



Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

November 2007

Section 1: Fiscal Overview

For the period January-November 2007, the total fiscal balance improved by LL 270 billion reaching a deficit of LL 3,605 billion as compared to LL 3,875 billion during the same period of 2006. This improvement is due to the increase in total receipts of LL 1,309 billion which offset the LL 1,039 billion increase in total payments. In turn, the primary surplus continued to improve reaching a total of LL 964 billion by end of November 2007 against LL 204 billion for the same period of last year - an increase of LL 760 billion. This large gap between the two surpluses is mainly due to the adverse impact of the July war 2006 on the primary balance resulting from additional war-related payments and less receipts. The Ministry of Finance has undertaken substantial measures to alleviate the negative consequences of the July war on the revenue flows and has concentrated efforts to push ahead with reforms which have progressed in 2007, mainly the reform of the built property tax, the DASS and enhancing revenues from public institutions.

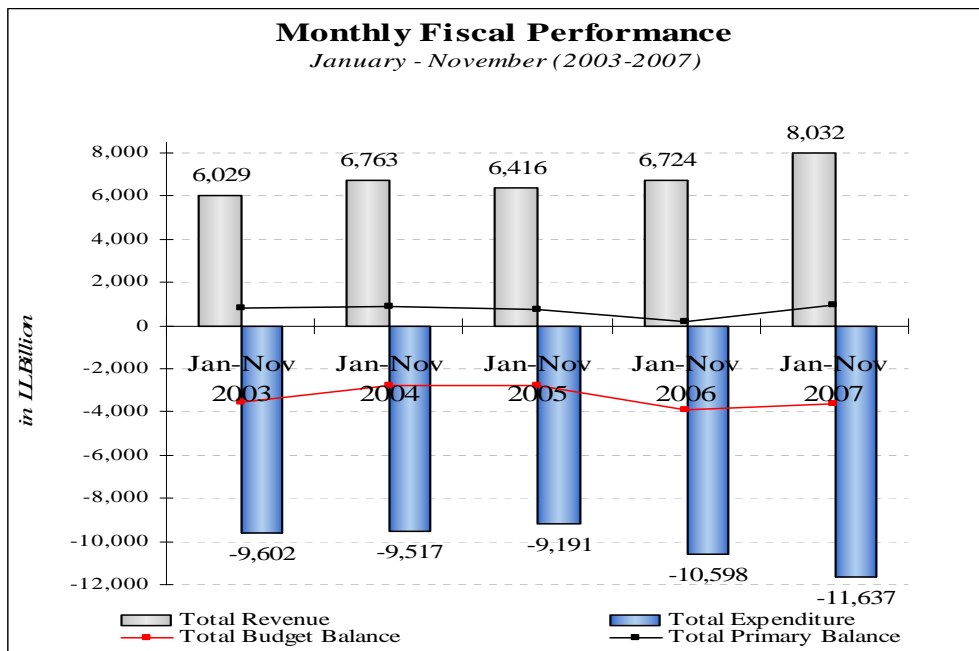
The total deficit widened from LL 393 billion in November 2006 to LL 473 billion in November 2007. As for the primary balance, it registered a deficit of LL 46 billion in November 2007 against a surplus of LL 51 billion for the same period of last year.

Table 1. Summary of Fiscal Performance

(LL billion)	2006	2007	2006	2007	Change	% Change
	November	November	Jan-Nov	Jan-Nov	2006- 2007	
Budget Revenue	596	634	6,326	7,445	1,119	17.7%
Budget Expenditures	842	837	8,427	9,299	872	10.4%
<i>o/w Previous Years Appropriations</i>	1	2	492	571	77	15.7%
<i>o/w Debt Service</i>	443	427	4,079	4,569	490	12.0%
Budget Deficit/Surplus	-247	-203	-2,101	-1,854	247	-11.7%
in % of Budget Expenditures	-29.3%	-24.3%	-24.9%	-19.9%		
Budget Primary Deficit/Surplus	196	224	1,978	2,715	737	37.3%
in % of Budget Expenditures	23.3%	26.7%	23.5%	29.2%		
Treasury Receipts	24	27	398	587	189	47.6%
Treasury Payments	170	297	2,172	2,338	166	7.7%
Total Budget and Treasury Receipts	620	661	6,724	8,032	1,309	19.5%
Total Budget and Treasury Payments	1,013	1,134	10,598	11,637	1,039	9.8%
Total Cash Deficit/Surplus	-393	-473	-3,875	-3,605	270	-7.0%
in % of Total Expenditures	-38.8%	-41.7%	-36.6%	-31.0%		
Primary Deficit/Surplus	51	-46	204	964	760	371.9%
in % of Total Expenditures	5.0%	-4.1%	1.9%	8.3%		

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

Chart 1.



Section 2: Revenue Outcome

Total revenues collected during January – November 2007 totaled LL 8,032 billion, registering a 20 percent increase compared to the same period of 2006¹. This improvement was mainly due to higher collection in both Budget revenues which increased by 18 percent (or by LL 1,119 billion) and Treasury revenues² which increased by 48 percent (or by LL 189 billion). Budget revenues enhancement was due to 13 and 29 percent increases in both tax revenue and non-tax revenues respectively.

1. **Tax revenues** totaled LL 5,172 billion over January – November 2007 compared to LL 4,559 billion during the same period of 2006. The improvement in tax revenue collection is due to the increase in all tax components:

- a) **Taxes on Income, Profits and Capital gains** totaled LL 1,228 billion during January-November 2007, compared to LL 1,128 billion collected during the same period last year an increase of 9 percent due to higher collection from Income taxes on profits by 8 percent, on wages and salaries by 8 percent, on capital gains & dividends by 41 percent and on interest income by 4 percent.
- b) **Recurrent taxes on built property and Real estate registration fees** increased by 19 and 34 percent respectively due to the ongoing administrative reforms for the former and higher activity and higher value on the real estate market for the latter.
- c) **Domestic tax on Goods and Services** increased by 22 percent, amounting to LL 2,070. This is attributed to a 22 percent increase in VAT revenue which reached LL 1,867 billion by end-November 2007 mainly attributed to inflation and increased economic activity. Of the LL 1,867 billion collected, LL 1,329 billion were due to VAT

¹ Total revenues collected during January- November 2006 and published in November 2006 PFM were LL 6,703 billion. The discrepancy encountered when comparing to the amount figuring in this report (LL 6,724 billion) is mainly due to the Tax on Profits; In fact, LL 18 billion were collected during May 2006, but registered after having published the PFM. The main reason is the July war that delayed the commercial banks' sending the supportive documents to the accounting department.

² Treasury revenues include grants

from customs and LL 538 billion were due to VAT from internal activity. Further, Private Car Registration Fees and Passenger Departure tax increased by 18 and 37 percent respectively.

- d) **Taxes on International trade** totaled LL 1,154 billion, 20 percent higher collection when compared to the collection level during January-November 2006 owing to 23 percent increase in Customs Duties along with 17 percent increase in excise taxes (5 percent lower petroleum tax, 34 percent higher tobacco tax and 27 percent higher tax on cars). Note that revenues from Petroleum tax registered LL 2 billion in November 2007 compared to LL 44 billion in November 2006, a loss of about LL 42 billion due to the increase in the international fuel prices in light of the ongoing cap on the domestic retail prices during this period. In fact, during the second half of the month, import prices of gasoline exceeded the ceiling above which the excise rate turns zero, and consequently domestic retail prices had to rise 3 times consecutively by a total of LL 1,600 per 20 liters for the 98 octane and by LL 1,700 per 20 liters for the 95 octane.³
- e) **Receipts from Fiscal Stamps** increased by 4 percent, which may reflect higher levels of transactions taking place in the economy.

2. Non-tax revenue totaled LL 2,273 billion over January – November 2007 compared to LL 1,766 billion during the same period of 2006 increasing by 29 percent. Within non-tax revenues, **Income from Public Institutions and Government Properties** increased by 40 percent (Casino Du Liban⁴ by 57 percent, Telecom Budget Surplus⁵ by 30 percent and the rent of Rafic Hariri International Airport by 50 percent, in addition to LL 113 billion representing the 80 percent transfer to the Treasury of the BDL net profit according to the Article 113 of the Code of Money and Credit). These increases have more than offset the 2 percent drop in revenues from **Administrative fees and Charges** (Vehicle Control Fees⁶ decreased by 8 percent, revenues from the Driving License Fees by 29 percent and the Work Permit Fees by 9 percent) and the 9 percent decrease in **Other Non Tax Revenues** (mostly retirement deductibles), as compared to the same period last year.

3. Treasury Receipts increased by 48 percent during the January-November 2007 period and totaled LL 587 billion compared to LL 398 billion during the equivalent period in 2006. These figures account for LL 78 billion of grants received during July-August 2006 for rehabilitation and reconstruction and LL 152 billion of grants received in 2007, of which LL 151 billion are from Saudi Arabia transferred in the month of April 2007. Further note that an amount equivalent to LL 38 billion was reported under "other Treasury revenues" which represents adjustment entries (in the months of January and June 2007) regularizing a treasury advance payments.⁷

³ Note that the month of May 2007 also witnessed hikes in international oil prices, and hence domestic retail prices had to increase by approximately LL 200 per 20 liters to support the rise in import prices.

⁴ As per the Government economic reform program presented at Paris III, and as per the Government's aim at revenue enhancement, and particularly from public properties, a new phase of the agreement with Casino Management entered into effect, whereby Treasury's share of Casino revenues increased from 30% to 40% as of 2007.

⁵ Please note that an amount equivalent to \$ 92.5 million of arbitration settlement was paid to France Telecom in April 2007. The amount was netted out from the transfer to the treasury.

⁶ Please note that the higher collection of vehicle control or road usage fees in 2006 may be attributed to the amnesty on penalties on unsettled dues, as per Article 29 of Budget Law 2005 (Law 715, February 3rd, 2006).

⁷ Note that the amount is further recorded in treasury expenditure reported under the items "Materials and Supplies" and "Various Transfers" (Please refer to section 3: Expenditure Outcome). Therefore, from a fiscal deficit perspective it has no impact

Table 2. Total Revenue

(LL billion)	2006	2007	2006	2007	%
	November	November	Jan-Nov	Jan-Nov	Change
Budget Revenues, of					
<i>which:</i>	596	634	6,326	7,445	17.7%
<i>Tax Revenues</i>	404	412	4,559	5,172	13.4%
<i>Non-Tax Revenues</i>	192	222	1,766	2,273	28.7%
Treasury Receipts	24	27	398	587	47.6%
Total Revenues	620	661	6,724	8,032	19.5%

Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2006	2007	2006	2007	%
	November	November	Jan-Nov	Jan-Nov	Change
Tax Revenues:	404	412	4,559	5,172	13.4%
Taxes on Income, Profits, & Capital Gains, of which:	53	64	1,128	1,228	8.9%
<i>Income Tax on Profits</i>	6	11	436	469	7.6%
<i>Income Tax on Wages and Salaries</i>	2	2	195	210	8.1%
<i>Income Tax on Capital Gains & Dividends</i>	2	6	95	134	40.6%
<i>Tax on Interest Income (5%)</i>	42	45	388	405	4.4%
<i>Penalties on Income Tax</i>	0	0	11	8	-29.7%
Taxes on Property, of which:	33	67	522	467	-10.5%
<i>Built Property Tax</i>	5	6	79	94	18.6%
<i>Real Estate Registration Fees</i>	25	59	246	330	34.0%
Domestic Taxes on Goods & Services, of which:	161	156	1,702	2,070	21.6%
<i>Value Added Tax</i>	146	137	1,533	1,867	21.8%
<i>Other Taxes on Goods and Services, of which:</i>	15	19	159	197	24.3%
<i>Private Car Registration Fees</i>	10	11	102	120	17.5%
<i>Passenger Departure Tax</i>	5	7	56	77	37.4%
Taxes on International Trade, of which:	138	105	965	1,154	19.6%
<i>Customs</i>	49	52	419	514	22.8%
<i>Excises, of which:</i>	89	2	546	640	17.2%
<i>Petroleum Tax</i>	44	2	195	185	-5.5%
<i>Tobacco Tax</i>	23	20	146	195	33.6%
<i>Tax on Cars</i>	21	31	201	256	27.3%
Other Tax Revenues (namely fiscal stamp fees)	19	19	242	253	4.3%

Source: MOF, DGF

Chart 2.

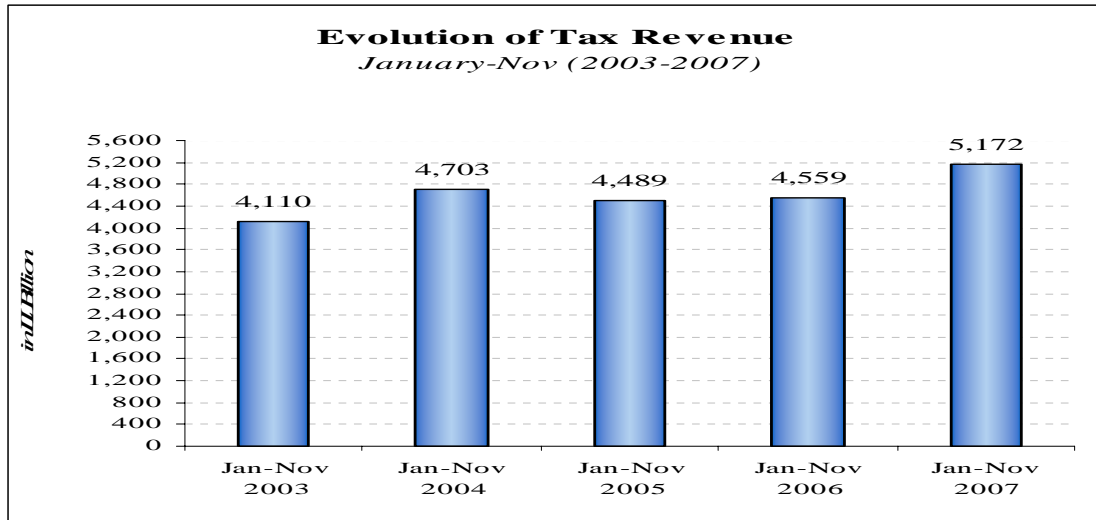
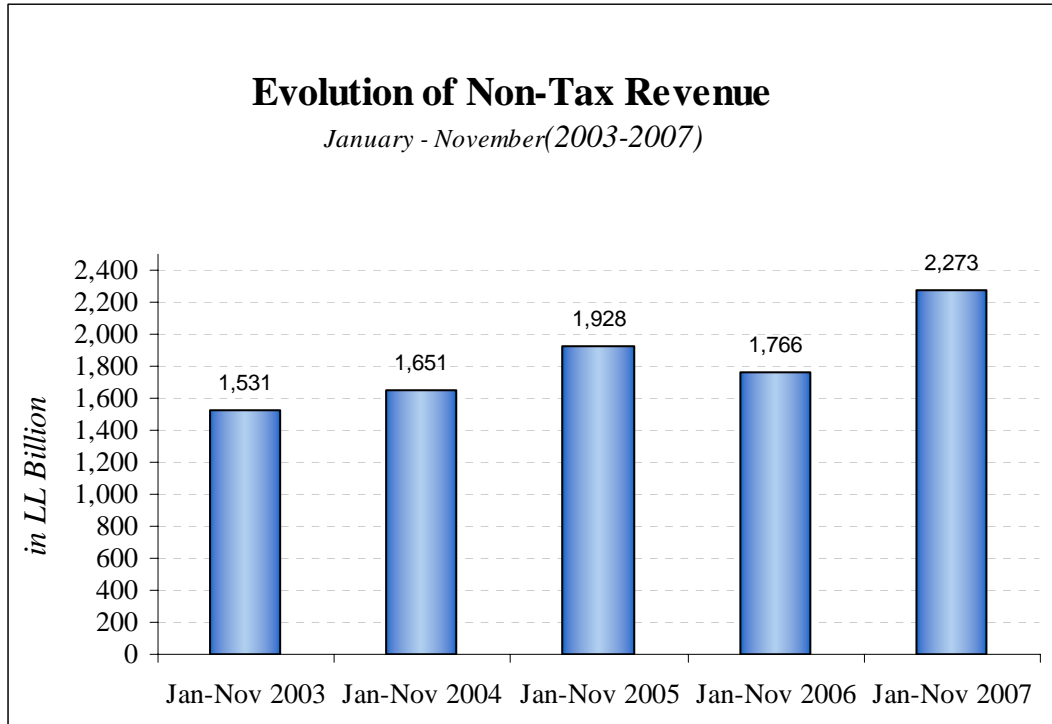


Table 4. Non-Tax Revenue

(LL billion)	2006	2007	2006	2007	% Change
	November	November	Jan-Nov	Jan-Nov	
Non-Tax Revenues	192	222	1,766	2,273	28.7%
Income from Public Institutions and Government Properties, of which:	148	175	1,295	1,813	40.0%
Income from Non-Financial Public Enterprises, of which:	146	169	1,263	1,655	31.0%
<i>Revenues from Casino Du Liban</i>	4	7	36	57	56.7%
<i>Revenues from Port of Beirut</i>	0	0	0	30	-
<i>Budget Surplus of National Lottery</i>	2	0	53	47	-11.3%
<i>Transfer from the Telecom Surplus</i>	140	163	1,172	1,520	29.6%
Income from Financial Public Enterprises of which BDL	0	0	0	113	
Property Income (namely rent of Rafic Hariri International Airport)	2	5	27	41	49.8%
Other Income from Public Institutions (interests)	0	0	5	5	6.6%
Administrative Fees & Charges, of which:	36	39	387	381	-1.5%
Administrative Fees, of which:	29	29	312	303	-2.8%
<i>Notary Fees</i>	2	2	16	19	17.6%
<i>Passport Fees/ Public Security</i>	6	8	105	105	-0.1%
<i>Vehicle Control Fees</i>	16	14	139	128	-7.9%
<i>Judicial Fees</i>	2	1	17	16	-5.9%
<i>Driving License Fees</i>	2	1	21	15	-28.6%
Administrative Charges	4	6	14	22	53.7%
Sales (Official Gazette and License Number)	0	0	3	2	-3.1%
Permit Fees (mostly work permit fees)	3	3	47	43	-8.7%
Other Administrative Fees & Charges	0	1	10	10	-2.5%
Penalties & Confiscations	0	1	4	5	23.6%
Other Non-Tax Revenues (mostly retirement deductibles)	7	7	81	74	-8.9%

Source: MOF, DGF

Chart 3.



Section 3: Expenditure Outcome

During January-November 2007, **total expenditures** reached LL 11,637 billion increasing by 1,039 billion when compared to LL 10,598 billion registered in the same period of 2006. This change remains the result of the increases in both interest payments and non-interest payments by LL 490 billion and LL 549 billion respectively. The different levels of expenditures are detailed as follows:

1. Debt service registered a total of LL 4,569 billion in January-November 2007 increasing by 12 percent compared to LL 4,079 billion for the same period of 2006. This rise was due to higher interest payments in both local and foreign currency debt by around 13 and 11 percent respectively.

Interest payments on local currency debt increased by LL 272 billion for the period January-November 2007 compared to January-November 2006. This increase is a result of:

- Higher coupon payments on long term T-bills⁸ by LL 343 billion which were due to higher stock of long term bonds as well as the payment of accrued interest following the early retirement of T-bills against gold reevaluation that took place in June 2007⁹;
- Contrary, interest payments on short term T-bills (discounted interest) were lower by LL 71 billion due to a decrease in the stock of short term Bonds.

The increase of interest payment on foreign currency debt amounted to LL 219 billion. Around LL 182 billion was due to higher coupon payments on Eurobonds reflecting an increase in the

⁸ 24 months , 36 months and 60 months T-bills

⁹ Please for further information refer to the Public Finance Quarterly Report: Q II 2007

stock of Eurobond when compared to the same period of last year. The remaining amount is due to higher maturities of principal and interest on concessional loans.

2. Non-interest expenditures increased by 8 percent in January-November 2007 reaching a total of LL 7,068 billion compared to LL 6,519 billion registered in the same period of 2006. The rise is due to an increase in the three major categories that fall under this item: current primary expenditures, capital expenditures and treasury expenditures. The details of each level of spending are explained, as follows:

a) Current primary budget expenditures registered a total of LL 4,365 billion in January-November 2007 when compared to LL 3,922 billion for the same period of 2006, increasing by LL 444 billion. The rise is explained below as follows:

i. **"Personnel Cost"** increased by LL 276 billion resulting from an increase in "wages and salaries" by LL 302 billion which offset the decrease in "Retirement and end of service compensations" by LL 49 billion. The main reasons of the increase in "wages and salaries" are detailed as follows:

- Increase in basic salaries by LL 224 billion mainly due to three major factors: 1) the new recruitment of armed forces (army and internal security forces) that took place in the last quarter of 2006 resulting in around LL 167 billion increase in article 13; 2) the additional salary of LL 47 billion paid to the armed forces during February 2007 (decision of the Council of Ministers dated 4/1/2007); and 3) the payment of LL 10 billion to the Ministry of Education and Higher Education's contractual teachers in October 2007;

- Increase in health allowances (maternity and sickness, and hospitalization) to the armed forces by LL 36.5 billion. These increases were paid on account of budget 2006 and resulting primarily from the increase in the armed forces during budget year 2006 (last quarter) to cover hospitalization of new recruits which were not accounted for in the budget. The consequences of the July war might have contributed to this increase;

- Increase in the transfers to the Civil Servant Cooperative by LL 34.75 billion. This increase is much related to the relatively lower transfers reported during 2006. It should be noted in 2004, transfers to the Civil Servant Cooperative were around LL 165 billion. However they dropped to around LL 135 billion in 2005 and 2006 to rise again in 2007 to a level almost equivalent to the budget level. Also, it is worth noting that an additional allocation of around LL 7 billion was recently added to the budget of the Cooperative to cover chronic diseases;

- Increase in salaries-related allowances by LL 10.9 billion. These include family, overtime and transportation allowances. The increase in the armed forces recruits was the main factor behind this increase.

ii. **"Materials and Supplies"** increased by LL 56 billion. Out of this amount, a total of around LL 26 billion resulted from an accounting entry to adjust the payments of treasury advances. This adjustment was netted out by including a similar amount in the revenues. As for the rest of the increase, it was due to the rise in three major components as detailed as follows:

- Increase in food expenses by LL 5.6 billion;
- Increase in petroleum expenses by LL 13.6 billion;
- Increase in medicines by LL 8.1 billion.

It should be noted that the increase in the aforementioned three items is driven by the increase in personnel (armed forces) on one hand and by the increase in international prices (mazout) and appreciation of the euro (medicines) on another hand.

iii. **“Various Transfers”** increased by LL 133 billion mainly due to the higher transfer of LL 70 billion to the NSSF which received a total amount of LL 220 billion during January-November 2007 when compared to LL 150 billion for the same period of 2006.

In addition, transfers to other public institutions reported increases as follows:

- Transfers to the General Directorate of Cereals and Sugar Beet increased by LL 31.6 billion due to the payment of the wheat subsidy (Decree of the Council of Ministers # 589 date 31-7-2007 and decree #649 date 22-8-2007). This increase was driven by the high international wheat prices which more than doubled in the second half of 2007;
- Transfer to cover part of the expenses of the international tribunal for the assassination of the Prime Minister Rafic Hariri totaled LL 7.5 billion;
- The contractual teachers at the primary level received an additional amount of LL 13 billion;
- Transfers to Public hospitals increased by LL 3 billion to cover the deficit in their operational expenses;
- Transfers to Non-Governmental Organizations increased by LL 2 billion.

iv. Against the increase in the various components of current expenditure categories, **“Other current expenditures”** reported a decrease of LL 27 billion when compared to the figures of January-November 2006, mainly due to the decline in the payments to cover hospitalization in the private sector by LL 32 billion. This slowdown was mostly related to a delay in auditing hospital bills by the Ministry of Health and sending them for disbursement by the Ministry of Finance, which started in May 2007.

b. **Capital expenditures** registered an increase of LL 39 billion in January-November 2007 when compared to the same period of 2006. Unlike the past months, all components of this item registered an increase except for "Maintenance". This is detailed below as follows:

- “Acquisitions of Lands and Buildings” increased by LL 6 billion;
- "Equipment" increased by LL 18 billion;
- "Construction in Progress" increased by LL 11 billion. It should be noted that construction in progress reached LL 376 billion in January-November 2007, of which LL 106 billion were transferred to both the Council of the South and the Displaced Fund (LL 40 billion for the former and LL 66 billion for the latter);
- “Other Expenditures related to fixed capital assets” increased by LL 3 billion.

c. Other **treasury expenditures** increased by LL 54 billion for January-November 2007 when compared to the same period of 2006. This item witnessed an increase in some of its components which offset the decrease in the rest of its components. This is detailed as follows:

- Transfers to municipalities decreased by LL 83 billion. This relatively high decrease in transfers to municipalities is in part related to higher transfers reported last year, as around LL 40 billion were paid to municipalities in order to support relief efforts during the war of July 2006. It should be noted also that the transfers to municipalities for their dues on 2005 revenues started to take place in September 2007;

- The Higher Relief Commission received only LL 16 billion during the first eleven months of 2007, as compared to LL 98 billion transferred in the same period of 2006. It is worth to note that LL 79 billion of 2006 transfers were from the special donation account that was opened following the war of July;

- No treasury advances for diesel oil subsidy were paid during 2007 as compared to LL 52 billion paid in 2006;

- Increase in payments of VAT refund by LL 67 billion.

Transfers to EDL reached LL 1,396 billion during January-November 2007, compared to LL 1,190 billion for the same period in 2006. This increase can be explained by the following:

- An increase in payments to Kuwait Petroleum Corporation and Algeria's Sonatrach for fuel and gas oil purchases by LL 314 billion;

- An increase in repayment of loans for fuel oil and gas oil purchase by LL 50 billion;

- An increase in debt service by LL 58 billion due to the repayment in June 2007 of the US\$ 100 million Eurobond to finance power sector restructuring. The Eurobond was issued in July 1997 and was guaranteed by the World Bank;

- On the other side, an exceptional payment of LL 217 billion took place in the first eleven months of 2006 in order to settle the oil supplier arrears.

Table 5. Expenditures by Transaction Classification

(LL billion)	2006	2007	2006	2007	%
	November	November	Jan- Nov	Jan- Nov	Change
Total Expenditures	1,013	1,134	10,598	11,637	9.8%
Budget Expenditures	842	837	8,427	9,299	10.4%
Expenditures Excluding Debt Service, of which:	399	410	4,348	4,730	8.8%
<i>Previous Years' Appropriations</i>	1	2	492	571	16.1%
Debt Service, of which:	443	427	4,079	4,569	12.0%
<i>Domestic Debt</i>	250	187	2,092	2,363	13.0%
<i>Foreign Debt, of which:</i>	194	240	1,987	2,206	11.0%
<i>Eurobond Coupon Interest*</i>	172	214	1,693	1,875	10.8%
<i>Specialbond Coupon Interest*</i>			13	13	
<i>Concessional Loans Principal</i>					13.4%
<i>Payments</i>	15	18	179	203	
<i>Concessional Loans Interest Payments</i>	7	8	102	114	11.8%
Treasury Expenditures , of which:	170	297	2,172	2,338	7.7%
<i>Municipalities</i>	9	31	365	219	-40.1%
Non-Interest Expenditures (Total Expenditures minus Debt Service)	569	707	6,519	7,068	8.4%

Source: MOF, DGF

* Includes general expenses related to the transaction

Chart 4.

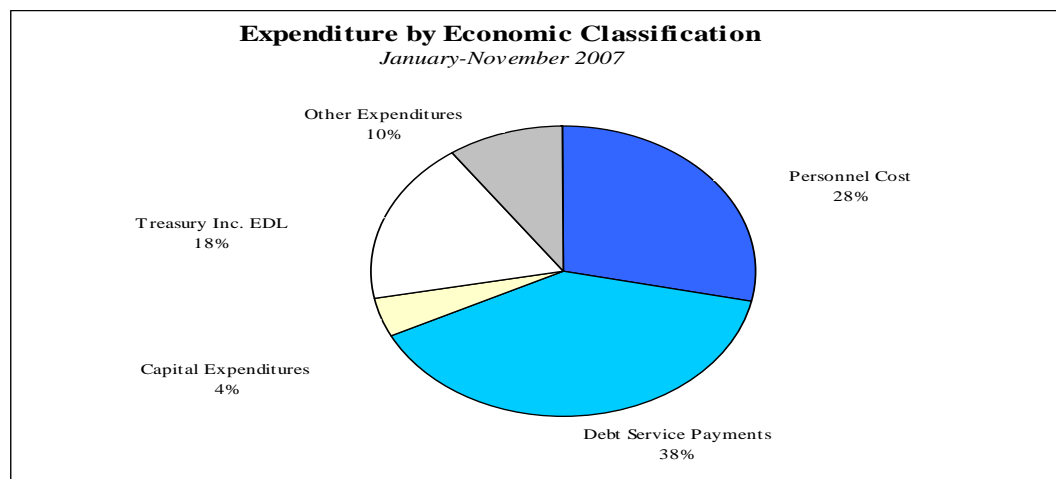


Table 6. Expenditures by Economic Classification

(LL billion)	2006 Jan-Nov	2007 Jan-Nov	% Change
1. Current expenditures	8,001	8,935	11.67%
1.a Personnel cost, of which	3,017	3,293	9.14%
Article 13: Salaries and wages	1,981	2,283	15.25%
Retirement and end of service compensations	857	808	-5.69%
1.b Debt Service payments	4,079	4,569	12.01%
1.c Materials and supplies	129	185	43.18%
1.d External services	78	81	3.81%
1.e Various transfers	401	534	33.27%
o/w NSSF	150	220	46.67%
1.f Other current	218	191	-12.35%
Hospitals	188	156	-16.99%
Others	30	33	10.52%
1.g Reserves (3)	79	82	3.72%
Interest subsidy	79	82	3.72%
2. Capital expenditures	474	513	8.20%
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	11	17	51.76%
2.b Equipment	22	40	81.10%
2.c Construction in Progress	364	376	3.07%
2.d Maintenance	45	45	0.68%
2.e Other Expenditures Related to Fixed Capital Assets	31	34	10.64%
3. Other treasury expenditures, of which	2,093	2,147	2.58%
Municipalities	365	282	-22.81%
EDL	1,190	1,396	17.30%
Transfers to NSSF		10	-100.00%
Transfers to Higher Council of Relief	95	26	100.00%
Treasury advances for diesel oil subsidy	52	0	-100.00%
4. Unclassified expenditures	1	5	335.92%
5. Customs cashiers	29	38	28.89%
6. Total expenditures (excluding CDR foreign financed)	10,598	11,637	9.80%

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

Table 7. Transfers to EDL

(LBP billion)	2006	2007	Change
	Jan-Nov	Jan-Nov	
EDL of which:	1,190	1,396	206
Debt Service of which:	227	285	58
C-Loans and Eurobonds, of which:	222	268	46
Principal Repayment	177	232	55
Interest Payment	45	37	-8
BDL Guaranteed Loan Payment	5	17	12
Repayment of loans for fuel oil and gas oil purchase (principal and interest)	17	67	50
Reimbursement of KPC and Sonatarach agreements	730	1,044	314
Repayment of oil suppliers arrears *	217	0	-217

Source: MOF, DGF

Section 4: Public Debt

Highlights:

1. By the end of November 2007, Gross Public Debt reached LL 63,079 billion (equivalent to US\$ 41.84 billion), registering an increase of LL 2,241 billion (or 3.68 percent) over the end-December 2006 debt level.
2. Local currency debt amounted to LL 31,148 billion (equivalent to US\$ 20.66 billion), increasing by LL 944 billion or 3.13 percent over the end-December 2006 level.
3. As of end- November 2007, local currency debt held by BDL decreased by LL 585 billion as compared to end of December 2006. The decrease was primarily due to the early redemption of LL 2,380 billion in T-bills (LL 2,343 billion in principal and LL 38 billion in accrued interest), using proceeds resulting from the re-evaluation of the BDL's gold reserve in June. Nevertheless, due to the prevailing political environment, BDL's portfolio of local currency debt increased by LL 916 billion in the first quarter of 2007. In the 2nd quarter of 2007, there was an improvement of market subscriptions and hence a reduced pace of increase in BDL's T-bills holding. In the 3rd quarter, there was an increase in BDL's holding of T-bills by LL 1,173 billion. However, in October and November, BDL's T-bill holdings fell by LL 350 billion and LL 56 billion, respectively, due to improved market participation.
4. Meanwhile, local currency debt held by commercial banks increased by LL 175 billion as compared to end-December 2006. The commercial banks' holding of local currency securities fell in the first quarter by LL 650 billion. Their holdings further fell by LL 19 billion in the 2nd quarter and by LL 375 billion in the 3rd quarter. That trend was reversed however in October and November, when banks increased their T-bill portfolio by LL 995 billion and LL 219 billion respectively. Over these 2 months, banks swapped a total of LL 1,532 billion of 60-month BDL Certificates of Deposits in their portfolio for an equivalent amount of 60-month T-bills. The swaps were executed in two transactions; one for LL 1,003 billion in October, and the other for LL 529 billion in November.
5. By end-November 2007, foreign currency debt amounted to LL 31,931 billion (equivalent to US\$ 21.18 billion), increasing by LL 1,297 billion (or 4.23 percent) over the end-December 2006 level. On November 20, a US\$ 300 million Eurobond was issued to BDL.

The transaction was a reopening of the US\$ 450 million at 7.5 percent coupon due August 2011.

In addition, Lebanon received two tranches of the UAE Paris III loan equivalent to US\$ 200 million.

6. Public sector deposits amounted to LL 4,376 billion, decreasing by approximately LL 68 billion from their December 2006 level.

Table 8. Public Debt Outstanding by Holder as of End-November 2007

LBP Billion						
Assumes full LBP Replacement	Dec-04	Dec-05	Dec-06	Nov-07	Change Dec 06 - Nov 07	% change Dec 06-Nov 07
Gross Public debt	54,082	57,985	60,838	63,079	2,241	3.68%
Local currency debt	26,371	29,141	30,204	31,148	944	3.13%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	10,652	11,686	9,588	9,003	-585	-6.10%
b. Commercial Banks	12,220	14,130	16,487	16,662	175	1.06%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,483	1,354	32.79%
<i>o/w Public entities</i>	<i>2,187</i>	<i>2,446</i>	<i>3,313</i>	<i>4,771</i>	<i>1,458</i>	<i>44.01%</i>
Foreign currency debt⁽²⁾	27,711	28,844	30,634	31,931	1,297	4.23%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,789	2,855	3,455	600	21.02%
b. Paris II related debt (Eurobonds and Loans) ⁽³⁾	6,634	6,501	6,540	6,068	-472	-7.22%
c. Paris III related debt (Eurobonds and Loans) ⁽⁴⁾				1,206	1,206	
d. Market-issued Eurobonds	17,686	18,729	20,386	20,334	-52	-0.25%
e. Accrued Interest on foreign currency debt	388	406	434	449	15	3.46%
f. Special Tbls in Foreign currency ⁽⁵⁾		419	419	419		0.00%
Public sector deposits	4,359	5,590	4,444	4,376	-68	-1.53%
Net debt	49,723	52,397	56,394	58,703	2,309	4.09%
Gross Market debt⁽⁶⁾	31,861	34,726	38,649	38,667	18	0.05%
% of total debt	59%	60%	64%	61%		

Source: Ministry of Finance, Banque du Liban

Notes:

⁽¹⁾ 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.

⁽²⁾ Figures of Dec04 -Jan06 change because of exchange rate of Euro

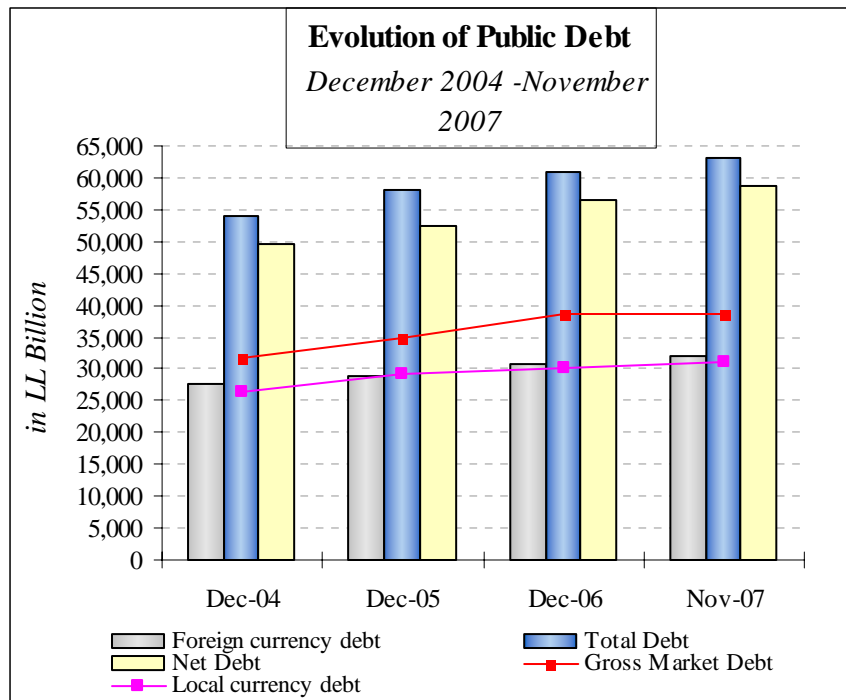
⁽³⁾ Paris II related debt (Eurobonds and Loans) declined due to the re-profiling of debt held by Malaysia as part of that country's Paris III contribution and because of a payment of principal of 30M EURO on AFD debt in February and August.

⁽⁴⁾ Includes US\$ 500 million worth of Eurobonds issued to Malaysia, US\$ 200 million tranche of a loan from UAE, and a US\$ 100 million RDPL loan from the IBRD.

⁽⁵⁾ Special Tbls in Foreign currency (expropriation bonds)

⁽⁶⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III 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