

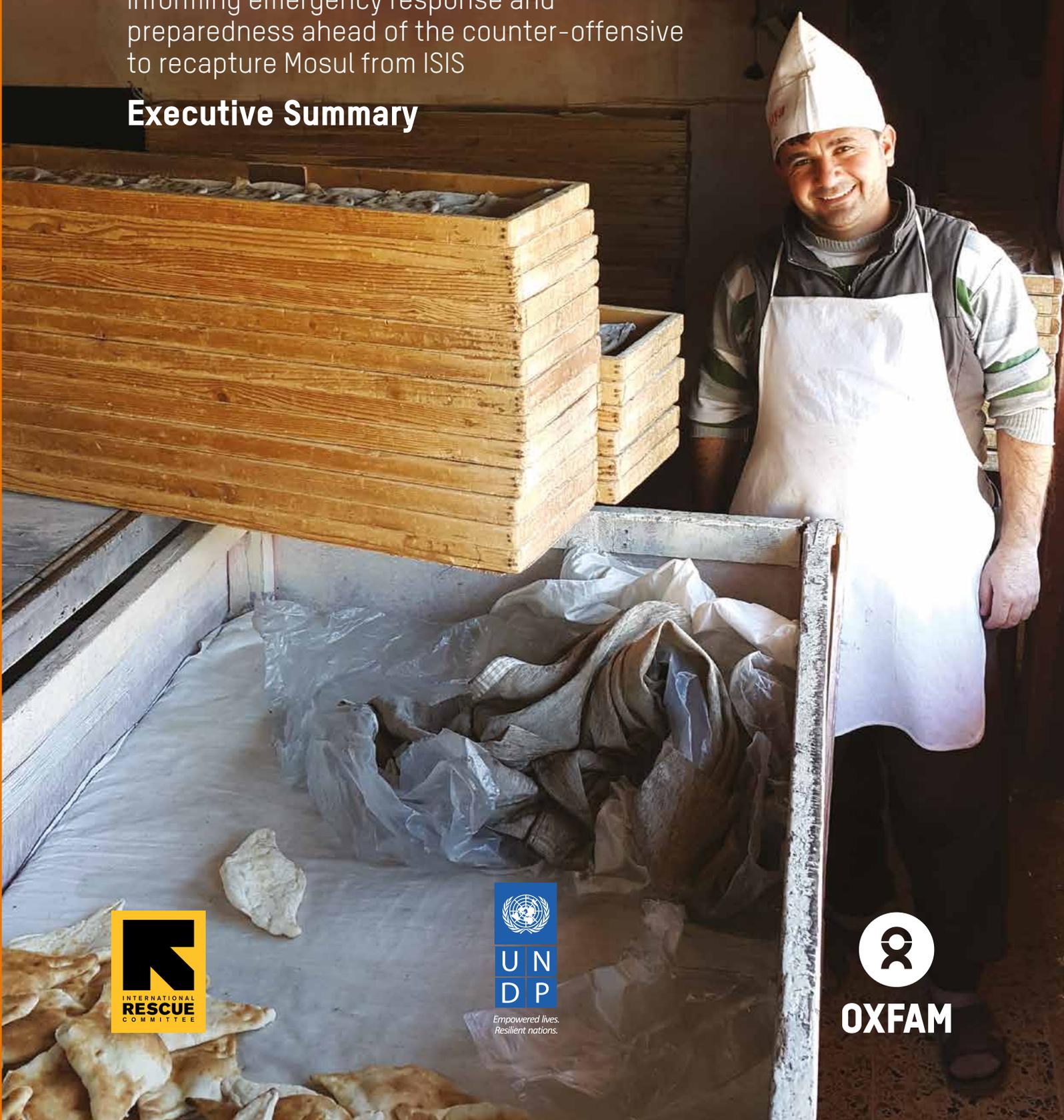
# PRE-CRISIS MARKET ANALYSIS

## Credit, Drinking Water and Wheat Flour Market Systems

Tilkaif and Shikhan districts, Ninewa Plains, Northern Iraq

Informing emergency response and preparedness ahead of the counter-offensive to recapture Mosul from ISIS

### Executive Summary



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## ACKNOWLEDGEMENTS

This executive summary and the full report (available on the following link: <http://www.emma-toolkit.org/report/pcma-northern-iraq-credit-water-wheatflour>) were written and compiled by Emmeline Saint, humanitarian consultant, with invaluable insight and feedback from Corrie Sissons (Oxfam), Alexandre Gachoud (Oxfam), Emily Sloane (IRC), Georgina Sword-Daniels (IRC), Rachel Rigby (Tearfund), Jenny Lamb (Oxfam), Rachel Sider (Oxfam) and Kwok Lee (Oxfam).

We are very grateful for the commitment and dedication of the team members who conducted this study: Qahreen Ahmed (CRS), Rachel Rigby (Tearfund), Yahya Hussein (Oxfam), Hawree Raof (Oxfam), Honar Jammel Hassan (ACF), Muhsin Ali Rashow (ACF), Alan Mostafa (IRC), Harman Nasir (IRC), Karveen Mohammed (DRC), Jiya Adnan Ali (Big Heart), Nour Ahmad (IOM), Dilkosh Abdulaziz (WVI), Wassan Ali (Relief International), Ihsan Habash Abboosh (REACH) and Ahmed Husain (Save the Children).

## DISCLAIMER



The scenarios which informed the data collection and subsequent analysis for this report reflect a general expectation – based on recent and current trends in Iraq – that internally displaced persons (IDPs) fleeing Mosul city and the surrounding areas will encounter three major obstacles in displacement: 1) navigating the frontline and ongoing violence; 2) restrictions on movement and access to safety and services when fleeing conflict; and 3) discrimination and stigmatization in displacement. These trends are referenced throughout the analysis and have informed programmatic recommendations in potential IDP-hosting communities of the Ninewa Plains. These trends are also a significant shift in terms of barriers and market

access issues facing those fleeing Mosul in comparison with the large displacement in June 2014.

The recommendations offered in this report take into account these identified barriers facing IDPs as well as the anticipated restricted humanitarian space in reaching them, resulting from the high levels of insecurity and predicted ongoing conflict in the area. Nevertheless, in order to ensure that assistance reaches greater numbers of IDPs, steadfast action must be taken by local authorities and security forces to:

- Guarantee the safety of vulnerable groups fleeing violence, including through the establishment and communication of safe routes away from conflict areas, minimizing their proximity to conflict and planned in advance of military operations. Civilian safety must remain central;
- Adhere to transparent, consistent and dignified security screening procedures. These procedures should not discriminate on the basis of ethnicity, gender or religion; should work to preserve family unity; and should be made known and remain publicly available. Furthermore, a process of appeal against denied entry should be established and should be easily accessible.

In addition, action must be taken by the government and the humanitarian community to:

- Negotiate access to safety and services in areas of displacement across the Ninewa Plains to ensure that all civilians can gain access to adequate and appropriate assistance, including functioning markets;
- Actively reduce tension and institute policies and programmes that promote social cohesion and address stigmatization of, and open hostility towards, particular identity groups.

## EXECUTIVE SUMMARY

### Background and rationale

Mosul, Iraq's second largest city, was captured by ISIS in June 2014 and still remains under their control. However, the Iraqi army has vowed to recapture Mosul, and the speculation is 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 ISIS-controlled parts of Syria. A large influx of new internally displaced persons (IDPs) fleeing towards the Ninewa plains would have an impact on markets in the area; those markets need to be understood in order to meet humanitarian needs and to inform programming in an appropriate and effective way, while doing no harm. In February 2016, Oxfam and the International Rescue Committee (IRC) co-facilitated a Pre-Crisis Market Analysis (PCMA) exercise to inform preparedness and emergency response interventions by understanding market systems that are critical to supporting the basic needs and livelihoods recovery needs of populations affected by displacement in the Ninewa plains.

PCMA is an approach to conducting market analysis prior to emergencies in order to understand existing levels of functionality and 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. Indirect responses can also include advocacy activities to target elements of the market environment in order to contribute to a better functioning of the market system.

With the ongoing nature of the crisis and the current increase in the use of cash transfers in 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) doing no harm, (2) increasing efficiency and effectiveness and (3) strengthening 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 exercise 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 networks 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.

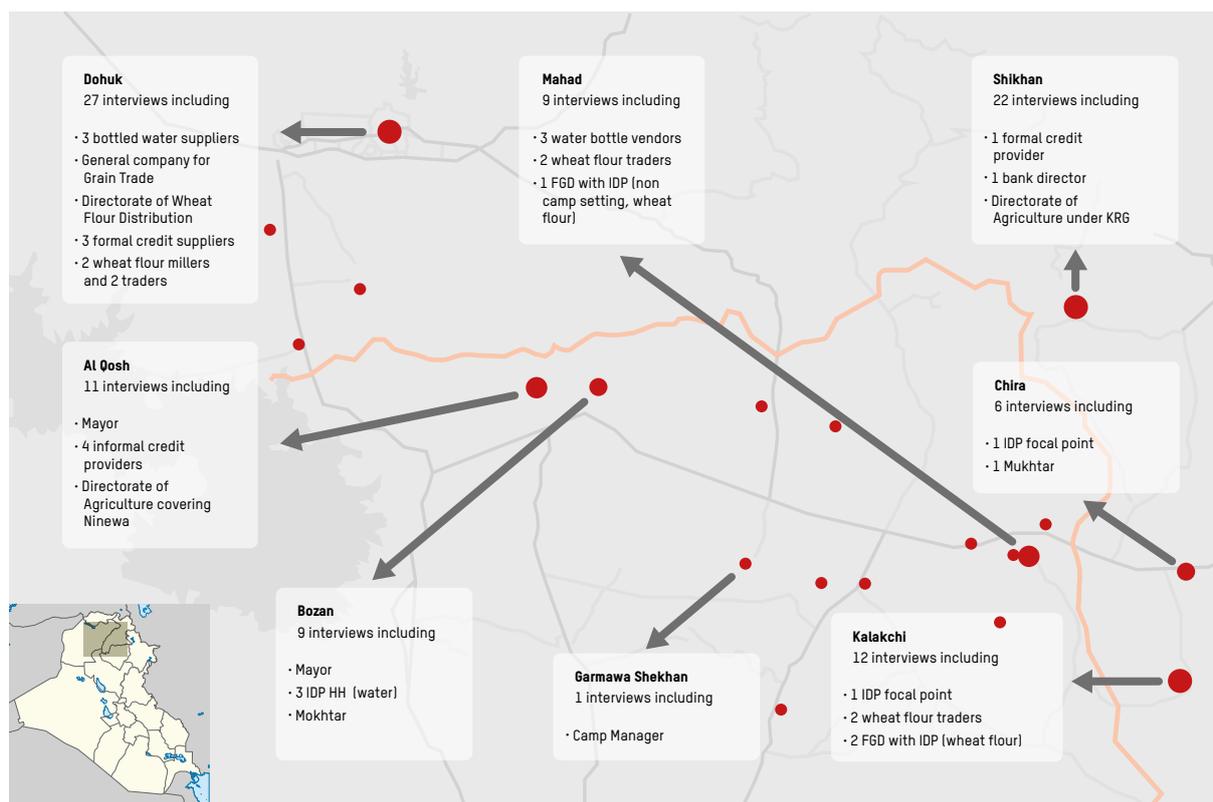
The assessment team was composed of 15 participants and a technical support team of five, from 12 different agencies, including local NGOs and INGOs. Participants attended a week-long workshop in Erbil that covered the PCMA approach, the 10 steps of EMMA and other relevant topics in market analysis,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

The study analysed how selected market systems are performing in the current situation and aimed to forecast the impacts of the shock scenario in the target areas.

### Target area and population, scenario and critical market systems

Definition of the scenario, target areas, target population and critical market systems was informed by consultations with key humanitarian actors and members of the relevant clusters. The scenario selected for this exercise was the massive displacement of people expected as a result of a future counter-offensive by the Iraqi army and coalition forces to reclaim Mosul. This scenario entailed some critical unknowns, such as the location and number of people who would flee the city, as well as the time when the shock would occur. The study covered Tilkaif and Shikhan districts of the Ninewa plains; these districts were selected because they are likely to see a large influx of IDPs following the shock.

## GEOGRAPHICAL COVERAGE OF THE PCMA



The target population for this study was composed of displacement-affected households in Tilkaif and Shikhan districts, including both people affected by the current displacement and those affected by the forecast new wave. Within this target population, three target groups were identified: current IDPs (those displaced by the 2014 events who are currently living in camps and in non-camp locations across the districts); host households; and potential new IDPs who would be displaced into the area should the shock occur. Syrian refugees are not present in large numbers in these two districts; for this reason, they were not included as a target group for the study.

Based on prior consultations with members of the Food Security, WASH and Emergency Livelihoods and Social Cohesion clusters, as well as a review of secondary information and validation from the assessment participants, 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 for livelihoods in the early stages of fieldwork, based on information collected first-hand, in order to better address the initial objective of analysing market systems that would support the displacement-affected population in terms of emergency livelihoods.

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

- The conditions and constraints for the target groups to access market systems, both in the current situation and in the event of a Mosul displacement;
- The capacity of market systems to meet the needs of the target groups, in both current and emergency-affected situations; and
- 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 forecast Mosul displacement.

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



Photo: Oriol Andres

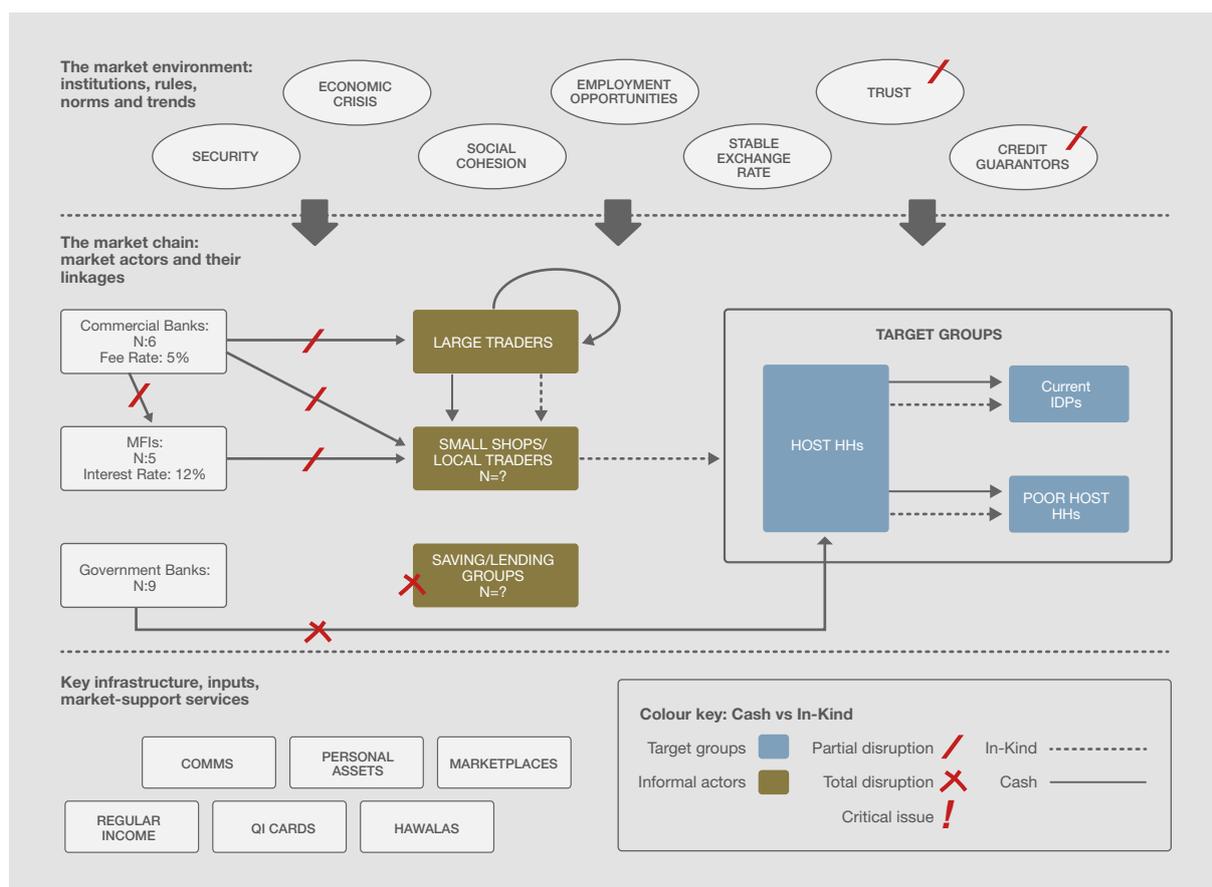
## Key findings and recommendations for each market system

All three market systems are already affected by the protracted conflict with ISIS and the economic crisis in Iraq and the Kurdish Region of Iraq (KRI), which is linked to plummeting global oil prices. Communities in target areas are already hosting a number of IDPs as well as experiencing significant delays in government salary payments, which are affecting the livelihoods of a large portion of the population. Should a massive displacement occur of new IDPs from Mosul to the Ninewa plains, the impacts will add to the current constraints, especially in terms of social cohesion and overstretched household finances.

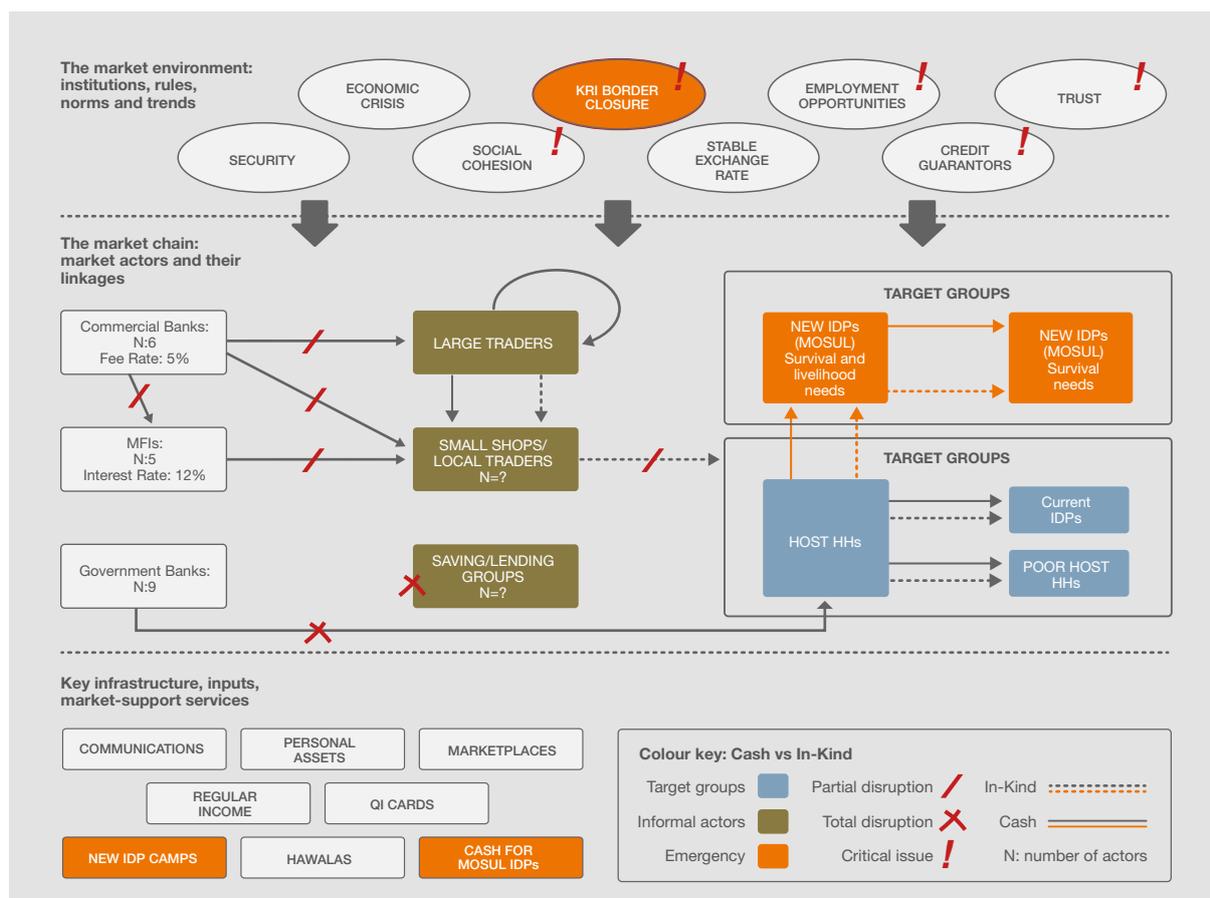
### 1. Formal and informal credit market system

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, microfinance institutions (MFIs)) and informal networks (local traders, community and social networks). Stable income, asset ownership and legal residency are the main prerequisites for accessing formal credit, while informal credit practices are based mostly on relationships of trust and support from a guarantor. Because of the economic crisis and the disruption in government loans, most host households are currently 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) to meet basic needs. Community-based savings and loans groups used to function in the area but stopped as a result of the economic crisis, resulting in a lack of community-led microfinance initiatives.

### CREDIT MARKET SYSTEM MAP: CURRENT SITUATION (FEBRUARY 2016)



## CREDIT MARKET SYSTEM MAP: SHOCK SCENARIO



As a consequence of the expected shock, the supply capacity of existing credit suppliers will be unlikely to meet an increased demand for credit from a larger population. It is most likely that local traders will have virtually no financial capacity, or willingness, to expand their provision of credit to a larger number of people. Indeed, they are already being affected by delayed repayments by debtors, which affects their ability to keep their credit lines open with their own suppliers. Newly arriving IDPs will lack the networks to access credit and guarantees from community members, and those who do have them will add to the pressure on 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.

Because of the intertwined network of informal credit lines (local traders lending to host households and IDPs, IDPs accessing credit from host communities, etc.), an impact on the capacity of one actor to provide credit will cascade down to other groups and will in turn affect their capacity to access and provide in-kind and cash credit.

### Recommendations for preparedness measures to improve access to credit for the livelihoods of target groups:

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

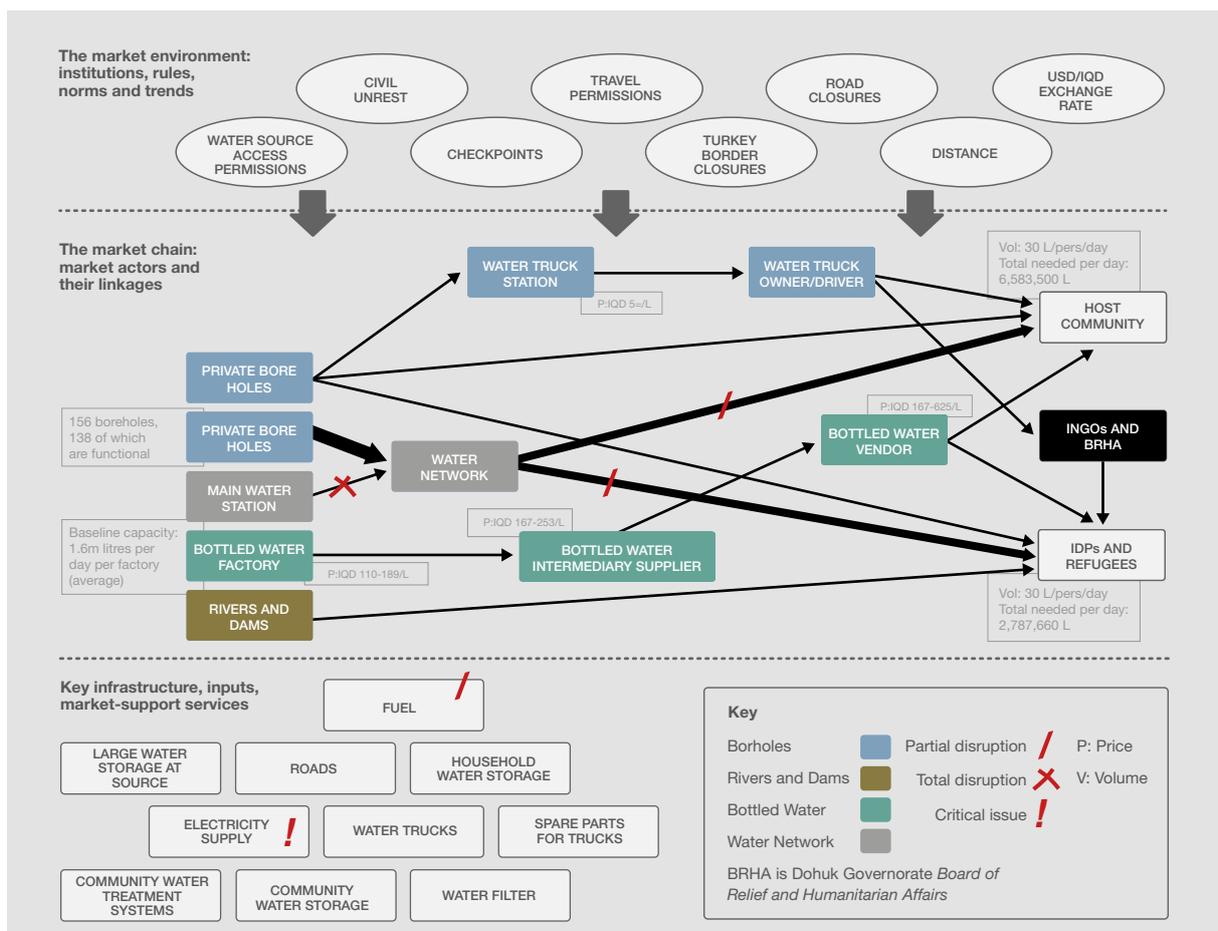
## Recommendations for emergency response (emergency livelihoods phase) to improve access to credit for the livelihoods of target groups (second-line response):

- Provide grants to small traders to service IDP camps and supply credit.
- Facilitate the mentoring of new IDPs by previous IDPs who have successfully started and sustained small businesses.
- Support the 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 the provision of market information for new IDPs to raise awareness of solutions for accessing credit.
- Humanitarian actors should serve as credit guarantors for groups wishing to generate income in displacement.

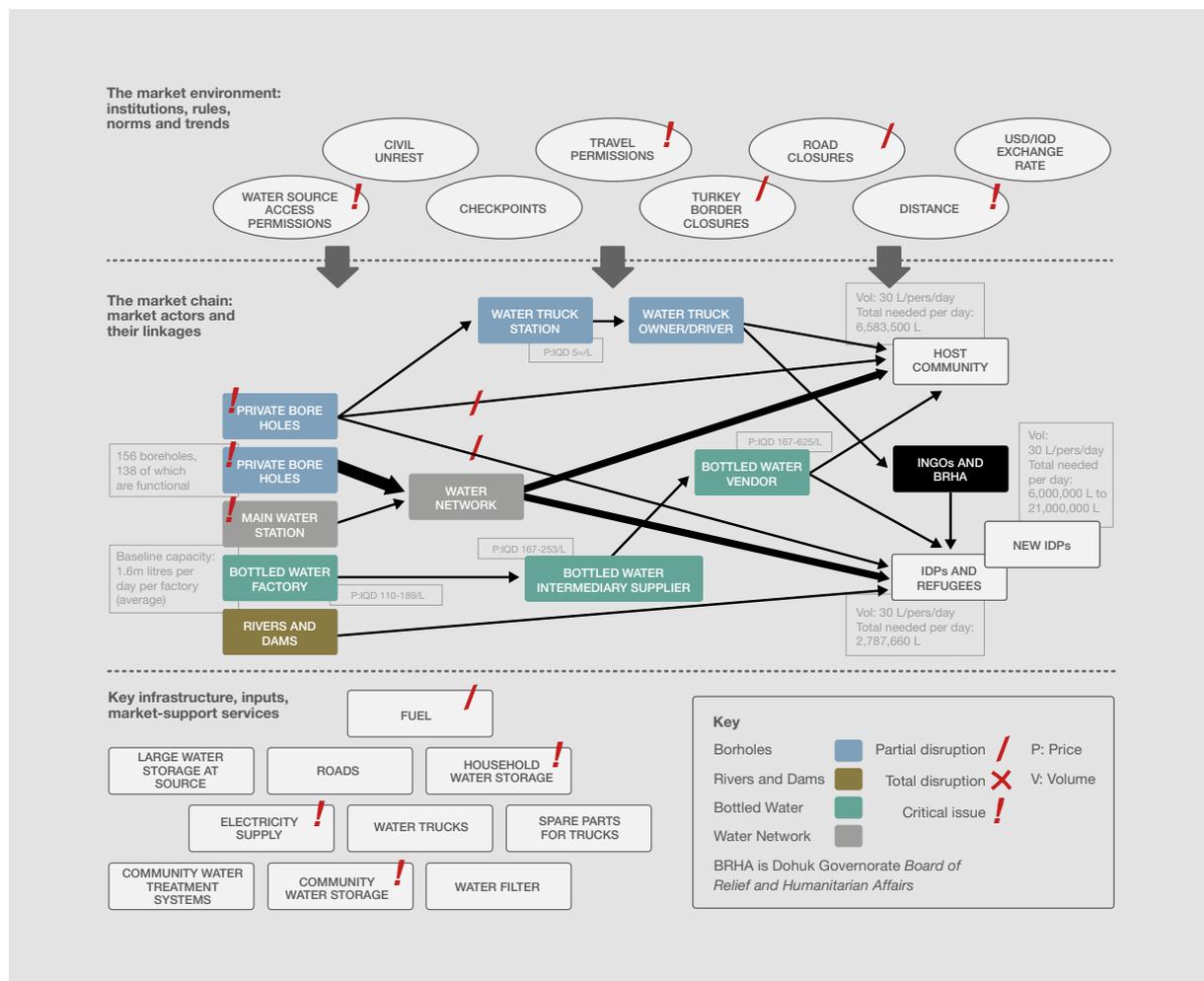
## 2. Water market system

Data gathered suggest that, in the current context, 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 for all needs). However, the ability to access this volume of potable water in the current situation is dependent on a number of critical coping strategies, including community- and household-level storage of water sourced from boreholes. 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.

### WATER MARKET SYSTEM MAP: CURRENT SITUATION (FEBRUARY 2016)



## WATER MARKET SYSTEM MAP: SHOCK SCENARIO



The water network previously relied on two main water stations on the Tigris River; however, these are now under ISIS control. The network therefore now relies primarily on boreholes spread across the target area. Boreholes are currently operational for an average maximum of nine hours per week, as they depend on the main electricity supply. Private 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 (the 2014 displacement). Indeed, when the water stations were taken over by ISIS, and before the water network could be supplied by boreholes, water trucking demand increased during this transition period.

If 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, and it is therefore likely that there will be a gap in meeting the needs of a larger affected population from the current network alone. 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 for new IDPs, who may also not have physical access to shops. The cost of water trucking is likely to increase due to the distances involved and the 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.



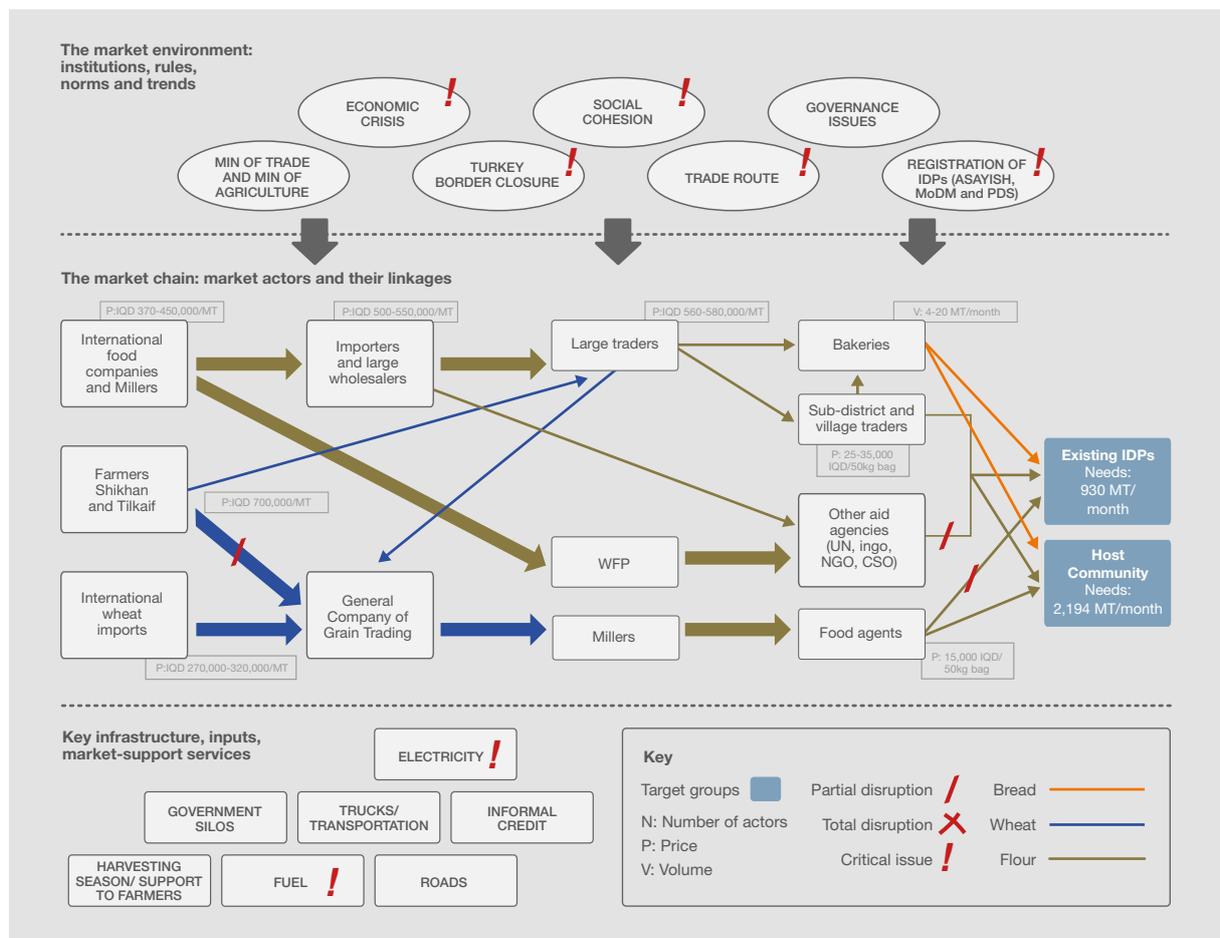
### **Recommendations for preparedness:**

- Conduct a thorough mapping of boreholes in the target area and their capacity.
- Repair/rehabilitate any non-functioning boreholes in the target area.
- Provide water treatment systems to existing boreholes where there are gaps.
- Pre-position bottled water supplies where bottled water shops are not easily accessible to the target population.
- Carry out a brief analysis of the water container market e.g. communal storage tanks (household and/or communal), jerry cans.
- Map out the catchment area of water trucking operators in normal times and during a shock.
- Map out the catchment area of bottling stations.
- Map out the key suppliers of fuel (for generators, trucks, etc.) in conjunction with key suppliers, the WASH cluster and the local water authorities.
- Pre-select and draw up pre-agreements with water truckers.
- Preposition key WASH equipment – surface water treatment, tap stands, pumps, generators, etc. (locally sourced where possible).
- Build the capacity (two-way training) of water authorities in water supply and distribution in an emergency (e.g. bulk treatment of water from the Tigris River).
- Examine current hygiene practices within host and IDP communities to establish a baseline and to inform a water conservation management and community mobilization strategy.
- Conduct a feasibility assessment of solar panels for energy supply at boreholes.

### **Recommendations for emergency and recovery response:**

- First-line response:
  - Distribute vouchers or cash to be exchanged for drinking water, either by water trucking or bottling refill.
- Second-line response:
  - Reconnect the main water stations at Tilkaif and Khawaj Khalel.
  - Provide generators and fuel to key public boreholes.
  - Provide 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 the risks of drinking unclean water from rivers and dams.
  - Conduct a mass communication campaign on water conservation management (recognizing seasonal variations and behavioural patterns), with the equitable distribution of water between host communities and IDPs.

## WHEAT FLOUR MARKET SYSTEM MAP: CURRENT SITUATION (FEBRUARY 2016)



### 3. Wheat flour market system

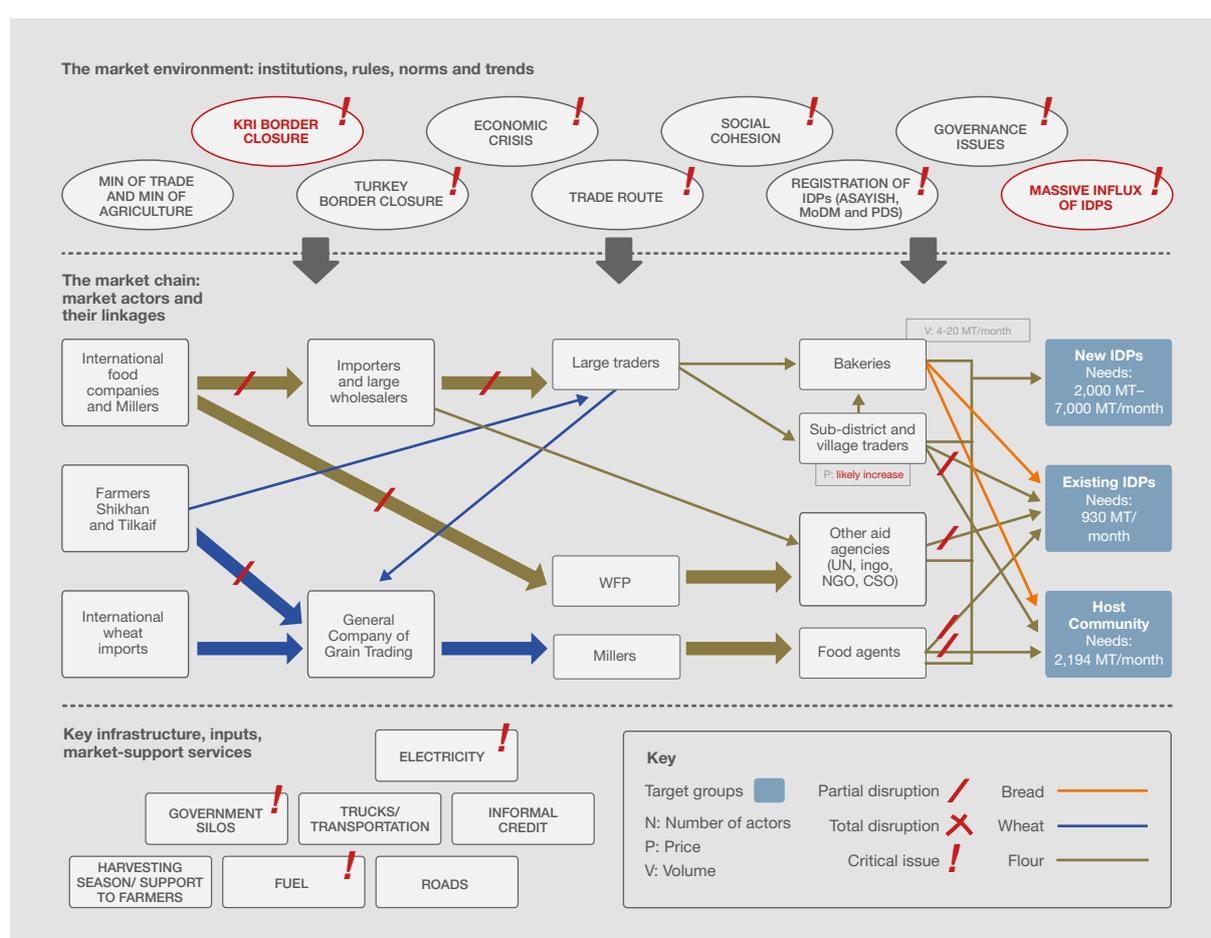
Wheat flour consumed as flatbread or rolls (*samoona*) is one of the staple foods in the target area. Host communities generally receive their wheat flour rations on a monthly basis from the government-run Public Distribution System (PDS). In order to bake bread, wheat of a certain quality is needed. Bakeries only use imported wheat flour. Households mix the local wheat flour that they receive from the PDS with higher-quality imported wheat flour, which they have to purchase. In addition to their constrained purchasing power, which prevents them from buying imported wheat flour from local traders, IDPs all mentioned difficulties in accessing wheat flour from the PDS. Some IDP communities prefer to bake bread at home, but many lack the equipment to do so. Although most IDPs already have a PDS card, they are largely unable to claim the PDS food rations in their area of displacement, for various reasons:

- New IDPs first need to get clearance from the Asayish, the security forces of the Kurdistan Regional Government (KRG), and then officially register as IDPs with the Ministry of Displacement and Migration (MoDM), before they can receive their PDS rations.
- PDS supply chains lack flexibility and are unable to move goods to locations with large numbers of IDPs.
- IDPs are a long way from food agents in their new locations.

With the current economic crisis, the capacity of the PDS in-country is already overstretched, with delays in registering new IDPs and distributing baskets of basic food commodities, and incomplete baskets being distributed.

The Government of Iraq (GoI) buys the vast majority of domestic wheat production and also imports wheat to meet demand and to improve quality by blending imported varieties with local production. However, local farmers have received virtually no payment for the crops they have provided to government silos over the last two harvests, resulting in high levels of debt.

## WHEAT FLOUR MARKET SYSTEM MAP: SHOCK SCENARIO



If the expected shock occurs, the PDS will face serious difficulties in providing rations for new IDPs; delays are expected in registration, for instance. Quantity-wise, the government is expected to be able to provide wheat flour from silos, but this may involve moving volumes from other provinces to the areas of displacement. Transport will remain a key issue (from fields to silos, then to millers, food agents and IDPs). An increase in demand may well result in an increase in the price of wheat flour overall. The different actors in the wheat and wheat flour market chain (millers, bakers and traders) are all confident about their ability to increase the volume of their business activity, although they mention fuel and electricity as major constraints. Traders (importers, wholesalers, local traders) appear to be able to increase their levels of supply as long as the border with Turkey remains open.

### Recommendations for preparedness

- Join/participate in the Rapid Response Mechanism Consortium<sup>1</sup>.
- Support the transportation capacity of millers (by advocating for the PDS to partly retake responsibility for or support transport).
- Support bakers (provide loans or grants to increase their rolling stock of wheat flour).
- Form partnerships with millers and silos to offer paid internships for young people.
- Advocate with all the NGOs operating in Northern Iraq to Turkey's Minister for Trade and Customs to ensure 'emergency' circulation permits for wheat importers.
- Advocate with other NGOs to better target non-registered IDPs.

### **Recommendations for emergency response:**

- First-line response:
  - Conduct a multi-sectoral market analysis to support appropriate multi-purpose cash assistance (MPCA) to new IDPs and displacement-affected households (according to post-distribution monitoring (PDM) data for the Iraq Cash Working Group, food is the primary expenditure for those receiving MPCA).
  - Provide vouchers for bread or wheat flour to affected households (depending on the preferences of local communities).
- Second-line response:
  - Support the establishment of bakeries in host communities and in camps (investigate opportunities to link with existing or new savings groups).
  - Support the transport capacity of millers (through fuel vouchers or grants/loans to transport wheat from the silos), if the PDS has not retaken responsibility.
  - Support bakeries (through loans/grants to increase their rolling stock of wheat flour).

### **Market monitoring and updating of results**

Markets are dynamic in nature, and if the shock analysed here does not occur immediately, it will be crucial to monitor how markets behave over time in order to keep the findings and recommendations up to date. Regular monitoring is essential, and the following monitoring plans provide suggestions as to what to monitor for critical market systems, and how to do it.

As this PCMA was a multi-agency exercise, participating agencies should coordinate to share responsibilities for data collection linked to the monitoring plans, and try as far as possible to include some of these indicators in existing monitoring efforts (e.g. PDM, any planned baseline or needs assessments, regular price monitoring), so as to optimize the use of time and resources.

The results of this PCMA should be updated in two events: when the shock occurs and displacement starts and when (if) the context changes significantly (outside normal patterns seen in the market monitoring plans). When the shock occurs, the scenario-affected market maps should be updated (the maps showing the situation as of February 2016 will not change). The objectives are to verify the anticipated impacts of the shock on the critical markets and to update response recommendations accordingly. This can be done within 2–3 days.

The trigger for a rapid post-crisis assessment to update the shock-affected market maps will be when displacement starts and once it is fairly clear where displaced households are moving to. Ideally, this should be conducted by staff who took part in this PCMA exercise.

Any needs assessments that occur within and outside IDP camps should include questions about market actors and the impact of the shock on their business and their capacity to supply wheat flour, water or credit.

If it is found that there are significant differences between the anticipated effects of the shock scenario (in the initial PCMA) and observed impacts (in the update), agencies should consider conducting a more in-depth PCMA.

### **Note**

1 The Rapid Response Mechanism forms the initial emergency response, which is then quickly followed up by cluster-specific first-line responses that are coordinated through the Inter-Cluster Coordination Group. The Rapid Response Mechanism responds to emergency needs when there is rapid, large-scale population displacement. It delivers immediate, life-saving supplies to families on the move as they flee conflict.



Photo: Emmeline Saint



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This executive summary and the full report available on the following link <http://www.emma-toolkit.org/report/pcma-northern-iraq-credit-water-wheatflour> was written and compiled by Emmeline Saint, humanitarian consultant, with invaluable insight and feedback from Corrie Sissons (Oxfam), Alexandre Gachoud (Oxfam), Emily Sloane (IRC), Rachel Rigby (Tearfund), Jenny Lamb (Oxfam), Rachel Sider (Oxfam) and Kwok Lee (Oxfam).

The geographic map can be accessed with the following link:  
[https://bphillips.cartodb.com/viz/7e613986-e11a-11e5-b4a4-0e5db1731f59/public\\_map](https://bphillips.cartodb.com/viz/7e613986-e11a-11e5-b4a4-0e5db1731f59/public_map)

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Front cover photo: A Baker in Baa'dre, Shikhan district, Iraq.  
Above: A trader interview. Photos: Alexandre Gachoud, Oxfam



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