



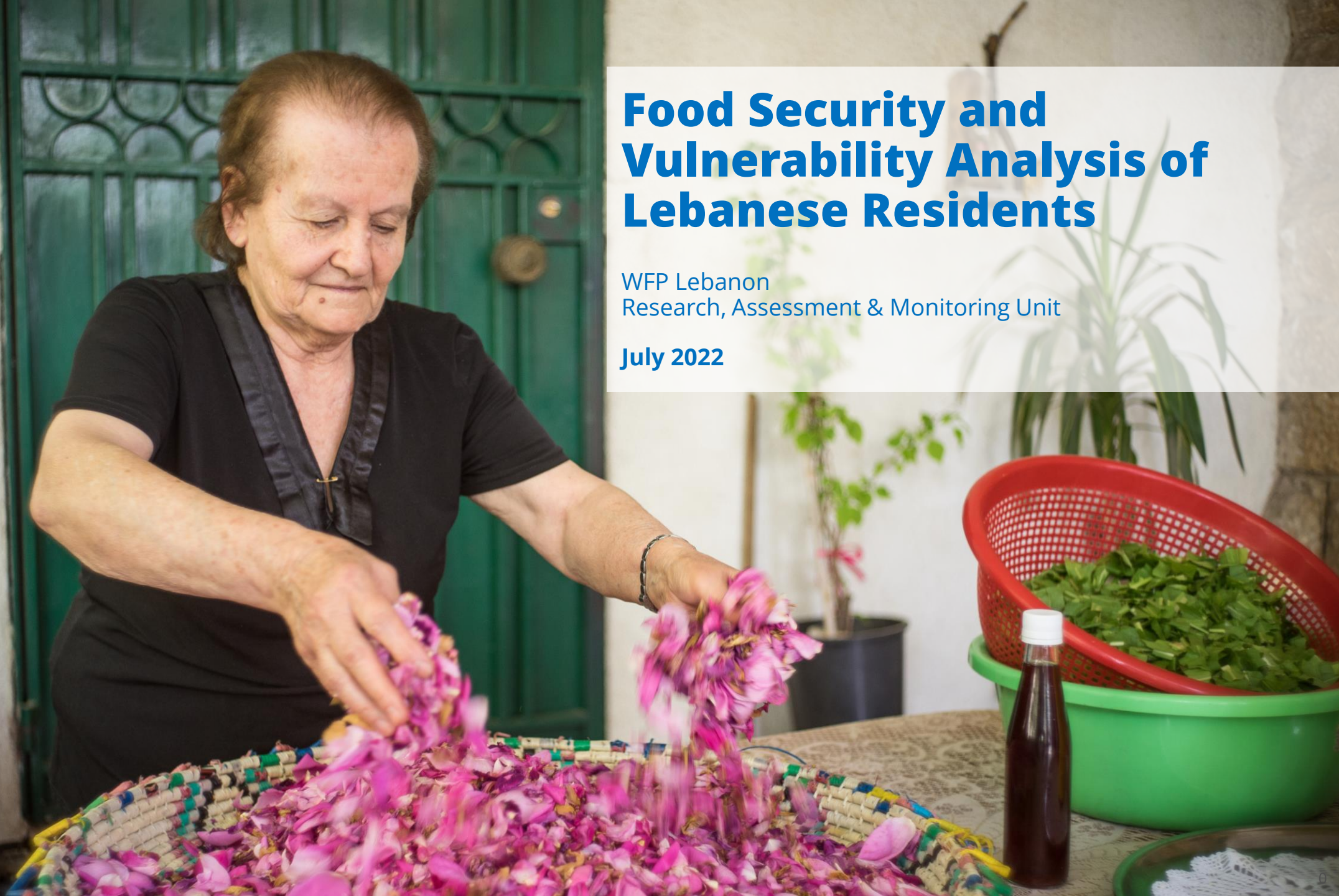
World Food
Programme

SAVING
LIVES
CHANGING
LIVES

Food Security and Vulnerability Analysis of Lebanese Residents

WFP Lebanon
Research, Assessment & Monitoring Unit

July 2022



FOREWORD

This report provides an analysis of the food security and vulnerability status of the Lebanese resident population. This analysis uses household data collected between June 2020 and December 2021 through eight mobile Vulnerability Analysis and Mapping Surveys (mVAM), conducted by the United Nations World Food Programme (WFP). mVAM surveys cover the Lebanese resident population and are carried out on a quarterly basis. These surveys provide information on food security, coping strategies, employment and livelihoods, and access to social protection, health, education, and shelter. mVAM data are used by WFP and its partners to estimate the needs for social assistance, to design assistance programmes, and to draw the profile of food insecure households.

Preparation of this report was done primarily by Marco Principi, Abdallah Souhani, and Yein Kim from the WFP Lebanon Country Office, and Omneya Mansour from the Research, Assessment and Monitoring Team of the WFP Regional Bureau in Cairo.

Data collection and analysis was supported along the way by Catherine Saiid, Ali Assi, and Dina Saleem from the WFP Lebanon Country Office and by Amira Swedan and Eliana Favari from the Research Assessment and Monitoring Team of the WFP Regional Bureau in Cairo.



TABLE OF CONTENTS

1. Highlights	3
2. Economic Update	7
3. Methodology	9
4. Rapid Essential Needs Analysis	10
4.1 Household Deprivation Score	10
4.2 Needs Overview	11
5. Food Security and Livelihoods	14
5.1 rCARI Console	13
5.2 Food Security	15
5.3 Food Consumption and Dietary Diversity	18
5.4 Coping Strategies	19
5.5 Income and Employment	21
5.6 Profiles of the Food Insecure	23
6. Food Systems	25
6.1 Domestic Food Supply	25
6.2 Impact of the Ukraine Crisis	26
6.3 Wheat Subsidies	28
6.4 Supply Chain	29
6.5 Agriculture Sector	31
7. Prices and Markets	32
7.1 Survival Minimum Expenditure Basket	32
7.2 Currency Depreciation and Exchange Rate Fluctuations	34
8. Social Cash and In-Kind Assistance in Lebanon	37
8.1 Social Safety Net for Lebanese	37
9. Annexes	39



WFP/Giulio Origlia

1. HIGHLIGHTS

The economic, political, and social crisis that has affected Lebanon since October 2019 further intensified after June 2021 and the country has seen a significant deterioration in the wellbeing of its population.

The lifting of state subsidies on medicine, fuel, and inputs costs, the depreciation of the Lebanese Lira, protracted inflation, and soaring international prices continue to threaten Lebanese households' ability to meet basic needs.

Since the start of the crisis, Lebanon has been without a fully functioning government for nearly 20 months. The current government was formed in September 2021, 13 months after the resignation of the previous government in August 2020 in the wake of the explosion at the port of Beirut. The current government assumed a caretaker function in May 2022 after the parliamentary elections.

Needs Analysis

By December 2021, 53 percent of the Lebanese resident population, corresponding to 2.06 million people in 436,500 families, was in need of social assistance. Since the beginning of 2021, over 400,000 more people have fallen into poverty as a result of rising food insecurity, high unemployment, stagnating household incomes, and poor access to health services and education.

This estimate is based on the Household Deprivation Score (HDS), a measure of non monetary poverty developed by WFP Lebanon. The HDS is an index that ranks families on the basis of the number of deprivations they face across five minimum living

standards: i) food, ii) health, iii) education, iv) shelter, and v) livelihoods.

Food Security

In January 2021, food insecurity affected 30 percent of the population. This already concerning food security situation further deteriorated in the second half of 2021, reaching an average of 46 percent of food insecure families between June and December 2021.

As of December 2021, 57 percent of Lebanese families faced severe economic challenges to access food, up from 45 percent in June 2020. Seventy-six percent of households employed coping mechanisms that affect the capacity of families to generate income, thus lessening their resilience to future shocks.

In addition, 33 percent of the Lebanese population could not meet minimum dietary requirements, over ten percentage points above what was recorded in earlier rounds of data collection. The diversity of the diets consumed by the Lebanese population has also reduced. For instance, the number of households who were able to consume meat, poultry, fish or eggs at least one time per week declined from 82 to 65 percent between June 2020 and December 2021.

Food insecurity was strongly linked to unemployment and unstable livelihoods, lack of access to health services, education, and inadequate shelter. Households headed by women, large families with many dependents (children and/or older persons), and the presence of household members with chronic illness or disabilities were also more likely to be food insecure.



WFP/Giulio Origlia

Drivers of Poverty and Food Insecurity

A major determinant of poverty and food insecurity was inflation. The Consumer Price Index (CPI), which measures the average change of prices over time, rose by 890 percent between October 2019 and April 2021. During the same period, the Food Price Index rose by nearly 3,900 percent. Between June 2021 and June 2022, the CPI rose by 210 percent.

Inflation has been driven by the depreciation of the Lebanese Pound (LBP) and the exponential growth of the currency in circulation. By December 2021, there were LBP 45.8 trillion in the economy, nearly 6 times more than October 2019. Increasing prices in the international markets, particularly of food and energy, also significantly impacted domestic prices as Lebanon is a net importer of food and energy. The FAO Food Price Index, an index that tracks the monthly change in international prices of a basket of food commodities, reached an all-time high in March 2022. The Index has declined since, but in June 2022 remained 23 percent higher than a year ago.

Despite the extension of the Central Bank's "Circular 161" until July 2022, the national currency resumed depreciating in March 2022 and reached an all-time high of LBP 37,800/USD after the Parliamentary elections and then stabilizing at LBP 28,000- 30,000/USD until June 2022. The circular allows holders of LBP bank accounts to withdraw US dollar banknotes up to a maximum of LBP 100 million and had previously helped the LBP to quickly gain value by mitigating the demand for USD.

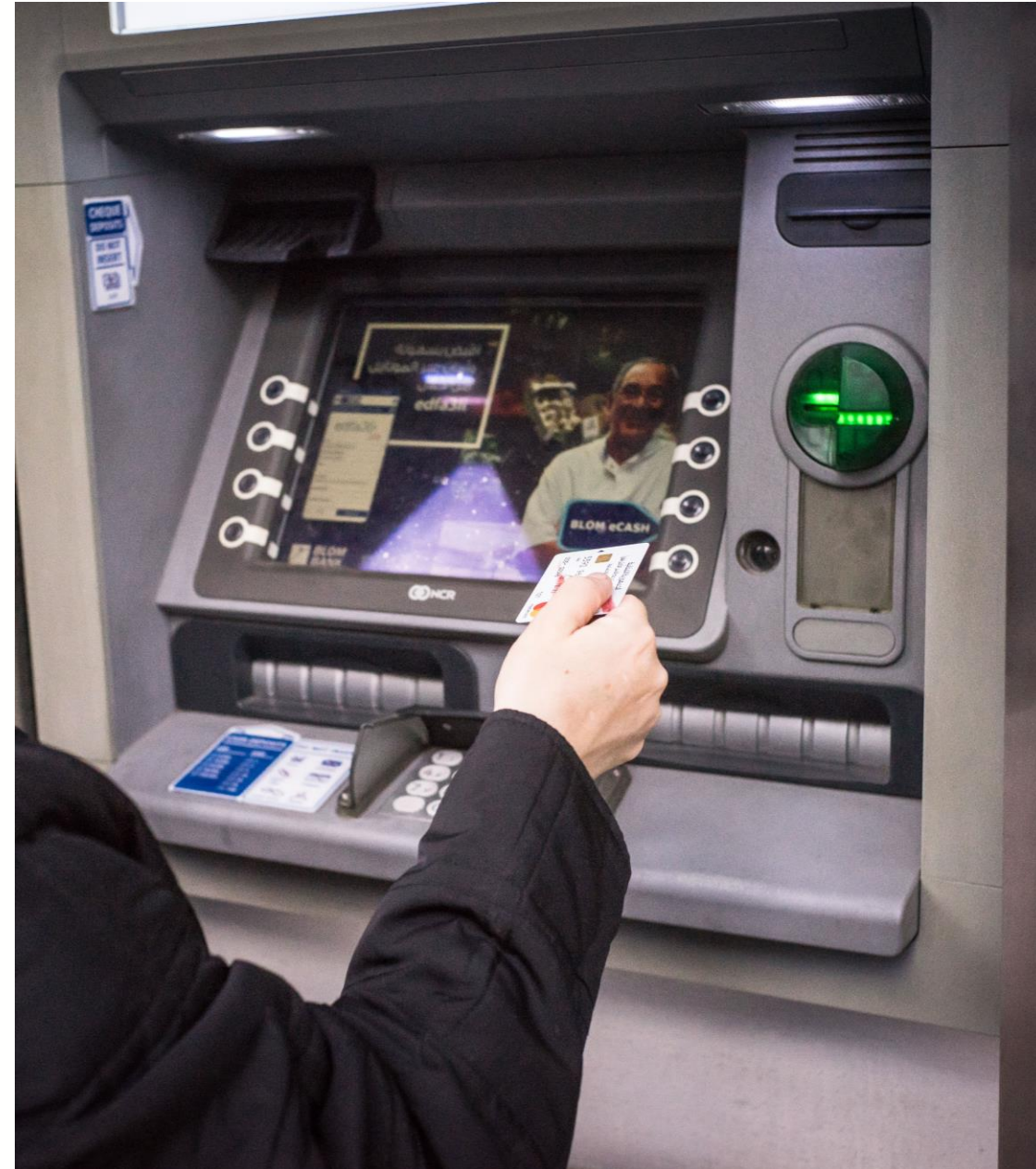
Other factors impacting food security and poverty were volatile livelihoods and stagnating household incomes. Despite having improved in December 2021, the unemployment rate remained above 30 percent (18

percent among men and 43 percent among women). Over half of the households relied on unstable income sources such as daily labour, temporary employment, debts or social assistance.

The purchasing power of families also decreased dramatically. In December 2021, the average salary covered only 24 percent of the Survival Minimum Expenditure Basket (SMEB), down from 93 percent in June 2020. In May 2022, a cost of living allowance of LBP 1.35 million was approved for all formal sector employees earning less than LBP 4 million per month, bringing the monthly minimum wage to LBP 2 million. This was a necessary step, but not enough to restore the loss of the purchasing power of salaries as it only covers 27 percent of the SMEB cost in June 2022.

The Ukraine crisis has sparked uncertainty on the domestic food supply as over 85 percent of Lebanon's wheat and 92 percent of sunflower crude oil was imported from Ukraine and Russia in 2021. While suppliers initially limited delivery of key commodities affected by the crisis, the impact on Lebanon's food supply so far has been moderate. As of April 2021, markets returned to operate efficiently.

The global food and energy price inflation, however, had a significant impact on Lebanon. The cost of the food SMEB reached LBP 843,000 (USD 29) per person in May 2022, up from LBP 584,000 (USD 22) in December 2021. The price of gasoline increased by 70 percent between March and May 2022. Wheat remained the only food commodity benefitting from state subsidies. The cost of financing the subsidy increased from USD 12 million per month in 2020 to USD 20 million per month in 2021, making it significantly more difficult for the state to continue sustaining its costs.



Scaling up Social Assistance

As more and more people fall into poverty, social assistance programmes have continued to scale up. There are three large-scale programmes delivering social assistance targeting vulnerable Lebanese: the National Poverty Targeting Programme (NPTP) implemented by WFP together with the Ministry of Social Affairs, the Emergency Social Safety Net Programme (ESSN), and WFP's emergency response. These programmes reached over 909,000 girls, boys, women, and men in June 2022 and plan to reach over 1.5 million people in the upcoming months. However, there remains a gap of nearly 500,000 people in need who may not be able to receive assistance. Additional resources are needed to expand and extend assistance beyond 2022 as the economic crisis continues to deepen.

Risk Factors

Lebanon has significant risks lying ahead that could further aggravate the humanitarian crisis affecting the country.

The International Monetary Fund's (IMF) preconditions to provide a financial relief package comprise of structural reforms to ensure sustainability of public debt and social spending; improve the delivery of public services especially of the energy sector; strengthen governance and anti-corruption measures; establish a credible and transparent monetary and exchange rate system; and restructure the financial sector.

Lebanon is a net food and energy importer facing high price volatility and a huge government budget deficit. Soaring international prices of wheat, maize, sunflower oil and seeds, energy (crude oil and gas), and agricultural inputs; a negative outlook for global agricultural production; and food export restrictions already imposed by 26 countries also represent significant risks for a country that is no longer equipped to mitigate the negative effects of these shocks on the population.

The government has approved a loan from the World Bank to finance the procurement of wheat for up to nine months. A possible lifting of remaining state subsidies would impact the cost of bread and services, namely communication and public electricity, as well as customs duties.

It is estimated that the removal of the subsidy on wheat would more than double the cost of a bread package (1.1 Kg) and lead to an increase in the cost of the SMEB of between 10 and 15 percent. Without a proper expansion of social safety nets, a removal of remaining subsidies will further hinder the ability of the poorest, including refugees, to afford their essential needs.

It is estimated that the "Circular 161" has cost the state close to USD 2 billion between January and June 2022. Should such a circular be discontinued, the depreciation of the LBP may further accelerate, with a significant impact on imports and prices.



Recommendations

It is essential to continue the expansion of social assistance programmes to support the most vulnerable households to meet their essential needs. Another key priority is to guarantee adequate financing to these programmes beyond 2022 and until the conditions for economic recovery are in place.

For social safety net programmes providing cash-based transfers, it is important to regularly update the provided transfer values, given both the local and international inflation in the prices of basic commodities, to ensure that people can continue to meet their most essential needs.

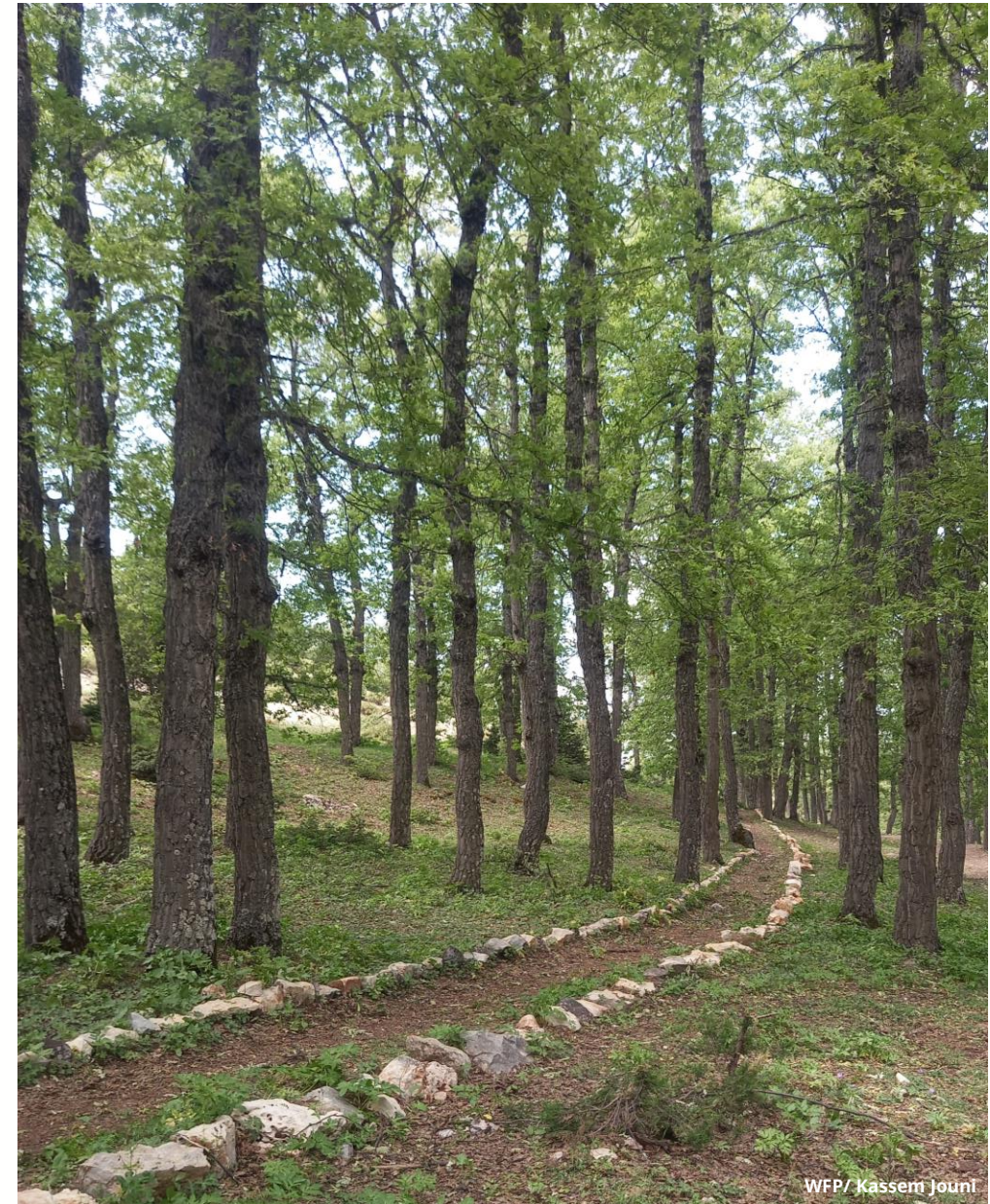
It is also essential to ensure that the capacity to provide emergency food assistance through the provision of food parcels is maintained and could be expanded, given the risks and challenges associated with cash-based transfers: a fragile banking system, inflation, and exchange rate depreciation.

In addition, adequate measures must be taken to ensure availability and accessibility of wheat. The only grain reserve in the country was destroyed in the blast at the port of Beirut in August 2020. Since then, there has not been more than six weeks of wheat stocks in the country. Investing in a new grain reserve facility would allow Lebanon to have a buffer to mitigate the effects of price increases and supply chain bottlenecks. Moreover, to guarantee equitable access to bread, people's main staple food, in case of a phase-out of subsidies, it is necessary to cushion the effects through existing national social safety nets systems.

Lebanon's agricultural sector's potential has not been fully utilized. It is necessary to invest in long term solutions that would boost local agricultural production through large-scale conservatory agriculture, green houses, hydroponic cultures, improved farm irrigation management focusing on high value and export-oriented products and introduce new cultural practices that would mitigate the negative impact of climate change. Loans and grants must be made available to farmers. It is also essential to strengthen the analytical and technical capacity of national institutions while extension services must have properly equipped and trained personnel available.

The most recent poverty figures date back to 2012 when the last Household Budget Survey was conducted. As such, it is vital to carry out a comprehensive and nationally representative household survey of Lebanese and other population groups to gather detailed consumption and expenditure data to update national statistics on poverty. Steps in that regard are already being undertaken, with the Lebanon Vulnerability Assessment Panel (LVAP) survey currently ongoing. Once this is completed, the assessment results can then be used as the basis to upgrade and enhance existing targeting methods.

Social assistance to Lebanese is currently delivered through different assistance coordination frameworks, as the need for scale up of assistance required urgent action. Moving forward, it is important that these different systems are streamlined to ensure consistency and avoid gaps and overlaps in assistance.



WFP/ Kassem Jouni

3. ECONOMIC SITUATION

Since October 2019, Lebanon has been confronted with a severe crisis, facing its largest economic recession since the end of the civil war in 1990, a protracted political stalemate, and the COVID-19 pandemic. The blast at the Port of Beirut in August 2020 severely damaged much of the city as well as the fragile social fabric of the country.

GDP Growth

The economic crisis resulted in a 6.7 percent contraction of the GDP in 2019 and a 21.4 percent contraction in 2020. In 2021, the real GDP growth rate is forecasted to have declined by another 10.5 percent. In nominal terms, the GDP decreased from USD 55 billion in 2018 to USD 20.5 billion in 2021 (World Bank 2022, Figure 3.1). At the beginning of July 2022, the World Bank also downgraded Lebanon to a lower middle income country for the first time in 27 years. This came after the Gross National Income (GNI) per capita dropped from USD 7,590 in 2018 to USD 3,450 by 2021.

Currency Depreciation and Inflation

After years of exchange rate parity between the Lebanese Pound (LBP) and the US Dollar (USD), the national currency has lost nearly 95 percent of its value since October 2019. The exchange rate parity system was sustained for years by large inflows of foreign capital that covered the current account deficit and helped stabilize prices. However, the inflow of foreign currency had started to reduce as early as 2018. Commercial banks imposed de facto capital controls on USD accounts at the start of the crisis, igniting the depreciation of the LBP.

Given Lebanon’s high import dependency, the deteriorating exchange rate has in turn led to soaring inflation. The Consumer Price Index (CPI), which measures the average change of prices over time, rose by 1,066 percent between October 2019 and June 2022. During the same period, the Food Price Index rose by nearly 3,900 percent. In parallel, the total value of the currency in circulation increased by nearly six times, further driving inflation (Figure 3.2).

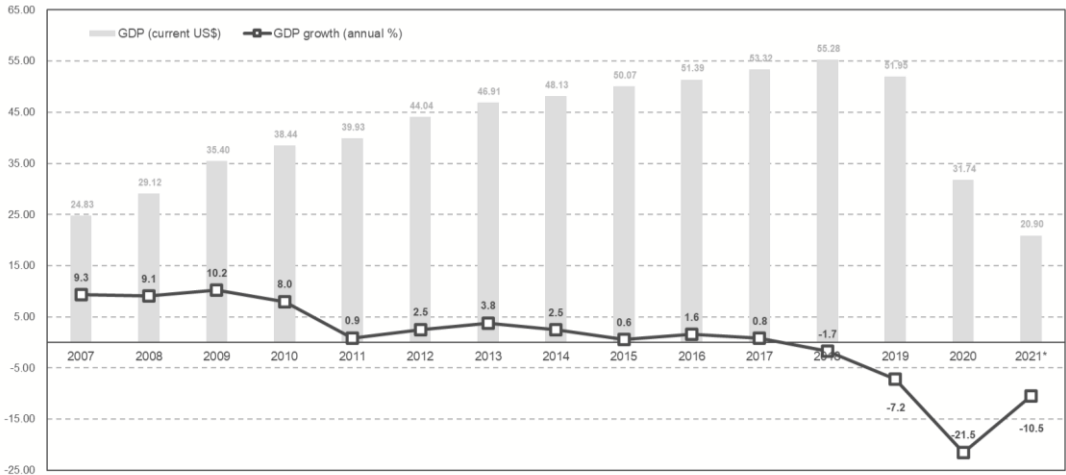
Exchange Rate System

A multiple exchange rate system rapidly emerged after the onset of the crisis. The official exchange rate of LBP 1,507.5/USD remains in place only for administrative purposes. Another official rate, currently at LBP 8,000/USD, was introduced for withdrawal of LBPs from bank accounts that were in US dollars. The “Sayrafa” rate, meanwhile captures transactions done by commercial banks and registered exchange houses, while the informal market rate reflects the value of the LBP against the US dollar on the parallel market.

Subsidies

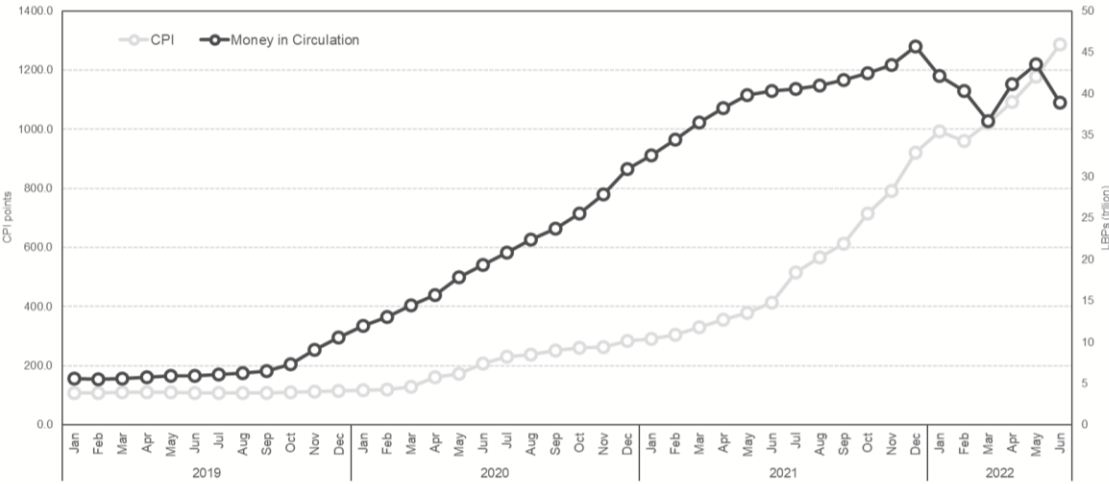
A system of subsidies for the import of fuel, wheat, medicine at the official exchange rate was in place between September 2019 and June 2021. Currently, the remaining subsidies are for the import of wheat for local bread production and for certain medicines. The Central Bank also continued providing 100 percent of the needed USD for the imports of gasoline at the Sayrafa rate, which was trading at 10 percent less than the informal market rate by the end of June 2022.

Figure 3.1: GDP (Current US\$) and Real GDP Growth rate (%) – 2007-2021



Source: World Bank, World Development Indicators (May 2022) and Economic Monitor (October 2021)

Figure 3.2: Total value of currency in circulation (LBPs) and CPI (points) – Oct 2019 – Jun 2022 2



Source: Central Administration for Statistics (CAS) (May 2022) and Lebanon Central Bank (June 2022)

Public Debt

The country defaulted on its international debt in March 2020. Debt interest has been a significant component of the government budget as public debt rose from 131 percent of GDP in 2012 to 175 percent in 2020 (WDI, 2022).

Investments and Consumption

Investments have dropped from USD 7 billion in 2019 to USD 1.8 billion in 2020 (WB, 2022). The inflow of foreign direct investments plummeted from USD 2.8 billion in 2019 to USD 0.4 billion in 2021 (EIU, 2022). Private consumption is estimated to have reduced by over 30 percent since 2019 and central government spending is estimated to have reduced by nearly 50 percent since 2019 (EIU, 2022). In 2021, government's revenues are expected to have almost halved to reach 6.6 percent of GDP, marking the 3rd lowest ratio globally after Somalia and Yemen (WB 2022).

Remittances

Remittances from the Lebanese diaspora are an important safety net for Lebanese households. Remittances accounted for 28.3 percent of GDP in 2020, equivalent to USD 7 billion, 4.2 percent less than 2019 levels. In 2021, expat remittance were estimated to be around USD 6.6 billion, a 5.4 percent decrease from 2020 (WDI 2022). However, it is estimated that the actual level of remittances is higher, as an increasing number of families resort to means not captured by official sources.

Political Situation

The current government assumed a caretaker function in May 2022, after the parliamentary elections. The formation of a new government is still ongoing while there are several key political events on the horizon including the end of the presidential term on 31 October 2022.

Negotiations with the IMF

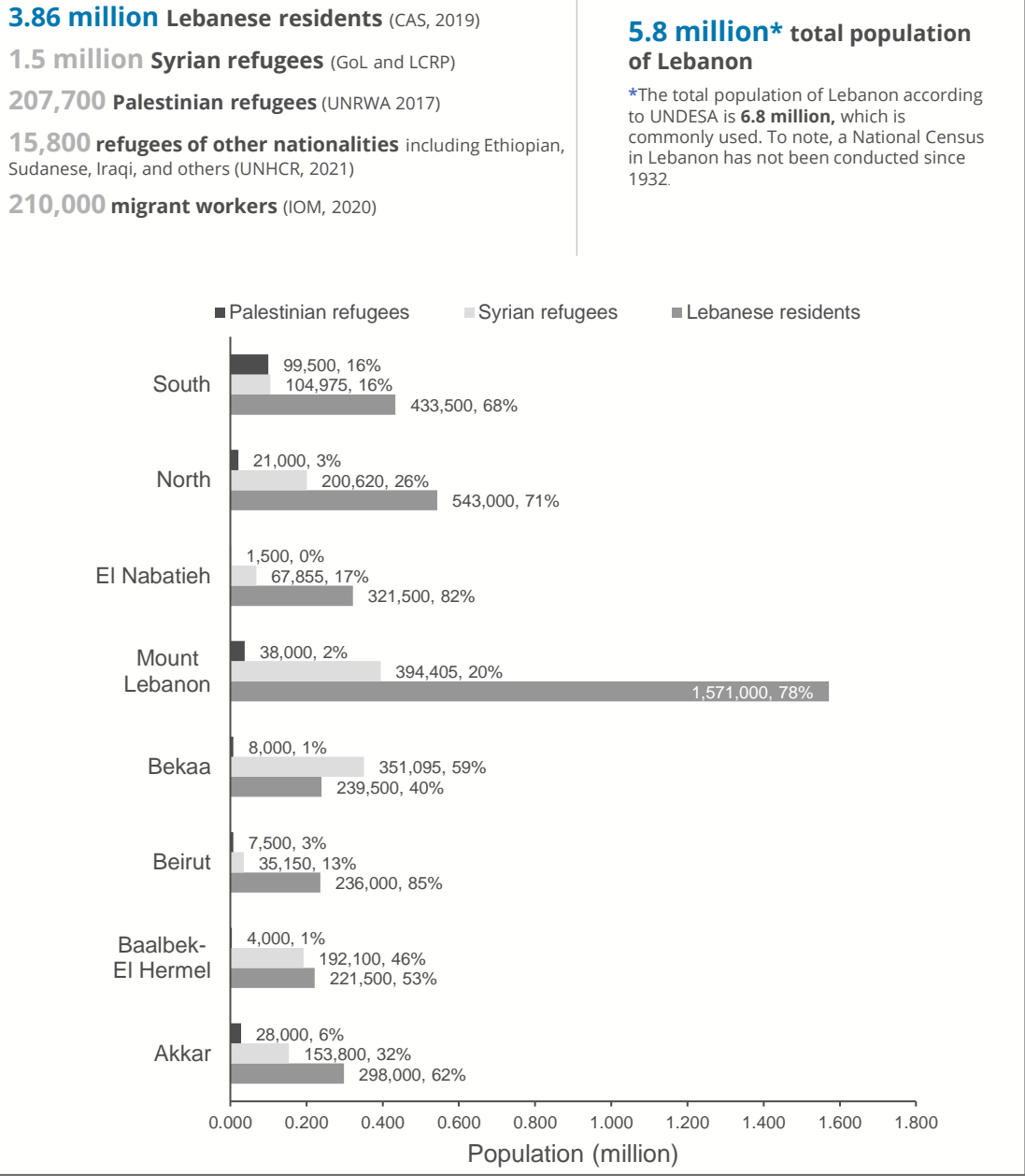
The staff-level agreement reached with the IMF in April 2022 is subject to the approval of the IMF Executive Board. The agreement that could unlock up to USD 3 billion requires the implementation of comprehensive reforms that would reduce public debt; improve public services; strengthen governance; restructure the banking sector; and establish a credible exchange rate system (IMF 2022).

Population

Lebanon has an estimated population of 5.8 million, including 3.8 million Lebanese residents, 1.5 million Syrian refugees, 207,700 Palestinian refugees and around 14,800 refugees from other countries. Lebanon is administratively divided in 8 governorates that are further divided in 26 districts. However, a National Census has not been conducted since 1932. (Figure 3.3).

As the economy deteriorates, poverty and food insecurity have continued to rise, reaching unprecedented levels. The current crisis has not only affected the Lebanese population but all those residing in Lebanon, as Lebanon continues to host the largest number of refugee per capita in the world.

Figure 3.3: Population of Lebanon



2. METHODOLOGY



mVAM

- WFP's mobile Vulnerability Analysis and Mapping surveys monitor household food security through mobile phone interviews
- mVAM provides regular access to up to date household food security data in a rapidly changing environment



Questionnaire

- Food consumption
- Coping strategies
- Employment
- Social protection
- Demographics
- Education
- Shelter
- Health



Prices and Food Supply

- Over 450 WFP-contracted shops monitored across Lebanon
- Itemised sales data collected for food and non-food commodities
- Weekly assessment of food availability and efficiency of the supply chain through the network of WFP-contracted shops



Sampling and Frequency

- 300 households per governorate and approximately 2,450 respondents in each round of data collection
- Coverage of all mobile service providers
- Numbers are generated through random digit dialling
- Rolling panel of 14,305 unique Lebanese national respondents



Data Collection

- 8 rounds of quarterly data collection (June 2020-December 2021)
- Data collection through Crystel, a professional call center based in Amman, Jordan, that is providing services to WFP for the collection of several mVAM surveys in the region



Other data

- Central Administration for Statistics 2018-19 LFHLCs population estimates
- Central Administration for Statistics Consumer Price Index
- World Bank World Development Indicators
- Port of Beirut Statistics
- Lebanon Central Bank Economic and Financial Data
- Economist Intelligence Unit: Global Insights



WFP/Giulio Origlia

4. RAPID ESSENTIAL NEEDS ANALYSIS

1. The Household Deprivation Score (HDS)

The number of Lebanese requiring social assistance to meet their food and other basic needs has been determined using WFP’s Household Deprivation Score (HDS). The HDS is a measure of non-monetary poverty developed using mVAM surveys.

The HDS is calculated at the household level and provides information on the vulnerability of the Lebanese population. It ranks households according to the number of deprivations they experience with respect to five minimum living standards: i) food, ii) health, iii) education, iv) shelter, and v) livelihoods.

The rationale for using a multidimensional indicator to determine needs is that a household’s ability to meet its food and nutrition requirements also depends on its capacity to meet other needs. Poor households often spend most of their resources on food and when households have limited resources, they must prioritize between equally urgent needs. For example, they may have to decide on whether to spend money on healthcare, education or buying food. At the same time, a poor health condition, an unstable income or poor housing conditions also negatively impact their food security (WFP, 2020).

The HDS is built on a combination of 13 indicators (Table 4.1) that are merged into an index using the Alkire-Foster methodology, a technique for measuring poverty developed by the Oxford Poverty and Human Development Initiative (OPHI) (Alkire et al, 2015).

The index takes values from 0 to 1. All dimensions are equally important and indicators within each dimension have the same weight. Households are categorized into three deprivations conditions: i) minimal (HDS<0.33), ii) moderate (HDS>=0.33 & HDS<0.5) and iii) severe (HDS>=0.5). Households with a moderate or severe HDS are those who require social assistance.

The cut-off points for HDS severity levels were established based on the values of the global Multidimensional Poverty Index (MPI), a UNDP and OPHI analysis launched in 2020 that provides insights of global trends in multidimensional poverty (UNDP, 2020).

Table 4.1: Indicators, weights and thresholds used for the Household Deprivation Score

Dimension	Weight	Indicator	Weight
Education	1/5	No formal education	1/3
		Withdrew children from school	1/3
		Moved children to less expensive school	1/3
Health	1/5	Faced constraints in accessing the health system	1/3
		Not covered by any type of health insurance	1/3
		Household member/s suffer from a chronic disease or disability	1/3
Food	1/5	Poor or borderline food consumption	1/2
		Employed severe coping mechanisms	1/2
Housing	1/5	Live in a camp, substandard housing, hosted by friends or family, or sharing accommodation with other families	1/2
		Crowding Index >=3	1/2
Income	1/5	Employed crisis/emergency coping strategies	1/3
		Not working (unemployed, laid off, temporary not working, business shutdown)	1/3
		Informal labour, no income, dependent on assistance or remittances (daily labour, debts, freelance, assistance, hazardous activities, remittances within Lebanon)	1/3

Box 1- Limitations of the HDS

While this needs analysis has the advantage of being derived from a recent assessment of the situation and provides needs figures disaggregated by governorate and district, it relies on a simplified essential needs approach based on a single indicator, the HDS. WFP standard methodology to estimate humanitarian needs requires an in-depth face-to-face survey with a detailed household expenditures module that allows to also evaluate other indicators such as the household’s own economic capacity to meet essential needs. Questionnaires for phone surveys do not allow to collect household expenditure data as they need to be much shorter than those used in face-to-face surveys. However, WFP Essential Needs Analysis Guidance allows for the use of phone surveys when an in-depth essential needs assessment is not available (WFP, 2020).

2. Needs Overview

As of December 2021, 53 percent of the Lebanese population, corresponding to 2.06 million people in 436,500 families, had a HDS score above the value of 0.33 and required social assistance to improve access to food and other basic needs.

Among them, 0.8 million people in approximately 171,000 families (21 percent of the population) experienced deprivations that led to a severe vulnerability condition. These families were vulnerable in 50 percent or more of the weighted indicators used to build the HDS. An additional 32 percent of the population, equivalent to 1.25 million Lebanese in 265,500 families, had a moderate HDS ranging between 33 and 50 percent (Figure 4.1).

Estimates on the number of moderately and severely vulnerable Lebanese rely on population projections produced by the Central Administration of Statistics (CAS) using the 2018/19 Labour Force and Household Living Conditions Survey (LFHLCS). The average household size that was used to compute the number of moderate and severely vulnerable households was derived from WFP’s mVAM surveys that estimated an average household size of 4.7.

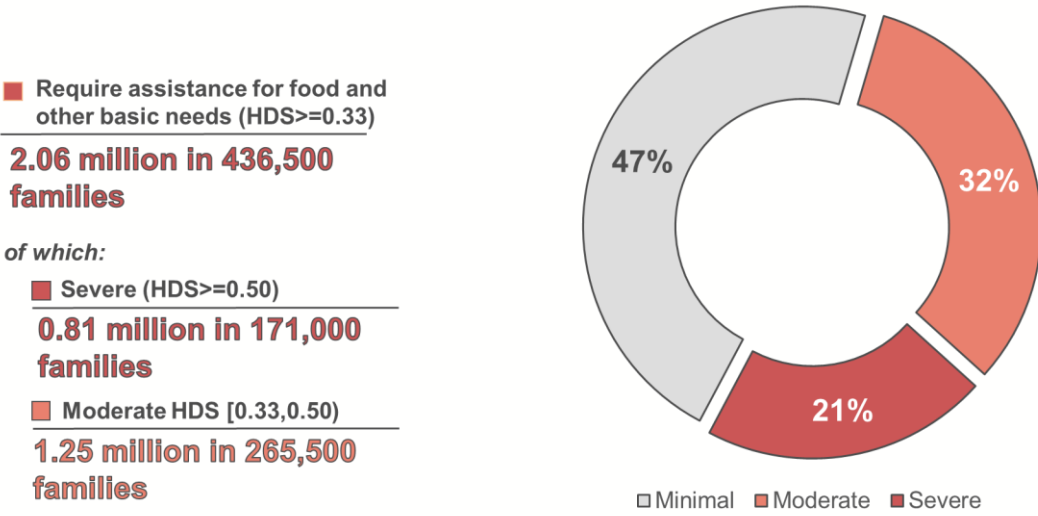
Baalbek El Hermel and Akkar were the most vulnerable regions as measured by the percentage of families in a moderate or severe vulnerable situation as about 75 percent of the population required social assistance. These two regions were followed by North

Lebanon, Bekaa, El Nabatieh, and South Lebanon where the share of households requiring social assistance ranged between 59 and 63 percent. In Beirut families in need of social assistance were 56 percent.

However, in absolute terms, with over 625,000 people estimated as moderately or severely vulnerable, Mount Lebanon was the governorate with the highest number of deprived Lebanese despite the lowest incidence of moderate and severe HDS. Mount Lebanon was followed by North Lebanon, South Lebanon and Akkar where the number of vulnerable people ranged between 226,000 and 340,000. HDS results at governorate and district level are reported in Figure 4.3 and Map 4.1.

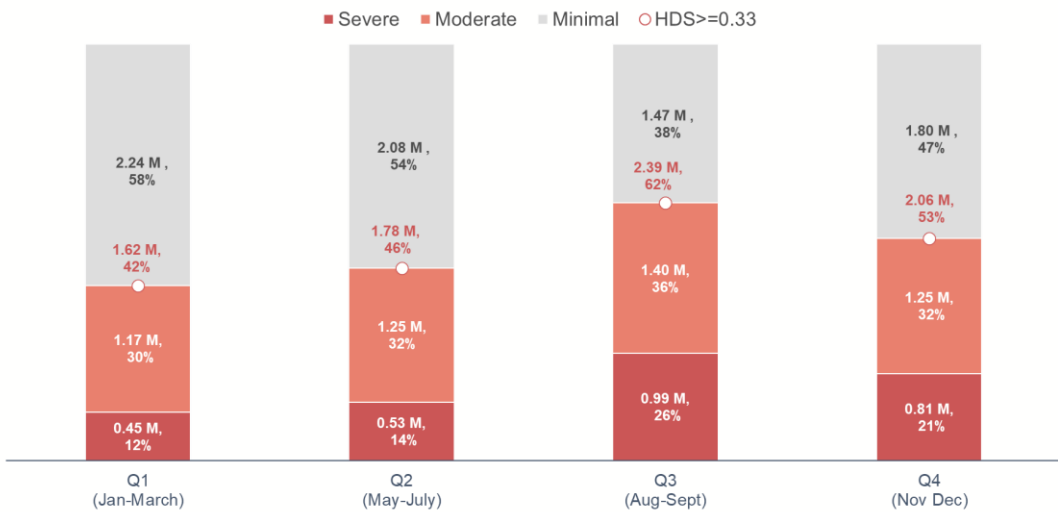
Quarterly data show that the number of Lebanese experiencing moderate or severe deprivations reached a maximum of 2.4 million (62 percent) in August-September 2021 up from the 1.62 million in January-March (42 percent) and the 1.78 million in April/May (46 percent). Although this number decreased in November-December to 2.06 million, the number of people that have fallen into poverty increased by over 0.4 million since the beginning of 2021, 12 percentage points above Q2 and Q1 levels (Figure 4.2).

Figure 4.1: Percentage and number of people and households with minimal, moderate, and severe HDS



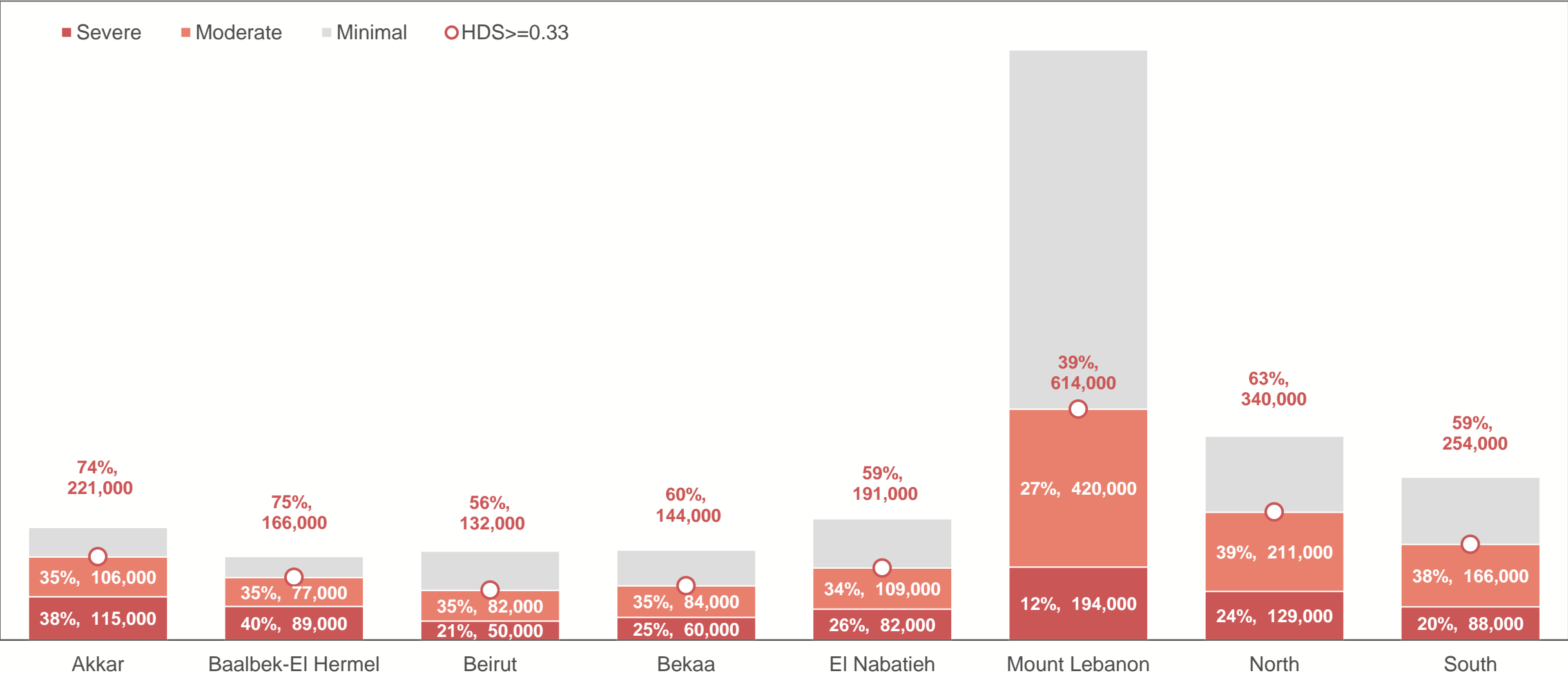
Source: WFP mVAM surveys (December 2021) using CAS 2018-19 LFHLCS population estimates

Figure 4.2: Percentage and number of people with minimal, moderate, and severe HDS (Jan-Dec 2021)



Source: WFP mVAM surveys (January-December 2021) using CAS 2018-19 LFHLCS population estimates

Figure 4.3: Percentage and number of people with moderate and severe HDS by governorate

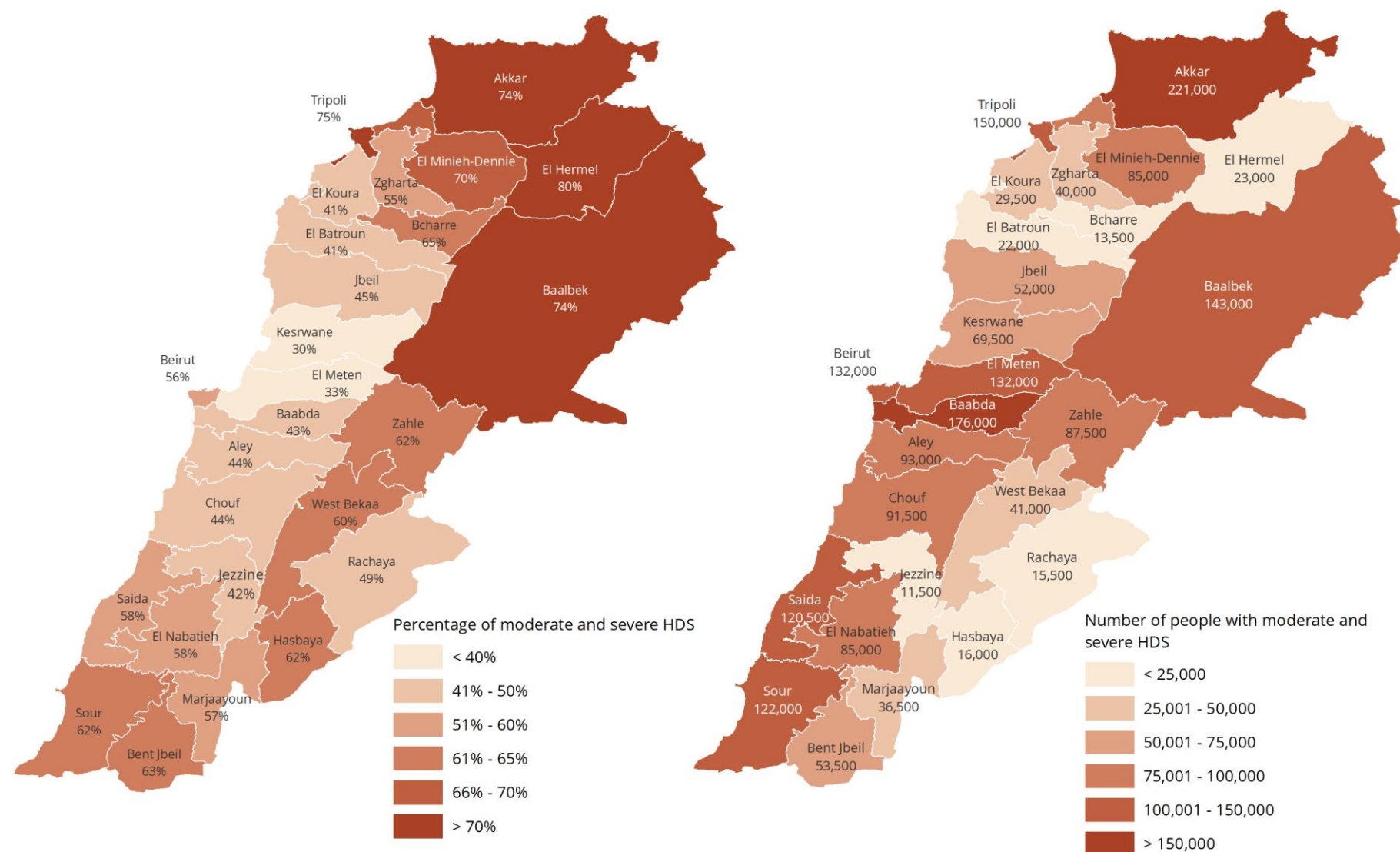


Source: WFP mVAM surveys (December 2021) using CAS 2018-19 LFHLCs population estimates

Map 4.1: Percentage and number of severely and moderate deprived Lebanese residents by district (Jan-Dec 2021)



Lebanese residents requiring social assistance by district based on Household Deprivation Score (HDS \geq 0.33)



Source: WFP mVAM surveys January-December 2021 using CAS 2018-19 LFHLS population estimates

Notes

- District level results were derived by combining multiple rounds of data collection from January to December 2021 and relied on a sample size of over 9,900 households.
- The average number of observations in each district was 710 while the sample size varied from a minimum of 35 observations in Bcharre to a maximum of 1,379 in Beirut and 1,239 in Akkar. In four districts, Bcharre, El Batroun, Jezzine, and Hasbaya, the sample size was less than 100 households.
- The HDS can provide estimates disaggregated at district level that are statistically representative for most districts. After testing the equality of means between the average HDS at district level against the national average, the HDS was statistically significant for 20 out of 26 districts.
- HDS results were not statistically significant for Bcharre, Bent Jbeil, Marjaayoun, West Bekaa, Sour, and Rachaya. Statistical significance was tested by performing ordinary least square regression of the HDS against district variables and using robust standard errors.
- A similar test performed using logit regression on the incidence of severe and moderate vulnerability at district level against the national average yielded the same results (Cameron Trivedi, 2015).

5. FOOD SECURITY AND LIVELIHOODS

1. rCARI Console

The **remote Consolidated Approach for Reporting Indicators of Food Security (rCARI)** is a methodology used to aggregate different food security indicators into one index to report on the population's overall food security status using phone surveys.

It classifies households according to their level of food security: i) food secure, ii) marginally food secure and iii) food insecure. Food insecure household are further classified as: a) moderately food insecure and b) severely food insecure.

While moderately food insecure families have inadequate food consumption or are only marginally able to meet minimum food needs by employing irreversible coping strategies, those that are severely food insecure have significant food consumption gaps or had serious losses of livelihoods.

rCARI combines indicators from two dimensions: i) the adequacy of current food consumptions that reflects household's access and availability of food; and the ii) coping capacity that reflects how households can sustain their food security situation over time and employs indicators measuring households' economic capacity.

The composite food security score is calculated by combining these two dimensions. Indicators and scores are reported in Table 5.1.

The console combines three widely used food security indicators in addition to the household's main income source to determine the household's food security status:

- a. The Food Consumption Score (FCS)**, a composite score based on the dietary diversity, food frequency, and relative nutritional importance of eight food groups that are consumed by the household during the seven days prior to the interview.
- b. The reduced Coping Strategy Index** that combines the frequency and severity of coping strategies that households employ when they do not have enough food or lack resources to buy food.
- c. Livelihood Coping Strategies** that are coping behaviours that cause changes in income earning activities and affects the capacity of families to generate income in the future and to react to future shocks. Livelihood Coping Strategies are categorized as stress, crisis, or emergency strategies according to the severity of the strategy adopted.

Table 5.1: rCARI Console

Food security dimension	Indicator	Food secure	Marginally food secure	Moderately food Insecure	Severely food insecure
Food Consumption	Food Consumption score	Acceptable	Acceptable consumption	Borderline	Poor
	Food based coping strategies	No severe food coping mechanisms	Using severe food coping mechanisms	-	-
Economic vulnerability	Main income source and change in income	Regular employment (formal labour or self-employed) – no change/ no decrease	Regular employment but reduced income or informal labour/remittances, no decrease	Informal labour /remittances but reduced income	No income, dependent on assistance or support or informal labour with complete loss of income
Livelihood coping	Livelihood based coping Strategy categories	Neutral	Stress strategies	Crisis strategies	Emergency strategies

2. Food Security

At the national level, an already concerning food security situation further deteriorated in the second half of 2021 following the lifting of subsidies, and impacted by the significant depreciation of the local currency, protracted and rising inflation, and significant disruption of livelihoods.

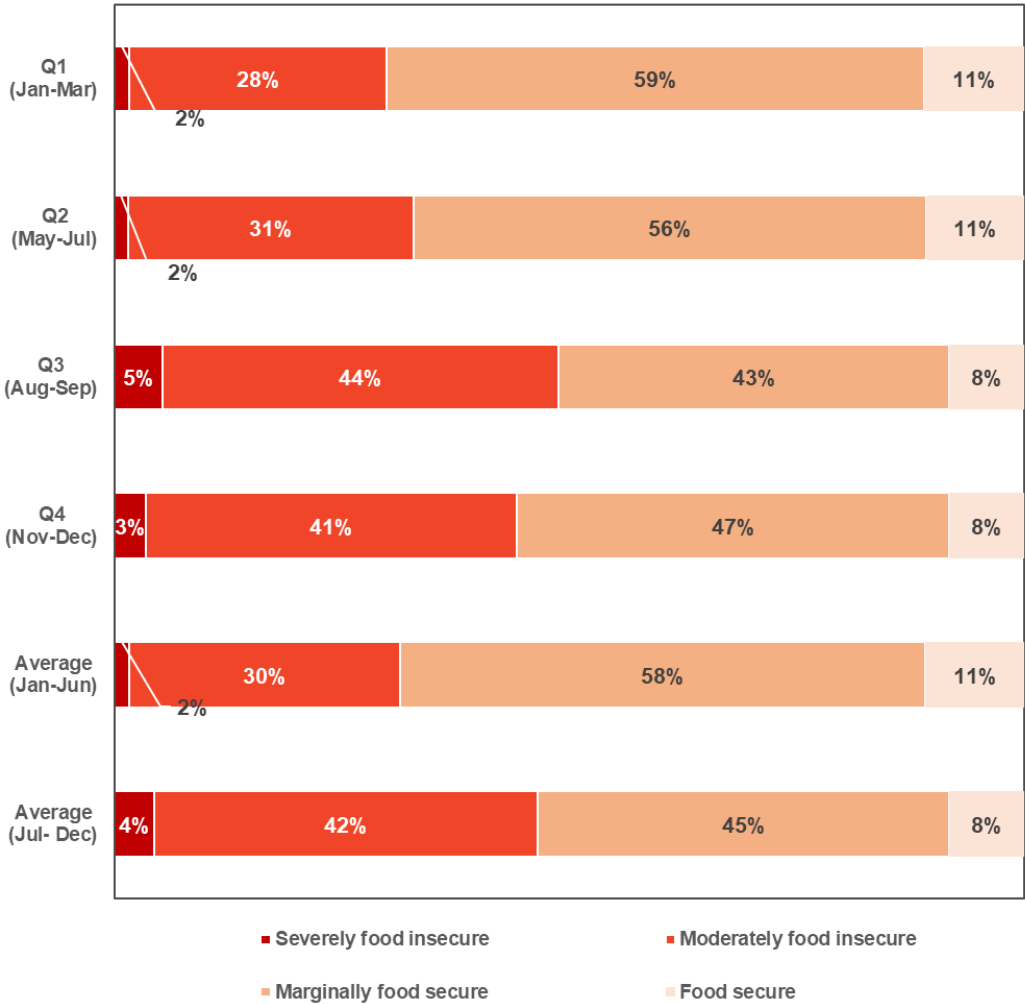
Between June and December, food insecurity averaged 46 percent. This represents a 14 percentage point increase with respect to the average of 32 percent registered between January and June. During the same period, severe food insecurity doubled from 2 to 4 percent. Similarly, the share of food secure households dropped by 3 percentage points down from 11 to 8 percent (Figure 5.1).

Quarterly data show that food insecurity reached 49 percent in August/September, the highest prevalence reported throughout the past year, when fuel shortages led to extensive power cuts, long queues at the gas stations, and shortages of basic commodities (bread, bottled water), which forced many businesses across the country to stop operating. In August/September, 67 percent of households reported challenges to access food. The inability to access markets (32 percent) and distance from markets became a major obstacle reflecting the fuel shortages, transportation challenges, and the increasing price of fuel throughout the summer.

Although food security at national level improved in November-December as the share of food insecure households declined from 49 to 44 percent, governorate level analysis show that improvements registered in Q4 2021 were mainly driven by Beirut and Mount Lebanon governorates where food insecurity declined from 52 to 42 percent and 47 to 34 percent respectively between Q3 and Q4 2021. Food insecurity continued to grow in all other regions, with the exception of Akkar where it slightly declined from 63 to 61 percent.

By November/December 2021, food insecurity was above 60 percent in Akkar (from 41 percent in Q1) and Baalbek (from 34 percent in Q1) while it exceeded 50 percent in North Lebanon (from 38 percent in Q1). In Bekaa, El Nabatieh, and South Lebanon, food insecurity ranged between 45 and 49 percent, up from the 30 percent registered in Q1 in the three governorates. Despite improvements, in Q4 food insecurity in Mount Lebanon and Beirut also remained significantly above Q1 and Q2 levels (Figures 5.2.1 – 5.2.8).

Figure 5.1: Percentage of households by food security status (Jan-Dec 2021)



Source: WFP mVAM Surveys January-December 2021

Figure 5.2.1 – 5.2.4: Percentage of food insecure and severely food insecure households by Governorate (Jan-Dec 2021)

Figure 5.2.1: Akkar

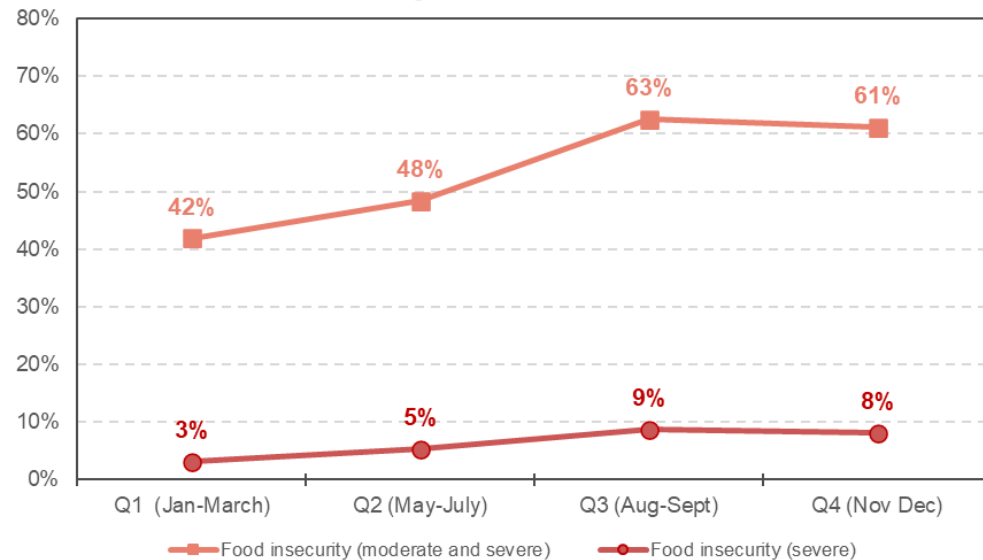


Figure 5.2.2: Baalbek-EI Hermel

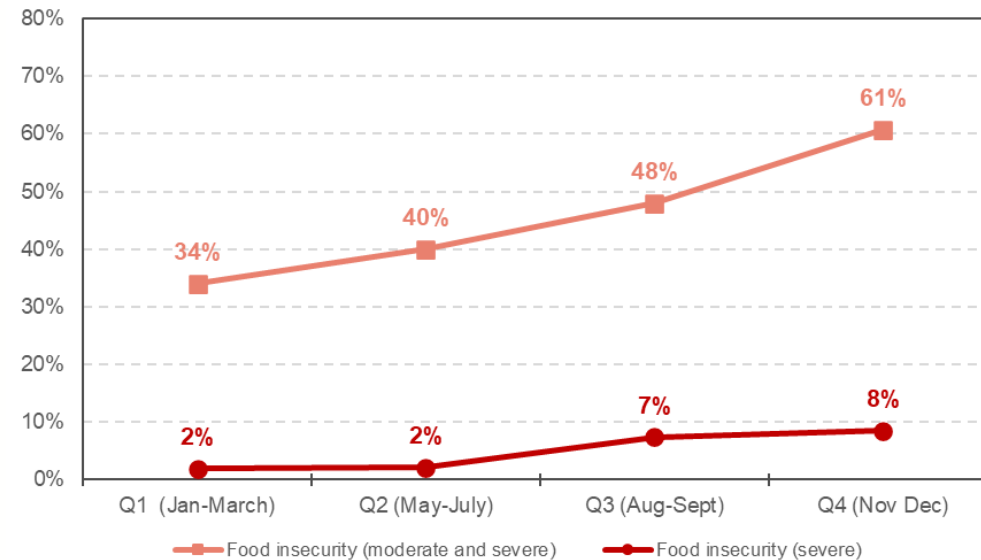


Figure 5.2.3: North Lebanon

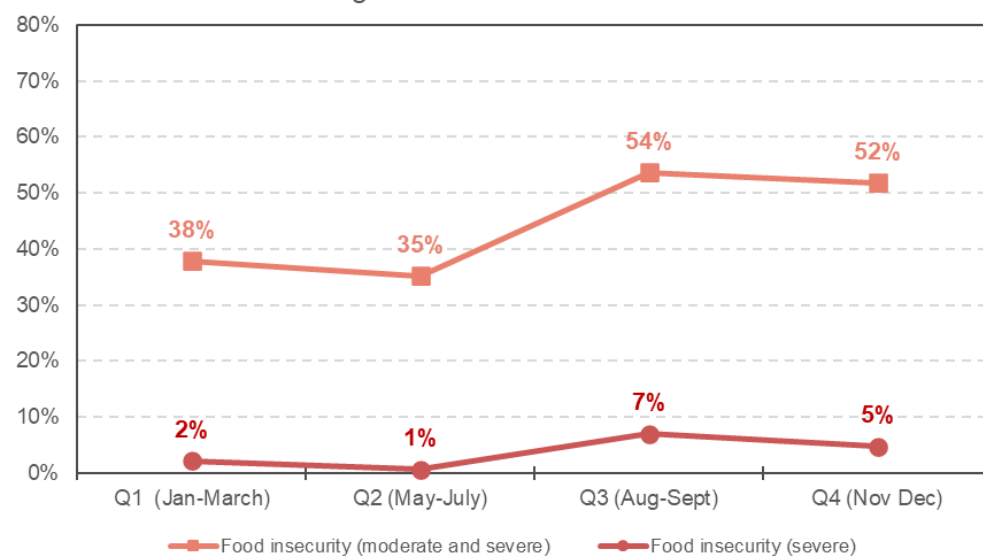


Figure 5.2.4: Bekaa

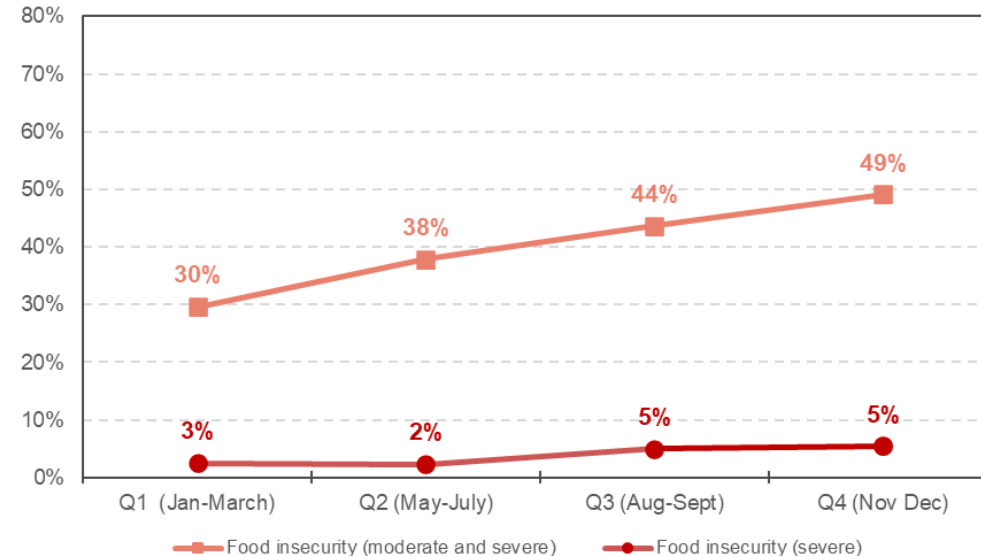


Figure 5.2.5 – 5.2.8: Percentage of food insecure and severely food insecure HHs by Governorate (Jan-Dec 2021)

Figure 5.2.5: Mount Lebanon

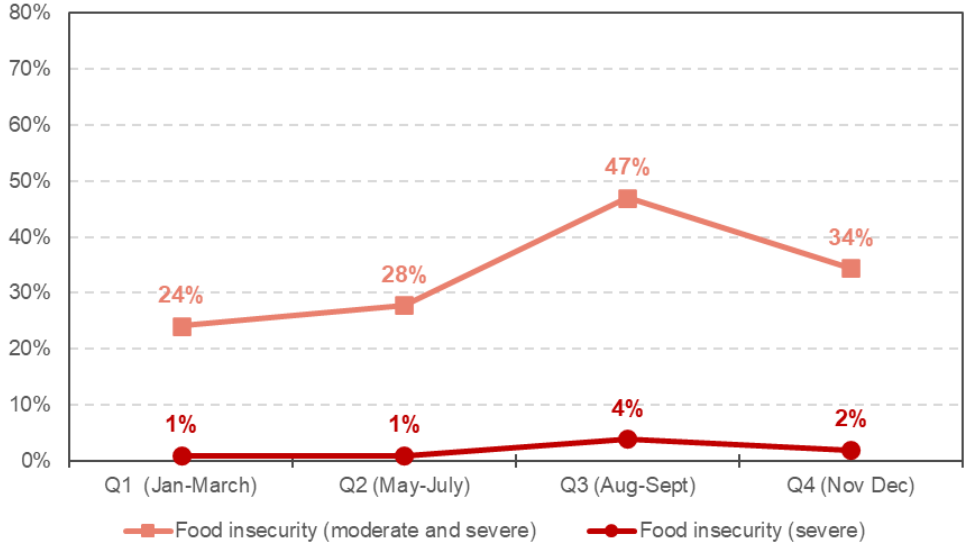


Figure 5.2.6: Beirut

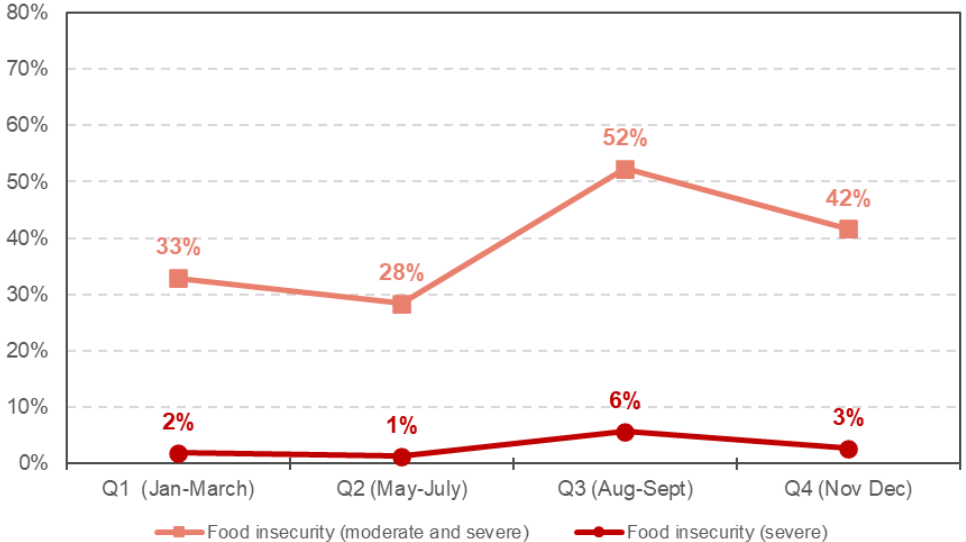


Figure 5.2.7: El Nabatieh

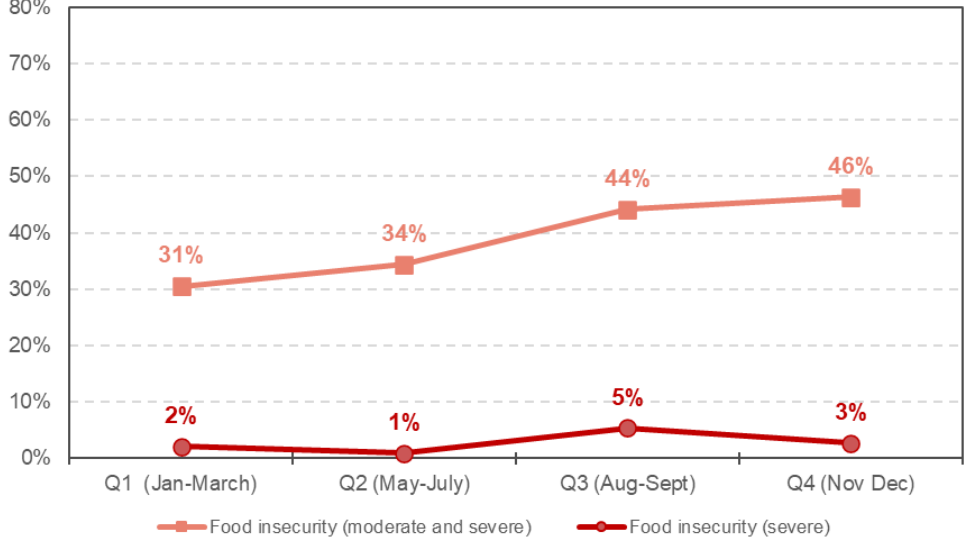
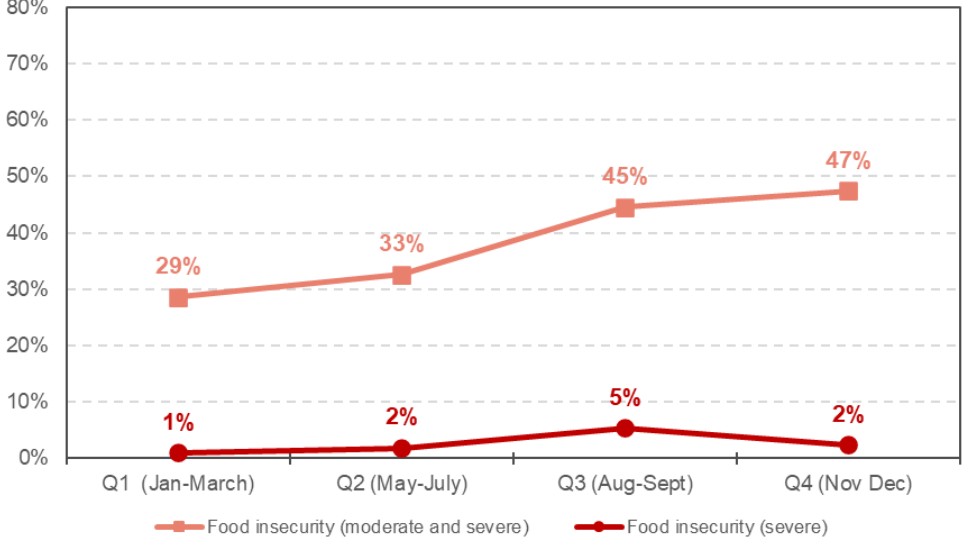


Figure 5.2.8: South Lebanon



3. Food Consumption And Dietary Diversity

Household dietary diversity and food consumption also deteriorated significantly in the second half of 2021.

As measured by the Food Consumption Score (FCS), diet inadequacy rates reached a peak of 41 percent in August-September 2021 (13 percent poor FCS and 28 percent borderline FCS). Although this share declined to 33 percent in November-December 2021 (8 percent poor and 25 percent borderline), it exceeded by more than ten percentage points the values recorded in previous rounds of data collection when the percentage of households with inadequate food consumption ranged between 19 and 23 percent, and among them those with a poor food consumption was around 5 percent (Figure 5.3).

Household food consumption deteriorated in all governorates. Governorates with the lowest diet adequacy rates were Akkar, Baalbek-El Hermel, Bekaa, and Beirut. In Akkar the number of families with acceptable food consumption declined from 74 to 49 percent, while the number of those with poor food consumption reached a maximum of 22 percent in August 2021. In Baalbek-El Hermel diet adequacy rates declined from 80 to 56 percent while families with poor FCS reached 16 percent in December. In Bekaa and Beirut, diet adequacy rates decreased from 81 to 62 percent and from 85 to 68 percent respectively.

The FCS also provides indication on the frequency with which each food group is consumed. The analysis showed that over the last 18 months the diversity of the diets consumed by the Lebanese population has also reduced. Families had access to highly nutritious food groups less frequently. While families continued to regularly consume staples, oils, and sugar, their average weekly frequency of consumption of dairy products decreased from 4.4 to 2.9 days per week between June 2020 and December 2021 and the consumption of animal proteins reduced by half, from being consumed on average 2.8 days per week to 1.4 days per week on average.

Consumption of foods with high content of micronutrients such as fruits and vegetables has also reduced during the same period from 3.1 to 2.5 and from 5.2 to 3.8 days per week respectively. On the contrary, consumption of pulses increased during the period from an average of 2.1 in June 2020 to 2.9 days per week in December 2021 (Figure 5.4).

More and more households did not have access to high quality animal proteins. The number households who were able to consume meat, poultry, fish or eggs at least one day per week declined from 82 to 65 percent. Similarly, households who consumed dairy products at least once in the seven days prior to the interviews declined from 83 to 70 percent.

Figure 5.3: % of HHs with poor, borderline, and acceptable FCS

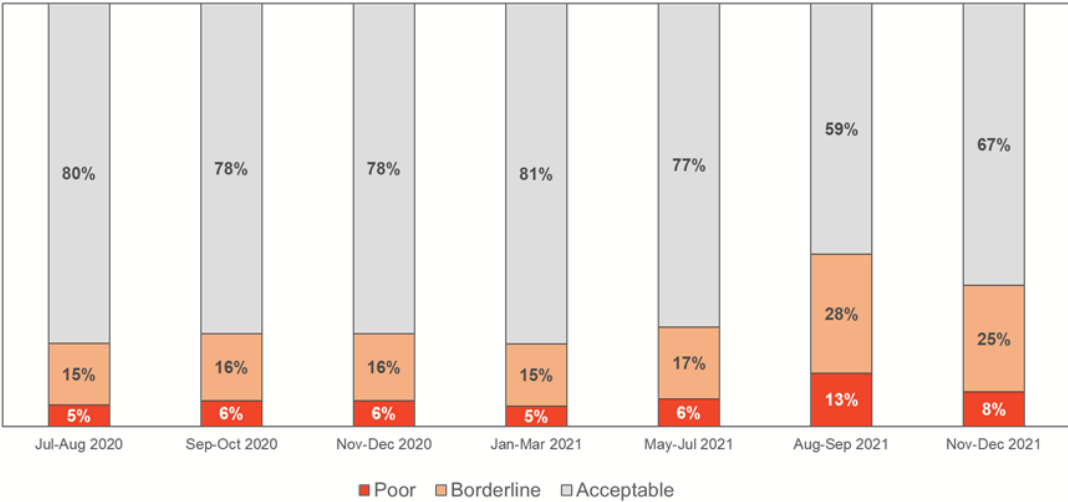
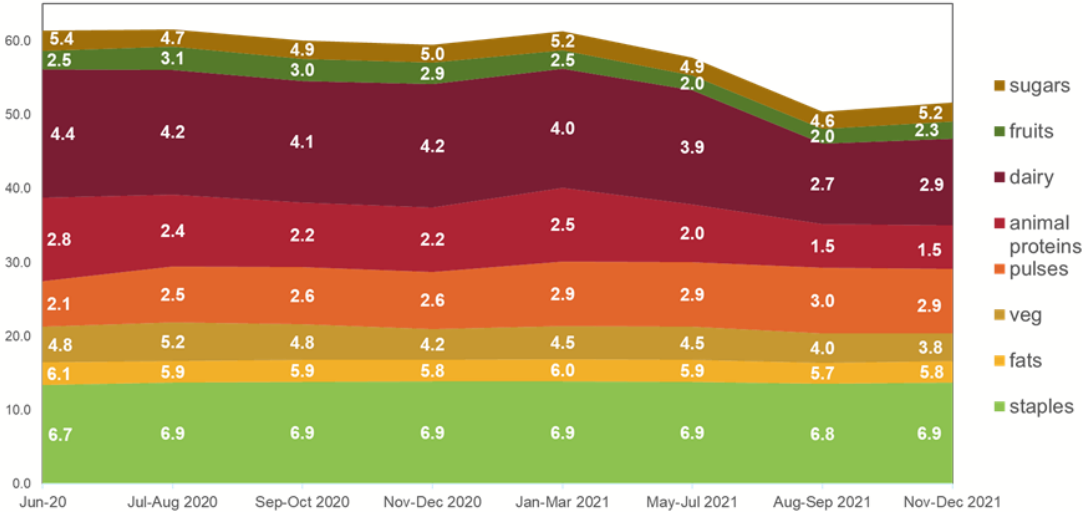


Figure 5.4: Average weekly consumption of food groups weighted by their nutritional importance



Source: WFP mVAM Surveys June 2020 - December 2021

4. Coping Strategies

In 2021, the number of Lebanese families who reported facing challenges to access food continued to grow.

Food Coping Strategies

By December 2021, over 90 percent of the Lebanese households reported to have employed at least one coping mechanism while the number of households with a reduced Coping Strategy Index (rCSI) above the value of 18, which indicates serious challenges in accessing food, reached 57 percent in December 2021, up from 53 percent in September, 44 percent in June, and 40 percent in December 2020 (Figure 5.5). Households facing severe access constraints exceeded 70 percent in Akkar and Baalbek.

Nearly 90 percent of the households were consuming less expensive or less preferred foods. More than 60 percent of the households had to limit portion size during meals while 41 percent of the families reported having to reduce the number of meals eaten during the week prior to the interview. Restricting consumption of adults in favour of children, the most severe consumption-based coping strategy, exponentially increased to 64 percent in the second half of 2021 (Figure 5.7).

By December 2021, reliance on severe coping mechanism was the highest in Akkar (76 percent) and Baalbek-El Hermel (74 percent). In four governorates: Beirut, Bekaa, El Nabatieh, North, and South, around 60 percent of the households faced significant food access

constraints with a rCSI above the value of 18. Mount Lebanon was the only governorate where the share of households that had to employ severe coping mechanisms was below 50 percent.

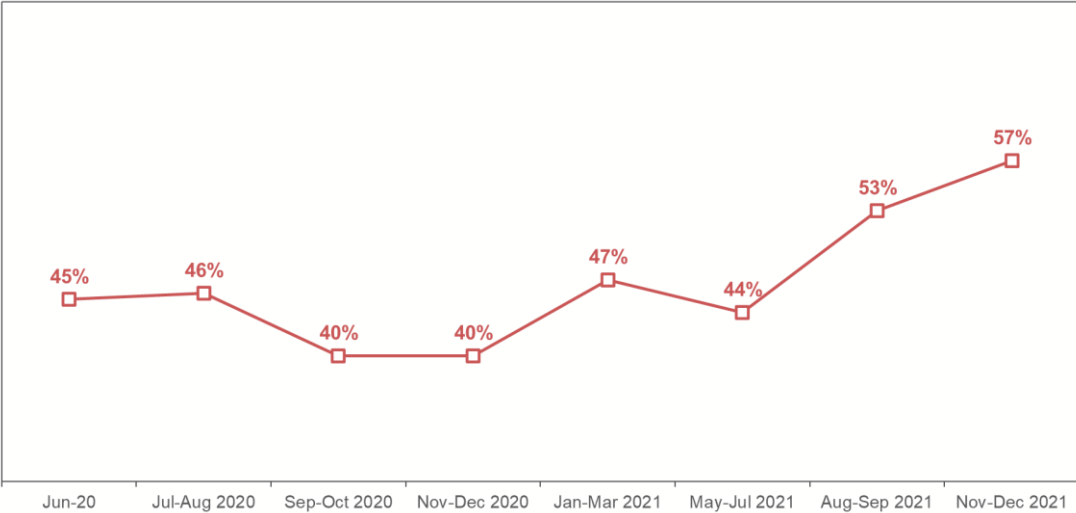
Livelihood Coping Strategies

Between January and December, the share of households employing livelihood strategies that hinder their capacity to generate income, making them more vulnerable to future shocks (emergency or crisis type mechanisms), increased from 67 to 76 percent. The share of families not having to employ livelihood strategies decreased from 18 to 10 percent (Figure 5.6).

In December, more than 50 percent of the households had to borrow money or purchase food on credit while 43 percent had to sell households assets. Seventy-one percent were reducing expenditures on health and education, while 24 percent of the households reported to have moved their school age children to a less expensive school. Households who sold productive assets or means of transports were 19 percent. Among households who had to employ the most severe coping strategies, 6 percent withdrew children from school and 3 percent had to sell their house or land (Figure 5.7).

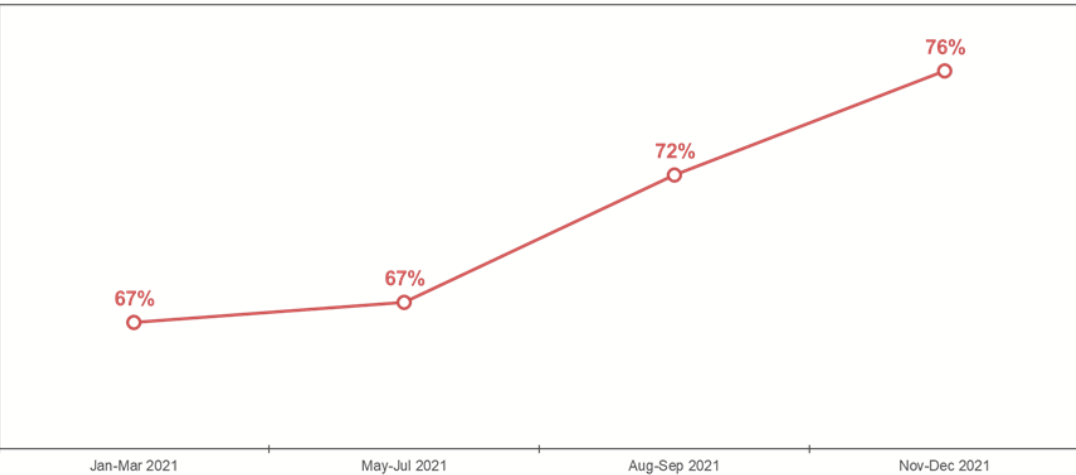
In all governorates in 2021, the share of households employing crisis or emergency livelihood strategies increased significantly and by December exceeded 70 percent in all regions ranging from 70 percent in Mount Lebanon to 85 percent in Baalbek.

Figure 5.5: Percentage of households facing severe food access constraints (rCSI>18)



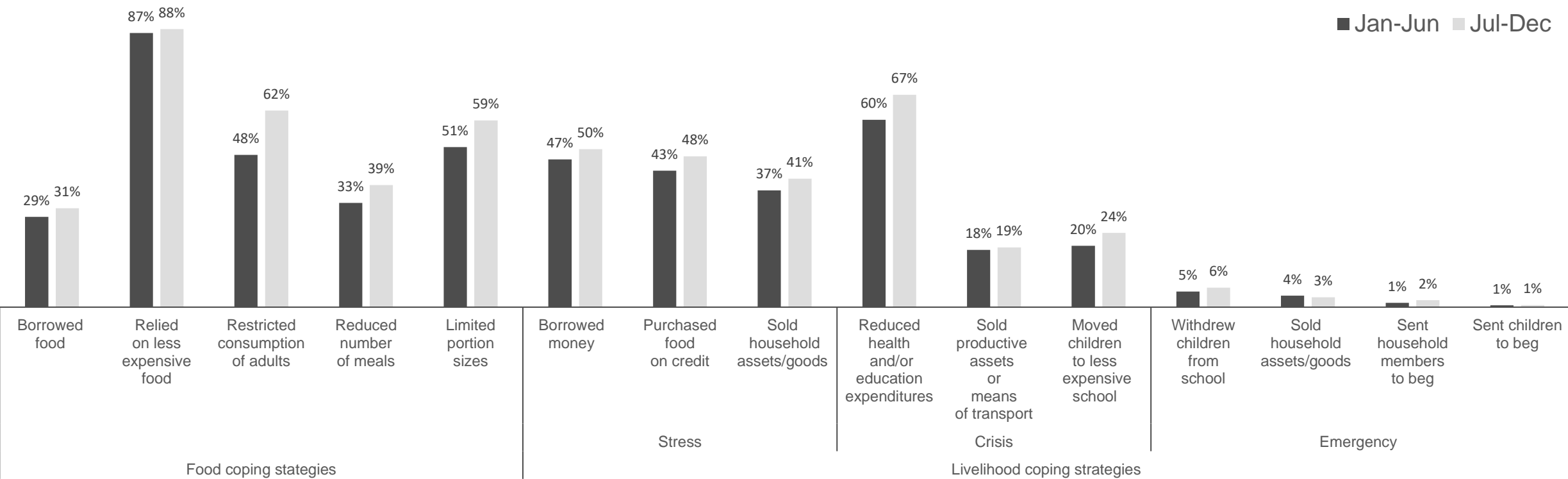
Source: WFP mVAM Survey June 2020-December 2021

Figure 5.6: Percentage of households employing crisis and emergency type livelihood coping strategies



Source: WFP mVAM Survey June 2020-December 2021

Figure 5.7: Percentage of households by type of coping strategy employed



Source: WFP mVAM Survey January-December 2021

Box 2: Coping Strategies

When households do not have enough food or lack resources to buy food they may have to adopt strategies and behaviours to manage food shortages. There are two types of coping strategies: food or livelihood based coping strategies.

Food Based Coping Strategies

Food coping strategies include the immediate change of food consumption patterns. These coping mechanisms were used to calculate the reduced Coping Strategy Index (rCSI). The rCSI helps, in a combined score, to understand both the frequency and the severity of the coping strategies used by the household. A higher rCSI indicates that

households adopted more strategies and more frequently to deal with the lack of or access to food in the past week.

Livelihood Coping Strategies

Livelihood strategies are coping behaviours that cause changes in income earning activities and affect the capacity of families to generate income in the future and to react to future shocks. Livelihood coping strategies are categorized as stress, crisis, or emergency strategies according to the severity of the strategy adopted.

5. Income and Employment

Households Main Income Source

Wage employment was the main income source among the population followed by temporary employment (freelancing) and daily labour. Remittances from abroad were the main income source for 3 percent of the Lebanese. Households primarily engaged in agriculture were 3 percent. Nearly 17 percent of the population reported to have received social assistance (Figure 5.8).

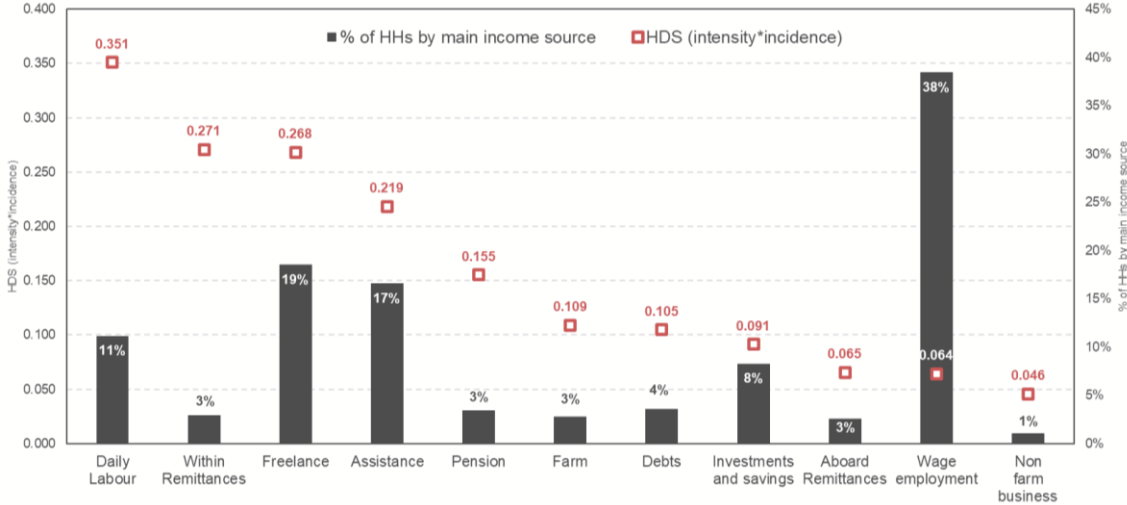
Highest poverty levels, in terms of the combined HDS that takes into account both the number of deprived families as well as the number of deprivations these families are facing, were found among daily labourers, temporary employees, and those receiving assistance or remittances from within the country. Wage employees, business owners, and families relying on investments, savings or receiving remittances from abroad were significantly less vulnerable in terms of combined HDS (Figure 5.8).

Wage employment rates were the highest in Mount Lebanon and Beirut at 48 and 44 percent respectively. Temporary employment (freelancing) ranged between 16 percent in Mount Lebanon and 26 percent in Akkar.

Families relying on daily labour exceeded 15 percent in Akkar, Baalbek El Hermel, El Nabatieh, and Bekaa. These regions had also the highest share of households engaged in agriculture (exceeding 5 percent). In Baalbek El Hermel, Akkar and Nabatieh, the number of families reporting to receive social assistance was above 20 percent.

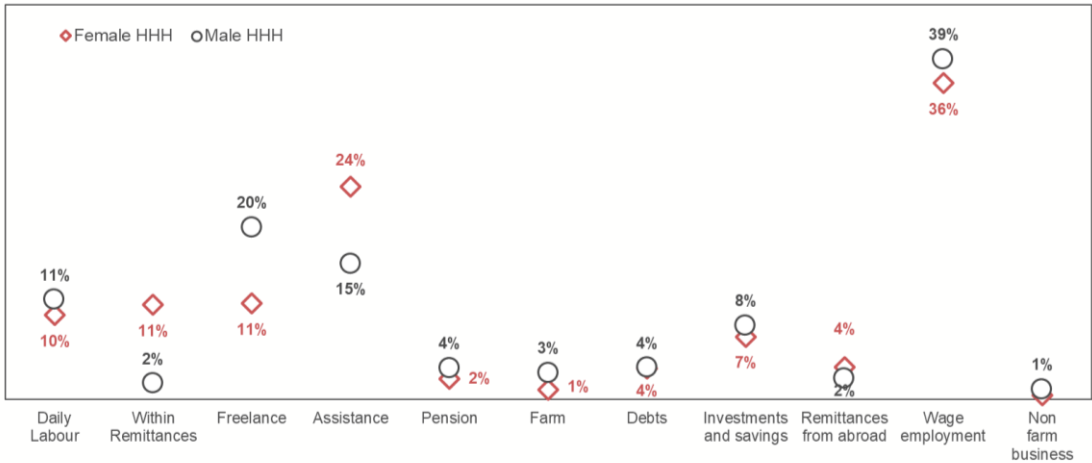
There were significant differences in the main income activity of households headed by women and by men. Households headed by women were more likely to receive remittances from abroad with respect to households headed by men (4 percent vs 2 percent) as well as remittances from within the country (11 percent vs 2 percent). Households headed by women were also more likely to receive social assistance (24 percent) with respect to households headed by men (15 percent). The share of wage employment was higher among households headed by men with respect to those headed by women (Figure 5.9).

Figure 5.8: Percentage of households by main income source and average combined HDS



Source: WFP mVAM Surveys June 2020-December 2021

Figure 5.9: Percentage of households by income source and sex of the household head



Source: WFP mVAM Surveys June 2020-December 2021

Employment

In December 2021, the employment rate increased by 7 percentage points (p.p.) from 44 to 51 percent since September when it reached its lowest level since June 2020 (Figure 5.9).

The employment rate increased more among men (+ 10 p.p. from 61 to 71 percent) than among women (+ 8 p.p. from 23 to 31 percent). The employment rate was also higher among respondents with tertiary education, reaching 58 percent, while for those with lower education (primary or secondary) it ranged between 45 and 49 percent.

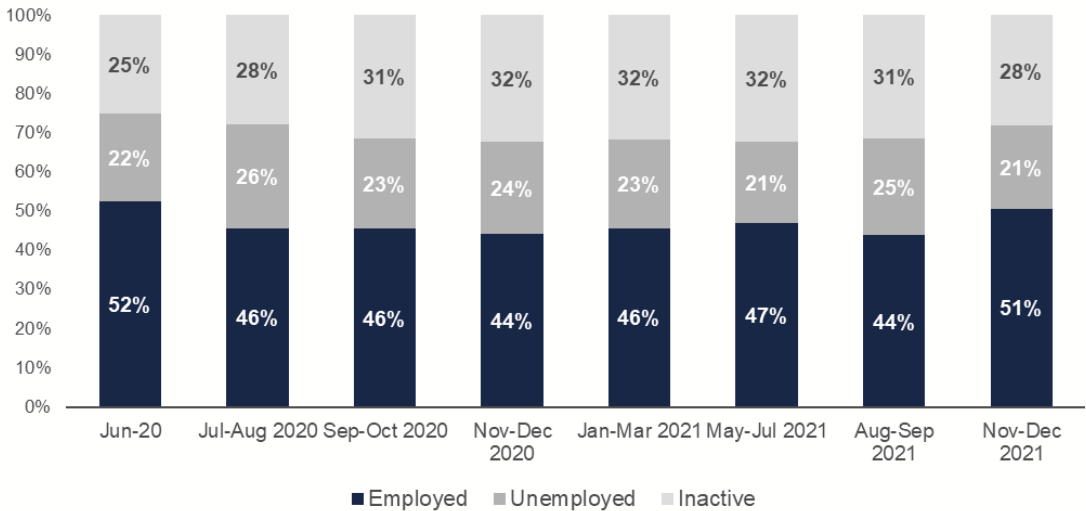
In December 2021, 21 percent of the working age population (between 18 and 64 years old) was unemployed and 28 percent was inactive. Nearly 75 percent of the inactive were women. Women also accounted for 50 percent of the unemployed population.

The unemployment rate, measured as the share of the unemployed on the labour force (the labour force includes employed and unemployed, but not the inactive), dropped by 6 p.p. in the last quarter of 2021, from the 36 percent registered in August/September to 30 percent.

In December 2021, the unemployment rate was 18 percent among men, down by 11 p.p. at its lowest since June 2020. Among women the unemployment rate stood at 43 percent, also down from the 52 percent in August/September. This value was in line with those recorded during previous rounds of data collection. The unemployment rate exceeded 30 percent among the workforce with primary and secondary education while it was the lowest among highly educated men (13 percent). For women aged 18 to 24 the unemployment rate was above 70 percent.

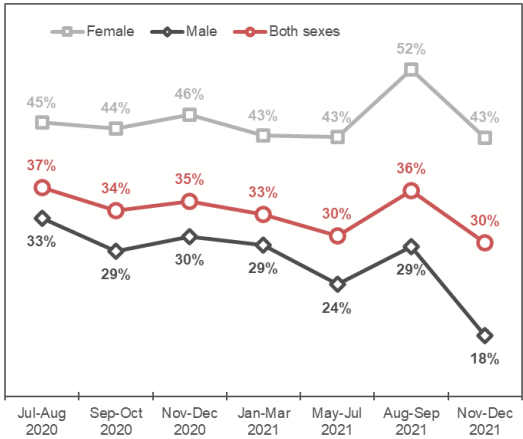
The purchasing power of the average wage declined dramatically in 2021. In December 2021, the average labour income covered only 24 percent of the SMEB, down from 93 percent in June 2020, 74 percent in December 2020 and 32 percent in September 2021. This share was even lower for female employees who were able to cover on average only 20 percent of the SMEB with their wage. Among those paid in LBPs, the percentage of respondents reporting wages above the SMEB dropped from 26 percent in June 2020 to 0.5 percent in November/December. Nearly 95 percent of the employees reported to receive their wage in LBPs.

Figure 5.9: Percentage of the working age population (18-64) by labour force status



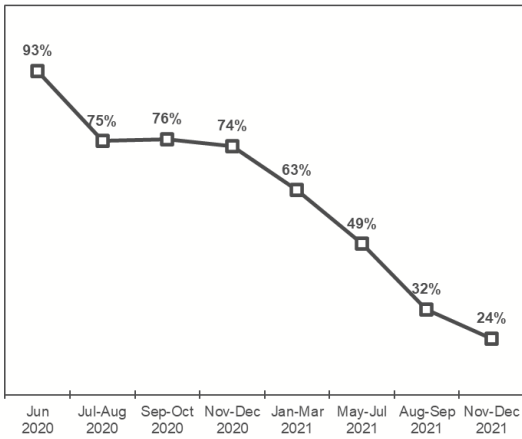
Source: WFP mVAM Survey June 2020-December 2021

Figure 5.10: Unemployment rate (18-64 years old) by sex of the respondent (Jun 2020-Dec 2021)



Source: WFP mVAM Survey June 2020-December 2021

Figure 5.11: Average monthly wage as a percentage of the SMEB (Jun 2020-Dec 2021)



6. The Profiles of the Food Insecure

The analysis of the characteristics associated with food insecurity is important to define the profiles of the food insecure for targeting.

Regression Model

A random effect (RE) panel data model is used, through both linear and logit regressions covering a 18 month period from June 2020 to December 2021. Two continuous dependent variables are used in the analysis: the reduced Coping Strategy Index (rCSI) and the Food Consumption Score (FCS); and three dichotomous variables taking the value of “1” if i) rCSI>18; ii) FCS<=42; iii) rCSI>18 or FCS>42; and “0” otherwise. A rCSI>18 indicate serious food access constraints while a FCS below 42 is associated to a poor diet. Regressions results are reported in Table 5.2.

Results

The presence of a household member with chronic illness or disability, temporary or substandard shelter, lack of access to health services or education, the presence of an unemployed household member or an unstable income were found highly associated with the probability of being food insecure. These variables had positive and statistically significant coefficients and were associated with the probability of not having an adequate diet or facing severe food access challenges. Linear regressions coefficients were positive for the rCSI

regression and negative on the FCS model and thus associated with more severe or frequent coping strategies and a worse dietary outcome with respect to households where these characteristics were not present.

Demographic factors such as a high dependency ratio, households headed by women, or a larger household size were also statistically significant, negatively impacting both food consumption and coping strategies and increasing the likelihood of food insecurity. These households face higher education or health expenditures or may not have enough working members that would enable them to meet essential needs. Similarly, households headed by women face more challenges in the labour market and higher unemployment rates with respect to men.

In terms of magnitude, the presence of an unemployed member had the most significant impact on both the household’s food consumption and coping mechanisms. On the other hand, having access to health insurance coverage was the factor reducing the likelihood of food insecurity the most. Health insurance is also a proxy for access to formal employment.

Table 5.2 Random effect (RE) panel data model results:. the effect of selected characteristics on food security – mVAM surveys, June 2020 December 2021

VARIABLES	(1) rCSI	(2) FCS	(3) rCSI>18	(4) FCS<=42	(5) rCSI>18 or FCS>42
High dependency ratio	1.764*** (0.232)	-1.799*** (0.323)	0.226*** (0.0487)	0.220*** (0.0516)	0.266*** (0.0515)
HH size	0.904*** (0.0513)	-0.410*** (0.0756)	0.169*** (0.0117)	0.0635*** (0.0112)	0.164*** (0.0125)
Age of the household head	0.473*** (0.0469)	-0.236*** (0.0704)	0.0842*** (0.0103)	0.0152 (0.0111)	0.0755*** (0.0107)
Female headed HH	1.074*** (0.319)	-4.422*** (0.469)	0.193*** (0.0691)	0.580*** (0.0739)	0.382*** (0.0731)
Low education of the household head	2.097*** (0.430)	-3.508*** (0.578)	0.543*** (0.0951)	0.377*** (0.0969)	0.641*** (0.101)
Chronic Illness or disability	2.114*** (0.231)	-3.206*** (0.322)	0.386*** (0.0484)	0.300*** (0.0523)	0.444*** (0.0509)
Substandard shelter	1.159** (0.551)	0.0929 (0.740)	0.325** (0.140)	0.213* (0.126)	0.353** (0.159)
Unemployed household member	4.168*** (0.243)	-4.394*** (0.330)	0.771*** (0.0524)	0.488*** (0.0529)	0.768*** (0.0555)
Remittances from abroad	-3.257*** (0.672)	6.101*** (0.902)	-0.510*** (0.150)	-0.833*** (0.190)	-0.697*** (0.154)
Daily labour	2.942*** (0.439)	-1.579*** (0.565)	0.678*** (0.101)	0.150 (0.0979)	0.675*** (0.109)
Debts	-1.237* (0.740)	2.073* (1.068)	-0.205 (0.165)	-0.361* (0.192)	-0.316* (0.174)
Wage employment (regular)	-0.812*** (0.313)	2.582*** (0.424)	-0.140** (0.0669)	-0.472*** (0.0751)	-0.240*** (0.0692)
Agriculture	-1.170* (0.667)	3.291*** (0.958)	-0.147 (0.144)	-0.294* (0.161)	-0.169 (0.151)
Freelance	1.140*** (0.412)	-1.283** (0.574)	0.326*** (0.0914)	0.107 (0.0945)	0.363*** (0.0969)
Own business (non farm)	-1.067 (0.718)	3.734*** (0.941)	-0.227 (0.157)	-0.789*** (0.200)	-0.349** (0.162)
Pensions	-1.574*** (0.604)	3.219*** (0.842)	-0.479*** (0.139)	-0.428*** (0.153)	-0.574*** (0.145)
Remittances from within Lebanon	1.895** (0.742)	-1.454 (1.036)	0.447*** (0.161)	0.269 (0.171)	0.606*** (0.173)
Investments/savings	-2.739*** (0.491)	3.431*** (0.708)	-0.617*** (0.111)	-0.411*** (0.125)	-0.559*** (0.113)
Received social assistance	2.644*** (0.326)	-2.412*** (0.434)	0.579*** (0.0711)	0.187** (0.0741)	0.543*** (0.0743)
Health insurance	-5.307*** (0.357)	7.673*** (0.502)	-0.932*** (0.0797)	-0.889*** (0.0906)	-0.604*** (0.0402)
Constant	3.338*** (1.182)	63.39*** (1.737)	-2.925*** (0.260)	-1.771*** (0.274)	-2.163*** (0.268)
Observations	19,887	19,887	19,887	19,887	19,887
Number of HHs	14,305	14,305	14,305	14,305	14,305

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Unstable income sources such as daily labour or freelancing increased the probability of being vulnerable. Since social assistance is targeting the vulnerable, it increased the probability as well of being food insecure. Remittances from abroad, continuous and stable source of income (employment wage), pension, investment, and savings decrease the probability of being vulnerable. Debt decreases the probability of being food insecure because households rely on debt to meet their short-term food security needs.

Interaction terms

Adding to the regression model terms that capture the interaction between factors affecting household's food security outcomes improves the understanding of how the household's food security is impacted by the simultaneous presence of these characteristics (Table 5.3).

The effect of the presence of a household member with disability or chronic illness was tested in the models together with a household headed by a woman, an unemployed member, high dependency ratio or low education of the household head. Another test was for a female head of household with low education, a high dependency ratio associated to a household headed by women or an unemployed member, as well as for a high dependency ratio together with an unemployed household member.

The corresponding coefficient estimates for the joint effects of the contributing factors of food security are derived as the sum of the coefficient estimates of the variables and the coefficient estimates on the interactions. These were tested to see whether these joint estimates are significantly different from zero (Kennedy 1998). Coefficient results and their statistical significance for the interactions terms are reported in Table 5.3.

Coefficient estimates are particularly large and statistically significant for all the interactions examined in the model showing a greater impact on the household's food security status in case of contemporary presence of two or more of the contributing factors described above. Negative impact on food insecurity were the largest for household headed by a woman with a member with disability or chronic disease or a high dependency ratio; low education of the household head; and a high dependency ratio. In addition, an unemployed household member associated to a female head of household, a disabled member, or a high dependency ratio significantly increased food insecurity likelihood.

Table 5.3 Random effect (RE) panel data model results: the effect of the interactions between selected characteristics on food security – mVAM surveys, June 2020 December 2021

VARIABLES	(1) rCSI	(2) FCS	(3) rCSI>18	(4) FCS<=42	(5) rCSI>18 or FCS>42
Disabled or chronically ill HH member	1.958 ***	-3.68 ***	0.296 ***	0.384 ***	0.370 ***
Unemployed HH member	4.173 ***	-5.71 ***	0.667 ***	0.652 ***	0.722 ***
Female HoH	0.204	-4.96 ***	0.032	0.690 ***	0.193
Low education of the HH head	2.809 ***	-5.88 ***	0.589 ***	0.641 ***	0.719 ***
High Dependency ratio	1.219 ***	-2.61 ***	0.061	0.364 ***	0.162 *
Interactions:					
Disabled or chronically ill*					
Female HoH	3.519 ***	-9.33 ***	0.593 ***	1.144 ***	0.902 ***
Disabled or chronically ill*					
Unemployed HH member	5.931 ***	-8.293 ***	1.02 ***	0.896 ***	1.111 ***
Disabled or chronically ill* High DR	3.624 ***	-5.979 ***	0.525 ***	0.688 ***	0.662 ***
Disabled or chronically ill* low education	4.207 ***	-8.169 ***	0.875 ***	0.825 ***	1.049 ***
Low education*Female HoH	3.519 *	-9.33 ***	0.593	1.144 ***	0.902 ***
Low education of HoH * unemployed	5.872 ***	-9.293 ***	1.206 ***	1.103 ***	1.401 ***
Low education*High DR	2.918 ***	-6.193 ***	0.600 ***	0.815 ***	0.841 ***
Unemployed female HoH and low education	6.036 ***	-19.91 ***	1.218 **	2.476 ***	1.234 *
Female HoH and unemployed HH member	4.983 ***	-9.118 ***	0.803 ***	1.152 ***	0.94 ***
Female HoH and high DR	1.153	-5.853 ***	0.063	0.714 ***	0.275
Unemployed member and high dependency ratio	6.325 ***	-8.126 ***	0.956 ***	0.956 ***	1.038 ***
Observations	19,887	19,887	19,887	19,887	19,887
Number of HHs	14,305	14,305	14,305	14,305	14,305

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

6. FOOD SYSTEMS

1. Domestic Food Supply

Lebanon imports most of its food supply. Based on 2018 FAO food balance sheets data, out of the 5.803 million metric tons (MT) of its domestic food supply, 3.193 million MT were imported for a value of USD 3.4 billion that year, corresponding to 55 percent of the domestic supply (Figure 6.1).

The country is almost entirely dependent on imports for cereals (nearly 83 percent of its consumption needs were imported in 2018) and it is entirely dependent on imports for pulses (beans, chickpeas etc.). Lebanon produces most of its dairy products, tubers, fresh vegetables, fruits, oils, meat, fish, and eggs. For these commodities imports represented less than 50 percent of the domestic supply in 2018. The cereal import requirements were forecasted by FAO as about 1.5 million MT in 2018.

The economic crisis and subsequent currency depreciation have put a strain on the country's capacity to secure hard currency to pay for its imports. The COVID-19 pandemic and the blast at the port of Beirut also significantly affected the country's import capacity.

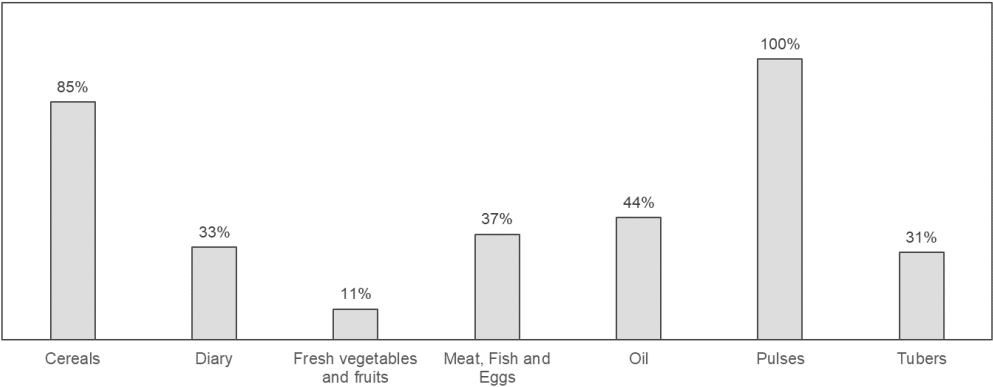
In 2021, based on customs data, Lebanon total imports volume in MT decreased by 9 percent compared to 2020 and 38 percent compared to 2019. In the same year, total food imports volume in MT decreased by 12 percent compared to 2020 and 14 percent compared to 2019. However, if excluding cereals, which includes wheat that continues to benefit from the subsidization scheme at the official exchange rate, food imports would have dropped by 19 percent in 2021 versus 2020, and 30 percent versus 2019.

Based on the latest available data from the Port of Beirut, food imports decreased by 13 percent when comparing the first four months of 2022 to the same period in 2021, 27 percent to 2020, and 31 percent to 2019. The decrease in those four months in 2022, when compared to 2021, was mainly led by a drop in the imports of live animals (43 percent decrease), animal or vegetable fats (38 percent), and cereals (16 percent).

The damage to Lebanon's central grain reserve in the Beirut port blast added additional constraints on the process of importing grains. As only the millers have grain storage capacity, new shipments of wheat had to rely on smaller boats with limited capacity ranging between 5,000 and 15,000 Mt. These shipments are more expensive compared to larger shipments. In addition, while the unloading of shipments used to take one day, with the current port capacity this process can be only be completed in several days (up to four days).

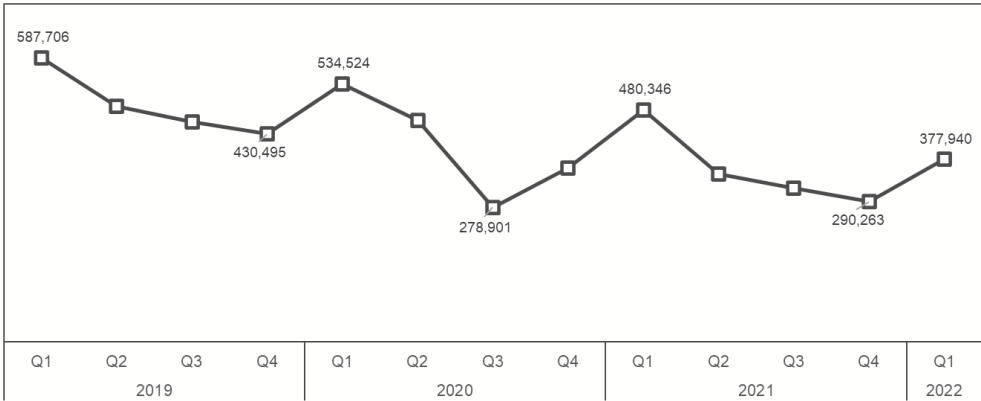
Frequent strikes of public employees have been an additional constraint for the food supply chain. Strikes have further delayed the quality control process of new shipments. Delays in quality control affected all food imports beyond cereals, as recently announced by the syndicate of food importers, who raised concerns on the accumulation of food containers in the port courtyard awaiting testing before entering the country.

Figure 6.1: Percentage of imports on total domestic food supply by food group (2014-2018)



Source: FAO Food Balance Sheet (2014-2018)

Figure 6.2: Port of Beirut unloaded food weight (metric tons) – January 2019 – April 2022



Source: Port of Beirut Statistics – January 2019 till April 2022, as of May 27th, 2022

2. Impact of the Ukraine Crisis

The Impact of the Ukraine Crisis on Global Markets

Since the start of the conflict in Ukraine at the end of February 2022, concerns around global supply and availability of key agricultural products have been growing. Put together, the Russian Federation and Ukraine supplied more than 25 percent of global wheat exports, the availability of which has been affected by the conflict, destruction of fields, blockade of exporting ports, and indirect effects of sanctions. Both countries also rank amongst the top three global exporters of grains used to feed animals, such as maize and barley, and are the top producers of sunflower seeds, covering alone around 11.5 percent of the vegetable oil market. Put together, they are providing nearly an eighth of the calories traded worldwide (The Economist, 2022).

According to the UN's Food and Agriculture Organisation (FAO), nearly 50 countries depend on either Russia or Ukraine for over one third of their wheat imports. In the case of Lebanon, this figure increases to 85 percent, based on the latest customs data from 2021.

In addition, responses by worried governments around the globe could further worsen the situation. Since the start of the conflict, 26 countries have imposed different forms of restriction on food exports, covering 15 percent of globally traded calories. India, who initially allowed the export of wheat, reversed course in mid-May and imposed a ban, pushing wheat prices further.

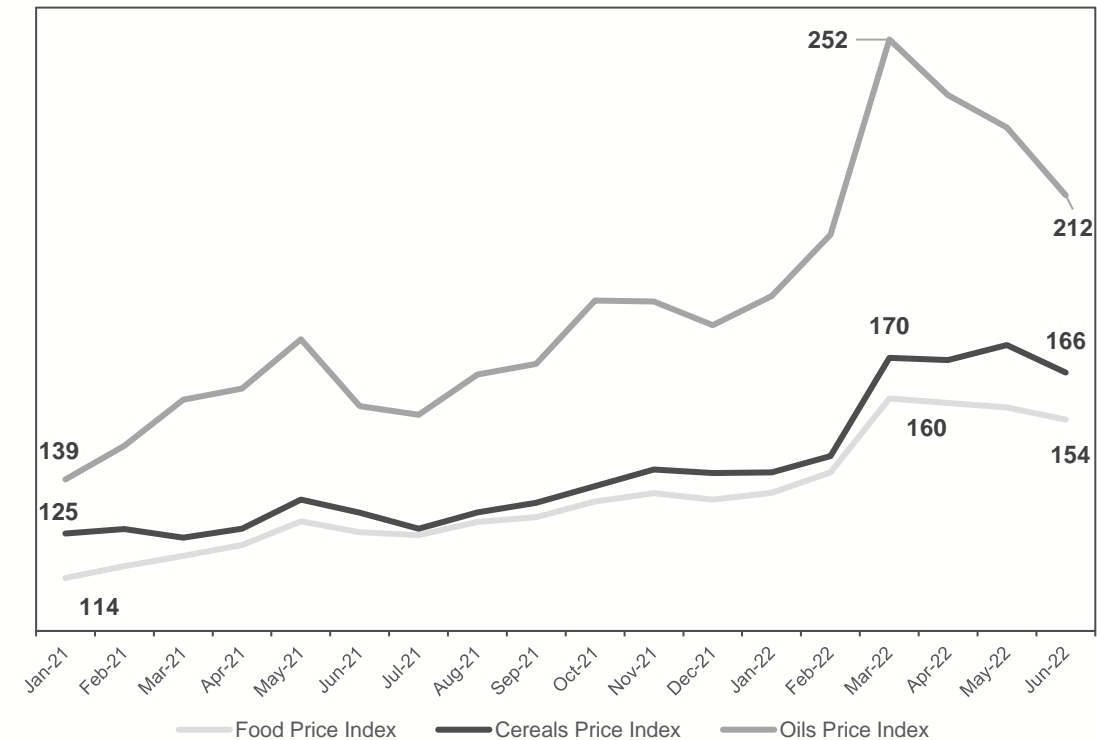
The effect of the conflict is also affecting the supply of agricultural inputs. With Russia being amongst the top exporters of gas, oil, and different types of fertilisers (nitrogen-based, potash, and phosphates), prices have risen considerably since the start of the crises.

In addition, cost of key food commodities on the international market has been rising throughout the past period. The FAO price index reached an all time high in March 2022 following the invasion of Ukraine. Similar all time highs were registered for the FAO Cereal Price Index and Vegetable Oil Price Index. Since April and over the next two months, the index declined slightly, driven by increased seasonal outputs of key staples. However in June 2022 it remained 23 percent higher than a year ago.

Impact on Lebanon

The impact of the crisis on Lebanon's food supply so far have been mostly moderate. While the country imported 85 percent of its wheat from both Ukraine and Russia in 2021 (based on customs data), other sources for imports currently exist, despite at higher costs and longer lead times. In addition, while suppliers initially limited delivery of certain commodities that Lebanon was importing from Ukraine and Russia or that were impacted by export bans such as wheat flour, sunflower oil, and sugar, markets were able to adjust and the supply of these commodities returned to normal starting April 2022 (see section 6.5).

Figure 6.3: Evolution of FAO Price Index (food, cereals and oils) - January 2021 - June 2022



Source: FAOSTAT, July 2022

Increasing international energy and food prices, however, had a considerable impact on Lebanon. The cost of the food SMEB rose by 18 percent between February 14 (before the start of the conflict) and the end of March 2022. Gasoline, priced at the Sayrafa platform rate (stable if compared to the informal rate) as of June 2022, rose by 88 percent between the beginning of March and June 2022.

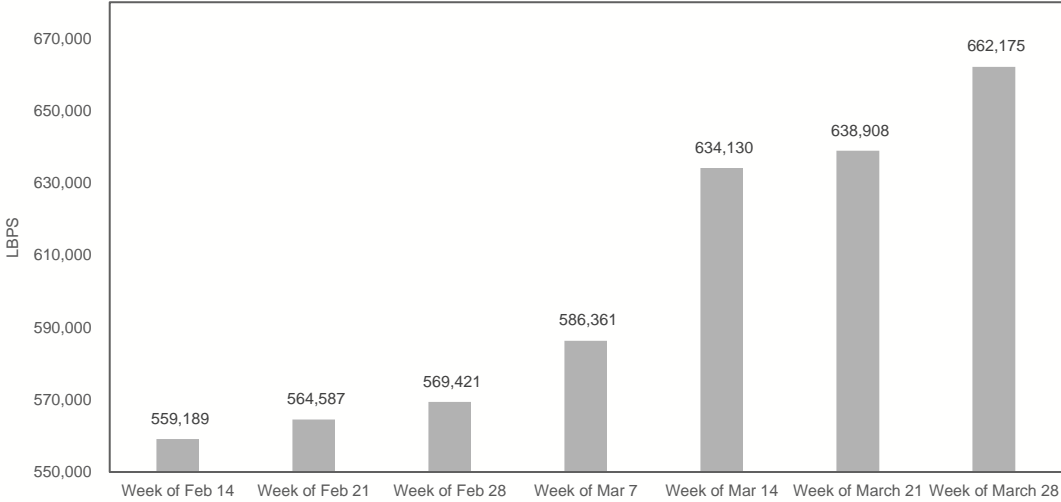
In May 2022, the Lebanese Government signed an agreement with the World Bank for a USD 150 million loan that would cover wheat requirements for the next five to six months (estimated purchase of up to 250,000 MT of wheat). This coverage is now expected to extend up to nine months, as announced by the Minister of Economy, due to the drop in international wheat prices and the restriction of the subsidy to the production of the Lebanese Pita bread only.

The drop in international wheat prices in July 2022 to pre Ukraine crisis levels came as a result of several conditions, including the signing of the Ukraine – Russia deal for the export of the grains blocked in Ukraine since the start of the conflict. It also came as a result of seasonal availability from new harvests in the northern hemisphere, as well as improved crop conditions in some major producing countries (FAO 2022).

The loan was approved by the government before turning into caretaker function. It was then approved by the Parliamentary Foreign Relations Committee and Finance and Budget Committees on 14 July 2022 and approved by the Parliament General Assembly in its meeting on 26 July. New amendments were introduced subsequently to the agreement and approved by the relevant parliament committees, however this still requires the full approval of the Parliament. Following this, the Ministry of Economy and Trade expects the disbursement to start within one month.

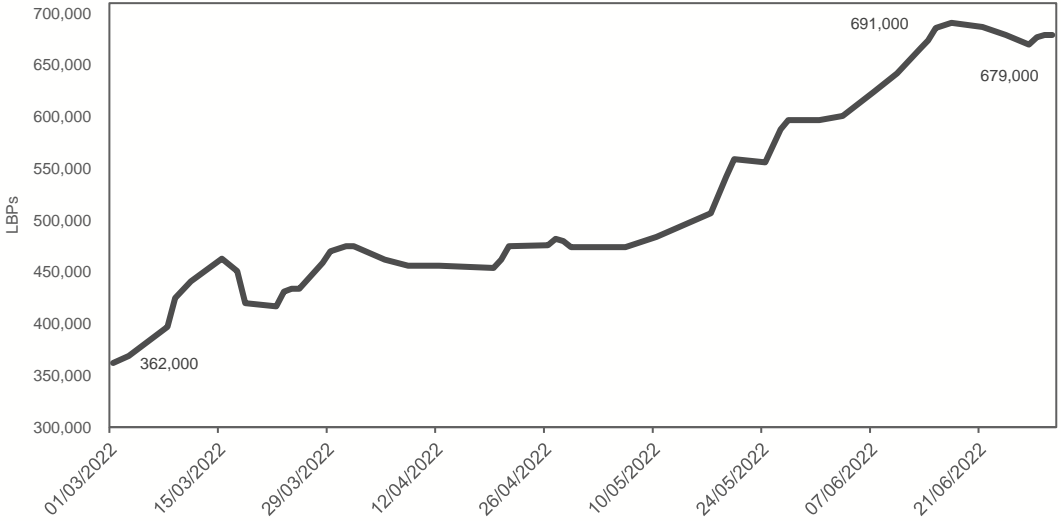
Meanwhile, bread shortages were increasingly reported during June and July 2022. The government in its last meeting in May 2022 approved to provide USD 12.5 million to continue the bread subsidy until the loan is approved. However, parallel markets for bread still emerged across the country, with media outlets reporting the price reaching up to LBP 30,000 to LBP 35,000 per package in certain cases.

Figure 6.4: Weekly evolution of the Food SMEB (LBPs) - Feb 14-March 28 2022



Source: WFP Market Monitor – July 2022

Figure 6.3: Price of a gasoline 95 tank (20lt) (LBPs) - March-June 2022



Source: WFP Market Monitor – July 2022

3. Wheat Subsidies

Wheat remains the only commodity subsidized at the official rate of LBP 1,500/USD. Estimated monthly needs of Lebanon are around 50,000 MT while the local production covers around 100,000 MT annually.

The subsidization scheme cost the Central Bank around USD 12 million per month in 2020. This cost increased to USD 20 million per month in 2021, a result of the ongoing global food inflation. The commercial sector is the sole importer of wheat in Lebanon. Importers deposit money (in LBP) at commercial banks to buy wheat from abroad and the Central Bank converts them to USD at the rate of LBP 1,500/USD.

A possible phase-out of the subsidy could potentially increase the cost of the different bread packages in the market by more than 60 percent (see Table 6.1).

Despite the subsidy, several revisions of both the price and weight of the bread package took place starting June 2020 onwards. The price of the bread package was revised several times in 2021 due to the removal of subsidies on inputs previously covered by the scheme such as sugar, yeast, and fuel. This was mainly due to the

increasing cost of combustible fuel used in the production of the bread package, as the fuel subsidy was gradually lifted.

There has been a brief period of stability in the cost of the bread at the beginning of 2022 and following the stabilization in the exchange rate. The situation has reversed since the end of February 2022, following the start of the Ukraine conflict and increasing costs of wheat and fuel on the international market. The latest episode of exchange rate depreciation in May 2022, along with further increasing international costs, led to more revisions of the price for the different packages. The price of the large package was raised to LBP 16,000 at one point before reversing back to LBP 14,000 at the end of May 2022, following the drop in the informal market rate.

Based on WFP calculations, should there be a removal of the subsidy on wheat and assuming that all other production factors remain constant, it could lead to an up to 10 percent direct increase in the cost of the food SMEB.

Table 6.1: Simulated cost of bread after removal of subsidy

Bread Package	Current Cost	Weight
Small Package	LBP 9,000	370 grams
Large Package	LBP 14,000	775 grams

Bread Package	Simulated Cost (after subsidy)	Percentage Increase in Price
Small Package	LBP 14,000	56%
Large Package	LBP 24,000	71%

Note: The above bread price scenario assumed that the production of 1KG of bread requires nearly 700 grams of wheat flour, meaning approximately 1 kg of wheat. The scenario assumes that the increase in wheat price is the only factor contributing to the increase in price of bread and that all other factors are fixed. The scenario uses international wheat prices of US international Wheat (US No 2, Har Red Winter) as of August 29, 2022. The scenarios assumed an exchange rate of LBP 32,000/USD.

4. Supply Chain

Results from the monthly assessments conducted by WFP among the network of more than 450 contracted shops provide an additional layer of information on the market stock evolution.

Despite the growing operational challenges faced by both retailers and suppliers, stock coverage remained relatively stable across the second half of 2021 and first quarter of 2022. By the end of February 2022, 81 percent of retailers reported having more than two weeks of stock coverage, similar to what was reported at the beginning of June 2021. In March 2022, a slight drop to 78 percent was registered, a result of the effects of the Ukraine conflict on markets. As markets adjusted, this was reversed back to 82 percent by end of April 2022 and 79 percent in May 2022.

Although stock coverage remained stable, this does not reflect the decreasing diversity in products offered across the country. Suppliers since the start of the crisis have been discontinuing the import of products priced at the informal market rate due to the decreasing purchasing power of consumers. Currently, stock availability is mainly tied to the availability of basic commodities such as rice, pasta, and oil, although brand diversity has decreased for those as well.

The electricity crisis had a direct impact on food safety, as refrigeration and safe storage of products became a challenge. By May 2022, 48 percent of contracted retailers reported facing a complete blackout (both from public and private sources), with 28 percent of

them facing more than ten hours of power outage per day as private electricity suppliers limited their output mainly due to increasing cost of diesel in the markets.

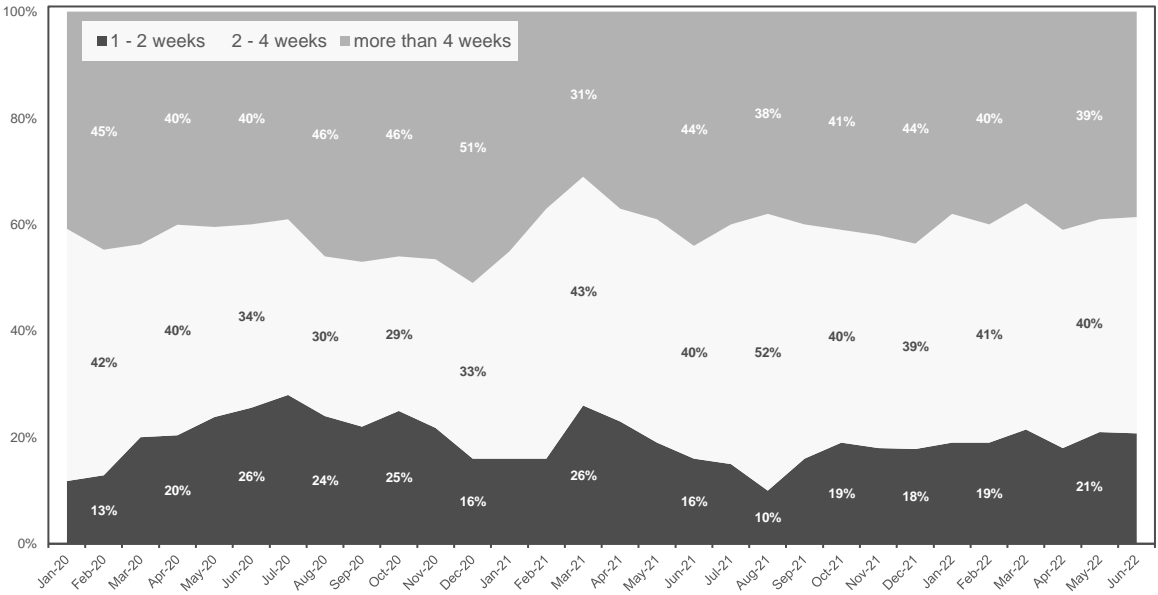
Twenty seven percent of shops facing full outages reported facing issues with the availability of chilled and frozen items by May 2022. However, this was a decrease from the 58 percent at the end of 2021.

Despite these challenges, 96 percent of shops facing full electricity outages at times managed to find an alternative solution to continue operating, including having their own generator with a contingency stock of diesel, installing a battery system, or installing solar panels.

While the fuel crisis during the summer of 2021 put additional pressures on an already challenging operating environment, the responsiveness of the supply chain remained nearly stable throughout the second half of 2021 and first two months of 2022.

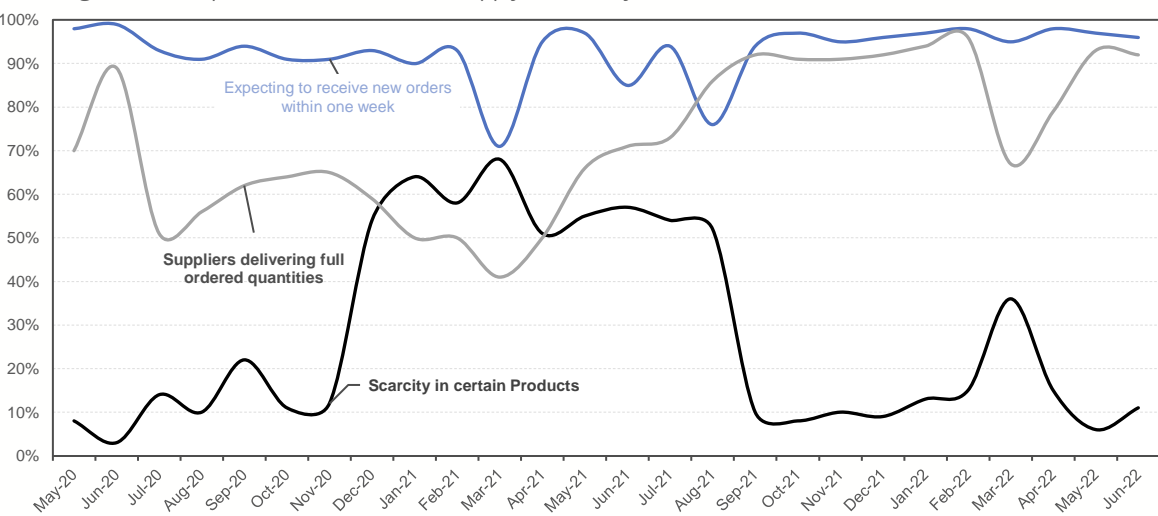
Eighty four percent of retailers were confident in receiving new orders within one week in August 2021, a drop from the 94 percent registered in July, as the fuel crisis intensified. This returned to 94 percent in September, and has remained above 90 percent in the next few months until June 2022. In parallel, while the percentage of shops reporting disruption in receiving new products peaked at 37 percent in August 2021, it decreased back to only four percent by the end of the third quarter of 2021, and remained below the 10 percent level until February 2022.

Figure 6.6: Stock Coverage of WFP Contracted Shops (Jan 2020- June 2022)



Source: WFP Market Monitor – July 2022

Figure 6.6: Responsiveness of the food supply chain (May 2020- June 2022)



Supply chain efficiency improvements in September 2021 were a direct result of the developments in the political scene. Following the formation of a new government in September, a strengthening of the LBP was registered for a short period. In addition, the Central Bank released funds for the import of combustible fuel (gasoline, cooking gas, and diesel), which combined with the additional decrease on the subsidization rate, led to fuel shortages substantially easing by the end of the month. This in turn led to suppliers resuming delivery of products more regularly to the markets, further improving the responsiveness of the supply chains systems.

Scarcity in key products reported by shops witnessed in turn a substantial improvement by the end of the third quarter of 2021, as the transportation crisis eased. While 50 to 60 percent of retailers were reporting scarcity in certain key products since April 2021, this dropped to only 10 percent by September 2021 as receipt of new orders accelerated, and remained around those until February 2022. In parallel, suppliers delivering full ordered quantities to shops increased to 92 percent (up from 71 percent at the beginning of second half of 2021) and reached 96 percent by February 2022.

In March 2022, as a result of the ongoing Ukraine conflict, 36 percent of shops reported scarcity in certain key products (mainly sunflower oil, sugar and wheat flour), while 33 percent reported disruptions in receiving new orders. In addition, 67 percent of the shops reported receiving the full ordered quantity, a substantial drop from the previous month.

In April 2022, the situation started to return to normal as the market adjusted to the new realities. Only 15 percent of shops reported scarcity in certain products, with six percent reporting disruptions in receiving new products, and 79 percent reporting receiving the full ordered quantity. In May 2022, the situation continued to improve, with four percent of shops reporting disruptions in receiving new products, another six percent reporting scarcity in key products, and 93 percent reporting receiving full ordered quantities, all near pre-March 2022 levels. In June 2022, 11 percent of shops reported scarcity in certain products, a five percentage points from the previous month, as more shops reported not having bread, a direct repercussion of the ongoing wheat crisis in the country. Other key indicators remained stable in June 2022, with only three percent reporting disruptions in receiving new orders, and 92 percent receiving full ordered quantities.

Box 3: The Subsidy System in Lebanon

In September 2019, Banque du Liban, the country's central bank, introduced a system of subsidies for the import of fuel, wheat, and medicines at the country's pegged currency rate of LBP 1,507 to the US dollar.

In Circular 530, the Central Bank outlined the details of the subsidies system which included providing 90 percent of the required amount for the import of combustible fuel (gasoline, diesel, and cooking gas) at the official rate. It also included providing 85 percent of the required amount at the official rate for the import of wheat, medicine, infant milk, and medical equipment.

The mechanism was further expanded in May 2020 with the introduction of a subsidized food basket of around 30 items at the rate of LBP 3,900/USD. That basket was expanded at the beginning of July 2020 to 300 items, including food commodities, agricultural inputs, and industrial raw material/components.

The basket remained in place until November 2020 when the basket was reduced to less than 200 items. The subsidized basket was further revised in March 2021, when the number of subsidized items was reduced to less than 100.

A de facto removal of subsidies started around mid-May 2021 when the Central Bank, as part of its rationing strategy, established that all subsidized imports had to be pre-approved by the Bank, putting on hold most of the subsidization mechanisms. Starting in June 2021, essential subsidized commodities such as fuel, medicine, and infant milk became increasingly scarce. Shortages were also affected by the smuggling abroad, price gouging, and the hoarding of subsidized goods.

Currently, the main remaining subsidy is for the wheat used for local bread production, as well as on a number of medicines on which different subsidization percentages are applied. In addition, the Central Bank currently continues providing USD for the imports of gasoline only at the Sayrafa platform rate, which was trading at 7 percent less than the informal market rate by the end of March 2022.

5. Agricultural Sector

The contribution of the agriculture, forestry, and fishing sectors to the country's economy has been declining since the end of the civil war, reaching three percent in 2019 and further decreasing to 2.5 percent in 2020 according to the World Bank estimates.

A WFP study on the impact of climate change on livelihoods and agriculture in Lebanon showed that agricultural areas cover around 65 percent of the Lebanese land, equivalent to 6,800 km², giving it the highest proportion of agricultural land amongst neighbouring countries. Yet Lebanon's cultivated agricultural area amounts to approximately 2,750 km² only, making up 27.5 percent of the total Lebanese land area, out of which half is irrigated. The Bekaa and Baalbek-Hermel areas contain 47 percent of the agricultural lands, followed by 25 percent in North Lebanon and Akkar, 19 percent in South-Lebanon and Nabatiyeh, with Mount Lebanon containing only 9 percent.

The same study showed that the agricultural sector is particularly vulnerable to disasters and risks resulting from climate change, which often lead to reduced crop yields, agricultural productivity, and economic performance. The main climate change risks are gradual increases in temperature, decreases in yearly rainfall, and an increase in the occurrence of droughts and floods – all of which have already caused considerable damage to the environment and agricultural lands. Additionally, as the onset and duration of rainfall has become increasingly unpredictable, farmers have found difficulty adapting to the variations in rainy and cold seasons, which have disturbed the seasonal calendars of crops and harmed

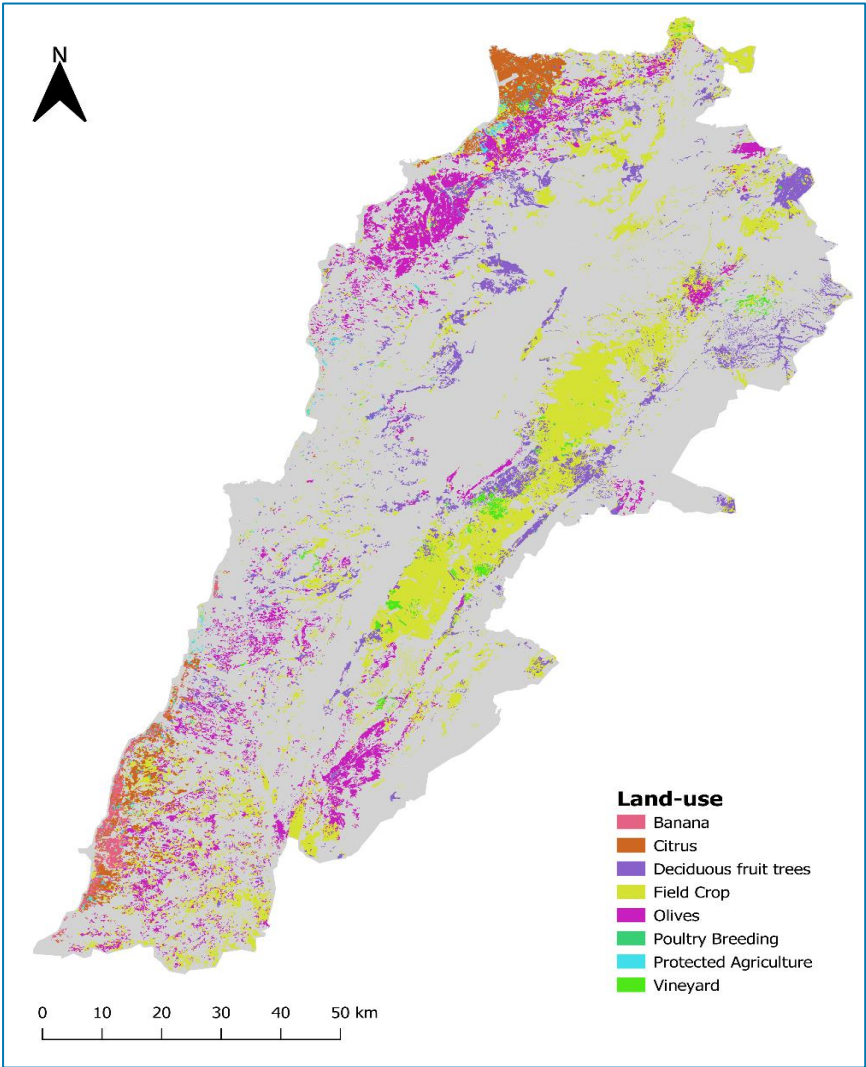
production. Environmental and biological hazards, such as plant pests and livestock diseases, further weaken the agriculture sector and can considerably affect farmers' foreign currency incomes by triggering export restrictions.

The tight monetary policy implemented by the Central Bank since October 2019 translated in higher agriculture production costs and costlier access to financial facilities for farmers. The private sector, the traditional provider of agricultural credit to farmers, has been unable to continue this task due to a lack of credit facilities by the banks. The lack of credit to farmers hindered their ability to purchase fresh inputs, as they have to secure cash at face value in USD or in LBP using the unofficial exchange rate. This is especially exacerbated by the fact that most of the farmers production costs are in US dollars, while their revenues are in Lebanese pounds.

The agricultural sector was also impacted by a ban on Lebanese produce imports imposed since April 2021 by the Kingdom of Saudi Arabia, cutting the export routes to other Gulf countries. Statistics from the Lebanese Customs website estimate that the Gulf countries accounted for around 40 percent of Lebanon's agricultural export market.

A recent report in October 2021 by the Lebanese Centre for Research and Agriculture Studies (CREAL) found that the value of vegetable and fruits agriculture crop production was around USD 737 millions in 2020, a 33 percent decrease compared to the 2019 value of USD 1.1 billion. Value of animal products (which includes meat and milk) decreased by 14 percent between 2019 and 2020, reaching USD 696 million.

Map 6.1 Land-use map of Lebanon highlighting agricultural divisions and classifications



Source: Prepared by the Issam Fares Institute for Public Policy and International Affairs, American University of Beirut (AUB) for WFP

7. PRICES AND MARKETS

1. The Survival Minimum Expenditure Basket (SMEB)

In 2021 and early 2022, the cost of living continued to increase, impacted by the plummeting exchange rate, the effects of the removal of subsidies, and rising international prices.

The value of the Survival Minimum Expenditure Basket (SMEB), the absolute minimum amount required to cover lifesaving needs, increased by over six times since the start of the crisis, from nearly LBP 1.01 million in October 2019 to LBP 7.4 million in June 2022 per month for a family of five.

As of June 2022, the food costs were 57 percent of the SMEB value, more than doubling since the beginning of the crisis when food was 26 percent of the SMEB value and the cost for services was 66 percent of the SMEB.

The cost of the food component of the SMEB, which consists of basic food items providing 2,100 kilocalories per day for a month, reached LBP 843,000 per month per person (and more than LBP 4.2 million for a family of five) in June 2022, a 1,484 percent increase since October 2019.

The non-food component of the SMEB consisting of essential non-food items and services (hygiene products, rent, cooking fuel, etc.) went from LBP 0.75 million in October 2019 to LBP 3.2 million in June 2022, increasing by 322 percent.

The value of the SMEB in USD at the prevailing informal exchange rate also increased in recent months, but remained significantly lower than pre-crisis levels. After dropping from USD 619 in October

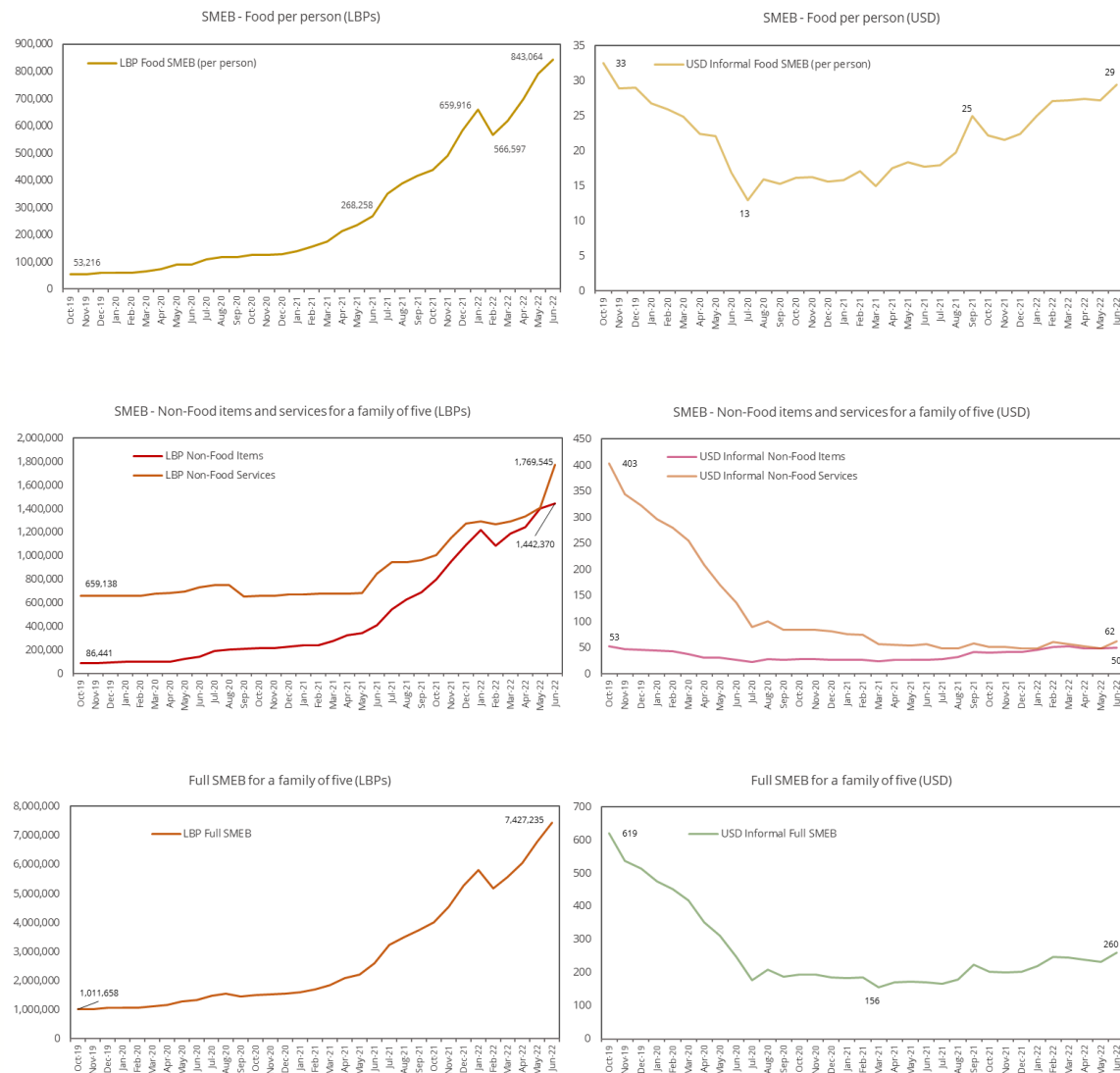
2019 to USD 156 in March 2021, a result of the different subsidization mechanisms in place, the SMEB rose again, reaching USD 260 in June 2022 as subsidies were being removed.

The value of the food component of the SMEB in USD declined from USD 32.6 in October 2019 to a minimum USD 14.9 per person per month in March 2021 and then rose again in the following months reaching a maximum of USD 29 by June 2022.

The non-food SMEB shrank from USD 456 in October 2019 to a low of USD 76 in July 2021, before rising back up to USD 112 in June 2022. The cost of services plummeted from 403 USD in October 2019 to only USD 48 in August 2021, before increasing back up to USD 62 by June 2022. In parallel, the cost of the non-food items reached a minimum of USD 23.6 in March 2021 and rose back to USD 50 by June 2022.

Since the beginning of 2022, the cost of the different components of the SMEB has been fluctuating. In LBP terms, a decrease was initially registered in February for both the food and non-food baskets, a result of the drop in the informal market rate following Circular 161 intervention. However, from March 2022 onwards the cost of the SMEB increased again with the increasing international cost of commodities and energy inputs, along with the resumed rate depreciation. In USD terms, the cost of all basket components increased, a direct reflection of the increasing international prices, as well as traders not decreasing their prices in the same proportion as the two large drops in the informal market rate both in January and end of May 2022.

Figure 7.1 Evolution of the Survival Minimum Expenditure Basket



Source: WFP Weekly Market Monitor

Price of SMEB Commodities

Among the commodities that are part of the food SMEB, between January and June 2022, price variations ranged between a small decrease of 8 percent in the case of eggs, and a 338 percent increase in the case of cabbage. Items that witnessed a decrease were most likely affected by the drop in the informal market rate that happened at the beginning of the year which lead to an initial decrease in prices, despite at a much lower percentage than the actual decrease in the rate.

Year on year price increases ranged between 1,072 percent for powder milk and 1,350 percent for cabbage, when comparing June 2022 to June 2021. Among staples, pasta (+574 percent), bread (+412 percent), and brown bulgur (+158) had the most significant increases over a year, while the price of rice and potatoes both rose by 22 percent. The cost of pulses as chickpeas, white beans, and lentils increased by 218, 106, and 50 percent respectively.

Powder milk (0.6KG) recorded the highest prices amongst the SMEB commodities at LPB 110,790. Sunflower oil recorded the highest increase since October 2019 (up 4,050 percent), followed by white sugar (up 2,868 percent) and powder milk (up 2,274 percent).

Among the non-food items basket commodities, toothbrush saw a small decrease when comparing prices in June 2022 to the beginning of 2022. This was affected by the drop in the informal market rate that was registered following the Central Bank Circular 161 intervention.

Cooking gas on its part registered the second highest increase since the start of 2022 (up 18 percent), however the highest one over the past year (up 640 percent) and since October 2019 (up 2,628 percent), a result of the removal of subsidies. Toilet paper registered the highest increase since the start of the year (up 45 percent) and on a yearly basis (up 320 percent).

Table 7.1 Price and percentage variation of SMEB commodities (June 2022)

SMEB Components		Price		Percentage Variation		
		Jun-22	Jan-22	Jun-21	Oct-19	
Food SMEB Components (SMEB per Individual Weights)	Apples (1.5Kg)	LBP 27,000	21%	200%	1250%	
	Bread (7.02KG)	LBP 107,462	61%	412%	921%	
	Brown Bulgur (1.95KG)	LBP 54,239	38%	158%	1610%	
	Cabbage (2.7KG)	LBP 48,951	338%	1350%	1512%	
	Carrots (0.6KG)	LBP 10,878	55%	340%	1258%	
	Chickpeas (0.9KG)	LBP 41,329	12%	218%	1348%	
	Eggs (0.45KG)	LBP 20,603	-2%	196%	1592%	
	Lentils (0.75KG)	LBP 36,062	12%	50%	1943%	
	Pasta (1.8KG)	LBP 78,548	28%	574%	1280%	
	Potatoes (2.1KG)	LBP 26,420	-8%	22%	1158%	
	Powder Milk (0.6KG)	LBP 110,790	13%	1072%	2274%	
	Egyptian Rice (2.4KG)	LBP 64,190	18%	31%	1642%	
	Salt (0.12KG)	LBP 690	17%	187%	819%	
	Sardine (0.45KG)	LBP 77,803	12%	226%	1827%	
	Sugar (0.6KG)	LBP 16,250	28%	182%	2868%	
	Sunflower Oil (0.51L)	LBP 41,569	54%	222%	4050%	
	Tea (0.12KG)	LBP 34,773	16%	131%	1692%	
	Tomato Paste(0.6KG)	LBP 31,077	14%	190%	895%	
	White Beans (0.3KG)	LBP 14,429	3%	106%	1388%	
Non-Food Items Components (per family)	Toilet Paper (4 PCS)	LBP 19,605	45%	320%	1593%	
	Toothbrush (5PC changed every 3 month)	LBP 19,617	-15%	96%	867%	
	Toothpaste (150ML)	LBP 62,052	20%	151%	1028%	
	Laundry soap/detergent (900G)	LBP 36,966	23%	187%	1475%	
	Liquid Dishes detergent (750 ML)	LBP 23,221	18%	153%	1588%	
	Sanitary napkins (60 PCS)	LBP 174,876	11%	178%	1261%	
	Individual soap (5 PCS of 125G)	LBP 73,815	19%	136%	1242%	
	Shampoo (500ML)	LBP 85,526	19%	149%	1342%	
	Diapers (90PCS)	LBP 395,993	26%	220%	1609%	
	Disinfectant fluid/Bleach	LBP 17,343	22%	189%	2042%	
	Blanket (5 PCS per Year)	LBP 78,656	8%	190%	1797%	
	Cooking gas (12.73KG)	LBP 455,007	18%	640%	2628%	

2. Currency Depreciation and Exchange Rate Fluctuations

As Lebanon relies on imports for most of its food and non-food needs, the exchange rate has a considerable impact on prices. A higher exchange rate means more expensive imports, which results in more expensive goods, further eroding the purchasing power of families and their capacity to meet basic needs.

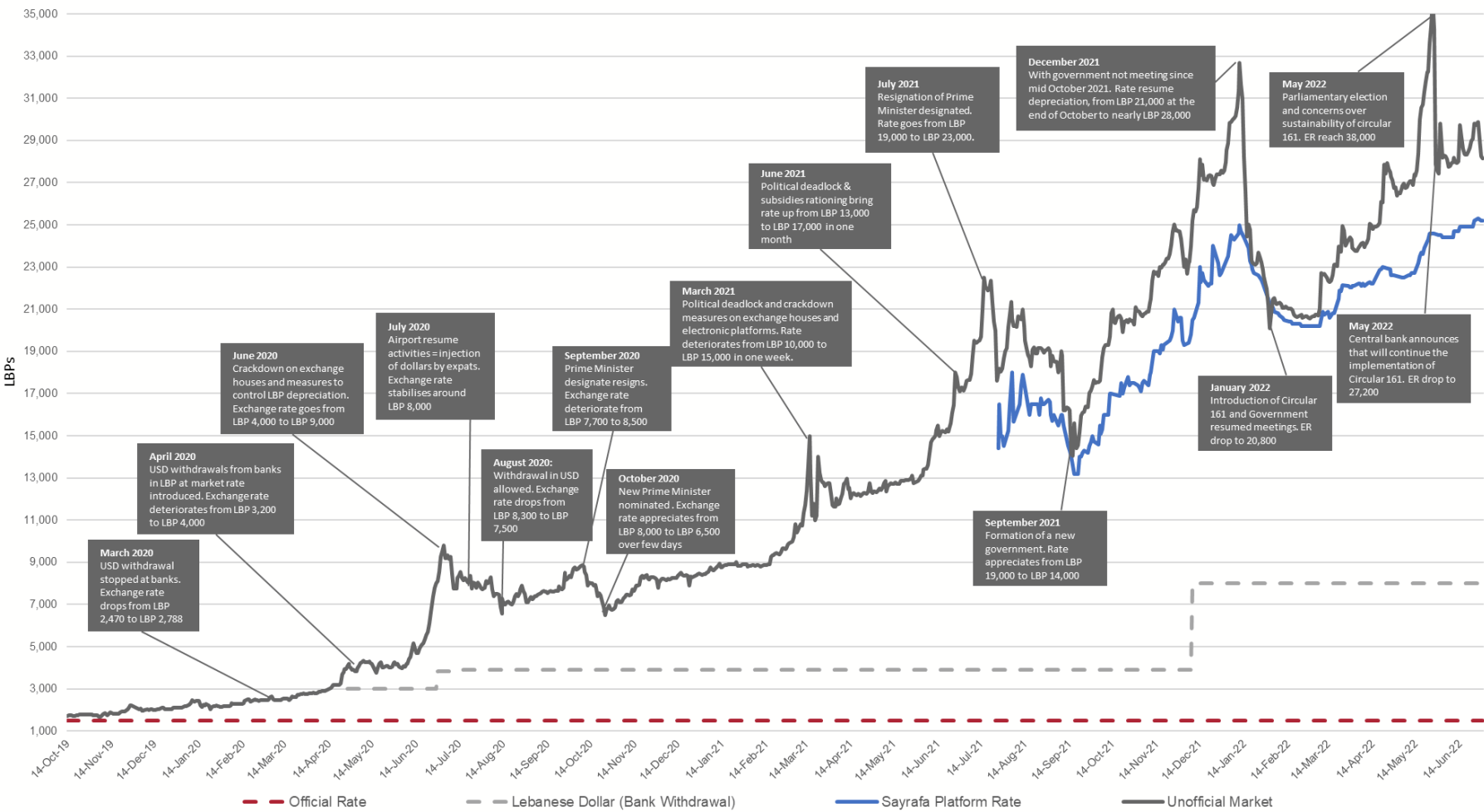
In Lebanon, although a multiple exchange rate system is currently in place, the “*informal market rate*” is the exchange rate that reflects the current market value of the Lebanese pound.

There are no official estimates on the informal market size. The informal market is characterized by high volatility. Exchange rate fluctuations often depend on political environments and market confidence and are prone to speculations that do not always follow macroeconomic essentials.

In 2021, the Lebanese pound continued to depreciate significantly against the US dollar. Between January and December 2021, the exchange rate went from LBP 8,400/USD to around LBP 28,000/USD by the end of the year.

The exchange rate first broke the LBP 20,000/USD barrier in July 2021 following the resignation of the designated Prime Minister. With the formation of a new government on September 7, 2021, the LBP quickly gained strength, reaching LBP 14,000/USD by mid-September, but resumed depreciating again at the end of the month, trading around LBP 20,500/USD from mid-October 2021 until early November. Following that period, the Lebanese Pound lost further value and breached the LBP 33,000/USD barrier in mid-January 2022.

Figure 7.2 Official and Unofficial USD/LBP Exchange Rate Development between 14 October 2019 and 31 May 2022



Source: Weekly average rates from Lirate.org - October 2019 - July 2022

The rapid depreciation of the LBP in the second half of 2021 followed the end of the subsidization system for import of essential commodities and the increasing amount of local currency in circulation.

With the removal of most subsidies, in September 2021 diesel suppliers started accepting only USD payments. The Central Bank also reduced the provision of dollars at the informal market rate for fuel and medicine imports and both consumers and importers started relying on the informal market for U.S. dollars. By mid-December, currency in circulation reached LBP 45.6 trillion 2021, up from LBP 6.6 trillion on October 15, 2019.

Following the rapid depreciation of the Lebanese pound in the informal market, the Central Bank expanded Circular 161 eligibility from mid-January 2022 onwards.

The circular allowed holders of LBP bank accounts to withdraw US dollar banknotes up to a maximum of LBP 100 million until end of January 2022. The Central Bank later extended Circular 161 several times (until end of July 2022 at the time of writing), and announced that all international and fresh dollar cards transactions will be valued at the Sayrafa platform rate starting February 2022.

In parallel, currency in circulation decreased by nearly LBP 10 trillion between mid-January and end of March 2022 as customers exchanged their LBP cash holding at the Sayrafa platform rate. This move helped the LBP to quickly gain value against the US Dollar in the informal market.

In February 2022, the informal exchange rate reached levels near the Sayrafa platform rate and was trading at around LBP 21,000/USD. However in March 2022, the ability of the Central Bank to sustain the mechanism was in doubt, leading to further depreciation of the informal rate, which traded around the LBP 24,000/USD level

from the third week of the month onwards. In April LBP currency in circulation resumed increasing, rising by LBP 4 trillion during this month.

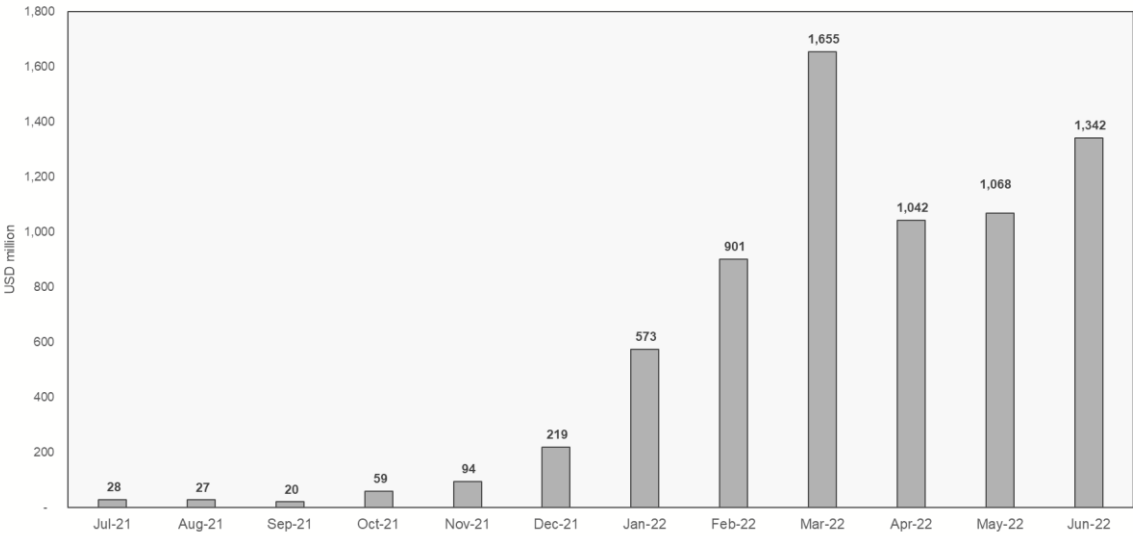
Following the parliamentary elections in May 2022, the LBP sustained another period of rapid depreciation, reaching nearly LBP 38,000/USD on 27 May, as concerns around political stalemate, market manipulations, and Circular 161 implementation rose. In a bid to control the depreciation, the Central Bank announced that it will honour all requests for bank customers wanting to exchange their LBP cash to USD at the Sayrafa platform rate starting on 30 May. The statement had a positive effect and the exchange rate dropped to LBP 27,500/USD within 24 hours.

The measures adopted by the Central Bank came at a high cost. Based on the interim published balance sheet of the Central Bank covering the period between mid January until mid-May 2022, foreign currency reserves decreased by around USD 1.8 billion.

As the Central Bank continues intervening in the exchange rate market through Circular 161, the risk that this will further drain the remaining foreign currency reserves, which were estimated to stand around USD 11 to 12 billion as of the end of March 2022, is concrete.

Although the Central Bank has had new access to US dollars through the currency exchange operations conducted by money transfer operators, there is no clear indication that the amount of US dollars injected by those exchange operations is sufficient for the Central Bank to continue meeting the daily demand for US dollars without further eroding foreign currency reserves. If the Central Bank stops mitigating the demand for US dollars, pressures on the LBP in the informal market may resurface, and the LBP could resume its depreciation and potentially hit unseen levels.

Figure 7.3 Volume of Sayrafa Platform exchange operations (USD million) – July 2021 – June 2022



Source: Banque du Liban – Economic and Financial Data (July 2022)

The Exchange rate system in Lebanon

In Lebanon, a multiple exchange rate system currently exists.

The official exchange rate of LBP 1,507.5/USD was initially introduced in 1997 and remains in place for administrative purposes and the remaining subsidies.

Another official rate, currently at LBP 8,000/USD, was introduced in April 2020 for withdrawal of LBPs from bank accounts that were denominated in US dollars before the crisis and are now subject to capital control by the banking system.

Another exchange rate is the “Sayrafa” platform rate that is published daily by the Central Bank and captures currency exchange transactions done by commercial

banks and registered exchange houses. This rate used to be 15 to 20 percent below the informal market rate, however following the latest intervention of the Central Bank through circular 161, it is currently trading at 10 percent below the informal rate.

Another ‘preferential’ exchange rate, the Circular 158 rate of LBP 12,000/USD, allow withdrawals of 400 USD cash and another 400 USD computed at that rate per month (for a total of USD 50,000 over several years).

Finally, the informal market rate, which is currently trading around the LBP 30,000/USD mark at the time of writing.

8. SOCIAL CASH AND IN-KIND ASSISTANCE IN LEBANON

1. Social Safety Net for Lebanese

There are three main large-scale social assistance programmes that aim at alleviating poverty and food insecurity among Lebanese: the National Poverty Targeting Programme (NPTP) implemented by WFP together with the Ministry of Social Affairs and the Presidency of the Council Of Ministers (PCM), the Emergency Social Safety Net Programme (ESSN), and WFP's Emergency Response (ER). The implementation of the ESSN is also supported by WFP.

These programmes are currently being scaled up and plan to reach over 1.5 million people in the upcoming months. In June 2022, social assistance reached over 900,000 girls, boys, women and men, up from the 487,000 assisted in December 2021. However, assuming that the current needs situation will prevail, there will remain a gap of nearly 500,000 people in need even when assistance is scaled up (see Figure 8.2).

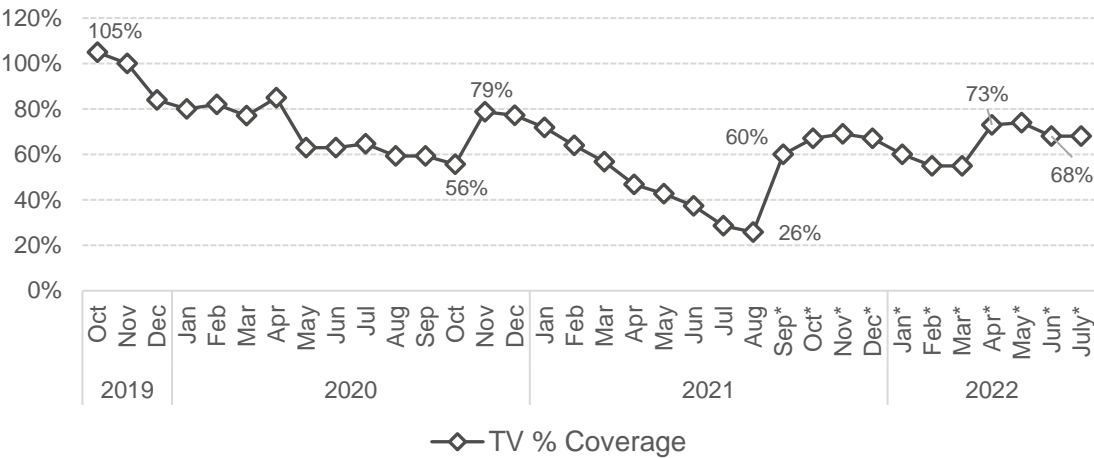
The NPTP is the flagship government social assistance programme. Launched in 2011, it started as basic social payment exemptions or fee waivers such as public schools and health institutions targeting extremely poor households. The program was expanded in 2014 to include a food e-card. The coverage of the NPTP food e-card was expanded between 2019 and 2022 (from 10,000 beneficiary households in 2019 to a planned 75,000 households in 2022), while the food assistance mechanism was switched to unconditional and unrestricted cash assistance redeemable in USD at ATMs, starting September 2021. Households are selected through a proxy-means tests (PMT) methodology. The PMT method is based on a statistical model that predicts a proxy for vulnerability for each household.

As an additional response to the crises, the Government envisaged two additional emergency safety nets interventions. A registration e-platform, known as 'DAEM', was opened for this purpose in December 2021, allowing all Lebanese households to register for potential support. The first intervention, named Emergency Social Safety Net (ESSN), and funded through a World Bank loan of USD 247 million, aims to provide 12 monthly cash transfers to up to 147,000 extremely poor households and will support 87,000 students, through the same targeting methodology as the NPTP. Through the ESSN, families receive USD 20 per person for food assistance (capped at six persons) and USD 25 per family as a top up per month. Coverage is currently expanding to reach the full anticipated caseload of 700,000 beneficiaries.

The second program, known as the 'ration card' will include households not selected for ESSN but not excluded via the 'DAEM' platform. However to date, funding for this program is not confirmed.

WFP provides food parcels through its emergency response, which helps counter the impact of inflation and decreased purchasing power for the most vulnerable Lebanese families, freeing up resources to cover other basic needs, such as medicine, rent, education, and otherwise. By the end of June 2022, 330,000 individuals were reached through this assistance, with an additional 67,000 planned for the rest of 2022.

Figure 8.1 NPTP Food Transfer Value as Percentage of SMEB

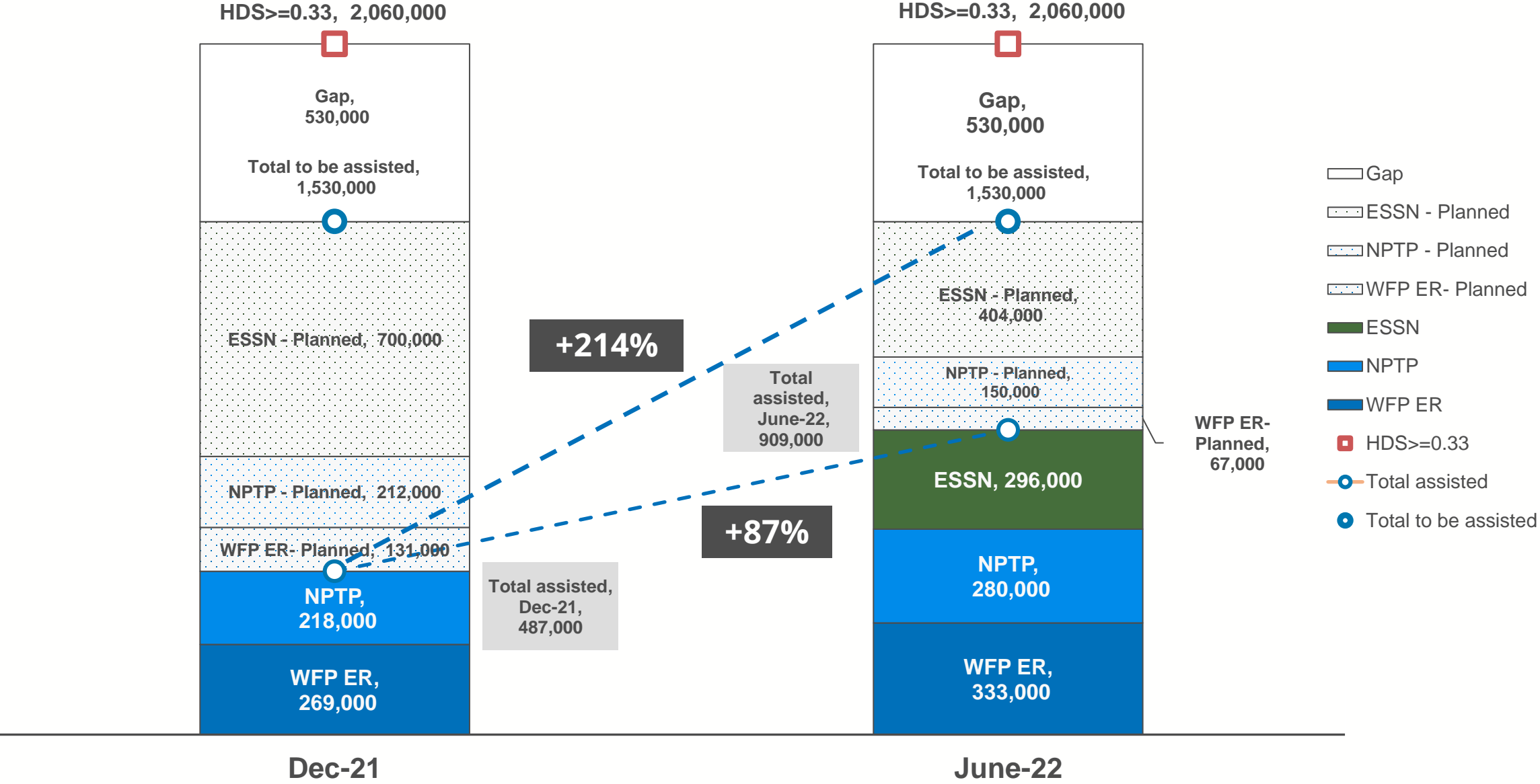


NPTP Food Transfer Value

Prior to the start of the crisis, the provided amount of food assistance transfer value (TV) for NPTP beneficiaries was USD 27, equal to LBP 40,500, enough to cover the needs outlined by the food SMEB. With the crisis, beneficiaries were limited to withdrawal in LBP and the share of the TV with respect to the SMEB dropped to 56 percent by October 2020. In November 2020, the food TV was increased to LBP 100,000 per person covering 79 percent of the SMEB. No further adjustments took place in the following nine months, and the TV covered only 26 percent of the SMEB by August 2021.

In September 2021, the food TV was increased to USD 15 and cash transfers started to be disbursed in USD. This helped keep the SMEB coverage stable between 60 and 70 percent during the fourth quarter of 2021. In 2022, increasing international commodity and energy prices translated into an increase of the value in USD of the SMEB, which was reflected in a drop in the SMEB coverage to 55 percent in February and March 2022. In April, the assistance was increased to USD 20 per person, covering 73 percent of the SMEB. However in the following months, with the continued international inflation, that coverage decreased back to 68 percent by June 2022.

Figure 8.2 Evolution of Social assistance between December 2021 and June 2022 (individuals)



ANNEX II –REFERENCES

Essential Needs Assessment Guidance Note, December 2020, World Food Programme (WFP), Research, Assessment and Monitoring Division;

Consolidated Approach for Reporting Indicators of Food Security (CARI), Third Edition, November 2021, World Food Programme (WFP), Research, Assessment and Monitoring Division;

Coping Strategies Index: Field Methods Manual. Copyright © 2008 Cooperative for Assistance and Relief Everywhere, Inc. (CARE);

Peter Kennedy, 2003. "A Guide to Econometrics, 5th Edition," MIT Press Books, The MIT Press, edition 5, volume 1, number 026261183x, December;

Colin Cameron and Pravin K. Trivedi "Microeconometrics Using Stata", Stata press, 2009;

Lebanon Economic Monitor, Fall 2021: The Great Denial, World Bank 2021;

Lebanon Economic Monitor, Spring 2021: Lebanon Sinking (to the Top 3) , World Bank 2021;

A War In A Pandemic, Implications of the Ukraine crisis and COVID-19 on global governance of migration and remittance flows, Migration and Development Brief 36, World Bank, May 2022;

2021 Vulnerability Assessment for Syrian Refugees (VASyR);

2021 Vulnerability Assessment of Refugees from other Nationalities (VaRoN);

Central Administration for Statistics (CAS) Consumer Price Index (CPI) Data – June 2022;

Lebanese Centre for Research and Agricultural Studies (CREAL) study "Diagnosing the situation of Lebanese agriculture, in light of the current financial and economic crisis, immediate solutions and a future vision".

International Crisis Group, Managing Lebanon's Compounding Crises; Middle East Report N°228 | 28 October 2021;

Economist Intelligence Unit: Global Insights;

Economic Research, Lebanon This Week Reports, Byblos Bank 2021-2022

International Monetary Fund (IMF), PRESS RELEASE NO. 22/108, April 2022





World Food Programme, Lebanon

Sin El Fil, Cardinal Sayegh Street

For more information:
www.wfp.org/countries/Lebanon

Contact information (firstname.lastname@wfp.org)

Abdallah Al Wardat, Country Director

Antoine Renard, Deputy Country Director (Operations)

Marco Principi, Head of Research, Assessment & Monitoring

Abdallah Souhani, Food Security & Market Analyst