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Accompanying the

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
Taking stock of the European Neighbourhood Policy (ENP)**

Implementation of the European Neighbourhood Policy in 2009
Progress Report Lebanon

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1. BACKGROUND AND OVERALL ASSESSMENT

Lebanon and the European Community first established contractual relations in 1977 by signing a Cooperation Agreement. An EU- Lebanon Association Agreement entered into force in 2006. It sets out in more detail the specific areas in which the relations can be developed bilaterally. On this basis, the EU-Lebanon ENP Action Plan was approved in January 2007 for a period of five years. The framework for regional co-operation is the Euro-Mediterranean Partnership, inaugurated in 1995 and reinforced in 2008 with the creation of the Union for the Mediterranean (UfM), which establishes a policy with ambitious and long-term objectives.

EU-Lebanon meetings took place at the level of the Association Council, and five out of ten subcommittees meetings in the second half of 2009. No Association Committee was organised in the course of the year.

This document reports on progress made on the implementation of the EU-Lebanon ENP Action Plan between 1 January and 31 December 2009, although developments outside this period are also taken into consideration where relevant. It is not a general review of the political and economic situation in Lebanon. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

The most important political events in 2009 were the June parliamentary elections and the appointment of a new national unity government headed by Prime Minister Saad Hariri. The elections in June 2009 – held on the basis of the electoral law adopted in 2008 – were generally peaceful and well organised, with a relatively high participation rate of 54%. However, the negotiations involved in the forming of a government took five months to complete, and a government declaration of policy was not adopted until December 2009. This long period of discussions held up reforms.

The time taken in preparing for the elections and forming a new government meant an extension of the ongoing standstill in political, economic and social reforms. Moreover, many draft laws, notably implementing the PARIS III agenda, and connected with Lebanon's WTO accession remained blocked at the parliament.

Generally speaking the security situation remained stable throughout the reporting period, although tensions with Israel reappeared at the end of the year. Further implementation of UN Security Council Resolutions (and 1701 in particular) was limited. The process of normalising relations with Syria continued, including the visit of PM Hariri to Damascus in December 2009. There are still no signs of more tangible results in the concrete bilateral dossiers already agreed in 2008 by the Presidents of both countries.

The Government declaration adopted in December 2009 was supported by the vast majority of Parliamentarians (122 out of 128). It sets ambitious goals and reiterates the well known need to implement overdue reforms. The translation of this policy statement into operational terms should make it a concrete agenda for change and lead to progress in the implementation of the EU Lebanon ENP Action Plan.

In October 2009 the European Commission, through the EU Delegation in Beirut, organised a two-day conference on the implementation of the ENP. Five thematic round tables gave some 700 participants - representatives of the Government, civil society, the private sector and the

EU - the opportunity to evaluate the implementation of the ENP Action Plan in Lebanon and give input for the next stage of the work. The results proved that the ENP dialogue can help to build consensus around key reforms and effectively assist the reform process.

2. POLITICAL DIALOGUE AND REFORM

Democracy and rule of law

Progress was achieved in the area of **electoral reform** and should be consolidated. As independent election observers reported, the revision of the electoral framework for the 2009 parliamentary elections introduced some improvements (*see last year's report SEC(2009) 518*). The Constitutional Council was re-established just before the parliamentary elections in June 2009. Lebanon was one of only two countries in the ENP South region which invited, and received, an EU Election Observation Mission (EOM). The EOM praised the high voter turnout of 54 %, an increase of 8% compared to 2005) and the organisation of the elections. Nonetheless, it repeated many of the recommendations of its 2005 predecessor and underlined its support for the proposals made by the National Commission on electoral law.

These included the introduction of a certain degree of proportionality, pre-printed ballot papers, creation of an independent election management body, strengthened representation of women, lowering of the voting age to 18 and out-of-country voting for Lebanese citizens living abroad. However, the EU EOM noted that there is still work to be done to bring Lebanon's electoral system into line with the country's international commitments. Outside of the reporting period, the Council of Ministers adopted a number of proposals on which agreement was not found in time for implementation for the municipal elections taking place in May 2010.

In the area of **judiciary reform**, a decree nominating the unit in charge of the computerisation of the Ministry of Justice and the Courts was adopted and some improvements are expected in the modernisation of the Lebanese judiciary. Nevertheless, procedures are lengthy and inefficient and the judicial system is perceived to lack credibility and transparency. Prisons remain overcrowded, detention conditions are poor and pre-trial detention is lengthy. Recourse to military tribunals remains a subject of concern. The EU is actively financing the modernisation of the Judiciary.

No progress was achieved in the **administrative reform** strategy prepared by the Minister of State for Administrative Reform, despite the fact that there are several draft laws waiting for adoption and implementation.

Although Lebanon acceded to the UN Convention against **Corruption** in April 2009, national legislation to implement the Convention is not yet in place. The development of a national anti-corruption strategy to address public and private sectors in line with commitments under the Convention is pending. Lebanon has lost ground in terms of perceived corruption in comparison with other countries.

Some progress can be noted in the area of **regional reform** with workshops on decentralisation planned by the Ministry of the Interior. Further progress is expected with the implementation of the Early Release Law, in particular on the reduction of sentences. The transfer of prison management from the Ministry of Interior and Municipalities to the

Ministry of Justice, which started in 2008, is continuing and should be completed by 2013. Both Ministers have affirmed that it will be a priority during their mandate

Human Rights and Fundamental Freedoms

Work on the National Action Plan for **Human Rights** involving a wide range of stakeholders (government officials, parliamentarians and human rights defenders) continued during the reporting period. Despite the ratification of the Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT) in 2008, the establishment of a National Preventive Mechanism (NPM) for the monitoring of detention centres and prisons (required within one year of ratification) was not finalised in time. In June 2009 the Minister of Justice set up a committee to draft a legal proposal to establish the NPM and the committee submitted its proposal to the Ministry in September. The Ministry of Justice is still consulting other Ministries. No deadline has been set for presenting the draft law to the Council of Ministers.

The ratification of a number of international human rights conventions is still blocked. As in previous years, Lebanon has eight overdue reports of UN Treaty Bodies and it has not extended a standing invitation to all thematic special procedures.

An organisational decree had already been prepared in 2008 on the *modus operandi* of the **Ombudsman** institution. However, so far the Council of Ministers has not voted on the decree, and the nomination of an office holder is still pending.

In 2008 the Ministry of Justice drafted a decree for the abolition of the **death penalty**, which to date has not been discussed by the cabinet. More than 90 people have been sentenced to death, although a *de facto* moratorium on executions, supported by the Minister of Justice, is currently in place. In August 2009 the Ministry of Justice launched a campaign to gain support for the replacement of the death sentences by life sentences with hard labour. Despite the *de facto* moratorium, death sentences continued to be issued in 2009.

Limited progress can be reported in the area of a comprehensive human rights strategy and the fight against torture. Incidents of **torture and ill-treatment** were reported, as were cases of arbitrary detention, although one long-running case of arbitrary detention was resolved in 2009. The Human Rights unit within the Lebanese Internal Security Forces, which was created during the previous reporting period and has no equivalent in any other security organ, lacks proper budget and staffing, limiting its operational capacities.

No significant progress was reported in the area of **freedom of expression**, although Lebanon maintains one of the most open and diverse media environments in the Middle East. On the other hand, media independence is limited, with outlets largely representing the views of political interests/benefactors. Cases of intimidation of journalists were reported. The importance of independent and critical media could be observed during the 2009 electoral campaign. Detailed media monitoring by the Supervisory Commission on the Electoral Campaign and the EU Election Observation Mission showed that media coverage of the campaign tended to be partial and shaped around political lines. There is a need to implement effective mechanisms to ensure compliance with, and enforcement of, media regulations in Lebanon.

Progress can be reported in the area of **freedom of association**. Civil society organisations in Lebanon benefit from relatively liberal legislation. While *de facto* denials of registration had

been reported in the past, this situation improved with the introduction at the end of 2008 of new, simplified procedures for registering associations. No denials were reported in 2009. Palestinian NGOs must include Lebanese board members in order to be eligible to register. In the past this has impeded certain registrations.

Some progress was achieved in the social integration of **migrants**. In January 2009 a decree was adopted for the regulation of employment agencies that bring women migrant domestic workers to Lebanon. In addition, a Unified Contract for Migrant Domestic Workers was prepared in February 2009. However, enforcement remains critically weak, as cases of exploitation, mistreatment and high rates of unnatural deaths among women domestic migrant workers continue to be reported.

In the area of asylum and protection of refugees progress remains insufficient. The overall situation of **Palestine refugees in Lebanon**¹ (around 425,000 are registered with UNRWA, of whom an estimated 330,000 are resident) remained unchanged throughout the reporting period. Palestine refugees' right to work and register property is not secured. A group of 'non-identified' refugees of Palestinian origin is still waiting for documents to be issued. This process was halted in 2009 by the Ministry of the Interior following a number of fraudulent applications. The EU has called for it to be restarted. The new national unity Government emphasised its determination to improve the economic and social rights of Palestine refugees as well as living conditions in the refugee camps.

Since Lebanon has neither ratified the 1951 Geneva Convention nor implemented a domestic refugee law, refugees and asylum seekers (mostly Iraqis but also Sudanese) do not receive appropriate protection, despite being recognised by UNHCR. While the number of Iraqis in Lebanon is estimated at between 25,000 and 50,000, there are about 8,700 Iraqis registered with UNHCR. Many refugees are treated as illegal immigrants and a small number have been subject to arrest, fines and indefinite detention, linked to the fact that Lebanon does not recognise UNHCR certificates. Refoulement was exercised or was attempted but prevented following intervention by civil society. Conditions in the temporary detention centre remain extremely poor.

No progress was made on lifting Lebanon's reservations regarding the Convention on the Elimination of all Forms of Discrimination against **Women** (CEDAW).

During the reporting period Lebanon worked on draft laws granting women equal rights with men in the transfer of nationality to their children. An important precedent was set in June 2009, when a court ruled against the Lebanese state for denying a Lebanese woman the right to transfer nationality to her children, who were born of a foreign father. In cases where Lebanese women are married to Palestinian men, the possibility of transferring nationality would be excluded according to one of the draft laws.

A draft law on family violence was finalised by a parliamentary committee at the request of the Ministries of Justice, Interior and Social affairs at the end of 2009 and was transmitted to the Council of Ministers.

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

In April 2009 Lebanon completed a comparative analysis of the gaps between national legislation and international conventions regarding the **rights of children**. Throughout the reporting period Lebanon worked on a draft for a Child Protection Policy that also addresses child labour.

The UN Convention on the Rights of Persons with Disabilities has still not been ratified.

As far as **fundamental conventions and core labour standards** are concerned, no progress can be reported on the ratification of the International Labour Organisation Convention 87 on Freedom of Association and Protection of the Right to Organise.

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

Lebanon is one of the European Union's key partners in the Middle East. So far dialogue in this area has focused on the implementation of relevant UN Security Council Resolutions pertaining to Lebanon and on the establishment of the Special Tribunal for Lebanon.

The mandate of the UN Independent International Investigation Commission (UNIIC) came to an end in February 2009 and the Special Tribunal for Lebanon began its work in March. In June 2009, the Office of the Prosecutor of the Special Tribunal and the Government of Lebanon entered into a Memorandum of Understanding on the modalities of their cooperation. The European Commission provided political and financial support to the creation of the Special Tribunal.

Normalisation of **relations with Syria** continued. Ambassadors were appointed, the respective embassies were opened and Lebanese politicians made official visits to Damascus. No particular progress was achieved on other pending issues, such as the renegotiation of bilateral agreements and a genuine dialogue on the fate of people who have disappeared in Lebanon. The Government's policy declaration refers to the possibility of forming a National Committee to deal with the issue of victims of enforced disappearance. The reactivation of the Joint Committee on Border Delimitation and stronger cooperation in border control and management has not yet taken place, pending Syria's nomination of its participants. (*More on border control in chapter 5*).

Discussions on a national defence strategy under the auspices of the President were suspended as of June 2009. Meetings restarted after the reporting period, in 2010.

Lebanon has not yet ratified the statute of the **International Criminal Court**, nor has it ratified the 1997 Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction. In addition, the ratification of the Convention on Cluster Munitions is pending (although Lebanon was one of the first to sign the Treaty in December 2008). The EU continued to help Lebanon rid the country of cluster munitions and unexploded ordnance. In 2009, thanks to projects funded by the EU, 2.3 million square metres of land were cleared.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

The Lebanese economy was quite robust in spite of the global financial crisis. Real GDP growth is expected to have reached between 5% and 7% in 2009, somewhat down from the 8.5% growth reported in 2008. Capital inflow, largely a result of regional portfolio shifts in

the aftermath of the global crisis, was the main driver of the strong growth. Heightened interest rate spreads on international markets, EMBI and Eurobond spreads for instance, led to an increase in foreign deposits in Lebanese banks. The banks also benefited from their image as a relatively safe destination for investment. Globally, their deposits increased by 23% during 2009. As a result, the current account surplus increased, as did the foreign reserves of the Central Bank. In addition, the high number of visitors during the election period (June 2009) and the summer, mainly Lebanese expatriates, as well as the spending related to the electoral campaign, boosted domestic expenditure. However, the high interest rate differential was also instrumental in maintaining at high levels the cost of financing the public debt. Debt service absorbed 48% of total state revenues in 2009.

This inflow of foreign deposits helped to alleviate the negative impact of the international economic crisis on the remittances of the Lebanese diaspora (which accounted for no less than 1/5 (24.4%) of GDP in 2007), but had a limited impact on consumption and investment. As domestic banks form the largest creditor group to the Government and hold more than 55% of total public debt, the increase in deposits helped to absorb high-yielding government bonds. However, weak lending opportunities for banks and excessive remunerated liquidities with a negative impact on their profitability led the Government to borrow beyond its needs, as reflected by the growing gap between the values of gross and net debt. State deposits at the Central Bank reached more than USD 5.5 billion (EUR 3.87 billion) at the end of November 2009, i.e. around 11% of the total debt. In this context, gross debt stood at 156% of GDP at the end of 2009, excluding payment arrears, only a slight improvement compared to the end of 2008, when it was 160%. This elevated debt ratio goes hand in hand with a high public deficit. The Government's budget balance is expected to have broadened to 12.3% of GDP in 2009 from 9.9% in 2008. The main reasons are increased salaries and pensions in the public sector, reconstruction and compensation expenses and a rise in debt service. However, international support did help to alleviate the pressure on public finances. This included the first tranche of grants and loans (EUR 15 million and EUR 25 million respectively) under the EU Macro-Financial Assistance (payments were made in December 2008 and May 2009 and will be primarily used for debt reduction). In December 2009, the European Commission adopted a decision extending the availability period for the disbursement of the second grant and loan tranches by one year until December 2010. Actual disbursements will depend on Lebanon meeting the requirements.

The international economic crisis had a consistent impact on industry and agriculture as trade volumes started to decelerate at the beginning of 2009. This decrease mirrored the slowdown in the major trading partners, namely the Gulf Cooperation Council (GCC) countries and the countries of the EU, which account for around 50% and 12% of total Lebanese exports. Industrial exports fell by 14.9% and agricultural exports by 7.2%. The total trade deficit remained at the same high level as in 2008, amounting to 40.8% of GDP, mainly because of the country's high dependence on imports of oil derivatives. However, the international crisis made a positive contribution to reducing inflation. Consumer price inflation as measured by the Consumer Price Index (CPI) fell from more than 10% on average in 2008 to around 4% in 2009. Food prices remained constant, but there were still strong increases of up to 17% in basic services such as transport, education, water and electricity. The increase in transport cost can be attributed to the introduction of excises currently amounting to almost one third of petrol prices.

Economic activity is expected to remain fairly strong in the short term. However, there are downside risks associated with the strength of global recovery, which might have negative consequences on capital inflows in the country. The heavy debt burden and high reliance on

external capital inflows render the Lebanese economy and banking sector sensitive to conditions in global financial markets. The fiscal situation remains particularly vulnerable, given the high level of public debt. Moreover, a slowdown in deposit growth with commercial banks could tighten financing conditions for the Government, while political stalemate has prevented implementation of the overdue reform agenda.

Employment and social policy

As regards the **socio-economic situation** in Lebanon, many social reforms foreseen under the 'Paris III' reform agenda were delayed because of the political situation in Lebanon during the reporting period.

As regards the fight against **poverty** and the social action plan, a pilot project testing a poverty targeting mechanism was successfully carried out by the Ministry of Social Affairs in early 2009 in three regions and its country-wide roll-out is currently underway. The Ministry also published during the reporting period studies on household living conditions and income distribution. There are no updated figures on the number of people living under the poverty line. Further efforts are needed to elaborate a comprehensive social strategy and to involve all the relevant Ministries and services.

No progress can be reported as regards **employment**. The National Employment Office benefits from capacity building measures from the International Labour Organisation (ILO) and the European Union. A decree for the regulation of employment agencies recruiting migrant workers was passed in January 2009 and a unified contract for migrant domestic workers was decided in February 2009. However, the implementation of these new measures remains weak.

No progress can be reported in the fields of **pension reforms** and **reform of the social security system**, although following the formation of the Government the new Minister of Labour began examining how to reform the National Fund for Social Security and expand its coverage.

On **social dialogue**, the new labour law has not yet been adopted and the Economic and Social Council did not meet in the period under review. The capacity of the labour inspectorate was nonetheless increased, doubling in January 2009 (60 inspectors). During the reporting period Lebanon worked on a Decent Work Country Programme with the ILO.

Women's participation in political life remains low. In August 2009 the General Assembly of the National Commission for Lebanese Women launched an awareness campaign to encourage women to participate in the 2010 municipal elections (only four women were elected in the Parliamentary elections of June 2009). While in March 2009 women accounted for 41 % of the total labour force in Lebanon, the great majority are working in the informal sector. In addition, women still suffer from a gender pay gap of approximately 27% and unmarried women workers reportedly face discrimination in terms of sick leave. In December 2009 the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon jointly signed a Memorandum of Cooperation as well as a Common Work Plan with the National Commission for Lebanese Women's Affairs to promote gender equality.

Concerning the integration of **sustainable development** into sectoral policies, the Ministry of Education and Higher Education has continued to implement the first of three curriculum modules on Education for Sustainable Development (the so-called 'environment module').

As regards the preparation of a comprehensive strategy for sustainable development, as already reported last year, a roadmap entitled '*Schéma directeur d'aménagement du territoire libanais*' was adopted by the Council of Ministers in March 2009 and, once applied, it should reinforce Lebanon's planning capacities.

In December 2009, the Ministry of **Agriculture** prepared a strategic framework for the period 2010-2014, covering the main actions in the area of agriculture as foreseen in the ENP Action Plan, including legislation, the organisational structure of the Ministry, and a quality and credit scheme for agriculture. The framework and its implementation programme also cater for the reinforcement of controls on agricultural products, forests and **fisheries**.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU is Lebanon's first trading partner. Bilateral **trade** in goods with the EU continued to grow, amounting to more than EUR 4.5 billion in 2009, with a significant trade deficit for Lebanon. Imports from the EU rose by 6.6%, while exports fell by 28.8%. During the reporting period, tariff dismantling on industrial goods took place as planned under the Association Agreement. Concerns regarding the treatment of goods originating in the EU and transiting through Beirut port free zone before entering Lebanon were allayed by an amendment to the Lebanese Customs Law in June 2009 and a mechanism for its application adopted in December. Lebanon and the European Union concluded negotiations on the text of the Protocol for the Settlement of Bilateral Trade Disputes, which was initialled in July 2009. Negotiations on the liberalisation of trade in agricultural, processed agricultural and fish and fisheries products have not yet been launched. Lebanon continued working on its WTO accession; the last Working Party meeting took place in October 2009. However, several relevant draft laws have still not been discussed by Parliament, or require revision, including the law on international trade and licensing. Lebanon confirmed its intention to make headway in the bilateral negotiations on services with the EU in the context of the WTO accession. Lebanon reiterated its commitment to participating in regional and sub-regional trade initiatives, including concluding an FTA with Turkey.

The computerisation of the **Customs** administration is progressing, and in 2009 the customs declaration processing system ASYCUDA World was rolled out to three additional customs offices. Several projects in the IT area are also ongoing, including one on an automated risk management system for customs. A project with the IAEA on the control of radioactive material crossing the border between Lebanon and Syria will run until the end of 2010.

On the **free movement of goods and on technical regulations**, Lebanon continued to prepare for the negotiations of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), albeit slowly. The ACAA action plan was sent to the Government already in 2008, but has not yet been adopted. A number of draft laws are still waiting for the Council of Ministers' and/or parliamentary approval. These include draft laws on product safety and product liability, as well as a draft law on standardisation which will establish the independence of the standardisation body. Amendments to the accreditation law and to the law on metrology are also pending. Nomination of directors to the quality infrastructure bodies is underway. The Government has established an Excellence Award based on the EU quality assessment model. At enterprise level, an 'ISO certification initiative' raised awareness on quality issues. A quality promotion campaign has also reached schools and universities. In the area of market surveillance and consumer protection, training of inspectors in municipalities took place in the context of an EU-funded programme.

Regarding **sanitary and phyto-sanitary** (SPS) issues, the draft food safety law, which includes the establishment of a food safety agency as well as a draft law on animal quarantine, are still stalled in Parliament. Lebanon strengthened its current SPS-related institutions, such as the food-related part of the Consumer Protection Directorate, laboratories and regional control centres.

Several proposals to improve the **business climate** are waiting for approval, including the establishment in post offices of one-stop shops for setting up a business and making the company register available on-line. Lebanon also continued work on its framework bankruptcy law. The draft e-commerce law is still being discussed at the Parliament.

As regards **company law and the right of establishment**, the adoption of the 2006-2009 budget laws eliminating fees for company registration is still waiting for parliamentary approval. Lebanon is also working on further streamlining company registration. Lebanon continued with its preparations to adopt international audit and accounting standards.

Lebanon took part in the regional phase of negotiations on the framework protocol for the liberalisation of **services** and the right of establishment, as indicated in the two earlier reports, but bilateral negotiations have not yet been launched. Lebanon is preparing for accession to the WTO and for the establishment of a comprehensive framework for services.

In the field of **financial services** there are still some weaknesses in the banking sector. In November 2009 a small unit was set up in the Central Bank to reflect specifically on corporate governance in the financial and banking sector. Lebanon is following the IMF recommendations in the Financial Sector Assessment Programme (FSAP), including the implementation of the Basel II principles for effective banking supervision.

Other key areas

As reported last year, the **Tax** Procedure Code entered into force in January 2009. No further progress can be reported on the implementation of the Action Plan commitments in the area of taxation.

In the field of **competition**, limited progress can be reported. The draft law has been in the Parliament since 2007. It will be returned to the Council of Ministers for amendment. Competition study visits to Europe were organised in early 2009. In May 2009, the EFTA seminar on competition policy was attended by many stakeholders. No progress can be reported on state aid.

Key legislative acts as well as accession to international conventions in the field of **intellectual property rights** are still pending in Parliament. While enforcement of these rights and the fight against piracy are still matters of concern, during the reporting period Lebanon took a number of awareness-raising and training initiatives and made efforts to penalise outlets selling counterfeit pharmaceuticals. Since May 2009, the Ministry of Economy and Trade and the Head of the Beirut port customs inspection office are directly connected. This gives port officials access to deposited trademarks and patents with a view to fighting piracy. A new **consumer protection** law, which includes a number of provisions on trademarks, was drafted during the reporting period and is pending in Parliament.

The draft **public procurement** law as well as the draft public procurement management law are still waiting for parliamentary approval. Like last year, these draft laws provide for better judicial review of procurement disputes. The reform of procurement legislation as well as the establishment of a state procurement agency should be considered as priorities.

The National Master Plan for **Statistics**, which was presented to the Council of Ministers in 2008, has not yet been adopted. It raises the issue of the degree of independence of the Central Administration for Statistics, which is currently under the direct control of the Prime Minister. The details of its implementation and funding are still to be defined and further efforts are needed to enhance inter-agency cooperation and to broaden the coverage and the availability of statistical data.

On **external audit**, outside the reporting period a new President was appointed to the Audit Court, but lack of qualified staff and internal resources undermines the institution's capacity to exercise its functions and fulfil its reform agenda.

In the area of **public finance reform and internal financial control**, in April 2009 Lebanon ratified the United Nations Convention against Corruption. The audits of the 2001-5 account of the National Social Security Fund were completed in August 2009. As was the case in 2008, a Central Audit Coordination Unit within the Ministry of Finance has still not been set up.

On **enterprise policy**, Lebanon continued to implement the Euro-Mediterranean Charter for Enterprise. Some progress was achieved in the institutional setup: the Small and Medium Sized Enterprises (SME) unit is now monitoring progress in the business environment and business support services. It provides services including information, counselling, training and promotion. The Government gives loans to specific sectors (e.g. agriculture and hospitality). The Bank of Lebanon also gives concessional loans for investments. Several business support initiatives were implemented in 2009 in various regions of Lebanon. Lebanon also participates in a pilot project on entrepreneurial skills development in higher education coordinated by the European Training Foundation.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In the area of **border management**, progress was limited for lack of an overarching Integrated Border Management strategy. Plans were developed for the gradual extension of the Common Border Force from the Northern border with Syria to the East and for the modernisation of Beirut airport, ports and land crossing points. Major infrastructure work has already started with a view to improving the Masna'a border crossing. Lebanon made other efforts to improve the management of its external borders, with better controls at seaports and the modernisation of Beirut airport. Operational meetings with Syria were re-launched. Improved coordination led to the re-opening of two border check-points in the second half of 2009. However, a more structured sharing of intelligence involving all relevant agencies along with coordinated provision of training would help to capitalise on these recent positive developments. Improving the management of Lebanese borders is among the priorities of the new Government. The appointment of a national border coordinator in March 2010 should accelerate the work.

In the area of **migration and asylum**, no major progress can be reported. The country hosts a large quantity of labour migrants, including many domestic workers of Asian origin, and many migrants in need of international protection, particularly from Iraq. Both categories continue not to be offered sufficient protection and the country's legislation in this area needs further development.

With regard to the fight against **organised crime**, as was the case in 2008 no specific developments took place on the implementation of new national legislation. Work continued

on the compliance of national legislation with relevant UN instruments and on a draft law on Internet use for commercial criminal purposes in the context of the fight against cybercrime.

With regard to the fight against **trafficking in human beings**, robust legal mechanisms and references within the criminal code are urgently needed to tackle this phenomenon effectively and raise public awareness of its dimensions (*see Chapter 2*). Specific measures need to be defined to combat child pornography on the internet, over and above the measures taken in compliance with Lebanon's ratification of the Optional Protocol on the Sale of Children, Child Prostitution and Child Pornography to the UN Convention on the Rights of the Child. As was the case in 2008, the lack of official statistics prevents a full assessment of the trafficking of women and children.

Lebanon took national and regional cooperation measures in the fight against **drug trafficking** with a number of striking successes. An illegal laboratory was dismantled near the northern border in April 2009, while extensive hashish crops were eradicated in August and September 2009. Eradication efforts were combined with counter-narcotics campaigns to discourage the reappearance of hashish cultures. However, poverty, isolation and alienation from state structures act as significant obstacles to these eradication efforts. Drug demand remained steady but with a significant increase in the use of amphetamines and other synthetic drugs. Drug trafficking started up again across the border with Israel after the end of the hostilities. On the other hand, improved relations with Syria helped to curb drug trafficking on Lebanon's eastern border, resulting in larger seizures of stockpiles. Nevertheless, the national anti-drugs strategy provided for in the 1998 Law has still not been fully implemented by the National Council on Drugs. Lebanon worked together with the Mini Dublin Group in April and November and participated actively in the regional Euro-Med Police II programme on drugs cooperation.

In the fight against **money laundering**, as in 2008 Lebanon continued developing a system against money laundering and the financing of terrorism, having incorporated Financial Action Task Force (FATF) recommendations in line with the 2001 and 2003 Laws.

In the area of **police and judicial cooperation**, Lebanon participated in the regional Euro-Med programmes on justice and the police. Work on setting up a Family Mediation and Arbitration Centre continued with a view to helping to resolve international family law disputes. In 2009 it was proposed to admit Lebanon as Member of the Hague Conference on Private International Law.

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

Plans for the implementation of a **transport** policy were held up because regulatory authorities in the land, aviation and maritime sectors were not established as foreseen. Nevertheless, in all transport sectors preparations for regulatory reform were intensive.

The future establishment of a land transport authority will be crucial to the planned revitalisation of the road freight sector. Arrangements for the freight sector reform include: the introduction of stricter technical rules, reorganisation of the profession of freight forwarder, incentives for fleet renewal, as well as the construction of logistic facilities. There are tentative plans in the Transport Ministry to set up a road safety department, to launch a 'Road Fund' and to launch a three-year, performance-based contract for the maintenance of

selected roads. The construction of the northern section of the railway is held up for lack of funds.

In the aviation sector, Lebanon has still not established a separate aviation regulator, although from the technical point of view the sector is managed according to high international standards. After the signature of a horizontal agreement in 2004, in December 2009 the European Commission launched negotiations on a comprehensive Euro-Mediterranean aviation agreement with Lebanon, aimed at regulatory alignment with EU standards and mutual market opening. Those negotiations should be concluded in the course of 2010.

In the maritime sector, a draft law for the establishment of the Maritime Transport Authority was sent to the cabinet under the previous Government. Although Lebanon took steps to improve flag state implementation, the Lebanese flag is still on the black list of the Paris Memorandum of Understanding on Port State Control. The reinstatement of the Vessel Traffic and Monitoring System covering the Lebanese coast and territorial waters is advancing with EU support.

Lebanon still foots a high **energy** import bill (nearly 10% of GDP in 2009) and subsidises electricity prices and *Electricité du Liban* (EdL) at a high cost (4.6% of GDP in 2009). In 2009 there were regular power cuts, sometimes lasting up to 10-12 hours a day outside Beirut. There is a need for substantial investment in existing and new infrastructure, including new electricity production to cope with rising energy demand. The new Government's declaration includes an ambitious plan to address energy sector issues. Lebanon did further work on the establishment of an electricity generation master plan. It developed an *ad hoc* plan to build a new power plant urgently in 2010, but implementation requires a political and financial decision. In December 2009 the first Syrian gas arrived in the country under a swap-contract with Egypt and was used for power generation in one 450 MW power plant. It will make a significant contribution to reducing the country's energy bill. The Government adopted an oil development plan. A draft law on off-shore oil and gas exploration is being prepared. Plans to build an Liquefied Natural Gas terminal remained in the study phase. Lebanon started to import electricity from Egypt through Jordan and Syria. This became possible when the Lebanon-Syria electricity interconnection was completed.

Lebanon focused specifically on promoting the use of renewable energy sources and initiated the development of a strategy supporting the Mediterranean Solar Plan. It advanced the establishment of a wind atlas, initiated the installation of energy-efficient street lighting and made a start on developing a solar heating project.

In the field of **climate change**, Lebanon continued to prepare its Second National Communication to the UN Framework Convention on Climate Change, including a greenhouse gas inventory and an assessment of climate impacts. As regards the administrative framework, the 2009 ministerial declaration announced that a national committee would be established to follow up issues related to global warming and desertification. Implementing legislation on control of ozone depleting substances was adopted.

Steps were taken to prepare Clean Development Mechanism projects, although no projects have been registered at UN level so far. A Ministerial decision on the procedure for the review of CDM projects was adopted. Lebanon has not yet associated itself with the Copenhagen Accord and is therefore encouraged to do so as soon as possible and to provide information on the targets or actions that it will implement.

As regards the **environment**, the 2009 ministerial declaration announced plans to create green areas in cities and villages and reinforce natural reserves, replant trees, prevent forest fires and address the issue of open waste dumps. The Ministry of the Environment prepared a work programme for 2010-2012. 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. Implementing legislation on quarries was amended and implementing legislation on hunting was prepared. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement.

Restructuring of the Ministry of Environment started following the adoption of implementing legislation on its reorganisation and the mandate of its regional departments. Further strengthening of administrative capacity is still a major challenge at all levels of the country. Coordination between the authorities involved also requires attention. Reform of the water sector is on-going, but further measures are needed to for fully integrated water resource management, including the related institutional responsibilities. The 2009 ministerial declaration announced plans to improve water and wastewater infrastructure and to address water resource management and quality. Some activities took place to integrate environmental considerations into other policy sectors such as energy.

Lebanon organised some activities to inform and involve the public, but access to information needs to be improved. The adoption of a decree on environmental impact assessments is pending and public consultation in the context of environmental assessments is still not widely ensured. A strategic environmental assessment was carried out for a land-use master plan (*Schéma directeur d'aménagement du territoire*).

The process of ratification of the Integrated Coastal Zone Management Protocol of the Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean is ongoing. There were no significant developments concerning the ratification of the other remaining Protocols². Moreover, the implementation of already ratified agreements requires particular attention. Lebanon continued to participate in the Horizon 2020 Initiative, in the preparations for a strategy for water in the Mediterranean (which failed to get approval at the recent ministerial meeting of the Union for the Mediterranean), in the Mediterranean Action Plan and in the EU Water Initiative, including a national policy dialogue. Cooperation and information exchange took place between the European Commission and Lebanon, including on water, pollution reduction in the Mediterranean region and on environmental reporting.

In the field of **civil protection**, Lebanon took part in a new phase of activities of the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to Natural and Man-Made Disasters that started in 2009, continuing the process of strengthening civil protection activities in the region, enhancing capacity at regional, national and local levels, and promoting institutional cooperation. Hereby, further steps were taken to bring Lebanon closer to the European Civil Protection Mechanism, while at the same time contributing to the development of a civil protection culture in the region, based on an integrated approach

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 or the Specially Protected Areas and Biodiversity Protocol.

covering disaster prevention, preparedness and response. The EU financed a control centre to combat forest fires.

In May 2009, the Ministry of Telecommunications published a policy paper setting out a vision for the **Information Society** in Lebanon aimed at developing a people-centric information society, where everyone can create, access, utilise and share information and knowledge.

In April 2009, the Government lowered telecommunications tariffs in order to increase the number of subscribers for each operator, resulting in an increase of total revenues. The rollout of Broadband Internet services was slow in 2008, but subscriber numbers appear to have increased rapidly during the first half of 2009. The Telecommunications Regulatory Authority - whose independence is being called into question - granted interim licenses for broadband data and Internet services to three Lebanese companies, which can now install and operate networks of their own. This raises the number of privately licensed service providers with their own networks to 24. Although the Authority has postponed the entry into effect of the Spectrum Reforming Plan and the Licensing Regulations, it has reiterated its commitment to safeguarding an open, transparent, and competitive market.

In the **audiovisual sector**, the *Conseil National de l'Audiovisuel* has a consultative role only and cannot impose rules that have not been enacted by the Ministry of Information. A Supervisory Commission on the Election Campaign (SCEC) was established with EU support in late 2008 and took some positive initial steps towards controlling access to the media by political parties in the context of the 2009 parliamentary elections.

The participation of Lebanon in the 7th Framework Programme (FP7) is limited and remains below its potential; there is still a need for better coordination among the national contact points in order to increase the participation of Lebanese researchers and **research** entities in the FP7. Lebanon's participation in FP7 can be summarised as follows: 125 Lebanon applicants, ten of whom were listed for an EU budget contribution to Lebanon of EUR 1.2 million.

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

As in 2008, Lebanon continued to implement the national programme on access to quality **education** with priority given to low-income households and students with special needs. As was the case in 2008, significant challenges remain with regard to governance of education, resource management and adequate measures to tackle secondary school drop-out rates and the de-skilling of students.

The situation regarding the draft laws on the re-organisation of the private **higher education** and on the University of Lebanon has not changed since 2008. National dialogue between educational partners continued on the establishment of a homogenous educational system under the auspices of the Bologna Promoters Group and with the support of the Higher Education Reform Experts (HERE) funded by the EU. 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, remain key areas of interest, as was the case in 2008. Concrete legislative proposals in these areas are expected.

The public-private partnership project on **vocational training** in the agro-food sector, which is funded by the EU, produced a partial labour-market study and a draft proposal for a legal framework to regulate the provision and delivery of vocational education and training through public-private partnerships. In November 2009, a first training session for trainers on e-learning was organised, with Lebanon benefiting from the experience, results and methodology developed under the earlier regional Meda ETE programme (see Sector Report 2008). With the technical assistance of the European Training Foundation (ETF), the Ministry of Education and Higher Education initiated cooperation with education and training NGOs with a view to developing entrepreneurship as a key feature of lifelong career guidance.

Lebanon participated actively in the Tempus IV programme, receiving funding for three projects under the second call for proposals for the academic year 2009-10. In addition, Lebanese students and academics benefited from grants from the Erasmus Mundus programme, including 26 mobility grants. Participation in Tempus enabled Lebanese universities and higher education institutions to broaden long-standing cooperation with their European partners as well as to extend and diversify sources of academic expertise in support of reforms. The Ministry of Higher Education enhanced its ownership of the higher education modernisation agenda by defining priorities in line with future national plans and strategies. Lebanese universities are encouraged to continue submitting high-level applications for projects under the Jean Monnet programme.

On **youth** cooperation, Lebanese young people and youth organisations continued to benefit from the mobility opportunities offered by the Youth in Action Programme, in the area of youth exchanges, voluntary service and cooperation in the field of youth and non-formal education. The Ministry of Youth and Sport continued work on a national policy and strategy for sports, youth and scouts. As was pointed out in 2008, there needs to be more public support for youth leadership development programmes, informal education, drug prevention and youth information activities.

In the area of **culture**, Lebanon participated actively at regional level in the new Euro-Med Heritage IV programme. As Lebanon has not ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, Lebanese cultural organisations were not eligible to participate in the Call for Proposals of the 2009 ENP Special Action under the Culture Programme.

As was pointed out in 2008, while communication channels between the Ministry of Interior and Municipalities and NGOs did improve, there are still some obstacles to the registration of **civil society** organisations (*see section 2*). A new law on NGOs is still in draft form. In implementing the 2007 law on consumer protection, in September the Ministry of Economy and Trade reactivated the Consumer Protection Council, which includes private sector and consumer association representatives.

Lebanon pursued **health** sector reform including as regards primary health care, pharmaceuticals and financial sustainability. Lebanon took measures to combat influenza A (H1N1) including the stepping up of surveillance. In 2009 the European Commission invited Lebanon to participate in the newly established EU enlarged Health Information Committee. Lebanon pursued participation in the “Episouth” network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION — 2009 KEY FACTS AND FIGURES

The European Neighbourhood and Partnership Instrument (ENPI) financial allocation for Lebanon under the National Indicative Programme 2007-2010 is EUR 187 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Lebanon Action Plan and pursues several priorities. On the one hand, support focuses on the enhancement of political dialogue and cooperation on democracy and political life, an independent and impartial judiciary, the promotion of human rights protection and cross-cultural dialogue, as well as the consolidation of freedom of media and expression. On the other hand, the priorities are improving public finance management (sustainable fiscality and reduction of debt burden), improving business conditions to enhance growth and job creation, liberalising trade and promoting sustainable development policies and actions.

Implementation of the measures covered by the 2007 and 2008 Annual Action Programmes is underway. There is support for the reform of the judiciary, environmental protection, energy, comprehensive social assistance systems (safety nets), and trade facilitation and customs. Support for reconstruction and recovery takes the form of fostering local development, continuing demining and clearing of unexploded ordnance as well as improving the living conditions of Palestine refugees.

In 2009 the European Commission continued to support the national reform efforts in Lebanon and programmed assistance for a total amount of EUR 43 million under the ENPI. The 2009 Annual Action programme focused on support to political, social and economic reforms as well as reconstruction and recovery and further support to the electoral reform. In addition, a twinning project on VAT Compliance and Risk Management was selected in 2009 and another project on statistics is currently at the planning stage. Lebanon once again made effective use of TAIEX and almost 80 Lebanese officials participated in TAIEX events.

An indicative financial allocation of EUR 150 million will be available to support cooperation activities in Lebanon in the period 2011-2013, based on a European Commission decision of March 2010.

In addition to the bilateral allocation, Lebanon also benefited from cooperation activities financed under the ENPI multi-country and regional programmes, as well as horizontal thematic programmes such as the European Instrument for Democracy and Human Rights (EIDHR), Investing in People and Non-state Actors and Local Authorities in Development (NSA/LA). Lebanon also participates in the Cross-Border Cooperation (CBC) Mediterranean Sea Basin programme (EUR 173.6 million for the whole programme in the period 2007-13). The priorities of the programme are: social-economic development, renewable energy, cultural dialogue and local development.

Under the Neighbourhood Investment Facility (NIF), one technical assistance project in Lebanon was approved in 2009 amounting to EUR 4 million, which is expected to leverage EUR 111 million in loans from European Finance Institutions in the water and sanitation sector.

In 2009 funds from the Instrument for Stability were used in Lebanon to support rubble removal at the Nahr el Bared refugee camp and provided rental subsidies to displaced refugees. Moreover, funding was provided to support the creation of the Special Tribunal for Lebanon. The Instrument for Stability was also used to provide technical assistance and equipment for the organisation of the parliamentary elections.

The European Investment Bank signed lending operations in 2009 in Lebanon for an amount of EUR 70 million for the Kesrwan Water and Wastewater project for the construction of a wastewater treatment plant and a sewerage network and sea outfall in Tabarja near Jounieh.

In 2009 the EU Delegation to Lebanon coordinated assistance activities, chairing regular thematic coordination meetings with Member States. On the side of the Lebanese Government, the Government Reform Programme Coordination Office takes the lead. The EU Delegation, in permanent dialogue with the World Bank, leads the international donors and UN Agencies.