

October 2, 2020

Key Messages

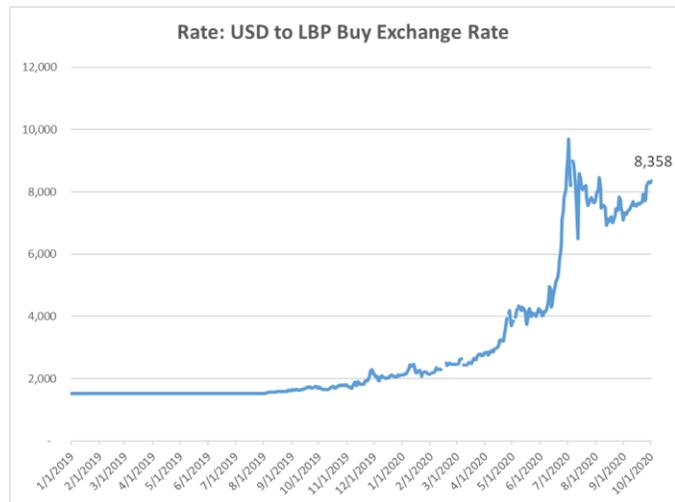
- Following the announcement of Prime Minister-designate Mustapha Adib on September 26 that he was unable to form a cabinet, Lebanon remains without a permanent government. Exchange rate movements, which affect market prices and inflation, are linked to political developments and uncertainty. The previous government continues in a caretaker capacity pending formation of a new government.
- A major report published earlier this year revisited the concept of food security, bringing to the fore the importance of two new dimensions: agency and sustainability. Agency – the capacity of individuals or groups to make their own decisions about what and how to eat as well as to shape their food system – closely relates to the concept of the right to food.

Macroeconomic Context

The Lebanese lira (LBP) has again depreciated slightly over the past two weeks on the informal (black) market, with recent movements driven by the resignation of Prime Minister-designate Mustapha Adib. The informal or market exchange rate stood at approximately 8,200 LBP : 1 USD over the past week. The official exchange rate remains at 1,508 LBP : 1 USD (Figure 1).

Figure 1 – USD to LBP Buy Exchange Rate

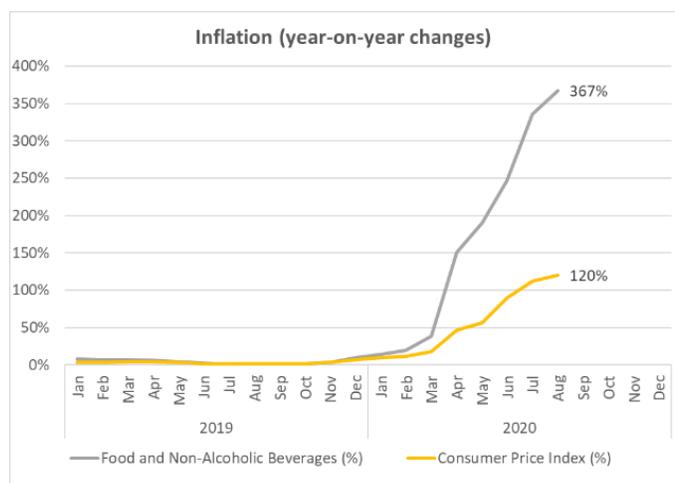
Source: lirate.com



Lebanon’s Consumer Price Index (CPI) continued to increase in August, particularly for food and non-alcoholic beverages. The CPI registered a 120% year-on-year increase between August 2019 and August 2020. Prices for food and non-alcoholic beverages increased by 367% over the same period. While both the CPI and the prices of food and non-alcoholic beverages continue to increase, their respective rates of acceleration have slowed slightly in the past month.

Figure 2 – CPI and Food Price Inflation

Source: Central Administration of Statistics (CAS)



Availability

Media and anecdotal reports have highlighted an expansion in household gardening as a way to provide food or reduce household food expenditures. Gardens have been installed in yards and balconies – particularly in Lebanon’s urban areas, home to nearly 90% of the country’s population. Actors including food banks, NGOs, donors, and municipalities have supported the distribution of inputs and information to facilitate these activities. The scale of these activities is unclear, as is their potential contribution to food security at the household, regional, or national wider level.¹

Access

There is widespread expectation that Lebanon will experience further increases in food prices in coming months. These expectations are rooted in speculation that Lebanon’s central bank will exhaust foreign reserves before end-2020, and be forced to abandon the *de facto* subsidy on imports of essential goods including wheat and fuel.² Such a movement would constitute official exchange rate devaluation, which will contribute to further increases in the prices³ of imported products – or those locally produced products that rely on imported inputs – over the short-term. Some analysts have estimated that prices of wheat and fuel could increase by 400% if subsidies are removed, pushing the total increase in the CPI to 220%.⁴

Analysis published earlier this year estimated that nearly one million people in Lebanon, of which more than 500,000 children, already lacked money to access essential goods including sufficient food as of mid-2020. The loss of purchasing power was attributed to rising unemployment, economic crisis, and COVID-19. The analysis, which was conducted by Save the Children, cited the an estimate that more than 60% of households in Lebanon had lost income as a result of the combined crises; more than 50% worried that they would not have enough food to eat; and that between 20% and 30% of families had skipped meals or gone an entire day without eating. Upon the release of the study, Save the Children’s acting country director warned, “We will start seeing children dying from hunger before the end of the year.”⁵

Utilization

Access to safe drinking water and electricity are essential for food handling and utilization, but have been disrupted in some areas as a result of the Beirut Port explosion on August 4. Early reports^{6, 7} indicate that neighborhoods close to the explosion site face lower connectivity rates to the water network as a pumping station and water supply reservoirs were rendered non-functional. Electricity cuts persist as 80% of the electricity supply is drawn from temporary substations. The World Bank estimated total rehabilitation needs related to the explosion at \$45-60 million for the water supply and sanitation sector and another \$55-70 million for the energy sector.⁸

In the meantime, the Litani River Authority (LRA) continues its work to clean sections of the river and combat water pollution.⁹ The Litani is the longest river in Lebanon and a vital resource of drinking and irrigation water, to the West Bekaa and the South of the country¹⁰. These areas are major agricultural producing regions and have been challenged by water pollution for decades.¹¹ This pollution has an adverse effect on food insecurity, specifically utilization, as it reduces the quality of locally produced agricultural products and can serve to transmit harmful contaminants into the food chain. The LRA’s efforts to combat water pollution aim to rebuild the consumers’ confidence in purchasing agricultural products grown in the Litani watershed.

Stability

COVID-19 has had adverse effect on global food security, with estimates that the number of people living in acute food insecurity doubling from the 135 million people affected in 2019.¹²

As hunger rises in Lebanon and in other parts of the world, migration is expected to increase. The increase in hunger is attributed to a variety of factors including economic contraction and COVID-19. The World Food Programme estimates that every 1% increase in hunger is associated with a 2% increase in migration.¹³

Focus on Agency

In a major report published in 2020, the High Level Panel of Experts to the Committee on World Food Security (HLPE) called for agency to be added as one of the dimensions of food security.

Agency is defined as the capacity of individuals or groups to make their own decisions about what foods they eat, what foods they produce, how that food is produced, processed, or distributed within food systems, and their ability to engage in processes that shape food system policies and governance.

The dimension of agency is closely connected to the right to food, which is a legal framework that views food as a fundamental human right. A growing number of states and governments have adopted laws that directly state or guarantee the right to food to their citizens or inhabitants.¹⁴

Insofar as Lebanon's current political framework limits the voices of its citizens and inhabitants, those individuals lack a degree of agency in determining which agri-food system they would like for themselves and their country.

Sustainability

The food system in Lebanon continues to be a major contributor to environmental degradation and a threat to sustainable development and to the health of citizens. Effluent and waste from Lebanon's agri-food processors and producers are a major source of pollution in the Litani River as well as in other watersheds. Excessive use of pesticides, fertilizers, and veterinary medicines also contributes to increasing levels of nitrogen and heavy metal in aquifers, in rivers and other water bodies. The Litani River Authority currently seeks to combat pollution and increase water availability in order to increase the sustainability of Lebanon's food system. By improving the availability of safe water for irrigation purposes, the LRA claims a positive economic impact on farmers through their agricultural activities in the West Bekaa and the south. As for the environment, efforts to reduce water pollution should preserve these natural resources for future use.¹⁵

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American University of Beirut

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- ¹ Gustafsson, J. (2020, September 25). “‘Money is worth nothing now’: how Lebanon is finding a future in farming.” *The Guardian*. Retrieved from: <https://www.theguardian.com/global-development/2020/sep/25/money-is-worth-nothing-now-how-lebanon-is-finding-a-future-in-farming>.
- ² The government also subsidizes the import of a basket of 300 key commodities, by providing foreign currency at an exchange rate between the official exchange rate and the market exchange rate. It is unclear whether these subsidies will also be removed as of November.
- ³ Karam, Z. (2020, September 29). “AP Analysis: Dark days ahead for Lebanon as crisis bites.” *AP*. Retrieved from: <https://apnews.com/article/virus-outbreak-iran-lebanon-beirut-archive-0ceaf36ed349004fa82ee8c16791884b>.
- ⁴ Habib, O. (2020, September 23). “Prices of basic items to soar dramatically once BDL subsidies end.” *The Daily Star*. Retrieved from: <https://www.dailystar.com.lb/Business/Local/2020/Sep-23/512147-prices-of-basic-items-to-soar-dramatically-once-bdl-subsidies-end.ashx>.
- ⁵ Save the Children. (2020, July 29). “More than half a million children in Beirut are struggling to survive.” *Save the Children*. Retrieved from: <https://www.savethechildren.org.uk/news/media-centre/press-releases/half-million-children-beirut-struggle-survive#:~:text=The%20collapsing%20Lebanese%20economy%20has,and%20water%20needed%20to%20survive>.
- ⁶ World Bank. (2020, August). Beirut Rapid Damage and Needs Assessment. Retrieved from: <http://documents1.worldbank.org/curated/en/650091598854062180/pdf/Beirut-Rapid-Damage-and-Needs-Assessment.pdf>
- ⁷ Inter-Agency Coordination Lebanon. (2020, September). Livelihoods 2020 Mid Year Dashboard. Retrieved from: https://reliefweb.int/sites/reliefweb.int/files/resources/LH_Dash_v3_Sept_2020.pdf
- ⁸ World Bank. (2020, August). Beirut Rapid Damage and Needs Assessment. Retrieved from: <http://documents1.worldbank.org/curated/en/650091598854062180/pdf/Beirut-Rapid-Damage-and-Needs-Assessment.pdf>
- ⁹ Litani River Authority. (n.d.). Daily tweets, pictures, and videos. Retrieved from: <https://twitter.com/LRALitani>
- ¹⁰ Litani River Authority. (n.d.). The Characteristics of the Litani River. Retrieved from: http://www.litani.gov.lb/en/?page_id=63
- ¹¹ Litani River Authority. (n.d.). Pollution problems. Retrieved from: https://www.litani.gov.lb/en/?page_id=71
- ¹² Cheatham, A., Felter, C., & Baumgartner, S. (2020, September 21). “Rising Hunger: Facing a Food-Insecure World.” *Council on Foreign Relations*. Retrieved from: <https://www.cfr.org/article/rising-hunger-facing-food-insecure-world>.
- ¹³ Cheatham, A., Felter, C., & Baumgartner, S. (2020, September 21). “Rising Hunger: Facing a Food-Insecure World.” *Council on Foreign Relations*. Retrieved from: <https://www.cfr.org/article/rising-hunger-facing-food-insecure-world>.
- ¹⁴ HLPE. (2020). *Food security and nutrition: building a global narrative towards 2030*. A report by the High Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security, Rome. Retrieved from: http://www.fao.org/fileadmin/user_upload/hlpe/2020_Global_Narrative/HLPE_15_2020_Global_Narrative_2030.pdf.
- ¹⁵ Litani River Authority. (n.d.). Daily tweets, pictures, and videos. Retrieved from: <https://twitter.com/LRALitani>