# Module 4

# Designing a livelihood intervention

**Looking for livelihood opportunities**

We have already seen a framework for analyzing livelihood choices, in Module 3 of this Resource Book. This framework helps us analyze and systematically make choices needed for designing a livelihood intervention. In this module we will walk through the process of designing a livelihood intervention and suggest some tools and techniques that we can use to design such an intervention.

The basic process of designing a livelihood intervention involves:

Stage I: **Observing and Understanding the Local Economy**
    Step 1: Getting to Know the People: Understanding their diversified livelihood portfolio
    Step 2: Assessing Factor Conditions
    Step 3: Understanding Local Demand Condition:
        - Identify enterprises existing in the area...
        - Mapping all the products and services that go out and come in

Stage II: **Selecting Livelihood Activities Suitable for the Poor in the Area**
    Step 1: Triangulation: Putting the information on people, the factor and demand conditions together
    Step 2: Understanding the Demand Condition of the short-listed activities better

Stage III: **Deciding on intervention**
    Step 1: Exercise for 3-E
    Step 2: Overlaying Organizational Competence

    Additional Tool: Sub-sector Analysis

In this Module, we will walk through this process step by step.

# Stage 1: Observing and Understanding the Local Economy

All livelihood opportunities of the rural people are embedded in a village context. It is important for us to understand that context before we get down doing any livelihood intervention.

Let us look at the piece of writing by Deep Joshi, an eminent livelihood promotion professional (see **Annexure I** to this Chapter). To be open and alert, to observe, listen, talk, discuss, learn, reflect and share are essential for a livelihood professional and will stand us in far better stead than mechanically filled formats, that do not uncover your ignorance, that do not make you reflect.

The local economy is a reflection of the expressed demand conditions in the area. The local economy is also a reflection of the factor conditions that limit the livelihood opportunities in the area. Thus, getting to know the local economy involves:

Step 1:     Getting to Know the People: Understanding their diversified livelihood portfolio
Step 2:     Assessing Factor Conditions
Step 3:     Understanding Demand Condition:
          - Identify enterprises existing in the area...
          - Mapping all the products and services that go out and come in

## Step 1:   Getting to Know the People

We are generating livelihood opportunities for the people. It is their life. Before any livelihood intervention is planned it is important to get to know their present livelihood pattern. Their culture, attitudes, skills and life-style, shape the ultimate choice of livelihoods.

An Anecdote

> *A landless widow was delighted to receive a milch animal from an NGO promoting livelihoods. The promoters were pleased because milk enjoyed great local demand, and the return earned from the sale of milk clearly was an addition to her income. When the NGO returned later to see how she was getting on, they were surprised to be greeted with wrath. She said, "Earlier, we moved to where the work was. Now you have tied this millstone around my neck. How can I look after this wretched animal? I have to come back to feed it everyday. It stops me from going out to earn my daily wage."*

It is therefore very important for us to pay attention to the People of the area. We must get to know our target group very closely to ensure that we do not make the same mistake. We need to consider:

| Some of the Employment Conditions we may look into: |
| --- |
| Workforce size and work participation rate trends<br>-     Work Participation Rates |
| Employment growth and changes in sectoral distribution of workers<br>-     Broad Sectoral Distribution of Workers<br>-     Percentage Distributions of Workers by NIC at One Digit Level |
| Unemployment, Types of Employment and Productivity<br>-     Current Daily Status unemployment rates<br>-     Unemployment across Age Group<br>-     Distribution of Usually Employed by Category of Employment |
| Productivity: Gross state domestic product (GSDP) |

- 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 or assets?
- Will it reduce or enhance the risks faced by the household?
- What assurances can be put in place to mitigate risk?

- Will the activity require organizing poor households in groups?
- How capable is the household to participate in such organization?
- What inputs will it require from us?

Let us remember that the poor people, even before our intervention, are deployed into different activities. Influencing any one of them, or introducing a new piece of action often happens at the cost of one of the existing activities.

There are two processes that we need to follow to get an understanding of the livelihood profile of the people.

- Understanding the diversified livelihood portfolio in the area
- Getting to know the livelihood profile of poor households

**Understanding the diversified livelihood portfolio in the area**

As indicated in the Module 3, there are three element of livelihood profile of a poor household: **the livelihood capacities, livelihood strategies and livelihood portfolio**. The poor people are often engaged in more than one activity for their livelihood in order to maintain their cash-flow and also as a risk management strategy. Since we are trying to promote

livelihoods for poor people, it is important to understand the livelihood profile of that people in the area have, well so that the proposed intervention fits into their daily and seasonal rhythm of life.

- First, identify three groups of people from within the group of people we would like to work with. These could be groups from three villages, or three communities or any other social segment we are working with.[1]
- Go to these poor families and do a seasonality mapping exercise to understand their livelihood pattern throughout the year. See **Annexure II** to this chapter for an overview of this PRA Technique.
- Make a list of the various activities they are involved in at different points in time. Understanding the income from various sources may help us formulate the seasonality diagram. Often poor people find it difficult to assess their income. Therefore, we may try to understand their expenditure pattern to know their income pattern and draw the seasonality diagram.
- Also try to understand the major bottlenecks in each activity. Make a note of these.
- Make a note of the months in a year they are without work or migrate.
- Consolidate the seasonality diagrams from different groups to develop a list of various activities people in the area are involved in, with an indication of their magnitudes.

**Getting to know the livelihood profile of poor households**

The exercise above would have given us a fair sense of the livelihood portfolio of the people in our area.  It may also have given us some sense of the livelihood capacities of the people in the area, and livelihood strategies used by them.

However, it may be useful to get to know livelihood capacities, livelihood strategies in finer details. PRADAN has developed a detailed methodology for getting to know the livelihood patterns of people. This method has been given in the **Annexure III** to this module. But as these involve many details it may be done with a sample of few households.

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[1] Usually we talk about a minimum respondent size of three. Talking to one sample group may leave an error. But then if we check it with one more, and that shows a different view, to assess which of the two views are closer to reality we need check with a third one.
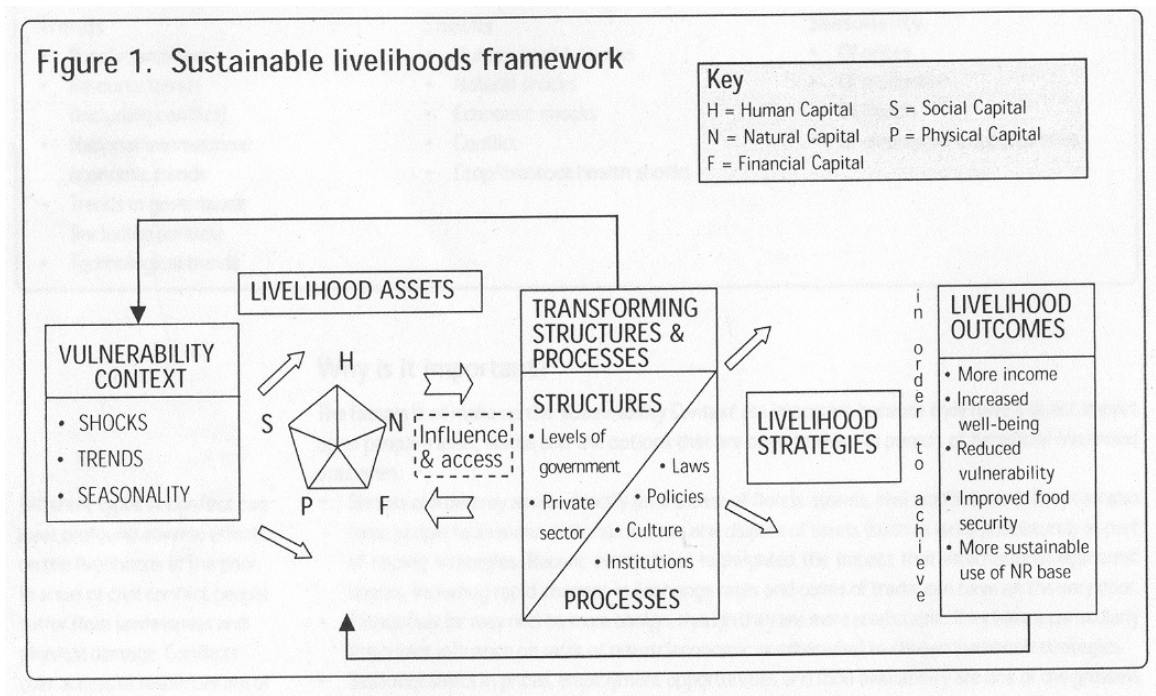
## Step 2:  Assessing Factor Conditions

Factor Conditions play an important role in delimiting what livelihood opportunities can be taken up by people. Therefore, we need to know the factor conditions in our area in some detail. Livelihood choices are dependant upon availability and/or access to various resources. DFID Framework for Sustainable Livelihoods is a very useful way of looking at the conditions that influences livelihoods.

In our discussion on the Framework for Analyzing Livelihood Options in Module 3, we have discussed Factor Conditions in detail. Some of the Factor Conditions that we need to look at include:

| *A.   Natural resources*<br><br>Land: terrain, quantum, quality, distribution and uses<br>Water: annual rainfall, groundwater levels, sources of irrigation<br>Humidity<br>Forests: quantum, tree species and usage<br>Livestock<br>Mineral wealth<br>Energy sources<br>*Are there any environmental threats to these natural resources?* | *B. Physical resources*<br>Irrigation infrastructure: Tanks, Canals, Borewells<br>Shandies, *Haats,* Market yards<br>Warehouses<br>Electricity<br>Roads, Railway lines<br>Transport facilities<br>Post Office, Banks<br>Health facilities |
|---|---|
| *C. Human resources*<br>Population<br>No. of households and family size<br>No. of earning members per family<br>Labor availability and skill levels – manual, craft, service and knowledge base<br>Entrepreneurial ability of various communities in the population<br>Education profile of population<br>Health profile of population<br>Gender division of all the above | *D. Social resources*<br>Relationships of trust and reciprocity within and between communities<br>Gender relations<br>Caste relations<br>Agrarian relationships<br><br>*E. Financial resources*<br>Available sources of credit – formal and informal<br>Interest rates and collateral requirements on different credit sources<br>Credit requirements of different income/occupational groups of people<br>Savings mechanisms<br>Other financial services |

The Sustainable Livelihood Framework also helps us look at some of these factor conditions.



Figure 1. Sustainable livelihoods framework

For assessing these factor conditions, various tools have been developed by many agencies. We may use any of these and modify them to suit our requirements. You could look at the tools developed by DFID (www.livelihoods.org). We have also annexed a format at the end of this chapter **(Annexure IV)**, which can be used for consolidating information about factor conditions at a village. You could use this sheet, with due modifications, to collect information about an area or a sample set of villages. You can look at some of the following resources for information on various factor conditions.

The following table gives you some possible sources of information for various factor conditions in an area.

Table 1: **Various Information Sources for Understand Local Economy**

| S.No | Particulars | Information Needed | Sources |
|---|---|---|---|
| 1 | District Background | • Location<br>• Rainfall<br>• Climate | • District Economic Census: District Statistical Office/ Planning Office in some districts<br>• District Potential Link Plan (published by NABARD for every district)<br>• District Credit Plan (published by the lead bank of every district) |
| 2 | Population | • Rural - male, female<br>• Urban - male, female<br>• Computed Annualised Growth Rate - Rural, Urban | • District Census Data: District Statistical Office/Planning Office in some districts |
| 3 | Literacy Rate | • Rural - male, female<br>• Urban - male, female<br>• Computed Annualised Growth Rate - Rural, Urban | • District Census Data: District Statistical Office/Planning Office in some districts |
| 4 | Workers Participation Rate | • Rural - male, female<br>• Urban - male female<br>• Computed Annualised Growth Rate - Rural, Urban<br>• Workers Classification as per NIC | • District Census Data: District Statistical Office/Planning Office in some districts |
| 5 | Land | • Land Use Classification<br>• Cultivable Land Classification: small, marginal, medium, etc. both acre-wise and landholding-wise | • Seasonal Crop Report: ICAR |

| S.No | Particulars | Information Needed | Sources |
|------|-------------|--------------------|---------|
| 6 | Agriculture | • Cultivable Lands: Net, Gross & trend<br>• Reasons, for changes, if any | • Seasonal Crop Report |
| | (Compare data with adjacent district or state averages) | • Major food crops: cultivable area, productivity & trends<br>• Major Non-food crops: cultivable area, productivity & trends<br>• Availability of Market Infrastructure<br>• Constraints in agriculture production & marketing | • NABARD: District Potential Link Plan<br>• LEAD Bank: Annual Credit Plan<br>• APMAC<br>• Discussion with Stakeholders |
| 7 | Water | • Irrigated Land: Net, Gross, trend<br>• Sources of Irrigating Water | • Seasonal Crop Report |
| 8 | Animal Husbandry | • Major animals reared: Population, products production<br>• Infrastructure for value addition & marketing trends<br>• Marketing Trends and Constraints | • Census of Animal Husbandry<br>• NABARD: District Potential Credit Link Plan<br>• Discussion with Stakeholders |
| 9 | Forestry | • Coverage, type & trend<br>• Forest Produce - kinds and in Rs and trends<br>• Participation of JFM<br>• Scope for income generation | • Seasonal Crop Report<br>• NABARD: District Potential Link Plan<br>• Directorate of Economics & Statistics<br>• Discussion with Stakeholders |
| 10 | Mining and Quarrying | • Major elements mined/quarried<br>• Production - kinds and in Rs<br>• Employment opportunities: Scope | • Directorate of Economic and Statistics<br>• Discussion with Stakeholders |

| S.No | Particulars | Information Needed | Sources |
|------|-------------|--------------------|---------|
| 11 | Manufacturing | • Units as per NIC 2 digit classification, <br> • Persons employed <br> • Employment opportunities: Scope | • DIC <br> • Discussion with Stakeholders |
| 12 | Services | • Identify potential activities by assessing current employment, <br> • employment absorption capacity by calculating Computed Annualised Growth Rate, etc | • Random survey in at least five market areas |
| 13 | Financial Services | • Scheduled commercial Banks: Loan outstanding sector-wise: accounts and amounts <br> • Portfolio Analysis | • NABARD: District Potential Credit Link Plan <br> • Lead Bank: Annual Report; RBI: Banking Statistics <br> • Discussion with LEAD Bank |
| 14 | Government Schemes | • Performance status: Various development schemes | • Discussion with DRDA, Govt. departments |

In addition to these secondary materials, we can also use some participatory tools for validating the information and sift those relevant in our context. Participatory Tools are useful for us to understand the perspective of the community; differences among different groups within the community and on the resources and livelihood opportunities they see. Without this, we are likely to design initiatives that simply do not cater to their needs or interests. Designed well, participatory tools can also initiate a sense of understanding and ownership among the community you wish to help. Many of these tools have been indicated in the **Annexure II** to this Module. (Designed poorly, they are simply a mechanism to extract information.)

**Talking to Key Informants:** Talking to key informants should be taken up last, because only after doing background research, will we be able to frame relevant questions that will fill the gaps in our information. Also, the background information gives us a complete knowledge and feel of the place and puts us in a better position to seek information

Key informants can provide us a lot of valuable information in a very short time.  Potential key informants are:

- Market traders or authorities
- Bankers
- Heads of villages, caste and other groups
- At the meetings of groups such as savings and credit groups, water user associations, women's groups, etc.
- Officials from promotional and regulatory bodies
- NGOs
- Researchers
- Teachers

**Step 3:     Understanding Local Demand Condition:**

After having looked at the factor conditions in the area, it is now time for us to look at the demand conditions. As indicated in Module 3, demand conditions have many facets. The activities that people take up at the local level are shaped by the local demand conditions. Therefore, it may be useful for us to look at the activities people are involved in from the perspective of understanding the demand condition as well.

Marketing and Research Team (MART), New Delhi, has developed a methodology, 3M (micro-planning, micro-markets, micro-finance), which can be used for looking at the demand conditions in a local economy. A two-step process adapted from the 3M methodology *(for full details of the methodology, you can write to: [mart@bol.net.in](mailto:mart@bol.net.in))* can help us understand the demand conditions in the local economy.

- Identify enterprises existing in the area...
- Mapping all the products and services that go out and come in

**3.1 Identify enterprises existing in the area**

Identify enterprises (enterprise here means all economic activities that people take up in the area) existing in the area needs to be done at two levels: at the village level and at a market center that caters to the area.

- **At the Village**

Start with generating a list of all enterprises in the village.  In many cases, we can do this by observing the economic activity as we wander around the village. We should also ask villagers who could tell us about enterprises, especially home-based enterprises, that we might not be able to see from outside.  Try to get an approximate number of the enterprises in each category.  Remember that enterprises may be based on the farm

(such as production and processing agro-products and animal husbandry), may involve manufacturing (such as weaving, carpentry and rolling *bidis*) or may provide services (such as repairs, retail, health and education). Milch animals and a private school are as much an enterprise as a black smithy.

Please remember to count EVERY enterprise. This enumeration of the types of enterprises will give us a fair idea of the goods and services made or provided within the village. It may also give us some new ideas.

- **At the Market Center**

There are some trade or market centers in every local area. These could be small towns where there are weekly markets; could be taluka/ mandal headquarters, or even district headquarters or other larger townships. Most local people visit these markets periodically.

We need to look at one such market center in details for us to understand some of the important features of the local economy.

**Looking at a Market Place**

1. Let us walk around the entire market to get a general idea about its size and types of products and services sold. Fill up the **Format 1** given in **Annexure V** at the end of the Stage I of this Module. Enumerate every enterprise.

   a. This gives us a complete list of activities being pursued in the area

   b. It also gives us a relative size of each of these activities

2. Organise products and services into categories for interviewing sellers.

3. One person is delegated to collect information from the market owner/contractor (in some cases it could be the Panchayat itself) and for counting the number of stalls by product and service.

4. Others should start to approach sellers and buyers.

5. Select a minimum of one seller for one product category.

6. Complete seller interviews early on in the progression of the market, as the sellers have more free time before customers gather.

7. Sellers often avoid giving the correct sales figures and invariably report low sales. To counter this, at some point in the interview, quote an absurdly high sales figure to the seller and, to refute this, the seller will often react by revealing a realistic sales figure.

8. Interview buyers only after completing seller interviews as this allows buyers, time to finish their purchases at the market.

9. Buyers can be picked from three different economic strata (i.e. upper, middle, and lower) on the basis of their spending capacity. Observe how much they spend.

10. Remember to target an equal number of men and women.

11. Start interviews in a non-threatening way by talking about general topics.

Questions regarding their name, age, land holding and income-level should be left to the end of the interview, by which time they will have opened up.

## 3.2 Mapping All that Go Out and Come In

Local people buy some of the things they need, like food grain in the local market. This is produced at home or by their neighbors. But some things are not produced locally. For example, the utensils they use. These come from outside and are sold in the local market.

The local people also sell some of the things they produce in the local market. For example, in local markets you will find people selling vegetables produced locally. Sometimes people in the area, who do not produce them buy them, sometimes traders from outside come and buy.

Therefore, we see the Local Economy is a consumer (of utensils). It also is a producer (of vegetables).

As a consumer, the economy creates opportunities (of buying utensils from outside and selling them to local people)

As a producer, it generates some employment opportunities (working in the vegetable fields). We illustrate this with the following diagram (Fig. 2).
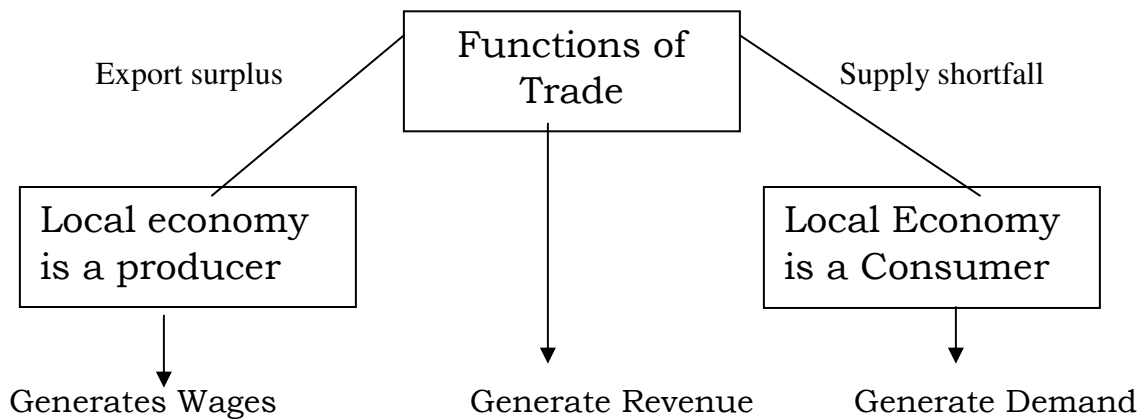


Both of these create livelihood opportunities. Therefore, one way of looking for livelihood opportunities is to start looking at the local markets and understand what opportunities it is creating. These opportunities are activities that essentially fill the gap between the producers and consumers in a local market.

While surveying the local markets, we also see the products and raw materials that are produced in plenty locally, for instance milk. A part of the milk may be consumed locally, but a large surplus may remain unconsumed. This surplus gives rise to an intervention opportunity where it can be value added and exported out. Similarly, some other products, which are not produced locally, are imported from outside, this gap or deficit is also an opportunity that provides intervention ideas.

To do this analysis, we may use **Format 2 and 3** given in **Annexure V** at the end of this module in this Resource Book.

The best sources for this information are manufacturers, traders, warehouses, retailers, local brokers, government officials and of course the market itself. This will open up opportunities not only for trading in the products but also forward and backward processing of available raw materials.

## Stage II: Selecting Livelihood Activities Suitable for the Area

At the Stage I we have looked at the people whose livelihoods need to be supported/ promoted, the factor and demand conditions in the area, which needs to support the livelihood activities. At the second stage we need to select from amongst these activities, those in which some interventions can be made.

Step 1: Triangulation: Putting the information on people, the factor and demand conditions together

Step 2: Understanding the Demand Condition of the short listed activities better.

## Step 1: Triangulation

Triangulation of the data is nothing but evaluating all the data so far collected by us on demand and factor conditions and people as well as our understanding of the internal context of the organization, for arriving at a list of an appropriate set of livelihood activities.

In this section, we will see how we can make this list shorter and more precise, and shortlist activities that are doable. This process is called Triangulation.

We will use the following Table-2 for triangulation:

Table 2 a: Triangulation: Overlaying Information on Suitability of Activity

| Activity | Suitability for the poor in the area | Employment generation ability of the activity | Favorable demand conditions | Favorable factor conditions | Competence of the organization | Total |
|---|---|---|---|---|---|---|
| A | b. | c | d | e | f | g |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

- First, list out all possible livelihood opportunities observed by us in the Stage-I of our study in Column 1 of this table.

- Next evaluate each livelihood activity on a scale of 1-5 (where 1 is highly unfavorable and 5 is highly favorable) on    the parameters of:

  o  Its ability to generate employment in the area

  o  Its demand conditions: the nature of the market

  o  Its factor conditions: availability of resources required for its production

  o  Competence of the implementing agency to take up intervention in this area

  o  Its suitability for the poor in the area.

Fill in the numbers in the table as given below. For example:

Table 2 b: <u>Triangulation: Overlaying Information on Suitability of Activity</u>

| Activity | Employment generation ability of the activity | Suitability for the poor in the area | Favorable demand conditions | Favorable factor conditions | Competence of the organization | Total |
|---|---|---|---|---|---|---|
| a. | b | c | d | e | f | g |
| Keeping dairy animals | 5 | 4 | 4 | 2 | 4 | 19 |
| Vegetable vending | 3 | 4 | 3 | 1 | 2 | 13 |
| Vegetable production | 4 | 4 | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

*For example large number of people can be employed in the dairy activity, hence highly favorable (5). Vegetables can employ lesser number of people than dairy but relatively more number of people can be employed in vegetable cultivation than in vegetable vending, hence 4 and 3 respectively. And so on …..*

- Remember that the score has to be given purely on the basis of how we generally feel about the idea, based on whatever understanding of the area we have developed. No mathematical or economic tools are to be applied.

- After scoring each of the livelihood ideas on these five parameters, total up the score by adding the numbers in the last column. Then shortlist those scoring high and eliminate the others

Now we have a list of a few activities, which have favorable demand in the market, have the necessary resources to produce them locally, and are suitable for the poor in the area. Given these positive indicators, we can conclude to some extent that, these activities can be managed by the implementing agency.

**Step 2: Understanding Demand Conditions Better**

Economic opportunities in the present-day world can be found in the Market. Market means demand; though we have already looked at the demand conditions briefly, we have not yet looked at some of the global and national market trends for these selected activities.

While looking at the market and market trends, it is always good to scan the global or national markets and assess the characteristics of the market.

For example, the market for fruits and vegetables is growing the world over, but not the markets for cereals. Therefore, even if the local markets for cereals are larger than fruits and vegetables, it may be easier to work with the later, than with cereals, if other conditions in our area permit.

However, identifying future trend of a product or a service is a complex task. But it needs to be done. Variety of factors influence these trends:

i. New technologies

ii. Change in people's lifestyle

iii. Change in demography

iv. Change in political balance

v. Or a mix of all of them

**What Do We Look for in the Market?**

While scanning the markets, one should look for:

- Big Size: Large markets can support large number of livelihoods. *For example, millions of households depend on wheat production, while only a few thousand people can produce Psyllium (Isabgol) that the whole world can consume, or a hundred thousand people can produce all the bamboo baskets that we need.*

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**Why Look at Demand Condition: a Lesson**

Way back in 1985, when PRADAN started its first livelihood project in Kesla, Madhya Pradesh, they observed the local tribals collect mushrooms that grew naturally and use them as a part of their diet. Taking a cue from them, they did a project, which apparently looked to be a huge success. In time, Knor Soups, the famous packaged food giant, became the biggest buyer of mushrooms from Kesla. Also, Kesla became the largest supplier of oyster mushrooms to Hyatt Regency chain of hotels, the second largest buyer in the country. The total turnover of the mushroom business reached Rs 4 crores per annum. Therefore, on the face of it, it was an excellent livelihood intervention story. But, when some of the initiators of the intervention went back to have a look at it after some time, they discovered some not so complementary details. They realized that after all the effort and fanfare, only 220 families were involved in the cultivation.

So, what went wrong?

The thing that went wrong was, at the outset the interventionists looked only at the factor conditions of the region, like, suitable climatic condition, naturally growing mushrooms, people's familiarity with mushroom and so on. This focus limited their vision and led them to overlook other opportunities, which could have had bigger potential in terms of livelihood. If they had studied the demand conditions first instead, they would have realized that the total market size of mushrooms in India was only about Rs 7 crore. Had they paid attention to that detail, possibly they would not have taken it up in the first place as an area of intervention.

Therefore, though both factor and demand conditions are equally important in the study of the intervention area, it makes better sense to start with demand

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Intervention where there is a fairly large demand makes good business sense

- Growing Market: A growing market throws up new potential for more people to join in at different parts. It offers better opportunities for supporting larger number of livelihoods. An existing large demand, which has no future growth or that which is likely to dwindle, cannot be called a growing market; therefore it does not offer a very good prospect

- Dynamism: Markets which are dynamic; absorb changing technologies; constantly witness entry and exit of players; offer scope for a wide range of activities, are dynamic markets and can support many livelihoods

- Transparency: Transparent markets are usually fair, giving all players a level playing field.

- Low Barriers: Markets with low exit and entry barriers are an ideal choice. Usually these markets become very competitive and are efficient.

- Systems: Look for markets which have well developed systems in place

- Support: A well developed chain of related and support industry is usually helpful

**Analyzing Market Trend**

We need to analyze the market trends carefully. We need to keep our eyes and ears open so that we can quickly pick up signals of change. We need to consciously keep ourselves open to such signals.

In a simple manner, we could plot the market size (either in terms of total production, or in terms of total value) of some of the commodities/ products that are/ can be produced in the area, on a graph.

Let us look at production of some crops in India, in million Metric Tonne over the decade of 1990s.

### Table 3: Production of Select Crops in India

| | Millets | Potato | Beans dry | Soybean |
|---|---|---|---|---|
| 1991 | 8.13 | 15.21 | 3.53 | 2.49 |
| 1992 | 12.28 | 16.39 | 3.87 | 3.39 |
| 1993 | 8.49 | 15.23 | 3.27 | 4.75 |
| 1994 | 10.30 | 17.39 | 3.06 | 3.93 |
| 1995 | 8.66 | 17.40 | 3.44 | 5.10 |
| 1996 | 10.94 | 18.84 | 3.51 | 5.40 |
| 1997 | 10.38 | 24.22 | 2.96 | 6.46 |
| 1998 | 10.60 | 17.65 | 2.75 | 7.14 |
| 1999 | 10.23 | 23.61 | 2.69 | 6.79 |
| 2000 | 8.68 | 25.00 | 2.63 | 5.09 |
| 2001 | 8.32 | 25.00 | 2.57 | 5.60 |
| Growth in the Decade | 2% | 64% | -27% | 125% |

Then let us plot the same information on a graph.
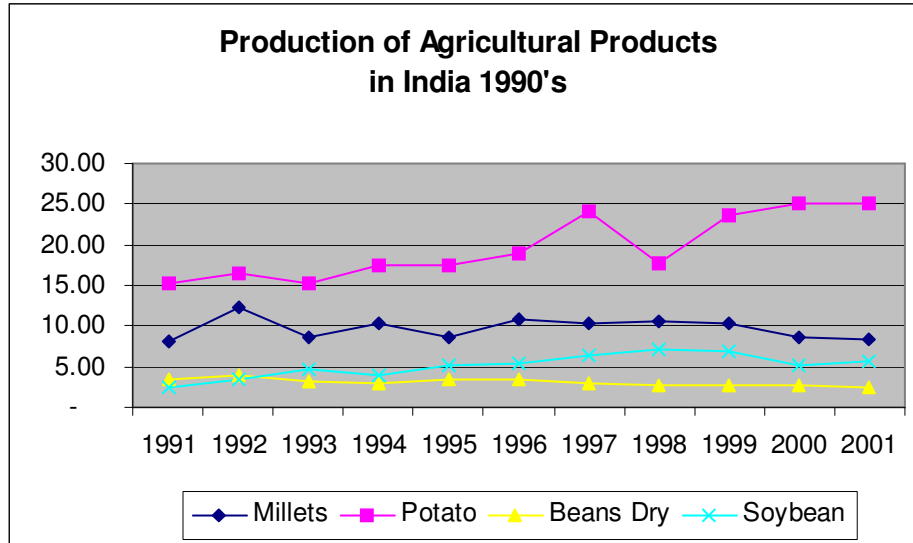


What does this picture tell us? It shows that the potato and soybean markets seem to be growing, though potato market looks much bigger than the soybean market.  Beans and millets markets, however, seem to be stagnant, if not declining marginally.  If our farmers are to produce

these four crops, it may be a good to help them improve their production of potato or soybean, whose markets are growing.

Please remember that though these are national level production figures, these give us a fair sense of the market behavior. This also shows us that the potato and millets are more risky as compared to beans or soybean.

There are specialized techniques of trend analysis. For further training in that, we could get in touch with some management institutes or statistics institute.

**How do we get the Information?**

Many sources provide information on the global market trends and opportunities:

- Internet Search: Websites are the latest and most interactive sources of information. They provide an opportunity to interact with specialists on the site who respond to various queries. Also, Internet is a major source for tracking worldwide trends and getting every kind of market information however specialized, in a matter of minutes. (The information however comes at a price). You could look at some of the sites like: www.agriwatch.com, www.commodityindia.com, www.cmie.com

- Directories: Trade directories, economic databases, which are periodically brought out and updated by research organizations, give the latest status of the markets

- Publications: Business publications, such as Economic Times, Business Line etc. give day to day information on the developments in the local, national and global markets. Also, they are a very good source for obtaining data on sectoral studies of various industry trends. Business magazines and special journals dedicated to specific areas of interest can form a great secondary source of information

If you are getting impatient to start your intervention, you can right away start with these short listed activities.

Otherwise, go to the Stage IV, where we will see how we can further refine our understanding of the activity and identify specific intervention points.

**Stage III:      Getting to Know the Selected Activity: Deciding on intervention**

>   Step 1:  Exercise for Exploring External Environment (3-E)
>   Step 2:  Overlaying Organizational Mission and Competency
>   Step 3:  Sub-sector Analysis

In the previous Stage of Identification Process, we short-listed a few potential livelihood activities in our area. You may have gathered some information about these livelihood opportunities at the local level by now.

But now the question is, can we take up all of these activities? Do we have the resources? Remember, it is better to take up one or two activities and do them well, rather than spreading our limited resources too thin by taking up too many activities.

Even within the selected activities, do we know what exactly to do? For example, if dairy looks like a potential activity in our area to be taken up, what exactly do we do in dairy? Do we work on providing veterinary services to producers? Or work on creating alternative marketing channels? Or undertake advocacy to create an enabling policy? Which is the most crucial bottleneck? Is it pro-poor? Does it have any health or other environmental hazard?

In this section, we will learn how to chose one-or-two activities to be taken up in our area and identify the exact intervention to be made in the selected activity. This can be done in two ways:

*   Through an exercise to explore the elements of the external environment

*   Overlaying the Organizational Context by examining the mission and assessing competencies of the organization

*   By doing a detailed sub-sector analysis, if required.


**Step 1:   The 3-E Exercise**

We will now look at an exercise to Explore the External Environment, in short the 3-E Exercise. This is an exercise designed to collect and consolidate information about various elements of the external context (Demand Conditions, Factor Conditions, Industrial Conditions and the Institutional Conditions as describes in Module III).

**Step 1.1 :** Identify Key Informants

- Identify at least three key informants or players in every selected activity

  o *It is useful to choose people from different interest groups because they will help us build different perspectives on the chosen livelihood activity*

**Step 1.2:** Develop Questionnaire for Assessment

- Generate simple questions, which helps assess conditions of various factors, which limit livelihood choices in the area. *(A sample set of questions has been indicated in Table 1 below).*

  o Take care to formulate the question in such a way, that you get answers to the same question from all the respondents

  o *For example: If your question was, "Is the raw material available?" The dairy farmer may respond about the availability of fodder, while the dairy plant manager may respond about availability of liquid milk. To avoid such a mix up, formulate the question precisely: "Is adequate green fodder available?" or "Is adequate liquid milk available?' depending upon what you want information on.*

## *Step 1.3:* Scoring by Key Informants

- Ask different key informants to assess each of these parameters on a scale of 1-5, where 1 is highly unfavorable and 5 is highly favorable, individually

  o *Only the respondent should give the score and we should not prompt him in any way. If necessary we can use some PRA methods to help them score, but evaluation should come only from them.*

  o *It is necessary to go to at least three Key Informants. If we have the time and the resources, we can definitely seek views of more.*

  o *Score the responses of the Key Informants in the columns and find out the average score on each of the 25 parameters.*

Table 4:  **Sample Score of 3-E Exercise**

**Examining External Environment of an Activity supporting Livelihoods**

| Activity/ Industry > | | **Dairy** | **Interviewer** | | |
|---|---|---|---|---|---|
| **Sl.No** **Activity:** | Key Informant 1 | Key Informant 2 | Key Informant 3 | **Total** | **Average** |
| **A** **Factor Conditions** | | | | | |
| 1 Availability of Raw Materials | 4 | 5 | 3 | 12 | 4.00 |
| 2 Availability of Skilled Human Resources | 3 | 2 | 3 | 8 | 2.67 |
| 3 Agro-climatic Suitability | 3 | 4 | 3 | 10 | 3.33 |
| 4 Availability of Capital (credit/subsidy) | 2 | 1 | 2 | 5 | 1.67 |
| 5 Availability of Infrastructure (power, water, roads, storage, etc.) | 2 | 3 | 1 | 6 | 2.00 |
| **B** **Demand Conditions** | | | | | |
| 6 Size of Domestic/Local Demand | 3 | 4 | 3 | 10 | 3.33 |
| 7 Number of Buyers (Large-5, Few-1) | 4 | 4 | 5 | 13 | 4.33 |
| 8 Sophistication of Buying Process (with transparent Quality/ Quantity Measurement) | 4 | 4 | 3 | 11 | 3.67 |
| 9 Growth of Domestic Demand (Increasing-5 or Declining-1) | 2 | 3 | 2 | 7 | 2.33 |
| 10 Presence of External Buyers (Many -5, None -1) | 2 | 4 | 2 | 8 | 2.67 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **C** | **Industry Conditions** | | | | | |
| 11 | Number of firms   (Use Many-5, Monopoly-1) | 3 | 4 | 3 | 10 | 3.33 |
| 12 | Existence of Competetion among Firms     (Healthy 5, Unhealthy -1) | 4 | 4 | 5 | 13 | 4.33 |
| 13 | Possibilities of Setting up New Firm  (No Barriers -5, Barriers to Entry -1) | 4 | 4 | 3 | 11 | 3.67 |
| 14 | Presence of Marketing Agencies | 2 | 3 | 2 | 7 | 2.33 |
| 15 | The quality and reliability of input suppliers/ component and machinery suppliers | 2 | 4 | 2 | 8 | 2.67 |
| **D** | **Institutional Conditions** | | | | | |
| 16 | Presence of efficient Promotional Agencies (Efficient -5, Inefficient/ Not Present -1) | 2 | 2 | 3 | 7 | 2.33 |
| 17 | Existence of Functioning Producer Organizations | 3 | 3 | 2 | 8 | 2.67 |
| 18 | Availability of Quality Training Institutions | 4 | 4 | 3 | 11 | 3.67 |
| 19 | Do people (can) have access to all physical/ legal resources necessary for this activity? | 4 | 5 | 4 | 13 | 4.33 |
| 20 | Supporting/ Favorable Government Policies | 3 | 3 | 4 | 10 | 3.33 |

o *Factors showing high scores, such as number of buyers, access to physical resources, are favorable.*

o *Factors with low scores, such as availability of credit, needs attention.*

o *Factors where there are differences of opinion between the key informants (shown by high variance), such as reliability of input supplier in the above case, need to be explored further. Possibly this represents a communication gap or break in information flow.*

**Step 1.4:** Aggregate Scores

  o Add up the scores given by different Key Informants on each element and find the average score.

**Table 5**: <u>A Sample Sheet for 3-E Exercise used in Rajasthan</u>


**Examining External Environment of an Activity supporting Livelihoods**

| Sl.No | Activity: | Dairy | Goat Rearing | Stone Cutting | Leather | Carpet |
|---|---|---|---|---|---|---|
| A | **Factor Conditions** | | | | | |
| 1 | Availability of Raw Materials | 4.00 | 3.33 | 2.66 | 2.60 | 1.00 |
| 2 | Availability of Skilled Human Resources | 2.67 | 3.33 | 3.66 | 3.00 | 2.00 |
| 3 | Agro-climatic Suitability | 3.33 | 2.33 | 3.00 | 2.30 | 2.50 |
| 4 | Availability of Capital (credit/subsidy) | 1.67 | 3.33 | 3.30 | 3.00 | 1.30 |
| 5 | Availability of Infrastructure (power, water, roads, storage, etc.) | 2.00 | 3.33 | 3.66 | 2.00 | 3.00 |
| B | **Demand Conditions** | | | | | |
| 6 | Size of Domestic/Local Demand | 3.33 | 3.30 | 4.30 | 3.60 | 3.90 |
| 7 | Number of Buyers (Large-5, Few-1) | 4.33 | 2.60 | 3.30 | 3.00 | 2.00 |
| 8 | Sophistication of Buying Process (with transparent Quality/ Quantity Measurement) | 3.67 | 3.00 | 4.00 | 3.30 | 4.00 |
| 9 | Growth of Domestic Demand (Increasing-5 or Declining-1) | 2.33 | 2.00 | 2.30 | 2.60 | 3.00 |
| 10 | Presence of External Buyers (Many -5, None -1) | 2.67 | 3.00 | 3.00 | 3.00 | 1.75 |

**Industry Conditions**

| | | | | | | |
|---|---|---|---|---|---|---|
| 11 | Number of firms (Use Many- 5, Monopoly-1) | 3.33 | 2.67 | 4.30 | 2.30 | 3.00 |
| 12 | Existence of Competetion among Firms (Healthy 5, Unhealthy -1) | 4.33 | 3.33 | 4.00 | 4.00 | 4.00 |
| 13 | Possibilities of Setting up New Firm (No Barriers -5, Barriers to Entry -1) | 3.67 | 3.30 | 3.66 | 3.00 | 4.00 |
| 14 | Presence of Marketing Agencies | 2.33 | 2.60 | 3.00 | 2.60 | 2.20 |
| 15 | The quality and reliabity of input suppliers/ component and machinery suppliers | 2.67 | 2.60 | 3.30 | 3.00 | 3.90 |

**D**   **Institutional Conditions**

| | | | | | | |
|---|---|---|---|---|---|---|
| 16 | Presence of efficient Promotional Agencies (Efficient -5, Inefficient/ Not Present -1) | 2.33 | 2.30 | 2.66 | 2.30 | 2.30 |
| 17 | Existence of Functioning Producer Organizations | 2.67 | 1.67 | 2.66 | 1.00 | 2.30 |
| 18 | Availability of Quality Training Institutions | 3.67 | 1.33 | 3.00 | 1.30 | 1.30 |
| 19 | Do people (can) have access to all physical/ leagal resources necessary for this activity? | 4.33 | 1.00 | 2.66 | 1.00 | 1.00 |
| 20 | Supporting/ Favourable Government Policies | 3.33 | 2.67 | 2.00 | 2.00 | 1.00 |
| | | **62.67** | **53.02** | **64.42** | **50.90** | **49.45** |

**Step 1.5:**   Compare Scores of Different Activities

- o Place the scores obtained by different activities in column totals at the end of each column, and work out the averages of the score in the rows.

- o Examine the column totals. Compare and see which activities have got high scores. *For instance in the table above, stone*

*cutting has got the highest score followed by dairy, goat rearing, leather and carpet making.*

o The activities, which have scored high totals, are likely to have had favorable conditions for most of the elements. Poor people may find it easier to work in such a sector than the one where many conditions are unfavorable.

**Step 1.6:** Identifying Bottlenecks

- Now examine the row scores. The row that gets the lowest score indicates bottlenecks

- *For example: In the stone cutting industry absence of appropriate organization of the producers and availability of credit in dairy seems to be the critical bottlenecks.*

**Step 1.7 :** Identifying Interventions

- Chose an intervention point which can help overcome a bottleneck in the activity, and which suits your own internal context.

- *For example, given that credit is a ruling bottleneck in spread of the dairy activities, you may chose to extend credit yourself, or*

One important element of the Internal Context; the people, we have already assessed in the 3E Exercise. We will now see how to assess the other important element of the Internal Context; the Organizational Competency. We will use a simple methodology to do this. Lets see how…

**Step 2: Overlaying Organizational Competency**

The 3-E Exercise gives us a fair amount of information about some of the potential activities in the area. Apart from the information, the dialogue with three key informants of these activities is also a very enriching process. By completing this exercise, we become quite familiar with:
- Some of the activities that can be taken up by the people in the area for their livelihoods;
- Factor and demand conditions for production of these activities present in the area; and
- The major bottlenecks in taking up this activity.

We now need to choose the exact intervention that we need to start with. We can also plan for some interventions that we could take up later, and prioritize/ sequence them. This choice needs to be made on the basis of the capacity of the organization that will have to make the intervention.

It is important for us to recognize that livelihood intervention is a complex task. Therefore, we need not have all competencies within the organization for us to say that the organization has the competency. There could be different stages of competency of the organization.

- It already has the competency
- It can build the competency within the existing people in the organization.
- It can choose to collaborate with some other organization, which has the competency.
- It can hire in new people and build the competency.
- Required competency may not be available at all.

Similar analysis is also applicable for not only the human resources of the organization, but also on financial resources, infrastructure and so on. In these cases also we need to ask:

- Do we have to resource (which in turn will make the organization capable) within the organization?
- Is there some other organization we can collaborate with who can bring in the resource.
  And so on…

This analysis involves two steps.

**Step 2.1:** Identifying intervention that can help overcome bottlenecks

**Step 2.2:** Assess whether the organization has the competence required for the task or can acquire such competency in collaboration with some other agency.

### Step 2.1: Identifying intervention that can help overcome bottlenecks

Identifying the specific interventions that can help overcome a bottleneck identified through the 3-E Exercise is a creative task. For this we need to consult a variety of stakeholders, look at efforts done by other organizations. Many suggestions would have come during the interaction with the key informants during the 3-E Exercise. We need to consolidate these ideas.

*For example, in the dairy intervention in the above case, if credit is a major bottleneck identified, we could choose from the following:*

- *Making credit available through our organization's micro-finance activities*
- *Making credit available by collaborating with one of the micro-finance agencies working in the area*
- *Making credit available by promoting a new people-owned micro-finance agency in the area*
- *Making finances available by linking the producers with banks in the area.*

The first step is to generate all these ideas. We could use any of the brainstorming processes for generating such a list.

### Step 2.2: Assess Organization's Competence
Having generated the list of possible interventions, we need to check for ourselves, if we have the competence and the mandate to take up that intervention.

We can use the following Table-6 to facilitate this analysis.

| Sl No | Interventions | Human Resources | Financial Resources | Infra-structure | Total |
|---|---|---|---|---|---|
| 1 | *Through our organization's micro-finance activities* | | | | |
| 2 | *In collaborating with one of the micro-finance agencies working in the area* | | | | |
| 3 | *Promoting a new people-owned micro-finance agency in the area* | | | | |
| 4 | *Linking the producers with banks in the area* | | | | |
| | | | | | |

Let us remember that, the mission of the organization influences these choices. If the mission of the organization is to extend 'any services necessary for supporting livelihoods' we could explore all the choices above. But if the mission is 'to extend any non-financial services necessary for supporting livelihoods', the choice will be limited to options 2 and 4 above.

Use a Scale of 1 to 5 to assess the competence of the organization, where 5 is Competence Available for Use within the Organization, 1 is where it will be extremely difficult to mobilize this even from the organizations known to us.

This level of analysis is often good enough for us to start the livelihood intervention process. However, in case we are planning a large intervention, and would like to be much more accurate, we can also undertake a sub-sector study. This methodology was developed by the

Gemini Consultants and has been annexed **(Annexure VI)** to this Module.

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**Listen to your heart as well …**

In the workshop held on the campus of the NGO, Gram Vikas in Orissa state, the participants looked at the livelihood opportunities in marine fishery in the surrounding area.  They realized that fish production in the nearby coast was exploited to the full, and could not support more livelihoods. With trawlers coming in from neighboring states and scraping the bottom of the continental shelf, catch for the local fisherman was dwindling. The total number of people who were involved in fisheries in the area of operation of Gram Vikas was about 10,000, which was too small a number to influence the policies of neighboring states. It was suggested that Gram Vikas keep away, as there was little it could do to change the situation. Also, the critical leverage point lay beyond the capacity of Gram Vikas to intervene.

The challenge before Gram Vikas was: 'what happens to those 10,000 people, who have never done anything other than fishing? As the 'best' point of intervention, as shown by this analysis, was not 'feasible', do they go hungry?'

Gram Vikas continued working with the fishermen

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## Additional resources

The Gemini Project, *A Field Manual for Sub-sector Practitioners, USAID*

Thomas Fisher, Vijay Mahajan and Ashok Singha, *The Forgotten Sector: Non-farm Employment and Enterprises in Rural India,* 1997, Intermediate Technology, London (in India available from BASIX in Hyderabad)

A range of sub-sector profiles on non-farm sub-sectors are available from the Swiss Development Cooperation in Delhi and BASIX in Hyderabad.