

Fiscal Performance Report for the Month of July 2000

The budget deficit at the end of the first seven months of 2000 amounted to 46.9% of total budget expenditure, whereas total deficit (budget + treasury operations) amounted to 53.4%, due to the continuation of the factors affecting the fiscal situation.

On the expenditures side:

1. **Financing of EDL's deficit and debt service:** The total amount of transfers to EDL since the beginning of the year amounted to LL177 billion.
2. **Payment of arrears to municipalities accumulated by the previous governments:** The total amount of transfers to municipalities since the beginning of the year amounted to LL 185 billion.
3. **Acceleration of transfers to public institutions:** The total amount of transfers to public institutions since the beginning of the year amounted to LL 686 billion, distributed as follows:
 - LL 176 billion to the Council of Development and Reconstruction (CDR).
 - LL 35 billion to the Council of the South.
 - LL 63 billion to the Council for Executing Construction Projects.
 - LL 76 billion to the State Employees Cooperative.
 - LL 79 billion to the Lebanese University.
 - LL 105 billion to the Displaced Fund.

On the revenues side:

The lengthening of penalties exemption period by the parliament and especially the law number 218 that has made possible to defer tax payments till the end of August 2000 without bearing any penalty have had a large impact on revenues operations. As a result, tax proceeds will start to come in at the beginning of September and consequently put an end to the rising deficit. Income tax receipts for the first seven months of 2000 have been 21% lower than the level achieved in the same period of 1999.

On the other side, the appreciation of the Lebanese pound against the Euro has also been hindering the increase in revenues by restraining the growth of the dutiable value of imports when expressed in Lebanese pounds. This has partly led custom revenues to decrease by 9% during the first seven months of the current year compared to the same period of last year.

It is also worth noting that revenues from property taxes have decreased by 17% as a result of extending lowering fees on Lebanese and non-Lebanese in 2000 Budget Law in an attempt to encourage the real estate sector.

Due to the factors mentioned above, tax revenues have decreased by 10.4% when compared to the same period of last year. This was compensated by an increase of 41% in non-tax revenues, thus keeping overall revenue results unchanged when compared to the same period of last year. It is expected that revenue performance will improve at the end of August when the period for exemption from penalties for late filing of 1999 taxes expires.

Overall budget and treasury performance

It is also worth mentioning that public sector and municipality accounts at the Central Bank have increased from LL 1103 billion at the beginning of the year to LL 1452 billion at the end of July, due to the transfers from budget or treasury. This means that the increase in the liquidity of public sector accounts (LL 350 billion) at the Central Bank should be deducted from the overall deficit (budget and treasury operations), thus making the overall deficit decrease from LL 2883 billion to LL 2578 billion and the ratio of total deficit to total expenditures decrease from 53.4% to 47.8%.

Developments in the public debt

The rate of growth of public debt as of the end of July remained below the level of the corresponding period of the previous year. It grew by 5.2% since the beginning of the year compared to 6.9% for the same period of last year.