Background and rationale

Mosul, Iraq’s second largest city was captured by Da’esh in June 2014 and until now remains under their control. The Iraqi army has vowed to recapture Mosul and speculations are that a counter-offensive is imminent. All scenarios for this military operation have dramatic humanitarian implications. According to some estimates, between 500,000 and 1.5 million civilians could flee into either the surrounding areas or into Da’esh-controlled Syria. A large influx of new IDPs fleeing towards the Ninewa plains would have an impact on markets in the area, and those markets in turn should be understood in order to meet humanitarian needs in an appropriate and effective way, doing no harm. In February 2016, Oxfam and IRC co-facilitated a Pre-Crisis Market Analysis (PCMA) to inform preparedness and emergency response interventions by understanding market systems that are critical to supporting the basic needs and livelihoods recovery of populations affected by displacement in the Ninewa plains.

PCMA is an approach to conducting market assessments prior to emergencies in order to anticipate how markets will respond after a shock occurs. It allows humanitarian agencies to map the functionality of current market systems and assess their capacity to cover the needs of affected people in an emergency. This is key to feeding into preparedness and contingency plans by informing the design of appropriate emergency response interventions, as well as to recommending mitigation measures to be implemented before the shock occurs. Recommendations for both emergency and preparedness interventions may be for direct responses targeting affected populations, but also for indirect responses aimed at supporting market actors so that they are able to effectively provide for the needs of the population, with minimal external assistance.

With the ongoing nature of the crisis and current rise in the use of cash transfer programming as a modality for humanitarian programming in Iraq, there is a critical need to systematize market analysis as a crucial step in the response design phase. All humanitarian interventions have an impact on markets, and understanding market dynamics is fundamental to (1) do no harm, (2) increase efficiency and effectiveness, and (3) strengthen both emergency response and livelihoods promotion interventions. Market analysis can be carried out at all stages of the programme cycle to inform preparedness, response, monitoring, early recovery and coordination efforts.

Methodology

This PCMA adapted the Emergency Market Mapping and Analysis (EMMA) methodology for the pre-crisis context in order to map and analyse specific critical market systems. Market systems are composed of a network of market actors (the market chain), whose dynamics are influenced by institutions, norms and trends (the market environment) and supported by a range of key infrastructures, inputs and market-support services.

The team was composed of 15 participants and a technical support team of 5, from 12 different agencies, including local NGOs and INGOs. Participants attended a weeklong workshop in Erbil that covered the PCMA approach, the 10 steps of EMMA and other relevant topics in market analysis before beginning field research.

The fieldwork took place in Tilkaif and Al-Shikhan districts of the Ninewa plains, selected because they are likely to see a large influx of IDPs following a future offensive on Mosul. The study analysed how the market systems are performing under the current situation and aimed at forecasting the impacts of the shock scenario.
Target Population, Scenario and Critical Market Systems

Based on prior consultations with members of the Food Security, WaSH and Emergency Livelihoods and Social Cohesion clusters as well as on a review of secondary information, the following critical market systems were selected for analysis: wheat flour, drinking water and chicken rearing. However, the chicken rearing market was changed to the credit market in the early stages of field work based on information collected first-hand, in order to better address the initial objective to analyse market systems that would support the displacement-affected population in terms of livelihoods.

For all three market systems, the key analytical questions focused on three aspects:

a. The conditions and constraints for the target groups to access the market systems, both in the current situation and in the event of the Mosul displacement;
b. The capacity of market systems to meet the needs of the target groups, in both current and emergency-affected situations; and
c. The most appropriate interventions to improve preparedness, feed into future planning efforts and contribute to the design of emergency interventions as a response to the forecasted Mosul displacement.

For the study, the estimated number of IDPs moving from Mosul to the two areas of coverage (Tilkaif and Al-Shikhan districts) was assumed to be in the range from 200,000 to 700,000 individuals.

Key Findings and Recommendations per market system

For all three market systems, the current situation is already affected by the ongoing economic crisis in Kurdistan, with notable delays in government salary payments, which are affecting the livelihoods of a large portion of the population. Should a massive displacement of new IDPs from Mosul to the Ninewa plains happen, its impacts will add to the current constraints, especially in terms of social cohesion and overstretched household economic finances.

1. Formal and informal credit market system

Access to credit, be it in cash or in kind, is a key strategy used by households (both hosts and IDPs) to meet their basic needs (e.g., food) as well as their livelihoods needs (e.g., inputs for small businesses). The credit market system in the area is characterized by a combination of formal (commercial and government banks, MFIs) and informal circuits (local traders, community and social networks). Stable income, asset ownership and legal residency are the main prerequisites for accessing formal credit, while the informal credit practices are mostly based on trust relationships and support from a guarantor. Because of the economic crisis and the disruption in government loans, host households are currently mostly able to access informal credit only. Informal credit is also the main source for IDPs within the displacement-affected populations, mostly in the form of in-kind credit via local traders or in cash and in kind via community members (relatives and friends). Community-based savings and loans groups used to function in the area but stopped as a result of the economic crisis, therefore resulting in a lack of community-led microfinance initiatives.

As a consequence of the shock, supply capacity of existing credit suppliers will likely be unable to meet an increased demand for credit from an increased population. Local traders will most likely have virtually no financial capacity or willingness to expand their provision of credit to a larger number of people. Indeed, they are already currently affected by delayed repayments by debtors, which impacts on their ability to keep their credit lines open with their own suppliers. Newly arriving IDPs will lack the networks to access credit and guarantors from community members, and those who do have them will add pressure to the community members already providing support or guarantees in the baseline situation. Movement restrictions will further hamper those wanting to access formal credit, as formal actors are mostly based around the main urban centres or within KRI.
Recommendations for preparedness measures to improve access to credit for livelihoods of target groups:

- Support re-establishment of savings and loans groups in host communities to re-establish livelihoods through accessing microcredit;
- Provide incentives to host communities or local leaders to act as guarantors for credit to IDPs;
- Increase market information for IDPs, to increase awareness on options for accessing credit and reduce vulnerability due to a lack of information on systems;
- Carry out a stakeholder mapping of foundations that previously provided small loans in the area and analysis of their constraints and needs in support.

Recommendations for emergency response (emergency livelihoods phase) to improve access to credit for livelihoods of target groups:

- Grants to small traders to service camps and supply credit;
- Facilitate mentoring of new IDPs by previous IDPs who successfully started and sustained small businesses;
- Support establishment of savings and loans groups for IDPs (in and off camps);
- Provide incentives to host communities or local leaders to act as guarantors for credit to new IDPs;
- Support credit solutions for mobile traders;
- Increase market information for new IDPs to raise awareness of solutions for accessing credit;
- Humanitarian actors to serve as credit guarantors for groups wishing to generate income in displacement.

2. Water market system

Data gathered suggests that currently there is no gap in the drinking water market system, as on average people in the target area are able to access at least the minimum volume of potable water required (30 litres per person per day). However, it is to be noted that the ability to access this volume of potable water in the current situation is dependent on a number of critical coping strategies including community level water storage and household level water storage. The assessment team are also aware that the areas surveyed did not include informal IDP settlements not connected to the water network, and it is possible that there are gaps in water access in such areas.

The water network previously relied on two main water stations on the Tigris River, which are now under ISIS control. The network is therefore now relying primarily on boreholes. Boreholes are currently operational for an average maximum of 9 hours per week, as they depend on the main electricity supply. Water trucks are available, and a large number of trucks are currently not in use, as demand for water has decreased since the initial emergency (2014 displacement).

In case the shock scenario occurs, the two main water stations may become accessible again, though to what extent they will be functional is uncertain. It is unlikely that the water network will be able to support a large new influx of IDPs due to power shortages and geographical access restrictions. Both water truck owners and bottled water suppliers reported having the capacity to expand their supply. However, bottled water is expensive and may not be affordable to new IDPs who may also not have physical access to shops. The cost of water trucking is likely to increase due to distances and a lack of boreholes accessible to water trucks.

There are a number of possible market-based options for meeting the increased demand for drinking water, as well as options to strengthen the system in the pre-crisis period to better prepare for the shock.

Recommendations for preparedness:

- Thorough mapping of boreholes and their capacity in the target area;
- Repair / rehabilitation of any non-functioning boreholes in the target area;
- Provision of water treatment systems to existing boreholes where there are gaps;
- Pre-positioning bottled water supplies;
- Carrying out a brief analysis of water container market e.g. jerry cans;
- Pre-selection and pre-agreements with water truckers;
- Feasibility assessment of solar panels for energy supply of boreholes.
Recommendations for emergency response:

- Reconnect main water stations of Tilkaif and Khawaj Khalel;
- Provision of generators and fuel to key public boreholes;
- Provision of generators and fuel to water pumping stations for trucking;
- Support water authorities in setting up a temporary water pumping station on the Tigris River;
- Promote best hygiene practices to help mitigate risks of drinking unclean water from rivers and dams.

3. Wheat flour market system

Target groups access wheat flour mostly from the Iraq Public Distribution System (PDS), but also from aid agencies and local traders. Due to the poor quality of the local wheat, however, imported wheat flour is needed to bake bread at bakeries and at the household level. Some IDP communities prefer to bake bread at home but may lack the equipment to do so. With the current economic crisis, the PDS capacity in country is already overstretched, with delays in registering new IDPs and incomplete baskets being distributed. An increase in demand may well result in an increase in the price of wheat flour overall. The Government of Iraq buys the vast majority of wheat produced in country from farmers; however, these local farmers have virtually not been paid for the harvested crops they sold over the last two harvests, resulting in a high level of debt. Traders (importers, wholesalers, local traders) seem to be able to increase their level of supply as long as the border with Turkey remains open.

Analysis findings suggest the following recommendations for preparedness activities:

- Support wheat storage system at local level;
- Support bakers (loans or grants to increase their rolling stock of wheat flour).

Recommendations for emergency response:

- Support establishment of bakeries in host communities and in camps (investigate opportunities to link with existing or new savings groups);
- Provide vouchers for bread or wheat flour to affected households (depending on local communities preferences);
- Support private sector millers (fuel vouchers or grants/loans to transport wheat from the silos);
- Support bakeries (loans / grants to increase their rolling stock of wheat flour).

Conclusion and updating results

The analysis results will require updating as the shock situation unfolds. A post-crisis rapid assessment should allow for the updating of the market system maps and key findings, as well as confirming response options. This rapid assessment should take between 1 and 3 days to complete and mainly rely on key informant interviews.

Understanding the capacity and constraints of market systems helps to not only to improve preparedness and emergency response, but also allows recommendations to mitigate the effects of the forecasted shock scenario by strengthening certain parts of the market systems in these areas. Understanding market dynamics is key to enable humanitarian actors to refine and shape their modalities for interventions, and understand where cash, in-kind and market-support responses are most appropriate.

Humanitarian actors in Iraq are encouraged to systematically integrate market analysis as a key component of their response planning, design and monitoring.

There are a variety of market analysis tools available. While they all have common steps (market mapping, and gap, market and response analysis), each has specific sequences and should be chosen depending on the agencies objectives and timeframe. Guidelines and toolkits are available, together with a guide on minimum requirements for market analysis in emergencies.  

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