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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23.4.2009
SEC(2009) 518

COMMISSION STAFF WORKING DOCUMENT

Accompanying the

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

Implementation of the European Neighbourhood Policy in 2008

Progress Report Lebanon

{COM(2009) 188 final}
{SEC(2009) 511}
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1. BACKGROUND AND OVERALL ASSESSMENT

Lebanon and the European Community first established contractual relations in 1977 through a Cooperation Agreement, which entered into force in 1978. The Euro-Mediterranean Partnership inaugurated at the 1995 Barcelona Conference, established a policy with ambitious and long-term objectives. This partnership was reinforced in 2008 with the creation of the Union for the Mediterranean. The Association Agreement with Lebanon which entered into force in 2006, sets out in more detail the specific areas in which the relations can be developed bilaterally. On this basis, the EU-Lebanon ENP Action Plan was adopted in January 2007, for a period of five years. A first report was adopted in April 2008.

Initial institutional cooperation through the EU–Lebanon Association Council, the EU-Lebanon Association committee and ten subcommittees, was established. Eight subcommittee meetings have already met, but only three of them during the course of 2008: the first meeting of the EU-Lebanon “Research, Innovation, Information Society, Education and Culture” subcommittee in February; the second meeting of the EU-Lebanon “Human Rights, Governance and Democracy” subcommittee in November; and the third meeting of the EU-Lebanon subcommittee on “Justice, Liberty and Security”, also in November 2008. The discussions enabled both sides to exchange views about latest developments and advance, where possible, with the implementation of the Action Plan.

This document reports on overall progress made on the implementation of the EU-Lebanon ENP Action Plan between January and December 2008, although developments outside this period are also considered when deemed relevant. It is not a general review of the political and economic situation in Lebanon.

After the end of the military conflict between Israel and Hezbollah in 2006, Lebanon entered a long political stalemate. In May 2008 an agreement was finally reached by the rival factions in Doha (Qatar) marking the end of an 18-month crisis. The Parliament elected Michel Suleiman as President on 25 May 2008, after six months of Presidential vacancy (President Lahoud’s mandate expired in November 2007) and 19 postponements of the voting session. Developments in Lebanon during the reporting period have to be assessed in the light of these developments.

The difficult political situation throughout 2008 significantly slowed down the process of implementation of the EU-Lebanon ENP Action Plan. Despite the institutional improvements (*i.e.* appointment of the National Unity Government in July), draft laws adopted by the Government prior to May 2008 were not debated by the Parliament due to a legislative deadlock. The National Unity Government endorsed the “Paris III” reform agenda presented in January 2007, but little progress was achieved in putting these reforms in place.

Progress in other fields (human rights, judicial reform, social sector reform, and regulatory and administrative reform) was also slow. This situation has had an impact on the overall social, economic and political situation in the country as well as on the dialogue in the framework of the European Neighbourhood Policy.

The European Commission, through its Delegation in Beirut, continued to organise inter-Lebanese fora enabling representatives of the parliamentary blocs and political parties and of the civil society to help Lebanese decision-makers work towards a common vision of development for Lebanon.

2. ENHANCED POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

Objectives in this area include: promoting the shared values of democracy and the rule of law including good governance and transparent, stable and effective institutions; fighting against corruption; reform of the electoral law and the electoral framework; enhancement of the independence and impartiality, the capacity and efficiency of the judiciary; and upgrading its quality and administrative capacity.

In the area of electoral reform some progress was made. The electoral framework was revised in view of the next parliamentary **elections**, scheduled to take place on 7 June 2009. The legislation adopted in September 2008 reverts largely to the districts used under the 1960 electoral law. While the new law introduced some improvements (i.e. creation of a quasi-independent body to supervise campaign financing and the media, voting in one day, abolition of voter cards and use of indelible ink to mark voters' hands), several important amendments proposed by the National Commission on electoral law headed by ex-Minister Fouad Boutros and recommended by the 2005 EU Election Observation Mission, were not retained (*inter alia* pre-printed ballot papers, creation of an independent electoral commission, women representation, lowering of the voting age to 18 years or allowing Lebanese citizens living abroad to vote). In 2008, the European Union replied positively to an official request of the Ministry of Interior and Municipalities by granting a EUR 4 million package to assist the Lebanese authorities in implementing the electoral reform and help with the preparation of the electoral process. The EU has declared its readiness to deploy an EU Election Observation Mission for the 2009 parliamentary elections. The Lebanese government has indicated it would welcome such a mission.

As regards **judiciary reform** insufficient progress was made. Detention conditions are poor and the overcrowded prisons do not meet international standards. No progress was reported in the area of early release from prison. Nevertheless the position of a “*juge d’application des peines*” was created which should improve the situation. Lebanon has announced its decision to complete the transfer of prison management from the Ministry of Interior and Municipalities to the Ministry of Justice within five years starting from 2008. The EU is involved in financing the initial phases of the project. The European Commission is preparing a project aimed at supporting the efficiency and independence of the judiciary.

Progress on the implementation of the **administrative reform** strategy, prepared by the Minister of State for Administrative Reform, has been limited. Nevertheless, key pieces of legislation have been drafted on Unlawful Gain of Civil Servants, on Creation of a Public Procurement Authority, on Conflict of Interest and an Implementation decree for the Ombudsman. The initiative to facilitate citizens’ access to information by creating special information desks (“*bureaux d’accueil*”) in three ministries is stagnant.

Parliamentary approval for ratification of the United Nations Convention against **Corruption** was granted in October 2008. However, national legislation to implement the convention is still not in place and the ratification process is not completed. The development of a national anti-corruption strategy to address public and private sectors in line with commitments under the convention is awaited.

Some progress can be noted in the area of **regional reform**. The President of the Republic reiterated the importance of decentralisation for the sustainable economic, social and environmental development of the country.

Human Rights and Fundamental Freedoms

Objectives in this area include: supporting freedom of the media and freedom of expression; supporting freedom of assembly, association and the development of Civil Society; fighting against torture including implementation of UN Conventions; promotion of the rights of women and children; fighting against discrimination, racism, religious intolerance, xenophobia and racial hatred discourse; and promotion of fundamental social rights and core labour standards.

A comprehensive human rights strategy, although discussed by the Human Rights Committee of the Lebanese Parliament, is still not finalised. Apart from the ratification of the Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT), the ratification of a number of **international human rights conventions** remained blocked. Lebanon has eight overdue reports of UN Treaty Bodies and it has not extended a standing invitation to all thematic special procedures.

Although a law creating the office of an **Ombudsman** was adopted in 2005, the nomination of an office-holder is still pending, as reported last year. An organizational decree was prepared in October 2008 regarding the modalities (“*modus operandi*”) of the Ombudsman institution. The Council of Ministers still has to give its agreement on the decree.

Lebanon maintained the existing *de facto* moratorium on executions, but a number of death sentences were issued in 2008. The Minister of Justice presented a draft law on abolition of the **death penalty** to the Lebanese government in August 2008, but its adoption is still pending. In December 2008, Lebanon abstained from the vote on the 2008 UNGA Resolution 63/168 calling for a worldwide moratorium on the use of the death penalty.

The Lebanese penal code prohibits torture, but several alleged cases of **torture, ill-treatment** and arbitrary detention were reported. In order to promote human rights and prevent their violations, the Lebanese Internal Security Forces (ISF) issued a decree in March 2008 establishing the first unit for Human Rights within the ISF. This unit has however not been given adequate resources. After the ratification of OPCAT in December 2008 (see above), the creation of a national prevention mechanism must follow.

No significant progress was reported in the area of **freedom of expression**. Media play an important role in the country and their independence is generally respected, although cases of harassment of journalists are still reported. Investigations into killings of prominent journalists in the past years have not been completed. Media outlets were attacked during the events of May 2008. Fair reporting will be crucial for a balanced coverage of the parliamentary campaign.

In the area of **social integration of migrants**, little progress was made as regards migrant domestic workers that are excluded from the labour laws and often face exploitation and abuse by their employers. A National Steering Committee chaired by the Ministry of Labour was active with little tangible results. Cases of frequent mistreatment and high rate of unnatural fatalities amongst domestic workers were reported. The conditions in the temporary detention centre for refugees at Adlieh remain extremely poor, despite the efforts undertaken

by NGOs and General Security to improve the situation and decrease the number of detainees. Nevertheless the Ministry of Labour passed a decree after the reporting period, in January 2009, with the aim of regulating the employment agencies that bring migrant domestic help to Lebanon. The decree has been followed by the adoption of a Unified Contract for Migrant Domestic Workers.

In the area of asylum and protection of refugees progress made is insufficient. The overall situation of **Palestinian refugees in Lebanon**¹, more or less 400 000 registered at UNRWA, remained unchanged throughout the reporting period. Initial progress noted at the beginning of 2008 on regularisation of the status of “non-identified” refugees of Palestinian origin has been halted. The Palestinian refugees’ right to work and register property is not secured, which has negative implications for their welfare and security.

Since Lebanon has not ratified the 1951 Geneva Convention, refugees and asylum seekers (mostly Iraqis, Sudanese and Kurds) do not receive any protection, except for those few who are temporarily recognised by UNHCR (3000). The vast majority of the 50 000 Iraqi refugees living in Lebanon (UNRWA estimates), are treated as illegal immigrants and a small number have been subject to arrest (140 in 2008 according to UNHCR), fines, and indefinite detention.

The lifting of reservations to the Convention on the Elimination of All Forms of Discrimination against **Women** (CEDAW) related to the personal status of women, to which Lebanon is a party, is still pending. The issue of transmission of nationality by women has still not been solved. However, the Government stated in August 2008 that it would work towards ensuring equality between men and women, in particular by addressing all forms of violence against women. The Ministry of Social Affairs is supporting efforts of NGOs in raising awareness on gender-based violence, and preparations for the establishment of a national committee in charge of drafting a law for domestic violence are on-going. Furthermore, Lebanon is working on amending the provisions of the Penal Code related to rape and honour crimes.

With respect to **rights of children**, national data are lacking on the magnitude of the problem of child labour: the minimum age for work remains 13, and not 15 as stipulated in ILO convention 182, and the administration has poor institutional capacity to enforce the legislation already in place.

Despite the existence of juvenile courts and two juvenile prisons, not all children are tried by these courts and in many cases children are still detained together with adults. Although there is no confirmation of an active recruitment of children by armed groups, a significant number of youth and children (both Lebanese and Palestinian) have been seen participating in armed clashes.

As far as **fundamental conventions and core labour standards** are concerned, Lebanon has not yet ratified the International Labour Organisation (ILO) Convention 87, concerning Freedom of Association and Protection of the Right to Organise.

¹ Without prejudice to the settlement of the Palestinian question in the framework of the regional peace process.

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

Objectives in this area include: cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management and common security threats in accordance with national law; non-proliferation of weapons of mass destruction (WMD) and their means of delivery and illegal arms exports; and cooperation on preventing and combating terrorism.

Dialogue in this area has so far mainly focused on implementation of the major UNSC Resolutions relevant for and relating to Lebanon, such as UNSC Resolution 1559, 1701 and the establishment of the Special Tribunal for Lebanon.

The work of the International Independent Investigation Commission continued throughout the reporting period with its mandate being extended until the end of February 2009. The European Commission provided political and financial support to the creation of the Special Tribunal for Lebanon in The Hague.

The first step towards a normalisation of **relations with Syria** was taken in October 2008, by the official establishment of diplomatic relations. Concrete work on other issues as agreed between the Presidents of the two countries in a joint communiqué issued in August 2008 is also expected. This should include the appointment of ambassadors and opening of embassies in both countries, the renegotiation of bilateral agreements and a genuine dialogue on the fate of the Lebanese and Syrian disappeared. The reactivation of the Joint Committee on Border Delimitation and stronger cooperation in border control and management should also take place. A dialogue with Syria on these issues started in 2008 and should aim at a more efficient management of the common border. (*More on border control in section 5*).

Discussions on a national defence strategy were launched during 2008 and have progressed, albeit at a slow pace. Limited progress was achieved within the reform of the security sector. Nevertheless, capacities of the security forces for investigating serious crimes, maintaining public order or combating terrorism improved, notably thanks to contributions by different donors.

Lebanon is still not party to the 1997 Ottawa Treaty on landmines. Lebanon was among the first signatories of the Cluster Bombs Treaty in Oslo in December 2008. Lebanon is still contaminated by cluster munitions and unexploded ordnance both from the 2006 military conflict and from the civil war. According to experts, the number of casualties from cluster munitions fell significantly in the last 2 years. In 2008, thanks to EC-funded projects 1 975 491 square meters of land were cleared.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

The Lebanese economy has so far been quite resilient to direct impact of the global financial crisis, in particular as regards the effects on the highly leveraged banking system. Lebanese banks had minimal exposure to “structured” products, thanks to long-standing directives by the *Banque du Liban* supervisors.

The latest economic indicators suggest however a slowdown of growth in Lebanon in the wake of the global financial crisis. The most recent estimates from the Lebanese authorities suggest real GDP growth of 3% in 2009, a strong deceleration from the 6% growth expected to have been reached in 2008. Lebanon is exposed to the crisis impact via export prospects and rapidly diminishing FDI, a decrease in the number of tourists (Arab citizens and Lebanese expatriates mainly) and via a reduction in remittance flows.

Consumer prices (CPI), as measured by the Central Administration for Statistics, increased by 5.5% in 2008, with inflation moderating in the latter part of the year on the back of falling commodity prices.

However inflation risks are still looming, as the delayed pass-through of commodity price shocks and inefficiencies and high mark-ups in the distribution chain notably add to the stickiness of inflation. The current account deficit widened to around 11% of GDP in 2008, from 7.2% of GDP in 2007. The high external deficit (for a large part financed by string remittance inflows now under strain) and heavy debt burden make the Lebanese economy vulnerable to a further deterioration in sentiment and financing conditions vis-à-vis emerging markets.

As regards public finances, the budget balance (including grants) is estimated to have improved slightly in 2008, with a deficit of 10.2% of GDP (from 11.0% in 2007). As a result of the strong increase of the nominal GDP (8% deflator according to the IMF); the total debt/GDP ratio is estimated to stand at around 160% of GDP at the end of 2008. A modern Debt Management Department was created in 2008 at the Ministry of Finance to improve the management of the public debt. The IMF and EU Macro Financial Assistance financial support should help alleviate the pressure on public finances. In this respect the Government should focus its attention on meeting the conditionalities attached to this budgetary support.

In 2007 and the first part of 2008, the stalling of Parliament activities prevented the implementation of the main economic reforms to which Lebanon had committed at the Paris-III conference. Especially affected are the three main axes of the reform; fiscal consolidation, social reforms and privatisation. Beyond the privatization of main mobile telephony operators (over the future of which there is little consensus among political parties), other privatisation decisions are also adjourned due to the financial crisis. Many draft laws related to Lebanon's WTO accession also remain pending.

Employment and social policy

As mentioned in the first section, many social reforms foreseen under Paris III have been delayed. It is not expected that there will be any breakthrough before the general elections of June 2009 and the constitution of a new government.

The **socio-economic situation** of Lebanese citizens considerably worsened over the reporting period, in particular due to the increase in international food prices. In order to mitigate the impact of this situation, the Government maintained control of the price of a standard package of bread, despite the international rise in the price of wheat. The Government announced in May 2008 an immediate cancelling of all import duties levied on many basic food products not produced in Lebanon, notably varieties of frozen meats, milk powder, rice, vegetal oils, pastas, tea, coffee, sugar, etc. The difficult socio-economic situation led to several demonstrations and social tensions. This led the Government to take the decision in

September 2008, to increase the minimum wage (the first increase since 1996) and public sector wages. Around 28% of the population lives under the **poverty** line.

As regards **employment**, the lack of labour policy and the lack of regulations on the labour market continue to favour the inflow of unprotected and unqualified migrant workers, constituting 20% of the work force and competing with local unqualified workers, a situation that remains an issue of concern. The administrative capacity of the National Employment Office is being strengthened. Lebanon participated in the first Euromed Conference of Employment and Labour Ministers in November 2008.

The implementation of the 2007 **social action plan** progressed slowly. A strategy to fight poverty is under preparation at the Ministry of Social Affairs with the assistance of an external consultant.

In 2008, the European Commission funded several projects on **social inclusion** and the fight against discrimination.

No progress can be reported in the fields of **pension reforms** and **social security** system.

On **social dialogue**, Lebanon drafted a new labour law together with the ILO, but the draft has not been yet been adopted by the Council of Ministers. Preparations of a Decent Work Country Programme within the ILO are on-going. No development took place as regards the active functioning of the economic and social committee. As part of the series of inter-Lebanese fora, the European Commission organised a forum on social policies in April 2008, bringing together representatives of all Lebanese parliamentary blocs, professional associations and the General Confederation of Lebanese Workers, to discuss employment and labour market issues, education, health and safety nets.

At a Ministerial statement of August 2008, Lebanon reiterated its commitment to enhance **women's** participation in social, economic and political life. Three members of the General Assembly of the National Commission for Women's affairs were appointed in September 2008. The draft electoral law aiming at setting up a minimum number of female candidates per list, was rejected by the Parliament in September 2008.

Work on land use planning is advancing and the approval of the "*Schéma directeur d'Aménagement du territoire Libanais*" took place in March 2009, outside the reporting period. This comprehensive document could serve as the basis for a fully fledged **sustainable development strategy**. However, due to the political situation in the country no progress on this was reported during 2008.

No progress can be reported on the implementation of the Action Plan commitment in the area of **agriculture** and **fisheries**. Although no sector strategy is being agreed at the level of the Government, the adoption of the land use planning (as reported above) would have an impact on the reform of the agriculture sector.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU remained the first trading partner of Lebanon. Bilateral **trade** in goods with the EU continued to grow, amounting to more than EUR 4.2 billion in 2008, with a significant trade deficit for Lebanon. Imports from the EU grew by 17.8%, while exports increased by 16.4%. Tariff dismantling as a whole is proceeding as foreseen in the Association Agreement.

However, some concerns remain on the treatment of goods originating in the EU that transit the Beirut port free zone before entering Lebanon. Negotiations on the liberalisation of trade in agriculture have not yet been launched. At the beginning of 2009 Lebanon announced its willingness to start discussions on the issue.

Lebanon continued to work towards its accession to the WTO. However, several relevant draft laws have not yet been discussed by Parliament. In July 2008 Lebanon submitted several pieces of legislation to the WTO Secretariat, including on Intellectual Property Rights (IPR) and Sanitary and Phyto-sanitary Measures (SPS). The WTO Secretariat held a 6th Working Party meeting in February 2009.

In view of exploring areas with export potential to the EU and further identify the constraints facing Lebanon's integration into the world trade system, the Ministry of Economy and Trade launched a Trade Needs Assessment, in December 2008, with the support of the European Commission.

Substantial progress was made in the negotiations concerning the establishment of a new mechanism for the settlement of bilateral trade disputes in the framework of the Association Agreement, with the view to concluding these negotiations and signing the Protocol on a bilateral Dispute Settlement Mechanism in 2009. Lebanon actively participated in the Trade Senior Official's Working Group set up to draw a Euromed Roadmap on next steps in the field of trade till 2010 and beyond. This roadmap is due to be adopted at the Euromed Trade Ministerial in autumn 2009.

No progress can be reported on the implementation of the Action Plan commitment in the area of **customs**.

On **free movement of goods and on technical regulations**, Lebanon made slow progress in preparing for the negotiations of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). The priority sectors include construction products, electrical appliances and pressure equipment. The ACAA National Committee, established already in 2005, continued to review progress in transposition of European standards into Lebanese law in the selected priority sectors. The 'ACAA action programme for the implementation of the Palermo Action Plan for the Free Movement of Industrial Products' was prepared. It will be implemented by the ACAA National Committee. The work on the law on general conditions for technical regulations and conformity assessment is progressing, as well as on the Standardisation Law, but neither has yet been discussed by the Council of Ministers. The draft law on metrology is under preparation.

In the area of **sanitary and phyto-sanitary** issues, Lebanon continued to work towards the establishment of a food safety agency and prepared a draft law on animal quarantine, which awaits parliamentary approval. The draft food safety law was rejected by Parliament. Lebanon continued its participation in workshops under the European Commission's "Better training for safer food" programme.

Insufficient progress was made in improving the **business climate**. However, Lebanon continued to implement the 2007 administrative simplification programme, involving the Lebanese post office *LibanPost*, with the aim of establishing one-stop shop in post offices to obtain company registration and developing easily accessible standard forms for business registration. This is still to be completed and extended to licensing procedures. Lebanon also worked on making its public register of companies available online. The third inter-Lebanese

forum organised by the European Commission Delegation in Beirut on the issue of competitiveness emphasised the need to develop a comprehensive policy approach towards building a stratum of small- and medium-sized enterprises (SMEs) in all sectors of the Lebanese economy.

As regards **company law and the right of establishment**, accounting standards are under review and the draft law on bankruptcy remains to be adopted. The draft budget law 2008 provides for the cancellation of import license fees and the elimination of foreign branches fees.

Lebanon has taken part in the regional phase of negotiations on the framework protocol for the liberalisation of **services** and right of establishment, as indicated last year, but the bilateral negotiations have not yet been launched.

In the field of **financial services**, the Central Bank continued to take steps to improve its operating procedures. It worked towards adopting International Financial Reporting Standards (IFRS) through an implementation roadmap which was drafted at the end of 2008. The Central Bank was also committed to implementing the Basel II principles despite the political and security developments in the country. The insurance sector still suffers from a lack of transparency and disclosure of operations. Meanwhile, Lebanon also continued to implement the recommendations of the IMF Financial Services Assessment Programme (FSAP).

Other key areas

The **Tax** Procedure Code was adopted in October 2008 and entered into force in January 2009. It aims at simplifying tax procedures, reducing tax penalties and providing for a clear statute of limitation for tax controls as well as for a new appeal system for taxpayers.

The new draft of the **competition** law is still not adopted. However, preparatory work continued for the establishment of an independent national competition council, and TAIEX training was provided by the EU. Continued capacity-building and awareness-raising on competition matters remain priorities in Lebanon. Lebanon has established a list of existing state aids but still needs to define categories of compatible state aid.

Lebanon prepared a number of key legislative acts in the area of **intellectual property rights** which have not yet been discussed by the Parliament. In October 2008, the Government took the decision to recruit 100 persons for **consumer protection**, some of whom will also deal with IPR enforcement. No funds have however been identified to finance these posts.

The **public procurement** law as well as the draft Public Procurement Management Law drafted in 2007, still await parliamentary approval. The general conditions of contract, dating back to 1943, are also under review.

Lebanon continued its activities on **statistics** in the framework of the Euro-Med regional MEDSTAT II programme to further approximate with EU standards. This programme also included the provision of training and equipment. In October 2008, Lebanon presented a national master plan for statistics. Its implementation and funding modalities remain to be defined. Further efforts are needed to enhance inter-agency cooperation and to broaden the coverage and the availability of statistics data.

On **external audit**, the role of the Court of Accounts as an *ex post* agency was not revived to oversee public expenditure in relation to budgetary allocations, thus weakening efforts to

enhance capacity to oversee public finances in the context of the fight against corruption and conflicts of interest. A draft law on illicit gain and disclosure of wealth by public servants is being examined by the Constitutional Council.

In the area of **public internal financial control** insufficient progress was achieved to improve transparency and accountability of public administration. Nevertheless the required controls for public expenditure monitoring were put in place in most Ministries, under the supervision of the Ministry of Finance. Central audit and compliance teams were formed to develop a new audit strategy based on risk management criteria with reference to international standards and methodologies. The implementation of the principle of managerial accountability and the development of financial management and control systems was not yet a focus. As during the last reporting period, a Central Audit Coordination Unit within the Ministry of Finance remains to be established.

On **enterprise policy**, the 2008 assessment of the implementation of the Euro-Mediterranean Charter for enterprise shows some progress in the areas of access to finance, innovation and public-private consultation. The Government has not yet established an overarching strategy for enterprise policy, but some coordination efforts have been made, in particular as a result of the competitiveness forum organised by the European Commission in October 2008. The integrated small and medium-sized enterprises (SME) support programme, designed in 2005, has supported the creation of three business development centres that operate in some regions of the country targeting the development of SMEs.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

The first EU-Lebanon subcommittee on Justice, Freedom and Security was held in November 2008, which provided the opportunity to exchange views about the latest developments in this field.

In December 2008 the Council of Ministers approved a decree regarding a border control and **border management** strategy, creating a special Borders' Steering Committee chaired by the PM and composed of the Ministers of Defence, Public Works and Transport, Foreign Affairs, Finance and Interior and Municipalities. The decree provides for the extension of another 70 km eastward of the work carried out in the north by the Common Border Force. A report on lessons learned in the 'northern border pilot experience' has been presented to donors.

As regards **migration**, no progress is reported on the exchange of information on transit migration, readmission, consular affairs, the management of migratory flows, and on the movement of persons. No progress has been made as regards the issue of migrant domestic workers, as reported in the section on Human Rights.

No developments took place with regard to implementation of new national legislation following ratification of the United Nations Convention against **Transnational Organized Crime** and its three Additional Protocols at the end of 2006. In November 2008, Lebanon signed a bilateral agreement with Turkey against terrorism, drug-trafficking and organized crime. In an attempt to combat cybercrime, a draft law on Internet use for commercial and criminal purposes – including provisions on electronic signature – is under preparation.

The Second Additional Protocol to the United Nations Convention against Transnational Organized Crime, the UN Convention on the Rights of the Child and its 2000 Additional

Protocol on the Sale of Children, Child Prostitution and Child Pornography, ratified respectively in 1991 and 2004, constitute the reference framework in the fight against **trafficking in human beings**. However, the absence of an express reference in the criminal code to the trafficking of human beings hinders prosecution as well as victim identification, underlining the need to develop robust legal mechanisms to combat trafficking and raise public awareness. Lebanon is a destination country for trafficked women from Moldova and other Eastern European countries. Discussions have begun on developing appropriate victim support and protection services in Lebanon and on their return in cooperation with civil society and UNODC. Child trafficking is also a growing phenomenon, although an absence of official statistics hinders full assessment of the situation.

Lebanon is a party to all three UN conventions on narcotic drugs and psychotropic substances and cooperates regionally in the fight against **drug trafficking** in line with its international agreements. The National Council on Drugs has not yet designed an anti-drugs strategy nor a national action plan. Lebanon is not a major illicit drug producing country, though a steady increase in hashish cultivation in the Beqaa region was registered. The improvement in relations with Syria impacted significantly on curbing drug trafficking across the national borders. In the area of rehabilitation, comprehensive treatment is only provided by one civil society organization. Lebanon cooperated with the Regional Near East Dublin Group on a national narcotics situation report in December 2008 (*see Sector Report*). Lebanon participated actively in the regional Euromed Police II programme on drugs cooperation.

Lebanon continued to develop a system against **money laundering** and the financing of terrorism, incorporating Financial Action Task Force (FATF) recommendations in line with the 2001 and 2003 Laws. The Special Investigation Commission (SCIC) within the Bank of Lebanon, which serves as a Financial Intelligence Unit (FIU), reported increased inter-agency cooperation with the police and customs. In October 2008, the Parliament adopted a law giving the SCIC the power to lift bank secrecy and freeze bank accounts in corruption-related cases. Improvements to the reporting system and supervision of financial transactions, including cash transfers, would be required alongside provisions for the confiscation of proceeds of money laundering in line with international practice. A system of on-line reporting for banks would also require attention.

Lebanon is a member of the Egmont Group and confirmed that it would be evaluated by Middle East & North Africa Financial Action Task Force (MENAFATF) in early 2009.

In the area of **police and judicial cooperation**, Lebanon participated in the regional programmes Euromed Police II and Euromed Justice II. As a spin-off to its participation in the Euromed Justice II programme, it envisages the establishment of a Family Mediation and Arbitration Centre, in order to contribute to resolving international family law disputes. Lebanon is committed to working on necessary reforms within the context of the Hague Conference on Private International Law, but declines to formally join the Conference. The Higher Council for Women and the Council of the Child participate alongside the Ministry of Justice in the dialogue on international child protection and family law issues under the “Malta Process” (*also see the Sectoral Report*).

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

Well-developed plans to establish a land and maritime **transport** policy suffered a considerable delay. Lebanon faced important challenges as regards infrastructure rehabilitation and upgrading over the last year, yet has managed to reconstruct most of its critical infrastructure needs, except for a large bridge on the Damascus Highway. The reform of road transport, which had started with a view to increase the efficiency of the road haulage sector, was halted. A draft law establishing a land transport authority was prepared more than three years ago, but the Authority is still not operational.

There is renewed interest in public transport and an urgent need to develop an action plan that will allow for the development of an integrated public (urban and intercity) transport system. However, overlapping jurisdictions present a major obstacle to such planning. The ministry is already working within the guidelines of the draft law on the national transport policy, by implementing parts of it by joint ministerial decrees as a general public license system for all operators.

An autonomous Civil Aviation Authority, replacing the Directorate-General of Civil Aviation as a regulator, has still not been established, even though the sector is technically managed to high international standards. After the signature of a horizontal agreement, the European Commission was granted a mandate to negotiate a Euro Mediterranean aviation agreement with Lebanon in October 2008, aiming, as foreseen in the Action Plan, at aligning the standards applicable in the field of air transport and open-up the market access for the respective air carriers.

In order to increase the efficiency of its ports, Lebanon is planning to further improve the port management in Beirut and Tripoli. A privately managed container terminal is operating successfully in the port of Beirut. There is an urgent need to address maritime safety issues in Lebanon and establish the foreseen autonomous Maritime Transport Authority. Consistent failure by the authorities to address the lack of Port State Control and flag state implementation has resulted in the Lebanese fleet being classified on the black list of the Paris Memorandum of Understanding on Port State Control.

Lebanon, an **energy** dependent country, continued to suffer from a high energy import bill, subsidised energy prices and considerable debts to *Electricité du Liban* (EdL), which in itself represented a quarter of the budgetary deficit in 2008. This situation, as well as the regular power outages, impact negatively on the country's socio-economic development and require swift reforms. Lebanon worked on the corporatisation of EdL, pursued the auditing of EdL's accounts and is reviewing electricity tariffs. It continued the development of an electricity generation master plan and facilitated private sector involvement through independent power producers. Lebanon took preparatory steps to build, with private involvement, power plants in Beddawi and Deir Amman. Lebanon continued to prepare the establishment of the National Electricity Regulatory Authority. Lebanon pursued the rehabilitation and expansion of the electricity networks and advanced work on metering electricity, which will further improve bill collection.

Limited progress was made in the preparation of an electricity interconnection with Syria. In April 2008, Lebanon participated in an EU- Mashraq Ministerial meeting which promoted energy cooperation in the Mashraq and the completion of the Arab gas pipeline. Lebanon participated in the EC supported Euro-Mashraq gas master plan project, which contributes to developing a Euro-Mashraq natural gas market. Ministers of Lebanon, Egypt, Jordan and

Syria agreed to take steps to connect the Arab gas pipeline to the European network. Lebanon pursued Euro-Mediterranean energy cooperation through multiple projects.

The July 2008 Summit of the Union for the Mediterranean endorsed the development of a Mediterranean Solar Plan. The country took steps in the area of energy efficiency and renewable energy sources. The construction of a small wind power plant was also prepared. Lebanon became partner in the Regional Centre for Renewable Energy and Energy Efficiency for Middle East and North African countries. The Cairo-based Centre was inaugurated in June 2008 and is supported by the European Commission, Denmark and Germany.

In the field of **climate change**, Lebanon continued to prepare a second national communication, a greenhouse gas inventory and assessment of climate impacts. However, there were no developments as regards the preparation and registration of Clean Development Mechanism (CDM) projects. Lebanon has not yet adopted a formal position regarding the post-2012 climate regime.

There were no developments as regards the adoption of the national **environment** action plan. The legislative framework continues to require further development, in particular with regard to implementing legislation on environmental impact assessments, access to environmental information and public participation. No new laws were adopted in 2008, but legislation on strategic environmental assessment, water, ozone depleting substances, rehabilitation of quarries, protected areas, waste management, air quality and bio-safety is under preparation. Work continued to implement existing strategies and plans, but continued attention is still required.

Implementing legislation establishing the mandate of the regional departments of the Ministry of Environment was prepared. Further strengthening of administrative capacity is still a major challenge at all levels of the country. Coordination between involved authorities also requires attention. Reform of the water sector is on-going, but further steps are needed to apply a fully integrated water resource management, including related institutional responsibilities. Some activities took place to integrate environment considerations into other policy sectors such as energy and agriculture. Some steps were taken to strengthen the enforcement of environment legislation. However, monitoring as well as enforcement requires special attention. There were no significant developments as regards the update of the 2002 state-of-the-environment report. Lebanon carried out some activities to inform and involve the public, but access to information requires further improvement. In the framework of environmental impact assessments, public consultation is still not widely ensured. A strategic environmental assessment was carried out related to the Lebanon mountain trail project.

The Lebanese Parliament ratified the amendments to the Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean and the Cartagena Protocol on Bio safety to the Convention on Biological Diversity. Lebanon did not make significant progress in ratifying and signing remaining relevant Protocols to the Barcelona Convention². Furthermore, the implementation of already ratified agreements requires particular attention. Lebanon continued to participate in the Horizon 2020 Initiative, the Mediterranean Action Plan and the EU Water Initiative, including a national policy dialogue. Lebanon also participated in the December 2008 Euro-Mediterranean Ministerial

² Lebanon has not ratified the amendments to the Barcelona Convention's Protocols on Land-Based Sources and Dumping. It has not signed the new Emergency Protocol, the Specially Protected Areas and Biodiversity Protocol, nor the Integrated Coastal Zone Management Protocol.

Conference on Water, launching the preparation of a regional water strategy for the Mediterranean. Cooperation and information exchange took place between the European Commission and Lebanon, including on water, integrated coastal zone management, environmental reporting and civil protection. Other topics, such as further action in the field of water were identified for possible closer cooperation.

As regards the **Information Society**, the Ministry of Telecommunications embarked on a campaign against illegal international communications and tried to recover taxes from TV broadcasting stations. The Telecommunications Regulatory Authority (TRA) adopted regulations on the identification of operators with significant market power, on interconnection of networks, on type approval and on quality of service. Decisions have been issued on the provision of services with Very Small Aperture Terminals (VSAT satellite communications), on a pilot project for IP-TV and on the establishment of call centres; a national frequency table and a new numbering plan have been also published. A liberalisation roadmap, a statement on broadband policy and regulations on licensing, on numbering, on pricing, on consumer protection and on spectrum management have been finalised for publication by the TRA in 2009. Furthermore, the TRA issued public consultation documents on a plan for spectrum reforming and packaging, on a regulation to facilitate access to information and on the improvement of FM broadcasting, including a digital migration strategy. The Office of the Minister of State for Administrative Reform implemented an e-government strategy that is being further fine-tuned by a ministerial committee; the e-government portal (www.informs.gov.lb) has already been set up.

In view of the global financial crisis, the government postponed plans to privatise the mobile communications sector. Outside the reporting period, in January 2009, it concluded two new operator contracts for one year, renewable once. No progress has been made on how to proceed with the broadband licenses.

Regarding the **audiovisual sector**, a Memorandum of Understanding has been signed with two Cable –TV companies for an IP-TV pilot project. The *Conseil national de l'audiovisuel* still has only a consultative role and has not yet an autonomous status enabling it to regulate efficiently and independently.

Research and innovation activities in Lebanon remained limited as regards their potential. The successful participation of Lebanon in the first two calls of FP7 was relatively low, and effective actions should be undertaken to improve the participation of Lebanese research institutions in the Research Framework Programme, possibly through more effective development of contact points. Through the improvement of its National Contact Point and an active participation in the FP7 Inconet MIRA project for example, Lebanon could increase its participation in FP7 in topics of regional interest. Five applicants out of 78 (2 of them in the ICT sector) have been main-listed. Two contracts have been signed so far. Innovation issues will need to receive adequate attention at government level in order for Lebanon to reach its full potential.

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

Lebanon slowly continued implementing the national strategy on access to quality **education**, prioritising low income households and students with special needs. Ensuring ‘education for all’ remains a primary objective under the National Strategy for Education, which, following further review, is expected to be submitted to the Council of Ministers in mid 2009. In January 2008 the Ministry of Education and Higher Education approved the establishment of

an education reform secretariat as part of its internal organizational reform, while a new school information system is being deployed.

In the area of **higher education**, the Ministry of Education and Higher Education prepared draft laws on the re-organisation of private higher education and on the University of Lebanon, but their adoption is not yet secured. National dialogue between educational partners continues regarding the establishment of a homogenous educational system under the auspices of the Bologna Promoters Group. In this respect, ensuring the quality and comparability of courses and diplomas with reference to ECTS (European Credit Transfer System) and the Bologna Process, as well as national accreditation of higher education institutions, are key areas of interest. Concrete legislative proposals however, have yet to emerge.

Lebanon participated actively in the Tempus IV programme, benefiting from four projects under the first Call for Proposals for the academic year 2008-9. In addition, nine Lebanese students and one scholar received scholarships under Erasmus Mundus for the academic year 2008/2009. Student and academic mobility was further enhanced through the involvement in Erasmus Mundus External Cooperation Window. In addition, three Lebanese students received scholarships in European integration studies at masters' level for students from the ENPI region under a special pilot project for the academic year 2008-9.

In the area of **vocational training**, no specific developments were noted. The ministerial decree on a public-private partnership approach to vocational training still cannot be effectively applied due to legal restrictions. Policy dialogue focused on preparation of a future sector budget support programme for general education. Significant challenges remain with regard to governance of education, resource management and adequate measures to tackle secondary school drop out and de-skilling of students.

Lebanon continued its active participation in the Euromed **Youth III** programme, resulting in the approval of seven projects in the period 2007-8. In parallel, Lebanese young people and youth organisations could also benefit from the opportunities offered by the Youth in Action Programme. The Ministry of Youth and Sports established a Euromed Youth Advisory Committee to improve dialogue on the future youth policy. Public support for youth leadership development programmes, informal education, drug prevention and youth information activities needs to be increased.

In the area of **culture**, Lebanon participated in a regional project under Euromed Heritage III on the creation of a multi-media transversal data base to valorise shared Mediterranean heritage alongside partners from Algeria, Jordan, Morocco, Tunisia, Spain and France. The national network of the Anna Lindh Foundation funded some 20 projects enabling an increase in the number of training activities offered, though significant scope remains for additional development in this area. Under the regional MED-PACT programme, the cities of Beirut and El Mina alongside partner cities in Algeria, Italy and France implemented the Archimedes project which aimed to better plan urban regeneration in order to promote sustainable tourism and the valorisation of under-utilised cultural heritage.

Lebanon did not proceed to the ratification of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

The Ministry of Interior and Municipalities improved communication channels with NGOs, but obstacles to the organization and registration of **civil society** organizations still persist. A

new law on NGOs still remains in draft form. As part of implementation of the 2007 law on consumer protection, the Ministry of Economy and Trade reactivated the Consumer Protection Council in September 2008, which includes private sector and consumer association representatives. A twinning project on consumer protection continues implementation.

Reform of the **health** sector did not receive sufficient funding. The policy objectives include more access to health services, particularly for the vulnerable, increased efficiency of the sector and more quality. Lebanon continued the hospital accreditation programme and initiated the development of a national epidemiological surveillance programme. In November 2008 Lebanon participated in the second Euro-Mediterranean ministerial health conference, which opened new perspectives for regional health cooperation. Lebanon pursued participation in the EU network of competent authorities in health information and knowledge and continued participation in the “EpiSouth” network for EU, Mediterranean and Balkan countries on communicable diseases.

8. FINANCIAL COOPERATION – 2008 KEY FACTS AND FIGURES

The ENPI financial envelope for Lebanon under the National Indicative Programme 2007-2010 is EUR 187 million. As Lebanon’s socio-economic development was much affected by the 2006 hostilities, the European Community assistance strategy is twofold. Part of the support provided is geared towards responding to the reconstruction needs arising from the military conflicts and aims at reinvigorating the economy, while the rest focuses on the key policy objectives outlined in the ENP Action Plan.

The implementation of the measures covered by the 2007 Annual Action Programme is underway. The bulk of the EUR 50 million assistance package was devoted to address the recovery and reinvigoration of the economy after the 2006 military conflict between Hezbollah and Israel. A EUR 18 million package has been devoted to reconstruction mainly in the form of infrastructure projects promoting local development strategies. It allowed also the work on the reconstruction of the Vessel Traffic System destroyed during the 2006 military conflict to proceed. In addition to that, EUR 4 million has been devoted to continue demining operations in the South launched immediately after the cessation of hostilities. The European Commission also made EUR 3 million available to UNRWA over 3 years to finance scholarships for Palestinian refugees in Lebanon (up to 130 students). A EUR 10 million reform oriented package allowed the Commission to assist the government agenda in social and economic reforms.

The implementation of the bilateral assistance is, so far, advancing without delays. In 2008, the Commission continued to support the national reform efforts in Lebanon and programmed assistance for a total amount of EUR 50 million, under the ENPI. The Annual Action programme focussed on political and economic reforms with a project in the field of justice (EUR 10 million). An additional envelope of EUR 32 million was allocated to assist local stakeholders in their reconstruction and recovery efforts (EUR 18 million) and to support SMEs (EUR 14 million). Finally, EUR 8 million was provided to assist in the reconstruction of the Nahr el Bared Palestinian refugee camp.

The European Union remains an important donor in the reconstruction effort of the Palestinian refugee camp in Nahr el-Bared destroyed during the military operation of the Lebanese Armed Forces against the terrorist organisation Fateh el-Islam in 2007. The EU

provided over EUR 50 million to support the reconstruction plan and cover the basic humanitarian needs of the displaced population (EUR 30 million from the community budget and an additional EUR 20 million from Member States). The lack of strategy for the adjacent areas, notably on the issue of property, hampers the reconstruction process which is already facing difficulties due to a lack of appropriate funding. The European Commission also funded EUR 9.4 million of humanitarian aid for Palestinian refugees in Lebanon in the health, water and sanitation, shelter and livelihood supporting activities sectors, through the DG for Humanitarian Aid

The project based approach remained the dominant modality used for delivering assistance in Lebanon. Twinning is still underutilised and the administration has so far not been ready to engage in the design and implementation of budgetary or sector support operations. Significant work was done to introduce public finance management standards, although improvements are still needed. Moreover, the absence of sector strategies approved at government level has made it difficult to implement budgetary support type of assistance.

Lebanon also benefits from cooperation activities financed under the ENPI multi-country (including the Neighbourhood Investment Facility) and regional programmes, and is eligible under the ENPI Cross Border Cooperation (CBC) component. Lebanon participates in the CBC Mediterranean Sea basin programme (EUR 173.607 million for the whole programme in the period 2007-13). Through this programme the populations of the maritime regions bordering the Mediterranean Sea will receive funding for joint co-operation projects aimed at fostering sustainable development and enhancing human contacts.

Other Community Instruments supplement the ENPI assistance package. Through the Instrument for Stability, EUR 4 million were made available to help political stabilization and national reconciliation, via technical assistance to the Ministry of Interior and Municipalities and the provision of electoral equipment in anticipation of the elections of June 2009.

The European Investment Bank has signed lending operations in 2008 for an amount of EUR 52 million for the 'Private Sector Facilities II Global Loan', aimed at the partial financing of small and medium-sized investment projects, undertaken by private enterprises.

The European Commission Delegation in Beirut chairs the EU Development Counsellors' working group that discusses issues of complementarity and division of labour. Moreover, the European Commission ensured coordination among international donors, as well as the building of strong relations with International Financial Institutions active in Lebanon. Thematic donor groups were initiated to coordinate action in the fields of local development, water and energy, private sector development, justice, and education. The Government has not yet developed the capacity to ensure donor coordination.