



# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

## October 2007

### Section 1: Fiscal Overview

For January-October 2007, the total fiscal deficit decreased by LL 350 billion reaching LL 3,132 billion when compared to LL 3,482 billion during the same period of 2006. This improvement is due to the increase in total receipts by LL 1,268 billion which offset the LL 918 billion increase in total payments. In turn, the primary surplus continued to improve reaching a total of LL 1,010 billion by end of October 2007 against LL 154 billion for the same period of last year - an increase of LL 856 billion. This was due to the effect of July 2006 war which has negatively affected the primary balance resulting from higher war-related payments and lower receipts.

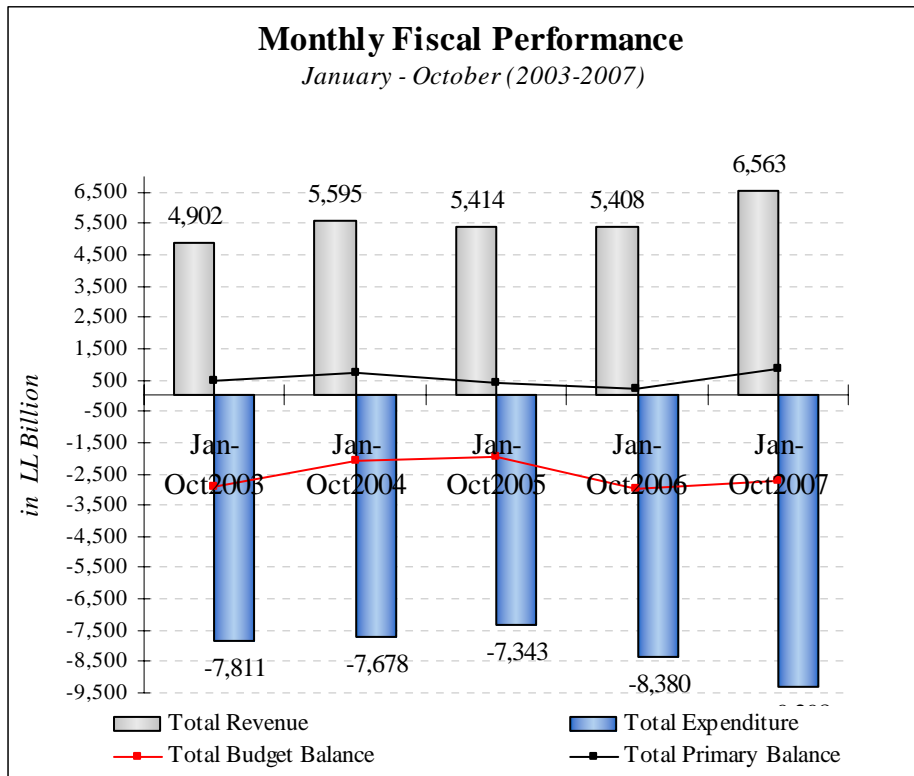
In the month of October 2007, the total deficit improved by LL 114 billion decreasing from a deficit of LL 511 billion in October 2006 to a deficit of LL 397 billion in October 2007. As for the primary balance, it went from a primary deficit of LL 38 in October 2006, to a primary surplus of LL 145 billion in October 2007.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2006	2007	2006	2007	Change	%
	October	October	Jan-Oct	Jan-Oct	2006-2007	Change
Budget Revenue	658	774	5,730	6,811	1,081	18.9%
Budget Expenditures	943	975	7,584	8,460	876	11.5%
<i>o/w Previous Years Appropriations</i>	1	1	491	569	77	15.7%
<i>o/w Debt Service</i>	473	542	3,636	4,142	506	13.9%
<b>Budget Deficit/Surplus</b>	<b>-286</b>	<b>-201</b>	<b>-1,854</b>	<b>-1,649</b>	<b>205</b>	<b>-11.1%</b>
in % of Budget Expenditures	-30.3%	-20.6%	-24.4%	-19.5%		
<b>Budget Primary Deficit/Surplus</b>	<b>188</b>	<b>340</b>	<b>1,782</b>	<b>2,493</b>	<b>711</b>	<b>39.9%</b>
in % of Budget Expenditures	19.9%	34.9%	23.5%	29.5%		
Treasury Receipts	38	35	373	560	187	50.1%
Treasury Payments	263	230	2,001	2,043	42	2.1%
Total Budget and Treasury Receipts	695	809	6,103	7,372	1,268	20.8%
Total Budget and Treasury Payments	1,206	1,206	9,586	10,503	918	9.6%
<b>Total Cash Deficit/Surplus</b>	<b>-511</b>	<b>-397</b>	<b>-3,482</b>	<b>-3,132</b>	<b>350</b>	<b>-10.1%</b>
in % of Total Expenditures	-42.4%	-32.9%	-36.3%	-29.8%		
<b>Primary Deficit/Surplus</b>	<b>-38</b>	<b>145</b>	<b>154</b>	<b>1,010</b>	<b>856</b>	<b>557.2%</b>
in % of Total Expenditures	-3.1%	12.0%	1.6%	9.6%		

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

**Chart 1.**



## Section 2: Revenue Outcome

Total revenues collected during January – October 2007 totaled LL 7,372 billion, representing a 21 percent increase compared to the same period of 2006. This improvement was mainly due to higher collection in both Budget revenues which increased by 19 percent (or LL 1,081 billion), and Treasury revenues<sup>1</sup> which increased by 50 percent (or LL 187 billion). The rise in Budget revenues stem from 15 and 30 percent increases in tax revenues and non-tax revenues respectively.

**Tax Revenues** totaled LL 4,760 billion during January – October 2007 compared to LL 4,155 billion during the same period of 2006. The main reasons behind this enhancement in tax revenue collection are:

- a) **Taxes on Income, Profits and Capital gains** totaled LL 1,163 billion during January-October 2007 compared to LL 1,074 billion collected during the same period last year. The 8 percent increase was due to the improvement in all income tax fronts including revenues from Income taxes on profits, on wages and salaries, on capital gains & dividends and on interest income, which increased by 6, 8, 38 and 4 percent respectively compared to same period last year.
- b) **Recurrent Taxes on Built Property and Property registration fees** increased by 18 and 22 percent respectively. This rise is due to ongoing administrative reforms for the former and apparently higher level of activity and higher values on the real estate market for the latter.

<sup>1</sup>Treasury revenue amount includes grants received.

- c) **Domestic Taxes on Goods and Services** increased by 24 percent, amounting to LL 1,914 billion. This is attributed to a 25 percent increase in VAT revenues (LL 1,194 billion VAT from customs and LL 536 billion VAT from internal activity), 18 and 36 percent increases in Private Car Registration Fees and Passenger Departure Tax respectively.
- d) **Taxes on International trade** increased by 27 percent, totaling LL 1,049 billion by end of October 2007 due to 25 percent increase in Customs Duties along with 29 percent increase in excise taxes (21 percent higher petroleum tax, 42 percent higher tobacco tax and 25 percent higher tax on cars). Note that the Petroleum Tax registered LL 12 billion in October 2007 compared to LL 41 billion in October 2006, a loss of about LL 29 billion due to increase in the international fuel prices and maintaining the cap during this period.
- e) **Receipts from Fiscal Stamps** increased by 5 percent, which may reflect higher levels of transactions taking place in the economy.

**Non-Tax Revenues** totaled LL 2,051 billion over January – October 2007 compared to LL 1,575 billion during the same period of 2006 increasing by 30 percent. This is mainly due to a 43 percent increase in **Income from Public Institutions and Government Properties**. This improvement in revenues comes from Casino Du Liban<sup>2</sup> (55 percent rise in receipts), from the Telecom Budget Surplus<sup>3</sup> (32 percent rise in receipts) and from the rent of Rafic Hariri International Airport (40 percent rise in receipts), and 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 3 percent decline in revenues from **Administrative fees and Charges** (Vehicle Control Fees<sup>4</sup>, Driving License Fees and the Work Permit Fees registered 8 percent, 27 percent and 10 percent lower revenues respectively), and the 10 percent decrease in **Other Non Tax Revenues** (mostly retirement deductibles).

**Treasury Receipts** totaled LL 560 billion compared to LL 373 billion registering an increase of 50 percent compared to January- October last year. This is due to a LL 151 billion grant received from Saudi Arabia during April 2007<sup>5</sup>. Further note that an amount equivalent to LL 38 billion was reported under "other

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<sup>1</sup> 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.

<sup>3</sup> Please note that an amount equivalent to LL 139 billion (\$ 92.5 million) of arbitration settlement was paid to France Telecom in April 2007. Further note that LL 48 billion and LL 226 billion of arbitration settlements to France Telecom were also paid in April and September 2006 respectively

<sup>4</sup> 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 3<sup>rd</sup>, 2006).

<sup>5</sup> Note that the Treasury revenue figure of 2006 further records LL 78 billion grants received in July-August 2006 for post war reconstruction and rehabilitation.,

Treasury revenues" which represents adjustment entries (in the months of January and June 2007) regularizing a treasury advance payments<sup>6</sup>.

**Table 2. Total Revenue**

(LL billion)	2006	2007	2006	2007	%
	October	October	Jan-Oct	Jan-Oct	Change
<b>Budget Revenues, of</b>					
<i>which:</i>	<b>658</b>	<b>774</b>	<b>5,730</b>	<b>6,811</b>	<b>18.9%</b>
<i>Tax Revenues</i>	504	595	4,155	4,760	14.6%
<i>Non-Tax Revenues</i>	153	179	1,575	2,051	30.2%
<b>Treasury Receipts</b>	<b>38</b>	<b>35</b>	<b>373</b>	<b>560</b>	<b>50.1%</b>
<b>Total Revenues</b>	<b>695</b>	<b>809</b>	<b>6,103</b>	<b>7,372</b>	<b>20.8%</b>

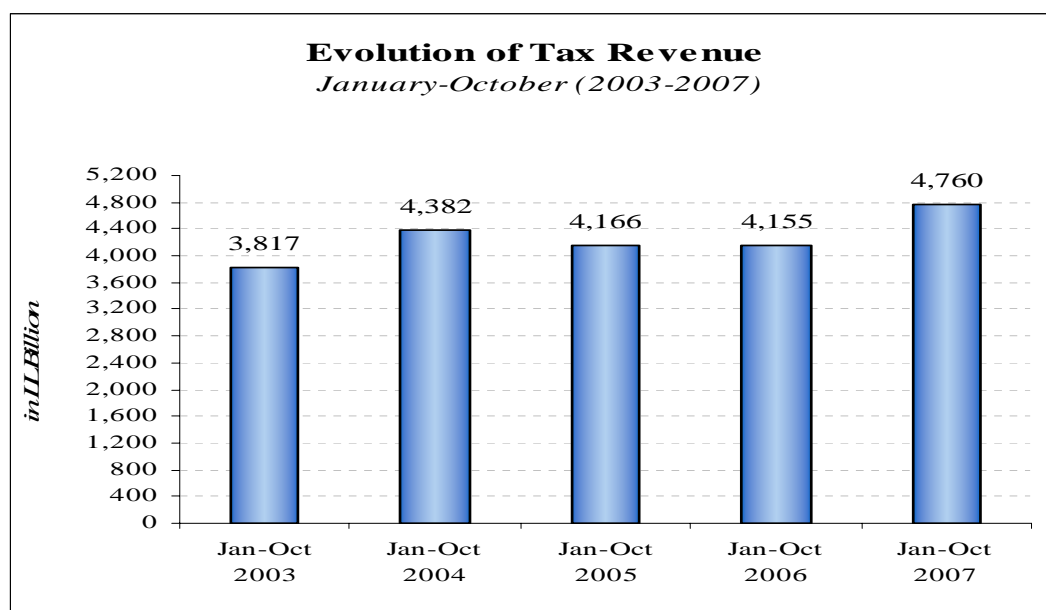
Source: MOF, DGF

<sup>6</sup> 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 3. Tax Revenue**

(LL billion)	2006	2007	2006	2007	% Change
	October	October	Jan-Oct	Jan-Oct	
<b>Tax Revenues:</b>	<b>504</b>	<b>595</b>	<b>4,155</b>	<b>4,760</b>	<b>14.6%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>91</b>	<b>108</b>	<b>1,074</b>	<b>1,163</b>	<b>8.3%</b>
<i>Income Tax on Profits</i>	4	5	430	458	6.4%
<i>Income Tax on Wages and Salaries</i>	38	46	192	209	8.4%
<i>Income Tax on Capital Gains &amp; Dividends</i>	4	10	93	128	38.0%
<i>Tax on Interest Income (5%)</i>	44	47	346	360	4.1%
<i>Penalties on Income Tax</i>	1	0	11	8	-31.7%
<b>Taxes on Property, of which:</b>	<b>25</b>	<b>43</b>	<b>490</b>	<b>400</b>	<b>-18.3%</b>
<i>Built Property Tax</i>	3	2	75	88	18.1%
<i>Real Estate Registration Fees</i>	19	38	221	271	22.3%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>235</b>	<b>300</b>	<b>1,541</b>	<b>1,914</b>	<b>24.2%</b>
<i>Value Added Tax</i>	223	277	1,387	1,730	24.7%
<i>Other Taxes on Goods and Services, of which:</i>	11	23	144	178	24.4%
<i>Private Car Registration Fees</i>	10	13	92	108	18.1%
<i>Passenger Departure Tax</i>	2	10	51	69	36.5%
<b>Taxes on International Trade, of which:</b>	<b>127</b>	<b>111</b>	<b>826</b>	<b>1,049</b>	<b>26.9%</b>
<i>Customs</i>	49	53	369	462	25.0%
<i>Excises, of which:</i>	78	58	457	587	28.5%
<i>Petroleum Tax</i>	41	12	151	183	21.2%
<i>Tobacco Tax</i>	15	18	123	175	42.2%
<i>Tax on Cars</i>	22	28	180	225	25.3%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>27</b>	<b>33</b>	<b>224</b>	<b>234</b>	<b>4.5%</b>

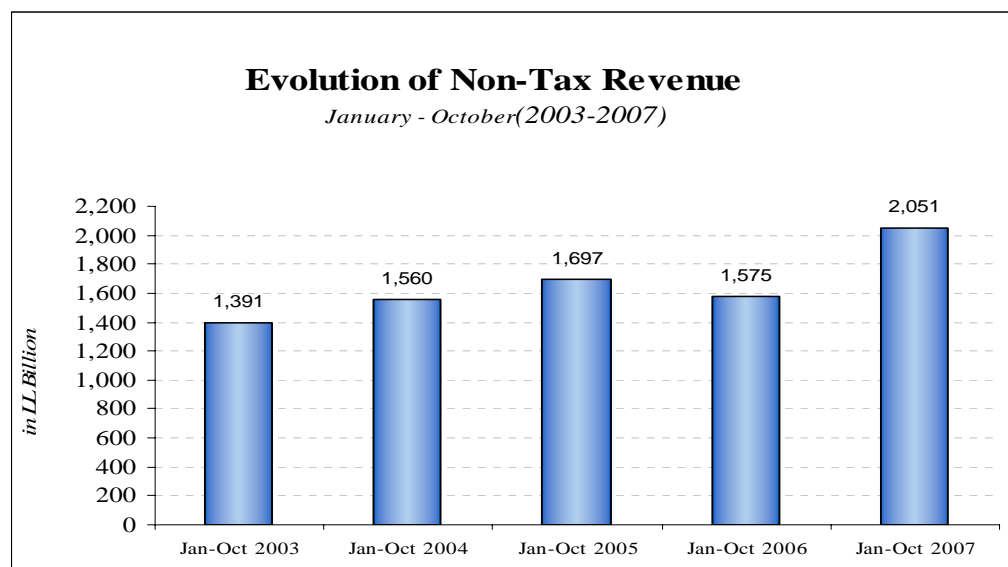
Source: MOF, DGF

**Chart 2.**

**Table 4. Non-Tax Revenue**

(LL billion)	2006 October	2007 October	2006 Jan-Oct	2007 Jan-Oct	% Change
<b>Non-Tax Revenues</b>	<b>153</b>	<b>179</b>	<b>1,575</b>	<b>2,051</b>	<b>30.2%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>118</b>	<b>135</b>	<b>1,147</b>	<b>1,638</b>	<b>42.8%</b>
Income from Non-Financial Public Enterprises, of which:	113	129	1,117	1,485	33.0%
<i>Revenues from Casino Du Liban</i>	4	5	33	50	54.6%
<i>Revenues from Port of Beirut</i>	0	0	0	30	-
<i>Budget Surplus of National Lottery</i>	5	3	52	47	-8.7%
<i>Transfer from the Telecom Surplus</i>	105	120	1,032	1,357	31.5%
Income from Financial Public Enterprises of which BDL	0	0	0	113	
Property Income (namely rent of Rafic Hariri International Airport)	4	6	25	35	40.2%
Other Income from Public Institutions (interests)	0	0	4	5	6.3%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>28</b>	<b>37</b>	<b>351</b>	<b>342</b>	<b>-2.5%</b>
Administrative Fees, of which:	24	29	283	275	-3.1%
<i>Notary Fees</i>	1	2	14	17	17.4%
<i>Passport Fees/ Public Security</i>	7	9	99	97	-2.1%
<i>Vehicle Control Fees</i>	11	13	123	113	-7.8%
<i>Judicial Fees</i>	2	1	15	15	-2.5%
<i>Driving License Fees</i>	2	1	19	14	-27.3%
Administrative Charges	1	2	10	15	46.2%
Sales (Official Gazette and License Number)	0	0	2	2	-3.3%
Permit Fees (mostly work permit fees)	3	4	44	40	-9.5%
Other Administrative Fees & Charges	0	1	10	10	-2.5%
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>25.3%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>7</b>	<b>6</b>	<b>74</b>	<b>67</b>	<b>-9.8%</b>

Source: MOF, DGF

**Chart 3.**

## Section 3: Expenditure Outcome

In January-October 2007, **total expenditures** totaled LL 10,503 billion increasing by LL 917 billion when compared to LL 9,586 billion registered in January-October 2006. It should be noted that the month of October 2007 registered no increase, when compared to the LL 1,206 billion registered in October 2006. The total rise in spending remains the result of the increase in both interest payments and non-interest payments which rose by LL 507 billion and LL 411 billion respectively. The different levels of expenditure are detailed as follows:

1. Debt service registered a total of LL 4,142 billion in January-October 2007 increasing by 14 percent compared to LL 3,636 billion for the same period of 2006. This rise was due to higher interest payments in both local and foreign currency debt by around 18 and 10 percent respectively.

2. Non-interest expenditures increased by 7 percent in January –October 2007 reaching a total of LL 6,361 billion, compared to LL 5,950 billion registered in the same period of 2006. The rise is due to an increase in both current primary expenditures and capital expenditures offsetting the decrease in other treasury expenditures. Details of each level of spending are explained, as follows:

a. **Current primary budget expenditures** registered a total of LL 3,999 billion in January-October 2007 when compared to LL 3,565 billion for the same period of 2006, increasing by LL 434 billion. The rise is explained below as follows:

i. **"Personal Cost"** increased by LL 284 billion resulting from an increase in "wages and salaries" by LL 311 billion which offset the decrease in "Retirement and End of Service Compensations" by LL 45 billion. The main reasons of the increase in "wages and salaries" have been almost consistent since the beginning of the year and they are detailed as follows:

- Increase in basic salaries by LL 222 billion mainly due to the additional salary paid to the armed forces during February 2007 (decision of the Council of Ministers dated 4/1/2007), in addition to the increase resulting from the new recruit in the armed forces that took place in the last quarter of 2006;
- Increase in the transfers to the civil servant cooperative by LL 57.75 billion and to the mutual funds by LL 3.3 billion;
- Increase in health allowances (maternity and sickness, and hospitalization) to the armed forces by LL 38.6 billion;
- Increase in indemnities (family allowances, overtime and transportation) by LL 6.9 billion.

Furthermore, salaries of contractual teachers of the Ministry of Education and Higher Education of LL 10 billion were paid in October 2007.

ii. **"Materials and Supplies"** increased by LL 60 billion. Out of this amount, a total of around LL 25.8 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 came from the rise in three major components as detailed as follows:

- Increase in fuels by LL 13.5 billion
- Increase in medications by LL 7.7 billion
- Increase in food expenses by LL 5.5 billion

iii. **"Various Transfers"** increased by LL 120 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-October 2007 when compared to LL 150 billion for the same period of 2006. This is in addition to the exceptional payments that took place in September and October:

- Payment of LL 13 billion that was due to the contractual teachers of the primary education;
- Payment of LL 7.5 billion as a contribution of Lebanon in the International Court for the Assassination of the Prime Minister Rafic Hariri;
- Payment of LL 31.6 billion as wheat subsidy (reference to Council of Ministers' decrees :# 589 dated 31-7-2007 and # 649 dated 22-8-2007).

iv. Against the increase in the various current expenditure categories, both **"Other Current Expenditures"** and **"Interest Subsidy"** registered a decrease by LL 26 billion and LL 7 billion respectively. The decrease in the former item is mainly due to a decline in spending in its major component, i.e. "Hospitals", which registered a drop of LL 33 billion for the period of January-October 2007 when compared to the same period of last year.

b. **Capital expenditures** registered an increase of LL 9 billion in January-October 2007 when compared to the same period of 2006. While "Construction in Progress" and "Other Expenditures Related to Fixed Capital Assets" decreased by LL 14 billion and LL 5 billion respectively, "Acquisition of Land", "Equipment" and "Maintenance" increased by LL 5 billion, LL 20 billion and LL 3 billion respectively.

c. Other **treasury expenditures** decreased by LL 44 billion for January-October 2007 when compared to the same period of 2006. Most of its components reported a decline except for the transfers to EDL which increased by LL 184 billion:

- Transfers to municipalities decreased by LL 143 billion. This decrease in transfers to municipalities is in part related to the war of July 2006 where around LL 40 billion were paid in order to support the relief effort. On the other part, the payments of the municipalities dues on the revenues of 2005 started to take place in September 2007, due to a delay in signing the relevant decree.

- The Higher relief Commission received only LL 16 billion during the past period of 2007, as opposed to LL 98 billion transferred in the same period of 2006, recalling that of 2006 transfer LL 79 billion were from the special donation account that was opened upon the war of July.
- No treasury advances for diesel oil subsidy were paid during 2007, noting that in 2006, the subsidy amount reached LL 52 billion.

Transfers to EDL reached 1,258 billion LL during January-October 2007, compared to 1,074 billion LL for the same period in 2006. This increase can be explained by the following:

- i. An increase in payments to Kuwait Petroleum Corporation and Algeria's Sonatrach for fuel and gas oil purchases by LL 287 billion
- ii. An increase in debt repayment by LL 50 billion
- iii. An increase in debt service payments by LL 59 billion due to the repayment in June 2007 of a USD 100 million Eurobond that was issued in July 1997, and was guaranteed by the World Bank, to finance power sector restructuring
- iv. The above increases were offset by the exceptional repayment of LL 211 billion of oil supplier arrears in the first ten months of 2006 as per decree 16084 dated December 2005

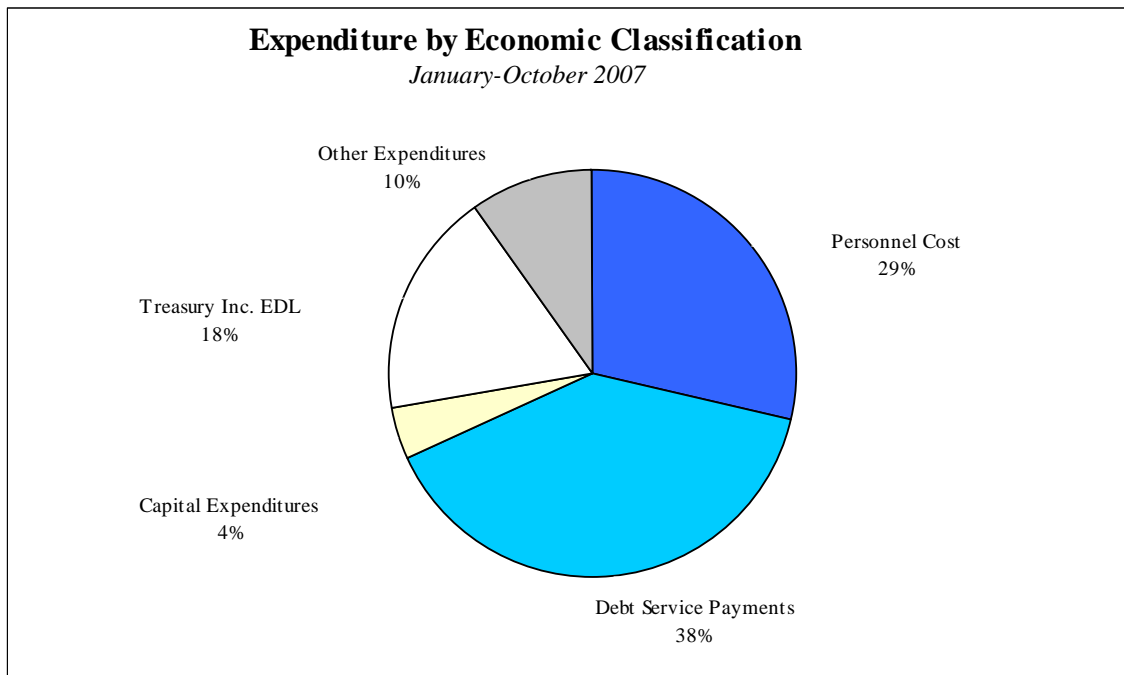
**Table 5. Expenditures by Transaction Classification**

(LL billion)	2006	2007	2006	2007	% Change
	October	October	Jan-Oct	Jan-Oct	
<b>Total Expenditures</b>	<b>1,206</b>	<b>1,206</b>	<b>9,586</b>	<b>10,503</b>	<b>9.6%</b>
<b>Budget Expenditures</b>	<b>943</b>	<b>975</b>	<b>7,584</b>	<b>8,460</b>	<b>11.5%</b>
Expenditures Excluding Debt Service, of which:	470	434	3,948	4,318	9.4%
<i>Previous Years' Appropriations</i>	1	1	491	569	15.7%
Debt Service, of which:	<b>473</b>	<b>542</b>	<b>3,636</b>	<b>4,142</b>	<b>13.9%</b>
<i>Domestic Debt</i>	186	211	1,842	2,176	18.1%
<i>Foreign Debt, of which:</i>	287	330	1,793	1,966	9.6%
<i>Eurobond Coupon Interest*</i>	258	305	1,521	1,662	9.2%
<i>Specialbond Coupon Interest*</i>			13	13	
<i>Concessional Loans Principal Payments</i>	20	17	164	186	13.3%
<i>Concessional Loans Interest Payments</i>	10	8	96	106	10.8%
<b>Treasury Expenditures , of which:</b>	<b>263</b>	<b>230</b>	<b>2,001</b>	<b>2,043</b>	<b>2.1%</b>
<i>Municipalities</i>	25	25	362	219	<b>-39.5%</b>
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>733</b>	<b>664</b>	<b>5,950</b>	<b>6,361</b>	<b>6.9%</b>

Source: MOF, DGF

\* Includes general expenses related to the transaction

**Chart 4.**



**Table 6. Expenditures by Economic Classification**

(LL billion)	2006	2007	% Change
	Jan-Oct	Jan-Oct	
<b>1. Current expenditures</b>	<b>7,201</b>	<b>8,141</b>	<b>13.06%</b>
1.a Personnel cost, of which	2,726	3,010	10.40%
<i>Article 13: Salaries and wages</i>	1,777	2,089	17.53%
<i>Retirement and end of service compensations</i>	785	739	-5.79%
1.b Debt Service payments	3,636	4,142	13.92%
1.c Materials and supplies	118	178	50.82%
1.d External services	71	75	5.57%
1.e Various transfers	382	502	31.42%
<i>o/w NSSF</i>	150	220	46.67%
1.f Other current	197	171	-13.21%
<i>Hospitals</i>	171	138	-19.26%
<i>Others</i>	25	30	21.06%
1.g Reserves (3)	71	64	-10.41%
<i>Interest subsidy</i>	71	64	-10.41%
<b>2. Capital expenditures</b>	<b>436</b>	<b>445</b>	<b>1.97%</b>
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	11	16	40.04%
2.b Equipment	18	38	112.09%
2.c Construction in Progress	340	326	-4.08%
2.d Maintenance	38	41	8.05%
2.e Other Expenditures Related to Fixed Capital Assets	29	24	-18.01%
<b>3. Other treasury expenditures, of which</b>	<b>1,922</b>	<b>1,879</b>	<b>-2.27%</b>
Municipalities	362	219	-39.53%
EDL	1,074	1,258	17.08%
Transfers to NSSF		10	
Transfers to Higher Council of Relief	95	16	
Treasury advances for diesel oil subsidy	52	0	
<b>4. Unclassified expenditures</b>	<b>1</b>	<b>5</b>	<b>312.42%</b>
<b>5. Customs cashiers</b>	<b>25</b>	<b>34</b>	<b>36.77%</b>
<b>6. Total expenditures (excluding CDR foreign financed)</b>	<b>9,586</b>	<b>10,503</b>	<b>9.57%</b>

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-Oct	Jan-Oct	
<b>EDL of which:</b>	<b>1,074</b>	<b>1,258</b>	<b>184</b>
<b>Debt Service of which:</b>	<b>227</b>	<b>286</b>	<b>59</b>
C-Loans and Eurobonds, of which:	222	269	47
Principal repayments	177	232	55
Interest payments	45	37	-8
BDL guaranteed loan payments	5	17	286
<b>Repayment of loans for fuel oil and gas oil purchase (principal and interest)</b>	<b>17</b>	<b>67</b>	<b>-211</b>
<b>Reimbursement of KPC and Sonatrach agreements</b>	<b>619</b>	<b>905</b>	<b>184</b>
<b>Repayment of oil supplier arrears</b>	<b>211</b>	<b>0</b>	<b>59</b>

Source: MOF, DGF

## Section 4: Public Debt

### Highlights:

1. By the end of October 2007, gross public debt reached LL 62,054 billion (equivalent to US\$ 41.16 billion), registering an increase of LL 1,216 billion (or 2.00 percent) over the end-December 2006 debt level.
2. Local currency debt amounted to LL 31,009 billion (equivalent to US\$ 20.57 billion), increasing by LL 805 billion or 2.67 percent over the end-December 2006 level.
3. As of end- October 2007, local currency debt held by BDL decreased by LL 532 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 reserves. The early redemption transaction took place on June 18, 2007.<sup>7</sup> 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 2<sup>nd</sup> quarter of 2007, there was an improvement of market subscriptions and hence a reduced pace of increase in BDL's T-bills holding. As for the third quarter, in August and September, BDL's stock of T-bills increased by LL 348 billion and LL 308 billion, respectively, while in October they fell by LL 350 billion. Hence, overall, the third quarter of 2007 saw an increase of BDL's holdings by LL 306 billion.
4. Meanwhile, local currency debt held by commercial banks decreased by LL 47 billion as compared to end-December 2006. The downward trend saw the commercial banks' portfolio of local currency debt fall in the first quarter by LL 650 billion. It further decreased by LL 19 billion in the second quarter. In July, their holdings fell by a further LL 280 billion. However, this trend reversed as their holdings increased in August by LL 129 billion, followed by a decrease in September by LL 224 billion. In the month of October, the commercial banks' portfolio increased by LL 995 billion mainly as a result of a swap operation whereby commercial banks exchanged their holdings of BDL-issued CDs for 60-month treasury bills in the amount of around LL 1,003 billion.
5. By end of October 2007 foreign currency debt amounted to LL 31,045 billion (equivalent to US\$ 20.59 billion), increasing by LL 411 billion (or 1.34 percent) over the end-December 2006 level. In September, Lebanon received a USD 100 million Reform Implementation Development Policy Loan from the International Bank for Reconstruction and Development as part of the Paris III Conference pledges. The loan is earmarked for budgetary support. Furthermore, on October 4, Lebanon issued US\$ 400 million Eurobond that was placed with BDL. The proceeds from those issuances were used to redeem an equivalent amount of Lebanese Pound denominated treasury bills held in the BDL's portfolio.
6. Public sector deposits amounted to LL 3,767 billion, decreasing by approximately LL 677 billion from their December 2006 level.

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<sup>7</sup>This transaction was done pursuant to Articles 115 and 116 of the Code of Money and Credit.

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

<b>Assumes full LBP Replacement</b>	<b>Dec-04</b>	<b>Dec-05</b>	<b>Dec-06</b>	<b>Sep-07</b>	<b>Change Dec 06 - Oct 07</b>	<b>% change Dec 06 - Oct 07</b>
<b>Gross Public debt</b>	<b>54,082</b>	<b>57,987</b>	<b>60,838</b>	<b>62,054</b>	<b>1,216</b>	<b>2.00%</b>
<b>Local currency debt</b>	<b>26,371</b>	<b>29,141</b>	<b>30,204</b>	<b>31,009</b>	<b>805</b>	<b>2.67%</b>
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) <sup>(1)</sup>	10,652	11,686	9,588	9,056	-532	-5.55%
b. Commercial Banks	12,220	14,130	16,487	16,440	-47	-0.29%
c. Other Local Currency Debt (T-bills) o/w Public entities	3,500 2,187	3,325 2,446	4,129 3,313	5,513 4,773	1,384 1,460	33.52% 44.07%
<b>Foreign currency debt<sup>(2)</sup></b>	<b>27,711</b>	<b>28,846</b>	<b>30,634</b>	<b>31,045</b>	<b>411</b>	<b>1.34%</b>
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,791	2,855	3,075	220	7.71%
b. Paris II related debt (Eurobonds and Loans) <sup>(3)</sup>	6,634	6,501	6,540	6,049	-491	-7.51%
c. Paris III related debt (Eurobonds and Loans) <sup>(4)</sup>				905	905	
d. Market-issued Eurobonds	17,686	18,729	20,386	20,159	-227	-1.11%
e. Accrued Interest on foreign currency debt	388	406	434	439	5	1.15%
f. Special Tbls in Foreign currency <sup>(5)</sup>		419	419	419		0.00%
<b>Public sector deposits</b>	<b>4,359</b>	<b>5,590</b>	<b>4,444</b>	<b>3,767</b>	<b>-677</b>	<b>-15.23%</b>
<b>Net debt</b>	<b>49,723</b>	<b>52,397</b>	<b>56,394</b>	<b>58,287</b>	<b>1,893</b>	<b>3.36%</b>
<b>Gross Market debt<sup>(6)</sup></b>	<b>31,861</b>	<b>34,726</b>	<b>38,649</b>	<b>38,288</b>	<b>-361</b>	<b>-0.93%</b>
<b>% of total debt</b>	<b>59%</b>	<b>60%</b>	<b>64%</b>	<b>62%</b>		

Source: Ministry of Finance, Banque du Liban

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Figures of Dec04 -Jan06 change because of exchange rate of Euro

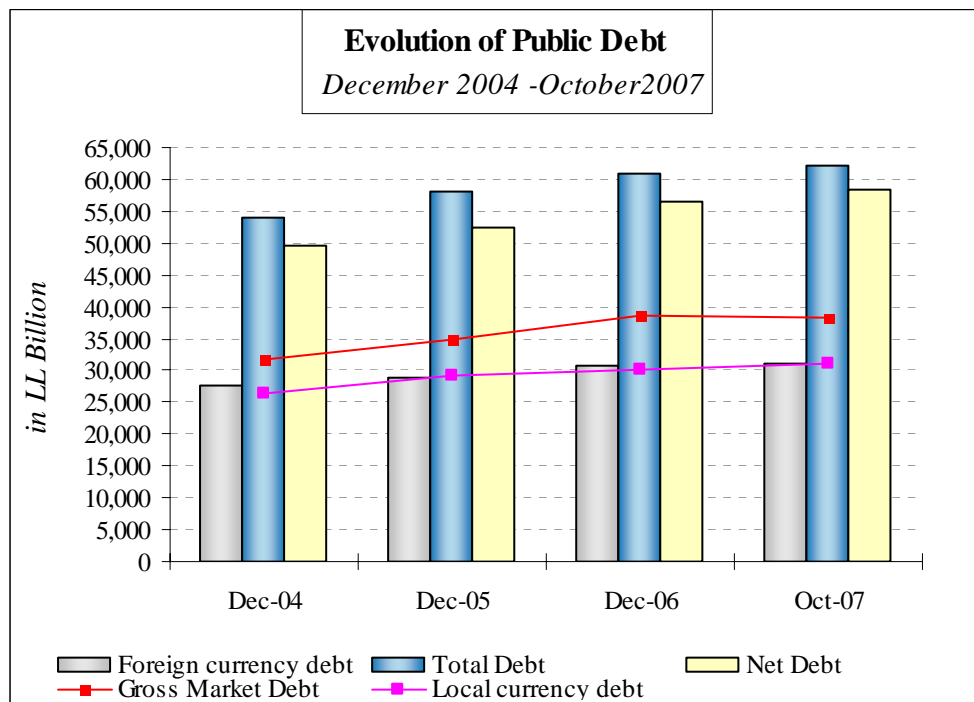
<sup>(3)</sup> Paris II related debt (Eurobonds and Loans) declined due to the re-profiling of debt held by Malaysia as part of that country's Paris III contribution and because of a payment of principal of 30M EURO on AFD debt in February and August.

<sup>(4)</sup> Includes USD 500 million in Eurobonds issued to Malaysia as part of its Paris III contribution; also includes USD 100 million Reform Development Loan from the International Bank for Reconstruction and Development.

<sup>(5)</sup> Special Tbls in Foreign currency (expropriation bonds)

<sup>(6)</sup> 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.





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