

Fiscal Overview

In the first four months of 2008, the total fiscal balance registered a deficit of LL 1,421 billion compared to a deficit of LL 1,102 billion in the same period of 2007. This deterioration in the fiscal deficit is due to increase in total payments by LL 570 billion, which offset the LL 251 billion increase in total receipts.

The increase in total revenues was due to improvements in all types of revenues. In fact, tax revenues were up by LL 204 billion mainly owing to the stronger performance of income taxes, taxes on property (namely the property registration fees which witnessed a 61 percent increase), and domestic taxes on goods and services (namely VAT and car registration fees, which witnessed 21 percent and 41 percent respective increases). On the international trade front, total collection was 11 percent below the collection level of the first fourth months of 2007 - the rise in receipts from customs duties and car excises by 13 percent and 72 percent respectively did not compensate for the loss in revenues from excise duties on gasoline. Non-tax revenues also registered a modest increase of LL 13 billion as a result of higher transfers from Casino du Liban and the budget surplus of the telecom. The LL 34 billion rise in Treasury receipts in the first four months of 2008 is explained by higher Municipalities revenues and higher guarantees in the Treasury accounts. The Treasury further received LL 5 billion of grants in April 2008 pertaining to the US pledges in PIII, totaling LL 160 billion for Jan-April 2008 compared to LL 151 billion received in April 2007 pertaining to the Saudi pledge in PIII.

The increase in total expenditures by LL 570 billion was mostly attributed to rises in treasury expenditures and interest payments. In fact, current primary expenditures declined by LL 99 billion mainly due to lower 'various transfers' by LL 140 billion which can be attributed to less transfers to NSSF by LL 220 billion, offsetting the increases in the wheat subsidy by LL 77 billion, the personnel cost item by LL 11 billion, the materials and supplies' item by LL 11 billion and the hospitalization in the private sector by around LL 25 billion. Meanwhile, the increase in treasury expenditures by LL 470 billion can be mostly explained by higher transfers to the loss-making utility, EDL, by LL 274 billion as well as additional payments to municipalities, diesel oil subsidy and VAT refund. Further, interest payments were up by LL 129 billion of which LL 95 billion were due to higher payments on domestic debt and LL 34 billion increase in foreign debt; also foreign debt principal payment increased by LL 63 billion.

As a result of these developments, the primary balance of January-April 2008 registered a surplus of LL 370 billion, a decrease of LL 128 billion compared to the surplus of LL 498 billion realized in the same period of last year.

By the end of April 2008, gross public debt reached LL 65,631billion, registering an increase of LL 2,267 billion (3.57 percent) over the end-December 2007 debt level. Almost 79 percent of this increase is coming from commercial banks increasing their LL Treasury Bills portfolio by LL 1,795 billion compared to December 2007.

Table 1. Summary of Fiscal Performance

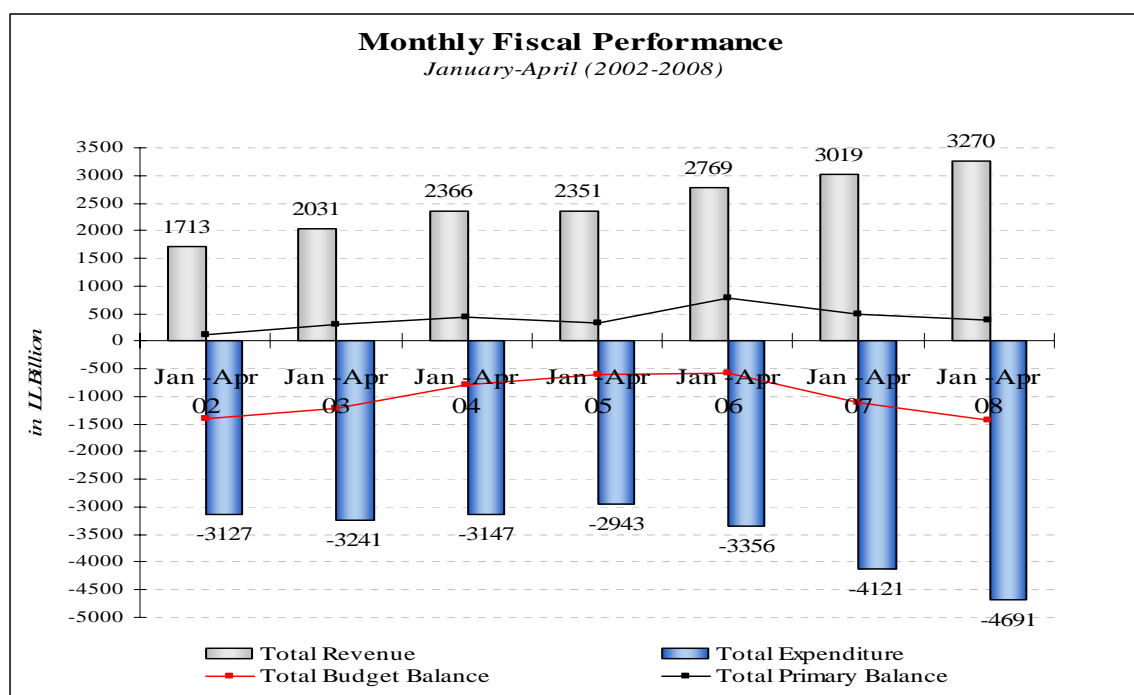
(LL billion)	2006 April	2007 April	2008 April	2006 Jan- April	2007 Jan- April	2008 Jan- April
Total Budget and Treasury Receipts	837	897	793	2,769	3,019	3,270
Total Budget and Treasury Payments, of which	818	1,006	1,394	3,356	4,121	4,691
<i>Interest Payments</i>	406	477	574	1,316	1,545	1,674
<i>Concessional loans principal payments</i> ⁽¹⁾	11	9	8	46	54	117
<i>Primary Expenditures</i> ⁽²⁾	401	519	812	1,993	2,521	2,900
Total Cash Deficit/Surplus	20	-109	-601	-588	-1,102	-1,421
Primary Deficit/Surplus	437	378	-19	775	498	370

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).

Chart 1.



Section 2: Revenue Outcome

Table 2. Total Revenues

(LL billion)	2006	2007	2008	2006	2007	2008
	April	April	April	Jan-April	Jan-April	Jan-April
Budget Revenues, of which:						
<i>Tax Revenues</i>	812	715	746	2,635	2,711	2,928
<i>Non-Tax Revenues</i>	661	524	578	1,878	1,878	2,082
Treasury Receipts	150	191	168	757	833	846
Total Revenues	26	182	46	133	308	342
	837	897	793	2,768	3,019	3,270

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

Table 3. Tax Revenues

(LL billion)	2006	2007	2008	2006	2007	2008
	April	April	April	Jan-April	Jan-April	Jan-April
Tax Revenues:	661	524	578	1,878	1,878	2,082
Taxes on Income, Profits, & Capital Gains, of which:	102	108	111	352	381	421
<i>Income Tax on Profits</i>	11	12	11	88	91	118
<i>Income Tax on Wages and Salaries</i>	40	44	55	99	108	130
<i>Income Tax on Capital Gains & Dividends</i>	9	5	6	33	34	24
<i>Tax on Interest Income (5%)</i>	40	46	39	124	144	145
<i>Penalties on Income Tax</i>	2	0	1	6	3	3
Taxes on Property, of which:	203	40	46	322	166	207
<i>Built Property Tax</i>	14	10	3	50	60	49
<i>Real Estate Registration Fees</i>	27	24	38	99	87	141
Domestic Taxes on Goods & Services, of which:	241	241	296	720	789	955
<i>Value Added Tax</i>	225	225	274	649	724	875
<i>Other Taxes on Goods and Services, of which:</i>	16	16	22	63	61	77
<i>Private Car Registration Fees</i>	11	11	17	40	37	52
<i>Passenger Departure Tax</i>	5	5	5	23	24	25
Taxes on International Trade, of which:	87	107	99	381	451	401
<i>Customs</i>	40	46	50	154	176	199
<i>Excises, of which:</i>	47	61	49	227	274	202
<i>Petroleum Tax</i>	14	20	6	87	133	5
<i>Tobacco Tax</i>	12	20	16	58	67	71
<i>Tax on Cars</i>	20	21	33	81	72	124
Other Tax Revenues (namely fiscal stamp fees)	28	28	26	103	92	98

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

Table 4. Non-Tax Revenue

(LL billion)	2006	2007	2008	2006	2007	2008
	April	April	April	Jan-April	Jan-April	Jan-April
Non-Tax Revenues	150	191	168	757	833	846
Income from Public Institutions and Government Properties, of which: ⁽¹⁾	99	151	121	568	674	666
Income from Non-Financial Public Enterprises, of which:	97	144	118	554	544	650
<i>Revenues from Casino Du Liban ⁽²⁾</i>	4	5	8	13	18	78
<i>Revenues from Port of Beirut</i>	0	0	0	0	30	0
<i>Budget Surplus of National Lottery</i>	7	2	5	22	20	5
<i>Transfer from the Telecom Surplus</i>	85	137	105	519	476	567
Property Income (namely rent of Rafic Hariri International Airport)	2	6	2	12	16	13
Other Income from Public Institutions (interests)	1	0	1	2	2	2
Income from Financial Public Enterprises, of which BDL	0	0	0	0	113	0
Administrative Fees & Charges, of which:	43	34	40	155	131	147
Administrative Fees, of which:	35	28	34	127	104	120
<i>Notary Fees</i>	2	2	2	6	6	7
<i>Passport Fees/ Public Security</i>	9	9	10	39	31	37
<i>Vehicle Control Fees</i>	19	12	15	62	48	55
<i>Judicial Fees</i>	1	2	2	7	6	7
<i>Driving License Fees</i>	2	1	1	7	5	5
Administrative Charges	1	1	1	7	9	9
Sales (Official Gazette and License Number)	0	0	0	1	1	1
Permit Fees (mostly work permit fees)	6	3	4	18	14	15
Other Administrative Fees & Charges	0	1	1	2	3	3
Penalties & Confiscations	0	0	0	2	2	2
Other Non-Tax Revenues (mostly retirement deductibles)	8	6	6	33	25	31

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

⁽¹⁾Note with LL 5 billion received in April, the National Lottery has resumed transfers to the Treasury, but still no transfers were recorded from Port of Beirut and Banque Du Liban in the first four months of 2008

⁽²⁾ The Casino transfers account for an amount equivalent to LL 42 billion received in March 2008, and representing the first installment payment of a litigation settlement amount with Casino Management.

Section 3: Expenditure Outcome

Table 5. Expenditures by Economic Classification

(LL billion)	2006	2007	2008
	Jan-April	Jan-April	Jan-April
1. Current expenditures	2,765	3,286	3,379
1.a Personnel cost, of which	1,053	1,204	1,215
Salaries, wages and related items (Article 13) ⁽¹⁾	711	834	779
Retirement and end of service compensations, of which	279	310	377
Retirement	240	258	272
End of Service	39	53	105
Transfers to public institutions to cover salaries ⁽²⁾	64	59	59
1.b Interest payments, of which ⁽³⁾	1,317	1,545	1,674
Domestic interest payments	731	877	972
Foreign interest payments	585	668	701
1.c Foreign debt principal repayment	46	54	117
1.d Materials and supplies of which	33	55	66
Nutrition	4	5	19
Fuel Oil	5	11	11
Medicaments	12	6	12
Accounting adjustments for treasury	4	25	14
1.e External services	31	32	29
1.f Various transfers of which	172	314	174
NSSF	100	220	0
Wheat Subsidy	0	0	77
1.g Other current of which	84	56	76
Hospitals	73	39	64
Others	11	17	11
1.h Reserves	29	26	27
Interest subsidy	29	26	27
2. Capital expenditures	230	161	170
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	6	4	1
2.b Equipment	6	14	13
2.c Construction in Progress, of which	169	105	111
Displaced fund	44	6	10
Council of the South	10	0	0
CDR	92	71	68
Ministry of Public Work and Transport	11	16	15
Other	11	12	18
2.d Maintenance	24	27	30
2.e Other Expenditures Related to Fixed Capital Assets	25	12	13
3. Other treasury expenditures	351	659	1,129
Municipalities	102	54	120
Garantees	39	15	16
Deposits	18	38	18
Other	75	73	203
of which VAT refund	38	33	131
of which Higher Council of Relief		6	7
EDL ⁽⁴⁾	68	480	754
treasury advances for diesel oil subsidy	50	0	19

4. Unclassified expenditures	1	0	1
5. Customs cashiers	9	15	12
6. Total expenditures (excluding CDR foreign financed)	3,356	4,121	4,691

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

(1) For a detailed breakdown of salaries, wages, and related items, otherwise referred to as Article 13 in the Lebanese Budgets, kindly refer to table 6

(2) For a detailed breakdown of those transfers, kindly refer to table 7

(3) For a detailed breakdown of interest payments, kindly refer to table 8

(4) For a detailed breakdown of transfers to EDL, kindly refer to table 9

Table 6. Breakdown of Salaries, Wages and Related Items (Article 13)

(LL billion)	Basic salaries		Allowances		Other ⁽¹⁾		Total	
	2007	2008	2007	2008	2007	2008	2007	2008
	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr
Military Personnel	382	334	126	105	25	23	533	462
Army	249	215	59	38	16	14	324	267
Internal Security forces	106	95	57	61	7	6	170	163
General Security forces	20	18	8	5	1	2	29	24
State Security forces	6	6	3	2	1	1	10	8
Education Personnel	148	153	0	0	17	16	165	169
Civil Personnel	77	73	1	0	55	68	132	141
Customs salaries							3	7
Total	608	559	127	106	96	108	834	779

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

(1) Includes contributions to mutual funds, civil servants cooperatives, family ,maternity and sickness and transportation allowances and bonus

Table 7. Breakdown of Transfers to Public Institutions (Salaries)

(LL billion)	2006	2007	2008
	Jan-April	Jan-April	Jan-April
Transfer to Council of the South	2	2	3
Transfer to Council for Development and Reconstruction (CDR)	9	11	4
Transfer to the Displaced Fund	2	2	2
Transfer to the Lebanese University	47	41	46
Transfer to the Educational Center for Research and Development	4	4	4
Total	64	59	59

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

Table 8. Details of Interest Payments

(LL billion)	2006	2007	2008	2006	2007	2008
	April	April	April	Jan- April	Jan- April	Jan- April
Interest Payments ⁽¹⁾	406	477	574	1,316	1,545	1,674
Local Currency Debt	196	237	262	730	877	972
Foreign Currency Debt, of which:	210	240	312	585	668	702
Eurobond Coupon Interest*	206	236	299	550	627	649
Special bond Coupon Interest*						
Concessional Loans Interest Payments	4	4	13	35	41	53
Concessional Loans Principal Payments	11	9	8	46	54	117

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

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

* Includes expenses related to the transaction such as commissions and fees.

Table 9. Transfers to EDL

(LBP billion)	2006	2007	2008	
	Jan- April	Jan- April	Jan- April	Change
EDL of which:	68	480	754	274
Debt Service of which:	68	54	56	2
C-Loans and Eurobonds, of which:	51	44	41	-3
Principal repayments	37	34	32	-2
Interest Payments	14	10	9	-1
BDL Guaranteed Loan payments		10	15	5
Loans for fuel oil payments	17	0		
Repayment of loans for fuel oil and gas oil purchase (principal and interest)	0	67	0	-67
Reimbursement of KPC and Sonatrach agreements		358	698	340
Repayment of oil suppliers arrears				

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

Section 4: Public Debt

Table 10. Public Debt Outstanding by Holder as of End-April -08

In billion LL	Dec-05	Dec-06	Dec-07	Apr-08	% Change Dec 07 - Apr 08
Gross Public debt	57,985	60,851	63,364	65,631	3.58%
Local currency debt	29,141	30,204	31,373	33,190	5.79%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾	11,686	9,588	9,052	9,005	-0.52%
b. Commercial Banks	14,130	16,487	16,847	18,642	10.65%
c. Other Local Currency Debt (T-bills) <i>o/w Public entities</i>	3,325 2,446	4,129 3,313	5,474 4,796	5,543 4,813	1.26% 0.35%
* <i>Accrued interest included in debt</i>	517	685	754	734	-2.65%
Foreign currency debt (2)	28,844	30,647	31,991	32,441	1.41%
a. Bilateral, Multilateral and Foreign Private sector loans	2,789	2,855	2,963	2,960	-0.08%
b. Paris II related debt (Eurobonds and Loans) ⁽³⁾	6,501	6,540	6,063	6,046	-0.28%
c. Paris III related debt (Eurobonds and Loans) ⁽⁴⁾			1,357	1,708	25.91%
d. Market-issued Eurobonds	18,729	20,399	20,780	20,862	0.39%
e. Accrued Interest on Eurobonds	406	434	410	446	8.78%
f. Special Tbs in Foreign currency ⁽⁵⁾	419	419	419	419	0%
Public sector deposits	5,590	4,444	4,527	5,358	18.36%
Net debt	52,395	56,407	58,828	60,273	2.46%
Gross Market debt⁽⁶⁾	34,721	38,670	39,221	41,174	4.98%
% of total debt	60%	64%	62%	63%	0.00%

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 for Dec 04 - 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 and first tranche of the French loan received in February 2008

⁽⁵⁾ Special Tbs 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.



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