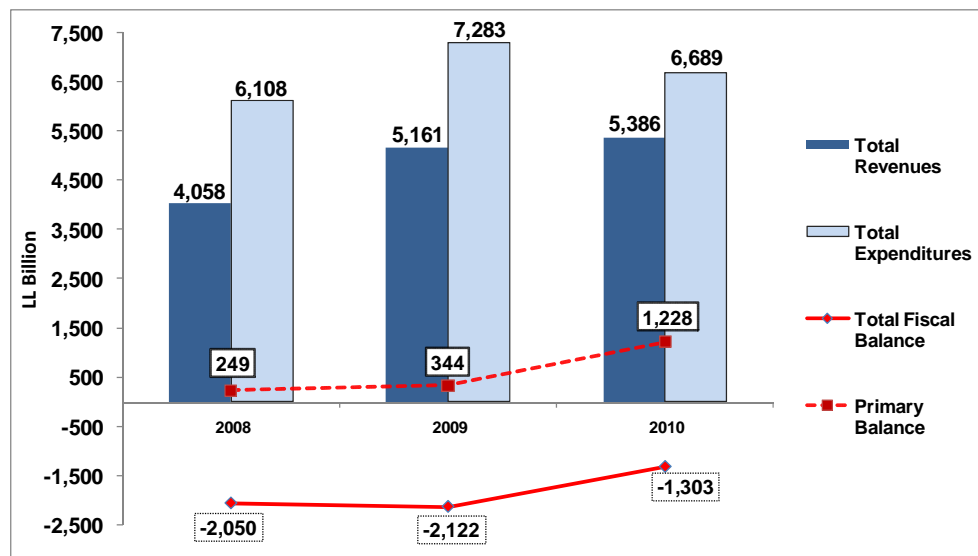


**The total fiscal balance** registered a deficit of LL 1,303 billion in January-May 2010 compared to a deficit of LL 2,122 billion in 2009. The improvement in the total deficit is mainly due to the LL 595 billion decrease in spending and the LL 225 billion increase in total receipts. **The primary balance** achieved a surplus of LL 1,228 billion compared to a surplus of LL 344 billion recorded in January-May 2009.



**Total revenues** in January-May 2010 amounted to LL 5,386 billion, up from the 2009 level of LL 5,161 billion.

**Tax revenues** rose by LL 779 billion, to LL 4,300 billion. The major developments in May are the following:

- LL 228 billion increase in *income taxes on profit* due to a cash-flow effect; the Treasury received the bulk of tax dues from corporations and individual businesses in May 2010, whereas in 2009, the bulk was received in June 2009.
- LL 31 billion (or 43%) higher collection of *dividend and capital gain taxes* - during the month of May, filing and declaration of the self-assessed income taxes occurs
- LL 169 billion increase in *real estate registration fees*, due to both volume and values.
- LL 20 billion (or 32%) higher receipts from the recurrent *tax on properties*, which may be explained by higher property values.
- LL 57 billion more revenues from *taxes on international trade* (customs and excises) - the largest rise originated from tobacco excises. It is worth noting that revenues from car excises are receding compared to the hike witnessed in 2008 and 2009, due to a slight decrease in car imports.

**Non-tax revenues** decreased by LL 599 billion, to LL 815 billion, driven by:

- a reduction of LL 618 billion in income from *non-financial public enterprises*, due to a LL 610 billion decrease in transfers from the *telecom budget surplus* resulting from the absence of transfers in four months, namely January, March, April, and May 2010
- A slight reduction of LL 9 billion in revenues from *vehicle control fees*

**Treasury receipts** increased by 20 percent to LL 271 billion, mostly on account of higher revenues of the Independent Municipal Fund.

**Total expenditures** during Jan-May 2010 decreased by LL 595 billion, down to LL 6,689 billion from LL 7,283 billion in January-May 2009.

**Current primary expenditures** increased by LL 172 billion, mainly driven by:

- LL 104 billion rise in *personnel cost*, due to a LL 110 billion rise in *retirement and end-of-service compensation*, solely reflecting a cash-timing difference, whereby the equivalent May 2009 amount was paid in June 2009;
- LL 79 billion rise in *various transfers*, mainly due to the *treasury advance for diesel oil subsidy* worth LL 61 billion;
- LL 21 billion rise in *medicaments*

**Interest payments** increased by LL 49 billion, to LL 2,462 billion, as a net result of:

- a LL 67 billion increase on *domestic currency treasury bills*
- a LL 18 billion decline on *foreign currency debt* due to lower Eurobond coupon payments on a cash basis.

**Capital expenditures** declined by LL 2 billion to LL 229 billion, of which 60 percent covered for *construction in progress* and 29 percent for *maintenance*.

**Other treasury expenditures** decreased substantially by LL 829 billion, to LL 1,298 billion, due to lower transfers to:

- *EDL* by LL 542 billion, mainly due to lower oil prices, where the average oil price, according to which the January-May 2010 payments were made, was notably lower than 2009<sup>1</sup>, and lower debt service on behalf of *EDL* by LL 19 billion.
- Absence of transfers to the *High Relief Committee*

**Gross public debt** increased by LL 19 billion from the end-December 2009 level, to LL 77,094 billion in May 2010.

**Local currency debt**<sup>2</sup> increased by LL 420 billion to LL 45,393 billion, due to increases of:

- LL 148 billion in *BDL's domestic debt portfolio*
- LL 19 billion in holdings by commercial banks

**Foreign currency debt** witnessed a decrease in its stock by LL 401 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. Market-issued Eurobonds increased by LL 253 billion by May 2010 as a result of a US\$1.2 billion issuance on March 9<sup>th</sup>.

#### May 2010 HIGHLIGHT

##### Transfers to the Council for the South and the Central Fund for the Displaced

The Council for the South (CoS) and the Central Fund for the Displaced (DF) - established in 1970 and 1993, respectively - are funded from budget allocations or treasury advances covered by Law 362/2001. Law 362/2001 granted an equivalent of US\$ 200 million and US\$ 300 million to the CoS and the DF, respectively, to carry out their mandate.

Under the auspices of the Council of Ministers, the CoS has the legislative mandate to carry out a wide range of projects in the South of Lebanon to satisfy the social, economic and safety needs of the residents. Over the period 2005-2009, the CoS received a total of LL 222 billion to carry out its multi-faceted mandate, with a peak of LL 66 billion in 2005. On average, it receives an annual allocation of LL 40 billion. During January-May 2010, LL 20 billion was transferred to the CoS, an increase of LL 10 billion from January-May 2009.

Also founded under the direct auspices of the Council of Ministers, the DF is concerned with financing the rehabilitation of the Lebanese displaced during the war and with improving the socioeconomic living conditions of the displaced by rehabilitating their houses and providing financial and non-financial assistance. The DF has received LL 275 billion over the period 2005-2009, with a peak of LL 76 billion in 2007. In January-May 2010, it received LL 30 billion compared to LL 45 billion in 2009.

<sup>1</sup> For further details, kindly refer to May 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.

**Table 1. Summary of Fiscal Performance**

<b>(LL billion)</b>	<b>2009 May</b>	<b>2010 May</b>	<b>2009 Jan-May</b>	<b>2010 Jan-May</b>	<b>% Change 2010/2009</b>
<b>Total Budget and Treasury Receipts</b>	<b>984</b>	<b>1,132</b>	<b>5,161</b>	<b>5,386</b>	<b>4%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>1,282</b>	<b>1,408</b>	<b>7,283</b>	<b>6,689</b>	<b>-8%</b>
• <i>Interest Payments</i>	384	468	2,413	2,462	2%
• <i>Concessional loans principal payments 1/</i>	10	14	53	68	28%
• <i>Primary Expenditures 2/</i>	887	926	4,817	4,158	-14%
<b>Total Cash Deficit/Surplus</b>	<b>-298</b>	<b>-275</b>	<b>-2,122</b>	<b>-1,303</b>	<b>-39%</b>
<b>Primary Deficit/Surplus</b>	<b>96</b>	<b>206</b>	<b>344</b>	<b>1,228</b>	<b>257%</b>

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

<sup>1/</sup> Includes only Principal repayments of concessional loans earmarked for project financing

<sup>2/</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 May	2010 May	2009 Jan- May	2010 Jan-May	% Change 2010/2009
<b>Budget Revenues, of which:</b>	<b>946</b>	<b>1,078</b>	<b>4,936</b>	<b>5,115</b>	<b>4%</b>
<i>Tax Revenues</i>	697	1,011	3,522	4,300	22%
<i>Non-Tax Revenues</i>	248	66	1,414	815	-42%
<b>Treasury Receipts</b>	<b>38</b>	<b>55</b>	<b>225</b>	<b>271</b>	<b>20%</b>
<b>Total Revenues</b>	<b>984</b>	<b>1,132</b>	<b>5,161</b>	<b>5,386</b>	<b>4%</b>

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

**Table 3. Tax Revenue**

(LL billion)	2009 May	2010 May	2009 Jan- May	2010 Jan- May	% Change 2010/2009
<b>Tax Revenues:</b>	<b>697</b>	<b>1,011</b>	<b>3,522</b>	<b>4,300</b>	<b>22%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>177</b>	<b>427</b>	<b>710</b>	<b>1,015</b>	<b>43%</b>
• <i>Income Tax on Profits</i>	78	304	219	448	104%
• <i>Income Tax on Wages and Salaries</i>	5	3	190	192	1%
• <i>Income Tax on Capital Gains &amp; Dividends</i>	40	60	71	102	43%
• <i>Tax on Interest Income (5%)</i>	54	59	223	265	19%
• <i>Penalties on Income Tax</i>	1	2	7	8	17%
<b>Taxes on Property, of which:</b>	<b>50</b>	<b>102</b>	<b>266</b>	<b>463</b>	<b>74%</b>
• <i>Built Property Tax</i>	3	10	62	83	32%
• <i>Real Estate Registration Fees</i>	43	85	179	348	95%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>219</b>	<b>226</b>	<b>1,334</b>	<b>1,504</b>	<b>13%</b>
• <i>Value Added Tax</i>	189	191	1,203	1,353	12%
• <i>Other Taxes on Goods and Services, of which:</i>	30	35	127	146	15%
- <i>Private Car Registration Fees</i>	19	21	88	95	8%
- <i>Passenger Departure Tax</i>	11	14	39	51	31%
<b>Taxes on International Trade, of which:</b>	<b>219</b>	<b>224</b>	<b>1,055</b>	<b>1,112</b>	<b>5%</b>
• <i>Customs</i>	62	70	299	325	9%
• <i>Excises, of which:</i>	156	154	756	787	4%
- <i>Gasoline Excise</i>	89	77	408	407	0%
- <i>Tobacco Excise</i>	19	24	103	140	36%
- <i>Cars Excise</i>	49	52	244	238	-3%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>32</b>	<b>33</b>	<b>157</b>	<b>206</b>	<b>32%</b>

Source: MOF, DGF

**Table 4. Non-Tax Revenue**

(LL billion)	2009 May	2010 May	2009 Jan- May	2010 Jan- May	% Change 2010/2009
<b>Non-Tax Revenues</b>	<b>248</b>	<b>66</b>	<b>1,414</b>	<b>815</b>	<b>-42%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>204</b>	<b>15</b>	<b>1,160</b>	<b>555</b>	<b>-52%</b>
• Income from Non-Financial Public Enterprises, of which:	191	11	1,088	470	-57%
- Revenues from Casino Du Liban	10	11	66	60	-9%
- Revenues from Port of Beirut	0	0	62	65	5%
- Budget Surplus of National Lottery	0	0	18	13	-28%
- Transfer from the Telecom Surplus	181	0	941	331	-65%
• Transfer from Public Financial Institution (BDL)	0	0	40	60	50%
• Property Income (namely rent of Rafic Hariri International Airport)	12	4	27	22	-17%
• Other Income from Public Institutions (interests)	1	0	5	2	-65%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>36</b>	<b>43</b>	<b>208</b>	<b>215</b>	<b>3%</b>
• Administrative Fees, of which:	30	36	171	176	3%
- Notary Fees	2	3	10	12	18%
- Passport Fees/ Public Security	11	10	44	44	1%
- Vehicle Control Fees	12	14	89	80	-10%
- Judicial Fees	2	2	8	10	33%
- Driving License Fees	2	2	9	10	17%
• Administrative Charges	1	1	11	13	11%
• Sales (Official Gazette and License Number)	0	0	1	2	48%
• Permit Fees (mostly work permit fees)	4	4	18	20	12%
• Other Administrative Fees & Charges	1	2	7	5	-28%
<b>Penalties &amp; Confiscations</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>-1%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>7</b>	<b>8</b>	<b>43</b>	<b>42</b>	<b>-2%</b>

Source: MOF, DGF

## Section 2: Expenditure Outcome

**Table 5. Expenditure by Economic Classification**

(LL billion)	2009 Jan-May	2010 Jan-May	% Change 2010/2009
<b>1. Current Expenditures</b>	<b>4,904</b>	<b>5,140</b>	<b>5%</b>
1.a Personnel Cost, <i>of which</i>	1,904	2,009	5%
<i>Salaries, Wages and Related Items (Article 13)</i>	1,375	1,377	0%
<i>Retirement and End of Service Compensations, of which:</i>	410	520	27%
<i>Retirement</i>	356	441	24%
<i>End of Service</i>	54	78	46%
<i>Transfers to Public Institutions to Cover Salaries 1/</i>	119	112	-6%
1.b Interest Payments, <i>of which: 2/</i>	2,413	2,462	2%
<i>Domestic Interest Payments</i>	1,462	1,530	5%
<i>Foreign Interest Payments</i>	950	932	-2%
1.c Foreign Debt Principal Repayment	53	68	28%
1.d Materials and Supplies, <i>of which:</i>	94	115	22%
<i>Nutrition</i>	23	15	-31%
<i>Fuel Oil</i>	5	4	-12%
<i>Medicaments</i>	43	64	50%
<i>Accounting Adjustments for Treasury</i>	13	16	26%
1.e External Services	42	50	20%
1.f Various Transfers, <i>of which:</i>	179	258	44%
<i>NSSF</i>	0	0	-
<i>Treasury advances for diesel oil subsidy</i>	0	61	-
<i>Wheat Subsidy</i>	0	0	-
<i>Special Tribunal for Lebanon</i>	12	41	237%
1.g Other Current, <i>of which:</i>	173	132	-24%
<i>Hospitals</i>	144	106	-26%
<i>Others</i>	28	26	-8%
1.h Reserves	46	47	1%
<i>Interest subsidy</i>	46	47	1%
<b>2. Capital Expenditures</b>	<b>231</b>	<b>229</b>	<b>-1%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	3	0	-93%
2.b Equipment	13	16	29%
2.c Construction in Progress, <i>of which:</i>	151	138	-9%
<i>Displaced Fund</i>	45	30	-33%
<i>Council of the South</i>	10	20	100%
<i>CDR</i>	75	61	-19%
<i>Ministry of Public Work and Transport</i>	13	20	61%
<i>Other</i>	9	6	-27%
2.d Maintenance	32	66	108%
2.e Other Expenditures Related to Fixed Capital Assets	33	10	-71%
<b>3. Other Treasury Expenditures</b>	<b>2,127</b>	<b>1,298</b>	<b>-39%</b>
Municipalities	134	128	-5%
Guarantees	61	33	-46%
Deposits :	32	24	-24%
Other, <i>of which:</i>	553	308	-44%
<i>VAT Refund</i>	179	181	1%
<i>High Relief Committee</i>	315	0	-100%
EDL 3/	1,347	806	-40%
<b>4. Unclassified Expenditures</b>	<b>0</b>	<b>3</b>	<b>1052%</b>
<b>5. Customs Cashiers</b>	<b>21</b>	<b>18</b>	<b>-13%</b>
<b>6. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>7,283</b>	<b>6,689</b>	<b>-8%</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.

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

(LL billion)	2009 Jan-May	2010 Jan-May	% Change 2010/2009
Transfer to Council of the South	2	7	242%
Transfer to Council for Development and Reconstruction (CDR)	21	11	-48%
Transfer to the Displaced Fund	2	2	-25%
Transfer to the Lebanese University	89	86	-3%
Transfer to the Educational Center for Research and Development	6	7	21%

Source: MOF, DGF

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

(LL billion)	2009*** May	2010 May	2009 Jan-May	2010 Jan-May	% Change 2010/2009
<b>Interest Payments 1/</b>	<b>384</b>	<b>468</b>	<b>2,413</b>	<b>2,461</b>	<b>2%</b>
Local Currency Debt	229	258	1,462	1,530	5%
Foreign Currency Debt, of which:	155	210	950	931	-2%
Eurobond Coupon Interest*	142	197	895	876	-2%
Specialbond Coupon Interest*	1	0	2	1	-45%
Concessional Loans Interest Payments	13	13	53	54	2%
<b>Concessional Loans Principal Payments**</b>	<b>10</b>	<b>13</b>	<b>53</b>	<b>68</b>	<b>27%</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-May	2010 Jan-May	% Change 2010/2009
<b>EDL of which:</b>	<b>1,347</b>	<b>806</b>	<b>-40%</b>
• <b>Debt Service of which:</b>	<b>52</b>	<b>33</b>	<b>-36%</b>
- C-Loans and Eurobonds, of which:	32	23	-28%
Principal repayments	27	19	-30%
Interest Payments	5	4	-22%
- BDL Guaranteed Loan payments	20	10	-49%
• <b>Reimbursement of KPC and Sonatrach Agreements</b>	<b>1,296</b>	<b>773</b>	<b>-40%</b>

Source: MOF, DGF

## Section 3: Public Debt

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

(LL billion)	2007 Dec	2008 Dec	2009 Dec	2010 May	Change Dec 09 – May 10	% Change Dec 09- May 10
<b>Gross Public Debt</b>	<b>63,350</b>	<b>70,916</b>	<b>77,075</b>	<b>77,094</b>	<b>19</b>	<b>0.02%</b>
<b>Local Currency Debt</b>	<b>31,373</b>	<b>39,007</b>	<b>44,973</b>	<b>45,393</b>	<b>420</b>	<b>0.93%</b>
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) <sup>(1)</sup>	9,052	8,781	10,334	10,482	148	1.43%
b. Commercial Banks	16,847	24,320	27,286	27,305	19	0.07%
c. Other Local Currency Debt (T-bills), of which:	5,474	5,906	7,353	7,606	253	3.44%
<i>Public Entities</i>	4,796	5,062	6,078	6,130	52	0.86%
* <i>Accrued Interest Included in Debt</i>	730	1,029	999	993	-6	-0.60%
<b>Foreign Currency Debt<sup>(2)</sup></b>	<b>31,977</b>	<b>31,909</b>	<b>32,102</b>	<b>31,701</b>	<b>-401</b>	<b>-1.25%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,953	2,830	2,676	2,556	-121	-4.50%
b. Paris II Related Debt (Eurobonds and Loans) <sup>(3)</sup>	6,063	5,456	4,819	4,417	-403	-8.36%
c. Paris III Related Debt (Eurobonds and Loans) <sup>(4)</sup>	1,357	1,849	1,963	1,873	-90	-4.59%
d. Market-Issued Eurobonds	20,776	20,925	21,736	21,989	253	1.17%
e. <i>Accrued Interest on Eurobonds</i>	410	430	460	419	-41	-8.91%
f. Special T-bills in Foreign Currency <sup>(5)</sup>	419	419	447	447	0	0.00%
<b>Public Sector Deposits</b>	<b>4,527</b>	<b>8,326</b>	<b>10,522</b>	<b>10,296</b>	<b>-226</b>	<b>-2.15%</b>
<b>Net Debt</b>	<b>58,823</b>	<b>62,590</b>	<b>66,553</b>	<b>66,798</b>	<b>245</b>	<b>0.37%</b>
<b>Gross Market Debt<sup>(6)</sup></b>	<b>39,216</b>	<b>46,992</b>	<b>51,231</b>	<b>51,656</b>	<b>425</b>	<b>0.83%</b>
<b>% of Total Debt</b>	<b>62%</b>	<b>66%</b>	<b>67%</b>	<b>67%</b>	<b>0</b>	<b>0.00%</b>

<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 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 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-May 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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