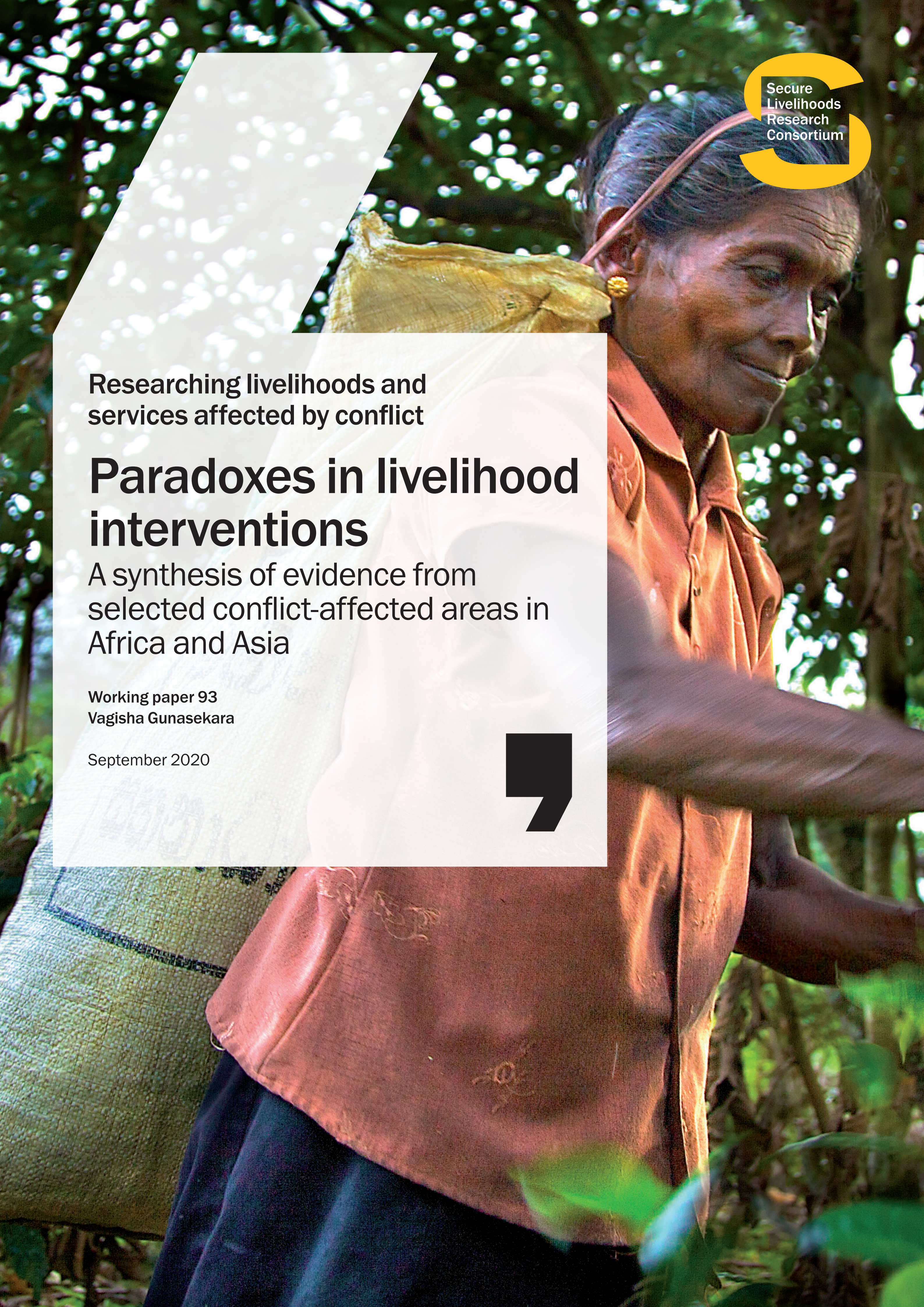

Secure Livelihoods Research Consortium

Researching livelihoods and services affected by conflict

Paradoxes in livelihood interventions

A synthesis of evidence from selected conflict-affected areas in Africa and Asia

Working paper 93
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Written by
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Cover photo: Michael Foley. A tea farmer picks the tips of tea. Gemi Diriya village, Sri Lanka.

About us

The **Secure Livelihoods Research Consortium (SLRC)** is a global research programme exploring basic services, and social protection in fragile and conflict-affected situations. Funded by UK aid from the UK Government (Foreign, Commonwealth and Development Office, FCDO), with complementary funding from Irish aid and the European Commission (EC), SLRC was established in 2011 with the aim of strengthening the evidence base and informing policy and practice around livelihoods and services in conflict.

The Overseas Development Institute (ODI) is the lead organisation. SLRC partners include: Centre for Poverty Analysis (CEPA), Feinstein International Center (FIC, Tufts University), Focus1000, Afghanistan Research and Evaluation Unit (AREU), Sustainable Development Policy Institute (SDPI), Wageningen University (WUR), Nepal Centre for Contemporary Research (NCCR), Busara Center for Behavioral Economics, Nepal Institute for Social and Environmental Research (NISER), Narrate, Social Scientists' Association of Sri Lanka (SSA), Food and Agriculture Organization (FAO), Women and Rural Development Network (WORUDET), Claremont Graduate University (CGU), Institute of Development Policy (IOB, University of Antwerp) and the International Institute of Social Studies (ISS, Erasmus University of Rotterdam).

SLRC's research can be separated into two phases. Our first phase of research (2011–2017) was based on three research questions, developed over the course of an intensive one-year inception phase:

- State legitimacy: experiences, perceptions and expectations of the state and local governance in conflict-affected situations
- State capacity: building effective states that deliver services and social protection in conflict-affected situations
- Livelihood trajectories and economic activity under conflict

Guided by our original research questions on state legitimacy, state capacity, and livelihoods, the second phase of SLRC research (2017–2019) delves into questions that still remain, organised into three themes of research. In addition to these themes, SLRC II also has a programme component exploring power and everyday politics in the Democratic Republic of Congo (DRC). For more information on our work, visit: www.securelivelihoods.org/what-we-do

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This research report was written by synthesising long-term research conducted by several researchers affiliated with: Afghanistan Research and Evaluation Unit (AREU); Centre for Poverty Analysis (CEPA) – Sri Lanka; Nepal Institute for Social and Environmental Research (NISER); Sustainable Development Policy Institute (SDPI) – Pakistan; Feinstein International Center based at Tufts University, and Women's Rural Development Network – Uganda. A special acknowledgement is extended to Mareike Schomerus, Adam Pain, Dorothea Hilhorst, and Stephanie Buell for their advice and guidance. We are also thankful to Paul Harvey and Catriona Clunas for reviewing the synthesis and paper and providing detailed feedback to improve this document. In the course of writing this synthesis, the author was in close communication with Sajid Amin Javed and Teddy Atim, both SLRC researchers attached to Pakistan and Uganda teams respectively. The exchanges with them have helped fine tune this document, for which the author is very grateful.

Contents

Executive summary

This synthesis paper is a product of a long-term research commitment to generate a body of evidence on the changing nature of people's livelihoods in conflict-affected areas. It knits together findings from eight case studies conducted in Afghanistan, Nepal, Pakistan, Sri Lanka and Uganda. These case studies, conducted using primarily qualitative research methods, are further juxtaposed with findings of the Secure Livelihoods Research Consortium (SLRC) panel surveys conducted in Nepal, Pakistan and Uganda.

This paper lays bare the realities of the livelihood options available for people living in conflict-affected areas. Going beyond explanations relating to a 'lack of resources', which is obvious in the aftermath of war and conflict, the studies probe into what people do to support themselves, and the factors that constrain their chances of directly accessing means of production or a living wage.

In order to illuminate the findings of the case studies, the paper juxtaposes the underlying logic of a particular development intervention – microfinance-driven entrepreneurship – with the livelihood realities of people living in conflict-affected areas. Although this intervention is applied cautiously by development agencies, it has been mainstreamed by some national governments in conflict-affected countries, particularly because of spending cuts to welfare programmes and other state-sponsored livelihood development initiatives. Hence, there is a need to highlight the stark difference between the picture painted by theories of change in the finance-driven, self-employment and entrepreneurship model of livelihoods development in conflict-affected areas, and people's lived realities.

The case studies reveal that war and armed conflict significantly alter the organisation and structure of rural livelihoods. Violence and destruction of public infrastructure weaken the capacity of governments to ensure security, provide basic services and collect taxes. Conflicts disrupt production patterns, at times inducing a forced seizure of land from communities, displacing them from existing arrangements. Conditions of war and conflict also modify the functioning of socio-cultural structures upon which local economies are built, creating conditions in which assets are transferred to power brokers and their allies in a given locality. These dynamic factors, particularly in the absence of law and enforcement of property rights, disrupt trade and local markets, and change power relations at the local level. Furthermore, the physical and psychological impacts of violence, a lack of access to services, poor health, the effects of sexual- and gender-based violence, disrupted education and reductions in job prospects intensify the disruption of ordinary lives. In the midst of these processes, ordinary people resort to 'trying everything possible' to make ends meet.

Even when 'trying everything possible' in Afghanistan, Nepal, Pakistan, Sri Lanka and Uganda, there are very limited options. Rather, there are four main livelihood strategies that are available to people living in conflict-affected areas:

1. migrating for work, both within and outside the country
2. self-employment, either in agriculture, other products, or petty trade
3. casual waged labour in agriculture and/or non-agriculture sectors
4. living off borrowings or debt.

This paper stresses that these should not be considered as 'options', and should instead be treated as last-resort options for people in these regions to earn an income. These four livelihood strategies are referred to as 'livelihood repertoires' that are integral to the 'churning' of household incomes.

The livelihood repertoires should not be misunderstood as direct effects of war and conflict. While war and armed conflict disrupt existing economic, political and social structures, they also fuse with broader political economic transformations of countries in the global South. The case studies reveal the decline of rural economies, with surplus populations becoming landless or land-poor. Plummeting agricultural production and incomes are increasingly embedded in local social structures that lock communities into exploitative relationships with local elites or strongmen, who in turn control people's access to land and labour. These are the very social structures that also grant people access to credit, which, over time, has developed into a mechanism through which households 'roll' their budgets. In such environments where a significant demand for credit exists, mainly for consumption smoothing, the terms of borrowing become increasingly exploitative.

Also at play are broader structural shifts, such as the appeal of consumerist lifestyles, which is a global trend. Allured by advertisements of the 'good life', promoted by mass and social media, people tend to consume more than previously, leading to increased household expenditure and diminished savings. These idealised lifestyles push young people away from rural areas towards the cities, as the latter gives the false hope of 'making it'. However, the urban industrial and service sectors have limited scope to absorb migrant workers from rural areas. Increasingly stringent immigration policies – seen over much of the world – have made external migration almost impossible for many people. Taken together, these conditions make it very difficult for people in conflict-affected areas to earn a living, and produce a sense of hopelessness among young, rural men and women.

In conclusion, this paper offers several modest recommendations, intended not to solve, but to manage the ongoing crisis of livelihoods in conflict-affected areas. In order to improve the income prospects of individuals engaging in microfinance-driven self-employment, the paper recommends adopting the '4Ps'. It is recommended that implementing agencies pay attention to product, price, place and promotion. Taking into consideration current archaic ideas about what to produce and the market, the suggestion is to educate producers about the latest trends in the market, in order to build awareness about the various aspects of the supply chain. Local- and community-driven financial institutions such as credit cooperatives are suggested as a less exploitative borrowing mechanism. Ensuring safe migration by implementing policies that put the migrant at the centre is also proposed. Lastly, the paper recommends bringing back long-term national planning in conflict-affected countries, and to use 'big data' to formulate highly localised and precise responses to livelihood insecurity and volatility.

1 Introduction

This synthesis paper stems from a long-term commitment to generate empirical evidence and contextually grounded analyses on the nature of people's livelihoods in conflict-affected areas. Everywhere, what we see is a grim picture of conflict-affected communities engaged in a seemingly endless struggle to secure livelihoods and move on with their lives after conflict while positioned along inimical economic, political, social and cultural fault lines. These fault lines operate not only at the level of gender, class, caste and ethnicity, but also in relation to capital and labour, market and the state, and centre and periphery. And they play out in socially embedded economies (Granovetter, 1985) driven by social networks and interpersonal relations. Drawing on eight case studies conducted in Afghanistan (Shaw and Ghafoori, 2019), Nepal (Ghimire *et al.,* 2019), Pakistan (Javed *et al.,* 2019), Sri Lanka (Lokuge *et al.,* 2019; Ranawana and Senn, 2019) and Uganda (Atim *et al.,* 2019; Mazurana *et al.,* 2019; Stites *et al.,* 2019), this paper knits together livelihood portfolios and 'repertoires' of people living in conflict-affected regions. As such, this paper outlines the limitedness of livelihoods that are available for people in these regions and the broader political-economic factors that shape them.

This long-term research endeavour is motivated by a collective interest to move beyond explanations such as 'lack of access to resources' as a key constraint to livelihood activity. We seek to explore what people do to support themselves in conflict-affected areas, and why they can no longer sustain their own lives through direct access to means of production or a living wage. In particular, our interest is to understand the main vectors of rural dispossession vis-à-vis people's livelihood repertoires, and the underlying reasons why the current 'livelihood toolkit' of development agencies is unable to deliver a decent living to the rural poor in conflict-affected areas. Building on the approach taken in 2011 at the inception of the Secure Livelihoods Research Consortium (SLRC), this synthesis focuses on the broad trends of people's livelihoods and development interventions that aim to support them, and the dissonance between these two aspects.

The remainder of this paper is structured across five sections. Section 2 takes as a point of departure the stark contradiction between what is envisaged by a set of once-dominant livelihoods interventions and people's actual experiences in securing a living in conflict-affected areas. This is introduced as the 'paradox of livelihood interventions' as an example to show where the underlying conceptual work of development thinking has not adequately gauged what exactly happens to people's livelihoods in conflict-affected settings. The discussion surrounding this example – finance-driven entrepreneurship programmes – prepares the ground for further exploration on *what people do to make a living* in conflict-affected areas of the world and how these conditions are created. Section 3 sheds light on people's livelihood options in the context of certain continuities and ruptures induced by war and conflict, while Section 4 positions these livelihood options alongside broader political-economic factors and trends. Section 5 explains why the dominant livelihood interventions fail in the context of these political-economic factors. Finally, Section 6 offers a few correctives for existing livelihoods interventions and proposes ideas for national policy and international development initiatives on how to approach livelihoods development.

2 The paradox of livelihood interventions

The provision of development assistance to revive livelihoods that ensure steady household incomes in conflict-affected areas remains a challenge for governments and aid agencies. Whether the context is a transition period from war and conflict to the absence of it, or protracted conflict over the long term, there is a major question as to how external and national assistance might be used more effectively to enable households to secure their basic needs and benefit from public services such as health, transport and education.

Since the mainstreaming of the 'sustainable livelihoods framework' into development practice in the late 1990s, aid agencies and governments have experimented with interventions that make temporary adjustments to livelihoods in the face of change, and 'adaptation' which involves a longer-term shift in livelihood strategies. More recently, 'resilience' has entered the international development vocabulary, acknowledging the 'ability of people, households, communities, countries and systems to mitigate, adapt to and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth' (USAID, 2016).

Two intrinsically linked interventions – ensuring access to finance and self-employment leading to entrepreneurship – have evolved through the decades and still remain active in the livelihood interventions 'toolkit' of aid agencies and governments. While self-employment and entrepreneurship[1] have slightly different historical 'origins' and meanings within the development field, they are conflated into the broad category of 'enterprise development' and vary only in terms of scale. Finance, whether it is microfinance or small business loans, is the key modality in which these interventions are executed. Microfinance[2]-supported self-employment and microenterprises that are predominantly informal in nature have been promoted as the solution to poverty reduction since the 1980s. By the 1990s, this twin intervention formed the highest-profile poverty reduction policy among international development organisations (Balkenhol, 2007). While the Grameen Bank model of development in Chittagong and Jobra in Bangladesh by Dr Mohammed Yunus in the 1980s and 1990s was

1 In this paper, the terms 'self-employment' and 'microentrepreneurship' are used interchangeably. They refer to livelihoods where people produce perishable or non-perishable goods, mostly in the confines of their own homes, that are sold in local markets. The self-employed individuals/microentrepreneurs discussed in this study are micro-level producers who exist in the informal sector of a country's economy.

2 This paper uses the term 'microfinance' because it is the most commonly used generic term that covers all varieties of microfinancial interventions such as microcredit, microsavings, microinsurance, and microfranchising.

accepted worldwide as the most efficient, 'bottom-up', market-driven poverty reduction intervention, its dependency on a steady inflow of subsidised capital caused major reservations among aid agencies and neoliberal policy-makers (Bateman and Chang,2012).

As an innovation, the United States Agency for International Development (USAID) and the World Bank spearheaded the reconstitution of microfinance as a privately owned, profit-driven business model, which they saw as potentially benefiting the poor (Otero and Rhyne, 1994; Robinson, 2001). And for the past 20 years, it is this 'improved' formula of microfinance-driven enterprise development that has become one of the most common livelihoods interventions supported by aid agencies. This is not to say that international development agencies and states have not intervened in other ways. There are continuing discourses and practices on the importance of social assistance and social protection such as food aid, cash or food transfers, and pensions. These interventions and the critique of microfinance certainly reflect growing dissatisfaction with more fundamental neoliberal policies, and organisations such as BRAC in Bangladesh are slowly moving towards graduation models. And for all the reasons this paper describes, microfinance is now applied with caution, as development agencies have started to realise its potential to do harm under the wrong conditions. However, microfinance-driven self-employment remains popular among governments and development agencies alike, possibly because, as Bateman and Chang (2012) argue, it has an immense feel-good appeal based on some narrow, positive short-run outcomes and relatively lesser direct costs of intervention. As evidenced by the SLRC case studies conducted in Sri Lanka, this intervention remains the most common way of addressing livelihood recovery in conflict-affected areas.

As the push for 'inspiring' entrepreneurs among conflict-affected populations is now mainstreamed into the thinking of some national governments, particularly because of fiscal austerity and spending cuts on welfare programmes, it is worth revisiting how the strategy of microfinance-driven entrepreneurship became popular as a livelihood intervention. Naude (2008: 1) notes that the growing interest among policy-makers in the role of entrepreneurship has been stimulated by 'southern engines of growth' – rapidly expanding private enterprises in countries such as China, India, Brazil and South Africa in the late 1990s. The support for entrepreneurship is widely held as a mechanism to facilitate peace vis-à-vis business and social networks (Naude, 2007) in countries coming out of wars and internal conflicts where there is a dearth of entrepreneurial activity (Schulpen and Gibbon, 2002). The general 'theory of change' is that such activity will 'incubate' and dynamise post-conflict growth (Lemmon, 2012), which in turn will usher in sustainable peace.

Self-employment leading to entrepreneurship has a gendered dimension, as the economic participation of women is deemed critical for economies transitioning from violent conflict (Naude, 2007). Underlying the push for women to engage in self-employment is the notion that they are the only survivors left to support their families, when the male 'breadwinner' relatives are killed or injured in conflict. In addition, women are perceived as trusted members of a community, who will repay loans taken out for self-employment ventures in a timely manner. Finally, at a higher level of social change, women's entrepreneurship is expected to promote their political and economic participation and empowerment. The assumption here is that when women start contributing to family income, social norms – even in the most traditional societies – may evolve in a progressive manner (Lemmon, 2012).

In countries like Sri Lanka and Uganda where a 'skills gap' evidently is a primary driver of under- and unemployment, entrepreneurship is promoted as a way of building skills in young people to create jobs for themselves without depending on the public and private job market (Mallet *et al.,* 2017; Atim *et al.,* 2019; Lokuge *et al.,* 2019; Mazurana *et al.,* 2019; Ranawana and Senn, 2019; Stites *et al.,* 2019). Moreover, in Sri Lanka where there is an aging population, young people are encouraged towards start-ups in the knowledge economy in order to create capital and jobs for themselves and others without draining state resources by seeking public sector employment (Ranawana and Senn, 2019). International aid agencies such as the International Labour Office (ILO), United Nations (UN) agencies, USAID and others follow a similar approach, and most peacebuilding projects also promote self-employment and entrepreneurship schemes as a way of boosting and creating livelihoods.

There is, however, a stark difference between the outcomes envisaged by 'theories of change' of finance-driven, self-employment and entrepreneurship interventions and actual livelihood experiences of people in conflict-affected areas. The interventions are pushed via the offering of finance, and debt-taking for self-employment or enterprise development is normalised through the promise of wealth creation and stability. This is because taking loans is understood as a natural part of being an entrepreneur and, as mentioned earlier, since the 1980s, microfinance has been promoted as an effective strategy to motivate individuals to engage in small enterprises and move out of poverty. Indeed, microfinance fills a major gap in the formal banking system – servicing poor households that do not possess the collateral that is required by traditional banks in order to issue capital for business ventures. These banks also have rigorous loan application procedures that are technical, time-consuming and tedious, all of which discourage poor households from applying for a loan. Hence, the system of microfinancing emerges as an attractive option that makes small loans to groups in order to minimise risks and costs. Some microcredit organisations, in addition to loans, provide trainings and other services such as literacy support (Karnani, 2007).

However, the profit-driven channelling of microfinance towards small subsistence-level agricultural and other enterprises has failed to deliver on its promise (Banerjee *et al.*, 2015). Particularly in conflict-affected areas, it has precipitated disastrous consequences for household economies where over-indebtedness has become a serious problem. The target population for the interventions is often poor, with a limited income stream, let alone the start-up capital for a business venture. In the absence of savings, assets or other buffers to guard against uncertainty, this creates conditions for the proliferation of personal debt. Borrowing from microfinance institutions has become a 'consumption smoothing' mechanism, similar to the role played by informal credit in rural economies (Norvell, 1972). In other words, microfinance has been integrated, by default, to the 'rolling'[3] of household budgets to sustain their basic consumption needs, instead of its intended purpose – start-up capital for a microenterprise.

Even when people in conflict-affected areas have used credit to start self-employment ventures, there is mounting evidence of over-indebtedness among such households, largely due to their inability to repay the exorbitantly high rates of interest charged by microfinance institutions (as shown by Ranawana and Senn (2019) in their case study of entrepreneurs in Sri Lanka's conflict-affected Eastern Province). Another related issue is that microenterprises are unable to produce and sell at the scale that allows them to break even and pay off the interest rate charges and the principal amount of the loan (Bateman and Chang, 2012).

As the SLRC case studies conducted in Uganda and Sri Lanka illustrate, microentrepreneurs struggle with access to markets in order to sell their goods. Moreover, the lofty development goal of 'reaching as many households as possible' has produced the counterproductive outcome of creating hyper-competition between entrepreneurs in very small localities that sell their goods to a limited number of people. Over time, this has resulted in short-lived microenterprises, significantly higher levels of exit by incumbent producers and rapid job displacement in rural areas (ILO, 2009). In conflict-affected countries such as Bosnia, nearly 50% of microenterprises fail within just one year of their establishment. And those who have failed in their self-employment ventures have been pushed into deeper levels of poverty, vulnerability and insecurity (Demirguc -Kunt *et al.,* 2007). The emphasis on microfinance-driven self-employment and entrepreneurship also further expands the very low tiers of the informal sectors in conflict-affected economies, with little to no room for expansion into full-fledged enterprises.

The stark difference between the expected results of finance-driven self-employment and entrepreneurship interventions and actual livelihood experiences of people in conflict-affected areas points to a paradox, and the evidence from the SLRC case studies complicates the view that livelihood recovery 'is only about individuals' and their motivation to make a living. The case studies reveal the need to situate livelihoods options and repertoires within broader political-economic factors that shape rural economies in conflict-affected countries. This exercise of positioning the constant 'juggling' of livelihoods in order to make ends meet within a broader canvas throws up reasons why livelihood interventions need to be reimagined. Collectively, the SLRC case studies reveal the social embeddedness of rural economies and call for an approach that factors in individual, household and societal aspects that shape livelihoods in countries that are transitioning from war and armed conflict.

3 When households do not have consistent incomes, they cannot plan budgets. Hence, they tend to settle their expenses in the order of urgency with money they either earn, receive (in-kind) or borrow. Rolling often involves borrowing from one source to pay off an expense or repay another loan.

3 Livelihood repertoires in conflict-affected regions

War and armed conflict alter the organisation and structure of rural livelihoods. At a national level, the prevalence of conflict damages gross domestic product (GDP) (Khan, 2013; Bruck and Henning, 2016), increases unemployment (Stewart, 2015), causes increases in inflation (Bruck and Henning, 2016), and destroys buildings and public infrastructure (Bachman and Schouten, 2018). At household and individual levels, people lose assets and are forced out of their residences, leading to temporary or protracted displacement. Evidence from South Kivu in the Democratic Republic of Congo points to three types of displacement which are also observed in other conflict-affected countries to a greater or lesser degree (Nguya, 2019). First, there is 'pendulous displacement', where internally displaced persons (IDPs) spend the day in their villages and hide in the bush at night. The second type is 'preventative displacement', where IDPs flee for short periods and return when conditions are relatively safe. The third type is 'long-term displacement', where IDPs move away from their homes for long periods of time. This is typically the case with protracted armed conflict (ibid.). Part and parcel of these conditions is the limited availability of opportunities to make a living, which in turn pushes people into the trap of poverty (Justino, 2011).

Javed *et al.* (2019), in their study of household indebtedness in Pakistan, outline four interrelated ways in which the shock of war and armed conflict affect people's livelihoods and push them towards a dependency on debt (see Figure 1):

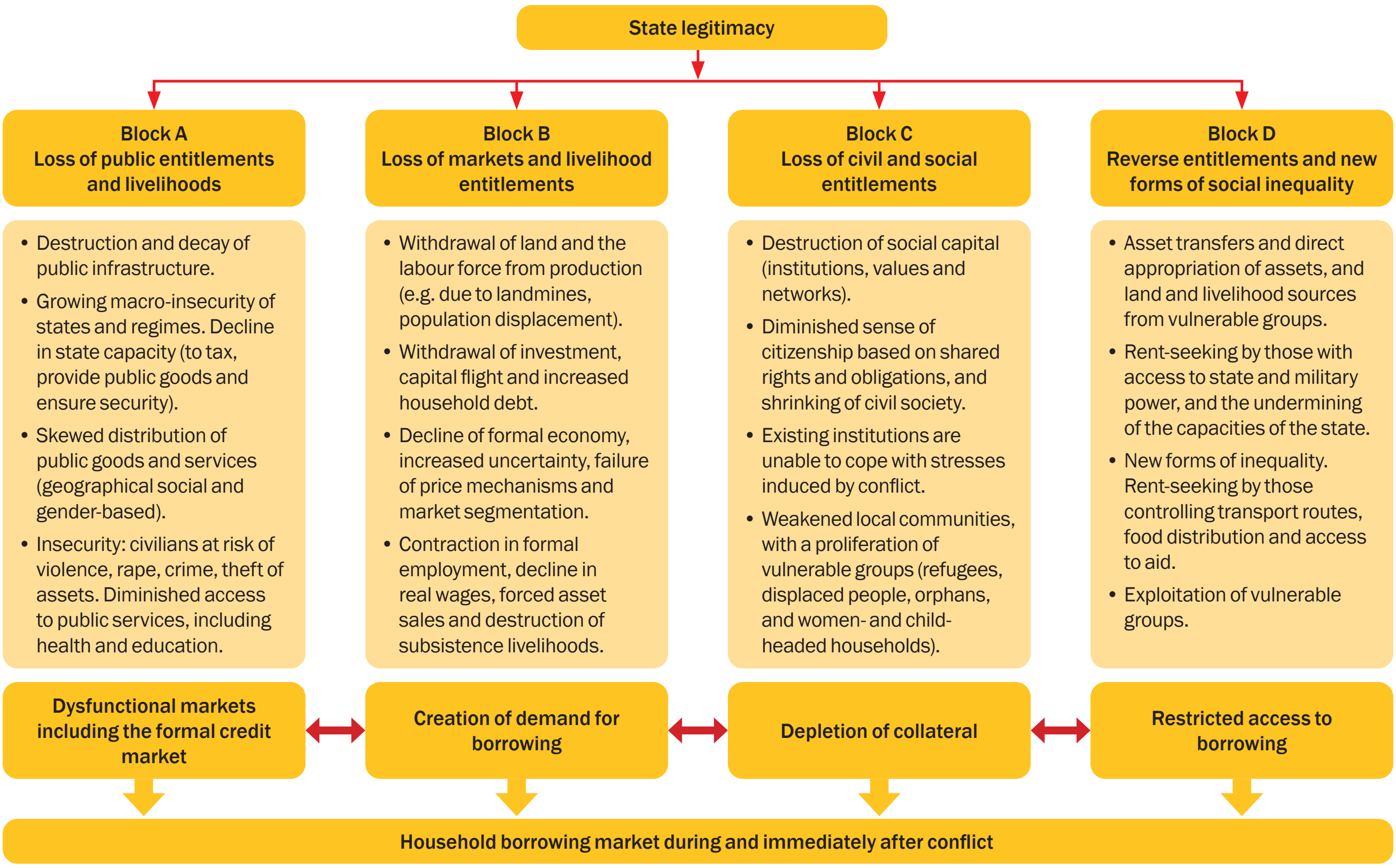
1. First, the violence and destruction of public infrastructure weaken the capacity of the government to ensure security, provide public services and collect taxes. The authors refer to this as the 'loss of public entitlements and livelihoods' (ibid: 16). Bhatti (2015) further notes that the atmosphere of violence and uncertainty creates conditions for a skewed distribution of public goods.
2. Second, conflict disrupts production patterns, at times inducing a forced seizure of land from the people and displacing them from existing labour arrangements. These conditions also change the structure of market institutions. For instance, business owners often restrain from investing in their enterprises due to the uncertainty of profitability. Skilled workers often migrate to safer places during times of conflict. As such, there is a capital and skills 'flight' and a decline in the formal economy. These conditions further induce contraction in formal employment and a decline in real wages. Under these circumstances,

people often sell their assets, which in turn has grave implications for maintaining subsistence livelihoods. The authors refer to this as the 'loss of markets and livelihood entitlements' (ibid: 16).

3 Third, the conditions of war and conflict alter the functioning of socio-cultural structures. They change the structure of social networks by altering norms, practices, structures and social actors embedded in them. As such, social capital takes a different form, and there is a diminished sense of citizenship based on shared rights and obligations. Javed *et al.* (ibid.) note that conflict weakens communities, particularly with the influx of refugees, displaced persons, orphans and women- and child-headed households. They point to the deterioration of the *Hujra* system in Swat, Pakistan, as a consequence of protracted armed conflict, which traditionally plays an important role in providing help to those in need (see also Suleri *et al.,* 2017). The authors also find that in addition to the *Hujra* system, the institution of *Jirga* – a traditional dispute resolution mechanism – was also dysfunctional during the conflict in the region. They refer to these conditions as the 'loss of civil and social entitlements' (ibid: 17).

4 Finally, the case study from Pakistan notes that war and conflict create conditions for the transfer of assets to power brokers and their allies in a given locality. On the one hand, a segment of the population is dispossessed of their land and assets, but on the other hand opportunists appropriate assets, land and other resources from vulnerable groups. Javed *et al.* (ibid.) further note that rampant rent-seeking by those with access to groups in power severely undermines the government. They often capture power over administering transport routes, food distribution and relief efforts. The authors refer to this as 'reverse entitlements and new forms of social inequality' (ibid: 17).[4]

Figure 1: Conflict, household indebtedness and socio-economic costs



Note: The impact of loss of entitlements, listed in each vertical block is shown in subblocks in the fourth row from the top. The twoway arrows connecting these subblocks denote that loss of different entitlements interact with each other to shape the household borrowing market during conflict. The nature and magnitude of interactions may vary by region, type and severity of conflict shock.
Source: Javed *et al.* (2019: 17).

4 Other SLRC publications on the role of rural elites include Pain (2016) and Minoia and Pain (2017).

Pieced together, these four eventualities disrupt trade and local markets, and change power relations at the local level, particularly in the absence of rule of law and enforcement of property rights (Pain, 2002; Longley and Maxwell, 2003). Other factors such as physical and mental consequences of violence, lack of access to services, poor health, the effects of sexual and gender-based violence, lack of access to education, and reduction in employment prospects also add to this disruption. Under these circumstances, what strategies do people employ in order to eke out a living? The SLRC case studies reveal that the process of securing livelihoods by people living in conflict-affected areas is a dynamic one. More clearly, the lack of opportunities in rural economies pushes them towards 'trying everything possible' to generate an income.

The SLRC panel survey in Nepal supports this finding. In Nepal we observed high levels of switching between livelihood activities by households across the three waves of the survey (Ghimire *et al*., 2019). Over the six years between the first and third panels, there was considerable change in most households' livelihood portfolios. Between waves 1 and 2, 45% of households changed their main income source while 50% changed their main income source between waves 2 and 3. The average number of livelihood activities per household slightly decreased in wave 3 (after increasing in wave 2). More households decreased the number of livelihood activities between waves 2 and 3 (35%), than increased (31%).

It is important to note that the livelihood strategies of the conflict-affected case study countries fall into four areas: 1) migrating for work, both within and outside the country; 2) self-employment, either in agriculture, other products or petty trade; 3) agricultural and/or non-agricultural casual waged labour; and 4) living off debt. These cannot be considered as 'options' in any true essence, as the work that is available for people in conflict-affected contexts tends to fall into one of these areas. We consider each in turn.

3.1 Migration

The case studies find the following stylised patterns:

- Migration is not the 'disruptor' that instantly boosts household fortunes.
- Remittances are used to 'roll' household budgets and not to accumulate wealth.
- Migrants end up in informal, risky and often precarious forms of employment that do not offer much upward mobility.
- Remittances are insufficient to balance household budgets, therefore other family members undertake both paid and unpaid work in rural areas to supplement the family income.

The case study of youth migration in northern Uganda highlights continued and increasing internal migration of young people to urban and peri-urban locations to earn a living (Stites *et al.,* 2019). The cessation of hostilities between the Lord's Resistance Army (LRA) and the Government of Uganda took place in 2006. Economic recovery in the northern areas has been slow and, as evidenced by the SLRC quantitative survey in Uganda, people's access to basic services and education remains inadequate in the Acholi and Lango sub-regions, even after a decade of the political settlement (Mazurana *et al.,* 2014). The main reason for migration is the uncertainty experienced by households in securing a steady income in rural areas. The lack of economic prospects increases the vulnerability of households to external shocks (i.e. drought, illness of a family member, theft of agricultural equipment, etc.) and, for most people, the smallest of these shocks affect the wellbeing of family members (Hagen-Zanker *et al.,* 2014; Levine, 2016; Mallet *et al*., 2016). Agriculture, the most common sector in which rural populations work, is volatile due to weather conditions and other factors that are beyond the control of the people. In order to cope with the yearly changes and uncertainty associated with agriculture, households diversify their livelihoods by moving some members out of rural subsistence agriculture into casual labour as an additional source of income. Internal migration is an important component of the household diversification of livelihood portfolios.

Young people are more likely to migrate to urban areas, mainly because the government policy in resettling displaced people has not necessarily incentivised younger segments to return to rural areas. As a result, most young men settle in urban areas, and social networks based on ethnic and other identities help facilitate the migration of their rural counterparts to cities (Palloni *et al.,* 2001). Migrants rely on social connections to secure jobs, find housing and for support in emergencies (Mallett and Atim, 2014; Stites *et al.,* 2019). Responsibilities of supporting aging parents or grandparents and paying the school fees of siblings in the village often fall on young and able-bodied members of families, and their earnings in urban areas are sent home. This compromises young migrants' own prospects of acquiring an education, which in turn would improve their livelihood prospects at least marginally (Stites *et al.,* 2019).

Economic prospects in cities are not rosy, however. The jobs that are available to migrants from rural areas tend to be ad hoc and poorly paid, especially in the case of women. In the Acholi quarter of Kampala, the most common unskilled job for women is bead-making, followed by petty trade and working in the stone quarry. Women also work in restaurants, as domestic workers in wealthy households, as wage labour on urban farms, selling firewood, selling and preparing animal hide, selling second-hand clothes and hair styling. Some women take to petty trade to sell goods on behalf of someone else. In return, they are paid a set amount per month. Construction labour and working as security guards at a home or in a business are common livelihoods for men. The case study reveals a gendered dimension to migrant work, as men are more likely to find jobs in the formal (or relatively less informal) sectors, whereas women migrants are predominantly relegated to work in the informal sector (Stites *et al.,* 2019). The jobs that are taken by male migrants require long hours which women cannot accommodate given their domestic and reproductive work. As a result, men have relatively less time to diversify livelihoods, whereas women tend to participate in different small-scale activities to make a living (Peterson, 2003).

The case study also indicates that the vast majority of migrant labour arrangements in the Acholi Quarter in Uganda are informal in nature. The workers, both men and women, do not have formal contracts, set hours of work, employment benefits or insurance. Even those with formal contracts have low salaries and are rarely given time off. In Gulu and Pabbo areas, migrants who engage in urban livelihoods also move back to rural areas to work on farms on a seasonal basis. Migrants who earn a better living in cities hire labour in their villages to look after the farms. Although many young people leave rural areas in search of better opportunities or to escape the uncertainty inherent in agriculture, the cities do not seem to offer them much stability. High costs associated with urban living push migrant workers into tedious livelihood repertoires that allow them to 'roll' money and get by with day-to-day expenses. This prevents young migrants from developing long-term plans or to invest in their education that would allow them some level of social mobility and improvement in livelihoods (Stites *et al.,* 2019).

The case studies conducted in Bardiya, Nepal (Ghimire *et al.,* 2019) and in Herat, Afghanistan (Shaw and Ghafoori, 2019) indicate that migrating abroad for work has become an integral part of household livelihood portfolios in rural areas. In Bardiya, the historical pattern (from 1924–1989) has been for people to migrate internally to cities such as Nepalgunj and Bhairawa for work. Migration to the Indian state of Bihar and Delhi for seasonal agricultural work and jobs in the service sector became common much later. However, in more recent times, migrating to the Middle East and Malaysia has become the most attractive option due to better salaries. The case study finds that both men and women who migrate to do semi-skilled or unskilled work in the Middle East or Malaysia go through brokers and recruitment agencies that obtain work permits for foreign employment (Ghimire *et al.,* 2019). These agencies are located in the country's capital, Kathmandu and, similarly to in Uganda, the prospective migrants channel their family and social networks to access these agencies. Debt is the main source of finance for migrants to afford their trip and other expenses to work overseas. In families where there are several working-age males, as in the case of Muslim or Madhesi communities, the first sibling who migrates often bears the cost of migration of other siblings. This practice reduces the amount of debt accumulated for the family to repay (ibid.).

The case study in Bardiya focuses on the work lives of women who have been left behind in households where the males have migrated abroad for work. While the evidence finds support for the 'remittance effect' – whereby women in migrant households work less as there is a reduced need for them to earn – there is not a uniform pattern. In some cases, women have an increased workload and find themselves in situations where they have to care for the children, manage their share of the farm and take on responsibilities such as planting, harvesting, taking care of livestock, construction work, collecting remittances and attending social functions on behalf of the family (ibid.).

In some communities, such as Muslim and Madhesi ones, the social and cultural norms strictly forbid women from engaging in paid work due to the fear of them interacting with men who are not part of the family. In these cases the extended family enforce this rule on the wives of migrants. In Dalit, Pahade and Tharu communities, however, where women have always engaged in paid work, migration of one's husband does not prevent women from continuing with their paid work. In fact, in the case study, Dalit women view the remittances from their migrant husbands as a temporary cash flow that does not guarantee much long-term security (ibid.). The study finds that migrants' remittances do not contribute to significant improvements in household economies. In other words, migration is not the 'disruptor' it is often thought to be.

Studying women's work lives and the general wellbeing of migrants' households also reveals that the left-behind family members often need to continue engaging in paid and unpaid labour, unless there are social norms that restrict one's mobility outside the home. Ghimire *et al.* (2019) note, however, that there are limited work opportunities for left-behind members of these households to take up in Bardiya. This is to say that even in households where a steady flow of income trickles in as remittances, other sources of income need to be pursued for the family members to stay afloat and manage day-to-day living expenses.

In Herat, Afghanistan, migrating to Iran in search of wage labour is a common livelihood strategy for young men (Shaw and Ghafoori, 2019). Prospective workers from poor households often get to Iran by the help of a smuggler and costs associated with this process are typically financed by informal credit taken by the household. The earnings in Iran are sent home to pay off debt, raising the bride price for unmarried men of the household, as well as to pay off smugglers for facilitating entry to Iran. In addition to remittances from Iran, the households rely on informal credit and other types of wage labour carried out by household members. Shaw and Ghafoori (2019) note that households manage and even thrive due to the combination of income coming from Iran which they in turn use to 'roll' through informal credit networks. This practice evidently serves as a reliable safety net as well as providing better opportunities to access land and increase productive capacity. This trend, however, is rapidly changing as there are fewer opportunities to find work in Iran.

The broad picture revealed by the case studies in Uganda, Nepal and Afghanistan is that migration, whether within the country or outside, is an integral part of household livelihood repertoires. This is corroborated by the panel survey conducted in Nepal as well, where 35% of households reported at least one internal or external migrant in their household in the past three years (Ghimire *et al.*, 2019). This finding is consistent across all waves of the survey. Similarly, the SLRC survey conducted in Pakistan finds that remittances from family members working overseas is the main source of income (Javed *et al.*, 2019). However, over the three waves, the usefulness of remittances seems to decline. It is by no means the 'magic bullet' it is made out to be, as remittances are often used to 'roll' household budgets, and not to accumulate wealth.

Members of poor households in conflict-affected regions migrate due to the lack of income-generating opportunities in rural areas, or because engaging in farm labour does not appeal to them as a form of employment. However, when they do migrate, the jobs they find 'on the other side' are informal, risky and equally precarious. The remittances alone are not sufficient to keep households afloat, which means that other family members have to undertake both paid and unpaid work in the village. Financing migration with debt is a common thread that runs across all cases.

3.2 Self-employment

The case studies find the following stylised patterns:

- Self-employment for people living in conflict-affected areas is not a transformational entrepreneurial roller-coaster, but a means of quotidian survival.
- The micro-level ventures are low-cost and require little capital.
- The target market for products of self-employment is small and consists of people who have little to no purchasing power.
- Self-employment is predominantly financed by debt in the form of microfinance or informal loans.

The case study conducted in the Eastern Province of Sri Lanka reveals that self-employment is a default livelihood option for people affected by war and conflict. For them, self-employment is not realising a bright business idea, but a way to support their daily survival (Ranawana and Senn, 2019). Microenterprises like running a tea shop in a busy street; sewing clothes; preparing take-away breakfasts, lunch or dinner parcels; making sweet and savory snacks to be sold in the market; or making bricks are common strategies to earn a living. They fall into categories of simple trading, retail and service operations. They are low-tech, low-capital enterprises that target a very small market. For people who are disabled from war or otherwise, self-employment is the *only* livelihood option.

For the respondents of the case study, their customers are mainly other people who live in conflict-affected areas with little to no purchasing power. As a result, most people barely break even against the cost of producing their goods and services. Given that income from self-employment is not sufficient, people resort to taking up multiple jobs in the village. Self-employment is often supported by taking small loans for the working capital of their venture. These loans come in the form of informal credit or microloans offered by microfinance organisations (ibid.). This is because they cannot access traditional loan-giving institutions such as banks. The study finds that self-employment often pushes individuals to take on debt from multiple sources because of the nature of their business. Sometimes, the startup capital is financed by the savings of a family member who has migrated to the Middle East. Debt and remittances seem to be the common method of acquiring initial cash to start a self-employment venture (ibid.).

3.3 Casual wage labour

The case studies find the following stylised patterns:

- People in conflict-affected areas depend on wage labour for the basic survival of their families.
- Wage labour has many forms, but these always involve informal work arrangements without contracts, work hours or employment benefits.
- In Afghanistan, wage labour is a form of repaying household debt.
- The opportunities for wage labour are on the decline, which poses a problem for people in over-populated rural areas who are not absorbed into the local economy.

In all of the case studies wage labour (daily, weekly or monthly) surfaces as the most common form of livelihood for people in conflict-affected areas. However, because many people compete for a limited number of openings for casual work, securing an opportunity for wage labour can be challenging. In the case of Herat, wage labour opportunities in the Mazar-e-Sharif brick kilns are accessed through brokers known as *jammadars*. These are individuals from the locality who advance money to poor households on behalf of the owners of brick factories. The men from poor households work as waged labourers in the brick kilns in return for the debt that has been advanced to their families (Shaw and Ghafoori, 2019).

In Afghanistan, wage labour opportunities are on the decline. As the size of privately owned land gets smaller, due to factors such as inheritance and environmental hazards that negatively affect crops, the agricultural incomes of households become lower (ibid.). As a result, households can no longer afford to hire wage labour to tend to their farms. In Herat, this pattern has led to a dependency on sons migrating to Iran as a way of supporting the household. In Uganda, people from rural areas migrate to cities in search of wage labour. They undertake wage labour in enterprises such as bread-making, stone-quarrying, construction, security, laundry services, working in restaurants or petty trade.

As mentioned earlier, despite the promise of wage labour opportunities in cities, most workers find themselves in informal arrangements with no contracts or employment benefits (Stites *et al.*, 2019).

Wage labour as a category in household livelihood repertoires cuts across a large segment of the population living in conflict-affected areas. Even when people move away from villages to cities, they remain wage labourers as they are part of a large surplus rural population that is not absorbed into the local economy. However, due to the increasing population, land division and other environment-related hazards, the space for wage labour opportunities is shrinking. This is a cause for concern as wage labour is the most common livelihood opportunity sought by people in conflict-affected areas to ensure the basic survival of their households and repayment of debt.

3.4 Debt

The case studies find the following stylised patterns:

- Debt, both informal and formal, is a primary source of cash flow that helps households ‘roll’ money.
- Informal credit is a common practice and is deeply embedded in social networks.
- Declining incomes in agriculture is a key reason why debt has become a coping mechanism and an important part of the distributional economy of rural areas.
- In places where self-employment is the main livelihoods strategy for the rural poor, taking loans from microfinance institutions doubles up as a way of injecting capital into their microenterprises and of consumption smoothing.

The SLRC panel survey in Pakistan finds that the proportion of households that currently owe money to anyone increased from 69% in wave 1 to 78% in wave 2, and slightly decreased to 76% in wave 3. Almost half of the households (44%) reported being in debt in all three waves, and three out of four households were in debt in wave 3 (Javed *et al.*, 2019). Borrowing money either from family, informal networks or microfinance organisations represents a primary source of cash for households in conflict-affected areas. In Afghanistan, informal credit is a mechanism through which the distributional economy provides access to land, labour and income for rural households (Minoia and Pain, 2016). It is also the way in which people spread risk and attempt to strike a balance between their individual needs and social and community obligations (Guerin *et al.*, 2012).

Engaging in agriculture alone has become an unreliable livelihood option for rural Afghans. In the context of an increasing rural population and the shrinking size of viable irrigated land, incomes from agriculture have become inadequate to fulfil even basic individual and household needs (Pain and Huot, 2017a). Making matters worse is the inability of labour markets to absorb the growing number of landless individuals who enter an existing excess workforce (Pain and Huot, 2017b). It is in this context that borrowing has become a central part of livelihoods, and an endogenous coping mechanism for households. In other words, it is a social protection mechanism that is embedded in community and family networks. It is used to smoothen household consumption and as a buffer against shocks to livelihoods. Informal credit is also used to spend for family events such as weddings, to invest in farm production, or to extend and diversify livelihoods practices (Klijn and Pain, 2007). Bride price payments are commonly used to repay debts (Lautze *et al.,* 2002; Shaw and Ghafoori, 2019).

In Afghanistan, informal credit is also a key social structure through which markets operate. In the saffron market in Herat, for example, access to informal credit is mediated through social connections (Minoia and Pain, 2016). In Kandahar, migrants from rural areas gain access to petty trade through informal credit and the networks associated with it (Minoia and Pain, 2015). In this landscape, debt or informal credit can also be an instrument of dependency and subjugation within markets. Among the women carpet-weavers in Faryab, for example, the traders provide materials for production as well as cash loans, which are consumed well before the carpets are sold. Such arrangements create conditions in which the carpet-weavers are trapped in debt and have no choice but to deliver the orders in return for little or no income (Nezami and Kantor, 2010).

There are at least three types of informal credit practices in Afghanistan that exist in other case studies to a greater or lesser degree. The most common practice is in-kind borrowing from shopkeepers and neighbours. This is almost a universal practice where people borrow food or small sums of money. The second type is *Mozarebat*, a livestock pooling practice where 50% of an animal's sale value is credited to the borrower and, in return, the latter rears the livestock and benefits from the produce (Shaw and Ghafoori, 2019). The third type is *Gerawi*, which is essentially mortgaging land for one year with the possibility of an extension based on mutual consent. Women's access to informal credit is extremely limited in Afghanistan owing largely to cultural constraints on women's financial independence and mobility. Limited livelihood activity among women, which leads to meagre earnings, also works against them when they are considered as prospective debtors. As their ability to repay is lower, women mostly engage in small in-kind and petty cash exchanges within their communities (ibid.). When women are provided informal credit, the responsibility to repay still lies with the men of the household. In other words, the creditworthiness of women is tightly linked to the income of male members of their households.

Depicting the social embeddedness of economic life in rural areas, the SLRC case study in Swat, Pakistan, highlights the role of the shopkeeper as a key informal lender. Shopkeepers often lend groceries and other products on a delayed payment basis. This is a strategy to boost sales and offering a 'credit period' for repayment often attracts many rural households to a shop. In addition to providing goods, they sometimes provide cash as well, especially for marriages and other family ceremonies for which people need extra funds. The shopkeeper recovers the costs at a later date with an added margin of profit.

However, informal credit is not the only way in which people in conflict-affected regions balance their household budgets. In the Eastern Province of Sri Lanka, where self-employment is among the very few livelihoods strategies available for the rural poor, taking loans from microfinance institutions doubles up as a way of injecting capital into their microenterprises and of consumption smoothing. The women entrepreneurs of the case study stated that their daily earnings were insufficient to cover household expenses, therefore they use loans obtained from microfinance organisations to buy groceries for the family (Ranawana and Senn, 2019). Most microentrepreneurs have taken a loan for each day of the week, and they spend much of their time trying to earn enough from self-employment to repay debt. The loan terms, however, can be much worse than what is found in Afghanistan's informal credit arrangements. The interest rates of microfinance are set very high, and debtors are expected to settle both the principal and interest payments on a weekly basis. The case study on Sri Lanka illustrates how debt and any income from self-employment are integral to 'rolling' household earnings. Although funds are borrowed to set up a microenterprise, their function is diversified. Formal debt obtained from microfinance organisations is used for consumption smoothing because income that is generated through self-employment ventures is simply not enough to cover the daily expenses of households.

4 Broader political-economic factors and trends that shape livelihood repertoires

The livelihood repertoires of migration, self-employment, casual wage labour and debt should not be misunderstood as direct effects of war and conflict. As discussed in the framework presented by Javed *et al.* (2019), while war and conflict disrupt existing social, economic and political structures, they also fuse with broader political-economic factors. These livelihood strategies of people in conflict-affected rural areas take place within a broader political economy which has local, national and global dimensions that need to be studied and understood if meaningful interventions are to be designed and implemented. This is to say that paying attention to 'conflict-affectedness' is simply insufficient. The centrality occupied by conflict in development discourse and praxis is somewhat misleading. War and conflict are often viewed as 'exceptional' events that automatically postpone normal economic activities and halt existing processes of capital accumulation (Taghdisi-Rad, 2015). This view leads to the treatment of transition periods from war to the absence of it as 'reverting to normal conditions' of the economy. The assumption is that other economic and political processes have halted within the duration of a war, and that regions can 'start fresh' and rebuild lives, livelihoods and economies. But, in reality, economic structures continue and rupture in their arrangements and are constantly changing, not just in response to war and conflict but other local, national and global political, economic and social dynamics too.

The case studies highlight the following stylised facts about the broader political-economic conditions that shape livelihoods trajectories of people in conflict-affected areas:

- Rural economies decline, amidst growing surplus populations that are landless or land-poor.
- Rural households are squeezed by falling agricultural production and incomes become part of local, highly socially embedded rural economies that in turn grant them access to land and labour.
- Debt, either formal or informal, becomes a mechanism through which households 'roll' their budgets.
- In some cases, shrinking availability of formal and informal credit and high demand for it heightens the exploitative conditions of borrowing.
- In other cases, formal credit institutions flock to 'newly opened markets' and aggressively promote borrowing, which in turn becomes a mechanism for household consumption smoothing.

- Consumerist lifestyles promoted by mass and social media and businesses expose people to new 'ways of living', leading to increased household expenditure and diminished savings, and acting as an impetus for many young people to move away from rural areas and agricultural work.
- Young people migrate to cities within or outside their country in search of secure livelihoods.
- Urban industrial and service sectors, however, have limited scope to absorb migrant workers from rural areas or other countries.
- Stringent immigration policies and tightened border control mechanisms make migration (both legal and illegal) increasingly difficult.

4.1 Declining incomes in agricultural livelihoods

The decline of the rural economy is common to all of the case studies. However, agriculture is also the main sector in which most people in conflict-affected areas are employed. The SLRC panel survey conducted in Uganda, for example, finds that in 96% of households at least one member cultivates a plot of land as a livelihood activity. The next most common livelihood activity is animal husbandry at 86%. Results from the last wave of the survey indicate that the vast majority of households (79%) still make a living from agriculture (Mazurana *et al.*, 2019).

Although policies of national governments promote agriculture, growth in agricultural production remains low and rural poverty has not improved in a significant way. This is partially due to environment-related issues that are beyond the control of rural populations. In Afghanistan, where agriculture is the predominant livelihood, growing landlessness is a key factor that affects the incomes of households engaging in agriculture. While the country has not run out of land, irrigated land has become scarce. Research conducted in Nangahar and Badakhshan found rates of landlessness at around 64% (Pain and Sturge, 2015). This means land ownership is concentrated among a few individuals, and most rural households become sharecroppers on these lands. The landless households are part of a 'surplus population' with only a few available livelihood options in agriculture and most households surviving on a partial subsistence basis. The unequal patron–client relations and interlocking contractual arrangements, such as access to credit and protection, have created a dependency between the landless poor households and the landowners (Pain, 2016; Pain and Huot, 2017b).

Another issue related to the productive use of land that is common to all cases is the declining size of land. Rural households that own land (whether private or government-issued) tend to divide and subdivide land and livestock holdings over generations, leading to shrinking land size. This trend, coupled with household size, poses challenges for sustaining subsistence agriculture and maintaining the food security of individual households. In Acholi, Uganda, one reason why young people migrate to urban areas from their villages is inadequate land access and family disputes over land ownership (Stites *et al.,* 2019). Women are more at risk of losing access to land as claims to land are often made through the male members of the family. Even though they may have legal rights to land, access is often controlled by members of the extended family. As a result, women who lose spouses or are separated from them face challenges in accessing land for cultivating and income generation.

Another structural issue affecting agricultural livelihoods is the lack of access to markets. Rural farmers are often required to engage in markets in order to sell their produce. However, as the case studies from Afghanistan find, the farmers need sufficient social networks and connections and market power to negotiate favourable terms (Kantor and Pain, 2011; Minoia and Pain, 2016). As the market rarely comes to the farm, rural farmers often struggle to sell surplus product due to remoteness and poor transport. Multiple studies conducted in Afghanistan describe agricultural livelihoods and rural life in general as part of the country's distributional economy (Klijn and Pain, 2007; Minoia and Pain, 2017; Pain and Huot, 2017b). Drawing from Ferguson (2015), the 'distributional economy' is characterised by wealth distribution that is entangled in multiple and complex relations of dependence influenced by configurations of kinship, labour, community, ethnicity, gender, society and the state. The rural distributional economy is not a productive one. Instead of producing more wealth, the 'distributive labour' is primarily directed at dividing sources of wealth into 'smaller and smaller slivers as they work their way across social relations of kinship, clientage, allegiance, and solidarity' (Ferguson, 2015: 97). This kind of activity keeps households afloat through various mechanisms such as informal credit (Klijn and Pain, 2007). In other words, in the distributional economy, there is economic and social decay, but the social arrangements allow a certain degree of sustenance for households to 'roll' their budgets. However, the same social relations that allow families to make ends meet reinforce and perhaps exacerbate existing inequalities that operate along tribal, class and gender lines.

Other risk factors that discourage people from engaging in agriculture are beyond human control. Annual or continued multi-year droughts, floods and other weather conditions and global food price fluctuations set the scene for a severe downturn in the rural economy. Sometimes, policies that are taken by national governments, such as the ban on poppy in Afghanistan, can compromise agricultural livelihoods. In Nepal, although agriculture is the biggest employer, the proportion of people engaged in farming has declined over time (Central Bureau of Statistics, 2014). The lack of modernised farming, dependency on rainfall, and poor irrigation and transport infrastructure drive people (mostly men) away from rural areas in search of agricultural or non-agricultural work either within or outside the country. Similarly, environmental degradation due to deforestation, recurrent floods and landslides and the 2015 earthquake have had a devastating impact on the agricultural sector, driving many Nepalis to look for other relatively secure livelihoods. These factors often trigger a complex series of knock-on effects and vicious cycles whose effects will likely be felt long after the initial period of the shock. Difficulties caused by weather-related issues like drought can be addressed by national government by taking preventative measures such as improving the irrigation infrastructure.

4.2 Limited availability of non-agricultural work in rural areas

Although agriculture is a risky livelihood strategy given uncertainties associated with weather conditions, weak infrastructure for production and market, and inequalities in access to resources, rural areas do not offer lucrative options in off-farm employment either. As shown in the case of Uganda, there are not enough non-farm livelihood activities for young people in rural areas, and this is a key driver of internal migration (Stites *et al.,* 2019). Young people from Acholi move to urban areas in search of economic opportunities. Despite the precarity of employment in cities, the promise of receiving a (daily, weekly or monthly) wage for their labour is an attractive option. A guaranteed payment is not common in agriculture, where income and the time in which the farmer gets paid, are subject to variation. As most young people have the responsibility of providing for the elderly and other members of their families in rural areas, the wage offers them a sense of stability, even if terms of employment may not be fair or considered 'decent work'.

4.3 Surplus of rural workers in cities

Although rural youth who are running out of livelihood options rush to the cities in search of work, urban areas are not capable of absorbing them into the labour force at the rate at which they migrate. In Uganda, urban areas are expanding with the exodus of workers coming from rural areas, but economic opportunities are scarce (Stites *et al.,* 2019). Agriculture is still the biggest sector in most developing countries that have not been through an aggressive industrialisation phase. Unlike China where the manufacturing sector absorbs a large proportion of migrant labour from rural areas, countries such as Uganda, Sri Lanka, Pakistan and Nepal have a nascent manufacturing base.

Countries like Sri Lanka and Uganda, where there are large service sectors, particularly in urban areas, are not capable of absorbing the labour coming from rural areas. Hence, the young workers from rural areas take up low-paid service sector jobs, or engage in construction or petty trade in the cities. This explains why young migrants from rural Uganda constantly move back and forth from their villages to the city so that they have the backup option of engaging in agriculture in rural areas during times when employment is difficult to secure in urban centres (ibid.).

4.4 Agriculture is not appealing to young people

Increasingly there is a lack of interest in agriculture among rural youth, and this is not only because of limited economic opportunities associated with farming livelihoods. It appears that generational, socio-economic and cultural changes have fundamentally transformed rural youth's social relationships to land and rural life. White (2012a, 2012b) notes that historical changes in labour, agricultural and off-farm values linked to media and greater time in school have contributed to many young people's disinterest in rural work. Moreover, school curricula of primary and secondary levels in most developing countries do not emphasise the importance of agriculture, and where they do, the content is outdated and fails to support the skills or interest of young children in agriculture (ibid.).

Many young people perceive agricultural work in rural areas as a last resort, as broader socio-cultural changes have de-valued forest and farm work (Tadele and Gella, 2012). In a study conducted in Zambia, Daum (2019) finds that rural youth perceive that people work less and engage in 'easy work' in towns, perhaps due to exposure to new attitudes ushered in by television, smartphones and social media that show lifestyles different from subsistence farming. Other studies from Asia and Africa reveal that young people in rural areas are sometimes excluded from agricultural work by their parents, who do not want them to become farmers (White, 2012a). These trends are similar to the evidence from one of the case studies in Uganda, where rural youth categorically stated that they do not like the arduous work of farming (Stites *et al.,* 2019).

4.5 'Wants' overtake 'needs'

The increasing consumerist culture in urban areas of developing countries is another factor why young people prefer to move away from rural agriculture to the urban service sector. The promotion of a global consumer culture and increasing commodification of life which is part and parcel of neoliberal globalisation creates new 'wants' (as opposed to needs) that are constantly pushed by different types of media. These wants cannot be easily satisfied by redistribution systems in villages (Amanor, 2001). This trend is evidenced by one of the case studies in Uganda, where a young sex worker follows her sister to the city because the latter owns 'beautiful things' (Stites *et al.,* 2019: 10).

There is evidence of this trend in the conflict-affected areas in Sri Lanka's Eastern Province as well, however not in relation to youth migration to urban areas. After the war ended in 2009, the north and east of the island – where localised and insular war economies were the norm for nearly 30 years – were 'opened up' as a market of consumers for the rest of the country's businesses. As a result, the market became flooded with various goods that attracted people in conflict-affected areas who were not exposed to lavish consumerism for a long time. The case study finds that people engage in multiple livelihoods and borrow money from multiple sources in order to satisfy their desire to purchase goods such as household appliances, televisions, mobile phones, cosmetics and other popular merchandise (Lokuge *et al.,* 2019).

4.6 Changes in socially embedded credit mechanisms and markets

Informal credit, as mentioned earlier, is a socially embedded mechanism that performs the function of social protection in most case studies, but particularly in places such as Pakistan and Afghanistan. Javed *et al.* (2019) note that the conflict in Swat, Pakistan, led to a shrinking credit market as lenders migrated to safer places under the threat of violence. These conditions then led to capital flight which weakened formal financial institutions. The conflict caused a severe scarcity of formal credit, and informal lenders, albeit with a limited supply of credit on offer, have stepped in to fill the vacuum of the credit market. Simultaneously, the demand for loans has increased as people have attempted to re-establish businesses and livelihoods. The conflict has also left a significant proportion of households with disabled or injured people, and expenses related to treatment is another reason for people to seek credit options.

These conditions have changed the nature of the terms of borrowing and the motivations for lending money that extend beyond economic profit. For example, most of the informal lenders who likely have benefited from the war economy have used informal credit to influence borrowers. Those involved in local politics, for instance, use informal loans to get votes during elections. The borrowers are obliged to vote for their lender in the election and, more often than not, there are direct demands from the lender as well. In other words, as Javed *et al.* (2019) note, informal lending is manipulated to carve out a voting bloc consisting of vulnerable borrowers.

Informal lenders have often been emboldened by the broader socio-economic conditions that have made them 'in demand' individuals. At times they have used this new status to acquire a strong group of aides in the villages who, in turn, support the lenders' activities. As Graeber (2011) notes, borrowing terms can mirror 'bondage like' arrangements depending on the context. For example, daughters of households can serve as 'security deposits' for loans, and in case of default, they would be forcefully married off to the lender and spend several months as his concubine (Galey, 1983 cited in Graeber, 2011). Evidence from Swat indicates that informal money lenders have had diverse income generating sources. Given that returns from informal lending are unpredictable and risky, many of them turn to other businesses while maintaining informal lending as an auxiliary income generating source. They also confirmed that the unregulated nature of the credit market has allowed them to make their own terms and conditions for lending money (Javed *et al.,* 2019).

As mentioned earlier, in Afghanistan too informal lending is a social mechanism through which the local distributional economy provides rural households access to land, labour and opportunities to earn an income. Informal credit is a fundamental mechanism through which markets operate as well. A chain of patron–client relationships in the distributional economy and markets governs 'who has access to credit, when and how' and terms of borrowing. Shaw and Ghafoori (2019) note that the availability of credit has declined in Afghanistan in the last ten years. Lenders who previously offered AFN 10,000–15,000 per transaction in the past have significantly reduced the borrowing amounts that are as low as AFN 2,000–5,000 (Shaw and Ghafoori, 2019). While the shrinking pool of credit may be partially linked to conditions created by protracted conflict, Shaw and Ghafoori (2019) contend that longer-term factors such as smaller landholding size may be a key contributing factor. As people lose their asset base (land ownership) they are pushed towards engaging in agricultural labour in farms owned by other people. But when environmental hazards adversely impact agriculture, wage labourers have limited livelihood opportunities. These circumstances also affect real wages. As a result, some households are left with surplus income to lend to others (ibid.).

War and conflict have devastating effects on people's livelihoods. The violence and destruction of public infrastructure weaken the capacity of the government to provide security and basic services, while conflict disrupts production patterns, often displacing people from their land and disrupting their livelihoods. War and conflict also alter norms, practices, structures and social actors embedded in society. And the war economy creates conditions for the transfer of assets to power brokers and their allies in a given locality.

However, these disruptions take place within broader political, economic and social processes that thread through times of war and conflict as well as periods of transition from violence. These broader political-economic trends include falling agricultural production amidst the decline of rural economies, and growing surplus populations that are landless or land-poor and falling into local, socially embedded distributional economies. Capital flight from rural areas owing to war and other factors shrink the availability of formal and informal credit on which poor households depend to 'roll' household budgets. A high demand for a limited pool of credit also creates exploitative terms and conditions of lending. Under these circumstances, there are limited livelihood strategies for individuals and households, and little incentives for young people to remain in rural areas. Consumerist lifestyles promoted by mass and social media expose young people to new cultural values and 'ways of living', all of which diminish the allure of the 'simple' rural life and embolden the struggle and hardship associated with agricultural work. In this context, many young people from rural areas migrate to cities within the country or outside of it in search of securing a steady income stream.

The promise of migration as a 'positive disruptor' that improves household incomes is often contested as urban industrial or service sectors fail to absorb migrant workers from rural areas or other countries. Migration overseas has also become more challenging over time as states pass stringent immigration policies and tighten border control. But migration remains an 'option' for poor households in conflict-affected countries and prospective migrants often tap into informal credit mechanisms to pay for the initial costs of migration. These expenses vary depending on whether they are migrating within the country or outside of it. Money borrowed from informal credit mechanisms are often used to pay for recruitment agency fees, travel costs, accommodation or any other costs that are associated with the migrant labour arrangement. The family of the migrant that remains in the village becomes the representative for all matters regarding the loans taken by the migrant. These broader political economic trends trap conflict-affected rural populations in livelihood repertoires consisting of casual waged labour in agriculture or in the non-farm sector, self-employment and migration. Debt is an important aspect of these repertoires that allows households to roll household budgets as they juggle with multiple livelihoods. The key livelihoods interventions of microfinance-driven self-employment and entrepreneurship are injected into this dynamic space in which rural populations are trapped in an endless struggle to secure livelihoods and stability.

4.7 Patchwork livelihoods and modes of control

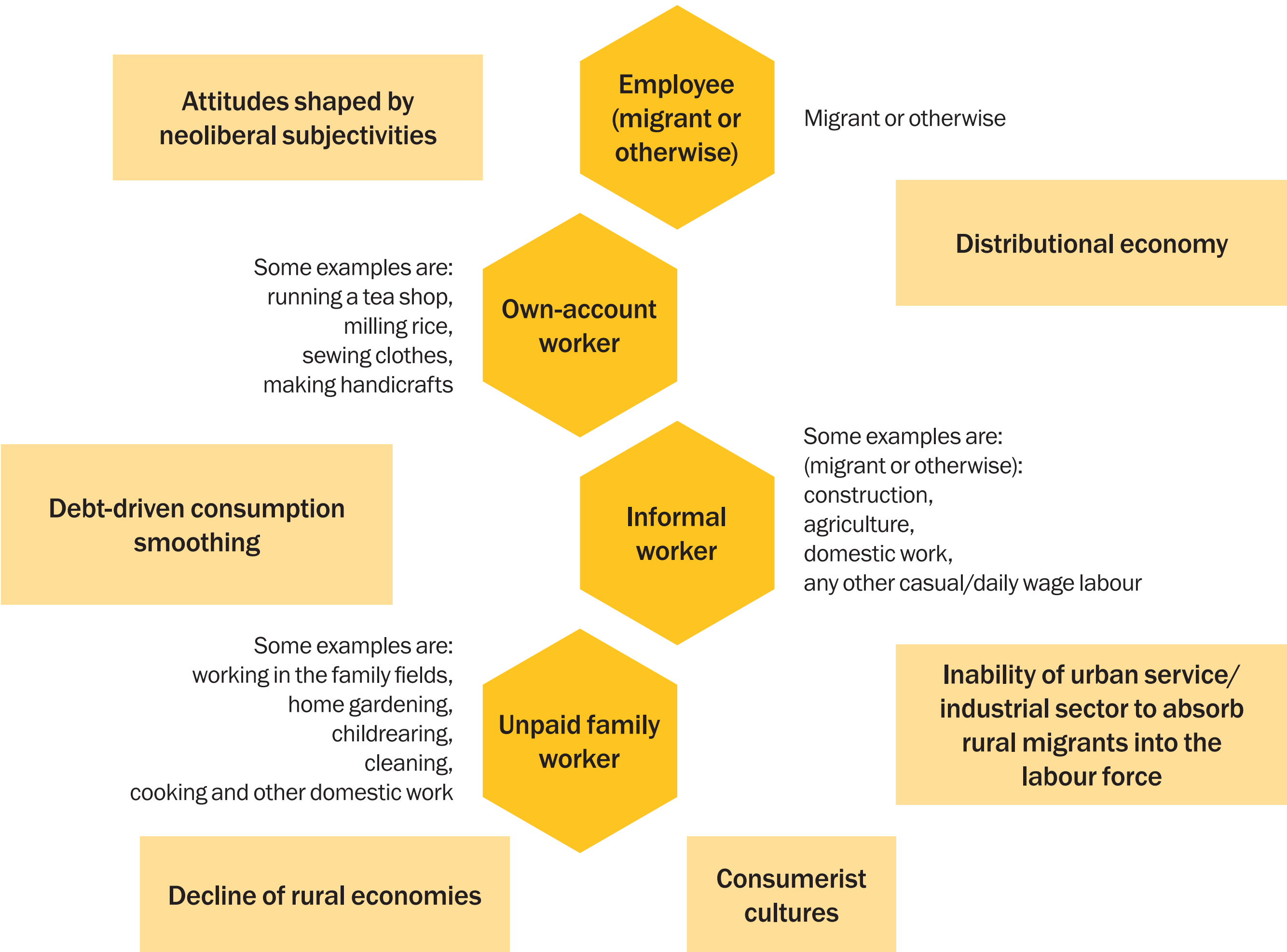
The evidence stemming from the case studies points to three overarching observations. First, in conflict-affected areas, people are embroiled in endless struggles to secure livelihoods which take place within high socially embedded economies with power structures that operate along inimical social, economic, political and cultural fault lines. The distributional economies where surplus rural populations seek livelihood security and social protection from wealthy, land-owning gentry are characteristic of patron–client relationships unique to each location. Second, there are broader economic, political and ideological forces at play in these socially embedded economies which shape people's livelihoods and lives. Consumerist culture and normalised debt for consumption smoothing are cases in point. Third, people's livelihood repertoires seem to operate in a patchwork-like fashion, where the vast majority engage in unpaid family labour.

Working in family fields or other non-farm work, fetching water, home gardening, child-rearing and domestic chores fall into this category of work. Indentured labourers also fall into this category. Women are more likely to engage in this type of work given the gendered division of labour, while unpaid work occupies the greatest number of people in conflict-affected areas. This does not mean that the only type of work that most people do is unpaid, but that unpaid work is integral to their lives, even if they engage in other forms of paid work.

Informal work is another commonly available path to make a living. Working in construction, agriculture, domestic work outside of the family home, and any other casual, daily-wage labour falls into this category. A significant proportion of migrant workers, whether they move within their country or outside, are likely to be informal workers. 'Manpower workers' who are recruited (informally) by manpower (staffing/labour contracting) agencies increasingly occupy factory floors and cleaning services and they work for a daily wage. Manpower workers often do not have contracts with the agencies, and it is mutual trust (which is violated at times) that governs this labour arrangement.

Then there are own-account workers. Microentrepreneurs who run tea stalls, home-based rice or grain mills, and those who make handicrafts, snacks and other items to be sold in local markets fall into this category. There is not enough evidence to contend that this category of work draws better financial returns compared to informal work. As such, it is difficult to infer whether the livelihood outcomes of own-account workers are necessarily better than informal workers. However, own-account workers seem to have relatively more autonomy than some informal workers may have on what to produce and avenues of sourcing working capital for their microenterprises. Lastly, there are formal employees who have secured public or private sector employment. Workers belonging to this category are possibly the smallest proportion of people in all of the case studies. They tend to be salaried employees who have managed to secure the few coveted jobs that are available in conflict-affected areas. This is illustrated by Figure 2.

Figure 2: Patchwork livelihoods and modes of control



5 Why some post-war livelihood development interventions fail

While the end of a war or armed conflict may bring to an end the security concerns of people, it does not automatically translate into livelihood recovery. The 'survival mode' of people during conflict continues well into the transition period – they transfer their energy into the next 'order' of needs above 'being alive'.

As evidenced by the case studies, people 'try everything possible' in the struggle to secure an income, preferably a steady one for themselves and their families. In response, ensuring access to finance and self-employment leading to entrepreneurship are the dominant livelihood interventions in the 'toolkit' of aid agencies and governments. This does not mean that international development agencies and states do not intervene in other ways – they have ongoing social assistance and social protection such as food aid, cash or food transfers, and pensions. However, in the contexts studied during phase II of SLRC's research, microfinance-driven self-employment appears to be the dominant post-war livelihood recovery intervention. This is particularly so for countries that slowly transition away from armed conflict and show modest but slightly higher levels of economic growth.

The reason why these have become the dominant interventions can be political. That is, there is a convenient disregard for *why* certain populations are affected by war and conflict. Perhaps there is a certain pessimism that issues of marginalisation are deemed too tough to address by states and development agencies. Or addressing such deeply political issues is too big of a risk for the powers in place. This is precisely why interventions such as finance-driven self-employment has made a comeback despite the mounting evidence that shows its ineffectiveness in uplifting people's livelihoods in conflict-affected areas. As found by the case studies conducted in Sri Lanka on the effects of these interventions on livelihood recovery, there are some minor and largely temporary short-run benefits for a small minority of 'winners'. But finance-driven self-employment and entrepreneurship ventures have serious limitations as post-war development policy (Gunasekara *et al.*, 2016; Lokuge *et al.*, 2019; Ranawana and Senn, 2019).

The case studies support the following stylised facts about finance-driven self-employment and entrepreneurship:

- Finance-driven self-employment is a short-term subsistence activity for people in conflict-affected areas. As such, assumptions and modalities used to promote conventional entrepreneurship do not apply. In this context, self-employment is not 'realising a

bright business idea' but the 'only option' to make ends meet, and individuals may take up many different self-employment initiatives within a span of a couple of years, moving to producing a different product when one fails to bring income.
- Microentrepreneurs have a very localised market and their buyers are often members of the community or those living in neighbouring areas. Their customers have limited purchasing power which determines the price and quantity of sales. And they compete in a market that is saturated with the products of other microentrepreneurs with no one to purchase them.
- Microentrepreneurs in conflict-affected areas often lose out when markets are 'opened up' in the aftermath of war and conflict. As a result, they become even more risk averse in trying new products or innovations.
- Self-employed individuals in conflict-affected areas face numerous challenges in accessing markets as well as promoting their products. They have difficulty ascertaining the 'right market'. However, those who receive prior training on marketing perform better.
- Microfinance funds micro- and small enterprises and agricultural units that are very small, and which operate below a minimum efficient scale. While there are other reasons that prevent microenterprises from scaling up such as lack of access to markets, not knowing the target market and open market forces that hinder small enterprises, the finance model itself seems to be built to prevent self-employment ventures from scaling up.
- Self-employed individuals tend to 'get the loan and start making and selling something' instead of planning out their business. They receive no guidance on what to produce, who is the targeted consumer, where this consumer is, who else is producing the same product, who the other market players are and how to access them.
- The challenge faced by microentrepreneurs in scaling up their ventures is by-design, and it eventually causes such businesses to fail. Because they are very small and low-productivity agricultural or non-agricultural ventures, the micro-loans do very little to increase output and scale up.

5.1 Selling for survival is not 'entrepreneurship'

The fundamental problem of finance-driven self-employment and entrepreneurship is its application as a poverty reduction-cum-livelihood recovery strategy in conflict-affected areas. To be specific, the problem starts with underlying assumptions about entrepreneurship and the nature and spirit of entrepreneurs. Baumol (1990: 897) describes entrepreneurs as 'persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige'. Many policy-makers and development practitioners see finance-driven self-employment and small business activity as synonymous with entrepreneurial activity. Although some individuals who obtain microfinance loans to manage their household budgets in conflict-affected regions may well be entrepreneurial, they are not synonymous with 'entrepreneurs' (Wennekers and Thurik, 1999). Most people who obtain loans to start self-employment activities and/or small businesses are survivalist in nature – their motivation for self-employment or business activity stems from necessity rather than opportunity and growth-oriented entrepreneurship.

As found by the case studies conducted in Sri Lanka, self-employment has become a strategy for people to eke out a living day to day. On some occasions, women take up self-employment 'with or without their desire' because there is nothing else they can do to survive (Lokuge *et al.*, 2019: 10). In other words, it is a short-term subsistence activity for most people living in conflict-affected areas. Individuals whose health has deteriorated as a direct or indirect impact of war, or who are war-wounded or disabled all resort to self-employment as the 'only option' to make ends meet (Ranawana and Senn, 2019). Another point highlighted by the case studies is that an individual may take up many different self-employment initiatives within a couple of years, moving to a different product when one fails to bring in income (ibid.). Moreover, for most people in conflict-affected areas, self-employment has become one of many jobs that they do in order to make a living. People who take up self-employment or entrepreneurship as a livelihood strategy, as opposed to the conventional entrepreneurs, tend to be risk-averse and less inclined to innovate and experiment, because they simply cannot afford to do so (Lokuge *et al.*, 2019).

The authors of the Sri Lanka case studies also point to the gendered implications of assumptions made of people who take up self-employment in conflict-affected areas. They persuasively argue that a female entrepreneur who takes up self-employment due to her lack of livelihood options still has to manage her childcare responsibilities and other household labour, whereas a 'true' entrepreneur who starts up a venture because she wants to 'innovate and be "her own boss" will have different support systems at home to facilitate the enterprise, expectations from the business, and plans for scale-up or expansion and different levels of external support' (ibid: 12).

5.2 Difficulties selling products

Micro- and small entrepreneurs face several issues related to the sale of their merchandise. This is intricately linked to the intervention of microfinance that is used as a modality to promote self-employment. The objective of microfinance is to supply credit to as many individuals as possible because self-employment is intended as a poverty reduction measure. The practice that stems from this has produced hundreds of 'survivalist' informal microenterprises in conflict-affected areas. These entrepreneurs target a very localised market and their buyers are often members of the community or those living in neighbouring areas.

There are two issues that such entrepreneurs face in selling their products: one, the target customer has limited purchasing power which determines the price and quantity of the sale; and two, the market is often flooded with goods that can be produced easily and are of low cost. It is likely that several individuals from a single neighbourhood start producing the same item to be sold. Hence, markets are saturated with microentrepreneurs' products in conflict-affected areas with no one to purchase them. Moreover, as Gunasekara and Nagaraj (2019) find, microentrepreneurs receive mediocre training to produce goods that are already abundant in the market. In the absence of proper guidance on consumer preferences and focusing on a target market, their products tend to be of low quality with little to no market value. Previous studies conducted by SLRC also confirm that entrepreneurial skills often fail to cater to specific market needs or offer 'secure and dignified' livelihoods (Mallet and Pain, 2017).

Small entrepreneurs in conflict-affected areas often lose out when markets are 'opened up' in the aftermath of war and conflict. As found in the case studies in Sri Lanka, imported goods from China and India that are modern in their design and much cheaper in price are rapidly encroaching the market of local, small entrepreneurs. This praxis of 'free and open market principles' has caused micro- and small entrepreneurs to retreat and to become even more risk averse in trying new products or innovations. The fear of not being able to compete with imported goods seems to be pervasive among them (Lokuge *et al.,* 2019). These challenges point to two important lessons. First, merely increasing opportunities to borrow money for self-employment ventures does not automatically translate into successful micro- and small entrepreneurship. The lack of knowledge and training about market preferences and scope leads to very short lifespans of these enterprises. Second, giving free rein to open market forces via minimal government intervention can decimate local micro- and small entrepreneurs who cannot compete with the quality and price of imported consumer goods. As such, 'entrepreneurs cannot create economic development by themselves' (Buddhadasa 2011: 119). The case studies from Sri Lanka contend that this consideration applies to both survivalist microentrepreneurs and to small business entrepreneurs who managed or sometimes even thrived during the relatively 'closed' economy throughout the war (Lokuge *et al.,* 2019; Ranawana and Senn, 2019).

5.3 Lack of market access

Self-employed individuals in conflict-affected areas face numerous challenges in accessing markets. Some of these challenges are infrastructure-related, such as poor roads and affordable means of moving their products (Pollin and Feffer, 2007). The other set of challenges entail marketing and promotion of their products. Many microentrepreneurs have difficulty ascertaining the right market, and those who receive prior training on marketing, however rudimentary it may be, perform better. Markets are deeply socially embedded structures, and entrants who have pre-existing connections with players who are already established have a better chance of survival. However, even when individuals establish relationships with vendors, there are often delays in receiving payments. As most traders roll money to stay afloat in their business, they purchase products by giving a credit period, which means that the microentrepreneur will receive money for the goods sold after a calendar month or sometimes even longer.

The case studies from Sri Lanka find that women entrepreneurs face intimidation and at times sexual harassment by vendors during these negotiations (Ranawana and Senn, 2019). Women from upper castes who are relegated to roles at home and expected to conduct themselves in a particular manner shy away from male-dominated market spaces where direct negotiations take place. Evidence also points to challenges faced by self-employed individuals in accessing markets as a debt driver. Difficulties finding buyers and long credit periods often leave micro- and small entrepreneurs without an income for substantial periods of time. Under these circumstances, they turn to more borrowing as they need operating cash to keep their business running and to manage their household expenses. The practice of borrowing a series of loans – such as a 'Monday loan', 'Tuesday loan', 'Wednesday loan' – has become common among women microentrepreneurs in conflict-affected areas due to this reason (Kadirgamar and Kadirgamar, 2018).

5.4 Difficulty scaling up and inertia

Microfinance funds micro- and small enterprises and agricultural units that are very small, which, according to Bateman and Chang (2012), almost always operate below a minimum efficient scale. While there are other reasons that prevent microenterprises from scaling up such as lack of access to markets, not knowing the target market and open market forces that hinder small enterprises, the finance model itself seems to be built to prevent self-employment ventures from scaling up. This is because the objective of the microfinance model (whether commercial or otherwise) is to disburse micro-loans to as many microenterprises as possible in the short term.

Here, the amount of the loan and the preferred duration of the venture are noteworthy. In order to keep the risk of borrowing at a minimum, the loan maturity periods are shorter, and the interests are set at higher rates. Loan documents from microfinance companies in eastern Sri Lanka indicate that interest rates for microfinance range between 19% and 28% per month (Ranawana and Senn, 2019). This pushes poor individuals engaging in informal microenterprises and small entrepreneurs towards more loans, far more than they can repay. As stated elsewhere, this built-in feature of microfinance-driven entrepreneurship is likely to have undesirable gendered consequences particularly in the agriculture sector, where the exploitation of women's unpaid farm labour gets worse as micro-farms struggle to repay short-term loans borrowed at high interest rates (Manji, 2006).

As discussed earlier, the case studies find that people engage in multiple self-employment ventures simultaneously or in a serial fashion and the difficulty of scaling up is common to all. Most, if not all of these ventures tend to be informal in nature. Discussing the booming sector of *changarros* (small shop) in Mexico, Levy (2007) argues that this feature of microfinance subsidises informal employment rather than formal employment. The author points out that over-employment and over-investment in small informal firms under-exploit advantages of size and consequently there is little investment in technology adoption and worker training. In other words, there is no incentive for microfinance-driven self-employed individuals and microentrepreneurs to scale up or move towards using better technologies to cut down costs, and this is so by design. This means that microfinance-led self-employment and entrepreneurship leads to a state of inertia which, in the long-run, has debilitating effects on people in conflict-affected areas.

5.5 Finance is not a sufficient condition to boost livelihoods

The collated findings from the case studies point to important learnings about the livelihood interventions of microfinance-driven self-employment and entrepreneurship. The main lesson is that access to finance should not be a sufficient condition to help people in conflict-affected areas make a living.

Governments, non-governmental organisations (NGOs) and private finance institutions promote microfinance and the goal is to reach as many beneficiaries as possible. The objectives may be a combination of reducing poverty through market mechanisms and to earning a profit from the high interest rates charged by issuing micro-loans. It is not difficult to convince the poor to borrow, especially in a context where they have run out of options to generate an income for their household sustenance. A major reason why microfinance-driven self-employment and entrepreneurship do not help people establish sustainable livelihoods is that the interventions stop at issuing loans. Perhaps they stop here because of the original assumption that those who borrow are 'entrepreneurs' in the conventional sense. Once a loan is issued, a borrower is left to the vagaries of the market. But because most of them turn to self-employment for the sake of survival and not because they want to be entrepreneurs in the conventional sense, these borrowers do not have the skills nor the confidence to navigate the market.

Self-employed individuals are given no guidance on a range of topics – what to produce, who is the targeted consumer, where is this consumer, who else is producing a particular product, who are the other market players and how to access them – and the list continues. In other words, very little support is given for preparing a business plan. Rather, the common practice seems to be 'get the loan and start making and selling something'. Where individuals have received training by the government or an NGO on producing agricultural or non-agricultural goods, they have benefited from it (Ranawana and Senn, 2019). Training alone, however, does not seem to be adequate as there are other issues faced by necessity entrepreneurs, such as market saturation of particular products and lack of access to markets. Even the entrepreneurs who are relatively higher skilled have difficulty establishing consistent relationships with buyers. Access and entry to markets, as found in the case studies from Sri Lanka and Afghanistan, is centered upon one's social capital as markets are deeply embedded in social structures.

In some instances, structures can be created for entrepreneurs to meet and mingle. An example described by Ranawana and Senn (2019) about the Women's Wing of the Trincomalee Chamber of Commerce is a success story. Here, the Women's Wing serves as a structure for struggling entrepreneurs to make connections with other producers and buyers (ibid.). Another example from Sri Lanka is the cooperative structure that allows groups of self-employed individuals to negotiate with buyers. However, Bateman and Chang (2012) point out that microfinance-driven self-employment rarely facilitates solidarity and local community partnership. They contend that the local hyper-competition and intensification of day-to-day workloads and the pressure to repay loans ushered in by the microfinance model chips away at 'community livability'. Davis (2006: 185) adds that those engaged in informal self-employment under conditions of infinite labour 'usually stop short of a total war of all against all'. He argues that the pressure to survive among informal microentrepreneurs often creates conditions where the business conflict transmutes into ethnoreligious or racial violence (ibid.).

Lastly, the difficulty faced by microentrepreneurs in scaling up their ventures eventually causes many businesses to fail. Because they are very small and low productivity agricultural or non-agricultural ventures, the micro-loans do very little to increase output and scale up. As a result, self-employed individuals in conflict-affected areas get trapped in a pattern where they move to producing a different item when one venture fails and their debt burden increases over time (Gunasekara and Nagaraj, 2019). The 'Krishna Crisis' in India's Andhra Pradesh is an obvious illustration of the damage caused by microfinance to the local agricultural economy (Arunachalam, 2011). In the 1990s, microfinance was channelled excessively to subsistence farmers. Although the smallest and the least productive farms easily accessed the micro-loans, they could not produce enough to repay their loans. They simply did not have the capacity to scale up, and any marginal increase in output was not enough to cover high interest rate charges on the micro-loans. The farmers became desperate as they struggled to keep up with generating an income to repay their loans. In this context, microfinance institutions did what they do best – promoted more and more borrowing among farmers, to the extent that farmers accepted any form of credit at any interest rate (Taylor, 2011). This led to the vicious entrapment of farmers in debt cycles, a common pattern that we see among almost all self-employed individuals in conflict-affected areas.

A major lesson imparted by the case studies on finance-driven entrepreneurship is never to assume that 'supply creates its own demand' (Galbraith, 2008). The entrepreneurs' experiences recorded in the case studies in Sri Lanka repeatedly point to the difficulty of market access. While various social dynamics may determine access and entry to markets, there might be a deeper problem at work here. That is, although the supply of goods is increased by microfinance-induced microenterprises, the total volume of the demand (for goods) remains the same. In other words, just because more and more entrepreneurs produce goods, it does not magically create a demand. Instead, it subdivides the existing demand among various producers (Davis, 2006). And, as shown by the case studies, the demand for the products in conflict-affected areas comes from people just like the entrepreneurs, who have very limited purchasing power. In this context, promoting more and more microentrepreneurship can have quite serious implications for people.

Experiences of self-employed individuals in conflict-affected areas as collated by the case studies point to another broader limitation of microfinance-driven entrepreneurship as a model of development. That is, the principle and the practice of planning is avoided altogether. There is no conscious guidance of the market mechanism. For instance, if several applicants for micro-loans are from the same locality, they are rarely advised to produce different things given the obvious danger of saturating the market with the same product. The idea that different people should produce different items to be sold in the market is not entertained, as it is 'unholy' given the value of 'free choice' advanced by microfinance-driven livelihoods development. The lack of a planning aspect leaves microentrepreneurs who have limited knowledge of and exposure to market preferences and prices high and dry, with the only option of borrowing more and more to support their business.

6 Doing it differently

The lives and livelihoods of people living in conflict-affected areas in the world take different shapes and forms contingent upon the political, economic, social and cultural continuities and ruptures of these conflicts. This paper tackles a paradox between the dominant interventions on livelihood recovery – namely, finance-driven self-employment and entrepreneurship – and people's lived realities. These interventions are implemented within ongoing processes such as falling agricultural production amidst the decline of rural economies and growing surplus populations that are landless or land-poor and falling into local, socially embedded distributional economies.

Eight studies conducted in Afghanistan, Nepal, Pakistan, Sri Lanka and Uganda reveal that people under these circumstances 'will try anything' to survive, and their available livelihood strategies fall into four areas: 1) migrating for work, both within and outside the country; 2) self-employment, either in agriculture, other products or petty trade; 3) agricultural and/or non-agricultural casual waged labour; and 4) living off debt. Microfinance-driven self-employment ventures – the twin interventions promoted by governments and NGOs alike – have not been successful in securing steady incomes for the vast majority of people due to a combination of reasons, ranging from a lack of training, difficulties accessing markets, and a lack of overall planning on what to produce and for whom. Hence, people tend to switch from one livelihood to another in almost a 'repertoire'-like fashion. Those who strike relative success move away from unpaid labour to formal and secure employment. But finance-driven interventions have not led to other broader outcomes such as overall stability and a reduction in fragility. What this means is that a temporary injection of finance into economic development does not automatically contribute to 'post-war recovery'.

This final section offers a few suggestions on 'how to do it differently' for microfinance-driven self-employment and some recommendations on how to improve the conditions for people trying to make a living as migrants and casual labourers, as well as for those who depend on debt for survival.

6.1 Introduce the 4Ps: product, price, place and promotion

The case studies clearly indicate that governments and development organisations first need to shift their thinking on what self-employment and microentrepreneurship means in a conflict-affected context. As suggested by Lokuge *et al.* (2019), there are some points for consideration prior to launching a 'free for all' entrepreneurship programme:

- the motivation for starting and engaging in a self-employment venture
- the sector – agriculture, manufacturing, services, etc.
- income and poverty levels
- types of resources that individuals are already able to access – savings, access to markets, social networks, etc.
- the household and individual demographics.

McCarthy (1964) offered the 'marketing mix', commonly referred to as the '4Ps', as a means of translating marketing planning into practice. This is not a scientific theory, but a framework that offers conceptual tools to develop both long-term strategies and short-term tactical programmes (Palmer, 2004). National planners and development practitioners may find the tools offered by the 4Ps marketing mix helpful in making improvements to microfinance-driven self-employment programmes:

- *Product*: what should be produced? The tangible good that should be produced (i.e. organic fertilizer) or the intangible service (i.e. masonry) should meet a specific demand in the locality where the self-employed person operates. If the product is intended to be sold in markets elsewhere, it is crucial to understand the tastes and preferences of potential customers. For example, people in the conflict-affected north and east of Sri Lanka produce numerous handicrafts – handbags, wall hangings, wallets, baskets, cane products, etc. – to be sold in the cities. However, the colours and textures of these products do not match the tastes of most middle- or upper-class individuals for whom the goods are produced. Identifying the potential buyer, understanding their preferences and the unique selling point of the product need to be carefully thought out.
- *Price*: how much would the customer pay for the product? This is linked to the perceived value of the product to the customer, not the real value. The point is that if a product is priced higher or lower than its perceived value, it will not sell. When determining the price, one has to factor in distribution plans, how competitors price a rival product and markups.
- *Place*: this grapples with how the product will be delivered to the hands of the customer. The placement strategy assesses the most suitable channels for a product to be seen and accessed by the customer. Looking at this aspect also forces the entrepreneur to get a sense of distribution costs prior to starting a microenterprise.
- *Promotion*: this includes all the strategies and techniques used by the entrepreneur to advertise and sell to the consumer or to an intermediary who will place the item in the market. Communicating about the product and negotiating a fair price are key aspects that fall under this area.

Identifying the market for a particular product, understanding the preferences and tastes of the target consumer, and gauging the feasibility for an individual to create a product that can compete in the market can be useful exercises. The 4Ps can be used as an entry point to such engagements, and using this marketing-mix concept to help microentrepreneurs make decisions can easily be conducted via local government bodies and NGOs. Discussing product, price, place and promotion will invariably get at issues of accessing markets and scaling up in order to breakeven the costs of production. Applying this simple exercise prior to issuing any type of loan would disqualify some prospective entrepreneurs who are unable to meet the expectations. And it will shift the focus away from encouraging the 'risky business' of entrepreneurship towards building relatively less volatile livelihoods.

The current practice is that government agencies and NGOs either prescribe what is to be produced and how based on criteria of entrepreneurship projects or they simply issue loans without much guidance on what to produce. More often than not, government officials and NGO employees continue to impart archaic ideas about products and the market. There is often a limited understanding (among government officials and NGO workers) about the capacities, resources and the constraints of the people who are receiving a loan or a particular training, as well as about the latest trends in the market and the supply chain. There is little investment in understanding the consumer demand for different products with the help of marketing, sales and innovation experts.

As suggested by Ranawana and Senn (2019), these planning discussions could be participatory and collaborative from the outset, involving the communities and different types of lenders, including cooperative funding schemes. National and local governments could train personnel at the grassroots level to understand market requirements of both agricultural and non-agricultural products. These officers could then work with individuals and households throughout the process of establishing and operating a microenterprise. Deviating from the sole focus on debt assistance, emphasis could be laid on upskilling programmes and product improvement and marketing.

6.2 Encourage local, community-driven financial institutions

The case studies highlight that the neoliberal financial model has not contributed to progressive local economic and social outcomes in conflict-affected areas, and instead has led to over-indebtedness. However, the case studies point to a few positive experiences with local and community-based financial institutions.

The first type is formal but local credit cooperatives. They are rarely short-term or profit-driven but are willing to use subsidies or investment in order to support the local economic development process. The most recent success story is from Vietnam. The country rejected microfinance and chose China's local financial model, establishing People's Credit Funds (PCFs). These are commune-based financial cooperatives that began in 1993 to replace failed cooperatives. The inspiration for the PCF model comes from the *Caisse Populaire* system pioneered and successfully used in Quebec, Canada. PCFs support small enterprises and, in particular, semi-commercial family farms using land leased from the state. They avoid supporting subsistence activities and consumption loans that are otherwise promoted by commercial, profit-seeking microcredit institutions. Simultaneously to PCF activities in Vietnam, the local government has stepped in to provide high-quality collective services such as irrigation and agricultural extension services to support small farms to 'scale up' into much more productive units that are connected to membership of their local agricultural cooperative (Bateman, 2019).

The case studies also point to a number of informal community arrangements as well. The case of Muslim traders on Batticaloa in the Eastern Province of Sri Lanka, for example, is a possible alternative model. Here, the model revolves around the practice of *zakat* in the Islamic tradition, where an annual collection of charitable funds takes place during Ramadan. The local mosque association uses this money to settle the debt of the most vulnerable members of their community. Through the same community mechanism, there are informal support channels that provide assistance and financing for those who wish to go abroad for training and education. Ranawana and Senn (2019) find that there is a reciprocal and internal nature to these arrangements, and the wellbeing of the community is given priority over individual success. Members who receive support often contribute to the fund when they start earning, which allows another needy family to receive support. As such, the model entails circularity, internality and reciprocity as its driving principles (ibid.). Those who design and implement programmes need to understand these social arrangements, as there is a risk that development interventions overlaid onto such relations may end up reducing people's access to coping mechanisms or informal support structures.

The case study on the importance and the social embeddedness of informal credit in rural Afghanistan also contends that governments should resist attempts to formalise, institutionalise or regulate these sort of community mechanisms. The authors caution that external credit initiatives will always overlay existing informal credit practices, rather than replace them (Shaw and Ghafoori, 2019). They favour agricultural credit that assists farmers with paying for seeds and important inputs and to lease land. In places where households have surplus resources, at least seasonally, there seems to be scope for microinsurance and rotating savings/self-help groups that could complement informal credit networks. Remittances from migrants could be channelled towards rotating savings, credit associations and self-help groups to support women and women-headed households (ibid.). The lesson imparted for governments and development organisations by the case studies on informal, community-based practices is that development policies or programmes should abide by the 'do no harm' principle with regard to organic, indigenous and community-based social arrangements, and there should be wider recognition of the importance of such practices to the local distributional economies.

6.3 Ensure safe migration

There is a need for broader acknowledgement that (external) migration is an inevitable livelihood option that brings in large amounts of foreign remittances to developing countries. This recognition would allow governments to put the rights of migrants at the centre of government policy. Where possible, governments could, via their diplomatic missions, put in place programmes to safeguard migrant workers in the host countries. Further, in order to improve the prospects of foreign employment and remuneration, the government institutions could offer updated trainings in various skills for which there is current overseas demand. Finally, as indicated by the case study in Bardiya, Nepal, families left behind by migrant workers also need government attention and development assistance. Some recommendations stemming from this case study include (Ghimire *et al.,* 2019):

- Offer agricultural extension services for women in migrant households: training on cash crop farming, farming techniques, pest control, veterinary care for cattle and monitoring visits by agricultural officers would be beneficial.
- Make agricultural tools more women-friendly: introducing lighter-weight tillers and pumps may help modernise farming and help increase women's productivity.
- Scale up agricultural education: as traditional agriculture is regarded as menial and unproductive, there is a need for awareness raising and demystifying negative attitudes towards farm work.
- Scale up financial literacy programmes: how to manage household budgets and borrowings and how to plan for the future of the family would be a useful initiative for people in conflict-affected areas.

6.4 Bringing back national planning

The evidence from the case studies touches on poverty and marginalisation, both as a main driver of war and conflict, and one of the barriers to livelihood recovery. This means that poverty, inequality and marginalsation must be firmly put on national policy and planning agendas. There must be widespread acceptance of inequality as a driver of insecurity and conflict. Addressing the scarcity of resources that fulfil basic needs such as water and food is foundational in responding to poverty and marginalisation. But any substantive effort to address marginalisation and issues of inequality cannot be reduced to development 'interventions' that are subjected to vagaries of donor agendas and funding. This requires a long-term (at least ten years) commitment and clearly thought out national plans.

National Development Planning (NDP), which went out of fashion with waves of economic liberalisation ushered in by Structural Adjustment Programmes (SAPs) in the 1980s and 1990s, is slowly making a comeback in many developing countries. With open economy reforms in most countries, national governments gradually moved away from planned economies to more reactive, un- or under-planned economies (Munro, 2019). NDPs have long been criticised for being anti-democratic and culpable of creating economic distortions to free-market forces (Hayek, 1944; Agarwala, 1983). During the Reagan–Thatcher era of the 1980s and the collapse of the Soviet bloc in the late 1980s, the political and ideological appeal of NDPs dropped precipitously. But the challenges faced by the hyper-liberalised global economic order that became dominant from the 1990s onwards, together with nationalisms and older forms of mercantilist international economic interests, have slowly reinvigorated national planning in many developing countries (Chimhowu *et al.,* 2019).

The case studies from Afghanistan, Nepal, Pakistan, Sri Lanka and Uganda point to the need for national planning in conflict-affected countries. As people living in these areas face countless battles in securing livelihoods after their experiences with war, it is important for governments to put livelihood security and food security at the centre of national development plans. This requires studying livelihood trends and patterns of people living in rural areas and towns, and placing them within broader political-economic changes such as declining rural incomes, increasing surplus rural populations, migration patterns from rural areas to the cities, and socially embedded structures such as the distributional economies. It also requires the courage to question conventional theoretical ideas such as 'comparative advantage' and 'economies of scale' that have discouraged the industrialisation plans of many developing countries, and which in turn have shifted focus to the service industry.

While industrialisation in the conventional form may not be advisable, decisions can be taken to encourage strategic industries where a country can carve out a niche for themselves in the global market. The proposition for partial industrialisation of conflict-affected developing countries is based on its potential to create employment. Such planning requires putting in place mechanisms and technologies to gather 'big data', which in turn would help with formulating highly localised and precise responses to livelihood insecurity and volatility. Such localised responses should connect to the larger, national vision for development that should be continued in the long term regardless of changes in political administrations.

6.5 Conclusion

The case studies elucidate a broader point about populations that are affected by war and conflict. That is, they are affected by war and conflict *because* they are people living in the periphery of the economy, politics and society. They are often excluded from state-building efforts and are rarely included in post-war recovery efforts *because* they have always been excluded from society and they do not benefit from the state. Their voices are muted and their cry for fairness is ignored. The underlying view is that 'they will be, and ought to be, happy with what they get'. Hence, the need for sophisticated livelihoods interventions that address power and marginalisation are deemed unnecessary because there is an unspoken assumption that such initiatives will not transform the status quo. This is precisely why the intervention package of microfinance, petty trade, self-employment and sub-standard vocational training is appealing and has become the norm. It allows states and development agencies temporary satisfaction that they have 'done something'.

The evidence on social embeddedness of economies in conflict-affected areas seems to imply that development interventions may not necessarily be failures, but that processes of marginalisation continue through times of war and beyond. Addressing marginalisation cannot be tackled by development interventions, as it requires a 'system shift' – it cannot be limited to spending donor funds elsewhere in the developing world with the intention of 'fixing' things.

A system shift requires development agencies to question their own governments, as well as policies on trade and foreign relations with developing countries. Assuming that the problem is elsewhere and concentrated in the developing world will only allow half the picture to be seen. The involvement of developed countries in creating inequality and marginalisation both within and outside the developed world must be clearly understood by donor agencies if serious efforts are to be taken to mitigate marginalisation elsewhere. For instance, processes of marginalisation in developing countries are often a function of global processes such as unequal trade principles and finance practices that govern the movement of wealth and capital in the world. When the global financial crisis of 2008 hit countries in the developing world, many of them were on track to meet the Millennium Development Goals (MDGs). However, the crisis stalled the MDG process in many developing countries. The crisis intensified poverty, particularly for the landless and dispossessed, and contributed to widespread insecurity. Economic recession, led by global processes, combined with population stresses, led to competition over access to jobs, resources and economic opportunities. This has become a worrying trend with historical evidence pointing to a high probability of violent internal conflict.

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