

SYRIA - Review on the impact of rising food prices

Food Security Update: March 2020



vam
food security analysis



A child receives bread in Aleppo as part of WFP's support to bakeries
@Hussam Alsaleh

Focus Group Discussion (FGD)

KEY POINTS

- During February 2020, WFP conducted 29 focus group discussions (FGD) across 8 governorates* in Syria (both in urban and rural settings) interviewing WFP beneficiary households to see how they were coping with the recent rising food prices. This report provides an overview of the main findings from the focus group discussions.
- The worsening economic situation in Lebanon by end 2019 has had ripple effects in Syria. The US Dollar supply in Syria has greatly reduced as Lebanese banks have restricted the release of money from bank accounts, hereby also affecting many Syrians with Lebanese bank accounts. The reduced supply of US Dollars has caused the SYP/USD informal exchange rate to skyrocket, depreciating by 64% since October 2019 and by 88% since November 2018 (when the US sanctions on Iran intensified).
- Food prices in Syria increased as a result of the depreciating informal exchange rate. WFP's national average reference food basket is now recorded at SYP 39,986, increasing by 57% since October 2019 and by 67% since February 2019. The price of non-food items have also increased. Notably the national average informal diesel price has increased to SYP 527/litre while its official price is 189/litre and the national average informal butane gas price has increased to SYP 18,830/25,000 litre refill, while its official price is SYP 3,021/25,000 litre refill.
- The higher price of food have meant that an increasing number of interviewed households reported reducing the number of meals they consume, from 3 to 2 meals per day. Other reported coping mechanisms as a result of the increase in prices since September 2019 have been removing children from school due to the high cost of transport to school. Some households also reported removing children from school to have them work instead, bringing-in additional needed income for the household. Reports of early child marriage were on the rise across Syria and were specifically reported from FGDs in Quneitra, Lattakia (urban IDPs), Deir-ez-Zor (rural and urban) and Al-Hasakeh (rural and urban), all mentioning an increase of around 25% in early child marriage cases.
- There was a large increase in the number of households reporting to purchase items on credit. Rural areas reported around 50% of people in their community buying on credit (up from 20% to 30% in September 2019) while urban areas reported between 60% to 80% of people buying on credit (up from 50% in September 2019).

RECOMMENDATIONS

- Stop rotation of assistance between beneficiaries and continue further improvement of targeted assistance to prioritize the most vulnerable households;
- Provide cash based transfers/vouchers where markets are able to absorb extra demand;
- Increase school feeding programming to incentivize households to keep children in school;
- Increase protection campaign to sensitize the population on the need to protect the most vulnerable in society;
- Work with the Syrian Government to implement sustainable safety nets, supporting the poorest and most vulnerable in society;
- Keep on monitoring the situation to assess markets and food security evolution over time.

INTERVIEWED POPULATION



290 People were interviewed through FGDs



Approximately 150 females and 140 males

COMMUNITY PRIORITIES



Food Assistance
76%



Employment
66%



Access to water
34%

FOOD SOURCES

50%

Food Assistance



50%

Market



* Governorates covered by the survey: Aleppo, Al-Hasakeh, Dar'a, Deir-ez-Zor, Homs, Lattakia, Rural Damascus and Quneitra



Situation update

With the Syrian conflict entering its ninth year, the situation for most Syrians is not improving. In 2019, Syrians faced a number of challenges ranging from: fighting ISIL in Deir-ez-Zor in the first quarter of 2019; the setting-up of a 32km X 115km buffer zone by Turkey in north-east Syria in September 2019; ongoing fighting in Idlib which started in the summer of 2019 and intensified by the 4th quarter of 2019 and has continued well into the first quarter of 2020; as well as the worsening economic situation. While the fighting displaced approximately 1.5 million people in 2019, the worsening economic situation has impacted every sector and all locations in Syria.

Following its removal from the Iran Nuclear Treaty in November 2018, USA intensified its sanctions on Iran. As a consequence, Syria was no longer able to receive petrol from Iran which it heavily depended on and as a result led to fuel (petrol and gas) shortages which sparked sharp price increases in Syria in early 2019. The increase in fuel prices pushed-up the price of food across Syria and traders became less able to move food from one part of the country to another as their goods became too expensive to sell.

While the fuel shortage surely contributed to an increase in prices in Syria, it was the Lebanese financial crisis in October 2019 which is causing the greatest strain on the Syrian economy. Due to international sanctions Syria is restricted from accessing international financial markets. The close political and economic ties between Syria and Lebanon meant that Syrians were able to open-up bank accounts in Lebanon. This helped Syrians circumvent international sanctions and meant many Syrians were able to continue transferring funds for business and personal needs. Many Syrians placed their life savings in banks in Lebanon with some reports estimating around \$10-20 billion were deposited in Lebanese banks from Syrians (both residents and non-residents in Lebanon) by September 2019.

Syrians, especially traders, have been depending on banks in Lebanon for accessing their needed dollars. However, due to the financial crisis in Lebanon and with Lebanese banks limiting the release of funds, many Syrians have lost access to their savings. The heavily reduced release of cash from Lebanese banks has meant that dollars have become scarce in Syria, pushing-up the informal market exchange rate. Traders depend on a stable and strong exchange rate to purchase imports and Syria depends heavily on imports of rice, wheat, vegetable oil, medicines and petrol among other items. The informal exchange depreciated by 64% over the last 5 months alone, reaching SYP 1,040/ US \$ in February 2020. The informal exchange rate has now depreciated by 88% compared to November 2018, when the sanctions intensified. As a result the prices of food and non-food items have risen across Syria.

To try and address the inflationary pressures on the market, The Syrian Government has increased the salary of government employees by SYP 20,000 (around USD 28 at official exchange rates) in December 2019. Also from February 2020, The Syrian Government has enacted a country-wide system of quotas and subsidies on rice, sugar, vegetable oil and tea in order to increase Syrians' access to food items. These subsidies are in addition to the already subsidized bread, diesel and butane gas. The commodities will be provided through the government-run Syria for Trade shops dotted around the country. While a positive measure to provide access to priority items for the most vulnerable, there are reports that supplies are not sufficient to meet demand, hereby spurring prices of the items to increase on informal markets.



A man takes a rest in a village in Aleppo @Hussam Alsaleh



Children waiting to receive WFP bread support in Aleppo @Hussam Alsaleh



Objective of the assessment

WFP VAM undertook a rapid food security assessment across Syria in February 2020. The assessment aimed to:

- Assess the impact of rising food prices on households' consumption patterns and livelihood activities;
- Assess the impact of the depreciating Syria Pound 's informal exchange rate on trade in Syria;
- Understand if the increase in food and non-food items is impacting rural and urban areas differently.



A female focus group discussion in Dar'a @ WFP



Food consumption and accessibility

The recent increase in food prices has meant that many of the interviewed households reported consuming a basic diet consisting of bread, rice, oil, pulses/vegetables and sugar. Meat (lamb or beef) has been heavily reduced since September 2019 with many rural and urban households reporting not to consume it any longer. Chicken is still somewhat consumed even though only once or twice a month. Cooking methods are also changing as households are not able to afford the price of butane gas and as a result they are resorting more and more to meals that require less cooking such as raw vegetables and fresh foods for their diet. The reduction in quantities and types of food consumed was widespread across Syria with all governorates reporting cooking habits to have been affected by the food price increase since September 2019.

Households also reported consuming less and switching to less expensive brands of foods such as for rice, vegetable oil, sugar and tea as a result of the recent increase in food prices. Commodities remain generally available across all of Syria even though at higher prices. There are a few exceptions though such as sugar, ghee and vegetable oil are reportedly less available in Al-Hasakeh and no longer available in Deir-ez-Zor. The lack of items in Al-Hasakeh and Deir-ez-Zor are likely a result of traders hoarding items to sell them at higher prices as these items are available in other parts of the country. Some traders also reported that Syrian food commodities were being smuggled to neighbouring countries (Lebanon, Iraq, Turkey and Jordan) as they would be sold for higher prices than in Syria. This in turn is also increasing the price of food items on local markets.

Even though food items tend to be available across most of Syria, it is the reduced purchasing power that is affecting households most as income levels have not kept abreast with the general increase in prices. As a result some areas (both urban and rural), such as in Aleppo, Homs, Dar'a, Lattakia, Deir-ez-Zor and Quneitra reported reducing the number of meals from 3 to 2 meals in a day since September 2019.

Many households reported purchasing on credit now due to lack of funds. This has been mentioned across all governorates where the interviews took place with rural areas reporting around 50% of people in their community buying on credit (up from 20% to 30% in September 2019) while urban areas reported between 60% to 80% of people they knew buying on credit (up from 50% in September 2019). Of those buying on credit, interviewees across urban and rural areas alike reported around 60% to 70% of a household's food expenditure was bought on credit, with some areas (Aleppo city, Al-Hasakeh, Lattakia city, Dar'a and Quneitra) reporting up to 100% of household food expenditure was on credit.



Livelihood profile

While both urban and rural areas in Syria have been affected by the recent increase in the price of commodities, it is the urban households who seem to be less able to absorb the increase in prices. This is largely due to the types of employment in urban areas. The most affected were public sector workers who mentioned that they could ill afford the increase in prices with limited alternatives to increase their income to match the increase in prices.

Rural areas also mentioned being heavily affected by the increased cost of transport which has meant that many households no longer go to urban areas to purchase their needed commodities but mostly rely on local markets. This has also had an impact on commuting for work as well.

Households in rural areas also reported that the increase in prices has also affected the price of inputs. Most have stopped using fertilizer and due to the lack of irrigation many interviewed farmers decided not to plant their land due to the high risk of seeing the harvest fail due to likely erratic rainfall, pests and fires. Herders also mentioned that they have sold more animals than usual as they cannot afford the increased price of animal feed.

Traders have been heavily impacted by the increase in prices. Requests for purchases on credit have increased while their sales volumes have decreased. Expensive brands are no longer requested by customers who are opting for cheaper brands. Traders who are importing items from abroad reported losing most of their capital as Lebanese banks are withholding the release of their funds and those who managed to reach a settlement to access some funds in order to continue operating their business, mentioned losing up to 60% of their savings.



Female head of household cooking in Rukban @ Marwa Awad



A cultivated farm next to a farm left fallow due to lack of access to inputs, rural Aleppo @ Hussam Alsaleh



A farmer able to cultivate this season thanks to livelihood support received from WFP, rural Aleppo @ Hussam Alsaleh

Food and livelihood based coping strategies

While food consumption based coping strategies such as relying on less preferred and less expensive foods, purchasing food on credit, limiting portion sizes at mealtimes and restricting consumption by adults in order for small children to eat, were already widely adopted prior to the recent increase in food prices, interviewed households confirmed that these practices have greatly increased now. With some areas (Al-Hasakeh, and Dar'a) reporting around 75% - 100% of people in their communities adopting these practices.

Adoption of livelihood based coping strategies since September 2019 have also increased across much of Syria. The main increase was observed in households opting to remove their children from school due to the increased cost of transport. Another reason but less reported was in order for the children to work and bring more income for the household. This coping mechanism was observed in Lattakia, Aleppo, Homs, Dar'a, Al-Hasakeh and Deir-ez-Zor. It was reportedly adopted by 50% of the communities the interviewees came from.

Other increases in coping mechanisms were sale of assets and livestock which increased by 25% to 50% since September across all governorates (both urban and rural areas) and reducing expenses on health and education reported to be adopted by 25% to 50% of people in the communities the interviewees were from. Early child marriage is reported to have increased since September by 25% in Quneitra, Lattakia (urban IDPs), Deir-ez-Zor (rural and urban) and Al-Hasakeh (rural and urban).

Markets and food prices

WFP's reference food basket reached SYP 39,986 in February 2020, increasing by 57% since October 2019 and by 67% since February 2019. As is visible in the adjacent chart, 10 out of 14 governorates reported increasing average reference food basket prices in February, with the highest month-on-month (m-o-m) increase reported in Damascus (up 22%) followed by Tartous (up 19%) and Homs (up 14%). The largest year-on-year (y-o-y) increases were recorded in Idlib (up 119%), Damascus (up 93%) and Al-Hasakeh (up 77%).

Not only has the average food basket price increased but also the gap between the highest and lowest recorded average food baskets continues to widen. While the gap between the highest and lowest average food baskets had been consistently reducing between much of 2018 and early 2019, this gap has started to widen again. The gap expanded by 150 percent from SYP 5,522 in October 2019 to SYP 13,778 in February 2020, highlighting worsening trade relations and purchasing power across Syria.

Furthermore, the Syrian informal exchange rate continues to depreciate and has now depreciated by 17.6 times (1,756%) compared to pre-crisis levels, making Syrians considerably poorer. People's purchasing power has been heavily eroded over the past 9 years of crises and the worsening economic situation and reduced access to savings in Lebanese banks has added an extra layer of duress. Lebanese banks are for now only allowing newly deposited (since September 2019) money to be accessed without constraints. However, with the Lebanese Lira (LP) depreciating on the informal market by 63% over the last five months (end February 2020 the informal exchange rate was LP 2,450/USD compared to LP 1,507/USD in September 2019), this adds extra costs to anyone wanting to deposit foreign currency, losing close to two-thirds of the value of the deposit when converted to LP.

As a result of the increased demand by consumers to buy on credit, traders in Syria have become more strict in providing credit. For example in Al-Hasakeh credit was reported only to be provided to those households who had planted this season since those households would more likely to be able to repay their debts come the harvest. While in many urban areas across Syria it was mentioned that some traders had stopped providing credit altogether.

Due to sanctions on Syria, importers face extreme difficulties in opening Letter of Credits for imports. Commercial banks willing to accommodate Syrian importers, require upfront full payment which could take months to receive and The Central Bank of Syria requires that 40 percent of the imported value must be deposited in Syrian Pounds to receive an import licence. This deposit would be refunded once goods are received. However, traders are reluctant to make the deposit as they can no longer use this money once deposited but also since they lose the value of the deposit due to inflation and depreciation of the currency.

Governorate	Price February 2020	1 month change	6 months changes	12 months changes
Aleppo	SYP 37,784	13%	68%	67%
Damascus	SYP 42,104	22%	82%	93%
Dar'a	SYP 39,447	5%	66%	59%
Deir-ez-Zor	SYP 37,559	-6%	37%	49%
Hama	SYP 41,863	12%	71%	56%
Al-Hasakeh	SYP 38,177	-5%	49%	77%
Homs	SYP 35,686	14%	56%	40%
Idlib	SYP 49,464	-2%	112%	119%
Lattakia	SYP 43,648	9%	74%	70%
Ar-Raqqqa	SYP 39,386	3%	50%	59%
Rural Damascus	SYP 37,142	7%	50%	52%
As-Sweida	SYP 36,081	-2%	52%	66%
Tartous	SYP 41,661	19%	38%	44%
Quneitra	SYP 39,804	8%	55%	57%
Average	SYP 39,986	6%	64%	67%

National average reference food basket cost across Syria in February 2020, SYP/basket. The reference food basket covers the cost of a basket of dry goods providing 1,930 kcal a day for a family of five during a month. The basket includes 37 kg of bread, 19 kg rice, 19 kg lentils, 5 kg of sugar, and 7 kg of vegetable oil.

Methodology

The assessment employed qualitative data collection instruments and secondary data analysis (FSA-FSLA, HNO 2020, WFP market price monitoring). Data collection took place in February 2020 and interviewed WFP beneficiary households across 8 governorates (Aleppo, Al-Hasakeh, Dar'a, Deir-ez-Zor, Homs, Lattakia, Rural Damascus and Quneitra).

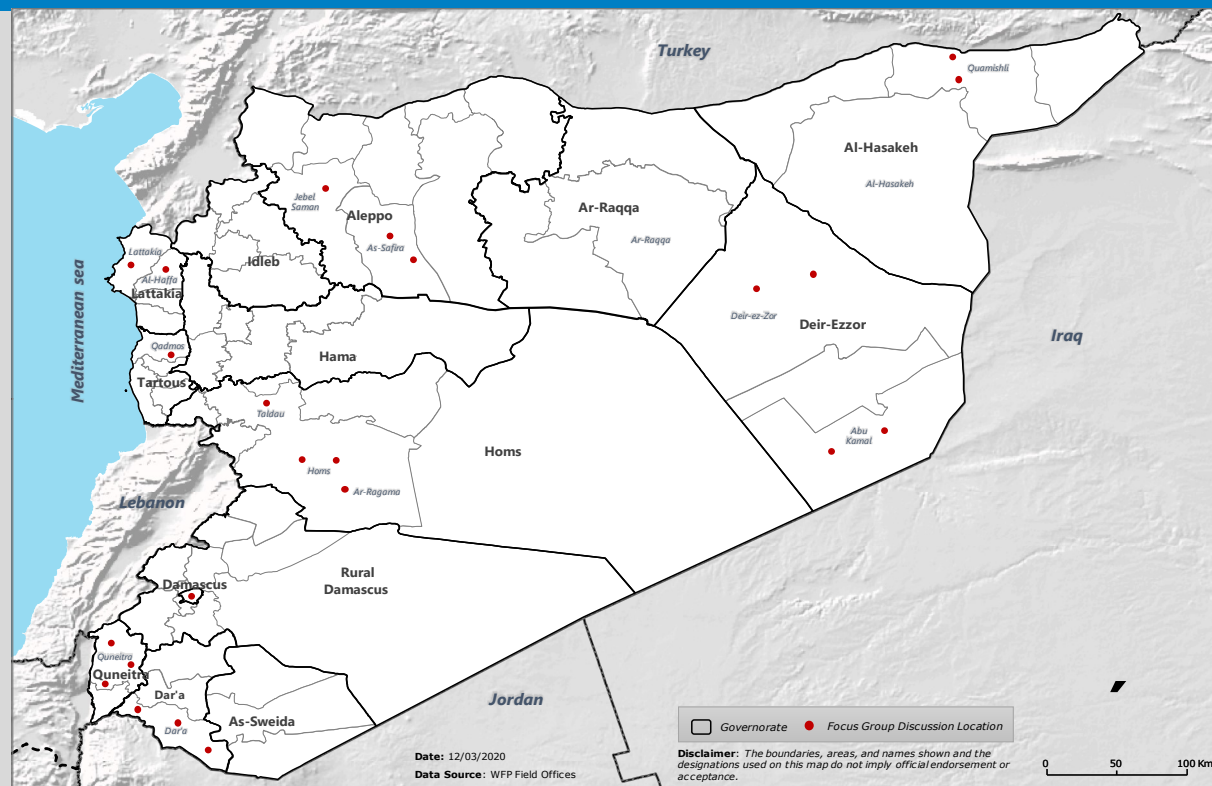
Key informant interviews were conducted with SARC branches, representatives from the Ministry of Internal Trade and Consumer Protection and representatives from the High Relief Committee. Each governorate with the exception of Rural Damascus conducted 2 focus group discussions (FGDs) in urban areas and 2 FGDs in rural areas. A total of 29 FGDs were conducted across Syria.

The FGDs were conducted separately for males (13 in total) and females (14 in total) while two FGDs were conducted mixed (male and female). The following topics/indicators were included in the survey:

1. Food sources, consumption patterns, coping strategies, community-level priorities, shocks and livelihood/ income activities;
2. The impact of rising food prices on market functionality, food availability and financial access to food items;
3. Population estimation, food security profile, health, nutrition and sanitation through secondary information.

Limitations

Due to limited available time and access as well as the qualitative nature of the survey, the findings in this report are only indicative of the impact of food price increases on the food security situation of Syrians in Syria.



A household receiving WFP general food assistance in a rural village in Aleppo @Hussam Alsaleh



Herdsmen tending to their sheep, rural Aleppo @Hussam Alsaleh



WFP general food assistance beneficiaries in rural Aleppo @ Hussam Alsaleh



Loose grains in a shop in Aleppo city @ Hussam Alsaleh



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