

Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

August 2005

Section 1: Fiscal Overview

Highlights:

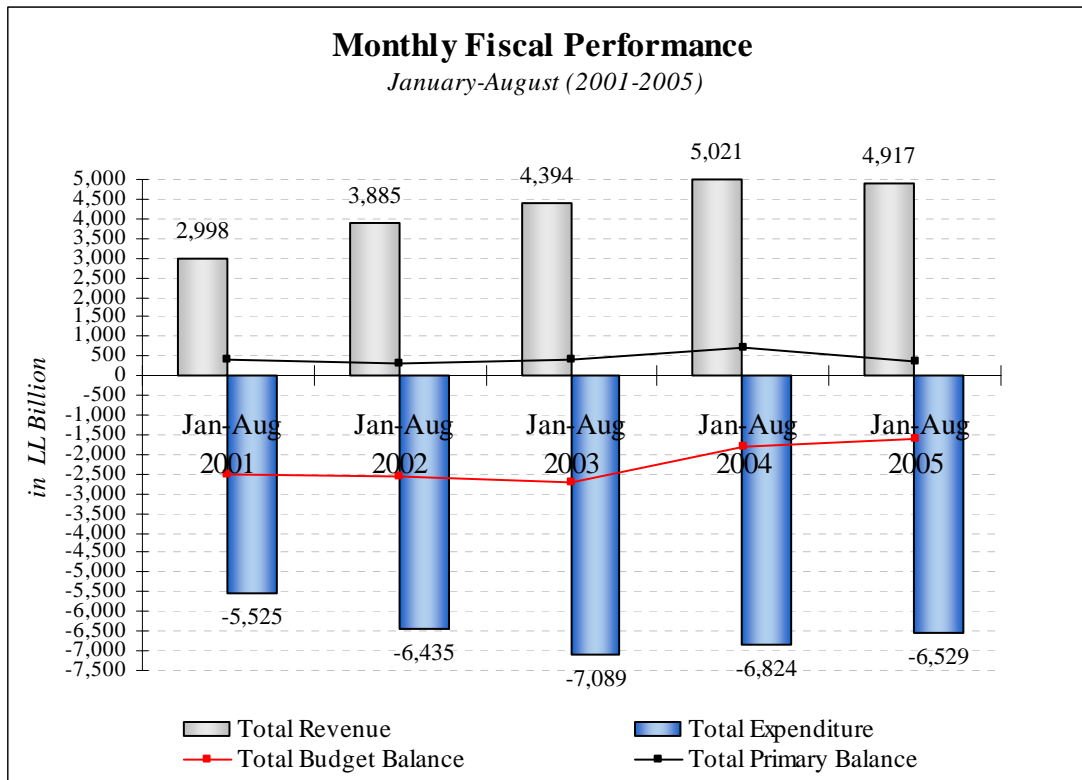
The total fiscal balance for the January-August 2005 period improved by 10.6 percent, registering a deficit of LL 1,612 billion compared to LL 1,804 billion for the same period of 2004. The 4.3 percent decline in total payments was accompanied by a 2.1 percent decrease in total receipts. Meanwhile, the primary surplus registered a deterioration of 45.8 percent, falling from LL 704 billion in January-August 2004 to LL 381 billion for the same period of 2005, resulting from an increase of LL 219 billion in primary spending and decrease in revenues by LL 104 billion. During August 2005, total revenues reached LL 664 billion, and total expenditures reached LL 759 billion, and as such the month of August registered a total deficit of LL 94 billion and a primary surplus of LL 151 billion.

Table 1. Summary of Fiscal Performance

(LL billion)	2004	2005	2004	2005	Change 2004 - 2005	% Change
	August	August	Jan-Aug	Jan-Aug		
Budget Revenue	566	622	4,736	4,641	-94	-2.0%
Budget Expenditures	706	535	5,334	4,856	-478	-9.0%
<i>o/w Debt Service</i>	276	245	2,507	1,993	-514	-20.5%
Budget Deficit/Surplus	-140	87	-598	-215	384	-64.1%
in % of Budget Expenditures	-19.9%	16.3%	-11.2%	-4.4%		
Budget Primary Deficit/Surplus	136	332	1,909	1,778	-130	-6.8%
in % of Budget Expenditures	19.2%	62.1%	35.8%	36.6%		
Treasury Receipts	34	42	285	276	-10	-3.3%
Treasury Payments	142	224	1,490	1,673	183	12.2%
Total Budget and Treasury Receipts	600	664	5,021	4,917	-104	-2.1%
Total Budget and Treasury Payments	847	759	6,824	6,529	-295	-4.3%
Total Cash Deficit/Surplus	-247	-94	-1,804	-1,612	192	-10.6%
in % of Total Expenditures	-29.2%	-12.4%	-26.4%	-24.7%		
Primary Deficit/Surplus	29	151	704	381	-323	-45.8%
in % of Total Expenditures	3.4%	19.9%	10.3%	5.8%		

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

Chart 1. Fiscal Performance



Section 2: Revenue Outcome

Highlights:

Over the January-August 2005 period, the Treasury collected LL 4,917 billion in total revenues, which constituted a 2.1 percent decrease compared to January-August 2004. This decline in performance resulted from:

- ☒ A 4.7 percent decrease in overall tax revenues which offset the 5.6 percent increase in non-tax revenues and led to an overall decrease of 2 percent in budget revenues. In fact, tax revenues reached LL 3,332 billion by end-August 2005, compared to 3,496 billion by end-August 2004. Although income tax revenues increased by more than 12 percent, this increase did not outweigh the 20 percent drop in revenues from taxes on international trade (customs duties and excises) which resulted mainly from a decrease in excise revenues by over 25 percent. Non-tax revenues improved mainly owing to higher transfers from public institutions and government properties.
- ☒ A 3.3 percent drop in treasury receipts, which amounted to LL 276 billion during January-August 2005, compared to LL 285 billion during the same period of 2004.



Table 2. Total Revenue

(LL billion)	2004 August	2005 August	2004 Jan-Aug	2005 Jan-Aug	% Change
Budget Revenues, of which:	566	622	4,736	4,641	-1.99%
<i>Tax Revenues</i>	369	337	3,496	3,332	-4.69%
<i>Non-Tax Revenues</i>	197	286	1,240	1,310	5.61%
Treasury Receipts	34	42	285	276	-3.34%
Total Revenues	600	664	5,021	4,917	-2.07%

Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2004 August	2005 August	2004 Jan-Aug	2005 Jan-Aug	% Change
Tax Revenues:	369	337	3,496	3,332	-4.69%
Taxes on Income, Profits, & Capital Gains, of which:	41	41	731	822	12.46%
<i>Income Tax on Profits</i>	13	7	378	372	-1.58%
<i>Income Tax on Wages and Salaries</i>	2	2	118	141	19.42%
<i>Income Tax on Capital Gains & Dividends</i>	2	8	64	73	15.30%
<i>Tax on Interest Income (5%)</i>	22	23	155	222	42.99%
<i>Penalties on Income Tax</i>	2	1	13	11	-17.55%
Taxes on Property, of which:	39	35	252	247	-1.95%
<i>Built Property Tax</i>	10	5	75	63	-16.96%
<i>Real Estate Registration Fees</i>	24	27	150	162	7.90%
Domestic Taxes on Goods & Services, of which:	121	134	1,259	1,246	-1.05%
<i>Value Added Tax</i>	105	111	1,136	1,120	-1.39%
<i>Other Taxes on Goods and Services, of which:</i>	15	22	115	116	0.78%
<i>Private Car Registration Fees</i>	11	11	71	68	-4.94%
<i>Passenger Departure Tax</i>	4	11	42	47	11.24%
Taxes on International Trade, of which:	145	109	1,075	861	-19.90%
<i>Customs</i>	44	42	336	310	-7.82%
<i>Excises, of which:</i>	101	66	739	551	-25.39%
<i>Petroleum Tax</i>	56	27	458	291	-36.54%
<i>Tobacco Tax</i>	18	18	129	122	-5.62%
<i>Tax on Cars</i>	27	21	149	136	-8.63%
Other Tax Revenues (namely fiscal stamp fees)	23	19	179	157	-12.70%

Source: MOF, DGF



Chart 2.

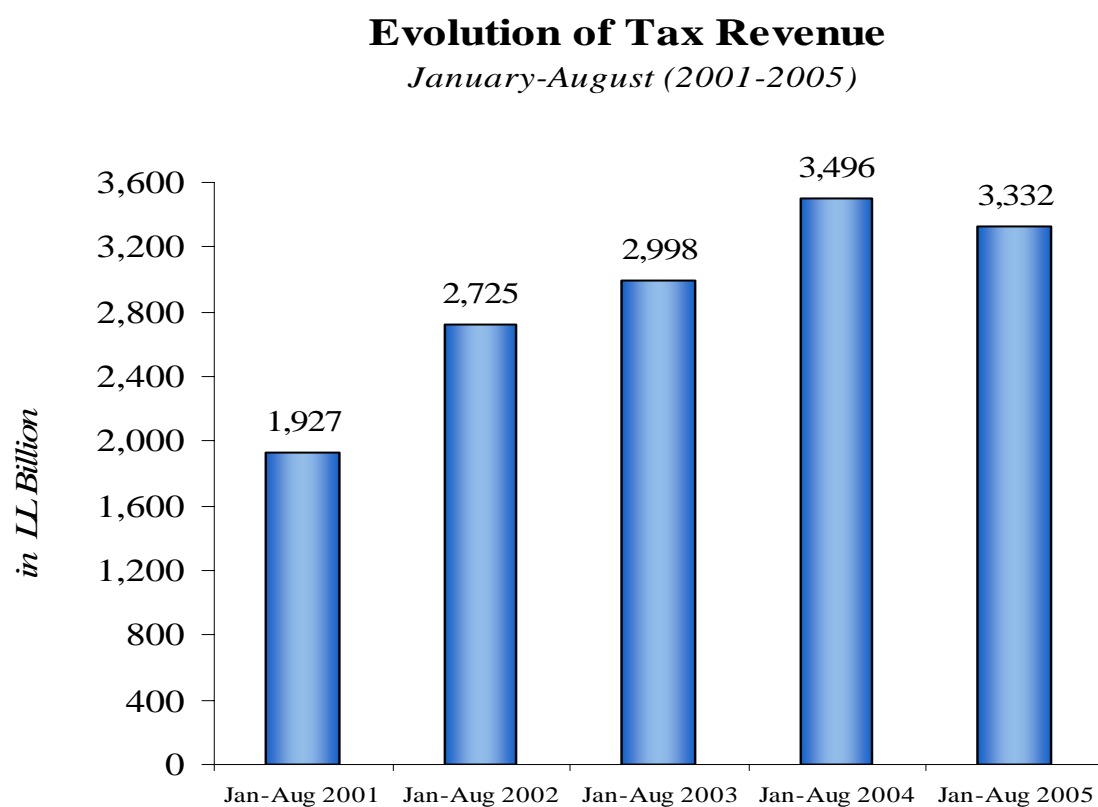


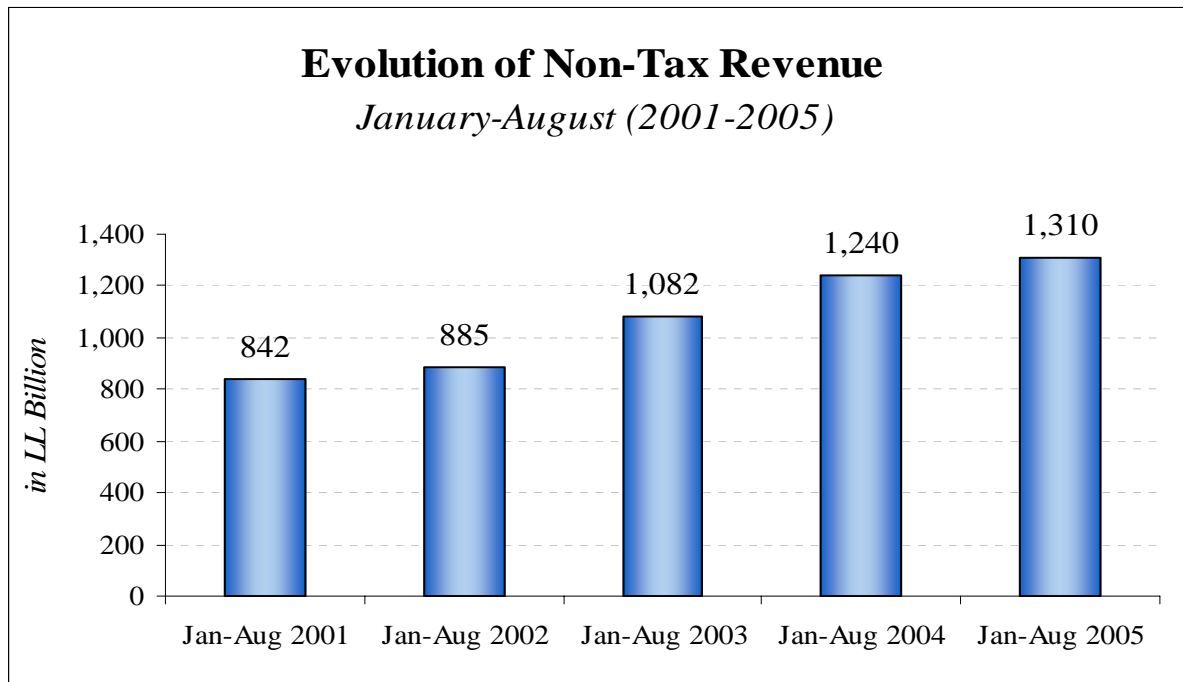
Table 4. Non-Tax Revenue

(LL billion)	2004	2005	2004	2005	%
	August	August	Jan-Aug	Jan-Aug	Change
Non-Tax Revenues	197	286	1,240	1,310	5.61%
Income from Public Institutions and Government Properties, of which:	159	248	952	1,033	8.53%
Income from Non-Financial Public Enterprises, of which:	154	243	911	1,003	10.15%
<i>Revenues from Casino Du Liban</i>	0	4	29	35	18.18%
<i>Revenues from Port of Beirut</i>	0	0	0	33	100.00%
<i>Budget Surplus of National Lottery</i>	3	6	23	26	13.04%
<i>Transfer from the Telecom Surplus</i>	150	234	857	909	5.99%
Property Income (namely rent of Rafic Hariri International Airport)	5	4	35	27	-23.40%
Other Income from Public Institutions (interests)	0	0	6	3	-48.85%
Administrative Fees & Charges, of which:	31	31	232	217	-6.55%
Administrative Fees, of which:	26	27	185	175	-5.07%
<i>Notary Fees</i>	2	2	11	11	-1.86%
<i>Passport Fees/ Public Security</i>	9	9	60	59	-2.19%
<i>Vehicle Control Fees</i>	10	9	82	72	-12.18%
<i>Judicial Fees</i>	2	3	14	14	-2.28%
<i>Driving License Fees</i>	2	2	10	10	4.14%
Administrative Charges	1	1	13	10	-23.85%
Sales (Official Gazette and License Number)	0	0	2	2	-18.53%
Permit Fees (mostly work permit fees)	3	3	27	25	-6.66%
Other Administrative Fees & Charges	1	1	5	5	-8.78%
Penalties & Confiscations	0	0	3	2	-27.69%
Other Non-Tax Revenues (mostly retirement deductibles)	7	7	52	57	8.72%

Source: MOF, DGF



Chart 3.



Section 3: Expenditure Outcome

Highlights:

Total expenditures for the first eight months of 2005 amounted to LL 6,529 billion, falling by 4.3 percent from LL 6,824 billion for the same period of 2004. This is largely due to the 20.5 percent decrease in debt service payments. Total primary expenditures for January-August 2005 increased by around 5% compared to the same period of 2004, in spite of a 36% percent decrease in capital expenditures.

This increase is attributable to two major factors:

- Higher transfers to the NSSF, reaching LL 290 billion by the end of August 2005, up by LL 231 billion when compared against January-August 2004.
- A 68 percent increase in EDL spending, which amounted to LL 746 billion in January-August 2005 as compared to LL 444 billion for the same period in 2004. The amount is broken down into the following components:
 - Treasury transfers to EDL amounting to LL 605 billion.
 - Treasury advances to water authorities for their accrued electricity bills, amounting to LL 48 billion.
 - Budget transfers amounting to LL 93 billion under the line item "Materials and Supplies" for the settlement of public administrations' accrued electricity bills.



Table 5. Expenditures by Transaction Classification

(LL billion)	2004	2005	2004	2005	%
	August	August	Jan-Aug	Jan-Aug	Change
Total Expenditures	847	759	6,824	6,529	-4.32%
Budget Expenditures	706	535	5,334	4,856	-8.96%
Expenditures Excluding Debt Service	430	290	2,827	2,863	1.28%
Debt Service, of which:	276	245	2,507	1,993	-20.50%
Domestic Debt	135	107	1,518	842	-44.54%
Foreign Debt, of which:	141	138	989	1,151	16.36%
Eurobond Coupon Interest*	108	111	827	980	18.53%
Concessional Loans Principal Payments	7	3	82	91	10.92%
Concessional Loans Interest Payments	26	24	80	80	-0.40%
Treasury Expenditures , of which:	142	224	1,490	1,673	12.25%
Municipalities	3	52	281	245	-12.84%
Previous Years' Appropriations	3	1	437	488	11.59%
Non-Interest Expenditures (Total Expenditures minus Debt Service)	572	514	4,317	4,536	5.07%

Source: MOF, DGF

* Includes general expenses related to Eurobond transactions

Chart 4.

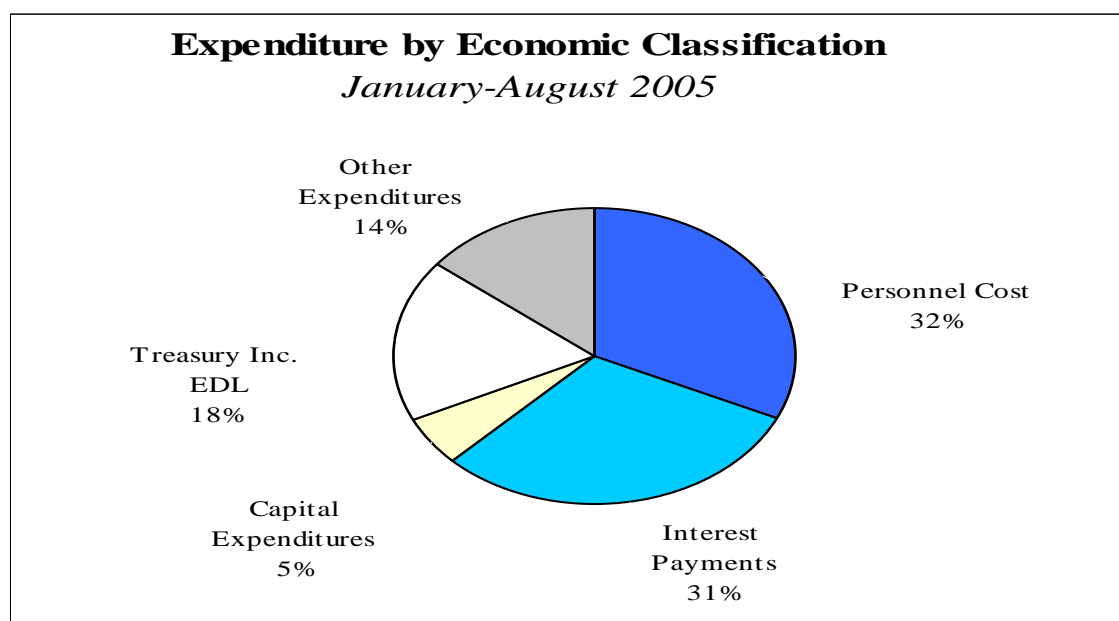


Table 6. Expenditures by Economic Classification

(LL billion)	2004	2005	%
	Jan-Aug	Jan-Aug	Change
1. Current expenditures	5,183	4,990	-4%
1.a Personnel cost, <i>of which</i>	2,076	2,088	1%
<i>Article 13: Salaries and wages</i>	1,383	1,394	1%
<i>Retirement and end of service compensations</i>	564	559	-1%
1.b Interest payments	2,507	1,993	-21%
1.c Materials and supplies	88	156	78%
1.d External services	69	56	-19%
1.e Various transfers	229	475	108%
<i>o/w nsyf</i>	59	290	392%
1.f Other current	162	168	4%
<i>Hospitals</i>	137	114	-16%
<i>Others</i>	25	54	115%
1.g Reserves (3)	52	55	4%
<i>Interest subsidy</i>	52	55	4%
2. Capital expenditures	544	346	-36%
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	3	10	253%
2.b Equipment	33	17	-47%
2.c Construction in Progress	429	261	-39%
2.d Maintenance	39	31	-20%
2.e Other Expenditures Related to Fixed Capital Assets	41	28	-32%
3. Other treasury expenditures	1,006	1,163	16%
Municipalities	281	245	-13%
EDL*	444	605	36%
Treasury advances for water authorities		48	100%
4. Unclassified expenditures	27	3	-89%
5. Customs cashiers	65	27	-59%
6. Total expenditures (excluding CDR foreign financed)	6,824	6,529	-4%

Source : statement of account 36, cashier spending, Public Debt Department figures , Fiscal performance gross adjustment figures

* Excludes Treasury advances to water authorities for their accrued electricity bills (LL 48 billion) and Budget transfers (LL 93 billion) under the line item "Materials and Supplies" for the settlement of public administrations' accrued electricity bills.



Table 7. Transfers to EDL

(LL billion)	2004	2005	%
	Jan-Aug	Jan-Aug	Change
EDL of which:	444	746	68.1%
Debt Service of which:	294	158	-46.1%
C-Loans and Eurobonds, of which:	158	158	0.3%
Principal Payment	105	111	5.8%
Interest Payment	53	47	-10.6%
Loans for Fuel Oil Payment	33	0	-100.0%
BDL Guaranteed Loan Payment	103	0	-100.0%
Treasury Advance for Fuel Purchase	150	127	-15.6%
Treasury Advance for EDL' s Losses		320	100.0%
Material and supplies (electricity bills)		93	100.0%
Treasury advance to water authorities		48	100.0%

Source: MOF, DGF

Section 4: Public Debt

Highlights:

By the end of August 2005, gross public debt reached LL 55,476 billion (US\$ 36.8 billion), increasing by LL 1,429 billion (or 2.6 percent) over the end-December 2004 debt level, compared to 3.3 percent increase over January-August 2004. Domestic debt equaled LL 27,753 billion, registering an increase of LL 1,382 billion or 5.2 percent over the end-December 2004 level. Foreign currency debt by end-August 2005 amounted to LL 27,724 billion (US\$ 18.4 billion), increasing by LL 47 billion (0.2 percent) since the beginning of the year. Appetite for Lebanese Pound denominated treasury bills during August continued to be strong, especially by commercial banks and public institutions. On the foreign currency front, the Ministry of Finance raised US\$ 1.75 billion in Eurobond financing during the first 8 months of the year and made foreign currency debt payments equivalent to US\$ 3.1 billion during the same period. The latest Eurobond transaction was the issuance of the US\$ 500 million dual tranche Eurobond in June 2005.



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

LL Billion	2002	2003	2004	2005		
	Dec	Dec	Dec	Aug	Change Year- to-date	% Change Year- to-date
Gross Public Debt	47,276	50,285	54,048	55,476	1,429	2.6%
Domestic Debt	25,302	26,843	26,371	27,753	1,382	5.2%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)*	723	8,938	10,652	11,744	1,092	10.2%
b. Commercial Banks	17,211	12,303	12,220	12,716	497	4.1%
c. Other Domestic Debt (T-bills)	7,368	5,603	3,500	3,293	-207	-5.9%
<i>o/w Public entities</i>	<i>3,221</i>	<i>2,564</i>	<i>2,187</i>	<i>2,453</i>	<i>266</i>	<i>12.1%</i>
Foreign Debt	21,974	23,442	27,677	27,724	47	0.2%
a. Bilateral, Multilateral and Foreign Private sector loans	2,752	2,934	2,970	2,851	-118	-4.0%
b. Paris II related debt (Eurobonds and Loans)	1,432	3,731	3,814	3,708	-106	-2.8%
c. BDL Eurobond (Paris II)	2,819	2,819	2,819	2,819	0	0.0%
d. Market Eurobonds	14,569	13,631	17,686	17,835	149	0.8%
e. Accrued Interest on Foreign Currency Debt	402	327	388	511	123	31.7%
Public Sector Deposits	2,964	3,019	4,360	4,193	-166	-3.8%
Net Debt	44,312	47,266	49,688	51,283	1,595	3.2%
Gross Market Debt**	36,765	29,638	31,861	31,901	41	0.1%
% of Total Debt	78%	59%	59%	58%		

Source: Ministry of Finance, Banque du Liban

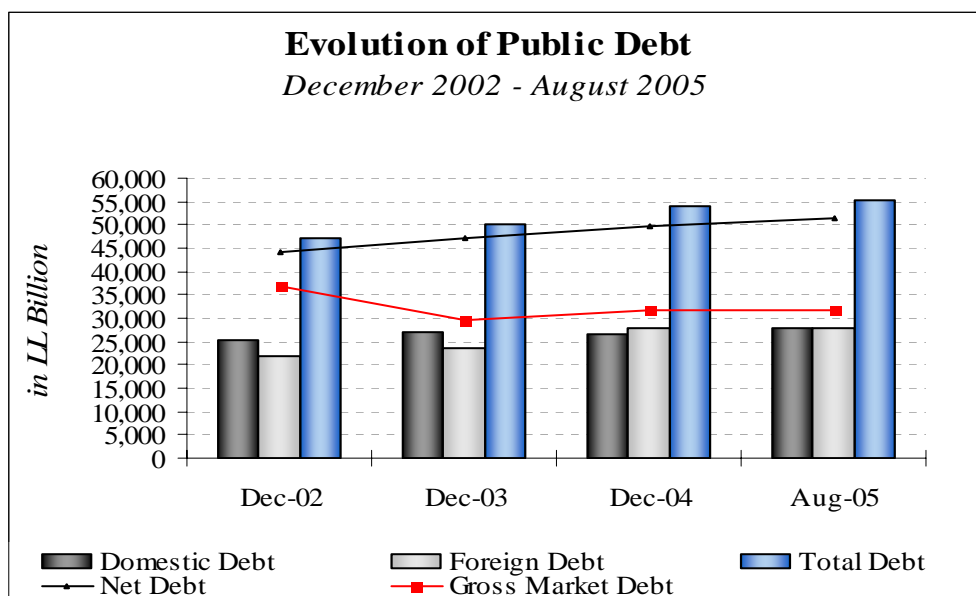
Notes:

* The BDL has extended loans to EDL for the equivalent amount of US\$ 300 million to purchase fuel oil. These loans are listed as public debt as they are government guaranteed.

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



Chart 5.





For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059

E-mail: infocenter@finance.gov.lb

Website: www.finance.gov.lb

