Handout 7: Key market assessment questions

Q1. ARE MARKETS OPERATING AND ACCESSIBLE?

The first thing to check is whether markets in the emergency-affected areas are actually operating. Even if local markets are not operating, check whether the affected population has easy access to markets that are operating, or if traders can easily supply local markets from others nearby if there is a demand for goods. The population's physical access to a market is determined by its location, and the time and expense involved in accessing it; the frequency of transport to the market; and the number of months in a year when market access is limited by snow, floods, conflict, etc.

Q2. ARE THE BASIC ITEMS THAT PEOPLE NEED AVAILABLE ON THE MARKET IN SUFFICIENT QUANTITIES AND AT REASONABLE PRICES?

If an assessment finds that people are not able to meet their basic needs or to protect or recover their livelihoods without assistance, then the next step is to find out the availability and market price of the items that people need. The items that people need must be available, or potentially available, through markets and traders, for cash to be an appropriate intervention to meet those needs.

Q3. ARE THERE RESTRICTIONS ON THE MOVEMENT OF GOODS?

When assessing the feasibility of cash interventions, it is important to discover whether government policies restrict movements of goods from one part of the country to another, or restrict imports from or exports to other countries. During food crises it is common for countries to restrict food movements to other countries in order to protect their own national cereal stocks, so food may not move from areas of higher production to those facing famine. In situations of internal conflict, restricting food supply into contested areas may be part of a war strategy.

Q4. IS THE MARKET COMPETITIVE?

By identifying the number of actors at each position in the supply or value chain (producers, traders, middlemen, retailers, importers), it is possible to identify features that might distort the market. Where there are large numbers of suppliers in relation to the number of buyers, there is a competitive market, and the buyers are likely to be in a very powerful position. Distributing cash can be an effective way to meet people's basic needs. In contrast, when there are few suppliers, or traders, they can control prices and monopolise the market; in such a case, cash transfers would not be appropriate.

Q5. IS THE MARKET INTEGRATED?

Market integration allows goods to move smoothly along the supply (or value) chain from producer to consumer. It allows the demand to be met by supply. In the case of food, this would mean that the demand in food deficit areas is met by supply from food-surplus areas. An integrated market needs good services, such as reliable flows of information, a well developed transport system, and developed marketing networks. Without market integration, supply will not meet demand, and cash transfers will not be appropriate.

Q6. ARE TRADERS ABLE AND WILLING TO RESPOND TO AN INCREASE IN DEMAND?

Traders' ability and willingness to respond to an increase in demand in emergency-affected areas will be influenced by the logistics and cost of supplying the affected area, and the likely reward from supplying a new market. In many instances, supplying an emergency-affected population may not be an attractive proposition for traders. Supplying unknown markets, together with limited information, can expose a trader to the risk of being undercut by other traders. The small size and short duration of markets in many cases may yield only limited rewards. Finally, populations most vulnerable to emergencies often live in remote and inaccessible areas, so transport costs are high.

Q7. WHAT ARE THE RISKS THAT CASH WILL CAUSE INFLATION IN PRICES OF KEY PRODUCTS?

When local markets are not able to absorb the increased demand for basic commodities, there is a risk of inflation. The answers to the questions above should indicate whether or not there is a risk of inflation. For example, if the goods that people need are available only in small quantities in the market, if there are government restrictions on the movement of goods, or traders are unwilling to respond to an increased demand, then there is likely to be a risk of inflation as a result of cash interventions. In addition, if a cash intervention targets a high proportion of the entire population in the affected area, and/or the cash economy is relatively small, there is a risk of inflation. One way of investigating the risk of inflation posed by the amount of cash injected into the economy is to assess the volume of cash being provided by the project, compared with other inflows of cash (for example remittances).