

MARKET MAPPING AND ANALYSIS BANADIR REGION, SOMALIA- MAY- 2016



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List of Acronyms

AMISOM	African Union Mission in Somalia
BRCiS	Building Resilience for Communities in Somalia
CHF	Common Humanitarian Fund
CRS	Catholic Relief Services
DBG	Daryeel Bulsho Guud
DKH	Diakonie Katastrophenhilfe
ECHO	European Commission Humanitarian Office
EMMA	Emergency Market Mapping and Analysis
FAO	Food and Agriculture Organization of the United Nations
FEWSNET	Famine Early Warning Systems Network
FSNAU	Food Security and Nutrition Analysis Unit
IDP	Internally Displaced Persons
NFI	Non-Food Items

NGO	Non-Governmental Organization
NRC	Norwegian Refugee Council
PDM	Post Distribution Monitoring
UAE	United Arab Emirates
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	United Nations Commissioner for Refugees
UNITAR	United Nations Institute for Training and Research
US\$/D	United States Dollar
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme

1. Introduction

For over two decades, Somalia has been in a state of complex humanitarian crisis, with socio-economic, political and environmental factors leading to widespread conflict, drought, flooding and numerous other recurrent human and natural disasters. The situation has been made worse lately by increased insecurity and volatile population movements experienced since March 2014. This rise in conflict across the country, in conjunction with widespread environmental hazards, has left the majority of Somalia's 12.3 million people chronically or acutely vulnerable. , According to UNHCR, about 4.9 million people are in need of humanitarian assistance as of September 2015, and over 1.1 million people remain internally displaced.

Over the past several months, there have been forced evictions in Mogadishu mostly in government camps which have been occupied and settled by internally displaced people. Government forces and private landlords evicted many people from those locations without providing other housing alternatives, subjecting them to join into already crowded IDPs camps in Banadir region. An estimated number of 369,000 IDPs reside in Banadir Region (UNHCR, February 2016). The "K7-K20" IDP camps is part of a protracted IDP crisis. The number of IDPs living in these camps is unclear but can be estimated between 250,000 and 300,000 persons. This includes new cases of IDPs that have been displaced during the AMISOM operation "Indian Ocean" or that have been evicted from other IDP camps in Banadir. It is estimated that more than 75% of the IDPs and refugees who live in IDPs camps are extremely vulnerable, like pregnant and lactating women, children under 5 and elderly people. They struggle to access basic services such as shelter, NFIs, food, WASH services, education and health care.

Diakonie Katastrophenhilfe (DKH), through its implementing partner Daryeel Bulsho Guud (DBG), has been supporting the basic needs of internally displaced women, men, girls and boys in Somalia since 1992. DKH through DBG is currently implementing food security project - in k7-k20 IDP camps in Mogadishu. The project is implemented through voucher mechanism (both flexible and fixed vouchers) targeting 3985 most vulnerable IDP households.

1.1. Objectives and Scope of the Study

The purpose of the market mapping and analysis was to get knowledge about the dynamics of supply streams available and operational for humanitarian response in emergencies and protracted crisis in the IDP settlements in K7-K20 in Banadir. The specific objectives of the market mapping and analysis were as follows:

1. Assess the retail shops in the target area by mapping the supplies they usually have in stock, duration of price stability, and the lead time involved in replacement of these items.
2. Assess the elasticity of commercial stocks of relief items, the market dynamics and the impact of increased demands on the prices of commodities in the process.
3. To analyse the appropriateness of the voucher program particularly in comparison to direct delivery and comparison to more traditional method of cash transfer delivery in the context of the IDP camps in Mogadishu.

1.2. Location of the Assessment

The assessment focused on the main markets accessed by IDPs along the sides of Mogadishu Afgoye Road including Deynile and Dharkenlay of KM7 and KM-20 to assess retail shops. In addition, Bakaro and Hamerwyne main markets were targeted to map out supply markets and alternative sources of relief items including food and non-food items.

2. Methodology

2.1 Desk Review

The desk review conducted was specifically aimed at generating information from different sources on the market streams and value chains in the target locations. This involved; (i) synthesizing all relevant market assessment reports; (ii) identifying and explaining all issues, capacity, problems and constraints at each transfer point in the chain based on documented evidence; (iii) assessing the status, elasticity of stocks, price dynamics and policy environment in the target markets. The content of the desk review is based on information collected through a systematic review of the available documents relevant to the key markets and value chains identified.

2.2. Development of Study Tools

To undertake data collection, questionnaires for the assessment were developed in consultation with DBG and DKH. The questionnaires had both close ended and open ended questions that could be quantitatively and qualitatively analyzed. The questionnaires were in three categories; i) Questionnaire for Traders (wholesalers/retailers); ii) Questionnaire for beneficiaries; iii) Questionnaire for NGO staff. To avoid data inconsistency, biasness and lack of enough knowledge of the business, data collectors were requested to speak to the business owner if available or representative above the age of 18.

2.3. Data Collection

Field data collection was done in all the selected locations along the sides of Mogadishu Afgoye Road and two other main markets of Bakara and Hamerwyne. The assessment employed non-probability sampling; the technique was used for purposive sampling to select the sample size. In the purposive sampling, the researchers decided who can participate in the sample; the main

objective of this sample was to collect focused information. The researchers chose this method because it reduces time and saves on cost. The questionnaires were used to interview individual respondents – traders, beneficiaries and NGO staff who have voucher experience. A process-oriented approach was used to achieve the objectives of this assignment. This entailed extensive consultations with key stakeholders at all stages of the data collection process. Through participatory approach, the key stakeholders were consulted to give their views and opinions. The approach also aimed at enhancing ownership of the final output that may lead to effective utilization of the study results by DKH/DBG. Other techniques used include market survey and looking at the market environment, value chain and market services as well as review and analysis of policies that affect market access including relevant Government policies, market liberalization, institutions for credit, insurance, transport etc.

The team interviewed 30 traders and who participated in the DKH/DBG voucher program. The traders included wholesalers and retailers of the target commodities including food stores, general merchandisers, etc. In addition, key informant interviews were held with 14 beneficiaries as well as 6 staff from NGOs that participate in cash and voucher programming within Banadir.

2.4. Data Entry and Analysis

Preliminary field pre-analysis was done to ensure that the data captured is accurate, well organized, complete and consistent with the intent of the research. Where baseline data was not available, proxy baseline information (from within the region or other similar settings) or from other reports and documents were used. Data was analysed using excel based statistical analysis.

2.5. Study Limitation

The market mapping and analysis exercise faced several limitations as follows;

- i. The desk review was limited in terms of availability of secondary information/ data for the target markets. Information obtained might be missing details, components or underreporting the specific issue; it's also important to acknowledge that the completeness of data may vary from market to market and between different commodities. In many cases, market/commodity specific information was not available.
- ii. Traders were not categorized into low, medium and large scale traders. Inadequate definition of these categories resulted to wide ranges.
- iii. The coverage of geographies and traders was limited because the available time was not adequate for comprehensive field work. There were difficulties in keeping time as business owners together with their employees were busy attending to customers, hence so much time was spent with traders and sometimes the traders did not provide all the information requested.
- iv. To some extent, a number of the business owners as well as the consumers interviewed for the study had some expectations of support from the enumerators. This prompted the

enumerators to take time to explain the purpose of the study and how the outcomes would be utilized, which seemed satisfactory to those who were interviewed.

3. Literature Review

3.1. Banadir Region

Banadir region hosts Somalia's capital city, Mogadishu, the country's business center and home to humanitarian agencies and civil society. Banadir is important not only to the local inhabitants but also to the hinterland and beyond, providing enormous opportunities for business and other social and economic benefits, which can be supported by humanitarian assistance. The region faces numerous challenges, the most serious of which is internal displacement resulting from drought and conflict. The escalation of these challenges is reflected in a growing number of internally displaced persons (IDPs). The region which has 17 districts has the highest concentration of IDPs in the country (UNHCR, 2015)¹. According to UNHCR figures, at the end of 2015, approximately 369,000 individual IDPs were living in and around Mogadishu, though not all of these were living in the K7-K20 corridor. Dharkenley is one of districts (others are Deynile, Wadajir and Hodan) with the largest populations of IDPs in Mogadishu. The most recent estimates put the number of IDPs in Dharkenley as 40,000 individuals while those in Deynile are estimated at 19,000. For the purposes of this report, the average IDP household size in Mogadishu is 6. It should be noted that other assessments have found the average household size in Somalia in general to be 7. The main shocks and stresses resulting from internal displacements in Banadir Region are conflict, food insecurity, asset depletion, psychosocial instability and unemployment, increasing poverty and deteriorating human capital. Over the past few decades, the burden of disasters has been on the increase (ECHO, 2015)². The response to these disasters by aid agencies has been hampered by various factors, including security, capacity and environmental issues. Mogadishu market is one of the most complex areas for humanitarian aid agencies, the security context and humanitarian environment that aid agencies faced have severely restricted humanitarian activities. The fragmented nature of governance in Somalia and fractious nature of Somalis clan based society, pose extreme challenge to humanitarian organizations working at the IDP camps.

Figure 1: Distribution of the IDPs by District in Mogadishu

	HH	% of HH	IND	AvgHh
Boondheere	3'025	4%	18'249	6.0
Cadbulcasiis	982	1%	5'313	5.4
Daynille	24'120	35%	138'412	5.7
Dharkeynley	3'270	5%	17'876	5.5
Hawl_wadaag	2'392	3%	13'985	5.8
Heliwa	563	1%	2'922	5.2
Hodan	12'144	18%	73'410	6.0
Kaaraan	1'744	3%	10'805	6.2
Kaxda	13'530	20%	76'739	5.7

¹ United Nations High Commissioner for Refugees (UNHCR). (2015). Somalia fact sheet. Nairobi, Kenya: UNHCR. Retrieved from <http://www.unhcr.org>

² European Commission/Humanitarian Aid & Civil Protection (ECHO). (2015). ECHO factsheet Somalia. http://ec.europa.eu/echo/files/aid/countries/factsheets/somalia_en.pdf

Shangaani	2'263	3%	12'472	5.5
Shibis	160	0%	919	5.7
Waaberi	245	0%	1'237	5.0
Wadajir_medina	2'729	4%	16'616	6.1
Wardiigley	468	1%	2'884	6.2
Xamar_jab_jab	248	0%	1'457	5.9
Xamar_weyne	198	0%	1'335	6.7
Yaaqshiid	714	1%	4'661	6.5
	68'795	100%	399'292	5.8

Source: - Analysis of a joint INTERNAL DISPLACEMENT PROFILING Collaborated by the federal regional and district authorities, UN agencies, NGOs and the communities, Mogadishu, 2016

3.2 Key Markets in Banadir Region

There are many markets in Mogadishu, the biggest being Bakara market. Bakara market has been a business hub, both nationally and in the larger region. It hosts financial institutions, telecommunications companies, import/export firms, manufacturers, public transport terminals, food markets and consumer goods outlets. Bakara serves towns and cities within Somalia, but also extends its reach internationally to Nairobi, Djibouti, Ethiopia, and others, where substantial populations of Somalis live. The markets in Banadir are composed of different types of traders including wholesalers, retailers, suppliers, transporters, etc. A 2015 market assessment by DBG notes that there are two main types of market between K7-K13, Suuq yare and Weedow markets. Suuq yare market is more populated with all kinds of business categories and was formed during the opening of Sarkusta IDP camps back in 2011 during the drought and famine. Weeydow market on the other hand was formed recently after the eviction of IDPs from Maslah who were residing in the government's land, who had no other alternative but opted to settle in these private lands between K10-K13. There are different sizes of capacities of businesses in these markets ranging from kiosks to suppliers. According to the DBG assessment done in October 2015, 17% of businesses are kiosks, 66% retailers and 17% wholesalers. There were no major suppliers that were operating in these markets due to its unprecedented volatility, (Supplier: Those business enterprises that had the capacity to import large goods and provide to different businesses to a lower price in contrast to those in other main other markets). Statistically, the findings outlined that retailers were dominating in these markets than any other businesses. Other key markets include Zeybiano and Bakara, which is considered the commercial hub and major transit market for South Central Somalia. Bakara was also the main source of casual labour opportunities. The Weydow and Tabella IDPs markets evolved within months of the opening of the Sarkusta, Weydow and Tabella IDP camps when evicted IDPs settled in these areas. The main products available in these markets include: essential foodstuffs, clothes, utensils, and WaSH and shelter items. Price volatility in these markets fluctuates relatively based on a number of factors key of which are supply and demand forces. The available warehouses are run by private traders as well as by NGOs.

3.3 Market Access by IDPs in Banadir

According to a 2015 pre-crisis market mapping and analysis³, IDPs access essential

³Pre-crisis Market Mapping and Analysis using the Rapid Assessment for Markets (RAM) Toolkit, Mogadishu, Somalia; Internal Displacement; 2015

commodities mainly at the retail markets of Weydow and Tabella and at the wholesale and retail markets of Zeybiano. These markets supply the most important basic commodities to the IDPs households. According to the assessment, all of the key household commodities are imported during normal (non-emergency) times from Dubai, with the exception of some WASH commodities like jerry cans, for which a second-hand market exists, sourced from empty vegetable oil containers. However, during the crisis situation, additional commodities were imported from Mombasa and Nairobi, Kenya, while humanitarian agencies brought in emergency relief for in-kind distribution via their organizational supply chains. While importers sometimes sell their commodities directly from warehouses in Bakara market, in most cases, the commodities are sold to end users through wholesalers and retailers in the different districts in Mogadishu, at markets like Suuq Bacad, HamarWeyne, Medina and Zeybiano. Some of the wholesalers in these district-based markets have outlets within or near the IDP camps. Some IDPs also operate retail shops inside or outside the camps. While both types of IDP retailers sell basic items at affordable prices to IDPs, they differ from each other in terms of ownership and business size. For example, the larger shops near but outside of IDP camps tend to be owned by men with more capital and connections to wholesalers in Zeybiano and Bakara, while the retail “shops” inside the actual camps (more like modest stalls) tend to be owned by women with limited capital who sell the commodities in smaller volumes. Thus, while the IDP-owned retail shops outside of the camps might be able to mobilize resources to respond to increased demand, the IDP-owned retail stalls likely have limited capacity to meet increased demand.

3.4 Cash and Voucher Programming

South and Central Somalia are among the most complex environments in the world for delivering humanitarian assistance. Somalia ranks poorly on a wide range of social, economic and political and military indicators, including the US Fund for Peace Failed State Index, where it has been top of the list every year since 2008⁴. Despite the significant security and access challenges faced by humanitarian agencies, it is perhaps surprising to learn that Somalia is well placed for cash-based programming. A comprehensive market assessment by FSNAU/FEWSNET⁵ found that local markets ‘might be able to increase the supply of imported rice in response to cash in most of the regions affected by famine or humanitarian emergency in the south’. This ability of Somali markets to continue to operate in the face of considerable insecurity provided a key opportunity for the delivery of humanitarian assistance. Additional market analysis from mid-2011 indicated that, in most parts of the country, food items including staples were available in the market, but that prices were very high⁶. Urban markets continued to function despite the many challenges market participants faced, including the reduction in effective demand caused by collapsing livelihoods and weak purchasing power across southern Somalia.

A study by the Cash and Voucher Monitoring Group⁷ notes that a second opportunity is offered by the *hawala* system, an extensive network of money transfer agents operating throughout the

⁴Fund for Peace & Foreign Policy. Failed State index – ranked by country. Somalia has been in the top 7 countries (out of 177) since the index started in 2005.

⁵FSNAU (2011) Special Brief: Market functioning in Southern Somalia – July 28, 2011. FEWSNET, Washington.

⁶FSNAU (2011) Market Data Update – Monthly Market Analysis, July 2011, <http://www.fsnau.org/downloads/Market-Data-Update-July-August-2011.pdf>.

⁷ CVMG (2013); Final monitoring report of the Somalia cash and voucher transfer programme

country. As a result of the lack of central government and the failure of government services including banks, the Somali people have been innovative in order to survive. The Somali diaspora provides significant, ongoing remittance from abroad estimated in the range of US\$1.3–2 billion per year⁸ requiring fast and reliable international money transfer systems. The *hawala* system allows money to be transferred into and within Somalia, effectively reaching individuals even in the most remote areas, often within 24 hours. Contrasted with input delivery projects employing dozens of contractors and many more sub-contractors, using the *hawala* system mean that the money passes through fewer hands, potentially decreasing the risk of diversion⁹. Within Somalia, aid agencies have been implementing cash and voucher programmes since 2003 and there is considerable expertise, guidelines and learning available.

According to the 2015 trader Assessment by DBG, 21% of traders in the Afgooye corridor cooperated with relief agencies in voucher interventions while 79% never cooperated with any relief agency. Those who participated in the voucher interventions indicated that the program was worthwhile. Majority of the survey respondents reported that the voucher generated profit while none of the respondents reported the voucher as bringing losses. Traders have different financial capacities depending on the different businesses they operated. Wholesalers were mostly rated as being those with the highest financial capacities to consume high demands with a waiting period of one month, followed by some few retailers who never had that much financial capacity. Half of the respondents showed their interest in absorbing the amount stated in the voucher interventions. Improvement in security issues after the conflict and floods duration were also noted and the business owners responded as having no problems since the security issue and internal clan conflict is largely decreasing within the city of Mogadishu. Further, according to the survey, a paltry 24% of the business enterprises had good line of credit with their suppliers while 76% had no line of credit with their suppliers. This has now caused business shops and stalls in this area not to provide many credits to their customers and thus opting to go for cash basis business operations. Majority of the traders reported that they give out credit to their customers. These markets are dominated by retailers as there are many upcoming businesses in the area. Many relief agencies cooperate less with these business shops and stalls. The report observes that the intervention of different humanitarian aid organizations in their different programs will also bring many owner-driven businesses to the front of economic development thus generating increased income for these business operators. In return, the lives of many people including IDPs will also improve by encouraging poverty reduction and sustainability to a large extent.

4.0 Key Findings

4.1 Retail shops in the target area and the supplies they usually have in stock, duration of price stability, and the lead time involved in replacement of these items.

4.1.1. Retailers and Wholesalers Distribution

The number of retailers in the five target localities (KM12, KM10, Hodan/Deyniile, Bakara and Dharkanlay) is 23 while the wholesalers are 3. Wholesalers are clustered around Bakara market.

⁸Hammond, et al., (2011). Cash and Compassion: The Role of the Somali Diaspora in Relief, Development and Peace-building. Report of a Study Commissioned by UNDP Somalia, January 2011.

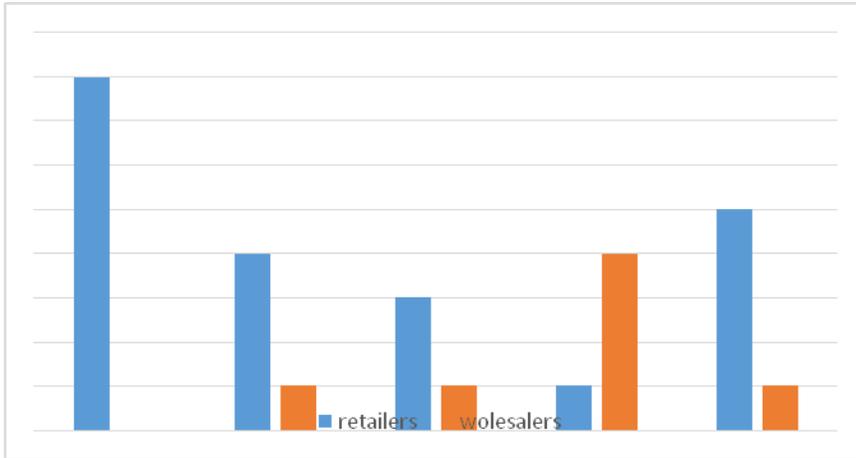
⁹Longley, C et al (2012) CVMG Final monitoring report of the Somalia cash and voucher programme. Phase 1: September 2011 – March 2012. Humanitarian Policy Group. Overseas Development Institute.

This hosts the main suppliers to the retailers in the region among them; Hamad, Geedi and HESCO. All the traders interviewed indicated that they knew other traders (wholesalers and retailers) in their localities. Other key traders identified include Pegs, Ibrahim, Maxubo, Awergs, Daud, Sakri, Alman, A/Nasir, Weydow, Guled shop, Tawakal shop, ITT supermarket Burwago, Halanne shop, Barwafo shop, Beerey Shukri shop, Ishmael shop, Hare shop, Geed shop, Hasan shop, Ade shop, Shine shop, Mohammed shop, Xalane shop, Bilan shop, Tayo and Geddi. Most of these shops are both wholesale and retail. These shops stock food items, clothing, shelter and WASH items, cosmetics and beauty products. The relief items they stock include sugar, milk, cooking oil, rice, flour, beans, corn, spaghetti, washing powder, bathing soap, mosquito nets, detergents, jerry cans, wood, iron sheets, cement, nails and timber among others. They mostly source their stock from Bakara market (which is considered the commercial hub and major transit market for South Central Somalia), Balaaro, sea port, China, Dubai and others from Indonesia. A few others also source stock from Nairobi and Mombasa in Kenya. The main suppliers are Mislah company, Al-Rayan business centre, Geedi, Al Habib, Qobay company, Harmad, Hesco, Baruscafo, Asehts local/IWTL, Samsam group, S company, Rice group, Royal, Rayan shop, Dubai building, Salam suppliers, Gorod building material company, GL company and Tiwan. These suppliers were said to be efficient, provide quality products and at fair prices. Each trader buys their stock from several suppliers, where each trader sources from an average of 3 suppliers.

Figure 2: Wholesalers



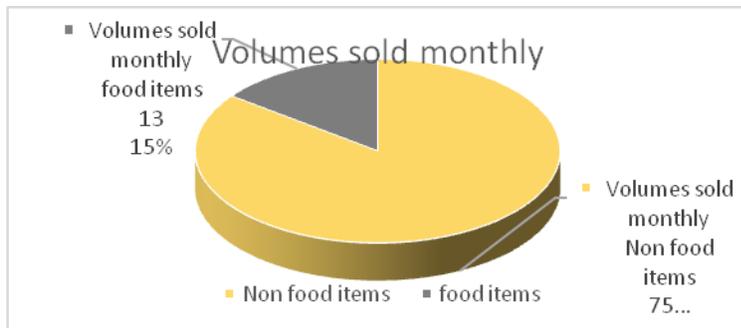
Figure 3: Wholesalers and Retailers in the 5 Target markets



4.1.2. Monthly volume sales

The commodities supply and replenishment is dependent on external markets mainly in United Arab Emirates (UAE) and China. Cumulatively for the food items and non-food items the volumes sold monthly average is indicated in the pie chart below:

Figure 4: Monthly volumes sold



75% of the total sales volumes are non-food items while 13% comprises of food items. The volumes traded per month for all commodities combined range between 1 metric tone to 25 metric tones for the large wholesalers with majority of traders selling an average of 5 metric tones per month.

The food items available in the locality are; Rice, beans, sugar, sorghum, corn, cooking oil and spaghetti. The non-food items available are; iron sheets, fencing posts, timber, barbed wire, cement and tarpaulin. Interviews with traders indicated that the main customers are individuals/residents within the community comprising of the host community and IDPs.

Humanitarian agencies also form part of the clientele mostly through vouchers or bulk purchases for supply to project beneficiaries, mostly IDPs.

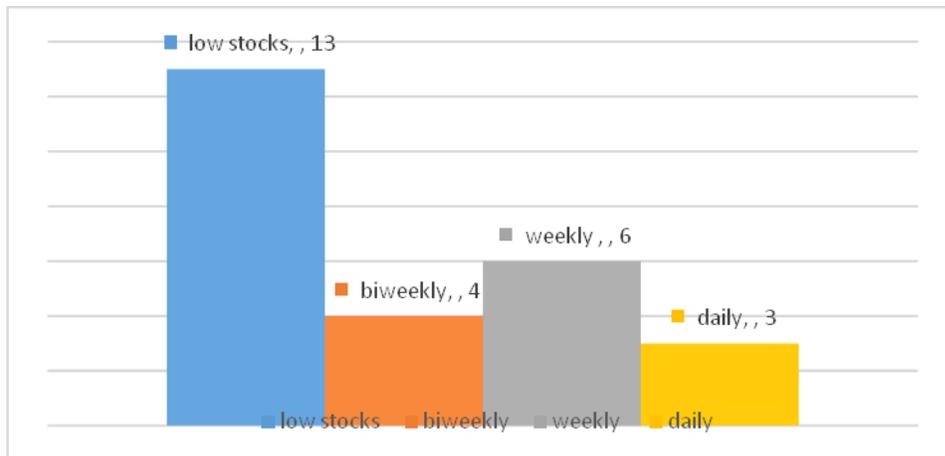
4.1.3. Stock replenishment

The retailers are unable to replenish their stock on time and most of the will wait till their stocks are nearly depleted. The traders in Bakara market indicated that they have the financial and logistic capacity to ensure that commodities reach wholesalers and retailers within their networks on time. With limited formal credit systems, traders reported that when it comes to stock replenishment, they depend on informal financing mechanisms such as family and friends as well as business partnerships. The figure below shows frequency of replenishing stocks:

Figure 5: Retail shop



Figure 6: Frequency of stock replenishment

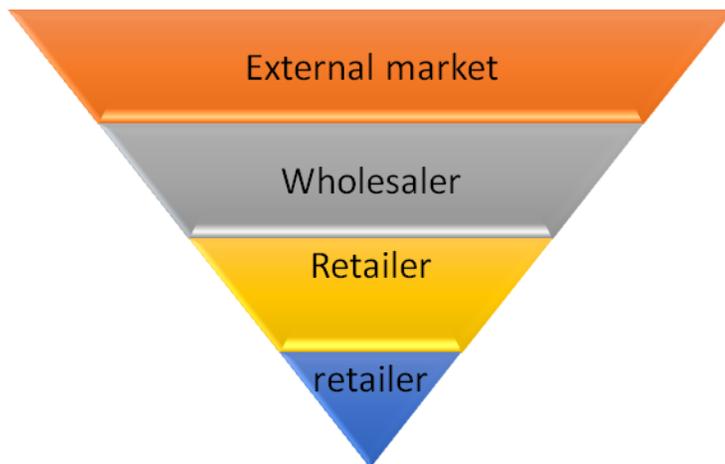


From the respondents 43% of them only replenish when their stock volumes are low or almost finished. Stock replenishment is affected by a number of factors which include the following among others:

- High purchase prices and shortages in the market - it's recommended that organizations preposition relief commodities through traders with sufficient storage capacity at the markets. Airlifting these commodities during emergencies can drastically increase the price, while using other ports like Bosaso or Barbera means that the commodities have to go through long road transportation and into many taxes and huge risks of delay. NGOs should also factor in the possibility of price fluctuations in proposal budgets.
- Price fluctuations due to changes in dollar value as a result of economic dynamics such as politics, levying policies, dollar shortage, dollar influx through remittances, etc - in this case, retailers may order less than their usual stock as they wait for the dollar rate to stabilize. The restocking from local suppliers takes a few days while imports may take a month to be delivered.
- Poor road network within Mogadishu (between Mogadishu port and the markets and from one market to another) leading to delays and damage for fragile and perishable commodities. Most imports are transported into the country by sea and some by air where they are then transported by road to the various destinations within the country.
- Hoarding by suppliers - Although not a common pattern of behavior excessively, but when it happens it affects supply and prices for common household/consumer products. Suppliers hoard commodities so as to create artificial shortages to sell at a later date when supply is low and thus hike prices to make more profits. This may also be motivated by other factors such as an inability or unwillingness to discard large quantities of items that cover to many retailers so that suppliers may use this as an excuse to supply to some or refuse to supply others or poor retailer /supplier relationship. This can cause significant distress or impairment to contracted retailers when they fail in restocking and it can significantly affect access to commodities by beneficiaries and impair project success. To check the supplier/ retailer relationship to avoid such possible impairment, it's recommendable for organizations to determine the supply chain for relief items and identify retailers with established and trusted supply chain while facilitating business linkages between retailers and trusted suppliers.

- Lack of enough storage space is also a contributor where from the respondents, 23% use iron sheet room for their storage, 13% use stores and 64% use their shops as the storage for their stocks. Among the retailers interviewed they have 47.5 metric tons in storage capacity. Lack of sufficient storage space is caused by low financial capacity where retailers are not able to rent bigger storage spaces, land/space issues due to poor infrastructure and ownership, therefore larger stockpiles may not be available. However, it was noted that retailers can grow in business through voucher systems. For instance, the DKH/DBG voucher project enabled the contracted retailers to get more customers (project beneficiaries) and were able to generate more profit. From this, it can be concluded that vouchers strengthen markets and make them to be in a better position to respond in case of huge emergency demands.
- Most small retailers especially those based within the IDP camps cannot respond to bigger crisis but with support and business partnerships with established retailers and wholesalers, they would be able to grow in capacity to respond to emergencies. Lack of credit facilities is also an impediment. Only 27% of the retailers are able to access credit facilities from the wholesalers while 73% don't have access to credit facilities. To address this, the small local traders would be better equipped with how to provide credit and in return, they generate profit through increased sales, get payment from DBG and then make restocking quickly and develop greater networks with main suppliers. They get more visibility and customers as they get more business; at the end of the project, the engaged traders would have larger capital, built more confidence with wholesalers, and have good capacity in voucher programming.

Figure 7: Replenishing stock follows this path:



External market provides 95% of the commodities which is consumed by the wholesalers. Most of these commodities are imported from other countries mostly China and UAE. Retailers replenish their stocks at 55% and the retailers to retailers at 35%. Some retailers have less capacity to provide commodities and respond to crisis at any point of need. Therefore, they seek support from other retailers who are not contracted by the organization in order to cover their demands. This tends to complicate the tendering agreement between the implementing agency and the traders especially when there are delays in payment.

It is noteworthy that, some key informants reported that there are incidences of sale of humanitarian items by households and back-sales of sold relief items that enter the supply chain to follow the stream to be re-sold. Relief commodities re-enter the market through sale by beneficiary households which has had a negative impact on traders' willingness to stock large quantities of some commodities, since they can get quality products at cheaper prices as a result of the items available for resale by beneficiaries. However, traders reported to devise ways of dealing with the impact. For example, traders used the periods of humanitarian relief as opportunities to restock the commodities at a cheaper price. They would send out collectors to buy the items on their behalf, which they would then stock for future sale. This has a negative impact on the supply chain for some of the commodities disproportionately skewing the prices for some traders or leading to scarcity as a result of hoarding by traders to sell at a later date. The resale of relief items negatively affects price stability due to flooding of items especially after distribution by humanitarian agencies. Most times, although not excessively common, beneficiaries resell relief items after distribution. This is mostly motivated by a need to acquire items that they do not have and dispose off the ones they have in plenty as well as willingness by traders to buy back the items which also provides beneficiaries with cash for use to cater for other needs. The resold items are sold by the traders through the normal value chains and they are bought by their customers as any other items sourced from other suppliers. It was noted that flexible vouchers would provide the beneficiaries with options to redeem the vouchers for items that they need. Restricted vouchers force the beneficiaries to acquire what they already have which leads them to selling off the relief commodities so as to purchase what they do not have as well as increase beneficiary project ownership.

4.2 Elasticity of commercial stocks of relief items and market dynamics

The relief items available in Banadir markets were grouped as follows:

Foodstuffs: These include sugar, milk, cooking oil, rice, flour, beans, corn and spaghetti.

WASH items: These are washing powder, bathing soap, mosquito nets, detergents and jerry cans.

Shelter materials: These comprise of wood, iron sheets, cement, nails and timber.

Medical items: These include drugs, medical consumables, medical equipment, etc.

However, it was not possible to determine the quantities for the various commodities available in the market. The traders reported that sufficient quantities were available to serve the market demand all year round.

4.2.1 Supply of relief items: Although most of these items can be sourced locally, the traders indicated that they sometimes have to import some of the products from countries like UAE and China. However, there are challenges experienced in importing the commodities which include high taxes, damaged goods, theft, delays in delivery both inland and sea transport, missing items, poor roads, frequent price fluctuations and expired goods among others. The four major ports Berbera, Bossaso, Mogadishu, and Kismayu which are not affected during seasonal changes. Beach ports such as Merka and El Ma'an become almost unusable during the monsoon. Merka is the most exposed beach port generally and closes during June to September and El Ma'an remains open although discharge rates reduce. It normally takes an average of one month to clear goods at Mogadishu sea port. The factors leading to delay in clearance are

mainly custom bureaucracy. Inland transport is affected mainly by poor state of roads, traffic congestion at major towns, as well as vehicle breakdown once in a while.

Interviews with traders and beneficiaries indicated that there are no extreme shortages of commodities and extreme price fluctuations. Farm produce especially vegetables are prone to weather conditions and other risks which affects production and transport to markets thus leading to market shortages. When this happens, price fluctuations in the form of price hikes are reported but then normalcy returns in production and market access after a short period of time normally in a few months time. In time of emergencies, supply chains for various commodities may be affected depending on the nature of the shock. During major emergencies like floods or conflict, transportation is severely affected in times of flooding hindering transport for various relief items to the markets as well as market access by IDPs. This relatively affects commodity prices due to reduced supply when commodities do not reach the market in time. It's recommendable to preposition relief items and organize for strategic storage and stocking by shops near IDPs' residence so as to avoid a scenario where IDPs and other beneficiaries are not able to access markets in times of such emergencies. It's also important to build the capacity of retailers and other traders in terms of financial access and storage capacity to enable them buy in bulk and proper storage.

However, some products like vegetables are highly perishable and therefore storage for long periods is not possible. Vegetables consumed in Mogadishu are produced in Lower and Middle Shabelle regions, some from Bay region and a few being transported from Ethiopia. These vegetables are transported mostly by road using trucks which also affects their quality by the time they get to the market. In the normal circles, vegetables are produced during the Gu' and Deyr seasons. Vegetable production is affected by adverse weather conditions, lack of water for irrigation when rivers dry up as well as poor transport network especially bad roads. During the irrigated seasons, crops and agricultural products are watered by using river waters; in this case, production is seriously disturbed by low and lack of water in the river. The historic dry up of Shabelle and Juba Rivers in first 4 months of 2016 have negatively affected the production of vegetables. During the assessment, we noted drastic price increase, for instance, 1kg of carrots which normally sells at 1.4 USD on average was selling for more than 8 USD, hence, NGOs should have a contingency budget in case of fresh food voucher intervention.

4.2.2 Pricing and price stability: The traders said that they buy their commodities at the prevailing market prices which are determined by the suppliers and informed by a number of factors including the dollar rate. The traders determine the selling price based on the purchase price and other expenses as well as consulting other traders. The main factors influencing the selling price are informal fees and taxes, shortage and purchase price. The traders noted that the prices remain constant for between 2 to 3 months on average. The pricing was also affected by demand which at times varied seasonally. For instance, demand for shelter materials went up during the rainy season where the traders sometimes raised the price of such materials occasioned by the increased demand. Demand for various food items is relatively stable most part of the year but demand for specific food items tends to peak during certain periods like festive seasons. In addition, traders indicated that mid-size emergencies resulted in minimal price changes in the markets accessed by the IDPs. The prices of other non-food items as well as for foodstuffs remained relatively stable. However, the prices of food commodities usually go up during such emergencies as droughts and floods as a result of scarcity of the commodities in

the markets. It's advisable for NGOs to factor in contingency planning and budgeting in designing market based interventions such as vouchers.

4.2.3 Import and Production: Some items are imported while others are locally produced. Most traders interviewed especially wholesalers prefer to import commodities from other countries due to quality and pricing. The wholesalers can source the imports at fair prices from overseas suppliers. However, logistics costs (transport & storage), fees and taxes affect the selling prices. Such traders often have the financial capability and are able to supply the market sufficiently. The imported goods on the other hand negatively affect local production of similar commodities since they are of better quality and priced cheaply thus being more affordable to a wider population. However, it's recommendable to build the capacity and support local production of such goods such as building materials like doors, windows, etc which can be locally assembled by local artisans and hence supply would not be disrupted by external factors.

4.2.4 Storage: Most traders reported that they store their commodities in iron sheet rooms/stores with storage capacities averaging at least 5 tones. Though adequate storage was said to exist in Bakara, the district-based wholesalers and retailers had limited storage capacity for their stocks; hence, they had to rent space in case of increased demand. It was noted that rentable space was available at the market vicinity although for some, the infrastructure would need a bit of improvement to accommodate larger stock in a safe and hygienic manner. Renting more storage space will likely improve the supply chain efficiency where retailers can restock from major suppliers and avoid any supply deficits in case of emergencies or increased demand.

4.2.5 Capacity of businesses: Traders reported that in case of an emergency, they would be able to easily adjust to the market demands in supply of various relief commodities. The central location of Bakara market and its proximity to several markets serving IDPs makes it easier for traders to access commodities within a short time. Smaller traders are able to access additional supplies to meet stock commodities in high demand. However, retailers based within the IDP camps, who are IDPs themselves, are limited in terms of finances and business linkages which hamper their capacity to meet increased market demand. Their capacity is affected by minimal financial capability to buy in bulk and lack of proper storage facilities. Market linkages with major suppliers and financial sources would help to boost the role played by the small camp based retailers, through a participatory multi-stakeholder market systems development approach.

It was reported that although not regularly, some wholesalers may manipulate prices by creating artificial shortages through hoarding of commodities so as to sell at a later date when there is extreme shortage and sell at a higher price to make more profit. This also happens in anticipation of high demand especially during certain seasons. For example, traders may hoard sugar in anticipation of higher prices during the festive seasons. Some wholesalers also manipulate prices when they realize that others have exhausted their stock or when they monopolise supply of certain commodities such as cement. Others manipulate prices so as to block others from entering such markets. They do this to create artificial major supply leading to price decrease hence force the newly coming suppliers to auction to their way out. As a remedy to this situation, NGOs who buy such items can facilitate the entry of new suppliers

into the market by finding out those willing to enter the market, assess them and sign MOUs, linking them to external international traders and promise to buy the imported supplies in the first and second rounds. In the mean time, such suppliers can position themselves in the market and establish and grow a larger customer base.

4.3 Appropriateness of the voucher program particularly in comparison to direct delivery and comparison to more traditional method of cash transfer delivery in the context of the IDP camps in Mogadishu

43% of the traders reported that they were aware of voucher programs in Banadir with only 40% having participated in a voucher intervention. 43% of the traders were aware of the DKH/DGB voucher program where 37% reported to have participated in the intervention. 69% of those who participated in the DKH/DGB voucher intervention reported that they had sufficient stock for all clients. 58% reported that the voucher intervention works well with their businesses. Although some of the traders indicated that the voucher program is on credit basis, all traders interviewed indicated that it is a very good plan which is more reliable, effective, efficient, transparent, and less risky as compared to cash transfer and that they would highly recommend it. Market-based interventions such as cash or voucher programs are appropriate to support access to these commodities.

A 2015 Market Mapping and Analysis report by the BRCiS¹⁰ consortium¹¹ notes that cash and voucher programs have often, though not always, been found to be more cost effective and faster than in-kind distributions of the target items, largely because of the time and costs associated with procuring, transporting, storing and delivering humanitarian relief (as compared to the relatively low transaction costs associated with cash or voucher programs). It is notable that the costs of a cash or voucher program, ideally one that distributes the entire bundle (e.g., all cash and/or vouchers assistance to IDPs at one time for maximum efficiency) are more cost effective and time efficient. Additionally, cash and voucher programs, like in-kind assistance, can be pre-positioned. However, it's not possible to predict how market systems would respond to a switch away from in-kind relief distributions, and whether diversion and/or re-sale of relief items would still occur if IDPs were given cash, which is relatively invisible, instead of in-kind items. According to the Cash Learning Partnership, unconditional, flexible voucher programs are recommended, as they offer choice for beneficiaries in selecting what they need while reducing security risks to vendors and implementing partners.

This market assessment is in agreement with the above findings where beneficiary informants reported that flexible vouchers would be more preferred since they offer beneficiaries flexibility and choice in accessing various relief commodities from the vendors. For example, households who already have sufficient WASH items would be able to redeem their vouchers for food items in case they are in need of such. Relief items are resold due to needs of cash to purchase other items or settle debts; poor coordination by humanitarian agencies to ensure aid effectiveness as well as poor beneficiary mobilization and awareness on project ownership. Additionally, aid agencies mostly fail to conduct proper needs assessment to determine the

¹⁰BRCiS – Building Resilience for Communities in Somalia, a consortium of NGOs funded by DfID

¹¹Pre-crisis Market Mapping and Analysis using the Rapid Assessment for Markets (RAM) Toolkit, Mogadishu, Somalia; Internal Displacement; 2015

most pressing needs for beneficiaries which leads to design of interventions that do not well address the key needs of beneficiaries. This disconnects leads to resell of relief items when the beneficiaries feel that they do not need them so as to access what they need. Flexible vouchers would help to fight against reselling of relief items due to the flexibility they afford beneficiaries to access various items that they need rather than restricting beneficiaries to particular predetermined relief commodities. However, it's important to note that voucher systems may encounter inefficiencies, given the amount of aid that is sold and/or diverted following humanitarian interventions, and the subsequent emergence of parallel market chains for sold and diverted aid especially for non-food items. This therefore necessitates for more responsive interventions such as unconditional flexible vouchers that allow IDPs more flexibility in accessing various commodities based on their individual/household needs.

One of the major concerns expressed was that a cash response might lead to significant food price inflation if the increased demand for food (resulting from the cash transfusion) was not met immediately with a supply response from traders. However, majority of the key informants interviewed reported that cash and voucher interventions clearly have not led to any significant food price inflation to the detriment of the most vulnerable. Rather they ensured access to critical food and non-food items and services. Both cash and vouchers were largely appropriate to the context where they were applied, with some caveats regarding unsubstantiated assumptions about beneficiary spending that inclined agencies to implement voucher programmes.

Market strengthening through voucher system - This assessment recommends a multi-stakeholder participatory market systems development so as to strengthen the key market structures to respond to emergencies without inefficiencies. The assessment shows that traders who participated in the voucher interventions gained through increased sales volumes and business growth. The traders who participated in the DKH/DBG voucher project reported business growth and enhanced capacity to serve a larger customer base. They also reported an increase in their customer base enhanced trust with their suppliers due to consistency and volume of purchases from the suppliers. Capacity building is recommended especially for smaller traders near IDP camps and market linkages with financial sources and major suppliers where trust is built and with a larger customer base where traders can grow in the market. There is an opportunity for enhanced trader engagement where future voucher interventions could be extended to involve a wider pool of traders supplying various relief items. The process need to be participatory where traders and beneficiaries are actively engaged/ consulted in design of voucher interventions.

4.4 Policies that affect market access including relevant Government policies, market liberalization, institutions for credit, insurance, transport etc

The traders interviewed reported that the government provides security as part of its mandate. They also noted that the government collects tax from the businesses. However, 80% of the respondents reported that they do not get any support from the government. In terms of access to credit, only 33% reported having access to credit mainly from local financial institutions. However, none of the traders interviewed had insurance cover for their businesses. Most of the traders did not have an organized system of transport rather they used the available means of transport at the time to transport their commodities. The common means of transport include

donkey carts, vans/light commercial vehicles, lorry/trucks.

5 Conclusion and Recommendations

- This report concludes that markets in Banadir region are able to supply key relief items including food and non-food items in the volumes needed in the event of emergencies. However, considering the dynamic nature of markets continued monitoring is necessary to ensure that any new market based interventions such as cash and voucher programming are in sync with the prevailing market conditions.
- Despite the significant security and access challenges faced by humanitarian agencies, cash and voucher interventions are appropriate in Banadir region due to the *hawala* and the newly emerging bank system and the highly integrated and competitive market system. The assessment found out that - voucher interventions enabled households to purchase food, increase the number of meals consumed each day and increase dietary diversity. Importantly, there is evidence that the interventions also allowed households to repay debts, which opened up new lines of credit, contributing to household resilience. The beneficiaries received the much needed food, NFIs and shelter items through the flexible voucher system so that they could save money to repay debts which they would otherwise have spent to purchase the given items.
- It's also notable that market based interventions such as vouchers contributed to business growth for the traders involved. The traders did not report any significant disruptions by voucher programming and welcomed such partnerships with humanitarian agencies.
- Based on interviews with key informants and previous market analysis reports, flexible vouchers to IDPs to access relief commodities including food and non-food items are recommended. This gives beneficiaries more flexibility and they don't have to sell relief items. The voucher system is recommended considering that the markets easily have the capacity to meet the additional demand created by the assistance and because of the flexibility it affords to recipients. Cash and voucher-based responses are now irreversibly part of the range of responses available to meet needs in Somalia. However, for humanitarian reform in Somalia to succeed, there remains a fundamental need to challenge the aid culture and to overcome the mistrust which inhibits genuine cooperation and learning from each other.
- It is recommendable that NGOs continue to arrange for local procurement and delivery of relief items as well as link importers with markets that supply NGOs with relief items, considering various market dynamics that influence commodity value chains and market functionality .It's recommendable for continuous working through the Somali trading community in Banadir and Somalia in general which is versatile, responsive and well integrated across markets in the region.
- Main markets like Banadir ones are reliable, supply huge and variety of supplies, hence purchasing internationally of items which could be supplied by local suppliers is not advisable and need to be challenged. Markets should be engaged more which is seen to be good for all parties where goods and services can be delivered in more appropriate times to people in need with due diligence and money value and where market is strengthened to grow in capital and meet the market demand.
- Quality of supply can be an issue at times but manageable through development of supplier data bank and supplier pre-qualification process where humanitarian agencies and relevant government authorities can identify a list of qualified suppliers and monitor the quality and quantity.

- The assessment noted that engaging of small local traders particularly at the IDPs camps is true resilience and development support; such traders grow in business as they make profit to supply voucher items, hence, they remain in business, able to employ others, can support their families more effectively in housing, education and provide other family needs and eventually move out of the IDP circle and become self-reliant.
- Where it is feasible, it is recommended to improve links between the small, emerging traders and the main suppliers; trust building between the two will mean making business together, enabling the smaller traders to grow into the market which is a viable approach in building of the Somali micro economy which in the long term addresses the unemployment rates.
- In the case of larger suppliers' market manipulation, NGOs could challenge this through new and committed suppliers to enter in such markets. This is achieved by identifying such willing and committed suppliers then connecting them to main international industries and suppliers where NGOs could sign MOUs with them promising that they will buy the supplied items in at least 2 or 3 rounds and during these rounds, the newly engaged suppliers can effectively establish good market niche for themselves and grow their customer base.
- The assessment notes that commodity prices are relatively stable most times of the year, although there may be price changes dictated by factors such as supply and demand, taxes and fees, inflation, dollar rates, droughts or floods which disturb the local production as well as other business costs. Design of new voucher programs need to consider the prevailing market conditions and consult with the various market actors including suppliers, transporters, retailers, wholesalers, consumers and government authorities. Perhaps, humanitarian organizations can create their own traders data bank with price index in consultation with market actors. The data bank will then be used as market monitoring tool to use for emergency response which is consistently updated in terms of item prices. Having such updated trader data bank/price index, NGOs can predict item prices in 6-12 months period which will help them in budget development and cushion them against any future price fluctuations.
- Moving forward, market based programming are recommended including e-transfers and flexible vouchers, allowing for greater beneficiary choice and increasing the capacity of NGOs and participatory market systems development, with the ultimate aim of reducing the multiple transaction costs between donors and beneficiaries while ensuring accountability and effectiveness. Continue to experiment with and document voucher-based responses. This learning will also contribute to the resilience agenda.

Annexes

Annex 1: Interview guide for traders (retailers/wholesalers)

- Name of Respondent/Contact
 - Location:
 - Type of Business
 - Shop Number
 - Name of Enumerator/Contact
1. Which commodities do you sell?
.....;
 2. What volumes do you sell monthly?
.....
 3. What relief commodities do you stock?
.....;
 4. Where do you source your products from?
 5. Who are your main suppliers?
 6. If you have different types of suppliers, how would you characterize them? (In other words, what are the characteristics of each type of supplier?)
.....
 7. How often do you replenish your stock?
 8. How do you communicate information to your suppliers regarding your requirements in terms of quantity of supplies, delivery dates, etc?
.....
 9. How do you demand that your suppliers meet the requirements? What difficulties do your suppliers have in meeting your demands? Do you help them? How?

-
-
10. How do you work with your suppliers to ensure that they satisfy your requirements for quality?
.....
 11. What mode of transport do you use to deliver your commodities?
 12. Who are some of the transporters you work with?.....
 13. What are the challenges importing commodities?.....
 14. Do you sell your commodities in retail or wholesale? Yes; No.....
 15. What is the purchase price?
 16. What determines the price you purchase at?
 17. How do you arrive at the sale price? What are the factors influencing this price?
.....
 18. What are the unit prices per item? And how long has it been constant?
 19. How many suppliers do you work with?.....
 20. Do you have preferred areas to buy from? Yes; No
 21. Do you experience delays in delivery of new stock by your suppliers? Yes; No.....
 22. What causes the delays and how do you address them?
.....
 23. Who are your main clients (buyers)?
 24. What type of storage do you have currently? What is your storage capacity?
.....
 25. Are you aware of any voucher interventions and by which organizations? Yes; No
 26. Have you participated in any voucher intervention recently? Yes, No.....
 27. What items did you provide?.....
 28. How many voucher projects have you served at the same time?
 29. Are you aware of the voucher program by DKH and DBG? Yes; No.....
 30. Did you participate in the DKH/DGB voucher program? Yes; No.....
 31. What commodities did you provide to the program?
.....
 32. Did you have sufficient stock for all clients? Yes; No
 33. Does it work well with your business? Yes; No; Does it have any impact on your business?
.....
 34. Did you experience any challenges? Yes; No; Name them.
.....
 35. What is your opinion about the voucher program?
.....
 36. How do you compare it with other methods of transfers? Would you recommend it?
.....
 37. How would you characterize your relationships with your clients? (NGOs, local community, etc)

38. What are the steps you usually take to ensure that you meet your clients' specifications, including delivery date and quality? (Normally, how difficult is it to comply with your clients' requirements? What do you have to do?)
.....
39. What is the NGOs role in your industry? Do you view their activities positively or negatively?
.....
40. What's the role of the government in your industry?
.....
41. Do you get any support from the government? Yes; No; What type of support?
.....
42. Do you have access to credit? Yes; No; From which institutions?
.....
43. Do you have access to insurance cover for your business? Yes; No. Who are some of the insurance providers in your area?
.....
44. Do you know of other retailers/wholesalers in your area? Yes; No; Name them.
.....

Annex 2: Interview Guide for Beneficiaries/IDPs

- Name of Respondent
 - Contact.....
 - Location/IDP camp:
 - Name of Enumerator/Contact
1. Have you faced any kind of crisis in the last 12 months? What was the impact of the crisis on you/your family? How did you cope / what were your coping strategies?
.....
 2. What are the major problems you are facing?
.....
 3. What do you think are the solutions to addressing these problems? Have you / has anyone tried addressing these problems? If yes, how and what was the outcome?
.....
 4. Are you aware of any NGOs operating in this area? Yes; No.....
 5. What services do they provide?
.....
 - Are you aware of the DKH/DGB voucher program? Yes; No.....
 6. Did you participate in the program? Yes; No.....
 7. How were you selected to participate in the program?
.....
 8. What commodities did you get from the program?
.....For how long?
 9. Were the commodities sufficient for you and your family? Yes; No.....
 10. From which shop did you get them from?

11. Did you have options of redeeming from other shops? Yes; No..... Why did you choose this particular shop?
12. Was the service satisfactory? Yes; No.....
13. Did you have delays in redeeming your voucher? Yes; No How long was the waiting time?
14. What other shops stock the same commodities?
15. How much do you buy the commodities?
16. How long has the price been constant?
17. Are the commodities you redeem through the vouchers sufficient? Yes; No.....
18. Did you provide feedback to DKH/DGB? Yes; NoThrough what means?
19. How far do you travel to redeem the vouchers?
20. What do you use the commodities for? (family consumption, re-sell, etc)
21. Have you had different vouchers at the same time? Yes; NoWhat commodities did you get through the different vouchers?
22. Have you participated in other voucher programs? Yes; NoName them.What commodities did you access?
23. How do you compare them with the DGB program?
24. How do you compare vouchers to other transfer mechanisms?
25. Do they have any impact on you? Yes; NoWhat impact?

Annex 3: Interview Guide for NGO Staff

Implementing Staff

- Name of Respondent/Contact
 - Organization
 - Name of Enumerator/Contact
1. Give a brief overview of the DKH/DGB voucher program
 2. What commodities did the project provide to the beneficiaries?
 3. Which traders did you work with to provide the commodities?
 4. What is the nature of the traders (wholesalers/retailers)?
 5. What informed the choice of traders?
 6. Did they have enough stock to provide the commodities? Yes; No
 7. Do the traders have enough storage facilities? Yes; No
 8. Are there any gaps in the traders' capacity to provide necessary commodities? Yes; No Explain
 9. Were there delays in beneficiaries redeeming the vouchers? Yes; No What caused the delays?How did you address them?

10. Was the program successful? Yes; NoWhy do you say so?
.....
11. Do you know of other voucher programs in the area? Yes; No
12. What services/commodities do they provide?
.....

Other NGO Staff

1. Are you aware of the DKH/DGB voucher program? Yes; No
2. What other voucher programs are you aware of?
.....
3. What services/commodities do they provide?
4. Are you aware of any traders who provide relief commodities in the area? Yes; No.....
Name them
5. What commodities do they stock?
6. How often do the prices for different commodities change?
7. From your assessment, are there gaps in provision of different commodities by traders?
.....
8. How do you compare voucher programs with other transfer methods?
.....
9. What's your recommendation on voucher mechanisms?
.....

