

General Overview

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The **total fiscal balance** registered a deficit of LL 180 billion in January 2014, compared to a lower deficit of LL 27 billion in January 2013 (Table 1). The primary surplus decreased to LL 215 billion from LL 302 billion over the same period. This fiscal outcome was the result of a LL 224 billion rise in expenditures, which was not compensated by the modest LL 71 billion increase in revenues.

Table 1: Summary of Fiscal Performance

(LL billion)	2013 January	2014 January	% Change 2014/2013
Total Budget and Treasury Receipts¹	1,543	1,614	4.6%
Total Budget and Treasury Payments, of which	1,570	1,793	14.3%
•Interest Payments	309	375	21.4%
•Concessional loans principal payment ²	20	19	-1.9%
•Primary Expenditures ³	1,241	1,399	12.8%
Total Deficit/Surplus	-27	-180	571.1%
Primary Deficit/Surplus	302	215	-28.9%

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

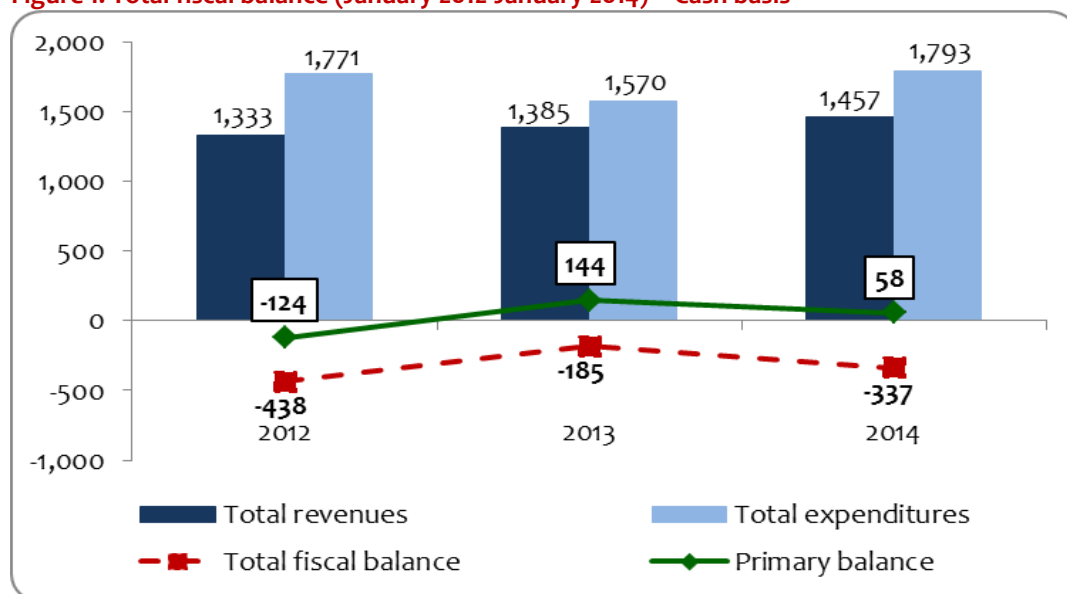
¹ Includes the expected transfer from Telecom Surplus

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 158 billion and LL 157 billion expected transfers from the telecom surplus in January 2013 and 2014 respectively¹, the total deficit increases by 82 percent, from LL 185 billion in January 2013 to LL 337 billion in January 2014. Correspondingly, the primary balance recorded a surplus of LL 58 billion in January 2014, compared to a larger surplus of LL 144 billion in January 2013.

Figure 1: Total fiscal balance (January 2012-January 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 January 2013 and 2014.

Revenues

Total revenues² amounted to LL 1,614 billion in January 2014, compared to LL 1,543 billion during the same period in 2013, representing an improvement of LL 71 billion. On a cash basis, total revenues increased by 5 percent to reach LL 1,457 billion.

Tax revenues declined by LL 71 billion year-on-year to reach LL 1,118 billion in January 2014, mainly as a result of lower receipts: (i) **Domestic taxes on goods and services** decreased by LL 30 billion, despite a LL 26 billion rise in VAT collections and due to a LL 50 billion drop in transfers from the Régie³, (ii) **Taxes on international trade** fell by LL 26 billion to reach LL 171 billion, owing to lower excises across all sub-components, and (iii) **Taxes on income, profits and capital gains** shriveled by LL 17 billion, driven by drops in income taxes on profits (LL 12 billion) and capital gains & dividends (LL 8 billion). It is worth mentioning that the minimum wage increase in the private sector and the cost of living adjustment in the public sector⁴ levelled off during January 2014, where income tax on salaries and wages showed no year-on-year change.

These decreases were slightly offset by higher **taxes on property** (LL 7 billion), to reach LL 81 billion, as Real Estate Registration Fees increased by LL 8 billion.

Non-tax revenues⁵ rose by LL 68 billion year-on-year, amounting to LL 310 billion in January 2014. On a cash basis, non-tax revenues registered a similar increase of LL 69 billion, to reach LL 153 billion in January 2014. Receipts from property income recorded the most notable increase, surging by LL 62 billion over the period, due to the sale of government properties for a total amount of LL 59 billion (for more information, please refer to Note #1).

Treasury receipts increased by LL 73 billion annually to reach LL 186 billion in January 2014. This is explained by an LL 86 billion rise in receipts from “Other Accounts”, owing to a LL 60 billion accounting adjustment (for more information, please refer to Note #2) along with a LL 14 billion treasury advance repayment⁶ made by the Ministry of Economy and Trade during January 2014, compared to nil in January 2013 (for more information, kindly refer to the June 2013 Public Finance Monitor).

Expenditure

Total expenditures registered a rise of LL 224 billion, standing at 1,793 billion in January 2014 compared to LL 1,570 billion in January 2013.

Current primary expenditures⁷ increased by LL 54 billion, reaching LL 1,133 billion in January 2014. This was mainly the result of higher transfers to Electricité du Liban and Medicaments by LL 58 billion and LL 25 billion respectively, mitigated by a LL 33 billion drop in transfers of “Other Current expenditures”, and a LL 27 billion decline in “Contributions to non-public sectors”. It is worth noting that a payment of LL 100 billion was transferred to NSSF in January 2014, similarly to January 2013.

Note #1: Sale of Government Properties

On January 11th 2014, Council of Ministers passed decree number 11052 that allowed the sale of government properties to Fadel-Dbayeh real estate Company. More specifically, properties #635 and 934, both located in Dbayeh (Metn district), were sold at an average price of LL6,426,485/m², equivalent to a total of LL59,400,000,000. It is worth mentioning that the transaction was handled in cash, and was subject to Real Estate Registration Fee.

² On an expected basis.

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

⁴ The Increase in private sector minimum wage and cost of living adjustment for the public sector were both adopted in February 2012, although the latter became effective in September 2012.

⁵ On an expected basis.

⁶ As per decree 9967 dated 28th February 2013.

⁷ Current primary expenditures represent current expenditures excluding interest payment and debt service.

Note #2: Accounting Adjustments under construction in Progress for Treasury advances

The accounting adjustments item under construction in progress totaled LL 60 billion in January 2014 compared to nil in 2013; they represent the regularization of a treasury advance paid to the Displaced Fund in 2011 as per decree 1167 dated 5 January 2009. The payment is included on the expenditure and revenue sides for accounting purposes and therefore does not impact the deficit.

Interest payments rose by LL 66 billion to reach LL 375 billion, due to higher debt service payments on both local and foreign currency components. **Foreign debt principal repayments** amounted to LL 19 billion in January 2014, showing no significant change from the same period of 2013.

Capital expenditures hiked by LL 92 billion to LL 171 billion in January 2014, up from LL 79 billion in January 2013, chiefly as a result of (i) LL 26 billion increase in payments to **CDR**, totalling LL 31 billion in January 2014, of which LL 28 billion relate to counterpart funding for foreign financed projects and the remaining correspond to water and highway projects, (ii) LL 10 billion higher payment to the **Council of the South**, and (iii) LL 10 billion rise in **other expenditures related to fixed capital assets** paid to IDAL for the Export Plus program. These increases were partially offset by lower spending on the **acquisition of land and buildings**, and **maintenance** over the period, by LL 14 billion and LL 10 billion respectively.

Treasury expenditures⁸ reached LL 85 billion in January 2014, compared to LL 80 billion in January 2013, mainly due to higher payments to Municipalities – from LL 6 billion in January 2013 to LL 53 billion in January 2014- mainly resulting from an increase in payments to solid waste management companies. Such an increase was partially counterbalanced by a decline in VAT refund and deposits of LL 22 billion and LL 14 billion, respectively.

Public Debt

Gross public debt amounted to LL 96,396 billion at end-January 2014, adding 0.7 percent from end-2013, whereas net debt increased at a slower pace of 0.5 percent owing to a concurrent 1.9 percent rise in public sector deposits.

Local currency debt ended January 2014 at LL 57,007 billion up by LL 695 billion from the previous month, accounting for almost 59 percent of total debt. In general, strong participation was registered in weekly auctions of LL Treasury bills and bonds, with Commercial Banks adding a substantial LL 308 billion to their holdings of LBP denominated debt. BDL and Public entities also increased their domestic currency debt holdings by LL 101 billion and LL 70 billion respectively. Of other local currency debt, contractors bonds climbed by LL 33 billion to LL 167 billion owing to the issuance of LL 33,312,678,059.13 on January 9, 2014. The new bonds were issued at a rate of 5.25 % and are due January 2019.

Outstanding **foreign currency debt** increased by LL 5 billion from end-2013 to reach LL 39,389 billion by end-January 2014. “Accrued interest on Eurobonds” climbed by LL 75 billion, and “Special T-bills in foreign currency” rose by LL 4 billion. The latter increase resulted from the issuance of US\$ 3,111,687 in expropriation bonds. The US dollar denominated bonds were issued at an interest rate of 4.90 % and are due in January 2019. Those were in turn counterbalanced by principal repayments on some of the outstanding bonds and loans and as a result of exchange rate fluctuations. Paris III related debt dropped by LL 30 billion following a US\$ 15 million principal repayment on the Malaysia Eurobond. “Bilateral, multilateral and foreign private sector loans” diminished by LL 25 billion also as a result of amortized repayments, while the value of market-issued Eurobonds retracted by LL 15 billion as Euro denominated Eurobonds

⁸ 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.

diminished in value with the depreciation of the Euro against the US dollar to €/§ 1.353 from €/§ 1.376.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2013 January	2014 January	% Change 2014/2013
Budget Revenues, of which	1,430	1,428	-0.2%
Tax Revenues	1,188	1,118	-6.0%
Non-Tax Revenues	242	310	28.3%
Treasury Receipts	113	186	64.8%
Total Revenues	1,543	1,614	4.6%

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

Table 3: Tax Revenues

(LL billion)	2013 January	2014 January	% Change 2014/2013
Tax Revenues:	1,188	1,118	-6.0%
Taxes on Income, Profits, & Capital Gains, of which	330	313	-5.2%
Income Tax on Profits	88	76	-13.7%
Income Tax on Wages and Salaries	159	159	0.1%
Income Tax on Capital Gains & Dividends	21	14	-36.4%
Tax on Interest Income (5%)	61	63	2.0%
Penalties on Income Tax	1	2	123.1%
Taxes on Property, of which:	74	81	9.3%
Built Property Tax	8	10	31.3%
Real Estate Registration Fees	53	61	15.8%
Domestic Taxes on Goods & Services, of which:	532	502	-5.7%
Value Added Tax	458	484	5.6%
Other Taxes on Goods and Services, of which:	22	16	-25.1%
Private Car Registration Fees	16	15	-4.5%
Passenger Departure Tax	6	1	-84.0%
Taxes on International Trade, of which:	197	171	-13.2%
Customs	67	65	-3.3%
Excises, of which:	130	106	-18.3%
Gasoline Excise	44	40	-9.0%
Tobacco Excise	48	33	-30.3%
Cars Excise	37	32	-14.1%
Other Tax Revenues (namely fiscal stamp fees)	55	51	-7.8%

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

Table 4: Non-Tax Revenue

(LL billion)	2013 January	2014 January	% Change 2014/2013
Non-Tax Revenues	242	310	28.3%
Income from Public Institutions and Government Properties, of which	183	242	32.0%
Income from Non-Financial Public Enterprises, of which:	179	176	-1.9%
<i>Revenues from Casino Du Liban</i>	11	11	-4.7%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	10	8	-20.0%
<i>Transfer from the Telecom Surplus ^{1/}</i>	158	157	-0.5%
Transfer from Public Financial Institution (BDL)	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	4	66	1549.1%
Other Income from Public Institutions (interests)	0	0	37.5%
Administrative Fees & Charges, of which:	46	56	21.4%
Administrative Fees, of which:	35	41	18.8%
<i>Passport Fees/ Public Security</i>	10	12	21.6%
<i>Vehicle Control Fees</i>	17	18	8.4%
Administrative Charges	5	8	39.6%
Permit Fees (mostly work permit fees)	5	6	12.0%
Penalties & Confiscations	1	1	-1.0%
Other Non-Tax Revenues (mostly retirement deductibles)	11	11	-0.2%

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

^{1/}Out of the expected LL 158 billion in January 2013, nil was effectively transferred from the Telecom surplus.
Out of the expected LL 157 billion in January 2014, nil was effectively transferred from the Telecom Surplus.

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2013 January	2014 January	% Change 2014/2013
1. Current Expenditures	1,405	1,528	8.8%
1.a Personnel Cost, of which	537	538	0.1%
Salaries, Wages and Related Items	358	360	0.6%
Retirement and End of Service Compensations, of which:	141	144	2.6%
Retirement	129	132	2.6%
End of Service	12	10	-10.7%
Transfers to Public Institutions to Cover Salaries 1/	38	33	-13.3%
1.b Interest Payments, 2/	309	375	21.4%
1.c Foreign Debt Principal Repayment	20	19	-1.9%
1.d Materials and Supplies, of which:	16	58	256.5%
Nutrition	1	6	380.3%
Fuel Oil	1	2	49.6%
Medicaments	5	30	524.1%
1.e External Services	21	26	21.9%
1.f Various Transfers, of which:	390	435	11.4%
EDL 3/	205	263	28.3%
NSSF	100	100	0.0%
Higher Council of Relief	0	0	-
Contributions to non-public sectors	43	16	-63.3%
Transfers to Directorate General of Cereals and Beetroot 4/	0	0	-
Contributions to water authorities	0	8	-
1.g Other Current, of which:	107	74	-30.8%
Hospitals	76	61	-18.7%
Others (judgments & reconciliations, mission costs, other)	31	12	-63.0%
1.h Reserves	4	3	-22.0%
Interest subsidy	4	3	-22.0%
2. Capital Expenditures	79	171	115.7%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	14	0	-100.0%
2.b Equipment	11	8	-30.2%
2.c Construction in Progress, of which:	27	135	401.2%
Displaced Fund	0	0	-
Council of the South	0	10	-
CDR	5	31	516.3%
Ministry of Public Work and Transport	10	15	40.3%
Other of which:	11	18	66.5%
Higher Council of Relief	5	0	-100.0%
2.d Maintenance	28	18	-35.2%
2.e Other Expenditures Related to Fixed Capital Assets	0	10	20526.1%
3. Budget Advances 5/	1	2	23.7%
4. Customs Administration (exc. Salaries and Wages) 6/	4	8	92.2%
5. Treasury Expenditures 7/	80	85	5.5%
Municipalities	6	53	728.8%
Guarantees	5	1	-70.6%
Deposits 8/	22	8	-63.1%
Other, of which:	47	22	-53.2%
VAT Refund	34	13	-62.8%
7. Total Expenditures (Excluding CDR Foreign Financed)	1,570	1,793	14.3%

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.

9/ 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 January	2014 January	% Change 2014/2013
Transfer to Council of the South	1	3	352.2%
Transfer to CDR	9	3	-69.7%
Transfer to the Displaced Fund	1	0	-100.0%
Transfer to the Lebanese University	27	25	-7.1%
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 Transactions

(LL billion)	2013 January	2014 January	% Change 2014/2013
Interest Payments	309	375	21.4%
Local Currency Debt	236	251	6.3%
Foreign Currency Debt, of which:	73	124	70.1%
Eurobond Coupon Interest*	65	114	75.2%
Special bond Coupon Interest*	0.9	0.9	0.0%
Concessional Loans Interest Payments	7	9	31.1%
Concessional Loans Principal Repayments	20	19	-1.9%

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

* Includes general expenses related to the transaction

Table 8: Transfers to EDL¹

(LL billion)	2013 January	2014 January	% Change 2014/2013
EDL of which:	205	263	28.3%
Debt Service	9	2	-81.6%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil:	196	261	33.4%

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

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

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-12	Dec-13	Jan-14	% Change Dec 13-Jan 14
Gross Public Debt	86,959	95,696	96,396	0.7%
Local Currency Debt	50,198	56,312	57,007	1.2%
a. Central Bank (Including REPOs)	15,049	17,171	17,272	0.6%
b. Commercial Banks	27,267	29,905	30,213	1.0%
c. Other Local Currency Debt (T-bills), of which:	7,882	9,236	9,522	3.1%
Public Entities	6,479	7,117	7,187	1.0%
Contractor bonds 1/	134	134	167	24.6%
* Accrued Interest Included in Debt	789	877	952	8.6%
Foreign Currency Debt 2/	36,761	39,384	39,389	0.0%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,584	2,592	2,567	-1.0%
b. Paris II Related Debt (Eurobonds and Loans) 3/	2,925	2,338	2,334	-0.2%
c. Paris III Related Debt (Eurobonds and Loans) 4/	1,313	1,187	1,157	-2.5%
d. Market-Issued Eurobonds	29,427	32,688	32,672	0.0%
e. Accrued Interest on Eurobonds	400	444	519	16.9%
f. Special T-bills in Foreign Currency 5/	112	136	140	2.9%
Public Sector Deposits	12,916	15,495	15,795	1.9%
Net Debt	74,043	80,201	80,601	0.5%
Gross Market Debt 6/	58,623	65,386	65,971	0.9%
% of Total Debt	67%	68%	68%	0.2%

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.

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