

USING HEA TO LINK THE MACRO TO THE MICRO ECONOMY

Source: *Out-take from A Guide to the Household Economy Approach, FEG Consulting and SC-UK, for the RHVP, 2007*

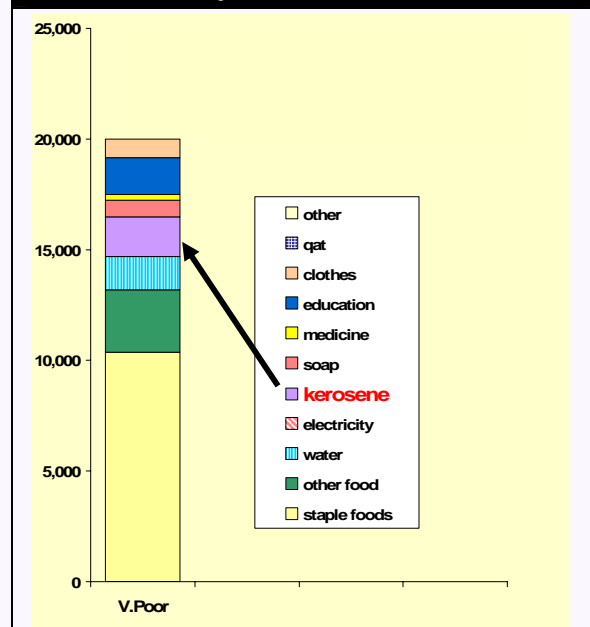
Even the most micro-level aspects of the household economy are related in one way or another to the macro-environment. A female-headed household's reliance on the small profit she makes from selling small amounts of grain across a border, for instance, is made possible because of the price differential which rises or falls in tandem with a government-imposed import ban, or a production subsidy. Useful policy-related links can be drawn out of all HEA baselines, and the effectiveness of these can be modelled using outcome analysis. The baseline profiling of Djibouti City provides one example of this application.

Case study: How a micro-analysis helped change a macro-policy – Djibouti City

In 2001, FEWS NET carried out an urban baseline assessment in Djibouti. One of the outputs of this work is presented in the figure to the right, which shows the relative allocation of very poor households' income on goods and services. It shows that – surprisingly, perhaps – these households were forced to spend **as much on kerosene as they did on education**. Or, put another way, their spending on kerosene was limiting the amount they could invest in their children's education, or the amount they could devote to health costs if someone in the household fell sick.

The finding was important enough to compel the government to eliminate the tax on kerosene, effectively reducing its cost significantly, and freeing up a bit of extra income for these cash-strapped households.

Expenditure patterns of very poor urban households - Djibouti 2001



Source: *FEWS NET Livelihoods Profiles – Djibouti, October 2004, FEWS NET/USAID*