



World Food Programme

SAVING  
LIVES  
CHANGING  
LIVES

JULY 2023

# Market Functionality Index

Assessing the functionality of selected markets for cash-based assistance





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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 (HARTI) and WFP, in alignment with the [MFI methodology](#).

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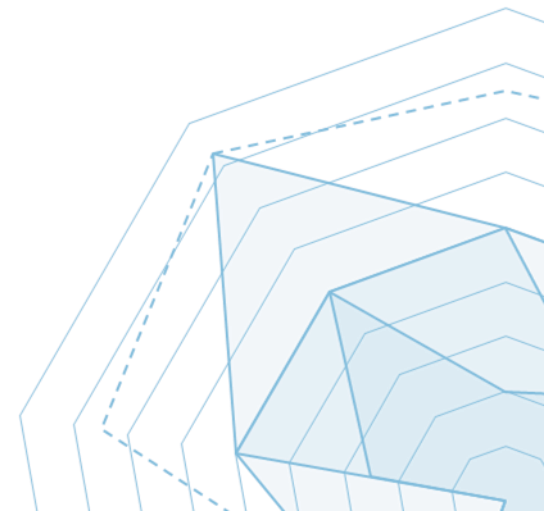
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### The Market Functionality Index

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.

A market functions well if:

- The features influencing the behaviours of buyers and sellers are stable and predictable
- The interactions between sellers and between sellers and buyers are transparent, and
- Supplies are sufficient, regular and predictable at affordable, stable and predictable prices

**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 19 to 30 July across 37 markets. In this assessment, 706 traders were interviewed based on the MFI's standard sampling guidelines.



### Highlights



**Markets are functional.** While there remain variations from market to market, Sri Lanka's markets currently have a wide range of products, adequate physical availability of essential goods, a resilient supply chain and sufficient levels of hygiene and cleanliness.



**Spikes and instability in prices** pose threats to market functionality in Sri Lanka. In March 2023, 17 percent of households were moderately acute food insecure, according to the WFP-FAO Joint Crop and Food Security Assessment Mission. Households are forced to adopt food and livelihood coping strategies to put food on the table. Volatile and unpredictable prices can undermine the economic decision-making for producers and importers.



**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.



**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 as needed.



## Context

The economic crisis in Sri Lanka posed a significant threat to food security. High prices and unavailability of essential foods and unprecedented levels of inflation further push food out of reach for many, in various segments of society.

In July 2023, headline inflation was measured at 4.6 percent, from 10.8 percent in June (based on the latest year-on-year National Consumer Price Index). This is likely to result in improved access to food for the households.

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 attain 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 Household Food Security Surveys**  
[Insights and monitoring of household food security.](#)



**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

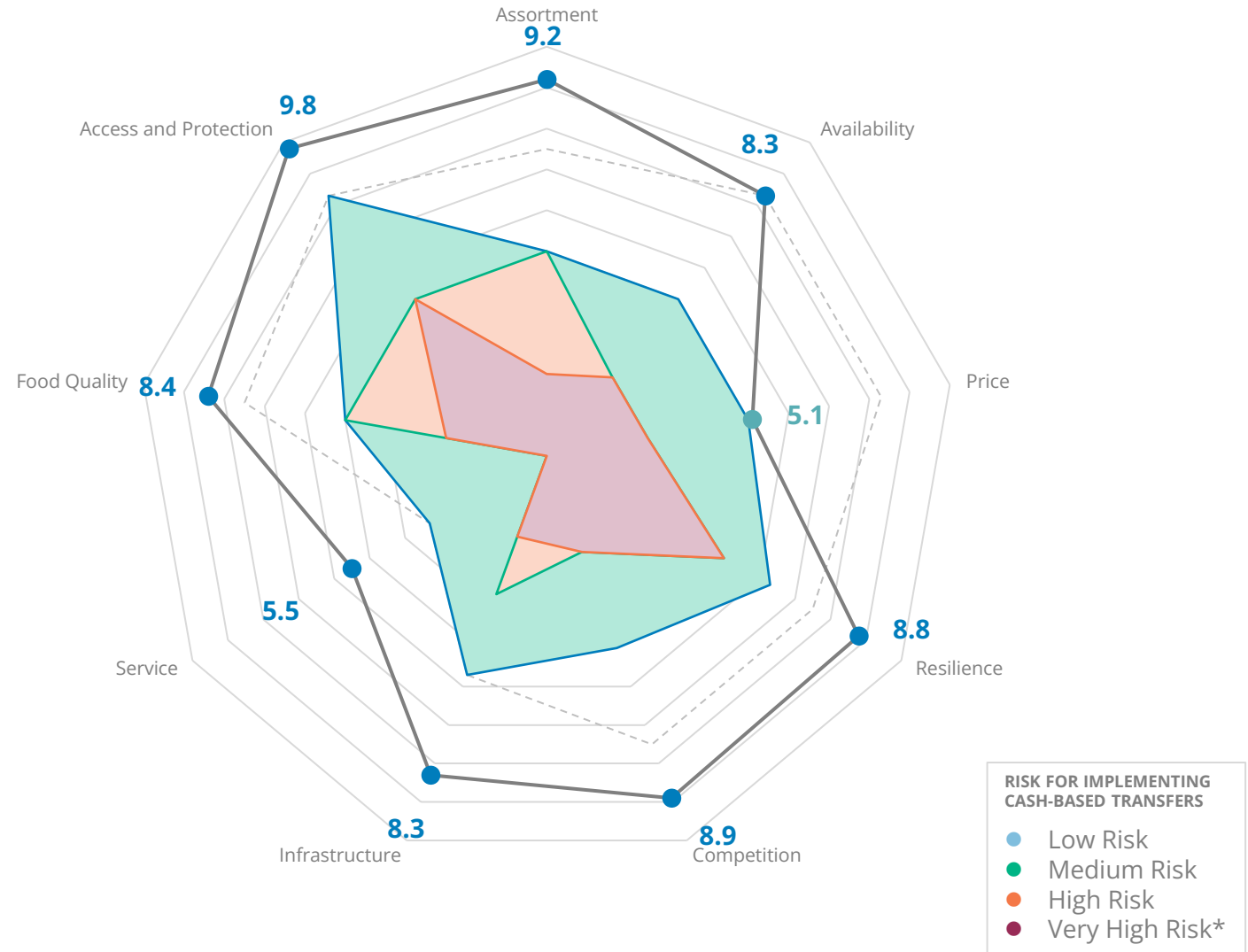
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## Overview

The Market Functionality Index is determined by where each of these dimensions falls in relation to certain risk thresholds. For Sri Lanka, no dimension falls beneath the low threshold for risk associated with implementing cash-based transfers.

Dimension	Risk-Level*	Score
Assortment	● Low	9.2
Availability	● Low	8.3
Price	● Low	5.1
Resilience	● Low	8.8
Competition	● Low	8.9
Infrastructure	● Low	8.3
Service	● Low	5.5
Food Quality	● Low	8.4
Access and Protection	● Low	9.8



\*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



**19%**

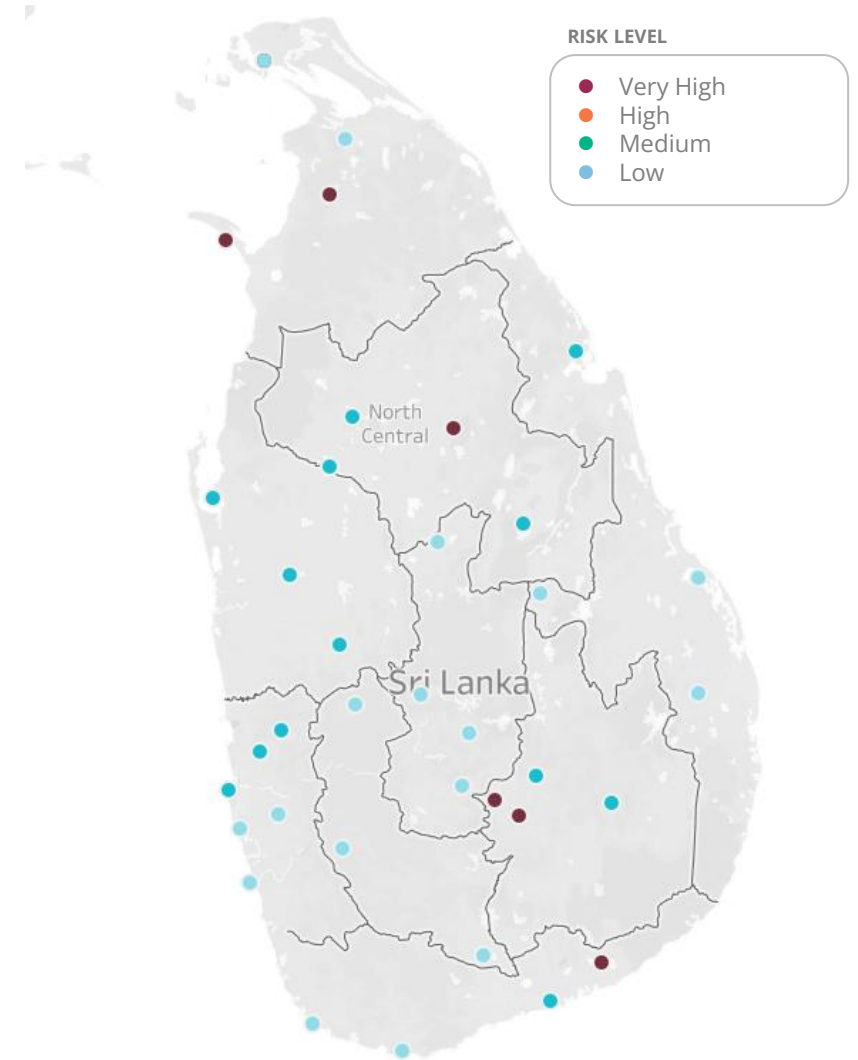
of 37 surveyed markets had a *very high* risk level associated with implementing cash-based transfers

While the price dimension saw a sufficient improvement in June 2023, the dimension has fallen from 6.6 to 5.1 in July 2023. Issues of availability in a few surveyed markets continue, but overall, there seem to be satisfactory stocks of commodities.

For some markets, the overall picture remains unpredictable, with a wide degree of variability observed across multiple dimensions posing some risk for cash-based transfers in the areas where these markets are located.

Seven out of the 37 surveyed markets were found to be at very high risk levels, which is a significant increase from just three markets in the same category in June.

The Annex contains the full list of markets and scores.



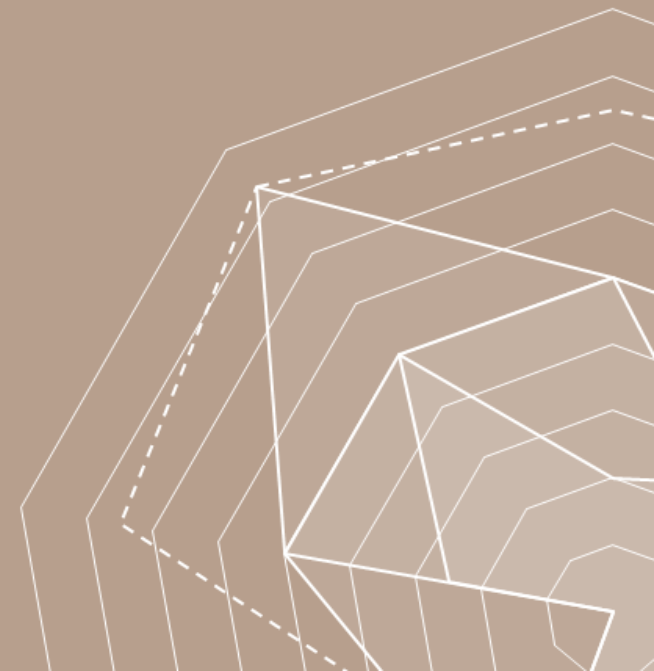
\*In November 2021, only four dimensions were assessed: availability, assortment, resilience and price. Sampling methodology differs from the previous rounds.



# Findings

BY MFI DIMENSION

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## 1. Assortment

### Key Findings

The average country score for the dimension of assortment was 9.2, which signifies **low** risk-levels and that essential items are easily obtainable.

All of the 37 surveyed markets reported low risk levels for assortment, with 21 markets scoring 10.0.

The most commonly found cereal foods were rice, wheat and maize. The most commonly found non-cereals were roots and tubers followed by fish and eggs.

The percentage of traders that reported a high product breadth (also known as the number of stock-keeping units) of over 1,000 distinct items was 74 percent. Similar to June, none reported having less than 50 stock-keeping units.

Assortment of commodities has remained consistent with this round, as with all previous rounds.

RISK-LEVEL: **LOW**



### Province-Level Results

Province	Risk-Level*	Score
Central	● Low	9.6
Eastern	● Low	8.8
North Central	● Low	9.8
North Western	● Low	9.0
Northern	● Low	8.7
Sabaragamuwa	● Low	8.7
Southern	● Low	9.3
Uva	● Low	9.7
Western	● Low	9.3
<b>Average</b>	● Low	<b>9.2</b>



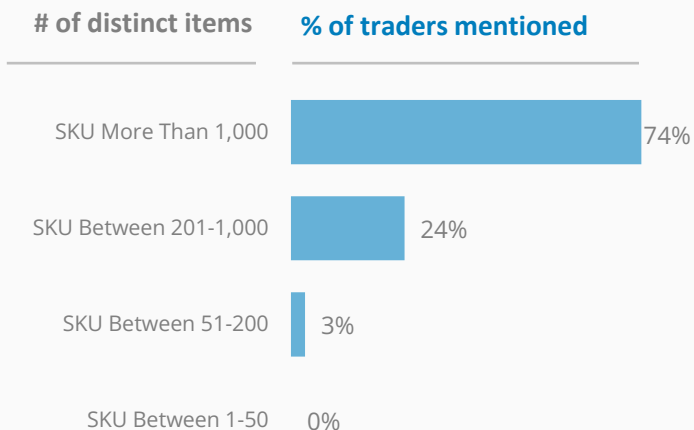
\*Risk levels refer to the level of risk on this dimension associated with implementing cash-based transfers.



# 1. Assortment

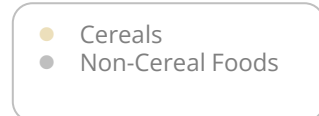
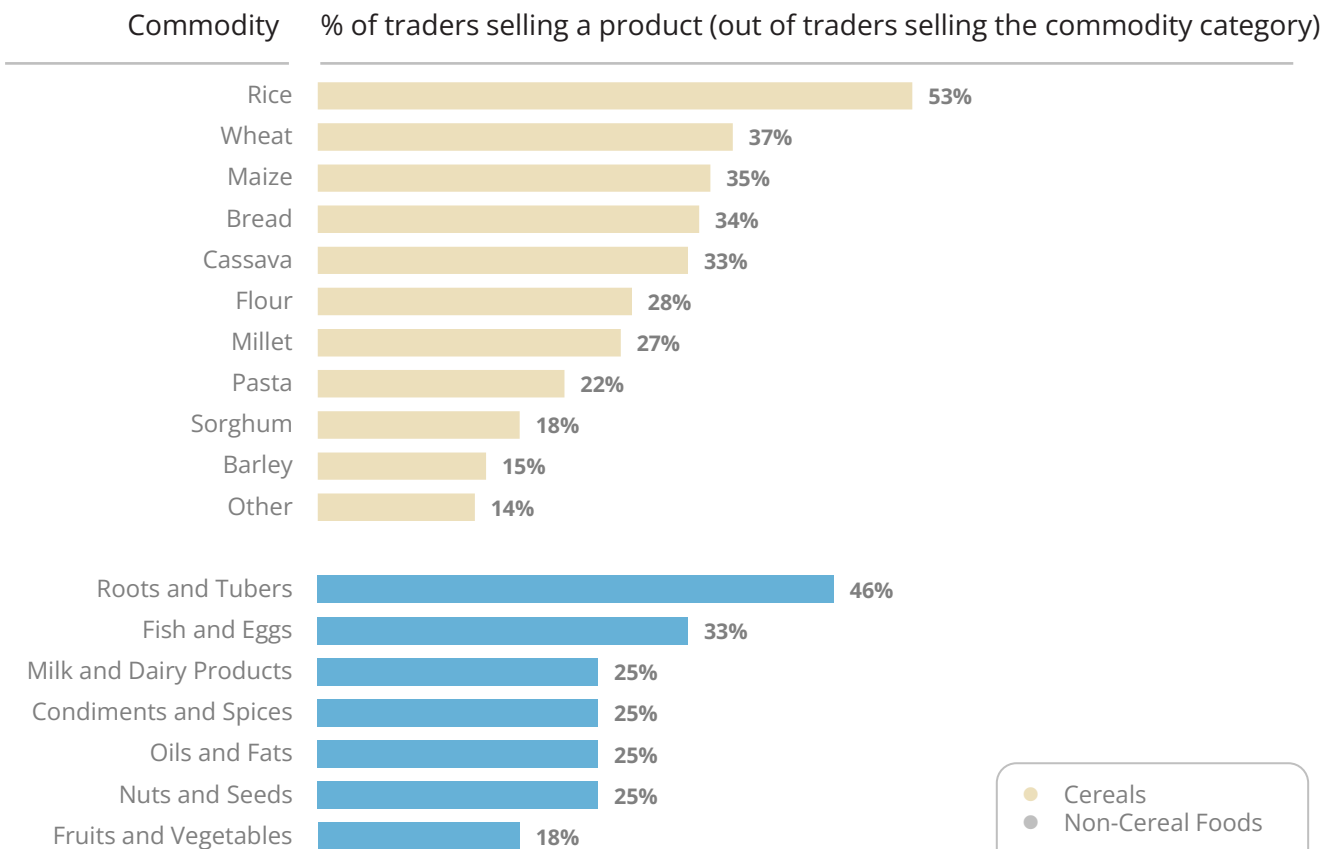
Most markets had a wide range of cereals, non-cereals and non-food items that are easily obtainable at a market level.

### Breadth of Products



SKU = Stock-keeping units

### Products sold in shops





## 2. Availability

### Key Findings

The market risk level is **low** on the dimension of availability. In 2022, several markets reported availability issues. However, in 2023, there seems to be sufficient restoration of stocks in the markets. In July, the overall country score was 8.3, up 0.4 points from June.

Trincomalee markets reported very high risk levels for availability, with a score of 1.7. Gampaha markets reported medium risk levels on the dimension of availability.

Nearly half of the surveyed traders reported a high scarcity of rice and wheat among cereal foods. Among non-cereal foods, fruits and vegetables were reported by 8 percent of traders as being scarce and 12 percent as being completely runout.

The highest scarcity of cereal foods and non-cereal foods was reported by traders in Eastern, Southern and Uva provinces, a change from last month where North Central and North Western were amongst the highest.

RISK-LEVEL: **LOW**



### Province-Level Results

Province	Risk-Level*	Score
Central	● Low	8.7
Eastern	● Low	6.7
North Central	● Low	9.4
North Western	● Low	9.2
Northern	● Low	8.3
Sabaragamuwa	● Low	9.2
Southern	● Low	8.1
Uva	● Low	8.3
Western	● Low	7.6
<b>Average</b>	● Low	<b>8.3</b>

### Recommendations and Mitigation Measures

The following are mitigation measures related to availability:

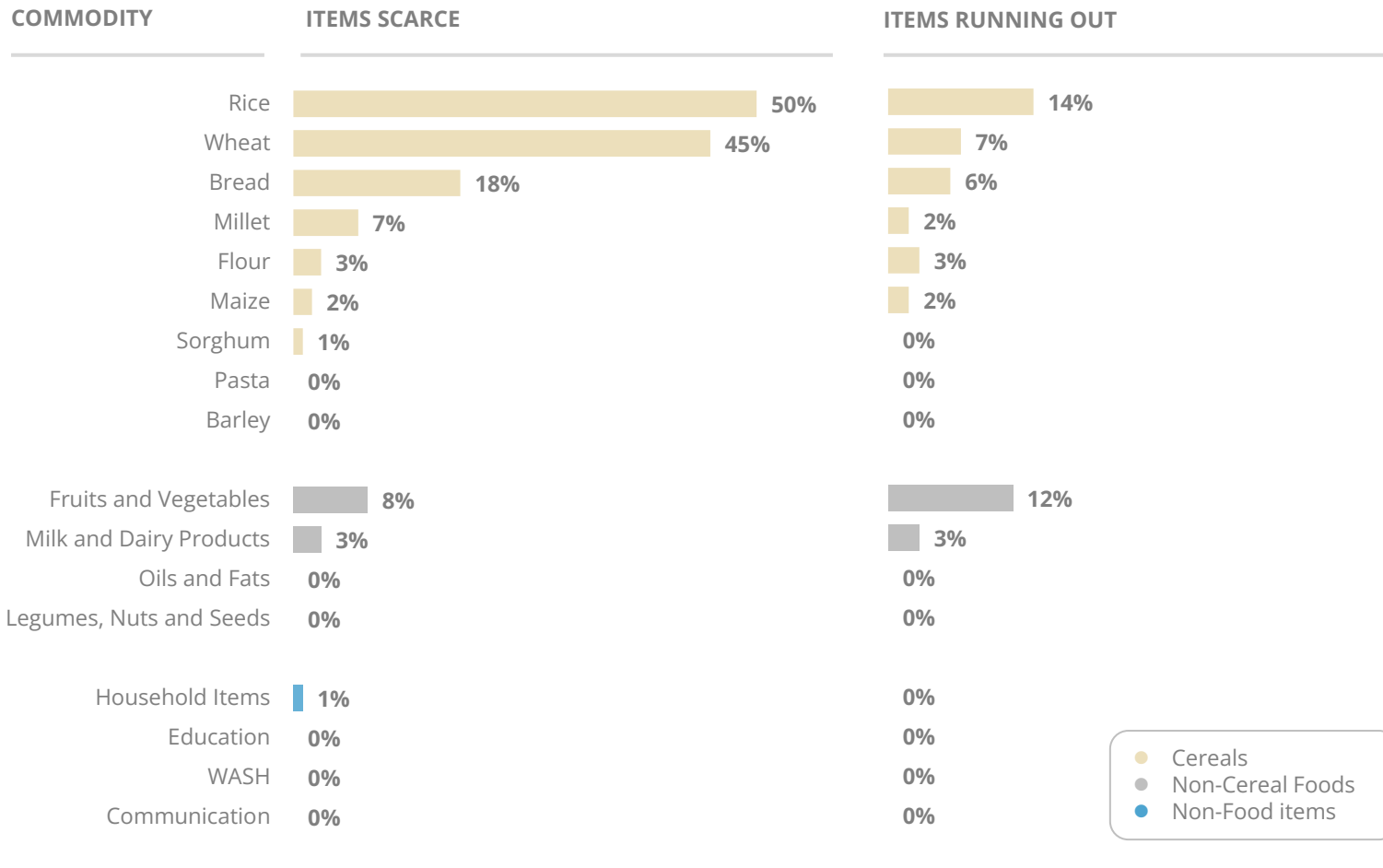
**Utilize vouchers** to allow contracted traders to rely on secured business flow, thus allowing them to position adequate stocks in advance.

**Set up Preferred Supplier Agreement** (PSA) or Optimize Fresh Food Supply Chain (OFFSC)

**Adopt hybrid modalities** to complement the missing items.

\*Risk levels refer to the level of risk on this dimension associated with implementing cash-based transfers.

## 2. Availability



In July, similar to the previous month, rice, wheat and fruits and vegetables were significantly scarce. Among non-food items, household items were reported to be the scarcest.



### 3. Prices

#### Key Findings

Sri Lanka’s risk-level on the price dimension is **low**.

Although the dimension is low, the average price score dropped to 5.1 from 6.6 the previous month. Out of the 37 surveyed markets, 13 markets reported medium risk levels and six markets reported high risk levels. Price volatility remains a concern.

The percentage of traders who reported they are noticing price increases in non-cereal foods was 69 percent. The increases were noticed particularly in prices of roots and tubers, fruits and vegetables, and meat, fish and eggs.

Price instability was reported by almost half of all traders for all three categories in July 2023. The highest price instability was reported for meat, fish and eggs by around 58 percent of traders.

Of the cereal foods price increase reports were at the highest levels for Rice at 48 percent. Amongst non-food items, WASH items were reported to have to highest instability.

*The price dimension answers two questions: 1) Were there significant price increases in the past month; 2) Are prices predictable or are they subject to unpredictable variations?*



Province-Level Results		
Province	Risk-Level*	Score
Central	● Low	6.8
Eastern	● Low	5.8
North Central	● Medium	3.5
North Western	● Medium	3.6
Northern	● Medium	4.2
Sabaragamuwa	● Medium	4.7
Southern	● Low	5.4
Uva	● High	1.7
Western	● Low	7.5
<b>Average</b>	● Low	<b>5.1</b>

#### Recommendations and Mitigation Measures

The following are mitigation measures related to prices:



**Strengthen evidence** by establishing a market monitoring system and calculating monthly expenditure baskets with frequent review.



**Adjust transfer values** in line with close monitoring of prices and expenditure, as needed and where appropriate.

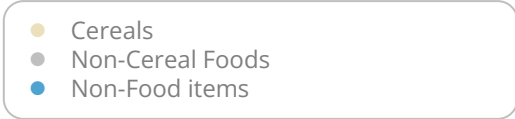


**Adopt vouchers with capped prices** agreed with traders.

*\*Risk levels refer to the level of risk on this dimension associated with implementing cash-based transfers.*

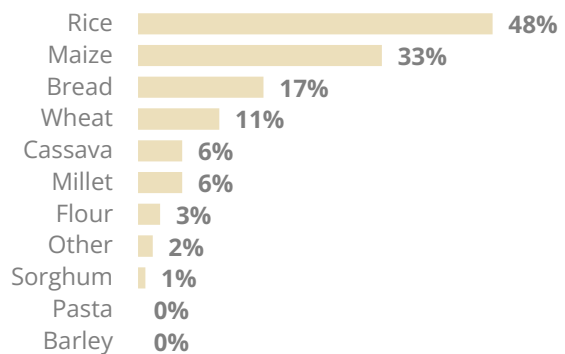


### 3. Prices

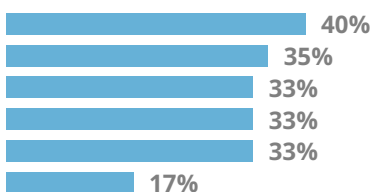
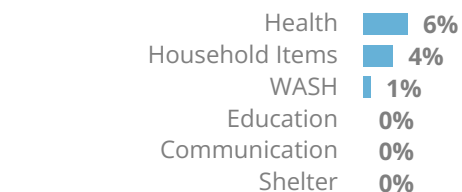
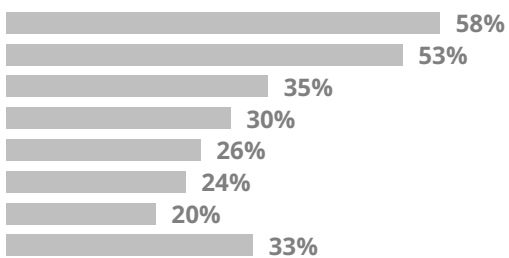
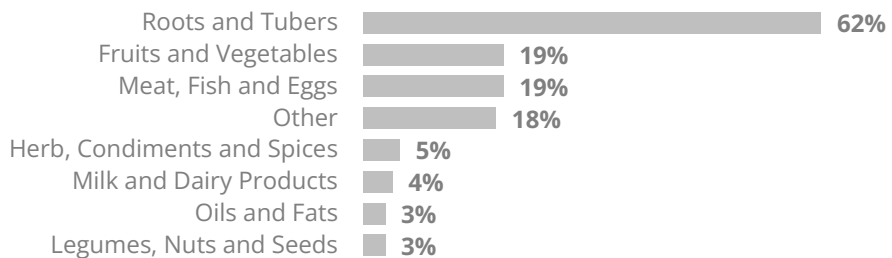
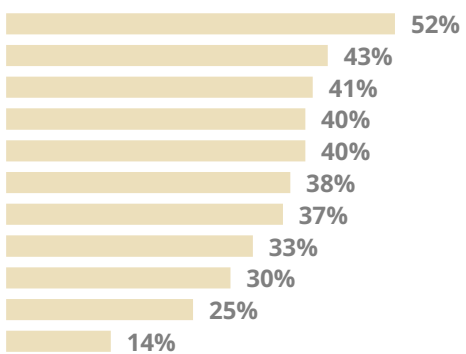


COMMODITY

INCREASED PRICES



UNSTABLE PRICES



## 4. Supply Chain Resilience

RISK-LEVEL: **LOW**



### Key Findings

Sri Lanka’s risk-level on the dimension of supply chain resilience is **low**. None of the surveyed markets reported high or very high risk levels, while only two markets reported medium risk levels (Batticaloa and Nikaweratiya).

The overall country score for supply chain resilience for the month of June stood at 8.8.

Over a third of the assessed markets are able to quickly respond to and overcome supply chain issues and adjust to new, unfamiliar situations.

*The resilience dimension evaluates responsiveness of supply chains and their resilience or vulnerability to shock. The score addresses two questions: 1) How responsive are supply chains to shock in demand? 2) How vulnerable is the supply chain?*

### Province-Level Results

Province	Risk-Level*	Score
Central	● Low	10.0
Eastern	● Low	8.4
North Central	● Low	9.5
North Western	● Low	7.5
Northern	● Low	8.4
Sabaragamuwa	● Low	9.2
Southern	● Low	8.2
Uva	● Low	9.2
Western	● Low	8.7
<b>Average</b>	● Low	<b>8.8</b>



*\*Risk levels refer to the level of risk on this dimension associated with implementing cash-based transfers.*

## 5. Competition

### Key Findings

Generally, Sri Lanka’s risk-level on the dimension of competition is **low**. Competition within a business environment characterizes an efficiently functioning market.

The level of risk for competition was low in almost all the surveyed markets. Only three markets reported medium risk levels for competition in July, namely Trincomalee, Vavuniya and Veyangoda.

The overall country score for competition was 8.9, this has seen no change from the previous month.

*The competition dimension addresses two questions: 1) is there sufficient competition within the market? Are there more than 5 players? 2) Does a trader control the market/is there a monopoly?*

RISK-LEVEL: **LOW**



### Province-Level Results

Province	Risk-Level*	Score
Central	● Low	10.0
Eastern	● Low	7.1
North Central	● Low	9.4
North Western	● Low	10.0
Northern	● Low	8.5
Sabaragamuwa	● Low	9.4
Southern	● Low	10.0
Uva	● Low	9.2
Western	● Low	7.4
<b>Average</b>	● Low	<b>8.9</b>



*\*Risk levels refer to the level of risk on this dimension associated with implementing cash-based transfers.*



## 6 - 9. Infrastructure, Services, Food Quality, Access and Protection

### Key Findings

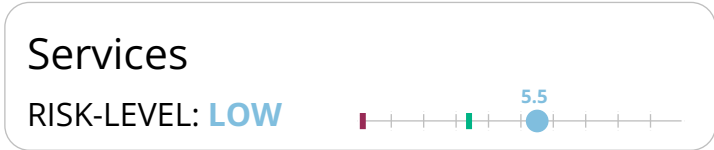
Sri Lanka’s risk-levels on the dimensions of infrastructure, services, food quality, and access and protection are **low**, very slight fluctuations have occurred from the previous months.

**Infrastructure** was considered low or medium risk in most markets. Four markets reported medium risk levels, while no market reported high risk levels. Systems like sewage, transportation, and electricity/communication networks were generally conducive to functioning markets.

**The service** dimension was considered low risk, indicating the service provided during shopping and checkout was satisfactory. However, seven of the markets surveyed reported medium risk levels.

**Food quality** was a low risk for all markets, indicating an adequate level of hygiene and cleanliness, material separation, and temperature and stock management is maintained.

**Access and protection** were considered low risk for all markets except two. Traders had not generally reported issues such as road access, social barriers, physical threats, or security issues that might obstruct customers’ abilities to access markets – further assessments should be undertaken to understand the extent of any access and protection issues.



## 6 - 9. Infrastructure, Services, Food Quality, Access and Protection

Province-Level Results				
Province	Infrastructure	Services	Food Quality	Access / Protection
Central	● 8.9	● 6.7	● 8.8	● 10.0
Eastern	● 9.3	● 5.8	● 8.1	● 9.6
North Central	● 9.5	● 4.6	● 8.1	● 10.0
North Western	● 8.8	● 4.4	● 8.8	● 8.9
Northern	● 8.3	● 5.3	● 7.8	● 10.0
Sabaragamuwa	● 8.1	● 6.7	● 8.8	● 9.4
Southern	● 7.0	● 4.6	● 8.8	● 10.0
Uva	● 7.9	● 5.6	● 8.8	● 10.0
Western	● 7.5	● 5.6	● 8.5	● 9.7
<b>Average</b>	● <b>8.3</b>	● <b>5.5</b>	● <b>8.4</b>	● <b>9.8</b>

### Recommendations and Mitigation Measures

The following are mitigation measures related to food quality\*



**Contract traders that operate with adequate food safety standards.**



**Mobilise third parties / local authorities to build retailer capacity** and improve compliance with local food safety regulations.

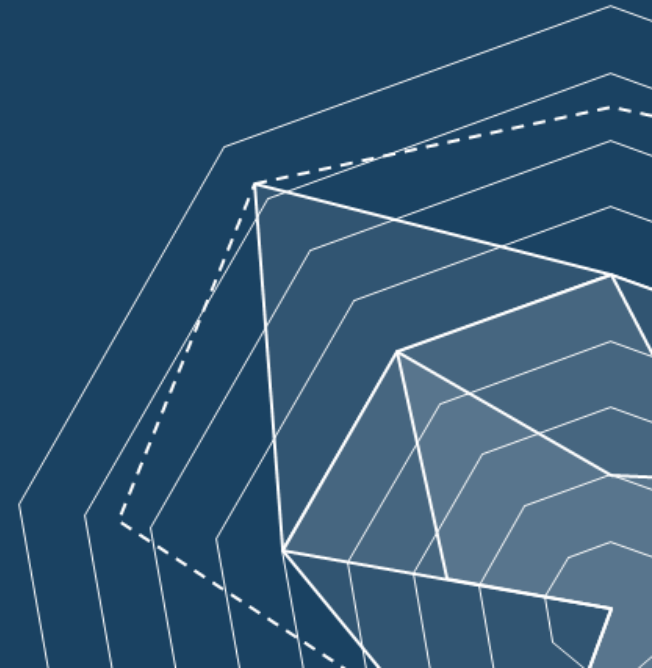


**Offer food safety / quality certification** to targeted retailers as a capacity building activity.

\* Food quality is the only one of these dimensions which fell slightly below a threshold of requiring mitigation measures

# Annex

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## Summary Table (p.1)

Province	Market	Risk-Level	MFI	Assortment	Availability	Price	Resilience	Competition	Infrastructure	Service	Quality	Access & Protection
Central	Rikillagaskada	Low Risk	7.0	10.0	10.0	5.8	10.0	10.0	6.4	5.0	8.8	10.0
	Kandy	Low Risk	7.2	8.0	10.0	10.0	10.0	10.0	9.3	5.0	8.8	10.0
	Matale	Low Risk	8.0	10.0	7.5	6.7	10.0	10.0	9.3	8.3	8.8	10.0
	Economic Centre-Dambulla	Low Risk	7.8	10.0	10.0	5.8	10.0	10.0	10.0	10.0	8.8	10.0
	Nuwara Eliya	Low Risk	6.9	10.0	5.8	5.8	10.0	10.0	9.3	5.0	8.8	10.0
Eastern	Dehiattakandiya	Low Risk	6.0	10.0	10.0	5.0	10.0	5.8	10.0	3.3	8.8	10.0
	Ampara	Low Risk	8.6	10.0	7.5	8.3	10.0	10.0	10.0	8.3	8.8	10.0
	Batticaloa	Medium Risk	6.3	6.0	7.5	5.0	6.3	7.5	10.0	6.7	5.0	10.0
	Trincomalee	Very High Risk	4.3	9.0	1.7	5.0	7.5	5.0	7.1	5.0	10.0	8.3
North Central	Galenbindunuwewa	Medium Risk	6.1	10.0	10.0	3.3	10.0	7.5	10.0	6.7	8.8	10.0
	Anuradhapura	Medium Risk	5.2	10.0	10.0	3.3	10.0	10.0	10.0	1.7	8.8	10.0
	Polonnaruwa	Medium Risk	6.0	10.0	7.5	3.3	10.0	10.0	10.0	5.0	8.8	10.0
	Thambuttegama	Medium Risk	6.2	9.0	10.0	4.2	7.9	10.0	7.9	5.0	6.3	10.0
North Western	Kurunegala	Medium Risk	4.7	10.0	7.5	5.8	7.5	10.0	7.1	1.7	7.5	7.5
	Nikaweratiya	Medium Risk	6.4	10.0	10.0	4.2	5.0	10.0	9.3	5.0	10.0	9.2
	Puttalm	Very High Risk	4.7	7.0	10.0	0.8	10.0	10.0	10.0	6.7	8.8	10.0
Northern	Mannar	Low Risk	6.8	9.0	7.5	5.0	7.5	10.0	8.6	5.0	10.0	10.0
	Kilinochchi	Very High Risk	3.8	10.0	7.5	0.8	7.5	10.0	5.0	1.7	5.0	10.0
	Mulaitivu	Very High Risk	4.2	8.0	7.5	0.8	8.8	6.7	9.3	6.7	6.3	10.0
	Jaffna	Low Risk	8.1	10.0	10.0	7.5	7.5	10.0	9.3	6.7	10.0	10.0
	Vavuniya	Low Risk	7.0	8.0	10.0	10.0	10.0	5.0	8.6	5.0	8.8	10.0
Sabaragamuwa	Embilipitiya	Low Risk	7.2	9.0	10.0	5.0	7.5	10.0	10.0	10.0	8.8	10.0
	Rathnapura	Low Risk	6.7	7.0	10.0	5.8	10.0	8.3	7.9	5.0	8.8	8.3
	Kegalle	Medium Risk	5.8	10.0	7.5	3.3	10.0	10.0	6.4	5.0	8.8	10.0

● Very High Risk
 ● High Risk
 ● Medium Risk
 ● Low Risk
 ● Low Risk (above mitigation measure threshold)

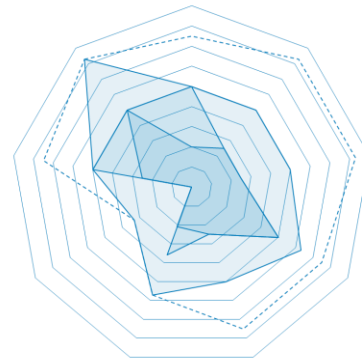
The sample was selected based on the existing price monitoring system with HARTI. This sample is not statistically significant at the provincial level.

## Summary Table (p.2)

Province	Market	Risk-Level	MFI	Assortment	Availability	Price	Resilience	Competition	Infrastructure	Service	Quality	Access & Protection
Southern	Hambantota	Low Risk	5.8	10.0	7.5	5.8	7.9	10.0	7.1	3.3	8.8	10.0
	Galle	Low Risk	7.0	10.0	7.5	8.3	10.0	10.0	7.9	5.0	8.8	10.0
	Matara	Very High Risk	4.8	8.0	7.5	1.7	7.5	10.0	8.6	5.0	8.8	10.0
	Tissamaharama	Medium Risk	6.3	9.0	10.0	5.8	7.5	10.0	4.3	5.0	8.8	10.0
Uva	Badulla	Medium Risk	5.9	10.0	7.5	3.3	8.8	10.0	7.1	6.7	8.8	10.0
	Monaragala	Very High Risk	4.5	10.0	10.0	0.8	10.0	7.5	6.4	5.0	8.8	10.0
	Keppetipola (DEC)	Very High Risk	4.5	9.0	7.5	0.8	8.8	10.0	10.0	5.0	8.8	10.0
Western	Meegoda(DEC)	Low Risk	6.7	10.0	5.0	5.0	7.5	10.0	9.3	6.7	8.8	10.0
	Veyangoda(DEC)	Medium Risk	6.0	8.0	7.5	5.8	8.8	4.2	8.6	6.7	7.5	10.0
	4th Cross Street	Medium Risk	5.9	9.0	10.0	10.0	9.6	5.8	5.0	3.3	8.8	10.0
	Peliyagoda	Low Risk	6.8	9.0	10.0	10.0	7.5	7.5	5.7	5.0	8.8	9.2
	Gampaha	Medium Risk	5.6	10.0	3.3	8.3	8.8	6.7	7.9	3.3	8.8	9.2
	Kalutara	Low Risk	7.7	10.0	10.0	5.8	10.0	10.0	8.6	8.3	8.8	10.0
Average			6.2	9.2	8.3	5.1	8.8	8.9	8.3	5.5	8.4	9.8

● Very High Risk
 ● High Risk
 ● Medium Risk
 ● Low Risk
 ● Low Risk (above mitigation measure threshold)

*The sample was selected based on the existing price monitoring system with HARTI. This sample is not sufficient to generalize results at a provincial level.*



Explore the data in more detail  
through this [dashboard](#).



**Acknowledgments:**

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