REPUBLIC OF LEBANON
MINISTRY OF FINANCE

# Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

**December 2004**

## Section 1: Fiscal Overview

### Highlights:

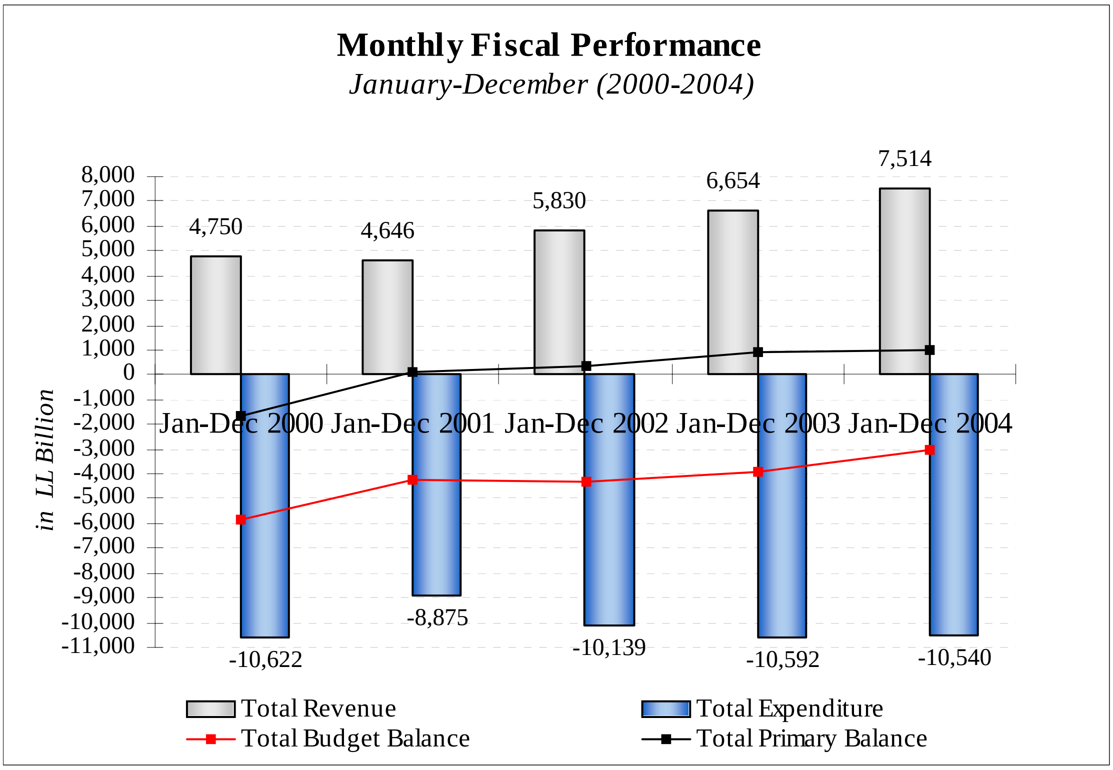
By the end of December 2004, the total primary surplus amounted to LL 995 billion, an approximate 6 percent improvement compared to the LL 936 billion cumulated at the end of December 2003. At a level of LL 3,026 billion by the end of December 2004, the total fiscal deficit decreased by 23 percent with respect to January-December 2003.

### Table 1. Summary of Fiscal Performance

| (LL billion) | 2003 December | 2004 December | 2003 Jan-Dec | 2004 Jan-Dec | Change 2003-2004 | % Change |
|---|---|---|---|---|---|---|
| Budget Revenues | 578 | 721 | 6,219 | 7,075 | 857 | 13.78% |
| Budget Expenditures *of which:* | 732 | 638 | 8,810 | 8,306 | -504 | -5.72% |
| *Debt Service* | 487 | 389 | 4,874 | 4,021 | -853 | -17.50% |
| | | | | | | |
| **Budget Deficit/Surplus** | **-155** | **83** | **-2,591** | **-1,231** | **1,361** | **-52.51%** |
| in % of Budget Expenditures | -21.10% | 13.05% | -29.41% | -14.82% | | |
| **Budget Primary Deficit/Surplus** | **333** | **472** | **2,283** | **2,791** | **508** | **22.24%** |
| in % of Budget Expenditures | 45.45% | 74.08% | 25.92% | 33.60% | | |
| | | | | | | |
| Treasury Receipts | 47 | 31 | 436 | 439 | 3 | 0.72% |
| Treasury Payments | 258 | 385 | 1,783 | 2,235 | 452 | 25.36% |
| | | | | | | |
| Total Budget and Treasury Receipts | 625 | 752 | 6,654 | 7,514 | 860 | 12.92% |
| Total Budget and Treasury Payments | 990 | 1,023 | 10,592 | 10,540 | -52 | -0.49% |
| | | | | | | |
| **Total Cash Deficit/Surplus** | **-365** | **-271** | **-3,938** | **-3,026** | **912** | **-23.15%** |
| in % of Total Expenditures | -36.86% | -26.53% | -37.18% | -28.71% | | |
| **Primary Deficit/Surplus** | **122** | **118** | **936** | **995** | **59** | **6.29%** |
| in % of Total Expenditures | 12.35% | 11.51% | 8.84% | 9.44% | | |

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

**Chart 1.**




# Section 2: Revenue Outcome

## Highlights:

With LL 7,075 billion collected, the year 2004 achieved 14 percent higher budget revenues, compared to January-December 2003. This improved performance is mainly due to:

- Higher tax revenues by 15%, cumulating at LL 5,169 billion, mainly on account of higher receipts from the 5% tax on interest, property tax, VAT, and fiscal stamps fees.
- Higher non tax revenues by 11%, amounting to LL 1,907 billion, mainly owing to higher telecom receipts.

**Table 2. Total Revenue**

| (LL billion) | 2003 December | 2004 December | 2003 Jan-Dec | 2004 Jan-Dec | % Change |
|---|---|---|---|---|---|
| **Budget Revenues,** of *which:* | **578** | **721** | **6,219** | **7,075** | **13.78%** |
| *Tax Revenues* | *392* | *466* | *4,502* | *5,169* | *14.81%* |
| *Non-Tax Revenues* | *186* | *255* | *1,717* | *1,907* | *11.06%* |
| **Treasury Receipts** | **47** | **31** | **436** | **439** | **0.72%** |
| **Total Revenues** | **625** | **752** | **6,654** | **7,514** | **12.92%** |

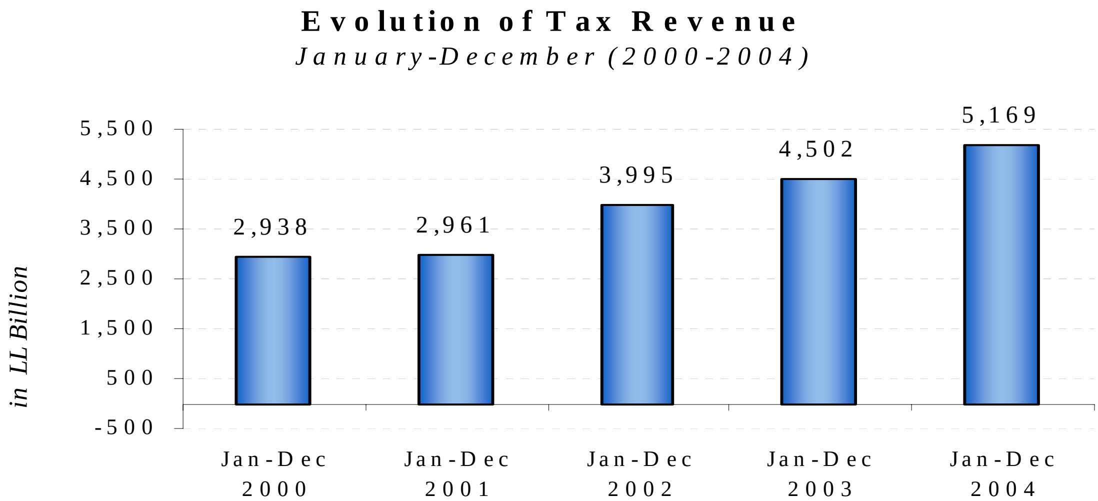
*Source: MOF, DG*

## Table 4. Non-Tax Revenue

| (LL billion) | 2003 December | 2004 December | 2003 Jan-Dec | 2004 Jan-Dec | % Change |
|---|---|---|---|---|---|
| **Non-Tax Revenues** | **186** | **255** | **1,717** | **1,907** | **11.06%** |
| **Income from Public Institutions and Government Properties,** *of which*: | **142** | **206** | **1,252** | **1,448** | **15.65%** |
| Income from Non-Financial Public Enterprises, *of which*: | 137 | 202 | 1,182 | 1,391 | 17.72% |
| *Revenues from Casino Du Liban* | *2* | *9* | *39* | *42* | *8.87%* |
| *Budget Surplus of National Lottery* | *3* | *3* | *35* | *37* | *4.29%* |
| *Transfer from the Telecom Surplus* | *111* | *190* | *1,086* | *1,310* | *20.61%* |
| Property Income (namely rent of Beirut International Airport) | 3 | 3 | *58* | *48* | -16.86% |
| Other Income from Public Institutions (interests) | 2 | 1 | *12* | *8* | -30.64% |
| **Administrative Fees & Charges,** *of which*: | **36** | **42** | **383** | **365** | **-4.68%** |
| Administrative Fees, *of which*: | 24 | 32 | 299 | 284 | -5.13% |
| *Notary Fees* | *2* | *2* | *16* | *17* | *7.53%* |
| *Passport Fees/ Public Security* | *8* | *8* | *87* | *90* | *3.14%* |
| *Vehicle Control Fees* | *9* | *17* | *146* | *129* | *-11.95%* |
| *Judicial Fees* | *2* | *2* | *20* | *20* | *-0.69%* |
| *Driving License Fees* | *2* | *1* | *14* | *15* | *4.67%* |
| Administrative Charges | 5 | 4 | 26 | 28 | 9.52% |
| Sales (Official Gazette and License Number) | 2 | 1 | 9 | 4 | -54.36% |
| Permit Fees (mostly work permit fees) | 4 | 4 | 41 | 41 | -0.58% |
| Other Administrative Fees & Charges | 1 | 1 | 8 | 8 | -0.12% |
| **Penalties & Confiscations** | **0** | **0** | **6** | **5** | **-12.33%** |
| **Other Non-Tax Revenues** (mostly retirement deductibles) | **7** | **7** | **75** | **88** | **16.57%** |

*Source: MOF, DGF*

## Chart 2.




*Source: MOF, DGF*

# Section 3: Expenditure Outcome

## Highlights:

By the end of December 2004, total expenditures reached LL 10,540 billion, remaining almost stable when compared against 2003 despite an 18 percent decrease in interest payments. This decrease was offset by a 14 percent increase in non interest expenditures which totaled LL 6,519 billion by the end of 2004. This rise in primary expenditures is mainly explained by: (1) higher transfers to municipalities, (2) a larger payment to the NSSF, (3) higher capital spending, (4) additional transfers to Water Authorities for the settlement of their electricity bills, and (5) additional payments to cover EDL's deficit.

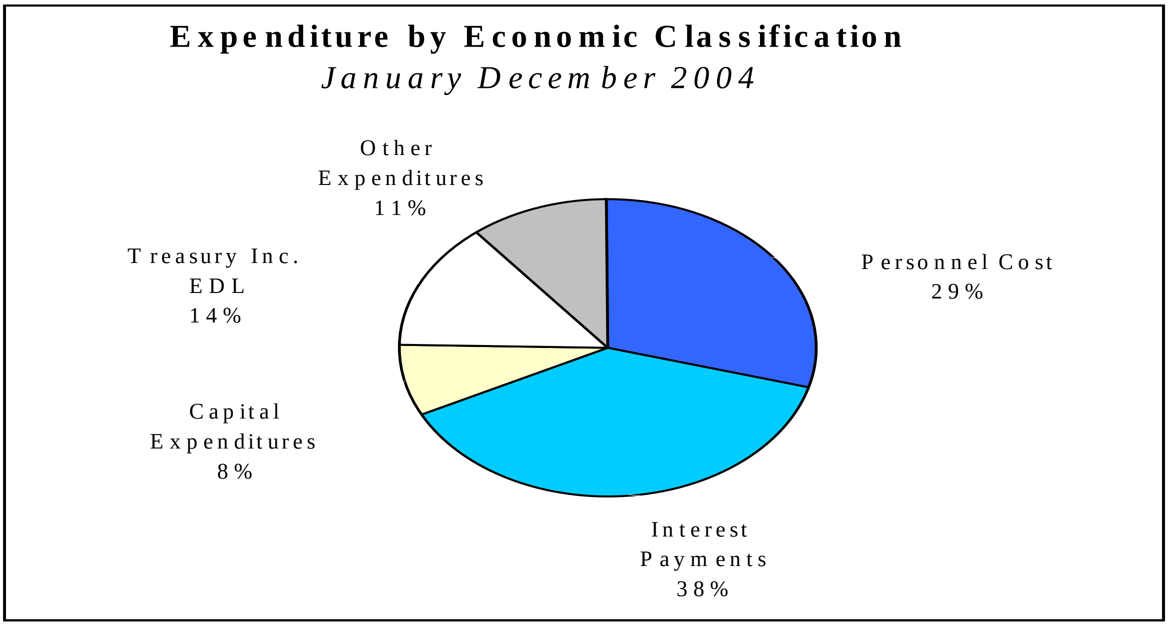
### Table 5. Expenditures by Transaction Classification

| (LL billion) | 2003 December | 2004 December | 2003 Jan-Dec | 2004 Jan-Dec | % Change |
|---|---|---|---|---|---|
| **Total Expenditures** | **990** | **1,023** | **10,592** | **10,540** | **-0.49%** |
| **Budget Expenditures** | **732** | **638** | **8,810** | **8,306** | **-5.72%** |
| Expenditures Excluding Debt Service | 245 | 248 | 3,935 | 4,284 | 8.86% |
| Debt Service, *of which*: | 487 | 389 | 4,874 | 4,021 | -17.50% |
| *Domestic Debt* | *220* | *152* | *3,108* | *2,246* | -27.74% |
| *Foreign Debt* | *267* | *237* | *1,766* | *1,776* | 0.52% |
| **Treasury Expenditures** , *of which*: | **258** | **385** | **1,783** | **2,235** | **25.36%** |
| *Municipalities* | *19* | *8* | *180* | *461* | 156.26% |
| *Previous Years' Appropriations* | *173* | *173* | *739* | *619* | -16.26% |
| **Non-Interest Expenditures (Total Expenditures minus Debt Service)** | **503** | **634** | **5,718** | **6,519** | **14.01%** |

*Source: MOF, DGF*

*1/ Includes Payment of Principal of Concessional Loans.*

### Chart 4.




*Source: MOF, DGF*

## Table 6. Expenditures by Economic Classification

| (LL Billion) | 2003 Jan-Dec | 2004 Jan-Dec | % Change |
|---|---|---|---|
| **1. Current Expenditures** | **8,831** | **8,051** | **-9%** |
| 1.a Personnel Cost 1/ , *of which:* | 3,087 | 3,094 | 0% |
| *Article 13: Salaries and Wages* | *2,040* | *2,072* | 2% |
| *Retirement and End of Service Compensations* | *844* | *810* | -4% |
| 1.b Debt Service | 4,874 | 4,021 | -18% |
| 1.c Materials and Supplies | 121 | 116 | -4% |
| 1.d External Services | 81 | 113 | 40% |
| 1.e Various Transfers, *of which:* | 272 | 360 | 32% |
| *NSFF* | *0* | *89* | 100% |
| 1.f Other Current, *of which:* | 330 | 275 | -17% |
| *Hospitals* | *267* | *236* | -12% |
| *Others* | *63* | *38* | -40% |
| 1.g Reserves, *of which:* | 66 | 72 | 8% |
| *Interest Subsidy* | *66* | *72* | 8% |
| **2. Capital Expenditures** | **714** | **817** | **14%** |
| 2.a Acquisitions of Land, Bldgs, for the Construction of Roads, Ports, Airports, and Water Networks | 12 | 12 | -3% |
| 2.b Equipment | 57 | 49 | -14% |
| 2.c Construction in Progress | 561 | 646 | 15% |
| 2.d Maintenance | 61 | 60 | -1% |
| 2.e Other Expenditures Related to Fixed Capital Assets | 23 | 49 | 115% |
| **3. Other Treasury Expenditures** | **1,014** | **1,477** | **46%** |
| Municipalities | 180 | 461 | 156% |
| EDL | 413 | 492 | 19% |
| Treasury advance to Water Authorities | 0 | 85 | 100% |
| Treasury Advance for Diesel Oil Subsidy | 0 | 17 | 100% |
| **4. Unclassified Expenditures 2/** | **1** | **69** | 6800% |
| **5. Customs Cashiers 3/** | **32** | **126** | 294% |
| **6. Total Expenditures 4/** | **10,590** | **10,540** | **0%** |

*Sources: MOF*

*1/ Includes the wages and salaries for the Council of the South, the Lebanese University, the Displaced Council, the Council for Reconstruction and Development, and the Educational Center for Research and Development.*

*2/ The unclassified expenditures includes: expenditures with no information on their economic classification and LL 38 billion representing the regularization of interest payments transactions - is also accounted for under treasury revenues.*

*3/ LL 90 billion of custom cashier expenditure are also recorded as VAT revenues in Jan-December 2004.*

*4/ Excluding foreign financed capital spending.*

## Table 7. Transfers to EDL

| (LL billion) | 2003 Jan-Dec | 2004 Jan-Dec | % Change |
|---|---|---|---|
| **EDL** *of which:* | **413** | **492** | **19.2%** |
| **Debt service 1/, *of which:*** | **338** | **341** | **0.9%** |
| C-Loans and Eurobonds | 239 | 205 | -14% |
| Loans for Fuel Oil Payment | 99 | 33 | -66% |
| BDL Guaranteed Loan Payment | 0 | 103 | 100% |
| **Treasury Advance for Fuel Purchase** | **75** | **151.4** | **101.9%** |
| **Expropriations** | **0** | **0** | **0.0%** |

*Source: MOF, DGF*

*1/ Includes principal and interest*

# Section 4: Public Debt

## Highlights:

Gross public debt as of end-2004 amounted to LL 54,028 billion (USD 35.84 billion), registering an increase of LL 3,706 billion or 7.4 percent over the December 2003 level. A more accurate assessment of the growth of public debt would be performed by monitoring the *evolution of net public debt* which amounted to LL 49,748 billion (USD 33.00 billion), registering an increase of LL 2,444 billion or 5.2 percent since end-December 2003. Gross public debt at the end of 2004 was inflated given some over financing during the months of November and December 2004.

### Table 8. Public Debt

**Public Debt Outstanding by Holder as of End-Dec 2004**

Amounts expressed in LL Billion

| | Dec-02 | Dec-03 | Dec-04 | Annual Change | % change |
|---|---|---|---|---|---|
| **Total debt (1)** | **47,291** | **50,322** | **54,028** | 3,706 | 7.4% |
| **Domestic debt** | **25,302** | **26,843** | **26,368** | -475 | -1.8% |
| a. Central Bank | 723 | 8,938 | 10,652 | 1,714 | 19.2% |
| *o/w Zero Interest T-bills (2)* | | *3,508* | *3,508* | | |
| *o/w Special Tbills issued at 4%* | | *4,299* | *4,299* | | |
| b. Commercial Banks | 17,211 | 12,303 | 12,217 | -86 | -0.7% |
| *o/w Zero coupon T-bills* | | *880* | *880* | | |
| c. Other Domestic Debt (T-bills) | 7,368 | 5,603 | 3,500 | -2,103 | -37.5% |
| *o/w Public entities* | *3,221* | *2,564* | *2,187* | -377 | -14.7% |
| **Foreign debt** | **21,989** | **23,479** | **27,659** | 4,180 | 17.8% |
| a. Bilateral and Multilateral | 2,289 | 2,590 | 2,659 | 69 | 2.7% |
| b. Paris II related debt | 1,432 | 3,731 | 3,814 | 83 | 2.2% |
| c. BDL Eurobond | 2,819 | 2,819 | 2,819 | 0 | 0.0% |
| d. Market Eurobonds | 14,611 | 13,673 | 17,687 | 4,014 | 29.4% |
| o/w Zero interest Eurobonds issued to Lebanese Commercial Banks | | 1,083 | 1,122 | 39 | 3.6% |
| e. Other foreign Debt (3) | 838 | 666 | 680 | 14 | 2.1% |
| **Public sector deposits** | **2,964** | **3,019** | **4,280** | 1,261 | 41.8% |
| **Net debt (4)** | **44,327** | **47,303** | **49,748** | 2,444 | 5.2% |
| **Gross market debt (5)** | **36,807** | **29,680** | **31,896** | 2,216 | 7.5% |
| **% of total debt** | **78%** | **59%** | **59%** | | |

*Source: MOF, BDL*

*(1) Total debt equals domestic debt plus foreign debt*

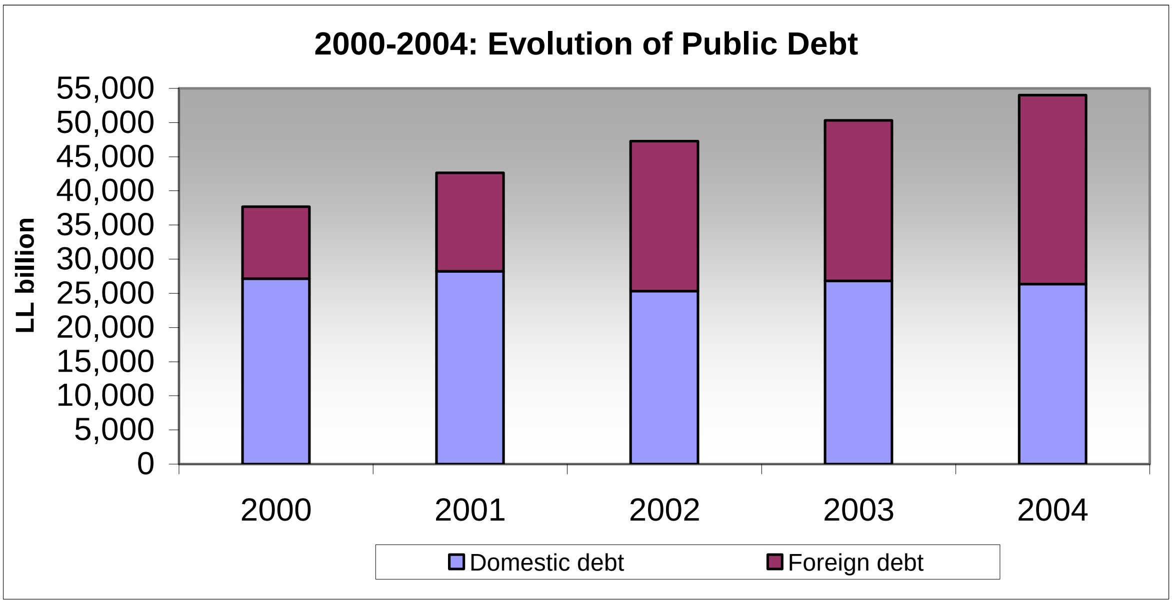
*(2) Zero interest T-bills in the portfolio of the Banque du Liban represents its intervention in the zero-interest scheme of commercial banks issued within the Paris II context.*

*(3) Includes accrued interest and foreign currency private sector loans.*

*(4) Net public debt is defined as the gross public debt less public sector deposits.*

*(5) Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, and Paris II related debt.*

## Chart 5.




*Source: MOF, DGF*

REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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