

# FAO Policy Learning Programme

## Module 3: Investment and Resource Mobilization

### Session 7: Socio-Economic and Livelihood Analysis

# Socio-Economic & Livelihood Analysis in Investment Planning



**FAO POLICY  
LEARNING PROGRAMME**  
Capacity Building Programme on Policies and  
Strategies for Agricultural and Rural Development

# Socio-Economic & Livelihood Analysis in Investment Planning

By

**Ida Christensen, Rural Sociologist**, Latin American and Caribbean Service, Investment Center Division, FAO, Rome, Italy  
and

**Pamela Pozarny, Rural Sociologist**, Southern and Eastern African Service, Investment Center Division, FAO, Rome, Italy

of the

**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS**



## About EASYPol

The EASYPol home page is available at: [www.fao.org/easypol](http://www.fao.org/easypol)

This presentation belongs to a set of modules which are part of the EASYPol Training Path [Policy Learning Programme – Module 3: Investment and Resource Mobilization, Session 7: Socio-economic and livelihood analysis](#)

EASYPol has been developed and is maintained by the [Agricultural Policy Support Service, Policy Assistance and Resource Mobilization Division, FAO](#).

## Objectives of Session 7

- **Exposure to approaches and methods of livelihood analysis**
  - ◆ Address rural poverty and vulnerability, in the context of agricultural and rural investments;
- **Understanding of how constraints affect poor rural people's livelihoods**
  - ◆ Assess vulnerability and livelihoods strategies;
- **Understanding of roles and dynamics of rural institutions**
  - ◆ In providing an enabling environment for improving sustainable rural livelihoods and economic growth.

## Why socio-economic & livelihood analysis?

- **Crucial** in providing insights into rural realities;
- Contributes to the design of more realistic people-centred rural development investments;
- Increases impact of interventions on rural people's livelihoods (achieving WFS and MDG goals).

**Benefits to the poor are not contingent on amount but on appropriateness of investment**

## What are sustainable livelihoods?

**Livelihoods consist of the capabilities, the assets**  
- both material and social resources - and the  
activities required for a means of living

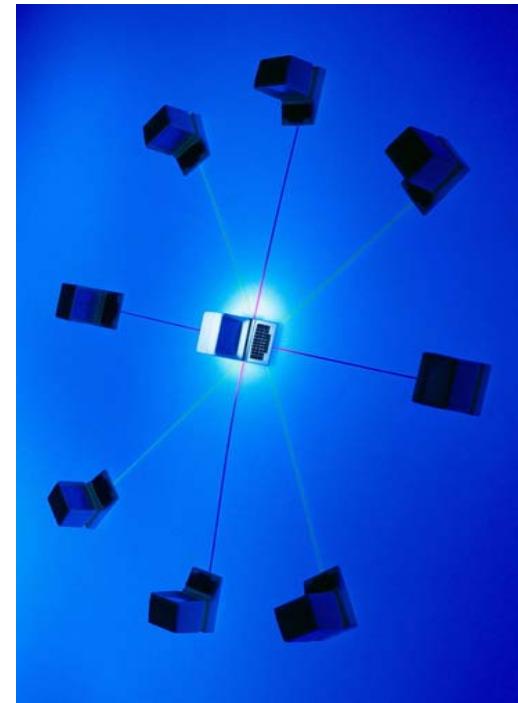
**Livelihoods are sustainable** when they can:

- **cope with and recover from *stresses and shocks*;**
- **maintain or enhance capabilities and *assets* (current standard of living);**

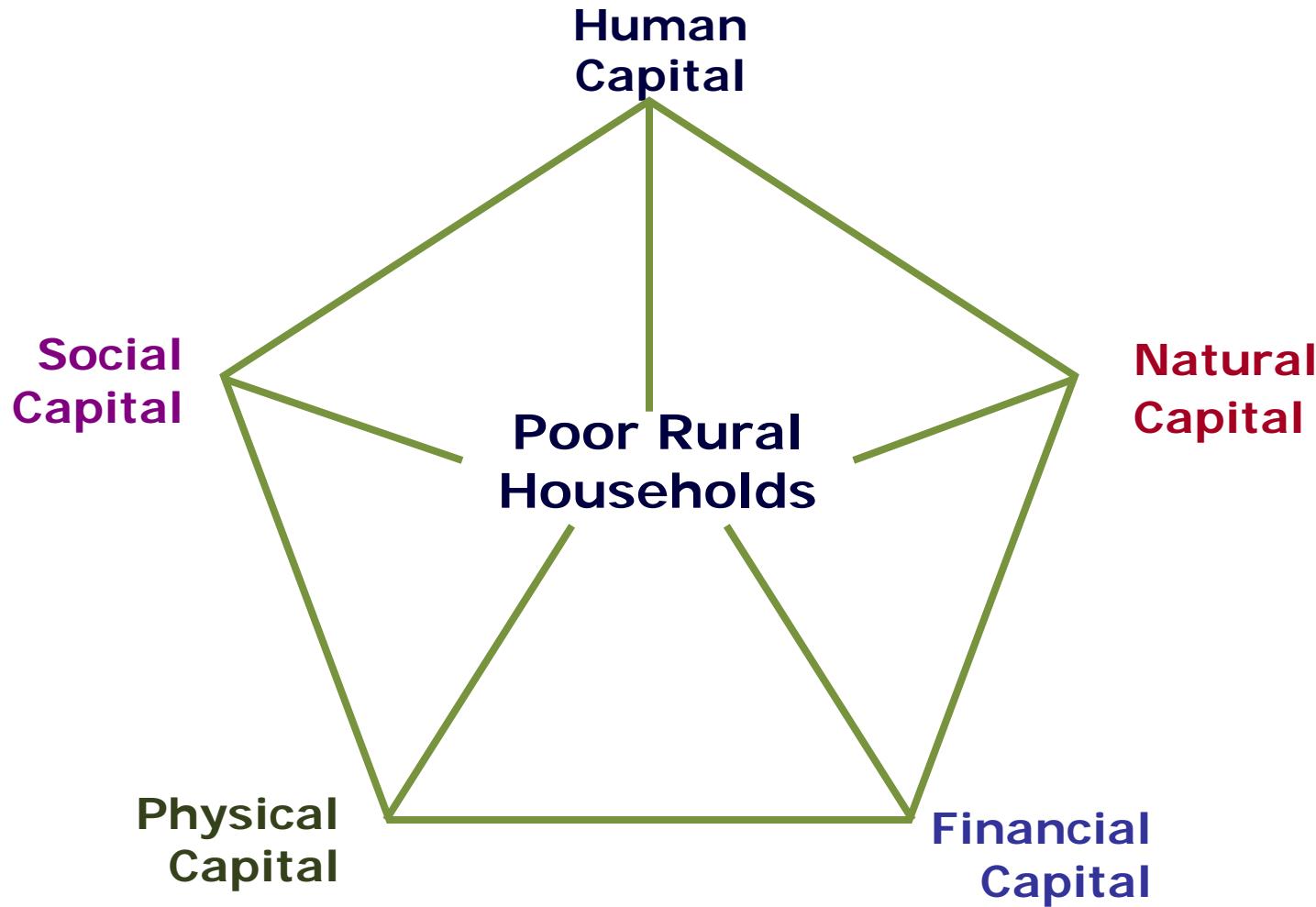
**... *without* undermining the natural resource base**

## What are the core principles of livelihood analysis?

- People-centred
- Holistic (implemented in partnership)
- Dynamic
- Building on the *strengths* of the poor
- Linking the “micro” with the “macro”
- Sustainability-focused



## Livelihood Assets



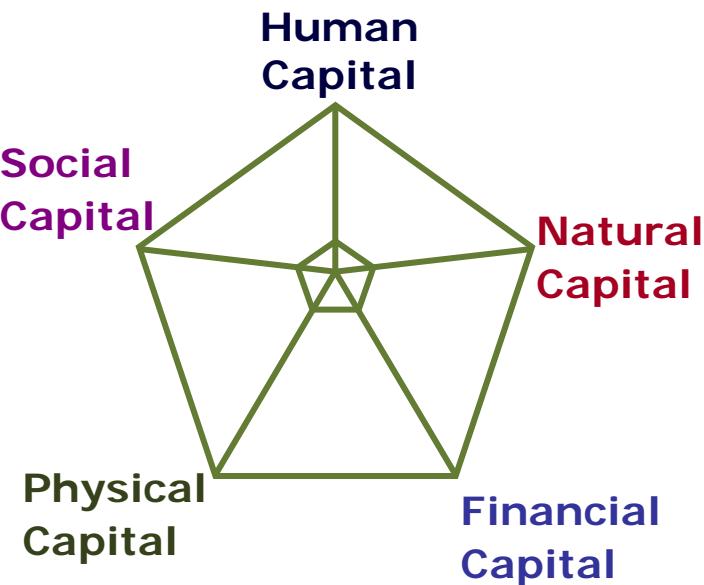
## Why focus on livelihood assets?

- People's ability to escape poverty depends on access to assets
- Livelihoods are affected by the **diversity** and **amount** of assets and the **balance** between assets
- Assets help to determine livelihood options
- Assets are transformed into livelihood outcomes



So.....

A landless female agricultural labourer . . .



### **Human capital**

- labour capacity
- no education
- limited skills

### **Natural capital**

- landless
- access to common property resources

### **Financial capital**

- low wages
- no access to credit

### **Physical capital**

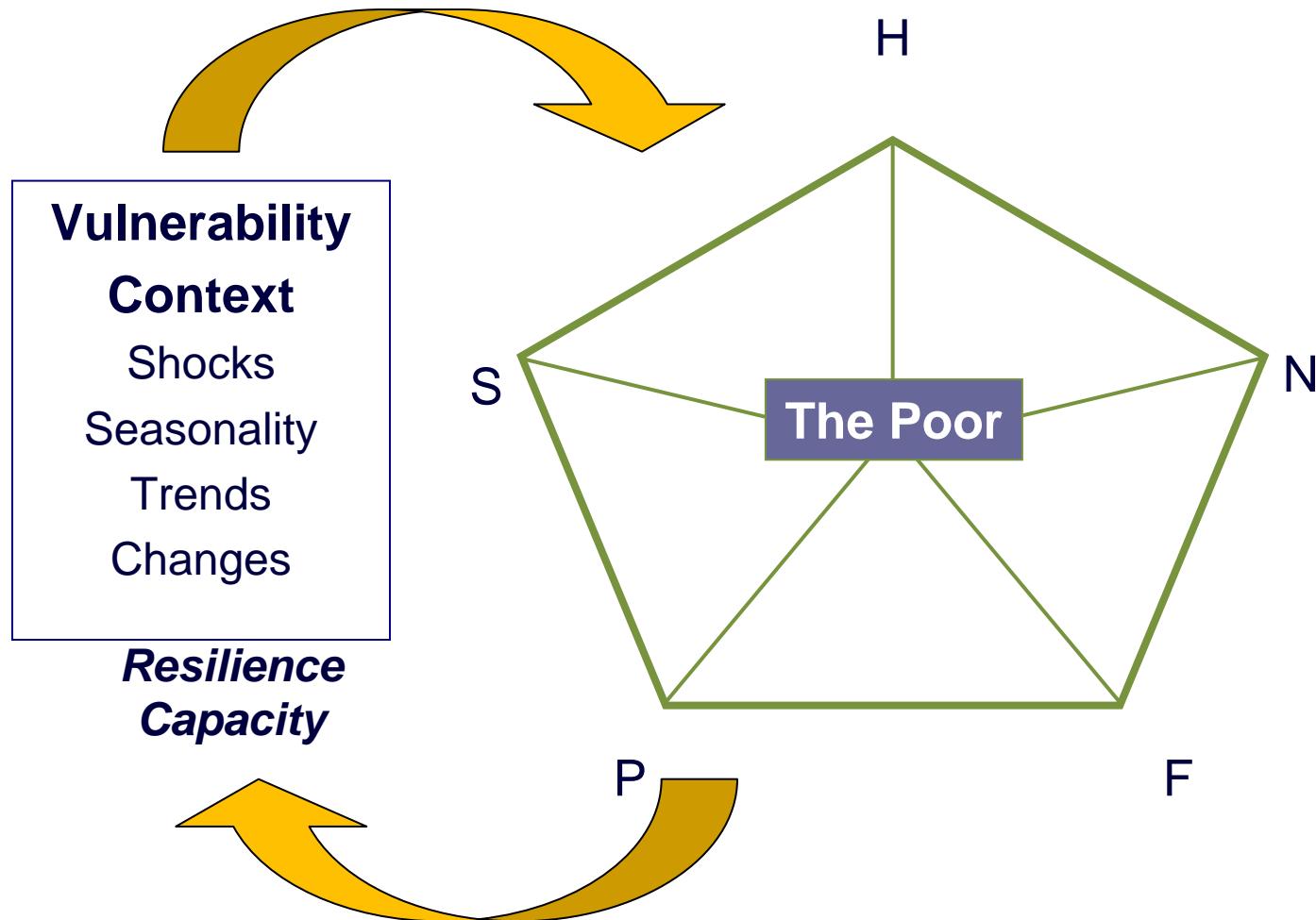
- poor water supply
- poor housing
- poor communications

### **Social capital**

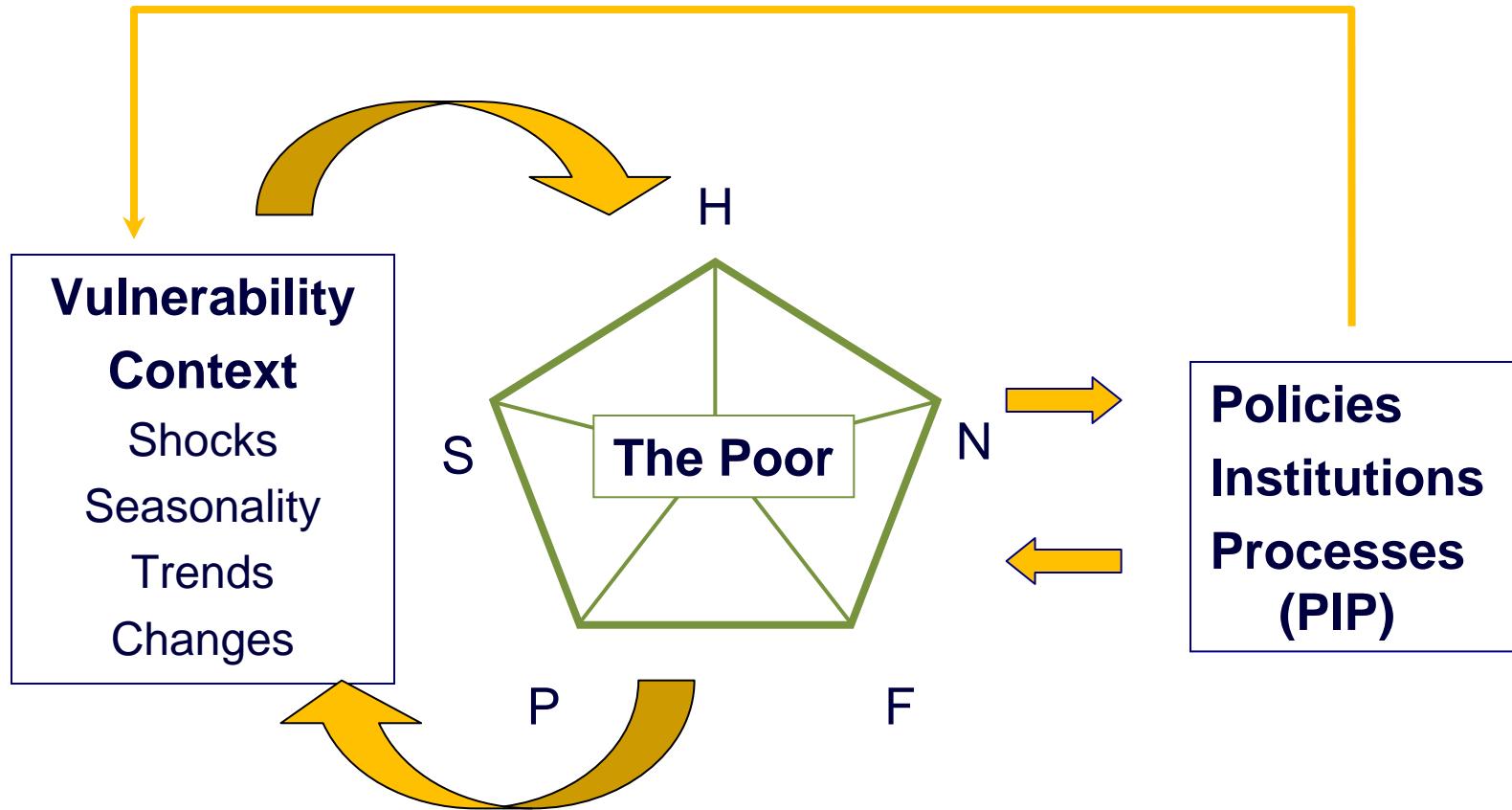
- low social status
- discrimination against women
- strong links with family & friends
- traditions of reciprocal exchange

= an extremely reduced “livelihood pentagon”

## The context of vulnerability



## Promoting an enabling environment



## What are Policies, Institutions & Processes (PIP)?

### POLICIES

- of government
- of different LEVELS of government
- of NGOs
- of international bodies

### INSTITUTIONS

- political, legislative & representative bodies
- executive agencies and judicial bodies
- traditional institutions
- NGOs civil society, membership organizations
- community governance systems
- law, money
- political parties
- commercial enterprises & corporations

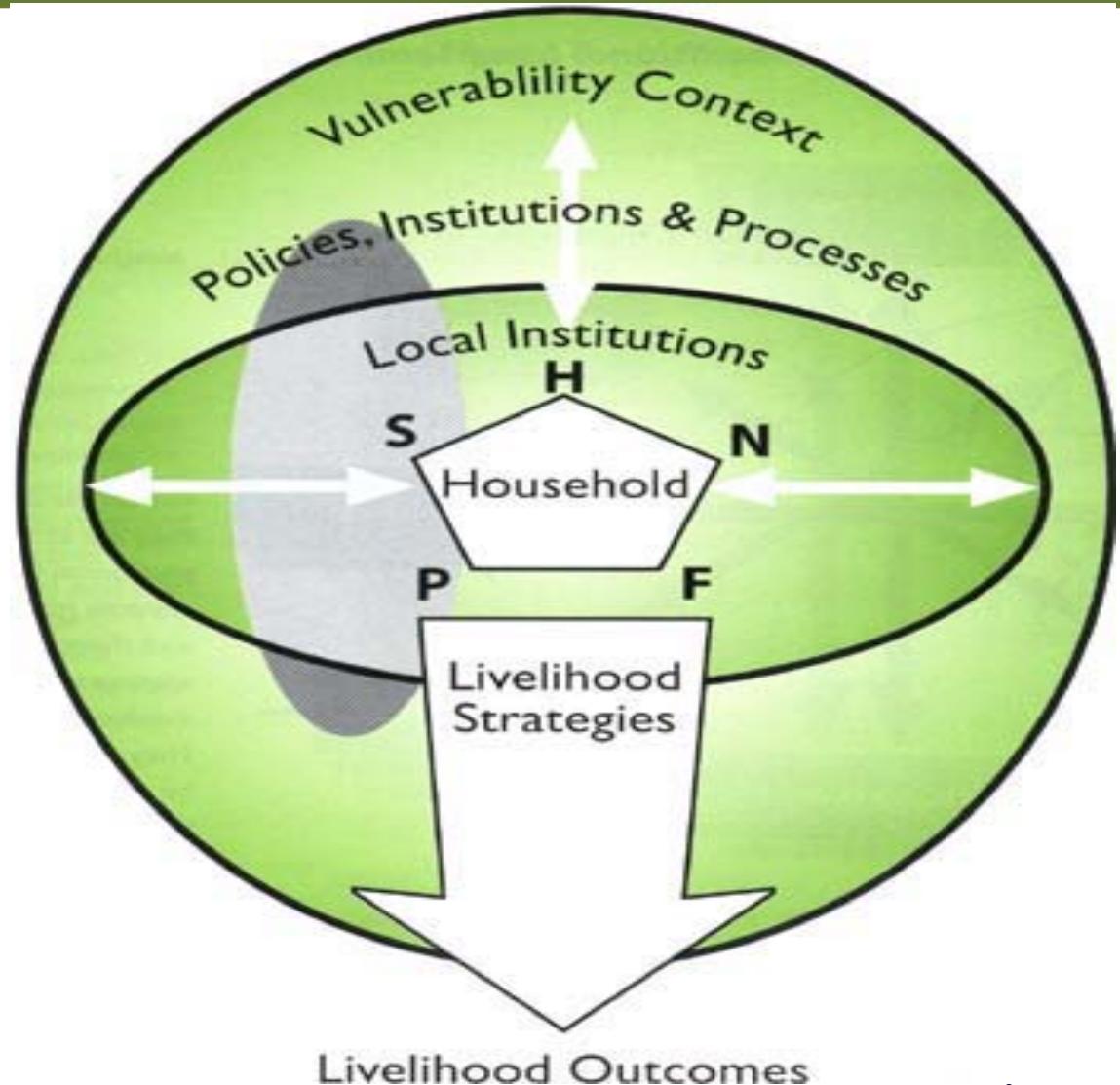
### PROCESSES

- the “rules of the game”
- decision-making processes
- social norms & customs
- gender, caste, class
- language



## Why are rural institutions important?

- They define the way in which rural people interrelate and act.
- They influence how, where, when and by whom assets are accessed, used, controlled and decided upon.
- They influence livelihood strategies.



## Empowering local institutions

**Decentralization:** a partial *transfer of power, resources and functions*, from central government to institutions at *regional level or local level*.

**It provides the building blocks to *good governance*:**

- **Political** – citizen representation
- **Administrative** – planning, financing, resources and management of certain functions
- **Fiscal** – expenditure and investment decisions, authority over raising revenues
- **Market** – privatization, contracting, deregulating

## Why support decentralization?

- **Promotes subsidiarity**
- **Improves** efficiency, responsiveness, effectiveness
- **Broadens participation**, empowerment, local ownership
- **Valorizes local initiatives** and leads to sustainable development

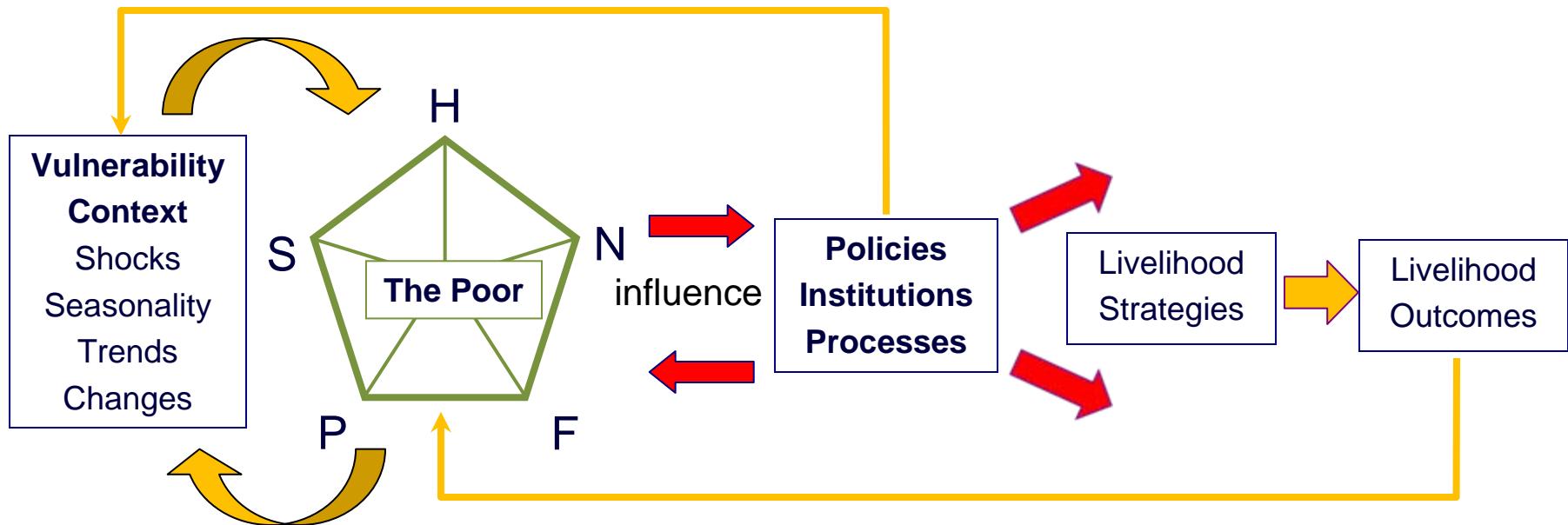


## Community-Driven Development (CDD)

**A way to facilitate sustainable socioeconomic development of rural communities through ...**

promoting local governments and rural communities' ability to integrally **share responsibility and authority** to plan, produce, and finance the goods and services they require.

## Livelihood strategies & outcomes



## The Sustainable Livelihoods Framework

## Focus areas for investment in sustainable livelihoods

- **Increasing** access to an appropriate combination of assets
- **Targeting** vulnerable communities/households/persons
- **Building resilience** and strengthening recovery capacities
- **Promoting** an enabling PIP environment
- **Supporting local institutions**, communities, civil society and producer organizations



## Implications for project design

### 1. Ensuring adequate social analysis during:

- ✿ *design*
- ✿ *implementation*
- ✿ *evaluation*

### 2. Making good use of socio-economic & livelihoods analysis:

- ✿ *Diagnosis*
- ✿ *Feasibility*
- ✿ *Planning & implementation*

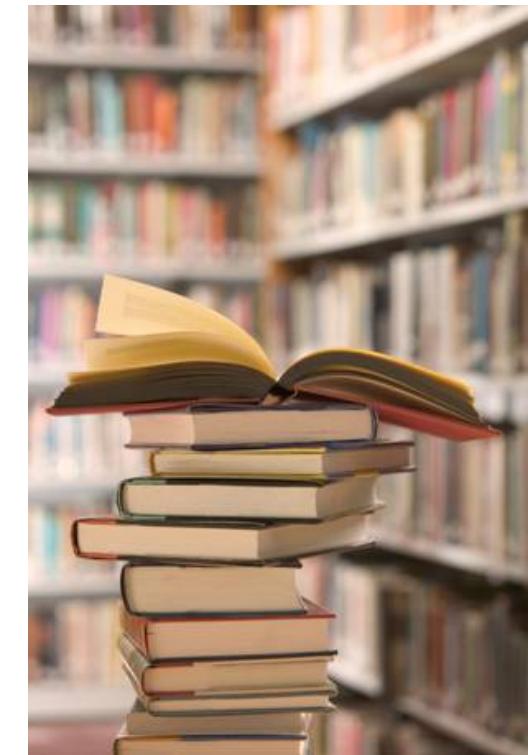
### 3. Ensuring proper monitoring & evaluation (M&E) of progress:

- ✿ *Participatory M&E*
- ✿ *Impact assessments*



## Further readings

- Marsh, R., 2003. *Working with Local Institutions to Support Sustainable Livelihoods*, Rural Development Division, FAO, Rome, Italy.
- Messer, N., Townsley, P., 2003. *Local Institutions: Guidelines for Analysis*, Rural Development Division, FAO, Rome, Italy.
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- FAO, 2000. *Participation: Sharing our Resources: CD on Participatory Approaches, Methods and Tools*, FAO, Rome, Italy.
- FAO Participation website: [www.fao.org/participation](http://www.fao.org/participation) and FAO Sustainable Dimensions website: [www.fao.org/sd](http://www.fao.org/sd)
- FAO Livelihood Support Programme website: [www.fao.org/sd/dim\\_pe4/pe4\\_040501\\_en.htm](http://www.fao.org/sd/dim_pe4/pe4_040501_en.htm)



## Links to Module 3 : Sessions 1-8

### **FAO Policy learning programme**

#### **Module 3: Investment and Resource Management**

**Session 1: Investment in agriculture & rural development**

**Session 2: Environment for private investment in agriculture & rural development**

**Session 3: Sources and uses of financial resources**

**Session 4: Strategies for increasing farm financing resources**

**Session 5: Risk mitigation in agricultural investment**

**Session 6: Sector-wide approaches (SWAps)**

**Session 7: Socio-economic & livelihood analysis**



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Thank you!