



HIGH REPRESENTATIVE
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Report on EU-LEBANON relations in the framework of the revised ENP

COUNTRY REPORT (March 2015 – April 2017)

EU-LEBANON Partnership

1. Summary

The EU and Lebanon are key partners that face common challenges linked to protracted crises and instability in the neighbourhood. The EU-Lebanon partnership is strong and across many sectors as defined by the Association Agreement which is in force since 2006. Lebanon is facing difficult economic, social and security challenges. Adding to pre-existing weaknesses, the conflict in Syria intensified pressure on Lebanon's institutions, infrastructure and environment and affected its socio-economic stability. Lebanon hosts more than one million registered Syrian refugees in addition to some 6,000 Iraqi refugees, 32,000 Palestine refugees from Syria and the approximately 300,000 Palestinian refugees that were already in the country. Despite a volatile security situation stability and security have been maintained.

The 29-month institutional gridlock ended with the election of a President in October 2016 and the formation of a new government in December 2016. Parliament's mandate, which was already extended twice, expires on 20 June 2017.

During the reporting period, the EU-Lebanon partnership became closer, more strategic and more focused. On 11 November 2016, the EU and Lebanon adopted Partnership Priorities for the years 2016-2020 setting an ambitious strategic agenda for deepening ties and achieving the stabilisation of the country and the wider region as outlined by the revised European Neighbourhood Policy and the Global Strategy for the European Union's Foreign and Security Policy. The priorities identified are: security and countering terrorism, governance and the rule of law, fostering growth and job opportunities, and migration and mobility.

The EU and Lebanon also agreed on a Compact containing mutual commitments and priority actions in line with the Statement of Intent made at last year's London Conference (February 2016) The renewed commitments taken on the occasion of Brussels Conference (April 2017) on supporting the future of Syria and the region reinforced these shared responsibilities. The Compact addresses the impact of the Syrian crisis and seeks to improve the living conditions of Lebanese citizens and refugees temporarily staying in Lebanon.

The High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission (HRVP), Federica Mogherini, visited Lebanon in March 2016 and in January 2017. Commissioner Hahn visited Beirut three times in June 2015, January 2016 and March 2017. These regular high-level visits served to highlight the EU's commitment to sustained support for Lebanon and for expanding mutual cooperation.

The Country Report for Lebanon outlines the state of play of implementation of the Association Agreement between March 2015 and April 2017 in line with the structure of the Partnership Priorities. It focuses on key developments and reform efforts in Lebanon during the reporting period and should provide the basis for a political exchange of views at the next EU-Lebanon Association Council scheduled to take place on 18 July 2017.

1. Security and Countering Terrorism

The security situation remained fragile during the reporting period. Lebanese security agencies arrested several terrorist suspects and dismantled sleeper cells affiliated with jihadist groups such as Da'esh or Jabhat Fateh el Sham (Jabhat Al Nusra). Operations against Islamist fighters continued at the borders with Syria. The capacity of Palestinian and Lebanese authorities to maintain stability in the Palestine Refugee Camps, especially in Ain al Helweh, remains challenging with recurring incidents, assassinations and violence flare-ups. In addition, there is growing concern regarding Da'esh and other extremist armed groups' operatives in the camps.

The border between Lebanon and Israel remained in a state of fragile stability with a number of incidents reported but contained. Lebanon did not advance on the implementation of United Nations Security Council (UNSC) Resolution 1701 on the disarmament of all armed groups and full control of arms distribution and ownership by the authorities. Armed incidents continued to take place throughout the country and the possession of light weapons is widespread among the various communities.

Intense political dialogue between the EU and Lebanon on security issues took place during the reporting period. Strengthening the effectiveness and legitimacy of the Lebanese Security Sector remains a priority for the EU. The EU has developed long-standing cooperation with the Internal Security Forces (ISF) since 2006 reinforcing in particular the capacities of the judiciary and scientific police, setting up Research and Intervention Brigades (Brigades de Recherche et d'Intervention- BRI) and supporting the ISF Academy. Around EUR 7 million worth of equipment (IT, forensic, training) were supplied between 2006 and 2016. The EU remained committed to supporting the civilian capability of the Lebanese Armed Forces (LAF) as the sole security provider for the country. It has been providing the LAF with pioneering support in various areas including institutional capacity building and Civilian-Military dialogue and interaction as well as mine action. Lebanon is the first country in the Middle East and North Africa (MENA) region to benefit from a comprehensive Integrated Border Management (IBM) programme which entered its second phase in 2016 with an additional envelope of EUR 9 million.

Following the Counter Terrorism Dialogue of 26 January 2016, the EU and Lebanon agreed on a roadmap for cooperation in countering terrorist groups as designated by the United Nations Security Council. Several activities within this framework have taken place such as a study visit to Europol (December 2016) of representatives from all security agencies and a "High Level" experts' meeting (March 2017) to develop a national counter terrorism strategy, in line also with the new Government Declaration. A Eurojust contact point was also nominated by the Lebanese authorities at the request of Eurojust to facilitate cooperation with the EU agency in case of operational need. In April 2016, the EU organised a specific workshop on aviation security while a workshop on fighting the illicit traffic of fire-arms was organised in October 2015. The EU is also engaged in countering violent extremism with four ongoing projects.

In November 2015, the Parliament enacted four anti-money laundering laws aimed at countering terrorism financing.

In March 2016, the Subcommittee on Justice and Security matters was held in Beirut where the EU and Lebanon agreed on the need for coordination among security agencies and

cooperation with the judiciary in the fight against terrorism and to follow up on various fronts such as terrorism financing and countering violent extremism. The visit of the European Union Agency for Law Enforcement Training (CEPOL) to Beirut and its cooperation with the Lebanese Police Academy as well as steps taken to establish a network of focal points within the relevant agencies for purposes of defining an inter-ministerial Counter-Terrorism strategy were welcomed and more work followed up during the March 2017 high-level meeting mentioned above. Furthermore, updates on progress in the adoption of new legislation such as on money laundering and terrorism financing, in implementation of all UNSC resolutions and Financial Action Task Force (FATF) recommendations, were provided. Concerning the fight against drugs, Lebanon reported on efforts to replace the criminalisation of drug use and on treatment policy put in place for drug users.

The EU also assisted Lebanon in the revision of national legislation on export control systems of dual-use items so as to combat the proliferation of weapons of mass destruction and related materials, equipment and technologies. Specialised training on Improvised Explosive Devices (IEDs), chemical precursors, dual-use goods, and open source intelligence was delivered to security agencies.

2. Governance and the Rule of Law

The **election of President Michel Aoun** on 31 October 2016 and the **formation of a new government** led by Saad Hariri on 18 December 2016, ended a phase of political deadlock lasting two and a half years. The new Government's Declaration highlighted the importance of working closely with international partners and specifically the partnership with the European Union, of designating the members of the National Commission of Human Rights as well as of strengthening the role of women in the political, economic and cultural spheres. It also emphasised the need to address corruption to improve the efficiency of the state and restore the trust of its citizens.

Municipal elections were held in May 2016 and were in line with recommendations made after the 2009 parliamentary elections by the EU electoral observers, including the use of pre-printed ballots, measures to ensure election silence, voter and candidate registration systems, and women participation and representation.

At national level, **parliamentary elections** are still to be held after parliament extended its mandate twice in 2009 and 2013, with the latest extension expiring on 20 June 2017. During the reporting period, efforts continued to find a consensus on a new electoral law between all political parties. The EU called for a continued constructive approach to reach an agreement.

In May 2016, the EU and Lebanon discussed progress on human rights in the framework of the Subcommittee on Democracy, Governance and Human Rights. Operational conclusions and follow up actions were agreed such as: the need to address discriminatory provisions against women, freedom of expression, protection of refugees, justice sector reform, rehabilitation of prisoners, victims of torture and victims of human trafficking as well as rights of children and minorities. They also included the necessity to adopt the laws implementing the UN Convention against Torture and its Optional Protocol. EU engagement with international and Lebanese civil society in the area of human rights continued in both Beirut and Brussels and not only in the context of the preparation and follow-up to the above mentioned subcommittee.

Institutional progress in **human rights** included the adoption of a law establishing a National Commission on Human Rights (NCHR) and a National Preventive Mechanism (NPM) in October 2016 to monitor and investigate allegations of torture and ill-treatment in line with the Optional Protocol to the Convention against Torture. Moreover, at the end of 2016, Lebanon established State Ministries for Human Rights and Women's Affairs within the new government.

Women are still largely under-represented in the country's main political bodies. In the new government made up of 30 ministers, only one of them is a woman. In the Global Gender Gap Report, Lebanon is ranked 135 out of 144 countries. The EU continued to support measures to improve women's representation and to advocate for introducing a women quota system in the electoral law.

Minors and juvenile prisoners remain a particularly vulnerable group especially due to lack of segregation from adult inmates or classification by age group, type of offence or procedural phase of the judicial file. An EU programme for juvenile justice has been designed and adopted to strengthen juvenile justice and a protective environment for children in line with international standards and to enhance the capacity of law enforcement services to address terrorist-related cases with a rights-based approach.

In relation to allegations about the **mistreatment of prisoners**, Lebanon's prisons remain overcrowded and detention conditions generally difficult. Pre-trial detainees are not always separated from convicted prisoners and alternative measures to imprisonment are seldom utilised due to lack of resources.

The EU supports a comprehensive portfolio of projects with a focus on the fight against torture and ill-treatment in prisons. Reports of alleged abuse at the hands of the police and the army prompted the Minister of Justice (MoJ) to call for an investigation in 2015. The Lebanese Armed Forces' Office of International Humanitarian Law and Human Rights created a committee to receive complaints from detainees and to provide advice on complaints related to allegations of torture. In December 2016, a Code of Conduct was adopted by the General Security.

The creation of a State Ministry for Anti-corruption under the new government and the adoption of an access to information law by Parliament in January 2017 are steps towards **addressing corruption**. The Government's Declaration mentions corruption specifically as a priority objective. In 2016 Lebanon's ranking in Transparency International's Corruption Perception Index stands at 136 out of 176 as opposed to 123 in 2015.

The EU remained the major donor to **justice reform** in Lebanon and implemented projects amounting to EUR 30 million since 2008. Despite these efforts, comprehensive legal and policy reforms to establish a truly independent, impartial, efficient and accountable judiciary are yet to be introduced. In the absence of a state budgetary allocation, the provision of legal aid services (counselling and court representation) continued to rely on the Bar Associations, civil society organisations and external donors. There are three main Courts of Exception in Lebanon which affect the right to an impartial judge. The military courts have extensive competences that go beyond the usual role of military courts, including jurisdiction over civilians, an anomaly that the new State Minister for Human Rights committed recently to address.

In March 2016, in the Subcommittee on Justice and Security held in Beirut, the EU and Lebanon agreed on the importance of strengthening the independence and efficient functioning of the judiciary, including the protection of the fundamental right to a fair hearing by an impartial and independent court, bettering detention conditions in Lebanon and the need for coordination among security agencies and cooperation with the judiciary. Both sides expressed their readiness to continue cooperation in this field.

3. Fostering Growth and Job Opportunities

Due largely but not only to the impact of the Syrian crisis, Lebanon's economy continued to experience low annual growth rates during the reporting period estimated at between 1%¹ and 1.8%² (compared to 9% in 2010). Overall **exports** dropped by 16.5% in 2016, affected by the closure of the land route through Syria to the Gulf countries - Lebanon's main export market. Moreover, the economic crisis in Egypt had had a negative impact on some agriculture sub-sectors. The real estate and tourism sectors, which together with the banking system are the mainstay of Lebanon's economy, improved in 2016 compared to 2015³. The decline in the costs of transportation and of water, electricity, gas and other fuels helped sustain overall economic activity. Economic activity has also been sustained by the yearly incentive packages provided by the Central Bank to the commercial banks.

In the absence of current data, the World Bank estimates current unemployment rates at a higher percentage than in 2010: 11% unemployment with a higher impact on women (18%) and youth (34%). With the support of the EU, a household survey by Lebanon's Central Administration for Statistics has been underway that should provide insight into employment and living conditions in Lebanon as well as help identify priority areas for further development support.

Public debt rose by 6.5% in 2016. In terms of nominal GDP, it reached 153% of GDP at the end of the year⁴. In 2016, **debt service** increased by 6.2% and absorbed 53.5% of budget revenues. Low growth, coupled with high fiscal deficits (7.9% in 2016) put the country on a path of increased debt to GDP levels and challenge debt sustainability. Beyond the economic challenges represented by low growth and high debt, on the monetary front the Central Bank has effectively maintained the stability of the currency and the financial system.

The seventh EU-Lebanon Sub-Committee on Economic and Financial Matters took place in Beirut on 27 October 2015. It addressed the vulnerability of Lebanon's macroeconomic situation including the impact of the conflict in Syria and the political deadlock as well as the

¹ IMF, Article IV Report, January 2017.

² Ministry of Finance (using the macroeconomic forecast instruments developed during the twinning funded by the EU (2014-2016)) and World Bank (Global Economic Prospects, June 2016).

³ Cement delivery grew by 4% in 2016, the value of official real estate transactions by almost 6%, their number by 1.3%, average occupancy ratio of the main hotels has increased from 56% in 2015 to 59%.

⁴ There are considerable differences between the values of debt/nominal GDP ratio adopted by, on one hand, the Ministry of Finance and, on the other hand, the IMF. This is due mainly to important differences in the values adopted for the GDP deflator, which impacts on the value of nominal GDP. The values for nominal GDP that are adopted here are, for 2013, the value given by the National Accounts, which is also adopted by the Ministry of Finance, and, for the following years, the values resulting from real GDP growth values and from the GDP deflator values adopted by the Ministry of Finance. These values result from the use of macroeconomic forecast models developed by experts of the twinning funded by the EU.

structural reform challenges in the energy sector, the tax system and public finance management.

In December 2015, the European Bank for Reconstruction and Development (EBRD) approved a request by Lebanon to become a shareholder of the Bank with a view to becoming a recipient of EBRD investments at a later stage. The process for Lebanon becoming a member and recipient country is however not yet complete. Lebanon has also reactivated its World Trade Organisation (WTO) accession process after the WTO Chairman's visit to Beirut in March 2016.

At the Brussels Conference on 5 April 2017, Prime Minister Hariri presented the macro-economic impact of the Syrian crisis on Lebanon and requested increased financial support to Lebanon by the international community⁵. The government estimates USD 10 - 12 billion for 2018–2025 are needed to offset the economic impact of the Syria crisis. It proposes to achieve this through massive infrastructure investment projects, expanding education opportunities and boosting the private sector while carrying out essential reforms.

The EU is ready to support these reform efforts and is encouraging the Lebanese government to benefit from the current opportunities for concessional finance to create jobs for all and to improve the business environment.

Municipalities

The law to support the decentralisation process has not yet been adopted. Significant differences in socio-economic conditions between regions of Lebanon remain and in some cases have become more pronounced as a result of the Syria crisis. The uneven capacities of municipalities to provide basic services have been further weakened. In many places this has in turn affected social cohesion and relations between refugees and host communities.

A number of EU assistance programmes are in place, aiming to improve local socio-economic development and the local job market with a focus on young people. Some of these programmes are focused on specific geographic areas of Lebanon. For instance a new programme to support the development of vulnerable local urban zones in the area of Tripoli is underway. Other programmes focus on municipal finance reform which is a crucial issue for sustainable governance at the local level.

Private Investment

Private sector development, and especially small and medium sized enterprises (SMEs), are at the core of economic development in Lebanon as evidenced also by the emphasis placed on it in the new Government's Declaration for kick-starting the economy. The government recognises the need to undertake the necessary reforms to improve the environment for doing business in Lebanon and promote the role of industry, agriculture and tourism as well as the digital economy given the country's human capital in the creative and innovation industries.

⁵ In a document tabled at the Conference by Lebanon entitled "*A Vision for Stabilisation and Development in Lebanon – The Government of Lebanon's approach to mitigating the impact of the Syrian crisis with support from the international community*"

Lebanon ranks low (126 out of 190 countries) in the ease of doing business index, according to the 2017 World Bank annual ratings. During the Sub-committee on Trade and Investment held in October 2016, EU and Lebanon agreed to closely follow progress regarding the adoption by parliament of a significant number of draft laws (e.g on bankruptcy, insolvency, reform of Commercial Code, preferred shares etc.) that are expected to contribute to the improvement of the business environment in Lebanon in the long-term. The EU furthermore reached out to the private sector and held two very fruitful workshops in October 2016 and March 2017 respectively: the first discussed general difficulties encountered in exporting towards the EU, while the second one specifically addressed compliance with EU food safety standards.

A new EUR 15 million programme was launched in May 2016 and aims at increasing the competitiveness of value chains in the wood and agriculture sectors in three regions of Lebanon (the North, Beka'a and Akaar). This builds on a previous long-term private sector development programme that came to an end in 2015.

Infrastructure

(a) Water and Waste Water

Water shortages are increasing. The country is already using two-thirds of its available water resources. Surface water resources are being largely exploited and ground-water is experiencing significant depletion due to a high number of private and unregulated wells, including those for irrigation. Additionally, the wastewater network coverage reaches only 60% while treatment reaches only 8%. This has environmental costs and knock-on effects on health. Problems related to reliability of power supply affect the efficiency and sustainability of local water infrastructure.

During the reporting period, EU projects have supported Lebanon to upgrade water supply facilities for communities in Lebanon affected by the consequences of the conflict in Syria and to enhance basic infrastructure on water supply and waste water provision.

(b) Energy

Lebanon imports over 98% of its primary energy and relies on fossil fuels for most of its power generation. On the 4th of January 2017, the Lebanese Council of Ministers approved two decrees: one relating to the delimitation of the Lebanese Exclusive Economic Zone and the other defining the conditions and criteria for participation in oil and gas exploration bids as well as the model Exploration and Production Agreement (EPA) that will be signed between the State and the winning consortium. During the reporting period, an EU technical assistance project with the Lebanese Petroleum Authority (LPA) carried out an in-depth analysis of applicable laws, sector policies, regulations and model contracts and prepared new proposals for a General Energy Policy and Oil and Gas Policy papers.

The guarantee mechanism to small enterprises that intend to implement energy savings measures has not yet reached its objectives and only a limited number of guarantee schemes were issued. However, the use of renewable energy as a cheaper and reliable alternative to fossil fuels has been increasing steadily. Momentum was created mainly by the launch of the National Energy Efficiency Action Plan (NEEAP) 2011-2015, a National Energy Efficiency and Renewable Energy Action (NEEREA) by the Central Bank of Lebanon as well as by donor-funded projects including those of the EU.

Solar water heating and photovoltaic (PV) systems for electricity generation are the technologies being used more in the residential and commercial sectors. With the help of EU funding, other innovative technologies such as biomass and geothermal energy have also demonstrated potential.

The EU has been supporting the development of renewable energy and energy efficiency measures in various ways. It provided EUR 2 million in grants to about 120 small and medium sized enterprises (SMEs) or non-governmental organisations (NGOs) receiving concessional loans from commercial banks to implement their energy-saving measures, in the framework of the NEEREA; it also provided EUR 3 million in grants to finance innovative projects with geothermal, biomass and solar technologies. In addition, a regional EU-funded project has contributed to mainstream the Sustainable Energy Action Plans (SEAP) concept at municipal level all over the country. A feasibility study on waste to energy solutions has been undertaken in order to inform the policy dialogue on energy.

(c) Solid Waste

When the garbage crisis erupted in July 2015, it quickly became a major political issue. A growing number of municipalities had been developing individual treatment systems but in several areas the population refused to accept the planned disposal sites. In other municipal areas, no agreement on operators for the local treatment plants could be reached. At national level, the National Solid Waste Plan adopted on 12 January 2015 by the Council of Ministers encountered difficulties in implementation. Subsequently, a Solid Waste Commission prepared an 18-month emergency plan which the Council of Ministers adopted on 9 September 2015.

Over the last decade, the EU has been supporting a decentralised approach to solid waste management with municipalities and unions of municipalities playing a key role. The EU has been supporting public-private partnerships (PPP) for operation and management of the facilities to compensate for the lack of specialised management capacities of the infrastructures at municipal level. In the framework of two ongoing programme aimed at supporting municipal finance (in municipality of Bar Elias in the Beka'a valley) and upgrading solid waste management capacities in various regions of Lebanon (projects SWAM I & II), eight sanitary landfills and eight solid-waste treatment plants will be constructed and disposal and collection equipment (bins, trucks and compactors) will be provided. These programmes have been conceived to mitigate the impact of the Syrian crisis on Lebanese host communities and alleviate tensions related to health and environmental hazards by upgrading the provision of basic services regarding solid waste management. 2.9 million people (including refugees from Syria) in 430 municipalities are expected to benefit from the programmes upon their completion in 2020.

d) Transport

The EU provided technical support to Lebanon through regional EuroMed projects and stimulated cooperation with EU Transport agencies to implement the Regional Transport Action Plan for the Mediterranean Region (RTAP) 2014-2020 as adopted in the Union for the Mediterranean framework. Lebanon was also involved in the development of the regional transport network (the Trans-Mediterranean transport Network).

Trade / Agriculture / Industry

Lebanon's imports and exports of goods from and to the EU remained stable in value. The imports from the EU represented 42.5% of Lebanon's total imports in 2016, down from 43.1% in 2015.

The trade dialogue between the EU and Lebanon continued with a Sub-committee on Trade and Investment held in October 2016. During this meeting and in line with the Partnership Priorities and Compact, a **Joint Working Group** was established, aiming at facilitating market access of Lebanese products to the EU and at finding pragmatic solutions to further facilitate trade. The Joint Working Group agreed on priority topics and will meet on a regular basis focusing on addressing non-tariff trade obstacles which prevent Lebanon from taking full advantage of preferential trade arrangements under the Association Agreement and on improving and modernising the administration and facilitating the country's accession to the WTO. The JWG is looking at producing actionable trade-related recommendations to the attention of policy makers and the private sector. It held its first meeting in March 2017 focusing on the issue of ensuring better compliance with EU sanitary and phyto-sanitary standards (SPS).

Moreover, Lebanon ratified the Regional Convention on pan-Euro-Mediterranean preferential rules of origin in February 2017.

Energy security, climate action and conservation of natural resources

The EU is supporting Lebanon's efforts to invest in renewable sources of energy and infrastructures which have already been mentioned above. These efforts also represent Lebanon's activities to fulfil its commitments at the COP-15 Conference on **Climate Change** in 2009, to produce 12% of its electricity from renewable sources by 2020. In September 2015, ahead of the Paris Climate Change Conference (COP21), Lebanon submitted its Intended Nationally Determined Contribution, committing to reducing its greenhouse gas emissions by 15% by 2030 as an unconditional target and by 30% conditional on the availability of international support. Lebanon signed the Paris Agreement in April 2016 and is in the process of ratifying it.

As regards conservation of natural resources, the EU is supporting Lebanon through a programme for the protection and sustainable development of maritime resources. Eligible actions include investments such as sorting at source, mechanical sorting and recycling, composting, energy generation and uncontrolled dump rehabilitation; capacity building activities to improve the inspection and enforcement skills of relevant actors in charge) and awareness raising actions. Furthermore, Lebanon is also involved in the Union for the Mediterranean process related to the development of the Blue Economy in the Mediterranean.

4. Migration and Mobility

Lebanon hosts the highest number of refugees both per capita and per square kilometre worldwide. Since January 2015, Syrians who seek to enter Lebanon have to state the purpose of their visit and to present supporting evidence. Entry by Syrians is now strictly controlled though they may be admitted on exceptional humanitarian grounds.

At the request of the Government of Lebanon, the United Nations High Commissioner for Refugees (UNHCR) stopped registering refugees in May 2015. Residency permits to Syrians were issued or renewed against a six-monthly fee of USD 200 per person, which most refugees were unable to comply with. At the London Conference on *Supporting Syria and the Region* in February 2016, Lebanon committed to waive the requirement that refugees sign a "pledge not to work". Lebanon also committed to waive the renewal of residency fees and to ease access of Syrians to the job market in certain sectors where they are not in direct competition with Lebanese, such as agriculture, construction and other labour-intensive sectors.

In early June 2016, Lebanon announced it would replace the pledge not to work with a pledge to abide by Lebanese law. In March 2017, in the run-up to the Brussels Conference on *Supporting the Future of Syria and the Region* of 5 April 2017, the General Security within the Ministry of Interior issued a circular waiving the residency fee for segments of the Syrian refugee population registered with the UNHCR provided that they had registered with the UNHCR before 1 January 2015 or had obtained residency through their UNHCR certificate at least once in 2015 or 2016. The waiver does not apply to Syrians not registered with the UNHCR and Palestinian refugees from Syria.

Palestinian refugees still face limitations to their right to employment, property and social services. The arrival of additional Palestinian refugees from Syria (estimated at around 32,000) in the already overcrowded Palestinian camps impacted further on the living conditions of Palestinian refugees in addition to limited freedom of movement.

Regarding legal migration, the sponsorship system known as '*kafala*' in relation to migrant domestic workers is still in place. Draft legislation on the ratification of Convention No 189 (Domestic Workers Convention) of the International Labour Organisation (ILO) has not yet been adopted by Parliament. In December 2016, the Ministry of Labour cancelled the licences of several recruitment agencies for migrant domestic workers due to human rights violations.

Discussions on a **mobility partnership** started in 2015 and have not been concluded yet. Progress in relation to the discussions was assessed during the Subcommittee on Migration, Health and Social Affairs held in Beirut in April 2016 to address outstanding issues. However, the discussions have stalled and attempts to resume discussions are ongoing. During the Subcommittee meeting, the EU and Lebanon also discussed the management of the migration situation in Lebanon in general. They recognised that the presence of refugees from Syria has had a long-term impact on Lebanon's strained infrastructure and services and agreed to continue to work together to ensure positive and durable outcomes as had been agreed at the London Conference some months earlier. While recognising that some benefits could accrue to Lebanon from the employment of Syrians in traditional sectors they agreed to work together so that adjustments in the regulatory and legal frameworks do not adversely impact the Lebanese working population.

5. Education, Research and Innovation, Culture

Primary/Secondary Education

Dialogue on education between the EU and Lebanon continued with a focus on prevention of student underachievement and early school leaving, improvement of school information management system, and quality assurance for Lebanon's higher education and its alignment

with the Bologna standards. The EU also supported education of Palestinian refugees living in Lebanon (schools, vocational and career guidance; university scholarship fund).

The protracted Syrian crisis has been a challenge for Lebanon's public education system, mainly in terms of access to, and quality of, education services. In 2016, the Lebanese Ministry of Education and Higher Education (MEHE) adopted the second phase of the RACE (Reaching All Children with Education) Strategy for the period 2017-2020, with an annual cost of USD 350 million. Under RACE 2, MEHE gives priority to: i) equitable access to educational opportunities in the formal public education system, as well as through non-formal education activities; ii) the quality and inclusiveness of the teaching and learning environment, and iii) strengthening the national education system, policies, and planning and monitoring capacity.

The support of the EU and other international donors to the public education sector in Lebanon in the framework of RACE has also increased the number of Lebanese children enrolled in public schools from 193,000 during the school year 2011/2012 to more than 204,000 for the school year 2016/2017.

In March 2017, there were 488,832 refugee children in the school age 3-18 among the Syrian refugees registered by the UNHCR in Lebanon. The number of Syrian children aged 3-18 enrolled in public education increased from 18,780 in the 2011-2012 school year to around 194,000 students for the year 2016-2017. 58% of Syrian children in that age group are out of formal schooling. For Syrians, the main barriers to access to formal education are non-financial, such as lack of legal status for Syrian refugees, child labour and child marriage as negative coping mechanisms for Syrian households with limited livelihood opportunities or as a result of exploitation, quality of education services as well as language barriers (French being one of the main languages of education in Lebanon), cost of school transportation, and discrimination and violence within schools.

Drop-out from schools remains a problem especially for Syrians. Their numbers decrease dramatically in 7th, 8th and 9th grade and the transition to secondary education is very low with only around 4,000 Syrian students in secondary education.

The EU has been supporting MEHE prior to the crisis, and has been the first donor to respond to the Syrian crisis since 2012. More specifically, the EU has already allocated almost EUR 163 million to the education sector. For the school year 2016-2017, EU's contribution was the earliest to be committed and disbursed to UNICEF, equal to EUR 42.5 million under the different RACE components (Pillar 1 - Access to Formal and Non-Formal Education; Pillar 2 - Education Quality; Pillar 3 - Strengthening system). EUR 35 million are allocated to guaranteeing access to education (pillar 1) while the remaining EUR 7.2 million are allocated to the other two pillars.

In 2015 and 2016, the EU has also supported access to formal and non-formal education for Syrian and Palestinian refugees from Syria, for a total amount of around EUR 100 million. In doing so, the EU has ensured policy dialogue with MEHE and partnership with other donors and UN agencies, as well as with civil society organisations specialised in education and child protection, while seeking to address the above-mentioned barriers and ensure improved pathways from formal to non-formal education.

Vocational Training and Higher Education

Consultations with Lebanese stakeholders in 2016 on the Torino process, and the report published on 18 January 2017, revealed the need for improved coordination among public and non-public VET operators, as well as with private sector and social partners; the need to invest in setting up a labour market information system and to improve networking and linkages with the private sector and social partners.

A new programme of EUR 4.24 million was signed in December 2016 to support implementation of a more practice-oriented VET. It included amongst other activities the expansion of the network of career guidance and counselling/professional orientation bureaus in VET schools. Within the framework of the EU Regional Trust Fund in Response to the Syrian Crisis, three projects with TVET components are to be implemented in Lebanon. At the beginning of 2017, the ILO and the UN Children's Fund (UNICEF) launched a Vocational Education and Training mapping and roadmap process with technical support from the EU.

In the field of Higher Education, EU support continued mainly through the Erasmus+ programme. 11 projects under the Tempus programme were ongoing during the reporting period while 9 new capacity-building projects were selected involving 15 Lebanese higher education institutions. Such projects support national efforts in modernizing the Lebanese higher education system such as in the fields of governance, curricular development and reform, professional degrees, work placement, quality and open source technology. During the reporting period, 113 credit mobility projects linking Lebanese and European universities were selected which plan to organize the mobility of around 1000 students and staff. In addition, 19 Lebanese master students could benefit from Erasmus Mundus full degree scholarships.

In the non-formal education field, the Erasmus+ youth strand supported the mobility of 363 young people, volunteers and youth workers to Europe while around 92 participants were hosted in Lebanon.

Research and Innovation

Research and innovation cooperation between Lebanon and the EU has been strengthened further through the participation of Lebanese entities within the EU's Horizon 2020 programme. In April 2017 Lebanon reaffirmed its commitment to join the forthcoming Partnership for Research and Innovation in the Mediterranean Area (PRIMA), a major EU initiative with a total budget of almost EUR 500 million which aims to foster regional cooperation in research and innovation on food systems and water resources. Exploratory talks between Lebanon and the EU have been ongoing since early 2017 in preparation for an envisaged international agreement which will enable Lebanon to join PRIMA on an equal footing with other Participating States (including relevant EU MS and third countries associated to Horizon 2020). Lebanon has been an important player in fostering the Euro-Mediterranean research and innovation policy dialogue.

The National Council for Scientific Research initiated a project with four universities in February 2017 to support hundreds of research projects in the fields of scientific, technical, environment, public health and social sciences.

Culture

In the field of culture Lebanon has benefited from two EU regional programmes that supported Lebanon's cultural policy reform, promoted investment and the development of cultural operators' business capabilities as well as the development of cluster initiatives in cultural and creative industries.

6. Health

Lebanon's public health system still faces major challenges and the influx of Syrian refugees added further strain on Lebanon's capacity to provide access to public health care facilities to vulnerable segments of the Lebanese population. Health services in Lebanon are largely privatised and based on user fees. Approximately 28% of Lebanese need financial support to access minimum levels of care. At least 70% of Syrian refugees need to utilise some level of humanitarian assistance for healthcare. In 2016, 16% of Syrian displaced households who required primary health services were not able to access them, mainly for reasons of costs and fees.

During the Subcommittee on Migration, Health and Social Affairs held in Beirut in April 2016, the EU and Lebanon exchanged views on the state of the public health sector, especially the country implementation of International Health Regulations. In Lebanon, priority is now given to response capacities, human resources and laboratory studies with two national committees focusing on policy and technical issues. Challenges mentioned included insufficient monitoring capacity and the lack of qualified staff and contingency plans particularly at the local level.

The health sector is new in EU-Lebanon cooperation but with important assistance already delivered through primary health centres. At the end of 2016, the EU approved a health package of EUR 62 million under the EU Regional Trust Fund in response to the Syrian crisis thereby becoming the biggest donor in the health sector in Lebanon. This allocation complemented both earlier and ongoing support to the health sector under other EU instruments.

6. Financial Assistance

The financial allocation for EU-Lebanon cooperation for 2014-2016 under the European Neighbourhood Instrument (ENI) bilateral assistance (Single Support Framework) amounted to EUR 147 million and focused on: justice and security system reform; social cohesion, sustainable economic development and vulnerable groups; and sustainable and transparent management of energy and natural resources. Two cross-cutting areas were identified: complementary support for capacity building and for civil society.

In addition to the above, the European Commission has allocated EUR 970.9 million to assist Lebanon since the beginning of the Syrian crisis. This can be broken down as follows:

- EUR 439 million in humanitarian assistance to refugees and vulnerable Lebanese (basic assistance, shelter, health, water, sanitation and hygiene, protection and education in emergencies).
- EUR 249.5 million from the European Neighbourhood Instrument (ENI) mainly to enhance the capacities of Lebanese institutions at central and local levels, and to support them in the provision of basic services (protection, health, education, and

water, sanitation and hygiene) to Lebanese vulnerable communities, Syrian refugees and Palestinian refugees from Syria.

- EUR 224.2 million from the EU Regional Trust Fund in Response to the Syria Crisis to address needs of Syrian refugees and to support Lebanese communities and national administration with a focus on education and training, as well as livelihoods, health, and water, sanitation and hygiene.
- EUR 57 million from the Instrument contributing to Stability and Peace (IcSP) to improve security and strengthen the rule of law, promote political stabilisation and reconciliation, and to address resilience needs of affected civilians, both Lebanese and refugees.
- EUR 1.2 million from the European Instrument for Democracy and Human Rights (EIDHR) for projects promoting democracy and human rights for refugees and Lebanese host communities.

The EU is in the process of defining its bilateral assistance for 2017-2020 (Single Support Framework), in line with the EU-Lebanon Partnership Priorities and the EU Compact. It is expected to be adopted by October 2017.

Consistent with the principle of designing 'bigger' but 'fewer' projects, indirect management (i.e delegating management to European development agencies, International non-governmental organisations (INGOs) or UN Agencies, as appropriate) will become the principal modality for delivering assistance. Blending (loans supported by grants) is envisioned by the EU in the areas of energy, water and wastewater treatment, as well as SME support. Blending grant types can be investment grants, interest rate subsidies, technical assistance grants, risk capital, or guarantees. The ratification of EBRD membership by the Lebanese Parliament on 15 March 2017 will increase the opportunities for concessional financing for the private sector.

7. Concluding remarks

The partnership between the EU and Lebanon is based on common values and interests. It promotes political dialogue, socio and economic development as well as human rights dialogue. The European Neighbourhood Policy (ENP) was reviewed in 2015 setting out stabilisation as its main political priority. In line with this, the main goal of the partnership is Lebanon's development as a secure, democratic, politically open and economically strong neighbour of the EU.

Hosting more than 1.1 million registered refugees remains a political, economic, and social challenge for Lebanon that affects all levels of the state and society. The EU remains committed to supporting Lebanon in addressing its most pressing needs and to promote the longer term economic development of the country.

The Partnership Priorities and the EU Compact provide the framework for the strategic development of EU-Lebanon cooperation in the coming years. Through policy dialogue, financial assistance, and concrete projects, including in collaboration with international partners, the EU will continue to support measures aiming at improved governance, fostering rule of law, economic development, security, and well-regulated migration to contribute to a stable, democratic and prosperous Lebanon. Progress in achieving the identified objectives in the above mentioned frameworks will be monitored through focused thematic subcommittee meetings.