

**European neighbourhood and partnership instrument Republic of Lebanon, National  
Indicative Programme 2011-2013**

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## **1. INTRODUCTION**

### **Political developments**

After the end of the military conflict between Israel and Hezbollah in the summer of 2006, Lebanon entered a two-year long political stalemate which virtually paralysed state institutions. Additional unrest in the Nahr el-Bared refugee camp in North Lebanon added to the general instability of the country.

The crisis reached its climax in May 2008 when Lebanon found itself on the brink of another civil conflict. Street battles and gunfights opposed Hezbollah (and its allies) and government supporters. An agreement was reached by the rival factions in Doha (Qatar) marking the end of an 18-month political crisis. The compromise enabled the election of General Michel Sleiman as President (after 19 consecutive postponements of the vote) and the formation of a national unity government.

As stated in the final EU Election Observation Mission (EU EOM), the June 2009 parliamentary elections were perceived as being well prepared and peacefully conducted. The pre-election status quo now seems to have been reconfirmed by the formation of a new national unity government in November 2009. Nevertheless the political situation remains fragile and might have an impact on the implementation of EU policies and strategies in Lebanon.

### **EU-Lebanon relations**

Despite the difficult political situation, Lebanon made a particular effort to launch the European Neighbourhood Policy (ENP). Initial institutional cooperation was established with a fully-fledged Association Council, an Association Committee and ten subcommittees.

As noted in the ENP progress reports published by the European Commission, this difficult situation significantly slowed down the process of implementation of the EU-Lebanon ENP Action Plan. Several draft laws adopted by the Government prior to May 2008 were not debated by the Parliament owing to a legislative deadlock and to the lengthy process of forming a government after the June 2009 parliamentary elections. As a result little progress was achieved in putting in place the reforms endorsed by the international community in Paris in January 2007. Progress in other fields (human rights, judicial reform, social sector reform, and regulatory and administrative reform) was also slow.

This situation has had an impact on the overall social, economic and political situation in the country as well as on the dialogue within the European Neighbourhood Policy and the implementation of Community assistance. Nevertheless the mid-term review process has revealed that no significant changes in the policy framework guiding EU-Lebanon relations have occurred since the adoption of the country Strategy Paper.

In the regional context, the Euro-Mediterranean Partnership formally known as the Barcelona process was re-launched at the Paris Summit in July 2008 as the Union for the Mediterranean. Lebanon is one of the 16 partners across the Southern Mediterranean and the Middle East which together with the EU 27 Member States form this partnership.

### **Economic situation**

At the Paris III conference in January 2007, the Government (as announced in the Country Strategy Paper) presented a comprehensive reform agenda which received broad political and financial (\$7.6 bn) support from the international community. The European Commission was consulted during the preparation of the reform agenda and the final document is fully in line with the Action Plan priorities. It also laid down the basis of the strategic approach in the CSP. However, in subsequent year, armed conflict and political problems brought the implementation of the reform agenda to stall.

Despite the tense political situation, Lebanon succeeded in ensuring macroeconomic stability. The budget deficit improved slightly in 2008 (down from 11.0% of GDP in 2007 to 10.2% in 2008). The total debt/GDP ratio was estimated at around 160% of GDP at the end of 2008. In December 2007, the Council of the EU adopted a decision on macro-financial assistance to Lebanon amounting to €80 m — a combination of medium-term loans (€50 m) and grants (€30 m). The first tranche of grants and loans (€15 and €25 million were already disbursed). But disbursement of the second tranche of MFA was delayed due to conditions not being met.

The sometimes critical situation has influenced the pace of implementation of the Paris III reform agenda. Particularly affected are the three main axes of the reform, fiscal consolidation, social reforms and privatisation. In addition to the privatisation of the main mobile telephony operators, other privatisation decisions have also been adjourned because of the global financial crisis. Many draft laws related to Lebanon's WTO accession are also pending, although a Protocol on a Dispute Settlement Mechanism with the EU was initialled in July 2009. The EU remained Lebanon's first trading partner with bilateral trade in goods amounting to more than €4.2 bn in 2008.

New horizontal policies were developed at the level of the European Union to respond to new challenges such as the financial and economic crisis, the soaring of food prices and climate change. The mid-term review of the Lebanese CSP allowed for an analysis of the relevance of these policies in the Lebanese context in view of the next programming period until 2013.

So far the Lebanese economy has been quite resilient to political turmoil as well as to the direct impact of the global financial crisis. Portfolio rebalancing, the relatively high interest rates on deposits and the credibility of the exchange rate peg helped attract foreign deposit inflows into the banking sector and boosted foreign exchange reserves. Expenditure from expatriates returning to Lebanon for the elections further boosted demand. Nevertheless, over the last four years the economy has mainly been driven by a few key sectors, such as banking, high-end tourism and real estate with major macro-economic reforms being suspended. In that respect analysts predict a slow-down of Lebanon's economy related to the indirect implications of the general crisis.

Soaring food prices have had a limited impact on Lebanon. In 2008, the Government maintained control of the price of a standard loaf of bread, in order to mitigate the impact of rising prices, and lifted customs duties on many basic imported food products. The generally difficult socio-economic situation led to several demonstrations and social tensions triggering the decision in September 2008 to increase the minimum wage (the first increase since 1996) as well as public sector wages.

Regarding climate change issues, Lebanon would benefit from a comprehensive cross-cutting strategy. The Country Strategy Paper (CSP) gives a short analysis of threats related to climate change, air quality, water quality or waste management. The strategy envisages the possibility of assisting Lebanon in reforming its energy sector and improving the environment. The

general absence of sector strategies provides an opportunity to mainstream climate change issues into the Government's medium and long-term planning. The National Indicative Programme (NIP) provides adequate tools for tackling the issue of climate change.

The Paris III agenda therefore remains the basis for any reform strategy and it has served as a basis for the indicative programme set out below. The EC approach also takes into account the results of an extensive mid-term review consultation process with the Lebanese Government, civil society, International Financial Institutions and EU Member States, as well as other major donors in Lebanon.

## **2. NATIONAL INDICATIVE PROGRAMME FOR 2011-13**

### **2.1. Main Priorities and goals**

The CSP for the years 2007-2013 was adopted after the military conflict of 2006 and was based on a dual approach: support for reconstruction and recovery needs arising from external shocks (mainly successive military conflicts and political instability) and support for political and socio-economic reforms as outlined in the ENP Action Plan and in line with the EU-Lebanon Association Agreement.

The difficult political situation which has prevailed in the country since 2006 has not affected the validity of the overall strategy for the years 2007-2013 or its underlying assumptions. The dual approach will therefore be retained for the next programming period. Final priority intervention sectors will be carefully identified jointly with the Lebanese Government to ensure the ownership of the implementation process and secure political support to the overall strategic approach.

Consequently the assistance in the years 2011 – 2013 will support:

- *Lebanon's political reform.*
- *Social and economic reforms.*
- *The recovery and reinvigoration of the economy.*

The identification process for Annual Action Programmes provides an opportunity to assess the suitability and timeliness of addressing a sub-priority and to adapt the proposed measures to the evolution of EU policies and sector developments. In this process care should be taken to ensure the implementation of those sub-priorities which are of key importance in deepening the relationship with the EU and supporting reforms.

### **2.2. Indicative budget**

The overall budget for bilateral EU — Lebanon assistance in the framework of the ENP Instrument will amount to €50 million over three years. An average of €16.7 million a year represents a 7% increase in comparison to the previous programming period. This increase is motivated by the willingness of the European Union to consolidate the stability of the country and give substantial support to Lebanon's reform agenda. The allocation for 2011-2013 follows the same pattern as it did in the previous programming period. The specific rationales are explained under each priority area (see also annex 6 for further details about the evolution of the ENPI bilateral envelope for Lebanon).

## **2.3. Priority Area 1: Support to political reform**

### **Strategic context/justification**

The ENP EU-Lebanon Action Plan emphasises *‘the shared values of democracy and the rule of law including good governance and transparent, stable and effective institutions’*. This priority has been designed as a continuation of the assistance provided under the 2007-2010 Indicative Programme. Assistance will be made available for increasing the effectiveness of all competent institutions, including the security apparatus, in order to promote, create and maintain greater respect for human rights.

The first years of implementation of the 2007-2010 NIP proved the validity of the approach adopted in the CSP for this priority area. An IT Master Plan for the modernisation of the judiciary was completed and projects aimed at improving the efficiency of the judiciary were launched, including training for judges and clerks and the modernisation of the judicial police. Further reform should be possible on the strength of this experience. In addition, the EU supported the reform of the electoral framework with a view to the 2009 parliamentary elections. It also launched projects aimed at protecting the rights of domestic migrant workers and supported civil society through grant schemes. Initial lessons learned showed the need to strengthen the capacity of the central administration to develop and implement medium and long-term sector strategies.

In the period 2007-2010, 12% of the bilateral envelope was earmarked to support political reform. Lebanon’s political situation is still perceived as being fragile and an emphasis on political reform should help to stabilise the country in the long term. That is why in this indicative programme the European Community will devote up to 17% to support the implementation of the political and security chapters of the EU –Lebanon Action Plan.

### **SUB-PRIORITY 1: SUPPORT TO THE EFFICIENCY AND INDEPENDENCE OF THE JUDICIARY**

Building on the experience of 2007-2010 projects, the European Union will continue its support to the judiciary. To date, little progress has been reported in the area of judicial reform and the Action Plan priorities aimed at enhancing the independence and impartiality of the judiciary remain valid.

Moreover, as reported in the 2008 ENP progress report, detention conditions are poor and overcrowded prisons do not meet international standards. Nevertheless Lebanon has launched a reform of its penitentiary system and announced the decision to complete by 2013 the transfer of prison management from the Ministry of the Interior and Municipalities to the Ministry of Justice.

It is understood that strong political commitment will be needed to achieve the objectives established under this sub-priority and that detailed targets will be jointly agreed with the final beneficiaries.

### **Specific objectives**

- Enhance the effectiveness and independence of the Lebanese judiciary and strengthen its administrative capacity.

- Improve the skills and qualifications of judicial actors (judges, clerks, barristers) so that they can perform their public functions better.
- Contribute to the reform of the penitentiary system and assist Lebanon in meeting international detention standards.

### **Expected results**

- Increased efficiency and impartiality of the justice system, better access to justice, simplified procedures and increased legal protection.
- Increased competence and efficiency of judicial actors (judges, clerks, barristers).
- Improvement of prison management and detention conditions.

### **Indicators of achievement**

- Computer-assisted procedures introduced in the judiciary on the basis of an IT Master Plan.
- Increased number of trained judges, clerks and prosecutors compared to the 2007 baseline.
- Shorter judicial proceedings.
- Limited use of pre-trial and arbitrary detention as reported by independent human rights organisations and in the Lebanon ENP progress reports.
- Improved observance of international standards for prison management and detention conditions (finalised transfer of prison management, improved detention conditions, properly trained prison staff etc.) as reported in the Lebanon ENP progress report.

**Indicative budget** — The total allocation earmarked for this sub-priority is € million at the beginning of the programming period.

## **SUB-PRIORITY 2: SUPPORT TO HUMAN RIGHTS AND LEBANON’S POLITICAL REFORM**

The future national human rights strategy and the results of the UN Universal Periodic Review in 2010 will underpin EC assistance in the area of human rights promotion. With regard to governance, assistance will focus on creating a transparent, accountable and effective public administration.

Building on past experience, the EC will offer further support to the electoral reform process. The final report of the 2009 EU Election Observation Mission (EOM) will feed into assistance strategies aimed at modernising the electoral framework and increasing women’s participation in political, social and economic life.

Lebanon’s civil society will play an enabling and awareness-raising role in the area of support to human rights and political reform. The European Union will also remain active in facilitating intra-Lebanese dialogue.

### **Specific objectives**

- Support the implementation of the national human rights strategy.
- Contribute towards the modernisation and accountability of the Lebanese central administration.
- Contribute to the process of reconciliation and dialogue.
- Further modernise the electoral framework on the basis of the recommendations of the 2009 EU EOM.
- Strengthen the capacity of Non Governmental Organisations to play an active role in shaping political, social and economic reforms in the country.

### **Expected results**

- Enhanced respect for human rights through national institutions.
- Reduced level of corruption in the State administration.
- Efficient, accountable and professional civil service.
- More active participation of civil society actors in public life and in the implementation of reforms.
- Lebanese electoral framework in line with international standards (including the enhancement of women’s participation in political, economic and social life).

### **Indicators of achievement**

- New accountability mechanisms in place as reported in the Lebanon ENP progress report.
- Improved position for Lebanon on internationally recognised corruption indexes.
- Improved position for Lebanon on the Human Development Index and increased compliance with international conventions.
- Future international or EU EOM reports indicating effective changes being implemented in the electoral framework.
- Increased number of women participating in political life (more women candidates in the Lebanese parliamentary elections compared to the 2009 elections, etc.).

**Indicative budget** — The total allocation for this sub-priority is €12 million

### **SUB-PRIORITY 3: SUPPORT TO THE REFORM OF THE SECURITY SECTOR**

The Security Sector Reform will play an important role in strengthening Lebanon’s sovereignty and stability. Internal Security Forces (ISF) are commonly perceived as an auxiliary force to the army. The European Union will support SSR activities with the aim of building a more professional police force in the country.

The new EU Drugs Action Plan for 2009-2012 clearly identifies the European Neighbourhood Policy countries as a priority for international cooperation. The drug chapter of the Lebanon Action Plan will serve as a basis for the establishment of cooperation in the field of drug prevention, training of Drug Law Enforcement Personnel and enhancing operational cooperation among all law enforcement authorities.

The European Union made a clear commitment to supporting the implementation of a national Integrated Border Management strategy developed by the Lebanese Government. Member States, together with the European Commission, will build upon the experience gained in the pilot project already implemented in the North of Lebanon.

### **Specific objectives**

Any reform related to the security sector requires strong political commitment. The areas of intervention under this sub-priority will be selected jointly with the Lebanese Government, depending on how ready a given sector is to receive community assistance. Specific objectives will allow financing activities such as:

- Professionalisation of the ISF (through capacity building and provision of equipment in areas such as crowd control, crisis management, judicial police or better coordination among various institutions).
- Support to the national dialogue on the establishment of a national defence strategy for the country and potential activities related to the dialogue.
- Support to the implementation of the national Integrated Border Management strategy.
- Support to the development of a national drugs policy, including, where necessary, changes in the legal framework and drug-prevention programmes.

### **Expected results**

The results to be expected depend on which priorities are finally selected and may include:

- Better staffed, equipped, and informed Internal Security Forces, which are empowered to fulfil their police mission.
- Development and launching of a comprehensive drug prevention strategy.
- Better management of the Lebanese external border with improved administrative capacity at crossing points, modernisation of the infrastructure and technical equipment at the border crossing points.

### **Indicators of achievement**

- A professional and modern police force which is not perceived to be the auxiliary of the military as reported in the Lebanon ENP progress report.
- Decrease in drug production in specific areas; improved law enforcement and crime control; intensified cooperation with the EU on drug prevention strategies; reduction in levels of drug abuse; and increase in treatment of drug addicts.

- EC contributing to the delineation and delimitation of the Lebanese — Syria border;
- An operational common border force along Lebanon's external border. Reports on the implementation of relevant UN Security Council resolutions pointing towards improvements in the management of the external border, statistics and reports on preventing and reveal related crime as other cross-border crime.

**Indicative budget** — The total allocation foreseen for this sub-priority is €8 million towards the end of the programming period.

## **2.4. Priority Area 2: Support to social and economic reform**

### **Strategic context/justification**

In the previous NIP 46% was allocated to support social and economic reforms. The first years of implementation of this priority were dominated by technical assistance and a crisis-management type of support related to the difficult political and security situations. In the years 2011-2013, support will aim at implementing the economic and social chapters of the EU-Lebanon Action Plan and at promoting the sustainable development of Lebanon's economy. A substantial increase in twinning and sector support operations is foreseen in order to stimulate public spending in priority sectors. It was decided on this basis to strengthen community assistance in these areas. Up to 61% of the 2011-2013 bilateral envelope could be devoted to supporting the implementation of the Action Plan.

The continued political divisions and consequent paralysis of legislative activity in the run-up to the June 2009 parliamentary elections held up progress on the reform agenda, in particular on key aspects of the Paris III programme. As noted in the 2008 Lebanon ENP progress report, many key reforms have not been implemented or the pace of their implementation has slackened significantly.

In line with the Communication of 8 April 2009 on supporting developing countries in coping with the crisis<sup>1</sup>, the European Union will assist the Lebanese Government in introducing growth-oriented reforms aimed at increasing the competitiveness of the economy in the medium and longer term. This will be done through technical assistance or twinning together with the Ministry of the Economy and Trade and/or the Ministry of Industry. Additional support could also strengthen the link between research, innovation and development and further enhance growth.

Moreover, the EU will use the results of the Trade Needs Assessment exercise (finalised in 2009) to enhance Lebanon's integration into the world trade system. At the request of the Lebanese Government, EU support will also contribute to the implementation of the Euro-Mediterranean Charter for Enterprise as a whole in Lebanon. It represents a comprehensive approach enabling, in particular, the improvement of the institutional policy framework and business support services and is designed to create innovation policies and develop human capital. Up to €12 million could be devoted to supporting a comprehensive programme leading to economic growth and trade related assistance in 2011.

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<sup>1</sup> COM 2009, 160 final;.

Building human capital is another part of the EU's response to the challenges Lebanon is facing. This support will build on assistance launched in 2009 in order to prepare for the implementation of a newly developed National Education Strategy. Up to €28 million could be devoted to this area in the 2012 Annual Action Programme (AAP).

Lebanese infrastructure is weak or suffers from chronic interruption. In the water, energy and public transport sectors, reliable and adequate services are absent, deficient or poorly managed. Reliable infrastructure is a key pre-condition for supporting and attracting additional investments with a view to developing real economic growth. In view of the current lack of sector strategies, the final choice will be made in consultation with the Lebanese Government on the basis of in-depth feasibility studies. Special technical assistance is planned for this purpose in 2010 and a more structured support of up to €33 million is planned in 2013 in the framework of this indicative programme.

A succession of programmes supporting the implementation of the Action Plan (SAPP) has been foreseen to support a broad range of projects identified as priorities in the policy dialogue in the context of the Association Agreement and the ENP Action Plan. These programmes aim to put at the disposal of the government of Lebanon, an "operational fund" to be used in a demand-driven manner. SAPP has complemented EC support mobilised through TAIEX (Technical Assistance Information Exchange) and has proven to be an efficient tool under the 2007-2010 NIP. The support could include among others technical assistance in the area of customs related matters, health, information society or any other area jointly agreed with the Lebanese government in the framework of the ENP dialogue.

Finally, as showed by several UN and World Bank studies, environmental degradation represents a high cost for the country's GDP. Climate change issues should be better mainstreamed into government strategies and a holistic approach should be developed, especially in improving the environmental management capacity of the central administration. Technical assistance under the 2011 annual action programme will be devoted to tackling these issues.

### **Specific objectives**

- Support to growth-oriented reforms increasing the competitiveness of Lebanon's economy including improved market access for industrial products and improving the business environment.
- Strengthen the link between research and development and innovation strategies for the Lebanese economy.
- Support the medium-term implementation of the National Education Strategy.
- Support the modernisation of the country's infrastructure. More specific objectives will be chosen together with the Government of Lebanon on the basis of the results of a preparatory project implemented under the 2010 Annual Action Programme.
- Strengthened capacity of the different Lebanese institutions to create and enforce a legislative environment supportive of socio-economic development; modernisation and further approximation of the Lebanese legislative and regulatory framework.

- Improve the management capacity of the Ministry of the Environment, thus enabling it to play a pivotal role in running the sustainable development strategy as well as to develop environmental strategies and monitor their implementation.

### **Expected results**

- Trade facilitation strategies developed and implemented; improved business environment; innovation and growth-oriented reforms developed and launched with EC support; and R&D and innovation strategies developed and implemented; Developed statistical capacity for improved sectoral analysis and more effective policy-making.
- Enhanced awareness and capacity of Lebanese stakeholders in WTO-related matters; finalisation of Lebanon's accession process to the WTO.
- Modern education strategy adapted to new challenges implemented by the Ministry of Education and Higher Education.
- Improved management of infrastructure and better quality of public services.
- Increased efficiency and effectiveness of the public administration in implementing the EU-Lebanon Association Agreement and ENP Action Plan
- Ministry of the Environment monitoring and evaluating the mainstreaming of environment issues in key sectors of the economy.
- Better mainstreaming of climate-change issues in national development strategies.

### **Indicators of achievement**

- Indicators monitoring the improvement in the areas of business environment and institutional policy will be based on the indicators developed for monitoring the implementation of the Charter for Enterprise. Improvements reported by chambers of commerce and employers' organisations.
- Increased competitiveness of the Lebanese economy reflected in economic indexes.
- Increased trade relations with the EU compared to baseline 2008 statistics.
- Depending on the sector chosen (energy, water or transport), the specific indicators of achievement will be developed when the sector/budgetary support is designed. The implementation of the 2010 technical assistance will be instrumental in designing future assistance. Depending on the main sector of intervention chosen, relevant indicators could include: reduction of energy losses, water losses, development of inter-city connections or increased capacity of regional water establishments.
- Increased level of FDI in the targeted sectors.
- Legislative framework enforced and environment impact assessments successfully introduced; strategies updated (e.g. on climate change).

**Indicative budget** — The overall budget for this priority will amount to €1 million. It will be composed of two optional financing modalities. Up to €18 million under this indicative programme could be devoted to technical assistance and twinning operations. Given the limitations described above, there are also plans to launch by 2013 targeted sector support projects for about €73 million.

As appropriate and at the request of the Lebanese authorities, support will be provided for co-financing the costs of participation in select Community programmes which are open to its participation<sup>2</sup>.

## **2.5. Priority Area 3: Support to recovery and reinvigoration of the country**

### **Strategic context/justification**

In recent history Lebanon has suffered a series of exogenous shocks which have always halted the country's development, placing additional pressure on already vulnerable public finances. The European Commission was particularly active after the 2006 military conflict between Hezbollah and Israel which affected not only people and infrastructure but also basic economic life. Substantial support was devoted to the clearance of unexploded ordnances and cluster munitions after the cessation of hostilities.

The European Commission has also launched local development projects in areas affected by military operations in Southern as well as Northern Lebanon. In this respect the EU will continue to follow a double-track approach to fight poverty while strengthening local democracy. On the one hand it promotes the elaboration of local development plans through a participatory approach and capacity building of local authorities. On the other hand the EC supports the implementation of quick-impact priority projects (e.g. small infrastructure projects).

After the 2007 military operations in the refugee camp of Nahr el-Bared, the EC helped the displaced refugees and the reconstruction of the camp by providing humanitarian assistance and shelters, supporting the clearing of rubble and contributing to the reconstruction of housing. Further assistance with improving the living conditions of Palestinian refugees is planned under the 2011-2013 indicative programme.

In all, 42.5 % of the 2007-2010 envelope has been devoted to supporting the recovery and reconstruction of the country after the 2006 conflict. This priority will remain, especially in areas affected by military operations, where local development and de-mining activities will be needed to boost growth and stimulate economic activities. Nevertheless the intention is to phase out assistance and shift attention to more reform-oriented types of activity. Up to 23 % of the 2011-2013 envelope could be devoted to support activities under this priority.

### **SUB-PRIORITY 1: LOCAL DEVELOPMENT AND LOCAL GOVERNANCE**

Activities in this field will be devoted to supporting the ENP AP priorities regarding local governance, and relevant to 'social development, employment and poverty reduction and regional development'. Assistance will be channelled through the central system to

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<sup>2</sup> This support must not exceed 10 % of the programme budget, should be digressive, phased out overtime and, as a general rule, cannot cover more than 50 % of the costs of the participation.

accompany the ongoing preparation of a decentralisation law. Moreover work on land-use planning is advancing based on the recently adopted ‘Schéma Directeur d’Aménagement du Territoire Libanais’ (SDATL). This comprehensive document could serve as the basis for a fully-fledged, sustainable, regional development strategy.

In line with the Paris Declaration on Aid Effectiveness, the EU will investigate the possibility of developing alternative tools such as pool-funding mechanisms, which can favour joint and/or co-financed activities with Member States. The results of the Working Group on Local Development (run locally by the EU delegation in Beirut) will provide a basis for a joint EU strategy in this field.

### **Specific objectives**

- Contribute to the development and implementation of decentralisation and land-use strategies prepared by the Lebanese Government.
- Support the development of coordination mechanisms on local development within the Lebanese Government and the establishment of mechanisms to address regional disparities.
- Pursue capacity-building activities at the local level aimed at helping local administrations benefit from external assistance and cooperation programmes.

### **Expected results**

Depending on the pace of reform and the decentralisation model adopted by Lebanon, the following results might be expected:

- Regional plans drawn up on the basis of the SDATL.
- Improved relations between central and local authorities through the development of alternative funding mechanisms managed by the Government.
- Local governance strategies implemented.

### **Indicators of achievement**

- Increased number of local development strategies.
- Increased number of investment projects based on the SDATL.
- Local administration accountable and more efficient.

**Indicative budget** — The total allocation for this sub-priority is €20 million at the start of the programming period.

## **SUB-PRIORITY 2: IMPROVEMENT OF LIVING CONDITIONS OF PALESTINIAN REFUGEES IN LEBANON**

The main problems faced by Lebanon in the area of migration are related to the presence of Palestinian refugees (some 400.000 registered), the recent arrival of refugees from Iraq (some

50.000 estimated by UNHCR) and the issue of the abuse of the rights of domestic foreign workers (around 120.000 estimated by Caritas).

The Country Strategy Paper provides an analysis of areas in which the EU might support Palestinian refugees in Lebanon (annex 5 to the CSP). These areas remain valid. The 2007 military operation in the Nahr el-Bared refugee camp confirmed the necessity to reinforce a national strategy aimed at improving the living conditions of Palestinian refugees in Lebanon. The European Union will support government-led initiatives aimed at improving the social and economic rights of Palestinian refugees. The improvement of their legal, economic and social situation remains a challenge, especially in the absence of a proper legal framework.

### **Specific objectives**

- Contribute to the establishment of a comprehensive policy towards Palestinian refugees, developed and implemented at the central level, with a view to improving their economic and social rights and building relations between the Palestinian and Lebanese communities.
- Support the Lebanese Government's camp improvement initiative.

### **Expected results**

- Improved legal framework ensuring better protection of refugees and in particular the rights to education, health services, work and property ownership.
- Reinvigorated Government-led initiatives targeting the rehabilitation and modernisation of refugee camps and gatherings.
- Improved relations between Palestinian refugees living in camps and gatherings and neighbouring Lebanese municipalities.

### **Indicators of achievement**

- Improved living conditions in refugee camps and gatherings as reported by UNRWA.
- Decrease in unemployment and poverty statistics; increased number of refugees benefiting from education opportunities.
- Increased number of refugees contributing to and benefiting from social security and health services.

**Indicative budget** — The total allocation for this sub-priority is € million.

### **SUB-PRIORITY 3: DE-MINING AND CLEARANCE OF UNEXPLODED ORDNANCE**

Lebanon has been severely polluted by landmines and unexploded ordnance (UXO) throughout its modern history. The European Commission became active in supporting the clearance of UXOs and de-mining activities in 2002. This presence was reinforced after the 2006 military conflict between Hezbollah and Israel, particularly in South Lebanon where huge parts of Lebanese territory had been contaminated by cluster munitions.

Available analysis and information gathered from de-mining experts show that the full decontamination of Lebanon from UXOs and landmines will require time and a coordinated effort from several international donors. The European Union will continue its support through the Lebanese Mine Action Centre (LMAC) or through Lebanese and International agencies specialised in mine-clearance.

### **Specific objectives**

- Continuation of EU-funded de-mining actions in the South and North of the country.

### **Expected results**

- Contribution to the final clearance of cluster munitions and UXOs in South Lebanon.

### **Indicators of achievement**

- South Lebanon cleared of cluster munitions and activities shifted to the clearance of minefields and UXOs in North Lebanon.
- Decontaminated areas returned to economic activity (e.g. increase in farming land).

**Indicative budget** — The total allocation for this sub-priority is €5 million.

## **2.6. Implementation**

As described in previous chapters, the principles of the Paris Declaration on Aid Effectiveness are still not fully adhered to in Lebanon. Constitutional institutions and government agencies would benefit from an improved coordination culture. Moreover, the creation of one implementing partner at the level of central government would facilitate the division of labour between donors and enhance complementarity of actions.

### **Lessons learned**

Lessons learned related to the choice of priority sectors are presented under each priority area making a link with the rationale for Community action.

In the first years of implementing the country strategy for Lebanon, community assistance was concentrated on supporting pockets of excellence and running crisis-management types of assistance, while comprehensive, reform-oriented activities had to be postponed in view of the general political crisis. The 2009 and 2010 Annual Action Programmes will be used to prepare interventions which are potentially better structured and in line with the Paris declaration. In 2010 technical assistance will be devoted to strengthening the capacity of the Lebanese central administration to allow donors to increase the use of the country system in areas such as water, energy or public transport (including the drafting of sectoral strategies).

Coordination meetings with EU Member States took place locally throughout the review process. International Donors and Member States already have a long-standing presence in certain sectors in Lebanon and have gained a comparative advantage. This division of labour among international donors was duly taken into consideration when choosing priority sectors for the period 2011-2013 (for more details see annex 5 and the donor coordination matrix). Consequently, the European Union sees its added value in supporting legislative and normative reform through technical assistance and twinning. The EU will also try to reinforce

Lebanese capacity to implement larger projects by means of budgetary support aimed at reforming key sectors, as described under the priority support to socio-economic reform.

It is also planned to maintain the possibility for co-financed projects to be implemented in priority sectors together with, or on behalf of, a group of EU donors. The possibility of a joint and coordinated European approach has been already discussed, the aim being to give higher visibility to EU's support in the area of local development.

CSO actors can actively pursue the priorities outlined in this NIP and, where relevant, they will be involved in the monitoring process. Where appropriate, civil society organisations should be supported in their role of promoting reform and increasing public accountability in the sectors supported by the NIP. Nevertheless, the primary mechanism for funding civil society projects will remain the European Instrument for Democracy and Human Rights and thematic programmes.

### **Use of other Community instruments**

The implementation of projects under this NIP will ensure synergy, complementarity and consistency with relevant EU-funded regional projects. These include, inter alia, regional projects in the fields of enterprise (the Euro-Mediterranean Charter for Enterprises), energy and statistical cooperation (the MEDTAT II and MEDSTAT III programmes) and the EPISOUTH network funded under the EU Public Health Programme.

Interest rate subsidies and other ways of combining grants and loans can leverage investments by International Financial Institutions, in particular in the environment, energy and transport sectors. Whenever interest rate subsidies are considered, their relevance will be assessed on a case-by-case basis, and care should be taken to avoid significant market distortions.

Resources for enhanced sector cooperation between relevant EC agencies and interested public bodies and authorities in Lebanon will be provided as appropriate under the ENPI Inter-Regional Programme 2011-13.

If, as a result of a financial or economic crisis leading to an exceptional financing gap, Lebanon is in need of Community macro-financial assistance loans, a contribution to the guarantee fund for such loans can be considered from this NIP provided that no other sources are available.

### **2.7. Risks and assumptions**

The main challenge in Lebanon in the immediate future will remain the strengthening of the authority of the State and the rule of law. Developments since the adoption of the Country Strategy Paper for the years 2007-2013 have shown the advantages of keeping any strategic approach towards assisting Lebanon fairly open and responsive.

This situation affects the way the European Union designs its assistance and the degree of ownership of the projects. So far the project-based approach has been the dominant modality used for delivering assistance. More work is needed to launch budgetary or sector support operations as well as to promote the use of twinning.

Observations to date point to the need to make use of technical assistance to ensure that sectors are ready before embarking on budget support, work in close partnership with other donors in preparing and implementing programmes, and identify, communicate and monitor

disbursement criteria carefully, including in public financial management. There must be a strong dialogue with the partner government throughout the process. As described above a special project was designed for 2010 to prepare a few specific sectors for a budgetary support operation under this indicative programme.

Wider regional developments also need to be factored into the definition of the assistance strategy. Influence of foreign actors on the political scene, relations with Lebanon's closest neighbours and the lack of progress in the Middle East Peace Process still have an influence on the fragile stability of the country and as such are interrelated with the national agenda.

In parallel consistency with EU policies, other financial and thematic instruments as well as EU and international donors' activities in Lebanon will be ensured following the Paris Declaration on Aid Effectiveness. Coordination mechanisms established by the EU Delegation in Beirut, intensive cooperation with the main EU and international donors present in Lebanon and the donors matrix annexed to this NIP will contribute to this consistency.

## **2.8. Alignment harmonisation and consultation**

The European Union will continue building on the EU-Lebanon Association Agreement and EU-Lebanon Action Plan. Lebanon's capacity to take full advantage of the potential offered by the European Neighbourhood Policy should be further developed.

### **Donor coordination**

In the spirit of the EU Code of Conduct on Complementarity and Division of Labour, the EU Delegation in Beirut regularly brings Member States together to discuss and coordinate assistance objectives. Potential areas of joint activity have been flagged under respective assistance priorities.

In the absence of a coordination mechanism at the level of the Lebanese Government, the EU Delegation in Beirut has initiated thematic donor groups to coordinate action in the fields of local development, water and energy, private sector development, justice and education. The Ministry of Finance is making efforts in this direction, but in the absence of sectoral policies the coordination concerns issues of a more financial nature (cash flow).

The EU Delegation in Beirut chairs the EU Development Counsellors Working Group, which discusses issues of complementarity and division of labour. Moreover the Commission has ensured on-the-spot coordination among international donors building good relations locally with the World Bank and reinforcing its dialogue with UN agencies.

### **Mid-Term review process**

EU Member States were involved locally throughout the process of designing this new indicative programme. A comprehensive Donor Coordination Matrix was prepared and is annexed to this document.

The mid-term review process was carried out in Lebanon and Brussels between October 2008 and July 2009. Preliminary discussions had already taken place in Brussels in autumn 2008 with the participation of civil society organisations. Two programming missions took place in Lebanon in January and May 2009. A Concept Note was made public in April 2009 outlining the main assumptions for future programming. The document was shared officially with the Government, local ministries and the Lebanese as well as with international NGOs. A

significant number of around 20 contributions were received through the functional mailbox created for this purpose and were duly taken into consideration while preparing this indicative programme.

The Government of Lebanon was extensively consulted during the whole process. Almost all line ministries were visited during the first programming mission in January 2009. Separate meetings were organised with the main implementation partners — namely the Ministry of Finance, the Ministry of Economy and Trade, the Council for Development and Reconstruction and the PAO (special coordination cell based in the office of the Prime Minister). Another round of consultations with the Government of Lebanon in May 2009 enabled the approach adopted by the European Commission to be validated and helped prioritise the objectives.

On two occasions the main stakeholders and representatives of civil society in Lebanon were invited to discuss future cooperation objectives. A number of International NGOs and umbrella organisations also contributed to the reflection.

Key European and international actors were consulted throughout the process, including the European Investment Bank, the United Nations Development Programme, the World Bank and USAID. These exchanges served as a way of validating Community priorities and seeking complementarity and additionality in the assistance Lebanon is receiving from international donors.

## 2.9. Budget and Phasing of the Programme

<b>NATIONAL INDICATIVE PROGRAMME FOR LEBANON 2011-2013</b>		
<b>Priorities</b>	<b>TOTAL NIP 2011-2013</b>	<b>% budget</b>
<b>Support to political reform</b>		
support to the efficiency of the administration and judiciary	5	16.70%
support to promotion of democracy, human rights and good governance	12	
security sector reform	8	
<b>total</b>	<b>25</b>	
<b>Support to socio-economic reforms</b>		
Support to the implementation of the Action Plan — SAPP programme including: - growth stimulation and increase of the competitiveness of Lebanese economy - reform of the education sector - trade facilitation - infrastructure (potentially in sectors such as water or energy or transport) - climate change and environment		60.70%
technical assistance and twinning	18	
targeted support for sector reforms	73	
<b>total</b>	<b>91</b>	
<b>Recovery and reinvigoration of the economy</b>		
Local development and local governance	20	22.7%
Improvement of living conditions of Palestinian refugees in Lebanon	9	
De-mining and clearance of unexploded ordnance	5	
<b>total</b>	<b>34</b>	
<b>TOTAL</b>	<b>150</b>	<b>100.0%</b>

**ANNEXES:**

Annex 1 — List of abbreviations

Annex 2 — Lebanon Map

Annex 3 — Millenium development goals — Lebanon

Annex 4 — Summary table for the country ('Country at a Glance')

Annex 5 — Synthetic summary of the donor coordination matrix for Lebanon

Annex 6 — Financial breakdown and evolution of bilateral assistance

Annex 7 – Lebanon's country environmental profile

## ANNEX 1 — LIST OF ABBREVIATIONS

AAP	Annual Action Programme
AP	Action Plan
CSO	Civil Society Organisation
CSP	Country Strategy Paper
EC	European Commission
EIB	European Investment Bank
ENPI	European Neighbourhood Partnership Instrument
ENP	European Neighbourhood Policy
EOM	Election Observation Mission
EU	European Union
GDP	Gross Domestic Product
ISF	Internal Security Forces
LMAC	Lebanese Mine Action Centre
NGO	Non Governmental Organisations
NIP	National Indicative Programme
PAO	Project Assistance Office
SAP	Support to Action Plan
SDATL	Schéma Directeur d'Aménagement du Territoire
UN	United Nations
UNDP	United Nations Development Programme
UXO	Unexploded Ordnance

# ANNEX 2 — LEBANON MAP



**ANNEX 3 — MILLENNIUM DEVELOPMENT GOALS -LEBANON**

Millennium Development Goals				
	1990	1995	2000	2007
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Employment to population ratio, 15+, total (%)	46	46	46	46
Employment to population ratio, aged 15-24, total (%)	32	31	29	28
GDP per person employed (annual % growth)	1	2	0	0
Income share held by lowest 20%	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..
Poverty gap at \$ 1.25 a day (PPP) (%)	..	..	..	..
Poverty headcount ratio at \$ 1.25 a day (PPP) (% of population)	..	..	..	..
Prevalence of undernourishment (% of population)	5	5	..	5
Vulnerable employment, total (% of total employment)	..	..	..	..
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, youth female (% of females aged 15-24)	..	..	..	99
Literacy rate, youth male (% of males aged 15-24)	..	..	..	98
Persistence to last grade of primary, total (% of cohort)	..	..	97	97
Primary completion rate, total (% of relevant age group)	..	..	91	82
Total enrolment, primary (% net)	..	..	89	84
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in national parliaments (%)	0	2	2	5
Ratio of female to male enrolments in tertiary education	..	..	105	120
Ratio of female to male primary enrolment	97	97	95	97
Ratio of female to male secondary enrolment	..	..	108	112
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	..	14.2	..	..
<b>Goal 4: Reduce child mortality</b>				
Immunisation, measles (% of children aged 12-23 months)	61	85	79	53
Mortality rate, infant (per 1000 live births)	32	30	28	26
Mortality rate, under 5 (per 1000)	37	34	32	29
<b>Goal 5: Improve maternal health</b>				

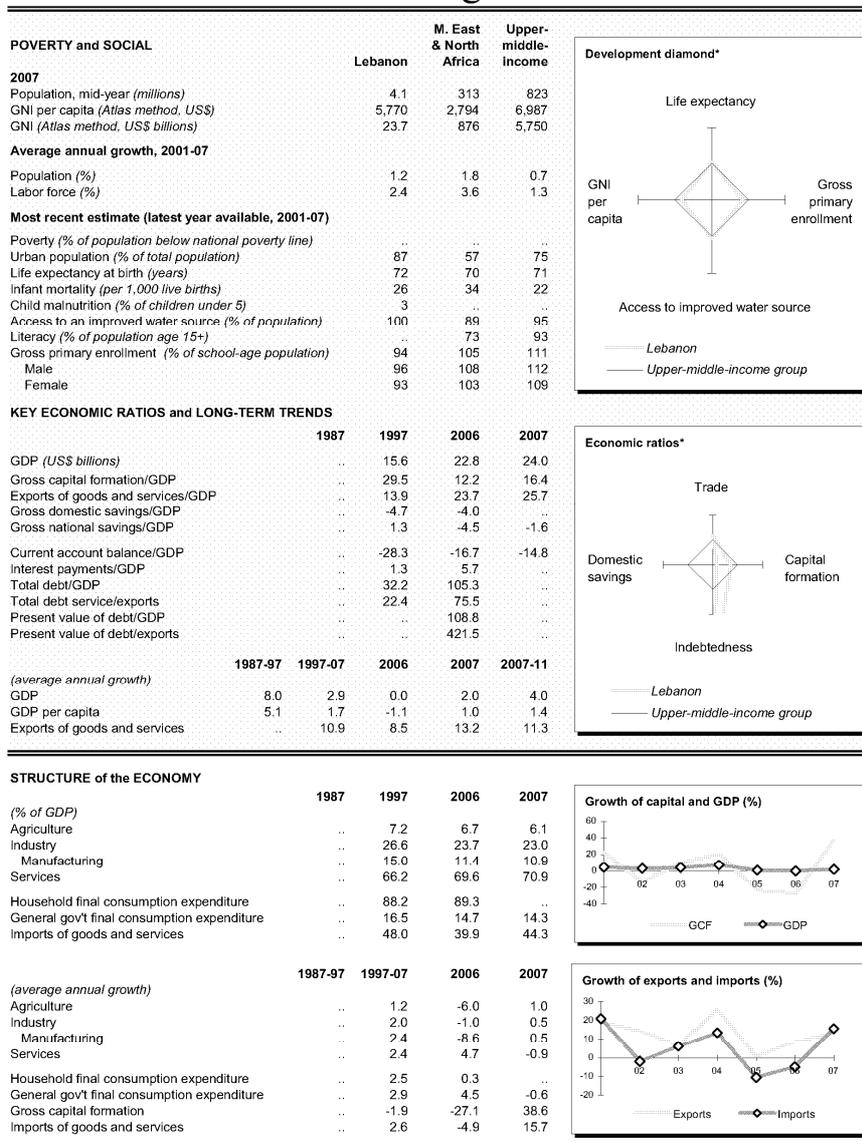
Adolescent fertility rate (births per 1 000 women aged 15-19)	..	32	29	25
Births attended by skilled health staff (% of total)	..	98	93	..
Contraceptive prevalence (% of women aged 15-49)	..	61	63	..
Maternal mortality ratio (modeled estimate, per 100 000 live births)	..	..	..	150
Pregnant women receiving prenatal care (%)	..	87	96	..
Unmet need for contraception (% of married women aged 15-49)	..	..	..	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Children with fever receiving anti-malarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females aged 15-24)	..	..	..	..
Condom use, population aged 15-24, male (% of males aged 15-24)	..	..	..	..
Incidence of tuberculosis (per 100 000 people)	50	46	27	19
Prevalence of HIV, female (% aged 15-24)	..	..	..	0.1
Prevalence of HIV, male (% aged 15-24)	..	..	..	0
Prevalence of HIV, total (% of population aged 15-49)	0.1	0.1	0.1	0.1
Tuberculosis cases detected under DOTS (%)	..	41	65	62
<b>Goal 7: Ensure environmental sustainability</b>				
CO2 emissions (kg per PPP \$ of GDP)	0.8	0.6	0.6	0.4
CO2 emissions (metric tons per capita)	3.1	3.9	4.1	4.2
Forest area (% of land area)	12	12	13	13
Improved sanitation facilities (% of population with access)	..	98	98	..
Improved water source (% of population with access)	100	100	100	100
Marine protected areas (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	0.4
<b>Goal 8: Develop a global partnership for development</b>				
Aid per capita (current US\$)	85	53	53	229
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	..	..	29	21
Internet users (per 100 people)	0.0	0.1	8.0	38.3
Mobile cellular subscriptions (per 100 people)	0	3	20	31
Telephone lines (per 100 people)	13	13	15	17

<b>Other</b>				
Fertility rate, total (births per woman)	3.1	2.8	2.5	2.2
GNI per capita, Atlas method (current US\$)	1.230	3.140	4.580	5.800
GNI, Atlas method (current US\$) (billions)	3.7	11.0	17.3	23.8
Gross capital formation (% of GDP)	17.8	36.5	20.1	17.9
Life expectancy at birth, total (years)	69	70	71	72
Literacy rate, adult total (% of people aged 15 and above)	..	..	..	90
Population, total (millions)	3.0	3.5	3.8	4.1
Trade (% of GDP)	117.9	73.1	50.6	75.2
<b>Source: World Development Indicators database</b>				
Figures in italics refer to periods other than those specified.				
<b>Page:</b> Country: Lebanon <b>Row:</b> Series <b>Column:</b> Time				
URL: <a href="http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&amp;CF=&amp;REPORT_ID=1336&amp;REQUEST_TYPE=VIEWADVANCED">http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&amp;CF=&amp;REPORT_ID=1336&amp;REQUEST_TYPE=VIEWADVANCED</a>				

# ANNEX 4 — LEBANON AT A GLANCE

## Lebanon at a glance

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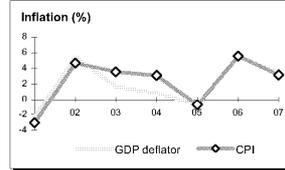
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

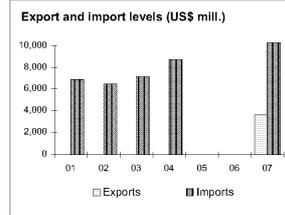
## PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
<b>Domestic prices</b>				
(% change)				
Consumer prices	..	4.2	5.6	3.2
Implicit GDP deflator	..	6.8	5.6	3.4
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	16.0	21.3	22.1
Current budget balance	..	-16.1	-11.7	-11.5
Overall surplus/deficit	..	-24.0	-11.6	-12.8



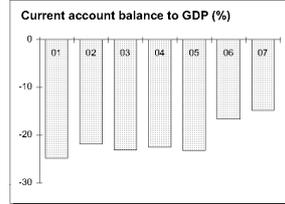
## TRADE

	1987	1997	2006	2007
(US\$ millions)				
Total exports (fob)	..	..	..	3,635
Livestock, animal, and vegetable products	..	215	..	1,184
Fats and oils	..	..	..	..
Manufactures	..	652	..	2,451
Total imports (cif)	1,987	7,319	..	10,257
Food	1,457	1,492	..	8,749
Fuel and energy	25	876	..	..
Capital goods	377	960	..	1,508
Export price index (2000=100)	..	108	..	129
Import price index (2000=100)	..	111	..	123
Terms of trade (2000=100)	..	97	..	105



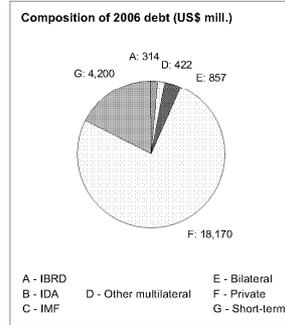
## BALANCE of PAYMENTS

	1987	1997	2006	2007
(US\$ millions)				
Exports of goods and services	..	2,142	5,387	6,169
Imports of goods and services	..	7,492	9,073	10,627
Resource balance	..	-5,350	-3,686	-4,458
Net income	..	318	-334	600
Net current transfers	..	618	231	305
Current account balance	..	-4,414	-3,790	-3,553
Financing items (net)	..	6,343	6,668	4,043
Changes in net reserves	..	-1,929	-2,878	-491
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	8,602	16,014	14,649
Conversion rate (DEC, local/US\$)	224.6	1,539.5	1,507.5	1,507.5



## EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
(US\$ millions)				
Total debt outstanding and disbursed	955	5,029	23,963	..
IBRD	49	151	314	437
IDA	0	0	0	0
Total debt service	99	733	4,433	..
IBRD	3	18	108	67
IDA	0	0	0	0
Composition of net resource flows				
Official grants	57	119	502	..
Official creditors	-36	120	-122	..
Private creditors	11	824	798	..
Foreign direct investment (net inflows)	1	1,800	2,794	..
Portfolio equity (net inflows)	0	0	551	..
World Bank program				
Commitments	0	53	0	100
Disbursements	0	39	37	162
Principal repayments	2	8	90	48
Net flows	-2	32	-52	115
Interest payments	2	10	18	19
Net transfers	-3	22	-71	96



The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

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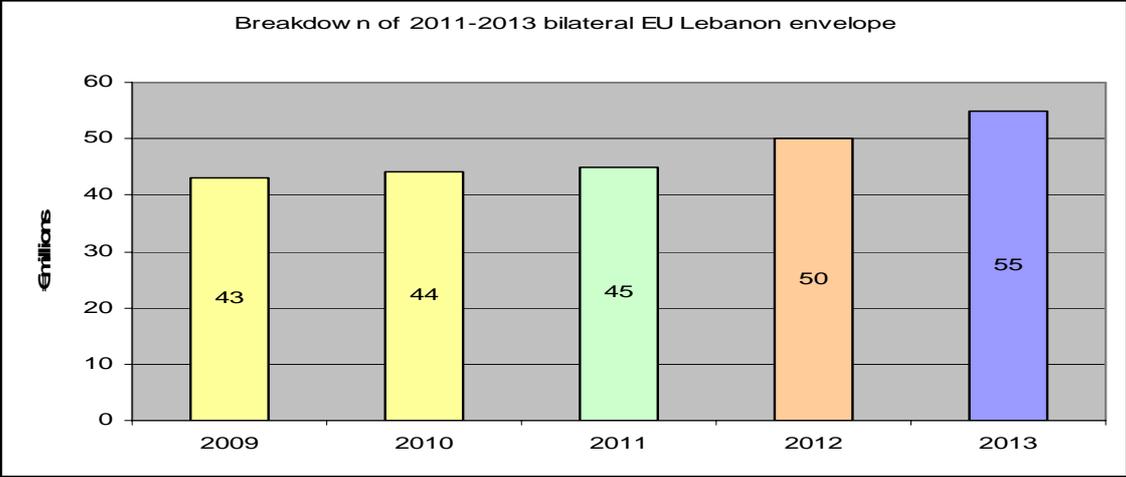
**ANNEX 5 — SYNTHETIC SUMMARY OF THE DONOR COORDINATION  
MATRIX IN LEBANON**

<b>Donor Coordination Matrix Lebanon 2009*</b>		
<b>Action Plan Area / Sector identified for reform</b>	<b>EC</b>	<b>EU Member States</b>
<b>Political dialogue and reform</b>		
Governance and Democracy		
Rule of Law		
Human Rights		
Cooperation with Civil Society		
<b>Peace and Security</b>		
Conflict Prevention		
Crisis Management		
Military and De-mining		
Fight against Terrorism		
<b>Cooperation on Justice and Home Affairs</b>		
Border management		
Migration and Refugees		
Organised Crime		
Police and Judicial Cooperation		
<b>Economic and social reform</b>		
Macro-Economic Reforms		
Debt relief		
Employment, Poverty Reduction and Social Policy		
Industry		
Agriculture, Forestry and Fisheries		
Water and Sanitation		
Sustainable Development		

Regional Development		
<b>Trade-related issues, market and regulatory reform</b>		
Enterprise Policy / Private Sector		
Customs		
Public Procurement		
Intellectual Property Rights		
Technical Standards and Regulations		
Auditing and Accounting		
<b>Sectoral Support</b>		
Transport		
Energy		
Environment (incl. water) and Climate Change		
Information Society and Audiovisual Cooperation		
Research and Innovation		
<b>People-to-people contacts</b>		
Education		
Culture and Recreation		
Health		
Tourism and Antiquities		
<b>Other</b>		
<p><i>*) The Donor Matrix is based on the inputs received from the Member States in the first half of 2009. The matrix is however a 'living document' and will be routinely updated by the Delegation to ensure the most effective coordination on the ground.</i></p>		

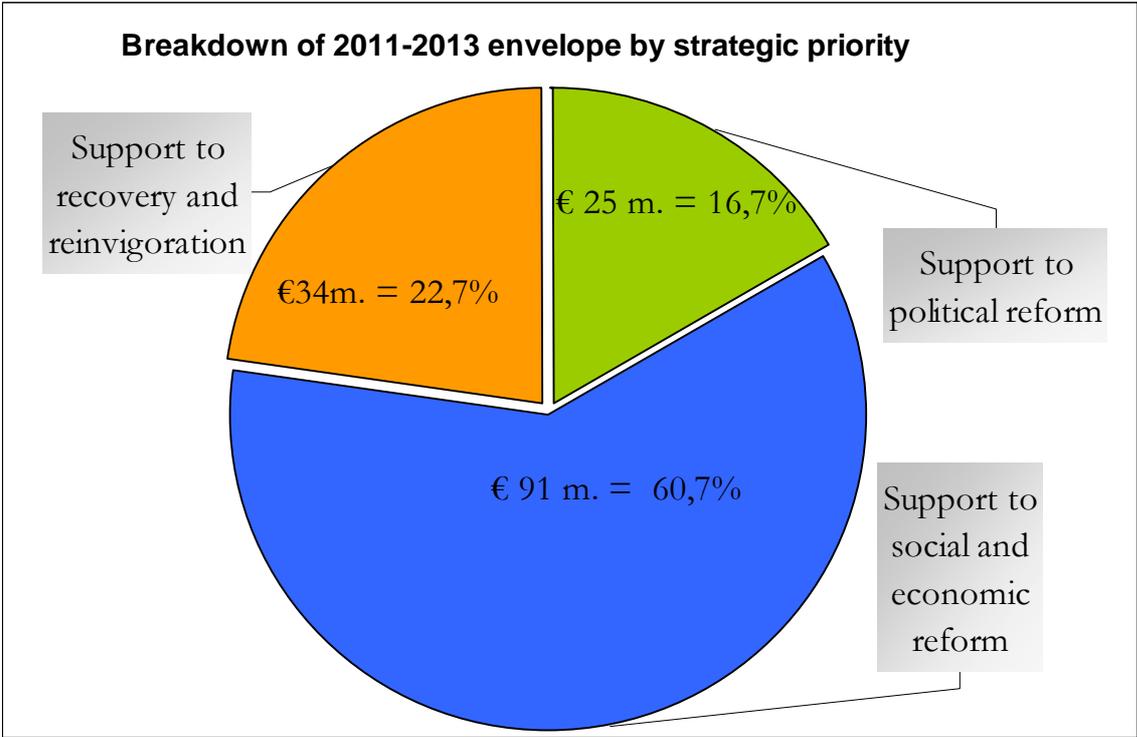
**ANNEX 6 — FINANCIAL BREAKDOWN AND EVOLUTION OF BILATERAL ASSISTANCE**

The overall budget for bilateral EU — Lebanon assistance in the framework of the ENP Instrument will amount to €150 million over three years. An average of €50 million a year represents a 7% increase compared to the previous programming period.



Source: RELEX F3

The assistance will gradually increase, reaching €55 million in 2013 in order to develop the possibility of shifting the assistance from a project approach to sector and budgetary support. The 2011-2013 breakdown of figures among the three strategic priority areas follows the same pattern as in the previous programming period. The graph below shows the percentage allocation of the 2011-2013 ENPI envelope for Lebanon between the three priority areas of the Country Strategy Paper.

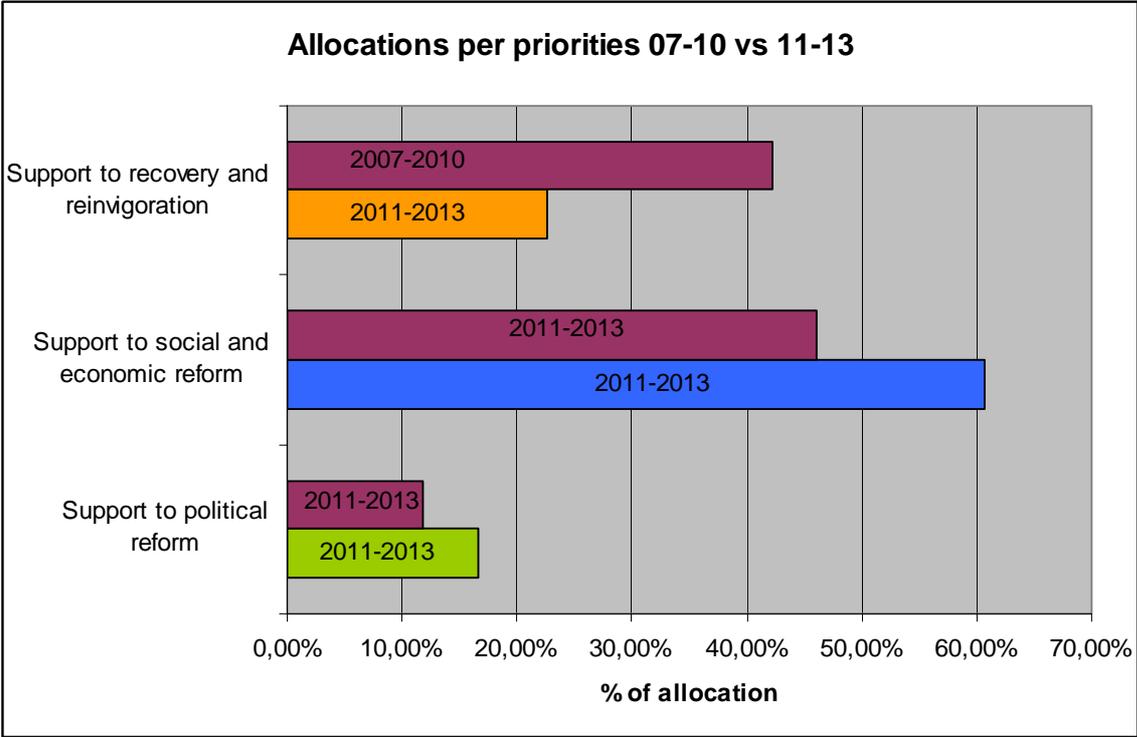


Source: RELEX F3

The second priority area (support to socio-economic reforms) will be divided into two delivery modalities:

<b>2011-2013 budget for support to social and economic reform</b>	
Technical Assistance and Twinning	€18 millions
Targeted support for sector reforms	€73 millions
<b>total</b>	<b>€91 millions</b>

The graph below presents the comparison of the breakdown of assistance among the three priorities between the first 2007-2010 NIP and the second 2011-2013 indicative programme.



A share of 42.5% of the 2007-2010 envelope has been devoted to supporting the recovery and reconstruction of the country after the 2006 conflict. This priority will remain relevant, especially in the areas affected by military operations, where local development and de-mining activities will be needed to boost growth and stimulate economic activities. It is nevertheless planned to phase out assistance and shift attention to a more reform-oriented type of activity. Up to 23% of the 2011-2013 envelope could be devoted to supporting activities under this priority.

In the previous NIP 46% was allocated to supporting this priority. The first years of implementation of this priority were dominated by technical assistance and crisis management, the appropriate type of support for difficult political and security situations. In the years 2011-2013, support under this priority will aim at implementing the economic and social chapters of the EU Lebanon Action Plan and promoting the sustainable development of Lebanon’s economy. A substantial increase in twinning and sector-support operations is

envisaged in order to stimulate public spending in priority sectors. It was decided on this basis to increase the support under this priority area. Up to 61% of the 2011-2013 bilateral envelope could be devoted to supporting the implementation of the Action Plan.

In the period 2007-2010, 12% of the bilateral envelope was dedicated to supporting the first priority area — support to political reform. Lebanon's political situation is still perceived as fragile and an emphasis on political reforms should be conducive to the long-term stabilisation of the country. Hence under this indicative programme the European Community will devote up to 17% to support the implementation of the political and security chapters of the EU–Lebanon Action Plan.

## ANNEX 7 – LEBANON'S COUNTRY ENVIRONMENTAL PROFILE

### 1) State of the environment

The key environment issues in Lebanon relate to air quality, water quality, waste management, nature protection, coastal and marine pollution, as well as land use. These were further aggravated in the areas which were affected by the conflict of summer 2006.

**Air quality** is a concern, even if monitoring does not take place systematically. The main emission sources are transport, power plants and industrial activities.

Regarding **water quality**, Lebanon is relatively rich in groundwater aquifers. There are also permanent rivers and 23 seasonal rivers. However, important pressures in terms of quantity and quality stem from agriculture, domestic sewage, agro-chemicals and industrial effluents. Ground water is locally affected. Sea water intrusion occurs in the coastal aquifers. While many households are connected to sewage, there is very little waste water treatment capacity in operation, which in some cases is due to lack of maintenance, as well as because of the 2006 conflict. Certain initiatives to improve the situation are taking place.

**Waste management** constitutes a challenge, including prevention, collection, treatment, recovery and final disposal. Collection rates of municipal waste are however high in Greater Beirut, but very little recycling activities take place and therefore collected waste is landfilled in most cases. Furthermore, landfill capacities are scarce. Illegal dumpsites are also a serious problem, in particular outside Beirut. There are no effective solutions in place for industrial, hospital or slaughterhouse waste. The recent conflict resulted in important amounts of demolition waste as well as solid wastes mixed with oil.

As regards **nature protection**, 3% of Lebanese territory is protected, and there are now seven designated nature reserves. However, the country's biodiversity is threatened by uncontrolled urban and coastal development, impacts of the 2006 conflict on some of the nature reserves, as well as forest fires, use of pesticides and chemicals in agriculture, and also because of uncontrolled harvesting.

The Lebanese coastal strip extends over 210 km along which approximately 55 % of the Lebanese population is concentrated. **Coastal and marine environment** is therefore subject to pressures from municipal and industrial development as well as from shipping. Explosions at the Jiyeh power station during the 2006 conflict resulted in an extensive oil slick affecting coastal areas.

**Land use** issues are a particularly important challenge for Lebanon. A series of factors are involved: soil erosion, landslides, urbanization, mines, and many pressures related to migration and displaced population.

As regards **industrial pollution**, the main industries in Lebanon are agro-food industry, textiles, metal and wood products. 82% of the industrial activity is located outside the official industrial zones, within residential, agricultural and natural areas.

Key **trans-boundary environment issues**, which affect Lebanon, include the pollution of the Mediterranean as well as water supply issues within Kebir, Hassi and Hasbani river catchment areas.

As regards **global environment issues** and climate change in particular, Lebanon signed and ratified the Kyoto Protocol in May 2006 and therefore needs to implement the relevant provisions and, where appropriate, implement concrete policies and measures to reduce greenhouse gas emissions, in particular in the energy and heavy industry sectors.

## **2) Environment policy**

Lebanon has drawn up an overall environment strategy at the ministerial level. This strategy is included in the introduction to the law 690/2005 voted by the Parliament in August 2005 defining the structure of the Ministry of Environment and its tasks. It is based on the principles of balanced regional development, prevention of pollution, polluter pays and integration of environment considerations into other sectors. It aims at drawing up environment legislation as well as plans and programmes, strengthening and decentralising administrative capacities, establishing partnerships, providing information as well as public awareness-raising. In addition, the Government has adopted a specific strategy for South Lebanon which aims at repairing war damage as well as protecting public health and promoting sustainable use of natural resources.

A draft of National Environmental Action Plan (NEAP) was prepared in 2005 on the basis of the environment strategy but has not yet been approved. It would cover the period of ten years and address key environment problems of the country, including the identification of necessary methods and responsibilities, including cost assessments. A state of the environment report was last published in 2001. A Country Environmental Analysis is being conducted with support of the World Bank, and this will be the basis for the revised state of the environment report.

In the field of climate change, Lebanon is preparing a second national communication, a greenhouse gas inventory and assessment of climate impacts. No Clean Development Mechanism (CDM) project in Lebanon has yet been registered at the UN level.

## **3) Environment Legislation and implementation**

In 1988 an Environment Protection Law was adopted, followed in 2002 by a National Code of the Environment which defines the basis and norms for environment protection – notably for water, soil, use of chemicals and resource management – as well as institutional, administrative and technical aspects.

However, implementation of the Code requires several implementing decrees which have not yet been adopted, for example to operationalise the establishment of a National Environment Council or on environmental impact assessment. A decree on strategic environmental assessment has been approved by the Council of State, but is awaiting final sign off by the Council of Ministers.

As regards sector-specific legislation, Lebanon has adopted a certain number of laws, decrees and ministerial decisions on air quality, water quality, waste management, quarries, land and soil, forests, hunting and pesticides. Concerning industrial pollution, there are some national standards on environmental quality and for risk management.

Certain sector specific master plans have been prepared, e.g. for the management of solid waste, waste water and quarries. The Land Use Master Plan is the basis for the designation of protected areas. Different ministries together with the Council for Development and

Reconstruction have taken actions to implement projects covering priorities as identified in these master plans.

Overall, environment legislation is therefore in place as regards framework legislation, but still needs further development, in particular with regard to adopting the necessary implementing legislation. Lebanon faces difficulties with implementation and enforcement of environment legislation, also due to limited administrative capacities and financial resources, especially at regional and local levels.

#### **4) Administrative capacity**

The Ministry of Environment is the main body for environment protection and policy, established in 1993. Law 690/2005 allows for an organizational restructuring of the Ministry, which is ongoing, following the adoption of the Decree on the reorganization of the Ministry in May 2009. According to the Law, the Ministry's role is to set general policies, projects and plans on issues related to environmental safety and sustainability of natural resources. Furthermore, the Ministry can also suggest actions for implementation and monitoring.

Industrial permits are issued by Mohafaza under the jurisdiction of the Ministry of Interior. Major infrastructure projects are managed by the Council for Development and Reconstruction.

The Ministry of Environment also supervises the functions of each Mohafaza's MoE regional office. The municipalities have a statutory responsibility for building and maintaining certain infrastructure and for providing basic services, notably wastewater treatment, solid waste management and issuing for construction permits.

A number of other Ministries and organisations are also involved in environment matters, such as the Ministries of Public Health, Energy and Water, Public Works and Transport, Agriculture, the Higher Council for Urban Planning and the National Council for Scientific Research. A National Council for quarries was created in 2002. It is headed by the Ministry of Environment and includes members from 9 different public administrations dealing with approving quarry operations and setting standards.

In order to ensure strategic planning and implementation and enforcement of environment legislation, strengthening of administrative capacities at national, regional and local levels constitutes an important challenge, including with regard to co-ordination between the relevant authorities.

#### **5) Participation in regional and international processes**

Lebanon has ratified the relevant **international and regional conventions** to which it is signatory, with the exception of the Barcelona Convention's Land-Based Sources and Dumping Protocols. Lebanon has not signed the new Emergency Protocol, the Specially Protected Areas and Biodiversity Protocol, nor the Integrated Coastal Zone Management Protocol.

On the regional level, Lebanon participates in the **Council of Arab Ministers for the Environment** and the **Mediterranean Action Plan**.

Lebanon participates in environment cooperation within the **Union for the Mediterranean**. In November 2006, with the other Euro-Mediterranean partners, it committed to the **Horizon**

**2020 initiative** to tackle major sources of pollution including industrial emissions, municipal waste and urban waste water. Successful achievement of the goal will require a combination of both regional and national actions with the support of all actors in the Mediterranean.

Lebanon participated the **Third Euro-Mediterranean Conference on Water** in December 2008, which launched the process for the drawing up and adoption of a Mediterranean Water Strategy. This strategy will focus on integrated water resources management, water and climate change (including water scarcity), water financing and water demand management. Lebanon also participates in the **Mediterranean component of the EU Water Initiative**, a regional component of the EU Water Initiative as announced at the 2002 World Summit on Sustainable Development. The initiative aims to promote better water governance and coordination between stakeholders.

On the **bilateral level**, cooperation agreements on environment issues exist between Lebanon and Syria. Three memoranda of understanding are currently under preparation with Morocco, Jordan and Egypt.

## **6) Key areas where action is required**

Lebanon faces significant challenges in order to promote environment protection, which were furthermore aggravated as a result of the recent conflict. The key environment issues include air quality, water quality, waste management, nature protection, coastal and marine pollution, as well as land use.

With regard to climate change, Lebanon needs to implement the relevant provisions of the Kyoto Protocol to the UN Framework Convention on Climate Change. Lebanon has significant possibilities to use flexible mechanisms under this Protocol. Lebanon also needs to prepare for the implementation of a new agreement to succeed the Protocol. Particular attention needs to be devoted to mitigation and adaptation issues, and to ensuring the inclusion of relevant actions in all national plans and budgetary processes.

The institutional and administrative capacity requires strengthening, in particular as regards, coordination, implementation and enforcement. Promotion of public awareness is important for the implementation of environment policy.

**The key environment areas where action is required are identified in the environment section of the EU - Lebanon Action Plan, established in the framework of the European Neighbourhood Policy. It defines a set of priorities for action with regard to environmental governance, issue specific activities as well as on international and regional cooperation on environment issues. Progress towards implementing the Action Plan will also contribute to fulfilling the objectives of the Association Agreement.**