

**Development of a Framework for Multipurpose
Cash Assistance to Improve Aid Effectiveness in
Lebanon: Support to the Market Assessment and
Monitoring Component**

FINAL REPORT

Prepared by



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Key Development Services SAL

MoF Registration Number: 2463698
MGM Building, Suite 601
Main Street, Jal el Dib, Metn, Lebanon
(t) +961.4.718.460 (f) +961.4.718.461
email: info@kdsconsult.com
kdsconsult.com

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List of Acroynms

ACF	Acción contra la faim
CaLP	Cash Learning Partnership
CTT	Core task team
CTPWG	Cash Transfer Programming Working Group
DfID	UK Department for International Development
ECHO	Humanitarian Aid and Civil Protection department of the European Commission
EMMA	Emergency Market Mapping and Analysis
IRC	International Rescue Committee
ITS	Informal tented settlement
KDS	Key Development Services
KII	Key informant interview
M&E	Monitoring & evaluation
MEB	Minimum expenditure basket
MFI	Micro-finance institute
PDM	Post-distribution monitoring
TOR	Terms of reference
UNHCR	United Nations High Commission for Refugees
URD	Groupe Urgence, Réhabilitation, Développement
WFP	World Food Programme

Executive Summary

Objective

The objective of the three market assessments presented below is to provide the interagency cash transfer programming working group (CTPWG) with meaningful and actionable information on the market impact of cash assistance in Lebanon. This report is also intended to inform decision making on scaling up cash interventions, bearing in mind regional specificities, particular market capacities or relative size of the cash program in certain areas (see also **Conclusions and Recommendations** below). In order to correctly assess potential impact of future assistance, it is essential to have a strong understanding of how these critical market systems are structured, how they operate, the main constraints they face, and how the humanitarian crisis has affected their performance to date.

Methodology

In order to carry out the following market assessments, the consultants engaged in a dual-track effort, conducting key information interviews (KIIs) with representative market actors in the markets for (1) **dry & processed foods** and (2) **hygiene products**. Eleven KIIs were carried out in Beirut, Zahle and Tripoli with manufacturers, importers, distributors, and wholesalers. Simultaneously, direct surveys of Syrian refugees were carried out across eight locations in Lebanon (see **Note on Market System Selection** below) to better understand consumer/retail trends. The consultants also conducted separate surveys of Syrian refugees and Lebanese in the same eight locations in order to understand (3) **rental market** dynamics, and the behavior of tenants, landlords and various intermediaries.

Key Observations and Findings

- The impact of Syrian refugees on any Lebanese market must be understood within the context of the much broader economic slowdown that has affected Lebanon since the beginning of the crisis in Syria in 2011. The scale of economic disruption, and the resulting decline in economic growth, income and investment, far outweighs the shift in demand for particular goods within the Lebanese economy associated with the arrival of Syrian refugees.
- Lebanon's complex and well-developed market chain infrastructure for consumer goods has allowed for a rapid adjustment in the supply of goods demanded by Syrians. In all three markets studied, changing demand patterns caused by the influx of Syrian refugees have created incentives for new supply of goods and the entrance of new market participants. Because of the limited purchasing power of most refugees, demand in all three markets has generally focused on cheaper, low-quality products that are not generally in demand by Lebanese consumers.
- In the case of both food and hygiene products, prices of consumer goods have not risen substantially because of (i) increased price competition at both the retail and wholesale levels, as well as the (ii) substitution of lower quality and cheaper inputs. This is reflected in reports from key market actors, and further supported in the official consumer price data.
- In the case of rent, the relatively inelastic supply of available housing (due to capital requirements and lag times in construction, etc.) leads to competition between Lebanese and Syrians, and therefore upward price pressure, especially in particular housing formats and in specific

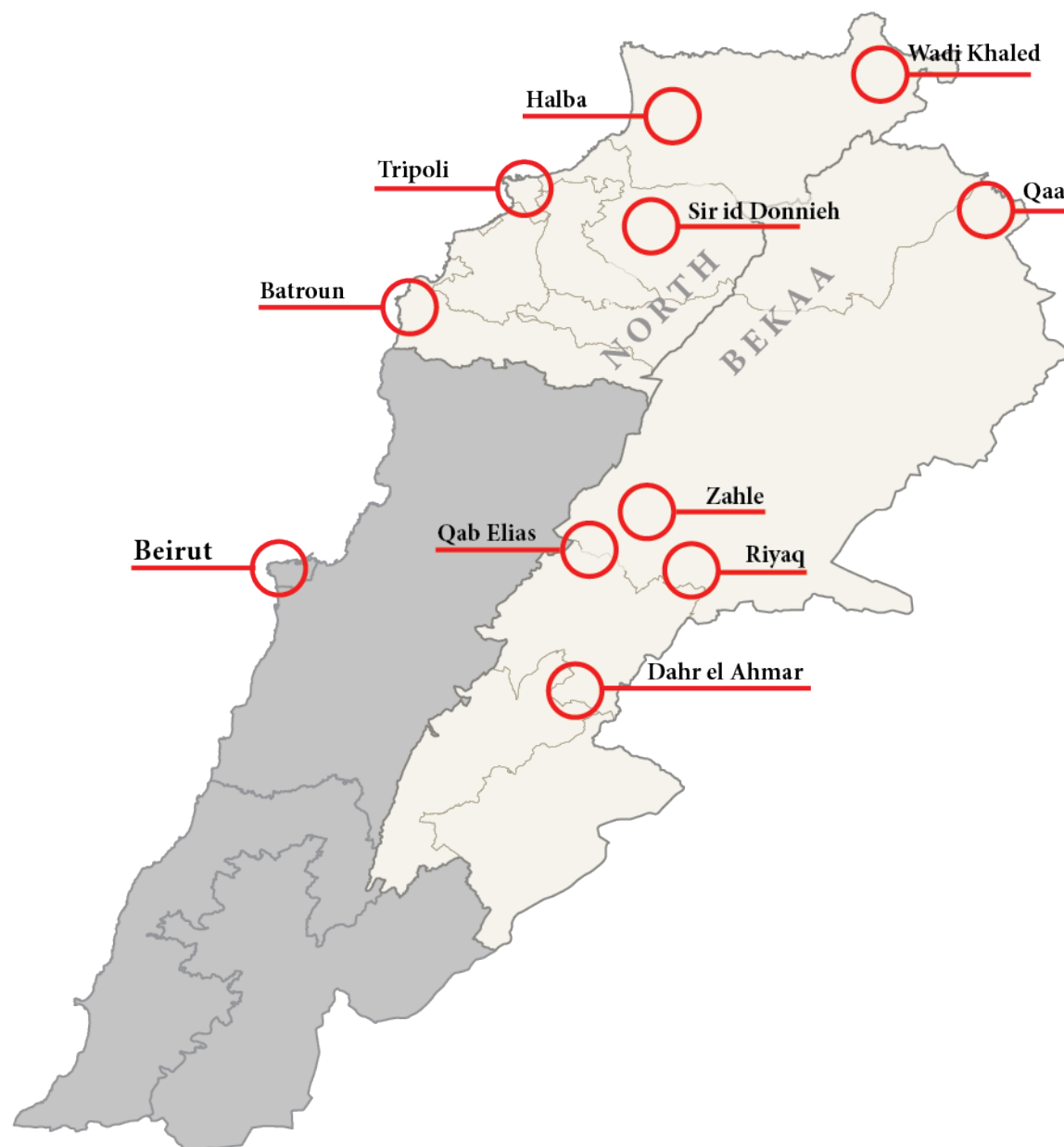
geographic areas. However, many Syrian refugees are not able to participate in the same market (i.e. access the same housing supply) as Lebanese due to various constraints, including lack of income, and cultural and religious discrimination. General lack of supply has pushed many of the poorest Syrian refugees into sub-standard quality shelter (e.g. unfinished spaces, converted commercial space), for which they reportedly pay higher-than-average market prices.

- Some interventions by INGOs have had detrimental effects on the markets. In particular, in-kind assistance allows for resale of goods, which causes gluts and other disruptions in supply—although this in turn keeps consumer prices lower. Simultaneously, restricted food voucher/e-card systems concentrate demand at the wholesale level in the hands of a few market participants, and create arbitrage opportunities such as markets for credit, in which 15-25% of the value of cash assistance is transferred to intermediaries.
- In rental markets as well, there is evidence that rental subsidies are creating rent-seeking behavior, and that in-kind distributions of services and related infrastructure may inadvertently be increasing rental rates for beneficiaries. However, most of the ongoing changes in the rental market are driven by deep structural constraints (e.g. lack of adequate supply) rather than interventions by INGOs or the effects of cash assistance. Furthermore, the presence of such a large number of Syrians who are willing to accept sub-standard housing at above market rates represents a simple value-proposition for many Lebanese who have seen their incomes and living standards decline since the start of the Syrian crisis.
- The exact effects of all these trends differ between market participants, and are not felt universally throughout the market chain in Lebanon. Rather, because market structure, the level of competition, and other practices vary significantly between specific geographic areas, the exact impact on local market actors itself varies considerable across Lebanon.

Map of Survey Locations

Note: Key information interviews were carried out in Tripoli, Beirut and Zahle, while direct surveys of retail shoppers, renters and landlords were conducted in all eight other locations:

Figure 1. Map of Survey Areas



Note on Market System Selection

The markets under consideration in this report were chosen after careful and thorough discussion with members of the interagency CTPWG. In order to narrow the field for research, the consultants developed a selection matrix scoring thirteen potential markets¹ against criteria developed to prioritize those markets most essential to the survival of refugees, and with the greatest potential for meaningful monitoring and intervention by interagency CTPWG members. A final list of six markets was presented for group discussion and vote, and (1) **dry and processed foods**, (2) **hygiene products** and (3) **rent / shelter** were chosen after a final vote by the market assessment core task team.

Additionally, the consultants proposed narrowing the geographic scope of research to a small number of areas in the Bekaa and the North of Lebanon. This was done under the assumption that the potential for negative effects of ongoing cash assistance (including but not limited to price rises; increases in collusive or rent-seeking economic behavior; increased social tensions between Lebanese host communities and Syrian refugees) would be more readily identified in those areas with higher concentrations of Syrian refugees who are receiving cash assistance.

The eight cadastral geographic areas for study were chosen by applying the following criteria to UNHCR registration data and vulnerability rankings:

- Only cadastrals classified in the 1st quintile of vulnerable Lebanese communities;
- A pre-crisis cadastral population larger than 1,000 Lebanese before crisis;
- Current proportion of Syrian refugees more than 50%.

Applying these constraints generates a full list of 34 cadastrals – only four of which are outside of the North and Bekaa (see attached spreadsheet). These 34 cadastrals account for 31% of the total refugee population in Lebanon, according to the UNHCR data.

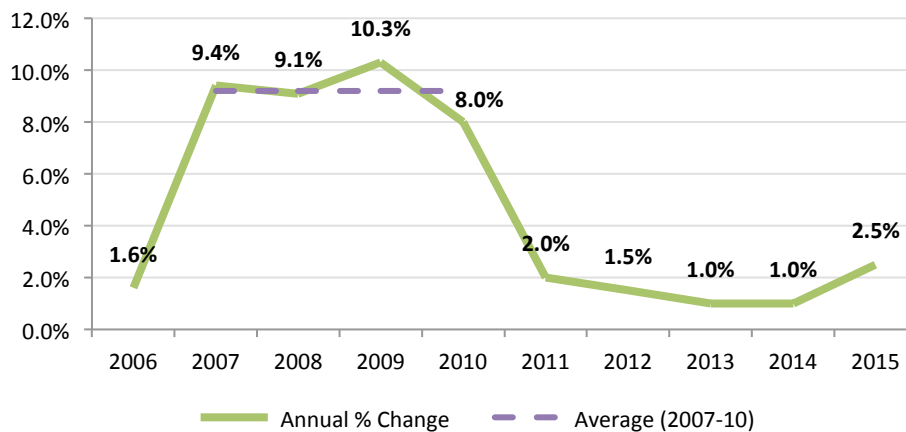
The final list of areas for study (Wadi Khaled, Halba, Sir id Donniah and Batroun in the North; Qaa, Riyaq, Qab Elias, and Dahr el Ahmar in the Bekaa) were proposed by the consultants to ensure an even geographic distribution and range of population size (small, medium, and large) across the Bekaa and the North, and were agreed to following another discussion and vote by the market assessment core task team.

¹ Dry/Processed Food, Hygiene Products, Household Items (NFIs), Fresh Fruit/Vegetable, Water, Rent (Shelter), Clothing, Electricity, Healthcare, Heaters, Communications, Fuel (Cooking), Transportation and Education.

Current Economic Slowdown Coincided with Onset of Syria Crisis

Lebanon is currently in the fourth year of a period of slow economic growth, which coincided with the start of the Syria crisis in March 2011, **but began before the major influx of Syrian refugees in 2012**. After four consecutive years (2007 – 2010) during which real GDP growth averaged 9.2%, growth has slowed to just 1% – 2% annually.

Figure 2. Lebanon Economic Growth (Real GDP, 2006 - 2015) ²



Lebanon's economy is relatively open, with geographically diversified exports of services making up 49% of GDP; as well as small and highly concentrated, with trade, manufacturing, construction and the financial sector together representing around 60% of GDP³—and as such is vulnerable to external shocks. Aside from unrest in neighboring Syria, the factors contributing to the sharp slowdown in 2011 were multiple, including continued global economic weakness, domestic political uncertainty, as well as the lack of fiscal and structural reforms required to sustain continued high economic growth.

Effect of Syria Crisis Larger than Refugee Influx

Some estimates attribute the loss of billions of dollars in economic activity over 2012 – 2014 to the crisis in Syria.⁴ Both countries are closely linked through historical, social and economic ties, and major disruption to Lebanon's economy was recorded in falling trade with Syria (official statistics show both imports and exports decreased by some two-thirds,⁵ not including significant transit trade), as well as the rising costs and burden on infrastructure caused by supported a rapidly growing refugee population. Additionally, the heightened insecurity and uncertainty surrounding the crisis in Syria negatively affected investor and consumer confidence, and caused the number of tourists visiting Lebanon to drop by 23% since 2011,⁶ which itself put further downward pressure on Lebanon's services and construction sectors.

² Source: IMF, World Economic Outlook, April 2014.

³ Source: Moody's Credit Analysis Lebanon, June 18 2014.

⁴ Source: World Bank, Lebanon Economic and Social Impact Assessment of the Syrian Conflict, September 20, 2013.

⁵ Source: <http://www.customs.gov.lb/>

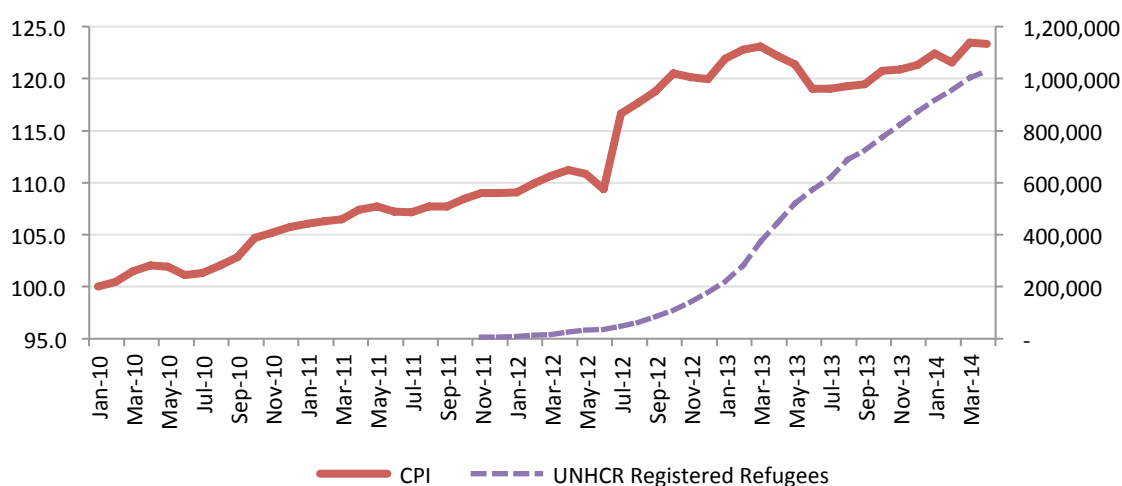
⁶ Source: Moody's Credit Analysis Lebanon, June 18 2014.

Overall, the World Bank estimates that US\$2.6 billion was lost between 2012 – 2014 as a result of declining wages, profits, taxes, private consumption and investment tied to the Syrian crisis. This figure does not include other economic costs and disruptions in the form of reported rising unemployment and poverty within the Lebanese host community, as well as hardships posed by declining access to (and quality of) public services.

Impact on Consumer Prices Unclear

Another reported negative effect of the Syria crisis and the influx of more than 1 million refugees has been the impact on consumer prices. Rises in the prices of certain commodities (such as wheat flour) have been attributed to rising demand for goods by Syrian refugees.⁷ However, the official Lebanese government data does not necessarily support the assertion that the refugee influx has propelled a broad increase in price levels.

Figure 3. Lebanon Consumer Price Index and Registered Refugees⁸



The official body responsible for the publication of the Consumer Price Index (CPI) in Lebanon is the Central Administration of Statistics (CAS). The figure above shows that prices rose 23.3% between January 2010 and April 2014 (the last month for which data was available). The sharp rise between June 2012 (109.4) and January 2013 (121.9) coincided with a change in the official survey methodology (housing sector data were updated for the first time since August 2009).⁹ Additionally, data were not collected between January and May 2013. Setting aside these and other methodological concerns about how the CPI is weighted and data is collected, **the official data do not suggest a significant rise in consumer prices coinciding with the influx of refugees**, but rather a relatively steady average annual inflation rate of 7% since 2010.

This observation is reflected in findings from field research, as well as reflected in CPI sub-indices (such as that for food, which will be discussed below) that show a more complex picture of price levels rising and falling for various goods and services. However, official housing data have not been updated since July 2012, potentially obscuring subsequent price increases in that sector—one which field research suggests has seen the largest upward price pressure as a result of the refugee crisis.

⁷ Source: World Bank, Lebanon Economic and Social Impact Assessment of the Syrian Conflict, September 20, 2013.

⁸ Source: UNHCR, Central Administration for Statistics. CPI re-indexed with base month January 2010. CAS did not collect data in Jan 2011, and from Jan 2013 to May 2013—that period was reported as linear monthly average.

⁹ <http://www.executive-magazine.com/economics-policy/lebanon-inflation-falls-two-percent>

Background on Humanitarian Response

The major humanitarian intervention in Lebanon's food markets has been the World Food Programme (WFP) voucher-based food assistance. WFP began delivering food assistance in June 2012, following an official request from the Government of Lebanon in May 2012. It carries out its operations through a network of six cooperating NGO partners (Action Contre la Faim, Danish Refugee Council, InterSOS, Premiere Urgence, Save the Children, and World Vision).

Eligible registered refugees currently receive vouchers worth US\$30 for each member of their family. These vouchers were initially paper, but are now exclusively distributed through e-vouchers (or e-cards similar to debit/credit banking cards), which are topped up remotely on a monthly basis. Some 715,210 refugees (out of a registered population of 1,030,413) in Lebanon received food assistance via vouchers in May 2014, redeeming their e-cards at a network of 340 shops contracted by the WFP across the country.

The initial value of the food voucher (US\$27) was based on the cost of a basket of basic foodstuffs needed to reach a minimum daily calorie intake of 2,100 Kcal. In early 2014, the voucher value was increased to US\$30 to compensate for rising food prices and inflation, after the value of the food basket was found to have risen to US\$ 31.54 by December 2013.¹⁰

In addition, some 27,459 beneficiaries received in-kind food assistance in May 2014—particularly one-off food parcels for newly arrived refugees (which contain mixed rations of some 19 different items such as rice, wheat, flour, canned foods, package cheese, sugar, tea and coffee, etc.).¹¹

As of May 2014, over US\$222 million worth of assistance was delivered to refugees through WFP vouchers. By the end of 2014, WFP is planning to provide monthly assistance to 75 percent of registered refugees (an estimated 1,125,000 individuals) through the provision of e-cards.

¹⁰ Source: World Food Programme, Lebanon Price Monitoring Report, August-December 2013.

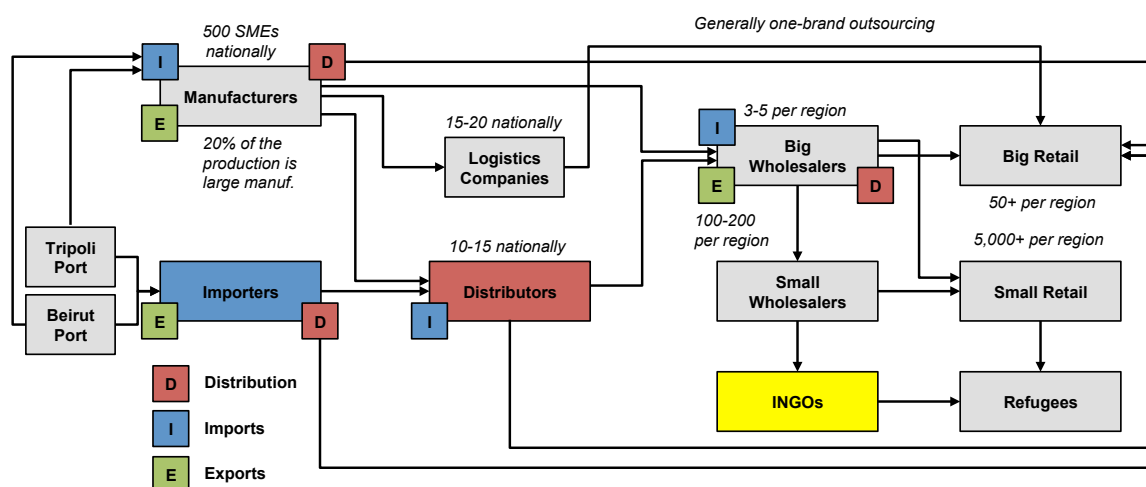
¹¹ Source: World Food Programme, Lebanon Fact Sheet, May 2014.

Competitiveness, Market Integration and Accessibility

Lebanese Market Chain Long, Complex and Dynamic

The market chain in Lebanon for long shelf life goods such as dry and processed foods is complex, with hundreds of market actors at the distribution and wholesale level, and thousands of points of sale (POS) in each region. This is thanks to Lebanon's strong commercial traditions and competitive market environment, with few to no restrictions on capital movement; the significant share of the economy based on trade (more than 50% of GDP); and particularly the well-established re-export market.

Figure 4. Market Chain for Long Shelf Life Products in Lebanon



Within the market chain described above, there are many market actors who engage in hybrid activities—combining importing, exporting and distributing. This is particularly true of large Lebanese manufacturers and large wholesalers, although they tend to confine themselves to particular commodities or brands.

Generally speaking, as goods move across the market chain they become more expensive, as various actors add incremental mark-ups. The extent to which importers, manufacturers and distributors engage wholesalers is determined by their ability to support the cost of distribution on their own (such as warehousing and transportation equipment). Logistics companies (Aramex, Agility, etc.) provide an alternative and lower cost distribution mechanism for manufacturers to service larger retail accounts. The smaller the importer or manufacturer, the likelier they are to engage wholesalers, and nearly everyone engages wholesalers to reach small retail outlets such as minimarkets and grocery shops (*dukkane*). Another reason to engage wholesalers is that credit risk is transferred to them, as they extend credit to retailers until inventory is sold or returned.

Markets are Well Integrated Along National Supply Chain

With import volumes at the Tripoli port only 15 – 20% of the Beirut port, the national supply chain generally extends from Beirut (where the airport also handles a significant volume of generally higher-

value goods). This is particularly the case as overland trade with Syria has declined by at least 65.8%¹² since 2010. Many suppliers in Beirut are also engaged in import and re-export activities, importing goods and commodities such as cereals, legumes, spices, powdered milk, coffee and tea in bulk from different countries and re-exporting to countries in Africa, as well as Canada and Australia.

Even at the remote border areas surveyed (Aamayer and Qaa), shopkeepers reported sourcing from Beirut-based suppliers, although they noted that selection of wholesalers willing to deal with remote areas (particularly in Aamayer) was limited. This was further reflected in price data gathered in retail surveys (discussed below), which suggests that price variations tend to reflect relative purchasing power of local residents rather than distribution costs.

Strong Competition at (Big and Small) Wholesaler Level

In the North, a small handful of large wholesalers dominate the market (Kamareddine, Kassem, Abdelkarim Mahmoud, and Hussein Qor Ali). They in turn supply to 70 – 80 small-scale wholesalers who are spread across Tripoli, Akkar, Donnieh and Zgharta. The situation is mirrored in the Bekaa (with major suppliers like Fattal Group, Turk Trading Plus, Richa for Commerce Group) and an even larger number of 100-200 small-scale wholesalers. These wholesalers may have exclusive distribution rights to a particular brand, either nationally or for their region (i.e. Kamareddine Wholesale is the exclusive agent for Tabbara Trading in Tripoli, and trades Tatra brand milk powder and Picon; Turk Trading Plus has exclusive distribution rights to Picon in the Bekaa), while the recent proliferation of smaller-scale wholesalers and importers (see below) has heightened price competition for lower-quality goods.

Competition at Retail Level Varies, Depending on Geographic Area

There are more than 50 major supermarket and retail chains, combined with several thousand smaller grocery stores and mini-markets in each region of Lebanon. The small size of the country, relative geographic proximity of shops, and diverse supply of goods, brands available nationally contributes to a very competitive retail environment. There are particular exceptions where limited number of outlets or relative geographic isolation makes price competition less likely. The introduction of the WFP partner shop system for Syrian refugees also potentially limits retail-level competition by limiting consumer choice, particularly in those areas with fewer contract shops or limited consumer mobility.

In a survey of 135 Syrian shoppers across all eight geographic locations, a majority of respondents said they prefer to shop within the village they reside in as much as possible (78% of respondents). Some 29% go to the shop closest to their residence, while 14% look for the shop with the lowest prices.

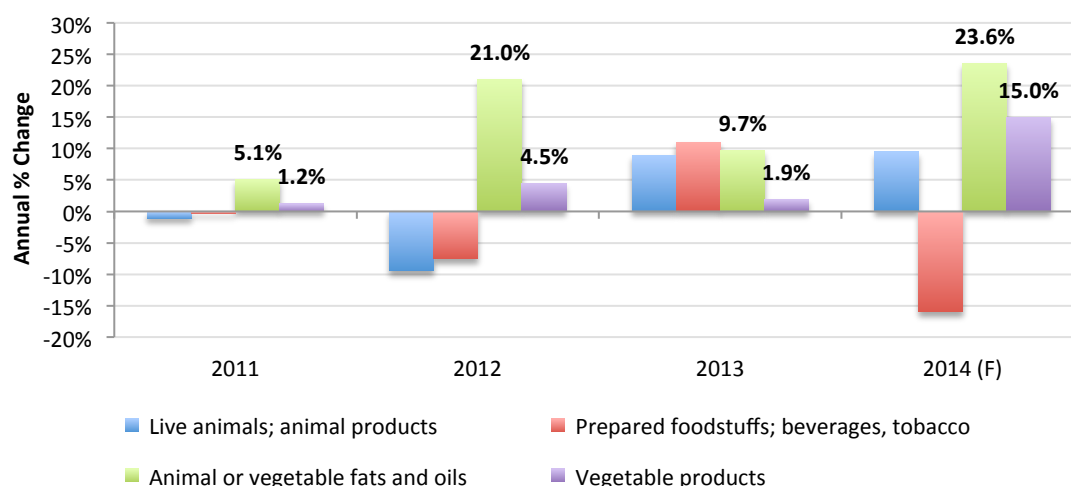
However, there are noticeable geographic differences in reported consumer behavior. While only 47% of respondents said they relied *exclusively* on WFP partner shops for their dry/processed food purchases, those who did were disproportionately clustered in Qab Elias and Dahr el Ahmar. Elsewhere in the Bekaa (e.g. Qaa) a majority of respondents said they shopped wherever they could find the lowest prices.

¹² Source: <http://www.customs.gov.lb/>

Current Impact of the Crisis

Imports Data Shows Rising Demand for Grains, Fats

Figure 5. Lebanese Imports of Select Food Products by Volume (Tons)¹³



Official Lebanese customs data show significant annual fluctuation in imports by volume (tons) across relevant categories from 2010 to now (2014 is presented as an annual forecast based on January to April data). However, the strongest growth in imports occurred in animal or vegetable fats and oils, as well as vegetable products, increasing on average 14.8% and 5.6% per annum respectively. This is supported by KIIs with market participants (see below), while imports of prepared foodstuffs and animal products have grown on average 1.9% and 3.2% per annum, respectively. Data on domestic production of food also suggests that Lebanon is still lagging 2008 levels, due in part to declining international food prices, which made local produce more competitive and incentivized production in earlier years.¹⁴ At the same time, the dollar value of these imports has also risen (except for animal and vegetable fats, which have stay flat), with the average cost per ton rising in 2010 – 2014 some 8.7% for animal products, 37.7% for prepared foodstuffs, and 25.6% for vegetable products.

Official Food Price Data Mirrors Overall CPI, International Prices

As discussed in the previous section, the official government data on consumer prices shows a relatively steady average annual inflation rate of 7% since 2010. Food constitutes a major component of Lebanon's consumer price index, with a weight of 22% in the index computation. The food price sub-index had been increasing faster than the overall CPI, however a sharp decline (see below) in the last six months of data (of some 3%) has brought the sub-index back in line with the overall CPI.

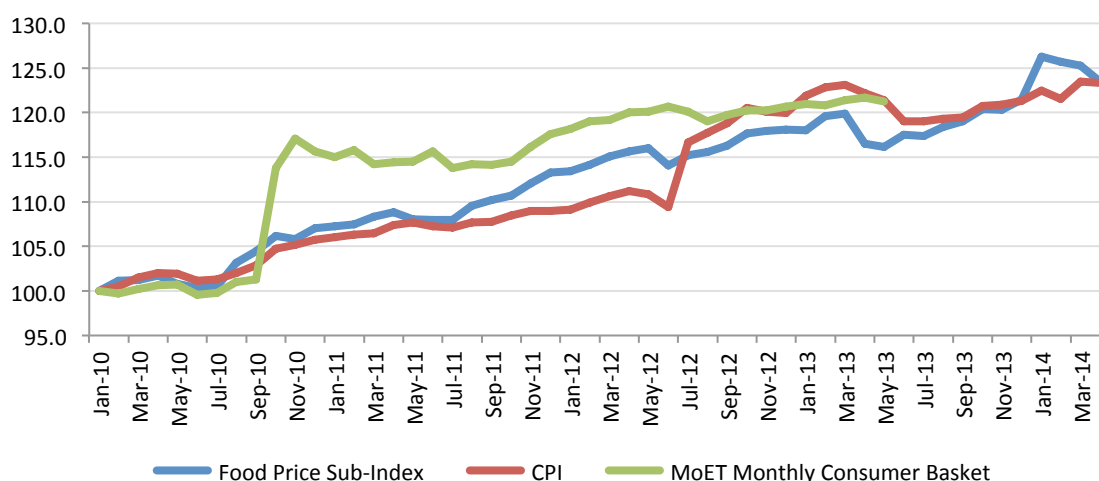
For comparison's sake, the Ministry of Economy and Trade's (MoET's) Technical Office for Pricing Policies (TCPP) produced a monthly price index for a basket of goods sold in supermarkets. Although the index tracked approximately 650 goods, data was collected from only 10 supermarkets

¹³ Source: <http://www.customs.gov.lb/>. The major components of prepared foodstuffs are: imported tobacco and tobacco substitutes (27); preparations of cereals, flour, and starch (17%); sugars and confectionery sugar (12.9%). The major components of vegetable products are cereals/grains (40%); edible vegetables, fruits and nuts (15% each). The major components of animal products are dairy products and eggs (36%), live animals (35%) and meat imports (19%).

¹⁴ See: BankMed, Analysis of Lebanon's Food Market (2009-2013), September 2013.

across Lebanon (6 supermarkets from Beirut and Mount Lebanon, 1 from the North, 1 from the South, 1 from Nabatieh and 1 from Zahle). Although no MoET data is available after May 2013, despite a sharp spike in food prices seen at the end of 2010, this index also broadly tracked the CPI and CPI food sub-index from 2011 until mid-2013.

Figure 6. Measuring Food Prices in Lebanon ¹⁵



Larger Market Actors Attribute Only Moderate Change in Business to Refugees ...

Major manufacturers, importers, and distributors interviewed in Beirut, Tripoli and Zahle reported only moderate changes in their business as a result of the Syrian crisis and the influx of refugees. Most attribute far more influence to the overall economic slowdown in Lebanon, as well as the security situation, in determining how their business performs.

In interviews, all the traders and wholesalers selling into the North said that the violence in Tripoli in 2013-2014 had been far more disruptive than the influx of Syrian refugees. Sales slowed because Lebanese populations from nearby Koura, Donnieh and Zgharta were unable to reach markets in Tripoli, and stayed away even when violence had ended because of lingering tension and uncertainty. One wholesaler attributed a 40% loss in his business to this phenomenon, while others pointed to the development of new retail infrastructure in Koura as a sign of how seriously Lebanese traders were taking the security situation.

The security situation also affected transportation costs. Increased risks of delivering supply to wholesalers, adding as much as 20% to transportation costs with drivers taking longer routes and detours, and some shipping companies increasing their prices as risks grew. Delays in delivery also added to costs, which were passed on to wholesalers.

... See International Prices, Seasonality Strongest Determinants of Price and Demand ...

Additionally, these major actors said the prices they face or offer their customers are far more likely to be influenced by international food prices or input costs than by action in the domestic market. For

¹⁵ Source(s): Central Administration of Statistics, Lebanon Ministry of Economy and Trade. Re-indexed with base month January 2010. No MoET data available after May 2013. CAS did not collect data from Jan 2013 to May 2013; that period is presented as linear monthly average to fill gap.

example, they reported that the price of commodities such as sugar and powdered milk in the Lebanese retail markets have been much more strongly affected by international price movements. Powdered milk (so much in demand by Syrian refugees) has increased in price because of a 30% increase in global dairy prices since 2011, while sugar and vegetable oils have seen a 20% decrease over the same period.¹⁶ Furthermore, these traders all report that their usual patterns of seasonal demand have not been disrupted since the start of the Syria crisis. Ramadan remains the peak season for food demand (admittedly a phenomenon the majority of Syrian refugees would likely reinforce). Traders also report continued strong seasonal demand for milk associated with the school seasons, reinforcing the idea that the purchasing power of Lebanese consumers still far outweighs that of the Syrian refugees.

... Also Report Rising Transportation and Administrative Costs

Another difficulty faced by manufacturers and suppliers was at the level raw materials and commodities. Prior to Syrian crisis, many goods were imported and transported overland via Syria to Lebanon, but the risk of violence and border closures forced many companies to switch to sea freight for imports. This has also increased shipping costs and prolonged delivery time, with the price of shipping increasing by 20 – 30% since early 2011 due to the international increases in fuel prices.

There are mixed reports of delays at the Beirut port causing higher administrative costs for importers and manufacturers. Congestion at the port due to higher import volumes is reportedly prolonging clearance times, incurring a cost of \$40 per container per day. This seems to be an issue particularly for smaller importers and wholesalers, who are likely less able to push through the bureaucratic hurdles (such as Ministry of Agriculture product testing). These delays are apparently especially true for legumes, sugar, and tea (popular among refugees—see below), most of which used to be imported via Latakia port in Syria and subsequently trucked overland.

Wholesalers and Retailers Report High Syrian Demand for Cheapest Goods

Further along the market chain, wholesalers and retailers report strong increases in demand from Syrian refugees for a small spectrum of food items. Shopkeepers said most increased trade was in items like stock cubes, instant noodles, zaatar, powdered milk, sugar, cooking oil, processed cheese, rice and some canned products. Some suppliers indicated that their sales of legumes and pulses have increased by 30 – 40%. Most wholesalers and shopkeepers attribute this to the lack of spending power of Syrian refugees (especially the poorest, who are generally constrained by the amount of cash assistance they receive).

Survey of Syrian Shoppers Confirms Reported Demand Patterns

During a survey of 135 Syrian shoppers at 20 retail locations across Lebanon, respondents were asked which food items they regularly purchase. The most commonly cited items and the most popular brands were:

Figure 7. Retail Survey Results on Syrian Demand

Good	% Buying	Popular Brands
Rice	80.7%	Chtoura
Cooking Oil	66.7%	Shopping Sun/Afia

¹⁶ Source: FAO Food Price Index

Bulgur	66.7%	<i>no brand / Al Jouda / Halaabaoui</i>
Sugar	63.0%	<i>no brand / Zein</i>
Processed Cheese	62.2%	SMEDS
Milk Powder	60.0%	Al Doha / Nido
Tea	58.5%	Horsehead
Salt	58.5%	<i>no brand</i>
Canned Fish	49.6%	Milo
Lentils	45.2%	Devroni

Consumption Patterns Vary Widely by Region

In most regions, a majority of respondents selected between eight and fourteen items that they regularly purchase. Sir id Donnieh had the most diverse selection, with 16 products being mentioned by at least 50% of respondents. The lowest number of items purchased was in Dahr el Ahmar, where just one product was mentioned by 50% of respondents. Riyaq and Qab Elias also had few products selected, with 2 and 3 respectively. Consumption in these last three areas likely reflects reliance of refugees in the Bekaa on produce obtained from the agricultural land they live (and in many cases work) on. When interviewed directly, respondents in these areas said they restricted themselves (to cheap *zaatar* and Nido for their children) because they subsist mainly on potatoes and cucumbers, either grown privately or taken from nearby plots.

Furthermore, while more respondents in the Bekaa reported that price was a major determining factor in which goods to buy, respondents in the North were more likely to prefer particular brands or choose items based on quality. This likely reflects the relative purchasing power of Syrians with higher paying jobs in semi-urban areas like Donnieh, Batroun or Halba, compared with Bekaa workers who earn \$4 – 8 per day working in the fields. It may also reflect a continuation of lifestyles and consumption habits from Syria.

Effects of Refugee Demand Different Across Market Chain

Setting aside the large market actors who report only moderate shifts in their business in response to the Syrian refugee population, there are other actors further along the market chain who have felt its effects more keenly.

For example, Ziad Turk of Turk Trading Plus has exclusive distribution rights in the Bekaa for popular brands such as Unilever, Bic, Nivea, Sanita, Picon, Almaza, Johnny Walker, and Pril. He currently distributes 28,000 SKUs (items) to around 1,900 points of sale (POS). He reports only a modest growth in business (net revenue up 5% - 10% / year), saying most new demand is for lower-end goods. While his sales of Picon have not increased considerably, he is aware of growing demand for other cheaper, lower quality processed cheeses. Picon sells for 60,000LL / 72 pcs, but Turk now reports competition from South American processed cheese (dairy free; just vegetable oil with artificial flavor and colors) that is selling for 12,000LL / 72 pieces.

By contrast, Joseph Richa of Richa for Commerce/Al Noujam Trading in the Bekaa reports a 40% increase in his business thanks to expanding points of sale (primarily new small retail outlets) throughout the Bekaa and higher sales volume. He has exclusive distribution rights for SMEDS processed cheese (which was reported as a favorite brand in the surveys above), La Piera processed meats, and Café Pele instant coffee, and says his biggest selling items are SMEDS, rice, canned processed meat, and Fairy dish soap.

In Tripoli, wholesaler Hussein Qor Ali reported a 30% decline in demand for his dry goods products, citing illegal competition with intermediaries and reselling of goods in the black market. In particular, the market has seen increased supply of Grade C products, as well as unusual declines in retail prices. He gave the example red beans, which has an average retail price of 4,000 LL/kg, but he now sees regularly in markets in Tripoli for 2,000LL/kg. He attributed this to either extremely poor quality or reselling of donated food for cash.

Demand for Low-End Products Encourages New Market Entrants at Wholesale and Retail

Many established traders have little financial incentive to trade in lower quality products demanded by refugees, either because they have distribution rights for higher-value products (and would undercut themselves), or because the margins on trade of such items are too small. Many established traders also do not want to harm their own reputation for selling quality goods. To fill the space left by these traders, many new wholesale and retail operations have been established. Turk and Richa noted the proliferation of smaller wholesalers in the Bekaa, with the number reportedly increasing 50% from 2011 to over 200 today, along with hundreds of retailers. Many have reportedly entered (or re-entered after closing in 2010) the market hoping to make short-term profits on supplying the refugee population.

New Market Entrants Lead Price Competition, Keep Prices Low

According to interviews, this proliferation of smaller wholesalers and retailers dealing mainly in lower quality goods means that price competition at the wholesale level is fierce. While for many wholesalers sales volumes have increased, margins have decreased. Retailers have many more options when it comes to choosing suppliers, and can drive down price and dictate terms of credit. This also helps moderate price increases at the retail level.

Humanitarian Intervention (Both In-Kind and Cash Assistance) Reinforces These Trends

The limited number of shops participating in the WFP e-card system has also reinforced this trend, handing a handful of shops a relatively large share of local demand. These shops can now pick and choose their suppliers more carefully, setting prices and terms. One Bekaa-based wholesaler pointed to a shop in Aarsal that has increased its *monthly* orders from \$1,000 to \$30,000 since it joined the WFP program.

Similarly, direct procurement of goods by international NGOs for in-kind distributions have often emphasized price over quality, creating strong incentives for traders to import or otherwise procure low-quality goods. This further supports those new market entrants who target the lower end of the market, or potentially undermines established traders (like Hussein Qor Ali) whose goods are procured and then reenter the wholesale market at a lower market price.

Limited Evidence of Black Market Activities, Resale of In-Kind Donations

Although it was frequently cited by larger market actors, interviews with shop owners and Syrian refugees revealed limited evidence of reselling goods from WFP partner shops or in-kind donations. Several manufacturers and large distributors reported their products being sold at 30-50% ordinary retail price, but the black market supply chains that put them on the shelves remain obscure.

Only during surveys in Qaa and Aameyer (both rural areas near the border with Syria) did respondents and shopkeepers acknowledge resale of goods. In Aameyer in particular, there were

many reports of in-kind donations of food and other items being resold into local markets; while several shopkeepers at smaller markets in Qaa acknowledged buying goods from Syrian refugees who wanted cash. The differences in prices between the WFP partner shop and other shops in Qaa are as much as 50% for some goods.

The widespread practice of reselling goods seems to be more common for particular commodities, and perhaps in particular geographies. This was reflected in the analysis of retail survey data, which show unusually high quantities of sugar purchased, particularly in certain villages in the North. While the 1 or 5 kg bag is the most commonly reported size nationwide (54 of 85), in Qaa, the most popular size is 25 kg, with more than half of respondents (8 of 15) choosing that size or larger, and one stating that they buy the 50 kg size. Aamayer and Sir id Donnieh also had respondents who buy 25 kg bags, with 4 and 3 respectively. These bulk purchases may also be evidence of sugar resales.

Bulk Sales, Packaging Also Keeping Prices Low

Although bulk purchases of sugar and other commodities in 50kg bags might be the exception, in interviews with suppliers and wholesalers, it is clear that the market is adjusting to Syrian demand for bulk packaging. The popular Horse Head brand tea packaged by Sinno Group has seen sales of its 400gr packages exceed the traditional 160gr package previously favored by Lebanese consumers. Sinno Group attributes this shift to Syrian refugee consumers. Likewise, Helbawi Brothers have started packaging pulses and rice in 5kg bags, instead of just ½ kg or 1 kg packages. These “family size packages” are clearly in higher demand for commodities such as rice, lentils, beans, chickpeas, and sugar, but bulk sales also means unit costs are low.

Market: Hygiene Products

Background on Humanitarian Response

Hygiene kits have been provided to newcomers since the start of the refugee crisis. Though some refugees also received monthly packages, usually in combination with their monthly food vouchers, this has largely ceased. In the first four months of 2014, 212,284 kits were distributed, most through World Vision and the Danish Refugee Council in the Bekaa. While the exact value of the kits may vary, the contents of a representative kit (distributed by World Vision) include:

Items	Quantity
Toilet paper	4 packs with 4 rolls each
Toothpaste	2 pieces of 75 ml (total of 150 ml)
Toothbrush	5 pieces
Laundry soap/detergent	1 kg
Liquid dishes detergent	1 piece of 750 ml
Bath towel	2 medium towels
Laundry line	1 (10 m long)
Plastic bucket with lid	1 (10-20 liters)
Plastic jerry can	1 (10-20 liters)
Garbage bags	1 pack with 20 pieces
Comb for lady	2 pieces
Sanitary napkins	3 packs with 20 pads each
Individual soap	5 pieces of 125 g each (total of 625 g)
Shampoo	1 bottle of 500 ml

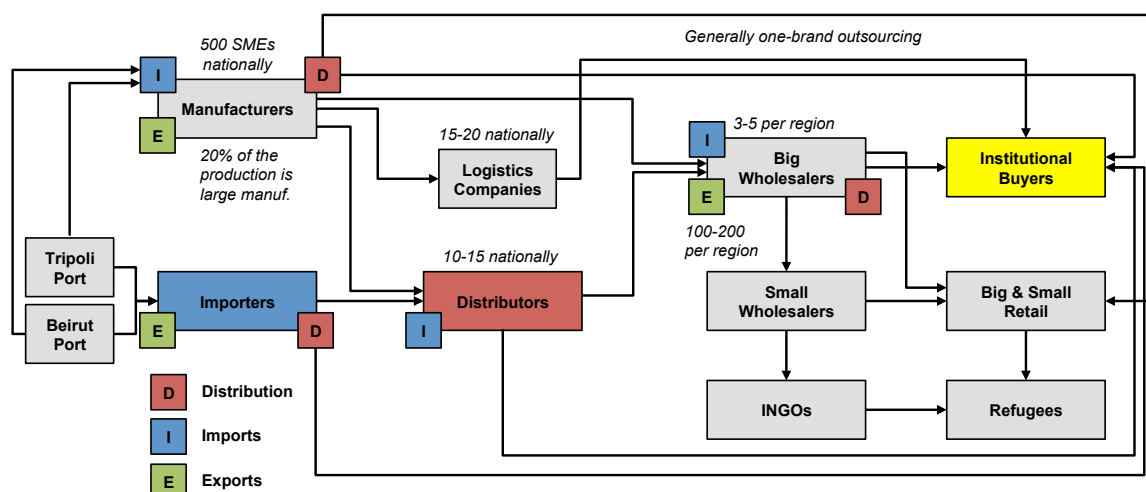
The market for hygiene products is generally similar to that for dry and processed food products, as both operate on the basis of the long shelf life goods market chain. There are, however, certain critical differences in how the market operates, and how the impact of the Syrian crisis has differed, and these are presented below with only brief repetition of important points from the discussion above.

Competitiveness, Market Integration and Accessibility

Market Chain Differs for Hygiene, Primary Market is Larger Institutional Buyers

The most significant differences in the market chain for hygiene products in Lebanon are the greater role played by major manufacturers (e.g. Mimosa, Perla) in importing and distribution, as well as the greater share of demand comprised by institutional buyers like hospitals and health centers, universities, and the Horeca (Hotel/Restaurant/Café) sector for basic hygiene products such as toilet paper, soaps, detergents and other cleaning products.

Figure 8. Market Chain for Long Shelf Life Products in Lebanon (Modified for Hygiene)



Manufacturers of hygiene products in Lebanon prefer to manage distribution to ensure traceability and better control product prices in destination markets. Both Mimosa and Perla sell directly to (generally) large retailers in order to control end market prices, and limit mark-up in what is a very low-margin industry. This also allows for greater price discrimination by region.

WFP Restrictions May Limit Accessibility for Syrians in Some Areas

Although a wide range of basic hygiene products (brands, quality, prices) are universally available across Lebanon, Syrian refugees face restrictions on the purchase of hygiene products at WFP partner shops, which forces them to use income from other sources to fund purchases of such goods. Based on retail surveys, these restrictions appear to be inconsistently applied by some partner shops, with some not restricting hygiene product purchases at all; others allow the purchase of goods worth less than 10,000LL; while still other shops (perhaps overzealously interpreting restrictions) do not allow such purchases at all. Some 47% of refugees surveyed buy hygiene products along with their food purchases at WFP partner shops.

Current Impact of the Crisis

Syrian Retail Demand for Hygiene Products is Very Limited

The clear conclusion from survey data of 135 Syrian shoppers is that retail level demand for hygiene products is extremely limited. The most commonly cited items and the most popular brands were:

Figure 9. Retail Survey Results on Syrian Demand for Hygiene Products

Good	% Buying	Popular Brands
Laundry Soap	74.1%	Nora
Dish Soap	70.4%	Carmel
Shampoo	65.2%	Dalia/Fox/Sunsilk
Diapers	58.5%	Loulou
Sanitary Napkins	54.1%	Compact

Beyond these basic items, however, very few respondents reporting purchasing additional hygiene related products, generally citing financial constraints. While many had received welcome kits or other in-kind donations, once respondents were required to spend their own money on purchases, they reported restricting themselves to essentials such as those listed above. Indeed, although some INGOs are reportedly providing a supplemental 40,000LL per month towards the purchase of hygiene items, most refugees restrict their purchases to bare essentials to save money for food or rent instead of hygiene products. This reportedly often entails using paper towels or simply water instead of toilet paper, and foregoing regular bathing.

In Broader Market, Limited Impact of Refugees Seen in Continued Seasonal Trends

According to interviews with manufacturers and distributors, the onset of the Syrian crisis coincided with an increase in demand for toilet paper, hygiene pads and diapers. However, much of this demand is driven by bulk procurement of hygiene products as part of hygiene kits distributed by INGOs or other in-kind assistance—rather than retail-level demand. As with dry and processed food, the persistence of normal patterns of seasonal demand reported by major market actors suggests that the impact of Syrians on total demand is less than might be expected with such an increase in total population. In particular, the relative increase in demand for hygiene products associated with the summer tourist season has remained the major variation each year.

Disruption of Imports of Hygiene Products, Inputs for Manufacture

A more significant market disruption, according to interviews, was the disruption in imports of products and raw materials. As with dry and processed food, shifting trade to Beirut port has caused costly delays in delivery, adding to administrative costs. Large volumes of hygiene products were formerly trucked overland through Syria, and must now be channeled through Beirut. Perla Hygiene Products said its manufacture of tissue and toilet paper had been severely negatively impacted, first by a 33% customs tax imposed by the Syrian government on products (in this case, raw paper inputs) originating from Turkey, and then by the closure of its factory in Syria. This has forced the company to adopt a new production model with more expensive inputs imported via Beirut port.

Reported Frequent Resale of In-Kind Assistance in Hygiene Products, Depressing Prices

Actors at every step of the market chain reported high incidence of reselling of hygiene products, much from in-kind assistance provided to refugees. For manufacturers, importers and distributors,

this includes finding their products on shelves for as little as 30% of their suggested retail price. Turk Trading Plus, a large wholesaler in the Bekaa with exclusive distribution rights to Bic and Nivea, reported that whenever a large quantity of his products (e.g. Bic disposable shavers) are procured for a certain region, inventory restock orders from retailers in that region subsequently decrease.

Figure 10. Resold In-Kind Hygiene Products Purchased by Bekaa Shopkeeper from Informal Supplier



This resale is no doubt driven by the need of refugees for cash to manage higher priority expenditures (especially rent and food), as well as their ability to survive with limited only consumption of basic hygiene products like soap. In some cases they may also be selling higher value branded products and using the cash to buy cheap *baladi* soaps and other cleaning products—pocketing the difference. This resale of products further limits demand and puts downward pressure on prices.

Unregistered Syrian Manufacturers Enter Market, Heightening Price Competition

Some Syrian businesses have reportedly dumped inventory from their businesses in Syria into the Lebanese market in a bid to clear their inventory and earn revenue while their factories in Syria are closed. Others have reportedly opened unregistered manufacturing facilities in Lebanon itself, continuing production of brands from Syria as means of sustaining their livelihood in this country. As they are not registered, these factories are exempted from taxes and pay minimal fees for electricity and water, thus rendering significantly lowering production costs, allowing them to offer comparable goods that are 50-70% cheaper than Lebanese products. This was specifically observed in Qab Elias where Syrians have opened their own unregistered factories for hygiene products (specifically Atlas brand) like tissues and toilet paper.

More Counterfeit Goods Turning Up, Especially in In-Kind Procurements

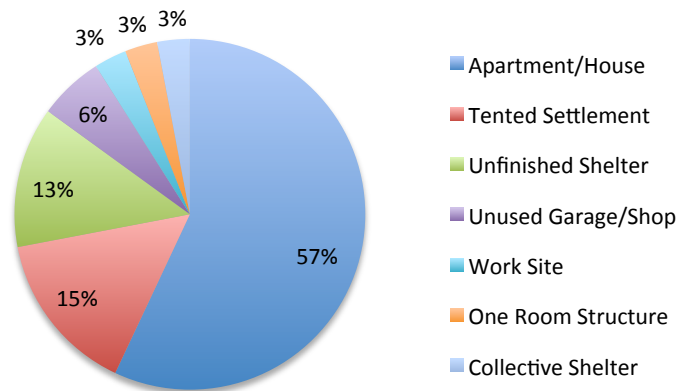
On a similar note, wholesalers with exclusive distribution rights noted that the share of counterfeit goods has been increasing, particularly in some large procurements by INGOs and other charitable organizations. Counterfeits have been a problem in Lebanon (particularly in the Bekaa) for sometime, with previous sales targeting Palestinian camps. Counterfeiters usually only reproduce high-value products and foreign brands (e.g. shampoos like Pert Plus and detergents like Persil or Ariel) that poor Syrian refugees do not generally report buying at retail outlets. However, Turk Trading Plus noted that counterfeit Nivea roll-on deodorants have made their way into in-kind assistance packages. He also noted (by way of example) that counterfeit Bic pens have also been observed in education care packages for refugee children. Prices for counterfeit items can be 50% cheaper or more than originals, and are generally sourced through informal suppliers.

Background on Humanitarian Response

The prohibition against the establishment of official camps to host Syrian refugees in Lebanon has caused displaced populations to seek shelter within Lebanese host communities across the country, especially in the poorest and most economically vulnerable communities. Additionally, the sheer number of refugees entering Lebanon has stretched available supply of housing, forcing many refugees into improvised shelter solutions (such as informal tented settlements, unfinished buildings or otherwise sub-standard accommodation).

A telephone-based survey commissioned by the UNCHR Shelter Working Group (SWG) in March 2014 indicated that 57% of refugees in Lebanon are living in an apartment or house, while 15% reside in informal tented settlements, and 28% in unfinished or other kinds of structures:

Figure 11. Shelter Working Group Data on Refugee Accommodations



There is important regional variation in shelter types, with tented settlements more common in the Bekaa and in the North, while in Beirut and Mount Lebanon, 92% live in an apartment or house. 81% of Syrian refugees pay rent, and most refugees share their living space with at least one other family, with an average monthly expenditure of US\$200-250.¹⁷ Other assessments suggest that the number of refugees relying on improvised shelter solutions (particularly ITS) is increasing over time as affordable shelter has become more difficult to find or savings are depleted, with 51% of registered refugees categorized as at risk.¹⁸

According to the UNHCR, approximately 40,000 Syrian refugee families received some form of rental assistance during 2013. Additionally, the UNCHR SWG coordinates the distribution of needed materials, including plastic tarpaulins or sheeting, to residents of ITS and other unfinished shelters.

¹⁷ This national average does not reflect variation in geography or shelter type. It is unclear to what extent this figure has been discounted to reflect the number of refugees who share the cost of rent. The MSNA reports a wider range: US\$150-300.

¹⁸ Source: Inter-Agency Multi-Sector Needs Assessment (MSNA), Phase One Report: Secondary Data Review and Analysis, May 2014.

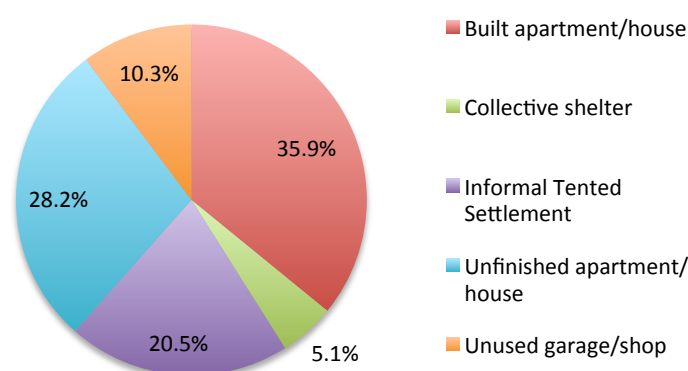
The following is an assessment of the rental market in the target geographic areas as experienced by the poorest Syrian refugees. Research and surveys were targeted at the poorest refugees in each area rather than the general population of refugees, in order to understand the dynamics facing those refugees most likely to be targeted by cash assistance for rent in the future.

Competitiveness, Market Integration and Accessibility

Poorest Syrians Generally Not Facing Same Market as Poor Lebanese

Although reports of rising rental prices and limited supply are widespread among Lebanese host communities, and indeed are reflected in the broader housing market prices captured in the official CPI data (see above), only 35.9% of 121 respondents surveyed by the consultants said they were renting a built apartment or house. The rest live in informal tented settlements, converted garages, unfinished commercial spaces, converted commercial spaces, or other improvised shelter solutions. These types of shelter are generally not in demand by poor Lebanese, who have access to family homes or pre-existing tenant agreements. However, there are increasing reports of competition over shelter between Syrians and Lebanese—particularly in urban areas in the North (see additional discussion below).

Figure 12. Breakdown of Accommodation Type in Survey



Profile of Syrian Tenants Surveyed

121 Syrians were surveyed across 8 geographic areas. The following is the key data from those surveys:

- Average reported rent was \$190, with 15.7% not paying any rent. Excluding those not paying rent, however, the average rent rises to \$212 dollars, and further excluding lower rates paid for tented settlements (under \$50), the average rent was \$259. Excluding those not paying rent and the highest 10% of reported rents (those \$400 per month or higher), the average falls to \$198.
- The highest rents reported were in Batroun, where the majority of Syrian residents reported paying \$400-\$500. The lowest rents are in Aamayer, where 80% (12/15) are not paying any rent (although 84% of them said they were working in exchange for rent).
- Again, it was not always apparent from survey respondents how total rent per shelter was

divided among the various family members, particularly for larger 2-3 bedroom accommodations. Some 32.2% of respondents said they are sharing their present accommodations.

- 39% have no bedrooms, 28% have one bedroom.
- 67% say their shelter is in acceptable condition. Of the 33% who say it is not acceptable, 65% need the toilet fixed, 50% need the doors fixed, and 48% need the roof fixed.
- 51.4% pay cash. 2.7% get rent in exchange for work (all in Batroun). 46% did not answer this question.

Profile of Lebanese Landlords Surveyed

In addition to Syrian refugees, 37 Lebanese landlords were surveyed across the 8 geographic areas. There were in many (but not all) cases, the landlords of the tenants surveyed above:

- Average reported rent received was \$96 per month.
- 40.5% of landlords strongly agreed with the statement: "My rent is comparable to other rents in my area".
- 86.5% described their typical tenant as "poor" or "very poor".
- 89% strongly agree with the statement: "Because of all the Syrians, more people in my neighborhood are renting out space."
- 78% say rental prices have increased since the start of the crisis.
- 68% strongly agree with the statement: "Some landlords took advantage of Syrians, and charged a higher price than the market rate".
- 41% say there are no remaining spaces that can be rented out. 24% say they do not know.
- 65% said that if more people wanted to rent from them, they could not accommodate them.

Pre-Existing Relationships Largely Determine Movement of Refugees

A majority (57%) of survey respondents said they found their current accommodation through family or relatives, while another 22% reported finding housing through a *shaweesh*.¹⁹ Indeed, many Syrian refugees have at least one relative who worked in Lebanon prior to the crisis, and who used his existing connections to establish residence and employment before sending for his family. This is particularly true of agricultural workers in the Bekaa, but extends to border areas of the North, which previously enjoyed significant trade with Syria.

Cost of Rent Not Only Criterion for Housing Decision

Respondents ranked the most important criteria in deciding where to live as: (1) cost of rent, (2) proximity to work, and (3) security. Regarding the latter, many respondents in Batroun had moved from tented settlements in Anfeh and Chekka, where they were reportedly harassed by Lebanese security personnel who were preventing Syrian fighters from hiding in the camps (current ITS residents in Qab Elias report ongoing routine raids by the Lebanese Army to search for weapons).

¹⁹ A *shaweesh* was traditionally a foreman or supervisor employed by landowners or large farmers to organize cheap Syrian labor. His network extended into Syria and organized teams of workers who would migrate seasonally into Lebanon for agricultural harvests.

Carryover of Previous Sociocultural Status and Relationships

Another important observation made during research, and reflected in the survey data, is the extent to which sociocultural status corresponds with certain types of shelter. This is especially relevant in the discussion of ITS, and the question whether refugees living there should be considered as vulnerable as others who might be spending more in rent.

Many ITS residents were agricultural workers before the crisis, and many of the older men had previously worked in Lebanon as seasonal labor. Several people familiar with these agricultural workers noted that they were in many cases not living in significantly worse conditions than they had been in Syria. Or perhaps more particularly, those refugees who were used to living in tents and on limited incomes, likely have much stronger coping mechanisms than the Syrians who have traded jobs and houses for unemployment and cramped, unfinished living spaces.

During the summer season, many of those living in ITS earn an income from harvesting vegetables in the fields. This includes women and reportedly children as young as 8. The average salary for 5 hours of labor is 8,000LL, of which the *shaweesh* who organized the harvest takes 2,000LL. Many workers may also work a double shift. This income across multiple family members would certainly cover the average reported rent of a tent (\$20-\$50), and along with cash- and in-kind assistance from INGOs, means tent residents likely face better living conditions than many of their urban counterparts.

Sectarian, Cultural Discrimination an Issue

Sectarian considerations were reported in several areas. Sunni Syrian refugees living in the Bekaa were afraid of Hezbollah and its supporters living nearby, including the Shiite villages surrounding Riyaq and the Hezbollah stronghold of Hermel next to Qaa. Tensions, however, were not merely between Sunni and Shia. In the North, several Syrians reported strong tensions with Christians – particularly in Batroun where both local Christian residents and predominantly Sunni refugees acknowledged an uneasy balance. Both the municipality and local business leaders are concerned that the presence of too many Syrians will make Batroun less appealing as a tourist destination.

It is important to note that even among Lebanese Sunnis, attitudes towards the Syrian refugee population vary for cultural and historical reasons, and this is reflected in the treatment of refugees in the rental market. In Wadi Khaled, where historical ties between the Lebanese and Syrians are much stronger, there is much higher incidence of refugees living rent free, or in exchange for work. In areas like Halba and Sir id Donnieh, where there are strong cultural similarities, but where there had been less regular exposure to Syrians prior to the crisis, Lebanese have a more bluntly commercial attitude to the Syrians.

Tenant Agreements Generally Monthly, Verbal and Subject to Immediate Change

The clear majority (72%) of respondents said they have monthly rental agreements, while 81% said they have only a verbal agreement with their landlord. Although a verbal contract is legal under Lebanese law, and while in theory Syrians have the same tenant rights as Lebanese, it would be difficult to arbitrate in court and most refugees would almost certainly avoid the legal and financial hassle.

On the landlord side, 92% said that even if new Syrians were willing to pay more for the current occupied space, they would not ask the current tenants to leave. However, 51% said that they would not allow their tenants to accrue debt if they could not pay on time, and 38% said that if their tenant does not pay the rent on time, they would ask them to leave immediately.

Current Impact of the Crisis

Housing Supply, Quality and Prices Vary Greatly By Specific Geographic Location

Although reported price ranges for non-ITS dwellings were similar across geographic areas, the specific market dynamics underlying those prices varied significantly across survey areas. In Qaa, for example, the majority of Syrian refugees are agricultural workers living in ITS, while a minority of wealthier Christian refugees from neighboring Qusair had taken up residence in finished houses within the village itself. This influx of wealthier Syrians did not outstrip the availability of finished houses (many are left empty by residents who live in Beirut for most of the year), and as such there was never much upward price pressure on 100m² houses in the area, remaining at \$150-250 per month. Indeed, with the decrease of violence in Syria, many Syrian Christians have returned to Qusair and local residents report a significant supply of empty houses on the market again.

This contrasts strongly with the more urban Halba, where municipal officials say nearly every empty space is taken. As a consequence, Syrian refugees who did not find built houses/apartments are living in small converted shop space for up to \$200 per month. The same is true of rural areas like Aamayer and Boukaya in Wadi Khaled, where a lack of supply/space has pushed refugees into converted commercial spaces, for which refugee families are paying as much as \$150 per month to live in 36m² space without adequate plumbing. In the same area, however, rents paid by Lebanese have reportedly risen only 10-15% (or \$20-30) since the start of the Syrian crisis.

In Sir id Donnieh, many Syrians are living in 2-3 room apartments, with water and toilets, paying between \$200-300 per month, thanks to what had been a traditional summer rental market for Lebanese tourists. Rents have reportedly not risen from their pre-crisis levels, but mostly because landlords who only previously received 3 months or less of income are now earning rent for a full year. By contrast, in Batroun, where many Syrians are employed in nearby tourism or other service sector jobs, rental market prices for small (130m²) local houses have reportedly increased from \$100 to \$300-400 per month.

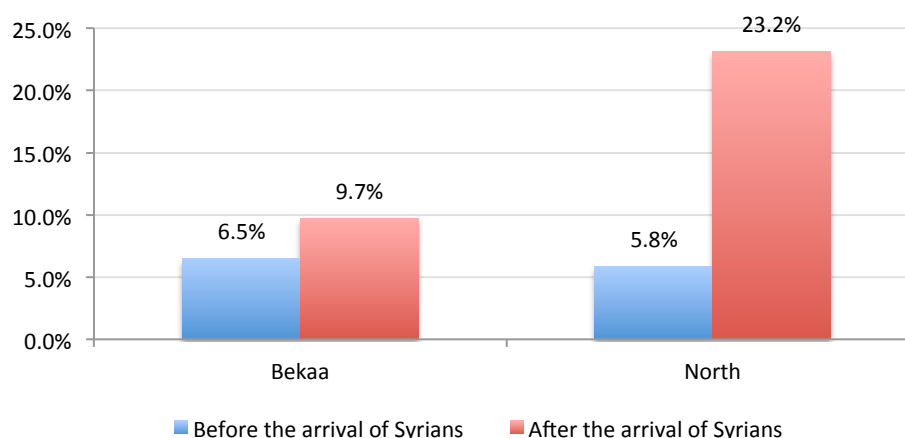
Important Regional and Sub-Regional Differences in Competition Over Shelter

Although in many cases Syrians are renting a segment of the market not previously demanded by Lebanese, there are particular urban environments where competition among upper-lower and lower-middle class Lebanese and Syrians is acute, but generally in the areas surveyed the poorest Syrians are residing in spaces that are unacceptable to most Lebanese. This was particularly true in the Bekaa where 28% reported living in informal tented settlements.

However, the survey also showed higher rental prices paid for built apartments/houses (\$200+) in Sir id Donnieh, Halba and Batroun, which are more likely to be coveted by poorer Lebanese. In interviews with humanitarian actors familiar with shelter needs, it seems that within the North more broadly there are particular rural areas (in and around Tripoli: Deir Ammar, Tabbaneh and Jabl Beddawi where Syrian refugees are competing directly with poor Lebanese and Palestinians for rents, and consequently housing prices have doubled (\$300-400 per house now \$600-700) since 2010. There are also other areas (e.g. Abu Samra, Koura) where the upper-lower class and lower-middle class Syrian refugees, who are more likely to be earning wages as semi-skilled workers, are competing with Lebanese.

A previous survey of 3,010 Lebanese respondents in over 100 cadastrals across both Bekaa and the North conducted in May-June 2014 reinforced this strong regional divide, with far greater numbers of respondents in the North (Tripoli and Akkar) reporting increased difficulty accessing shelter than respondents in the Bekaa:

Figure 13. Reported Difficulty Accessing Adequate Shelter Among Lebanese ²⁰



Demand for Shelter Incentivizing New Market Entrants, Intermediaries

As noted above, some 57% of survey respondents said they found their current accommodation through family or relatives, while another 22% reported finding housing through a *shaweesh*. In many areas the growing prominence of middlemen like a *shaweesh* or a *simsar* (real estate agent) was noted. This included the emergence of enterprising Lebanese who would operate as a broker (working on commission), but whose services included driving into Syria to collect and deliver renters to their new accommodations.

The need for middlemen is due at least in part to frequency of absentee landlords, whether they be the owners of agricultural lands or residential or commercial spaces. In Riyaq for example, many landowners reside abroad, and have charged intermediaries a flat rental fee of \$10,000 per donum of land without interfering in agricultural production. It is these intermediaries who then rent the land to up to 75 families to set up tents, charging anywhere from \$20 to \$50 per space per month, making at least 100% return, not including whatever revenue is made from organizing ITS residents as farm labor during the harvest. In many cases, the actual landlord does not know his land is being used to host refugees. In other areas, even in other agricultural areas within the Bekaa, there is not necessarily a *shaweesh*, but there are very frequently others who act as agents and intermediaries, looking to profit by connecting supply with demand.

Mobility Among Refugees Remains High, Especially Sensitive to Rent

Some 69% of respondents report having lived in their current home for less than one year (36% for six months or less), and 26% between one and two years. Of those who moved within the last year, 24% moved due to high rent, 16% due to the bad condition of the previous shelter and 14% because they arrived from Syria.

²⁰ Source: USAID, Social Tension and Resource Strain (STaRS) Survey.

Only 24.8% are planning to move again, with respondents citing equally their current rent being too high and/or the bad condition of their home shelter. Many respondents in the urban and semi-urban areas of the North voiced concerns that landlords will increase rents again following the end of Ramadan. Of those who intend to move, however, all prefer to remain in their current region of Lebanon.

One exception to this are those residents of the ITS within the Bekaa who are now reportedly relocating from areas around Qab Elias, Joub Jannine and Rachaya to the North to help with the potato harvest in Akkar. However, this migrant labor is generally adult men who will leave their families behind and return once the harvest is over.

41% of respondents intend to stay in their current location until the conflict ends and they can return to Syria. Another 41% do not know how long they intend to stay. When asked what they would do if they had less money in the future, 50% said they would stay in their current location regardless, while 25.4% said they would be forced to look for an alternative. When asked what they would do if they had more money in the future, 58% of respondents said they would remain in their current location regardless, and only 22.3% said they would look for better accommodations.

Lebanese Expanding Supply to Capitalize on Syrians

Just as individual middlemen have entered the market looking to broker deals and win commissions, so too have wealthier Lebanese begun to adjust their behavior to capture some of the value posed by Syrian refugees in need of shelter. As discussed above, there has been a proliferation of unfinished or converted commercial spaces, particularly in the North. However, Lebanese businessmen and investors are enjoying a high rate of return on such spaces.

Figure 14. Photo of Unfinished Commercial Space Used to House Syrian Refugees



Unfinished construction (like the one near Dahr el Ahmar pictured above), when divided and rented to Syrian refugees, in many cases offer higher current income than what Lebanese owners could otherwise expect from renting them as a completed commercial space. The owner of this particular building is earning \$5,000 per month, renting each subdivided unit for \$100 to as many as 50 families

(this data was not included in broader survey). Likewise, the unfinished commercial spaces in Boukaya, which would likely not achieve full occupancy as a string of grocery shops, are earning the owners \$300 per unit (each unit separated with ply wood into two rooms for separate families)—a rate that exceeds the previous commercial market rental rate.

In every location surveyed there were reports of new construction of dwellings (particularly in the North), or competition between landowners or their intermediaries to attract Syrian refugees. This may be in part rent-seeking behavior in response to the rental subsidy schemes offered by some INGOs (especially in Wadi Khaled where housing rehabilitation in exchange for hosting refugees has been ongoing for some time), but likely reflects the simple return offered by the premium Syrians are willing to pay for accommodations that could not ordinarily be rented to Lebanese.

In Sir id Donnieh, for example, the owner of an unfinished hotel is now hosting 100 Syrian families, and installed a generator and other facilities to attract them. Even in agricultural areas near Sir id Donnieh, some farmers are removing their greenhouses in order to host refugees in tents on their land. They can replace a greenhouse with space for 15 tents, which at \$50-70 per tent guarantees a level of income beyond what can be achieved through farming.

INGO Interventions in Shelter Can Drive Up Rents, Fueling Turnover

While some Lebanese landlords are doing their best to attract Syrian tenants and capture the market, there are reports that some INGO interventions to upgrade and improve living conditions for Syrian refugees may inadvertently be causing rental rates to rise. This was especially true for interventions in ITS and unfinished spaces where the installation of water tanks and provision of electricity has reportedly allowed landlords to increase rent, on the assumption that greater access to services justified higher rental rates. In one ITS near Qab Elias, for example, residents are reportedly paying 200,000LL (\$133) per month to live in tents with poured concrete flooring, as well as access to plumbing and electricity. As a result of this, as well as increased Lebanese government scrutiny of ITS, there are reports in the Western and Central Bekaa of some refugees leaving more established settlements for new, smaller plots of land to avoid official scrutiny and pay less in rent. The amount of land available, and the eagerness of Lebanese landlords or their intermediaries to draw revenue, makes it less likely that sustained increases in the rental rates for ITS will occur in the Bekaa. However, the story is different for unfinished commercial spaces, where the supply is limited by high capital requirements and other barriers to entry.

Conclusions and Recommendations

Effect(s) of Refugees or Humanitarian Intervention Must be Seen in Context

The influx of over one million Syrian refugees into Lebanon has clearly caused changes in the market structure of the dry and processed foods, hygiene products and rental/shelter markets. In looking to assess the potential disruption caused by cash assistance or any other humanitarian intervention in the marketplace, therefore, any reported changes must be understood within the broader context of (i) a major demographic shift in Lebanon as a whole, (ii) as well as the overall effect of the Syrian crisis on Lebanon's economy.

Limited Disruption Reported So Far Suggests Room for Additional Cash Assistance ...

The complex and well developed market chains underlying dry and processed foods, and hygiene products appear to have supported increases in demand associated with the arrival of Syrian refugees without triggering concomitant price rises. Indeed, many factors identified above (e.g. increased competition among wholesalers and traders) have caused downward price pressure. While other changes in market structure could be considered negative disruptions (i.e. the emergence of new competitors to established traders and retailers), an associated sharp rise in consumer prices has not been observed. Limited shifts in trade patterns reported by national and regional market actors, as well as observed elasticity of supply across the market chain, suggest that even significant increases in cash assistance from current levels to support purchases of dry and processed foods or hygiene products should not result in a rise in consumer prices.

... However Shelter/Rental Market Poses Challenge

Unlike the other markets studied, the relatively fixed supply of housing/shelter, and the surge in demand relative to existing supply, means that risks of price increases associated with additional cash assistance are significantly higher. Lack of substitutes and limited market transparency (of prices and available supply) means demand for housing is less elastic than demand for consumer goods. Most refugees are further constrained by various personal and environmental factors. With reported rates paid for certain improvised shelter solutions already approaching what others (including poor Lebanese) pay for traditional built apartments/homes, any additional cash assistance could potentially create greater opportunities for competition between Syrian refugees and the poorest Lebanese (as reported above in urban areas of the North).

Additionally, focus group discussions carried out by the consultants with both Lebanese and Syrians in the North suggest that the *perception alone that Syrians are receiving assistance* such as rental subsidies from INGOs is itself causing some landlords in urban areas to raise rates for Syrians, which was supported in direct surveys of Lebanese landlords (see above). Uncertainty about the exact nature and amount of assistance being provided to refugees creates resentment among the host community, and the impression that refugees can afford to pay a premium above the rates paid by Lebanese. Without competition to help counter this upward price pressure, the risk of higher rents is greater.

Future Macroeconomic Developments, Shocks Likely to Obscure Effects of Cash Assistance

Given the reported impact of the Syrian refugees expenditure in Lebanese markets to date, it is far likelier that future price movements of consumer goods in Lebanon will be the result of external

shocks or domestic fiscal/monetary policies rather than changing demand patterns caused by Syrian refugee consumption. This includes continued Lebanese central bank monetary support, or a proposed \$1.2 billion increase in public employee salaries and associated increase in VAT, the latter having been associated with sharp rises in consumer prices in the past as traders immediately respond to news of salary hikes with price increases. Likewise, a pending decision about reforming the rent law and abolishing price controls in Beirut and areas of Mount Lebanon would likely trigger far more disruption in the national rental markets as renters are forced to seek alternative accommodations. Despite their aggregate population size, the market assessments presented above suggest that the relatively small purchasing power of Syrian refugees has not been a major factor in the more competitive markets for dry and processed foods and hygiene products.

Recommendations on Future Assistance & Monitoring

Expand E-Card System to Maximize Price Competition

In order to maximize price competition at the retail level, expand consumer choice, and prevent the concentration demand at the wholesale/trader level in particular shops, the network of shops equipped to accept e-cards should be expanded as much as possible. While there are limitations to this expansion based on the complexity of required monitoring and evaluation, expansion of the system would itself limit opportunities for individual shopkeepers to raise prices above market averages or otherwise exploit beneficiaries.

Unconditional Cash Assistance Reduces Inefficiencies

A closed system such as the current WFP partner shop network creates opportunities for arbitrage, as beneficiaries will seek to unlock the value of their cards for use in other markets—particularly for other priority expenditures such as rent. While there is limited evidence of cards being sold for cash (10 of 135 retail survey respondents admitted to selling their WFP e-cards for cash, reportedly at 75-85% of face value) to pay for rent or urgent medical expenses, or of beneficiaries being extended credit against future balances, risks of such behavior can only ever be partially mitigated by external monitoring. Beneficiaries seeking to convert vouchers to cash will always find willing intermediaries who stand to make a profit. Although unconditional cash assistance increases the ease with which money intended to support food or hygiene expenditures may be used to meet rising rental expenses or other costs, it reduces the potential for loss of value to intermediaries.

In-Kind Assistance Must be Carefully Implemented to Minimize Potential Disruption(s)

It is clear from the above market assessments that in-kind provision of goods (especially hygiene products and some rental NFIs) are disrupting markets and resulting in inefficient delivery of assistance to beneficiaries. Within both food and hygiene product markets, significant infrastructure and numerous new market entrants have emerged to trade in resold goods and in-kind assistance. While several manufacturers and traders suggested innovative strategies for tracking in-kind assistance (such as seals or labels on goods to prevent resale), resources would likely be better spent on limiting the supply of goods available for trade.

It is clear from the survey data that beneficiaries are not using many of the hygiene products currently provided as in-kind assistance, and are generally not prioritizing hygiene needs above food and shelter. As such, a gradual move to cash assistance from in-kind will help prevent unnecessary

purchases of unwanted goods, and dumping of those unwanted goods back in the markets, which harms established traders.

At the same time, however, there are strong arguments for continuing in-kind assistance (e.g. improved purchasing power through to access wholesale markets not available to individual beneficiaries), but in these cases procurement of goods must ensure that (i) in-kind assistance more accurately reflects beneficiaries' priority needs and consumer preferences, (ii) selection criteria for goods and suppliers are transparent, (iii) lowest price is not the sole determinant of winning bids, and (iv) goods are not being purchased in violation of exclusive distribution rights.

Carefully Monitored Rental Assistance May Limit Opportunities for Price Rises

Following the above recommendation, in-kind assistance such as the provision of shelter NFIs may inadvertently disadvantage beneficiaries as landlords or property owners seek to raise rents on accommodations that have been refurbished or improved through INGO assistance. In those cases where such support is being provided, careful monitoring and follow-up is required to ensure that beneficiaries are not subsequently facing greater financial burden, which may lead to eviction or force tenants to seek alternative accommodations. While there are significant resource limitations to how much monitoring can be conducted post-intervention, conditions of in-kind assistance can be established at the outset with opportunities for periodic monitoring.

Alternative Rental Market Interventions Should Focus on Transparency, Competitiveness

Because of the deficiencies in rental markets described above, there is a risk that unconditional cash assistance or other increased financial support may push up rental rates in certain geographic areas. Efforts to structure rental support with price controls or long-term price agreements (such as assistance to collective shelters, or free-rent-for-rehabilitated-spaces) face serious difficulties in monitoring and enforcing agreements between tenants and landlords, or between INGOs and property owners receiving support. Efforts may be better spent in providing innovative rental market interventions to improve transparency and market competitiveness. These might include the establishment of referral networks or information clearinghouses to assist tenants and landlords in matching supply with demand. They may also include scope for offering financial guarantees to landlords, provided the opportunity for stricter monitoring of lease conditions. In the absence of being able to address the serious supply constraints in Lebanese rental markets, interventions that target the efficiency and performance of the market are the best option for offsetting any risks of increased financial support to refugees.

Improve Transparency, Communication on Humanitarian Assistance

More broadly, complaints and misunderstandings about the nature of cash assistance and other financial support to refugees were reported from Syrian refugees and Lebanese alike. While for many Syrians this creates difficulties in planning expenditure and coping strategies, for Lebanese the ambiguity about the nature and extent of financial assistance creates both resentment and social tension, as well as encourages higher prices in non-competitive markets (especially rent, and potentially other goods) under the assumption that Syrians are receiving income and other subsidies. More effective communication about the amount and extent of financial support to Syrians might help limit such misunderstandings, which in turn could lower price gouging or other negative market behavior unfairly targeting Syrians who may not be receiving any financial assistance.

Expand Monitoring of Stress Points Beyond Consumer Price Levels

One of the stronger conclusions of the market assessments is that price competition and new entrants in dry and processed food markets have successfully prevented consumer price increases, and that changing consumer preferences for lower quality inputs have reinforced this trend. WFP price monitoring of its partner shop network as well as the official CPI data have confirmed only gradual increases in price levels over time. At the same time, however, significant changes in market infrastructure have occurred that explain these trends, and these developments are not captured in retail level price monitoring—no matter how extensive. Furthermore, the complexity of consumer consumption patterns (see Annex I below) suggest that ongoing price monitoring of a limited basket of goods does not accurately reflect trends in the marketplace, and may miss market disruptions other than price rises that are associated with consumer demand from Syrian refugees.

More efforts should be made to engage the private sector—particularly at the manufacturer/importer and wholesaler levels for those goods and brands most in demand by refugees. Larger market actors interviewed during the market assessments suggested they would be willing to engage INGOs or other institutional actors. A review of partner shop inventory and sales records may suggest the most significant market players (goods, brands and suppliers) to engage to ensure that potential market disruptions are being adequately monitored.

Annex I: Retail Surveys Basket of Goods Observed

Product	# Brands	Variety of Packaging	Range of Packaging
Beans	8	5	900g - 5kg
Bulgur	8	5	1kg - 25kg
Canned fish	6	3	125g - 200g
Canned meat	2	6	120g - 500g
Processed Cheese	4	5	142g - 568g
Coffee	7	2	250g - 500g
Cooking oil	15	8	2L - 16L
Lentils	6	5	1kg - 5kg
Margarine	3	3	1kg - 4kg
Matte	5	1	200g
Milk powder	7	5	750g - 5kg
Noodles	2	2	5-pack - 40-pack
Pasta	11	3	250g - 500g
Rice	9	11	900g - 50kg
Salt	4	6	500g - 5kg
Soup cubes	1	5	120g - 600g
Sugar	3	8	1kg - 25kg
Tea	5	4	150g - 2kg
Zaatar	3	2	500g - 1kg

Product	# Brands	Variety of Packaging	Range of Packaging
Cleaning Fluid	5	4	500ml - 2L
Diapers	4	5	12-pack - 55-pack
Dish soap	5	8	200ml - 2L
Garbage bags	2	2	12-pack - 30-pack
Laundry Detergent	12	11	500g - 10kg
Sanitary Napkins	5	5	8-pack - 24-pack
Shampoo	9	8	250ml - 2L
Soap	8	7	80g - 3kg
Toilet Paper	4	5	4-pack to 16-pack
Toothpaste	3	2	50ml - 320ml

Annex II: Original Analytical Questions

Competitiveness, Market Integration and Accessibility

- How competitive is the market?
- Consider the numbers and types of key traders (sole traders, wholesalers, etc) and their estimated market share to get an appreciation of market competition.
- Are there formal or informal barriers to entry to the market by new traders?
- How do prices vary between traders within the markets?
- How well integrated is the market? (Get an understanding of how the market is integrated with other markets by looking at main commodity flows between markets. Estimate the level of market integration by analyzing the co-movement of prices between markets.)
- How accessible are the markets for the refugees?
- How physically accessible are these markets for the refugees (consider distance, terrain, checkpoints, transport requirements, etc.)
- To what degree are vulnerable households connected to these markets?
- Are there ethnic, gender, or religious considerations that influence refugees' access to these markets?

Current Impact of the Crisis

- What is the current impact of the crisis on the markets, and the capacity of the markets to maintain or increase the current level of response?
- What is the estimated change in demand generated by the proposed intervention? (i.e. additional demand relative to existing market capacity)
- Has the number of market actors changed as a result of increased demand?
- Are local traders able to meet such a change in demand within the necessary deadline without significantly increasing prices?
- Are there specific traders that need to be targeted for support?
- How has the market infrastructure been affected by the crisis?
- How has the supply chain been affected by the crisis? (e.g. changes in source markets due to reduced accessibility of supplies previously sourced from Syria)
- How has the value chain been affected by the crisis?
- How have market service providers been affected by the crisis? (e.g. credit providers, transporters, etc.)
- Have the dynamics between market participants been altered as a result of the crisis?
- What innovations have been adopted by key market actors to cope with the emergency?

Restrictions & Regulations

- Are there restrictions to the movement of goods (e.g. legal / regulatory, tariffs, security, etc.)?