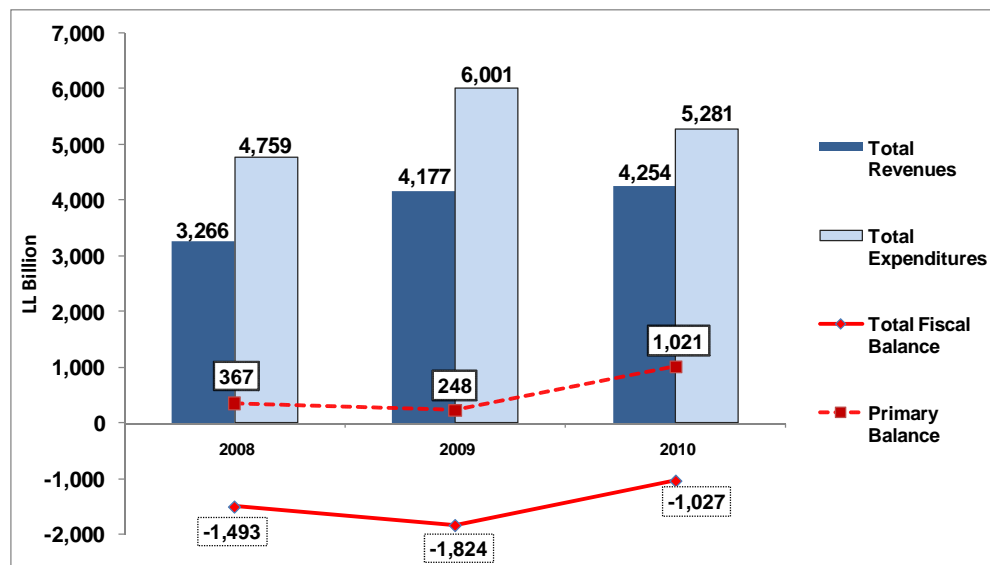


**The total fiscal balance** registered a deficit of LL 1,027 billion in January-April 2010 compared to a deficit of LL 1,824 billion in 2009. The improvement in the total deficit is mainly due to the LL 721 billion decrease in spending and the LL 76 billion increase in total receipts. **The primary balance** achieved a surplus of LL 1,021 billion compared to the LL 248 billion deficit recorded in January-April 2009.



**Total revenues** in January-April 2010 amounted to LL 4,254 billion, up from the 2009 level of LL 4,177 billion.

**Tax revenues** rose by LL 465 billion, to LL 3,289 billion, largely due to a:

- LL 148 billion increase in VAT receipts - LL 79 billion higher VAT collected internally and LL 70 billion higher VAT collected on imports
- LL 127 billion increase in *real estate registration fees*
- LL 52 billion more revenues from *taxes on international trade* (customs and excises) - the largest rise originated from tobacco excises
- LL 49 billion more revenues from *fiscal stamps*
- LL 37 billion increase of *taxes on interest income*

**Non-tax revenues** decreased by LL 417 billion, to LL 749 billion, driven by:

- a reduction of LL 416 billion in income from *non-financial public enterprises*, due to a LL 429 billion decrease in transfers from the *telecom budget surplus* resulting from the absence of transfers in three months, January, March and April of 2010
- A slight reduction in receipts from administrative fees & charges caused by LL 10 billion drop in revenues from *vehicle control fees*

On a more positive front, under non-tax revenues, the Treasury received in the month of April, LL 65 billion representing the surplus transfer of *Port of Beirut*, approximately equivalent to last year's transfer, and LL 60 billion representing the surplus transfer from *BDL*, which is LL 20 billion higher than last year transfer. However, these positive developments could not offset the large decline due to the absence of transfers from the telecom budget surplus during three months in 2010.

**Treasury receipts** increased by 16 percent to LL 216 billion, mostly on account of higher revenues to the Independent Municipal Fund.

**Total expenditures** in January-April 2010 decreased by LL 721 billion, down to LL 5,281 billion from LL 6,001 billion in January-April 2009.

**Current primary expenditures** increased by LL 59 billion, mainly driven by:

- o LL 63 billion rise in *various transfers*, due to *the treasury advance for diesel oil subsidy*<sup>1</sup> worth LL 48 billion coupled with a LL 29 billion higher transfers to the Special Tribunal for Lebanon

**Interest payments** decreased by LL 36 billion, to LL 1,993 billion, as a net result of:

- o a LL 74 billion decline on *foreign currency debt* due to lower Eurobond coupon payments on a cash basis. The main difference is coming from a three days earlier settlement on April 30 2009 of a USD 39 million coupon on the USD 1000 MN 7.875 May 2011 prior to its maturity on May 3<sup>rd</sup> in line with settlement agreement procedures.
- o a LL 38 billion increase on domestic currency treasury bills

**Capital expenditures** increased by LL 8 billion to LL 184 billion, of which 57 percent covered for *construction in progress* and 32 percent for *maintenance*.

**Other treasury expenditures** decreased substantially by LL 763 billion, to LL 1,019 billion, due to lower transfers to:

- o EDL by LL 550 billion, mainly due to lower oil prices, where the average oil price according to which the January-April 2010 payments were made was notably lower than in 2009<sup>2</sup> and lower debt service on behalf of EDL by LL 19 billion.
- o Absence of transfers to the *High Relief Committee*

**Gross public debt** increased by LL 594 billion from the end-December 2009 level, to LL 77,613 billion in April 2010.

**Local currency debt**<sup>3</sup> increased by LL 785 billion to LL 45,758 billion, due to increases of:

- o LL 240 billion in holdings by commercial banks
- o LL 202 billion in BDL's domestic debt portfolio

**Foreign currency debt** witnessed a decrease in its stock by LL 191 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 121 billion in April 2010 as a result of a US\$1.2 billion issuance on March 9<sup>th</sup>. The ten-year Eurobond was issued at par with a coupon of 6.375 percent. Proceeds were used for refinancing operations, namely the redemption of the US\$ 1.065 billion 7.125 percent Eurobond due in March 2010.

**April 2010 HIGHLIGHT**  
**Income from Public Institutions and Government Properties**

For the last 5 years (at least), income from public institutions and government properties constituted one fifth of total revenues. On average, 95 percent of this income originates from **non-financial public administrations and enterprises** (Casino du Liban, Port of Beirut, National Lottery, Telecom, Museums & historical sites). Contrary to Article No. 242 of the Public Accounting Law, 1963 – PAL, which stipulated that all public money (as defined by Article No. 2) should be deposited in the Treasury account at BDL, Law No. 49 dated 21 November 1987 allowed public institutions, public administrations with budget annexes and municipalities to open separate accounts at BDL. This is regulated by Article No. 245 of the PAL, which stipulates that the Minister of Finance, through a Ministerial Decision, decides on the ceiling of money deposited in these separate accounts for public institutions and public administrations with budget annexes, and by a joint decision between the Minister of Finance and Minister of Interior for municipality accounts.

In January-April 2010, this income witnessed a significant drop by 49 percent largely due to the absence of transfer from the telecom budget surplus for 3 months.

<sup>1</sup> Decree 2986 dated 4 January 2010 stipulated the allocation of LL 60 billion to subsidize gas-oil at 3,000/tank over the period that extends from December 24<sup>th</sup> 2009 till March 15<sup>th</sup> 2010. The *Mazout* subsidy was halted on the 3<sup>rd</sup> of March 2010 by the Council of Ministers' Decision Number 15.

<sup>2</sup> For further details, kindly refer to April 2010 issue of "*Transfers to EDL: A Monthly Snapshot*" available on [www.finance.gov.lb](http://www.finance.gov.lb).

<sup>3</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 Apr</b>	<b>2010 Apr</b>	<b>2009 Jan-Apr</b>	<b>2010 Jan-Apr</b>	<b>% Change 2010/2009</b>
<b>Total Budget and Treasury Receipts</b>	1,349	1,170	4,177	4,254	2%
<b>Total Budget and Treasury Payments, of which</b>	1,464	1,336	6,001	5,281	-12%
• <i>Interest Payments</i>	659	597	2,029	1,994	-2%
• <i>Concessional loans principal payments 1/</i>	4	8	43	55	28%
• <i>Primary Expenditures 2/</i>	802	730	3,930	3,232	-18%
<b>Total Cash Deficit/Surplus</b>	<b>-115</b>	<b>-166</b>	<b>-1,824</b>	<b>-1,027</b>	<b>-44%</b>
<b>Primary Deficit/Surplus</b>	<b>547</b>	<b>439</b>	<b>248</b>	<b>1,021</b>	<b>312%</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 Apr	2010 Apr	2009 Jan-Apr	2010 Jan-Apr	% Change 2010/2009
<b>Budget Revenues, of which:</b>	<b>1,305</b>	<b>1,123</b>	<b>3,991</b>	<b>4,038</b>	<b>1%</b>
<i>Tax Revenues</i>	811	928	2,824	3,289	16%
<i>Non-Tax Revenues</i>	495	196	1,166	749	-36%
<b>Treasury Receipts</b>	<b>44</b>	<b>46</b>	<b>187</b>	<b>216</b>	<b>16%</b>
<b>Total Revenues</b>	<b>1,349</b>	<b>1,170</b>	<b>4,177</b>	<b>4,254</b>	<b>2%</b>

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

**Table 3. Tax Revenue**

(LL billion)	2009 Apr	2010 Apr	2009 Jan-Apr	2010 Jan-Apr	% Change 2010/2009
<b>Tax Revenues:</b>	<b>811</b>	<b>928</b>	<b>2,824</b>	<b>3,289</b>	<b>16%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>160</b>	<b>157</b>	<b>533</b>	<b>588</b>	<b>10%</b>
• <i>Income Tax on Profits</i>	30	10	141	144	2%
• <i>Income Tax on Wages and Salaries</i>	71	81	185	189	2%
• <i>Income Tax on Capital Gains &amp; Dividends</i>	14	21	31	42	35%
• <i>Tax on Interest Income (5%)</i>	42	43	169	206	22%
• <i>Penalties on Income Tax</i>	1	1	6	6	6%
<b>Taxes on Property, of which:</b>	<b>46</b>	<b>86</b>	<b>215</b>	<b>361</b>	<b>68%</b>
• <i>Built Property Tax</i>	5	8	59	73	24%
• <i>Real Estate Registration Fees</i>	33	71	135	263	94%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>353</b>	<b>410</b>	<b>1,115</b>	<b>1,277</b>	<b>15%</b>
• <i>Value Added Tax</i>	328	382	1,014	1,162	15%
• <i>Other Taxes on Goods and Services, of which:</i>	24	27	98	111	14%
- <i>Private Car Registration Fees</i>	19	20	69	74	6%
- <i>Passenger Departure Tax</i>	5	7	28	37	32%
<b>Taxes on International Trade, of which:</b>	<b>216</b>	<b>226</b>	<b>836</b>	<b>889</b>	<b>6%</b>
• <i>Customs</i>	62	65	236	255	8%
• <i>Excises, of which:</i>	154	161	600	633	6%
- <i>Gasoline Excise</i>	80	77	319	330	3%
- <i>Tobacco Excise</i>	25	30	84	116	38%
- <i>Cars Excise</i>	49	53	196	186	-5%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>37</b>	<b>48</b>	<b>125</b>	<b>174</b>	<b>39%</b>

Source: MOF, DGF

**Table 4. Non-Tax Revenue**

(LL billion)	2009 Apr	2010 Apr	2009 Jan-Apr	2010 Jan-Apr	% Change 2010/2009
<b>Non-Tax Revenues</b>	<b>495</b>	<b>196</b>	<b>1,166</b>	<b>749</b>	<b>-36%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>449</b>	<b>146</b>	<b>956</b>	<b>540</b>	<b>-44%</b>
• Income from Non-Financial Public Enterprises, of which:	445	83	897	460	-49%
- Revenues from Casino Du Liban	11	12	56	50	-11%
- Revenues from Port of Beirut	0	65	62	65	5%
- Budget Surplus of National Lottery	5	5	18	13	-28%
- Transfer from the Telecom Surplus	429	0	760	331	-56%
• Transfer from Public Financial Institution (BDL)	0	60	40	60	50%
• Property Income (namely rent of Rafic Hariri International Airport)	3	3	15	19	25%
• Other Income from Public Institutions (interests)	1	0	4	1	-66%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>37</b>	<b>40</b>	<b>173</b>	<b>172</b>	<b>0%</b>
• Administrative Fees, of which:	31	34	141	139	-1%
- Notary Fees	2	3	8	9	19%
- Passport Fees/ Public Security	9	9	33	35	5%
- Vehicle Control Fees	15	16	77	66	-13%
- Judicial Fees	2	2	6	8	31%
- Driving License Fees	2	2	7	8	17%
• Administrative Charges	1	1	11	12	10%
• Sales (Official Gazette and License Number)	0	0	1	1	34%
• Permit Fees (mostly work permit fees)	3	4	14	16	18%
• Other Administrative Fees & Charges	3	1	6	3	-50%
<b>Penalties &amp; Confiscations</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>5%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>7</b>	<b>10</b>	<b>36</b>	<b>35</b>	<b>-3%</b>

Source: MOF, DGF

## Section 2: Expenditure Outcome

Table 5. Expenditure by Economic Classification

(LL billion)	2009 Jan-Apr	2010 Jan-Apr	% Change 2010/2009
<b>1. Current Expenditures</b>	<b>4,026</b>	<b>4,061</b>	<b>1%</b>
1.a Personnel Cost, of which	1,584	1,578	0%
<i>Salaries, Wages and Related Items (Article 13)</i>	1,094	1,075	-2%
<i>Retirement and End of Service Compensations, of which:</i>	398	413	4%
<i>Retirement</i>	356	353	-1%
<i>End of Service</i>	42	60	41%
<i>Transfers to Public Institutions to Cover Salaries 1/</i>	92	90	-2%
1.b Interest Payments, of which: 2/	2,029	1,994	-2%
<i>Domestic Interest Payments</i>	1,234	1,272	3%
<i>Foreign Interest Payments</i>	795	721	-9%
1.c Foreign Debt Principal Repayment	43	55	28%
1.d Materials and Supplies, of which:	80	81	1%
<i>Nutrition</i>	20	13	-34%
<i>Fuel Oil</i>	5	4	-14%
<i>Medicaments</i>	37	38	0%
<i>Accounting Adjustments for Treasury</i>	8	12	49%
1.e External Services	31	42	32%
1.f Various Transfers, of which:	125	188	50%
<i>NSSF</i>	0	0	-
<i>Treasury advances for diesel oil subsidy</i>	0	48	-
<i>Wheat Subsidy</i>	0	0	-
<i>Special Tribunal for Lebanon</i>	12	41	237%
1.g Other Current, of which:	107	89	-17%
<i>Hospitals</i>	89	69	-23%
<i>Others</i>	17	20	21%
1.h Reserves	26	36	35%
<i>Interest subsidy</i>	26	36	35%
<b>2. Capital Expenditures</b>	<b>177</b>	<b>184</b>	<b>4%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	3	0	-97%
2.b Equipment	11	11	0%
2.c Construction in Progress, of which:	113	105	-8%
<i>Displaced Fund</i>	30	30	0%
<i>Council of the South</i>	10	20	100%
<i>CDR</i>	56	29	-48%
<i>Ministry of Public Work and Transport</i>	13	20	59%
<i>Other</i>	5	5	9%
2.d Maintenance	28	59	109%
2.e Other Expenditures Related to Fixed Capital Assets	21	9	-56%
<b>3. Other Treasury Expenditures</b>	<b>1,782</b>	<b>1,019</b>	<b>-43%</b>
Municipalities	109	95	-13%
Guarantees	57	20	-65%
Deposits :	26	19	-27%
Other, of which:	389	234	-40%
<i>VAT Refund</i>	129	142	10%
<i>High Relief Committee</i>	215	0	-100%
EDL 3/	1,200	650	-46%
<b>4. Unclassified Expenditures</b>	<b>0</b>	<b>1</b>	<b>431%</b>
<b>5. Customs Cashiers</b>	<b>17</b>	<b>15</b>	<b>-13%</b>
<b>6. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>6,001</b>	<b>5,281</b>	<b>-12%</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	2010	% Change
	Jan-Apr	Jan-Apr	2010/2009
Transfer to Council of the South	2	6	224%
Transfer to Council for Development and Reconstruction (CDR)	10	7	-30%
Transfer to the Displaced Fund	2	2	0%
Transfer to the Lebanese University	74	71	-4%
Transfer to the Educational Center for Research and Development	5	4	-15%

Source: MOF, DGF

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

(LL billion)	2009***	2010	2009	2010	% Change
	Apr	Apr	Jan-Apr	Jan-Apr	2010/2009
<b>Interest Payments 1/</b>	<b>659</b>	<b>597</b>	<b>2,029</b>	<b>1,993</b>	<b>-2%</b>
Local Currency Debt	343	355	1,234	1,272	3%
Foreign Currency Debt, of which:	315	242	795	721	-9%
Eurobond Coupon Interest*	302	231	754	679	-10%
Specialbond Coupon Interest*	0	0	1	1	-17%
Concessional Loans Interest Payments	13	11	40	41	3%
<b>Concessional Loans Principal Payments**</b>	<b>4</b>	<b>28</b>	<b>43</b>	<b>55</b>	<b>28%</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	2010	% Change
	Jan-Apr	Jan-Apr	2010/2009
<b>EDL of which:</b>	<b>1,200</b>	<b>650</b>	<b>-46%</b>
• <b>Debt Service of which:</b>	<b>52</b>	<b>33</b>	<b>-36%</b>
- C-Loans and Eurobonds, of which:	<b>32</b>	<b>23</b>	<b>-28%</b>
Principal repayments	27	19	-29%
Interest Payments	5	4	-22%
- BDL Guaranteed Loan payments	20	10	-49%
• <b>Reimbursement of KPC and Sonatrach Agreements</b>	<b>1,148</b>	<b>617</b>	<b>-46%</b>

Source: MOF, DGF

## Section 3: Public Debt

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

(LL billion)	2007 Dec	2008 Dec	2009 Dec	2010 Apr	Change Dec 09 - Apr 10	% Change Dec 09- Apr 10
<b>Gross Public Debt</b>	<b>63,350</b>	<b>70,888</b>	<b>77,019</b>	<b>77,613</b>	<b>594</b>	<b>0.77%</b>
<b>Local Currency Debt</b>	<b>31,373</b>	<b>39,007</b>	<b>44,973</b>	<b>45,758</b>	<b>785</b>	<b>1.75%</b>
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) <sup>(1)</sup>	9,052	8,781	10,334	10,536	202	1.95%
b. Commercial Banks	16,847	24,320	27,286	27,526	240	0.88%
c. Other Local Currency Debt (T-bills), of which:	5,474	5,906	7,353	7,696	343	4.66%
<i>Public Entities</i>	4,796	5,062	6,078	6,133	55	0.90%
* <i>Accrued Interest Included in Debt</i>	730	1,029	999	939	-60	-6.01%
<b>Foreign Currency Debt<sup>(2)</sup></b>	<b>31,977</b>	<b>31,881</b>	<b>32,046</b>	<b>31,855</b>	<b>-191</b>	<b>-0.60%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,953	2,802	2,620	2,534	-86	-3.30%
b. Paris II Related Debt (Eurobonds and Loans) <sup>(3)</sup>	6,063	5,456	4,819	4,662	-158	-3.27%
c. Paris III Related Debt (Eurobonds and Loans) <sup>(4)</sup>	1,357	1,849	1,963	1,905	-58	-2.97%
d. Market-Issued Eurobonds	20,776	20,925	21,736	21,857	121	0.56%
e. <i>Accrued Interest on Eurobonds</i>	410	430	460	450	-10	-2.17%
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>10,771</b>	<b>249</b>	<b>2.37%</b>
<b>Net Debt</b>	<b>58,823</b>	<b>62,562</b>	<b>66,497</b>	<b>66,842</b>	<b>345</b>	<b>0.52%</b>
<b>Gross Market Debt<sup>(6)</sup></b>	<b>39,216</b>	<b>46,992</b>	<b>51,231</b>	<b>51,866</b>	<b>635</b>	<b>1.24%</b>
<b>% of Total Debt</b>	<b>62%</b>	<b>66%</b>	<b>67%</b>	<b>67%</b>	<b>0</b>	<b>0.47%</b>

Source: MOF, 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 09 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 Tbs 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 26-31*

*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-Mar 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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