

General Overview

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The **total fiscal balance** recorded a deficit of LL 369 billion in Jan-Feb 2014, compared to a higher deficit of LL 449 billion by end-February 2013 (Table 1). The primary surplus increased to LL 251 billion from LL 106 billion over the same period. This fiscal outcome was the result of LL 195 billion higher revenues, which compensated for the LL 115 billion rise in expenditures.

Table 1: Summary of Fiscal Performance

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
Total Budget and Treasury Receipts ¹	2,348	2,542	8.3%
Total Budget and Treasury Payments, of which	2,796	2,911	4.1%
•Interest Payments	521	584	12.2%
•Concessional loans principal payment ²	34	35	3.8%
•Primary Expenditures ³	2,242	2,292	2.2%
Total Deficit/Surplus	-449	-369	-17.8%
Primary Deficit/Surplus	106	251	136.7%

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

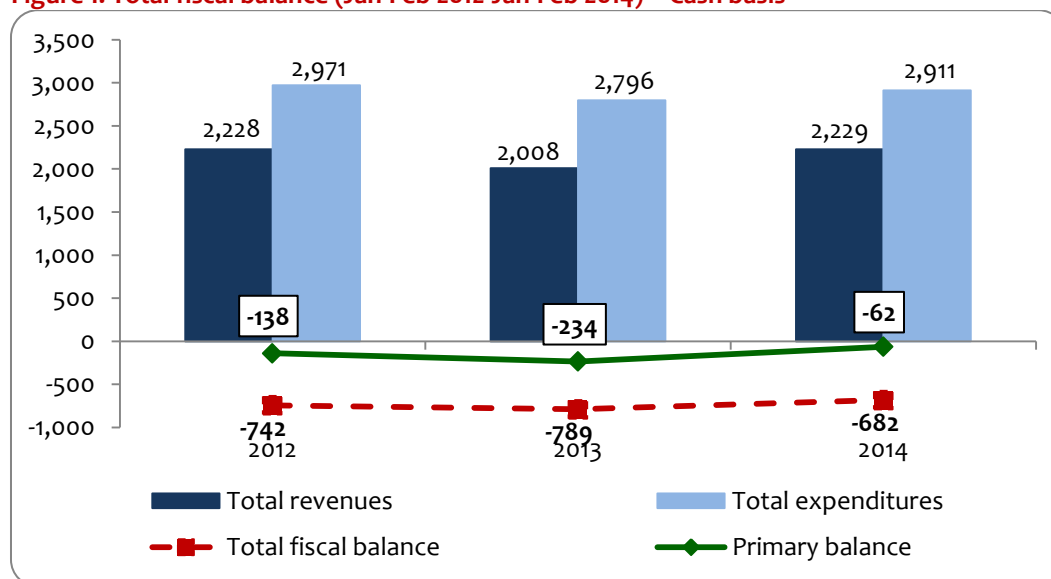
¹ Includes the expected transfer from Telecom Surplus

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** - i.e. after excluding the LL 340 billion and LL 313 billion expected transfers from the telecom surplus in Jan-Feb 2013 and 2014 respectively¹, the total deficit decreased by 14 percent, from LL 789 billion in the first two months of 2013 to LL 682 billion in 2014. Correspondingly, the primary balance recorded a deficit of LL 62 billion in Jan-Feb 2014, compared to a larger deficit of LL 234 billion in Jan-Feb 2013.

Figure 1: Total fiscal balance (Jan-Feb 2012-Jan-Feb 2014) – Cash basis



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

¹ On a cash basis, transfers from the Telecom surplus were nil in both Jan-Feb 2013 and 2014.

Revenues

Total revenues² summed up to LL 2,542 billion in Jan-Feb 2014, compared to LL 2,348 billion during the same period in 2013, representing an improvement of LL 195 billion. On a cash basis, total revenues increased by 11 percent to reach LL 2,229 billion.

Tax revenues declined by LL 10 billion year-on-year to reach LL 1,697 billion in Jan-Feb 2014, mainly as a result of lower collections from: (i) **Taxes on international trade** dropped by LL 40 billion to reach LL 310 billion, due to lower excises across all sub-components; in detail, excise on tobacco saw the most exacerbated decline as the value and volume of tobacco imports tumbled by 44 percent and 31 percent respectively. (ii) **Domestic taxes on goods and services** fell by LL 21 billion, despite a LL 31 billion increase in VAT collections and due to a LL 50 billion drop in transfers from Régie³. It is worth mentioning that VAT collected at customs was up by 4 percent over the period, while VAT collected from internal activities grew at a slightly higher rate of 6 percent.

The latter decreases were partly offset by rises in: (i) **Taxes on property** increased by LL 28 billion, as Real Estate Registration Fees soared by LL 26 billion (27 percent), outlining a 26 percent rise in the average price of sold properties along a 25 percent increase in the number of sold properties, and (ii) **Taxes on income, profits and capital gains** grew by LL 16 billion, mainly driven by higher income taxes on profits.

Non-tax revenues⁴ rose by LL 102 billion year-on-year, amounting to LL 597 billion in Jan-Feb 2014. On a cash basis, non-tax revenues registered a higher increase of LL 128 billion, to reach LL 284 billion in the first two months of 2014; it is worth noting that cash transfers from the Telecom surplus were nil during both Jan-Feb 2013 and 2014. Receipts from property income recorded the most notable rise, surging by LL 66 billion over the period, due to the sale of a government properties for a total amount of LL 59 billion (for more information, kindly refer to the January 2014 Public Finance Monitor). Likewise, revenues from Port of Beirut reached LL 50 billion in Jan-Feb 2014, while these transfers were nil in the corresponding period of 2013.

Treasury receipts increased by LL 103 billion annually to reach LL 248 billion in Jan-Feb 2014. This is explained by an LL 106 billion rise in receipts from “Other Accounts” (for more information, kindly refer to the January 2014 Public Finance Monitor).

Expenditure

Total expenditures registered a rise of LL 115 billion, standing at 2,911 billion in Jan-Feb 2014 compared to LL 2,796 billion in Jan-Feb 2013.

Current primary expenditures⁵ decreased by LL 33 billion, reaching LL 1,899 billion in Jan-Feb 2014. This was mainly the result of lower transfers to Electricité du Liban and other current expenditures by LL 65 billion and LL 23 billion respectively, mitigated by a LL 22 billion higher salaries, wages and social benefits and a LL 28 billion increase in materials and supplies. The latter was mainly driven by a LL 10 billion increase in medicaments, amounting to LL 35 billion in Jan-Feb 2014 of which around LL 29 billion were transferred to the Ministry of Public Health.

Note #1: Interest Subsidy

The interest subsidy policy of the Government namely targets the following sectors: industry (including agro-industry), agriculture, IT, software and knowledge-based enterprises and related service providers as well as tourism development.

The interest subsidy is typically transferred from the Government to the commercial banks through BDL. During Jan-Feb 2014, interest subsidy jumped by 76 percent to reach LL 35 billion. In terms of sector allocation, agriculture had the largest share in 2013 with 48.7 percent, followed by manufacturing (29.7 percent) and tourism (10.8 percent),

² On an expected basis.

³ Transfers from Régie amounted to LL 50 billion in Jan-Feb 2013 (representing the portion of Régie's profits for the year of 2012), against nil in Jan-Feb 2014.

⁴ On an expected basis.

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

Interest payments rose by LL 64 billion to reach LL 584 billion, due to higher debt service payments on both local and foreign currency components. **Foreign debt principal repayments** amounted to LL 35 billion in Jan-Feb 2014, showing no significant change from the same period of 2013.

Capital expenditures hiked by LL 79 billion to LL 235 billion in Jan-Feb 2014, up from LL 156 billion in Jan-Feb 2013, chiefly as a result of (i) 135 percent jump in payments to **CDR**, totalling LL 63 billion in Jan-Feb 2014, of which LL 34 billion were transferred for counterpart funding for foreign financed projects, LL 15 billion represent payments to contractors for road projects, and LL 11 billion relate to water projects, (ii) LL 11 billion rise in **other expenditures related to fixed capital assets** paid to IDAL for the Export Plus program, and (iii) LL 10 billion higher payment to the **Council of the South**. These increases were partially offset by lower spending on **maintenance**, and **acquisition of land and buildings** over the period under review, by LL 18 billion and LL 14 billion respectively.

Treasury expenditures⁶ dropped to LL 135 billion in Jan-Feb 2014, compared to LL 143 billion in Jan-Feb 2013. In details, deposits and VAT refund declined by LL 36 billion and LL 25 billion, respectively. Such decreases were partially counterbalanced by higher transfers to Municipalities – from LL 6 billion in Jan-Feb 2013 to LL 68 billion in Jan-Feb 2014- mainly resulting from an increase in payments to solid waste management companies.

Public Debt

Gross public debt stood at LL 97,976 billion at end-February 2014, up by 2.4 percent from end-2013, whereas net debt increased by a slower pace of 1.3 percent, owing to the 7.7 percent growth in public sector deposits to LL 16,695 billion.

Local currency debt amounted to LL 58,195 billion by end-February, up by LL 1,883 billion from end-2013, accounting for 59 percent of total debt. In general, strong participation was registered in weekly auctions of LL Treasury bills and bonds, with Commercial Banks adding LL 776 billion to their TB portfolio. Likewise, TBs held by Financial Institutions jumped by LL 338 billion to LL 519 billion, their highest ever value, while TBs held by BDL increased by LL 285 billion. Of other local currency debt, contractor bonds rose by LL 33 billion to LL 167 billion given the issuance of LL 33 billion worth of bonds in January 2014.⁷

Outstanding **foreign currency debt** ended February 2014 at LL 39,781 billion adding LL 397 billion from end-2013. “Accrued interest on Eurobonds” climbed by LL 233 billion, and “Bilateral, multilateral and foreign private sector loans” increased by LL 221 billion, mostly owing to the disbursement of a portion of the loan provided by Danish export credit agency, EKF, to Ministry of Energy and Water, for the installation of new electricity generation units in Zouk and Jieh power plants. Those increases were partially offset by declines in Eurobonds and loans issued in the context of Paris II & III by LL 42 billion and LL 21 billion respectively as a result of an amortized principal repayment on Eurobonds in January 2014 and following the redemption of € 20 million of the Agence Française de Développement (AFD) Paris II loan in February 2014.

⁶ Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the same section appearing in the fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts, which are manually reclassified in their budgetary economic classification articles.

⁷ Refer to January 2014 Public Finance Monitor for details.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
Budget Revenues, of which	2,203	2,295	4.2%
Tax Revenues	1,708	1,697	-0.6%
Non-Tax Revenues	495	597	20.5%
Treasury Receipts	145	248	71.3%
Total Revenues	2,348	2,542	8.3%

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

Table 3: Tax Revenues

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
Tax Revenues:	1,708	1,697	-0.6%
Taxes on Income, Profits, & Capital Gains, of which	418	433	3.7%
Income Tax on Profits	97	111	14.3%
Income Tax on Wages and Salaries	167	171	1.9%
Income Tax on Capital Gains & Dividends	28	20	-28.1%
Tax on Interest Income (5%)	122	125	2.7%
Penalties on Income Tax	3	6	88.8%
Taxes on Property, of which:	138	166	20.2%
Built Property Tax	18	25	38.2%
Real Estate Registration Fees	96	122	27.1%
Domestic Taxes on Goods & Services, of which:	721	700	-2.9%
Value Added Tax	620	651	5.0%
Other Taxes on Goods and Services, of which:	48	46	-5.1%
Private Car Registration Fees	32	31	-2.7%
Passenger Departure Tax	16	14	-10.4%
Taxes on International Trade, of which:	351	310	-11.5%
Customs	125	126	0.4%
Excises, of which:	226	185	-18.1%
Gasoline Excise	81	79	-1.6%
Tobacco Excise	84	50	-39.8%
Cars Excise	60	54	-10.2%
Other Tax Revenues (namely fiscal stamp fees)	80	88	10.0%

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

Table 4: Non-Tax Revenues

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
Non-Tax Revenues	495	597	20.5%
Income from Public Institutions and Government Properties, of which	379	467	23.2%
Income from Non-Financial Public Enterprises, of which:	372	394	5.8%
<i>Revenues from Casino Du Liban</i>	22	22	0.7%
<i>Revenues from Port of Beirut</i>	0	50	-
<i>Budget Surplus of National Lottery</i>	10	8	-20.0%
<i>Transfer from the Telecom Surplus ^{1/}</i>	340	313	-7.9%
Property Income (namely rent of Rafic Hariri International Airport)	6	73	1052.4%
Other Income from Public Institutions (interests)	1	1	16.9%
Administrative Fees & Charges, of which:	92	105	14.9%
Administrative Fees, of which:	72	81	13.8%
<i>Passport Fees/ Public Security</i>	19	24	28.6%
<i>Vehicle Control Fees</i>	35	36	4.2%
Administrative Charges	10	11	9.8%
Permit Fees (mostly work permit fees)	9	11	23.4%
Penalties & Confiscations	2	2	5.0%
Other Non-Tax Revenues (mostly retirement deductibles)	23	23	0.8%

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

^{1/}Out of the expected LL 340 billion in Jan-Feb2013, none was effectively transferred from the Telecom surplus.
Out of the expected LL 313 billion in Jan- Feb2014, none was effectively transferred from the Telecom Surplus.

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
1. Current Expenditures	2,487	2,518	1.3%
1.a Personnel Cost, of which	1,012	1,015	0.4%
Salaries, Wages and Related Benefits	646	667	3.4%
Retirement and End of Service Compensations, of which:	295	292	-1.0%
Retirement	272	269	-1.1%
End of Service	23	23	-0.8%
Transfers to Public Institutions to Cover Salaries 1/	71	56	-21.0%
1.b Interest Payments, 2/	521	584	12.2%
1.c Foreign Debt Principal Repayment	34	35	3.8%
1.d Materials and Supplies, of which:	53	80	52.5%
Nutrition	10	16	58.5%
Fuel Oil	2	2	6.9%
Medicaments	25	35	40.9%
1.e External Services	27	38	41.6%
1.f Various Transfers, of which:	675	607	-10.0%
EDL 3/	436	370	-15.0%
NSSF	100	100	0.0%
Higher Council of Relief	8	5	-36.6%
Contributions to non-public sectors	64	55	-14.0%
Transfers to Directorate General of Cereals and Beetroot 4/	0	0	-
Contributions to water authorities	0	12	-
1.g Other Current, of which:	147	124	-15.8%
Hospitals	108	104	-3.7%
Others (judgments & reconciliations, mission costs, other)	38	18	-51.6%
1.h Interest subsidy	20	35	76.1%
2. Capital Expenditures	156	235	50.8%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	14	0	-100.0%
2.b Equipment	15	13	-11.9%
2.c Construction in Progress, of which:	79	180	128.4%
Council of the South	0	10	-
CDR	27	63	134.8%
Ministry of Public Work and Transport	25	23	-9.9%
Other of which:	25	22	-9.8%
Higher Council of Relief	12	0	-100.0%
2.d Maintenance	48	30	-36.8%
2.e Other Expenditures Related to Fixed Capital Assets	1	12	1964.4%
3. Budget Advances 5/	3	10	238.7%
4. Customs Administration (exc. Salaries and Wages) 6/	7	12	62.2%
5. Treasury Expenditures 7/	143	135	-5.3%
Municipalities	6	68	964.1%
Guarantees	13	3	-79.8%
Deposits 8/	47	11	-76.7%
Other, of which:	76	53	-29.9%
VAT Refund	53	29	-46.2%
7. Total Expenditures (Excluding CDR Foreign Financed)	2,796	2,911	4.1%

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

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

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

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

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

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

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

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

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

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

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
Transfer to Council of the South	1	5	276.1%
Transfer to CDR	15	3	-82.4%
Transfer to the Displaced Fund	1	1	6.5%
Transfer to the Lebanese University	53	45	-14.3%
Transfer to the Educational Center for Research and Development	1	2	100.0%

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

Table 7: Details of Debt Service Transactions¹

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
Interest Payments	521	584	12.2%
Local Currency Debt	405	419	3.5%
Foreign Currency Debt, of which:	115	165	43.0%
Eurobond Coupon Interest*	97	146	50.4%
Special bond Coupon Interest*	0.9	1.4	57.3%
Concessional Loans Interest Payments	17	18	0.9%
Concessional Loans Principal Repayments	34	35	3.8%

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

⁽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 EDL¹

(LL billion)	2013 Jan-Feb	2014 Jan-Feb	% Change 2014/2013
EDL of which:	436	370	-15.0%
Debt Service	19	11	-40.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	417	359	-13.8%

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

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

SECTION 3: PUBLIC DEBT

Table 9: Public Debt Outstanding by Holder as of End-February 2014

(LL billion)	Dec-12	Dec-13	Feb-14	% Change Dec 13-Feb 14
Gross Public Debt	86,959	95,696	97,976	2.4%
Local Currency Debt	50,198	56,312	58,195	3.3%
a. Central Bank (Including REPOs)	15,049	17,171	17,456	1.7%
b. Commercial Banks	27,267	29,905	30,678	2.6%
c. Other Local Currency Debt (T-bills), of which:	7,882	9,236	10,061	8.9%
Public Entities	6,479	7,117	7,119	0.0%
Contractor bonds 1/	134	134	167	24.6%
* Accrued Interest Included in Debt	789	877	1,078	22.9%
Foreign Currency Debt 2/	36,761	39,384	39,781	1.0%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,584	2,592	2,813	8.5%
b. Paris II Related Debt (Eurobonds and Loans) 3/	2,925	2,338	2,296	-1.8%
c. Paris III Related Debt (Eurobonds and Loans) 4/	1,313	1,187	1,165	-1.8%
d. Market-Issued Eurobonds	29,427	32,688	32,690	0.0%
e. Accrued Interest on Eurobonds	400	444	677	52.5%
f. Special T-bills in Foreign Currency 5/	112	136	140	2.9%
Public Sector Deposits	12,916	15,495	16,695	7.7%
Net Debt	74,043	80,201	81,281	1.3%
Gross Market Debt 6/	58,623	65,386	67,219	2.8%
as % of Gross Public Debt	67%	68%	69%	0.4%

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 12- Dec 13 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 tranche of the French loan received in February 2008 and part of second tranche received October 2012, and first tranche EC/EU loan.

5/ Special T-bills in foreign currency (expropriation and contractor bonds).

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

MINISTRY OF FINANCE PUBLICATIONS

2014

Aid Coordination Monthly Newsletter, Issues 74-78
Public Finance Monitor Monthly Update, January 2014
Public Finance Monitor Monthly Update, October 2013-December 2013
Public Finance Quarterly Review, QII 2013
Transfers to EDL: A Monthly Snapshot, October-December 2013
Salaries and Wages and Related Benefits-The Article 13 Monthly Bulletin, January 2014
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Debt and Debt Markets Quarterly, QIV 2013

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Public Finance Annual Review, 2012
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Public Finance Quarterly Review, QII 2012 and QIII 2012
Transfers to EDL: A Monthly Snapshot, January-September 2013
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