

General Overview

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The prevailing slow economic performance and the spill-overs of the regional unrest was reflected on the **total fiscal balance** which registered a deficit of LL 4,885 billion by end-November 2015 compared to a lower deficit of LL 4,559 billion in the same period of 2014. The fiscal results were mainly the product of a 6 percent (LL 799 billion) drop in revenues that outdid the 3 percent (LL 472 billion) drop in expenditures. The decrease in revenues was mostly due to a one-off transfer of telecom in 2014 and lower oil prices causing revenues from import-related taxes to contract. The decrease in oil prices also affected the expenditure side with a considerable drop of 41.7 percent related to EDL transfers. Interest payments however, witnessed a hike of 6 percent. Gross public debt followed the same trend with an increase of 5.8 percent on both local currency and foreign currency levels, by almost 6 percent each.

Nonetheless, the primary surplus slightly improved to LL 1,602 billion in Jan-Nov 2015 from a smaller surplus of LL 1,545 billion in the same period of 2014.

Table 1: Summary of Fiscal Performance

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
Total Budget and Treasury Receipts¹	14,179	13,380	-5.6%
Total Budget and Treasury Payments, of which	18,738	18,266	-2.5%
•Interest Payments	5,845	6,184	5.8%
•Concessional loans principal payment ²	259	304	17.3%
•Primary Expenditures ³	12,634	11,778	-6.8%
Total (Deficit)/Surplus	-4,559	-4,885	7.2%
Primary (Deficit)/Surplus	1,545	1,602	3.7%

Source: Ministry of Finance, Directorate General of Finance

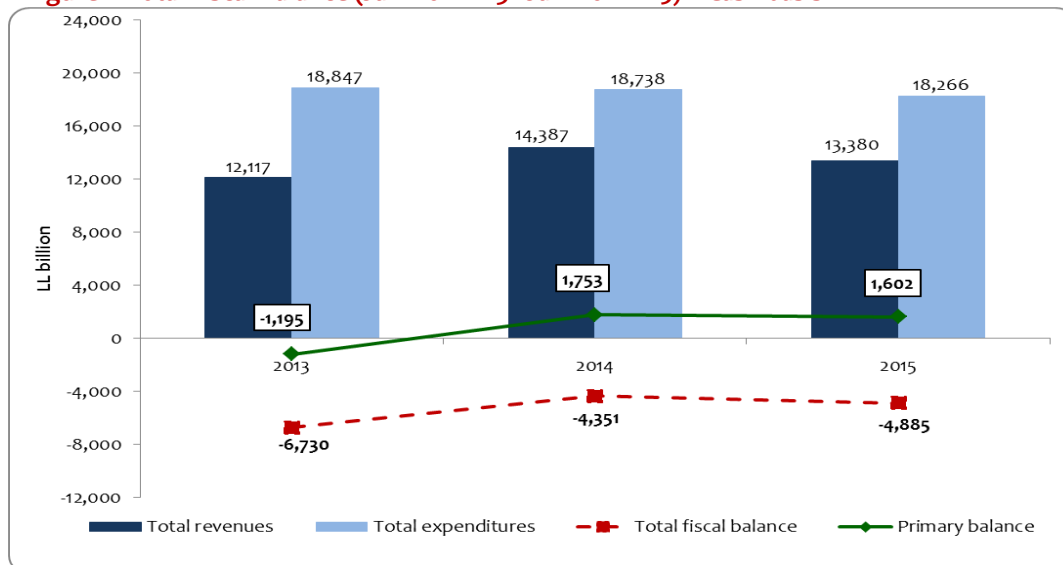
¹ Transfers from the Telecom Surplus in 2015 are recorded on a cash basis in the Fiscal Performance, whereas for previous years, they remain those that were estimated at the time by the Ministry of Telecommunication and MOF.

² Includes only Principal repayments of concessional loans earmarked for project financing

³ Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

On a **cash basis** - i.e. after removing the Telecom transfers that were calculated on an accrual basis (LL 1,772 billion) from the fiscal figures of Jan-Nov 2014, and including the period's actual transfers (LL 1,980 billion), the change in the total deficit shows an increase of LL 534 billion (12 percent) year-on-year by end-November 2015. This weaker fiscal performance compared to accrual accounting, highlights the collection of Telecom arrears in 2014 and the resulting inflation in the period's revenues. In parallel, primary balance cash-basis calculations show a lower surplus of LL 1,602 billion by end-November 2015, compared a surplus of LL 1,753 billion in the same period of 2014.

Figure 1: Total Fiscal Balance (Jan-Nov 2013 - Jan-Nov 2015) – Cash basis^{1/}



Source: Ministry of Finance, Directorate General of Finance

^{1/} On a cash basis, transfers from the Telecom Surplus were LL 972 billion in Jan-Nov 2013, LL 1,980 billion during Jan-Nov 2014 and LL 1,760 billion in Jan-Nov 2015.

Revenues

Total revenues¹ amounted to LL 13,380 billion in Jan-Nov 2015 compared to LL 14,179 billion, representing an annual deterioration of LL 799 billion (6 percent). Aside from one-off collections of telecom revenues in 2014, lower commodity prices negatively weighted on import related taxes during 2015 and the sluggish performance of the real estate sector weakened property tax collections.

Tax revenues dropped by LL 48 billion to LL 9,674 billion by end-November 2015, mainly due to a drop in **value-added tax** by LL 125 billion (4 percent), reflecting lower VAT at customs (LL 188 billion) outweighing a LL 62 billion increase in VAT collected internally. In addition, **real estate registration fees** diminished by LL 90 billion (12 percent), mirroring an 11 percent drop in the number of sold properties during this period, and **customs** retreated by LL 49 billion (7 percent) over the period under consideration. The latter decreases were slightly counteracted by increases in **taxes on income, profits and capital gains** (LL 81 billion) and **excises** (LL 72 billion).

Non-tax revenues² increased by LL 51 billion (2 percent) year-on-year to LL 2,999 billion in Jan-Nov 2015, primarily as a result of an LL 90 billion (61 percent) higher **Passport fees**. Of other non-tax revenues, **property income** dropped by LL 33 billion, **Vehicle Control Fees** by LL 29 billion and **revenues from Port of Beirut** by LL 22 billion.

Treasury receipts dropped by LL 802 billion (53 percent) to reach LL 707 billion by end-November 2015, mainly as a result of an exceptional LL 673 billion collection of Telecom revenues on behalf of municipalities in July 2014.

Expenditure

Total expenditures retracted by LL 472 billion to reach LL 18,266 billion in Jan-Nov 2015 compared to LL 18,738 billion in the same period of 2014.

¹ Transfers from the Telecom Surplus in 2015 are recorded on a cash basis in the Fiscal Performance, whereas for previous years, they remain those that were estimated at the time by the Ministry of Telecommunication and MOF.

² Idem

Current primary expenditures³ dropped by LL 813 billion to reach LL 9,571 billion by end-November 2015, compared to LL 10,384 billion in 2014. This was mainly the result of a decrease in (i) **transfers to EDL** by LL 1,137 billion as cost of petroleum imports decreased due to the drop in international oil prices, (ii) **transfers to NSSF** by LL 100 billion, and (iii) **transfers to Directorate General of Cereals and Beetroot** by LL 60 billion. **Medicaments** and **Higher Council of Relief** decreased by LL 40 billion and LL 27 billion in the first eleven months of 2015, respectively. These drops were partially counterbalanced by (i) a LL 256 billion increase in **retirement and end-of-service** compensation, and (ii) a LL 183 billion increase in payments to **salaries, wages and social benefits** mainly driven by LL 77 billion higher allowances to the army personnel, LL 62 billion increase in basic salaries of army personnel, and a LL 51 billion rise in basic salaries to the education personnel.

Interest payments amounted to LL 6,184 billion by end-November 2015, increasing by LL 339 billion from LL 5,845 billion in Jan-Nov 2014. This was the result of higher debt service payments on both the domestic and foreign currency components by LL 332 billion and LL 7 billion, respectively. **Foreign debt principal repayments** registered a 17 percent (LL 45 billion) increase, reaching LL 304 billion in Jan-Nov 2015.

Capital expenditures retreated by LL 11 billion to reach LL 716 billion in Jan-Nov 2015, mainly due to a LL 24 billion drop in construction in progress. More specifically, payments for CDR, the Displaced Fund, and the Council of the South dropped by LL 27 billion, LL 20 billion and LL 10 billion respectively. In addition, spending on maintenance decreased by LL 19 billion from LL 132 billion in Jan-Nov 2014. These decreases were partly offset by a LL 59 billion increase in spending on Higher Council of Relief and LL 27 billion higher spending in other expenditure related to Fixed Capital Assets.

Treasury expenditures⁴ decreased by LL 21 billion to reach LL 1,220 billion in Jan-Nov 2015 compared to LL 1,241 billion in the same period of 2014. This was mainly the result of an LL 87 billion decline in payments to Municipalities, and a LL 49 billion decrease in guarantees. These decreases were partly counterbalanced by a LL 108 billion rise in deposits alongside a LL 14 billion increase in VAT refund.

Public Debt

Gross public debt amounted to LL 106,181 billion at end-November 2015, up by LL 5,825 billion (5.8 percent) from end-2014. Net debt increased by 6.3 percent (LL 5,482 billion) to LL 91,873 billion, while public sector deposits increased by LL 343 billion (2.5 percent) to LL 14,308 billion.

Local currency debt reached LL 65,299 billion, adding 5.7 percent from end-2014. Local currency debt holdings by the Central Bank increased by LL 4,043 billion, followed by other holders of local currency debt (including public entities, financial institutions, and the general public) with an increase of LL 517 billion, while holdings by Commercial Banks contracted by LL 1,013 billion to LL 30,455 billion.

The stock of **foreign currency debt** recorded an expansion of LL 2,278 billion to reach LL 40,882 billion by end-November 2015. Outstanding market Eurobonds increased by LL 3,248 billion or almost 10 percent to reach LL 35,832 billion. Outstanding market

³ Current primary expenditures represent current expenditures excluding interest payment and debt service.

⁴ Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the same section appearing in the fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts, which are manually reclassified in their budgetary economic classification articles.

Eurobonds were boosted by new issuances in February and November 2015. In the month of November, the Ministry of Finance conducted a US\$ 1.6 billion Eurobond transaction⁵ that entailed a voluntary early exchange of its outstanding US\$ 750 million US\$ 8.500% Eurobond due January 2016, and the issuance of new debt. The exchange portion of the transaction amounted to around US\$ 318 million, whereas the new cash issuance was around US\$ 1.28 billion. The notes under which the exchange and new cash were issued consisted of: (i) US\$ 500 million 6.25 percent coupon Notes due November 2024, (ii) US\$ 500 million 6.65 percent coupon Notes due November 2028, and (iii) US\$ 600 million 7.05 percent coupon Notes due November 2035. Of other foreign currency instruments, Eurobonds and loans issued in the context of Paris II and Paris III conferences decreased by LL 374 billion and LL 185 billion respectively, mainly as a result of amortized principal repayments⁶, while “bilateral, multilateral and foreign private sector loans” dropped by LL 309 billion to LL 2,444 billion, also as a result of amortized principal repayments.

⁵ For details on the November 2015 Eurobond transaction, please refer to “Eurobond Transactions Concluded in November 2015” under <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtTransactions.aspx>.

⁶ In the month of November 2015, a US\$ 10 million principal payment was made on the Paris II loan originally for US\$ 200 million due on May 2018 and two principal payments were made on the AFD Paris III loan (tranche I and II) originally for € 150 million and € 30 million both due on November 2022.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
Budget Revenues, of which	12,670	12,674	0.0%
Tax Revenues	9,722	9,674	-0.5%
Non-Tax Revenues	2,949	2,999	1.7%
Treasury Receipts	1,509	707	-53.2%
Total Revenues	14,179	13,380	-5.6%

Source: Ministry of Finance, Directorate General of Finance

Table 3: Tax Revenues

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
Tax Revenues:	9,722	9,674	-0.5%
Taxes on Income, Profits, & Capital Gains, of which	2,699	2,781	3.0%
Income Tax on Profits	1,096	1,087	-0.8%
Income Tax on Wages and Salaries	637	661	3.7%
Income Tax on Capital Gains & Dividends	253	263	4.1%
Tax on Interest Income (5%)	660	707	7.1%
Penalties on Income Tax	53	62	16.6%
Taxes on Property, of which:	1,110	1,043	-6.1%
Built Property Tax	200	223	11.0%
Real Estate Registration Fees	771	680	-11.7%
Domestic Taxes on Goods & Services, of which:	3,591	3,510	-2.2%
Value Added Tax	3,126	3,001	-4.0%
Other Taxes on Goods and Services, of which:	341	360	5.7%
Private Car Registration Fees	196	215	9.8%
Passenger Departure Tax	143	143	0.2%
Taxes on International Trade, of which:	1,869	1,893	1.3%
Customs	703	655	-6.9%
Excises, of which:	1,166	1,238	6.2%
Gasoline Excise	471	578	22.7%
Tobacco Excise	303	228	-24.8%
Cars Excise	385	427	11.2%
Other Tax Revenues (namely fiscal stamp fees)	452	448	-1.0%

Source: Ministry of Finance, Directorate General of Finance

Table 4: Non-Tax Revenues

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
Non-Tax Revenues	2,949	2,999	1.7%
Income from Public Institutions and Government Properties, of which:	2,199	2,123	-3.4%
Income from Non-Financial Public Enterprises, of which:	2,003	1,965	-1.9%
Revenues from Casino Du Liban	110	101	-7.8%
Revenues from Port of Beirut	82	60	-26.9%
Budget Surplus of National Lottery	38	41	9.1%
Transfer from the Telecom Surplus ^{1/}	1,772	1,760	-0.7%
Transfer from Public Financial Institution (BDL)	61	61	0.2%
Property Income (namely rent of Rafic Hariri International Airport)	126	93	-25.8%
Other Income from Public Institutions (interests)	9	4	-50.2%
Administrative Fees & Charges, of which:	583	693	19.0%
Administrative Fees, of which:	484	579	19.7%
Notary Fees	29	34	17.8%
Passport Fees/ Public Security	148	238	61.0%
Vehicle Control Fees	233	204	-12.5%
Judicial Fees	25	27	5.8%
Driving License Fees	18	30	65.8%
Administrative Charges	22	26	18.7%
Sales (Official Gazette and License Number)	3	3	-0.7%
Permit Fees (mostly work permit fees)	61	67	9.8%
Other Administrative Fees & Charges	13	18	37.9%
Penalties & Confiscations	10	25	145.5%
Other Non-Tax Revenues (mostly retirement deductibles)	157	158	0.9%

Source: Ministry of Finance, Directorate General of Finance

^{1/} Transfers from the Telecom Surplus in 2015 are recorded on a cash basis in the Fiscal Performance, whereas for previous years, they remain those that were estimated at the time by the Ministry of Telecommunication and MOF.

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
1. Current Expenditures	16,488	16,059	-2.6%
1.a Personnel Cost, of which	5,895	6,376	8.1%
Salaries, Wages and Related Benefits	4,031	4,214	4.5%
Retirement and End of Service Compensations, of which:	1,604	1,860	16.0%
Retirement	1,374	1,582	15.2%
End of Service	231	278	20.6%
Transfers to Public Institutions to Cover Salaries 1/	260	302	15.8%
1.b Interest Payments, 2/	5,845	6,184	5.8%
Domestic Interest Payments	3,588	3,920	9.2%
Foreign Interest Payments	2,256	2,264	0.3%
1.c Accounting adjustments*	0	1	
1.d Foreign Debt Principal Repayment	259	304	17.3%
1.e Materials and Supplies, of which:	346	316	-8.7%
Nutrition	72	83	15.9%
Fuel Oil	10	26	170.7%
Medicaments	169	129	-23.8%
1.f External Services	129	130	0.9%
1.g Various Transfers, of which:	3,473	2,148	-38.2%
EDL 3/	2,727	1,591	-41.7%
NSSF	100	0	-100.0%
Higher Council of Relief	56	29	-47.7%
Contributions to non-public sectors	265	250	-5.7%
Transfers to Directorate General of Cereals and Beetroot 4/	70	10	-86.4%
Contributions to water authorities	12	0	-100.0%
1.h Other Current, of which:	382	444	16.3%
Hospitals	263	313	18.9%
Others (judgments & reconciliations, mission costs, other)	111	121	9.0%
1.i Interest subsidy	159	157	-1.4%
2. Capital Expenditures	727	716	-1.5%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	111.1%
2.b Equipment	48	53	11.0%
2.c Construction in Progress, of which:	519	496	-4.5%
Displaced Fund	30	10	-66.7%
Council of the South	59	49	-16.2%
CDR	250	223	-10.9%
Ministry of Public Work and Transport	50	50	-1.0%
Other of which	63	158	151.3%
Higher Council of Relief	2	61	N.M
2.d Maintenance	132	113	-14.6%
2.e Other Expenditures Related to Fixed Capital Assets	28	54	96.6%
3. Budget Advances 5/	240	216	-9.8%
4. Customs Administration (exc. Salaries and Wages) 6/	40	52	29.2%
5. Treasury Expenditures 7/	1,241	1,220	-1.7%
Municipalities	698	611	-12.4%
Guarantees	104	54	-47.6%
Deposits 8/	102	210	105.7%
Other, of which:	338	344	2.0%
VAT Refund	247	261	5.7%
6. Unclassified Expenditures	2	3	45.5%
7. Total Expenditures (Excluding CDR Foreign Financed)	18,738	18,266	-2.5%

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

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

2/ For a detailed breakdown of interest payments, kindly refer to table 7.

3/ For a detailed breakdown of transfers to EDL, kindly refer to table 8. EDL has been reclassified to various transfers from "other treasury expenditures", following the reclassification of the 2009 Budget Proposal and in line with the Fiscal Performance.

4/ Transfers to Directorate General of Cereals and Beetroot include both administrative expenses and payments for wheat subsidy.

5/ Budget Advances were previously classified under "other". Given their growth, and in line with the Ministry of Finance's efforts to ensure transparency, they will be published in a separate line. They will be regularized at a later stage, and it is only after their regularization that they can be classified according to their economic nature in the budget system.

6/ Customs administrations include payments - excluding salaries and wages - made to customs and paid from customs cashiers. They can only be classified after Customs submit the supporting documents to the Directorate General of Finance.

7/ Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the eponym section appearing in the Fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts which are manually reclassified in their budgetary economic classification articles.

8/ Deposit payments are payments made by the treasury to public administrations, institutions, municipalities, funds, from revenues it has collected on their behalf.

* Including capitalized interest of 1,059,632,935 LBP that was drawn from the loan and paid directly to the creditor for EKF Loan

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

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
Transfer to Council of the South	10	6	-33.4%
Transfer to CDR	17	9	-49.0%
Transfer to the Displaced Fund	3	4	27.2%
Transfer to the Lebanese University	220	275	25.0%
Transfer to the Educational Center for Research and Development	11	8	-29.3%

Source: Ministry of Finance, Directorate General of Finance

Table 7: Details of Debt Service Transactions¹

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
Interest Payments	5,845	6,184	5.8%
Local Currency Debt	3,588	3,920	9.2%
Foreign Currency Debt, of which:	2,256	2,264	0.3%
Eurobond Coupon Interest*	2,134	2,165	1.4%
Special bond Coupon Interest*	6	5	-16.3%
Concessional Loans Interest Payments	116	94	-19.1%
Concessional Loans Principal Repayments	259	304	17.3%

Source: Ministry of Finance, Directorate General of Finance

⁽¹⁾ Please note that the classification of debt service expenditures is now broken into two separate categories as follows: Interest Payments (as per GFS classification) and repayment of principal on concessional loans earmarked for project financing.

* Includes general expenses related to the transaction

Table 8: Transfers to EDL^{1,2}

(LL billion)	2014 Jan-Nov	2015 Jan-Nov	% Change 2015/2014
EDL of which:	2,727	1,591	-41.7%
Debt Service	31	28	-10.0%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	2,696	1,562	-42.0%

Source: Ministry of Finance, Directorate General of Finance

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

⁽²⁾ In 2015, new contracts were signed between the Lebanese Republic and petroleum suppliers, Sonatrach and KPC, specifying new payment mechanisms for fuel oil and gasoil imports. Under the new contracts, reimbursements for imports were set to be made 30 to 45 days from the opening date of letters of credit, compared to previous periods of 180 to 270 days for Sonatrach and KPC respectively. This new structure reduces interest payments due to suppliers and results on the fiscal front in a direct pass-through from the change in international oil prices to Treasury transfers to EDL. Correspondingly, payments made in 2015 compare to a different structure of payments in previous years, when actual payments pertained to imports 180 to 270 days earlier.

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-13	Dec-14	Nov-15	% Change Dec 14 – Nov 15
Gross Public Debt	95,710	100,356	106,181	5.8%
Local Currency Debt	56,312	61,752	65,299	5.7%
* Accrued Interest Included in Debt	877	1,029	1,049	1.9%
a. Central Bank (Including REPOs)	17,171	19,855	23,898	20.4%
b. Commercial Banks	29,905	31,468	30,455	-3.2%
c. Other Local Currency Debt (T-bills), of which:	9,236	10,429	10,946	5.0%
Public Entities	7,117	7,701	8,380	8.8%
Contractor bonds 1/	134	180	180	0.0%
Foreign Currency Debt 2/	39,398	38,604	40,882	5.9%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,606	2,752	2,444	-11.2%
b. Paris II Related Debt (Eurobonds and Loans) 3/	2,338	1,743	1,369	-21.4%
c. Paris III Related Debt (Eurobonds and Loans) 4/	1,187	986	801	-18.7%
d. Market-Issued Eurobonds	32,688	32,584	35,832	10.0%
e. Accrued Interest on Eurobonds	444	425	368	-13.4%
f. Special T-bills in Foreign Currency 5/	136	114	68	-40.4%
Public Sector Deposits	15,495	13,965	14,308	2.5%
Net Debt 6/	80,215	86,391	91,873	6.3%
Gross Market Debt 7/	65,386	67,373	69,324	2.9%
% of Total Debt	68%	67%	65%	-2.7%

Source: Ministry of Finance, Banque du Liban

⁽¹⁾ Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency".

⁽²⁾ Figures for Dec 13- Dec 14 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

⁽³⁾ Paris II related debt (Eurobonds and Loans) including a Eurobond originally issued at USD 1,870 billion to BDL in the context of the Paris II conference.

⁽⁴⁾ Eurobonds Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first and second tranches of the French loan received in February 2008.

⁽⁵⁾ Special Tbs in foreign currency (expropriation and contractor bonds).

⁽⁶⁾ Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

⁽⁷⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.



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