## Tool 8: Worksheet: Supply Chain capacity

The **team leader leads this discussion** with market assessment team members (and KI/ KS present if appropriate and possible). **It is important that all questions are answered for each reference market place assessed.**

**Document** all key discussion points. To use this worksheet the assessment team should have and use the following:

1. Information related to actors (number) and goods (prices and volumes) and seasonal patterns for at least 2 time frames:
   1. The situation ‘now’;
   2. The situation at the future ‘programme intervention period’.
2. Key discussion points from FGDs and KII with KI/ KS and market actors.
3. Completed questionnaires with market actors
4. Supply chain maps (if used).

**Additional guidance:** *Refer to Step 5, Annex A, Part 1: Additional technical guidance) and Part 4: Supporting traders and strengthening markets*

**Question 1: Are goods sold by more than one market actor in the same location at a similar price for the same quality?**

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| **Why answer this question?[[1]](#footnote-1)**   * One indicator for **market competition** (see guidelines for explanation) is the presence of more than one supplier in a market; * Another indicator of competition is the sale of goods of similar quality and value at almost the same price.   A simplified condition for market competition is that there are at least 5-10 major wholesale traders in each large town and 3-5 traders in each village. The more traders in a market, the less likely non-competitive behaviour (collusion) is to occur. Under a non- competitive market, prices could be raised (price-fixing in favour of the trader) at the detriment to consumers. |

**Answer the following questions**

* How many traders are providing the core goods of similar quality and value in the market places used by the target population?
  + Now
  + Programme intervention period
* Between these actors selling core goods in the market place, are there any wholesalers/ retailers who have a large ‘share’ of the total demand? (Does any actor have over 50% of the market share?)
  + Looking beyond the market place to the supply chain, are there any market actors that dominate the supply chain control prices at the reference market level? At wholesaler/ retailer level?
* Has the presence of PoC resulted in a loss of competition or created imbalances of power in the supply chain?

**Concluding questions:**

* **Now:** Is there sufficient market competition in the market places used by the target population? I.e.: is the sale of most of goods under the control of 1 - 2 market actors? Is there a monopoly[[2]](#footnote-2)?

Answer: Yes / No

* **Programme intervention period:** Will there be sufficient market competition in the market places used by the target population? I.e.: is the sale of most of goods under the control of 1 - 2 market actors? Is there a monopoly?

Answer: Yes / No

**If market seen as un-competitive:**

* Could there be more market competition in the future if additional traders are encouraged to supply the goods needed?

Answer: Yes / No

*(If yes, and if trader support is likely to be needed, make sure this is documented in Question 4.)*

**Question 2: Are the prices in the markets aligned with those in near-by and larger markets?**

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| **Why answer this question?[[3]](#footnote-3)**   * This question assists in understanding the level of **integration** in the market; * Working with an integrated market is a pre-requisite for CBI programmes; * Examining variations in prices across markets using time series data is one way to measure integration.   ***What does market integration mean?*** If markets are well integrated, it can be assumed that market forces are working properly, meaning that price changes in one location are consistently related to price changes in other locations and market agents are able to interact between different markets. If markets are integrated, goods will flow from surplus to deficit areas - and imports will flow from port and border areas into the hinterland. |

**How to answer this question:**

Examine the price of goods along the supply chain, from retailers in market places to suppliers and wholesalers. Keep in mind that costs related to transportation, transformation (such as milling or packaging), rent, and electricity and such like will be added to the price.

Looking at historical price data:

* Looking at the prices of goods sold along the supply chain and between market places served by similar wholesalers or suppliers, are there similar patterns in the way in which prices change over time, between markets?
* Do seasonal price fluctuations in the local area normally reflect similar fluctuations in the national market?
* If there is a shortage of goods in one part of the supply chain, is there a movement of these goods to this area? (surplus to deficit movements)

Looking at other factors that influence integration:

* Is there a lot of trade/ movement of goods between this area and other areas? Consider cross-border trade too.
* Can suppliers and consumers, including the target population, reach the market place easily?
* Do traders have access to information related to national prices? By telephone/ mobile/ radio or Internet?

**Concluding questions:**

* **Now:** Is the market integrated, i.e.: well connected to other markets?

Answer: Yes / No

* **Programme intervention period:** Is the market more or less integrated at this time?

Answer: Yes / No

**Question 3: Can the current and/ or expanded volume of goods sold meet identified needs in a timely manner?**

Complete the table below using information from Tools 2, 5, 6 and 7 and then complete the concluding questions.

**Table 1: Demand and supply (now and programme start) in reference market supply chains[[4]](#footnote-4)**

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| --- | --- | --- | --- | --- | --- | --- |
| **Good**  *Indicate specification* | **Demand information**  **(volume and frequency)** | **Supply information**  **Now (%)**  *Indicate Number of Traders and approx. total volume* | **Supply information**  **Programme start (%)**  *Indicate Number of Traders and approx. total volume* | **Expandability** *Capacity to increase supply?*  *State %, increase trader activities etc.* | **Supply = Demand**  *State: Yes/No For supporting now or programme intervention period* | **Market support needed?**  **Assumptions made?** *State: For supporting now or programme intervention period* |
| *Laundry soap*  *(70% fat, unscented, 1000g blocks)* | *Need 30,000 units per month* | *10 traders – 15,000 units (50% of demand)* | *10 traders – 20,000 units* | *Between 30 - 40% increase if needed*  *PLUS:*  *New traders enter market (due to demand increase):*  *5 traders – 10,000* | *Yes – for forecasted demand* | *Credit and storage support needed by approx. 6 traders. Communication with traders needed to ensure supply available.*  *Traders from supply market will be attracted to demand increase* |
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**Question 3: Concluding questions:**

* **Currently/ Now:** Can core good supply chains meet **ALL** the needs of the target population?

Answer: Yes / No

If NO

* + Which core good supply chains cannot meet needs?
  + What percentage of needs could be met?
  + If market support was provided, could ALL needs be met?

(Make sure the answer to this question is also captured in Question 4).

* **Programme intervention period:** Could the supply chain meet **ALL** the needs of the target population ***without*** support to traders?

Answer: Yes / No

If NO

* + Which core good supply chains cannot meet needs?
  + What percentage of needs could be met?
  + If market support was provided, could ALL needs be met?

(Make sure the answer to this question is also captured in Question 4).

**Question 4: Do traders need support to increase their supply?**

Only answer this question if trader support has been identified as needed to enable an increase in supply.

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| **Why answer this question?**  If traders need support to increase their supply then UNHCR needs to consider whether or not this assistance will be provided or if partner organisations could be asked to provide this assistance. This decision will be discussed during the response analysis decision-making phase with the Multi-Functional Team.  (Additional information in Annex A, Part 3: Supporting traders and strengthening markets) |

**How to answer this question:**

With reference to Question 3 and Tools 6 and 7, discuss what support is needed to ensure the capacity of the supply chain (now and programme intervention period start) to meet target population needs. Complete Table 2 to summarise the discussion.

**Table 2: Trader support needs**

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| --- | --- | --- | --- | --- |
| **Goods/ Trader** | **Support needed** | **Timeframe** | | **Rationale – Why is this support so essential?** |
| **Now** | **Programme intervention period** |
| *E.g.:*  *2 SOAP traders* | *Warehousing, Capital* | *Yes* | *No* | *- One-off support has long term impact as soap is a key need*  *- Soap trader supplies hygiene items* |
| *For all traders in market place in general* | *Market boundary, drainage, mobile banking access* | *Yes* | *Yes* | *Pre-requisites for market growth* |
|  |  |  |  |  |
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**Question 5: Will an increase in demand cause core good prices to rise for more than 3 months?**

Answer: Yes / No

* If Yes; for how long and by how much are the prices likely to rise to?

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| **Need help in answering this question?**  Look at the primary and secondary data collected on prices (used to answer Questions 1 and 2), and keep in mind seasonal fluctuations in prices.  **- Secondary data:**   * What is the current rate of inflation? * What has been the rate of inflation for the last 5 years? * Are there any significant seasonal differences that need to be highlighted? * Do the prices of the goods of interest change considerably from season to season? Why?   **- Learning from others:**   * Have there been any CBI programmes in the past at a similar or larger scale than those planned? If so, were there any long-term (longer than 3 months) price rises as a result?   + If so by how much and for how long?   + What could have been done to mitigate this?   + How did the increase in price affect the CBI programme?   + How did the increase in price affect the non-targeted population? |

**Think ahead:**

* If a CBI programme is implemented and demand is increased, what did the key informants and traders/ service providers interviewed say will happen to the prices?
* What could be done to reduce the likelihood of there being a price rise?
* What would be the implications of a price rise on local, non-targeted populations?
* Would the traders be able to bring in additional supplies from areas where there is a surplus?
* Are there other market actors in nearby markets (not the reference market) that could respond to an increase in demand?

1. WFP (2007) p.8 [↑](#footnote-ref-1)
2. ‘A situation in which a single market actor controls all (or nearly all of) the market for a given type of product or service. This is an extreme form of market power. It can arise because of barriers which prevent other rival traders competing: e.g. high entry costs, government regulation, or coercion and/or corruption’. Albu (2010) Glossary [↑](#footnote-ref-2)
3. Adapted from WFP PDPE 2007, page 1 [↑](#footnote-ref-3)
4. Adapted from UNHCR et al. (2015) Operational Guidance and Toolkit for Multi-Purpose Cash Grants. Annex 1 Table 9 [↑](#footnote-ref-4)