

PACE – Useful Guides and Specimen Agreements

	GUIDES	
G1	Users Guide to Off-Grid Energy Solutions	Web - based guide to energy needs and solutions
G2	Photograph Guide	Photograph guide to illustrate typical energy products and services. The guide contains the more common off-grid and on-grid energy appliances
G3	Tariff Setting Guidelines	Guidance on Tariff setting for sustainability
G4	Livelihoods analysis	Guidance on integration of livelihoods analysis in electrification project development
G5	Types of Public Private Partnerships	Description of the different forms of Public Private Partnership arrangements commonly in existence
	SPECIMEN AGREEMENTS	
S1	Specimen Micro-hydro Constitution	Example of a constitution between members of a micro-hydro project development for Micro Hydro power Generation and Consumer Co-operative Society
S2	Specimen Lease Agreement	Agreement between a Lessor and Lessee for a typical micro-hydro project
S3	Specimen PPA	Power Purchase Agreement for independent power projects
S4	Specimen electricity consumer agreement	Example consumer agreement for sale of electricity

Sustainable Livelihoods

A Guide for Community Electrification Projects

1. What are ‘sustainable livelihoods’?

The tendency to think about ‘livelihoods’ in simply economic terms neglects the many other factors that determine an individual or group’s well-being, and ability to secure their basic needs. This is addressed in the following definition:

What is a livelihood?

The word ‘livelihood’ can be used in many different ways. The following definition captures the broad notion of livelihoods understood here: *‘A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.’* Adapted from Chambers, R. and G. Conway (1992) *Sustainable rural livelihoods: Practical concepts for the 21st century*. IDS Discussion Paper 296. Brighton: IDS.

Source: DFID (Department For International Development) Sustainable Livelihoods Guidance Sheets

This definition underpins the DFID Sustainable Livelihoods approach, which is a flexible and practical tool that provides practitioners with methodological guidance on integrating the assessment of livelihood impacts into development research and implementation.

This guide has been produced as part of the DFID-funded PACE¹ project, which has carried out primary research into the livelihood impacts of community electrification projects in Ethiopia, Nepal, Sri Lanka and Uganda. It has been designed as an introduction to how Sustainable Livelihoods should be applied in the development of Off-Grid Electrification projects in developing countries, and applies to the following stakeholders, who have a role to play in electrification projects:

- Private and public sector utilities
- Energy consultants
- Local authorities
- Community-based organisations (CBOs)
- Donors

2. Why is livelihoods analysis important for electrification projects?

The electrification of communities offers much potential for local development, with social and economic benefits. The availability of electricity can increase the quality of services offered by hospitals and other local service providers, improve conditions within the home, and boost local economies by adding value to agricultural processes and introducing new business activities. There are also many indirect impacts that can enhance the lives of people who live and work in the community.

However, the introduction of electricity to a community does not necessarily mean that these potential benefits will be realised. Evidence shows that, in many cases, electrification projects have not delivered the anticipated benefits, leaving the local population frustrated and despondent and, at the same time, deterring future project developers.

¹ Public Private Partnerships for Access to Community Electricity

Sustainability is key to the success of electrification projects in delivering these benefits. This means that electrification projects, and particularly those that are delivered by a combination of public and private partners, must be sustainable in terms of:

- **Planning:** responding to local needs and priorities, and enhancing legitimacy.
- **Finance:** able to recover costs and finance future maintenance.
- **Technical:** able to employ the necessary skills to install and maintain a safe and reliable system.
- **Management:** have an effective system for billing and payment collection.

Some guidance on how to enhance financial, technical and management sustainability is available in other outputs from the PACE project (e.g. PACE Tariff Setting Guidelines). This guide, however, focuses on the importance of livelihoods analysis at the planning stage of a project.

3. How can livelihoods analysis be integrated into project development?

Any electrification project requires a considerable amount of planning. At the very minimum, an assessment of local energy resources, and consumer demand for electricity will be necessary, since these factors will influence the design of the electrification system. The planning stage is, therefore, an important opportunity to broaden conventional planning to encompass the range of issues that influence local livelihoods.

Table 1 presents the key features of a Sustainable Livelihoods approach, and how they can be integrated into planning for electrification projects, and compares this to conventional approaches.

Table 1: Features of Sustainable Livelihoods approach and relevance to electrification projects

	Conventional approach	Livelihoods approach
People-centred	<ul style="list-style-type: none"> • Planning is technology-centred. • Sees electricity as end-result, rather than a means to achieve local development. 	<ul style="list-style-type: none"> • Uses participatory methods to understand local needs and priorities • Looks at broader livelihood outcomes of electricity provision.
Builds on strengths	<ul style="list-style-type: none"> • Limits access by over-emphasising domestic uses of electricity. 	<ul style="list-style-type: none"> • Acknowledges financial and technical limitations for small-scale decentralised electricity schemes, and looks at how existing assets can be developed to widen access despite this. • Assets may include local businesses, agricultural assets, natural resources, social networks, local skills, etc.
Dynamic	<ul style="list-style-type: none"> • Does not monitor impacts which can lead to dissatisfaction, abuse of power, and inequalities. 	<ul style="list-style-type: none"> • Establishes framework for monitoring and evaluating the progress of schemes in meeting the stated objectives, and includes review mechanism.
Macro-micro	<ul style="list-style-type: none"> • Schemes at risk of failure due to incompatibility with grid, inadequate safety. 	<ul style="list-style-type: none"> • Considers project in context of local, regional and national structures and policies, e.g. national grid extension plans, regulatory framework.
Sustainable	<ul style="list-style-type: none"> • Lack of transparency can lead to mistrust of management. 	<ul style="list-style-type: none"> • Builds trust by proactively engaging community stakeholders at key stages of project development, from inception to review.
Holistic	<ul style="list-style-type: none"> • Misses local development and finance opportunities through failure to engage different sectors. 	<ul style="list-style-type: none"> • Recognises that impacts of electricity are cross-sectoral and planning for it must involve all sectors in developing solutions, e.g. agriculture, health, water, education

4. Who should be involved in a livelihoods analysis, and how?

Local authorities: Since local electrification can meet a number of local development objectives, it is important that local authorities recognise their role in ensuring that projects meet a number of local development objectives. Their role can be as follows:

- Bring different sectors together for consultation (e.g. health, education, environment, infrastructure).
- Provide leadership and resources for consultative process.
- Ensure livelihood issues remain on the agenda throughout the project.
- Maintaining link between local, regional and national structures and policies.

Technical experts: Participation is desirable, in order to provide a link between technical and non-technical aspects of electrification. Their role can be to:

- Manage expectations in terms of financial and technical feasibility
- Identify cross-sectoral applications for electricity and innovative solutions

Civil society: As the ultimate beneficiaries of local electrification schemes and the focal point of livelihoods analysis, the input of the community is crucial in shaping future electricity provision. They can participate through:

- Organisation to ensure representation is maintained
- Cooperation in socio-economic analysis (e.g. to assess tariffs)

Businesses: Local entrepreneurs (e.g. farmers, retailers, industries) can benefit enormously from electrification and may thus be willing to contribute resources to projects. Their inputs are crucial to a livelihoods analysis, and they can participate through:

- Participate in consultation
- Identification of business development needs and opportunities

Institutions: As potentially large consumers of electricity and providers of services that can enhance livelihoods through improved health, education, public governance, etc. the representation of institutions in community-based planning is essential. Like businesses and other consumer groups, they can contribute through:

- Participation in consultation
- Identification of institutional needs and opportunities

Box 1: Key stages of community-based planning

Stage 1: Stakeholder Identification and Preparation

To introduce the process to the community, gain commitment to participation and explain potential benefits of participation. A representative Steering Group should be established with membership from all stakeholder groups.

Stage 2: Assessment of Livelihood Assets

An initial livelihoods analysis will help to ascertain the assets that are currently available in the community (natural, social, physical, human) and will provide a basis for the needs assessment, and future consultation.

Stage 3: Policy and Institutional Context

Background research into local development policies and strategies, and national plans and programmes.

Stage 4: 1st Consultation - Verification and Review

To present findings to community stakeholders and agree local assets, needs and priorities.

Stage 5: Integration of Livelihoods Analysis into Technical and Financial Feasibility

Stage 6: 2nd Consultation – Options Appraisal

To present technical and financial options to the community and explain livelihood outcomes associated with different options. Discuss and assess on the basis of local priorities.

Stage 7: Agree on model of supply

Stage 6: Monitoring and Evaluation: This occurs after project implementation.

5. What resources are available?

Conducting a livelihoods analysis as part of a community-based planning process requires commitment, resources and a range of tools and resources. Much work has been carried out in developing participatory tools, and there is a wealth of guidance on effective techniques.

A range of web-based resources and sustainable livelihoods tools are available from DFID's learning platform:

- **Livelihoods Connect** <http://www.livelihoods.org>.

More information on sustainable livelihoods is available from the following organisations:

- **Oxfam** http://www.livelihoods.org/info/linksEvents_Sub/linksEvents_Oxfam.html
- **UNDP** http://www.livelihoods.org/info/linksEvents_Sub/linksEvents_UNDP.html
- **CARE** http://www.livelihoods.org/info/linksEvents_Sub/linksEvents_CARE.html