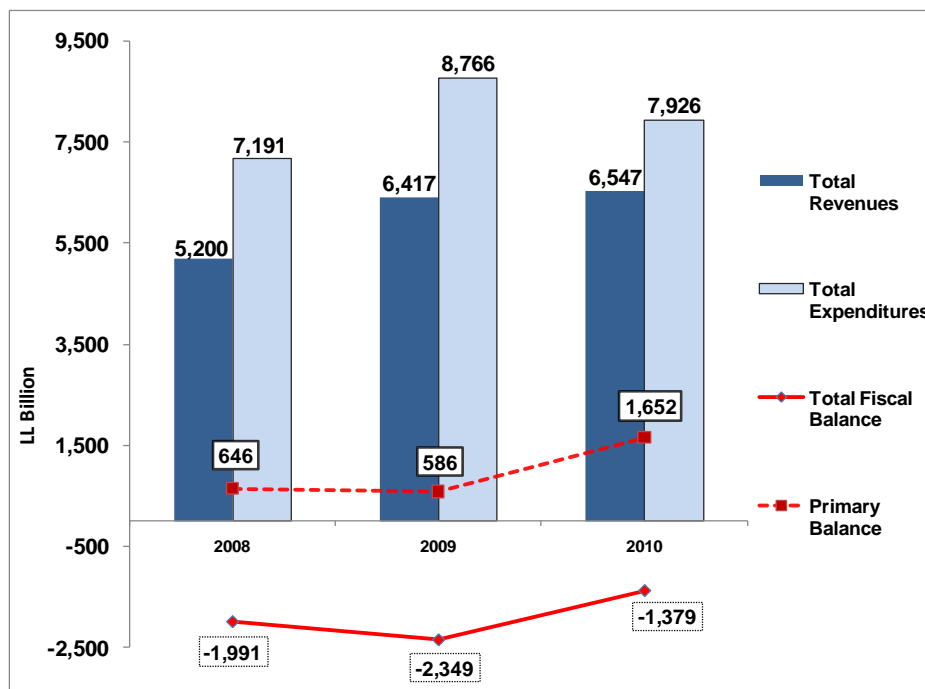


**The total fiscal balance** registered a deficit of LL 1,379 billion in January-June 2010 compared to a deficit of LL 2,349 billion in 2009. The improvement in the total deficit is mainly due to the LL 840 billion decrease in spending and the LL 130 billion increase in total receipts. **The primary balance** achieved a surplus of LL 1,652 billion compared to a surplus of LL 586 billion recorded in January-June 2009.



**Total revenues** in the first half of 2010 amounted to LL 6,547 billion, up from the 2009 level of LL 6,417 billion.

**Tax revenues** rose by LL 731 billion, to LL 5,318 billion. The major developments in June are the following:

- LL 197 billion increase in *real estate registration fees*, explained by higher volume but mostly higher real estate values.
- LL 180 billion increase in *VAT receipts*
- LL 97 billion more revenues from *taxes on international trade* (customs and excises) – 79% of the rise originated from the increase in tobacco excises. This is in line with a 41 percent increase in imports of tobacco and related products in H1 2010 compared to H1 2009.
- LL 72 billion higher collection of *income tax on profits* owing to higher profits realised in 2009, filed and declared by corporations during the months of May and June 2010.
- LL 31 billion (or 32%) higher receipts from the recurrent *tax on properties*, which may also be explained by higher property values.

**Non-tax revenues** decreased by LL 596 billion, to LL 893 billion, driven by:

- a reduction of LL 618 billion in income from *non-financial public enterprises*, due to the absence of transfers from the Telecom Budget Surplus in 2010, except for the month of February
- a slight reduction of LL 8 billion in revenues from *vehicle control fees*

**Treasury receipts** increased by 28 percent to LL 240 billion, mostly on account of higher revenues from the Independent Municipal Fund.

**Total expenditures** during January-June 2010 decreased by LL 840 billion, down to LL 7,926 billion from LL 8,766 billion in the first half of 2009, mainly owing to less treasury spending.

**Current primary expenditures** increased by LL 70 billion, as a net result of the following main items:

- lower *personnel cost* by LL 24 billion, due to a LL 41 billion drop in *salaries, wages and related items (Article 13)* counterbalanced by a rise of LL 34 billion in *end-of-service compensation* resulting from the unexplained surge in retirement of army lieutenants
- rise in *various transfers* by LL 50 billion, mainly due to *the treasury advance for diesel oil subsidy* worth LL 61 billion
- rise in *medicaments* by LL 26 billion – a trend witnessed since the beginning of the year

**Interest payments** increased by LL 93 billion, to LL 2,881 billion mainly driven by higher payments on *domestic currency treasury bills*.

**Capital expenditures** declined by LL 27 billion to LL 308 billion, of which 54 percent covered for *construction in progress* and 23 percent for *maintenance*. Spending on *maintenance* - mainly roads - increased by 98 percent to LL 71 billion. Construction - mainly roads - by the Ministry of Public Work and Transport increased by 119 percent to LL 31 billion in June 2010.

**Other treasury expenditures** decreased substantially by LL 1,032 billion, to LL 1,414 billion, due to lower transfers to:

- *EDL* by LL 662 billion<sup>1</sup>, mainly due to lower oil prices, lower quantities of gas oil (substituted for by natural gas), absence of natural gas payments in 2010, and lower debt service on behalf of EDL by LL 19 billion.
- Absence of transfers to the *High Relief Committee*, which amounted to LL415 billion during the first half of 2009.

**Gross public debt** decreased by LL 109 billion from the end-December 2009 level, to LL 76,910 billion in June 2010 mainly due to its foreign currency component.

In fact, **local currency debt**<sup>2</sup> increased by LL 466 billion to LL 45,439 billion, due to a larger BDL domestic portfolio by LL 239 billion and more (+LL 110 billion) treasury bill holdings by commercial banks.

**Foreign currency debt** witnessed a decrease in its stock by LL 575 billion, mainly as a result of the redemption of Eurobonds issued in the context of the Paris II Conference that have an amortized payment structure. Special T-bills in foreign currency increased by LL 24 billion due to the issuance of new contractor bonds on April 22, 2010<sup>3</sup>.

**June 2010 HIGHLIGHT**  
**Built Property Tax Schedules**  
**2006 and 2007**

In April 2010 and June 2010, the Directorate of Land Registry and Cadastre (DLRC) issued built property tax schedules covering the years 2006 and 2007 for Mount Lebanon and Beirut, respectively. This comes after a 2-years suspension of schedule issuance, whereby the tax dues for 2004 and 2005 were issued in mid-2008. Tax payers are granted a period of 2-months to settle the tax due amount.

From a fiscal perspective, the aggregate tax payable amounts to around LL 108 billion for Mount Lebanon, of which 40 percent and 28 percent come from the Metn Caza and Baabda Caza, respectively. For Beirut, the aggregate tax payable amounts to LL 150 billion.

These schedules are based on the assessed yearly rental income and the property tax structure following the latest modifications stipulated in 2004 Budget Law:

Property Rental Value	Rate
Less than LL 6 million*	0
LL 6 million - 20 million	4%
LL 20- LL 40 million	6%
LL 40- LL 60 million	8%
LL 60- LL100 million	11%
> LL 100 million	14%

*Budget Law 2004*

*Note: \* LL 6 million less in case the property is the person's own dwelling*

<sup>1</sup> For further details, kindly refer to June 2010 issue of "*Transfers to EDL: A Monthly Snapshot*" available on [www.finance.gov.lb](http://www.finance.gov.lb)

<sup>2</sup> Treasury Bill auctions resumed in April following a one-month halt in March 2010.

<sup>3</sup> Pursuant to Law # 69 dated April 23, 2009, the Lebanese Republic issued \$15,984,633.28 6.00 percent bonds due 2015. These bonds were issued to contractors to settle the changes in the cost of construction materials.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2009 Jun	2010 Jun	2009 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
<b>Total Budget and Treasury Receipts</b>	<b>1,256</b>	<b>1,161</b>	<b>6,417</b>	<b>6,547</b>	<b>2%</b>
<b>Total Budget and Treasury Payments, of which<sup>1</sup></b>	<b>1,483</b>	<b>1,240</b>	<b>8,766</b>	<b>7,926</b>	<b>-10%</b>
• Interest Payments	375	420	2,787	2,882	3%
• Concessional loans principal payments <sup>2</sup>	94	81	148	149	1%
• Primary Expenditures <sup>3</sup>	1,013	739	5,831	4,895	-16%
<b>Total Cash Deficit/Surplus</b>	<b>-227</b>	<b>-79</b>	<b>-2,349</b>	<b>-1,379</b>	<b>-41%</b>
<b>Primary Deficit/Surplus</b>	<b>242</b>	<b>421</b>	<b>586</b>	<b>1,652</b>	<b>182%</b>

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

<sup>1/</sup> The difference between the 2010 total budget and treasury payments figure and that published in the June 2010 fiscal performance is due to an advance for EDL double counted in EDL and in Other as treasury advance.

<sup>2/</sup> Includes only Principal repayments of concessional loans earmarked for project financing

<sup>3/</sup> Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

## Section 1: Revenue Outcome

**Table 2. Total Revenue**

(LL billion)	2009 Jun	2010 Jun	2009 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
<b>Budget Revenues, of which:</b>	<b>1,139</b>	<b>1,095</b>	<b>6,075</b>	<b>6,210</b>	<b>2%</b>
<i>Tax Revenues</i>	1,064	1,017	4,586	5,318	16%
<i>Non-Tax Revenues</i>	74	77	1,489	893	-40%
<b>Treasury Receipts</b>	<b>117</b>	<b>66</b>	<b>342</b>	<b>336</b>	<b>-2%</b>
<b>Total Revenues</b>	<b>1,256</b>	<b>1,161</b>	<b>6,417</b>	<b>6,547</b>	<b>2%</b>

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

**Table 3. Tax Revenue**

(LL billion)	2009 Jun	2010 Jun	2009 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
<b>Tax Revenues:</b>	<b>1,064</b>	<b>1,017</b>	<b>4,586</b>	<b>5,318</b>	<b>16%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>529</b>	<b>375</b>	<b>1,240</b>	<b>1,390</b>	<b>12%</b>
• <i>Income Tax on Profits</i>	453	297	672	744	11%
• <i>Income Tax on Wages and Salaries</i>	5	4	195	196	1%
• <i>Income Tax on Capital Gains &amp; Dividends</i>	32	26	103	128	24%
• <i>Tax on Interest Income (5%)</i>	36	45	259	310	20%
• <i>Penalties on Income Tax</i>	3	3	10	11	6%
<b>Taxes on Property, of which:</b>	<b>69</b>	<b>104</b>	<b>335</b>	<b>567</b>	<b>69%</b>
• <i>Built Property Tax</i>	7	18	70	100	44%
• <i>Real Estate Registration Fees</i>	50	78	229	426	86%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>212</b>	<b>242</b>	<b>1,546</b>	<b>1,746</b>	<b>13%</b>
• <i>Value Added Tax</i>	174	204	1,377	1,557	13%
• <i>Other Taxes on Goods and Services, of which:</i>	37	38	164	184	12%
- <i>Private Car Registration Fees</i>	24	23	112	118	5%
- <i>Passenger Departure Tax</i>	13	14	52	65	26%
<b>Taxes on International Trade, of which:</b>	<b>224</b>	<b>263</b>	<b>1,279</b>	<b>1,376</b>	<b>8%</b>
• <i>Customs</i>	65	70	364	395	9%
• <i>Excises, of which:</i>	159	193	915	980	7%
- <i>Gasoline Excise</i>	85	97	492	504	2%
- <i>Tobacco Excise</i>	20	34	123	174	42%
- <i>Cars Excise</i>	54	61	298	299	0%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>31</b>	<b>34</b>	<b>187</b>	<b>240</b>	<b>28%</b>

Source: MOF, DGF

**Table 4. Non-Tax Revenue**

(LL billion)	2009 Jun	2010 Jun	2009 Jan-Jun	2010 Jan- Jun	% Change 2010/2009
<b>Non-Tax Revenues</b>	<b>74</b>	<b>77</b>	<b>1,489</b>	<b>893</b>	<b>-40%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>27</b>	<b>26</b>	<b>1,187</b>	<b>581</b>	<b>-51%</b>
• Income from Non-Financial Public Enterprises, of which:	21	20	1,109	490	-56%
- Revenues from Casino Du Liban	11	12	77	72	-6%
- Revenues from Port of Beirut	0	0	62	65	5%
- Budget Surplus of National Lottery	10	8	28	21	-25%
- Transfer from the Telecom Surplus	0	0	941	331	-65%
• Transfer from Public Financial Institution (BDL)	0	0	40	60	50%
• Property Income (namely rent of Rafic Hariri International Airport)	5	6	32	28	-12%
• Other Income from Public Institutions (interests)	1	0	6	2	-66%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>38</b>	<b>42</b>	<b>247</b>	<b>257</b>	<b>4%</b>
• Administrative Fees, of which:	31	34	202	210	4%
- Notary Fees	2	2	12	15	19%
- Passport Fees/ Public Security	11	11	55	56	1%
- Vehicle Control Fees	13	14	102	94	-8%
- Judicial Fees	1	2	9	12	34%
- Driving License Fees	2	2	10	12	14%
• Administrative Charges	1	1	12	14	11%
• Sales (Official Gazette and License Number)	0	2	1	3	135%
• Permit Fees (mostly work permit fees)	4	4	22	25	10%
• Other Administrative Fees & Charges	2	1	9	6	-34%
<b>Penalties &amp; Confiscations</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>-2%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>9</b>	<b>9</b>	<b>52</b>	<b>52</b>	<b>0%</b>

Source: MOF, DGF

## Section 2: Expenditure Outcome

**Table 5. Expenditure by Economic Classification**

(LL billion)	2009 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
<b>1. Current Expenditures</b>	<b>6,015</b>	<b>6,180</b>	<b>3%</b>
1.a Personnel Cost, of which	2,426	2,402	-1%
Salaries, Wages and Related Items (Article 13)	1,670	1,629	-2%
Retirement and End of Service Compensations, of which:	595	633	6%
Retirement	527	531	1%
End of Service	68	102	50%
Transfers to Public Institutions to Cover Salaries 1/	160	140	-12%
1.b Interest Payments, of which: 2/	2,787	2,882	3%
Domestic Interest Payments	1,698	1,788	5%
Foreign Interest Payments	1,090	1,094	0%
1.c Foreign Debt Principal Repayment	148	149	1%
1.d Materials and Supplies, of which:	108	133	23%
Nutrition	25	19	-22%
Fuel Oil	5	5	-8%
Medicaments	47	73	55%
Accounting Adjustments for Treasury	17	19	13%
1.e External Services	56	58	4%
1.f Various Transfers, of which:	248	297	20%
NSSF	0	0	-
Treasury advances for diesel oil subsidy	0	61	-
Wheat Subsidy	10	0	-100%
Special Tribunal for Lebanon	12	41	237%
1.g Other Current, of which:	195	198	1%
Hospitals	154	167	8%
Others	36	31	-13%
1.h Reserves	47	61	31%
Interest subsidy	47	61	31%
<b>2. Capital Expenditures</b>	<b>281</b>	<b>308</b>	<b>10%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	3	1	-75%
2.b Equipment	17	22	27%
2.c Construction in Progress, of which:	192	165	-14%
Displaced Fund	55	30	-45%
Council of the South	10	20	100%
CDR	102	73	-29%
Ministry of Public Work and Transport	14	31	119%
Other	11	11	4%
2.d Maintenance	36	71	98%
2.e Other Expenditures Related to Fixed Capital Assets	33	50	50%
<b>3. Other Treasury Expenditures</b>	<b>2,445</b>	<b>1,414</b>	<b>-42%</b>
Municipalities	136	154	14%
Guarantees	66	43	-35%
Deposits :	39	35	-12%
Other, of which:	690	333	-52%
VAT Refund	184	187	2%
High Relief Committee	415	0	-100%
EDL 3/	1,511	849	-44%
Treasury advances for water authorities	4	0	-
<b>4. Unclassified Expenditures</b>	<b>1</b>	<b>3</b>	<b>105%</b>
<b>5. Customs Cashiers</b>	<b>24</b>	<b>21</b>	<b>-12%</b>
<b>6. Total Expenditures (Excluding CDR Foreign Financed) 4/</b>	<b>8,766</b>	<b>7,926</b>	<b>-10%</b>

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.

4/ The difference between the 2010 total expenditures and the published 2010 fiscal performance is due to an advance for EDL double counted in EDL and in Other as treasury advance.

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

(LL billion)	2009 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
Transfer to Council of the South	4	8	124%
Transfer to Council for Development and Reconstruction (CDR)	27	15	-44%
Transfer to the Displaced Fund	4	3	-14%
Transfer to the Lebanese University	120	107	-11%
Transfer to the Educational Center for Research and Development	7	7	4%

Source: MOF, DGF

**Table 7. Details of Debt Service Transactions**

(LL billion)	2009*** Jun	2010 Jun	2009 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
<b>Interest Payments 1/</b>	<b>375</b>	<b>422</b>	<b>2,787</b>	<b>2,881</b>	<b>3%</b>
Local Currency Debt	235	258	1,698	1,788	5%
Foreign Currency Debt, of which:	140	164	1,090	1,093	0%
Eurobond Coupon Interest*	124	124	1,020	998	-2%
Specialbond Coupon Interest*	8	9	9	10	9%
Concessional Loans Interest Payments	8	31	61	85	40%
<b>Concessional Loans Principal Payments**</b>	<b>94</b>	<b>72</b>	<b>148</b>	<b>149</b>	<b>1%</b>

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 Jan-Jun	2010 Jan-Jun	% Change 2010/2009
<b>EDL of which:</b>	<b>1,511</b>	<b>849</b>	<b>-44%</b>
• <b>Debt Service of which:</b>	<b>61</b>	<b>41</b>	<b>-32%</b>
- C-Loans and Eurobonds, of which:	41	31	-23%
Principal repayments	35	27	-23%
Interest Payments	6	5	-23%
- BDL Guaranteed Loan payments	20	10	-49%
• <b>Reimbursement of KPC and Sonatrach Agreements</b>	<b>1,450</b>	<b>807</b>	<b>-44%</b>

Source: MOF, DGF

## Section 3: Public Debt

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

(LL billion)	Dec 2007	Dec 2008	Dec 2009	Jun 2010	Change Dec 09 - June 2010	% Change Dec 09- June 2010
<b>Gross Public Debt</b>	<b>63,350</b>	<b>70,916</b>	<b>77,075</b>	<b>76,910</b>	<b>-165</b>	<b>-0.21%</b>
<b>Local Currency Debt</b>	<b>31,373</b>	<b>39,007</b>	<b>44,973</b>	<b>45,439</b>	<b>466</b>	<b>1.04%</b>
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) <sup>(1)</sup>	9,052	8,781	10,334	10,573	239	2.31%
b. Commercial Banks	16,847	24,320	27,286	27,396	110	0.40%
c. Other Local Currency Debt (T-bills), of which:	5,474	5,906	7,353	7,470	117	1.59%
<i>Public Entities</i>	4,796	5,062	6,078	6,010	-68	-1.12%
* <i>Accrued Interest Included in Debt</i>	730	1,029	999	1,028	29	2.90%
<b>Foreign Currency Debt</b> <sup>(2)</sup>	<b>31,977</b>	<b>31,909</b>	<b>32,102</b>	<b>31,471</b>	<b>-631</b>	<b>-1.97%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,949	2,830	2,676	2,498	-178	-6.67%
b. Paris II Related Debt (Eurobonds and Loans) <sup>(3)</sup>	6,063	5,456	4,819	4,416	-404	-8.38%
c. Paris III Related Debt (Eurobonds and Loans) <sup>(4)</sup>	1,357	1,849	1,963	1,873	-90	-4.60%
d. Market-Issued Eurobonds	20,780	20,925	21,736	21,764	28	0.13%
e. <i>Accrued Interest on Eurobonds</i>	410	430	460	449	-11	-2.39%
f. Special T-bills in Foreign Currency <sup>(5)</sup>	419	419	447	471	24	5.37%
<b>Public Sector Deposits</b>	<b>4,527</b>	<b>8,326</b>	<b>10,522</b>	<b>10,368</b>	<b>-154</b>	<b>-1.46%</b>
<b>Net Debt</b>	<b>58,823</b>	<b>62,590</b>	<b>66,553</b>	<b>66,542</b>	<b>-11</b>	<b>-0.02%</b>
<b>Gross Market Debt</b> <sup>(6)</sup>	<b>39,220</b>	<b>46,992</b>	<b>51,231</b>	<b>51,561</b>	<b>330</b>	<b>0.65%</b>
<b>% of Total Debt</b>	<b>62%</b>	<b>66%</b>	<b>67%</b>	<b>67%</b>	<b>0</b>	<b>0.79%</b>

Source: Ministry of Finance, Banque du Liban

<sup>(1)</sup> 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.

<sup>(2)</sup> Figures for Dec 08 and Dec 09 differ from previously published data reflecting an update of disbursement figures of IBRD and IDB project loans in the Debt Management and Financial Analysis System (DMFAS).

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> Special Tbs in foreign currency (expropriation and contractor bonds).

<sup>(6)</sup> 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 26-33*

*Debt and Debt Markets Quarterly, QIV 2009, QI & QII 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-Apr 2010*

*Transfers to EDL: A Monthly Snapshot, Jan-June 2010*

### 2009

*Aid Coordination Monthly Newsletter, Issues 14-25*

*Debt and Debt Markets Quarterly, QI-QIII 2009*

*International Conference for Support to Lebanon – Paris III, Quarterly Progress Report, Issues 9-11*

*Lebanon Country Profile 2009*

*Public Finance Monitor Monthly Update, Jan-Oct 2009*

*Public Finance Quarterly, QI-QIII*

*Public Finance Review 2008*

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