



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

Brussels, 27.3.2014
SWD(2014) 92 final

JOINT STAFF WORKING DOCUMENT

Implementation of the European Neighbourhood Policy in Lebanon Progress in 2013 and recommendations for action

Accompanying the document

**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Neighbourhood at the Crossroads: Implementation of the European Neighbourhood Policy in 2013

{JOIN(2014) 12 final}
{SWD(2014) 69 final}
{SWD(2014) 70 final}
{SWD(2014) 71 final}
{SWD(2014) 72 final}
{SWD(2014) 73 final}
{SWD(2014) 74 final}
{SWD(2014) 93 final}
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{SWD(2014) 100 final}

1. OVERALL ASSESMENT AND RECOMMENDATIONS

This document reports on overall progress made in the implementation of the EU-Lebanon European Neighbourhood Policy (ENP) Action Plan between 1 January and 31 December 2013, although developments outside this period are also considered where relevant. It is not a general review of the political and economic situation in Lebanon. For information on regional and multilateral sector processes, readers should also refer to the Partnership for Democracy and Shared Prosperity progress report.

In the face of the political, security and refugee crisis affecting Lebanon, the country remained committed throughout 2013 to strong engagement with the EU. High-level dialogue between the EU and Lebanon took place on a frequent basis. The High Representative for Foreign Affairs and Security Policy/Vice President of the Commission Catherine Ashton visited Beirut in June. Commissioners Štefan Füle, Kristalina Georgieva and Michel Barnier paid visits to Lebanon in March, May and November, respectively. ENP dialogue with Lebanon continued with two meetings of the Association Committee and five sub-committee meetings, including the EU-Lebanon economic dialogue. Lebanon and the EU agreed to start implementing the second ENP Action Plan as from the beginning of 2013 while awaiting the completion of legal procedures. The extent and intensity of EU support to Lebanon increased substantially, especially in addressing the consequences of the Syrian crisis as regards security, social services, and refugees and their host communities.

Throughout 2013 Lebanon faced spill-over effects of the conflict in Syria. It had to deal with a massive influx of refugees, violent confrontation, several terrorist attacks, a political assassination, over-involvement of Lebanese actors in the Syrian fighting, as well as repercussions of the conflict on the economy. Lebanon's policy of dissociation from the Syrian conflict was called into question, as were the key principles agreed by Lebanese leaders in the 2012 Baabda Declaration, issued by the National Dialogue Committee.

The pace of implementation of most of the objectives set out in the ENP Action Plan was slow while only a few areas saw more significant progress. To a large extent this was due to the political crisis. The government of Prime Minister Najib Mikati resigned in March and no new government was formed until 15 February 2014 when a new 'government of national interest' was announced, headed by PM Tammam Salam. Political forces in Lebanon did not succeed in agreeing on a reform of the electoral framework, which led to the postponement of legislative elections, scheduled for June, until November 2014. The parliament did not convene after its self-extension in June. Lebanon thus had neither an effective government nor an operational parliament during most of this highly challenging year, which impeded progress on the reform front in various fields.

Lebanon's security agencies, including the Lebanese Armed Forces (LAF), while overstretched, continued to play a major role in preserving the stability of Lebanon. The authorities remained committed to relevant United Nations Security Council (UNSC) Resolutions and to working with UN Interim Force in Lebanon (UNIFIL) in the south, where the security situation remained calm. The LAF made an effort to lay out their needs in order to meet the range of challenges they were facing. Lebanon and the EU

started discussions on new programmes to support the LAF and General Security in addressing these challenges.

Lebanon continued to be a major destination for refugees from Syria (approximately 910 000 by the end of 2013). Commendably, Lebanon kept its borders open for refugees (with some restrictions on Palestinian refugees fleeing Syria), which strained its resources. The crisis was managed and assistance provided thanks to UN agencies, humanitarian partners and some Lebanese institutions, with financial assistance from international donors, the EU being in the lead. There was need for deeper government engagement, more resources, and improvements to the legal framework. The number of Palestinian refugees in Lebanon grew by around 51 000 through arrivals from Syria. Their legal status and living conditions saw no improvement. Concerning the rights of migrant workers, the level of legal protection remained deficient.

Lebanon did not advance towards ratifying key international instruments such as the International Criminal Court (ICC) Rome Statute or the Geneva Refugee Convention. Overall, human rights and fundamental freedoms were well-respected in Lebanon. However, the National Human Rights Action Plan, announced in 2012, was not adopted during the reporting period. There is considerable media freedom, yet censorship continued to be used against alleged blasphemy and religious insults. As regards combating corruption, a legislative package from late 2012 was not implemented, which prevented further progress. Lebanese civil society, while vibrant, continued to have little influence on policies.

In the area of justice, draft legislation aimed at reinforcing the independence of the judiciary was not submitted to parliament. The government's commitment to limiting the jurisdiction of military courts did not prevent the latter from continuing to adjudicate on civilian cases and, in some instances, to pronounce the death penalty. The substandard conditions in Lebanese prisons did not improve. Regarding torture, not all its forms are criminalised under Lebanese law.

Affected by the crisis, the economic and social situation in Lebanon deteriorated. No budget was adopted, and public debt as well as deficit increased, further threatening Lebanon's economic resilience. Lebanon's energy demand continued to outstrip supply, leading to continued daily power cuts despite the stop-gap measures introduced. The lack of reform in the energy sector continued to strain public finances. Lebanon prepared a comprehensive scheme for renewables and energy efficiency, with the first projects launched in June. Limited progress was made towards negotiations of an EU-Lebanon Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) as well as in the area of customs. Owing to legislative shortcomings, Lebanon did not advance towards World Trade Organization (WTO) accession. The situation in the transport and communications sectors did not change significantly. Progress was achieved in the education sector through the implementation of the Lebanese Education Development Plan and in drafting national standards for teachers.

In July, the EU designated the military wing of Hezbollah as a terrorist organisation, while making clear that dialogue with all political actors in Lebanon and cooperation with state institutions would continue. In December, the Council adopted conclusions on

Lebanon, calling for the implementation of the Baabda Declaration, urging the formation of a government, looking forward to the timely holding of parliamentary and presidential elections, and stressing the EU commitment to support Lebanon.

During the reporting period Lebanon took up several of the recommendations contained in the 2012 Progress Report, including limited progress towards ACAA negotiations as well as drafting legislation on public procurement, fight against corruption, and migrant workers. That legislation, however, was not adopted by parliament. On the basis of the assessment of progress made in implementing the ENP in 2013, Lebanon is encouraged to focus its efforts in the coming year on:

- keeping in place an **effective government** able to address the immediate challenges facing the country and the needs of the Lebanese people, while ensuring that legislation is duly discussed and decided upon by parliament;
- enhancing the **national response to the presence of refugees** from Syria in coordination with international partners, UN agencies and humanitarian organisations, including by improving the legal framework and swiftly concluding negotiations on a Memorandum of Understanding with the United Nations High Commissioner for Refugees (UNHCR);
- continuing direct **dialogue among political forces** on the basis of the Baabda Declaration to address immediate needs emanating from the Syrian conflict, while aiming at a broader future-oriented agreement including on the election of a new President and issues of national defence;
- continuing full support for developing the capacity of accountable and democratically controlled **security forces**, in particular the Lebanese Armed Forces, to enable them to deal effectively with security challenges, integrated border management, law enforcement, and other obligations;
- carrying out an **electoral reform** in due time before the November 2014 legislative elections, taking into account international standards and recommendations of the previous EU electoral observation missions;
- progressing on **public finance management**, particularly by adopting a **national budget**, and also with a view to adopting and implementing legislation on corruption, as well as ensuring availability of data (staffing the statistics authority);
- enhancing the **protection of human rights** and fighting all types of **discrimination**, particularly with regard to vulnerable populations (including full implementation of the existing laws on migrant workers);
- taking forward the **justice reform**, especially with regard to ensuring the independence of judicial appointments, restricting the jurisdiction of military courts, improving prison management and detention conditions, and **fighting impunity** at all levels including through full cooperation with the Special Tribunal for Lebanon;
- taking urgent measures to improve **energy supply** and limit power cuts, as first steps in a broader overhaul of the energy sector, encompassing also the development of renewable energies, energy savings, and exploitation of oil and gas;
- promoting sustainable growth and jobs through support to **productive activity and trade**, including re-launching efforts towards WTO accession and signing and ratifying the Regional Convention on pan-Euro-Mediterranean preferential rules of origin.

2. POLITICAL DIALOGUE AND REFORM

Towards deep and sustainable democracy

Intense negotiations on a new **electoral law** and a number of proposals submitted by both political camps failed to produce agreement before the constitutional deadline of 20 June and the parliament decided to extend its mandate by 17 months until 20 November 2014. Appeals against this extension were launched on behalf of the President of the Republic and the Free Patriotic Movement parliamentary bloc, but the Constitutional Council failed to find a quorum to rule on the appeals. Civil society organisations (CSOs) were involved only to a limited extent in the discussion on a new law and appealed for wider representation of Lebanese society, including via an interim women's quota in the parliament. Negotiations focused on the electoral system and the districting though not on alignment with international standards and the recommendations of previous EU election observation missions. Nevertheless the EU continued to support electoral reform in Lebanon through civil society initiatives and the Lebanese Government (via United Nations Development Programme) to increase compliance with international standards for genuine democratic elections. The work of **parliament** was limited with only a few legislative sessions in May prior to the prolongation of the parliamentary mandate. The political tensions persisted throughout 2013, following the resignation of the Mikati government in March. Government was still in caretaker mode as the PM designate did not succeed in forming a new government until 15 February 2014 when a new 'government of national interest' was announced, headed by PM Tammam Salam.

The **media** in Lebanon are relatively free to comment on all issues. However, the Lebanese penal code prohibits blasphemy and insults against religion and the General Security censors films and literature in this regard. Civil society organisations reported cases of limitations on people's **freedom of expression**. The authorities' poor record in prosecuting such violations is a matter of concern. 2013 saw an increase in the number of assaults and attacks against journalists in Lebanon, particularly when covering security incidents. In June 2013, as part of an EU-funded project, 34 national media organisations signed a pact on the media's role in preventing conflict, promoting peace and reconciliation. In the same month the EU granted the Samir Kassir Award for Freedom of the Press to journalists from Syria, Egypt and Lebanon.

The **independence of the judiciary** needs to be further improved. During the Subcommittee on Justice, Freedom and Security in April 2013, the Ministry of Justice gave information about two draft laws sent to the Council of Ministers aimed at reorganising the Ministry and strengthening the High Judicial Council by increasing its membership, revamping its secretariat and distancing it from the Ministry. The EU launched several initiatives to promote the independence of judiciary institutions, to reinforce trust in the justice system and to reinvigorate legal aid mechanisms.

An outstanding issue concerning **fair trials** is the continued use of military courts to try civilian cases. In the reporting period several high-profile civilian cases were tried in military courts, which continue to pronounce death sentences, particularly on persons found guilty of espionage. During the 2013 Subcommittee on Justice, Freedom and

Security, the Ministry of Justice gave information about a draft law proposing to limit the jurisdiction of military courts.

Lebanon continued to face challenges in fighting **impunity**, and the lack of convictions for many serious violations (in terms of security or economic matters) is of concern. As a positive step, the Lebanese authorities have continued cooperating with the Special Tribunal for Lebanon (STL), with financial commitment for 2013. However, no progress was witnessed on apprehending the five indicted persons. Similarly, no progress has been measured with regard to the missing and forcibly disappeared persons, and the draft law on the 'right to truth' proposed by civil society groups in 2012.

There was no progress either during the reporting period in the fight against **corruption**. A number of laws aimed at combating corruption were prepared in November 2012, but have neither been approved nor implemented. The 2013 Transparency International Corruption Perceptions Index¹ shows that the perceived level of corruption of the public sector in Lebanon is still at a very high level. According to this index, Lebanon ranks 127th of 177 with a slightly worse score compared to 2012.

Numerous demands placed on the security services due to major incidents and clashes at the borders and in the main cities (Tripoli/Saida/Beirut) made progress in implementing structural reforms in the **security and law enforcement sector** more difficult. The EU supported improvements to the Internal Security Forces' (ISF) organisational capacity and professionalism through two ongoing projects. New programmes are being discussed with the LAF and the General Security. More work is needed to achieve closer inter-agency cooperation, clear mandates of the security agencies, reduced overlaps and duplication and more pro-activeness in respecting human rights as well as promotion of the integrated border management concept.

As for **democratic control over the armed forces**, the LAF launched a Capabilities and Development Plan in May 2013 to strengthen the army's role as the neutral guarantor of national security and protection of the Lebanese borders and to fulfil the obligations under UNSC Resolution 1701, as well as to minimise and contain spill-over from the Syrian crisis. As part of the plan the government approved an EUR 1.2 billion increase of the LAF's funding over the next five years and signed off its own contribution of EUR 750 000 for 2013.

Other human rights and governance-related issues

The parliamentary Human Rights Committee announced a **National Human Rights Action Plan** on International Human Rights Day 2012, but the plan has not yet been adopted by the Plenary. No progress was registered in the ratification of key international instruments (ICC Rome Statute/Geneva Convention Relating to the Status of Refugees) or the lifting of reservations (Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). During the Subcommittee on Human Rights and Democracy in April 2013 the EU called for implementation of the 2010 Universal

¹ <http://www.transparency.org/cpi2013/results>

Periodic Review (UPR) recommendations and timely preparations for the next UPR in 2015.

During the reporting period, delays in **registration of international non-governmental organisations (NGOs)** were reported, prohibiting these NGOs from operating effectively in Lebanon.

Existing laws fail to criminalise all forms of **torture**, including psychological torture. Nevertheless Lebanon ratified the UN Convention against Torture and its optional protocol (OPCAT), but so far there is no national preventive mechanism. In June 2013 Human Rights Watch published a report on the ill-treatment and torture of vulnerable groups and the ‘culture of the confession’ in some Lebanese police stations. An EU-funded programme planned for 2014 will aim at improving oversight, accountability and inspection mechanisms of security agencies.

Lebanon’s **prisons** do not meet international standards in terms of space, food and water or hygiene. During 2013 several prison riots took place, including hostage incidents and recurrent protests against pre-trial detention. A case involving migrant workers who were detained in cages was denounced by human rights defenders. The management and administrative capacity of prisons remained weak, with limited monitoring of corruption, misbehaviour or abuses. Lax security arrangements made it possible for some inmates to escape. Despite the 2006 request from the Ministry of Justice to the Ministry of Interior to take over responsibility for prison administration, the transfer did not take place. However, the Ministry of Justice reported some progress, notably the recruitment of staff with a view to the transfer. The EU supports the process via the United Nations Office on Drugs and Crime (UNODC) (EUR 2 million). The Ministry of Justice pointed out at the Subcommittee on Justice, Freedom and Security in April that pre-trial detention had decreased from 71% to 47%, a number contested by NGOs working inside prisons/detention centres. Together with the rising number of refugees from Syria in Lebanon, the number of pre-trial detainees of Syrian origin has increased.

No developments took place as regards the abolition of the **death penalty**. At the Subcommittee on Human Rights and Democracy in April, Lebanon confirmed its commitment to the existing *de facto moratorium* on the death penalty, although the authorities did not commit themselves to legalise the moratorium. Several persons accused of espionage were sentenced to death by military courts in 2013. The total number of death row inmates remains unclear.

In the area of **women’s rights**, Lebanon still lacks legislation protecting against domestic abuse. In July 2013, a revised draft domestic violence law, submitted by the Council of Ministers in 2010, was approved by the competent parliament subcommittee and sent to the Plenary. Lebanese legislation continues to prevent Lebanese women from passing their nationality to their children, and Lebanon has not lifted its reservation on the respective provisions of CEDAW. Female participation in political life remains low; no woman holds a ministerial post and there are only four female members in the 128-member parliament. In the discussions on electoral reform, women’s participation and quotas were not a significant factor. Forty-five women registered for the 2013 parliamentary elections (later postponed), which represents only 6.4% of the total

number of candidates, but a notable increase from the 12 women who registered in 2009. In April 2013 the Ministry of Interior took the unprecedented step of registering a civil marriage contract after a year-long campaign and Lebanon's first non-religious nuptial was seen as a step towards a more secular society.

Several associations reported cases of detention and abuse against **lesbian, gay, bisexual and transgender (LGTB)** persons, following unofficial curfews and closure of bars.

As regards rights of **persons with disabilities**, Lebanon failed to ratify the UN Convention on Rights of Persons with Disabilities and its optional Protocol, signed in 2007, and did not undertake to strengthen the implementation of the principles of equal access and treatment for the persons concerned.

In the field of **economic and social rights**, strikes of teachers and civil servants continued during the reporting period. Pressure and intimidation of union activists were reported. Lebanon has not yet ratified the ILO Convention no.87 on "Freedom of Association and Protection of the Right to Organise". Demands for broad social reforms to employment benefits and labour market regulation resulted only in the approval of a salary adjustment by the government in March 2013 together with a package of fiscal measures that still need to be made effective. The decisions were sent to the parliament's committee on budget and finance in June 2013. After three years of unsuccessful negotiations with the 'Association des Banques du Liban' (ABL), unfruitful mediation by the Minister of Labour and demonstrations by employees of the sector, an agreement between the unions and ABL was finally reached in July 2013.

Education and protection of **children** is an increasing cause for concern. Finding solutions that will allow refugees' children access to education without over-burdening the already weak public school system is a challenge.

The Office of the Minister of State for **Administrative Reform** has been implementing a strategy to enhance public transparency, accountability and effectiveness. The EU has provided EUR 9 million in support of administrative reforms since late 2011. Technical assistance to support reform in human resources management and public procurement was contracted during the reporting period.

The government did not achieve further administrative **decentralisation** or reform of the Independent Municipal Fund. The Prime Minister created a committee to draft a decentralisation law, but it has not yet delivered. An EU-funded project in support of municipal finance reforms and the establishment of a Municipal Development Fund (EUR 20 million) was launched in 2012, but made only slow progress and was re-oriented to better mitigate the consequences of the influx of refugees from Syria, in particular on local communities. In January 2013 the Cabinet decided to dispense USD 1.2 billion from the telecom sector funds to the municipalities. This decision represented a missed opportunity in terms of sustainable local development as it was contrary to earlier plans for the creation of a rural development bank, and a percentage of these funds was retained by the Ministry of Finance to cover locally incurred but centrally managed expenses. Another part was retained by the Ministry of Interior and Municipalities pending a decree on the specific allocation per municipality.

Practices and policies to consult with **civil society** are weak and inconsistent despite the 2012 request from the Council of Ministers for all ministries to publish proposed policies and regulations by public consultation prior to endorsement. Civil society organisations were consulted by the EU on the new Action Plan 2013-2015 and the Single Support Framework in the context of the Structured Dialogue in December 2012 as well as on the consequences of the Syrian crisis. More than twenty meetings with mid- and high-level EU officials took place.

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

The government remained committed to implementing UNSC Resolutions, mainly No 1701 and No 1757 (UNIFIL). Following UNIFIL's strategic review (March 2012), the LAF developed a roadmap to increase its capabilities in the south, but due to over-stretch of operational capacity, limited progress was made in this regard. An increase in security incidents all over the country caused LAF to move a number of its contingents from the south. The security situation in the UNIFIL area remained relatively calm. The UN, supported by the EU, called on Lebanon to advance implementation of the provisions of UNSC Resolution 1701 on the disarmament of all armed groups and full control of arms distribution and ownership by the authorities. Armed incidents continued to take place throughout the country and possession of light weapons is widespread among the various communities.

In seeking to form part of the EU Chemical, Biological, Radiological and Nuclear Risk Mitigation Centres of Excellence (CBRN CoE), the Lebanese Government appointed its National Focal Point (NFP) in January 2013. The NFP started working on setting up a national team of experts from a number of Ministries and Security Agencies dealing with the issues involved. As part of the EU CBRN CoE, the Lebanon gained access to CBRN structures regionally and internationally.

Spill-over from the Syrian crisis to Lebanon continued to be of increasing grave concern throughout 2013. Officially Lebanon 'disassociated' itself from the Syrian crisis, but several political groups remained highly involved on both sides of the conflict. Hezbollah officially acknowledged their involvement in Syria. Cross-border incidents, including shelling and the reported transfer of weapons, were problematic for Lebanese-Syrian relations. The Lebanese Government continued to keep the borders open for people seeking refuge in Syria and respected the principle of non-refoulement. By the end of December 2013, the overall number of refugees from Syria was estimated at around 910 000. By December 2013, 859 000 were registered or awaiting registration with the UNHCR, up from around 180 000 refugees from Syria at the beginning of the year. In addition there were 51 000 Palestinian refugees from Syria and an estimated 17 500 Lebanese returnees from Syria. The Lebanese Government, together with the international community, worked on integrating its 2012 response plan into the Regional Response Plan 5, managed by the UNHCR. The EU called for increased involvement of the government in managing the response to the crisis, inter-ministerial coordination and contingency planning. By the end of December 2013, the EU had allocated EUR 333.6 million to support refugees from Syria and host communities in Lebanon including EUR 133.32 million in EU humanitarian aid, EUR 27.5 million through the Instrument for Stability (IFS) and EUR 170.8 million through the European

Neighbourhood and Partnership Instrument (ENPI), of which 155.8 were committed in 2013.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework²

Lebanon's fragile macroeconomic situation deteriorated further in 2013 as a result of the Syrian conflict. As a consequence, there was almost no progress in key structural reforms devised as part of the 2006 Paris III ('Rebuild Lebanon') international conference. The increasing number of refugees from Syria (+900 000 as of end-2013) put a serious strain on the Lebanese budget, in particular through health and education expenditure and social safety nets.

GDP growth in 2013 was estimated at 1.5% and is only projected to recover as from 2014. **Inflation** remained high at 6.3% on average (10.1% in 2012), reflecting the continued demand from the refugee population in Lebanon and from the Syrian economy.

The fiscal situation remained vulnerable, signalling the persisting need for fiscal consolidation. The **general government deficit**, which increased in 2012 to 9% of GDP from 6.1% in 2011, growing further in 2013 (to 9.7% of GDP). Political disagreements both within the government and in the parliament and ultimately the collapse of the government in March stalled fiscal reforms. **Public debt** increased to 141% of GDP in 2013; it is among the highest in the world. The **current account deficit** widened in 2013 to 16.7% of GDP from 16.2% in 2012. The country's large **foreign exchange reserves** (USD 37.5 billion, or 11 months of imports of goods and services, as of September 2013) helped protect its financial stability. The banking sector remains large and influential. However, the absence of comprehensive structural reforms, in particular in Public Finance Management (PFM), will continue to exacerbate the country's fragile situation and inequality (see below).

Social situation, employment and poverty reduction

Unemployment is expected to remain widespread as, according to World Bank estimates, unemployment reached 20%.

In addition, a drop in wages of the low-skilled and an increasing informal economy were observed due to the additional supply of Syrian labour force. A number of illegal micro businesses were closed by the government in September. The Ministry of Labour, in cooperation with the World Bank and through the revived National Employment Office, continued implementing a programme that offers first-time jobseekers accelerated training and traineeships in companies.

² Figures are from the national statistical office, the central bank, the IMF and European Commission staff estimates, as indicated in the Statistical Annex. Any other data sources used are indicated.

There was no progress with regard to **social protection** reforms and despite the government's commitment to reactivate the Social and Economic Council, this did not happen. A significant part of the population continued to be largely unprotected through life risks (old age, disability, unemployment); private sector employees continued to receive, after 40 years of service, a pension equal to just over three years of income while losing their health insurance. More than half the population was left without a pension or family allowances: informal workers (agriculture, construction, domestic services, seasonal and occasional labour; i.e. 25% of the labour force) and the self-employed (28%), in addition to the unemployed and retirees. The World Bank assessment of the impact of the Syrian crisis showed that there are 170 000 additional poor people in Lebanon. A new programme addressing social cohesion in Lebanon (approved in July 2013) includes a large-scale household survey, to be implemented jointly between ILO and the Central Administration for Statistics. The Ministry of Social Affairs, with the World Bank, continued to implement the 'National Poverty Targeting Programme'. This is the first national programme dealing specifically with poverty in Lebanon.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU was Lebanon's main trading partner in 2012³ (imports 39.1%, exports 9.9%). **Bilateral trade** flows increased in 2012. EU exports to Lebanon increased and consisted mainly of machinery and transport equipment, energy products, agricultural products and chemicals. EU imports from Lebanon continued to decrease and consisted mainly of semi-manufactured products, agricultural products, fuel and mining products, chemicals, machinery and transport equipment.

There have been no significant developments in Lebanon's **WTO accession** negotiations. Lebanon still needs to adopt a number of laws and make progress in its bilateral services negotiations with WTO Members. Lebanon is yet to notify the EU of the completion of internal ratification procedures for the Protocol on the Dispute Settlement Mechanism (signed in November 2010).

In the area of **customs**, Lebanon is yet to sign and ratify the Regional Convention on pan-Euro-Mediterranean preferential rules of origin. Lebanese customs received support through an EU-financed twinning project and the Integrated Border Management project.

With respect to the **free movement of goods** and **technical regulations**, limited progress was made in the preparations for negotiations on an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). The implementation decrees for the application of the Technical Regulation and Conformity Assessment Procedures law and the Metrology law are expected to be drafted with the technical assistance of EU experts. The EU continued to support quality infrastructure with a twinning project.

Regarding **sanitary** and **phytosanitary** issues, Lebanon continued implementing a phytosanitary development strategy 2012-2016. The draft law on food safety, developed with EU support, was still under discussion in the parliament. In June, Lebanon's request

³ Data for 2013 was not available at the time of writing.

for derogation to a general ban on import of potatoes was approved by the EU and a decision allowing Lebanon to export potatoes to the EU was published in August. This is expected to provide a real boost to Lebanese potato farming.

Traders of dairy products from the EU faced difficulties with a Ministry of Agriculture resolution on labelling requirements. The EU maintained a dialogue with importers and the Ministry to facilitate a solution, in particular through increased transparency and better understanding of the legislation. Traders continued to raise concerns about restrictive measures for canned meat products, as products with more than half of their shelf life elapsed (one year) were not allowed into Lebanon. In August the shelf-life period for animal food products was extended to three years.

As for **company law**, there were no significant developments. The Ministry of Justice continued cooperating with the International Finance Corporation and the EU to modernise the Commercial Registry of Beirut, simplifying the registration of companies and making online registration possible. Other areas requiring further work are the debt resolution and insolvency regime, and the legal framework for small and medium-sized enterprise (SME) loans. As in many other areas, the relevant draft legislation is part of the backlog in parliamentary decision-making.

Lebanon's **business climate** deteriorated compared to the previous year and Lebanon fell to 111th place⁴ (out of 189 economies) in the ease of doing business ranking in the World Bank's 'Doing Business 2014' annual report. Difficulties in starting a business, acquiring construction permits, getting credit and enforcing contracts continued to inhibit investors. Lebanon dropped to 103rd place (out of 148) in the World Economic Forum 'Global Competitiveness Report 2013-2014'. Lebanon ranked very low in indicators such as effectiveness of anti-monopoly policy, quality of infrastructure, intellectual property rights (IPR) protection, judicial independence, wasteful government spending, etc. Other major problematic factors for businesses were the overall macroeconomic situation in the country, corruption, government bureaucracy, access to financing, a lack of effective government and policy instability.

There were no significant developments in the area of **services**. It had been decided in 2011 to establish a National Council for Financial Markets in Lebanon to regulate **financial services**, but this did not happen, owing to delays in the administrative appointments. **Movement of capital** and **current payments** did not undergo substantial regulatory changes.

Other key areas

There was limited progress in the area of **taxation**. The debate on the financing of the new salary grid in the public sector showed that the government is not ready to review the tax system, which relies mainly on indirect taxes (71% of the total state revenues), many activities, notably in the construction sector, being exempted from taxation.

⁴ Comparison is made with the 'Doing Business 2013' ranking, which was adjusted for changes in methodology and any revision of data due to corrections. For more information, see <http://www.doingbusiness.org>

With the support of the EU, the Central Administration for **Statistics** (CAS) worked to improve the availability and quality of national accounts, trade data and social statistics, but the twinning programme was not extended as the government did not recruit additional staff. The Central Administration of Statistics published the National Accounts estimates for 2011 with a backward revision according to international standards for the years 2004-2010, work that was accomplished with EU support. A new strategy for developing agricultural statistics was prepared together with CAS, the Ministry of Agriculture and EU experts, and implementation should start in 2014. Additional support will be provided to CAS by the EU to allow it to conduct new surveys on living conditions and migration.

The **public procurement** law (drafted with EU support), which was endorsed by the government in December 2012 and transmitted to the parliament, is still pending. The EU assisted Lebanon with development and implementation of an effective public procurement system in accordance with international standards.

Lebanon does not have a comprehensive **enterprise policy**, but it participated in the Euro-Mediterranean Charter for Enterprise. An assessment of the SME policy environment was carried out with reference to the Euro-Mediterranean Charter for Enterprise and the Small Business Act for Europe. Preliminary conclusions revealed that the institutional framework for SME policy remains relatively weak and under-developed, but that there are multiple independent initiatives and institutions operating according to high international standards, including three regional business development centres, the technological incubators, the equity funds and the Kafalat credit guarantee institution. At regional level, Lebanon contributed to the implementation of the 2013-2014 work programme on Euro-Mediterranean industrial cooperation and exchanged good practice on SME development and in the textiles and clothing sector.

In the field of public finance management, there were no developments in the upgrading of **public internal financial control** and in the strengthening of the Court of Accounts. The Ministry of Finance implemented a macro-fiscal and a debt management unit, upgraded the budget nomenclature to the Government Finance Statistics Manual (GFSM) 2001 and prepared a 2014 budget including a Medium-Term Expenditure Framework.

The areas of **competition policy, state aid, intellectual property rights, internal and external audit** did not undergo substantial regulatory changes.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

The border between Lebanon and Syria is still not adequately delineated or controlled and incursions into Lebanon by Syrian armed forces continued. Shelling from opposition strongholds in Syria was also reported. In addition to the support provided to relieve the humanitarian problem of refugees from Syria and support given to Lebanese institutions and host communities, the EU provided assistance to Lebanon on integrated **border management** (IBM). A working group composed of the four security agencies involved in border management led by the Minister of State continued working on the development of a comprehensive IBM strategy in this context and numerous IBM awareness-raising sessions were conducted within the agencies involved to improve

understanding of the IBM concept. Despite the difficult context, progress could be registered and stakeholder participation and ownership was commendable. The arrival of large numbers of refugees from Syria throughout 2013 reflected Lebanon's open-door policy but also exposed the security agencies' inability to manage the border in accordance with international standards.

In the area of **migration**, Lebanon maintained a system of informal sponsorship by families, which makes migrants heavily dependent on employers and exposes migrant workers to abuses, particularly domestic migrant workers. A new draft labour law aiming at addressing this issue was submitted by the government to the parliament but has not yet been adopted. A draft law was submitted by the Ministry of Labour to the government in March, taking into account some of the articles of the ILO Convention 189 on Decent Work for Domestic Workers. As this legislation was not adopted, and owing to a lack of proper regulatory measures to monitor private recruitment agencies, vulnerability of migrant domestic workers remained high. Detention conditions for migrant workers, asylum-seekers and refugees with irregular migrant status remained deplorable. Official plans to counter the practice of arbitrary arrest of migrants and long detention periods in sub-standard conditions have not yet been implemented.

The number of **refugees and asylum-seekers** fleeing the violence in Syria and seeking refuge in Lebanon increased dramatically in 2013. Lebanon's open-door policy in relation to persons fleeing Syria is commendable; according to UNHCR, more than 859 000 refugees from Syria were registered in Lebanon while over 52 806 were still waiting to complete their registration process by 31 December 2013. Lebanon continued to lack an adequate legal framework in line with international standards for providing protection and assistance to persons in need of international protection; it is not yet a party to the 1951 Geneva Convention on the Status of Refugees. The government continued negotiations for a Memorandum of Understanding with UNHCR which would allow the Agency to fulfil its mandate without restrictions. The legal status of refugees in Lebanon therefore remained unclear. Women and children constituted a large proportion of refugee populations and reports of abuses affecting these groups need to be addressed as a matter of priority. A significant increase in the influx of Palestinian refugees from Syria to Lebanon was registered; by the end of December UNRWA estimated the number to have reached 51 000 individuals, mainly hosted in the already overcrowded Palestinian camps in Lebanon. CSOs reported increased concern for the vulnerable situation of non-registered Palestinians as well as indications of increased drug abuse.

In view of the flows of refugees from Syria, the potential for activities involving illicit trafficking of human beings increased. After adopting an **anti-human trafficking** law in 2011, further consideration needs to be given to ensuring that the protection of children comes within the scope of the law (currently they are not covered) and that it is properly implemented, including through proactive prosecution of suspected traffickers. The government did not report any convictions of trafficking offenders or officials complicit in human trafficking and allocated minimal resources to protecting victims. Victims of trafficking, including domestic workers who ran away from abusive employers and women holding artiste visas, continued to be subject to arrest, detention, and deportation.

Following the blacklisting of a Lebanese bank and two Lebanon-based money-exchange companies by the US Department of the Treasury in February 2011 as ‘financial institutions of prime **money laundering** concern’, the Central Bank issued in 2011 directives to better control the operations of the money-exchange companies. However, in April 2013, the US Department of the Treasury brought new accusations of money laundering against two other money-exchange companies based in Lebanon.

No progress was made in relation to the draft law on cybercrime prepared in 2010. Several arrests were made, based on charges of links to terrorist organisations, but there were no successful convictions. Up to 200 individuals on **terrorism-related** charges remained in pre-trial detention. In July 2013 the EU added Hezbollah’s military wing to the EU list of terrorist groups.

There was no systematic effort to reduce **drug** supply and demand in the absence of a National Drug Policy. Reduced numbers of trained personnel, limited resources and a lack of reliable data made the work of the ISF Counter-Narcotics Bureau difficult. Eradication campaigns were difficult to implement due to the security situation. Nonetheless, drug seizures continued, especially at Beirut airport, while laboratories producing captagon pills and other synthetic drugs were discovered.

The rise in synthetic drugs, particularly fenethylamine, is due at least in part to local law enforcement’s lack of familiarity with identifying these types of drugs and the lack of import restrictions on precursor chemicals. While some synthetic drugs are manufactured in Lebanon, they are primarily smuggled into the country from Eastern Europe both for sale to high-income recreational users in Lebanon and for transit to the Gulf States. There are several detoxification and rehabilitation programs. Lebanese citizens were involved in international cases of drug trafficking and money laundering. The increasing demand, especially among the younger population, is of great concern and Lebanon continued to follow international workshops and seminars on the fight against drugs.

There is a renewed interest for establishing a national drug information system and to foster the exchange of experiences on Best Practice in Demand Reduction with the EU. A preliminary discussion started during the last EU Dialogue on Drugs with Lebanon in 2013, which could be further developed in 2014.

There was no significant progress in the field of **judicial and law-enforcement cooperation** and a number of international conventions regarding family law, and particularly children, remain unsigned. Discussion began with the Ministry of Justice/Office of the General Prosecutor on setting up a bureau for more effective international cooperation in judicial affairs, with EU assistance. Lebanon participated in the 1st training seminar (Component II Resolution of Cross-Border Family Conflicts) “Resolution of cross-border family conflicts: international, EU and national legislation” under the EuroMed Justice III Project, which took place in Rome in October.

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

Regarding transport, the 2002 civil **aviation** law establishing an independent Lebanese Civil Aviation Authority has still not been implemented due to the absence of assignment of the Board of Directors. The non-implementation of this core legislation has raised serious concerns, notably in regard to safety; Lebanon has, however, collaborated with the Mediterranean Aviation Safety Cell (MASC) within the European Aviation Safety Agency (EASA) on regulatory convergence in the field of safety. Regarding **infrastructure**, the EU-funded project aimed at strengthening institutional capacity, coordination and leadership of the Ministry of Public Works and Transport (MoPWT) and the Council for Development and Reconstruction was launched in October. It should result in better coordination on priority transport projects between the relevant authorities. Under the Facility for Euro-Mediterranean Investment and Partnership, the European Investment Bank will, as of 2014, support technical assistance to conduct a comprehensive feasibility study for the Tripoli-Beirut Railway. Lebanon is in the process of recognising certification of **seafarers** in accordance with the IMO-STCW Convention.

Lebanon's **energy** demand continued to outstrip supply, leading to daily power cuts of up to thirteen hours in parts of the country and encouraging those who could afford it to rely on fuel-operated backup generators. The government aimed to restore uninterrupted supply by 2014, but this requires substantial investment in power plants. To support the energy strategy's implementation, an EU-funded project was launched in October aimed at strengthening institutional capacity, coordination and leadership within the Ministry of Energy and Water. The same project supports the development of the sector strategies for water within this Ministry, and land transport within the MoPWT.

Lebanon took some short-term measures including power supply from offshore barges: a first barge was connected to the grid in March and a second one in August. The tender for the first large wind farm project (60 MW) was launched and the evaluation process is being finalised. In April 2013 the Ministry of Energy and Water announced a call for interest for the 'Beirut River Solar Snake' project, which is aimed at installing 10 MW of solar photovoltaic panels on the Beirut River. With EU assistance, Lebanon prepared a comprehensive scheme for investment in renewables and energy efficiency, and the first projects were launched in June.

No significant progress was noted in the unbundling of Electricité de Liban (EdL) or in the establishment of an **Electricity** Regulatory Authority. Treasury transfers to EdL continued to impose a substantial burden on the national budget. Lebanon continued to promote offshore exploration for oil and gas, and the pre-qualification procedure of the first offshore licensing round was launched in February, following the establishment of the Petroleum Authority in 2012. However, the Ministry of Energy and Water postponed the deadline for submission of bids for the offshore licensing round, after failure to pass two decrees related to the delineation of the offshore blocks and the model of exploration and production agreement. There is no known decision about how revenues would be distributed, but the petroleum law provides for the establishment of a Sovereign Wealth Fund.

Lebanon took part in the regional project MED ENEC II, which aims to promote energy efficiency measures and renewable energy systems in buildings as well as participating in the ‘Paving the Way to the Mediterranean Solar Plan’ regional project. The recently launched ‘Cleaner and Energy Saving Mediterranean Cities’ regional project was also welcomed by the Lebanese authorities.

Lebanon established an inter-ministerial committee on **climate change**, composed of the Ministers of Environment, Foreign Affairs, Social Affairs and Economy and Trade, to complete the national report for RIO+20. The newly launched regional technical assistance project for climate action ‘CLIMA South’ deployed a fact-finding mission to Lebanon. The respective national administrations have been actively cooperating with the team. As a result of the mission, Lebanon is encouraged to devise a low-carbon development strategy, for which the project can provide support. Additionally, the regional office of the CLIMA South project was established in Beirut.

Lebanon strengthened its Ministry of **Environment**, including through the appointment of five new heads of service. It also established a National Council for the Environment bringing together Lebanese authorities and non-governmental bodies, the first meetings of which were held in January and July.

The Cabinet approved legislation establishing an environmental prosecutor. The Council of Ministers established a ministerial committee to draft a water code and approved laws and decrees related to quarrying, nature reserves and hunting, and a plan to combat pollution in the Qaraoun Lake (Lebanon’s largest body of fresh water). Draft legislation on integrated solid waste management was approved and funds were allocated to reduce the use of hydro-chloro-fluoro-carbons. A strategy on marine-protected areas was completed, decrees were issued on oil spills, and Lebanon began preparing a strategic environmental assessment of the petroleum sector. An EU-funded project aiming at supporting the implementation of the national water sector strategy (through institutional capacity building and specific technical support) was launched in October.

Lebanon participated in EU-financed regional projects including the Sustainable Water Integrated Management project and those falling under the Horizon 2020 de-pollution initiative (the Mediterranean Environment Programme and the Shared Environmental Information System support project led by the European Environment Agency). The extension of the Al-Ghadir waste-water treatment plant was one of the four leading projects selected by the Mediterranean Hot-Spot Identification Programme’s Project Preparation Implementation Facility. Lebanon also participated in the ‘**Integrated Maritime Policy** in the Mediterranean’ (IMP-MED) and ‘Motorways of the Seas’ regional projects, which are funded by the EU.

In the area of **civil protection**, the flagship programme for Prevention of, Preparedness for, and Response to natural and man-made disasters (PPRD South) contributed to the establishment of a regional framework of disaster management authorities that could intervene collectively in the event of disasters.

On **information society**, the State remained the sole owner of the mobile and fixed line networks and no progress was made towards liberalisation of the sector. The Ministry of

Telecommunications continued to act as a licensing authority. The Telecommunications Regulatory Authority is still not financially independent and its decision-making power remained suspended. Internet access remained relatively expensive and slow by international and regional standards. Both the Lebanese ICT Ministry and the National Regulator for Electronic Communications participated in the first EU-South Mediterranean senior officials meeting on Electronic Communications & the Information Society held in Athens in November.

Regarding **audio-visual policy**, the role of the Conseil National de l'Audiovisuel remained purely consultative and decisions on licences for electronic/audio-visual media are taken by the Council of Ministers. Lebanon commercial media remained free.

Lebanon has a small and dispersed, but diverse **research and innovation** community. Public spending on research is low and no ministry is in charge of this area, yet Lebanon has good potential due to its highly educated and skilled human capital. However, lack of reliable statistics continued to challenge the development of research and innovation programming. Lebanon increased its participation in the EU's Seventh Framework Programme for Research and Technological Development (FP7), reaching 25 projects. The EU contribution to the Lebanese entities participating in these projects amounted to EUR 2.7 million. The Lebanese entities continued to participate most actively in the areas of food, agriculture and fisheries, ICT, health, the environment, international cooperation, science in society and research potential.

A new FP7 project (R2I-Research to Innovation) involving the Chamber of Commerce, Industry and Agriculture of Tripoli and North Lebanon was launched, covered by total EU funding of around EUR one million and aiming at fostering research-industry partnerships, supporting Lebanese capacities in the innovation domain and facilitating the commercial exploitation of research results. A new FP7 regional project, ERANETMED, involving the Lebanese National Council for Scientific Research was launched in November for four years, aiming at increasing coordination among national research programmes of EU Member States, Associated Countries and Southern Mediterranean Countries. The project cost is around EUR 2.9 million, of which EUR 2.5 million is EU contribution.

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

Some progress was achieved in the implementation of the Lebanese **Education** Sector Development Plan during 2013, with 136 schools piloting new learning material, adoption of new decrees implementing the law of enactment of compulsory education up to the age of 15, the rehabilitation of 183 schools, and equipment of 46 schools with lab infrastructure. National standards for teachers were drafted, steps taken to modernise school management and standards for textbooks identified. A National Plan for Citizenship Education, Extracurricular Activities and Community Engagement was prepared and an Educational Technology Strategic Plan was published. The EU provided assistance in three areas under the National Education Strategy (retention and achievement, citizenship education and institutional development).

The influx of refugees from Syria continued to pose a particular challenge for the education system and put a considerable strain on the public education infrastructure in parts of the country that were already poor. During the 2012-2013 school year, 40 000 Syrian children were enrolled in the normal Lebanese public school programme. For the 2013-2014 school year, the number of available spaces for Syrian children in the normal programme of Lebanese public schools has been reduced to 33 000 while space for Syrian students will be increased in new second shift classes held in the afternoon in selected schools across the country. The education offered to Syrian children will to a large extent focus on accelerated learning programmes taking place in the afternoon in public schools as well as non-formal education. The number of Syrian children of school age (5-17 years old) among the refugees that had approached UNHCR by 31 December 2013 was approximately 285 000. In addition, an estimated 13 000 Palestinian refugees from Syria are of school age. The EU is supporting access to education for both Syrians and Palestinian refugees from Syria.

The reform of the **vocational education and training (VET)** system continued on the basis of the 2011 Action Plan. But work on further implementing the National Qualifications framework was delayed. The principle of entrepreneurship as a key competence in the education system was introduced with the help of the EU-funded GEMM project (Governance for Employability in the Mediterranean). A National Committee (composed of key actors in VET in Lebanon) monitored the mapping of VET governance in the country and the identification and selection of pilot projects.

Governance of the **higher education** sector continued to be highly centralised. Adequate quality assurance and accreditation mechanisms have yet to be put in place. Two draft laws were submitted to parliament concerning the organisation of higher education and the establishment of a Quality Assurance Agency for Higher Education.

Lebanon continued to be active in **Tempus**. New projects in which Lebanon is involved increased from seven to twelve in 2013 thanks in part to a budget increase for the Southern Mediterranean region and the growing experience of Lebanese higher education institutions with the programme. In 2013, 114 students and staff from Lebanon were selected for scholarships to attend a European higher education institution under new **Erasmus Mundus** partnerships. In addition, nine Masters students and one doctoral candidate were awarded scholarships to take part in Erasmus Mundus joint programmes of excellence. Since 2007, 32 Lebanese researchers have benefited from **Marie Curie** funding, and three Lebanese institutions benefited from this programme.

Lebanese young people and youth organisations participated in the **Youth in Action** programme, with 36 projects reaching 135 beneficiaries. Under the **Euromed Youth** programme, nine projects were selected in Lebanon for support and participation.

The Ministry of **Culture** continued to suffer from lack of resources and Lebanon is not yet a party to the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. In September consultations with relevant stakeholders (Lebanese culture and arts organisations, foundations and cultural institutes) took place in the context of the EU Preparatory Action on Culture in EU External Relations.

In the **public health** sector, Lebanon faced additional demands for medical services from refugees from the crisis in Syria. Consequently, primary healthcare centres in Lebanon have faced shortages in the supply of chronic medications; an Instrument for Stability programme for EUR 20 million was launched to help support public healthcare services, in particular primary healthcare, disease prevention and control as well as access to chronic medications.

Faced with threats of epidemics from Syria, especially measles and polio, Lebanon launched a polio campaign in November targeting all Palestinian and Syrian refugee children under the age of five (560 000 children), which provided mandatory polio vaccinations. In December it carried out a second campaign aiming to vaccinate all children (including also Lebanese) in the same age group. Both campaigns had WHO and UNICEF support.

The influx of refugees from Syria put new pressures on Lebanon's water, sanitation and solid waste management infrastructure, which even before the crisis had been insufficient. The EU began preparing new programmes to support the provision of these basic services for the Lebanese host communities most affected by the influx of refugees from Syria.

Lebanon continued to receive support from EU programmes and through cooperation with the European Centre for Disease Prevention and Control. It participated in the EU-funded 'EpiSouth Plus' project, which aims to enhance health security in the Mediterranean region and South-East Europe. Policy-makers from Lebanon attended a TAIEX multi-country workshop on the EU *acquis* on prevention and control of communicable diseases, as well as participating in the EU-supported Mediterranean Programme for Intervention Epidemiology Training project (MediPIET, which supports training infrastructure and a regional network of competent field epidemiologists in order to contain cross-border health threats).