REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Public Finance Prospects

Ministry of Finance Quarterly Report

QIII 2004

Fiscal Overview:

In the first nine months of 2004, the total deficit (budget and treasury) decreased by 28 percent reflecting the 14 percent upsurge in total revenues and the 2 percent decrease in total expenditures. The consolidation of the fiscal position was also confirmed by the 54 percent improvement in the total primary surplus which reached LL 763 billion by the end of September 2004 (section 1).

Revenue Outcome:

Total receipts amounted to LL 5,594 billion compared to LL 4,902 billion in the first three quarters of 2003 due to improvements across the board in tax and non tax revenue items, mainly, tax on interest income, VAT, and the surplus from the Telecom annexed budget (section 2).

Expenditure Outcome:

During January-September 2004, total spending reached LL 7,678 billion, LL 133 billion less than the first nine months spending of the preceding year. This decline is due to a 16 percent decline in debt service payments (section 3).

Public Debt:

The stock of gross public debt reached LL 52,543 billion as of September 2004, registering a 4.4 percent increase compared to December 2003. Foreign currency debt witnessed a net increase of 8 percent as a result of Eurobond issuances (section 4).

External Trade:

In the first three quarters of 2004, the trade balance marked a USD 5,518 million deficit, or a 37 percent increase compared to the first nine months of 2003. The increase in the trade deficit hides the 23 percent improvement in Lebanese exports which totaled USD 1,296 million by the end of September 2004, mainly as a result of the significant increase in the exportation activity to Iraq. Imports witnessed a 34 percent increase and reached USD 6,814 million, attributed in large to the increase in the price of crude oil, the appreciation of the Euro, increase in the demand for gas oils, fuel oils and other products (section 5).

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Section 1. Fiscal Overview

By September 2004, the **total deficit** reached LL 2,083 billion, decreasing by 28 percent compared to its level a year earlier. This decrease resulted from:

(1)- A LL 133 billion or 2 percent decrease in **total expenditures** which reached LL 7,678 billion by the end of September 2004 mainly owing to a 16 percent decline in the debt service.

(2)- A LL 692 billion, or 14 increase, in **total revenues**, which reached LL 5,594 billion by the end of September 2004.

Following these improvements, the **total primary surplus** amounted to LL 763 billion, increasing by 54 percent from its September 2003 level when it stood at LL 494 billion.

Table 1. Summary of Fiscal Performance

(LL Billion)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	Change 2003-2004	% Change
Budget Revenues	480	543	4,560	5,279	719	15.77%
Budget Expenditures, *of which:*	648	752	6,411	6,086	-325	-5.07%
Debt Service	*310*	*339*	*3,402*	*2,847*	*-556*	*-16.34%*
Budget Deficit/Surplus	**-168**	**-209**	**-1,851**	**-807**	**1,044**	**-56.40%**
in % of Budget Expenditures	-25.92%	-27.78%	-28.88%	-13.26%		
Budget Primary Deficit/Surplus	**142**	**130**	**1,551**	**2,039**	**488**	**31.49%**
in % of Budget Expenditures	21.97%	17.33%	24.19%	33.51%		
Treasury Receipts	28	30	343	315	-27	-7.94%
Treasury Payments	74	101	1,399	1,592	192	13.74%
Total Budget and Treasury Receipts	508	574	4,902	5,594	692	14.11%
Total Budget and Treasury Payments	722	853	7,811	7,678	-133	-1.70%
Total Cash Deficit/Surplus	**-214**	**-280**	**-2,908**	**-2,083**	**825**	**-28.36%**
in % of Total Expenditures	-29.64%	-32.76%	-37.23%	-27.14%		
Primary Deficit/Surplus	**96**	**60**	**494**	**763**	**269**	**54.42%**
in % of Total Expenditures	13.32%	7.01%	6.33%	9.94%		

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

Section 2. Revenue Outcome

During the first three quarters of 2004, **total revenues** (budget and treasury) amounted to LL 5,594 billion, registering a 14 percent increase compared to the first nine months of 2003.

Budget revenues cumulated at LL 5,279 billion by the end of September 2004, marking a 16 percent increase compared to the same period in 2003, mainly due to a continuously improving performances across the majority of tax revenue items, as well as higher revenues from public institutions and government properties.

Table 2. Total Revenue

(LL Billion)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	% Change
Budget Revenues, *of which:*	**480**	**543**	**4,560**	**5,279**	**15.77%**
Tax Revenues	*308*	*360*	*3,306*	*3,855*	*16.60%*
Non-Tax Revenues	*172*	*184*	*1,253*	*1,424*	*13.58%*
Treasury Receipts	**28**	**30**	**343**	**315**	**-7.94%**
Total Revenues	**508**	**574**	**4,902**	**5,594**	**14.11%**

Source: MOF, DGF

Table 3. Tax Revenue

(LL Billion)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	% Change
Tax Revenues	**308**	**360**	**3,306**	**3,855**	**16.60%**
Taxes on Income, Profits, & Capital Gains, *of which:*	**28**	**30**	**649**	**761**	**17.14%**
Income Tax on Profits	*7*	*9*	*362*	*386*	*6.61%*
Income Tax on Wages and Salaries	*3*	*2*	*136*	*120*	*-11.81%*
Income Tax on Capital Gains & Dividends	*1*	*2*	*45*	*65*	*46.73%*
Tax on Interest Income (5%)	*16*	*16*	*95*	*171*	*80.45%*
Penalties on Income Tax	*1*	*2*	*9*	*15*	*66.17%*
Taxes on Property, *of which:*	**24**	**33**	**222**	**284**	**27.95%**
Built Property Tax	*4*	*6*	*60*	*81*	*35.34%*
Real Estate Registration Fees	*18*	*24*	*137*	*174*	*26.41%*
Domestic Taxes on Goods & Services, *of which:*	**98**	**131**	**1,077**	**1,390**	**29.05%**
Value Added Tax	*83*	*105*	*953*	*1,241*	*30.29%*
Other Taxes on Goods and Services, of which:	*14*	*21*	*115*	*135*	*17.28%*
Private Car Registration Fees	*9*	*10*	*69*	*81*	*18.24%*
Passenger Departure Tax	*5*	*10*	*45*	*53*	*17.45%*
Taxes on International Trade, *of which:*	**141**	**141**	**1,200**	**1,217**	**1.38%**
Customs	*42*	*49*	*337*	*385*	*14.35%*
Excises, of which:	*100*	*92*	*863*	*832*	*-3.68%*
Petroleum Tax	*69*	*51*	*612*	*509*	*-16.78%*
Tobacco Tax	*14*	*21*	*135*	*150*	*10.80%*
Tax on Cars	*17*	*20*	*114*	*169*	*48.64%*
Other Tax Revenues, *of which:*	**16**	**25**	**158**	**204**	**29.26%**
Fiscal Stamp Fees	*16*	*25*	*157*	*203*	*29.35%*

Source: MOF, DGF

• Development on the Tax Revenue Front:

Taxes on income, profits and capital gains amounted to LL 761 billion by the end of September 2004 compared to LL 649 billion for the same period in 2004.

Collection of **income tax on profits** progressed by 7 percent, increasing from LL 362 billion in January-September 2003 to LL 386 billion in January-September 2004. Considering the amounts of income tax on profits net of the tax regularization installments related to the Tax Amnesty Law of year 2002 (LL 17 billion by September 2003 and LL 6 billion by September 2004), the improvement in the collection of the income tax on profits from last year becomes 10 percent.

The **income tax on capital gains** cumulated at LL 65 billion by the end of September 2004 progressing by 47 percent compared to the same period in 2003. After a downturn in collection in 2003, proceeds from the tax on capital gains in the first nine months of 2004 neared the average of past collection levels (the average first nine months collection for the period 2001-2002 is LL 71 billion).

The **5 percent tax on interest income** allowed the collection of a total of LL 171 billion representing an 80 percent increase with respect to the same period in 2003. This increase is explained by:

(1)- The collection of LL 23 billion for the month of January 2004 which was not matched by a similar collection in January 2003 since the interest tax on income was implemented in February 2003.

(2)-A higher average monthly collection which reached LL 18 billion per month for January-September 2004 compared to LL 12 billion for January-September 2003 or a 58 percent increase.

Income tax on wages and salaries totaled LL 120 billion in the first three quarters of 2004, decreasing by 12 percent compared to the same period one year earlier. This decrease reflects the impact of the amendment of the collection schedule of this tax from semi-annual to quarterly payments. Assuming that payments of the income tax on wages and salaries are still made on a quarterly instead of a semi-annual basis for 2003, an 11 percent increase in tax on wages and salaries, attributable to a better enforcement in collection (pertaining to the DASS reform), would be observed.

Taxes on property increased from LL 222 billion in the first nine months of 2003 to LL 284 billion in the first nine months of 2004, or by 28 percent. Increases were recorded for the two main property taxes:

(a) Revenues from the **built property tax**, increased by 35 percent from LL 60 billion during January-September 2003 to LL 81 billion during the same period this year. This increase may be due to the 90 percent amnesty granted on penalty dues between January and August 2004[1].

(b) **Real estate registration fees** improved by LL 37 billion by the end of September 2004 compared to last year, and reached LL 174 billion. This is attributable to the following:

- Prices of real estate properties have gone up reflecting an increased market demand. This is confirmed by the 22 percent increase in the price value of the sales transactions which reached LL 2,837 billion in the first three quarters of 2004 compared to LL 2,327 billion during last year's first nine months.
- **The real estate registration fees paid by Lebanese nationals** increased by 15 percent and reached LL 131 billion. This increase can be explained by the 6 percent upsurge in the number of sales transactions carried by Lebanese nationals in the first nine months of 2004 and by the increase in the market prices.
- **The real estate registration fees paid by foreigners** in the first three quarters of 2004 tripled reaching LL 35 billion compared to USD 12 billion in the first nine months of 2003.

Domestic taxes on goods and services increased by 29 percent, reaching LL 1,390 billion for the first nine months of 2004 as compared to LL 1,077 billion over the same period a year earlier. The upsurge in domestic taxes on goods and services can be mainly attributed to higher receipts from **VAT**.

The **VAT** receipts increased by LL 288 billion or 30 percent in January-September 2004 reaching LL 1,241 billion compared to LL 953 billion in the first nine months of 2003[2].

On the one hand, **VAT collected at imports** amounted to LL 879 billion compared to LL 636 billion a year earlier. This 38 percent upsurge in VAT collected at customs is mainly explained by the 31 percent increase in the value of total imports during January-September 2004 compared to the first nine months of 2003.

1 In September 2004, the amnesty granted on penalty dues was prolonged until the end of December 2004.

2 Please note that, out of this total cashed VAT amount, LL 45 billion are guarantees previously collected on fuel imports and recorded as treasury revenues in 2002-2003 and presently reclassified as VAT revenues.

On the other hand, **VAT collected on internal operations** totaled LL 362 billion, rising by 14 percent, partly due to the boost in the real economic activity in the first nine months of 2004 which was partly triggered by the 29 percent increase in tourists' arrivals in the first three quarters of 2004.

Taxes on international trade (both excises and custom duties) totaled LL 1,217 billion during the first nine months of 2004 compared to LL 1,200 billion during January-September 2003. This 1 percent increase in taxes on international trade is the outcome of the 14 percent rise in **custom duties** collected which amounted to LL 385 billion in the first three quarters of 2004 compared to LL 337 billion in January-September 2003.

Excises went through a slight decrease and reached LL 832 billion in January-September 2004, 4 percent less than their January-September 2003 collection level of LL 863 billion. The three main excisable items are petroleum, tobacco and cars:

(a) Despite a 29 percent increase in the price at imports of petroleum products (namely car gasoline), the volume of petroleum imported in January-September 2004 remained stable at 1.235 billion liters compared to the volume of imports for the first three quarters of 2003 . The demand level was maintained stable through the capping of the price of car gasoline in gas stations at LL 23,000 per tank[3] and, therefore, the reduction of the effective excise rate collected on car gasoline by 29 percent. Consequently, **excises foregone on petroleum (car gasoline)** amounted to LL 91 billion between January-September 2003 and January-September 2004. Since the end of May 2004, the Treasury is bearing a loss of LL 141 per liter of car gasoline imported.

(b) **Excises levied on tobacco** increased by 11 percent reaching LL 150 billion during January-September 2004 compared to LL 135 billion a year earlier. This increase reflects the 8 percent rise in the value of tobacco imports which resulted from the 23 percent rise in the import price per kilogram of tobacco witnessed between the first three quarters of 2004 and the first three quarters of 2003. It is worth noticing that the "Régie des Tabacs" has transferred LL 5 billion in September 2004 to the Treasury following long periods of transfers amounting to less than LL 100 million.

(c) **Excises collected on cars** reached LL 169 billion by the end of September 2004 representing a 49 percent increase with respect to the first nine months of 2003. This improvement reflects the 43 percent increase in the import value of cars between the first three quarters of 2003 and 2004 which resulted from the 51 percent increase in the number of cars imported.

Other tax revenues whose bulk is constituted of **fiscal stamp fees** displayed a 29 percent increase, registering LL 204 billion for the first three quarters of 2004, as opposed to LL 158 billion in the first nine months of 2003.

• Development on the Non Tax Revenue Front:

Non tax revenues cumulated at LL 1,424 billion by the end of September 2004, compared to the LL 1,253 billion registered during the same period of 2003. This 14 percent increase stems primarily from a 22 percent rise in revenues generated by public institutions and government properties which offset the 11 percent decrease in administrative fees and charges.

3 The capping of car gasoline prices started effectively in the markets on May 27th, 2004.

Table 4. Non-Tax Revenue

(LL Billion)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	% Change
Non-Tax Revenues	**172**	**184**	**1,253**	**1,424**	**13.58%**
Income from Public Institutions and Government Properties, *of which:*	**136**	**146**	**899**	**1,099**	**22.14%**
Income from Non-Financial Public Enterprises, *of which:*	133	143	845	1,054	24.65%
Revenues from Casino Du Liban	*4*	*0*	*32*	*29*	*-8.70%*
Budget Surplus of National Lottery	*3*	*7*	*26*	*30*	*15.38%*
Transfer from the Telecom Surplus	*127*	*136*	*786*	*993*	*26.30%*
Other Income from Public Institutions (Interests)	0	0	8	7	-18.36%
Property Income (namely rent of Beirut International Airport)	2	3	46	38	-17.04%
Administrative Fees & Charges, *of which:*	**28**	**29**	**294**	**262**	**-11.02%**
Administrative Fees, *of which:*	23	24	237	209	-11.92%
Notary Fees	*2*	*2*	*12*	*13*	*9.70%*
Passport Fees/ Public Security Fees	*7*	*8*	*65*	*68*	*3.92%*
Vehicle Control Fees	*9*	*11*	*123*	*92*	*-25.15%*
Judicial Fees	*2*	*1*	*16*	*16*	*-2.16%*
Driving License Fees	*2*	*2*	*10*	*11*	*8.91%*
Administrative Charges	0	1	14	14	2.48%
Permit Fees (mostly work permit fees)	3	3	30	30	-0.62%
Other Administrative Fees & Charges	0	1	7	6	-9.17%
Penalties & Confiscations	**1**	**0**	**4**	**4**	**-7.25%**
Other Non-Tax Revenues (mostly retirement deductibles)	**6**	**7**	**56**	**59**	**6.82%**

Source: MOF, DGF

Income from public institutions and government properties totaled LL 1,099 billion by the end of September 2004, of which LL 993 billion were transferred to the Treasury from the annex budget surplus of telecommunication, marking a 26 percent increase compared to last year's transfers. Another LL 29 billion and LL 30 billion were transferred to the Treasury from the budget surpluses of the Casino du Liban and of the National Lottery, respectively.

Receipts from rents (namely from the Beirut International Airport or B.I.A) reached LL 38 billion in January-September 2004 as opposed to LL 46 billion in January-September 2003. The higher level of collection in January-September 2003 was due to a lump-sum payment made by the B.I.A to the Treasury in QI 2003.

The collection of **Administrative Fees and Charges** amounted to LL 262 billion by the end of September 2004, witnessing an 11 percent decrease from the first three quarters of 2003. This decrease is mainly attributed to lower collection of vehicle control fees by LL 31 billion which is equivalent to a fall of 25 percent and which corresponds to the delay caused by the implementation of the new car checking system.

Public security fees slightly increased by 4 percent amounting to LL 68 billion for the first nine months of the year. Other administrative fees such as notary, judicial and driving license fees remained stable at their levels of last year.

Permit fees (mostly work permit fees), other "administrative fees and charges" and "penalties and confiscations" also remained stable, amounting to LL 30 billion, LL 6 billion and LL 4 billion respectively by end of September 2004.

Treasury receipts totaled LL 315 billion, representing guarantees in the amount of LL 80 billion, LL 51 billion worth of deposits, LL 79 billion worth of transfers from municipalities, and other treasury revenues in the amount of LL 105 billion.

Section 3. Expenditure Outcome

Table 5. Expenditures by Transaction Classification

(LL Billion)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	% Change
Total Expenditures	**722**	**853**	**7,811**	**7,678**	**-1.70%**
Budget Expenditures	**648**	**752**	**6,411**	**6,086**	**-5.07%**
Expenditures Excluding Debt Service	337	413	3,009	3,240	7.67%
Debt Service, *of which:*	310	339	3,402	2,847	-16.34%
Domestic Debt	*127*	*152*	*2,203*	*1,670*	*-24.19%*
Foreign Debt	*184*	*187*	*1,199*	*1,176*	*-1.92%*
Treasury Expenditures , *of which:*	**74**	**101**	**1,399**	**1,592**	**13.74%**
Municipalities	*15*	*54*	*129*	*334*	*159.10%*
Previous Years' Appropriations	*8*	*4*	*512*	*413*	*-19.41%*
Non-Interest Expenditures (Total Expenditures minus Debt Service)	**412**	**514**	**4,408**	**4,831**	**9.60%**

Source: MOF, DGF

Total expenditures for the period of January-September 2004 totaled LL 7,678 billion, decreasing by approximately 2 percent from the January-September 2003 level, mainly on account of lower debt service. **Budget expenditures** amounted to LL 6,086 billion, a 5 percent decrease compared to the same period in 2003 and **treasury expenditures** reached LL 1,592 billion, marking a 14 percent increase compared to the first three quarters in 2003, mainly because of higher transfers to municipalities.

Total primary spending (total expenditures exclusive of debt service) for the first nine months of 2004 reached LL 4,831 billion, registering a 10 percent increase compared to January-September 2003. This increase is mainly due to:

(1) Higher spending on "other treasury expenditures", including higher transfers to EDL and municipalities.

(2) Higher capital expenditures as well as higher various transfers.

In the first three quarters of 2004, **current expenditures** cumulated at 5,865 billion which is 9 percent less than in January-September 2003. This decrease was mainly due to a 16 percent decrease in interest payments.

Personnel cost amounted to LL 2,341 billion, LL 10 billion lower than the first nine months of 2004 despite a 1 percent increase in the salaries and wages (article 13) of the budget. This slight decrease is due to lower spending on end of service compensations.

Table 6. Expenditure by Economic Classification 1/

(LL Billion)	2003 Jan-Sep	2004 Jan-Sep	% Change
1. Current Expenditures	**6,418**	**5,865**	**-9%**
1.a Personnel Cost, *of which:*	2,351	2,341	0%
Article 13: Salaries and Wages	*1,545*	*1,555*	*1%*
Retirement and End of Service Compensations	*662*	*625*	*-6%*
1.b Interest Payments	3,402	2,847	-16%
1.c Materials and Supplies	88	93	5%
1.d External Services	65	84	29%
1.e Various Transfers, *of which:*	213	273	28%
NSFF		*59*	*100%*
1.f Other Current, *of which:*	249	174	-30%
Hospitals	*207*	*145*	*-30%*
Others	*43*	*29*	*-32%*
1.g Reserves, *of which:*	49	53	8%
Interest Subsidy	*49*	*53*	*8%*
2. Capital Expenditures	**532**	**622**	**17%**
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	11	5	-57%
2.b Equipment	49	36	-27%
2.c Construction in Progress	411	497	21%
2.d Maintenance	45	42	-5%
2.e Other Expenditures Related to Fixed Capital Assets	15	42	174%
3. Other Treasury Expenditures	**825**	**1,109**	**35%**
Municipalities	129	334	159%
EDL	371	450	21%
4. Unclassified Expenditures	**17**	**14**	**-17%**
5. Customs Cashiers	**19**	**67**	**244%**
6. Total Expenditures	**7,811**	**7,678**	**-2%**

Sources: Statement of Account 36, Cashier Spending, Public Debt Department Figures, Fiscal Performance and Gross Adjustment Figures

1/Figures are subject to change because cashier spending classification was estimated for the months of July, August and September 2004.

Interest payments on public debt for the first three quarters of 2004 amounted to LL 2,847 billion, LL 555 billion less than the level in January-September 2003. This decline is mainly attributed to the large drop in its domestic component, which amounted to LL 1,670 billion compared to LL 2,203 billion a year earlier. Foreign currency debt service decreased slightly (by 2 percent) and amounted to LL 1,176 billion in the first nine months of 2004 compared to LL 1,199 billion in January-September 2003. The four major developments contributing to this decline in the interest bill could be summarized as follows:

(a) The two-time strong decline in the overall level of interest rates since end-November 2002. Interest rates on the 24-month category of Treasury Bills declined from 14.14 percent in November 2002 to 9.20 percent in January 2003 and to 7.74 percent by the end of September 2004.

(b) The USD 2.5 billion of funds raised from Paris II donor countries (at 5 percent) which replaced high-cost debt maturing in 2003.

(c) The special scheme conducted with the Banque du Liban (at 4 percent), and the zero interest scheme of the Lebanese commercial banks also led to large savings in the interest bill in the first three quarters of 2004 which will also continue in 2005.

(d) Primary surpluses cumulated since the Paris II conference exceeded LL 1,700 billion. The continuous trend in achieving primary surpluses led to lower financing needs and hence lower borrowing.

Expenditures on **materials and supplies** increased by 5 percent in comparison to last year and reached LL 93 billion by the end of September 2004.

External services (rent, postal services, insurance, advertisement and public relations) expenditures went up by 29 percent with respect to the first nine months of 2003 reaching LL 84 billion by the end of September 2004.

Various transfers reached LL 273 billion, 28 percent higher than in 2003. Of this amount LL 59 billion was paid to the NSSF in settlement of previous years' budget transfers, during the first half of 2004.

Other current expenditures (mainly payment to hospitals) declined by 30 percent compared to the first three quarters of 2003 reaching LL 174 billion, namely because of a lower level of transfers to private hospitals since the beginning of the year. These transfers decreased by 30 percent compared to the same period last year.

Capital expenditures increased by 17 percent compared to their level in the first three quarters of 2003. The hike in capital spending is due to:

(1) A stronger spending on "construction in progress", which includes allocations to the Council of Development and Reconstruction (CDR), the Council of the South (COS) and the Displaced Fund (DF). Allocations to the COS and the DF were higher by LL 13 billion and LL 66 billion respectively when contrasted against last year's performance. Allocations to CDR remained almost stable reaching LL 190 billion by the end of September 2004.

(2) A LL 27 billion increase in other expenditures related to fixed capital assets which reached LL 42 billion by the end of September 2004.

Other treasury expenditures were 35 percent higher than in January-September 2003. This large increase pertains to **treasury transfers to Municipalities**, which reached LL 334 billion by the end of September 2004. It was mainly due to payments made for solid waste management.

Transfers to **EDL** were also higher in the first nine months of 2004 than in January-September 2003. They amounted to LL 450 billion by the end of September 2004 compared to LL 371 billion for the same period a year earlier. Note that this amount includes LL 267 billion of fuel oil purchases and fuel oil loans, and LL 183 billion of interest and principal payments for concessional loans and other loans (BDL guaranteed loans and Euro-bonds).

Table 7. Transfers to EDL 1/

(LL Billion)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	% Change
EDL	**39**	**39**	**371**	**450**	**21.29%**
Debt Service 2/	39	39	296	300	1.35%
Treasury Advance for Fuel Purchases	0	0	75	150	100%
Expropriations	0	0	0	0	0

Source: MOF, DGF

1/ Figures do not include the LL 300 billion loan provided by BDL in November 2003, and guaranteed by the Treasury.

2/ Debt service includes principal and interest payments.

Section 4. Evolution of public debt

Table 8. Public Debt Outstanding by Holder as of End-September 2004

(LL Billion)	Dec-01	Dec-02	Dec-03	Sep-04	Change Jan-Sep	% Change Jan-Sep
Total Debt (1)	**42,644**	**47,291**	**50,323**	**52,543**	**2,220**	**4.4%**
Domestic Debt	**28,214**	**25,302**	**26,844**	**27,311**	**467**	**1.7%**
a. Central Bank, *of which:*	6,251	723	8,938	10,042	1,104	12.4%
Zero Interest T-bills (2)			*3,508*	*3,508*	*0*	*0.0%*
Special T-bills			*4,299*	*4,299*	*0*	*0.0%*
b. Commercial Banks, *of which:*	15,830	17,211	12,303	13,128	825	6.7%
Zero Interest T-bills			*880*	*880*	*0*	*0.0%*
c. Other Domestic Debt (T-bills), *of which:*	6,133	7,368	5,603	4,141	-1,462	-26.1%
Public Entities (NSSF and DGA)	*3,055*	*3,221*	*2,564*	*2,088*	*-476*	*-18.6%*
Foreign Debt	**14,430**	**21,989**	**23,479**	**25,232**	**1,753**	**7.5%**
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	3,719	-12	-0.3%
c. BDL Eurobonds		2,819	2,819	2,819	0	0.0%
d. Market Eurobond	11,477	14,611	13,673	15,281	1,608	11.8%
e. Other Foreign Debt (3)	849	838	666	790	124	18.6%
Public Sector Deposits	**1,913**	**2,964**	**3,019**	**3,370**	**351**	**11.6%**
Net Debt (4)	**40,731**	**44,327**	**47,304**	**49,173**	**1,869**	**4.0%**
Gross Market Debt (5)	**31,234**	**36,807**	**29,681**	**31,252**	**1,571**	**5.3%**

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.

Gross public debt amounted to LL 52,543 billion (USD 34.85 billion) as of end September 2004, registering an increase of LL 2,220 billion or 4.4 percent over the December 2003 level.

Domestic currency debt reached LL 27,311 billion by the end of September 2004, an increase of LL 467 billion or 2 percent over end-2003 level.

The LL 1,753 billion net increase on the **foreign currency debt** front is explained by:

(1) The USD 1.27 billion dual tranche issuance on the 20th of May 2004 (please refer to the Debt Section of QII 2004 for more details).

(2) The debt exchange transaction on the 7th of September 2004 which raised USD 353 million of new cash subscriptions (please refer to Box 1 for details).

(3) The repayment of USD 555 million, representing the amount of the two Eurobonds repaid on March 10, 2004 for USD 184.025 million and Euro 297.756 million.

Net public debt[4] amounted to LL 49,173 billion as of end-September 2004, increasing by LL 1,869 billion or 4 percent since year-end 2003.

Gross market debt[5] increased by LL 1,571 billion or 5.3 percent in the first three quarters of the year 2004. Its proportion to total debt remained unchanged at 59 percent since year end 2003.

[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.*

Box 1. Voluntary Debt Exchange Transaction

In accordance with Council of Ministers Decisions No.1on June 17th, 2004 and No. 91 on Juy 27th, 2004 and in order to smooth out its debt maturity profile, the Ministry of Finance successfully completed a voluntary debt exchange transaction, in which it offered to exchange any and all of the following issued and outstanding Eurobond:

- USD 1,000,000,000 10.250 percent notes due 2005,
- USD 850,000,000 9.375 percent notes due 2005,
- USD 450,000,000 8.750 percent notes due 2005.

The exchange was offered for:

- An equivalent principal amount of notes maturing in 2010 and 2012 (or a combination)
- A cash payment for the premium over par (consisting of the difference between the market price of the bonds and their par value) and accrued interest on the 2005 notes.

The exchange resulted in the offering of two new series of bonds due on March 5, 2010 and on September 7, 2012 and bearing yield-to-maturities of 7.125 percent and 7.75 percent respectively.

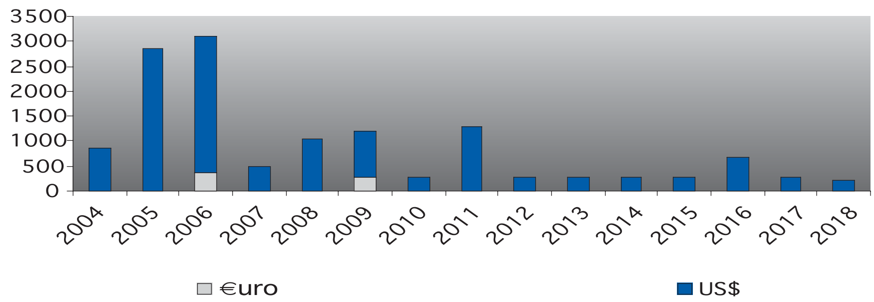
The debt exchange transaction witnessed a participation rate of 55 percent (the highest level of participation among similar exchange transactions of comparable sovereigns), reducing the amount of foreign currency debt maturing in 2005 by USD 1.186 billion. Additionally, USD 353 million of new cash subscriptions were raised during the transaction. The total transaction amounted to USD 1.540 billion.

The exchange transaction resulted in:

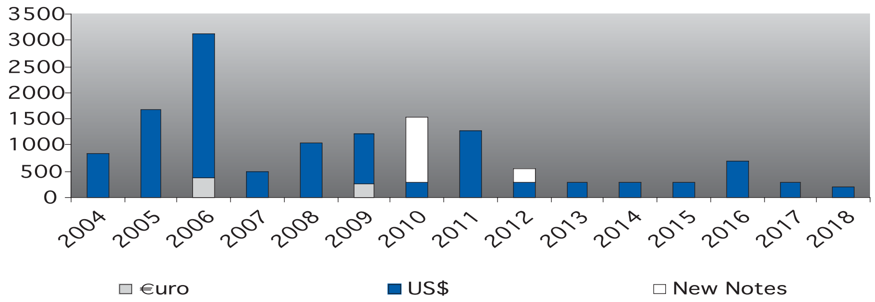
- The locking of long term funding rates in a rising interest rate environment
- The reduction of financing needs for 2005 by USD 1.187 billion.
- A smoother near term public debt maturity structure which allowed the lengthening of the public debt profile as illustrated in the charts below.

The exchange transaction was executed transparently and in conformity with international best practices.

Eurobond Amortization Schedule in USD Million: Pre-Exchange



Eurobond Amortization Schedule in USD Million: Post-Exchange



Source: MOF

Table 9. Evolution of Primary Market Treasury Bill Yields (in percent)

Instruments	Pre-Paris II (End-October 2002)	Post Paris II (January/February 2003)	December 31st, 2003	September 30th, 2004	Change Since Paris II in Basis Points
3-month T-Bills	11.18	6.96	5.48	5.22	-596
6-month T-Bills	12.12	8.18	6.53	6.31	-581
12-month T-Bills	13.43	9.13	6.87	6.68	-675
24-month T-Bills	14.64	9.41	7.99	7.74	-690
36-month T-Bills			8.68	8.68	0

Source: MOF

Table 10. Performance of Selected Lebanese Eurobond Secondary Market Prices

Maturity Date	Issuance Date	Issue Amount (in Millions)	Outstanding Amount (in Millions)*	Coupon Rate (%)	Bid Price**	Ask Price**	Mid Price**
14/12/04	07/12/00	$850	$850	9.500	100.25	101.25	100.75
05/03/05	05/03/02	$1,000	$586	10.250	101.63	102.63	102.13
30/06/05	30/06/00	$850	$355	9.375	103.00	104.00	103.50
21/09/05	21/09/98	$450	$172	8.750	103.00	104.00	103.50
24/04/06	23/04/01	$1,150	$1,150	9.875	106.00	107.00	106.50
15/05/06	15/05/02	$350	$350	10.500	107.00	108.00	107.50
02/08/06	02/08/02	$750	$750	10.500	108.00	109.00	108.50
06/10/06	06/10/99	€300	€300	8.875	105.50	106.50	106.00
31/10/07	31/10/97	$400	$400	8.625	105.75	106.75	106.25
06/08/08	06/08/01	$750	$750	10.125	111.38	112.38	111.88
20/05/09	20/05/04	€225	€225	7.250	101.00	102.00	101.50
06/10/09	06/10/99	$650	$650	10.250	113.25	114.25	113.75
05/03/10	31/08/04	$1,265	$1,265	7.125	101.25	102.00	101.63
20/05/11	20/05/04	$1,000	$1,000	7.875	102.75	103.75	103.25
07/09/12	31/08/04	$275	$275	7.875	102.00	103.00	102.50
11/05/16	19/04/01	$400	$400	11.625	116.00	117.00	116.50

Source: Bloomberg
** Outstanding Amounts for some Eurobonds is less than the issue amount due to the special schemes with BDL, commercial banks, and the September 7th, 2004 debt exchange transaction.*
***Quotes as of October 27th, 2004.*

Section 5. Evolution of External Trade

Table 11. External Trade

(USD Million)	2003 September	2004 September	2003 Jan-Sep	2004 Jan-Sep	Change	% Change
Exports	141	145	1,051	1,296	245	23%
Imports, *of which:*	603	815	5,069	6,814	1,745	34%
Mineral Products	*92*	*139*	*838*	*1,417*	*579*	*69%*
Trade Balance	**-462**	**-670**	**-4,018**	**-5,518**	**-1,500**	**37%**

Source: MOF, Directorate General of Customs (DGC)

Balance of trade: the trade deficit widened by 37 percent when comparing the first three quarters of 2004 with the same period of 2003. This took place despite the 23 percent amelioration of exports which did not offset the 34 percent growth in imports. The upsurge in imports is due to an increased domestic demand, higher crude oil average prices by 29 percent[6], and the appreciation of the Euro by 10 percent between the first three quarters of 2003 and the first three quarters of 2004. The rise in exports is due in large part to the continuous surge in exports to Iraq.

Imports in the first three quarters of 2004 amounted to USD 6,814 million, compared to USD 5,069 million one year earlier. From a product perspective, the increase in imports reflects (1) a USD 579 million increase in the value of the imports of mineral products that resulted from the 29 percent increase in the price of crude oil and from the significant increase in the demand for gas oils and other fuel oils, (2) a USD 224 million increase in the imports of pearls, precious stones or semi precious stones.

From a regional perspective, the augmentation in the value of imports reflects (1) a USD 469 million increase in imports from the Euro-zone partly due to the appreciation of the Euro, (2) a USD 235 million increase in imports from Arab Countries and (3) a USD 162 million increase in imports from China.

Exports in the first three quarters of 2004 reached USD 1,296 million, increasing by USD 245 million with respect to the first three quarters of 2003. From a product perspective, the increase in exports is mainly owed to (1) a USD 93 million augmentation in the exports of machinery and mechanical appliances and (2) a USD 77 million upsurge in the exports of base metals and articles of base metals. Both rises countered the USD 98 million decrease in the exports of pearls, precious or semi precious stones. From a regional perspective, the augmentation in the value of exports reflects a USD 270 million increase in exports to Arab Countries in general and to Iraq in particular which offset the USD 114 million decrease of exports to Switzerland.

Table 12. Imports Distribution by Product

(USD Million)	2003 Sep	2004 Sep	2003 Jan-Sep	2003 % Share	2004 Jan-Sep	2004 % Share	Change	% Change
Total	**603**	**815**	**5,069**	**100%**	**6,814**	**100%**	**1,745**	**34%**
Mineral Products	92	139	838	17%	1,417	21%	579	69%
Machinery and Mechanical Appliances	70	83	609	12%	789	12%	180	30%
Products of the Chemical	62	78	532	10%	616	9%	84	16%
Transport Equipment	61	77	440	9%	603	9%	163	37%
Pearls, Precious or Semi-Precious Stones	14	47	236	5%	460	7%	224	95%
Other Goods	304	391	2,414	48%	2,929	43%	515	21%

Source: MOF, DGC

6 *This estimation was based on Europe Brent spot price FOB. This data is compiled and published by the U.S. Department for Energy.*

• **Import Distribution by Product:**

Imports of **mineral products** increased by 69 percent and cumulated at USD 1,417 million as opposed to USD 838 million a year earlier. The increase in mineral products import value resulted mainly from:

(1) A USD 85 million increase in the imports of **car gasoline** which reached USD 372 million by the end of September 2004. This increase resulted from the 29 percent increase in the price at imports of car gasoline from LL 351 per liter in January-September 2003 to LL 454 per liter in January-September 2004. Quantities imported remained stable around 1.235 billion liters and hence the increase in the value of car gasoline was nominal. Car gasoline was mainly imported from France, Italy, Turkey and Bulgaria.

(2) A USD 272 million or 107 percent increase in the imports of **gas oils** (gas oil or diesel oil or what is commonly known as Mazout is mainly imported for the consumption of EDL plants in Zahrani and Deir Ammar) which reached USD 527 million in the first three quarters of 2004 compared to USD 255 million in January-September 2003. Of this USD 272 million increase:

(a) USD 241 million is due to a 95 percent increase in the quantity of gas oils imported. Quantities of gas oils imported reached 1.917 billion liters by the end of September 2004 compared to 0.984 billion liters in January-September 2003.

(b) USD 31 million is due to the 6 percent increase in the price of gas oils imported from LL 390 per liter in January-September 2003 to LL 414 per liter in January-September 2004

Gas oils were imported mainly from Italy, Saudi Arabia, the Russian Federation, Bahrain and the United Kingdom.

(3) A USD 186 million increase in the imports of **other fuel oils** (fuel oil is imported for the consumption of EDL plants in Zouk, Jiyeh, Tyr and Baalback) which amounted to USD 340 million in the first three quarters of 2004 compared to USD 154 million in January-September 2003. Of this USD 186 million increase:

(a) USD 175 million was due to the 114 percent increase in the quantity of fuel oil imported which reached 1.801 billion liters by the end of September 2004 compared to 0.844 billion liters in January-September 2003.

(b) USD 11 million increase was due to the 3 percent increase in the price of fuel oil at imports which increased from LL 276 per liter in January-September 2003 to LL 285 per liter in January-September 2004. 79 percent of other fuel oils were imported from the Russian Federation.

Table 13. Mineral Products Import Breakdown

	Jan-Sep 2003	Jan-Sep 2004	Change	% Change
Import Value Details (in USD Million):				
- Car Gasoline	285	372	87	31%
- Gas Oil	255	527	272	107%
- Fuel Oil	154	340	186	121%
Imports Quantity Details (in Million Liters):				
- Car Gasoline	1,237	1,233	-4	0%
- Gas Oil	984	1,917	932	95%
- Fuel Oil	844	1,801	957	114%
Imports Price Details (in LL per Liter):				
- Car Gasoline	351	454	104	30%
- Gas Oil	390	414	24	6%
- Fuel Oil	276	285	9	3%

Source: MOF, DGC

The 30 percent increase in **machinery and mechanical appliances** imports, which reached USD 789 million by the end of September 2004 in contrast with USD 609 million in the first three quarters of 2003, is the consequence of (1) a USD 100 million increase in the imports of **reactors, boilers, machinery and mechanical appliances** (or what can be described as electrical material for industrial use) which cumulated at USD 468 million in the first three quarters of 2004 (they were mainly imported from China, Italy and Germany) and (2) a USD 79 million augmentation in the imports of **electrical machinery and equipment and parts thereof** (or what can be described as electrical material for household use) which totaled USD 321 million during January-September 2004. They were mainly imported from China, the United Kingdom and France.

Products of the chemical imports reached USD 616 million in January-September 2004 compared to USD 532 million in January-September 2003, registering a 16 percent increase. This upsurge can be attributed to (1) a USD 28 million increase in the imports of **pharmaceutical products** (imported mainly from France, Germany and the United Kingdom) and (2) a USD 58 million increase in the imports of **plastics and articles thereof**. They were mainly imported from Saudi Arabia, Italy and China.

Transport Equipment imports were worth USD 603 million in the first nine months of 2004 as opposed to USD 440 million one year earlier, witnessing a 37 percent increase compared to last year's first three quarters. This growth was fueled by the increase in the imports of **cars** which rose by USD 137 million during January-September 2004, cumulating at USD 424 million. Cars were mainly imported from Germany, Japan and the United-States.

Pearls, Precious or Semi-Precious Stones imports cumulated at USD 460 million by the end of September 2004 compared to USD 236 million by the end of September 2003, increasing by 95 percent with respect to the first nine months of 2003. Pearls, precious or semi-precious stones were mainly imported from Switzerland, Belgium and the United Arab Emirates.

Table 14. Exports Distribution by Product

(USD Million)	2003	2004	2003		2004			
				%		%		%
	Sep	Sep	Jan-Sep	Share	Jan-Sep	Share	Change	Change
Total	**141**	**145**	**1,051**	**100%**	**1,296**	**100%**	**245**	**23%**
Pearls, Precious or Semi-Precious Stones	42	18	323	31%	225	17%	-98	-30%
Machinery and Mechanical Appliances	19	22	121	12%	214	17%	93	77%
Base Metals and Articles of Base Metals	11	20	86	8%	163	13%	77	90%
Prepared Foodstuffs	11	13	104	10%	108	8%	4	4%
Products of the Chemical	8	11	83	8%	105	8%	22	27%
Other Exports	50	61	334	32%	481	37%	147	44%

Source: MOF, DGC

• Export Distribution by Product:

Exports of **pearls, precious or semi-precious stones** decreased by 30 percent and totaled USD 225 million during the first three quarters of 2004 as opposed to USD 323 million in 2003. Pearls, precious and semi precious stones were principally exported to Switzerland, the United Arab Emirates and Libya.

Machinery and mechanical appliances exports increased by 77 percent, cumulating at USD 214 million during January-September 2004 in contrast to USD 121 million a year earlier. This increase resulted from (1) a USD 22 million rise in the exports of **reactors, boilers, machinery and mechanical appliances** which amounted to USD 73 million by the end of September 2004 (they were mainly exported to Iraq, Saudi Arabia and Syria) and (2) a USD 70 million increase in the exports of **electrical machinery and equipment and parts thereof** which became worth USD 141 million during January-September 2004 (principally exported to Iraq, Kuwait and Algeria).

Exports of **base metals and articles of base metals** nearly doubled, reaching USD 163 million compared to USD 86 million during January-September 2003. This augmentation is mainly due to a USD 43 million increase in **iron and steel** exports (mainly exported to Turkey and India), a USD 13 million increase in **articles of iron and steel** exports (mainly exported to Iraq, Kuwait, and United Arab Emirates) and a USD 11 million increase in **copper and articles thereof** exports (mainly exported to China, India and Southern Korea).

Products of the chemical exports progressed by 27 percent totaling USD 105 million in the first three quarters of 2004 compared to USD 83 million in 2003. The increase was the outcome of a USD 12 million upsurge in the exports of **fertilizers**. They were mainly exported to Iran and Brazil.

Table 15. Regional Distribution of Imports

(USD Million)	2003	2004	2003		2004			
	Sep	Sep	Jan-Sep	% Share	Jan-Sep	% Share	Change	% Change
Total	**603**	**815**	**5,069**	**100%**	**6,814**	**100%**	**1,745**	**34%**
European Union (1) *of which:*	249	342	2,117	42%	2,655	39%	538	25%
Euro zone (2)	*195*	*297*	*1,834*	*36%*	*2,303*	*34%*	*469*	*26%*
Arab Countries	71	91	663	13%	898	13%	235	35%
China	45	73	366	7%	528	8%	162	44%
United States	38	48	296	6%	417	6%	121	41%
Switzerland	11	42	176	3%	352	5%	176	100%
Other	189	219	1,451	29%	1,963	29%	512	35%

Source: MOF, DGC

(1) The European Union included until the 30th of April 2004, the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. Ten new countries have joined the EU on the 1st of May 2004. To facilitate comparisons with 2003 and preserve the cohesion with the trade figures published in 2004, we have kept the old nomenclature.

(2) The Euro-zone (according to the nomenclature valid until the 30th of April 2004) included all EU members with the exception of Denmark, Sweden and the United Kingdom.

• **Regional Distribution of Imports:**

Imports from the **European Union** increased by 25 percent, cumulating at USD 2,655 million in the first three quarters of 2004 compared to USD 2,117 million during last year's first nine months. This increase is the outcome of two factors:

(a) A 26 percent increase in the value of imports from the **Euro-zone** which reached USD 2,303 million in January-September 2004 compared to USD 1,834 million in January-September 2003. Lebanon imported principally from the Euro-zone USD 507 million of mineral oils and fuels, USD 245 million of vehicles, USD 176 million of pharmaceutical products and USD 172 million of reactors, boilers, machinery and mechanical appliances and parts thereof.

(b) A 30 percent increase in the imports from the **United Kingdom** which reached USD 282 million in January-September 2004 compared to USD 217 million in January-September 2003. Lebanon imported from the United Kingdom the following products: machinery and mechanical appliances for a total amount of USD 51 million, pharmaceutical products for a total value of USD 42 million as well as USD 38 million worth of mineral oils and fuels.

Imports from **Arab countries** augmented by 35 percent, reaching USD 898 million in the first three quarters of 2004 compared to USD 663 million last year. The main imports from Arab countries for the first three quarters of 2004 were (1) mineral fuels and oils which were worth USD 267 million, (2) iron and steel whose imports from Arab countries reached USD 73 million, (3) plastics and articles thereof whose imports attained USD 71 million and (4) pearls precious and semi precious stones for USD 48 million.

Imports from **China** registered a 44 percent increase and rose from USD 366 million in the first three quarters of 2003 up to USD 528 million in 2004. The main imports from China were reactors and boilers, machinery and mechanical appliances as well as transport equipment for USD 100 million, USD 65 million and USD 31 million, respectively.

Imports from the **United States** increased by 41 percent, amounting to USD 417 million compared to USD 296 million in January-September 2003. Lebanon's main imports from the United States for the first three quarters of 2004 consisted of USD 61 million of tobacco and manufactured tobacco substitutes, USD 60 million of vehicles, USD 49 million of cereals, and USD 37 million of boilers and reactors.

Imports from **Switzerland** doubled and reached USD 352 million in the first three quarters of 2004 compared to USD 176 million one year earlier. The main imports from Switzerland for the first three quarters of 2004 were pearls, precious and semi precious stones for a total import value of USD 273 million and pharmaceuticals worth USD 30 million.

• **Regional Distribution of Exports:**

Exports to **Arab countries** increased by 64 percent, totaling USD 695 million in January-September 2004 compared to USD 425 million in January-September 2003. This increase is the result of exports increase to Iraq, Syria and the Emirates by USD 154 million, USD 36 million and USD 30 million respectively[7]. Lebanon's exports to Iraq reached USD 216 million during the first three quarters of 2004 compared to USD 62 million in January-September 2003 or a three and a half fold increase.

The main exports to Iraq were machinery and mechanical appliances which amounted to USD 82 million and USD 51 million worth of salt, sulphur, earths and stone, plastering materials, lime and cement. Exports to the United Arab Emirates cumulated at USD 103 million in January-September 2004 compared to USD 73 million in January-September 2003 and consisted of (1) pearls, precious and semi precious stones worth USD 38 million, (2) articles of apparel and clothing accessories not knitted or crocheted worth USD 6 million and (3) furniture, bedding and mattresses worth USD 6 million. Lebanese exports to Syria progressed by 56 percent, reaching USD 100 million in January-September 2004 compared to USD 64 million a year earlier. Lebanese exports to Syria consisted mainly of (1) salt, sulphur, earths and stone, plastering materials, lime and cement which amounted to USD 24 million, (2) paper, paperboard and articles of paper pulp which amounted to USD 13 million and (3) machinery and mechanical appliances for USD 6 million.

Exports to **Switzerland** receded by 44 percent, amounting to USD 146 million by the end of September 2004 compared to USD 260 million a year earlier.

[7] Iraq, the United Arab Emirates and Syria emerged respectively as our first, second and third top three export partners in the first three quarters of 2004 replacing thereby, Saudi Arabia the United Arab Emirates and Syria respectively for the same period in 2003.

Table 16. Regional Distribution of Exports

(USD Million)	2003	2004	2003		2004			
				%		%		%
	Sep	Sep	Jan-Sep	Share	Jan-Sep	Share	Change	Change
Total	**141**	**145**	**1,051**	**100%**	**1,296**	**100%**	**245**	**23%**
Arab Countries	65	86	425	40%	695	54%	270	64%
Switzerland	35	6	260	25%	146	11%	-114	-44%
European Union	9	13	103	10%	114	9%	11	11%
United States	4	5	50	5%	35	3%	-15	-30%
China	1	1	5	0%	9	1%	4	80%
Other	27	34	208	20%	297	23%	89	43%

Source: MOF, DGC

Lebanese exports to the **European Union** slightly increased from USD 103 million to USD 114 million. Our main exports for the first three quarters of 2004 consisted mainly of USD 10 million worth of aluminum and articles thereof, USD 10 million worth of tobacco and manufactured tobacco substitutes and USD 9 million worth of pearls, precious and semi precious stones.

Exports to the **United States** receded by 30 percent, reaching USD 35 million in January-September 2004 compared to USD 50 million in January-September 2003. Lebanese exports consisted mainly of furniture, bedding and mattresses for USD 7 million, pearls, precious and semi precious stones for USD 5 million and preparation of vegetables, fruit and nuts for USD 5 million.

Other Ministry of Finance Reports & Publications:

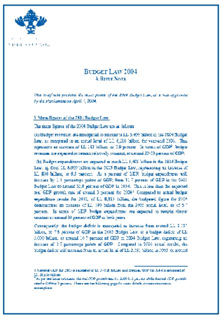
Public Finance Prospects, Ministry of Finance Quarterly Report (available since March 2002), covers the evolution of the fiscal situation with sections dedicated to revenue, expenditure, public debt and external trade developments.

Public Finance Prospects, Ministry of Finance Yearly Report (available since 2001), highlights developments in public finances, external trade, and privatization and securitization, and includes the impact of specific economic developments on public finances.

Lebanon Country Profile provides a full survey of Lebanon, starting from the country's geographical location, historical background and political system, and including the economic and public finance situation, the monetary system, and external sector developments.

Reform Program @ the Ministry of Finance (updated as of May 2004), provides an overview of the reform programs currently underway at the Ministry of Finance, describing each program, with a review of program objectives, achievements to date, and developments for the future.

Paris II Progress Report (special 6 month & 1 year editions), highlights developments related to the convening of the 'Paris II' conference of November 2002, providing an analysis of the impact of Paris II on economic, monetary, and public debt developments.



Budget Report (available in soft copy since 1997), outlines the main budget figures for each fiscal year, and provides year-to-year comparisons between budgeted and actual fiscal performance results.

Investment Climate in Lebanon (updated as of July 2003), provides an overview of newly enacted and existing legislative reforms, which are aimed at encouraging investment in Lebanon.

Monthly Statistical Tables (available since January 2002), provide a monthly update of the main fiscal, debt and external trade figures.

REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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