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Report

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The multiple crises—the financial meltdown, the Covid pandemic, and the Beirut 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 second of a planned series on Lebanon’s rural areas focusing on Fnaidek. It 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

Fnaidek, a village in Akkar governorate, is a stark example of rural poverty and regional inequality in Lebanon. The purpose of this report is threefold: (1) to explore the challenges NDEs are facing in Fnaidek, (2) to assess the effects of the pandemic, the economic/financial crisis, and the Beirut port explosion on NDEs in Fnaidek, along with the policy response implemented, and (3) to provide policy recommendations customized for each economic sector. This is of paramount interest to NDEs, researchers, policymakers, NGOs (international and local), and other stakeholders.

In this report, we used a qualitative research approach based on in-depth interviews and focus groups. The fieldwork was conducted in Fnaidek, beginning with five key in-depth interviews between the 6-10 June 2021, followed by four focus groups on the 14th and 15th of the same month, including both female and male participants above 18 years old, and covering NDEs in the following sectors: (1) agriculture (2) food processing (3) construction, and (4) trade (goods and services). The total number of participants is 36, among which 35 are informal NDEs and only a single formal one. Eight are female participants who mainly work in farming and homemade provision (four participants), grocery, online sales, handcraft accessories, and make-up.

Among the NDEs surveyed in this study, the majority are older enterprises that operate in the agriculture, food processing, and construction sectors. A relative minority, on the other hand, are traders and new ecotourism projects. It is worth noting that Fnaidek has an average population of 35,000 inhabitants, 80% of which are permanent residents. More than 2,000 young men from the town serve in the Lebanese army.

I Major Findings

The state of deprivation in Fnaidek is not merely a result of the current crises, it is rather a consequence of widening class inequality. This growing inequality has dragged down economic growth, undermining opportunities for disadvantaged resident to access quality education and skilled formal employment. These difficult circumstances are validated by the people themselves, who expressed in interviews that their town (and the whole region) was subject to 'criminal discrimination' since the establishment of Greater Lebanon in 1920. According to residents,

the marginalization of their town has led to a cycle of poverty and unemployment, with few options outside of joining the army, becoming an unskilled laborer, or migrating to the city in search of better opportunities.

Agricultural Sector

Already, there are a significant number of NDEs who work in agriculture in Fnaidek, and an interesting finding is the high participation of women in this sector. From cultivators to farmers, NDEs face many challenges, largely as a result of the multiple crises and government neglect:

- The high prices of seeds, fertilizer, and pesticides, among other agricultural inputs: The devaluation of the Lebanese pound has resulted in a substantial increase in input prices for farmers, who were already struggling with high operational costs and inadequate supplies.

**‘We are forced to buy seeds every year. Our grandfathers used to save seeds from the previous harvest, but the seeds we get now are of poor quality, as they are hybrid. Only a small amount sprouts.’
—Fnaidek farmer**

- The high cost of plowing and maintaining the land.
- The poor quality of seeds, fertilizers, and pesticides.
- The cost of labor to harvest the crops. The agricultural labor market in Lebanon is characterized by high costs and poor working conditions, which effects both operational costs and total productivity.
- Irrigation challenges and water scarcity. Though Fnaidek is rich in water, it is wasted due to official neglect. The farmers point to the absence of ‘cement water channels’ in the cultivated areas, which leads to waste and inefficiency. The lack of dams or water towers obliges farmers to draw water from wells, which requires electricity, something that is both costly and difficult to access in Lebanon. Fnaidek’s poor agricultural infrastructure is evident from the outdated irrigation facilities and inadequate storage capacity.

- The lack of market access for Fnaidek's main agricultural crops and the absence of protection from imports.
- Limited seasonal work due to the cold weather.
- The nepotism and negligence of officials at all levels. Local farmers, for example, haven't received any support from the ministry of agriculture, or any other official authority, during this crisis.

In addition to the major challenges highlighted by NDEs themselves, the overall findings show an imbalanced market power in the agricultural supply chain, whereby small farmers are forced to sell their products at lower prices, as a result of the absence of any cooperative or union that brings farmers together and strengthens their market power. At the moment, wholesalers, to a large extent, exploit their market power over farmers, by buying at very low prices and selling to customers at high prices. Smallholder farmers, with limited economies of scale, poor knowledge of the markets and restricted investment in infrastructure, are often forced out. This is largely due to the complete absence of any farmers union or cooperative to give small cultivators more leverage to negotiate better prices for their products.

Apple Farmers in Fnaidek: Can Anyone Hear Us?

In addition to potatoes, apples are what agricultural NDEs in Fnaidek cultivate the most. Selling these products at fair prices is a huge challenge, especially in the absence of any regulatory authority or farmers cooperative. Wholesalers are therefore able to impose their own prices by purchasing from each apple farmer individually rather than negotiating with them as a group.

'Wholesalers are able to sell the apples at five times the price they paid us.'



'We can sell 80% of our apples, and we used to have good crop, but the wrong government policies in importing what we already have—apples, potatoes, citrus—forced farmers to dump their crops on the streets many times out of frustration.'

In the face of these difficulties and inflated agricultural production costs, the farmers have taken a variety of measures in order to survive:

- Cultivating only a part of the land to reduce cost and manage meager water resources
- Changing the type of agriculture to more useful vegetables
- Cultivating without fertilizer and pesticide

'Potatoes can be stored for a longer time and can feed my family the whole year.'

'Before, I was using the cow dung, but I had to sell our cows because the fodder is too expensive.'

Several studies have uncovered additional difficulties in the fruit sector in Lebanon, with some emphasis on apples. According to the Food and Agriculture Organization (2018), losses occur on several levels, starting in the field, due to poor farming practices, then continue at harvesting and post-harvesting, until the final product reaches the consumer. Poor practices are negatively affecting the reputation of the Lebanese apple industry, both in local and export markets, rendering Lebanese apples unmarketable.¹

¹

Food and Agriculture Organization (2018), 'Guide: Preventing post-harvest losses in the apple supply chain in Lebanon,' Available at: <https://www.fao.org/3/I8148EN/i8148en.pdf>

Construction Sector

NDEs operating in Fnaidek's construction sector include blacksmiths, carpenters, painters, builders, granite cutters, and tiles polishers. Among those surveyed, what drives people to this vocation is a dire financial situation that leads them to drop out of school and find a job to support their families. In brief, the main challenges construction NDEs are facing are the following:

- Limited opportunities in the construction sector and dwindling demand for their services in the local market: The target audience for NDEs in the construction sector are mainly local residents: soldiers, salaried employees, and farmers. After the financial crises in Lebanon and the devaluation of the Lebanese pound, work in construction has almost stopped. Participants revealed that no new houses were built in the last three years, and they are surviving on minor repairs.

'Demand for our work came mainly from locals who are soldiers. In every house in Fnaidek, there are two to three soldiers. Now that their salary is zero, the demand for construction has also become zero. No one can afford it.'

—Fnaidek construction worker

- Fierce competition from Syrian workers: Survey participants in Fnaidek point to tensions in the labor market between local and foreign laborers, mainly in informal jobs, leading to social disruption and conflict. This is largely due to the lack of government support, which should have been implemented long ago in order avoid the widespread social and economic distress rural areas are experiencing today.

'Because of this crisis, people go for the cheapest. Even my cousin has recruited a Syrian worker to paint some walls in his house.'

—Fnaidek construction worker

- Low revenues due to high cost of raw materials, already thin profit margins, and payment in installments, coupled with continuous surprises in production costs. Some construction workers have reached a point where they are considering selling their construction business tools and going back to agriculture.

Trade: Goods and Services

Due to the crisis, some NDEs have opened grocery stores, with many struggling to survive. The young NDEs found themselves lacking better job opportunities, and the older NDEs won't have the chance to be employed again. Two local grocery store owners went bankrupt a year ago, shut down their stores, and moved to work in agriculture. Rural grocery stores are essential for local economies—in addition to providing a vital supply of fresh fruits, vegetables, and dairy products, their revenues are important for the economic cycle of local independently-owned stores. The main challenges they face are: preserving their goods, Corona-related restrictions, and difficulties in pricing their products.

Ecotourism

Another sector affected by the crises is ecotourism, even after having attracted many people to work in it in the last five years. Some chose this type of business to earn an additional income, while others have left their old jobs to be fully invested in it. Main difficulties include: security concerns; diminishing demand as a result of social unrest, Covid-19, and the petrol crisis; and the high operational costs of food, electricity, and cleaning material.

When asked about government assistance, participants complained that the LPB 400,000 monthly payment to the poorest families is insufficient, not to mention that the 'food aid boxes' that were distributed to the poor were perceived as humiliating by many NDEs. Only agricultural NDEs reported support from the Ministry of Agriculture, which was neither sustained nor sufficient, and not fairly distributed. In the middle of this crisis, people's solidarity was the only safety net available, with expatriates sending substantial amounts of financial and medical aid.

II Policy Recommendations

The following recommendations are based on analysis of the primary data collected from the key informants and the focus groups. They target the needs raised by participants during the survey, and are supported by successful practices in local development and growth in rural areas of developing countries. Aside from recommendations for specific economic sectors, policymakers have a variety of tools at hand to tackle rural poverty, as well as promote opportunities for all NDEs through measures in the following areas.

Agricultural Sector

The agricultural sector should be at the forefront of any economic growth agenda in Fnaidek, given that it is a major employer and the main productive sector in the region. Most agricultural NDEs in Fnaidek depend solely on their agricultural production for their livelihoods. Numerous forms of support can be provided to allow NDEs to optimize their opportunities to live decently.

- Establishing an emergency plan that relieves rural NDEs in the short run, mainly through ensuring food security within social protection programs, food aid, and the promotion of safe and affordable food supplies.
- Establishing local and regional unions/cooperatives conducive to strengthening the capacity of farmers (including both old and new NDEs, and smallholders) with a concise agenda to promote growth and development, with a focus on expanding market access for farmers. Farmer cooperatives enable smallholder access to sustainable markets by providing economies of scale, given that farmers can share overall transaction costs and resources via collective processes.
- Establishing capacity-building, vocational training for local stakeholders to develop their know-how on proper pre- and post-harvest practices, which can contribute to decreasing the losses in the apple supply chain in Fnaidek.
- Easing the pressure on farmers by providing them with financial support through advance payments or loans. This would allow them to live without worrying about attaining the bare necessities of survival in the short term. As for the medium term, and given the collapse of the banking system, alternative avenues should be considered, such as subsidized credits and agricultural insurance.

- Rethinking strategies for managing, processing, and marketing the apple harvest, given its significance in Fnaidek's economy. One approach could be to process apples locally. Excess apples left on the trees can be turned into juice, jam, or vinegar. These products can then be branded, sold locally, and exported.
- Assisting farmers in selling their produce by providing support in price negotiation, transportation, wholesale arrangements, and a better, more efficient reach to the end customer.
- Developing an agriculture plan to study what to cultivate and where, and what are the most suitable forms of agriculture. This guidance is fundamental, primarily for new NDEs in the sector.
- Implementing smart 'diversification' agricultural investments: Diversification in terms of species, varieties, breeds, and also types of production in agricultural development should be a top priority. One example is the introduction of the cultivation of oats, which is in high demand from local food manufacturers and consistent with the Fnaidek ecosystem. Another example is encouraging agro-business and building a mill for wheat and corn.
- Encouraging new agricultural techniques and advanced irrigation systems, in addition to supporting new farmers in organic agriculture and hydroponics. This can be done by providing educational and technical assistance for such initiatives, which have the capacity of shifting NDEs to opportunity-based entrepreneurs.
- Supporting farmers through lower prices for seeds, fertilizers, and pesticides—key inputs that should be subsidized. Given that agricultural inputs are mainly imported, NDEs should be encouraged to reduce their dependency on imports. This can be addressed by looking at innovative agricultural technologies that enhance productivity, such as precision farming and biotechnologies.
- Developing a digital platform that connects expatriates with NDEs, to help identify non-conventional sources of capital investment and bring stakeholders closer together. The resulting dialogue can further facilitate the adoption of digital technologies to enhance productivity, in addition to exporting and marketing agricultural products.
- Identifying and prioritizing agricultural sector infrastructure requirements with input from NDEs and policymakers. A major finding from the survey reveals an urgent need to prioritize irrigation infrastructure, by implementing sustainable irrigation techniques and water reservoirs.

- Developing local energy efficiency infrastructure, such as a connected electrical grid, which would allow farmers and small businesses to power with renewable energy.
- Reducing pollutants in water sources and making filtered water accessible to Fnaidek residents.

Women's Empowerment and Youth Engagement

- Increasing women's participation in economic life: Encouraging female participation and career development by eliminating barriers that prevent women from becoming active in local economic development. One example can be the establishment of a sewing factory (an idea proposed by some of the NDEs interviewed in Fnaidek).
- Helping young people stay in school to build a solid foundation for their future. Youth from underprivileged backgrounds are more likely to drop out early, and opportunities for higher education remain limited in a region like Akkar. New, young NDEs should be encouraged to attend technical training courses to improve their skills. The municipality should engage residents, expatriates, universities, technical schools, and local NGOs to provide training and capacity-building to bridge any skills gaps.

Other Economic Sectors

- Promoting policies that encourage employment, particularly during the current crisis. NDEs that have development opportunities and the capacity to innovate should be targeted in this regard.
- Providing construction NDEs with new tools and equipment.

Encouraging Ecotourism

- Promoting ecotourism in Fnaidek, particularly in the nearby forests and mountains, where there are opportunities to hike and ski, among many other activities.

The recommendations above can act as a driver for economic growth in Fnaidek and the impoverished Akkar region. However, such initiatives cannot be achieved without the cooperation of municipal unions, local NGOs, and international organizations. NDEs are trying to survive one of the most challenging periods in Lebanon’s modern history—they require immediate attention in order to navigate the multiple crises they are facing. A campaign of coordinated, multidimensional interventions are needed to support individuals, households, NDEs, and the community as a whole, with the aim to raise income levels across the board.