REPUBLIC OF LEBANON
MINISTRY OF FINANCE

PUBLIC FINANCE QUARTERLY REPORT
Ministry of Finance
QII 2005

Fiscal Overview:

The total deficit worsened by 4 percent over January-June 2005 as compared to the same period of 2004, reflecting the 5 percent decline in total receipts which offset the 3 percent reduction in total expenditures. At the same time, the total primary surplus, amounting to LL 232 billion, underwent a decline of 68 percent when compared to the same period of last year, due to the 5 percent or LL197 billion decrease in total revenues and a 10 percent increase in total primary spending (section 1).

Revenues Outcome:

Total receipts amounted to LL 3,533 billion for the first half of 2005, compared to LL 3,730 billion for the same period of 2004. This 5 percent decline in revenues is due to reductions in both tax and non-tax revenues. Tax revenues went down 5 percent reaching LL 2,493 billion by end of June 2005. This decrease is mainly due to (1) a 4 percent decrease in domestic taxes on goods and services and (2) an 18 percent decrease in taxes on international trade. Non tax revenues declined by 9 percent, amounting to LL 834 billion by end of June 2005, as a result of (1) a 17 percent decrease in transfer from the telecom budget surplus and (2) a 7 percent decrease in administrative fees and charges (section 2).

Expenditures Outcome:

Total spending equaled LL 4,856 billion, down LL 151 billion or 3 percent from the first six months' spending of the preceding year, chiefly owing to the 23 percent or LL 453 billion lower debt service payment. (section 3).

Public Debt Developments:

The stock of gross debt reached LL 54,404 billion as of end-June 2005, registering a less than 1 percent increase over the December 2004 level, a slowdown in the rate of growth of gross public debt which resulted from the over-financing undertaken by the Ministry of Finance at the end of 2004, the proceeds of which were utilized in the first half of 2005. (section 4).

External Trade:

The trade balance marked a USD 3,597 million deficit, or a 7 percent increase compared to January-June 2004. The increase in the trade deficit reflects (1) the absence of growth in exports resulting from the reduction in exports to Iraq and reduction in exports of gold ingots to Switzerland, and (2) the 6 percent increase in imports largely due to an increase in the price of mineral products and an increase in the imports of pearls, precious and semi precious stones. (section 5).

Section I: Fiscal Overview

Table 1. Summary of Fiscal Performance

(LL billion)	2004 June	2005 June	2004 Jan-June	2005 Jan-June	Change 2004-2005	% Change
Budget Revenue	632	543	3,533	3,327	-206	-5.8%
Budget Expenditures	852	933	3,998	3,642	-355	-8.9%
o/w Debt Service	428	309	2,008	1,555	-452	-22.5%
Budget Deficit/Surplus	**-221**	**-389**	**-465**	**-316**	**149**	**-32.0%**
in % of Budget Expenditures	-25.9%	-41.7%	-11.6%	-8.7%		
Budget Primary Deficit/Surplus	**208**	**-80**	**1,543**	**1,240**	**-304**	**-19.7%**
in % of Budget Expenditures	24.4%	-8.5%	38.6%	34.0%		
Treasury Receipts	51	25	197	206	9	4.6%
Treasury Payments	106	190	1,010	1,214	204	20.3%
Total Budget and Treasury Receipts	683	569	3,730	3,533	-197	-5.3%
Total Budget and Treasury Payments	958	1,123	5,007	4,856	-151	-3.0%
Total Cash Deficit/Surplus	**-276**	**-554**	**-1,277**	**-1,324**	**-47**	**3.6%**
in % of Total Expenditures	-28.8%	-49.3%	-25.5%	-27.3%		
Primary Deficit/Surplus	**152**	**-244**	**731**	**232**	**-499**	**-68.3%**
in % of Total Expenditures	15.9%	-21.8%	14.6%	4.8%		

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

By the end of June 2005, the **total deficit** (budget and treasury) reached LL 1,324 billion, compared to LL 1,277 million during the first six months of 2004 registering an increase of LL 47 million. This augmentation resulted from the LL 197 billion or 5 percent drop in **total revenues**, amounting to LL 3,533 billion by the end of June 2005, compared to LL 3,730 billion in the first semester of 2004, which was only partly offset by the LL 151.billion or 3 percent decline in **total expenditures**.

The first semester of 2005 sustained a **primary surplus** of LL 232 billion, a LL 499 billion or a 68.3 percent decrease compared to the January-June 2004 period which reflects (1) the 5 percent decline in total revenues that resulted from the economic slow down after Prime Minister Hariri's assassination and (2) the 10 percent increase in total primary expenditures largely due to higher transfers to NSSF and higher direct and indirect spending on EDL .

Section II: Revenue Outcome

Table 2. Total Revenues

(LL billion)	2004 June	2005 June	2004 Jan-June	2005 Jan-June	% Change
Budget Revenues, *of which:*	**632**	**543**	**3,533**	**3,327**	**-5.84%**
Tax Revenues	*447*	*499*	*2,614*	*2,493*	*-4.66%*
Non-Tax Revenues	*185*	*44*	*919*	*834*	*-9.22%*
Treasury Receipts	**51**	**25**	**197**	**206**	**4.58%**
Total Revenues	**683**	**569**	**3,730**	**3,533**	**-5.29%**

Source: MOF, DGF

Tax revenues (as part of budget revenues) generated LL 2,493 billion in January-June 2005, compared to LL 2,614 billion in the first half of 2004. This represents a 5 percent decline in tax receipts, mainly caused by lower collection of (1) taxes on international trade (both customs and excises) and (2) domestic taxes on goods and services (mainly VAT).

Taxes on income, profits and capital gains generated a total of LL 691 billion in January-June 2005, representing 12 percent stronger receipts when compared to the collection level in the same period of 2004, mainly attributed to:

(1) An approximate 24 percent rise in the collection of the **withheld tax on wages and salaries**, which summed up to LL 102 billion for the first semester of 2005[1] as compared to LL 82 billion in January-June 2004. The steady increase in the average quarterly declaration proceeds that was witnessed since 2003 is largely explained by the launching of the DASS reform which was accompanied by the modernization of the required procedures and the completion of the employee database;

(2) An approximate 53 percent increase in the collection of **the 5 percent tax on interest income**. This tax generated LL 173 billion in the first six months of the year, as compared to LL 113 billion in the first six months of 2004. The surge in the 5 percent tax is principally due to:

a. The 5 percent tax levied on interests due on commercial banks' deposits over the six months period, December 04-May 05[2], which registered on average, a 4% percent year on year growth.

b. Higher level of interest rates on Lebanese Pounds Treasury bills applied starting March 31[3], and a larger level of borrowing of approximately LL 600 billion in the first half of 2005 as compared to the borrowing level in the first half of 2004.

Income tax on profits and **income tax on capital gains and dividends** remained almost unchanged from the first semester of 2004, generating LL 353 billion and LL 54 billion respectively by June 2005.

Proceeds from the **taxes on property** also remained almost constant, summing up to LL 178 billion for the first semester of the year, compared to LL 176 billion for the same period of

[1] Please note that the month of January is the first filing and declaration date of the payroll tax (which is collected on a quarterly basis), and therefore Q1 collection accounts mainly for the tax due on wages and salaries paid in the last quarter of the previous year.
[2] Note that the 5% tax on interest income is levied on a monthly basis, during the first fifteen days of the following month.
[3] Kindly refer to the section on the Aftermath of February 14 in the QI 2005 report

2004, registering 1 percent higher revenues. This modest increase hides important disparities between the performances of its two main components which are **built property taxes** and **real estate registration fees**:

(1) The **built property tax (or recurrent tax on immovable property)** generated LL 50 billion, accounting for 15 percent fewer revenues than the collected amount during the first half of 2004. The reason behind the decline in receipts may be explained, on the one hand, by the extension of the deadline period for the granted amnesty on due penalties, and on the other hand by the amendment of the Built Property Tax Law as per the Budget Law 2004[4]. The built property tax modification implies that some of the built property taxable base may wither away resulting in lower proceeds. However, the impact of the change in the built property tax structure on revenues may not be accurately assessed prior to year end.

(2) **Real estate registration fees (or non recurrent tax on property)** generated LL 112 billion during January-June 2005, compared to LL 100 billion during the equivalent period last year. However, this increase in income generated from real estate registration fees is not necessarily a reliable indicator of real estate market activity, since there is no fixed deadline for new owners to register their properties after the purchase.

Table 3. Tax Revenue

(LL billion)	2004 June	2005 June	2004 Jan-June	2005 Jan-June	% Change
Tax Revenues:	**447**	**499**	**2,614**	**2,493**	**-4.66%**
Taxes on Income, Profits, & Capital Gains, *of which*:	**123**	**219**	**616**	**691**	**12.18%**
Income Tax on Profits	*90*	*181*	*356*	*353*	-0.72%
Income Tax on Wages and Salaries	*4*	*4*	*82*	*102*	24.47%
Income Tax on Capital Gains & Dividends	*10*	*14*	*53*	*54*	3.15%
Tax on Interest Income (5%)	*18*	*19*	*113*	*173*	52.85%
Penalties on Income Tax	*1*	*1*	*10*	*6*	-37.61%
Taxes on Property, *of which:*	**30**	**33**	**176**	**178**	**1.05%**
Built Property Tax	*6*	*5*	*59*	*50*	-15.18%
Real Estate Registration Fees	*19*	*23*	*100*	*112*	11.92%
Domestic Taxes on Goods & Services, *of which:*	**132**	**121**	**905**	**866**	**-4.38%**
Value Added Tax	*116*	*106*	*817*	*783*	-4.22%
Other Taxes on Goods and Services, of which:	*16*	*15*	*82*	*79*	-4.05%
Private Car Registration Fees	*11*	*10*	*49*	*47*	-3.30%
Passenger Departure Tax	*5*	*5*	*33*	*31*	-5.08%
Taxes on International Trade, *of which:*	**138**	**109**	**792**	**648**	**-18.20%**
Customs	*46*	*38*	*249*	*228*	-8.33%
Excises, of which:	*93*	*71*	*544*	*420*	-22.72%
Petroleum Tax	*49*	*36*	*349*	*233*	-33.17%
Tobacco Tax	*19*	*18*	*92*	*91*	-2.07%
Tax on Cars	*24*	*18*	*101*	*95*	-6.15%
Other Tax Revenues, *of which:*	**23**	**18**	**124**	**110**	**-11.82%**
Fiscal Stamp Fees	*23*	*17*	*124*	*109*	-11.85%

Source: MOF, DGF

[4] *The amendment modifies and simplifies the structure of the tax by imposing progressive rates, not on the aggregated value of a property owner's overall real estate properties as was the case before, but on each real estate value separately.*

Domestic taxes on goods and services generated LL 866 billion in the first semester of 2005, compared to LL 905 billion collected in the first semester of 2004. This 4 percent decrease in receipts is mainly attributed to an approximate 4 percent decline in **VAT revenues**. In fact, VAT collected during the first six months of the year amounted to LL 783 billion compared to LL 817 billion collected in January-June 2004.

> *VAT at imports:* Of the total amount of VAT receipts (LL783billion), LL 542 billion represents the amount of VAT collected on imported merchandise in the first half of 2005, compared to LL 575 billion collected in January-June 2004[5]; however, because LL 45 billion of that LL 575 billion were guarantees previously collected on fuel imports and reclassified in the first half of 2004 as VAT revenues, a more relevant analysis would be to compare the LL 542 billion collected in January-June 2005 with LL 530 billion (the LL 575 billion collected in January-June 2004 minus the LL 45 billion mentioned above),. This implies that VAT collected on imports increased by LL 12 billion or 2.2 percent. This rise is less than the 5 percent increase in imports witnessed between the first halves of 2005 and 2004. This is explained by the fact that most of the 5 percent increase in imports was fueled by a 69 percent increase in pearls, precious and semi precious stones imports which are exempt from VAT.
>
> VAT collected from internal operations cumulated at LL 241 billion in the first semester of 2005, almost equivalent to the LL 242 billion collected in the first half of 2004. This is explained by a 9% year on year increase in the VAT collected in January 2005, levied on the internal activity of the last quarter of 2004 (noting that the VAT revenue figures are recorded on a cash basis). This increase has offset the 7 percent decline witnessed in the April 2005 collection (pertaining to the first three months of the year internal VAT filing and declaration) compared to April 2004 internal VAT collection, reflecting the slowdown of economic activity following the February 14th tragic events.

Other taxes on goods and services collected LL 79 billion during the first six months of the year, nearly 4 percent less than the collection level in January-June 2004. This tax category mainly consists of **private car registration fees** and **passenger departure tax** in the amounts of LL 47 billion and LL 31 billion respectively, for the first semester of the year. A year on year comparison reveals that private car registration fees witnessed a 3 percent decrease in revenues, in line with a 10 percent drop in the number of cars imported during that same period. Likewise for passenger departure tax, where the amount collected registered a 5 percent decrease, reflecting the 17% percent decline in the number of incoming tourists during that same period; the number of tourists who visited Lebanon during January-June 2005 totaled 422,401 compared to 506,367 tourists for the same period of 2004.

Taxes on international trade (custom duties and excises) generated LL 648 billion in January-June 2005, against LL 792 billion in the comparable period of 2004. Of this amount, LL 228 billion are **custom duties**, accounting for 8 percent less revenues compared to the collected amount in January-June 2004, and this, in spite of a 5 percent rise in imports during that same period. In fact, the increase in the imports of industrial diamonds and the rise in the price of oil stand largely behind the rise in imports, and nearly no custom duties are levied on industrial diamond and fuel imports. When scrutinized in details, trade data reveals that the importation of most categories on which custom duties are levied (mainly for protection purposes) such as vegetable products; textiles and textiles articles; footwear, headgear;

[5] Please note that of this LL 575 billion, LL 45 billion represent VAT on fuel imports for EDL, collected under guarantees and recorded as Treasury revenues in 2002 and 2003. They were reclassified under VAT during the first half of 2004. Therefore, on a cash basis, the Treasury collected effectively LL 530 billion of VAT imports in January-June 2004.

prepared feathers; transport equipment and optical instrument and apparatus declined by 13 percent; 6 percent; 26 percent; 4 percent and 11 percent respectively.

Excises generated LL 420 billion in the first half of 2005, compared to LL 544 billion in the comparable period of 2004. Behind this 23 percent decline in excise revenues, stands a 33 percent decline in fuel excises. In fact, the **petroleum tax** generated LL 233 billion in January-June 2005 compared to LL 349 billion in the equivalent period of last year, owing to the annualized effect of the capping of the price of fuel at pump stations at LL 23,000 or US$15.25 per 20 liter following a Council of Ministers' decision in May 20th 2004, in response to increasing international oil prices. In fact, the effective excise rate on fuel during the first semester of the year declined by 33 percent when compared to the prevalent rate in the first six months of 2004.

Excises on cars registered a 6 percent drop in receipts with LL 95 billion collected in the first semester of 2005 compared to LL 101 billion in January-June 2004. This mirrors the 10 percent decrease in car imports during that same period. In fact, the number of cars imported in the first semester 2005 totaled 16,937 compared to 18,792 in the same period of 2004

With LL 91 billion of revenues by the end of June 2005, **tobacco excises** maintained the same level of collection as in the first semester of the previous year.

Other tax revenues, namely fiscal stamp duties, collected LL 110 billion in the first half of 2005, 12 percent below the collection level in January-June 2004, hinting at a reduced volume of transactions taking place in the economy during the period subsequent to the assassination of former Prime Minister Rafic Hariri.

Table 4. Non Tax Revenue

(LL billion)	2004 June	2005 June	2004 Jan-June	2005 Jan-June	% Change
Non-Tax Revenues	**185**	**44**	**919**	**834**	**-9.22%**
Income from Public Institutions and Government Properties, *of which*:	**147**	**9**	**708**	**631**	**-10.87%**
Income from Non-Financial Public Enterprises, *of which*:	143	7	676	609	-9.83%
Revenues from Casino Du Liban	*2*	*4*	*26*	*31*	17.25%
Revenues from Port of Beirut	*0*	*0*	*0*	*33*	100.00%
Budget Surplus of National Lottery	*5*	*3*	*17*	*20*	17.65%
Transfer from the Telecom Surplus	*135*	*0*	*632*	*525*	-16.91%
Property Income *(namely rent of Rafic Hariri International Airport)*	*3*	*2*	*27*	*19*	-6.75%
Other Income from Public Institutions (interest)	*1*	*1*	*5*	*2*	-28.58%
Administrative Fees & Charges, *of which*:	**30**	**28**	**170**	**158**	**-6.75%**
Administrative Fees, *of which*:	26	23	133	125	-5.40%
Notary Fees	*1*	*1*	*8*	*8*	-2.30%
Passport Fees/ Public Security	*8*	*8*	*41*	*40*	-2.25%
Vehicle Control Fees	*12*	*9*	*61*	*55*	-10.18%
Judicial Fees	*2*	*2*	*11*	*10*	-12.72%
Driving License Fees	*1*	*1*	*6*	*6*	-1.77%
Administrative Charges	1	1	12	9	-24.90%
Sales (Official Gazette and License Number)	0	0	1	1	-5.86%
Permit Fees (mostly work permit fees)	3	3	20	19	-5.83%
Other Administrative Fees & Charges	1	1	4	4	-0.56%
Penalties & Confiscations	**0**	**0**	**2**	**2**	**-33.12%**
Other Non-Tax Revenues (mostly retirement deductibles)	**7**	**7**	**39**	**43**	**11.56%**

Source: MOF, DGF

Non-tax revenues amounted to LL 834 billion by end of June 2005, compared to LL 919 billion by the end of June 2004, nearly 9 percent less revenues on a year on year basis. This shortage in non-tax revenues compared to the previous year's collection level stems from:

(1) A decline in the transfers to the Treasury from the budget surplus of the Telecommunications, and,
(2) A decrease in Administrative fees and Charges collected between January and June 2005.

Income from public institutions and government properties generated LL 631 billion by June 2005, registering an 11 percent decline in revenues when compared to the collection level in the same period of 2004. This includes the following details:

a) LL 31 billion from **Casino Du Liban**, LL 5 billion more revenues than the amount collected in January-June 2004,
b) LL 20 billion from the **National Lottery**, an LL 3 billion increase compared to the first semester of 2005,
c) LL 525 billion as transfers from the **Budget surplus of the Telecommunications** for the first semester of the year, 17 percent below the amount received in January-June

2004, mainly due to the lack of transfers to the Treasury for the months of January and June 2005,

d) LL 33 billion as revenues from the Port of Beirut, collected as a one time payment in March 2005.

Administrative fees and charges collected LL 158 billion in January-June 2005, almost 7 percent less than the level collected in the first six months of 2004. This resulted from:

1)- A 5 percent decrease in the collection of **administrative fees**, which totaled LL 125 billion in the first six months of 2005. This is mainly explained by the 10 percent decrease in **vehicle control fees** during that period, reaching LL 55 billion compared to the LL 61 billion collected between January and June 2004. In parallel, with LL 10 billion received by June 2005, **judicial fees** recorded an approximate 13 percent decrease. Other fees, namely **notary fees**, **driving license fees**, and **passport/public security fees**, maintained to a large extent, their January-June 2004 level of collection, with LL 8 billion, LL 6 billion and LL 40 billion of receipts, respectively collected in QI 2005.

2)- A 25 percent decrease in administrative charges (which include public exam fees, registration fees in public schools and the Lebanese University, and fees from port authorities) which amounted to LL 9 billion by the end of the first half of 2005, compared to LL 12 billion in the same period of 2004.

Treasury Revenues in January-June 2005 summed up to LL 206 billion compared to LL 197 billion in the first semester of 2004. This 5 percent rise in receipts is due to a 133 percent increase in Municipalities revenues, which amounted to LL 114 billion in the first six months of the current year and which is explained by an exceptional payment of LL 70 billion in April 2005, representing municipalities' revenue sharing from insurance companies which have not been settled for two years.

Section III: Expenditure Outcome

Table 5. Expenditures by Transaction Classification

(LL billion)	2004 June	2005 June	2004 Jan-June	2005 Jan-June	% Change
Total Expenditures	**958**	**1,123**	**5,007**	**4,856**	**-3.01%**
Budget Expenditures	**852**	**933**	**3,998**	**3,642**	**-8.89%**
Expenditures Excluding Debt Service	424	623	1,990	2,087	4.88%
Debt Service, *of which*:	428	309	2,008	1,555	-22.53%
Domestic Debt	*177*	*124*	*1,178*	*620*	*-47.39%*
Foreign Debt, of which:	*251*	*185*	*830*	*935*	*12.77%*
Eurobond Coupon Interest	*221*	*148*	*718*	*804*	*11.93%*
Concessional Loans Principal Payments	*20*	*27*	*61*	*71*	*17.00%*
Concessional Loans Interest Payments	*11*	*10*	*50*	*50*	*-1.01%*
Treasury Expenditures , *of which*:	**106**	**190**	**1,010**	**1,214**	**20.26%**
Municipalities	*12*	*23*	*208*	*166*	*-20.37%*
Previous Years' Appropriations	*16*	*6*	*430*	*482*	*11.91%*
Non-Interest Expenditures (Total Expenditures minus Debt Service)	**530**	**813**	**2,999**	**3,301**	**10.06%**

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

Between Jan-Jun 2004 and Jan-Jun 2005, **total expenditures for budget and treasury transactions** witnessed a 3 percent decrease, going down from LL 5,007 billion in the first semester of 2004 to LL 4,856 billion in the first semester of 2005.

1) **2005 budget expenditures** amounted to LL 3,642 billion in the first semester of 2005, registering a decline of 9 percent when compared to the first semester of the preceding year, mainly owing to a 23 percent decrease in **debt service** expenditures, from LL 2,008 billion to LL 1,555 billion, resulting from a 47 percent decrease in the **domestic debt service** portion which offset the 13 percent increase in the **foreign debt service** part.

2) **Treasury expenditures** consist of extra budgetary transactions as well as previous years' budgets transactions. They totaled LL 1,214 billion in January-June 2005 compared to LL 1,010 billion incurred in January-June 2004, registering an increase of 20 percent.

Non-interest expenditures (total primary expenditures) amounted to LL 3,301 billion in the first six months of 2005, a 10 percent increase in comparison with the LL 2,999 billion registered over the same period in 2004. This LL 302 billion increase is largely explained by a) the LL 231 billion higher transfers to NSSF and b) LL 308 billion higher direct and indirect spending on EDL.

When expenditures are examined from an economic oriented perspective, current expenditures are found to have slightly declined (by 3 percent) while capital spending has declined by a relatively larger amount (33 percent). Meanwhile, "other treasury expenditures" increased by 29 percent.

Current expenditures cumulated at LL 3,857 billion in the first six months of 2005, remaining almost constant compared to their level during the first semester of 2004 when they totaled LL 3,980 billion.

Primary current expenditures (excluding debt service) amounted to LL 2,302 billion by the end of June 2005, an increase of LL 330 billion or 17 percent above the LL 1,972 billion disbursed in the same period a year earlier. The increase resulted mainly from:

(1) An augmentation of LL 59 million in materials and supplies,

(2) A rise of LL 274 billion in various transfer payments,

(3) An increase of LL 20 million in other current expenditures.

The details of current expenditures are highlighted in what follows *(also please refer to table 6)*:

Personnel cost amounted to LL 1,540 billion in January-June 2005, only 1 percent below the January-June 2004 level of LL 1,556 billion mainly due to 4 percent lower spending on retirement and end of service compensations.

Debt service for the first six months of 2005 amounted to LL 1,555 billion, registering a decrease of LL 453 billion compared to the first semester of 2004. This decline can be mainly attributed to the large drop in domestic currency debt service which equaled LL 620 billion by the end of the first semester of 2005 compared to LL 1,178 billion in the same period of last year. The decline in the debt service bill is still due to the positive impact of Paris II transactions, the overall decline in the interest rate level which took place at the time, and the lower financing requirements due to the primary surpluses being achieved. The increase in the foreign currency interest bill is due to the steady increase in the share of foreign currency debt to total debt during the past couple of years. Foreign currency debt accounted for 50.8 percent of total debt at the end of June 2005, up from 46.8 percent in June 2004.

Materials and supplies amounted to LL 121 billion in the first semester of 2005, increasing by 95 percent when compared to the LL 62 billion spent by end June 2004. This increase is mainly due to the LL 90 billion payment of public administrations' electricity bills to EDL, in accordance with Law # 672 enacted on February 17th, 2005 which opened an additional allocation in 2004 Budget Law, under the Ministry of Finance's budget to reimburse accrued electricity bills on behalf of public administrations[6].

External services (rent, postal services, insurance, advertisement and public relations) amounted to LL 43 billion in January-June 2005, a 19 percent decrease compared to January-June 2004.

Various transfers reached LL 434 billion in the first semester of 2005, rising by LL 274 billion from the same period in 2004. Out of this increase:

a. Subsidies paid to the annex budget of the General Directorate of Grains and Sugar Beet[7] amounted to LL 15 billion,

b. Transfers to the National Social Security Fund augmented by LL 231 billion. The total amount paid in January-June 2005 to the NSSF reached LL 290 billion, of which LL 240 billion were paid in June 2005.

c. Transfers to the Ministry of Health increased by LL 16 billion, from which LL 4 billion were allocated for the functioning of the new governmental hospitals of Tripoli, Ehden and Becharre and LL 9 billion to the Beirut hospital.

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[6] *For additional information, kindly refer to the yearly 2004 report entitled "Public Finance prospects2004", Boxes page 15.*

[7] *The General Directorate of Grains and Sugar Beet is under the supervision of the Ministry of Economy and Trade.*

Table 6. Expenditures by Economic Classification

(LL Billion)	2004 Jan-June	2005 Jan-June	% Change
1. Current Expenditures	**3,980**	**3,857**	**-3%**
1.a Personnel Cost, *of which:*	1,556	1,540	-1%
Article 13: Salaries and Wages 1/	*1,019*	*1,030*	1%
Retirement and End of Service Compensations	*433*	*416*	-4%
1.b Debt service payments	2,008	1,555	-23%
1.c Materials and Supplies 2/	62	121	95%
1.d External Services	53	43	-19%
1.e Various Transfers, *of which:*	160	434	171%
NSSF	*59*	*290*	*392%*
1.f Other Current, *of which:*	107	127	19%
Hospitals	*91*	*79*	*-13%*
Others 3/	*16*	*48*	*200%*
1.g Reserves, *of which:*	33	37	12%
Interest Subsidy	*33*	*37*	*11%*
2. Capital Expenditures	**404**	**269**	**-33%**
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	1	3	200%
2.b Equipment	20	11	-45%
2.c Construction in Progress	320	206	-36%
2.d Maintenance	29	28	-3%
2.e Other Expenditures Related to Fixed Capital Assets	33	21	-36%
3. Other Treasury Expenditures, *of which:*	**547**	**705**	**29%**
Municipalities	208	166	-20%
EDL	125	295	136%
Treasury Advances for Water Authorities	0	48	100%
Treasury Advances for Fuel Subsidy	0	12	100%
4. Unclassified Expenditures	**17**	**3**	**-82%**
5. Customs Cashiers	**60**	**21**	**-65%**
6. Total Expenditures 4/	**5,007**	**4,856**	**-3%**

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

1/ Includes the wages and salaries for the Council of the South, the Lebanese University, the Displaced Council, the Council for Reconstruction and Development, and the Educational Center for Research and Development.

2/ LL 91 billion were paid to EDL in accordance with law # 672 (17-02-05) to reimburse accrued electricity bills on behalf of public administrations..

3/ LL32 billion were paid to the Ministry of Education in settlement of arbitration decisions related to contractual teachers' wages & salaries

4/ Excluding foreign financed capital spending.

Other current expenditures totaled LL 127 billion by the end of June 2005, increasing by 19 percent from their level in the same period of 2004. This resulted from transfers amounting to LL 32 billion paid to the Ministry of Education in settlement of arbitration decisions related to contractual teachers' wages and salaries.

Interest subsidies for loans to the productive sectors (agriculture, industry, tourism, technology and crafts) increased by LL 4 billion or by 11 percent from their level in the first six months of 2004, reaching LL 37 billion by the end of June 2005.

Capital expenditures reached LL 269 billion in January-June 2005, LL 135 billion below the comparable period of last year mainly due to a 36 percent or LL 114 billion decrease in **construction in progress.** This is owing to:

(a) Lower transfers to the Council of the South which reached an amount of LL 22 billion in the first semester of 2005 compared to LL 60 billion in January-June 2004 and

(b) The absence of any spending on the Displaced Fund for the first six months of 2005 compared to transfers which totaled LL 62 billion in January-June 2004.

The remaining amount accounting for construction in progress was spent as follows:

- Transfers to the Council for Development and Reconstruction (CDR) totaled LL 139 billion in the first semester of 2005 compared to LL 134 billion in the same period in 2004
- Capital expenditures for the Ministry of Public Works and Transport reached LL 17 billion in January-June 2005, a 54 percent decrease compared to the LL 37 billion spent in the comparable period of last year.
- Other construction in progress totaled LL 24 billion in the first semester of 2005 slightly less than the LL 27 billion disbursed in 2004.

Other Expenditures Related to Fixed Capital Assets also decreased by LL 12 billion reaching LL 21 billion by the end of June 2005. This decline is due to the absence of transfers to the Investment Development Authority Lebanon, IDAL, for "the Export Plus Program" in the first semester of 2005.

Table 7. Transfers to EDL

(LL billion)	2004 Jan-June	2005 Jan-June	% Change
EDL *of which:*	**125**	**433**	**136.0%**
Debt Service *of which:*	**125**	**113**	**-9.4%**
C-Loans and Eurobonds, *of which:*	91	113	23.8%
Principal Payment	*67*	*77*	14.0%
Interest Payment	*24*	*36*	51.1%
Loans for Fuel Oil Payment	33	0	-100.0%
BDL Guaranteed Loan Payment	0	0	0.0%
Treasury Advance for Fuel Purchase	**0**	**127**	**100.0%**
Treasury Advance for EDL' s Losses	**0**	**55**	**100.0%**
Material and supplies (electricity bills) 1/	**0**	**91**	**100.0%**
Treasury advance to water authorities 2/	**0**	**48**	**100.0%**
Expropriations	**0**	**0**	**0.0%**

Source: MOF, DGF

1/ LL 90 billion were paid to EDL in accordance with law # 672 (17-02-05) to reimburse accrued electricity bills on behalf of public administrations
2/ Treasury advance to water authorities for their accrued electricity bills

Other treasury expenditures witnessed a 29 percent increase, reaching LL 705 billion by June 2005 compared to LL 547 billion in January-June 2004. The rise in treasury expenditures which is equivalent to LL 158 billion incurred despite the 20 percent lower spending on municipalities between January and June 2005. Out of the LL 166 billion transfers to municipalities, LL 56 billion were spent in accordance with Decree number 14290 dated November 3rd, 2004, and the remaining amounts represent mainly payments made to solid waste managements companies.

The augmentation therefore pertains to higher direct Treasury transfers to **EDL** which amounted to LL 295 billion by the end of June 2005 compared to LL 125 billion for the first six months of 2004.

However, the total transfers to EDL amounted to LL 433 billion: 1) LL 295 billion represent direct Treasury transfers; 2) LL 91 billion represent budget transfers under Materials and Supplies; and 3) LL 48 billion represent a Treasury advance to water authorities for the payment of accrued electricity bills. In comparison with 2004, the higher level of treasury transfers to EDL in the first semester of 2005 in contrast to 2004 is explained by 1) the LL 127 billion treasury advance for fuel purchase and 2) the LL 55 billion treasury advance paid to cover EDL's deficit (this is part of the LL 220 billion Treasury advance granted by decree 14561 on April 14th 2005 to finance EDL's deficit).

National Social Security Fund: The implications on fiscal performance

The fiscal outcome for the first six months of 2005 was influenced by the transfers made to the National Social Security Fund, amounting to LBP 290 billion, representing around 14 percent of total primary spending reported during the same period. It is worth to note that the month of June witnessed a large transfer to the NSSF, amounting to LBP 240 billion (in accordance with Law # 671 which authorized the opening of additional allocations in Budget 2004 to reimburse the government's subscription in NSSF for 2003 & 2004). This transfer represents 38.5 percent of total primary spending during the month of June, pushing primary expenditures to reach the highest level since 2001.

The financial operations of the NSSF yielded a surplus of LBP 271 billion in 2004, despite the large deficit reported in the Maternity and Sickness Fund and Family Allowances, estimated at LBP 186.8 billion in both funds. This deficit was more than offset by the surplus reported in the End of Service Fund estimated at LBP 454.3 billion.

Maternity and Sickness Fund: The deficit in the Maternity and Sickness fund amounted to 87.4 billion in 2001 and kept an increasing trend to reach 188.8 billion in 2003, to slightly drop to 110.2 billion in 2004. The deficit was covered by the legal reserve of the fund until it was fully exhausted, after which the deficit was covered through borrowing from the End-of-Service Indemnity Fund.

NSSF numbers indicate that revenues, mainly those generated by employers' contributions, dropped by 18 percent in 2001 compared to 2000, following the decline in contribution rates. However they regained their ascendant trend afterwards to grow by 2 percent annually in 2002 and 2003 and by 15 percent in 2004. The factor lying behind the fund's deficit is actually the significant increase in expenditures driven by an unexplainable increase in the number of hospitalization cases reported by the Fund, pushing high the hospitalization rate to reach 19 percent in 2003, as compared to a national rate of 10 percent.

National Social Security Fund:
The implications on fiscal performance - (Continued)

Financial Status Maternity and Sickness Fund – NSSF (1999-2004)
Million LL

Revenues	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Employers subscription	247,878	273,623	223,898	227,896	233,097	268,947
Taxi drivers	9,535	9,303	9,269	9,301	9,042	19,195
Government contribution	-	-	-	-	-	
Mayers						1,602
25 % of fund's expenditures						55,208
Other revenues	4	-	3	-	-	
Interest on Fund money	43,472	58,898	46,903	31,651	11,147	373
Total	**300,889**	**341,825**	**280,072**	**268,848**	**253,286**	**345,325**
Annual Change in employers subscription		**10%**	**-18%**	**2%**	**2%**	**15%**
Annual Change in revenues (%)		**14%**	**-18%**	**-4%**	**-6%**	**36%**
Expenditures						
Medical care	217,132	217,756	313,965	363,808	379,823	406,333
Maternity care	7,118	6,477	8,575	10,378	11,457	
Funeral allowances	643	1,109	1,058	895	1,044	
transfers to sub-contracting firms	2,608	2,587	2,200	1,871	1,403	
Contribution to administrative expenditures	37,529	37,563	41,681	45,522	48,357	42,413
Interest paid on financial assistance from end-of-service fund	-	-	-	-	-	6,745
Total	**265,031**	**265,493**	**367,478**	**422,474**	**442,084**	**455,491**
Annual Change in expenditures		**0%**	**38%**	**15%**	**5%**	**3%**
Deficit/surplus	**35,858**	**76,332**	**87,405-**	**153,625-**	**188,798-**	**110,166-**

Source: National Social Security Fund

The Volunteer Fund for Maternity and Sickness, introduced in 2003, covered around 33,000 contributors in 2004. This newly established fund is barely covering its expenses and is expected to experience a deficit if it continues to function at the same trend. It is worth to note that, by being voluntary, the Fund is attracting mostly the elderly (around 60 percent of its contributors are aged 50 years and more).

Family Allowances Fund: The Family Allowances' Fund experienced a deficit that amounted to LBP 15.3 billion in 2001, and grew in the subsequent years to reach an alarming level of LBP 87.4 billion in LBP 2003 and 76.7 billion in 2004. To finance this deficit, the Fund had to resort to its own reserves, and had almost exhausted all its regular reserves, and part of the legal reserves that dropped to LBP 40.2 billion in 2003.

Government subsidized loans to productive sectors

The Lebanese private sector has a lot of small and medium sized enterprises (SMEs) that face difficulties in raising capital. To tackle this issue, the government provides subsidies to SMEs under three schemes:

(1) Subsidized interest loans,
(2) Subsidized interest loans with Kafalat guarantees, and
(3) Export plus subsidies.

These subsidies have been set up to mitigate the crowding out effect of the high interest rates in Lebanon that are induced by public sector borrowing. They allow SMEs to increase the financing of their business activities, which results in increased domestic investment, output, and employment.

The total amount of subsidies paid by the government on the subsidized interest loan program and Kafalat amounted to LL 192 billion from 2002 to 2004 and the amount disbursed on the export plus program amounted to LL 100 billion from 2001 to 2004.

Subsidies Paid by the Government

LL Billion	Interest Loan Program & Kafalat	Export Plus
2001		50
2002	54	10
2003	66	20
2004	72	20

I. Kafalat Scheme:

The government extended support to the agriculture, tourism, industry, traditional craft and technology sectors through the Guarantee Scheme for Loans offered by Kafalat.

Kafalat provides guarantees for up to 75 percent of the value of loans granted by commercial banks at subsidized rates. The interest rate subsidies are financed by the Lebanese treasury and administered by the Central Bank of Lebanon. The Government bears 7 percent of the cost of borrowing.

Distribution of Loans Guaranteed by Economic Sector – Aug 1999 - Dec 31, 2004

Economic Sector	Number of Guarantees	%
Industry	1111	43.4
Agriculture	965	37.7
Traditional Crafts	95	3.71
Tourism	315	12.3
High Technology	74	2.89
Total	2560	100

Source: Kafalat

Between January and July 2005, Kafalat guaranteed 301 loans, totaling L.L. 43 billion. On Dec. 31, 2004, Kafalat had an outstanding portfolio of 2560 loan guarantees, totaling in loans L.L. 342 billion.

The total amount of subsidies paid by the government on the subsidized interest loan program and Kafalat, since January-June 2005, amounted to LL 37 billion. This amount represents a 12% increase compared to January-June 2004, where the amount stood at L.L. 33 billion.

Government subsidized loans to productive sectors – (Continued)

II. Government support for export promotion:

Within its strategy aiming at improving the quality of Lebanese agricultural exports, IDAL launched the Export Plus program in August 2001. The program involves a government subsidy for agricultural exports (vegetable, fruit, flower, and egg), backed up by measures to upgrade standards. In 2004 the government granted IDAL an amount of LL 20 billion to support Lebanese farmers and promote fresh produce exports.

The total volume of agricultural exports through the Export Plus program marked a drop of 6.2% in January-March 2005 as compared to the same months of the previous year. It is worth mentioning that non-Arab countries have witnessed a 64% decrease in the volume of Lebanese agricultural imports.

Total agricultural exports per importing country

(in tons)	Jan-March 2004	Jan-March 2005	% change
Bahrain	1623	1840	13.4
Egypt	12657	10239	-19.1
Jordan	4044	3621	-10.5
Iraq	17	1290	-
Kuwait	14131	13702	-3.0
Qatar	2726	2421	-11.2
KSA	25319	22454	-11.3
Oman	2256	2305	2.2
Syria	21544	21324	-1.0
UAE	7746	7831	1.1
Yemen	245	0	-100
Non-Arab countries	878	314	-64.2
Total	**93,185**	**87,340**	**-6.3**

Source: IDAL

Section IV: Public Debt Developments

Table 8. Public Debt Outstanding by Holder as of End-June 2005

(in LL Billion)	Dec-02	Dec-03	Dec-04	Jun-05	Change Year-to-date	% Change Year-to-date
Total Debt	**47,276**	**50,285**	**54,042**	**54,404**	**362**	**0.7%**
Domestic Debt	**25,302**	**26,843**	**26,371**	**26,751**	**380**	**1.4%**
a. Central Bank	723	8,938	10,652	13,152	**2,500**	**23.5%**
b. Commercial Banks	17,211	12,303	12,220	10,522	**-1,698**	**-13.9%**
c. Other Domestic Debt, *of which:*	7,368	5,603	3,500	3,078	**-422**	**-12.1%**
Public Entities	*3,221*	*2,564*	*2,187*	*2,182*	**-5**	**-0.2%**
Foreign debt	**21,974**	**23,442**	**27,671**	**27,652**	**-18**	**-0.1%**
a. Bilateral, Multilateral and Foreign Private Sector Loan	2,752	2,934	2,963	2,895	**-69**	**-2.3%**
b. Paris II Related FX Debt	1,432	3,731	3,815	3,697	**-117**	**-3.1%**
c. BDL Eurobonds	2,819	2,819	2,819	2,819	**0**	**0.0%**
d. Market Eurobonds	14,569	13,632	17,686	17,824	**138**	**0.8%**
e. Accrued Interest on Foreign Currency Debt	402	327	388	417	**29**	**7.6%**
Public Sector Deposits	**2,964**	**3,019**	**4,360**	**4,276**	**-83**	**-1.9%**
Net Debt	**44,312**	**47,266**	**49,682**	**50,127**	**445**	**0.9%**
Gross Market Debt 2/	**36,765**	**29,638**	**31,861**	**29,893**	**-1,968**	**-6.2%**
% of Total Debt	**78%**	**59%**	**59%**	**55%**		

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.

2/ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, and Paris II related debt

Gross Public debt as of end-June 2005 amounted to LL 54,404 billion (US$ 36 billion) registering a LL 356 billion or 0.7 percent increase over the end-Dec 2004 debt level. Gross public debt during the first half of 2004 registered an increase of LL 2,143 billion or 4.3 percent over the end-December 2003 level. The slowdown in the rate of growth of gross public debt is attributable to the over-financing which the Ministry of Finance undertook at the end of 2004, the proceeds of which were utilized in the first half of this year.

Net public debt as of end-June 2005 amounted to LL 50,127 billion (USD 33.25 billion) registering an increase of LL 445 billion or 0.9 percent over the end-December 2004 level.

The **domestic debt** component of public debt amounted to LL 26,751 billion as of end-June 2005, increasing by LL 380 billion or 1.4 percent. Commercial banks' appetite for Lebanese Pound denominated Treasury bills was strong in June 2005 following a period of low demand due to the uncertainty caused by the tragic assassination of late Prime Minister Hariri and the political uncertainly that followed. During March and April 2005, a maturity swap involving LL 2,200 billion of treasury bills maturing between 2006-2008 was conducted with the commercial banks resulting in the issuance of new 48 and 60-month maturity bills that fall due in 2009 and 2010. During June 2005, commercial banks' portfolio of Treasury bills increased by LL 817 billion, while the portfolio of the Central Bank declined by LL 340 billion. The zero interest TBills maturing in June (initially issued in 2003 as part of the commercial bank's contribution in the context of the Paris II conference) were renewed at market rates by the commercial banks.

Foreign currency debt at end-June 2005 amounted to LL 27,652 billion (US$ 18.3 billion) and declined slightly by LL 27 billion over the end-December 2004 level mainly due to the revaluation effect of the Euro/US$ exchange rate. The Treasury raised **US$ 1.75 billion** of Eurobonds during the first half of the year (US$ 1.25 billion of which were initially issue to the BDL who subsequently sold the bonds to investors on the secondary market) and total foreign currency payments (both principal and interest payments) made during the same period (from the Eurobonds issued and the surplus Treasury accounts) amounted to US$ 2.2 billion (including US$ 726 million of zero interest Eurobonds which were fully repaid). The Ministry of Finance raised US$ 500 million from the market in June 2005 through a dual tranche Eurobond (see box for further details on this transaction).

Table 9. Eurobond Principal Payments made during the period Jan-June 2005

(amounts in US Dollar million)	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	**HI 2005**
Regular Eurobonds	-	-	486	-	-	352	**838**
Zero Interest Eurobonds*	77	93	109	147	300	-	**726**
Total	**77**	**93**	**595**	**147**	**300**	**352**	**1,564**

Source: Ministry of Finance
** Issued in 2003 as part of the Lebanese commercial banks' contribution following the Paris II conference.*

US$ 500 Million Dual Tranche Eurobond

June 2005

The Ministry of Finance launched its first market Eurobond transaction for 2005 on June 20 for an aggregate principal amount of US$ 500 million. The transaction was composed of two US$ 250 million tranches with maturities of 3 and 8 years:

The bonds were placed with significant international demand following a road show in London on 12 June, 2005. The proceeds of this Eurobond were used to settle the US$ 352 million Eurobond maturing on June 30, 2005 and other foreign currency debt payment in June and thereafter.

SUMMARY OF TERMS AND CONDITIONS

Bookrunners:	BLOM Bank and CSFB	
Series number	Series 38	Series 39
Issue amount:	US$ 250,000,000	US$ 250,000,000
Issue date:	June 20, 2005	June 20, 2005
Maturity date:	June 20, 2008	June 20, 2013
Coupon rate:	7.375 percent	8.625 percent
Issue Type:	Fixed Rate Note, launched off the GMTN program	Fixed Rate Note, launched off the GMTN program
Governing Law:	New York Law	New York Law
Listing:	Luxembourg and Beirut Stock Exchanges	Luxembourg and Beirut Stock Exchanges

Table 10. Public Debt Outstanding by Instrument as of End-June 2005
(in LL Billion)

	Dec-02	Dec-03	Dec-04	Jun-05	Change Year-to-date	% Change Year-to-date
Total Debt	**47,276**	**50,285**	**54,042**	**54,404**	**362**	**0.7%**
Domestic Debt	**25,302**	**26,843**	**26,371**	**26,751**	**380**	**1.4%**
1. Long Term Bonds, *of which:*	**22,268**	**24,691**	**20,766**	**20,338**	**-428**	**-2.1%**
a- 60 Months Bonds	0	650	650	1,772	1,122	63.3%
b- 54 Months Bonds	0	616	616	616	0	0.0%
c- 48 Months Bonds	0	*0*	*0*	*633*	633	100.0%
d- 36 Months Bonds	339	884	8,943	11,079	2,136	19.3%
e- 30 Months Bonds	0	3,033	3,033	3,033	0	0.0%
f- 24 Months Bonds	21,214	18,986	7,281	2,877	-4,404	-153.1%
g- Coupon Interest	715	522	243	329	86	26.1%
2. Short Term Bills, *of which: 1/*	**2,866**	**1,799**	**5,102**	**5,898**	**796**	**13.5%**
a- 12 Months Bills	1,522	796	2,887	4,082	1,195	29.3%
b- 6 Months Bills	1,028	424	2,103	1,733	-369	-21.3%
c- 3 Months Bills	317	579	112	82	-30	-36.2%
3. Other Domestic Debt 2/	**169**	**353**	**504**	**516**	**12**	**2.3%**
Foreign Debt	**21,974**	**23,442**	**27,671**	**27,652**	**-18**	**-0.1%**
1. Eurobonds, *of which:*	**19,222**	**19,566**	**23,682**	**23,849**	**167**	**0.7%**
Paris II related Eurobonds	1,432	2,789	2,789	2,789	0	0.0%
2. Loans, *of which:*	**2,752**	**3,876**	**3,989**	**3,803**	**-186**	**-4.9%**
a- Paris II Concessional Loan 3/	0	942	1,026	909	-117	-12.9%
b- Bilateral and Multilateral Loans	2,316	2,595	2,708	2,661	-47	-1.8%
c- Foreign Private Sector Loans	436	338	255	234	-21	-9.0%

Source: MOF, Banque du Liban

1/ Includes Accrued Interest on Short-Term Bills

2/ Mainly composed of loans extended to EDL to finance fuel purchases made in

3/ Represents the Euro 500 million contribution of France in the Paris II conference

Table 10 above demonstrates the **evolution of public debt by instrument**. On the domestic debt front, the large decline in the 24-month category was due to the maturity of the zero interest treasury bills in the amount of LL 4,404 billion in HI 2005. Approximately, LL 2,460 billion of these zero interest Treasury bills were rolled over into new 6 and 12-month treasury bills with rates ranging between 3.090-3.750 percent for the 6-month and 3.265-4.125 percent for the 12-month maturity, two-thirds of which were in the 12-month category which explains the increase in the outstanding amount of this instrument since the beginning of the year. The remaining zero-interest TBills were renewed at market rates, most notably in the 36-month category, which by end-June 2005 represented more than 40 percent of total domestic debt outstanding. The increase in the value of the 48 and 60-month TBills is due to the maturity swap conducted in March/April 2005 discussed earlier.

On the foreign currency front, the increase in the **Eurobonds** line item by LL 167 billion over the end-2004 level is due to the excess of Eurobond issuance over maturing Eurobond principal. This increase has, however, been adjusted downwards due to the revaluation effect of the US$/Euro exchange rate. As for **foreign currency loans**, the LL 186 billion decline witnessed during HI 2005 is mainly due to the revaluation effect of the US$/Euro exchange rate between end-December 2004 and end-June 2005. For example, value of the Euro 500 million contribution of France at the Paris II conference expressed in the table above in Lebanese Pounds suggests a decline of LL 117 billion, whereas the nominal value of this loan in its original currency remains unchanged.

Table 11: Eurobonds Outstanding as at June 30, 2005

Year of Issue	Maturity	Original Principal Amount	Outstanding Principal Amount(1)	Coupon
1997	2007	U.S. $100 million	U.S. $100 million	7.500%
1997	2007	U.S. $400 million	U.S. $369 million	8.625%
1998	2005	U.S. $450 million	U.S. $139 million	8.750%
1999	2006	Euro 300 million	Euro 264 million	8.875%
1999	2009	U.S. $650 million	U.S. $636 million	10.250%
2001	2006	U.S. $1,150 million	U.S. $1,110 million	9.875%
2001	2008	U.S. $750 million	U.S. $750 million	10.125%
2001	2016	U.S. $400 million	U.S. $400 million	11.625%
2002	2006	U.S. $350 million	U.S. $321 million	10.500%
2002	2006	U.S. $500 million	U.S. $105 million	10.500%
2002	2006	U.S. $750 million	U.S. $641 million	10.500%
2002(2)	2017	U.S. 950 million	U.S. 950 million	5.000%
2002(2)	2017	U.S. 1,870 million	U.S. 1,870 million	4.000%
2003(2)	2018	U.S. 700 million	U.S. 700 million	5.000%
2003(2)	2018	U.S. 200 million	U.S. 200 million	5.000%
2004	2010	U.S. $1,265 million	U.S. $1,265 million	7.125%
2004	2012	U.S.$ 600 million	U.S. $ 600 million	7.750%
2004	2009	U.S.$ 625 million	U.S. $ 625 million	6 mo L + 325bp
2004	2009	U.S.$ 425 million	U.S. $ 425 million	7.000%
2004	2011	U.S.$ 1,000 million	U.S. $ 1,000 million	7.875%
2004	2009	Euro 225 million	Euro 225 million	7.250%
2004	2008	U.S.$ 700 million	U.S. $ 700 million	6.375%
2004	2010	U.S.$ 300 million	U.S. $ 300 million	6.875%
2005	2007	U.S.$ 1,000 million	U.S. $ 1,000 million	6.500%
2005	2008	U.S. $250 million	U.S. $250 million	7.000%
2005	2008	U.S. $250 million	U.S. $250 million	7.375%
2005	2013	U.S. $250 million	U.S. $250 million	8.625%

Source: Ministry of Finance

(1) The outstanding amount of some Eurobonds is less than the original amount due to the cancellation of a portion of such Eurobonds in connection with the Central Bank and Commercial Bank debt service reduction measures conducted in the context of the Paris II Conference.

(2) Eurobonds issued in connection with the Paris II Conference

Section V: Evolution of External Trade

Table 12. External Trade

(USD Million)	2004 June	2005 June	2004 Jan-June	2005 Jan-June	Change	% Change
Exports	145	164	875	874	-1	0%
Imports, *of which:*	744	740	4,234	4,471	237	6%
Mineral Products	126	167	800	909	109	14%
Trade Balance	**-599**	**-576**	**-3,359**	**-3,597**	**-238**	**7%**

Source: MOF, Directorate General of Customs (DGC)

Balance of trade: In January-June 2005**,** the trade deficit increased by 7 percent compared to the first semester of 2004. The slight widening of the trade deficit resulted from (1) the steady level of exports against (2) a 6 percent rise in imports. The upsurge in imports is due to two main factors, namely, an increase in the price of mineral products and an increase in the imports of pearls, precious and semi-precious stones. The null growth in exports is due to the diminution of exports to Iraq and the decrease of gold ingots exports to Switzerland[8].
By the end of June 2005, **imports** amounted to USD 4,471 million, compared to USD 4,234 million in the same period one year earlier. From a product perspective, the increase in imports reflects (1) a USD 164 million increase in the imports of pearls, precious and semi precious stones and (2) a USD 109 million increase in the value of the imports of mineral products which resulted from the increase in the price of gas oil and car gasoline which offset the decrease in the volume of imported gas oil and fuel oil.

From a regional distribution perspective, the augmentation in the value of imports reflects (1) a USD 106 million increase in imports from Arab Countries, (2) a USD 44 million rise in imports from Switzerland and (3) a USD 150 million upsurge in imports from other countries which are not traditionally Lebanon's main trading partners such as Congo (USD 156 million increase in imports), Brazil (USD 31 million increase in imports) and India (USD 28 million increase in imports).

By the end of June 2005, **exports** reached USD 874 million, decreasing by USD 1 million with respect to the first semester of 2004. From a product perspective, the decrease in exports is mainly owed to (1) a USD 93 million decrease in the exports of pearls, precious or semi precious stones and (2) a USD 7 million decline in the exports of machinery and mechanical appliances. This decline approximately offset the USD 36 million increase in the exports of base metals and articles of base metals, the USD 18 million increase in the exports of mineral products as well as the USD 17 million increase in prepared foodstuffs registered in the first six months of 2005. From a regional distribution perspective, the diminution in the value of exports reflects a USD 97 million decrease in exports to Switzerland.

[8] *This declining trend in the exports of gold ingots has also been observed between the first semesters of 2003 and 2004 when an USD 84 million or 33 percent decrease was registered.*

Table 13. Imports Distribution by Product

(USD million)	2004	2005	2004		2005			
	June	June	Jan-June	% Share	Jan-June	% Share	Change	% Change
Mineral Products	135	174	842	20%	943	21%	100	12%
Machinery and Mechanical Appliances	86	83	522	12%	516	12%	-6	-1%
Products of the Chemical	73	79	404	10%	421	9%	17	4%
Pearls, Precious or Semi-Precious Stones	52	40	236	6%	399	9%	164	69%
Transport Equipment	89	71	359	8%	345	8%	-14	-4%
Base Metals and Articles of Base Metals	40	48	286	7%	304	7%	19	7%
Other Goods	269	244	1,594	38%	1,543	35%	-51	-3%
Total	**744**	**740**	**4,243**	**100%**	**4,471**	**100%**	**228**	**5%**

Source: MOF, DGC

- **Import Distribution by Product:**

Imports of **mineral products** increased by 12 percent and cumulated at USD 943 million in January-June 2005 as compared to USD 842 million in the first six months of 2004. The increase in the import value of mineral products mainly resulted from:

1)- A USD 64 million increase in the imports of **car gasoline** which reached USD 281 million by the end of June 2005 mainly resulting from a) the 28 percent increase in the average effective import price of car gasoline from LL 430 per liter in January June 2004 to LL 551 per liter in January-June 2005, b) the 1 percent increase in quantities imported from 0.761 billion liters in January-June 2004 to 0.769 billion liters in January-June 2005. Hence, the increase in the imports of car gasoline was mainly nominal.

2)- A USD 32 million or 10 percent increase in the imports of **gas oils** (which reached USD 366 million in January-June 2005 compared to USD 334 million in January-June 2004). This was due to the 34 percent hike in the average effective price of gas oils imported from LL 397 per liter in January-June 2004 to LL 532 per liter in January-June 2005 which offset the 18 percent decrease in the quantity of gas oils imported. Quantities of gas oils imported reached 1.037 billion liters by the end of June 2005 compared to 1.270 billion liters in January-June 2004.

Table 14. Mineral Products Import Breakdown

	Jan-June 2004	Jan-June 2005	Change	% Change
Import Value Details (in USD Million):				
- Car Gasoline	217	281	64	29%
- Gas Oil	334	366	32	10%
- Fuel Oil	181	178	-3	-1.6%
Imports Quantity Details (in Million Liters):				
- Car Gasoline	761	769	8	1%
- Gas Oil	1,270	1,037	-233	-18%
- Fuel Oil	947	751	-196	-21%
Imports Price Details (in LL per Liter):				
- Car Gasoline	430	551	121	28%
- Gas Oil	397	532	135	34%
- Fuel Oil	288	357	69	24%

Source: MOF, DGC,

The 1 percent decrease in **machinery and mechanical appliances** imports, which reached USD 516 million by the end of June 2005 in comparison to USD 522 million in January-June 2004, is the consequence of a USD 29 million decrease in the imports of **reactors, boilers, machinery and mechanical appliances** (or what can be described as electrical materials for industrial use, totaling USD 291 million) which offset the USD 23 million augmentation in the imports of **electrical machinery and equipment and parts thereof** (or what can be described as electrical appliances for household use) which totaled USD 225 million during January-June 2005**.**

The USD 69 percent increase in the imports of **pearls, precious and semi-precious stones** which amounted to USD 399 million in the first semester of 2005 compared to USD 236 million in January-June 2004 resulted from (1) a USD 156 million increase in the imports of **un-worked (raw) industrial diamonds**, (2) a USD 26 million increase in the imports of **gold ingots**. The other two main items imported under the pearls, precious and semi-precious stones category are **worked non-industrial diamonds** (diamonds which are used in jewelry manufacturing) whose imports increased by USD 5 million in the first semester of 2005 reaching USD 46 million by the end of June 2005 and **articles of jewelry and parts thereof** whose imports decreased by USD 6 million reaching USD 14 million for the first semester of 2005.

Imports of **products of the chemical** reached USD 421 million in January-June 2005 compared to USD 404 million in January-June 2004 representing a 4 percent increase. This increase can be attributed to a USD 16 million increase in the imports of **pharmaceutical products**.

Transport Equipment imports were worth USD 345 million by the end of January-June 2005 as opposed to USD 359 million by the end of January-June 2004, witnessing a 4 percent increase. This 4 percent drop was caused by the USD 22 million decrease in the imports of **vehicles** by June 2005, totaling USD 332 million. More specifically, the decrease in the import value of vehicles can be attributed to a USD 25 million decline in the import value of cars, reaching USD 231 million by the end of June 2005. This was mainly due to the lower number of cars imported; which reached 16,937 units in January-June 2005 decreasing by 10 percent from 18,792 units during the same period of 2004.

Imports of **Base metals and articles of base metal** cumulated at USD 304 million by the end of June 2005 compared to USD 286 million by the end of June 2004, registering a 7 percent increase. This increase was mainly due to a USD 7 million increase in the imports of **aluminum and articles thereof** and a USD 6 million increase in the imports of **iron and steel**.

Table 15. Exports Distribution by Product

(USD million)	2004	2005	2004		2005			%
	June	June	Jan-June	% Share	Jan-June	% Share	Change	Change
Machinery and Mechanical Appliances	25	30	150	17%	143	16%	-7	-5%
Base Metals and Articles of Base Metals	18	19	105	12%	142	16%	36	35%
Prepared Foodstuffs	18	18	73	8%	90	10%	17	23%
Pearls, Precious or Semi-Precious Stones	14	17	173	20%	80	9%	-93	-54%
Products of the Chemicals	16	19	71	8%	74	8%	3	5%
Mineral Products	10	10	54	6%	72	8%	18	34%
Other Exports	43	50	249	29%	274	31%	25	10%
Total	**145**	**164**	**875**	**100%**	**874**	**100%**	**-1**	**0%**

Source: MOF, DGC

- **Export Distribution by Product:**

Machinery and mechanical appliances exports decreased by 5 percent or USD 7 million, cumulating at USD 143 million during January-June 2005 in comparison to USD 150 million in the same period a year earlier. This decrease resulted from a USD 13 million decrease in the exports of **electrical machinery and equipment and parts thereof** which were worth USD 89 million until June 2005. More precisely, this decline was mainly due to a USD 18 million decrease in the exports of **electric generating sets, rotary converters and suitable parts**, a USD 12 million decrease in insulated wire, cable and other insulated electric conductors which offset the USD 10 million increase in the export of **diverse spare parts of various electrical machines** and the USD 5 million rise in the exports of **reactors, boilers, machinery and mechanical appliances**.

Exports of **base metals and articles of base metals** increased by 35 percent, reaching USD 142 million compared to USD 105 million during the first semester of 2004. This was mainly due to:

(1) A USD 16 million increase in **iron and steel** exports, specifically in exports of **ferrous waste as well as scrap and re-melting scrap ingots of iron or steel**.

(2) A USD 7 million increase in **copper and articles thereof** exports.

(3) A USD 5 million increase in **articles of iron and steel** exports.

Exports of **prepared foodstuffs** increased by 23 percent reaching USD 90 million between January and June 2005 compared to USD 73 million in January-June 2004. This resulted from:

(1) A USD 5 million increase in **edible preparations** (mainly to the United States and Saudi Arabia),

(2) A USD 5 million increase in **preparations of cereals** (mainly to Saudi Arabia, Syria and Jordan),

(3) A USD 4 million increase in **beverages and spirits** (mainly to Syria, United Kingdom, Jordan and Iraq),

(4) A USD 3 million increase in **tobacco and manufactured tobacco substitutes** (mainly to the Netherlands, Germany, Syria and Belgium).

Exports of **pearls, precious or semi-precious stones** decreased by 54 percent and totaled USD 80 million during January-June 2005 as opposed to USD 173 million in January-June 2004. This decrease resulted from the 76 percent decrease in exports of **gold ingots** which amounted to USD 31 million by the end of June 2005 compared to USD 127 million by the end of June 2004. Other items under pearls, precious and semi precious stones category, and which are exported include (1) **articles of jewelry and parts thereof** whose export level remained constant and totaled USD 38 million and (2) **worked non-industrial diamonds** whose exports increased very slightly reaching USD 8 million by the end of June 2005.

Exports of **mineral products** increased by 34 percent reaching USD 72 million by the end of January-June 2005 compared to USD 54 million in the same period of 2004. This increase resulted from a 31 percent rise in the exports of **salt, sulfur, earths and stone, plastering materials, lime and cement** which reached USD 68 million by the end of June 2005; (which is itself the result of a USD 15 million increase in the exports of **clinker cement**[9] and **Portland cement)**.

Table 16. Regional Distribution of Imports

(USD million)	2004	2005	2004		2005			%
	June	June	Jan-June	% Share	Jan-June	% Share	Change	Change
European Union (1), *of which:*	278	319	1,651	39%	1,619	36%	-33	-2%
Euro zone (2)	*243*	*284*	*1,431*	*34%*	*1,413*	*32%*	*-19*	*-1%*
Arab Countries	97	81	573	14%	679	15%	106	18%
China	63	55	345	8%	327	7%	-17	-5%
United States	52	45	266	6%	245	5%	-21	-8%
Switzerland	38	34	173	4%	217	5%	44	25%
Other	217	206	1,235	29%	1,385	31%	150	12%
Total	**744**	**740**	**4,243**	**100%**	**4,471**	**100%**	**228**	**5%**

Source: MOF, DGC

(1)-The European Union included until the 30th of April 2004, the following countries: Austria, Belgium, Denmark, Finland, France, Germany and Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. Ten new countries have joined the EU on the 1st of May 2004.To facilitate comparisons with 2004 and preserve the cohesion with the trade figures published in 2004, the old nomenclature was preserved.

(2)-The Euro-zone) includes all EU members with the exception of Denmark, Sweden and the United Kingdom.

- **Regional Distribution of Imports:**

Imports from the **European Union** decreased by 2 percent, cumulating at USD 1,619 million in January-June 2005 compared to USD 1,651 million in January-June 2004, mainly due to two factors:

(a)- A USD 19 million or a 1 percent decrease in the value of imports from the **Euro-zone** which reached USD 1,413 million in January-June 2005 compared to USD 1,431 million in the same period of 2004. Behind this decrease stands: (1) a USD 16 million drop in the

[9] *Clinker cement is an intermediate product in the production of cement. Limestone is mixed with other additives containing iron, alumina and silica in definite proportions. This mixture is finely ground in a **raw mill**. The resultant raw mix is burned in a rotary kiln (a rotating sloped furnace) at temperatures around 1 400 degrees Celsius to form **clinker**. To obtain Portland cement, gypsum is added to clinker and the product is ground giving Portland cement.*

imports from Spain that resulted from a USD 23 million decrease in Spanish mineral oils and fuels imports and (2) a USD 21 million fall in the imports from Netherlands that resulted mainly from a USD 15 million decrease in Dutch mineral oils and fuels imports.

Lebanese imports from the Euro-zone accounts mainly for USD 310 million of mineral oils and fuels, USD 137 million of vehicles, USD 128 million of pharmaceutical products, and USD 102 million of reactors, boilers, machinery and mechanical appliances and parts thereof.

(b)-A USD 21 million or a 12 percent decline in the imports from the **United Kingdom** which reached USD 153 million in January-June 2005 compared to USD 174 million in January-June 2004. This resulted mainly from (1) a USD 19 million drop in the imports of mineral oils and fuels, and (2) a USD 6 million decrease in the imports of animal products.

Lebanon imported from the United Kingdom the following products: machinery and mechanical appliances for a total amount of USD 43 million, pharmaceutical products for a total value of USD 22 million, as well as USD 20 million worth of boilers and reactors.

Imports from **Arab countries** augmented by USD 106 million or 18 percent and reached USD 679 million for January-June 2005 compared to USD 573 million in January-June 2004. The rise in imports stemmed from (1) a USD 56 million increase in imports from Saudi Arabia resulting mainly from a USD 51 million rise in the imports of mineral oils and fuels and (2) a USD 30 million increase in imports from Egypt of which USD 11 million are due to iron and steel and USD 8 million to mineral oils and fuels.
The main imports from Arab countries for January-June 2005 were (1) mineral fuels and oils which were worth USD 261 million, (2) iron and steel whose imports attained USD 56 million and (3) plastics and articles thereof worth of imports reaching USD 47 million.

We can, therefore, conclude that the first half of 2005 witnessed a shift in the source of imports of mineral oils and fuels from European Countries to Arab Countries.

For the first time in years, imports from **China** registered a 5 percent decrease, falling from USD 345 million in January-June 2004 down to USD 327 million in January-June 2005. More specifically, this decline was due to a USD 20 million drop in the imports of reactors and boilers, machinery and mechanical appliances (mainly automatic data processing machines and home "split systems" air conditioning machines) which, with a total of USD 54 million, remained the main imported category from China.
Imports from the **United States** decreased by 8 percent, amounting to USD 245 million in January-June 2005 compared to USD 266 million in the first six months of 2004. This drop was due to a USD 24 million decrease in the imports of cereals (mainly a decline in the imports of maize and no imports at all of durum wheat[10]). Lebanon's main imports from the United States for the first semester of 2005 consisted of USD 39 million worth of tobacco and manufactured tobacco substitutes, USD 34 million worth of vehicles, and USD 25 million of boilers and reactors.

Imports from **Switzerland** increased by 25 percent and reached USD 217 million by the end of June 2005 compared to USD 173 million in January-June 2004. This increase resulted from (1) a USD 37 million increase in the imports of pearls, precious and semi precious stones (mainly gold ingots) and (2) a USD 4 million increase in the imports of boilers and reactors. The main imports from Switzerland for the first two quarters of 2005 were pearls, precious and semi precious stones for a total import value of USD 162 million and pharmaceuticals worth USD 27 million.

[10] *Durum is the hardest of all wheats. Its density, combined with its high protein content and gluten strength, make durum the wheat of choice for producing premium pasta products. Also unique to durum is its yellow endosperm, which gives pasta its golden hue.*
When durum is milled, the endosperm is ground into a granular product called semolina. A mixture of water and semolina forms a stiff dough. Pasta dough is then forced through dies, or metal discs with holes, to create hundreds of different shapes.

- **Regional Distribution of Exports:**

Table 17. Regional Distribution of Exports

(USD million)	2004 June	2005 June	2004 Jan-June	2004 % Share	2005 Jan-June	2005 % Share	Change	% Change
Arab Countries	81	89	453	52%	483	55%	30	7%
European Union	14	17	75	9%	85	10%	10	13%
Switzerland	6	6	129	15%	32	4%	-97	-75%
United States	3	5	21	2%	26	3%	5	23%
China	1	2	6	1%	9	1%	3	62%
Other	41	45	191	22%	239	27%	48	25%
Total	**145**	**164**	**875**	**100%**	**874**	**100%**	**-1**	**0%**

Source: MOF, DGC

Lebanese exports to the **Arab Countries** increased from USD 453 million in January-June 2004 to USD 483 million in January-June 2005, or a 7 percent increase.

The rise in Lebanese exports occurred despite the USD 68 million or 45 percent decreases in exports to Iraq which reached USD 84 million by the end of June 2005 compared to USD 152 million by the end of June 2004. This decline affected most export categories and more specifically, Lebanese products which enjoy high demand in Iraqi market such as machinery and mechanical appliances (mainly electric generating sets and rotary converters, electric generating motors, electric boards and panels and insulated wires), which declined by USD 37 million, cement which decreased by USD 12 million and prefabricated buildings which declined by USD 7 million.

The decrease in Lebanese exports to Iraq was counterbalanced by an increase in Lebanese exports to the following Arabic countries:

a)- A USD 41 million increase of exports to Syria. Exports to Syria reached USD 106 million in the first semester of 2005 compared to USD 65 million in the first six months of 2004. This 63 percent increase resulted from (1) a USD 23 million increase in the exports of cements which reached USD 39 million by the end of June 2005 compared to USD 16 million over the same period a year earlier, (2) slight increases in the majority of other than cement export categories, the total of the increases in the remaining export products summed up to USD 18 million.

b)- A USD 12 million increase of exports to Jordan due to increases in exports of machinery and mechanical appliances, plastics and articles thereof and vegetables fruits and other plants.

c)- Lebanese exports to countries like Saudi Arabia, Kuwait and Egypt increased respectively by USD 9 million, USD 8 million and USD 6 million between the first semester of 2004 and 2005.

Lebanese exports to the **European Union** increased from USD 75 million to USD 85 million between January-June 2004 and January-June 2005. This rise stemmed from (1) a USD 5 million increase in exports to Netherlands which resulted from a USD 4 million increase in tobacco and manufactured tobacco substitutes exports, and (2) a USD 3 million increase of exports to the United Kingdom which resulted from small increases in diverse export categories such as aluminum and articles thereof and machinery for making up paper.

Exports to the **Switzerland** decreased by 75 percent reaching USD 32 million by the end of June 2004 compared to USD 129 million between January and June 2004. This decrease pertains to the USD 98 million decrease in gold ingots witnessed between the first semesters of 2004 and 2005.

Exports to the **United States** increased by 23 percent, reaching USD 26 million in January-June 2005 compared to USD 21 million in the first semester of 2004. This resulted from the USD 3 million increase in pearls, precious and semi precious stones (mainly articles of jewelry and non industrial worked diamonds).

Lebanese exports to the United States consisted mainly of pearls, precious and semi precious stones for USD 6 million and furniture, bedding and mattresses (mainly wooden furniture for bedroom and non upholstered seats with wooden frames) for USD 6 million.

African Countries are Buying Lebanese

Exports to Africa (excluding Arabic African countries) 1/ have significantly risen over the past four years for the first half of the year. By the end of June 2005, Lebanese exports to Africa have reached USD 67 million compared to USD 48 million in January-June 2004, USD 31 million in January-June 2003 and USD 23 million in January-June 2002 or respectively a 40 percent, 116 percent and 191 percent increase.

An analysis of Lebanese export figures to Africa from a regional perspective will reveal the following export patterns:

1)- Most of Lebanese exports are heading toward West Africa 2/ where the majority of the Lebanese Diaspora in Africa is located. Exports to West African countries reached USD 45 million by end of June 2005 or 67 percent of total exports to Africa. The Lebanese community in West Africa is estimated at 158,100 individuals representing 85 percent of the total Lebanese community in Africa (excluding Arabic African countries) which approximates 185,900 expatriates 3/.

2)- Significant export activity in West African countries seems to be correlated with a significant Lebanese presence:. It is interesting to notice that countries like Nigeria, Liberia, Guinea, Ivory Coast, Ghana and Sierra Leone which imported Lebanese goods worth more than USD 3 million for the first half of 2005 host Lebanese communities of respectively 14,000, 12,000, 10,000, 60,000, 6,000 and 12,000 individuals. Nigeria, our first African destination represents the typical case of the West African country where the Lebanese presence goes back to the late nineteenth century and where they are strongly implemented through their active role in both the public and private sector 4/.

3)- Significant export activity in African countries which are not located in West Africa seems also to be correlated with the existence of a Lebanese Diaspora: countries like Angola, Congo, Central Africa and Gabon that imported Lebanese goods worth more than USD 3 million during the first semester of 2005 counts respectively 2,000, 4,000, 3,000 and 7,000 Lebanese migrants. The case of Angola is particularly interesting because while counting a relatively small Lebanese community and of relatively recent implementation compared to West African countries, it is currently our second African export destination 5/.

4)- Absence or very weak level of export activity with African countries that do not host any Lebanese community recognized as such. These countries are Botswana, Burundi, Cameroon, Chad, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mozambique, Namibia, Niger, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe

5)- The South African exception: Despite its important Lebanese community which accounts to 10,000 souls, South Africa imported less than USD 1 million worth of goods from Lebanon between January and June 2005.

1/ Arab African countries are Algeria, Djibouti, Egypt, Libya, Mauritania, Morocco, Tunisia, Somalia and Sudan.

2/ West Africa is composed of the following African countries: Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau ,Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Mauritania is also considered part of West Africa, however, since it is a member of the Arab League, it is considered in the Ministry of Finance figures as part of Arab Countries.

3/ Source for figures: Dr. Jihad Akl, Head of the Emigrants and Emigration Section at the Ministry of Foreign Affairs and Emigrants. The Ministry of Foreign Affairs and Emigrants does not publish any official statistics on the current number of Lebanese Emigrants. However, they do release unofficial scientific estimates which are regularly updated and improved by the Emigrants and Emigration Section. For a complete historical qualitative and quantitative account of the Lebanese Emigration to Africa, see the two exhaustive studies published by Dr. Jihad Akl:

The Modern Lebanese Emigration and how it was handled by Official and Civil institutions 1860-2000, Beirut, 2002,

Dawn of the Emigration: Tragedies and Anecdotes, Beirut, 2003.

4/ Idem.

5/ Idem.

African Countries are Buying Lebanese - (Continued)

From a product perspective, Lebanon is mainly exporting to African countries the following products:

1)- Machinery and mechanical appliances (mainly electric generating sets and rotary converters) whose exports to African counties reached USD 14 million by the end of June 2005 compared to USD 9 million for the first six months of 2004.

2)- Reactors, boilers and mechanical appliances (the list of products exported is very diverse and differs from country to country) whose exports to African countries totaled USD 12 million for January-June 2005 compared to USD 9 million between January and June 2004.

3)- Plastics and articles thereof whose exports to African countries totaled USD 6 million for January-June 2005 compared to USD 4 million in the first semester of 2004.

4)-Paper, paperboard and articles of paper pulp (mostly sanitary towels, napkins and napkin liners for babies and similar sanitary articles) whose exports to African countries totaled USD 4 million for January-June 2005 compared to USD 3 million in the first six months of 2004.

Lebanon also exports to Africa Aluminum and articles thereof, iron and steel and beverages (mainly non alcoholic juices).

It is interesting to notice that the increase in the volume of exports to African countries occurred despite the absence of any major bilateral trade agreements signed with them. Trade agreements were only signed with four African countries (namely Cameroon, Gabon, Nigeria and Senegal). These agreements are old and dates back to the sixties (they were all signed and ratified in the sixties with the exception of the agreement with Gabon which was signed in February 2001 but is not yet ratified) 6/.

Trade with African Countries

(in USD Million)	Jan-June 2002	Jan-June 2003	Jan-June 2004	Jan-June 2005
Exports	23	31	48	67
Imports	11	11	34	169*

Source: MOF, DGC

** This figure includes the USD 156 million of non worked industrial diamonds imported from Congo in January-June 2005.*

We might, therefore, conclude that Lebanese export activity with African countries is partly determined or at least correlated with the presence of a Lebanese community in these countries. This presence seems to have counterbalanced the absence of any major institutional and legal framework for trade exchange between Lebanon and most African countries.

6/ For more information on trade agreements with African countries, please check the web-site of the Ministry of Economy and Trade: www.economy.gov.lb