

# Thematic Report

## Market Impact - MPCA

December 2023



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The Lebanon Crisis Analytics Team (LCAT) provides reactive and in-depth context analysis to inform the aid community in Lebanon. The information and analysis contained in this report is therefore strictly to inform humanitarian and development actors and associated policymaking on Lebanon.

*This study/report is made possible by the support of the American People through the United States Agency for International Development (USAID) and European Union Humanitarian Aid. The contents of this report are the sole responsibility of the LCAT and do not necessarily reflect the views of USAID, the United States Government, or the European Union.*



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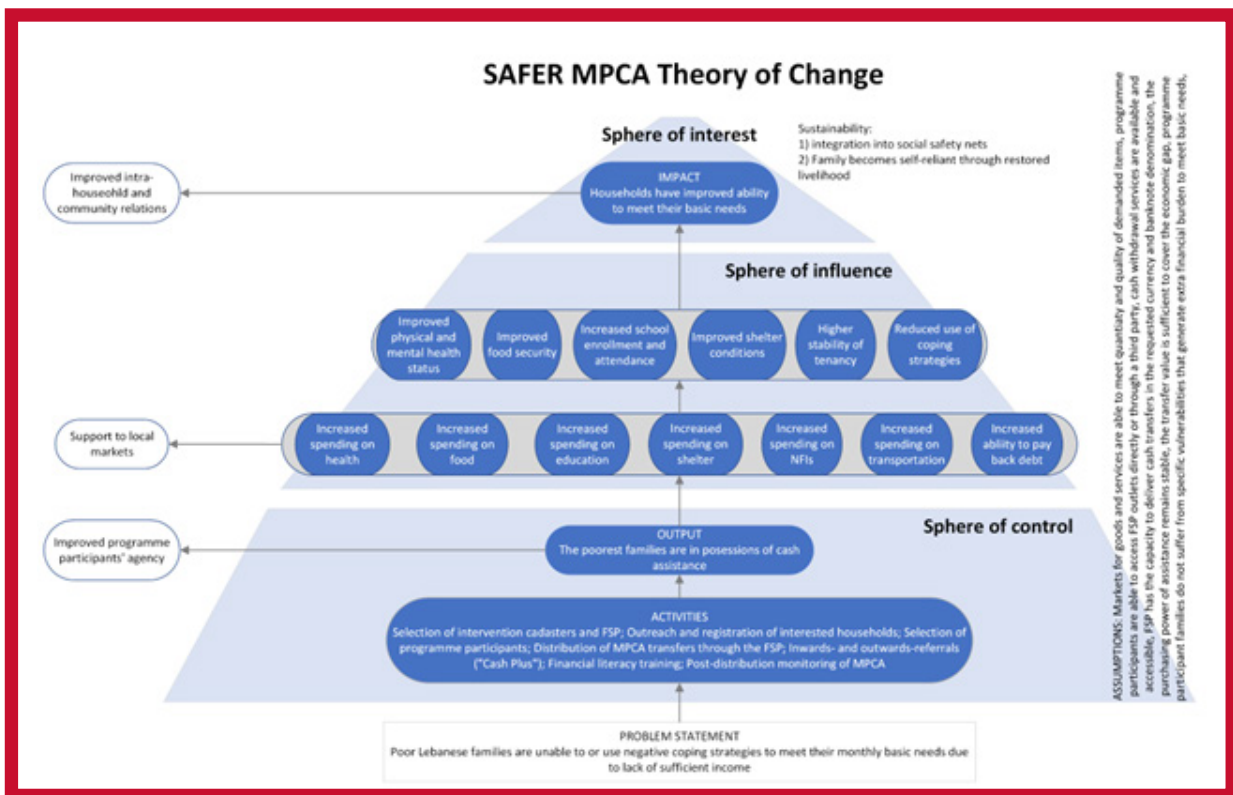
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# Introduction

In September 2022, Mercy Corps Lebanon launched a multipurpose cash assistance (MPCA) program that helped 1,250 vulnerable Lebanese households in Buday (Baalbek Governorate), Younin (Baalbek Governorate) and Yanta (Bekaa Governorate) meet their basic needs through the provision of a 150\$ monthly cash disbursement for a period of 12 months. The intervention logic was to target vulnerable Lebanese households who have fallen through the large cracks in Lebanon’s social protection programs, neither receiving cash assistance through the Emergency Social Safety Net (ESSN) nor the National Poverty Targeting Program (NPTP).

Support to local markets is a generally assumed, and sometimes proven, secondary outcome of MPCA. In Mercy Corps’ theory of change (see Figure I) support to local markets is placed outside the MPCA logic chain at level with increased expenditures on important areas such as health, food, education, and shelter. Although it is not the primary outcome of interest for SAFER, a stimulated market is nonetheless a positive by-product of MPCA which falls under the economic-multiplier arguments in favor of MPCA. The report aims to add to the existing literature on secondary impacts of cash assistance in other contexts which have proved that cash assistance can stimulate individual spending and wider business investments.<sup>1</sup>



<sup>1</sup> See, for example: Mercy Corps Economic Opportunities, [Layering Cash into Market Systems Programs: Catalyzing Market-Driven Recovery in Nigeria](#), September 2023.



In this context, the report aims to understand the impact of MPCA beyond the immediate beneficiaries of cash assistance. Therefore, questions were designed to clarify the indirect, or secondary, impacts on markets in MPCA sites, such as how the MPCA program has influenced the broader community, especially its impact on local markets and business practices. One of the assumptions underpinning the MPCA program was that the MPCA caseload should be sufficiently large relative to the village or market size, in order to create wider positive impacts on the community. These secondary impacts are often poorly understood by cash actors and the aid community at large, since market assessments and monitoring tend to exclusively focus on shop prices, while program monitoring activities focus on participant experiences. LCAT set out to discover how cash assistance has influenced merchant behavior in the chosen cash assistance sites during the lifetime of the project by asking vendors questions not only about product pricing, but also product stocks, variation of imported products, business revenues, financial services, customer base, credit lines, and profit (vis-a-vis exchange rates). The paper also examines other changes in the broader community from the perspective of households and local leaders.





# Key Findings

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- Multi-purpose cash assistance (MPCA) enables recipients to consume higher quality products, such as nutritious foodstuffs, and in greater quantities than if they had not collected MPCA. Sales of meat and poultry, for example, increased in areas populated by MPCA recipients.
- Most merchants experienced a slight increase in sales during MPCA implementation, with butchers witnessing the greatest increase. Profit margins, however, tended not increase as a result of the MPCA.
- Mini-market owners and pharmacists were more likely to stock Lebanese products during MPCA, because consumers perceive them to be of higher quality than cheaper imported goods from Turkey, Syria, and Iran.
- Cash assistance directly impacted merchants' willingness to provide credit to customers across all sectors (minimarkets, butchers, and pharmacies). This is a product of increased trust between consumers and vendors.
- MPCA enables beneficiaries to make long-term investments that can save money or even create value:
  - Medicine: Ability to invest in preventative healthcare and long-term medical solutions, rather than short-term indefinite pain relief.
  - Education: Ability to buy books for children to attend university.
  - Livelihoods: Ability to purchase inputs for adding value to basic ingredients, for example selling Kishik and Mloukhieh.
- However, cash assistance does not generally help beneficiaries increase their personal savings over longer periods of time, or save for large investments.
- MPCA recipients are more likely to pay for goods in dollars if they receive cash assistance, especially when the exchange rate is stable. Reasons to exchange cash include arbitrage opportunities and ensuring "accurate" payment for goods.
- Several interviewees (beneficiaries and local actors) mentioned the positive psychological effects of cash assistance.
- Local actors perceived a decrease in petty crime such as theft, which they attribute to the MPCA program. They also perceived decreased tensions between Syrian and Lebanese communities, pointing to the fact that, by the end of the program, there was a general perception that Lebanese community members are receiving a roughly equal share of cash assistance.
- While market actors recognize the participants having received MPCA from the change of behavioral/economic patterns, few report sustained patterns once the MPCA is cut off. This findings has important implications for exit strategies, explored in the conclusion section.



# Methodology & Limitations

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Findings are based on qualitative data collected during 47 key informant interviews (KIIs) conducted in Bouday and Younin, Baalbeck (from November to December 2023), including randomly-selected Lebanese households receiving MPCA, local merchants, and local authorities.

- 15 KIIs with households
- 24 KIIs with local market actors (pharmacies, butchers, minimarts)
- 8 KIIs with local leaders<sup>2</sup>

In order to ensure that data gathered was unbiased by perceptions that responses may determine future outcomes of cash assistance, LCAT used independent consultants who clarified their independence from Mercy Corps' programming before every interview.<sup>3</sup> Confirming the importance of this detail, responses gathered during this research differed considerably from data originally gathered by Mercy Corps teams through post distribution monitoring (PDM) exercises. This trend was especially noticeable while conducting KIIs with households and local authorities. Differences between responses gathered through LCAT's market impact assessment and Mercy Corps' PDMs may be of interest in future studies.

This report is not intended to provide a representative picture of program outcomes - this is better captured in regular monitoring and evaluation exercises such as post-distribution monitoring (PDM) reports. The relatively small sample size compared to the caseload has led to some apparent contradictions in findings; for example, the majority of program participants reported exchanging the assistance from USD to LBP for making payments, and yet merchants noted an increased use of USD amongst their MPCA recipient customer base. This can be explained by the non-representative sample size. Equally, the KIIs were only conducted with three groups of market actors, selected on the basis of their proximity to MPCA recipients and stocking of commonly purchased items - but this necessarily does not represent all industries where market impact may be discernible.

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<sup>2</sup> Based off interim findings, these KIIs were added at the discretion of consultants

<sup>3</sup> [Abbas Fadallah](#), [Rosa Akbari](#)



Photo by Issam Abdallah / Reuters

## Household-level findings

### Challenges since 2019 and coping mechanisms amid the economic crisis

When asked about key challenges faced since 2019, all 15 household-level program participants mentioned the ongoing economic crisis in Lebanon, with some highlighting challenges resulting from the COVID-19 pandemic. A common theme highlighted among the 15 participants was decreased purchasing power and deteriorated living conditions as a result of Lebanese pound (LBP) depreciation. Program participants recounted difficulty in affording basic necessities, primarily food items such as meat, poultry, cheeses, fruits, and medicine.

The inability to afford basic necessities prompted respondents to decrease spending on food, and cease meat, poultry, and fruit purchases. Households also relied on purchasing more affordable food items produced in Lebanon, as well as adopting a more vegetarian diet, comprising items such as bread, beans, lentils, and rice. Another coping mechanism entailed relying on previously stocked up items, primarily mouneh,<sup>4</sup> in order to reduce spending on food items.

Regarding healthcare, respondents highlighted how deteriorated living conditions led them to purchase more affordable medicine. This includes buying “substitute” medicine from Syria, Iran, India, and Lebanon, believed by many to have inferior medicinal properties.

Respondents also reported that their livelihoods had been severely, negatively affected amid the economic crisis, with decreased job opportunities ultimately affecting living conditions. For example, one program participant from Bouday was reportedly let go from his job after the COVID-19 pandemic began, leading him to move out of Beirut and settle in the village.

<sup>4</sup> Preserves, pickles, jams, and other canned or jarred produce, often made at home.





Another program participant stated that he used to work as a truck driver, but after the October 17 events and banking crisis, work was at a standstill for seven to eight months, and has since been inconsistent.<sup>5</sup> Similarly, another program participant stated that he used to own a mini-market but had to close it about three years ago due to health conditions and deteriorating living conditions. Furthermore, amid LBP depreciation, another program participant who is a government employee, highlighted that the depreciation of his LBP-dominated salary prompted him to search for multiple jobs, as his monthly salary (LBP 3,500,000) was, as of December 2023, about 30 US dollars (USD).

Many respondents mentioned the aforementioned challenges forced them to adopt coping mechanisms such as taking out loans and subsequently going into debt. For example, a widowed female headed household stated that she used to buy medicine from the pharmacy on credit, repaying them after long periods of time, whenever she had the money. Another program participant whose livelihood was affected amid the economic crisis reported that he took out a loan of USD 2,000 to register his daughter in university and pay off previous debt.

## Major monthly expenses and changed purchasing patterns after cash assistance

When asked about major household expenses, the majority of household respondents' top three expenses were food, healthcare, and education. Other expenses included education, transportation, fuel, electricity and internet bills, and minor home repairs.

Sixty percent of household respondents highlighted that MPCA enabled them to purchase higher quality and more nutritious food in greater quantities than they had previously.<sup>6</sup>

A female program participant stated that since receiving cash assistance, she has had improved access to meat and poultry, and improved access to vegetables (for example, she mentioned being able to buy 1 kilogram [kg] of fresh tomatoes and cucumbers). She added that she is also able to purchase additional pantry items like rice and tea, but is still not able to buy fresh fruits and is otherwise only purchasing essential items. Furthermore, she said that the cash assistance has allowed her to consume more meals per day.

An unemployed male participant said that his top expenditure was healthcare, education, and transportation. He also indicated improved access to meat and poultry, adding "we are able to eat poultry every now and then, but we still prefer cheaper options like beans... and we buy meat once every two months". He added that cash assistance improved their confidence; "It gave us a little push, but you easily need USD 400 to USD 500 [per month on groceries]". Another male participant explained that his household's quality of food improved, stating "We now eat poultry and fish twice a month". Similarly, another respondent added that, since the MPCA began, the household now purchases half a kilogram of meat; every 15 days they purchase 1/1.5 kg of chicken thighs, and are able to purchase poultry up to five times per month.

<sup>5</sup> He added that, "I only worked twice last week."

<sup>6</sup> While 9/15 responses highlighted increased purchases of meat and poultry directly, it cannot be ruled out that more program participants have done so.



Increased access to healthcare was also highlighted among 80% of program participants.<sup>7</sup> A program participant mentioned that “I had stopped taking medication for a couple of months since the economic crisis. But since receiving the cash assistance, I started buying it again. I also buy other medicine for the flu”. Another program participant whose health recently declined after having a stroke, stated “I cannot afford to buy medicine without the cash assistance”. Interestingly, the program participant was also capable of buying medicine on credit from the pharmacy, given that the pharmacy knows that she receives cash assistance. This trend was also common among other program participants, suggesting increased trust between households and market holders after receiving assistance. This is discussed further in the conclusion below. Finally, a program participant stated that he spent cash assistance on dental care, where previously he had to resort to painkillers to numb dental pain, but after the cash assistance, he was able to fix the dental problem.

When looking at trends in medicine purchases, many participants highlighted that they preferred cheaper options despite receiving cash assistance. Many participants resorted to buying “whatever medicine is available – including Lebanese, Iranian, or Syrian made”<sup>8</sup> Only two respondents, including a single male program participant who is employed, stated that they purchased “good brand” medicines i.e., more expensive than generic medicines from Lebanon, Iran, or Syria. Furthermore, two program participants highlighted that they resorted to alternative medicine, primarily herbal medicine, despite receiving cash assistance.

Forty-six percent of respondents (7/15 participants) stated they spent some or all of the cash assistance on education. This includes transportation to and from education facilities, as well as books and other supplies for school or university. One male program participant stated that he was considering removing his children from school, but elected to have them continue their studies after receiving cash assistance. The same respondent stated that they also spent cash assistance on registering dependents at the Lebanese University, as well as for books and transportation fees. Another program participant stated that some cash assistance was spent on education for one of his daughters to attend university only once a month; his other daughter opted to not attend university in order for the household to spend on other necessities.

When asked about the link between cash assistance and livelihood opportunities, responses yielded three notable findings. Two program participants stated that assistance enabled them to buy products for cooking kishik, ultimately selling them to improve their income and sustain their livelihood. For example, one of the program participants stated that he and his wife were able to make 50 kgs of kishik, selling 46 kg of it, and keeping 4 kgs for personal consumption. He added that cash assistance enabled them to buy and sell mloukhieh. A third program participant, however, recounted a negative coping strategy, stating that while she used to sell home-made products (mouneh), she stopped after receiving cash assistance.

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<sup>7</sup> 12/15 participants.

<sup>8</sup> 61 year old unemployed female headed household.



When asked about whether or not participants were able to put aside savings from the cash assistance, only one program participant stated that they were able to do so. The program participant mentioned that amid decreasing temperatures, she felt the need to prioritize winterization. As a result, she saved the previous month's assistance and planned to retain the following month's assistance to buy fuel for winter. She added that she prioritizes this because she cares for her elderly disabled mother: "we are able to reduce spending on food, but we need to stay warm at the end of the day". The rest of the program participants stated they are incapable of saving because they spend the assistance on basic necessities.

### **Dollarization of local markets**

The majority of household-level program participants reported that they exchanged cash assistance from USD to LBP, whether partly or fully, with only three program participants out of 15 reporting that they did not exchange cash assistance. One program participant reported that they started exchanging a part of the assistance about six months prior to being interviewed, when the LBP-USD exchange rate was fluctuating heavily, because "it was profitable" for them. Others explained that they exchanged a part of the assistance because not all shops in the village accept USD. One program participant stated that he exchanged the assistance to LBP because he felt that paying in LBP is more "precise". For example, he mentioned that shop owners may try to profit if customers pay in USD. "If something costs 70 cents, shop owners will say it is USD 1 and not LBP 70,000" (if USD 1 = LBP 100,000).

### **Coping strategies and impact without assistance**

Program participants were asked about their expected coping strategies if cash assistance were to stop. Forty-six percent of respondents (7/15) stated they will likely resort to debt as a coping mechanism.

Sixty percent of respondents (9/15) stated they will decrease spending on a certain item, the majority of which (46%) specified food. One of the program participants detailed the types of food on which they will reduce spending: "Lemons, potatoes, though essential, are expensive. Tomatoes and cucumbers too. We won't buy fruits either". Another respondent stated that they will reduce spending on meat and poultry, and that they will stop buying cheese and "labneh", and will resort to making their own bread. Another stated, "instead of buying 1 kg of meat, I will buy half a kilogram", and that they will resort to eating the food bought in bulk, such as those items prepared using the traditional mouneh method. Some program participants also stated they will reduce spending on medicine and buy "substitutes".

Three respondents stated they will take on extra work, and four respondents stated they will buy items (or gas) on credit. Three others added that they will not spend money on fuel, will rely on "closing windows and using thicker blankets", and that they will reduce spending on non-necessities, such as clothing items.



## Tensions and increased risks

While no respondent mentioned heightened tensions and security risks as a result of the assistance, some program participants did report perceived increased gossip and jealousy. Generally, program participants treated the assistance as a private matter, while others told people that they are recipients. One program participant stated “I hear from people things like, ‘ah you are receiving assistance, but we are not’”. Another added, “We did not even tell anyone we are receiving assistance, it is better that way”.

## Impact of assistance

When asked about the impact of assistance, all responses were positive. One program participant stated that cash assistance gave them “a feeling of empowerment psychologically, and mental stability... I was seeing items in the store, knowing that I could buy them”. Another participant with health conditions stated, “If it weren’t for the cash assistance, we would have been beggars”.

## Purchasing on credit

Most respondents said that local mini markets and pharmacies allowed cash recipients to buy items on credit given their knowledge about the assistance, ultimately building trust between the consumer and vendor.

Furthermore, the majority of respondents buy their products from the local markets rather than larger supermarkets. Respondents offered different reasons for adopting this practice, such as lack of transportation and a desire to engage in commerce within their community and greater confidence that they are purchasing quality products from individuals from the village.



Photo by AFP

## Merchant-level findings

Twenty-four merchants were interviewed in Younine and Bouday (Baalbek District) in December 2023.<sup>9</sup> Interviews were conducted with owners or employees from three different types of businesses: mini-markets, butchers, and pharmacies. These industries were chosen due to their relative accessibility and MPCA recipients' dependency on goods sold by them, including non-perishable food items, fresh meats, or medicine and pharmaceuticals. Merchants, regardless of the sector or industry in which they worked, shared common business and revenue challenges (due to the economic crisis, COVID-19 pandemic, etc.) as well as similar coping measures or mitigation strategies.

### Cross-sector challenges amongst merchants

When asked how business revenue was affected amid various contextual challenges, nearly all respondents said they contended with decreased purchasing power, with some noting they also went into debt as result.<sup>10 11</sup> Some decided to stock alternative products and others mentioned that the lack of reliable state electricity provision or private generators affected the types of products they would buy (i.e. prioritizing shelf-stable goods, limiting dairy products, etc.). Only one respondent noted a challenge to winterize due to the combined effect of the fuel crisis in 2021/2022, decreased purchasing power, and low business revenue. Another respondent (pharmacy) noted their inability to buy medicines due to the removal of government subsidies.

When asked about supply levels and stock management before January 2023, answers varied across business types. All but three respondents stated that their access to stocks of certain goods was limited, restricting what they could supply to customers.<sup>12</sup>

<sup>9</sup> KII questions found [here](#).

<sup>10</sup> Quote: "If we used to sell 3,000,000 (USD 2,000 at the 1,500 rate), now we sell a total of USD 300".

<sup>11</sup> KII note: He had a rental shop but they increased prices on him and he is currently in debt USD 3,000. People used to buy 3-4 kgs and now buy few grams of meat.

The shop was heavily affected, it was larger, he sold a car to sustain losses (USD 4,000). He re-opened 20 days ago "We went back to 0". They went into debt to pay for everyday expenses.

<sup>12</sup> This includes: better quality foodstuffs (e.g. Nescafe), medicines for chronic diseases (e.g. hypertension, diabetes).





Noted causes were a lack of access to foreign-produced goods as well as limited revenue to purchase products even if they are in demand and supply is available. Pharmacists noted some unique supply-related challenges, which are discussed below.

Nearly all merchants indicated at least a slight increase in sales during the period of cash assistance. Customers' preferred source of products also varied across merchants, translating to some stocking goods from abroad – namely Turkish, Iranian, or Syrian products – with others foregoing this. Nearly all respondents confirmed that customer demand remained high for Lebanese products, as they are perceived to be of better quality. Many merchants also noted that customers actually bought more Lebanese products<sup>13</sup> if they could stock them, coinciding with the timeframe of SAFER MPCA programming. A related marked shift during this time period was merchants allowing more customers to buy on credit, with many noting that they were doing so because they knew cash assistance was coming. Only a few mini-market merchants noted times they were approached to buy in-kind goods (e.g. lentils, hummus), though none purchased them; only one person recounted exchanging the goods for other items.

## Dollarization

Before “nation-wide dollarization” took hold, all merchants noted an increased use of USD among their MPCA recipient customer base. Interestingly, regarding livelihoods and income generation, no merchant noted an increase in employment among their customer base, though the majority did recall new shops opening or reopening during the cash program. When asked for additional comments, some pointed to the positive impact that the MPCA has had on the local economy – even to the extent that one business owner noted he was “living off this 150 [USD]” and he “hopes they increase the cash assistance period for an extra six months” in order to “get through winter.”

## Breakdown per Sector

### Butchers

Four butchers were interviewed, two based in Younin and two based in Bouday. All butchers have multiple years of experience in the field, ranging from three years to 40 years.

When asked about primary challenges that they have faced since the economic crisis, all butchers noted customers' decreased purchasing power amid LBP depreciation and fluctuation, which ultimately affected their ability to purchase meat. One butcher stated that he previously rented a shop in another part of town, but amid the economic crisis, rent prices increased, forcing him to go into debt (reportedly USD 3,000). Another butcher highlighted that his sales were severely affected over the past few years amid decreased purchasing power, adding that he was forced to close his shop due to challenges stemming from the COVID-19 pandemic. Increased rent, generators, and fuel prices constituted additional challenges faced amid the crisis, according to butchers.<sup>14</sup> “I sustained losses that set me back 10 years”, one said, referencing LBP depreciation.

**“I sustained losses that set me back 10 years”**

<sup>13</sup> Namely cleaning products.

<sup>14</sup> Butcher 3 highlights challenges in the running cost of owning a butcher shop amid the economic crisis.



All four butchers agreed that demand for meat and revenues increased in 2023, particularly among MPCA participants. One stated that “the USD 150 assistance allowed people to buy more meat,” while another agreed that there was a greater demand for meat amid MPCA participants, adding, “people started eating more”. When participants were told assistance was ending, business across all sectors (i.e. including mini markets and other businesses) slowed down. “If this project ends, people will suffer”, one butcher added.

A clear indicator of differences between MPCA and non-MPCA participants is highlighted in one butcher’s response when asked about changes in the habits of their old customer base (i.e. compared to non-MPCA participants). He highlighted that meat sales were lower than prior to the crisis, stating, “Those who used to buy 1 kilogram of meat before the crisis, now buy 500 grams”. This is in stark contrast to responses offered by MPCA participants, who claimed that they were consuming more meat than prior to receiving assistance.

Similar to the trend with mini markets, all four butchers stated that they allowed MPCA participants to buy on credit, knowing that they are receiving cash assistance and are able to repay the debt. One butcher reported that he will likely stop allowing current MPCA participants to buy on credit once the cash assistance stops.

When asked about their pricing mechanism, responses pointed to a unified price of meat, whereby 1 kg of meat is sold for USD 10. Butchers are buying meat in USD, and then pricing it at the parallel market rate, with profit margins varying. For example, one butcher sells meat at the LBP 90,000/USD 1 rate, while another sells meat at the LBP 89,000/USD 1 rate. None of the butchers increased their prices amid inflation given that the price of meat has not fluctuated but remained fixed to the dollar rate (at roughly 10 USD / kg), but interestingly, all butchers responded that mini markets raised prices.

Three butchers added that they noticed mini markets increasing the prices of items amid LBP depreciation in March 2023, with Butchers 1 and 3 stating it was because they were trying to minimize their losses.<sup>15</sup>

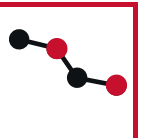
When asked the same question on price increases coinciding with events in Gaza and Israel since October 7 and the escalation of hostilities in the South of Lebanon, one butcher stated there was an increase in prices at mini markets. Three butchers added that people either stocked up or bought more items amid fears of conflict escalation in the South. The other stated that customers primarily bought items other than meat, mostly flour, oil, and sugar.

Three out of four butchers agreed that customers increased USD usage amid the relative stability of the LBP-USD rate.<sup>16</sup> Furthermore, when asked about whether dollarized products are now more or less expensive than before the crisis began (i.e. when the LBP was pegged to the dollar at a rate of USD 1 to LBP 1,500), all butchers stated that meat prices remained the same, fixed at USD 10/1 KG.<sup>17</sup>

<sup>15</sup> In March 2023, the LBP to USD rate reached LBP 120,000/USD 1.

<sup>16</sup> At the time of drafting the report, the LBP-USD rate has been relatively stable at around LBP 89,500/90,000 per USD 1.

<sup>17</sup> Before the crisis, that would have been LBP 15,000/1 kg.



## Pharmacies

Three pharmacists were interviewed, all of whom have been operating pharmacies for several years in their respective towns of Bouday and Younin.

When asked about the primary challenges faced since the economic crisis, pharmacists noted decreased purchasing power, increased medicine prices, and reduced availability of medicine. Regarding stock challenges and availability of certain items, all three pharmacists said they contended with decreased stock. This includes medicine for chronic illnesses like diabetes, chronic bronchitis, and hypertension medicine. Pharmacists said complications with suppliers were the primary reason for stock shortages, including suppliers monopolizing medicine, or suppliers' decreased distribution of medicine.

All three pharmacists stated that demand for Lebanese-made medicines is high, primarily on account of their affordability and effectiveness. For example, one pharmacist stated that diabetics prefer to buy a Lebanese-made diabetes medicine called Sagimet, which sells for LBP 1,400,000, in comparison to the imported Jardiamet, which costs LBP 3,200,000. In contrast, Pharmacist 1 stated that there has been a decrease in demand for Syrian- and Iranian-made medicines at their pharmacy and others in the village. The same pharmacist stated that this demand is driven, at least in part, by other pharmacies, like Al-Mourtada pharmacy in Baalbeck, making a large quantity of Iranian and Syrian medicine available. Another stated that while Syrian and Turkish medicines are in demand, he does not sell them. He added that many customers buy them from another pharmacy but inquire with him about them and their effectiveness, suggesting customers' lack of trust in these products.

Focusing on this past year, responses varied when pharmacists were asked about changes in their revenues. One pharmacist stated that there has been no major improvement in sales, and while chronic medicines are still not available, other over-the-counter medications, such as for the cold and flu, are more readily available. Another stated that there has been a slight improvement in sales and believed it may be due to the relative stabilization of the LBP exchange rate, and the cash assistance that improved the local economy. A third pharmacist also stated that cash assistance aided in increasing sales, adding that the number of people buying on credit and not repaying loans decreased in a short period of time. Two of the four pharmacists stated that they noticed a change in participants' shopping habits.

Pharmacists stated that cash recipients have been able to buy medicine, in contrast to before receiving the assistance, adding that they are buying substitute medicines (i.e. Lebanese-made). One reported increased sales from cash recipients, adding that while cash recipients used to buy medicine one blister pack at a time, they are now able to buy a whole box of medication at once. Two pharmacists added that they offer cash recipients the option of buying on credit given they are capable of repaying the sum owed.



Regarding pricing mechanisms, two pharmacies set prices in both LBP and USD (or at the parallel market rate), while another sets prices in LBP. Pricing mechanisms are largely controlled by the Ministry of Public Health, but the currency in which pharmacists buy the medicines is largely based on what the suppliers request. This has, at times, resulted in losses for pharmacists, particularly given LBP-USD depreciation. Furthermore, all three pharmacists stated that they have noticed increased USD usage, likely due to relative LBP exchange rate stability.

### **Minimarkets**

Merchants said they were able to stock more staple goods such as sugar, rice, flour, oil, and salt, after the MPCA was implemented. Meanwhile, they reduced the stock of confectionaries, sometimes to zero or reduced the number of brands available (e.g, some minimarket owners decreased their stocks of Nestle items). Some merchants noted an increase of new customers, though all said more customers are buying higher quality goods and/or in larger volumes, even if on credit. Merchants also noted varied dollarization practices. Some priced goods based on that currency in which they bought the stock wholesale (LBP in LBP, USD in USD). Some based their prices on USD market rates; for example, if the market rate was LBP 90,000 to USD 1, goods

### **The increased occurrence of credit lines**

Merchants generally noted increased sales during the course of the cash program. Lebanon's economic crisis impacted business differently when parsed out by business or retail type, as did their stocking preferences and approaches to dollarization. But the use of credit has become more prevalent across all business types, as did the demand for better quality (and locally sourced) products. Despite the program's smaller scale (in comparison to cash and voucher programs targeting Syrians or Palestinians), the caseload was still sufficiently large, relative to the village/markets being reached, to show impact. As such, local market actors and local authorities alike indicated positive impacts during the period of cash assistance.



Photo by Wael Kanj/Mercy Corps Lebanon

## Local actor-level findings

Nine local actors were interviewed, all of whom are municipal workers or members. This includes four from Bouday, four from Younin, and one from Yanta. All local actors have been living in their respective towns all their lives, and hence are very well informed on local dynamics.

### MPCA program on implementation areas

All interviewed local actors reported positive outcomes in their towns after the implementation of the MPCA program. These outcomes are divided into the following categories: improved economic activity and access to commodities, and improved changes to well-being and living conditions.<sup>18</sup>

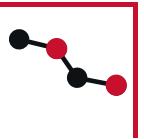
All nine local actors mentioned improved economic activity in their towns, where people were able to buy more products from mini markets, butchers, and pharmacies, ultimately improving sales in local businesses. The head of the municipality of Bouday stated, “People started buying more meat and other food items. It was like people were employed again”.

Similarly, the head of the municipality of Younin stated, “Businesses were more operational because everything is linked – so people had cash to spend in the village”. Also, another local actor from Younin stated, “A large quantity of money entered Younin – it affected all businesses positively”.

This finding echoes results of household assessments, in which households stated that they were buying essential items from their own villages’ local markets, ultimately contributing to the local economy.

<sup>18</sup> Improved changes to well-being and living conditions excludes access to food items but includes access to education, health, and housing.





Respondents also detailed how cash assistance improved well-being and living conditions. Echoing this, a local actor from Bouday stated that as a result of the cash assistance, “people’s well-being changed, they became happier.” A community leader in Younin also stated, “Younin changed a lot this year. I even noticed people gain weight. They started eating more.”

Another local actor from Younin stated, “People’s clothes have changed. Those who used to walk barefoot bought shoes,” implying people’s improved ability to buy essential items they had not been able to purchase before. He added people’s improved ability to spend on household appliances, stating, “Whoever had a broken fridge was able to fix it. Whoever did not have a stove was able to buy a stove. People bought essentials that they didn’t have before.”

Seven of the local actors also noted improved access to education among households receiving cash assistance. Another actor from Younin explained how his sister was able to register her children in school after receiving the cash assistance. The head of the municipality of Younin also stated that, “people were able to pay for transportation to send their kids to school because public schools are far.”

Four local actors also agreed that cash assistance allowed people greater access to healthcare. One from Yanta stated, “People like myself were able to buy medicine – my diabetes medicine costs LBP 22,000,000 per month. This assistance came as a miracle.” Echoing this, the head of the municipality of Younin / Local actor 8 also reported the following: “I spoke to a pharmacy/small clinic in the village. She told me it was something that calms the mind. ... People were now buying medicine as opposed to waiting for someone to donate medicine to them.

Local actors also said fewer people are taking out personal loans and going into debt, although they are now able to buy on credit from markets, butchers, and pharmacies. This finding was reflected in the market actors and households KIIs. The head of the municipality of Younin and another local actor from Younin mentioned how people receiving cash assistance were able to stop going into debt. The individuals also stated how shops started allowing individuals receiving cash assistance to buy on credit, confident that they will receive the payment.

Meanwhile, local actors expressed worry regarding the assistance coming to an end given market actors are likely to stop allowing individuals to buy on credit. One actor from Younin stated, “We are now very worried because the MPCA program is coming to an end. A lot of people will not be able to afford medical care and medicine. People who used to buy medicine from the pharmacy on credit knowing they will receive cash assistance at the end of the month – now they do not know what to do. The same [is true] for those who were buying food on credit to be able to eat. Even mini market owners used to allow them to buy on credit due to the MPCA program.”

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**“We are now very worried because the MPCA program is coming to an end.”**

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## Crime and theft

A major development that local actors tied to the MPCA program was decreased crime and theft. The head of the municipality of Younin / Local actor 8 stated, “We had a lot of crime and theft ... After the assistance, over the past year, we never heard of one case of theft occurring”. Similarly, the head of the municipality of Bouday / Local actor 4 also echoed this notion, stating that cash assistance “decreased problems, it decreased crime and theft”. All in all, five (of eight) local actors mentioned decreased crime and theft as a result of the cash assistance.

## Inter communal and vertical tensions

Local actors’ also noted the positive effects that the MPCA program had on inter-communal tensions. This finding is significant given the ongoing tensions between Lebanese host communities and Syrian refugee populations.<sup>19</sup> As such, four respondents stated that cash assistance aided in reducing tensions between the two populations, and all four provided the same reasoning, namely, humanitarian aid provision. Aid provision directed towards Syrian refugee populations had played a key role in increasing tensions between Lebanese host communities and Syrian refugees early in the economic crisis.

A representative from Bouday stated, “Before the cash assistance, Lebanese felt left out because Syrian refugees received aid and Lebanese did not. Following the MPCA program, tensions decreased between Lebanese and Syrians.” The head of the municipality of Bouday made similar claims, stating that the program did not foment tensions, and “it actually made things better between Lebanese and Syrians because previously, the Lebanese used to feel left out when it comes to aid, but now they are happy”. Similarly, the Head of Municipality of Younin reiterated this point, stating, “the Lebanese used to think, ‘we are dying from hunger while all the aid is going to the Syrians.’ But this assistance targeted the Lebanese population, so it really decreased tensions.”

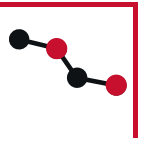


**“it actually made things better between Lebanese and Syrians because previously, the Lebanese used to feel left out when it comes to aid, but now they are happy”**

While the cash assistance did not increase inter-communal tensions, it did cause some vertical tension – friction between some of the townspeople and the municipality – albeit to a minimal level. However, some townspeople who did not receive cash assistance visited the municipality to inquire why they had not. Six local actors mentioned this, including one who explained that “Individuals whose parents’ names for example were not part of the program would visit the municipality and question why they did not receive aid. We would tell them that you are benefiting indirectly, the money is circulating in the village from one butcher shop to another mini market. So ultimately, everyone is benefitting.”

Finally, three local actors stated that the cash assistance increased gossip around town, mainly among individuals who did not receive assistance. This did not escalate into conflict within communities.

<sup>19</sup> Across the country, these tensions have been driven primarily by economic factors, with relations being most fragile in the Bekaa region, among others, like Akkar.



## Other findings

When local actors were asked about whether they are familiar with assistance being sold or exchanged for other goods, three confirmed that they had. An individual from Younin stated that a Lebanese NGO used to hand out food baskets, with a bag of Hummus weighing 25 kgs, every month. Some people would reportedly sell this bag, given its large quantity. In another case, two local actors reported hearing about Syrian refugees selling cleaning products they had received as assistance.

When asked about whether or not their town is hosting Lebanese or Syrian IDPs from the South as a result of conflict, three local actors responded yes. Someone from Younin stated that there were Syrian refugee IDPs in Younin, and that Lebanese individuals had rented houses in the town but were not residing in them. Another local actor said they are likely renting the residences as an alternative residence in the event the conflict in South Lebanon escalates. An individual from Younin stated that new Lebanese IDPs have arrived from the South, and that the majority are residing with relatives, while others have rented. The head of the municipality of Younin stated that Lebanese IDPs have arrived in the town, and that they are residing at their relatives' houses. He added that they are currently not receiving aid, and that they had requested aid from the municipality, but the municipality is incapable of providing them with assistance.

When asked about whether the municipality has implemented new policies regarding taxes on businesses, those who were familiar with tax decrees stated that the municipality was waiting for an official government decree in the coming year to identify the tax. When asked about general recommendations for the program, three suggested a re-evaluation of the participants list, and six suggested an extension to the program. One local actor for example recommended that the municipality assist in the selection criteria, as he believes many individuals are receiving aid, who should not be, and vice versa. Another stated the same, adding that aid should not be "politicized".

Actors who recommended extending the program generally said so because the assistance benefitted the villages' economy, and because needs are still high. Interestingly, a community member from Bouday, who recommended the extension of the program, also recommended that more awareness sessions be organized on how to spend the assistance, given that it is temporary. This viewpoint was echoed by Local actor 1 from Bouday who stated that since the assistance is coming to an end, "People are already re-doing their finances ... We are falling back into our old problems."

Local actor 8 also recommended greater support to local businesses, including support on how to increase their growth rates. The head of the municipality of Younin suggested an extension to the program, stressed the need to work on livelihood projects with program participants, aiding them to overcome the economic crisis and decreasing need in the long-term. He added that since assistance is coming to an end, the municipality has been receiving many calls inquiring about next steps. He stated, "You can not imagine how many daily calls I receive from people asking me, 'what is going to happen to us now? We have winterization, we have schools to pay for.' It is really providing people with their basic needs. It is a catastrophe if the assistance stops. I am truly scared about this assistance stopping because of the social problems it will trigger. We never had one problem in the past year. We never had familial issues or divorces... People are living in fear".



# Conclusion

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In line with other studies on market-driven recovery in other contexts, this report has found that cash assistance in the three sites in Lebanon has had a positive impact not only on recipient households, but the recipient communities writ large. The most consistent positive secondary impacts identified across all sites were the **stimulation of local markets and improvement of social cohesion**. While household level improvements remained consistent with other MPCA programs (e.g. increased ability to purchase better quality of food), market-level findings revealed interesting insights regarding the broader impact cash transfers can bring. This includes higher sales and increased demand for higher quality goods, especially those originating from within Lebanon.

The findings allow aid actors and program donors a more nuanced perspective of the indirect impacts of cash assistance, which can pave the way for innovative approaches to programming. Aid actors can build on a humanitarian intervention to contribute to economic development programming in line with the humanitarian-development nexus in order to leverage the multiplier effect of cash assistance while promoting sustainability after the lifetime of the project. The synergies between market dynamics during cash assistance programmes and livelihoods programming, for example, stands out as a key focus area for future cash projects. Donors and implementing partners should consider cash assistance not merely a modality to alleviate vulnerability but also a demand-driving tool which can shape local economies and jobs. Future programs could capitalize on participant preference to buy local Lebanese products by helping the development of small and medium enterprises creating simple value-added products, which would create local jobs and counteract market distortions. A combined cash and livelihoods program would also respond to feedback received through PDMs that some beneficiaries would prefer to find a job, since many are educated and able to work. However, such programming would need to be supported by funding tools which allow for projects to focus on this nexus.

Local actors provided insightful perspectives into community relations and social cohesion, reinforcing their place as a key stakeholder in supporting program design over time. Indeed, community representatives suggested more accompanying training and awareness sessions on basic household finance and advice on spending the assistance. Project design should always incorporate consultations with community members and local actors at an early stage, in order to influence the roll-out of a project.<sup>20</sup>

Furthermore, there is further space for sustaining or at least prolonging the societal impacts of cash assistance. Market actors noted a significant change in consumer spending patterns during the MPCA program, but few reported sustained changes beyond the end of the program. In some cases, vendors noted that participants adopted changes in their spending before the end of the program, in anticipation of the cash assistance being cut off.

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<sup>20</sup> For more information on this topic, refer to the upcoming Mercy Corps report “Will our opinion matter?”



This point reinforces the importance of complementary, context-relevant interventions, sometimes called Cash Plus. It also reminds aid actors that well-conceived exit strategies are essential in order to mitigate against a return to the baseline or even a regression.

Finally, credit lines are a cross-sector theme that can have both positive and negative impacts on communities. Credit can help build trust between consumer and merchant, whilst negating the need for other more damaging negative coping strategies. However, cash-based assistance is often associated with indebtedness which can create new issues of dependence and drive more negative coping strategies. Indebted households have low negotiating power, face high prices, and are prevented from selecting between competing retailers. Faced with financial instability and social pressures exerted by their creditors, many recipients of cash programs may be left with feelings of anxiety, helplessness, and fear.<sup>21</sup> The financial literacy component of Mercy Corps' MPCA may have helped train families to avoid the debt trap, although this falls outside the scope of the present report. Future cash programming should continue searching for ways to navigate this potential unintended outcome.

## Annex

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### Raw HH data

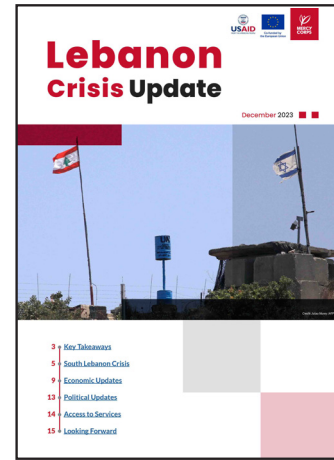
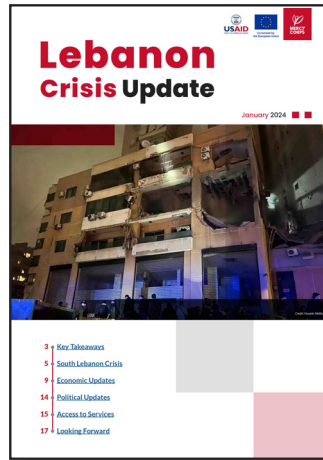
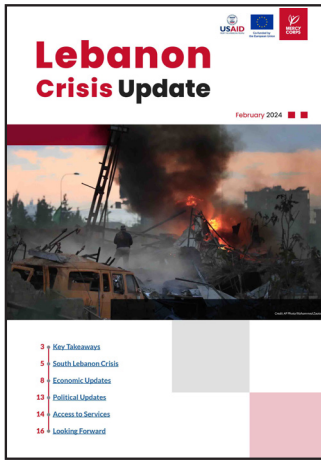
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<sup>21</sup> Olivier Sterck, Cory Rodgers, Jade Siu, Maria Flinder Stierna, and Alexander Betts. Cash Transfer Models and Debt in the Kalobeyei Settlement, Oxford University Press, 2020.

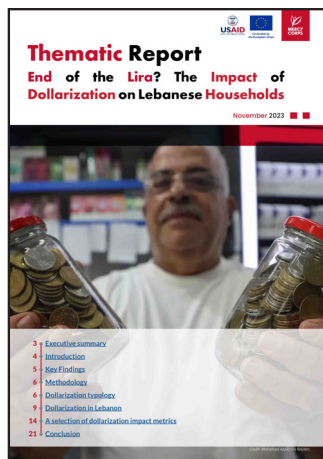
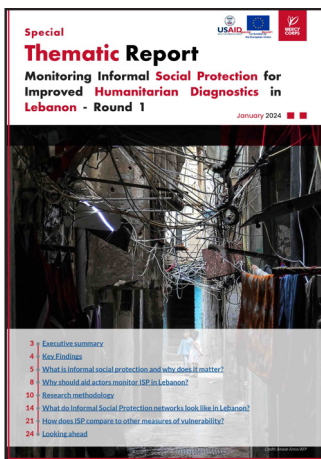




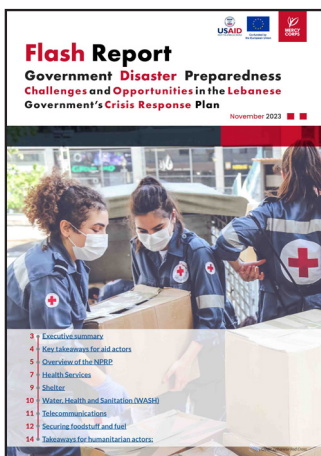
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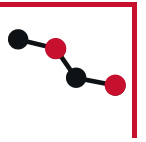


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