

Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

October 2005

Section 1: Fiscal Overview

Highlights:

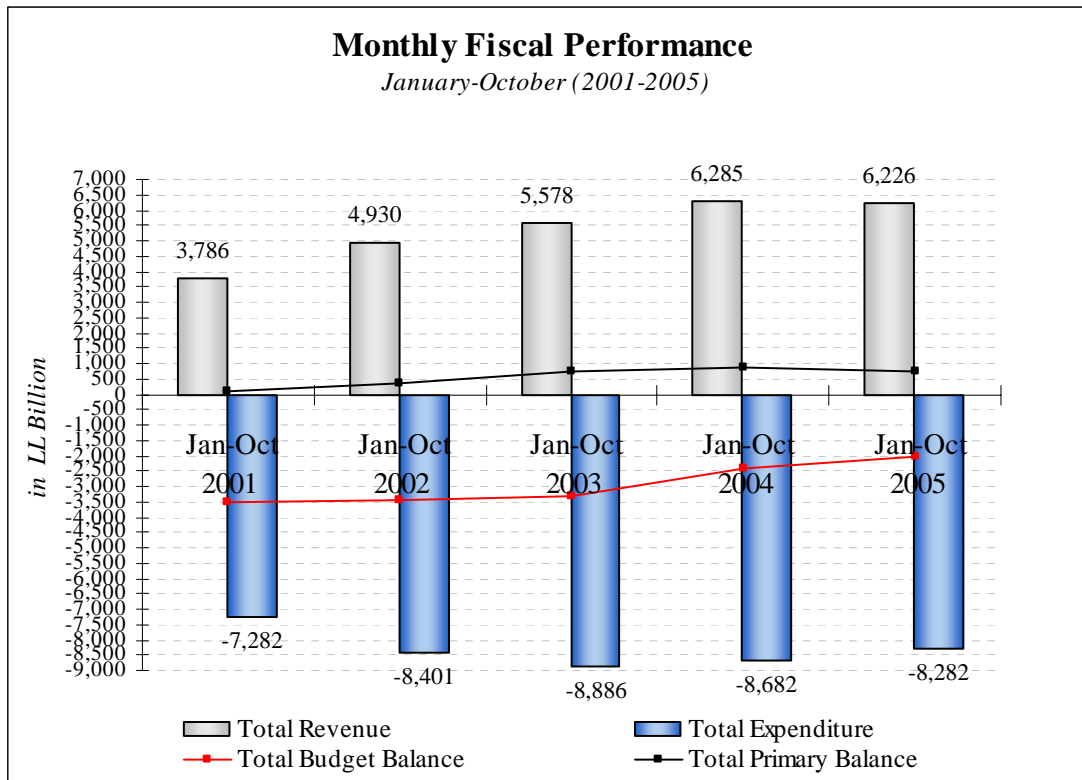
Over January-October 2005, the total fiscal balance improved by 14 percent, registering a deficit of LL 2,056 billion compared to LL 2,397 billion for January-October 2004. This was due to a 4.6 percent decrease in total payments which more than offset the 1 percent decline in total receipts. For the third consecutive month in a row, the primary surplus showed an improvement as the gap between 2005 and 2004 is gradually shrinking. Indeed, while the primary surplus is still behind last year's level by 15 percent, it grew from LL 251 billion by the end of July 2005 to LL 749 billion by the end of October 2005. However, the primary deficit is still lower than last year's due to an increase of LL 73 billion in primary spending accompanied by a decrease in revenues by LL 59 billion. During October 2005, total revenues equaled LL 812 billion, and total expenditures reached LL 939 billion, and hence October witnessed a total deficit of LL 128 billion and a primary surplus of LL 323 billion.

Table 1. Summary of Fiscal Performance

(LL billion)	2004	2005	2004	2005	Change	%
	October	October	Jan-Oct	Jan-Oct	2004-2005	Change
Budget Revenue	663	749	5,942	5,863	-79	-1.3%
Budget Expenditures	855	857	6,942	6,432	-510	-7.3%
<i>o/w Debt Service</i>	432	451	3,279	2,805	-474	-14.4%
Budget Deficit/Surplus	-192	-108	-999	-569	430	-43.1%
in % of Budget Expenditures	-22.5%	-12.6%	-14.4%	-8.8%		
Budget Primary Deficit/Surplus	240	343	2,279	2,236	-43	-1.9%
in % of Budget Expenditures	28.0%	40.0%	32.8%	34.8%		
Treasury Receipts	27	62	343	363	20	5.8%
Treasury Payments	149	82	1,741	1,850	110	6.3%
Total Budget and Treasury Receipts	690	812	6,285	6,226	-59	-0.9%
Total Budget and Treasury Payments	1005	939	8,682	8,282	-400	-4.6%
Total Cash Deficit/Surplus	-314	-128	-2,397	-2,056	341	-14.2%
in % of Total Expenditures	-31.3%	-13.6%	-27.6%	-24.8%		
Primary Deficit/Surplus	118	323	881	749	-133	-15.1%
in % of Total Expenditures	11.7%	34.4%	10.2%	9.0%		

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

Chart 1. Fiscal Performance



Section 2: Revenue Outcome

Highlights:

The Treasury collected LL 6,226 billion in total revenues during the first ten months of 2005, which constituted an almost 1 percent decrease compared to the same period of 2004. This drop in receipts is mainly due to a 4.9 percent decrease in overall tax revenues which offset the 8.8 percent increase in non-tax revenues and led to an overall decrease of 1.3 percent in budget revenues. In turn, this decrease in budget revenues also offset the rise in treasury receipts, resulting in the near 1 percent drop in total receipts.

- ☒ **Tax revenues** reached LL 4,166 billion over January-October 2005, compared to 4,382 billion during the same period of the previous year. This 5 percent decline is mainly explained by the weak performance of taxes on international trade (customs and excises). Those latter witnessed an approximate 22 percent drop in revenues, which is largely due (i) to the loss incurred by the Treasury from the cap on gasoline prices, and (ii) to the weak performance of imports compared to that similar period last year. The loss in revenues from international trade taxes largely swept the improvement witnessed on the income tax front, which saw total collection rise by 16 percent when compared to the first ten months of last year.
- ☒ The improvement in **non-tax revenues** is mainly due to higher transfers from public institutions and government properties, namely from the Telecom Budget surplus and the Port of Beirut.



Table 2. Total Revenue

(LL billion)	2004 October	2005 October	2004 Jan-Oct	2005 Jan-Oct	% Change
Budget Revenues, of which:	663	749	5,942	5,863	-1.33%
<i>Tax Revenues</i>	527	509	4,382	4,166	-4.92%
<i>Non-Tax Revenues</i>	137	241	1,560	1,697	8.75%
Treasury Receipts	27	62	343	363	5.83%
Total Revenues	690	812	6,285	6,226	-0.94%

Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2004 October	2005 October	2004 Jan-Oct	2005 Jan-Oct	% Change
Tax Revenues:	527	509	4,382	4,166	-4.92%
Taxes on Income, Profits, & Capital Gains, of which:	60	85	821	953	16.07%
<i>Income Tax on Profits</i>	4	6	390	388	-0.62%
<i>Income Tax on Wages and Salaries</i>	34	37	154	180	17.07%
<i>Income Tax on Capital Gains & Dividends</i>	3	5	68	90	31.86%
<i>Tax on Interest Income (5%)</i>	19	36	190	278	46.45%
<i>Penalties on Income Tax</i>	0	1	15	13	-12.67%
Taxes on Property, of which:	28	33	312	312	-0.07%
<i>Built Property Tax</i>	3	6	85	75	-10.99%
<i>Real Estate Registration Fees</i>	23	23	196	208	6.02%
Domestic Taxes on Goods & Services, of which:	282	265	1,672	1,648	-1.45%
<i>Value Added Tax</i>	255	242	1,496	1,477	-1.28%
<i>Other Taxes on Goods and Services, of which:</i>	27	23	162	161	-1.13%
<i>Private Car Registration Fees</i>	9	11	90	88	-2.22%
<i>Passenger Departure Tax</i>	18	12	71	71	1.12%
Taxes on International Trade, of which:	126	98	1,343	1,050	-21.79%
<i>Customs</i>	47	46	433	396	-8.41%
<i>Excises, of which:</i>	79	52	910	654	-28.15%
<i>Petroleum Tax</i>	42	13	551	315	-42.94%
<i>Tobacco Tax</i>	17	14	167	154	-7.97%
<i>Tax on Cars</i>	19	25	188	182	-3.13%
Other Tax Revenues (namely fiscal stamp fees)	30	28	234	204	-13.08%

Source: MOF, DGF



Chart 2.

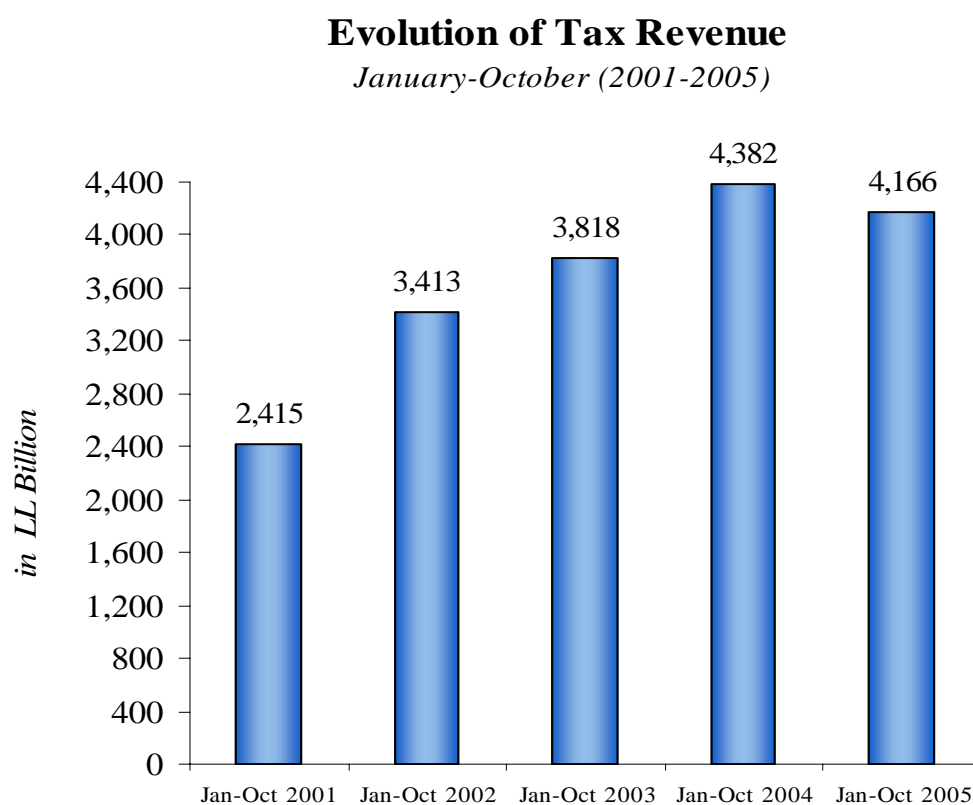


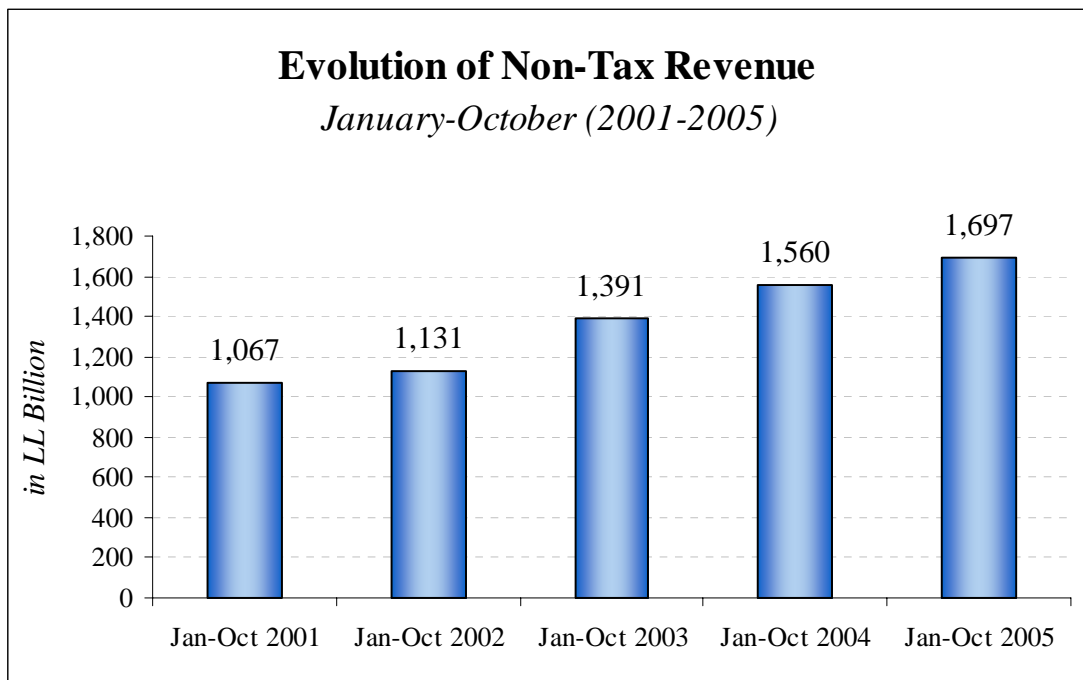
Table 4. Non-Tax Revenue

(LL billion)	2004	2005	2004	2005	%
	October	October	Jan-Oct	Jan-Oct	Change
Non-Tax Revenues	137	241	1,560	1,697	8.75%
Income from Public Institutions and Government Properties, of which:	87	197	1,185	1,339	12.92%
Income from Non-Financial Public Enterprises, of which:	81	191	1,135	1,298	14.33%
<i>Revenues from Casino Du Liban</i>	3	4	32	44	34.67%
<i>Revenues from Port of Beirut</i>	0	25	0	58	100.00%
<i>Budget Surplus of National Lottery</i>	2	3	32	32	0.00%
<i>Transfer from the Telecom Surplus</i>	75	158	1,068	1,162	8.79%
Property Income (namely rent of Rafic Hariri International Airport)	5	5	43	37	-15.19%
Other Income from Public Institutions (interests)	1	1	8	5	-38.93%
Administrative Fees & Charges, of which:	34	36	296	284	-4.20%
Administrative Fees, of which:	24	27	233	228	-1.98%
<i>Notary Fees</i>	2	2	14	14	-1.00%
<i>Passport Fees/ Public Security</i>	8	7	76	74	-2.57%
<i>Vehicle Control Fees</i>	10	14	103	96	-6.21%
<i>Judicial Fees</i>	1	1	17	17	-0.58%
<i>Driving License Fees</i>	1	2	13	13	4.85%
Administrative Charges	6	4	20	16	-21.29%
Sales (Official Gazette and License Number)	0	0	3	2	-23.17%
Permit Fees (mostly work permit fees)	4	4	34	32	-5.86%
Other Administrative Fees & Charges	1	0	7	6	-13.97%
Penalties & Confiscations	0	0	4	3	-22.50%
Other Non-Tax Revenues (mostly retirement deductibles)	15	7	74	71	-4.30%

Source: MOF, DGF



Chart 3.



Section 3: Expenditure Outcome

Highlights:

Over the first ten months of the year, total expenditures reached LL 8,282 billion, declining by 4.6 percent from LL 8,682 billion for the same period of 2004, mainly due to the 14.4 percent drop in debt service payments. Total primary expenditures for January-October 2005 increased by 1.4 percent compared to the same period of 2004, despite a 40 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 October 2005, up by LL 221 billion from January-October 2004.
- A 78 percent increase in EDL spending, which amounted to LL 808 billion in January-October 2005 as compared to LL 454 billion for the same period in 2004. The amount is broken down into the following components:
 - Treasury transfers to EDL amounting to LL 667 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 October	2005 October	2004 Jan-Oct	2005 Jan-Oct	% Change
Total Expenditures	1,005	939	8,682	8,282	-4.61%
Budget Expenditures	855	857	6,942	6,432	-7.34%
Expenditures Excluding Debt Service	423	406	3,663	3,627	-0.98%
Debt Service, of which:	432	451	3,279	2,805	-14.45%
<i>Domestic Debt</i>	194	204	1,864	1,198	-35.73%
<i>Foreign Debt, of which:</i>	238	247	1,414	1,607	13.62%
<i>Eurobond Coupon Interest*</i>	223	232	1,213	1,393	14.84%
<i>Concessional Loans Principal Payments</i>	8	10	107	121	13.19%
<i>Concessional Loans Interest Payments</i>	7	6	94	92	-1.95%
Treasury Expenditures , of which:	149	82	1,741	1,850	6.30%
<i>Municipalities</i>	90	20	424	281	-33.82%
<i>Previous Years' Appropriations</i>	3	4	443	494	11.55%
Non-Interest Expenditures (Total Expenditures minus Debt Service)	572	488	5,404	5,477	1.36%

Source: MOF, DGF

* Includes general expenses related to Eurobond transactions

Chart 4.

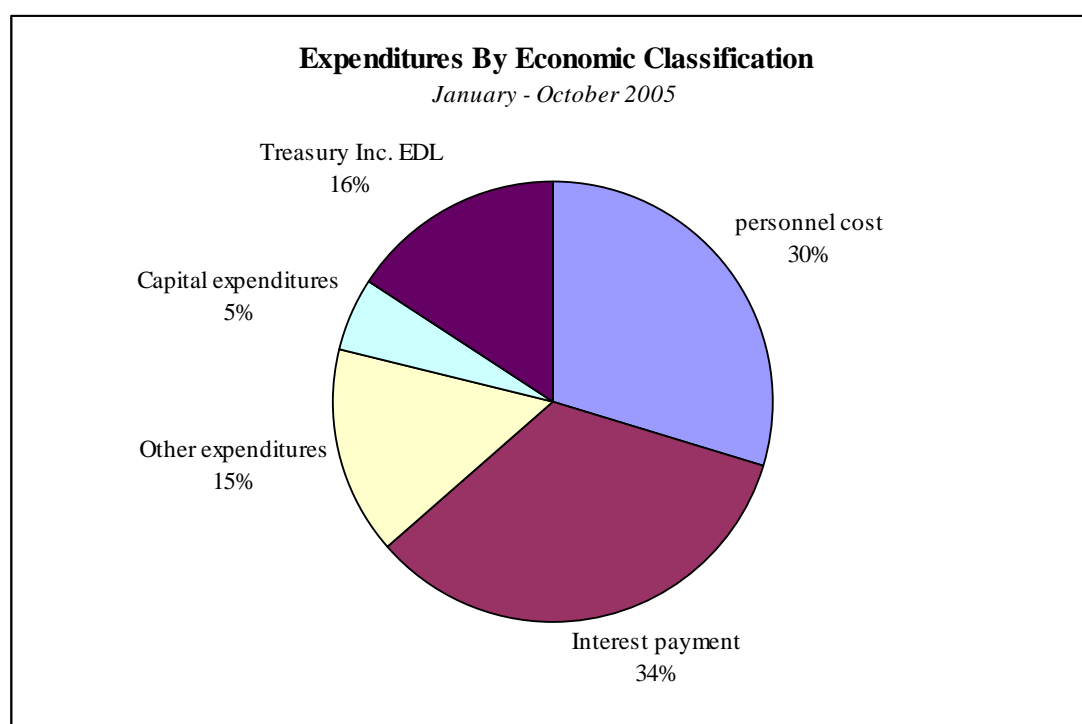


Table 6. Expenditures by Economic Classification

<i>(LL billion)</i>	Jan-Oct 04	Jan-Oct 05	Change in percent
1. Current expenditures	6,632	6,500	-1.99%
1.a Personnel cost, of which	2,575	2,636	2.37%
<i>Article 13: Salaries and wages</i>	1,708	1,757	2.87%
<i>Retirement and end of service compensations</i>	691	714	3.33%
1.b Debt service payments	3,279	2,805	-14.46%
1.c Materials and supplies	101	187	85.15%
1.d External services	108	69	-36.11%
1.e Various transfers	298	516	73.15%
<i>o/w NSSF</i>	69	290	320.29%
1.f Other current	203	215	5.91%
<i>Hospitals</i>	171	156	-8.77%
<i>Others</i>	32	59	84.38%
1.g Reserves	68	72	5.88%
<i>Interest subsidy</i>	68	72	5.88%
2. Capital expenditures	714	429	-39.92%
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	5	11	120.00%
2.b Equipment	42	21	-50.00%
2.c Construction in Progress	572	331	-42.13%
2.d Maintenance	49	38	-22.45%
2.e Other Expenditures Related to Fixed Capital Assets	46	28	-39.13%
3. Other treasury expenditures	1,235	1,317	6.64%
Municipalities	424	280	-33.96%
EDL*	454	667	46.92%
Treasury advances for water authorities		48	
Treasury advances for diesel oil subsidy		14	
Treasury advances for telecom companies (retained guarantee)		15	
4. Unclassified expenditures	31	3	-87.10%
5. Customs cashiers	70	33	-52.86%
6. Total expenditures (excluding CDR foreign financed)	8,682	8,282	-4.60%

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-Oct	Jan-Oct	Change
EDL of which:	454	808	78.2%
Debt Service of which:	302	162	-46.4%
C-Loans and Eurobonds, of which:	166	162	-2.5%
Principal Payment	112	113	0.5%
Interest Payment	54	49	-8.7%
Loans for Fuel Oil Payment	33	0	-100.0%
BDL Guaranteed Loan Payment	103	0	-100.0%
Treasury Advance for Fuel Purchase	150	130	-13.3%
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 October 2005, gross public debt reached LL 56,845 billion (equivalent to US\$ 37.7 billion), increasing by LL 2,797 billion (or 5.2 percent) over the end-December 2004 debt level, compared to 8.9 percent increase over the period of January-October 2004.

- ✚ Domestic debt amounted to LL 28,297 billion (equivalent to US\$ 18.77 billion), registering an increase of LL 1,926 billion or 7.3 percent over the end-December 2004 level.
- ✚ Foreign currency debt by end-October 2005 amounted to LL 28,548 billion (equivalent to US\$ 18.94 billion), increasing by LL 871 billion (or 3.1 percent) since the beginning of the year.
- ✚ BDL portfolio continued to decline as appetite for Lebanese Pound denominated treasury bills during October continued to be strong, especially by commercial banks and public institutions.
- ✚ Public sector deposits registered a historic high due to: (1) the surpluses achieved as a result of the strong appetite for T-bills and (2) the surpluses in the foreign currency account following the issuance of the \$750 million Eurobond, the proceeds of which will be utilized to settle foreign currency debt payments going forward (For a summary of the deal terms kindly refer to the Ministry of Finance's website: www.finance.gov.lb).



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

LL Billion	2002	2003	2004	2005		
	Dec	Dec	Dec	Oct	Change Year-to- date	% Change Year-to- date
Gross Public Debt	47,276	50,285	54,048	56,845	2,797	5.2%
Domestic Debt	25,302	26,843	26,371	28,297	1,926	7.3%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)*	723	8,938	10,652	11,603	951	8.9%
b. Commercial Banks	17,211	12,303	12,220	13,340	1,121	9.2%
c. Other Domestic Debt (T-bills)	7,368	5,603	3,500	3,354	-146	-4.2%
<i>o/w Public entities</i>	3,221	2,564	2,187	2,463	276	12.6%
Foreign Debt	21,974	23,442	27,677	28,548	872	3.1%
a. Bilateral, Multilateral and Foreign Private sector loans	2,752	2,934	2,970	2,878	-91	-3.1%
b. Paris II related debt (Eurobonds and Loans)	1,432	3,731	3,814	3,696	-118	-3.1%
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	18,743	1,058	6.0%
e. Accrued Interest on Foreign Currency Debt	402	327	388	411	24	6.1%
Public Sector Deposits	2,964	3,019	4,360	5,338	978	22.4%
Net Debt	44,312	47,266	49,688	51,507	1,819	3.7%
Gross Market Debt**	36,765	29,638	31,861	33,592	402	1.3%
% of Total Debt	78%	59%	59%	59%		

Source: Ministry of Finance, Banque du Liban

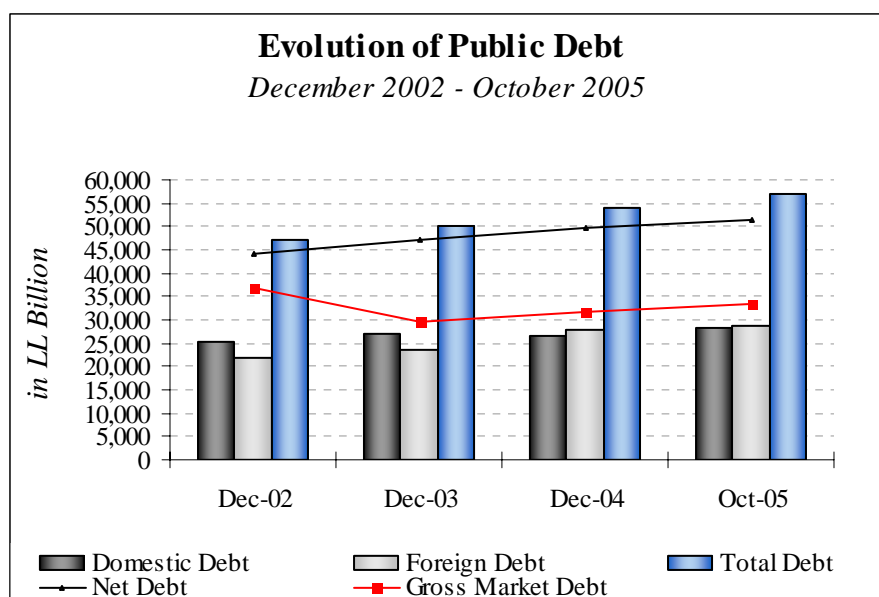
Notes:

* 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.





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

Website: www.finance.gov.lb