REPUBLIC OF LEBANON
MINISTRY OF FINANCE

PUBLIC FINANCE QUARTERLY REPORT

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QUARTER III - 2012

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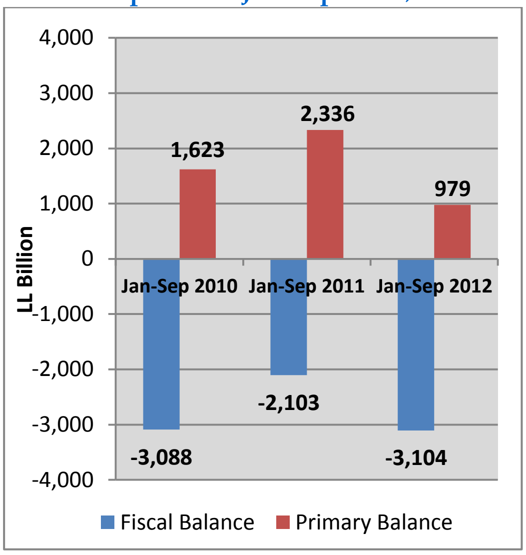
Public Finance Highlights

General Fiscal Developments

The fiscal balance recorded a deficit of LL 3,104 billion in January-September 2012, compared to a lower deficit of LL 2,103 billion in January-September 2011. In parallel, the primary surplus dropped by LL 1,357 billion Year-on-Year to settle at LL 979 billion by the end of September 2012.

On a cash basis - i.e. excluding expected transfers from the telecom surplus in both years, and including actual telecom transfers[1] - the fiscal deficit becomes LL 3,505 billion in the first three quarters of 2012, improving by LL 230 billion or 6 percent from the LL 3,735 billion cash deficit in the first three quarters of 2011. As for the primary surplus, it ends Q3 2012 at LL 507 billion, compared to LL 704 billon during the same period in 2011, with its annual decline moderating considerably to LL 127 billion.

Figure 1: Fiscal and Primary Balance (Jan-Sept 2010 – Jan-Sept 2012)



Revenues

Total revenues amounted – on a cash basis - to LL 10,433 billion in the first three quarters of 2012, representing a LL 1,584 billion (18 percent) increase from the LL 8,849 billion collected in the same period of 2011.

Expenditures

Higher international oil prices triggered a surge in transfers to Electricité Du Liban (EdL) in January-September 2012. This rise in transfers to the loss making company along with higher Personnel cost, and transfers to municipalities, overshadowed the decrease in interest payments. Correspondingly, expenditures increased by 11 percent to LL 13,938 billion in January-September 2012, from LL 12,584 billion a year earlier.

Public Debt Developments

The stock of gross public debt totalled LL 84,521 billion by end-September 2012, climbing 4 percent from its end-December 2011 level. In parallel, the stock of net public debt increased by 3 percent to reach LL 72,138 billion.

[1] In Jan-Sept 2012, LL 1,206 billion was transferred from the telecom surplus, whereas nil was transferred in Jan-Sept 2011

Section I: Fiscal Overview

The **total fiscal balance** recorded a deficit of LL 3,104 billion in January-September 2012, compared to LL 2,103 billion during the same period in 2011. This widening breach between the value of public expenditures and revenues was mainly a result of an 11 percent rise in total payments to LL 13,938 billion, matched with a substantially smaller increase of 3 percent in total receipts to LL 10,834 billion. In parallel, the **primary balance** ended the first three quarters of 2012 with a surplus LL 979 billion, compared to a surplus of LL 2,336 billion in the first three quarters of 2011.

Table 1. Summary of Fiscal Performance

(LL billion)	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Total Budget and Treasury Receipts[1]	**10,480**	**10,834**	**3.4%**
Total Budget and Treasury Payments, of which	**12,584**	**13,938**	**10.8%**
• *Interest Payments*	*4,191*	*3,868*	*-7.7%*
• *Concessional loans principal payment*[2]	*248*	*215*	*-13.3%*
• *Primary Expenditures*[3]	*8,145*	*9,856*	*21.0%*
Total Deficit/Surplus	**-2,103**	**-3,104**	**47.6%**
Primary Deficit/Surplus	**2,336**	**979**	**-58.1%**

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
[1] *Includes the expected transfer from Telecom Surplus*
[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**, LL 1,206 billion worth of actual transfers from the telecom surplus in January-September 2012 compared to nil in January-September 2011, meant that the fiscal deficit actually declined by 6 percent annually to reach LL 3,505 billion during the considered period. Meanwhile the primary surplus was LL 127 billion (18 percent) lower at LL 577 billion, due to the larger decrease in primary expenditures in nominal terms, when compared to the rise in revenues.

Table 2: Summary of Fiscal Performance on a Cash Basis

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Total Budget and Treasury Receipts	**9,323**	**8,849**	**10,433**	**17.9%**
Total Budget and Treasury Payments, *of which*	**12,411**	**12,584**	**13,938**	**10.8%**
• Interest Payments	*4,465*	*4,191*	*3,868*	*-7.7%*
• Concessional Loans Principal Payments (1)	*245*	*248*	*215*	*-13.3%*
• Primary Expenditures (2)	*7,701*	*8,145*	*9,856*	*21.0%*
Total Deficit/Surplus	**-3,088**	**-3,735**	**-3,505**	**-6.1%**
Primary Deficit/Surplus	**1,623**	**704**	**577**	**-18.0%**

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

[1] *Includes only principal repayments of concessional loans earmarked for project financing.*
[2] *Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)*

Section II: Revenue Outcome

Total revenues reached LL 10,834 billion in the first nine months of 2012, registering a 3 percent improvement compared to the same period of 2011.

This LL 354 billion expansion in total revenues is explained mainly by a LL 418 billion (6 percent) increase in **tax revenues**, which counterbalanced both the LL 47 billion (9 percent) and the LL 17 billion (1 percent) decrease in **treasury receipts** and **non-tax revenues** respectively.

Table 3: Total Revenues

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Budget Revenues, *of which*	**8,809**	**9,939**	**10,340**	**4.0%**
• Tax Revenues	7,659	7,487	7,905	5.6%
• Non-Tax Revenues	1,150	2,452	2,435	-0.7%
Treasury Receipts	**514**	**542**	**495**	**-8.7%**
Total Revenues	**9,323**	**10,480**	**10,834**	**3.4%**

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

On a cash basis, **total revenues** reached LL 9,938 billion during Jan-Sept 2012, thus increasing by LL 1,584 billion (18 percent) as compared to the first nine months of 2011. This 18 percent increase, stems mainly from a LL 1,206 billion transfer from the telecom surplus during Jan-Sept 2012, compared to nil for the same period of 2010.

Table 4: Total Revenues on a Cash Basis

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Budget Revenues, *of which*	**8,809**	**8,307**	**9,938**	**19.6%**
• Tax Revenues	7,659	7,487	7,905	5.6%
• Non-Tax Revenues	1,150	820	2,033	147.9%
Treasury Receipts	**514**	**542**	**495**	**-8.7%**
Total Revenues	**9,323**	**8,849**	**10,433**	**17.9%**

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

Tax Revenues

Tax revenues totaled LL 7,905 billion in the January-September 2012, up from LL 7,487 billion during the same period of 2011, hence growing by about 6 percent. They accounted for 73 percent of total collected revenues in the first three quarters of 2012, compared to an average of 69 percent during the same period of 2007-2011[2]. Almost all components of tax revenues registered increases in collection during the first nine months of 2012 (albeit not at the same rate), despite limited development at the level of consumption taxes.

Table 5: Tax Revenues

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Taxes on Income, Profits, & Capital Gains, *of which*:	**1,723**	**2,043**	**2,154**	**5.4%**
• Income Tax on Profits	767	973	975	0.1%
• Income Tax on Wages and Salaries	287	335	389	16.0%
• Income Tax on Capital Gains & Dividends	176	212	268	26.8%
• Tax on Interest Income (5%)	477	496	488	-1.7%
• Penalties on Income Tax	15	27	33	23.7%
Taxes on Property, *of which:*	**811**	**805**	**876**	**8.8%**
• Built Property Tax	126	109	144	32.1%
• Real Estate Registration Fees	624	592	616	4.0%
Domestic Taxes on Goods & Services, *of which:*	**2,661**	**2,674**	**2,842**	**6.3%**
• Value Added Tax	2,375	2,423	2,477	2.2%
• Other Taxes on Goods and Services, *of which*:	279	242	258	6.4%
- *Private Car Registration Fees*	*180*	*150*	*151*	*0.2%*
- *Passenger Departure Tax*	*98*	*90*	*105*	*16.8%*
Taxes on International Trade, *of which:*	**2,127**	**1,631**	**1,677**	**2.8%**
• Customs	609	582	592	1.8%
• Excises, *of which*:	1,517	1,049	1,085	3.4%
- *Petroleum Tax*	*787*	*419*	*372*	*-11.3%*
- *Tobacco Tax*	*264*	*293*	*375*	*28.0%*
- *Tax on Cars*	*461*	*330*	*332*	*0.4%*
Other Tax Revenues (namely fiscal stamp fees)	**337**	**334**	**356**	**6.4%**
Total Tax Revenues	**7,659**	**7,487**	**7,905**	**5.6%**

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

The receipts from **taxes on income profits and capital gains** improved by 5 percent year-on-year, up to LL 2,154 billion in Jan-Sept 2012, driven by the growth across all components – except for a drop of LL 8 billion in tax on interest income.

In details, income tax on capital gains and dividends registered the highest rise of LL 57 billion (27 percent) to reach LL 268 billion at the end of September 2012, against LL 212 billion during January-September 2011. This can be explained by field inspections undertaken by the Revenues Directorate at the Ministry of Finance during the first quarter of the year to audit the declaration forms presented by financial corporations.

[2] This figure excludes the year of 2010, as transfers from the telecom surplus were exceptionally low.

Taxes on wages and salaries, gained 16 percent to reach LL 389 billion, on account of a larger tax base which is mainly attributed to the private sector wage increase. The impact of this development can be examined at two different levels:

1. The actual wage raise granted to the private sector[3] at the end of January 2012, the corresponding tax of which would kick starting the second half of 2012.
2. Some corporations started to grant higher wages towards the end of 2011, in anticipation of the official wage-raise. This allowed the tax on salaries and wages to show some improvement even before the official salary raise that was still being discussed back then[4].

The 5 percent tax on interest income[5] yielded LL 488 billion in the first nine months of 2012, representing a 1.7 percent decrease from the LL 496 billion collected in the same period of 2011, and the first decline since its introduction in 2003[6]. This LL 8 billion drop is mainly rooted in a narrower expansion of the *deposit base* along a drop in both *LL deposit rates* and *Treasury Bills interest rates*, which was slightly offset by a decrease in dollarization as follow:

- Bank deposits of resident and non-resident private sector accumulated to LL 183,540 billion by end-September 2012, up from LL 170,938 billion a year earlier, thus rising by only 7 percent on year-on-year basis. This compares with a 9 percent year-on-year rise in September 2011 and a 14 percent year-on-year increase in September 2010.
- The *average rate on deposits* in LL declined by 13 bps, to reach 5.48 percent in September 2012 compared to 5.61 percent in September 2011. In contrast, a*verage rate on deposits* in USD remained unchanged over the period, standing at 2.84 percent.
- The current portfolio of Treasury Bills and Bonds is carrying a lower *weighted average interest rate* of almost 6.76 percent as of end of September 2012, compared to around 7.12 percent at end of September 2011. In fact, the low international yield environment has allowed the Republic to lower its borrowing cost, thereby replacing maturing high coupon debt with lower coupon[7] debt (*please refer to the Interest payment section for more details*).
- The drop in the *dollarization rate of deposits* however, slightly enhanced the collection of tax on interest income, given that deposits in domestic currency earn higher interest than those in foreign currency, and hence more taxes become due. In fact, the dollarization rate of deposits reached 64.78 percent in September 2012, decreasing by 147 basis points (bps) from the rate of 66.25 percent recorded by end-September 2011. It is worth mentioning that the de-dollarization trend of deposits which started in December 2007 came to a halt at the end of 2010, before resuming in both 2011 and 2012.

[3] The wage raise to the private sector was given through Council of Ministers' Decree 7426 dated January 26, 2012 that stipulated a higher monthly minimum wage of LL 675,000 (up from LL 500,000) effective as of February 1, 2012 on one hand, and salary raise to compensate for inflation that is applicable on the basis of brackets, also effective as of February 1, 2012, on the other.

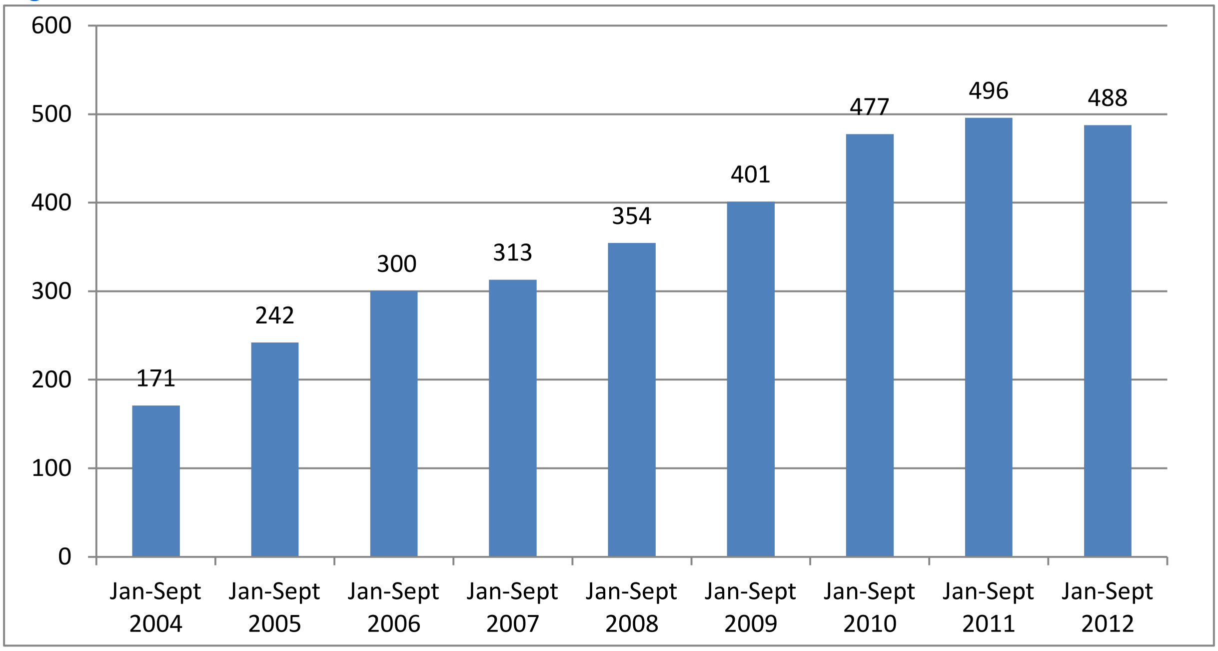
[4] Taxes on wages and salaries increased by LL 36 billion to reach LL 160 billion for the three months preceding the implementation of the law, compared to LL 124 billion during the same period of 2010-2011. This increase, the highest in the past five years, could be mainly attributed to the wage increase obtained by the private sector, as well to the 1996-1998 retroactive payments made in December 2011 (*for more details, please refer to the Article 13 monthly report of December 2011, on the Ministry's website*).

[5] This tax exempts among others interest earned on Eurobonds.

[6] As per Law 497 dated January 30, 2003. Note that the first tax collection was made during March 2003.

[7] This is in line with the 5.8 percent drop in domestic interest payments registered in January-September 2012, as compared to the same period of 2011.

Figure 2: Cash Collections from Tax on Interest Income (in LL billion)



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

Taxes on Property registered a rise of 9 percent in the period under consideration, reaching LL 876 billion, after last year's one-percent decline compared to 2010. This improved performance was the result of stronger results of two components of this item, namely the tax on built properties[8], and real estate registration fees[9]. In fact, tax on built properties witnessed a 32 percent (LL 35 billion) increase and reached LL 144 billion during the first nine months of 2012, due to the issuance of tax schedules for the years of 2008 and 2009. In parallel, real estate registration fees increased by 4 percent (LL 24 billion), while inheritance tax collections rose by 12 percent (LL 12 billion) most likely due to the handling of high value files.

After a drop in the declared property values in the first nine months of 2011 (from LL 10,495 billion in January-September 2010 to LL 9,094 billion in January-September 2011), an improvement was registered in 2012. In fact, despite a lower number of properties (by 9 percent), total values of transacted properties increased by 5 percent, as indicated in the table below, due to the 15-percent increase in the average declared value of properties. The rise in property values helps in explaining to a certain extent the growth registered in both real estate registration fees and built property taxes.

[8] Taxes on built properties are progressive in nature and levied on yearly rent benefiting both investors and property owners, even if occupying their residence. Rent is determined by the lease contract, if available, or otherwise estimated by the tax authorities. This tax exempts several categories including agricultural properties, hospitals, owned properties used for commercial purposes.

[9] Real estate registration fee preserves the right of ownership and is not mandatory upon the sale of a property. On April 3, 2001 Parliament voted Law No. 296, which amended the 1969 Law No. 11614 governing foreign acquisition of property. The new law eased legal limits on foreign ownership of property to encourage investment in Lebanon, especially in industry and tourism. The fee equals 5 percent of a property sale value, for both Lebanese and foreigners.

Table 6: Property Registration Statistics from Cadastre

	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Number of Properties registered in Cadastre	216,185	223,416	203,568	-8.9%
Declared Aggregate Properties Value in Sales Contracts (LL billion)	10,495	9,094	9,527	4.8%
Declared Average Value per Property (LL million)	48.5	40.7	46.8	15.0%
Total Fees collected from Sales Transactions	**568**	**545**	**548**	**0.5%**

Source: MOF-Cadastre, please note that these are declaration statistics (based on sales contracts) that may differ from collection figures as published in the Fiscal Performance and the Tax Revenues table above.

Receipts from domestic taxes on goods and services increased by 6 percent to LL 2,842 billion by end of September 2012, mainly driven by rises in *transfers from tobacco surplus* (REGIE) by LL 100 billion, value added tax by LL 54 billion, and passenger *departure* tax by LL 15 billion.

The increase *in transfers from tobacco surplus* (REGIE) came mainly as a result of a policy taken by the Ministry of Finance in October 2011, to increase the price of cigarettes by LL 250 per pack[10]. The security situation in Syria, the international ban on imports imposed on Syria as well as the Syrian refugees in Lebanon, might be additional reasons behind raising internal demand for tobacco.

Despite the elimination of VAT on gasoil, value added tax collected LL 2,477 billion in the first nine months of 2012 as compared to LL 2,423 billion during the same period of 2011, thus improving by a mere 2 percent. This came as a result of the combined effect of higher *internally-collected receipts* (by 7 percent) and stable *VAT at customs*.

The effective VAT rate went down from 7.7 percent in Jan-Sept 2011 to 6.9 percent in January-September 2012. This deterioration which comes despite an 11 percent decrease in total imports the increase in the share of "Mineral fuel & oil" (from 23 percent to 28 percent) and the decrease in the share of "Unwrought & semi-manufactured gold, diamonds, precious stones & metals" (from 10 to 8 percent)[11], is attributed to the following:

- The VAT lift on both red and green Mazout[12], which has foregone an estimated LL 295 billion in tax revenues during 2012.
- When EDL registers its fuel imports[13], it generally does not pay VAT immediately[14], which causes the effective VAT rate to decrease.

[10] Decision number 1018/1 dated October 1, 2011

[11] It is worth mentioning that mineral fuel and oil represent a taxed category, while gold is exempted of VAT at imports.

[12] As per Law 207 dated March 5, 2012

[13] It is worth mentioning that EDL total fuel imports amounted to LL 1,292 billion during Jan-Sept 2012 compared to a much lower level of LL 324 billion in Jan-Sept 2011

[14] In fact, EDL fuel imports are not systematically registered at the Directorate of Customs upon arrival to the port; they are rather admitted into the country through a "special permission" basis. Once these fuel imports are registered, they are reflected in the total imports figure, but not necessarily in the VAT collected, since the corresponding VAT is usually not paid upon registration

Table 7: Total Imports & Effective VAT rate

(LL billion)	2010 Jan-Sep	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Total Imports, *of which*	**19,883**	**21,736**	**24,168**	**11.2%**
• Fuel Imports (fuel derivatives classified under HS 27)	3,803	3,983	6,767	69.9%
• Non-Fuel Imports	16,080	17,752	17,400	-2.0%
• Share of Fuel Imports	19.1%	18.3%	28.0%	52.8%
• Share of Non Fuel Imports	80.9%	81.7%	72.0%	-11.8%
Revenues from VAT at Imports	**1,689**	**1,678**	**1,679**	**0.1%**
Effective VAT rate	**8.5%**	**7.7%**	***6.9%***	**-10.0%**

Source: MOF, DGF

Despite the decline in the number of tourists[15], collections from the passenger departure tax rose by 17 percent to reach LL 105 billion in the first nine months of 2012, compared to LL 90 billion during the same period of 2011. This reflects the increased number of *passengers* at the Airport (both tourists and non-tourists). The latter rose by 7 percent in the first nine months of 2012, according to figures released by the Lebanese Civil Aviation Authority, most probably as a result of the apprehension on the Syrian-Lebanese border, and the consequent substitution of land by air transport.

Taxes collected from international trade (customs and excises) rose by LL 46 billion year-on-year, to reach LL 1,677 billion, despite the LL 47 billion decline in the gasoline excise, which was compensated by rises in customs and tobacco excises.

Table 7 below depicts the increase in tariff revenues (customs), totalling LL 592 billion in the first nine months of 2012, up from LL 582 billion during the same period of 2011. The limited 2 percent growth in customs relative to the 11 percent rise in imports yielded a drop in *the effective customs rate*, from 2.7 percent in Jan-Sept 2011 to 2.4 percent in Jan-Sept 2012. This is rooted in the fact that the 2012 imports witnessed a growing share of fuel imports (from 18.3 percent up to 28.0 percent), which are subject to low custom duties, relative to non-fuel imports[16].

Table 8: Effective Customs Rate

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Total Imports	**19,883**	**21,736**	**24,168**	**11.2%**
• Fuel Imports (fuel derivatives classified under HS 27)	3,803	3,983	6,767	69.9%
• Non-Fuel Imports	16,080	17,752	17,400	-2.0%
• Share of Fuel Imports	19.1%	18.3%	28.0%	52.8%
• Share of Non Fuel Imports	80.9%	81.7%	72.0%	-11.8%
Revenues from Custom Duties	**609**	**582**	**592**	**1.8%**
Effective customs rate	***3.1%***	***2.7%***	***2.4%***	**-8.4%**

Source: MoF, DGF

[15] According to data published by the Ministry of Tourism, the number of tourists went down by 15 percent in the first nine months of 2012, to reach 1,086,319.
[16] Note that gasoil and fuel oil imports, both used by EDL for the production of electricity, are exempted from custom duties.

Total excises collected at import[17] registered a 3 percent increase, to reach LL 1,085 billion, despite the decline in excise on gasoline which was counterbalanced by a rise in revenues stemming from excise on tobacco, as detailed below:

a. The collections of **excises on tobacco** rose by 28 percent from LL 293 billion in January-September 2011 to LL 375 billion in January-September 2012, driven particularly by an increase in imports in the absence of policy change at the level of excise rate. In fact, it is the higher volume of imported tobacco[18] (which have reached its highest level since 2003) that instigated the said rise in imports, given that the average price of tobacco remained almost constant over the period.

Table 9: Tobacco Import Statistics

	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Imports (LL billion)	263	305	376	23.4%
Net weight (in tons)	10,511	10,955	13,627	24.4%
Collected Excises (LL billion)	264	293	375	28.0%
Average import price (LL per Kg)	***24,973***	***27,795***	***27,574***	***-0.8%***
Average effective excise rate (LL per Kg)	***25,142***	***26,764***	***27,537***	***2.9%***
Average effective excise rate (%)	***100.7%***	***96.3%***	***99.9%***	***3.7%***

Source: MOF-General Directorate of Customs declaration forms

b. **Excises on gasoline** dropped in the first nine months of 2012, collecting LL 372 billion compared to LL 419 billion in the same period of 2011. The 11 percent less revenues on this front is explained by a price effect that more than offset the quantity effect, given that this excise is a per-unit tax. On one hand, the Higher Council of Customs' decision issued number 21/2011 on February 26, 2011 to reduce the excise on gasoline by LL 5,000 per 20 litres. On the other hand, higher volume of imported gasoline was registered (by about 4 percent). As a result, the average effective excise rate went down from LL 288 per litre in Jan-Sept 2011 to LL 263 per litre in Jan-Sept 2012 (-15 percent) as shown in table 9 below.

Table 10: Gasoline Import Statistics

	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Imports (*LL billion*)	1,385	1,858	2,037	9.6%
Volume (*million litres*)	1,648	1,594	1,661	4.2%
Collected excises (*LL billion*)	787	419	372	-11.3%
Average effective Price at imports (LL/litre)	***841***	***1,166***	***1,227***	***5.2%***
Average effective excise rate (LL/litre)	***477***	***263***	***224***	***-14.9%***

Source: MOF-General Directorate of Customs declaration forms

[17] Excises are collected on gasoline, tobacco, cars and on alcoholic and non-alcoholic beverages. Most of which is collected at import, except for a small amount that is collected internally on alcoholic beverages.
[18] This rise stems mainly from higher quantities of imported cigarettes (27 percent) reaching 10,607 tons in the first nine months of 2012.

c. Following substantial increases in 2007, 2008 and 2009, collection from **excises on cars** started retreating in 2010, and continued their downturn during 2011 before stagnating in the first nine months of 2012. In fact, this component increased by only LL 1 billion to reach LL 332 billion in Jan-Sept 2012, reflecting an almost stable activity in the car market.

Table 11: Car Import Statistics

	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Imports (LL billion)	1,672	1,226	1,257	2.6%
Number of Cars	77,783	57,129	57,056	-0.1%
Collected Excises (LL billion)	461	330	332	0.4%
Average price per car (LL million)	***21.5***	***21.5***	***22.0***	***2.7%***
Average effective excise rate (%)	***27.6%***	***26.9%***	***26.4%***	***-2.1%***

Source: MOF-General Directorate of Customs declaration forms

Lastly, the receipts from **fiscal stamp fees** increased by LL 21 billion during the first nine months of 2012, to reach LL 356 billion when compared to the collection in the first nine months of 2011. Receipts from this tax are indicative of the general state of economic activity as they reflect the volume and values of transactions taking place during a given period. Formal sales agreements, contracts, and procedures with municipalities and public administrations are all subject to the stamp fee. Hence, the existence of growth in collection of stamp fees on a year-on-year basis goes in line with the rises witnessed by some tax collections discussed above, such as real estate.

Non-Tax Revenues

Non-tax revenues decreased by LL 17 billion (1 percent) in January-September 2012, to reach LL 2,435 billion, against LL 2,452 billion during the same period of 2011. On a cash basis[19], non-tax revenues amount to LL 2,033 billion in Jan-Sept 2012, compared to LL 820 billion in January-September 2011, representing an increase of LL 1,213 billion (148 percent).

Table 12: Non-Tax Revenues

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	%Change 2012/2011
Income from Public Institutions and Government Properties	**687**	**1,970**	**1,908**	**-3.1%**
• Income from Non-Financial Public Enterprises, *of which*:	569	1,841	1,769	-3.9%
- *Revenues from Casino du Liban*	*126*	*130*	*109*	*-16.3%*
- *Revenues from Port of Beirut*	*65*	*48*	*0*	*-100.0%*
- *Budget Surplus of National Lottery*	*44*	*30*	*51*	*72.7%*
- *Transfer from the Telecom Surplus 1/*	*331*	*1,632*	*1,607*	*-1.5%*
• Income from Financial Public Enterprises (BdL)	60	60	60	-0.7%
• Property Income (rent of Rafic Hariri International Airport)	55	62	75	20.1%
• Other Income from Public Institutions (interests)	4	6	4	-26.5%
Administrative Fees & Charges, *of which:*	**377**	**381**	**419**	**9.9%**
• Administrative Fees, *of which*:	310	310	345	11.3%
- *Notary Fees*	*22*	*22*	*22*	*2.2%*
- *Passport Fees/ Public Security*	*90*	*96*	*91*	*-4.4%*
- *Vehicle Control Fees*	*132*	*135*	*167*	*23.8%*
- *Judicial Fees*	*18*	*18*	*21*	*17.8%*
- *Driving License Fees*	*18*	*12*	*14*	*18.8%*
• Administrative Charges	16	15	16	3.7%
• Sales (Official Gazette and License Number)	4	2	3	1.9%
• Permit Fees (mostly work permit fees)	39	45	47	5.0%
• Other Administrative Fees and Charges	8	9	9	-1.7%
Penalties and Confiscations	**6**	**7**	**8**	**5.9%**
Other Non-Tax Revenues (mostly retirement deductibles)	**81**	**94**	**100**	**6.7%**
Total Non-Tax Revenues	**1,150**	**2,452**	**2,435**	**-0.7%**

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)
1/Out of the expected LL 1,632 billion in Jan-Sept 2011, no actual transfers were effectively made from the Telecom surplus. Out of the expected LL 1, 607 billion in Jan-September 2012, only LL1,206 billion was effectively transferred from the Telecom Surplus.

This latter improvement was mainly the result of a LL 1,169 billion increase in revenues from **Public Institutions and Government Properties**, owing largely to higher transfers from the telecom surplus which reached LL 1,206 billion in 2012 compared to nil in the first nine months of 2011[20].

In details, transfers from the Port of Beirut reached nil, compared to a LL 48 billion transferred during the same period of 2011 and LL 65 billion in 2010. Revenues from Casino du Liban decreased by LL 21 billion (16 percent), while the budget surplus of the National lottery registered a LL 22 billion rise in the in Jan-Sept 2012.

[19] By excluding the LL 1,607 billion and LL 1,632 billion expected transfers from the telecom surplus in January-September 2012 and 2011 respectively, and including LL 1,206 billion actual telecom transfer in January-September 2012 and nil during the same period of 2011

[20] Telecom receipts, which are currently deposited at the telecom account at BDL, were not transferred regularly to the Treasury since 2010 and therefore cannot be counted as part of total revenues due to the absence of a treasury single account.

Administrative fees and charges increased by around 10 percent owing largely to higher vehicle control fees, which amounted to LL 167 billion in Jan-Sept 2012 against LL 135 billion during the same period of 2011, mainly due to a penalty exemption during the first two months of 2012, which have encouraged people to settle late payments.

Treasury Receipts

Treasury receipts amounted to LL 495 billion in Jan-Sept 2012, which is LL 47 billion (9 percent) lower than the level registered during Jan-Sept 2011 level, stemming mainly from a LL 99 billion decrease in "Other Treasury Revenues", due to lower reimbursements of Treasury Advances given to the Ministry of Economy and Trade, which reached LL 72 billion in Jan-Sept 2011 against nil in the similar period of 2012[21]. The growth of LL 61 billion in "Guarantees" offset to some extent the decline in "other treasury revenues". The major component of treasury receipts has historically been revenues collected for the Independent Municipal Fund, which have reached LL 220 billion in January-September 2012, compared to LL 213 billion during the same period of 2011.

[21] For more details, please refer to the Wheat and Bread Subsidies thematic report (2007-2011), October 2012. http://www.finance.gov.lb/en-US/finance/ReportsPublications/DocumentsAndReportsIssuedByMOF/Pages/ThematicReports.aspx

Section III: Expenditure Outcome

Total expenditures (budget and treasury) amounted to LL 13,938 billion during Jan-Sep 2012, increasing from LL 12,584 billion during Jan-Sep 2011, recording an increase of 11 percent. This rise was mainly the result of a LL 1,711 billion increase in **total primary expenditures**, offset by a LL 323 billion drop in **interest payments**, as shown in table 12.

Table 13: Expenditure Summary

(LL billion)	2010 Jan-Sept	2011 Jan-Sept	2012 Jan-Sept	Change 2012/2011	%Change 2012/2011
Interest Payments	4,465	4,191	3,868	-323	-8%
Concessional Loans Principal Payments [(1)]	245	248	215	-33	-13%
Total Primary Expenditures [(2)]	4,895	5,480	6,477	998	18%
Total Budget and Treasury Payments	**7,701**	**8,145**	**9,856**	**1,711**	**21%**

Source: MOF, DGF

[(1)] Includes only principal repayments of concessional loans earmarked for project financing.

[(2)] Primary expenditures exclude debt-related payments (Interest payments and Concessional loans principal repayment).

The evolution of main expenditure items in 2012, according to the **economic classification**, is presented in table 13 and reviewed in the sections that follow.

A special focus is made on social expenditures which are calculated using the IMF Government Statistics approach of 2001. For further details, please refer to page 31.

Current expenditures

Current expenditures increased by LL 969 billion, mainly explained by increases in (i) transfers to EDL by LL 918 billion (ii) personnel cost, LL 445 billion, (iii) HRC account, LL 70 billion, (iv) contributions to non public sector, LL 27 billion, and (v) reserves (namely interest subsidy), LL 26 billion. The hike was partially offset by a LL 323 billion decrease in interest payments, a LL 70 billion decline in transfers to NSSF, a LL 52 billion drop in materials and supplies (stemming mainly from medicaments) and a LL 33 billion decrease in foreign debt repayment.

Table 14: Expenditure by Economic Classification

(LL billion)	Jan-Sept 2011	Jan-Sept 2012	%Change
1. Current Expenditures	**11,384**	**12,353**	**9%**
1.a Personnel Cost *of which:*	4,022	4,467	11%
Salaries, Wages and Related Items (Article 13) 1/	*2,683*	*3,044*	13%
Retirement and End of Service Compensations, *of which:*	*1,099*	*1,186*	8%
Retirement	*891*	*837*	-6%
End of Service	*207*	*349*	69%
Transfers to Public Institutions to Cover Salaries 2/	*241*	*237*	-2%
1.b Interest Payments, *of which: 3/*	4,191	3,868	-8%
Domestic Interest Payments	*2,622*	*2,470*	-6%
Foreign Interest Payments	*1,569*	*1,397*	-11%
1.c Foreign Debt Principal Repayment	248	215	-13%
1.d Materials and Supplies, *of which:*	252	200	-21%
Nutrition	*41*	*44*	7%
Fuel Oil	*9*	*37*	313%
Medicaments	*133*	*68*	-49%
Accounting Adjustments for Treasury Advances 4/	*32*	*26*	-20%
1.e External Services	92	88	-4%
1.f Various Transfers, *of which :*	2,217	3,122	42%
EDL 5/	*1,703*	*2,621*	54%
NSSF 6/	*120*	*50*	-58%
Higher Relief Committee	*4*	*74*	
Contributions to Non Public Sectors	*149*	*176*	18%
Treasury Advances for Diesel Oil Subsidy	*0*	*19*	
Transfers to Directorate General of Cereals and Beetroot	*58*	*23*	-60%
Gasoline Subsidy for Taxi Drivers	*0*	*5*	
Accounting Adjustments for Treasury Advances 4/	*18*	*0*	-100%
1.g Other Current, *of which:*	256	262	3%
Hospitals	*197*	*215*	9%
Others (judgments & reconciliations, mission costs, other)	*50*	*46*	-9%
Accounting Adjustments for Treasury Advances 4/	*7*	*1*	-82%
1.h Reserves	106	131	24%
Interest subsidy	106	131	24%
2. Capital Expenditures	**453**	**440**	-3%
2.a Acquisitions of Land, Buildings, for the Construction of Roads,	1	0	-75%
2.b Equipment	39	37	-7%
2.c Construction in Progress, *of which:*	260	280	8%
Displaced Fund	*23*	*48*	
Council of the South	*34*	*30*	-13%

CDR	*99*	*106*	7%
Ministry of Public Works and Transport	*74*	*83*	13%
Other, *of which*:	*30*	*14*	-55%
High Relief Committee	*13*	*0*	-100%
2.d Maintenance	133	117	-11%
2.e Other Expenditures Related to Fixed Capital Assets	11	3	-75%
2.f Parliamentary equipment & maintenance *7/*	9	3	-72%
2.g Accounting Adjustments for Treasury Advances 4/	0	0	
3. Budget Advances *8/*	**162**	**140**	-14%
4. Customs Administration (exc. Salaries and Wages) *9/*	**29**	**30**	5%
5. Treasury Expenditures 10/	**578**	**975**	69%
Municipalities	275	569	107%
Guarantees	44	37	-16%
Deposits	59	74	27%
Other, *of which:*	177	294	66%
VAT Refund	*105*	*182*	73%
Other Tax Refund	*43*	*28*	-35%
6. Unclassified Expenditures	**1**	**0**	-52%
7. Total Expenditures (Excluding CDR Foreign Financed) *11/*	**12,584**	**13,938**	11%

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

(1) For a detailed breakdown of salaries, wages and related benefits, kindly refer to Table 14.

(2) For a detailed breakdown of transfers to public institutions, kindly refer to Table 15.

(3) For a detailed breakdown of interest payments, kindly refer to Table 19.

(4)The expenditure figures as published by the ministry of finance include the regularization from the budget allocations of treasury advances previously paid from treasury accounts.

(5) For a detailed breakdown of transfers to EDL, kindly refer to Table 16. 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.

(6) For a detailed breakdown of transfers to NSSF, kindly refer to Table 17.

(7) These are reclassifications of payments made from the guarantees under Law 123 dated July 23rd 2010, that opened, in the 2010 Budget, a LL 20 billion allocation for the equipment and maintenance of the House of Parliament. The law allowed the provision of an emergency advance issued by a Decision from the Speaker of Parliament specifying the amount and the duration of the advance. The advance is to be regularized based on invoices certified by the Secretariat of the Office of Parliament and submitted to MoF.

(8) 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.

(9) "Customs administration" includes 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.

(10) 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.

(11) Figures may differ from previously published data because of constant updates and improvements.

Current primary expenditures

Current primary expenditures[22] rose by 19 percent, amounting to LL 8,271 billion in Jan-Sep 2012, up from LL 6,945 billion during Jan-Sep 2011. The main components of current primary expenditures are recorded below.

Personnel cost[23] increased by LL 445 billion (11 percent) to reach LL 4,467 billion in Jan-Sep 2012 versus LL 4,022 billion in Jan-Sep 2011, mainly due to the 2012 cost of living adjustment. In details, salaries, wages and related items (Article 13) amounted to LL 3,044 billion in Jan-Sep 2012 compared to LL 2,683 billion in Jan-Sep 2011, representing an LL 362 billion increase (14 percent).

As shown in Table 14, this LL 362 billion hike is explained by the combined outcome of an increase basic salaries (LL 228 billion), allowances (LL 96 billion) and "other" [24] payments (LL 42 billion). This increase was slightly offset by a LL 9 billion decrease in indemnities.

Table 15: Breakdown of Article 13 - Salaries, Wages and Related Items – Jan-Sept

(LL billion)	Basic Salaries		Indemnities [5]/		Allowances [6]/		Other [7]/		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Military Personnel	**1,279**	**1,445**	**55**	**56**	**360**	**454**	**2**	**3**	**1,695**	**1,958**
• Army	851	917	35	35	221	296	0	2	**1,108**	**1,251**
• Internal Security Forces [1]/	339	398	16	15	114	127	0	0	**470**	**541**
• General Security Forces	65	75	2	2	18	17	1	1	**86**	**96**
• State Security Forces [2]/	23	54	2	3	7	13	0	0	**31**	**71**
Education Personnel	**474**	**521**	**43**	**36**	**0**	**0**	**0**	**0**	**517**	**557**
Civil Personnel [3]/, *of which:*	**229**	**244**	**49**	**45**	**4**	**5**	**160**	**201**	**441**	**494**
• Employees Cooperative							*135*	*176*	**135**	**176**
Customs Salaries [4]/									**29**	**36**
Total[8]	**1,982**	**2,210**	**146**	**137**	**363**	**459**	**162**	**204**	**2,682**	**3,045**

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

(1) Includes allowances payments made to Internal Security Forces from Guarantees account.
(2) Includes allowances payments made to State Security Forces from Guarantees account.
(3) Includes salaries payments made to Ministry of Public Health from Guarantees account.
(4) Includes salaries and wages and indemnities payment from guarantees account but excludes payments for allowances which are made from Customs Cashiers and can only be reclassified once Customs has sent the supporting document to the Directorate General of Finance. Field Service indemnity in June 2011 paid to Customs officers was included as well.
(5) Includes payments for family, transportation, overtime as well as various indemnities.
(6) Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances.
(7) Other includes payments for bonuses, contributions to various public sector mutual funds and contribution of the State as an employer for the National Social Security Fund.
(8) Please note that totals might not correspond to the total of the individual items due to rounding

[22] Current primary expenditures are current expenditures excluding interest payments and foreign debt principal repayment.

[23] This includes salaries, wages and related benefits (article 13), transfers to public institutions for payment of salaries and wages, retirement wages and end-of-service indemnities.

[24] Other includes (i) payments for bonuses, (ii) State contributions to the Civil Servants' Cooperatives, (iii) State contributions to the Mutual Funds covering Members of Parliament, employees of the Lebanese Parliament, judges, judges' aides and Islamic tribunal judges and (iv) State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civil Servant Cooperative and the Mutual Funds. For further details, please refer to Salaries, Wages and Related Benefits (Article 13) monthly bulletin (October to December issues) on the Ministry of Finance website: www.finance.gov.lb

For further details and analysis about these results, please refer to Salaries, Wages and Related Benefits (Article 13) monthly bulletin of September 2012 on the Ministry of Finance website: www.finance.gov.lb.

Retirement and end-of-service compensations summed up to LL 1,186 billion in Jan-Sep 2012 compared to LL 1,099 billion in Jan-Sep 2011, representing an 8 percent increase. Behind this LL 87 billion rise stands mainly a 69 percent increase (LL 142 billion) in end of service indemnities which is in return, the combined result of higher payments to military and civil personnel:

- **End-of-service compensation** to military personnel amounted to LL 314 billion (constituting 90 percent of total compensation payments) in Jan-Sep 2012 compared to LL 179 billion (86 percent of total compensation payments) in Jan-Sep 2011. This 75 percent increase was mainly induced by a higher number of beneficiaries and/or by the fact that retirees during the period under consideration, are of higher grade levels and/or have served for longer period.

- Similarly, **end-of-service compensations** to the civil personnel, climbed to LL 36 billion in Jan-Sep 2012 compared to LL 28 billion in Jan-Sep 2011. This 25 percent increase was the result of retirees having worked for a longer period and/or having received higher salaries. It is noteworthy that the number of beneficiaries slightly decreased to reach 1,492 retirees in Jan-Sep 2012, down from 1,500 retirees in Jan-Sep 2011.

Further under personnel cost, transfers to public institutions to cover salaries remained relatively constant (decreasing by LL 4 billion) to reach LL 237 billion in Jan-Sep 2012. The change in the components of transfers to public institutions are shown in Table 15.

Table 16: Breakdown of Transfers to Public Institutions (Salaries)

(LL billion)	Jan-Sept 2010	Jan-Sept 2011	Jan-Sept 2012	%Change 2012/2011
Transfer to Council of the South	10	9	5	-47.9%
Transfer to the Council for Development and	24	22[25]	23	6.9%
Transfer to Fund for the Displaced	5	5	5	-7.7%
Transfer to the Lebanese University	176	196	197	0.2%
Transfer to Educational Centre for Research and	12	9	8	-12.8%
Total Transfers to Public Institutions	**140**	**166**	**164**	**-1.6%**

Source: MOF

[25] From this amount, LL 3 billion are due to the payment in January and February 2011 of two transfers (from Transfer 49870/99) respectively worth LL 1 billion and LL 2 billion that are not related to salaries but that were classified under article 14 (transfers). These payments are intended to cover the cost of projects conducted in the region of Baalbeck-Hermel.

Materials and supplies' purchases amounted to LL 200 billion in Jan-Sep 2012 compared to LL 252 billion in Jan-Sep 2011, representing a LL 52 billion (20.7 percent) year-on-year decrease. This is explained mainly by a LL 65 billion (48.7 percent) drop in spending on medicaments, which was offset by an increase in spending on fuel oil[26] and nutrition by respectively LL 28 billion (313 percent) and LL 3 billion (7 percent) .

External Services (rent, postal, insurance, advertisement and public relations) decreased by LL 4 billion (5 percent) to LL 88 billion in Jan-Sep 2012 down from LL 92 billion in Jan-Sep 2011. This was mainly due to a decrease in publications and rental payments by respectively LL 5 billion and LL 2 billion.

Various Transfers rose by LL 904 billion, totalling LL 3,122 billion in Jan-Sep 2012 compared to LL 2,217 billion in Jan-Sep 2011. This increase primarily resulted from the combined changes in the following items:

a) Transfers to EDL[27] increased by LL 918 billion in Jan-Sep 2012, amounting to LL 2,621 billion, compared to LL 1,793 billion in Jan-Sep 2011.

Table 17: Transfers to EDL

(LL billion)	Jan-Sept 2010	Jan-Sept 2011	Jan-Sept 2012	%Change 2012/2011
EDL, *of which:*	**1,250**	**1,703**	**2,621**	**54%**
a- Debt Service, *of which:*	**76**	**75**	**77**	**2%**
• C-Loans and Eurobonds, *of which:*	**60**	**55**	**40**	**-27%**
- *Principal Repayments*	*49*	*45*	*33*	-27%
- *Interest Payments*	*11*	*9*	*7*	-25%
• BDL-Guaranteed Loan Payments	**16**	**20**	**36**	**80%**
b- Reimbursement for purchase of Natural Gas, Fuel & Gas Oil:	**1,174**	**1,628**	**2,545**	**56%**
• KPC and SPC	1,174	1,574	2,545	62%
• EGAS		55	0	-100%

Source: MOF, DGF

b) Transfers to the High Relief Committee increased by LL 70 billion and amounted to LL 74 billion in HII 2012 compared to LL 4 billion for the same period of 2011. This rise stems mainly from the LL 70 billion paid as indemnity for destructed properties during the 2006 war[28].

[26] It should be noted that most spending on fuel is through budget advances which are reclassified according to their economic classification after their regularization in the budget system. This is usually achieved a year after they have been paid. Therefore, total spending on fuel for the current year cannot be constructed when the monthly economic classification table is prepared.

[27] For further details, check the June 2012 issue of *"Transfers to EDL: A Monthly Snapshot"* available on www.finance.gov.lb.

[28] As per Decree 7474 dated February 6th, 2012, HRC was provided with a treasury advance in the amount of LL 175 billion to compensate for destructed properties during the 2006 July war. According to the Directorate of Payment Orders at MOF, the treasury advance will be settled over 10 payments with LL 17.5 billion per payment, with no specific pre-set timing for each payment.
On a related note, HRC spending relating to the July 2006 Israeli war on Lebanon, totaled LL 383 billion in 2006 and LL 700 billion in 2007, of which LL 19 billion and LL 10 billion were transferred in the form of a treasury advance in both years respectively. In 2008, HRC spending relating to the 2006 July war declined to LL 294 billion, with no transfers made for this purpose. In 2009, HRC paid LL 315 billion for housing indemnities of which LL 270 billion were transferred in the form of a treasury advance.

c) Transfers to school funds amounted to LL 38 billion in Jan-Sep 2012 while they were LL 15 billion in Jan-Sep 2011. The LL 38 billion was paid for public school (primary, middle and secondary levels) registration fees for the academic year of 2011-2012[29]).

d) LL 5 billion paid as gasoline subsidy for taxi drivers in Jan-Sep 2012 compared to none in Jan-Sep 2011. On October 5, 2011, Parliament approved Law #182/2011 to subsidize taxi drivers for a period of three months amid increasing fuel and gasoline prices. Total payments since November 2011 till June 2012 have reached LL 45 billion. (For further information, please refer to Box# 4 in the expenditure section of the 2011 Annual Expenditure Report).

e) Contributions to non public sector increased LL 27 billion in Jan-Sep 2012 mainly driven by an LL 50 billion rise in transfers to the Ministry of Education –Subsidized schools. These were offset by a LL 35 billion decrease in transfers to the Ministry of Social Affairs.

Table 18: Transfers to the NSSF

(LL billion)	2010 Budget Proposal	2011 Budget Proposal	2012 Budget Proposal	From 2010 Budget in 2010	From 2010 Budget in Jan-Sept 2011	From 2011 Budget in Jan-Sept 2012	From 2012 Budget in Jan-Sept 2012
Total Allocation, *of which:*	**350**	**380**	**510**	**150**	**120**	**0**	**500**
Annual state contributions	*220*	*220*	*390*	*100*	*120*	*0*	*500*
Past dues	*80*	*80*	*80*	*0*	*0*	*0*	*0*
Optional Fund branch deficit	*50*	*80*	*40*	*50*	*0*	*0*	*0*

Source: MOF, DGF

The rise in various transfers was partially offset by a decrease in spending in the following categories:

a) Transfers to the National Social Security Fund (NSSF) amounted to LL 50 billion during Jan-Sep 2012 compared to LL 120 billion during the same period of 2011. The LL 120 billion transferred to NSSF in 2011, was paid from the allocation covering the State's contribution to the Fund that was included in the 2010 Budget Proposal[30], while the LL 50 billion transferred to NSSF in 2012, financed the State's contribution to the Fund from the Budget Proposal 2011.

b) Assistance for the Directorate General of Grains and Sugar Beetroot (DCGB) dropped from LL 58 billion in Jan-Sep 2011[31] to LL 23 billion in Jan-Sep 2012[32]. The

[29] As per Decree 6845 dated 17/11/2011, and Decree 7725 dated 14/03/2012. It should also be noted that small payments were made for the World Bank Education Development Project and the transportation of students whose schools were closed and merged with other ones in order to save costs as per Decree 7027 dated December 3rd, 2011 and Decree November 17th, 2011 respectively.

[30] Although it exceeded the LL 100 billion ceiling set by the 2005 Budget Law, the LL 120 billion was paid from the budget allocation and not by Treasury advance as it used to be in previous years when the payment made exceeded the 2005 ceiling based on the authorization provided by the Court of Audit in its administrative decision number 2228 dated December 14th, 2010.

[31] As per Decree 4947 dated 9/4/2010 and Presidency of the Council of Minister's Letter 97/A dated April 12th, 2011. This exceptional authorization was later formalized by Decree 6056 dated August 6th, 2011 when the new government was formed based on Decree 5818 dated June 13th, 2011.

[32] As per Decree 8011 dated 23/04/2012

LL 58 billion was used to subsidized the price of bread (as a result of high international wheat prices), by importing 101,033 tons of wheat during the period of Jan-Sep 2011, against 26,250 tons in Jan-Sep 2012. For more information on payments made to the Directorate General of Cereals and Beetroot since 2007, please refer to the thematic report published by the Ministry of Finance in October 2012 under the title: "Bread and Wheat Subsidies 2007-2011".

c) Diesel oil subsidy totaled LL 19 billion in Jan-Sep 2012, increasing from nil in Jan-Sep 2011 and used to subsidize diesel oil which was imported at LL 3,000 per tank[33]. The total amount of the treasury advance is LL 22.5 billon as per the decree and was provided as a temporary measure in anticipation of an exemption of VAT on diesel oil as per Law 207 dated March 5, 2012.

d) Payments to Water Authorities declined by 22 percent to reach LL 18 billion in Jan-Sep 2012, down from LL 23 billion in Jan-Sep 2011. These LL 18 billion could be broken down as follows: a LL 7.5 billion[34] treasury advance provided to the **Northern Water Authority** and a LL 10 billion[35] provided to the **Bekaa Water Authority**[36] to improve their services, increase their revenues, and install new water channels for residents of these regions.

It is worth mentioning that no payments were made for the Special Tribunal of Lebanon, in both periods Jan-Sep 2011 and Jan-Sep 2012.

Table 19: Breakdown of Article 14 by Economic Classification

(LL Billion)	Jan-Sept 2011	Jan-Sept 2012	% Change
1. Contributions to the Public Sector 1/	**1899**	**2873**	**51%**
1a. Electricité Du Liban (EDL)	1,703	2,621	54%
1b. Other Contributions to the Public Sector, *of which:*	196	246	26%
National Council for Scientific Research	*4*	*5*	*13%*
High Relief Committee (HRC)	*4*	*74*	*1939%*
Investment Development Authority of Lebanon (IDAL)	*2*	*0*	*-100%*
Transfers to School Funds	*15*	*38*	*158%*
Public Hospitals	*6*	*11*	*70%*
National Agriculture Research Institute (NARI)	*8*	*5*	*-42%*
Green Project	*11*	*11*	*0%*
Public Institution for Cooperative Markets 2/	*0*	*1*	*250%*
National Social Security Fund (NSSF)	*120*	*50*	*-58%*
Tele-Liban	*5*	*7*	*40%*
Treasury Advances for Diesel Oil Subsidy 3/	*0*	*0*	-
Gasoline subsidy for taxi drivers 4/	*0*	*5*	-
Lebanese National Higher Conservatory of Music	*9*	*14*	*50%*
2. Contributions to the Non-Public Sector	**149**	**175**	**18%**
2a. Contributions to Non Profit Organizations , *of which:*	145	170	17%
Ministry of Education-Subsidized Schools	*40*	*90*	*124%*
Ministry of Youth and Sports (Sport Federations and Prizes for Athletes)	*1*	*4*	*220%*
Ministry of Public Health (Blood Bank and Medications through NGOs)	*6*	*8*	*29%*
Ministry of Social Affairs (Social care)	*90*	*55*	*-38%*

[33] As per decree 7566 dated February 22, 2012
[34] As per Decree 6960 dated 25/11/2011
[35] As per Decree 6959 dated 25/11/2011
[36] As per decrees 6960 and 6959.

2b. Contributions to Private Parties, *of which:*	4	6	51%
Ministry of Justice (Contributions to Canonical Tribunals)	*0*	*0*	*-*
Ministry of Public Health (Childhood, Elderly and Handicapped Centers)	*0*	*2*	*460%*
Ministry of Culture (Support to Art)	*2*	*1*	*-74%*
2c. Students Grants	*0*	*0*	*8%*
3. Assistance to the Public Sector	**97**	**56**	**-23%**
3a. Assistance for the Directorate General of Grains and Sugar Beetroot 5/	58	23	-60%
3b. Assistance to Public Institutions, *of which:*	15	31	113%
Institute of finance	*1*	*2*	*120%*
Railway and Public Transportation Authority	*9*	*10*	*10%*
Water Authorities	*23*	*18*	*-*
3c. Other Assistances to the Public Sector, *of which:*	1	2	61%
Ministry of Environment (Joint Projects with Municipalities)	*1*	*0*	*-100%*
4. Assistance to the Non-Public Sector	**0**	**0**	**-**
5.External Assistance	**1**	**0**	**-81%**
5a. Other External Assistance, *of which:*	1	0	-81%
Ministry of Environment	*1*	*0*	*-100%*
6. Membership Fees	**18**	**11**	**-40%**
6 a. Membership Fees in International and Regional Organizations, *of which:*	18	11	-40%
Ministry of Foreign Affairs and Emigrants	*3*	*5*	*53%*
Ministry of Public Health (mainly for vaccinations and health prevention policies)	*8*	*3*	*-58%*
7.Stoppings 6/, *of which:*	**56**	**7**	**-88%**
Treasury Advances 7/	*18*	*0*	**-**
Lebanese Civil Defense 8/	*22*	*6*	**-**
Total	**2,219**	**3,122**	**42%**

Source: DGF, MOF

1/ Contributions to Public Sector consist mainly of contributions made to Public Institutions. Assistance provided to certain Public Corporations, such as Tele-Liban and all governmental hospitals are also included under this heading.

2/ These payments were made from the guarantees account based on letters from the Presidency of the Council of Ministers.

3/ These payments were provided through the treasury advance issued from Decree 2986 dated January 1st, 2010.

4/ As per law 182 dated October 5th, 2011. This law provided a subsidy for taxi drivers for a period of three months amid increasing fuel and gasoline prices.

5/ This was a payment to subsidize the price of wheat from Decree 4947 dated September 4th, 2010.

6/Stoppings also known in Arabic as "Tawqifat" are usually deductions made by the Ministry of Finance from its payments to collect amount owed by the recipient to the Treasury for example, penalties on income tax, contributions to mutual funds, property tax, fiscal stamps etc. Stoppings also include adjustments to the accounting system that are captured by the fiscal performance system such as regularization in the budget system and process of (i) treasury advances made in previous years and (ii) payments to the Civil Defense from treasury deposit accounts.

7/ The expenditure figures as published by the Ministry of Finance include the regularization in the national budget system of treasury advances previously paid from treasury accounts. These regularizations are included on both the revenue and expenditure side for accounting purposes and do not constitute an actual spending that affects the deficit.

8/ Payments to the Lebanese Civil Defense are made from treasury accounts and more specifically deposits account. Consequently, at the end of the year, they are regularized to be included in the budget system.

Other Current Expenditures merely increased by LL 7 billion from LL 256 billion in Jan-Sep 2011 to LL 262 billion in Jan-Sep 2012. In this economic category, payments to hospitals increased by LL 18 billion[37] to reach LL 215 billion in Jan-Sep 2012, up from LL 197 billion during the same time period of 2011. Other current spending (which includes mainly compensatory payments to be made by the State following judgement issued by the State Council, reconciliation payments as well as electoral expenses) went down by LL 5 billion to reach LL 46 billion in Jan-Sep 2012 compared to LL 50 billion in Jan-Sep 2011. This is explained mainly by the decrease in expenses incurred by the Ministry of Health[38] from LL 11 billion in Jan-Sep 2011 to nil in Jan-Sep 2012.

[37] As per decree 8313 dated 14 June 2012, public hospitals were provided a LL 15 billion treasury advance to cover their financial expenses.

[38] As per Decree 4946 dated 4/9/2010 which provided a LL 15 billion treasury advance to cover reconciliation costs with hospitals.

Interest Payments

Total interest payments amounted to LL 3,868 billion for the first three quarters of the year, nearly 8 percent below the amount paid during the similar period in 2011. Indeed, the continuously prevailing low international yield environment helped the Republic reduce its average borrowing rates, hence refinance itself at lower cost domestically and in international capital markets. This translated into interest cost savings of LL 323 billion in the first three quarters of 2012.

Interest payments on local currency debt totalled LL 2,470 billion by end of September 2012, six percent below the interest dues in Jan-Sept 2011, explained by 7 percent lower coupon payments.

Indeed, **Coupon payments** on long term local currency T-bonds (interest paid on 24, 36, 60 & 84 months T-bonds) totalled LL 2,380 billion in Jan-Sept 2012 compared to LL 2,549 billion in Jan-Sept 2011. Note that coupon payments in Jan-Sept 2012 account for LL 58 billion of accrued interest on the early redemption of T-bonds paid in the context of an LL/FX debt Swap deal with BDL, in accordance with Law 2012[39]. The LL 169 billion saving on coupon payments is explained by 90 bps drop in the weighted average coupon rate, and this despite (i) a larger stock of outstanding long term T-bonds in Jan-Sept 2012 compared to that outstanding in Jan-Sept 2011, and (ii) a higher share for longer maturities. In fact, the share of the 60 and 84 months T-bonds has risen from 22 percent in Jan-Sept 2011 to 44 percent in Jan-Sept 2012, whereas the share of the 24 and 36 months T-bonds dropped from 78 percent to 56 percent in that same period. Therefore, in this low interest rate environment, the Republic succeeded in extending the maturity profile of domestic debt without incurring additional interest cost burden.

On the other hand discount interests on short-term T-bills (interest paid at maturity of 3, 6, & 12 months T-bills) amounted to LL 90 billion in Jan-Sept 2012, compared to LL 73 billion in Jan-Sept 2011, explained by nearly 53 percent larger stock of maturing short term T-bills in Jan-Sept 2012 (LL 3,512 billion) compared to the stock that matured in Jan-Sept 2011 (LL 2,302 billion).The impact of the increasing volume of maturing discounted bills on interest payments outweighed the impact of the drop in the weighted average discount rate from 4.69% in Jan-Sept 2011 to 4.51% in Jan-Sept 2012.

The increase in the volume of maturing discount bills in Jan-Sept 2012 stems from 91 percent higher volume of maturing 3 and 6 months T- bills. On the other hand, the volume of maturing 12 months T-bills in Jan-Sept 2012 dropped by nearly 12 percent[40]

The 18 bps decrease in the overall weighted average discount rate in Jan-Sept 2012 is due to a drop in the rate on the 12 months T-bills from an average of 5.21 percent in Jan-Sept 2011 to an average of 4.8 percent in Jan-Sept 2012.

[39] For further details about the June 2012 debt swap with BDL, please refer to Ministry of Finance Quarterly Report, QII 2012 Box 1 page 26. Note that coupon payments in Jan-Sept 2011 also account for accrued interests in the amounts of (i) LL 11.8 billion on the early *redemption of T-bonds* paid in the context of USD 265 million LL/FX swap operation with BDL in January 2011, and (ii) LL 48 billion in the context of an exchange of maturing T-bills into 7 years 7.9% T-bonds in April 2011.

[40] The share of maturing 12 months T-bills dropped from 38 percent in Jan-Set 2011 to 22 percent in Jan-Sept 2012; whereas the share of maturing 3 and 6 months T-bills rose from 62 percent in Jan-Set 2011 to 78 percent in Jan-Sept 2012.

Interest payments on foreign currency debt totalled LL 1,397 billion in Jan-Sept 2012, 11 percent less than the amount paid in Jan-Sept 2011 primarily explained by lower coupon payments on Eurobonds.

Indeed, Eurobond coupons (including fees & expenses) paid in the first three quarters of the year totalled LL 1,311 billion compared to LL 1,473 billion paid in the equivalent period of the previous year. In fact, the outstanding stock of market Eurobonds with coupon dues in 2011 carries an average coupon rate of 7.74%, whereas the outstanding stock of market Eurobonds with coupon dues in 2012 carries an average coupon rate of 7.26%, i.e. 48 bps lower average coupon rate. Therefore, the prevailing low international yield environment, which led to a tightening of the spreads on the Republic Eurobonds, has allowed an overall LL 162 billion savings on coupon dues in Jan-Sept 2012.

It is worth noting that Eurobond principal maturities in Jan-Sept 2012 are 44 percent lower than maturities in Jan-Sept 2011. This is the outcome of the proactive liability management exercise the Government undertook in November 2011, whereby it offered for exchange market maturing bonds in 2012 into 3 new issues, thereby (i) easing refinancing risk for 2012, and (ii) lowering refinancing cost, as these Notes were exchanged into lower coupons Notes[41].

Interest payments on C-loans in Jan-Sept 2012 totalled around LL 83 billion, compared to LL 93 billion in Jan-Sept 2012. Of this amount LL 33 billion are interest on C-loans for Budget support that goes into the Treasury accounts (largely pertaining to AFD loans in the context of PII & PIII), and around LL 49 billion are interest on C-loans to CDR (from EIB, AFESD, IDB, …) for investment purposes. Finally, Interest payments on FX bonds issued for expropriation, and for contractors totalled LL 4 billion in Jan-Sept 2012, slightly higher than the amount paid in Jan-Sept 2011.

[41] US$ 600 MN 7.500% due March 2012 Notes, US$ 600 MN 7.750% due September 2012 Notes, and €535.6 MN 5.875% due April 2012 Notes were exchanged into USD 500 MN 5.45% November 2019, USD 375 MN 6.60% November 2026 and €455 MN 5.35% due November 2018.

Table 20: Interest Payments

(LL billions)	Jan-Sept 2011	Jan-Sept 2012	% change
Interest Payments	**4,191**	**3,868**	-7.7%
Local Currency	**2,622**	**2,470**	-5.8%
Discount interest	73	90	23.7%
Coupon payment	2,549	2,380	-6.6%
Foreign Currency	**1,569**	**1,397**	-10.9%
Eurobond Coupon (incl. fees)	1,473	1,311	-11.0%
C-loans interest	93	83	-11.3%
Special Bond (exprop. & contract.)	3	4	35.1%
Memorandum Items:			
Domestic Currency Principal Maturities	**17,165**	**14,517**	**-15.4%**
Short- term (3-6-12)	2,302	3,512	52.5%
Long term (24-36-60-84)	12,495	8,048	-35.6%
Special transactions*	2,368	2,957	24.9%
Nb. of L/T T-bonds on which coupon was due	6,146,063,674	6,677,880,726	8.7%
Weighted average cost/Local currency			
Short- term (3-6-12)	4.69	4.51	-3.8%
Long term (24-36-60-84)	7.85	6.95	-11.5%
Foreign Currency Principal Maturities	**3,368**	**2,058**	**-38.9%**
Eurobonds	3,004	1,696	-43.6%
C-loans	364	362	-0.5%

Source: PDD tables, MOF

***Special transactions in 2011 account for the following:**

Jan 18th, 2011- USD 265 million 2022 reop. Eurobond 6.1% placed with BDL, which proceeds helped redeem LL 392 billion of maturing 36 months T-bonds with a LL 11.8 bn of accrued interest due.

Apr 21st, 2011- maturing T-bills were swapped into 7 years T-bonds in the amount of LL1,976 billion, with LL 48 bn of accrued interest due.

*** Special transaction in 2012 account for the following:**

June 12th Debt replacement with BDL whereby LL 2,957 BN of T-bonds were redeemed & LL 58 BN of accrued interest paid in exchange of the issuance of USD 2 BN Eurobondto BDL.

Capital Expenditures

Capital expenditures for Jan-Sep 2012 amounted to LL 440 billion, decreasing by LL 13 billion (3 percent) compared to the LL 453 billion recorded in Jan-Sep 2011. This decline was mainly the result of a decrease in Maintenance costs, Other expenditures related to fixed capital, and Parliamentary equipment and maintenance. This decrease was offset by an increase in Construction in Progress.

Construction in progress for Jan-Sep 2012 increased by 8 percent to LL 280 billion up from LL 260 billion in Jan-Sep 2011. This LL 20 billion rise was the mainly the combined effect of the following:

a) A LL 25 billion[42] increase in payments to the Displaced Fund in Jan-Sep 2012 up from LL 23 billion in Jan-Sep 2011.

b) A LL 10 billion increase (13 percent) in allocations to the Ministry of Public Works and Transport from LL 74 billion in Jan-Sep 2011 to LL 83 billion in Jan-Sep 2012, mainly caused by the following measures:

   i) A LL 21 billion increase on investment to expand the **port of Tripoli**[43].

   ii) A LL 4 billion higher spending under the Ministry's Program Law for the construction of **Tripoli's Palais de Justice**[44].

c) A LL 7 billion (7 percent) increase in payments to CDR, to reach LL 106 billion in Jan-Sep 2012, up from LL 99 billion in Jan-Sep 2011. This could be attributed to a LL 5 billion and a LL 6 billion increase in counterpart funding for foreign financed project construction of buildings respectively (mainly on behalf of the Ministry of Health). These were offset by an LL 8 billion decrease in maintenance of **Rafic Hariri International Airport.**

Table 21: Payments to CDR for Construction in Progress

(LL billion)	Jan-Sept 2011	Jan-Sept 2012
CDR Budget Payments [(1)], *of which:*	**82**	**79**
• *Counterpart funding for foreign financed projects*	73	78
• *Maintenance of Rafic Hariri International Airport*	9	1
Projects Executed on behalf of Line Ministries *of which* [(2)]	**17**	**24**
• *Roads*	8	9
• *Buildings*	9	15
Other	**0**	**3**
Total Payments to CDR for Construction In Progress	**99**	**106**

Source: MOF

(1) These payments include payments allocated yearly for CDR in the first part of the capital expenditure budget.

(2) These payments include payments allocated for line ministries on a multi-year basis in the second part of the capital expenditure budget payments or provided to them through treasury advances but are implemented on their behalf by CDR.

[42] These LL 48 billion were paid from the LL 120 billion allocated in the 2010 Budget Proposal and carried forward to 2011 and finally disbursed in Jan-Sep 2012.

[43] As per Decree 6813 dated November 15th, 2011

[44] As per decree 6494 dated October 8th, 2011.

d) The increase in Construction in Progress was slightly offset by a LL 4 billion decrease in payments to the Council of the South which amounted LL 30 billion in Jan-Sep 2012[45] compared to LL 34 billion in Jan-Sep 2011[46].

Maintenance payments decreased by 12 percent to LL 117 billion in Jan-Sep 2012 down from LL 133 billion in Jan-Sep 2011. This LL 15 billion drop was mainly the effect of a LL 7 billion decrease in payments to Ministry of Public Works and Transport which totaled LL 103 billion in Jan-Sep 2012[47] compared to LL 110 billion in Jan-Sep 2011.

Other expenditures related to fixed capital decreased by 75 percent to LL 8 billion in Jan-Sep 2012 down from LL 11 billion in Jan-Sep 2011, and similarly **Parliamentary equipment and maintenance** under capital expenditures dropped by LL 6 billion reaching LL 3 billion in Jan-Sep 2012, down from LL 9 billion in Jan-Sep 2011.

It is noteworthy that no transfers were made to IDAL for its Export Plus program during the first three quarters of 2011 and 2012.

[45] The LL 30 billion in Jan-Sep 2012 was paid from the 2011 Budget Proposal.
[46] The LL13 billion in HI 2011 was paid from the 2010 Budget Proposal.
[47] Of which LL 55 billion were paid through treasury advances as per Decree 6495 dated October 8th, 2011.

Treasury Expenditures

Treasury expenditures increased by 69 percent to LL 975 billion in Jan-Sep 2012 compared to LL 578 billion in Jan-Sep 2011. This LL 398 billion increase is primarily attributed to higher payment to **Municipalities** and Value Added Tax refund payments.

Payments to **municipalities** increased by 108 percent to LL 569 billion in Jan-Sep 2012 versus LL 274 billion in Jan-Sep 2011. The increase is explained by a LL 268 billion increase in payments of **revenues accruing to municipalities**, as shown in Table 21. These payments increased to LL 383 billion in Jan-Sep 2012[48] from LL 116 billion in Jan-Sep 2011 mainly because of payment timing issues.

Payments for solid waste management rose by 4 percent, hovering around LL 158 billion in Jan-Sep 2012 compared to LL 151 billion in Jan-Sep 2011.

Table 22: Payments to Municipalities

(LL billion)	Jan-Sept 2011	Jan-Sept 2012	%Change 2012/2011
Distribution of Revenues Accruing to Municipalities	116	384	230%
Payments for Solid Waste Management	151	158	4%
Payments to the "First Municipality Infrastructure" Project"	7	13	82%
Other Payments	0.1	15	17478%
Total Payments to Municipalities(1)	**274**	**569**	**108%**

Source: MOF, DGF

Under "**other**" Treasury expenditures, VAT refund increased by 73 percent to LL 182 billion during Jan-Sep 2012 from LL 105 billion during the similar period of 2011. In 2011, VAT refund claims were all frozen by the MOF administration as a result of a discovered fraud, which is currently being investigated by the Attorney General. . As such, taxpayers started to carry forward the VAT credit instead of submitting a refund claim.

[48] Almost all of the LL382 billion revenue distributed in Jan-Sep 2012 were on behalf of year 2010.

Special Focus: Social Expenditures

Social expenditures cover the basic social services of: health, education, retirement and end-of-service indemnities, transfers to the National Social Security Fund (NSSF), and other areas of intervention where the Government provides social allowances.

The social bill increased by 5 percent year-on-year, amounting to LL 3,182 billion in Jan-Sep 2012, up from LL 3,032 billion in Jan-Sep 2011. End-of-Service indemnities and retirement wages accounted for the highest share of social spending in Jan-Sep 2012, at 37 percent, increasing from their previous level of 36 percent in Jan-Sep 2011. Education spending followed with a share of 35 percent in Jan-Sep 2012, compared to a slightly lower share of 32 percent in Jan-Sep 2011, covering mainly the Ministry of Education and Higher Education salary and wage bill, education allowances for public sector employees and contributions to non-profit organizations also known as subsidies to private schools, and transfers to the Lebanese University. Lastly, health expenditures ranked third with 18 percent of social outlays in Jan-Sep 2012, decreasing from their share of 19 percent in Jan-Sep 2011.

The LL 150 billion increase in social spending recorded in 2012 is primarily explained by the combined effect of the following:

a) Spending on education increased by LL 138 billion mainly due to (1) LL 61 billion rise in education allowances in the private sector, (2) LL 52 billion increase in salaries and wages of the General Directorate of Technical Education[49], and (3) LL 50 billion increase in contributions to non-profitable organizations (private schools). These were slightly offset by an LL 11 billion decrease in wages and salaries of the General Directorate of Education.

b) End-of-Service indemnities and retirement wages increased by LL 87 billion from LL 1,099 billion in Jan-Sep 2011 to LL 1,186 billion in Jan-Sep 2012[50]. Transfers to the Civil Servants' Cooperative increased by LL 41 billion to reach LL 176 billion in Jan-Sep 2012 up from LL 135 billion in Jan-Sep 2011[51].

The total increase in social spending was weakened by a drop in spending in the following categories:

a) Transfers to the NSSF decreased by LL 70 billion, from LL 120 billion in Jan-Sep 2011 to LL 50 billion in Jan-Sep 2012 due to the timing of payments[52].

b) Purchases of medicaments decreased by LL 65 billion, amounting to LL 68 billion in Jan-Sep 2012 compared to LL 133 billion in Jan-Sep 2011[53].

c) Transfers to non-profitable organizations made by the Ministry of Social Affairs dropped by LL 33 billion to LL 57 billion in Jan-Sep 2012 down from LL 90 billion in Jan-Sep 2011.

[49] For details kindly refer to the "Salary and Wages and Related Benefits-Article 13 Report for September 2012.
[50] For details kindly refer to the "current expenditures section".
[51] For details kindly refer to the "Salary and Wages and Related Benefits-Article 13 Report for September 2012.
[52] For details kindly refer to the "Current primary expenditures" section.
[53] For details kindly refer to the "Current primary expenditures" section.

Table 23: Main Social Expenditures

(LL billion)	Jan-Sept 2011	Jan-Sept 2012	%Change 2011/2010
Health	**575**	**562**	**-2%**
• Hospitalization in the Private Sector	197	215	9%
• Purchase of Medication	133	68	-49%
• Hospitalization of Public Sector Employees in Private Sector	147	174	18%
• Maternity and Sickness Allowance	37	40	8%
• Other	61	65	8%
Education	**964**	**1,102**	**14%**
• Ministry of Education and Higher Education, *of which*:	803	880	10%
• *Wages and Salaries of the General Directorate of Education*	*488*	*477*	*-2%*
• *Wages and Salaries of the General Directorate of Higher Learning*	*1*	*1*	*-23%*
• *Wages and Salaries of the General Directorate of Technical Education*	*27*	*79*	*191%*
• *Transfers to the Lebanese University*	*196*	*197*	*0%*
• *Contributions to Non Profitable Organizations (Private Schools)*	*40*	*90*	*124%*
• Education Allowance in Private Sector	161	222	38%
Other Social Spending	**1,493**	**1,518**	**2%**
• Marriage Allowance	6	5	-10%
• Birth Allowance	3	4	23%
• Death Allowance	3	4	17%
• Other Social Spending Allowance	6	7	11%
• Participation in Several Mutual Funds	22	22	0%
• Ministry of Social Affairs, *of which*:	95	61	-36%
• *Transfers to Non-Profit Organizations*	*90*	*57*	*-36%*
• Ministry of the Displaced	4	5	15%
• Transfers to Civil Servants Cooperative	135	176	30%
• End-of-Service Indemnities and Retirement Wages	1,099	1,186	8%
• Transfers to the National Social Security Fund	120	50	-58%
Total Social Expenditures	**3,032**	**3,182**	**5%**

Source: MOF, DGF

Section IV: Public Debt Developments

Public Debt: General Facts

Gross public debt amounted to LL 84,521 billion (US$ 56.1 billion) by the end of September 2012, up by LL 3,634 billion (4.5 percent) from its end-2011 level. This rise resulted from an increase in both, domestic currency and foreign currency debt, by LL 755 million and LL 2,879 billion respectively.

In parallel, public sector deposits recorded a LL 1,399 billion (12.7 percent) expansion during the first three quarters of 2012, leading to an increase in public net debt[54] by LL 2,235 billion (3.2 percent) to LL 72,138 billion (US$ 47.9 billion).

Table 24: Public Debt Outstanding as of end-September 2012

(LL billion)	Dec-10	Dec-11	Sept-12	Change Dec11 – Sept12	% Change Dec11 – Sept12
Gross Public Debt	*79,298*	*80,887*	*84,521*	*3,634*	*4.5%*
Net Debt	*67,879*	*69,903*	*72,138*	*2,235*	*3.2%*
Gross Market Debt[(1)]	*51,308*	*50,192*	*54,678*	*4,486*	*8.9%*

Source: Ministry of Finance, Banque du Liban

[(1)] Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

[54] The stock of net public debt equals the stock of gross public debt minus public sector deposits.

Local Currency Debt

Local currency debt registered a LL 755 billion increase, standing at LL 50,095 billion compared to end-December 2011. The share of local currency debt to total debt however decreased to 59 percent in September 2012, compared to 61 percent in end of year 2011 (including accrued interest). This two percentage point decrease is mainly attributed to a higher increase in foreign debt, driven by the "Debt Replacement Agreement" conducted on June 12, 2012 (for details on this transaction, kindly refer to Box 2 in the QII 2012 Public Finance Report) which contributed to shifting the composition of debt. The decrease in domestic currency debt from this transaction was mitigated by the first time ever issuance of 10-year Treasury Bonds. A total of LL 1,151 billion Treasury bonds were issued at a rate of 8.24 percent in the auction the week of 20 September 2012.

By holder, commercial banks remained the largest holders of local currency debt with 51.8 percent of holdings by end-September 2012, slightly higher than the 51.0 percent share of holdings recorded in end-December 2011. This is in line with a 3.0 percent (LL 747 billion) rise in their portfolio of Treasury Bills and Bonds.

Banque du Liban's holdings of local currency debt decreased by LL 295 billion by the end of QIII 2012, accounting for a 32.1 percent share of local currency debt, down from 33.2 percent at the end of December 2011. This is partly due to the Debt Replacement Agreement conducted with the Ministry of Finance.

Holdings of local currency debt by "other" holders increased by LL 294 billion since the end of 2011 and noted a 0.3 percentage point increase in their share of local currency debt which stood at 16.1 percent. In this category, public institutions' holdings of TBs were LL 196 billion (or 3.0 percent) higher, and saw their share of local currency debt increase by 0.2 percent to reach 13.4 percent. Contractor bonds stood at LL 134 billion by end-September 2012 compared to LL 41 billion at end-2011. This is due to the issuance of 5-year contractor bonds by the Lebanese Republic on May 5th and August 2nd 2012 - both at a rate of 6 percent - for a total amount of LL 59 billion and LL 34 billion respectively.[55]

Historically, the largest subscribers of TBs are commercial banks. They continued to be this quarter, capturing 61 percent of total accepted offers in QIII 2012, although demonstrating lower appetite compared to QII 2012 at 68 percent of subscriptions yet higher than in QI 2012 with 43 percent of accepted offers. In contrast, the central bank had a higher share of subscriptions in QIII 2012 with 24 percent of accepted offers compared to 14 percent in QII 2012, yet lower than its 40 percent captured share in QI 2012. Public institutions' share slightly decreased to reach 13 percent, down from almost 15 percent in both QI and QII 2012. On a cumulative level, during the first nine months of 2012, commercial banks captured 57 percent of subscriptions, followed by Banque du Liban with 26 percent of subscriptions, and then public institutions with 14 percent. This reflects a marked change from subscription

[55] These issuances are pursuant to Law No. 69 dated April 23, 2009 and to Council of Ministers Resolution No. 96 dated June 18, 2009.

rates throughout January to September 2011, during which the central bank subscribed to 52 percent, followed by commercial banks and public institutions subscribing respectively to 28 percent and 18 percent of accepted offers.

By instrument, the stock of long-term bonds increased by LL 1,194 billion (2.6 percent) to LL 47,706 billion by the end-September 2012 compared to the end-December 2011 level. In contrast, the portfolio of short-term treasury bills receded by LL 394 billion (15.3 percent), to LL 2,189 billion from LL 2,583 billion by end-2011.

The increase in the stock of long-term Treasury bonds over the period is largely attributable to a LL 1,388 billion (11.8 percent) increase in 5YR bonds and a LL 1,151 billion one time issuance of 10 YR bonds, which was partially offset by a LL 1,489 billion decrease in 3YR bonds partly due to the Debt Replacement transaction (for details on this transaction, kindly refer to Box 2 in the QII Public Finance Quarterly). Although 3YR Treasury Bonds saw the most exacerbated decline, they remain the largest TB instrument category with a 41.2 percent share of local currency debt. Despite the Debt Replacement Agreement which redeemed LL 2,411 billion of 5YR bonds, the stock of 5YR Bonds increased, reflecting an accumulated surplus of LL 3,657 billion and the second largest share of accepted offers (24 percent) obtained in the auctions during the first nine months of 2012.

The stock of short-term bills receded by LL 394 billion, mainly driven by a decrease in the portfolio of 6MN bills of LL 353 billion (22.5 percent) by the end of September 2012 from LL 1,569 billion by the end of 2011.

Subscriptions in the Auctions:

The majority of subscriptions during the QIII 2012 auctions were in long-term instruments (2YR, 3YR, 5YR and 10YR Treasury bonds) with a share of 82 percent of subscriptions compared to 80 in QII 2012 and 76 percent in QI 2012. On a cumulative level, long-term instruments accounted to 80 percent of subscriptions during the January to September 2012 compared to 75 percent during the same period of 2011. The share of short-term instruments decreased from 24 percent in QI 2012 to 20 percent during the QII 2012, and further to 18 percent in QIII 2012.

On an instrument level, 3YR bonds accounted for the highest share of total subscriptions in QIII 2012 with a share of 43 percent, compared to 38 percent and 32 percent respectively in QII and QI 2012. In second place, 10YR bonds captured 19 percent of subscriptions in QIII 2012. The share of 5YR bonds decreased from 30 percent in both QI and QII 2012 to 14 percent in QIII 2012. Six-month Treasury bills remained in fourth place with a higher share of subscriptions at 13 percent in QIII 2012 up from 9 percent and 11 percent in respectively QII and QI 2012. During the first nine months of 2012, 3YR bonds held 38 percent of subscriptions followed by 5YR bonds with 24 percent, 6MN bills with 11 percent, 2YR bonds with 10 percent, 10 YR with 8 percent, and 12MN and 3MN with respectively 5 percent and 4 percent. In the first nine months of 2011, 5YR bonds captured 30 percent of subscriptions, followed by 3YR bonds with 28 percent, 2YR bonds with 17 percent, 6MN bonds with 14 percent, 12MN bills with 6 percent and 3MN bills with 4 percent.

The share of long term domestic currency debt reached 95.2 percent by end-September 2012, from 94.3 percent nine months earlier whereas the share of short term bills in the total stock of LL debt slightly inched down from 5.2 percent by the end of 2011 to 4.4 percent by the end of QIII 2012. Despite the decline in their stock, 3YR bonds still accounted for the highest share of LL debt by the end of September 2012, at 41.2 percent down from 44.9 percent by the end of 2011. Five-year bonds followed with a share of 26.3 percent compared to 23.9 percent by the end of 2011. The share of 2YR bonds increased from 8.1 to 8.3 percent over the period. The share of 7YR bonds compared to total LL debt remained relatively unchanged at 16.0 percent in end of 2011 compared to 15.7 percent in QIII 2012.

Table 25: Domestic Currency Debt by Holder and Instrument as of end-September 2012

Stocks (end of period)	Dec-09	Dec-10	Dec-11	Sept-12	Change Dec 11 - Sep 12	% Change Dec 11 - Sep 12
Local currency debt	44,973	48,255	49,340	50,095	755	1.53%
A. By Holder						
1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)[1]	10,334	13,130	16,374	16,079	-295	-1.80%
2. Commercial Banks	27,286	27,214	25,177	25,933	756	3.00%
3. Other local debt (T-bills)	7,353	7,911	7,789	8,083	294	3.77%
o/w Public entities	*6,078*	*6,268*	*6,538*	*6,734*	196	3.00%
o/w Contractors[2]	*0*	*0*	*41*	*134*	93	226.83
**Accrued interest included in debt*	*999*	*867*	*788*	*764*	-24	-3.05%
B. By Instrument						
1. Long term bonds	40,842	43,805	46,512	47,706	1,194	2.57%
10-year bonds	0	0	0	1,151	1,151	-
1.1 7-year bonds	0	1,500	7,885	7,885	0	-
1.2 5-year bonds	5,036	7,310	11,779	13,167	1,388	11.78%
o/w Contractors[2]	0	0	41	134	93	226.83
1.3 4.5-year bonds	0	0	0	0	0	-
1.4 4-year bonds	0	0	0	0	0	-
1.5 3-year bonds	31,908	30,782	22,129	20,640	-1489	-6.73%
1.6 2.5-year bonds	0	0	0	0	0	-
1.7 2-year bonds	2,989	3,398	3,972	4,134	162	4.08%
1.8 Coupon interest	909	815	747	729	-18	-2.41
2. Short term bills	3,735	4,155	2,583	2,189	-394	-15.25%
2.1 12-month bills	2,073	1,969	887	872	-15	-1.69%
2.2 6-month bills	1,510	2,111	1,569	1,216	-353	-22.50%
2.3 3-month bills	152	75	127	101	-26	-20.47%
** Accrued interest included*	90	52	41	35	-6	-14.63%
3. Other local debt	396	295	245	200	-45	-18.37
3.1 Central Bank Loans	291	218	139	85	-54	-38.85%
3.2 Commercial Banks Loans	105	77	106	115	9	8.49%

Source: Ministry of Finance, Banque du Liban

Notes:
[1] *In November 2003 and July 2004, BDL extended two loans to EDL, of amount LL 300 billion and LL 150 billion respectively, to finance the payment of electricity bought from Syria. The amortization schedule ends in 2013. These loans are listed as public debt as they are government guaranteed.*
[2] Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency" in the foreign currency debt table

Primary market interest rates

After a stable interest rate climate on issued Treasury bills and bonds for much of 2010 and 2011, rates increased by an average of 52 basis points across the curve by the end of March 2012, compared with end-2011 levels. Rates were generally stable since then. As of end-September 2012, 5YR Treasury bonds had witnessed the largest rate increase with a 56-bps increase since end-2011. The yield curve was extended in September 2012 due to the 8.24 percent rates of the newly-issued 10-year Treasury bonds.

Table 26: Evolution of Primary Market Rates

Maturity (1)	Dec. 31, 2008 (3)	Dec. 31, 2009	Dec. 31, 2010	Dec. 31st, 2011	Sept. 30, 2012
3-month	5.10 percent	4.55 percent	3.93 percent	3.93 percent	4.44 percent
6-month	7.11 percent	5.72 percent	4.52 percent	4.50 percent	4.99 percent
12-month	7.57 percent	5.73 percent	4.81 percent	4.81 percent	5.35 percent
2-year	8.22 percent	6.32 percent	5.34 percent	5.34 percent	5.84 percent
3-year	8.98 percent	7.10 percent	5.94 percent	5.94 percent	6.50 percent
5-year (2)	N/A	7.74 percent	6.18 percent	6.18 percent	6.74 percent
10-year(4)	N/A	N/A	N/A	N/A	8.24 percent

Source: Ministry of Finance

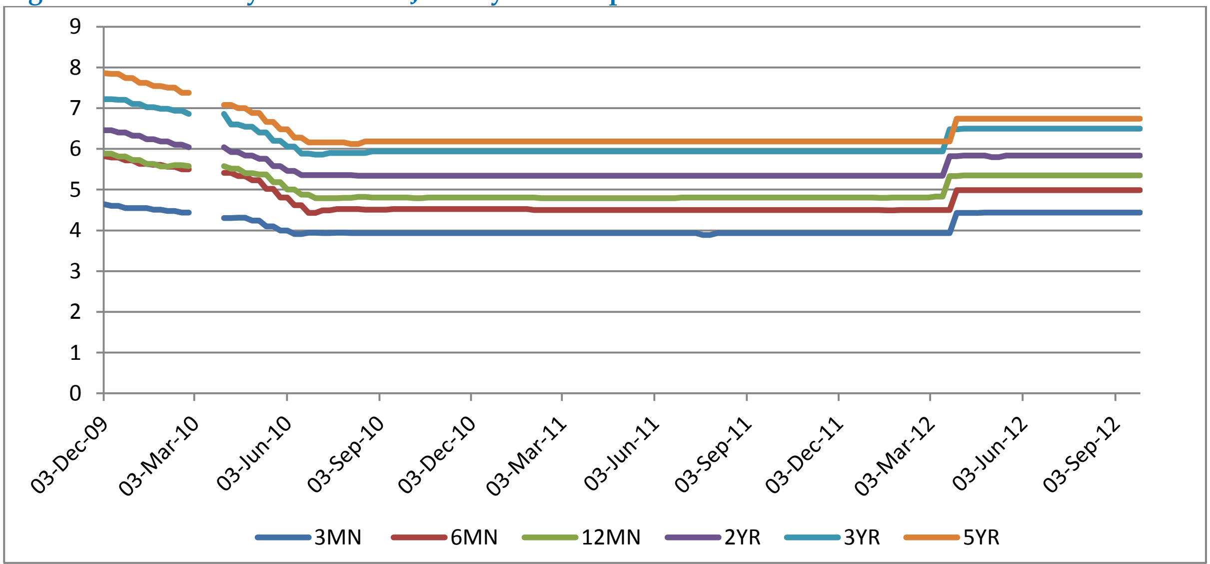
(1) 7-year Treasury bonds were introduced in December 2010 under the LBP Medium-Term Note Program with a coupon of 7.90 percent. 7-year bonds were also issued as part of a special scheme in March 2011 and April 2011 with a coupon of 7.90 percent. These bonds do not feature in this table, as they were not issued in the regular auction process.

(2) 5-year Treasury bonds started being issued as part of the Treasury Bill Auction Process as of the week of July 20 2009 (value date 23 July 2009).

(3) Reflects rate of the auction the week of 29 December 2008, value date 1 January 2009.

(4)10-year Treasury bonds were issued on a one time basis, during the weekly auction of September 20, 2012

Figure 3: TB Yield by Instrument January 2011–September 2012



Source: Ministry of Finance

Notes:

(1) LL auctions were halted for the month of March 2010.

(2) 10-year Treasury bonds were issued on 20 September 2012 at a rate of 8.24 percent. This instrument was issued at auction but does not appear in the above graph since it is not part of the regular auction calendar.

Foreign Currency Debt

Foreign currency debt stood at LL 34,426 billion by the end of September 2012, increasing by LL 2,879 billion (9.1 percent) from the LL 31,547 billion recorded as at end-2011. This expansion was mainly a result of two debt transactions that were concluded in April and June respectively; the first transaction was a market-issuance of US$ 950 million. The second shifted the debt currency composition involving a US$ 2 billion issuance in the context of a "Debt Replacement Agreement" between the Ministry of Finance and Banque du Liban, *(Kindly refer to Box II in the QII 2012 Public Finance Quarterly).*

Table 27: Foreign Currency Debt by Holder and Instrument as of end-Sept 2012

(in LL billion)	Dec-10	Dec-11	Sept-12	Change	% Change Year-to-date
B. Foreign currency debt	**31,043**	**31,547**	**34,426**	**2,879**	**9.13%**
4. Eurobonds	**26,738**	**27,490**	**30,442**	**2,953**	**10.74%**
Of which, Paris II at preferential rates[1]	3,677	3,161	2,851	(311)	-9.82%
Of which, Paris III at preferential rates[2]	709	663	317	(347)	-52.21%
Of which, market-issued Eurobonds	21,870	23,258	26,672	3,414	14.68%
** Accrued Interest on Eurobonds*	*483*	*407*	603	196	48.16%
5. Loans	**4,231**	**3,977**	3,878	(99)	-2.51%
5.1 Paris II loans	460	351	273	(78)	-22.22%
5.2 Paris III loans[3]	1,147	1,060	978	(82)	-7.77%
5.3 Bilateral loans (non-Paris II and III)	723	766	854	87	11.37%
5.4 Multilateral loans (non-Paris II and III)	1,877	1,781	1,759	(23)	-1.28%
5.5 Foreign Private Sector Loans	24	18	15	(3)	-16.67%
6. Other debt	**74**	**80**	**106**	**26**	**32.50%**
6.1 Special Tbs in Foreign currency[4]	74	80	106	26	32.50%

Source: Ministry of Finance, Banque du Liban

Notes:

[1] 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. These bonds have an amortized payment structure.

[2] Issued to Malaysia as part of its Paris III contribution. These bonds have an amortized payment structure.

[3] IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.

[4] Special Tbs in Foreign currency (expropriation and contractor bonds)

The 9.1 percent increase in foreign currency debt was largely due to a LL 2,953 billion expansion in the **Eurobond portfolio** to LL 30,442 billion by the end of September 2012. This build-up in the value of outstanding Eurobonds resulted from two new issuances, worth US$ 950 million and US$ 2 billion that took place in April and June, respectively. This overshadowed the portfolio's decrease due to the repayment of US$ 293 million remaining from the March 2012-due US$ 600 million market-issued Eurobond (the remaining amount was exchanged in the November 2011 voluntary exchange transaction), the repayment of € 115 million remaining from the April 2012-due € 536 million market-issued Eurobond, and the repayment of US$ 238 million of the September 2012-due Eurobond (with the first portion redeemed in the November 2011 voluntary exchange transaction).

Paris III related Eurobonds dropped by LL 347 billion equivalent to 52.2 percent, to LL 317 billion by the end of September 2012 from LL 663 billion by the end of December 2011. This decrease was a result of four principal repayments in January and July 2012 on two Paris III-issued Eurobonds with amortized payments structures[56]: (i) Two principal repayments, US$ 15 million each, on the Eurobond due July 2017 originally issued at US$ 300 million; and (ii) two principal repayments, US$ 100 million each, which conclude the redemption of the Eurobond due July 2012 originally issued at US$ 200 million.

Eurobonds issued in the context of Paris II also decreased by LL 311 billion, equivalent to 9.8 percent, to LL 2,851 billion by the end of September 2012 from LL 3,161 billion by the end of 2011. This drop was a result of the following amortized principal repayments throughout the three quarters of the year: (i) Two US$ 35 million payments in March and September 2012 on Paris II March 2018 Eurobond originally issued at US$ 700 million; (ii) US$ 10 million in May 2012 on Paris II 5.00 percent May 2018 Eurobond originally issued at US$ 200 million; (iii) USD 93.5 million in June 2012 on Paris II 4.00 percent December 2017 Eurobond originally issued at US$ 1,870 million; and (iv) US$ 32.5 million in June 2012 on Paris II 5.00 percent due December 2017 originally issued at US$ 950 million.

In contrast to the expanding Eurobond portfolio, a relatively small decline was recorded in value of **foreign currency loans**. Concessional loans stood at LL 3,878 billion by the end of September 2012, down by 2.5 percent from LL 3,977 billion at end-2011.

a) The stock of Paris III loans dropped by LL 82 billion equivalent to 7.8 percent, to reach LL 978 billion by the end of September 2012, compared to LL 1,060 billion at end-2011. This decline is primarily due to (i) the quarterly principal repayments in January and April 2012 of the equivalent of SDR 6.3 million each on the IMF EPCA I loan which completed repayments on this loan; (ii) the quarterly principal repayments in February, May, and August 2012 of the equivalent of SDR 3.2 million each on the IMF EPCA II loan[57]; (iii) US$ 15 million principal repayment to the UAE Paris III loan; (iv) and the third principal repayment of the Arab Monetary Fund (AMF) loan redeemed in June 2012 with a value of AAD 1.365 million.

b) In parallel, the stock of Paris II loans declined by LL 78 billion, equivalent to 22 percent, amounting to LL 273 billion by the end of September 2012, following redemption of € 40 million of the *Agence Française de Développement (AFD)* Paris II loan, € 20 million in each of February and August 2012.

c) The stock of foreign private sector loans declined by LL 3 billion, equivalent to 16.7 percent, to LL 15 billion by the end of September 2012.

d) Likewise, the stock of non-Paris II and Paris III multilateral loans decreased by LL 23 billion equivalent to 1.3 percent, amounting to LL 1,759 billion by the end of September 2012 compared to LL 1,781 billion by the end of 2011.

   This decrease was mainly due to the following principal repayments: (i) LL 46 billion to the the International Bank for Reconstruction and Development (IBRD), (ii) LL 34 billion to the Arab Fund for Economic and Social Development (AFESD), (iii) LL 32 billion to the European Investment Bank, (iv) LL 30 billion to the Islamic Development Bank, (v) LL 3 billion to the Organization of Petroleum Exporting Countries (OPEC) and (vi) LL 2 billion to the International Fund for Agricultural Development (IFAD). The stock of non-Paris II and Paris III bilateral loans

[56] For more information as to the structure of these bonds, kindly refer to the note "Re-Profiling of Debt Held by Central Bank of Malaysia "accessible here: http://www.finance.gov.lb/Reports+and+Publications/Reports+Related+to+Paris+III+Conference/Agreements+with+Donors/. This is also summarized in "Box 2: Debt Re-profiling with Malaysia" in the Public Finance Quarterly Report for QIII 2007.

[57] The IMF EPCA II loan is amortized through eight quarterly payments of SDR 3,171,875 each, starting February 16th, 2012 and ending on November 18th, 2013.

increased by LL 87 billion equivalent to 11.4 percent to LL 854 billion by end-September 2012 compared to LL 766 billion by the end of 2011. This expansion was recorded against principal repayments worth: (i) LL 15 billion to the Saudi Fund for Development, (ii) LL 14 billion to the Kuwait Fund for Arab Economic Development, (iii) LL 13 billion to the Japan Bank for International Cooperation, and (iv) LL 8 billion to *Agence Française de Développement*.

With respect to other debt in foreign currency, the stock of special T-bills in foreign currency increased by LL 26 billion during the first three quarters of 2012, to reach LL 106 billion at end-September, compared to LL 80 billion nine months earlier. This pertains to US$ 16,516,566 worth of expropriation bonds that were issued on January 23, 2012 at a rate of 4.7 percent, coming due 2017, pursuant to Law #450 dated July 29, 2002 (amending Law #95 dated June 18, 1999).

Table 28: Lebanon Secondary Market Yields

	Bid Yield (%)					
Lebanese Issues	**29-Jun 12**	**27-Jul 12**	**8-Aug 12**	**27-Aug 12**	**17-Sept 12**	**28-Sept 12**
EURO						
LEB 5.350 18	5.25	5.73	5.44	5.69	5.35	5.15
US Dollars						
LEB 9.125 13	3.70	3.71	5.13	5.27	3.79	2.81
LEB 8.625 13	3.80	3.42	4.39	5.24	3.50	2.57
LEB 7.375 14	4.41	4.22	4.62	5.25	4.18	3.73
LEB 9.000 14	4.52	4.35	4.71	5.20	4.15	3.81
LEB 5.875 15	4.60	4.84	4.77	5.14	4.16	4.02
LEB 4.000 17 Av Life	4.31	4.53	4.85	4.86	4.43	4.43
LEB 10.000 15	4.35	5.04	4.89	4.86	4.25	4.13
LEB 8.500 15	4.63	5.06	4.81	4.80	4.17	3.99
LEB 8.500 16	4.77	5.27	5.28	5.24	4.69	4.53
LEB 11.625 16	4.73	5.40	5.62	5.56	4.81	4.76
LEB 4.750 16	5.01	5.55	5.42	5.43	4.95	4.82
LEB 5.000 17	5.22	5.50	5.39	5.57	5.11	5.06
LEB 9.000 17	5.13	5.48	5.48	5.60	5.10	4.90
LEB 5.150 18	5.43	5.67	5.48	5.63	5.34	5.15
LEB 6.000 19	5.51	5.91	5.82	6.00	5.41	5.23
LEB 5.450 19	5.62	5.87	5.96	6.14	5.71	5.53
LEB 6.375 20	5.76	6.04	6.21	6.42	5.87	5.71
LEB 8.250 21	5.92	6.25	6.42	6.59	6.05	5.82
LEB 6.100 22	6.10	6.27	6.28	6.37	5.93	5.83
LEB 7.000 24	6.32	6.46	6.59	6.76	6.29	6.19
LEB 6.600 26	6.45	6.65	6.72	6.88	6.41	6.38

Source: Credit Suisse

Following a 46 bps jump in QII 2012 secondary market yields **continued to increase until the end of August before recording a** slide and ending the third quarter of 2012[58] down by an average 33 bps from June. The overall quarterly decline was similar to that recorded in the previous year when yields decreased by an average 58 bps between June and September 2011.

[58] Calculated on USD Eurobonds between June 29th, 2012 and September 28th, 2012.

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