Mercados, Meios de Vida e Vulnerabilidade

Cynthia Donovan

Apresentação no Workshop Analítico do Estudo de Base do GAV/SETSAN, 2006

November 14, 2006
Maputo

Markets, Livelihoods and Vulnerability Assessment

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Presentation to the Analytical Workshop on the GAV/SETSAN Baseline Study 2006

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Livelihoods

- Combination of the resources used & activities undertaken in order to live
  - Individual skills and abilities (human capital)
  - Land, savings and equipment (natural, financial and physical capital)
  - Formal support groups or informal networks (social capital).

Sustainable Livelihoods Framework

Assets of Households: Financial, Human, ETC → Livelihoods → Livelihood Outcomes
Livelihood Strategies

- how people combine their income generating activities
- the way in which they use their assets;
- which assets they chose to invest in;
- how they manage to preserve existing assets and income.
- Strategies may reflect underlying priorities, such as to diversify risk

Sustainable Livelihoods Framework

Source: Adapted from: Making Markets Work Better for the Poor. ADB M4P Discussion Paper N.B: Participatory Markets and Livelihood Assessment in Da Nang City
Objectives of the Vulnerability Analysis

- Determine who is in need of assistance
  - Characteristics of population with identified need
  - Identify sources of vulnerability
- Help to identify what is needed
  - For how long?
    - Until next harvest? For a full year? Until employment obtained? Until indicators look good? Until markets function?

Markets

- **buyers and sellers** trading or exchanging **goods & services**!
  - Physical location maybe
  - Markets coordinate commodities from original producer through to the final consumer
  - Costs at each stage
  - Structure, conduct and performance:
    - Result: efficiency of movement, price determination
Markets as the bad guys

- Evil traders
- Nasty prices
- Exploitative marketing tactics
- Farmers, poor price takers
- Markets are part of the problem of poverty, not part of the solution

- Reality: Poor depend on markets for their livelihoods, especially in the worst times

Markets as a Mitigator

- Markets and efficient movement of commodities
  - Price increases stimulate trade, dampen increases
  - Surplus food to deficit areas

- Key factor: Demand
  - Low income means low demand
  - Lack of supply in market as a reflection of Lack of income
Markets and the Poor: Context for Livelihood Strategies

- Income opportunities
  - Labor markets
  - Commodity markets
  - Credit Markets
- Source of consumption goods
- Source of services
- Frames choices/opportunities/options for households
- Value of assets
- Private sector and livelihoods
- Market exclusion vs. inclusion

Market Participation

- Indicators based on market participation:
  - participation a good sign?
- Depends:
  - High participation in low wage, low skilled jobs may indicate stress on other income sources, “pushed” into those jobs
  - Increased market purchases of food staples may indicate poor productivity of own farms or increased income
TIA 2005: Income from Different Sources as a % of total income, by income quintiles

<table>
<thead>
<tr>
<th>Income quintiles</th>
<th>Crop income</th>
<th>Livestock income</th>
<th>Wage income</th>
<th>Self employment</th>
<th>Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>81% 72%</td>
<td>4% 4%</td>
<td>2% 7%</td>
<td>9% 10%</td>
<td>3% 6%</td>
</tr>
<tr>
<td>2</td>
<td>82% 71%</td>
<td>2% 3%</td>
<td>4% 7%</td>
<td>8% 13%</td>
<td>4% 5%</td>
</tr>
<tr>
<td>3</td>
<td>79% 66%</td>
<td>3% 3%</td>
<td>6% 10%</td>
<td>10% 17%</td>
<td>3% 5%</td>
</tr>
<tr>
<td>4</td>
<td>73% 62%</td>
<td>2% 2%</td>
<td>10% 13%</td>
<td>11% 18%</td>
<td>3% 5%</td>
</tr>
<tr>
<td>5</td>
<td>54% 51%</td>
<td>2% 2%</td>
<td>17% 20%</td>
<td>22% 23%</td>
<td>5% 5%</td>
</tr>
<tr>
<td>Total</td>
<td>74% 64%</td>
<td>3% 3%</td>
<td>8% 12%</td>
<td>12% 16%</td>
<td>4% 5%</td>
</tr>
</tbody>
</table>

Quintiles: 1=lowest income; 5=highest incomes, based on hh income per Adult Equivalent

Percent of Total Food Expenditure Allocated to Food Item Categories, by Tercile of Total Expenditure and Rural and Urban Region (2002)

<table>
<thead>
<tr>
<th>Food Item Categories</th>
<th>Rural</th>
<th>North</th>
<th>Center</th>
<th>South</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 (Lowest)</td>
<td>3 (Highest)</td>
<td>1 (Lowest)</td>
<td>3 (Highest)</td>
</tr>
<tr>
<td>Maize and Derivatives</td>
<td>16.5</td>
<td>33.1</td>
<td>30.1</td>
<td>32.3</td>
</tr>
<tr>
<td>Rice</td>
<td>4.4</td>
<td>5.6</td>
<td>1.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Wheat and Derivatives</td>
<td>0.3</td>
<td>1.2</td>
<td>0.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Cassava</td>
<td>20.8</td>
<td>15.8</td>
<td>1.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Leaves</td>
<td>6.7</td>
<td>2.8</td>
<td>11.9</td>
<td>3.0</td>
</tr>
<tr>
<td>Other</td>
<td>43.3</td>
<td>41.5</td>
<td>35.1</td>
<td>38.1</td>
</tr>
</tbody>
</table>

Data Source: LAF 2002
### Table 7: Food Expenditure Allocated to Food Item Categories, by Tercile of Total Expenditures for Rural Households by Region (2002)

<table>
<thead>
<tr>
<th>Food Items Categories</th>
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<tbody>
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<td>1 (Lowest)</td>
</tr>
<tr>
<td>% of total expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>16.5</td>
<td>33.1</td>
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<td>43.3</td>
<td>41.5</td>
<td>55</td>
</tr>
</tbody>
</table>

Data Source: IAF 2002

### Markets as Vulnerable

- **Natural Disaster: Infrastructure damage**
  - No roads, bridges, communication, market structures, buildings, financial system

- **Drought: New opportunities but also new risks**
  - Labor markets have greater supply
  - Assets in debts
    - Clients unable to pay back
    - Unable to re-stock
    - Need to have turnover to continue operating

- **Conflict/insecurity**
  - Assets under fire, destroyed

- **No markets** ➔ No new food supplies
Analyzing market response:
Effect of shock on availability

<table>
<thead>
<tr>
<th>Supply</th>
<th>Demand</th>
<th>Market prices</th>
<th>Market system</th>
</tr>
</thead>
</table>
| • Changes in expected harvest quantities  
  • Changes in commodity flows and stock levels  
  • Changes in imports and exports  
  • Release of government reserves | • Observable shifts in consumption levels & market basket  
  • Wage changes, distress sales volumes, consumption loans  
  • National or external changes affecting incomes: trade restrictions (e.g. livestock export ban) or changes in international prices for cash crops (e.g. coffee price collapse) | • Change in price levels, particularly retail prices in affected areas  
  • Changes in relative prices among markets (e.g. wages, cash crops, food crops, livestock) | • Change in market operation; outlets in crisis area  
  • State of market infrastructure  
  • Traders’ plans in response to changes in the market |

Source: Regional VAC: “Markets Module: RVAC Training Workshop: Jo’burg March 2006”

Scenarios of Change in Access

**Scenario 1:** Markets working well + prices high: Poor do not have money to buy

**Scenario 2:** Markets not working well + prices are high: Many households unable to rely on markets for food

**Scenario 3:** Markets are working well + low, steady prices: Chronically poor do not have access to food

**Scenario 4:** Markets are not working well + prices low: income shock or chronic poverty with low demand, so trade limited.

Adapted from Regional VAC “Markets Module: RVAC Training Workshop: Jo’burg March 2006”
Market Scenarios: How can you tell?

**Commodity Market Functioning**

<table>
<thead>
<tr>
<th>Food Prices</th>
<th>High</th>
<th>Poorly</th>
</tr>
</thead>
<tbody>
<tr>
<td>HH purchasing power</td>
<td>Market movement</td>
<td></td>
</tr>
<tr>
<td>Price levels</td>
<td>HH purchasing power</td>
<td></td>
</tr>
<tr>
<td>Traders in m’kt</td>
<td>High transport cost</td>
<td></td>
</tr>
<tr>
<td>Active markets</td>
<td>Market movement</td>
<td></td>
</tr>
<tr>
<td>Price levels</td>
<td>Reliance on market</td>
<td></td>
</tr>
<tr>
<td>Chronic poor still have problems</td>
<td>HH purchasing power</td>
<td></td>
</tr>
</tbody>
</table>

Adapted from Regional VAC “Markets Module: RVAC Training Workshop: Jo’burg March 2006”

**Functioning markets: Market integration**

- Flows as important
- Response between markets
- Seasonality in flows

Key components:
- Infrastructure
- Legal structures
- Facilitating Policy
- Security
Market measurements: The Usual Suspects

- Market access and participation of hhs
  - % of food from own prod vs markets
- Sources of Income
  - Changing income sources under stress
- Terms of trade
  - consumption good/income good (or wages)
- Prices
- Production (= availability?)

Prices

- Think of them as signals
- Need to understand markets to understand what they are saying
  - High prices
  - Low prices
  - Price variability
  - Who is affected by price changes
- In an Agricultural Economy, one year is not enough data to understand, much less one month or a single set of observations
Objectives of the Vulnerability Analysis

- Determine who is in need of assistance
  - Characteristics of population with identified need
  - Identify sources of vulnerability
    - Factors contributing to vulnerability

- Responses: Help to identify what is needed
  - For how long?
    - Until next harvest? For a full year? Until employment obtained? Until indicators look good? Until markets function?
Key aspects

Markets are key in all the following:

- Income
  - Labor
  - Products
- Food Source
- Assets

Markets are dynamic

- Will change with shocks
- Will change with responses to shocks

Mozambique Data Sources

- IAF
- TIA
- SIMA
- FEWS NET
- AVISO PREVIO
- Research documents from IFPRI, MSU, UEM, etc.
Obrigada

MSU Food Security Group
http://www.aec.msu.edu/fs2/index.htm

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