2022 CLA CASE COMPETITION

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Case Title:

Adapting Agribusiness Sector Development Strategy Amidst Financial Crisis in Lebanon

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ARE Team having a CLA session where adapted results framework was presented to the team as well as the whole MEL plan and the adaptation process. Credit: ARE Lebanon

Summary:

Since the development of Lebanon Agriculture and Rural Empowerment (ARE) Activity proposal in March 2020, Lebanon endured several devastating events, namely, an economic and financial crisis, the ongoing COVID 19 pandemic, and the August 4th Beirut port explosion. These events caused the already crashing economy to plummet, exerting further pressure on the agribusiness sector, a major stakeholder for the activity. Accordingly, ARE held a series of collaboration, learning, and adapting (CLA) sessions to discuss recent country developments and in order to adapt both the activity's technical approach to implementation as well as the activity results framework to better reflect and react the diverse set of challenges facing Lebanon and in response, to more efficiently and effectively achieve our intended results. We used our list of critical risks and assumptions as the base of our decision-making process, followed by a thorough analysis of context indicators set forth in the monitoring, evaluation, and learning plan. Then we used this information as evidence to prove the major change in context and to make a decision on adapting our results framework to suit the fluid context. We collaborated with USAID and the team and held workshops to ensure that the adapted framework, and resulting technical approach, could be captured across all of ARE's current and future interventions. We then revised our indicators and indicator targets to make them more realistic and in line with the actual context of the country's dire economic situation. Finally, we reflected this adaptation through adjustment in our actual technical programming. This CLA approach helped us develop a more relevant results framework with a set of indicators and targets that are more realistic, achievable and reflective of the new country context. This adaptation ensured ownership of the activity strategy among the ARE team as well as our colleagues at USAID, and, most importantly, ensured more realistic and achievable results.

Which two subcomponents of the Collaborating, Learning & Adapting (CLA) Framework are most reflected in your case? Please reference them in your submission.

- Internal Collaboration
- External Collaboration
- Technical Evidence Base
- Theories of Change
- Scenario Planning
- M&E for Learning
- Pause & Reflect
- Adaptive Management
- Openness
- Relationships & Networks
- Continuous Learning & Improvement
- Knowledge Management
- Institutional Memory
- Decision-Making
- Mission Resources
- CLA in Implementing Mechanisms

1. WHAT: What is the general context in which the case takes place? What organizational or development challenge(s) prompted you to collaborate, learn, and/or adapt?

The Lebanon Agriculture and Rural Empowerment (ARE) Activity was originally designed in March 2020 with the goal of creating economic opportunities to agribusinesses by achieving 3 objectives: 1-Increasing sales; 2-Facilitating access to finance; and 3- Improving productivity of MSMEs. Withing months of ARE's July 2020 start-up, Lebanon endured several devastating events, namely, an accelerating and deepening economic and financial crisis, a COVID 19 pandemic, and the Beirut port explosion. These events caused the already crashing economy to plummet, exerting further pressure on the agribusiness sector, and changing the context that the activity was initially designed under. One year into implementation (July 2021), the value of the Lebanese Lira had decreased by more than 1,000%. Citizens and enterprises faced a wave of fuel shortages followed by the removal of fuel subsidies by the government, which caused the price of 20 L of gasoline to rocket to more than 11 times it's price, increasing the cost for production at enterprises exponentially. Moreover, the banking sector crashed and became unable to provide money to its own clients through the imposition of informal capital controls and a total absence of commercial credit throughout the country. The changing and fluid context prompted a series of collaboration, learning, and adapting (CLA) sessions which led to a consensus that it is best to revise and adapt the results framework of the activity and use the adapted framework to guide implementation.

2. WHY: Why did you decide to use a CLA approach? Why was CLA considered helpful for addressing your organizational or development challenge(s)?

Adapting the ARE activity's results framework calls for adapting a whole set of documents and often times the contract as well. A CLA approach was the most structured and systematic way to build an evidence-based case. The Lebanon ARE activity developed it's Collaboration, Learning, Adapting (CLA) and Adaptive Management Strategy during the early startup phase. This strategy puts adaptive management as the cornerstone of Lebanon ARE's implementation approach. Learning and adapting are the main subcomponents of this case. The Activity's MEL plan includes a set of critical risks and assumptions accompanied by context indicators that keep track of all the changes in such a fluid national and regional environment. Our systematic CLA strategy guided us to ask the right questions, find answers to these questions, and react/adapt accordingly.

3. How: Tell us the story of how you used a collaborating, learning and/or adapting approach to address the organizational or development challenge described in Question 2.

• M&E for learning/internal collaboration: We compared the list of critical risks and assumptions against the current country situation. We rated each risk as constant, negatively changing, or positively changing. Most risks were changing negatively, and most critical assumptions were not met. This implied that adapting our programming strategy is necessary to reach our targets and ultimately our objectives and goal.
• External Collaboration: We discussed our findings with the activity's Contracting Officer's Representative (COR) at USAID. After presenting the negative trends of different risks and assumptions, he agreed that the activity results framework should be adapted to suit the changing context and requested an adaptation proposal accordingly. This process took place in parallel with the development of the USAID's new Country Development and Cooperation Strategy for Lebanon covering the period between 2021 and 2026.
• Evidence-based learning: Context indicators were the core of our adaptation proposal. We collected data related to context indicators and compared the values between 2019, the time of activity design, and 2021, the time of adaptation proposal.
o value of machinery for heating and cooling imported to Lebanon dropped from 28.5 million USD to 1.1 million USD.
o Weight of raw material for packaging imported to Lebanon dropped from 23.5 Tons to 6.2 Tons.
o CPI for food and non-alcoholic drinks increased from 129% to 1,988%.
o Inflation rate: Inflation rate increased from 2.9% in 2019 to 84.9% in 2020 (as shown in the figure below).
o The (Black) Market Value of the Lebanese Lira had declined by 95% against the official Bank du Liban (BDL) exchange rate.
o We also conducted a financial sector mapping assessment as part of our learning agenda. This research concluded that the banking sector in Lebanon is unable to provide financial support to the agribusiness industry in the near future. Consequently, farmers cannot buy imported input and packaging materials unless they pay in cash and upfront using foreign currency or its LBP equivalent using the black market exchange rate.
All the aforementioned trends in context directly impacted the agribusiness sector in Lebanon, the activity's main stakeholder. Businesses in Lebanon shifted from growth to survival mode. They were experiencing a drastic increase in cost of production caused by high fuel prices and buying imported inputs and raw materials using foreign currency. Domestic marketability and sales decreased due to decreasing purchase power of the Lebanese population. The two latter effects caused a decrease in profits. Volume of production also decreased due to decrease in sales and production hours caused by electricity cuts. Finally, business growth and development ability decreased due to lack of access to finance.
• Decision making and adaptive management: Based on the findings and analysis of context indicators and the financial sector mapping, we proposed a new results framework that mainly shifts the activity overarching goal from growth to resilience and sustainability. These changes aim at making our strategy relevant to the country context and achieving the highest possible impact.
o Changing our goal statement to include livelihood sustainability and expand our target beneficiaries to include sectors other than agribusiness, such as tourism and non-agricultural products.
o Omitting Objective 2 along with indicators to track access it: Facilitating Access to finance in the adapted results framework
o Keeping Objective 1: Increased domestic and export sales
o Moving Objective 2 to become an intermediate result: Improved productivity of MSMEs
o Adding a new objective: Improved and inclusive livelihoods
o Adding an intermediate result under objective 1: Increased enterprise competitiveness.
o Changing the definition of several indicators to abide by the new context
o Reporting value of money indicators using the market rate and not only the official, non-realistic rate since the Lebanese government has not officially recognized the currency devaluation
o Adding new output indicators to help track progress at the level of Activity service delivery

4. ORGANIZATIONAL IMPACT: How has collaborating, learning and adapting affected your team and/or organization? If it's too early to tell, what effects do you expect to see in the future?

ARE's CLA approach steered the team's mindset to focus on the emerging issues facing the Activity that were not reflected in the programs initial objectives and approach. ARE started with a heavy export-oriented focus working with medium and large agro food companies. Through a series of field assessments and conversations with our private sector partners, the evidence pointed that Lebanon was about to face a crisis in primary production of vegetables and animal feed. The entire program team, adapted to this new reality. The technical team began designing grants to address these issues, the communications team adapted the messaging to highlight the evidence and our new programmatic approach, the Grants and Operations team adapted and scaled their processes to ensure our ability to program activities with thousands of small farmers, MEL began working on new indicators and results framework and Senior management had clear and transparent conversations with USAID on the evidence and an adapted approach from ARE.

5. DEVELOPMENT IMPACT: How has using a CLA approach contributed to your development outcomes? What evidence can you provide? If it's too early to tell, what effects do you expect to see in the future?

Adapting our results framework was accompanied by revising our targets to be consistent with the plummeting economic and financial situation in Lebanon. Targets for sales and investment indicators were set in US dollars. After the drastic devaluation of the Lebanese currency these targets became unrealistic. The adaptation process, guided by our CLA strategy, helped us design and set more realistic and targets and attainable results.

6. ENABLING CONDITIONS: How have enabling conditions - resources (time/money/staff), organizational culture, or business/work processes - influenced your results? How would you advise others to navigate any challenges you may have faced?

Enablers:
- The transparent relationship with our COR at USAID helped in coordinating and sharing knowledge on an ongoing basis and in the efficiency of the process. We involved the COR in every step of the way since the early stages, and he was always shedding light on USAID's preferences and needs.
- The flexibility of our COR and Contracting Officer (CO) ensured our ability to implement our adaptive management strategy as needed.
- Open communication pathways both externally (with our COR) and internally with senior management and technical staff helped in aggregating the evidence needed to make our case to adapt accordingly.
- The expertise of technical advisors ensured high quality evidence and analysis of the data collected to inform decision making.

Obstacles:
The biggest obstacle is the ongoing economic crisis itself. Throughout the adaptation process, conditions in Lebanon continued (and continue) to deteriorate further. A lack of political will and a dysfunctional system of governance cannot provide any level of certainty as to if, how, or when the situation in Lebanon may begin to improve. Grid-provided electricity for example is practically non-existent yet the requirements for Lebanon to receive external assistance to increase electricity provision from the current 1-2 hours per day to maybe 8 hour per day are not being met in a concerted manner. The reform and recapitalization of the financial sector, a prerequisite for any international bail outs, is not happening as political and economic elites refuse to take accountable and hard decisions to allocate losses. Even as we have adapted ARE, our results framework and our approach to technical implementation, the conditions on the ground continue to change, requiring even more need to remain adaptive and flexible. This means that our adaptation process cannot be considered complete and must continue to evolve along with conditions on the ground.