



Feed the Future Country Fact Sheet

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Delivering More Bang for Development Bucks: Cost-Benefit Analysis and Feed the Future



Steve Goertz

Seventeen kilometers of improved roads in the Haitian mountain community of Fond-Baptiste now provide easy access to this local Monday market and larger markets on the coast.

Now more than ever, development professionals and policymakers ask a fundamental question: Is a project worth the investment? Many are looking to cost-benefit analysis (CBA) for an answer.

Starting in 2009, USAID [re-committed](#) (pdf) to [cost-benefit analysis](#) (CBA) as a critical tool for effective decision-making, and dramatically expanded its usage and training. CBA is an economic model that weighs strengths and weaknesses to determine how to implement or modify a project. USAID uses CBA to help determine when and where to invest for maximum results.

Feed the Future, Meet Cost-Benefit Analysis

Coinciding with this renewed interest in CBA was an increase in U.S. investment in global food security. At the 2009 G8 Summit in L'Aquila, Italy, President Obama called on global leaders to reverse a three-decade decline in agriculture investment. The U.S. Government's global hunger and food security initiative, [Feed the Future](#), embodied the U.S. contribution to this global commitment to reduce poverty, hunger and undernutrition.

Feed the Future wasn't just a commitment of funding. It signaled a new way of doing development, founded in support of country-led efforts, deep partnership, and a relentless focus on results. It's fitting, then, that Feed the Future became a critical player in the renewed push for incorporating CBA into USAID's efforts.

As the lead agency for the Feed the Future initiative, USAID determined early on that it would roll out CBA analysis to Feed the Future countries through its overseas missions. This included specialized CBA training for agricultural officers and others

working on Feed the Future's early implementation so that CBA methods could be incorporated into agricultural program design.

Cost-Benefit Analysis Explained

CBA blends smart design with evidence to figure out if a project makes sense for the people USAID serves.

Analysts examine the incentives facing multiple stakeholders, including prices, profits, and losses over a long period of time. USAID uses this information to determine who is likely to win or lose as a result of a project, and adjusts design as necessary. Once the incentives are clear, the CBA model calculates the project's costs and benefits.

Since we live in an inherently uncertain world, CBA analysts don't stop there. CBA has helped Feed the Future projects account for volatile changes in circumstances, such as food price fluctuations over time.

Twenty-three missions around the world have used CBA to analyze or inform Feed the Future programming. Initial results have found that Feed the Future investments will achieve a 32 percent economic rate of return on average. By comparison, long term U.S. Government bonds only yield about three percent.

Perhaps even more important for the growth of CBA practice are the hundreds of USAID officers — including many agriculture officers — who have received training in how to incorporate CBA methods in program design. These agricultural officers will incorporate what they have learned into future projects, amplifying the effects of CBA.

Cost-Benefit Analysis in Action

CBA is producing concrete results. In Haiti, USAID analysts conducted CBA of agricultural projects under Feed the Future West, an ongoing USAID program. Feed the Future West aims to modernize and create productive agricultural zones. Analysis determined that farmers would enjoy an internal rate of return (IRR) of 49 percent if all project targets were met. In other words, for every 1 dollar invested the host society receives an average of 49 cents in additional income over the project's life. This result is significant: development institutions typically accept a minimum IRR of 12 percent for most projects.

USAID's CBA analysts also examined how to remedy a shortage of rural roads in Haiti so that farmers could bring goods to market.

In Ethiopia, CBA helped guide \$54 million in recent program planning. USAID estimates that these CBA-assisted programs have the potential to pull up to 400,000 people out of extreme poverty, explains Daniel Swift, an economist for USAID/Ethiopia.

In particular, USAID calculated the costs and benefits for Ethiopians of meat and dairy value chains as part of the Pastoralist Resiliency Improvement and Market Expansion (PRIME) project. The Mission's original plan called for animal health and maintenance training, but CBA proved that the benefits of this training could not justify the investment. Instead, CBA led the mission to investments with more bang for the development buck.

This includes helping establish a meat processing plant that is expected to yield an estimated "\$68 million in economic benefits for Ethiopia" in the form of a "tangible and sustainable market for poor pastoralists in the region," according to Swift. Here and elsewhere, CBAs allowed decision makers to identify new opportunities and expand successful initiatives in the right places.

In concert with strategic analysis and a strong record of collaboration with private-sector partners, CBAs have become a part of the Feed the Future success story in this critical country.

CBA is more important than ever at USAID, but this work is far from complete. Tom DiVincenzo, USAID/Guatemala Mission Economist, notes that CBA analysts continue to seek [new ways of explaining their work to decision-makers](#), who can struggle to fully understand the value of this type of analysis.

So what can the development community do to promote CBA and empower decision-makers in using it? Connect CBAs to "concrete examples" that non-economist decision-makers can understand easily, DiVincenzo notes. The results are worthwhile. When quantitative analysts work hand-in-hand with agricultural experts, their collaboration can plant the seeds for future prosperity.

This post originally [appeared](#) on the USAID blog.