REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Public Finance Monitor

The Monthly Statistical Bulletin of the Ministry of Finance

October 2004

Section 1: Fiscal Overview

Highlights:

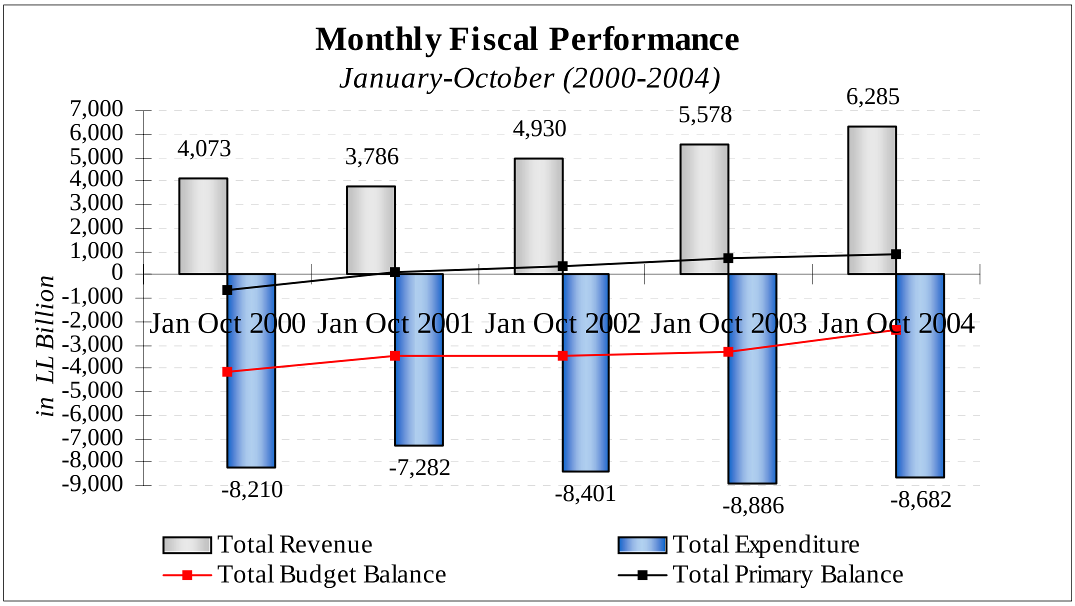
By the end of October 2004, the total primary surplus summed up to LL 881 billion, representing a 24 percent improvement compared to the LL 710 billion observed at the end of October 2003. At the same time, the total fiscal deficit decreased by 28 percent with respect to January-October 2003 amounting to LL 2,398 billion by the end of October 2004.

Table 1. Summary of Fiscal Performance

(LL billion)	2003 October	2004 October	2003 Jan-Oct	2004 Jan-Oct	Change 2003-2004	% Change
Budget Revenues	649	663	5,209	5,942	734	14.08%
Budget Expenditures *of which:*	1,005	855	7,417	6,942	-475	-6.40%
Debt Service	616	432	4,018	3,279	-740	-18.41%
Budget Deficit/Surplus	**-356**	**-192**	**-2,208**	**-999**	**1,208**	**-54.73%**
in % of Budget Expenditures	-35.45%	-22.47%	-29.77%	-14.40%		
Budget Primary Deficit/Surplus	**260**	**240**	**1,811**	**2,279**	**469**	**25.88%**
in % of Budget Expenditures	25.83%	28.04%	24.41%	32.83%		
Treasury Receipts	27	27	369	342	-27	-7.27%
Treasury Payments	70	149	1,470	1,741	271	18.44%
Total Budget and Treasury Receipts	676	690	5,578	6,285	707	12.67%
Total Budget and Treasury Payments	1,075	1,005	8,886	8,682	-204	-2.29%
Total Cash Deficit/Surplus	**-400**	**-314**	**-3,308**	**-2,398**	**911**	**-27.52%**
in % of Total Expenditures	-37.19%	-31.28%	-37.23%	-27.62%		
Primary Deficit/Surplus	**216**	**118**	**710**	**881**	**171**	**24.04%**
in % of Total Expenditures	20.09%	11.73%	7.99%	10.15%		

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

Chart 1.



Source: MOF, DGF

Highlights:

For the first ten months of the year, total revenues reached LL 6,285 billion, increasing by 13 percent compared to the LL 5,578 billion collected in January-October 2003.
Tax revenues totaled LL 4,382 billion by October 2004, compared to the LL 3,818 billion collected during January-October 2003. This 15 percent increase is explained by an improved performance on all income tax fronts, property tax fronts as well as higher VAT receipts.
Total non tax revenues rose by 12 percent in January-October 2004 compared to the same period in 2003 totaling LL 1,560 billion, mainly on account of higher transfers from the telecom budget surplus.

Table 2. Total Revenue

(LL billion)	2003 October	2004 October	2003 Jan-Oct	2004 Jan-Oct	% Change
Budget Revenues, of *which:*	**649**	**663**	**5,209**	**5,942**	**14.08%**
Tax Revenues	*511*	*527*	*3,818*	*4,382*	*14.79%*
Non-Tax Revenues	*154*	*126*	*1,354*	*1,343*	*-0.80%*
Treasury Receipts	**27**	**27**	**369**	**342**	**-7.27%**
Total Revenues	**676**	**690**	**5,578**	**6,285**	**12.67%**

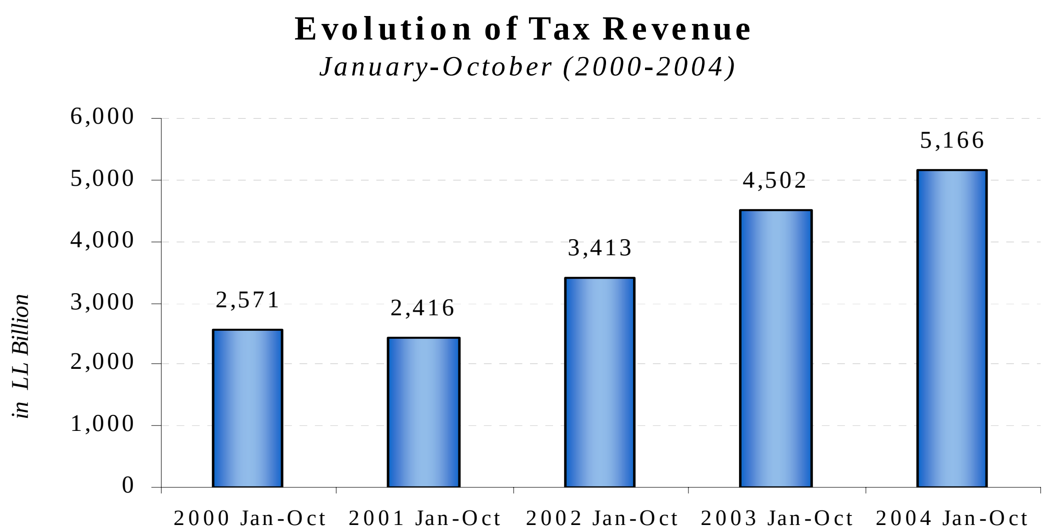
Source: MOF, DGF

Table 3. Tax Revenue

(LL billion)	2003 October	2004 October	2003 Jan-Oct	2004 Jan-Oct	% Change
Tax Revenues:	**511**	**527**	**3,818**	**4,382**	**14.79%**
Taxes on Income, Profits, & Capital Gains, *of which:*	**55**	**60**	**705**	**821**	**16.49%**
Income Tax on Profits	*5*	*4*	*367*	*390*	6.27%
Income Tax on Wages and Salaries	*30*	*34*	*167*	*154*	-7.63%
Income Tax on Capital Gains & Dividends	*3*	*2*	*47*	*68*	45.07%
Tax on Interest Income (5%)	*17*	*19*	*112*	*190*	70.32%
Penalties on Income Tax	*1*	*0*	*10*	*15*	59.13%
Taxes on Property, *of which:*	**30**	**28**	**252**	**312**	**23.68%**
Built Property Tax	*6*	*3*	*66*	*85*	27.70%
Real Estate Registration Fees	*20*	*23*	*158*	*196*	24.65%
Domestic Taxes on Goods & Services, *of which:*	**246**	**282**	**1,323**	**1,672**	**26.34%**
Value Added Tax	*228*	*255*	*1,181*	*1,496*	26.66%
Other Taxes on Goods and Services, of which:	*18*	*27*	*133*	*162*	22.22%
Private Car Registration Fees	*8*	*9*	*76*	*90*	18.71%
Passenger Departure Tax	*10*	*18*	*55*	*71*	28.75%
Taxes on International Trade, *of which:*	**154**	**126**	**1,354**	**1,343**	**-0.81%**
Customs	*47*	*47*	*383*	*433*	12.85%
Excises, of which:	*107*	*79*	*971*	*910*	-6.21%
Petroleum Tax	*75*	*42*	*687*	*551*	-19.72%
Tobacco Tax	*16*	*17*	*151*	*167*	10.52%
Tax on Cars	*16*	*19*	*130*	*188*	44.93%
Other Tax Revenues, *of which:*	**26**	**30**	**183**	**234**	**27.71%**
Fiscal Stamp Fees	*25*	*30*	*182*	*233*	27.81%

Source: MOF, DGF

Chart 2.



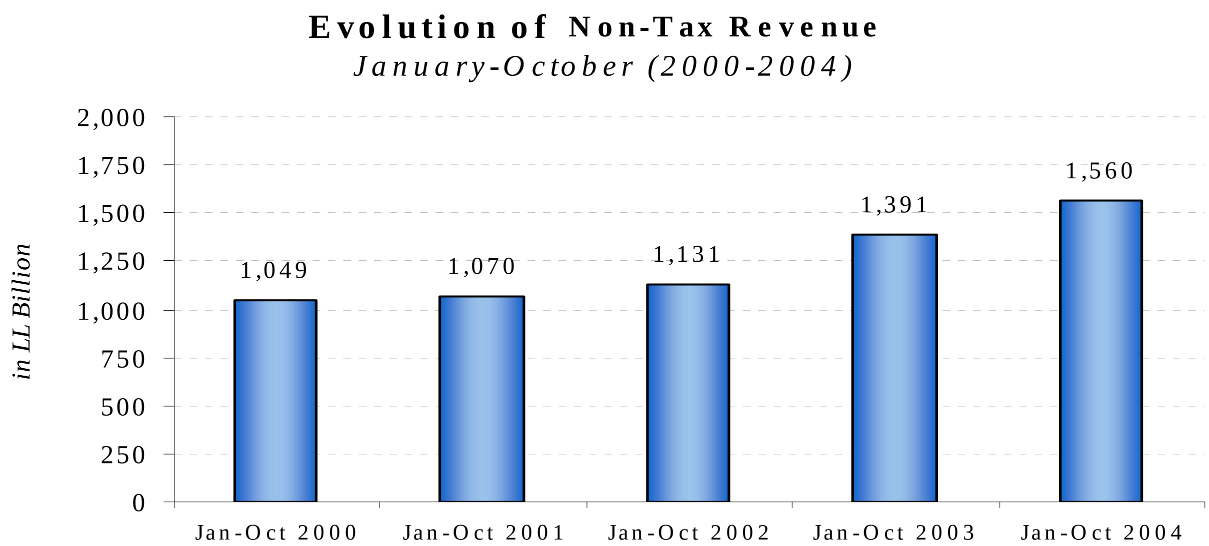
Source: MOF, DGF

Table 4. Non-Tax Revenue

(LL billion)	2003 October	2004 October	2003 Jan-Oct	2004 Jan-Oct	% Change
Non-Tax Revenues	**138**	**137**	**1,391**	**1,560**	**12.15%**
Income from Public Institutions and Government Properties, *of which*:	**101**	**87**	**1,001**	**1,185**	**18.45%**
Income from Non-Financial Public Enterprises, *of which*:	95	81	941	1,135	20.62%
Revenues from Casino Du Liban	*2*	*3*	*34*	*32*	-5.15%
Budget Surplus of National Lottery	*5*	*2*	*31*	*32*	4.92%
Transfer from the Telecom Surplus	*88*	*75*	*875*	*1,068*	22.15%
Other Income from Public Institutions (Interests)	1	1	*9*	*8*	-15.80%
Property Income (namely rent of Beirut International Airport)	5	5	*51*	*43*	-8.50%
Administrative Fees & Charges, *of which*:	**30**	**34**	**324**	**296**	**-8.50%**
Administrative Fees, *of which*:	22	24	259	233	-10.16%
Notary Fees	*2*	*2*	*13*	*14*	8.53%
Passport Fees/ Public Security	*8*	*8*	*73*	*76*	3.01%
Vehicle Control Fees	*8*	*10*	*131*	*103*	-21.69%
Judicial Fees	*1*	*1*	*17*	*17*	-2.96%
Driving License Fees	*1*	*1*	*12*	*13*	8.47%
Administrative Charges	3	6	17	20	16.90%
Permit Fees (mostly work permit fees)	3	4	34	34	0.43%
Other Administrative Fees & Charges	1	1	7	7	-3.71%
Penalties & Confiscations	**0**	**0**	**5**	**4**	**-8.36%**
Other Non-Tax Revenues (mostly retirement deductibles)	**6**	**15**	**62**	**74**	**19.93%**

Source: MOF, DGF

Chart 3.



Source: MOF, DGF

Section 3: Expenditure Outcome

Highlights:

By the end of October 2004, total expenditures declined by 2 percent compared to the first ten months of 2003, reaching LL 8,682 billion mainly as a result of an 18 percent decrease in interest payments.
Non interest expenditures increased by 11 percent, amounting to LL 5,404 billion by October 2004, compared to LL 4,868 billion for the same period in 2003, reflecting larger capital expenditures as well as larger transfers to municipalities and EDL.

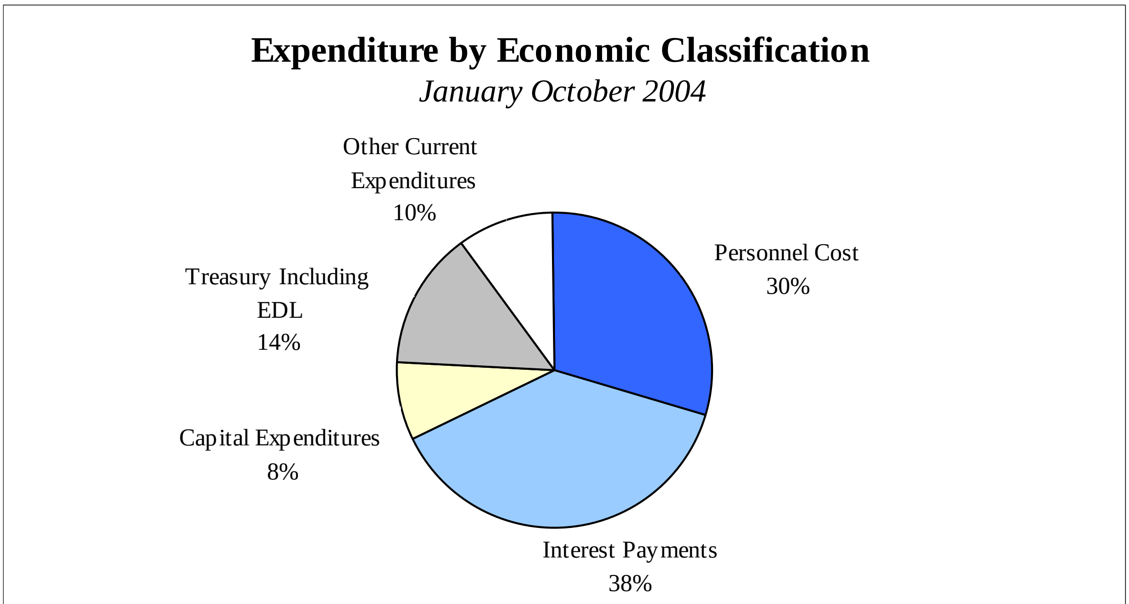
Table 5. Expenditures by Transaction Classification

(LL billion)	2003 October	2004 October	2003 Jan-Oct	2004 Jan-Oct	% Change
Total Expenditures	**1,075**	**1,005**	**8,886**	**8,682**	**-2.29%**
Budget Expenditures	**1,005**	**855**	**7,417**	**6,942**	**-6.40%**
Expenditures Excluding Debt Service	389	423	3,398	3,663	7.80%
Debt Service, *of which*:	616	432	4,018	3,279	-18.41%
Domestic Debt	*381*	*194*	*2,584*	*1,864*	-27.85%
Foreign Debt 1/	*235*	*238*	*1,434*	*1,414*	-1.41%
Treasury Expenditures , *of which*:					
Municipalities	**70**	**149**	**1,470**	**1,741**	**18.44%**
Previous Years' Appropriations	*14*	*90*	*143*	*424*	196.55 %
EDL	*13*	*3*	*553*	*443*	-19.86%
Non-Interest Expenditures (Total Expenditures minus Debt Service)	**459**	**572**	**4,868**	**5,404**	**11.01%**

Source: MOF, DGF

1/ Includes Payment of Principal of Concessional Loans.

Chart 4.



Source: MOF, DGF

Table 6. Expenditures by Economic Classification 1/

(LL Billion)	2003 Jan-Oct	2004 Jan-Oct	% change
1. Current Expenditures	**7,349**	**6,632**	**-10%**
1.a Personnel Cost, *of which:*	2,598	2,575	-1%
Article 13: Salaries and Wages	*1,705*	*1,708*	0%
Retirement and End of Service Compensations	*721*	*691*	-4%
1.b Debt Service	4,018	3,279	-18%
1.c Materials and Supplies	100	101	1%
1.d External Services	70	108	54%
1.e Various Transfers (2), *of which:*	227	298	31%
NSFF	*0*	*69*	*100%*
1.f Other Current, *of which:*	271	203	-25%
Hospitals	*225*	*171*	-24%
Others	*46*	*32*	-30%
1.g Reserves, *of which:*	64	68	6%
Interest Subsidy	*64*	*68*	6%
2. Capital Expenditures	**605**	**714**	**18%**
2.a Acquisitions of Land, Bldgs, for the Construction of Roads, Ports, Airports, and Water Networks	11	5	-55%
2.b Equipment	52	42	-19%
2.c Construction in Progress	471	572	21%
2.d Maintenance	50	49	-2%
2.e Other Expenditures Related to Fixed Capital Assets	21	46	119%
3. Other Treasury Expenditures	**890**	**1,235**	**39%**
Municipalities	143	424	197%
EDL	373	454	22%
4. Unclassified Expenditures	**18**	**31**	**72%**
5. Customs Cashiers	**24**	**70**	**192%**
6. Total Expenditures	**8,886**	**8,682**	**-2%**

Sources: MOF

1/Figures are subject to change because cashier spending classification was estimated for the months of September October 2004.
Please note that previous budget expenditures are classified according to their economic classification.
2/ The breakdown for NSSF transfers for Jan-Oct may be subject to revision

Table 7. Transfers to EDL

Table 6. Transfers to EDL*

(LL billion)	2003 Jan-Oct*	2004 Jan-Oct	% Change
EDL *of which:*	**373**	**454**	**21.8%**
Debt service, *of which:*	**298**	**303**	**1.7%**
C-Loans and Eurobonds	198	166	-16%
Loans for Fuel Oil Payment	99	33	-66%
BDL Guaranteed Loan Payment	0	103	100%
Treasury Advance for Fuel Purchase	**75**	**151**	**101.9%**
Expropriations	**0**	**0**	**0.0%**

Source: MOF, DGF

** Includes principal, LL 39 billion of which was paid in January 2003 to settle a maturing loan initially issued for fuel purchases.*

Section 4: Public Debt

Highlights:

Total public debt reached LL 52,217 billion by the end of October 2004 representing a 3.8 percent increase as of the end of December 2003, with domestic debt representing 52 percent of total public debt and foreign debt representing the remaining 48 percent.

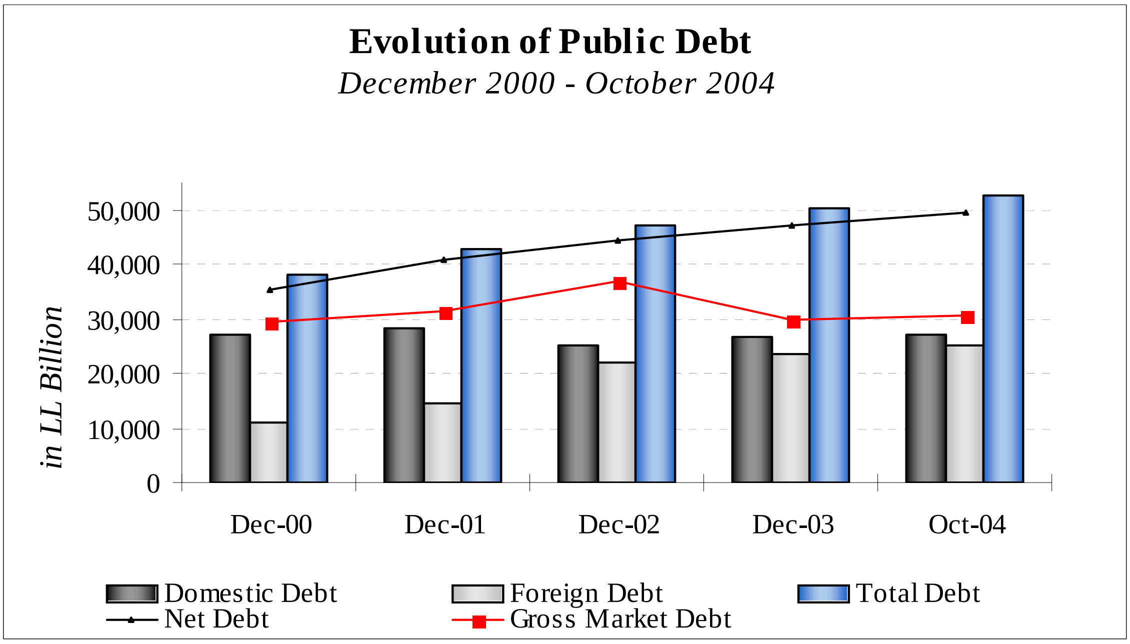
Table 8. Public Debt

(in LL Billion)	Dec-01	Dec-02	Dec-03	Oct-04	Jan-Oct Change	% Change Jan-Oct
Total Debt (1)	**42,644**	**47,291**	**50,322**	**52,217**	**1,895**	**3.8%**
Domestic Debt	**28,214**	**25,302**	**26,843**	**27,004**	**160**	**0.6%**
a. Central Bank, *of which:*	6,251	723	8,938	10,266	**1,328**	**14.9%**
Zero Interest T-bills (2)			*3,508*	*3,508*	**0**	**0.0%**
Special T-bills at Four Percent			*4,299*	*4,299*	**0**	**0.0%**
b. Commercial Banks, *of which:*	15,830	17,211	12,303	12,551	**248**	**2.0%**
Zero Interest T-bills			*880*	*880*	**0**	**0.0%**
c. Other Domestic Debt (T-bills), *of which:*	6,133	7,368	5,603	4,187	**-1,416**	**-25.3%**
Public Entities (NSSF and DGA)	*3,055*	*3,221*	*2,564*	*2,088*	**-476**	**-18.6%**
Foreign Debt	**14,430**	**21,989**	**23,479**	**25,213**	**1,734**	**7.4%**
a. Bilateral and Multilateral Loans	2,104	2,289	2,590	2,623	**33**	**1.3%**
b. Paris II Related FX Debt		1,432	3,731	3,750	**19**	**0.5%**
c. BDL Eurobonds		2,819	2,819	2,819	**0**	**0.0%**
d. Market Eurobond	11,477	14,611	13,673	15,327	**1,654**	**12.1%**
e. Other Foreign Debt (3)	849	838	666	693	**27**	**4.1%**
Public Sector Deposits	**1,913**	**2,964**	**3,019**	**2,820**	**-199**	**-6.6%**
Net Debt (4)	**40,731**	**44,327**	**47,303**	**49,397**	**2,093**	**4.4%**
Gross Market Debt (5)	**31,234**	**36,807**	**29,680**	**30,670**	**990**	**3.3%**

Source: MOF, DGF

(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 is defined as gross public debt excluding the portfolios of the Banque du Liban, public institutions, bilateral and multilateral loans, and debt issued to the Paris II donor countries.*

Chart 5.



Source: MOF, DGF

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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