



EUROPEAN COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 25.5.2011
SEC(2011) 637 final

JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Lebanon

{COM(2011) 303 final}
{SEC(2011) 638 final}
{SEC(2011) 639 final}
{SEC(2011) 640 final}
{SEC(2011) 641 final}
{SEC(2011) 642 final}
{SEC(2011) 643 final}
{SEC(2011) 644 final}
{SEC(2011) 645 final}
{SEC(2011) 646 final}
{SEC(2011) 647 final}
{SEC(2011) 648 final}
{SEC(2011) 649 final}
{SEC(2011) 650 final}
{SEC(2011) 651 final}
{SEC(2011) 652 final}

JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country report: Lebanon

1. OVERALL ASSESSMENT

Lebanon and the European Community first established contractual relations in 1977 by signing a Cooperation Agreement. An EU-Lebanon Association Agreement entered into force in 2006. It sets out in more detail the specific areas in which relations can be developed bilaterally. On this basis, the EU-Lebanon ENP Action Plan was approved in January 2007 for a period of five years.

This document reports on progress made in the implementation of the EU-Lebanon ENP Action Plan between 1 January and 31 December 2010, although developments outside this period are also taken into consideration where relevant. It is not a general review of the political and economic situation in Lebanon. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

The Action Plan was adopted to guide Lebanon-EU dialogue and cooperation with respect to political, economic and social reforms in the country. Since the outset, however, its implementation has taken place in a context of crisis or emergency and has suffered from many situational and structural obstacles.

In 2010, EU-Lebanon Association Council meetings were held, and three out of ten sub-committees met in the first half of 2010. No Association Committee meeting was held. The controversy over the Special Tribunal for Lebanon tasked with investigating the killing of former Prime Minister Rafiq Hariri and 22 other people increased. It polarised the Lebanese political arena and paralysed the functioning of key institutions including parliament and the cabinet. Due to the political impasse, the Lebanese parliament was not able to adopt a significant number of laws, which are essential for the implementation of the ENP Action Plan. This hindered the advancement of the reform agenda and prevented the planning of further meetings (no sub-committee meetings were held in the second half of 2010). In January 2011, the Lebanese Government collapsed after 11 Ministers resigned. Since the appointment of Prime Minister-designate Najib Mikati on 25 January, negotiations have taken place to form a new government.

The economy of Lebanon performed well in 2010 despite the global financial crisis. Also, macroeconomic policies remained prudent during the upswing. While some headway has been made in reducing short-term risks, large underlying vulnerabilities remain and new vulnerabilities could emerge in the future. The country's weaknesses remain important, in particular the government's high level of debt. Overall progress on structural reforms was rather disappointing. Most of the commitments made at the Paris III donor conference in 2007, some of which are also part of the Action Plan (e.g. restructuring of public utilities and privatisations), are still pending.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

A delegation from the **European Parliament** visited Lebanon in November 2010, thus contributing to the political dialogue between the European and Lebanese parliaments that was called for in the Action Plan. The EU also launched a capacity-building programme to help the Lebanese Parliament exercise its legislative and oversight role effectively.

Local elections ran smoothly in May 2010. The Ministry of Interior and Municipalities has worked on a draft **electoral law**, which was expected to address the recommendations of the 2009 EU Electoral Observation Mission by May 2011. A number of actions were taken to make the process of reforming the electoral system inclusive. This included four workshops held by Lebanese authorities on the reform process, a workshop held by the EU delegation on the independent electoral monitoring body and a study, co-funded by the EU and the International Foundation for Electoral Systems, on setting up the Independent Electoral Commission. The feasibility study on the out-of-country vote, planned in collaboration with the United Nations Development Programme (UNDP) is well behind the Government's schedule.

The EU is actively financing the **modernisation of the judiciary** and the improvement of prison conditions. A decree nominating the unit in charge of the computerisation of the Ministry of Justice and of the courts was approved. This will allow the implementation of an Information Technology Master Plan to be funded by the EU. A new project to support the independence of justice and building on previous and ongoing initiatives in the sector is under preparation for 2011. The Ministry of Justice announced in May 2010 that it is working on a decree to set up two General Directorates, one for the Promotion of Human Rights and Fundamental Freedoms and another for Prison Administration. The transfer of the prison management from the Ministry of Interior to the Ministry of Justice, which started in 2008, is continuing and should be completed by 2013. The EU is supporting the Ministry of Interior in designing a new detention centre for illegal migrants to be built in compliance with international standards. Regarding **prison conditions**, the Ministry of Interior launched an assessment to be completed in the first quarter of 2011. Reports from civil society organisations in 2010 indicate that prison conditions and administration are not in line with international standards and advocated a comprehensive reform of the prison system. The law on reducing sentences is being applied and, since 2009, around 100 prisoners have benefited from it.

In the field of **security sector reform**, efforts to improve the individual capability of the different security agencies continued but no progress can be reported in terms of promoting reform, transparency and accountability in the security sector as a whole. Decisions on institutional changes within the Internal Security Forces and on the revision of their Code of Conduct are not advancing due to a deadlock in the Council of Command. An EU funded support programme "Developing national capability for Security and Stabilisation" aims at developing the national long-term capability of the Lebanese security system thus ensuring greater security for citizens.

No legislative amendments were adopted in the fields of **good governance and accountability**, including the fight against corruption and bribery.

Human Rights and Fundamental Freedoms

Lebanon worked to strengthen the institutional framework in the **human rights** area, in line with the provisions of the Action Plan. The Lebanese Parliament's Human Rights Committee continued work on a draft national Action Plan on Human Rights, in cooperation with the UN's Office of the High Commissioner for Human Rights (OHCHR) and the United Nations Development Programme (UNDP). The Plan was presented to Parliament on 20 December 2010, although four key studies related to it had not yet been completed (Palestinians' rights, non-Palestinian refugees' rights, prisons and the right to secrecy and communications).

A Human Rights Office has been created in the Ministry of Interior but the budget and staffing of the existing Human Right Unit of the Internal Security Forces are insufficient. A bill to set up a National Human Rights Institution is being considered by the Ministry of Justice. The appointment of an Ombudsman, an office created in 2008, is still pending, and the decrees to set up the institution and make it operational were not adopted.

Lebanon underwent a **Universal Periodic Review (UPR)** by the United Nations Human Rights Council. It agreed to several important UPR recommendation such as setting up a National Commission on Human Rights, criminalising all forms of torture and ill-treatment and ratifying the Convention on the Rights of Persons with Disabilities (now before parliament). Nevertheless, Lebanon rejected other key recommendations including those in relation to the rights of women, migrants and discrimination based on sexual orientation. Moreover, the ratification of a number of other international human rights conventions is still blocked. Lebanon has eight overdue reports to UN treaty bodies and has not extended a standing invitation to all thematic special rapporteurs. Lebanon has reiterated its intention to withdraw its reservation to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), but has not yet done so.

Lebanon rejected the UPR recommendations that it accede to the second optional protocol of the International Convention on Civil and Political Rights, aimed at abolishing the **death penalty**, and that it formalise, through a legal act, the moratorium on executions in place since 2006. The 2008 decree for the abolition of the death penalty has not yet been discussed by the cabinet and a number of people were sentenced to death in 2010. On July 1, the President said that he would sign death penalties against Lebanese convicted of spying for Israel. Lebanon abstained on the Resolution on the moratorium on the use of the death penalty at the UN General Assembly.

Lebanon enjoys one of the most open and diverse media environments in the Middle East and relatively liberal legislation on civil society organisations. No significant developments were recorded in the area of **freedom of expression and association** in 2010. There remain a number of shortcomings due to the fact that media outlets largely represent the views of political interests.

Ill-treatment, abuses and **torture** are reported in Lebanon and impunity for such violations is widespread. Some improvement can be expected from a code of conduct for the Internal Security Forces, now in the final stages of approval, and from the proposal in May to set up a National Preventive Mechanism to monitor detention centres and prisons under the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT). The National Preventive Mechanism has not been set up yet, although a draft law has been sent to parliament. Lebanese institutions facilitated a visit by the UN subcommittee on the prevention of torture in May 2010 and granted them access to prisons.

In the field of promotion and protection of the rights of **women and children**, no substantive progress can be reported, although several important draft laws are currently being discussed. The draft of Child Protection Policy has not been finalised yet. Women's participation in political life remains low, but the May municipal elections saw the highest share of female candidates ever, at 8.2%. There was no progress towards adopting the draft law on protection of women from domestic violence in Lebanon, which was approved by the cabinet in April 2009.

In the area of asylum and protection of refugees, progress can be reported on the situation of **Palestinian refugees in Lebanon**. On 17 August the Lebanese Parliament amended the Labour Law to lift some of the restrictions imposed on employing Palestinian refugees. The implementing decrees for the amended law were signed in February 2011, after the reporting period. Registered Palestinian refugees have the right to work in any field open to foreigners (a definition that excludes the liberal professions). A work permit remains obligatory but it will be free of charge. They now have the same rights as Lebanese citizens in terms of resolution of employment conflicts before the relevant arbitration council. With the new law, Palestinian refugees who have contributed to the National Social Security Fund are now entitled to claim their end-of-service benefits. However, despite paying contributions, they remain ineligible for health and maternity benefits, work-related accident and injury benefits, and family indemnity. They also continue to be banned from regulated professions. Procedures to obtain work permits still need to be simplified. There has been no progress either on Palestinian refugees' right to own property. As to the issue of 'non-identified Palestinians' – refugees who are not registered either by the United Nations relief and Works Agency (UNRWA) or the Lebanese Authority, it has also remained broadly unchanged.

As Lebanon has not ratified the 1951 Geneva Convention and the 1967 Protocol related to the status of refugees, nor implemented a refugee law, the situation of **refugees and asylum seekers** remains dire. Refugees and other non-citizens who enter the country without prior authorisation are considered to be in the country illegally and are often subject to arbitrary detention in very poor conditions. Many refugees are treated as illegal immigrants and some have been subject to arrest and indefinite detention. No progress is reported regarding EU calls on Lebanon to give legal recognition to the certificates issued by the United Nation High Commissioner for Refugees (UNHCR), especially to Iraqi refugees, and to provide renewable residence permits to persons registered with UNHCR.

In the area of social integration and protection of **migrant domestic workers**, a decree to improve the regulation of employment agencies and a unified contract for migrant domestic workers was adopted in 2009. It is now crucial that the new rules be properly implemented. As far as **fundamental conventions and core labour standards** are concerned, no progress can be reported on the ratification of the International Labour Organisation Convention 87 on Freedom of Association and Protection of the Right to Organise.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

Lebanon is one of the European Union's key partners in the Middle East. **Dialogue on foreign and security policy** has mainly focused on implementation of UN Security Council Resolutions relevant to and relating to Lebanon, such as resolutions 1559, 1680 and 1701 — and resolution 1757, which established the Special Tribunal for Lebanon. EU member states are strongly involved in the United Nations Interim Force in Lebanon (UNIFIL) as troop-contributing countries.

Lebanon faced increased political tensions during the second half of 2010, further aggravated by the question of the Special Tribunal for Lebanon. Regional mediation efforts intensified to prevent escalation, involving Syria, Saudi Arabia, Turkey and Qatar.

With regard to bilateral relations between Lebanon and Syria, no progress can be reported on issues such as demarcating borders and investigating the cases of missing Lebanese in Syrian prisons.

Lebanon ratified the **Oslo Convention on Cluster Munitions**. The Ottawa Convention on Anti-Personnel Mines and the statute of the **International Criminal Court** have, however, not been ratified yet.

In the field of **combating and preventing terrorism**, Lebanon has ratified 11 of the 13 relevant conventions and submitted regular reports to the UN. The remaining ones are: the International Convention for the Suppression of the Financing of Terrorism and the International Convention for the Suppression of Acts of Nuclear Terrorism. Lebanon is not equipped with a strong counter terrorism apparatus but efforts to improve working methods are currently ongoing and supported by the EU. The 2006 national dialogue decision to disarm Palestinian factions outside the camps has not been effectively enforced. Moreover, in specific areas, access by the Lebanese Security Forces is not fully guaranteed.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

Lebanon's economic and financial performance in 2010 — GDP growth of 8% (following growth of 9% in 2009) — has been remarkable in the face of the global recession. Buoyant revenues, supported by economic growth and the reintroduction of excise duty on gasoline, helped to reduce the government deficit from 8,6% of GDP in 2009 to an estimated 7.4% of GDP in 2010. However, the fiscal deficit remains large, reflecting the high debt burden, which absorbs 45% of total state revenues and drastically limits economic growth potential. At the end of 2010, Lebanon's sovereign gross debt amounted to USD 59 billion (EUR 44.5 billion), representing 139% of annual GDP (148% at the end of 2009). This makes Lebanon one of the most indebted countries in the world. About half of the national debt is denominated in foreign currency. The commercial banks are the government's main creditors, holding 40% of the public debt. The Lebanese Government proposed measures to tackle the country's macro-financial vulnerability such as increasing an interest income tax, introducing an asset revaluation tax and raising registration fees in order to generate additional revenue in the 2010 budget. These measures could allow the government to continue to reduce the debt-to-GDP ratio, but they have not yet been adopted by the parliament as they were part of the 2010 budget package. 2010 was the fifth consecutive year in which the budget was not passed by a vote in parliament.

The current account deficit is estimated to have increased to 11.3% of GDP in 2010, from 9.7% of GDP in 2009, due to a larger trade deficit resulting from higher energy import prices and rising domestic demand. This situation is prolonging the high deficit and a high degree of vulnerability to a sharp fall in capital flows.

In the context of domestic stability, commercial bank deposits held by non-residents (essentially the Lebanese diaspora) grew at an average rate of 11% in 2009 and 2010, despite

interest rate cuts during the second part of 2010. In the meantime, the foreign reserves of the Bank of Lebanon (BoL), backed by strong export performance and by strong and rising capital inflows, increased to a record level of over USD 29 billion (EUR 21.8 billion) by the end of 2010.

The main challenge for the Lebanese authorities is to manage rapid economic expansion by preventing overheating (and inflation), and, simultaneously, carrying out structural reforms to promote sustained medium-term growth and macro-financial stability. Despite the success of policies to reduce government debt in recent years, the current debt ratio remains Lebanon's main weakness and key reforms must be implemented to restore medium-term debt sustainability. As things stand, financial stability depends essentially on continued inflows of short-term deposits from non-residents; in this context, confidence is crucial and political stability, combined with the absence of regional tensions, is a prerequisite.

Employment and social policy

As regards the **socio-economic situation** in Lebanon, many social reforms which were part of the agenda agreed at the Paris III donor conference continued to be delayed because of the political situation.

The Ministry of Social Affairs continued to develop tools for social inclusion and the fight against **poverty**, in particular a poverty-targeting mechanism and a national strategy on social development. However, there was limited inter-ministerial coordination or involvement of other stakeholders. No changes have been reported in the **unemployment** situation. The last survey on household living conditions was conducted by the Central Statistical Authority in 2007.

No progress is reported in the fields of **pension reforms** and **reform of the social security system**.

The Economic and Social Council did not meet in the period under review and the structures nor did the practices for **social dialogue** change in 2010. There is no progress regarding labour rights and the new Labour law remains to be adopted.

Sustainable development

During the reporting period, efforts were made to develop sector strategies, notably on energy, water and environment, which illustrates greater interest in sustainable development. Lebanon started implementing the strategic framework for **agriculture** and **fisheries** for 2010–2014, as reported in last year's report. The Ministry of Agriculture set up about 20 national committees covering major agricultural sectors. Projects on 'Strengthening Production and Marketing of Lebanese Agricultural Products', on the 'Lebanese National Observatory for Agricultural Development' and on 'Capacity building for a pro-poor review and making operational the agricultural development strategy' are ongoing.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

During the reporting period, the EU remained Lebanon's top trading partner. Bilateral **trade** in goods with the EU grown every year since 2005; in 2010 EU exports to Lebanon rose by 12.2% and Lebanese exports to the EU by 28.9%. The trade balance remains favourable to the EU. Tariff dismantlement took place in line with the Association Agreement.

The EU and Lebanon signed the Protocol for the Settlement of Bilateral Trade Disputes in Brussels in November 2010. Exploratory talks on possible future negotiations on liberalising trade in agricultural, processed agricultural and fish and fisheries products took place in May 2010 in the margins of the first Sub-committee meeting on Agriculture and Fisheries. Since last year's report, no meetings of the World Trade Organisation (WTO) accession working party have taken place. In March 2010, Lebanon presented its revised offer on services to the EU as part of bilateral negotiations in the context of its accession to the WTO, but the offer fell short of expectations in certain key service sectors. Discussions are ongoing as to how to proceed with the negotiations.

Lebanon continued to upgrade the IT capacity of its **customs** administration, in particular by modernising its customs systems, including training, scanning operations and related applications at the airport and at the port of Beirut. Lebanon participated in the 'SIROCCO' operation carried out in June 2010. SIROCCO is a joint customs operation coordinated by the European Commission Anti-Fraud Office (OLAF) and carried out by the customs administrations of the EU and 11 partner countries from the southern rim of the Mediterranean¹.

On **free movement of goods and on technical regulations**, Lebanon slowly continued its preparations for negotiations on an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). Lebanon has identified three priority sectors within the ACAA framework (electrical products, pressure equipment and construction materials). The requisite Action Plan, drafted by the Lebanese ACAA Committee, has not yet been approved by the Council of Ministers. The Metrology law was approved by the Council of Ministers in July 2010. In October 2010, the Council of Ministers also approved the draft law on 'Technical Regulations and Conformity Assessment Procedures' presented by the Ministry of Economy and Trade.

In the area of **sanitary and phyto-sanitary** (SPS) issues, the draft food safety law, which includes the launch of a food safety agency, and the draft animal quarantine law were not yet adopted.

Lebanon's **business climate** continued to suffer from the inefficiency of the judiciary in settling commercial disputes, the high cost of logistics and the general lack of transparency in public decision making. Lebanon has fallen four places in the World Bank's 'Doing Business' overall ranking 2011. No new developments were registered in the area of **company law and the right of establishment** in 2010.

In the field of **financial services**, the Lebanese banks weathered the global crisis well, thanks to prudent banking regulation and supervision and banks' conservative funding and asset structures. The banking system remains globally profitable, highly liquid, with adequate provisions and a relatively small share of non-performing loans. Banks are responding to falling interest rates by expanding their operations outside Lebanon and by increasing their domestic lending activity to the private sector.

Lebanon continued to implement the recommendations of the IMF Financial Services Assessment Programme, and the Central Bank followed the roadmap towards the adoption of

¹ SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in member countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeit goods were seized as part of the operation.

International Financial Reporting Standards (IFRS) for **accounting**. In bank regulation and supervision, a focus on preventing excessive risk-taking continues to be warranted.

No progress can be reported in the area of **auditing**.

Other key areas

An amending protocol to the Convention on avoidance of double **taxation** with Malta entered into force in March 2010. Negotiations are ongoing with several other EU Member States. No further progress is reported on the implementation of Action Plan commitments on taxation.

In the field of **competition**, a draft law has been before parliament since 2007.

No new developments took place in 2010 regarding the protection of **intellectual property rights**. A report by an independent organisation put Lebanon's software piracy rate at 72%. Lebanon has taken measures to punish the distribution of counterfeit medicines.

Draft legislation to modernise **public procurement** is still waiting for parliamentary approval. A SIGMA mission reviewed the texts to increase their compliance with international standards and to prepare for future targeted EU assistance in this area.

The Council of Ministers has not yet adopted the National Master Plan for **Statistics**, drafted in 2008. It raises the issue of the degree of independence of the Central Administration for Statistics (CAS), which is currently under the direct control of the prime minister. In 2010, the CAS defined some priority areas for development, including national accounts and trade statistics. An EU-funded twinning programme was launched in December. The CAS further benefits from EU assistance through the recently launched MEDSTAT III programme.

The situation of **public finance reform and internal financial control** remains of concern. The Ministry of Finance benefited from a TAIEX workshop for relevant control bodies (Inspection, Supreme Audit) on PIFC methodology and approaches. **On external audit**, the Court of Accounts remains under the direct control of the prime minister. In addition, a lack of qualified staff and internal resources undermines its capacity to carry out its functions and fulfil its reform agenda.

On **enterprise policy**, Lebanon continued to implement the Euro-Mediterranean Charter for Enterprise.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Work continued on the development of an Integrated **Border Management** Strategy following the appointment of a national border coordinator in March 2010 and the submission of a concept note to the cabinet in April 2010. Work focused on reconciling socio-economic development with improved border control measures. Training on integrated border management advanced incrementally with donor support while cooperation with FRONTEX advanced through the deployment of a technical scoping mission in October. 750 new border inspectors were recruited, of whom 250 were women. There is an operational need for coordinated and structured training to fully professionalise border management staff. Intelligence sharing across all relevant agencies remains a priority.

The EU funded programme "Developing national capability for Security and Stabilisation" foresees to increase Lebanon's capability to practice Integrated Border Management of international standards.

Concerning the fight against **organised crime**, work continued on the adaptation of national legislation to comply with relevant UN instruments. Two draft laws were finalised in 2010, one on cybercrime and another on electronic signature regulation, in line with the Budapest Convention, but neither law was formally adopted.

On the fight against **trafficking in human beings**, the lack of official statistics still prevents a full assessment of the situation.

As in 2009, Lebanon pursued national and regional cooperation measures in the fight against **drug trafficking** with attention to improving law enforcement and developing drug prevention programmes. The National Council on Drugs is responsible for implementing the national anti-drugs strategy provided for in the 1998 Law. The Ministry of Agriculture launched an alternative development project in the Beka'a valley with donor support as a follow-up to crop eradication measures taken in 2009. The Internal Security Forces implemented drug demand reduction programmes in cooperation with civil society and educational organisations to combat a rise in drug consumption particularly amongst students and young people. Lebanon participated actively in the regional Euro-Med Police II programme on drugs cooperation and pursued similar cooperation within the framework of the Arab League.

In the fight against **money laundering**, a draft revised law on money laundering was finalised in June 2010. It proposes freezing assets and confiscating the proceeds of money laundering in line with Lebanon's specific obligations under the United Nations Convention against Corruption. It also amends the rules on banking secrecy to include suspect transactions involving the financing of terrorism. Major improvements to reporting and supervision systems, including those for cash transfers, are required: the training of law enforcement agents and the staff of financial bodies remains critical.

There is no progress to report in the area of **data protection**.

In the area of **police and judicial cooperation**, Lebanon confirmed its interest in acceding to the European Convention on Cybercrime, the 1965 Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents, and the 1970 Convention on Taking Evidence Abroad in Civil and Commercial Matters. No progress could be registered regarding the accession of Lebanon to certain international conventions regarding family law, such as the 1980 Hague Convention on the Civil Aspects of International Child Abduction, and the 1996 Convention on Parental Responsibility and the Protection of Children. The dialogue on international child protection and family law issues in the context of Lebanon's participation in the Judicial Conference on Cross-Frontier Family Issues, took place in the context of the 'Malta Process'. As in 2009, Lebanon took part in the regional Euro-Med programmes on justice and police cooperation.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

Implementation of a comprehensive **transport** policy continued to be stalled because regulatory authorities in the land, aviation and maritime sectors were not set up as foreseen.

This is particularly critical for land transport, where progress has been limited. Stakeholders' consultations are ongoing on a road safety action plan for public transport. A new traffic law is under discussion in the relevant parliamentary committee. A feasibility study for the Chekka–Tripoli railway connection is under way.

Negotiations between the European Commission and Lebanon on a comprehensive Euro-Mediterranean aviation agreement, launched in December 2009, are stalled.

In the maritime sector, there was no progress on the Vessel Traffic and Monitoring System. The Lebanese flag remains on the black list of the Paris Memorandum of Understanding on Port State Control.

In June 2010, the Government adopted a Policy Paper for the electricity sector. The Paper covers three strategic areas (infrastructure, supply and demand, legal framework) to address in a prioritised manner the deficient **energy** sector in Lebanon. The comprehensive policy identifies ten specific initiatives and 42 action steps to improve and increase electricity generation to meet the country's growing energy needs and a return to profit of the main electricity company *Electricité du Liban* by 2015; subsidies from the state budget amounted to EUR 900 million in 2010. During the year, Lebanon suffered from frequent power cuts. The policy also aims at further development of the country's electricity and gas networks. It includes plans to boost energy efficiency and the development of renewable energy sources, which can support, inter alia, the development of the Mediterranean Solar Plan. In August 2010, Lebanon adopted a law on off-shore oil and gas exploration. A tender is ongoing for the construction of a coastal gas pipeline. With EU support, Lebanon strengthened the capacity of the Lebanese Centre for Energy Conservation to implement the National Energy Efficiency Action Plan (NEEEAP).

With regard to **climate change**, Lebanon continued to prepare its Second National Communication to the UN Framework Convention on Climate Change, including a greenhouse gas inventory and an assessment of climate impacts. Some preparatory steps were taken to set up a national committee on climate change and desertification

Steps were taken to prepare Clean Development Mechanism (CDM) projects, but no project has yet been recorded by the UN. Lebanon is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement

Regarding the **environment**, Lebanon prepared a National Water Strategy. Monitoring of air quality in Beirut started and two nature reserves were established. Steps were taken to improve waste management. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement and coordination between public authorities. The Ministry of Environment recruited additional staff, but administrative capacity needs to increase further at all levels. The legislative framework continues to require further development, in particular with regard to environmental impact assessment, access to

environmental information and public participation. Lebanon took some steps to consider the environment in other policy sectors such as energy.

Lebanon took some preparatory steps to update the State of the Environment Report and carried out some activities to inform and involve the public, but access to information requires further improvement. Implementing legislation on environmental impact assessments is still pending and public consultation in the context of environmental assessments continues not to be widely ensured. A dedicated EU-funded programme to support environmental governance in Lebanon was identified during the reporting period and it will contribute to reinforce the management capacities of the ministry and to strengthen the legislative framework.

While Lebanon has not yet ratified the CITES convention, it requires CITES permits for the import and export of species that are included in Appendix 1 and Appendix 2 of the Convention. There were no significant developments in the ratification of remaining Protocols of the Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean. Furthermore, implementation of already ratified agreements requires particular attention. Lebanon continued to participate in the Horizon 2020 Initiative and in the EU Water Initiative. There was cooperation and information exchange between the European Commission and Lebanon on water, depollution and management of environmental information, among other topics.

In the field of **civil protection**, Lebanon has been actively involved in the Euro-Mediterranean Programme for Prevention, Preparedness and Response to natural and man-made Disasters, which has reached mid-term implementation.

In the area of the **information society**, there were no significant developments. The high tax revenue generated by the high level of taxation of telecom operators is an obstacle to market liberalisation. The two state-owned operators continue to operate on the basis of equal tariffs set by the Ministry. Fixed telephony and infrastructure remained a de facto monopoly. In 2010, the Telecommunications Regulatory Authority (TRA) sent draft regulations to the State Council on, for example, consumer affairs, service provider licensing, the national numbering plan and the national frequency allocation table. The TRA approved the Code of Practice for Value Added Services. In the **audiovisual sector**, the *Conseil National de l'Audiovisuel* has a purely consultative role and decisions on licences for electronic/audiovisual media are taken by the Council of Ministers. There is also a need to ensure independent issuance of press cards.

In the area of **research**, Lebanon's participation in the 7th Framework Programme (FP7) remained limited. There is a need for better coordination among the national contact points to increase the participation of Lebanese researchers and research bodies in the FP7. Lebanon increased its level of participation slightly, with 17 research groups being successful in their applications, as of March 2011, and receiving some EUR 1.7 million of EU funding, mainly in the FP7 Theme "Food, Agriculture and Fisheries, and Biotechnologies".

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In April 2010, the cabinet approved a National Education Strategy and Development Plan for 2010–15. The main priorities identified in the strategy were: increasing access, accreditation, quality assurance, improving teaching quality and development of a national policy on diploma recognition. The strategy did not cover technical education and vocational training,

which awaits finalisation of a strategic policy framework. The Council of Higher Education applied some quality assurance procedures for the licensing of higher education institutions, but an agreed national accreditation mechanism is still lacking. As in 2009, significant challenges remain with regard to education governance, resource management and measures to address student de-skilling and drop-out rates. There was no change in the situation regarding the reorganisation of private **higher education** or the University of Lebanon, though dialogue did continue with the support of the Higher Education Reform Experts (HERE) funded by the EU.

In the area of **vocational training**, in March the Minister designated a national coordinating committee for developing the national qualifications framework (NQF), leading to the start of work on a qualifications grid in November. As a direct result of the earlier MEDA-ETE regional programme, agreement was reached in November on an ETF/Italian co-funded project on entrepreneurship in education as part of lifelong learning, in close cooperation with ILO and UNESCO. The Ministry cooperated with business and other stakeholders in the analytical review of vocational education and training under the Torino Process and the linked Education and Business study by appointing a national coordinator and convening a national dissemination seminar in September.

Lebanon participated actively in **Tempus**, receiving funding for seven projects under the third call for proposals for Tempus IV for the academic year 2010–11. In addition, two Lebanese students were awarded **Erasmus Mundus** Master's scholarships while student and academic mobility was further enhanced with the expected award of 38 grants under Erasmus Mundus Action 2 for the academic year 2010–11. Lebanese universities are urged to continue to submit high-quality applications under the **Jean Monnet** programme.

Lebanese young people and **youth** organisations continued to benefit from the mobility opportunities offered by the Youth in Action Programme for youth exchanges, voluntary service and cooperation in the field of youth and non-formal education. The Ministry of Youth and Sport confirmed Lebanese participation in Euro-Med Youth IV and continued work on a national policy and strategy for sports, youth and scouts.

In the area of **culture**, Lebanon participated actively at regional level in the new Euro-Med Heritage IV programme. As Lebanon did not ratify the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, Lebanese cultural organisations were not eligible to respond to the Call for Proposals issued for the 2010 ENP Special Action under the Culture Programme.

As reported in 2009, while communication channels between the Ministry of Interior and Municipalities and NGOs did improve, registration of **civil society** organisations is subject to lengthy procedures. Implementing the 2007 law on consumer protection, in September the Ministry of Economy and Trade reactivated the Consumer Protection Council, which includes representatives of the private sector and consumer associations.

Lebanon pursued **health** sector reform focusing, inter alia, on enhancing primary health care and reforming the pharmaceuticals sector. In the light of last year's influenza A (H1N1) epidemic, the European Commission proposed, in January 2010, to establish communication channels with Lebanon for exchanging epidemiological information in public health emergency of international concern. Lebanon continued to participate in the 'Episouth' network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION — 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Lebanon. The new National Indicative Programme (NIP) (2011–13) for Lebanon was adopted in May 2010 and has a budget of EUR 150 million. The programme is geared to supporting the key policy objectives outlined in the EU-Lebanon Action Plan, with three priorities: (1) support for political reform (targeting the reform agenda of the Lebanese government), (2) support for social and economic reforms (helping to develop the private sector and to improve the living conditions of the population through various actions covering e.g. energy, education and the environment), and (3) support for reconstruction and recovery (focusing on economic recovery of all regions and improvement of the living conditions of the most vulnerable parts of the population, including Palestinian refugees).

Implementation

Implementation of the measures covered by the Annual Action Programmes (AAP) for 2007, 2008 and 2009 is under way. Projects implemented in South Lebanon to support municipalities affected by the 2006 conflict brought concrete results: several infrastructure projects have been completed and demining is progressing further, which allows local communities to use the land for agriculture or economic purposes.

In 2010, the EU continued to support the national reform efforts in Lebanon and committed assistance totalling EUR 44 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The AAP focused on administrative reform (EUR 9 million), security sector reform (EUR 12 million), agriculture (EUR 14 million) and support for the infrastructure sectors strategic framework (EUR 9 million). The 2010 AAP did not include a sector budget support operation; however, in order to prepare the ground for a potential budget support programme, a PEFA assessment is being conducted. Under the 2009 AAP, the Support for Education Reform and PFM project aims to prepare the ground for a future sector budget support operation in education. Additionally, in 2010 two twinning contracts were concluded for an amount of EUR 2 million and under the AAP 2010 twinning projects on administrative reform have been pre-identified.

In addition to the bilateral allocation, Lebanon also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Lebanon participated in the ENPI Cross-Border Cooperation (CBC) Mediterranean Sea Basin Programme (EUR 173.6 million for the whole programme in the period 2007–13). The main priorities of the Programme are four-fold (i) promotion of socio-economic development and enhancement of territories, (ii) promotion of environmental sustainability at basin level, (iii) promotion of better conditions and modalities for ensuring the mobility of persons, goods and capital and (iv) promotion of cultural dialogue and local governance.

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) provided Technical assistance in support of the South Lebanon Water & Wastewater Project (EUR 850 000) and extended the duration of its technical assistance to Lebanese Highways, at a cost of EUR 256 000. An EIB loan of EUR 100 million for the SME Reconstruction Facility, signed in 2007, was cancelled during 2010.

Other EU instruments supplement the ENPI assistance package. Lebanon benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Cooperation Instrument (DCI) thematic programmes Non-State Actors and Local Authorities in Development (NSA-LA); Investing in people; Migration and asylum; and Environment and sustainable management of natural resources including energy.

The Instrument for Stability has been mobilised in Lebanon to respond to crises and support early recovery, the re-establishment of security and the rule of law, and political stabilisation, for a total amount of EUR 20 million over the past three years. Under the Instrument for Stability, Lebanon is also engaged in regional cooperation to create Centres of Excellence in CBRN risk mitigation (chemical, biological, radiological and nuclear incidents). To date, this large project is estimated to receive overall support in the range of EUR 7 million.

The second tranche of the EU Macro-Financial Assistance (MFA) loan decided in December 2007 was not disbursed despite the Commission's offer to extend the validity of the Decision by one year (to December 2010). The authorities had failed to implement many of the agreed structural policy measures that had to be introduced prior to the release of the second tranche of the assistance. In these conditions, the EU MFA expired and the second instalment was not disbursed.

Donor coordination

In 2010, the EU Delegation in Lebanon ensured the coordination of assistance activities. Several working groups are led by the EU and its member states (i.e. on water, local governance, rule of law). They aim to ensure complementarity and develop a common strategic approach in specific sectors. In addition, the EU and Italy began a joint identification process in the field of municipal finance reform.