



Executive Brief Engaging with markets in humanitarian responses

Key messages

In late 2012, Oxfam and WFP undertook joint research to understand how humanitarian agencies are engaging with markets. This brief represents the views of Oxfam and WFP on the main findings of this research and from other ongoing initiatives.

- ✓ **'Market based programming'** - the practice of working through and supporting local markets - is widely considered best practice in the humanitarian field. Where market based programmes are possible, such interventions favour economic recovery and livelihood development.
- ✓ Through the research, three main approaches to market engagement emerged:
 - Humanitarian agencies commonly implement short-term **'market-integrated relief'** to reach beneficiaries following emergencies – such as through cash and voucher interventions;
 - On a smaller scale, some agencies have recently delivered **'indirect support through markets'**, short-term targeted support to market actors that restore the market system after a crisis;
 - In the long term, agencies also engage in **'market strengthening and development'** to build resilience and strengthen livelihoods;
- ✓ These approaches all represent **'market based programming'**. Market based programming spans all types of engagement with market systems, and represents a gradient of interventions that ranges from using markets, to pro-actively strengthening and developing those markets.
- ✓ At present, the challenge for the humanitarian community is to build bridges between these different market based interventions, reinforce its expertise and engage with markets in a coordinated and coherent way;
- ✓ **Critical areas of work** include: building the evidence base for 'indirect support through markets'; developing analytical tools that adequately capture the complexity of markets and how they function; improving people's ability to carry out market analysis; bringing together the traditionally divided short term humanitarian and development approaches; and updating agency mandates;
- ✓ In order to allow agencies to engage with markets confidently, priorities include establishing a **common terminology and framework**, and ensuring that **assessment tools** support response analysis.

Background, scope and methodology

- ✓ Out of consideration for 'do no harm' and efficiency principles, humanitarians have increasingly invested in market analysis in recent years. The expansion of cash and voucher based responses in the humanitarian sector, together with pro-smallholder procurement and other market-based activities has driven this trend.
- ✓ In order to contribute to the emerging debate on humanitarian market engagement, and to inform the refinement of their own policies, Oxfam and WFP collaborated on a joint review that aimed to understand the role and range of practices of humanitarian agencies in supporting markets. The objective of the joint research was to gauge current thinking and practice on market interventions in humanitarian contexts to identify the implications of this for response analysis and design and to offer insights that would support the review of market analysis methodologies and tools, internal policies and organisational strategic investments.
- ✓ The research took place from November 2012 to January 2013: it consisted in a literature review and a series of interviews with 20 practitioners in humanitarian organizations, consultants, academics and donors in headquarters and in the field. A full narrative report is available.
- ✓ This research took place alongside various discussions and initiatives regarding humanitarian market engagement, including the Markets Learning Event held in March 2013. The propositions and recommendations in this brief represent an evolution of thinking that has been heavily influenced by those wider sectoral discussions and initiatives.

From using markets to developing them: Market based programming

- ✓ There is a consensus within the community of practice that **markets have a central role in people's lives and livelihoods**, in both the food and non-food sectors. Agencies and their national partners are

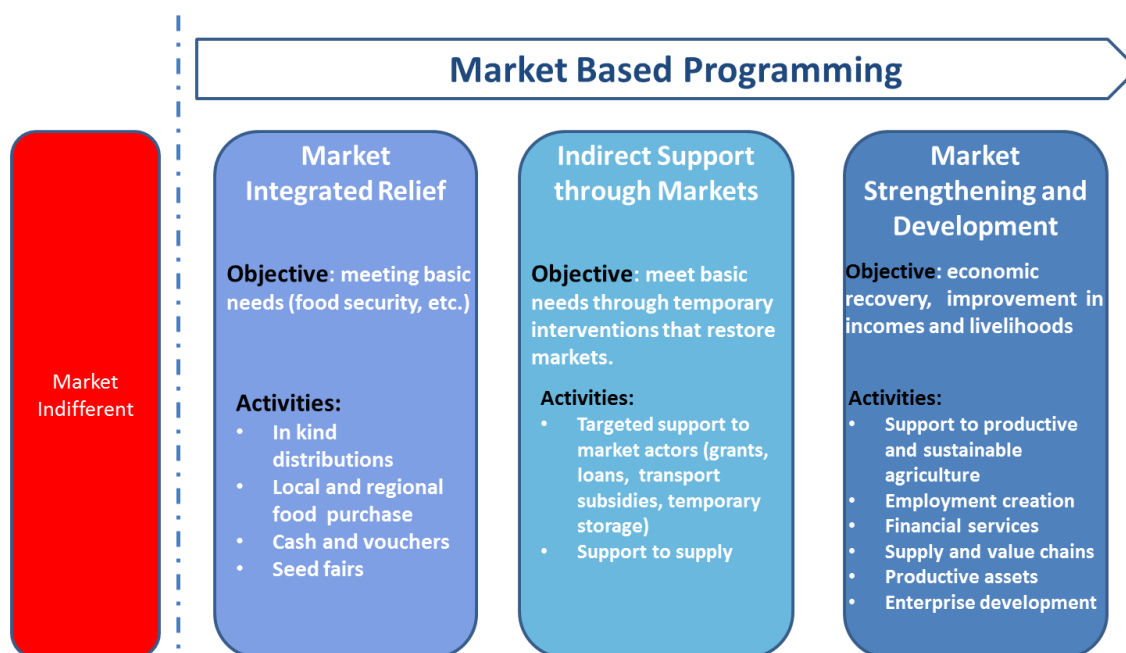
increasingly 'market-aware' in humanitarian response design; a trend that's spread thanks to the increased use of cash based programming.

- ✓ There is consensus that humanitarian responses should 'do **no harm**' to consumers and markets and should ideally **make use of** market systems when and where they are functional. However, practice has shown that the degree to which a market functions can vary considerably from year to year and over time. Coming to terms with the complexity of market functionality therefore, amounts to a challenge for many agencies. As such, analyses and responses should be designed with due consideration for the degree of functionality of markets; the potential risk that different interventions may have on both market actors and people's access to markets, and the risks that the local markets might pose to the response impact and effectiveness.
- ✓ Beyond mere awareness, the research showed that agencies are thinking about how to engage with markets, and are formulating tentative positions and initial definitions about the range of market engagements in the humanitarian sector. The lack of shared vocabulary has meant that the sector has used some terms, such as 'market support', with different meanings.
- ✓ At this early stage, the review found that **there is a range of perceptions regarding the extent to which humanitarian organizations should and could support and strengthen markets** to improve their functionality, which reflects the different agencies' mandates and capacity levels. Interviews and the existing literature suggest three main approaches **to market engagement that are related and complementary**. These are outlined below, and have used different terminology to add clarity.

- ❖ **'Market integrated relief'** is the practice of working through markets to provide relief and basic services¹ is a concept that covers most existing cash and voucher transfer programmes².
- ❖ **'Indirect support through markets'** describes short-term activities that resolve an identified bottleneck and restore market functionality. In this view, a combination of targeted support to market actors, and provision of market-integrated relief, is expected to contribute to the effectiveness of humanitarian interventions³. While it is a **short term** activity, it can be implemented in a way that promotes recovery. It thus represents one of a series of humanitarian response options, characterised by rehabilitating or strengthening – through temporary or once-off actions - those parts of the market system (identified through market analysis) that need support to effectively supply basic needs during emergencies.
- ❖ **'Market-based strengthening and development'** is an approach that seeks to boost the market's ability to support livelihoods. This **long term** approach considers markets as a touchstone for various types of livelihoods programming and an agent of durable change in peoples' lives. Market strengthening has the potential to reinforce livelihoods and can help build resilience to crises.

These approaches form the overall framework of market based programming and cover all types of engagement with market systems. Figure 1 is based on interview discussions and represents the spectrum of objectives and activities that each type of market based programme typically offers.

Figure 1: The Market Based Programming spectrum: From market based relief to market development



¹Minimum Standards for Economic Recovery after Crisis. SEEP (2009)
² This is also often called market based relief
³ ECHO (2013) Use of cash and voucher in humanitarian crises (2013, p4).

- ✓ The study determined that agencies already implement activities that fall under the three areas identified within the market based programming framework. While humanitarian agencies and their partners have a wealth of experience in implementing market integrated relief and beyond, into early recovery, many of the activities under 'indirect support through markets', are new to humanitarian agencies. This is an area with huge potential to affect the functionality of and access to critical market systems and yet represents a significant gap in understanding of how and where humanitarians should engage. The main challenge seems to be: a lack of shared terminology and analytical tools an incomplete understanding of the relationships between the market based activities and the need to build synergies along the market based programming continuum.
- ✓ Ultimately, market based programming - regardless of whether it's implemented as short-term or longer term market development - supports economic recovery and could lead to the sustainable supply of basic goods and services, assets and employment.
- ✓ Though a number of interviewees highlighted that it might not be the full mandate of their organization, there was overall agreement that humanitarian interventions should be market based, aiming at going further than just being market aware and ultimately aiming at linking with medium to longer term market strengthening and development. Perhaps due to the lack of clarity in terms of mandate, humanitarian organizations generally lack i) a coherent vision of the costs and benefits of market based programming and ii) a conceptual framework for such interventions .

Key Challenges and Ways Forward

The recommendations below are direct results from the interviews held as part of the research. They also reflect some of the emerging debates and developments on humanitarian market engagement within the sector. A number of these points also emerged during the March 2013 Market learning event.

Concepts should be clarified

- ! Agencies should work on a common **definition or terminology** that could be used to frame discussions on market integrated relief, indirect support through markets and overall on market based programming. It's proposed to consider the work of the SEEP network⁴ as a starting point.
- ! Those activities that seek to offer indirect support through markets are generally implemented without reference to **existing humanitarian or development frameworks**. It is unclear that there is an existing framework that adequately reflects the scope and ambition of the market based programming spectrum.

Practitioners need to develop a comprehensive framework that reflects the ambition and scope of the market based programming spectrum, and that gathers existing guidance and concepts to fill the current conceptual and procedural gaps.

Mandates and Policies need to be updated

- ! Individual agencies are debating if they have the mandate to support markets. In some cases, agency policies explicitly restrict the implementation of specific activities (such as monetization, or using the notation of indirect beneficiaries) and may therefore need to be reviewed and updated.
- ! Although 'indirect support through markets' has been implemented (such as in the aftermath of the 2010 Haiti earthquake), lessons from such pilots have yet to be translated into **formal policies and procedures**.

Agencies must position themselves along the framework, and institutionalize their policies accordingly.

Develop evidence

- ! There is thin evidence of the effects and impact of indirect market support interventions or of humanitarian responses (including cash and vouchers) on markets and people's access to markets in general.

Investment is needed to gather sufficient evidence to make the case for indirect interventions, to help develop the conceptual framework and to actively improve the design of such projects.

⁴ The Small Enterprise Education and Promotion Network

Institutionalising Market Analysis in Project Cycle Management and in Baselines.

- ! While there is consensus on the fact that market analysis constitutes a pre-requisite for market-based programming, market analysis seems confined to the design stage of the project cycle.
- ! In practice market analysis is more often considered as part of feasibility and risk analysis rather than situation analysis and it is less frequently undertaken for monitoring and evaluation purposes. Furthermore, it is mainly done to analyze the feasibility of cash transfers rather than a systematic analysis for any type of response modalities.
- ! Market analysis is generally poorly integrated into preparedness and contingency planning stages. The application of market analysis for the range of market based responses, including the design of indirect support through markets is therefore incomplete.

Market analysis needs to be integrated into project cycle management, preparedness, and contingency planning by appropriate tools, capacity and updated processes.

Capacity Building

- ! Challenges to conducting quality market analysis include the level of existing expertise, as well as the need to clarify the level of information needed for different stages of a crisis.
- ! In particular the analytical capacity required to firstly translate the information into an understanding of market functionality and capacity, and secondly to then translate this into response recommendations is seen as a key weakness.
- ! Humanitarian practitioners continue to lack experience in dealing with the private sector. This critical weakness will constitute a fundamental challenge to discussions on indirect support to markets and, indeed on market based programming.

Investment is needed to build capacity to enable practitioners to better design and implement market assessments and responses.

Response Analysis and Tool refinement

- ! Decision trees generally take a binary approach to market functionality. There is a sense within the community of practice that guidance is needed on the set of market interventions that are possible for different levels of market functionality and on how to evaluate the risks of these interventions on markets and response effectiveness. Risk analysis is most often limited to inflation risk analysis leaving aside other distortion risks, most particularly market power.

Tools should be refined to allow information and decisions to be taken in a more nuanced way.

Establishing routine good quality analysis and market baselines could support decision making, through timely capacity building, preparedness and contingency planning, making the best use of already existing market information at different levels.

Community of Practice

The research highlighted the need for both a community of practice and coordination between agencies and sectors (for example logistics): analysis, response design and the different on-going initiatives (tools and approaches development).

Areas of interest for future collaboration between Oxfam and WFP

- o Global food price database in a central location to facilitate access and analysis;
- o Produce case studies on indirect market support, in order to constitute a body of evidence;
- o Update market analysis tools to better inform decisions on indirect support to markets;
- o Lead consultations to help the community of practice establish a common frame of reference for market support, defining concepts and indicators.

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