Market Information System Development Successes

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Key questions on Public Market Information Services (MIS)

- Does it make sense to invest public resources in MIS?
- How to assure sustainability of the information system?
- How to create incentives within publicly funded MIS to be responsive to clients and their evolving demands for information services?
MIS Success

- Basic Ideas:
  - For MIS to be supported, you need to provide a useful product that customers will pay for
    - Directly (user fees or sponsorships)
    - Indirectly (lobbying for gov’t support)
  - For MIS to be responsive, there must be incentives within the system to be entrepreneurial
  - Dilemma: Nature of information may limit private sector from establishing MIS

Investing in Improved Information

- Conceptual Issues
  - Incomplete or asymmetric information
  - Public/private good
  - MC and MB

- Design Issues and Case Studies of Market Information Systems
Conceptual Issues: Costs of Incomplete Information

- Incomplete but symmetric information
  - Markets that poorly reflect overall S & D balance (thin markets and disequilibrium)
  - Slower responsiveness to external shocks

- Asymmetric information
  - Non-existence of markets
  - Markets only for poor quality products
  - Costs of designing contracts to protect against opportunistic behavior
  - Perceived injustice of market outcomes

How much to invest and who should invest?

- Information can be produced, but at a cost => Questions regarding the production function for information
- What is the nature of demand for information?
- Balancing the MC and MB of increased information
Characteristics of the Demand for Information (MB)

- Information is an input, so demand is a derived from perceived MVP of information in improving actors’ decisions=>
  - Demand differs by user, depending on
    - The types of decisions they face and the uncertainty they face regarding key decision variables
    - The costs of being wrong
    - Their alternatives for managing that imperfect information

Characteristics of the Demand for Information (cont)

- Different users want information on different products or attributes of products
- Information needs will change as decision environment changes
- Information is highly perishable for some users
- Value not apparent until used (uncertainty)
- High exclusion costs for certain types of information
Characteristics of the Production Function for Information (MC)

- Scale and scope economies in production of certain types of information (indivisibility)

  Leads to Monopoly

Conclusion 1:

- Positive value to the economy of better information, but ...
- Nature of supply and demand for information implies need for at least some public support for MIS
Design challenges for a Publicly Supported MIS

- Identifying users and prioritizing their needs
- Assuring that the system evolves with the market and the users’ needs
- Designing incentives for staff to be responsive to client needs
- Strategy for assuring sustainability

Rest of Conclusions: Key Factors in Success (1)

- Commitment of policy makers
- Financial commitment over the medium term of external funding agencies;
- Developing thorough knowledge of the marketing systems of the country;
Rest of Conclusions: Key Factors in Success (2)

- Choice of the appropriate institutional “home” for managing the system;
- Development of the human capital for managing the system;
- Constant targeting of the information needs of the users, which is essential to the financial survival of the system.

Case studies: Building Agricultural MIS in SSA

- Mali: OMA
- Mozambique: SIMA
Case studies: Building Agricultural MIS in SSA

Context

- Market reforms
  - From official monopoly to more open markets
  - Need to promote fluidity of exchange
  - Need to improve competition and level playing field
  - Need to monitor impact of policy reforms
- Climatic and other sources of shocks
  - Need to assess/monitor food aid

Creation of Initial MIS: Identifying user needs & info sources

- Studies and national conference
- Potential clients identified
  - Government
  - Donors
  - Traders
  - Banks
  - Farmers
  - Consumers
- Study of the “information subsector”
Shortcomings of Initial Public Sector Efforts

- No strategy to wean the system from external funding
- Too few targeted products towards different users
- Lack of entrepreneurial spirit
- Bureaucratic routines

Strategies for building sustainability

- Cut unit costs
- Attract sponsorship
- Redesign product mix
- Allow mixed financing: public good and custom analyses
- Redesign staff contracts - aims and challenges
Innovations: OMA

- Counterpart for OMA: The Chamber of Agriculture:
  - Nationally present Farmer Organization as a counterpart/base
  - Farmers and traders have a sense of ownership and can directly pressure for OMA services
- Traders’ Network organized
- Annual Regional Outlook Conferences as a base for MIS and Traders Networks in the region

Innovations: OMA

- Continued development to meet user needs as they evolve
  - New services developed and products included
    - Increased cost recovery through pay services for the private sector
    - Continued responsiveness to Policy needs (locusts)
- Greater flexibility (staff, finances, services, etc.) so that salaries can motivate staff, liquidity to complete work more reliable, etc.
- Strengthening of local MIS in Chamber of Agric. local offices
- Greater marketing extension efforts
Innovations: SIMA (1)

MINAG as Continued Base
- Lack of any nationally present agencies except MINAG, so difficult to base outside,
  - but with decentralization, Collaboration between NGOs, private sector, public sector for collection and diffusion efforts at local level
- Locally responsive, trained MIS (called SIMAPs) with own products

Innovations: SIMA (2)

- Outlook conferences and other new outputs, disseminated through mass media, and looking at new technologies
- Public sector funding and liquidity issues still addressed through projects, with cost recovery constrained by regulations
“New Strategies”: Decentralization and regionalization

- Logic of decentralization
  - Localized market information needs
  - Tap local resources
  - Tie to local radio diffusion
  - Linking the regional offices

- Logic of regionalization
  - MIS network
  - Trader’s network

Impacts of MIS

- Reduction of price dispersion across markets
- Leveling of the playing field
- Contribution to increased entry--particularly in the rice subsector--More reliance on spot market than network (from drug trade to open market model)
- Identifying new market opportunities
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