REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Public Finance Monitor

January 2015

General Overview

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The **total fiscal balance** registered a deficit of LL 168 billion in January 2015, compared to a higher deficit of LL 180 billion in January 2014 (Table 1). The primary surplus increased to LL 238 billion from LL 215 billion over the same period. This was a result of a LL 301 billion decrease in outlays (mainly transfers to EDL and NSSF, as well as capital expenditures), which was almost offset by a LL 289 billion decline in revenues owing primarily to one-off revenues collected in January 2014[1], as well as an amendment in the methodology used to record Telecom Transfers in the Fiscal Performance.

Starting January 2015, Transfers from the Telecom Surplus figures 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 Ministry of Finance.

Table 1: Summary of Fiscal Performance

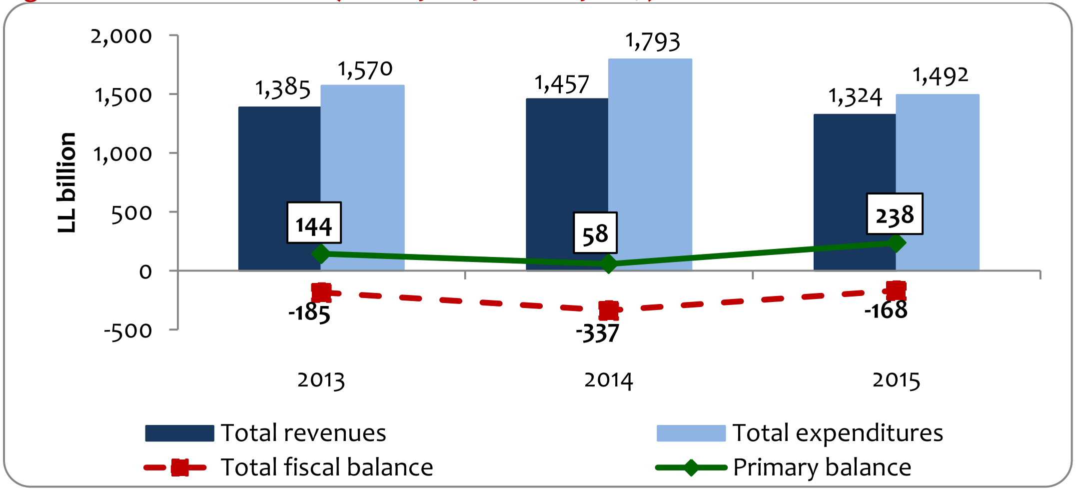
(LL billion)	2014 January	2015 January	% Change 2015/2014
Total Budget and Treasury Receipts[1]	**1,614**	**1,324**	**-17.9%**
Total Budget and Treasury Payments, *of which*	**1,793**	**1,492**	**-16.8%**
•*Interest Payments*	*375*	*388*	*3.4%*
•*Concessional loans principal payment[2]*	*19*	*18*	*-5.6%*
•*Primary Expenditures[3]*	*1,399*	*1,086*	*-22.4%*
Total (Deficit)/Surplus	**(180)**	**(168)**	**-6.4%**
Primary (Deficit)/Surplus	**215**	**238**	**10.8%**

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 expected transfers from the telecom surplus (LL 157 billion) and including the actual transfer from the Telecom Surplus (nil) made during January 2014, the total deficit decreases by 50 percent, from LL 337 billion in January 2014 to LL 168 billion in January 2015. Correspondingly, the primary balance records a surplus of LL 238 billion in January 2015, compared to a smaller surplus of LL 58 billion in January 2014.

[1] These include the sale of government properties for a total amount of LL 59 billion (classified as Property Income), as well as a LL 60 billion accounting adjustment included in Treasury revenues (for more information, kindly refer to January 2014 Public Finance Monitor).

Figure 1: Total Fiscal Balance (January 2013 - January 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 nil during January 2013, 2014 and 2015.

Revenues

Total revenues[2] fell by 18 percent to reach LL 1,324 billion in January 2015, down from LL 1,614 billion in January 2014, owing to decreases in Non-Tax revenues and Treasury receipts. On a cash basis, total revenues decreased by 9 percent.

Tax revenues were almost unchanged year-on-year, amounting to LL 1,114 billion in January 2015, as the LL 32 billion increase in taxes on income, profits and capital gains, was mostly offset by a LL 23 billion drop in domestic taxes on goods and services (mainly due to lower VAT collections), along a LL 7 billion decline in property taxes. It is noteworthy that Taxes on International Trade and Fiscal Stamps inched-down by LL 3 billion each.

Non-tax revenues[3] declined by LL 200 billion (65 percent) year-on-year to reach LL 110 billion in January 2015, due to an amendment in the methodology used to record Telecom Transfers in the Fiscal Performance[4]. On a cash basis, non-tax revenues decreased by LL 43 billion, to reach LL 110 billion in January 2015. This drop could be attributed to lower receipts from property income owing to the exceptional sale of government properties during January 2014, for a total amount of LL 59 billion (*for more information, kindly refer to the January 2014 Public Finance Monitor*).

Treasury receipts decreased by LL 86 billion annually to reach LL 100 billion in January 2015. This is explained by a LL 76 billion decrease in receipts from "Other Accounts" due to the one-off LL 60 billion adjustment made during January 2014, (*for more information, kindly refer to the January 2014 Public Finance Monitor*).

[2] On an expected basis.
[3] On an expected basis.
[4] Starting January 2015, Transfers from the Telecom Surplus figures 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.

Expenditure

Total expenditures registered a LL 301 billion (17 percent) decrease year-on-year, standing at LL 1,492 billion in January 2015 compared to LL 1,793 billion in January 2014.

Current primary expenditures[5] decreased by LL 214 billion, reaching LL 919 billion in January 2015, mainly the result of lower transfers to NSSF, which declined from LL 100 billion to nil, and a drop in transfers to Electricite Du Liban (EDL) by LL 75 billion owing to the decline in international oil prices. These decreases were supplemented by a LL 33 billion decrease in materials and supplies mainly driven by a LL 23 billion decrease in spending on medicaments, and a LL 32 billion decline in transfers to public institutions to cover salaries mainly due to a difference in the timing of payments, which were offset by a LL 27 billion increase in salaries, wages and social benefits.

Interest payments rose by LL 13 billion to reach LL 388 billion, due to higher debt service payments on the local currency component. **Foreign debt principal repayments** amounted to LL 18 billion in January 2015, showing no significant change from the same period of 2014.

Capital expenditures decreased by LL 79 billion in January 2015, after registering a 116 percent increase during the same period of 2014. The 46 percent decrease in 2015 was mainly a result of a LL 67 billion decrease in construction in progress, totalling LL 69 billion in January 2015. The main reason behind the decrease in construction in progress was the accounting adjustment for treasury advances (*for more information, kindly refer to the January 2014 Public Finance Monitor*), which were slightly offset by a LL 24 billion increase in payments to CDR. Furthermore, other expenditures related to fixed capital assets were almost nil in January 2015, compared to LL 10 billion in January 2014 pertaining to payments to IDAL for the Export Plus program, while maintenance increased by LL 3 billion over the period.

Treasury expenditures[6] decreased by LL 26 billion to reach LL 59 billion in January 2015, mainly due to lower payments to Municipalities – from LL 53 billion in January 2014 to LL 22 billion in January 2015 – resulting from a decrease in payments to solid waste management companies by LL 31 billion, slightly offset by a LL 6 billion increase in payments related to the municipality infrastructure project with the World Bank. This was partially counterbalanced by a LL 10 billion year-on-year increase (81 percent) in VAT refund, to reach LL 23 billion in January 2015, after decreasing by 63 percent during January 2014.

Public Debt

Gross public debt stood at LL 100,374 billion as at end-January 2015, almost unchanged from end-2014, whereas net debt edged up by 0.3 percent owing to a 1.5 percent slide in public sector deposits.

Local currency debt ended January 2015 at LL 62,234 billion, up by LL 482 billion from the previous month. Local currency debt holdings by the Central Bank increased by 2.6 percent to LL 20,363 billion, while holdings by Commercial Banks retracted by LL 102 billion to LL 31,366 billion. Other holders, counting the general public, public entities,

[5] Current primary expenditures represent current expenditures excluding interest payment and debt service.

[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.

and financial institutions added to their domestic currency debt portfolios LL 40 billion, LL 34 billion, and LL 2 billion respectively.

The stock of **foreign currency debt** dropped by LL 471 billion to reach LL 38,140 billion by end-January 2015 mostly owing to principal repayments, and to a lesser extent, to negative valuation adjustments on euro denominated bonds and loans. Accordingly, a total decrease for the amount of LL 543 billion was partially offset by a LL 72 billion increase in accrued interest on Eurobonds. In detail, the value of outstanding market Eurobonds fell by LL 433 billion, following the maturity of a US$ 250 million 5.875% coupon Eurobond in January. “Bilateral, multilateral and foreign private sector loans” diminished by LL 55 billion, while Paris II and Paris III related Eurobonds and loans dropped by LL 46 billion and LL 9 billion respectively.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2014 January	2015 January	% Change 2015/2014
Budget Revenues, of which	**1,428**	**1,224**	**-14.3%**
Tax Revenues	1,118	1,114	-0.3%
Non-Tax Revenues	310	110	-64.6%
Treasury Receipts	**186**	**100**	**-46.1%**
Total Revenues	**1,614**	**1,324**	**-17.9%**

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

Table 3: Tax Revenues

(LL billion)	2014 January	2015 January	% Change 2015/2014
Tax Revenues:	**1,118**	**1,114**	**-0.3%**
Taxes on Income, Profits, & Capital Gains, of which	**313**	**345**	**10.2%**
Income Tax on Profits	76	100	32.5%
Income Tax on Wages and Salaries	159	157	-1.5%
Income Tax on Capital Gains & Dividends	14	19	42.3%
Tax on Interest Income (5%)	63	67	7.0%
Penalties on Income Tax	2	2	-7.0%
Taxes on Property, of which:	**81**	**74**	**-8.2%**
Built Property Tax	10	10	3.7%
Real Estate Registration Fees	61	57	-6.6%
Domestic Taxes on Goods & Services, of which:	**502**	**479**	**-4.6%**
Value Added Tax	484	462	-4.5%
Other Taxes on Goods and Services, of which:	16	15	-7.7%
Private Car Registration Fees	15	13	-15.6%
Passenger Departure Tax	1	2	124.0%
Taxes on International Trade, of which:	**171**	**168**	**-1.7%**
Customs	65	56	-13.5%
Excises, of which:	106	112	5.5%
Gasoline Excise	40	50	26.7%
Tobacco Excise	33	29	-12.3%
Cars Excise	32	32	-0.9%
Other Tax Revenues (namely fiscal stamp fees)	**51**	**48**	**-6.0%**

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

Table 4: Non-Tax Revenue

(LL billion)	2014 January	2015 January	% Change 2015/2014
Non-Tax Revenues	**310**	**110**	**-64.6%**
Income from Public Institutions and Government Properties, of which	**242**	**41**	**-82.9%**
Income from Non-Financial Public Enterprises, of which:	176	11	-93.6%
Revenues from Casino Du Liban	*11*	*11*	5.6%
Revenues from Port of Beirut	*0*	*0*	N.M.
Budget Surplus of National Lottery	*8*	*0*	-100.0%
Transfer from the Telecom Surplus [1/]	*157*	*0*	-100.0%
Transfer from Public Financial Institution (BDL)	0	0	N.M.
Property Income (namely rent of Rafic Hariri International Airport)	66	30	-54.8%
Other Income from Public Institutions (interests)	0	0	-33.8%
Administrative Fees & Charges, of which:	**56**	**53**	**-4.6%**
Administrative Fees, of which:	41	34	-16.9%
Notary Fees	2	2	2.8%
Passport Fees/ Public Security	12	12	4.1%
Vehicle Control Fees	18	14	-25.7%
Judicial Fees	2	2	8.2%
Driving License Fees	1	2	22.4%
Administrative Charges	8	11	41.7%
Sales (Official Gazette and License Number)	0	0	-8.0%
Permit Fees (mostly work permit fees)	6	6	9.0%
Other Administrative Fees & Charges	1	2	53.6%
Penalties & Confiscations	**1**	**1**	**76.8%**
Other Non-Tax Revenues (mostly retirement deductibles)	**11**	**14**	**19.0%**

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 157 billion in January 2014, nil was effectively transferred from the Telecom Surplus.

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2014 January	2015 January	% Change 2015/2014
1. Current Expenditures	**1,528**	**1,325**	**-13.3%**
1.a Personnel Cost, *of which*	538	542	0.8%
Salaries, Wages and Related Items	360	388	7.5%
Retirement and End of Service Compensations, of which:	144	154	6.4%
Retirement	132	140	5.9%
End of Service	10	13	28.3%
Transfers to Public Institutions to Cover Salaries 1/	33	1	-97.8%
1.b Interest Payments 2/, of which:	375	388	3.4%
Domestic Interest Payments	251	265	5.4%
Foreign Interest Payments	124	123	-0.7%
1.c Foreign Debt Principal Repayment	19	18	-5.6%
1.d Materials and Supplies, *of which:*	58	25	-57.6%
Nutrition	6	8	20.8%
Fuel Oil	2	1	-31.1%
Medicaments	30	7	-75.8%
1.e External Services	26	9	-64.0%
1.f Various Transfers, *of which:*	435	254	-41.5%
EDL 3/	263	188	-28.6%
NSSF	100	0	-100.0%
Higher Council of Relief	0	20	N.M.
Contributions to non-public sectors	17	11	-32.5%
Transfers to Directorate General of Cereals and Beetroot 4/	0	10	N.M.
Contributions to water authorities	8	0	-100.0%
1.g Other Current, *of which:*	74	88	18.5%
Hospitals	61	76	24.1%
Others(judgments & reconciliations, mission costs, other)	12	7	-36.0%
1.h Reserves	3	1	-69.7%
Interest subsidy	3	1	-69.7%
2. Capital Expenditures	**171**	**92**	**-46.2%**
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	N.M.
2.b Equipment	8	2	-72.8%
2.c Construction in Progress, *of which:*	135	69	-49.2%
Displaced Fund	0	0	N.M.
Council of the South	10	0	-100.0%
CDR	31	54	76.1%
Ministry of Public Work and Transport	15	5	-64.2%
Other of which:	18	8	-54.1%
Higher Council of Relief	0	0	N.M.
2.d Maintenance	18	21	16.4%
2.e Other Expenditures Related to Fixed Capital Assets	10	0	-97.6%
3. Budget Advances 5/	**2**	**3**	**91.7%**
4. Customs Administration (exc. Salaries and Wages) 6/	**8**	**13**	**63.0%**
5. Treasury Expenditures 7/	**85**	**59**	**-30.8%**
Municipalities	53	22	-58.6%
Guarantees	1	3	126.6%
Deposits 8/	8	5	-35.4%
Other, *of which:*	22	28	27.5%
VAT Refund	13	23	80.9%
6. Total Expenditures (Excluding CDR Foreign Financed)	**1,793**	**1,492**	**-16.8%**

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 January	2015 January	% Change 2015/2014
Transfer to Council of the South	3	0	-100.0%
Transfer to CDR	3	0	-100.0%
Transfer to the Displaced Fund	0	0	N.M.
Transfer to the Lebanese University	25	1	-97.1%
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 January	2015 January	% Change 2015/2014
Interest Payments	**375**	**387**	**3.2%**
Local Currency Debt	251	264	5.1%
Foreign Currency Debt, of which:	124	123	-0.7%
*Eurobond Coupon Interest**	114	113	-0.7%
*Special bond Coupon Interest**	1	1	0.0%
Concessional Loans Interest Payments	9	9	-0.8%
Concessional Loans Principal Repayments	**19**	**18**	**-5.6%**

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 January	2015 January	% Change 2015/2014
EDL *of which:*	**263**	**188**	**-28.6%**
Debt Service	2	2	-6.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	261	186	-28.7%

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-January 2015

(LL billion)	Dec-13	Dec-14	Jan-15	% Change Dec 14 - Jan 15
Gross Public Debt	**95,710**	**100,363**	**100,374**	**0.0%**
Local Currency Debt	**56,312**	**61,752**	**62,234**	**0.8%**
** Accrued Interest Included in Debt*	*877*	*1,029*	*1,053*	*2.3%*
a. Central Bank (Including REPOs)	17,171	19,855	20,363	2.6%
b. Commercial Banks	29,905	31,468	31,366	-0.3%
c. Other Local Currency Debt (T-bills), *of which:*	9,236	10,429	10,505	0.7%
Public Entities	7,117	7,701	7,735	0.4%
Contractor bonds 1/	134	180	180	0.0%
Foreign Currency Debt 2/	**39,398**	**38,611**	**38,140**	**-1.2%**
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,606	2,752	2,697	-2.0%
b. Paris II Related Debt (Eurobonds and Loans) 3/	2,338	1,743	1,734	-0.5%
c. Paris III Related Debt (Eurobonds and Loans) 4/	1,187	986	940	-4.6%
d. Market-Issued Eurobonds	32,688	32,584	32,151	-1.3%
e. Accrued Interest on Eurobonds	444	425	497	16.9%
f. Special T-bills in Foreign Currency 5/	136	121	121	0.0%
Public Sector Deposits	**15,495**	**13,965**	**13,756**	**-1.5%**
Net Debt 6/	**80,215**	**86,398**	**86,618**	**0.3%**
Gross Market Debt 7/	**65,386**	**67,380**	**66,955**	**-0.6%**
% of Total Debt	**68%**	**67%**	**67%**	**-0.6%**

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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E-mail: infocenter@finance.gov.lb
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