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Implementation of the European Neighbourhood Policy in Lebanon Progress in 2011 and recommendations for action

Accompanying the document

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

Delivering on a new European Neighbourhood Policy

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1. OVERALL ASSESSMENT AND RECOMMENDATIONS FOR ACTION

This document reports on the overall progress made in implementing the EU-Lebanon ENP Action Plan between 1 January and 31 December 2011, 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. For information on regional and multilateral sector processes in the context of the Partnership for Democracy and Shared Prosperity, readers should also refer to the Partnership for Democracy and Shared Prosperity progress report.

Following the fall of the national unity government in January 2011, the implementation of the ENP Action Plan stalled in the first semester of 2011. The new cabinet of Prime Minister Najib Mikati, which took office in July, showed strong commitment to cooperation with the EU. High level visits, which were carried out, gave the bilateral relations an additional impetus. The Association Committee held its first meeting since 2007 and sub-committees resumed their work. Preparations for a new ENP Action Plan were launched at the end of the year.

In the context of a volatile situation in the Arab world, and most importantly in the neighbouring Syria, Lebanon successfully preserved its political stability, sovereignty and internal unity due to the policy pursued by the government. Lebanon remained committed to its international obligations and respected its financial commitment towards the Special Tribunal for Lebanon (STL), and accepted the renewal of the STL mandate for additional 3 years.

Human rights and fundamental freedoms are generally respected in Lebanon. Freedom of expression, association and religion can be exercised in a relatively liberal environment. A crucial milestone in deepening Lebanon's democracy will be the electoral reform, pending for many years, on which discussion re-started in September 2011. Remaining challenges include increasing the efficiency and independence of the judiciary, improving the management of prisons and detention centres, abolishing the death penalty, improving the treatment of migrants and refugees and increasing the participation of women in political and social life. There was rather limited progress in these areas in 2011.

Cutting corruption remains a major challenge. A new administrative reform strategy was presented at the end of 2011. Plans for decentralisation have not been formulated yet. In the security sector, the code of conduct adopted by the Internal Security Forces in January 2012 is expected to further contribute to a more citizen-oriented police service. Furthermore, Lebanon needs to improve its border management.

The political stalemate of the first half of 2011 and the events in Syria have taken their toll on several macroeconomic indicators throughout the year. However, Lebanon managed to maintain economic stability. The economic situation remains vulnerable, especially on the fiscal front, given the high levels of government deficit and public debt. The ENP Action Plan focuses *inter alia* on fiscal consolidation, public finance management and progress towards establishing a fully functioning market economy.

Implementation of these priorities was mixed, with the prudent stance of the central bank broadly supporting macro-economic performance and stability but little progress being made on fiscal consolidation and structural reforms including in the energy and telecommunication sector.

Lebanon's lack of progress in the accession to the World Trade Organisation (WTO) remains the main obstacle to further trade liberalisation with the EU. The Lebanese parliament still has to discuss and adopt a number of legislative proposals necessary for the accession. Trade exchanges will be further facilitated by improved computer tools for customs. According to the new legislation, an independent National Council for Financial Markets will be set up to regulate financial markets.

Lebanon needs to improve its infrastructure to ensure basic services for the population and improve the environment for businesses. Decreasing internet costs leading to increased access to the broadband internet was an important step forward in 2011. Agreement on financing of the electricity sector plan, reached in September 2011, may help address shortcomings in electricity supply.

There was rather limited progress in the field of social policy with the exception of a wage hike for workers, which was approved in early 2012. Structural measures that would improve social safety nets and address poverty and social inequalities should be devised.

On the basis of this year's report and with a view to sustained implementation of the ENP Action Plan in 2012, Lebanon is invited to:

- Adopt a new electoral law, in good time for the legislative elections in 2013, bringing the electoral process further into line with international standards.
- Reduce the backlog of draft laws currently before parliament and advance adoption of legislative proposals in key economic and social areas.
- Take measures to improve the effectiveness and independence of the judiciary, including increased use of computers in courts and independence of judicial appointments.
- Pay special attention to enhancing the role of women in both public and economy sectors respectively.
- Take concrete steps to improve rights of the Palestinian refugees to property, employment and social security, while respecting the right of return principle.
- Finalise and sign a comprehensive Memorandum of Understanding between the Lebanese authorities and UNHCR to improve the protection of refugees and asylum seekers.
- Improve the management of public finances, including the adoption of the long awaited law on public procurement, and adopt a balanced state budget (this is a precondition for EU budget support).

- Advance accession to the World Trade Organisation, by adaptation of laws and progress in bilateral service negotiations, and sign and ratify the regional Convention on pan-Euro-Mediterranean Rules of Origin.
- Adopt structural measures in reforming the energy sector; implement the electricity plan and enhance the use of renewables.
- Take steps to strengthen the independence of the Telecommunications Regulatory Authority with a view to possible liberalisation of the sector.
- Re-launch social dialogue and adopt a strategic framework for vocational education and training in support of job creation.

2. POLITICAL DIALOGUE AND REFORM

Towards Deep and Sustainable Democracy

The new government formed in July 2011 upheld the commitment of the previous administration to prepare a new parliamentary **election** law ahead of the legislative elections in 2013. A new proposal presented by the Ministry of Interior and Municipalities stimulated public debate across the political and religious spectrum. The proposal addresses several of the recommendations made following the 2009 EU Election Observation Mission, including some form of proportional representation, improved election campaign supervision, pre-printed ballots, out-of-country voting and a gender quota on candidate lists. However several other crucial recommendations proposed by the EU Election Observation Mission in 2009 were not addressed. The draft does not propose the establishment of a truly independent electoral commission. It does not propose to lower the voting age, as this requires a constitutional amendment. The discussion on the electoral reform started in 2011 and will continue in 2012. Consultation with civil society was limited.

Civil society organisations in Lebanon operate within a relatively liberal framework without limitations on their **freedom of association and assembly**. A further step towards formalising their participation in the legislative process was the government's call for reactivation of the Lebanese Economic and Social Council. Nominations for members of the Council have not been acted on since 2002. The Council should establish a structural framework for the dialogue between civil society and the Lebanese authorities.

Lebanon has a very open and diverse media environment. But a few cases of limitations on **freedom of expression** were observed in 2011. The activities of some filmmakers were restricted. The National Audiovisual Council limited the airing of a small number of television programmes, films and other artistic material that touched upon 'sensitive' religious and political topics.

There was some progress on the **independence of the judiciary**. The Government decided significantly to increase the remuneration of judges in an effort to reduce the risk of corruption. However key judicial appointments, such as the head of the Higher Judicial

Council, continue to be heavily influenced by both the legislature and the executive. Inefficiency of the courts and delays result in denial of court access. The excessive jurisdiction of military courts and the trying of civilians, who have no connection with the military, violate the principle of a fair trial. The computerisation of the Ministry of Justice continued in 2011. The EU continues to provide financial support for judicial reform. A financing decision for a new programme of EUR5 million was taken in 2011.

The public perception of **corruption** in Lebanon remains poor. According to the corruption-perception index published by Transparency International, Lebanon ranked 134th in 2011 compared to 127th in 2010. There is no national strategy to tackle corruption.

In the **security sector**, some progress took place within the Internal Security Forces (ISF). At the end of 2011 the ISF finalised their new code of conduct, which opens the door to the development of a more citizen-oriented police service. The members of the ISF Council of Command were appointed after five years of negotiation. Furthermore there has been greater cooperation between police services and the judiciary in the context of criminal investigations. But mainstreaming of best practices and closer inter-agency cooperation are still needed.

A new project Developing National Capability for Security and Stabilisation, signed between Lebanon and the EU in December 2011 worth EUR12 million, aims at further enhancing ISF organisational competences.

As for **democratic control over the armed forces**, the efforts to resume the national dialogue and draw up a national defence strategy that would ensure sovereign control by the Government did not bring results in 2011. The UN, supported by the EU, continued to call on Lebanon to advance in implementing UN Resolution 1701 in particular with regard to the disarmament of all armed groups and ensuring that there are no weapons on Lebanese territory without the consent of the Government of Lebanon. The Lebanese Armed Forces remained committed to cooperation with the UN Interim Force in Lebanon (UNIFIL). At the end of 2011, a strategic review was launched with a view to a progressive handover of UNIFIL functions to the Lebanese state.

Other Human rights and governance-related issues

Human rights and fundamental freedoms in Lebanon are relatively well respected and enshrined in the legal framework. Nevertheless limited violations occur in some areas. During 2011, three cases of judicial harassment of human-rights defenders were reported. The Human Rights Action Plan is under final discussion in the Parliament's Human Rights Committee. The Action Plan should lay the groundwork for the establishment of a National Human Rights Institution.

There are indications that **torture** is not widespread but still occurs in Lebanon, mainly in detention centres, prison facilities and police custody. Lebanon has ratified the UN Convention against Torture as well as the Optional Protocol to the Convention.

Nevertheless it still has to establish a National Preventive Mechanism and submit the required reports.

The situation of detainees in **prisons and detention centres** continues to be of concern. Prison conditions are not in line with international standards. Overcrowding, sub-standard conditions and mistreatment were among the causes of prison riots in 2011. A high percentage of imprisoned persons are in pre-trial detention, and a limited number serving beyond their sentence. The transfer of authority over prisons from the Ministry of Interior to the Ministry of Justice continued at a slow pace in 2011.

There is no agreement among political actors on abolishing **capital punishment**. In the reporting period, the courts handed down further death sentences in cases of Lebanese individuals convicted of spying on behalf of Israel. Although no death sentence has been carried out since 2004, the moratorium on executions has never been formalised through a legal act.

There was limited progress in the area of **women rights**. A draft law on the Protection of Women from Domestic Violence was adopted by the council of minister in 2010 but continues to be opposed by religious leaders. Lebanese legislation continues to prevent Lebanese women from passing on their nationality to their children. A new legislative proposal that facilitates the acquisition of citizenship by emigrants of Lebanese descent, excludes from this possibility emigrants of ‘matrilineal’ Lebanese descent. Lebanon did not lift its reservations on the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Female participation in political life remains low. No woman was appointed to a ministerial post in the new government and there are only four female members of the Lebanese parliament. However, as encouraging step towards addressing gender related issues, notably gender-based violence, the parliament repealed the penal code provision mitigating so called crimes of honour. No significant progress was noted in improving the **rights of children**.

Lebanon’s administrative and legal framework governing **refugees and asylum seekers** remains deficient (see chapter 5). No improvement is evident in the situation of Palestinian refugees. Discrimination persists and covers employment, ownership of property, social safety and political inclusion in general. The amendments to the Labour law adopted last year did not lead to a tangible improvement in the situation of Palestinian refugees in the labour market as many of the critical implementation decrees have not been issued.

The unified standard contract for **migrant workers** issued by government decree in 2009 is being more widely used. However, there are still significant shortcomings in its application, in the sponsorship system for domestic workers in general as well as in the fact that the Lebanese labour laws are not applicable to domestic work.

The Office of the Minister of State for Administrative Reform has drawn up a proposal for an **administrative reform** strategy that focuses on the core functions of a modern state. It aims to foster a transparent, accountable and effective public administration. The proposal has been presented to the Council of Ministers for adoption. The EU is ready to

support the implementation of the strategy with EUR9 million through projects for which the financing agreement was signed at the end of 2011.

Continued work on **decentralisation** is among the priorities of the new government. However, no noticeable development took place in 2011. An EU financial support package of EUR 20 million to assist the municipal finance reform was signed at the end of 2011.

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

The ministerial declaration of the new government explicitly listed cooperation with the European Union among its objectives. **Dialogue** with the EU resumed very intensively as soon as the government was established, with several high level visits and ENP meetings held in the second half of 2011.

The Lebanese government expressed continued commitment to the UN Security Council Resolutions, mainly UNSCR 1701 and UNSCR 1757 establishing the Special Tribunal for Lebanon (STL). Lebanon honoured its obligations towards the STL and in November 2011 transferred its 49% share of funding to the STL. On 30 June 2011 the Tribunal handed over to the Lebanese authorities the indictments for four persons accused in relation to the assassination of Prime Minister Rafiq Hariri in 2005. The Lebanese authorities did not succeed in apprehending the accused persons in the reporting period. The Lebanese Prosecutor General provided regular reports to the STL on efforts undertaken in this regard. The STL mandate was extended for an additional 3 years in early 2012.

Lebanon has shown commitment to continued work with UNIFIL on the implementation of the UNSCR 1701 and remains committed to the joint strategy between the Lebanese Armed Forces and UNIFIL. In the reporting period the European UNIFIL peacekeepers became subject of three separate attacks, strongly condemned by the Lebanese government but investigations into these attacks have not shown any significant results. The EU condemned these incidents and called on Lebanese government to increase security measures and enable a safe environment for their work.

During 2011 Lebanon held the post of a non-permanent member of the UN Security Council, handling particular contentious issues during its presidency in September, namely the UN resolution on Libya, the bid for Palestinian statehood and proposed resolutions on Syria. Lebanon has sought to take a neutral approach, abstaining or declining to vote, on issues relating to Syria.

In September 2011, Lebanon successfully hosted the Second Meeting of State Parties to the Convention on Cluster Munitions attended by representatives of more than 120 countries. The Ottawa Convention on Anti-Personnel Mines and the Rome Statute of the International Criminal Court have still not been ratified by Lebanon.

In 2011, Lebanon sought a peaceful approach to resolving differences in the delineation of its southern maritime border, where the coordinates delimiting Lebanon's Exclusive Economic Zone differ from those used by Israel.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

Lebanon has been severely hit by the regional turmoil. The slowdown in exports and inward investment led to a GDP **growth** rate of only 1.5% for 2011 (from 7% in 2010). Consumer Price Index inflation accelerated to 5.4% in 2011 from 4.5% in 2010, mainly due to sustained commodity prices.

On the **fiscal** front, Lebanon's central government deficit widened to 8.3% of GDP in 2011 (from 7.5% in 2010) following a rise in the wage bill and increased transfers to Electricité du Liban. Lebanon's public debt remains high at 134% of GDP, although its ratio has considerably declined in recent years partly thanks to rapid GDP growth.

Oil price increases and the rebound of imports during 2011, combined with the impact of the regional turmoil on tourism (a key sector of the Lebanese economy) and exports affected the current account deficit which widened further to 14.1% of GDP in 2011 from nearly 10.6% of GDP in 2010. Official foreign exchange reserves dropped to \$28.3 billion in the first half of 2011 (from \$29.6 billion at the end of 2010) but they recovered subsequently at the end of August and remain at comfortable levels, amounting to nearly \$31 billion at the end of 2011.

The **banking** sector is dominant in the economy (with deposits representing around 300% of GDP) and politically influential. A significant portion of its assets are devoted to holding the high government debt. Financial stability risks have been mitigated in recent years due to the strong official foreign exchange reserve cushion of the economy, which has contributed to the credibility of the currency peg to the US dollar (introduced in 1999).

Improving **public financial management** and reforming the water, energy and telecommunications sectors remain key elements of Lebanon's reform agenda. In the area of public-debt management, Lebanon, with assistance from the World Bank, has established a new Debt Management Office within the Finance Ministry (MoF) and a Committee on Debt Management where the Central Bank of Lebanon and the MoF are represented.

Employment and social policy

While there are no official figures available and authorities do not issue regular statistics, estimates indicate that Lebanon's **unemployment** rate was approximately 11% in 2011. Youth unemployment remained a particular concern, with unemployment for the age category below 25 estimated at 21% in 2011. The Lebanese economy continued to suffer from a lack of capacity to absorb young people entering the labour market, an issue

which is particularly acute for young graduates of the secondary and university levels and leads many to emigrate.

An Economic and **Social** Action Plan was prepared in 2011 by the Prime Minister's Office, is currently under discussion in the Council of Ministers. The Strategy is based on six pillars, including the creation of a conducive business environment, rehabilitation of infrastructure in basic social services such as energy, transport, water supply and sanitation, human development including social protection, and regional development.

The authorities also launched a specific programme for the most vulnerable families, so as to tackle poverty and high regional disparities (the most recent data from 2004 indicated that 28% of the population were living on less than \$4 per day); the programme covers about 52 000 families and includes assistance with electricity, drugs for chronic illnesses and fostering access to education. A targeted 'first job seeker' pilot programme, supported by a grant from the World Bank, was set up at the end of 2011 in order to promote the entry into the labour market of graduates aged between 16 and 30 years.

On **social protection**, the new government announced in its Ministerial Statement its intention to improve social welfare and enhance universal coverage, notably of health insurance through the National Social Security Fund. Draft legislation along these lines was submitted to the Council of Ministers in September 2011. Efforts continued to reform the pension scheme, so as to move away from a system of end-of-career lump sum payments in the private sector.

Threats of a general strike by the General Union of Labour Workers in October 2011 led the authorities to engage in contacts and dialogue with social partners. After a series of controversies, pay increases of 20-30% for the lowest earners were eventually agreed in January 2012, once agreement between the Government and the State Council was found and transportation and education allowances removed from the overall financial package. The authorities also committed to reviving the Social and Economic Council.

On **labour standards**, Lebanon launched procedures in January 2012 to ratify International Labour Organisation (ILO) Convention 87 on the Freedom of Association and Protection of the Right to Organise. The authorities also indicated their intention to revise the labour law to eliminate discrimination and extend the coverage of the labour law to migrant and notably domestic workers, as well as to transpose into national legislation core ILO standards such as those on working times. First steps were taken in September 2011, with a decision to open the labour market to non-Lebanese citizens who are children or spouses of women of Lebanese nationality. In February 2012, a Memorandum of Understanding was signed between Lebanon and the Philippines, enhancing the treatment of migrant domestic workers; the authorities indicated that the same treatment would be applied to workers of other nationalities.

In the area of **agriculture**, the Government issued decrees on fertilisers, seedlings, pesticides (pesticide prescription) and decisions on post-harvest requirements. The Ministry of Agriculture (MOA) regulated private nurseries and established a register for nurseries and revised test requirements for imported agricultural products. The ministry

also launched pest-surveillance activities and initiated the National Biotech Committee. July 2011, the MOA launched the Agriculture and Rural Development Programme (EU contribution EUR14 million) which aims to increase the overall performance of the agriculture sector in order to achieve sustainable food security and to improve the livelihood of rural and farming communities. It is expected that 40000 people will benefit directly from the Programme.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

In 2011 EU was the largest trading partner for Lebanon, covering 29% of Lebanese **trade**. Bilateral trade volume has been steadily growing since 2007 with an average annual growth of 11.8% and amounted to EUR 5.6 billion in 2011. EU imports from Lebanon consisted mainly of semi-manufactured goods (26.4%), agricultural products (20.5%), fuel and mining products (16.2%), chemicals (12.9%), machinery and transport equipment (9%). EU exports to Lebanon consist mainly of machinery and transport equipment (22.4%), energy products (26.3%), agricultural products (14.8%) and chemicals (13.3%).

Lebanon has yet to notify the EU of the completion of internal procedures for the entry into force of the Protocol on the Dispute Settlement Mechanism, signed in November 2010.

No progress was made by Lebanon in 2011 in its accession process to the World Trade Organisation (WTO). Lebanon has yet to adopt a number of laws and to make progress in bilateral services negotiations in the WTO accession context. The EU continued to provide assistance for Lebanon's accession to WTO; a precondition for further deepening of bilateral trade relations with the EU.

Computerisation of **customs** systems included upgrades to existing systems and the rolling out of the customs clearance automated information system and the electronic declaration system systems to the whole customs territory.

In respect of the **free movement of goods and technical regulations**, very little progress was made in the preparations for negotiations on an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). Lebanon has identified three priority sectors: electrical products, pressure equipment and construction materials. Lebanon has not yet approved the draft ACAA Action Plan. The Government approved the Metrology law in July 2010 but it has not yet been submitted to the Commission for assessment. The 2010 law on 'Technical Regulations and Conformity Assessment Procedures' is not yet in line with the *acquis*. In October 2011, LIBNOR, the Lebanese organisation for standardisation, became an affiliate member of the European Committee for Standardisation (CEN).

Regarding **sanitary and phytosanitary** issues, the draft food safety law (which includes the establishment of a food safety authority) and the draft animal quarantine law remained pending. A phytosanitary strategy is in development. Lebanon upgraded quarantine facilities.

Lebanon's **business climate** further deteriorated through the perceived political instability due to the Arab Spring and, in particular, the situation in Syria. Lebanon's ranking in the World Bank's 'Doing Business 2012' annual report fell from 103 to 104 in comparison with the previous year. The high cost of logistics, labour and land in urban areas, poor supply of energy and the unpredictability of administrative and juridical decisions continued to burden investors, while the lower prices and faster speed of internet connections present a welcome improvement.

The 2009 plan to facilitate the **establishment** of a business without recourse to a lawyer was scrapped due to resistance from the Bar Associations: the minimum legal fees for starting a business remain at 6 million Lebanese pounds (or around EUR 3000). The major obstacle to the establishment of a business is the difficulty of obtaining construction permits. The World Bank estimates that it requires 19 separate procedures, taking a total of 219 days, with a cost that is around 235% of GNI per capita. No significant reforms have been introduced in 2011 and it is estimated that the cost of establishment rose during the year. Likewise there was no reform in the area of **company law** in 2011.

Lebanon participated in implementing the 2011-2012 industrial cooperation work programme that Euro-Mediterranean Industry Ministers adopted on 11-12 May 2011 in Malta.

The Parliament reinforced the regulation of **financial services** in August 2011 through a new law establishing an independent body, The National Council for Financial Markets in Lebanon, to regulate and supervise capital markets.

Other key areas

The agreement on double **taxation** between Lebanon and Italy was approved in May 2011 by the Italian Senate, bringing the number of such agreements with EU member states to eight.

Lebanon announced in August 2011 that, following a recommendation of an EU Twinning Project, the Directorate of VAT and of Revenue would be merged to achieve better integration of databases and shared, standardised procedures. Lebanon adopted a change in tax recovery approaches from catching the citizen to running a risk-based system promoting voluntary compliance.

The Ministry of Finance continued providing the EU with the annual figures for **state aid**. The Parliament did not deal in 2011 with the 2007 draft **competition** law, and the Government is revising the draft.

The International **Intellectual Property** Alliance reported in 2011 that piracy abuses continue to be a problem for legitimate business in Lebanon. Enforcement of property rights is sporadic despite improvements.

Draft legislation to modernise **public procurement** is still waiting for parliamentary approval. The EU provided, through SIGMA, assistance in developing public procurement legislation and a strategy.

The Central Administration for **Statistics** (CAS) worked to improve the availability and quality of national accounts, trade data and social statistics. It also studied with the support of an EU-funded twinning programme, the feasibility of setting up a business register. This work has suffered from a chronic lack of resources allocated to CAS.

In cooperation with the World Bank, CAS launched the National Household Budget Survey for 2011, for the first time since 2004. The results will help assess poverty levels, provide weights for the consumer price index, the main indicator of inflation, and give more accurate and timely labour and unemployment figures.

A Public Expenditure Financial Accountability (PEFA) exercise funded by the EU was finalised in August 2011. In October 2011, the Ministry of Finance accepted the PEFA report as an unofficial working document. This document constitutes a baseline for measuring **Public Finance Management** reform in the future and for preparing a reform strategy with the support of a EUR 13.7 million project.

Hearings took place during the last months of 2011 at the Parliament to discuss the lack of closure of accounts since 2004. The head of the parliamentary commission on Budget and Finance suggested that, given the role of the Court of Account as **external auditor**/controller of the Government's work, it should be placed under the control of the presidency of the Republic and not, as today, under the control of the Prime Minister.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

During the year 2011 the controversy over demarcation of the maritime border with Israel continued. In August 2011 the Lebanese Parliament approved the delineation of the borders of its Exclusive Economic Zone in line with the maps submitted to the UN in 2010. In September Lebanon lodged an official complaint with the UN Secretary General contesting the depositions made by Israel in July 2011.

Lebanon still lacks a comprehensive, integrated **border management** strategy. The border between Lebanon and Syria, in particular, is not adequately delineated or controlled and incursions into Lebanon by Syrian armed forces took place during 2011. EU support in securing and controlling the border in accordance with international standards will be provided to Lebanon in the framework of the Security and Stabilisation Programme, which was signed in December 2011. The Lebanese authorities actively participated in the Mediterranean Transit **Migration** Dialogue.

No progress was registered in the area of asylum law, where Lebanon is still not a party to the 1951 Geneva Convention on the Status of Refugees. In this context a revised Memorandum of Understanding with UNHCR is needed to fill the protection gap. Nevertheless, at the end of 2011 Lebanese northern regions of Lebanon were giving hospitality to approximately 5000 Syrians who in 2011 fled violence and persecution in

their country. In the course of 2011, UNHCR, in partnership with the Lebanese High Relief Council, assisted more than 10000 people displaced from Syria; this also included the enrolment of children at Lebanese schools and psycho-social support.

In August 2011, parliament adopted an anti-trafficking law amending the Lebanese penal code to address the crime of **trafficking in human beings**. The law provides for a clear definition of trafficking and sets out penalties for traffickers. Further consideration needs to be given to the prevention of trafficking and the situation of children, who are not addressed in the law.

In the **fight against drugs**, the Drug Enforcement Unit of the Internal Security Forces continued further eradication of hashish plantations in the Bekaa region.

A law on **money laundering**, including provisions for the creation of an inter-ministerial committee to improve the **fight against organised crime** and its financial aspects, was approved in late 2011. No progress took place in other areas on the fight against organised crime, including in relation to the draft law on cybercrime, which had been prepared in 2010.

No progress was evident in the field of **judicial and law-enforcement cooperation** and a number of international conventions regarding family law, and notably children, remain unsigned. As part of the ‘Developing National Capacity for Security and Stabilisation’ project, EU support will also be given to strengthen the capacity of the Internal Security Forces to gather evidence and reinforce judicial cooperation.

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

A land-**transport** strategy, that includes the creation of a Land Transport Authority, was presented to the Council of Ministers in September 2011. The Ministerial Statement mentioned the organisation of the Public Licence system for vehicle, drivers and companies; it is now theoretically being implemented but is unclear how it is enforced. Restoration and upgrading of the railway network (integrated into a multimodal service) remains stalled. 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 2012. The Lebanese flag remains on the black list of the Paris Memorandum of Understanding on Port State Control.

Regarding **energy**, the parliament agreed, in September 2011, upon the financing of a mid-term part of the energy strategy agreed in 2010, tendering for this is expected to begin in May 2012. The short-term part of the strategy has been agreed after extensive debate in April 2012, the long-term sections remain unfunded with indications that the government will try to mobilise private investments. This strategy provides for additional power plants and electricity networks with the aim of ensuring electricity supply ‘round the clock’ from 2014. It is vital for implementing the electricity-sector plan, which aims,

inter alia, to restructure the heavily loss-making electricity company *Electricité du Liban* and to reduce state subsidies. Parliament set up a committee to prepare the establishment of an independent regulator, already foreseen in the Electricity Law. In January 2012, the Government adopted implementing decrees related to the Petroleum Law, aiming to facilitate international investments. In November 2011, Lebanon launched a National Energy Efficiency Action Plan (NEEAP), which calls for the development of renewable energy sources (solar, wind, hydro), the implementation of energy-efficiency measures and the development of a financing mechanism. The aim is to have 12% of energy consumption produced, by 2020, from renewable energy sources. The NEEAP would be instrumental in developing the Mediterranean Solar Plan.

Lebanon submitted its Second National Communication to the UN Framework Convention on **Climate Change**. No Clean Development Mechanism project has yet been recorded by the UN. Lebanon is being encouraged to build capacity and to engage in the new carbon market mechanism to be developed following the 17th Conference of Parties to the United Nations Framework Convention on Climate Change. It is also being encouraged to fully implement the Cancun and Durban agreement and in particular to devise a low carbon development strategy including updating information on targets or actions that it will implement.

The Ministry of the **Environment** revised its work programme for 2011-2013, focusing on three pillars: activation and consolidation of the role of the ministry, conserving the country's natural wealth and managing environmental risks. Legislation was promulgated for the quarrying and hunting sectors. A national strategy for natural marine reserves was finalised. Several waste-management projects were launched and a master plan for the closure and rehabilitation of open and uncontrolled waste dumps was finalised.

In the field of **civil protection**, Lebanon intensified the cooperation with the countries from the region and the exchange of best practices with the EU in the field of disaster prevention, preparedness and response through its participation in the EU Programme for Prevention of, Preparedness for, and Response to natural and man-made.

The **information society** sector remains highly politicised as it is one of the few sectors which consistently generate substantial revenues for the Lebanese government. The State still fully owns the mobile and fixed line networks and has not made any progress towards corporatising it, making liberalisation unlikely. The Ministry of Telecommunications seeks to hold on to its role as a licensing authority (particularly in the context of the new 3G networks active since October 2011) instead of enabling the Telecommunications Regulatory Authority (TRA) to licence telecommunications contracts. There is a need to reinforce the capacities of the TRA and to ensure its independence and to increase the sector's attractiveness for private investment. In August 2011 the government adopted a new pricing plan for the internet. While this has led to substantially lowered tariffs and increased speeds for users, the Ministry's development plan for broadband internet remains limited to the most affluent areas of the country and most notably central Beirut. There is still no national numbering plan in Lebanon, no plan for infrastructure sharing and no universal service provider.

In the area of **research**, a system of Innovation Vouchers is being prepared by the Industrial Research Institute. Although Lebanon recently launched a New Science Technology and Innovation Policy under the auspices of the Conseil National pour la Recherche Scientifique, coordination at the national level remains a challenge. Lebanon's participation in the 7th Framework Programme for Research and Technological Development remained limited. Up to mid-October 2011, Lebanon had 14 signed grant agreements, involving 16 participants from Lebanon and benefiting from an EC financial contribution of EUR1.8 million. The number of applications was 15 of which 3 have been shortlisted. This is in comparison to respectively 25 and 5 in 2010.

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

The political uncertainties of the first half of 2011 slowed down the **education** and training reform agenda. In 2011, Lebanon prepared a draft **higher-education** law. In October 2011, the Government announced the establishment of a National Agency of Quality Control in education and highlighted the need for further development of vocational and technical education based on labour market needs.

In the area of **general education**, Lebanon identified the actions to be implemented to introduce citizen education and to avoid children dropping out of school, these measures being part of the Education Sector Development Plan, which is supported by EU.

Higher education cooperation between the EU and Lebanon continued under the **Erasmus Mundus** programme. Three partnerships involving Lebanese universities were selected and the mobility of more than 200 students will be organised (of these, 134 additional mobility schemes were financed from the additional EU funding allocated under the ENP review). Two additional **Tempus IV** university cooperation projects involving Lebanese universities were also selected. Under the **Marie Curie** programme, aimed at fostering international research collaboration, thirteen Lebanese fellows underwent training within the 'Initial training networks' projects in Europe.

Following the approval in 2010 of the national education strategy framework and the education sector development plan 2010-2015, the expected publication of a strategic framework for **vocational education and training** did not take place. The European Training Foundation continued its support to the Ministry of Education in the establishment of the Lebanese National Qualification Framework, including through a national consultation conference in October 2011.

In the area of **culture**, Lebanon has not yet ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Lebanon participated in three Euromed Heritage IV projects. Work was undertaken to transpose the 2003 UNESCO Convention on the Protection of Intangible Heritage into Lebanese legislation.

A draft law on **youth** policy has reached its final stages of preparation. Lebanese youth and youth workers continued benefitting from the **Youth in Action** programme, but to a lesser extent than previous years. The 20 projects selected in 2011 involved about 58

participants. Lebanon did not benefit from the Euromed Youth IV programme due to internal difficulties.

Lebanon took some **health** sector reform steps. Parliament adopted, in August 2011, a tobacco control law, which prohibits smoking in public places, bans tobacco advertisements and requires larger graphic warnings on cigarette packs. Lebanon participated in the EU-supported 'Episouth Plus' project aimed at increasing health security in the Mediterranean region and South East Europe. The EU provided health assistance to Palestinian refugees.