Situation in Lebanon

Severe and prolonged economic depression

SUMMARY

The Lebanese government's decision to impose new taxes in October 2019 sparked nationwide protests by a population exhausted by poor public services, worried about increasing national debt and frustrated by widespread corruption. Since then, Lebanese politics have been marked by political deadlock that has prevented successive governments from implementing urgent reforms. The devastating explosion in the port of Beirut on 4 August 2020 only exacerbated the situation. By the time Prime Minister Najib Mikati presented his new government on 10 September 2021, the country had sunk deeply into a financial and economic crisis.

Lebanon's severe and prolonged economic depression is, according to the World Bank, 'likely to rank in the top 10, possibly top 3, most severe crisis episodes globally since the mid-nineteenth century'. Poverty in Lebanon has spread dramatically over the past year and now affects about 74% of the population. Lebanon is host to approximately 1.5 million Syrian refugees, 90% of whom live in extreme poverty. There are also over 210,000 other refugees.

The Lebanese pound has lost 90% of its value in the past two years, most people have only two hours of electricity per day, and the healthcare sector is at breaking point. The middle class has been decimated, with many leaving the country or planning to do so. There is concern that parliamentary elections scheduled for May 2022 may be postponed, further prolonging the political deadlock that is preventing the implementation of critical reforms. The war in Ukraine is meanwhile expected to have a serious impact on Lebanon, which imports around 90% of its wheat from Ukraine and Russia.

The EU has supported Lebanon with €2.77 billion over the past decade, to help the country. However, in July 2021, the Council adopted a framework for targeted restrictive measures, offering the possibility to impose sanctions on persons and entities responsible for undermining democracy or the rule of law in Lebanon. The European Parliament has called Lebanon's present situation a 'man-made disaster caused by a handful of men across the political class'.

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A worsening socio-economic crisis

The Economist Intelligence Unit describes Lebanon's economic model as 'broken': 'The previously well-respected financial sector, ... once the main engine of economic growth, is now insolvent. The country is heavily reliant on imports, and its services-based export sector is now mostly defunct'. In the last two years, Lebanon has plunged into a severe and prolonged economic depression. Decades of political and financial mismanagement combined with Covid-19 and the August 2020 Port of Beirut explosion have brought the country to its knees. The economy is expected to shrink further in 2022, 'rounding off five consecutive years of steep economic contraction', including a drop in real gross domestic product (GDP) of 16.3% in 2021. Half the Lebanese population, including 1.7 million Syrian and other refugees, are estimated to be living below the national poverty line. DG ECHO reports that one in three Lebanese and nine in ten Syrian refugees in Lebanon are abject poor; 1.6 million people are food insecure (24% of the population). Frequent and extended power cuts threaten the delivery of other basic services, including water, across the country. The deteriorating economic conditions have led to strikes and protests, including several transport sector strikes.

The Lebanese government has taken steps to eliminate the costly subsidy system and has introduced a ration card (IMPACT system) to assist around 700,000 of the most vulnerable Lebanese households with up to US$126 (€111) per month for one year, but it lacks the funds for the €492 million economic programme. The government has submitted a funding request to the World Bank to finance the ration card system. The World Bank has agreed to consider the application, but with the expectation that the Lebanese Government part-fund the scheme from its own budget. The World Bank is already fully funding the €217 million Emergency Social Safety Net ('Aman Project'), offering cash assistance to the poorest 150,000 families from March 2022.

Covid-19 has only worsened the impact of the economic crisis, and Lebanon's ability to tackle the pandemic has, in turn, been affected by the crisis. Lebanon has recorded over 1 million cases of Covid-19 and over 10,000 deaths from the disease. The healthcare sector has struggled amid shortages of medical supplies and equipment, much of which is imported, due to the extreme devaluation of the currency. Hundreds of healthcare workers have left to seek better opportunities abroad, having seen their salaries devalued to as little as US$100 per month. This has left several hospitals short-staffed, forcing them to downsize their capacity, some only admitting critical cases.

A 2021 World Bank and UN Women co-publication, 'The Status of Women in Lebanon', concludes that: 'The multiple crises have had disproportionate impacts across the human development and economic dimensions of gender equality, reversing many of the positive gains made over the last decade'. Women's participation in the labour force has been very low and job losses due to the crises have disproportionately affected women. Reports of domestic violence doubled in the first year of the pandemic and reports of violence against women outside of the home also increased.

A UNICEF report meanwhile shows that young people have also borne the brunt of Lebanon's multiple crises, with 31% of young people not in education, employment, or training and many young people having had to drop out of school to work in poorly-paid irregular jobs to help their families survive. 13% of families reported sending their children under the age of 18 out to work. Enrolment in educational institutions dropped from 60% in 2020-2021 to just 43% in 2021-2022. Families and young people have also had to reduce their spending on healthcare, with only 60% of children receiving primary healthcare when needed.

The 2019 protest movement

Mass anti-government demonstrations started in Lebanon on 17 October 2019, after the government announced a new set of taxes, including taxes on voice calls via messaging services, such as WhatsApp. People across Lebanon took to the streets to protest against corruption and an ailing economy, blaming the political establishment for the country's economic crisis. The movement has been called 'the October 17 revolution'. Although dampened by Covid-19...
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restrictions, the protest movement is still simmering and is providing a political counter-current to the established political elite. Protesters are angry at the political elites, the clientelistic systems that support them and the endemic levels of corruption that have bankrupted the country. A resurgence in the protests was seen following the explosion in the Port of Beirut in August 2020 and periodically flare up as the economic crisis worsens. Even though the protests cut across all of Lebanon’s polarised sects, regions and social backgrounds, they have also suffered from a lack of unity and centralised leadership. According to Human Rights Watch, 'State security forces at times used excessive force against demonstrators and failed to protect them from violent counter-protesters'.

Negotiations with the International Monetary Fund

Experts believe that Lebanon’s economic model requires a fundamental restructuring. The severity of the current crises necessitate an overhaul of the banking sector and a greater focus on developing domestic productive capacity. A deal with the International Monetary Fund (IMF) is seen as the only way for Lebanon to recover from its financial meltdown. In 2018, the IMF concluded an agreement with Lebanon that gives the IMF a mandate to exercise surveillance over the economic, financial and exchange rate policies of its members. The IMF’s appraisal of such policies involves a comprehensive analysis of the general economic situation and policy strategy of each member country.

The IMF recognises that Lebanon needs significant financial and technical assistance to overcome its deep humanitarian, social, and economic crisis. The IMF has found that, most importantly, the country needs to initiate comprehensive reforms to bring public finances into order, restructure its public debt, rehabilitate its banking system, expand the social safety net, reform state-owned enterprises (SOEs), and improve governance. The IMF recommends that Lebanon implement a comprehensive reform plan: (a) tackling head-on the fundamental problem of weak governance; (b) implementing a fiscal strategy; (c) pursuing a comprehensive restructuring of the financial sector; and (d) establishing a credible monetary and exchange rate system.

Since May 2020, the IMF and Lebanese officials have been trying to reach an agreement on the preconditions to unlock donor funds for a necessary recovery programme. Negotiations between the Lebanese government and the IMF officially began on 24 January 2022, after talks stalled in November 2021. An IMF team conducted virtual discussions with Lebanese authorities from 24 January to 11 February 2022. Following these discussions, the IMF team suggested 'restructuring the financial sector to support recovery; reforming SOEs, not least in the energy sector, to provide better services without draining public resources; and strengthening government, anti-corruption and anti-money laundering as well as countering the financing of terrorism frameworks’. IMF managing director Kristalina Georgieva previously stated that the IMF would only support a comprehensive programme that would tackle all Lebanon’s challenges, including corruption.

On 7 April 2022, Lebanese authorities reached a 'staff-level agreement' on comprehensive economic policies with the IMF, which could be supported by a four-year US$3 billion Extended Fund Facility (EFF). Reaching the agreement had become possible because the Lebanese government had met a number of the IMF’s conditions, including the passage of a capital control law and an electricity sector reform plan. External auditors had also completed an audit to establish the losses in the banking sector and the government drew up a capitalisation plan for the US$69 billion bank sector funding shortfall. The agreed programme is subject to the approval of the IMF management and the Executive Board, and the Lebanese authorities have agreed to undertake several critical reforms ahead of the IMF Board meeting.

The Lebanese political system

Lebanon is a 'unitary multiparty republic' with a parliamentary system of government. The country's constitution was drafted in 1926 under the French mandate and has been modified by several amendments. The constitution provides for a unicameral National Assembly elected for a term of four years by universal adult suffrage.
In the earlier part of the 20th century, Lebanon's population included Christians, Sunni Muslim and Shi'a Muslim communities of roughly comparable size, but with competing visions for the country. To avoid sectarian conflict, Lebanese leaders created a confessional system that allocated power among the country's religious sects according to their percentage of the population. Since then, Lebanon's demographics have changed significantly.

Parliamentary seats currently are apportioned equally between Christians and Muslims, in accordance with the 1989 Ta'if Accords that ended the 15-year Lebanese civil war. This sectarian distribution is also to be observed in appointments to public office. The distribution of parliamentary seats is maintained to this day even though the Muslim population has grown significantly since 1989. In order to preserve the political balance achieved between the communities, Lebanon has not conducted a national census since 1932. Consequently, no accurate data exists on the relative percentage of the different religious groups.

The head of the Lebanese state is the president. He is elected by a two-thirds majority of the National Assembly for a term of six years and may not be re-elected until six years after the end of his previous mandate. The president must be a Maronite Christian, the prime minister a Sunni Muslim, and the speaker of the National Assembly a Shiite. The Deputy Prime Minister and the Deputy Speaker of Parliament have to be Eastern Orthodox. The prime minister forms the cabinet, and the cabinet members' portfolios are organised to reflect the sectarian balance.

Loss of trust in political institutions

In a survey published in September 2021, the National Democratic Institute found that Lebanese citizens do not trust or feel represented by political and governing institutions. The survey found that there is a pervasive lack of trust in politicians and officials at all levels of government and in political parties in general, as well as a lack of trust in what citizens see as a biased media ecosphere controlled by the political parties. Lebanese people do not believe that change will come through the ballot box. However, 25 % of respondents said they would cast a ballot for civil society candidates emerging from the protest movement. Pollsters concluded that, of those who would participate in the next elections, many would expect to vote differently than they have before, reducing the level of support for traditional parties or established politicians.

The Lebanese president

Although the presidential role is largely ceremonial, the president can influence policy by pushing a broad agenda and acting as an arbiter between competing factions in government. On 31 October 2016, the National Assembly elected Michel Aoun, a Maronite, as president of Lebanon. His election filled a post that had been vacant for two-and-a-half-years (since May 2014) owing to political deadlock. Michel Aoun is a retired general and founder of the Free Patriotic Movement, a Christian party. The next presidential elections are scheduled to take place in October 2022.

The Lebanese parliament

The 128 seats of Lebanon's National Assembly are divided equally between Christians and Muslims, despite the changing demographics of the two communities. The 128 seats are distributed in the following way: 27 Sunni, 27 Shi'a, 8 Druze, 2 Alawite, 34 Maronite, 14 Greek Orthodox, 8 Greek Catholic, 5 Armenian Orthodox, 1 Armenian Catholic, 1 Protestant and 1 Minorities. Prior to the 1989 Ta'if Accords the ratio was 6:5 in favour of Christians. A new electoral law, which introduced proportionality for the first time within redefined constituencies, was agreed in June 2017. The last Parliamentary elections took place in May 2018; the 2018 elections marked the first time in nine years that Lebanese citizens had voted for a new parliament.

In recent years, the Lebanese political landscape has been divided into two main political alliances, named after a series of demonstrations that followed the assassination of former prime-minister Rafik Hariri, a prominent Sunni businessman and politician, in 2005.

The Shi'a-dominated 'March 8 Alliance' includes Hezbollah, the Amal Movement led by Parliament Speaker Nabih Berry, and President Aoun's Free Patriotic Movement, plus some smaller parties. The
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nationalist, pro-Western, Sunni-dominated 'March 14 Alliance' includes the Future Movement, led by Saad Hariri (son of Rafik Hariri), the Progressive Socialist Party, the Christian Lebanese Forces, the Christian Phalangist party (also known as al-Katā'ib al-Lubnāniyya), and a number of other parties.

In the 2018 elections, the March 8 coalition comprising Hezbollah, the Shi'a Amal movement, the Maronite Christian Free Patriotic Movement (FPM) and allied parties won 70 seats. The March 14 coalition, which comprises the Sunni Future Movement, the Maronite Lebanese Forces, and allied members of parliament, won 58 seats.

The complex dynamics among the religious groups are exacerbated by external actors that maintain influence in Lebanon by backing different groups. While Syria and Iran back Hezbollah and its political allies, other states, led by Saudi Arabia, have supported Sunni communities and political actors as part of wider efforts to limit Iran's influence in the region. The US has also sought to strengthen forces that represent a counterweight to Syrian and Iranian influence in Lebanon. The US has channelled over US$2 billion in military assistance to the Lebanese Armed Forces (LAF) since 2006, aiming mainly to bolster the national army's capacity to tackle non-state actors, i.e. Hezbollah.

Lebanon's confessional system was designed to encourage consensus among the country's sectarian communities. However, the need for cooperation between rival political blocs on major issues is now widely seen as contributing to political gridlock.

**Hezbollah**

Hezbollah is both a political party and an armed group. The US has designated the entire organisation as a terrorist organisation; the EU has limited this designation to the organisation's military wing. Hezbollah's forces have been militarily engaged with Israel for the past 20 years and have fought in Syria since 2013 in support of the regime of President Bashar al-Assad. As a political force, the party plays an important role in Lebanese politics, and is a key member of the March 8 alliance that holds the majority in Parliament and in successive governments. The party has 12 seats in Parliament and two ministers in the cabinet. At the same time, the party has increasingly come under domestic criticism for its role in Lebanon's economic and political collapse. A UN investigation found that Hezbollah was implicated in the 2005 assassination of former Lebanese Prime Minister Rafik Hariri.

**The Lebanese Government**

Following the explosion in the port of Beirut on 4 August 2020, the government at the time, led by Hassan Diab (itself a replacement of Saad Hariri's government, which stepped down following the October 2019 protests), resigned with a promise to stay on in a caretaker capacity until a new government was formed. Mustapha Adib was appointed prime minister-designate on 28 August 2020, but resigned less than a month later after failing to reach an agreement on the allocation of portfolios (in particular the sovereign portfolios). In October 2020, Saad Hariri was re-appointed prime minister-designate. However, Hariri was also at odds with President Aoun over the size and distribution of seats in a new government and, despite multiple mediation attempts (including by President Macron), the political deadlock lasted until his resignation in June 2021. In July 2021, Najib Mikati was appointed PM-designate in Hariri's stead. Although the situation looked equally fraught, Mikati succeeded in balancing the sectarian interests and the new government was announced on 10 September 2021.

The current cabinet has 24 ministers, divided equally between 12 Muslim and 12 Christian seats. The two main parties in the March 14 alliance, the Future Movement and the Lebanese Forces, are not participating in the new government, which includes ministers with clear ties to Lebanon's other main political parties as well as some outsiders. Only one woman was appointed to the cabinet, compared with six women in the previous government.

**Forthcoming elections**

Lebanon is due to hold presidential, parliamentary and municipal elections in 2022, even though both parliamentary and municipal elections may be postponed. The parliament elected in 2009 was
in office until elections were finally held in 2018, following numerous postponements of elections and extensions to its mandate. There are fears the same could happen with the current parliament. A date for parliamentary elections has been set for 15 May 2022, but it has not been without difficulties and there are still concerns. Originally scheduled for 8 May 2022, the Lebanese Parliament voted on 19 October 2021 to bring the parliamentary elections forward from May to 27 March 2022. President Aoun challenged this and, after turbulent debates and a court case, a new date was set for 15 May 2022. This has not stopped speculation that one or more parties could still seek to postpone the elections. This has prompted the international community – including the United Nations (UN) Security Council, the US Ambassador, and the International Support Group for Lebanon – to stress, again, the importance of holding free, fair, transparent and inclusive elections, as scheduled, on 15 May 2022.

There is a very real risk that parliamentary elections could be postponed because of a lack of funds. On 21 February 2022, the Minister of Foreign Affairs, Abdallah Bou Habib, raised concerns about the lack of funds to organise the elections of Lebanese expatriates, confirming the fears of many observers who worry that the elections could be postponed or even cancelled. As of 19 November 2021, the deadline for registration, a total number of 210,033 expats had registered for the 2022 election, two and a half times the number that registered for the 2018 election, approximately 82,000. The European External Action Service, the EU Delegation to Lebanon and the European Parliament have called for parliamentary elections to go ahead as planned. The EU sent an Election Observation Mission (EOM) to the 2018 parliamentary elections and an EU EOM is to be deployed to monitor the 2022 parliamentary elections following the invitation received from the Lebanese authorities. Hungarian Member of the European Parliament (MEP) György Hölvényi has been appointed Chief Observer of the Mission.

The 'Hariri vacuum'

Former Prime Minister Saad Hariri, a Lebanese-Saudi dual national, announced on 24 January 2022 that neither he nor his political movement (the Future Movement) would stand in the upcoming parliamentary elections, suspending (but not ending) his political career. This came as a surprise, as no one had expected the whole of the Future Movement to withdraw from the elections. This leaves a vacuum in the Sunni political sphere in which the Future Movement was the main moderate party.

The Beirut port blast

On 4 August 2020, a massive explosion ripped through the port of Beirut, after a fire detonated 2,750 tonnes of ammonium nitrate. The blast, one of the world's worst non-nuclear explosions, killed 219 people, injured 7,000 and caused widespread destruction, causing more than 250,000 people to lose their homes. The combustible chemical, which is widely used as agricultural fertiliser, had been stored in a port warehouse for almost six years. Senior officials are believed to have been aware of the material's existence and the danger it posed but failed to secure or remove it.

The investigation into the blast has been fraught with tension and political interference from the start. Despite calls for an independent international investigation, senior politicians decided to forge ahead with a domestic judicial investigation. Judge Fadi Sawan was initially appointed as lead judge, but was removed from the case in February 2021 following a complaint filed by several politicians charged under his investigation. The families of victims staged protests outside the Justice Palace, angered at Sawan's dismissal and the delays this would cause to the investigation. The following day, Judge Tarek Bitar was appointed to replace Sawan. However, according to reports, Bitar has faced the same obstacles as his predecessor: 'senior officials from across the political spectrum have refused to show up for questioning and arrest warrants appeared unlikely to be enforced'. Working with a team of just four assistants, Bitar has pushed forward with the investigation despite facing threats and obstacles along the way. The investigation has been repeatedly suspended as the politicians under investigation have put in complaints against him. The families of the victims have been angered by these complaints and are strong supporters of Bitar. However, 20 months after the
blast, the families are still awaiting answers and are increasingly calling for international support for an independent UN fact-finding mission. According to one expert, ‘the embattled efforts of different judges to investigate have come to symbolise Lebanon’s entrenched culture of impunity, which systematically shields the country’s governing elite from accountability’.

14 October 2021: Violence on the streets of Beirut

On 11 October 2021, Hassan Nasrallah, the leader of Hezbollah, called for Bitar’s removal. During the Cabinet meeting on 12 October 2021, Hezbollah and Amal ministers pushed for Bitar’s removal from the investigation, leading to a heated discussion and threats of resigning from the government. On 14 October, Hezbollah and Amal supporters took to the streets of Beirut to protest against Bitar. This protest escalated into the worst violence the capital has seen in years, with seven dead and ‘heavy exchanges of gunfire along a former civil war frontline separating predominantly Muslim and Christian areas of Beirut’ in the Tayouneh area. However, while the clashes on 14 October 2021 were a reminder to many of the country’s bloody civil war, the assassination on Lebanese territory of prominent Hezbollah critic Lokman Slim in February 2021 was also seen as a turning point.

Three-month suspension of Cabinet meetings

Prime Minister Najib Mikati suspended Cabinet meetings following the 14 October 2021 violence, and Amal and Hezbollah stated they would not return to the Cabinet until the lead investigator in the Beirut port blast investigation, Tarek Bitar, was removed. The Cabinet did not reconvene until 24 January 2022, when Amal and Hezbollah decided to return to the Cabinet ‘in response to the needs of the citizens’ and ‘to prevent being accused of obstruction’ after they were blamed for the worsening of the situation in the country. However, the two parties stated they would only deal with the draft budget and discussions on the economic recovery plan, and ‘anything that can contribute to improving the daily life of the Lebanese’.

Refugee population in Lebanon

Worldwide, Lebanon (population 6.8 million) is second only to the island of Aruba (population 110,000, which hosts displaced Venezuelans) in terms of the ratio of refugees to the native population. Around 4.8 million Lebanese share a territory only slightly bigger than the island of Cyprus with an estimated 1.5 million Syrians displaced by the conflict in neighbouring Syria (839,788 have been registered by UNHCR, the UN Refugee Agency) and an estimated 210,000 Palestine refugees registered with the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Most of the latter left Palestine in 1948 and settled in 12 official UNRWA-run refugee camps, but there are also Palestine refugees displaced by the conflict in Syria. There are also some 15,800 refugees of Ethiopian, Iraqi, Sudanese and other origins, registered with UNHCR. The EU and its Member States have provided significant support for refugees and host communities in Lebanon since the start of the Syrian war.

Lebanon’s compounded socio-economic and health crisis has hit the most vulnerable Lebanese and refugee families the hardest. The preliminary findings of the 2021 Vulnerability Assessment of Syrian Refugees in Lebanon reveal a dire situation, with 90% of Syrian refugees living in extreme poverty. However, despite Lebanon’s severe economic crisis, just 0.8% of Syrian refugees in Lebanon are considering returning to Syria according to research by Refugee Protection Watch published in 2021. Human Rights Watch reports that ‘Syrian refugees who voluntarily returned to Syria between 2017 and 2021 from Lebanon and Jordan faced grave human rights abuses and persecution at the hands of Syrian government and affiliated militias, including torture, extra-judicial killings, and kidnappings’. Lebanese authorities have, at times, called for the return of Syrian refugees and in 2020 the government adopted a ‘return plan’. The biggest share of EU support in the context of the Syrian crisis is aimed at ensuring access to services such as education, water and sanitation, and health as well as protection services and skills development, in such a way that support benefits both refugees and host communities. Nevertheless, with prospects for returns diminishing as the
conflict in Syria drags on, there is also the *thorny question* of the presence of so many refugees, who are predominantly Sunni, upsetting the country’s *confessional balance*. There is also a very real risk, particularly as the elections approach, that refugees could become the political scapegoat and that forced deportations could increase.

Another challenge many refugees face is *registration*. Of the estimated 1.5 million Syrian refugees in Lebanon, only 839,788 are officially registered by the UNHCR, since the Lebanese government asked UNHCR to *suspend registration* in 2015. Furthermore, refugees struggle to register major life events such as marriages and births, and 80% of refugees have no legal residency. This makes it difficult for them to access jobs and basic services such as education and healthcare, and leaves them vulnerable to exploitation, eviction and deportation.

### European Union relations with Lebanon

The *Association Agreement*, which came into force in 2006, forms the legal basis for EU relations with Lebanon. The agreement established the conditions for the gradual liberalisation of the trade in goods, services and capital, and serves as the basis for economic, social, cultural, and security cooperation, wide-ranging people-to-people contacts, and substantial development assistance. In November 2016, the EU and Lebanon adopted *partnership priorities*, setting out the framework for EU political engagement and enhanced cooperation with Lebanon. These included an 'EU-Lebanon Compact' outlining mutual commitments and action to address the impact of the Syrian crisis, and to improve the living conditions of both refugees temporarily living in Lebanon and Lebanese citizens. The EU has submitted a proposal for new partnership priorities, covering the period until 2027, to the Lebanese authorities. Talks on the text are expected to start soon, provided elections take place as planned and Lebanon’s discussions with the IMF reach a satisfactory outcome.

The EU has sought to promote the development of independent, effective and accountable public institutions, in particular the justice and prison system. It has also sought to strengthen Lebanese civil society, which it sees as a vital partner for political decision-making. The European institutions, and, more specifically, the EU Delegation in Lebanon, maintain regular dialogue with civil society organisations (CSOs), considered well placed to know the population’s real needs.

The EU has also been supporting Lebanon’s vision for economic development, as presented at the *CEDRE Conference* (‘Conférence économique pour le développement, par les réformes et avec les entreprises’), hosted in Paris in April 2018. At the conference, the Lebanese authorities presented a comprehensive plan for reform and for infrastructure investments, and called on the international community to support it. Following the Beirut port explosion, the EU, World Bank and UN developed the Reform, Reconstruction and Recovery Framework (3RF), laying foundations for a sustainable and people-centred recovery while prioritising the reforms needed for reconstruction. In December 2020, the Council *endorsed* the 3RF process, seen as complementary to Lebanon’s CEDRE conference commitments, and offered substantial assistance for this process.

The EU is also involved in other international efforts to help Lebanon. The EU is a member of the *International Support Group* (ISG) for Lebanon, which was launched in 2013 by the UN Secretary General with former Lebanese president Michel Sleiman to help mobilise support and assistance for Lebanon’s stability, sovereignty and state institutions. The ICG brings together the governments of China, France, Germany, Italy, the Russian Federation, the UK and the US, together with the EU and the Arab League. In January 2022, the ISG called urgently for expeditious and effective government decisions to initiate the direly needed reforms, as well as measures, among which the swift adoption of a budget for 2022, that would enable an agreement with the IMF to support a way out of the macro-economic and fiscal crises.

Lebanon is part of the European Neighbourhood and has been covered, since 2004, by the *European neighbourhood policy*. In April 2021, the Council and Parliament *adopted* the ‘new agenda for the Mediterranean’ proposed by the Commission and the High Representative/Vice President of the Commission (HR/VP), which aims to relaunch and strengthen the strategic partnership between the
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EU and its southern neighbourhood partners. The new agenda proposes to join forces in fighting climate change and speeding up the twin green and digital transitions and harness their potential, both to address forced displacement and migration, and to strengthen the unity and resolve of the EU, its Member States and southern neighbourhood partners in promoting peace and security in the Mediterranean region. The agenda focuses on five policy areas: human development, good governance and the rule of law; resilience, prosperity and digital transition; peace and security; migration and mobility; green transition: climate resilience, energy, and environment.

A dedicated economic investment plan for the southern neighbours aims to ensure that the quality of life for people in the region improves and the economic recovery, including following the Covid-19 pandemic, leaves no one behind. The plan includes preliminary flagship initiatives to strengthen resilience, build prosperity and increase trade and investment to support competitiveness and inclusive growth. Respect for human rights and the rule of law are an integral part of the partnership and essential to ensure citizens' trust in the institutions.

Lebanon participates in Erasmus+, which supports the modernisation of the higher education sector and promotes mobility and cooperation with EU higher education institutions. Between 2015 and 2020, 2,948 Lebanese students, professors and university staff travelled to Europe, and 1,636 European counterparts travelled to Lebanon.

EU response to the latest developments in Lebanon

On 7 December 2020, the Council adopted conclusions in which it noted with increasing concern the grave financial, economic, social and political crisis that has taken root in Lebanon. The Council stressed the urgent need for the Lebanese authorities to implement reforms in order to rebuild the confidence of the international community. The Council also called on all Lebanese stakeholders and political forces to support the urgent formation of a mission-driven, credible and accountable government in Lebanon, able to implement the necessary reforms.

The Council has repeatedly expressed grave concern about the deteriorating situation in Lebanon. On 12 July 2021, the Council went a step further and adopted a framework for targeted restrictive measures to address the situation in Lebanon. This framework provides for the possibility of imposing sanctions against persons and entities who are responsible for undermining democracy or the rule of law in Lebanon. Sanctions consist of a travel ban to the EU and an asset freeze for persons, and an asset freeze for entities. In addition, EU persons and entities are forbidden from making funds available to those listed. However, at the time of writing, no one has yet been sanctioned and no list has been drawn up of possible individuals or entities to sanction.

EU financial aid and technical assistance to Lebanon

Over the years, the EU has provided significant financial aid and technical assistance to Lebanon. Since 2011, the European Commission has allocated more than €2.7 billion to Lebanon, including €2 billion in response to the Syrian crisis (see next section).

The European Neighbourhood Instrument (ENI) was the main EU financial instrument for bilateral cooperation with Lebanon for the 2014-2020 period. The €400 million allocated to Lebanon under this instrument focused on promoting growth and job creation, fostering local governance and socio-economic development, promoting the rule of law and enhancing security. Lebanon also benefited from support under other EU financing instruments in the 2014-2020 period, including more than €63 million under the Instrument contributing to Stability and Peace (IcSP), around €4 million under the European Instrument for Democracy and Human Rights (EIDHR), and more than €2 million under the ‘civil society organisations and local authorities’ (CSO-LA) thematic programme.

Providing Lebanon with assistance continues to be a priority under the EU’s new external funding instrument adopted in 2021, the seven-year, €79 billion ‘Global Europe’ Neighbourhood, Development and International Cooperation Instrument (Global Europe Instrument). Multi-annual programming for Lebanon under the Global Europe Instrument is focused on funding to build a
sustainable state, able to meet the citizens' needs, reinforcing the economy and ensuring security and stability, including in the region. In 2021, Lebanon received bilateral assistance through the Global Europe Instrument worth €46 million. This assistance focused on access to justice (€6 million), socio-economic recovery and businesses (€28 million), social inclusion and cohesion (€6 million), disaster management, port governance, and maritime reform (€6 million). Lebanon also received €1.4 million under the European Instrument for Democracy and Human Rights (EIDHR), €1.5 million under the Foreign Policy Instrument (FPI) and €1 million under the CSO-LA thematic programme.

Lebanon has benefited from around €40 million in EU grants under the neighbourhood investment platform, offering the country access loans for projects in the sectors of water and sanitation, roads and safety, energy efficiency and local urban development. EU grants increase the concessional nature of loans from international financial institutions and absorb political and economic risks.

EU assistance to Lebanon in response to the Syrian crisis

To respond to the crisis provoked by the Syrian civil war, the EU and its Member States have mobilised over €24.9 billion since 2011, to support actions both inside Syria and in neighbouring countries. Lebanon has been hosting up to 1.5 million Syrian refugees, of whom 839,788 are officially registered, placing a huge burden on the country and its population. The EU is fully cognisant of the efforts made by the Lebanese people and government and the challenges Lebanon is facing as a result of the Syrian crisis. The EU has provided Lebanon with €2 billion in assistance since 2011 to manage the impact of the Syrian civil war, including:

- €722 million in humanitarian funding to respond to urgent needs;
- €200.3 million through the European Neighbourhood Instrument;
- €1.058 billion channelled through the EU Regional Trust Fund in response to the Syrian crisis (Madad) to support refugees and vulnerable Lebanese, mainly in the sectors of social protection, education, health, livelihood, water and sanitation; and
- €90 million from the Global Europe Instrument special measure 'Syrian crisis response' in 2021, to support refugees and vulnerable Lebanese, by providing social assistance, education and health services.

This support is helping Lebanese institutions, vulnerable Lebanese and refugees from Syria by:

- protecting the most vulnerable, both Lebanese and Syrians, by meeting their most pressing humanitarian needs, i.e. health, food, shelter, water and sanitation;
- assisting Syrian refugees, ensuring them decent living conditions and access to basic services, including through advocacy on their legal registration in the country;
- promoting economic growth and job creation for both Lebanese citizens and refugees, for instance facilitating access to basic, vocational and higher education, supporting private sector development, and facilitating trade with the EU; the aim is to foster Lebanon’s inclusive socio-economic development and increase refugees’ contribution to economic growth;
- reinforcing the capacities of the Lebanese institutions responsible for responding to the Syrian crisis, at national and local levels, including by investing in the upgrading of infrastructure to cope with the additional pressure resulting from the refugee presence.

EU programmes are aligned with priorities set out in the Lebanese Government’s response plan to address the consequences of the influx of refugees from Syria.

Since 2017, the EU has hosted five international conferences in Brussels to generate support for Syrian refugees and their host communities. A sixth conference on 'Supporting the future of Syria and the region' is scheduled to take place in May 2022.
EU support for Palestine refugees in Lebanon

Lebanon is host to an estimated 210,000 Palestine refugees, of whom around 29,000 came from Syria, displaced for a second time. EU contributions to UNRWA’s central budget totalled €903 million between 2014 and 2020. In addition, since 2015 the EU Regional Trust Fund in Response to the Syrian Crisis has given a total of €81.2 million in support of UNRWA’s targeted action to meet the needs of Palestine refugees displaced from Syria, as well as host communities.

EU response to the 2020 Beirut port blast

Following the Beirut port explosion on 4 August 2020, the EU made available a total of €170 million for immediate needs and to address the consequences of the blast. In the aftermath of the blast, the EU, together with the UN and the World Bank, developed the Reform, Recovery and Reconstruction Framework (3RF), a people-centred approach to build back better, guided by the principles of transparency, accountability and inclusion. The EU supports the implementation of the 3RF priorities and principles through its bilateral support. Moreover, the EU made an initial contribution worth €18 million to the Lebanon Financing Facility (LFF), a dedicated multi-donor trust fund set up to implement the 3RF. During the Conference in Support of the Population of Lebanon on 4 August 2021 – co-chaired by France and the UN to mark the first anniversary of the explosion – the HR/VP announced that the Commission would make available a further €5.5 million.

EU response to the Covid-19 pandemic in Lebanon

As part of the EU’s global response to the coronavirus pandemic, the EU launched the ‘Team Europe’ initiative, to support partner countries and ensure the EU and its Member States responded to the pandemic in a coordinated manner. Team Europe consists of the EU institutions, including the European Investment Bank, Member States and their implementing organisations and development financing institutions and the European Bank for Reconstruction and Development. As part of the Team Europe initiative, the EU reoriented ongoing interventions for Lebanon of over €371 million. In addition to this, the Madad Fund allocated almost €35 million for specific coronavirus responses in Lebanon, with a focus on health, water and sanitation, as well as additional assistance for Palestine refugees through UNRWA. Lebanon received funding for the purchase of vaccines, and is also receiving vaccines through the COVAX Facility – supported by Team Europe with over €3 billion worldwide – and bilaterally from EU Member States. Digital Covid certificates have been mutually recognised between the EU and Lebanon since 10 December 2021.

Economic and trade relations

The EU and Lebanon have close economic ties, which have been strengthened by the Association Agreement in force since April 2006. The EU is Lebanon’s most important trading partner, accounting for about a third of Lebanese trade; in 2020, 38% of Lebanon’s imports, worth €4.1 billion, came from the EU and 9.7% of Lebanon’s exports, worth €0.5 billion, went to the EU. The EU-Lebanon Association Agreement has progressively liberalised trade in goods between the EU and Lebanon, and was implemented gradually between 2008 and 2014. Lebanese industrial and most agricultural products benefit from free access to the EU market, with a view to creating a

The possibility of sanctions

In July 2021, the Council adopted a framework for targeted restrictive measures, providing for the possibility to impose sanctions on persons and entities responsible for undermining democracy or the rule of law in Lebanon. This EU sanctions framework has yet to be used. In November 2020, the US Treasury Department’s Office of Foreign Assets Control (OFAC) sanctioned Gibran Bassil, the President of the Free Patriotic Movement (FPM) political party and Member of Parliament, for his role in corruption in Lebanon. OFAC builds upon and implements the Global Magnitsky Human Rights Accountability Act, targeting corruption and serious human rights abuse around the world.
bilateral free trade area. The Association Agreement also strengthens Lebanon’s position in its negotiations to join the World Trade Organisation (WTO), an ambition the EU strongly supports.

European Parliament position on Lebanon

Parliament has been monitoring developments in Lebanon closely and adopted a plenary resolution on the situation in Lebanon on 16 September 2021. In this resolution, Parliament was very critical of the situation in Lebanon, calling it a ‘man-made disaster caused by a handful of men across the ruling political class’. The resolution called on the new government to be ‘functional, mission-driven, credible and accountable’, to ‘leave parliamentary division aside’ and ‘free itself from foreign influence’. Parliament also called for elections to take place as planned in May 2022.

Parliament selected Lebanon as one of the priority countries for the high-level geopolitical dialogue on the new Neighbourhood, Development and International Cooperation Instrument (Global Europe Instrument) in both June and October 2021. This geopolitical dialogue brings together members of the European Parliament and representatives of the European Commission for a strategic discussion on the implications of the programmes under the new Global Europe Instrument.

Parliament sent a delegation to the EU Election Observation Mission in May 2018, and the EU will also send an Election Observation Mission to observe the Lebanese parliamentary elections scheduled for 15 May 2022, in response to the country’s invitation. An EU-Lebanon inter-parliamentary meeting (IPM) took place in Beirut in November 2021. Visiting MEPs stressed the importance of maintaining the elections as planned, fully funding and staffing the Supervisory Committee on Elections, ensuring the independence of the judiciary, and moving ahead with the IMF negotiations and reforms as quickly as possible. Parliament’s Committee on Development visited Lebanon in February 2022 to examine the humanitarian situation in the country, as well as the status and living conditions of Syrian refugees and host communities in Lebanon.

The impact on Lebanon of Russia’s war in Ukraine

On 2 March 2022, Lebanon voted in favour of UN General Assembly resolution A/ES-11/1, which calls on Russia to immediately end its military operations in Ukraine. Lebanon imports around 95% of its wheat from Ukraine and Russia. This means that, in the Middle East and North Africa, Lebanon’s economy is one of those most exposed to the effects of the Russian invasion of Ukraine. There may be shortages in the very short term, which has already resulted in rationing of wheat in Lebanon. Higher oil prices are expected to push the cost of living and inflation rates up, leading to a heightened risk of social unrest.

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