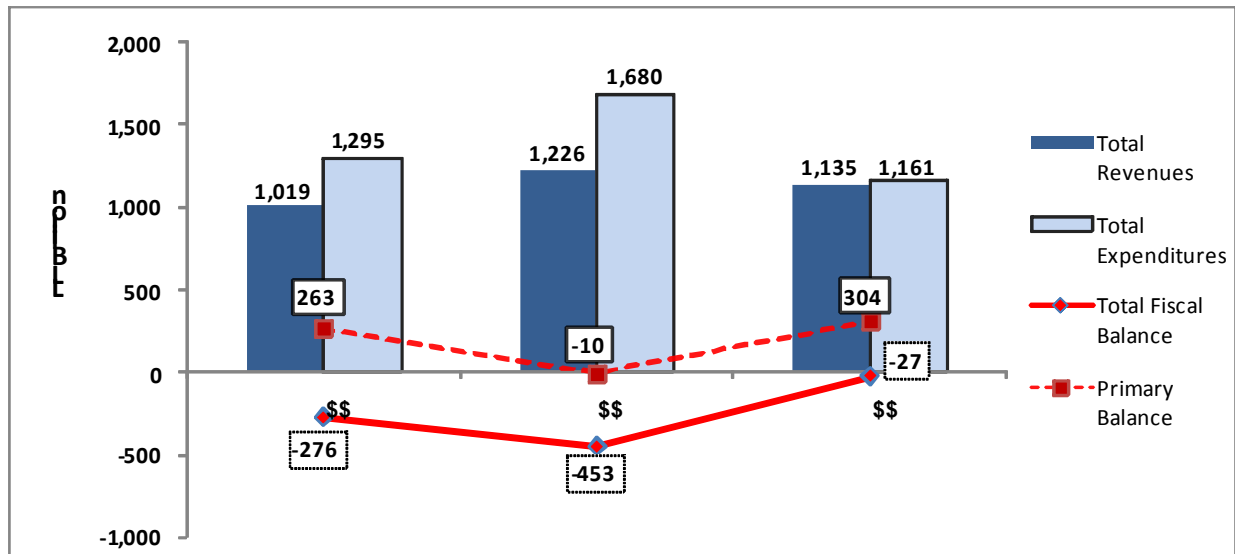


The total fiscal balance registered a deficit of LL 27 billion in January 2010, compared to a deficit of LL 453 in 2009. The LL 518 billion decrease in spending largely counterbalanced the LL 92 billion decrease in total receipts. **Primary balance** achieved a significant surplus of LL 304 billion from the LL 10 billion deficit recorded in January 2009.



Total revenues in January 2010 amounted to LL 1,135 billion, down by LL 92 billion from the 2009 level of LL 1,226 billion.

Tax revenues rose by LL 97 billion, to LL 974 billion, largely due to a:

- LL 43 billion increase in VAT receipts stemming from 19% increase in VAT collected internally¹
- LL 28 billion increase of *taxes on income, profits, & capital gains*, of which 63 percent came from *tax on interest income*, and 27% from *wages & salaries tax*.
- LL 26 billion increase in *property registration fees*

Non-tax revenues decreased by LL 216 billion, to LL 71 billion, driven by a:

- LL 211 billion decrease in income from *non-financial public enterprises*, due to the absence of transfers from *the telecom budget surplus* and in revenues from *Port of Beirut*

Treasury receipts amounted to LL 90 billion, of which LL 47 billion are for the Independent Municipal Fund.

¹ Note that the month of January collects the VAT due on business activity during the fourth quarter of 2009.

Total expenditures in January 2010 decreased by LL 518 billion, down to LL 1,161 billion from LL 1,680 billion in January 2009.

Current primary expenditures increased by LL 37 billion, driven mainly by rises of:

- LL 37 billion in *salaries, wages and related items*, partially due to increase in payments to Lebanese Army personnel
- LL 5 billion to *hospitals*

Interest payments decreased by LL 113 billion, to LL 320 billion, of which constitutes:

- a LL 50 billion decline on *domestic currency treasury bills*
- a LL 63 billion decrease on *foreign currency debt*

Capital expenditures increased by 67 percent to LL 125 billion, of which 67 percent covered for *construction in progress*, including higher transfers to the Displaced Fund and Council of the South.

Other treasury expenditures decreased substantially by LL 507 billion, to LL 165 billion, due to lower transfers to:

- *EDL* by LL 321 billion, mainly due to external factors pertaining to lower oil prices prevailing at the time the letters of credit (LCs) were opened and lower number of LCs due in January 2010
- *High Relief Committee*, where no transfers were made in 2010 compared to LL 200 billion in January 2009
- *Municipalities*² by LL 12 billion

Gross public debt increased by LL 831 billion from the end-December 2009 level, to LL 77,855 billion in January 2010.

Local currency debt increased by LL 838 billion to LL 45,814 billion:

- LL 847 billion increase in *holdings by commercial banks*
- LL 128 billion decrease in *BDL's domestic debt portfolio*

Foreign currency debt witnessed a decrease in its stock, mainly as a result of the redemption of Eurobonds issued in the context of the Paris II and Paris III conference that have an amortized payment structure.

JANUARY 2010 HIGHLIGHTS ***Tax on Interest Income***

The 40% rise in interest tax proceeds in January 2010 is attributed to the substantial widening of the tax base:

- The interest tax is collected on an aggregate deposit of LL 144,706 billion, 23% higher than the 2009 level.

- The decline in the dollarization of deposits from 68.55% in January 2009 to 63.7% in 2010, also contributed to this rise in tax receipts - LBP deposits earn higher interest than USD deposits.

- The stock of treasury bills held by commercial banks has grown by around 20 percent while the stock of certificates of deposits has more than doubled.

² Each year, the treasury transfers to municipalities their share of revenues from treasury accounts.

Table 1. Summary of Fiscal Performance

(LL billion)	2009 January	2010 January	% Change 2010/2009
Total Budget and Treasury Receipts	1,226	1,135	-7
Total Budget and Treasury Payments, of which	1,680	1,161	-31
<i>Interest Payments</i>	433	320	-26
<i>Concessional loans principal payments 1/</i>	10	11	11
<i>Primary Expenditures 2/</i>	1,237	830	-33
Total Cash Deficit/Surplus	-453	-27	-94
Primary Deficit/Surplus	-10	304	-

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

^{1/} Includes only Principal repayments of concessional loans earmarked for project financing

^{2/} Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

Section 2: Revenue Outcome

Table 2. Total Revenue

(LL billion)	2009 January	2010 January	% Change 2010/2009
Budget Revenues, of which:	1,164	1,045	-10
<i>Tax Revenues</i>	877	974	11
<i>Non-Tax Revenues</i>	287	71	-75
Treasury Receipts	63	90	44
Total Revenues	1,226	1,135	-7

Source: Ministry of Finance (MOF), Directorate General of Finance(DGF)

Table 3. Tax Revenue

(LL billion)	2009 January	2010 January	% Change 2010/2009
Tax Revenues:	877	974	11
Taxes on Income, Profits, & Capital Gains, of which:	195	223	15
<i>Income Tax on Profits</i>	48	51	7
<i>Income Tax on Wages and Salaries</i>	88	96	9
<i>Income Tax on Capital Gains & Dividends</i>	11	12	10
<i>Tax on Interest Income (5%)</i>	45	63	40
<i>Penalties on Income Tax</i>	3	1	-67
Taxes on Property, of which:	46	66	44
<i>Built Property Tax</i>	8	3	-60
<i>Real Estate Registration Fees</i>	33	59	78
Domestic Taxes on Goods & Services, of which:	381	427	12
<i>Value Added Tax</i>	359	403	12
<i>Other Taxes on Goods and Services, of which:</i>	20	23	13
<i>Private Car Registration Fees</i>	15	16	6
<i>Passenger Departure Tax</i>	5	7	30
Taxes on International Trade, of which:	213	213	0
<i>Customs</i>	59	60	3
<i>Excises, of which:</i>	155	153	-1
<i>Gasoline Excise</i>	83	85	2
<i>Tobacco Excise</i>	18	28	54
<i>Cars Excise</i>	52	39	-26
Other Tax Revenues (namely fiscal stamp fees)	42	45	8

Source: MOF, DGF

Table 4. Non-Tax Revenue

(LL billion)	2009 January	2010 January	% Change 2010/2009
Non-Tax Revenues	287	71	-75
Income from Public Institutions and Government Properties, of which:	230	20	-91
Income from Non-Financial Public Enterprises, <i>of which:</i>	224	13	-94
<i>Revenues from Casino Du Liban</i>	11	13	16
<i>Revenues from Port of Beirut</i>	62	0	-100
<i>Budget Surplus of National Lottery</i>	0	0	-
<i>Transfer from the Telecom Surplus</i>	151	0	-100
<i>Transfer from Public Financial Institution (BDL)</i>	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	4	6	59
Other Income from Public Institutions (interests)	2	0	-83
Administrative Fees & Charges, of which:	46	41	-11
Administrative Fees, <i>of which:</i>	37	31	-16
<i>Notary Fees</i>	2	2	21
<i>Passport Fees/ Public Security</i>	8	8	0
<i>Vehicle Control Fees</i>	21	15	-30
<i>Judicial Fees</i>	2	2	10
<i>Driving License Fees</i>	1	2	17
Administrative Charges	5	5	19
Sales (Official Gazette and License Number)	0	0	-3
Permit Fees (mostly work permit fees)	4	4	15
Other Administrative Fees & Charges	1	1	-39
Penalties & Confiscations	1	1	6
Other Non-Tax Revenues (mostly retirement deductibles)	9	9	-9

Source: MOF, DGF

Section 3: Expenditure Outcome

Table 5. Expenditure by Economic Classification

(LL billion)	2009 January	2010 January	% Change 2010/2009
1. Current Expenditures	943	868	-8
1.a Personnel Cost, of which	369	408	11
Salaries, Wages and Related Items (Article 13)	242	278	15
Retirement and End of Service Compensations, of which:	100	98	-2
Retirement	90	90	-1
End of Service	10	9	-13
Transfers to Public Institutions to Cover Salaries 1/	27	31	16
1.b Interest Payments, of which: 2/	433	320	-26
Domestic Interest Payments	307	257	-16
Foreign Interest Payments	126	64	-50
1.c Foreign Debt Principal Repayment	10	11	11
1.d Materials and Supplies, of which:	19	19	-1
Nutrition	5	4	-30
Fuel Oil	2	2	-8
Medicaments	5	3	-39
Accounting Adjustments for Treasury	4	6	44
1.e External Services	8	13	69
1.f Various Transfers, of which:	45	28	-36
NSSF	0	0	-
Wheat Subsidy	0	0	-
Special Tribunal for Lebanon	0	0	-
1.g Other Current, of which:	55	59	9
Hospitals	49	54	10
Others	5	6	4
1.h Reserves	5	9	74
Interest subsidy	5	9	74
2. Capital Expenditures	58	125	116
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-90
2.b Equipment	3	6	77
2.c Construction in Progress, of which:	37	84	128
Displaced Fund	0	30	-
Council of the South	0	20	-
CDR	33	22	-35
Ministry of Public Work and Transport	1	10	868
Other	2	2	-4
2.d Maintenance	8	27	257
2.e Other Expenditures Related to Fixed Capital Assets	10	9	-15
3. Other Treasury Expenditures	672	165	-75
Municipalities	34	22	-36
Guarantees	4	4	-2
Deposits :	6	5	-21
Other, of which:	214	41	-81
VAT Refund	6	20	206
High Relief Committee	200	0	-100
EDL 3/	415	94	-77
Treasury Advances for Water Authorities	0	0	-
Treasury Advances for Diesel Oil Subsidy	0	1	874
4. Unclassified Expenditures	7	3	-59
5. Customs Cashiers	1,680	1,161	-31
6. Total Expenditures (Excluding CDR Foreign Financed)	943	868	-8

Source: Statement of Account 36, Cashier Spending, Public Debt Department Figures , Fiscal Performance Gross Adjustment Figures

1/ For a detailed breakdown of those transfers, kindly refer to table 6.

2/ For a detailed breakdown of interest payments, kindly refer to table 7.

3/ For a detailed breakdown of transfers to EDL, kindly refer to table 8.

Table 6. Breakdown of Transfers to Public Institutions for the Coverage of Salaries

(LL billion)	2009 January	2010 January	% Change 2010/2009
Transfer to Council of the South	1	4	740
Transfer to Council for Development and Reconstruction (CDR)	5	-	-100
Transfer to the Displaced Fund	1	-	-100
Transfer to the Lebanese University	19	25	28
Transfer to the Educational Center for Research and Development	2	2	13

Source: MOF, DGF

Table 7. Details of Debt Service Transactions

(LL billion)	2009*** January	2010 January	% Change 2010/2009
Interest Payments 1/	433	320	-26
Local Currency Debt	307	257	-16
Foreign Currency Debt, of which:	126	64	-50
Eurobond Coupon Interest*	124	62	-50
Specialbond Coupon Interest*	0	0	166
Concessional Loans Interest Payments	2	1	-44
Concessional Loans Principal Payments**	10	11	11

Source: MOF, DGF

* Includes general expenses related to the transaction

** Includes 133 Billions LL Fully paid of IBRD Loans from USAID Grant during 2008

*** Includes 75 Billions LL Fully paid of IBRD Loans from USAID Grant during 2009

*** Concessional Loans Interest Payments during Jan. 2009 has been changed from the PFM Jan. 2009 figure because LL 7 billion was paid for the IBRD Loan 7026 from the account of the municipality fund.

Table 8. Transfers to EDL

(LL billion)	2009 January	2010 January	% Change 2010/2009
EDL of which:	415	94	-77
• Debt Service of which:	10	0	-96
- C-Loans and Eurobonds, of which:	4	0	-90
Principal repayments	4	0	-100
Interest Payments	1	0	-18
- BDL Guaranteed Loan payments	6	0	-100
• Reimbursement of KPC and Sonatrach Agreements	405	93	-77

Source: MOF, DGF

Section 4: Public Debt

Table 9. Public Debt Outstanding by Holder as of End-January 2010 (LL billion)

(LL billion)	2007 Dec	2008 Dec	2009 Dec	2010 Jan	Change Dec 09 – Jan 10	% Change Dec 09- Jan 10
Gross Public Debt	63,350	70,888	77,024	77,855	831	1.08
Local Currency Debt	31,373	39,007	44,976	45,814	838	1.86
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) ⁽¹⁾	9,052	8,781	10,334	10,206	-128	-1.24
b. Commercial Banks	16,847	24,320	27,289	28,136	847	3.10
c. Other Local Currency Debt (T-bills), of which:	5,474	5,906	7,353	7,472	119	1.62
<i>Public Entities</i>	4,796	5,062	6,078	6,070	-8	-0.13
* <i>Accrued Interest Included in Debt</i>	754	1,001	999	974	-25	-2.50
Foreign Currency Debt (2)	31,977	31,881	32,048	32,041	-7	-0.02
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,953	2,802	2,622	2,598	-25	-0.94
b. Paris II Related Debt (Eurobonds and Loans) ⁽³⁾	6,063	5,456	4,819	4,803	-16	-0.33
c. Paris III Related Debt (Eurobonds and Loans) ⁽⁴⁾	1,357	1,849	1,963	1,929	-34	-1.73
d. Market-Issued Eurobonds	20,776	20,925	21,736	21,707	-29	-0.14
e. <i>Accrued Interest on Eurobonds</i>	410	430	460	557	97	21.09
f. Special T-bills in Foreign Currency ⁽⁵⁾	419	419	447	447	0	0.00
Public Sector Deposits	4,527	8,326	10,347	11,639	1,292	12.49
Net Debt	58,823	62,562	66,677	66,216	-461	-0.69
Gross Market Debt⁽⁶⁾	39,216	46,992	51,234	52,276	1,042	2.03
% of Total Debt	62%	66%	67%	67%	0	0.94

Source: Ministry of Finance, Banque du Liban

(1) The BDL has extended loans to EDL for the equivalent amount of US\$ 300 million to purchase fuel oil. These loans are listed as public debt as they are government guaranteed.

(2) Figures for Dec 05 - Dec 08 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

(3) Paris II related debt (Eurobonds and Loans) including a Eurobond originally issued at USD 1,870 billion to BDL in the context of the Paris II conference.

(4) Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

(5) Special T-bills in foreign currency (expropriation bonds).

(6) Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

Ministry of Finance Publications

2010

Aid Coordination Monthly Newsletter, Issues 26-28

Lebanon Country Profile 2010, (to be published)

Public Finance Review 2009, (to be published)

Debt and Debt Markets QIV 2009, (to be published)

2009

Public Finance Monitor Monthly Update, January-December

Aid Coordination Monthly Newsletter, Issues 14 - 25

Debt and Debt Markets Quarterly, (QI, QII, & QIII)

Public Finance Quarterly, (QI, QII, & QIII)

International Conference for Support to Lebanon – Paris III Progress Report, (9th, 10th, & 11th)

Lebanon Country Profile 2009

Public Finance Review 2008

For a complete list of MoF Publications, go to www.finance.gov.lb

For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059

E-mail: infocenter@finance.gov.lb

Website: www.finance.gov.lb



REPUBLIC OF LEBANON
MINISTRY OF FINANCE