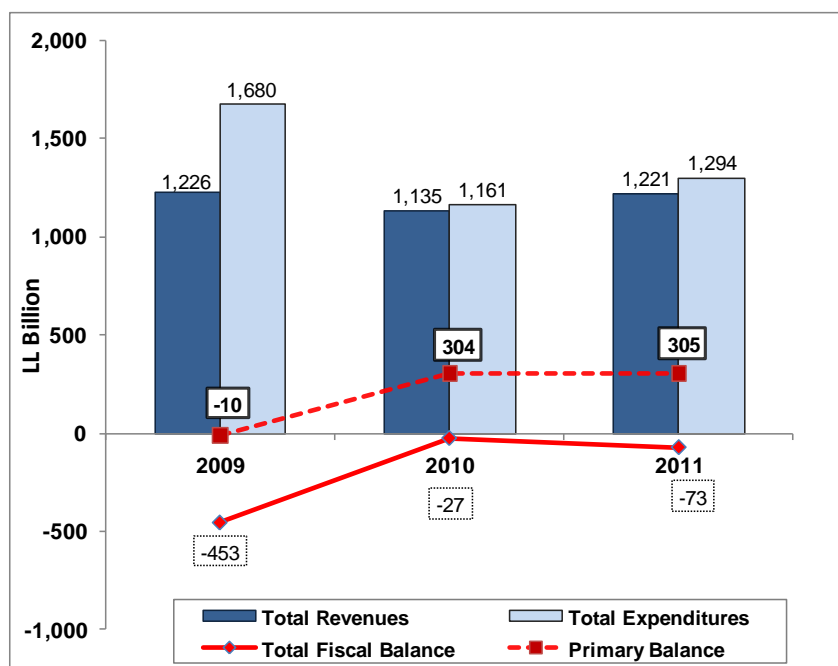


The total fiscal balance registered a deficit of LL 73 billion in January 2011, compared to a lower deficit of LL 27 billion in 2010. The LL 133 billion increase in spending was partly counteracted with LL 87 billion higher receipts. **Primary balance** achieved a surplus of LL 305 billion, in line with the LL 304 billion surplus achieved in the preceding year.



Total revenues in January 2011 amounted to LL 1,221 billion, up by LL 87 billion from the 2010 level of LL 1,135 billion. In January 2009, total revenues amounted to LL 1,226 billion, of which LL 151 billion (making up 53 percent of non-tax revenues) came from the *Telecom Budget Surplus*¹.

Tax revenues rose by LL 51 billion, to LL 1,025 billion, as a result of the following:

- LL 39 billion increase of *taxes on income, profits, & capital gains*, of which 48 percent from *wages & salaries tax* (January being a month for filing tax due on QIV 2010) and 24 percent from *tax on interest income*.
- LL 15 billion increase in *VAT receipts* stemming from a LL 19 billion increase in VAT collected internally², which was partially counterbalanced with a LL 4 billion drop in VAT receipts from customs.

On the other hand, January 2011 depicts a slowdown in consumption trends as reflected in revenues collected from consumption taxes, namely: LL 16 billion decrease in excises, of which a LL 13 billion drop in gasoline excises³ (explained by lower volume of consumption, probably as a result of higher prices), a LL 6 billion decline in car excises; and a cumulative LL 4 billion drop in collection from car registration fees and passenger departure tax.

Non-tax revenues increased by LL 22 billion, to LL 93 billion, driven by a LL 18 billion (or 290 percent) increased in *property income*, namely rent of Rafic Hariri International Airport.

¹In 2010, transfers from the telecom surplus to the treasury were almost halved from LL 2,055 billion in 2009 to LL 957 billion in 2010. As a percentage of GDP, these transfers dropped from an average of 4 percent of GDP in the last five years, to 1.65 percent of GDP in 2010.

²Kindly note that the Ministry of Finance collects the VAT due on business activity of QIV 2010 during January 2011.

³Kindly note that the decision to reduce the excise on gasoline by LL 5,000 per 20 liters was adopted on Feb 26th, 2011.

Treasury receipts amounted to LL 104 billion, of which LL 49 billion for the Independent Municipal Fund.

Total expenditures in January 2011 increased by LL 133 billion, to LL 1,294 billion, up from LL 1,161 billion in January 2010.

Current primary expenditures increased by LL 163 billion, driven mainly:

- LL 172 billion rise in various transfers, due to a LL 120 billion payment to *NSSF in January 2011 for the year 2010*
- LL 28 billion rise to *hospitals*

Interest payments increased by LL 28 billion, to LL 349 billion, of which constitutes:

- a LL 12 billion increase on *domestic currency treasury bills*
- a LL 16 billion increase on foreign currency debt

Capital expenditures decreased by 56 percent to LL 69 billion, due to absence of spending on construction in progress by the *Displaced Fund* and *CDR*.

Other treasury expenditures decreased by LL 32 billion, to LL 29 billion, due to lower transfers to:

- *Municipalities*⁴ by LL 18 billion
- *VAT refund* by LL 15 billion

Gross public debt decreased by LL 448 billion from the end-December 2010 level, to LL 78,853 billion in January 2011.

Local currency debt decreased by LL 987 billion to LL 47,268 billion:

- LL 2,013 billion decrease in *holdings by commercial banks*
- LL 1,019 billion increase in *BDL's domestic debt portfolio*

The decrease in the LBP-denominated debt portfolio takes into account the redemption of LL 392 billion worth of Treasury bonds in relation to a Debt Replacement Agreement between the Ministry of Finance and Banque du Liban.

Foreign currency debt witnessed an increase in its stock by LL 539 billion, mainly as a result of an increase in market-issued Eurobonds by LL 433 billion. This pertains to a US\$ 265 million issuance on 18 January 2011 undertaken through a "Debt Replacement Agreement" between the Ministry of Finance and Banque du Liban. The issue was a re-opening of the 6.10 percent October 2022 Eurobond issued in November 2010.

JANUARY 2011 HIGHLIGHTS
Enhancing Fiscal Transparency:
Economic Reclassification
of Expenditures

Changes to the economic classification table (Table 5) have been introduced to forthcoming PFMs, as part of the continuous efforts to improve it and to increase transparency.

First, the line item "transfers to EDL" has been reclassified from "other treasury expenditures" to "various transfers", thus aligning it with the changes introduced in the 2009 Budget Proposal and the Fiscal Performance.

Second, payments for capital spending by Parliament, reference to Law 123/2010, which allocates LL 20 billion in the 2010 budget, have been reclassified from "guarantees" to "capital expenditures." Detailed information on the end-use of the spending, whether maintenance or equipment, will be available once certified invoices are sent to MOF.

Third, budget advances, which are paid from budgeted allocations, have been extrapolated out of "other treasury expenditures" and reclassified as a separate line item. Budget advances reflect the increasing trend in administration opting for the "emergency" route in making their payments.

Fourth, "customs cashiers", through which all budgeted payments for customs - excluding salaries and wages - are made, were renamed as "customs administration (excluding salaries and wages)" for additional clarity. It is now listed after budget advances to avoid any confusion regarding the fact that these payments were made from the budget and not the treasury.

⁴ Each year, the treasury transfers to municipalities their share of revenues from treasury accounts.

Table 1. Summary of Fiscal Performance

(LL billion)	2010 January	2011 January	% Change 2011/2010
Total Budget and Treasury Receipts	1,135	1,221	8%
Total Budget and Treasury Payments, of which	1,161	1,294	11%
<i>Interest Payments</i>	320	349	9%
<i>Concessional loans principal payments 1/</i>	11	29	168%
<i>Primary Expenditures 2/</i>	830	917	10%
Total Cash Deficit/Surplus	-27	-73	173%
Primary Deficit/Surplus	304	305	0%

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 1: Revenue Outcome

Table 2. Total Revenue

(LL billion)	2010 January	2011 January	% Change 2011/2010
Budget Revenues, of which:	1,045	1,118	7%
<i>Tax Revenues</i>	974	1,025	5%
<i>Non-Tax Revenues</i>	71	93	32%
Treasury Receipts	90	104	15%
Total Revenues	1,135	1,221	8%

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

Table 3. Tax Revenue

(LL billion)	2010 January	2011 January	% Change 2011/2010
Tax Revenues:	974	1,025	5%
Taxes on Income, Profits, & Capital Gains, of which:	223	262	18%
<i>Income Tax on Profits</i>	51	60	16%
<i>Income Tax on Wages and Salaries</i>	96	115	20%
<i>Income Tax on Capital Gains & Dividends</i>	12	12	3%
<i>Tax on Interest Income (5%)</i>	63	72	15%
<i>Penalties on Income Tax</i>	1	3	275%
Taxes on Property, of which:	66	76	14%
<i>Built Property Tax</i>	3	7	115%
<i>Real Estate Registration Fees</i>	59	60	2%
Domestic Taxes on Goods & Services, of which:	427	439	3%
<i>Value Added Tax</i>	403	417	4%
<i>Other Taxes on Goods and Services, of which:</i>	23	19	-17%
<i>Private Car Registration Fees</i>	16	15	-5%
<i>Passenger Departure Tax</i>	7	4	-46%
Taxes on International Trade, of which:	213	197	-7%
<i>Customs</i>	60	60	0%
<i>Excises, of which:</i>	153	137	-11%
<i>Gasoline Excise</i>	85	72	-16%
<i>Tobacco Excise</i>	28	31	10%
<i>Cars Excise</i>	39	33	-15%
Other Tax Revenues (namely fiscal stamp fees)	45	51	14%

Source: MOF, DGF

Table 4. Non-Tax Revenue

(LL billion)	2010 January	2011 January	% Change 2011/2010
Non-Tax Revenues	71	93	32%
Income from Public Institutions and Government Properties, of which:	20	39	95%
Income from Non-Financial Public Enterprises, <i>of which:</i>	13	12	-7%
<i>Revenues from Casino Du Liban</i>	13	12	-7%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	0	0	-
<i>Transfer from the Telecom Surplus</i>	0	0	-
<i>Transfer from Public Financial Institution (BDL)</i>	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	6	25	290%
Other Income from Public Institutions (interests)	0	2	387%
Administrative Fees & Charges, of which:	41	44	7%
Administrative Fees, <i>of which:</i>	31	35	13%
<i>Notary Fees</i>	2	2	-5%
<i>Passport Fees/ Public Security</i>	8	8	6%
<i>Vehicle Control Fees</i>	15	19	26%
<i>Judicial Fees</i>	2	2	-1%
<i>Driving License Fees</i>	2	1	-44%
Administrative Charges	5	4	-20%
Sales (Official Gazette and License Number)	0	0	10%
Permit Fees (mostly work permit fees)	4	4	-2%
Other Administrative Fees & Charges	1	1	15%
Penalties & Confiscations	1	1	-12%
Other Non-Tax Revenues (mostly retirement deductibles)	9	9	6%

Source: MOF, DGF

Section 2: Expenditure Outcome

Table 5. Expenditure by Economic Classification

(LL billion)	2010 January	2011 January	% Change 2011/2010
1. Current Expenditures	962	1,171	22%
1.a Personnel Cost, of which	408	366	-10%
<i>Salaries, Wages and Related Items (Article 13)</i>	278	246	-12%
<i>Retirement and End of Service Compensations, of which:</i>	98	103	5%
<i>Retirement</i>	90	93	4%
<i>End of Service</i>	9	10	14%
<i>Transfers to Public Institutions to Cover Salaries 1/</i>	31	17	-46%
1.b Interest Payments, of which: 2/	320	349	9%
<i>Domestic Interest Payments</i>	257	269	5%
<i>Foreign Interest Payments</i>	64	80	25%
1.c Foreign Debt Principal Repayment	11	29	168%
1.d Materials and Supplies, of which:	19	22	14%
<i>Nutrition</i>	4	2	-43%
<i>Fuel Oil</i>	2	1	-67%
<i>Medicaments</i>	3	9	176%
<i>Accounting Adjustments for Treasury</i>	6	5	-18%
1.e External Services	13	10	-21%
1.f Various Transfers, of which:	122	294	140%
<i>EDL 3/</i>	94	95	1%
<i>NSSF</i>	0	120	-
<i>Treasury advances for diesel oil subsidy</i>	0	0	0%
<i>Wheat Subsidy</i>	0	15	-
<i>Special Tribunal for Lebanon</i>	0	0	-
1.g Other Current, of which:	59	98	65%
<i>Hospitals</i>	54	81	51%
<i>Others (judgments & reconciliations, mission costs, other)</i>	6	9	70%
1.h Reserves	9	3	-63%
<i>Interest subsidy</i>	9	3	-63%
2. Capital Expenditures	125	69	-45%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-58%
2.b Equipment	6	7	34%
2.c Construction in Progress, of which:	84	33	-61%
<i>Displaced Fund</i>	30	0	-100%
<i>Council of the South</i>	20	13	-36%
<i>CDR</i>	22	0	-100%
<i>Ministry of Public Work and Transport</i>	10	17	67%
<i>Other</i>	2	3	46%
2.d Maintenance	27	24	-9%
2.e Other Expenditures Related to Fixed Capital Assets	9	1	-94%
2.f Parliamentary equipment & maintenance 4/	0	4	-
3. Budget Advances 5/	10	23	
4. Customs Administration (exc. Salaries and Wages) 6/	3	3	9%
5. Other Treasury Expenditures	62	29	-53%
Municipalities	22	4	-82%
Guarantees	4	2	-57%
Deposits :	5	6	30%
Other, of which:	32	18	-44%
<i>VAT Refund</i>	20	5	-75%
<i>High Relief Committee</i>	0	0	-
Treasury Advances for Water Authorities	0	0	-
6. Unclassified Expenditures	1	0	-98%
7. Total Expenditures (Excluding CDR Foreign Financed)	1,161	1,294	11%

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. EDL has been reclassified to various transfers from "other treasury expenditures", following the reclassification of the 2009 Budget Proposal and in line with the Fiscal Performance.

4/ These are reclassifications of payments made from the guarantees under Law 123 dated 23 July 2010, that opened, in the 2010 Budget, a LL20 billion allocation for the equipment and maintenance of the House of Parliament. The law allowed the provision of an emergency advance issued by a Decision from the Speaker of Parliament specifying the amount and the duration of the advance. The advance is to be regularized based on invoices certified by the Secretariat of the Office of Parliament and submitted to the Ministry of Finance.

5/ Budget Advances were previously classified under "other". Given their growth, and in line with the Ministry of Finance's efforts to ensure transparency, they will be published in a separate line. They will be regularized at a later stage, and it is only after their regularization that they can be classified according to their economic nature in the budget system.

7/ Customs administration include payments - excluding salaries and wages - made to customs and paid from customs cashiers. They can only be classified after Customs submit the supporting documents to the Directorate General of Finance

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

(LL billion)	2010 January	2011 January	% Change 2011/2010
Transfer to Council of the South	4	2	-64%
Transfer to Council for Development and Reconstruction (CDR)	0	1	-
Transfer to the Displaced Fund	0	0	-
Transfer to the Lebanese University	25	13	-47%
Transfer to the Educational Center for Research and Development	2	1	-46%

Source: MOF, DGF

Table 7. Details of Debt Service Transactions

(LL billion)	2010 January	2011 January	% Change 2011/2010
Interest Payments 1/	320	349	9%
Local Currency Debt	257	269	5%
Foreign Currency Debt, of which:	64	80	25%
Eurobond Coupon Interest*	62	74	19%
Specialbond Coupon Interest*	0	0	-18%
Concessional Loans Interest Payments	1	5	415%
Concessional Loans Principal Payments**	11	29	168%

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

Table 8. Transfers to EDL

(LL billion)	2010 January	2011 January	% Change 2011/2010
EDL of which:	94	95	1%
• Debt Service of which:	0	2	366%
- C-Loans and Eurobonds, of which:	0	2	366%
Principal repayments	0	1	-
Interest Payments	0	1	58%
- BDL Guaranteed Loan payments	0	0	-
• Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	93	93	-1%
- KPC& SPC	93	93	-1%
- EGAS	0	0	-

Source: MOF, DGF

Section 3: Public Debt

Table 9. Public Debt Outstanding by Holder as of End-January 2011 (LL billion)

(LL billion)	2008 Dec	2009 Dec	2010 Dec	2011 Jan	Change Dec 10 – Jan 11	% Change Dec 10- Jan 11
Gross Public Debt	70,941	77,112	79,301	78,853	-448	-0.56%
Local Currency Debt	39,007	44,973	48,255	47,268	-987	-2.05%
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) ⁽¹⁾	8,781	10,334	13,130	14,149	1,019	7.76%
b. Commercial Banks	24,320	27,286	27,214	25,201	-2,013	-7.40%
c. Other Local Currency Debt (T-bills), of which:	5,906	7,353	7,911	7,918	7	0.09%
<i>Public Entities</i>	5,062	6,078	6,268	6,347	79	1.26%
* <i>Accrued Interest Included in Debt</i>	1,029	999	867	850	-17	-1.96%
Foreign Currency Debt (2)	31,934	32,139	31,046	31,585	539	1.74%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,855	2,713	2,627	2,646	19	0.74%
b. Paris II Related Debt (Eurobonds and Loans) ⁽³⁾	5,456	4,819	4,137	4,150	13	0.31%
c. Paris III Related Debt (Eurobonds and Loans) ⁽⁴⁾	1,849	1,963	1,855	1,832	-23	-1.22%
d. Market-Issued Eurobonds	20,925	22,363	21,870	22,303	433	1.98%
e. <i>Accrued Interest on Eurobonds</i>	430	460	483	579	96	19.88%
f. Special T-bills in Foreign Currency ⁽⁵⁾	419	447	74	74	0	0.00%
Public Sector Deposits	8,326	10,522	11,419	11,069	-350	-3.07%
Net Debt	62,615	66,590	67,882	67,784	-98	-0.14%
Gross Market Debt⁽⁶⁾	46,992	51,231	51,308	49,754	-1,554	-3.03%
% of Total Debt	66%	67%	65%	63%	-0.02	-2.48%

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 10 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 and contractor 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

2011

Debt Management Framework 2010-2015, Mar 2011
Car Imports and Related Government Revenues (1997-2010), March 2011
Lebanon's 2010 Citizen Budget, Feb 2011
Transfers to EDL: A Monthly Snapshot, Nov-Dec 2010, Jan 2011
Aid Coordination Monthly Newsletter, Issues 38-41
Public Finance Monitor Monthly Update, Nov-Dec 2010
Public Finance Quarterly, QIII 2010

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Debt and Debt Markets Quarterly, QIV 2009, QI, QII & QIII 2010
Electricité du Liban: A Fiscal Perspective, April 2010
Lebanon Country Profile 2010
Public Finance Review 2009
Public Finance Monitor Monthly Update, Nov & Dec 2009, Jan-Oct 2010
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2010 Budget Proposal – A Detailed Report, Oct 2010

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Aid Coordination Monthly Newsletter, Issues 14-25
Debt and Debt Markets Quarterly, QI-QIII 2009
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Lebanon Country Profile 2009
Public Finance Monitor Monthly Update, Jan-Oct 2009
Public Finance Quarterly, QI-QIII
Public Finance Review 2008
2009 Budget Proposal – A Detailed Report, Aug 2009

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