

## Fiscal Overview

In the first three months of 2008, the total fiscal balance registered a deficit of LL 812 billion compared to a deficit of LL 993 billion in the same period of 2007. This improvement in the fiscal deficit is due to better total receipts by LL 355 billion, which offset the LL 174 billion increase in total payments.

The increase in total revenues was due to improvements in all types of revenues. In fact, tax revenues were up by LL 149 billion mainly owing to the stronger performance of income taxes, taxes on property, domestic taxes on goods and services, and fiscal stamp fees – despite a deterioration in taxes on international trade namely in the collection of excise duties on fuel due to rising international fuel prices (note however that custom duties, tobacco and car excises have witnessed substantial rise in collection). Non-tax revenues also achieved an amelioration of LL 36 billion as a result of higher transfers from Casino du Liban and the telecom surplus (note that no transfers were recorded from Port of Beirut, the national lottery and Banque Du Liban for the first quarter of 2008) as well as more administrative fees and charges. The LL 170 billion rise in Treasury receipts in the first quarter of 2008 is explained by the LL 151 billion of US grants pertaining to PIII pledges received in January and March 2008.

While current expenditures were lower than the previous year and capital expenditures kept almost the same level, the increase in total public spending was a direct result of the increase in "other treasury spending". The decline in current spending by LL 74 billion was directly linked to lower payments to personnel costs, external services, and the NSSF – this has more than offset the higher payments made by the Treasury to the interest bill, foreign debt principal, materials and supplies, hospitalization in the private sector and wheat subsidy. Meanwhile, the increase in "other treasury spending" by LL 251 billion was due to higher transfers to the loss-making electricity company, EDL, by LL 162 billion as well as additional payments to municipalities and the diesel oil subsidy.

The primary balance of January-March 2008 registered a surplus of LL 390 billion, an increase of LL 270 billion compared to the surplus of LL 120 billion realized in the same period of last year.

By the end of March 2008, gross public debt reached LL 65,102 billion (US\$ 43.2 billion), registering an increase of 2.74 percent over the end-December 2007 debt level. On March 12, 2008, in order to roll-over the March 2008 maturing US\$869 million outstanding bond, Lebanon issued a US\$ 875 million Eurobond due in 2013 at a coupon rate of 9.125%. The first quarter of 2008 saw BDL decrease its Treasury Bill portfolio by LL 66 billion, with commercial banks increasing their Treasury Bills portfolio by LL 1,100 billion compared to December 2007.

**Table 1. Summary of Fiscal Performance**

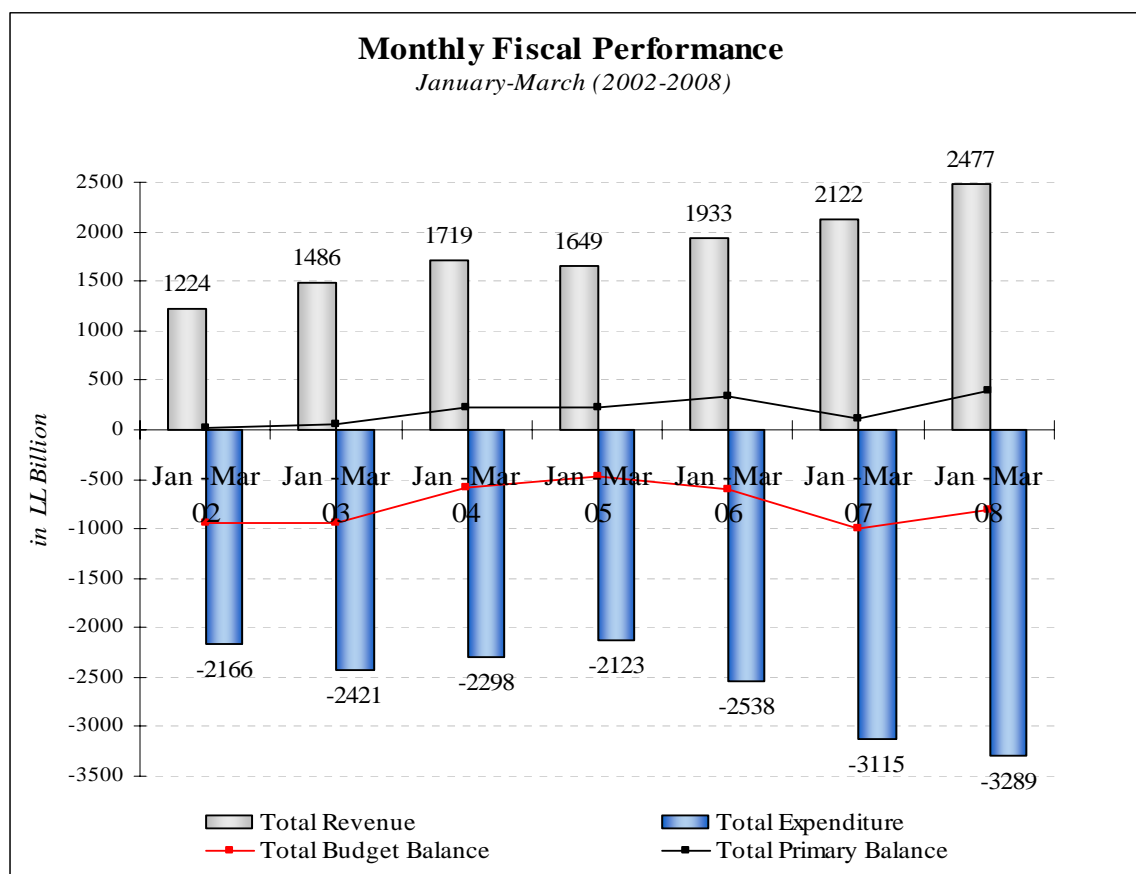
(LL billion)	2006 March	2007 March	2008 March	2006 Jan- Mar	2007 Jan- Mar	2008 Jan- Mar
Total Budget and Treasury Receipts	740	826	790	1,933	2,122	2,477
Total Budget and Treasury Payments, of which	976	1,299	1,029	2,538	3,115	3,289
Interest Payments	361	443	393	910	1,068	1,092
Concessional loans principal payments 1/	13	26	9	36	45	109
Primary Expenditures 2/	603	831	627	1,593	2,002	2,088
<b>Total Cash Deficit/Surplus</b>	<b>-236</b>	<b>-473</b>	<b>-239</b>	<b>-605</b>	<b>-993</b>	<b>-812</b>
<b>Primary Deficit/Surplus</b>	<b>137</b>	<b>-5</b>	<b>163</b>	<b>341</b>	<b>120</b>	<b>390</b>

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).

**Chart 1.**



## Section 2: Revenue Outcome

**Table 2. Total Revenues**

(LL billion)	2006 March	2007 March	2008 March	2006 Jan-Mar	2007 Jan-Mar	2008 Jan-Mar
<b>Budget Revenues,</b>						
<i>of which:</i>	<b>713</b>	<b>797</b>	<b>738</b>	<b>1,826</b>	<b>1,996</b>	<b>2,181</b>
<i>Tax Revenues</i>	384	422	481	1,219	1,354	1,504
<i>Non-Tax Revenues</i>	329	375	257	607	642	678
<b>Treasury Receipts</b>	<b>27</b>	<b>29</b>	<b>53</b>	<b>108</b>	<b>126</b>	<b>296</b>
<b>Total Revenues</b>	<b>740</b>	<b>826</b>	<b>790</b>	<b>1,933</b>	<b>2,122</b>	<b>2,477</b>

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

**Table 3. Tax Revenues**

(LL billion)	2006 March	2007 March	2008 March	2006 Jan-Mar	2007 Jan-Mar	2008 Jan-Mar
<b>Tax Revenues:</b>	<b>384</b>	<b>422</b>	<b>481</b>	<b>1,219</b>	<b>1,354</b>	<b>1,504</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>71</b>	<b>71</b>	<b>92</b>	<b>251</b>	<b>273</b>	<b>310</b>
<i>Income Tax on Profits</i>	39	37	54	78	79	108
<i>Income Tax on Wages and Salaries</i>	4	4	3	59	64	75
<i>Income Tax on Capital Gains &amp; Dividends</i>	3	4	4	24	29	17
<i>Tax on Interest Income (5%)</i>	24	26	30	85	98	107
<i>Penalties on Income Tax</i>	1	1	1	4	3	3
<b>Taxes on Property, of which:</b>	<b>60</b>	<b>64</b>	<b>77</b>	<b>119</b>	<b>125</b>	<b>161</b>
<i>Built Property Tax</i>	25	34	34	36	50	46
<i>Real Estate Registration Fees</i>	29	25	38	72	63	103
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>127</b>	<b>150</b>	<b>184</b>	<b>481</b>	<b>547</b>	<b>659</b>
<i>Value Added Tax</i>	107	133	163	425	499	601
<i>Other Taxes on Goods and Services, of which:</i>	20	16	20	48	45	55
<i>Private Car Registration Fees</i>	11	10	11	29	26	35
<i>Passenger Departure Tax</i>	9	6	9	19	19	20
<b>Taxes on International Trade, of which:</b>	<b>102</b>	<b>119</b>	<b>107</b>	<b>294</b>	<b>344</b>	<b>302</b>
<i>Customs</i>	42	49	50	114	131	149
<i>Excises, of which:</i>	60	70	57	180	213	153
<i>Petroleum Tax</i>	18	33	1	73	113	5
<i>Tobacco Tax</i>	17	15	21	45	47	55
<i>Tax on Cars</i>	25	21	35	60	52	91
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>23</b>	<b>18</b>	<b>21</b>	<b>74</b>	<b>64</b>	<b>72</b>

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

**Table 4. Non-Tax Revenues**

(LL billion)	2006 March	2007 March	2008 March	2006 Jan-Mar	2007 Jan-Mar	2008 Jan-Mar
<b>Non-Tax Revenues</b>	<b>329</b>	<b>375</b>	<b>257</b>	<b>607</b>	<b>642</b>	<b>678</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>267</b>	<b>326</b>	<b>202</b>	<b>469</b>	<b>524</b>	<b>545</b>
Income from Non-Financial Public Enterprises, of which:	263	209	198	458	400	532
<i>Revenues from Casino Du Liban</i>	4	5	57	8	13	70
<i>Revenues from Port of Beirut</i>	0	0	0	0	30	0
<i>Budget Surplus of National Lottery</i>	8	8	0	15	18	0
<i>Transfer from the Telecom Surplus</i>	251	198	140	434	339	462
Property Income (namely rent of Rafic Hariri International Airport)	4	4	3	10	10	11
Other Income from Public Institutions (interests)	0	0	1	1	1	2
Income from Financial Public Enterprises of which BDL	0	113	0	0	113	0
<b>Administrative Fees &amp; Charges, of which:</b>	<b>53</b>	<b>42</b>	<b>42</b>	<b>111</b>	<b>98</b>	<b>107</b>
Administrative Fees, of which:	45	34	34	91	76	86
<i>Notary Fees</i>	2	2	2	5	5	5
<i>Passport Fees/ Public Security</i>	11	9	10	29	22	27
<i>Vehicle Control Fees</i>	26	18	17	43	36	39
<i>Judicial Fees</i>	3	2	2	6	4	5
<i>Driving License Fees</i>	2	2	1	4	5	4
Administrative Charges	2	3	2	6	8	8
Sales (Official Gazette and License Number)	0	0	0	1	1	1
Permit Fees (mostly work permit fees)	5	4	4	12	10	11
Other Administrative Fees & Charges	0	1	1	1	2	2
<b>Penalties &amp; Confiscations</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Other Non-Tax Revenues</b> (mostly retirement deductibles)	<b>8</b>	<b>6</b>	<b>13</b>	<b>25</b>	<b>19</b>	<b>25</b>

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

## Section 3: Expenditure Outcome

**Table 5. Expenditures by Economic Classification**

(LL billion)

	Jan-Mar 2006	Jan-Mar 2007	Jan-Mar 2008
<b>1. Current expenditures</b>	<b>2,027</b>	<b>2,453</b>	<b>2,379</b>
1.a Personnel cost, of which	775	914	882
Salaries, wages, and related items (Article 13) 1/	519	642	574
Retirement and end of service compensations, of which	207	232	264
Retirement salary	180	193	204
End of Service compensations	27	38	60
Transfers to public institutions to cover salaries 2/	49	40	44
1.b Interest payments, of which 3/	910	1,068	1,092
Domestic interest payments	534	640	711
Foreign interest payments	376	428	382
1.c Foreign debt principal repayment	36	45	109
1.d Materials and supplies, of which	25	47	54
Nutrition	4	4	18
Fuel Oil	4	10	9
Medicaments	7	5	10
Accounting adjustments for treasury	4	21	8
1.e External services	22	24	20
1.f Various transfers, of which	158	293	127
NSSF	100	220	0
1.g Other current expenditures, of which	82	42	72
Hospitals	72	29	63
Others	9	13	8
1.h Budgetary Reserves	19	20	22
Interest subsidy	19	20	22
<b>2. Capital expenditures</b>	<b>190</b>	<b>137</b>	<b>136</b>
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	6	3	1
2.b Equipment	5	10	11
2.c Construction in Progress, of which	131	86	90
Displaced Fund	35	6	0
Council of the South	0	0	10
CDR	74	53	53
Ministry of Public Works and Transport	11	15	12
Other	11	12	15
2.d Maintenance	22	27	21
2.e Other Expenditures Related to Fixed Capital Assets	25	11	13
<b>3. Other treasury expenditures</b>	<b>313</b>	<b>513</b>	<b>764</b>
Municipalities	101	52	118
Guarantees	35	11	13
Deposits	10	35	12
Other	52	62	86
of which VAT refund	25	28	53
of which Higher Council of Relief		6	7

EDL4/	66	353	515
Treasury advances to cover diesel oil subsidy	50	0	19
<b>4. Unclassified expenditures</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>5. Customs cashiers</b>	<b>7</b>	<b>12</b>	<b>9</b>
<b>6. Total expenditures (excluding CDR foreign financed)</b>	<b>2,538</b>	<b>3,115</b>	<b>3,289</b>

Source: statement of account 36, cashier spendings, Public Debt Department figures, Fiscal performance gross adjustment figure

1/ For a detailed breakdown of salaries, wages, and related items, otherwise referred to as Article 13 in the Lebanese

Budgets, kindly refer to table 6

2/ For a detailed breakdown of those transfers, kindly refer to table 7

3/ For a detailed breakdown of interest payments, kindly refer to table 8

4/ For a detailed breakdown of transfers to EDL, kindly refer to table 9

**Table 6. Breakdown of Salaries, Wages and Related Items (Article 13)**

(LL billion)	Basic salaries		Allowances		Other 1/		Total	
	2007	2008	2007	2008	2007	2008	2007	2008
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar
<b>Military Personnel</b>	<b>302</b>	<b>250</b>	<b>119</b>	<b>82</b>	<b>15</b>	<b>16</b>	<b>436</b>	<b>348</b>
Army	196	161	58	33	10	11	264	205
Internal Security forces	84	71	55	44	5	5	144	120
General Security forces	16	13	3	3	1	1	20	17
State Security forces	5	5	3	1	0	0	8	6
<b>Education Personnel</b>	<b>109</b>	<b>116</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>13</b>	<b>124</b>	<b>129</b>
<b>Civil Personnel</b>	<b>47</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>40</b>	<b>81</b>	<b>93</b>
<b>Customs salaries</b>			<b>0</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>5</b>
<b>Total</b>	<b>458</b>	<b>419</b>	<b>119</b>	<b>82</b>	<b>65</b>	<b>73</b>	<b>642</b>	<b>574</b>

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

1/ Includes contributions to mutual funds, civil servants cooperatives, family ,maternity and sickness and transportation allowances and bonus

**Table 7. Breakdown of Transfers to Public Institutions (Salaries)**

(LL billion)	Jan-Mar	Jan-Mar	Jan-Mar
	2006	2007	2008
Transfer to the Council of the South	2	1	3
Transfer to the Council for Development and Reconstruction (CDR)	7	8	3
Transfer to the Displaced Fund	2	2	1
Transfer to the Lebanese University	36	28	34
Transfer to the Educational Center for Research and Development	3	2	3
<b>Total</b>	<b>49</b>	<b>40</b>	<b>44</b>

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

**Table 8. Details of Interest Payments**

(LL billion)	2006	2007	2008	2006	2007	2008
	March	March	March	Jan- March	Jan- March	Jan- March
<b>Interest Payments 1/</b>	<b>361</b>	<b>443</b>	<b>393</b>	<b>910</b>	<b>1,068</b>	<b>1,092</b>
Local Currency Debt	197	271	231	534	640	711
Foreign Currency Debt, of which:	163	172	163	376	428	382
Eurobond Coupon Interest*	163	165	160	344	391	342
Special bond Coupon Interest*						
Concessional Loans Interest	0					
Payments		7	37	31	37	39
<b>Concessional Loans Principal</b>						
<b>Payments</b>	<b>13</b>	<b>26</b>	<b>9</b>	<b>36</b>	<b>45</b>	<b>109</b>

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

1/ Please note that the classification of debt service expenditures is now broken down into two separate categories as follows: Interest payments (as per GFS classification) and repayment of principal on concessional loans earmarked for project financing.

\* Includes expenses related to the transaction such as commissions and fees.

**Table 9. Transfers to EDL**

(LBP billion)	2006	2007	2008	
	Jan-Mar	Jan-Mar	Jan-Mar	Change
<b>EDL of which:</b>	<b>66</b>	<b>353</b>	<b>515</b>	<b>163</b>
<b>Debt Service of which:</b>	<b>49</b>	<b>42</b>	<b>39</b>	<b>-3</b>
C-Loans and Eurobonds, of which:	49	40	39	-1
Principal repayments	35	31	31	0
Interest Payments	14	9	8	-2
BDL Guaranteed Loan payments		2		-2
<b>Repayment of loans for fuel oil and gas oil</b>				
<b>purchase (principal and interest)</b>	<b>17</b>	<b>67</b>	<b>0</b>	<b>-67</b>
<b>Reimbursement of KPC and Sonatrach agreements</b>		<b>243</b>	<b>476</b>	<b>233</b>
<b>Repayment of oil suppliers arrears</b>				

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

## Section 4: Public Debt

**Table 10. Public Debt Outstanding by Holder as of End-March -08**

(LL billion)	Dec-05	Dec-06	Dec-07	Mar-08	% Change Dec 07-March 08
<b>Gross Public debt</b>	<b>57,985</b>	<b>60,851</b>	<b>63,364</b>	<b>65,102</b>	<b>2.74%</b>
<b>Local currency debt</b>	<b>29,141</b>	<b>30,204</b>	<b>31,373</b>	<b>32,546</b>	<b>3.74%</b>
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) <sup>(1)</sup>	11,686	9,588	9,052	8,986	-0.73%
b. Commercial Banks	14,130	16,487	16,847	17,954	6.57%
c. Other Local Currency Debt (T-bills)	3,325	4,129	5,474	5,606	2.41%
<i>o/w Public entities</i>	2,446	3,313	4,796	4,900	2.17%
*Accrued interest included in debt	517	685	754	732	-2.92%
<b>Foreign currency debt<sup>(2)</sup></b>	<b>28,844</b>	<b>30,647</b>	<b>31,991</b>	<b>32,556</b>	<b>1.77%</b>
a. Bilateral, Multilateral and Foreign Private sector loans	2,789	2,855	2,963	2,939	-0.79%
b. Paris II related debt (Eurobonds and Loans) <sup>(3)</sup>	6,501	6,540	6,063	6,062	-0.02%
c. Paris III related debt (Eurobonds and Loans) <sup>(4)</sup>			1,357	1,714	26.35%
d. Market-issued Eurobonds	18,729	20,399	20,780	20,884	0.50%
e. <i>Accrued Interest on Eurobonds</i>	406	434	410	538	31.22%
f. Special Tbls in Foreign currency <sup>(5)</sup>	419	419	419	419	0.00%
<b>Public sector deposits</b>	<b>5,590</b>	<b>4,444</b>	<b>4,527</b>	<b>5,151</b>	<b>13.78%</b>
<b>Net debt</b>	<b>52,395</b>	<b>56,407</b>	<b>58,837</b>	<b>59,951</b>	<b>1.89%</b>
<b>Gross Market debt<sup>(6)</sup></b>	<b>34,721</b>	<b>38,670</b>	<b>39,221</b>	<b>40,576</b>	<b>3.45%</b>
<b>% of total debt</b>	<b>60%</b>	<b>64%</b>	<b>62%</b>	<b>62%</b>	<b>0.69%</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 04 - Dec 07 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

<sup>(3)</sup> Paris II related debt (Eurobonds and Loans) including Eurobond of USD 1,870 billion originally issued to BDL in the context of Paris II conference

<sup>(4)</sup> Issued to Malaysia as part of its Paris III contribution, IBRD Loans, UAE Loan and first tranche of the French loan received in February 2008

<sup>(5)</sup> Special Tbls 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.



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