

# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

## May 2005

### Section 1: Fiscal Overview

#### Highlights:

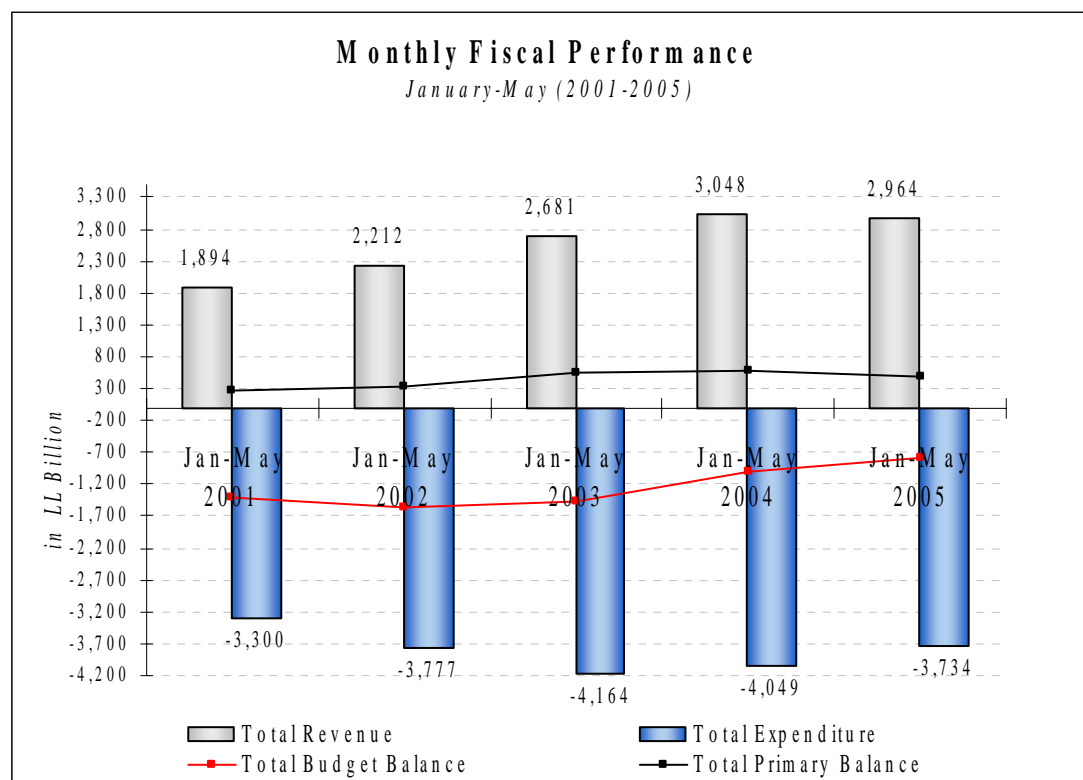
The January-May 2005 period was marked by a 23 percent improvement in the total balance, which registered a LL 770 billion deficit compared to a LL 1001 billion deficit in the first five months of 2004. This reduction in the total deficit occurred despite the 2.7 percent decrease in total receipts, and resulting from the 7.8 percent decrease in total payments.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2004 May	2005 May	2004 Jan-May	2005 Jan-May	Change 2004- 2005	% Change
Budget Revenue	655	588	2,901	2,783	-118	-4.1%
Budget Expenditures	802	626	3,146	2,710	-436	-13.9%
<i>o/w Debt Service</i>	353	334	1,580	1,246	-334	-21.1%
<b>Budget Deficit/Surplus</b>	<b>-147</b>	<b>-38</b>	<b>-244</b>	<b>73</b>	<b>318</b>	<b>-130.1%</b>
in % of Budget Expenditures	-18.3%	-6.1%	-7.8%	2.7%		
<b>Budget Primary Deficit/Surplus</b>	<b>206</b>	<b>296</b>	<b>1,335</b>	<b>1,319</b>	<b>-16</b>	<b>-1.2%</b>
in % of Budget Expenditures	25.7%	47.3%	42.5%	48.7%		
Treasury Receipts	26	25	146	181	35	23.7%
Treasury Payments	100	175	903	1,024	121	13.4%
Total Budget and Treasury Receipts	681	613	3,048	2,964	-84	-2.7%
Total Budget and Treasury Payments	902	801	4,049	3,734	-315	-7.8%
<b>Total Cash Deficit/Surplus</b>	<b>-220</b>	<b>-189</b>	<b>-1,001</b>	<b>-770</b>	<b>231</b>	<b>-23.1%</b>
in % of Total Expenditures	-24.4%	-23.5%	-24.7%	-20.6%		
<b>Primary Deficit/Surplus</b>	<b>133</b>	<b>145</b>	<b>578</b>	<b>476</b>	<b>-102</b>	<b>-17.7%</b>
in % of Total Expenditures	14.8%	18.1%	14.3%	12.8%		

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 five months of 2005 witnessed a 2.7 percent decrease compared to the same period in 2004. This weaker performance is mainly due to lower tax revenues by 8 percent. The overall decrease in tax revenues is coming from:

- Lower tax revenues on income profits and capital gains by 4 percent
- Decrease of 17.6 percent in taxes on international trade (custom duties and excises)
- Decline of 4 percent in domestic taxes on goods and services
- Drop of 9 percent in revenues from fiscal stamps fees

**Table 2. Total Revenue**

(LL billion)	2004	2005	2004	2005	%
	May	May	Jan-May	Jan-May	Change
<b>Budget Revenues, of which:</b>	<b>655</b>	<b>588</b>	<b>2,901</b>	<b>2,783</b>	<b>-4.07%</b>
Tax Revenues	544	391	2,168	1,993	-8.04%
Non-Tax Revenues	112	197	734	790	7.63%
<b>Treasury Receipts</b>	<b>26</b>	<b>25</b>	<b>146</b>	<b>181</b>	<b>23.66%</b>
<b>Total Revenues</b>	<b>681</b>	<b>613</b>	<b>3,048</b>	<b>2,964</b>	<b>-2.74%</b>

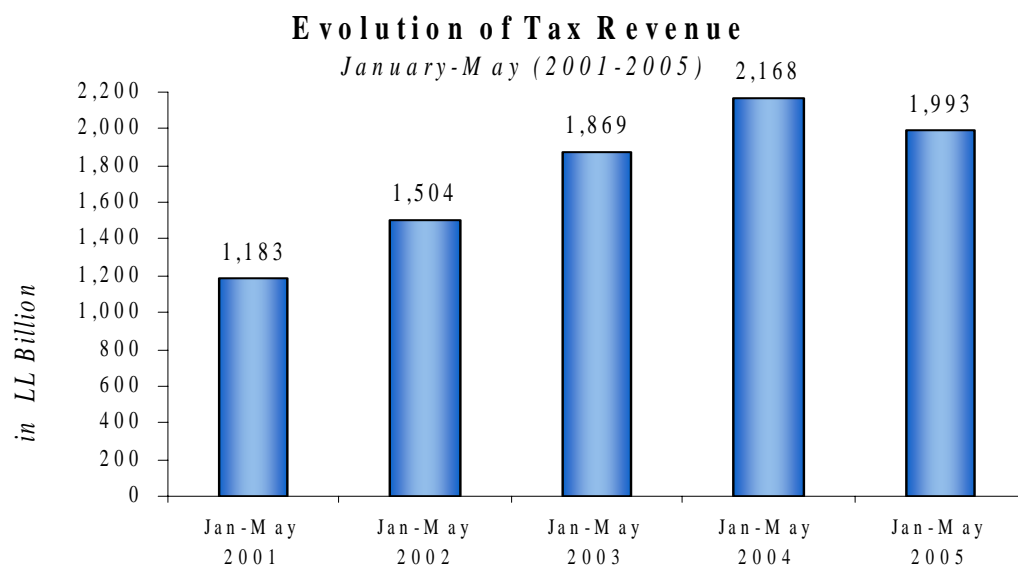
Source: MOF, DGF



**Table 3. Tax Revenues**

(LL billion)	2004 May	2005 May	2004 Jan-May	2005 Jan-May	% Change
<b>Tax Revenues:</b>	<b>544</b>	<b>391</b>	<b>2,167</b>	<b>1,993</b>	<b>-8.06%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>230</b>	<b>135</b>	<b>493</b>	<b>473</b>	<b>-4.16%</b>
<i>Income Tax on Profits</i>	183	84	266	172	-35.11%
<i>Income Tax on Wages and Salaries</i>	4	2	78	99	26.71%
<i>Income Tax on Capital Gains &amp; Dividends</i>	23	20	42	41	-4.24%
<i>Tax on Interest Income (5%)</i>	18	28	95	154	60.97%
<i>Penalties on Income Tax</i>	1	1	10	5	-45.21%
<b>Taxes on Property, of which:</b>	<b>27</b>	<b>30</b>	<b>146</b>	<b>146</b>	<b>-0.20%</b>
<i>Built Property Tax</i>	5	4	52	44	-15.14%
<i>Real Estate Registration Fees</i>	19	24	81	88	9.59%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>144</b>	<b>101</b>	<b>773</b>	<b>744</b>	<b>-3.79%</b>
<i>Value Added Tax</i>	128	87	701	677	-3.51%
<i>Other Taxes on Goods and Services, of which:</i>	16	14	66	63	-3.71%
<i>Private Car Registration Fees</i>	7	9	38	37	-3.34%
<i>Passenger Departure Tax</i>	8	5	27	26	-4.32%
<b>Taxes on International Trade, of which:</b>	<b>125</b>	<b>110</b>	<b>654</b>	<b>539</b>	<b>-17.60%</b>
<i>Customs</i>	42	39	203	190	-6.38%
<i>Excises, of which:</i>	83	70	451	349	-22.65%
<i>Petroleum Tax</i>	48	36	300	197	-34.19%
<i>Tobacco Tax</i>	16	17	73	73	-0.47%
<i>Tax on Cars</i>	18	17	76	77	0.76%
<b>Other Tax Revenues, of which:</b>	<b>19</b>	<b>18</b>	<b>102</b>	<b>92</b>	<b>-9.34%</b>
<i>Fiscal Stamp Fees</i>	19	15	101	92	-9.36%

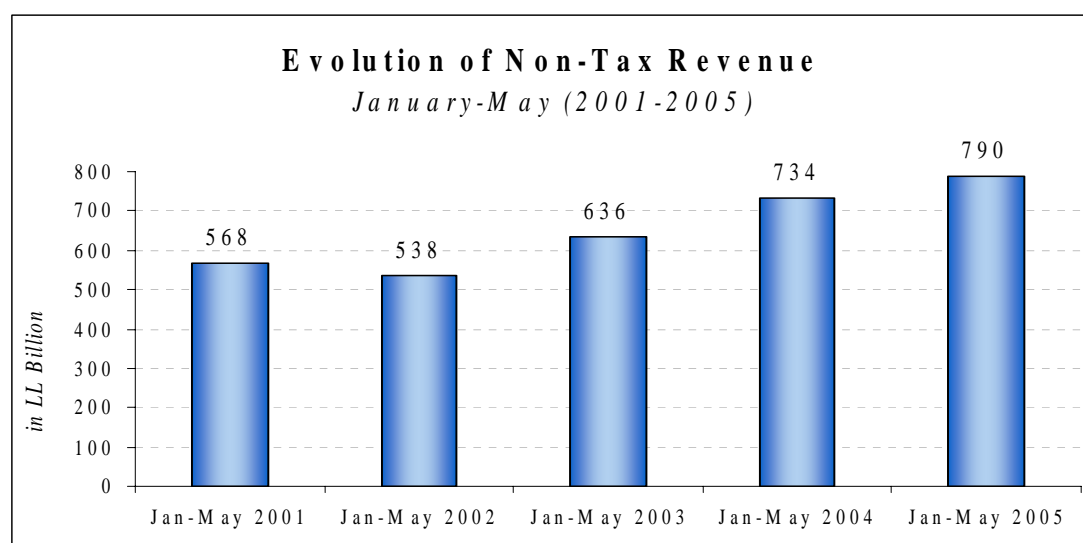
Source: MOF, DGF

**Chart 2.**

**Table 4. Non Tax Revenues**

(LL billion)	2004	2005	2004	2005	%
	May	May	Jan-May	Jan-May	Change
<b>Non-Tax Revenues</b>	<b>111</b>	<b>197</b>	<b>734</b>	<b>790</b>	<b>7.63%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>77</b>	<b>162</b>	<b>561</b>	<b>622</b>	<b>10.91%</b>
Income from Non-Financial Public Enterprises, of which:	76	160	533	603	13.10%
<i>Revenues from Casino Du Liban</i>	8	3	24	27	14.19%
<i>Revenues from Port of Beirut</i>				33	
<i>Budget Surplus of National Lottery</i>	2	6	12	17	41.67%
<i>Transfer from the Telecom Surplus</i>	65	151	496	525	5.74%
Property Income (namely rent of Beirut International Airport)	1	2	23	17	-6.39%
Other Income from Public Institutions (interests)	0	0	4	2	-26.12%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>28</b>	<b>28</b>	<b>139</b>	<b>131</b>	<b>-6.39%</b>
Administrative Fees, of which:	23	23	107	102	-4.34%
<i>Notary Fees</i>	2	1	7	7	-4.05%
<i>Passport Fees/ Public Security</i>	7	7	33	32	-1.25%
<i>Vehicle Control Fees</i>	11	11	49	45	-7.38%
<i>Judicial Fees</i>	2	2	9	8	-16.71%
<i>Driving License Fees</i>	1	1	5	5	-4.41%
Administrative Charges	1	1	12	9	-25.45%
Sales (Official Gazette and License Number)	0	0	1	1	-9.10%
Permit Fees (mostly work permit fees)	4	3	17	16	-6.66%
Other Administrative Fees & Charges	0	1	3	3	-3.20%
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>-35.32%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>6</b>	<b>7</b>	<b>32</b>	<b>36</b>	<b>14.03%</b>

Source: MOF, DGF

**Chart 3.**

## Section 3: Expenditure Outcome

### Highlights:

Total expenditures reached LL 3,734 billion by the end of May 2005, representing a 7.8 percent decrease compared to the first five months of 2004. This decline resulted mainly from a 21 percent decrease in debt service payments, a 32 percent decrease in capital expenditures, despite the 5.5 percent in current expenditures excluding debt service and the 84 percent rise in direct subsidies to EDL.

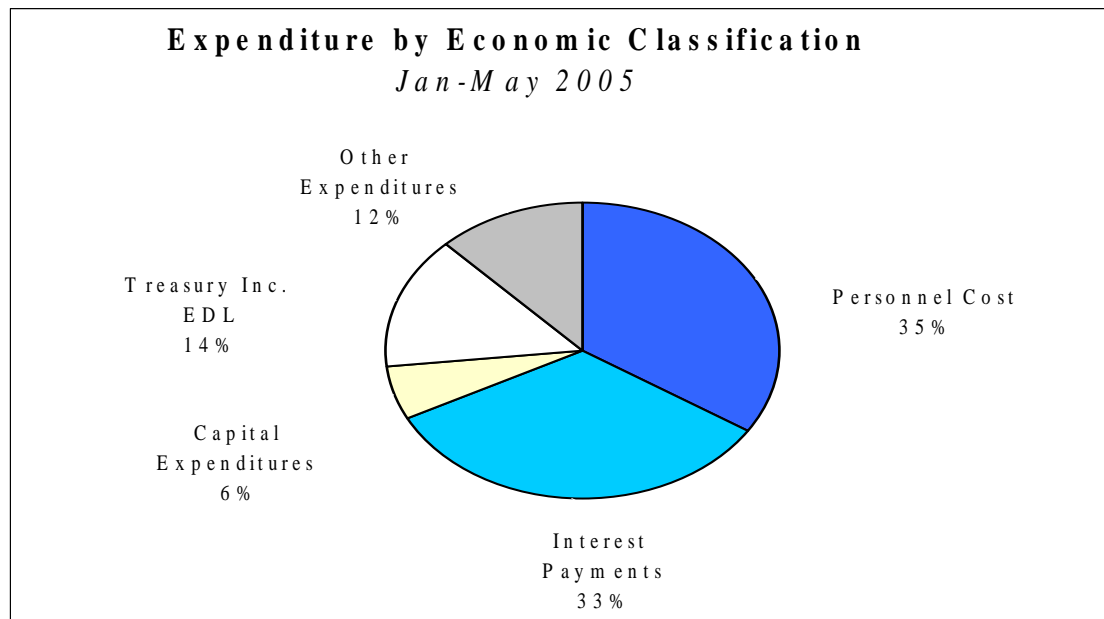
**Table 5. Expenditures by Transaction Classification**

(LL billion)	2004	2005	2004	2005	%
	May	May	Jan-May	Jan-May	Change
<b>Total Expenditures</b>	<b>902</b>	<b>801</b>	<b>4,049</b>	<b>3,734</b>	<b>-7.78%</b>
<b>Budget Expenditures</b>	<b>802</b>	<b>626</b>	<b>3,146</b>	<b>2,710</b>	<b>-13.85%</b>
Expenditures Excluding Debt Service	449	292	1,566	1,464	-6.52%
Debt Service, <i>of which</i> :	353	334	1,580	1,246	-21.12%
<i>Domestic Debt</i>	244	95	1,001	495	-50.53%
<i>Foreign Debt, of which</i> :	110	238	578	750	29.81%
<i>Eurobond coupon interest</i>	98	227	498	656	31.88%
<i>Concessional loans principal payments</i>	8	8	41	44	6.05%
<i>Concessional loans interest payments</i>	4	4	39	40	2.41%
<b>Treasury Expenditures , of which:</b>	<b>100</b>	<b>175</b>	<b>903</b>	<b>1,024</b>	<b>13.36%</b>
<i>Municipalities</i>	21	33	196	143	-27.03%
<i>Previous Years' Appropriations</i>	3	2	414	476	15.01%
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>548</b>	<b>468</b>	<b>2,469</b>	<b>2,488</b>	<b>0.75%</b>

Source: MOF, DGF



**Chart 4.**



**Table 6. Expenditures by Economic Classification**

(LL Billion)	2004 Jan-May	2005 Jan-May	% Change
<b>1. Current Expenditures</b>	<b>3,205</b>	<b>2,961</b>	<b>-8%</b>
1.a Personnel Cost, <i>of which:</i>	1,289	1,271	-1%
<i>Article 13: Salaries and Wages 1/</i>	847	856	1%
<i>Retirement and End of Service Compensations</i>	362	337	-7%
1.b Interest Payments	1,580	1,246	-21%
1.c Materials and Supplies 2/	46	113	147%
1.d External Services	42	32	-25%
1.e Various Transfers, <i>of which:</i>	123	146	19%
<i>NSSF</i>	44	50	14%
1.f Other Current, <i>of which:</i>	92	117	26%
<i>Hospitals</i>	79	70	-11%
<i>Others 3/</i>	13	47	255%
1.g Reserves, <i>of which:</i>	33	36	10%
<i>Interest Subsidy</i>	33	36	10%
<b>2. Capital Expenditures</b>	<b>318</b>	<b>217</b>	<b>-32%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	1	2	111%
2.b Equipment	14	7	-47%
2.c Construction in Progress	254	173	-32%
2.d Maintenance	26	25	-1%
2.e Other Expenditures Related to Fixed Capital Assets	24	10	-58%
<b>3. Other Treasury Expenditures of which:</b>	<b>467</b>	<b>541</b>	<b>16%</b>
Municipalities	196	143	-27%
EDL	86	159	84%
Treasury Advances for Water Authorities		48	100%
Treasury Advances for Fuel Subsidy		12	100%
<b>4. Unclassified Expenditures</b>	<b>15</b>	<b>5</b>	<b>-67%</b>
<b>5. Customs Cashiers</b>	<b>43</b>	<b>10</b>	<b>-76%</b>
<b>6. Total Expenditures 4/</b>	<b>4,049</b>	<b>3,734</b>	<b>-8%</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 (note that the LL 90 billion are not part of table 7).

3/ LL32bn 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	2005	
	Jan-May	Jan-May	% Change
<b>EDL of which:</b>	<b>86</b>	<b>159</b>	<b>84.3%</b>
<b>Debt Service of which:</b>	<b>86</b>	<b>52</b>	<b>-40.3%</b>
C-Loans and Eurobonds, of which:	53	52	-2.6%
Principal Payment	37	38	2.5%
Interest Payment	16	14	-14.0%
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>108</b>	<b>100.0%</b>
<b>Expropriations</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>

Source: MOF, DGF





## Section 4: Public Debt

### Highlights:

The first five months of 2005 witnessed a LL 301 billion decline in total public debt, mainly as a result of a LL 204 billion decrease in the foreign debt component, despite the fact that Eurobonds issued during the first five months of the year (US\$ 1.25 billion) exceeded the principal amount of Eurobonds repaid (US\$ 1.21 billion) during the same period. The decline in foreign currency debt is therefore attributed to the revaluation effect of the Euro/US Dollar exchange rate between end-December 2004 and end-May 2005.

Domestic debt declined by LL 97 billion as the Treasury utilized its surplus accounts to repay a portion of Treasury bills falling due in addition to settling maturing interest payments.

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

(in LL Billion)	Dec-02	Dec-03	Dec-04	May-05	Change Dec-04- May-05	% Change Dec-04- May-05
<b>Total Debt (1)</b>	<b>47,276</b>	<b>50,285</b>	<b>54,042</b>	<b>53,747</b>	-301	-0.6%
<b>Domestic Debt</b>	<b>25,302</b>	<b>26,843</b>	<b>26,371</b>	<b>26,275</b>	-97	-0.4%
a. Central Bank, of which:	723	8,938	10,652	13,492	2,840	26.7%
<i>Repurchase Agreements</i>	7	1	0	34	34	
b. Commercial Banks	17,211	12,303	12,220	9,706	-2,514	-20.6%
c. Other Domestic Debt, of which:	7,368	5,603	3,500	3,078	-422	-12.1%
<i>Public Entities</i>	3,221	2,564	2,187	2,194	7	0.3%
<b>Foreign debt</b>	<b>21,974</b>	<b>23,442</b>	<b>27,671</b>	<b>27,473</b>	-204	-0.7%
a. Bilateral, Multilateral and Foreign Private Sector Loan	2,752	2,934	2,963	2,895	-75	-2.5%
b. Paris II Related FX Debt	1,432	3,731	3,815	3,718	-97	-2.5%
c. BDL Eurobonds	2,819	2,819	2,819	2,819	0	0.0%
d. Market Eurobonds	14,569	13,632	17,686	17,621	-65	-0.4%
e. Accrued Interest on Foreign Currency Debt	402	327	388	420	33	8.4%
<b>Public Sector Deposits</b>	<b>2,964</b>	<b>3,019</b>	<b>4,360</b>	<b>3,522</b>	-838	-19.2%
<b>Net Debt (2)</b>	<b>44,312</b>	<b>47,266</b>	<b>49,682</b>	<b>50,226</b>	537	1.1%
<b>Gross Market Debt (3)</b>	<b>36,765</b>	<b>29,638</b>	<b>31,861</b>	<b>28,865</b>	-2,996	-9.4%
<b>% of Total Debt</b>	<b>78%</b>	<b>59%</b>	<b>59%</b>	<b>54%</b>		

Source: MOF, Banque du Liban

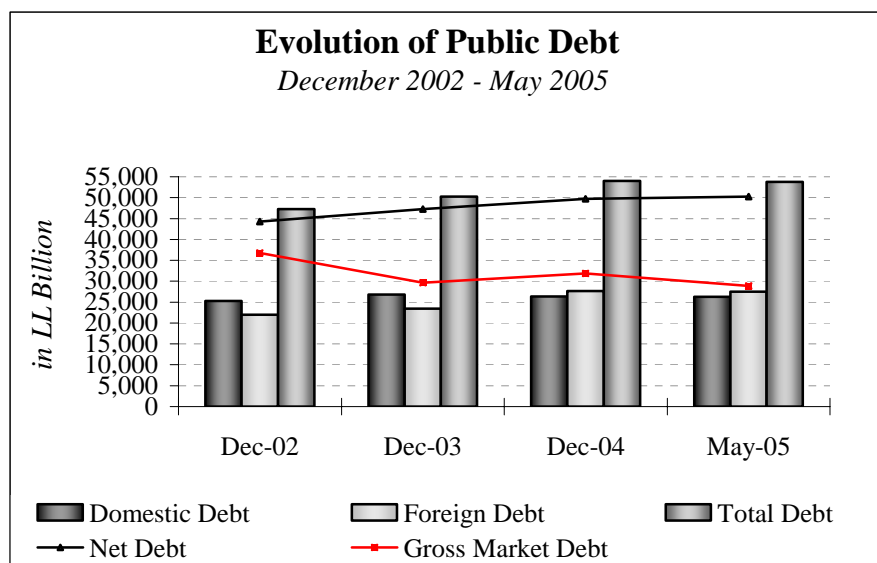
(1) Total debt equals domestic debt plus foreign debt

(2) Net public debt is defined as the gross public debt less public sector deposits.

(3) Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, and Paris II related debt.



**Chart 5.**





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