



HIGH REPRESENTATIVE
OF THE UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 29.11.2018
SWD(2018) 484 final

JOINT STAFF WORKING DOCUMENT

Report on EU-LEBANON relations in the framework of the revised ENP (2017-2018)

COUNTRY REPORT (May 2017-May 2018)

EU-LEBANON Partnership

Introduction

The European Union (EU) and Lebanon are key partners cooperating closely on the socioeconomic development of the country and on joint challenges linked to protracted crises and instability in the region. The EU-Lebanon partnership has been comprehensive across most of the sectors included in the Association Agreement in force since 2006. A strong and resilient Lebanon is in the collective interest of the entire region and the EU. This interest underpins a deepening EU-Lebanon cooperation in line with the EU-Lebanon Partnership Priorities¹ and Compact² adopted in 2016.

At the EU-Lebanon Association Council on 18 July 2017, mutual commitments as agreed in the Partnership Priorities and Compact were recalled and meaningful ways for further improving the partnership were discussed including pursuing joint work on how to boost EU-Lebanon trade and investment, governance, security and counter terrorism, justice reform and the strengthening of the rule of law.

Over the reporting period, Lebanon undertook important legislative and administrative measures which included:

- a new electoral law in June 2017 on the basis of which parliamentary elections were held on 6 May 2018;
- two consecutive state budgets (with the 2017 budget being the first to be formally approved in 12 years);
- important appointments in the security, judicial and diplomatic apparatus;
- the start of work by the re-activated Socioeconomic Council (tasked with providing consulting services to the cabinet on socioeconomic projects);
- a new salary scale for the public sector; and
- the adoption or advancement of a number of long-awaited laws, including the Public Private Partnership law.

A brief period of uncertainty surrounding Prime Minister Hariri's offer of resignation in November 2017 was resolved in a constructive and calm manner by all Lebanese political leaders and parties. The Government renewed its commitment to dissociation from external conflicts, which was welcomed by the International Support Group for Lebanon in its Communiqué of 8 December 2017³. The EU played a leading role in three important international conferences held in Rome, Paris and Brussels between March and April 2018 to promote stability and strengthen Lebanon's state institutions.

¹ Decision No 1/2016 of the EU-Lebanon Association Council agreeing on EU-Lebanon Partnership Priorities.

² The European Union and Lebanon adopted a Compact which was annexed to the EU-Lebanon Partnership Priorities and sets out mutually agreed priorities for cooperation until 2020, focusing on fostering growth and job opportunities, governance and rule of law, regional stability, security and countering terrorism; see: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/lebanon-compact.pdf>

³ https://unsc.org/sites/default/files/171208_communique_gis_anglais.pdf

At the Rome II Conference of 15 March 2018⁴, the Lebanese Armed Forces and the Internal Security Forces presented their five-year strategic/capacity plans. The EU committed to support these plans in ongoing and sustained cooperation with Lebanese national security institutions. Through their efforts, stability and security have been maintained despite a volatile security situation. Lebanon committed to setting up a follow-up mechanism to Rome II to monitor progress.

At the Paris CEDRE conference of 6 April 2018⁵, Lebanon presented its vision for stabilisation, growth and employment and a ‘Capital Investment Programme’. The Government recognised that the implementation of structural and sectoral reforms is critical to attract new investments for the implementation of the ‘Capital Investment Programme’.

The Brussels II Conference on ‘Supporting the Future of Syria and the region’ of 24-25 April 2018⁶, co-chaired by the EU and UN, focused on support to the UN-led political process, humanitarian and development assistance to refugees, as well as continued support to hosting countries, notably Lebanon. The participating countries recognised and commended Lebanon’s enormous efforts in hosting more than one million refugees from Syria over the last seven years, as well as Palestine refugees.

Holding well-administered and largely peaceful and transparent parliamentary elections for the first time in nine years on 6 May 2018 was a significant milestone for Lebanon’s democracy, providing parliament with renewed legitimacy. As was the case for the 2005 and 2009 elections, the EU supported the preparation of the elections and deployed an Election Observation Mission on 27 March. The High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission (HRVP), the European Commissioner for European Neighbourhood Policy and Enlargement Negotiations and the European Commissioner for Humanitarian Aid and Crisis Management visited Lebanon during the reporting period (in December 2017, March and April 2018). Other high-level visits highlighted the EU’s commitment to sustained support for Lebanon and mutual interest in continued cooperation.

1. Security and countering terrorism

Over the reporting period, the security situation in Lebanon remained one of fragile stability, despite continued counter-terrorism operations, most notably in the north-eastern border areas. Lebanese security agencies arrested several terrorist suspects and dismantled numerous sleeper cells affiliated with jihadist groups such as Da’esh or Jabhat Fateh el Sham. On 19 August 2017, the Lebanese Armed Forces launched a counter-terrorist operation in North Lebanon and cleared 180 square kilometres which had been held by Da’esh and Al Nusra since 2015, thereby improving security and extending state institutions’ control over the whole of the territory east of Aarsal. Support to the Lebanese Armed Forces to extend State institutions’ control remained crucial, because of recurring illegal border crossing to and from Syria.

⁴ https://www.esteri.it/mae/en/sala_stampa/archivionotizie/approfondimenti/joint-statement.html

⁵ Conférence économique pour le développement, par les réformes et avec les entreprises (CEDRE), https://www.diplomatie.gouv.fr/IMG/pdf/cedre_statement-en_final_ang_cle8179fb.pdf

⁶ <http://www.consilium.europa.eu/en/press/press-releases/2018/04/25/brussels-ii-conference-on-supporting-the-future-of-syria-and-the-region-co-chairs-declaration/>

The security situation in the Palestinian camps, particularly in Ain al Helweh, remained challenging with recurring incidents, assassinations and violent flare-ups.

The situation at Lebanon's border-area with Israel remained generally calm, although breaches of Lebanese airspace and other security incidents were reported regularly. Constructive discussions within the tripartite meetings led by UN Interim Force in Lebanon helped to ease tension resulting from the construction of a border wall by Israel. Over the reporting period, no progress was achieved on the outstanding obligations of the parties under UN Security Council Resolution 1701 (2006), including on the disarmament of armed groups and full control of arms by the Lebanese authorities.

Based on the EU-Lebanon Partnership Priorities and Compact as well as a counter-terrorism roadmap of January 2016, security and countering terrorism remained key objectives in the EU's and Lebanon's joint work towards improving security. This included advancing security sector reforms and developing the institutional capacity of security agencies including law enforcement, security management, oversight bodies and justice, in full respect of human rights and democratic norms.

The EU and Lebanon jointly developed an action plan to strengthen the cyber-security capacities of the Internal Security Forces in a regional development programme for Middle East and North Africa countries⁷. In 2017, the EU also supported the development of the Lebanese Armed Forces cyber-defence strategy as well as the national plan and its implementation for humanitarian de-mining. A counter-terrorism law enforcement training programme, targeting most security agencies, was held in November 2017. The EU continued capacity-building of the Police Academy and contributed to the General Security's establishment of a nationwide secure data system to improve border protection.

The EU and Lebanon carried on their cooperation on the fight against illicit trafficking in firearms. A technical level meeting in Beirut on 4-5 December 2017 discussed the legislation on the control and possession of firearms. Several actions were agreed such as sharing technical expertise on the implementation of firearms regulations and further proposals to update the legal framework and develop a model that better fits the Lebanese context.

The EU and Lebanon advanced their cooperation on the criminal justice system and the prevention of violent extremism. The EU hosted a workshop in Beirut in January 2018, bringing expertise from EU Member States to assist Lebanon in the fight against radicalisation in prisons and the use of the internet for radicalisation and recruitment purposes. Support was also given to establish a specialised prison police and provide psycho-social rehabilitation services to prisoners and former prisoners and their families. Refurbishment works were carried out in Qobbeh prison to improve detention conditions and the Forensic Medicine division at the Ministry of Justice was upgraded.

At the Rome II Conference, attended at ministerial level, the HRVP commended the efforts of the Internal Security Forces and Lebanese Armed Forces in developing existing capacities and working towards further structural modernisation. During the conference, the EU announced its support of EUR 50 million until 2020 of which EUR 3.5 million was already committed to strengthen Lebanon's aviation security over 18 months, and about EUR 46 million for technical assistance, training and equipment programmes aiming to support all security

⁷ CT MENA Counter-Terrorism in the Middle East and North Africa (2017-2021)

agencies on rule of law, security and counter-terrorism, with a focus on integrated border management and counter-terrorism.

2. Governance, rule of law and human rights

On 6 May, Lebanon held parliamentary elections on the basis of a new electoral law agreed in June 2017. The new law included most of the recommendations made by the EU Election Observation Mission in 2009. Being the first since 2009 and following three extensions of parliament's mandate, the May 2018 elections were of particular importance in upholding the Lebanese people's constitutional right to vote and to be elected. The EU supported the technical preparations for the elections by strengthening the electoral management and administrative capacities while supporting the integration of gender equality and social media monitoring in civil society-led domestic observation. The EU also provided specific support to enhance the participation and representation of women in the elections.

Upon the official invitation of the Lebanese authorities, the EU deployed an EU Election Observation Mission on 27 March 2018. The Mission's preliminary report issued on 8 May 2018⁸ stated that the elections were well-organised and largely peaceful and transparent. The Mission's preliminary report noted that for the first time Lebanese residing abroad were able to cast their votes in the parliamentary elections. It identified two areas where improvement was most needed:

1. stronger campaign finance regulations and an Election Supervisory Commission with the capacity and power to implement them in order to address unequal access to the media that favours politicians with large campaign funds; and
2. to enable more women to participate in elections who remain severely under-represented in Lebanese politics.

The preliminary report also noted that the 2017 electoral law did not include positive measures to sufficiently address these shortcomings. Despite women being very active in all spheres of Lebanese life, between 2009 and 2018 there were only four female members of Parliament out of 128 and six in the newly elected Parliament.

Institutional progress in human rights included the adoption of an anti-torture law in October 2017. Supported by the EU, progress was also made on the establishment of a secretariat for the national mechanism to improve reporting to international human rights bodies. The law on establishing the National Human Rights Institution and the National Preventive Mechanism to investigate allegations of torture and ill-treatment is yet to be implemented. On the basis of a progress assessment on democracy and human rights, the EU granted an additional EUR 5 million to the State ministries for combating corruption and for women's affairs.

Lebanon's ranking in the Transparency International's Corruption Perception Index dropped in 2017 from 136 to 143 out of 176 countries. The EU supports various ministries and the public administration in fighting corruption through technical assistance, targeting the simplification of procedures, strategic planning and modernisation of public procurement.

A workshop was held in Beirut in April 2018 to have a first exchange of views and experiences on different systems in place within the EU to effectively tackle corruption in the

⁸ https://eeas.europa.eu/election-observation-missions/eom-%E2%80%8BLebanon-2018/44189/chief-observer-elena-valenciano-presents-eu-eom-lebanon-2018-preliminary-statement_en

light of Lebanon's draft strategy for combating corruption proposed to the Council of Ministers in May 2017.

The State Ministry for Women's Affairs prepared a draft national strategy for women's rights to be endorsed by the Council of Ministers. Article 522 of the Penal Code (exempting rapists from punishment if they marry their victims) was abolished in August 2017 and preparations are underway to amend the law regulating the minimum age for marriage and raise it to 18. Domestic violence remains under-reported and discriminatory laws towards women persist, namely on custody, marriage, divorce and transfer of nationality for children. In the Global Gender Gap Report, Lebanon is ranked 137 out of 144 countries.

Minors and juvenile prisoners remain a particularly vulnerable group as there is no segregation from adult inmates or according to the type of offence or procedural phase of the judicial file. Agreement with the Ministry of Interior and Municipalities for an EU-funded programme for juvenile justice was formally reached in May 2017⁹. It is designed to enable the justice system to operate in the best interest of minors and juveniles in contact with the law and to strengthen the rule of law through an improved human rights-based criminal justice system.

On the mistreatment of prisoners, a new Human Rights Division was put in place within the Internal Security Forces in mid-2017 and a number of Internal Security Forces human rights officers were deployed in several prisons. In June 2017, the EU-funded Forensic and Psychological Examination Unit at the Palace of Justice in Tripoli was inaugurated. Lebanon's prisons remain overcrowded and detention conditions are generally difficult. The EU supports a comprehensive portfolio of projects¹⁰ with a focus on the fight against torture and ill-treatment in prisons. However, the number of pre-trial detainees remains high (around 65 %) and they are rarely separated from convicted prisoners. Alternative measures to imprisonment are mostly not used due to lack of resources and clear national policies.

Although freedom of association, expression and assembly as well as a free press and media were generally preserved, there were also signs of deterioration. The 2018 Beirut Pride was cancelled following the arrest of its organiser. Civil society organizations reported there was a shrinking space for freedom of expression and concerns about the involvement of the Internal Security Forces Cybercrime Bureau and the military intelligence in cases related to freedom of speech. Criminal defamation laws continued to be used including against journalists. Furthermore, Lebanon is yet to adopt legislation concerning rights to privacy and personal data protection. An 'e-transaction and protection of personal data law' is still under discussion. The adoption by Lebanon of legislation on privacy and data protection is also relevant in the context of facilitating operational cooperation on law enforcement with Lebanon.

3. Fostering growth and job opportunities

Economic growth in Lebanon remains subdued and Lebanon's debt burden is rising, despite modest primary surpluses. Moreover, the economy remains vulnerable to shifts in deposit inflows on which the financing of sizeable budget and current deficit heavily depends.

⁹ 'Improving Justice for Children in Lebanon' (EUR 4 million, 2018-2022)

¹⁰ 'Breaking the Cycle: Towards Torture Eradication in Lebanon' (EUR 771,469, 2018-2020); 'Strengthening the rule of law through improved human rights based criminal justice system in Lebanon' (EUR 4 million, 2018-2022); 'Support to a comprehensive prison reform in Lebanon' (EUR 1,2 million, 2015-2018)

While the economic challenges remain considerable, the reporting period saw a moderate improvement in some of the main economic indicators. GDP growth, although still sluggish, is estimated to have accelerated to 1.5% in 2017 compared to the 0.8% estimated for 2015. Similarly, although still sizeable, lower oil prices contributed to a decrease in the current account deficit to an estimated (and still sizeable) 18% of GDP in 2017 from 26.7% in 2013. However, the fiscal deficit remained high at an estimated 9.9% of GDP in 2017, leading to a continued increase of the debt to GDP ratio to an estimated 144%.

At the EU-Lebanon Economic Subcommittee Cluster meeting held on 7-9 March 2018 in Brussels¹¹, discussions focused on the vulnerability of Lebanon's macroeconomic situation, including the impact of the conflict in Syria, fiscal trends and challenges, monetary and financial stability policies and urgent structural reforms from a macroeconomic perspective. The importance of Lebanon restoring fiscal sustainability and addressing external imbalances alongside the promotion of sustainable growth over the medium term were highlighted as priorities. The EU and Lebanon also discussed ways to deepen their trade and investment relations, focusing on how Lebanese capacity to export and access international markets could be improved. Discussions also focused on how cooperation on various policies could foster Lebanon's economic growth and create job opportunities.

In February 2018, the EU presented the EU's External Investment Plan in Beirut. Ways in which the External Investment Plan could be used to support large-scale projects in Lebanon were discussed particularly in the context of preparation that was already underway for the CEDRE Conference held in Paris on 6 April 2018.

At the Conference, Prime Minister Hariri presented a 'Vision for Stabilisation, Growth and Employment in Lebanon' including a 'Capital Investment Programme' consisting of 312 projects for a total value of USD 22.9 billion until 2030. The value of the projects for the first four-year period amounts to USD 10.9 billion. Pledges made at the conference reached USD 10.2 billion worth of loans of which USD 9.9 billion on concessional terms, and USD 860 million on grants. The Government committed to reducing the budget deficit by 5% of GDP over the next five years. It also undertook to fight corruption, modernise the fiscal administration, the public sector, procurement procedures, the judicial system and the legal framework for doing business as well as to reform the electricity, solid waste, water, and telecommunication sectors. Before the conference, Parliament adopted the 2018 budget.

The EU's support and financial commitment at the conference was to mobilise EUR 150 million in grants over three years to provide technical assistance and ensure a sufficient level of investment loans on concessional terms. This amount could potentially leverage EUR 1.5 billion in concessional loans depending on concrete progress on reforms as well as on the involvement of European Financial Institutions under the new EU's External Investment Plan. Furthermore, as part of its bilateral assistance¹², the EU has earmarked, under the 2017-2020 Single Support Framework, more than EUR 100 million until 2020 to promote growth, job creation and foster local governance and socio-economic development.

Establishment of a follow-up mechanism to CEDRE is envisaged not only to implement projects and reforms but also to monitor progress.

¹¹ https://eeas.europa.eu/headquarters/headquarters-homepage/41128/eu-lebanon-economic-subcommittee-cluster-meetings_en

¹² As provided within the EU's Single Support Framework for Lebanon, adopted in October 2017.

In July 2017, Lebanon became a shareholder and a recipient country of the European Bank for Reconstruction and Development. In March 2018, the Bank launched its two first operations in Lebanon. The EU-Lebanon Economic Subcommittee Cluster meeting also discussed a wide range of policies that could be channelled more effectively towards fostering growth and job creation. The state of ongoing cooperation in key sectors for sustainable growth such as environment, water and waste management, research and innovation, maritime policy and the blue economy, transport, energy policy and education were discussed and for each sector a number of operational conclusions were drawn on enhancing cooperation that will be followed up. In particular, the EU and Lebanon agreed to make full use of Lebanon's recent accession to the EU-supported Partnership for Research and Innovation in the Mediterranean Area¹³.

a. Municipalities

Significant differences in socio-economic conditions between Lebanese regions remain, and in some cases have become worse because of the Syrian crisis. As a result, in many places, it has had a negative impact on social cohesion and relations between refugees and host communities. A number of EU assistance programmes are currently in place to improve local governance, socio-economic development and the local job market focusing on young people¹⁴. They also seek to strengthen the capacities of municipalities in delivering basic services such as supply of water and solid waste management. Meanwhile, the EU supports Lebanon's efforts towards decentralising the Lebanese administrative system.

b. Private investment

Small and medium sized enterprises (SMEs) remain at the core of economic development in Lebanon. However, Lebanon ranks 133 in the World Bank 'Ease of Doing Business' index for 2018. A Public-Private Partnership Law was adopted in September 2017. During the EU-Lebanon Economic Cluster Subcommittee and the CEDRE Conference, the EU and Lebanon agreed to jointly follow progress on Parliament's adoption of a significant number of draft laws on:

- insolvency and the legal framework for insolvency practitioners;
- judicial mediation;
- facilitation of secured lending; and
- setting up a private equity fund.

These laws are expected to contribute to improving the business environment in the long term. Furthermore, new regulations are expected on the staffing of the High Council for Privatisation and its administrative autonomy.

¹³ http://ec.europa.eu/research/iscp/index.cfm?pg=med_part

¹⁴ Recovery of Local Economy in Lebanon (RELOC) (EUR 7 million, 2015-2019); Improvement of development process and local governance in the Municipality of Tripoli (EUR 780,000, 2016-2019); Local Development Programme for Deprived Urban Areas in North Lebanon (EUR 20 million, 2018-2021); Litani River Local development programme (EUR 20 million 2018-2021)

c. Infrastructure

(i) Water and waste water

Water shortages in Lebanon are increasing. Lebanon is already using two-thirds of its available water resources with a high number of private and unregulated wells, including for irrigation. According to latest available estimates, the wastewater network coverage reached only 60% of households while only 8% of the waste water collected was treated (and only at a primary stage), which impacts negatively on public health and on the environment.

Parliament's approval in April 2018 of the Water Code introduced the concept of '10-year water plans' and provides a new institutional framework for EU assistance in water and waste water. The Code clarifies the tasks, rights and responsibilities of the various actors in the water sector and defines the principles for developing water resources and their use as well as for tariffs and penalties. It also introduces the 'polluter-pays' principle.

Over the reporting period, EU projects supported Lebanon in upgrading water supply facilities for communities affected by the conflict in Syria and in enhancing basic infrastructure of water supply. Several projects with European Finance Institutions such as the European Investment Bank, the French Agence Française de Développement and German Kreditanstalt für Wiederaufbau on waste water treatment were launched.

(ii) Energy

Public sector electricity supply has not met public demand since the end of the Lebanese civil war. The country continues to rely mainly on imported fossil fuels, which account for a significant portion of Lebanon's GDP (i.e. 11.4%). Electricity tariffs well below production costs have consistently required yearly transfers to Electricité du Liban which have represented a sizeable contribution to the government's fiscal deficit (about 2.5% of GDP). Lebanon continues to face chronic power cuts while the total electricity bill costs Lebanon USD 3.35 billion (2017). The lack of major investments in production, transmission and distribution of electricity, complex laws and regulations, inadequate tariff structure, inefficient operations as well as political disagreements on thematic and geographic priorities have contributed to weakening the sector. The use of building or household private generators as alternative forms of supply is increasing pollution levels. In addition to these long standing structural deficiencies, the energy generation deficit has also increased due to Syrian refugees and is partially reduced by supply from neighbouring countries.

The country's energy policy (adopted in June 2010 and expected to be updated in 2018), established an overall structure for the electricity sector and committed to reinforcing renewable energy to reach 12.1 % of supply by 2020 in line with the Paris Climate Change Agreement targets. At the CEDRE Conference the Lebanese Government committed to tariff reform alongside increased power generation in the electricity sector. With regards to energy efficiency, a significant effort was made to prepare standards for building thermal isolation and the use of solar heaters.

The EU has been active in the energy sector in Lebanon for many years and is currently the largest donor in renewable energy and energy efficiency in Lebanon. Through bilateral and regional programmes, it has been supporting various initiatives to help the Government reach

its 12.1 % Renewable Energy target by 2020. The EU has in particular been contributing to promoting bioenergy, with the launching of a biomass and a biofuel plant. In addition, the first ‘low-carbon village’ was successfully launched in the south of Lebanon.

Energy security, oil and gas exploration

Lebanon continues to rely mainly on imported fossil fuels. The oil and gas sector, however, has been rapidly evolving. After launching the first ever offshore oil and gas licensing round in Lebanon’s history, the first agreements for offshore exploration and production were signed on 9 February 2018 with a consortium of energy companies that cover two maritime blocks (4 and 9) in the east Mediterranean. According to estimates Lebanon can expect revenues from the sale of the resources that have just started to be explored within 7 to 10 years. Related issues of concern are the work still needed on the legislative framework, civil society involvement, transparency in the asset and revenue management and environmental risks in the sector.

The EU is currently supporting (EUR 2 million 2016-2019) the Lebanese Petroleum Administration to enhance the protection and sustainable development of maritime resources including updating its Strategic Environmental Assessment¹⁵.

(iii) Solid waste

A draft law on integrated solid waste management was proposed since 2012. The draft law, discussed in Parliament in January 2018 and sent to the Environmental Committee for further elaboration is yet to be adopted. It incorporates the polluter-payer principle and addresses critical issues in terms of governance. It also calls for the development of a national strategy, the creation of a national solid waste management authority and the setting-up of a national information system.

(iv) Transport

The EU continued to share technical expertise in transport. It also encouraged cooperation with European transport agencies to implement the regional Transport Action Plan for the Mediterranean Region 2014-2020 as adopted under the Union for the Mediterranean framework. Furthermore, Lebanon remains also involved in the Union for the Mediterranean process related to the development of the Mediterranean transport network (Trans-Mediterranean Transport network) and its extension to the European network (TEN-T).

v) Climate Action

Lebanon has not yet ratified the Paris Agreement. In 2017 the Climate Act network of businesses with the co-financing from the EU supported the development of a governmental intranet for the measurement, reporting and verification obligations¹⁶ under the UN Framework Convention on Climate Change. More broadly, this network continued to engage private sector in the transformational change towards a low-carbon economy in Lebanon.

¹⁵ ‘Technical assistance to support the Government of Lebanon’s preparation of exploiting and producing offshore oil and gas resources’, Decision 2015/25044, CRIS No. 377447

¹⁶ MISCA - Management & Information System for Climate Action

d. Trade / Agriculture / Industry

Bilateral trade in goods between the EU and Lebanon has been increasing over the past years from EUR 3.7 billion in 2007 to around EUR 7.7 billion in 2017. However the big trade imbalance in the EU's favour persists, mainly due to the low volumes of exports from Lebanon to the EU. In 2017 EU exports to Lebanon amounted to almost EUR 7.3 billion, mainly mineral products (32.0 %), chemical products (12.3 %) and machinery (10.5 %); EU imports from Lebanon are worth less than 0.5 billion, mainly base metals and articles thereof (31.8 %) and foodstuff (13.2 %)¹⁷.

Trade in services is somewhat more balanced, with EU exporting services for EUR 3.7 billion and importing for EUR 1.6 billion.

Within the context of the Joint Working Group on Trade and Investment, set up in line with the Partnership Priorities as a forum to enable mutual trade and investment, a roadmap was agreed in July 2017 with actions focusing on sectors that were identified as relevant for Lebanese export potential:

- food safety
- rules of origin
- access of pharmaceutical products to EU market and
- compilation of reliable statistics to support trade.

The Economic Subcommittee Cluster in March 2018 discussed ways of fully benefitting from existing preferential trade arrangements under the EU-Lebanon Association Agreement and took stock of the Joint Working Group on Trade and Investment's work and how to build on it in line with the July 2017 roadmap.

Under the ongoing EUR 15 million programme¹⁸ on private sector development the EU maintained its support to value chains in the wood and agriculture sectors in the north, Bekaa and Akkar. The focus is on improving the quality of products in these sectors and strengthening the capacity of business intermediaries to enable better competitiveness and market access.

Other EU-funded projects are supporting Lebanese capacity in pharmaceutical products and compliance with EU sanitary and phytosanitary standards. In addition, Lebanon continued its active participation in the European Neighbourhood Programme for Agriculture and Rural Development a regional programme aiming at spreading best practices in agriculture and encouraging dialogue with stakeholders from other southern Neighbourhood countries. In the past year, a workshop on the good use of pesticides and integrated production took place in October 2017, followed by meetings in December 2017 on good phytosanitary practices. As a result, work on a national chart for agriculture and a phytosanitary guide has started over the reporting period.

¹⁷ Cfr. 'European Union, Trade in goods with Lebanon', available at: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113412.pdf

¹⁸ Support to Private sector Development Programme (EUR 15 million 2016-2019)

e. Conservation of natural resources

Weak enforcement of environmental legislation is further complicated by haphazard urbanisation, deforestation, uncontrolled quarries and landfills, contamination of water bodies and widespread pollution. According to World Bank estimates, this has resulted in a loss of GDP equivalent to approximately 3.7 % per year, in addition to extensive damage to the public health. Water pollution is the most critical (total cost estimated at 1.08 % of GDP), followed by air pollution (0.7 % of GDP). The presence of Syrian refugees has put additional pressure on the country's natural resources and already weak infrastructure.

The EU continues to be engaged in the environmental sector and in particular water and wastewater, waste management, sustainable energy, nature protection and pollution mitigation. The EU is currently addressing deforestation and local development through reforestation and sustainable forest management activities in line with the '40 million trees programme' initiated by the Ministry of Agriculture. The EU continued to promote Lebanon's active participation in multilateral fisheries governance under the General Fisheries Commission for the Mediterranean, including working towards Lebanon's signature of the Malta MedFish4Ever Declaration¹⁹ for sustainable development of fisheries.

Integrated maritime policy and blue economy

The EU and Lebanon cooperate within the Union for the Mediterranean Blue Economy Forum, including the EU project 'Facility for Regional Policy Dialogue on Integrated Maritime Policy' (IMP Facility, 2016-2019). Within this framework, Lebanese national focal points have always been invited to Regional Technical Assistance Training Seminars in various fields of Integrated Maritime Policy and Blue Economy (2017 - 2018), and they have participated in some of them. The IMP Facility is also executing two national Technical Assistance Training Seminars for Lebanon (2018).

4. Migration and mobility

Mobility partnership

Discussions on an EU-Lebanon mobility partnership started in 2015 but have not yet been concluded. Over the reporting period, exchanges continued at technical level. In July 2017 the European Training Foundation organised a high-level workshop in Beirut to present the findings of a mapping exercise that identified 17 measures in Lebanon that aim to support job mobility, job and skills matching for expatriates and returnees, potential emigrants, foreign migrants, asylum seekers and refugees. Lebanese authorities have approved the report.

5. Education, research and innovation, culture

a) Primary / secondary education

The EU together with other international donors, continued supporting Lebanon's 'Reaching All Children in Education' programme which achieved an increase in the number of Lebanese

¹⁹ <https://ec.europa.eu/fisheries/sites/fisheries/files/2017-03-30-declaration-malta.pdf>

children enrolled in public primary schools from 193,000 during the school year 2011/2012 to more than 210,000 for the school year 2017/2018.

The EU-Lebanon dialogue on education continued with a focus on:

- prevention of student under-achievement and early school leaving,
- improvement of school information management systems, and
- quality capacity building in Lebanon's higher education.

The EU also supported education of Palestine refugees. EU-funded regional projects²⁰ helped to provide access to higher education to both refugees from Syria and vulnerable host communities in Lebanon.

In March 2018, 631,209 Syrian refugee children aged 3-18 were in Lebanon (including registered and non-registered children by the UN High Commissioner for Refugees). In that same age group, for the school year 2017/2018, a total of 213,358 refugee children attended in public primary schools and 3,905 refugee children in secondary schools, in addition to 67,515 in private and subsidised schools. A further 97,000 benefited from non-formal education programmes under the remit of the Ministry of Education and Higher Education and implemented in cooperation with civil society organisations. This resulted in about a 10 % increase in the overall enrolment of refugee children in public schools compared to the 2016/2017 school year (191,338). However, 65% of Syrian refugee children remain outside formal schooling.

EU support to the Ministry of Education and Higher Education pre-dates the Syrian crisis and, as the first donor since 2012, the EU has allocated almost EUR 220 million to the education sector. For the school year 2017-2018, the EU's contribution amounting to EUR 47 million under the different 'Reaching All Children in Education' components was the first to be disbursed to UNICEF.

An inter-ministerial national strategy on technical and vocational education and training has been under preparation in the past months with the support of the International Labour Organisation and UNICEF. EU input and a EUR 4.2 million EU-funded project as well as the support of the European Training Foundation contributed substantially to it.

Under the mobility and academic exchange initiatives, Erasmus+, has approved 67 mobility projects with a budget of around EUR 2.2 million during the reporting period. 701 staff and students participated in short-term exchanges (446 from Lebanon to Europe and 255 coming from Europe to Lebanon). 7 Lebanese students were selected for the Joint Master Degrees cohort 2017. In addition 2 capacity building projects involving Lebanese higher education institutions were selected, 1 of them coordinated by a Lebanese institution. Finally, in 2017, 133 Lebanese young people, volunteers and youth workers were hosted in Europe under the 'non-formal education strand' of Erasmus.

As regards 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 and the development of cluster initiatives in cultural and

²⁰ Access to Higher Education for Syrian Refugees and IDPs to prepare the post-conflict reconstruction of Syria and integration in host communities (EUR 5.4 million, 2016-19); HOPES programme (EUR 12 million, 2016-2019)

creative industries. Moreover, the European Union Delegation provided financial assistance to support cultural activities in Lebanon.

b) Research and innovation

Research and innovation cooperation was strengthened further through the participation of Lebanese entities in the EU's Horizon 2020 programme. In February 2018, the EU and Lebanon signed an International Agreement for the participation of Lebanon to the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) (agreement in force since June 2018). The first partnership of its kind in the Mediterranean basin, PRIMA is a ten-year initiative for 2018–2028 that aims to develop much-needed novel solutions for sustainable water management and food production in a region distressed by climate change, urbanisation and population growth. During the reference period, 31 Lebanese researchers benefited from Marie Skłodowska - Curie actions fellowships to pursue their research abroad.

Through the development of a National Joint Grant Research Program (2017-2018) with 9 Lebanese Universities, as well as joint PhD scholarship programs, the *Centre National de Recherche Scientifique* was able to increase both its support and funding of national research projects and PhD scholarships in scientific, technical, environment, public health and social sciences. In parallel, existing bilateral agreements with Italy (CNR) and France (AUF) for joint research calls and funding also helps to ensure a continued and active EU-MED collaboration in Lebanon.

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. 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.

At the end of 2016, the EU became the biggest donor in the health sector in Lebanon after approving a EUR 62 million health package under the EU Regional Trust Fund in response to the Syrian crisis. This complemented ongoing EU support to the health sector under other programmes. The health package was contracted out in two stages: EUR 15 million in 2017 and a further EUR 47 million in January-April 2018.

An additional EUR 8 million were added in 2018 to complement the package and focus on the governance aspect of the health sector bringing the total amount of the package to EUR 70 million.

Lebanon joined the EU-LUX Universal Health Care Partnership in 2018.

7. Response to the Syria refugee crisis

Lebanon continues to host the highest number of refugees in the world both per capita and per square kilometre with about one million refugees registered with the UN High Commissioner for Refugees. The Partnership Document jointly developed by the Government of Lebanon, the EU and the UN at the Brussels II Conference of 24-25 April 2018 recognised the progress

achieved and challenges ahead in ensuring protection of refugees, access to education and healthcare and livelihoods. The international community recognised that the stay of refugees in Lebanon is temporary and committed to continue to provide support to both host communities and refugees. The EU considers that the main durable solution for Syrian refugees in Lebanon is their safe, dignified and non-coercive return to their country of origin, in accordance with international law and the principle of *non-refoulement*. The international community also expressed its support for UN-facilitated returns.

While the registration of refugees has not resumed yet, the implementation of the March 2017 waiver of the residency fee renewal is ongoing. According to the Vulnerability Assessment of December 2017, 74 % of Syrian refugees are without a legal residency permit. Nevertheless, Lebanon adopted important policy measures to make it easier for Syrian parents to register the birth of their children born in Lebanon, which is an essential step for preventing statelessness. Another key policy development is that only one Syrian spouse requires legal residency in order to register a marriage. Children having turned 15 years old in Lebanon and not in possession of a Syrian ID or passport have been authorised to present a civil extract to secure their legal residency.

During the Brussels II Conference, the EU reconfirmed the pledge made at the Brussels I Conference in 2017 of EUR 560 million for Lebanon, Jordan and Syria in 2018. Additionally, the EU pledged the same amount for 2019 and expressed the intention to maintain a similar level of support for 2020 for Lebanon, Jordan and Syria. The EU Trust Fund in response to the Syrian crisis remains one of the main EU instruments to support Lebanon in addressing the consequences of the Syrian crisis.

8. Palestine refugees

Palestine refugees still face high poverty rates and limitations to their right to employment, property and social services as well as limits to their freedom of movement. The arrival of Palestine refugees from Syria, estimated at around 32,500, in the already overcrowded Palestinian camps and gatherings has continued to impact further on the living conditions of Palestine refugees and access to services provided by the UN Relief Work Agency for Palestine (UNRWA). Furthermore, the precarious financial situation of UNRWA, also a result of withdrawal of funding by the United States, has had a negative impact on the lives of Palestine refugees.

The Palestinian Central Bureau of Statistics and the Lebanese Central Administration of Statistics, under the supervision of the Lebanese Palestinian Dialogue Committee, conducted a housing census of Palestine refugee camps and gatherings in Lebanon in February 2018. The main purpose of the census was to update the numbers and shape policies and needs responses accordingly.

The EU remains the largest donor to UNRWA, both regionally and in Lebanon. In 2017, the EU and its Member States contributed EUR 441 million to UNRWA (EU support to UNRWA programme budget amounted to EUR 102 million under the bilateral allocation). On 7 June 2017 the EU and UNRWA signed a Joint Declaration on assistance for 2017-2020²¹. A contribution of EUR 82 million to the 2018 programme budget was advanced in February

²¹https://eeas.europa.eu/sites/eeas/files/joint_declaration_between_the_eu_and_unrwa_on_european_union_support_to_unrwa_2017-2020.pdf

2018 while additional support to Palestinians in Lebanon is channelled through civil society organisations.

The EU cooperation for Palestine refugees in Lebanon targets three main strands:

- 1) Infrastructure and shelter rehabilitation;
- 2) Education, Technical and Vocational Education and Training and Employment;
- 3) Emergency and Humanitarian aid for Palestine refugees from Syria.

9. Financial assistance

Financial support for Lebanon for 2017-2020²² focuses to promote growth and jobs, foster local governance and socio-economic development, promote the rule of law, and enhance security and countering terrorism. Two crosscutting areas are identified: (i) complementary support for capacity building and (ii) for civil society. The indicative allocation is EUR 186.5 -227.9 million.

Assistance to Lebanon in response to the Syrian crisis includes EUR 519 million in humanitarian aid and over EUR 600 million for development support from the European Neighbourhood Instrument²³ (EUR 250 million), the EU Regional Trust Fund in Response to the Syrian Crisis²⁴ (EUR 337 million), and the Instrument contributing to Stability and Peace²⁵ (EUR 44 million) and the Development Cooperation Instrument²⁶ (EUR 7.5 million) in order to address longer term resilience needs of Syrian refugees and Lebanese host communities.

10. Concluding remarks

The EU-Lebanon Partnership Priorities and Compact provide a solid framework for further strategic development of EU-Lebanon cooperation. Lebanon's various strategic documents including the documents presented at the CEDRE Conference in April 2018, namely 'Vision for Stabilisation, Growth and Employment in Lebanon' as well as the 'Capital Investment Programme' provide concrete guidance for financial assistance and project planning. While the EU will continue to support measures that contribute to a more stable, democratic and prosperous Lebanon the prioritisation and sequencing of reforms by Lebanon are crucial to optimise future EU assistance.

Lebanon's hosting of over one million Syrian refugees remains a challenge in the political, economic, and social sphere. The EU remains strongly committed to supporting Lebanon to address the most pressing needs while promoting longer-term economic development of the country.

²² https://eeas.europa.eu/sites/eeas/files/lebanon_c_2017_7179_annex_en.pdf

²³ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument; OJ L 77/27

²⁴ Commission Decision of 10.12.2014 on the establishment of a European Union Regional Trust Fund in response to the Syrian crisis, 'the Madad Fund'; C(2014) 9615 final

²⁵ Regulation (EU) No 230/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument contributing to stability and peace; OJ L 77/1

²⁶ Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020; OJ L/77/44