



Emergency Market Mapping and Analysis (EMMA)

CORRUGATED GALVANISED IRON (CGI) SHEETS MARKET SYSTEM

Eastern Samar Province, Philippines

January 24th -28th 2014



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NOTE OF THANKS:

The EMMA team would like to thank Oxfam, IOM and CRS for releasing their staff to participate in this multi agency initiative and for making all the resources available for field work. We hope that the findings of this rapid EMMA will be useful to the shelter cluster for taking informed decisions on the future direction of shelter response.

INTRODUCTION

Super Typhoon Haiyan (locally known as Yolanda) made landfall on the 8th of Nov'13 and left a trail of destruction along its path. It is estimated that 14 million people were affected and 4.1 million were displaced in the Philippines as a result of this super typhoon¹. Eastern Samar province of the Visayas was one of the badly affected provinces with an estimated 61741 houses fully or partially damaged². To understand the needs in the shelter market and to build local capacity in emergency market analysis, an Emergency Market Mapping and Analysis (EMMA) training cum rapid assessment was conducted in Eastern Samar region of the Philippines from 24th – 28th January 2014. This training comprised classroom sessions, field data collection³ and its analysis with the purpose of generating useful information for the Shelter Cluster in Eastern Samar and inform intervention planning.

The Corrugated Galvanised Iron (CGI) sheet market system was chosen for the EMMA exercise for the following reasons:

- CGI sheet is a common roofing material in the Philippines;
- It is considered a sturdy alternative to Nipa leaves (that cannot withstand strong winds and mini typhoons⁴) and helps in building the resilience of communities to future shocks;
- CGI sheeting is recommended by the Shelter Cluster as one of the materials for shelter reconstruction in the area.



¹ UN Multi cluster needs assessment, December 2013

² Shelter cluster report on coverage gap in Samar and Eastern Samar, 26th Jan'14

³ As a part of this EMMA detailed interviews were conducted with key informants in Tacloban, Borongan and Guiuan, Solcedo, Gioporlos, Hernani and Lawaan municipalities of Eastern Samar province.

⁴ It is estimated that there are between 20 mini typhoons/strong winds in the area every year.

METHODOLOGY

The Emergency Market Mapping and Analysis (EMMA) is a rapid market analysis designed for use in the first phase of a sudden onset crisis. It is based on the rationale that better understanding of the most critical markets in an emergency situation enables decision makers (i.e. donors, NGOs, government, other humanitarian actors) to consider a broader range of responses. It utilises existing information that is available through other assessments and captures specific information through key informant interviews. More details on the methodology can be found on: <http://emma-toolkit.org/>

As a part of this EMMA, 40 key informants representing different actors in the CGI market system were interviewed⁵. The EMMA methodology considers discussion with the target group as an important element of the EMMA exercise as this provides an insight into the needs and capacities of the selected target group. For the purpose of this EMMA, low income households living in coastal areas



were initially identified as the target group. However, as CGI sheets are needed by all affected households, the target group was broadened to include poor households from other livelihood zones as well. Accordingly, the household interviews were conducted with households engaged in a diverse range of livelihoods.

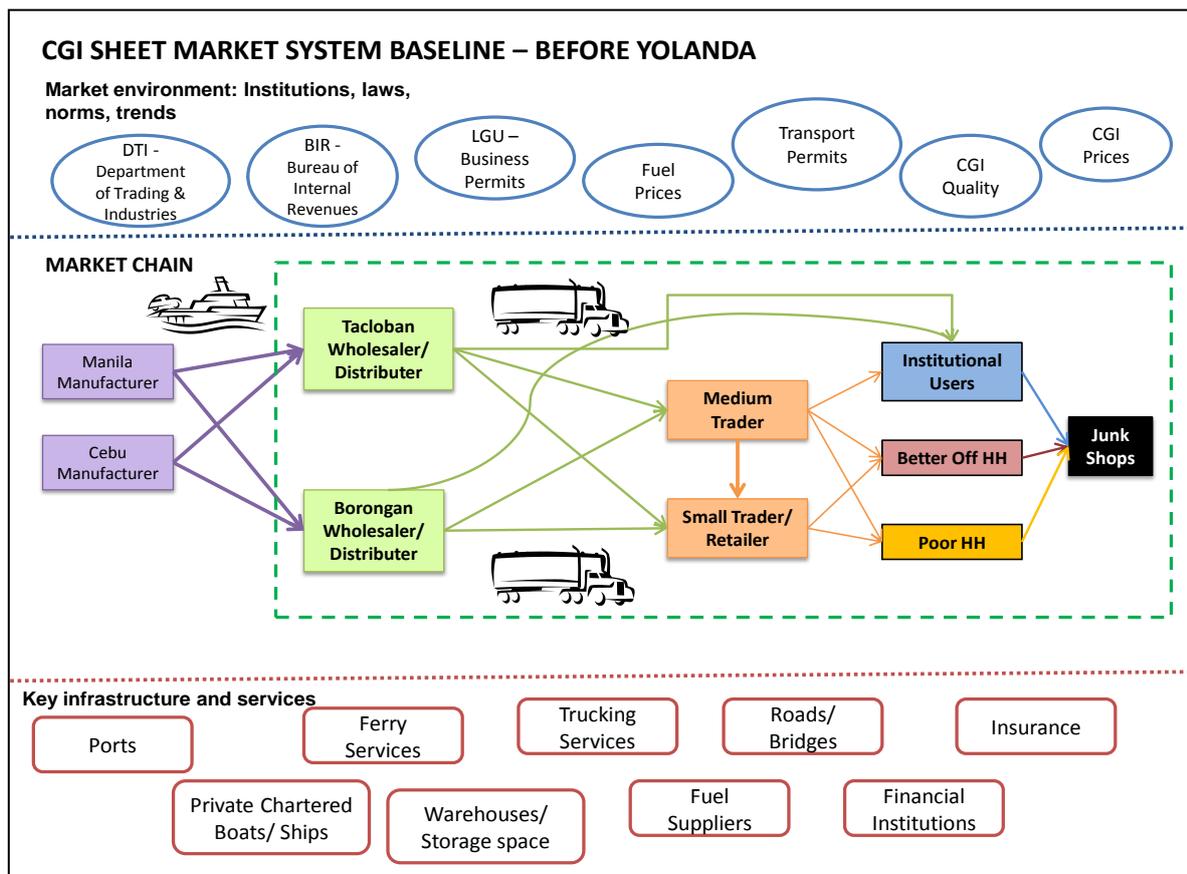
KEY ANALYTICAL QUESTIONS:

The following key analytical questions provided focus to the information collection process:

1. Can the local market meet the need for CGI sheets for roofing for the affected population in Eastern Samar?
2. If No, what are the constraints?
3. If Yes, can low income households access (physically and economically) CGI sheets from the local market?

⁵ Wholesalers/suppliers – 4; small/medium traders – 9; households – 20; Transporters - 2; LGU -2; Port authorities – 1; staff from IOM & Oxfam - 2

THE CGI MARKET SYSTEM IN EASTERN SAMAR



CGI MARKET SYSTEM IN EASTERN SAMAR PRE-YOLANDA:

The CGI market system in Eastern Samar comprises of manufacturers located in Manila and Cebu. These manufacturers supply CGI sheets to wholesalers/suppliers in the towns of Tacloban and Borongan. Every municipality has at least 1 medium or small scale retailer of hardware that supplies CGI sheets to consumers in the municipality. Possessing a truck appears to be a necessity in the hardware business and all the retailers that the EMMA team interviewed owned trucks to procure and supply their goods. In case of high demand, hiring transport companies was common before the typhoon.

CGI MARKET SYSTEM IN EASTERN SAMAR POST-YOLANDA:

Typhoon Haiyan damaged the Tacloban port and infrastructure that supports the import of goods into the Visayas from Manila and Cebu. The wholesalers/suppliers in Tacloban were severely affected in terms of loss of stock, infrastructure and disruption of fresh supply.

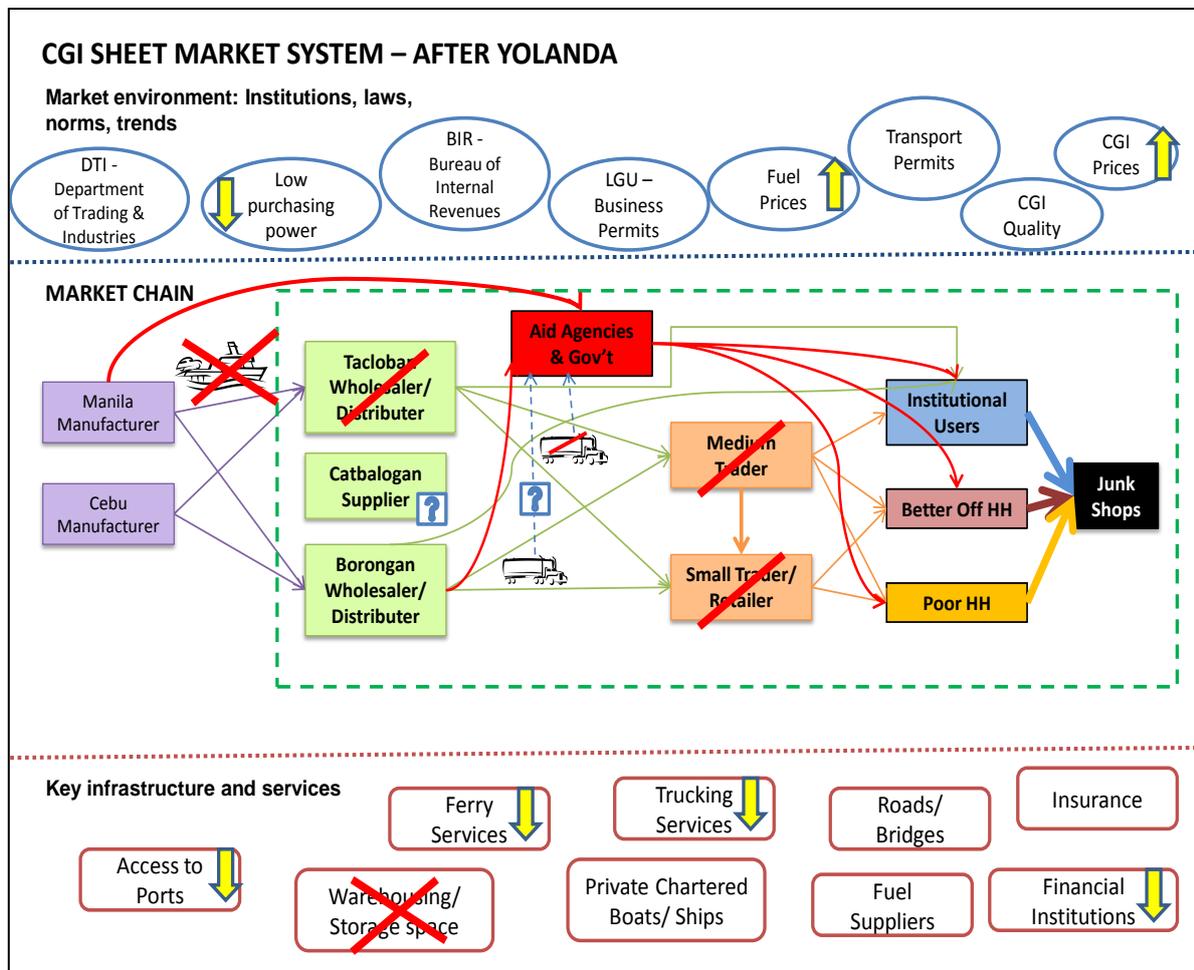
Immediate Spike in Demand Post-Typhoon: Eastern Samar saw a spike in demand for CGI sheets following the typhoon. This coincided with a gradual recovery of the hardware market in Tacloban; however, the needs in Tacloban were also high, therefore the supply from Tacloban into Eastern Samar was a challenge. This created an incentive for the medium and small retailers in municipalities to source CGI and other hardware via the land route from Manila.

Post- Typhoon Increase in Prices: The cost of transportation via land is higher and the waiting time for ferries was longer (on average 5 days waiting time) due to the preference being given to relief goods. A cumulative effect of the high demand and high transport costs meant that the prices of CGI sheets increased in the first 2 months after Haiyan. At the time of conducting this EMMA the price of

0.40mm (i.e 26 SWG) CGI sheet ranges between Peso 380 – 450/sheet as compared to Peso 250-300/sheet, before Haiyan.

It may be noted that this spike in demand was caused by households who urgently needed to repair their houses and had an income or substantial savings to buy hardware goods. By early January, households with higher purchasing power had constructed or repaired their houses and the demand for CGI sheets began to taper off. Following this there was little incentive for medium and small retailers to source material from Manila without a prior down payment.

Lack of Credit: Purchase on credit was a norm in the supply chain prior to Haiyan wherein the small/medium traders could procure goods from suppliers/wholesalers on credit and in turn they could sell to consumers on credit with a promise to return the amount in a few weeks⁶. Haiyan reduced the working capital for many small/medium traders and reduced income levels of consumers. This in turn reduced their credit worthiness as suppliers/traders were unsure of the ability of other actors in the market chain to return the money on time for them to continue business as usual. At the time of conducting this EMMA no sales were being made without a cash payment because traders would like surety of the order and also to maintain their cash flow.



⁶ Although the EMMA team was able to identify the role of credit in the CGI supply chain, the team was unable to ascertain the exact terms and conditions of credit arrangements followed by actors the market chain

Low Demand & Purchasing Power: At the time of conducting this EMMA, the medium and small traders were sourcing CGI sheets from Borongan, Tacloban and sometimes from Manila/Cebu. This supply is limited owing to low demand (i.e low purchasing power) from the consumers.

Small & Medium Traders By-Passed: Wholesalers/suppliers from Tacloban have begun rebuilding their businesses and their agents visit municipalities in Eastern Samar to identify households and institutions (eg. churches, offices etc) that have high purchasing capacity to take orders in bulk for CGI sheets. For most wholesalers/suppliers, Haiyan affected areas are an opportunity to expand their business. The fact that they operate at large scale and potentially have a name in the hardware business makes it easy for some of them to be trusted with bulk orders by institutions and agencies. However, this means that the small and medium traders who were a part of the market chain until recently are currently being bypassed within the market system and this could have a serious impact on the economic recovery⁷ of Eastern Samar.

Tacloban Port – Damage & Ship Waiting Times: As mentioned earlier, the Tacloban port served as the main route of importing commercial goods from Cebu and Manila into the Visayas. Haiyan severely destroyed infrastructure (such as warehouses, offloading bays/space etc) and equipments (i.e forklifts, trucks etc) at this port. This significantly reduced the functioning capacity of the port and at the time of this EMMA, the Tacloban port was functioning at 20% capacity⁸. Shipping of commercial goods to this port had resumed. However, unplanned delivery⁹ of relief material at the port continues to create a situation whereby commercial shipments have to wait at the berthing site until the relief material has been offloaded. This can take up to 5-7 days depending on the quantity of the relief material and the capacity of the port to support the offloading. During this waiting period, the wholesaler/supplier is charged berthing fees¹⁰ on a daily basis by the port authorities. This can be a discouragement for businesses that are trying to recover from the aftermath of Haiyan.

For commercial activity to resume effectively, it is important that the unplanned shipment of relief material is avoided and most importantly, urgent investments are made to initiate the repair/reconstruction of the Tacloban port.

Trucking & Transportation: Trucks are an important part of the hardware business for transporting the commodities from suppliers to consumers. Almost all of the hardware traders (large and small) owned trucks before the typhoon. The maximum damage to the fleet was at the level of wholesalers/suppliers. The medium and small traders interviewed during the EMMA process informed the team that they still had trucks and were using them for their business. However in case of bigger orders they would hire trucks from transporters before the crisis. After Haiyan, trucks have been in short supply and the small/medium traders of various commodities face a problem in trucking their goods in and out of Eastern Samar.

Key informant interviews revealed that the main reasons for the shortage in availability of trucks are:

- (i) Haiyan damaged many trucks, therefore there is a general shortage of trucks available for hire in the province;

⁷ Small and medium scale traders (like other small businesses) play an important role in ensuring the circulation of cash in the local economy of Eastern Samar. The reduction of small and medium scale enterprises could lead to monopoly by market actors whose businesses are not necessarily located in Eastern Samar. This would alter the pre Haiyan flow of cash and enable cash resources to flow out of Eastern Samar as compared to circulation within the province that can eventually lead to higher economic returns/growth in the province.

⁸ According to key informants at the Tacloban port, the port was operational at 20% capacity 3 days after Haiyan.

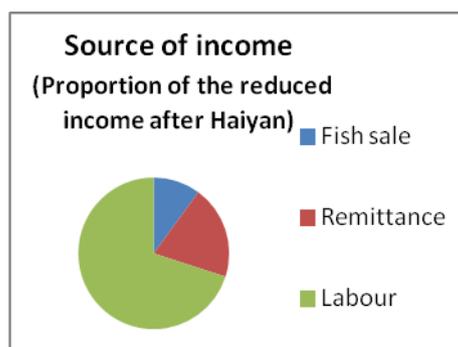
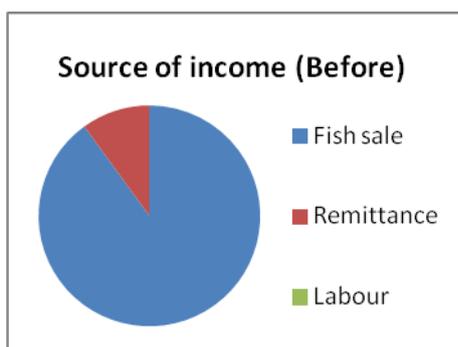
⁹ According to key informants at the Tacloban port, often ships carrying relief goods arrive without prior notice and this does not allow port officials to organise

¹⁰ The EMMA team were unable to verify the exact amount that suppliers/wholesalers have to pay as berthing charges

- (ii) Humanitarian agencies have hired/contracted most of the trucks that are available and in working condition to carry out relief activities;
- (iii) Transporters/ truck owners prefer to rent out their trucks to relief agencies because these agencies are willing to pay a much higher rate for hiring trucks as compared to local traders/businesses; and
- (iv) Poor incentive for the wholesalers/suppliers as well as for transporters to repair their damaged fleet as the current situation of high need and artificial low supply works in their favour.



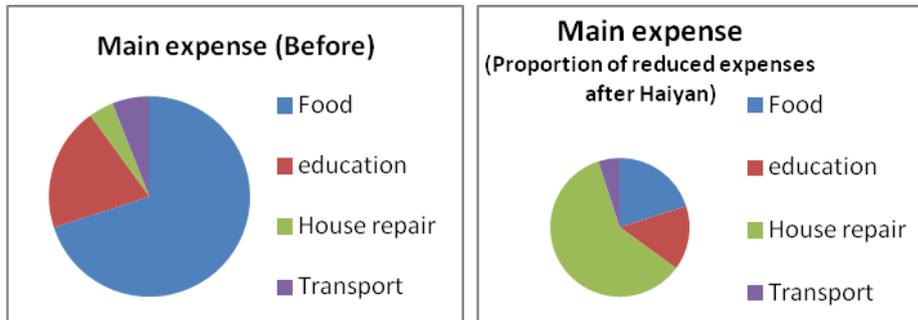
Livelihoods, Income & Expenditure: The livelihood system of the target group for this EMMA has been badly affected. Livelihood assets that the poor households depend on for their food and income have been damaged. For example, many fisher households have lost boats, nets and other related gear and in addition the infrastructure that supports the fishing trade such as ice factory/cold storage have been damaged. Similarly, households that depend on agriculture have lost the stored grain, seeds and in some cases standing crop (i.e coconut). For households that depend on casual labour, opportunities for work have reduced significantly as farmers are unable to resume farming activity. Many women in the area earn an income by running sari sari stores and many such stores have been destroyed and the stock has been lost.



Preliminary analysis of the household economic profiles collected by Oxfam's livelihoods team indicates that the income of poor households has reduced by 30-50% as compared to

before Haiyan. The sources of income have changed significantly as well for many households. The data above from one household that depended on fishing before Haiyan highlights the change in income sources at their household level after the crisis. A similar trend can be observed in other livelihood zones.

The expenditure patterns have changed after Haiyan as well. Information collected by the EMMA team highlights that even though food aid contributes more than 80% of household's current food



consumption, expense on food comprises a significant proportion of the household expenditure. This expense is mainly incurred for purchasing fresh food. Not

surprisingly, house repair appears as the most significant expense after the Haiyan. This information is consistent with the post distribution data available with the Oxfam field team on the utilization of unconditional cash grants distributed by the agency.

Eastern Samar is one of the poorest provinces (55.4%)¹¹ in the Philippines that makes early recovery without external support a near impossible task for the affected population. This is reflected in the fact that even after almost 3 months of the crisis, many people are living in tents and dependent on food assistance. Some households are likely to be relocated to bunk houses¹² with an uncertain future on where they will eventually be resettled. The weather has been erratic too thereby making livelihoods recovery an extremely challenging task. As mentioned earlier, the income of poor households has reduced by approx. 30-50% and this affects their current purchasing power. This in turn creates low demand in the market for CGI sheets and does not support recovery of the CGI market system.

Purchasing Power & Quality of Housing Materials: It may be noted that the purchasing power of poor households was not high even before the crisis and most households could not afford CGI sheets (at least the good quality i.e 26 SWG¹³ recommended by the shelter cluster). Most poor households either lived in houses with roof made of Nipa leaves or with poor quality CGI sheets. The quality of housing material used prior to Haiyan is a reflection of purchasing power and not that of choice/preference. Roofs made of CGI sheets are considered to be sturdier and require less maintenance as compared to nipa leaves and are therefore seen a symbol of socio economic progression in the community. Key informant interviews with affected households highlighted that there is awareness of the specification of the CGI that should be used for roofing in the region. Almost all household interviews indicated that they prefer CGI sheets for roofing material and that 0.40mm (equivalent to SWG 26) and above was the most preferred choice for them.

Relief Agencies' Role in the CGI Sheeting Market Post-Haiyan: Relief agencies have emerged as a new actor in the CGI market chain after the typhoon. 7 Relief agencies and 2 government institutions are engaged in support to self recovery of shelter. As per the Shelter Cluster information on 26th Jan

¹¹ National Statistic Coordination Board 2012 Full year official poverty statistics in the Philippines http://www.nscb.gov.ph/pressreleases/2013/NSCB-PR-20131213_povertypress.asp

¹² Following the massive destruction of life and property, Government of Philippines is not permitting construction in areas that are considered vulnerable i.e jetties or too close to the sea. Population that lived in these areas before Haiyan will be relocated to some other location. At the moment, place of relocation is not clear.

¹³ 26 SWG is referred as point 40 in the local parlance in eastern samar

2014, 4 agencies had reached or planned to reach 9705 beneficiaries with roofing material and 1 agency had reached or planned to reach 8606 households for transitional shelter. Verbal information from a trader in Borongan also indicated that at least two agencies not captured within the Shelter Cluster have made large purchases of CGI sheeting (SWG26 and SWG28), presumably for distribution in Eastern Samar.

Most of the humanitarian support from aid agencies & government for roofing material is in-kind. CGI sheets are procured either in Manila or through order from large suppliers in Borongan and Tacloban. This strengthens the monopoly of the wholesalers/suppliers in the market system and misses the opportunity to introduce competition for them by supporting trade with the small/medium retailers. Needless to say that increased competition is known to reduce prices of commodities thus it is in the interest of the humanitarian agencies as well as the beneficiaries.

Market Capacity to Meet Demand: Key informant discussions highlight that the market has the capacity to increase the supply to meet the needs of the affected households¹⁴. This is reflected in the fact that the medium and small traders were able to procure CGI sheets directly from Manila soon after the typhoon to meet the spike in demand. The lack of purchasing power among consumers is a big bottleneck that acts as a disincentive for the medium and small retailers to make the extra effort now. **Based on discussions with key informants and observation in the municipalities, this EMMA concludes that the local market will be able to respond to the needs if the purchasing power of people increase and/or if the procurement of CGI sheets by aid agencies is done at the municipality level.**

CGI Quality: While the availability of CGI sheets did not appear to be a problem at the time of conducting this EMMA, key informants reported that the quality of CGI sheets has been inconsistent. There have been some reports of traders selling or mixing lower quality CGI sheets in the supply. The Shelter Cluster recommendation on the thickness of CGI sheets is 26 SWG¹⁵. In local parlance this is referred to as point 40 in Eastern Samar. Interestingly, this thickness is also the most preferred by consumers if they have the resources to buy it. The government department that oversees the quality of commodities appears to be a bit relaxed after Haiyan following the high need and their overstretched capacity.

Requirement for Improved Information Sharing for Effective Shelter Support Planning: The exact number of CGI sheets needed in Eastern Samar is difficult to estimate at this stage because the process to validate the number of houses constructed or repaired is ongoing. The EMMA team considered using information available with the Shelter Cluster to calculate the gap in needs. However, the information available with the cluster depends on individual agencies proactively sharing information with the cluster. During the course of the exercise the EMMA team noticed discrepancies in the information available with the Shelter Cluster (e.g. information on shelter support by some key agencies¹⁶ is not available). Owing to the lack of reliable data, detailed calculations to estimate the exact need and extrapolate that against the capacity of the local market to supply was discontinued.

KEY CONSTRAINTS TO THE CGI MARKET IN EASTERN SAMAR

The CGI market system in Eastern Samar currently faces three key constraints, namely:

¹⁴ It may be noted that the capacity to manufacture and/or import in the country was not within the scope of this EMMA and may need to be considered while designing large scale plans.

¹⁵ Typhoon Haiyan – Shelter cluster technical guidance, draft 16/12/2013. www.haiyansheltercluster.org

¹⁶ According to key informants ICRC and Plan International have either distributed or plan to distribute shelter material. Information on both these agencies is not available with the shelter cluster.

- Reduced capacity of the Tacloban port combined with the unplanned/unannounced arrival of relief goods that creates a disincentive for the resumption of commercial activity via Tacloban port
- Disruption of transport system owing to damage of fleet and diversion by humanitarian agencies for delivery of hardware material within Eastern Samar
- Low purchasing power among the affected population (i.e. 30%-50% reduction in incomes for poor households)

RESPONSE RECOMMENDATIONS

1. Increase the purchasing power of households through a combination of commodity vouchers (to include CGI sheets, lumber, nails etc) and cash grants (to cover local transport, labour etc). Reasons for suggesting vouchers are -
 - Vouchers will allow humanitarian agencies to control the quality of the CGI sheets and follow Shelter Cluster recommendation on the strength/width of the CGI sheets.
 - Vouchers will also create an incentive for medium and small retailers to procure CGI sheets at scale directly from Manila/Cebu. This is likely to create competition for the suppliers/wholesalers in Tacloban who may invest in strengthening the market chain by increasing the supply.

In kind distribution of CGI sheets could be an alternative where the overall cost of the entire operation (including material cost, transportation and administration of the operation) is lower than the normal market process. Even in such cases, relief agencies are encouraged to purchase locally from small/medium traders to support the local market to recover from the effects of Haiyan.

2. Urgently invest in understanding the impact of Haiyan on the transport business, including the effect of humanitarian response by government and relief agencies on the availability of trucks for commercial activity. Transport is the lifeline for all market systems in Eastern Samar in the following contexts:
 - To transport commercial and other essential goods produced outside Eastern Samar into Eastern Samar province to support survival; and
 - To transport commercial goods produced inside Eastern Samar to markets outside Eastern Samar to promote and recover livelihoods.

An understanding of the impact of the typhoon and relief activities on the transport market system will support a well informed response by government and humanitarian agencies that will be of use for all technical sectors in the Haiyan response.

3. Advocacy with government and International relief agencies to clear the congestion along ferry/ship routes and allow the recovery of commercial activity through these routes through better planning and greater investment in infrastructure development. Another advocacy point is to work with the Department of Trade and Industry on the issue of the influx of poor quality CGI sheets to ensure better monitoring and control of the quality of CGI sheeting being sold.