

Chapter 2 – Response Analysis

- c) *Calculating the total appropriateness scores:* The total score for each response option will be the sum of the scores (weighted or not) in each criterion.
- d) *Ranking the response options:* The ranking should be based on the total scores, with the higher scores corresponding to the higher ranked.

Whenever possible, the scoring should be based on quantitative analysis. Failing that, it may be the result of qualitative analysis and assumptions. In order to avoid a choice biased by personal considerations, the rationale behind the scoring should be justified.

In the completed matrix below you will find an example of how the final scoring and ranking could look:

Criteria	Weight	Scores			Justification
		Response Option A weight x score	Response Option B weight x score	Response Option C weight x score	
Cost-efficiency and effectiveness	3	$3 \times 4 = 12$	$3 \times 3 = 9$	$3 \times 1 = 3$	
Risk of inflation	2	$2 \times 1 = 2$	$2 \times 2 = 4$	$2 \times 2 = 4$	
Potential for market distortions	3	$3 \times 1 = 3$	$3 \times 3 = 9$	$3 \times 3 = 9$	
Secondary impacts on markets	1	$1 \times 5 = 5$	$1 \times 1 = 1$	$1 \times 2 = 2$	
Total scores		$12 + 2 + 3 + 5 = 22$	$9 + 4 + 9 + 1 = 23$	$3 + 4 + 9 + 2 = 18$	

Tool 2.3: Analysing Market-related Risks

Purpose of the tool

This tool will help you to:

- identify the risks that may impact the feasibility of the response options;
- assess the seriousness of the risks identified;
- determine what action should be taken.

How to use it

This tool consists of guidance on how to conduct this process through a three-step participatory exercise with a group of stakeholders who can bring knowledge of local context and markets. A maximum of 12 participants, including members of the assessment team, National Society volunteers, staff from programme functions, representatives of the logistics and finance departments, and possibly key informants, should be involved.

Step 1. Identifying risks

Risks that may affect a specific response option should be listed and clearly described, with causes and potential effects per risk identified. This is to enable decisions to be made on what action to take (step 3) in order to address the causes (to help prevent the risk) and the effects (to mitigate the impact of the risk).

Step 2. Assessing the seriousness of the risk

Assessing risk seriousness will allow you to rank risks and decide which of them need specific focus and further analysis before a response can be considered a feasible option.

The seriousness of a risk is determined by two factors:

- ➔ The likelihood (probability) that a risk will occur
- ➔ The impact (consequences) of the risk when it has occurred.

The ranking matrix below is a qualitative tool that can help you assess the seriousness of each risk:

Impact \ Likelihood	Negligible (1)	Minor (2)	Moderate (3)	Severe (4)	Critical (5)
V. unlikely (1)	1	2	3	4	5
Unlikely (2)	2	4	6	8	10
Mod. likely (3)	3	6	9	12	15
Likely (4)	4	8	12	16	20
Very likely (5)	5	10	15	20	25

Seriousness = Impact score x Likelihood score

Low 1-7	Medium 8-14	High 15-25
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Step 3. Determining what action should be taken

In order to decide what to do, you need to understand whether or not it is possible to control a specific risk. In order to understand this, you should check whether it is possible to implement prevention and/or mitigation measures to reduce the risk to an acceptable level, or whether it is possible to transfer the risk (e.g. by contracting an insurance company or sub-contracting to other partners that operate at lower risk). If this is not possible, then you will need to avoid the risk and resort to other feasible options.

Mitigation measures should primarily address the causes of the risks. More than one mitigation measure can be considered for each risk. The table below describes a number of market-related risks and potential mitigation measures.

Chapter 2 – Response Analysis

Market-related risks	Mitigation measures to be considered
The response creates unacceptable institutional risks (e.g. fraud).	<ul style="list-style-type: none"> ● Using banks and electronic systems to reduce transactions and improve information flow / control mechanisms ● Creating feedback and response mechanisms ● Working closely with communities and local authorities
The target population accesses poor quality items, which undermines their life and/or livelihood.	<ul style="list-style-type: none"> ● Establishing expected quality standards in contracts and control mechanisms/penalties ● Running voucher programmes addressing traders who can guarantee the required quality ● Monitoring the quality of products
The response creates or exacerbates damaging market behaviour (e.g. lack of competitiveness).	<ul style="list-style-type: none"> ● Engaging market actors that have less market power ● Making agreements to reduce market behaviour / practices ● Monitoring market behaviour and take action
The response creates unacceptable risks for the target and non-target population (e.g. security, robbery).	<ul style="list-style-type: none"> ● Adopting alternative and more secure transfer mechanisms (electronic transfers, banks, security companies, etc.) ● Adopting preventative measures to reduce people's exposure to risks ● Collaborating with local authorities / use vouchers
The response undermines the target and non-target population's ability to meet their essential needs (e.g. price increases).	<ul style="list-style-type: none"> ● Combining in-kind and cash-based transfers ● Price monitoring and contingency planning (adjust transfer value, shift modality) ● Making agreements with traders on prices



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