



EUROPEAN UNION

Delegation of the European Union to
the Republic of Lebanon

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Press Release

European Neighbourhood Policy Progress Report 2011 – Lebanon:

ENP relaunched, more reforms needed

The European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy published on 15 May 2012 the annual “neighbourhood package”, consisting of a joint communication (“Delivering on the new European Neighbourhood Policy”) making an assessment of the first year of implementation of the new ENP adopted in 2011, a separate joint communication proposing an “Eastern Partnership Roadmap”, a report on the “Partnership for Democracy and Shared prosperity” with Southern Mediterranean (including a roadmap for future action), an Eastern Partnership progress report, 12 country reports (on developments in 2011 and with a set of recommendations for the future, including one on Lebanon, and a statistical annex.

Following the fall of the Lebanese national unity government in January 2011, the implementation of the European Neighbourhood Policy (ENP) Action Plan stalled in the first semester of 2011. As soon as the new government was established, dialogue with the EU resumed very intensively, with several high-level visits and ENP meetings held in the second half of 2011. Preparations for a new ENP Action Plan were launched at the end of the year.

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 services 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.

Political Dialogue and Reform

- Important milestone in deepening Lebanon's Deep and Sustainable Democracy will be the **electoral reform**, pending since many years, on which discussion re-started in September 2011. The proposal addresses partially the recommendations made following the 2009 EU Election Observation Mission.
- Remaining challenges include increasing the efficiency and **independence of judiciary**, improving management of **prisons** and detention centres (Lebanon has ratified the UN Convention against Torture and the Optional Protocol to the Convention, but has still to establish a National Preventive Mechanism), abolishing the **death penalty**, improving the treatment of **migrants** and **refugees** and increasing the participation of **women** in political and social life. There was no significant progress in these areas in 2011.
- **Corruption** remains high. In the **security** sector, 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 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.
- Lebanon remained committed to its international obligations and respected its financial commitment towards the Special Tribunal for Lebanon.

Economic and Social Reform

- Severely hit by the regional turmoil, Lebanon's slowdown in exports and inward investment has led to an estimated GDP **growth** rate of only **1.5%** for 2011 (from 7% in 2010). CPI **inflation** accelerated to **5.4%** in 2011 from 4.5% in 2010, mainly due to sustained commodity prices.
- Lebanon's central government **deficit** widened to **8.3%** of GDP in 2011 (from 7.5% in 2010). Public **debt** remains high at **134%** of GDP, although its ratio has considerably declined in recent years.
- Implementation of the ENP **Action Plan** priorities was mixed, with the prudent stance of the central bank broadly supporting macroeconomic performance and stability but little progress made with fiscal consolidation and structural reforms including in the energy and telecommunication sector.
- 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.
- Estimates indicate that Lebanon's **unemployment** rate was approximately 11% in 2011. An ambitious Economic and **Social** Action Plan prepared in 2011 by the Prime Minister's Office, is currently under discussion in the Council of Ministers.
- As far as **labour standards** are concerned, 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.

Trade-Related Issues, Market and Regulatory Reform

- In 2011 EU was the first 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.
- Lebanon's lack of progress in the accession to the **WTO** remains the main obstacle to further trade liberalisation with the EU.
- On **free movement of goods and on technical regulations**, very little progress was made in the preparations for negotiations on an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA).
- Similarly, in the areas of **food safety, competition, public procurement, business climate and statistics**, reforms that have been technically prepared made no progress at the political and legislative level.
- Lebanon participated in implementing the 2011-2012 industrial cooperation work programme that Euro-Mediterranean **Industry** Ministers adopted in May.
- 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 that, pursuant to a recommendation of an EU Twinning Project, the **Directorates of VAT and of Revenues** will be merged for a better integration of databases and mutualised and standardised procedures.
- A **Public Expenditure Financial Accountability** (PEFA) exercise funded by the EU was finalised in August. In October, the Ministry of Finance accepted the PEFA report as an unofficial working document.

Cooperation on Justice, Freedom and Security

- During the year 2011 the controversy over demarcation of the **maritime border** with Israel continued. There was no progress in further demarcating land borders.
- Lebanon still lacks a comprehensive, integrated **border management** strategy. 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.
- No progress was registered in the area of **asylum** law, where Lebanon continues not to be a party to the 1951 Geneva Convention on the Status of Refugees.
- Legislative acts were adopted aiming at improving the fight against **trafficking in human beings** and **money laundering** whereas in the **fight against drugs**, the Drug Enforcement Unit of the Internal Security Forces continued further eradication activities of hashish plantations in the Bekaa region.
- No progress could be reported in the field of **judicial and law enforcement cooperation** and a number of international conventions regarding family law, and notably children, remain unsigned.

Transport, Energy, Environment, the Information Society, Research and Development

- **Transport:** A land transport strategy, that includes the creation of a Land Transport Authority, was presented to the Council of Ministers in September. The European Commission launched negotiations on a comprehensive Euro-Mediterranean Aviation Agreement, which should be concluded in 2012.
- **Energy:** In September, the parliament agreed 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 in April 2012, the long-term sections have still yet to be financed. In November, Lebanon launched a National Energy Efficiency Action Plan, which calls for the development of renewable energy sources, the

implementation of energy efficiency measures and the development of a financing mechanism.

- **Climate change:** Lebanon is encouraged to engage in the new carbon market mechanism to be developed following the UNFCCC COP 17, as well as to fully implement the Cancun and Durban agreements.
- **Environment:** The Ministry of the Environment revised its work programme for 2011-2013. A national strategy for natural marine reserves was finalised.
- **Research:** a system of Innovation Vouchers is being prepared by the Industrial Research Institute. Lebanon's participation in the EU 7th Framework Programme remained limited (14 grant agreements involving 16 participants).

People-to-People Contacts, Education and Health

- **Education:** Lebanon prepared a draft higher education law. Higher education reform continued to benefit from EU-Lebanon cooperation and support via the Tempus IV programme (two additional projects), the Erasmus Mundus programme (mobility of more than 200 students) and the Marie Curie scheme (thirteen Lebanese fellows underwent training within the "Initial training networks" projects in Europe).
- **Culture:** Lebanon participated in three Euromed Heritage IV projects. Youth organisations continued benefitting from the Youth in Action programme, but to a lesser extent than previous years (20 projects in 2011 involving 58 participants).
- **Health:** Parliament adopted, in August, a tobacco control law. 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.

EU-Lebanon – BACKGROUND

THE POLICY

The **European Neighbourhood Policy** governs the relations between the EU and Lebanon.

2006: EU-Lebanon Association Agreement entered into force.

2007: EU-Lebanon Action Plan was approved.

2008: Launch of the Union for the Mediterranean (UfM, reinforced Euro-Mediterranean Partnership).

FACTS AND FIGURES

2009: Neighbourhood Investment Facility (NIF) - one project has been approved for an amount of EUR 4 million in technical assistance, expected to leverage EUR 111 million in loans of European Finance Institutions in the water and sanitation sector.

2007-2010: The ENPI envelope for Lebanon was earmarked at EUR 187 million.

2011-2013: The new National Indicative Programme (NIP) (2011-13) for Lebanon was adopted in May 2010 with a EUR 150 million budget. The programme is geared towards supporting the achievement of key policy objectives: (1) support to political reform (allows developing support to the reform agenda of the Lebanese government), (2) support to social and economic reforms (helping develop the private sector and to improve the living conditions of the population through various actions covering e.g. energy, education and environment), and (3) support to reconstruction and recovery (focusing on economic recovery of all regions and improvement of living conditions of the most vulnerable parts of the population, including Palestinian refugees).

2011: The Association Committee held its first meeting since 2007 and sub-committees resumed their work.

2011: Preparations for a new ENP Action Plan were launched.

More info at:

http://ec.europa.eu/world/enp/documents_en.htm

http://eeas.europa.eu/lebanon/index_en.htm

http://eeas.europa.eu/enp/index_en.htm