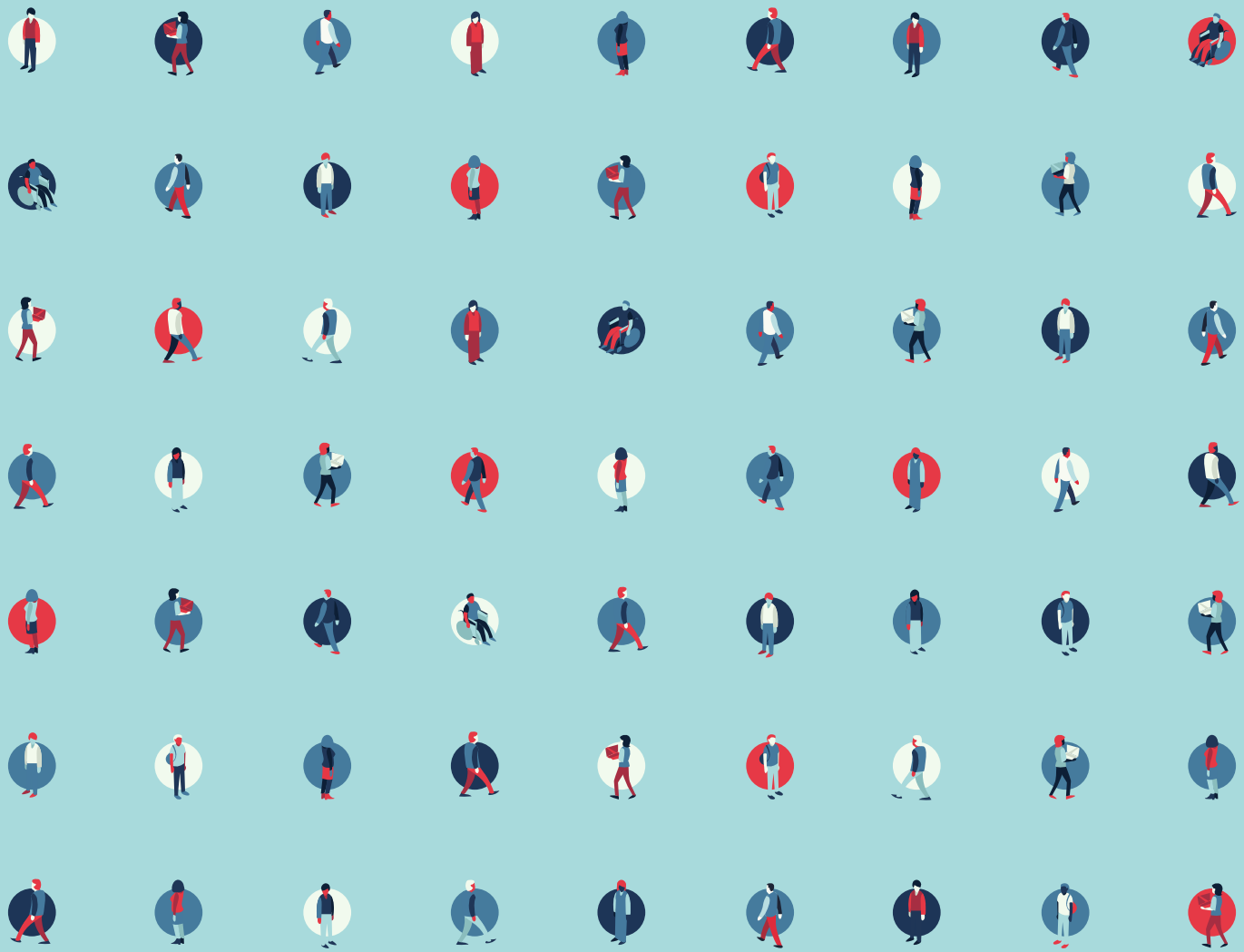
In view of the 5th Brussels Conference on Supporting the future of Syria and the region Conference

AN UPDATE TO THE STUDY

2021 COMPOUNDING MISFORTUNES



MARCH 2021

What is new in this update?

The study Compounding Misfortunes published by the World Bank and the United Nations High Commissioner for Refugees (UNHCR) in December 2020, funded by the Joint Data Centre, represented an initial investigation and analysis into the poverty impact of COVID-19 in Jordan, Lebanon, and the Iraq-Kurdistan Region of Iraq (Iraq-KRI) on host communities and refugees. The release of the Study was timed so it could inform the design of 2021 national response plans, including those under the Regional Refugee and Response Plan (3RP) umbrella.

In preparation for the 2021 Supporting the future of Syria and the Region Brussels V Conference, the Study's projections have been updated and the underlying microsimulation models refined. Further revisions are expected later in 2021.

A key step for this Update has been for the World Food Programme (WFP) to join the collaboration, bringing with them their considerable data on and analysis of the food security impact of COVID-19. Produced jointly by the World Bank, UNHCR and WFP, this Update reflects data on WFP's programmes that responded to COVID-19 in 2020, allowing for a more comprehensive analysis of mitigating measures.

In this Update, the poverty projections are revised in light of the latest macroeconomic estimates for 2020, as well as forecasts for 2021, in Lebanon and Iraq-KRI only.

For Jordan, further analysis and consistency checking will be conducted in 2021, in close coordination with the government.

For Lebanon, which experiences very high levels of inflation, real GDP growth per capita is estimated at -20.3 percent for 2020. This revised growth rate is reflected in the simulations and adjustments are made on the pass-through of GDP growth (and contraction) into private consumption to capture behavioural responses to rapid price increases.

For Iraq-KRI, the assumptions on the trends of the growth and poverty trajectories, as well as the recovery are revisited.

In addition, further data on mitigation strategies are modelled.

Table 1: **Growth projections (Real GDP) used for 2020 and 2021**

	2020		2021	
	December publication	Present update	December publication	Present update
Lebanon	-15	-20%	N/A	-10
Iraq-KRI	-9	-10	2	2

Source: Macro Poverty Outlook, World Bank (2021).

Key findings

The COVID-19 crisis has impacted all. Those living on the economic margins of society, with few assets, more debt, and a dependence on informal sources of income, have been particularly affected. Existing vulnerabilities have left poorer Lebanese, Iraqi and Syrian refugees with few coping mechanisms, resulting in difficult choices; it has also created new vulnerabilities, by pushing members of the host communities into poverty. Families have been unable to pay for basic household needs, risking eviction for non-payment of rent. Both refugee and host community children have faced further challenges in accessing education – limited by distance and home-schooling opportunities and the digital divide – and pushed into child labor and early marriages. Reports of domestic violence linked to the lockdowns have increased. Specific risks for women and girls have been exacerbated. Social tensions are rising as resources and jobs become even more scarce. Throughout the study, the results present the changes from baseline, which is the state of poverty in the first quarter of 2020 (referred to as month 0 in the analyses).

In summary, the key findings in this Update include:

Lebanon

• Lebanon has been the hardest among the three countries. At the national poverty line, poverty among the Lebanese community is expected to have increased by 33 percentage points (p.p.) by 2020, and by 46 p.p. by end of 2021, compared to baseline. Syrian refugees start at higher poverty rate, and observe an increase of around 24 p.p..

• It is expected that an additional **674,000 Lebanese individuals**[1], and **577,000 Syrian refugees** to have fallen below the **international poverty** line by the end of 2020. In 2021, the number of poor Lebanese is expected to have increased by 1.5 million over baseline, and by 780,000 Syrian refugees.

• The results at the **national poverty** line correspond to an increase poverty of around 1.8 million Lebanese individuals and 360,000 more Syrians at the end of 2020, and around 2.5 million Lebanese individuals and 430,000 Syrian refugees by the end of 2021.

• Given the economic deterioration in Lebanon, and the likelihood that food constitutes a larger share of the consumption basket, the results are also adjusted for food price inflation, which show even more severe increases in poverty.

• Over time, the impact of mitigation strategies in Lebanon are largely attenuated by inflation, but they do mitigate some of the increase in poverty. They also make those who are poor, less poor.

Iraq-Kurdistan region of Iraq

• In the **Iraq-Kurdistan region of Iraq**, macroeconomic assumptions are revised to account for limited signs of a speedy recovery. Estimates at the international poverty line suggest that poverty increased by 15 p.p. for the host community, 16 p.p. for refugees, and 15 p.p. for IDPs, and a corresponding increase of 6 p.p., 4 p.p., and 4 p.p., respectively at the national poverty line.

• These changes correspond to an increase of around 725,000 residents[2], 103,000 refugees, and 41,000 IDPS who have fallen below the international poverty line by the end of 2020, and 799,000, 102,000, and 36,000 respectively by the end of 2021, compared to baseline.

• At the national poverty line, 296,000 more residents, 27,000 more refugees, and 10,000 more IDPs are expected to have fallen below the poverty line in 2020, and around 291,000 more residents, 22,000 more refugees, 9,000 more IDPs by the end of 2021, compared to baseline.

Understanding the effects of COVID-19 on host and refugee communities has important implications on the policies that need to be adopted as the pandemic unfolds and during the recovery period. Recovery largely depends on the health of the economy at large, the differences between host communities and refugees' poverty rates at baseline, and the mitigation responses to the crisis.

Mitigation strategies – such as cash programming – if done at scale and for a sufficient length of time, can bridge the gap between the onset of the crisis and the recovery of the economy to lessen the impact of the pandemic on both refugees and host communities. Other complementary programs such as enabling self- reliance could potentially ensure more sustainable support at the household level, the effectiveness and impact of which will require further research.

Huda

Syrian Refugee

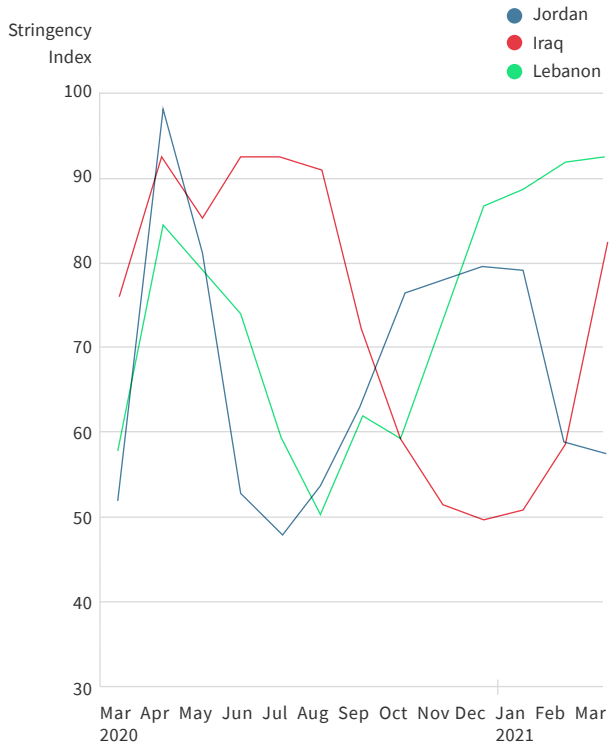
Huda is standing in the field where she is working. The single mother lost her husband in Syria and needs her income to raise her three children.

Background

The poverty impact of COVID-19 and the ensuing confinement policies and economic contractions have been particularly difficult for marginalized communities. Across the globe the negative effects of COVID-19 are disproportionally borne by those who, pre-pandemic, were already disadvantaged and vulnerable. Iraq, Jordan and Lebanon were already facing difficult to extreme circumstances before the pandemic erupted, compounding its effect on the populations' socio-economic situation. Prior to COVID-19 all three countries were already in strained positions prior, ranging from economic stagnation and high public debt in Jordan, to a collapse in public revenues due to international oil price shocks in Iraq, to complete political and economic crisis in Lebanon which has been compounded by the Beirut port explosion. Within these countries, Syrian refugees – most of whom have been displaced for up to nine years – are particularly exposed given their perilous pre-crisis situation. Host communities in these three countries, who have supported and accommodated such large numbers of refugees, have also been heavily affected.

By March 2020, all three countries had witnessed their first cases of COVID-19 and introduced stringent containment policies ranging from partial movement restrictions, closures of schools and shops to full curfews. While these measures were largely successful in containing the spread of the pandemic, they also led to a decline in economic activity across most sectors, particularly in the informal economy. In Lebanon, the COVID-19 crisis is compounded by an economic and political crisis, including inflation[3] reaching over 100 percent (year-on-year), largely due to its import dependence and currency depreciation. Food price increases have been even higher: between October 2019 and November 2020 the Lebanon Food Price Index increased by over 400 percent, an all-time high.

Figure 1: **The stringency of government responses to the pandemic**



Unsurprisingly, given the magnitude of these shocks, many refugees who are concentrated in low-skilled jobs in the informal sector have lost their primary source of income and have come to increasingly rely on assistance. Recent rapid needs assessments, UNHCR and WFP administrative data show that refugees have few options and have resorted to negative coping mechanisms such as reducing food intake and incurring additional debt. Many have been unable to pay their rent, leading in some instances to forced eviction. These conditions exacerbated existing vulnerabilities and increased pressure on social cohesion between refugees and with their host communities.

Methodology

This joint UNHCR-WFP-World Bank report is an update to the joint Study Compounding Misfortunes published by the World Bank and the United Nations High Commissioner for Refugees (UNHCR) in December 2020, and estimates the changes in poverty since the onset of COVID-19 among Syrian refugee and host communities in Iraq-KRI and Lebanon. As mentioned above, analysis on Jordan will be conducted in the course 2021.

The original study employs a simulation exercise using macroeconomic projections on changes in the economy and translates these into shocks to household consumption and welfare, whereby welfare changes are measured as changes in poverty, using the upper middle income international poverty line of $5.50 per person per day, and the national poverty lines. The simulation exercise makes use of the Syrian Refugees and Host Community Survey, undertaken by the World Bank in 2015-16, which uses a harmonized instrument across the three countries. The data are drawn from three governorates in Jordan with a high concentration of refugees (Amman, Mafraq, and Zarqa), and are representative of Lebanon and KRI. The study also uses the most recent projections on macroeconomic aggregates from World Bank country economists, remittances and information on changes in assistance as underlying drivers of household consumption and therefore poverty.

A key lesson from the previous study remains valid for the current one: underdeveloped or inaccessible national statistical systems limit the ability to accurately estimate poverty and the impact of crises and policy shocks. In the absence of reliable, official and accessible data in these countries, this update necessarily relies on non-official household surveys and provides estimates based on assumptions that come with inherent caveats. At times, microevidence and macro-numbers seem to describe different realities. This Update again underlines the need for greater efforts to regularly collect, update and publish representative and reliable surveys, including on expenditure and welfare, to inform policy makers adequately.

This study uses dynamic simulations to show changes in poverty on a monthly basis. The impact of COVID-19 is modeled using macroeconomic changes in various sectors of the economy, changes to earnings in formal and informal sectors, and changes remittances (domestic and international) and inflation. The projections estimate changes in poverty among host and refugee communities and estimate the poverty-reducing effects of government and UNHCR and WFP. The social assistance programs are not exhaustive, and future updates will include additional data on other assistance.

Social Protection

The socioeconomic impact of COVID-19 has compounded and exacerbated pre-existing vulnerabilities in the region. With poverty, food insecurity and support needs increasing amongst refugee and host communities alike, it has seen heightened demand on existing social assistance and safety net measures. The COVID-19 crisis showed the criticality of national social protection systems to enable access to basic assistance and services for the most vulnerable, given the greater reach of national services. Countries that already had well-established social protection mechanisms were better able to respond to the crisis, and the crisis showed the need for strengthened national social protection systems [1]. Iraq, Jordan and Lebanon, all stepped up their social protection responses, largely in the form of social assistance, but also social insurance and labour market interventions [2], all within an already constrained fiscal environment.

Learnings from the humanitarian response including during and after conflict, such as vulnerability-oriented targeting that can inform policy and programming, or means to strengthen assistance through cash transfers, have been key to informing the strengthening of social assistance to address growing needs among refugees and host communities alike, while also contributing to human capital investment, reducing fragmentation of services and looking at sustainability through efforts at graduation and strengthening contributory social insurance. Enhancing local and national capacities to avail access to national safety nets and basic services through equitable social protection systems, rather than working through parallel systems, is also key to build resilience and ensure the sustainability of support to those in need [3].

[1] ILO (2020), Social protection responses to the COVID-19 crisis: Country responses and policy considerations.
[2] World Bank, UNHCR, Joint Data Centre on Forced Displacement, (2020) Compounding Misfortunes: Changes in Poverty since the onset of COVID-19 on Syrian Refugees and Host Communities in Jordan, the Kurdistan Region of Iraq and Lebanon.
[3] 3RP (2020), Regional Refugee and Resilience Plan – Regional Strategic Overview 2021-2022

Country specific findings

Lebanon

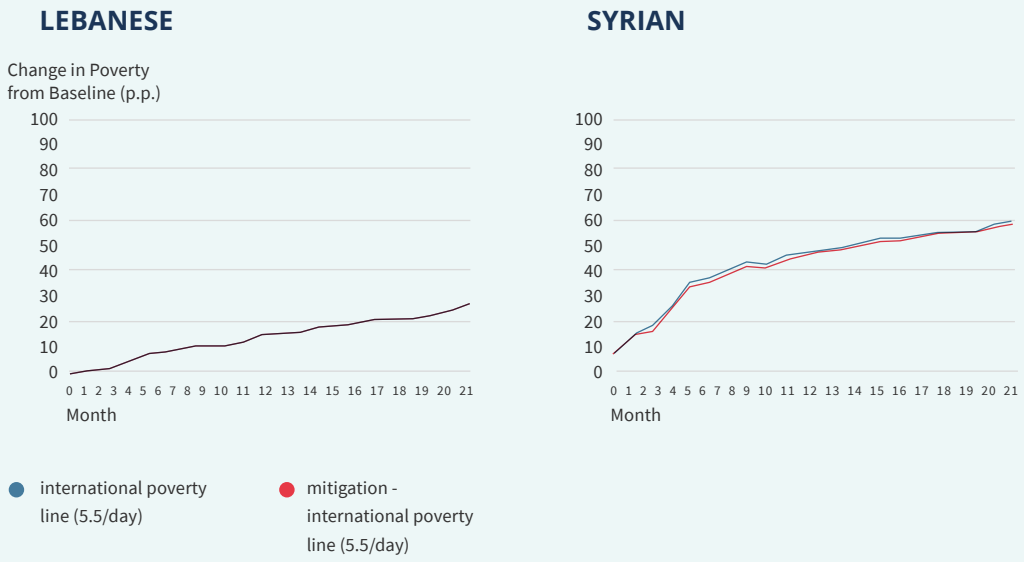
International Poverty Line

At the international poverty line, the increase in poverty is found to be around 13 percentage points from baseline by the end of 2020, and 28 percentage points by end of 2021 for the Lebanese population. For Syrian refugees, the increase is estimated at around 39 percentage points by end of 2020, and 52 percentage points from baseline by end of 2021. In terms of the population, it is estimated that an additional 674,000 Lebanese individuals, and 577,000 Syrian refugees fell below the international poverty line by the end of 2020. In 2021, the number of poor Lebanese is expected to have increased by 1.5 million over baseline; the number of poor Syrian refugees is expected to have increased by 780,000.

In terms of mitigation for Syrian refugees, cash assistance programs[4] are estimated to have mitigated around 2 p.p. of the increase in poverty in the early months of the crisis, which is around 12% of the increase in poverty. These results illustrate the limited impact the present social assistance has in protecting welfare in a situation where the macroeconomic conditions deteriorate rapidly, and where structural reform in the country is necessary.

In the case of Lebanon, the impact of cash assistance has been constrained by several factors: First, the country's vulnerable/instable economic situation and high inflation causes the constant increase of the SMEB's absolute value while WFP and other humanitarian partners have not been able to further adjust assistance to refugees until the large-scale social assistance program for Lebanese is implemented; second, a low official exchange rate (USD to LBP) which does not reflect the actual market value, means that development and humanitarian community is losing 40 to 90 percent of donor money which could be used to assist beneficiaries. Despite these challenges, cash assistance remains the preferred modality for assistance as the local market and supply chains remain efficient for now, and beneficiaries appreciate the choice that multipurpose cash assistance continues to allow them.

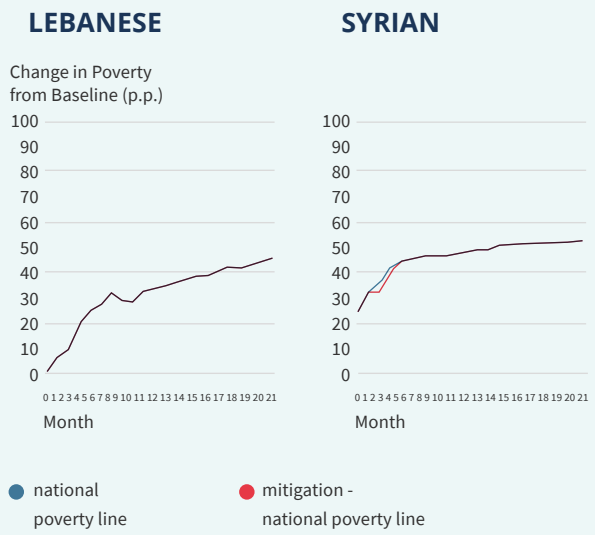
Figure 5: **Changes in Poverty Headcount Ratio in Lebanon - International Poverty Line**



National Poverty Line

The updated results show that, among the Lebanese population, poverty rates increased by 33 percentage points from baseline at the national poverty line by the end of 2020; an increase from baseline of around 46 percentage points is projected for the end of 2021. The Syrian refugees' poverty rate is expected to have increased by 24 percentage points, noting that they start at baseline at 24 p.p. higher poverty rate than the Lebanese. Their poverty is expected to be further exacerbated in 2021 through an increase of 29 p.p., compared to baseline. These changes correspond to an increase in poverty of around 1.8 million Lebanese individuals and 360,000 more Syrians at the end of 2020, and around 2.5 million Lebanese individuals and 430,000 Syrian refugees by the end of 2021, compared to baseline. Mitigation has a limited effect at this higher poverty line, except at the onset of the crisis when inflation was at lower rates, cash transfers to Syrian refugees mitigates 3.6 p.p. of the increase in poverty (or 10 percent).

Figure 6: **Changes in Poverty Headcount Ratio in Lebanon - National Poverty Line**



Further analysis using the food price inflation

Since the food price inflation is considerably higher in Lebanon than the overall CPI inflation, and because the food consumption share of the consumer basket is likely to have become larger as a result of the economic downturn, this update also employs food price inflation to present an upper-bound projection of the change in poverty. The results suggest that at this upper-bound projection, poverty among the Lebanese population would have increased by around 35 percentage points at the international poverty line, and by 47 at the national poverty line by the end of 2020, and by 47 and 51 percentage points respectively by the end of 2021 compared to baseline. These correspond to an increase in 1.8 million poor individuals by the end of 2020, and 2.5 million poor individuals by the end of 2021, at the international poverty line compared baseline. At the national poverty line, these correspond to an increase in 2.5 million more poor individuals among the Lebanese population in 2020, and 2.7 million by the end of 2021.

For the Syrian refugees, under this scenario, poverty is expected to increase by 58 p.p. at the international poverty line and 29 p.p. at the national poverty line by 2020, and 68 p.p. and 31 p.p. respectively by the end of 2021, compared to baseline. In population terms, these numbers suggest that 863,000 more Syrian refugees fell under the international poverty line by the end of 2020, and up to a million by the end of 2021. At the national poverty line, an increase of around 440,000 poor individuals is expected by the end of 2020, and 457,000 poor individuals by end of 2021, compared to baseline.

These results further highlight the need for structural reform, and that impact of current regulations in limiting the effect of social assistance considering the deteriorating macroeconomic conditions that the country is facing. For refugees, the mitigation of cash assistance is around 1 percentage point (1.4 percent) at the international poverty line.

Figure 7: **Changes in Poverty Headcount Ratio - International Poverty Line, adjusted for food price inflation**

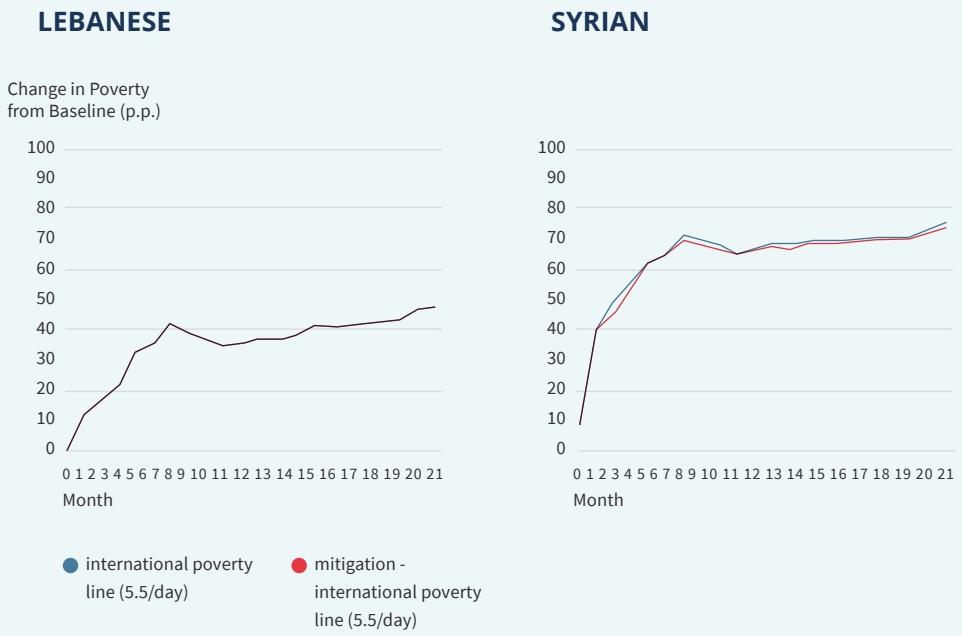
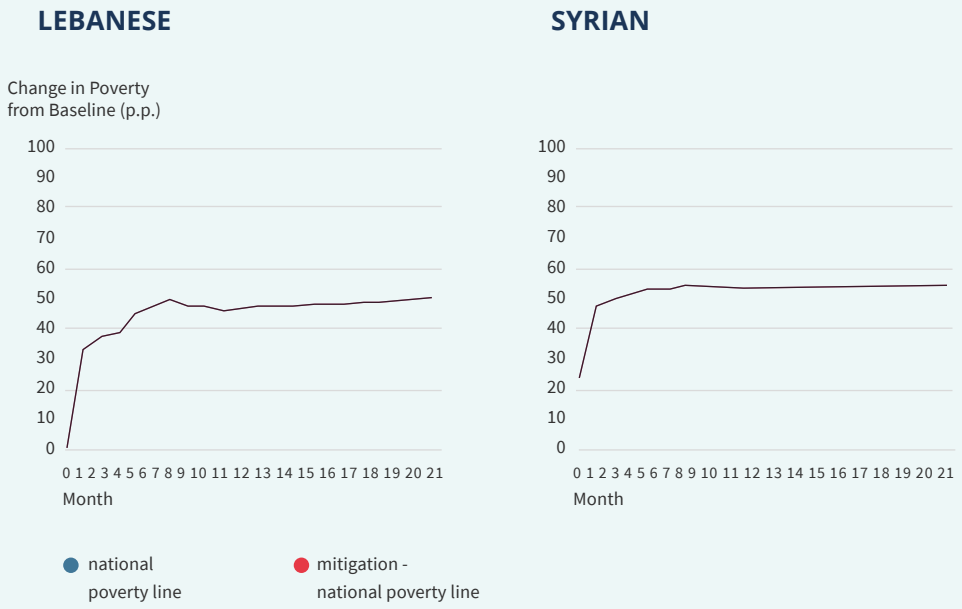


Figure 8: **Changes in Poverty Headcount Ratio - National Poverty Line, adjusted for food price inflation**



Iraq-Kurdistan Region of Iraq

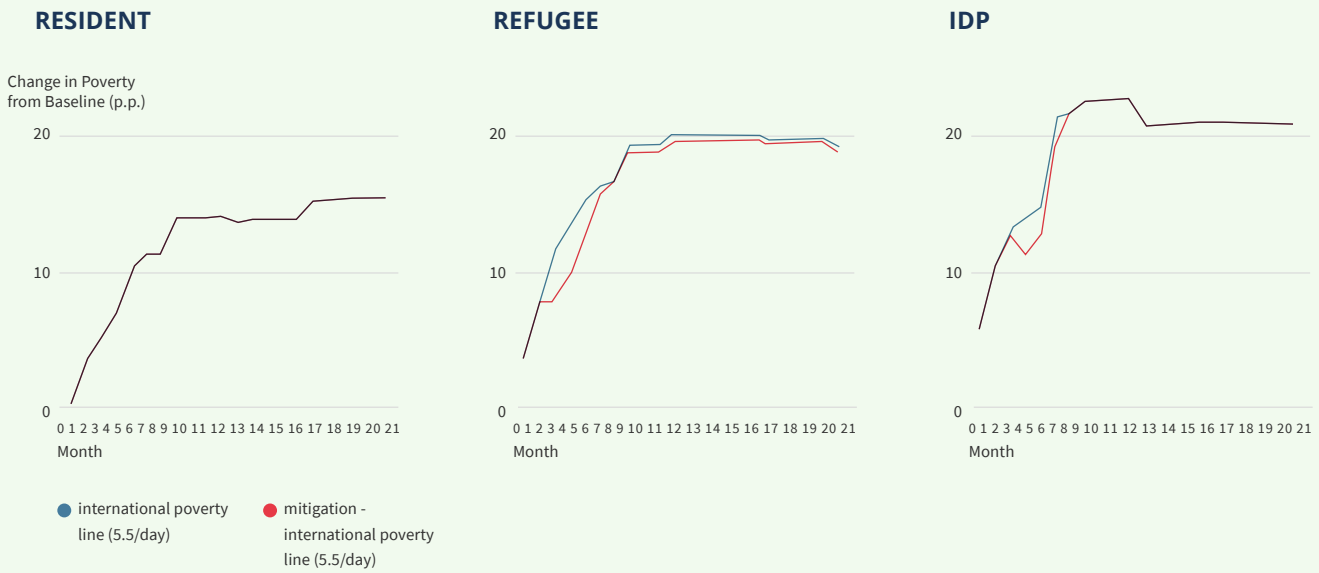
In the previous estimates, growth was assumed to have been adversely affected in the early months of the crisis, and a recovery to have taken place in mid-2021. However, due to insufficient quarterly data on the progression of the crisis, and limited signs of prospective recovery in 2021, the revisions have assumed a linear trend of the change in macro-economic growth across sectors in 2020, and a minimal recovery in 2021, based on the macro-economic data currently available.

International Poverty Line

By end of 2020, it is estimated that poverty increased by 14 percentage points (p.p.) amongst residents, 16 p.p. among Syrian refugees, and 17 p.p. among IDPs. It is noted, however, that refugees and IDPs are already poorer than the resident by 4 p.p. and 6 p.p., respectively. By the end of 2021, poverty is expected to increase by 15 p.p. for the host community, 16 p.p. for refugees, and 15 p.p. for IDPs, compared to baseline. These changes correspond to an increase of around 725,000 residents, 103,000 refugees, and 41,000 IDPS who have fallen below the international poverty line by the end of 2020, and 799,000, 102,000, and 36,000 respectively by the end of 2021, compared to baseline.

Assistance[5] to refugees and IDPs helped in mitigating some of the increase in poverty. In the early month of the crisis, the cash assistance mitigated around 4 p.p. of the increase in poverty (or around 33 percent of the increase) for refugees, and 3 p.p. of the increase in poverty among IDPs (around 20 percent) .

Figure 9: **Changes in Poverty Headcount Ratio in Iraq-KRI - International Poverty Line**

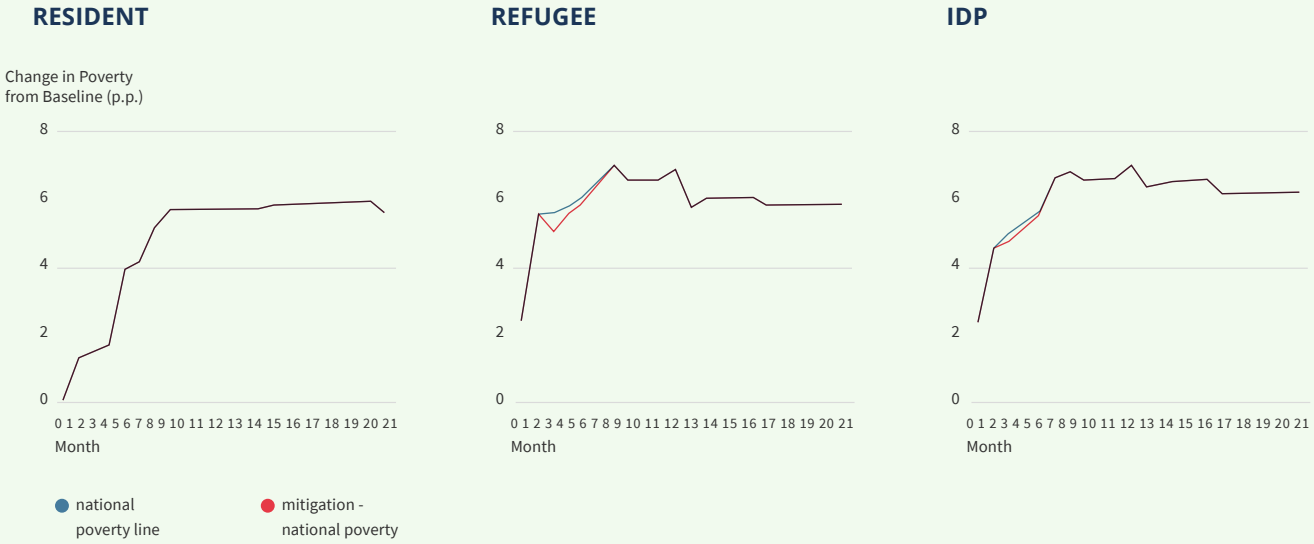


National Poverty Line

The national poverty line, a lower poverty line than the international one for Iraq, it is expected that poverty will have increased by around 6 p.p. for host community, and 4 p.p. for Syrian refugees, and 4 p.p. for IDPs, by end of 2020, and shows limited signs of recovery for 2021. In terms of population numbers, 296,000 more residents, 27,000 more refugees, and 10,000 more IDPs are expected to have fallen below the poverty line in 2020, and around 291,000 more residents, 22,000 more refugees, 9,000 more IDPs by the end of 2021, compared to baseline.

Cash assistance is estimated to have mitigated around half a percentage point of refugees and IDPs' increase in poverty at the onset of the crisis, corresponding to around 10 percent of the increase in poverty among refugees, and 4 percent among the IDPs.

Figure 10: **Changes in Poverty Headcount Ratio in Iraq-KRI - National Poverty Line**



Conclusion

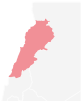
The update uses recent macroeconomic data and an updated set of mitigation strategies to revisit the estimates of the changes in poverty as a result of COVID-19 in Lebanon and Iraq-Kurdistan Region of Iraq. The different countries in the study have had varying growth and poverty trajectories, but the dynamic models highlight the extent of vulnerability faced by households as a result of the pandemic.

Lebanon is the most adversely affected country, given the overlapping crises with which the country is grappling. The estimates suggest that the number of poor people may have increased by as many as 1.5 million Lebanese individuals and 780,000 Syrian refugees, at the international poverty line.

In the Iraq-Kurdistan region of Iraq, the previous recovery trajectory is revised and a linear trend on the growth in 2020 is assumed. The estimates suggest that an increase of around 738,000 individuals among the host community, 88,000 refugees, and 28,000 IDPs by the end of 2021 can be expected, at the international poverty line.

As further data becomes available, this study will continue to fine-tune these estimates to get a clearer picture of the poverty trends in the region and implications they have on public policy and the programmatic work of international organizations.

Syrian Refugees



Links and sources

[1] The population figures for Lebanon are calculated based on a population of 6,855,713, according to the UN population statistics, which includes an unofficial estimate of 1.5 million Syrian refugees.

[2] The population of the host community of Iraq-KRI (5,167,166) is based on the SWIFT 2017-18 estimates of population. Syrian refugee population (237,052) is based on UNHCR registration numbers in Iraq-KRI, and the IDPs population size (643,251) is based on the IOM Displacement Tracking Matrix for Iraq-KRI.

[3] According to the Central Administration of Statistics in Lebanon (CAS), the Consumer Price Index (CPI) witnessed an annual inflation of 133% between October 2019 and November 2020, while Food Price Index (FPI) registered an inflation of 423% – representing an all-time high since CAS started price monitoring on a monthly basis in 2007.

[4] The mitigation policies adopted by UNHCR in Lebanon to assist the refugees in response to the COVID-19 crisis are also modelled, in particular, two interventions. The first is a COVID-19 cash assistance program which targeted 11,500 households in May 2020 with 320,000 LBP for three months, and 12,000 households in August 2020 with 400,000 LBP for three months. WFP also expanded assistance to Syrians refugees from 670,000 individuals to 820,000 individuals on a monthly basis in 2020 and provided in-kind assistance to 157,000 Lebanese affected by COVID-19 and the economic crisis. In addition to increasing the number of beneficiaries reached, WFP also adjusted transfer values in Lebanese pounds from LBP 40,500 per capita in March to LBP 100,000 as of November to compensate for inflation

[5] In terms of mitigation strategies, UNHCR provided a one-off COVID-19 emergency cash assistance for the value of 200 USD to all camp-based refugees and IDPs at the start of the pandemic, and the same amount to vulnerable refugees and IDPs outside camps in June 2020. For modelling purposes these one-off assistance programs are assumed to be spread out over three months. To respond to the COVID-19 induced vulnerabilities, WFP scaled up its refugee response from around 36,000 to around 71,000 refugees living in camp settings. WFP also provided monthly food assistance to all the IDPs in camp settings. An emergency Cash for Work intervention to reach around 100,000 vulnerable Iraqis, living in urban and peri-urban settings, was also launched after the relaxation in movement restrictions. In response to the devaluation of Iraqi Dinar in December 2020, WFP also increased it transfer value by 10%. NB due to lack of available date, these latter interventions are not modelled in the above.

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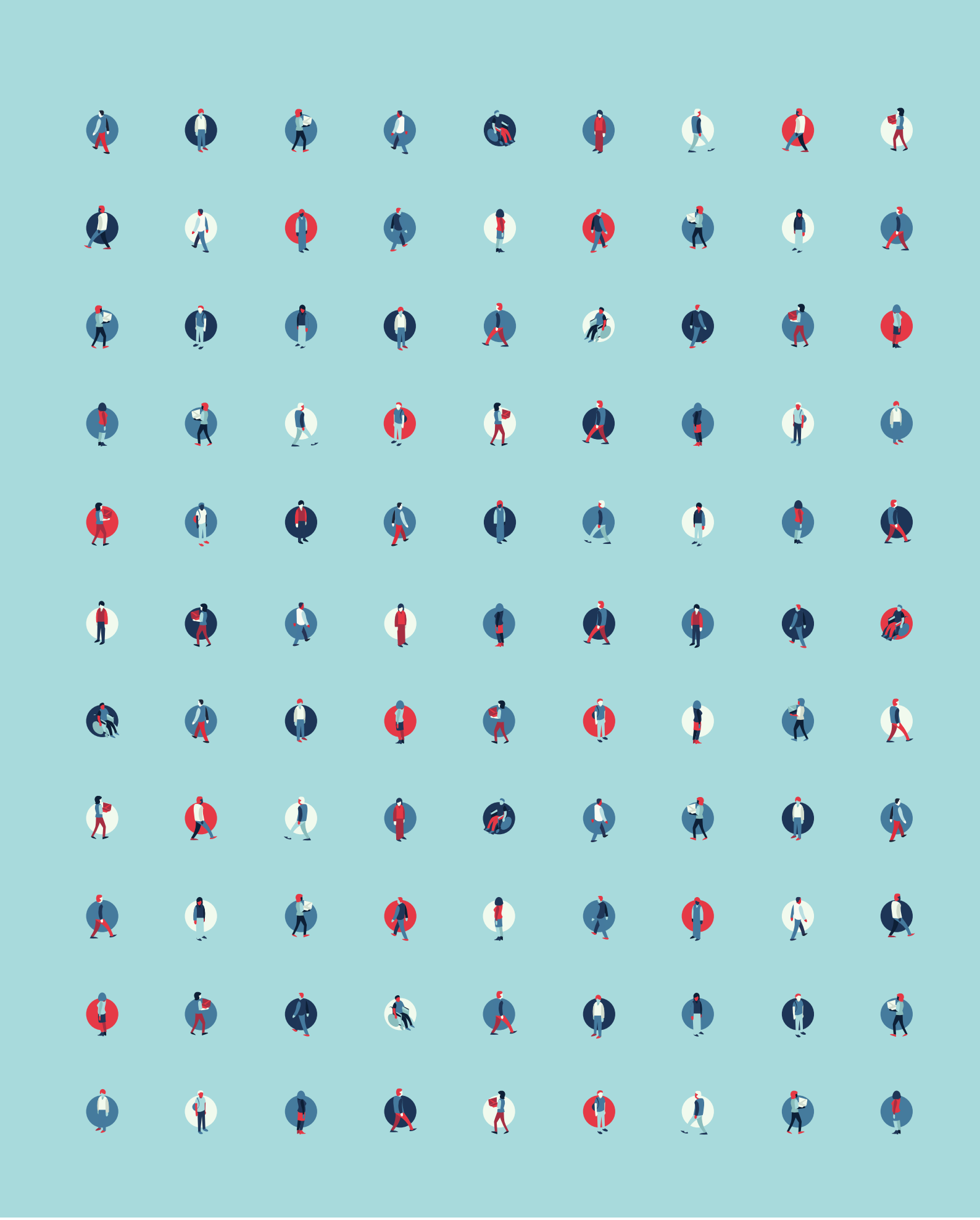
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