



AUGUST 2022

Market Functionality Index

SRI LANKA ECONOMIC CRISIS 2022

Assessing the functionality of selected markets for cash-based assistance



WFP
World Food Programme

SAVING
LIVES
CHANGING
LIVES



This **Market Functionality Index Report for Sri Lanka** has been rolled out to help inform the response to the ongoing economic crisis in the country. The full dashboard is also available at this [link](#).

Data collection was carried out by Hector Kobbakaduwa Agrarian Research and Training Institute and WFP, in alignment with the [MFI methodology](#).

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Market Functionality Index (MFI)

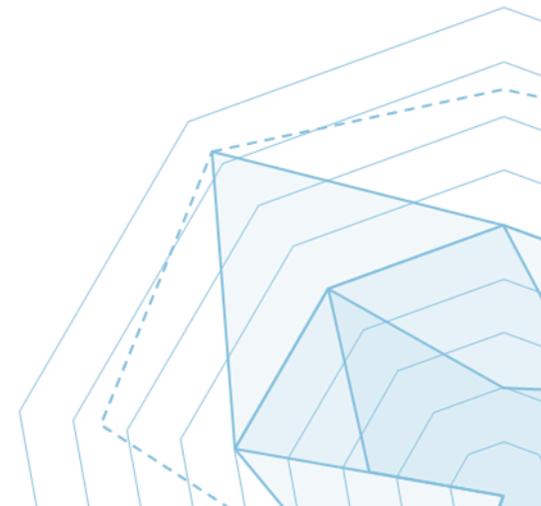
Context

Overview

Findings by MFI Dimension

- Assortment
- Availability
- Prices
- Supply Chain Resilience
- Competition
- Infrastructure
- Service
- Food Quality
- Access and Protection

Annex



Highlights



Spikes and instability in prices are posing threats to market functionality in Sri Lanka. Almost all markets are reporting concerns around rising and/or unstable prices. These high prices threaten to further impact food accessibility, with two in five households already spending over 75 percent of their income on food.



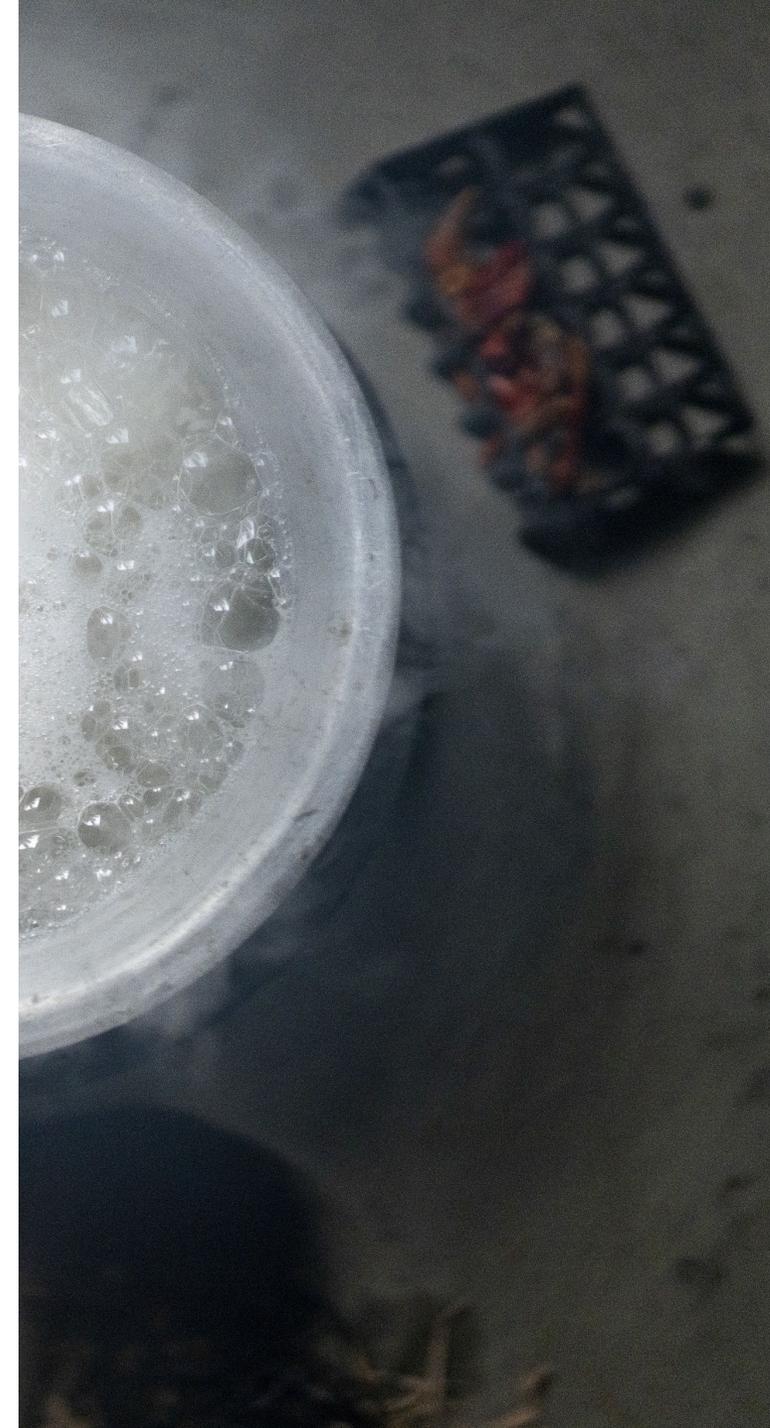
Other than prices, markets are relatively functional. At an aggregate level, Sri Lanka's markets currently have a wide range of distinct products, sufficient physical availability of goods, and a resilient supply chain. While there remain variations from market to market, most market functionality dimensions are showing lower risk levels for cash-based transfers – with the exception of prices.



Several mitigation measures should be put in place to safeguard against price-related risks for cash-based transfers. These include continuing to strengthen market monitoring, and adapting to price fluctuations, such as by calculating the minimum expenditure basket, and adjusting the transfer values.



Overall market functionality remains conducive to the use of cash-based transfers, while mitigation measures are essential to keep this from deteriorating. However, markets with especially high levels of risk associated with the use of cash-based transfers must remain flexible to shift to mixed modalities and/or in-kind food assistance.



The Market Functionality Index

The [Market Functionality Index](#) methodology is WFP's standardized market assessment approach that aims to quantify market functionality in a score per marketplace, while also identifying weaknesses or areas of interventions to guarantee the continuity or effectiveness of the assistance.

SURVEY: The methodology relies on a standard survey where questions are organized under nine dimensions deemed crucial to make a judgement statement around market functionality. These are: Assortment, Availability, Price, Resilience of Supply Chains, Competition, Infrastructure, Service, Food Quality and Access and Protection.

WEIGHT: The MFI considers three basic categories: 1) cereals; 2) food items other than cereals; 3) non-food items (NFIs). Cereal foods are considered more valuable by WFP to beneficiaries and thus weighted higher than non-cereal foods and NFIs. This means scores will be impacted more by the measurements (assortment, availability, etc.) of cereals than non-cereal food and NFIs.

SCORING: Markets are thus globally scored on a scale from 0 to 10 to allow worldwide comparability, where full market functionality (MFI=10) refers to a fully developed, efficient and functional market. In most contexts where WFP operates, we do not expect such scores to be achieved.

DATA COLLECTION: The assessment was carried out as a joint assessment with the Hector Kobbakaduwa Agrarian Research and Training Institute (HARTI) and WFP in Sri Lanka. Data collection was carried out by the HARTI food systems division team from 15 August to 21 August across 37 markets. In this assessment, 670 traders were interviewed based on the MFI's standard sampling guidelines.



Context

Sri Lanka continues to grapple with its worst economic crisis since its independence in 1948. As prices continue to skyrocket, there are serious concerns that the food security situation could deteriorate even further.

In July, the headline inflation rate spiked to another record high. This rate of 66.7 percent marked yet another alarming jump, from 58.9 percent in June (based on the latest year-on-year National Consumer Price Index [NCPI]). The impact of these rising prices has reverberated across the country.

Amid this alarming situation, the Market Functionality Index (MFI) Report aims to play a timely and crucial role in: 1) forming an understanding of the market dynamics needed to achieve food security and essential needs; 2) assessing the feasibility, risks and impact of interventions; and 3) understanding how local markets can be strengthened.

This comes as part of WFP's efforts to expand its evidence generation initiatives to inform the response among government and humanitarian/development partners.



Resources

Learn more about the crisis and response with these resources:



[WFP Situation Reports](#)

[An overview of the situation and WFP's response to date.](#)



[WFP Market Monitors](#)

[A regular analysis of Sri Lanka's market and prices.](#)



[Joint Humanitarian Needs and Priorities \(June to September\)](#)

[An overview of the needs and joint response across sectors.](#)

Overview

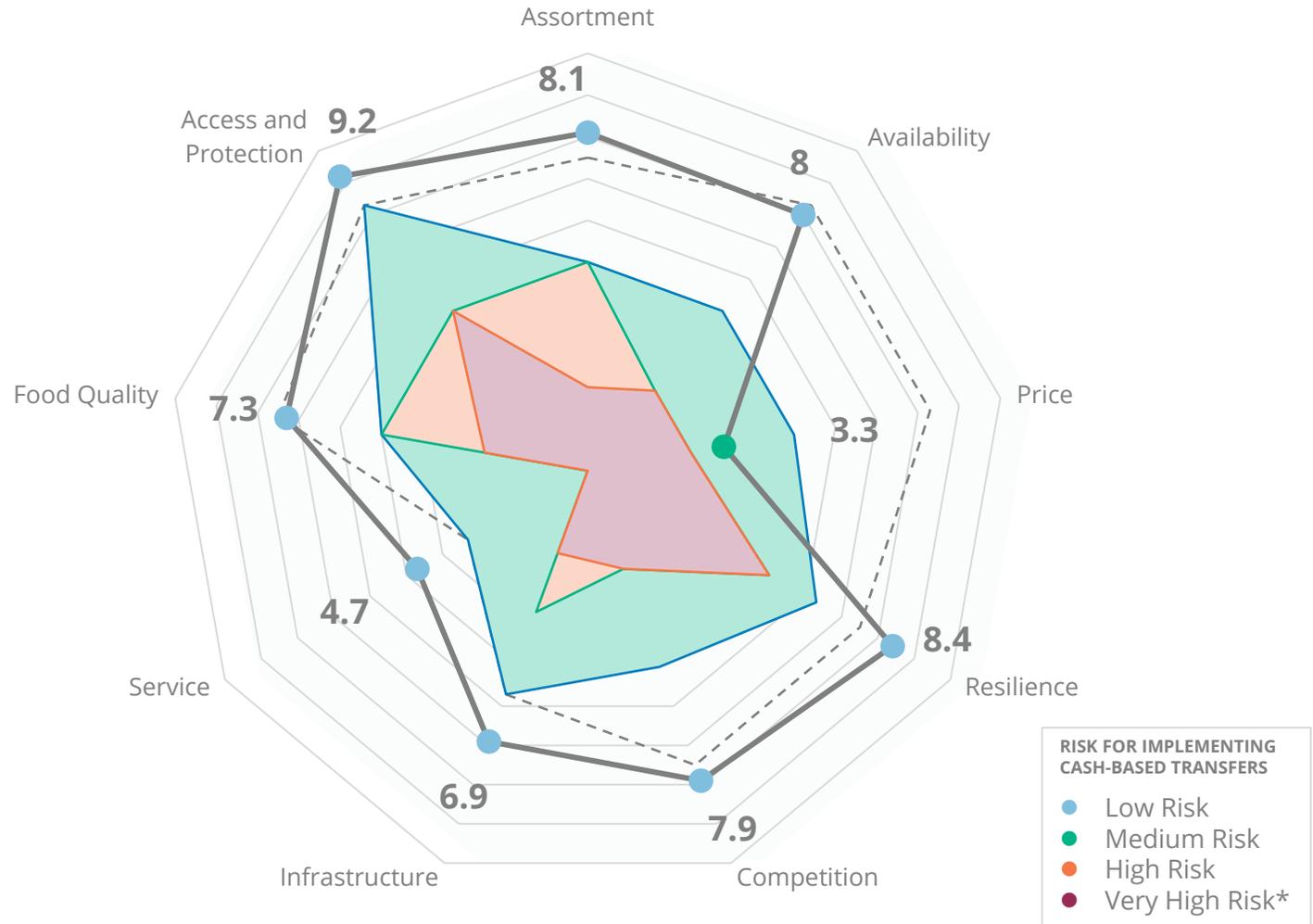
SRI LANKA: KEY FINDINGS



Overview

The market functionality index is determined by where each of these dimensions falls in relation to certain risk thresholds. For Sri Lanka, on an aggregate level, only the *price* dimension falls beneath the low threshold for risk associated with implementing cash-based transfers.

Dimension	Risk-Level*	Score
Assortment	● Low	8.1
Availability	● Low	8
Price	● Medium	3.3
Resilience	● Low	8.4
Competition	● Low	7.9
Infrastructure	● Low	6.9
Service	● Low	4.7
Food Quality	● Low	7.3
Access and Protection	● Low	9.2



*Risk levels refer to the level of risk associated with implementing cash-based transfers.
 Note: The dotted line on the radar chart is the threshold at which mitigation measures are recommended.

Overview



56%

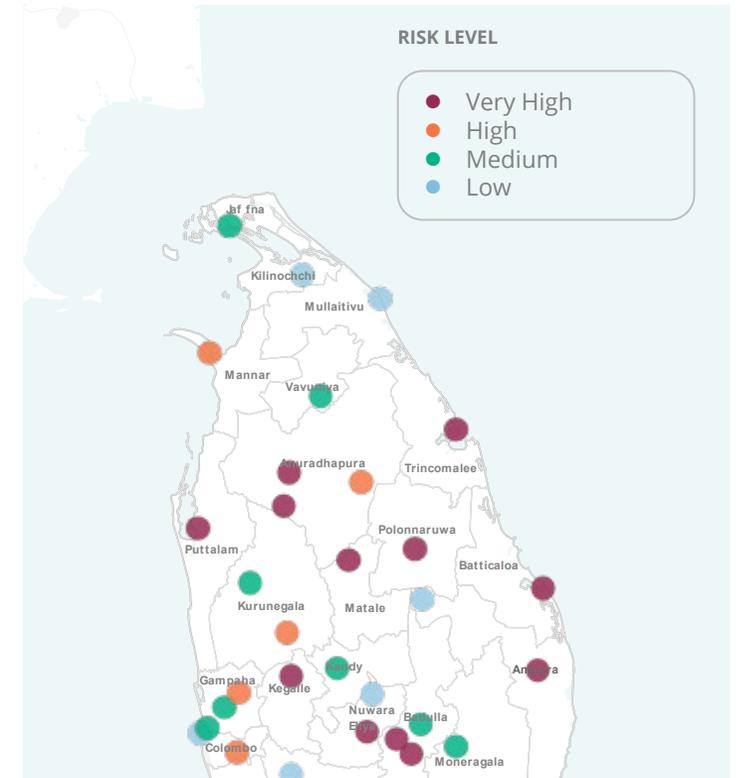
of 37 surveyed markets had a **high** or **very high** risk level associated with implementing cash-based transfers

At the individual market level, there is a more complex picture, with a wide degree of unpredictability reported by the majority of markets across variation in the levels of risk for cash-based transfers seen across markets.

In total, 44 percent of markets were found to be at *very high* risk levels, while a further 14 percent were at high

Province-Level Results

Province	Market Risk Level*
Central	● ● ● ●
Eastern	● ● ● ●
North Central	● ● ● ●
North Western	● ● ● ●
Northern	● ● ● ● ● ●
Sabaragamuwa	● ● ● ●



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https://www.yunbaogao.cn/report/index/report?reportId=5_31730

