

# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

## December 2007

### Section 1: Fiscal Overview

At the end of 2007, an improvement of LL 726 billion was registered in the total fiscal balance which scored a deficit of LL 3,838 billion when compared to LL 4,564 billion during 2006. This better performance is due to the increase in total receipts by LL 1,433 billion, which offset the LL 707 billion increase in total payments. Meanwhile, the primary balance marked a surplus of LL 1,102 billion for 2007 compared to a deficit of LL 7 billion for 2006.

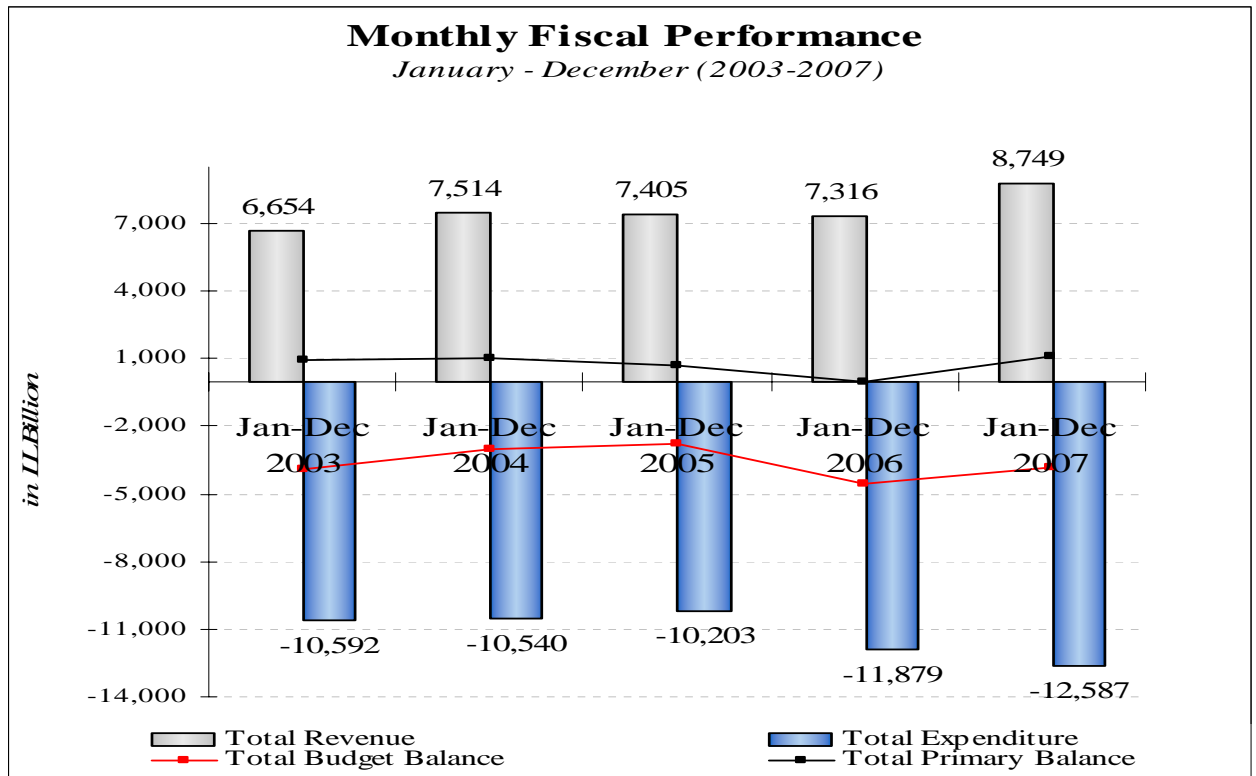
This general amelioration was also reflected in the total balance of the month of December and more specifically in the primary balance, which improved from a primary deficit of LL 211 billion in December 2006 to a primary surplus of LL 138 billion in December 2007.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2006	2007	2006	2007	Change 2006- 2007	% Change
	December	December	Jan-Dec	Jan-Dec		
Budget Revenue	562	649	6,888	8,094	1,205	17.5%
Budget Expenditures	1,006	771	9,432	10,070	638	6.8%
<i>o/w Previous Years Appropriations</i>	191	187	683	758	75	11.0%
<i>o/w Debt Service</i>	478	371	4,557	4,940	383	8.4%
<b>Budget Deficit/Surplus</b>	<b>-443</b>	<b>-123</b>	<b>-2,544</b>	<b>-1,977</b>	<b>567</b>	<b>-22.3%</b>
in % of Budget Expenditures	-44.1%	-15.9%	-27.0%	-19.6%		
<b>Budget Primary Deficit/Surplus</b>	<b>35</b>	<b>248</b>	<b>2,013</b>	<b>2,963</b>	<b>951</b>	<b>47.2%</b>
in % of Budget Expenditures	3.4%	32.2%	21.3%	29.4%		
Treasury Receipts	30	68	428	655	228	53.2%
Treasury Payments	276	179	2,447	2,517	69	2.8%
Total Budget and Treasury Receipts	592	717	7,316	8,749	1,433	19.6%
Total Budget and Treasury Payments	1,281	950	11,879	12,587	707	6.0%
<b>Total Cash Deficit/Surplus</b>	<b>-689</b>	<b>-233</b>	<b>-4,564</b>	<b>-3,838</b>	<b>726</b>	<b>-15.9%</b>
in % of Total Expenditures	-53.8%	-24.5%	-38.4%	-30.5%		
<b>Primary Deficit/Surplus</b>	<b>-211</b>	<b>138</b>	<b>-7</b>	<b>1,102</b>	<b>1,109</b>	<b>15842.86%</b>
in % of Total Expenditures	-16.5%	14.5%	-0.1%	8.8%		

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

Chart 1.



## Section 2: Revenue Outcome

Total revenues collected during January–December 2007 totaled LL 8,749 billion, representing a 20 percent increase compared to the same period of 2006. This was due to higher Budget revenues and Treasury receipts by 18 percent and 53 percent respectively. The rise in budget revenues was due to an increase of 13 and 29 percent in both tax and non-tax revenues respectively.

**1. Tax revenues** totaled LL 5,583 billion over January–December 2007 representing 13 percent increase compared to the same period of 2006, which totaled LL 4,943 billion. The main reasons behind this enhancement are the following tax items:

- a) **Taxes on Income, Profits and Capital gains** totaled LL 1,308 billion in 2007, compared to LL 1,184 billion in 2006, an increase of 10 percent. This improvement is due to higher collection from income taxes on profits by 11 percent, on wages and salaries by 10 percent, on capital gains and dividends by 39 percent and on interest income by 5 percent, when compared to last year. On the other hand, penalties on income declined by 20 percent over 2006 figures (which is due to the amnesty on due penalties up to 90% as per decision # 827/1 dated 14/09/2006 and its extensions).
- b) **Recurrent taxes on built property and Real estate registration fees** increased by 9 percent and 35 percent respectively due to the ongoing administrative reforms for the former and higher activity and value on the real estate market for the latter.
- c) **Domestic tax on Goods and Services** increased by 21 percent. This is attributed to a 21 percent increase in VAT revenue from LL 1,660 billion in 2006 reaching LL 2,003 billion by end-December 2007, of which LL 1,451 billion collected from the import of merchandise and LL 552 billion collected from internal business activity. Further,

Private Car Registration and Passenger Departure Tax increased by 20 and 30 percent respectively.

- d) **Taxes on International trade** totaled LL 1,247 billion, 16 percent higher collection when compared to the collection level in 2006 owing to 22 percent increase in Customs Duties along with 12 percent increase in excise taxes (20 percent lower petroleum tax, 30 percent higher tobacco and 32 percent higher tax on cars). Note that revenues from Petroleum tax registered LL 185 billion in 2007 compared to LL 230 billion for the same period of 2006 due to the increase in the international fuel prices in light of the ongoing cap on the domestic retail prices which reduced the effective excise rate from an average of LL 140 per liter in 2006 to an average of LL 100 per liter in 2007 (note that the Treasury collected LL 0 billion excises in December 2007).

**2. Non-tax revenues** totaled LL 2,511 billion over January – December 2007 compared to LL 1,945 billion during the same period of last year, increasing by 29 percent. Within non-tax revenues, **Income from Public Institutions and Government Properties increased by 40 percent** (Casino Du Liban by 52 percent<sup>1</sup>, telecom surplus<sup>2</sup> by 28 percent, the rent of Rafic Hariri International Airport by 46 percent, Port of Beirut transferred LL 40 billion<sup>3</sup>, in addition to LL 113 billion representing the 80 percent transfer to the Treasury of the BDL net profit according to the Article 113 of the Code of Money and Credit). These increases have more than offset the 1 percent drop in revenues from **Administrative fees and charges** (vehicle control fees<sup>4</sup> decreased by 6 percent, revenues from Driving License fees by 29 percent and the Work Permit fees by 6 percent) and the 8 percent decrease in **Other Non-Tax Revenues**, as compared to the same period last year.

**3. Treasury Receipts** increased by 53 percent during January-December 2007 and totaled LL 655 billion compared to LL 428 billion in 2006. These figures account for LL 78 billion of grants received during the war period July-August 2006 for rehabilitation and reconstruction and LL 188 billion of grants received for budgetary support throughout 2007, of which LL 151 billion from Saudi Arabia transferred in April, Euro 100,000 from Slovenia transferred in October, USD 10 million from Oman, and an equivalent amount of LL 21 billion from USA transferred in December 2007. Further note than an amount equivalent to LL 38 billion was reported under "other Treasury revenues" which represents adjustment entries (in the months of January and June 2007) regularizing a treasury advance payments<sup>5</sup>.

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<sup>1</sup> As per the Government economic reform program presented at Paris III, and as per the Government's aim at revenue enhancement, and particularly from public properties, a new phase of the agreement with Casino Management entered into effect, whereby Treasury's share of casino revenues increased from 30% to 40% as of 2007.

<sup>2</sup> Please note than an amount equivalent to \$ 92.5 million of arbitration settlement was paid to France Telecom in April 2007. The amount was netted out from the transfer to the treasury.

<sup>3</sup> Please note that the total cash transfer from Port of Beirut in 2007 is LL 70 billion, of which LL 30 billion pertaining to the surplus transfer of the year 2006, but received in early January 2007.

<sup>4</sup> Please note that the higher collection of vehicle control or road usage fees in 2006 may be attributed to the amnesty on penalties on unsettled dues as per Article 29 of Budget Law 2005 (Law 715, February 3<sup>rd</sup>, 2006)

<sup>5</sup> Note than the amount is further recorded in treasury expenditure reported under the items "Materials and Supplies" and "Various Transfers" (please refer to section 3: Expenditure outcome). Therefore, from a fiscal deficit perspective it has no impact,

**Table 2. Total Revenue**

(LL billion)	2006 December	2007 December	2006 Jan-Dec	2007 Jan-Dec	% Change
<b>Budget Revenues, of</b>					
<i>which:</i>	<b>562</b>	<b>649</b>	<b>6,888</b>	<b>8,094</b>	<b>17.5%</b>
<i>Tax Revenues</i>	383	410	4,943	5,583	<b>13.0%</b>
<i>Non-Tax Revenues</i>	179	238	1,945	2,511	<b>29.1%</b>
<b>Treasury Receipts</b>	<b>30</b>	<b>68</b>	<b>428</b>	<b>655</b>	<b>53.2%</b>
<b>Total Revenues</b>	<b>592</b>	<b>717</b>	<b>7,316</b>	<b>8,749</b>	<b>19.6%</b>

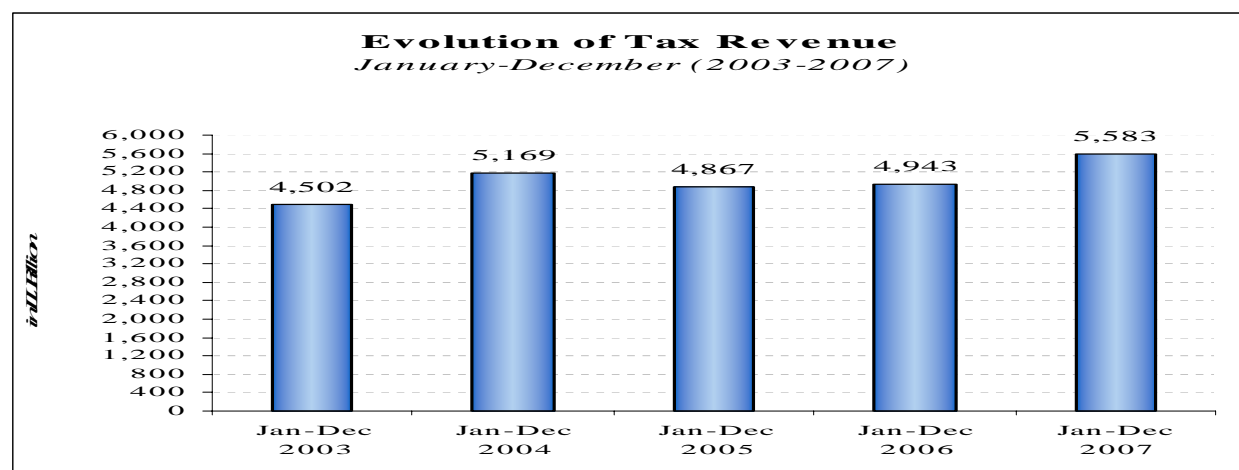
Source: MOF, DGF

**Table 3. Tax Revenue**

(LL billion)	2006	2007	2006	2007	%
	December	December	Jan-Dec	Jan-Dec	Change
<b>Tax Revenues:</b>	<b>383</b>	<b>410</b>	<b>4,943</b>	<b>5,583</b>	<b>13.0%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>57</b>	<b>80</b>	<b>1,184</b>	<b>1,308</b>	<b>10.4%</b>
Income Tax on Profits	17	32	454	501	10.6%
Income Tax on Wages and Salaries	3	8	198	219	10.4%
Income Tax on Capital Gains & Dividends	5	6	101	140	38.9%
Tax on Interest Income (5%)	29	32	417	437	4.8%
Penalties on Income Tax	2	2	13	10	-20.0%
<b>Taxes on Property, of which:</b>	<b>57</b>	<b>65</b>	<b>579</b>	<b>532</b>	<b>-8.1%</b>
Built Property Tax	15	9	94	103	9.4%
Real Estate Registration Fees	36	51	282	380	35.0%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>144</b>	<b>154</b>	<b>1,846</b>	<b>2,224</b>	<b>20.5%</b>
Value Added Tax	127	136	1,660	2,003	20.7%
Other Taxes on Goods and Services, of which:	16	18	175	215	23.2%
Private Car Registration Fees	7	11	109	130	19.5%
Passenger Departure Tax	9	7	64	84	30.0%
<b>Taxes on International Trade, of which:</b>	<b>109</b>	<b>93</b>	<b>1,074</b>	<b>1,247</b>	<b>16.1%</b>
Customs	43	46	461	561	21.6%
Excises, of which:	67	46	613	686	12.0%
Petroleum Tax	35	1	230	185	-19.8%
Tobacco Tax	16	16	162	211	30.4%
Tax on Cars	15	30	217	286	32.0%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>17</b>	<b>19</b>	<b>259</b>	<b>271</b>	<b>4.6%</b>

Source: MOF, DGF

**Chart 2.**

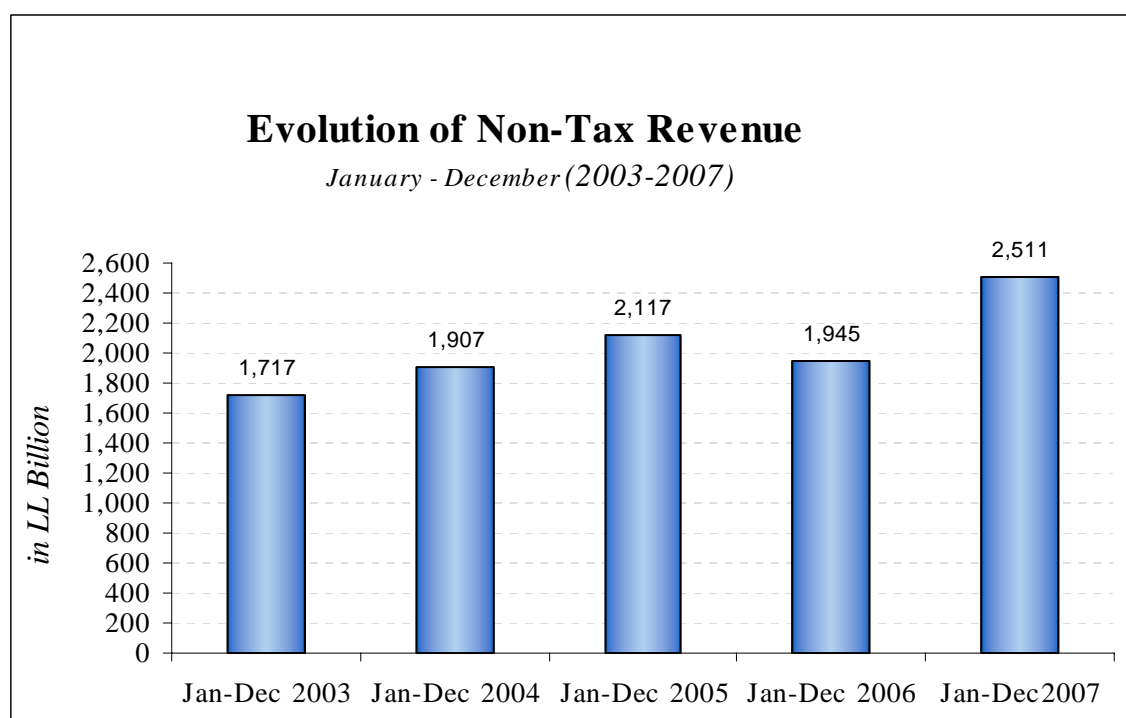


**Table 4. Non-Tax Revenue**

(LL billion)	2006	2007	2006	2007	%
	December	December	Jan-Dec	Jan-Dec	Change
<b>Non-Tax Revenues</b>	<b>179</b>	<b>238</b>	<b>1,945</b>	<b>2,511</b>	<b>29.1%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>133</b>	<b>189</b>	<b>1,428</b>	<b>2,003</b>	<b>40.2%</b>
Income from Non-Financial Public Enterprises, of which:	131	187	1,394	1,842	32.1%
<i>Revenues from Casino Du Liban</i>	6	7	42	64	52.3%
<i>Revenues from Port of Beirut</i>	0	40	0	70	
<i>Budget Surplus of National Lottery</i>	0	0	53	47	-11.3%
<i>Transfer from the Telecom Surplus</i>	125	140	1,298	1,660	27.9%
Property Income (namely rent of Rafic Hariri International Airport)	2	2	29	42	46.2%
Other Income from Public Institutions (interests)	1	1	5	6	8.1%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>39</b>	<b>41</b>	<b>426</b>	<b>422</b>	<b>-0.8%</b>
Administrative Fees, of which:	30	33	342	336	-1.6%
<i>Notary Fees</i>	1	2	17	20	17.5%
<i>Passport Fees/ Public Security</i>	6	7	111	112	0.9%
<i>Vehicle Control Fees</i>	17	18	156	146	-6.2%
<i>Judicial Fees</i>	2	2	19	18	-5.3%
<i>Driving License Fees</i>	2	1	23	16	-28.9%
Administrative Charges	5	3	19	24	28.3%
Sales (Official Gazette and License Number)	1	1	3	3	-6.2%
Permit Fees (mostly work permit fees)	3	4	50	47	-5.6%
Other Administrative Fees & Charges	1	1	12	11	-2.9%
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>35.5%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>6</b>	<b>7</b>	<b>87</b>	<b>80</b>	<b>-8.0%</b>

Source: MOF, DGF

Chart 3.



### Section 3: Expenditure Outcome

**Total expenditures** reached LL 12,587 billion in 2007 increasing by LL 707 billion when compared to LL 11,879 billion registered in 2006. This change remains the result of increases in both interest payments and non-interest payments by LL 383 billion and LL 324 billion respectively. The different levels of expenditures are detailed as follows:

**1. Debt service** registered a total of LL 4,557 billion in January-December 2007 increasing by 8 percent compared to LL 4,940 billion for the same period of 2006. This rise was due to higher interest payments in both local and foreign currency debt by around 6 and 11 percent respectively.

Interest payments on local currency debt increased by LL 147 billion in 2007 compared to 2006 due to:

- a) Higher coupon payments on long term T-bills<sup>6</sup> by LL 343 billion which were due to a higher stock of long term bonds as well as the payment of accrued interest following the early retirement of T-bills against gold reevaluation that took place in June 2007<sup>7</sup>;
- b) On the contrary, interest payments on short term T-bills (discounted interest) were lower by LL 198 billion due to a decrease in the stock of short term bonds.

The increase of interest payments on foreign currency debt amounted to LL 236 billion. Around LL 201 billion was due to higher coupon payments on Eurobonds reflecting an increase in the stock of Eurobond when compared to the same period of last year. The remaining amount is due to higher maturities of principal and interest on concessional loans.

<sup>6</sup> 24 months , 36 months and 60 months T-bills

<sup>7</sup> For further information, refer to the Public Finance Quarterly Report: Q II 2007

**2. Non-interest expenditures** increased by 4 percent in 2007 reaching a total of LL 7,647 billion compared to LL 7,323 billion registered in 2006. The rise is due to an increase in the three major categories that fall under this item: current primary expenditures, capital expenditures and treasury expenditures. The details of each level of spending are explained, as follows:

**a) Current primary budget expenditures** registered a total of LL 4,721 billion in 2007 when compared to LL 4,370 billion in 2006, increasing by LL 351 billion. The rise is explained below as follows:

i. **"Personnel Cost"** increased by LL 276 billion resulting from an increase in "wages and salaries" by LL 285 billion and in transfers by LL 29 billion which offset the decrease in "Retirement and end of service compensations" by LL 38 billion. The main reasons behind the rise in "wages and salaries" are: a) increase in basic salaries (excluding the bonus salary) by LL 121 billion mainly due to the recruitment of additional armed forces which took place in the fourth quarter of 2006 following the July war; b) the bonus salary of LL 50 billion paid to the armed forces during February 2007; c) the rise in allowances by LL 41 billion mostly due to increase in health allowances paid to the armed forces by LL 31 billion; and d) increase in transfers to the Civil Servants Cooperatives by LL 38 billion.

ii. **"Materials and Supplies"** increased by LL 58 billion. Out of this amount, a total of around LL 33 billion resulted from an accounting entry to adjust the payments of treasury advances. This adjustment was netted out by including a similar amount in the revenues. As for the rest of the increase, it was due to the rise in food expenses by LL 4.9 billion, in petroleum expenses by LL 13.1 billion and in medicines expenses by LL 7.2 billion. This is attributed to increase in personnel (armed forces) on one hand and to the increase in international prices (mazout used for armed forces' vehicles) and appreciation of the Euro (medicines) on another hand.

iii. **"Various Transfers"** increased by LL 65 billion mainly due to the higher transfer to the NSSF which received a total amount of LL 220 billion during 2007 when compared to LL 200 billion for the same period of 2006. In addition, increases were reported mainly in: a) transfers to the General Directorate of Cereals and Sugar Beet by LL 31.6 billion due to the payment of wheat subsidy, b) LL 7.5 billion in transfers to cover part of the expenses of the international tribunal for the assassination of the Prime Minister Rafic Hariri and c) LL 13 billion in transfers for contractual teachers at the primary level. On the other hand, transfers to Non-Governmental Organizations decreased by LL 11.6 billion.

iv. Against the increase in the various components of current expenditure categories, **"Other current expenditures"** reported a decrease of LL 49 billion when compared to the figures of 2006, mainly due to the decline in the payments to cover hospitalization in the private sector by LL 51 billion.

**b) Capital expenditures** registered an increase of LL 7 billion in 2007 when compared to the same period of 2006. All components of this item registered increases except for "Construction in Progress".

**c) Other treasury expenditures** increased by LL 49 billion for 2007 when compared to the same period of 2006. This item witnessed a decrease in some of its components which offset the increase in the rest of its components as follows: a) transfers to municipalities decreased



by LL 100 billion; b) the Higher Relief Commission received only LL 26 billion during 2007, as compared to LL 98 billion transferred in the same period of 2006; c) treasury advances for diesel oil subsidy decreased by LL 32 billion as LL 20 billion were paid during 2007 when compared to LL 52 billion paid in 2006; d) increase in transfers to, or on behalf of, EDL by LL 109 billion and e) increase in payments of VAT refund by LL 63 billion.

Transfers to EDL reached LL 1,479 billion during 2007, compared to LL 1,370 billion for the same period in 2006. This increase is attributed to: a) an increase in payments for fuel and gas oil purchases by LL 212 billion; b) an increase in repayment of loans for fuel oil and gas oil purchase by LL 50 billion; and c) an increase in debt service by LL 64 billion.

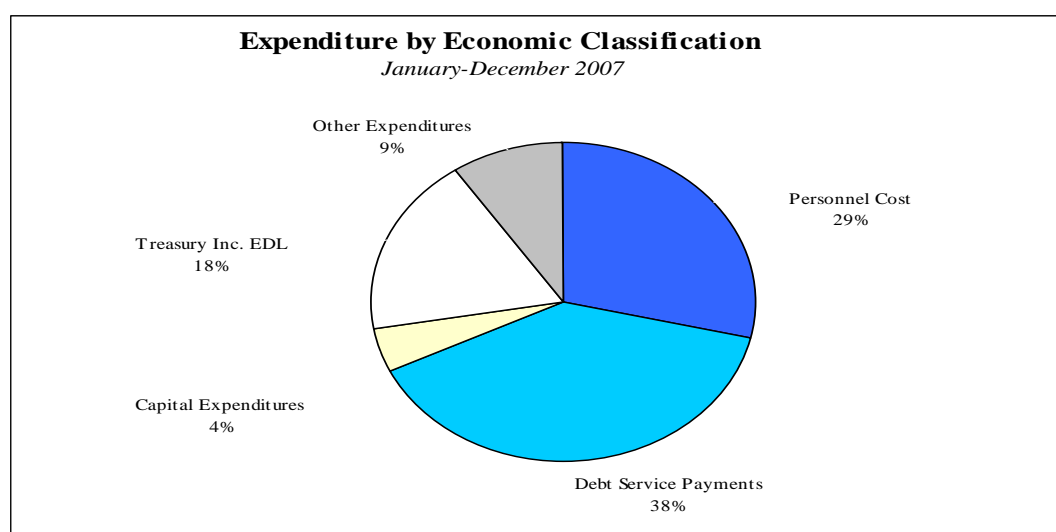
**Table 5. Expenditures by Transaction Classification**

(LL billion)	2006	2007	2006	2007	%
	December	December	Jan-Dec	Jan-Dec	Change
<b>Total Expenditures</b>	<b>1,281</b>	<b>950</b>	<b>11,879</b>	<b>12,587</b>	<b>6.0%</b>
<b>Budget Expenditures</b>	<b>1,006</b>	<b>771</b>	<b>9,432</b>	<b>10,070</b>	<b>6.8%</b>
Expenditures Excluding Debt Service, of which:	528	400	4,875	5,130	5.2%
<i>Previous Years' Appropriations</i>	191	187	683	758	11.0%
Debt Service, of which:	<b>478</b>	<b>371</b>	<b>4,557</b>	<b>4,940</b>	<b>8.4%</b>
<i>Domestic Debt</i>	276	152	2,368	2,515	6.2%
<i>Foreign Debt, of which:</i>	201	219	2,189	2,425	10.8%
<i>Eurobond Coupon Interest*</i>	145	214	1,838	2,039	11.0%
<i>Specialbond Coupon Interest*</i>			13	13	
<i>Concessional Loans Principal Payments</i>	43	18	223	246	10.4%
<i>Concessional Loans Interest Payments</i>	13	8	116	127	10.2%
<b>Treasury Expenditures , of which:</b>	<b>276</b>	<b>179</b>	<b>2,447</b>	<b>2,517</b>	<b>2.8%</b>
<i>Municipalities</i>	39	23	405	306	-24.3%
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>803</b>	<b>579</b>	<b>7,323</b>	<b>7,647</b>	<b>4.4%</b>

Source: MOF, DGF

\* Includes general expenses related to the transaction

**Chart 4.**



**Table 6. Expenditures by Economic Classification**

(LL billion)	2006 Jan-Dec	2007 Jan-Dec	% Change
<b>1. Current expenditures</b>	<b>8,927</b>	<b>9,661</b>	<b>8.22%</b>
1.a Personnel cost, of which	3,307	3,583	8.36%
<i>Article 13: Salaries and wages</i>	2,188	2,473	13.03%
<i>Retirement and end of service compensations</i>	927	889	-4.06%
1.b Debt Service payments	4,557	4,940	8.41%
1.c Materials and supplies	140	198	41.53%
1.d External services	87	84	-3.16%
1.e Various transfers	498	563	13.05%
<i>o/w NSSF</i>	200	220	10.00%
1.f Other current	258	209	-18.99%
<i>Hospitals</i>	223	172	-22.77%
<i>Others</i>	35	34	-3.78%
1.g Reserves (3)	80	83	3.39%
<i>Interest subsidy</i>	80	83	3.39%
<b>2. Capital expenditures</b>	<b>551</b>	<b>558</b>	<b>1.27%</b>
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	12	18	52.77%
2.b Equipment	25	41	66.29%
2.c Construction in Progress	435	416	-4.28%
2.d Maintenance	48	48	-1.06%
2.e Other Expenditures Related to Fixed Capital Assets	32	35	11.07%
<b>3. Other treasury expenditures, of which</b>	<b>2,368</b>	<b>2,319</b>	<b>-2.06%</b>
Municipalities	405	305	-24.61%
EDL	1,370	1,479	7.93%
Transfers to NSSF		10	100.00%
Transfers to Higher Council of Relief	98	29	-71.06%
Treasury advances for diesel oil subsidy	52	20	-61.48%
<b>4. Unclassified expenditures</b>	<b>1</b>	<b>5</b>	<b>348.41%</b>
<b>5. Customs cashiers</b>	<b>32</b>	<b>43</b>	<b>34.11%</b>
<b>6. Total expenditures (excluding CDR foreign financed)</b>	<b>11,879</b>	<b>12,587</b>	<b>5.95%</b>

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

**Table 7. Transfers to EDL**

(LBP billion)	2006 Jan-Dec	2007 Jan-Dec	Change
<b>EDL of which:</b>	<b>1,370</b>	<b>1,479</b>	<b>109</b>
<b>Debt Service of which:</b>	<b>233</b>	<b>297</b>	<b>64</b>
<b>C-Loans and Eurobonds of which:</b>	<b>228</b>	<b>272</b>	<b>44</b>
Principal repayments	181	235	54
Interest payments	47	37	-10
<b>BDL Guaranteed Loan payments</b>	<b>5</b>	<b>25</b>	<b>20</b>
<b>Repayment of loans for fuel oil and gas oil purchase (principal and interest)</b>	<b>17</b>	<b>67</b>	<b>50</b>
<b>Reimbursement of KPC and Sonatrach agreements in 2007</b>	<b>903</b>	<b>1,115</b>	<b>212</b>
<b>Repayment of oil suppliers arrears *</b>	<b>217</b>	<b>0</b>	<b>-217</b>

Source: MOF, DGF

\*Paid under Decree n.16084 dated December 2005 and Treasury Advance n.14308 dated April 2005

## Section 4: Public Debt

1. By the end of December 2007, Gross Public Debt reached LL 63,406 billion (equivalent to US\$ 41.06 billion), registering an increase of LL 2,555 billion (or 4.20 percent) over the end-December 2006 debt level.
2. Local currency debt amounted to LL 31,373 billion (equivalent to US\$ 20.81 billion), increasing by LL 1,169 billion or 3.87 percent over the end-December 2006 level.
3. As of end- December 2007, local currency debt held by BDL decreased by LL 536 billion as compared to end of December 2006. The decrease was primarily due to the early redemption of LL 2,380 billion in T-bills (LL 2,343 billion in principal and LL 38 billion in accrued interest), using proceeds resulting from the re-evaluation of the BDL's gold reserves in June. Nevertheless, due to the prevailing political environment, BDL's portfolio of local currency debt increased by LL 916 billion in the first quarter of 2007. In the second quarter of 2007, there was an improvement of market subscriptions and hence a reduced pace of increase in BDL's T-bills holding, where it increased by LL 104 billion if we exclude the effects of the gold re-evaluation transaction. In the third quarter, there was an increase in BDL's holding of T-bills by LL 1,173 billion. In the fourth quarter, BDL's Tbill holdings decreased by LL 346 billion.
4. Meanwhile, local currency debt held by commercial banks increased by LL 360 billion as compared to end-December 2006. Due to the security and political environment prevailing throughout 2007 which resulted in a decrease in commercial banks' appetite for treasury securities, their holdings of local currency securities fell in the first quarter by LL 650 billion, a further LL 19 billion in the second quarter, and by LL 375 billion in the third quarter. That trend was reversed however in October and November, when banks increased their T-bill portfolio by LL 995 billion and LL 219 billion respectively. Over these 2 months, banks swapped a total of LL 1,532 billion of 60-month BDL Certificates of Deposits in their portfolio for an equivalent amount of 60-month T-bills. In December, commercial banks' holdings increased by a LL 185 billion, resulting in an overall increase of LL 1,399 billion for the fourth quarter of 2007.

5. By end- December 2007, foreign currency debt amounted to LL 32,033 billion (equivalent to US\$ 21.25 billion), increasing by LL 1,386 billion (or 4.52 percent) over the end-December 2006 level. In December, Lebanon received a US\$ 100 million tranche of the UAE Paris III loan.
6. Public sector deposits amounted to LL 4,467 billion, increasing by approximately LL 23 billion from their December 2006 level.

**Table 8. Public Debt Outstanding by Holder as of End-December 2007**

<i>Assumes full LBP Replacement</i>	Dec-04	Dec-05	Dec-06	Dec-07	Change Dec 06 - Dec 07	% change Dec 06-Dec 07
<b>Gross Public debt</b>	<b>54,082</b>	<b>57,985</b>	<b>60,851</b>	<b>63,406</b>	<b>2,555</b>	<b>4.20%</b>
<b>Local currency debt</b>	<b>26,371</b>	<b>29,141</b>	<b>30,204</b>	<b>31,373</b>	<b>1,169</b>	<b>3.87%</b>
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) <sup>(1)</sup>	10,652	11,686	9,588	9,052	-536	-5.59%
b. Commercial Banks	12,220	14,130	16,487	16,847	360	2.18%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,474	1,345	32.57%
<i>o/w Public entities</i>	2,187	2,446	3,313	4,796	1,483	44.76%
<b>Foreign currency debt<sup>(2)</sup></b>	<b>27,711</b>	<b>28,844</b>	<b>30,647</b>	<b>32,033</b>	<b>1,386</b>	<b>4.52%</b>
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	3,608	753	26.37%
b. Paris II related debt (Eurobonds and Loans) <sup>(3)</sup>	6,634	6,501	6,540	6,063	-477	-7.30%
c. Paris III related debt (Eurobonds and Loans) <sup>(4)</sup>				1,357	1,357	
d. Market-issued Eurobonds	17,686	18,729	20,399	20,177	-223	-1.09%
e. Accrued Interest on foreign currency debt	388	406	434	410	-24	-5.53%
f. Special Tbls in Foreign currency <sup>(5)</sup>		419	419	419	0	0.00%
<b>Public sector deposits</b>	<b>4,359</b>	<b>5,590</b>	<b>4,444</b>	<b>4,467</b>	<b>23</b>	<b>0.52%</b>
<b>Net debt</b>	<b>49,723</b>	<b>52,395</b>	<b>56,407</b>	<b>58,939</b>	<b>2,532</b>	<b>4.49%</b>
<b>Gross Market debt<sup>(6)</sup></b>	<b>31,861</b>	<b>34,721</b>	<b>38,670</b>	<b>38,622</b>	<b>-49</b>	<b>-0.13%</b>
<b>% of total debt</b>	<b>59%</b>	<b>60%</b>	<b>64%</b>	<b>61%</b>		

Source: Ministry of Finance, Banque du Liban

Notes:

<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 of Dec04 -Jan06 change because of exchange rate of Euro.

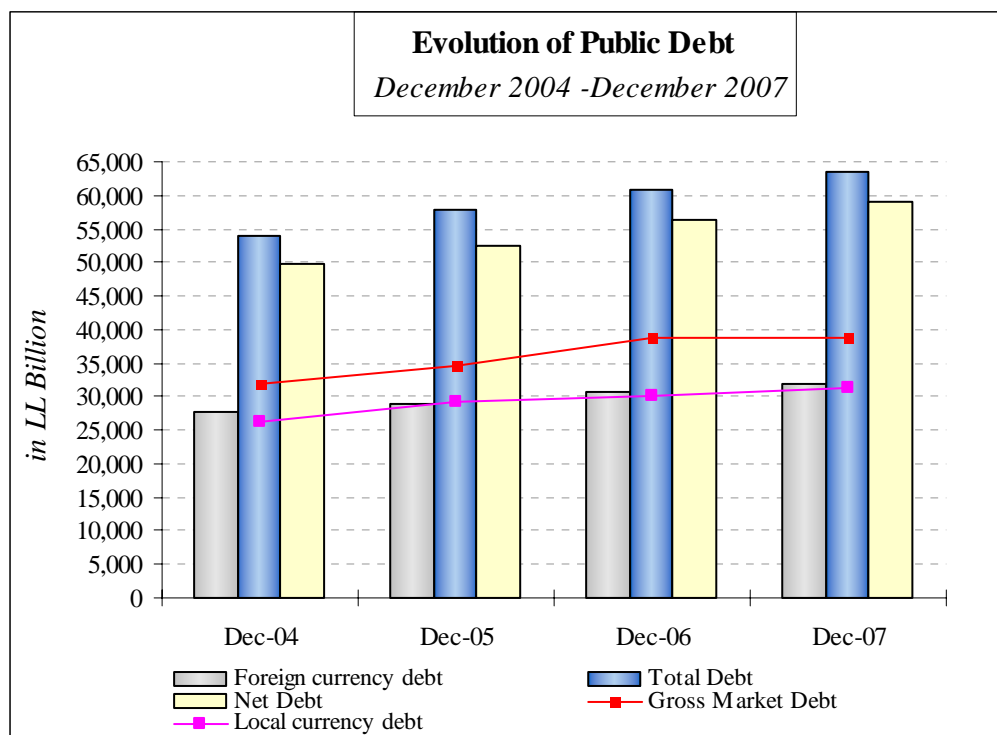
<sup>(3)</sup> Paris II related debt (Eurobonds and Loans) declined due to the re-profiling of debt held by Malaysia as part of that country's Paris III contribution (which shifted a US\$ 300 million Eurobond to the "Paris III related debt" line item, and because of a payment of principal of 30M EURO on AFD debt in February and August.

<sup>(4)</sup> US\$ 500 million Eurobonds issued to Malaysia as part of its Paris III contribution, US\$ 100 million, IBRD Loans, and US\$ 300 million Abu Dhabi Loans.

<sup>(5)</sup> Special Tbls 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.

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](mailto:infocenter@finance.gov.lb)

Website: [www.finance.gov.lb](http://www.finance.gov.lb)