ANNEX 1

OF THE MULTIPURPOSE CASH GRANT TOOLKIT:

Multi-Sector Market Assessment (MSMA)

Introduction

The Multi-Sector Market Assessment (MSMA) Annex is designed to help practitioners examine whether an affected target population can fairly and equitably access the expected amount of goods and services in order to meet the objectives of the Multipurpose Cash Grant (MPG) programme.

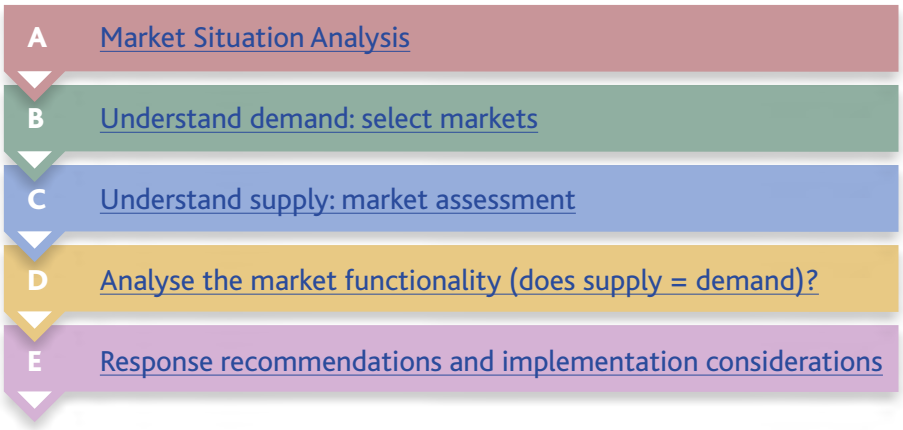
The aim of the MSMA is to inform and support Situation and Response Analysis (SRA) and Response Design during a crisis through assessing whether and how market **supply** can and does meet **demand** in a crisis. A MSMA will be typically undertaken within the first two months of the start of the crisis. If there are imbalances between supply and demand, the MSMA identifies the blockages or breakages and provides suggestions about how to or fix them. Any recommendations about supporting the market to meet demand would need to be included in the overall design of a cash- or markets-based programme.

The MSMA can and should help in the design of appropriate interventions, by:

- Supporting the decision as to whether to provide goods or services directly (in-kind delivery) or indirectly through local providers (for instance through vouchers or cash).
- Identifying what humanitarian needs or programme objectives can be met through the local provision of goods and services (or markets).
- Identifying the blockages or barriers for various vulnerable people to access markets.
- Providing a way to implement programmes that can support the livelihoods and well-being of communities in the longer term.

MSMA also highlights risks in the market – such as inflation or shortages – which could arise during the course of, or because of, a programme. These risks will need careful monitoring over the project period. Management plans need to be in place to address any harmful risks – including options to shift from one modality to another, i.e. from in-kind to cash or vice-versa.

The MSMA consists of the following five critical steps:



A Different degrees of market information are gathered. One is the information and analysis needed to understand the overall market system and general market functionality. The other is a more detailed picture about specific goods or services for a particular group, or in a particular geographical area. The first step of the MSMA requires looking at existing data to understand the broad context of the market for a specific emergency context. The Multi-Cluster/Sector Initial Rapid Assessment (MIRA) framework is a very sound basis for building up this type of information.[1]

B Analysing **demand** involves using the Minimum Expenditure Basket (MEB) and/or other inputs about the **needs** of vulnerable people to develop an overview of the goods and services markets that will be assessed. The steps involved in analysing demand are largely consultative, using inputs from the MEB, SRA and other evaluations of people's needs, preferences, spending patterns and interactions with markets. The outputs of this step are critical inputs for the next two steps.

C Analysing supply involves determining whether overall supply can meet or exceed demand, what factors affect supply, and whether and how blockages in the market system that affect supply can be unblocked.

D The purpose of market analysis is seeing how demand and supply relate – i.e. how people access markets through local providers of goods and services; whether factors affecting market access can be improved; and if so, how. If we know there is demand, i.e. a need for a particular product or service, we need to understand why people are not accessing this through local markets. For instance, there may be physical reasons why a particular vulnerable group (sick, disabled, elderly) can't reach and buy from a market. Or there may be non-physical barriers, such as limited purchasing power or lack of information about what is available. Analysing these barriers to market access will provide evidence to support recommendations that feed back into the SRA process and lead to overall programme design.

E The final step – response recommendations and implementation considerations – uses the information and findings generated through previous steps to provide response options to address the multiple needs of affected people, but also specific recommendations on supply-side interventions to address some of the identified blockages in the market system.

Audience

The MSMA is written for technical specialists in different sectors (livelihoods, water and sanitation, health, education, protection etc.) who are not experts in market analysis. The information in the MSMA Annex and references to external materials should help these specialists to adopt and adapt markets approaches to their sectors, and to coordinate activities carried out through markets approaches across sectors.

1 The MIRA attempts to define the status and impact of the crisis on livelihoods, income opportunities and access to basic goods and services. https://docs.unocha.org/sites/dms/Documents/mira_final_version2012.pdf

Critical Concepts and Glossary

The MSMA relies on a number of key concepts and terms. For example, as stated above, analysis should focus on whether supply can meet demand, and vice versa. But why is demand and supply important to Situation and Response Analysis?

Demand and supply sides of markets are important in market analysis in order to ascertain the extent to which the market system for goods and services can meet people's basic needs in a crisis. The ability of the market to meet demand depends on a number of factors. For example, it is essential to understand the priorities and context of providers, particularly in terms of their ability, willingness or capacity to:

- Secure enough supplies.
- Increase capacity to meet increased demand.
- Absorb – or process – cash they receive for their goods/services.
- Restock to continue meeting demand.

In the MSMA we are concerned with total demand:

Total Beneficiary Demand	+	Other People's Demand	+	Government/ Agency Purchases	=	Total Demand

Or another way to calculate this is:

Total Population	×	Quantity per person/household	+	Government/ Agency Purchases	=	Total Demand

When demand and supply are not in balance, shortages or surpluses arise and affect prices – impacting poor and vulnerable people's ability to access markets. The causes of these imbalances can be numerous. MSMA aims to understand what these causes are and whether they can be addressed practically during the period of the response.

The table below highlights some of principal reasons why there may be issues in either demand or supply in market systems (Table 1).

TABLE 1: *Factors affecting supply and demand in a crisis*

Factors affecting DEMAND in a crisis	Factors affecting SUPPLY in a crisis
Needs, wants, and preferences of consumers.	Demand, including purchasing power, and whether people can access the goods/services they want cheaply or for free.
Liquidity or how much money (cash, credit, income sources) consumers have access to.	Prices and margins – whether traders find it lucrative enough to trade in a good or service.
Prices, quality and availability of goods and services. If prices are too high, demand drops off.	Total quantity of a good or service that is available.
Ability to access a market (transportation, physical infrastructure, potential barriers such as conflict).	Physical distribution channels and infrastructure.
Information – about availability, prices etc.	Information flows or marketing about availability of supplies.
Alternatives such as substitute products.	Quality and substitutes.
Aid or other direct donations.	Competition between service providers.

The term **market** refers to a system of exchange between two or more actors or players. The exchange can be for goods such as food, or services such as healthcare or money, and can take place in a physical space or through virtual media such as the internet. The term "market" is also used to describe the amount and type of demand for the product or service.

Market service refers to any service – public or private – which helps a market to function. For example, a road helps traders to transport goods, but is also used by people to access hospitals, schools, visit family, etc.

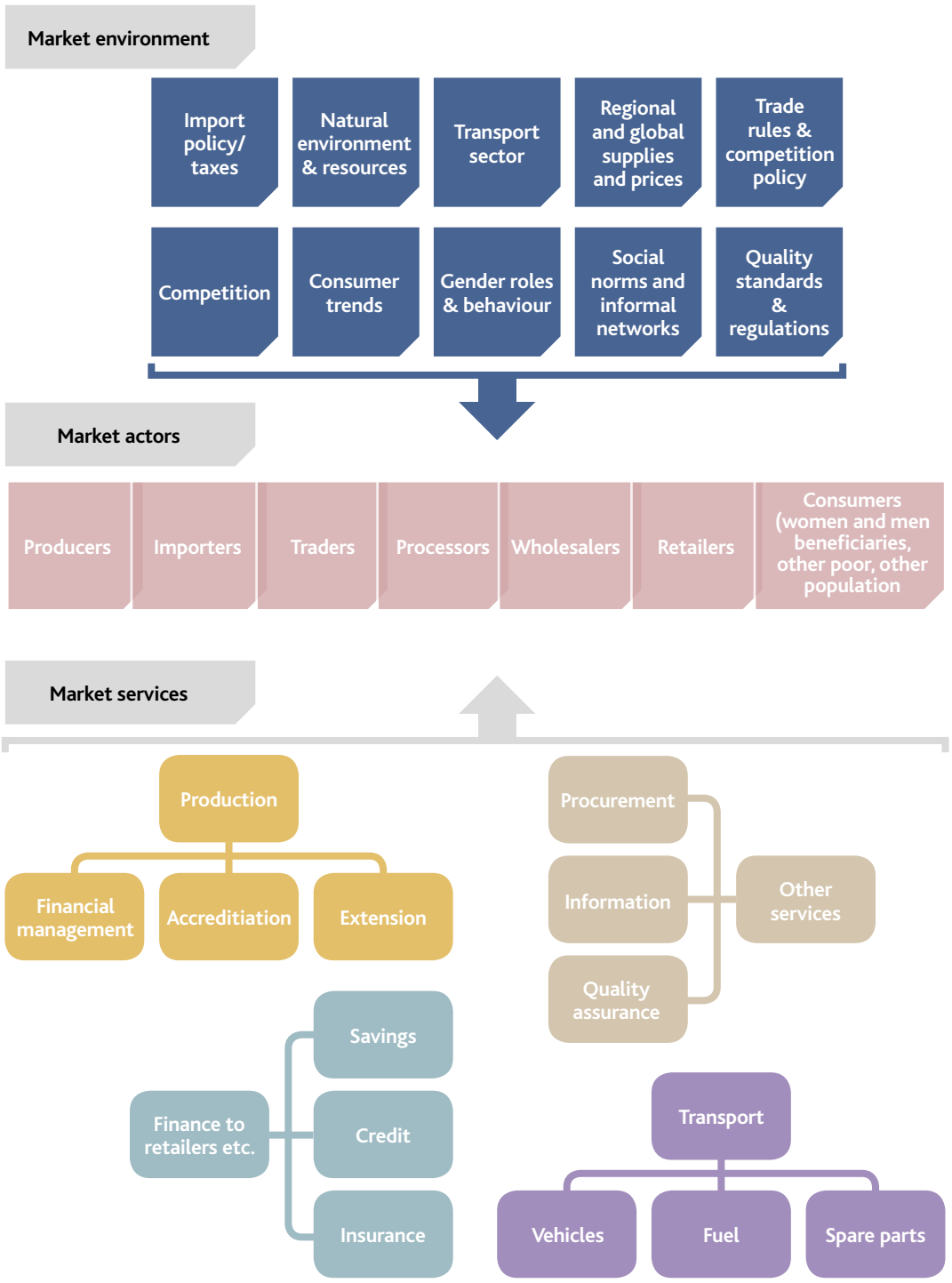
A **marketplace** is where the exchange happens. This is typically a physical place where different goods (and sometimes services) are sold – such as a village or livestock market. The internet is providing more and more "marketplaces" too– however its use by crisis-affected populations is not well understood. Marketplaces are a common starting point to assess the potential of the market to fulfil demand for many consumables, from food items to soap and clothing.

Market system refers to all the players or actors involved in the production, demand and delivery of any good or service. **Market Systems Analysis** looks at these actors, their relationships with each other and with support or business services, as well understanding the enabling environment – or the rules and norms that govern the way that the system works. Market Systems Analysis describes the system for any one commodity or service – such as "shoes" or "maize" or "buckets". A key tool used in Market Systems Analysis is market mapping.

A **market map** is a visual depiction of how an entire market system works, including all the actors in the market, how they relate to each other, the volume of produce being traded/exchanged by different actors, and prices. Market maps contain the following three elements (see Figure 1 below):

- The **market chain** describes the **core** elements making up demand and supply – or all the actors trading (or taking possession) of the good or service within the market system – from consumer through to the primary producer or supplier.
- Market services (also called business services or support functions – see above).
- The **enabling environment** or **rules** that influence how a market system works – sometimes these are called "disabling" factors because they can make a market system function poorly.

FIGURE 1: *Market map*



Market systems are interconnected when they share the same set of enabling environment/rules/norms and business/support services, for instance when they operate within one country.

Critical market systems are those which are critical to vulnerable people's lives OR to the functioning of society/the economy in a way that helps support people. They will be those markets in the long list of the

MEB products/services that are unique/for which there are no other "representative" markets, for instance the rental market, and should form part of the shortlist of markets.

Market type refers to the type of service or product that is being traded – for example "food market" or "rental market" or "health products market".

Representative market systems/products/services is a term used by the MSMA to describe a set of products or services which display similar characteristics in terms of how people obtain and use them, how they are supplied to the market, and the market services and enabling environment influencing their market access. They are selected through the MSMA process outlined in the Addendum to this Annex (1. Representative Market Selection) in order to narrow down the research MSMA to a manageable number of goods and services (e.g. the soap supply chain is probably similar to the toothpaste supply chain).

Propensity to consume is an economic term used to describe how much of a given amount of money a household has (e.g. income) will actually be spent on a given set of goods and services. Households can choose not only *what* to spend money on, but also *how much to spend* (or consume), and *how much to save* and/or invest in future livelihood activities. The **marginal propensity to consume** is the **extra** amount that a household *intends* to spend as a result of receiving more cash. For example, most people will often prioritise food for survival, but if they had a little extra money, some would probably invest more money in preventing waterborne disease outbreaks by buying soap or by systematically treating their drinking water.

Private sector includes any actors which generate surplus income/profit through their business operations. This includes small individual traders and micro-enterprises, Small firms employing temporary labour, cooperatives with numerous members or shareholders, through to multinational companies. The absolute criteria for what is/isn't the private sector is blurred, as many private firms are owned by governments, and some enterprises – for instance social enterprises – have business plans that generate a profit which is invested back into society.

Public goods and services are those which are provided by the government; for instance major infrastructure, such as power supply, roads and in some cases clean water, health services or schools. Individuals are not ordinarily expected to pay for public goods or services – though some public services may charge a nominal or subsidised user fee and access to public services or goods may carry a charge, for instance bus fares to travel to a health centre.

Another key term, and one which has an immediate impact on demand, is **willingness to pay (WtP)**.This is an estimate of future expenditure based on historic costs, and what people would be willing to pay given a set amount of cash at their disposal. It is used to contribute to the design of the MEB.

There will be repeated reference to some very good market assessment tools and approaches. Some of these tools are listed below but details of their methodology is not repeated here. Rather the MSMA is meant to help inform decision-making about which tools are most appropriate to use.

Market Analysis Tools and Approaches

Type	Source
Market Systems	Emergency Market Mapping and Assessment (EMMA)
	Pre Crisis Market Mapping and Assessment (PCMMA)
	Participatory Market Systems Development (PMSD)
Marketplace Analysis	ICRC's Rapid Assessment of Markets Tool (RAM)
	Market Information and Food Security Response Analysis (MFIRA)

A Market Situation Analysis

The Market Situation Analysis, the first step following a crisis, is carried out as part of the overall Situational Analysis, including needs assessment. This is predominantly to digest any pre-existing information on markets, determine the overall impact of the crisis on market functionality, and understand what other key actors are doing and how.

At this stage, the market analysis is not specific to any particular commodity or service but looks at overall functionality of the market economy (market environment, actors and services).This means collaborating with other sectors to quickly assess the potential suitability of market-based approaches and in which sectors. The decisions made and strategies proposed will be top-level at this point and will steer further market analysis.

The information that feeds into the Market Situation Analysis is of two main types, current and pre-existing. See Table 2.

TABLE 2: *Types and Source of Information Required for Market Assessment*

Type of information required	Specific information requirements	Potential sources of information
Pre-existing country-specific contextual information		
Data on the Context	Including: resources on the general political economy, economic structure and outlook in order to better understand the broader picture, including pre-crisis market trends.	Papers from various agencies, e.g. publicly available sources such as the Economist Intelligence Unit, government or private actors such as the Bureau of Commerce.
Economic data	Supply sources, quantities, prices.	From government or private actors, FAO Food Price Index, FEWSNET, national statistics, commodity indexes.
Pre-existing market information	Market mapping and market functionality.	From national statistics agencies, inter-governmental agencies, private commodities information sources and UN or NGO/marketplace monitoring products (e.g.Pre Crisis Market Map and Assessment or PCMMA carried out in non-crisis situations. See section in the MPG Toolkit on Preparedness).
Current situational information available		
Impact of the crisis on context	The type and scale of crisis. What infrastructure has been affected and to what extent?	Situational reports, logistics assessments,[3] consultations with sector specialists and logistics department.
Impact of the crisis on markets	What are the main blockages that block trade? What financial services, telecoms services, other critical business services exist? How have they been affected? How quickly will they recover?	Logistics assessments,[4] consultations with sector specialists and logistics department, other agencies, private sector contacts.

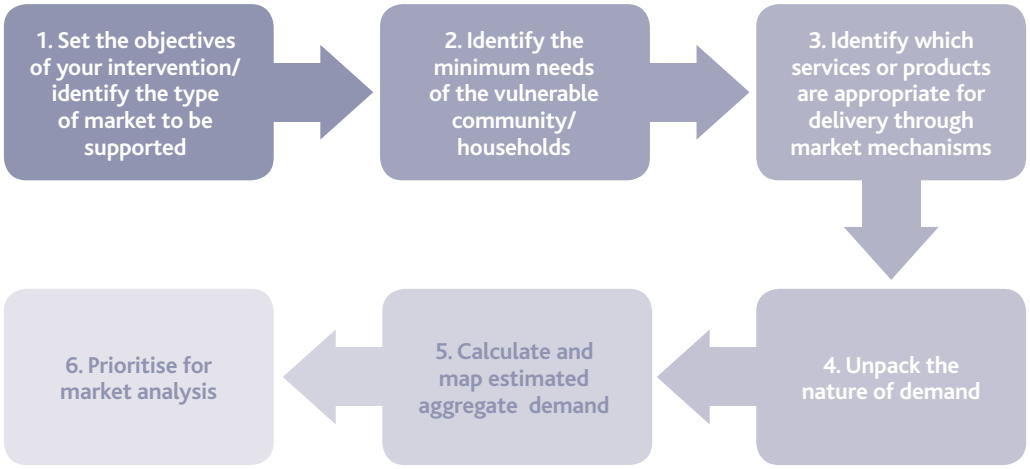
Type of information required	Specific information requirements	Potential sources of information
Needs Assessments/ Gap Analysis	How did people meet their particular need before (own production, shop, health centre etc.) and how do they meet it now? If there is a change in access to that good/service – why? (Price too high, service no longer available, new need etc.). Did that need have to be paid for and if so, what was/is the price? Would people be willing to pay for that need now and if so, how much?	From previous PCMMA, Household Economy Assessment (HEA) Outcome Analysis, UN Disasters Assessment and Coordination (UNDAC) Assessments.
Other planned interventions	What are others doing? What market assessments are being carried out, and by whom? What are they looking at/from whom are they obtaining information?	From cluster meetings/sit reps.

Much of the Market Situation Analysis will depend on data and information available through many different sources pre- and post-crisis. Ideally, a market specialist would have access to each sector's analysis and recommendations, analyse these through a "multi-sector market lens", and synthesise the conclusions into broad market observations.

B Understand demand: select markets

In multi-sector programming, market analysis seeks to identify if and how beneficiaries can meet their needs through markets-based programming, and how target populations can best receive support to interact with these markets.

Understanding demand, and translating this into the selection of critical markets, involves several sub-steps. This Annex will follow this step-by-step approach:



2 Example for Logistics Cluster: http://log.logcluster.org/response/assessment/index.html

3 Ibid

Deciding which market system to analyse and potentially support is a multi-layered exercise. This guidance provides a series of steps that can help select the critical markets. However it is not comprehensive, nor is it a checklist that will automatically produce a clear answer. The selection process is one which requires evidenced-based judgements by both analysts and consumers (in this case, people affected by crisis) of goods or services. The markets approach is based on the premise that it is ultimately at the consumption or buying stage that a choice is made by individuals or households, between one good or service and another.

1. Set the objectives of your intervention/identify the type of market to be supported

The objectives of your *intervention* will define the scope and potentially the type of market assessment that you will be carrying out. Objectives should include the purpose of the intervention as well as the timing and geographic focus of it. The objectives will also set out the types of markets included in your intervention (see below) Note: This is *not* the objective of the market assessment itself, which is set later on in this process.

There are two main **types of markets:**

a. Expenditure markets: These consist of a vast array of markets where people spend money to meet a range of needs. These markets supply goods/services that people use to survive, live and invest in their future.

b. Income markets: These are the markets which people access to earn some form of income (cash or in-kind).Income markets can be further subdivided into production (based on farming, livestock-keeping, fisheries, etc. and including value-added products such as dried fish, processed tomato paste, dried meat), petty trade and micro-enterprises (hairdressing, kiosks, etc.), and labour (covering everything from working on a local farm to migrating for work to the Middle East!).

The MSMA Annex deals primarily with expenditure markets. However, income markets are critical for people to earn cash. Further guidance on analysing **income market systems** is available in frameworks such as M4P, and specific agency guidelines.

A crossover between income and expenditure markets are **input markets**, which provide the key ingredients for income markets. Seeds are a classic example, but tools for farming or for running a business also fall into this category. Input markets can be included under expenditure markets in the first instance, but in the long run input markets analysis should be combined with long-term, income or livelihoods markets analysis.

2. Identify the minimum needs of the vulnerable community/households

The purpose of this step is to start understanding what demand is made up of, i.e. the types of products and services that people would buy if they could. Remember that **need** does not automatically translate into **demand** – and the more you can understand about people's spending preferences at this stage, the better the market analysis. Check that the MEB includes all the items/services that a household would need or buy.

At its simplest, a particular need may consist of a range of products and services. For instance, housing may consist of renting existing accommodation (the rental market) or building a new shelter which will involve the raw materials (nails, wood, corrugated iron sheets, string etc.), labour and skills, land, etc. Breaking the MEB down into its constituent parts ensures that the right markets are analysed, since each product/service will have its own unique set of factors governing availability/supply. For instance, staple foods consist of several different food types (wheat, sorghum, beans, pasta, rice, salt, sugar, onions, etc.).

Each of these is potentially a market. *Health* is a particularly difficult service to unpack and consists of a service (doctors/consultations, hospitalisation, etc.) and products (medicines and bandages). Some health products and services are public goods (e.g. vaccinations) while others are individual (e.g. painkillers).

For some services or products, you may already be able to distinguish between the main product and the critical services that enable that product to be delivered. Water is a classic example. In emergencies, *water trucking* has been analysed as a single market, while actually it is often two distinct markets – the water itself and the trucking services. In situations where the water is provided free at source, for instance from government-run boreholes, the relevant – or critical – market is *trucking services*, which may involve competition with transportation of other products, such as food or domestic supplies, to marketplaces.

An MEB that includes willingness to pay questions may help prioritise what people will be willing to pay for – and how much!

3. Identify which services or products are appropriate for delivery through market mechanisms

Narrowing down the scope of the analysis and making it manageable will require prioritisation of which products/services are analysed and how this analysis is carried out. This step refines the long-list of products/services in the MEB into a shortlist containing those goods/services in which markets exist and have the potential to deliver. For a market to be able to deliver either goods or services, it is necessary that it functions to some extent. The initial Market Situation Analysis will be the first guide to establish whether cash-based interventions (CBIs) are possible. This current step then eliminates products/services from the analysis which require either public delivery or extensive market development (which takes time).

Three main criteria will determine whether a product or service is suitable for delivery via market systems (Table 3).

TABLE 3: *Main criteria for determining suitability of product/service for market delivery*

Main criteria for market delivery in an emergency	Key considerations
Pre-existing market system	Was there ever a market for these products/services? Was the market highly inefficient even before the crisis? Was there was a high rate of "market failure" (for instance in a market tightly controlled by a monopoly)? Is the market functioning to some extent now?
Publicly vs. commercially provided goods/ services	The product/service is not provided by the government, e.g. primary education. The product service does not necessarily have to be equally accessible to all to avoid risks/negative impact, e.g. vaccinations or health services for highly infectious diseases.
Willingness to Pay	Are households willing to pay for the product/service? Or not (often the case for "common" goods and services such as roads)?

A simple table can be used to evaluate products/services against these criteria (see example in Table 4 below). Note that many products/services are often provided through a combination of public/private providers. Furthermore, the question about willingness to pay is quite subjective. So the answer as to whether or not a service or product can be provided through markets is not always clear. Educational services (schools) and transport infrastructure (roads) would both be considered inappropriate for a markets-based intervention. That said, costs associated with these essential services may be part of the MEB.

4 Public goods are those which have a public benefit rather than an individual one. These can, however, be delivered by private or public institutions.

TABLE 4: *Evaluation of products/services against main criteria*

Product/service	Public/private?	Pre-existing market?	WtP
Shelter – rent	Private	No	Yes
Shelter – construction materials	Private	Yes	Yes
Shelter – plastic tents	Private	No	No
Health – vaccinations	Both	No	Some
Health – diarrhea prevention	Public	No (public health system)	No
Health – medication	Private	Yes	Yes
Food – basic grain	Private	Yes	Yes
Food – pasta	Private	Yes	Yes
Education – schools	Both	Some	No
Education – supplies	Private	Yes	Some
Transport – roads	Public	No	No
Transport – travel	Private	Yes	Yes
Water	Both	Yes	Yes

However, the non-existence of a market does NOT in itself preclude the feasibility or appropriateness of a markets-based approach in the long run, where market development may be a very effective way of ensuring delivery of a service or good. In the table above, plastic tents for shelter have no pre-existing market and would therefore require investment in market development, which in most crisis settings is not appropriate. Investment in the construction materials market systems could, conversely, be a suitable intervention, as there was already a market in existence.

Also, the charging of fees does not indicate a "market". For example, the health sector often charges differential user fees to different groups, often providing "free" services to children under five, pregnant women or other vulnerable groups, but charging others. This does not mean that there is a "market" for health services.

Finally, it is important to include indirect products or services that may be critical to enabling access to a public good, e.g. paying for transport to health facilities or schooling.

4. Unpack the nature of demand

You are now ready to describe the nature of demand and prioritise it. With input from the MEB and the prioritisation process outlined above, draw up a shortlist of your final goods/services (Table 5). You may not have all the information you need to populate the table yet. Coordinate with those doing Needs Assessment and MEB development to fill in as much of the data as you can. The costing information at this stage may be quite arbitrary. Ideally it should reflect a willingness to pay based on historic costs and what people would be willing to pay given a set amount of "cash" at their disposal.

TABLE 5: *Shortlist of goods/services required*

Product/service	Frequency	Amount	Costing/WtP	DEMAND
Shelter – rent	Bi-weekly	1	100–350	Until permanent shelter available
Shelter – construction materials				Depends on access to land
Nails	Once	1kg		
Iron sheeting	Once	3		
Wood	Once			
Tools	Once	2		Can be shared between HHs
Blankets	Once	5		Depends on HH size and age groups
Buckets	Once	3		Includes tubs, basins, jerry cans
Cooking – kitchen				
Pots	Once	3		
Cups/plates	Once	10		
Cleaning detergent	Monthly	1 bottle		
Stove	Once	1		Preference for woodstoves but due to limited wood try solar?
Food				
Main grain	Weekly	5kg		
Edible oils	Weekly	2 litres		
Salt	Monthly	1kg		
Vegetables	Daily	0.5kg		
Protein	Weekly	0.5kg		
Tomato sauce	Weekly	4 tubes		
Health/hygiene				
Soap	Weekly	1 bar		
Towel	Once	5		
Toothbrushes	Monthly	5		
Toothpaste	Monthly	2 tubes		
Sanitary pads	Monthly	3 packs		
Razors	Monthly	1 pack		
Tissues	Weekly	1 pack		
Scissors	Once	1		
Others				

5. Calculate and map estimated aggregate demand

It is much more important to have quantified Gap Analysis for one-off/capital expenditures (particularly those which were very uncommon pre-shock) than for consumable/recurrent expenditures, demand for which will probably not be significantly different to that pre-shock (where a Rapid Assessment of Markets (RAM) type approach may be sufficient).

- For goods that will be purchased ONCE (e.g. stoves/corrugated iron) the aggregated need can be calculated (no. of units multiplied by no. of households) but remember, need may not translate into demand! Example: to guarantee traders the return on their investment into stocking up on water filters, a central coordinated system is needed, either through procurement and distribution by humanitarian agencies, or some form of voucher system. Traders are likely to appreciate some form of business support (e.g. financing, storage, marketing – or communicating – to beneficiaries) to help them start up in the new product line and to reduce their up-front costs and longer-term risks (of spoilage/over-supply).
- For goods that are needed on an ongoing basis (e.g. water purification tablets), aggregated demand is difficult to calculate as people may substitute/go without for a period of time – traders will want to understand how much they can turn-over in any given period, and can then base future purchases on this information. Supporting traders by providing them with information or easing financial access (estimation of periodic demand, up-front financing to procure first-period stock) is helpful, especially in the short term. However, a clear advantage of using a markets approach is that over time, the "market" – i.e. beneficiaries themselves – will show what "demand" there is for the product.

Once you have worked out the total amounts required of each product/service, use a simple timeline to map out these needs over time, taking into account seasonality and other factors such as population spikes and lows (due to migration etc.)(Table 6).You can also use this table to work with traders during the market analysis phase, as well as for working out cash distribution

TABLE 6: *Mapping changing needs over time*

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Etc
Prod 1									
Prod 2									
Prod 3									

6. Prioritise for market analysis

The last step in critical market selection is prioritisation. This step will be based on preliminary information available about supply. It is important to note this does not reflect the priority of need, but rather the priority for analysis, which is based on a couple of factors:

1 Current/ready availability in markets – is there an abundance of supply already observed? Is restocking likely to happen quickly because the product is easy to source and supply? Is there already a stock of this product in warehouses? Households or a few traders can help answer this question quickly, and if supply is abundant, highly elastic (i.e. amount of supply reacts quickly to actual demand) and the confidence for restocking is high, the priority to carry out a full market system analysis is low. Institute marketplace monitoring.

2 Absolute need, as determined by the consequences if the product is no longer available for any reason. If a shortage (for instance of staple foods for which there is no acceptable alternative) creates a crisis, continue to Marketplace Analysis or Market Systems Analysis.

Some general tips on how to carry this out in multi-sector contexts are listed below (Box1). This is a growing body of knowledge so again, this is not comprehensive!

BOX1. TIPS FOR MULTI-SECTOR MARKETS FOR GOODS AND SERVICES

- **Food markets:** Price tracking in food markets is fairly well established, and market analysis is becoming more commonplace. Remember to use these existing sources of information to supplement market information. Focus on supply and traders' capacity to expand staple food markets.
- **Water markets:** Look out for the "market services" or related products which may be critical or even more important than "water" itself. For instance the trucking or transportation system may be the market system to analyse because it is the main determinant of water costs/prices and availability.
- **Shelter or housing** consists of many different options and it will be important to understand the relationship between, for example, tented and rental accommodation. They are, strictly speaking, two separate markets – with very different services, inputs and enabling environments – but because people may seek to move from one (tents) to another (rental), and because the quality of housing determines the level of other needs (especially heating/clothing/blankets), it is important to understand the relationships between the market systems.
- **Health and education** services are comprised of multiple, inter-related systems (facilities, personnel, supplies). Some of these are public goods and others depend on markets (medicines and medical supplies, school materials). Break them down to determine if and what market assessment is necessary. Recognise that while these are public goods, we know people will try to fill gaps through "private" means if they have to.
- **Transport markets:** Transport plays a key role in people's ability to access goods and services and to earn a living. It is vital to understand how transport, or other related commodities such as fuel, may be affected by the crisis. Transport markets also need to be assessed before designing a response that may divert available trucks or cars away from other critical uses.
- **Livelihoods markets** require Market Systems Analysis. Households will prioritise re-establishing their livelihoods early on in a crisis. Livelihoods markets include the inputs people need to produce outputs (goods and services) which they then sell, including their labour.
- Don't forget that an important "market" that affects consumers and suppliers/service providers is the **financial services market**. Detailed guidance on financial services assessment is found on the CaLP website.

C Understand supply: market assessment

The first sup-steps is to "bundle" products that have similar supply chains. This will make the identification of critical markets more efficient and inform the choice of the market analysis approach.

1. Determine supply capacity ("bundling")

This stage starts to look at supply sources – some products, for instance hygiene products or canned goods will have very similar supply chains. If you can determine which groups of products have similar supply sources and market systems, you may choose to "bundle" them for market analysis. The underlying premise for bundling is that the supply and trade of a group of products responds in the same way to specific market signals – price, demand, supply (criteria for grouping/bundling is specific, most probably different to the rationale used to group products). For example, if supply for second-hand clothing all comes from one main source which can replenish stock without difficulty, then it is sufficient to analyse the second-hand clothing market and not each and every product line (gloves, socks, boots etc.) However, if a particular item (let's say boots) is sourced and traded differently it must be treated as a separate market system.

The overall enabling environment and market services factors affecting all the products/services in the bundle need to be analysed:

- If these factors are OK (do not present a risk/are not disrupted or broken), continue with the analysis.
- If these factors present a risk or are disrupted/broken, market interventions in the enabling and/or market services are required. You have two options:
    1. Look at one representative market in more detail (see EMMA toolkit);
    2. Stop the analysis here.

The output of critical market selection is a shortlist of key products or services, which we will call "market systems", to begin analysing. This could look like Table 7 below.

For each of your product/service groups in the critical markets shortlist, develop a quick overview of the overall supply situation. The logistics department will have a good picture this, and a simple marketplace visit can also provide observation data. The main information you are seeking for each product/service is:

- **Geography** – where is the product sourced/coming from (local, national, regional, international)?
- **Availability** – what is the overall total supply situation and where else is the product potentially in demand (competition)?You aren't looking for absolute figures at this stage but for an overview – referencing secondary sources such as FAO's commodity price monitors or regional production reports such as FEWSNET.
- **Infrastructure** – this refers to obvious infrastructure to move physical goods – such as roads and railways/shipping facilities and ports. It also refers to mechanisms such as financial systems used for transferring money and, critically, communications which help traders find out where to source products and (increasingly), transfer funds electronically.

TABLE 7: *Examples of representative markets for goods and services*

Representative/critical product or service	Demand information	Preliminary market information
Hygiene products	Includes toothpaste, soap and sanitary products Usually purchased from market stalls HH needs = 1 tube + 1 bar + 1 pack per week.	Traders source from 5–6 wholesalers who source from national distributors. Most items come from country xxx – main constraining factor will be exchange rates.
Household goods	One-off purchase per household of 2 buckets, 3 pots, 1 stove, 6 cups/plates/spoons.	As with hygiene products but also available through second-hand market.
Fresh produce	Interchangeable amount of tomatoes/spinach/potato/onions 2 kg/HH/week.	Used to be locally sourced – potential to reinstate local production in 3 months!
Rent	Medium-term shelter solution (3–6 months) – 1 room per 2–3 people	New market arising from crisis – to be analysed further.
Childminding/schooling	HHsare saying this would greatly help invest in future and provide "time" for adults to seek employment/work.	Informal services are popping up which some providers charge for and others provide in exchange for in-kind (e.g. part of food ration).
Etc.		

2. Assign a market analysis approach to products/services

After "bundling", you can select the appropriate market analysis approach for each product/service or group of products that you prioritised during the process.

Before assigning the approach, we'll have to define them. The nature of the market, as well as the overall objectives and timeframe of the intervention/response, will determine what approach to take to analyse the market. There are two broad approaches to market analysis:

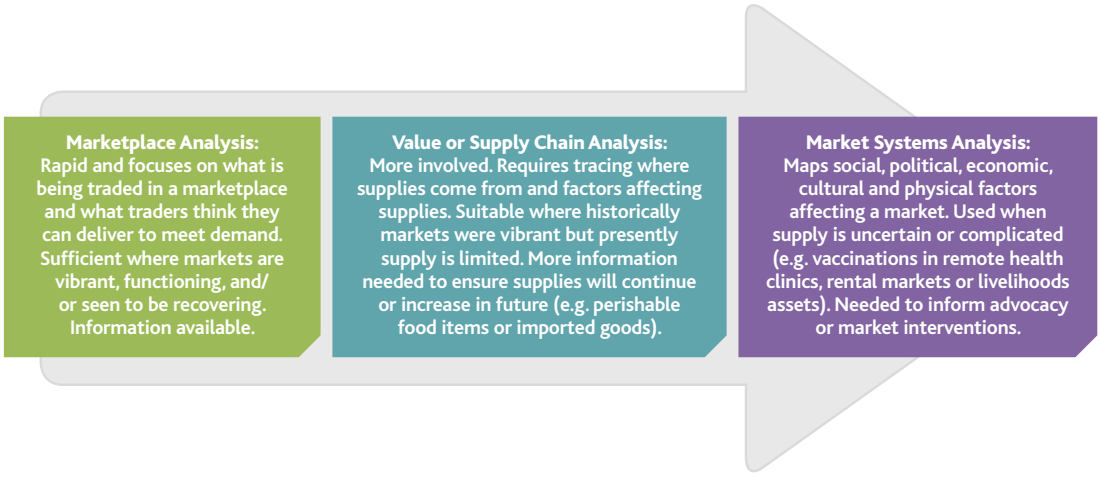
Marketplace Analysis – this is relatively rapid and seeks to identify whether and how a marketplace can supply or deliver the goods/services that will be in demand. It focuses on the consumer end of the market chain – i.e. where final retail outlets (marketplaces/kiosks/supermarkets) sell to the final consumer or buyer. Marketplace analysis can be useful for very localised market systems where the chain is short – for instance a local vegetable market where the vegetables are grown and sold locally.

If the Marketplace Analysis reveals shortages/issues/risks in terms of meeting demand or being able to process cash infusions, then some level of Market Systems Analysis will be necessary to unpack and understand any issues. Marketplace Analysis is not suitable for disbursed/virtual markets or for those products which are "sold" or marketed through multiple sources. For instance, the rental market is usually too disbursed (i.e. there are too many renters or landlords who rent or lease individually) to be able to apply Marketplace Analysis.

Market Systems Analysis – this uses a systems approach to map out all the social, political, economic, cultural and physical factors affecting how a market operates. It is useful for complex market systems (such as the rental market) where many invisible factors (such as information about where a property can be rented, relationship with the property owner) affect the relationship between the buyer and seller. Products with long/international market chains are suitable for Market Systems Analysis.

Both approaches are useful during a crisis, and both can be used in the long or short run. Details about how to actually carry out market analysis is covered elsewhere.[6] This section highlights the important questions that will help you to decide what analytical framework to select, some of the tools available for use and any additional inputs/information to gather.

A prime consideration in the choice of analytical approach is the objective, timeframe and outlook of the agency or organisation involved. While the choice to select either Marketplace or Market Systems Analysis IS binary, the analysis itself should actually be understood as a spectrum – that begins with a simple analysis of the marketplace, but that can be built on according to timeframe and need.



The following questions can help guide the selection of the appropriate analytical approach.

TABLE 8: *Selecting the most appropriate market analysis approach*

Consider Marketplace Analysis and monitoring	Select Market Systems Analysis
Short intervention timeframe	Longer intervention timeframe (3+ months)
Visible abundance/supply in market place	Uncertainty about supply
Short/local supply chains	Longer/international supplies
Trader capacity high (finance, networks)	Low trader capacity
Good information flows in market system	Poor/broken information flows; rumours
Simple market systems – few actors	Complex market systems
Consumption markets	Consumption markets
NO market problems/breakages/leakages	Income markets/livelihoods support
Rapidly changing/unstable markets	More stable markets

For MSMA, where the same/similar factors can affect multiple products/services in similar ways, Market Systems Analysis can be especially helpful because of the "market mapping" method employed. If the market is mapped for different products, or services are overlaid one on top of the other, are there common "rules" and "market services" which affect several products?

Market services which cut across multiple market systems – for instance financial markets, transportation, telecommunications – may warrant market analysis themselves! In which case, add this market service to the shortlist of those to be analysed. Note that because market services are usually services and therefore

5 PMSD, PCMMA, EMMA, M4P, ICRC RAM Guidance, MFIRA.

invisible, disbursed, and more complicated than products, a Market Systems Analysis approach will be needed to analyse them.[6]

Now that you know the two different approaches, we can start to build up an overview picture of the different market systems, based on expected demand and supply. The demand information comes from Step B of this Annex. Enter the expected market analysis approach: Marketplace Analysis (MP) or Market Systems Analysis (MS). Keep this table in a central place and expect to keep changing/updating/editing it as the research and analysis proceeds.

Product/service	Demand information	Market analysis approach (MP or MS)	Supply information	Demand = supply? Y/N/M
Hygiene products				
Household goods				
Fresh produce				
Etc.				

Remember that some products can be grouped or bundled. Start to list the product groups and what is included in them as you begin to allocate a market analysis approach.

3. Begin the market research for each product/service

This is the stage at which you organise and begin the market research. A number of critical pieces of information are needed, as listed below. These are also covered in the various tools, and repeated here as a reminder of what to analyse on the SUPPLY side:

- Absorption capacity of the traders – or how much cash they can handle and use to restock. Ask the traders what their usual turnover is, and how much they could safely grow by. The table below shows a very simplified version of the calculations involved:

	Turnover/ week stock	No. of traders	Avg cash t/o per week	Total weekly capacity	Growth potential	Total absorption capacity
Small traders	100–300	50	5,000	250,000	50%	375,000
Medium traders	300–500	35	7,500	262,500	75%	459,375
Large traders	500+	10	20,000	200,000	200%	400,000

- Stocking factors including current stock levels, safe storage, and re-stocking capacity of traders. Again, a simple table can be devised to estimate stocking per market and trader type, as follows:

	Storage capacity	No. of traders	Total weekly stocking/mkt	Restocking time	Growth potential	Total stock potential
Small traders	100 sacks	50	5,000	3–5 days	50%	7,500
Medium traders	500 sacks	35	17,500	2–3 days	75%	30,625
Large traders	5,000 sacks	10	50,000	3 days	200%	100,000

- Competition or presence of other traders – this information is available from discussions with the traders, transporters and market governance agents.
- Ability to switch product lines/supply different products – this information is available through discussions with traders themselves. Things to ask are what they can stock and when, where they get stock from and

6 For an excellent example of an analysis of financial systems, see Oxfam (2013) *Market analysis for preparedness: the urban informal settlements of Nairobi.*

how they process orders. For instance they may have family members in a capital city who buy bulk and send it to them; or they may group with other traders and physically go to buy stock etc.

D Analyse the market functionality (does supply = demand)?

The next stage of the MSMA seeks to see how demand and supply in a marketplace or market system relate – answering the question of access to markets by vulnerable groups. Market access will actually affect the functioning of the market and supply quite significantly. If people cannot access the market then their "needs" are not translated into the "demand" which signals traders to restock with supplies! While this is the fourth step in this document, in practise the suggestions in this step can be carried out in parallel with the two steps above, and should be reviewed with the groups of stakeholders being regularly consulted during the analysis.

The outcome of this step is a top-level picture of market systems' supply – or the ability to a) meet needs following a crisis for a specified period of time, b) at an acceptable price and c) to minimum quality levels. "Meeting needs" is tricky to translate into demand, so substitution of a product – as long as it meets the price and quality criteria – is acceptable. The analysis will also reveal any market/business support or enabling environmental factors that could be supported to unlock market potential to meet basic needs.

Constantly looking at how one factor – such as a policy or a financial service – affects different market systems can help achieve scale across sectors. The aim is to identify a few areas of support and the incentives that will make them work better, then allow these critical services or policies or infrastructure support to leverage change across multiple market systems!

The aim of the MSMA is to build up a joint picture of the market, enabling you to decide which products/goods to include in a market-based approach and which ones to deliver directly. At its most basic, the MSMA will provide you with an overview of which products fit into which "response" category. However, the MSMA is also an excellent coordination and cross-checking and analysis mechanism, if time is given to joint analysis, allowing better understanding of:

- Preferences and substitution of products.
- Drivers of beneficiaries' behaviour and how this affects their spending patterns.

The market analysis should provide important information for the overall Situation and Response Analysis decision-making, including:

- Capacity of the market to meet demand or needs.
- Limits to market supply.
- Limits to how people access markets (together with household analyses).
- What support a market needs to help the system meet demand – supporting these market system needs may help other parts of the recovery/relief effort and vice versa.
- What market system functions are insurmountable within the timeframe of the SRA intervention.

In the Situation and Response Analysis phase, each product/service will have been analysed initially separately and then increasingly together to build an overall picture of how people may begin to access their Minimum Expenditure Basket. A table like the one below (Table 9) should be constantly updated and reveal any patterns,

for instance in "Market support needed", to the enabling environment (for example a policy change) or to business services (perhaps financial transfer mechanisms) that would be helpful for multiple markets.

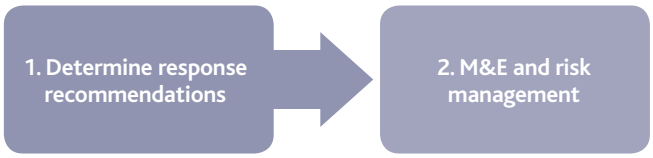
TABLE 9: *Output – sample market assessment table*

Product/ service	Demand information	Market analysis (MP or MS)	Supply information	Demand = supply? Y/N/**	Cash/ voucher / in-kind	Market support needed
Prod 1	Gap of 20,000kg/week	MP	35 traders @ 1,000kg per week	Y	Cash	Some storage helpful
Prod 2	Need for 30,000 units/month	MS	Traders could meet 50% of demand	**	Cash	Provide lines of credit; remove transport tax
Prod 3	Gap of 10,000 units total	MS	New product line/no local/national supply	N	In-kind	
Prod 4	Gap of 18,000 units/month	MP	Traders meeting 60% – could rise	**	Cash	Provide lines of credit; remove transport tax
Notes	Traders report transport tax also applies to other non-MEB items					

As the market analysis progresses, recommendations and plans will begin to emerge. Refer to the CaLP Minimum Requirement for Market Analysis for guidance on how different market analysis outcomes translate into specific intervention suggestions. Also, risks to beneficiaries, traders and the market system will emerge, and will be used in programme design and for developing an M&E and risk management mechanism.

E Response recommendations and implementation considerations

The purpose of developing markets programme options is to feed recommendations, backed by analysis and evidence, into the overall response programme. There may be different recommendations for different products/services, as well as overall recommendations that cut across different products affecting multiple sectors. Coordination across sectors and practitioners from the outset of an emergency response will allow for a more cohesive process.



1. Determine response and recommendations

Using the market assessment table (see Step D, Table 9) start to compile a set of recommendations based on the assessment of each product/service in the MEB. This will now require taking the list of representative/ critical markets and expanding it to include the details of your initial long-list (Table 10a and 10b).

TABLE 10A: *Summary Table of Needs, Supply and Demand and Recommendations*

Product/ Service	Demand information	Supply information	Demand = supply?	CBI	Recommendations
Hygiene products	HH needs = 1 tube + 1 bar + 1 pack per week	Multiple traders/ suppliers	Yes	Cash Loans	Cash for toothpaste, soap, sanitary products. Loans to small traders (weekly turnover < 50) to restock quickly
Household goods	One-off:2 buckets, 3 pots, 1 stove, 6 cups/ plates/spoon	Growing second-hand/ repair market	Yes	Cash	Cash at second-hand market rates
Fresh produce	Tomatoes/ spinach/potatoes/ onions 2kg/HH/ week	None. Local production destroyed/ imports too expensive/rot in transit	No	Cash++	Stimulate supply through: Loans/cash to producers to stimulate seed market Support tools traders with loans
Rent	Medium-term shelter (3-6 months); 1 room per 2-3 people	Few landlords, prices high; no information system	No	Cash	Cash grants for bridging period (months 3, 4, 5, 6) for Cash for Work recipients (CfW). CfW for housing construction

TABLE 10B: *Elaboration of Recommendations to Support Demand and Supply*

Market assessment	Recommendation for DEMAND side response	Recommendation for SUPPLY/MARKET support
Market has capacity to meet total needs/demand	Consider cash	
Market has limited capacity to meet needs/demand and market support is a possibility	Consider cash and market support	Identify possible market support interventions and add to programme design
Market has limited capacity to meet needs/demand and market support will only have limited impact	Consider cash and vouchers and some market support	As above
Market has capacity to meet demand but beneficiaries cannot access the market due to other vulnerabilities/ reasons	Consider in-kind support mechanisms/addressing access	
Market does not and cannot meet gaps/ needs/demand	Consider in-kind support	

Each of these criteria has to be measured against present needs and future demand. If the amount of housing demanded, for instance, is going to increase but there is no scope for increasing provision of rental or permanent shelter, there will be a market crisis – or a substantial rise in prices – in the future, which has to be managed (see "risk management" below).

How to design programmes is a matter of the mechanisms used to analyse and design programmes, coordination mechanisms and willingness to cooperate and work together, and largely, the experience and skills of the people involved.

Market analysis and programme design is a "lens" through which to view a crisis and potential results. The more experienced lenses will see more and different pathways and possibilities – however, more time or effort may be needed to translate these into practical steps (such as quantifying what ideas mean or will involve).

Flexibility in programming is key. In MPGs there needs to be flexibility in terms of quantifying demand which can change, fluctuate, and switch between different markets.

The outcome of this step is a series of recommendations that can begin to be translated into the appropriate recommendation – be that a theory of change about how supporting the market will impact the market and the actors within the market, of which the beneficiaries are one group. The recommendations will feed into the overall Response Analysis Framework and also the Situation Analysis and monitoring mechanisms that you should be starting to put in place already. Additional data or updates on data collection can also be identified in this step.

2. M&E and risk management

Monitoring key indicators once a markets programme is being implemented is key, for several reasons:

- It provides an indication of whether the intervention is filling the gap. In economic terms, if demand meets supply, prices should stabilise and so are an indicator that the market is fulfilling demand.
- It provides signs of disruptions to the market – for instance if prices rise drastically, this could mean something is wrong with the intervention or the market system and further intervention is needed.
- It gives a signal of whether a crisis is stabilising, worsening or improving. More products, stable prices, regular and reliable supply are a sign that the market is stabilising, and that demand (people's needs) and supply (trader/market delivery mechanisms) are working to some degree.

What regular emergency market monitoring is less likely to reveal are fundamental structural problems in a market which may be affecting the way in which certain vulnerable groups can access and benefit from it – for this a full Pre-Crisis Market Mapping and Assessment (PCMMA) or Participatory Market Systems Development (PMSD) is needed.

There is a wealth of market data that can be gathered – much of it is useful only if properly analysed. A minimum list of indicators that are accepted good practice is available through CaLP, as well as some of the other tools mentioned, and includes:

- Prices over time mapped against factors affecting prices, e.g. seasonality.
- Total number of traders: if the number of traders is reducing or increasing, why?
- Stocks/reserves: providing an indication of ability to meet future demand, particularly for consumables, and trader confidence (for instance in recovery).
- Other signs of market expansion.

Do No Harm/Do More Good

During the MSMA, remember to analyse access to goods and services from the target population's perspective. For example:

- Analyse whether there are obstacles for specific crisis-affected groups, e.g. elderly or disabled people, to access certain services, shops or traders. Consider obstacles such as the need to pay others to pick up and deliver goods.
- Determine whether beneficiaries will be able to reach and return home from the services/markets within daylight hours. If they cannot go on foot, consider if they can afford safe, secure transport or if the cost of this would need to be included in a transfer.
- Assess the opportunity costs/savings to access the local market and compare with in-kind distributions if appropriate.
- Remember that traders/service providers are often crisis-affected as well. Their recovery is also essential. They may play an important role in communities, both through the provision of essential goods/services and provision of credit, financial services etc.