In order to be useful for rural development workers working with rural poverty, institutional analysis needs to be focused as closely as possible on **poor rural people**. To carry out an analysis of the institutions concerned with and affecting poverty and the poor, a first critical step is to identify who the poor are and differentiate as clearly as possible different groups within the overall category of “the poor”, as these distinct groups need to become the starting point for our institutional analysis.

**Poverty analysis**

As a first step, the features of poverty need to be understood, paying attention to the multiple dimensions of poverty and avoiding simplistic broad-brush definitions. Often, to obtain an adequate definition of poverty in the particular circumstances where the institutional analysis is being carried out, a wide range of stakeholders at different levels need to be engaged. Such broad-based involvement is needed to develop a complex understanding of what poverty means for different groups of people in different settings. A systematic process for consulting with people at different levels can be used to develop this poverty analysis, engage with potential stakeholders at different levels and identify a practical “sample” of poor people with whom to conduct a preliminary analysis of livelihoods. It can also help to build relationships that may prove essential for future projects.

To prepare the ground for the livelihoods analysis, the **people** (and particularly **poor people**, with their diverse characteristics) who are at the centre of an effective livelihoods analysis must be clearly identified. This encourages us to think not in terms of “communities”, or “the poor” in general, but rather to focus in detail on how different individuals and households within communities, or different groups of poor people, have different livelihood outcomes, different access to livelihood assets and are affected by other factors in different ways. Key characteristics of these groups that need to be taken into account include **gender** issues, their **age**, their **ability**, their **ethnic** background, their **class** or **caste** background, their **personal background** and **history**, and the characteristics of the **locations** or **agroecological zones** where they live and farm.

**Analysing livelihood assets**

Once the key characteristics of different groups of the poor have been identified, the livelihoods of these different groups can be analysed in more detail. The objective of carrying out a livelihoods analysis is to provide a picture of the linkages between institutional factors and people’s livelihoods **from the point of view of poor people**. This will ensure that subsequent analysis of institutional factors remains focused on the influences they have on poor people’s livelihoods and is not diverted towards looking at broader institutional issues for their own sake.

A thorough analysis of the livelihoods of different groups of poor people will provide much of the information required from the “ground level”, which can then be fed into the subsequent institutional analysis. The Sustainable Livelihoods Framework provides a structure for an effective livelihoods analysis. People with different characteristics will have access to different sets of **livelihood assets** and **resources** which they can use to create a viable livelihood for themselves and their families. These “assets” are not just material, like land or tools, but include all the various capacities and capabilities used by people when they are creating a livelihood. There is no definitive way of categorizing these assets, but the following list identifies some of the more important, widely used types.

- **Human assets** including nutrition and access to food, good health, education, knowledge and skills and labour power or capacity to work.
- **Personal assets** including people’s perceptions of themselves, their motivations, their sense of self-esteem, the confidence they have in their own abilities and capacities, their emotional well-being, their sense of spiritual satisfaction, and their capacity and willingness to assert themselves and claim their rights.
- **Natural assets** including land, and the produce of the land, water and aquatic resources, trees and forest products, wildlife, wild foods and fibres, the benefits that derive from biodiversity and the services provided by elements of the natural environment.
Livelihood assets are often “tradable” and/or convertible, and may also be interdependent. Natural assets such as land can be converted into financial assets by either selling or renting out the land or by selling produce from the land. Even if people do not own land, they may be able to use it or gain access to it as a labourer and so “convert” it into cash wages (financial assets). Strong social assets, such as a supportive family network, can play an important role in developing and sustaining personal assets such as self-confidence and a strong sense of identity. Being in good health and active (human assets) allows people to participate more in the social life of their family and community, building up their support networks and so their social assets.

**Focusing on strengths**

An important part of starting an institutional analysis with this detailed investigation of how people currently use their accessible assets in order to create a viable livelihood for themselves and their families is the focus on people's strengths – what they succeed in doing with whatever they have available, even though they may be poor and facing significant obstacles. This represents an important shift in focus that will affect the subsequent institutional analysis as well. Instead of focusing on what people lack and the problems they face, and therefore considering how institutions can make up for these weaknesses and provide what is missing, by starting the analysis in this way the emphasis will be on the existing capacities of poor people and ways in which institutions can build upon these capacities and create new opportunities for poor people to make use of their skills and strengths.

**Service providers and enabling agencies**

Beyond the livelihood assets that people can control or access directly, they will depend on different service providers to provide them with other goods and services that they need for their livelihoods. Most of these service providers tend to be in the private sector, and many will be relatively unorganized and informal, but they will also include government services like health or extension services.

The way these service providers function will depend on the resources made available to them and the sets of norms, rules and regulations that govern their actions. These are established by enabling agencies, which might include private patrons but also policymaking agencies, law-makers, or any institutions that establish the “rules of the game” in society.

The effectiveness of these service providers and enabling agencies will have a strong impact on the livelihood outcomes of the poor. At this initial stage of the analysis it is important to identify the ways in
which service providers and enabling agencies interact with the poor and how their influence is manifested from the point of view of poor people themselves. Poor people often have very limited access to and interaction with formal service providers or enabling agencies, as a defining manifestation of their poverty. However, this limited access may be supplemented by much more supportive relations with informal service providers and social networks.

Enabling agencies may only be encountered in the form of the laws, rules and regulations they generate, and such measures are often poorly understood by poor people, who see them mainly as constraints on their action. Where government responsibilities have been decentralized to more local bodies, there is a better chance that people will have more direct contact with a variety of (formal) enabling agencies and the ways in which this is articulated need to be understood.

Involving poor people in the analysis of the roles that these types of agencies play in their livelihoods, and the relationships that such agencies have with the poor, will allow those carrying out the institutional analysis to identify what institutions they should be focusing on and the results that these institutions should be generating if they are to become more supportive of the poor.

**Vulnerability**

An important indicator of the effectiveness of these service providers and enabling agencies in supporting the poor will be the extent to which poor people are able to cope with those factors influencing their livelihoods about which they can do nothing. Ideally, this vulnerability context will be kept at a distance by the effective actions of these agencies; alternatively, where it impinges on people's livelihoods, enabling agencies and service providers will help people make the necessary adjustments in their livelihoods in order to take changes into account and adapt to them. In the worst case, enabling agencies and service providers over whom poor people have no influence and no recourse may actually themselves become a part of this vulnerability context, actively inhibiting the capacity of the poor to make a living.

The vulnerability context is made up of those factors affecting livelihoods which cannot realistically be changed or influenced directly and therefore must be addressed and require adaptation.

They include:

- **shocks** such as natural disasters (cyclones, earthquakes, floods, droughts, etc.), episodes of unrest, violence or insecurity, and episodes of disease, injury or deaths in the family that directly affect people's livelihood options;

- **seasonality**, which particularly in rural communities tends to have an all-pervasive influence on livelihood possibilities;

- **trends**, such as increasing population, changes in levels of competition for resources, technological change, climate change, and long-term economic and cultural trends like globalization and changing patterns of trade.
Aspirations and opportunities

People’s expectations, their aspirations and what they regard as opportunities for change will be affected by all the factors mentioned above. People who live in extremely vulnerable situations, subject to repeated natural disasters or armed conflict, may have very limited and very short-term hopes; survival may be all they can aspire to and they will be unwilling to take any additional risks associated with new opportunities. People in a more secure environment with comfortable and sustainable livelihoods will have higher hopes and can think further into the future and take risks where significant returns are possible. These aspirations and perceptions of opportunities among poor people need to be properly understood as they will strongly influence the kinds of changes in their livelihood patterns which they are willing and unwilling to consider, and where their priorities will lie.

Actions

Taking into account all of these elements, people take action in order to secure a livelihood for themselves and their families. The kinds of action that people will be able to take will be a function of who they are (their characteristics), the range of assets available to them, the vulnerabilities they are subject to and the kinds of support they are receiving from service providers and enabling agencies. Where these are effective, people will have more choices over alternative courses of action; they will be able to develop strategies that make best use of the available resources and adapt to changes and opportunities, and they will be able to make longer-term, strategic choices that will ensure greater sustainability for their livelihoods in the future and the fulfilment of their aspirations. Where the circumstances are less supportive, choices will be limited and options will be forced upon people to cope with circumstances over which they have no control; they will then be forced to adopt short-term solutions with little consideration of sustainability over the longer term.

Outcomes

Outcomes are the final livelihood “results” that people achieve based on their characteristics, their available assets, the support they receive from service providers and enabling agencies, their vulnerabilities and the choices they make about actions, as well as the effectiveness of these actions. The relationship of outcomes to everything else in the framework is important – outcomes that an “outsider” may judge as inadequate because they fail to take advantage of the available opportunities may actually satisfy the aspirations of the people involved, even if their hopes are limited because of the circumstances in which they live. Therefore outcomes first need to be judged in relation to the aspirations and perceptions of opportunities of the people concerned. Then the opportunities that development agencies and practitioners perceive and the capacity of the people involved to take advantage of those opportunities can be examined and compared.

Once the various livelihood outcomes and the complex factors that generate them have been properly understood for distinct groups of the poor, those conducting the institutional analysis will have established a basis for understanding in greater detail how the institutions involved contribute to these outcomes and how those contributions could be made more positive.