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# How do you apply a market systems approach in a country that is collapsing?



ILO PROSPECTS Lebanon

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## **ILO PROSPECTS Lebanon is adopting a highly adaptive path in order to safeguard jobs threatened by the crisis**

Applying ILO-UNHCR's [Approach to Inclusive Markets Systems](#) (AIMS) in forced displacement settings can already be a challenge. But when the host country is experiencing one of the world's worst financial crises in over a century, finding a successful market-based path can feel almost impossible.

According to government and independent sources, up to 1.5 million Syrian refugees are currently hosted in Lebanon, equivalent to a quarter of the Lebanese population. With the highest per capita concentration of refugees in the world, Lebanon's social stability in many municipalities was already fragile with population pressure put on stretched services, infrastructure and jobs. Now, [Lebanon is enduring a humanitarian catastrophe created by a financial meltdown](#).

Under its AIMS Component, the PROSPECTS Lebanon team, working in the horticulture sector, has taken its pre-crisis learnings on the market and adopted a highly-adaptive path forward. While its initial objective of creating new jobs for refugees may now be elusive, the objective is now to safeguard the jobs that are threatened by this crisis.

[Horticulture was chosen for work on market systems by PROSPECTS Lebanon](#)

Prior to the crisis, ILO, under PROSPECTS Lebanon, chose agriculture as one of the main sectors of their interventions across the employment, skills and social protection pillars. Within the agriculture sector, the horticulture sub-sector was selected for work on market systems based on two major findings from market assessments conducted in 2019 and 2020:

1. The legal framework in Lebanon dictates that refugees are allowed to work in only three sectors, and agriculture is one of them. Typically, the owners of farms are Lebanese and most of the workers on the farms are Syrians.
2. Farmer productivity in horticulture was found to be low, suggesting that if investments were made in areas with higher-value inputs or modern greenhouses, farmers would see long-term financial gains. Supporting the growth of horticulture farmers' businesses would mean more Syrian refugees would have jobs.

## The crisis has drastically changed farmers' prospects

While these two insights remain, the environment for farmer profitability and investment has drastically changed due to the crisis. The financial sector has effectively collapsed and banks have frozen people's Dollar accounts and stopped lending money. The Lebanese lira has devalued massively, losing nearly 98 per cent of its value against the dollar in everyday transactions (As of May 2022: 27000 lira to 1 US\$).

For farmers, this means that the low-productivity practices they were using are now no longer sustainable. First, all of the inputs required (fertiliser, pesticides, seeds) are imported and the prices have quadrupled. This, combined with declining purchasing power locally, profitability of the horticulture sector has plummeted. Increasing productivity in the sector has become urgently needed to safeguard jobs. If farmers can't switch to high productivity practices, they can potentially lose their farms, leading to widespread job losses, including for Syrian refugees.

## Finding long-term solutions, beyond humanitarian aid

Many organisations are trying to fix the situation with a humanitarian approach, distributing seeds and giving out grants to help farmers and other groups to survive. That is a necessary but not sufficient step. ILO, under PROSPECTS Lebanon, is trying to pair that approach (i.e. passing out vouchers for more direct support) with more long-term solutions.

One way PROSPECTS Lebanon is doing this is through the promotion of modern, multi-span greenhouses. These greenhouses have major benefits, such as improved

ventilation, higher side walls and nets to protect crops from insects. However, they are more expensive so a strong return on investment has to be proven.

PROSPECTS trialled the greenhouses with 12 farmers in different project regions and collected data for a year comparing yield and revenue using the old and new structures. After the trials ended, it was confirmed that there were large productivity gains - an average of 60 per cent yield increase depending on the microclimate and the expertise level of the farmer. The quality of crops also improved, allowing farmers to get higher prices for their vegetables. Alongside these productivity benefits, it was confirmed that multi-span greenhouses substantially improve the working conditions for the, mostly Syrian, greenhouse workers.

## Getting the information on the benefits of greenhouses out to farmers

In parallel, PROSPECTS conducted surveys with farmers that showed that while they were aware that multi-span greenhouses existed and that they were more expensive, they were not aware of the immense productivity benefits that have been proven when using them.

PROSPECTS is now working with suppliers as well as the Ministry of agriculture to get the information out. They discovered that the information needs to be framed correctly, because farmers won't necessarily trust suppliers and the government telling them what to do. Their current strategy is to channel the information through other farmers. They are creating videos with the farmers who participated in the trials, as well as brochures and materials that can be sent out through farmers' WhatsApp groups.

## How to get money to farmers to invest in greenhouses

Communication is not the only thing holding farmers back from investing in modern greenhouses - it is quite an investment. With the current financial crisis there are no loans for farmers. The legal framework still allows lenders to pay back loans taken out in US\$ at the official exchange rate of 1507 lira to 1 US\$. This effectively means that even micro-finance institutions are unable to lend hard currency since they will likely lose that money. What is more, informal credit lines from suppliers have also dried up. There used to be a system where suppliers could allow farmers to pay in instalments, but since suppliers now have no credit with banks, they have stopped the practice. Suppliers are still selling these greenhouses, but require that farmers pay cash up front, which most farmers cannot do.

PROSPECTS Lebanon is therefore hoping to negotiate a partnership with one of the few entities still able to lend money, a foreign-registered impact investment fund run by Lebanese diaspora. The fund is interested in lending to farmers, but high-

transaction costs mean there is still a risk. PROSPECTS Lebanon is planning to reduce the risk by putting up credit guarantees , which will enable the impact investing fund to enter that market and, in a way, temporarily replace banks. PROSPECTS will further encourage farmer investments in modern greenhouses by subsidizing roughly 30 per cent of the costs for an initial batch.

## Long-term sustainable change alongside a humanitarian response

The deep crisis in Lebanon is indeed a humanitarian issue, and a humanitarian response is in great need. However, that doesn't mean that projects shouldn't also work towards a long-term vision for sustainable change. This is at the heart of the humanitarian development nexus that addresses immediate needs in crisis settings while still addressing the more structural challenges.

For the project team, working in a collapsing economy meant accepting that there are limits to what can be achieved at this point in time. But it also meant persevering and continuously adapting the programme strategy to an ever-changing environment to continue to make an impact.

A sound market assessment, flexibility and on-going reviews of market intelligence were required for the programme to constantly be aware of what is happening in the market and adapt to that. Far from being obsolete, the programme's focus on increasing productivity in the sector is now more important than ever to safeguard livelihoods of both farmers and workers in the sector, sustainably.

While interventions to enhance farmers' access to finance, and information about high-productivity practices and technology, cannot tackle the problems of one of the worst financial crises in a century, they do provide an opportunity to lay the groundwork for long-lasting transformational change in the horticulture sector that will protect livelihoods of both refugees and host communities.