REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Public Finance Monitor

April 2015

General Overview

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The **total fiscal balance** registered a deficit of LL 2,252 billion in Jan-Apr 2015, up by LL 414 billion (23 percent) from the same period in 2014. Moreover, the primary balance retracted to a deficit of LL 145 billion, from a surplus of LL 195 billion in Jan-Apr 2014. This deterioration in the fiscal balance was mainly due to a LL 110 billion drop in revenues, combined with a LL 305 billion increase in expenditures.

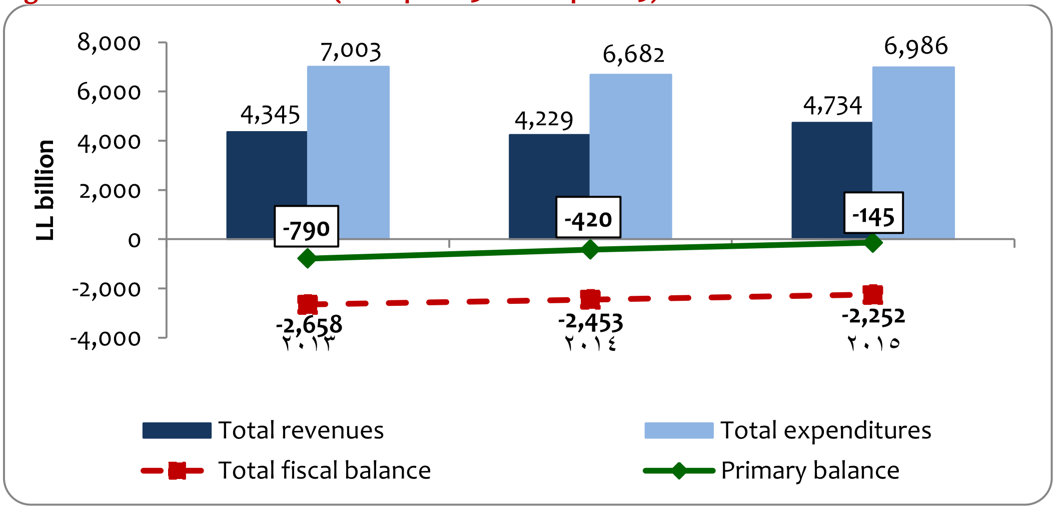
Table 1: Summary of Fiscal Performance

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
Total Budget and Treasury Receipts[1]	**4,844**	**4,734**	**-2.3%**
Total Budget and Treasury Payments, *of which*	**6,682**	**6,986**	**4.6%**
•*Interest Payments*	*1,959*	*2,039*	*4.1%*
•*Concessional loans principal payment[2]*	*74*	*69*	*-7.2%*
•*Primary Expenditures[3]*	*4,649*	*4,879*	*4.9%*
Total (Deficit)/Surplus	**(1,838)**	**(2,252)**	**22.5%**
Primary (Deficit)/Surplus	**195**	**(145)**	**-174.2%**

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
[1] Starting January 2015, Transfers from the Telecom Surplus figures for 2015 are being recorded on a cash basis in the Fiscal Performance, whereas for previous years, these figures remain the ones estimated by the Ministry of Telecommunication and MOF.
[2] Includes only Principal repayments of concessional loans earmarked for project financing
[3] Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

On a **cash basis** - i.e. after excluding the LL 615 billion expected transfers from the telecom surplus in Jan-Apr 2014, and adding the actual transferred amount (nil) during that period, the total deficit improved by 8 percent, from LL 2,453 billion in Jan-Apr 2014 to LL 2,252 billion in Jan-Apr 2015. Correspondingly, the primary balance recorded a smaller deficit of LL 145 billion in Jan-Apr 2015, compared to a deficit of LL 420 billion in Jan-Apr 2014.

Figure 1: Total Fiscal Balance (Jan-Apr 2013 – Jan-Apr 2015) – Cash basis[1/]



Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
[1/] On a cash basis, transfers from the Telecom surplus were LL 226 billion during Jan-Apr 2013, nil during Jan-Apr 2014, and LL 519 billion during Jan-Apr 2015.

Revenues

Total revenues[1] decreased by LL 110 billion (2 percent) to reach LL 4,734 billion in Jan-Apr 2015.

On a cash basis, revenues increased nevertheless by LL 506 billion (12 percent) mainly as a result of higher transfers from the Telecom surplus by LL 519 billion (*for more information, kindly refer to Note #1*). The latter rise stems in turn from the fact that Ministry of Telecommunication has agreed, since the start of 2015, to transfer its surplus on a quasi-monthly basis.

Tax revenues amounted to LL 3,469 billion in the first four months of 2015, representing an LL 87 billion (3 percent) increase.

Domestic taxes on goods and services rose by LL 159 billion in Jan-Apr 2015, mainly driven by a LL 112 billion increase in VAT collections. More specifically, VAT at customs declined by 15 percent (LL 99 billion) over the period, but was counterbalanced by an exceptional 51 percent (LL 210 billion) increase in VAT collected internally owing mostly to a discrepancy in the timing of collections (*for more information, kindly refer to the April 2014 Public Finance Monitor*).

Taxes on international trade increased by LL 25 billion (4 percent), mainly due to rises in gasoline and car excises by LL 36 billion and LL 14 billion respectively, which were partly counterbalanced by a LL 14 billion drop in custom revenues and an LL 11 billion decrease in tobacco excises.

Taxes on income, profits and capital gains dropped by LL 58 billion, owing to a deterioration in all sub-categories except for tax on interest income.

Moreover, taxes on property declined by LL 34 billion, driven by a LL 51 billion decrease in Real Estate Registration fees that resulted primarily from a lower number of sale transactions by 20 percent (as the average price of sold properties inched-down by 1 percent). On the other hand, built property tax rose by LL 20 billion. Lastly, revenues collected from fiscal stamp fees decreased by a minor LL 4 billion.

Non-tax revenues[2] dropped by LL 28 billion (3 percent) year-on-year to reach LL 1,034 billion in Jan-Apr 2015. On a cash basis, non-tax revenues recorded an increase of LL 588 billion (131 percent) as cash transfers from the Telecom Surplus were nil during Jan-Apr 2014, compared to LL 519 billion during the first four months of 2015. Of other categories, transfers from Public Financial Institutions rose by LL 61 billion due to a discrepancy in timing, and Passport Fees increased by LL 23 billion.

Treasury receipts decreased by LL 169 billion (42 percent) to reach LL 231 billion during Jan-Apr 2015, down from LL 401 billion during the same period in 2014.

Note #1: Transfers from the Telecom Surplus

Starting January 2015, Transfers from the Telecom Surplus figures for 2015 are being recorded on a cash basis in the Fiscal Performance, whereas for previous years, these figures remain the ones estimated by the Ministry of Telecommunication and MoF.

The cash basis approach reconciles revenues figures, by comparing instead cash Telecom Transfers for both periods of Jan-Apr 2014 and 2015. On a cash basis, Transfers from the Telecom Surplus were nil during Jan-Apr 2014, compared to LL 519 billion during Jan-Apr 2015.

Expenditures

Total expenditures increased by LL 305 billion to reach LL 6,986 billion in Jan-Apr 2015, mainly driven by a LL 363 billion increase in treasury expenditures.

Current primary expenditures[3] decreased by LL 229 billion (6 percent) to reach LL 3,599 billion in Jan-Apr 2015. This was mainly the result of lower transfers to Electricité du Liban and NSSF by LL 403 billion and LL 100 billion respectively. The drop in transfers to EDL mainly highlighted the effect of sharp decrease in international oil

[1] On an expected basis.
[2] On an expected basis.
[3] Current primary expenditures represent current expenditures excluding interest payment and debt service.

prices, reducing the cost of government subsidized fossil fuel imports by EDL. In contrast, salaries, wages and social benefits climbed up by LL 182 billion, hospitals outlays rose by LL 65 billion, and transfers to public institutions to cover salaries increased by LL 64 billion.

Interest payments rose by LL 80 billion to reach LL 2,039 billion in Jan-Apr 2015, driven by higher debt service payments on the local currency component, which increased by LL 151 billion and was slightly offset by a LL 71 billion decrease in debt service payments on the foreign currency component. **Foreign debt principal repayments** amounted to LL 69 billion in the first four months of 2015, showing a minor decrease of LL 5 billion compared to the same period of 2014.

Capital expenditures increased by LL 54 billion to reach LL 352 billion in Jan-Apr 2015, chiefly as a result of a LL 33 billion increase in maintenance and an LL 84 billion increase in transfers to CDR. The latter reached LL 156 billion during Jan-Apr 2015 of which (i) LL 35 billion relate to road projects[4], and (ii) LL 34 billion pertain to different and urgent CDR projects disclosed in decision number 99 dated 22 May 2014[5] (*for more information, kindly refer to the Public Finance Annual Review 2014*). These increases were slightly offset by a LL 10 billion and an LL 8 billion decrease in transfers to the Council of the South and the Ministry of Public Work and Transport respectively.

Treasury expenditures[6] recorded the highest increase in nominal term hiking up by LL 363 billion to reach LL 807 billion in Jan-Apr 2015. This surge was mainly due to a LL 253 billion increase in transfers to municipalities, resulting from an increase in distribution of revenues accruing to municipalities by LL 251 billion (173 percent)[7] in addition to a LL 64 billion (104 percent) increase in payments for solid waste management. Furthermore, deposits and VAT refund increased by LL 74 billion and LL 49 billion respectively.

Public Debt

Gross public debt grew by LL 4,357 billion to reach LL 104,720 billion by end-April 2015, although a concurrent rise of LL 1,851 in public sector deposits curbed the increase in net debt, which by end-April 2015 reached LL 88,904 billion.

Outstanding **local currency debt** reached LL 63,330 billion, up by 2.6 percent from end-2014. Holdings by the Central Bank increased by LL 1,914 billion to LL 21,769 billion, while commercial banks' portfolio decreased by LL 555 billion to LL 30,913 billion. Local currency debt held by other entities, including public entities, financial institutions, and the general public, increased by LL 219 billion to LL 10,648 billion.

The stock of **foreign currency debt** increased by LL 2,779 billion (7.2 percent) to LL 41,390 billion by the end of April-2015. The value of outstanding market Eurobonds climbed by LL 2,874 billion, while outstanding Eurobonds and loans issued in the context of Paris II and Paris III, and "bilateral, multilateral and foreign private sector

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[4] As per decree 1142 dated 18 December 2014, the total treasury advance is LL 35 billion and the total amount was disbursed in April 2015.
[5] As per decree 12068 dated 24 May 2014, the total treasury advance is LL 300 billion of which LL 4 billion were disbursed in 2014 and LL 34 billion in April 2015. For further details of the projects disclosed in decision number 99 dated 22 May 2014, kindly refer to the Public Finance Annual Review 2014.
[6] Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the same section appearing in the fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts, which are manually reclassified in their budgetary economic classification articles.
[7] As per decree 1508, dated 5 March 2015, the total amount of revenues to be distributed to municipalities related to the year 2013 is LL 492 billion, of which LL 361 billion have been paid in Jan-Apr 2015.

loans", decreased by LL 80 billion, LL 79 billion, and LL 116 billion respectively, mostly owing to amortized principal repayments.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
Budget Revenues, of which	**4,443**	**4,503**	**1.3%**
Tax Revenues	3,381	3,469	2.6%
Non-Tax Revenues	1,062	1,034	-2.6%
Treasury Receipts	**401**	**231**	**-42.3%**
Total Revenues	**4,844**	**4,734**	**-2.3%**

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

Table 3: Tax Revenues

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
Tax Revenues:	**3,381**	**3,469**	**2.6%**
Taxes on Income, Profits, & Capital Gains, of which	**945**	**887**	**-6.1%**
Income Tax on Profits	257	226	-12.0%
Income Tax on Wages and Salaries	343	334	-2.8%
Income Tax on Capital Gains & Dividends	75	50	-33.9%
Tax on Interest Income (5%)	236	254	7.4%
Penalties on Income Tax	33	24	-28.4%
Taxes on Property, of which:	**453**	**419**	**-7.5%**
Built Property Tax	130	149	15.2%
Real Estate Registration Fees	273	221	-18.9%
Domestic Taxes on Goods & Services, of which:	**1,190**	**1,349**	**13.3%**
Value Added Tax	1,082	1,194	10.3%
Other Taxes on Goods and Services, of which:	103	107	4.1%
Private Car Registration Fees	66	68	3.4%
Passenger Departure Tax	37	39	5.1%
Taxes on International Trade, of which:	**619**	**643**	**4.0%**
Customs	243	229	-5.8%
Excises, of which:	375	414	10.4%
Gasoline Excise	163	200	22.2%
Tobacco Excise	90	79	-12.3%
Cars Excise	120	134	11.6%
Other Tax Revenues (namely fiscal stamp fees)	**174**	**170**	**-2.2%**

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

Table 4: Non-Tax Revenue

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
Non-Tax Revenues	**1,062**	**1,034**	**-2.6%**
Income from Public Institutions and Government Properties, of which	**795**	**722**	**-9.2%**
Income from Non-Financial Public Enterprises, of which:	714	617	-13.6%
Revenues from Casino Du Liban	*41*	*38*	*-5.3%*
Revenues from Port of Beirut	*50*	*60*	*19.7%*
Budget Surplus of National Lottery	*8*	*0*	*-100.0%*
Transfer from the Telecom Surplus 1/	*615*	*519*	*-15.7%*
Transfer from Public Financial Institution (BDL)	0	61	N.M.
Property Income (namely rent of Rafic Hariri International Airport)	79	42	-46.8%
Other Income from Public Institutions (interests)	2	1	-19.9%
Administrative Fees & Charges, of which:	**212**	**255**	**20.6%**
Administrative Fees, of which:	172	205	19.2%
Notary Fees	10	11	10.5%
Passport Fees/ Public Security	53	75	42.8%
Vehicle Control Fees	77	80	3.7%
Judicial Fees	9	10	9.8%
Driving License Fees	6	9	60.5%
Administrative Charges	15	19	29.0%
Sales (Official Gazette and License Number)	1	1	2.6%
Permit Fees (mostly work permit fees)	21	24	16.5%
Other Administrative Fees & Charges	4	7	74.2%
Penalties & Confiscations	**4**	**5**	**36.3%**
Other Non-Tax Revenues (mostly retirement deductibles)	**51**	**52**	**1.5%**

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
1/ Starting January 2015, Transfers from the Telecom Surplus figures for 2015 are being recorded on a cash basis in the Fiscal Performance, whereas for previous years, these figures remain the ones estimated by the Ministry of Telecommunication and MOF. Out of the expected LL 615 billion in Jan-Apr 2014, nil was effectively transferred from the Telecom Surplus.

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
1. Current Expenditures	**5,861**	**5,707**	**-2.6%**
1.a Personnel Cost, *of which*	2,102	2,388	13.6%
Salaries, Wages and social benefits	1,393	1,575	13.1%
Retirement and End of Service Compensations, of which:	613	654	6.7%
Retirement	540	565	4.6%
End of Service	73	89	21.5%
Transfers to Public Institutions to Cover Salaries 1/	96	160	66.2%
1.b Interest Payments, *of which: 2/*	1,959	2,039	4.1%
Domestic Interest Payments	1,290	1,441	11.7%
Foreign Interest Payments	668	598	-10.6%
1.c Accounting adjustments*	0	1	N.M.
1.d Foreign Debt Principal Repayment	74	69	-7.2%
1.e Materials and Supplies, *of which:*	114	95	-17.2%
Nutrition (Food supplies)	22	25	12.6%
Fuel Oil	3	3	2.1%
Medicaments	49	47	-3.8%
1.f External Services	59	51	-13.6%
1.g Various Transfers, *of which:*	1,357	811	-40.3%
EDL 3/	986	583	-40.9%
NSSF	100	0	-100.0%
Higher Council of Relief	5	27	441.5%
Contributions to non-public sectors	135	79	-41.9%
Transfers to Directorate General of Cereals and Beetroot	32	10	-69.9%
Contributions to water authorities	12	0	-100.0%
1.h Other Current, *of which:*	145	206	42.2%
Hospitals	109	174	59.6%
Others(judgments & reconciliations, mission costs, other)	35	27	-21.1%
1.i Interest subsidy	51	48	-6.2%
2. Capital Expenditures	**298**	**352**	**18.2%**
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	N.M.%
2.b Equipment	18	22	23.6%
2.c Construction in Progress, *of which:*	227	245	8.2%
Council of the South	30	20	-32.2%
CDR	72	156	117.3%
Ministry of Public Work and Transport	29	20	-28.9%
Other of which:	34	47	40.5%
Higher Council of Relief	0	4	N.M.
2.d Maintenance	40	73	83.2%
2.e Other Expenditures Related to Fixed Capital Assets	14	12	-12.3%
3. Budget Advances 4/	**61**	**86**	**41.7%**
4. Customs Administration (exc. Salaries and Wages) 5/	**17**	**33**	**89.7%**
5. Treasury Expenditures 6/	**444**	**807**	**81.7%**
Municipalities	278	531	91.0%
Guarantees	27	21	-24.4%
Deposits 7/	38	112	195.9%
Other, *of which:*	101	143	42.3%
VAT Refund	71	120	69.6%
6. Total Expenditures (Excluding CDR Foreign Financed)	**6,682**	**6,986**	**4.6%**

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

1/ For a detailed breakdown of those transfers, kindly refer to table 6.

2/ For a detailed breakdown of interest payments, kindly refer to table 7.
3/ For a detailed breakdown of transfers to EDL, kindly refer to table 8. EDL has been reclassified to various transfers from "other treasury expenditures", following the reclassification of the 2009 Budget Proposal and in line with the Fiscal Performance.
4/ Transfers to Directorate General of Cereals and Beetroot include both administrative expenses and payments for wheat subsidy.
5/ Budget Advances were previously classified under "other". Given their growth, and in line with the Ministry of Finance's efforts to ensure transparency, they will be published in a separate line. They will be regularized at a later stage, and it is only after their regularization that they can be classified according to their economic nature in the budget system.
6/ Customs administrations include payments - excluding salaries and wages - made to customs and paid from customs cashiers. They can only be classified after Customs submit the supporting documents to the Directorate General of Finance.
7/Starting December 2011, the Treasury expenditures section in the monthly , quarterly and yearly reports and its corresponding figures differ from the eponym section appearing in the Fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts which are manually reclassified in their budgetary economic classification articles.
8/ Deposit payments are payments made by the treasury to public administrations, institutions, municipalities, funds, from revenues it has collected on their behalf.

Table 6: Breakdown of Transfers to Public Institutions for the Coverage of Salaries

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
Transfer to Council of the South	5	2	-60.1%
Transfer to CDR	3	6	113.2%
Transfer to the Displaced Fund	1	2	81.7%
Transfer to the Lebanese University	85	150	76.4%
Transfer to the Educational Center for Research and Development	2	0	-100.0%

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

Table 7: Details of Debt Service Transactions

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
Interest Payments	**1,959**	**2,039**	**4.1%**
Local Currency Debt	1,290	1,441	11.7%
Foreign Currency Debt, of which:	668	598	-10.6%
*Eurobond Coupon Interest**	*630*	*564*	*-10.4%*
*Special bond Coupon Interest**	*3.1*	*2.4*	*-21.8%*
Concessional Loans Interest Payments	*36*	*31*	*-13.1%*
Concessional Loans Principal Repayments	**74**	**69**	**-7.2%**

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
** Includes general expenses related to the transaction*

Table 8: Transfers to EDL[1]

(LL billion)	2014 Jan-Apr	2015 Jan-Apr	% Change 2015/2014
EDL *of which:*	**986**	**583**	**-40.9%**
Debt Service	12	11	-8.2%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	973	571	-41.3%

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
(1) Prior to 2005, transfers to EDL were recorded under the line item "treasury expenditures", because they were paid through treasury advances based on decrees issued by the Council of Ministers. Starting 2005, transfers to EDL were included in the yearly budget as an allocation classified as a loan. In 2009, the said budget item was reclassified to become a subsidy to the electricity company rather than a treasury. In the fiscal performance, transfers to cover EDL's gas and fuel oil remained classified under "treasury expenditures" until August 2010 when it was reclassified under "budget expenditures". This reclassification, however, was not reflected in the 2010 PFM issues to avoid a disruption in the series and in order to keep the figures published in the PFM throughout 2010 consistent and comparable. Since January 2011, EDL transfers are reclassified under "budget expenditures".

SECTION 3: PUBLIC DEBT

Table 9: Public Debt Outstanding by Holder as of End-April 2015

(LL billion)	Dec-13	Dec-14	Apr-15	% Change Dec 14 - Apr 15
Gross Public Debt	**95,710**	**100,363**	**104,720**	**4.34%**
Local Currency Debt	**56,312**	**61,752**	**63,330**	**2.56%**
** Accrued Interest Included in Debt*	*877*	*1,029*	*961*	-6.61%
a. Central Bank (Including REPOs)	17,171	19,855	21,769	9.64%
b. Commercial Banks	29,905	31,468	30,913	-1.76%
c. Other Local Currency Debt (T-bills), *of which:*	9,236	10,429	10,648	2.10%
Public Entities	7,117	7,701	8,040	4.40%
Contractor bonds 1/	134	180	180	0.00%
Foreign Currency Debt 2/	**39,398**	**38,611**	**41,390**	**7.20%**
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,606	2,752	2,644	-3.94%
b. Paris II Related Debt (Eurobonds and Loans) 3/	2,338	1,743	1,663	-4.58%
c. Paris III Related Debt (Eurobonds and Loans) 4/	1,187	986	907	-8.03%
d. Market-Issued Eurobonds	32,688	32,584	35,459	8.82%
e. Accrued Interest on Eurobonds	444	425	628	47.76%
f. Special T-bills in Foreign Currency 5/	136	121	90	-25.62%
Public Sector Deposits	**15,495**	**13,965**	**15,816**	**13.25%**
Net Debt 6/	**80,215**	**86,398**	**88,904**	**2.90%**
Gross Market Debt 7/	**65,386**	**67,380**	**69,748**	**3.51%**
% of Total Debt	**68%**	**67%**	**67%**	**-0.79%**

Source: Ministry of Finance, Banque du Liban

(1) Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency".
(2) Figures for Dec 13- Dec 14 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 originally issued at USD 1,870 billion to BDL in the context of the Paris II conference.
(4) Eurobonds Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first and second tranches of the French loan received in February 2008.
(5) Special Tbs in foreign currency (expropriation and contractor bonds).
(6) Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.
(7) 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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