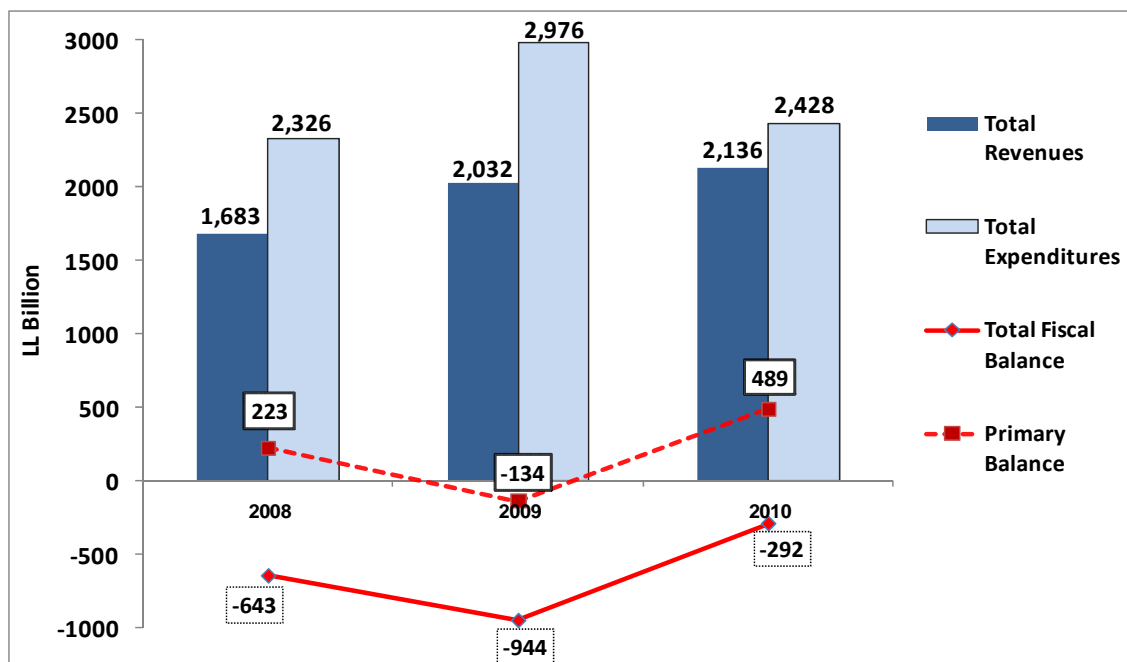


The total fiscal balance registered a deficit of LL 292 billion in January-February 2010, compared to a deficit of LL 944 billion in 2009. The improvement in the total deficit is mainly due to the LL 547 billion decrease in spending and a LL 104 billion increase in total receipts. **Primary balance** achieved a significant surplus of LL 489 billion compared to the LL 134 billion deficit recorded in January-February 2009.



Total revenues in January-February 2010 amounted to LL 2,136 billion, up by LL 104 billion from the 2009 level of LL 2,032 billion.

Tax revenues rose by LL 155 billion, to LL 1,544 billion, largely due to a:

- LL 52 billion increase in *real estate registration fees*
- LL 48 billion increase in VAT receipts, stemming from 18 percent increase in VAT collected internally
- LL 28 billion more revenues from Fiscal stamps
- LL 28 billion increase of *taxes on interest income*

Non-tax revenues decreased by LL 82 billion, to LL 468 billion, driven by a:

- LL 72 billion decrease in income from *non-financial public enterprises*, due to a LL 10 billion decrease in transfers from *Casino du Liban* and absence of transfers from *Port of Beirut*¹

Treasury receipts amounted to LL 125 billion.

¹The Port of Beirut transfers once a year.

Total expenditures in January-February 2010 decreased by LL 547 billion, down to LL 2,428 billion from LL 2,976 billion in January-February 2009.

Current primary expenditures decreased by LL 43 billion, driven mainly by a drop of:

- LL 37 billion in *personnel cost*, partially due to a fiscal adjustment of LL 15 billion to salaries and wages (Article 13) resulting from a payment that was registered in February 2009 and paid in March 2009
- LL 11 billion in *various transfers*

Interest payments decreased by LL 29 billion, to LL 761 billion, due to a smaller volume maturing during February, of which constitutes:

- a LL 22 billion decline on *foreign currency debt*
- a LL 8 billion decrease on *domestic currency treasury bills*

Capital expenditures increased by LL 46 billion to LL 169 billion, of which 57 percent covered for *construction in progress* and 32 percent for *maintenance*.

Other treasury expenditures decreased substantially by LL 521 billion, to LL 502 billion, due to lower transfers to:

- *EDL* by LL 318 billion, mainly due to lower oil prices prevailing at the time the letters of credit (LCs) were opened and lower number of LCs due recorded in January 2010²
- *High Relief Committee*, where no transfers were made in 2010 compared to LL 200 billion in January-February 2009
- *VAT Refund* by LL 12 billion

Gross public debt increased by LL 1,337 billion from the end-December 2009 level, to LL 78,356 billion in February 2010.

Local currency debt increased by LL 1,432 billion to LL 46,405 billion, due to increases of:

- LL 1,096 billion in *holdings by commercial banks*
- LL 138 billion in *BDL's domestic debt portfolio*

Foreign currency debt witnessed a decrease in its stock by LL 95 billion, mainly as a result of the redemption of Eurobonds issued in the context of the Paris II and Paris III conference that have an amortized payment structure.

FEBRUARY 2010 HIGHLIGHTS **Gas-Oil (*Red Mazout*) Subsidy**

By end-February 2010, the Treasury had transferred an advance of LL 23 billion to subsidize gas-oil as per Decree 2986 dated 4 January 2010. The Decree stipulated the allocation of LL 60 billion to subsidize gas-oil at 3,000/tank over the period that extends from December 24th 2009 till March 15th 2010, on condition that the subsidized gas-oil price does not run below LL 15,000/tank. However, the treasury advance of LL 60 billion is not expected to be fully spent.

The subsidized price of each gasoil tank averaged at LL 16,325 in end-February 2010, with a subsidy of LL 2,992 per tank. The total of LL 23 billion covered for around 7.69 million tanks of gas-oil. The Mazout subsidy was halted on the 3rd of March 2010 by the Council of Ministers' Decision Number 15.

² For further details, check February 2010 issue of "*Transfers to EDL: A Monthly Snapshot*" available on www.finance.gov.lb.

Table 1. Summary of Fiscal Performance

(LL billion)	2009 Feb	2010 Feb	2009 Jan-Feb	2010 Jan-Feb	% Change 2010/2009
Total Budget and Treasury Receipts	806	1,002	2,032	2,136	5%
Total Budget and Treasury Payments, of which	1,296	1,267	2,976	2,428	-18%
• <i>Interest Payments</i>	358	441	791	761	-4%
• <i>Concessional loans principal payments 1/</i>	9	9	19	19	5%
• <i>Primary Expenditures 2/</i>	929	817	2,166	1,648	-24%
Total Cash Deficit/Surplus	-490	-265	-944	-292	-69%
Primary Deficit/Surplus	-124	184	-134	489	-

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)	2009 February	2010 February	2009 Jan-Feb	2010 Jan-Feb	% Change 2010/2009
Budget Revenues, of which:	774	967	1,938	2,011	4%
<i>Tax Revenues</i>	512	570	1,389	1,544	11%
<i>Non-Tax Revenues</i>	263	397	549	468	-15%
Treasury Receipts	31	35	94	125	33%
Total Revenues	806	1,002	2,032	2,136	5%

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

Table 3. Tax Revenue

(LL billion)	2009 February	2010 February	2009 Jan-Feb	2010 Jan-Feb	% Change 2010/2009
Tax Revenues:	512	570	1,389	1,544	11%
Taxes on Income, Profits, & Capital Gains, of which:	88	74	283	297	5%
• <i>Income Tax on Profits</i>	22	9	70	61	-13%
• <i>Income Tax on Wages and Salaries</i>	19	6	107	102	-5%
• <i>Income Tax on Capital Gains & Dividends</i>	2	3	13	15	14%
• <i>Tax on Interest Income (5%)</i>	44	54	89	117	32%
• <i>Penalties on Income Tax</i>	1	1	4	2	-38%
Taxes on Property, of which:	41	69	88	135	54%
• <i>Built Property Tax</i>	8	8	16	12	-29%
• <i>Real Estate Registration Fees</i>	30	56	63	115	83%
Domestic Taxes on Goods & Services, of which:	175	183	556	610	10%
• <i>Value Added Tax</i>	151	155	510	558	9%
• <i>Other Taxes on Goods and Services, of which:</i>	23	26	43	49	13%
- <i>Private Car Registration Fees</i>	15	17	30	33	9%
- <i>Passenger Departure Tax</i>	8	9	13	16	22%
Taxes on International Trade, of which:	187	199	400	412	3%
• <i>Customs</i>	53	56	112	116	4%
• <i>Excises, of which:</i>	134	143	288	295	3%
- <i>Gasoline Excise</i>	71	74	155	159	3%
- <i>Tobacco Excise</i>	20	29	38	57	49%
- <i>Cars Excise</i>	42	40	94	79	-17%
Other Tax Revenues (namely fiscal stamp fees)	21	45	62	90	45%

Source: MOF, DGF

Table 4. Non-Tax Revenue

(LL billion)	2009 February	2010 February	2009 Jan-Feb	2010 Jan-Feb	% Change 2010/2009
Non-Tax Revenues	263	397	549	468	-15%
Income from Public Institutions and Government Properties, of which:	210	349	440	369	-16%
• Income from Non-Financial Public Enterprises, of which:	205	344	429	357	-17%
- Revenues from Casino Du Liban	25	13	36	26	-29%
- Revenues from Port of Beirut	0	0	62	0	-100%
- Budget Surplus of National Lottery	0	0	0	0	-
- Transfer from the Telecom Surplus	181	331	331	331	0%
• Transfer from Public Financial Institution (BDL)	0	0	0	0	-
• Property Income (namely rent of Rafic Hariri International Airport)	4	5	8	11	39%
• Other Income from Public Institutions (interests)	0	0	2	1	-71%
Administrative Fees & Charges, of which:	42	39	88	81	-9%
• Administrative Fees, of which:	35	31	72	61	-15%
- Notary Fees	2	2	4	4	16%
- Passport Fees/ Public Security	7	8	15	16	4%
- Vehicle Control Fees	20	13	41	28	-32%
- Judicial Fees	2	2	3	4	14%
- Driving License Fees	2	2	3	4	18%
• Administrative Charges	3	4	7	9	32%
• Sales (Official Gazette and License Number)	0	0	1	1	-4%
• Permit Fees (mostly work permit fees)	3	4	7	8	11%
• Other Administrative Fees & Charges	0	1	2	1	-9%
Penalties & Confiscations	0	0	1	1	5%
Other Non-Tax Revenues (mostly retirement deductibles)	10	8	20	17	-15%

Source: MOF, DGF

Section 2: Expenditure Outcome

Table 5. Expenditure by Economic Classification

(LL billion)	2009 Jan-Feb	2010 Jan-Feb	% Change 2010/2009
1. Current Expenditures	1,821	1,749	-4%
1.a Personnel Cost, of which	775	738	-5%
Salaries, Wages and Related Items (Article 13)	522	505	-3%
Retirement and End of Service Compensations, of which:	207	201	-3%
Retirement	194	178	-8%
End of Service	14	23	64%
Transfers to Public Institutions to Cover Salaries 1/	45	32	-28%
1.b Interest Payments, of which: 2/	791	761	-4%
Domestic Interest Payments	611	604	-1%
Foreign Interest Payments	179	158	-12%
1.c Foreign Debt Principal Repayment	19	19	5%
1.d Materials and Supplies, of which:	41	46	14%
Nutrition	17	12	-30%
Fuel Oil	3	3	-10%
Medicaments	9	12	27%
Accounting Adjustments for Treasury	6	9	54%
1.e External Services	12	23	87%
1.f Various Transfers, of which:	78	67	-13%
NSSF	0	0	-
Treasury advances for diesel oil subsidy	0	23	-
Wheat Subsidy	0	0	-
Special Tribunal for Lebanon	12	0	-100%
1.g Other Current, of which:	86	72	-16%
Hospitals	74	62	-15%
Others	12	10	-17%
1.h Reserves	20	22	10%
Interest subsidy	20	22	10%
2. Capital Expenditures	123	169	38%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-73%
2.b Equipment	6	9	48%
2.c Construction in Progress, of which:	74	96	30%
Displaced Fund	10	30	200%
Council of the South	10	20	100%
CDR	37	22	-42%
Ministry of Public Work and Transport	12	10	-19%
Other	4	2	-51%
2.d Maintenance	22	54	150%
2.e Other Expenditures Related to Fixed Capital Assets	21	9	-56%
3. Other Treasury Expenditures	1,023	502	-51%
Municipalities	47	52	12%
Guarantees	6	6	6%
Deposits :	18	8	-58%
Other, of which:	276	78	-72%
VAT Refund	56	44	-21%
High Relief Committee	200	0	-100%
EDL 3/	676	358	-47%
Treasury Advances for Water Authorities	0	0	-
4. Unclassified Expenditures	0	1	-
5. Customs Cashiers	10	7	-22%
6. Total Expenditures (Excluding CDR Foreign Financed)	2,976	2,428	-18%

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- Feb	Jan- Feb	2010/2009
Transfer to Council of the South	1	4	740%
Transfer to Council for Development and Reconstruction (CDR)	5	0	-
Transfer to the Displaced Fund	1	0	-
Transfer to the Lebanese University	37	25	-34%
Transfer to the Educational Center for Research and Development	2	3	117%

Source: MOF, DGF

Table 7. Details of Debt Service Transactions

(LL billion)	2009***	2010	2009	2010	% Change
	February	February	Jan-Feb	Jan-Feb	2010/2009
Interest Payments 1/	358	441	798	761	-5%
Local Currency Debt	305	347	611	604	-1%
Foreign Currency Debt, of which:	53	94	187	158	-16%
Eurobond Coupon Interest*	32	74	156	137	-13%
Specialbond Coupon Interest*	0	0	1	0	-28%
Concessional Loans Interest Payments	21	19	30	20	-31%
Concessional Loans Principal Payments**	9	9	19	19	5%

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-Feb	Jan-Feb	2010/2009
EDL of which:	676	358	-47%
• Debt Service of which:	24	8	-64%
- C-Loans and Eurobonds, of which:	18	8	-53%
Principal repayments	16	8	-54%
Interest Payments	2	1	-44%
- BDL Guaranteed Loan payments	6	0	-100%
• Reimbursement of KPC and Sonatrach Agreements	652	349	-46%

Source: MOF, DGF

Section 3: Public Debt

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

(LL billion)	2007 Dec	2008 Dec	2009 Dec	2010 Feb	Change Dec 09 –Feb 10	% Change Dec 09- Feb10
Gross Public Debt	63,350	70,888	77,019	78,356	1,337	1.74%
Local Currency Debt	31,373	39,007	44,973	46,405	1,432	3.18%
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) ⁽¹⁾	9,052	8,781	10,334	10,472	138	1.34%
b. Commercial Banks	16,847	24,320	27,286	28,382	1,096	4.02%
c. Other Local Currency Debt (T-bills), of which:	5,474	5,906	7,353	7,551	198	2.69%
<i>Public Entities</i>	4,796	5,062	6,078	6,011	-67	-1.10%
* <i>Accrued Interest Included in Debt</i>	730	1,029	999	932	-67	-6.71%
Foreign Currency Debt (2)	31,977	31,881	32,046	31,951	-95	-0.30%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,953	2,802	2,620	2,503	-117	-4.48%
b. Paris II Related Debt (Eurobonds and Loans) ⁽³⁾	6,063	5,456	4,819	4,781	-38	-0.79%
c. Paris III Related Debt (Eurobonds and Loans) ⁽⁴⁾	1,357	1,849	1,963	1,913	-50	-2.56%
d. Market-Issued Eurobonds	20,776	20,925	21,736	21,669	-67	-0.31%
e. <i>Accrued Interest on Eurobonds</i>	410	430	460	638	178	38.70%
f. Special T-bills in Foreign Currency ⁽⁵⁾	419	419	447	447	0	0.00%
Public Sector Deposits	4,527	8,326	10,522	11,672	1,150	10.93%
Net Debt	58,823	62,562	66,497	66,684	187	0.28%
Gross Market Debt⁽⁶⁾	39,216	46,992	51,231	52,700	1,469	2.87%
% of Total Debt	62%	66%	67%	67%	0	1.11%

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 08 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

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Debt and Debt Markets Quarterly, QIV 2009

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Public Finance Monitor Monthly Update, Nov & Dec 2009, Jan 2010

Transfers to EDL: A Monthly Snapshot, Issues 1-3

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

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For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059

E-mail: infocenter@finance.gov.lb

Website: www.finance.gov.lb



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