

# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

## June 2005

### Section 1: Fiscal Overview

#### Highlights:

The January-June 2005 period was marked by a 3.6 percent deterioration in the total balance, which registered a LL 1,324 billion deficit compared to a LL 1,277 billion deficit in the first six months of 2005. This increase in the total deficit occurred despite the 3 percent decrease in total payments, and resulted from the 5.3 percent decrease in total receipts. The deterioration can be partly explained by the performance of the month of June where total expenditures were the highest among all months of 2005 and even 2004. The primary surplus also deteriorated by 68 percent, from LL 731 billion in Jan-Jun 2004 to LL 232 billion in the same period of 2005. Primary expenditures of the month of June 2005 were the highest when compared against all individual months ever since the beginning of 2001.

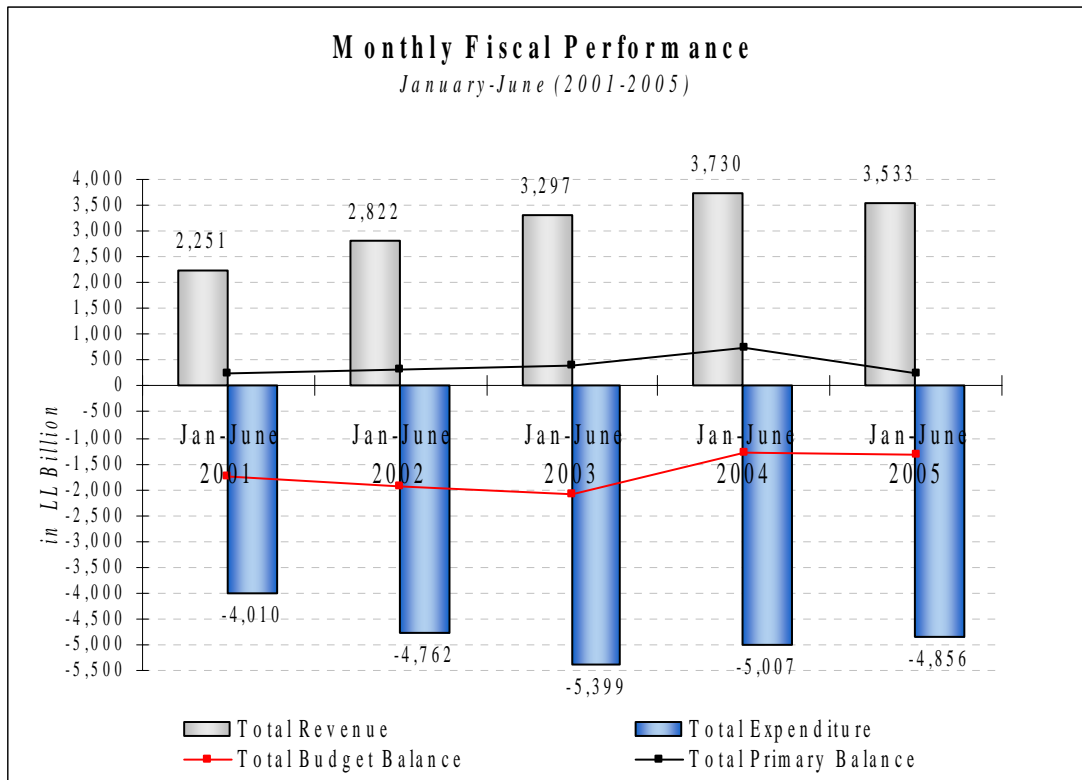
**Table 1. Summary of Fiscal Performance**

(LL billion)	2004	2005	2004	2005	Change	%
	June	June	Jan-June	Jan-June	2004-2005	Change
Budget Revenue	632	543	3,533	3,327	-206	-5.8%
Budget Expenditures	852	933	3,998	3,642	-355	-8.9%
<i>o/w Debt Service</i>	428	309	2,008	1,555	-452	-22.5%
<b>Budget Deficit/Surplus</b>	<b>-221</b>	<b>-389</b>	<b>-465</b>	<b>-316</b>	<b>149</b>	<b>-32.0%</b>
in % of Budget Expenditures	-25.9%	-41.7%	-11.6%	-8.7%		
<b>Budget Primary Deficit/Surplus</b>	<b>208</b>	<b>-80</b>	<b>1,543</b>	<b>1,240</b>	<b>-304</b>	<b>-19.7%</b>
in % of Budget Expenditures	24.4%	-8.5%	38.6%	34.0%		
Treasury Receipts	51	25	197	206	9	4.6%
Treasury Payments	106	190	1,010	1,214	204	20.3%
Total Budget and Treasury Receipts	683	569	3,730	3,533	-197	-5.3%
Total Budget and Treasury Payments	958	1,123	5,007	4,856	-151	-3.0%
<b>Total Cash Deficit/Surplus</b>	<b>-276</b>	<b>-554</b>	<b>-1,277</b>	<b>-1,324</b>	<b>-47</b>	<b>3.6%</b>
in % of Total Expenditures	-28.8%	-49.3%	-25.5%	-27.3%		
<b>Primary Deficit/Surplus</b>	<b>152</b>	<b>-244</b>	<b>731</b>	<b>232</b>	<b>-499</b>	<b>-68.3%</b>
in % of Total Expenditures	15.9%	-21.8%	14.6%	4.8%		

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



**Chart 1. Fiscal Performance**



## Section 2: Revenue Outcome

### Highlights:

Total revenues collected by the Treasury over the first six months of 2005 witnessed a 5.3 percent decrease compared to the same period in 2004. This weaker performance is due to lower proceeds from both tax and non-tax revenues:

- ☒ Tax revenues witnessed an overall decrease of 4.7%, coming from:
  - An 18.2 percent decrease in taxes on international trade (custom duties and excises) largely explained by an approximate 23 percent drop in excise revenues.
  - A 4.4 percent decline in domestic taxes on goods and services, stemming namely from lower VAT receipts caused by less VAT collected from the import of merchandise.
  - An approximately 12 percent drop in revenues from fiscal stamps fees.
- ☒ Lower non tax revenues by 9 percent. The overall decrease in non tax revenues is largely attributed to the 17 percent decrease in transfers from the telecom budget surplus, largely explained by the lack of transfers during the months of January and June 2005.



**Table 2. Total Revenue**

(LL billion)	2004	2005	2004	2005	
	June	June	Jan-June	Jan-June	% Change
<b>Budget Revenues, of which:</b>	<b>632</b>	<b>543</b>	<b>3,533</b>	<b>3,327</b>	<b>-5.84%</b>
<i>Tax Revenues</i>	447	499	2,614	2,493	-4.66%
<i>Non-Tax Revenues</i>	185	44	919	834	-9.22%
<b>Treasury Receipts</b>	<b>51</b>	<b>25</b>	<b>197</b>	<b>206</b>	<b>4.58%</b>
<b>Total Revenues</b>	<b>683</b>	<b>569</b>	<b>3,730</b>	<b>3,533</b>	<b>-5.29%</b>

Source: MOF, DGF

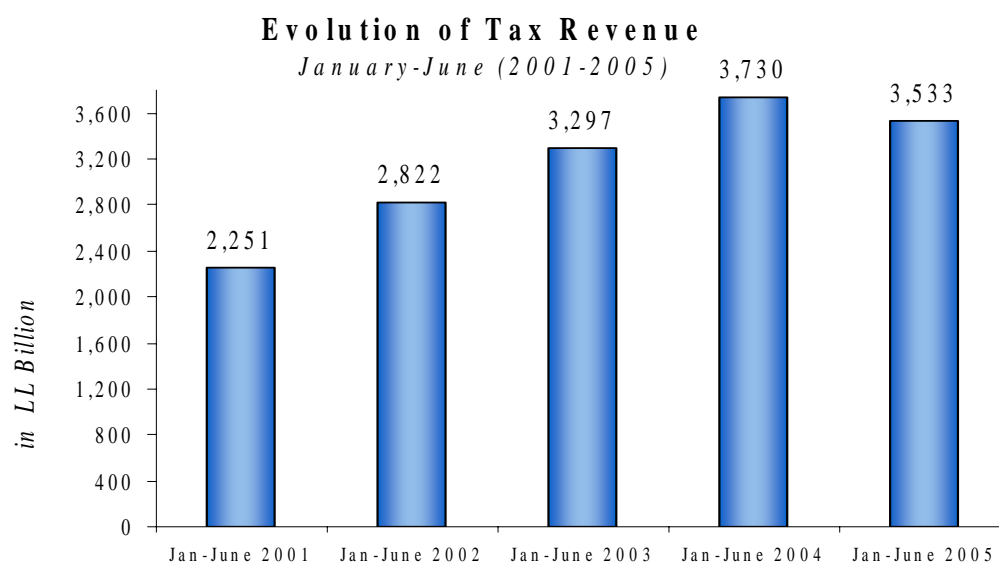
**Table 3. Tax Revenue**

(LL billion)	2004	2005	2004	2005	
	June	June	Jan-June	Jan-June	% Change
<b>Tax Revenues:</b>	<b>447</b>	<b>499</b>	<b>2,614</b>	<b>2,493</b>	<b>-4.66%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>123</b>	<b>219</b>	<b>616</b>	<b>691</b>	<b>12.18%</b>
<i>Income Tax on Profits</i>	90	181	356	353	-0.72%
<i>Income Tax on Wages and Salaries</i>	4	4	82	102	24.47%
<i>Income Tax on Capital Gains &amp; Dividends</i>	10	14	53	54	3.15%
<i>Tax on Interest Income (5%)</i>	18	19	113	173	52.85%
<i>Penalties on Income Tax</i>	1	1	10	6	-37.61%
<b>Taxes on Property, of which:</b>	<b>30</b>	<b>33</b>	<b>176</b>	<b>178</b>	<b>1.05%</b>
<i>Built Property Tax</i>	6	5	59	50	-15.18%
<i>Real Estate Registration Fees</i>	19	23	100	112	11.92%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>132</b>	<b>121</b>	<b>905</b>	<b>866</b>	<b>-4.38%</b>
<i>Value Added Tax</i>	116	106	817	783	-4.22%
<i>Other Taxes on Goods and Services, of which:</i>	16	15	82	79	-4.05%
<i>Private Car Registration Fees</i>	11	10	49	47	-3.30%
<i>Passenger Departure Tax</i>	5	5	33	31	-5.08%
<b>Taxes on International Trade, of which:</b>	<b>138</b>	<b>109</b>	<b>792</b>	<b>648</b>	<b>-18.20%</b>
<i>Customs</i>	46	38	249	228	-8.33%
<i>Excises, of which:</i>	93	71	544	420	-22.72%
<i>Petroleum Tax</i>	49	36	349	233	-33.17%
<i>Tobacco Tax</i>	19	18	92	91	-2.07%
<i>Tax on Cars</i>	24	18	101	95	-6.15%
<b>Other Tax Revenues, of which:</b>	<b>23</b>	<b>18</b>	<b>124</b>	<b>110</b>	<b>-11.82%</b>
<i>Fiscal Stamp Fees</i>	23	17	124	109	-11.85%

Source: MOF, DGF



**Chart 2.**



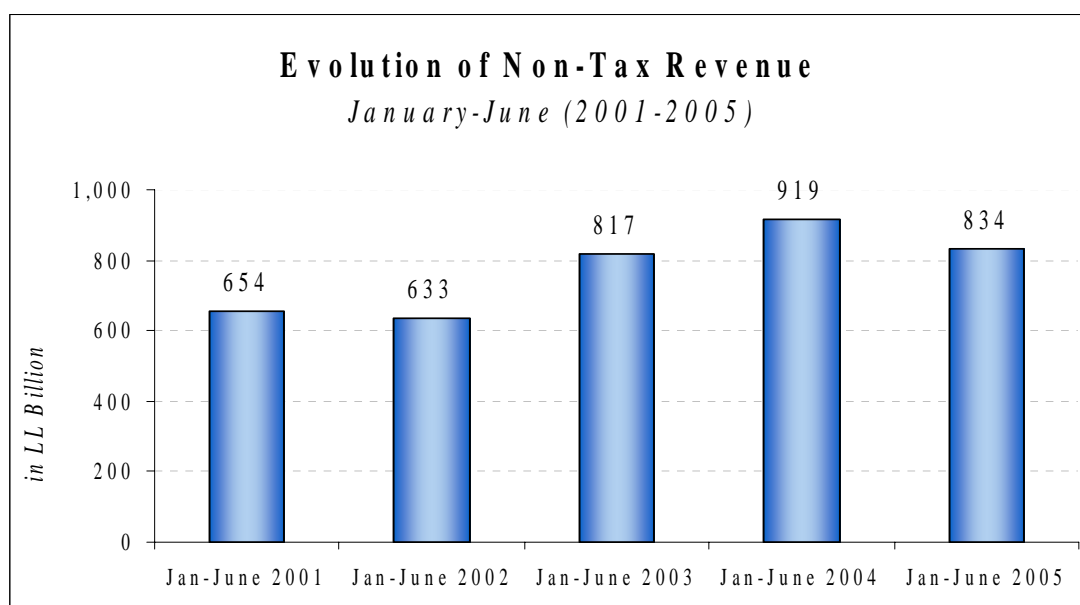
**Table 4. Non Tax Revenues**

(LL billion)	2004	2005	2004	2005	%
	June	June	Jan-June	Jan-June	Change
<b>Non-Tax Revenues</b>	<b>185</b>	<b>44</b>	<b>919</b>	<b>834</b>	<b>-9.22%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>147</b>	<b>9</b>	<b>708</b>	<b>631</b>	<b>-10.87%</b>
Income from Non-Financial Public Enterprises, of which:	143	7	676	609	-9.83%
<i>Revenues from Casino Du Liban</i>	2	4	26	31	17.25%
<i>Revenues from Port of Beirut</i>	0	0	0	33	100.00%
<i>Budget Surplus of National Lottery</i>	5	3	17	20	17.65%
<i>Transfer from the Telecom Surplus</i>	135	0	632	525	-16.91%
Property Income (namely rent of Rafic Hariri International Airport)	3	2	27	19	-6.75%
Other Income from Public Institutions (interest)	1	1	5	2	-28.58%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>30</b>	<b>28</b>	<b>170</b>	<b>158</b>	<b>-6.75%</b>
Administrative Fees, of which:	26	23	133	125	-5.40%
<i>Notary Fees</i>	1	1	8	8	-2.30%
<i>Passport Fees/ Public Security</i>	8	8	41	40	-2.25%
<i>Vehicle Control Fees</i>	12	9	61	55	-10.18%
<i>Judicial Fees</i>	2	2	11	10	-12.72%
<i>Driving License Fees</i>	1	1	6	6	-1.77%
Administrative Charges	1	1	12	9	-24.90%
Sales (Official Gazette and License Number)	0	0	1	1	-5.86%
Permit Fees (mostly work permit fees)	3	3	20	19	-5.83%
Other Administrative Fees & Charges	1	1	4	4	-0.56%
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>-33.12%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>7</b>	<b>7</b>	<b>39</b>	<b>43</b>	<b>11.56%</b>

Source: MOF, DGF

**Chart 3.**





## Section 3: Expenditure Outcome

### Highlights:

Total expenditures reached LL 4,856 billion by the end of June 2005, representing a decrease of 3 percent compared to the first six months of 2004, mainly resulting from a 22.5 percent decrease in debt service payments. Total primary expenditures increased by 10 percent compared to January-June 2004 despite a 33 percent decrease in capital expenditures.

The increase in total primary expenditures was chiefly due to the following:

- Higher transfer to the National Social Security Fund, reaching LL 290 billion by the end of June 2005 compared to LL 59 billion in January-June 2004.
- Increase of 246 percent in EDL spending in January-June 2005 compared to the first six months of 2004, reaching almost LL 433 billion, broken down into the following components (*Please refer to table 7*):
  - Treasury transfers to EDL amounting to LL 295 billion.
  - Treasury advances to water authorities for their accrued electricity bills, amounting to LL 48 billion.
  - Budget transfers amounting to LL 90 billion under the line item "Materials and Supplies" for the settlement of public administrations' accrued electricity bills.

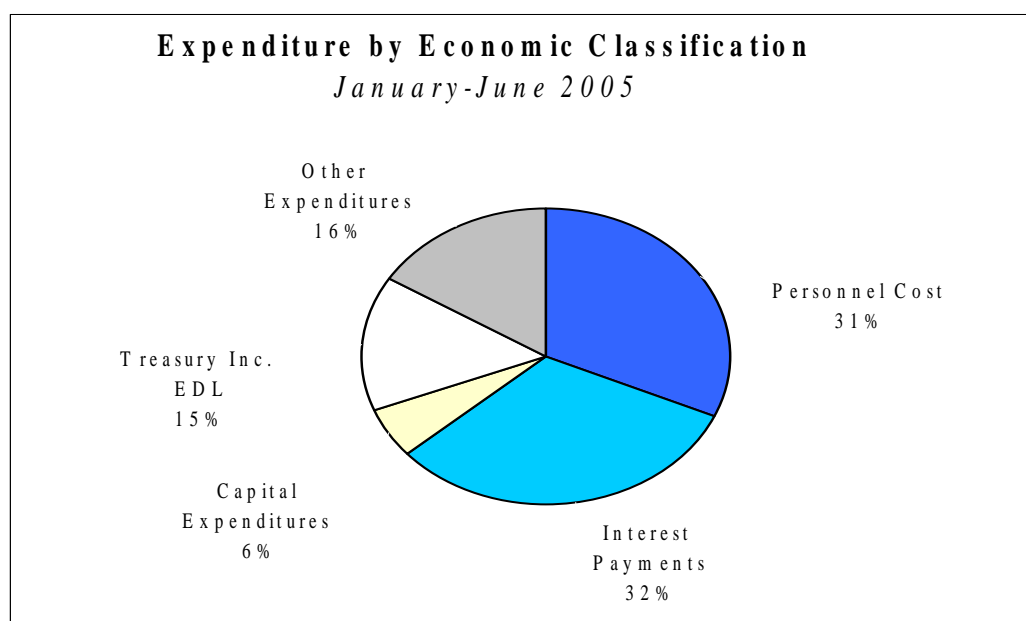


**Table 5. Expenditures by Transaction Classification**

(LL billion)	2004	2005	2004	2005	%
	June	June	Jan-June	Jan-June	Change
<b>Total Expenditures</b>	<b>958</b>	<b>1,123</b>	<b>5,007</b>	<b>4,856</b>	<b>-3.01%</b>
<b>Budget Expenditures</b>	<b>852</b>	<b>933</b>	<b>3,998</b>	<b>3,642</b>	<b>-8.89%</b>
Expenditures Excluding Debt Service	424	623	1,990	2,087	4.88%
Debt Service, of which:	428	309	2,008	1,555	-22.53%
<i>Domestic Debt</i>	<i>177</i>	<i>124</i>	<i>1,178</i>	<i>620</i>	<i>-47.39%</i>
<i>Foreign Debt, of which:</i>	<i>251</i>	<i>185</i>	<i>830</i>	<i>935</i>	<i>12.77%</i>
<i>Eurobond Coupon Interest</i>	<i>221</i>	<i>148</i>	<i>718</i>	<i>804</i>	<i>11.93%</i>
<i>Concessional Loans Principal Payments</i>	<i>20</i>	<i>27</i>	<i>61</i>	<i>71</i>	<i>17.00%</i>
<i>Concessional Loans Interest Payments</i>	<i>11</i>	<i>10</i>	<i>50</i>	<i>50</i>	<i>-1.01%</i>
<b>Treasury Expenditures , of which:</b>	<b>106</b>	<b>190</b>	<b>1,010</b>	<b>1,214</b>	<b>20.26%</b>
<i>Municipalities</i>	<i>12</i>	<i>23</i>	<i>208</i>	<i>166</i>	<i>-20.37%</i>
<i>Previous Years' Appropriations</i>	<i>16</i>	<i>6</i>	<i>430</i>	<i>482</i>	<i>11.91%</i>
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>530</b>	<b>813</b>	<b>2,999</b>	<b>3,301</b>	<b>10.06%</b>

Source: MOF, DGF

**Chart 4.**



**Table 6. Expenditures by Economic Classification**

(LL Billion)	2004 Jan-June	2005 Jan-June	% Change
<b>1. Current Expenditures</b>	<b>3,980</b>	<b>3,857</b>	<b>-3%</b>
1.a Personnel Cost, of which:	1,556	1,540	-1%
Article 13: Salaries and Wages 1/ Retirement and End of Service	1,019	1,030	1%
Compensations	433	416	-4%
1.b Debt service payments	2,008	1,555	-23%
1.c Materials and Supplies 2/	62	121	95%
1.d External Services	53	43	-19%
1.e Various Transfers, of which:	160	434	171%
NSSF	59	290	392%
1.f Other Current, of which:	107	127	19%
Hospitals	91	79	-13%
Others 3/	16	48	200%
1.g Reserves, of which:	33	37	12%
Interest Subsidy	33	37	11%
<b>2. Capital Expenditures</b>	<b>404</b>	<b>269</b>	<b>-33%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	1	3	200%
2.b Equipment	20	11	-45%
2.c Construction in Progress	320	206	-36%
2.d Maintenance	29	28	-3%
2.e Other Expenditures Related to Fixed Capital Assets	33	21	-36%
<b>3. Other Treasury Expenditures</b>	<b>547</b>	<b>705</b>	<b>29%</b>
Municipalities	208	166	-20%
EDL	125	295	136%
Treasury Advances for Water Authorities	0	48	100%
Treasury Advances for Fuel Subsidy	0	12	100%
<b>4. Unclassified Expenditures</b>	<b>17</b>	<b>3</b>	<b>-82%</b>
<b>5. Customs Cashiers</b>	<b>60</b>	<b>21</b>	<b>-65%</b>
<b>6. Total Expenditures 4/</b>	<b>5,007</b>	<b>4,856</b>	<b>-3%</b>

Sources: Statement of Account 36, Cashier Spending, Public Debt Department Figures, Fiscal Performance and Gross Adjustment Figures

1/ Includes the wages and salaries for the Council of the South, the Lebanese University, the Displaced Council, the Council for Reconstruction and Development, and the Educational Center for Research and Development.

2/ LL 90 billion were paid to EDL in accordance with law # 672 (17-02-05) to reimburse accrued electricity bills on behalf of public administrations..

3/ LL32 billion were paid to the Ministry of Education in settlement of arbitration decisions related to contractual teachers' wages & salaries

4/ Excluding foreign financed capital spending.



**Table 7. Transfers to EDL**

(LL billion)	2004 Jan- June	2005 Jan-June	% Change
<b>EDL of which:</b>	<b>125</b>	<b>433</b>	<b>136.0%</b>
<b>Debt Service of which:</b>	<b>125</b>	<b>113</b>	<b>-9.4%</b>
C-Loans and Eurobonds, of which:	91	113	23.8%
Principal Payment	67	77	14.0%
Interest Payment	24	36	51.1%
Loans for Fuel Oil Payment	33	0	-100.0%
BDL Guaranteed Loan Payment	0	0	0.0%
<b>Treasury Advance for Fuel Purchase</b>	<b>0</b>	<b>127</b>	<b>100.0%</b>
<b>Treasury Advance for EDL' s Losses</b>	<b>0</b>	<b>55</b>	<b>100.0%</b>
<b>Material and supplies (electricity bills) 1/</b>		<b>90</b>	<b>100.0%</b>
<b>Treasury advance to water authorities 2/</b>		<b>48</b>	<b>100.0%</b>
<b>Expropriations</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>

Source: MOF, DGF

1/ LL 90 billion were paid to EDL in accordance with law # 672 (17-02-05) to reimburse accrued electricity bills on behalf of public administrations

2/ Treasury advance to water authorities for their accrued electricity bills





## Section 4: Public Debt

### Highlights:

**Gross Public debt** as of end-June 2005 amounted to LL 54,404 billion (US\$ 36 billion) registering a LL 356 billion or 0.7 percent increase over the end-Dec 2004 debt level. The domestic debt component of public debt amounted to LL 26,751 billion, increasing by LL 380 billion or 1.4%. Commercial bank appetite for Lebanese Pound denominated Treasury bills was strong in June 2005 following a period of low appetite due to the uncertainty caused by the tragic assassination of late Prime Minister Hariri and the political uncertainty that followed. During June 2005, commercial banks subscribed to LL 817 billion of Treasury bills.

Foreign currency debt amounted to LL 27,652 billion (US\$ 18.3 billion) as of end-June 2005 and declined slightly by LL 27 billion over the end-December 2004 level mainly due to the revaluation effect of the Euro/US\$ exchange rate. The Treasury raised **US\$ 1.75 billion** during the first half of the year and total foreign currency payments (both principal and interest payments) made during the same period (from the Eurobonds issued and the surplus Treasury accounts) amounted to US\$ 2.2 billion (including US\$ 700 million of zero interest Eurobonds which were fully repaid).

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

(in LL Billion)	Dec-02	Dec-03	Dec-04	Jun-05	Change Dec-04-Jun- 05	% Change Dec-04- June 05
<b>Total Debt</b>	<b>47,276</b>	<b>50,285</b>	<b>54,042</b>	<b>54,404</b>	<b>362</b>	<b>0.7%</b>
<b>Domestic Debt</b>	<b>25,302</b>	<b>26,843</b>	<b>26,371</b>	<b>26,751</b>	<b>380</b>	<b>1.4%</b>
a. Central Bank, of which: 1/ <i>Repurchase Agreements</i>	723 7.4	8,938 1	10,652 0	13,152 19	2,500	23.5%
b. Commercial Banks	17,211	12,303	12,220	10,522	-1,698	-13.9%
c. Other Domestic Debt, of which: <i>Public Entities</i>	7,368 3,221	5,603 2,564	3,500 2,187	3,078 2,182	-422 -5	-12.1% -0.2%
<b>Foreign debt</b>	<b>21,974</b>	<b>23,442</b>	<b>27,671</b>	<b>27,652</b>	<b>-18</b>	<b>-0.1%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loan	2,752	2,934	2,963	2,895	-69	-2.3%
b. Paris II Related FX Debt	1,432	3,731	3,815	3,697	-117	-3.1%
c. BDL Eurobonds	2,819	2,819	2,819	2,819	0	0.0%
d. Market Eurobonds	14,569	13,632	17,686	17,824	138	0.8%
e. Accrued Interest on Foreign Currency Debt	402	327	388	417	29	7.6%
<b>Public Sector Deposits</b>	<b>2,964</b>	<b>3,019</b>	<b>4,360</b>	<b>4,276</b>	<b>-83</b>	<b>-1.9%</b>
<b>Net Debt</b>	<b>44,312</b>	<b>47,266</b>	<b>49,682</b>	<b>50,127</b>	<b>445</b>	<b>0.9%</b>
<b>Gross Market Debt 2/</b>	<b>36,765</b>	<b>29,638</b>	<b>31,861</b>	<b>29,893</b>	<b>-1,968</b>	<b>-6.2%</b>
<b>% of Total Debt</b>	<b>78%</b>	<b>59%</b>	<b>59%</b>	<b>55%</b>		

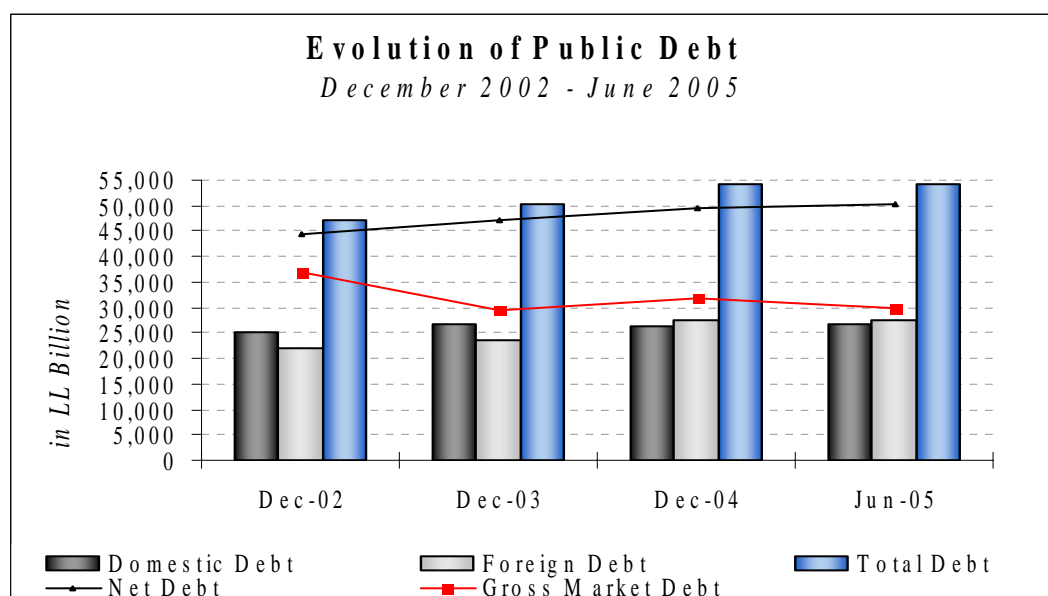
Source: MOF, Banque du Liban

1/ 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.



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

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