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WFP/Harrison Mũema

Market Assessment in Bhasan Char, Bangladesh

Assessing the functionality of emerging marketplaces
serving Rohingya refugees in Bangladesh

HIGHLIGHTS

- Overall market functionality for Bhasan Char was observed to be relatively weak (4.2 out of 10 as highest score), which was lower than the market functionality in Ukhia (5.2) in the same season last year, where Rohingya camps are located. The major strengths were assortment, availability, competition, and access & safety (the presence of barrier/challenge to marginalized groups or presence of physical threat for certain groups or security issues while reaching or in the market), while there needs to be an improvement in the dimensions of resilience of the supply chain and prices on the island.
- Currently, there is no market-based intervention for food assistance in place and the current in-kind food basket provided by the humanitarian agencies cannot meet the diverse nutritional needs of Rohingya population. However, refugees did not prefer to receive cash assistance for the food programme specifically, for fear that Bangladesh traders may increase prices of goods and services. Hence, at this stage a hybrid of cash and e-vouchers is preferred.
- A market-based intervention should be rolled out in incremental phases so that the traders' responses can be monitored properly before scaling up to 100 percent. Regular price, market functionality index (MFI), and supply chain monitoring will be critical in measuring the full capacity of the markets and helping to guide the gradual introduction and scale up of cash-based programmes.
- A rapid injection of cash into the markets (including through large-scale casual labour payments) will likely result in sudden price hikes, widespread commodity shortages, and fierce competition amongst refugees for limited products. However, *gradual* scale-up of the existing cash for work interventions among refugees is recommended to broaden income generation opportunities for refugees.
- When introducing market-based interventions, there are a number of constraints organizations must consider. In terms of the lead time, when scaling up to meet a theoretical increase of demand to 100 percent from current 10 percent of refugees (1,800 individuals) purchasing rice from the market, the big traders present were optimistic about shorter lead times (approximately 2 weeks) compared to the small traders, plausibly due to their strength of comparatively larger businesses and access to large markets in Noakhali and other mainland areas. However, the vast majority of traders claimed they would need at least 2 months to scale up their operations.
- Prices of most of the commodities are generally higher than markets in mainland and Cox's Bazar, particularly for eggs, chicken, and vegetables by 10-20 percent, due to the transportation cost from the mainland. Prices of the commodities were decided by the traders of the market committees, and there is no functional price control mechanism in place. Seasonal effects, especially the monsoon season, play a role in price hikes.
- Other major constraints were potential for natural disasters and limited storage. In particular, the traders' capacity to preposition goods on the island prior to, and during, the rainy season or before/during disasters is hampered by a critical lack of storage space.
- Organizations should place mitigation measures to possible bottlenecks when introducing market-based interventions (see the risk matrix on page 15). Strong coordination within the humanitarian community for all cash injections (regardless of whether they are programmatic or operational) will be critical to managing the growth of the fragile Bhasan Char market.

Table of Contents

1.	Introduction	4
2.	Background of Market Establishment in Bhasan Char.....	4
3.	Market structure	4
➤	Market Characteristics	7
4.	Stakeholder mapping and market dynamics	7
5.	Market Functionality Index	8
5.1.	Market functionality dimensions.....	8
5.2.	Assortment.....	8
5.3.	Availability	9
5.4.	Price and price-setting mechanism.....	10
➤	Commodity Prices.....	10
5.5.	Resilience of the supply chain	12
5.6.	Competition	13
5.7.	Infrastructure.....	13
5.8.	Services.....	14
➤	Customer service	14
➤	Medical services.....	14
5.9.	Food Quality.....	14
➤	Dry food quality	14
➤	Fresh food quality.....	14
5.10.	Access	15
➤	Physical access.....	15
➤	Monetary access	15
6.	Bringing all the dimensions together.....	15
6.1.	Resilience and risk mapping.....	15
7.	Overall challenges.....	17
8.	Considerations for market-based assistance.....	17
8.1.	Theoretical monthly demand vs. supply.....	17
8.2.	Customer Behaviour	18
8.3.	Existing food basket and food assistance	18
8.4.	Financial services availability	18
8.5.	Existing market-based interventions	18
8.6.	Registration, licensing, VAT, and taxes.....	19
9.	Maturity of Bhasan Char Market.....	19
10.	Conclusion.....	19
➤	ANNEX 1: Map of Bhasan Char	21
➤	ANNEX 2 : Price comparison between Bhasan Char and other sub-districts.....	22

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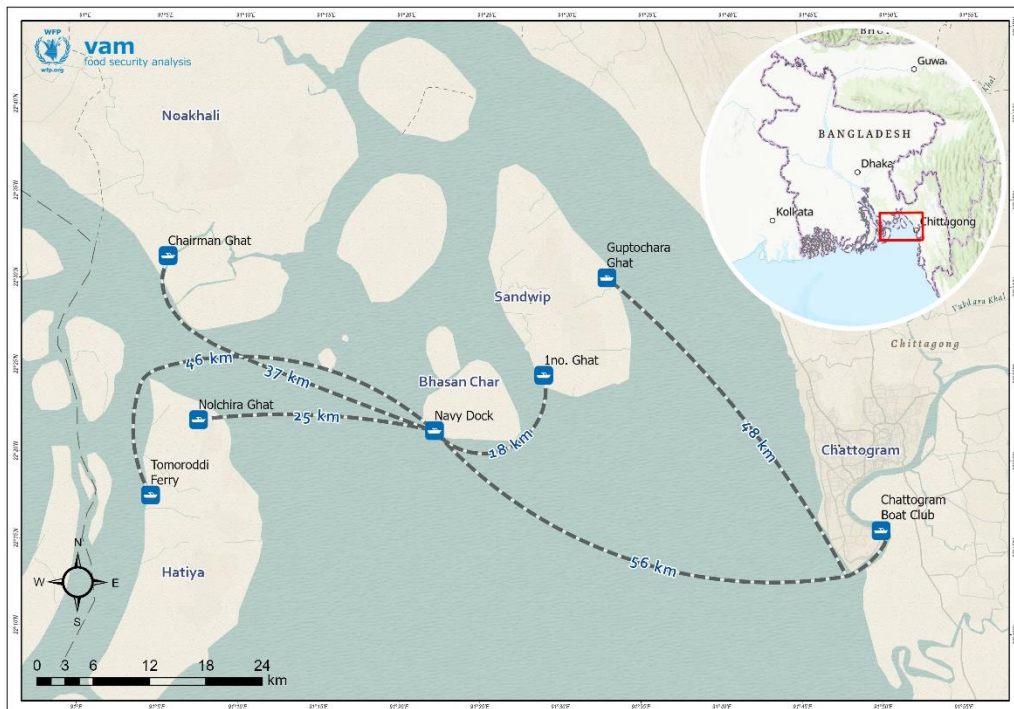
1. Introduction

This market assessment was conducted between 14th to 17th November 2021 as a part of an inter-agency multi-sectorial assessment mission to Bhasan Char. The objectives of the market assessment are as per below:

- In-depth understanding of the market functionality in each specific context
 - Detailed understanding of the retail supply chain structure
 - Understanding of the cost to serve refugees on the island
- Evaluation of market competitiveness
 - Number of players, price levels, margins relevance, service quality
- Assessment of the Value Equation for refugees: Price, Assortment, Quality, Service, etc.
- Retail engagement strategy
 - Identification of opportunities to achieve a better business retail strategy
- Assessment of Market-Driven humanitarian interventions in Bhasan Char
 - Identify existing cash-based humanitarian interventions
 - Determine possibility for starting/scale-up of market-driven humanitarian interventions

2. Background of Market Establishment in Bhasan Char

Since the inauguration of the resettlement project by the Bangladeshi government in 2017, traders from the mainland established marketplaces on the island to cater to labourers during the island infrastructure construction phase. They primarily played the role of supplying raw materials for construction and a few food commodities for the labourers and stakeholders associated with construction. With the construction works scaling down after the final major clusters, they have switched to selling food and non-food commodities, mostly to other Bangladeshi traders, Armed Police Battalion, Bangladesh Navy, Police, and Rohingya market.



3. Market structure

There were three major functioning markets in Bhasan Char. The markets grew according to the strategic location and proximity to offload construction materials, food commodities, and non-food items (NFIs) for the labourers. Due to the ongoing activities at the time, Market 2 was the first concentrated market formed, followed by Market 1 and Market 3, consecutively (market names/numbering do not align with the chronological order of establishment, as the markets were named after markets emerged). Except for Market 3, Markets 1 and 2 are located close to the offloading sites making it easy for the traders to offload and load commodities into their shops. The footfall of



refugees was not prevalent in Markets 1 and 2, except Rohingya traders from Market 3, who would resell the commodities inside the other markets or clusters. In Markets 1 and 2, Rohingya refugees were not allowed to set up shop as these markets are outside of the embankment, which surrounds the Rohingya settlement area. The shops in all markets generally open at 7 AM and close around 8-9 PM.

Market 3, which has a concrete structure for fresh food, is located inside the refugee settlement area (near Cluster 5). The concrete structure is allocated only for Bangladeshi fresh food traders, while another section (not concrete) is allocated for the Rohingya traders, with shop dimensions of 6 by 7 feet, selling mostly non-food items (clothes, shoes, cosmetics, etc.), minimal numbers of food commodities, and snacks. The traders interviewed claimed that the land allocated to them to set up shops was through the verbal authorisation from the Project Director (PD). However, despite the name of the market being "Rohingya Market," the presence of both Rohingya and Bangladeshi was significantly observed.

The only fresh food sources for everyone in Bhasan Char were the Market 3 fresh food stalls, with very few (3-6) fish-only wholesalers in Markets 1 and 2.

- Local chairman known as Chairman Ghazi owns a shop called 'Bhashan Char Hera Super Shop' in the vicinity of Market 3, which sells food and NFIs. Some NFIs on the island are exclusively found in this shop and no fresh food was available.
- In total, 5-6 Rohingya shops were observed beside the road separated from other shops in Market 3 area. They were mostly snack and betel nut/tobacco shops accompanied by 1-2 shops selling spices, lentils, and rice in small quantities of 1-2 packets of each product in unstructured bamboo/polythene roof.
- There were two pharmacies close to the government hospital. However, the team noticed sanitary napkins were only sold at large shops where NFIs are sold. Markets 1 and 2 have small restaurants owned by Bangladeshis and Market 3 has one owned by refugees.
- In Market 3, the refugees who relocated in the first phase received permission to set up shops. However, the refugees who followed after the first phase were not allocated land due to lack of space. This led to the establishment of unstructured corner shops in the form of a chair and table or cart as a mobile shop within the clusters. This is due to the location of the corner shops being closer to the Rohingya households and lack of transport, which created a burden to



Figure 1: Market 3 (Bangladeshi Fresh food pavilion)



Figure 2: Market 3 (Rohingya Market), Informal Rohingya (extremely low capacity) shops adjacent to market 3



Figure 3: Bhashan Char Hera Super Shop by Chairman Gazi

households to travel to Market 3. This has enabled the Rohingyas to buy more goods from the corner shops inside the Clusters. However, the government has indicated that shops within the Clusters are not permitted and there have been instances of these informal shops being closed by the government.

- The Rohingya traders, interviewed in Market 3, shared their dissatisfaction on the reduction in the number of customers due to the competition with the corner shops. The assessment team saw this as a risk that might in the future cause conflict amongst the Rohingya traders if not mitigated in time.

➤ Market Characteristics

In Market 1 (outside the embankment), there were a few big shops (dimension estimation: 3 or more 4WD cars fit inside) and the rest are medium-sized shops (dimension estimation: 2 4WD cars fit inside), with a few small-sized shops (dimension estimation: 1 4WD car fits inside).

Market 2 (outside the embankment) exhibited a similar pattern with Market 1, except for the presence of 4-5 fish wholesale traders with small-sized shops with temporary ice-based storage, which they claim to have enabled them to store fish at least for 2-3 days. The icebox was brought from Noakhali with the fresh fish products purchased from Noakhali.

In Market 3 (inside the embankment), 90 percent of the market is dominated by small-sized businesses, with less than 10 percent constituting assorted fresh foods. Approximately 20 fresh food Bangladeshi vendors were allocated stalls in a permanent structured concrete building (fresh food pavilion). All the traders operating in the Market 3 fresh food pavilion received around 6 by 6 feet area divided by 4 feet high square borders.



Figure 4 Fish wholesale (Market 2)



Figure 5 Fish retailer (Market 3)

The assessment team noticed that some Bangladeshi traders owned at least one shop in both Markets 1 and 3 or Markets 2 and 3, to expand their supply chain to ensure better coverage within the embankment. There were fewer cereal sellers in Market 2, compared to Market 1.

4. Stakeholder mapping and market dynamics

Traders' Market Committees: All three markets had a traders' committee. At least in Market 3, the traders' committee had 3 Rohingya committee members out of 20. There was no written list of the committee members in any markets, but the committee represents all the traders in each market under one president.

The supply of products was mainly sourced from Noakhali and interviews with Bangladeshi retailers

indicated that most of the traders sourced from their *own* shops in Noakhali. They were relocating commodities from their mainland shops in Noakhali.

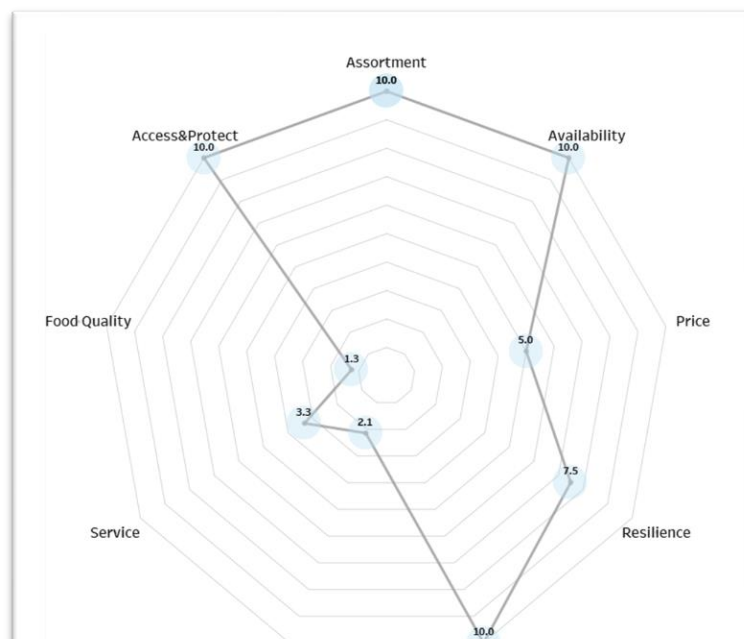
Except for some traders in Markets 1 and 2, many set up their business as “mixed traders” as both wholesalers and retailers. Their businesses are characterised as retail shops, but they claimed to be able to switch into wholesalers when demand rises. However, at the time of the assessment, the population in the area was small with low demand, which did not require them to operate wholesale. Unlike Market 2, Market 1 had more capacity with non-food items, such as construction materials, likely because they are the small vendors for the engineering works throughout the island.

5. Market Functionality Index

5.1. Market functionality dimensions

The market assessment applied the Market Functionality Index methodology¹. This is a novel approach to market assessment proposed by WFP, which aims to quantify market functionality by returning a comparable score across marketplaces using a standard trader survey. These questions were organized under nine dimensions deemed crucial to make a judgement statement around market functionality. Figure 6 summarized the results by dimension.

Overall market functionality index (MFI) score for Bhasan Char was 4.2 out of 10, which was lower than MFI score (5.2) in Ukhia in the same season last year.² The major strengths of the markets in Bhasan Char were observed for the following 4 pillars: assortment (10); availability (10); competition (10); and access & safety (10) (safety part identifies the presence of barriers/challenges to marginalized groups or presence of physical threat for certain groups or security issues while reaching or in the market). Weaknesses were identified in resilience (7.5) and prices (5).³ This indicates there is room for improvement in the resilience dimension and the prices on the island are



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