

# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

## July 2007

### Section 1: Fiscal Overview

For the first 7 months of 2007, the total fiscal deficit increased by LL 459 billion reaching LL 1,920 billion compared to 1,461 billion registered during January-July 2006; this increase in the total deficit represents an 18 percent increase in payments which offset the near 14 percent increase in receipts. In turn, total primary surplus decreased by 12 percent reaching LL 847 billion by end of July compared to the LL 958 registered in January-July 2006.

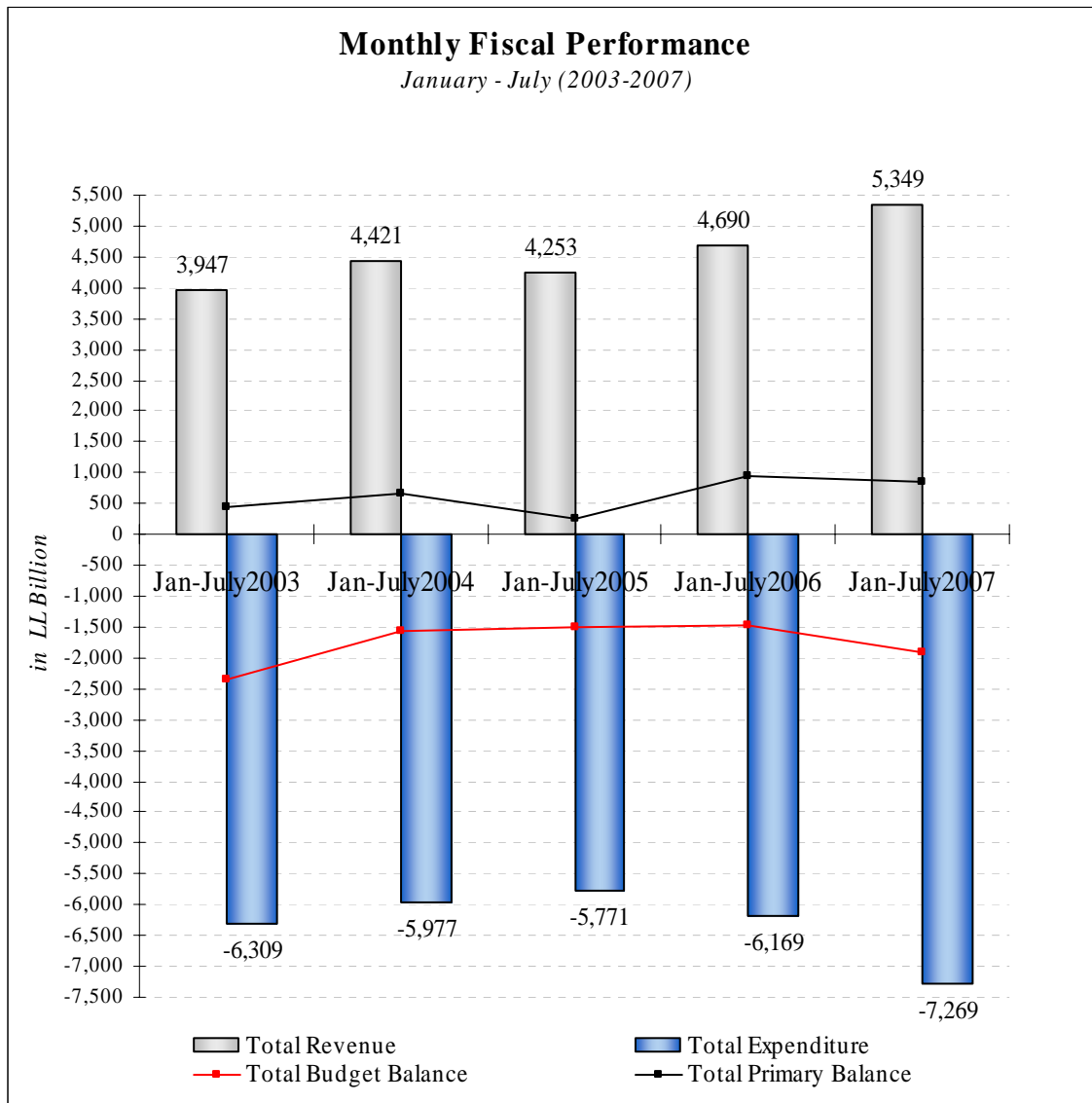
In the month of July, the enhancement detected in both the total deficit (that decreased by 77 percent) and the primary surplus (that increased 6 times) is mainly due to the 36 percent increase in total receipts and the 2 percent decrease in payments. In fact, the war of July 2006 has imposed a decrease in total revenues against increase in expenditures.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2006 July	2007 July	2006 Jan-July	2007 Jan-July	Change 2006- 2007	% Change
Budget Revenue	511	790	4,407	4,907	500	11.3%
Budget Expenditures	640	732	5,237	5,835	598	11.4%
<i>o/w Previous Years Appropriations</i>	1	3	488	563	75	15.5%
<i>o/w Debt Service</i>	259	319	2,419	2,767	348	14.4%
<b>Budget Deficit/Surplus</b>	<b>-129</b>	<b>58</b>	<b>-829</b>	<b>-928</b>	<b>-99</b>	<b>11.9%</b>
in % of Budget Expenditures	-20.1%	7.9%	-15.8%	-15.9%		
<b>Budget Primary Deficit/Surplus</b>	<b>131</b>	<b>377</b>	<b>1,590</b>	<b>1,839</b>	<b>249</b>	<b>15.7%</b>
in % of Budget Expenditures	20.4%	51.6%	30.4%	31.5%		
Treasury Receipts	116	61	303	442	140	46.1%
Treasury Payments	298	191	934	1,434	500	53.5%
Total Budget and Treasury Receipts	628	851	4,710	5,349	639	13.6%
Total Budget and Treasury Payments	939	923	6,171	7,269	1,098	17.8%
<b>Total Cash Deficit/Surplus</b>	<b>-311</b>	<b>-72</b>	<b>-1,461</b>	<b>-1,920</b>	<b>-459</b>	<b>31.4%</b>
in % of Total Expenditures	-33.1%	-7.8%	-23.7%	-26.4%		
<b>Primary Deficit/Surplus</b>	<b>-52</b>	<b>247</b>	<b>958</b>	<b>847</b>	<b>-111</b>	<b>-11.6%</b>
in % of Total Expenditures	-5.5%	26.8%	15.5%	11.7%		

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

**Chart 1.**



## Section 2: Revenue Outcome

**Total revenues** collected over the period of January-July 2007 reached LL 5,349 billion compared to LL 4,710 billion during the same period last year, registering a 14 percent increase mainly due to:

- a) An 11 percent higher collection in **budget revenues**, due to amelioration in both tax and non tax revenues which increased by 7 and 23 percent respectively in comparison with the same period last year.
  - ❖ **Tax revenues** totaled LL 3,447 billion for January- July 2007 compared to LL 3,223 billion collected in the same period last year. In fact, the 7 percent increase in tax revenues were mainly due to improvement in the collection of most tax components: (i) **Taxes on Income, Profits, & Capital Gains** increased by 7 percent (namely 5 percent higher Income

Tax on Profits, 8 percent higher Income Tax on Wages and Salaries, 30 percent higher Income on Capital Gains and Dividends, and 7 percent higher Tax on Interest Income); (ii) **Domestic taxes on goods and services** increased by 18 percent (arising from a 21 percent increase in the VAT revenues<sup>1</sup>), and (iii) **Taxes on International Trade** increased by 19 percent (attributed to 12 percent increase from customs and 24 percent increase from excise taxes; part of this increase is attributed to the month of July, which witnessed a 138 percent increase explained by the sea and air blockades that started with the break of hostilities in July 2006).

These increases have offset the 35 and 7 percent decline in both **Taxes on Property**<sup>2</sup> and the **Fiscal Stamp Fees** respectively. On the Property Tax front, the 14 percent rise in the recurrent tax (which could be attributed to the tax administrative reform which entails the build-up of an updated and a comprehensive database on built properties) was offset by the 84 percent decrease in collection from inheritance taxes which is explained by the exceptional payment in 2006).

- ❖ **Non tax revenues** totaled LL 1,460 billion compared to LL 1,185 billion in 2006 registering an increase of 23 percent owing mainly to the 37 percent rise in **Income from Public Institutions and Government Properties** emanating from 26 percent higher Revenues from Casino Du Liban<sup>3</sup> and 22 percent higher Transfer from the Telecom Surplus<sup>4</sup>. The BDL has transferred LL 113 billion (during March 2007) representing 80 percent of its net profit according to the Article 113 of the Code of Money and Credit. On the other hand, **Administrative Fees & Charges** declined by 13 percent due to 9 percent lower Passport Fees, 19 percent lower Vehicle Control Fees<sup>5</sup>, 34 percent lower Driving License and 22 percent lower Permit Fees.

- b) A 46 percent increase in **Treasury Receipts** compared to last year due to a LL 151 billion grant received from Saudi Arabia during April 2007. Note that in the month of July 2006, the Lebanese treasury was shored by LL 76 billion representing grants received for humanitarian aid and relief purpose. Further note that an amount equivalent to LL 38 billion was reported under "other Treasury

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<sup>1</sup> The increase in VAT revenues witnessed throughout the first half of the year became more acute in the month of July 2007, attributed to the break of the war with Israel in July 2006, a month of internal VAT filing and payment which resulted in the postponement of payment dues as per ministerial Decision number 826.

<sup>2</sup> A year on year comparison of inheritance tax revenues (a component of Taxes on Property) is misleading because of a one-off exceptional inheritance tax receipt in April 2006.

<sup>3</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>4</sup> Please note that an amount equivalent to \$ 92.5 million of arbitration settlement was paid to France Telecom in April 2007.

<sup>5</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).

revenues" which represents adjustment entries (in the months of January and June 2007) regularizing treasury advance payments.<sup>6</sup>

**Table 2. Total Revenue**

(LL billion)	2006	2007	2006	2007	%
	July	July	Jan-July	Jan-July	Change
<b>Budget Revenues, of which:</b>					<b>11.3%</b>
<i>Tax Revenues</i>	511	790	4,407	4,907	7.0%
<i>Non-Tax Revenues</i>	321	546	3,223	3,447	23.2%
<b>Treasury Receipts</b>	190	244	1,185	1,460	<b>46.1%</b>
<b>Total Revenues</b>	116	61	303	442	<b>13.6%</b>

Source: MOF, DGF

**Table 3. Tax Revenue**

(LL billion)	2006	2007	2006	2007	%
	July	July	Jan-July	Jan-July	Change
<b>Tax Revenues:</b>	321	546	3,223	3,447	<b>7.0%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	105	112	894	960	<b>7.4%</b>
<i>Income Tax on Profits</i>	8	10	417	437	4.7%
<i>Income Tax on Wages and Salaries</i>	39	44	145	157	8.1%
<i>Income Tax on Capital Gains &amp; Dividends</i>	17	24	85	110	29.6%
<i>Tax on Interest Income (5%)</i>	41	34	236	251	6.5%
<i>Penalties on Income Tax</i>	1	1	9	5	-42.4%
<b>Taxes on Property, of which:</b>	26	38	425	278	<b>-34.6%</b>
<i>Built Property Tax</i>	3	5	66	75	14.2%
<i>Real Estate Registration Fees</i>	21	29	177	173	-2.0%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	123	266	1,120	1,323	<b>18.1%</b>
<i>Value Added Tax</i>	106	250	994	1,205	21.3%
<i>Other Taxes on Goods and Services, of which:</i>	17	15	118	114	-3.6%
<i>Private Car Registration Fees</i>	8	13	73	71	-3.2%
<i>Passenger Departure Tax</i>	9	2	44	42	-3.6%
<b>Taxes on International Trade, of which:</b>	42	100	612	725	<b>18.5%</b>
<i>Customs</i>	27	49	281	314	11.7%
<i>Excises, of which:</i>	15	52	330	411	24.2%
<i>Petroleum Tax</i>	0	4	90	145	61.4%
<i>Tobacco Tax</i>	2	19	96	119	24.5%
<i>Tax on Cars</i>	12	28	143	144	1.0%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	24	30	172	161	<b>-6.5%</b>

Source: MOF, DGF

<sup>6</sup> Note that 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.

Chart 2.

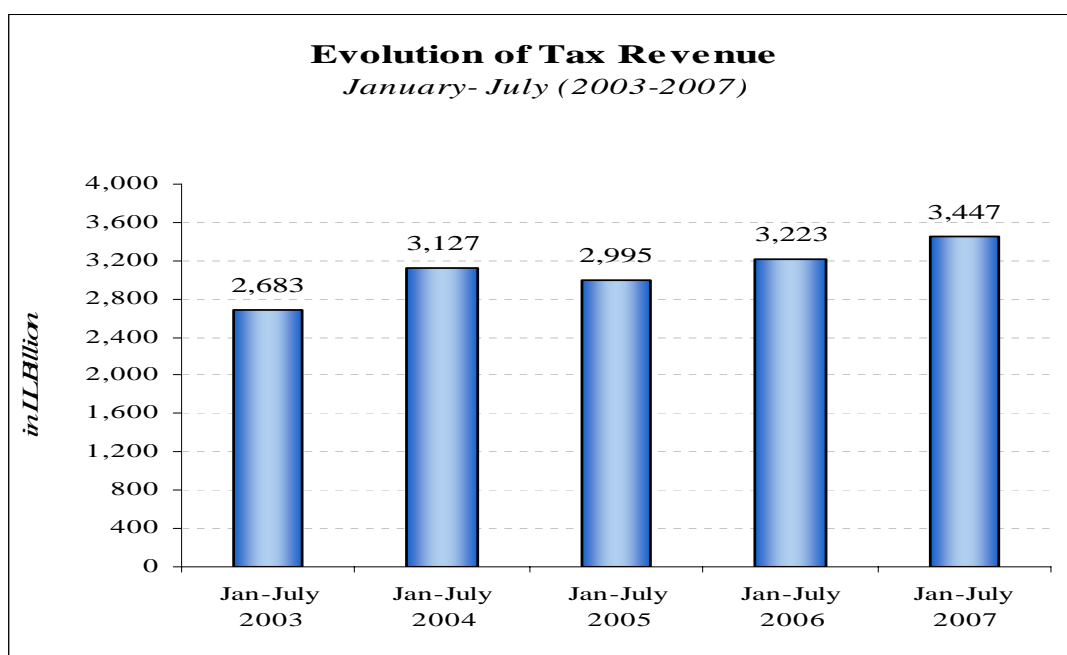
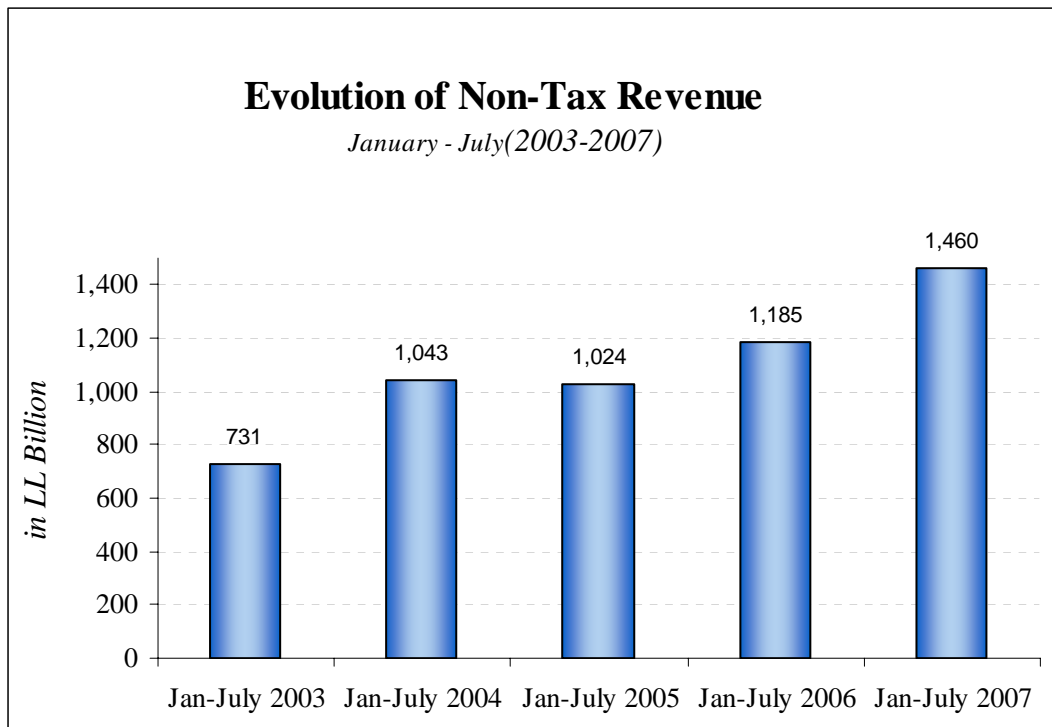


Table 4. Non-Tax Revenue

(LL billion)	2006 July	2007 July	2006 Jan-July	2007 Jan-July	% Change
<b>Non-Tax Revenues</b>	<b>190</b>	<b>244</b>	<b>1,185</b>	<b>1,460</b>	<b>23.2%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>160</b>	<b>201</b>	<b>858</b>	<b>1,173</b>	<b>36.8%</b>
Income from Non-Financial Public Enterprises, of which:	160	198	837	1,034	23.6%
<i>Revenues from Casino Du Liban</i>	5	4	25	32	25.9%
<i>Revenues from Port of Beirut</i>	0	0	0	30	-
<i>Budget Surplus of National Lottery</i>	4	8	44	36	-18.2%
<i>Transfer from the Telecom Surplus</i>	151	186	766	935	22.1%
Property Income (namely rent of Rafic Hariri International Airport)	0	2	18	23	32.3%
Other Income from Public Institutions (interests)	1	0	3	3	-5.3%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>26</b>	<b>36</b>	<b>273</b>	<b>239</b>	<b>-12.5%</b>
Administrative Fees, of which:	22	29	218	191	-12.5%
<i>Notary Fees</i>	1	2	11	12	8.2%
<i>Passport Fees/ Public Security</i>	13	13	72	66	-8.8%
<i>Vehicle Control Fees</i>	5	10	99	80	-19.1%
<i>Judicial Fees</i>	1	2	12	11	-7.0%
<i>Driving License Fees</i>	2	1	15	10	-34.4%
Administrative Charges	1	1	9	12	25.2%
Sales (Official Gazette and License Number)	0	0	2	2	-5.9%
Permit Fees (mostly work permit fees)	3	4	34	27	-22.4%
Other Administrative Fees & Charges	1	1	9	8	-13.6%
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>4</b>	<b>7</b>	<b>51</b>	<b>45</b>	<b>-11.8%</b>

Source: MOF, DGF

**Chart 3.**



### **Section 3: Expenditure Outcome**

Total expenditures registered a total of LL 7,269 billion in January-July 2007, increasing by 18 percent, compared to LL 6,171 billion for the same period of 2006. Both interest and non-interest expenditures rose by LL 349 billion and LL 749 billion respectively as explained below:

1. Debt service registered a total of LL 2,767 billion in January-July 2007 increasing by 14 percent compared to LL 2,418 billion for the same period of 2006. This rise was due to higher interest payments in both local and foreign currency debt by around 16 and 12 percent respectively. The main reason behind the increase in interest payment on local currency debt is attributed to higher coupon payments resulting from an increase in the stock of long term T-bills. The increase in interest payment on foreign currency debt was due to an increase in stock of Eurobonds during the period August - December 2006 and hence higher Eurobonds coupon payments.

2. Non-interest expenditures increased by 20 percent reaching LL 4,502 billion in January-July 2007, compared to LL 3,753 billion for the same period of 2006. This rise is mainly due to an increase in two out of three components of this item: current primary budget expenditures and other treasury expenditures which rose by 14 percent and 51 percent respectively, offsetting the decrease in capital expenditures by 17 percent, as explained below :

- a. **Current primary budget expenditures** registered a total of LL 2,838 billion in January-July 2007 when compared to LL 2,485 billion for the same period of 2006, increasing by LL 353 billion, mainly due to an exceptional payments that occurred

during the first trimester of 2007 such as the additional salary to the armed forces and also the adjustment of the payments of treasury advances as explained below:

i. An increase in "wages and salaries" by LL 231 billion, mainly due to the following three major reasons. Firstly, an increase in the salaries and indemnities of the armed forces by LL 134 billion due to the additional salary paid to the armed forces during February 2007 as per the decision taken by the Council of Ministers (Cabinet meeting of 4/1/2007) and to the new recruitment that took place in the last quarter of 2006. A further increase was generated from the higher payment of health allowances to armed forces (maternity and sickness, and hospitalization) which rose by LL 28 billion during January-July 2007 when compared to the same period last year. Finally, the civil servants cooperatives received additional LL 44.75 billion, compared to the same period of 2006.

ii. An increase in "materials and supplies" by LL 36 billion. It should be noted that the effective spending in this article has not changed during January – July 2007 when compared to the same period of last year. In fact, the LL 36 billion increase 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.

iii. An increase in "various transfers" of LL 115 billion mainly due to the increase in transfers to the National Social Security Fund (NSSF) by LL 120 billion. The NSSF received a total of LL 220 billion during January-July when compared to LL 100 billion for the same period of 2006<sup>7</sup>.

b. **Capital expenditures** decreased by LL 61 billion in January-July 2007 when compared to the same period of 2006. The main reason of this decrease is the lower level of spending reported in "Construction in Progress", "Maintenance" and "Other Expenditures Related to Fixed Capital Assets" offsetting the increase in "Acquisitions of Land and Building" as follows:

i. A decrease in "Construction in Progress" by LL 71 billion detailed as follows:

- Lower transfer to the Displaced Fund by LL 24 billion; only LL 31 billion was paid during the first 7 months when compared to LL 55 billion paid during the same period of last year. Out of this LL 31 billion, LL 25 billion were paid to the Displaced Fund in settlement of the decree (#292 dated 27/4/2004) that entitles the Council of the South and the Displaced Fund to have a treasury advance of LL 100 billion.
- Lower transfer to the CDR by around LL 51 billion.

ii. A decrease in "Maintenance" by LL 1 billion

iii. A decrease in "Other Expenditures Related to Fixed Capital Assets" by LL 7 billion

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<sup>7</sup> The NSSF received LL 230 billion, of which LL 10 billion are reported in "other treasury expenditures"

iv. An increase in both "Acquisitions of Land and Buildings" and "Equipment" by LL 4 billion and LL 13 billion respectively

c. Other **treasury expenditures** increased by LL 450 billion for January-July 2007 when compared to the same period of last year, mainly due to the increase in transfers of EDL by LL 580 billion, offsetting the decrease in transfers to municipalities and in treasury advances for diesel oil subsidy by LL 89 billion and LL 52 billion respectively. In fact, this big decrease in transfers to municipalities is in part related to the war of July 2006 where around LL 40 billion were paid in order to support the relief effort.

Transfers to EDL reached 944 billion LL during January-July 2007, compared to 364 billion LL for the same period in 2006. This increase can be explained by the following two reasons:

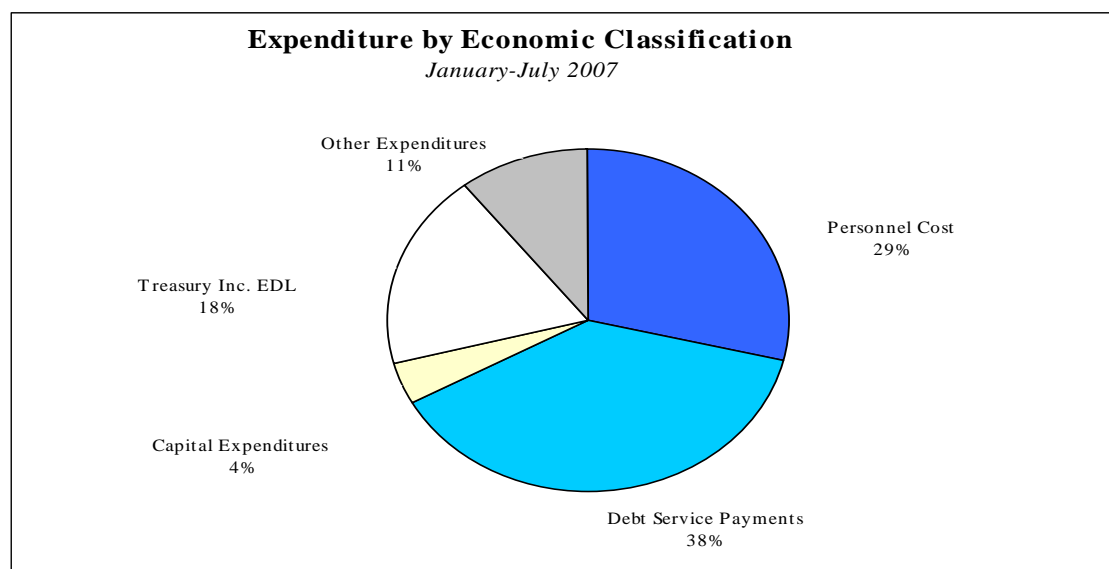
- i. An increase of payments to Kuwait Petroleum Corporation and Algeria's Sonatrach for fuel and gas oil purchases by LL 394 billion, reaching a total of LL 629 billion in January-July 2007 compared to LL 235 billion for the same period in 2006. Though the two purchase contracts came into effect at the beginning of 2006, payments for purchases against these contracts started in June 2006 due to the delayed payment option that is provisioned in both contracts.
- ii. An increase in debt service by 135 billion LL from January-July 2006 to January-July 2007, which was mainly due to the repayment in June 2007 of a US\$ 100 million Eurobond to finance power sector restructuring. The Eurobond was issued in July 1997, and was guaranteed by the World Bank.



**Table 5. Expenditures by Transaction Classification**

(LL billion)	2006	2007	2006	2007	%
	July	July	Jan-July	Jan-July	Change
<b>Total Expenditures</b>	<b>939</b>	<b>923</b>	<b>6,171</b>	<b>7,269</b>	<b>17.8%</b>
<b>Budget Expenditures</b>	<b>640</b>	<b>732</b>	<b>5,237</b>	<b>5,835</b>	<b>11.4%</b>
Expenditures Excluding Debt Service, of which:	381	413	2,818	3,068	8.9%
<i>Previous Years' Appropriations</i>	<i>1</i>	<i>3</i>	<i>488</i>	<i>563</i>	<i>15.5%</i>
Debt Service, of which:	<b>259</b>	<b>319</b>	<b>2,418</b>	<b>2,767</b>	<b>14.4%</b>
<i>Domestic Debt</i>	<i>194</i>	<i>213</i>	<i>1,301</i>	<i>1,512</i>	<i>16.2%</i>
<i>Foreign Debt, of which:</i>	<i>65</i>	<i>107</i>	<i>1,118</i>	<i>1,255</i>	<i>12.3%</i>
<i>Eurobond Coupon Interest*</i>	<i>48</i>	<i>83</i>	<i>964</i>	<i>1,087</i>	<i>12.8%</i>
<i>Specialbond Coupon Interest*</i>			<i>13</i>		
<i>Concessional Loans Principal</i>	<i>13</i>	<i>17</i>	<i>92</i>	<i>107</i>	<i>16.9%</i>
Payments					
<i>Concessional Loans Interest</i>	<i>4</i>	<i>7</i>	<i>50</i>	<i>61</i>	<i>22.8%</i>
Payments					
<b>Treasury Expenditures , of which:</b>	<b>298</b>	<b>191</b>	<b>934</b>	<b>1,434</b>	<b>53.5%</b>
<i>Municipalities</i>	<i>55</i>	<i>26</i>	<i>219</i>	<i>129</i>	<i>-40.9%</i>
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>680</b>	<b>604</b>	<b>3,753</b>	<b>4,502</b>	<b>20.0%</b>

Source: MOF, DGF

**Chart 4.**

**Table 6. Expenditures by Economic Classification**

(LL billion)	2006 Jan-July	2007 Jan-July	% Change
<b>1. Current expenditures</b>	<b>4,905</b>	<b>5,605</b>	<b>14.29%</b>
1.a Personnel cost, <i>of which</i>	1,859	2,092	12.53%
<i>Article 13: Salaries and wages</i>	1,214	1,444	19.01%
<i>Retirement and end of service compensations</i>	523	522	-0.14%
1.b Debt Service payments	2,419	2,767	14.38%
1.c Materials and supplies	81	117	44.13%
1.d External services	58	56	-2.62%
1.e Various transfers	286	401	40.31%
<i>o/w NSSF</i>	100	220	120.00%
1.f Other current	157	121	-23.00%
<i>Hospitals</i>	137	96	-29.96%
<i>Others</i>	20	23	15.82%
1.g Reserves (3)	44	51	15.04%
<i>Interest subsidy</i>	44	51	15.04%
<b>2. Capital expenditures</b>	<b>358</b>	<b>297</b>	<b>-17.13%</b>
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	11	15	31.03%
2.b Equipment	14	27	95.24%
2.c Construction in Progress	272	201	-26.04%
2.d Maintenance	32	31	-2.72%
2.e Other Expenditures Related to Fixed Capital Assets	29	22	-22.59%
<b>3. Other treasury expenditures, of which</b>	<b>891</b>	<b>1,340</b>	<b>50.52%</b>
Municipalities	219	129	-40.94%
EDL	364	944	159.24%
Transfers to Higher Council of Relief		6	100.00%
Treasury advances for diesel oil subsidy	52	0	-100.00%
<b>4. Unclassified expenditures</b>	<b>1</b>	<b>4</b>	<b>381.66%</b>
<b>5. Customs cashiers</b>	<b>17</b>	<b>23</b>	<b>34.96%</b>
<b>6. Total expenditures (excluding CDR foreign financed)</b>	<b>6,171</b>	<b>7,270</b>	<b>17.79%</b>

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

**Table 7. Transfers to EDL****Table 7. Transfers to EDL\***

(LBP billion)	2006 Jan-July	2007 Jan-July	Change
<b>EDL of which:</b>	<b>364</b>	<b>944</b>	<b>580</b>
<b>Debt Service of which:</b>	<b>112</b>	<b>247</b>	<b>135</b>
C-Loans and Eurobonds, <i>of which:</i>	<b>112</b>	<b>238</b>	<b>126</b>
Principal repayments	78	208	130
Interest payments	34	30	-4
BDL guaranteed loan payments		10	10
<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</b>	<b>235</b>	<b>629</b>	<b>394</b>

Source: MOF, DGF

## Section 4: Public Debt

### Highlights:

1. By the end of July 2007, gross public debt reached LL 60,456 billion (equivalent to US\$ 40.1 billion), registering a decrease of LL 382 billion (or 0.63 percent) over the end-December 2006 debt level.
2. Local currency debt amounted to LL 29,651 billion (equivalent to US\$ 19.67 billion), decreasing by LL 553 billion or 1.83 percent over the end-December 2006 level.
3. As of end-July 2007, local currency debt held by BDL decreased by LL 831 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 on June 18, 2007 (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. 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 2<sup>nd</sup> quarter of 2007, there was an improvement of market subscriptions and hence a reduced pace of increase in BDL's T-bills holding if we exclude the effects of the gold revaluation transaction. Overall, there was a of by LL 2,252 billion in BDL's holdings of treasury bills. In July, BDL's holding experienced a significant increase of LL 517 billion.
4. Meanwhile, local currency debt held by commercial banks decreased by LL 951 billion as compared to 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 first half of 2007 which continued in July. The downward trend saw the commercial banks' portfolio of local currency fall in the first half by LL 669 billion and a further LL 280 billion in the month of July.
5. By end- July 2007 foreign currency debt amounted to LL 30,805 billion (equivalent to US\$ 20.43 billion), increasing by LL 171 billion (or 0.56 percent) over the end-December 2006 level. On July 6, a US\$ 137.511 million Eurobond was issued to BDL with its proceeds used to pay a maturing bond. In addition, on July 20, 2007, Lebanon completed a reprofiling of two sets of Republic of Lebanon Eurobonds amounting to \$500 million held by Malaysia. The transaction involved replacing two sets of Eurobonds held by the Central Bank of Malaysia with two new issues at concessional terms. The first part of the transaction involved replacing \$300 million worth of Eurobonds that had been issued as part of Malaysia's earlier contribution to the Paris II Conference held in 2002. These bonds were earning a 5% interest rate, had a December 2017 maturity, and had an amortized structure that required principal payments to start in 2008. They were replaced with a new issue that earns a 3.75% interest rate, has a July 2017 maturity, and has an amortized structure that requires principal payments to start in 2010. The second part of the transaction involved replacing \$200 million worth of Eurobonds earning a 7.125% interest rate and due in March 2010. These bonds were replaced with a new Eurobond issue that earns a 3.75% interest rate and has a July 2012 maturity. Further, the new issue has

an amortized structure with principal payments in January and July 2012 of \$100 million, instead of the single bullet payment structure of the old bonds.

6. Public sector deposits amounted to LL 3,470 billion, decreasing by approximately LL 974 billion from their December 2006 level.

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

Assumes full LBP Replacement	Dec-04	Dec-05	Dec-06	Jul-07	Change Dec 06 - July 07	% change Dec 06- July 07
<b>Gross Public debt</b>	<b>54,082</b>	<b>57,987</b>	<b>60,838</b>	<b>60,456</b>	<b>-382</b>	<b>-0.63%</b>
<b>Local currency debt</b>	<b>26,371</b>	<b>29,141</b>	<b>30,204</b>	<b>29,651</b>	<b>-553</b>	<b>-1.83%</b>
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) <sup>(1)</sup>	10,652	11,686	9,588	8,757	-831	-8.67%
b. Commercial Banks	12,220	14,130	16,487	15,536	-951	-5.77%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,358	1,229	29.77%
<i>o/w Public entities</i>	<i>2,187</i>	<i>2,446</i>	<i>3,313</i>	<i>4,600</i>	<i>1,287</i>	<i>38.85%</i>
<b>Foreign currency debt<sup>(2)</sup></b>	<b>27,711</b>	<b>28,846</b>	<b>30,634</b>	<b>30,805</b>	<b>171</b>	<b>0.56%</b>
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,791	2,855	2,883	28	0.98%
b. Paris II related debt (Eurobonds and Loans) <sup>(3)</sup>	6,634	6,501	6,540	6,065	-475	-7.27%
c. Paris III related debt (Eurobonds) <sup>(4)</sup>				754		
d. Market-issued Eurobonds	17,686	18,729	20,386	20,200	-187	-0.91%
e. Accrued Interest on foreign currency debt	388	406	434	485	51	11.75%
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>3,470</b>	<b>-974</b>	<b>-21.92%</b>
<b>Net debt</b>	<b>49,723</b>	<b>52,397</b>	<b>56,394</b>	<b>56,986</b>	<b>592</b>	<b>1.05%</b>
<b>Gross Market debt<sup>(6)</sup></b>	<b>31,861</b>	<b>34,726</b>	<b>38,649</b>	<b>37,490</b>	<b>-1,160</b>	<b>-3.00%</b>
<b>% of total debt</b>	<b>59%</b>	<b>60%</b>	<b>64%</b>	<b>62%</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

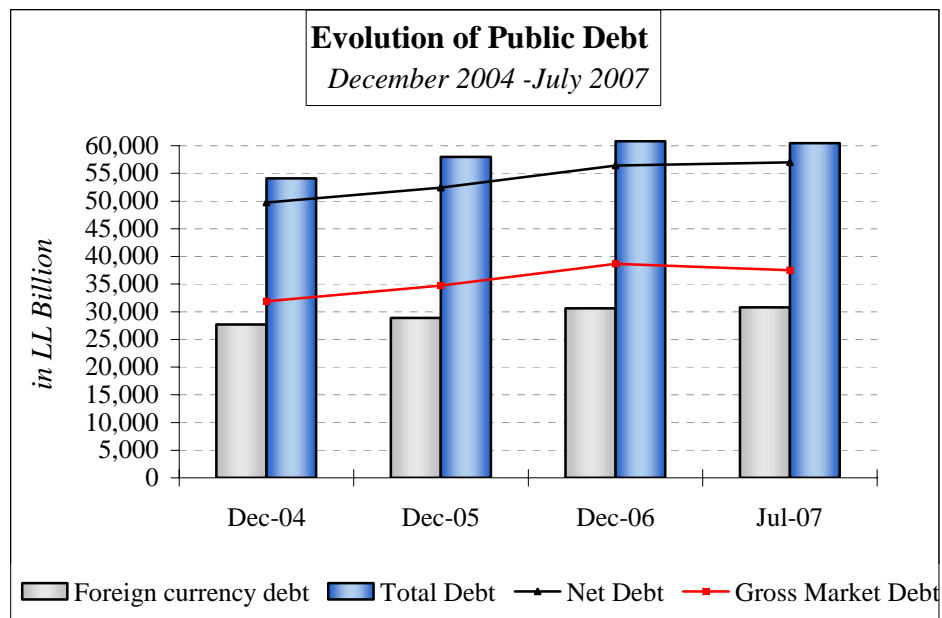
<sup>(3)</sup> Paris II related debt (Eurobonds and Loans) declined due to the re-profiling of debt held by Malaysia as part of that country's Paris III contribution and because of a payment of principal of 30M EURO on AFD debt in February.

<sup>(4)</sup> Issued to Malaysia as part of its Paris III contribution

<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.**





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