

# **THE PRACTITIONERS' GUIDE TO HEA**

## **Chapter 1: Introduction to the Household Economy Approach Framework**



## 1

**INTRODUCTION TO THE HOUSEHOLD ECONOMY  
FRAMEWORK**

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This chapter introduces practitioners to the HEA Framework by defining the basic terms used in HEA and describing the six steps in the analytical process. Special attention is given to providing a background on the origins of the approach, especially in relation to the information demands of decision makers. The reader is taken methodically through the framework components, and time is devoted to explaining what each step of the framework is and why it is necessary. How market analysis fits into the HEA Framework is also introduced.

By the end of this chapter, practitioners should be able to define and explain the relationship between the following terms: baseline, livelihood zoning; wealth breakdown, livelihood strategies, outcome analysis, problem specification, coping capacity, projected outcome, survival threshold, livelihood protection threshold, and market assessment.

*This chapter was co-authored by Penny Holzmann and Tanya Boudreau, who drew extensively on sources from F.E.G. and Save the Children-UK.*

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**RELATED TRAINING SESSIONS**

The **HEA Training Guide** provides the following sessions relevant to Chapter 1:

**MODULE 1: INTRODUCTION TO THE HEA FRAMEWORK**

- *Session 1: Basic Food Security and Livelihood Concepts*
- *Session 2: Introduction to the HEA Framework*

## INTRODUCTION

### The Origins of the Approach

HEA was developed in the early 1990s by Save the Children-UK in order to improve the ability to predict short-term changes in access to food. At that time it was already widely recognised that rural people in poor countries do not depend solely on their own production for survival, but employ a range of strategies to get the food and cash they need; and that it was therefore people's ability to gain access to enough food, rather than just their ability to produce it themselves, that determined the likelihood of hunger or famine. This revolution in thinking was based largely on theories advanced by Amartya Sen<sup>1</sup>, which suggested that famines occur not from an absolute lack of food, but from systematic inequalities that keep some people from obtaining access to that food. The key, then, to predicting famine and more localised food shortages, was to understand these systems, and mapping the links between people and supplies of food. But the difficulties in operationalising this concept of 'access' meant that early warning methodologies tended to focus largely on monitoring food supply, using rainfall, production and price data. A methodology was needed that could convert an understanding of how people gain access to food and income into a useful analytical context; and in turn this context needed to provide the basis for understanding how people might be affected by a shock. This was one of the keys to providing practical information to guide more effective decision making.

#### *A practical way of getting at 'access'*

In HEA, 'access' encompasses the fundamental ways people obtain food, including: their fields (own production), the market (purchase), their relatives and friends (gifts/loans); and humanitarian relief. HEA translates Amartya Sen's entitlement theory into a way of obtaining information for appropriate action.

To be useful for decision making, the approach had to be capable not just of indicating that people are failing to obtain enough food, but also of quantifying the problem and suggesting possible approaches to intervention. It had to yield results in a common currency that allow comparisons to be made between different areas and groups so that resources can be prioritised and goods or services allocated in relation to actual need. It had to be capable of providing reliable information on large populations with diverse economies, at a reasonable cost. And, crucially, it had to be a predictive approach, to allow for the assessment of future needs. These requirements directed HEA's development hand in hand with the conviction that an understanding of people's normal economy - how they usually make a living, their savings, reserves and assets – had to be at the core of an approach seeking to gauge the impact of shocks on households.

#### *Linking information to action*

To be useful for decision making, the approach had to:

- quantify the problem
- allow for comparisons
- provide reliable results for large populations
- point to appropriate responses
- be predictive

<sup>1</sup> Sen, Amartya, *Poverty and Famines: An Essay on Entitlement and Deprivation* (1981)

The approach has come a long way since then. Because an understanding of livelihoods is at its heart, the applications of HEA have moved beyond famine early warning and have been refined and adapted in response to both field experience and the needs of particular decision makers. These needs, while varied in context and scope, in nearly all cases boil down to the following fundamental questions, as relevant to designing an intervention for social protection as to contingency planning for emergencies: Where is assistance needed, and of what type? Who needs it? How much is needed, when and for how long?

At the same time, over the past fifteen years, other frameworks and tools have been developed that contribute to and complement HEA. Specifically, and importantly these include the Sustainable Livelihoods Framework (covered in more detail in [Chapter 7](#)) and various market-analysis tools, which provide a framework to study the function of the market place across and within different countries (covered in the [Market Supplement](#) to this Guide).

Two aspects of market analysis have always been integral to HEA: the investigation into how households use markets to obtain the food and basic goods and services they need to live; and the way that various market shocks trickle down to the household level. In developing countries, understanding the (typical) pyramid structure of market producers, vendors, middlemen and national and international business magnates helps us understand the important role of the household in this system and also the fragility and vulnerability of these households to not only national but international and sometimes even geo-political events/shocks. Understanding the links between the household and these different levels, and related household consequences of changes at one or another point in the pyramid is squarely in the realm of classic HEA. The market angle that HEA typically has **not** addressed is in analysing the capacity of markets to absorb additional supplies and their capacity to meet new demands (e.g. understanding how markets will respond to increased cash in hand, crop surpluses or labourers). Understanding these questions is at the heart of determining appropriate response options and interventions. The [Market Supplement](#) deals with these market questions in more depth.

## What is HEA?

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The Household Economy Approach is a livelihoods-based framework for analysing the way people obtain access to the things they need to survive and prosper. It helps determine people's food and non-food needs and identify appropriate means of assistance, whether short-term emergency assistance or longer term development programmes or policy changes. It is based on the principle that an understanding of how people make ends meet is essential for assessing how livelihoods will be affected by wider economic or ecological change and for planning interventions that will support, rather than undermine, their existing survival strategies.

*A framework not a field method*  
HEA is an analytical framework. It defines the information that needs to be gathered and the way in which it should be analysed in order to answer a particular set of questions.

At its heart is an analysis of: 1. how people in different social and economic circumstances get the food and cash they need; 2. their assets, the opportunities open to them and the constraints they face; and 3. the options open to them at times of crisis. It involves the analysis of the connections among different groups and different areas, providing a picture of how assets are distributed within a community and who gets what from whom.

It is important to note that HEA is an analytical framework, not a specific method of information collection. It defines the information that needs to be collected and the way in which it should be analysed in order to answer a particular set of questions. It is a framework for organising a vast array of information – some of which is local knowledge, some of which is census data, some of which is crop production data, and so on. It functions as a powerful way to make practical use of both existing secondary sources of information as well as primary information.

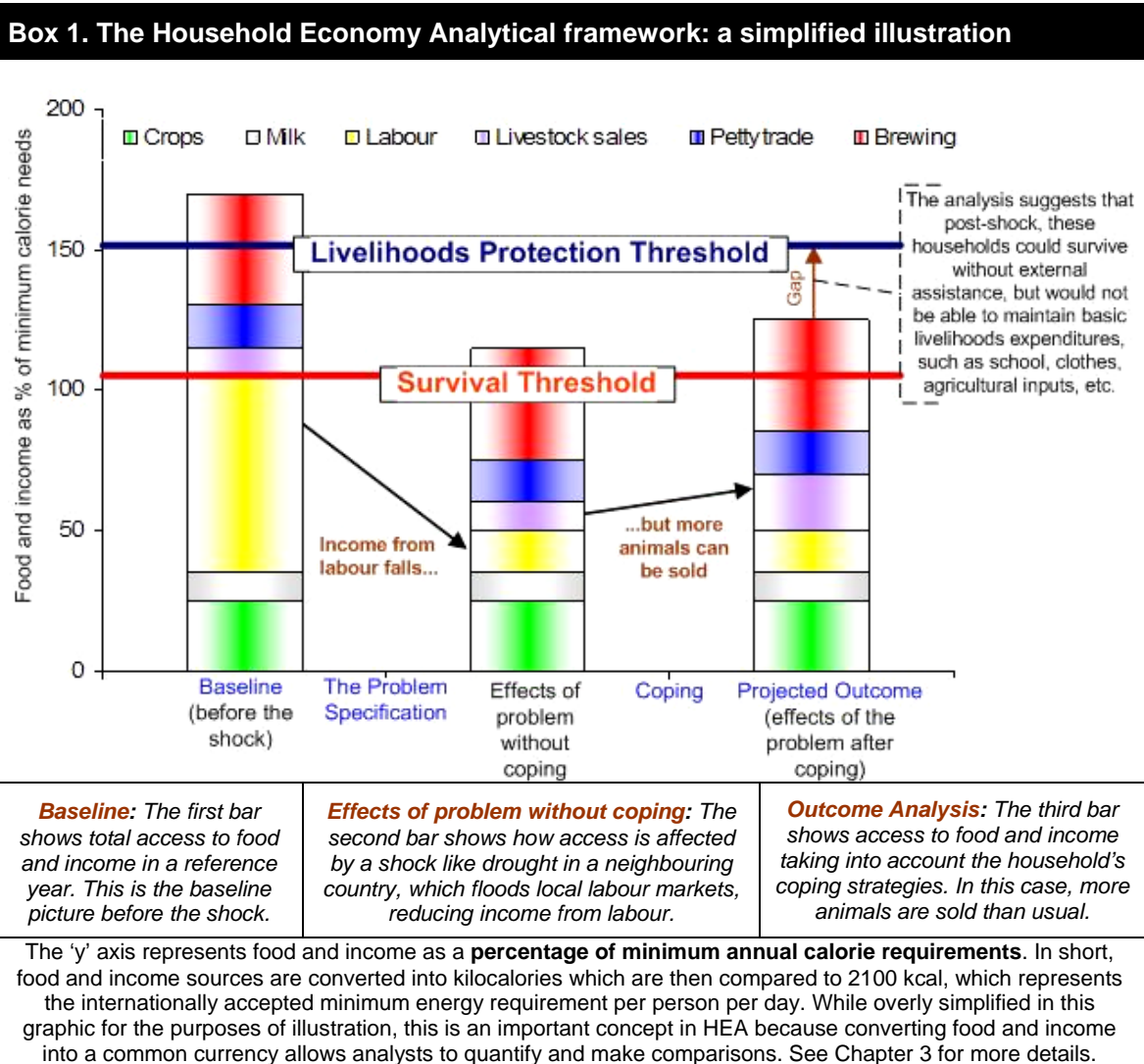
A number of different information collection methods can be used at various points in the framework. See **Table 1**. Over the past ten to fifteen years, the primary information needed for **HEA baselines** has been gathered largely through the use of rapid rural appraisal methods – mainly semi-structured interviewing of focus groups. This is because experience has shown that these non-survey methods are the most effective and efficient way of gathering and piecing together the many bits of information required to build up the baseline pictures. The flexibility and cross-checking facility of rapid appraisal methods has been essential for ensuring high-quality analyses of how local economic systems work. While it is theoretically possible to gather the baseline information using household survey methods, much of the information for the zoning and wealth breakdowns would be challenging to collect that way. At this point, there are no published examples of where HEA baseline data (including the livelihood zoning, wealth breakdowns and livelihood strategies steps) has been collected using survey methods, so it is difficult to describe or compare that approach to the rapid appraisal methods that are currently used.

However, there are aspects of the baseline, such as household size and composition, for example, or spending on healthcare, that are more appropriately obtained through survey methods. For these pieces of information, secondary data sources or targeted survey work, add tremendous value. Randomly sampled surveys containing such demographic information are also a more flexible way than purposively sampled focus group discussions to disaggregate household economy information below the wealth group level. Other aspects of the framework – such as the monitoring information required to put together the problem specifications, or to track outcome predictions – may be better suited to household survey methods, depending on time, funding and personnel.

<i>Step in the Framework</i>		<i>Information collection methods used (to date)</i>
<b>Baseline</b>	Livelihood Zoning	Semi-structured interviews; participatory workshops; secondary data review
	Wealth Breakdowns	Semi-structured interviews; proportional piling; census data review (to cross-check household composition)
	Analysis of Livelihood Strategies	Semi-structured interviews; review of secondary data (to cross-check yields, production, livestock numbers, etc.); proportional piling; participatory seasonal calendars and community mapping
<b>Outcome Analysis</b>	Problem Specification	Household surveys (to gather monitoring data such as crop production and prices); Semi-structured interviews; review of secondary information, especially time series data
	Analysis of Coping Capacity	Semi-structured interviews; review of secondary data (on labour markets, herd composition, viable off-take rates, etc)
	Projected Outcomes	No additional information goes into this step; this step comprises an analysis and processing of the data and information gathered in the previous steps

## THE BASICS OF THE FRAMEWORK

HEA was developed on the principle that information about events that beset a particular area or community – late rains, land reform, rising food prices, falling cotton prices, closure of mines – can only be properly interpreted if seen against the context of how people normally live. For instance, households who depend on their own production for much of their food needs will be affected by drought more severely than households who buy more of their food using income gained from casual employment in the towns. These more market-dependent households, on the other hand, will be affected more by a rise in food prices or by macro-economic events that undermine employment opportunities. In other words, an understanding of people's livelihoods is essential for an accurate analysis of the impact of any significant change, including climate, market, or political shocks<sup>2</sup>, program interventions, or policy changes, on households. A simplified illustration of the conceptual



<sup>2</sup> While the term 'shock' is used extensively throughout this guide, it is done so as a practical short hand for all types of changes – both negative and positive – that can be modelled using the HEA framework.

framework is shown in **Box 1**.

The first bar in the chart represents total access to food and income in a reference year for a particular group of people with similar access to food and income. This is the baseline, which presents a picture of the 'typical' household economy: of household assets; the strategies employed to derive food and income and the relationships between households and with the wider economy; and how households use that income to meet their basic needs, for investment or for social obligations. One important point to make here is that the quantities represented in the bar charts are a percentage of minimum food energy requirements. In other words, all food and income sources have been converted into their calorific equivalencies, i.e. the calories in food consumed, plus the calories that could hypothetically be purchased if all cash income was used to buy grain, and then compared to the internationally accepted standard of 2100 kilocalories per person per day. This has the advantage of allowing for like-to-like comparisons, and also of ensuring that a rigorous cross-checking can take place. In most instances, HEA uses the measure of 2100 kilocalories rather than a more sophisticated nutritional measure (such as the ideal dietary composition) because this meets the immediate requirements of the decision makers who tend to demand HEA information, and it fits within the practical limitations of most assessments. This is not to say that energy alone is a sufficient measure of nutritional adequacy; but it is the first measure of whether or not people will starve. Further analysis along nutritional lines is possible with HEA, although targeted nutritional survey work is likely to be more appropriate for gaining specific pieces of nutritional information. See [Chapter 7](#) for more on the relationship between HEA and nutrition.

The second bar in the chart – the effects of the problem without coping - shows us how specific sources of food and cash income are affected by a shock. In the hypothetical case presented in **Box 1**, the shock is a drought in a neighbouring country, leading to an influx of labourers from the drought-affected area in search of work, who flood local labour markets reducing the daily wage. The effects of shocks are specific to different livelihoods and to different levels of wealth, and the detailed problem created by a 'shock' for particular households is defined in HEA as the 'problem specification'. In the illustrative example provided in **Box 1**, the problem specification is shown between bars one and two, and results in reduced income from employment as shown in bar 2. It is worth noting here that HEA can be used to consider the effects not just of negative shocks, but also of positive changes. So, for instance, it is possible to consider just how much extra income might be obtained by poorer households who are provided with two goats, and what this might translate into in terms of increased food security. Or the relative food security benefits of a subsidy on kerosene might be weighed up against a price cap on staple maize. Throughout the rest of the [Practitioners' Guide](#), it is important to keep in mind that 'shocks' are used as a short hand for any measurable meaningful change that can be modelled, including both negative hazards as well as positive changes.

Third, the framework takes into account household capacity to adapt to the economic stress caused by the hazard by drawing down on assets, cutting back on expenditures, or expanding other sources of food or cash. This is shown in the coping step, which is placed in between the second and third bars above. In this example, households are able to sell more livestock than usual, and this increases their access to food and income. In other cases, it may be that households could find alternative employment opportunities elsewhere – although they would be competing with people in the same position. They may be able to draw further on the social obligations of relatives. Or they may be able to cut down on non-essential expenditure and use the cash for staple food instead.

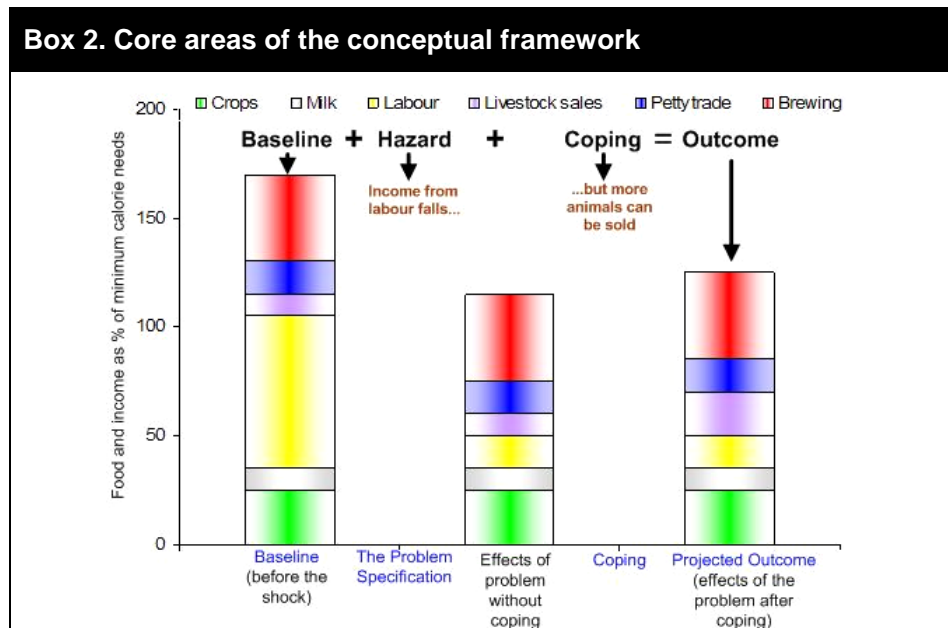
The final result – the projected outcome – is shown in the third bar. The projected outcome is, in essence, a consideration of the extent to which households will be able to 1. meet their basic survival needs (*the survival threshold*) and 2. protect their basic livelihoods (*livelihoods*)

*protection threshold*). The two horizontal lines shown in **Box 1** illustrate these two thresholds. For a more complete description of the composition and role of these thresholds, please see **Box 8** on **page 17**.

### The Steps in the Analysis

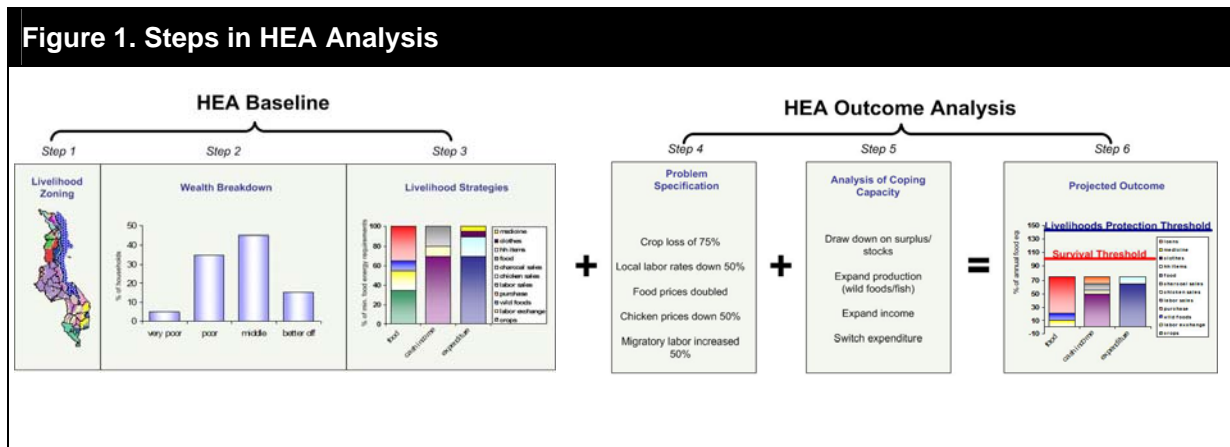
In HEA, the simple illustration of the framework above is translated into four core areas of the conceptual framework, as illustrated in **Box 2** :

$$\text{Baseline} + \text{Hazard} + \text{Coping} = \text{Outcome}$$



These areas are broken down into a number of steps, which are summarised in **Figure 1**, and again in **Table 2**, where the rationale underlying each step is also given.

**Figure 1. Steps in HEA Analysis**



**Table 2. Steps in HEA analysis with description and rationale**

	Steps in HEA	What is it?	Why is it needed?
<b>BASELINE</b>	<i>Step 1. Livelihood Zoning</i>	A delineation of areas within which people share broadly the same patterns of livelihood	It provides a livelihoods-based sampling frame; allows you to target assistance geographically; and to customise indicators for livelihoods monitoring systems.
	<i>Step 2. Wealth Breakdown</i>	A grouping of people based on local definitions of wealth and a quantification of assets	It disaggregates the population into common 'access' groups, which allows you to see important differences in households' vulnerabilities to different shocks and to estimate numbers of people who will be affected by different changes.
	<i>Step 3. Analysis of Livelihood Strategies</i>	A categorisation and quantification of people's sources of food and income, and their expenditure patterns, using a common currency.	It enables comparisons to be made across wealth groups and livelihood zones, facilitating prioritisation of resources. It also provides a starting point for outcome analysis.
<b>OUTCOME ANALYSIS</b>	<i>Step 4. Problem Specification</i>	Translation of a hazard or other shocks into economic consequences at household level	It allows you to mathematically link the shock (or positive change) to each relevant livelihood strategy
	<i>Step 5. Analysis of Coping Capacity</i>	Analysis of the ability of households to respond to the hazard	It helps you to determine how to support people's own efforts, and to provide external assistance before households turn to damaging strategies; it highlights relevant indicators to monitor.
	<i>Step 6. Projected Outcome</i>	Prediction of the effects of the hazard in relation to a survival and livelihoods protection threshold.	It clearly predicts whether and when assistance is needed to help people survive and/or protect their livelihoods. It also models the potential beneficial effects of proposed policies or programs.

At the heart of HEA is a depiction of how people get by from year to year and of the connections with other people and places that enable them to do so. This is called the **Baseline** and has three components: livelihood zoning, a wealth breakdown and an analysis of livelihood strategies for each of the identified wealth groups.

The **Outcome Analysis** is the investigation of how that baseline access to food and income might change as a result of a specific hazard such as drought or as the result of a positive change, such as a program input or beneficial price policy. It consists of three steps: first, the translation of a hazard such as drought into economic consequences at household level (such as a percentage fall in crop production or increase in food prices compared with the baseline), which is referred to in HEA as the 'problem specification'; second, the analysis of

the capacity of households in different wealth groups to cope themselves with the hazard. And finally, access to food and income at household level is predicted for a defined future period and compared to two critical thresholds: the survival and livelihood protection thresholds. This last step is referred to as the 'projected outcome'.

### **The Baseline: Steps 1 through 3**

#### *Why are livelihood zoning and wealth breakdowns necessary?*

Livelihood zoning and wealth breakdowns are both means by which a population can be divided into groups that have reasonably similar characteristics and that therefore allow for useful analysis. Grouping households together in some way is necessary in any population analysis since it is not possible to consider each household individually; and the most logical way of doing this for the purposes of livelihood analysis is to group people who share similar livelihoods, that is, similar patterns of access to food and income.

How people gain access to food and income is determined by two main factors: geography (since this determines what the options are) and wealth (since this determines how people can utilise those options). The first two steps in an HEA assessment are therefore livelihood zoning and the identification of wealth groups.

#### *Step 1: Livelihood Zoning*

People's options for obtaining food and cash income are determined to a great extent by where they live. In Swaziland, for example, households in the dry lowveld region where the agro-ecology is suited more to pastoralism will have very different livelihood options to those in the wetter mid- and highveld areas which favour agriculture. But it is not just agro-ecology which determines livelihood patterns – it is also access to markets. Market access affects the ability of people to sell their production (crops or livestock or other items) and the price they obtain for these goods. Thus households with good access to the urban complex of Manzini, Mbabane and Matsapha in Swaziland have quite different options to those living in the western mountains.

Since patterns of livelihood depend so much upon geography, the identification of livelihood zones is a necessary first step for any livelihood-based analysis such as HEA. A livelihood zone is an area within which people share basically the production system (that is, they grow the same crops, or keep the same types of livestock) and have the same access to markets.

Chapter 2 provides a number of examples of livelihood zone maps. Each of them shows how the zoning takes into account differences not just in production – distinguishing between, for example, (in Mozambique) the fertile, surplus-producing Limpopo and the rain fed Interior Zone (see the Limpopo Basin Zoning map in Chapter 2, **Box 1**) – but in access to employment markets. This distinguishes livelihoods in the Lower Limpopo from those in the Upper Limpopo as is access to trading markets (which is at the heart of livelihoods in the coastal zone).

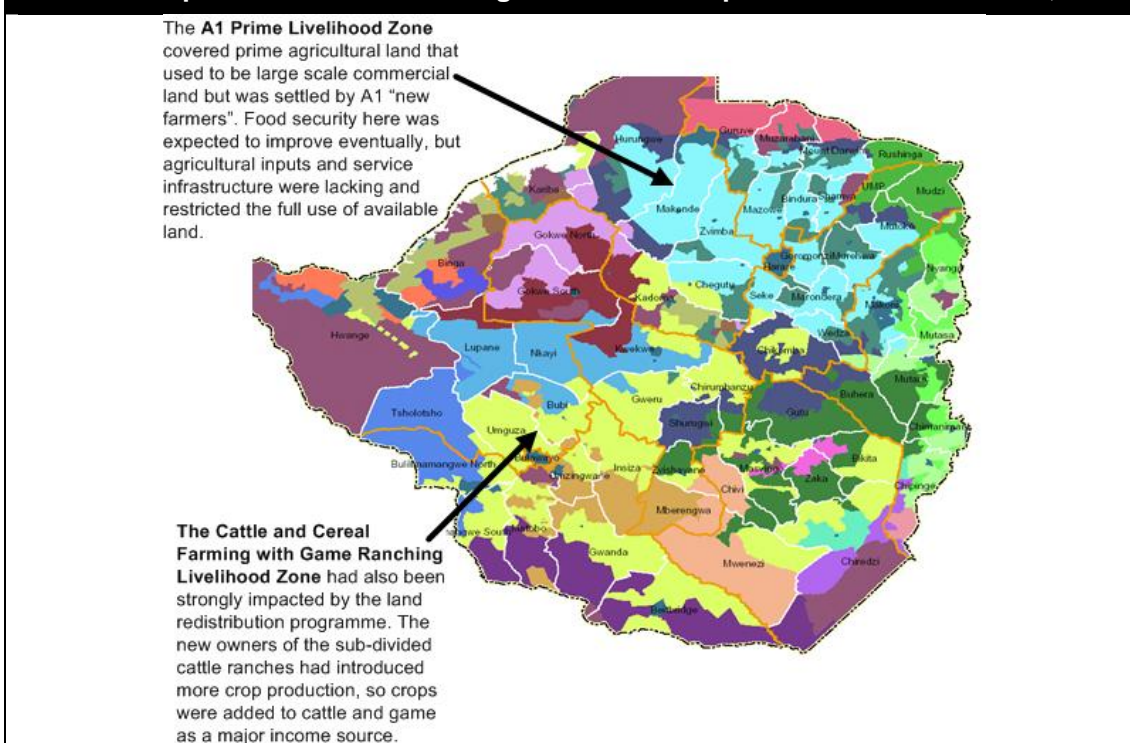
Zoning involves the preparation of maps, together with analyses of the options for obtaining food and income within each zone and the marketing networks that determine the patterns of exchange between zones. Taken together, these three factors of geography, production system and the marketing system by and large determine the economic operations of households within a particular livelihood zone. They also determine their vulnerability to particular hazards such as drought, conflict or market dislocation, since vulnerability is a function of a) the normal activities of households and b) the activities they turn to in

response to a hazard. These, like the normal activities, are determined by the same three factors of geography, production and markets and trade.

More detail is provided in [Chapter 2](#) on just how a livelihood zoning is done. An important point to make here, however, about the determination of zone boundaries is that it is not a one-off exercise but a process, the end objective of which is to improve on current knowledge and analytical capacity. As such there are still benefits to be gained from zoning areas or countries which are in a state of flux.

The livelihood zone boundaries of Zimbabwe, for example, were updated in March 2003, at a time of significant social and economic change caused by the government's fast track land reform programme which had been initiated in June 2002 and which had a profound impact on the long-term structure of livelihoods of large numbers of households both within the commercial farming regions and in neighbouring areas who traditionally had relied on employment opportunities there. These changes were exacerbated by continued economic stagnation, high inflation and uncertainty over future policy. These changes notwithstanding, the Zimbabwe VAC undertook an updating of the national zoning map through a nationwide series of workshops held in each province. The resulting livelihood map, with two of the most affected zones highlighted, is shown in **Box 3**.

### Box 3. Example of a livelihood zoning conducted in a period of flux: Zimbabwe, 2003



### Step 2: Wealth Breakdown

Geography is not the only factor that determines the pattern of livelihood. While geography tends to define a household's options for obtaining food and income, the ability to exploit those options and to survive in a crisis is determined largely by wealth. In other words, what people have by way of land, capital and livestock, together with their educational status and access to political and social networks determines the ways in which they will be able to get food and cash, as well as the ways in which they will respond to sudden or long-term change. Gender and social status plays an important role in determining this access to food

and cash, and responses to shocks and change. Poor female-headed households with little land may work for better-off households to get money to buy food; the better-off may use profits from agriculture as capital to engage in trade. In the event of a crisis, poor and better-off households will be affected differently and therefore warrant separate examination. The investigation of differences between households is central to building a meaningful analysis of food security and vulnerability to different hazards.

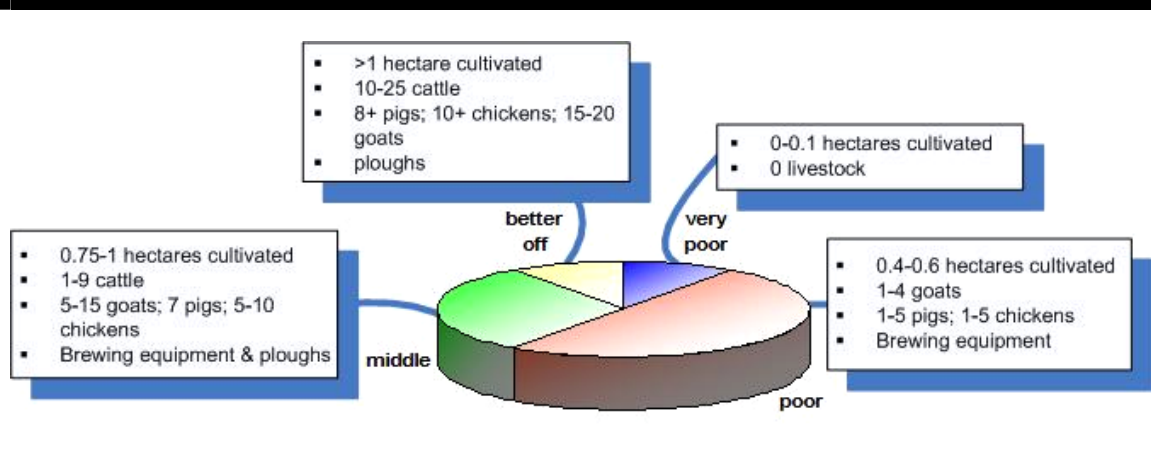
#### *Mapping critical links within a community*

In southern Africa, the poor are commonly dependent on the rich for casual agricultural employment. This provides the poor with an important source of income. But it makes them vulnerable to any decline in expenditure on the part of the rich – for example as a result of HIV/AIDS.

To capture these variations, HEA seeks to characterise typical households within each zone according to at least three (commonly four and sometimes more) wealth groups. A wealth group is a group of households that share similar capacities to exploit the different food and income options within a particular livelihood zone. The level of division depends on how the community view their society, and the purpose of the analysis.

In the field, wealth categories are defined through interviews with local key informants. 'Poor' and 'better-off' are thus relative to local standards, not to an externally defined one. Often these standards are predictable along general livelihood lines: landholding size and labour availability define wealth in a poor agricultural economy; land quality and access to fishing equipment in agro-fishing communities; livestock herds in pastoralist economies. Family size - specifically the balance between productive and dependent members - is often a determining factor.

#### **Box 4. Example of a wealth breakdown: Chongwe-Nyimba Plateau Valley Livelihood Zone, Zambia**



*The main determinant of wealth in this livelihood zone is cattle ownership, which in turn determines the number of plough oxen that a household owns and the area of land that it is able to cultivate. The number of other types of livestock owned and the agricultural inputs that a household can afford are also related to this. The very poor group includes households that are headed by elderly, terminally ill or widowed members, often supporting small numbers of young dependents, some of whom may be AIDS orphans. Households in this group are highly dependent on gifts and handouts. The poor are highly dependent on the labour opportunities provided by the middle and better-off groups.*

Finally, there is another reason for taking different levels of wealth into account when conducting a livelihood analysis. The rich and poor within a community are almost always connected in some way. Commonly, the poor are dependent on the rich for casual

agricultural employment. These linkages between rich and poor (food or cash gifts; livestock loans; employment) need to be taken into account for effective programme planning.

*Step 3: Analysis of Livelihood Strategies*

Having grouped households according to where they live and their wealth, the next step is to examine patterns of food and cash income and patterns of expenditure over a defined reference period. This gives a baseline picture of exactly how households get the food and cash they need, and of what they spend their money on.

**Box 5. Quantification of food, cash and expenditure: an example from West Zambezi, Zambia**

*Sources of food*

Poor households get less than half of their food from their fields. Half of the balance comes from working for others and being paid directly in staple food. The other half comes from market purchase or bartering fish, from direct fish catch consumption, from the collection of seasonal wild foods and from relief. All these activities give them less than 100% of their basic food requirement. This is the structure of food insecurity.

*Sources of cash*

We also see the constraints of poverty: the poor cannot afford to buy the grain and other inputs to do brewing, one of the main income sources of the middle group. The proportionately biggest earner is livestock, which the poor have virtually none to sell, and they have no cash crops either. They cannot even afford the hives which allow profitable honey production.

*Patterns of expenditure*

As to quality of life, the poor have exceedingly little to spend on other food like relish, or on almost anything else. And what of the chronic nature of poverty? The poor - and even the middle, who are pretty poor too - have very little to spend on agricultural inputs, so they can't improve their own production. They have very little to spend on education (the main component of social services) so that secondary school especially, which can offer a future, is beyond the means of perhaps half the population.

Source: Zambia Vulnerability Assessment Committee, *Zambia Livelihood Map Rezoning and Baseline Profiling*, Lusaka, Zambia. October 2004.

Many approaches to livelihood analysis describe how people acquire food and cash. **The difference with HEA is that it provides quantitative information**; information is gathered on *how much* food or cash households gain from a particular source, and on *how much* they spend on certain items and basic services over the defined period (see **Box 5**).

Such quantification is needed in order to allow a new situation – say, the closing off of employment from a particular source, or poor rains – to be judged in terms of its likely effect on livelihoods. It allows decision makers to compare levels of need across different populations and areas, and to prioritise and allocate resources accordingly. The need to compare and prioritise applies as much to decisions on tackling chronic poverty (which groups are the poorest, and where are they?) as it does to emergency resource allocation. Equally, a quantified approach is needed for assessing and comparing the impact of positive change on different groups and different areas.

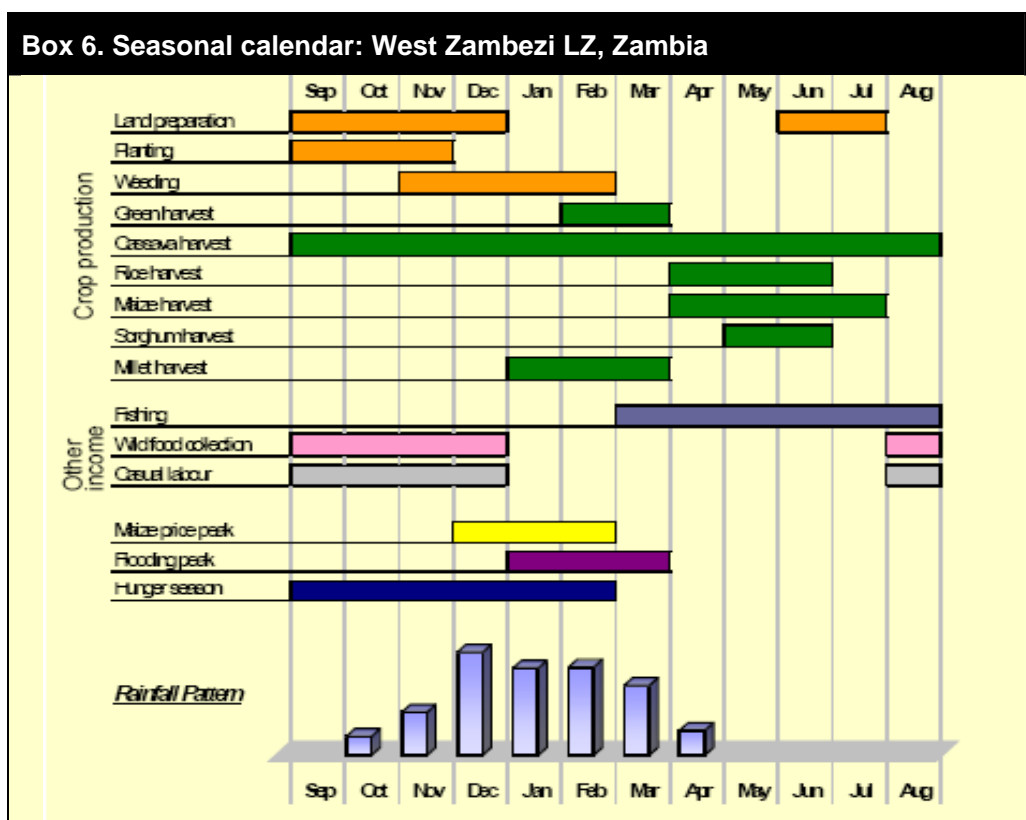
#### *Information quality*

The very nature of the information sought in an HEA inquiry makes it possible to check for consistency. That is because, on the one hand, there are a finite and relatively small number of economic options available to households; these define the broad parameters of the investigation. On the other hand, there is a minimum food requirement that households must be meeting if they are surviving, and a certain level of income they have to acquire in order to afford their stated expenditure.

That is not to say that the information gained is comprised of only numbers, or that it lacks the capacity to provide a 'qualitative' analysis of the conditions and situation of the households studied. HEA is a systems-based, rather than a correlative approach. This means that conclusions are drawn from a holistic analysis of livelihoods – that is, taking into account all the means by which people survive, all their resources and all their options – rather than from an analysis which aims to find relationships between selected factors or symptoms such as prices and rates of migration or of wild food collection. The aim of the baseline enquiry is therefore to build up a logical and comprehensive picture of livelihoods that is amenable to such a systems analysis; each 'bit' of information gathered has to make sense in relation to the rest. In these terms the approach gains rigour from the fact that the information has to 'add up' in quantitative, as well as logical, terms.

The necessarily holistic view of livelihoods which is at the core of HEA also has implications for the internal consistency of the information gathered. The way in which HEA information is usually collected is described in [Chapter 3](#). It is worth noting here that the very nature of the information sought in an HEA inquiry makes it possible to check for consistency. That is because, on the one hand, a finite and relatively small number of economic options are available to households; these define the broad parameters of the investigation. On the other hand, there is a minimum food energy requirement that households must be meeting if they are surviving, and a certain level of income they have to acquire in order to afford their stated expenditure. So the various ways in which a household acquires food - from its own production, from payment in kind, from purchase - must add up to its minimum food needs; and the various ways in which a household earns cash - labouring, crop sales, petty trade - must in total equate with its stated expenditure and with its observed standard of living. By comparing the two sides of the equations, and through a number of other cross checks, gaps and inconsistencies in the information can be challenged and a coherent and logical account of how households make ends meet can be put together.

A seasonal analysis of food and income acquisition strategies (see **Box 6**) is a key part of the baseline analysis, since among the rural poor seasonal variations in food access, own-labour needs and employment opportunities tend to define the livelihood options that people pursue and the constraints that they face – with corresponding implications for the timing of both emergency and longer-term interventions. A seasonal or month-by-month HEA



analysis can also bring to light the extremely tight financial margins by which the poor survive.

An important aspect of the baseline description is the understanding of links to markets. Most households in most parts of the world depend on the marketplace both to buy some or all of their basic needs and to earn the cash with which to do so.

Understanding links between communities and their different markets allows us to understand and predict options in times of crisis. HEA assessments examine where people buy different goods, where those goods come from, where people sell the goods and services they themselves supply and where they go or come from to look for work. In order to properly understand the economic gain of particular livelihood strategies, we need to know how prices and labour rates change from season to season and how this corresponds with the need of (particularly poor) households to buy or sell or work. We need to know which markets are of greatest importance in order to judge how observed changes in price or access at particular markets will affect households over a wider geography. [Chapter 3](#) provides guidance on market-related information needs specific to the baseline assessment. The [Market Supplement](#) provides additional advice on the type of market information and tools used in response analysis.

Once the baselines have been compiled, the idea is that they can be used repeatedly over a number of years - until significant changes in the underlying economy render them invalid. Rural economies in developing countries tend not to change all that rapidly however, and a good household economy baseline will generally be valid for between 3 and 10 years. What varies is the prevailing level of food security, **but this is a function of variations in hazard, not variations in the baseline**. Put another way, the level of maize production may vary from year to year (hazard), but the underlying pattern of agricultural production does not (the baseline).

The picture of household economy that is built up in this way can be put to a wide number of uses. Examples of these different applications can be found in [Chapter 5](#) of the **Practitioners' Guide** and in [Chapter 3](#) of **A Guide to HEA**.

### The Outcome Analysis: Steps 4 through 6

#### *Outcome Analysis: what is it and why is it needed?*

As a predictive approach, HEA is concerned with understanding the effect that a particular shock or change will have on household access to food and income. This is done by assessing (i) how access to food and cash will be affected by the shock or change; and (ii) the extent to which households will be able to make up the initial shortages through various coping strategies; or, in the case of positive change, the contribution any additional or freed-up income would make to the household economy.

HEA was developed in order to predict changes to people's access to food and non-food needs. This is clearly an important facet of an early warning tool; contingency plans need to be built on the basis of scenarios which show what is likely to happen over the coming six to twelve months.

But a predictive facility is important for other reasons. Agencies need to plan for service provision or deliveries for the time at which they are likely to arrive. A needs assessment approach is of little use (and is potentially even harmful) if it only assesses current needs, and does not allow agencies to plan according to a realistic implementation timetable. For example, by the time emergency or rehabilitation aid has reached people (with typical lead times of up to six months required for internationally-shipped food aid, for example) it may be unnecessary at best, and in the worst cases harmful. Similarly, the planning of a poverty reduction measure needs to be able to take into account the effects of inflation, changes in government policy and employment availability, if intervention levels appropriate at the moment of implementation are to be set.

*Predicting effects depends on understanding relationships*

*Understanding links between communities and their markets allows us to understand and predict outcomes in times of crisis.*

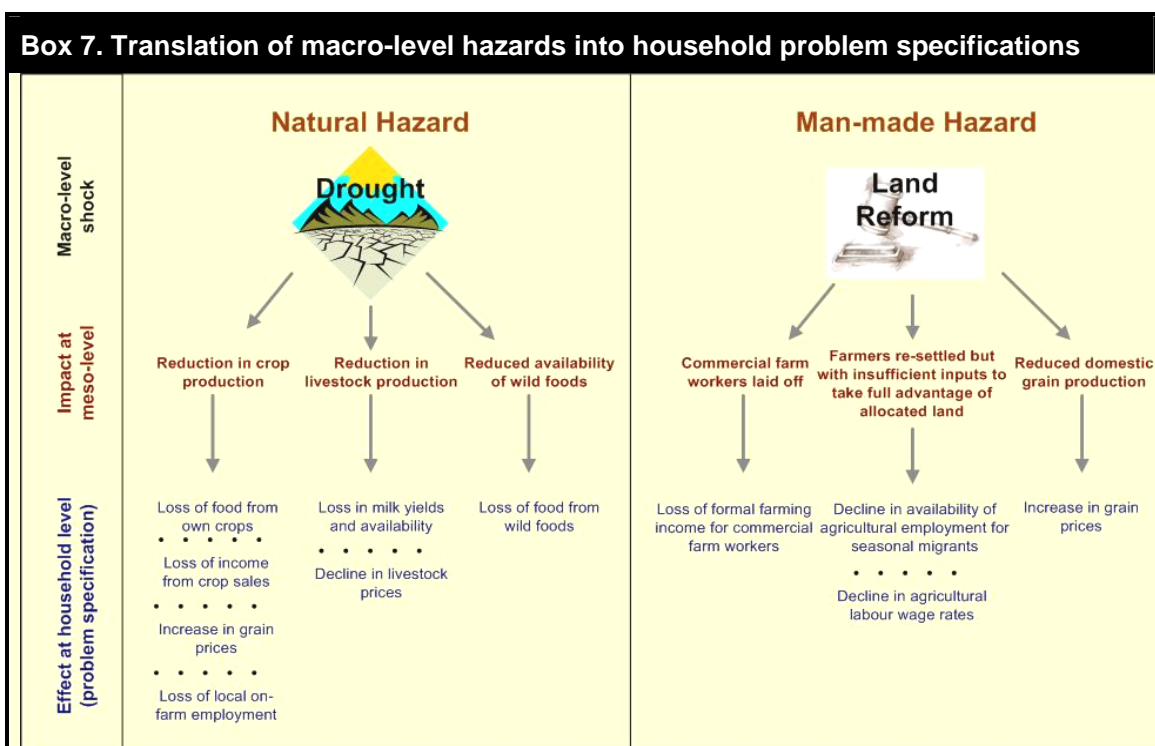
The facility to predict how livelihoods will be affected by change is also essential for a proper understanding of poverty and of poverty reduction measures. Poor people live in a context that is far from static and their livelihoods are constantly affected by changes in prices, in employment opportunities and in government policy. Analytical frameworks that seek to identify the nature and causes of poverty must also be able take into account the impact of such changes.

#### *Step 4: The Problem Specification*

The first step in analysing how the baseline household economy will be affected by a particular hazard is to analyse the hazard itself. This is a necessary step in itself because just knowing that a hazard might occur or has occurred is not sufficient for the analytical purposes of livelihoods analysis. The hazard needs to be translated into quantified economic consequences that link clearly to baseline information on livelihood strategies. For example, production failure in southern African can have a number of consequences in relation to agricultural livelihoods beyond the obvious loss of crop and livestock production. These include the loss of income from local agricultural employment, from cash crop sales and from livestock sales (through reduced prices), and the reduced availability of wild foods.

The first step in compiling the hazard information is to determine the relevant shock factors for analysis, using the baseline information as a guide; that is, for each wealth group and livelihood zone, to identify those sources of food or cash that contribute significantly to total food or cash income so that a reduction in access to that one source may have a significant effect on total access. That income source in the current year, compared to the reference year, can then be monitored. In most cases crop production and price information will be essential information to analyse. However, there may be cases, for instance with fishing communities or pastoralist groups, where crop production is of minimal importance.

Information on natural hazards – crop and pasture failure - is obtained from existing monitoring systems (e.g. crop assessment data or market price monitoring information) and from data collected in the field. This information is then broken down into what it means in terms of problem specification. Some examples are given in **Box 7**.



The task of obtaining the information necessary to create a 'problem specification' is clearly critical, but one which HEA is not designed to undertake. HEA relies on meteorological and agricultural systems to provide predictions of crop production or pasture availability. Similarly, it relies on others to do the political and economic analysis required to predict future trends: how prices will change, what markets will do, or which state entitlements will be lost. HEA takes up the reins at the point where these analyses leave off, determining how these macro-level changes will impact on specific food and cash income sources at the household level. Where analysis at the macro-level does not exist or is of poor quality, HEA practitioners may at least, working with a broad view of the economic or political situation and an understanding of what households are vulnerable to, be able to ask some of the right questions to determine the nature and scale of future shocks. The focus group discussions and

*The need for collaboration*

The translation of hazards into problem specifications is an important point of linkage between HEA and other information and analytical systems, and an area in which collaboration could be developed.

semi-structured interviews commonly used in HEA make it amenable to incorporating inquiry at this level, provided that additional interviewing time is budgeted.

### *Steps 5 and 6: Household Coping Capacity and Projected Outcome*

In the last two stages of the analysis of the impact of a shock on access to food and income at household level, account is taken of the response strategies that different types of household will employ to try and deal with the problem they face. The key questions are:

- Which of the existing food and income options can be expanded under current circumstances?
- What additional options can be pursued?
- Can expenditure be reduced?
- What effect will these responses have on access to food (i.e. *how much* extra food can be obtained in these ways)?
- How does the final access to food and cash relate to the minimum survival and livelihoods protection thresholds?

In other words, this is a quantified analysis of households' ability to diversify and expand access to various sources of food and income, and thus to cope with a specified hazard.

As in the case of the baseline analysis, the analysis of household coping capacity provides insights into the opportunities and constraints surrounding the expandability of food and income options for different types of household in different areas, highlighting where and how the various options might be supported by different types of outside intervention.

Not every response strategy available to households is included in an outcome analysis. Strategies may be excluded if they have undesirable or damaging side effects that threaten the sustainability of livelihoods in the medium to longer term, such as selling all productive assets, taking children out of school or entering into prostitution. Providing assistance may be justified not only to prevent outright hunger, but also to minimize the use of damaging coping strategies and thus to preserve assets and protect livelihoods. HEA enables various levels of intervention to be modelled which explicitly either include or exclude particular coping strategies (see, for example, the Serbia scenario analysis in [Chapter 3 of \*\*A Guide to HEA\*\*](#)).

Thus, only those strategies that are appropriate responses to local stress are included. In this context, appropriate means both 'considered a normal response by the local population' and 'unlikely to damage local livelihoods in the medium to longer term'. In many agricultural areas, for example, it may be usual for one or more household members to migrate for labour when times are hard. Provided the response is not pushed too far (i.e. too many people migrating for too long a period of time), this can be considered an appropriate response to stress. Similarly, in a pastoral setting, it is usual to increase livestock sales in a bad year. This again is an appropriate response to economic stress - provided the increase in sales is not excessive.

In HEA, therefore, the most important characteristic of a response or coping strategy is its cost, where cost is measured in terms of the effect on livelihood assets, on future production by the household, and on the health and welfare of individual household members. It is important to note that including a particular coping strategy in the analysis does not imply that households will necessarily follow that particular strategy. For example, if the analysis takes into account the income that could be earned from the

*Modelling behaviour is not the aim*

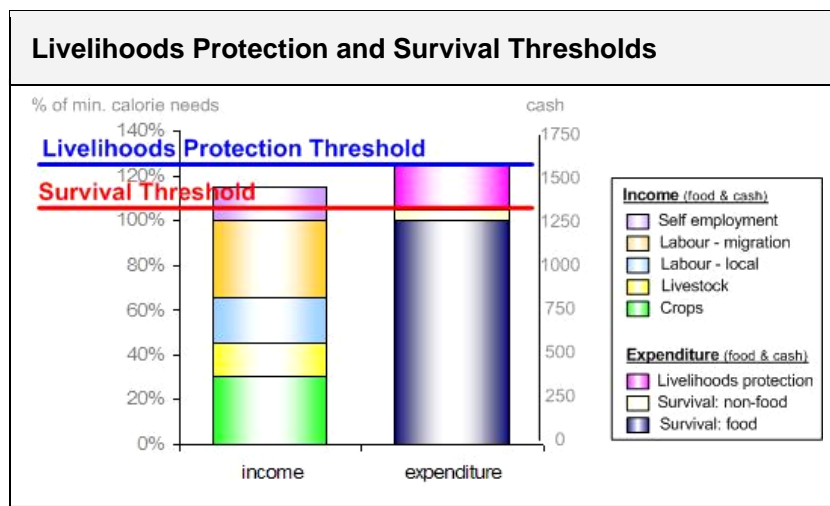
The objective of the outcome analysis is not to model household behaviour, but to determine the **limits of household coping**.

**Box 8. Livelihoods and Survival Thresholds: Triggers for Appropriate Livelihoods-based Responses**

HEA establishes the basis for setting two important thresholds which are designed to trigger appropriate responses: the **Livelihoods Protection Threshold** and the **Survival Threshold**. The **Livelihoods Protection Threshold** is the line below which an intervention is required in order to maintain existing livelihood assets and strategies. The **Survival Threshold** is the line below which intervention is required to save lives. These thresholds are compared to total income (including both food and cash) and total expenditure. This comparison can be made either to an assessment of current conditions or to a predicted outcome. This allows analysts to model the projected effects of:

- hazards (drought, for instance)
- policy changes (e.g. a market-related shift); or
- project inputs (e.g. a fodder expansion initiative)

The thresholds provide a livelihoods-grounded and evidence-based reference point against which to judge the likely outcome of different events or policy shifts, and to plan accordingly. They show just how much of a gap will be left, and in this way provide guidance on the magnitude of the required response. And because the baseline income and expenditure graphs against which the thresholds are compared are actually an illustration of the relevant livelihood strategies in use, they can help guide thinking about what kind of response (food, cash, market, etc) might be most appropriate.



In the example provided, income is sufficient to cover basic survival needs, but there is a gap between minimum livelihood requirements and available income. In this case, an appropriate response might include a cash transfer program, or in kind support to cover one or more of the expenditure requirements.

**The Survival Threshold** represents the total income required to cover:

- 100% of minimum food energy needs (2100 kcals per person), plus
- the costs associated with food preparation and consumption (i.e. salt, soap, kerosene and/or firewood for cooking and basic lighting), plus
- any expenditure on water for human consumption.

**Note:** Items included in categories b) and c) together make up the survival non-food expenditure basket, represented by the ivory bar in the expenditure graphic.

**The Livelihoods Protection Threshold** represents the total income required to sustain local livelihoods. This means total expenditure to:

- ensure basic survival (see column to left), plus
- maintain access to basic services (e.g. routine medical and schooling expenses), plus
- sustain livelihoods in the medium to longer term (e.g. regular purchases of seeds, fertilizer, veterinary drugs, etc.), plus
- achieve a minimum locally acceptable standard of living (e.g. purchase of basic clothing, coffee/tea, etc.)

sale of additional (but not all) livestock, it **does not suggest that households will necessarily take up that strategy**. Rather than sell more animals than usual, they may decide to employ one or more of the other strategies open to them – including those considered to be more damaging: they may reduce food intake, or send a household member away permanently to find work. The point is that the analysis of household response is not an attempt to model behaviour - that is, to predict which options a household will take up in a crisis and which they won't. Rather, it is an attempt to define a level of access below which households have little choice **but** to pursue strategies that are likely to be damaging in the long term; in other words, a level of access below which the analysis shows that outside intervention is appropriate.

The final output from the outcome analysis is the **projected outcome**: a quantified estimate of access to food and cash, taking into account the hazard and household responses to it, for each of the wealth groups. It shows where different households fall in relation to two locally-defined thresholds – one that defines the minimum survival requirements, and the other that sets out what it takes to protect people's livelihoods (see **Box 8**). Based on the best available evidence, it shows which groups of households will and will not be able to respond to a shock on their own, without the use of strategies that would undermine either their health or their longer term welfare. It provides decision makers with a transparent link between household realities and a justification for providing external support of a particular type and amount, and for a set duration. Just as important, it makes clear the likely consequence of a failure to mount an intervention and establishes useful monitoring indicators and thresholds so that response plans can be adjusted as time goes by.

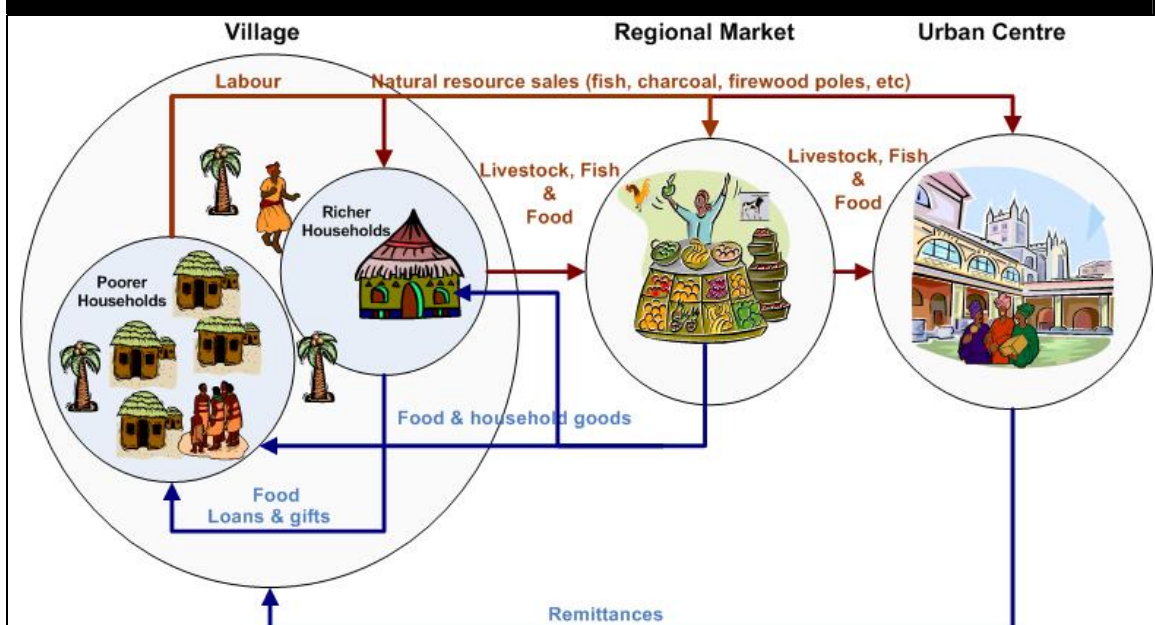
## WHERE MARKET ANALYSIS FITS INTO THE HEA FRAMEWORK

Market assessments in HEA aim to get an idea of how markets function and related implications for the vulnerability of households to different market shocks. They provide correlative evidence for information gathered during household economy interviews on the prices and quantities of goods and services traded, and price variations across seasons and years.

Market analysis in HEA should be distinguished from detailed market studies which focus on, for example, the marketing of one crop and involve specialised economic modelling. These go into considerably more detail than is required (and practical to gather) for HEA studies. HEA studies do not claim to be able to provide information to guide strategic plans for improving businesses, or improving market efficiency. For this it is advisable to contact microfinance specialists and market economists. Our focus is on the nexus of the household, community and its most immediate markets. HEA aims to obtain an overview of how regional, national and international markets serve the population, but the focus is generally on local-level access to food, non-food items and basic services. National level market analysis requires a different approach. HEA's unique focus on the household allows it to provide clear information about the implications of problems related to markets on the household economy.

During an HEA study, practitioners encounter a wide range of actors each of whom interacts with the market in different ways. Just what is sold to whom and when determines much about the advantage or disadvantage that different households hold in relation to the market. Sometimes the members of households act in the capacity of producers, and at other times of year, they are consumers. Richer households tend to sell surplus amounts of the things they produce (like crops or livestock) and they have the luxury to sell at times that are advantageous for them. Poorer households tend to be caught in cash flow crunch that forces them to sell essential portions of what they produce (i.e. not surplus food) at the least profitable time of the year (e.g. just after harvest). Traders act as intermediaries between market levels (local, regional, and urban) and profit from the margins generated by the

**Figure 2. The critical links between households and markets**



changing balance between supply and demand. **Figure 2** illustrates some of these links, showing how the household engages with other households locally, and how each of these interacts with regional markets and urban centres to sell goods as well as to procure basic goods and services, to invest, and to procure other items. The diagram highlights the reciprocal exchange between richer and poorer households for goods, labour and services, which have as much of a social basis as an economic one.

HEA takes up and adapts market analysis tools as necessary given the circumstances. For instance, if it seems from household information that markets are strong and people get good prices in both good and bad years then we might be satisfied with understanding only the flow of commodities into and out of an area. However, if we find out that crop prices are extremely low in good production years, and this seems to be a major factor in keeping people poor then it becomes necessary to investigate where, in the marketing chain, the biggest bottlenecks are so that recommended interventions result in improved access to markets and better prices for food and inputs.

As suggested by **Figure 3**, which summarises how market analysis fits into the HEA framework, market analysis in HEA is not a separate study. It is an integral component of understanding the household economy and in gauging how changes in the wider economy translate into household effects; as such it has relevance at every step of the process. Knowing how to organise the essential pieces of market-related information required to carry out the different steps in the HEA process is critical for translating this potentially vast area of enquiry into a practical input to the Framework.

**Figure 3. Where market assessment fits in the HEA Framework.**

