



## Public Finance Monitor

### The Monthly Statistical Bulletin of the Ministry of Finance

#### December 2008

### Fiscal Overview

For the year 2008, **total fiscal balance** registered a deficit of LL 4,404 billion compared to a deficit of 3,838 billion in 2007, a 15 percent larger deficit, resulting from an increase in payments by LL 2,370 billion, higher than the LL 1,804 billion rise in receipts.

The **primary balance** over this period, registered a surplus of LL 900 billion compared to a surplus of LL 1,102 billion achieved in 2007, a decrease of 18 percent.

In details, the 21 percent increase in 2008 **total revenues** is explained by a higher collection in **tax revenues** (by 29 percent), **non-tax revenues** (by 4 percent) and **treasury receipts** (by 16 percent).

- All the components of **tax revenues** have witnessed an improvement in collection, mainly (i) 20 percent higher **income tax on profits** as well as (ii) 53 percent increase in **Real Estate registration fees**, and (iii) 29 percent rise in **VAT** receipts. On the international trade front, only the **Petroleum Tax** witnessed a cumulative year on year decrease of 39 percent<sup>1</sup> while **custom duties, excises on cars** and **on Tobacco** were up by 22, 89 and 17 percent respectively.
- On the other hand, the increase in **non tax revenues** is mainly justified by LL 62 billion higher **Administrative Fees and Charges** collected and by LL 26 billion higher entrepreneurial income, which in turn is explained by LL 78 billion and LL 74 billion higher transfers from **Casino de Liban** and the **budget surplus of Telecom** respectively, offsetting the zero transfer from **Port of Beirut** and the LL 72 billion drop in BDL transfer.
- By the end of 2008, **treasury receipts** were LL 103 billion higher than receipts in 2007 explained mainly by LL 52 billion higher revenues for the Independent Municipal Fund, and LL 68 billion higher receipts under "other Treasury revenues" behind which stand an amount of LL 73 billion of **wheat subsidy** refund, and LL 12 billion higher amount of grants for budgetary support

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<sup>1</sup> Note that on the gasoline excise front, the collection during the months of November and December 2008 witnessed a significant change in performance, as the Treasury was able to collect LL 38 billion and LL 67 billion respectively, whereas it only collected LL 5 billion during the first three quarters of the year. This is explained by the sharp drop in oil prices, while maintaining the price cap on Gasoline. It is further interesting to note that while QIV 08 has resumed collection of gasoline excise, QIV 07 was the beginning of the deterioration in the collection trend to nearly zero revenues.

received in 2008 (LL 200 billion grants received in 2008 compared to LL 188 billion received in 2007<sup>2</sup>).

In 2008, **total expenditures** increased by LL 2,370 billion. This rise resulted from increases in **current primary expenditures, foreign debt principal repayment, domestic interest payments and other treasury expenditures**, by 13 percent, 41 percent, 13 percent and 62 percent respectively, offsetting the decline in **foreign Interest Payments** (by 3 percent) and **capital expenditures** by (7 percent). **Current primary expenditures** increased by LL 613 billion mainly due to (a) a LL 203 billion increase in **salaries, wages and related items** mainly due to the LL 200,000 raise in **basic salaries** approved by the Council of Ministers, (b) a LL 198 billion increase in **retirement and end of service compensations** mainly due to the resuming of end of service payments to the military after the temporary halt that followed the Nahr el Bared events and to the increase of LL 170,000 on the retirement salaries, (c) a LL 111 billion increase in treasury advance to the General Directorate of Cereals and Sugar to subsidize wheat and maintain the price of 1.12 kg of bread capped at LL 1,500, and (d) a LL 117 billion increase in hospitalization bills which offset the LL 120 billion lower transfers to NSSF. **Interest payments** registered a LL 263 billion rise in 2008 when compared to 2007: payments on domestic debt registered an increase of LL 332 billion while payments on foreign debt registered a decrease of LL 69 billion. Also, foreign debt principal payment increased by LL 101 billion. The increase in **treasury expenditures** by LL 1,430 billion is mostly due to higher payments to/on behalf of EDL by LL 951 billion as well as additional payments to municipalities by LL 221 billion, diesel oil subsidy by LL 29 billion and other treasury expenditures by LL 227 billion. The main increase in this last item comes mainly from (a) an increase in VAT refunds by LL 106 billion, (b) provision of treasury advances to i)- the Higher Relief Council (up by LL 19 billion), ii) the Rafic Hariri International Airport for maintenance (up by LL35 billion), the Rafic Hariri University Hospital (up by LL14 billion) and c) higher budget advances by LL49 billion. Budget advances reached LL 126 billion in 2008. This amount has not been fully settled yet but it should be noted that LL73 billion out of it was settled as materials and supplies.

By the end of December 2008, gross public debt reached LL 70,874 billion, registering an increase of LL 7,510 billion (11.85 percent) since the end-December 2007 debt level. As in previous months, most of this increase came from a rise in domestic currency debt due to higher subscriptions of Treasury Bills mainly by commercial banks. This led the commercial banks' LL 7,472 billion increase in holding of domestic currency debt compared to December 2007. This rise in debt offset the decrease of the BDL portfolio and Paris II related debt (Eurobonds and loans) by LL 271 billion and LL 607 billion respectively over the same period. The increase of public sector deposits of LL 3,755 billion mostly reflects the surplus in the commercial banks subscriptions for LL T-bills.

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<sup>2</sup> The LL 188 billion received in 2007 account mainly for LL 151 billion from Kingdom of Saudi Arabia, Euro 100,000 from Slovenia, \$ 10 million from Oman, and LL 21 billion US dollar equivalent from USA, whereas the LL 200 billion received in 2008 account mainly for LL 165 billion US equivalent from USA, LL 32 billion Euro equivalent from EU, and LL 3 billion from Iraq to be spent on Iraqi refugees.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2006	2007	2008	2006	2007	2008	%
	December	December	December	Jan-Dec	Jan-Dec	Jan-Dec	Change
Total Budget and Treasury Receipts	592	717	1,056	7,316	8,749	10,553	20.6%
Total Budget and Treasury Payments, of which	1,281	950	1,555	11,879	12,587	14,957	18.8%
Interest Payments	434	329	391	4,334	4,695	4,957	5.6%
Concessional loans principal payments 1/	43	42	35	223	246	347	41.3%
Primary Expenditures 2/	803	579	1,129	7,323	7,647	9,652	26.2%
<b>Total Cash Deficit/Surplus</b>	<b>-689</b>	<b>-233</b>	<b>-500</b>	<b>-4,564</b>	<b>-3,838</b>	<b>-4,404</b>	<b>14.8%</b>
<b>Primary Deficit/Surplus</b>	<b>-211</b>	<b>138</b>	<b>-73</b>	<b>-7</b>	<b>1,102</b>	<b>900</b>	<b>-18.3%</b>

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

1/ Includes only Principal repayments of concessional loans earmarked for project financing

2/ Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

## Section 2: Revenue Outcome

**Table 2. Total Revenue**

(LL billion)	2006	2007	2008	2006	2007	2008
	December	December	December	Jan-Dec	Jan-Dec	Jan-Dec
<b>Budget Revenues, of which:</b>	<b>562</b>	<b>649</b>	<b>907</b>	<b>6,888</b>	<b>8,094</b>	<b>9,795</b>
Tax Revenues	383	410	591	4,943	5,583	7,182
Non-Tax Revenues	179	238	316	1,945	2,511	2,613
<b>Treasury Receipts</b>	<b>30</b>	<b>68</b>	<b>149</b>	<b>427</b>	<b>655</b>	<b>758</b>
<b>Total Revenues</b>	<b>592</b>	<b>717</b>	<b>1,056</b>	<b>7,316</b>	<b>8,749</b>	<b>10,553</b>

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

**Table 3. Tax Revenue**

(LL billion)	2006 December	2007 December	2008 December	2006 Jan-Dec	2007 Jan-Dec	2008 Jan-Dec
<b>Tax Revenues:</b>	<b>383</b>	<b>410</b>	<b>591</b>	<b>4,922</b>	<b>5,583</b>	<b>7,182</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>57</b>	<b>80</b>	<b>67</b>	<b>1,166</b>	<b>1,308</b>	<b>1,564</b>
<i>Income Tax on Profits</i>	17	32	18	442	501	616
<i>Income Tax on Wages and Salaries</i>	3	8	18	196	219	273
<i>Income Tax on Capital Gains &amp; Dividends</i>	5	6	6	98	140	170
<i>Tax on Interest Income (5%)</i>	29	32	32	415	437	485
<i>Penalties on Income Tax</i>	2	2	5	13	10	20
<b>Taxes on Property, of which:</b>	<b>57</b>	<b>65</b>	<b>97</b>	<b>579</b>	<b>532</b>	<b>786</b>
<i>Built Property Tax</i>	15	9	15	94	103	130
<i>Real Estate Registration Fees</i>	36	51	73	281	380	580
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>144</b>	<b>154</b>	<b>197</b>	<b>1,844</b>	<b>2,224</b>	<b>2,895</b>
<i>Value Added Tax</i>	127	136	161	1,659	2,003	2,584
<i>Other Taxes on Goods and Services, of which:</i>	16	18	36	175	215	305
<i>Private Car Registration Fees</i>	7	11	18	109	130	197
<i>Passenger Departure Tax</i>	9	7	17	64	84	107
<b>Taxes on International Trade, of which:</b>	<b>109</b>	<b>93</b>	<b>206</b>	<b>1,074</b>	<b>1,247</b>	<b>1,588</b>
<i>Customs</i>	43	46	60	461	561	686
<i>Excises, of which:</i>	67	46	146	613	686	902
<i>Petroleum Tax</i>	35	0	67	230	185	112
<i>Tobacco Tax</i>	16	16	23	162	211	246
<i>Tax on Cars</i>	15	30	55	217	286	539
<b>Other Tax Revenues (Namely Fiscal Stamp Fees)</b>	<b>17</b>	<b>19</b>	<b>24</b>	<b>259</b>	<b>271</b>	<b>350</b>

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

**Table 4. Non-Tax Revenue**

(LL billion)	2006 December	2007 December	2008 December	2006 Jan-Dec	2007 Jan-Dec	2008 Jan-Dec
<b>Non-Tax Revenues</b>	<b>179</b>	<b>238</b>	<b>316</b>	<b>1,945</b>	<b>2,511</b>	<b>2,613</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>133</b>	<b>189</b>	<b>247</b>	<b>1,428</b>	<b>2,003</b>	<b>2,028</b>
Income from Non-Financial Public Enterprises, of which:	131	187	243	1394	1,842	1,931
<i>Revenues from Casino Du Liban</i>	6	7	10	42	64	142
<i>Revenues from Port of Beirut</i>	0	40		0	70	0
<i>Budget Surplus of National Lottery</i>	0		7	53	47	54
<i>Transfer from the Telecom Surplus</i>	125	140	226	1,298	1,660	1,734
Transfer from Public Financial Institution (BDL)	0	0	0	0	113	41
Property Income (Namely Rent of Rafic Hariri International Airport)	2	2	4	29	42	48
Other Income from Public Institutions (Interests)	1	1	1	5	6	8
<b>Administrative Fees &amp; Charges, of which:</b>	<b>39</b>	<b>41</b>	<b>62</b>	<b>426</b>	<b>422</b>	<b>484</b>
Administrative Fees, of which:	30	33	56	342	336	398
<i>Notary Fees</i>	1	2	2	17	20	23
<i>Passport Fees/ Public Security</i>	6	7	8	111	112	117
<i>Vehicle Control Fees</i>	17	18	37	156	146	189
<i>Judicial Fees</i>	2	2	2	19	18	21
<i>Driving License Fees</i>	2	1	2	23	16	20
Administrative Charges	5	3	2	19	24	22
Sales (Official Gazette and License Number)	1	1	1	3	3	3
Permit Fees (Mostly Work Permit Fees)	3	4	3	50	47	51
Other Administrative Fees & Charges	1	1	0	12	11	9
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>7</b>
<b>Other Non-Tax Revenues</b> (Mostly Retirement Deductibles)	<b>6</b>	<b>7</b>	<b>7</b>	<b>87</b>	<b>80</b>	<b>94</b>

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

## Section 3: Expenditure Outcome

**Table 5.** Expenditure by Economic Classification

(LL billion)	2006 Jan-Dec	2007 Jan-Dec	2008 Jan-Dec
<b>1. Current Expenditures</b>	<b>8,927</b>	<b>9,661</b>	<b>10,639</b>
1.a Personnel Cost, of which	3,307	3,583	3,970
<i>Salaries, Wages and Related Items (Article 13) 1/</i>	2,188	2,473	2,676
<i>Retirement and End of Service Compensations, of which:</i>	927	889	1,087
<i>Retirement</i>	744	778	893
<i>End of Service</i>	182	111	195
<i>Transfers to Public Institutions to Cover Salaries 2/</i>	192	221	206
1.b Interest Payments, of which: 3/	4,334	4,695	4,957
<i>Domestic Interest Payments</i>	2,368	2,515	2,847
<i>Foreign Interest Payments</i>	1,966	2,179	2,110
1.c Foreign Debt Principal Repayment	223	246	347
1.d Materials and Supplies, of which:	140	198	273
<i>Nutrition</i>	20	25	52
<i>Fuel Oil</i>	15	28	37
<i>Medicaments</i>	61	68	94
<i>Accounting Adjustments for Treasury</i>	18	52	57
1.e External Services	87	84	106
1.f Various Transfers, of which:	498	563	568
<i>NSSF</i>	200	220	100
<i>Treasury Advance for Wheat Subsidy</i>	0	32	142
1.g Other Current, of which:	258	209	332
<i>Hospitals</i>	223	172	289
<i>Others</i>	35	34	40
1.h Reserves	80	83	85
<i>Interest subsidy</i>	80	83	85
<b>2. Capital Expenditures</b>	<b>551</b>	<b>558</b>	<b>514</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	12	18	7
2.b Equipment	25	41	33
2.c Construction in Progress, of which:	435	416	366
<i>Displaced Fund</i>	119	76	49
<i>Council of the South</i>	75	40	40
<i>CDR</i>	356	214	210
<i>Ministry of Public Work and Transport</i>	84	39	33
<i>Other</i>	81	47	33
2.d Maintenance	48	48	72
2.e Other Expenditures Related to Fixed Capital Assets	32	35	36
<b>3. Other Treasury Expenditures</b>	<b>2,368</b>	<b>2,319</b>	<b>3,757</b>
Municipalities	405	305	527

Guarantees	98	59	57
Deposits, of which:	56	79	82
<i>NSSF</i>	1	10	1
Other, of which:	387	377	612
<i>VAT Refund</i>	137	200	306
<i>Higher Council of Relief</i>	98	29	47
EDL 4/	1,370	1,479	2,430
Treasury Advances for Diesel Oil Subsidy	52	20	49
<b>4. Unclassified Expenditures</b>	<b>1</b>	<b>5</b>	<b>4</b>
<b>5. Customs Cashiers</b>	<b>32</b>	<b>43</b>	<b>43</b>
<b>6. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>11,879</b>	<b>12,587</b>	<b>14,957</b>

1/ .The detailed breakdown of salaries and wages, and related items, otherwise referred to as Article 13 in the Lebanese Budgets can not be released currently because part of the November and December 2008 salary and wage payment was made through treasury advance.

2/ For a detailed breakdown of those transfers, kindly refer to table 6.

3/ For a detailed breakdown of interest payments, kindly refer to table 7.

4/ For a detailed breakdown of transfers to EDL, kindly refer to table 8.

**Table 6. Breakdown of Transfers to Public Institutions for the Coverage of Salaries**

(LL billion)	2006 Jan-Dec	2007 Jan-Dec	2008 Jan-Dec
Transfer to Council of the South	5	6	7
Transfer to Council for Development and Reconstruction (CDR)	18	38	21
Transfer to the Displaced Fund	5	6	6
Transfer to the Lebanese University	152	161	162
Transfer to the Educational Center for Research and Development	13	10	10

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

**Table 7. Details of Debt Service Transactions**

(LL billion)	2006	2007	2008	2006	2007	2008
	December	December	December	Jan-Dec	Jan-Dec	Jan-Dec
<b>Interest Payments 1/</b>	<b>434</b>	<b>374</b>	<b>391</b>	<b>4,334</b>	<b>4,695</b>	<b>4,957</b>
<i>Local Currency Debt</i>	276	152	231	2,368	2,515	2,847
<i>Foreign Currency Debt, of which:</i>	158	222	161	1,966	2,179	2,110
<i>Eurobond Coupon Interest*</i>	145	214	145	1,838	2,039	1,950
<i>Special bond Coupon Interest*</i>	0	0	7	13	13	16
<i>Concessional Loans Interest Payments</i>	13	8	8	116	127	144
<b>Concessional Loans Principal Payments</b>	<b>43</b>	<b>18</b>	<b>35</b>	<b>223</b>	<b>246</b>	<b>347</b>

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

1/ Please note that the classification of debt service expenditures is now broken into two separate categories as follows: Interest Payments (as per GFS classification) and repayment of principal on concessional loans earmarked for project financing.

\* Includes general expenses related to the transaction

**Table 8. Transfers to EDL**

(LL billion)	2006	2007	2008	
	Jan-Dec	Jan-Dec	Jan-Dec	Change
<b>EDL of which:</b>	<b>1,370</b>	<b>1,479</b>	<b>2,430</b>	<b>951</b>
<b>Debt Service of which:</b>	<b>249</b>	<b>297</b>	<b>155</b>	<b>-134</b>
<i>C-Loans and Eurobonds, of which:</i>	<b>228</b>	<b>272</b>	<b>115</b>	<b>-157</b>
<i>Principal repayments</i>	181	84	94	9
<i>Interest Payments</i>	47	37	22	-16
<i>Principal Repayment of Eurobonds</i>		151		-151
<i>BDL Guaranteed Loan payments</i>	5	25	40	23
<b>Repayment of loans for fuel oil and gas oil purchase (principal and interest)</b>	<b>17</b>	<b>67</b>	<b>0</b>	<b>-67</b>
<b>Reimbursement of KPC and Sonatrach agreements</b>	<b>903</b>	<b>1,114</b>	<b>2,275</b>	<b>1,153</b>
<b>Repayment of oil suppliers arrears</b>	<b>217</b>	<b>0</b>	<b>0</b>	<b>0</b>

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



## Section 4: Public Debt

**Table 9.** Public Debt Outstanding by Holder as of End-Dec 08

(LL billion)	Dec-05	Dec-06	Dec-07	Nov-08	Dec-08	Change Dec 07 - Dec 08	% Change Dec 07- Dec 08
<b>Gross Public Debt</b>	<b>57,985</b>	<b>60,851</b>	<b>63,364</b>	<b>70,589</b>	<b>70,874</b>	<b>7,510</b>	<b>11.85%</b>
<b>Local Currency Debt</b>	<b>29,141</b>	<b>30,204</b>	<b>31,373</b>	<b>38,766</b>	<b>39,006</b>	<b>7,633</b>	<b>24.33%</b>
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) <sup>(1)</sup>	11,686	9,588	9,052	8,725	8,781	-271	-2.99%
b. Commercial Banks	14,130	16,487	16,847	24,036	24,319	7,472	44.35%
c. Other Local Currency Debt (T-bills), of which:	3,325	4,129	5,474	6,005	5,906	432	7.89%
<i>Public Entities</i>	2,446	3,313	4,796	5,136	5,062	266	5.55%
<i>* Accrued Interest Included in Debt</i>	517	685	754	932	1,001	247	32.76%
<b>Foreign Currency Debt (2)</b>	<b>28,844</b>	<b>30,647</b>	<b>31,991</b>	<b>31,823</b>	<b>31,868</b>	<b>-123</b>	<b>-0.38%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,789	2,855	2,963	2,764	2,789	-174	-5.89%
b. Paris II Related Debt (Eurobonds and Loans) <sup>(3)</sup>	6,501	6,540	6,063	5,577	5,456	-607	-10.01%
c. Paris III Related Debt (Eurobonds and Loans) <sup>(4)</sup>			1,357	1,820	1,849	492	36.29%
d. Market-Issued Eurobonds	18,729	20,399	20,780	20,827	20,925	146	0.70%
e. <i>Accrued Interest on Eurobonds</i>	406	434	410	416	430	20	4.88%
f. Special T-bills in Foreign Currency <sup>(5)</sup>	419	419	419	419	419	0	
<b>Public Sector Deposits</b>	<b>5,590</b>	<b>4,444</b>	<b>4,527</b>	<b>8,561</b>	<b>8,282</b>	<b>3,755</b>	<b>82.95%</b>
<b>Net Debt</b>	<b>52,395</b>	<b>56,407</b>	<b>58,837</b>	<b>62,028</b>	<b>62,592</b>	<b>3,755</b>	<b>6.38%</b>
<b>Gross Market Debt<sup>(6)</sup></b>	<b>34,721</b>	<b>38,670</b>	<b>39,221</b>	<b>46,618</b>	<b>46,990</b>	<b>7,770</b>	<b>19.81%</b>
<b>% of Total Debt</b>	<b>60%</b>	<b>64%</b>	<b>62%</b>	<b>66%</b>	<b>66%</b>		

Source: Ministry of Finance, Banque du Liban

<sup>(1)</sup> 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.

<sup>(2)</sup> Figures for Dec 05 - Dec 07 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

<sup>(3)</sup> Paris II related debt (Eurobonds and Loans) including a Eurobond of USD 1,870 billion originally issued to BDL in the context of the Paris II conference

<sup>(4)</sup> Issued to Malaysia as part of its Paris III contribution, IBRD loans, UAE loan, first tranche of the French loan received in February 2008, and IMF loans.

<sup>(5)</sup> Special T-bills in foreign currency (expropriation bonds).

<sup>(6)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.



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