



...: emergency needs assessment branch



Markets and Emergency Needs Assessments

Cairo Workshop
March 2006

Strengthening Emergency Needs Assessment Capacity (SENAC)

Markets and Emergency Needs Assessments – Cairo Workshop

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This workshop was organized under the umbrella of the “Strengthening Emergency Needs Assessment Capacity” (SENAC) project. The SENAC project aims to reinforce WFP’s capacity to assess humanitarian needs in the food sector during emergencies and the immediate aftermath through accurate and impartial needs assessments. This workshop focused on the findings and recommendations of the activities undertaken during Phase I of the SENAC project on the role of markets in emergencies.

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MARKETS AND EMERGENCY NEEDS ASSESSMENTS WORKSHOP 14–16 MARCH 2006, CAIRO

I. PURPOSE AND OBJECTIVES OF THE WORKSHOP

WFP has been engaged in a comprehensive effort to strengthen the assessment of emergency food security-related needs, including a number of activities funded by the European Commission Humanitarian Aid Office (ECHO) under the Strengthening Emergency Needs Assessment Capacity (SENAC) project. This work is managed by the Emergency Needs Assessment Branch (ODAN) in collaboration with the Vulnerability Analysis and Mapping (VAM) Branch. Direction and technical support are provided by a Steering Committee of donor representatives and an advisory group of partner United Nations agencies, research institutions and non-governmental organizations. One of the five SENAC research themes involves work to improve the analysis of market issues, including (i) how markets affect food availability and food access both during and after a shock, and (ii) what potential effects in-kind deliveries or procurement of food aid might have on local markets. A second major theme is to ensure that assessments have access to reliable pre-crisis information, including market variables, in countries facing recurrent emergencies.

Currently, timely collection and analysis of this type of market information is a significant challenge for emergency needs assessment (ENA) teams that must rapidly formulate food and non-food response options. As of March 2006, a number of markets-related activities had been initiated or completed, including development of ‘*market profiles*’ in 13 countries, a desk review of emergency needs assessments and the impact of food aid on local markets, and a summary of the methodological challenges to inform decisions using market information and analysis during emergency needs assessments.¹

Also, market analysis is increasingly important for other corporate debates, including discussions on: emergency food reserves, the role of procurement in strengthening developing country markets, cash-based interventions, the World Trade Organization definitions of food aid and Poverty Reduction Strategy papers. This calls for new operational relationships between different units in WFP to ensure effective collection, analysis, sharing and application of market information.

Within this policy and operational framework, the workshop was viewed as a critical juncture for developing consensus with a broad audience representing interested WFP functional areas (assessment and analysis, policy, procurement and programme staff), partners and donors on the added value of the market activities completed under Phase 1 and on how to take this work forward in the second phase of SENAC. The workshop

¹ Market profiles were prepared in Afghanistan, Cote d’Ivoire, Democratic Republic of Congo, Guatemala, Honduras, Lesotho, Madagascar, Niger, Pakistan, Sudan (Darfur), Swaziland, Tajikistan and Timor Leste; Desk Review of Emergency Needs Assessments and the Impact of Food Aid on Local Markets, Donovan et. al., Michigan State University (2005) and Market Baselines and Emergency Needs Assessments: A Summary of Methodological Challenges to Inform Decisions, Donovan, et. al., Michigan State University (2006). Also, local market studies were conducted in Lesotho, Mozambique and Swaziland.

represents a mid-point in a longer-term process of consultation with interested stakeholders on how to consolidate and mainstream market analysis expertise, including integration of this work into a comprehensive food security assessment/analysis approach that also covers related dimensions, e.g. nutrition and gender.

The overall goal of the workshop was to ensure that the markets research completed to date does not remain an academic exercise, but is translated into practical, field-friendly approaches. The participants were enlisted to help advance the draft market instruments and determine concrete steps for field-testing them, and to identify linkages between the SENAC efforts and other WFP and partner initiatives. (See Annex 1 and Annex 2 for the agenda and list of participants, respectively.) This work was facilitated by inclusion, in the summary “methodological challenges” document, of draft checklists of market tools for use in ENAs and baselines.

Thus, the specific objectives of the workshop were to:

- review and discuss the SENAC market outputs, including validating the role of market profiles;
- identify essential market information to be included in Emergency Food Security Assessment (EFSA), Comprehensive Food Security and Vulnerability Analyses (CFSVA) and Food Security Monitoring Systems (FSMS) instruments and discuss the proposed checklists;
- discuss the potential of “market models” as an analytical tool for assessing food assistance requirements; and
- determine the priorities, next steps and timeline for further research and field testing of market tools.

The workshop was organized into three day-long sessions, each of which included a series of presentations and discussions in working groups and plenary sessions. The main topics and outputs from these three days are summarized in the remainder of this report, as follows:

- Section II contains a brief summary of the presentations made on the recent market-related outputs from SENAC and on the FEWS NET perspective regarding market analysis.
- Section III summarizes the overall recommendations on the purpose, scope, and content of market profiles, and identifies specific issues and next steps for integrating market information into CFSVAs, FSMSs and EFSA. It also briefly presents a proposal to further elaborate and apply a spreadsheet model developed to estimate market responses to a production shortfall in Zambia for other countries or regions.
- Section IV reviews the linkages of the SENAC market research with related work in policy and procurement.
- Section V outlines broad suggestions on next steps, including issues regarding markets-related training.

The observations presented in this report do not necessarily represent agreed consensus of all workshop participants; rather, they represent a synthesis of the main issues raised for consideration by WFP and its partners in moving forward on market

analysis. For further information, all final presentations were compiled on a CD Rom, which was distributed to all workshop participants (copies can be obtained upon email request to odan_info@wfp.org).

II. REVIEW OF SELECTED MARKET-RELATED ACTIVITIES

Even in emergencies, markets represent an important element of food security, influencing the availability and access to staple foods by crisis-affected households. Information on staple foods – their prices, trade flows, production trends and supply and demand – is therefore essential for understanding food insecurity and designing appropriate responses which avoid potential negative market-related effects (e.g. displacement of commercial imports or local production). While the focus of the workshop was on food markets, it was acknowledged that food security is equally affected by other markets, particularly those directly linked to the specific livelihoods of vulnerable groups. Commodity markets (such as for livestock or cash crops) and the labour market (daily wage rate) stand out as most important for food security.

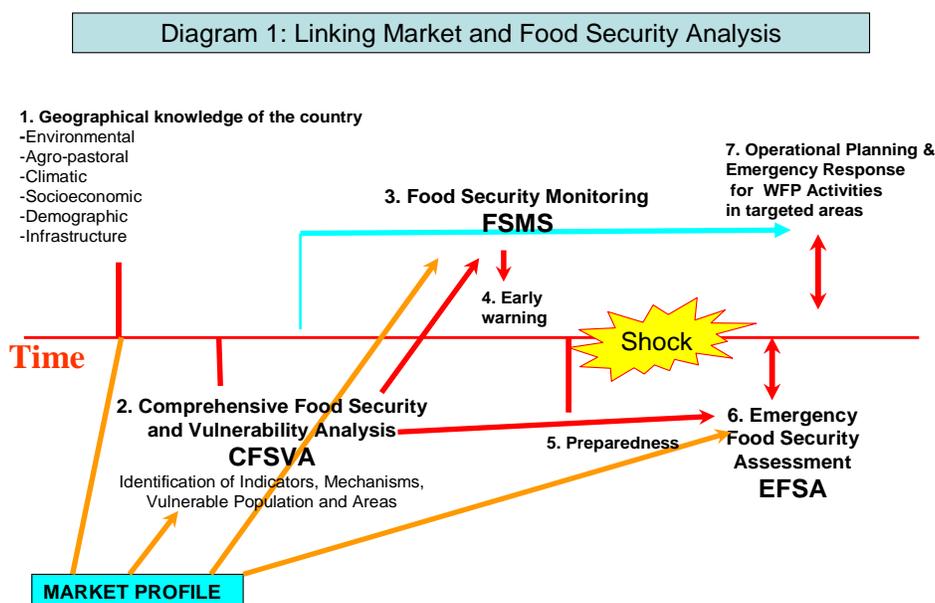
In order to begin systematic collection of market information in crisis-prone countries, WFP commissioned “Market Profiles” in 13 countries to describe the structure and functioning of national/regional markets for staple foods. These profiles describe the country’s agricultural sector; analyse national food consumption, price seasonality and market integration; describe national food crop production (quantities and location); and review trade and food aid flows, including information on national marketing institutions, transport infrastructure and trade regulations. They also list the main market indicators that should be monitored in order to analyse the impact of a food emergency.

The workshop sought to determine how best to link market information at the national and regional level with socio-economic information at the household level. Thus, it looked at what refinements are required in the instruments used by WFP for food security analysis, monitoring and assessment:

- **CFSVA:** A CFSVA is a baseline that analyses how many people in a country are vulnerable to food insecurity, who they are, where they are located, why they are food insecure, and how food or other assistance can make a difference in reducing hunger and supporting their livelihoods. Issues such as the extent to which people rely on markets (rather than their own production) to obtain food or pursue a livelihood are important elements of this baseline analysis. The CFSVA also identifies critical variables that should be monitored to detect imminent changes in food security, particularly in disaster prone areas.
- **FSMS:** An FSMS continuously collects, analyses and reports on indicators that are critical to the food security of vulnerable populations in specified geographic areas. It therefore needs to include information on key market factors that affect the staple food supply and demand situation, e.g. changes in food prices and daily wage rates.
- **EFSA:** Once a food security crisis occurs, an EFSA is conducted to identify which specific groups are affected and what responses are appropriate,

including food and/or non-food assistance. EFSAs must analyse the impacts of shocks on national and local food availability and access, including whether markets will function and how household purchasing power will be affected. This work is facilitated by information from baselines and monitoring systems.

Diagram 1 provides an overview of the linkages between market and food security analysis, including CFSVAs, FSMSs and EFSAs:



To inform the discussions on linking market and food security analysis, presentations were made on the findings of the markets and food aid desk review, the experience from two completed market profiles (Niger and Tajikistan), FEWS NET’s work on collection and use of market information, and lessons learned from market assessments undertaken during or after EFSAs in Sudan and Pakistan.

A. *Emergency Needs Assessments and the Market Impacts of Food Aid - Cynthia Donovan, Michigan State University*²

This paper notes that market analysis has a much broader application beyond reviewing the potential impacts of food aid on markets, and should be extended to look at how markets can be used to help meet food security needs in crisis situations. There is limited empirical evidence of food aid having demonstrated negative impacts on markets. However, negative effects can arise from poor timing (e.g. food aid

²Donovan et. al., Michigan State University, 2005. *Desk Review: Emergency Needs Assessments and the Impact of Food Aid on Local Markets*. World Food Programme, Rome.

arrives during the harvest), larger than needed quantities, or because the same food, or a close substitute, is readily available in other domestic or regional markets.

Mali was mentioned as an example of how a good understanding of markets helped defuse the crisis in 2005, while lack of this information may have contributed to the crisis in Niger. Although both countries faced similar underlying problems (drought, price rises), regional trade flows were maintained and the government worked with traders to bring in lower-priced commodities in Mali. The existence of local capacity for food security monitoring and market intelligence was critical. In the case of Niger, market conditions, trade restrictions from neighbouring countries and government procurement in Nigerian markets pressured prices upwards, “pricing” the poor out of the market in Niger. The main lesson is that a common-sense approach is required for assessing the roles of markets in need assessments, focusing on three main questions:

- What is the nature of the food insecurity? Related to this, are market failures (or weaknesses) part of the threat to availability and accessibility of food? If markets function, do affected households have sufficient purchasing power? (This links with the CFSVA objectives.)
- Which response alternative or set of alternatives will best ensure food security in the short run while enhancing the longer term role that markets play in food security?
- When WFP and partners opt for a food aid intervention, what are the potential effects on markets?

Six steps were recommended to mainstream market issues into EFSAs: (i) preparation of market profiles in countries with recurrent crises; (ii) identification of households’ pre- and post-shock market strategies; (iii) analysis of the effects of a shock on markets and the potential use of markets based on market visits and trader surveys; (iv) use of market information services for price analysis and overall market reconnaissance; (v) evaluation of regional and national trade and public policies that will affect markets; and (vi) evaluation of demand and supply using Food Balance Sheets and where possible, market models.

B. Niger Market Profile - Geert Beekhuis, WFP Regional Bureau, Dakar

The experience in developing a market profile in Niger in 2005 was discussed in order to suggest how market analysis can be improved and adapted for broader use in the Sahelian countries. This work involved data collection and establishment of a market monitoring system to ensure that food aid did not disturb markets, in collaboration with FEWS NET and the national agricultural market information body, SIMA. The market profile significantly enhanced the understanding of the origins of the 2004-2005 crisis and price hike, helped assess the impact of food aid on markets, and contributed to targeting the Emergency Operation (EMOP) and designing the Protracted Relief and Recovery Operation (PRRO). This work paved the way for the first-ever contract for market monitoring and support between WFP, FEWS NET and the national Early Warning System.

The market profile exercise highlighted four main areas that require improvement: (i) ensure national coverage; (ii) include major non-cereal food crops in the analysis; (iii)

improve data and analysis on cross-border flows; and (iv) analyse how a price increase affects vulnerable households, including how many people will become food insecure. Suggestions were also made regarding the draft checklist for market profiles, e.g. to include how price changes impact access to food.

C. Tajikistan Market Profile - Abdolreza Abbassian, FAO Commodities and Trade Division, Rome

Prior to the market profile, little market analysis had been undertaken in Tajikistan, although some existing data sources proved helpful, e.g. WFP's database on national food prices and fuel costs (one of the best sources of information). The study indicated that any change in the price of primary food commodities above ten percent from the three-year average is highly significant for household food security.

The overall conclusion from the market profile was that the markets in the country do not function well, and price movements may not fully reflect the real food situation in rural areas. Therefore, market analysis alone would have limited value for assessing the domestic food security situation of rural households. Many vulnerable Tajik households face major problems of malnutrition and access to food in spite of apparent improvements in food supplies at the national level. Thus, more analytical work is required on macro/micro level interactions in order to better understand the relationship between market changes and household food security.

D. Darfur Emergency Food Security Assessment (November 2005) - Dekha Sheikh, WFP Regional Bureau, Kampala

A market study was undertaken as part of the Darfur Emergency Food Security and Nutrition Assessment in 2005, using a combination of methods: interviews with traders and agricultural experts, direct market observations and historical price analysis as well as household and community focus group questionnaires. The objectives were to forecast the likely cereal production and availability scenarios for the following marketing year, estimate food commodity flows, analyse market functioning and determine the potential of the markets to cover any food deficit in the Darfur region. In addition, an analysis of price differentials between the local and food aid variety of cereals was undertaken. This was found to be a robust indicator of changes in the supply of local commodities in different regions.

The market study provided essential information on projected food availability, suggesting that the 2006 harvest would be significantly better than the previous year's harvest, but still well below aggregate food requirements. Among the technical challenges identified were (a) how to estimate effective household demand, (b) how to analyse the role of wage labour, and (c) how to improve market information systems.

E. Market Assessment and Trader Survey in Pakistan-administered Kashmir and NWFP (December 2005) - Jennifer Nyberg, WFP Regional Bureau, Cairo

A market assessment and trader survey was conducted in the most food-insecure regions of Pakistan-administered Kashmir and North West Frontier Province (NWFP) shortly after the EFSA mission, in order to validate the EFSA findings and support programming. This staggered timing and the application of ‘real time’ market analysis proved useful in the context of the sudden-onset emergency, because some markets had not been destroyed, and others were completely destroyed or had already begun to recover post-earthquake. The assessment and trader survey helped refine the targeting and design of the PRRO, and concluded that food assistance in surveyed urban areas would have most likely hindered market recovery. Where relevant, WFP food aid distributions were retargeted to rural areas. The trader survey was also necessary because governance structures, market information and/or access to time-series data relevant to the affected areas had been destroyed by the earthquake.

This assessment highlighted a number of lessons for future market analysis conducted after sudden onset shocks:

- Local traders should be consulted to obtain their perceptions on the significance of price changes.
- Credit availability, i.e. the restoration of forward and backward credit linkages, is a potentially useful indicator for phasing out of food aid.
- The demand by international agencies for vehicles to transport aid (food and non-food) can contribute to increased post-shock transportation costs.
- Food prices (particularly rural/urban differentials) and transport costs are important market indicators for monitoring food security.
- Important market information such as on livestock and labour related issues, can be obtained by working with partners.

F. FEWS NET’s Approach To Market and Trade Information for Food Security Analysis and Early Warning - Patricia Bonnard, FEWS NET

The focus of FEWS NET’s work is to provide timely, accurate and “actionable” early warning information to decision-makers and include support to decisions (responses) that can take place earlier on in the pre-crisis period. The goal of the work on markets is to gain a better understanding of how markets operate and affect food security, develop tools for analyzing and predicting market behavior as it relates to food security and integrate trade and market analysis into all FEWS NET food security analysis and early warning products and activities. This is to be achieved through support and adaptation of existing and new market research, development and dissemination of guidance and tools and cultivation of new partnerships (e.g. regional centers, universities, institutes, etc.) that will broaden and deepen the capacity in markets and trade.

FEWS NET plans to strengthen its ability to integrate trade and markets into its food security/livelihoods/vulnerability analysis and monitoring activities. Because of the limited resources and staff, the market and trade activities will be highly demand

driven and will generally rely on the sharing of experience and information through broad-based, strategic partnerships.

III. MARKET PROFILES AND INTEGRATION OF MARKET INFORMATION INTO CFSVA, FSMS AND EFSA EXERCISES

The workshop participants reviewed the overall value and purpose of the market profile, and then focused more specifically on suggestions for incorporating market information into CFSVA, FSMS and EFSA exercises, using draft “market baseline checklists” comprised of five tables.³

A. Overview on the Purpose, Scope and Content of Market Profiles

Market profiles are useful: The participants confirmed that market profiles represent an essential input to food security analysis, food aid programming and procurement decisions. Although certain parameters should be present in all profiles (e.g. prices of staple foods in local markets, daily wage rates, trade flows and food balance sheets), the specific content depends on the country context, in particular the prevailing livelihoods. The content of the profiles also depends on the users, both in WFP and other agencies. When determining the specific content of market profiles, partners should be consulted, particularly local entities that may be interested in participating in the exercise.

Develop ‘guidance’ rather than a ‘blueprint’: The content and depth of market profiles is likely to vary according to the users, needs, available resources and country context. Thus, rather than developing a single, generic blueprint for market profiles, it may be preferable to provide a list of essential market information that should be addressed in CFSVA, FSMS and EFSA instruments, as appropriate (see Annex 3 for initial suggestions).

Partnership is essential: WFP should rely more on local institutional knowledge in conducting market analysis, particularly when embarking on longer-term data collection and analysis efforts. These include: government ministries, non-governmental organizations, local universities, the private sector, and market networks and associations. Within WFP, improved collaboration will lead to more efficient use of market price data that is regularly collected by procurement officers. The WFP Food Procurement Service plans to establish a database of information on broad market trends (regional and selected countries) as well as more precise data on actual costs of local/regional purchases relative to import parity.

³ See *Market Baseline Checklists - Draft Tools Annex* prepared by Cynthia Donovan (interim document for workshop discussion). Tables 1 and 2 are checklists of market information to include in emergency needs assessments and baselines, respectively, Table 3 provides information on which information to collect during a market trader survey, while Table 4 provides examples of the relationship between response alternatives and markets. Table 5 is an annotated example of a Food Balance Sheet.

Expand the market profile content: The market profile checklists (Tables 1-5) represent a good common core. However, several refinements were recommended, where appropriate and affordable. The following items should be added:

- more prospective analysis of how the profiled markets would respond to potential shocks in an emergency (in addition to providing information on how markets function in a “normal” year);
- key indicators to be monitored, both to provide early warning and to inform the design and adjustment of interventions when markets recover;
- the physical locations of markets and tracking of food movements, using Global Positioning System (GPS) technology;
- regional trade information, including informal cross-border trade and inter-governmental policies affecting trade;
- information on local markets (including community and farm-gate markets), and their links with national and regional markets;
- other (non-food) markets, including livestock and labour markets;
- how households in remote areas access markets;
- the role of markets in providing credit and employment;
- analysis of how infrastructure (e.g. transport) affects markets;
- the link between household-level information on food security and market information; and
- national market policies and public/private interactions.

Regular updating: In preparing market profiles, a first essential step is to rely on secondary data, i.e. by adapting what is already available. Market profiles should be completed for all countries with recurrent emergencies. They should be updated every five years, or more frequently if there is a fundamental change in the situation. Also, some key parameters that change rapidly (e.g. prices, trade flows) will need to be tracked through an FSMS.

Selection criteria for piloting market profiles: It was proposed that before further field testing or piloting takes place, agreement should be reached on selection criteria for priority countries, and commitments should be obtained from the key users (primarily Country Offices). Among the suggested criteria were:

- countries that are prone to recurrent crisis;
- the size (number of beneficiaries and/or tonnages) of the operation;
- countries where WFP procures large amounts of food locally;
- existence of substantial secondary data and/or a recently completed or planned CFSVA; and
- existence of partners to assist in the data collection and analysis.

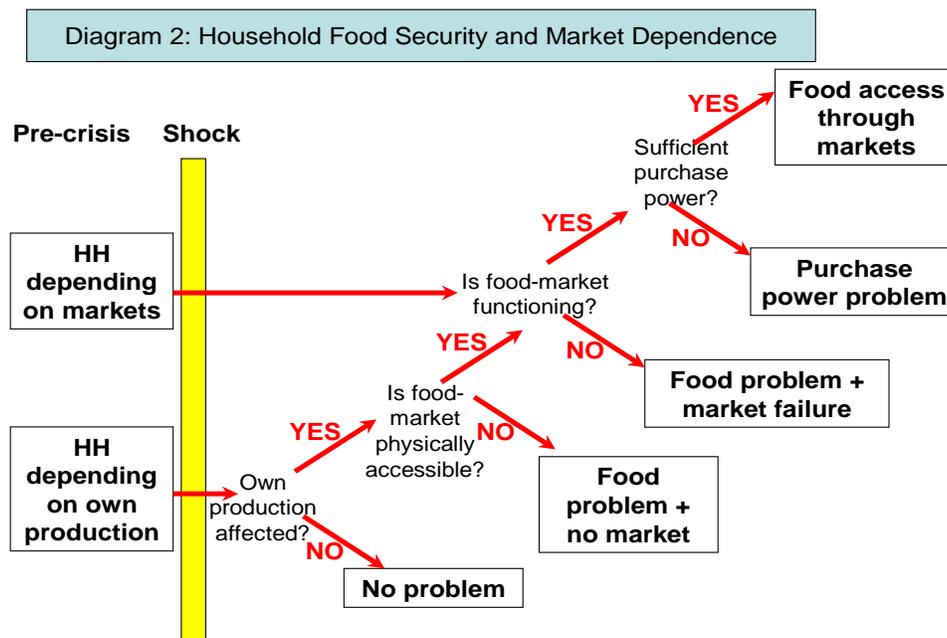
Capacity and training issues: It was agreed that staff capacities to understand, implement and use market profiles need to be strengthened at all levels of WFP. Questions remain concerning who should conduct market profiles, i.e. to what extent WFP ‘in-house’ versus external market specialists are required, and whether or not non-specialists could be used. Ideally, non-specialists should be able to collect and analyse most of the information in market profiles. However, unless the scope of the market profile is considerably reduced, non-specialists would require specific training.

Linkages with procurement and policy: There is substantial scope for ensuring complementarity between information collected for market profiles and for specific

procurement and policy needs. For example, market analysis may contribute to procurement decisions or help to measure the impact of WFP’s procurement on local markets. Also, information gathered by procurement officers could be useful to complete the picture of food security in a given country and region. This is a priority area for future collaboration. Regarding WFP’s draft policy on expanding the use of economic analysis in developing food security strategies and operations⁴, collaboration among the different units is essential to ensure that the right market information is collected and the best use is made of the resulting analysis.

B. Incorporating Market Information into a CFSVA

WFP experience with CFSVA – Jan Delbaere, WFP VAM Branch, Rome: The CFSVA uses geographic information, household and community-level instruments and secondary data to answer five questions about vulnerable people: “who, how many, where, why, and what responses?” The CFSVA provides essential information on the indicators, causes and locations of food insecurity for use in ongoing monitoring systems, needs assessments and programming decisions (see Diagram 1 above). Including market analysis in the CFSVA is a precondition for understanding the relationship between household food security and dependence on markets (see Diagram 2).



To date, full pre-crisis baselines have been conducted or are ongoing in 19 countries. In the past, CFSVAs may have included market aspects, but market analysis was not a major element. CFSVA findings on livelihood groups and the interactions between vulnerable groups and markets (income and expenditure data) need to be provided in a form that is usable for EFSAs.

⁴ This policy document was scheduled for the 2006 Annual Session of the WFP Executive Board.

Value added to CFSVAs by market information: Market aspects affect the way the five questions are answered and help identify the relationships between vulnerable people and markets. Thus, the CFSVA survey tools should be enhanced to include more information on the dependence and functioning of food markets, and on households' market-based livelihoods and their responses to market changes. Obtaining market information may be undertaken as a module within the CFSVA or as a stand alone exercise. In either case, the depth and comprehensiveness of the market analysis will depend on the country-specific context and available resources.

Key market questions to be answered by a CFSVA:

- To what extent do markets affect household food security and vulnerability?
- How is the market likely to be affected by the shock and what are the likely consequences for different types of household vulnerability?
- How do markets interact? Can they form a part of humanitarian responses to food insecurity?

Next steps: Field testing should cover all three situations: (i) the stand alone version in priority countries without a CFSVA (equivalent to a market profile exercise); (ii) a comprehensive version integrated into a planned CFSVA using market specialists, such as in Mali or Mauritania, and (iii) a basic version which would involve modifying the terms of reference for CFSVA to cover the most essential market-related information. This experience should be reflected in revised guidance for the different versions.

C. Incorporating Market Information into an FSMS

WFP experience with FSMS - Joyce Luma, WFP VAM Branch, Rome, and Naouar Labidi, WFP Regional Bureau, Kampala: Currently, WFP has helped establish FSMSs to provide early warning of food security crises in eight countries.⁵ The goal is to incorporate household-level data on the food security situation of specific population groups. In Burundi, information is collected quarterly (covering two harvest and two lean seasons) from sentinel sites on key variables, such as household income sources, 30-day household expenditures and diet diversity and frequency. Indicators build on the work of the Burundi CFSVA conducted in 2005, and a FAO/Government Food Security Monitoring/Early Warning Unit which tracks national and regional prices, food aid deliveries, and food production levels.

The Community and Household Surveillance System (CHS) was established in six countries in southern Africa to monitor food aid outcomes on vulnerable groups and trends in the food security of vulnerable areas. The CHS could also be used to assess market impacts on households and the impact of food aid on markets, if additional information were included from other data collection systems.

⁵These are: Afghanistan, Burundi, Central African Republic, Colombia, Cote d'Ivoire, Haiti, Nicaragua, and Sudan (Darfur region); in 2006 an additional five country-level FSMSs are planned.

Also, a cross-border trade monitoring system covering six countries was established in southern Africa. This system was essential because lack of reliable estimates on the volume and direction of cross-border trade in key food commodities could result in overestimation of import and food aid requirements.

Value added to FSMSs by market information: An FSMS monitors critical food security-related threats and indicators. FSMSs are vital, because decision-makers take action based on their early warning findings. Market indicators such as food prices, wage rates, trade flows and terms of trade specific to certain livelihoods provide the information on how markets affect food security and how households respond to and use markets. To the extent possible, market information should be disaggregated by major livelihood and wealth groups.

The type of market information to collect in each FSMS, and the frequency of collection, will vary depending on the degree of market integration and other factors. The focus should be on those variables that are most sensitive to change, and on providing explanations of significant changes in these variables. Market profiles, CFSVAs, EFSAs and FAO/WFP Crop and Food Supply Assessment Missions (CFSAMs) will assist in identifying the key indicators to track.

An FSMS should not be too complex and the number of indicators should be limited. Prior to determining which market information should be incorporated into the FSMS, the market analysis should identify (i) which market features are critical and will provide timely information, (ii) which particular markets (local, regional, national and/or international) should be monitored, and (iii) which particular actors, events and trends (e.g. in prices, trade volumes, stocks) should be watched for the key commodities. An FSMS should also integrate information on coping practices, such as distress sales of assets or purchase of less desired food.

Key market questions to be answered by an FSMS:

- Is the food supply in the markets sufficient to meet the demand of different household groups?
- Do changes in commodity markets or wage rates indicate a significant change in household food access?
- Is food aid affecting markets? If so, what are the implications for food security interventions?

Next steps: For each country, the main market-related indicators for early warning decisions should be identified; these should be used to specify the data collection needs (type, level and frequency) and reporting formats. Additional work is also required to determine how information on market behaviour can be used for early warning purposes and for understanding market recovery (in complex as well as sudden onset crises), whether thresholds can be established, and which predictive indicators and analytical tools can be applied.

Before piloting and scaling up work on market-conscious FSMSs, it is important to review current experience to learn what does or does not work and take stock of information that is already collected. Existing national and regional monitoring/early

warning systems should be reinforced, and information needs should be balanced against data collection costs and partners' capacities.

D. Incorporating Market Information into an EFSA

WFP's experience with EFSA: The work in Darfur and Pakistan provides two examples of how market analysis strengthens EFSA and can influence WFP's programming. Market analysis has helped to improve WFP's ability to estimate the food gap by determining staple food commodity production and trade flows, and to identify where food aid or non-food responses were appropriate. The type of market information that should be included in an EFSA will depend on the time available (e.g. rapid versus in-depth assessments), whether market information is already available (e.g. from a market profile or time-series data) and on the capacities and needs of staff and partners.

Value added to EFSA by market information: The incorporation of market information strengthens EFSA in three major ways. First, it improves the analysis of whether market mechanisms (imports, substitution) will be able to meet poor households' basic consumption needs. Second, it helps to identify appropriate response options, including the potential for non-food responses when markets function. Finally, when food aid is recommended, market analysis can predict the potential market risks, e.g. for food aid to displace imports.

Key market questions to be answered by EFSA:

- To what extent do market failures contribute to food insecurity (availability and access)?
- Which set of response alternatives will ensure food security in the short run while enhancing the longer term role that markets play in food security?
- When WFP and partners opt for food aid interventions, what are the market consequences for consumers, producers and traders?

Next steps: Table 1 (checklist of market information for EFSA) and Table 4 on the advantages and disadvantages of different response options need to be refined. In particular, Table 4 should address how the nature and degree of market failure will affect the choice of response options. Lessons should be obtained by field testing the market checklist in different types of crises and using staff with varying levels of market expertise (generalists, specialists), in order to validate and revise these market tools. Furthermore, the potential for partnerships with market specialists should be assessed, including other WFP divisions, FAO, universities, NGOs and FEWS NET.

E. A Prototype Spreadsheet Model for Zambia – Stephen Haggblade, Michigan State University (with input from Paul Dorosh, World Bank)⁶

A prototype spreadsheet model, developed using information on private sector responses to a reduction in crop production in Zambia, was presented and a “hands

⁶ Mr. Dorosh was unable to attend the workshop.

on” training session was organized for interested staff. The goal was to determine whether this model can estimate the “food gap” that would need to be covered through external assistance in order to maintain acceptable food consumption levels for poor households. The model uses the elasticity of demand (changes in consumer demand when prices increase) and takes into account substitution between commodities and imports (see Diagram 3).

The model considers two commodities (maize and cassava) and two socio-economic groups (poor and non-poor). A simulation for the drought scenario showed that when private imports and commodity substitution are estimated and incorporated in the model, the overall shortfall was reduced substantially. A second simulation of food aid effects illustrated that excessive amounts of food aid would push the local prices below the import parity price (IPP), leading to reduced commercial imports and possible reduced production in the subsequent year.

Diagram 3: Key parameters in the spreadsheet model

	Base-line	Simulation 1. Drought			Simulation 2. Food Aid Supplies			3. Food Aid Transfers	
		a. maize market only: no trade, no food aid	b. with cassava	c. private imports: trade	a. small food aid supply	b. large food aid supply	c. private imports impeded: aid, no trade	a. in-kind transfer	b. cash transfer
SHOCK	none	drought (production falls)	drought (production falls)	drought (production falls)	drought, food aid	drought, food aid S	drought, food aid S	drought, food aid D	drought, food aid S&D
What adjustments occur?									
Price of maize		X	X	X	X	X	X	X	X
Poor HH consumption of maize		X	X	X	X	X	X	X	X
HHs substitute cassava for maize			X	X	X	X	X	X	X
Private imports				X	X	X		X	X
Food aid increases supply					X	X	X	X	
Food aid income transfers to poor HHs								X	X

IV. LINKAGES WITH POLICY AND PROCUREMENT ACTIVITIES

A. *The Role and Application of Economic Analysis in WFP - Alberto Gabriele and Vivien Knips, WFP Strategy, Policy & Programme Support Division, Rome*

The presentation provided an overview of a draft Executive Board document on the current application of economic analysis in WFP and proposals for expanding this

work in three areas: (i) strategy, policy and country programme formulation; (ii) design and evaluation of operations, including evaluation of alternative response options (cash pilots); and (iii) research activities. Several areas were identified for strengthening at the programme/project, national and global level, including the need for more consistent application of cost-effectiveness/cost-benefit analysis, improved macro-economic analysis to assist in development of Poverty Reduction Strategies and other country planning framework documents, and global initiatives on the “costs of hunger.” Further collaboration between headquarters, regional and country offices was deemed essential to improve access to and use of available corporate economic data and to develop related tools, support mechanisms (e.g. a service desk) and staff capacities.

B. Procurement and Market Information - Nicole Menage, WFP Food Procurement Service, Rome

A major goal of the workshop was to develop a common understanding of what market information is currently collected and analysed by other WFP units, and whether the SENAC work on market profiles and assessments can be used by, and provide a benefit to, these units. Local/regional procurement aims to be more timely and cost-effective than world market imports, while trying not to overstretch markets. This requires market intelligence on a number of factors, primarily focusing on the commercial, marketable surplus in a country (e.g. national food balance sheets). Once local prices reach IPP, procurement officers usually try to buy further afield (regional or international purchases), because IPP usually indicates that there is a supply problem. The responses to tenders, and the gap between the price offered locally and IPP, are usually good indicators of the supply/demand situation. This market intelligence may be useful for market profiles, CFSVAs, FSMs and EFSAs, while procurement decisions and potential impacts on markets may be supported by the SENAC market studies.

C. Recent Market Studies and Food Procurement - Simon Dradri, WFP Regional Bureau, Johannesburg

Recent market assessments in Lesotho, Mozambique and Swaziland were described to illustrate how market analysis can be applied to specific programming and procurement decisions. For example, the Mozambique country office was interested in determining whether local procurement of 69,000 mt was feasible, as recommended by the CFSAM. Because prices were found to be much higher than IPP and informal outflows reduced the actual marketable surplus, the market team recommended against large local purchases in the 2005/2006 market year. This study also highlighted the importance of estimating regional marketing and trade issues, including informal cross border trade, prior to undertaking local purchases, as conducted in the joint WFP/FEWS NET project in southern Africa.

V. NEXT STEPS

The purpose of the workshop was to review experience with market assessments and outline the next steps required to incorporate market information, as appropriate, into CFSVA, FSMS and EFSA tools and related training activities.

The following market-related next steps were discussed:

1. Further application of the market model: The modelling initiative was considered worthwhile, but challenges remain, particularly with regard to the availability of key market data to input into the model, as well as updates. As a next step, the market Regional Assessment Officers (RAOs) will try to identify where they could use and/or adapt it for their future market assessment work and will liaise with Steve Haggblade, who agreed to provide ad hoc support (e-mail contact: blade@msu.edu).
2. Outstanding capacity and training issues: In order to strengthen market assessment expertise, capacity-building is needed both for market specialists (e.g. RAOs) and non-specialists. Training for market specialists will involve technical meetings and systematic exchange of lessons learned (through the EFSA Community of Practice, an electronic platform for advanced assessors). WFP should also seek to augment its specialist capacities through external experts when required to meet peak demand. To enhance the market skills of non-specialists, EFSA training modules are being revised to include improved guidance on market analysis. This should enable non-specialists to conduct basic market analysis for EFSAAs, CFSVAs or FSMSs. When possible, WFP and FEWS NET will provide their staff with reciprocal opportunities to benefit from market-related training activities.
3. Finalization of the market checklists. Cynthia Donovan (Michigan State University) will revise the draft checklists based on the workshop discussions; the revised version would be circulated to the workshop participants by mid-2006 for testing in the field.
4. Enhancing the market component of CFSVA survey tools: It was agreed that a CFSVA prototype should be developed, which includes more information on market-based livelihoods and coping strategies, as well as poor households' responses to market changes. The tool could be tested with the Southern Africa Vulnerability Assessment Committees, e.g. in Malawi.

In conclusion, the workshop fostered a common understanding by internal (WFP units) and external partners and donors of the purpose of market assessment/analytical work in WFP, the progress made to date under Phase 1 of the SENAC project, and the next steps required to further consolidate and mainstream this knowledge in Phase 2. This process of sharing market knowledge will continue during 2006, including through discussions with the SENAC Advisory Group. A remaining challenge will be to integrate this market work, along with other dimensions of food security (nutrition, gender, etc.), into more comprehensive assessment and analytical tools.

ACRONYMS USED IN THE DOCUMENT

CFSAM	Crop and Food Supply Assessment Mission
CFSVA	Comprehensive Food Security and Vulnerability Assessment
CHS	Community and Household Surveillance System
DFID	Department for International Development (UK)
ECHO	European Commission Humanitarian Aid Office
EFSA	Emergency Food Security Assessment
EMOP	emergency operation
ENA	emergency needs assessment
FAO	Food and Agriculture Organization of the United Nations
FEWS NET	Famine and Early-Warning System Network
FSMS	food security monitoring system
GPS	Global Positioning System
IPP	import parity price
ODA	Assessment, Analysis and Preparedness Service
ODAN	Emergency Needs Assessment Branch
ODAV	Vulnerability Analysis and Mapping Branch
PRRO	protracted relief and recovery operation
RAO	Regional Assessment Officer
SENAC	Strengthening Emergency Needs Assessment Capacities
VAM	vulnerability analysis and mapping

**Annex 1: Workshop Agenda
14-16 March 2006, Cairo, Egypt**

Day 1 – Tuesday 14 March: Opening and Market Profiles

8h30-9h00

Welcome and Introductions

Amir Abdulla, Regional Director, Middle East, Central Asia and Eastern Europe (ODC)
Cynthia Wilcox, Facilitator, Mirror Image Consulting Group

9h00-9h30

Opening Session: Markets and WFP Strategic Priorities

David Kaatrud and Stanlake Samkange

- Opening remarks on how ‘markets’ are aligned with WFP strategic priorities

9h30-10h00

SENAC Markets Updates

Wolfgang Herbinger, Jennifer Nyberg, Darlene Tymo

Review and discuss SENAC project, ENA implementation plan and market analysis to support emergency food security assessments, review SENAC Phase I markets activities and current status of SENAC Phase II planning and activities

10h00-10h15 - **Coffee Break**

10h15-11h00

Presentation: Emergency Needs Assessments, Markets and Food Aid

Cynthia Donovan

- Review and discuss key recommendations for the collection/analysis of market information
- 10 minute Table Group Discussion

11h00-11h30

Presentation: Pre-crisis market profiles in Tajikistan and Niger

Abby Abbassian and Geert Beekhuis

- Presentations and discussion on pre-crisis market profiles for Tajikistan and Niger, and use of the profiles by Country Offices, VAM or EFSA teams
- 10 minute Table Group Discussion

11h30-12h00

Presentation: Food Security and Early Warning – FEWS NET

Patricia Bonnard

- Presentation on FEWS NET work on markets and trade, related to vulnerability, needs or food security assessments, monitoring and early warning, plus discussion on ways to increase and share knowledge bases
- 10 minute Table Group Discussion

12h00-12h30

Plenary: Table Group Reports

- Review discussion highlights
- List implications for developing market baselines

12h30-1h30 - **Lunch**

1h30-2h30

Tools: Market Baselines

Cynthia Donovan

- Presentation of a draft synthesis document that relates the results of the markets baselines (profiles) and needs assessments, and summarizes the methodological challenges that inform decisions
- Review of draft market baselines template

2h30-3h30

Working Groups: Market Baselines Template, Field Testing and Priority Countries

- Work in Groups to finalize a draft market baselines template, define concrete next steps (who, when, where) for field testing, refining and roll-out of the template in 1-3 countries, and identify priority countries for preparation of market profiles

3h30-3h45 – Coffee Break

3h45-4h45

Plenary: Working Group Reports

- Reports from Working Groups
- Identify areas of consensus

4h45-5h00

Closing Plenary

- Daily review

<p>Day 2 – Wednesday 15 March: Integrating Market Information into Existing WFP Tools</p>
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8h30-8h45

Opening Plenary

- Review agenda

8h45-9h15

Presentation: Role of Market Information - CFSVA

Joyce Luma and Jan DelBaere

- Review the role of market information in CFSVA, identify key market items and/or indicators to collect and analyse during a baseline exercise

9h15-10h15

Working Groups: Integration of Market Information into CFSVAs

- Work in groups to identify essential market information to include in CFSVA and define concrete next steps (who, when, where) for field testing

10h15-10h45

Plenary: Working Group Reports

10h45-11h00 - **Coffee Break**

11h00-11h30

Presentation: Role of Market Information – FSMS

Joyce Luma, Jan Delbaere, Naouar Labidi

- Presentation and discussion on the role of market information for FSMS, focusing on the example of the FSMS for Burundi

11h30-12h30

Working Groups: Integration of Market Information into FSMS

12h30-1h30 – **Lunch**

1h30-2h00

Plenary: Working Group Reports

- Reports from Working Groups and identify areas of consensus

2h00-2h30

Presentation: Market Assessments with EFSA in Darfur and Pakistan

Dekha Sheikh and Jennifer Nyberg

- Review and discuss how market assessments were conducted and utilized by Country Offices, Regional Bureau, VAM, HQ and others

2h30-3h00

Tools: Emergency Needs Assessments

Cynthia Donovan

- Present and discuss recommendations for ENA checklists or tools by priority, data type, timing of periodic updates, recall periods, strategic alternatives

3h00-3h15 – **Coffee Break**

3h15-4h15

Working Groups: EFSA Markets Checklists and Strategy for Field Testing

- Working groups draft EFSA market checklist(s), and define concrete next steps for field testing in five to six countries

4h15-4h45

Plenary: Working Group Reports

- Reports from Working Groups and identify areas of consensus

4h45-5h00

Closing Plenary

- Daily review

Day 3 – Thursday 16 March: Role of Market Information in WFP: Training Needs and Next Steps

8h30-8h45

Opening Plenary

- Review agenda

8h45-9h30

Market Interface: Analysis Tool for Emergencies

Steve Haggblade

- Present and discuss possible market interface tool, including multi-market modelling (Zambia), discuss feasibility and identify next steps for finalization of such a model

9h30-10h30

Market Interface: Optional Training Session on Draft Tool(s)

Steve Haggblade

10h30-12h30

Synthesis of Workshop Results

Market Baselines – Cynthia Donovan and Jan Delbaere

- Review workshop discussion, results, and final outputs related to market baselines. Ensure final agreement on proposed tools/templates, countries for field-testing, and next steps.

Food Security – Patricia Bonnard and Joyce Luma

- Review workshop discussion, results, and final outputs related to integration of market information into CFSVAs and FSMS. Ensure final agreement on proposed tools/templates, countries for field-testing, and next steps.

EFSAs – Henri Jossierand and Geert Beekhuis

- Review workshop discussion, results, and final outputs related to integration of market information into EFSAs. Ensure final agreement on proposed tools/templates, countries for field-testing, and next steps.

12h30-1h30 – **Lunch**

1h30-2h00

Presentation: Policy Perspectives

Alberto Gabriele and Vivien Knips

- Presentation and discussion on the role of PDPE in regard to market information for ex-post studies, policy guidance, and work to date on EB document *'The Role of Economic Analysis in Fighting Hunger'*

2h00-2h30

Presentation: Market Information and Food Procurement

Nicole Menage and Simon Dradri

- Presentation and discussion on collection and analysis of market information related to food procurement, with focus on market studies completed for Mozambique, Lesotho, Swaziland (Simon Dradri and Baker Mukeere)

2h30-3h00 - **Coffee Break**

3h15-4h15

Plenary: Training Needs and 2006 Timeline

- Identify and discuss implications of the use of a pre-crisis market profile template, integration into CFSVAs and FSMS, EFSA market checklist(s) and Market Model for WFP staff, identify related training needs (who, what, how) and chart timeline for 2006 activities and beyond

4h15-4h30

Close of Workshop

Annex 2: List of Participants

Henri Josserand, Chief-GIEWS and SENAC Advisory Group, FAO Rome
Abdolreza Abbassian, SENAC Consultant, Commodity Specialist, FAO Rome
Darlene Tymo, Senior Project Coordinator SENAC-ODAN, WFP Rome
Wolfgang Herbinger, Chief-ODAN, WFP Rome
David Kaatrud, Chief-ODA, WFP Rome
Stanlake Samkange, Director-PDP, WFP Rome
Baker Mukeere, Food Security Economist-PDPE, WFP Rome
Alberto Gabriele, Senior Trade Economist-PDPE, WFP Rome
Vivien Knips, Policy Officer-PDPE, WFP Rome
Agnès Dhur, SENAC Methodology Specialist-ODAN, WFP Rome
Alexis Hoskins, Rapporteur-ODAN, WFP Rome
Joyce Luma, Chief-ODAV, WFP Rome
Jan Delbaere, SENAC Pre-Crisis Information Specialist, WFP Rome
Arif Husain, VAM Officer, WFP Rome
Nicole Menage, Chief-ODTP, WFP Rome
Anette Haller, Programme Advisor-ODAN, WFP Rome
Francois Buratto, Head-Field Procurement-ODTP, WFP Rome
Henrik Lyngsie, Procurement Officer-ODTP, WFP Rome
Sonali Wickrema, Policy Officer-PDP, WFP Rome
Issa Sanogo, Regional Assessment Officer - ODB, WFP Bangkok
Geert Beekhuis, Regional Assessment Officer - ODD, WFP Dakar
Romina Woldemariam, VAM Officer-ODC, WFP Cairo
Getachew Diriba, Regional Programme Advisor - ODC, WFP Cairo
Jennifer Nyberg, RAO-ODC, WFP Cairo
Luay Basil, Regional Programme Advisor - ODC, WFP Cairo
Wolfram Herfurth, Programme Advisor-ODC, WFP Cairo
Jacques Collignon, Senior Logistics Officer-ODC, WFP Cairo
Osama Mohamed, VAM-ODC, WFP Cairo
Margarita Lovon, Regional Assessment Officer - ODP, WFP Panama
Naouar Labidi, Regional Assessment Officer - ODK, WFP Kampala
Simon Denhere, Field Procurement Officer, WFP Ethiopia
Pascal Joannes, Head-Procurement, WFP Sudan
Simon Dradri, Regional Assessment Officer - ODJ, WFP Johannesburg
Eric Kenefick, VAM-ODJ, WFP Johannesburg
Joao Manja, VAM Officer, WFP Zimbabwe
Cynthia Donovan, SENAC Consultant, Michigan State University
Steve Haggblade, Michigan State University, Zambia
Johan Stessens, SENAC Consultant, Brussels, KU Leuven University
Patricia Bonnard, FEWS NET Markets and Trade Advisor, Washington DC
Simeon Moutaftchieff, AIDCO Food Security Advisor, Brussels
Vitor Serrano, ECHO Food Aid and Security Advisor, Nairobi
Neville Edirisinghe, Independent Consultant, Washington DC
Cynthia Wilcox, Facilitator, Mirror Image Consulting, USA
Will Whelan, USAID, Wash DC
Dan Maxwell, Deputy Regional Director, East and Central Africa, CARE International
Dekha Sheikh, Regional Assessment Officer - ODK, WFP Kampala
Sylvie Montembault, Regional Assessment Officer – ODJ, WFP Johannesburg

Annex 3: List of Proposed Changes to Draft Markets Tools

A. Suggestions for the Draft Checklist of Market Information for CFSVAs

The following suggestions on which information to include in a market tool for CFSVA were made (summary of input from three working groups):

1. Household Level:
 - how much food, main agricultural crops and livestock is produced
 - how much is sold and when
 - what is purchased and when (This information needs to be linked to prices.
 - income sources
2. Community Level:
 - prices/seasonality (of food, livestock, etc.)
 - food and labour markets
3. Use relevant secondary data from the national statistical office, esp. household surveys, to determine
 - Exchange rates
 - Household survey data on income, expenditure, etc.
4. Food commodity flows: direction, volume, terms of trade
5. Structure of traders: who are the buyers & sellers:
6. Market information:
 - market integration
 - food prices
 - consumer price indices
 - market transaction costs
7. Market interventions:
 - government policies
 - national market programmes
 - subsidies

B. Proposed changes to the Draft Checklist of Market Information for FSMs

1. Household level:
 - expenditure on food
 - community coping strategies
2. Community level
 - price of staples
 - price index: revenues, terms of trade
 - commercial coping strategies by livelihood group
3. National level
 - imports and exports (trade flows)
 - exchange rates
 - cross border prices
 - policy changes
 - fuel costs (possibly?)
4. Crop outlook (rainfall, etc).

C. Proposed Changes to the Draft Market Information Checklist for EFSA:

Suggestions were made for changes and additional items to be included in the draft “Checklist of information in an Emergency Needs Assessment” (see Table 1 of the Market Baseline Checklist – Draft Tools Annex):

- The column ‘Importance level’ should vary with the type of EFSA;
- An indicator on ‘deviation from historical level/trends’ should be included;
- The analysis of interactions between vulnerable groups and markets (demand and supply) should be enhanced;
- Cross-border and domestic flows should be included and assessed;
- Interventions by national government agencies and partners and their impact on markets should be added;
- Potential policy interventions: need to look backward and forward;
- Integrate population, migration, public health issues (e.g. HIV/AIDS);
- Include key indicators to assess the impact of interventions and the opportunity to phase out;
- Consider the impact of the shock on markets: are markets functioning? (consider micro and macro levels, and access and availability issues);
- Be more specific regarding effects on stocks, infrastructures, transport, prices and household level effects (coping, distress sales, etc.); and
- Define/explain some of the terms used for non-specialists (e.g. margin).

In rapid assessments the following market information should be covered:

- production (loss);
- cross border and domestic trade flows & routes;
- total supply in affected zones;
- price changes (incl. change in transport costs where appropriate);
- changes in traders, stocks and trader perceptions;
- policy changes, national response capacity and plans;
- changes in household’s terms of trade.