

Jobs and livelihoods in developing countries

Donors, NGOs and the micro-macro linkages

1. Introduction

- Productive employment and decent work are the main routes out of poverty (ILO 2004).
- Well-functioning labour markets and an enabling environment for local entrepreneurship are essential to increase employment opportunities for the poor (OECD 2009).
- Policies that recognise and improve conditions in the informal economy, where most poor women and men earn their livelihoods, are critical to poverty reduction (Chen et al 2004).
- “Recent world events, including the Arab Spring and the London riots, suggest that labor market dislocation and unfulfilled job expectations, particularly among youth, may lie at the heart of tensions within society, with extreme consequences.” (World Bank 2011).
- “Without the possibility of bringing home a decent, reliable income, poor people are trapped on a treadmill of survival. The tragedy is that so much of poor people’s determination and energy goes to waste. Even those that have work are often underemployed, earning little for long hours from what is for many, their only asset – their labour.” (DFID 2011).

The five statements above capture core elements of what amounts to a policy consensus among international institutions and non-governmental organisations in the international development field. Yet they conceal quite diverse and even fundamental differences about how to go about achieving the objectives concerned.

This paper will argue that to engage more effectively in this debate international non-governmental organisations (INGOs) need to develop their political economy analysis and assessment of the politics of markets. At present they are relatively weak in both areas, and in how their analytic and policy work links with their programme experience.

This report was commissioned by [Voluntary Services Overseas \(VSO\)](#), the world’s leading independent international development organisation working through volunteers to fight poverty in developing countries.

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This weakness links to another gap, as INGOs have not connected their own work on civic voice and accountability with markets and economic policies.

After this introductory section, the paper is set out as follows:

Section 2 (this page) outlines a range of approaches being taken by NGOs, donors and social enterprises at the project level to strengthen the livelihoods of poor and marginalised people, and briefly discusses the evidence of the impact, sustainability and scalability of this work. It has sub-sections on

- Preparing people for employment and livelihoods opportunities (page 3)
- Supporting networks that enhance capacity to protect and improve livelihoods (page 5)
- Enabling access to financial resources for entrepreneurship (page 10)
- Protecting livelihoods and assets from risks and shocks (page 12)

Section 3 (page 13) considers obstacles in the way of sustainability and scalability by exploring some of the tensions between these approaches and other policy options, discussing in particular the political economy challenges involved. It has sub-sections on:

- The political economy of markets (page 14)
- NGOs, livelihoods and markets (page 15)
- Donors, livelihoods and markets (page 16)
- Developing an enabling policy environment (page 18).

The paper then concludes (page 19) with some brief pointers to what an enabling policy environment for effective pro-poor, bottom-up growth and work opportunities might entail, and is followed by a bibliography (page 20).

2. Project level approaches to strengthening livelihoods: examples, evidence and scale

Various policies and programmes have been initiated in the past two decades by INGOs that have sought to improve livelihood and employment opportunities for poor people. This has represented a change in thinking and practice, as many NGOs and donor programmes had their institutional origins in response to short term needs. Over years of organisational learning and programme adaptations, these organisations often moved from a sole focus on immediate needs to welfare models and then to various forms of what can be termed community or economic development, or livelihoods models.

For example, some large INGOs have set up semi-autonomous or autonomous entities to enter into the micro-finance programming. (See World Vision's 'Vision Fund' as an example). Several donors have also taken up a livelihoods approach. For example, the Asian Development Bank's project 44129, Developing Sustainable Livelihoods in Coastal Fishing Communities in the Coral Triangle, lists as its four components:

- poverty assessment to identify specific project sites and potential beneficiaries, particularly very poor fishers, women, and indigenous peoples in the target coastal communities;
- social preparation to improve the attitude of target beneficiaries from mere recipients of government aid to managers of their own livelihoods;
- organization and training of beneficiaries in business and financial management;
- participatory planning in selecting business enterprises and the conduct of feasibility studies.

The ADB sets out its definition of a ‘sustainable livelihoods approach’ as involving “a way of thinking about the objectives, scope, and priorities for development activities” that is “based on evolving thinking about the way the poor and vulnerable live their lives and the importance of policies and institutions” and helps “formulate development activities that are people-centred, responsive and participatory, multilevel, conducted in partnership with the public and private sectors, dynamic and sustainable”. (Serrat 2008).

There could be many ways of categorising the various project-level interventions that contribute to a livelihoods approach. The following sub-sections look at four categories, namely:

- Preparing people for employment and livelihoods opportunities
- Supporting networks that enhance capacity to protect and improve livelihoods
- Enabling access to financial resources for entrepreneurship
- Protecting livelihoods and assets from risks and shocks

2.1 Preparing people for employment and livelihoods opportunities

This involves providing people with the skills and understanding needed to obtain and remain in employment or to develop their entrepreneurial capacities. The importance that Britain’s DFID attaches to this area of work – especially in post-conflict environments in which it is concentrating its efforts -- is illustrated by the fact that its website home page currently (February 2012) features the story of a young Ugandan man who has gone “from child soldier to bricklayer”.

The story quotes David Ojok as saying “it takes skill to do” as he levels the mortar on a windowsill. “I couldn’t have done this job without training”. DFID says David, 18, “ is one of thousands of young people who, in the last two years have been given a brighter future through vocational training – in skills such as building, catering, electrical engineering and farming. The training is provided by the Northern Uganda Youth Development Centre, which is supported by aid from the UK.”

The capacity of young job seekers to take advantage of such opportunities can be undermined by lack of basic school education. For that reason, skills training is sometimes accompanied by “second chance education programs” (Adams 2008). A survey carried out for UNESCO-UNEVOC (Haan 2006) in five African countries -- Kenya, Tanzania, Zambia, Zimbabwe and Senegal -- reported that around half of informal sector workers had either no education or no education beyond primary school, while only five per cent had a post-secondary education. (A South African study (Walther 2006) showed only slightly better education attainment among informal economy workers there, while a

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Nigerian study (NISER 2007) showed somewhat higher levels, with 14 per cent having gone on to post-secondary education.)

Haan also found that training provided by public agencies and NGOs – from international and national NGOs to churches and community-based organisations – tended to be focused on preparation for formal sector employment (despite its scarcity) and of patchy quality. Higher quality was found in training provided by larger and more specialist NGOs, and Adams also reports – citing Chafa (2002), Ziderman (2003) and Johanson and Adams (2004) – the emergence in “a growing number of countries throughout Sub-Saharan Africa” of national training authorities and funds, which “can play a role in providing incentives for NGOs and industry associations to serve the training needs of the informal sector”. Informal economy industry associations can also play important roles in scaling up good practice.

There are examples of skills training programmes that address the local market realities and the specific local nature of the informal economy. Locally adapted programmes, such as Gram Vikas in India, are organised into five main areas that reflect specific contexts -- in this case masonry, plumbing, bar-bending, stone dressing, and painting -- all of which are areas of skills shortage in the construction industry. A similarly integrated approach is illustrated in the urban agriculture in Bangladesh, where NGOs and local groups in Dhaka have worked with communities in ‘backyard’ agriculture to improve methods of production so that they are more efficient and cost-effective, add value to what is being produced, and improve access to markets. (Garrett 2004; Gram Vikas; Rahman 2001)

The International Youth Foundation (an INGO that supports an international network of youth focused NGOs) has made youth employment one of its signature programme areas and has developed a body of lessons learned and cross-country sharing. It has been particularly associated with the entra21 programme in Latin America. Launched in 2001, and funded by the Multilateral Investment Fund of the Inter-American Development Bank as well as IYF and other partners, the programme provides Latin American and Caribbean youth ages 16 to 29 with employment training and job placement services.

By the end of phase 1 in 2007, 75 per cent of entra21’s 19,650 participants were either back in school or working six months after program completion; 78 per cent of those employed had formal contracts; and 74 per cent earned minimum wage or better. By the end of phase 2 in 2011, entra21 had provided 116,000 youth with job training, life skills and job-seeking skills, and internships. (IYF 2012). According to IYF, entra21 has been effective because of:

- Tailoring training programs specifically to market needs and trends and adjusting those programs as market changes occur.
- Helping young people acquire the skills, attitudes, and confidence needed to succeed in the workplace.
- Including an ICT component to help close the digital divide.
- Providing internships and job placement services.

Adams (2008) concludes that a strategic approach to improving skills training for the informal economy “as a means to promote its growth and productivity and improve the incomes of those employed in the sector” should include:

- Acknowledging the policy importance of the informal economy;
- Raising education levels and literacy of informal economy workers;
- Recognizing that training must be complemented by other small business services;
- Promoting sustainable financing for skills development;
- Strengthening traditional apprenticeships;
- Defining a role for public providers of skills;
- Building the capacity of industry associations; and
- Monitoring and evaluating outcomes for skills development.

2.2 Promoting networks that protect and improve livelihoods

This section looks at four kinds of networks that can support job creation and decent work and contribute to scaling up through sharing of experience, knowledge and, in various forms, solidarity. They are labour unions, informal economy workers' associations, diaspora organisations and cooperatives. It is important to bear in mind that, in practice, organisations can have features of more than one of those categories.

2.2.1 Labour unions

Unions representing around 175 million workers worldwide are linked through the International Trade Union Confederation (ITUC), which can therefore claim to be one of the world's largest civil society organisations. Many unions at national level, as well as their global confederations, not only represent the direct interests of their members but also act as champions of working people more generally, promoting employment creation and decent work.

In the main, unions represent only formal economy workers, although some are attempting to extend their membership into the informal economy. As long ago as 1991, the ILO urged: "There needs to be an urgent sense of mission, whereby organizing in the informal economy becomes a priority for the trade union movement. The most needy and poor in society work in the informal economy and these workers need trade unions as much if not more than anyone else. The only way the trade union movement can effectively confront power on a global scale is by organizing. Further, informal work is not going to disappear. It is growing. If unions do not meet the challenge of organizing, they will become weaker." (ILO 1991)

However, in the two decades since then few unions have tried to do so, and fewer have succeeded. Among the obstacles they face is that the challenge of representing workers who work on their own account or in highly casual relationships with informal economy entrepreneurs is quite different from that of representing workers in institutionalized collective bargaining environments. The aptitudes and skill sets involved of organisers, as well as the structures in which they work, are ill suited to the transition. For examples:

DFID included in a project aimed at improving the situation of artisanal miners in Sierra Leone some funding to enable the National Union of Mineworkers there to

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extend its reach to the informal economy, but the skills and aptitudes involved proved to be quite different from those required for representation of formally employed industrial miners, and grassroots organizations of artisanal miners began to evolve in competition with the established union.

The South African Transport and Allied Workers Union (SATAWU) has begun to organise beyond the workers employed in formal sector transport providers, and now includes drivers and other workers in the informal economy taxi industry. But they had little success before public transport reforms enabled some of the workers involved to enter the formal transport economy, at which point the service offering available from the union became more relevant.

Some NGOs have tried to help unions extend their reach. For example, War on Want supports the National Union of Plantation, Agricultural and Allied Workers (NUPAAW) in Zambia, which has 12,000 members, in a project that is particularly aimed at helping women flower workers in the country. The project involves training, campaigning and support to the union to establish peer counselling groups for women flower workers who are HIV-positive or living with AIDS. The objectives were to:

- Improve the working conditions and income of workers in export-orientated industries
- Organise currently unrepresented poor and marginalised women workers
- Promote representation, accountability and transparency in democratic workers' organisations
- Empower women workers so that they can influence decision-making processes and demand their rights

However, in the nature of such projects, they are focused on quite labour-intensive capacity building in a particular organisation, and while the lessons might be applicable outside that context there are also obvious challenges of scale.

2.2.2 Informal economy associations

In the main, therefore, insofar as networks of informal economy workers have emerged, it has been through the activity of those workers themselves, in organizations of various types that tackle their specific needs, ranging from representation to official bodies to micro-finance and social protection services. Conceptually, they can be divided into organisations representing entrepreneurs and business owners, on the one hand, and organisations representing workers and employees, on the other. However, that difference is often less discernible in practice, as many informal economy workers operate on their own account while others are entirely dependent on an employer, but both might have self-employed status.

In Zambia, for example, although taxi drivers are self-employed, their vehicles are in the main owned by others. The terms of the contractual relationships between owner and worker vary, but usually boil down to the driver working for around the first 75 per cent of his (or occasionally her) time to pay the owner and only after that earning money for himself. Not all informal economy workers have that problem; for many, the salient challenges are more like those facing informal economy businesses, such as official harassment, access to credit, and chronic financial insecurity. The degrees

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of their ownership of capital and of control over the work are important defining variables, but are spread along a spectrum rather than differentiated absolutely in practice.

The best known and most successful example of an organisation of informal economy workers is that of the Self Employed Women's Association (SEWA) in India, which was founded in the early 1970s. Its members earn their livings from their own labour or small businesses, and SEWA has evolved as both a support organisation and a social movement. SEWA has described itself as being a "confluence" of three movements : the labour movement, the cooperative movement and the women's movement.

A number of studies (see, for examples, Wilson 2006 and Tesoriero 2006) have indicated that SEWA membership has some important effects: it raised awareness of available opportunities among its participants, and linked women to the financial sector, and to diversified employment opportunities, including non-farm work. SEWA members were less likely to work as unpaid workers, are more likely to have better knowledge of loan products available, more likely to have obtained those loans, and more likely to have superior information about market prices than non-members. SEWA members were also more likely to sell outside the established state-procurement system than non-members.

There is also considerable evidence of the heterogeneity of impact. SEWA membership benefitted the poorest women (as measured by residence in temporary or 'kutcha' housing) as well as those who had faced previous income shocks. Relative to other women, these women experience higher farm and non-farm income, greater food consumption, improved household and farm productivity, more self-employment opportunities, a greater likelihood of opening a bank account, higher crop harvests, having access to adequate food for the family.

Organisations of informal economy entrepreneurs and/or workers have also developed elsewhere, and in some cases have produced confederations to strengthen their representation and advocacy operations at national level. However, their representativeness, capacity and democratic credentials vary widely. Some informal economy organisations even have more in common with criminal gangs extorting from and restricting the freedom of informal economy workers rather than protecting them from those problems, while others have few members and little organisation but are sustained only by the support of international NGOs or (indirect) donor finance.

Research in Kenya (Orwa 2007) recorded more than 600 'jua kali' (informal economy) associations there, with a further 300 awaiting registration. However: "Most informal sector associations in Kenya ... do not have the capacity to address the problems that their members face. Many exist in name only, hold infrequent meetings, and do not keep proper records of their members. In addition, their personnel lack leadership and financial skills."

2.2.3 *Diaspora and migrant workers organisations*

The net effect of international migration on developing countries cannot be measured with any exactness, and in any case varies. On the one hand, emigration of skilled workers, as well as reflecting the challenge of development in their countries of origin, undermines capacity to deal with that challenge. On the other hand, diaspora

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communities can provide significant benefits “through remittances, contacts with foreign markets, technology transfer, enhanced skills of returning emigrants, and perhaps increased demand for education in the origin country” (Ratha et al 2011).

It is estimated that migrant remittances into sub-Saharan Africa alone reached \$40 billion in 2010, or 2.6% of GDP, which makes it the largest source of net foreign inflows after foreign direct investment. (The true scale of remittances might be much higher, as some countries keep poor records or none at all.) At a macro-level they are understood to have significant effects, tending not only to be more stable than other sources of foreign but also making counter-cyclical contributions by helping to maintain consumption and investment in downturns. At the micro level they help to reduce poverty, although analysis is complicated by confounding factors, such as the possibility that communities from which migrants depart might be relatively better off in the first place, being able to afford the costs of migration.

However, less is known about the factors in those communities that affect how the money is used, and to what extent it is invested in economic development. What evidence does exist is also open to interpretation, since money is fungible. Research in Mali showed it being used as a sort of disaster insurance (Ponsot & Obegi 2010), while in Nigeria rural food security was shown to increase with remittances (Babatunde & Martinetti 2010). In Ethiopia households were less likely to sell their productive assets, such as livestock, to cope with food shortages if they were receiving remittances (Mohapatra et al 2011).

The research data are scarce, but the inference of the above data is that, while remittances are not necessarily used for investment leading to jobs and livelihoods, the more other conditions are in place to improve the perceived cost:benefit ratio of investment the more remittances are likely to be able to contribute to it. (In any event, the value of remittances will be enhanced the more transaction costs involved are reduced.)

In addition to remittances, diaspora networks can play important roles. For example, Mexican migrant clubs or associations, called hometown associations (HTAs), principally arose from migration in rural Mexico. While the informal genesis of these clubs has been traced to Los Angeles in the 1960s, they now exist across Mexico, with municipal, state, and even national-level associations to coordinate their activities. Similar examples can be found in Ghana (Crook & Gideon 2008) and Pakistan, for example, where international networks have been established between expat workers and local communities.

International organizations have attempted to recognize and engage the many migrant associations as important institutional actors in attempts to stimulate local economic development. In the Mexican case, the primary policy effort is the Tres por Uno (3 x 1) program, operated by SEDESOL, the Secretariat of Social Development of the federal government of Mexico. Under this programme, each dollar of migrant association contributions to local development efforts in their primarily rural hometowns in Mexico is matched with one dollar each from the municipal, state and federal governments on a project-by-project basis.

A World Bank study has concluded with a number of recommendations about how the net value of emigration can be improved: “African governments can play a significant role in securing the benefits of migration by strengthening ties to diasporas. improving

“In addition to remittances, diaspora networks can play important roles.”

competition in remittance markets, designing educational policies in light of the challenges surrounding high-skilled emigration, and providing information and protection for emigrant workers. But limited fiscal and technical resources in African origin countries constrain the effectiveness of such policies and reduce the gains from migration while exposing migrants to severe risks.” (Ratha et al 2011).

2.2.4 Cooperatives

2012 is the International Year of Cooperatives, which the United Nations says improve the world through empowering people, improving livelihoods, strengthening the economy, enabling sustainable development, promoting rural development, balancing economic and social demands, promoting democratic principles and offer women a “pathway out of poverty” and young people “a sustainable business model” (<http://social.un.org/coopsyear/key-messages.html>).

The representative body for cooperatives, the International Cooperative Alliance (ICA), defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise” and sets out seven cooperative principles, namely:

- voluntary and open membership;
- democratic member control;
- member economic participation;
- autonomy and independence;
- education, training and information;
- cooperation among cooperatives; and
- concern for community.

The ICA claims its membership organizations have some 800 million members in over 100 countries, with as much as 45 per cent of GDP (in Kenya) attributed to the sector. India is said to have 100,000 dairy cooperatives, while 70 per cent of fishery production in Korea, 58 per cent of rural electricity in Argentina, 40 per cent of agriculture in Brazil, 24 per cent of health care in Colombia and 55 per cent of Singapore retail is organized through cooperatives.

In some countries there is also a strong history of workers’ cooperatives. Kerala Dinesh Beedi is a well established example in India. Having started as a cooperative for rolling cigarettes sold on the street in 1969, it has grown and diversified into other sectors including food, clothing and even IT services, and now claims to provide jobs for 12,000 directly and many more indirectly. In Argentina, 200 failed enterprises were taken over by newly formed workers’ cooperatives in the wake of the country’s economic crisis in 2001.

According to recent ILO research, cooperatives have proved more resilient to the economic crisis than other enterprises (Birchall & Ketilson 2009), although the evidence cited in that report is not from developing countries. However, another ILO report has shown strong growth of cooperatives in developing countries since the

1990s, following the liberalisation policies associated with structural adjustment programmes. In post-colonial countries cooperatives had been closely linked to the state, both before and after independence.

Following liberalisation, they either adapted or collapsed, while new independent cooperatives came into existence (Wanyama et al 2009.) According to that research: “It may be no exaggeration to say that in virtually all African countries, one comes across a number of successful cooperative ventures that are doing better in the liberalized environment than they did under state control.” It gives the example of Oromia Coffee Farmers’ Cooperative Union, which has a membership of 74,725 coffee farmers and twenty employed staff, has opened coffee shops in Europe and the USA, and has sold some 2,700 tons of coffee annually with an average annual turnover of 8 million US dollars.

In recent years, in an attempt to support the growth of successful cooperatives, the ILO has been providing grants in several African countries through its COOPAfrica Challenge Fund facility. Cooperatives in Kenya have been among the major recipients, receiving support for nearly thirty projects in a three year period. The project has seen steady growth over the past several years, with 2,000 new cooperatives registering in the last four years. From this work, the cooperatives have been able to contribute directly to livelihoods and more formal employment. By 2011, there were around 13,000 registered co-operatives in Kenya with close to 9 million reported members. However, even the same highly enthusiastic ILO account of cooperative in Africa acknowledges that in Kenya there is one dormant coop for every two active ones.

The principle of ‘cooperation amongst cooperatives’ also provides the means for these interests to ‘scale up’ by building more extensive networks. For example, the Canadian cooperative movement has supported the development of the Soweto Home-based Care Givers Cooperative.

2.3 Enabling access to financial resources for entrepreneurship

The growth of small and medium sized enterprises is fundamental to job creation, and therefore access to financial resources to enable their growth is crucial. The best known micro-finance institution remains the Grameen Bank, which has nearly three million clients, but many large and well-endowed financial institutions have entered into the market, offering various products, and microfinance institutions (MFIs) are establishing themselves as formal sector financial intermediaries.

In recent years, excitement about micro-credit as the route to enterprise financing at local level has begun to give way to concerns about its contribution to indebtedness. The view that micro-credit is the key financial resource for poor people is increasingly being questioned by both community-based organisations and larger NGOs, where there is the growing view that many poor people prefer to build and protect their assets through savings and insurance rather than increase their risk exposure by taking out loans. Moreover, recent research into the way in which many households use micro-finance to support rather than supersede survivalist strategies, with consequences that add intractable indebtedness to their existing catalogue of poverty characteristics, has prompted considerable policy re-evaluation. This has been

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reinforced by news stories about tragic consequences, including growing numbers of debt-related suicides in India.

Much of the recent experience and discussion about micro-finance has been captured in a new book by David Roodman (Roodman 2011), whose research suggests micro-credit has not reduced poverty. He emphasises, however, that the strength of the micro-credit movement “is not in reducing poverty or empowering women, but in building dynamic institutions that deliver inherently useful services to millions of poor people. ... The microfinance movement is about building businesses and business-like non-profits that mass-produce financial services for the poor -- not just microcredit, but microsavings, microinsurance, and micro money transfers too.”

However, most MFIs are unable to offer savings options to poor people, because only a few are licensed to take deposits, and only a minority are beginning to offer insurance. There are important exceptions from which lessons can be learned for scaling up. A form of micro-finance institution that acts like a cooperative is the Rotating Savings and Credit Association (ROSCA), in which groups of individuals make regular contributions to a common fund, which is then lent out in whole to one member each cycle who then has to repay the loan in predetermined instalments.

With start-up costs one of the most persistent barriers to youth entrepreneurship, CARE’s microfinance experience in sub-Saharan Africa offers a good example of an INGO intervention in this field, in which CARE has been a pioneer. It has launched more than 54,000 Village Savings and Loan Associations (VSLA) in Africa serving more than 1 million members since 1991. Grounded in Africa’s tradition of informal savings cooperatives, VSLAs are self-funded, self-governed associations to which members are required to make small, regular deposits and in return are eligible to receive small loans at reasonable interest rates. While the VSLAs receive no capital investment from CARE, the organization’s initial support and comprehensive training program ensures VSLA members have the skills to succeed in microenterprise and in VSLA governance. Although CARE’s VSLA initiatives have largely focused on women’s economic empowerment, those efforts have in turn inspired VSLAs formed by men and youth.

In its 2009 report evaluating microfinance models and best practices, CARE cited the VSLA approach for its simplicity, adaptability for less educated or illiterate populations, emphasis on group solidarity, and its lack of capital and physical infrastructure requirements. Through its ACCESS AFRICA program, CARE is creating a more conducive environment for entrepreneurship at all levels. Launched in 2008, ACCESS AFRICA proposes to increase VSLA membership to 30 million members in 39 African countries, strengthen microfinance institutions, and address national policies that limit the poor’s access to financial services. (IYF 2012)

Some informal economy workers associations also provide some financial services, which can form an integral element of their appeal and therefore their organising strategies. For example, the Self-employed Women’s Association (SEWA) in India established SEWA Bank in 1974 when 4,000 members each contributed 10 rupees to its share capital. The bank started as a micro-credit institution, but has grown to provide other services, and now has 93,000 depositors. It took a “long struggle” to secure clearance from the Reserve Bank of India, but: “Women were determined. They persevered. They created banking systems suited to their own needs and have

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steered their bank wisely for over two decades. They own their bank and run it themselves through their Board. It has always been financially sound and viable, earning surpluses and dividends for its share-holders.” (http://www.sewa.org/Services_Bank.asp.)

There are three types of insurance products that can be broadly described as mechanisms used by NGOs and MFIs to provide financial protection to poor people. One is loan insurance, which pays off outstanding loan and interest payments in the case of default. Another is life insurance, which covers the deceased’s outstanding loan, provides a lump sum of money to the family, and/or pays for the funeral. Finally, and increasingly, there are various instruments for health insurance, not for the very poorest people, but increasingly for the ‘middle’ poor, which offer various packages to cover health costs to the client and increasingly in some programs to family members as well. Again, SEWA offers a model, having set up an insurance service 20 years ago: “Operative since 1992 in collaboration with our nationalised insurance companies, it has demonstrated that insurance for the poor can be run in a self-reliant and financially viable way. 32,000 members were covered this year through an annual individual premium of Rs.60. This gave them some protection against the various crises that continuously threaten their lives and work. An additional Rs.15 per annum ensured that their husbands got life insurance; a widowhood insurance for women at their own insistence.” (http://www.sewa.org/Services_Work_Security_Insurance.asp)

It is worth noting, however, that even this success story claims to cover just 32,000 families, in a country of more than one billion, just as the SEWA Bank, an undoubted success, represents a drop in the ocean of the need of poor people in India for financial services.

2.4 Protecting livelihoods and assets from risks and shocks

Social protection is about spreading and sharing vulnerability and risk, among communities and across lifespans. This means that policy frameworks and programmes must be informed by a recognition of the diversity of vulnerabilities and risks that people face in different environments and at different stages of life. In accordance with the increasing attention by donors and NGOs to livelihoods, the benefits of designing social protection to offer not only safety nets but also recovery support is increasingly recognised. In addition, innovative systems are also addressing new forms of risk, such as those arising from climate change and shocks such as disasters.

The Productive Safety Net Programme (PNSP) in Ethiopia is one example of an innovative approach. It has been designed as an asset protection mechanism for the household level and to create productive community assets. It seeks to provide households with enough income (cash or food) to meet food gaps while building community assets that contribute to addressing root causes of food insecurity. Community members identify priorities for public works or investment activities. Reviews have shown that flexibility between food and cash as a transfer modality has been helpful. (Sharp et al 2006, Gilligan et al 2009).

Another example of a large scale social protection program is the Indian National Rural Employment Guarantee Scheme (NREGA) (see Discussion Paper 1).

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In the absence of state-supported systems, some informal economy associations such as SEWA have developed their own risk sharing systems, and some unions have begun to do the same. For example the Dominican Republic trade union confederation CASC has secured social security coverage for over 31,000 informal economy workers and their families and is also supporting Haitian migrants. The federation has set up the Mutual Association of Solidarity Services to give informal economy and self-employed workers access to social security coverage, as well as all other workers with difficulty accessing social security, such as domestic workers or those employed in small workshops. Members of the fund can also take out a life insurance policy for a very low fee.

An area where some donors and a number of NGOs are already taking creative action involves Climate Change Adaptation and Disaster Risk Reduction. For examples:

- Practical Action manages a programme in Bangladesh for increasing food security among resource poor farmers in two districts. The programme aims to increase agriculture productivity through improved seed varieties, integrated pest management, crop diversification, intensive farming techniques etc.. The project's sustainability strategy is to form links with markets and government extension services.
- The Rural Development and Policy Institute (RDPI) in Pakistan tested the sustainable livelihoods approach in Kamra - a flood prone village in Punjab. This model was later replicated by Oxfam Pakistan across the district as a best practice in disaster-resistant sustainable livelihoods.
- Plan Sri Lanka implements a Small Tank Rehabilitation and Farming Systems in drought-hit Anuradhapura district. The project improves water security by rehabilitating and restoring the physical structures of traditional age-old small tank systems.

Another example comes from Bolivia, where the Swedish and German aid agencies SIDA and GTZ are collaborating in a project to support small-scale farmers in learning and beginning to practice new agricultural methods. The goals are to improve their incomes in the short term and their livelihoods' resilience to climate change in the longer term. SIDA claims that, since the project began in 2009, it has already improved water access and irrigation, and enabled 10,000 farmers to improve their incomes. It is also building capacity among 66 local authorities in the three arid regions in which the project operates, to enable them to provide farmers with the ongoing support they need.

3. Tensions, trade-offs and an enabling policy environment

Programmes such as those outlined above have had various degrees of success in improving livelihoods of poor people, but tend to share a common feature of being divorced from wider efforts to support economic growth and poverty reduction and failing to address political economy issues that affect outcomes. These issues include wider areas of policy and institutional practice, such as trade, regulation and control of

markets; how power-holders provide or deny access to natural resources, finances and specific market chains; and the ways in which low income communities can exercise voice about what they need to improve livelihoods.

3.1 *The political economy of markets*

The ways in which markets function, as a result of their structure and internal dynamics, are key determinants in the livelihoods of poor people. The functioning of markets is also affected by availability of infrastructure and services, financial resources, regulatory policies and practices, trade policies, and how power holders affect market access (Figueroa 2008). Other variable factors affecting market functioning in ways that affect livelihoods include types of investments in agriculture; vocational support services and resources; quality of local governance; cooperative action and collaboration by producers; types of public and private investment in infrastructure; and what is meant by an 'attractive investment climate and business environment' (Goto 2011).

A focus on 'livelihoods' without attention to these variable factors may mean that the impact of livelihood initiatives will be significantly reduced, or even that the benefits are captured by the already better off and more powerful. The practical challenge for NGOs, governments and donors comes in identifying the major factors and trends that are shaping the specific markets that are most important to poor people's livelihoods, and what are the connections and the current (and evolving) conditions of the markets. They may or may not be easy to change or affect, as markets relate to power and politics. These 'enabling business environment' factors are generated by structures and institutions that are beyond the immediate direct control of economic actors in the market-chain, and tend to be influenced more by the more powerful actors in markets -- locally, nationally and internationally -- rather than by the poorest.

Moreover, there are several dimensions to be taken into account, and complexities in their interactions. For examples:

- **Gender:** In most counties, women are major agricultural producers, as well as domestic workers, or are engaged in a range of informal activities in urban economies. Some policy reforms based on supporting women in these roles can have the effect of reinforcing inequitable gendered divisions of labour.
- **Ethnicity:** Some policies may intensify ethnic and regional conflicts through the real or perceived reallocation of resources between different interest groups.
- **Livelihood strategy:** terms of trade between rural, agricultural producers and urban food consumers may mean that the income of some producers increases even as the purchasing power of urban consumers declines.

Establishing a balance of policies that can be both pro-growth and pro-equity will rely on an analysis of the key dimensions of inequity and exclusion and the main political-economy obstacles to change in a given country, region and community. Examples include resilience of caste systems and drivers of social change; persistence of discrimination against women and affirmative action; inheritance systems and the role of formal and informal rules, and so on.

“The practical challenge for NGOs, governments and donors comes in identifying the major factors and trends that are shaping the specific markets that are most important to poor people's livelihoods.”

3.2 NGOs, livelihoods and markets

Internally, several major INGOs have conducted reviews that have acknowledged that poor diagnosis and articulation of the problems of livelihoods and large market factors in many of the programmes on the ground. These NGO reviews point to the widespread problem of piecemeal approach to solve the problem, instead of seeking holistic solutions. They recognise that they lack the skills at the national and local staff level in terms of the time required and the necessary methodologies to determine how livelihoods are affected by large market and governmental factors.

This means that neither at the community nor national level are they able to propose appropriate and timely interventions leading to sustainable and positive results. A host of uncoordinated activities at the project level causes confusion and frustration and staff overload, without alignment with wider markets and national economic policy frameworks or financial trends.

Often the programme and / or projects and their results were the driving motive rather than the livelihoods of people in a community. This leads to a focus on numbers and lists of accomplishments without ensuring that these outcomes have positive impacts on lives and livelihoods at field level.

Shifting to market analysis along with an inclusive livelihoods approach has been seen by NGO staff as ensuring that people's livelihoods and market relations are at the centre of the development process. Looking at policies through an equity lens leads to three considerations:

- First, poverty reduction will some form of redistribution. Redistribution need not necessarily involve income, but it may involve government expenditures, access to services, and political power.
- Second, while trade-offs between equity and efficiency obviously exist, they may be less pronounced when the long-term benefits of greater equity are taken into account.
- Third, the frequently seen distinction between growth policies and redistribution policies is misleading: virtually all policies affect both growth and distribution. So pro-equity policies should be of concern to those who try to spur faster growth, and vice versa.

Yet many of the approaches that are used by NGOs and donors tend to by-pass some of the embedded constructs of exclusion at national and local levels, such as:

- Interactions between unequal distribution of wealth, power, or status and market failures (such as the inability of poorer entrepreneurs to access formal credit);
- Interactions between unequal power structures and the choice of policies and institutions (such as the capture of decentralized public spending by local elites);
- Inequalities in culturally shaped differences that affect individual behaviours and performance (such as lower self-esteem and reduced aspirations among women, subordinate casts, or ethnic minorities).

In the context of the especially salient attention to the role of women and girls in donor and NGO livelihoods projects, some critical appraisal of the particular tensions involved is appropriate. Employment and livelihoods contexts and programmes are

inherently gendered, in the sense that they have arisen out of gendered economic processes, in which women are frequently absent from key levers of power and decision-making. Attention to gender relations can open up new spaces for changing norms about the kinds of economic policies that could be pursued in support of livelihoods and employment programmes. It may also open up new spaces for changing gender norms.

Often there is a concern that donor and NGO programmes may end up reinforcing gender norms, due to the individual responses of men and women. But new programmes and policies may also provide opportunities to challenge and change gender roles, including the actions by taken by local civil society, NGOs or governments. For example, some national and federal state governments already play a role in determining the distribution of credit, through issuing directions to public banks, and through regulations for commercial banks, which identify priority sectors for loans. This can provide NGOs with an opportunity to raise questions about gendered patterns of the distribution of financial resources.

3.3 Donors, livelihoods and markets

One of the major difficulties facing both INGOs and donors in their efforts at improving livelihoods is that donor-driven interventions that lack a wider markets framework are frequently compounded in their weakness due to short-term funds that are supposed to solve long-term needs. INGOs sometimes find themselves implementing programmes and projects that may have a livelihoods goal but lack wider foundations due to the ways in which donors have framed the approach. (This practice is being challenged within INGOs with the view that market frameworks and accountability initiatives should drive the funding rather than top-down, externally designed goals.)

Thus, too often, at the macro-level, the livelihoods/markets connections are still frequently an afterthought. Although there is now widespread recognition of the need to integrate macroeconomic management and employment/livelihoods, there is still a strong tendency to think this means continuing to set national policies with 'sound' macroeconomic policies with a focus on a few criteria, an overriding emphasis on narrowly conceived 'economic' policies and then adding-on social policies in order to achieve socially desirable outcomes such as poverty reduction.

This is how the World Bank's PRSPs tended to function. Research suggested that PRSP reports lacked an in-depth assessment of livelihoods and the politics of markets. They frequently did not draw on other World Bank or UN reports that have more livelihood and market information in them. They also showed little insight into the different levels of market and livelihoods connections across economies. (See, for example, Thin, Underwood and Gilling 2001).

A set of fiscal, monetary, trade and regulatory policies were seen as the essential backdrop to the PRSP and the specification of exactly what these are is treated as beyond discussion. A similar problem is evident today in respect of the latest DFID development strategy, launched in 2011. (DFID 2011) It promotes the idea, with which few would argue, that private enterprise is the engine of wealth creation, and therefore fundamental to job creation and livelihood improvement. However, it dissociates it from the wider context that affects how markets function and, therefore, how the benefits of

“Too often, at the macro-level, the livelihoods/markets connections are still frequently an afterthought.”

private sector development are distributed. The document refers to DFID “plans to help private enterprise work its miracles as the engine of development” (our emphasis), and its reductionist perspective is expressed in Secretary of State Andrew Mitchell’s Foreword to the document.

The Foreword begins by sketching life in Britain 150 years ago in a way that draws parallels with the poorest countries today, and asserts that “the transformation in our country and lives since then is largely due to private enterprise”. The roles of universal franchise, mass public education, the National Health Service, trades unions, etc. etc. are thus not only detached from the history but implicitly relegated in significance, whereas the symbiotic relationship between private enterprise, market forces and those state and civic institutions has clearly been of fundamental importance to the nature of Britain’s development. The differences in access to health care between British people and those in the United States offer just one example of the significance of factors other than private enterprise in the nature of development and the distribution of its benefits.

To the extent that the losers are acknowledged in such a perspective, it tends to be in the context of cushioning their losses to some extent, as is evident, for example, in the new IMF concern with social policy in the context of the global financial crisis. The emphasis is on adding on new sectoral policies to help those adversely affected, not to reconsider the design of macroeconomic policies and the organisation of the policy process.

The focus of the Bank and the Fund on participation in policy dialogue only extends to micro and sectoral policies, with no effective dialogue about the underlying policy assumptions and the ways in which they shape and constrain the effects of interventions at micro level.

An example of this came with respect to the World Bank’s current Transport Business Strategy, which was launched in 2008. The Bank’s head of transport travelled to London to spend a day with transport labour union leaders from developing countries all over the world to discuss the strategy, and the Bank even contributed substantially to the cost of the consultation. That was very useful, but the underlying policies that shape the Bank’s transport interventions, which are predicated on the assumptions that global trade leads to growth and that growth leads to poverty reduction, were well beyond the scope of the discussions, although clearly fundamental to the design of the transport strategy and therefore strongly influential on the effects of the Bank’s transport projects.

There are important indications of a growing recognition in international institutions of these political economy dimensions, at least at a policy level. For example, the outline for the World Bank 2013 World Development Report on Jobs (World Bank 2011) states (pp. 25-6):

“Adopting a jobs lens means focusing on interventions with the greatest potential to remove the market and government imperfections that get on the way of good jobs, defined from a development (not individual) point of view. ... This approach can be illustrated by considering the list of obstacles to the creation of good jobs most extensively discussed in labor economics. The list typically includes discrimination in the access to employment for people from lower castes or specific ethnic groups; wages above or below the labor market clearing level due to uneven bargaining power between employers and employees; lack of voice in connection to work; excessively rigid job

security regulations; constraints to the acquisition of skills; and the unavailability of insurance mechanisms to cope with labor-related risks.”

Some will detect bias in that list and its presentation. For example, while “excessively rigid job security regulations” is one way of explaining the division between the rights of formal economy employees and informal economy workers, another way of understanding the issue might be to refer to the excessively lax protection of workers in informal employment. The difference is more fundamental than one of presentation, obviously, but involves clear policy choices with very different outcomes, and trade-offs between the interests of different groups.

This in turn emphasises that the challenge for NGOs is not only to link their project-level job creation and livelihoods development strategies with a political economy analysis of context but also to do so in a way that is critically informed about rival discourses and their implications at international, national and local levels. The need to do so is evident in the fact that some donors are linking a political economy perspective with project level interventions. For example, NZAid issued guidelines about its ‘sustainable livelihoods approach’ that says it:

- Identifies existing assets and strategies available to poor women and men and uses these as a starting point;
- Helps keep the focus on poor people and their varied livelihood assets, strategies and outcomes (rather than resources and activities);
- Recognises differences based on sex, gender, age, ethnicity, power and poverty status;
- Builds on strengths as a means to addressing needs and constraints;
- Makes explicit the links between policy and institutional issues, and micro- level realities; and
- Helps in understanding how individual, possibly sector-specific, development programmes and projects fit into the wider livelihoods agenda and objectives.

3.4 Developing an enabling policy environment

Bearing in mind the tensions discussed above, a way of considering the design of an enabling policy environment that has some basis in established international institutional learning is to draw on the principles expressed in the World Bank World Development Reports of 2000 and 2006, on poverty and equity respectively. The approach that emerged from the work of those global documents was on expanding empowerment and opportunities for the least advantaged groups.

The two particularly key messages are around the emphasis on empowerment and also ‘opportunities’ --intended broadly, meaning not just incomes but also other -- and on the least advantaged groups. The WDR 2006 suggests a diagnostic frame that focuses on inequality traps, namely on various forms of unequal relations (for instance between poorer and elite groups), that can lead to the restriction of opportunities for some groups and to efficiency costs in terms of overall welfare.

Those considerations emphasise the importance of democratic participation in the design and implementation of projects aimed at expanding and improving jobs and

“This emphasises the importance of democratic participation in the design and implementation of projects aimed at expanding and improving jobs and livelihood opportunities.”

livelihood opportunities as well as in wider politics and institutional governance. This links well with the ILO 'decent work' agenda, which focuses on not only job creation, rights at work and social protection but also social dialogue.

At national government level, some of the policy areas relating to job creation and quality that could benefit from improved democratic participation and governance are obvious enough -- such as labour law design and enforcement -- while others may be less obvious but can have fundamental effects. These include, for example, design of the regulatory environment for areas such as infrastructure design, utility pricing and health and safety. Therefore donors and INGOs, as well as supporting reforms as appropriate, need to design project level interventions in ways that take account of the effects of these policy areas.

Local governments can also contribute to improving livelihoods and supporting access to and the functioning of markets. Because local government power and authority may be a valuable resource, it may be a point of contention between groups in the community, or it can be used to organise markets and exclude some members of the community against others. INGOs can promote livelihood and market programme that avoid or address these problems. Local government roles in infrastructure, representation and service delivery are critical, especially since decentralisation has increased the responsibilities and capabilities of local governments in many countries.

In terms of project design, NGOs can also work to identify two or three key disadvantaged groups, and the key "assets" they lack, such as women's legal and political rights; indigenous groups and their access to or control over natural resources; the rural poor and security of tenure; slum residents and land tenure; the unemployed and livelihoods opportunities. The local specific priorities will obviously vary, but the need for analysis of fundamental institutional inequities is essential in all cases. It involve identifying the main channels through which those inequities are reproduced over time, and possible mechanisms to address them.

On that basis, the specific sets of policies that will bring about improved livelihoods and employment opportunities in ways that contribute to more equitable distribution of costs and benefits will differ in each setting. There are many examples of policies that have expanded opportunities while supporting growth -- from early childhood education for disadvantaged children, to the expansion of rural infrastructure in underserved areas, to innovations that expand access to credit for the poor --but the design in each setting needs to take account of the real dynamics in that setting. For examples:

- Financial markets are typically biased toward incumbents, reflecting the historical political influence powerful. Yet rapid and ill-designed liberalizations can lead to further concentration of influence.
- Greater societal controls are needed as well as a more measured tackling of barriers -- especially to small and medium firms -- backed by regulatory structures and more information to reduce the power of connections.
- Labor market outcomes may reflect the greater hope for supporting a more equal weak bargaining position of workers, but policies often lead to patterns of job protection that create economic rigidities and help those in good jobs, to the detriment of those in the informal economy.

- Support for unions and security for workers are important objectives, but designs need to be adapted to economic conditions in ways that reach poorer, informal workers overcome and minimize impediments to economic the political pressures to deplete potential restructuring.

Finally, the examples and analysis in this paper suggest that those principles need to be applied to a number of specific areas of policy and in ways that encourage the most productive synergies between them, including:

- Trade, financial regulation, taxation and other areas of macro-economic policy, at international and national levels.
- Public investment in the economic and social infrastructures required for employment and livelihoods to grow equitably, including energy, transport and water services, and health and education services, and the role of the public and private sectors in service delivery.
- Improved access to livelihoods and wage employment through skills development, including market-linked through apprenticeship and vocational training programmes and links to private sector employers, with an emphasis on women and girls.
- Small entrepreneurship development, including improved links to reliable sources of finance, and strengthening of institutions to allow markets to function in ways that challenge rather than reinforce existing power imbalances.
- Institutional and legal reforms to enable rights at work and social protection to be extended to workers outside formal employment relationships to overcome the 'insider vs. outsider' labour market distortion in ways that aim at levelling up rather than down.
- Innovative forms of social protection that contribute to a solid 'floor' for households that can protect or increase assets and enable recovery from shocks.
- Improved access to a full range of financial services for productive and non-productive purposes and reductions in unsecured indebtedness.
- Capacity building supports to encourage formation of workers' organisations and networks free from state control or external dependence, based on freedom of assembly.
- Development and strengthening of institutional arrangements for democratically accountable governance at all levels of government and for social dialogue in the employment context.

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