



UCDAVIS



The Economic Impact of WFP's operations: Assessing the Emerging Evidence from East Africa

Justin Kagin, Kagin's Consulting: <http://kaginsconsulting.com/>

J. Edward Taylor, University of California, Davis

Erwin Corong and Dominique van der Mensbrugghe, GTAP, Purdue University

Side event on the margins of the Second Regular Session of the Executive Board,
WFP Headquarters, Rome, Italy, *Wed, 16 Nov 2022, 13:30-14:30*

Objective of the Study

- The WFP Regional Bureau of Nairobi (RBN) spends \$800-\$900 million in the region each year **to achieve its food security and nutrition objectives**
- Its spending on food, logistics and other non-food goods and services stimulates production and incomes
- The impacts work their way through the nation's and region's economies, as businesses buy inputs and send wages and profits into households, which in turn spend this income, creating more impacts.
 - Markets spread the impacts to other households, businesses, and localities within the country, as well as to other countries in the region, through trade.
- Because of this, **the amount WFP spends represents only part of the impact of WFP spending** in the region; there are also income, production, and trade spillovers, or secondary impacts.
- The goal of this study is to quantify these impacts of WFP operations.

What is Novel About this Study?

- In working with WFP, you probably suspected that WFP operations create local economic benefits while helping beneficiaries—refugees, schools, vulnerable households
- Before this study, no one had documented these economic benefits (or the “economic footprint” from the operations of other international development agencies)
- This study is the first use of state-of-the-art economy-wide models to estimate the **direct and indirect impacts** within the countries where WFP operates and in the East Africa region as a whole.
- Our general equilibrium modelling approach captures the **full impact** of WFP spending, including direct impacts as well as the indirect spillover effects that WFP operations generate.
- We quantify the impacts on:
 - Local and regional production
 - Real (inflation-adjusted) Gross Domestic Product (GDP)
 - Employment of skilled and less skilled workers

Building on Past Studies

Impacts of refugees and WFP cash assistance to refugees in Rwanda ([Proceedings of the National Academy of Sciences—PNAS](#))

Economic Impact of Refugee Settlements in Uganda
(<https://documents.wfp.org/stellent/groups/public/documents/communications/wfp288256.pdf>)

Local-economy impacts of Kenya's school feeding program
(https://executiveboard.wfp.org/fr/document_download/WFP-0000103265)

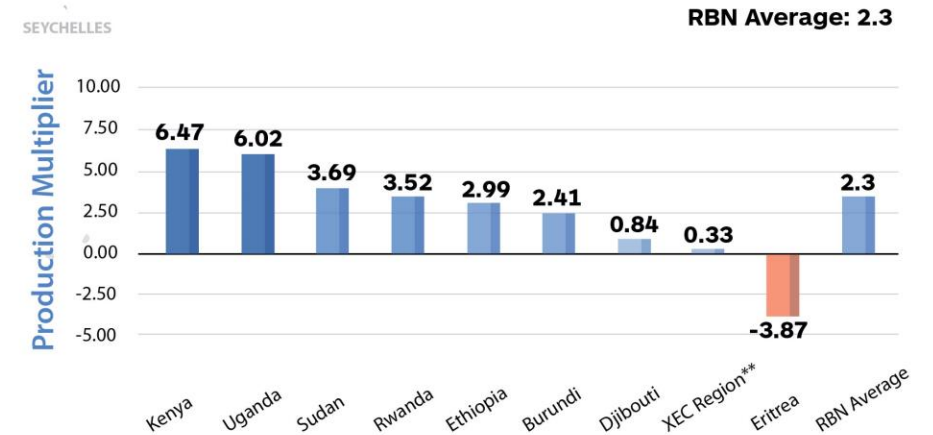
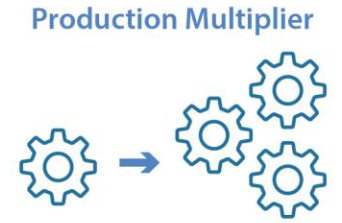
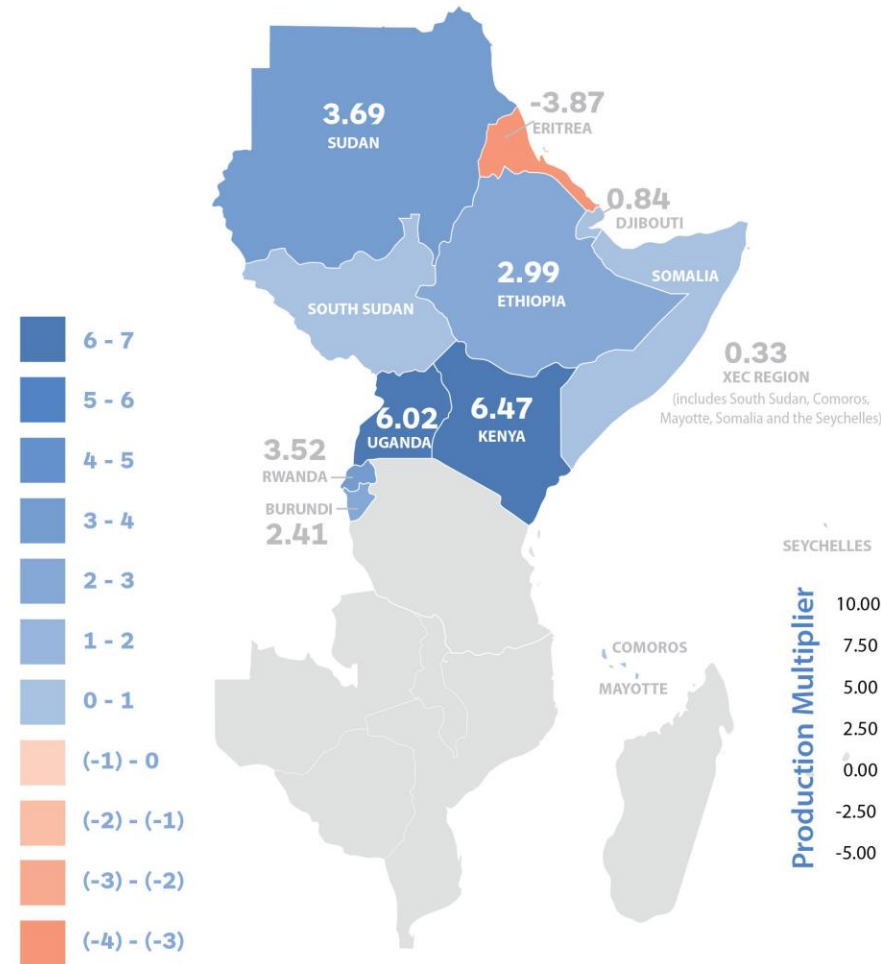
How COVID-19 affects impacts of refugees in Uganda (UN FAO, in progress)

This study takes WFP impacts to a new level (literally)

Key Findings

Each dollar spent by the RBN increases the value of total national production by considerably more than one dollar in most cases

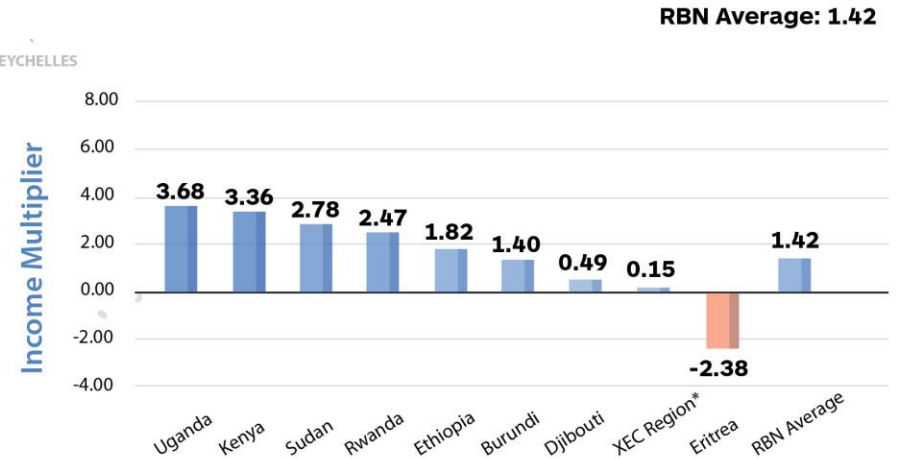
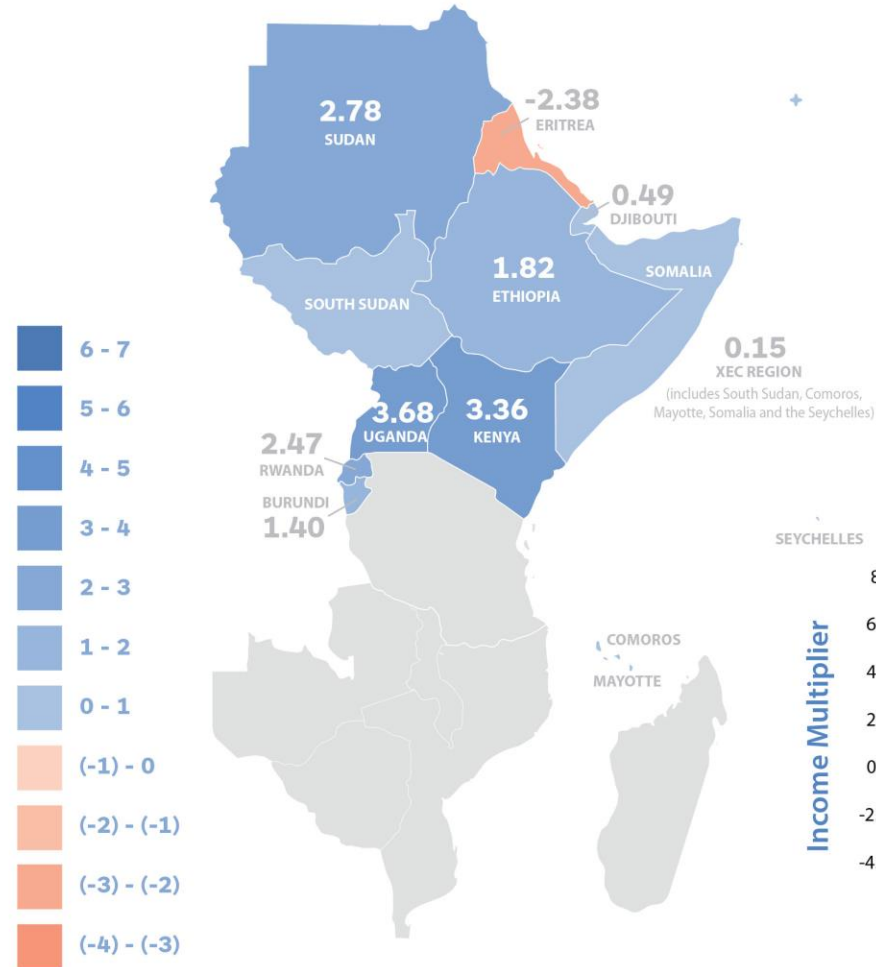
Production Increase* per \$1 of WFP Spending



* Increase in total value of production per \$1 of WFP spending
 ** XEC Region (includes South Sudan, Comoros, Mayotte, Somalia and the Seychelles)

As a result, countries' real GDPs increase by several dollars for each dollar the WFP spends, in most cases

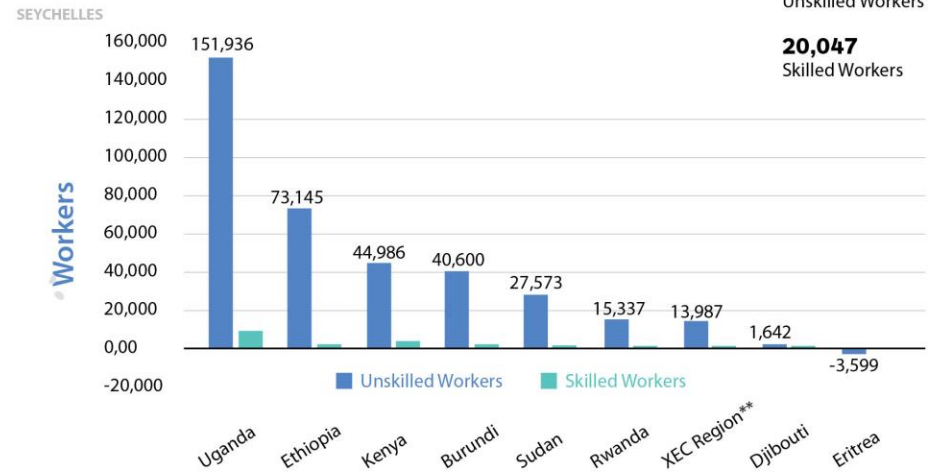
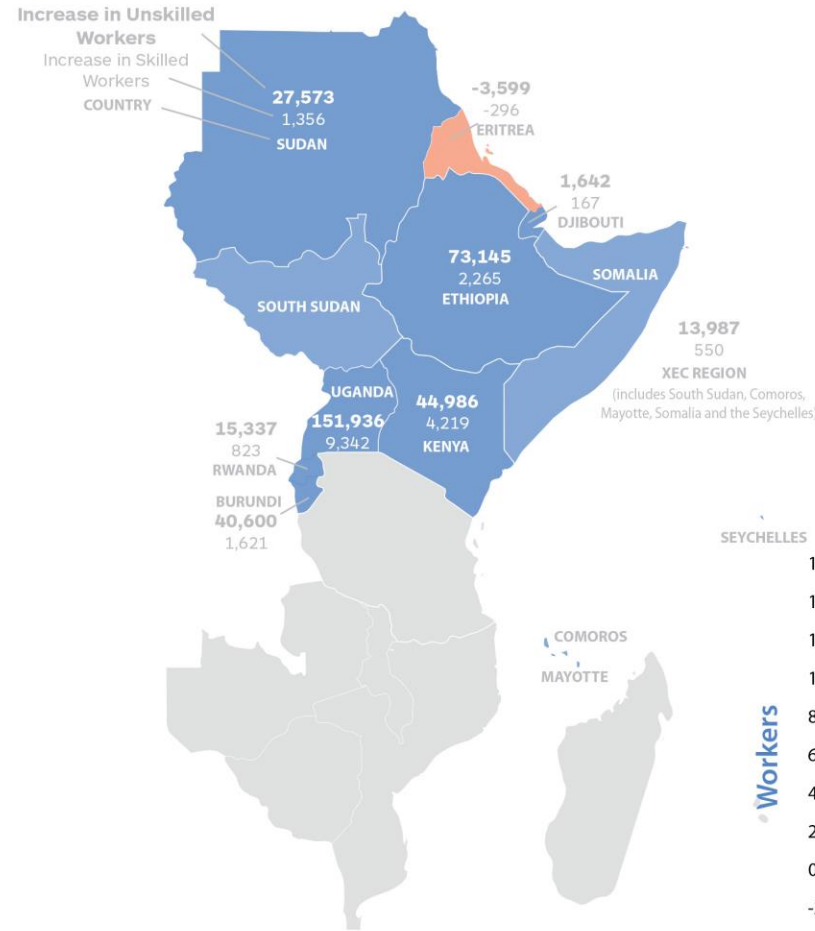
Real (Inflation-adjusted) GDP Impact per \$1 of WFP Spending



* XEC Region (includes South Sudan, Comoros, Mayotte, Somalia and the Seychelles)

Each year, WFP spending creates 365,606 jobs for unskilled workers and 20,047 jobs for skilled workers across East Africa

WFP Impact on Employment



RBN Total:
365,606
 Unskilled Workers
20,047
 Skilled Workers

* Year-round equivalent jobs

** XEC Region (includes South Sudan, Comoros, Mayotte, Somalia and the Seychelles)

These impacts depend on countries having the labor and capital needed to expand their production

- In an economy without excess capacity and workers, WFP spending can compete for scarce resources and cause inflation, rather than contributing to real income and production growth in the economy
- Highly import-dependent countries get fewer benefits from WFP spending (trade shifts impacts to exporting countries)
- Given persistently high unemployment rates, it is likely that the current state of most economies is characterized by at least some excess capacity
- If so, WFP spending is likely to create real economic benefits for the countries in which it operates.

What Can Governments Learn from this?

- Bring international agencies like WFP into the development process
 - Their operations change the economies around them
- Try to harness their spending to stimulate local economic growth, e.g., by encouraging agencies to “buy local” and “hire local”
- This only works if local producers and workers are able to meet the new demands
- Complementary development policies can help make local producers (e.g., farmers, but also non-farm businesses) more productive
 - Agriculture ministries have an important role to play here
- Training policies can help give local workers the skills they need to fill new jobs
 - Education ministries can play an important role here

Thank You!
