)**
1	Potato	180	30	6
2	Oil	120	4-4.25	25-30
3	Salt	5	1	5
	Total (A)	305		
	Utilities			
1	LPG	100		
	Total (B)	100		
	Total (A+B)	**405**		

TABLE 4: SALES EXPENSES						
		(Figures in Rs.)				
#	**Expenses**	**1st Month**	**2nd Month**	**3rd Month**	**4th Month**	**5th Month**
1	Sales Promotion and Advt.	500	200	200	0	0
2	Plastic bags and baskets	100	150	200	225	250
3	Travelling expenses	500	750	1000	1250	1500
4	Packaging material	680	1360	1820	2045	1534
	Total	**1780**	**2460**	**3220**	**3520**	**3284**

TABLE 5: WORKING CAPITAL REQUIREMENT						
#	**Items**	**1st Month**	**2nd Month**	**3rd Month**	**4th Month**	**5th Month**
1	Raw Material	2250	4500	6000	7500	8100
2	Rent	600	600	600	600	600
3	Printing and stationery	100	100	50	50	50
4	Op. Sales expenses	1100	1100	1400	1475	1750
5	Utilities	750	1500	2000	2500	2700
6	Misc. Expenses	100	100	100	100	100
	Total	**4900**	**7900**	**10150**	**12225**	**13300**

TABLE 6: PROFITABILITY PROJECTION						
#	**Items**	**1st Month**	**2nd Month**	**3rd Month**	**4th Month**	**5th Month**
1	Installed Capacity	18000	18000	18000	22500	22500
2	Capacity Utilization	4500	9000	12000	18750	20250
3	**Sales Realization (A)**	4500	9000	12000	18750	20250
4	Cost of Production	3000	6000	8000	10000	10800
5	Operating Cost	800	800	750	750	750
6	Sales Expenses	1780	2460	3220	3520	3284
	Total Expenses (B)	**5580**	**9260**	**11970**	**14270**	**14834**

	Gross Profit (A-B)	**-1080**	**-260**	**30**	**4480**	**5416**

Having discussed an example of livelihood planning, we need to notice that preparation of livelihood intervention plan or business plan is not sufficient. These plans need to be appraised before implementing the planed activities. The objective of appraisal is to approve or modify or reject the proposal if it is deviating from the basic principles of the livelihood promotion - that is, equity, and sustainability.

8.3. Appraisal

Third party, who is not going to be affected through this intervention in any way, should appraise the Livelihood intervention plan/ business plan. This is to eliminate the biases and getting the fair idea about the plan. The appraisal of livelihoods intervention plan into –

1. *Social Appraisal - Equity*

The livelihood intervention should ensure gender as well as social equity. This means that the intervention should not increase the burden on vulnerable sections, provide control to them, involve them in decision-making and management, and ensure equal wages to women and equal benefits to women. For ensuring the social equity, the intervention should not negatively affect women, the poorest, socially backward, vulnerable, destitute, minorities and disabled; to a greater extent include them in the project.

2. *Productivity*

The productivity is viewed with regard to the resources and/or an enabling environment. The livelihoods intervention will be considered productive if it increases the production, yield, quality and/or income. Decrease in the expenditure on livelihood or non-livelihoods activities would also be considered productive. The productive livelihood intervention would also help in creating assets, building the skills of the families and providing enabling environment so as to increase the productivity.

3. *Technical feasibility*

The livelihood intervention plan should include the use of such a technology, which is appropriate to the local conditions, consistent with best-practice standards, cost-effective in resource utilisation, simple in use and maintenance. Technical feasibility pertains to the process to be adopted and the suitable machinery to be employed. The important aspects that are examined under technical feasibility are:

- Manufacturing process/technology to be employed
- Size of the plant
- Location of the plant
- Technical arrangements – collaboration with others

4. Financial Viability for infrastructure and economic activities

An enterprise/ livelihood activity, if it can survive, is considered as viable. Financial viability is related to economic activities and small-scale infrastructure. To simplify financial viability assessment benchmarks for infrastructure, investment costs per unit (e.g., costs per benefiting household for roads, drinking water and sanitation, etc., or costs per hectare for irrigation infrastructure, horticulture etc) could be used and need to be developed. For micro enterprises a full cash flow analysis, cost-benefit analysis, Return of Investment and IRR/ NPV is conducted to ensure the financial viability.

5. Profile of families/ individual beneficiaries

For appraisal of the project proposal, one should look at the profile of the families. The main aspects that need to be looked into are:

- Match with the livelihood requirement of the family and the objectives and outputs of the activities.
- Match with the programme criteria. For example, if project is planned to address the need of tribal, families should be tribal only.
- Skill, knowledge and experience to take up the activity. If not available, what is the provision in the project proposal.
- Credit worthiness of family, if loans are provided under the programme. For this, look at their previous track record – loan repayment status in respective SHGs, banks, local moneylenders, previous government programmes, etc.

6. Community Participation

The livelihood intervention plan should be developed with community through their participation at every stage of planning. They should also participate in budgeting and identifying the sources of finance. In addition to this they should be financing the project, sharing ownership and responsibilities etc. All of these are required to be checked during the appraisal.

7. Production factors

To ensure continuous production, the production factors – availability of input, labour, cost, natural conditions, and weather need to be assessed. This has to be crosschecked during appraisal. While appraising the production factors, raw material, power and labour are the broad aspects that will be covered.

8. Marketability

Detailed market study for the product/ service needs to be undertaken to assess the marketability of the product/ service. For this, demand trends, willingness to pay price and quality need to be thoroughly checked. The following aspects are covered under marketability:

- Identification of the project
- Nature of the product and government intervention, if any
- Overall market potential
- The market prospects for the particular unit
- Selling arrangements
- Assessment of price

9. Economic Viability

In addition to financial viability, a separate economic assessment would be undertaken only when major inputs and / or outputs with distorted financial prices are crucial in the livelihoods investment plans. The economic appraisal is directed towards determining whether the sub project is likely to contribute significantly to the development of the economy as a whole and if the contribution of the sub project is likely to be sufficient enough to justify the use of scarce resources. In other words, it is the comparison of quantifiable costs and benefits accruing to society as a whole and not to the immediate beneficiaries. An example would be water pumping using subsidized electricity.

10. Appropriateness of Institutional framework - Governance

The institutional framework should be able to undertake the activities to achieve its objectives. For example, if the intervention is in milk marketing in local area, SHG can handle it. However, the intervention is in milk marketing at state or national markets, proper set up for handling all the required for distant marketing is required, in this case either cooperative or producer's company would be appropriate. Similarly, the governance in the institution, profit sharing, cost sharing, responsibility sharing and legal framework should also be looked critically.

11. Operations and Management

A detailed plan for firm commitments for the Operations and management responsibilities and arrangements is required. Only if the proposed plan convincingly demonstrates the O & M arrangement and planning, it should be approved. The management appraisal includes the competence and professionalism of the staff of the promoting organization as well as the community trained professionals.

12. Human resource requirement, mechanisms to build their skills and capabilities

The good plan should incorporate the human resource requirement – kind of human resources required, method for sourcing it, retaining it and building their skills and capabilities from time to time to undertake the desired activities. The appraisal should look for this to ensure the robust plan and its successful execution.

13. Time schedule

The time to start and finish the activities should be realistic and achievable. The time frame should be in accordance to the requirements of the project – setting-up time, recruitment and training of the human resources and establishment of infrastructure, all of which have implications on the promotion/preliminary costs. Hence, the time frame has direct relation to the cost and need to be appraised for the time frame to be in tune with the requirements and the implications on the cost.

14. Sources of finances

The appraisal should also look into the sources of finance. The sources of funds can be broadly classified into:

- Owned
    - Share capital – equity, preference
- Debt
    - Term loans
    - Debentures
    - Leases
    - Unsecured loans
- Central or state government subsidies
    - Grants
    - Interest free loans

Each of these sources has to be examined and should incorporate anticipated escalation costs. Each of the sources mentioned above has its own merits and demerits and its suitability varies from industry to industry. The sources of finance appraisal should focus of the percentage of money sourced from various sources, chances of getting fund from them, their terms and conditions and its implications on all the stakeholders.

15. Environmental impact

While major environmental impacts are unlikely due to the small nature of the individual sub-project, an environmental checklist would be part of the appraisal process including impact on natural resources, safety for people, health risks etc. Certain livelihoods or practices within a livelihood have adverse impact on the environment – use of chemicals in agriculture, unsustainable fishing practices, food processing, leather production brick making, and ceramics. Extra care needs to be taken while appraising these livelihoods and have to check if suitable measures are taken either to reduce or mitigate the impact on environment.

These are the main parameters of the appraisal, however the detailed checklist of appraisal is given in the following page.

Appraisal Checklist[14]

Stakeholders' participation and Sub-project Management

i. The process of the sub-project evolution (community involvement - poorest/ vulnerable groups and women)
ii. Community's involvement in budgeting
iii. Sub-project's significance in bettering the conditions of these groups
iv. Community contributions (down payment and phased contributions in cash, kind labour etc.)
v. Mechanisms for implementation, operations, maintenance, post-project aspects, fund management, record-keeping etc.
vi. Manpower requirements
vii. Institutional capacity to manage the sub-project and fund management capacity
viii. Sub-project as understood by the community groups/SPA

Pro-poor and Gender aspects

ix. Effect on poorest (negative, if any)
x. Effect on women and children
xi. Extra burden on women and the poorest
xii. Decision-making aspects
xiii. Control on Assets
xiv. Wage rates
xv. Employment Generated (for the poor)

[14] Taken from Operation Manual of APRPRP.

xvi. Expected results/incomes (women vis-à-vis men and poorest vis-à-vis less poor; and number)

xvii. Number (and list) crossing the poverty line

xviii. Expected changes in men-women interactions/relationships and Poorest-less poor relationships

Technical aspects

xix. Technical feasibility

xx. Technology availability/acceptability/adoptability to local situation (appropriateness)

xxi. Technical Standards (quality)

xxii. Cost-effectiveness

xxiii. Skills required/upgradation aspects

xxiv. Process appreciation

xxv. Producer ----->----->----->---- Consumer chain aspects

xxvi. Raw material aspects

xxvii. Demand aspects

xxviii. Backward-forward linkages

Economic and Financial aspects

xxix. Infrastructure availability aspects

xxx. Convergence aspects (other sources of funds; schemes); Institutional linkages

xxxi. Unit costs; per capita costs

xxxii. Cashflow (for mico-enterprises)

xxxiii. Viability aspects (IRR, NPV or Pay back period)

xxxiv. Repayment schedules

xxxv. Costs and Benefits

xxxvi. Post-project incomes and costs

Exercise: Farmer's Cooperative Project

A Producer's cooperative has been set up in a city to procure and market, a wide rage of agriculture produce of the farmers in the neighbouring areas. The procured produce would be brought to a central storage (CS) to set up in the city and sold through 200 retail shops both belonging to the cooperatives. The CS would be a sophisticated facility consisting of sorting and grading line and cold stores with temperature and humidity controls. The cooperative has made estimates of project costs, likely activity levels, sales and revenues which are shown below:

#	Head	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
1	Cost of CS and Associate facilities	30 Crores					
2	Cost of retails shops	6 Crores					
3	Projected Activity Levels						
(i)	Quantity of Agro Produce to be sold (Tons)		80000	100000	110000	121000	121000
(ii)	Weighted Average variable cost/ton (Rs.) excluding interest		7000	7000	7000	7000	7000
(iii)	Weighted Average selling price/ton (Rs.)		8500	8500	8500	8500	8500
(iv)	Fixed Cost (Rs.) other than interest and depreciation		2 Crores	2 Crores	2 Crores	2 Crores	2 Crores

Working Capital Requirement: It has been found that the working capital requirement for each year consisting of a minimum (permanent component) and a fluctuating part. Both the minimum component and the fluctuating part increase directly in proportion to the quantity being sold in the year.

Management has decided to meet the investment through short term bank borrowings at an interest rate of 12% per annum. The month wise working capital computation for the first year is as follows:

April	Rs. 3 Crores	October	Rs. 5 Crores
May	Rs. 3 Crores	November	Rs. 4 Crores
June	Rs. 4 Crores	December	Rs. 4 Crores
July	Rs. 5 Crores	January	Rs. 3 Crores
August	Rs. 6 Crores	February	Rs. 3 Crores
September	Rs. 5 Crores	March	Rs. 3 Crores

Depreciation for tax purposes : 25% Written Down Value Method

Tax Rate : 50%

Prepare Cash flows and evaluate the project on NPV Basis.

Points to Ponder

- What are the implications of high administrative cost on the intervention?
- Calculate the administrative cost of your project, the benefit to the target group in terms of increased income and the time-period of realization of the investment
- How costs can be minimized?
- Are there any frameworks for appraisal?
- Sit with a small entrepreneur and enquire what are the factors he/she would look at before taking up an enterprise and how appraisal is done?

Exercises

1. A cooperative society purchased a handloom on 1st January 2006. Calculate Depreciation by written down value method at 5% rate as on 31st March 2007

2. The price of a product is Rs.2, the variable cost per unit is Rs.1 and the fixed costs are Rs.5000. What is the break-even point and comment on the profitability?

3. Calculate the Net present value

	Project A	
	Earnings	Present value
Year 1	500	
Year 2	600	
Year 3	700	
Year 4	300	
Year 5	200	
Total		

5. According to the projected total investment of Weavers Promotion Society for the next five years for reaching 5000 weaver households is Rs. 2 crores. The conservative estimate of increase in income per household is 20% of the current income (20% of Rs.1500 per month per artisan household) i.e. Rs. 300. Assuming that only 50% of the collectives survive and service only 2500 artisans as against the targeted 5000 artisans, calculate the following.
    a. What is the investment per household?
    b. What is the payback period of the investment?
    c. The return on investment at 10% discount rate – in figure and in percentage

6. Identify fixed and variable costs
    a. Office Rent
    b. Repair to the spare parts of the machine
    c. Raw material
    d. Taxes

e. Wastage of yarn

f. Polishing of the finished product

g. Auditing charges

h. Market survey to estimate the demand

i. Salary of the marketing executive

j. Construction of the office building

k. Pilot production cost

l. Fuel

m. Electricity expenses of the factory

Facilitators Guide - Session: 18-19

Implementation Arrangements

Objective

Understand the arrangements required for successful implementation of plan.

Duration: 3 hrs

Methods- Small Group Exercise and Presentations

Facilitation tip:

The facilitator should read the material as well as come prepared with case studies, where livelihoods plans were implemented systematically and were not implemented systematically. The critical analysis of these case studies will help participants to understand the need of systematic implementation as well as the steps involved.

After this, the facilitator can ask them to share their experiences in implementation of livelihoods interventions (successful or failure) and critically analyze its success or failure based on the implementation.

Having done this, the facilitator should divide the participants into groups and ask each group to discuss and suggest the implementation arrangement required for any livelihoods intervention. For this, if they have visited a village, the livelihoods intervention plan prepared based on the visit can be used. Or the following exercises can be used.

While each group is making a presentation; the facilitator can discuss, explain, add or modify or the arrangements with the participants.

Exercise

1. Suggest implementation arrangements in detail for livelihood promotion through buffalo.
2. Suggest implementation arrangements in detail for livelihood promotion of wage labour.
3. Design the institutional framework and human resource requirement for collective marketing of paddy for 10,000 families from Mahabubnagar district.

Reading Material

Enclosed as Chapter-9: Implementation Arrangements

Chapter – 9

Implementation Arrangements

Once the Livelihood Intervention Plan is appraised and sanctioned, the implementation of plan requires putting up together institutional arrangement, mobilizing the resources – human as well as finance, capacity building of staff and target group, establishing backward and forward linkages, building partnerships, convergence with the government departments, establishing monitoring and evaluation systems, carrying out the activities, monitoring the activities and taking corrective measures based on the feedback and designing the exit strategy.

1. Institutional arrangement[15]

Institution is the base that supports the production and marketing interventions. Many of the well-designed livelihood interventions have also promoted community based institutions for the sustainability of the livelihood. The appropriate institutional arrangement has a positive relation with the success of livelihood intervention. While designing institutions for livelihood promotion, the following aspects have to be kept in mind:

- Need/Objective : Economic or social or capacity building, only marketing, basket of activities
- Scale : Individual or collective enterprise
- Ownership : Community owned
- Capital intensive : small investment with major community contribution or technology intensive requiring external mobilization of resources

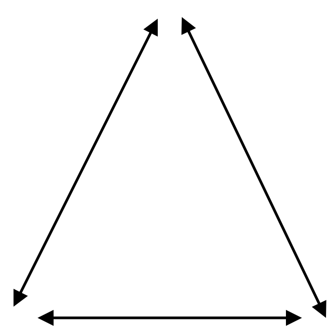
[15] Abstract from the reading material for SERP's training programme "Induction Programme for Livelihoods associate", prepared by Prof. K.V. Raju, Associate Professor in Institute of Rural Management, Anand. The original article is written by Tussar Shah.

When we talk about the institutions in livelihoods, at one level it refers to support institutions – promoting organization, capacity building institutions and formal institutions like banks. On the other level, it also includes the institutions of the poor – Self-help groups, cooperatives, producer companies and others. Hence, in the institutional arrangements include arrangement with the external institution as well as the enterprises, community based institution promoted for the livelihood interventions.

Any form of institution, consists of three inter-connected entities: Members, Operating system and Governance structure. An ideal design is the match and coordination between governance system, members and operating system. The institutions functions well, when three of them compliment each other.

Governing-Operating Structure Triangle

Governance Structure (Governing Body)



Members

Operating System (Managers/Executives)

(Ref: Tushaar Shah)

Operating system is the device organizations evolve and use to achieve purpose important to their members. It includes business enterprise of the institution, systems, structures, rules and norms. The operating system provides the range of services members need; in turn, it receives member business and capital from the members to build it. Since members are too numerous to hold the operating system accountable to itself, they use an elected board as their governance structure. Governance structure refers to the board and the chairman of the institution. Its primary function is to aggregate and represent the member interest in formulating goals, policies and plans.

Robust design of the institution follows the following three important principles

1. Core purpose central to member – Well-designed institution aims at purposes, which are central to the members and not to the government, donor agencies or supporting organisation.
2. Responsive operating system – The operating system is the device institutions evolve and use to achieve their purposes; it includes business enterprises, systems, structures, rules, norms that governs its working. The design – concept of an institution aiming at purposes central to its members will be robust only to the extent that its operating system is able to find, develop and sustain the distinctive competitive advantages so as to out perform its competitors. They typically do so by finding the new users of their services/ products for members outputs, by modifying the technology used at intermediate stages, and, in general, by finding innovative ways to address anomalies in the operations.
3. Patronage cohesive governance structure – The robust design concept overcome the weakness of their governance structure by promoting design features that enhance the patronage cohesiveness

of their governance structure and processes. It means that the supreme policy forming authorities lies with the elected board of members to whom the managers are fully accountable. This also ensures that the purpose central to the members remain important to the governing structure as well.

4. Securing and retaining member allegiance – As time changes, the priority and needs of the members change. With this change, the organisation may not remain relevant to them; therefore they may desert the institution for other institutions. Robust design concept build and sustain member allegiance by progressively evolving new services intone with the changing needs of the members.

Therefore, the institutions promoted to implement livelihood interventions must follow above principles for it to be relevant to the members. However, the various forms or models of the institution can be adopted based on the objective and activities of the livelihood intervention. The possible models or forms of the institutions are Society, Trust, Cooperative, Producer's company. The comparative analysis of these institutions is given below:

#	Dimension	Enterprise	SHG	Cooperative	Producer's Co.	Society/Trust
1	Legal Recognition	Can be registered or not	Informal Association	MACS Act, 1995	Companies Act	Societies Act
2	Ownership	Entrepreneur	Promoting Agencies	Members	Members	Promoting Agencies
3	Suitability		Savings and Credit	Economic, social, cultural Activities	Economic, Activities	Social Activities, charity
4	Functions/Services	Benefits to the entrepreneurs	Savings, credit, insurance	Marketing, linkages, capacity	Marketing, linkages and every service	Marketing, linkages, capacity

				building and every service required by the members	required by the members	building and every service required by the members
5	Member Allegiance	High	Medium	High	High	Low
6	Economic Functions	Private economic activity	No	Yes	Yes	Depends on the capacity of the organization
7	Scale					
8	Income Enhancement	For an individual	For a group	For the members	For the shareholders	For the beneficiaries
9	Profit Distribution	Individual benefit	No	Profit according to the patronage	Profit according to the patronage	Profit distribution depends solely on the discretion of the promoting agency
10	Governing Structure	No	No	Board of directors elected by the members. Board comprises predominantly of members	Board of directors elected by the members.	Board selected by the promoting agency with members having no say in it

2. Mobilizing the resources

Human Resource Mobilisation and Development

Success of any livelihood intervention depends on its human resource base. The appropriate design of staffing pattern, recruitment, capacity building strategies and processes are also very important for the growth and development of any institution. The staff requirement should be assessed based on the institutional form, activities that need to be undertaken and the future plan of the institution. Based on this assessment, the job profile for each position and number of staff required for institution should be finalised. The human resource base at the community level should be built as much as possible from the local people. For specialized functions external staff can be recruited. Building the capacity of the local people will contribute to the long-term sustainability of the institution and makes the exit of the promoting agency much easier.

To reward the performing staff, to build the capacity of under performing staff and punish the non performing staff, there should be a performance management system. This will help to evaluate them and take appropriate measures. List of all the possible Human resource required for livelihood intervention:

1. Community organisers/volunteers or activist to directly work with the target group from 2-5 villages.
2. A supervisor to support these village level workers, monitor them and take up higher level of administrative work. S/he will be responsible for cluster of villages.

3. A cadre of Village Marketing (Livelihood) Activists (at least one per village) in Livestock, Agriculture, Horticulture, NTFP, etc.; Nurturing and mentoring these activists and training them
4. Staff of the institution promoted to undertake the livelihood intervention activities. They can be mangers, technical specialist, marketing professional, experts, accountants, administrative officer, office assistant, security person, etc.
5. There would also be cluster level/ mandal level/ district level/ state level programme staff of the supporting organisation. These staff will directly work with the supervisors, village level workers and the staff of the institutions.

The staff of the community level organization should be made accountable to the community and the responsibility of recruiting such staff lies with the community. Technical and support staff of the promoting agency is the responsibility of the promoting agency. As much as possible, the board of the community level organization must be independent and accountable to the members and the interference from the promoting agency through placing their staff on the board should be avoided.

2.2. Financial Resources

Before mobilizing the resources, one should look into type of financial requirement. Some of the requirements can be fulfilled through grant and some through loans. For a livelihoods intervention, the financial requirements are of three types –

- Fixed cost
- Working capital requirement
- Promotional activities like training, education, etc.

Ideally, for all the business/economic activities funds have to be mobilized from the community. In the case of shortfall, it has to be sourced as a loan from the SHGs, Federations or banks and have to be repaid by the community. If the business requirements are fulfilled through grants, it will promote dependency and harm the sustainability of the intervention. For the initial fixed capital, soft loans or interest free loans are available from nationalized banks with easy repayment terms. Grants can be utilized only for promotional activities and capacity building of the community.

Grants can be mobilized from government programmes, donor agencies, individuals, corporate houses, etc., whereas for loan public sector banks, new generation banks, MFIs, venture capital, corporate houses, individuals, government programme should be accessed. For working capital requirement, new generation banks and corporate houses can also be contacted. The new generation bank will give loan on hypothecation of raw material or products. The corporate houses, on entering into sales contract, can also pay some part of the sales value in advance to meet the working capital requirement.

The steps in sourcing finance are –

- Divide the financial requirement as the fixed cost, working capital and promotional activity requirements,
- Identify the sources, which are providing financial support for the similar activities.
- Understand their terms and conditions.
- Match the financial requirement -grant and loan type with their terms and conditions.
- Submit the proposal in the prescribed format and fulfill other formalities to access the money.

- Build suitable monitoring system to keep tab on the proper utilization of the funds

3. **Capacity building of staff and target group,**

   Capacity building (CB) refers to an enabling process and not just knowledge building. Capacity building requirements have to be identified keeping in view the long-term requirements of the institution. CB initiatives should be undertaken at two levels – community and the staff of the promoting agency.

   a. Workshop
   b. Exposure visit
   c. Experience sharing
   d. Self-learning – hands on marketing and institution management

A mix of these methods has to be followed at different levels, appropriate to the content of capacity building that is planned. Capacity building plans have to be worked out systematically; the thumb rule being that capacity building must keep pace with emerging project requirements. CB can be divided into three aspects 1) Production/Livelihood Technical training, 2) Marketing Training and 3) Institution Management Training.

The steps in capacity building -

1. First, identify the training needs of the staff and the community.
2. Identify some active community member to serve as resource persons along with the staff for training the target group.
3. Develop training content, training modules, case studies, charts, films etc.,
4. Identify the suitable method of training
5. Extensively use participatory training methodologies.

6. Provide direct training to all the members and do not assume that the transfer of knowledge will take place if you train a few.
7. Continuous facilitation is more important than a one-time training. The basic objective of the initial training is to trigger the need for that particular content. The full content is ultimately imparted through continuous group level facilitations.
8. Assess the impact of the training programme.
9. Plan for refresher-training programme based on the assessment, requirement and change in any aspect of the project.

The format given below is an indicative list of items for assessing the organizational capacity and will throw light on the areas where capacity needs to be built.

Organizational Capability Rating Sheet

#	**Capability Factor**	**Rating**
1	Team	
	Educational Background	
	Relevant Experience	
2	Management Systems	
	Meetings	
	Reports	
	Financial Transparency	
3	Governance	
4	Capacity to promote sustainable institutions	
	Local Leadership promotion	
5	Target Group Participation	
	Reach	
	Achievement of the target	

	Perception of the community about the organization	
6	Strategic vision and planning	

Similar participatory exercise has to be carried out at the community level to assess the needs in the areas of technical training about the chosen livelihood, marketing training and institutional management orientation.

Example of a capacity building exercises for a diary union

This is the list of training programmes conducted in the process of promoting Mulukanoor women's diary union. The union services 15000 members everyday spreading across 100 villages in 6 mandals and has a capacity of processing and marketing 25000 liters milk per day.

#	Details of Programs	Remarks	# Trained	# Programs
1	Promotion Meetings for Primary Societies Formation At the village level 5 meetings	Meetings are for discussions on bylaws, viabilities and registration/elections	2880	360
2	Promotion Meetings for Mulukanoor Union Formation Representatives of Primary Societies	Meetings are for discussions on bylaws, viabilities and registration/elections	150	5
3	Exposure Visits to the Representatives	Representative of Primary Societies were taken for exposure of Sangam Dairy - 3 per village and Amul Dairy – 2 per village. Apart from this opinion leaders and men were also taken for exposure visit	400	15
4	Member Education	Member education programs were for discussions on bylaws, rights and	2880	72

#	Details of Programs	Remarks	# Trained	# Programs
		responsibilities, cattle management and about the dairy business at the village level for all members		
5	Training of Management Committee Members of Primary Societies	All Management Committee members of 72 societies @ 10 per society were trained for nearly 8 days on the management of dairy society, the functions of the dairy union, their roles and responsibilities, business development, technicalities of dairy, strategies for procurement and marketing etc	720	24
6	Training of the staff of the Primary Societies	The women secretary and men veterinary assistant for the society were provided both technical training and generic trainings in cooperative management, roles and responsibilities, accounts and services for nearly 25 days	144	4
7	Training of the staff of the Mulukanoor Union	The technical and other staff were trained according to their functions initially for 30 days	25	1
8	Management Committee Members of the Union	All members were trained on various aspects of dairy management, technical aspects, other important governance aspects for almost 15 days	12	1

(Ref: *Mulukanoor Women's Mutually Aided Milk Producers Cooperative Union Limited –An Analysis of the Growth Path* by G V Krishnagopal prepared for Indian School of Livelihoods Promotion)

4. Establishing backward and forward linkages – building partnership

Increasingly, the livelihoods interventions across the India and world are indicating the importance of backward and forward linkages. Backward linkages refer to the input stage in production – raw material, their markets, processing the raw material and technology used. Forward linkage refers to the end-product market. Cutting across both forward and backward linkages are the vectors - finance, technology, institutional arrangements and delivery channels.

Without proper arrangement of linkages, the interventions have not been found successful in making any significant changes in the livelihoods of the people. For example, it has been discovered by several organisations that giving loan for purchasing cow/ buffalo is not sufficient. The poor also need support in backward linkages - identifying better breeds of suitable buffaloes, in making the arrangements for fodder, feed, medicines, artificial insemination. They also need support in forward linking - marketing the milk and milk products.

The value-chain analysis also throws up the gaps in the linkages that need to be rectified. This calls for capacity building as well as partnering with other organizations for enjoying the economies. The partnerships can be with the traders, corporate, individual professionals, scientists, technologists, research institutions, management institutions, academia etc.

5. Convergence with the government departments

Collaborating with government is crucial to reach the scale and also to avoid re-inventing the wheel. Efforts should be directed towards utilizing the existing facilities. The project recognizes the strengths of the government, and recognizes them as important partners in the efforts to reduce the poverty. There are number of government departments in this field who are working with the poor with similar objectives. If the target poor are same for the project and the government there will be confusion and conflict in service delivery unless there is some partnership and understanding of each other's activities. Many government programme are working to promote livelihoods of the poor, therefore, there is a greater need for partnership with such programmes. Apart from line departments there are other players in the field working with the poor like NGOs, commercial banks, individuals etc. the complementary efforts of different players helps in avoiding wastage of resources, optimal utilization of skills, resources and facilities

Private Innovations supported by formal institutional change

In Bangladesh, an economic professor had an idea – to help poor people help themselves by giving them small loans to start businesses despite their lack of collateral or credit histories. He started the Grameen Bank in 1976 using his social connections in government to manage a village branch of a government bank. The success of this endeavours, followed by expansion to other bank branches, led the government to eventually change the laws governing the Grameen Bank. It was first established as an independent entity with government control, than as an effectively private bank run by a public official and finally as an effectively private bank run by a private individual and an independent board of directors. Today, Grameen bank has braches in more than half the villages in Bangladesh and more tan 2 million borrowers.

In Peru another innovative individual began with an experiment. He found that in Lima it took 728 bureaucratic steps for a person with an informal right to housing to get legal title. He followed up with a 10-year public information campaign, proving to politicians that there was a "hidden consensus to reform" for simplifying the procedures for formalization. Faced with overwhelming public support for simplification, Peruvian congress unanimously passed legislation to formalize titles. Today, a simple legal procedure for establishing land titles for poorer people works in parallel with the formal system.

These two stories show how the state can work with private actors to promote institutional innovation by directly supporting experiments – or at least allowing them to proceed and be tested and then, if they are successful, by encouraging their growth. Social connections and networks can reduce barriers to experimentation.

(Source: De Soto 2000, Yunus 1997)

6. Establishing the Monitoring and learning systems

The main objective of monitoring and learning is to provide continuous feedback to the project management and other stakeholders on the progress of project implementation to facilitate appropriate and timely decisions; and to assess the outcomes and impact of the project vis-à-vis the objectives. The monitoring systems should be established at two levels – the organization and at the institution level. The community should be capacitated to monitor their own progress periodically. More specifically, the objectives of the M&L system are to:

- Provide a periodic measure of inputs and outputs.
- Monitor the process of conversion of inputs into outputs and identify factors critical for such conversion
- Verify the project related assumptions
- Provide an assessment of the pre-project situation
- Assess the achievement of project objectives at different points of time
- Make the primary stakeholders an integral part of the M&L system
- Facilitate regular management review, learning and adaptation; and

- Identify the project strengths and weaknesses

Components of Monitoring and learning

- *Comprehensive group self monitoring system* **–** Self-managed institutions of people assess their own organizational capacity development as well as progress towards sustainable livelihoods by using learning tools.
- *MIS based input-output system* **-** MIS related to the project shall be maintained and regular monthly data related to the identified parameters to monitor the quantitative progress related to the inputs and the outputs.
- *External process monitoring* **-** The project will undertake process monitoring with the help of independent professionals/groups so as to provide leads and direction on the progress towards the achievement of the various components. The processes that need to be followed in order to achieve the end results will be monitored here.
- *External impact evaluation involving baseline survey, follow-up survey and impact assessment* **-** This will help in understanding the impact and also provide scope for evaluation of the project. Mid-term review may also be planned. This will be by an independent agency (ies)
- *Internal management review and learning system* **–** This involves monthly review and planning meetings and monthly reporting by the project staff at various levels, particularly at district, block and cluster level. At the community level, the members have to periodically monitor their progress by constituting an internal audit and review committee.

7. **Monitoring the activities and taking corrective measures based on the feedback**

Monitoring the progress of the intervention helps in correcting the deviations and respond to dynamic requirements of the external environment. This is ensured through monitoring. The implementation is compared with the plan for the following –

- Comparing the actual output as against planned output,
- Comparing the actual activities as against planned activities.
- Comparing the actual timeframe as against planned time.
- Comparing the actual cost as against the planned costs.

For monitoring, the data on implementation is collected through 1) monthly progress reports, 2) field visits and 3) discussions with the staff and the community. The data collected is aggregated at different levels and analyzed. A sound Management Information System (MIS) has to be developed both at the community and organization level. At the promoting organization level, the information requirements pertain to target group in general and the overall progress of the project. At the community level, information systems may pertain to market intelligence systems, production management systems and accounting systems. Community and the staff need to be suitably trained in the usage and maintenance of the system.

8. **Planning for withdrawal**

Withdrawal is the critical process in the project. By thinking about the exit strategy in place, the promoting organization also has to think about the areas that need to build to make the intervention self-reliant. Also withdrawal implies that the nature of support may change from direct support to advisory support depending upon the stage of the project and readiness of the community. Thus, withdrawal may mean the support of current nature may become irrelevant and new support may be needed. Therefore, the assisting organisation should plan for withdrawal at the time of livelihoods intervention plan and gradually work towards that. This would mean –

- Building the capacities of people's institution.
- Nurturing the community to take up greater responsibilities.
- Establishing suitable systems in place.

Withdrawal should be a gradual process and in phases.

End line

1. Define poverty?
2. What do you understand by livelihoods? What are 5 important principles of livelihoods?
3. What do you understand by development? What are 5 important principles of development?
4. What are the main elements of Livelihood Intervention plan?
5. What are the main processes in livelihood intervention development?
6. Is micro finance enough for livelihoods promotion? Express your views.
7. What is appraisal? Explain the critical parameters of appraisal
8. List 5 various Livelihood frameworks and their salient features.
9. List main livelihoods tools and their uses?
10. What are the arrangement require for implementation of livelihood interventions?

FORMATS

ANNEXURE I

Weavers' Household Survey

General Details

Name of the weaver:	Number of family members:
Caste:	Number of Income Earners:
Education:	Secondary Occupation:
Monthly/cycle income:	Monthly/Cycle expenditure:

Assets

Assets	Own/Rent	Type	Quantity/Number
Home			
Land			
Livestock			
Movable Property			
Loom			
Other weaving related assets			

Income

Source of Income (Yearly)

Source	**Duration (Months)**	**Place**	**Income (Rs.)**
Weaving			
Agriculture			

Livestock			
Business			
Wage Labour (Type:)			
Migration			
Property			
Others			
		Total	

Expenditure (Yearly)

Source	**Quantum (Rs.)**
Food	
Health	
Education	
Shelter (Rent)	
Asset: Specify	
Weaving	
Other Occupations	
1)	
2)	
Celebrations	
Miscellaneous	
Emergencies	
Total	

<u>Finance</u>

1. What is the average shortfall in income per year?

2. If there is a shortfall in monthly income, how is it filled?

a) From Savings b) Borrowing from Relatives

c) Borrowing from Money Lenders d) Self-Help Groups

e) Formal Institutions – Bank, Weavers Cooperatives

f) Combination of above sources and any other source other - specify

3. What are the main sources of credit and at what interest rates?

Source	**Interest (Rs.)**	**Repayment Period**	**Number of times used**	**Accessibility**	**Terms and Conditions**
Relatives					
Money Lenders					
SHG					
Bank					
Weavers Cooperative					

4. Current status of debts

Source	**Purpose Utilized**	**Quantum (Rs)**	**Repayment Period**	**Repayment Source**	**Debt Outstanding (Rs)**

Livelihood

1. How many family members are involved in weaving?

   a) Single

   b) Husband and Wife

   c) Husband+wife+children

2. Is weaving self-financed or is on credit?

   a) Self-Financed

   b) Credit

   c) Both

   (Break-up in the case of "c" option)

3. What kind of technical difficulties are faced?

   a) Loom

   b) Yarn

   c) Design

   d) Others- Specify

4. How are the wages determined?

   a) Weavers

   b) Government

   c) Master Weavers

   d) NGOs

   e) Others: Specify

5. How is the marketing done?

   a) Individual Selling

b) Cooperative

c) Master Weaver

d) NGO

6. Forms of the product sold

a) Dhotis Counts

b) Sarees Counts

c) Lungis Counts

d) Towels Counts

e) Garments Counts

f) Others: Specify

7. How long does it take to realize the money from the proceeds?

Days:

8. Who are the players for whom the weaver works?

a) No one

b) Master Weaver

c) Cooperative

d) NGO

e) Individual Weaver groups

9. Where is the profit margin high (per 10 meters of cloth) and what is the quantum?

a) No one: Rs.

b) Master Weaver: Rs.

c) Cooperative: Rs.

d) NGO: Rs.

e) Individual Weaver Groups

10. Is weaving affected by seasons and if yes what are the factors?
    a) Weather
    b) Market Peaks and lows
    c) Festivals
    d) Others: Specify

11. What kind of alternative livelihoods are the weavers shifting to?
    a) Tailoring
    b) Wage-Labour
    c) Salaried Job
    d) Agriculture
    e) Petty Business
    f) Others: Specify

12. What are the reasons for shifting?
    a) Financial Increment
    b) Regular Income
    c) Physical Problems
    d) Certainty
    e) Others: Specify
    (More than one option can be chosen)

13. How many hours do the weaver weaves?

14. How many members of the family work part-time in weaving?

15. From where do you get the design inputs?
    a) Own

b) Master Weaver

c) Cooperative

d) NGOs

e) Design Institutes

f) Others: Specify

16. Have you received any training for weaving from any institutions? (Specify the details of training and the institute)

17. Why have you chosen weaving?

<u>Institutions/ Linkages</u>

1. Do you or any of your family members have a membership in any of the institution?

   a) Cooperative

   b) SHGs

   c) Community based organization

   d) Caste associations

   e) Combination of above and others

2. What are the benefits of being a member?

Head	**Cooperative**	**SHG**	**CBO**	**Caste Asso.**	**Combination**
Profit					
Credit					
Solidarity/ Identity					
Access to					

Market					
Economies of Scale					
Access to raw material					
Social factors – Health					
Social factors – Security					
Education					

3. What are the problems faced in the institutions and specify the problems?

Head	**Cooperative**	**SHG**	**CBO**	**Caste Assoc.**	**Combination**
Margins					
Quality					
Timely Repayment					
Manageme nt					
Services					

4. What kind of institution you think is the best suited for providing livelihood for the weavers and why?
   a) Cooperative
   b) SHGs
   c) Community based organization
   d) Caste associations
   e) Combination of above and others

Reasons:

Social Security

1. Is the family insured and under which scheme?

a) Yes; Type: b) No

2. Are all the children in school?

a) Yes; Type: b) No

3. Do you have a ration card?

a) Yes b) No

4. Do you have a weaver identity card?

a) Yes c) No

5. What kind of house do you live in and type?

a) Own b) Rent

Type:

6. What are the government schemes accessed by you and specify the name?

a) Food for work
b) Pension
c) Disability
d) Housing
e) Weaving
f) Education
g) Others

ANNEXURE II

Institutions

General Details

Head	**Particulars**
Name	
Date of Origin	
Location	
CEO	
Core areas of work	
Number of weavers reached	
Quantum of money spent (Rs.)	

Weaving

1. Kinds of interventions

    a) Economic b) Social Security c) Accessing government schemes

2. What is the process followed by the organization for intervening?
3. The main challenges

	Head	Y/N	Details
I	Community		
	1) Resistance		
	2) Local Politics		
	3) Master Weavers		
	4) Literacy		
II	Government		
	1) Institutions		
	2) Acts		
	3) Finance		
III	Manpower		
IV	Other Players – Other NGOs, Coops,		
V	Finance		
VI	Others – specify		

4. Support required

Kind of Support	Details
Financial	
Technical	
Institutional	

Capacity Building	
Government	

5. What are the main problems faced by the weavers?
6. Who proposes the project?
7. How is the appraisal done?
8. Look at the management issues in the organization by keeping in mind the following points:

- Composition of Board of Directors
- Number of staff involved in the weaving interventions
- Sources of funding
- Systems
- Annual Report
- Board Meetings – agenda
- Elections
- Positive and Negatives of the organization

Details:

Organization	**When Formed**	**Primary Functions**	**Number of Members**	**Condition for Membership**

Government Schemes

1. The name of the scheme and the proposed objectives
2. The current status of the scheme
    a. Its reach
    b. The extent to which it has reached the targets
3. The bottlenecks in the implementation
4. The areas of improvement

ANNEXURE III

Traders

General Details

Name of the Trader:	Shop Location:
Supplies to:	Annual Turnover:
Coverage of weavers:	Wages paid:

1. For what kinds of purposes do the weavers take loans?

Purpose	**Quantum**	**Interest**	**Number of times**	**Repayment Duration**	**Surety**	**Any other Terms**
Weaving						
Consumptive						
Emergency						
Occasions/Events						

2. Within Weaving, for which process do they take more loan? Please specify the name of the process and the quantum

a) Pre-Production: Rs.

b) Production: Rs.

c) Post-Production: Rs.

d) Marketing: Rs.

e) Marketing: Rs. f) Others: Rs.

3. What are the kinds of services provided by you?

Services	**Repayment Terms**	**Problems Faced**
Financial		
a) Weaving		
b) Consumptive		
Raw Material		
Marketing		
Others		

4. What kinds of products have good demand?

5. What are the main markets for products locally, in AP, in India and Internationally?

6. What is the process of establishing connections with the market?

7. Where are the margins high?

a) Material b) Garments

c) Furnishings d) others (Specify)

8. Are the clothes/products insured?

a) Yes b) No

Specify the company and the kind of insurance

9. What are the technical problems faced by the weavers?

10. Who are the other competing players offering the same services as the traders?

11. What are the financial sources accessed by the trader?

Source	**Interest (Rs.)**	**Repayment Period**	**Number of times used**
Relatives			
Money Lenders			
SHG			
Formal Institutions Type:			
Own	NA	NA	

12. When are the sales high and what are the lean seasons? Specify the quantum of sales in lean and peak periods?

13. In which product are the margins high?

a) Dhoti: Rs. b) Saree: Rs.

c) Lungi: Rs. d) Towels: Rs.

e) Others- Specify

14. What are the risks faced by the trader?

15. What are the costs paid by the trader and the break-up?

Costs	Quantum (Rs.)
Yarn	
Transportation	
Storage	
Taxes	

Marketing	

16. Are the traders registered and under which Act/Provision/Scheme – Specify?
17. What happens to the stock returned by the customer?
18. How is the price fixed for a product?
19. How is the quality of the product determined?
20. What are the problems faced by you due to power looms? Explain in detail

21. What are the various sources of raw materials?

Raw Material	Source/Place	Price per unit (Rs)
Cotton		
Yarn		
Loom Parts		
Tools		

23. Explain how are the raw material markets in terms of availability, seasonality, accessibility, prices, etc?

ANNEXURE IV

Checklists

Market Analysis Checklist

- The actors in the market side of the value chain
- The process of marketing
- The process of exploring the new markets
- The distribution process and channels
- Market size
- Market history
- Periodicity
- Consumer profiles – purchasing criteria, buying patterns, price sensitivity, age, specific region
- Positives and negatives of the product
- The brand image – USP of the product
- Export market
- The competitors – Mill made, powerloom
- Segments in the market
- Credit terms and finances for marketing
- Promotion
- Value-addition – garmenting
- Pricing
- Industry practices – credit, sales, raw material, kind of products
- Product durability, colour, design
- New institutions that have come up for design, marketing and technical support

Questions for FGD

Health, Equality and Women

- What re the activities performed by you in different stages of weaving
- What is the duration of the work in each process?
- What are the physical problems associated with weaving?
- Do men also have similar problems?
- Do you access any health facilities for the same?
- What is the expenditure on the same?
- What are the wages received for the work?
- Is it on par with men?
- What kind of support is required for health?
- Who do you think should be member of the weaver institutions male or female in a weaving family and why?

Finance

- What has been the change in the sources of finance over a period of time and what factors have brought about the change?
- Why do you choose a particular source of finance?
- What is the most common source accessed for repayment?
- By what time period debts are repaid?
- What is the average shortfall in the working capital? And how many times does it happen?
- What is the average shortfall in household expenses? And how many times does it happen?
- Do shortfalls happen during particular periods/season?
- What kind of financial assistance is most suitable for you?
- What will you do if you were given Rs 10000 – Rs 15000 loan now?
- What is the support services required for higher credit absorption?

- If one were to extend loans to you which do you think is the best institution/delivery channel to effectively reach and why?
- What are the problems in accessing credit at present?

<u>General</u>

- What are the implications of globalization/change in market scenario?
- What are the newer problems faced by you due to globalization/change in market scenario in the whole process of weaving?
- What are the government programmes you are aware of?
- Why do you think the benefits are not reaching you?
- Do you know what a patent is?
- What are the probable solutions?
- Are you aware of the modern trends?
- What are the three main problems of your village?
- What are the reasons for shifting from weaving?
- What are the fields the weavers shift to?
- What are the main problems you face?
- What kind of support is needed to overcome the problems?
    a. Financial
    b. Raw material
    c. Capacity Building
    d. Technical
    e. Marketing
    f. Social security
    g. Linkages with the government schemes and other institutions
- What are the alternative livelihoods you are looking at and what supports are needed for the same?
- What is their view on hope in the weaving industry? Do they see a possibility

Youth of Weaving Families

- Are they learning their families traditional skills
- What are their opinions on the weaving profession
- Their understanding of the problems that weaving industry is facing
- Their suggestions on the possible solutions
- What career options are they choosing and why

Resources For Further Reading

Websites

1) www.odi.org.uk

2) www.odi.org.uk/pppg/index.html

3) www.web.worldbank.org

4) www.poverty.net

5) www.imf.org

6) www.poverty.worldbank.org

7) www.undp.org

8) www.unrisd.org

9) www.adb.org

10) www.brettonwoodsproject.org/

11) www.developmentgateway.org/

12) www.dfid.gov.uk/

13) www.ifad.org/rural/index.htm

14) www.socialcapitalgateway.org/eng-poverty.htm

15) www.keysheets.org/

16) www.ulb.ac.be/ceese/meta/sustvl.html

17) www.poverty.org

18) www.grameen-info.org/

19) www.iom.ch

20) www.migrationinformation.org

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23) www.GrameenFoundation.org

24) www.un.org

25) www.povertymap.net

26) www.care.org

27) www.fao.org

28) www.sagepub.com

29) www.ilo.org

30) www.humantrafficking.org
31) www.microfinancegateway.org
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35) www.cgap.org
36) www.schoolofmicrofinance.org
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