

Fiscal Performance Report for the Month of March 2000

The budget deficit for March 2000 amounted to LL340 billion, equivalent to 46% of total budget expenditure. In comparison, the deficits for February 2000 and March 1999 were LL 176 billion and LL 167 billion respectively, or 42% and 36% of total budget expenditures for the respective months. For the month of March 2000, both budget revenues and expenditures increased substantially from March 1999, with revenues increasing 35% (LL 102 billion) and expenditures rising 60% (LL 275 billion).

The primary budget balance (which excludes payments of interest on public debt) recorded a surplus of LL 17 billion compared with a small deficit in March of 1999.

Budget revenue performance:

The highlights of the increase in the revenues include:

1. An increase of 6% in tax revenues other than customs revenues, from LL 66 billion in March 1999 to LL 70 billion in March 2000. The low growth of these revenues may be attributable to taxpayers' delays in paying income taxes owed for the 1999 fiscal year on account of expectations about waivers of penalties for late filing.
2. A sharp increase in non-tax revenues, from LL 52 billion in March 1999 to LL 186 billion in March 2000. This was mainly due to the increase of transfers from the Directorate of Post and Telecommunications.
3. A decline of 20% in customs revenues, from LL 174 billion to LL 139 billion in March 1999.

Budget expenditure performance:

The major factors contributing to the increase of expenditures between March 1999 and March 2000 include:

1. A sharp increase in payments for servicing both domestic and the foreign debt, from LL 166 billion to LL356 billion.
2. An increase in payments for end-of-service settlements and retirement pensions.
3. An increase in transfers, reflecting mainly the LL 45 billion payment of the government to the State Employees Cooperative.

Summary of budget performance, QI 2000:

During QI 2000, budget revenues amounted to LL 941 billion, representing an increase of 7% for the same period of the previous year. Budget expenditures for the first quarter of 2000 amounted to LL 1,523 billion, an increase of 29% over the first quarter of 1999. The budget deficit for the first quarter of 2000 amounted to about LL 582 billion, equivalent to 38% of total expenditures. To note, the estimated deficit for the year 2000, as indicated in the 2000 Budget law, amounts to LL 3,200 billion, equivalent to 37% of total expenditures.

The primary budget balance for the first quarter of the fiscal year 2000 recorded a surplus of LL 260 billion, equivalent to 17% of total expenditure.

Summary of treasury transactions:

The deficit on treasury transactions amounted to LL 191 billion in March 2000, compared to LL 133 billion and LL 75 billion for the months of February 2000 and March 1999, respectively. Major contributors to the increase in March 2000 were the servicing of external debt on behalf of the national electricity company and higher transfers to municipalities.

Overall budget and treasury performance:

As a proportion of total expenditures, the overall deficit (budget + treasury) rose to 56% in the first quarter of the current year, from 36% in the same period of last year. It should be noted, however, that the MOF expects tax revenues to increase more rapidly in the coming months, while the pace of expenditures is not expected to rise.

Developments in the public debt:

During the first quarter of the year 2000, the growth of public debt slowed to 202 percent (an annual growth rate of 8.6%). This slower growth reflected the drawdown of treasury deposits with the central bank to finance the budget and treasury deficits.