



## Fiscal Overview

Till the end of November 2008, the **total fiscal balance** registered a deficit of LL 3,904 billion compared to a deficit of 3,605 billion for the same period of 2007, resulting from an increase in payments by LL 1,815 billion outgrowing the LL 1,515 increase in revenues.

The **primary balance** for this period registered LL 974 billion, in the vicinity of the LL 964 billion realized in Jan-November 2007 during the same period in 2007 (LL 964 billion).

For the period of January-November 2008, **total revenues** increased by 19 percent due to a higher collection in both **tax revenues** and **treasury receipts** by LL 1,419 billion, LL and LL 72 billion respectively. In fact, most of the **taxes** registered an improvement in collection mainly (i) 22 percent higher revenues from **income taxes on profits and capital gains**<sup>1</sup> (as well as (ii) 47 percent increase in **the collection of taxes on property**, and (iii) 30 percent rise in **VAT** receipts and 49% in the collection of private car registration fees. On another front, the 20 percent increases in taxes on international trade are mainly due to 22 percent higher custom duties collected and 18 percent higher excise revenues, of which 89 percent and 14 percent are the rise in receipts from Tax on Cars and Tobacco Tax respectively, despite the 76 percent decrease of **Petroleum tax**. However, the month of November 2008 witnessed a significant development on the gasoline excise, whereby the sharp drop in international oil prices permitted the Treasury to collect LL 38 billion, compared to LL 2 billion in the month of October 2008, and only LL 5 billion throughout the first 3 quarters of the year<sup>2</sup>. **Non-tax revenues** remained relatively stable when compared to the same period in 2007, registering a 1 percent rise in receipts explained by 11 percent increase in the collection of the **administrative fees and charges**, LL 75 billion **higher Casino** receipts<sup>3</sup>, offsetting the LL 72 billion lower transfers from BDL, the LL 12 billion decrease in the transfer from the **Budget Surplus of the Telecom** and the zero transfer from the **Port of Beirut**. By the end of November 2008, **Treasury receipts** were LL 72 billion higher than during the same period of 2007, stemming from LL 47 billion higher revenues for the Independent Municipal fund, and LL 16 billion higher grant amounts.

On the other hand, **total expenditures** of the period of January-November 2008 increased by LL 1,815 billion. This is due to 1) a LL433 billion increase in current primary expenditures, 2) a LL200 billion increase in interest payments, 3) a LL 108 billion increase in foreign debt principal repayment and 4) a LL1,122 billion increase in treasury expenditures mainly due to higher

<sup>1</sup> Note that income tax penalties collected during the Jan-Nov 2008 registered 95 percent rise in receipts, with significant increases specifically in the months of October and November, which may be attributed to the amnesty decision 775/1 dated 9 September 2008.

<sup>2</sup> Please note that given the hikes in international oil prices, and given the context of the capped retail price regime, the Treasury collected nearly zero revenues from gasoline over 8 months in 2008.

<sup>3</sup> For further clarification, kindly refer to previously published Public Finance Monitor reports.

transfer to the municipalities which rose by LL127 billion, higher VAT refunds by LL109 billion and higher payments to/on behalf of EDL by LL 773 billion.

These increases largely absorbed the decline in capital expenditures which were lower by the end of November by LL 50 billion as a result of lower payments to the governmental agencies and funds in charge of the construction in progress by LL57 billion and lower acquisition of lands and buildings by LL11 billion that offset the rise of maintenance expenditures by LL22 billion.

Till the end of November 2008, gross public debt reached LL 70,589 billion, registering an increase of LL 7,225 billion (11.4 percent) since the end-December 2007 debt level. As in previous months, most of this increase came from a rise in domestic currency debt due to higher subscriptions of Treasury Bills mainly by commercial banks. This led the commercial banks' LL 7,189 billion increase in holding of domestic currency debt compared to December 2007. This rise in debt offset the decrease of the BDL portfolio and Paris II related debt (Eurobonds and loans) by LL 327 billion and LL 486 billion respectively over the same period. The increase of the public sector deposits of LL 4,034 billion, mostly reflects the surplus in the commercial banks subscriptions for LL Tbills.

**Table 1. Summary of Fiscal Performance**

(LL billion)	2006	2007	2008	2006	2007	2008
	November	November	November	Jan- Nov	Jan-Nov	Jan-Nov
Total Budget and Treasury Receipts	620	661	685	6,724	8,032	9,548
Total Budget and Treasury Payments, <i>of which:</i>	1,013	1,134	1,456	10,597	11,637	13,452
<i>Interest Payments</i>	428	409	378	3,899	4,366	4,566
<i>Concessional loans principal payments 1/</i>	15	18	21	179	203	312
<i>Primary Expenditures 2/</i>	569	707	1,057	6,519	7,068	8,574
<b>Total Cash Deficit/Surplus</b>	<b>-393</b>	<b>-473</b>	<b>-770</b>	<b>-3,874</b>	<b>-3,605</b>	<b>-3,904</b>
<b>Primary Deficit/Surplus</b>	<b>51</b>	<b>-46</b>	<b>-371</b>	<b>240</b>	<b>964</b>	<b>974</b>

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

1/ Includes only Principal repayments of concessional loans earmarked for project financing

2/ Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

## Section 2: Revenue Outcome

**Table 2. Total Revenue**

(LL billion)	2006	2007	2008	2006	2007	2008
	November	November	November	Jan-Nov	Jan-Nov	Jan-Nov
<b>Budget Revenues, of which:</b>	<b>596</b>	<b>634</b>	<b>649</b>	<b>6,326</b>	<b>7,445</b>	<b>8,888</b>
<i>Tax Revenues</i>	404	412	581	4,559	5,172	6,592
<i>Non-Tax Revenues</i>	192	222	68	1,766	2,273	2,296
<b>Treasury Receipts</b>	<b>24</b>	<b>27</b>	<b>36</b>	<b>398</b>	<b>587</b>	<b>660</b>
<b>Total Revenues</b>	<b>620</b>	<b>661</b>	<b>685</b>	<b>6,724</b>	<b>8,032</b>	<b>9,548</b>

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

**Table 3. Tax Revenue**

(LL billion)	2006	2007	2008	2006	2007	2008
	November	November	November	Jan-Nov	Jan-Nov	Jan-Nov
<b>Tax Revenues:</b>	<b>404</b>	<b>412</b>	<b>581</b>	<b>4,559</b>	<b>5,172</b>	<b>6,592</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>53</b>	<b>64</b>	<b>87</b>	<b>1,128</b>	<b>1,228</b>	<b>1,498</b>
<i>Income Tax on Profits</i>	6	11	9	436	469	597
<i>Income Tax on Wages and Salaries</i>	2	2	3	195	210	267
<i>Income Tax on Capital Gains &amp; Dividends</i>	2	6	11	95	134	163
<i>Tax on Interest Income (5%)</i>	42	45	60	388	405	454
<i>Penalties on Income Tax</i>	0	0	4	11	8	16
<b>Taxes on Property, of which:</b>	<b>33</b>	<b>67</b>	<b>59</b>	<b>522</b>	<b>467</b>	<b>689</b>
<i>Built Property Tax</i>	5	6	8	79	94	115
<i>Real Estate Registration Fees</i>	25	59	46	246	330	507
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>161</b>	<b>156</b>	<b>205</b>	<b>1,702</b>	<b>2,070</b>	<b>2,698</b>
<i>Value Added Tax</i>	146	137	182	1,533	1,867	2,422
<i>Other Taxes on Goods and Services, of which:</i>	15	19	23	159	197	269
<i>Private Car Registration Fees</i>	10	11	16	102	120	178
<i>Passenger Departure Tax</i>	5	7	7	56	77	89
<b>Taxes on International Trade, of which:</b>	<b>138</b>	<b>105</b>	<b>194</b>	<b>965</b>	<b>1,154</b>	<b>1,382</b>
<i>Customs</i>	49	52	65	419	514	626
<i>Excises, of which:</i>	89	53	129	546	640	756
<i>Petroleum Tax</i>	44	2	38	195	185	45
<i>Tobacco Tax</i>	23	20	24	146	195	223
<i>Tax on Cars</i>	21	31	67	201	256	484
<b>Other Tax Revenues (Namely Fiscal Stamp Fees)</b>	<b>19</b>	<b>19</b>	<b>36</b>	<b>242</b>	<b>253</b>	<b>326</b>

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

**Table 4. Non-Tax Revenue**

(LL billion)	2006 November	2007 November	2008 November	2006 Jan-Nov	2007 Jan-Nov	2008 Jan-Nov
<b>Non-Tax Revenues</b>	<b>192</b>	<b>222</b>	<b>68</b>	<b>1,766</b>	<b>2,273</b>	<b>2,296</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>148</b>	<b>175</b>	<b>9</b>	<b>1,295</b>	<b>1,813</b>	<b>1,781</b>
Income from Non-Financial Public Enterprises, of which:	146	169	5	1,263	1,655	1,689
<i>Revenues from Casino Du Liban</i>	4	7	0	36	57	132
<i>Revenues from Port of Beirut</i>	0	0	0	0	30	0
<i>Budget Surplus of National Lottery</i>	2	0	5	53	47	47
<i>Transfer from the Telecom Surplus</i>	140	163	0	1,172	1,520	1,508
<i>Transfer from Public Financial Institution (BDL)</i>	0	0	0		113	41
Property Income (Namely Rent of Rafic Hariri International Airport)	2	5	4	27	39	43
Other Income from Public Institutions (Interests)	0	0	0	5	5	8
<b>Administrative Fees &amp; Charges, of which:</b>	<b>36</b>	<b>39</b>	<b>51</b>	<b>387</b>	<b>381</b>	<b>422</b>
Administrative Fees, of which:	29	29	40	312	303	343
<i>Notary Fees</i>	2	2	2	16	19	21
<i>Passport Fees/ Public Security</i>	6	8	8	105	105	109
<i>Vehicle Control Fees</i>	16	14	24	139	128	152
<i>Judicial Fees</i>	2	1	2	17	16	19
<i>Driving License Fees</i>	2	1	2	21	15	18
Administrative Charges	4	6	6	14	22	20
Sales (Official Gazette and License Number)	0	0	0	3	2	3
Permit Fees (Mostly Work Permit Fees)	3	3	4	47	43	47
Other Administrative Fees & Charges	1	1	1	11	10	9
<b>Penalties &amp; Confiscations</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Other Non-Tax Revenues (Mostly Retirement Deductibles)</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>81</b>	<b>74</b>	<b>87</b>

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

## Section 3: Expenditure Outcome

**Table 5. Expenditure by Economic Classification**

(LL billion)	2006 Jan-Nov	2007 Jan-Nov	2008 Jan-Nov
<b>1. Current Expenditures</b>	<b>8,180</b>	<b>8,935</b>	<b>9,676</b>
1.a Personnel Cost, of which:	3,017	3,280	3,539
<i>Salaries, Wages and Related Items (Article 13) 1/</i>	1,981	2,271	2,357
<i>Retirement and End of Service Compensations, of which:</i>	857	808	995
<i>Retirement</i>	616	647	715
<i>End of Service</i>	168	93	191
<i>Transfers to Public Institutions to Cover Salaries 2/</i>	179	201	190
1.b Interest Payments, of which: 3/	3,899	4,366	4,566
<i>Domestic Interest Payments</i>	2,092	2,363	2,617
<i>Foreign Interest Payments</i>	1,808	2,003	1,950
1.c Foreign Debt Principal Repayment	179	203	312
1.d Materials and Supplies, of which:	129	185	249
<i>Nutrition</i>	17	23	49
<i>Fuel Oil</i>	16	28	35
<i>Medicaments</i>	58	66	87
<i>Accounting Adjustments for Treasury</i>	15	39	46
1.e External Services	78	81	100
1.f Various Transfers, of which:	401	546	532
<i>NSSF</i>	150	220	80
<i>Treasury Advance for Wheat Subsidy</i>	0	32	142
1.g Other Current, of which:	218	191	295
<i>Hospitals</i>	188	156	258
<i>Others</i>	30	33	35
1.h Reserves	79	82	84
<i>Interest subsidy</i>	79	82	84
<b>2. Capital Expenditures</b>	<b>474</b>	<b>513</b>	<b>463</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	11	17	7
2.b Equipment	22	40	31
2.c Construction in Progress, of which:	364	376	322
<i>Displaced Fund</i>	65	66	40
<i>Council of the South</i>	30	40	30
<i>CDR</i>	197	194	192
<i>Ministry of Public Work and Transport</i>	38	36	31
<i>Other</i>	35	40	32
2.d Maintenance	45	45	67
2.e Other Expenditures Related to Fixed Capital Assets	31	34	36
<b>3. Other Treasury Expenditures</b>	<b>2,093</b>	<b>2,147</b>	<b>3,269</b>
Municipalities	365	282	410
Guarantees	93	55	54
Deposits, of which:	50	75	78
<i>NSSF</i>	1	10	1
Other, of which:	342	339	539
<i>VAT Refund</i>	122	188	298
<i>Higher Council of Relief</i>	98	26	24
EDL 4/	1,190	1,396	2,169
Treasury Advances for Diesel Oil Subsidy	52	0	19
<b>4. Unclassified Expenditures</b>	<b>1</b>	<b>5</b>	<b>4</b>
<b>5. Customs Cashiers</b>	<b>29</b>	<b>38</b>	<b>40</b>

<b>6. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>10,597</b>	<b>11,637</b>	<b>13,452</b>
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Source : Statement of Account 36, Cashier Spending, Public Debt Department Figures , Fiscal Performance Gross Adjustment Figures

1/ The detailed breakdown of salaries and wages, and related items, otherwise referred to as Article 13 in the Lebanese Budgets can not be released currently because part of the November 2008 salary and wage payment was made through treasury advance.

2/ For a detailed breakdown of those transfers, kindly refer to table 6.

3/ For a detailed breakdown of interest payments, kindly refer to table 7.

4/ For a detailed breakdown of transfers to EDL, kindly refer to table 8.

**Table 6. Breakdown of Transfers to Public Institutions for the Coverage of Salaries**

(LL billion)	2006	2007	2008
	Jan-Nov	Jan-Nov	Jan-Nov
Transfer to Council of the South	4	5	7
Transfer to Council for Development and Reconstruction (CDR)	18	38	22
Transfer to the Displaced Fund	5	6	6
Transfer to the Lebanese University	140	145	146
Transfer to the Educational Center for Research and Development	12	9	10

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

**Table 7. Details of Debt Service Transactions**

(LL billion)	2006	2007	2008	2006	2007	2008
	November	November	November	Jan-Nov	Jan-Nov	Jan-Nov
<b>Interest Payments 1/</b>	<b>428</b>	<b>409</b>	<b>378</b>	<b>3,900</b>	<b>4,366</b>	<b>4,566</b>
<i>Local Currency Debt</i>	250	187	195	2,092	2,363	2,617
<i>Foreign Currency Debt, of which:</i>	179	222	183	1,808	2,003	1,950
<i>Eurobond Coupon Interest*</i>	172	214	167	1,693	1,876	1,804
<i>Special bond Coupon Interest*</i>	0	0	1	13	13	9
<i>Concessional Loans Interest Payments</i>	7	8	14	102	114	136
<b>Concessional Loans Principal Payments</b>	<b>15</b>	<b>18</b>	<b>21</b>	<b>179</b>	<b>203</b>	<b>312</b>

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

1/ Please note that the classification of debt service expenditures is now broken into two separate categories as follows: Interest Payments (as per GFS classification) and repayment of principal on concessional loans earmarked for project financing.

\* Includes general expenses related to the transaction

**Table 8. Transfers to EDL**

(LL billion)	2006	2007	2008	Change
	Jan-Nov	Jan-Nov	Jan-Nov	
<b>EDL, of which:</b>	<b>1,190</b>	<b>1,396</b>	<b>2,169</b>	<b>773</b>
<b>Debt Service, of which:</b>	<b>227</b>	<b>285</b>	<b>145</b>	<b>-140</b>
<i>C-Loans and Eurobonds, of which:</i>	<b>222</b>	<b>268</b>	<b>105</b>	<b>-163</b>
<i>Principal Repayments</i>	177	81	84	3
<i>Interest Payments</i>	45	37	21	-16
<i>Principal Repayment of Eurobonds</i>	0	151	0	-151
<i>BDL Guaranteed Loan Payments</i>	5	17	40	23
<b>Repayment of Loans for Fuel Oil and Gas Oil Purchase (Principal and Interest)</b>	<b>17</b>	<b>67</b>	<b>0</b>	<b>-67</b>
<b>Reimbursement of KPC and Sonatrach Agreements</b>	<b>730</b>	<b>1,044</b>	<b>2,024</b>	<b>980</b>
<b>Repayment of Oil Suppliers Arrears</b>	<b>217</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## Section 4: Public Debt

**Table 9. Public Debt Outstanding by Holder as of End-November 08**

(LL billion)	Dec-06	Dec-07	Nov-08	Change Dec 07 - Nov 08	% Change Dec 07- Nov 08
<b>Gross Public Debt</b>	<b>60,851</b>	<b>63,364</b>	<b>70,589</b>	<b>7,225</b>	<b>11.40%</b>
<b>Local Currency Debt</b>	<b>30,204</b>	<b>31,373</b>	<b>38,766</b>	<b>7,393</b>	<b>23.56%</b>
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) <sup>(1)</sup>	9,588	9,052	8,725	-327	-3.61%
b. Commercial Banks	16,487	16,847	24,036	7,189	42.67%
c. Other Local Currency Debt (T-bills), of which:	4,129	5,474	6,005	531	9.70%
<i>Public Entities</i>	3,313	4,796	5,136	340	7.09%
* <i>Accrued Interest Included in Debt</i>	685	754	932	178	23.61%
<b>Foreign Currency Debt (2)</b>	<b>30,647</b>	<b>31,991</b>	<b>31,823</b>	<b>-168</b>	<b>-0.53%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,855	2,963	2,764	-199	-6.71%
b. Paris II Related Debt (Eurobonds and Loans) <sup>(3)</sup>	6,540	6,063	5,577	-486	-8.01%
c. Paris III Related Debt (Eurobonds and Loans) <sup>(4)</sup>		1,357	1,820	463	34.11%
d. Market-Issued Eurobonds	20,399	20,780	20,827	48	0.23%
e. <i>Accrued Interest on Eurobonds</i>	434	410	416	6	1.46%
f. Special T-bills in Foreign Currency <sup>(5)</sup>	419	419	419	0	0.00%
<b>Public Sector Deposits</b>	<b>4,444</b>	<b>4,527</b>	<b>8,561</b>	<b>4,034</b>	<b>89.11%</b>
<b>Net Debt</b>	<b>56,407</b>	<b>58,837</b>	<b>62,028</b>	<b>3,191</b>	<b>5.42%</b>
<b>Gross Market Debt<sup>(6)</sup></b>	<b>38,670</b>	<b>39,221</b>	<b>46,618</b>	<b>7,398</b>	<b>18.86%</b>
<b>% of Total Debt</b>	<b>64%</b>	<b>62%</b>	<b>66%</b>		

Source: Ministry of Finance (MOF), Banque du Liban (BDL)

- (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 for Dec 05 - Dec 07 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.
- (3) Paris II related debt (Eurobonds and Loans) including a Eurobond of USD 1,870 billion originally issued to BDL in the context of the Paris II conference.
- (4) Issued to Malaysia as part of its Paris III contribution, IBRD loans, UAE loan, first tranche of the French loan received in February 2008, and IMF loans.
- (5) Special T-bills 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.