SECTION 1

Basic Principles of Livelihood Development

To facilitate analysis of the area, we propose using the "sustainable livelihoods" approach developed by Scoones (1998) (Figure 3).

The term livelihood describes the capacities, capital (human, social, productive/economic, natural), and activities needed to sustain life (Chambers and Conway, 1992). A livelihood is considered sustainable when it can respond and recover from abrupt shocks, and can maintain or improve its capacities and capital without undermining the natural resource base.

Defining Livelihood

There are five key elements in this definition:

1. *Generation of employment*

This is related to the capacity of a combination of life strategies to generate employment, whether on the farm or outside it, or in the formal or informal system. Employment has three aspects: income (salaried employment for employees), production (employment producing a consumable good), and recognition (where employment gives the individual recognition for having participated in something of value). Generally, 200 days of employment per year is estimated as the minimum for generating a livelihood.

2. *Reducing poverty*

The level of poverty is a key criterion in evaluating livelihoods. Various indicators can be used to develop an absolute measure of "poverty line", based on, for example, levels of income, consumption, and access to services. Alternatively, relative measures can be used, such as the Gini coefficient. These quantitative measures of poverty can also be used in combination with more qualitative indicators.

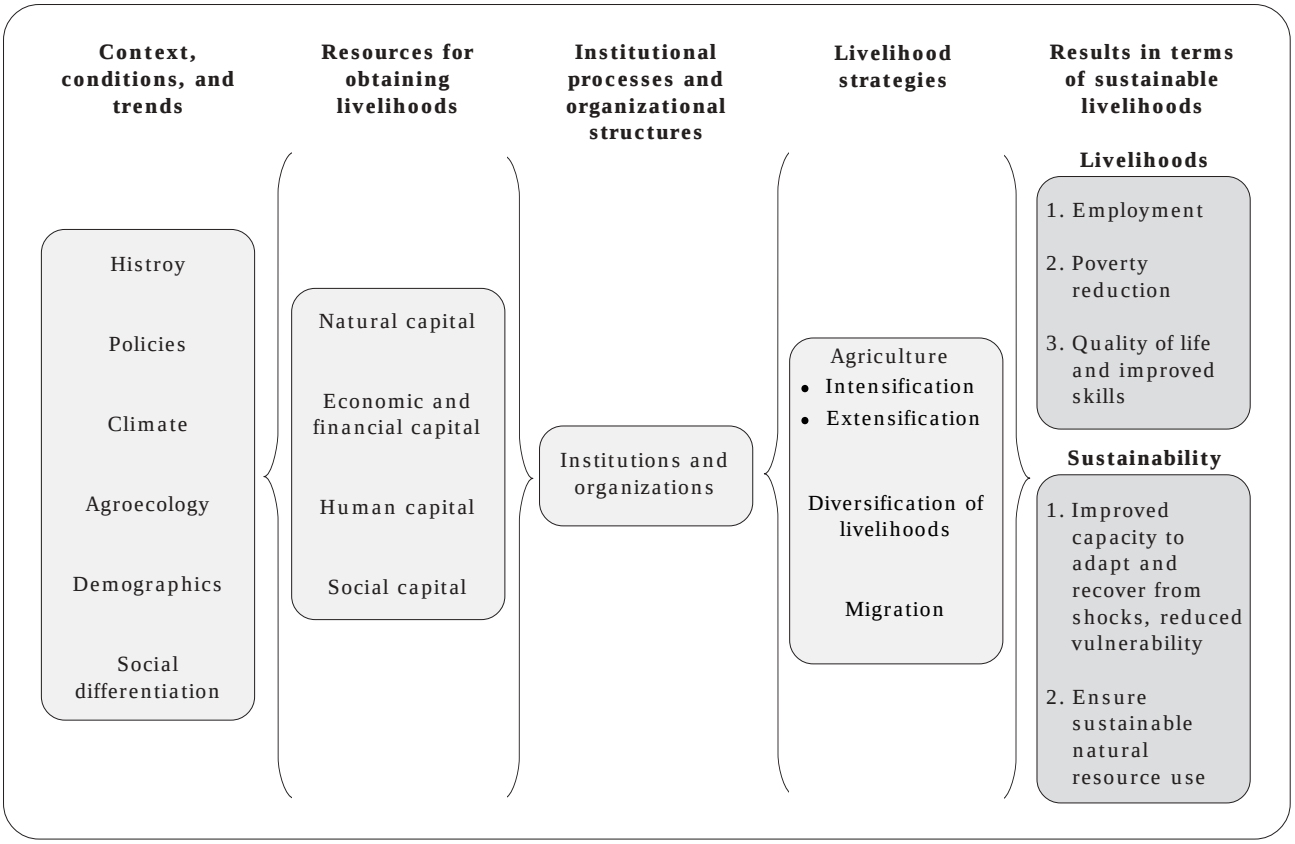

Figure 3. The "sustainable livelihoods conceptual framework".

3. *Well-being and skills*

This concept goes beyond the material needs for food and income, including the idea of capacities (i.e., "*what can people do or be, given what they possess?*"). Hence, the people themselves should determine those criteria that are part of the concept of well-being, such as self esteem, safety, happiness, low levels of stress and vulnerability, increased power, reduced exclusion, as well as the other more conventional elements.

4. *Adaptation, recovery, and vulnerability*

This refers to the ability of a livelihood to respond and recover from abrupt changes and stress. Those that cannot respond (i.e., make temporary adjustments as a result of change) or adapt (i.e., make long-term changes in life strategies) are inevitably vulnerable and have a low probability of achieving a sustainable livelihood.

5. *Sustainability of natural resources*

Most rural livelihoods depend on the natural resource base. The concept thus refers to the system's ability to maintain productivity when faced with disturbances, including stress or abrupt changes. This implies preventing natural resource reserves from diminishing to a level that results in the effective and permanent reduction of products and services that these generate to achieve "the means by which to live".

Seeking sustainable livelihoods: Achieving a sustainable livelihood is the result of a combination of factors within the area such as available resources, organizations, and institutions. To understand the livelihoods of a given area and possible ways of improving them, we must analyze these factors. This section briefly describes each component of the "livelihood approach".

Context: The context of an area includes general aspects such as history, policy, climate, agroecology, demography, and social differentiation (Figure 3). Much of the data on these aspects are available in secondary sources of information (e.g., statistical yearbooks) but they are important for obtaining a clear idea of the area in which intervention will be carried out. An important aspect to understanding context is the social

differentiation between groups. This differentiation can be based on: levels of well-being and income, access to certain resources, sex, age, or ethnicity. What is important is to differentiate among the various groups of people that live within the area to understand their relationships with resources, organizations, and institutions, and thus to eventually understand the life strategies they use.

Available resources and their access: The ability to develop different life strategies depends on the basic resources, both material and social, that people possess or have access to. Four types of important resources can be identified for generating livelihoods. These resources are defined as follows:

1. *Natural resources*. These are the set of natural factors (e.g., soil, water, air, forest, genetic resources) and environmental services from which the resources and services needed to achieve livelihoods are derived.
2. *Human resources*. These include knowledge, abilities, good health, and physical capacity.
3. *Productive/financial resources*. These refer to basic assets (e.g., cash, credit, savings, and other economic and productive assets, including basic infrastructure, production equipment, and technology).
4. *Social resources*. These include the social organization (networks, social relationships, associations, norms, confidence, and willingness to work for the common good). The social organization facilitates the coordination, cooperation, and collective action for the common good.

On analyzing the resources, a series of questions arise:

Sequence: What is the starting point for successfully establishing a given life strategy? Is a particular type of capital (assets) an essential precursor for gaining access to another type of capital?

Substitution versus combinations: Can one type of capital be replaced by another? Or must there be a combination of different types of capital to acquire a given life strategy?

Limiting factors: Are there limitations in specific types of capital or competencies that are preventing members of a community from improving their life strategies?

Clusters: If one has access to one type of capital, does one normally have access to other types? Or do "clusters" of given combinations of capital types exist, which are associated with certain groups of people or life strategies?

***Access*:** Clearly, different people have access to different capital types, depending on institutional agreements, organizational characteristics, power relationships, and policies. Hence, we must analyze the access and control of capital type taking into account social differentiation (e.g., well-being, sex, or age).

***Trends*:** What are the trends in the availability of different capital types? How are these types of capital accumulated or undermined, and by whom? What are the trends in terms of access? What new capital types are being created through environmental, economic, and social changes?

Organizations and institutions: Within the livelihoods framework, the understanding of organizations and institutional processes are important, given that organizations (the players) and institutional processes (the "rules of the game") interact in ways that facilitate or hinder the ability of different segments of the population to carry out different life strategies and achieve, or not, sustainable livelihoods (Figure 3).

The combination of context, resources, organizations, and institutions combine to generate different life strategies which can be grouped into three broad categories:

Agricultural intensification or extensification: Rural inhabitants can achieve livelihoods through agriculture (including livestock, fish farming, and forest resources) by processes of intensification (i.e., increasing production per unit of area through capital investments or increased labor), or extensification (i.e., increasing the area of land cultivated).

Diversification of livelihoods: Another option is to diversify towards agricultural activities of greater value, or toward nonagricultural activities. Thus, diversification seeks to develop a portfolio of activities that would generate income, and which would make the population less vulnerable to economic shocks.

Migration: A third option is migration, either temporary or permanent, to another region or urban center in search of a livelihood.

Despite these differences, the reality of life strategies in rural areas is that, rather than choosing one or the other, the population uses a combination of the three, which varies according to the time of year or the reigning economic conditions in the country.

Using the livelihood framework in rural agroenterprise development

The livelihood's framework provides a means to characterize the context, resources, social organization, and life strategies available to a community. This can be considered as a baseline from which to evaluate new options in the design of agroenterprise interventions.

Gathering information on the various components of the livelihoods framework, such as local capacity, existing resources, institutional processes, and the local business environment can also assist in deciding upon different entry points and strategies to support different types of groups within an area/region. The levels of differences can include the very resource-poor farmers, women, or farmers with more favorable assets and market access. Based on the information and differences in client types, interventions can be tailored to specific needs. Thus interventions may range from a focus on one specific skill or technology to enable more effective market engagement, to more complicated interventions that include combinations of investments in infrastructure, building of associations, and strengthening business relationships.

Developing plans based on a holistic analysis (i.e., context, resources, processes of social organization, and life strategies), also provides a useful means of designing specific indicators, which can be used for monitoring impact. Incorporating impact analysis into the early plans enables both project staff and community members to design compatible impact pathways and systems for monitoring and evaluating results.

In this *guide*, the livelihoods framework is used as a conceptual tool, for characterizing an area to design and monitor agroenterprise interventions. Given that the local assessment is rapid, we can only gain a basic "snapshot" of the situation at a particular time. Therefore this information is complemented with a review of the innovation processes within the target area to gain a better understanding of key changes over time.

Evaluating Innovation for Agroenterprise Development

In its simplest form innovation is the way in which an existing situation is changed and improved over time. These improvements can be derived from a mixture of local and external knowledge applied to a specific situation. Improvements can be technical (e.g., new varieties or production systems) or social (e.g., forms of organization), or a combination of the two. In the context of rural agroenterprise development, we need to understand how processes of agroentrepreneurial innovation are generated. Who generates these processes? How are innovations disseminated?

Rural Agroenterprise Development within a Target Area

The concepts of livelihoods and innovation provide a general framework on which to analyze agroenterprise development in a selected area. In general, the types of agroenterprises being designed depend upon the resources and capacities of target groups and the innovation systems. The approach therefore begins by gathering information on the resources, organizations, institutions, and innovation status of the community. This information is analyzed with a view to establishing new combinations and/or upgrading specific activities to generate higher income livelihood strategies.