

Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

November 2005

Section 1: Fiscal Overview

Highlights:

Over the first 11 months of 2005, the total fiscal balance improved by 13 percent, registering a deficit of LL 2,390 billion compared to LL 2,754 billion for January-November 2004. This resulted from a 3.4 percent decrease in total payments and a near 1 percent increase in total receipts. As for the primary surplus, it amounted to LL 749 billion over January-November 2005, almost 15 percent lower than the primary surplus for the same period of 2004. However, the fiscal situation has been improving steadily compared to the first half of 2005, as the year-on-year shortfall in the primary surplus has been gradually shrinking since August 2005. The primary surplus for January-November 2005 is still lagging compared to last year's due to an increase of LL 166 billion in primary spending, largely driven by the annual increase in transfers to EDL and NSSF.

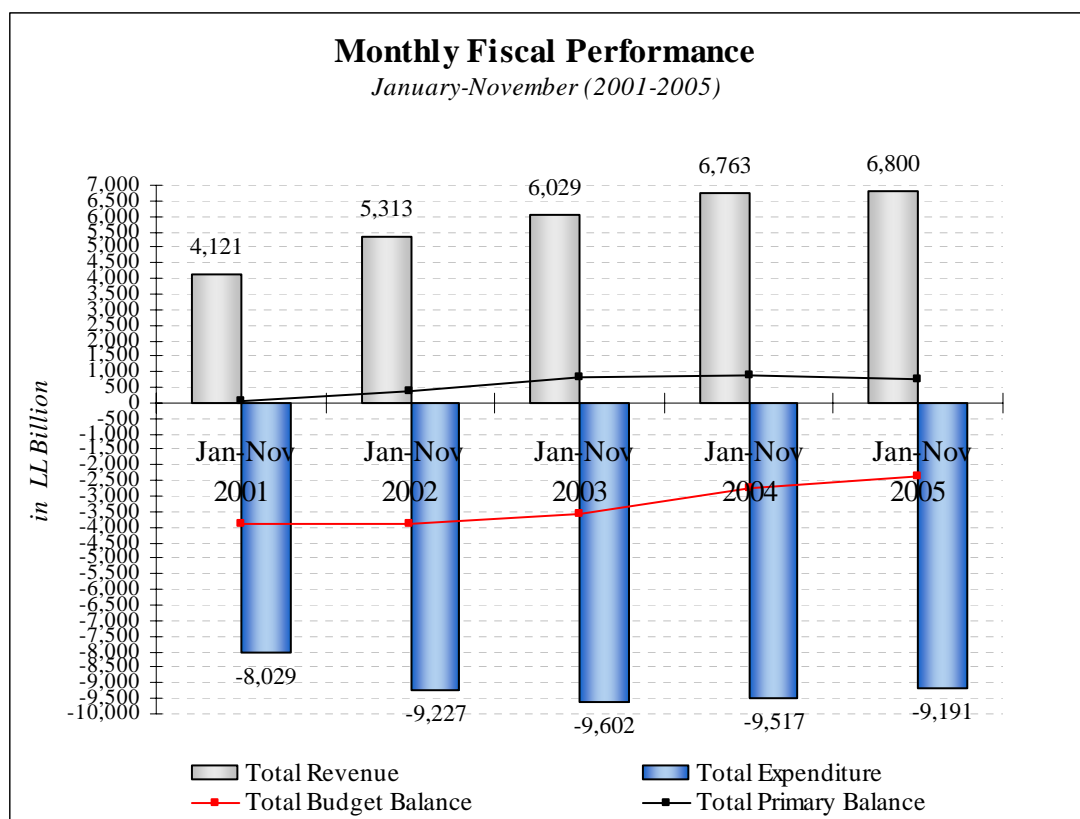
During November 2005, total revenues equaled LL 575 billion, and total expenditures reached LL 908 billion. Hence, November witnessed a total deficit of LL 334 billion, which accounted for 37 percent of expenditures, compared to 43 percent of expenditures in November 2004. As for the primary surplus, it equaled LL 1 billion, compared to a primary deficit of LL 4 billion in 2004.

Table 1. Summary of Fiscal Performance

(LL billion)	2004	2005	2004	2005	Change	
	November	November	Jan-Nov	Jan-Nov	2004-2005	% Change
Budget Revenue	412	553	6,354	6,416	62	1.0%
Budget Expenditures	726	721	7,668	7,153	-515	-6.7%
<i>o/w Debt Service</i>	354	334	3,632	3,139	-493	-13.6%
Budget Deficit/Surplus	-314	-168	-1314	-737	577	-43.9%
in % of Budget Expenditures	-43.3%	-23.3%	-17.1%	-10.3%		
Budget Primary Deficit/Surplus	39	167	2,319	2,403	84	3.6%
in % of Budget Expenditures	5.4%	23.1%	30.2%	33.6%		
Treasury Receipts	66	21	409	384	-24	-6.0%
Treasury Payments	109	187	1,849	2,038	188	10.2%
Total Budget and Treasury Receipts	478	575	6,763	6,800	37	0.6%
Total Budget and Treasury Payments	835	908	9,517	9,191	-327	-3.4%
Total Cash Deficit/Surplus	-357	-334	-2,754	-2,390	364	-13.2%
in % of Total Expenditures	-42.8%	-36.7%	-28.9%	-26.0%		
Primary Deficit/Surplus	-4	1	878	749	-129	-14.7%
in % of Total Expenditures	-0.4%	0.1%	9.2%	8.2%		

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

Chart 1. Fiscal Performance



Section 2: Revenue Outcome

Highlights:

Total revenues of LL 6,800 billion were collected by the Treasury during the first eleven months of 2005, representing almost a 1 percent increase compared to the same period of 2004. This improvement in receipts is mainly due an increase in Budget revenues of almost 1 percent (or LL 62 billion), which offset the 6 percent (or LL 24 billion) drop in Treasury revenues. This increase in budget revenues stems from an almost 17 percent rise (equivalent to approximately LL 277 billion), in non-tax revenues, outgrowing the 4.6 percent decline (equivalent to LL 214 billion) in tax revenues.

- **Tax revenues** equaled LL 4,489 billion over January-November 2005, compared to LL 4,703 billion during the same period of 2004. This 5 percent drop is mainly due to the weak performance of taxes on international trade (customs and excises), which witnessed a near 21 percent (or LL 306 billion) drop in revenues. This decline is largely owed to the loss in fuel excise revenues incurred by the Treasury from the cap on gasoline prices, and the weaker performance of imports (those subject to customs duties) compared to last year. The loss in revenues from international trade taxes largely offset the improvement witnessed on the income tax front, which saw total collection rise by 17 percent compared to January-November of 2004. Furthermore, revenues from Fiscal Stamps also dropped by 11 percent (or LL 28 billion) by November 2005 compared to the same period of last year.



- ☒ The improvement in **non-tax revenues** is mainly due to 23 percent higher transfers from government properties and public institutions, primarily from the Telecom Budget surplus and the Port of Beirut, by LL 220 billion and LL 58 billion respectively.

Table 2. Total Revenue

(LL billion)	2004 November	2005 November	2004 Jan-Nov	2005 Jan-Nov	% Change
Budget Revenues, of which:	412	553	6,354	6,416	0.97%
<i>Tax Revenues</i>	<i>321</i>	<i>322</i>	<i>4,703</i>	<i>4,489</i>	<i>-4.56%</i>
<i>Non-Tax Revenues</i>	<i>91</i>	<i>231</i>	<i>1,651</i>	<i>1,928</i>	<i>16.75%</i>
Treasury Receipts	66	21	409	384	-5.99%
Total Revenues	478	575	6,763	6,800	0.55%

Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2004 November	2005 November	2004 Jan-Nov	2005 Jan-Nov	% Change
Tax Revenues:	321	322	4,703	4,489	-4.56%
Taxes on Income, Profits, & Capital Gains, of which:	36	50	856	1,002	17.07%
<i>Income Tax on Profits</i>	<i>4</i>	<i>8</i>	<i>395</i>	<i>396</i>	<i>0.36%</i>
<i>Income Tax on Wages and Salaries</i>	<i>2</i>	<i>2</i>	<i>156</i>	<i>182</i>	<i>16.51%</i>
<i>Income Tax on Capital Gains & Dividends</i>	<i>9</i>	<i>1</i>	<i>77</i>	<i>91</i>	<i>18.91%</i>
<i>Tax on Interest Income (5%)</i>	<i>19</i>	<i>36</i>	<i>209</i>	<i>315</i>	<i>50.17%</i>
<i>Penalties on Income Tax</i>	<i>1</i>	<i>2</i>	<i>16</i>	<i>15</i>	<i>-4.09%</i>
Taxes on Property, of which:	33	32	346	343	-0.62%
<i>Built Property Tax</i>	<i>8</i>	<i>6</i>	<i>93</i>	<i>81</i>	<i>-12.15%</i>
<i>Real Estate Registration Fees</i>	<i>23</i>	<i>23</i>	<i>219</i>	<i>231</i>	<i>5.43%</i>
Domestic Taxes on Goods & Services, of which:	114	114	1,786	1,762	-1.33%
<i>Value Added Tax</i>	<i>103</i>	<i>103</i>	<i>1,599</i>	<i>1,579</i>	<i>-1.21%</i>
<i>Other Taxes on Goods and Services, of which:</i>	<i>11</i>	<i>12</i>	<i>174</i>	<i>172</i>	<i>-0.80%</i>
<i>Private Car Registration Fees</i>	<i>8</i>	<i>9</i>	<i>98</i>	<i>97</i>	<i>-1.44%</i>
<i>Passenger Departure Tax</i>	<i>3</i>	<i>3</i>	<i>73</i>	<i>74</i>	<i>1.06%</i>
Taxes on International Trade, of which:	124	110	1,467	1,161	-20.89%
<i>Customs</i>	<i>46</i>	<i>43</i>	<i>479</i>	<i>439</i>	<i>-8.24%</i>
<i>Excises, of which:</i>	<i>78</i>	<i>67</i>	<i>989</i>	<i>722</i>	<i>-27.01%</i>
<i>Petroleum Tax</i>	<i>41</i>	<i>25</i>	<i>592</i>	<i>340</i>	<i>-42.62%</i>
<i>Tobacco Tax</i>	<i>15</i>	<i>19</i>	<i>182</i>	<i>173</i>	<i>-4.99%</i>
<i>Tax on Cars</i>	<i>22</i>	<i>23</i>	<i>210</i>	<i>205</i>	<i>-2.52%</i>
Other Tax Revenues (namely fiscal stamp fees)	14	16	248	220	-11.41%

Source: MOF, DGF



Chart 2.

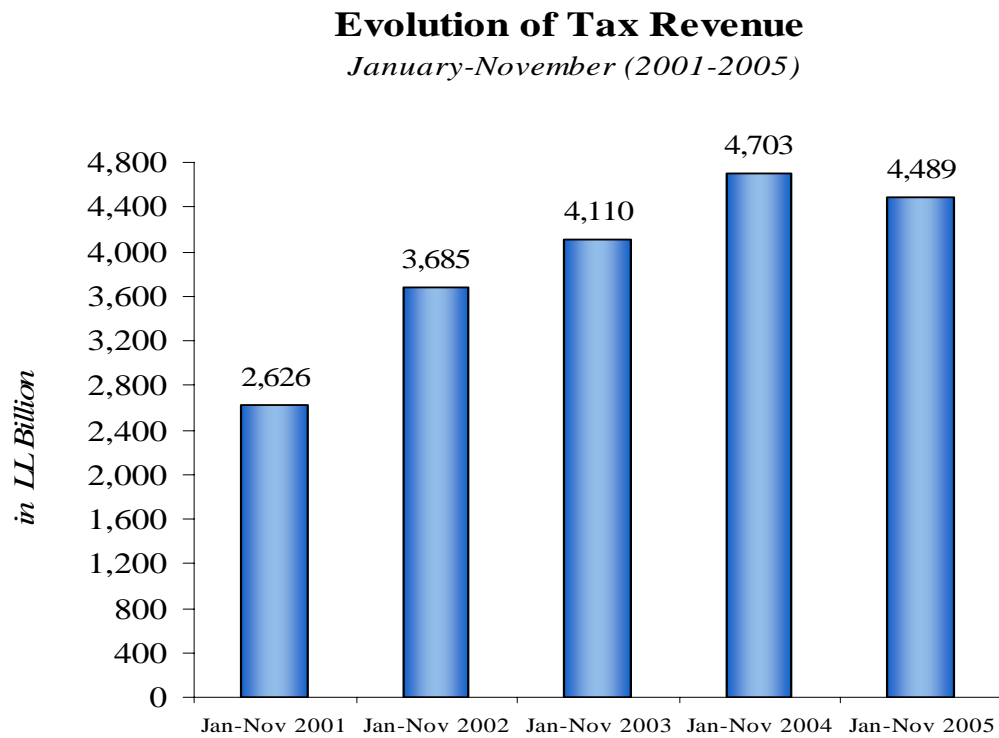


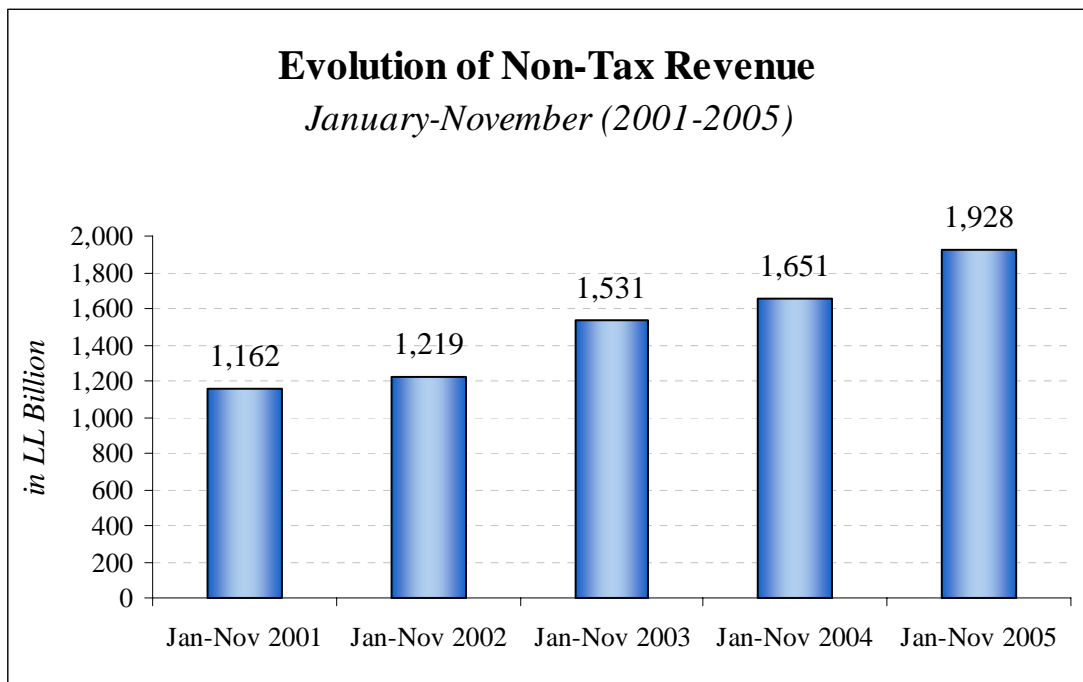
Table 4. Non-Tax Revenue

(LL billion)	2004	2005	2004	2005	%
	November	November	Jan-Nov	Jan-Nov	Change
Non-Tax Revenues	91	231	1,651	1,928	16.75%
Income from Public Institutions and Government Properties, of which:	57	189	1,243	1,528	22.96%
Income from Non-Financial Public Enterprises, of which:	54	186	1,189	1,483	24.73%
<i>Revenues from Casino Du Liban</i>	<i>1</i>	<i>3</i>	<i>34</i>	<i>47</i>	<i>38.54%</i>
<i>Revenues from Port of Beirut</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>58</i>	<i>100.00%</i>
<i>Budget Surplus of National Lottery</i>	<i>2</i>	<i>5</i>	<i>34</i>	<i>37</i>	<i>10.45%</i>
<i>Transfer from the Telecom Surplus</i>	<i>52</i>	<i>178</i>	<i>1,120</i>	<i>1,340</i>	<i>19.66%</i>
Property Income (namely rent of Rafic Hariri International Airport)	2	3	46	40	-12.98%
Other Income from Public Institutions (interests)	0	0	8	5	-35.75%
Administrative Fees & Charges, of which:	27	35	324	319	-1.55%
Administrative Fees, of which:	20	26	252	254	0.58%
<i>Notary Fees</i>	<i>1</i>	<i>1</i>	<i>16</i>	<i>16</i>	<i>0.04%</i>
<i>Passport Fees/ Public Security</i>	<i>6</i>	<i>6</i>	<i>82</i>	<i>80</i>	<i>-2.35%</i>
<i>Vehicle Control Fees</i>	<i>9</i>	<i>14</i>	<i>112</i>	<i>110</i>	<i>-1.26%</i>
<i>Judicial Fees</i>	<i>1</i>	<i>1</i>	<i>18</i>	<i>18</i>	<i>-0.51%</i>
<i>Driving License Fees</i>	<i>1</i>	<i>1</i>	<i>14</i>	<i>14</i>	<i>4.26%</i>
Administrative Charges	4	5	24	21	-12.95%
Sales (Official Gazette and License Number)	0	0	3	2	-22.80%
Permit Fees (mostly work permit fees)	3	3	37	35	-4.61%
Other Administrative Fees & Charges	1	1	8	7	-13.35%
Penalties & Confiscations	0	0	4	4	-19.80%
Other Non-Tax Revenues (mostly retirement deductibles)	6	7	81	78	-3.56%

Source: MOF, DGF



Chart 3.



Section 3: Expenditure Outcome

Highlights:

Over January-November 2005, total expenditures reached LL 9,191 billion, declining by 3.4 percent from LL 9,517 billion for the same period of 2004, mainly due to the 13.6 percent drop in debt service payments.

Total primary expenditures for the first eleven months of 2005 increased by 2.8 percent compared to the same period of 2004, despite a 36.6 percent decrease in capital expenditures. This increase is attributable to two major factors:

- High transfers to the NSSF, amounting to LL 290 billion by the end of November 2005, up by LL 221 billion from January-November 2004.
- A 96 percent increase in EDL spending, which amounted to LL 891 billion in January-November 2005 as compared to LL 454 billion for the same period in 2004. It is worth noting that this increase has slowed down since September 2005, as EDL started withdrawing from the Kuwaiti Fund agreement for the supply of fuel oil. In January-November 2005, EDL spending comprised the following components:
 - Treasury transfers to EDL amounting to LL 750 billion.
 - Treasury advances to water authorities for their accrued electricity bills, amounting to LL 48 billion.
 - Budget transfers amounting to LL 93 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 November	2005 November	2004 Jan-Nov	2005 Jan-Nov	% Change
Total Expenditures	835	908	9,517	9,191	-3.43%
Budget Expenditures	726	721	7,668	7,153	-6.72%
Expenditures Excluding Debt Service	373	387	4,036	4,014	-0.55%
Debt Service, of which:	354	334	3,632	3,139	-13.57%
<i>Domestic Debt</i>	229	145	2,093	1,343	-35.84%
<i>Foreign Debt, of which:</i>	125	190	1,539	1,796	16.73%
<i>Eurobond Coupon Interest*</i>	103	163	1,316	1,556	18.28%
<i>Concessional Loans Principal Payments</i>	18	19	125	140	11.67%
<i>Concessional Loans Interest Payments</i>	4	8	98	100	2.21%
Treasury Expenditures , of which:	109	187	1,849	2,038	10.19%
<i>Municipalities</i>	28	55	452	335	-25.84%
<i>Previous Years' Appropriations</i>	3	3	446	497	11.45%
Non-Interest Expenditures (Total Expenditures minus Debt Service)	481	574	5,885	6,051	2.82%

Source: MOF, DGF

* Includes general expenses related to Eurobond transactions

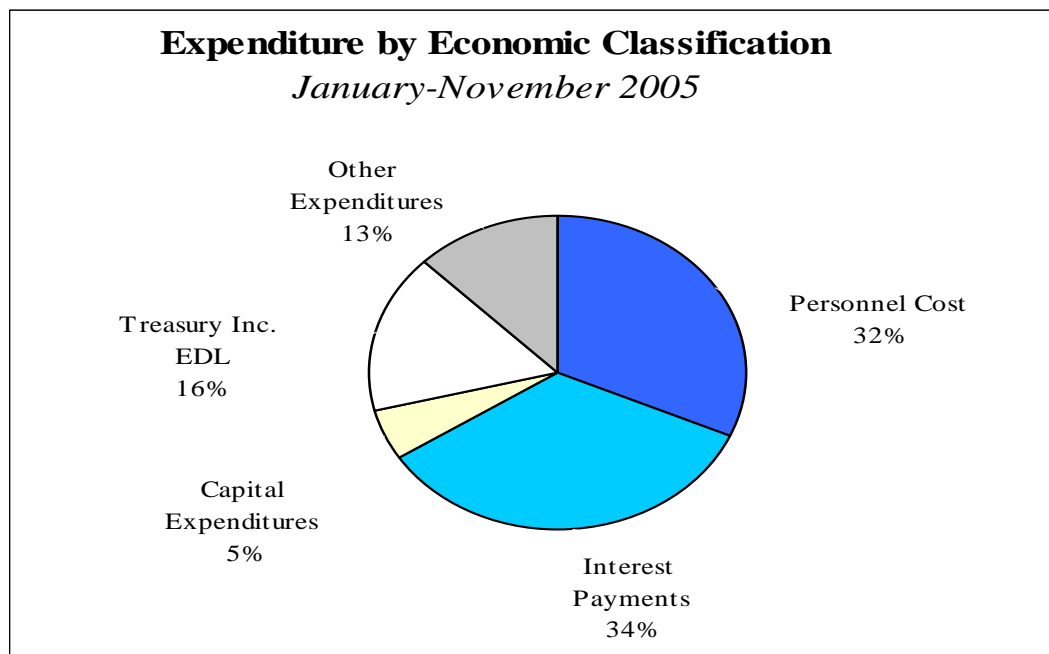
Chart 4.

Table 6. Expenditures by Economic Classification

<i>(LL billion)</i>	Jan-Nov 04	Jan-Nov 05	Change in percent
1. Current expenditures	7,302	7,168	-1.8%
1.a Personnel cost, of which	2,809	2,913	3.7%
<i>Article 13: Salaries and wages</i>	1,879	1,935	3.0%
<i>Retirement and end of service compensations</i>	753	796	5.7%
1.b Debt service payments	3,632	3,139	-13.6%
1.c Materials and supplies	109	202	85.1%
1.d External services	114	74	-35.5%
1.e Various transfers	317	539	69.8%
<i>o/w NSSF</i>	69	290	320.3%
1.f Other current	249	227	-8.8%
<i>Hospitals</i>	213	164	-23.0%
<i>Others</i>	36	63	73.7%
1.g Reserves	71	74	4.7%
<i>Interest subsidy</i>	71	74	4.7%
2. Capital expenditures	746	473	-36.6%
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	5	12	128.8%
2.b Equipment	48	22	-53.7%
2.c Construction in Progress	593	363	-38.8%
2.d Maintenance	54	41	-22.8%
2.e Other Expenditures Related to Fixed Capital Assets	46	34	-26.7%
3. Other treasury expenditures	1,304	1,510	15.8%
Municipalities	452	335	-25.8%
EDL*	454	750	65.3%
Treasury advances for water authorities	19	48	155.7%
Treasury advances for diesel oil subsidy		14	
Treasury advances for telecom companies (retained guarantee)		15	
4. Unclassified expenditures	92	4	-95.4%
5. Customs cashiers	73	36	-51.0%
6. Total expenditures (excluding CDR foreign financed)	9,517	9,191	-3.4%

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

* Excludes Treasury advances to water authorities for their accrued electricity bills (LL 48 billion) and Budget transfers (LL 93 billion) under the line item "Materials and Supplies" for the settlement of public administrations' accrued electricity bills.



Table 7. Transfers to EDL

(LL billion)	2004	2005	%
	Jan-Nov	Jan-Nov	Change
EDL of which:	454	891	96.3%
Debt Service of which:	303	162	-46.5%
C-Loans and Eurobonds, of which:	166	162	-2.7%
Principal Payment	112	113	0.7%
Interest Payment	54	49	-9.7%
Loans for Fuel Oil Payment	33	0	-100.0%
BDL Guaranteed Loan Payment	103	0	-100.0%
Treasury Advance for Fuel Purchase	151	213	41.1%
Treasury Advance for EDL' s Losses		375	100.0%
Material and supplies (electricity bills)		93	100.0%
Treasury advance to water authorities		48	100.0%

Source: MOF, DGF

Section 4: Public Debt

Highlights:

By the end of November 2005, gross public debt reached LL 57,243 billion (equivalent to US\$ 37.97 billion), increasing by LL 3,196 billion (or 5.9 percent) over the end-December 2004 debt level, compared to a 6.1 percent increase over the end of November 2004.

- ✚ Domestic debt amounted to LL 28,760 billion (equivalent to US\$ 19.08 billion), registering an increase of LL 2,389 billion or 9 percent over the end-December 2004 level.
- ✚ Foreign currency debt by end-November 2005 amounted to LL 28,483 billion (equivalent to US\$ 18.89 billion), increasing by LL 807 billion (or 3.0 percent) since the beginning of the year.
- ✚ BDL portfolio continued to decline as appetite for Lebanese Pound denominated treasury bills during November continued to be strong, especially by commercial banks and public institutions.
- ✚ Public sector deposits reached an amount of LL 5,472 billion, up by LL 1,113 billion from the December 2004 level. This large surplus resulted mainly from the strong appetite for Treasury Bills.



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

LL Billion	2002	2003	2004	2005		
Assumes full LL replacement	Dec	Dec	Dec	Nov	Change Year-to- date	% Change Year-to- date
Gross Public Debt	47,276	50,285	54,048	57,243	3,196	5.9%
Domestic Debt	25,302	26,843	26,371	28,760	2,389	9.1%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)*	723	8,938	10,652	11,606	954	9.0%
b. Commercial Banks	17,211	12,303	12,220	13,815	1,596	13.1%
c. Other Domestic Debt (T-bills)	7,368	5,603	3,500	3,339	-161	-4.6%
<i>o/w Public entities</i>	3,221	2,564	2,187	2,469	282	12.9%
Foreign Debt	21,974	23,442	27,677	28,483	807	2.9%
a. Bilateral, Multilateral and Foreign Private sector loans	2,752	2,934	2,970	2,855	-114	-3.9%
b. Paris II related debt (Eurobonds and Loans)	1,432	3,731	3,814	3,676	-138	-3.6%
c. BDL Eurobond (Paris II)	2,819	2,819	2,819	2,819	0	0.0%
d. Market Eurobonds	14,569	13,631	17,686	18,724	1,038	5.9%
e. Accrued Interest on Foreign Currency Debt	402	327	388	409	21	5.4%
Public Sector Deposits	2,964	3,019	4,360	5,472	1,113	25.5%
Net Debt	44,312	47,266	49,688	51,771	2,083	4.2%
Gross Market Debt**	36,765	29,638	31,861	34,015	2,154	6.8%
% of Total Debt	78%	59%	59%	59%		

Source: Ministry of Finance, Banque du Liban

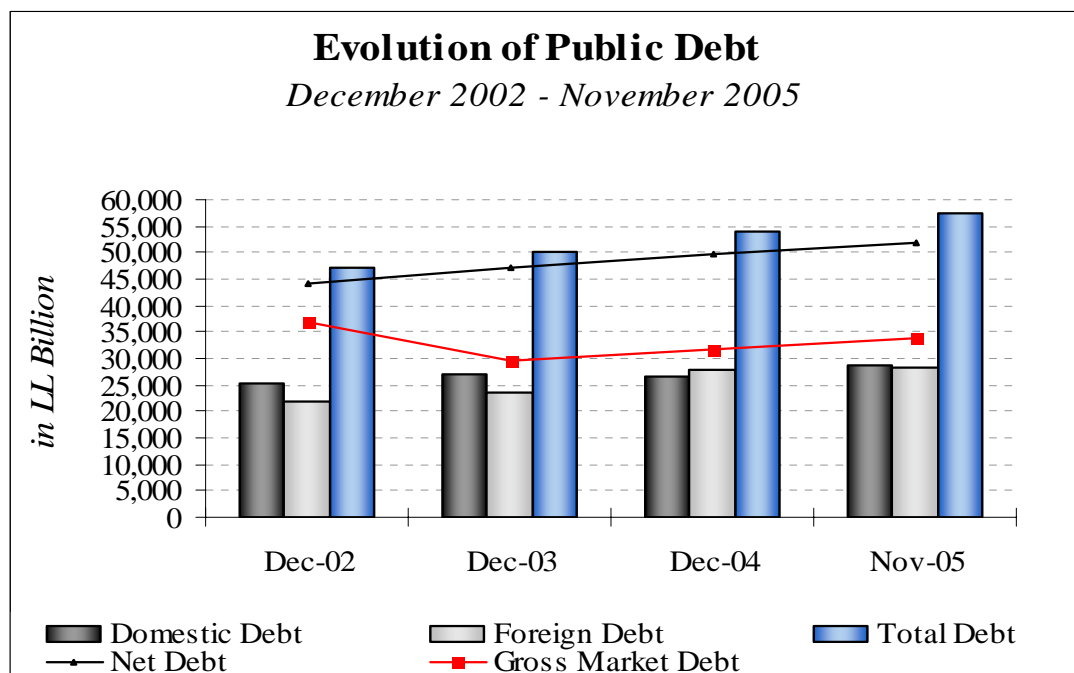
Notes:

* 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.

** Gross market debt equals gross debt less the portfolios of the BDL, public entities, bilateral and multilateral loans, and Paris II related debt.



Chart 5.





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