



SOCIAL DEVELOPMENT PAPERS

Conflict Prevention & Reconstruction
Community-Driven Development
Paper No. 29 / October 2005

Demand Driven Approaches to Livelihood Support in Post-War Contexts

A Joint ILO-World Bank Study

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The World Bank Group



International Labour Office

Summary Findings

This paper is a collaboration between the ILO and the World Bank, exploring potential applications of demand-driven, community-led approaches to livelihood support in post-war contexts. It is based on review of the two organizations' experience with such instruments in conflict-affected areas, the former in the context of its Local Economic Development (LED) approach and the latter in the context of its Community Driven Development (CDD) approach. The study is based on the premise that demand-driven methods may be uniquely suited to meeting challenges to livelihood support and economic revitalization posed by post-war environments. As a first initiative in an effort to link demand-driven approaches, conflict environments and livelihoods, it is meant to provide a foundation for further discussion. It includes an analysis of contextual factors in conflict-affected communities; a brief description of what demand-driven approaches entail; likely benefits of and challenges to applying these approaches; and operational principles and recommendations for action.

The study suggests seven advantages associated with use of these approaches for livelihood support in post-war environments: (i) facilitating knowledge flows on economic opportunities, threats, needs and locally available resources; (ii) repairing community rifts and rebuilding social and business networks necessary for economic growth; (iii) combating social exclusion and facilitating more equitable economic growth processes; (iv) enhancing flexibility and decentralization of livelihood support to better suit local opportunities and address needs; (v) counteracting problems associated with weak or destroyed formal institutions supporting livelihoods; (vi) empowering communities in their relations with donor organizations and government to meet livelihood needs; and (vii) enhancing the purchasing power capacity of local markets.

Alongside these benefits, this study presents three challenges: (i) tension between achieving quick results to meet urgent needs and engendering sustainable, equitable and inclusive community processes; (ii) vulnerability to resource-capture on the part of powerful, coercive elements present in most post-war contexts; and (iii) danger of community processes reinforcing inequalities rather than counteracting them.

On the basis of the World Bank and the ILO's experience, this study identifies eight "operational principles" for application of demand-driven approaches for livelihood support in conflict contexts: (i) begin with a comprehensive mapping exercise of livelihood opportunities and resources, building on local capacities, resources and skills; (ii) implement both community-based and individual livelihood support activities; (iii) emphasize three areas essential to post-war reconstruction—namely farming, fishing and construction—and their related support sectors including local trade networks, as well as the support sector to international donor activity; (iv) use short-term "aid sector" opportunities as a springboard to sustainable, long-term economic growth; (v) prioritize credit provision from the outset; (vi) start with small scale livelihood activities, progressively expand scope as resources and institutional capacities increase; (vii) link the local economy with other district economies and with the national economic recovery strategy; and (viii) catalyze information exchange on livelihoods opportunities.

It is hoped that this study will be a useful contribution in the development community's evolving understanding of demand-driven methods, while providing worthwhile recommendations for concrete action.

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Executive Summary

This paper is a joint project of the ILO and the World Bank, exploring potential applications of demand-driven, community-led approaches to livelihood support in post-war contexts. It is based on review of the two organizations' experience with such instruments in conflict-affected areas, the former in the context of its Local Economic Development (LED) approach and the latter in the context of its Community Driven Development (CDD) approach. The study is based on the premise that demand-driven methods may be uniquely suited to meeting certain challenges to livelihood support and economic revitalization posed by post-war environments. As a first initiative in an effort to link demand-driven approaches, conflict environments and livelihoods, it is meant to provide a foundation for further discussion on these issues. The study includes an analysis of common social and economic contextual factors in conflict-affected communities; a brief description of what demand-driven approaches entail; identification of the likely benefits of and challenges to applying these approaches; and, on the basis of the above context, operational principles and recommendations for action.

The study presents seven broad possible advantages associated with use of these approaches for livelihood support in post-war environments:

- Facilitating knowledge flows on economic opportunities, threats, needs and locally available resources;
- Repairing community rifts and rebuilding social and business networks necessary for economic growth;
- Combating social exclusion and facilitating more equitable economic growth processes;
- Enhancing flexibility and decentralization of livelihood support to better suit local opportunities and address needs;
- Counteracting problems associated with weak or destroyed formal institutions supporting livelihoods;
- Empowering communities in their relations with donor organizations and government to meet livelihood needs; and
- Enhancing the purchasing power capacity of local markets.

Alongside these benefits, this study presents three challenges:

- Tension between achieving quick results to meet urgent needs and engendering sustainable, equitable and inclusive community processes;
- Vulnerability to resource-capture on the part of powerful, coercive elements present in most post-war contexts; and
- Danger of community processes reinforcing inequalities rather than counteracting them.

Despite these challenges, the World Bank and the ILO have both been expanding the scope of their demand-driven programs in post-war contexts. This is in the belief that properly managed participatory processes provide certain worthwhile advantages over traditional top-down methods. Having said that, a case study review indicates that application of such approaches has led to mixed results, suggesting that there is a need to more closely analyze demand-driven practices in order to maximize their benefits and minimize their potential pitfalls.

Thus, on the basis of the World Bank and the ILO's experience, this study identifies eight "operational principles" for application of demand-driven approaches for livelihood support in conflict contexts. Each principle includes specific recommendations for interventions. In doing so, the study aims to provide

useful guidelines not only for continued ILO and World Bank activities but also for a broad range of donor organizations and international NGOs (INGOs), governments and local organizations active in post-war economic recovery.

The following principles have been identified by the study authors:

- Begin with a comprehensive mapping exercise of livelihood opportunities and resources. Build on local capacities, resources and skills;
- Implement both community-based and individual livelihood support activities;
- Emphasize three areas essential to post-war reconstruction—namely farming, fishing and construction—and their related support sectors including local trade networks, as well as the support sector to international donor activity;
- Use short-term “aid sector” opportunities as a springboard to sustainable, long-term economic growth;
- Prioritize credit provision from the outset;
- Start with small scale livelihood activities, progressively expand scope as resources and institutional capacities increase;
- Link the local economy with other district economies and with the national economic recovery strategy; and
- Catalyze information exchange on livelihoods opportunities.

It is hoped that this study will be a useful contribution in the development community’s evolving understanding of demand-driven methods, while providing worthwhile recommendations for concrete action.

DEMAND-DRIVEN APPROACHES TO LIVELIHOOD SUPPORT IN POST-WAR CONTEXTS: A JOINT ILO-WORLD BANK STUDY

I. Introduction

Violent conflicts occur disproportionately in poor countries and are precipitated by high rates of unemployment, inequality and economic reliance on high-value primary commodities. Lack of productive work creates hardship, frustration, and idleness, making the unemployed, and particularly, unemployed youth, prime candidates for recruitment by militant organizations with funds, food, and arms at their disposal. Inequality serves as the basis for grievance and lack of economic alternatives giving those who control primary commodities an enormous amount of power over a desperate populace. Unemployment and economic stagnation are thus powerful contributing factors to the reality that countries emerging from violent conflict face a 44 percent chance of relapsing into conflict in the first five years of peace. Consequently, the focus on livelihoods¹ is key when building resilience to the threat of renewed violent conflict.

Supporting livelihoods in post-war² communities is a complex endeavor, as difficult to achieve as it is important. Local economies in post-war environments face many economic and social challenges, including the reintegration in the short term of several potentially large population groups such as ex-combatants, internally displaced persons and refugees. These contexts, however, also include opportunities that can be capitalized on for supporting livelihoods. This paper will explore how demand-driven, participatory, community-led approaches may help overcome the difficulties and take advantage of the opportunities.³

In facing post-war challenges, demand-driven approaches provide new solutions to age-old problems. For this reason, the World Bank and the ILO are both increasingly adopting such mechanisms in post-war contexts, employing social dialogue approaches and community-based participatory techniques to better achieve program goals. The World Bank's Community Driven Development (CDD) approach gives communities fungible resources, empowering them to take charge of decision-making and program implementation and curbing tensions through participatory and inclusive dialogue. The ILO's Local Economic Development (LED) approach uses similar demand-driven mechanisms to generate employment, using local human and organizational resources to expand economic opportunities and develop local economies. While the two programs differ somewhat in their community interlocutors and

¹ The term "livelihoods" in this study refers to all forms of income generation and employment that support health and wellbeing, such as agriculture, small businesses and manufacturing.

² This study employs the term "post-war" as opposed to the potentially misleading "post-conflict". Even after formal termination of war, conflict may continue to manifest itself in sporadic eruptions of violence without leading to the cessation of rehabilitation and reconstruction interventions. The term "post-peace agreement" (PPA) is also inappropriate in some circumstances as, on the one hand, certain interventions may be possible even before a peace agreement is signed and, on the other hand, the existence of an agreement does not guarantee that an actual state of peace exists. While the term "post-war" does not entirely escape some of the above considerations, it denotes the period following the end of major hostilities in which attention turns to reconstruction and rehabilitation from the war damage.

³ In this paper the terms participatory, demand-driven and community-led are used interchangeably to make for smooth reading. In each case, they are meant to refer to development approaches that give control over decisions and resources to local stakeholders.

in their aims,⁴ a joint study of both approaches provides a useful opportunity to compare lessons learned. On the basis of the World Bank and ILO experience, this study aims to develop a conceptual framework by outlining general principles for demand-driven approaches for livelihood support in conflict-affected areas. It is hoped that these principles will provide new insight into the topic, contributing to the broader aid community's understanding of under what circumstances and how such approaches can best be used. This study is therefore a first step in building a common understanding and approach to use of demand-driven methods for livelihood support in post-war contexts. As such, this paper's intended audience includes not only practitioners of LED and CDD, but also other international organizations (United Nations, donors, INGOs, etc.), governments, and national organizations in conflict-affected countries concerned with livelihoods support and/or applications of demand-driven approaches. The elaboration of more specific operational guidelines on combining or facilitating better integration and cooperation between CDD and LED approaches would be the object of a successive study.

This study begins, in Section II, by detailing the socio-economic context in conflict-affected communities as it affects livelihood support issues. It outlines the needs, challenges and opportunities in many conflict-affected communities, including post-war economic recovery patterns, income generation trends and common employment opportunities. Understanding the context is important not only to comprehend the conditions under which livelihoods programs function in conflict-affected areas, but also to present a common understanding of possible entry-points for interventions. Section III describes the community-led development approach, as developed and practiced by the ILO and the World Bank, and discusses its benefits and challenges. Section IV then presents "lessons learned" from CDD and LED experience: general operational principles and guidelines for field practices.

⁴ The LED and the CDD approaches differ to a certain degree in their orientation. LED focuses directly on livelihood and business support, while paying heed to the larger economic environment and participation of all segments of society. CDD has emphasized, for the most part, activities that benefit the community as a whole and deemphasized livelihood support activities, although specific and localized activities, such as micro-credit, that primarily benefit individuals have been undertaken. The ILO and the World Bank also have different interlocutors. CDD works directly with small "communities" defined in the CDD terminology as "a population living within a defined geographic territory with common interests and concerns and shared consequences." LED includes in its local stakeholders not only actors on the individual community level but also district-level economic institutions (such as labor organizations, farmers associations, credit groups, local trade unions, local government, enterprise associations, cooperatives, women's groups, environmental groups, universities, banks, Chambers of Commerce, religious institutions and NGOs). LED stakeholders often cover a wider geographic region and are restricted to actors that are important to the promotion of an economic agenda.

II. Supporting Livelihoods in Conflict-Affected Areas: The Context

To identify opportunities for improving livelihoods, it is important to understand the post-war political and economic context in which they exist. To be sure, conflict-affected contexts differ widely. They may range from fairly economically advanced settings like Croatia to the absolute poverty of the Democratic Republic of Congo and Haiti. They may be characterized by high levels of violence, like Iraq, or relative calm, like Southern Serbia. Despite these differences, it is possible to identify certain economic, political and social patterns and characteristics common to many conflict environments.

Unstable or changing population base: Countries emerging from conflict are often characterized by large movements of people—refugees returning home, displaced persons attempting to resettle, and urban migration. In Sierra Leone, for example, most villages were populated by approximately 10-20 percent of their original populations for the first three or four years after the signing of the peace agreement.⁵

In the aftermath of armed conflict, return is generally a question of opportunity. Where conditions remain unstable or insecure, community members with the education, marketable skills or financial means necessary to seek opportunities elsewhere may not return home for years, if at all. Those who lack the skills or resources to earn a living elsewhere are often among the first to return to their communities. The landless and destitute may return to families or community members in search of assistance. Also amongst the first to return will be those hoping to benefit from local opportunities, such as farmers who return for the planting season. Similarly, communities will attract more skilled, educated or wealthier individuals interested in capitalizing on local economic or leadership opportunities. While some of these “opportunity seekers” may be intent on activities that harm the community, others will bring with them useful skills and resources that may serve the community as a whole.

LIBERIA. They are frustrated, illiterate, orphaned, and abused—the new youth seeking to return to “normality” after years of war. During the past years of conflict, children—many of them young girls—made up 37 percent of some factional fighting forces. Now, many of the 15,000 children who were associated with the fighting have transitioned into adulthood and are unemployed. Many cannot find formal employment due to a lack of education or training, and because of the low absorption capacity of the local economy. This generation has no reference to what “normal” life and work look like. They are frustrated about their leaders, have no security, or may be addicted to alcohol and/or drugs. Most of the girls have been raped. What they need as soon as possible is assistance in ending substance abuse and restarting education. They need hope in the future.

Lack of skilled human resources: In addition to human resource deficiencies due to wartime migration, unskilled and unemployed youth are likely to be a significant problem. Lack of education, training and regular economic activity may have left a whole generation of youth without formal education, literacy, work experience or proficiencies other than military-related skills. While these youth may be skilled in survival, they will be ill equipped to advance beyond subsistence level without assistance.

However, even in communities depleted by “brain drain” or severely affected by war, many skills remain that can play an important role in economic reconstruction when honed and applied to community life. Those returning from extended periods in refugee camps may have received vocational skills or literacy training. This may be particularly significant for women who might otherwise not have had access to training or education. Demobilized soldiers will have basic skill sets from military experience that could be developed for civilian life, such as negotiation, planning, organization or designing and engineering small tools. The exigencies of survival in and of themselves necessitate the development of coping mechanisms that may be transformed and upgraded into useful job skills. For example, in the immediate

⁵ Piet Goovaerts and Harry Turay, 2000 for NCRRR: First Operational Performance Evaluation of CRRP/ERSF.

aftermath of war, it is common for extensive petty trading activities to emerge, as local community members attempt to sell anything at their disposal to neighbors, fighting forces, or aid workers. These trading activities can form the basis for more established local commerce in the post-war era. Furthermore, many community members may still possess the skills that enabled them to earn a solid living in the past

Shifting gender roles: Wars often lead to changes in the status of women in society—changes that can be positive or negative. In some countries, women’s freedom of movement will become more restricted, ostensibly for their own protection under unstable conditions. In other countries, women may be compelled to enter the labor force to respond to the new economic burdens placed upon them. This may lead to positive changes in norms regarding the acceptability of women’s employment. On the other hand, the ending of the war and the return of male combatants or displaced groups holds the risk of social regression for those women who may find themselves pushed back into traditional roles. The post-war challenge is to maintain any improvements in the social status of women while supporting their efforts to sustain themselves and their families.

Wars shift economic and social burdens disproportionately onto the shoulders of women. Where men are away on military duty or involved in rebel groups, or where husbands, fathers, and sons have been killed or disabled, women become the key decision-makers in their communities and the sole support for their families. In addition, in the aftermath of war, women are frequently charged with caring for disabled family members, orphaned children and other dependent community members, further increasing the burden upon them. Thus, by necessity, women often take a leading role in economic and community rehabilitation, even in countries where they may be at a great educational, social or legal disadvantage to men.

While the demands on women almost always increase substantially in conflict-contexts, in many places they are constrained in their freedom to meet those new demands. Women may experience conflicting role demands and time constraints. They may suffer from lack of assertiveness and self-confidence, or be subject to culturally and socially-rooted negative perceptions of women in business. They may have unequal access to finances, assets, technologies, services or vocational training opportunities. In Mozambique, for example, women have no legal right to land ownership except as negotiated through male relatives. Lack of access to agricultural opportunities diminishes women’s food security and renders them particularly vulnerable. Similarly, in Guatemala and Bosnia, while women can inherit land through spouses, their rights to the land can be challenged by other family members.⁶ Where large percentages of the male population have been killed as a result of the violence, these restrictions may pose severe challenges for surviving women.

Female demobilized ex-combatants in Eritrea, after many years in a well-organized rebel movement in which ethnic, religious and gender differences had been completely set aside, returned to their communities to face family members and neighbors who expected them to return to traditional gender roles, leading to a high degree of frustration for many. On the other hand, a large number of Eritrean women were able to take advantage of post-war reconstruction efforts to find employment in the construction sector. These women developed a reputation for being more reliable, and generally producing higher-quality outputs, than their male counterparts.

Women may even receive unequal access to internationally-funded programs for which they are eligible. For example, an increasing number of women are involved with fighting forces, as active members of militias, dependents, or sex or house workers. They often are underserved or missed altogether in the demobilization and reintegration process and thus return with no support, funds, or skills.

⁶ Date-bah, 2003:117

Due to the constraints to women's employment, the informal economy is particularly important to women trying to support their families. As jobs in the formal economy may be scarce due to the breakdown in public and privately owned enterprises, and as women are often lacking skills for formal employment, they may be forced into the grey economy, often working in gender-stereotyped work like cooking, cleaning, laundry or sewing. Economic vulnerability and restricted economic opportunities can also force women into dangerous, damaging or illegal activities such as prostitution or smuggling of contraband articles. On the other hand, women frequently have both the drive and the resourcefulness to make successful entrepreneurs. Consequently, micro-credit schemes and cooperative development are particularly valuable to provide women with safe, legitimate alternatives for livelihood support.

Social exclusion: In post-war contexts, certain parts of the population are particularly economically vulnerable and thus need special attention in supporting livelihoods. Socially excluded individuals may be prevented from accessing community resources or from obtaining safe, lucrative employment. Women, as mentioned above, are one such group. Others include socially excluded ethnic or religious minorities, the disabled, ex-combatants and IDPs. Unemployed and idle former fighters pose a particular threat to society as they may revert to violence or crime, using the skills they have and the typical abundance of arms at their disposal. On the other hand, preferential treatment of ex-combatants (in the context of DDR programs) or of other "special" groups can lead to jealousies and tensions within the community and even greater social exclusion. Thus, meeting their immediate needs must be balanced with strategies for their long-term integration in and acceptance by society.

Breakdown of trust and erosion of social capital: Communities may be deeply divided, especially ones that had mixed membership before the war. Divisions may exist not only between members of opposing factions or groups but also between members of the same group, where suspicions or blame exist on the basis of loyalties or actions in the conflict. Friction often arises between those who stayed in their communities and those who fled to neighboring towns, those who became refugees and those who went abroad. The breakdown of trust affects the labor networks in and around communities, raising economic transaction costs. Neighbors that previously worked together or individuals who used to belong to the same association or cooperative may be unwilling or unable to re-establish cooperation. Business networks and grassroots organizations are likely to have eroded due to conflict.

In many recent wars, "the enemy" was a neighbor, a longtime friend, or even a relative (such as in the case of inter-ethnic marriage). In other circumstances, collective memories remain overwhelming and still have a strong psychological impact on the present. In Iraq for example, in the first days of April 1991, after the defeat of the Iraqi army in Kuwait in the first Gulf War, when Saddam Hussain's Republican Guards turned their attention to the North, 800,000 Kurds fled in less than 72 hours to Turkey and Iran, leaving their cars loaded with their personal belongings in droves on the mountain roads, continuing by foot across the borders into the cold mountains. Their collective panic was triggered by the memory of the biological attack on Halabcha in 1983.

An ongoing study in Indonesia [CPR Working Paper No. 9] suggests that CDD may assist conflict management at the local level by developing mechanisms and skills for dispute resolution.

This lack of social capital undermines local economic recovery. For example, a previously well-functioning farmer's cooperative may find post-war that most of its stock of farming tools has been destroyed or stolen during the war, that many of its members have fled the region, that those

who remain find it difficult to cooperate in an atmosphere of anger and blame and that, even where the will exists, lack of time or financial resources may make it difficult for the cooperative to function.

Shifts in power structures: War dramatically shifts power relations within societies, enabling those with access to arms and their allies to enhance their economic and political position. Rural communities, even if they do not directly fall under the sway of major armed factions, may be subject to pressures from relatively powerful individuals or groups who exercise coercion-based power for personal gain. In many wars, traders, arms dealers, political or military leaders and even government officials create alliances. Such actors may have a common interest in perpetuating an environment of scarcity or fear, in order to generate quasi-rents. When donor and government funds for livelihood support are disbursed to communities emerging from war, it may be difficult to ensure that resources reach the community “as a whole”, since they may be monopolized by powerful elites. As peace is restored to communities, and the local economy begins to revive, decisions have to be made as to whether the interests of the community will be better served by a strategy of cooperation with these elements or by setting up alternative structures of community decision-making that, in time, may develop sufficient popular support to supplant them.

Not all shifts in power structures are related to the use of force. Conflict can erode popular support for older, traditional leaders in favor of younger cadres or new leaders who earn the popular trust. For example, the *intifada* in the West Bank and Gaza in the late 1980s and early 1990s strongly undermined popular support for the traditional leadership in favor of youth activists in their 20s who were perceived as being more proactive in addressing the interests of the people.

Increased opportunity for exploitation of vulnerable workers: Exploitation of poor and vulnerable groups in the form of forced labor, child labor and indecent working conditions (including working hours, health and safety conditions) is often heightened by war and these forms of exploitation are likely to perpetuate in the post-war context, where there may be a desperate level of need, systems of labor protection may have eroded, and where the social, economical and political structures shaped by the war remain in place.

Continued violence: Even once a formal end to war has been declared, security and stability will not be restored to all geographic areas simultaneously. Rather, regions of calm may exist alongside others where violence continues, and even generally calm areas may be subject to sporadic outbreaks of violence. Furthermore, post-war contexts are notoriously high in crime, due to the ready availability of weapons, permissive attitudes towards violence, and the presence of ex-combatants lacking alternative lucrative employment. The lack of security may severely undermine donor activity and pose immense difficulties to local governments trying to assert their authority, thereby making planning difficult, disrupting free movement of goods and people and discouraging investment in the region. The combination of continued violence with lack of economic growth can lead to renewed hostilities.

In the case of the north and east of Sri Lanka, the rise in crime and violence posed an additional threat to the social fabric of the country. In El Salvador the post-war period saw the upsurge of so-called “maras” or gangs of ex-combatants, especially youth, engaging in crimes and other illegal activities.

Growth of illegal activities: Smuggling of arms and cultivation and trade in illegal natural resources such as timber, precious stones or drugs, often backed by the warlords and factions who were parties to the conflict, may continue long after formal peace has been declared. In the absence of legitimate employment opportunities, individuals may be compelled to engage in illegal activities as their only available means of subsistence. Local communities might be divided between those wishing to end illegal practices, and those dependent upon their continuation or influenced by pressure from “conflict entrepreneurs”.

Growth of the grey economy: Not all informal economic activity is likely to involve illegal goods. To the contrary, a significant proportion of informal economic activity will involve licit goods trafficked through informal or, in the case of smuggling, even illegal channels. While few studies have been done regarding the extent of such “grey economies”, it has been estimated that throughout much of the developing world, the informal economy matches or exceeds the size of the formal economy. This is particularly true of conflict-affected areas, where formal economic mechanisms, institutions and regulatory bodies may not be functioning. Thus, in post-war contexts, much or most of the population is likely to be engaged in “grey” or informal economic activities as the only available means for survival. In Angola, for example, as little as 10 percent of the country’s estimated GNP is produced through conventional—legally established and publicly regulated—economic practices. In Mozambique, the conventional economy accounts for only half of the country’s GNP. Somalia has no official economy at all. Often, the informal economy is able to respond more quickly than the formal economy to the demands and needs of local markets and thus may provide important economic opportunities, while serving as an indicator of opportunities for more formal livelihood support activities. That said, the danger inherent in such “shadow” economic activities is that even where they may involve licit goods, powerful criminal elements or local warlords often support or profit from such activities.⁷

In Novi Pazar, in southeastern Serbia, an important socially-owned garment factory closed down due to the war and economic boycott. Former employees applied their skills and technical knowledge and launched small spin offs, very often as (informal) family businesses, making jeans and other clothes for the Serbian, Kosovar and foreign markets.

Low consumer purchasing power: The breakdown of markets and the development of non-monetary economies, the non-payment of wages by public and private employers, use of non-sustainable coping strategies during the conflict such as the use of savings and selling of luxuries and assets, result in diminished global demand in the local economies. Low purchasing power is a major constraint in the recovery of local economies.

Lack of infrastructure and capital: Dilapidated or destroyed roads and bridges, communications and rail networks may cut off whole areas from suppliers and customers. Power plants, public buildings, communication systems and water supplies are often targeted during the fighting. In East Timor, for example, over 70 percent of private housing, public buildings and utilities were destroyed in the conflict.⁸ Similarly, in Bosnia, 55 percent of schools were destroyed in the conflict, and in Mozambique, only 58 percent of schools and slightly over 50 percent of health centers remained at conflict termination.⁹ Even where such infrastructure has not been specifically targeted in guerilla action, it may be severely dilapidated due to insufficient maintenance in wartime, particularly if government budgets were diverted to the war effort. In the private sector, damaged or obsolete tools, factories and workshops may restrict manufacturing potential and investors may not be willing to fund capital investment. The success of livelihood support strategies based on revitalization of the private sector is strongly linked to the success of efforts to rehabilitate local infrastructure and replace damaged physical capital, including provision or basic water supply, sanitation, health and education facilities, access roads, irrigation systems, marketplaces etc. Rebuilding infrastructure also creates opportunities for employment-intensive public works projects and support of local enterprises, which may provide construction materials and other goods and services to these projects.

⁷ Nordstrom, 2004:11

⁸ Date Bah, 2003: 9

⁹ Date Bah, 2003:116

Lack of credit and investment capital: The health of capital markets, and, in particular, the availability of financial support for entrepreneurs is critical to getting markets moving again. Lack of available credit is one of the primary impediments to micro-enterprise and business promotion in the aftermath of war. Potential local investors may opt to invest their capital abroad until more stable conditions exist. Few local banks or lending institutions may be available, and, where they exist, lenders and borrowers in rural community settings may lack the necessary information and guarantees to make loan activity feasible. Where devastation has been widespread, few people may have the necessary collateral. It may be difficult or costly to assess credit-worthiness if few aspiring entrepreneurs have proven track-records and formal institutions such as banks have ceased to function. The uncertain and volatile conflict context can also significantly reduce the certainty of repayment and thus substantially increase lender risk.

Even where credit is available, it may not be available to all. Socially excluded groups, women, ex-combatants or even specific individuals may be refused access regardless of the guarantees they are able to provide. Erosion of the banking sector and lack of formal credit may lead to increasing use of informal mechanisms, such as purchasing goods “on account” at local stores, non-payment of bills and growing use of borrowed or “gift” money as a temporary livelihood strategy. Where the level of indebtedness to individual patrons is particularly large, dependency and the impossibility of repayment is likely to result, leaving debtors extremely dependent and vulnerable. For example, in Afghanistan, impoverished debtors unable to repay their debts to warlords and other wealthier individuals were at times compelled to participate in fighting to repay obligations owed.

Lack of information on local circumstances, opportunities, and needs: Erosion of local business networks in conflict and the rapidly-shifting economic, security and political conditions characteristic of post-war contexts complicate efforts to assess needs and target assistance. There may be no functioning institutions or systems present to enable employers and job seekers to know about each other and their requirements. Chambers of commerce or other institutions providing information to entrepreneurs on business conditions or opportunities may have ceased to exist. Lack of coordination and communication between local and national institutions and between these institutions and the international community may pose further difficulties for implementation of national recovery and reconstruction programs at the local level.

Weak governmental institutions: Governments emerging from war are often weak and unable to establish a well-functioning administration. They may employ corrupt or discriminatory policies and practices based on group affiliation. Governments may lack credibility or legitimacy in the eyes of the majority of the population. Conversely, communities may place unrealistic expectations on government. Civil society may also be extremely weak and unable to engage government in dialogue. Politically immature governments with limited financial resources are unlikely to be able to improve living conditions, prevent resurgence of violence, or stimulate economic growth. In the worst case, failure of governments to effectively provide services can lead to a crisis of legitimacy that can contribute to further destabilization. In such circumstances, donors face a tension between the aim of building governmental capacities and the imperative of providing for the immediate needs of the population. There is a temptation for donors and external forces to “replace” governmental functions with non-state service providers, but this is an ultimately unsustainable strategy.

Distortions to agricultural markets: Wars can significantly undermine commercial fishing and agricultural activities. The presence of landmines may render large portions of arable land unusable. For example, 35 per cent of the land in Cambodia is unusable because of landmines. A similar situation exists in Angola, Mozambique, and Afghanistan. Damage to ports, boats and supplies undermines access to fish. Diminished consumer purchasing power may lead to severe price drops. Ruined transportation infrastructure and continued outbreaks of violence on transportation routes can restrict access to agricultural inputs and markets, as well as causing supply cuts in some areas matched with high prices

and scarcity in others. The result is that farmers who succeed in producing cash crops may be unable to transport them to the markets where they are needed.

The “aid economy”—balancing between urgent needs and long-term sustainability: Post-war aid efforts often involve tensions between meeting urgent short-term needs and engendering sustainable growth. To meet urgent post-war needs, a large influx of humanitarian aid may be directed to communities. While its contribution may be vital in the short term, it can also lead to distortions of the local economy and development of dependency. For example, food aid can depress prices of locally produced food, putting some producers out of business.

Donor-funded reconstruction works also risk sacrificing sustainability for speed. Provision of urgently needed services by donor institutions or use of foreign companies for reconstruction and rehabilitation works may deliver faster results, but will result in a missed opportunity to use reconstruction funding in order to build local capacities. It will also result in a missed opportunity to drive cross-sectoral economic recovery through positive spillover effects associated with local construction sector growth. Many of the most skilled members of the community may be hired away from governmental institutions, schools and civil society organizations, by higher-paying donor organizations, causing problematic “brain drain” for local institutions and organizations. While their income may improve in the short term, in the long term they are likely to find themselves back on the local job market, where only employment at far less advantageous terms is available. The best and most skilled of these workers may respond by leaving the region altogether.

In 1982-84 in Aru, in the northeastern Zairean (presently the Democratic Republic of Congo) region of Ituri, when the UNHCR slashed its emergency aid to Ugandan refugees in the region by 40 percent, the Ariwara daily market, which had been thriving since the arrival of the refugees, suddenly lost about 50 percent of its produce.
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In addition, whole, lucrative but short-lived, economies may arise to provide services and supplies to international aid workers based locally, including restaurants, automobile repair garages, specialized food markets, housing and office space, remodeling contractors, security services, computer and office services. When aid organizations depart or significantly scale back activities, local economies may undergo damaging economic shocks. On the other hand, it is possible that this short-term influx of foreign capital can help stimulate economic recovery. To date, little research has been done on the long-term impact of this influx of foreign capital to support post-war aid organization activities and aid workers’ lifestyles. The large size of aid budgets relative to many recipient economies merits further study to understand how to manage threats and capitalize on opportunities.

III. Demand-Driven Approaches to Meeting the Challenges

The post-war challenges and complexities detailed in Section II suggest a synergistic relationship between the social and economic aspects of successful livelihood support. Without working to heal community rifts and repair social and business networks, it is likely to be difficult to engender any form of sustainable and equitable post-war economic growth. For this reason, there may be significant benefits to approaches to livelihood support that deal simultaneously with promoting economic growth, healing community rifts and repairing social and business networks. In consequence, organizations such as the ILO and the World Bank have been increasingly employing in post-war communities participatory, community-led approaches that aim at achieving simultaneous progress on both the economic and the social front. While the precise methodology and goals of such approaches may differ from organization to organization, they all share the aims of pursuing development agendas through empowering beneficiaries and giving local stakeholders control over decisions and resources, while building community capacities for collective decision-making and action.

Most community-led approaches share the following program procedure:

- a) Community group design: The donor organization defines and establishes criteria for selecting community groups, ideally in consultation with the national and/or local government, civil society and communities. This generally involves a comprehensive stakeholder analysis as well as a deep understanding of the historical and social context of the community and its various ethnic or social groups. Such an analysis is particularly important in post-war contexts where intra-group tensions may be high.
- b) Outreach and mobilization: Information campaigns are used to inform the broader population of the program design and goals. Stakeholders identified as relevant are approached and enlisted. Efforts are made to ensure participation not only of representatives of formal groups but also of important informal ones. Institutional capacity building may be needed to assist groups to formally organize.
- c) Program design: The community group meets to assess and map institutions, resources and relationships, and to decide upon a basic development plan/recovery strategy including broad aims and general principles. Important elements of program design in conflict-affected areas include criteria for participation in group, decision-making rules and detailed appraisal criteria for project selection, as well as conflict and dispute resolution mechanisms to deal with any future tensions. Every effort should be made to ensure that these elements are agreed upon unanimously.
- d) Program implementation/capacity building: Both of these should be done simultaneously. Management capacities of the community should be built up continually with the aim of empowering them to function independently of donor organizations in the long term. At the same time, the community begins to identify and implement specific projects. Facilitators also help develop community group capacities by providing “on-the-job training” in project management and by building awareness of and support for community group efforts amongst the government, donors, and the broader population. Where possible, community contributions towards the project, such as labor, in-kind material or cash will enhance feelings of ownership, reduce costs and increase social cohesion through collective organization and action.

Throughout the program cycle, certain practices are recommended, including group-managed monitoring and evaluation of projects to enable learning, correct problems and expand successes. In post-war

contexts, monitoring and evaluation exercises must also pay particular attention to how community power dynamics are affected by community group activities. The composition of decision groups must also be monitored and periodically reassessed in order to ensure that as economic and social circumstances shift, group composition remains appropriate and important stakeholders are not excluded. Establishing clear partnership arrangements and cultivating good relationships with local government and line ministries is also essential for sustainability.

Post-war community-led programs, while similar in their basic approach, vary greatly in objectives, scope and reach. They may focus on reconstructing infrastructure, such as schools, health clinics, community centers, water and sewage systems, roads, bridges or wharves. They may aim at promoting productive, income-generating activities by providing support services such as extension, credit, marketing and business consulting to farmers and entrepreneurs. They may assist the community and the municipal authorities to better manage natural resources or build the capacity of municipal authorities to plan, deliver and sustain vital public services. In some cases, more than one focus is combined and projects can be multi-sectoral and integrated.

The degree of control over resources accorded to communities also varies across organizations. For example, the World Bank directly provides resources to community-based organizations, empowering them to actively manage the entire program cycle, including procurement and implementation processes. In contrast, the ILO does not emphasize direct provision of ILO funds for LED activities, but rather, lobbies governments and donor-organizations to put their resources at the disposal of LED fora.

In addition, CDD and LED differ in other fundamental ways:

- The CDD approach addresses a wide range of community priorities whereas LED specifically focuses on economic support;
- CDD works with groups composed exclusively of local community members in a small geographic region. LED includes in its local stakeholders not only actors on the individual community level but also district-level economic institutions (such as labor organizations, farmers associations, credit groups, local trade unions, local government, enterprise associations, cooperatives, women's groups, environmental groups, universities, banks, Chambers of Commerce, religious institutions and NGOs);
- The direct beneficiaries of LED programs tend to be institutions and organizations, whereas CDD more often works directly with the poor in small rural communities; and
- CDD focuses on programs that benefit the community as a whole whereas many LED interventions aim at supporting economic actors including individual entrepreneurs, businesses, associations and cooperatives.

These differences have enriched this study's attempt to suggest basic principles for application of demand-driven methods for livelihood support by enabling the researchers to compare and contrast World Bank and ILO experiences.

Demand-Driven Approaches to Livelihood Support: Why?

The international development community has been increasingly applying demand-driven approaches to development issues. At present, there is limited hard data regarding how well these approaches work. Much of our knowledge of what demand-driven approaches do comes from observation or theory alone.

Indeed, we are still very much in the “learning phase” regarding the benefits, applications and optimal methodologies for demand-driven approaches. Having said that, the ILO and World Bank’s experience employing demand-driven approaches in conflict contexts suggests possible advantages to such approaches in programs of livelihood support, including the following:

Facilitating flow of knowledge and information: Community-led approaches attempt to compensate for lack of information about labor supplies and demand, available skills and business opportunities by tapping into communal knowledge of local circumstances and needs and by using communities to identify local capacities, opportunities for growth and human resources. This, in turn, may enable better assessments of strengths, weaknesses, opportunities and threats and more efficient and effective interventions for livelihood support.

Partnering previous enemies and building networks: Community-led approaches put heavy emphasis on social capital and trust building, both essential to the rebuilding of business networks. By developing needed local networks and facilitating valuable information exchange about local businesses, products and markets of collaboration on joint ventures, economic transactions can be made more efficient. This can help reduce transaction costs of contracts and create an environment in which there is a greater degree of economic cooperation and less need for costly external regulation of business dealings. In addition, community cooperation towards common economic aims for the greater good can be used as a platform for reconciliation and an incentive to rebuild relationships that have been destroyed by war.

Combating social exclusion: Community processes aspire to counteract social exclusion and empower vulnerable groups such as refugees, former combatants, the internally displaced, women and the poor. Integrating these groups into community-driven processes may facilitate their economic integration.

Facilitating decentralized flexibility: Bottom-up, demand-driven approaches facilitate the tailoring of interventions more directly to local livelihood support needs. This is particularly important given the high levels of uncertainty and rapidly shifting circumstances characteristic of conflict-affected environments and the need to address a range of livelihood types specific to a community or district.

Counteracting weak institutions and connecting citizens and state: Approaches that empower communities and build their capacities may provide a short-term alternative to weak governmental institutions. Where government is unable to provide services needed for private sector regeneration and livelihood support, communities may supply them in the short term. This may include local savings or credit schemes, business support services, maintenance of public infrastructure necessary for private sector business activities (such as erosion control, or ongoing maintenance of access roads, bridges or irrigation channels), investment promotion, etc. Including government representatives in community processes may also enhance trust and cooperation and develop governmental responsiveness and accountability. When used in tandem with other donor activities to build local governmental capacities, these processes may help strengthen governmental institutions for livelihood support (Ministries of Agriculture, Trade or Labor, employment offices, government training programs etc.) in the medium to long-term.

Empowering communities with regard to donors and governments: Community empowerment may provide a counterweight for more supply-driven emergency aid activities, helping communities maintain their voice in the face of an influx of donor organizations and INGOs and ensuring that their programs for livelihood support are more responsive to local needs and thus more sustainable. Similarly, demand-driven methods can be used to increase community “voice” at all levels of government.

Enhancing the purchasing power capacity of local markets: The involvement of local suppliers and contractors in reconstruction projects, through labor-intensive techniques, cash for work and use of

locally-produced materials injects fresh cash resources into local economies, expanding community capacity for self-supply of basic needs while enhancing business opportunities for local producers.

Potential Challenges of Employing Participatory, Community-Led Approaches in a Post-War Setting

While demand-driven approaches may have many benefits for livelihood support in conflict-affected areas, the implementation of such approaches also entails certain challenges.

Tension between need for quick results and for sustainable process: While a more holistic, community-based approach to livelihood support may be more sustainable and thus preferable in the long-term, such processes generally take far longer to bear fruit, in particular where conflict has severely eroded social capital and levels of trust between community members. This may present a problem in addressing urgent post-war needs. The potential of quick impact projects to gain the confidence of communities in the short run may be instrumental for longer term sustainability of the projects.

Presence of coercive elements and competition over resources: There is a danger of “hijack” of community processes by powerful individuals and groups. Individuals or groups may maintain coercion-backed influence over community decision-making. This danger is particularly present where interventions provide direct livelihood support, often in the form of financial resources, to individuals or individual groups rather than providing resources or services that benefit the community as a whole. Competition over these resources can lead to the use of force and coercion and can heighten tensions between parties to the conflict, which, in a worst-case scenario, might result in further violence.

Danger of reinforcing inequalities: Community processes bear the danger of reinforcing negative social capital and/or maintaining unjust resource distribution rather than stimulating positive cooperation, reconciliation, and fair (re)distribution of resources. Societies that have lived through prolonged conflict are not “organization-free”. The groups that are best able to articulate their demands are not necessarily the ones most in need or most representative of community interests. Thus, if managed poorly, demand-driven processes may perpetuate inequality and social exclusion and insufficiently target poor and the vulnerable members of society.

IV. Demand-Driven Livelihood Support in Post-War Areas: 8 Operational Principles

The potential benefits and pitfalls associated with demand-driven approaches suggest that there is need to carefully design such approaches, to ensure that they are applied in the most beneficial way possible. A better understanding of demand-driven tools in these contexts should ideally improve our ability to apply them. By identifying operational principles, this study aims to build on lessons learned in the practice of CDD and LED, to maximize the positive aspects of such approaches and to minimize the negative ones.

In the course of this study, the researchers analyzed LED and CDD experiences in post-conflict environments, comparing and contrasting lessons learned. The commonalities and differences between LED and CDD experience, practices and policies, generated a long list of initial ideas. From this list, principles relevant to all three key characteristics of the study (context: post-war; aim: livelihood support; approach: demand-driven) were identified. These principles were further developed with the inclusion of recommendations on field applications. Many of these principles are more broadly applicable than just in circumstances sharing all three of the key characteristics identified. For example, some of the principles are true for all demand-driven approaches. Others are applicable to livelihood support in non-conflict-affected contexts as well as post-war ones. However, all the principles were identified as having particular relevance and importance where these three characteristics are simultaneously present.

Principle 1. Capitalize on what exists. Start by mapping local resources and opportunities

A comprehensive mapping exercise of the livelihoods, assets, and resources for income generation, undertaken by the community group, should be the cornerstone for all future work. Such a mapping exercise should include:

- The current (or pre-war) livelihoods of all community members, including specific types of businesses, farming, artisan, etc. Detail the types of inputs necessary to restart or support activities such as products, materials, seeds, etc.
- Trade opportunities and markets for local production—both existing and potential;
- Locally available physical resources, including natural resources, products, and other assets;
- Locally available human resources, including physical, intellectual, creative and other skills;
- Challenges to be overcome and resource needs. Among others, these needs may include transport and communications infrastructure, credit needs, business associations and other institutions, deficiencies in the regulatory structure etc.; and
- Community dynamics, conflictual relationships, opportunities to bridge divides and potential areas of sensitivity.

This mapping exercise serves as foundation for: (a) entry points for livelihoods program design; (b) community “ownership” of its livelihood needs in negotiations with donors and government on support programs; (c) clarification of who is benefiting and who is left out of livelihoods initiatives; (d) identification of marginalized or vulnerable groups and possible support mechanisms; and (e) negotiation with the private sector on opportunities using local resources and skills.

In order to ensure balanced and accurate results, care must be taken to include representatives of a wide range of formal and informal groups, particularly marginalized ones. Furthermore, the mapping exercise should not be viewed as a one-time activity, but rather should be revisited by the community periodically to monitor shifts in community membership and livelihoods as well as changing opportunities and contextual conditions. In particular, changing power relationships and benefit distribution between community members should be monitored throughout the entire period of activity, in order to ensure that resources are being as fairly distributed as possible and that tensions, when they arise, are quickly responded to.

In Eritrea UNHCR and ILO undertook rapid needs assessments in 18 villages with a large number of returnees in the Gash Barka region. The quick survey aimed at identifying strengths and weaknesses of local economic sectors. The assessment took into consideration development of businesses for both returnees and the host population. On the basis of these demand driven assessments, UNHCR had a clear picture of which economic activities had higher potential for success. This was a starting point for supporting those local businesses.

Once the mapping exercise is completed, it should be used to plan for community activities that capitalize on local skills, practices and resources. This will not only facilitate more effective livelihood support but will mitigate the danger that donor-funded activities will distort markets and supplant more sustainable indigenous efforts and local businesses.

The following are important ways in which community-based approaches can build on existing resources for better livelihood support:

- Communities should identify and support formerly successful entrepreneurs. These entrepreneurs are likely to have the skills, knowledge and ideas necessary to re-launch successful businesses. Identifying proven entrepreneurs and determining what impediments exist to relaunching their businesses will not only facilitate targeted interventions on their behalf but will help generate an understanding of what activities are most needed in order to support the private sector as a whole. It must be borne in mind, however, that the targeting of formerly successful entrepreneurs and tradesmen is sometimes not a very inclusive nor equitable practice. While such activities may have multiplier effects that will eventually help more vulnerable and poorer members of the community, in the first instance they may support predominantly stronger members. This danger can be mitigated somewhat by making sure to include former micro-enterprise entrepreneurs in such endeavors;
- Interventions should prioritize skill sets, activities and sectors that were present pre-war over riskier “new” initiatives;
- Credit programs should be based on indigenous mechanisms, where they exist. Care should be taken not to introduce new forms of credit that undermine those that already function or have functioned in the past. On the issue of credit, local culture, norms and preferences are particularly salient;
- Under the direction of community groups, pooling a small percentage of wages of community members involved in public works can be used to finance other livelihood support activities; and

- Use remittances flowing into a community to support livelihoods.¹⁰ Promotion of the use of remittances for business and livelihood support may be done through credit schemes using remittances as collateral; individual, household, or community savings/investment schemes for productive use of remittances; business planning groups for those receiving remittances; development of import businesses dealing in items from countries where family members live. It is useful to advocate monetary, rather than in-kind, transfers of remittances, as only the former will have productive potential. Furthermore, it may be helpful to assist formal and informal financial transfer providers both to diversify transfer channels (increasing competition and therefore pushing down transfer costs) and to improve the most commonly used channels, as very often limitations of existing financial channels hamper the flow of in-kind mailings of monetary remittances.

Principle 2. Implement a broad menu of both community-based and individual livelihood support activities

Successful livelihood support strategies involve activities that target individuals, alongside those that target the community as a whole. However, providing support to individual entrepreneurs in competitive business environments can exacerbate tensions and lead to accusations of unjust resource distribution. This is particularly true in sensitive post-war contexts. For this reason, many demand-driven programs have traditionally shied away from livelihood support.

This problem can be alleviated by the planning and implementation of a broad menu of both community-based and individual livelihood support activities that adhere to the following recommendations:

- Make sure that activities benefiting individuals reach a wide range of people involved in different economic sectors. For example, where grants and/or soft loans are categorized as war damage compensation, resources should cover large numbers of eligible claimants to ensure equitability. Similarly, where support services are offered to one sector, such as cattle farmers, care should be taken to also provide support to individuals in other sectors, such as crop farmers or small businessmen. Likewise, quick-impact interventions should not be restricted to public reconstruction works, which are neither suitable nor sufficient to provide for all employment seekers. Other interventions likely to have both quick impact and sustainable effects include micro-credit and support to the agriculture sector. The mapping exercise suggested in Principle 1 is fundamental to the application of this recommendation;
- Obtain community endorsement for activities that support individuals. Maximize transparency of decision making. Not only should all community group members be informed of decisions taken, but the criteria by which such decisions have been made should be elucidated and the decision rules should be clear and unanimously agreed upon. Community groups should also formulate detailed eligibility requirements for benefits that target individuals. For example, where seeds, tools, or livestock are distributed, communities should agree upon distribution criteria, and should be responsible for distribution. Similarly, operations manuals should contain the specific appraisal criteria by which proposals for

¹⁰ In some conflict-affected economies, remittances are extremely high. Consequently, migration-defined as the share of a country's population living abroad-has a strong, statistical impact in reducing poverty. On average, a 10 percent increase in the share of international migrants in a country's population will lead to a 1.9 percent decline in the share of people living in poverty (\$1.00 a person a day), and a 10 percent increase in the share of international remittances in a country's GDP will lead to a 1.6 percent decline in the share of people living in poverty. (Adams and Page, 2003:2)

- funding or credit will be judged. Appraisal criteria should include social, institutional, economic, technical, financial and environmental standards;
- Undertake livelihood support activities that target communities or groups alongside those that target specific individuals. Labor intensive public works, labor intermediation services/employment bureaus and community institution capacity building (such as association building, marketing advice) are all good examples of such activities. Take care that these interventions serve a broad range of community groups; and
 - Make sure that implementation and capacity-building for these programs take into account core labor standards (elimination of forced and compulsory labor, discrimination and child labor, adequate remuneration) and decent working conditions (working hours, health and safety conditions, social security).

Consider integrating social protection of the most vulnerable (and in particular, those who cannot work at a given time) within sustainable economic recovery activities. Use temporary employment schemes as both a measure of social protection (by adequate targeting) and a resource for sustainable economic recovery (allowing beneficiaries to save and invest and to strengthen local purchasing power).

Principle 3. Emphasize economic areas essential to postwar recovery

Economic sectors should be targeted that are essential to postwar recovery, have multiplier effects that may affect the economy as a whole and are likely to attract donor and governmental funds.

For these reasons, agriculture/ fishing and construction, as well as the support industries, services and trade networks related to these two sectors, are generally the most opportune for post-war economic recovery. In rural areas, agriculture, fishing and related food processing and marketing activities often capitalize on pre-war skills, and can help enhance food security and mitigate “shocks” once food relief is discontinued. Reconstructing war damaged or dilapidated infrastructure is also of high priority in order to lay the groundwork for potential economic growth, and often has the benefit of availability of donor and government funds. These sectors bear the added advantage of generally being suitable for low-skilled labor and on-the-job training activities.

In addition to these two sectors, there is a third sector, that, while inherently short term, can provide significant opportunities for livelihood support: that of support services to the aid community. This sector will be looked at in greater detail below in Principle 4.

Community groups can be used to identify local skills and opportunities in all these sectors, to identify training and other support needs and to manage interventions.

Among activities that can be useful for livelihood support in these areas:

a) Agriculture and related sectors:

- Distribute seeds for traditional local staple grains and vegetables (rice, corn, wheat, cassava, potatoes, tomatoes, lettuce, peppers, chilies, cabbage, okra, squash, etc.). Seed varieties should be distributed that can generate seed stocks for future planting and/or for sale. Farmers can be asked to “pay back” at harvest time the quantity of seeds received so that they may be distributed to other community farmers;

- Complement seed distribution with distribution of pesticides, fertilizers and tools (preferably locally produced and labor-intensive rather than technology-dependent);
- Restock livestock through credit schemes that distribute pregnant animals, with offspring transferred to new beneficiaries. Bear in mind that livestock distribution programs necessitate costly support services, such as veterinary services and medication;
- Revitalize the fishing sector through micro-credit and other support schemes. Repair of boats, docking decks, nets, fish ponds, local fish processing installations and storage facilities generate temporary employment. Processing activities provide longer-term employment, are labor intensive and low technology and frequently employ women. As in the case of agriculture support activities, adequate technical assistance is strongly advised as well as sanitary and worker safety supervision;
- Engage communities in basic public works necessary for productive agricultural activity: land clearance, drainage and irrigation works, the establishment or construction of drying, storing and processing (milling, bagging, packaging, etc.) facilities. These works are simple, labor intensive and can often be financed by war damage compensation grants;
- Promote agriculture and/or fishing cooperatives to enable farmers/fishermen to pool scarce economic resources and develop market-oriented capacities. Capacity-building exercises can help local farmers organize and benefit from cooperative structures; and
- Provide complementary extension and advisory services. These include: technical assistance, supervision, management and marketing advisory services and cooperative building support. Training of local trainers, extension workers or advisers and establishment of locally-run agri-business support centers will enhance service sustainability. Build on and strengthen existing local service providers, where available, rather than supplanting them with “new” institutions or outside help.

Once the local agricultural sector has begun to stabilize and grow, promote other support sectors that can facilitate transition from subsistence to market-oriented agriculture and, where possible, from local-market to export-oriented agriculture. Among private businesses or community activities whose promotion may aid in this endeavor: small supply shops (tools, seeds, fertilizer, general supplies), marketplaces, food processing centers, packaging facilities, tanneries, slaughterhouses, transportation networks, etc.

b) Construction and related support sectors:

- Base reconstruction on local labor, materials and other resources rather than on large foreign or national contractors and suppliers. Lobby governments and donors to design construction, transport and trade tenders in “small chunks” suitable to low-technology methods, to ensure competitiveness of local contractors and suppliers;
- Maximize employment-intensity of reconstruction works. The long-term benefits to the community are such that the principles of employment-intensity and the use of local human and material resources should be adhered to, even if project completion is slowed as a consequence. This will not only create local jobs but can underpin broader economic recovery by injecting needed funds into the local economy and developing local capacities and supply chains. Employment-intensive public works (EIPWs) afford potentially large

numbers of workers, and in particular, youth and ex-combatants, the opportunity to gain work experience and develop useful skills that can enhance their employment potential in the long term while providing service to the community and thus aiding in their reintegration. EIPWs are also compatible with on-the-job training, which, for illiterate or unschooled labor, is generally a more effective form of capacity building than training in a classroom setting. These schemes will also allow beneficiaries to save part of their wages for start-up capital to (re)engage in Income Generating Activities (IGAs)¹¹ and (re)start micro and small enterprises, therefore contributing to sustainable economic recovery;

- Develop local construction contractors and suppliers that can compete for reconstruction and rehabilitation tenders, where appropriate contractors do not exist. Construction “entrepreneurs” almost always spontaneously emerge in communities in response to local demand for small reconstruction works. These entrepreneurs can be supported and their businesses expanded to handle more formal contracts for local construction. Development of local contractors able to perform public works is preferable to mobilization of community-members for construction works on an ad-hoc basis, as this builds the capacity of the local private sector. Experience indicates that injecting projects and reconstruction funds into post-war environments generates adequate local capacity in a relatively short time;
- Develop and/or support local contractors’ associations in order to maximize their bargaining and bidding power on available contracts;
- Provide on-the-job training, technical assistance and supervision on public and community works involving local labor and contractors; and
- Promote and support essential construction-related sub-sectors, such as building material and equipment suppliers, quarries, brick manufacturing and stone cutting, wood and steel workshops, small transport companies, repair workshops, etc. Most of these activities, with the general exception of highly mechanized ones, are small scale and labor-intensive. In addition, adequate trade and transport infrastructure are essential and should be reflected in the national and local development plans.

Principle 4. Build on short-term “aid economy” work opportunities for future employment growth

Alongside the farming and construction sectors, a third area of economic activity that is of tremendous importance in the immediate aftermath of war is that of servicing the donor community. The large influxes of humanitarian assistance and development aid that often characterize post-war contexts provide significant opportunities for livelihood support. However, these opportunities will be squandered, and any economic gains from donor activity will be short-lived, if they are not designed to lay the groundwork for long-term economic growth and recovery.

Principle 3 recommended measures to ensure that donor budgets for infrastructure reconstruction and rehabilitation help develop local construction industry capacities and revitalize the agro-sector. The following is a list of further measures which build on donor-funded quick impact and reconstruction projects for long-term growth or which take advantage of money injected into the economy by the presence of aid workers and organizations:

¹¹ Income generating activities are usually referred to without clear-cut distinction between micro and small business activities. In the stricter sense, income generation may be said to require less (or no) fixed assets, less reinvestments, less management and other skills than micro and small business activities, and to be more associated with the household economy.

- Support IGAs serving the “aid community” like warehousing, transport services, distribution services, surveying and outreach services, medical and sanitary services, translation and computer services, training services, etc. These should be designed by donors to progressively be sub-contracted and decentralized to local “entrepreneurs/NGOs” in order: (a) to create local employment and entrepreneurial opportunities; and (b) to offset negative economic consequences of the eventual withdrawal or reduction of foreign aid, by establishing local institutional capacities and networks;
- Ensure that local stakeholders are deeply involved in the planning and implementation of reconstruction and rehabilitation projects. A common error in donor-funded public works projects are interventions that are not suitable to local conditions, culture or technology and are thus inefficient or unsustainable. Often, consultation with local communities can prevent such errors. Involving groups with broad community representation in labor policies and hiring processes will also enhance equitability of hiring. Community-led processes are also fundamental to building local capacities for the ongoing maintenance of these projects and securing local commitment to their long-term sustainability; and
- For livelihood support, target donor reconstruction activities where they are likely to have the greatest effect on the local private-sector activity. Consulting community groups will help donor interventions identify infrastructure needs of local entrepreneurs and farmers (drainage and irrigation, agricultural access roads, storage facilities, marketplaces, basic communications infrastructure, etc.) as well as needed support services (credit facilities, business advisory services, marketing boards, etc.). Such targeted interventions will, in turn, help stimulate the revitalization of the private sector in the medium- and long-term. The most needed projects are often not the most expensive or difficult. For example, often the local entrepreneurs’ greatest need may be reconstruction of a marketplace where they can sell their goods or a simple workshop space. Communities may be able to respond to these needs with minimal investments of time and money.

Principle 5. Prioritize credit provision from the outset

Credit is essential to private-sector promotion and regeneration of micro- and small-business activity. It is particularly important in the immediate post-war period in order to capitalize to the fullest extent possible on reconstruction and aid-sector related opportunities. Without adequate credit, it will be impossible to develop construction companies to compete for local

UNOPS and ILO in partnership with NGOs and local Banks established in 1996 a Guarantee Fund equivalent to USD 250,000, to help revive eastern Slavonia. The fund guarantees the net debt that the partner bank makes in favour of beneficiary SMEs, while the Bank agrees to promote credit operations for an amount superior to the fund itself.

tenders, or restaurants, laundries, translation services and other small businesses to serve short-term influxes of foreign aid organizations and their staff. Furthermore, without adequate provision of credit, community members who are unable to find formal employment but could succeed as entrepreneurs may have difficulty starting their own micro-enterprises. In initial post-war phases, however, banking structures may be inadequate and collateral insufficient to enable normal credit activities. In such cases, the following interventions are recommended:

- Provide grants to compensate for initial lack of credit supply, and to assist the most vulnerable undertaking income generating activities. Clearly define grants as “reconstruction grants”, to help mitigate charges of unfair distribution. Base funding decisions on the

question of restoring what was previously there. Community groups can be instrumental in determining what business infrastructure and capital goods existed pre-war and deciding which projects and individuals should be eligible for reconstruction grants. Decisions on who is eligible for grants taken by the community as a whole, on the basis of criteria decided upon by community consensus, will also be less vulnerable to allegations of unfairness. The time frame for transition to business loans should be made clear to communities from the outset. Furthermore, efforts should be made to ensure that policies regarding grant or loan provision are fairly uniform across economic sectors and geographic locales, in order to avoid inter- and intra- community tensions. Coordination between groups from different communities, as recommended in Principle 7, can be useful in this regard;

- Channel remittance flows to local investment;¹² and
- Use guarantee funds, deposited in local banks, to guarantee loans to entrepreneurs that might otherwise be deemed too risky. Community groups should elucidate specific eligibility requirements and pre-screen loan applicants.

Principle 6. Start with small scale livelihood activities, progressively expand scope as resources and institutional capacities increase

Starting small is an important strategy for dealing with post-war instability, physical and skilled human resource scarcity and eroded social capital. Small-scale, demand-driven investments enhance flexibility, avoid exaggerated expectations, reduce the price of failure and enable communities to “experiment”, building on and expanding proven successes. Small-scale investments also allow for actions scaled to resource availability, gradual community and individual capacity building and more efficient, effective and responsive management of funds. Small-scale projects also enable distribution of resources amongst a larger number of groups, thus avoiding potential charges of favoritism in contentious post-war environments.¹³

As part of a successful “smallness” strategy:

- Community groups should design and implement multiple smaller, short-term projects, rather than investing in a small number of larger projects. Expand activities as capacities grow and resources become available;
- Adopt a “pilot project” approach to programming. For example, if there is a desire to establish a regional network of business development support providers, start with small pilot projects based on pre-existing business development providers to enable the testing and refining of interventions before attempting to apply them on a broader scale. While this is good practice for development interventions in general, in volatile and uncertain post-war environments, such a strategy is of particular importance; and
- Use simplified rules of management, transparency, and responsibility that can more easily be absorbed by overburdened, inexperienced and resource-poor communities;

¹² See Principle 1 for further details.

¹³ Managing a large number of small projects is more complicated and demands more, and more skilled, managers than managing a few large projects, especially in conflict contexts with weak institutional capacity. The World Bank has dealt with this issue by developing simplified management tools for use in these contexts, such as operations manuals for community use based on project-cycle decision-making processes and modified management information systems for measuring output and assessing impacts.

Promote the development of small-scale entrepreneurs (contractors, suppliers, transport companies, local quarries, traders, markets, etc.) in multiple locations in a region. This will often more directly address local needs than would the financing of larger scale units in the regional capital. Locally based, smaller scale units can respond flexibly to market opportunities, joining forces for larger projects or undertaking smaller works individually. They are also more likely to be compatible with the labor-intensive and lower-technology projects preferable for local livelihood support.

Principle 7. Link the local economy with other district economies and with national economic recovery strategies

Demand-driven approaches can be instrumental in revitalizing eroded business networks, enhancing “bonding” social capital within groups and developing “bridging” social capital between community groups. However, for community approaches to be as effective as possible in supporting livelihoods, efforts must be made not only to build up needed networks within communities but

The LEDA in the Morazan Province of El Salvador brings together representatives of the different stakeholders at the local level, including: local governments, NGOs and associations, private enterprises and cooperatives. The LEDA also should include representatives of regional authorities, key national ministries (Agriculture, Planning, Interior), as well as international donors, thereby ensuring integration of local economic recovery plans within the wider national and aid-related environment.

also between communities, and between the community and the local, regional and national government. By developing links between the micro-economies of a region’s communities, useful knowledge can be obtained on regional conditions, opportunities and threats and economic synergies can be capitalized on. Wheat farmers in one community may benefit from a grain mill in another. Construction work in one community can use materials supplied by a second community in the region and skilled labor from a third. Coordinating action between communities can also increase their “voice” vis-à-vis donors and government, enable development of coordinated livelihood support and economic recovery strategies and facilitate the development of regional, national and even foreign markets for local goods.

No less important than the “horizontal” links between communities are the “vertical” links between the communities and the regional and national government. For successful economic rehabilitation, a conducive policy environment is critical, including adequate legislation and regulation of the financial and credit sector; supportive business, tendering and export promotion policies; sound taxation regimes; and judicious investment of public funds. Often, national governments are not sufficiently aware of local needs and circumstances, leading to ill-advised policies that may undermine local economies. Increasing community voice in the public sphere will help governments design policies that better respond to the community’s economic needs.

How to?

- Establish participatory monitoring and evaluation practices involving sharing of lessons learned with other communities. Document lessons-learned, seek commonalities with other communities and then use findings as the basis for regularly-scheduled meetings involving several local communities as well as district and regional authorities;
- Keep local government representatives fully informed of community decisions and activities. Maximize inclusion of government representatives in community meetings. Transparency and clarity of responsibilities can be strengthened through written MOUs or contracts between the CBO, government and livelihood institutions. Publication and communication to local authorities (as well as to the other local stakeholders in the field) of development plans

and projects and their progress will also increase trust and commitment. This will also mitigate public-private tensions, sensitize government officials to community needs, and help establish an enabling policy environment for livelihood support; and

- Support dialogue between community groups and governmental policy-makers at the district and national level. Generally, this involves developing a “lobby” involving representatives of the communities in a given region, or even of a particular economic sector in that region. Such lobby groups should be representative of the range of interest groups within the community. Where policy-makers are not initially open to dialogue with communities, establishing a good working relationship with local authorities may help pave the way to greater governmental cooperation at higher levels. In addition, international organizations may help encourage such contacts. At times, the presence of representatives of donor organizations in these meetings may strengthen the voice of community groups;

Lobbying capacity of local stakeholders can be enhanced through association-building workshops targeting trade or business associations, labor unions, cooperative associations, networks of chambers of commerce or others.

Principle 8. Catalyze information exchange on livelihoods opportunities

Facilitating access to knowledge is both one of the most fundamental benefits of community-based approaches to livelihood support and one of the most important determinants of their success. In highly volatile and uncertain post-war environments, community-based approaches have the significant advantage of placing decisions in the hands of those with the greatest knowledge of local history, sensitivities, opportunities, capacities and needs: community members.

In tense conflict environments, maximal knowledge flows are also essential to the viability of community-based approaches. Where high levels of distrust exist, open, transparent processes in which all participants are fully informed can mitigate distrust and facilitate cooperation. Furthermore, the open exchange of job-related information between community members can bring out useful intra-group synergies, facilitating cooperation for mutual economic benefit between groups that would not normally be inclined to work together.

The LEDA of Western Slavonia is today acting as a “one-stop shop” for information on investment opportunities in the region. It provides information on the labor market, skills, infrastructure, and possible linkages of the local business to potential foreign or national investors.

Community groups can be used:

- As clearing houses for information regarding demand for labor, available labor supply, existing training opportunities and needed capacity building until formal institutions, such as employment offices, can be developed;
- As conduits for information on the security situation and on local donor activities—both of which may have significant impact on business opportunities and risks; and
- As fora for free exchange of information, knowledge and ideas.¹⁴ Regularly scheduled meetings may provide useful space for open discussions on employment and business

¹⁴ In order not to lose community trust, information sharing and dissemination should be followed quickly with solid support.

opportunities, impediments to economic activity and possible indigenous solutions to these challenges, urgent needs and potential solutions;

- As initiators of broader information campaigns to win the trust and enlist the support of the community as a whole.

Amongst possible tools for information dissemination: organizing meetings with communities to discuss needs, opportunities and livelihood support services, radio and TV announcements, promotion and mobilization campaigns, pamphlet distribution, or posting information in public spaces (such as community halls, post offices or marketplaces).

Annex 1: LED in Post-War Environments

The ILO's Local Economic Development approach uses bottom-up, participatory methods in local communities to support micro, small and medium enterprises, enhance employability, implement social finance schemes and promote investment.

The LED process in post-war situations starts with a preliminary assessment exercise, including rapid analysis of the local political, social and economic context, identification of the economic catchment area, a survey of ongoing recovery and reconstruction initiatives and the identification of potential partners and their institutional capacity both at a local and regional-level.

Based on the findings of the preliminary assessment, the ILO will facilitate organization of an inclusive forum of local interest groups at the community and/or mid level, with the objective of jointly planning and implementing activities both in response to immediate needs and as part of a long-term local economic recovery strategy. Depending on the existing coordination structures at the community and mid-level, ILO will either work with stakeholders to strengthen and expand existing fora, or create a new LED Forum composed of all local economic interest groups. Among the participants in the LED Forum: are labor organizations, local firms, farmers associations, credit groups and other financial institutions, local trade unions, local government, enterprise associations, cooperatives, women's groups, environmental groups, religious institutions, universities, banks, chambers of commerce, religious institutions and NGOs. In addition, efforts are made to include informal or less-organized community groups with relevant social and economic interests or needs. These may include IDPs, refugees, youth, micro-entrepreneurs, ex-combatants etc.

Where possible, the ILO promotes the participation of local or district governments in the LED Forum. However, where the government lacks legitimacy, the Forum is sometimes detached from existing governmental structures and linked with other organizations—such as the local chamber of commerce, or is created as an independent Local Economic Development Agency (LEDA).

Decisions on LED activities are made by the Forum members themselves. The ILO generally suggests to forum members the implementation of quick business opportunity and labor market assessments. These assessments are often commissioned or carried out in cooperation with forum members and other local partners such as government officials, workers and employee associations, business development providers, universities and NGOs. On the basis of these assessments, the Forum will decide upon a range of integrated local economic recovery measures to be implemented, as well as identifying financial resources for these measures.

LED interventions in post-war situations vary greatly depending on local needs and conditions. Most LED activities are founded on the assumption that sustainable livelihood support can only come from the stimulation of business activity and, consequently, of private sector demand for labor. However, LED also recognizes the need for quick-impact interventions in the aftermath of conflict. To this end, in the immediate aftermath of war, LED will often first launch quick-impact projects with short project cycles, while placing increasing focus over time on more sustainable projects with longer project cycles. As capacities and local resources are identified and developed, increasing emphasis is being placed on co-investment by local actors.

Capacity-building, both organizational and individual, stands at the centre of the LED approach. LED initiatives in post-war situations aim principally at relatively simple interventions for the purpose of strengthening the capacity of local stakeholders to carry out the following interventions:

- Data collection on employment opportunities, existing labor and training needs;
- Provision of job placement services;
- Needs identification for micro- and small-scale enterprises and provision of financial and non-financial services such as micro- and other credit, and follow-up support services, management training, marketing, etc;
- Promotion of cooperatives and other self-help organizations;
- Development of organizational mechanisms to represent the community in business/economic issues and act as a lobby for local needs at the regional and national levels;
- Investment promotion; and
- Short-term training in the skill areas that are most needed for labor absorption. This often includes training in jobs related to infrastructure rehabilitation (construction, repair etc.), small-scale enterprises and self-employment.

In the immediate aftermath of war, LEDA-coordinated activities often place heavy emphasis on infrastructure rehabilitation, as a means of improving conditions for local businesses, attracting outside investment, stimulating job-creation and demand for local materials and injecting capital into the local economy. Amongst infrastructure-rehabilitation-oriented activities undertaken in the framework of LED:

- Consultation with local economic actors on needs and on the likely impact of works to be carried out, with aim of prioritizing works that restore links with markets and enabling producers to resume/increase production;
- Skills training, including on-the-job;
- Promotion of use of locally available materials and supplies and labor-intensive, low-technology construction methods; and
- Support to local enterprises working in the construction sub-sector and related activities.

In addition to these activities, LED fora provide participants with the opportunity to:

- Jointly analyze problems and identify common strategies, initiatives and actions;
- Express support for and commitment to priorities and actions;
- Facilitate dialogue and trust-building between stakeholders with different views;
- Create social and economic networks between private and public sectors and the generation of new business ties and initiatives;
- Perform as an incubator for new ideas and innovative undertakings through the exchange of knowledge and information; and
- Enhance transparency and democratic decision-making norms of local government through private-public participation.

Annex 2: CDD in Post-War Environments

The CDD approach gives accountable, inclusive community groups control over decisions on external funding and local resource allocation. Funding for CDD programs¹⁵ may be single-sector or multi-sector in nature. Within the context of the approach, community groups are called upon to manage a large number of small-scale investments, ranging from \$1,000 to \$250,000 disbursed in tranches. Commonly, small grants are disbursed initially, with larger amounts being disbursed as capacity grows. Generally, communities are expected to contribute to projects, through funding, labor or materials.

CDD is viewed as a way to achieve a broad and comprehensive development agenda, including the support of local community-based development of infrastructure services, economic activity and resource management, empowerment of the poor and enhancement of their economic security. CDD also aims at strengthening relationships between communities and local government, NGOs and central government through partnerships. Where possible, the local government will be responsible for overall planning and coordination of projects. Government officials may assist communities in developing project proposals or function as technical advisers. In many cases, CDD programs are coordinated from an autonomous unit¹⁶ within a government department.

The CDD approach to community participation is centered on the “community-based organization” (CBO) - the actor to which control of decisions and resources is normally awarded. CBOs should be representative of their community and work in partnership with demand-responsive support organizations and service providers, including elected local governments, the private sector, NGOs and central government agencies. They may be bodies organized within the context of CDD or pre-existing community organizations. Where CBOs are pre-existing, the CDD approach works towards adequate representation of vulnerable or marginalized groups, such as women, the poorest of the poor, or other socially excluded groups.

CDD programs generally have two kinds of output targets: a) to meet basic community needs; b) to promote social change through “on the job” institutional capacity building of viable and representative community organizations. Support to CDD usually includes:

- Capacity-building and financing of accountable and inclusive community groups and community-based organizations (CBOs);
- Facilitating community access to information through a variety of media, with an increasing emphasis on information technology;
- Forging functional links between CBOs and governmental or other formal institutions and making these institutions more demand-driven through appropriate policy and institutional

¹⁵ The authors of this paper consider CDD initiatives to be programs rather than projects, based on their multiple objectives (provision of funding and technical assistance to achieve multiple outputs and impacts, infrastructure, services and not least institutional capacity building), usually implemented in a multisectoral approach and for some over-arching aim like poverty alleviation, structural adjustment, post-war recovery and development. The fact that they are implemented by the World Bank and its government recipients under the legal format of a project is irrelevant to this characterization.

¹⁶ This autonomous unit can provide substantial management advice to community groups. Such units are useful in helping communities manage the multiple small disbursements that characterize CDD sub-projects. In addition, the World Bank has invested greatly in the development of community-led management tools such as operations manuals based on project-cycle decision-making processes for community use and modified management information systems for measuring output and assessing impacts.

reform, including decentralization, legal and regulatory reform and the development of responsive community and sectoral institutions.

To accomplish these goals, most CDD programs recruit people to work as social mobilizers and change agents in their target communities. Their role is to facilitate the formation of CBOs, assist them in undertaking needs assessments, and provide them with the necessary skills and attitudes to manage and sustain the development process. Facilitators involved in CDD projects include people locally employed and trained, such as local government officials and NGO staff.

The World Bank is increasingly applying CDD approaches in conflict-affected countries. By early 2005, it had 86 active CDD projects in areas impacted by armed conflict¹⁷. In part, this reflects the Bank's growing role in supporting countries' transition from conflict to development.¹⁸ It also is a function of CDD's increase in its portion of total lending from two to 10 percent between 1989 and 2003.

¹⁷ From 'matrix of Bank projects in conflict-affected countries. Listed projects meet two criteria: 1) on the CDD Anchor list of Bank CDD projects, and 2) on the Post Conflict Fund's list of conflict-affected countries.

¹⁸ See Bank's Operational Policy on Development Cooperation and Conflict, OP2.30, for Bank guidelines on operations in conflict-affected countries.

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