

I. Transfers to EDL in 2009

► In December 2009, treasury transfers to EDL reached LL 202 billion, as follows:

- ⇒ Reimbursement of KPC and Sonatrach LL 193.2 billion
- ⇒ Debt service LL 8.5 billion

► Cumulatively in 2009, treasury transfers to EDL reached LL 2,259 billion, as follows:

- ⇒ Reimbursement of KPC and Sonatrach LL 2,131 billion, of which
 - KPC (gas oil) LL 717 billion
 - Sonatrach (gas oil and fuel oil) LL 1,414 billion
- ⇒ Debt service LL 127 billion, of which
 - C-loans LL 93 billion
 - BDL guaranteed loans LL 34 billion

Table 1: Monthly transfers to EDL in 2009

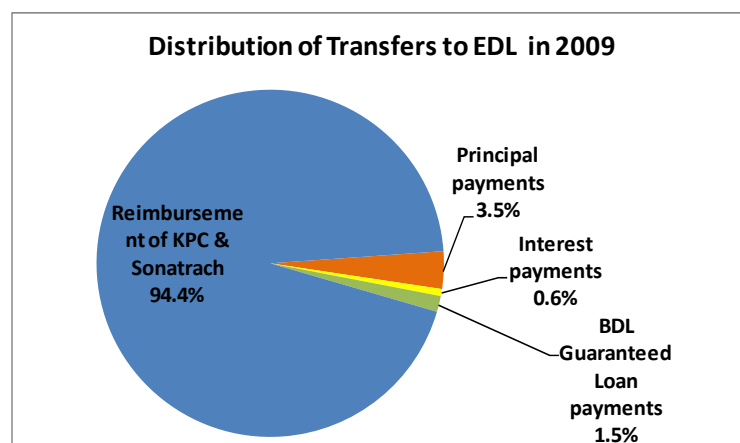
(LL billion)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
EDL of which:	414.7	261.4	408.8	115.2	147.1	163.4	147.6	54.6	30.3	201.4	112.5	201.7	2,259
Debt service, of which:	9.9	13.9	12.7	15.1	0.0	8.9	25.8	20.1	1.8	8.7	1.6	8.5	127
• C-Loans and Eurobonds, of which:	4.1	13.9	12.7	1.0	0.0	8.9	19.7	20.1	1.8	1.0	1.6	8.5	93
– Principal payments	3.6	12.9	9.2	0.9	0.0	8.0	16.0	16.6	1.5	0.9	1.3	7.9	79
– Interest payments	0.5	1.0	3.4	0.1	0.0	1.0	3.7	3.5	0.3	0.1	0.3	0.6	15
• BDL Guaranteed Loan payments	5.8	0.0	0.0	14.0	0.0	0.0	6.2	0.0	0.0	7.7	0.0	0.0	34
Reimbursement of KPC and Sonatrach	404.8	247.4	396.1	100.1	147.1	154.5	121.7	34.5	28.5	192.7	110.9	193.2	2,131

Source: Ministry of Finance (MOF)

► Major component of Treasury transfers to EDL is “reimbursement of KPC and Sonatrach”

- ⇒ This component made up the largest share of transfers to EDL in 2009 at 94.4 percent.
- ⇒ The size of “reimbursement of KPC and Sonatrach” implies that any fluctuation in the international oil price is bound to have an impact on Treasury transfers to EDL. At the same time, if consumed oil quantities rise, a higher burden is placed on the Treasury.

Figure 1: Distribution of transfers to EDL in 2009



II. Transfers to EDL in 2009 in comparison with 2008

► *Transfers to EDL in 2009 were LL 172 billion lower than their 2008 level*

The 2009 transfers to EDL witnessed a drop of 7 percent compared to the 2008 level, which stood at LL 2,430 billion, as a result of the following two factors combined:

- ⇒ decrease in payments to Kuwait Petroleum Corporation (KPC) and Algeria's Sonatrach for fuel and gas oil purchases by LL 144 billion
- ⇒ decrease in debt service by LL 28 billion

Table 2: Treasury transfers to EDL in 2009 and 2008

(LL billion)	2008 Jan-Dec	2009 Jan-Dec	Value Change	% Change
EDL, of which:	2,430	2,259	-172	-7.1%
Debt Service, of which:	155	127	-28	-18.1%
• C-Loans and Eurobonds, of which:	115	93	-22	-18.9%
- Principal Repayments	94	79	-15	-15.7%
- Interest Payments	22	15	-7	-32.6%
• BDL-Guaranteed Loan Payments	40	34	-6	-15.8%
Reimbursement of KPC and Sonatrach Agreements	2,275	2,131	-144	-6.3%

Source: Ministry of Finance (MOF)

► *Payments to the two oil suppliers were LL 144 billion lower than their 2008 level*

The component “Reimbursement of KPC and Sonatrach Agreements” reached LL 2,131 billion in 2009, down from LL 2,275 billion in 2008. The registered 6 percent downward change is rooted in both a price and a quantity effect.

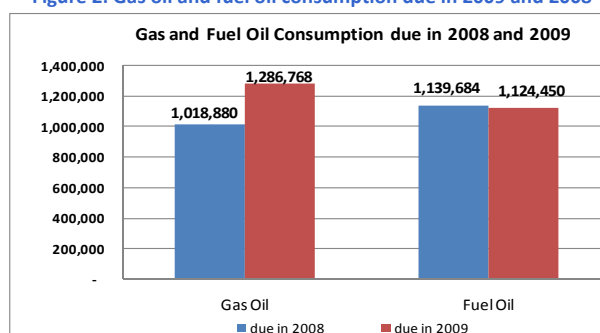
► *Oil-price effect: the overall average oil price according to which the 2009 payments were made is lower than that pertaining to 2008*

Given the current terms of payment to KPC and Sonatrach, fuel and gas oil bills settled in any year pertain generally to consumption made during the second half of the previous year and the first half of the year under consideration. In this respect, 2009 payments pertain to consumption registered between mid-2008 and mid-2009. Oil prices prevailing during this period averaged at a considerably lower level than those between mid-2007 and mid-2008¹, according to which the 2008 “reimbursement of KPC and Sonatrach agreements” was made.

► *Quantity effect: higher gas oil and slightly lower fuel oil consumption*

The consumed gas oil, for which the 2009 payments to the oil suppliers were made, registered an increase of 26 percent over the previous year's level, whereas fuel oil paid in 2009 dropped slightly by 1 percent compared to 2008.

Figure 2: Gas oil and fuel oil consumption due in 2009 and 2008



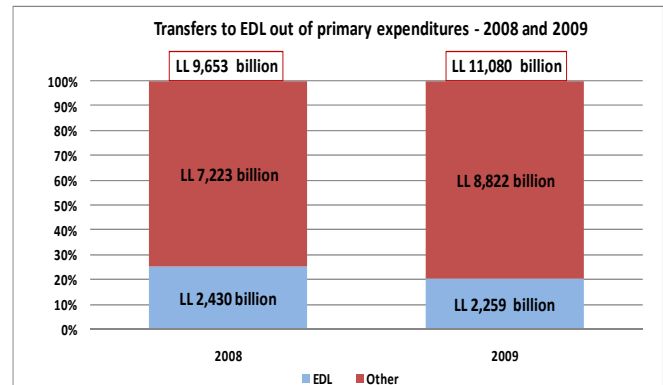
¹ The said lower average pertaining to the period of mid-2008 to mid-2009 resulted from the notable drop in oil prices during the last quarter of 2008 (with the break of the international financial crisis) and beginning of 2009, although oil prices soared to exceed by far the US\$ 100 threshold per barrel and register a peak of US\$ of 133 per barrel (as a monthly average) in July 2008.

III. Share of “Transfers to EDL” out of Expenditures

► *Transfers to EDL constituted one-fifth of primary expenditures in 2009*

With primary expenditures at LL 11,080 billion in 2009, the share of spending on EDL reached 20.4 percent. The share was higher in 2008, at 25.2 percent of primary expenditures, due to a higher level of transfers to EDL, coupled with lower primary outlays that reached LL 9,653 billion. It is worth mentioning that when taking total expenditures into account, transfers to EDL are the third largest public expenditure item, after interest payments and personnel cost.

Figure 3: Transfers to EDL out of primary expenditures in 2009 and 2008

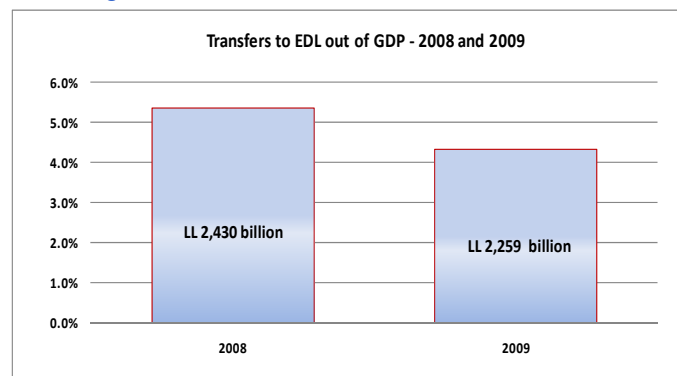


IV. Share of “Transfers to EDL” out of GDP

► *Transfers to EDL constituted 4.3 percent of GDP in 2009*

With GDP expected to register about LL 52,000 billion in 2009, spending on EDL constitutes 4.3 percent of GDP. It is worth mentioning that this figure was higher at 5.4 percent in 2008, due to a higher level of transfers to EDL on one hand, and lower GDP – estimated at around LL 45,000 billion – on the other.

Figure 4: Transfers to EDL out of GDP in 2009 and 2008



V. EDL's Contribution to the total oil bill

► *EDL contributed to 8 percent of the total oil bill in 2009*

With a total oil bill of LL 2,333 billion due in 2009, of which a treasury payment that reached LL 2,131 billion, EDL contributed by 8.3 percent to the component “Reimbursement of KPC and Sonatrach Agreements”. It is worth mentioning that this figure was lower at around 5 percent in 2008, out of an oil bill of LL 2,409 billion.

Figure 5: EDL's contribution to oil bill in 2009 and 2008

