World Food Programme

SAVING LIVES CHANGING LIVES

Anticipatory Action: Economic and Market considerations

Technical note

Anticipatory Action (AA) refers to providing assistance ahead of predicted hazards based on forecasts to prevent or reduce acute humanitarian impacts before they fully unfold. Over the past decade, WFP has scaled AA programmes to cover 6.2 million people in 44 countries ahead of floods, cyclones and droughts, supported by evidence showing it to be an effective way to protect food security.

Understanding pre-shock market dynamics – often not included in market assessments – **is critical to ensure effective AA interventions.** Interventions that rely on local markets just before a climate shock—such as cash transfers, vouchers, or local food procurement—can be impacted if those markets are already disrupted, whether from speculation, supply chain challenges, or price fluctuations due to seasonality, especially in fragile settings.

In the context of widespread funding shortfalls and economic volatility in hazard-prone countries, **it is more critical than ever to maximize the impact of every dollar spent and ensure appropriate assistance is provided before, during and after a shock.**

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SCOPE AND PURPOSE OF THIS DOCUMENT

This technical note provides recommendations for AA practitioners, supported by VAM officers, on how to integrate economic and market considerations in AA to better protect people's lives, livelihoods, and food security ahead of a forecasted climate shock.

This document complements broader guidance on anticipatory cash and economic considerations for cash operations, drawing on existing resources, including Market Functionality Assessments, market data, price monitoring systems, and inflation trends.

Cross-functional collaboration from the outset in applying these recommendations is essential. Their effective implementation will rely on prompt analysis from the VAM team, guided by the expertise of the AA practitioners and in coordination with CBT and Supply Chain colleagues.

RECOMMENDATIONS

The recommendations in this section are relevant at various stages of the AA activation timeline, as illustrated in the diagram below.

The recommendations outlined are applicable to both modalities, cash and in-kind, even if most plans and activations consider cash modalities.

Ideally, all recommendations should be applied for better outcomes. However, some may not be applicable or feasible in some contexts. It is important to tailor and adjust the recommended actions to the specific context to ensure they are both effective and efficient.

1. UNDERSTAND AND ENHANCE KEY MARKET DYNAMICS AROUND NATURAL-HAZARDS

OBJECTIVE:

Understand and support market functioning before and during Anticipatory Action interventions to help maintain food availability and price stability.

WHEN?

Prior to the hazard season and before any AA activation. Country office efforts to improve market dynamics could be ongoing, beyond AA interventions.

KEY ACTIONS:

- **Review market functionality data and assessments or collect market insights:** In close collaboration with VAM colleagues, identify the market information needed to support effective AA interventions—such as supply chain resilience, price stability, traders' capacity, and local cash availability. Start by reviewing latest market assessments, including the Market Functionality Index (MFI) and other assessments from WFP and partners, and discuss findings to understand their implications for AA. Where assessments are planned, explore the possibility of including hazard-specific and seasonal risk considerations. If recent or relevant insights are lacking, complement existing data by engaging directly with local market actors to understand supply chain dynamics, potential disruptions, and their capacity to respond to increased demand (e.g., How do retailers cope with re-stocking before, during and after floods or droughts? Is there usually sufficient cash availability? – see recommendation 4). Consider using tools such as trader surveys and key informant interviews to gather this information.
- **Implement risk mitigation measures or Market Development Activities:** Address any identified market risks – captured by the MFI or other assessments – in advance of AA interventions. This can be done by implementing risk-mitigation measures – like those suggested in the Market Functionality Index Mitigation Measures – or by implementing Market Development Activities (MDAs) that strengthen market systems in hazard-prone areas – as those outlined in the MDA Guidance. Examples include retailer capacity strengthening on stock management, organizing temporary markets, and improving market linkages to reduce lead times. Discuss with RAM/VAM and supply chain officers what may be suitable activities for any market challenges faced.
- **Integrate market-related feedback:** Review data from complaint and feedback mechanisms (CFMs), after-action reviews (AAR), post-distribution monitoring (PDM), and other relevant sources in coordination with Programme and M&E colleagues to identify concerns or challenges related to market access, pricing, or supply during past interventions (see more on recommendation 3).
- **Issue early warnings to market participants:** Where appropriate and possible, enable local markets to prepare for increased demand ahead of AA cash injections or distribution activities. Encouraging key market actors—such as retailers, wholesalers, and transporters—to pre-stock essential goods ahead of the hazard season or a forecasted hazard can help prevent the depletion of goods and price spikes. However, in less competitive markets, where retailers lack the capacity or incentives to increase stocks in a timely manner or may raise prices in anticipation of assistance, advance warnings can backfire and should be avoided. Local partners and market experts should assess whether such communication is appropriate, to avoid price manipulation. In all cases, it is recommended to work in parallel on increasing the market's capacity to reduce lead times and increase stocks by implementing risk mitigation measures and/or Market Development Activities.

CONSIDERATIONS:

- This is relevant for both cash and in-kind operations, especially where local procurement or commodity vouchers imply reliance on local market supply.
- In some cases, it may not be clear where people will purchase after an AA intervention, making it difficult to understand which markets to look at. However, where hazards are recurrent, there may be indications of likely spending patterns and whether people can shop in local markets before displacement or disruption occurs. Where relevant, WFP or the government can anticipate to retailers that warnings may be issued ahead of the hazard season – as indicated above, always considering the implications for the context.
- Depending on whether WFP has contracted retailers or not there could be different activities or approaches that are more suitable – however, many MDAs or mitigation measures can be applied in the absence of contracted retailers. It is important to adapt measures or activities to the context.

2. REVIEW AND ADJUST THE TRANSFER VALUE

OBJECTIVE:

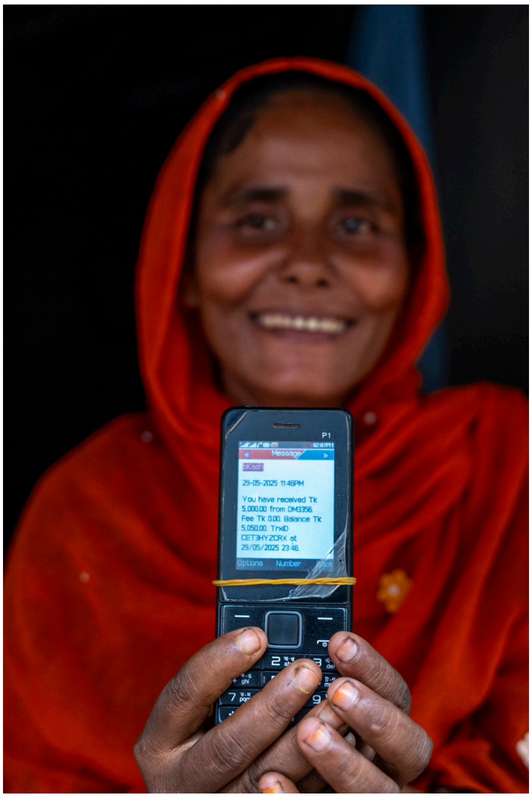
Ensure the transfer value reflects current market prices to protect people's purchasing power.

WHEN?

Prior to the hazard season either through an Anticipatory Action Plan (AAP)[1] update or before activation in the Internal Fund Request (IFR)[2], to account for any further changes with respect to the AAP (mostly in cases of significant price volatility).

KEY ACTIONS:

- **Set a threshold for reviewing the transfer value:** Determine in which cases you will consider adjusting the transfer value due to price changes, agreeing with other humanitarian cash actors and national or local government as suitable. For example, if prices increased by more than 15% since the transfer value was last set or updated, then it can be reviewed[3].
- **Compare price changes against the threshold:** RAM/VAM colleagues can help calculate price changes since the transfer value was last set or updated. Depending on the data availability, this can be determined based on inflation, food inflation, or price monitoring data (e.g., basket costs)[4]. In volatile contexts ensure you keep monitoring prices at a monthly frequency since the onset of the hazard season.
- **Recalculate and adjust the transfer value:** If prices have changed considerably, RAM/VAM can estimate a revised transfer value taking into consideration the price increases. Before implementing any change, ensure you align with the Cash Working Group or other coordination mechanisms needed, clearly making the case for the adjustment.
- **Document the changes:** Document any adjustments clearly, explaining the rationale behind the changes. This is crucial for accountability, transparency, and audit compliance. The documentation (e.g., a Note for the Record, in the AAP, IFR, or SOPs) should include context, calculations and justifications, especially if changes differ from actual price increases due to factors like funding constraints or alignment with government transfer values[5].



1 An Anticipatory Action Plan (AAP) is a needs-based, pre-agreed plan valid for up to 4 years, which consolidates the key information required to deliver timely action ahead of predicted climate shocks. This includes details on forecast thresholds and triggers, readiness and anticipatory actions, targeted populations, budget, and M&E plans.

2 An Internal Funding Request (IFR) is a 2-page document with which Country Offices request the funds needed for an activation once there is evidence that the pre-defined forecast trigger has been met. The IFR converts the AAP into a resource-based plan that clarifies the scenario that has been triggered and includes an updated planned beneficiary numbers and budget based on available resources in the given year.

3 Each CO may have a different threshold, sometimes agreed with Cash Working Groups or other actors. WFP's transfer value guidance recommends adjusting the transfer value whenever there is an increase of 10-15% since the last update of the transfer value.

4 For calculating the cumulative price increase based on an inflation or price change rate (%), the changes from the different periods can be aggregated in the following way to arrive at the updated price: Updated price = previous price * (1 + % price change in period 1) * (1 + % price change in period 2) * … * (1 + % price change in period N); being N the number of periods (e.g., months) since it was last updated and adding as many elements/months as needed. For calculating the cumulative price increase based on a price index (e.g., a national Consumer Price Index or the MEB value): Updated price = previous price * new index price / previous index price; with the previous index price being the one corresponding to the same period when the AA transfer value was calculated.

5 Note the Cashbook includes the latest guidance, tools and templates on transfer value setting and documentation.

CONSIDERATIONS:

- Note that in contexts where the hazard season coincides with the lean season, AA assistance may happen when there is limited food availability, constrained market access, and higher prices. For example, in South Sudan floods usually occur when food prices are 25% higher due to the lean season, limiting the purchasing power of any potential AA assistance[6].
- Even if it may be ideal to adjust the transfer value due to price fluctuations, it may not be possible due to other considerations including social cohesion, alignment with the transfer value set for government programmes, other partners, or other programmes.
- Consider any relevant regional price differences if the transfer value is set at a national level and use projected prices when available, especially in volatile settings.
- In some cases, because of short operational timelines (mostly in the case of fast onset hazards), it may not be possible to adjust prior to an activation. For example, if the purchase requests (PR) and purchase orders (PO) have already been raised in the system.
- It is especially important to align transfer value decisions with the relevant coordination bodies in the country. Depending on the context, this may include Cash Working Groups, Disaster Risk Management platforms, AA working groups, or other platforms. While these coordination bodies should not dictate the transfer value, coordination is critical.
- In cases of significant price and currency volatility or where food availability is reduced due to seasonality or others, consider if the planned modality is still suitable; efficiency of modalities can be impacted differently.

6 Comparing US dollar prices for sorghum for 5 years, the lean season average prices in South Sudan are 23% higher than in other periods of the year. Source: DataViz, CO price data collection.

EXAMPLE: ETHIOPIA’S TRANSFER VALUE DOUBLED BETWEEN HAZARD SEASONS

In Ethiopia’s Somali Region, anticipatory cash assistance transfer values are generally set in coordination with both the Somali Region and National Cash Working Groups (CWGs). However, these values are not reviewed at regular or predictable intervals.

For example, between the October–December 2024 and March–May 2025 seasons, the transfer value for AA interventions nearly doubled – from ETB 7,700 to ETB 15,300 – to account for rising prices and maintain alignment with the Somali Region CWG.

Not doing regular adjustments to AA transfer values – particularly ahead of the hazard season – can create misalignments and undermine the effectiveness of the programmes if price increases significantly deteriorate purchasing power.

3. ASSESS AND INCORPORATE MARKET INSIGHTS

OBJECTIVE:

Strengthen the efficiency and effectiveness of future AA interventions by drawing feedback on how markets responded to a previous intervention.

WHEN?

After an AA intervention

KEY ACTIONS:

- **Capture community experiences:** Gather feedback from affected populations to understand how they perceived and experienced the intervention, particularly in relation to markets and economic factors. Use existing Community Feedback Mechanisms (CFMs) to gather insights and conduct Focus Group Discussions (FGDs) where needed to identify what worked well and what could be improved. For example, were people able to buy what they needed? Where did they shop? Did prices increase significantly before the hazard either related to the AA intervention or other dynamics?
- **Capture market actors' experiences:** Explore how local markets responded to the AA intervention. To gain insights, use interviews or FGDs with retailers and other key market stakeholders (e.g., farmers supplying markets, wholesalers, or others as relevant). If an MFI is upcoming soon, retailers' engagements can also be leveraged to capture hazard-specific market dynamics. For example, were retailers able to meet demand? Were prices stable? Were there any unintended effects on supply chains or availability? If warnings were issued to market actors, check how they were acted upon.
- **Document learnings and inform future interventions:** Clearly record market-related findings in After-Action Reviews (AARs) or other Monitoring and Evaluation efforts. Ensure lessons inform future activations and reflect any necessary changes in the AAP.

CONSIDERATIONS

- Set aside the budget and time for it as needed to make sure the feedback is incorporated in a timely manner. Ensure all relevant functional areas are aligned with respect to capturing market-related feedback.

4. ENSURE COORDINATION AND ENGAGE STRATEGICALLY

OBJECTIVE:

Ensure the ecosystem is supportive of AA by engaging with key stakeholders, including government entities, private sector – including financial institutions and market actors – and other critical stakeholders involved in transfer value setting, market functionality, food availability, and early warnings, among others.

WHEN?

Throughout the entire cycle, but particularly during planning phases and in the lead-up to an AA activation.

KEY ACTIONS:

- **Clarify roles and coordination mechanisms:** Identify who does what in advance, in relation to market monitoring and information sharing, including with other key stakeholders to avoid duplication or conflicting information. Ensure internal coordination between AA and RAM/VAM teams is established ahead of any intervention.
- **Engage with financial and regulatory stakeholders:** Engage Financial Service Providers (FSPs) and, where applicable, central banks to flag and resolve potential liquidity gaps ahead of an AA activation. Proactively assessing liquidity availability is critical to ensure timely and sufficient cash disbursements, especially in remote or underserved areas. Confirm agent locations and their ability to meet projected demand. If needed, coordinate with finance partners to arrange temporary liquidity support or advance cash placement (including over the weekends and national holidays).
- **Engage with private sector market actors:** Discuss and negotiate as needed with relevant market actors, including food suppliers (producers, importers, manufacturers, wholesalers, and retailers), and transporters. Insights from these actors are critical to understand how market dynamics evolve.
- **Advocate with relevant actors:** Maintain dialogue with key stakeholders such as government ministries, agencies issuing early warnings, market actors, and humanitarian coordination platforms. Advocate for timely access to information (e.g., on market forecasts, or food availability) or programmatic changes (e.g., for implementing adjustments on transfer value in coordination with the Cash Working Group and the Government), alignment, and collaboration to avoid duplication of efforts or bottlenecks.

CONSIDERATIONS

- Invest in relationship-building and preparedness ahead of time to ensure smoother collaboration during activation.
- Global HQ can support COs with strategic engagement with other stakeholders.
- The nature and ownership of WFP's coordination and advocacy role may vary depending on the delivery model: In Government-led but WFP-funded interventions, WFP may play a strong co-design and technical support role, ensuring government systems are ready to deliver. In Government-led and Government-funded responses, WFP's role may shift towards a technical advisory or advocacy role, supporting full national ownership. In WFP-led interventions, WFP should assume full leadership and responsibility for coordination, delivery, and stakeholder engagement, in alignment with the Government.

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