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URBAN GREATER BEIRUT HOUSEHOLD ECONOMY ANALYSIS (HEA) SCENARIO ANALYSIS

Given the current economic crisis facing Lebanon, an estimated 910,000 people in Beirut are below the survival threshold, of **which an estimated 546,000 are children**. Urgent action is required to avoid possible malnutrition, particularly for Beirut, which is an urban area with no access to independent food production.

A baseline analysis of Lebanese households was conducted in 2019, collecting data from 2018-2019 prior to the onset of the financial crisis. Led by Save the Children, the data collection was supported by the Ministry of Social Affairs (MOSA), Social Development Centers, and municipalities. Baseline data and scenario analyses conducted in April¹ have been shared with MOSA and all efforts are being made to ensure social safety nets for Lebanese households reflect the needs identified. As a result of the baseline established through that process Save the Children has since updated the scenario analysis to be relevant for the July-August context. This document explains the estimation of 910,000 people living below the survival threshold in Beirut and the estimated monthly survival deficits for people in each wealth group based on July-August 2020 conditions.

WHAT IS SCENARIO ANALYSIS IN THE HEA?

Scenario (or outcome) analysis is the term used in the Household Economy Analysis (HEA) approach to describe the process of taking information on the current situation or a scenario situation (using monitoring data) and combining it with information on the reference year (the baseline) to project total income for the current or scenario year². Three types of information are combined for HEA scenario analysis: information on baseline access, information on a hazard or change (i.e. factors affecting access to food/income, such as market prices) and information on coping strategies (i.e. the sources of food and income that people turn to when exposed to a hazard). The approach can be summarized as follows: Baseline data + Hazard + Coping mechanisms = Outcome. The output from an outcome analysis is an estimate of total food and cash income for a projected period, once the cumulative effects of current hazards and income generated from coping strategies have been considered. The next step is to compare projected total income against the survival and livelihood protection thresholds to determine whether an intervention of some kind is required.

Coping strategies

Households employ a number of strategies to try to cope when faced with problems. In an urban setting, many of these strategies relate to reducing expenditure: eating lower quality food, using public transport, reducing generator use, purchasing cheaper brands for food and non-food items, moving children from private to public schools, moving to a cheaper location (within the city or outside the city). On the income side, the options are more limited in a time of national economic crisis, but include: increasing the number of people working per household, taking on second jobs, emigrating to look for work outside Lebanon, seeking assistance from official or unofficial sources, taking loans, renting out a room or sharing home, selling property (e.g. vehicles, jewelry), using up savings. In the HEA analysis, only non-harmful coping strategies are incorporated in the calculation in order to assess household need without them resorting to negative strategies.

Household profile

In urban locations incomes tend to be more heterogeneous than rural settings, however patterns of expenditure do not. Poor families tend to spend similar amounts of money on similar things, so that an enquiry into patterns of expenditure is often the most useful approach for understanding livelihoods in an urban setting. Since urban economies are primarily market-based, and many of life's essentials have to be purchased in cities, it is critical for these non-food elements to be incorporated into an urban analysis.

¹For more detail on the methodology and the findings of the baseline study, see SCI Lebanon April 2020 "Urban Greater Beirut Household Economy Analysis of Low Income Neighborhoods" <https://lebanon.savethechildren.net/sites/lebanon.savethechildren.net/files/library/HEA-Full%20Report.pdf>

²The "reference year," or baseline data for the Urban Greater Beirut HEA is the 12-month period before the start of the recent economic crisis (June 2018 to May 2019). This is the reference period for which the HEA baseline information was gathered. All information on food sources, income source and expenditure patterns described in the sections that follow refer to this reference year (2018-19).

SC has conducted baseline data collection of Lebanese, and when neighborhoods are mixed, also including Palestinian households given the similarity in their income and expenditure patterns in low-income wealth groups³. Data was collected in 12 neighborhoods of urban Greater Beirut⁴, through key informant interviews and focus group discussions so that the household economy information could be cross-checked within and across interviews. Key income sources identified for the Very Poor and the Poor wealth groups are casual (daily) work such as in construction sectors and low-level informal employment. Gifts and remittances are also common although representing a small amount of their annual income. The Middle wealth group does not engage in casual work, relying instead on formal employment and some additional income from self-employment which are typically small shops. Notably, households purchase all of their food, and are therefore very vulnerable to price changes.

CURRENT SCENARIO: DESCRIPTION

The economic situation in Lebanon has been deteriorating for many years, but has reached a crisis since June 2019. This was apparent before the widespread protests against the government started in mid-October and has only worsened since then. At national level, Lebanon has extremely high debt levels and the country's debt servicing burden has become unsustainable. The value of LBP against the US Dollar has dropped by up to 350% in unofficial exchange in June. In April 2020, there was already a 42% increase reported by the consumer price index (CPI), with the CPI and the food price index increased by 25% and 79% respectively between March and April 2020. It was reported that a total of 430,000 Lebanese people, equivalent to 32% of the workforce, have lost their jobs⁵, and many more are likely being pushed into the growing informal sector.

At household level, this has translated into the following problems:

- **Coping strategies⁶** – Increasing gifts and remittances, daily labor, and self-employment were identified in the baseline as coping strategies used by households. However, households seemed to be already working at maximum capacity in 2018-19 and options to expand cash income during a crisis period (without resorting to damaging coping strategies such as reducing food consumption) are limited. In the June 2020 assessment of WFP, they indicated that coping strategies of Lebanese and Palestinian households are already largely eroded and reliance on damaging coping strategies is increasing.⁷ As a result, no coping strategies have been included in the scenario analysis below (beyond switching expenditure from less essential to more essential items).
- **Exchange rate weakening** – The “Lebanese dollar” unofficial exchange rate used by banks and official forex bureaus is 3,850 LBP per USD, which has diverged significantly from the official rate 1,500 LBP per USD still in use. At the time of writing, the black market rate is approximately 8,000 LBP to USD, although it reached 10,000 in July. Banks are rationing the withdrawal of US dollars or forcing customers to withdraw in LBP at the official rate, unless dollars are transferred into the country in an external, so-called “fresh money” account.
- **Price increases** – The weakening exchange rate is pushing up prices, with a cumulative inflation of basic food prices of 169% from September 2019 to 6 July 2020⁸. While the official CAS annual inflation rate for January 2020 was 10%, in May it reached a reported 56.5%, indicating the rapid and extreme increase in prices. Price increases in Beirut are typically higher than the national average.
- **Job losses** – Many businesses have closed and employees have been laid off. Calculations of closed businesses is challenging due to the informal nature of the Lebanese economy, however hundreds of formal businesses have already closed⁹ and a recent ILO assessment indicates that 41% of small businesses expect to survive the current crisis.¹⁰ A nationally representative survey conducted by WFP finds that one out of every three Lebanese have been pushed into unemployment as a result of the COVID-19 containment measures combined with the economic crisis.
- **Wage decreases** – Employees in many sectors have had their wages cut or are being paid for a reduced number of days per month¹¹. Public sector wages are not being paid on time. Another recent survey in urban Greater Beirut area indicated that over the period of February-April, the number of surveyed households relying on less than \$200 USD per month (approximately \$1.33 per person per day) increased from 44% to 86%, indicating a major increase in financial vulnerability due to loss of job or decrease in wages.¹²

³ This analysis does not include Syrian refugees.

⁴ Areas of Beirut which are covered in this analysis include Boucheriyeh, Bourj Hammoud, Chatila, Choueifat, Haret Naameh, Karm el Zeitoun, Khalde, Mar Elias, Mazraa / Msaitbeh, Sabra – Douak, Sin el Fil, and Tarik al Jedide. While these neighborhoods can be considered exemplary of conditions in poor and urban greater Beirut, population data described in the subsequent sections will refer only to these neighborhoods. Notably, current population data are estimates, with the most recent figures updated in 2014. Population data in the baseline is derived from key informant interviews including with SDCs and municipalities at the neighborhood level.

⁵ Information International, May 2020

⁶ In the HEA analysis, only non-harmful coping strategies are incorporated in the calculation in order to assess household need without them resorting to negative strategies

⁷ WFP June 2020 “Assessing the Impact of the Economic and COVID-19 Crisis in Lebanon”

⁸ WFP Price monitoring report, 17 July 2020

⁹ In the period of October-November 2019, more than 750 businesses were reported closed (InfoPro 2019). Since 2019, 18% of companies have ceased or fully suspended operations (InfoPro June 2020, as seen in Lebanon Crisis Monitoring Dashboard 24 July 2020).

¹⁰ Of surveyed home-based, micro, small, and medium enterprises (predominantly informal and between 1-49 employees), in ILO “Rapid Assessment of the Impact of COVID-19 on Enterprises and Workers in Lebanon” 2020.

¹¹ See footnotes 7 and 10

¹² ACTED July 2020 “Urban Needs Assessment in Beirut and Mount Lebanon.” While the sample size of this survey was small, it is indicative of the crisis facing the urban poor, and many of the locations surveyed are also covered in the HEA baseline.

JULY-AUGUST 2020 SCENARIO ANALYSIS: RESULTS

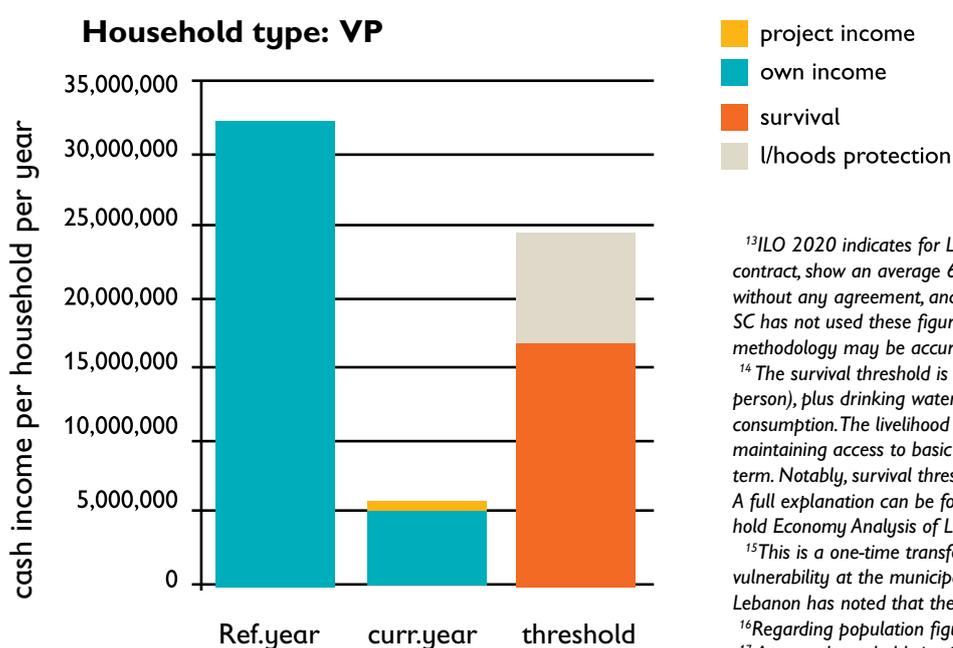
A scenario has been modelled using the HEA baseline data to express this current situation:

Description of the income or expenditure	Scenario change since the baseline	Explanation
Income source: formal employment	100% ↓	In this scenario, people have lost formal jobs
Income source: casual labor	25% ↓	People are still working, but the number of days they work (per week/month) has reduced
Income source: self-employment	50% ↓	People are still running their stores, but their sales volume has reduced
Wage rates: casual labor	15% ↓	Small reduction in daily wage rates as a conservative assumption lacking clear or representative data ¹³
Prices increase of basic goods	169% ↑	Cumulative inflation of basic food prices from monitoring September 2019 - 6 July 2020

The graphics below illustrate the likely outcome of this scenario for very poor (VP), poor (P) and middle (M) households living in low-income areas of greater Beirut. Note that “ref.year” refers to the baseline year 2018-19, while “curr.year” in this case refers to the scenario situation described. These are compared with the thresholds in the right-hand bar to determine whether there is a survival deficit or a livelihood protection deficit under the scenario. The orange section represents the level of the survival threshold, while the grey section represents the level of the livelihoods protection threshold¹⁴. The yellow section refers to the 400,000 LBP cash transfer which is being provided to select households by the Government of Lebanon’s NSSP program¹⁵. Note that the scales on the left of each graph are different for each wealth group.

Under this scenario, households in all wealth groups in poor areas of greater Beirut¹⁶ face a large drop in standard of living and substantial lack of income to secure basic survival.

The **Very Poor (VP)** face a very large annual survival deficit represented in the graph below. For the current month, they face a monthly survival deficit of 947,736 LBP. This means that Very Poor households in Beirut are food insecure, even when accounting for the addition of the 400,000 LBP from the NSSP program. The number of people facing a survival deficit in this wealth group is 227,229 (approximately 136,337 children).¹⁷



¹³ILO 2020 indicates for Lebanese of both genders, under any type of employment contract, show an average 61% reduction in wages, a 73% reduction in wages for those without any agreement, and a 38% reduction in wages for those with a written contract. SC has not used these figures given that the sample is not representative, however the ILO methodology may be accurate to the population profile in the HEA analysis.

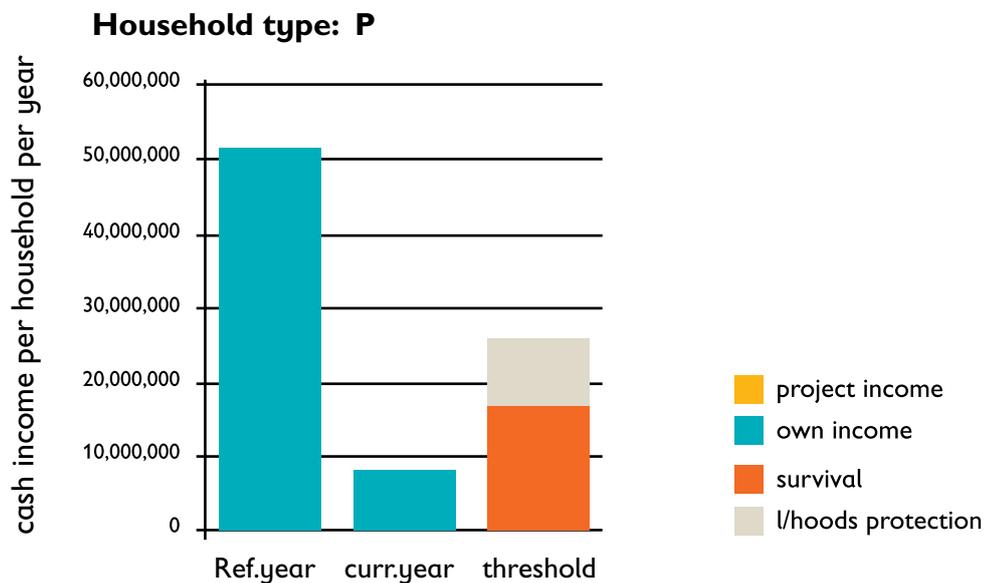
¹⁴The survival threshold is 100% of minimum food energy needs (2100 kcals per person), plus drinking water and costs associated with basic shelter, food preparation and consumption. The livelihood protection threshold includes costs to ensure survival plus maintaining access to basic services and sustaining livelihoods in the medium to longer term. Notably, survival thresholds for a family of 5 exceed the value of minimum wage. A full explanation can be found in SCI Lebanon April 2020 “Urban Greater Beirut Household Economy Analysis of Low Income Neighborhoods” (footnote 1).

¹⁵This is a one-time transfer of 400,000 per household, with eligibility determined by vulnerability at the municipal level. Despite acknowledgement of need, the Government of Lebanon has noted that the scale of this program cannot reach all affected households.

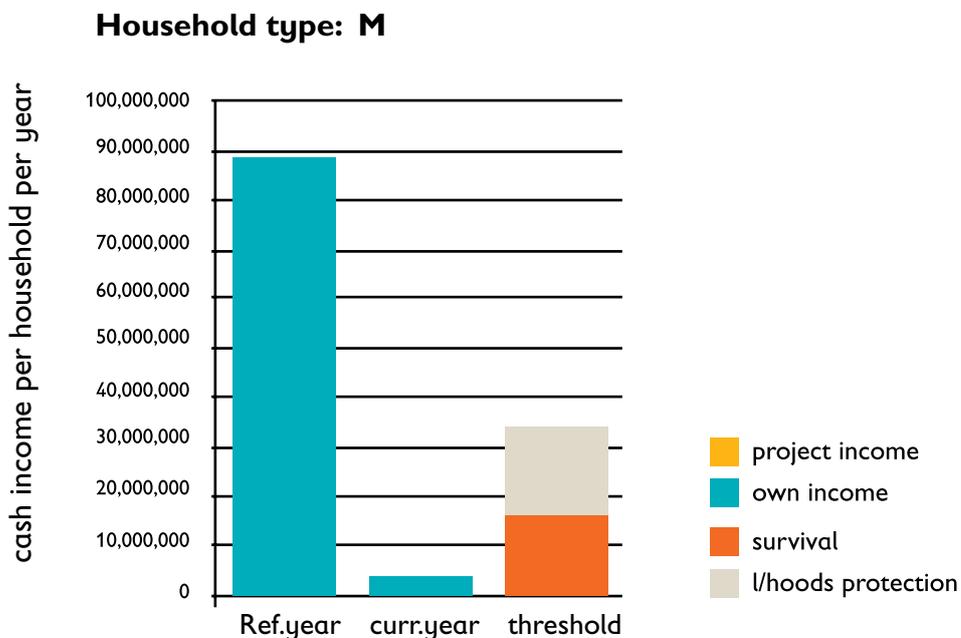
¹⁶Regarding population figures see footnote 4

¹⁷Average household size in these wealth groups is 5, therefore estimates of children reflect this number

The **Poor (P)** also face a large annual survival deficit represented in the graph below. For the current month, they face a monthly survival deficit of 698,258 LBP. This means that Poor households in Beirut are food insecure, even when accounting for the addition of the 400,000 LBP from the NSSP program. The number of people facing a survival deficit in this wealth group is 384,404 (approximately 230,642 children).



The **Middle (M)** also face a large annual survival deficit represented in the graph below. For the current month, they face a monthly survival deficit of 1,033,725 LBP. This means that Middle income households in poor areas of Beirut are food insecure, even when accounting for the addition of the 400,000 LBP from the NSSP program, for which they would not likely qualify due to their income status. Loss of formal jobs however has a big impact in this wealth group. The number of people facing a survival deficit in this wealth group is 298,367 (approximately 179,020 children).



Immediate cash needs for survival

In order to ensure the survival of poor and vulnerable Lebanese households in urban greater Beirut during the current economic conditions, an emergency monthly cash transfer of approximately 893,249 LBP per household is required, as the average deficit faced across all wealth groups¹⁸. At total number of 910,000 people are in need, of which an estimated 546,000 are children. Urgent action is required to avoid malnutrition, particularly for Beirut, which is an urban area with no access to independent food production. Reliance on negative coping mechanisms are also likely to increase in the medium term, including reducing frequency and size of children's' meals, withdrawing children from education, and engaging children in harmful work.¹⁹

Recommendations

- Donors to ensure funding of the Basic Assistance sector and prioritize scale up cash assistance to all nationalities living in Lebanon based on clear expenditure and market data
- Government of Lebanon to immediately implement a transparently-distributed and financially adequate social assistance package for the most vulnerable Lebanese families, which is evidence-based to cover minimum basic needs and help offset the loss of income due to the current economic crisis
- Scale up the existing NPTP and introduce data-driven values for cash transfers as an efficient delivery mechanism
- Ensure that targeting mechanisms are transparent, evidence-based, gender-sensitive and designed to address both poverty and life-cycle vulnerabilities
- Develop a shock-responsive social protection system based on the COVID-19 emergency response and NSSP to address future economic hazards to poor populations
- Introduce insurance and pension mechanisms to cover workers who are self-employed or work in the informal economy
- Strengthen mechanisms to monitor and enforce compliance with labor law and enhance labor protection instruments in the context of ongoing economic downturn and job losses

¹⁸This can also be expressed as \$595 USD/month at the official rate (1500 LBP:USD), or as \$229 USD/month at the "Lebanese Dollar" rate for fresh money (3900 LBP:USD)

¹⁹SCI Lebanon April 2020 "Child Labor Policy Brief"

<https://lebanon.savethechildren.net/sites/lebanon.savethechildren.net/files/library/Child%20Labour%20Policy%20Brief%20-%20Final%2008042020.pdf>

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