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Report

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The multiple crises—the financial meltdown, the Covid pandemic, and the port explosion—that have struck Lebanon over the past few years have left small businesses and necessity-driven entrepreneurs (NDEs) struggling for survival, with little or no government assistance. Many NDEs were established originally to cope with difficult economic conditions, and in light of the successive crises, these businesses are struggling to survive. This report is part of a larger project that explores the challenges NDEs in Lebanon’s rural areas are facing, and to offer policy options for local governments to support them.

To carry out the study, three districts from three different governorates were selected for comparative analysis: Rashayya-Bekaa, Fnaidek-Akkar, and Hidab Qattine-South Lebanon. The selection process was based on economic fundamentals, geographical diversity, and rurality characteristics.

In order to pinpoint the challenges that NDEs are facing to remain operational and sustainable in the current crisis, a qualitative research methodology was deployed for data collection. Two data collection methods were used: (1) one-on-one interviews with local decision-makers in each district, (2) focus group discussions with necessity-driven entrepreneurs from the selected sub-sectors in the three districts. For each focus group discussion, up to seven entrepreneurs were recruited from the identified sub-sectors.

This report is the third of a planned series on Lebanon’s rural areas, focusing on several towns in Jezzine District, including Hidab (population 600-700), Qaytouleh (4,000-4500 inhabitants), Snayya, Rimat, and Saydoun, which from here on will be referred to as ‘Hidab.’ The report concludes with policy recommendations to avoid conventional policy pitfalls, which often disregard the role of municipalities in local economic development. It also highlights the need for a more inclusive entrepreneurial rural policy in Lebanon by: (1) empowering NDEs locally, (2) fostering economic growth, particularly in the agricultural sector, (3) enhancing regional networks, (4) engaging the youth, and (5) empowering women.

Introduction

The crises confronting the Lebanese people, both economically and socially, are inflicting a catastrophic toll on NDEs in the local economies of rural areas. This report aims to highlight a range of challenges confronting NDEs, which have exacerbated the already vulnerable nature of these businesses, highlighting the need for assistance to weather this critical situation. Given the lag in any form of relief from the national government, we must look for local solutions to support small businesses that can play a role in entrepreneurial survival and recovery.

The purpose of this report is threefold: (1) to explore the challenges NDEs are facing in Hidab, (2) to assess the effects of the pandemic, the economic/financial crisis, and the Beirut port explosion on NDEs in Hidab, and government policy responses, and (3) to provide policy recommendations tailored to each active economic sector (the agricultural sector, food-processing industries, and artisan-based manufacturing activities) which take into account the characteristics of Hidab. This is of paramount interest to NDEs, researchers, policymakers, NGOs (international and local), and other stakeholders.

Fieldwork in Hidab began on 9 June 2021 with five in-depth interviews with key individuals (officials, local leaders, and activists), followed by four focus groups on the 20th and 21st of the same month, including both female and male participants above 18. By definition, NDEs are individuals who started a business due to a lack of better options rather than because they saw the start-up as an opportunity. In this sense, they were pushed into entrepreneurship because all other options were absent or unsatisfactory.

This study includes two types of NDEs: Older NDEs which started operations before the financial and economic crises—many of these entrepreneurs have a low level of education and therefore had few employment opportunities. The second group are the new entrepreneurs who established their businesses as a response to the financial and economic crises, primarily due to either losing their job, going bankrupt (lost their savings), or found their retirement inadequate. The NDEs that were identified in Hidab fall within several sectors: (1) Agriculture: apiculture, animal farms, livestock, and poultry, (2) Food processing industry: homemade provisions and distillation, and (3) Arts and crafts: soap making.

I Main Findings: Sectoral Analysis

Due to the hardship and challenges that people of Hidab face, a growing number of NDEs have emerged. The main objective of this report is to assess the short-term effects of multiple crises on NDEs in Hidab. Generally speaking, the effects of the multiple crises on NDEs are relatively uniform, irrespective of the sector they operate in, or the nature and lifecycle of their businesses.

Agriculture

Findings from the study have presented several peculiarities that should be highlighted regarding the NDEs that have turned to the agricultural sector in Hidab. It is important to note that despite all the challenges that Hidab faces, several opportunities are present in the agricultural sector. Also, with regards to the type of agriculture that people are resorting to in the area, participants expressed interest in organic and hydroponic agriculture.

Challenges and difficulties: NDEs interviewed spoke about a number of challenges including 'Pine Forest' disease.

'When this insect destroyed the pine trees, 14 villages were badly affected, as they live off of pine agriculture. To heal this forest should be a priority, but no one cares.'
—Hidab farmer

- A rise in crop theft.
- Increased challenges in dealing with stakeholders: Credibility and trust among suppliers, laborers, and customers have fallen dramatically.
- Official nepotism and mismanagement: Farmers receive little or no support from the government and the relevant ministries.
- Rising costs of pesticides, fertilizers, seeds, and fuel.
- Inadequate infrastructure.
- Lack of access to financial resources (credit and insurance)
- High transaction costs and low productivity, resulting in low revenues.

Dealing with the challenges: Hidab's farmers adopted various measures in an attempt to cope with the challenges confronting them, including:

- Cultivating only part of their land, in order to reduce costs.
- Resorting to family members to do the work instead of laborers.
- Exporting their products, an ideal solution for their sustainability.

Animal Farms, Livestock, and Poultry

Many animal farms with cows, goats, chickens, and rabbits were started by people who have either lost their jobs or their deposits in banks, due to the ongoing economic crisis. Unable to find new employment opportunities, they decided to launch their own enterprises.

When they established their animal farms, they thought they would be creating job opportunities for others in their area, but they ended up doing most of the work on their own or with the help of their family to reduce costs. Also, in terms of the effect of the crisis on the production cycle, participants have expressed that it dramatically varies according to the product—milk, for example, remains in high demand, while eggs have become expensive and are often sold at a loss.

Challenges and difficulties: Participants expressed difficulty in accessing fodder, compounded by government officials who provide subsidized but low-quality animal feed, in addition to the increasing cost of production (such as the cost of containers, carton box for eggs, and plastic pales for milk).

'A carton box price is now equal to the price of five eggs!'

—Hdaib chicken farmer

Apiculture (Beekeeping)

The majority of the beekeepers in Hidab are relatively new. For a few, it started as a hobby, but then became a key source of livelihood after losing their jobs, leading many of them to return to their villages.

Challenges and difficulties: The main challenges facing beekeepers in Hidab are due to the ongoing economic and financial crisis, in addition to other difficulties having to do with the theft of beehives and the types of pesticides being used.

Food Processing Industry: Homemade Provisions

The homemade provision business has significantly increased in the last few years in Hidab, with a high participation among women, many of whom are housewives who found themselves in need of additional income to support their families. Homemade provision products in Hidab include thyme, kishik, pickles, stacked eggplants, grenadine and tomato molasses, jams, and dairies. Some of these carry brand names such as Bibos' Food, Atayeb, Mounetna a Tarikitna. Almost all the women working in homemade provision do not have higher education degrees, with one exception in Hidab.

Two years ago, USAID had organized a workshop in Hidab on health and safety requirements, as well as calculating costs and pricing, for those working in home provision.

Challenges and difficulties: Participants involved in this sector reported two main challenges: 1) Returns are relatively low, given the amount of work and cost involved. 2) The branding process is slow and long, leaving many products without a brand name, which in turn impacts pricing.

'When our products are branded, we can sell at better prices.'

—Hidad home provision worker

Distillation

The distillation of orange blossom, roses, scented herbs, and grapes (to make arak, a traditional alcoholic drink) is an old micro-business in Hidab, and is often done by men. According to residents, distillation used to be a 'good vocation' with a decent income, but today this business has become unrewarding. This is due to the challenges and difficulties that this sector is facing.

Challenges and difficulties: The high cost of herbs and flowers, which can only be purchased in the Bekaa and coastal cities, in addition to the rising cost of bottles and containers.

Dealing with the challenges: NDEs in distillation often resort to reducing the quantity of production, in addition to prioritizing concentrated oil essences over distilled water products.

Arts and Crafts: Soap Making

Soap making has rebounded in Hidab in the last two years, after the Ministry of Social Affairs organized a two-month workshop on soap making in Jezzine. This workshop encouraged women to get involved in this business, after many of them came to settle in their villages due to the Covid-19 pandemic and economic hardship.

Soap making NDEs in Hidab were determined to push their business a little further than traditional soap making. They chose to upgrade and innovate by, for example, registering brand names for their products, such as: Ansi (a soap for skincare and treatment, made from olive oil, honey, milk, and herbal essence) and Spolio (a liquid soap made of olive oil and other ingredients).

Challenges and difficulties: The challenges faced by this sector are mainly grouped into two categories. The first is related to the severe economic crisis and its impact on the costs of production. The second is related to the difficulty in registering brands, primarily due to government bureaucracy.

'I wanted to design a special plastic container for my brand, but it was too expensive, so I gave up.'
—Hidab soap maker

Dealing with the challenges: In order to confront these challenges, NDEs are decreasing the quantity of their soap production, because they refuse to compromise the quality after gaining their customers' trust.

In their own words: Ansi brand creators' story of success

'I work hard, and always check the internet to come up with new ideas. I bought a machine to make embroidery on towels, so I wrap the soaps and deliver them in a beautiful package.'

'I participate in exhibitions, and sell in big quantities under another brand name, because mine is not yet registered.'

'I expanded my client base through social media, both in Lebanon and abroad.'

'I am pleased that over the course of three years, I reached a position where I can compete with Tripoli's Khan al Saboun (a major soap outlet).'

'We have to be creative and persistent to enhance our business.'

II Needs and Demands of Each Sector

In addition to demanding that their basic rights as citizens be addressed, each sector had more specific requirements.

Agriculture

- To have a broader plan, organized nationally, of all the crops that should be cultivated, in addition to the related products that should be manufactured.
- To develop a plan for distribution of these products.
- To map existing production, which can serve as a basis for establishing a commerce network.
- To facilitate cooperation among all districts in the region.
- To promote self-sufficiency in agriculture by encouraging municipalities to cultivate the wheat in their jurisdiction.
- To take advantage of the aromatic herbs in Hidab's mountains.

Animal farms, livestock, and poultry

- To promote animal and fodder self-sufficiency.
- To create big farms for goats and cows, and to produce dairy products.
- To have the Ministry of Agriculture provide subsidized fodder in a timely fashion (the ministry, along with some NGOs have funded and distributed goats to farmers in Hidab, but many had to sell them, because they couldn't get subsidized fodder).
- To promote the marketing of national products—this can be done by putting an association or company in charge of marketing, and to sell online trusted Lebanese products.

'This kind of support [subsidizing fodder] is critical. If you give me cows now, I won't take them. I don't have the money to feed them!'
—Hidab farmer

Food processing industry, homemade provisions, and distillation

- To cultivate roses in tents for distillation.
- To build a big distillation factory for all kinds of herbs and flowers.
- To promote new and advanced agricultural practices.
- To promote pisciculture (fish farming) and aquaponics systems.
- To encourage the planting of the Paulownia trees, which are a cheap source for wood.
- To create Azolla pools, which produce a supplement added to fodder.
- To have access to electricity and power generators.

Arts and crafts (soap making)

- To establish a sewing factory.
- To mass produce glass containers.
- To renew related legislation.

III Major Concerns

The unprecedented economic and financial crisis that the Lebanese people are enduring has led to a widespread sense of insecurity and uncertainty, including concerns about food and health security, an increase in crime and violence, an uncertain future, and above all, anxiety over their children's welfare.

It is worth noting that in Hidab (a predominantly Christian community), many expressed fear of being uprooted from their ancestral land, something that was not raised in the other rural areas studied, which were majority Muslim.

IV Policy Recommendations

- The promotion of a socially inclusive development policy: Government support programs should be focused on rural development, facilitating greater cooperation among small villages, thus lessening existing tensions. Inclusive development strategies require a sound commitment from policymakers at the local level to address marginalization and discrimination. Such policies are fundamental for creating a harmonized rural business environment that allows entrepreneurs to both serve—and benefit from—their local and regional communities.
- The promotion of farmer associations and their integration across the food-processing value chains: Such a process involves the promotion of cooperation between the agricultural and other sectors (such as the food-processing industry), and across regions. The objective of such an approach is to encourage cooperation across the agri-food sector, to identify opportunities and remove barriers to new markets and financial resources, as well as to encourage simplified legal contracts and bilateral agreements.
- It is equally important to promote cooperation between local farmers of organic products and other public and private institutions and businesses, like schools, hospitals, gyms, and nutrition centers.
- As for the distillation sector, it is important to forge a connection between rural areas and downstream distilleries.
- Equally important, is creating a linkage between rural businesses and end-users, such as manufacturer and exporters.
- Capacity-building programs, including technical and vocational education and training in arts and crafts, marketing, agriculture, and apiculture.

- Enhancing local governance and sustainable economic integration by developing policies that are sector-specific within a strategic framework targeting municipalities and municipal unions. Such an approach would improve the planning and risk management capacity of rural entrepreneurs. Stricter monitoring and evaluation procedures should be applied by third parties to oversee grants received by the government for rural development.
- The development of rural, non-farm employment opportunities can play a big role. Agricultural tourism can be a good example in this context: wineries, camp sites, and rural activities (such as apple picking) can attract local and international tourists. This, in turn, can encourage related business opportunities, such as hospitality.
- It is important to attract potential investors to rural areas. This can be done through a number of supporting tools to encourage and develop entrepreneurship, such as customer-friendly services, nontraditional financial initiatives, and partner relationships.
- Supporting the adoption of innovative agricultural practices, and the promotion of the efficient use of resources. This can be done by introducing legislation on such issues as organic agriculture, such as a system for the recognition and certification of these products and their protection.
- Promoting a nationwide awareness campaign and marketing strategies to encourage the consumption of organic foods and other products, in order to increase consumer demand for these products.
- Organic farmers should be encouraged to form associations/cooperatives to create brands for environmentally-friendly, organic products that can be distributed in local grocery stores and restaurants.
- Promoting alignment through institutional and stakeholder discussion. This can be done by engaging universities and NGOs in order to improve the delivery of development support. Finally, monitoring, evaluation and dialogue are essential to maintain progress towards specific targets in each economic sector.