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ADEQUACY OF PUBLIC REVENUES FOR ECONOMIC DEVELOPMENT

IN LEBANON

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## ABSTRACT

Among the most important problems facing the Lebanese government in promoting the economic development of the country is the need for adequate funds. Until recently, as a result of the limited role played by the state and of the availability of annual budget surpluses, such funds were available and could be used to finance various development projects.

However, as the Lebanese government became aware of the necessity for more direct interference in the economic and social life of the country, its development expenditures had to increase in size and pace. Accordingly, it commissioned the I.R.F.E.D. mission to draft a five-year plan which would include all development expenditures over the period 1964-1968.

In this thesis, an attempt is made at examining the adequacy of public revenues -- as reflected in the general budget -- for financing these development projects. In so doing, it was thought necessary to examine first, the problems encountered by underdeveloped countries in securing funds for economic growth. To understand how and from where some of these funds are raised today in Lebanon, the evolution of the



fiscal system of the country was analyzed. The allocation of these funds within the general budget throughout the years 1943-1964 was next used to indicate the evolution of the economic and social policies of the government. This evolution is reflected today in the various development projects, both planned and under execution. In order to determine whether public revenues will be sufficient to cover the financial burden of these projects, they were projected over the period 1963-1968.

Although these projected figures are nothing more than estimates, they nevertheless indicate that the government will find difficulties in financing its normal and development expenditures in the coming five years, unless additional sources of revenues are secured.

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## CHAPTER I

### SPECIAL CHARACTERISTICS OF UNDERDEVELOPED COUNTRIES LIMITING THE AVAILABILITY OF CAPITAL FOR ECONOMIC DEVELOPMENT

The provision of capital on a large scale has for a long time been considered as the main solution to the problem of underdevelopment. In fact, after the Second World War, the economic malaise of the backward countries was diagnosed in these terms. Later developments and events, however, have shown that although increased capital is a necessary concomitant of economic growth, it is not a sufficient condition for it.<sup>1</sup> This is so mainly because underdeveloped countries have a limited capital absorption capacity. This capacity is generally determined by the availability of factors of production with which capital is to cooperate. Usually, the most important limitations on a poor country's capacity to absorb capital are the lack of managerial and labor skills, the lack of technology and the low geographical mobility of labor. Thus, supplying a backward country with capital -- without at the same time providing a fruitful framework for its use -- will not by itself ensure economic development.

Keeping this limitation in mind, an attempt will be made in this Chapter at examining the causes of capital scarcity in underdeveloped countries.

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<sup>1</sup>P. Bauer & B. Yamey, The Economics of Underdeveloped Countries (Cambridge: James Nisbet & Co., 1957), p. 127.



## I. The Low Level of Voluntary Savings

At the root of this capital scarcity is the shortage of voluntary savings due to the fact that most of the available income is used for consumption.

A look at the income scale of these countries shows at one end, an unskilled agricultural group which consumes most of the output it produces, and at the other a group which receives incomes high enough for a comfortable, even luxurious, standard of living and substantial savings as well.<sup>2</sup> At first sight, this unequal distribution of income may be thought of as being good for fostering increased savings in underdeveloped countries. It seems, however, that this is not really the case. The fact that the wide inequality in the income structure of poor countries is associated with a much lower average income than in rich countries, makes positive savings possible only at much higher relative levels of income than in rich countries: "if in the richer countries some savings are possible in the fourth quintile, in the poor countries savings could be realized only at the very peak of the income pyramid by the top 5 per cent or 3 per cent."<sup>3</sup>

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<sup>2</sup>Benjamin Higgins, Economic Development, Principles, Problems and Policies (New York: W. W. Norton & Company, 1959), p.480.

<sup>3</sup>G. Meier & R. Baldwin, Economic Development: Theory, History, Policy (New York: John Wiley & Sons, 1959), p. 307.

Furthermore, the volume of savings as a percentage of national income has been less in these countries than what might be expected given the absolute increase that has occurred in the level of income. This could be explained in terms of the "demonstration effect", a concept originally devised by Duesenberry and elaborated upon by Nurkse. For Nurkse, "although the absolute level (of real income) of even the poorest countries appears to have risen, it is doubtful whether saving has become any easier; on the contrary, it may have become more difficult for them, because there has occurred at the same time a decline in their relative income levels in comparison with those of the economically advanced countries."<sup>4</sup>

The intensity of this demonstration effect and as a result its effect on the level of savings in underdeveloped countries depends upon:

1. The size of the disparity between the income levels of different countries.
2. The extent of awareness of this disparity.

It follows that, "a high income and consumption level in an advanced country can do harm in that it tends to reduce the domestic means of capital formation in the underdeveloped countries; it puts extra pressure on countries with relatively low income to spend a high proportion of it."<sup>5</sup> Evidence to this effect appears in

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<sup>4</sup>Ragnar Nurkse, Problems of Capital Formation in Underdeveloped Countries (New York: Oxford University Press, 1960), pp. 57-58.

<sup>5</sup>Ibid., p. 68.

the use made of the large gains in export values accruing to the underdeveloped world as a result of the Korean War boom. Only one-tenth of the increase in export yields between the first half of 1950 and that of 1951 went to imports of machinery, metals, manufactures and trucks. In India, the imports of capital goods actually fell, and all of the increase went to food, raw cotton and jute. Furthermore, during the same period, imports of passenger cars increased by 100 per cent or more in the Middle East and Latin America.<sup>6</sup>

It is apparent from what has been said above that the level of voluntary savings is low in underdeveloped countries because of low levels of income and because of the demonstration effect. This is furthermore aggravated by the fact that the little savings which are available do not flow into projects which would foster the economic development of the country. This is so because the inducement to invest in such countries is limited by the size of the market: "In the poor countries, the use of capital equipment in the production of goods and services for the domestic market is inhibited by the small size of that market, by the lack of domestic purchasing power, not in monetary, but in real terms."<sup>7</sup>

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<sup>6</sup>N. Buchanan & H. Ellis, Approaches to Economic Development, (New York: The Twentieth Century Fund, 1955), p. 303.

<sup>7</sup>Nurkse, op. cit., p. 6.

What do then people do with their savings? It is likely that part of them is kept in gold, precious stones and hoards of foreign or domestic currency; such items can be easily concealed in times of trouble. Another part flows back into the export industry and the market facilities related to it. In that sector, demand lies outside the country and as a result the investment risks incurred seem to be lower. Finally, some of the savings are invested in foreign securities because of their alleged higher safety.

## II. The Low Level of Compulsory Savings

To remedy the low level of voluntary savings prevailing in underdeveloped countries, an attempt may be made at increasing compulsory savings through restricting domestic consumption. This method of financing development is not, however, as easy to achieve as it first sounds.

The first difficulty stems from the fact that a large proportion of income in poor countries is derived from agriculture. This raises administrative problems even in the advanced countries where the assessment of income is much more difficult in agricultural than in industrial or urban areas. If to these problems one adds the low level of education and the relatively small number of people with training and experience in public administration usually prevalent in underdeveloped countries, one realizes how complex

the whole issue becomes and how, as a result, opportunities for both laxity and corruption arise. A similar difficulty results from the relatively high proportion of income which is earned in kind.

As a consequence of these drawbacks, most underdeveloped countries have preferred to rely on indirect taxes -- and particularly on import and export duties. There is here too, however, a major disadvantage, namely the cyclical nature of these revenues. Underdeveloped countries being mainly producers of primary goods and exporters of foodstuffs and raw materials tend to be very much affected by the world economic situation, with the result that revenues from export and import duties tend to be very high in periods of world prosperity and very low in periods of depression.<sup>8</sup> It thus seems that the nature of income in underdeveloped countries (arising mainly in agriculture and being often in kind) and their being foreign-trade oriented make it difficult to enforce taxes and to rely on tax revenues as a steady source of capital.

Furthermore, the collection of taxes may destroy incentives which are at the very base of economic growth. Taxes falling on agricultural output or income tend not only to reduce the incentive to improve agricultural techniques, but may also affect the supply of effort to the money economy. Producers who have not completely

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<sup>8</sup>Higgins, op. cit., pp. 509-510.

shifted from subsistence production to the money sector will have less interest to do so, and those who have not done so yet will have less inducement to do so. Taxes falling on the higher-income groups may affect adversely the level of private savings and as a result may restrict the supply and effectiveness of local entrepreneurship.

All this tends to be aggravated by the fact that total savings need not necessarily be increased through compulsory savings. This is so mainly because while involuntary savings are increased, individuals might reduce their voluntary savings in order to maintain their former level of consumption. Furthermore, even if total savings are increased in the short-run, their flow might be reduced in the long-run as a result of the adverse effects of taxation on the spread of the exchange economy and entrepreneurial skills. Thus, it seems that "the heavier taxation implied in a programme of compulsory saving is likely to impinge markedly on the economy with adverse effects on productive effort, the growth of specialisation and exchange, private saving and investment, and on economic growth generally."<sup>9</sup>

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<sup>9</sup>Bauer & Yamey, op. cit., p. 191.

### III. The Difficulty of Resorting to Public Borrowing

As an alternative or supplement to financing development through private savings and taxation, governments of underdeveloped countries sometimes resort to domestic public borrowing by selling government securities to potential savers.

Unfortunately, this method of financing development does not seem to be much more efficient than the previous two. Generally, people in underdeveloped countries do not have great confidence in their governments, with the result that they would not entrust them with the little amount of savings they have. In this context, the lack of confidence is expressed in terms of fear of default or postponement of payment of interest or principal, as well as of fear of inflation. Furthermore, the inexistence of an organized market for government securities makes the potential saver hesitant.

Even when such national debts are contracted, their effectiveness in increasing the level of savings depends mainly on how far down the income scale the government succeeds in placing its securities: the lower this is, the greater is the probability that securities would be bought with incomes that would have otherwise been spent on consumption. This is, however, very difficult to achieve since in underdeveloped countries income in the lower brackets of the scale is hardly enough for subsistence. Thus securities are more likely to be sold to people in the higher-income groups who would most probably divert their savings from

other liquid assets into government securities instead of reducing their consumption.

It is highly unlikely, therefore, that measures to increase voluntary domestic savings, compulsory savings or domestic borrowing can succeed in providing all the liquid capital needed for development purposes. The only alternative left to underdeveloped countries seems to be foreign capital.

#### IV. The Low Level of Foreign Private Investment and Public Borrowing from Abroad

The additional capital needed for achieving economic development may be supplied by foreign private individuals or firms, foreign governments and international agencies. Private foreign investment may take the form of either direct investment or portfolio investment. "Direct investment represents private enterprises in one country controlled by investors in another country or in the management of which foreign investors have an important voice,"<sup>10</sup> while portfolio investment involves only the purchase of securities. Besides making capital available, private foreign investment, especially if it is direct, can help in promoting development by inducing more domestic investment (either in partnership with foreign capital or in fields complementary to those into which it

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<sup>10</sup>U.S. Department of Commerce, Statistical Abstract of the United States, 1963, p. 855.



has itself gone) and by bringing along new techniques of production and entrepreneurial skills. Unfortunately, it is not as forthcoming as it used to be in the past. During the four decades preceeding World War I, a large amount of foreign private investment took place. The main lender was Great Britain, followed by France with only half of Britain's foreign investment, and the United States with a little more than one-fifth.<sup>11</sup> However, as a result of two world wars and of their consequent effects on her balance of payments, Britain has not been able to export as much capital as she used to do, thus leaving her position as first lender to the United States. In the case of the latter as well, private foreign investment has sharply declined since World War II. "Compared with the 1920's, the investment in the postwar decade has been considerably less in real terms and has amounted to a smaller fraction of American national income than in the 1920's."<sup>12</sup> This tendency of private foreign investment to fall has been greatly aggravated in the case of underdeveloped countries by the fact that the greater part of that investment has been increasingly going to the relatively well developed countries. This is clearly shown in the following table which is taken from a recent study undertaken by the United States Department of Commerce.

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<sup>11</sup>Meier and Baldwin, op. cit., p. 207.

<sup>12</sup>Ibid., p. 421.

Table 1.

U.S. CAPITAL OUTFLOW  
(Millions of Dollars)

	Developed Countries <sup>1</sup>	Less Developed Countries	Total
<u>Total all Types</u>			
1961	3,114	1,036	4,150
1962	2,721	552	3,273
1963 (1st quarter)	1,020	- 2	1,018
<u>Direct Investments</u>			
1961	1,145	454	1,599
1962	1,295	262	1,557
1963 (1st quarter)	526	30	556
<u>Other Investments<sup>2</sup></u>			
1961	1,967	585	2,552
1962	1,426	290	1,716
1963 (1st quarter)	494	- 32	462

<sup>1</sup>Europe, Canada, Japan, Australia, New Zealand and South Africa.

<sup>2</sup>"Other investments" include short- and long-term bank loans and commercial financing, and also net purchase of foreign securities.

Source: U.S. Department of Commerce, Survey of Current Business, Vol. 43 (August, 1963), p. 16.

Looking now at the distribution of this capital outflow not only by country but by industry as well (Table 2), one realizes that while in the case of developed countries most of it has gone into the manufacturing industries,<sup>13</sup> in the case of underdeveloped ones it has been directed mainly towards extractive industries. Thus, "foreign capital, instead of developing the domestic economies of low-income countries, has served to harden and strengthen the system under which these countries specialized in the production of raw materials and foodstuffs for exports."<sup>14</sup>

But why is it that capital tends to flow into developed countries rather than underdeveloped ones? The United States Department of Commerce has answered the question by summarizing the factors limiting American private foreign investment - and in fact private foreign investment by any other country - as follows:

1. The unstable political and social conditions prevailing in underdeveloped countries which result in a lack of confidence on the part of investors.
2. The low level of economic development which is reflected in the shortage of trained labor, inadequate basic facilities, lack of allied industries, narrowness of the market, etc...

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<sup>13</sup>"80% of the additional investments in manufacturing for the years 1961 and 1962 went to the developed countries, and data now available on investment plans for 1963 indicate a similar outcome." / "United States International Investments," U.S. Department of Commerce, Survey of Current Business, Vol. 43 (August 1963), p. 20.

<sup>14</sup>Nurkse, op. cit., p. 84.

Table 2.

ESTIMATED U.S. DIRECT PRIVATE INVESTMENT IN FOREIGN  
COUNTRIES BY INDUSTRY GROUP  
1958

Item	All Areas	Canada	Latin Ameri- can Republics	Western Europe	All Other
Total (million of dollars)	27,075	8,929	8,730	4,382	5,034
Percent	100.0	33.0	32.2	16.2	18.6
<u>Percent by industry group within each area</u>					
Total	100.0	100.0	100.0	100.0	100.0
Mining & Smelting	10.5	12.1	15.2	1.2	7.8
Petroleum	35.8	27.0	34.4	28.7	59.8
Manufacturing	31.3	41.4	19.9	52.7	14.7
Transportation, Commu- nication, electricity & gas	7.0	4.1	13.5	1.3	6.0
Trade establishments	6.5	5.4	6.9	9.0	5.6
Agriculture & other	8.8	10.0	10.1	7.1	6.0

Note: Data are preliminary.

Source: U.S. Department of Labor: Economic Forces in the U.S.A. in  
Facts and Figures (Washington: May 1960), p. 147.

3. The rise of economic nationalism combined with an increasing number of controls imposed by government on foreign investment: paying special taxes, hiring a certain quota of native employees, reinvesting a certain proportion of profits, limitation of foreign participation to a minority share, etc...<sup>15</sup>

So private foreign capital by itself is not likely to be enough to fill the gap between capital requirements for development and potential domestic savings, with the result that underdeveloped countries will most probably have to seek foreign loans and grants. These have the advantage, over private foreign capital, of being used for domestic development in accordance with the country's development plans and as such, are much less subject to the criticism of serving the lending country's needs rather than those of the borrower.

Unfortunately, however, public foreign capital, like private foreign capital, has been diverted to rich countries rather than to poor ones. The United States' preoccupation with European economic recovery and rearmament problems resulted in having Europe getting 77.2 per cent of net postwar aid.<sup>16</sup>

What seems to complicate the situation more is the considerable controversy which foreign aid programs are raising in the

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<sup>15</sup>Meier & Baldwin, op. cit., p. 423.

<sup>16</sup>Buchanan & Ellis, op. cit., p. 366.

various lending countries and particularly in the United States. Here, "the Administration's annual effort to obtain increased sums for economic assistance, to have aid put on a long-run basis without political strings, has encountered strong opposition within Congress and outside it."<sup>17</sup> This reluctance which exists on the supply side is felt on the demand side as well: many underdeveloped countries hesitate to accept aid from developed countries, being afraid of giving foreigners an opportunity to interfere with their economic life.

The limitation on the demand side of foreign capital is greatly reduced, however, when loans are supplied by an international agency. Unfortunately, underdeveloped countries do not seem to have benefited much from this. Looking at the IMF records, one notices that it is not the backward countries which have drawn most heavily on the Fund's resources (See Table 3); "these countries have, on the whole, smaller quotas and, therefore, make smaller drawings than do the industrial countries."<sup>18</sup>

Although this is not the case with the I.B.R.D.,<sup>19</sup> yet this agency is felt by underdeveloped countries to be inadequate for meeting their capital needs. The reason for this inadequacy stems on the one hand from the fact that its original capitalization at

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<sup>17</sup>Higgins, op. cit., p. 4.

<sup>18</sup>International Monetary Fund, Annual Report, 1963, p. 24.

<sup>19</sup>See: International Monetary Fund, International Financial Statistics, Vol. XVII, (March, 1964), p. 12.

Table 3.

TOTAL FUND FINANCIAL ASSISTANCE  
FISCAL YEARS ENDED APRIL 30  
1948 - 1963  
(In millions of U.S.\$)

Year	United Kingdom	Other Industrial Countries <sup>1</sup>	Other Countries	Total
1948	300	241.7	64.3	606.0
1949	-	11.4	108.1	119.5
1950	-	-	51.8	51.8
1951	-	-	28.0	28.0
1952	-	-	46.3	46.3
1953	-	50.0	69.1	119.1
1954	-	124.0	144.3	268.3
1955	-	-	48.8	48.8
1956	-	-	73.8	73.8
1957	1,300	262.5	423.0	1,985.5
1958	-	427.8	227.7	655.5
1959	-	-	345.5	345.5
1960	-	-	429.5	429.5
1961	-	-	855.9	855.9
1962	2,000	305.0	1,163.8	3,468.8
1963	1,000	300.0	593.4	1,839.4
<b>TOTAL</b>	<b>4,600</b>	<b>1,722.4</b>	<b>4,619.3</b>	<b>10,941.7</b>

<sup>1</sup>Countries in the European Community and the European Free Trade Association (except the United Kingdom), Canada, and Japan.

Source: International Monetary Fund, Annual Report, 1963, p. 24.

\$ 8.35 billion was probably only half or one-third of the magnitude thought necessary,<sup>20</sup> and, on the other, from the conservatism with which the Bank is run. There seems, thus, to be some limitations on providing capital to underdeveloped countries even in the case of international institutions.

Keeping all these general limitations in mind, an attempt will be made in the following chapters to examine more specifically the availability of capital and its adequacy for promoting economic development in Lebanon.

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<sup>20</sup>Buchanan & Ellis, op. cit., p. 372.



## CHAPTER II

### THE EVOLUTION OF THE LEBANESE FISCAL SYSTEM

Three turning points in the political history of Lebanon may be said to have affected its fiscal system over the last century.

These are:

1. The establishment in 1861 of the Autonomous Province of Mount Lebanon within the Ottoman Empire.
2. The institution of the French Mandate in 1920.
3. The declaration of independence in 1941.

Taking each of these dates as marking the beginning of an important political stage in the history of Lebanon, an attempt will be made at examining how its fiscal system has evolved over these three periods.

#### I. Evolution of the Fiscal System of Lebanon Under the Ottoman Empire: 1861-1920.

Under the Ottoman Empire, present day Lebanon was part of Syria. Ottoman Syria was composed of three Wilayas -- the Wilaya of Beirut, the Wilaya of Damascus, the Wilaya of Aleppo -- of the Sanjak of Zor, and of the Autonomous Province of Mount Lebanon. Established as an autonomous Mutassarifia, the Province had obtained --

with the help of the European powers -- a separate fiscal statute the main characteristics of which were exposed in the Protocol of September 6, 1864.

A. The Fiscal System of Mount Lebanon<sup>1</sup>

Taxes in Mount Lebanon were divided into two categories:

1. The taxes the receipts of which went to the Ottoman Government: According to the 1864 Protocol, the Province of Mount Lebanon had to pay to the Ottoman authorities a fixed tribute imposed as a lump sum on the whole province. This tribute -- known alternatively as "mal - makt'u," "mal - miri" or "mal - mahdud" -- was fixed at 35,000 Turkish gold pounds and was collected throughout the province by means of two taxes -- the property tax and the capitation tax.

(a) The Property Tax: This tax which was supposed to yield two-thirds of "mal - miri" was a tax on the annual gross income derived from the ownership of property. To be able to determine how much every owner had to pay, an evaluation of rural land and of buildings was made. The dirham -- which corresponded to a revenue of 360 Turkish piasters for a property of a value of 3,600 Turkish piasters -- was taken as a unit of evaluation; and the tax was determined for each year by dividing the total amount of the tax which

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<sup>1</sup>This section draws heavily on: Elias Gannagé, La Réforme des Impôts Directs au Liban et en Syrie (Beirut: Imprimerie Catholique, 1947), pp. 282-288.

the Government wanted to collect by the number of dirhams assessed.

(b) The Capitation Tax: Having to yield the remaining one-third of "mal-miri", this tax was allotted among Lebanese villages on the basis of their male population between the ages of 15 and 60. Being levied on a collective village basis in accordance with a census which was carried in 1864 and which was never revised during Turkish rule, this tax created over the years much injustice.

No separate accounts are available for the receipts of these two taxes. Figures<sup>2</sup>, however, show that total revenues derived from them were very near to the fixed tribute of 35,000 Turkish pounds which the Province of Mount Lebanon had to pay to the Ottoman Central Government.

2. The taxes the receipts of which went to the local government of Mount-Lebanon: These taxes, unlike the previous ones, did not appear in the account sent annually to the Imperial Treasury. These were taxes which the local government of Mount Lebanon found itself urged to impose in order to cover its increasing budget deficits. The most important of these taxes were: the built property tax, the road or poll tax and the animal and nomad tax or aghnam.

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<sup>2</sup>Revenues of the Property and Capitation Taxes  
(in Turkish Pounds)

1910	34,439
1911	34,290
1912	34,721
1913	34,419

Source: Ibid., p. 285.

(a) The Built Property Tax: By decision No. 2189 of December 1907, the Administrative Council of Mount Lebanon created a new built property tax — "al-maghalek-al-moustaggidat". This tax which was to be paid by the owner, fell on new built property. Its rate was fixed at 2 per cent of the rental value as determined for a period of five years by a valuation committee. In 1920, the tax was extended to all built property, whether rented or not. The rate was fixed at 6 per cent of the rental value of the building. Houses, the rental value of which was inferior to 300 Egyptian piasters per year, were exempted from the tax. The Mazbata No. 103 of January 29, 1920, of the Administrative Council of Mount Lebanon, regulated the collection of the tax. According to it, the global sum imposed on the village was allocated among the taxpayers by the Sheikhs and Moukhtars and had to be collected, at the latest, by August 10 of each year.<sup>3</sup>

(b) The Road or Poll Tax: Introduced in 1889 by a decision of the Administrative Council to cover the increasing expenditures resulting from the opening and the maintenance of new roads, the road tax — initially fixed at 5 Turkish piasters — was imposed on the male population between the ages of 15 and 60. Its rate was, however, progressively increased to reach 20 Turkish piasters in 1919 and 30 Egyptian piasters in 1920.

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<sup>3</sup> Amin Mouchawar, Notice sur les Impôts et Taxes au Liban (Harissa: Imprimerie Saint-Paul, 1934), pp. 8-9.

(c) The Animal and Nomad Tax (Aghnam): Prior to the First World War, the rates of the "Aghnam" tax prevailing in Mount Lebanon were 2.50 Turkish piasters per sheep, 2 piasters per goat and 15 piasters per nomad. The tax was imposed on the nomads in lieu of the capitation tax, because having no permanent residence, they did not pay this tax. The Mazbata No. 9 of January 8, 1920, increased these rates and fixed them at 5 Egyptian piasters<sup>4</sup> per sheep, 4 piasters per goat, and 20 piasters per nomad.<sup>5</sup>

B. The Fiscal System of the Wilaya of Beirut

Unlike the Autonomous Province of Mount Lebanon which had its own fiscal system, the Wilaya of Beirut was subject to the Ottoman tax system which prevailed throughout the whole Empire. Besides the liquor and customs duties and the tobacco and salt monopolies, the receipts of which were conceded to the Ottoman Public Debt Administration -- the taxes on property, whether land or buildings, and on other external signs of wealth constituted the main sources of revenue.

1. The Tithe or Osher:<sup>6</sup> This is the oldest of all Ottoman taxes and the one that has been amended most. The system prevailing prior to the First World War was essentially that of the Ottoman Law

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<sup>4</sup>These taxes were collected in Egyptian currency, because the Syro-Lebanese currency was not introduced until May 1, 1920.

<sup>5</sup>Mouchawar, op. cit., pp. 73-74.

<sup>6</sup>See George Hakim, "The Fiscal System of Syria," in Economic Organization of Syria, Ed. Said B. Himadeh (Beirut: American Press, 1936), pp. 344-353.

of June 9, 1905. According to this law, the tithe was a tax on the gross produce of miri land -- the land whose title is vested in the state and the right of use in the hands of individuals. In return for this right, which is transferable and without any time limit, the holder had to pay the state a percentage of the produce called a tithe. Originally, as the name of this tax implies, the rate was 10 per cent. However, towards the end of the 19th Century, a series of surcharges were added to it ( $1\frac{1}{2}$  per cent for primary education and the Agricultural Bank,  $\frac{1}{2}$  per cent for military equipment, and  $\frac{1}{2}$  per cent for covering budget deficits) bringing the rate up to  $12\frac{1}{2}$  per cent.

The tithe, which could be paid either in kind or in money, was levied on the village as a unit and not on the individual farmer. A minimum tithe for each village based on the conditions of current crops and on receipts in previous years was set by the Administrative Council of the village.

The receipts from this tax in the Wilaya of Beirut amounted to: 45,275 Turkish pounds in 1911, 43,280 Turkish pounds in 1912, 43,843 Egyptian pounds in 1919, and 155,623 Syro-Lebanese pounds in 1920.<sup>7</sup>

2. The Land Werko:<sup>8</sup> This is a property tax assessed on the capital value of land. A general valuation of all land subject

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<sup>7</sup>Gannagé, op. cit., p. 276.

<sup>8</sup>Raja Himadeh, The Fiscal System of Lebanon (Beirut: Khayat, 1961), p. 3.

to the tax was made in 1903 and a revision of this valuation was to be made every five years. However, no revision was made after the original valuation with the result that up till 1920, lands were taxed on the basis of the 1903 valuation.

The rates of this tax, including surtaxes, were:

- 5.68 per 1000 on the value of land that paid the tithe of that was uncultivable;
- 5.83 per 1000 on land within the boundaries of the city of Beirut;
- 14.75 per 1000 on land in the vicinity of Beirut that paid no tithe.

Receipts from the land werko in the Wilaya of Beirut amounted to 19,150 Turkish pounds in 1913 and 22,288 Egyptian pounds in 1919.<sup>9</sup>

3. The Built Property Tax:<sup>10</sup> Originally, this tax was based on the capital value of the building as was the land werko. In fact, the law of 1886 regulated both land and building taxes. The rates of this tax ranged from 5 to 10 per thousand depending on the kind of material used in construction and on whether the building was rented or not. A surtax of 11 per cent was added to this basic rate.

The law of the "Mussakafat" of June 14, 1910, modified both the rate and the assessment of the tax. The basic rate was fixed

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<sup>9</sup>Gannagé, op. cit., p. 271.

<sup>10</sup>See Hakim, op. cit., pp. 360-361, and Gannagé, op. cit., pp. 264-266.

at 12 per cent of the gross rental value of buildings made of stone and 9 per cent for buildings made of wood or used to house industries, mills or workshops. Surtaxes amounting to 60 per cent of the rate were added.

Furthermore, according to the new law, the tax was imposed on the gross rental value of the building which was to be determined by a general assessment. In making this assessment, the authorities had to take into consideration the rents prevailing in the surrounding locality, the size of the building and its present state as far as maintenance was concerned. These valuations were, in principle, supposed to be made every ten years. However, they were only partially carried out, with the result that two different systems of taxes on buildings prevailed: one applying to the localities where the assessment was made and where as a result the Mussakafat Law was applied, and another prevailing in the localities where the valuation did not take place and where as a result the old 1887 buildings tax law remained in vigor.<sup>11</sup> The receipts of this tax in the Wilaya of Beirut were as follows:<sup>12</sup>

1912	55,647 Turkish pounds
1913	37,542 Turkish pounds
1919	51,420 Egyptian pounds
1920	160,844 Syro-Lebanese pounds

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<sup>11</sup>In the city of Beirut, the assessment of buildings started in 1912 and was completed only in 1916

<sup>12</sup>Gannagé, op. cit., p. 268.



4. The Road or Poll Tax:<sup>13</sup> This tax was established by the Law of February 10, 1889. It was called a road tax because under the Ottoman Régime it was paid in labor on the roads. According to the law, every able-bodied man between the ages of 16 and 80 years had to work four days per year on the public roads. If he did not wish to do so, he had either to engage a laborer to work for him or to pay a sufficient amount of money for this purpose. The wage per day was fixed at 5 Turkish piasters, with the result that the tax amounted to 20 Turkish piasters per year. In 1910, the payment of the tax in money was made compulsory.

In the Wilaya of Beirut, the tax levied was equal to 25 Egyptian piasters in 1919 and to 75 Syro-Lebanese piasters in 1920, and the revenues derived from it were 2,909 Turkish pounds in 1911, 3,842 Turkish pounds in 1912, 4,800 Egyptian pounds in 1919 and 21,920 Syro-Lebanese pounds in 1920.<sup>14</sup>

5. The Animal Tax or Aghnam:<sup>15</sup> This tax may be traced back to the Moslem zakat which was imposed on livestock. Uptill 1868, it was collected on the basis of one animal per ten. However, towards the end of the 19th Century, payment in money replaced payment in kind, and the law of October 9, 1903, extended this tax to all kinds of animals. The basic rate of the tax was established as follows for all the wilayas:

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<sup>13</sup> Hakim, op. cit., pp. 371-372.

<sup>14</sup> Gannagé, op. cit., p. 280.

<sup>15</sup> Ibid., p. 276.

- 10 Turkish piasters per camel, horse, buffalo, ox or cow
- 4 Turkish piasters per goat or sheep
- 5 Turkish piasters per pig
- 3 Turkish piasters per donkey.

To this basic rate a surcharge amounting to 36 per cent of the tax was levied in the Wilaya of Beirut. The returns of the tax were estimated at 1,708,562 Turkish piasters in 1913 and 1,102,382 Egyptian piasters in 1919.

6. The Tamattu' Tax:<sup>16</sup> Established by the law of November 30, 1914, the tamattu' was essentially a tax on professional, commercial and industrial incomes. Incomes from both agriculture and movable property were not subject to this tax. Furthermore, each source of income was taxed separately, with the result that a person who had two occupations paid the tamattu' on income from each one separately.

Except in the case of salaries, wages, and income from public utilities, the tax was normally levied on rough indices of income. Taking this point into consideration, taxpayers — as far as the tamattu' was concerned — were classified in three categories. In the first one fell all those who were taxed according to their actual incomes. These were employees, governmental organizations, contractors, insurance companies and public utilities. The rate of the tax which they paid was determined as follows:

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<sup>16</sup>Hakim, op. cit., pp. 362-368.

Table 4.

TAMATTU' ON DIRECT MEASURES OF INCOME

<u>Taxpayer</u>	<u>Basis</u>	<u>Rate</u>
1. Public Utilities Companies (railways, tramways, electricity, telephone, sea transport, water companies, etc...)	Net profits to be distributed as di- vidends & interest among stock & bond- holders	5%
2. Insurance Companies other than life	Annual total premiums cashd	2%
3. Life Insurance Companies	Amount of Insurance Carried	0.2%
4. Contractors & Concessio- naires for government organizations	Amount of Contract or Concession	3%
5. Employees (public & private) including those receiving pensions	Total salary & allo- wances after deduc- tion of Syrian pounds 240	4%

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Source: George Hakim, "The Fiscal System of Syria," in  
Economic Organization of Syria, Ed. Said B. Himadeh  
(Beirut: American Press, 1936), p. 364.

In the second category were included those who were engaged in commerce, industry and the professions. These were taxed on rough indices of income rather than on their actual incomes. They had to pay a proportional tax based on the rents of the place where the profession or the business was exercised (See Table 5) and a variable tax which varied with the number of persons they employed, and with the instruments and means of transportation they used in carrying their business.

Table 5.

PROPORTIONAL TAX ON THE RENT OF THE PLACE OF BUSINESS

<u>Taxpayer</u>	<u>Basis</u>	<u>Rate</u>
Class 1. Bank & Credit Institutions	)	20%
Class 2. Transportation Companies, commission houses, contractors, engineers, lawyers, dentists, physicians, etc..	) ) ) Rent of ) ) the	15%
Class 3. Wholesale merchants, jewelry and antique shops	) ) Business	12%
Class 4. Retail shops of hardware, clothing, furniture, etc..	) ) Place	10%
Class 5. Retail shops of food, char- coal, etc..	) )	8%
Class 6. Workshops, factories, mills, printing presses and warehouses	) )	5%

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Source: George Hakim, "The Fiscal System of Syria," in Economic Organization of Syria, Ed. Said B. Himadeh (Beirut: American Press, 1936), p. 364.

The third category was composed of a small group of people who were generally engaged in the professions but who could not be included in the second category because the above indices of income used in determining the tax were lacking in their case. For this group, the tax varied with the classification of the cities and was more or less fixed arbitrarily according to the tamattu' law of the respective trades or professions.

To these basic rates, various surcharges were added. In fact, during the period 1914-1918, the following surtaxes were imposed: 25 per cent of the normal tax for war contribution, 25 per cent for budget deficit, 10 per cent for the Wilaya of Beirut, and 10 per cent for the municipality of Beirut.<sup>17</sup> The receipts of this tax in the Wilaya of Beirut amounted to 6,706 Turkish pounds in 1911, 8,643 Turkish pounds in 1912, 9,257 Turkish pounds in 1913, and 16,172 Egyptian pounds in 1919.<sup>18</sup>

Thus, up to the institution of the French Mandate in 1920, two fiscal systems seem to have coexisted in the territories which constitute present-day Lebanon. Although some of the taxes were common to both, in most cases the rates and methods of assessment were different.

## II. Evolution of the Fiscal System of Lebanon Under the French Mandate: 1920-1941

During the French Mandate the evolution of the fiscal system of Lebanon was greatly affected by the country's political structure. The status of the old Autonomous Province of Mount Lebanon was changed: it was combined with four of the old Turkish administrative regions, namely Beirut, Tripoli, al-Biqâ' and Sidon. All these together formed on September 1, 1920, the State of Great Lebanon, which on May 13, 1926, became the Lebanese Republic.<sup>19</sup>

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<sup>17</sup>Mouchawar, op. cit., p. 46.

<sup>18</sup>Gannagé, op. cit., p. 279.

<sup>19</sup>Hakim, op. cit., p. 340.

One important problem facing the Mandatory power in this newly independent state was the unification of the two fiscal systems which coexisted in it prior to its establishment. Accordingly, the High-Commissioner issued on March 2, 1921, an Arrêté (Arrêté No. 751) stipulating that the fiscal system of the Old Wilaya of Beirut should be extended over a period of five years (1921-1926) to all the territories of Great Lebanon. Unfortunately, however, this unification process took much more time than it was thought. It was done progressively, first by the unification in 1921 of the "aghnam" and road taxes, followed in 1923 by the extension of the tamattu tax to the old province of Mount Lebanon and the abolition in that province of the capitation tax, and finally by the adoption of a unified land tax in 1933.<sup>20</sup> Indirect taxes were also unified during that same period: the salt monopoly was centralized and extended to the old Province of Mount Lebanon in 1926, a new tax on benzine and inflammables was introduced in 1928 and the new tobacco banderole system was applied all over the territory in 1930.

Besides its unification, the Lebanese fiscal system underwent two other reforms under the French Mandate, namely the abolition of the Capitulations and the repayment of the Ottoman Public Debt.

The Abolition of the Capitulations: Under the Ottoman Empire, foreigners residing in its territory enjoyed, among other privileges -- usually referred to as capitulations -- an exemption

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<sup>20</sup>Gannagé, op. cit., pp. 321-322.

from direct taxation. However, this exemption was not in conformity with Article 5 of the Mandate Charter of 1922 which established the equality of all citizens as far as fiscal charges were concerned. This resulted in the abolition of the capitulations and the payment by foreigners of direct taxes starting July 13, 1924 -- the date of the ratification of the French Mandate over Syria and Lebanon by the United States.<sup>21</sup>

The Repayment of the Ottoman Public Debt: The last limitation on the financial autonomy of Lebanon was the Ottoman Public Debt. In fact, the various provinces of the Ottoman Empire were not in command of all the tax resources of their fiscal system. A number of tax receipts were conceded to the Administration of the Ottoman Public Debt, which was in charge of the collection of customs, liquor, stamp, salt and tobacco duties. On January 1, 1926, the collection of these taxes was turned over to the local authorities with the exception of customs duties the revenues of which were pledged as a security against the obligations of the Syrian states to the Ottoman Public Debt.<sup>22</sup> The next step towards securing control over these receipts became thus the repayment of the Debt. The Mandated states started negotiating for this with the Ottoman Debt Council. These negotiations led to the agreement of July 29, 1933, following which Lebanon and Syria settled their debt by acquiring

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<sup>21</sup>Hakim, op. cit., p. 343, & Gannagé, op. cit., pp. 323-325.

<sup>22</sup>Hakim, op. cit., pp. 342-343.

the majority of that part of the debt consisting of marketable bonds, and paying for the rest, which was non-refundable, the sum of 32,850,550 Francs.<sup>23</sup>

Besides these general reforms, the Mandatory power did not make any drastic changes in the fiscal structure of Lebanon and the Syrian states. All that was attempted was to adapt the existing Ottoman laws to the social and economic conditions prevailing in these territories. As a group, these autonomous states had a common budget which was officially known as "Compte de Gestion des Services d'Interêt Commun." These services of common interest included customs, tobacco and gunpowder monopolies, general security and other minor services. The receipts of this budget were secured by various fees and duties imposed by the services concerned.

In addition to this common budget, every one of the autonomous states under Mandate had its own separate budget; its receipts were mainly secured through direct taxes. Thus indirect taxes, of which customs duties were the most important, served to finance the budget of Common Interests, while direct taxes constituted the main source of funds for the ordinary budget.

#### A. Direct Taxes

The most important direct taxes in Lebanon under the French Mandate were:

1. The Unified Land Tax: This new tax, which replaced the

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<sup>23</sup>Gannagé, op. cit., pp. 329-331.



land werko, the tithe and the property tax of Mount Lebanon was established over the entire Lebanese territory by Legislative Decree No. 108 of August 12, 1933. According to this decree, the tax was distributed among villages and the amount of it which was contingent to every village was fixed by executive decree. The villages of the old province of Mount Lebanon had to pay a tax equal to 85 per cent of the old miri returns. In the other villages, it was set at 75 per cent of the tithe, 75 per cent of the land werko and 50 per cent of the silk tithe returns of 1932. The distribution of this tax burden among landowners was entrusted to the village Council of Elders.<sup>24</sup>

Although the burden of the new tax was lighter than the one resulting from the old land taxes, it was decreased more than once between 1934 and 1937 with the result that the receipts of this tax fell from L.L.S. 403,922 in 1934 to L.L.S. 151,002 in 1937. The unified land tax was abolished on February 17, 1939, and was replaced by a new land tax promulgated by Legislative Decree No. 37 of March 26, 1940.<sup>25</sup> This new tax was to be distributed among the various villages on the basis of the kind of cultivation carried in them, and within the village in accordance with a schedule of land classification. The outbreak of World War II, however, did not make these cadastral surveys possible with the result that the unified land tax was reinstated.

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<sup>24</sup>Hakim, op. cit., p. 358.

<sup>25</sup>Gannagé, op. cit., pp. 389-391.

2. The Built Property Tax: The High Commissioner started by extending the Ottoman built property tax of 1910 to all the territories under Mandate. However, by virtue of the law of December 15, 1930, few modifications were introduced in the old tax which remained in vigor in Lebanon until 1943. According to the 1930 law, built property included all buildings (whether used for trade, industry or residence) and all land used for industrial or commercial purposes. The tax was imposed on the gross rental value of buildings and land as determined by a valuation committee. The basic tax rate was fixed at  $8\frac{1}{2}$  per cent; to it was added a surtax of 3 per cent for the municipalities. However, starting January 1, 1939, the basic rate was increased to 10 per cent.<sup>26</sup>

3. The Tamattu' Tax: During the twenty years of the Mandate, the tamattu' -- except for minor modifications which consisted mainly of changes in tax rates and revisions in estimated rental value of premises -- was administered in Lebanon according to the Old Ottoman Law of November 30, 1914. This law had been extended by Arrêté No. 2092 of August 1923 to the old province of Mount Lebanon and by Arrêté No. 2981 of December 5, 1924 to all foreigners residing in Lebanon.<sup>27</sup>

4. The Animal Tax or Aghnam:<sup>28</sup> Of all the direct taxes inherited from the Ottoman Empire, the aghnam was the one which was

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<sup>26</sup> Ibid., pp. 334-341.

<sup>27</sup> Mouchawar, op. cit., pp. 48-51.

<sup>28</sup> Gannagé, op. cit., pp. 392-394.

the least amended during the Mandate days. The date of the census as well as the rate of the tax were fixed annually, by common agreement between Syria and Lebanon. As a further step to unify its aghnam tax with that of Syria -- in order to avoid evasion -- the Lebanese Government, starting 1930, imposed the tax only on camels, hogs, buffalos, sheep and goats. The nomad tax which prevailed in the old province of Mount-Lebanon was abolished in 1923.

5. The Road Tax: It was collected during the Mandate days according to the Ottoman Law of 1913. The Lebanese Government modified only its rate, fixing it at P.L.S. 125 per every male inhabitant (with the exception of sick persons and soldiers) between the ages of 18 and 60. It abolished it completely in 1939.<sup>29</sup>

#### B. Indirect Taxes

These consisted mainly of excise duties and customs duties.

1. Excise Duties: The most important of the excise duties were:

(a) The Tobacco Excise: During the Ottoman Empire, the tobacco industry was a government monopoly, the revenues of which were conceded to the Ottoman Debt Administration. In 1884, this monopoly was leased to a company, the "Régie Co.-Interressée des Tabacs." When the concession of this company was over in 1930, the banderole system was established in Syria and Lebanon. The banderole duty was

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<sup>29</sup> Hakim, op. cit., p. 372.

a tax imposed on tobacco consumption. Originally, it was fixed at a flat rate of 25 per cent, but later on, it was made to vary with the retail price of the package. In Lebanon, it applied to all tobacco and varied between 25 and 40 per cent.<sup>30</sup>

(b) The Salt Monopoly: As in the case of the tobacco monopoly, the salt monopoly was conceded to the Ottoman Public Debt in 1881. However, in 1926 its administration was turned over to the Lebanese Government and it was extended to the old province of Mount Lebanon. The Government was the sole extractor and importer, and the price of salt had to be fixed by executive decree. In 1930, the price of the kilogram of salt was fixed in Lebanon at P.L.S. 3.675. This represented a tax of 340 per cent on the cost price of salt.<sup>31</sup>

(c) Duties on Alcohol and Alcoholic Liquors: These duties which prevailed in the old Wilaya of Beirut were extended to Mount Lebanon in 1926. They fell on both the production and sale of alcohol and alcoholic liquors. The duties on production amounted to 30 per cent of the market price of all alcoholic liquors which were produced locally, with the exception of wine which was subject to a tax of only 15 per cent. The tax on alcohol was of 14.0625 piasters per kilogram.<sup>32</sup> The market price which was taken as a basis for determining the tax, was fixed by the administrative council of the district.

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<sup>30</sup>Ibid., p. 376.

<sup>31</sup>Ibid., p. 379.

<sup>32</sup>Himadeh, op. cit., p. 7.

The duty on the sale of alcoholic liquors was imposed on all shops where such liquors were served. It was based on the rental value of the premises and varied with the category of the shop and with the quantity of liquors handled by it. The category of the shop was determined by a committee of the Finance Department and, accordingly, its owner paid either 25 per cent or  $12\frac{1}{2}$  per cent or  $8\frac{1}{3}$  per cent of the rental value of the premises, depending on whether his shop belonged to the first, second or third category.<sup>33</sup> In 1933, these duties were extended to imported liquors and alcohol as well.

(d) The Benzine Tax: This tax, which was introduced to replace the tamattu<sup>1</sup> on automobiles, was enforced on all French Mandated territories on May 16, 1928. It was based on the weight of benzine and its rate was fixed at  $3\frac{1}{2}$  piasters per kilogram. It was collected at the moment of the arrival of the benzine at the companies' warehouses. Being mainly intended as a tax on cars, it was refunded to all factories, shops, mills ... which used benzine in their work. One fourth of the receipts of this tax were allocated to the municipalities.

(e) The Stamp Duties: These were imposed on all commercial papers, documents, contracts, receipts, written declaration ... They were either fixed or proportional. The proportional duty which fell mainly on commercial papers varied with the amount

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<sup>33</sup>Hakim, op. cit., p. 380.

declared in the document, while the fixed one varied with the importance and nature of the document.<sup>34</sup>

2. Customs Duties: Under the Ottoman Empire, customs duties were imposed mainly for revenue purposes. The Treaties of 1861-62 had established an ad valorem export duty of 1 per cent as well as a general import duty of 8 per cent. The import duty was raised to 11 per cent in 1911 for the benefit of the Ottoman Debt. Furthermore, until 1909, internal products had to pay a tax of 2 per cent when moved from one place to another within the Empire.<sup>35</sup>

This tariff, which prevailed in the Wilaya of Beirut, remained in force until 1924, the date of the publication of a new scale of tariffs (Order No. 2542 of April 3rd 1924). The need for more revenues, however, led to an increase in the rate of the customs duties which were embodied in Tariff No. 296 of May 15th 1926.<sup>36</sup>

This tariff was divided into:

- i. The normal schedule which was applied to member countries of the League of Nations. The great majority of the items included in this schedule paid an ad valorem duty of 25 per cent.

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<sup>34</sup>Ibid., p. 381.

<sup>35</sup>Kurt Grunwald, Government Finances of the Mandated Territories of the Near East (Tel-Aviv: Palestine Economic Society, 1932), p. 25.

<sup>36</sup>Ibid., p. 27.

- ii. The maximum schedule which was applied to non-member countries. Rates prevailing in this schedule were usually twice as high as those of the normal schedule.
- iii. The conventional rates which were applied to adjoining countries and which differed with each country concerned.

Raw materials used in local industries were, however, exempted, while foodstuffs and necessities continued to pay the 11 per cent duty.<sup>37</sup>

#### C. Non-Tax Revenues

Besides its tax revenues, Lebanon had income from other sources. These were mainly revenues from fees, public domain revenues and public enterprise revenues. In 1932, estimates of these non-tax revenues amounted to 1,246,000 Syrian pounds and constituted 24.4 per cent of the ordinary receipts.<sup>38</sup>

### III. Evolution of the Fiscal System of Lebanon after the Declaration of Independence

#### A. The Second World War and the Early Years of Independence

With the advent of World War II, economic conditions were disrupted in Lebanon. As a result of the expansion of the industrial, trade and services sectors, to cater for the needs of the

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<sup>37</sup>Himadeh, op. cit., p. 8.

<sup>38</sup>Hakim, op. cit., pp. 338-340.

allied troops, there was a great increase in money supply and a rise in prices. This led to a deterioration in the purchasing power of the salaried people, while traders and industrialists reaped huge profits.

The situation in the public sector was not much better. In fact, with the accession of the country to independence, a great number of public functions (the most important of which were internal security and the army) were taken over by the Lebanese Government. At the same time, public utilities had to be bought from the French, with the result that the budget jumped from L.L.S. 6,635,000 in 1941 to L.L.S. 12,504,000 in 1942, to reach the figure of 21,270,000 pounds in 1943.<sup>39</sup>

The need for additional revenues was pressing. To meet it, Lebanon introduced a tax on war profits. A law providing for "An Extraordinary Contribution on Exceptional or Supplementary Profits Realized Since the War" was promulgated by Legislative Decrees Nos. 245 and 257 of November 1942. These decrees were supplemented by a third one (No. 1550) which fixed the conditions of the application of the contribution. According to this decree, the contribution -- which was applied to all profits earned since January 1, 1940 -- was levied on all "exceptional or supplementary profits," these being defined as the net annual profits which were

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<sup>39</sup> Gannagé, op. cit., p. 17.



in excess of normal profits. Net profits realized during 1939 were taken as a measure of normal profits.

Once these exceptional profits were determined, an amount equal to L.L.S. 7,500 was exempted from the tax, and the following rates were applied to the balance:

- 15 per cent on profits not exceeding L.L.S. 20,000
- 20 per cent on the portion between L.L.S. 20,000 and L.L.S. 40,000
- 25 per cent on the portion between L.L.S. 40,000 and L.L.S. 75,000
- 33 per cent on those exceeding L.L.S. 75,000.<sup>40</sup>

Unfortunately, however, the effective application of this tax required a very competent administration which was non-existent in Lebanon. Realizing this, the Government put aside the provisions of the decree and decided to collect the contribution on war profits through various agreements. In fact, on October 10, 1944, it concluded an agreement with the Merchants and Industrialists Association according to which the latter had to pay to the Government the sum of L.L. 6 million. This sum was to be collected from members on an allotment basis arrived at by general agreement. Another agreement was signed during the month of April 1945 with the concessionary companies. These were to pay to the Government

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<sup>40</sup>Ibid., p. 27.

the sum of L.L. 1,748,000, the greatest bulk of which fell on oil companies. The revenues secured by these various agreements were, however, much lower than those which the contribution was originally supposed to yield. Some more stable sources of revenues had to be secured, because the tax on war profits was temporary in nature. This led to the promulgation of a new built property tax on June 24, 1943, followed on December 4, 1944, by the promulgation of an income tax which was to replace the Ottoman tamattu'. The old unified Land tax was also replaced by a new land tax which was ratified by Parliament on December 20, 1951. It was around the same time that the gift and inheritance tax was introduced. These various taxes which have been amended more than once since their establishment are still in force in Lebanon.

#### B. The Present Fiscal System

Budget receipts of the Lebanese Government are shown in the closed accounts of financial years under the following headings:

1. Direct taxes and duties of a similar nature
2. Indirect taxes and fees
3. Public domain and public enterprises
4. Miscellaneous sources.

1. Direct Taxes and Duties of a Similar Nature: These include the buildings tax, the land tax, the income tax, the succession and gift tax, the radio receivers tax, the private vehicles tax, the forests tax, the notarial fees, the court fees,

the land registration fees, the stamp duties, the road circulation fees, the public security fees and the consular fees. However, the most important are:

(a) The Buildings Tax: This tax, which was established by Legislative Decree No. 55 of June 24, 1943, was revised in 1959 and was finally replaced by a new tax (Law of September 17, 1962) which came into effect in 1964.

Unlike the preceding ones, this new tax is to be levied on the net real or estimated annual returns of built property, these being defined as the difference between gross revenues and the expenses which are deductible by law.<sup>41</sup> These deductible expenses refer to the expenses which, according to the lease, are incurred by the owner of the building on behalf of the tenant. They include:<sup>42</sup>

- Costs of using the telephone, water, electricity and gaz, provided that these expenditures are evidenced by bills issued by the various companies or authorities concerned;
- Taxes and municipal fees due on the tenant, as determined by the tenant law;
- Expenditures on the following services rendered by the owner of the building:

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<sup>41</sup>Lebanese Republic, Ministry of Information, Buildings Tax Law of September 17, 1962 (Beirut: Sader Press), Article 24, pp. 7-8.

<sup>42</sup>Ibid., Article 27, pp. 8-9.

- Lifts
- Central heating
- Hot water
- Air conditioning
- Residing janitor

Once the net annual returns are determined, they are subject to a proportional tax of 8 per cent, to which is added a surcharge of 3 per cent for municipalities. In case these returns exceed L.L. 20,000 they are subject to an additional progressive tax, whose rates are as follows:<sup>43</sup>

<u>Brackets of Taxable Returns</u>	<u>Rate of the Tax</u>
L.L. 20,000 - L.L. 50,000	3%
L.L. 50,000 - L.L.100,000	5%
L.L.100,000 - L.L.200,000	8%
L.L.200,000 - L.L.400,000	11%
Over L.L. 400,000	15%

When this progressive tax is applied, the municipalities surcharge is increased to 10 per cent.

Provisions for exemptions and deductions are, however, included in the law. The most important are:

- Exemption from the tax of all buildings owned or used by syndicates, political parties, and other non-profit associations and institutions,<sup>44</sup>

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<sup>43</sup>Ibid., Article 56, p. 15.

<sup>44</sup>Ibid., Article 8, pp. 3-4.

- Exemption for a period of ten years of dwellings purchased on an instalment basis by the lower income groups;<sup>45</sup>
- Deduction of a sum of L.L. 500 from taxable revenue of all owner-occupied dwellings, provided that the estimated net rental revenue of these dwellings does not exceed L.L. 1000;<sup>46</sup>
- Reduction of the progressive tax by 25 per cent for corporations;<sup>47</sup>

According to the 1964 budget, revenues from the buildings tax are expected to amount to L.L. 26,500,000.

(b) The Land Tax:<sup>48</sup> This was established by the Law of December 20, 1951, but was not enforced until January 1955. It is usually imposed on the owner of land, but in the case of a long-term lease, it is levied on the lease holder. It falls on the ownership of land as well as on agricultural products. For the purpose of determining the basis and the rate of the tax, the law classifies land into three main categories:

- cultivated land
- uncultivated land
- and building lots.

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<sup>45</sup>Ibid., Article 11, p. 4.

<sup>46</sup>Ibid., Articles 52 & 53, p. 14.

<sup>47</sup>Ibid., Article 56, p. 16.

<sup>48</sup>Himadeh, op. cit., pp. 48-55.

In the case of cultivated land, the tax is levied either on its actual net return or on its estimated return. When the revenue derived by a single taxpayer exceeds L.L. 25,000, the tax is based on the land actual net returns. These are determined by deducting from gross returns all expenditures incurred in the exploitation of land. When, however, the income derived from cultivated land is less than L.L. 25,000, the tax is based either on actual returns or on estimated returns, the choice between the two being left to the taxpayer. Once these returns are assessed, they are subject -- after allowing for certain deductions -- to the following rates:<sup>49</sup>

- 2 per cent on the part which does not exceed LL 5,000
- 3 per cent on the part between LL 5,000 and LL 15,000
- 8 per cent on the part between LL 25,000 and LL 35,000
- 10 per cent on the part between LL 35,000 and LL 50,000
- 15 per cent on the part between LL 50,000 and LL 75,000
- 20 per cent on the part between LL 75,000 and LL 100,000
- 25 per cent on the part between LL 100,000 and LL 200,000
- 35 per cent on the part that exceeds LL 200,000.

Unlike cultivated land, unexploited land and building lots are not taxed progressively. The rate on the former is 25 piasters

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<sup>49</sup>The exemption at the base is of L.L. 1,800 for a bachelor, L.L. 2,400 for a married person without children, and L.L. 3,000 for a married person with children.

per 1000 square meter, while on the latter it is 2 per 1000 of their assessed market price.

The law, however, provides for certain exemptions. These exemptions apply mainly to public property, forest land, pasture land and land belonging to schools, orphanages, asylums and hospitals,<sup>50</sup> provided that such land is not rented. Besides these exemptions which are permanent in nature, the law provides also for temporary exemptions which are aimed at encouraging improvements in land. Swamps which are dried by their owners as well as un-cultivated land which is reclaimed are exempted from the tax during the first five years following the completion of such works. New orchards are also exempted for a period which varies between 2 and 15 years depending on the type of trees.<sup>51</sup>

All these exemptions, however, were not thought to provide enough incentive to land improvement with the result that in 1959 a legislative decree<sup>52</sup> was issued suspending the tax for five years. This suspension was later extended till 1968.

(c) The Income Tax: Devised especially to replace the tamattu', the income tax was established by the Law of December 4, 1944. Since then, it has been subject to several amendments. In 1959, it was revised by Legislative Decree No. 144; however, no

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<sup>50</sup> Only the hospitals which depend for support on philanthropy and which receive free patients are exempted from the tax.

<sup>51</sup> Himadeh, op. cit., pp. 52-53.

<sup>52</sup> See Legislative Decree No. 107 of June 12, 1959, in: Lebanese Republic, Ministry of Finance, Collection of Legislative Decrees on Direct Taxes (Beirut: Sader Press, 1960), p. 48.

major change was introduced in it. The Ministry of Finance has recently presented to Parliament a draft law aiming at reforming this tax.

Incomes subject to the tax are divided into three main categories:

- (1) Profits from industrial, commercial and non-commercial enterprises;
- (2) Salaries, wages, and pensions;
- (3) Income from movable property;

(1) Profits from industrial, commercial and non-commercial enterprises: The tax is here levied either on actual or on assessed or estimated net profits. The following enterprises and individuals, however, are compulsorily taxed on the basis of their actual net profits:<sup>53</sup>

- Corporations, partnerships, syndicates, consumers and agricultural cooperatives;
- Branches of the above mentioned establishments when their head offices are outside Lebanon;
- Industrial firms;
- Banks, bankers, and persons undertaking discount operations;
- Importers, exporters, wholesale or semi-wholesale dealers, commission merchants, agents of manufacturers or business firms;

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<sup>53</sup>These are defined, according to Article 7 of the Law, as the total returns of the business minus all the charges and expenses necessary for running it.



- Retail traders who employ more than four persons;
- Drugs and chemical warehouses ;
- Gambling clubs and houses ;
- First and second class hotels ;
- First and second class theaters and cinemas ;
- Publishing houses and printing presses ;
- Grinding mills not run by water or wind;
- Lessors of equipped establishments;<sup>54</sup>

Exemptions at the base allowed by the Law depend on whether the tax is levied on actual or assessed profits. In the case of the former, a deduction amounting to L.L. 1,500 is allowed for bachelors, L.L. 2,400 for married people with no children, and L.L. 3,000 for married persons with children. In the case of assessed profits the deduction is of L.L. 2,400 irrespective of the taxpayer's family status.<sup>55</sup>

Once these deductions are made, the following rates are applied:<sup>56</sup>

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<sup>54</sup>See Legislative Decree No. 144, Article 11, in: Collection of Legislative Decrees on Direct Taxes, op. cit., p. 4.

<sup>55</sup>Ibid., Article 31, p. 9.

<sup>56</sup>Ibid., Article 32.

	<u>Commercial and Industrial Enterprises</u>	<u>Other Enterprises</u>
On taxable income not exceeding L.L. 5,000	5%	4%
On the portion of taxable income comprised between:		
LL 5000 and LL 15,000	7%	5%
LL 15,000 and LL 25,000	9%	7%
LL 25,000 and LL 35,000	13%	10%
LL 35,000 and LL 50,000	17%	13%
LL 50,000 and LL 75,000	22%	17%
LL 75,000 and LL 100,000	27%	22%
LL 100,000 and LL 250,000	32%	27%
LL 250,000 and LL 750,000	37%	32%
On the portion of taxable income exceeding LL 750,000	42%	37%

A surcharge of 10 per cent on the amount of this tax is levied for the benefit of the municipalities.

Some institutions, however, are — by virtue of Article 5 of the Law<sup>57</sup> — exempted from the tax. These are:

- Educational institutions ;
- Asylums, orphanages, hospitals and relief institutions provided they receive patients free of charge;
- Mental disease hospitals and sanatoriums ;
- Syndicates, consumers and agricultural cooperatives with no commercial purpose;

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<sup>57</sup>Ibid., p. 2.

- Farmers who sell their own land or cattle produce, provided such produce is not processed ;
- Air and sea transport companies including foreign ones in case of reciprocity ;
- Public enterprises.

(2) Salaries, Wages and Pensions: According to Article 46, a tax is levied on salaries, wages, and pensions which are paid either from public or private funds to residents and non-residents for services rendered in Lebanon. The following incomes are, however, exempted from the tax:<sup>58</sup>

- Clergymen allowances ;
- Salaries and allowances received by members and foreign personnel of consular and diplomatic missions when such an exemption is reciprocated ;
- Salaries and allowances of military people from allied countries ;
- Pensions of disabled persons ;
- Life allowances and temporary compensations granted to victims of labor accidents ;
- Wages of agricultural labor ;
- Wages of household servants in private houses ;
- Salaries of nurses and maids in hospitals, orphanages, asylums and similar institutions ;
- Indemnities paid for dismissal from work.

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<sup>58</sup> Ibid., Article 47, pp. 12-13.

The tax is based on the net yearly returns of the taxpayer. When these are determined, and after allowing for the deductions provided for by the law (L.L. 1,500 for bachelors, L.L. 2,400 for married persons with no children and L.L. 3,000 for married persons with children), the following rates are applicable:<sup>59</sup>

On the portion of taxable income not exceeding LL 4,800	2%
On the portion of taxable income ranging between:	
LL 4,800 and LL 8,400	3%
LL 8,400 and LL 12,000	4%
LL 12,000 and LL 24,000	5%
LL 24,000 and LL 36,000	6%
LL 36,000 and LL 48,000	8%
On the portion of taxable income exceeding LL 48,000	10%

(3) Income from Movable Property: The tax falls here on incomes derived from Lebanese as well as foreign stocks and bonds, mortgages, debts and deposits when such incomes are earned in Lebanon or received by a resident of Lebanon.<sup>60</sup> The following returns are, however, exempted:

- Interest on Lebanese Government bonds;
- Interest on savings deposits on condition that it does not exceed LL 1,000 per year;

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<sup>59</sup>Ibid., Article 58, p. 15.

<sup>60</sup>Ibid., Article 69, p. 17.

- ⇒ Interest and returns from current accounts opened in banks in favour of the Government, municipalities, public institutions, and diplomatic and consular missions accredited in Lebanon (in case of reciprocity);
- Payments made by a concessionary company to stockholders and creditors when the reason for such payments is the obligation of the company to hand over at the end of its concession all its equipment to the Government;
- Repayments to creditors and stockholders when such amounts are not taken from the profit and loss or reserve account.
- Dividends distributed by Lebanese corporations from profits that are subject to the tax on incomes from enterprises.<sup>61</sup>

For the purpose of the assessment of the tax, the law classifies income from movable capital into five categories:

- Income from Lebanese stocks and bonds;
- Income from foreign stocks and bonds;
- Income from mortgages;
- Income from debts and deposits ;
- Income from forfeitures resulting from lapse of time.

Article 72 of Legislative Decree No. 144 fixed the rate of the tax on the first four categories at 10 per cent of the gross returns, while Article 90 of the same decree fixed it at 50 per cent for the fifth category.

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<sup>61</sup>Ibid., Article 71, pp. 18-19.

(d) The Succession and Gift Tax: Established by the Law of December 21, 1951, this tax was amended in 1959 by Legislative Decree No. 146. The new tax, which does not differ much from the old one, is levied on all rights as well as movable and immovable property that are passed to others either by inheritance, will, gift, waqf, or any other way which does not involve compensation.<sup>62</sup>

In case of transfer by inheritance, the tax is levied on the net value of the share of each heir after the following deductions are made:<sup>63</sup>

- L.L. 15,000 for a husband, wife or a descendant of legal age (18 years and above);
- L.L. 25,000 for a descendant under legal age but whose age is between 10 and 18 years ;
- L.L. 35,000 for a descendant who is under 10 years ;
- L.L. 35,000 for a disabled descendant ;
- L.L. 25,000 for a married son ;
- L.L. 40,000 for a married son who has children ;
- L.L. 10,000 for a father or mother ;
- L.L. 5,000 for other heirs ;

When transfer is by gift, the tax is levied on the value of the rights or property after deducting all obligations on them,

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<sup>62</sup>Ibid., Legislative Decree No. 146 of June 12, 1959, Article 1, p. 50.

<sup>63</sup>Ibid., Article 9, p. 52.

if any.<sup>64</sup> All donations and contributions made from public funds are exempted from the tax. Before levying the tax, a deduction of L.L. 1000 is made. In the case of educational, technical or sport societies or of philanthropic institutions, the deduction is of L.L. 10,000.

Bequests are treated like inheritance for taxation purposes when the beneficiary is a legal heir. In all other cases they are treated like gifts.<sup>65</sup>

As far as awqafs are concerned, the tax is levied on the share of every beneficiary --with the exception of that of the founder -- after allowing for a deduction of L.L. 1,000 for each. In case of the termination of a waqf, the tax is levied on two-thirds of the share of each beneficiary after a deduction of L.L. 2,000 is made.<sup>66</sup>

The following rates are applied to the net share of the beneficiary after making the proper deductions to each category.

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<sup>64</sup> Ibid., Article 14, p. 53.

<sup>65</sup> Ibid., Article 7, p. 51.

<sup>66</sup> Ibid., Articles 18 & 19, pp. 53-54.

Table 6.

SUCCESSION TAX RATES IN PERCENTAGES

Category of Taxpayers	Up to LL 25,000	From LL 25,000 to 50,000	From LL 50,000 to 100,000	From LL 100,000 to 200,000	From LL 200,000 to 400,000	From LL 400,000 to 1,000,000	Over LL 1,000,000
<u>Category I</u>							
Descendants, Husband & Wife	1	2	3	4	5	6	7
<u>Category II</u>							
Parents	2	4	6	8	10	12	14
<u>Category III</u>							
Ancestors (other than parents Brothers, Sisters)	3	6	9	12	15	18	21
<u>Category IV</u>							
Uncles, Aunts, Nephews, Nieces	4	8	12	16	20	24	28
<u>Category V</u>							
Other Tax- payers	6	12	18	24	30	36	40

Source: Lebanese Republic, Ministry of Finance, Collection of Legislative Decrees on Direct Taxes (Beirut: Sader Press, 1960), p. 62.



(e) The Stamp Duties: These duties were first imposed by Legislative Decree No. 130 of December 1933. Although this decree was amended more than once, no major change has been introduced in it, with the result that a draft law aiming at reforming it completely has been recently prepared by the Ministry of Finance.

According to Legislative Decree No. 130, all securities, contracts and documents are subject to stamp duties. These duties are either fixed or proportional. The fixed duty is usually imposed on documents on which no sum of money is mentioned, while the proportional duty is levied in accordance to the sum of money indicated in the document.<sup>67</sup> The fixed duty varies between 1 and 50 piasters depending on the importance of the document, while the proportional duty is as follows:

- 2 per 1000 when the amount of money mentioned in the document does not exceed L.L. 25,000;
- 1.5 per 1000 when the amount of money mentioned in the document varies between L.L. 25,000 and L.L. 50,000;
- 1 per 1000 when the amount of money mentioned in the document varies between L.L. 50,000 and L.L. 100,000;
- 0.5 per 1000 when the amount of money mentioned in the document varies between L.L. 100,000 and L.L. 200,000;
- 0.25 per 1000 when the amount of money mentioned in the document exceeds L.L. 200,000.<sup>68</sup>

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<sup>67</sup> Legislative Decree 130 of December 20, 1933 with its Modifications till June 12, 1959 (Typescript), Article 3, p. 1.

<sup>68</sup> Ibid., Article 9, p. 3.

2. Indirect Taxes and Fees: These include the tax on inflammables, the duty on alcohol and alcoholic liquors, the tax on salt, the tax on tobacco, the tax on cement and the customs duties.

(a) The Tax on Inflammables: This tax which was introduced in Lebanon during the French Mandate is still in vigor. Some changes -- mainly in the rates of the tax and in exemptions -- have, however, been introduced.

The rates which are in force now are shown in the following table:

Table 7.

TAXES AND SURCHARGES LEVIED ON INFLAMMABLES  
PER LITER  
(in Lebanese Piasters)

Kind of Inflammable	Basic Rate	Municipalities Surcharge	Reconstruction Surcharge	Inflammables Fund Surcharge
Benzine	13.25	4	1.25	0.686
Kerosene	4	2	-	1.769
Gas Oil	-	-	1.50	0.149
Fuel Oil	-	-	1.00	0.102

Source: Ministry of Finance, Indirect Taxes Division.

To the exemptions allowed by the Law of May 1928 (industrial concerns, shops, mills, and agricultural machinery), the Law of April 1947 added few more. In fact, inflammables sold to the Lebanese Government, Lebanese airline companies, and municipalities are exempted from the tax. Foreign airline companies as well as diplomatic and consular missions accredited in Lebanon are also exempted, if reciprocal treatment is accorded.

(b) The Duty on Alcohol and Alcoholic Liquors: Alcohol and alcoholic liquors are subject, according to the Lebanese law, to two kinds of duties — a duty on their manufacturing and importation, and a duty on their sale. Legislative Decree No. 133 of December 20, 1939, and its successive amendments by the budget laws of 1945 and 1950 subject alcohol and alcoholic liquors to the following rates:

Beer: 7 piasters per liter

Wine: 8 piasters per liter

Arak: 0.30 piasters per unit proof in each liter<sup>69</sup>

Alcohol and all other spirits: one piaster per  
unit proof in each liter

Denatured alcohol: 0.30 piasters per unit proof  
in each liter.

The Customs Authorities are in charge of collecting these duties in the case of imported products. Duties on local products are collected at the time of assessment of production by an evaluation commission of the Ministry of Finance.

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<sup>69</sup> Acetone, by virtue of Legislative Decree No. 91 of June 12, 1959, became subject to the same tax.

Besides the duties levied on the importation and manufacturing of alcohol and alcoholic liquors, a tax is levied on their sale in bars, restaurants, nightclubs, etc.. This tax is based on the rental value of the place and its rate varies with the amount of alcoholic drinks sold by the establishment. When the establishment serves only or mainly alcoholic drinks (like in the case of bars), the rate of the tax is fixed at 35 per cent. When the serving of alcoholic drinks is combined with the provision of other services (like in the case of restaurants) the rate is of 18 per cent. When the sale of alcoholic drinks constitutes only a minor part of the establishment activities, the rate is fixed at 12 per cent.

(c) The Tax on Salt: This tax is imposed both on the importation and extraction of salt. According to the Law of July 1, 1961, a tax amounting to 10 piasters is levied on every kilogram of imported salt. However, in the case of salt imported from Arab countries, the tax is only 1.25 piaster per kilogram. The extraction of salt is also subject to the tax. The rate is fixed at 10 piasters a year per square meter of salt basin.

(d) The Tobacco Monopoly:<sup>70</sup> This monopoly was conceded to a private corporation, the "Régie Co.- Intéressée des Tabacs et Tombacs". Although according to the agreement, the concession was supposed to end on December 31, 1960, the Régie is still operating.

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<sup>70</sup>Himadeh, op. cit., pp. 68-70.

The yearly determination of the total area to be cultivated and of the prices which the Régie should pay for each kind and category of tobacco are determined by a committee of high officials of the Ministry of Finance (the Permanent Committee for Tobacco and Tambac), while the processing and sale of tobacco are monopolized by the Company. The Régie sells the processed and manufactured tobacco to the consumers at prices which are fixed by the Committee upon the Company's suggestions. The net profits resulting from this monopoly are divided between the Government and the Régie on the basis of 5 per cent for the latter and 95 per cent for the Government.

(e) The Tax on Cement: Decree No. 7962 of January 31, 1947, fixed the tax on cement, irrespective of whether it was imported or locally produced, at L.L. 5 per ton. This tax is still in vigor. However, the Ministry of Finance has recently submitted to Parliament, for examination, a draft law aiming at increasing the tax from L.L. 5 to L.L. 8 per ton. The amounts of cement which are exported are exempted from the tax if the exporter is the factory owner or the wholesaler representing the trade mark.<sup>71</sup>

(f) Customs Duties: Prior to March 14, 1950, Lebanon and Syria formed a customs union. The receipts from customs duties were divided among them on the basis of 66 per cent for Syria and 44 per cent for Lebanon. Soon after the breakdown of the union, Lebanon

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<sup>71</sup>Ibid., p. 71.

started concluding bilateral trade agreements with neighbouring Arab countries. It ratified an agreement with Iraq on February 19, 1951, with Jordan on August 27, 1952, with Syria on March 5, 1953, and with Egypt on June 27, 1956.<sup>72</sup> According to these agreements, preferential duties are applied to imports from these countries. In general, all unprocessed products are exempted, while processed ones benefit from a reduction which varies between 20 to 60 per cent depending on the agreement under consideration.

Besides these bilateral agreements, a multilateral one was signed by members of the Arab League and ratified, so far, by Lebanon, Egypt, Syria, Iraq, Jordan, Saudi Arabia and Kuwait. This agreement provides for:

- (1) Duty exemptions for agricultural and animal products as well as natural resources, on condition that they are imported directly from one of the signatory countries;
- (2) A reduction of 25 per cent on manufactured products on condition that they are directly imported from one of the signatory countries and that it is proven that the proportion of Arab raw materials and labor used in their manufacture amounts to at least 50 per cent of total costs of production.

Besides these conventional duties which are set by trade agreements, ordinary duties -- amounting usually to 25 per cent --

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<sup>72</sup> See Appendices to: Conseil Supérieur des Douanes, Tarif des Droits de Douane (Beirut), 1963.

are applied in Lebanon on practically all commodities with the exception of strict necessities, raw materials and industrial and agricultural machinery. Furthermore, for the purpose of protecting local industries, goods of types manufactured locally are subject to a duty which varies usually between 40 and 50 per cent.

3. Public Domain and Public Enterprises: As its name indicates, this section of the budget includes revenues from Government property and the following public enterprises: Post and Telegraph, Official Publications, Explosives Service and Lighthouse Department. Except for the Post and Telegraph, all other public enterprises accounted for are of minor importance. This is so because all important public enterprises (like the Directorate of National Lottery, the Directorate General of Telephone, the Electricity and Common Transport Service) have their own independent budgets.

4. Miscellaneous Sources: These include discounts for pensions, fines, and forfeitures, interests on funds, gambling duties, receipts from quarantines, receipts from concessionary companies and royalties from petroleum companies. Royalties from petroleum companies are by far the most important item in this section. They are paid

by two oil companies, namely, the Iraq Petroleum Company and the Tapline. In 1962, receipts from royalties amounted to L.L. 47,176,759.



### CHAPTER III

#### DEVELOPMENTS IN THE ECONOMIC AND SOCIAL POLICIES OF THE LEBANESE GOVERNMENT

Located in an area where economic underdevelopment rules, Lebanon — despite the paucity of its natural resources and the narrowness of its territory — presents signs of an evident prosperity:

- Per capita income was \$ 320 in 1961, as against \$ 102 in Egypt, \$ 140 in Syria, \$ 120 in Iraq and \$ 165 in Turkey.
- The number of students per 1000 inhabitants was 173 in 1959, while it was 128 in Egypt, 120 in Syria, 114 in Iraq, 112 in Turkey.
- Finally, the number of inhabitants per 1 doctor was 1,300 in 1958, against 2,857 in Egypt, 4,545 in Syria, and 5,622 in Iraq.<sup>1</sup>

This Chapter attempts to examine the part played by the Government in achieving this prosperity, in the light of the evolution of its social and economic policies during the last two decades.

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<sup>1</sup>Ministère du Plan & Mission I.R.F.E.D., Dossier de Base pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. II: Perspectives de Planification Générale (Beirut: July 1963), p. 1.

I. The Government's Economic and Social Policy from  
1943 to 1952

The Lebanese economy was characterized, before the country's accession to independence, by a completely liberal system of the type which prevailed in Europe during the XIXth Century. Except for the maintenance of peace and order, all kinds of economic activity were left to the private sector: till the end of World War II, even public utilities -- including water, electricity, tramways, ports -- were run by private companies. In fact, both the Ottoman and the French Mandatory administrations were primarily concerned with fostering their own interests. This led to deep suspicion of public authorities in the minds of the people. As a result, enterprising individuals went on with their plans and projects relying on their own initiative.<sup>2</sup>

However, with Lebanon's accession to independence, the State parted with some of its traditional neutrality and started interfering in the economic life of the country.<sup>3</sup> Unfortunately, the limited role played by the Government previously had not given it the adequate administrative apparatus which it needed, despite the fact that in ten years' time the number of government

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<sup>2</sup>Yusif Sayigh, "Lebanon: Special Economic Problems Arising from a Special Structure," Middle East Economic Papers, (1957), pp. 72-73.

<sup>3</sup>The Ministry of National Economy was established in 1945, and some of the public utilities moved from the private to the public sector.

employees increased almost threefold from 3,659 in 1937 to 11,588 in 1947.<sup>4</sup> Lebanon, at that time, gave the impression of being overadministered rather than governed. "The public naturally, had little confidence in the ability of the administration to be the catalytic agent in development, much less to be the inspirator and organ of development."<sup>5</sup> Although the government interfered from time to time in the economic life of the country, the largest part of the development experienced during the decade 1943-1952 was the result of private initiative. Government policy during that period could be summed up in the lack of a definite, well-formulated economic policy; and any attempt to understand it should be done through an examination of government action in the different economic sectors. This action is best reflected in Lebanon in the evolution of the government's budget.

#### Evolution of the Lebanese Budget: 1943-1952

Three basic principles seem to have permeated Lebanese budgetary policy during the 1943-1952 decade:

a. A budget of a small size: The government in Lebanon seems to have always wanted to present to Parliament and to public opinion a small budget. Despite the fact that in absolute terms budget kept on increasing year after year, its total receipts and

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<sup>4</sup>Sleiman Gémayel, Evolution du Budget Libanais (Beirut: Imprimerie Catholique, 1962), p. 25.

<sup>5</sup>Sayigh, op. cit., p. 72.

expenditures are thought to have represented a small percentage of the country's national product.<sup>6</sup>

This stress on the small size of the budget might be interpreted as a reflection of the government's reluctance to interfere in the social and economic life of the country. In a country where economic liberalism is the rule, government is not supposed to use its budget to influence either directly — through the outlets of its expenditures and the sources of its revenues — or indirectly — through their size — the socio-economic set-up. In Lebanon, it seems that the budget was not used in this fashion. The government has almost all the time behaved as a private entrepreneur, increasing its expenditures during periods of prosperity and decreasing them in periods of depression, with the result that instead of correcting the cyclical trends of the economy, budgetary policy has often accentuated them: looking, for example, at the price indices for the years 1950, 1951 and 1952, one notices that they have increased from 100 in 1950 to 116.22 in 1951, decreasing again to 112.22 in 1952. Public expenditures, in turn, seem to have followed the same trend, increasing from LL 84.5 million in 1950 to LL 90 million in 1951 and decreasing again to LL 88.5 million in 1952.<sup>7</sup>

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<sup>6</sup>Figures on Lebanon's national income are available starting 1950 only. In that year, public revenues amounted to 9.8 per cent of national income against 11.3 per cent in 1951, while public expenditures represented 8.1 per cent and 8.3 per cent of national income respectively.

<sup>7</sup>Raymond Delprat, "Eléments d'Elaboration d'un Modèle de Croissance Globale pour le Liban," Le Commerce du Levant, No. 19 (March 15, 1962), p. 33.

b. A light fiscal system coupled with a great reliance on indirect taxes as a source of revenue: A light fiscal system has always been thought of as an economic necessity in Lebanon. In fact, the government seems to have considered it as being the surest way of attracting foreign capital and encouraging investment. Mainly as a result of the increasing prosperity prevailing in the country and partly due to the introduction of new direct taxes — the income tax was introduced in 1944 and the succession tax in 1951 — this light fiscal system has succeeded in providing Lebanon with the revenues it needed. These increased from LL 37.74 million in 1944 to LL 124.92 million in 1952. However, direct taxes represented only 25 to 30 per cent of total receipts, the rest being secured from indirect taxes. This heavy reliance on indirect taxes may be partly explained in terms of the ease of their collection, and partly in terms of the necessity of having a light system of direct taxation so as not to hinder the growth of the private business sector.

c. A budget surplus: A look at the evolution of the ordinary budget since 1944 shows that actual public receipts have increased at a faster pace than actual public expenditures. This is apparent in the following table.

Table 8.

PUBLIC RECEIPTS AND PUBLIC EXPENDITURES  
1944 - 1952

Year	Receipts (in LL)	Expenditures (in LL)
1944	37,741,188	27,666,573
1945	55,151,950	35,920,893
1946	73,915,827	51,993,915
1947	85,988,438	60,722,427
1948	78,754,612	70,076,517
1949	87,367,107	83,401,896
1950	83,317,342	84,521,928
1951	105,307,020	90,051,120
1952	124,927,346	88,509,851

Source: Sleiman Gémayel, Evolution du Budget Libanais  
(Beirut: Imprimerie Catholique, 1962), pp. 53 and 70.

As a result, the budget closed accounts showed at the end of every fiscal year a budgetary surplus. Two main factors might be considered as having given rise to these budgetary surpluses. The first one relates to a certain policy followed by the Lebanese Government which has consisted in having an excess of receipts over expenditures so as to feed the Reserve Account out of which investments of the public sector are financed. As a result, public

revenues were almost invariably underestimated, while public expenditures were overestimated leading to a budgetary surplus. The second factor relates to the lack of an adequate personnel in the various ministries in general and in the Ministry of Public Works in particular, with the result that some projects included in the budget could not be carried out during the same fiscal year and funds allotted to them could not be all spent.<sup>8</sup>

Movements in the Reserve Account during the years 1943-1952 are shown in Table 9.

Table 9.

MOVEMENTS IN THE RESERVE ACCOUNT  
1943 - 1952  
(in L.L.)

<u>Year Plus Period Allowed for Closing the Accounts</u>	<u>Balance at the Time of Closing the Ac- counts</u>
1943	8,692,366
1944	17,816,981
1945	27,097,408
1946	28,649,778
1947	53,915,789
1948	44,102,884
1949	39,068,006
1950	18,273,420
1951	33,529,320
1952	65,482,090

Source: Raja Himadeh, The Fiscal System of Lebanon (Beirut: Khayat's, 1961), p. 15

<sup>8</sup>Gemayel, op. cit., pp. 64-65.

Moving now from the general principles underlying the Lebanese budgetary policy and examining public expenditures as they appear in the ordinary budget, one realizes that more than half go to general administration and defense, while the remainder is split between the various government departments in charge of economic and social affairs. This appears clearly in the following table:

Table 10.

DISTRIBUTION OF PUBLIC EXPENDITURES ACCORDING TO  
THEIR OBJECTIVES  
1948 - 1952  
(in percentages)

Year	Expenditures on General Administration and Defense	Economic Expenditures <sup>1</sup>	Social Expenditures <sup>2</sup>
1948	57.1	30.0	12.9
1949	61.4	25.3	13.3
1950	55.3	29.4	15.3
1951	55.7	26.6	15.7
1952	58.4	25.6	17.0

<sup>1</sup>By economic expenditures is meant total expenditures on personnel and equipment of the ministries of Public Works, Agriculture and P.T.T.

<sup>2</sup>By social expenditures is meant total expenditures on personnel and equipment of the ministries of National Education, Health and Social Affairs starting August 1951.

Source: Elias Gannagé, "La Redistribution des Revenus au Liban," Les Semaines Sociales du Liban du 19 Avril au 4 Mai 1955 (Beirut: Les Lettres Orientales, 1955), p. 196.



A close look at this table shows how little attention and importance was given at that time to social expenditures. This could be explained partly by the fact that the Ministry of Social Affairs was established only in 1951. Prior to that date, there was a Social Affairs Department within the Ministry of National Economy. To palliate for this low percentage of public expenditures on social affairs within the ordinary budget, the government took a few measures aiming at improving the conditions of the lower social classes:

- the Directorate of National Lottery was created in 1943.<sup>9</sup> The profits realized from this undertaking were to be used solely for welfare purposes.
- Legislative Decree No. 29 of May 12, 1943, fixed the minimum salary at LL 75 per month. Article 28 of the same decree provided for family allowances in favour of labourers and employees but did not account for their method of financing, with the result that these fell on the employer.<sup>10</sup>

It is apparent from what has been said that the Lebanese budget was nothing more during that decade than a statement of accounts of government receipts and expenditures. This was aggra-

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<sup>9</sup> Himadeh, op. cit., p. 18.

<sup>10</sup> Elias Gannagé, "La Redistribution des Revenus au Liban," Les Semaines Sociales du Liban du 19 Avril au 4 Mai 1955 (Beirut: Les Lettres Orientales, 1955), p. 173.

vated by the great proportion going to government administration. In a declaration made to Parliament in 1951, Philippe Taclac -- then Minister of Finance -- stressed this point: "Public opinion," he said, "considers Lebanon as a state of civil servants since the greatest part of the budget goes to them."<sup>11</sup>

Outside its ordinary budget, the Lebanese government, however, through the Development Works Fund, undertook during that period few infrastructural and developmental projects. This Fund, which was created on April 5, 1944, was financed from the Reserve Account. The allocation for every project was made separately by an act of Parliament and kept in an autonomous account. Expenditures from the Fund are given in the following table:

Table 11.

DISTRIBUTION OF DEVELOPMENT EXPENDITURES FROM THE  
DEVELOPMENT WORKS FUND  
1944 - 1952  
(in L.L. thousands)

Year	Water	Roads	Schools	Hospitals	Other Buildings	Inter-national Air-port	Sea Ports & Other Airports	Miscellaneous	Total
1944	1,102	339	-	-	52	-	-	139	1,631
1945	1,674	3,581	91	-	243	-	-	502	6,091
1946	2,110	3,797	197	-	197	-	-	485	6,787
1947	2,145	8,296	100	130	254	-	64	483	11,472
1948	1,602	5,969	25	370	575	1,144	65	606	10,351
1949	2,517	3,223	34	814	753	7,490	1	650	15,482
1950	3,761	1,368	37	210	432	13,029	-	933	19,770
1951	1,330	538	18	88	204	8,821	-	648	11,647
1952	594	135	3	171	512	4,849	-	356	6,620

Source: Adapted from Raja Himadeh, The Fiscal System of Lebanon (Beirut: Khayat's, 1961), p. 97.

<sup>11</sup>Le Commerce du Levant (December 26, 1951) as quoted in Gémayel, op. cit., p. 78

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<sup>11</sup>Le Commerce du Levant (December 26, 1951) as quoted in Gémayel, op. cit., p. 10.

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<sup>11</sup>Le Commerce du Levant (December 26, 1951) as quoted in Gémayel, op. cit., p. 78.

The creation of this Development Works Fund seems to have been motivated on the one hand by the government's will to pay for exceptional or extraordinary expenditures by extraordinary revenues, and, on the other, by the desire of not submitting investment expenditures to the ordinary budget routine and to its yearly limitation.<sup>12</sup>

Unfortunately, however, due to the absence of a definite economic policy, these various investment projects were carried neither according to a coherent and coordinated plan, nor even according to a system of priorities, with the result that an optimum allocation of the government funds was not possible.

## II. The Government's Economic and Social Policy from 1953 to 1958

Starting with 1953, the government became aware of the necessity of creating new government agencies which would be responsible for coordinating the economic activities of the various governmental departments. As noticed earlier, planning for development projects was the responsibility, until that year, of individual government departments. To remedy this state of affairs, the government established in 1953 a Planning Board.

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<sup>12</sup>Ibid., p. 112.

This Board, which was mainly advisory in nature, had the responsibility of drafting a general development plan.

When the Ministry of Planning was established in 1954, the Planning Board was detached from the Ministry of National Economy and integrated in the new ministry. Unfortunately, this ministry was not properly equipped with technical and statistical departments, with the result that its work was limited to that of the Planning Board. This Board, in turn, due to technical and financial limitations could not be very efficient. Despite all these drawbacks, it was able to present to the government in February 1958 a five-year plan for economic development.

According to this plan the government was to interfere in the economic life of the country only as long as such an interference did not hinder the growth of the private sector, and only in those fields in which private enterprise would not for one reason or the other venture. The economic role of the government was thus conceived of as being complementary to that of the private sector. Accordingly, the plan consisted of a series of various sectorial projects which were to be undertaken in the social and economic fields (See Table 12). This sectorial planning was thought to be more in line with the liberal policy followed by the government.



Table 12.

THE FIVE-YEAR DEVELOPMENT PLAN PROJECT  
1958 - 1962  
 (in L.L. thousands)

Project	Expenditures					Total
	1958	1959	1960	1961	1962	
1. Cadastral, Geological, & Water Resources Survey	1,915	1,915	1,915	965	840	7,550
2. Utilisation of Water Resources	55,700	55,700	55,700	55,700	55,700	278,500
3. Agricultural Projects	11,525	11,832	3,097	3,097	3,097	32,648
4. Industrial Projects	10,780	1,932	2,102	2,302	2,452	19,568
5. Tourism Projects	7,000	7,000	7,000	7,000	7,000	35,000
6. Projects for the Development of the Road Network, Ports, Airports, & Town & Village Planning	67,826	66,826	62,426	53,826	53,826	304,630
7. Social Projects	20,719	20,229	20,194	20,194	20,194	101,530
8. Statistical Projects	1,450	1,000	1,000	1,000	1,000	5,450
9. Money, Banking & Fiscal Projects	1,590	1,550	1,550	1,550	6,550	12,790
10. General Administration Projects	750	550	550	550	550	2,950
<b>Grand Total</b>	<b>179,255</b>	<b>168,534</b>	<b>155,434</b>	<b>146,184</b>	<b>151,209</b>	<b>800,616</b>

Source: Ministry of Planning, Planning & Development Board, The Project of the Five-Year Plan for Economic Development in Lebanon (Beirut: Sader Press), pp. 13-16.

Despite the fact that the establishment of a system of priorities was not thought by the Board to be necessary,<sup>13</sup> the distribution of the planned expenditures between the various sectors reveals the great importance given at that time to the building of the country's infrastructure and to the improvement of the conditions of the lower social classes.

Unfortunately, due partly to the political disturbances of 1958 and partly to the change of the régime, the plan as a unit was not approved by the government. However, the latter had recourse to it from time to time by adopting some of the projects included in it.

It thus seems that although the principle of greater and more direct government interference via planning was accepted, in practice it did not lead to much more state intervention.

#### Evolution of the Lebanese Budget: 1953 - 1958

Examining now government policy as reflected in the budget, one realizes that the role played by the State in the economic life of the country has become greater. Receipts and expenditures of the government have represented from year to year a greater percentage of national income:

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<sup>13</sup>Ministry of Planning, Planning and Development Board, The Project of the Five-Year Plan for Economic Development in Lebanon (Beirut: Sader Press), p. 12.

Table 13.

PUBLIC RECEIPTS AND PUBLIC EXPENDITURES AS A  
PERCENTAGE OF NATIONAL PRODUCT  
1953 - 1957<sup>1</sup>

	1953	1954	1955	1956	1957
- National Product (at current prices) (in LL million)	1,168	1,256	1,374	1,417	1,503
- Actual Budget Receipts (in LL million)	141.2	157.4	178.9	192.0	209.9
- Actual Budget Receipts as a Percentage of National Product	12.1	12.5	13.0	13.5	14.0
- Actual Budget Expenditures (in LL million)	96.3	111.2	132.4	161.3	192.5
- Actual Budget Expenditures as a Percentage of National Product	8.2	8.9	9.6	11.4	12.8

<sup>1</sup>Figures for 1958 have not been included because, as a result, of the political disturbances which took place during that year, national income dropped. As a result public revenues and expenditures as a percentage of national income were inflated.

Source: Raymond Delprat, "Eléments d'Elaboration d'un Modèle de Croissance Globale pour le Liban," Le Commerce du Levant, No. 19 (March 15, 1962), p. 33.

The growing importance of the government in the economic life of the country is also reflected in the increase of expenditures from the Development Works Fund: these jumped from LL 3,210,000 in 1953 to LL 38,980,000 in 1957.<sup>14</sup>

Unfortunately, however, this growing importance has been quantitative rather than qualitative. On the one hand, the budget has not been used by the government for compensatory purposes: during the deflationary period that followed the Korean War, government expenditures increased only from LL 96.3 million in 1953 to LL 111.2 million in 1954, while they jumped from LL 132.4 million in 1955 to LL 161.3 million in 1956 and LL 192.5 million in 1957, when inflationary pressures prevailed in the economy.<sup>15</sup> On the other hand, 60 per cent of the budget on the average went to administrative expenditures during that period.<sup>16</sup> It was mainly with the hope of reducing the burden on the budget of an inefficient civil service that the administrative reform was undertaken in 1959.

### III. The Government's Economic and Social Policy from 1959 to 1964

Among the most important change introduced by this administrative reform and of relevance here, are:

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<sup>14</sup>Himadeh, op. cit., p. 97.

<sup>15</sup>Elias Saba, "Fiscal Trends in Lebanon 1951-1961," Middle East Forum, Vol. XXXIX (June 1963), pp. 32 & 34.

<sup>16</sup>Information privately secured from the Ministry of Finance, Budget Department.

1. The reorganization of the Ministry of Planning by Legislative Decree No. 2863 of December 5, 1959. According to Article 1 of this decree, the Ministry of Planning is to be in charge of directing and coordinating Lebanon's development, as well as of collecting all the statistics which might be needed in attempting to increase the national income of the country and to raise the standards of living prevailing in it.<sup>17</sup> Article 18 of the same decree entrusts the collection of these statistics to the Central Department of Statistics. Legislative Decree No. 135 of June 12, 1959, raised this department to a directorate,<sup>18</sup> while the Law of June 12, 1962, established within the ministry the Directorate of Studies and Planification which has not yet started operating.

These various measures reflect the government's will to mitigate the shortage and inadequacy of the administrative tools which were put at the disposal of the Ministry at the time of its establishment in 1954, and which hindered its proper functioning.

2. The establishment of the Social Development Office by virtue of Legislative Decree No. 155 of June 15, 1959. The main functions of this Office which is attached to the Ministry of Social Affairs are summarized in Article 1 of the decree. They consist mainly of:<sup>19</sup>

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<sup>17</sup>Lebanese Republic, Collection of Legislative Decrees until April 1, 1961 (Beirut: Sader Press), p. 1062.

<sup>18</sup>Ibid., p. 1061.

<sup>19</sup>Ibid., p. 841.

- a. establishing a long-run policy for social development in Lebanon and insuring its application;
- b. contributing -- either through grants or loans -- to the financing of new worthwhile social projects;
- c. executing the government's social projects;
- d. directing the Lebanese youth towards professional training in those fields where they are needed;
- e. promoting rural development through the establishment of social centers in the various part of the country. In so doing, the cooperation of the local population should be sought whenever possible.<sup>20</sup>

These measures show clearly the importance given by the government to the improvement of the social conditions prevailing in the country and to the spreading of economic prosperity to its rural parts. This is reflected in the size of the budget of this Office which has more than tripled in three years increasing from LL 4 million in 1961 to LL 13.5 million in 1964.

The government soon realized, however, that public administration was not the only thing which needed to be reformed. Many changes had to be introduced in the economy itself if Lebanon wanted to sustain economic growth at rates ruling in recent years and achieve a wider diffusion of the increase in national income. The magnitude of the problem may best be felt if translated in terms

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<sup>20</sup>See Articles 40 to 43 of Legislative Decree No. 3127 of January 23, 1960, concerning the organization of the Social Development Office.

of employment: something like 12,000 new jobs have to be provided each year if unemployment is not to grow. The services sector which has been responsible in great part for the economic prosperity of Lebanon might not expand in the future at the same rate, and in fact should not, because it would tend to accentuate the disequilibrium between the various sectors of the economy as well as the distortions in income distribution.

The Lebanese government, in an attempt to find a solution to this problem, asked the I.R.F.E.D. Mission in 1959 to prepare a study on the needs and possibilities of economic development in Lebanon. Taking this study as a basis for its economic development policy, the government asked the Mission to draft, in collaboration with the various ministries and under the supervision of the Ministry of Planning, a five-year plan.

As seen by I.R.F.E.D., the objectives of economic development in Lebanon should be as follows:

1. to increase the national income at as fast a rate as possible in order to cope with population growth and achieve a rise in per capita income;
2. to use optimally the country's natural resources while keeping tertiary activities at as high a level as possible; this assumes that an important effort is undertaken in the agricultural and industrial sectors;
3. to insure social justice and avoid social discontent by making the lower income groups share in the gains from economic growth;

4. to provide every year 12,000 new jobs to meet the increase in population.<sup>21</sup>

Evolution of the Lebanese Budget: 1959-1964

One of the most important developments which has taken place in the Lebanese budget during this period is the modification by Legislative Decree No. 117 of June 12, 1959, of the public accounts method. By virtue of Article 19 of this decree, a new expenditures section was introduced in the budget, bringing them up to four. These are: administrative expenditures, equipment expenditures, military expenditures<sup>22</sup> and development expenditures.<sup>23</sup> The integration of these development expenditures within the ordinary budget might be interpreted as reflecting the will of the government, on the one hand, to introduce more unity in its expenditures accounting and, on the other, to stress the ordinary aspect of development expenditures.

Planning on a long-run basis within the budget was facilitated furthermore by Article 115 of the same decree which stipulated that allocations for the various development projects included in section Four of the budget may be carried forward from year to year until the project is completed.<sup>24</sup> This possibility

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<sup>21</sup>Delprat, op. cit., p. 71.

<sup>22</sup>Starting 1965, however, these will be merged with administrative expenditures (Public Accounts Law of December 31, 1963).

<sup>23</sup>Collection of Legislative Decrees until April 1961, op. cit., pp. 282-283.

<sup>24</sup>Ibid., pp. 295-296.



of planning on a long-run basis through "program-laws" (loi-programmes) was fully used by the government to build its infrastructure. Among the most important ones, one may mention the LL 450 million and the LL 84 million "program-laws".

The activities of the government in the field of development were not limited to the building of the infrastructure. Much work was done in the social field as well. This is particularly apparent in the 1964 budget where LL 500,000 were allocated to popular housing, LL 650,000 to social security, and LL 14 million to the social development projects.<sup>25</sup> As far as the budget of the Ministry of Education is concerned, it jumped from LL 56 million in 1963 to LL 63 million in 1964. Although these various social expenditures do not constitute a great percentage of the budget, they, however, reflect the government's concern with improving the social conditions of the lower classes.

It is apparent from what has been said that as the Lebanese economy developed, the system of almost complete economic liberalism which prevailed during the early years of independence was felt to be inadequate and the need for planning became urgent. However, this planning had to be of the "indicative" type so as not to hinder the growth of the private sector. It was conceived of as a set of general objectives which were to be fulfilled

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<sup>25</sup>See: Lebanese Republic, The General and the Annexed Budget for 1964 (Beirut: Saikali Press).

through a close cooperation between the private and the public sectors. The success of this new economic approach in Lebanon will depend upon the extent to which such a cooperation can be achieved.

## CHAPTER IV

### THE FINANCIAL BURDEN OF THE VARIOUS DEVELOPMENT PROJECTS

Like all countries aiming at promoting or accelerating their development, Lebanon has been forced to resort to planning. Its traditional attachment to the principles of a liberal economy, however, made it adopt this term in its broadest meaning. As a result, the government's role was conceived of as consisting mainly of building the necessary infrastructure which would make possible a better utilisation of the natural and human resources of the country, and of establishing the necessary research agencies which would provide the government and the private sector with the basic information which is indispensable for planned action.

In its attempt to fulfill that role, the Lebanese government has undertaken to carry a series of development projects. Some of these are being executed, while others are still in the process of being promulgated. The former consist, on the one hand, of projects which are completely financed by the government, and, on the other, of projects which are partly financed by the government and partly by international organizations. The latter -- namely, the unpromulgated projects -- consist of the five-year plan drafted by the I.R.F.E.D. mission and of cadastral and building projects.

The financial burden of all these various projects will be examined in this Chapter in the light of their characteristics and objectives.

I. Projects Which Are Being Executed

A. Projects Financed Completely by the Lebanese Government

Starting with 1956, the government has promulgated a series of development projects which were to be entirely financed by it. The most important of these projects are:

1. The 62 million Project: Promulgated by the Law of September 7, 1956, this project aims at providing potable water throughout the country. Its cost was estimated at LL 62 million which were to be spent at the rate of LL 6.2 million per year over a period of ten years. Until 1963, LL 49.6 million had been spent, leaving thus LL 6.2 million for 1964 and LL 6.2 million for 1965.

2. The 84 million Project: According to Article 1 of Decree No. 6630 of May 10, 1961, the aim of the project is to do away with the isolation of the Lebanese villages by linking them through secondary roads to the main road network.<sup>1</sup> Although the amount of money to be spent on this project within the fourth part of the budget is not specified in the decree itself, yet estimates of its cost as prepared by the Ministry of Public Works are of LL 84 million which are to be distributed as follows:<sup>2</sup>

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<sup>1</sup>Lebanese Republic, Official Gazette, Vol. 101 (May 17, 1961), p. 430.

<sup>2</sup>I.R.F.E.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 14.

1962	LL 14.5 million
1963	12.5 million
1964	12.5 million
1965	12.5 million
1966	12.5 million
1967	12.5 million
1968	7.0 million

This project reflects, on the one hand, the great importance given by the Government to the construction of new roads, and, on the other, its determination to improve the conditions of the country's retarded areas.

3. The 450 million Project: This project was promulgated on August 7, 1961, by Decree No. 7277. By this decree, the government engaged itself to make a series of investments, over a period of five years, in various infrastructural projects, the completion of which was thought to be necessary for promoting development and spreading it throughout the country.

According to Article 1 of the Decree, the program is to be financed partly from the general budget and partly from the Reconstruction Fund, as indicated in the table below.

Table 14.

DISTRIBUTION OF THE LL 450 MILLION BY SOURCE OF FINANCE  
AND BY TYPE OF PROJECT  
 (in L.L. million)

Project	General Budget			Reconstruction Budget	Total
	Section II	Section IV	Total		
Irrigation Water	12	52	64	--	64
Drinking Water	12	64	76	--	76
Electricity	8	64	72	--	72
Roads	112	12	124	--	124
River Streams	1	8	9	--	9
Antiquities	5	5	10	--	10
Buildings	20	--	20	--	20
Reconstruction	--	--	--	75	75
<b>Total</b>	<b>170</b>	<b>205</b>	<b>375</b>	<b>75</b>	<b>450</b>

Source: Lebanese Republic, Official Gazette, Vol. 101  
 (August 16, 1961), p. 989.

The distribution over the five years of that part of the program which is financed from within the budget is as follows:

Table 15.

**YEARLY DISTRIBUTION OF THE LL 375 MILLION BY KIND OF  
EXPENDITURE AND BY TYPE OF PROJECT**  
(in L.L. million)

Project	Section II: Equipment Expenditures					Section IV: Development Expenditures					Total
	1962	1963	1964	1965	1966	1962	1963	1964	1965	1966	
Irrigation Water	2.4	2.4	2.4	2.4	2.4	6	10	12	12	12	64
Drinking Water	2.4	2.4	2.4	2.4	2.4	8	12	12	16	16	76
Electricity	1.6	1.6	1.6	1.6	1.6	10	15	15	15	9	72
Roads	22.4	22.4	22.4	22.4	22.4	-	3 <sup>1</sup>	3 <sup>1</sup>	3 <sup>1</sup>	3 <sup>1</sup>	124
River Streams	0.2	0.2	0.2	0.2	0.2	2 <sup>2</sup>	3 <sup>2</sup>	3 <sup>2</sup>	-	-	9
Antiquities	1	1	1	1	1	1	1	1	1	1	10
Buildings	4	4	4	4	4	-	-	-	-	-	20
<b>Total</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>27</b>	<b>44</b>	<b>46</b>	<b>47</b>	<b>41</b>	<b>375</b>

<sup>1</sup> These are devoted to the Beirut-Tripoli highway.

<sup>2</sup> These are devoted to the Beirut River.

**Source:** Figures on the yearly distribution of equipment expenditures were taken from: I.R.F.E.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 15.

Figures on the yearly distribution of development expenditures were taken from: Lebanese Republic, Official Gazette, Vol. 101 (August 16, 1961), p. 992.

It is worth noting that equipment expenditures are included in the plan despite the fact that they are ordinary expenditures which would be incurred even if the plan were not carried out. This is so because they are considered development expenditures, though of a short-run nature.

As far as the yearly distribution of that part of the program which is financed from the Reconstruction Fund is concerned, it has been determined by Decree No. 9876 of June 25, 1962. According to Article 1 of the Decree, the LL 75 million are to be spent at the rate of LL 15 million per year as shown in Table 16.

The stress put in that program on building the infrastructure reflects once more the government's awareness of the necessity of promoting development and of satisfying as quickly as possible the basic needs of the retarded areas' population.

4. The 22 million Project: To remedy the overcrowded aspect of the center of the capital, as well as to save on the rent it is paying, the Government has undertaken to construct a series of buildings for its various departments in the periphery of the capital.

Article 4 of Decree No. 7277 by which the LL 450 million program was promulgated, envisaged the financing of the governmental city partly through borrowing from the Issue Department and partly through Treasury advances. Later on, however, the government preferred to resort only to the latter: Article 2



Table 16.

YEARLY DISTRIBUTION OF THE LL 75 MILLION BY TYPE OF PROJECT  
(in L.L. thousands)

Project	1962	1963	1964	1965	1966	Total
Urban Organization Studies	--	900	890	790	620	3,200
Construction of Public Buildings in the Mohafazats & Cada' Centers	--	2,140	--	--	--	2,140
Urban Reorganization & Centers Equipment	--	315	2,500	2,420	5,000	10,235
Construction of the P.T.T. Buildings	1,359	1,480	1,095	773	784	5,491
Construction of Professional Schools	5,935	2,600	2,540	--	--	11,075
Construction of Teachers' Training Centers	--	--	720	720	--	1,440
Construction of Internal Security Forces Stations	--	1,500	2,220	3,860	2,620	10,200
Installation of Sewers & Water Purification Units	2,006	2,580	2,975	4,637	3,252	15,450
Water & River Streams	500	500	--	--	--	1,000
Tourism Promotion	--	--	500	--	924	1,424
Various Projects	4,600	2,685	1,200	1,200	1,200	10,885
Unforeseen Expenditures	600	300	360	600	600	2,460
<b>Total</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>75,000</b>

Source: Lebanese Republic, Official Gazette, Vol. 102 (July 4, 1962), p. 1029.

of Decree No. 9544 stipulates that this project will be financed by Treasury advances which will be given to the "Conseil Exécutif des Grands Projets" as follows:<sup>3</sup>

1962	LL 2 million
1963	8 million
1964	8 million
1965	<u>4 million</u>
Total	LL 22 million

These advances will be repaid through accounts which will be opened in the general budget starting with the first fiscal year following the completion of the project.<sup>4</sup>

5. The 60 million Project: The aim of the project is the extension of the Beirut harbour. Like the governmental city project, the Beirut harbour project was to be financed partly by Treasury advances and partly by borrowing from the Issue Department. Here too, however, the government preferred, later on, to resort only to Treasury advances. These advances which are to be given to the "Conseil Exécutif des Grands Projets" amount to:<sup>5</sup>

LL 16 million in 1963

LL 16 million in 1964

LL 16 million in 1965

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<sup>3</sup>Lebanese Republic, Official Gazette, Vol. 102 (May 30, 1962), p. 795.

<sup>4</sup>Ibid.

<sup>5</sup>Ibid., p. 794.

To these should be added the Treasury advance of LL 12 million which was given to the same "Conseil", by virtue of Arrêté No. 2261 of October 13, 1961, thus bringing the total cost of the project to LL 60 million. These advances will be repaid with money obtained from the sale of the land gained on the sea as a result of the completion of the project.

6. The 12 million Project: In an attempt to increase the economic activity of the second most important town in Lebanon, the Government has decided -- by virtue of a law promulgated on December 14, 1962 -- to allocate in the fourth section of its budget the necessary credits for the execution and the equipment of the Tripoli Fair. Article 2 of the Law estimates the costs of this project at LL 12 million, 8 million of which have already been allotted in the 1964 budget, while the remaining 4 million were left for the budget of 1965.<sup>6</sup>

7. The 27 million Project: This project -- known as the Green Plan -- aims at land improvement. Its implementation is expected to lead to an increase in the income of the agricultural classes and as a result reduce the attraction of big cities.

By virtue of Decree No. 13335 of July 10, 1963, the government has allotted to this project a sum of LL 27 million which is to

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<sup>6</sup>Ibid., (December 19, 1962), p. 1988.

be spent over a period of ten years in the following manner:

Table 17.

DISTRIBUTION OF THE LL 27 MILLION OVER THE PERIOD 1964-1973  
(in L.L. thousands)

Year	Section II of the Budget	Section IV of the Budget	Total
1964	500	500	1,000
1965	500	1,000	1,500
1966	500	1,500	2,000
1967	500	2,000	2,500
1968	500	2,250	2,750
1969	500	2,500	3,000
1970	500	2,750	3,250
1971	500	3,000	3,500
1972	500	3,250	3,750
1973	500	3,250	3,750
Total	5,000	22,000	27,000

Source: Lebanese Republic, Official Gazette, Vol. 103  
(July 22, 1963), pp. 3165-3166.

Besides these LL 27 million, Article 3 of Decree No. 13335 stipulates that the Treasury may give the Agricultural, Industrial and Real Estate Bank (B.C.A.I.F.) an advance of LL 40 million over a period of 10 years. This advance would in turn be lent by the Bank

to the peasants who would have improved their land. The rate of interest charged by the Bank should in no case, however, exceed by more than  $1\frac{1}{2}$  per cent the rate of interest paid by the Bank to the Treasury.<sup>7</sup>

8. The 5.5 million Project: Decree No. 15696 of March 6, 1964, stipulates that the Government will allocate in the fourth section of its budget the sum of LL 5.5 million for the construction of a modern prison for men and one for women. LL 2 million have already been included in the 1964 budget for this purpose, leaving thus an amount of LL 3.5 million for 1965.<sup>8</sup>

These are the main projects which are now being executed by the government and which are completely financed by it. The total financial burden implied here over the 1964-1973 decade can be summarized as follows:

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<sup>7</sup> Ibid., Vol. 103 (July 22, 1963), p. 3166.

<sup>8</sup> Ibid., Vol. 104, Appendix to No. 20 (March 9, 1964), pp. 27-28.

Table 18.

**BURDEN OF THE DEVELOPMENT PROJECTS FINANCED COMPLETELY  
BY THE GOVERNMENT DURING THE PERIOD 1964-1973**  
(in L.L. million)

Project	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	Total
62 mil. Project	6.2	6.2	-	-	-	-	-	-	-	-	12.4
84 mil. Project	12.5	12.5	12.5	12.5	7.0	-	-	-	-	-	57.0
450 mil. Project	95.0	96.0	90.0	-	-	-	-	-	-	-	281.0
22 mil. Project	8.0	4.0	-	-	-	-	-	-	-	-	12.0
60 mil. Project	16.0	16.0	-	-	-	-	-	-	-	-	32.0
12 mil. Project	8.0	4.0	-	-	-	-	-	-	-	-	12.0
27 mil. Project	1.0	1.5	2.0	2.5	2.75	3.0	3.25	3.5	3.75	3.75	27.0
5.5 mil. Project	2.0	3.5	-	-	-	-	-	-	-	-	5.5
<b>Total</b>	<b>148.7</b>	<b>143.7</b>	<b>104.5</b>	<b>15.0</b>	<b>9.75</b>	<b>3.0</b>	<b>3.25</b>	<b>3.5</b>	<b>3.75</b>	<b>3.75</b>	<b>438.9</b>

Source: Summarized from the data in the previous pages.

**B. Projects Financed Partly by the Lebanese Government  
and Partly by International Organizations**

Besides the projects mentioned above, there are other projects which are being presently executed but which are not, however, completely financed by the Lebanese government.

1. The Litani Project: Although this project is financed by the Autonomous Fund of the Litani Office, it is worth mentioning it here because:

- a. It has been the first long-run development project carried in Lebanon, with the double aim of increasing irrigated area and electric power production.
- b. Its fund has been fed to a great extent by advances from the Treasury. Two advances were given to the Office, one of LL 65 million in 1955 and another of LL 85 million in 1963.<sup>9</sup>

The remaining amount of capital needed for financing the project was secured through a \$ 27 million loan from the I.B.R.D. guaranteed by the State.

In 1965, the first phase of the Litani project will be completed. If its second phase -- which consists mainly of irrigation schemes -- is to be carried out, the government will have to think of contracting a new loan with the I.B.R.D., if it cannot secure itself the funds necessary for its completion.

2. The Projects Financed Jointly by the Lebanese Government and the United Nations Special Fund: On May 7, 1960, an agreement was signed between the Lebanese government and the United Nations according to which the Special Fund was to contribute to the financing of a series of development projects to be undertaken in Lebanon. These are:

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<sup>9</sup> Information privately secured from the Litani Office.

a. The Beirut Arts and Professions School Project: This aims at improving the level of technical teaching in Lebanon. The total cost of the project, which is to be completed in 1965, is estimated at \$ 2,554,515 out of which \$ 678,630 are to be supplied by the U.N. Special Fund and \$ 1,875,885 by the Lebanese government. As far as the yearly distribution of these expenditures is concerned, it is as follows:

Table 19.

YEARLY DISTRIBUTION OF THE FUNDS ALLOCATED FOR THE  
BEIRUT ARTS & PROFESSIONS SCHOOL PROJECT  
(in U.S. \$)

Year	Source of Finance		Total
	U.N. Special Fund	Lebanese Government	
1960	-	862,091	862,091
1961	42,605	334,136	376,741
1962	202,050	154,915	356,965
1963	261,500	180,051	441,551
1964	136,350	177,216	313,566
1965	36,125	167,476	203,601
Total	678,630	1,875,885	2,554,515

Source: I.R.F.É.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 16.



b. The Near East Animal Health Institute Project: The purpose of this project is to establish in Lebanon a branch of the Regional Animal Health Institute. The Special Fund's contribution to the project amounts to \$ 544,780, while that of the Lebanese government is \$ 539,650, bringing the total cost of the project to \$ 1,084,430. The yearly distribution of expenditures is shown in the following table:

Table 20.

YEARLY DISTRIBUTION OF FUNDS ALLOCATED FOR THE NEAR EAST ANIMAL HEALTH INSTITUTE PROJECT  
(in U.S. \$)

Year	Source of Finance		Total
	U.N. Special Fund	Lebanese Government	
1962	153,240	158,800	312,040
1963	103,960	112,350	216,310
1964	100,980	87,150	188,130
1965	81,000	83,950	164,950
1966	80,860	81,300	162,160
1967	24,740	16,100	40,840
<b>Total</b>	<b>544,780</b>	<b>539,650</b>	<b>1,084,430</b>

Source: I.R.F.E.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 17.

c. The Exploration of the Underground Waters Project: As its name indicates, this project aims at surveying underground waters in Lebanon. The total cost of the project is \$ 2,115,400, out of which \$ 799,900 are to be paid by the U.N. Special Fund and \$ 1,315,500 by the Lebanese government. Table 21 shows the distribution of these funds over a period of six years.

Table 21.

YEARLY DISTRIBUTION OF THE FUNDS ALLOCATED FOR THE  
EXPLORATION OF THE UNDERGROUND WATERS PROJECT  
(in U.S. \$)

Year	Source of Finance		Total
	U.N. Special Fund	Lebanese Government	
1962	19,700	78,765	98,465
1963	115,600	234,700	350,300
1964	255,200	265,700	520,900
1965	227,700	283,200	510,900
1966	118,100	254,200	372,300
1967	63,600	198,935	262,535
Total	799,900	1,315,500	2,115,400

Source: I.R.F.E.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 17.

d. The Forestry Education and Research Project: The objective of this project is twofold: it aims on the one hand at training personnel in forestry, and on the other at making some research on the state of forests in Lebanon and their problems. The contribution of the Lebanese government to the financing of this project is \$ 1,497,683, while that of the U.N. Special Fund is \$ 820,750. These sums are to be spent over a period of six years:

Table 22.

YEARLY DISTRIBUTION OF THE FUNDS ALLOCATED FOR THE FORESTRY EDUCATION AND RESEARCH PROJECT  
(in U.S. \$)

Year	Source of Finance		Total
	U.N. Special Fund	Lebanese Government	
1962	139,500	95,071	234,571
1963	343,700	483,060	826,760
1964	182,100	368,019	550,119
1965	94,900	307,567	402,467
1966	48,700	182,954	231,654
1967	11,850	61,012	72,862
<b>Total</b>	<b>820,750</b>	<b>1,497,683</b>	<b>2,318,433</b>

Source: I.R.F.E.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 17.

e. The Civil Aviation Security Center Project: This project, whose total cost was estimated at \$ 4,471,390, aims at establishing in Lebanon a Civil Aviation Security Center. The respective shares of the U.N. Special Fund and of the Lebanese government in the financing of the project, and the yearly distribution of these shares are shown in the following table.

Table 23.

YEARLY DISTRIBUTION OF THE FUNDS ALLOCATED TO THE  
CIVIL AVIATION SECURITY CENTER  
PROJECT  
(in U.S. \$)

Year	Source of Finance		Total
	U.N. Special Fund	Lebanese Government	
1962	862,274	533,015	1,395,289
1963	421,668	612,310	1,033,978
1964	341,918	385,910	727,828
1965	294,452	403,810	698,262
1966	219,988	396,045	616,033
<b>Total</b>	<b>2,140,300</b>	<b>2,331,090</b>	<b>4,471,390</b>

Source: I.R.F.E.D., "Les Projets de Développement en Cours au Liban," Le Commerce du Levant, No. 35 (July 15, 1963), p. 17.

These are the main projects which are being financed jointly by the Lebanese government and the U.N. Special Fund. Their financial burden on the government over the years 1964-1967 is summarized in Table 24.

Table 24.

THE BURDEN ON THE LEBANESE GOVERNMENT OF THE DEVELOPMENT PROJECTS  
FINANCED JOINTLY BY IT AND THE UNITED NATIONS' SPECIAL FUND  
DURING THE PERIOD 1964-1967  
(in L.L. Thousands)

Project	1964	1965	1966	1967	Total
The Beirut Arts & Profession School Project <sup>1</sup>	549	519	-	-	1,068
The Near East Animal Health Institute Project <sup>2</sup>	265	255	247	49	816
The Exploration of the Underground Waters Project <sup>3</sup>	797	850	763	597	3,007
The Forestry Education & Research Project <sup>3</sup>	1,104	923	549	183	2,759
The Civil Aviation Security Center Project <sup>4</sup>	1,867	1,177	1,232	1,208	5,484
<b>Total</b>	<b>4,582</b>	<b>3,724</b>	<b>2,791</b>	<b>2,037</b>	<b>13,134</b>

<sup>1</sup>The rate of exchange was set in the agreement at LL 3.10 per dollar

<sup>2</sup>The rate of exchange was set in the agreement at LL 3.04 per dollar

<sup>3</sup>The rate of exchange was set in the agreement at LL 3 per dollar.

<sup>4</sup>The rate of exchange was set in the agreement at LL 3.50 per dollar

Source: Summarized from tables 19 - 23 above.

II. Projects Which Have Not Been Promulgated Yet

All the above mentioned projects were not thought, however, to be enough for achieving economic development in Lebanon, with the result that the government has thought of undertaking few others. Some of these projects have been submitted to Parliament but have not been approved yet. These consist of:

A. The Construction of a Building for the Ministry of Defense:

The total cost of this project is estimated at LL 7,300,000 which are to be distributed as follows:<sup>10</sup>

LL 2 million in 1964

LL 3 million in 1965

LL 2.3 million in 1966

B. The Cadastral Survey Project: This project which is to be completed in 1969 will cost LL 12,700,000 out of which:

LL 2,700,000 will be spent in 1964

LL 2,100,000 will be spent in 1965

LL 2,100,000 will be spent in 1966

LL 2,400,000 will be spent in 1967

LL 2,100,000 will be spent in 1968

LL 1,300,000 will be spent in 1969<sup>11</sup>

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<sup>10</sup>Information privately secured from the Ministry of Finance, Budget Department.

<sup>11</sup>Ibid.

C. The I.R.F.E.D. Five-Year Plan: Among the projects which have not been submitted yet to Parliament, but whose drafts are ready, the most important is the five-year plan prepared by the I.R.F.E.D. mission.

Although this Plan is still only a pre-project and might not be adopted fully, yet it is worth looking into for more than one reason. Besides reflecting very clearly the economic and social policy adopted by the government during the last few years, it is the first overall comprehensive plan which has been drafted in Lebanon. Furthermore, in estimating its costs, the I.R.F.E.D. mission has included in it all the various development projects which are being undertaken now in Lebanon and has modified them according to an established priority scale and to the availability of funds necessary for financing them. The Plan thus appears as a comprehensive unit which includes a set of public and private operations which are to be undertaken in the coming five years.

It should be mentioned here, however, that this Plan is not a rigid one. In fact, with Lebanon's option for maintaining a very active private sector, the Plan can not be decisive except at the public investments level. Even here, there is room for some flexibility when means of financing these investments are envisaged.

All these considerations have led to the formulation of the objectives of the Plan and of its role in as general terms as follows:

"The objectives of the Plan have been set by His Excellency the President of the Republic: To put the country in the most favorable conditions for its development by an adaptation of the institutions and by the progressive establishment of the necessary physical and social infrastructures."<sup>12</sup> " ... The fundamental option of the authorities has been to create the development conditions -- for all regions and all social classes -- leading to an optimal use of human and physical resources, so that every Lebanese citizen benefits to the maximum of the total effort."<sup>13</sup> Thus, "the essential role of the first Plan is to present to the government all the operations to be undertaken and to provide it with the necessary frame of action."<sup>14</sup> For achieving these objectives, a close cooperation between the public and the private sector was thought to be necessary.

As far as the public sector is concerned, its role was conceived mainly in terms of a series of studies and investments to be undertaken as well as in terms of advances and financial participation in various mixed enterprises projects. Government expenditures on studies and investments during the five years are shown in Table 25. It is only starting with 1966, however, that

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<sup>12</sup>Mission I.R.F.E.D. & Ministère du Plan, Dossier de Base Pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. I: Rapport du Directeur de la Mission IRFED-Liban (Beirut: July 1963), p. 26.

<sup>13</sup>Ibid., p. 31.

<sup>14</sup>Ibid., p. 26.



Table 25.

**STUDIES AND INVESTMENT EXPENDITURES OF THE PUBLIC SECTOR DURING THE PERIOD  
1964 - 1968  
(in L.L. Thousands)**

	STUDIES							INVESTMENTS							TOTAL A + B	
	1964	1965	1966	1967	1968	Total (A)		1964	1965	1966	1967	1968	Total (B)		in LL Thousands	in %
						in LL Thousands	in %						in LL Thousands	in %		
<b>I. Infrastructure &amp; Equipment</b>																
a) Sectorial Plans																
- Roads	170	210	240	240	240	1,100	0.7	33,000	32,000	32,000	32,500	32,400	161,900	99.3	163,000	100.0
- Drinking Water	30	140	205	125	125	625	0.7	22,950	24,600	18,400	11,000	10,000	86,950	99.3	87,575	100.0
- Irrigation	1,897	1,629	1,543	1,367	700	7,136	10.1	13,400	14,400	14,400	10,500	10,500	63,200	89.9	70,336	100.0
- Electricity	20	55	75	60	60	270	0.4	16,250	18,200	11,650	10,050	10,050	66,200	99.6	66,470	100.0
- City Planning	400	350	250	250	150	1,400	100.0	-	-	-	-	-	-	-	1,400	100.0
- Health	175	-	-	-	-	175	0.7	1,880	3,928	5,027	5,934	6,614	23,383	99.3	23,558	100.0
- Education	2,700	2,700	3,600	4,500	4,500	18,000	8.0	7,849	11,769	20,030	20,360	21,770	81,778	82.0	99,778	100.0
- Antiquities	-	-	-	-	-	-	-	3,000	3,250	3,250	3,250	3,250	16,000	100.0	16,000	100.0
- Social Security	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Social Development Office	-	-	-	-	-	-	-	225	375	495	600	720	2,415	100.0	2,415	100.0
b) Other Projects Being Undertaken																
- Communications	-	-	-	-	-	-	-	1,900	1,200	1,200	1,200	-	5,500	100.0	5,500	100.0
- Buildings & Constructions	-	-	-	-	-	-	-	19,915	12,633	7,404	-	-	39,952	100.0	39,952	100.0
- Miscellaneous Equipments	890	790	620	-	-	2,300	7.8	7,535	8,857	10,976	-	-	27,368	92.2	29,668	100.0
<b>Total I</b>	<b>6,282</b>	<b>5,874</b>	<b>6,533</b>	<b>6,542</b>	<b>5,775</b>	<b>31,006</b>	<b>5.1</b>	<b>127,904</b>	<b>131,212</b>	<b>124,832</b>	<b>95,394</b>	<b>95,304</b>	<b>574,646</b>	<b>94.9</b>	<b>605,652</b>	<b>100.0</b>
<b>II. Expenditures on the Production Sectors (Sectorial plans)</b>																
- Agriculture	2,231	1,792	1,199	892	400	6,514	33.7	2,403	3,078	2,586	2,387	2,389	12,843	66.3	19,357	100.0
- Fishery	-	-	-	-	-	-	-	1,260	670	570	-	-	2,500	100.0	2,500	100.0
- Industry	360	270	2	2	2	636	5.9	2,075	2,000	2,000	2,000	2,000	10,075	94.1	10,711	100.0
- Tourism	90	150	25	50	25	340	1.4	6,042	5,294	3,542	3,945	4,345	23,168	98.6	23,508	100.0
- Labor Problems	-	-	-	-	-	-	-	75	215	225	65	220	800	100.0	800	100.0
<b>Total II</b>	<b>2,681</b>	<b>2,212</b>	<b>1,226</b>	<b>944</b>	<b>427</b>	<b>7,490</b>	<b>13.2</b>	<b>11,855</b>	<b>11,257</b>	<b>8,923</b>	<b>8,397</b>	<b>8,954</b>	<b>49,386</b>	<b>86.8</b>	<b>56,876</b>	<b>100.0</b>
<b>Total I + II</b>	<b>8,963</b>	<b>8,086</b>	<b>7,759</b>	<b>7,486</b>	<b>6,202</b>	<b>38,496</b>	<b>5.8</b>	<b>139,759</b>	<b>142,469</b>	<b>133,755</b>	<b>103,791</b>	<b>104,258</b>	<b>624,032</b>	<b>94.2</b>	<b>662,528</b>	<b>100.0</b>
Miscellaneous Not Distributed <sup>1</sup>															37,472	
															700,000	

<sup>1</sup>These LL 37,472,000 will be distributed later between investments and studies according to their respective needs.

new important studies and investments will be carried out. This is due to the fact that most of the projects which are being executed now will be completed around that time (See Table 26).

Another important feature of the public sector expenditures within the five-year plan is that they include increases in operating expenditures (dépenses de fonctionnement) which result from the new operations being undertaken. This item consists of:

1. Expenditures resulting from the creation of new equipments or infrastructures, like the maintenance of new roads.
2. Transfer and subsidy expenditures like the State participation to the Social Security Scheme, the subsidy given to railroads, etc..
3. Operating expenditures proper to certain development projects, like teachers' salaries in new primary schools , etc..<sup>15</sup>

Besides these direct expenditures, the public sector is supposed to participate in the financing of certain institutions (like the Central Bank and the National Bank for Development<sup>16</sup>), and mixed enterprises. It is also supposed to provide advances to autonomous offices. The total amount of financial participation and advances given by the State over the period 1964-1968 is shown in Table 27; to be equal to LL 360 million. If to these are

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<sup>15</sup>Ibid., Vol. II: Perspectives de Planification Générale (Beirut: July 1963), Titre I, p. 8.

<sup>16</sup>Although the creation of this Bank is stipulated by the Law of June 12, 1962, no final agreement has yet been reached as to whether there should be one bank or two. Most probably, however, there will be two banks: one for industry, and one for agriculture, fishery and popular housing.

Table 26.

COMPARISON BETWEEN THE STUDIES AND INVESTMENTS TO BE UNDERTAKEN  
BY THE PUBLIC SECTION DURING THE PERIOD 1964-1968 AND THOSE  
IN WHICH IT IS ALREADY ENGAGED<sup>1</sup>  
(in L.L. Thousands)

Designation	1964	1965	1966	1967	1968	Total
<u>Roads</u>						
a. Total	33,170	32,210	32,240	32,740	32,640	163,000
b. Projects Being Undertaken	37,900	37,900	37,900	12,500	7,000	133,200
c. New Expenditures	- 4,730	- 5,690	- 5,660	20,240	25,640	29,800
<u>Drinking Water</u>						
a. Total	22,980	24,740	18,605	11,125	10,125	87,575
b. Projects Being Undertaken	20,600	24,600	18,400	-	-	63,600
c. New Expenditures	2,380	140	205	11,125	10,125	23,975
<u>Irrigation</u>						
a. Total	15,297	16,029	15,943	11,867	11,200	70,336
b. Projects Being Undertaken <sup>2</sup>	18,400	15,400	15,400	600	-	49,800
c. New Expenditures	- 3,103	629	543	11,267	11,200	20,536
<u>Electricity</u>						
a. Total	16,270	18,255	11,725	10,110	10,110	66,470
b. Projects Being Undertaken	16,600	16,600	10,600	-	-	43,800
c. New Expenditures	- 330	1,655	1,125	10,110	10,110	22,670
<u>City Planning</u>						
a. Total	400	350	250	250	150	1,400
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	400	350	250	250	150	1,400
<u>Health</u>						
a. Total	2,055	3,928	5,027	5,934	6,614	23,558
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	2,055	3,928	5,027	5,934	6,614	23,558
<u>Education</u>						
a. Total	10,549	14,469	23,630	24,860	26,270	99,778
b. Projects Being Undertaken	3,810	1,240	-	-	-	5,050
c. New Expenditures	6,739	13,229	23,630	24,860	26,270	94,728
<u>Antiquities</u>						
a. Total	3,000	3,250	3,250	3,250	3,250	16,000
b. Projects Being Undertaken	2,000	2,000	2,000	-	-	6,000
c. New Expenditures	1,000	1,250	1,250	3,250	3,250	10,000

Table 26 continued

Designation	1964	1965	1966	1967	1968	Total
<u>Social Development Office</u>						
a. Total	225	375	495	600	720	2,415
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	225	375	495	600	720	2,415
<u>Communications</u>						
a. Total	1,900	1,200	1,200	1,200	-	5,500
b. Projects Being Undertaken	1,900	1,200	1,200	1,200	-	5,500
c. New Expenditures	-	-	-	-	-	-
<u>Buildings &amp; Construction</u>						
a. Total	19,915	12,633	7,404	-	-	39,952
b. Projects Being Undertaken	19,915	12,633	7,404	-	-	39,952
c. New Expenditures	-	-	-	-	-	-
<u>Miscellaneous Equipments</u>						
a. Total	8,425	9,647	11,596	-	-	29,668
b. Projects Being Undertaken	8,425	9,647	11,596	-	-	29,668
c. New Expenditures	-	-	-	-	-	-
<u>Agriculture</u>						
a. Total	4,634	4,870	3,785	3,279	2,789	19,357
b. Projects Being Undertaken	2,360	2,670	2,790	2,750	2,750	13,320
c. New Expenditures	2,274	2,200	995	529	39	6,037
<u>Fishing</u>						
a. Total	1,260	670	570	-	-	2,500
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	1,260	670	570	-	-	2,500
<u>Industry</u>						
a. Total	2,435	2,270	2,002	2,002	2,002	10,711
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	2,435	2,270	2,002	2,002	2,002	10,711
<u>Tourism</u>						
a. Total	6,132	5,444	3,567	3,995	4,370	23,508
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	6,132	5,444	3,567	3,995	4,370	23,508
<u>Labor Problems</u>						
a. Total	75	215	225	65	220	800
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	75	215	225	65	220	800

Table 26 continued

Designation	1964	1965	1966	1967	1968	Total
<u>Miscellaneous</u>						
a. Total	175	85	75	22,260	14,877	37,472
b. Projects Being Undertaken	-	-	-	-	-	-
c. New Expenditures	175	85	75	22,260	14,877	37,472
<u>TOTAL</u>						
a.	148,897	150,640	141,589	133,537	125,337	700,000
b.	131,910	123,890	107,290	17,050	9,750	389,890
c.	16,987	26,750	34,299	116,487	115,587	310,110

<sup>1</sup>Excluding Treasury advances to the Autonomous Offices, the Port Company and the Governmental City Project.

<sup>2</sup>Of which LL 6,600,000 go to the Beirut River and to paying the Government's share in the exploration of the underground waters project.

Source: Mission IRFED & Ministère du Plan, Dossier de Base pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. II: Perspectives de Planification Générale (Beirut: July 1963), Table No. 2, B - 71.



Table 27.

**SUMMARY BY SECTOR OR ACTIVITY OF THE EXPENDITURES, CREDITS AND ADVANCES OF THE PUBLIC SECTOR  
DURING THE PERIOD 1964-1968  
(in L.L. Thousands)**

Sector or Activity	Studies & Investments		Increase in Operating Expenditures		Total (A)		Financial Participation		Treasury Advances		State Credit & Guarantee to the B.N.D. <sup>1</sup>		Total (B)		Total (A) + (B)	
	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %
Roads	163,000	21.2	7,000	2.4	170,000	16.1	-	-	-	-	-	-	-	-	170,000	12.0
Drinking Water	87,575	11.4	-	-	87,575	8.3	-	-	-	-	-	-	-	-	87,575	6.2
Irrigation	70,336	9.1	670	0.2	71,006	6.7	-	-	73,200	30.9	-	-	73,200	20.3	144,206	10.1
Electricity	66,470	8.6	8,000	2.8	74,470	7.0	-	-	35,000	14.7	-	-	35,000	9.7	109,470	7.7
City Planning	1,400	0.2	2,700	0.9	4,100	0.4	-	-	-	-	-	-	-	-	4,100	0.3
Health	23,558	3.0	41,318	14.3	64,876	6.1	-	-	-	-	-	-	-	-	64,876	4.6
Education	99,778	13.0	69,150	23.8	168,928	15.9	-	-	-	-	-	-	-	-	168,928	11.9
Antiquities	16,000	2.1	1,000	0.3	17,000	1.6	-	-	-	-	-	-	-	-	17,000	1.2
Social Security	-	-	64,000	22.1	64,000	6.0	-	-	-	-	-	-	-	-	64,000	4.5
Social Development Office	2,415	0.3	19,330	6.7	21,745	2.1	-	-	-	-	-	-	-	-	21,745	1.5
Communications	5,500	0.7	-	-	5,500	0.5	-	-	8,000	3.4	-	-	8,000	2.2	13,500	0.9
Buildings & Constructions	39,952	5.2	-	-	39,952	3.8	-	-	12,000	5.1	-	-	12,000	3.3	51,952	3.6
Beirut Harbour	-	-	-	-	-	-	-	-	32,000	13.5	-	-	32,000	8.9	32,000	2.2
Miscellaneous Equipments	29,668	3.9	-	-	29,668	2.8	-	-	-	-	-	-	-	-	29,668	2.1
Agriculture	19,357	2.5	25,367	8.8	44,724	4.2	-	-	-	-	30,000	44.7	30,000	8.3	74,724	5.3
Fishing	2,500	0.3	1,745	0.6	4,245	0.4	-	-	-	-	6,000	9.0	6,000	1.7	10,245	0.7
Industry	10,711	1.4	16,000	5.5	26,711	2.5	-	-	-	-	10,000	14.9	10,000	2.8	36,711	2.6
Tourism	23,508	3.0	1,411	0.5	24,919	2.4	-	-	-	-	6,000	9.0	6,000	1.7	30,919	2.2
Labor Problems	800	0.1	525	0.2	1,325	0.1	-	-	-	-	-	-	-	-	1,325	0.1
Popular Housing	-	-	-	-	-	-	-	-	-	-	15,000	22.4	15,000	4.2	15,000	1.1
Miscellaneous	37,472	4.9	1,784	0.6	39,256	3.7	36,000	64.3	19,800	8.3	-	-	55,800	15.5	95,056	6.7
<b>Total</b>	<b>700,000</b>	<b>90.9</b>	<b>260,000</b>	<b>89.7</b>	<b>960,000</b>	<b>90.6</b>	<b>36,000</b>	<b>64.3</b>	<b>180,000</b>	<b>75.9</b>	<b>67,000</b>	<b>100.0</b>	<b>283,000</b>	<b>78.6</b>	<b>1,243,000</b>	<b>87.5</b>
Unforeseen Expenditures	70,000	9.1	30,000	10.3	100,000	9.4	20,000	35.7	57,000	24.1	-	-	77,000	21.4	177,000	12.5
<b>General Total</b>	<b>770,000</b>	<b>100.0</b>	<b>290,000</b>	<b>100.0</b>	<b>1,060,000</b>	<b>100.0</b>	<b>56,000</b>	<b>100.0</b>	<b>237,000</b>	<b>100.0</b>	<b>67,000</b>	<b>100.0</b>	<b>360,000</b>	<b>100.0</b>	<b>1,420,000</b>	<b>100.0</b>

<sup>1</sup>National Bank for Development.

added studies and investment expenditures as well as increases in operating expenditures, one gets the total sum of LL 1,420 million representing the share of the government in the five-year plan.

As far as the participation of the private sector in the plan is concerned, it is hoped to attract an amount of private capital equal to LL 1,021 million which, together with the credits given to the private sector will be distributed over the five years of the plan as shown in Tables 28 and 29. If one compares now private with public investments, it becomes apparent that the ratio used by the I.R.F.E.D. is of 2 to 1 respectively, since private investments amount to LL 1,525 million while public investments — including unforeseen expenditures — are LL 770 million. This ratio is thought by the Mission to

"correspond to a situation in which the unproductive expenditures and the productive ones are equilibrated thus leading to balanced growth."<sup>18</sup> The distribution of the total expenditures of the five-year plan between productive and unproductive sectors are shown in Table 30.

As a result of the plan's investments, and assuming a capital coefficient of 3, the net national product is expected to increase annually, over the period under consideration, by 5.2 per cent

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<sup>17</sup> Unproductive expenditures refer here to those expenditures which will not lead directly to an increase in national income.

<sup>18</sup> I.R.F.E.D., Dossier de Base Pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. II, op. cit., Titre III, p. 5.

Table 28.

CREDITS AND INVESTMENTS OF THE PRIVATE SECTOR IN THE  
FIVE-YEAR PLAN  
(in L.L. million )

Sectors	Financial Participation of the State	Treasury Advances	B.N.D. Credits	Private Capital	Total
Agriculture	-	-	121	179	300
Fishery	-	-	7.8	2.2	10
Industry	-	-	115	135	250
Artisan Industry	-	-	20	30	50
Tourism	-	-	12.4	32.6	45
Transportation	6	-	-	125	131
Housing & Buildings	-	-	15	385	400
Trade, Finance & Services	30	-	-	100	130
Public Industrial Services	-	158.2	-	21.8	180
Miscellaneous	-	9.8	8.8	10.4	29
<b>Total</b>	<b>36</b>	<b>168</b>	<b>300</b>	<b>1,021</b>	<b>1,525</b>

Source: Mission IRFED & Ministère du Plan, Dossier de Base pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. II: Perspectives de Planification Générale (Beirut: July 1963), Table 15, B - 92.



Table 29.

**YEARLY DISTRIBUTION OF THE CREDITS AND INVESTMENTS OF  
THE PRIVATE SECTOR IN THE FIVE-YEAR PLAN**  
(in L.L. million)

Sectors	1964	1965	1966	1967	1968	Total
Agriculture	45	60	60	65	70	300
Fishery	2	3	2	2	1	10
Industry )	35	50	60	75	80	300
Artisan Industry )						
Tourism	9	12	11	8	5	45
Transportation	31	25	25	25	25	131
Housing & Buildings	80	80	80	80	80	400
Trade, Finance & Services	42	20	21.8	20	26.2	130
Public Industrial Services	60	35	30	30	25	180
Miscellaneous	5	6	6	6	6	29
<b>Total</b>	<b>309</b>	<b>291</b>	<b>295.8</b>	<b>311</b>	<b>318.2</b>	<b>1,525</b>

**Source:** Mission IRFED & Ministère du Plan, Dossier de Base pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. II: Perspectives de Planification Générale (Beirut: July 1963), Table 15, B - 92.

Table 30.

SUMMARY OF THE EXPENDITURES AND ADVANCES OF THE PRIVATE SECTOR AND THE GOVERNMENT  
FOR THE VARIOUS SECTORS OF THE ECONOMY  
(in L.L. thousands)

Sectors	Studies & Investments		Increase in Operating Expenditures		Total (A)		Financial Participation	Treasury Advances	B.N.D. Credits	Private Capital	Total (B)		Total (A) + (B)	
	in LL thousands	in %	in LL thousands	in %	in LL thousands	in %					in LL thousands	in %	in LL thousands	in %
<b>I. Not Directly Productive</b>														
- Roads	163,000	21.2	7,000	2.4	170,000	16.0	-	-	-	-	-	-	170,000	6.4
- Drinking Water	87,575	11.4	-	-	87,575	8.3	-	-	-	-	-	-	87,575	3.3
- Buildings & Constructions	39,952	5.2	-	-	39,952	3.8	-	12,000	-	-	12,000	0.7	51,952	1.9
- Miscellaneous Equipments	29,668	3.9	-	-	29,668	2.8	-	-	-	-	-	-	29,668	1.1
- Antiquities	16,000	2.1	1,000	0.3	17,000	1.6	-	-	-	-	-	-	17,000	0.6
- Education	99,778	13.0	69,150	23.8	168,928	15.9	-	-	-	-	-	-	168,928	6.3
- Social Security	-	-	64,000	22.1	64,000	6.0	-	-	-	-	-	-	64,000	2.4
- Communications	5,500	0.7	-	-	5,500	0.5	-	-	-	-	-	-	5,500	0.2
- Health	23,558	3.0	41,318	14.3	64,876	6.1	-	-	-	-	-	-	64,876	2.4
- Social Development Office	1,200	0.1	9,700	3.4	10,900	1.1	-	-	-	-	-	-	10,900	0.4
- City Planning	1,400	0.2	2,700	0.9	4,100	0.4	-	-	-	-	-	-	4,100	0.2
<b>Total I</b>	<b>467,631</b>	<b>60.7</b>	<b>194,868</b>	<b>67.2</b>	<b>662,499</b>	<b>62.5</b>	<b>-</b>	<b>12,000</b>	<b>-</b>	<b>-</b>	<b>12,000</b>	<b>0.7</b>	<b>674,499</b>	<b>25.2</b>
<b>II. Productive</b>														
- Agriculture	19,357	2.5	25,367	8.8	44,724	4.2	-	-	121,000	179,000	300,000	18.6	344,724	12.9
- Fishery	2,500	0.3	1,745	0.6	4,245	0.4	-	-	7,800	2,200	10,000	0.6	14,245	0.5
- Industry	10,711	1.4	16,000	5.5	26,711	2.5	-	-	135,000	165,000	300,000	18.6	326,711	12.2
- Tourism	23,508	3.0	1,411	0.5	24,919	2.4	-	-	12,383	32,617	45,000	2.8	69,919	2.6
- Irrigation	70,336	9.1	670	0.2	71,006	6.7	-	-	-	-	-	-	71,006	2.7
- Electricity	66,470	8.6	8,000	2.8	74,470	7.0	-	-	-	-	-	-	74,470	2.8
- Social Development Office	1,215	0.2	9,630	3.3	10,845	1.0	-	-	-	-	-	-	10,845	0.4
- Labor Problems	800	0.1	525	0.2	1,325	0.2	-	-	-	-	-	-	1,325	0.1
- Trade, Finance & Services	-	-	-	-	-	-	30,000	-	-	100,000	130,000	8.0	130,000	4.9
- Public Industrial Services	-	-	-	-	-	-	-	158,200	-	21,800	180,000	11.2	180,000	6.7
- Transportation	-	-	-	-	-	-	6,000	-	-	125,000	131,000	8.1	131,000	4.9
- Housing & Buildings	-	-	-	-	-	-	-	-	15,000	385,000	400,000	24.8	400,000	15.0
- Miscellaneous	37,472	4.9	1,784	0.6	39,256	3.7	-	9,800	8,817	10,383	29,000	1.8	68,256	2.5
<b>Total II</b>	<b>232,369</b>	<b>30.2</b>	<b>65,132</b>	<b>22.5</b>	<b>297,501</b>	<b>28.1</b>	<b>36,000</b>	<b>168,000</b>	<b>300,000</b>	<b>1,021,000</b>	<b>1,525,000</b>	<b>94.5</b>	<b>1,822,501</b>	<b>68.2</b>
<b>Total I + II</b>	<b>700,000</b>	<b>90.9</b>	<b>260,000</b>	<b>89.7</b>	<b>960,000</b>	<b>90.6</b>	<b>36,000</b>	<b>180,000</b>	<b>300,000</b>	<b>1,021,000</b>	<b>1,537,000</b>	<b>95.2</b>	<b>2,497,000</b>	<b>93.4</b>
<b>III. Unforeseen Expenditures</b>														
	70,000	9.1	30,000	10.3	100,000	9.4	20,000	57,000	-	-	77,000	4.8	177,000	6.6
<b>Total I + II + III</b>	<b>770,000</b>	<b>100.0</b>	<b>290,000</b>	<b>100.0</b>	<b>1,060,000</b>	<b>100.0</b>	<b>56,000</b>	<b>237,000</b>	<b>300,000</b>	<b>1,021,000</b>	<b>1,614,000</b>	<b>100.0</b>	<b>2,674,000</b>	<b>100.0</b>

Source: Mission IRFED & Ministère du Plan, Dossier de Base pour l'Avant-Projet du Plan Quinquennal 1964-1968, Vol. II: Perspectives de Planification Générale (Beirut: July 1963), Table 14, B - 90.

and total consumption by 4.1 per cent. When, however, the increase in population (which is estimated by the IRFED Mission at 2.3 per cent per year) is taken into consideration, these two rates drop to 2.9 per cent and 1.8 per cent respectively<sup>19</sup> (Table 31).

These are the main features of the draft of the five-year plan prepared by the I.R.F.E.D. Mission. Although it was supposed to be launched in 1964, this Plan has not yet been promulgated and might not be carried out even in 1965. Officials of the Ministry of Finance are in fact very skeptical as to its feasibility, especially when they take into consideration the state of the Treasury.

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<sup>19</sup> Ibid., pp. 15-16.

Table 31.

LEBANON: GENERAL INDICATORS 1950-1961 WITH PROJECTIONS FOR 1968

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1961	1968
<u>National Product</u> <sup>1</sup> (in LL million)											
1) at current prices	1,042	1,086	1,115	1,168	1,256	1,374	1,417	1,503	1,325	1,789	2,522
2) at 1961 prices											
a) in L <sub>0</sub> L <sub>0</sub>	1,209	1,084	1,153	1,326	1,522	1,661	1,605	1,632	1,401	1,789	2,522
b) in indices (1950=100)	100	89.7	95.4	109.7	125.9	137.4	132.8	135.0	115.9	148.0	208.6
<u>Population</u> <sup>2</sup> (in thousands)	1,259	1,325	1,387	1,417	1,452	1,485	1,520	1,554	1,589	1,700	1,990
<u>National Product Per Head</u> (in L <sub>0</sub> L <sub>0</sub> )	934	818	831	936	1,048	1,119	1,056	1,050	882	1,052	1,267

<sup>1</sup>The 1968 national product was estimated by taking that of 1961 as a base, and assuming an annual rate of increase of 4.5 per cent till 1963 and one of 5.2 per cent from 1963 to 1968.

<sup>2</sup>It has been estimated by taking 1959 as a base (1959 = 1,626,000 inhabitants) and assuming an annual rate of increase of 2.3 per cent.

Source: Mission IRFED & Ministère du Plan, Dossier de Base pour 1<sup>er</sup> Avant-Projet du Plan Quinquennal 1964-1968, Vol. II: Perspectives de Planification Générale (Beirut: July 1963), Table 18, B - 98.

## CHAPTER V

### PROJECTIONS OF PUBLIC REVENUES AND PUBLIC EXPENDITURES

One of the most important developments that have recently taken place in economic thought is the increasing recognition of the need for projections in formulating economic policies and plans. These projections being based on past and present conditions are not expected, however, to yield perfect results. "The main purpose of such an exercise is to suggest a broad range of the policy measures required in order to attain a given set of development targets."<sup>1</sup>

Keeping this limitation in mind, an attempt will be made in this Chapter at projecting Lebanon's public revenues and public expenditures, and at examining the adequacy of these projected revenues for financing both the normal and the development expenditures of the government over the period 1963-1968.<sup>2</sup>

#### I. Projections of Public Revenues 1963-1968

These projections are based on the government's public revenues as shown in the closed accounts of the budget during

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<sup>1</sup>United Nations, Problems of Long-Term Economic Projections with Special Reference to Economic Planning in Asia and the Far East (New York: 1963), p. 7.

<sup>2</sup>This period was chosen because it corresponds to the one during which the bulk of the various development projects are supposed to be implemented.

the years 1954-1962.<sup>3</sup> Before projecting these figures, however, it was thought necessary — in order not to distort the trend — to make a few adjustments. The I.P.C. and the Tapline payments — which were respectively made in 1959-1960<sup>4</sup> and in 1962<sup>5</sup> — were spread over the years 1952-1959 in the case of the former, and over the years 1952-1962 in the case of the latter, since these payments represented arrears for these two periods.<sup>6</sup> As a result, the following figures for public revenues were obtained:

LL 167.1 million in 1954  
LL 188.6 million in 1955  
LL 201.7 million in 1956  
LL 219.6 million in 1957  
LL 235.2 million in 1958  
LL 243.6 million in 1959  
LL 285.4 million in 1960  
LL 316.7 million in 1961  
LL 326.4 million in 1962

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<sup>3</sup>These years were selected because it was thought preferable to use the same period as a basis for projecting both public revenues and public expenditures. In the case of public expenditures, this choice was determined by the fact that it was only starting 1954 that public expenditures were split into administrative, equipment and army expenditures.

<sup>4</sup>The I.P.C. paid to the Lebanese government the sums of LL 17 million in 1959 and LL 34.5 million in 1960.

<sup>5</sup>The Tapline paid to the Lebanese government the sum of LL 37 million in 1962.

<sup>6</sup>Information privately secured from the Ministry of Finance, Budget Department.

These were projected for the period 1963-1968 by using the logarithmic method of the least squares.<sup>7</sup> According to this method of projection, public revenues are expected to amount to:<sup>8</sup>

LL 360.4 million in 1963

LL 391.3 million in 1964

LL 426.4 million in 1965

LL 463.5 million in 1966

LL 504.0 million in 1967

LL 548.1 million in 1968

The figures obtained for 1963 and 1964 compare relatively well with the budget estimates of public revenues<sup>9</sup> for these two years which have amounted to LL 362.7 million and LL 393.4 million<sup>10</sup> respectively, despite the fact that different methods of calculation are used.

## II. Projections of Public Expenditures 1963-1968

Public expenditures refer here to the normal expenditures of the government as they appear in the first three parts of the budget. They thus include administrative expenditures, equipment

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<sup>7</sup>This method was used because it was found to be the best fit.

<sup>8</sup>See the Appendix to the Chapter for details of the calculations.

<sup>9</sup>It is important to note here that the practice of underestimating public revenues was discontinued in 1962.

<sup>10</sup>This figure was obtained by deducting from the estimated total revenues (LL 401 million) for 1964, the sum of LL 7.6 million which is to be drawn from the Wheat Office reserves to balance the budget.

expenditures and expenditures on the army. Development expenditures -- namely the fourth part of the budget -- were not included because they are financed by drawings from the Reserve Account.

Public expenditures, as defined above were projected on the basis of the corresponding public expenditures during the period 1954-1962. Here too, the logarithmic method of the least squares was used because it was found to be the best fit. Accordingly, public expenditures are expected to amount to:<sup>11</sup>

LL 358.9 million in 1963
LL 406.6 million in 1964
LL 460.6 million in 1965
LL 521.7 million in 1966
LL 591.0 million in 1967
LL 669.5 million in 1968

### III. Budget Deficit

Comparing the two sets of projected figures, one realizes that except for a very small surplus in 1963, there will be a growing annual deficit which will reach LL 121.4 million in 1968 and will amount to a total of LL 314.2 million for the whole period under consideration (Table 32).

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<sup>11</sup>See the Appendix to the Chapter for details of the calculations.



Table 32.

EXPECTED SURPLUS OR DEFICIT IN THE LEBANESE BUDGET  
1963 - 1968  
 (in L.L. million)

Year	Expected Public Revenues	Expected Public Expenditures <sup>1</sup>	Surplus or Deficit
1963	360.4	358.9	+ 1.5
1964	391.9	406.6	- 14.7
1965	426.2	460.6	- 34.4
1966	463.5	521.7	- 58.2
1967	504.0	591.0	- 87.0
1968	548.1	669.5	-121.4
<b>Total</b>	<b>2,694.1</b>	<b>3,008.3</b>	<b>-314.2</b>

<sup>1</sup>These include only administrative expenditures, equipment expenditures and army expenditures.

Source: Author's calculations.

In order to be able to understand better the implications of this expected result, it was thought necessary to examine at what pace public revenues and public expenditures, as well as their various components, have increased over the period 1954-1962 and whether this pace is likely to be sustained during the years 1963-1968.

Accordingly, direct and indirect taxes were projected<sup>12</sup> over the period under consideration, and as a result, the following figures were obtained:<sup>13</sup>

Table 33.

EXPECTED RECEIPTS FROM DIRECT AND INDIRECT  
TAXES  
1963 - 1968  
(in L.L. million)

Year	Expected Receipts from Direct Taxes <sup>1</sup>	Expected Receipts from Indirect Taxes <sup>2</sup>
1963	65.7	238.2
1964	72.9	260.2
1965	80.9	284.3
1966	89.7	310.5
1967	99.5	339.2
1968	110.3	370.5

<sup>1</sup> Direct taxes include here essentially the buildings tax, the land tax, the income tax and the succession and gift tax. They refer only to the first section of the 'direct taxes' Chapter of the budget, the second part consisting mainly of fees which are here included under indirect taxes.

<sup>2</sup> Indirect taxes include here, besides the taxes under this section of the budget, the fees which were excluded from the 'direct taxes' Chapter.

Source: Author's calculations.

<sup>12</sup>The logarithmic method of the least squares is also used here.

<sup>13</sup>See the Appendix to the Chapter for the details of calculations.

If the receipts of the most important direct tax — the income tax — and of the most important indirect tax — the customs duties — are in turn projected according to the same method and over the same period, the following results would be obtained:<sup>14</sup>

Table 34.

EXPECTED RECEIPTS FROM INCOME TAX AND CUSTOMS DUTIES  
1963 - 1968  
(in L.L. million)

Year	Expected Receipts from Income Tax	Expected Receipts from Customs Duties
1963	31.1	131.8
1964	33.4	144.5
1965	35.8	158.5
1966	38.3	173.9
1967	41.4	190.7
1968	44.1	209.2

Source: Author's calculations

Applying the same procedure to public expenditures, one may split them into three parts: administrative expenditures, equipment expenditures and army expenditures. Using the figures

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<sup>14</sup>Ibid.

of 1954-1962 as a basis for projection and the logarithmic method of the least squares, one may expect these various expenditures to reach during the period 1963-1968 the figures indicated in the table below.<sup>15</sup>

Table 35.

EXPECTED EXPENDITURES ON ADMINISTRATION, EQUIPMENT  
AND THE ARMY  
1963 - 1968  
(in L.L. million)

Year	Administrative Expenditures	Equipment Expenditures	Army Expenditures
1963	209.7	68.1	81.1
1964	235.3	79.4	92.7
1965	263.9	92.5	96.8
1966	296.1	107.9	107.9
1967	332.2	125.7	121.6
1968	372.7	146.6	137.0

Source: Author's calculations.

Taking now the actual figures of public receipts and public expenditures over the period 1954-1962 and their projected values for the period 1963-1968, one notices that they have been,

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<sup>15</sup> Ibid.

and will be, growing at the following annual compound rates:

Table 36.

ANNUAL COMPOUND RATES OF GROWTH OF PUBLIC REVENUES  
AND PUBLIC EXPENDITURES  
1954 - 1968

	Period 1954-1962 Actual	Period 1963-1968 Expected
<u>Total Public Revenues</u>	<u>8.8</u>	<u>8.7</u>
Receipts from Direct Taxes	11.6	10.9
Receipts from Indirect Taxes	9.5	9.2
Income Tax Receipts	8.2	7.1
Customs Receipts	10.6	9.5
<u>Total Public Expenditures</u>	<u>16.3</u>	<u>13.2</u>
Administrative Expenditures	12.7	12.1
Equipment Expenditures	37.9	16.5
Army Expenditures	18.9	11.0

Source: Author's calculations.

It is seen that public revenues have increased during the period 1954-1962 at a much slower rate than total public expenditures have; the same trend seems to be maintained during the period 1963-1968, although the difference in the two rates of growth seems to be narrowing. This is due, on the revenue side, to tax evasion and inefficient tax administration: income tax receipts — which amounted over the period 1954-1962 to 55 per cent of total receipts

from direct taxes as defined here — have increased at an annual compound rate of 8.2 per cent only against 11.6 per cent for all direct taxes. Furthermore, despite an annual compound rate of growth of 10.6 per cent in customs receipts,<sup>16</sup> total indirect taxes have increased only at the rate of 9.5 per cent. This inefficiency of the administration in collecting taxes is very well reflected also in the fact that at the end of 1962, an amount equal to LL 44.9 million which had to be collected through taxes in the previous years had not been collected yet.<sup>17</sup>

On the other side, public expenditures seem to have been steadily increasing. Looking first at administrative expenditures, one notices that they have been growing at an annual compound rate of 12.7 per cent during the period 1954-1962 and are expected to continue growing at almost the same rate over the period 1963-1968. This is so because these expenditures consist mainly of wages and salaries which cannot be easily reduced in the coming years. In fact, if any change is to take place, it will rather be in an ascending direction. As far as equipment expenditures are concerned, they seem, relatively speaking, to be the ones which have increased most over the period under consideration. They amounted to:<sup>18</sup>

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<sup>16</sup> Customs receipts amounted, over the period 1954-1962, to 54.3 per cent of total receipts from indirect taxes as defined here.

<sup>17</sup> Lebanese Republic, Budget Closed Accounts, 1962 (Beirut: Dar-Al-Funun, 1963).

<sup>18</sup> Ibid., 1954-1962.

LL 11.8 million in 1954

LL 24.8 million in 1955

LL 33.1 million in 1956

LL 36.2 million in 1957

LL 22.2 million in 1958

LL 32.6 million in 1959

LL 43.5 million in 1960

LL 35.5 million in 1961

LL 80.6 million in 1962

The jump which took place in 1962 may be attributed to the fact that the share of the Ministry of Public Works in this part of the budget increased from LL 20.8 million in 1961 to LL 60.2 million in 1962.<sup>19</sup> These LL 60.2 million were spent mainly on roads, water and electricity projects. To the extent that most of the expenditures in this section of the budget go to new equipment and development projects, they could be decreased in the coming few years until new sources of revenue are secured by the government. This is not the case with army expenditures. In fact, these consist mainly of wages and salaries and, as a result are not to be expected to decrease substantially in the coming years.

It is apparent from what has been said that public expenditures -- except for equipment expenditures -- are not to be expected to decrease during the period 1963-1968. Thus, if the

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<sup>19</sup>Ibid., 1961 and 1962.

public revenues continue to increase at the slow pace they have been increasing at, a budget deficit seems to be inevitable (see attached chart). This budget deficit has, in fact, been latent for the past few years. If it did not appear in the closed accounts of the budget, it is simply because a great part of the voted credits have not<sup>been</sup> spent and have been as a result, carried over from year to year.

#### IV. Implications of the Budget Deficit

Faced with a budget deficit, the government will first resort to its Reserve Account to cover it. The balance of this account, however, has decreased tremendously during the last few years due to the fact that, on the one hand, budget surpluses have been less than they used to be<sup>20</sup> and, on the other, to the numerous development projects which have been financed by drawing on it. At the end of 1962, the balance of this account was only LL 33.5 million.<sup>21</sup> Referring to Table 32, one notices that this sum is not enough to cover even the deficits of 1964 and 1965.

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<sup>20</sup>These budget surpluses amounted to:

LL 46.3 million in 1954  
LL 46.5 million in 1955  
LL 30.6 million in 1956  
LL 17.5 million in 1957  
LL 43.8 million in 1958  
LL 53.7 million in 1959  
LL 75.7 million in 1960  
LL 56.9 million in 1961  
LL 2.6 million in 1962

Source: Lebanese Parliament, Finance Commission, Report on the Financial Policy of the Government (Arabic Mimeo, January 16, 1964), Annex 1.

<sup>21</sup>Budget Closed Accounts, 1962, op. cit.



PUBLIC REVENUES

&

PUBLIC EXPENDITURES

1954 - 1968

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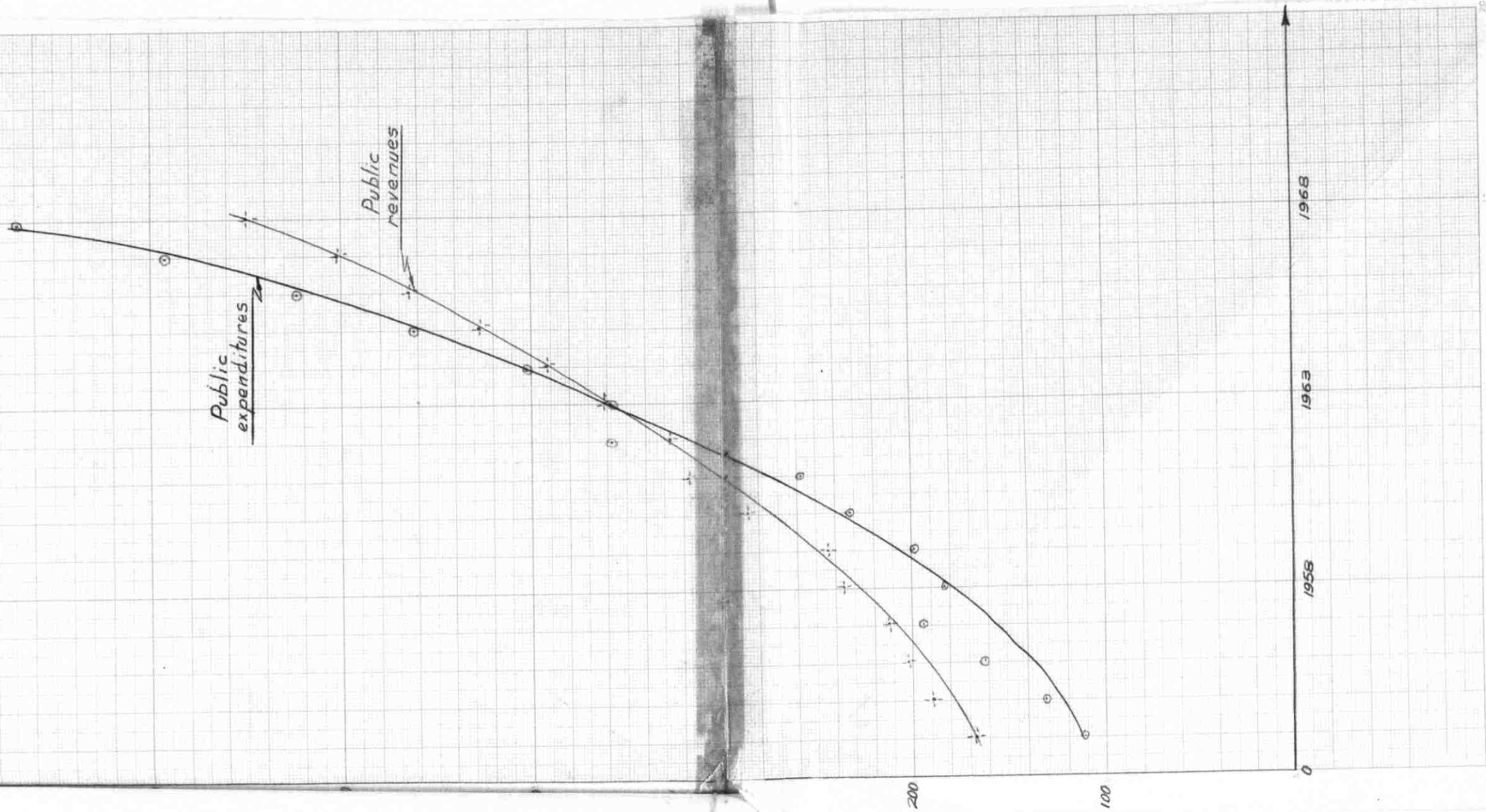
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PUBLIC REVENUES

&

PUBLIC EXPENDITURES

1954 - 1968



Another alternative to which the government might resort to, to cover its budget deficit, is to try to recuperate the Treasury advances it has given to the various municipalities and autonomous offices. Unfortunately, however, these advances — which amounted to LL 222 million at the end of 1963<sup>22</sup> — were in most cases given without any agreement as to the terms of repayment. Furthermore, most of the institutions to which this money was lent cannot start repaying the government in the coming few years because they are using all their available resources to undertake infrastructural projects.

The situation is much more aggravated when one thinks that on top of all this budget deficit, the government is considering the implementation of the various development projects mentioned in Chapter IV. In fact, if one adds to the total budget deficit of 1963-1968 the government planned expenditures on development projects as they appear in the I.R.F.E.D. five-year plan, one comes out with the total deficit figure of LL 1734.2 million. This sum represents the extra amount of funds needed by the government during the period 1963-1968 in order to be able to maintain its normal expenditures at the 1954-1962 level and to carry out its developmental projects.

Where can the government get all these funds from? As noted earlier in Chapter I, these funds may be secured by re-

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Report on the Financial Policy of the Government, op. cit., p. 4.

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The situation is much more aggravated when one thinks that on top of all this budget deficit, the government is considering the implementation of the various development projects mentioned in Chapter IV. In fact, if one adds to the total budget deficit of 1963-1968 the government planned expenditures on development projects as they appear in the I.R.F.E.D. five-year plan, one comes out with the total deficit figure of LL 1,734.2 million. This sum represents the extra amount of funds needed by the government during the period 1963-1968 in order to be able to maintain its normal expenditures at the 1954-1962 level and to carry out its developmental projects.

Where can the government get all these funds from? As noted earlier in Chapter I, these funds may be secured by re-

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Report on the Financial Policy of the Government, op. cit., p. 4.

**APPENDIX TO CHAPTER V**

**PROJECTIONS OF PUBLIC REVENUES AND PUBLIC EXPENDITURES**

**1963 - 1968**

I. Projections of Public Revenues  
1963 - 1968

Year	Year Notation	Adjusted Public Revenues (in L.L. million)	Log Y	X Log Y	X <sup>2</sup>
	X	Y			
1954	- 4	167.1	2.22298	= 8.89192	16
1955	- 3	188.6	2.27554	= 6.82662	9
1956	- 2	201.7	2.30471	= 4.60942	4
1957	- 1	219.6	2.34163	= 2.34163	1
1958	0	235.2	2.37144	0	0
1959	1	243.6	2.38668	2.38668	1
1960	2	285.4	2.45545	4.91090	4
1961	3	316.7	2.50065	7.50195	9
1962	4	326.4	2.51375	10.05500	16
Total			21.37283	2.18494	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{21.37283}{9} = 2.37475$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{2.18494}{60} = 0.03641$$

$$\therefore \log Y = 2.37475 + 0.03641 X$$

1963:	log Y = 2.37475 + (0.03641 x 5) = 2.55680
1964:	log Y = 2.37475 + (0.03641 x 6) = 2.59321
1965:	log Y = 2.37475 + (0.03641 x 7) = 2.62962
1966:	log Y = 2.37475 + (0.03641 x 8) = 2.66603
1967:	log Y = 2.37475 + (0.03641 x 9) = 2.70244
1968:	log Y = 2.37475 + (0.03641 x 10) = 2.73885

Thus, projected public revenues are:

<u>Year</u>	<u>in LL million</u>
1963	360.4
1964	391.9
1965	426.2
1966	463.5
1967	504.0
1968	548.1

II, Projections of Public Expenditures  
1963 - 1968

Year	Year Notation	Public Expenditures <sup>1</sup> (in LL million)	Log Y	X Log Y	X <sup>2</sup>
	X	Y			
1954	- 4	111.2	2.04610	- 8.18440	16
1955	- 3	132.4	2.12189	- 6.36567	9
1956	- 2	161.3	2.20763	- 4.41526	4
1957	- 1	192.5	2.28443	- 2.28443	3
1958	0	181.6	2.25912	0	0
1959	1	197.2	2.29491	2.29491	1
1960	2	240.8	2.38166	4.76332	4
1961	3	256.6	2.40926	7.22778	9
1962	4	357.5	2.55328	10.21312	16
Total			20.55828	3.24937	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{20.55828}{9} = 2.28425$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{3.24937}{60} = 0.05415$$

$$\therefore \log Y = 2.28425 + 0.05415 X$$

1963:	log Y = 2.28425 + (0.05415 x 5) = 2.55500
1964:	log Y = 2.28425 + (0.05415 x 6) = 2.60915
1965:	log Y = 2.28425 + (0.05415 x 7) = 2.66330
1966:	log Y = 2.28425 + (0.05415 x 8) = 2.71745
1967:	log Y = 2.28425 + (0.05415 x 9) = 2.77160
1968:	log Y = 2.28425 + (0.05415 x 10) = 2.82575

Thus, projected public expenditures are:

<u>Year</u>	<u>in LL million</u>
1963	358.9
1964	406.6
1965	460.6
1966	521.7
1967	591.0
1968	669.5

<sup>1</sup>Public expenditures refer here only to the normal expenditures of the government as they appear in the first three parts of the budget. They thus include administrative expenditures, equipment expenditures and army expenditures.

III. Projections of Direct Taxes

Receipts  
1963 - 1968

Year	Year Notation	Direct Taxes Receipts <sup>1</sup> (in LL million)	Log Y	X Log Y	X <sup>2</sup>
	X	Y			
1954	- 4	26.7	1.42651	- 5.70604	16
1955	- 3	27.3	1.43616	- 4.30848	9
1956	- 2	33.4	1.52375	- 3.04750	4
1957	- 1	37.6	1.57519	- 1.57519	1
1958	0	36.4	1.56110	0	0
1959	1	42.0	1.62325	1.62325	1
1960	2	46.2	1.66464	3.32928	4
1961	3	53.6	1.72916	5.18748	9
1962	4	62.9	1.79865	7.19460	16
<b>Total</b>			<b>14.33841</b>	<b>2.69740</b>	<b>60</b>

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{14.33841}{9} = 1.59315$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{2.69740}{60} = 0.04495$$

$$\therefore \log Y = 1.59315 + 0.04495 X$$

$$1963: \log Y = 1.59315 + (0.04495 \times 5) = 1.81790$$

$$1964: \log Y = 1.59315 + (0.04495 \times 6) = 1.86285$$

$$1965: \log Y = 1.59315 + (0.04495 \times 7) = 1.90780$$

$$1966: \log Y = 1.59315 + (0.04495 \times 8) = 1.95275$$

$$1967: \log Y = 1.59315 + (0.04495 \times 9) = 1.99770$$

$$1968: \log Y = 1.59315 + (0.04495 \times 10) = 2.04265$$

Thus, projected direct taxes receipts are:

<u>Year</u>	<u>in LL million</u>
1963	65.7
1964	72.9
1965	80.9
1966	89.7
1967	99.5
1968	110.3

<sup>1</sup>In the present context, direct taxes include essentially the buildings tax, the land tax, the income tax and the succession and gift tax.



IV. Projections of Indirect Taxes Receipts  
1963 - 1968

Year	Year Notation	Indirect Taxes Receipts <sup>1</sup> (in LL million)	Log Y	X Log Y	X <sup>2</sup>
	X	Y			
1954	= 4	109.4	2.03902	- 8.15608	16
1955	= 3	122.8	2.08920	= 6.26760	9
1956	= 2	131.0	2.11727	= 4.23454	4
1957	= 1	144.0	2.15836	= 2.15836	1
1958	0	122.1	2.08672	0	0
1959	1	164.4	2.21590	2.21590	1
1960	2	200.0	2.30103	4.60206	4
1961	3	213.8	2.33001	6.99003	9
1962	4	212.8	2.32797	9.31188	16
Total			19.66548	2.30329	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{19.66548}{9} = 2.18505$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{2.30329}{60} = 0.03838$$

$$\therefore \log Y = 2.18505 + 0.03838 X$$

$$1963: \log Y = 2.18505 + (0.03838 \times 5) = 2.37695$$

$$1964: \log Y = 2.18505 + (0.03838 \times 6) = 2.41533$$

$$1965: \log Y = 2.18505 + (0.03838 \times 7) = 2.45371$$

$$1966: \log Y = 2.18505 + (0.03838 \times 8) = 2.49209$$

$$1967: \log Y = 2.18505 + (0.03838 \times 9) = 2.53047$$

$$1968: \log Y = 2.18505 + (0.03838 \times 10) = 2.56885$$

Thus, projected indirect taxes receipts are:

Year	in LL million
1963	238.2
1964	260.2
1965	284.3
1966	310.5
1967	339.2
1968	370.5

<sup>1</sup>In the present context, indirect taxes include essentially-besides the taxes under this section in the budget- the following fees: notarial fees, court fees, land registration fees, stamp duties, road circulation fees, public security fees and consular fees.

V. Projections of Income Tax Receipts  
1963 - 1968

Year	Year Notation X	Income Tax Receipts (in LL million) Y	Log Y	X Log Y	X <sup>2</sup>
1954	- 4	17.5	1.24304	- 4.97216	16
1955	- 3	16.3	1.21219	- 3.63657	9
1956	- 2	20.0	1.30103	- 2.60206	4
1957	- 1	22.2	1.34635	- 1.34635	1
1958	0	22.1	1.34439	0	0
1959	1	20.9	1.32015	1.32015	1
1960	2	23.1	1.36361	2.72722	4
1961	3	27.5	1.43933	4.31799	9
1962	4	31.8	1.50243	6.00972	16
Total			12.07252	1.81794	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{12.07252}{9} = 1.34139$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{1.81794}{60} = 0.03029$$

$$\therefore \log Y = 1.34139 + 0.03029 X$$

1963:	log Y = 1.34139 + (0.03029 x 5) = 1.49284
1964:	log Y = 1.34139 + (0.03029 x 6) = 1.52313
1965:	log Y = 1.34139 + (0.03029 x 7) = 1.55342
1966:	log Y = 1.34139 + (0.03029 x 8) = 1.58371
1967:	log Y = 1.34139 + (0.03029 x 9) = 1.61400
1968:	log Y = 1.34139 + (0.03029 x 10) = 1.64429

Thus, projected income tax receipts are:

<u>Year</u>	<u>in LL million</u>
1963	31.1
1964	33.4
1965	35.8
1966	38.3
1967	41.1
1968	44.1

VI. Projections of Customs Receipts  
1963 - 1968

Year	Year Notation X	Customs Receipts (in LL million) Y	Log Y	X Log Y	X <sup>2</sup>
1954	- 4	55.5	1.74429	- 6.97716	16
1955	- 3	67.6	1.82995	- 5.48985	9
1956	- 2	71.9	1.85673	- 3.71346	4
1957	- 1	79.0	1.89763	- 1.89763	1
1958	0	65.9	1.81889	0	0
1959	1	89.5	1.95182	1.95182	1
1960	2	112.7	2.05192	4.10384	4
1961	3	115.8	2.06371	6.19113	9
1962	4	114.7	2.05956	8.23824	16
Total			17.27450	2.40693	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{17.27450}{9} = 1.91938$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{2.40693}{60} = 0.04011$$

$$\therefore \log Y = 1.91938 + 0.04011 X$$

$$1963: \log Y = 1.91938 + (0.04011 \times 5) = 2.11993$$

$$1964: \log Y = 1.91938 + (0.04011 \times 6) = 2.16004$$

$$1965: \log Y = 1.91938 + (0.04011 \times 7) = 2.20015$$

$$1966: \log Y = 1.91938 + (0.04011 \times 8) = 2.24026$$

$$1967: \log Y = 1.91938 + (0.04011 \times 9) = 2.28037$$

$$1968: \log Y = 1.91938 + (0.04011 \times 10) = 2.32048$$

Thus, projected customs receipts are:

<u>Year</u>	<u>in LL million</u>
1963	131.8
1964	144.5
1965	158.5
1966	173.9
1967	190.7
1968	209.2

VII. Projections of Administrative Expenditures  
1963 - 1968

Year	Year Notation	Administrative Expenditures (in LL million)	Log Y	X Log Y	X <sup>2</sup>
	X	Y			
1954	- 4	77.6	1.88986	- 7.55944	16
1955	- 3	80.8	1.90741	- 5.72223	9
1956	- 2	90.2	1.95521	- 3.91042	4
1957	- 1	117.2	2.06893	- 2.06893	1
1958	0	113.8	2.05614	0	0
1959	1	121.6	2.08493	2.08493	1
1960	2	149.6	2.17493	4.34986	4
1961	3	164.7	2.21669	6.65007	9
1962	4	196.4	2.29314	9.17256	16
Total			18.64724	2.99640	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{18.64724}{9} = 2.07191$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{2.99640}{60} = 0.04994$$

$$\therefore \log Y = 2.07191 + 0.04994 X$$

1963:	log Y = 2.07191 + (0.04994 x 5) = 2.32161
1964:	log Y = 2.07191 + (0.04994 x 6) = 2.37155
1965:	log Y = 2.07191 + (0.04994 x 7) = 2.42149
1966:	log Y = 2.07191 + (0.04994 x 8) = 2.47143
1967:	log Y = 2.07191 + (0.04994 x 9) = 2.52137
1968:	log Y = 2.07191 + (0.04994 x 10) = 2.57131

Thus, projected administrative expenditures are:

<u>Year</u>	<u>in LL million</u>
1963	209.7
1964	235.3
1965	263.9
1966	296.1
1967	332.2
1968	372.7

VIII. Projections of Equipment Expenditures  
1963 - 1968

Year	Year Notation	Equipment Expenditures (in LL million)			
	X	Y	Log Y	X Log Y	X <sup>2</sup>
1954	- 4	11.8	1.07188	- 4.28752	16
1955	- 3	24.8	1.39445	- 4.18335	9
1956	- 2	33.1	1.51983	- 3.03966	4
1957	- 1	36.2	1.55871	- 1.55871	1
1958	0	22.2	1.34635	0	0
1959	1	32.6	1.51322	1.51322	1
1960	2	43.5	1.63849	3.27698	4
1961	3	35.5	1.55023	4.65069	9
1962	4	80.6	1.90634	7.62536	16
TOTAL			13.49950	3.99701	60

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{13.49950}{9} = 1.49994$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{3.99701}{60} = 0.06661$$

$$\therefore \log Y = 1.49994 + 0.06661 X$$

$$1963: \log Y = 1.49994 + (0.06661 \times 5) = 1.83299$$

$$1964: \log Y = 1.49994 + (0.06661 \times 6) = 1.89960$$

$$1965: \log Y = 1.49994 + (0.06661 \times 7) = 1.96621$$

$$1966: \log Y = 1.49994 + (0.06661 \times 8) = 2.03282$$

$$1967: \log Y = 1.49994 + (0.06661 \times 9) = 2.09943$$

$$1968: \log Y = 1.49994 + (0.06661 \times 10) = 2.16604$$

Thus, projected equipment expenditures are:

<u>Year</u>	<u>in LL million</u>
1963	68.1
1964	79.4
1965	92.5
1966	107.9
1967	125.7
1968	146.6

**IX. Projections of Army Expenditures**  
1963 - 1968

Year	Year Notation	Army Expenditures (in LL million)		Log Y	X Log Y	X <sup>2</sup>
	X	Y				
1954	- 4	21.7		1.33646	- 5.34584	16
1955	- 3	26.7		1.42651	- 4.27953	9
1956	- 2	38.0		1.57978	- 3.15956	4
1957	- 1	39.1		1.59218	- 1.59218	1
1958	0	45.6		1.65896	0	0
1959	1	43.0		1.63347	1.63347	1
1960	2	47.7		1.67852	3.35704	4
1961	3	56.4		1.75128	5.25384	9
1962	4	80.5		1.90580	7.62320	16
<b>Total</b>				<b>14.56296</b>	<b>3.49044</b>	<b>60</b>

$$\log Y = a + bX$$

$$a = \frac{\sum \log Y}{n} = \frac{14.56296}{9} = 1.61810$$

$$b = \frac{\sum X \log Y}{\sum X^2} = \frac{3.49044}{60} = 0.05817$$

$$\therefore \log Y = 1.61810 + 0.05817 X$$

$$1963: \log Y = 1.61810 + (0.05817 \times 5) = 1.90895$$

$$1964: \log Y = 1.61810 + (0.05817 \times 6) = 1.96712$$

$$1965: \log Y = 1.61810 + (0.05817 \times 7) = 1.98119$$

$$1966: \log Y = 1.61810 + (0.05817 \times 8) = 2.03306$$

$$1967: \log Y = 1.61810 + (0.05817 \times 9) = 2.08493$$

$$1968: \log Y = 1.61810 + (0.05817 \times 10) = 2.13680$$

Thus, projected army expenditures are:

<u>Year</u>	<u>in LL million</u>
1963	81.1
1964	92.7
1965	95.8
1966	107.9
1967	121.6
1968	137.0

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النواب ، لجنة المالية

تقرير عام على واردات الدولة • بيروت ، ١٥ كانون الثاني

والموازنة

١٩٦٢ ( مطبوع على السنسل )

تقرير عام على واردات الموازنة العامة • بيروت ، ١٢ كانون

الاول ، ١٩٦٢ • ( مطبوع على السنسل ) •

تقرير عام على سياسة الدولة المالية • بيروت ، ١٦ كانون

الثاني ، ١٩٦٤ • ( مطبوع على السنسل )

الجمهورية اللبنانية -

المجلس الاعلى للجمارك • التعريف الجمركية • بيروت ، ١٩٦٣ •

الجمهورية اللبنانية -

قانون ضريبة الدخل على الاملاك المبنية صادر بتاريخ ١٧ ايلول ،

وزارة الانباء

سنة ١٩٦٢ ، بيروت : مطبعة صادر

مشروع خمس سنوات للانماء الاقتصادي في لبنان ، بيروت :

مطبعة صادر ١٩٥٨٠

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الدخل • بيروت : مطبعة دار الفنون •

المراسيم التشريعية والتنظيمية المتعلقة بالضرائب المباشرة

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بيروت : دار الفنون •

الموازنة العامة والموازنات الملحقة ١٩٦٣ - ١٩٦٤ •

بيروت : مطبعة سيقلي •

فد لكة مشروع موازنة عام ١٩٦٤

بيان الحكومة عن الغزاي التي انطوى عليها مشروع قانون

ضريبة الاملاك المبنية المحال مؤخرًا الى مجلس النواب

(مطبوع على الستنسل •)

مذكرة ايضاحية حول التعديلات التي تضمنها مشروع قانون

ضريبة الاملاك المبنية • (مطبوع على الستنسل •)

الجمهورية اللبنانية - وزارة  
التصميم العام ، مجلس التصميم

والانماء

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