CATHOLIC RELIEF SERVICES

Market monitoring (and designing!) to keep cash-based programs appropriate

TOPS/FSN Network Knowledge Sharing Meeting

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faith. action. results.

What is the problem?

- Market monitoring is necessary to ensure food assistance programs are “Doing No Harm” to local markets
- “Burden of evidence” – and of monitoring – is higher with cash-based programs
- It’s hard to make market data useful in short- or medium-term programs
- It’s hard to change a program mid-way through, if market conditions change.

✓ **How we’re (trying to) use market data for program decisions**

✓ **Designing for program flexibility from the outset**

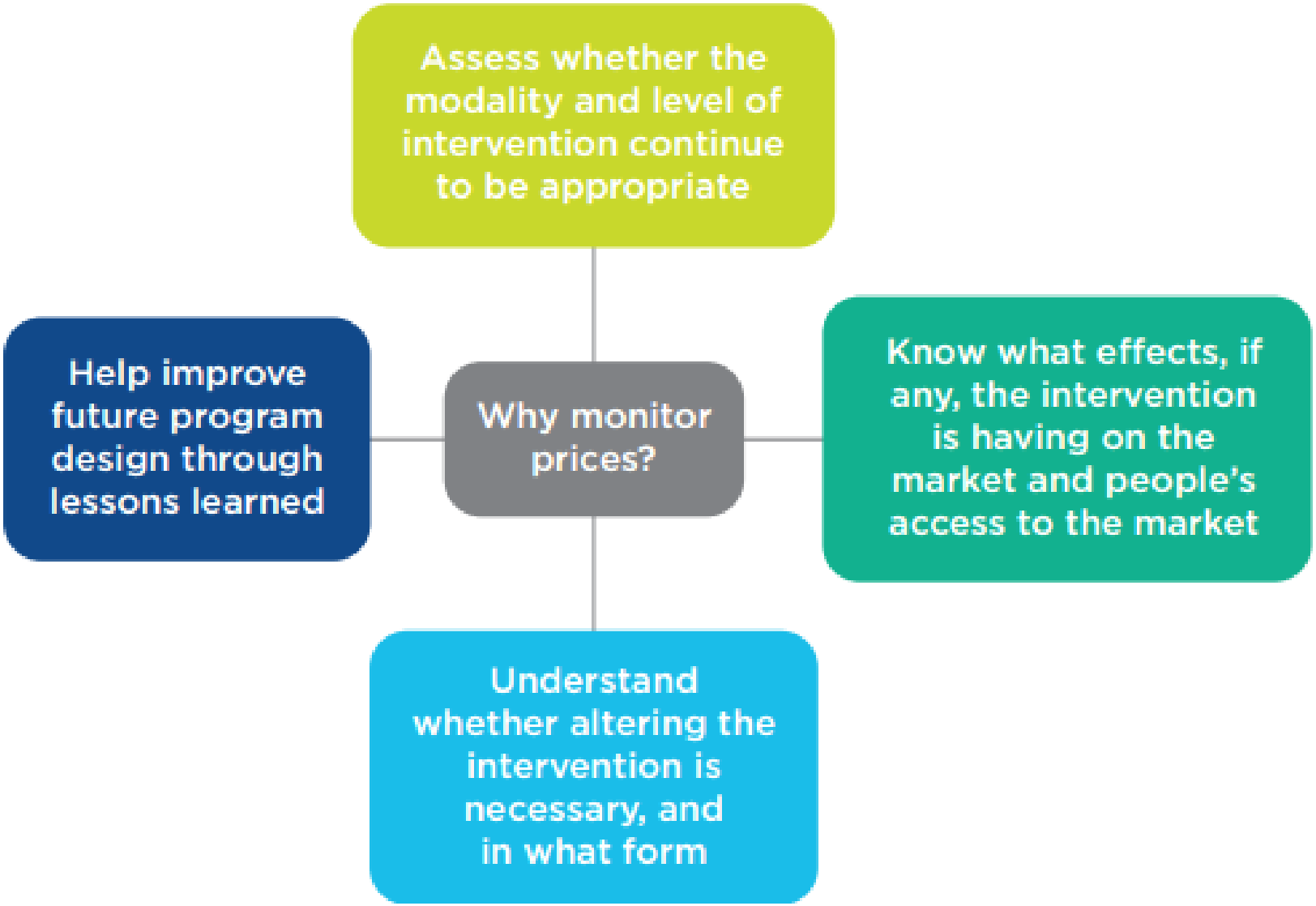
Using monitoring for program decision-making: Price/ market monitoring

Market monitoring indicators

Type of indicators	Indicators
HH level indicator:	• Physical access to markets; safety to access markets by HH
Market system level indicators	• Number of trucks/tons/container of key commodities arriving in the area per week. • Type and number of traders for the key commodities present in the market • Price of sale of key commodities • Key commodities available in the market (volume and quality) • Volume traded by big traders and estimate of total volume traded in the physical market for key commodities • Origin of key commodities & and wholesale price at procurement point (by traders who bring it to the area) • Level of stocks for key commodities
Market place level indicators	• Number of trade routes/borders open and operating, this is especially important if a lot of markets are supplied by imports (like in Syria or Lebanon) • Main terms of trade (cash, barter) • Storage capacity in town

Source: IRC, Oxfam. 2016. PCMMA manual

MARKit
price monitoring, analysis and response kit



CRS faith. action. results.

MARKit

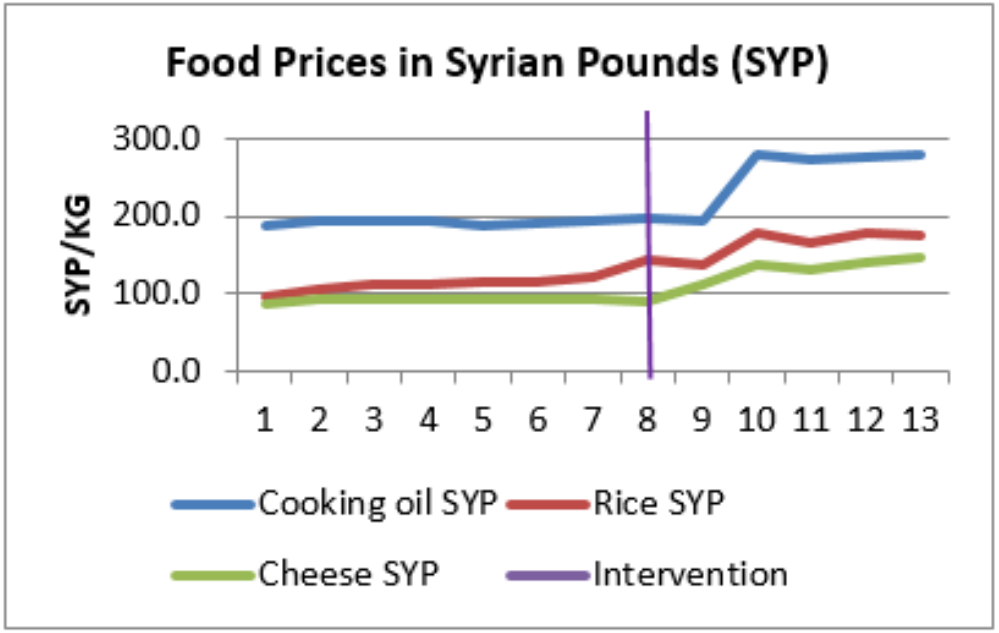
price monitoring, analysis and response kit

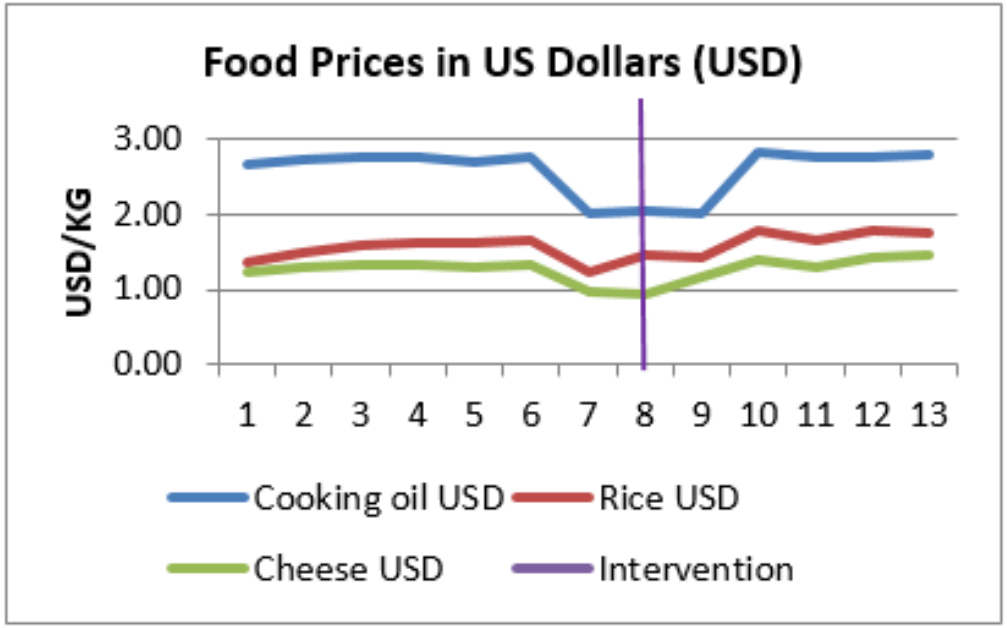
	Get Prepared	Assess the Risk	Gather Data	Calculate Price Changes	Investigate the Factors	Adjust if necessary
Key Question	**What is needed to be successful in implementation of MARKit?**	**What is the risk that the intervention or external market forces will affect prices?**	**How do we collect standard, comparable price data?**	**Are prices changing? Where and how?**	**What factor(s) is (are) causing the price changes?**	**What is the risk of continuing the intervention? How can negative price impacts be mitigated?**
MARKit Includes	**Guidance on resources needed,** advice on skills and staff time necessary	**Key criteria for high risk programs**, and a checklist for determining risk.	**Commodity identification guidelines,** standard metrics, enumeration processes	**Guidance for tracking price changes,** recommended analyses for Low and High Risk programs	**Potential factors of price changes**, price analysis tools, guiding questions for key informant interviews	**Adaptation guidelines** to respond to market impacts

Investigating the factors that cause price variation

		COMMODITIES: One/Few	COMMODITIES: Many/All
MARKETPLACES: One/Few		• Seasonality • Local supply shocks • Trader capacity/ actions • Intervention	• Seasonality • Local supply shocks • Demand shocks • Trader capacity/ actions • Intervention
MARKETPLACES: Many/All		• Seasonality • Local supply shocks • Global food prices • Policies	• Seasonality • Inflation • Currency exchange rates • Fuel prices • Large-scale supply shocks

Turkey example: exchange rate





Interpretation: When analyzing food prices in the local currency, one notices an increase in prices following the intervention (in this case, food vouchers). This may lead the analyst to conclude that the market could not meet the demand generated by the project, causing prices to increase.

Traders participating in the program indicated a significant devaluation in the value of the Syrian Pound relative to the USD right around the time of the first distribution. After prices are converted into USD, the value of commodities in USD terms is relatively stable. Prices decreased at the moment of the change in exchange rate, and returned to their previous levels after traders were able to adjust for the new value of the currency.

So…. How do we know what to do about it?

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The decision to adjust

Once the factors contributing to the price change are identified and analyzed:

1. Review the relationship between the intervention and the market system:
   - What is the risk that continuing the intervention will exacerbate the price change or other market distortion?
   - If the cause is external, can our program adjust to help mitigate the price changes?
2. Assess the risk of changing the program: physical risk/ security, food security objectives, impact on market actors, transparency, and Do No Harm.
3. Assess the feasibility of changing the program: is it worth it?

The decision to adjust
Middle East: Based on market prices/ Exchange rate

	A	B	C	D	E	F	G	H	I	J
		Proposal						December		
2	Item	Unit	# of units for	Unit Price	Total SYP	Total USD		Unit Price SYP	Total SYP	Total USD
3	Staple Foods									

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The decision to adjust
DRC: Based on market prices/ Collusion

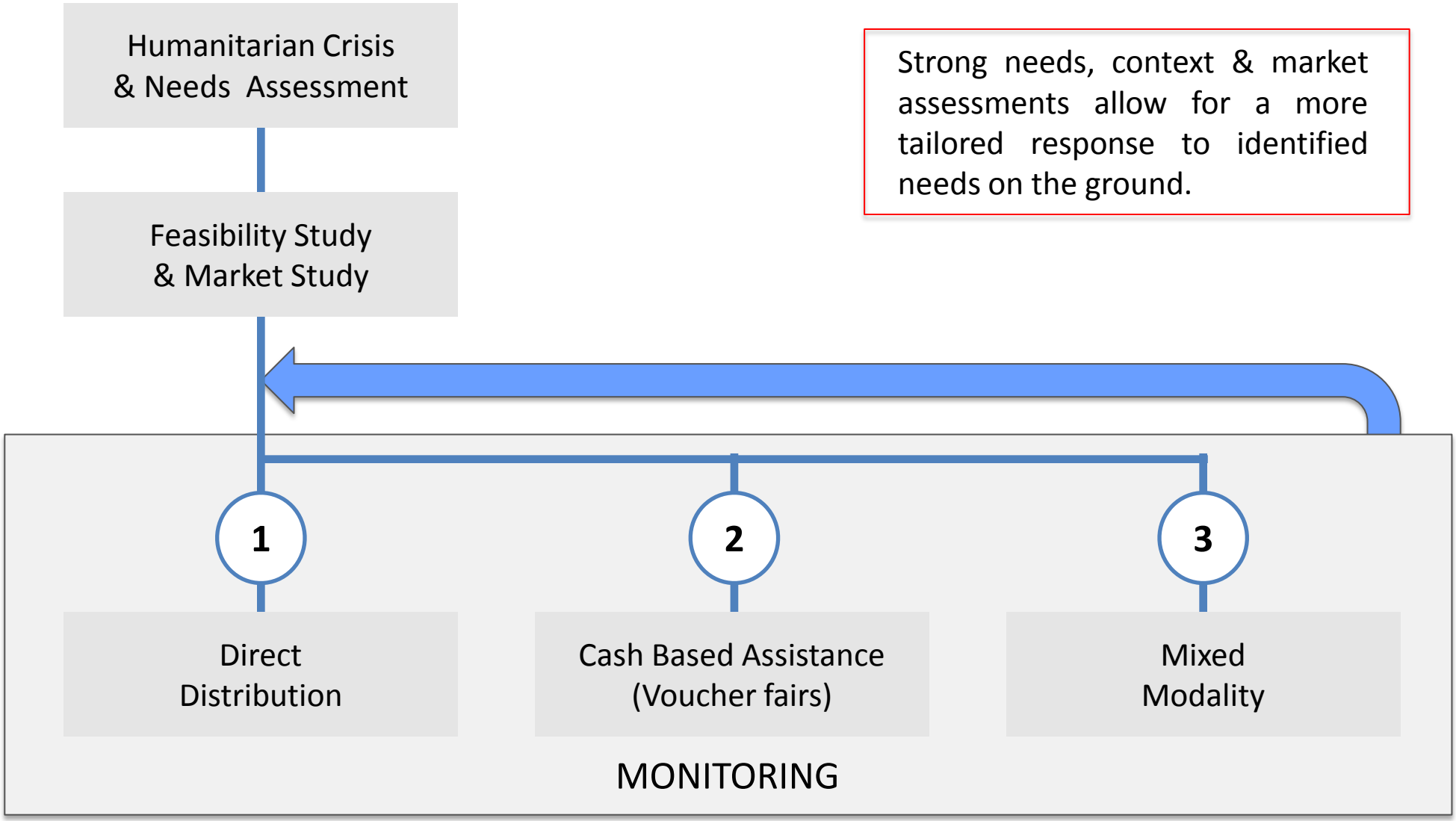
Challenge 2: Bean Prices Increased by Kitchanga Vendors

During the October fairs in Kitchanga, bean vendors attempted to raise the bean prices by 20% from 500 FC to 600 FC (for the local measure) on the first day of the fairs. Though the vendors attempted to justify the increased prices, CRS and Caritas, who had closely monitored the price of beans the previous week, felt that they were seeking to take advantage of the beneficiaries. Despite attempted negotiations, the vendors refused to reduce the price and sell the beans at current market price of 500 FC.

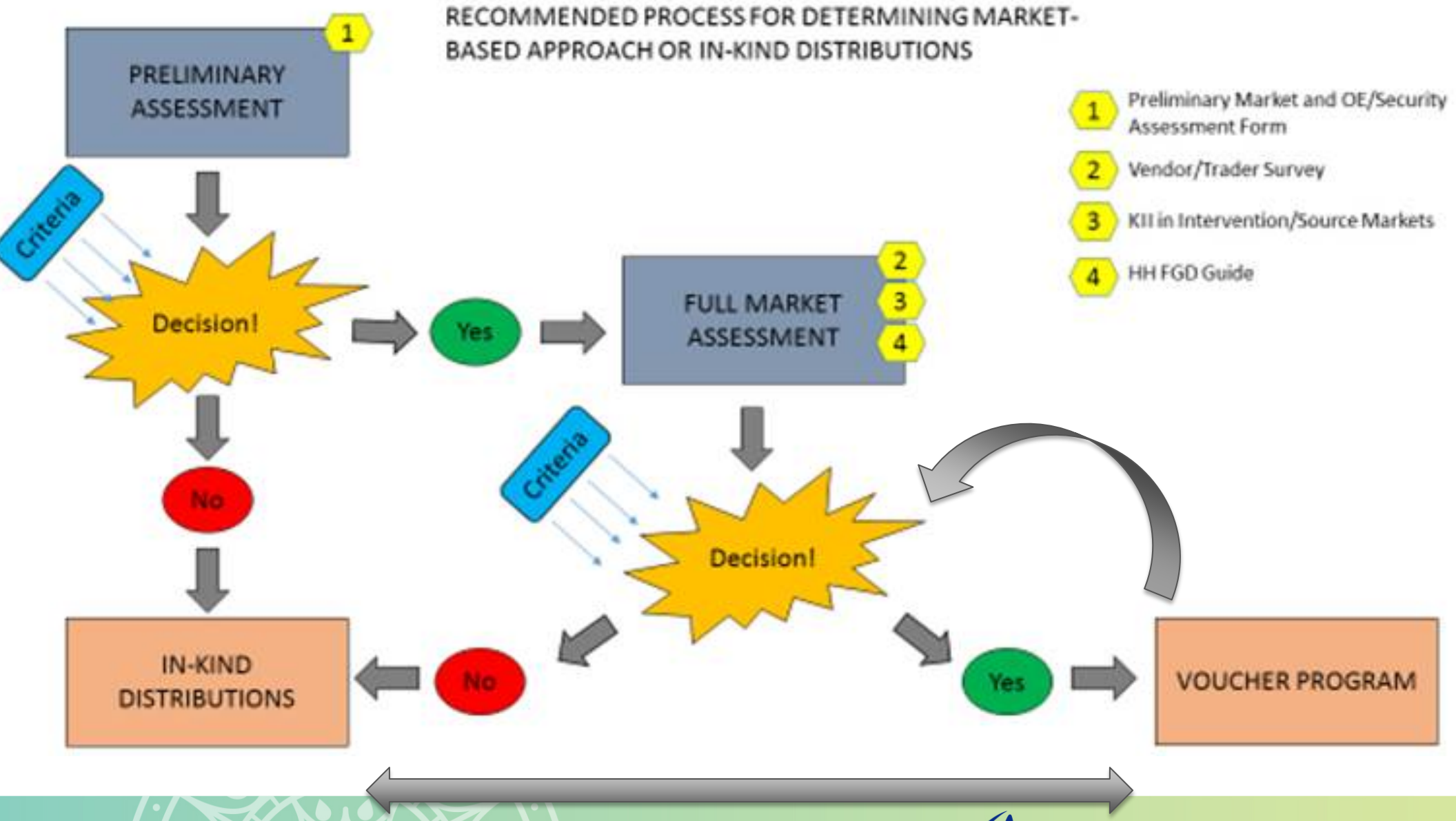
Measures Adopted: CRS/Caritas decided to prohibit the sale of beans within the Kitchanga October fairs. Recognizing the importance of beans to the local diet, CRS sought to compensate the beneficiaries by directly purchasing beans from an outside vendor and distributing them to beneficiaries. CRS removed one 500 FC coupon from each voucher and provided a direct distribution of approximately 1.5 kg of beans per voucher for each beneficiary. This occurred two days after the conclusion of the last fair day in Mungote. For Kahe, the beans were on site and beneficiaries received their bean ration upon entering the fair. Since this experience, CRS/Caritas began holding meetings with vendors and IDPs before each round of fairs to discuss and agree upon the prices of key food items. This participatory process enabled vendors and beneficiaries to reach an agreement that both could regard as fair, and bean vendors subsequently participated in the Kitchanga fairs for November and December.

Designing for program flexibility

DRC: Modality Response Tree



Middle East: Modality Decision Process



Guatemala: Contingency/ scenario planning from the outset

Risk: Observed market impact	Determined cause	Possible program adjustments	Approximate resource requirement
Prices of one commodity rise significantly and remain high in intervention markets (Contrary to historical and national prices)	**Intervention:** Medium-sized vendors are not able to respond to increase in demand	Shift to working with larger vendors	Low/ Medium
		Stagger voucher distributions	Low/ Medium
		Provide small grants to vendors to increase their stocks	Medium
	Supply shock: Local production levels are unable to support demand.	Shift to larger vendors who can source from other regions	Low/ medium
		Shift to partial in-kind distribution	High

How to do this? Lessons and challenges from CRS programs

- Budgeting and ensuring donor flexibility
- Program staff lack resources – skills, time, mandate – to value market data, and to use it in real time.
  - Need sufficient staff with time, skills and "brainspace" to monitor
- Management and programming need to plan and monitor together
- ICT can facilitate!