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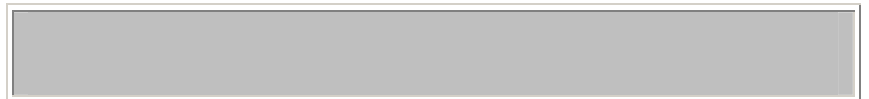
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THE ROLE AND APPLICATION OF ECONOMIC ANALYSIS IN WFP



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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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EXECUTIVE SUMMARY

Economic analysis, coupled with nutrition, social, political, gender and environmental analysis, is an indispensable element for a comprehensive and multidimensional understanding of the causes and the effects of hunger. The complex interplay of economic forces operating at the international, national, local and household levels is manifest in economic signals and choices such as prices, production and consumption that can lead to food insecurity and vulnerability. The basis of actions designed to combat acute and chronic hunger should therefore include economic analysis.

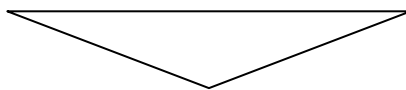
Economic analysis can help to ensure that food aid interventions are compatible, consistent and integrated with longer-term strategies for achieving food security. Economic analysis should not be applied mechanically, however: it should fit the circumstances of each operation. This implies that the depth and complexity of analysis will vary according to the situation, taking into consideration the relative importance of economic factors in the overall hunger problem.

The role of economic analysis in WFP can be seen at two levels. In the first instance, economic analysis is integral to the analysis of hunger and in designing appropriate strategies to reduce hunger. The second level relates to results-based management of operations. When designing, implementing and learning from its operations, economic analysis can be used to inform WFP's programme choices, improve the efficiency and effectiveness of operations, and support local and regional food procurement.

Earlier evaluation findings and work already under way indicate four main areas where the application of economic analysis could help to improve WFP's understanding of food insecurity and to promote the effectiveness of its operations: (i) analysing the economic factors that contribute to food insecurity; (ii) integrating WFP's operations into the national development context; (iii) analysing food markets; and (iv) assessing the impact and effectiveness of operations and choice of approaches.

Extending the use of economic analysis in WFP would be an important step towards improving the effectiveness of WFP's interventions, thus helping to achieve the Strategic Objectives. As WFP progresses in its efforts to integrate economic analysis in its work, it will need to enhance the support given to country offices in assessment, analysis and design of interventions. In this context, WFP has to define the roles of country offices, regional bureaux and Headquarters and the roles of partners. WFP should also intensify its strategic partnership with the Food and Agriculture Organization of the United Nations and other organizations to exploit synergies and avoid duplication of analytical efforts.

DRAFT DECISION*



In considering the paper “The Role and Application of Economic Analysis in WFP”, (WFP/EB.A/2006/5-C) the Board notes the importance for WFP of integrating economic analysis into its work. In particular, the Board agrees that the application of economic analysis could help to: (i) analyse the economic factors that contribute to food insecurity; (ii) integrate WFP’s operations into national development contexts; (iii) analyse food markets; and (iv) assess the impact and effectiveness of operations and approaches.

The Board **decides** that:

- WFP should continue to invest in its economic analysis capability, giving due consideration to the role of partners and the overall needs of WFP; and
- WFP should intensify its strategic partnership with the Food and Agriculture Organization of the United Nations and other organizations to exploit synergies and avoid duplication of analytical efforts.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations (document WFP/EB.A/2006/16) issued at the end of the session.



INTRODUCTION

1. In recent years, a range of evaluation findings and two consultations on emergency needs assessments¹ have highlighted the weakness in WFP's ability to use economic analysis to improve the effectiveness of its programmes. In particular, they noted the need for WFP to analyse:
 - the economic factors contributing to food insecurity and vulnerability;
 - the role of food-based programmes in national strategies and plans to reduce hunger and poverty;
 - market performance in emergencies and probable market effects resulting from food interventions;
 - the interaction between markets, food aid and measures to address hunger and promote development; and
 - the effectiveness of programming choices to support national efforts to achieve the first Millennium Development Goal of ending hunger.
2. In response to this weakness, WFP began in 2004 to strengthen its capacity to undertake economic analysis and to integrate this analysis into its work. Measures included the creation of the Economic Analysis and Development Policy Unit (PDPE) in the Policy, Strategy and Programme Support Division, the focus on market analysis in the Strengthening Emergency Needs Assessment Capacity (SENAC) project and enhancing vulnerability analysis and mapping (VAM); however, capacity for economic analysis is also required in other areas of WFP's work. The Strategic Plan (2006–2009) underlines the importance to WFP of using economic analysis to improve the effectiveness of its programmes in achieving its five Strategic Objectives.
3. The purpose of this paper is to present a framework for the role and use of economic analysis in WFP that will be used to focus WFP's growing capacity in economic analysis and to guide further development in this area. This paper marks a point of consolidation and reflection in the process to integrate economic analysis more fully into WFP's work. Partnerships will be fundamental to this process: WFP will work with national partners and other agencies to undertake economic analysis in areas relevant to hunger.
4. This paper defines economic analysis in WFP as the application of analytical tools to investigate the economic dimension of acute and chronic hunger, to examine macro and sectoral policies, to formulate and assess the performance of interventions, including the impact of food aid on markets and to inform procurement and logistics. This approach, which recognizes that food is an economic good as well as a necessity for life, is consistent with a view of economics as the discipline that “examines that part of individual and social action which is most closely associated with the attainment and with the use of the material requisites of well-being”.²

¹ WFP. 2005b. Based on the findings of 31 evaluations of emergency operations (EMOPs) and protracted relief and recovery operations (PRROs); BMZ. 2005; WFP. 2003a & b.

² Marshall, 1890.



RATIONALE FOR ECONOMIC ANALYSIS

5. There is documentary evidence that food aid is a valuable instrument in addressing hunger and malnutrition³ when it is targeted on the basis of sound analysis. Economic analysis, coupled with nutrition and social, political, gender and environmental analysis, is indispensable for comprehensive and multi-dimensional understanding of the causes and effects of hunger. The complex interplay of economic forces operating at the international, national, local and household levels are manifest in economic signals and choices such as prices, production, consumption that can lead to food insecurity and vulnerability. Actions designed to combat any form of hunger, acute and chronic, should therefore be based on economic analysis among other tools.
6. Economic analysis can help to ensure that food aid interventions are compatible, consistent and integrated with longer-term strategies for achieving food security and for understanding the broader macro-economic context, especially with regard to the probable impact in terms of changes in livelihoods and vulnerability, including identification of population groups likely to be affected. But economic analysis should not be applied mechanically: it should fit the circumstances of the operation. This implies that the depth and complexity of analysis will vary according to the situation, taking into consideration the relative importance of economic factors in the overall hunger problem being addressed.
7. The role of economic analysis in WFP can be seen at two levels. At the first level, economic analysis is integral to the analysis of hunger and in designing strategies to reduce hunger. The second level relates to results-based management of operations. When implementing and learning from its operations, WFP can use economic analysis to inform its programme choices, improve the efficiency and effectiveness of operations and support local and regional food procurement and logistics. At both levels, economic analysis is required to consider the impact of markets, food production, incomes, employment and other relevant economic variables that directly or indirectly affect the material conditions of the hungry poor and to anticipate and assess the impact of food aid on markets and these economic factors.
 - At the strategic and programmatic levels, economic analysis can (i) help to identify the economic factors that drive chronic food insecurity and vulnerability, (ii) assess the consequence of crisis on the economic aspects of food availability and access, (iii) evaluate national response capacity to acute and chronic hunger and (iv) formulate programmes and exit strategies that are coherent with national strategies and programmes.
 - At the operational level, economic analysis can help (i) to analyse the relative advantages of cash versus food assistance programmes, (ii) assess the feasibility and impact of programme and (iii) enhance the efficiency and positive impacts of local and regional food purchases.

APPLICATION OF ECONOMIC ANALYSIS IN WFP

8. The process of integrating economic analysis into WFP's work is evolving; several initiatives are currently under way. In undertaking economic analysis, WFP has built on partnerships with other agencies, research institutes, government institutions and regional

³ Yamano *et al.*, 2005; Del Ninno *et al.*, 2005; Quisumbing, 2003.



organizations. The greater focus on economic analysis in WFP has strengthened its collaboration with the Food and Agriculture Organization of the United Nations (FAO), the World Bank and the International Food Policy Research Institute among others. WFP's strong field presence helps to highlight the concerns of the most vulnerable, complementing the research capacities of these organizations.

9. Macro-economic analysis has helped some countries to engage more effectively in formulating poverty-reduction strategies (PRS)⁴ and to support national social-protection strategies. Microeconomic analysis informs vulnerability analysis, needs assessment and programming decisions. The SENAC project is supporting the use of market analysis and market profiling to improve assessment of emergency needs, identification of non-food responses to food crises and analysis of food insecurity and vulnerability in crisis-prone countries. WFP is beginning to develop methodologies for analysing the cost benefit and cost effectiveness of food aid projects and is strengthening its use of economic analysis in applied research related to hunger and in strategies to combat it.

Economic Analysis to Inform Strategic and Programming Frameworks at the Country Level

10. The most common economic analysis used by WFP country offices is provided through the joint FAO/WFP crop and food supply assessment missions (CFSAMs) in countries facing production-related food shocks. CFSAMs provide an overview of socio-economic contexts,⁵ describing the macro-economic situation, the agricultural sector and national poverty and food-security status; they contain detailed macro-level analysis of the effect of shocks on national food balance sheets in terms of food production versus prior consumption levels, and meso-level analysis of the location and conditions faced by food-insecure people based on income, utilization and food availability criteria.
11. WFP is currently strengthening its engagement and capacity to participate in PRS processes in its countries of operation⁶ to ensure greater alignment of WFP activities with country priorities and to add specific knowledge on hunger reduction. In some countries, the United Nations country team also prepares a Common Country Assessment (CCA), which is the common instrument of the United Nations system for analysing national development situations and identifying development challenges. The CCA — or in some countries the national PRS — lays the foundation for the United Nations Development Assistance Framework, on which WFP's development programmes are based. Few WFP country offices have the ability to contribute macroeconomic analysis on the causes of hunger in the preparation of the CCA or PRS; there is still scope for Headquarters to enhance targeted technical and analytical support; for example, PDPE staff have recently applied economic analysis using VAM to map vulnerable areas among other methods to support the improvement of the national food-security strategy in Niger, leading to a World Bank/WFP cooperation framework aimed at positioning food security as a crucial strategic development goal.
12. WFP's ability to contribute some microeconomic analysis is strengthened by its VAM tool. VAM, which is an interdisciplinary analytical tool supporting the design and targeting of WFP relief and development activities, embodies important elements of economic analysis at the household level, especially in its focus on understanding the

⁴ WFP, 2006c.

⁵ This part of the analysis is carried out by FAO staff.

⁶ WFP, 2006c.



probable causes of food insecurity, determining the characteristics of food-insecure and vulnerable populations, and evaluating whether food aid has a comparative advantage in addressing the basic causes of vulnerability to food insecurity. VAM uses a variety of information sources and analytical methods, including some that are essentially economic in nature such as monitoring changes in market prices and analysing economic determinants of livelihoods and vulnerability in terms of prices, incomes and ownership of assets. Efforts are ongoing through the SENAC project to integrate market information more systematically into VAM baseline studies.

13. Progress has been achieved, but it is widely recognized in WFP and among its partners that WFP should upgrade its capacities in the area of macroeconomic and sectoral analysis, with particular attention to the food-security implications of government economic strategies and fiscal priorities.

Economic Analysis to Understand Markets and the Role of Food Aid

14. Currently, market analysis is most commonly used in the assessment of emergency needs and vulnerability to food crises. CFSAMs have been used for a number of years to capture macro-level responses of markets to food-supply shortages. These assessments are applied in slow-onset crises such as droughts that affect agricultural production. Market analyses within CFSAMs are undertaken in partnership with FAO and focus on assessing the impact of a crisis on imports and food prices with a view to providing accurate, timely and credible information on imminent food problems in a country or region and to alerting the international community to the need to respond. The CFSAM guidelines are being reviewed by FAO and WFP to capture more fully the internal functioning of markets, cross-border informal trade and household food-access issues.
15. As part of VAM, livelihood analysis is applied to assess the degree of household food insecurity and vulnerability. VAM establishes the baseline food-security situation, using tools such as comprehensive food security and vulnerability analyses (CFSVAs). Until recently, VAM market analysis focused exclusively on household access to and reliance on markets; it is currently being expanded with the systematic integration of additional market information. Work is ongoing to improve the exploration of less direct and complex linkages between economic factors and households responses to shocks.
16. A third type of assessment that includes market analysis is the emergency food security assessment (EFSA). Market analysis as part of EFSA determines the impact of shocks on market prices and functions, focusing on the response of the private sector and the evolution of consumer demand; an in-depth cereal market survey in Niger, for example, provided inputs for a subsequent EFSA. Market analyses have also been carried out following crises in Darfur, Pakistan and Sri Lanka. On the basis of guidance produced through SENAC in 2005, more attention will be paid to anticipating the effects of food aid distributions on local markets and to the relationship between market trends and alternative policy options⁷. By integrating market analysis into an EFSA, WFP is able to assess food and non-food needs more accurately and establish the need for external food assistance, which provides initial direction for relief targeting and the selection of emergency response options.

⁷ Lenz *et al.*, 2005.



Box: The SENAC Project

The objective of the SENAC project is to reinforce WFP's capacity to assess food-security needs during emergencies through accurate and impartial needs assessments. SENAC is a three-year project funded by the European Community Humanitarian Office that focuses on improving analytical methods, tools and guidance materials; it has deployed 11 assessment specialists, including markets specialists, in its regional bureaux.

In an effort to strengthen WFP's analysis of the role of markets in emergencies and the effects of subsequent food aid on markets, SENAC has to date:

- prepared market profiles in Afghanistan, Côte d'Ivoire, the Democratic Republic of the Congo, Guatemala, Honduras, Madagascar, Niger, Tajikistan and Timor Leste that provide essential baseline information for future EFSAs to identify physical, economic and political variables that influence markets in a crisis and to design more appropriate food interventions; and
- organized an expert workshop on markets to review two analytical tools for market analysis in EFSAs.

Other relevant SENAC activities include:

- A study of food aid and dependency, which (i) clarifies how negative dependency on food aid might arise at the household level, (ii) identifies the possible impact of food aid on stakeholders, including traders, and (iii) outlines methodologies for anticipating the risks of negative dependency; and
- A desk review on distinguishing between chronic and transitory food insecurity in ENAs, which categorizes four main types of food insecurity — moderate chronic, severe chronic, moderate transitory and severe transitory — all of which have different linkages with markets.

17. Through the SENAC project, market analysis capacity has been strengthened and technical support provided to country offices. Pilot market profiles have been carried out in a number of countries, on the basis of which work is currently under way to define a comprehensive template for market profiles and user-friendly checklists and tools for market data collection and analysis during EFSAs, CFSVAs and food security monitoring systems (FSMS). The SENAC project currently provides a forum for sharing learning in WFP and for studying with its partners the use of market analysis in understanding needs, vulnerability and response options.
18. Market analysis is regularly undertaken by procurement officers in country offices to establish the capacity of local markets to supply food for procurement without being distorted. The focus is on analysing domestic marketable surplus, regional formal and informal trade, and the availability of commercial stock at competitive prices. Procurement officers do not usually provide specialized reporting on market analysis, but they are an integral part of country office teams and regularly exchange information with VAM and programme staff.
19. Ex-post assessments of the disincentive or displacement effects of food aid are only occasionally carried out, as in Lesotho and Swaziland where a joint team from PDPE and a regional market-assessment officer assessed the impact of food aid on national food markets. The objectives were to provide a long-term perspective on the impact of food aid on markets and to assess the validity of information about the distorting impact of WFP



food aid with a view to enabling the country office and national counterparts to make informed decisions on programming.⁸ Ex-post analysis of previous interventions, including market purchases, can serve to inform pre-intervention assessment of impacts.

Economic Analysis to Support Results-based Management

20. The *Programme Guidance Manual* gives guidance on cost-efficiency and cost-effectiveness, and to a limited extent on cost-benefit analysis. WFP frequently uses a measure known as the alpha-value⁹ as an indicator of cost-efficiency: this is a measure that compares the overall cost to WFP and its donors of delivering food to beneficiaries with the local market value of the same commodities. Lack of these types of analysis has been noted in various WFP documents.¹⁰ WFP has not identified measures of efficiency and effectiveness that are appropriate to its operational contexts and management needs, with the notable exception of the cost-benefit analysis by the Ethiopia country office of WFP-assisted measures for soil and water conservation and forestry as part of the Managing Environmental Resources to Enable Transitions to More Sustainable Livelihoods programme. WFP is designing cost-benefit analysis methods for assessing school feeding and food aid projects that aim to preserve livelihoods.

Economic Analysis to Build Knowledge on Hunger-reduction Strategies

21. WFP is researching and piloting new approaches to align its programming more closely with the needs of food-insecure households. For example, WFP is working with partners to analyse the theoretical and operational considerations underpinning cash responses to food emergencies, which depend on the nature of the emergency, market efficiency and administrative capacities.¹¹ WFP is also exploring with governments and partners innovative ways of combining food and non-food responses as components of national social-protection strategies. The Latin America and Caribbean regional bureau is using economic analysis to strengthen national social-protection strategies, including research to estimate the economic costs of hunger.¹² A pilot project is under way that builds on work by the World Bank to test a weather-based insurance mechanism that would provide monetary compensation for WFP in the case of extremely low rainfall leading to high probability of a large-scale crisis.

22. WFP's first flagship report in the World Hunger Series 2006, *Hunger and Learning*,¹³ marks the beginning of a series of annual reports that will build on multi-disciplinary research by WFP and its partners, enabling them to share the latest knowledge on strategies to end hunger.

⁸ WFP, 2005c; WFP, 2006a.

⁹ Reutlinger *et al.*, 1984.

¹⁰ Among them WFP, 2005a; WFP, Strategic Plan (2006–2009); BMZ, 2005.

¹¹ Analysis of cash responses is currently done in EFSA.

¹² WFP, Standard Project Report, 2005.

¹³ WFP, 2006b.



DEEPENING ECONOMIC ANALYSIS

23. Earlier evaluation findings and work under way indicate four main areas where the application of economic analysis could help to improve WFP's understanding of food insecurity and promote the effectiveness of its operations: (i) analysing the economic factors that contribute to food insecurity; (ii) integrating WFP's operations into national development contexts; (iii) analysing food markets; and (iv) assessing the impact and effectiveness of operations and approaches.
24. Economic analysis requires collection and regular monitoring of data related to economic variables at the macro, meso and micro levels, for example trade flows, local market prices and household income and consumption choices. Partnerships, particularly with national authorities, will be critical to ensuring that WFP has access to reliable and timely data to meet its requirements; national information systems and regional organizations such as the Permanent Inter-State Committee for Drought Control in the Sahel are increasingly able to provide macro-economic data and meso-level data on markets.
25. Most of the required analyses can benefit from partnership with national, regional and international agencies. In such joint efforts, WFP will have to assess and, where necessary, adapt methods and tools used by partners to its own needs.

Understanding the Economic Factors that Contribute to Food Insecurity

26. There is a need to enhance WFP's knowledge of the interaction of livelihoods, consumption choices and food access and utilization at the intra-household and other levels to ensure that WFP implements its food programmes in such a way as to complement and support broader hunger-reduction strategies. Gaps in WFP's knowledge base are particularly evident with respect to the identification of economic causes contributing to food-security crises. Work has begun to improve WFP's ability to predict food crises that are caused mainly by economic factors, but these efforts need to be carried further.
27. Economic analysis can be vital in understanding the role of food aid and non-food responses to hunger. It also informs decisions on the transition between different stages of intervention — relief, recovery, long-term development assistance and exit. WFP's monitoring systems should incorporate indicators that would provide early warning of economic shocks and recognize emerging trends such as labour market and migration patterns that could lead to food crises and continue its efforts to integrate market information into FSMS. WFP should continue to develop its economic research capabilities in collaboration with institutional and academic partners and strengthen its collaboration with FAO, the International Fund for Agricultural Development and other partners.

Fitting WFP's Operations into the National Development Context

28. The Strategic Plan (2006–2009) notes that “WFP activities have sometimes been inadequately integrated or aligned with national strategies for poverty and hunger reduction”, arguing that “particular emphasis is required on ensuring that WFP's transition and development activities are guided by national priorities, especially through participation in Poverty Reduction Strategy Papers and Sector-Wide Approaches”. This requires a sound understanding in country offices, supported by regional bureaux and Headquarters, of the overall national and sectoral economic situation and of government strategies and policy priorities, with particular attention to fiscal constraints and the



economic factors leading to hunger.¹⁴ School feeding programmes, for example, should be designed with the issue of long-term sustainability in beneficiary countries taken into account.

Market Analysis

29. WFP's capacity to anticipate and analyse the effects of food aid, including possible market displacement and disincentive effects, needs to be improved.¹⁵ Efforts to do this have started through the SENAC project and staff training. Scaling up the application of market analysis in CFSVAs and EFSAs can improve the accuracy of project design and help to gauge the effect of food aid on local markets.
30. The effort to strengthen WFP's market-analysis capacity and to integrate market analysis into its food-security assessments has to continue. Enhancing and mainstreaming the current market analysis activities being carried out in the framework of SENAC and VAM is a priority. SENAC activities currently depend on extra-budgetary funding, so it is important to shift their financing to the regular budget in the next biennium, as has been done with PDPE. Increased monitoring of significant market indicators will help WFP to detect and respond to unfolding food crises caused by economic factors. Market-analysis tools and market information are available from partners such as FAO and the Famine Early Warning Systems Network and are increasingly being generated by national and regional organizations. WFP should work in partnership and support collaborative efforts to enhance understanding of markets and their implications for food security, particularly in relation to food crises.

Impact Assessment, Efficiency of Operations and Choice of Approaches

31. WFP is still not in a position to provide robust systematic evidence of results achieved in its programmes.¹⁶ This constrains WFP's ability to design operations in a way that ensures that beneficiaries' needs are met with optimum use of scarce resources, that unintended negative effects are avoided and that outcomes are sustainable. The type of impact assessment based on economic analysis advocated in this paper focuses mainly on the ex-ante stage of interventions – choice of tools, design and planning taking into account likely implications of different alternatives – and on follow-up during implementation. Its role is therefore different from that of ex-post evaluations carried out independently by the Office of Evaluation (OEDE).
32. Achieving Strategic Objective 2 — protect livelihoods in crisis situations and enhance resilience to shocks — requires economic analysis in a number of areas: (i) to enhance understanding of the changes in economic and livelihood strategies and outcomes; (ii) to identify realistic objectives and related assumptions and risks; and (iii) to measure the effectiveness of livelihood-enhancing programmes.¹⁷ Economic analysis of the effectiveness and impact of livelihood-related programmes is best done in partnership, building on existing methods and analyses. For example, the World Bank's Poverty and

¹⁴ WFP, 2006c.

¹⁵ In "Food Aid and Livelihoods in Emergencies: Strategies for WFP" (WFP/EB.A./2003/5-A), it was noted that WFP work towards results-oriented M&E "should also include the monitoring of any possible negative impact of food aid — particularly as it affects local food production and markets — that may occur when assistance is provided over an extended time period".

¹⁶ WFP, Strategic Plan (2006–2009); BMZ, 2005; WFP, 2005a.

¹⁷ BMZ, 2005.



Social Impact Analysis is used to evaluate the effectiveness of interventions aimed at reducing poverty and social deprivation. Similarly, FAO has extensive experience in evaluating the effectiveness and sustainability of interventions aimed at improving rural livelihoods and the natural resource base.

33. WFP's management information system should place greater emphasis on greater transparency with regard to the cost structure of different food interventions. Cost-efficiency calculations, where relevant, can guide the design of operations and inform evaluation. The choice of tools to be applied must be based on a firm understanding of the role of markets. Whenever food-based interventions are found to be appropriate, their design should take into consideration context-specific strengths and weaknesses of different modalities in terms of targeting and cost-effectiveness, or, where feasible, the relationship between costs and benefits.¹⁸ In line with the recommendations of the policy paper "Food Procurement in Developing Countries" (WFP/EB.1/2006/5-B), economic analysis will contribute to evaluating the impact of food procurement on markets and on the food security of vulnerable groups. Lack of systematic analysis currently hinders WFP's learning and the improvement of its programmes.

THE WAY FORWARD

34. Given that hunger is a multi-dimensional phenomenon strongly influenced by economic factors, WFP needs to use economic analysis to respond more effectively to hunger, taking into consideration the roles of food and non-food responses. WFP will need to develop further its analytical capability in economics to establish and enhance partnerships.
35. At the strategic and programme levels, WFP should:
- enhance its knowledge and understanding of economic factors contributing to food insecurity in a country in order to:
 - ◇ participate in national transitional planning, PRS formulation and development policy dialogue;
 - ◇ formulate programmes that are coherent with national strategies; and
 - ◇ support national governments in formulating and managing food-security strategies and food-assistance programmes in line with WFP's Strategic Objective 5;
 - provide economic background to support the formulation of transition strategies from EMOP to PRRO to development and towards exit;
 - engage in research and analysis on hunger-related economic issues to support long-term corporate strategies; and
 - increase its participation in global debates on hunger, poverty, food insecurity and food and non-food responses.
36. At the meso-level, WFP should continue to use market analysis to (i) assess food needs and evaluate alternative interventions, (ii) assess and evaluate the effects of food aid and food procurement on markets and livelihoods and (iii) act as a sentinel, systematically monitoring economic indicators and identifying corresponding thresholds to flag emerging food crises.

¹⁸ WFP, 2005a.



37. At the operational level, WFP should be able to (i) carry out basic cost-effectiveness/cost-efficiency analysis where appropriate, focusing mainly on Strategic Objectives 1, 3 and 4, (ii) carry out cost/benefit analysis when benefits are quantifiable, for example where sufficient data are available for livelihood enhancing interventions, in line with Strategic Objective 2; and (iii) enhance cooperation with other agencies to identify, appraise and monitor operations and undertake sectoral analysis.
38. Making more use of economic analysis in WFP would be an important step towards improving the effectiveness of its interventions, thus helping to achieve the Strategic Objectives. It is likely that regular application of existing tools and acceleration of ongoing initiatives will be sufficient to make considerable progress, but additional resources would be required to develop new analytical methods and to invest in new skills; WFP has begun to invest in such capacity through the incorporation of PDPE into the Management Plan for 2006–2007. As WFP continues to integrate economic analysis into its work, it will need to enhance the support given to country offices in the areas of assessment, analysis and design of interventions. In this context, WFP has to define the roles of country offices, regional bureaux and Headquarters, and the role of partners. WFP should also intensify its strategic partnership with FAO and other organizations to exploit synergies and avoid duplication of analytical efforts.

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ACRONYMS USED IN THE DOCUMENT

CCA	Common Country Assessment
CFSAM	crop and food supply assessment mission
CFSVA	comprehensive food security and vulnerability analysis
EFSA	emergency food security assessment
EMOP	emergency operation
FAO	Food and Agriculture Organization of the United Nations
FSMS	food security monitoring system
OEDE	Office of Evaluation
PDP	Policy, Strategy and Performance Support Division
PDPE	Economic Analysis and Development Policy Unit
PRRO	protracted relief and recovery operation
PRS	poverty-reduction strategies
SENAC	Strengthening Emergency Needs Assessment Capacity
VAM	vulnerability analysis and mapping