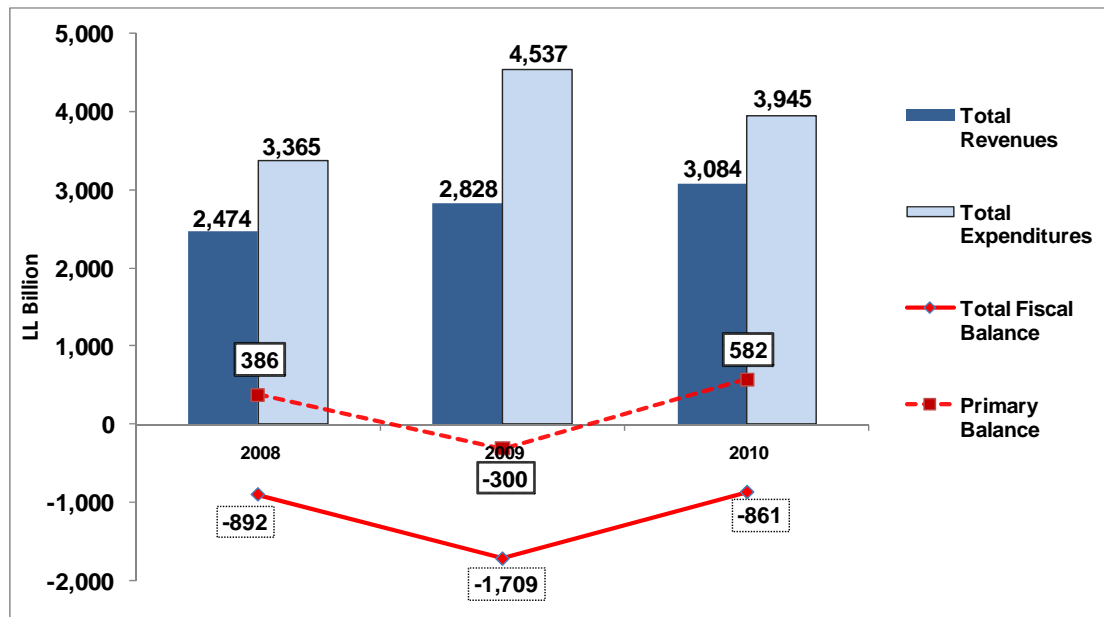


The total fiscal balance registered a deficit of LL 861 billion in January-March 2010 compared to a deficit of LL 1,709 billion in 2009. The improvement in the total deficit is mainly due to the LL 592 billion decrease in spending and the LL 256 billion increase in total receipts. **The primary balance** achieved a surplus of LL 582 billion compared to the LL 300 billion deficit recorded in January-March 2009.



Total revenues in January-March 2010 amounted to LL 3,084 billion, up from the 2009 level of LL 2,828 billion.

Tax revenues rose by LL 348 billion, to LL 2,361 billion, largely due to a:

- LL 94 billion increase in VAT receipts, stemming from a LL 55 billion increase in VAT collected on imports and LL 40 billion increase in VAT collected internally
- LL 89 billion increase in *real estate registration fees* reflecting the recent boom in real estate
- LL 43 billion more revenues from *taxes on international trade* (customs and excises) whereby the largest rise originated from tobacco excises
- LL 37 billion more revenues from *fiscal stamps*
- LL 36 billion increase of *taxes on interest income*

Non-tax revenues decreased by LL 119 billion, to LL 552 billion, driven by a reduction of:

- LL 75 billion in income from *non-financial public enterprises*, due to a LL 8 billion decrease in transfers from *Casino du Liban* and absence of transfers from *Port of Beirut*¹
- Absence of transfer from BDL
- LL 11 billion from *vehicle control fees*

Treasury receipts increased by 19 percent to LL 170 billion.

¹The Port of Beirut and BDL transfer the Treasury's share once a year.

Total expenditures in January-March 2010 decreased by LL 592 billion, down to LL 3,945 billion from LL 4,537 billion in January-March 2009.

Current primary expenditures increased by LL 158 billion, driven mainly by rises of:

- LL 91 billion in *personnel cost*, primarily due to higher *salaries and wages (Article 13)* by LL 86 billion
- LL 74 billion in *various transfers*, due to *the treasury advance for diesel oil subsidy*² worth LL 48 billion coupled with a LL 29 billion increase in transfers to the Special Tribunal for Lebanon

Interest payments increased by LL 26 billion, to LL 1,396 billion, due to a larger volume maturing in March, of which constitutes:

- a LL 27 billion increase on domestic currency treasury bills
- a LL 1 billion decline on *foreign currency debt*

Capital expenditures increased by LL 23 billion to LL 173 billion, of which 55 percent covered for *construction in progress* and 34 percent for *maintenance*.

Other treasury expenditures decreased substantially by LL 806 billion, to LL 713 billion, due to lower transfers to:

- *EDL* by LL 580 billion, mainly due to lower oil prices, where the average oil price according to which the Q1 2010 payments were made was notably lower than in 2009.³
- *High Relief Committee*, where no transfers were made in 2010 compared to LL 200 billion in January 2009
- VAT Refund by LL 13 billion

Gross public debt increased by LL 569 billion from the end-December 2009 level, to LL 77,588 billion in March 2010.

Local currency debt increased by LL 680 billion to LL 45,653 billion, due to increases of:

- LL 472 billion in *holdings by commercial banks*
- LL 74 billion in *BDL's domestic debt portfolio*

Foreign currency debt witnessed a decrease in its stock by LL 111 billion, mainly as a result of the redemption of Eurobonds issued in the context of the Paris II and Paris III Conferences that have an amortized payment structure. Market-issued Eurobonds increased by LL 134 billion in March 2010 as a result of a US\$1.2 billion issuance on March 9th. 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.

March 2010 HIGHLIGHTS Special Tribunal for Lebanon

In March 2010, the Treasury transferred to the Ministry of Justice a treasury advance in the amount of LL 41 billion as per Decree No. 3346 dated 23 February 2010. This treasury advance is allocated to pay Lebanon's contribution to the Special Tribunal for Lebanon, with a mandate to prosecute persons responsible for the attack of 14 February 2005 resulting in the death of former Prime Minister Rafiq Hariri and in the death or injury of other persons.

The Special Tribunal for Lebanon follows a combined funding mechanism, whereby 51 per cent of the costs of the Special Tribunal are borne by voluntary contributions from States, while the Government of the Lebanese Republic finances 49 per cent of the costs.

² 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 24th 2009 till March 15th 2010. The *Mazout* subsidy was halted on the 3rd of March 2010 by the Council of Ministers' Decision Number 15.

³ For further details, kindly refer to March 2010 issue of "*Transfers to EDL: A Monthly Snapshot*" available on www.finance.gov.lb.

Table 1. Summary of Fiscal Performance

(LL billion)	2009 Mar	2010 Mar	2009 Jan-Mar	2010 Jan-Mar	% Change 2010/2009
Total Budget and Treasury Receipts	796	948	2,828	3,084	9%
Total Budget and Treasury Payments, of which	1,562	1,517	4,537	3,945	-13%
• <i>Interest Payments</i>	579	635	1,370	1,396	2%
• <i>Concessional loans principal payments 1/</i>	21	28	39	47	19%
• <i>Primary Expenditures 2/</i>	962	854	3,128	2,502	-20%
Total Cash Deficit/Surplus	-766	-569	-1,709	-861	-50%
Primary Deficit/Surplus	-165	93	-300	582	-294%

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 March	2010 March	2009 Jan-Mar	2010 Jan-Mar	% Change 2010/2009
Budget Revenues, of which:	747	902	2,685	2,914	9%
<i>Tax Revenues</i>	625	818	2,014	2,361	17%
<i>Non-Tax Revenues</i>	122	85	672	552	-18%
Treasury Receipts	49	45	143	170	19%
Total Revenues	796	948	2,828	3,084	9%

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

Table 3. Tax Revenue

(LL billion)	2009 March	2010 March	2009 Jan-Mar	2010 Jan-Mar	% Change 2010/2009
Tax Revenues:	625	818	2,014	2,361	17%
Taxes on Income, Profits, & Capital Gains, of which:	91	135	373	431	16%
• <i>Income Tax on Profits</i>	41	73	111	133	20%
• <i>Income Tax on Wages and Salaries</i>	6	6	114	108	-5%
• <i>Income Tax on Capital Gains & Dividends</i>	4	6	17	21	23%
• <i>Tax on Interest Income (5%)</i>	38	46	127	163	28%
• <i>Penalties on Income Tax</i>	1	3	5	5	17%
Taxes on Property, of which:	82	140	170	275	62%
• <i>Built Property Tax</i>	37	54	54	65	22%
• <i>Real Estate Registration Fees</i>	40	77	102	192	87%
Domestic Taxes on Goods & Services, of which:	206	257	763	867	14%
• <i>Value Added Tax</i>	176	222	686	780	14%
• <i>Other Taxes on Goods and Services, of which:</i>	30	35	73	84	14%
- <i>Private Car Registration Fees</i>	20	20	50	53	7%
- <i>Passenger Departure Tax</i>	10	14	23	30	30%
Taxes on International Trade, of which:	220	251	620	663	7%
• <i>Customs</i>	63	74	175	191	9%
• <i>Excises, of which:</i>	157	177	446	472	6%
- <i>Gasoline Excise</i>	85	93	240	253	5%
- <i>Tobacco Excise</i>	21	29	59	86	46%
- <i>Cars Excise</i>	52	54	146	133	-9%
Other Tax Revenues (namely fiscal stamp fees)	25	35	88	125	43%

Source: MOF, DGF

Table 4. Non-Tax Revenue

(LL billion)	2009 March	2010 March	2009 Jan-Mar	2010 Jan-Mar	% Change 2010/2009
Non-Tax Revenues	122	85	672	552	-18%
Income from Public Institutions and Government Properties, of which:	67	25	506	394	-22%
• Income from Non-Financial Public Enterprises, of which:	22	20	452	377	-17%
- Revenues from Casino Du Liban	9	12	45	38	-17%
- Revenues from Port of Beirut	0	0	62	0	-100%
- Budget Surplus of National Lottery	13	8	13	8	-38%
- Transfer from the Telecom Surplus	0	0	331	331	0%
• Transfer from Public Financial Institution (BDL)	40	0	40	0	-100%
• Property Income (namely rent of Rafic Hariri International Airport)	4	5	11	16	37%
• Other Income from Public Institutions (interests)	1	0	3	1	-63%
Administrative Fees & Charges, of which:	47	51	135	132	-3%
• Administrative Fees, of which:	38	44	110	105	-4%
- Notary Fees	2	2	6	7	19%
- Passport Fees/ Public Security	10	10	25	26	5%
- Vehicle Control Fees	21	23	62	51	-18%
- Judicial Fees	1	2	5	6	32%
- Driving License Fees	2	2	5	6	20%
• Administrative Charges	3	2	10	11	11%
• Sales (Official Gazette and License Number)	0	0	1	1	11%
• Permit Fees (mostly work permit fees)	4	4	11	12	11%
• Other Administrative Fees & Charges	2	1	4	2	-33%
Penalties & Confiscations	0	1	2	2	12%
Other Non-Tax Revenues (mostly retirement deductibles)	8	8	28	25	-12%

Source: MOF, DGF

Section 2: Expenditure Outcome

Table 5. Expenditure by Economic Classification

(LL billion)	2009 Jan-Mar	2010 Jan-Mar	% Change 2010/2009
1. Current Expenditures	2,855	3,046	7%
1.a Personnel Cost, of which	1,142	1,233	8%
Salaries, Wages and Related Items (Article 13)	770	856	11%
Retirement and End of Service Compensations, of which:	303	309	2%
Retirement	275	266	-3%
End of Service	28	43	52%
Transfers to Public Institutions to Cover Salaries 1/	69	67	-2%
1.b Interest Payments, of which: 2/	1,370	1,396	2%
Domestic Interest Payments	890	918	3%
Foreign Interest Payments	480	479	0%
1.c Foreign Debt Principal Repayment	39	47	19%
1.d Materials and Supplies, of which:	59	53	-10%
Nutrition	18	12	-30%
Fuel Oil	4	3	-19%
Medicaments	23	15	-31%
Accounting Adjustments for Treasury	8	9	15%
1.e External Services	25	34	37%
1.f Various Transfers, of which:	98	172	76%
NSSF	0	0	-
Treasury advances for diesel oil subsidy	0	48	-
Wheat Subsidy	0	0	-
Special Tribunal for Lebanon	12	41	237%
1.g Other Current, of which:	96	80	-17%
Hospitals	82	62	-24%
Others	15	18	21%
1.h Reserves	25	31	24%
Interest subsidy	25	31	24%
2. Capital Expenditures	150	173	15%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	2	0	-96%
2.b Equipment	11	9	-12%
2.c Construction in Progress, of which:	93	96	4%
Displaced Fund	20	30	50%
Council of the South	10	20	100%
CDR	45	22	-52%
Ministry of Public Work and Transport	13	19	54%
Other	5	5	9%
2.d Maintenance	23	58	148%
2.e Other Expenditures Related to Fixed Capital Assets	21	9	-56%
3. Other Treasury Expenditures	1,519	713	-53%
Municipalities	107	76	-29%
Guarantees	11	15	39%
Deposits :	23	12	-46%
Other, of which:	293	105	-64%
VAT Refund	64	51	-20%
High Relief Committee	200	0	-100%
EDL 3/	1,085	505	-53%
4. Unclassified Expenditures	0	1	523%
5. Customs Cashiers	13	11	-15%
6. Total Expenditures (Excluding CDR Foreign Financed)	4,537	3,945	-13%

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- Mar	Jan- Mar	2010/2009
Transfer to Council of the South	1	5	893%
Transfer to Council for Development and Reconstruction (CDR)	8	2	-75%
Transfer to the Displaced Fund	1	1	-50%
Transfer to the Lebanese University	56	57	2%
Transfer to the Educational Center for Research and Development	4	3	-23%

Source: MOF, DGF

Table 7. Details of Debt Service Transactions

(LL billion)	2009***	2010	2009	2010	% Change
	March	March	Jan-Mar	Jan-Mar	2010/2009
Interest Payments 1/	579	635	1,370	1,396	2%
Local Currency Debt	279	314	890	918	3%
Foreign Currency Debt, of which:	300	321	480	479	0%
Eurobond Coupon Interest*	295	311	452	448	-1%
Specialbond Coupon Interest*	0	0	1	1	-17%
Concessional Loans Interest Payments	5	9	27	30	9%
Concessional Loans Principal Payments**	21	28	39	47	19%

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-Mar	Jan-Mar	2010/2009
EDL of which:	1,085	505	-53%
• Debt Service of which:	36	22	-40%
- C-Loans and Eurobonds, of which:	31	22	-29%
Principal repayments	26	18	-30%
Interest Payments	5	4	-22%
- BDL Guaranteed Loan payments	6	0	-100%
• Reimbursement of KPC and Sonatrach Agreements	1,048	483	-54%

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 Mar	Change Dec 09 - Mar 10	% Change Dec 09- Mar10
Gross Public Debt	63,350	70,888	77,019	77,588	569	0.74%
Local Currency Debt	31,373	39,007	44,973	45,653	680	1.51%
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) ⁽¹⁾	9,052	8,781	10,334	10,408	74	0.72%
b. Commercial Banks	16,847	24,320	27,286	27,758	472	1.73%
c. Other Local Currency Debt (T-bills), of which:	5,474	5,906	7,353	7,487	134	1.82%
<i>Public Entities</i>	4,796	5,062	6,078	5,966	-112	-1.84%
* <i>Accrued Interest Included in Debt</i>	730	1,029	999	969	-30	-3.00%
Foreign Currency Debt⁽²⁾	31,977	31,881	32,046	31,935	-111	-0.35%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,953	2,802	2,620	2,552	-68	-2.60%
b. Paris II Related Debt (Eurobonds and Loans) ⁽³⁾	6,063	5,456	4,819	4,668	-152	-3.15%
c. Paris III Related Debt (Eurobonds and Loans) ⁽⁴⁾	1,357	1,849	1,963	1,911	-52	-2.67%
d. Market-Issued Eurobonds	20,776	20,925	21,736	21,870	134	0.62%
e. <i>Accrued Interest on Eurobonds</i>	410	430	460	487	27	5.87%
f. Special T-bills in Foreign Currency ⁽⁵⁾	419	419	447	447	0	0.00%
Public Sector Deposits	4,527	8,326	10,522	10,655	133	1.26%
Net Debt	58,823	62,562	66,497	66,933	436	0.66%
Gross Market Debt⁽⁶⁾	39,216	46,992	51,231	52,107	876	1.71%
% of Total Debt	62%	66%	67%	67%	0	0.96%

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 26-30

Debt and Debt Markets Quarterly, QIV 2009

Lebanon Country Profile 2010

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

Transfers to EDL: A Monthly Snapshot, Jan-March 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

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