USING MARKET ANALYSIS TO SUPPORT HUMANITARIAN WASH PROGRAMMING

Briefing note 1: Working with WASH market systems in emergencies

Working with water, sanitation and hygiene (WASH) markets requires an understanding of market systems and the interactions between users and these systems. An understanding of the demand for WASH commodities prior to and during emergencies is also important in the design and implementation of humanitarian WASH programmes. This briefing note describes the characteristics of market systems, the impacts of crises on these systems, and introduces the benefits of market-based programming.

KEY POINTS

1. **All populations depend on market systems – both formal and informal – to meet their essential needs. An awareness of existing supply chains and the demand for essential goods and services is necessary for *all* humanitarian programming.**
2. **Working with market actors can be an effective way to i) meet the needs of affected populations ii) improve the efficiency of programme delivery, and iii) contribute towards market rehabilitation and post-disaster economic recovery.**
3. **Strengthening the preparedness and resilience of market systems involves working with market actors to overcome longer term institutional constraints and improve management arrangements for improved service delivery.**

SUPPLY AND DEMAND OF WASH COMMODITIES

An understanding of end user needs for WASH commodities, how crises affect demand, and the capacity of market systems to meet their needs is fundamental to successful emergency preparedness and response programming. All communities depend on a variety of *goods* and *services* (jointly referred to as *commodities*) to meet their everyday needs. Market traders and service providers retailing commodities at the local level are the endpoint in market chains where supply meets demand: where commodities are accessed by users via a range of market actors – both public and private, formal and informal.

Market systems are characterized by supply chains consisting of producers, wholesalers, distributors, retailers/vendors and service providers. The *primary* supply chains that meet consumer/customer demands are reliant on *secondary*, supporting supply chains such as fuel, communications and financial services, and are influenced by the institutional and regulatory environments in which they operate. Market systems in urban areas are more complex than in rural areas, because these generally include a larger number of market actors and different suppliers/vendors, many of whom offer different quality products and services.

KEY FEATURES OF WASH MARKET SYSTEMS

Market principles are essentially generic and can be applied across sectors. However, when conducting analysis on WASH markets, there are sector-specific factors that need to be considered. These reflect the complex and interdependent features of WASH systems and behaviours and are therefore particularly relevant for practitioners and policy makers to implement market-based programming in WASH.

A critical characteristic that influences the effectiveness of market systems is the user behaviour associated with products distributed or services provided. If the WASH goods or services that are delivered to crisis-affected populations are not required or populations are not familiar with these commodities, then the programme is unlikely to achieve its goals.

Figure 1 highlights the differences between water supply and sanitation markets, as well as those that supply hygiene products. Some of these are characterized more as market systems for *goods* whereas others are defined by the *services* that they provide. There is often crossover in the supply chains between WASH goods and other goods such as food and household products. For instance, bottled water and water purification chemicals are often found in the same supply chains as food products. The characteristics of WASH market systems are explored further below.

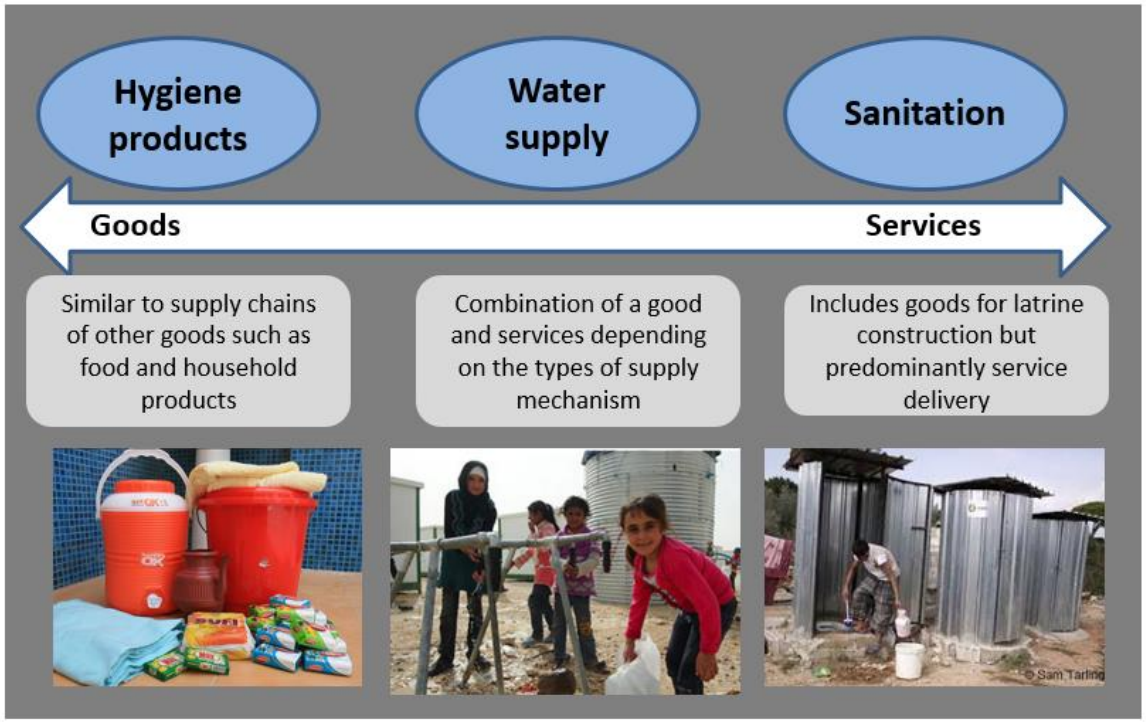

Figure 1: Characteristics of supply chains of market 'goods' and 'services'

Market systems that supply ***hygiene goods*** show similarities to food markets insofar as they consist of delivery chains from manufacturer through to retailers and users. Most products are supplied by larger scale retailers, who in turn are supplied by large scale manufacturers – some of which may be located overseas. But the demand-side of these markets exhibits fundamental differences. Demand for hygiene goods is primarily driven by behaviours related to personal cleanliness, pride in appearance and dignity as opposed to hunger. Although WASH programmes are often designed to mitigate health risks, these risks are often not the primary motivating factor for people to purchase hygiene goods.

Water markets are different from hygiene good markets, but there are similarities, notably those related to products sold by market vendors for household water treatment. Supply chains are

frequently comprised of a variety of market actors including water truckers, hand-cart water vendors and operators of stand-pipes. Demand is determined by the need for various domestic activities that may be affected during times of crisis.

Although supply chains of materials and components are needed to build toilets, masons are often employed to provide construction services. Post construction, sanitation facilities require desludging to be sustainable. As such, after the initial emergency response, ***sanitation markets*** are predominantly service-orientated and therefore highly influenced by the level of demand and affordability in relation to other commodities available on the market.

IMPACTS OF CRISES ON MARKET SYSTEMS

The accessibility, price and potentially the quality of commodities are affected by emergencies resulting from shocks to market systems. The extent to which these are affected depends on the type of emergency as well as the timing of the crisis. In the aftermath of large-scale natural disasters, market systems are often disrupted and affected communities depend on humanitarian interventions from external agencies to meet their critical needs. However, in smaller scale emergencies or protracted crises, markets are often the principal means by which people obtain essential commodities.

Although emergencies may be symptomatic of longer term endemic problems, humanitarian responses are frequently designed and implemented based on a poor understanding of the specific needs of the affected populations and the market systems that work to meet these needs. In situations where WASH services are already poor, weaknesses in market systems are often exacerbated by seasonal impacts such as floods and drought, which may lead to disease outbreaks. In this situation, the distinction between a crisis and non-crisis situation becomes blurred, and solutions to WASH problems invariably need to deal with longer term endemic institutional issues that affect the way markets function. It is therefore important to differentiate between those aspects relating to the economy and inadequate public service, and those related to emergencies, such as natural disaster or conflict.

WORKING WITH WASH MARKET SYSTEMS IN HUMANITARIAN PROGRAMMING

A failure to understand the interactions between market actors and the populations they serve can lead to less effective humanitarian responses and have longer term ramifications on the local economy and associated livelihoods. Making assumptions about how shocks affect access to goods and services can result in inappropriate goods being distributed and can also perpetuate market distortions. A key consideration is the fact that the effectiveness of humanitarian responses will depend on whether the crisis-affected population wants or perceives a need for the commodities that are provided. This will determine the end use of any goods distributed and the demand for services provided.

If humanitarian agencies do not consider market systems, in-kind distribution of goods can also affect demand for commodities, undermining market recovery and economic rehabilitation. It is therefore important to be ***market aware*** and take into consideration the impact that in-kind distributions may have on existing market systems. Market awareness is one of the key ways to uphold the principle of ‘do no harm’, which encourages humanitarian agencies to avoid unintended negative consequences in any situation in which they operate. According to the Minimum Economic Recovery Standards published by the SEEP network, market awareness is the starting point for humanitarian programmes, both post- and pre-crisis, and programme design and implementation decisions should consider context, market system dynamics and communities.

If the crisis is so severe that market systems break down altogether and there is no immediate means to repair them, then an *in-kind* response may be required. However, humanitarian and government agencies should seek to rehabilitate and support existing service providers wherever possible and only substitute these in the absence of other options. Working with market actors is therefore key to emergency responses – and also provides livelihood opportunities to support income generation, in turn contributing towards the rehabilitation of the local economy.

Understanding how WASH systems function and how the end-users interact with these systems during periods of normality or crisis is critical to tailoring interventions to meet end-user needs. This understanding is important for non-WASH sector specialists as well as for WASH sector specialists, when working together during multi-sector needs assessments and humanitarian responses. The challenge for humanitarian agencies is to work out how to best support existing market systems, which effectively requires changing roles from implementers to facilitators.

EXPECTED BENEFITS OF MARKET-BASED PROGRAMMING

Proponents of market-based programming propose a range of expected benefits of the approach compared with traditional in-kind distributions. The extent of these benefits will depend on the type of programme, the context of the response and the stage in the disaster cycle. As such, the benefits will not necessarily be relevant in all contexts but if well designed and delivered, market-based programmes can result in the following:

1. **Market actors are better prepositioned to meet the needs of affected populations:** Beneficiaries of assistance can choose the commodities that meet their needs and preferences and can procure these commodities in a more dignified way.
2. **Improved efficiency of programme delivery:** Cost-efficiencies are achieved using existing supply chains and the needs of affected communities can be met more quickly from market actors already present in the areas of the emergency.
3. **Contribution towards market rehabilitation and economic recovery:** Relates to the ability of the approach to support post-disaster recovery beyond the short-term emergency relief phase via livelihood opportunities as part of market-based programming.

REFERENCES AND SOURCES OF FURTHER INFORMATION

- **SEEP Network (2010). Minimum Economic Recovery Standards.** http://www.seepnetwork.org/minimum-economic-recovery-standards-resources-174.php
- **CaLP (2017). Minimum standard for Market Analysis.** http://www.cashlearning.org/downloads/calp-minimum-requirements-en-rev-web.pdf

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