



Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

February 2006

Section 1: Fiscal Overview

Highlights:

Total primary surplus amounted to LL 202 billion for the first two months of 2006, a 47 percent increase compared to the LL 137 billion cumulated by the end of February 2005. The total fiscal deficit increased by 57 percent when compared to January-February 2005, reaching LL 371 billion for the period of January-February 2006. This increase in the total deficit occurred from a 22 percent increase in total payments which offset the 15 percent increase in total receipts.

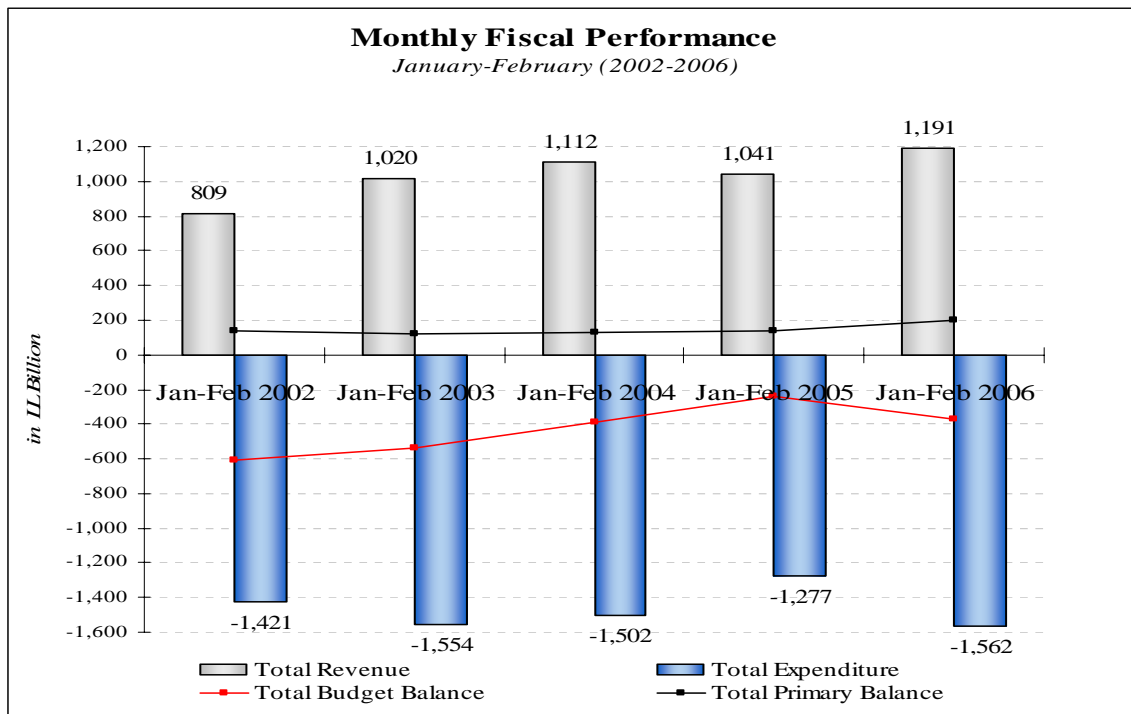
Total payments of LL 816 billion in February 2006 increased by LL 285 billion when compared to LL 531 billion in February 2005; meanwhile total receipts decreased by LL 2 billion for February 2006, registering a total amount of LL 448 billion. This led to a primary deficit of LL 69 billion in February 2006, while a primary surplus of LL 83 billion was recorded in February 2005.

Table 1. Summary of Fiscal Performance

(LL billion)	2005	2006	2005	2006	Change	%
	February	February	Jan-Feb	Jan-Feb	2005-2006	Change
Budget Revenue	434	421	1,000	1,111	110	11.0%
Budget Expenditures	368	539	767	1,017	250	32.5%
<i>o/w Debt Service</i>	164	299	374	573	199	53.2%
Budget Deficit/Surplus	66	-119	233	94	-139	-59.8%
in % of Budget Expenditures	17.9%	-22.0%	30.4%	9.2%		
Budget Primary Deficit/Surplus	230	181	607	667	60	9.8%
in % of Budget Expenditures	62.5%	33.5%	79.2%	65.6%		
Treasury Receipts	16	27	40	81	40	100.5%
Treasury Payments	163	277	510	546	35	6.9%
Total Budget and Treasury Receipts	450	448	1,041	1,191	151	14.5%
Total Budget and Treasury Payments	531	816	1,277	1,562	285	22.3%
Total Cash Deficit/Surplus	-81	-368	-237	-371	-134	56.7%
in % of Total Expenditures	-15.3%	-45.1%	-18.5%	-23.7%		
Primary Deficit/Surplus	83	-69	137	202	65	47.2%
in % of Total Expenditures	15.6%	-8.4%	10.7%	12.9%		

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

Chart 1.



Section 2: Revenue Outcome

Highlights:

- Total revenues** collected over the first two months of 2006 reached LL 1,191 billion compared to LL 1,041 billion during the same period last year.
- Overall revenues registered an increase of 15 percent till February 2006 compared to the same period of last year, which is mainly due to:
 - 8 percent increase in **tax revenues**, which totaled LL 832 billion by the end of February 2006. This is due to higher collection on most tax fronts, namely, taxes on income, profits, and capital gains (by LL 19 billion), property registration fees (by LL 13 billion), VAT (by LL 17 billion) and other tax revenues (stamp fees by LL 13 billion). These increases have more than offset the 8 percent decrease in revenues from taxes on international trade (customs and excises), which was mainly caused by the 35 percent loss in fuel excise revenues, resulting from the cap on gasoline prices.
 - 23 percent increase in **non-tax revenues**, which totaled LL 278 billion during January-February 2006, mainly owing to LL 42 billion higher transfers from the Telecom Budget Surplus, and LL 7 billion and LL 9 billion increases in the collection of public security fees/passport fees and vehicles control fees (period of settlement and reduction of penalties)¹ respectively.

¹ Budget law 2005, Law number 715 dated February 3, 2006 article 29

- 100 percent increase in treasury receipts, mainly due to a LL 22 billion rise in municipalities' revenues, and LL 10 billion higher amounts of Guarantees received.

Table 2. Total Revenue

(LL billion)	2005 February	2006 February	2005 Jan-Feb	2006 Jan-Feb	% Change
Budget Revenues, of which:	434	421	1,000	1,111	11.0%
<i>Tax Revenues</i>	246	304	774	832	7.5%
<i>Non-Tax Revenues</i>	187	117	226	278	23.1%
Treasury Receipts	16	27	40	81	100.5%
Total Revenues	450	448	1,041	1,191	14.5%

Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2005 February	2006 February	2005 Jan-Feb	2006 Jan-Feb	% Change
Tax Revenues:	246	529	774	832	7.5%
Taxes on Income, Profits, & Capital Gains, of which:	37	45	160	179	12.0%
<i>Income Tax on Profits</i>	6	8	42	38	-8.8%
<i>Income Tax on Wages and Salaries</i>	4	5	48	55	13.3%
<i>Income Tax on Capital Gains & Dividends</i>	2	2	15	21	39.7%
<i>Tax on Interest Income (5%)</i>	24	29	50	61	20.9%
<i>Penalties on Income Tax</i>	0	1	3	3	-3.5%
Taxes on Property, of which:	16	28	44	60	36.9%
<i>Built Property Tax</i>	3	6	9	11	29.8%
<i>Real Estate Registration Fees</i>	11	20	30	44	43.7%
Domestic Taxes on Goods & Services, of which:	87	115	324	352	8.4%
<i>Value Added Tax</i>	78	96	300	317	5.8%
<i>Other Taxes on Goods and Services, of which:</i>	9	18	22	28	28.5%
<i>Private Car Registration Fees</i>	6	9	14	17	26.1%
<i>Passenger Departure Tax</i>	2	9	8	10	35.1%
Taxes on International Trade, of which:	94	91	209	192	-8.4%
<i>Customs</i>	33	36	69	72	4.1%
<i>Excises, of which:</i>	61	56	140	120	-14.6%
<i>Petroleum Tax</i>	38	28	85	55	-34.9%
<i>Tobacco Tax</i>	12	12	28	28	1.1%
<i>Tax on Cars</i>	10	16	27	36	33.0%
Other Tax Revenues (namely fiscal stamp fees)	12	24	38	51	34.3%

Source: MOF, DGF

Chart 2.

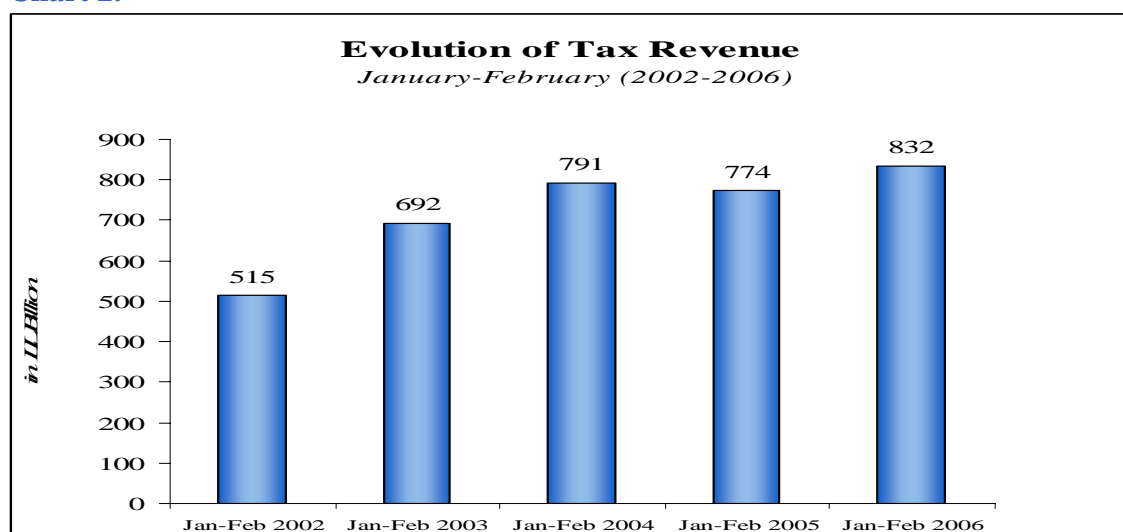
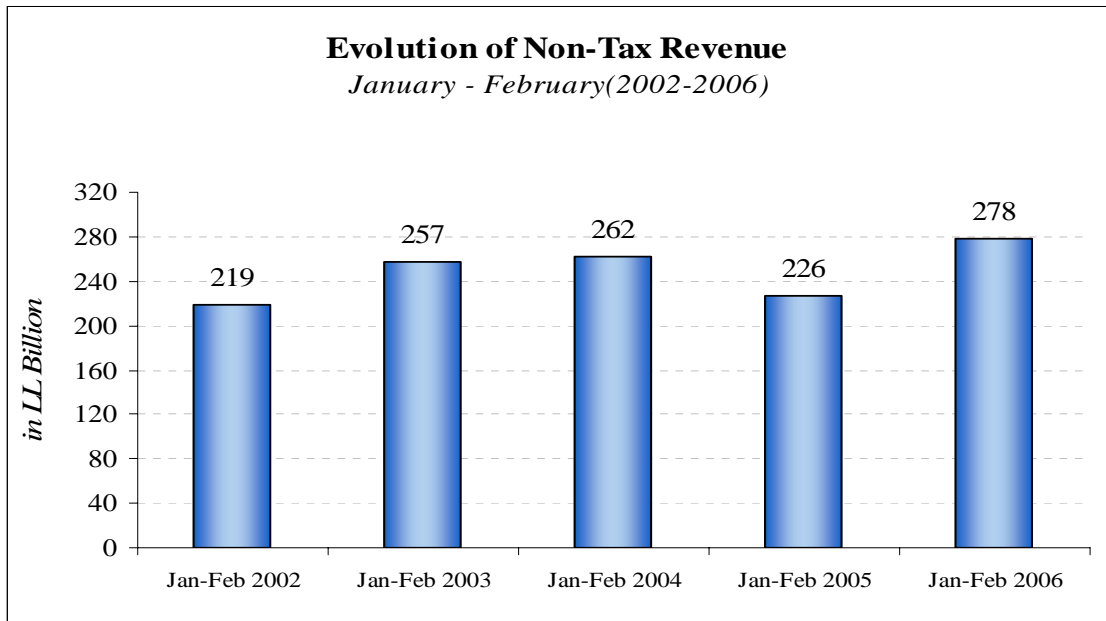


Table 4. Non-Tax Revenue

(LL billion)	2005 February	2006 February	2005 Jan-Feb	2006 Jan-Feb	% Change
Non-Tax Revenues	187	117	226	278	23.1%
Income from Public Institutions and Government Properties, of which:	161	76	172	203	17.7%
Income from Non-Financial Public Enterprises, of which:	155	72	163	195	19.4%
<i>Revenues from Casino Du Liban</i>	14	5	17	5	-71.6%
<i>Revenues from Port of Beirut</i>	0	0	0	0	0.0%
<i>Budget Surplus of National Lottery</i>	0	4	5	7	40.0%
<i>Transfer from the Telecom Surplus</i>	141	63	141	183	29.8%
Property Income (namely rent of Rafic Hariri International Airport)	6	4	8	7	-17.2%
Other Income from Public Institutions (interests)	0	0	1	1	18.3%
Administrative Fees & Charges, of which:	19	32	40	58	45.7%
Administrative Fees, of which:	14	26	29	46	59.6%
<i>Notary Fees</i>	1	1	3	3	7.1%
<i>Passport Fees/ Public Security</i>	6	10	12	19	51.9%
<i>Vehicle Control Fees</i>	4	10	8	17	101.7%
<i>Judicial Fees</i>	1	1	2	3	29.4%
<i>Driving License Fees</i>	1	2	2	2	26.5%
Administrative Charges	2	2	4	4	-5.6%
Sales (Official Gazette and License Number)	0	0	0	0	34.0%
Permit Fees (mostly work permit fees)	3	4	6	7	16.6%
Other Administrative Fees & Charges	0	0	1	1	10.7%
Penalties & Confiscations	0	0	1	1	19.4%
Other Non-Tax Revenues (mostly retirement deductibles)	7	9	13	17	26.1%

Source: MOF, DGF

Chart 3.



Section 3: Expenditure Outcome

Total expenditures for January-February 2006 totaled LL 1562 billion, as compared to LL 1277 billion for the same period of 2005, i.e., increasing by 22 percent. This increase curved up the annual change in expenditures that was almost zero in January 2006. This increase was driven by the increase in interest payment, as well as in other non-interest expenditures, as explained below:

1. Debt service reported LL 573 billion in January-February 2006, increasing by around 53 percent as compared to its level of January-February 2005.
2. Non-debt expenditures registered LL 989 billion in January-February 2006, increasing by LL 85 billion when compared to LL 904 billion for the same period of 2005, due to a decline in current non-interest and capital spending, which was counterbalanced by an increase in "other treasury expenditures".

a. Current primary budget expenditures and capital spending decreased by LL 10 billion and LL 4 billion respectively. The decrease in these two categories of spending is attributed to the following major factors:

- ✚ Other current (43 percent decrease): the decrease, relative to 2005, was a result of a higher spending in 2005 due to the one-time settlement of LL 33 billion that took place in January 2005 of arbitration decisions relating to the Ministries of Public Works and Education
- ✚ Construction under progress (17 percent decrease): This decrease was due to a transfer of LL 52 billion to the CDR in January-February 2005, while

the period January-February 2006 witnessed relatively lowered transfer of LL 35 billion .

b. Other treasury expenditures increased by LL 99 billion mainly due to two major factors:

- ✚ Increase in transfers to municipalities by LL 67 billion
- ✚ Increase in treasury advances for diesel oil subsidy by LL 20 billion

c. Direct transfers to EDL increased by LL 30 billion when compared to January-February 2005. However, this increase is offset by the indirect transfer to EDL that took place during the month of January 2005 in the form of treasury advances to water authorities in settlement of unpaid accrued electricity bills (Refer to Table 7).

Table 5. Expenditures by Transaction Classification

(LL billion)	2005	2006	2005	2006	%
	February	February	Jan-Feb	Jan-Feb	Change
Total Expenditures	531	816	1,277	1,562	22.3%
Budget Expenditures	368	539	767	1,017	32.5%
Expenditures Excluding Debt Service	204	240	393	444	12.9%
Debt Service, of which:	164	299	374	573	53.2%
Local Currency Debt	79	158	220	337	53.1%
Foreign Currency Debt, of which:	85	142	153	236	53.4%
Eurobond Coupon Interest*	57	106	108	181	67.4%
Concessional Loans Principal Payments	2	9	17	23	37.7%
Concessional Loans Interest Payments	26	27	29	31	7.6%
Treasury Expenditures , of which:	163	277	510	546	6.9%
Municipalities	6	22	13	80	533.0%
Previous Years' Appropriations	108	151	364	278	-23.7%
Non-Interest Expenditures (Total Expenditures minus Debt Service)	367	517	904	989	9.5%

Source: MOF, DGF

Chart 4.

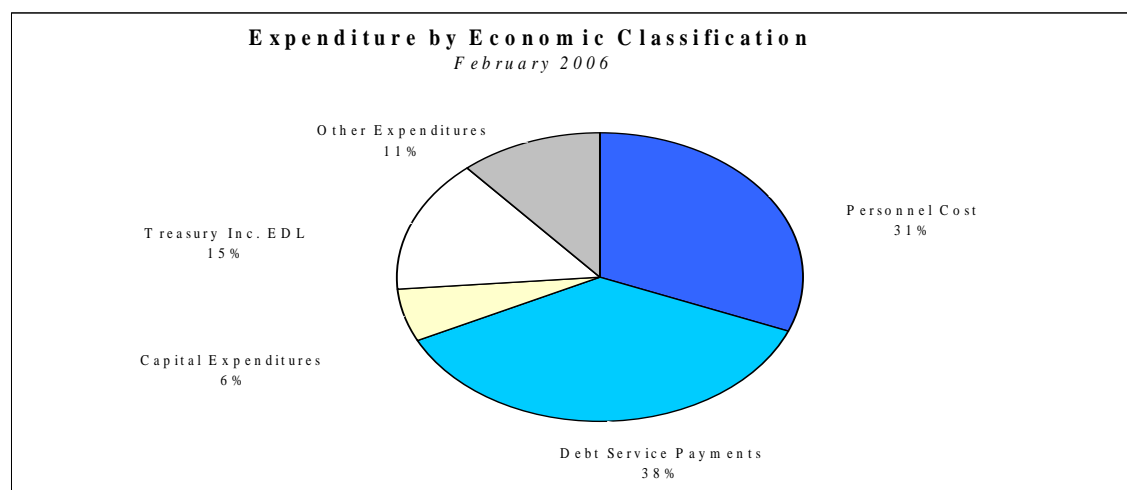


Table 6. Expenditures by Economic Classification

(LL billion)	2005 Jan-Feb	2006 Jan-Feb	% Change
1. Current expenditures	1,043	1,232	18.2%
1.a Personnel cost, <i>of which</i>	484	487	0.7%
<i>Article 13: Salaries and wages</i>	334	325	-2.6%
<i>Retirement and end of service compensations</i>	123	135	10.1%
1.b Debt Service payments	374	573	53.2%
1.c Materials and supplies	12	15	25.9%
1.d External services	8	16	93.8%
1.e Various transfers	66	78	17.7%
<i>o/w NSSF</i>	25	50	100.0%
1.f Other current	84	48	-43.0%
<i>Hospitals</i>	44	40	-9.3%
<i>Others</i>	40	7	-81.7%
1.g Reserves (3)	15	16	4.1%
<i>Interest subsidy</i>	15	16	4.1%
2. Capital expenditures	95	91	-4.3%
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	0	6	3998.5%
2.b Equipment	4	4	-3.8%
2.c Construction in Progress	75	63	-16.5%
2.d Maintenance	13	13	-5.1%
2.e Other Expenditures Related to Fixed Capital Assets	2	5	142.7%
3. Other treasury expenditures, of which	135	234	72.6%
Municipalities	13	80	533.0%
EDL	24	54	128.2%
Treasury advances for water authorities	48		-100.0%
Treasury advances for diesel oil subsidy	10	30	214.6%
4. Unclassified expenditures	0	0	-45.5%
5. Customs cashiers	4	5	36.3%
6. Total expenditures (excluding CDR foreign financed)	1,277	1,562	22.3%

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

Table 7. Transfers to EDL

(LL billion)	2005 Jan-Feb	2006 Jan-Feb	% Change
EDL of which:	72	54	-25.0%
Debt Service of which:	24	54	124.9%
C-Loans and Eurobonds, <i>of which:</i>	24	37	55.3%
Principal Payment	18	27	51.5%
Interest Payment	6	10	66.6%
Loans for Fuel Oil Payment	0	17	100.0%
BDL Guaranteed Loan Payment	0	0	0.0%
Treasury Advance for Fuel Purchase	0	0	0.0%
Treasury Advance for EDL' s Losses	0	0	0.0%
Material and supplies (electricity bills)			0.0%
Treasury advance to water authorities	48	0	-100.0%
Expropriations	0	0	0.0%

Source: MOF, DGF

Section 4: Public Debt

Highlights:

1. By the end of February 2006, gross public debt reached LL 58,167 billion (equivalent to US\$ 38 billion), rising by LL 28 billion (or 0.05 percent) over the end-January 2006 debt level.
2. Local currency debt amounted to LL 29,109 billion (equivalent to US\$ 19 billion), registering a increase of LL 23 billion or 0.1 percent over the end-January 2006 level.
3. By end-February 2006 Foreign currency debt amounted to LL 29,058 billion (equivalent to US\$ 19 billion), increasing by LL 5 billion (or 0.02 percent) over the end-January 2006 level.
4. BDL portfolio of treasury bills continued to decline as appetite for Lebanese Pound denominated treasury bills during February continued to be strong, especially by commercial banks. Accordingly, local currency debt held by BDL decreased by LL 446 billion in February 2006 compared to end of January 2006. Meanwhile, local currency debt held by commercial banks increased by LL 410 billion during the month of February 2006.
5. Public sector deposits amounted to LL 5,213 billion, decreasing by around LL 346 billion from their January 2006 level.

Table 8. Public Debt Outstanding by Holder as of End-February 2006

LL Billion

	Dec-03	Dec-04	Dec-05	Feb-06	Change Year-to-date	% change Year-to-date
Gross Public debt	50,285	54,062	58,050	58,167	117	0.2%
Local currency debt	26,843	26,371	29,141	29,109	-32	-0.1%
Ratio to total debt	53.4%	48.8%	50.2%	50.0%		
a. Central Bank (including REPOs and Loans to EdL to finance fuel purchases)*	8,938	10,652	11,686	10,941	-745	-6.4%
b. Commercial Banks	12,303	12,220	14,130	14,808	678	4.8%
c. Other Domestic Debt (T-bills)	5,603	3,500	3,325	3,360	35	1.1%
<i>o/w Public entities</i>	<i>2,564</i>	<i>2,187</i>	<i>2,446</i>	<i>2,492</i>	46	1.9%
Foreign currency debt	23,442	27,691	28,909	29,058	149	0.5%
Ratio to total debt	46.6%	51.2%	49.8%	50.0%	0	
a. Bilateral, Multilateral and Foreign Private sector loans	2,934	2,983	2,855	2,855	0	0.0%
b. Paris II related debt (Eurobonds and Loans)	3,731	3,814	3,681	3,684	3	0.1%
c. BDL Eurobond (Paris II)	2,819	2,819	2,819	2,819	0	0.0%
d. Market Eurobonds	13,631	17,687	18,729	18,732	3	0.0%
e. Accrued Interest on foreign currency debt	327	388	406	549	143	35.3%
f. Special Tbls in Foreign currency**			419	419		
Public sector deposits	3,019	4,360	5,590	5,213	-377	-6.7%
Net debt	47,266	49,703	52,460	52,954	494	0.9%
Gross market debt***	29,638	31,862	34,760	35,573	813	2.3%
% of total debt	59%	59%	60%	61%		

Source: Ministry of Finance, Banque du Liban

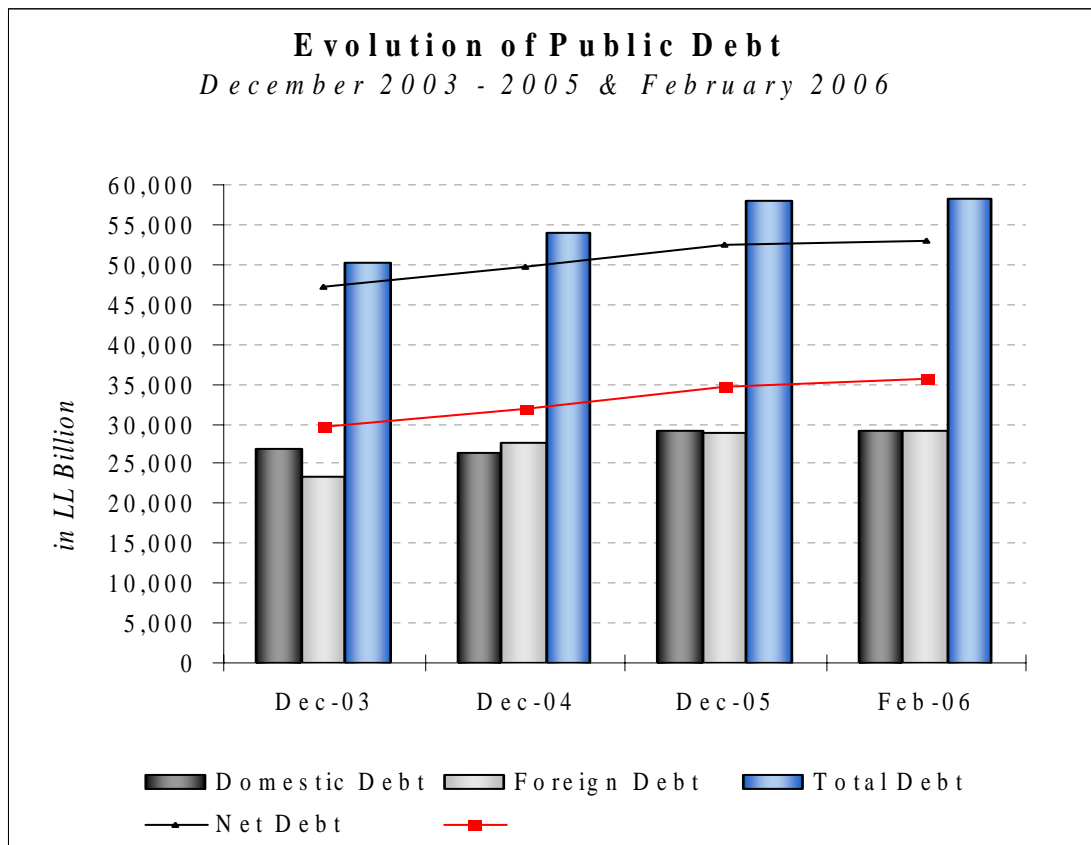
Notes:

* 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.

** Special Tbls in Foreign currency (expropriation bonds)

*** 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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