**D1 Project Description**

**PROJECT TITLE**: Efficient Markets, Political Violence, and Food Crises

**PROJECT AIMS AND BACKGROUND**

**The problem**

Political violence, in some form and to some extent, defines the daily life of people in many low- and middle-income countries. The reasons for political violence vary and can be linked to insurgency against the local and central governments or to people’s protest due to governments’ policies, among others. A common attribute of violence is that it happens—by design or as a side-effect—where people are. As such, it impacts—directly or indirectly—the wellbeing and, indeed, livelihood of people. For instance, a suicide truck bombing in a market of Mogadishu (Somalia) on 14 October 2017, which killed more than 500 people, had an immediately chilling effect on marketplace activity (Burke & Ahmed, 20 December 2017).

Conflict can lead to food insecurity. People living in poor, marginalised states with dysfunctional institutions often struggle to source and buy food and other necessities, or to move around their own countries, stymied as they are by conflict, territorial fragmentation, and failures in transport, communications, and market enforcement. These issues would serve as a major impediment for normally functioning markets in otherwise functional economies. At the same time, in places where the rule of law is scarce but informal institutions are prominent, markets appear to be surprisingly resilient in the wake of such adversities. Commenting on the resilience of Mogadishu after the truck bomb, one Somali noted that, “There is a blast in Mogadishu destroying whole buildings and you see the next day people start renovating. Life goes on. Those who died have died. We have to think about those who live now. They need life.” (Burke & Ahmed, 20 December 2017).

This project will study food markets in many cities across Africa and Southeast Asia to address two interrelated overarching questions: (i) **How does conflict affect consumers’ well-being by altering the proper functionality of food markets?** (ii) **How does conflict alter farmers’ well-being by impacting their decision to strategically store their produce over the course of the post-harvest period?** In addressing these questions, this study will prepare an answer to highly relevant policy-oriented questions: (iii) **Can we predict when, where, and how conflict will lead to food insecurity?** (iv) **How can informal institutions mitigate conflict-related food insecurity?**

**Aims**

First, we will develop an innovative spatiotemporal framework that links market integration with (1) the rule of law and ethnic disparity within and between conflict-affected states; and (2) different types of conflict initiated by different types of conflict actors. Second, we will use this framework to understand the effects of conflict, and potential mitigating factors, on food security in places that are geographically or ethnically detached from the rest of the country or region. Third, we will apply the framework to elicit early warning signals of food crises and famines in response to elevated levels of conflict and violence.

**Background**

With efficient movement of goods and information between markets, we would generally expect prices for the same goods to be similar in different cities thus eliminating opportunities for arbitrage. Likewise, with capacity to store non-perishable goods, such as cereal grains for example, we would expect that prices for the same goods to only increase at par with storage costs over the crop marketing year. Any deviations from these “law of one price” states, both in spatial and temporal contexts, would indicate market inefficiencies.

In the spatial context, studies of market integration are oriented to finding the barriers that mean that prices are *not* the same (or do not adapt sufficiently swiftly) within the same countries, or between adjacent countries within a region. The primary suspects, as a barrier to market integration and full price transmission, are typically borders and distance. Dillon and Barrett (2016), for example, examine markets across East Africa and report an average elasticity of 0.42 of the local maize prices with respect to the global maize price, with the measure ranging from 0.22 in Kenya to 0.82 in Ethiopia. Baquedano and Liefert (2014) analyze price transmission for the same four cereal grains that we consider in the present study, concluding that although local markets tend to be integrated with global markets, aggregate (cross-country) elasticities of price transmission from global to local markets range from 0.16 for sorghum to 0.32 for wheat, with country-specific elasticities ranging from indistinguishable from zero (e.g., for maize in Burkina Faso, Niger, and Zambia) to well in excess of 0.5 (e.g., 0.76 for rice in Senegal, or 0.73 for wheat in Ethiopia). Mengel and Cramon-Taubadel (2014) find that markets within country are more likely to be co-integrated than markets between countries, while markets separated by great distances (both wihin and between countries) are slower to adjust prices, and have lower co-integration. Distance has negligible effects between international markets. Borders do not always or necessarily align with sovereign dividers between countries. Ethnic division, which may segregate smaller regions within a country, or extend a region across two or more countries, may be a more apparent barrier to trade and, therefore, for market integration (Aker et al 2010, 2014). Likewise, distance is not only and necessarily measured in kilometres. For instance, a hundred-kilometre road connecting two cities may be associated with small or large amounts of transaction costs, depending on whether potential perpetrators tend to raid the people—traders in this instance—travelling the road.

In the temporal context, the lack of storage has been an ongoing issue for decades in many low- and middle-income countries [need to add citations], so much so that is has been dubbed as the “storage puzzle” (e.g., Cardell and Michelson, 2023). Even if it is seemingly more profitable to retain the crop for a later resale, for example during the lean season, farmers opt for immediate disposal of the harvest. The lack of storage facilities may be a part of the reason. But there is seemingly more to that. As it stands, conflict may have something to do with it. Whether selling the crop at harvest may be seen, by farmers, as a measure to mitigate the risk of becoming a target of an attack by perpetrators.

Connecting market integration to institutional and other factors has been more tentative. Market integration of prices across a putative territory is a plausible method of determining whether the markets are operating as if they are within a single country. The prevailing assumption and finding across many studies of states with fragmented, dysfunctional, or non-existent formal economic institutions is that there will be considerable price dispersion in different markets across relatively large distances (Aker, 2010; Aker & Fafchamps, 2014; Aker & Mbiti, 2010). Indeed, the main reasons for lack of market integration in Africa are risk, lack of information, poor infrastructure, and lack of government capacity (Rashid et al., 2010). The lack of market integration in states without robust formal institutions could be for one or several reasons. First, the ability to broadcast power in Africa has been measured by the extent and location of road networks (Herbst, 2000), with the implication that states that are unable to exercise effective control are unable to build or maintain roads across the territory within their internationally defined borders. A lack of roads would increase transaction costs between different markets, resulting in a difference in market prices. Indeed, the cost of transport over low-quality roads is a major consideration in developing countries, and is often a larger source of price dispersion than borders in many landlocked African countries (Dillon & Barrett, 2016; Minten & Kyle, 1999; Versailles, 2012).

Second, political fragmentation and violence mean that different, often hostile actors govern food markets in different parts of a country, and that traveling between markets, as well as outsider involvement in markets, is difficult due to poor security and barriers to moving between markets (Hastings et al 2022), thus leading to an inability to efficiently move food around, to, or from a country. To that end, the presence of roads will not necessarily result in a spatial equilibrium between the markets—the presence of conflict actors along the road may serve as a barrier too big to overcome. Moreover, the lack of functioning formal state institutions means that state enforcement of contracts and resolution of disputes is patchy or uneven (Börzel, Hönke, & Thauer, 2012; Krasner & Risse, 2014; Scott, 2010). While there are ways around a lack of state dispute arbitration, these methods do not necessarily scale well, or operate across larger distances or with strangers, including among ethnically diversified groups, making arms-length inter-city trade difficult, and resulting in differential prices (Greif, 1993; Haggard, Lee, & Noland, 2012; Robinson, 2016). Non-political boundaries can also decrease market integration. In Africa, for example, ethnic boundaries serve as a barrier to integration (Aker et al 2010, 2014). Thus, political fragmentation and conflict can affect market integration, which in turn can imperil populations’ food security.

**INVESTIGATORS/CAPABILITY**

The project team is structured so as to bring the project to a successful conclusion. Because the links between conflict, markets, and food security are inherently interdisciplinary, we draw investigators from both political science and economics, and bring in expertise in multiple theoretical perspectives, methodologies, and geographic areas. As an expert in agricultural economics and non-linear time series econometrics, CI Ubilava has extensively studied regime dependencies in international commodity price behavior, and price co-integration within commodity groups. He will be particularly involved in econometric analysis of price and conflict data. CI Hastings has published extensively on security issues, political economy, and fragile states in both Africa (primarily Somalia) and in East and Southeast Asia (primarily North Korea and Indonesia, as well as other countries in peninsular and archipelagic Southeast Asia). Hastings will be especially involved in providing substantive knowledge of countries in Africa and Southeast Asia, as well as developing methods to characterize the links between market integration, conflict, institutions, and food insecurity. As an expert in forecasting and business statistics, with a special interest in forecast combinations and model sensitivity, CI Vasnev will contribute to the assessment of time-series models and their forecasting performance. He will take the lead on managing and delivering the forecasting tool website. CI Amarasinghe […] All members of the team will be involved in the publication and dissemination process. Hastings, Ubilava, and Vasnev in particular also already have experience co-authoring with each other, which will ease the team’s ability to published in high-quality international publications. All have extensive domestic and international collaborations, and will use the project to further build Australian and international collaborations.

**PROJECT QUALITY AND INNOVATION**

**Importance and innovation**

We make several contributions to the study of market integration and food insecurity in conflict-affected states. First, we demonstrate the use of readily available data on both market prices and conflict as a way to understand internal dynamics in states with otherwise poor, biased, or non-existent data. Such data offer insights into the political processes that underpin either change or stasis within markets, such as the capacity to enforce rules, uphold contracts, and resolve disputes. Given that market prices are usually collected in daily or monthly increments in individual markets, and recent conflict data is collected to relative specificity, even in fragile states, this approach can also give us much greater granularity in understanding political and economic events in data-poor countries than has previously been the case. Most state capacity measures are on a yearly basis, with a country-level unit of analysis. More generally, governance data are simply often not available for many fragile states, and only states with data are being measured, which leads to an upward bias in data. That is, governance indicators may appear to be higher on average across the globe than they actually are because the lowest performing countries are not included (Coggins, 2016). Moreover, the governance indicators that are available for virtually every country (such as the World Bank Governance Indicators) tend to exist only at the national level. While this is not a problem for countries that have relatively robust central governing institutions, it is a problem for those that do not, precisely because they are also more likely to have internal divisions that can hinder consistent levels of governance being applied across the entire country. Conflict and market integration analysis is, therefore, a means of drawing out and measuring intra-country differences in governance.

Second, differing levels of market integration are generally seen as the *result* of impediments (such as distance, transport costs, and borders) to the transfer of information, goods, and people between markets. Our innovation is to take market integration as a *measure* of other concepts at work in fragile states, including the potential for food insecurity. This is innovating on the idea that fMeasuring the extent to which markets across a country or between countries are integrated, in terms of the dispersion or convergence of prices for the same items, or in terms of the extent to which prices change over the post-harvest season, can tell us about the nature, relevance and magnitude of potential barriers, notably conflict, to trade and to storage. By establishing regular spatial-temporal patterns connecting conflict, market integration, and food trade and storage, our project can also provide an early warning system for potential food crises in the face of conflict.

Third, [this is where we might have a few words on combining spatial and temporal analysis]

**Approach**

We take a four-fold approach to address the link between conflict and food security. The approach combines rigorous time series analysis of market integration and agricultural price forecasting, with a conceptual framework that links conflict, market integration, institutions, and food security (and insecurity) and substantive knowledge of the formal and informal institutions across Africa and Southeast Asia.

First, we look at the extent to which markets in each region are integrated across and between the countries. Using market price data, we can track price dispersion across markets, changes in price dispersion over time, and speed of price transmission between markets, all conditional on distance between markets, transport costs, and formal and informal geographic boundaries. In our analysis, we build on previous research on that looks at market integration, both within countries and between countries, as measured by price co-integration, price transmission speeds, or both (Dillon & Barrett, 2016; Goodwin, Holt, & Prestemon, 2011; Hood & Dorfman, 2015). In a world where information about prices and other traders is easily available, where transport prices and costs are low, and where formal institutions provide minimal impediments and are well functioning, we would expect the difference in prices between cities to be low, inasmuch as traders would otherwise use the differences as an opportunity for arbitrage.

The basic principle of this hypothesis suggests that prices of the same commodity in two spatially separated markets will co-move if the commodity can be transported between the markets. Otherwise, price dynamics in the two markets are likely to be disentangled. To briefly illustrate, consider a pair of markets, denoted by and . Let the prices in these markets in period be and , respectively. Suppose the transaction costs are paid in form of a barter. To that end, we can introduce the so-called “leakage” factor, , which is a share of the commodity that is lost during its transportation from to . Thus, the further apart (typically geographically, but also politically, institutionally, etc.) are the two markets, the higher are the transactions costs, and the closer is to one.

The concept of “leakage” is particularly well-suited for conflict-prone states, where the transportation cost may not even be the most substantial component of transactions costs. For example, there is always a chance that a military group can seize some or all the cargo from an arbitrageur, leading to the partial or complete leakage. Regardless of the source of leakage, the per-unit profit of an arbitrageur from to is given by . It follows that the no profitable arbitrage condition is given by . Similarly, the no profitable arbitrage condition from to is given by . In these arbitrage conditions, captures all the transaction costs, including a normal economic return for all the work involved in the process. Combining the two inequalities, and taking natural logarithms gives the transactions costs band: . Thus, if the log price differential, in absolute terms, is less than , it is not worth an effort and a risk for arbitrageurs to engage in trade; otherwise, the trade will happen, and we will observe adjustment in the prices.

Second, we look at how conflict affects market integration within and between countries. Distance, borders, weather, and transport infrastructure can all lead to a permanent or temporary slowdown in price transmission or an increase in price dispersion. However, conflict also lead to disruptions, which is associated with a decrease in market integration, and food insecurity. Conflict incidents, which are common in both Africa and Southeast Asia, can pose significant problems to flows of people, information and goods (particularly food) between cities. The markets themselves might be destroyed, the market participants might be killed or flee, and battle lines may make movement difficult (Hastings et al 2022). Conflicts initiated by civilians, such as protests and riots, are likely to have different impacts on market integration, and thus food insecurity, than those started by armed groups (the state, militias associated with elites, or armed rebel groups), such as battles, explosions, or attacks on civilians (ACLED). In Southeast Asia, for instance, farmers might initiate protests (which may or may not turn into riots) to pressure governments to buy their rice (as they have in Thailand and the Philippines), which could increase market integration, but could protest the government allowing rice imports (as they have in Indonesia and the Philippines), thus decreasing integration with foreign markets (ACLED). Certain conflict incidents are also likely to cause food insecurity more directly, particularly given that conflict may imcrease during harvest seasons (Ubilava et al, 2023): state forces or rebel groups might attack civilians for the purpose of seizing or destroying food supplies of their enemies or enemies’ supporters, or harassing (and thus disrupting) food supply chains between markets, as has happened repeatedly in Myanmar during the current civil war (ACLED).

Third, we study the evidence of storage by examining within-crop-year patterns of price changes across different locations. Storage theory would suggest a steady increase in prices of storable commodities, such as cereal grains, from the harvest month onward and into the lean season, leading to the next harvest season. Absence of such patterns would imply some deviation from the expectation. Empirical evidence points to such discrepancies (Cardell and Michelson, 2023). Conflict and political violence may play the role in this. If the harvest-time availability of storable crops, such as cereal grains, attracts perpetrators (Ubilava et al. 2023), then it may explain farmers’ incentives to sell their produce at the earliest convenience—which is immediately after harvest. But selling produce, as alluded above, can be associated with a risk of being raided—*en route* to the market, for example. So, we could expect heterogeneity in the patterns, conditional on the prevalence of paramilitary groups in the region, the strength of the state institutions, and the distance of the agricultural region from the nearest city—the likely market for selling the produce. This heterogeneity can show where there might be food shortages in a country’s territory, even if there is no food shortage overall.

[I need to write up some more on this… DU]

Fourth, we bring in the concept of informal institutions as potentially mitigating the links between conflict and food insecurity. We understand informal institutions, particularly in fragile states, to be mechanisms that constrain or enable behavior but that do so outside of public or officially sanctioned channels (Helmke and Levitsky 2004, 727). This includes the capacity to enforce contracts, resolve disputes, and sanction behavior outside of state-based mechanisms. Non-state institutions can fulfill these roles by providing information about traders to potential and actual counterparties, building reputations for traders so they can minimize transaction costs with people they do not know, and punish defecting traders through damage to their reputations (Clay, 1997; Greif, 1993; Johnson, McMillan, & Woodruff, 2002; McMillan & Woodruff, 1999a, 1999b; Milgrom, North, & Weingast, 1990). Informal institutions (or more accurately, informal ties that are not captured by formal state-based institutions) can mitigate the problems created by the lack of formal institutions, or even those caused by conflict (Aker, Klein, O'Connell, & Yang, 2014), for instance, in a paper on agricultural prices in Niger and Nigeria find that the interaction between ethnicity and borders can lead to drastic price dispersion: close-by markets on either side of the border showed large price dispersion. This dispersion was mitigated when the cross-border markets were controlled by the same ethnic group. Conversely, markets within Niger controlled by different ethnic groups had the same price dispersion as markets in different countries, suggesting that co-ethnicity can function as an important informal lubricant in market transactions in situations where formal institutions are not strong.

Since it is difficult to measure the functioning of informal institutions directly, we look at whether levels of market integration (or dispersion), or the changes in levels of market integration over time, are more or less than expected given the structural impediments to integration, including across battle lines in the case of conflict. Our earlier work (Hastings et al., 2022), for instance, finds that price transmission in Somalia is surprisingly robust, which hints at the extent to which informal institutions are functioning, or even obviating formal institutions. A potential explanation for this is that informal institutions that allow Somalis to build trust, exchange information, and enforce contracts have flourished in Somalia in the wake of the collapse of centralized political authority, and that allow Somalis to do business across barriers that retard, but do not completely sever, the movement of information, goods and people between markets. Somalis’ ability to soldier on in the face of conflict is notable. Conversely, some types of conflict may themselves be examples of informal links and ties that may mitigate market disruptions, For example, farmers’ protests across a country may show a network of people and communication across a country’s territory, and even a rebel group’s activity within a given territory may suggest alternative governance in part of a country that could facilitate market integration within a part of a country.

**Methodology**

Using the approach above, we conduct market integration analysis for Africa and Southeast Asia. The two regions, as well as countries within these regions, differ from each other considerably, with widely ranging socio-economic characteristics. The most marginalized of the states do not even make the list of countries ranked by the United Nations Development Programme (UNDP) Human Development Index, and, particularly in Africa, those that do make the list, do not rank very high. We chose these two regions for several reasons. Africa as a region is the frequent subject of studies on conflict and climate (cite), and separately, on market integration (cite), and has a wealth of data on conflict, food markets, climate, and market integration. As such, it is useful as a baseline with which to compare the results of this project with others’ results. Southeast Asia, by contrast, is understudied. For its part, Southeast Asia has extensive, varied conflict throughout the region, but also a high level of variation in human development across countries, ranging from Singapore and Brunei at the top to Myanmar and Timor Leste at the bottom. Southeast Asia is also largely a food-exporting region, which presents differing food security problems than Africa. It is useful to look at Southeast Asia as a region with varying conflicts and development levels to see whether conflict’s effects on market integration, and thus food security, varies depending on type of conflict, development, governance, or ethnic cleavages. Southeast Asia is also a region of critical strategic importance to Australia. We then link the market integration results with quantitative and qualitative data on conflict, border, policy changes, and exogenous shocks, and use these effects to understand the potential for food insecurity and famines within areas of concern.

*Geography and data*

We will source the data on conflict incidents from Armed Conflict Location & Event Data Project (ACLED), which tabulates several categories of daily conflict incidents, such as armed clashes, violence against civilians, changes of territory control, etc, and includes the types of actors involved. We will use food price data collected by international organizations (e.g., the World Food Program, or the Global Information and Early Warning System) across a large set of cities, covering regions that include countries that are apparently economically integrated (among each other as well as the world) as well as countries with sub-regions that are for the purposes of governance, with a relatively distinct, though fluid, border with other regions, particularly during times of conflict. Such geographic heterogeneity will allow us to examine several interesting hypotheses related to spatial and temporal market integration. We will use ethnic data from… [Ethnographic Atlas (Murdock, 1967)]

*Research plan*

1. Map out markets and networks in Africa and Southeast Asia (Year 1)

Using the available data, specifically on prices, we will create the map of market nodes and links across Africa and Southeast Asia. [I will write up some more on this… DU]

2. Examine market integration and food insecurity in presence of conflict, ethnic linkages and informal institutions (Years 1-2)

We will also use market integration across territory and over time as a means of accounting for the functioning of formal and informal institutions, and to see how a decrease in market integration and shocks to prices can lead to potential food insecurity. In the quantitative analysis, we treat factors (both internal and external) that can impede the flows of information, people, and goods between markets as shocks that may slow down price transmission speed or could theoretically temporarily cease price transmission entirely. The data on conflict incidents across cities and rural towns of Africa and Southeast Asia will be sourced from Armed Conflict Location & Event Data Project (ACLED), available at https://acleddata.com. In terms of the ability of (informal) institutions to function in the face of conflict, however, not all conflicts are the same. Conflict where government or rebel forces are actively attempting to take over territory, as well as different types of armed violence, is anticipated to be more disruptive to the existing linkages among the markets, than protests and riots, that typically are localized in central districts of a city, and often are seen as a consequence rather than the cause of price dispersion among the markets (Bellemare, 2015). Moreover, because the data maintains records of the change of control (either peaceful or due to an armed conflict), by tracing such datapoints, we will be able to recover the timeline of a territory’s control by the central government or the rebel group. This will allow us to identify the subset of regions under common governance, be that formal or informal.

In the presence of conflict (and other shocks), the effect is essentially to create borders between markets that may or may not be permeable, and to change market participants’ behaviour. The extent to which market price integration responds to these shocks (or does not), or continues even across the borders serves as an indicator of both food insecurity in different areas, and to suggest the presence (or lack thereof) of informal institutions. To overcome these barriers, social networks, which provide credit, information, and dispute resolution to reduce transactions are perhaps the underlying factor in the functioning of informal institutions. We can bring in narrative data on specific countries from secondary sources to explore the mechanisms by which market participants change behaviour and decrease costs associated with moving people, goods, and information between markets within the country, and between the country and overseas markets, in the face of dysfunctional formal institutions and the shocks.

In all cases where data allows, we will measure how forecastable the time series and benchmark it against the markets of the developed economies. The working hypothesis that emerged from the preliminary analysis is that the time series in fragmented states can still be predicted using standard statistical models. Different economic environments can generate prices that exhibit similar statistical properties. To best of our knowledge this analysis was never performed for the fragmented economies.

Another feature of the data in fragmented economies is that the data is often incomplete or insufficient for traditional time-series analysis. We can deal with a small proportion of missing observations using a Kalman filter of Hamilton (1994). For relatively short series we need to extend our modelling to the class of global models. Global models emerged as winners in the recent M4 forecasting competition by Makridakis et al. (2018). They fit a single model for a wide range of the available time series. The model is still univariate, but the parameters are fitted using neural network method to achieve good out-of-sample performance for all series. Once the model is estimated it can be used for forecasting very short time series. Global models have a variety of applications, for example, Amazon DeepAR use them to predict the sales of the new products based on the previous launches of similar products. This methodology had an explosive development in the ‘big data’ era with the recent advances in artificial intelligence and machine learning. To best of our knowledge global models are not yet applied for fragmented economies. The benefits could be enormous as global models will allow prediction using much smaller data than the traditional models. Since data availability is one of the biggest challenges in low- and middle-income countries, the global model will allow us to deal with this challenge in the most effective way.

*3. Dissemination to stakeholders* (Years 2-3)

Finally, we will disseminate the results to stakeholders in accessible ways designed to maximize uptake of the findings and the framework. For government policymakers and non-governmental organizations in the humanitarian aid and governance sectors, we will develop a briefing and a white paper outlining the results and the framework. For scholars, we will present the findings at international conferences and write journal articles in high-impact journals. And for aid workers themselves, we will develop a forecasting website tool. The team has experience in creating high-quality public websites (ie. Our previous website [business-forecast-lab.com](http://business-forecast-lab.com/)). The website is an intuitive tool that makes the outcomes of this project accessible to the wider community. Anyone with internet access can easily obtain predictions of grain prices and market integration measures together with the uncertainty around them. This feature is especially important for the African population as there are fewer websites that cater for the needs of this part of the world. The website will include classical forecasting models as well as the novel methods developed by the team. The website will visualize and summarize the forecasting results in an easy-to-understand manner. The forecasts will be updated daily to include the latest available information.

**BENEFIT**

**Significance**

This project is significant for several reasons. First, it provides a new way to understand how the political economies of conflict-affected fragile states actually function – through informal institutions that are always there, but are often unseen and unmeasured. Much of the international community’s aid for marginalised, developing states is oriented, understandably, toward improving and consolidating formal institutions – courts, law enforcement, finance and trade ministries, customs, and the like. However, in states with high levels of conflict or other impediments to internal governance, buttressing informal institutions – building trust networks, encouraging information flows, and finding informal ways to enforce agreements – may be more immediately effective than programs focused on formal institutions. Second, the project, which links integration of cereal markets across and between countries with state capacity, and in turn links those with positive and negative outcomes, will be useful to development organizations such as the World Bank, the United Nations Development Program, and the World Food Program in targeting their programs and understanding the connection between market functionality and governance within a country.

**Benefit to Australia**

This project falls within the Science and Research Priority of “Food” and addresses the Practical Research Challenge of “Knowledge of global and domestic demand, supply chains and the identification of country specific preferences for food Australia can produce.” As such, the project and its outcomes have several specific benefits for Australia. First, by developing alternative ways of understanding governance and market function in developing countries, the project will improve the ability of the Australian government to target its aid for maximum practical effect, and for maximum influence, in Africa and Asia, particularly Southeast Asia. The framework could equally be applied to countries in the South Pacific, where Australia has recently increased its focus as it faces the challenge of surging Chinese investment in the region.

Second, the project develops an accessible framework to understand cereal market integration within and between countries, and to forecast both cereal market prices and the extent to which a country’s formal and informal institutions are facilitating (or not) trade between internal and external markets, as well to understand the effects of conflict on food prices and market integration. As such, the outcomes, particularly the framework and the forecasting tools will be useful to industry – such as cereal exporters – that wants to understand the demand for Australian cereals in many developing Asian and African countries, and the effects that political and economic risks, such as conflicts, are likely to have on that demand, and the extent to which those countries are integrated into global supply chains. In practical and intellectual terms, this project will burnish Australia’s international development credentials, and improve the ability of the Australian government and industry to build political and economic influence in developing countries, particularly in Africa and Asia. In particular, the results can help Australia understand where there are likely to be food insecurity issues, based on the locations and types of conflict and the effects on market integration, storage, and prices, thus allowing Australian aid organisations to strategically pinpoint where and when to send aid.

**FEASIBILITY**

The main feasibility concern with any project dealing with marginalised states is obtaining access to those states, and collecting reliable and accurate data. Maximizing feasibility is baked into the purpose and design of the project. First, the project’s main purpose is to take data that is already relatively widely available in marginalised states – cereal market prices and conflict data – and apply an innovative framework to provide insights into conflict, markets, and institutions that would not otherwise be possible due to the nature of the states under study. In this, the poor data environment is an advantage for our project, inasmuch as the value added by our analysis will be greater than for states with better data.

Second, the project is designed to take advantage of data that we have already collected or to which we already have access, obviating problems of data collection that would usually be the case with the study of marginalised states, reducing the susceptibility of the project to travel restrictions, and minimizing the costs associated with data collection and fieldwork. For the quantitative data, the market price data are available from the United Nations Food Program and commercial providers.

The implementation of existing methodologies and the use of previously developed tools guarantee the project's feasibility, including some models already developed in the CIs’ previous collaborations (Hastings et al 2022, Ubilava et al 2023). This will be aided by a Research Assistant with a suitable programming background. In Years 1 and 2, the RA will assist with data sourcing and management, particularly as they relate to “data cleaning” that will facilitate accurate matching of the price and conflict data. In Years 2 and 3, they will integrate and automate new data sources into the existing website structure, as well as implement Machine Learning methods for global models, and the Kalman filter for missing observations. The University of Sydney provides excellent graduates that can be employed on this project, as well as access to the Sydney Informatics Hub. The CIs have drawn on the Hub’s expertise in implementing multiple projects with similar demands.

**Implementation plan**

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| --- | --- | --- | --- |
|  | **2024** | **2025** | **2026** |
| Research | - Framework development  - Mapping markets and roads across Africa and Southeast Asia | - Examine hypotheses of spatial and temporal linkage in the wake of conflict  - Link market integration and institutional capacity | - Write-up |
| Publication and dissemination | - Paper #1 (framework)  - Presentation at ISA (San Francisco) | - Papers #2 (spatial integration) and #3 (storage)  - Presentation at ISA (Chicago)  - [add some conferences] | -Paper #4 (institutional capacity and market efficiency)  - Presentation at ISA (Columbus)  - Briefings at DFAT  - Web tool online |

**COMMUNICATION OF RESULTS**

Dissemination will be differentiate to maximize uptake by different communities.

1.For academics, we will publish **at least four articles** (one on the framework itself, one on spatial integration, one storage, and one on institutional capacity and market efficiency) in leading, high-impact political science, economics, and development journals such as *World Development*, *Food Policy*, *American Journal of Agricultural Economics, Journal of Development Economics, International Studies Quarterly*, *Political Geography*, and *African Affairs*. All have previously published our work.

2. For policymakers and aid organisations, we will prepare and deliver a **briefing paper** that lays out the framework in accessible terms, presents the results, and gives recommendations for development, targeted aid and foreign policy. In Canberra we will **brief** DFAT’sforeign development and aid programs, and the Southeast Asia and Africa teams.

3. For a sustainable benefit to analysts and the wider public, we will write **a series of short pieces** to be published in high-visibility venues, and create a **website** that will automatically import market price data for Africa as they are produced; (2) visualize market price data; (3) forecast grain prices and market integration for different countries based on (4) different modelled scenarios, including those where conflict intensity varies.

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