

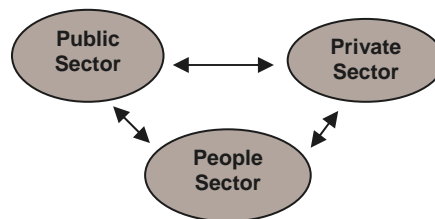
Supporting the ‘People Sector’.
The South Asia experience in Rural Livelihoods Development and preliminary results

1. Introduction

Development practitioners and the models they espouse often talk about the need for public service providers and development interventions to ‘reach out’ to the rural poor. However, one of the fastest growing areas of demand for Bank support in the South Asia region is centered on an approach to **rural livelihoods development**, which inverts the traditional model of *reaching out* to the poor. Instead, the starting point of these programs is the poorest, and the strategy is one of enabling the poor themselves to *reach out* and make use of the opportunities available to them, as members of the so-called ‘people sector’. Enhancing the livelihoods of the poor is concerned with investing in their **institutions, assets** and **capabilities**, to provide them more equitable opportunities to access natural resources, public services, markets and the socio-economic growth potential existing in their environment.

Changing the development paradigm from one that sees the rural poor as beneficiaries of public programs to one that puts the household and its community as citizens at the centre of development initiatives requires a shift in traditional rural development approaches. Experience in livelihoods programs¹ in South Asia is generating lessons learned about this ‘people sector’ and how to protect and develop the capacity of the poor to reach out to markets and services, *whoever the provider is*. This bottom-up effort to promote social mobilization and income generating activities will go a long way in establishing the required articulations between people's aspiration for better livelihoods, public service delivery efforts and private sector-driven business opportunities, leading towards more inclusive, pro-poor growth, i.e. growth generated by poor people. This approach recognizes that increasingly development will need to be delivered on a co-production mode and that the supply side (both public and private) cannot be made more efficient in assisting the poor unless it is in the context of an organized demand side.

Figure 1: The three ‘Ps’



2. CDD and Livelihoods Development

Within the broader Sustainable Livelihoods framework², livelihoods development projects in South Asia take rural peoples’ priority needs as the entry point for building their social and economic empowerment and opportunities, seen as a sustainable contributor to risk and rural poverty reduction. Project interventions aim to build up both tangible (i.e. physical and financial) and intangible (i.e.

¹ The portfolio includes a range of projects in the areas of joint forest management, watershed development, irrigation and agriculture that are utilizing the community-driven development approach and incorporating livelihoods development principles and investment areas. For the purposes of this review, however, focus is on the ‘core’ livelihoods programs, currently under implementation in the South Asia region, e.g. India: District Poverty Initiative Programs and Rural Poverty Reduction projects in Rajasthan, Madhya Pradesh and Andhra Pradesh, Tamil Nadu Empowerment and Poverty Reduction Project; Chhattisgarh District Rural Poverty Project; Sri Lanka Community Development and Livelihood Improvement program; Pakistan Poverty Alleviation Fund; Nepal Poverty Alleviation Fund, etc.

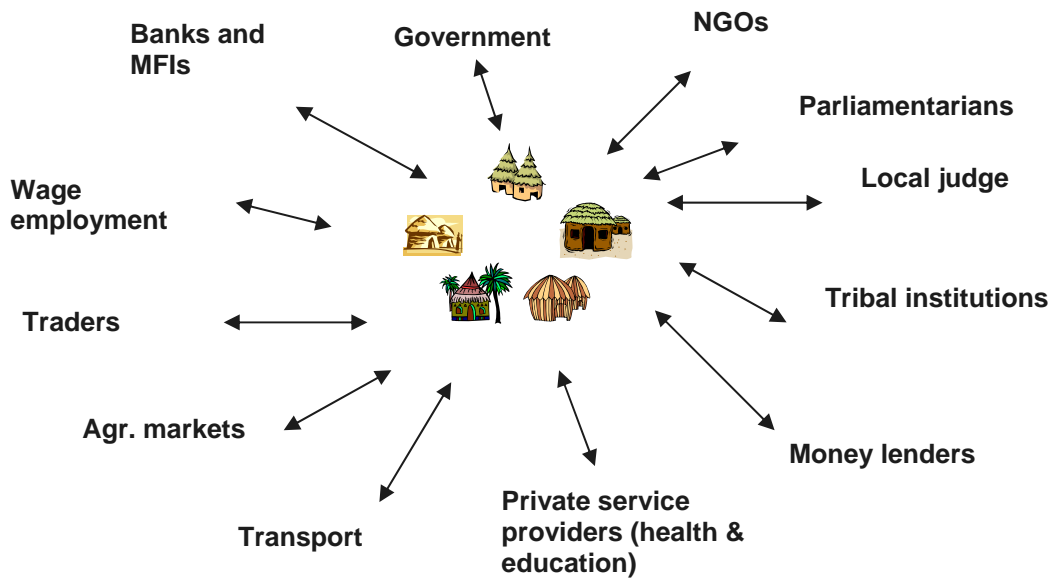
² This refers to the framework used by DFID and other development partners, that prioritizes transformation of the five ‘capitals’ (human, natural, financial, physical and social) to improve people’s livelihood outcomes in an overall context of vulnerability

social and institutional) assets that enhance or contribute to peoples’ means of living, leading to reduced risk and vulnerability, increased income, empowerment and improved access to services.

Community-driven development, or CDD, is a term broadly defining an approach used in projects that gives control of decisions and resources to community groups, based on certain ‘non-negotiable’ principles (e.g. transparency and accountability; participatory planning; inclusion of the marginalised, etc). This approach is generally applicable to livelihoods projects. However, “CDD” in the Bank has increasingly been applied as an instrument or as a starting point in the Social Fund model for local infrastructure delivery that is now part of a graduation process to decentralization. Therefore, “CDD projects” are often seen only in the context of an effort that aims at making local governments and public sector service providers more accountable, participatory and efficient. While this is clearly an appropriate goal, the livelihoods agenda in South Asia does not rest directly on a public service delivery platform, but works across the range of providers, public and private, who interact with rural communities in the ‘people’s sector’. With explicit aims of community ownership, equity and inclusion, the CDD *approach* remains totally relevant, however.

While the private sector has historically not been very interested in what it perceives as poor, uneducated and dispersed producers and consumers, there is an increasing recognition that the rural poor at the ‘Bottom of the Pyramid’³ actually provide a large, untapped potential market for both products and services, as well as a source of quality goods and labour that the private sector cannot afford to ignore. The aim of livelihoods interventions is therefore to enable poor people with the skills, organisations and voice to participate in and capture the benefits of the growth taking place in the dynamic South Asian context, helping communities to help themselves to address both prevailing government and market failures.

Figure 2: The Village arena: multiple stakeholders



³ “The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits”, CK Prahalad (2004)

3. Livelihoods Programs: the principles of inclusive growth

The common aim of SASAR’s livelihoods programs is that poor people participate more directly in the rural development and growth process, thereby sharing in the available benefits. In order to facilitate this more inclusive growth, the initial inequalities that skew access to various ‘capital’ endowments - physical, social, financial, human - amongst the poor are addressed through a holistic package that addresses,

- (i) social empowerment (through forms of inclusive collective action and capacity building); and,
- (ii) economic empowerment (through access to financial services, risk mitigation products, assets and markets).

The platform of *social empowerment* is used as a means to develop poor peoples’ voice and capacity to engage with the range of institutions and individuals interacting with the ‘people sector’, enhancing their ability to take advantage of local livelihoods opportunities, and to demand other services and meet other needs. This is achieved through development and empowerment of self-managed grassroots institutions of the poor, e.g. self-help groups (SHGs), common interest groups (CIGs) or village membership organizations, which also promote participation and protection of typically excluded or marginalized groups.

The platform of *economic empowerment* is used as a means to facilitate access to savings and productive assets and to improve people’s income. In addition, by managing savings and loans with high repayment discipline, groups can demonstrate creditworthiness and increasingly be seen as reliable clients and as an attractive market (e.g., for finance, marketing, inputs, services). Through enhanced voice, scale, skills and access to finance, the poor are enabled to participate in local income and employment opportunities created by opening up of new markets and the crowding-in of new actors and private sector linkages.

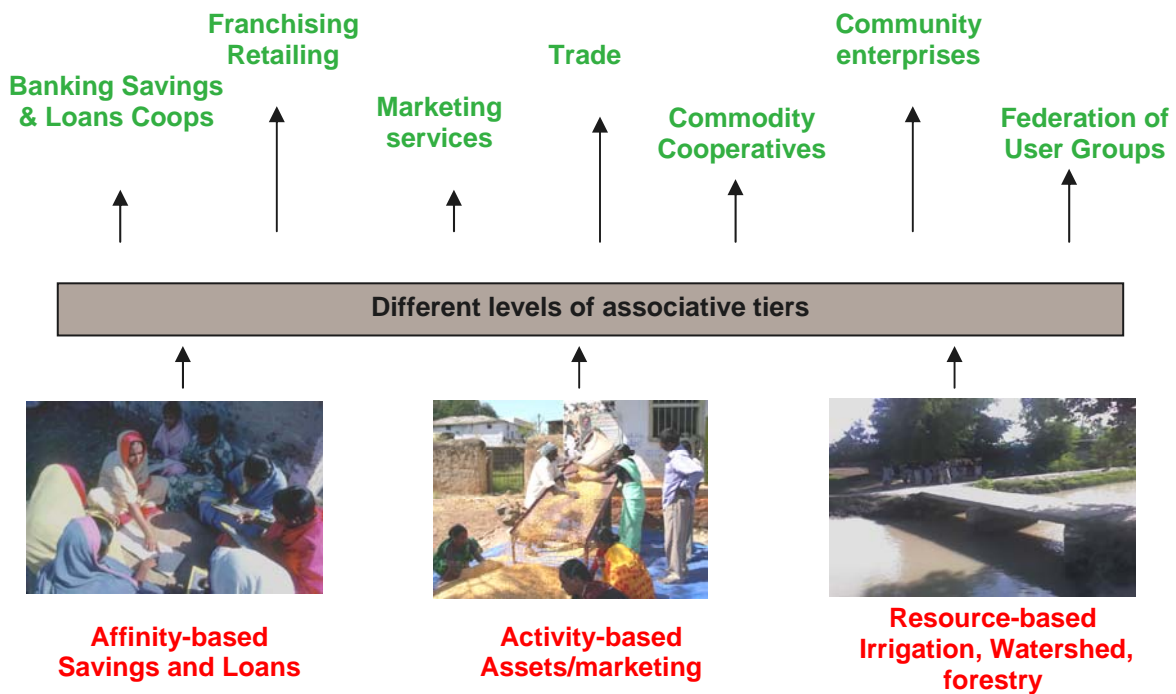
4. The graduation model

The livelihoods concept is based on a clear *graduation model* that gradually expands the economic options available to the poor, assisting them to move from insecure poverty to economic independence, with a combination of institutional and financial support. This is reflected in the approach to institutional development that follows the principle of aggregation, networking the small groups/CBOs and federating them ‘upwards’, thereby enabling greater bargaining power, broad-based representation and aggregation of demand. The rationale for the initial group formation can vary and evolve in scale along different purposes and objectives – and in relation to the goals of the project. Projects in South Asia that address rural livelihoods span the areas of joint forest management, watershed development, irrigation and agriculture, as well as the multi-sectoral livelihoods projects upon which this Note focuses, and many of them use community-driven institutions to try and address prevailing failures in resource management, service delivery or market access.

By organizing water users into self-managed associations or farmers into farmer organisations, irrigation and agriculture projects have been successful in improving functioning and governance in scheme operations and in gaining the scale and scope to attract markets, traders and related public services to rural production areas. In watershed development, in addition to introduction of watershed protection and treatment technologies, the projects also support community-based institutional development for collective decision-making and management, to promote participation of the local population in the sustainable management of watershed areas (common productive assets) and in activities to promote savings and income (individual productive assets).

Under livelihoods programs, affinity-based groups like SHGs use savings mobilization and inter-lending as the main instrument for social cohesion within the group, meeting their most basic needs and leveraging access to formal credit sources; assets-based groups like CIGs use income generating activities as the main incentive for their cooperation and for developing their commodity based activities and marketing access; resource-based groups like water or forest user groups manage common natural resources as the basis for their collective action. As these groups federate through different tiers, they gain economies of scale and are capable of representing an attractive market, either as producers of commodities and goods, or as consumers of services, while providing support to their members. Depending on their nature, these federations and networks can more efficiently link to the relevant formal institutions (public and private) at the higher level. Project *beneficiaries* are therefore supported to become more informed and empowered *clients*, and, ultimately, through the associated social and political dimensions of empowerment into active *citizens*⁴.

Figure 3: The institutional graduation model



5. Key areas for support

While there has been variety across projects, states and countries in terms of the range of activities included and how they are sequenced, prioritized or packaged, experience is now highlighting the following as key areas for support under livelihoods operations:

- Institutions of the poor (as opposed to institutions for the poor): These community-based organizations (CBOs) provide the initial ‘push’ for collective action, development of ‘voice’ and organized access to new economic opportunities. By building forms of organized social capital, villagers are equipped with the capacity and tools to engage with the variety of providers who are important in serving their economic, financial, social and human

⁴ A distinction is made here between people as empowered economic agents and ‘clients’ of services, with power to demand, monitor and negotiate responsive services, both public and private, and as ‘citizens’ or active members of society and the electorate, who both claim and exercise their broader civic rights and privileges.

development needs. The CBOs also incorporate explicit measures to promote participation and inclusion, addressing norms of elite capture and social discrimination.

- **Human capital development:** Provision of training and other more innovative types of capacity building (e.g. community-community peer learning and exchange) are essential to equip communities with the range of functional, entrepreneurial, administrative, technical and social skills to manage their groups and investments, develop their products, participate in planning, monitoring and decision-making fora, etc.
- **Networks and federation development:** Following the principle of aggregation and in order to allow conversion of opportunities through scale, networks of CBOs (e.g., federations, producer companies, etc), with a clearly defined role for each associative tier, enable greater representation and aggregation of demand, in addition to economies of scale that would attract the market while providing support to their members. According to the initial organizational rationale (i.e., whether affinity, activity or resource-based), they would be networked and linked to the appropriate associative institution at the higher level.
- **Systems of capital development:** It is acknowledged that, while critical, access to credit *alone* may not be an adequate tool for poverty reduction and livelihoods development, nor is it always the appropriate starting point for reaching the very poorest. Matching grants can also be a relevant financial instrument for asset creation and venture capital amongst the poor, particularly for common assets and as seed capital to the poorest of the poor. It is also necessary to focus on building broader systems for capital development in the rural areas, expanding access to financial services for livelihoods enhancement that include savings mobilisation, credit, insurance, etc.
- **Linkages with markets and the private sector:** Viable livelihoods options are identified through assessments, which map the potential real economic opportunities in a given area. These are then developed by facilitating access to markets or through partnerships or ‘co-production’ arrangements between the people’s sector and both the public and private sector. These partnerships encompass forward and backward linkages, and are aimed at tilting the terms of trade in favor of the poor.

6. Experience to date: Lessons learnt

With multiple years experience now documented across the region, some key lessons have been learned within the investment parameters indicated above. Some of these are briefly presented here. Experience so far has also led to questions about the optimal design and sequencing choices for such projects in future. It is acknowledged that this will always be influenced by context-specific factors, including prevailing political economy, local capacity and client demand, but would be guided by the parameters above, as well as the lessons learnt below.

- **Building inclusive community institutions.** Through ‘deepening’ or broadening pre-existing socio-institutional movements, or by introducing organizations that address a ‘missing’ institutional link, the poor are helped to organize themselves and then take advantage of livelihood opportunities. Community institutions, such as SHGs or village organisations, provide support or services that facilitate expanded economic activity (e.g. through information provision, mobilization of savings and credit, enabling market facilities, etc) and, in addition, address social and political priorities (e.g. movements against domestic violence; political enfranchisement, as seen in election of group members to Gram Panchayat⁵ positions, etc). Projects should aim to support the

⁵ Panchayats, or Panchayati Raj Institutions (PRI), are the legal system of elected local government in India, as mandated in the Constitution and subsequent 73rd Amendment of 1992. The lowest PRI tier, at the village level, is that of the Gram Panchayat or village council.

gradual development and formalization of such institutions, and then assist them to gain scale and scope over the longer term, through federating at higher associative tiers.

- **Livelihoods programs as a foundation for local governance and accountability**
With the bulk of funds disbursed directly to communities, fiduciary controls and an effective accountability framework with mechanisms for both ‘upward’ and ‘downward’ accountability should be in place. Mechanisms for transparency and disclosure, community monitoring and social audit are commonly used in the programs, thereby introducing practices of local governance at the village level. Those elements are proving to be extendable beyond the project sphere, as communities also amplify their voice in making public expenditure work for them by participating in local government processes. Understanding and practices of local accountability that are complementary to state-supported institution building are being embedded through community-driven project practices. Rather than undermining development of sustainable decentralized public service delivery, CBOs are a channel through which the demand-side of local governance can be introduced and expanded, laying the foundation for citizens’ participation in systems of local governance and service provision.
- **Targeting and inclusion mechanisms.**
Projects are without doubt focused on the poor. In most development projects, poverty indicators are used in identifying participating villages or geographic target areas. Livelihoods projects are further distinguished by the use of participatory methods at the village level in order to identify and target both the poor and the poorest of the poor. Most projects prioritise inclusion of the poorest and most disadvantaged, including women, tribals, youth, and the disabled. While methodological detail may vary, all projects use participatory approaches to generate village-specific lists of the poor and marginalized (e.g., participatory identification of the poor (PIP) or wealth ranking⁶) and target them as beneficiaries under the overall ‘graduation’ model that aims to bring both the poorest and the poor further along the ‘ladder’ to economic security. There is an additional gender dimension to targeting given that women are over-represented amongst the poor, yet, typically under-represented in local organizations⁷. Projects typically provide both incentives and penalties to encourage CBOs to include women, youth and the vulnerable as members, office bearers and beneficiaries.
- **Coverage and clustering.**
Most programs are large-scale interventions, and many with a high degree of coverage: up to 90% of the poor in the case of Andhra Pradesh. While projects have selected districts and villages for participation using available poverty indicators, a significant learning has been the need for clustering and concentrating activities in the interests of developing a ‘critical mass’ for marketing and investment purposes, in order to gain the scale and aggregation needed for successful livelihoods partnerships. The more dispersed models have led to logistical and cost challenges in implementation and monitoring, and, critically, have constrained expansion of IGAs and marketing tie-ups that would need to be based on appropriate economies of scale. While still using poverty indicators, future operations would cluster districts, blocks and villages, to overcome this issue of concentration and critical mass and to facilitate the development of higher associative tiers of the community run institutions.
- **Village investment options.**
Current programs support a variety of investment options, including aggregate funds disbursed to village membership organizations for their self-management, or direct provision to

⁶ Variables used in the participatory processes of identification of the poor or wealth ranking include: caste, landlessness, housing quality, income, disability, gender, family size, etc.

⁷ Women have, for entrenched socio-cultural reasons, long been excluded from participation in local level economic activities, and yet they have proven to be more responsible and successful with managing savings and income (World Bank 2001: Engendering Development). Evidence, however, shows that men still tend to dominate membership of most village-based organizations/institutions (Uphoff and Buck’s draft: 2006).

individuals or small groups. Experience shows that matching grants given to federations or village organisations, which are subsequently on-lent to community members/small groups themselves through revolving funds, is a particularly effective option to ensure ownership and repayment discipline. While some analysis suggests that loans are the principal financing instrument for ‘private goods’ (thereby avoiding ‘subsidy dependence’ and lack of sustainability), individual matching grants can be a useful starting point for common pool and productive public goods, or initial asset creation, given that some livelihood-related investments need a reasonably sized sum and/or may be too risky for ‘debt-financing’, particularly for the poorest. Where grants are used for financing private goods, they should either be targeted towards the poorest, to protect them from over-exposure to debt until they graduate to the appropriate level, or on a matching basis that reduces the total subsidy. The underlying logic should be one of a progressive subsidy reduction principle, supported by mechanisms for capital formation.

- **Livelihoods Finance.**

Establishing links with micro-finance providers and with the banking sector in general is one of the key program elements, in order to develop a sustainable financial sector for the poor. The savings-based model of livelihoods finance used in AP, Tamil Nadu, Nepal and Sri Lanka has generated considerable self-reliance in the capacity of groups to satisfy their most immediate needs. At the same time, savings have facilitated access to banks and helped leverage further credit resources. Savings combined with asset creation has helped groups establish a strong basis of creditworthiness, leading to a crowding-in effect from various financial service providers. This emphasis on organizing the demand-side, through social and economic mobilization, has led to interest in lending to community organizations from both MFIs and the formal banking sector, with enhanced competition resulting in new and better products to serve the rural client base. On the supply side, the Bank has supported leveraging flow of rural credit through commercial banks in India and increased supply of financial resources through MFIs in Pakistan, Bangladesh and Afghanistan. Rather than *beneficiaries*, the SHG and other CBO members are now truly empowered *clients*, symbolic of a large profitable market with enhanced bargaining power. In addition, in recognition that credit alone is not enough, providers are also diversifying into a broader range of flexible financial services to support livelihoods, including credit, savings and insurance.

- **Effective forward linkages and business partnerships.**

It is clear that social empowerment or local infrastructure development alone will not bring about sustained and secure rural poverty reduction. While the appropriate starting point may be social capital development, bringing people out of poverty will require an economic purpose and a business rationale. Experience suggests that promotion of trust and group solidarity, based on a common purpose such as savings mobilisation, is an initial priority, before moving towards development of assets and commodities. The aim is to gradually convert social capital into economic and political capital. However, in order to maximize available business opportunities, community groups typically need assistance with ‘forward linkages’, equipping them with the skills and means to access, negotiate and tie-up with external markets and partners, and orienting their skills development and available labor to growing demand from service industries.

- **Sustainability of institutions, assets and capabilities at the grassroots level.**

Given that projects aim to leave ‘residual capital’ at village level, institutional sustainability should therefore be assessed with respect to the likelihood that the institutions of the poor that were promoted will persist and thrive, alongside increased human and financial capital. Sustainability of the implementing Societies or of Project Units at the end of a program is less of an issue to the extent that their flexibility and dedication is needed to build sustainable systems at the local level.

- **Long term engagement.**

One key lesson across projects is the need to recognize the long-term nature of this process of engagement. This should be reflected in commitment on the part of the relevant government, the Bank itself⁸, and in the institutional arrangements for implementation at community level. One of the critical questions is whether there is genuine political support for the livelihood agenda including the recognition of a reduced role for Government and the need to put poor people at the center of development efforts. Decisions to appoint competent leadership and maintain it in place for a sufficient period of time is equally important – on both sides. In addition, the cross-sectoral nature of these programs requires a commitment to remain involved and to find the best instruments to do so. How to package Bank assistance to address longer-term livelihoods development needs at the local level that require co-production and joined up working across the public, private and people’s sectors is both a challenge and an opportunity for future innovation and large-scale impact.

7. Outputs and Outcomes

Livelihoods projects are currently under implementation in Sri Lanka, Nepal, Pakistan, Bangladesh, Afghanistan and 5 Indian states (Andhra Pradesh, Rajasthan, Madhya Pradesh, Chattisgarh and Tamil Nadu), with a combined portfolio investment of **US\$1.6 billion**. Additional projects are currently under preparation in Bangladesh, Sri Lanka, and the Indian states of Bihar, Orissa and Jharkhand (FY07/08), with projects in the pipeline for Pakistan, the Indian North East, Uttar Pradesh, Madhya Pradesh and Rajasthan (FY09). Together, this additional pipeline will account for further investment of approximately **US\$750 million**. Watershed projects, now under implementation in Uttaranchal, Himachal Pradesh, Karnataka and Uttar Pradesh, have a combined investment of over **\$400 million**. In addition, microfinance projects in Bangladesh and Afghanistan, with a focus on broadening coverage of microfinance service providers in those countries, are providing nearly **\$200 million** in IDA funds to support technical assistance, regulatory reform and lines of credit.

Given this breadth of implementation experience, what have been the results so far?

Across the South Asia region:

- Under the existing livelihoods portfolio, over 90,000 villages are planned for inclusion under the programs and, at present, 78,000 of these are already benefiting
- Over 12 million poor households are being supported and organized as programme beneficiaries
- Nearly one million grass roots community groups have been formed, including SHGs, CIGs and village organizations, and are managing direct village level investments
- The total amount of savings and initial investments in assets under these projects is estimated to be US\$1 billion
- Total land area to be treated and rehabilitated for productive purposes under the watershed projects exceeds 1 million hectares

Under specific projects:

- In Andhra Pradesh,
 - over 600,000 groups, covering 8 million poor women, have cumulative savings of over US\$292 million, while the total credit flow from commercial banks to SHGs since 2000 has exceeded \$1 billion

⁸ Experience shows that these projects typically start slowly and require intensive handholding support and technical assistance, after which, they gather significant pace. The Bank system, organized around a 4-5 year project time frame, and with upfront disbursement targets, is not currently geared towards this longer term engagement of building client capacity, ownership and a strong foundation for results on the ground.

- total turnover of community-managed enterprises (e.g. maize procurement) at the village level was \$150 million in FY05/6
- more than 20,000 youth have been trained and offered placement in the service sector and construction through partnerships with private companies
- over 2 million poor households have purchased life insurance cover (death, and disability insurance) cover on a voluntary basis
- In Madhya Pradesh,
 - over 40,000 CIGs have been formed, covering around 275,000 community members
 - a recently completed impact assessment, using panel data, shows that the average income increase of beneficiary households has been 29 percentage points higher than those of the control group
 - 40,000 tons of soybean business is now being handled by participating communities
 - more than 1,000 members of project-supported CBOs have been elected to local government council positions in the most recent elections
- In Rajasthan,
 - over 22,000 CIGs have been formed, covering 240,000 community members
 - more than 50,000 dairy livestock have been invested in by communities, supplying 120,000 liters of milk per day
 - 12 million liters of milk from poor households is now marketed annually through a profitable partnership arrangement between associations of milk producers and the State Milk Co-operative Federation of Rajasthan
- In Karnataka,
 - 250,000 ha of land have been treated for soil and water conservation, with a total of over 400,000 ha targeted by project-end
 - by the project mid-term, first phase villages showed a 15% increase in crop yields and 20% increase in household income
- In Uttar Pradesh,
 - average household incomes rose by 90%, with the figure at 102% for previously landless families and women, and with a drop in poverty among beneficiary households from 80% below the poverty line to 55%
 - the area of sodic land reclaimed for productive use currently totals over 250,000 ha, with fourfold increases in land value and rises in cropping intensity from 42 to 201%
- In Sri Lanka,
 - National Dairy Development Board of India plans to invest \$10 million in a dairying co-production arrangement with project village organizations/federations
 - 750 tons of maize is now being traded by communities at prices negotiated to be more than 60% above previous rates
 - partnership with a coffee export house is benefiting poorest producer households at three times the prevailing local market price in Sri Lanka
- In Pakistan,
 - 375,000 active micro-credit borrowers are accessing loans totaling \$222 million (a tenfold increase on what the market had been providing), with 100% repayment rates, and with \$10 million leveraged from commercial sources
 - Incomes of micro-credit recipients have been shown to increase by 21 percent, versus those of non-recipients who saw a 9 percent increase
 - 10,000 productive community infrastructure schemes have been implemented, benefiting 5 million people
- In Bangladesh,

- piped water supply pilots, benefiting about 30,000 people, have tested a successful model of partnership among community, public, and private sectors in delivering services to communities
- about 20,000 vulnerable individuals have received occupational skills training and seed capital funds for entrepreneurial activities
- microfinance has been extended to 5.4 million new borrowers – nearly four times the project’s original target – with recovery rates of 97%, with micro-enterprise loans worth US\$0.5 million going to 60,000 borrowers
- In Nepal,
 - income rates amongst households undertaking income generation subprojects have been shown to increase by 10-12%, with a 20-25% rate of return on livestock investments (the most popular productive asset)
 - benefits to people who have typically been excluded by reasons of gender, ethnicity and caste, have been shown to be disproportionate, with 43% of beneficiaries representing *dalits* and 35% *janajatis*; although these two groups account for 15% and 23% respectively of the actual population in the six original project districts
- In Afghanistan,
 - communities – in 70 per cent of villages across the whole country – have so far completed more than 9,000 rural infrastructure projects including water supply and sanitation, transport (roads, bridges etc.), irrigation, rural energy, education, etc
 - a sample of 22 sub-projects showed economic rates of return (ERR) averaging 26.3 percent to 60.8 percent, with an overall ERR weighted average of 38.2 percent
 - the Microfinance Investment Support Facility of Afghanistan, through which IDA is pooling funds with other donors to support MFIs, has so far disbursed \$130 million to 250,000 active clients, through 14 MFIs, for investments in trade (51%), agriculture & livestock (34%), and small manufacturing and handicraft production (13%)

8. The Future

There is clearly considerable client demand for this approach to community-driven livelihoods development. The challenge for the Bank is how to assure a rapid response, informed by learning and experience to date, and with task teams appropriately composed in a number of skill areas, and enabled with sufficient resources to undertake more extensive, field-based implementation support.

Scale and coverage

Programs with *high saturation coverage*, such as that in Andhra Pradesh, have demonstrated the significant state-wide impact on poverty that these interventions can have, as well as the associated benefits to livelihoods development of aggregating both supply and demand. Regional experience also suggests that sustainable community development is a long-term process and that the roll-out of rural livelihoods programs needs to be approached in a manner and on a scale that allows the institutional support framework, relevant concentration and viable partnerships to be established. The ‘next-generation’ of operations (e.g. Tamil Nadu, Bangladesh) is therefore adopting an approach that explicitly aims at gaining such scale and coverage, clustering districts and villages and, where appropriate, utilizing lending instruments such as the Adaptable Program Loan.

Monitoring and learning

Monitoring and learning during implementation, and evaluation of results will continue to be a future priority. Given the nature of livelihoods projects to interact and work directly with the poor and their organizations, there has been a tendency to design project M&E systems in a manner aimed at directly measuring poverty impacts at the household level by looking at changes in income, expenditure and asset levels. Although conceptually correct, accumulated experience so far suggests that doing this in practice is expensive, rather difficult to manage and time-consuming. Consequently, “hard” data

about the impacts of livelihoods projects have tended to become available only after some delay. The future challenge is to come up with a more pragmatic and consistent approach for the design of livelihood project M&E systems that also factor in and respond to the demand-driven nature of livelihoods operations. In addition, a further challenge is how to meet the growing demand for cross-learning, documentation and sharing of lessons, across projects in the region – both to ‘add value’ to current interventions and to inform future operations as the portfolio continues to grow. This demand comes from the grassroots level, where community members are eager to network with counterparts via innovative, community-managed capacity building experiences; within the Bank itself, where other regions that have not yet addressed the dimension of inclusive economic empowerment in their CDD operations are eager to learn; and from government partners.

Influencing state and national policy

Through their impacts on the ground, livelihood projects are *influencing state and national level policies* in rural development and social welfare, with project-tested operational mechanisms and methods being mainstreamed into other government interventions. In Sri Lanka, the government social welfare programme is testing the ‘Gemidiriya’ livelihood project’s poverty targeting methods for national roll-out and a proposed new rural village upliftment programme is being modeled on Gemidirya’s design and principles. In Rajasthan, India, the District Poverty Initiative Project has leveraged better use of state resources for watershed development and water harvesting. The Bank is now being consulted on a national proposal for a nationwide Mission on Livelihoods Development in India, and in Pakistan for a similar national programme on social mobilization. The Indian experience with state livelihoods projects is also providing lessons and valuable evidence to inform and shape existing federal initiatives, such as the Swarnjayanti Gram Swarozgar Yojna (SGSY) poverty reduction and micro-finance program. Capturing synergies with existing initiatives and influencing policy and design of future government programs should thus both be explicit goals of future operations.

Improving local governance

Important in relation to this is the interface between livelihoods projects and any state efforts at decentralization. As already noted, livelihoods programs are proving to be a strong foundation for *improved local governance and accountability* of officials and service providers. In MP, over 1000 CIG members have been elected in recent Gram Panchayat elections, and attendance at village ‘Gram Sabha’ assembly meetings is 25% higher amongst CIG members than non-members. In AP, over 8000 members of the village organisations are now leading and participating in PRIs, including as Presidents, Vice-President and Ward Members. In Bangladesh, the livelihoods project under preparation, which builds on an existing 2 district pilot project, is being seen as an operational vehicle through which to address the demand-side of local governance, utilizing village level social mobilization and application of community-driven social accountability mechanisms.

It has been argued that specific programs would be needed to strengthen i) the supply side of public administration of services at the local level, and, ii) the demand side of collective action for livelihoods development, access to private assets and increased downward public accountability. Given that these two agendas are mutually beneficial and have strong articulation needs as part of overall area-based local development, it would remain a question of context and capacity as to whether separate or integrated Bank programs are appropriate, and how delivery channels would be selected and sequenced. In Nepal and Afghanistan, fledgling village level councils are managing project-provided public resources in a way that mimics provision of inter-governmental fiscal transfers and introduces principles of accountability, transparency and participatory planning. These are environments where the higher tiers of government are not yet in a position to respond, and yet where considerable local development needs exist. Such post-conflict environments particularly exemplify those situations in which local public service provisioning is weak and traditional bureaucracies are

unresponsive. Here, Governments are typically unable to control and/or reach their territories and so, a phased approach, where communities and villages take up the task of defining and implementing small-scale basic infrastructure services may be appropriate.

The strategy, however, is not to undermine the construction of sustainable decentralized public service delivery systems that would need to be built on sound political, administrative and fiscal principles, but to support intermediary delivery channels that lay the foundation for public participation in systems of local governance. Local livelihoods development needs are cross-sectoral, requiring synergies in the management and availability of both common (e.g. roads, watersheds, markets, storage facilities, forests, etc) and individual (e.g. livestock, farmland, crops, artisanal products, etc) productive assets. The future challenge is how both Bank and state bureaucracies – typically organized along sectoral lines – adapt to channel their assistance in a manner that responds to local area-based needs and demands for co-production across the public, private and people’s sectors.