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# Emergency Social Safety Net Market Bulletin

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## ESSN

The Emergency Social Safety Net (ESSN) is a programme aiming to support the most vulnerable refugees in Turkey through unrestricted cash transfers to meet basic needs.

It is a partnership between ECHO, the Ministry of Family and Social Policies, the Turkish Red Crescent and the World Food Programme. The ESSN is coordinated by the National Disaster and Emergency Management Presidency (AFAD).

The ESSN was rolled out nationwide starting in November 2016, building on existing Turkish social assistance infrastructure.

In March 2017, over 400,000 people received ESSN assistance. The total programme target is over one million people.

## Highlights

- In March 2017, Turkey's annual inflation accelerated to a nine year high of 11.29%.
- Food inflation was the main driver behind the rise in the Consumer Price Index. Food prices peaked in March 2017, deviating significantly from historical trends and international food prices.
- A refugee Minimum Expenditure Basket, relying on prices from the Turkish Statistical Institute, cost an average of 1927 TL for a household of six, or 321 TL per capita.
- The average cost of the Minimum Expenditure Basket is almost 10% higher than 12 months ago.

## Turkey Macroeconomic Context

**Turkey witnessed significant depreciation of the lira within 2016, with inflation peaking in March 2017.**

2016 was particularly a difficult year for Turkey. Following the military coup attempt in July 2016, the tense domestic political environment and heightened external pressures damaged private sector confidence and aggravated risk factors, all of which was reflected in the financial markets. This led to negative assessments by credit agencies, and large outflows of foreign capital. As a consequence, the lira has weakened sharply, depreciating 17% against the dollar in 2016.

Amid the slump in the lira, reduced demand and tourism revenue, the Turkish economy has contracted for the first time in seven years during the third quarter of 2016.

However, economic growth bounced back far better than expected at the end of the year, with the help of the central bank's policies. Gross domestic product expanded by 3.5% on the year in the fourth quarter of 2016, rebounding from the 1.8% contraction in the third quarter. The overall growth rate for 2016 was at 2.9%, based on local currency and with inflationary adjustments.

Turkey's annual inflation in March 2017 accelerated to a nine year high of 11.29%. Data from the Turkish Statistical Institute indicated double-digit increases in the prices of food, transportation, and health. With the central bank inflation target at 3-7%, this March reading was even worse than the already high forecast of 10.7%.

## Objectives

The Emergency Social Safety Net (ESSN) Market Bulletin examines the macroeconomic context, trends in staple food and fuel prices, as well as the cost of the minimum expenditure basket (MEB) and consumer price index (CPI) for the first quarter of 2017 (January to March).

The bulletin aims to provide economic analysis for the ESSN programme, which provides unrestricted cash transfers to refugees across Turkey. This analysis can be used to review and adapt the ESSN, ensuring beneficiaries are provided with the most appropriate transfer value and modality.

The ESSN market bulletin can also serve as a useful resource for other actors providing assistance in Turkey, to better understand market trends and likely implications on beneficiary purchasing power.

Food inflation was the main driver behind the rise in Turkey's Consumer Price Index. The food prices reached a peak value in March 2017, deviating significantly from historical trends and international food prices. The lagged effect of the lira's depreciation played a key role in rising prices.

The national average price of petrol, diesel and cooking gas increased by 1.92%, 2.42% and 10.64 % over the last three months. However, due to a decline in international oil prices in March, all three commodities witnessed price decreases in March 2017, in comparison to the previous month.

## Methodology

For cost efficiency and comparability of data sources, this bulletin relies on data from the Turkish Statistical Institute (TUIK), and some reference to the FAO Food Price Index.

The analysis focuses on eight areas of Turkey with the highest number of refugees. The geographic areas selected are NUTS2 (Nomenclature of Territorial Units for Statistics) level regions of Turkey.<sup>1</sup> The regions covered are as follows: Hatay-Kahramanmaraş-Osmaniye, Gaziantep-Adiyaman-Kilis, Şanlıurfa-Diyarbakir, and Adana-Mersin in south east Turkey; Bursa-Eskisehir-Bilecik in west Turkey; and three cities, namely Istanbul, Ankara and Izmir. The total off-camp refugee population living in these areas represents 83.8 % of the total number of off-camp refugees in Turkey, according to the March DGMM figures.

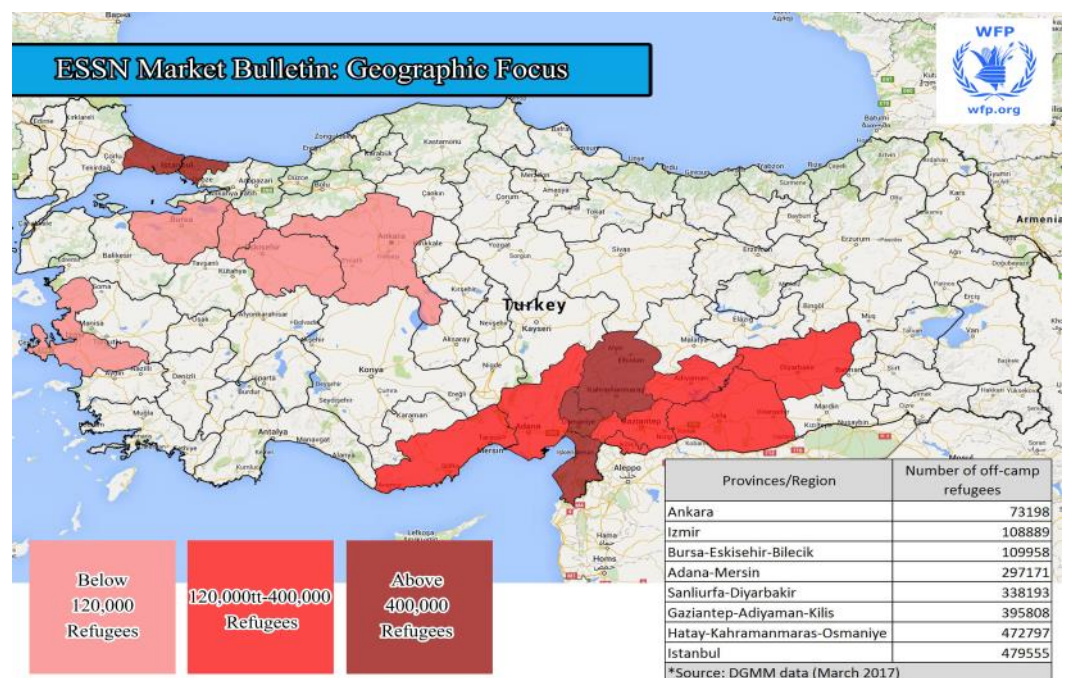
The Minimum Expenditure Basket (MEB) calculations build on the MEB developed by the Cash Based Interventions Technical

Working Group for Turkey in 2016. The MEB presents the minimum monthly cost of the goods and services required for refugees to live a dignified life outside the camps. The current analysis uses the CBI TWG MEB as guidance for the contents of the MEB, but relies on TUIK prices.

This analysis is undertaken based on an average household size of six people. TUIK data was used for all prices.

A MEB should include actual prices paid for goods and services consumed by refugees. A limitation of relying on TUIK data is that measurement bias may arise due to price incomparability. Specifically, prices could be collected a) for the wrong specification of goods (high quality items vs low quality items), and b) from higher-price traditional outlets rather than lower-price larger chain stores or informal markets.

<sup>1</sup> There are 81 cities in Turkey and these cities are grouped into 26 NUTS2-level regions. Prices are observed only at the NUTS2 level, not at the city level. The regional MEB costs are calculated accordingly.



# Minimum Expenditure Basket

**Data demonstrates near 10% increase in the cost of the MEB over the past year.**

The constructed MEB includes the goods and services for refugees to live a dignified life outside the camps. Table 1 presents the summary contents of the MEB, in addition to the proportion of expenditure represented by each item. The components included reflect the items included in the CBI TWG MEB, balanced with actual refugee expenditure data, to ensure the MEB is reflective of real expenditure patterns. Refer to the annex for details and assumptions used in the construction of the MEB.

Table 1 indicates that food represents almost one third of the MEB, with rent accounting for another third. The remaining 37% of the basket account for all other expenditures, including essential goods and services such as education and healthcare.

Figure 1 illustrates that in March 2017 the average MEB cost was 1927 TL. The trend analysis shows a steady increase in the cost of the MEB over the past year, when the average cost was 1757 TL.

The data shows an increase of 4.73 %, 8.27 %, and 9.70 % in the cost of average MEB compared to three months ago, six months ago, and twelve months ago, respectively.

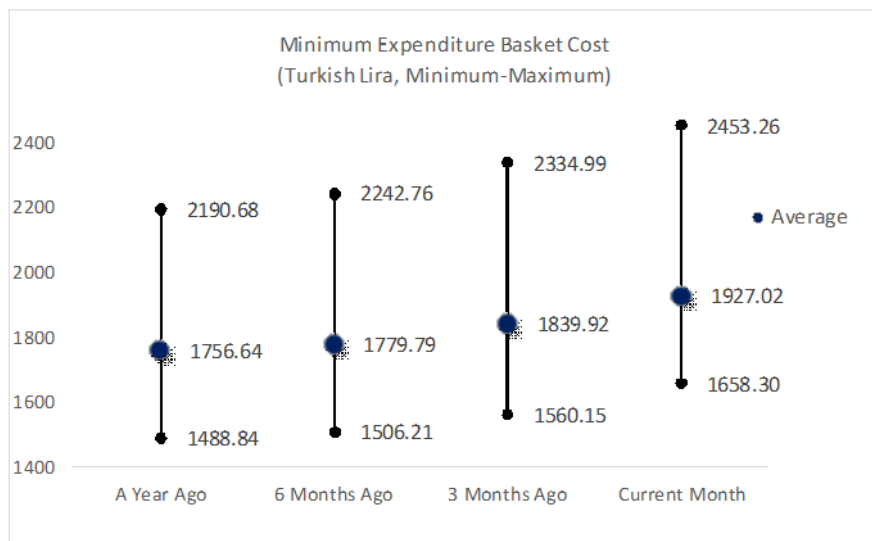
Figure 1 also presents the minimum and maximum observed MEB costs across the regions analysed. In March 2017, the highest cost was observed in Istanbul at 2453 TL, while the lowest was in Hatay-Kahramanmaras-Osmaniye at 1658 TL.

Further analysis of the trends in average MEB cost show a growing discrepancy between the minimum and maximum. The difference between the minimum and maximum MEB cost widened by 13.27 % during the reporting period (from a 702 TL difference, to a 795 TL difference).

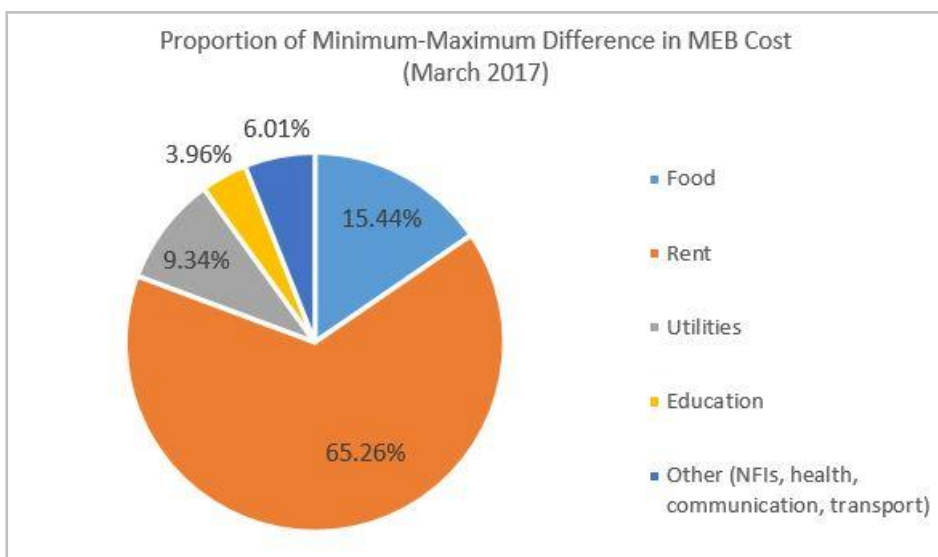
**Table 1: MEB Components**

MEB Component	Proportion of total expenditure
Food	29.17%
Rent	33.79%
Utilities	13.01%
Non-Food Items	9.70%
Health	3.87%
Education	4.96%
Communication	2.07%
Transport	3.44%

**Figure 1: MEB Trend Analysis**



**Figure 2: Proportion of Minimum-Maximum Difference in MEB Cost**



Additional analysis was conducted to understand which components of the MEB are driving the difference between minimum and maximum (i.e. what makes the cost of living so much higher in Istanbul?). This analysis determined that rent prices are the main driver, representing 65% of the difference between minimum MEB in Hatay-Kahramanmaras-Osmaniye and the maximum MEB in Istanbul.

The second largest driver of the difference between minimum and maximum MEB is food, which represents about 15% of the difference.

## Spotlight

### Food Committee

In 2014, the Turkish Government established an evaluation committee for food prices, to propose changes in policy related to food prices. The "Food Committee" specifically examines every food commodity showing unusual price increases or volatility, and presents relevant policy suggestions. It is designed to prevent "unfair rises" in food inflation.

In 2016, the Turkish government announced reforms to the Food Committee. The restructured Food Committee, under the secretariat of the Central Bank, is headed by the Deputy Prime Minister Mehmet Simsek and is comprised of the Ministers of economy, agriculture, customs, development and finance.

Along with the reforms, working groups have also been established to improve incentives, standardization, and competition with the aim of enhancing the effectiveness of the food supply chain.

The committee, through the Early Warning System, aims to take policy measures when there are any artificially, speculation-based spikes in food prices.

Figure 3 provides the current actual MEB cost per region, in addition to a breakdown of the change in MEB cost across the regions over the time intervals of three months, six months and twelve months.

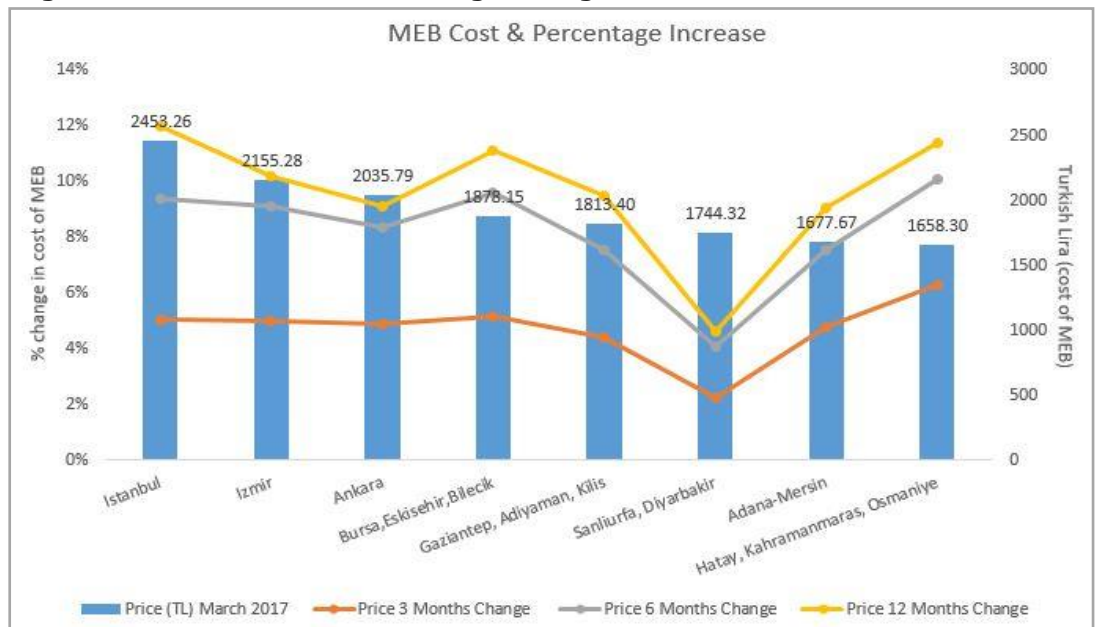
As previously mentioned, Istanbul has the highest MEB, followed by Izmir and Ankara. The lowest MEB is found in the southeast, in Hatay-Kahramanmaras-Osmaniye and Adana-Mersin.

In the first quarter of 2017, the highest MEB cost increase is observed in Hatay-Kahramanmaras-Osmaniye at 6.29%,

with significant cost increase in all components of the MEB, except communication. When looking at costs over the past 12 months, the highest cost increase is observed in Istanbul, followed by Hatay-Kahramanmaras-Osmaniye.

The change in the cost of the MEB ranged from 9.05% [Adana-Mersin] to 11.99% [Istanbul] in all areas over the last twelve months, except for Sanliurfa-Diyarbakir where the MEB cost increased by only 4.61%. This can be attributed to a relatively low percentage change in food and rent costs, which constitute a very large share (almost two thirds) of the MEB.

**Figure 3: MEB Costs and Percentage Change**



## Main Staples Prices

**In March 2017, rice, legumes and bulgur wheat prices experienced significant increases.**

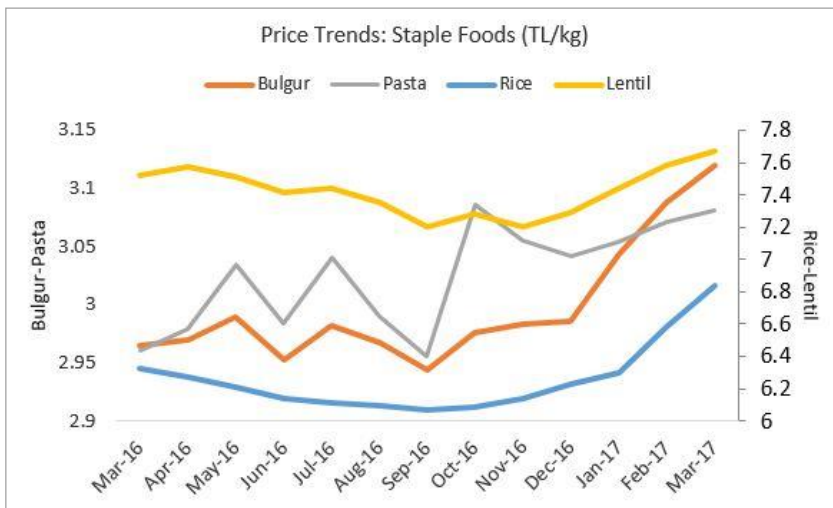
Food represents roughly 30-40% of total refugee household expenditure in Turkey, and staples represent the bulk of this food expenditure. Therefore any changes in staple food prices can have a serious impact on both economic vulnerability and food consumption, particularly when the food basket is restricted to only a few commodities.

The TUIK data demonstrates a sharp increase in the prices of food in the first

quarter. Food and non-alcoholic beverages account for the majority of inflation within the national Consumer Price Index, demonstrating an annual inflation rate of 12.53%.

According to the April Inflation Report of the Central Bank of the Republic of Turkey, the food inflation is primarily caused by the depreciation of the Turkish Lira, exchange rates and import prices, and unprocessed food affected by adverse weather conditions. The report also noted negative supply conditions affecting fresh fruit and vegetables.

**Figure 4: Staple Food Price Trends**



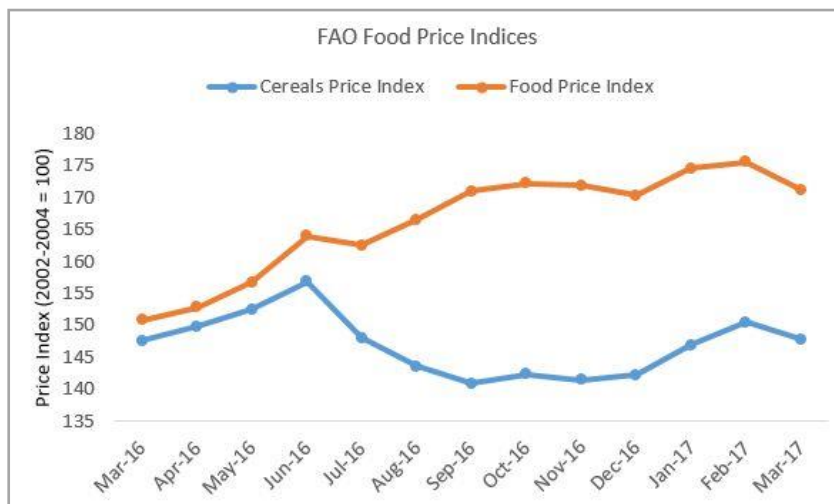
weighted with the average export shares of each of the groups for 2002-2004. FAO global cereal index is compiled using an average of 10 different wheat price quotations, 1 maize export quotation and 16 rice quotations.

During first quarter of 2017, FAO's global cereal price index increased by 4%, a figure lower than the average increase in rice, and bulgur prices in Turkey. Similarly, the increase in FAO Food Price Index was at about 0.5% over the last three months, whereas the increase in CPI food and non-alcoholic beverages in Turkey was at 9.34%. Thus in comparing these two sets of data, it is evident that during the first quarter, Turkey food price trends are diverging significantly from international price trends [See Figure 5].

In the first quarter of 2017, overall prices of rice, bulgur, pasta and lentil increased by 9.89%, 4.50%, 1.29%, and 5.20% respectively. Figure 4 shows these changes in prices during the period. None of the Government of Turkey analysis indicates that these are seasonal changes; it suggests this is the lagged effect of the depreciation of the lira.

The FAO Food Price Index (FPI) and the FAO global cereal index were used to compare the Turkey food prices to international trends. The FPI is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices (cereal, meat, dairy, vegetable oil, and sugar)

**Figure 5: FAO International Food Price Indices**



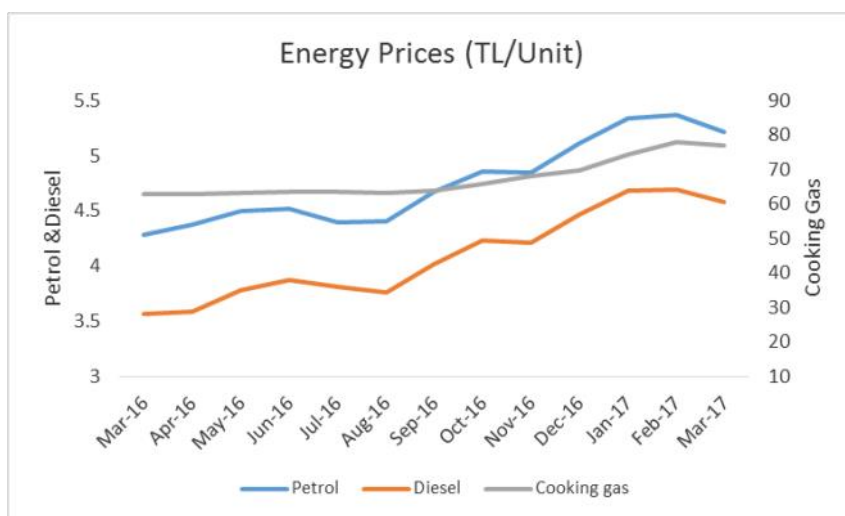
## Energy Prices

**The data shows a general upward trend in energy prices, which is particularly steep for cooking gas, affecting many poor households.**

Figure 6 demonstrates a general upward trend in petrol and diesel prices over the past year. The price of cooking gas remained stable for most of 2016, followed by an increase after September 2016. The national average price of petrol, diesel and cooking gas increased by 1.92%, 2.42% and 10.64% respectively over the last three months.

Nevertheless, amid lower international oil prices in March, energy prices in Turkey fell by 0.95%. Accordingly, after having surged since June 2016, annual energy inflation declined to 12.19% in this period.

**Figure 6: Energy Price Trends**





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## ESSN Milestones

09.2016  
ESSN Launch

10.2016  
Pilot programme  
start

11.2016  
Nationwide roll-out

12.2016  
Initial payment  
~4k people

01.2017  
Joint Management  
Cell kick off

02.2017  
Payment to ~260k  
people

03.2017  
Payment to ~408k  
people

## Emergency Social Safety Net Programme Implications

The Emergency Social Safety Net (ESSN) provides unrestricted cash transfers to refugee households across Turkey, and aims to meet basic needs. The current transfer value is 100 TL per person, which was agreed in May 2016 and first provided in November 2016.

According to the current analysis based on TUIK data, the average MEB is 1,927 TL for a household of six, or 321 TL per capita. The average size of an ESSN beneficiary household is 6.2. Therefore, this data indicates that on average, the assistance is currently meeting almost one third of basic needs.

Due to data limitations, it is likely that the actual costs incurred by refugees are lower than the TUIK prices indicate, as refugees may purchase a different quality of goods, in lower price, informal markets. However, the



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price trends are relevant across markets, and very concerning.

The analysis demonstrates high rates of inflation across Turkey during the first quarter. The cost of the average MEB has increased by almost 5% in the past three months alone, and by almost 10% in the past year. As inflation continues to rise, beneficiary purchasing power decreases. Therefore for a refugee household who struggled to pay 500 TL in rent last year, they must now pay 550 TL.

While it is not operationally feasible to adjust the transfer for each geographic area, close monitoring, disaggregated by geographic strata, is required. Given the high cost of the MEB at present, an upward revision to the transfer value is recommended. This will ensure the assistance covers a higher proportion of the cost of basic needs.

Following this, close tracking of inflation rates will be required to monitor the purchasing power provided. Complementing the market analysis, WFP/TRC must track the impact of this assistance on eligible households. Depending on outcomes, it may be necessary to reexamine the transfer value and/or modality.



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