

# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

## January 2007

### Section 1: Fiscal Overview

#### Highlights:

In January 2007, the total fiscal balance registered a deficit of LL 18 billion, compared to a deficit of LL 3 billion in January 2006. The deterioration in the fiscal deficit was due to a 9 percent increase in total payments which did not offset the improvement in the total receipts by 7 percent. The increase in spending was due to higher primary and debt service expenditures. Therefore, the total primary surplus decreased by 2 percent to register LL 265 billion compared to the same month in 2006.

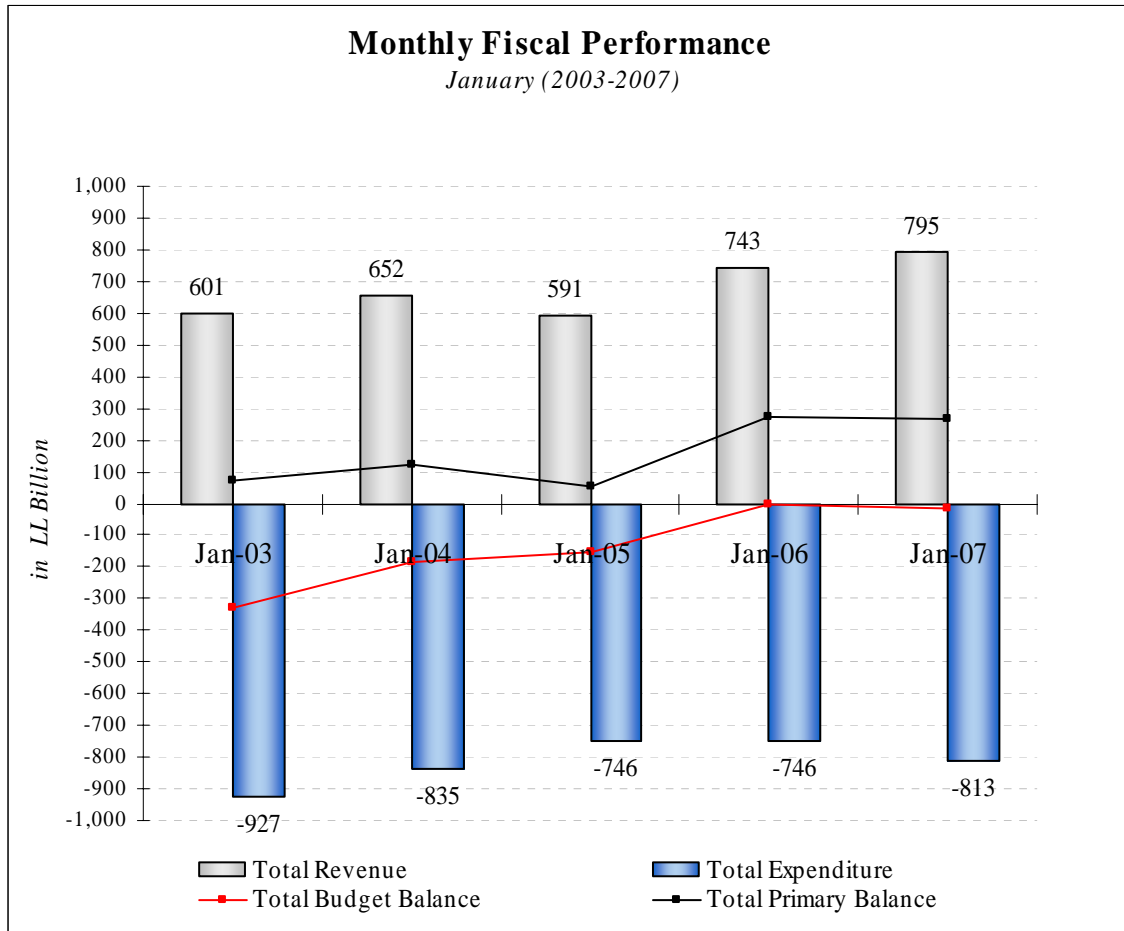
**Table 1. Summary of Fiscal Performance**

(LL billion)	2006 January	2007 January	Change 2006-2007	% Change
Budget Revenue	690	719	29	4.2%
Budget Expenditures*	604	625	21	3.5%
<i>o/w Debt Service</i>	274	284	10	3.5%
<b>Budget Deficit/Surplus</b>	<b>85</b>	<b>94</b>	<b>8</b>	<b>10%</b>
in % of Budget Expenditures	14.1%	15.0%		
<b>Budget Primary Deficit/Surplus</b>	<b>359</b>	<b>377</b>	<b>18</b>	<b>5.0%</b>
in % of Budget Expenditures	59.5%	60.32%		
Treasury Receipts	53	76	22	42.1%
Treasury Payments*	142	188	46	32.4%
Total Budget and Treasury Receipts	743	795	52	6.9%
Total Budget and Treasury Payments	746	813	67	9.0%
<b>Total Cash Deficit/Surplus</b>	<b>-3</b>	<b>-18</b>	<b>-15</b>	<b>484.0%</b>
in % of Total Expenditures	-0.4%	-2.3%		
<b>Primary Deficit/Surplus</b>	<b>271</b>	<b>265</b>	<b>-6</b>	<b>-2.1%</b>
in % of Total Expenditures	36.3%	32.6%		

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

\*Note that "Budget Expenditures Previous Year" are now included under Budgetary expenditures but were classified under Treasury expenditures in previous reporting

**Chart 1.**



## Section 2: Revenue Outcome

Total revenues in January 2007 yielded LL 795 billion registering an improvement of 7 percent when compared to LL 743 billion in January 2006. Both tax revenues and treasury receipts contributed to this amelioration despite the drop in non-tax revenues.

Detailing the budget revenues shows that:

- Tax revenues** reached LL 598 billion increasing by 13 percent in comparison with the same month last year as a result of a 17 percent rise in the collection of taxes on income, profits, and capital gains, a 17 percent increase in taxes on property, a 10 percent increase in domestic taxes on goods and services (*namely* VAT), a 16 percent rise in the collection of taxes on international trade (*owing mainly to 59 percent higher collection of fuel excises and 14 percent more custom duties*), and a 4 percent increase in fiscal stamp fees. The amnesty on penalties<sup>1</sup> may have contributed to a higher collection of some of these taxes particularly taxes on property.

<sup>1</sup> Decision number 827/1 dated 14 September 2006 exempted taxpayers from 90 percent of the penalties if taxes are paid by 29 December 2006. The deadline was extended till 31 January 2007 and again till March 31, 2007.

- **Non-tax revenues** totaled LL 121 billion in January 2007 decreasing by 25 percent compared to January 2006. This drop is mainly caused by a 31 percent decline in income from public institutions and government properties (more specifically LL 75 billion less transfers from Telecom Budget Surplus). On the other hand, the Treasury has received LL 30 billion from the Port of Beirut, representing the Treasury's share from Port revenues in 2006. Administrative fees and charges registered a 1 percent increase in revenues due to a 32 percent rise in mechanic fees and despite a 31 percent fall in passport fees.

**Table 2. Total Revenue**

(LL billion)	2006 January	2007 January	% Change
<b>Budget Revenues, of which:</b>	<b>690</b>	<b>719</b>	<b>4.2%</b>
<i>Tax Revenues</i>	529	598	13.2%
<i>Non-Tax Revenues</i>	161	121	-25.2%
<b>Treasury Receipts</b>	<b>53</b>	<b>76</b>	<b>42.1%</b>
<b>Total Revenues</b>	<b>743</b>	<b>795</b>	<b>6.9%</b>

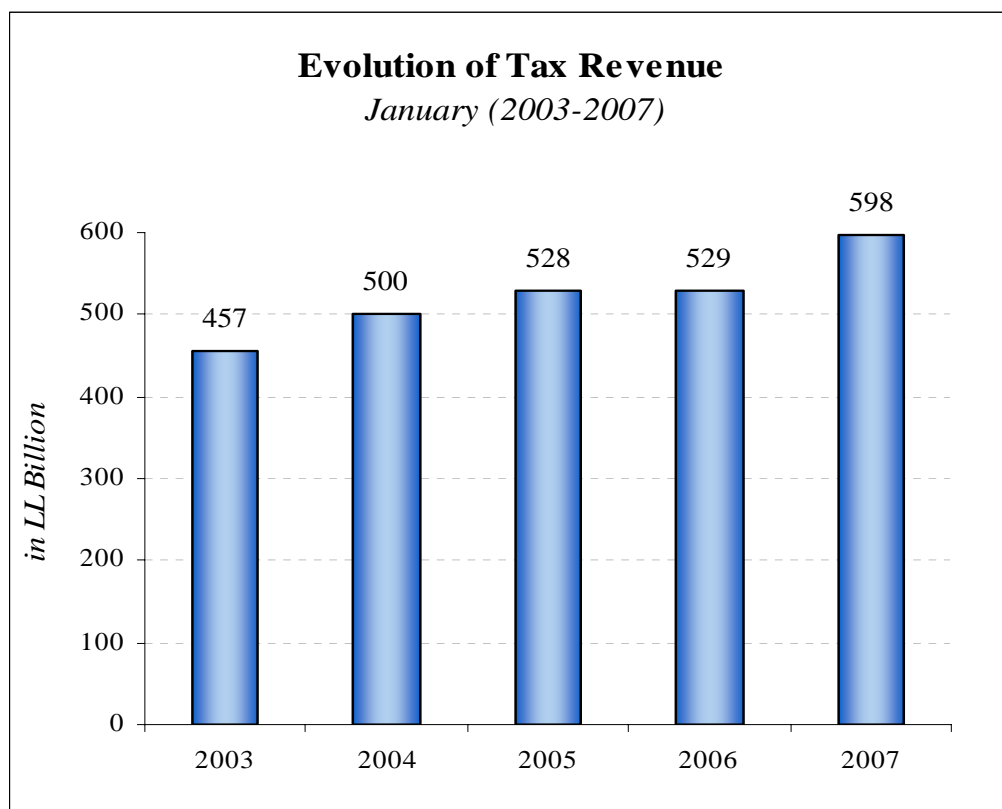
Source: MOF, DGF

**Table 3. Tax Revenue**

(LL billion)	2006 January	2007 January	% Change
<b>Tax Revenues:</b>	<b>529</b>	<b>598</b>	<b>13.2%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>134</b>	<b>156</b>	<b>16.7%</b>
<i>Income Tax on Profits</i>	31	38	23.2%
<i>Income Tax on Wages and Salaries</i>	50	56	11.4%
<i>Income Tax on Capital Gains &amp; Dividends</i>	18	22	22.6%
<i>Tax on Interest Income (5%)</i>	32	39	21.6%
<i>Penalties on Income Tax</i>	2	1	-40.0%
<b>Taxes on Property, of which:</b>	<b>32</b>	<b>37</b>	<b>16.9%</b>
<i>Built Property Tax</i>	5	10	98.4%
<i>Real Estate Registration Fees</i>	23	23	-2.9%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>236</b>	<b>261</b>	<b>10.4%</b>
<i>Value Added Tax</i>	221	245	11.1%
<i>Other Taxes on Goods and Services, of which:</i>	10	14	33.3%
<i>Private Car Registration Fees</i>	9	8	-7.2%
<i>Passenger Departure Tax</i>	2	6	256.4%
<b>Taxes on International Trade, of which:</b>	<b>100</b>	<b>117</b>	<b>16.4%</b>
<i>Customs</i>	36	41	13.7%
<i>Excises, of which:</i>	64	76	17.9%
<i>Petroleum Tax</i>	27	43	58.7%
<i>Tobacco Tax</i>	17	14	-18.0%
<i>Tax on Cars</i>	20	19	-7.6%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>26</b>	<b>28</b>	<b>3.9%</b>

Source: MOF, DGF

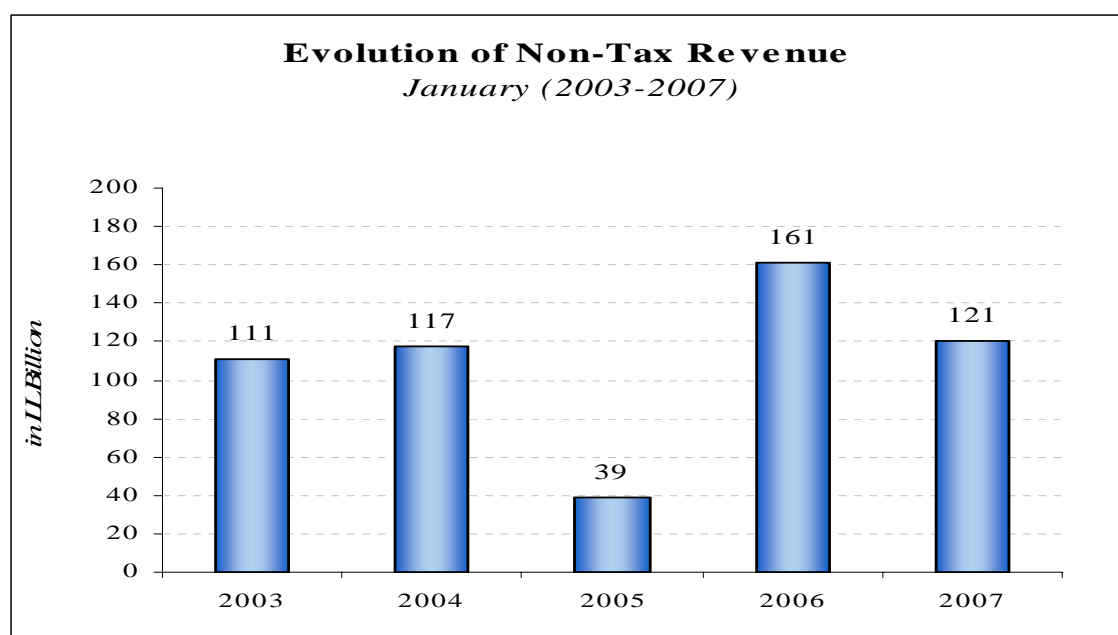
**Chart 2.**



**Table 4. Non-Tax Revenue**

(LL billion)	2006 January	2007 January	% Change
<b>Non-Tax Revenues</b>	<b>161</b>	<b>121</b>	<b>-25.2%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>127</b>	<b>87</b>	<b>-31.2%</b>
Income from Non-Financial Public Enterprises, of which:	123	83	-32.9%
<i>Revenues from Casino Du Liban</i>	0	3	100.0%
<i>Revenues from Port of Beirut</i>	0	30	100.0%
<i>Budget Surplus of National Lottery</i>	3	5	66.7%
<i>Transfer from the Telecom Surplus</i>	120	45	-62.4%
Property Income (namely rent of Rafic Hariri International Airport)	3	4	36.8%
Other Income from Public Institutions (interests)	1	1	-12.2%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>26</b>	<b>26</b>	<b>1.4%</b>
Administrative Fees, of which:	20	20	-3.7%
<i>Notary Fees</i>	1	1	-2.0%
<i>Passport Fees/ Public Security</i>	9	6	-30.7%
<i>Vehicle Control Fees</i>	6	8	31.7%
<i>Judicial Fees</i>	2	1	-35.2%
<i>Driving License Fees</i>	1	2	110.7%
Administrative Charges	2	3	71.0%
Sales (Official Gazette and License Number)	0	0	-13.5%
Permit Fees (mostly work permit fees)	3	3	-15.1%
Other Administrative Fees & Charges	0	1	70.3%
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>1</b>	<b>94.5%</b>
<b>Other Non-Tax Revenues</b> (mostly retirement deductibles)	<b>8</b>	<b>6</b>	<b>-21.6%</b>

Source: MOF, DGF

**Chart 3.**

### Section 3: Expenditure Outcome

Total expenditures for January 2007 registered LL 813 billion, increasing by 9 percent when compared to LL 746 billion reported in January 2006. This increase is due to higher non-interest and interest payments, which rose by LL 57 billion and LL 10 billion respectively compared to the same period of 2006.

The increase in total spending for January 2007 is explained as follows:

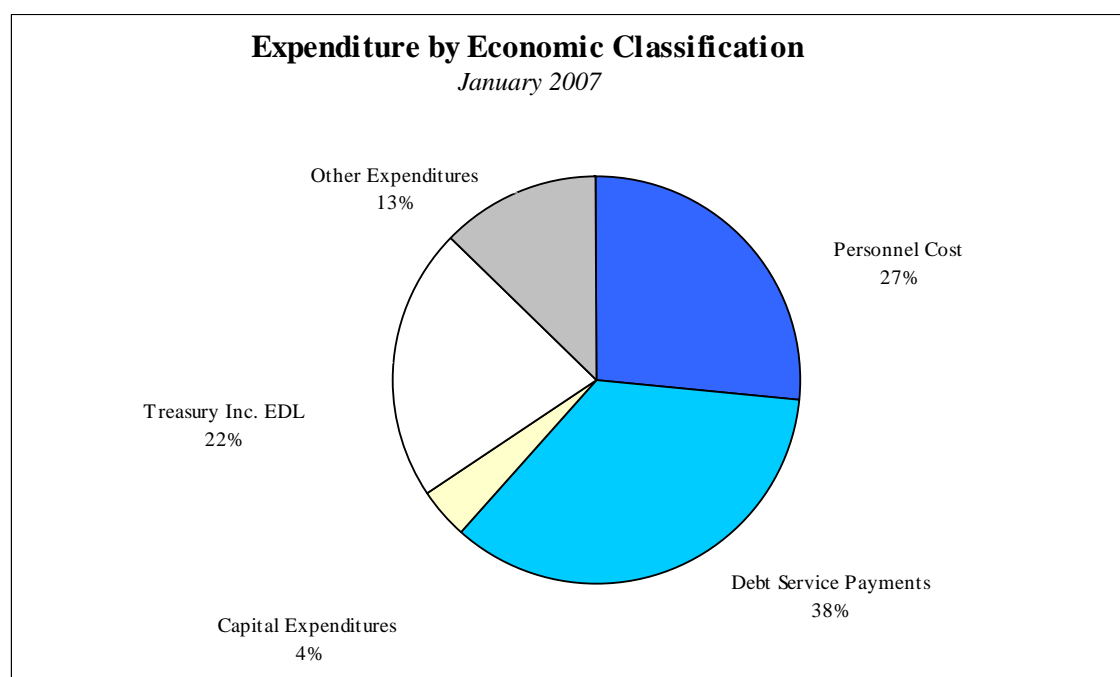
1. Debt service totaled LL 284 billion in January 2007 compared to LL 274 billion for the same period of 2006, increasing by 4 percent, resulting from 10 percent higher local currency debt service which offsets the decrease of 9 percent in foreign currency debt.
2. Non-interest expenditures rose to LL 530 billion in January 2007 up by 12 percent from LL 472 billion registered in January 2006. This increase was mainly attributed to higher "other treasury expenditures" and current primary budget expenditures offsetting the decrease in capital expenditures.
  - a. 'Other treasury expenditures' increased by 38 percent in January 2007 compared to last year due to the rise in direct transfers to EDL by LL 133 billion. This increase was a result of the due payment to Sonatrach (Algeria) and Kuwait Petroleum Corporation (Kuwait) as per their agreements with EDL. This increase overshadowed the lower transfers to municipalities and treasury advances for diesel oil subsidy by LL 58 billion and LL 17 billion respectively. For the diesel oil subsidy, the lack of transfer in January does not indicate a recurrent trend since a Council of Ministers' decision was made to subsidize diesel oil for 2007, up to a ceiling of LL 35 billion. The disbursement is expected to take place during the coming few months.
  - b. Current primary budget expenditures increased by LL 16 billion, mainly due to the increase in "materials and supplies" and in "various transfers" by LL 18 billion and LL 12 billion respectively. The increase in "materials and supplies" is not a result of additional spending, but is an accounting entry to adjust for payment of treasury advances. On the other hand, "salaries and wages" registered a decrease of LL 10 billion because due salaries for January are not entirely accounted for in this figure. In fact, January 2007 salaries for the Ministry of Education were transferred in February due a delay resulting from the physical relocation of the Ministry's offices. Had this payment been included, salaries and wages would have been 12 percent higher compared to the same period in 2006.
  - c. Capital expenditures decreased by LL 8 billion in January 2007 as compared to January 2006. The decrease in both "construction in progress" and "other expenditures related to fixed capital assets" by LL 11 billion and LL 4 billion respectively, offsets the increase in "equipment" and "maintenance" by LL 4 billion each.

**Table 5. Expenditures by Transaction Classification**

(LL billion)	2006	2007	%
	Jan	Jan	Change
<b>Total Expenditures</b>	<b>746</b>	<b>813</b>	<b>8.9%</b>
<b>Budget Expenditures</b>	<b>604</b>	<b>625</b>	<b>3.4%</b>
Expenditures Excluding Debt Service, of which:	330	342	3.4%
<i>Previous Years' Appropriations</i>	127	183	44.4%
Debt Service, of which:	274	284	3.5%
<i>Domestic Debt</i>	180	198	10.1%
<i>Foreign Debt, of which:</i>	94	85	-9.2%
<i>Eurobond Coupon Interest*</i>	75	73	-2.0%
<i>Specialbond Coupon Interest*</i>			
<i>Concessional Loans Principal Payments</i>	15	9	-35.2%
<i>Concessional Loans Interest Payments</i>	4	2	-46.2%
<b>Treasury Expenditures , of which:</b>	<b>142</b>	<b>188</b>	<b>32.4%</b>
<i>Municipalities</i>	58	0	-99.8%
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>472</b>	<b>530</b>	<b>12.1%</b>

Source: MOF, DGF

\* Includes general expenses related to the transaction

**Chart 4.**

Source: MOF, DGF

**Table 6. Expenditures by Economic Classification**

	2006 January	2007 January	% Change
<b>1. Current expenditures</b>	<b>574</b>	<b>600</b>	<b>4.6%</b>
1.a Personnel cost, <i>of which</i>	226	216	-4.3%
<i>Article 13: Salaries and wages</i>	155	145	-6.2%
<i>Retirement and end of service compensations</i>	66	66	0.8%
1.b Debt Service payments	274	284	3.6%
1.c Materials and supplies	9	27	207.6%
1.d External services	7	9	17.1%
1.e Various transfers	13	25	88.6%
<i>o/w NSSF</i>	0	0	0.0%
1.f Other current	31	30	-3.1%
<i>Hospitals</i>	29	27	-6.5%
<i>Others</i>	2	3	39.5%
1.g Reserves	14	10	-27.9%
<i>Interest subsidy</i>	14	10	-27.9%
<b>2. Capital expenditures</b>	<b>40</b>	<b>32</b>	<b>-19.5%</b>
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	4	2	-44.0%
2.b Equipment	2	6	211.7%
2.c Construction in Progress	27	16	-39.2%
2.d Maintenance	4	8	114.4%
2.e Other Expenditures Related to Fixed Capital Assets	4	0	-89.2%
<b>3. Other treasury expenditures, of which</b>	<b>128</b>	<b>177</b>	<b>38.0%</b>
Municipalities	58	0	-99.8%
EDL	26	159	519.8%
Treasury advances for diesel oil subsidy	17	0	-100.0%
<b>4. Unclassified expenditures</b>	<b>0</b>	<b>0</b>	<b>-68.4%</b>
<b>5. Customs cashiers</b>	<b>3</b>	<b>3</b>	<b>-2.0%</b>
<b>6. Total expenditures (excluding CDR foreign financed)</b>	<b>746</b>	<b>813</b>	<b>9.0%</b>

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



**Table 7. Transfers to EDL**

(LBP billion)	2006 January	2007 January	% Change
<b>EDL of which:</b>	<b>26</b>	<b>159</b>	<b>-83.88%</b>
<b>Debt Service of which:</b>	<b>26</b>	<b>6</b>	<b>296.71%</b>
C-Loans and Eurobonds, of which:	<b>9</b>	<b>6</b>	<b>38.63%</b>
Principal Repayment	6	5	32.26%
Interest Payment	2	2	58.45%
			-
Loans for Fuel Oil Payment	17	0	100.00%
BDL Guaranteed Loan Payment	0	2	100.00%
			-
<b>Kuwait &amp; Alg. Petrole</b>	<b>0</b>	<b>151</b>	<b>100.00%</b>
<b>Repayment of oil suppliers arrears</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>

Source: MOF, DGF

## **Section 4: Public Debt**

### **Highlights:**

1. By the end of January 2007, gross public debt reached LL 61,312 billion (equivalent to US\$ 41 billion), registering an increase of LL 310 billion (or 0.51 percent) over the end-December 2006 debt level.
2. Local currency debt amounted to LL 30,433 billion (equivalent to US\$ 20 billion), increasing by LL 229 billion or 0.76 percent over the end-December 2006 level.
3. As of end-January 2007, local currency debt held by BDL rose by LL 434 billion compared to end of December 2006.
4. Meanwhile, local currency debt held by commercial banks decreased by LL 444 billion as of end-December 2006 due to the political environment which has led to a lower level of commercial banks' subscriptions in the T-bills auctions during the month of January 2007.
5. By end-January 2007, foreign currency debt amounted to LL 30,879 billion (equivalent to US\$ 20 billion), LL 81 billion (or 0.26 percent) higher than the end-December 2006 level. No Eurobond principal payment has matured during January 2007.
6. Public sector deposits amounted to LL 4,495 billion, increasing by approximately LL 51 billion from their December 2006 level.

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

Assumes full LL Replacement LL Billion	Dec-04	Dec-05	Dec-06	Jan-07	Change Dec 06 - Jan 07	% change Dec 06 - Jan 07
<b>Gross Public debt</b>	<b>54,082</b>	<b>57,987</b>	<b>61,002</b>	<b>61,312</b>	<b>310</b>	<b>0.51%</b>
<b>Local currency debt</b>	<b>26,371</b>	<b>29,141</b>	<b>30,204</b>	<b>30,433</b>	<b>229</b>	<b>0.76%</b>
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)*	10,652	11,686	9,588	10,022	434	4.53%
b. Commercial Banks	12,220	14,130	16,487	16,043	-444	-2.69%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	4,368	239	5.79%
<i>o/w Public entities</i>	2,187	2,446	3,313	3,501	188	5.67%
<b>Foreign currency debt</b>	<b>27,711</b>	<b>28,846</b>	<b>30,798</b>	<b>30,879</b>	<b>81</b>	<b>0.26%</b>
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,791	3,006	3,006	0	0.00%
b. Paris II related debt (Eurobonds and Loans)	3,815	3,682	3,721	3,705	-16	-0.43%
c. BDL Eurobond (Paris II)	2,819	2,819	2,819	2,819	0	0.00%
d. Market Eurobonds	17,686	18,729	20,399	20,381	-18	-0.09%
e. Accrued Interest on foreign currency debt	388	406	434	549	115	26.50%
f. Special Tbls in Foreign currency**		419	419	419	0	0.00%
<b>Public sector deposits</b>	<b>4,359</b>	<b>5,590</b>	<b>4,444</b>	<b>4,495</b>	<b>51</b>	<b>1.15%</b>
<b>Net debt</b>	<b>49,723</b>	<b>52,397</b>	<b>56,558</b>	<b>56,817</b>	<b>259</b>	<b>0.46%</b>
<b>Gross Market debt***</b>	<b>31,861</b>	<b>34,726</b>	<b>38,683</b>	<b>38,387</b>	<b>-296</b>	<b>-0.77%</b>
<b>% of total debt</b>	<b>59%</b>	<b>60%</b>	<b>63%</b>	<b>63%</b>	<b>0</b>	<b>-1.27%</b>

Source: Ministry of Finance, Banque du Liban

Notes:

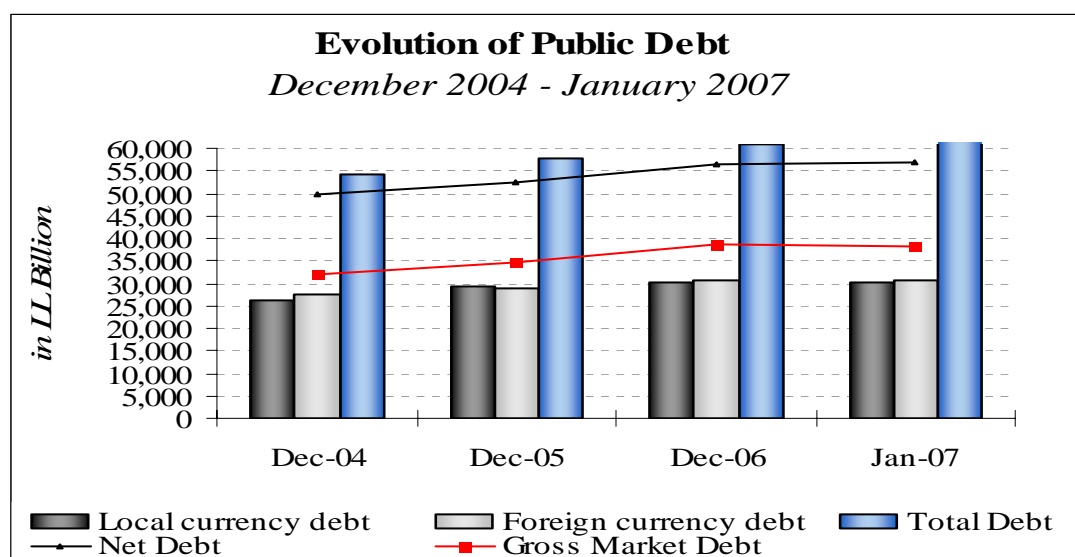
Figures of Dec 04 to Dec 06 might have changed from those previously published because of an update in the foreign currency debt related to bilateral and multilateral and foreign private sector loans

\* 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.

\*\* Special Tbls in Foreign currency (expropriation bonds)

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

**Chart 5.**





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