

Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

September 2005

Section 1: Fiscal Overview

Highlights:

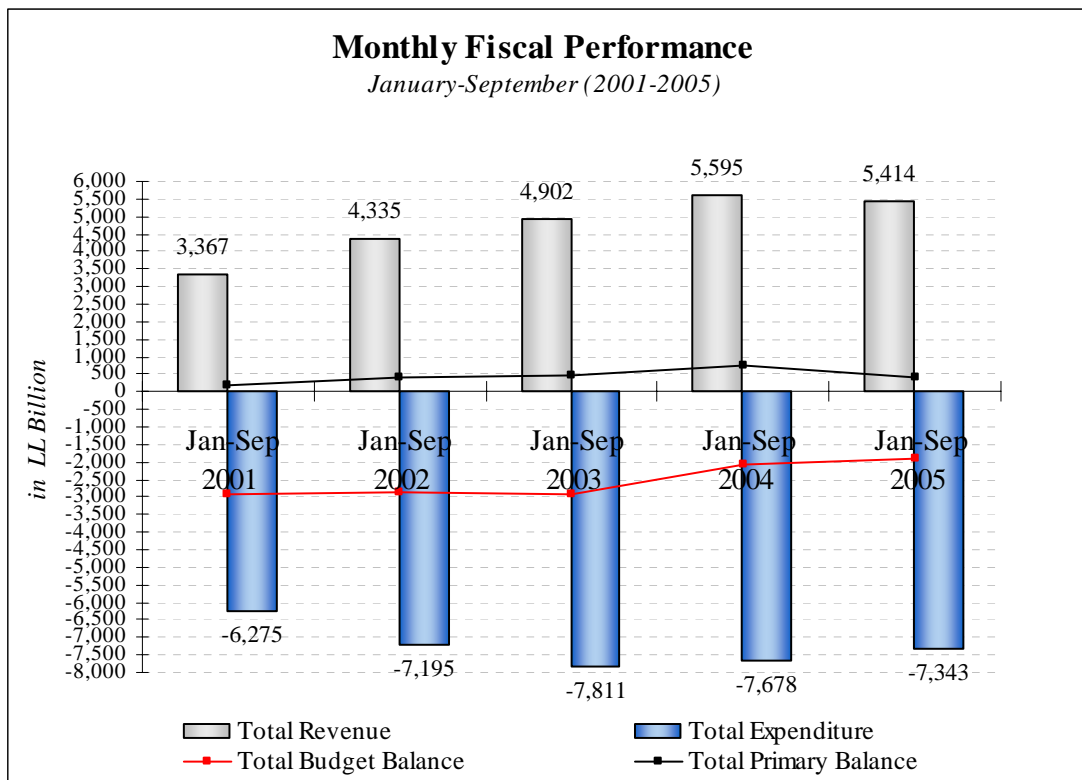
Over the period of January-September 2005, the total fiscal balance improved by 7.4 percent, registering a deficit of LL 1,929 billion compared to LL 2,083 billion for January-September 2004. The 4.4 percent decrease in total payments was accompanied by a 3.2 percent decline in total receipts. As for the primary surplus, it witnessed a deterioration of 44.3 percent, dropping from LL 763 billion in January-September 2004 to LL 425 billion for the same period of 2005, resulting from an increase of LL 158 billion in primary spending accompanied by a decrease in revenues by LL 180 billion. For the month of September 2005, total revenues reached LL 497 billion, and total expenditures reached LL 814 billion, and hence September witnessed a total deficit of LL 317 billion and a primary surplus of LL 44 billion.

Table 1. Summary of Fiscal Performance

(LL billion)	2004	2005	2004	2005	Change	
	September	September	Jan-Sep	Jan-Sep	2004-2005	% Change
Budget Revenue	543	472	5,279	5,114	-165	-3.1%
Budget Expenditures	752	719	6,086	5,575	-511	-8.4%
<i>o/w Debt Service</i>	339	361	2,847	2,354	-493	-17.3%
Budget Deficit/Surplus	-209	-247	-807	-461	346	-42.9%
in % of Budget Expenditures	-27.8%	-34.3%	-13.3%	-8.3%		
Budget Primary Deficit/Surplus	130	114	2,039	1,893	-147	-7.2%
in % of Budget Expenditures	17.3%	15.9%	33.5%	34.0%		
Treasury Receipts	30	25	316	301	-15	-4.8%
Treasury Payments	101	95	1,592	1,768	177	11.1%
Total Budget and Treasury Receipts	574	497	5,595	5,414	-180	-3.2%
Total Budget and Treasury Payments	853	814	7,678	7,343	-335	-4.4%
Total Cash Deficit/Surplus	-280	-317	-2,083	-1,929	154	-7.4%
in % of Total Expenditures	-32.8%	-38.9%	-27.1%	-26.3%		
Primary Deficit/Surplus	60	44	763	425	-338	-44.3%
in % of Total Expenditures	7.0%	5.4%	9.9%	5.8%		

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

Chart 1. Fiscal Performance



Section 2: Revenue Outcome

Highlights:

The Treasury collected LL 5,414 billion in total revenues during the first nine months of 2005, which constituted a 3.2 percent decrease compared to January-September 2004. This deterioration in performance is mainly due to a 5.1 percent decrease in overall tax revenues which offset the 2.3 percent increase in non-tax revenues and led to an overall decrease of 3.1 percent in budget revenues.

- ✘ During January-September 2005, **Tax revenues** reached LL 3,658 billion compared to 3,855 billion during the same period of the previous year. Though revenues from taxes on income, profits, and capital gains increased by 14 percent, this increase did not outweigh the 21.7 percent drop in revenues from taxes on international trade (customs duties and excises) owing mainly to a decrease in excise revenues by 27.5 percent (in large part resulting from the loss incurred by the Treasury from the cap on gasoline prices). In addition the Treasury incurred a 14 percent loss in revenues from Fiscal stamps, which collected LL 175 billion by September 2005 compared to LL 204 billion by September 2004. The improvement in **Non-tax revenues** is mainly due to higher transfers from public institutions and government properties.
- ✘ **Treasury receipts** witnessed a 4.8 percent drop, which reached LL 301 billion by end-September 2005, compared to LL 316 billion by end-September 2004.



Table 2. Total Revenue

(LL billion)	2004 September	2005 September	2004 Jan-Sep	2005 Jan-Sep	% Change
Budget Revenues, of which:	543	472	5,279	5,114	-3.13%
<i>Tax Revenues</i>	360	326	3,855	3,658	-5.13%
<i>Non-Tax Revenues</i>	184	147	1,424	1,456	2.29%
Treasury Receipts	30	25	316	301	-4.77%
Total Revenues	574	497	5,595	5,414	-3.22%

Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2004 September	2005 September	2004 Jan-Sep	2005 Jan-Sep	% Change
Tax Revenues:	360	326	3,855	3,658	-5.13%
Taxes on Income, Profits, & Capital Gains, of which:	30	46	761	868	14.06%
<i>Income Tax on Profits</i>	9	10	386	382	-1.16%
<i>Income Tax on Wages and Salaries</i>	2	3	120	143	19.19%
<i>Income Tax on Capital Gains & Dividends</i>	2	12	65	85	30.20%
<i>Tax on Interest Income (5%)</i>	16	20	171	242	41.73%
<i>Penalties on Income Tax</i>	2	1	15	12	-18.06%
Taxes on Property, of which:	33	32	284	279	-1.79%
<i>Built Property Tax</i>	6	7	81	69	-14.91%
<i>Real Estate Registration Fees</i>	24	23	174	185	6.58%
Domestic Taxes on Goods & Services, of which:	131	137	1,390	1,383	-0.51%
<i>Value Added Tax</i>	105	114	1,241	1,235	-0.53%
<i>Other Taxes on Goods and Services, of which:</i>	21	22	135	138	1.86%
<i>Private Car Registration Fees</i>	10	9	81	77	-4.89%
<i>Passenger Departure Tax</i>	10	13	53	60	13.18%
Taxes on International Trade, of which:	141	91	1,217	953	-21.70%
<i>Customs</i>	49	41	385	351	-9.00%
<i>Excises, of which:</i>	92	51	831	602	-27.58%
<i>Petroleum Tax</i>	51	11	509	302	-40.70%
<i>Tobacco Tax</i>	21	17	150	139	-7.10%
<i>Tax on Cars</i>	20	22	169	157	-6.69%
Other Tax Revenues (namely fiscal stamp fees)	25	19	204	175	-14.05%

Source: MOF, DGF



Chart 2.

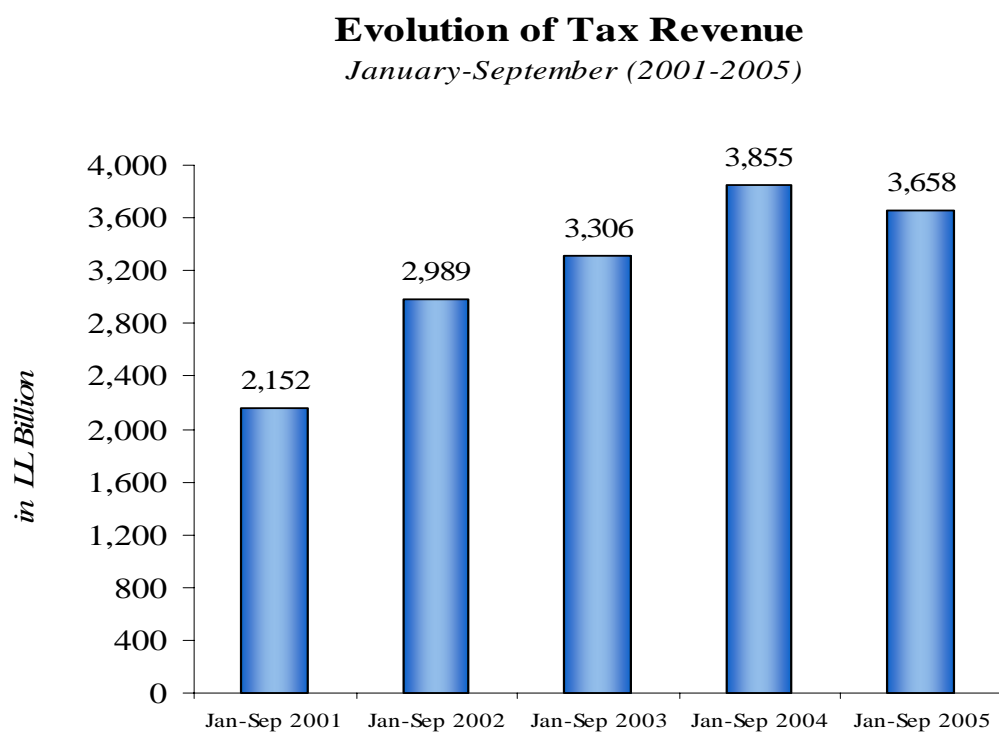


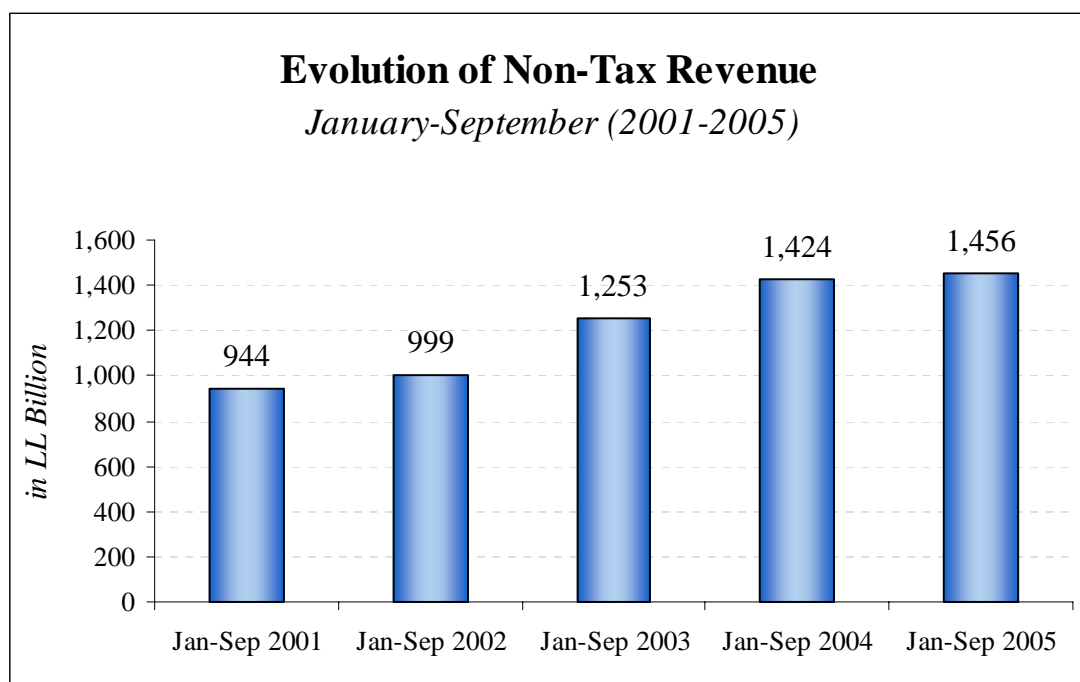
Table 4. Non-Tax Revenue

(LL billion)	2004	2005	2004	2005	%
	September	September	Jan-Sep	Jan-Sep	Change
Non-Tax Revenues	184	147	1,424	1,456	2.29%
Income from Public Institutions and Government Properties, of which:	146	108	1,099	1,141	3.90%
Income from Non-Financial Public Enterprises, of which:	143	103	1,054	1,107	5.01%
<i>Revenues from Casino Du Liban</i>	0	5	29	39	34.89%
<i>Revenues from Port of Beirut</i>	0	0	0	33	100.00%
<i>Budget Surplus of National Lottery</i>	7	3	30	29	-3.33%
<i>Transfer from the Telecom Surplus</i>	136	95	993	1,004	1.10%
Property Income (namely rent of Rafic Hariri International Airport)	3	4	38	31	-18.31%
Other Income from Public Institutions (interests)	0	1	7	4	-44.59%
Administrative Fees & Charges, of which:	29	30	262	248	-5.40%
Administrative Fees, of which:	24	26	209	201	-3.92%
<i>Notary Fees</i>	2	2	13	13	-1.40%
<i>Passport Fees/ Public Security</i>	8	8	68	67	-1.63%
<i>Vehicle Control Fees</i>	11	11	92	83	-10.39%
<i>Judicial Fees</i>	1	2	16	16	0.05%
<i>Driving License Fees</i>	2	1	11	11	2.53%
Administrative Charges	1	1	14	11	-20.04%
Sales (Official Gazette and License Number)	0	0	2	2	-22.24%
Permit Fees (mostly work permit fees)	3	3	30	28	-7.03%
Other Administrative Fees & Charges	1	1	6	6	-7.86%
Penalties & Confiscations	0	0	4	3	-25.50%
Other Non-Tax Revenues (mostly retirement deductibles)	7	8	59	64	8.19%

Source: MOF, DGF



Chart 3.



Section 3: Expenditure Outcome

Highlights:

During the first nine months of the year, total expenditures reached LL 7,343 billion, declining by 4.4 percent from LL 7,678 billion for the same period of 2004, mainly due to the 17.3 percent drop in debt service payments. Total primary expenditures for January-September 2005 increased by 3.3 percent compared to the same period of 2004, in spite of a 38.2 percent decrease in capital expenditures.

This increase is attributable to two major factors:

- Higher transfers to the NSSF, amounting to LL 290 billion by the end of September 2005, up by LL 221 billion from January-September 2004.
- A 79 percent increase in EDL spending, which amounted to LL 806 billion in January-September 2005 as compared to LL 450 billion for the same period in 2004. The amount is broken down into the following components:
 - Treasury transfers to EDL amounting to LL 665 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 September	2005 September	2004 Jan-Sep	2005 Jan-Sep	% Change
Total Expenditures	853	814	7,678	7,343	-4.36%
Budget Expenditures	752	719	6,086	5,575	-8.40%
Expenditures Excluding Debt Service	413	358	3,240	3,221	-0.58%
Debt Service, of which:	339	361	2,847	2,354	-17.31%
<i>Domestic Debt</i>	<i>152</i>	<i>153</i>	<i>1,670</i>	<i>995</i>	<i>-40.44%</i>
<i>Foreign Debt, of which:</i>	<i>187</i>	<i>208</i>	<i>1,176</i>	<i>1,359</i>	<i>15.54%</i>
<i>Eurobond Coupon Interest*</i>	<i>163</i>	<i>181</i>	<i>990</i>	<i>1,161</i>	<i>17.34%</i>
<i>Concessional Loans Principal Payments</i>	<i>17</i>	<i>20</i>	<i>99</i>	<i>111</i>	<i>12.07%</i>
<i>Concessional Loans Interest Payments</i>	<i>7</i>	<i>6</i>	<i>87</i>	<i>86</i>	<i>-1.24%</i>
Treasury Expenditures , of which:	101	95	1,592	1,768	11.10%
<i>Municipalities</i>	<i>54</i>	<i>16</i>	<i>334</i>	<i>261</i>	<i>-21.91%</i>
<i>Previous Years' Appropriations</i>	<i>3</i>	<i>3</i>	<i>440</i>	<i>490</i>	<i>11.38%</i>
Non-Interest Expenditures (Total Expenditures minus Debt Service)	514	453	4,831	4,989	3.27%

Source: MOF, DGF

* Includes general expenses related to Eurobond transactions

Chart 4.

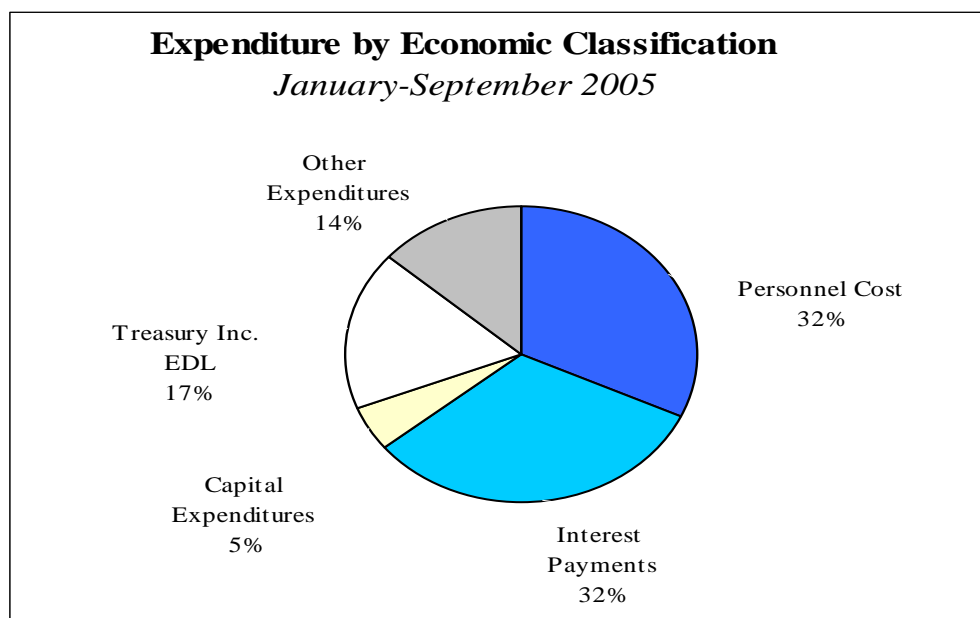


Table 6. Expenditures by Economic Classification

(LL billion)

	Jan-Sept 04	Jan-Sept 05	Change in percent
1. Current expenditures	5,865	5,668	-3.4%
1.a Personnel cost, <i>of which</i>	2,341	2,349	0.3%
<i>Article 13: Salaries and wages</i>	1,555	1,583	1.8%
<i>Retirement and end of service compensations</i>	625	627	0.4%
1.b Debt service payments	2,847	2,354	-17.3%
1.c Materials and supplies	93	171	84.2%
1.d External services	84	63	-24.6%
1.e Various transfers	273	489	78.9%
<i>o/w NSSF</i>	69	290	320.3%
1.f Other current	174	187	7.4%
<i>Hospitals</i>	145	130	-10.2%
<i>Others</i>	29	57	95.6%
1.g Reserves (3)	53	55	3.1%
<i>Interest subsidy</i>	53	55	3.1%
2. Capital expenditures	622	386	-38.0%
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	5	10	113.7%
2.b Equipment	36	20	-44.6%
2.c Construction in Progress	497	294	-40.9%
2.d Maintenance	42	34	-20.8%
2.e Other Expenditures Related to Fixed Capital Assets	42	28	-33.6%
3. Other treasury expenditures	1,109	1,257	13.3%
Municipalities	334	261	-21.9%
EDL*	450	665	47.8%
treasury advances for water authorities		48	
4. Unclassified expenditures	14	4	-74.0%
5. Customs cashiers	67	28	-57.3%
6. Total expenditures (excluding CDR foreign financed)	7,678	7,343	-4.4%

Source : statement of account 36, cashier spendings, 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-Sept	Jan-Sept	Change
EDL of which:	450	806	79.1%
Debt Service of which:	300	160	-46.7%
C-Loans and Eurobonds, of which:	164	160	-2.5%
Principal Payment	110	111	0.9%
Interest Payment	54	49	-9.5%
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 September 2005, gross public debt reached LL 55,480 billion (US\$ 36.8 billion), increasing by LL 1,432 billion (or 2.7 percent) over the end-December 2004 debt level, compared to 4.4 percent increase over January-September 2004. Domestic debt equaled LL 28,005 billion (US\$ 18.58), registering an increase of LL 1,634 billion or 6.2 percent over the end-December 2004 level. Foreign currency debt by end-September 2005 amounted to LL 27,476 billion (US\$ 18.23 billion), decreasing by LL 201 billion (0.01 percent) since the beginning of the year. Appetite for Lebanese Pound denominated treasury bills during September continued to be strong, especially by commercial banks and public institutions.



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

LL Billion	2002	2003	2004	2005		
	Dec	Dec	Dec	Sep	Change Year-to- date	% Change Year-to- date
Gross Public Debt	47,276	50,285	54,048	55,480	1,432	2.7%
Domestic Debt	25,302	26,843	26,371	28,005	1,634	6.2%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)*	723	8,938	10,652	11,634	982	9.2%
b. Commercial Banks	17,211	12,303	12,220	13,095	875	7.2%
c. Other Domestic Debt (T-bills)	7,368	5,603	3,500	3,275	-225	-6.4%
<i>o/w Public entities</i>	3,221	2,564	2,187	2,425	238	10.9%
Foreign Debt	21,974	23,442	27,677	27,476	-201	-0.7%
a. Bilateral, Multilateral and Foreign Private sector loans	2,752	2,934	2,970	2,851	-119	-4.0%
b. Paris II related debt (Eurobonds and Loans)	1,432	3,731	3,814	3,695	-119	-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	17,612	-74	-0.4%
e. Accrued Interest on Foreign Currency Debt	402	327	388	498	110	28.5%
Public Sector Deposits	2,964	3,019	4,360	3,925	-435	-10.0%
Net Debt	44,312	47,266	49,688	51,555	1,867	3.8%
Gross Market Debt**	36,765	29,638	31,861	32,264	403	1.3%
% of Total Debt	78%	59%	59%	58%		

Source: Ministry of Finance, Banque du Liban

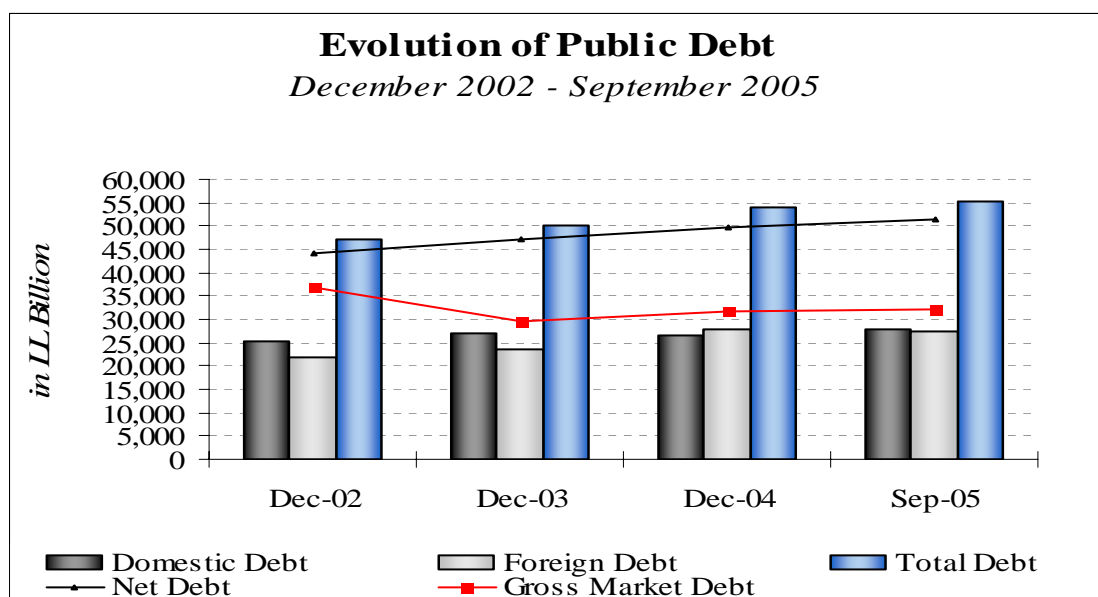
Notes:

* 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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