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*Pax Lumina 3(5) / 2022 / 15-19*

# LEBANON'S ECONOMIC COLLAPSE AND NEED FOR FOOD JUSTICE





Lebanon is facing one of the most severe socio-economic collapses. This has led to dramatic food insecurity for both the citizens and thousands of refugees living in Lebanon.

Lebanon was already suffering from the economic recession compounded by the COVID-19 pandemic, when a devastating blast hit the capital Tripoli's port on August 4, 2020. The war in Ukraine increased inflationary pressures. It was reflected in many economic indicators showing the gravity of the multidimensional crisis on food and living security.

Since October, 2019 Lebanon is facing a severe economic collapse including a currency crisis with a severe depreciation of the local currency against the US dollar and continuous inflation, a fiscal crisis with one of the highest levels of public indebtedness worldwide leading to a payment default in March, 2020. There is also a banking crisis with the impossibility of withdrawals and transfers in foreign currency from local deposits.

However, the collapse started in 2011 and completely reversed the situation for all of the economic indicators.

**The sharp depreciation of the Lebanese pound against the US dollar in a country that imports nearly 80 percent of its consumption causes serious social disparities and severe injustice in access to food and basic needs.**

The three main pillars of this collapse:<sup>[1]</sup>

- 1) The involvement of the banking system in the financing of the public sector.
- 2) The ratchet effect of dollarisation since the currency crisis of the 1980s.
- 3) The maintenance of the unconventional exchange rate, the peg to one currency adopted in 1997 despite an accumulation of balance of payments deficits since 2011.

As long as the balance of payments continued to have an upward trajectory, the growth gap between foreign currency deposits and external assets of the banking system remained measured (Kasparian, 2020).<sup>[2]</sup> Since 2011, the acceleration of the balance of payments cumulative deficits makes the banks' foreign assets not sufficient to meet customers' deposit withdrawal requests.

The year 2011 was also a turning point for the economy with the government resigning and the loss of political stability. Then there was the outbreak of war in Syria and the influx of hundreds of thousands of Syrian refugees.

Lebanon has the world's highest per capita refugee presence, estimated at 25 percent of the overall population. After that, Lebanon started having an increase in the premium risks which contributed year after year to the downgrading of the Lebanon Eurobonds by the international rating agencies (Fitch, Moody's, S&P)

Since then, the failure in implementing the needed political and macroeconomic reforms has led to what the World Bank has called one of the top three most severe economic crises globally since the 19th century.



Several initiatives have been undertaken to strengthen food security in Lebanon. One of these initiatives is the project between **the International Labour Organisation (ILO) and the Food and Agriculture Organization (FAO) in Lebanon with the Ministry of Agriculture, to provide selected farmers with vouchers for agricultural inputs, to support small-scale farmers to meet their basic agricultural needs.**



### The impact on food security

The sharp depreciation of the Lebanese pound against the US dollar in a country that imports nearly 80 percent of its consumption causes serious social disparities and severe injustice in access to food and basic needs. Residents in Lebanon (Lebanese and refugees) are now classified into three categories:

- A category whose purchasing power decreases every day since its income is exclusively in Lebanese pounds which loses its value continuously.
- A category whose purchasing power is maintained since part of its income is in foreign currency (due to dollarisation in different sectors)
- A category whose purchasing power increases since all of its income is in foreign currencies (the inflation rate is still lower than the depreciation rate).

The World Food Programme (WFP) estimated the number of Syrian refugees who are severely or moderately food insecure at 1.3 million, of whom 1.2 million are receiving assistance.

The WFP brief report of 2022 for Lebanon shows that 46 percent of Lebanese households are food insecure and 88 percent of Syrian refugees in Lebanon are extremely poor.<sup>[3]</sup>

Between October 2019 and April 2022, the national currency, the Lebanese Pound (LBP), lost more than 90 percent of its value. The price of the basic food basket monitored by





the WFP recorded an eleven-fold increase. The annual inflation rate overall for 2021 was 201 percent, the highest of all countries tracked by Bloomberg.

In addition to the majority of the Syrian refugees, over 2.5 million people, including 2.2 million Lebanese, 208,000 Palestinians, and 78,000 other refugees need humanitarian aid in Lebanon, according to the latest UN statistics.

### **Main initiatives to help Lebanon**

Recently, the World Bank has approved the granting of a \$150 million loan at a subsidised rate, to continue stabilising the price of bread in the coming months. The latter has until now benefited from subsidies granted via the foreign currency reserves of the Central Bank which couldn't pursue this measure because of funds depletion.

If the bread subsidies are lifted, public authorities fear a destabilisation of the security situation already strongly impacted by the economic crisis which has led to more than 82 percent to live below the poverty line. The minimum wage is now equivalent to less than \$30 compared to \$450 barely three years ago.

At the same time, according to the United Nations Environment Programme (UNEP) and the World Resources Institute, Lebanon occupies third place in the Arab region in terms

of food waste (105 kilos per person per year), after Bahrain (123 kilos) and Iraq (120 kilos), reflecting a remarkable food injustice.

Food justice[4] (the right to good food for all) represents 'a transformation of the current food system, including but not limited to eliminating disparities and inequities' (Gottlieb and Joshi, 2010).<sup>[5]</sup>

Food injustice is not only related to the lack of food because of inflation and depreciation (especially since 80 percent of consumption is imported and paid in foreign currencies), but also it is linked to food loss and food waste.

According to the Food and Agriculture Organisation of the United Nations (FAO), food loss is the decrease in the mass of edible food during production, post-harvest and processing, while food waste is observed at the retailer and consumer level.

In October 2021, The Economic and Social Commission for Western Asia organised a series of Social Justice Policy Dialogues that considered the link between social justice and the prevailing socio-economic issues in the Arab region. One of the main results was to link food security to social justice outcomes by looking at the main challenges faced by vulnerable groups in accessing food and the type of support they would need to enhance their resilience to food access.

**T**he radical solution remains in implementing economic reforms essential to reviving the economy so that we can leave the circle of assistance and **resume the path of growth to be able to satisfy its needs.**




In this context, several initiatives have been undertaken to strengthen food security in Lebanon. One of these initiatives is the project between the International Labour Organisation (ILO) and the FAO in Lebanon with the Ministry of Agriculture, to provide selected farmers with vouchers for agricultural inputs, to support small-scale farmers to meet their basic agricultural needs. The agricultural sector offers livelihood opportunities for both the Lebanese and Syrian refugees.

To support the most vulnerable segments of the population, the European Union has allocated an additional €22 million in humanitarian aid to respond to rising food insecurity exacerbated by Russia's war in Ukraine.

To conclude, we can say that the collapse of the Lebanese economy has been the main cause of food insecurity in the country, although several additional factors have aggravated the magnitude of the crisis. Currently, local and international initiatives are certainly promising to ensure the necessary minimum of food security. However, the radical solution remains in implementing economic reforms essential to reviving the economy so that we can leave the circle of assistance and resume the path of growth to be able to satisfy its needs.

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