# Gap Analysis to inform the Transfer Value of CBT operations

## Needs Assessments & Targeting Unit and Economics & Markets Unit, RAM

**2023 November**

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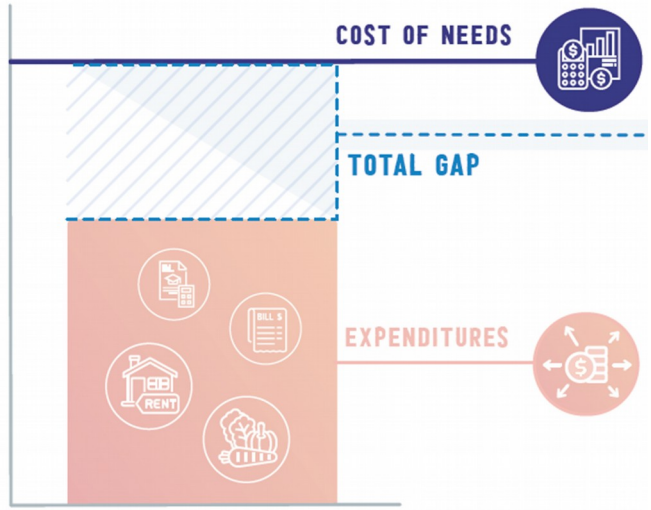
# Introduction

# Definition

A gap analysis measures the distance between the cost of households' essential needs and their economic capacity to autonomously cover those costs

Gap = Cost of Essential Needs – Household Economic Capacity

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# Gap analysis and transfer value setting


*"The transfer value should be calculated based on a **gap analysis** that relates to the Minimum Expenditure Basket (MEB) threshold (or to another similar threshold)."*

**Gap analysis to inform transfer values of CBT operations**

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Note that the transfer value and the gap analysis guides refer to General Food Assistance (GFA) and Unconditional Resource Transfers (URT) CBT operations.

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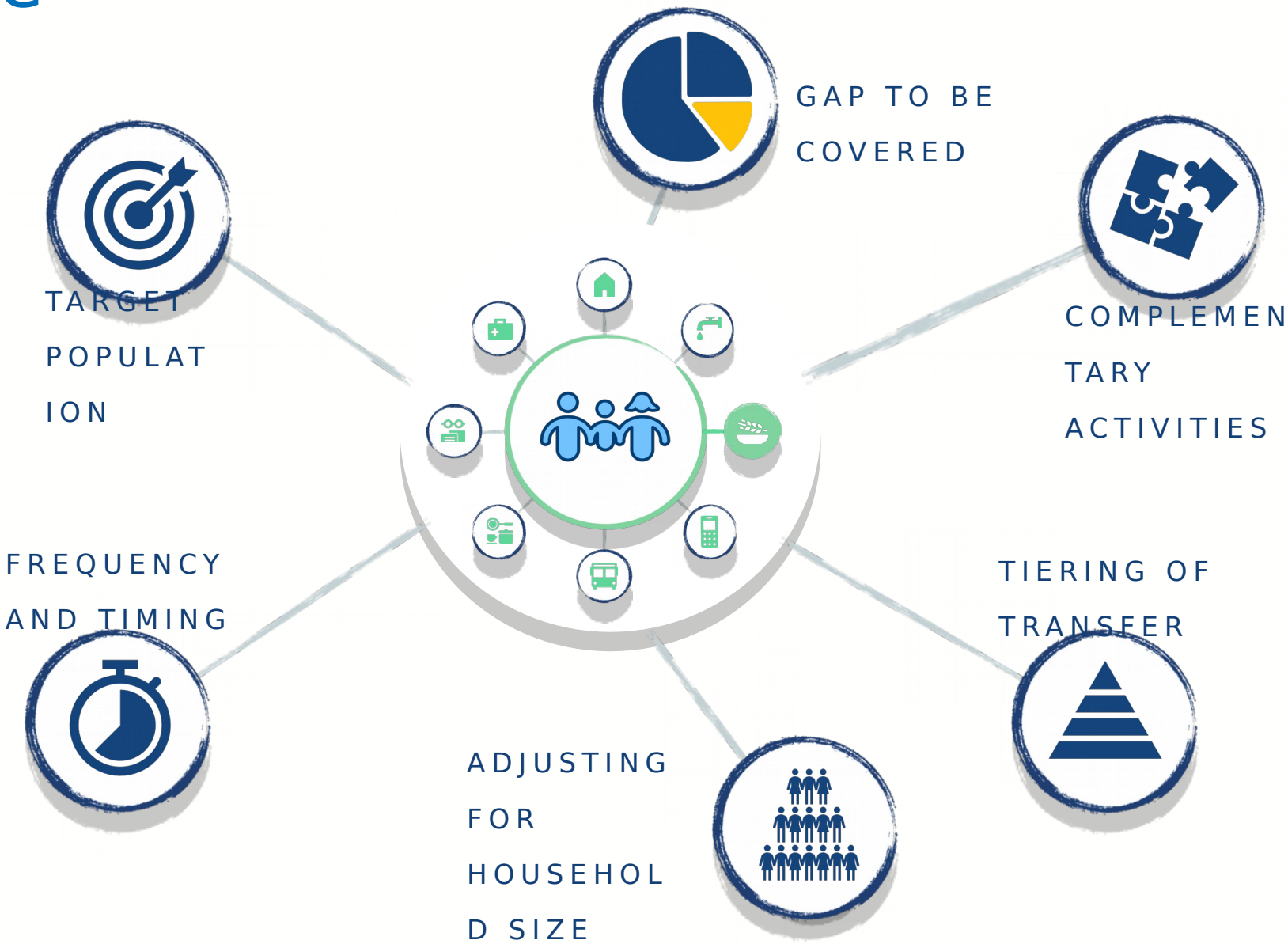
# The gap is not the transfer value




PROGRAMME OBJECTIVES

Beneficiary preferences

Funding & donor requirements

Alignment/ Harmonization?

# Data requirements

# What data is needed?

Representative household survey including a detailed expenditure module

Example: Data from WFP assessments such as ENA, CFSVA, EFSAs, or external surveys such as HCES, HBS, LSMS.

Carefully assess the relevance of your data before the analysis!

- Is it recent?
- Does it include households that represent those WFP aims to reach with the planned programme?

Coordination between VAM and CBT is key to make sure the dataset is relevant for the gap that you are trying to estimate

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When the analyst cannot rely on household survey data, the gap can still be approximated using alternative sources of information.

# Conducting a gap analysis

# Overview of steps

1. Identifying the cost of essential needs
2. Computing the household economic capacity
3. Identifying the gap analysis cohort
4. Estimating the gap

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# Identify the cost of essential needs

- **Definition:** the average monetary value that households need to cover their essential needs without resorting to negative coping strategies
- Usually represented by a **Minimum Expenditure Basket (MEB)**
- **Main options**:
  1. use an existing MEB that has been identified as appropriate for the population of interest
  2. estimate it using the same expenditure data that are used to estimate households' economic capacity
- **Note**: different MEBs might exist (or could be established) for different population groups


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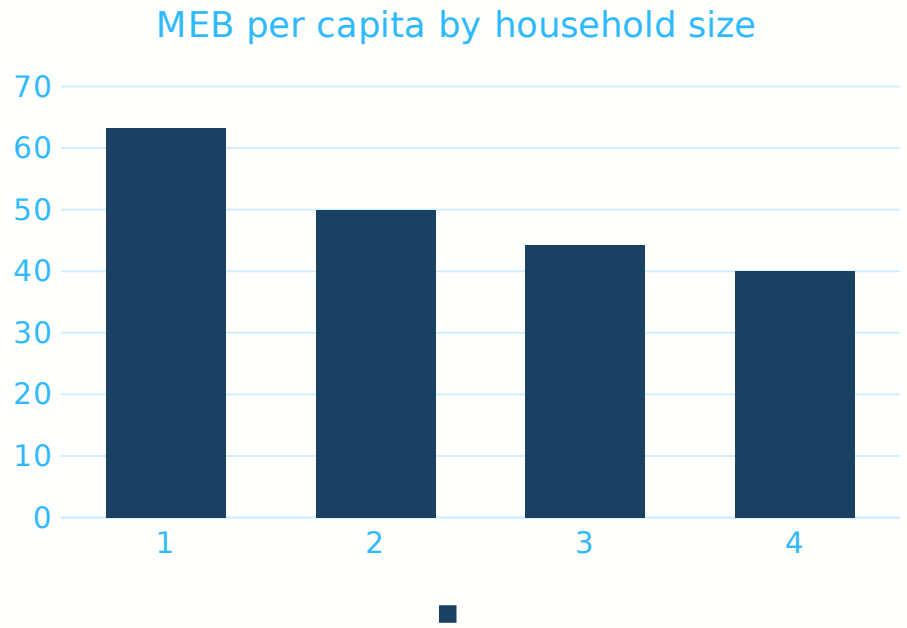
# Different MEB for different household sizes

**Does a household with five members need five times as much than a household with one member?**

**Often not**

- Household economies of scale and differences in composition mean that larger households have smaller per capita cost of needs.
- When economies of scale are consistent, it is important to use MEBs that are adjusted by household size




Using an MEB that accounts for household size is particularly important if a CBT programme will transfer different values according to household size.

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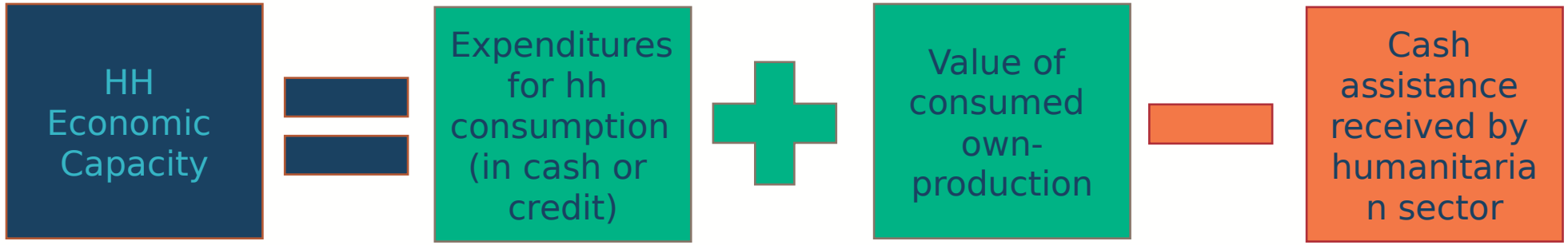
# household economic capacity using expenditure data

- Expenditure data from a household survey are the preferred data source to measure household economic capacity
- The detailed steps on how to compute household economic capacity using WFP expenditure module can be found in the **ECMEN indicator guide**
- It should be computed like in the version of ECMEN “excluding assistance”


Visit the ECMEN page of the VAM resource center!

# Aggregating consumption expenditures




Exceptional expenditures (e.g. celebrations or large assets) and expenditures made for investments, business inputs, and transfers to other
households should not be part of the aggregate.

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# What if a hh survey with exp data is not available?

**Potential strategies** to fill the information gap (in order of preference):

## 1. Use income of a recent survey

- Make sure the module is complete and of sufficient quality
- E.g. all sources of income captured; valuation of self-production…

## 2. Update expenditure data of an older survey

- Based on assumptions and/or models
- Make sure the survey is not “too old”

## 3. Use secondary information

- E.g. aggregated information on income or expenditure distribution from NSO
- Household Economy Approach study

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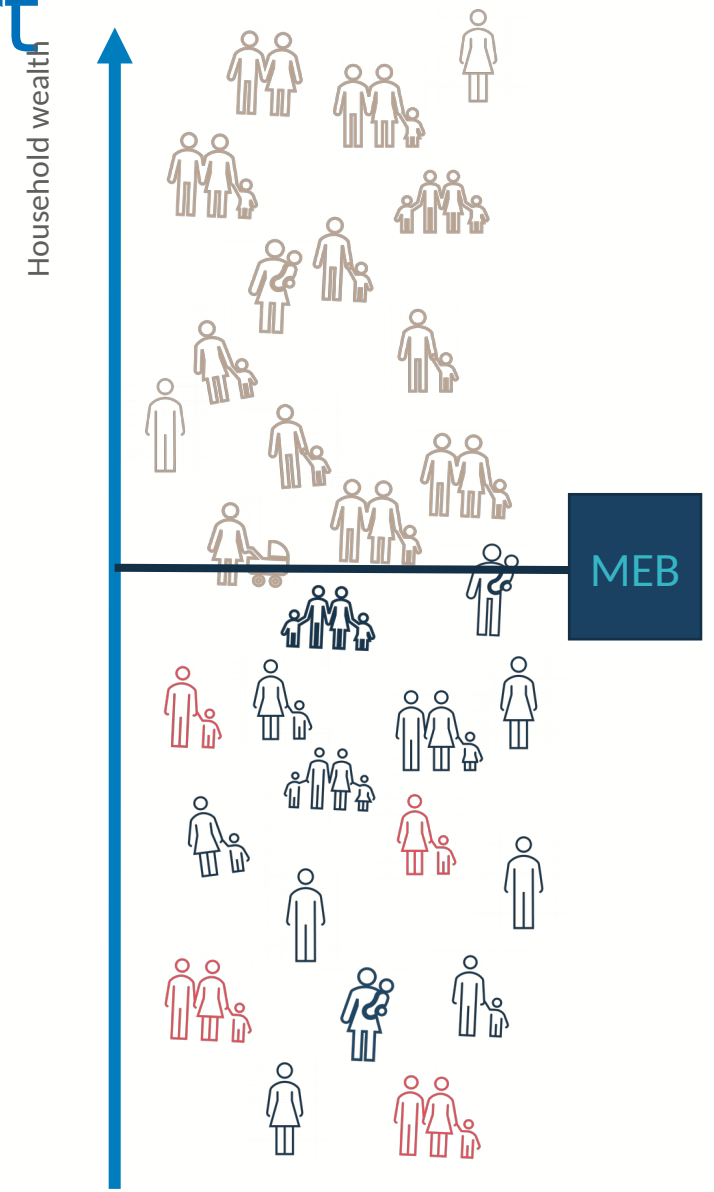
# Identifying the gap analysis cohort

- Identifying the **population of interest** for which the economic capacity of households should be compared against the MEB to calculate the gap

- HHs that represent the vulnerable households that are meant to be reached by with the planned programme

- The programme for which the transfer value needs to be set should guide the identification of the gap analysis cohort

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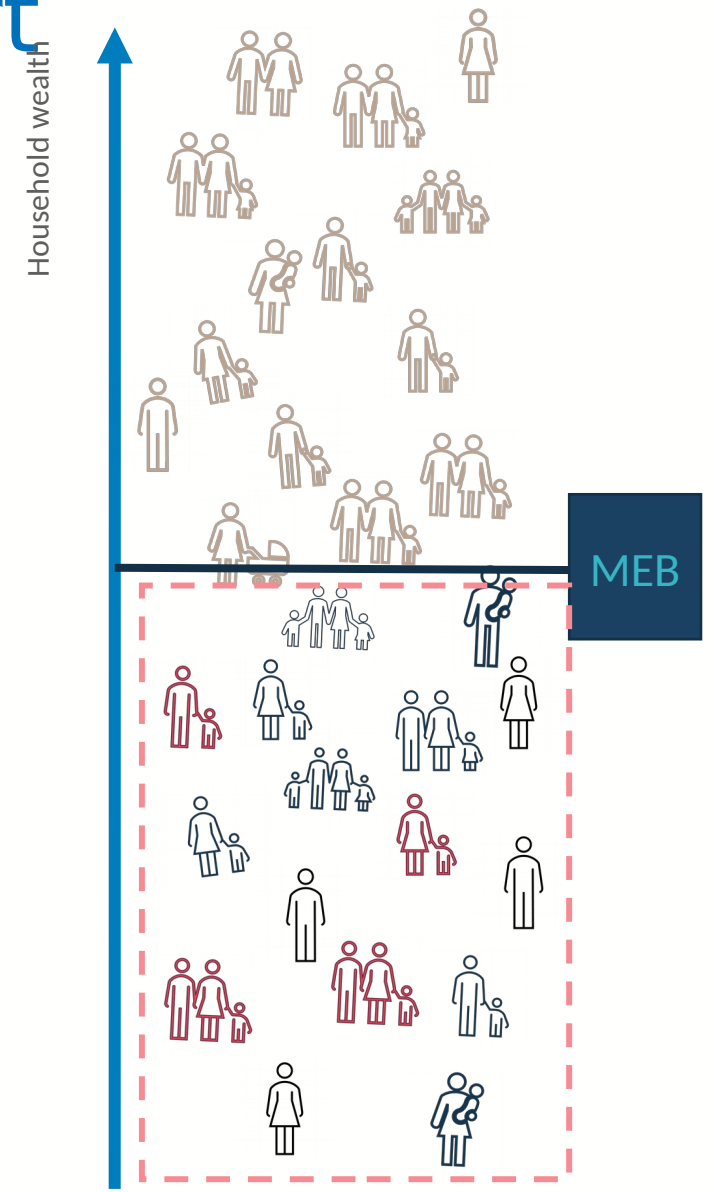
# Identifying the gap analysis cohort

1. Include only households whose economic capacity is below the MEB.
2. Selecting one or more relevant indicators (and relevant categories for each indicator) that identify those households

   Examples:

   - ENA vulnerability status - “highly and extremely vulnerable households”
   - CARI food security status- “food insecure households”.
   - General case: all households below MEB.

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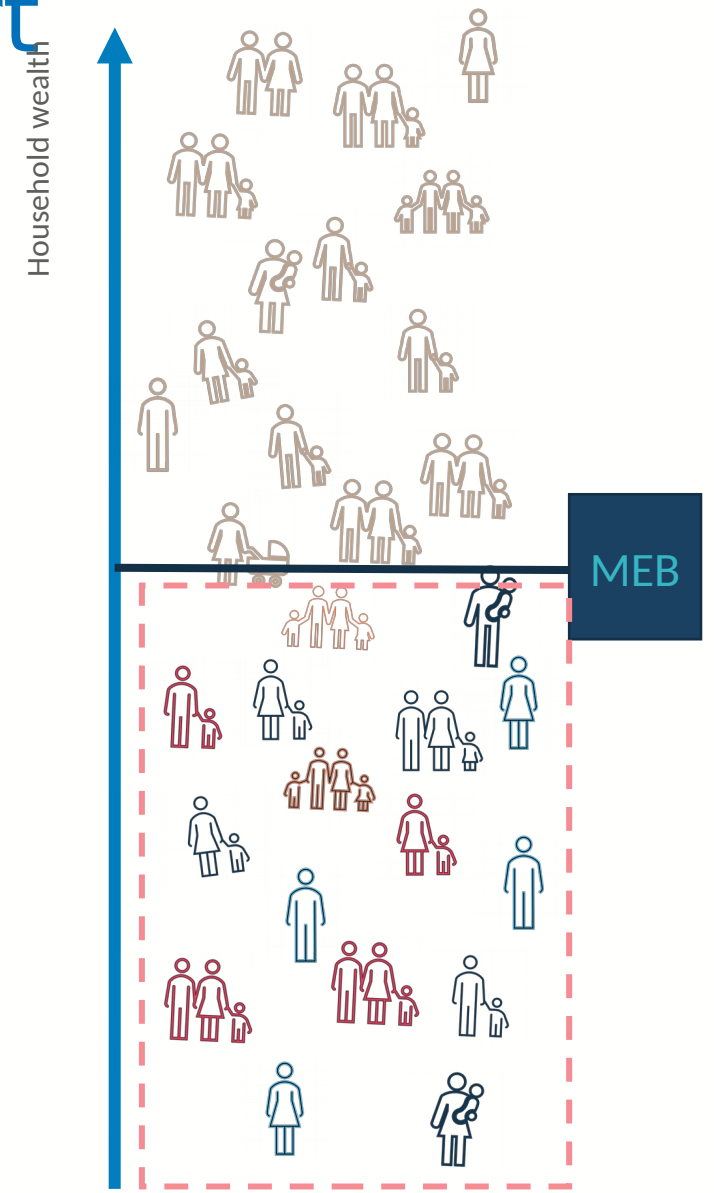
# Identifying the gap analysis cohort

- If needed by the programme, multiple gap analysis cohorts can be identified to estimate multiple gaps.
  Example:
  - Two cohorts: for the general food insecure population and the severely food insecure

- Or the main gap analysis cohort can be divided into further groups to inform differentiated transfer values. Examples:
  - Different gaps by regions within a country.
  - Different gaps according to the size of households.

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# Estimating the gap

The average *difference* between the cost of households' essential needs and their economic capacity to autonomously cover those costs

Gap = Cost of Essential Needs – Household Economic Capacity

As an additional step, the average gap can be expressed as a share of the MEB:

*Gap as % MEB = (Gap/MEB) * 100*

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# Estimating the gap

*"For households with economic capacity below the Minimum Expenditure Basket, the needs gap per person per month is 6,542, corresponding to 32% of the MEB."*


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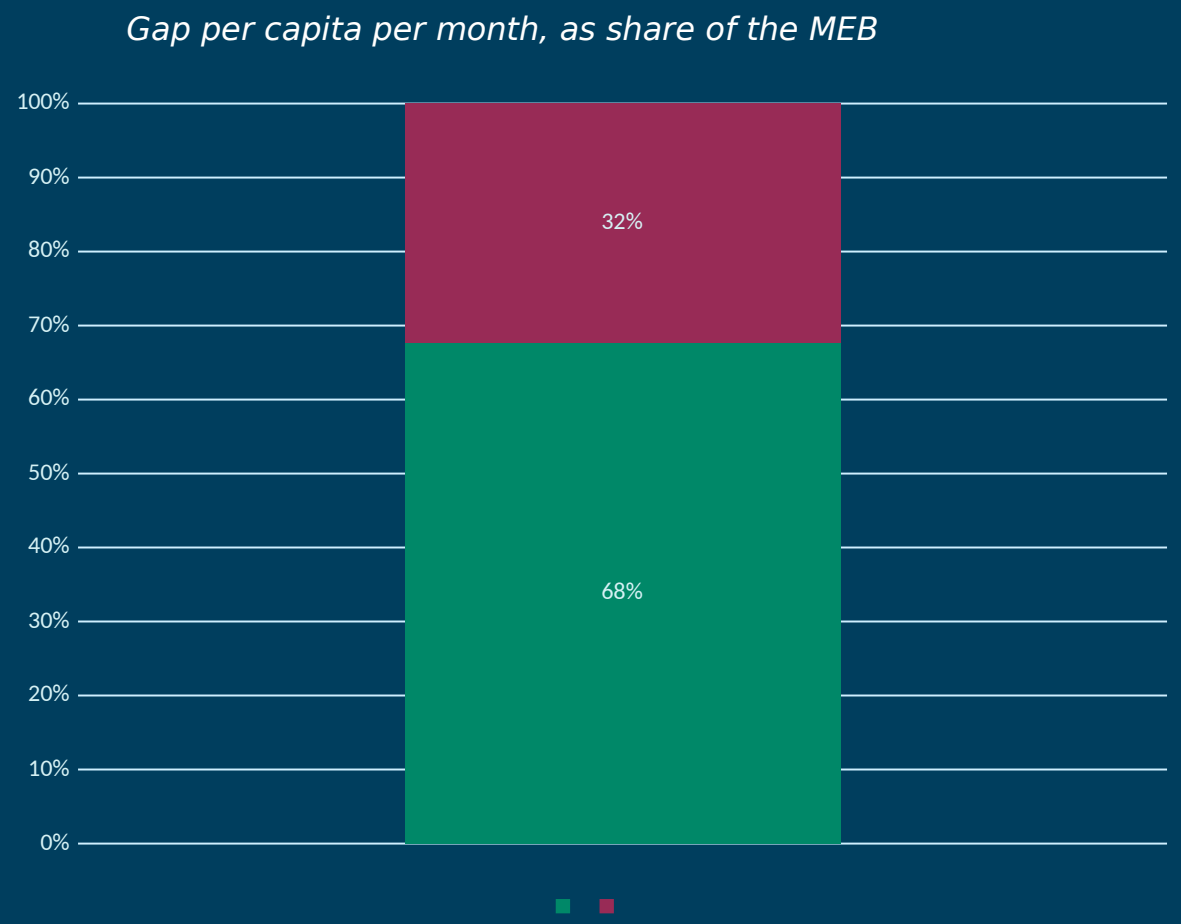

# Estimating the gap – Household size considerations

**When a programme provides transfer values differentiated by household size, economies of scale have to be taken into account in the MEB!**

### One single transfer value

- Calculate per capita gap, then multiply by the average/median/typical household size

### Transfer values by classes of household size (e.g. small, medium, large)

- Calculate the per capita gap for class of household size, then multiply by the average/median/typical household size of each group.

### Transfer value for each HHs size

- Calculate a gap for each household size separately and multiply each per capita gap for each HHs size.

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Be mindful of sample size!

# The food gap

# When to use a food gap?

- WFP's recommended practice for setting transfer values is using a gap analysis that considers all essential needs (including food and non-food)
- But sometimes donors or partners request to estimate a gap specific to food needs. In particular when:
  - TVs are meant to strictly cover food needs.
  - Resources are not available to cover the entire gap
  - WFP is requested to cover only the food part of people's needs (with the rest of the gap being covered by partners).

When requested to estimate a food gap, it is recommended to calculate both the "full" gap and the food gap. This will provide a more comprehensive picture and help to make informed decisions.

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# How to estimate a food gap?

## Definition

Food Gap = Food MEB – Household Economic Capacity used for food

It can be estimated in two ways, depending on data availability:

1

**Data on food expenditures are available**

The food gap can be directly estimated as the average difference between the cost of essential food needs and the household economic capacity used for food

2

**Data on food expenditures are NOT available**

The food gap can be estimated as a percentage of the total gap

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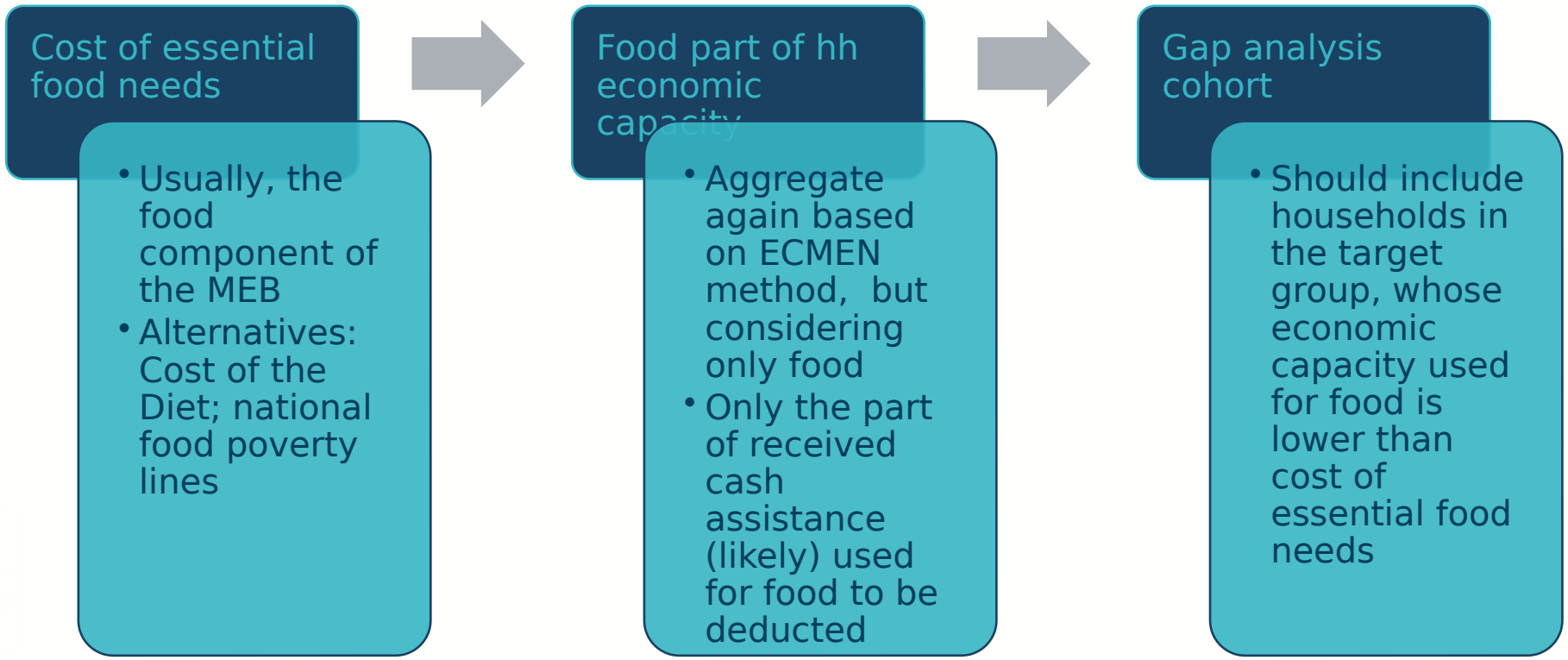
# Case 1: Data on food expenditure are available

The food gap is estimated as **the average difference** between the cost of essential food needs and the household economic capacity used for food

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# Case 2: Data on food expenditure are Not available

The food gap is estimated **as a percentage** of the total gap

Which percentage to use?

- Necessarily based on assumptions on the proportion of unmet needs that is represented by unmet food needs
- If possible, estimate the share between the cost of food essential needs and the cost of total essential needs. Some examples:
  - Food MEB/MEB (preferred option)
  - Food poverty line/poverty line
  - Food expenditure share (from secondary data)

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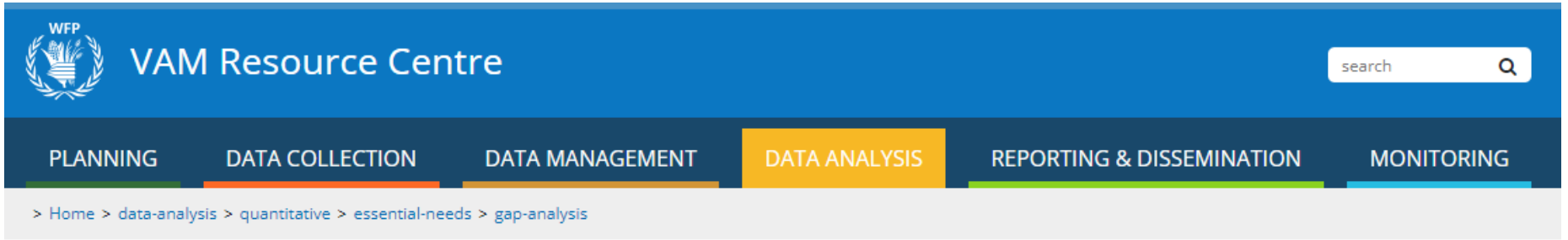
# Available Resources

# Vam resource center page




## Gap Analysis

*Published on 5 October 2023*

A gap analysis measures the distance between the cost of households' essential needs and their economic capacity to autonomously cover those costs.

Conducting a gap analysis is a good practice when setting a transfer value for CBT operations.

Please find below the resources that will help you in conducting a gap analysis:

- A technical guide explaining the required information and the steps that are needed to conduct a gap analysis.
- Examples of scripts (in R, STATA and SPSS) and a sample dataset to conduct a gap analysis in Github.
- WFP's guide on transfer value setting

For more information, please contact the Needs Assessments and Targeting Unit or the Economic & Markets Unit in HQ RAM.

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# Example scripts on github

```
* Encoding: UTF-8.
*************************************************************************************
 * SPSS Syntax for example of gap analysis
 *************************************************************************************

*-------------------------------------------------------------------------------*
* Open dataset
*-------------------------------------------------------------------------------*

GET
  FILE='[...]\Gap_Analysis_Sample.sav'. /* replace [...] with folder where you saved the dataset.

*-------------------------------------------------------------------------------*
*  Estimate the gap
*-------------------------------------------------------------------------------*

*** Step 1 - Identifying the cost of essential needs.
* A MEB is already available in the dataset, expressed in per capita monthly term, and differentiated by groups of



*** Step 2 - Computing the household economic capacity.
* The computation of the household economic capacity should follow the methodology used for the ECMEN indicator (\

        ** Sum food expenditures, value of consumed food from own-production, and non-food expenditures.
        COMPUTE PCExp_ECMEN=SUM.1(PC_HHExp_Food_Purch_MN_1M, PC_HHExp_Food_Own_MN_1M,
                        PC_HHExpNFTotal_Purch_MN_1M). /* at least an argument must be non-missing.
                        VARIABLE LABELS  PCExp_ECMEN 'Household Economic Capacity per capita - monthly'.
                        EXECUTE.

        ** Deduct the value of cash assistance received from WFP and partner humanitarian organizations.
                        RECODE PC_HHAsstCBTRec_Cons_1M (SYSMIS=0).  /* code missing assistance as zero.
                        COMPUTE PCExp_ECMEN = PCExp_ECMEN-PC_HHAsstCBTRec_Cons_1M.
                         IF (PCExp_ECMEN<0) PCExp_ECMEN=0.  /* set negative values to zero.
                        EXECUTE.
```

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# Thank You!