

Technical Paper 28  
April 2003  
Online Version  
April 2003

**CATAD 2001 and IFSP**

# **The Livelihood System Approach in Project Planning**

**Manual**

INTEGRATED FOOD SECURITY PROGRAMME  
TRINCOMALEE

42 Huskison Street  
31000 Trincomalee  
Sri Lanka

phone 026-22023  
22687  
fax 026-22296  
e-mail [ifspsl@sri.lanka.net](mailto:ifspsl@sri.lanka.net)  
internet [www.ifsp-srilanka.org](http://www.ifsp-srilanka.org)

CATAD internet [www.agrar.hu-berlin.de/sle](http://www.agrar.hu-berlin.de/sle)

GTZ internet [www.gtz.de](http://www.gtz.de)  
NEPC internet [www.nepc.lk](http://www.nepc.lk)

Sri Lanka - German Development Cooperation

## Welcome

This manual shall guide you to use the Livelihood System Approach (LSA) for planning, implementing and monitoring community development projects. The manual is an outcome of the IFSP-CATAD Project 2001. The research team adapted the LSA to carry out an empirical study on livelihood strategies of conflict-affected communities in the Trincomalee district, Sri Lanka.

Although the manual has been developed to suit the specific requirements of the Integrated Food Security Programme Trincomalee (IFSP), it is equally useful for other projects which support participatory community development.

The manual consists of four modules:

- Module I           introduces the basic ideas of the Livelihood System Approach (LSA) and how this can be utilised to understand impacts of project interventions.
- Module II          looks into how LSA can be integrated into the cycle of project management.
- Module III        develops a planning matrix which allows to apply the LSA to different steps in project planning, implementation and monitoring.

The transfer of the Livelihood System Approach (LSA) for project planning and assessment tasks was presented and further discussed at several workshops with professional staff of IFSP and partner institutions in summer 2001. The experience of the workshops has been incorporated into this version of the manual.

## Module I: The Livelihood System Approach (LSA)

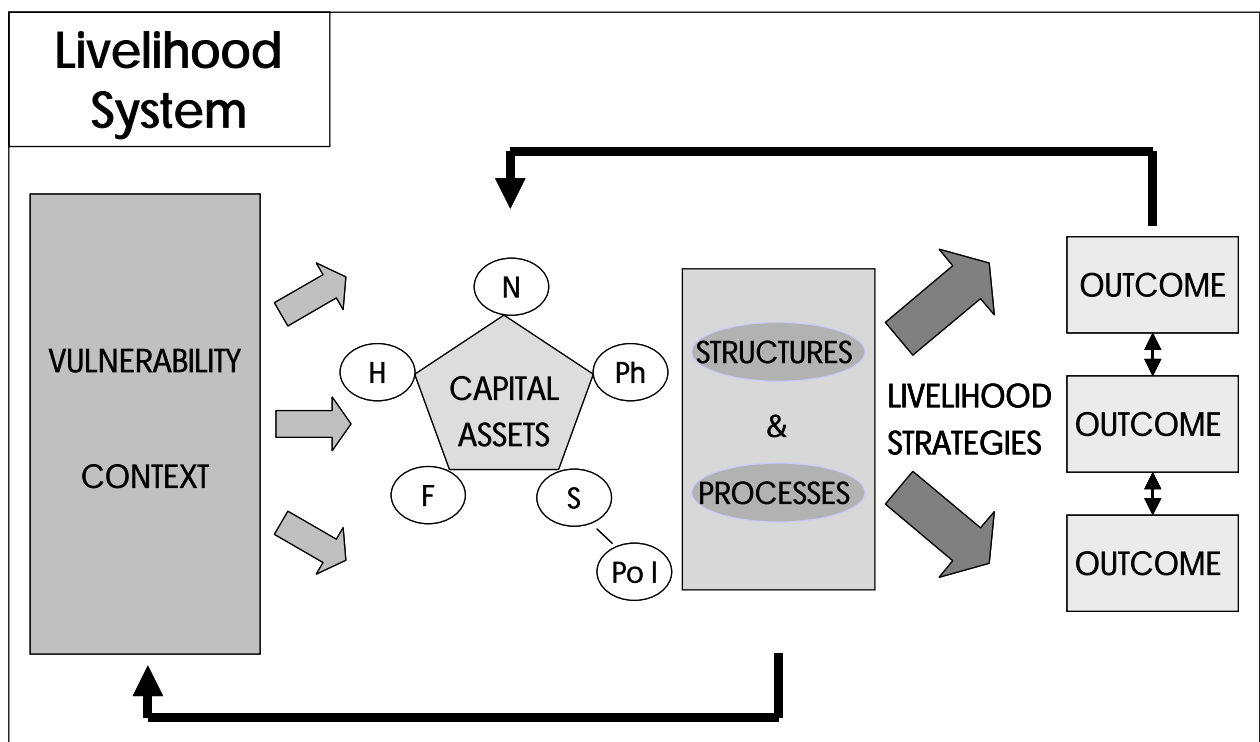
The first module familiarises the user with the basic ideas of this manual and the Livelihood System Approach. The objectives of this modules are:

- To create a common understanding of the Livelihood System Approach
- To propose areas of intervention and impact within the livelihood system approach for development projects

### The Livelihood System Approach

The Livelihood System Approach is a way of looking at how an individual, a household or a village community behaves under specific frame conditions. The different elements of a the 'Livelihood System' define the context in which villagers or village communities make their living.

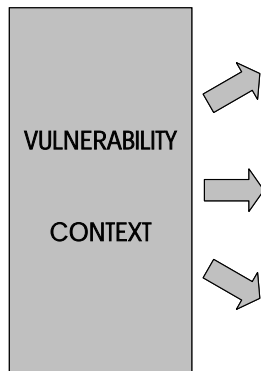
Graphic M1: Livelihood System



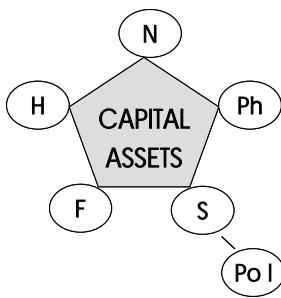
(adapted from Department for International Development – DFID, 1999)

A livelihood for a villager comprises the capabilities and assets (resources, social networks, skills) and the activities necessary for securing food and nutrition security.

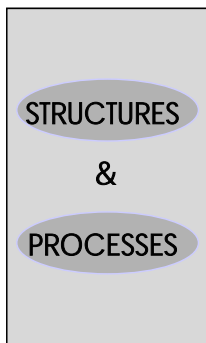
The different elements are:



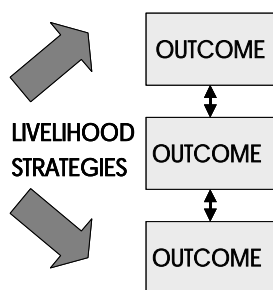
The **vulnerability context** defines the specific frame conditions which determine the life opportunities of a villager. The vulnerability context affects the life of villagers, but villagers themselves cannot influence the vulnerability context. The vulnerability context consists of long-term *trends* (climate, national politics, economic conditions) and short-term sudden *shocks* (sudden price fluctuations, violence and fighting).



The **capital assets** are the resources that an individual or household can make use of. We can differentiate six types of capital assets: *Natural* (land types etc.), *social* (social networks with neighbours etc.), *political* (access to political power holders is a sub-capital of social capital), *financial* (saving, loans, credits etc.) and *human capital* (skills, knowledge, good health etc.)



**Structures & processes** determine the access of households to their capital assets (whether or not and how they can make use of them). Structures are formal institutions such as governmental organisations, formal laws, regulations, which are present in a village or are important for village life. Processes, on the other hand, are the *rules of the game*, which are informally applied. Processes can change or determine the access to the capital assets within the livelihood.



An individual or a household develops **livelihood strategies** to organise their daily survival within the livelihood and to achieve certain **outcomes**. In a livelihood households combine their capital assets and handle a set of different livelihood strategies in order to decrease their vulnerability.

Livelihood strategies adapt to gradual trends (adapting) and deal with short-term shocks, such as violence and fighting (coping).



**Feedback Loops** describe the impacts of outcomes on the livelihood of a community. Feedback loops might be positive or negative and might affect the household carrying out a certain activity as well as neighbouring households.

The Livelihood System Approach adopts a systemic view on a livelihood. It depicts how individual or households combine their capital assets and carry out livelihood strategies to survive daily in their livelihood. Hence we consider two questions:

- Which capital assets (resources) can a household rely on in order to deal with food insecurity in a given vulnerability context?
- How do structures & processes influence the access of households to their capital assets ?

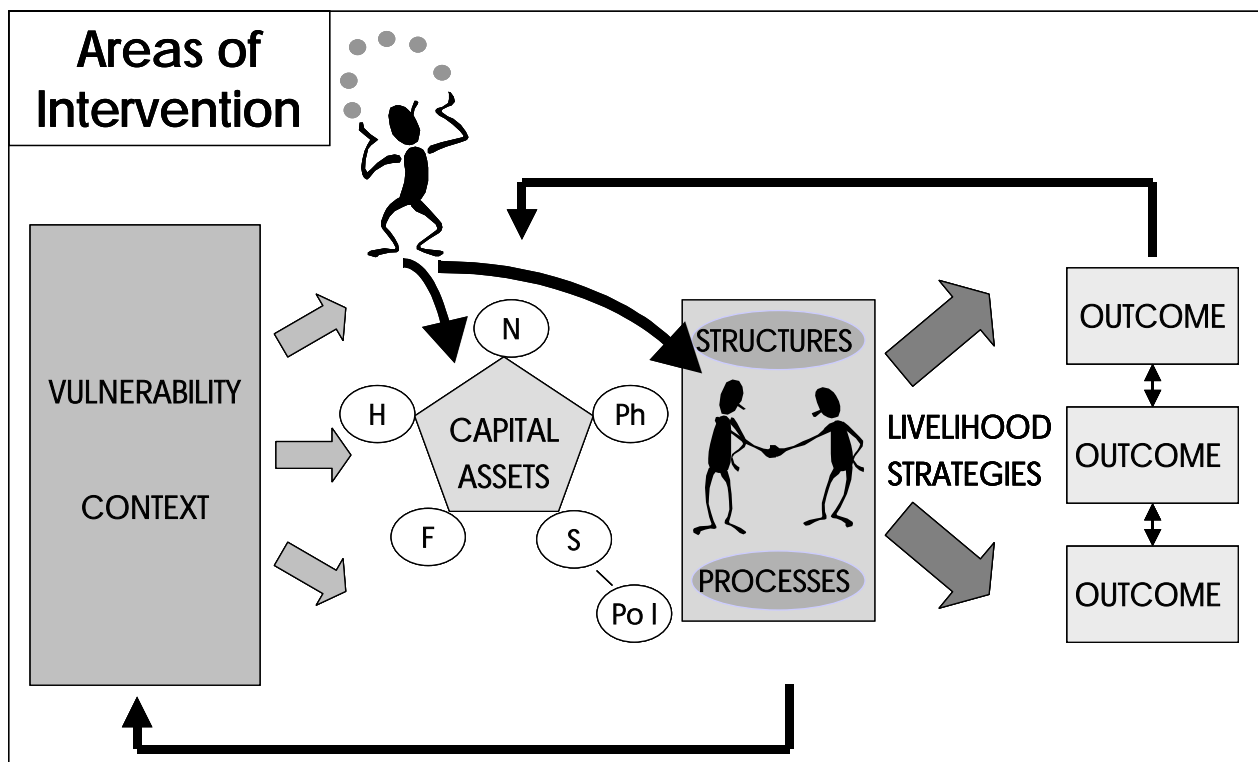
### Areas of Intervention and Impact

The key question for the IFSP and its partner institutions is:

- Where can the IFSP & implementing partners support livelihood strategies of villagers to achieve positive changes in the living conditions?

IFSP and partner can encourage, but not enforce attitudinal and behavioural changes of villagers. Agencies should create **incentives** that villagers can carry out sustainable livelihood strategies.

Graphic M2: Areas of Intervention for IFSP & partners



Considering the different elements of a livelihood system, IFSP and partners can achieve impacts on two of its elements : namely the capital assets of households and on structures and processes (see Graphic M2). IFSP can hardly change the vulnerability context, since it is influenced by actors on national level, which IFSP cannot influence.

The **triple approach** of impact areas comprises three levels of intervention:

- (i) *Responding to shocks (asset-based support)*: Resource-poor, vulnerable households may be unable to cope with shock and need temporary support to overcome the acute crisis. IFSP should therefore concentrate on **supporting potentials**.
- (ii) *Adjusting to trends (support of structures and processes)*: In addition to the organisational development of governmental partner institutions, strengthening social networks (neighbourhood support) and encouraging transparent and accountable community institutions are essential steps to establish social capital and trust of people in their community institutions. Furthermore, it is essential to link economic institutions (e.g. banks) to the village economy. IFSP should focus on **removing constraints**.
- (iii) *Promoting viability (mobilisation of governance structures)*: IFSP should urge its partner institutions and other involved organisations to take action in a way that is transparent and understandable to all stakeholders. IFSP should support **accountable rules of the game**.

These **areas of interventions** within the Livelihood System comprise different activities of IFSP & partners:

**(i) community projects**

- re-establish physical capital assets of village communities (irrigation tanks, roads) and human capital (pre-schools).

**(ii) poverty (group) projects**

- provide basic assets for income generation to vulnerable households to improve access to income and food.

**(iii) health and nutrition programme**

- raises health and nutrition awareness among villagers to improve use and utilisation of food and in the long term, the human capital (health),
- distributes nutritious meals to school children to improve their human capital.

**(iv) community mobilisation (capacity building of implementing partners)**

- encourages community-based organisations and informal action groups to carry out projects in an accountable manner,
- supports the creation of transparent community structures and processes, i.e. social capital (neighbourhood support) and transparent community institutions (organisations and rules).

**(v) capacity building of partner institutions and service providers**

- encourages and strengthens governmental and non-governmental service providers to deliver support to village communities in an accountable manner,
- enhances the creation of transparent structures and processes.

It is important to consider all **five impact areas** as complementary. This means that the five areas are linked with each other. Community projects, for example, are planned and implemented in a process of community mobilisation and capacity building. We cannot divide the three activities. The approach of IFSP is thus *holistic* (non-sectoral) and *people-centred* (people participate).

Furthermore, monitoring of the impact areas is essential. Thus, we want to filter important aspects and describe our impact. Indicators summarise characteristics of an intended impact and sign 'milestones' of success which was achieved with our intervention. Therefore indicators are set:

- on the basis of which you can recognise whether and to what extent the impact hypotheses hold true, and whether envisaged and unintended changes occurred,
- in order to select from this multitude of information the one which is significant for the decision-making process,
- in order to gain information which is in a manageable form.

Indicators refer to a multi-faceted situation and reduce this situation to a concrete dimension. Usually one indicator is not sufficient to describe a status quo or to evaluate a change. Therefore a set of qualitative and quantitative indicators is useful. (VAHLHAUS 2000, p. 29)

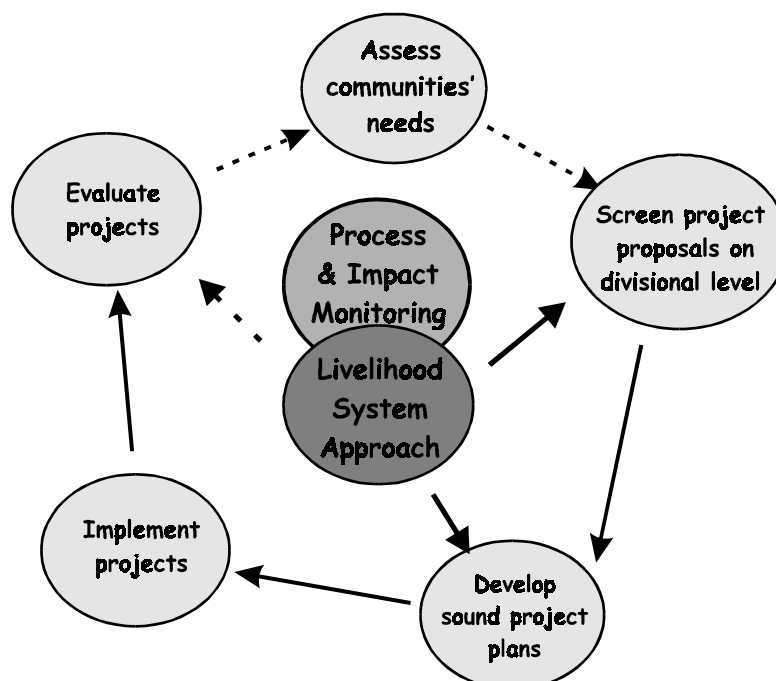
## Module II: How to Integrate LSA in the Project Cycle?

The second module “How to integrate LSA in the project work” discusses how the Livelihood System Approach (LSA) fits into the IFSP’s work in Trincomalee as a supplementary tool for community development planning.

The LSA views a livelihood and its community in its entirety. Thereby the LSA considers all aspects and factors which play an important role and its aim is to find out why the livelihood system works in the way it does, which opportunities are presently submerged and could be useful in future in order to support livelihood strategies of people. Therefore the LSA looks at the potentials of the individuals and households within the community (capital assets), the influence of structures & processes when accessing the identified potentials and the applied livelihood strategies which assure the daily survival. LSA also intends to identify prosperous, innovative strategies which can be supported by project work to diversify income sources and to stabilise the village economy.

The project cycle illustrates the consecutive steps from needs assessment to final evaluation of a village project (see **Graphic M3t**). The livelihood model can be employed at various steps of the project cycle, viz:

Graphic M3: Linkage between IFSP’s work and the Livelihood Approach



(adapted, BAUER et al. 1999):

The LSA can be integrated in project work as a useful tool in the project cycle. As shown in Graphic M3, the LSA can mainly be applied at three stages:

- For **appraisal**: assessing feasibility and viability of interventions in the vulnerability context (ex-ante assessment)
- For **planning**: developing a holistic intervention strategy
- For **monitoring and evaluation**: assessing the impact of the intervention on livelihood and coping strategies of people.

Community mobilisers play a key role in community development. With regard to the project cycle management and the LSA, the key task for community mobilisers is to:

- identify and discuss livelihood strategies and their rationale with target groups (why do people adopt a certain behaviour?),
- analyse with the villagers which factors constrain their livelihood strategies on both levels: capital assets as well as structures and processes,
- discuss how the vulnerability context affects the livelihoods of people and what this implies for their daily survival,
- identify entry-points for support in dialogue with the villagers (which capital assets and which structures can IFSP strengthen to support livelihood strategies of people?),
- monitor and evaluate the impact of IFSP activities on livelihoods (has the support of IFSP enabled people to carry out their livelihood strategies?).

Module III will elaborate how the LSA framework can be utilised for the three stages in the project cycle.

## Module III: How to Plan and Assess Projects and their Impact on a Livelihood?

In the last chapter we considered the project cycle and the stage at which we can include the livelihood system approach. In the following chapter, we will ask “How can we assess, plan and monitor village projects and their impact upon a livelihood?”

The aim of the **Livelihood and Impact Analysis (LIA)** is

- to become conscious of the effects of a planned intervention in a specific livelihood system, i.e. a village or community,

The impact analysis comprises two chronological stages: planning our intervention strategy and assessing the impact during and after implementing our intervention (monitoring). The first step is to analyse the livelihood prior to an intervention (ex-ante analysis). After assessing the status quo, the matrix provides guidance for an **impact analysis for planning, monitoring and evaluating our intervention** in a specific livelihood system.

Graphic M4: Livelihood and Impact Analysis: thematic and chronological stages of assessment of project work

I) Livelihood Analysis	II) Impact Analysis		
	Intervention Analysis	Impact Assessment	Indicators & Observations
What is the present state of the respective livelihood system and its elements?	Which resources do we want to support by our intervention? Which livelihood strategy do we want to support by our intervention? Which impact area do we want to address? Which changes do we want to observe?	What changes has the project achieved? What kind of experience did the staff involved gain during implementation with stakeholders? Which effects can we observe for the whole community?	What milestones have we achieved with our intervention? Where do we have to improve?
↓	↓	↓	
Status quo analysis (before planning, 'ex ante')	Planning the intervention (analysis before implementation)	Monitoring and evaluation (analysis during and after implementation)	

(IFSP-CATAD 2001)

The graphic comprises both **two main thematic parts** as well as **three chronological stages of assessment** and develops guiding questions for the project planner. Therefore, the matrix consists of with three columns which contain the elements of a Livelihood System and the thematic and chronological dimensions.

This matrix can be utilised during all the three steps outlined above: first, it is a checklist for the feasibility assessment of a village project. The information collected and analysed will then be important for monitoring during implementation of the project and for evaluation after implementation.

The strength is that it directs the attention to the **actual behaviour of people** and the impact of project interventions on livelihood strategies instead of measuring only project output. For planning purposes, it will be useful to quantify certain elements of the livelihood system, viz. capital assets, outcomes and feedback loops. Those elements which can hardly be quantified, e.g. structures and processes, should be valued according to a system of indicators.

**Quantification** and **valuation** are essential to compare and assess different project options according to feasibility, viability, cost-benefit and post-project sustainability.

The following pages comprise the different stages of the matrix. Key questions guide through the logical structure of the matrix and ask for the key point to be filled in at each element of the matrix.

## Worksheet 1: Livelihood System Analysis

<b>Livelihood System Analysis</b>		<p>➔ <b>Status Quo Analysis</b></p> <p>'ex ante' (before the intervention)</p>
<b>Vulnerability Context</b>		<p>➔ What are the current frame conditions which determine the vulnerability of the livelihood considering the</p> <ul style="list-style-type: none"> <li>• political</li> <li>• economic</li> <li>• social</li> <li>• ecological dimension?</li> </ul>
<b>Capital Assets</b>	Financial	➔ What are the main resources the livelihood can rely on considering its financial, human, natural, physical, social and political capital?
	Human	
	Natural	
	Physical	
	Social	
	Political	
<b>Structures &amp; Processes</b>		<p>➔ Which organisations on the community, divisional and provincial level, laws and rules of the game do you identify as important in the livelihood?</p> <p>➔ What kind of dynamic circumstances (e. g. marketing system, security restrictions, temporary epidemics) influence and shape the livelihood system?</p> <p>➔ How do they directly and indirectly determine the access to the resources?</p>
<b>Livelihood Strategies</b>		<p>➔ Which activities are required for a means of living in the livelihood?</p> <p>➔ Which activities are short-term reactions to shocks and stress? (coping)</p> <p>➔ Which activities can be considered as long-term response to gradual (negative) trends? (adaptive)</p>
<b>Outcomes</b>		➔ What impacts can we observe by the required activities and its outcomes?
<b>Economic</b>		➔ Do the activities improve or decrease the financial assets (income, means of production, reproduction)?
<b>Social</b>		➔ Do the activities support the social relationship, status, roles?
<b>Environmental</b>		➔ Can we observe important environmental influences due to these activities?

## Worksheet 2: Intervention Analysis

<b>Intervention Analysis</b>		→ <b>Planning the intervention</b> before and during project implementation
<b>Profile of the project area</b>		→ Where is our project area located considering name and division?
		→ How many people live in the project area?
		→ How many people do we want to address?
<b>Capital Assets</b>		→ Which resources do we want to support by our intervention?
		→ Which resources are directly influenced by our intervention?
		→ Which resources are indirectly influenced by our intervention?
<b>Structures &amp; Processes</b>	<b>supporting</b>	→ Which organisations are our implementing partners? With whom do we directly work together?
	<b>directly influencing</b>	→ Which organisation do we indirectly involve or influence by our intervention?
	<b>others, but important</b>	→ Which organisations, laws, rules of the game do we consider important, without influencing their behaviour and activities?
<b>Livelihood strategies</b>		→ Which livelihood strategy do we want to support by our intervention?
		→ Which area of impact do we want to address?
<b>Intended Impacts</b>		→ Which impacts do we want to observe?
<b>Economic</b>		→ What impact on the financial assets (income, means of production, reproduction) do we want to achieve?
<b>Social</b>		→ What impact do we want to achieve with regard to social relationship, status, roles?
<b>Environmental</b>		→ What environmental frame conditions are fragile and are considered important? I identify the most important.

## Worksheet 3: Impact Assessment

<b>Impact Assessment</b>	→ <b>Monitoring and evaluation of interventions of the IFSP &amp; partner organisations after implementation</b>
<b>Achieved impacts regarding:</b>	→ Which changes has the project achieved? (Try to develop one powerful indicator along at least one of the listed criteria which is most suitable.)
<b>Economic viability</b>	→ Can you observe an increase in the financial capital assets?
<b>Environmental soundness</b>	→ Can you observe positive and negative impacts on the environment of the livelihood system due to our intervention?
<b>Social compatibility</b>	→ Can you observe a strengthening of the social network e. g. increase of neighbourhood help, increased participation in local activities?
<b>Behavioural pattern</b>	→ Can you observe a social and/or economic intended change in the behaviour of our target group?
<b>Experiences in cooperation with stakeholders</b>	→ What kind of experience did we have during implementation with stakeholders (involved institutions, participation of target group)?
<b>Institutional Cooperation</b>	→ How many and which organisations are continuously involved in our intervention?
<b>Participation</b>	→ How many villagers did ask for support before and after implementation?.
	→ Can we observe a strengthening of the social network e. g. increase of neighbourhood help, increased participation in local activities
<b>Probability of adoption</b>	<b>Potentials</b> → Where can the IFSP & partners additionally support potentials of our target group?
	<b>Constraints</b> → Where does the IFSP & partners need to remove constraints?
<b>Impacts on the whole community</b>	→ Which effects can we observe due to our intervention if we consider the whole community
<b>Positive</b>	→ Which positive effects due to our intervention can you identify?
<b>Negative</b>	→ Which negative effects due our intervention can you identify?

## Worksheet 4: Impact areas and indicators

Impact Assessment		Indicators and observations
Achieved impacts according to:		Examples:
Economic viability		<ul style="list-style-type: none"> <li>• average value of household income</li> <li>• percentage change in average value</li> </ul>
Environmental soundness		<ul style="list-style-type: none"> <li>• decrease / increase of groundwater level</li> <li>• reforestation activities</li> <li>• waste management</li> </ul>
Social compatibility		<ul style="list-style-type: none"> <li>• increase of neighbourhood help</li> </ul>
Behavioural pattern		<ul style="list-style-type: none"> <li>• decrease in seasonal migration of family members due to shocks in the past year</li> </ul>
Experiences in cooperation with stakeholders		Examples:
Institutional Cooperation		<ul style="list-style-type: none"> <li>• number of organisations continuously involved in the implementation</li> </ul>
Participation		<ul style="list-style-type: none"> <li>• number of PNA activities in a village</li> <li>• success of PNA activities</li> </ul>
Probability of adoption	Potentials	Examples: <ul style="list-style-type: none"> <li>• marketing situation</li> <li>• social coherence</li> <li>• security situation</li> <li>• dependency on outsiders</li> </ul>
	Constraints	
Impacts on the whole community		Examples:
Positive		<ul style="list-style-type: none"> <li>• increased/decreased participation in local activities</li> <li>• increased acceptance of responsibility for common activities</li> </ul>
Negative		<ul style="list-style-type: none"> <li>• (number of members in committees etc.</li> <li>• disputes over distribution of benefits</li> </ul>