

Additional Burden of commodity price fluctuations in Taiz

Policy Paper



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Executive Summary

The Continued high of products prices and services in Taiz governorate, in parallel with the collapse and instability of the local currency. With continued of seven-year siege of the city has placed a burden on a large part of people. This raises a question about the role of oversight authorities and what they do to ensure price stability and prevent manipulation.

There are some prices of products which have reached unreasonable limits even in periods where the currency price has been relatively stable or declining. Which means that the role of price oversight is more needed than ever with the people of Taiz under the case of war and siege, the cessation of public services, the loss of salaries and the spread of epidemics, they are struggling to provide basic life requirements that help them to survive.

Therefore, the problem of sharp rise of price and manipulation of it (in particular basic products prices), now require a real confrontation and in more ways than one, but in the beginning the role of price oversight must be activated by the official legally authorized entities, notably the office of Industry and Commerce in the governorate, the Supreme Board of Drugs and the Public Oil Corporation.

The role of enforcement officers must also be activated to monitor commodities in terms of prices and price publications, as stipulated in the laws and regulations, and to enforce penalties for violators and declare them to public opinion.

Introduction

Yemen has been in an ongoing war since the beginning of 2015, which has led to a lack of security, a breakdown in the role of State institutions and the disruption of most public services and an impact on their quality. (education, health, food) and the collapse of the national economy.

The country's overall status have been reflected upon the Yemeni markets, which are in utter chaos and almost total absence of the oversight institutions. This has led to higher prices for various types of goods , services and more commodity prices,⁽¹⁾ causing the worsening food crises that have brought the country to the brink of famine.⁽²⁾

This worsened with the emergence of COVID-19, which was accompanied by a significant deterioration in the value of the local currency, resulting in price fluctuations and a significant rise that may in part be justified by the global rise but in large part was subject to the mood of traders and the desire to offset their losses at the expense of the citizen for lack of oversight.

Taiz city - the most Yemeni governorate in population, which reach 12.2 per cent of Yemen's estimated population of 30 million - appears to be worse. The city of Taiz - the capital of the governorate - has been suffering for seven years from a war and a siege from three sides, which has led to the suspension of public services, double transport prices and shortages of food, water, medicines and oil derivatives.

The lack of oversight over commodity prices may have further disrupted the markets in Taiz, to the extent that bakeries and ovens manipulated the price and weight of the loaf, and the emergence of the black market for oil derivatives, due to the changes in the national currency exchange rate and oil derivatives prices.

This paper assumes that effective government control over commodity prices would alleviate the economic crisis. The purpose of applying price control is to make goods and services affordable to consumers, prevent the black market from expanding and ultimately ensure product quality.

The paper reviews the reasons for the lack of price oversight in Taiz and identifies stakeholders and makes recommendations for alleviating and eventually addressing this crisis.

This paper is based on 11 interviews conducted during August 2022, with people from different academic and economic backgrounds including employees of Industry and Commerce Office, activists and citizens. They were asked about the weak of price controls and how this was reflected in a rise in living costs and their views on the role of those who were supposed to take the lead in addressing the problem.

1. (wheat, flour, rice, sugar, medicines, milk, oil derivatives)

2. The Economic Unit in Sana'a Center, When the Giants Strike - Yemen Report, January and February 2022, <https://2u.pw/UMFX9g>.

The war and Its Effects

How Did the war create the environment of manipulating commodity prices?

Prices of basic commodities in Taiz - in the middle of Yemen- since the outbreak of the war in early April 2015 have witnessed several fluctuations, it continued to overburdening the citizens, most of people became unable to buy basic foodstuffs as a result of doubly high prices.⁽³⁾

The process of rising prices and instability of goods goes through a long matrix of factors that have not been addressed and solved, starting with the siege that began in September 2015, which was broken almost a year later from only one side and still continues from three sides till now.

The siege of the city has led the traders to resort to alternative roads with long distances, which led to double the costs of the transportation costs, with transport costs per truck from Aden to Taiz amounting to one million and two hundred Yemeni Riyals, which previously not exceeding 200 thousand Yemeni Riyals.⁽⁴⁾

The collection of fees by heavily deployed military points -along the only road linking the city of Taiz and its southern countryside to the governorates of Lahj and Aden, which is the only supply line - has led to an increase in transportation costs. Many of these points, which follow army force men, impose mandatory fees on tankers. (Illegal) up to 300 thousand Yemeni Riyals, distributed between points, some by including bonds and some with non-bonds.⁽⁵⁾

This was accompanied by the weakness of State institutions, which collapsed as a result of the war. Price oversights were absent during the first year of the war and later due to the weakness and division of the Industry and Trade Office.

If we add these factors to the collapse of the Yemeni Riyals against the foreign currencies exchanged by traders, as the dollar price reached to 1,600 Yemeni Riyal by the end of 2021.⁽⁶⁾

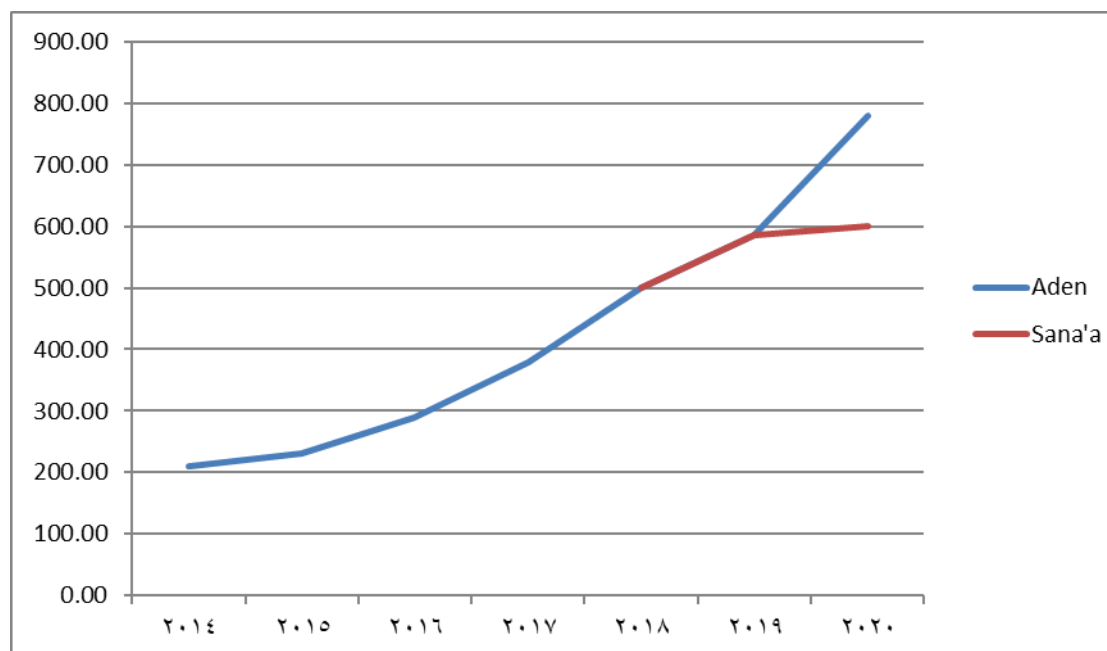
3. Najwa Hassan, "An increased rising for food prices in Taiz" Al-Mushahid, 24 July 2022, <https://almushahid.net/98219/>

4. The trader Al-Shubatti: a personal interview conducted by the researchers with the trader ,15 August 2022.

5. The trader Al-Senwi: a personal interview conducted by the researchers with the trader ,15 August 2022.

6. The Yemeni Riyal falls to the lowest level in its history against dollar, Sputnik Agency, 28 Nov. 2021, <https://2u.pw/MyER3p>

In the second half of 2022, the dollar price reached to between 1,100 and 1200 for a one dollar, ⁽⁷⁾ but these currency fluctuations continued to provide a suitable environment to commodity price manipulation, leading over the past years to widespread protests against worsening economic and living conditions, the collapse of basic services and the deterioration of the local currency's value. ⁽⁸⁾



Average unofficial exchange rates for Yemeni Riyal against the dollar in Aden and Sana 'a during the period 2014-2021

The recurrent crises in oil derivatives and their higher prices, which were increased more than 300% higher than before the war in 2014, have also contributed to the volatility of commodity prices in local markets.

Fuel crises are estimated to have halted 50% of economic movement in general, and in the industrial, commercial and agricultural sectors in particular.

According to the Report of World Bank's Practicing Business, about 72% of all private economic corporations operating in Yemen confirmed increases in their operating expenses due to conflict and war conditions and associated factors during the years 2017-2019.

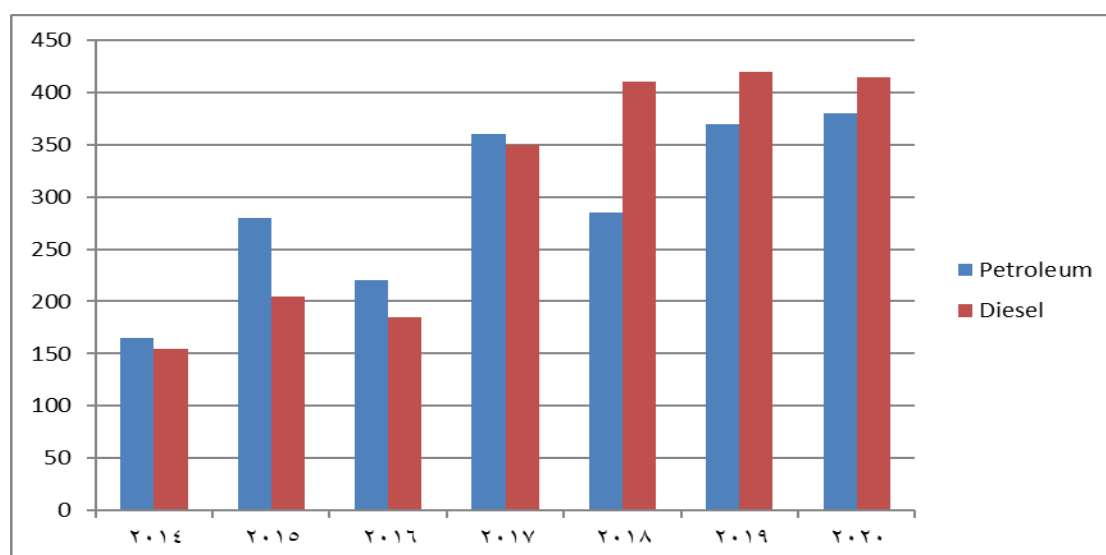
The oil derivatives crisis in Taiz is reflected in the emergence of the black-market phenomenon until it expanded and established a parallel market to the official market for oil derivatives resulting in the unstable financial and price status of oil derivatives in the city.

7. Kholood Al-Halali, Yemen currency collapse reflects the ongoing crises, Independent Arabia, 23 June 2020 <https://www.independentarabia.com/taxonomy/term/53266>

8. The Yemeni Riyal falls to the lowest level in its history against dollar, Sputnik Agency, 28 Nov. 2021, <https://2u.pw/MyER3p>

During the war years, Yemenis suffered sustained fuel price rises, which increased by more than 300% over pre-war conditions in 2014, compounding their suffering and encompassing various sectors.

Data show that the national average price of diesel increased from 150 Riyals/L at the end of 2014 to reach at the end of September 2021 to 661 Riyals/L at an increase of 340.7%, and petroleum prices at the national level has increased from 158 Riyals/L at the end of 2014 to 650 Riyals/L at the end of September 2021 at an increase of 311.4%.



An interactive graphic showing oil derivatives prices during the period 2014-2021

This happens while governmental employees' salaries have since the beginning of the war lost about 70% of their value⁽⁹⁾ and no longer meet the necessary life requirements. As a result of the poor purchasing power of a large part of the population, they are unable to meet their basic needs for goods and services and thus the indicators of poverty, unemployment and poor lives of the population have risen sharply to the point of famine.

In the mid-2020s - during the coronavirus pandemic, the low of the currency value and the decline of humanitarian aid - the rapid deterioration prices of food commodities emerged fastest, and the proportion of those who suffered access to food increased.

The price increases not only affected the food crisis but extended to access to medical care, About 86-88%,⁽¹⁰⁾ of families who are unable to afford medical cost at the beginning of 2021. These crises affect all people, especially poor families. Traders, on the other hand, live in turmoil in an attempt to stabilize appropriate prices and create a balance between profits and costs, leading to a continuous rise in prices.

9. Since the beginning of the war, Yemen's currency has lost two thirds of its value, reflected in employees' salaries, which have remained unchanged.

10. Eliana Favari , Michael Geiger, Sharad Tandon , Siddharth Krishnaswamy , The critical role of escalating food prices in Yemen's food security crisis, World Bank Blogs, Nov. 02, 2021, <https://blogs.worldbank.org/ar/arabvoices/critical-role-escalating-food-prices-yemens-food-security-crisis>

Price increasing ratio in recent years

Type	Price by year			
	2016	2018	2021	Mid 2022
White Flour 50 Kilos	6800	10700	24000	41000
Red Flour 50 Kilos	6500	10400	24000	40500
wheat 50 Kilos	6500	10400	25000	34000
Sugar 50 Kilos	9800	12400	32000	45500
Sugar 10 Kilos	2150	3000	7500	9300
Al-Rubban Rice 40 Kilos	27000	33600	44500	67000
Shaheen Rice 40 Kilos	23000	31800	43000	64000
Beans Can	160	180	350	
Peas Can	180	250	500	
Oil 20 liters	6500	9300	33000	45000
Oil 9 liters	4400	5300	13500	15000
Salem cheese	150	280	1400	
Tea	580	850	2800	
Dano milk	4800	7800	13500	15800
Al-Faeq milk	4900	6600	12500	15000
Yamani tea milk Bebe	3650	4800	10500	
Al-Mumtaz tea milk Carton	5300	7680	17000	
Egg	700	1450	3200	4300
Baby Milk	2500	3150	5400	
Cerelac	1900	2200	3600	
Tomato Paste Large Tins	530	850	2000	
Shower soap	80	120	350	
Clothes soap	1350	1950	4000	

The data in the table is according to the pricing of the Trade and Industry Bureau.

Ineffective Legal Framework

Yemen's Internal Trade Law identified essential goods as essential commodities for human activity and life: "wheat, flour, rice, sugar, medicines, milk, oil derivatives", it also obliged the merchants to publish prices of goods to the consumer using various advertising methods so as to make it easier for the consumer to know the price. It as well explained that those who conceal essential goods for the purpose of monopolizing them would be liable to a term of up to one year's imprisonment⁽¹¹⁾.

The Ministry of Industry and Trade is the body concerned with "regulating the movements of goods transfer and secure their flow without obstacles, to various parts of the Republic in coordination with the relevant authorities", and "preparing analytical studies on price rates in coordination with the competent authorities and chambers of commerce to benefit from them in the formulation of trade policies"⁽¹²⁾.

It also works in accordance with the same law to "study the conditions and variables affecting the market mechanism and its protection in order to achieve a balance between supply and demand, satisfy the wishes of the consumer and find proper solutions to prevent dumping or monopoly policies affecting the market"⁽¹³⁾.

This is in the normal situations, but in non-normal situations (disaster and emergency situations) the law gives the Prime Minister the right to "set the upper ceilings of commodity prices", and the Ministry of Industry and Trade is responsible for supervising and oversight the prices of tax-free and customs-free commodities to ensure that the Ministry intervenes in a timely manner to put an end to any unjustified price increase". Also, "the Prime Minister shall be entitled, upon the offer of justification from the Minister, to issue a decision to add one or more of the essential goods listed in the Law"⁽¹⁴⁾.

This legal framework provides the possibility of price control and solving problems associated with fluctuations both justified and unjustified. In addition to other laws, it supports this path. The supervisory and inspection officers of the Yemeni Oil and Gas Company, in accordance with the regulations of the Ministry of Oil, are members of the judiciary. One of their main tasks is to monitor the routes and marketing sites of petroleum materials, and to detect any irregularities affecting the stability and discipline of the petroleum marketing policy in accordance with the laws in force⁽¹⁵⁾.

The Supreme Board of Drugs and Medical Supplies is concerned with determining and issuing the price of medicines, monitoring their implemented and taking legal

11. Articles (1, 6, 14) Law No. 5 of 2007 on internal trade, National Information Centre, https://yemen-nic.info/db/laws_je/detail.php?ID=18878

12. Article (1) Law No. 5 of 2007 on internal trade, National Information Centre, https://yemen-nic.info/db/laws_je/detail.php?ID=18878

13. Article (9) Law No. 5 of 2007 on internal trade, National Information Centre, https://yemen-nic.info/db/laws_je/detail.php?ID=18878

14. Articles (25, 26, 27) Law No. 5 of 2007 on internal trade, National Information Centre, https://yemen-nic.info/db/laws_je/detail.php?ID=18878

15. Article (4) of the Regulation on Violations of the Marketing and Smuggling of Petroleum Materials, Ministry of Oil and Mineral Wealth Regulation No. 40 of 2000.

action in cases of offence⁽¹⁶⁾, as repeated in Consumer Protection Act No. (46) of 2008, article 8 of which requires the merchant or service provider to place the price on the commodity in clear way, or declare the price in the places where the commodity is displayed. Article 34 of the same law further stipulates that without prejudice to any heavier penalty (...) Anyone who contravenes the provisions of this law or the Regulations shall be liable to a term of up to one year's imprisonment⁽¹⁷⁾.

But what's interesting is that, this legal framework is completely broken. While citizens' suffering in Taiz is visible and daily, the actions of the office of Industry and Trade in Taiz are completely absent. When the two researchers visited the office's management, they accessed to a number of irregularities were found to have been seized by a number of traders who offence prices and referred them to the prosecutor's office, but it stopped there. While a number of cases seized and the legal course supplemented with the prescribed legal penalty could have served as a model and deterrence for other traders.

This weakness may be due to the fact that the Taiz Office of Industry and Trade is still in the phase of organizing to reactivate ineffective administrations owing to the succession of departments and previous disputes among them as well as the weak state institutions due to the current war⁽¹⁸⁾. A number of departments, such as the General Department of Consumer Protection and the Operating Room, have been found to remain ineffective, and the manager of the Office has reported that they are in the phase of establishment, whereas the public administration of Competition and anti-trust has been integrated into the Management of Markets Control due to the overlapping of tasks⁽¹⁹⁾.

According to the manager of Industry and Commerce Office Mustafa Al-Adimi, the most significant difficulties facing the office in Taiz, are currency instability as it rises and falls during a single day, where the price is changed accordingly, the judicial officer cannot free the offence when he sees the cancellation of the set price by the trader due to the currency rise, the weak punishments to deter offences led to their recurrence, lack of material means for employees (incentives, means of transportation). In addition to the negative role of citizens in whistle-blowing due to lack of awareness, confrontation and constant accusation by citizens and lack of confidence in judicial officers, and then the increase in the prices and instability of certain products due to the global price rise⁽²⁰⁾.

However, the Office has started working on the establishment of an electronic application that includes the prices of basic foodstuffs, vegetables and fruits to be fed

16. Article IV, paragraph 8, of the terms of reference of The Supreme Board of Drugs and Medical Supplies (determination and issuance of the drug price, control of its implementation and legal action in case of offence).

17. Act No. 46 of 2008, on consumer protection, <https://yemenparliament.gov.ye/uploads/posts/documents/2019/10/1014201962730468.pdf>

18. The Office of Industry and Trade is being suffering of divided due to the conflicting in appointments since the beginning of the war, as there were managers of the Office, but that did not help to operationalize its departments as required.

19. The researchers' interviews with the manager of Industry and Trade Office in Taiz, Mustafa Al-Adimi, August 2022.

20. Interviews with the manager of Industry and Trade in Office in Taiz, Mustafa Al-Adimi, August 2022.

periodically at prices in order to avoid the manipulation. However, this application has not yet been launched, but it is an important step and will be a successful policy if it is completed as required and launched.

The same with the complaints number announced (735031436 - 771626992 - 73368952) but not widely published so it have not been reached to the citizens, as well as because of the lack of citizen awareness this policy has not been utilized as required.

There are also other procedures, but their application has remained incomplete, so the traders strike because of the illegal levies⁽²¹⁾ , the local authority has announced measures to prevent the illegal levies, but there has been no real trends to that, It was limited to individual prosecutions of some of the aggressors to the commercial shops.

The procedures of the Office of Industry and Trade in Taiz are not supported by other regulators and institutions. For example, the Office is keen to identify a list of meat prices, the last of which was according to the following:

Prices per kilo gram

Lamb	9000 Riyals
Veal	7000 Riyals
Beef	6000 Riyals
Mutton	9000 Riyals

Through the field visit by the researchers, it is showed that there was an increase of 3,000 YR above the price of each of the meat items on the Office's list. It is clear that decisions work only in the seasons (holiday) and are not monitored periodically and in sufficient form to achieve real results.

21. Traders are striking in Taiz for the repeated attacks by militants, Al-Mehriyah, 7 June 2022, <https://almahriah.net/local/20130>.

Possible alternatives to reduce price volatility

The most prominent of suggestions for addressing this phenomenon is to activate the role of stakeholders in carrying out the task of price control by:

1. The Minister of Justice's demand to appoint an adequate number of enforcement officers and to activate their role to monitor commodities in terms of prices and price declaration as stipulated in the regulations.
2. Activate the role of relevant departments in the Ministry like: the public administration of Competition and anti-trust, the Operating Room, the General Department of Consumer Protection and the Department Media.
3. Activate the Taiz pricing application and link it with major traders so that traders are provided first by first.
4. Determination of the upper ceilings of commodity prices by the Prime Minister as stated in the legal text that in the event of disasters the price is set.
5. Establish a committee to monitor the price developments of imported commodities in the world markets to determine the appropriate import markets in terms of cost and type and commit traders to the appropriate markets.
6. The act of overpricing is criminalized in the law, since the law criminalizes monopoly with the intention of overpricing but does not directly criminalize overpricing.
7. Implementation of the text criminalizing the act of selling in foreign currency in accordance with the recent amendment to the 2022 amended regulation
8. Not to impose any illegal fees or royalties for traders at military points or within the city by coordinating with security agencies to control such infractions.
9. Publish prices to the public on social media first by first
10. Coordination between all stakeholders concerned with price control.
11. A committee of traders and the government determines reasonable profit margins for essential commodities to be observed by traders.
12. Activate the role of consumer protection associations to guide citizens to buy goods at committed merchants, receive complaints from different types of consumers, verify them, follow them up, find appropriate solutions for them, prepare periodic, monthly and annual reports in this regard, participate in the preparation of the situation studies and submit them to the competent authorities
13. Activating the port of Al-Makha'a role in importing and exporting to reduce transport costs to Taiz city

Recommendations

The most prominent recommendations for this phenomenon are to activate the role of stakeholders in carrying out the task of price control by:

1. Completing the activation of the departments of the Industry and Commerce Office and preparing a plan of action with all relevant authorities to control prices, both governmental and non-governmental.
2. Qualification and training of the Industry and Commerce Office staff
3. compulsion of traders to draw up a list of commodity prices and activate the role of enforcement officers to monitor commodities in terms of prices and price declaration according to the regulations and implement market control tours.
4. Study the costs of transporting goods to Taiz and the Governor's request for determination of transport costs according to the study submitted
5. Establish a minimum and maximum commodity limit and cap the available increase in the price of each commodity and continuously update this study taking into account the various factors influencing the decrease and increase in currency, transportation costs, road closures and higher prices of derivatives.
6. Completing the electronic application concerned with determining the prices of goods in Taiz and launching it pricing, updating the prices of basic goods first by first and opening a section for complaints by consumers, as well as a section for dealers' grievances in parallel with the existence of a mechanism for investigating, monitoring and uploading irregularities to the concerned authorities.
7. Setting a clear strategy by the Industry and Trade Office to raise awareness in society about the role of citizens in reporting price manipulation and consumer rights and duties.
8. Establish a committee to monitor the price developments of imported commodities in the world markets to determine the appropriate import markets in terms of cost and type and commit traders to the appropriate markets.
9. Working with various authorities and pressuring the issuance of a presidential resolution criminalizing the imposition of any illegal fees or royalties on traders at military points or within the city, and coordinating with security agencies to control such violations.
10. Referring previous offences to the prosecution and establishing a committee by the Industry and Trade Office in cooperation with other official bodies, as well as NGOs, and disseminating details of these cases to the public to contribute to raising awareness and restoring citizens' trust as well as deterring manipulators.

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- Law on Metrics, weight machines No. 28 of 1999
- Regulation of the Ministry of Industry and Commerce issued by Republican Decree No. 284 of 2009
- Regulations on Offences against the Supply and Price of Goods and Penalties Established by Prime Minister's Decree No. 12 of 2007 and amended by Decree No. 24 of 2022
- Regulation on bread sale price offences and penalties issued by Prime Minister's Decision No. 111 of 2008
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