

General Overview

TABLE OF CONTENTS

Revenues

Page 2-3

Expenditures

Page 3-4

Public Debt Developments

Page 4

The economic conditions that Lebanon is withstanding were not reflected in the overall public finance performance during Jan-Oct 2014. Revenues increased mainly due to collections of arrears and one-off receipts, while primary expenditures declined mainly due to lower transfers to EDL and NSSF. This has resulted in an improved overall balance despite the increase in debt service obligations. More specifically, the Ministry of Finance collected arrears in tax and non-tax revenues, in addition to telecom revenues on behalf of Municipalities¹, which up to end-October 2014 had not been reallocated.

The **total fiscal balance** thus registered a deficit of LL 3,675 billion in Jan-Oct 2014, shrinking by LL 1,629 billion (31 percent) from Jan-Oct 2013, and the **primary balance** was at a surplus of LL 1,697 billion reverting from a deficit of LL 472 billion in the same period of 2013 (Table 1).

Table 1: Summary of Fiscal Performance

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
Total Budget and Treasury Receipts¹	11,941	13,311	11.5%
Total Budget and Treasury Payments, of which	17,245	16,986	-1.5%
•Interest Payments	4,589	5,143	12.1%
•Concessional loans principal payment ²	243	230	-5.5%
•Primary Expenditures ³	12,413	11,614	-6.4%
Total (Deficit)/Surplus	(5,304)	(3,675)	-30.7%
Primary (Deficit)/Surplus	(472)	1,697	N.M.⁴

Source: Ministry of Finance, Directorate General of Finance

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)

⁴ Not Meaningful

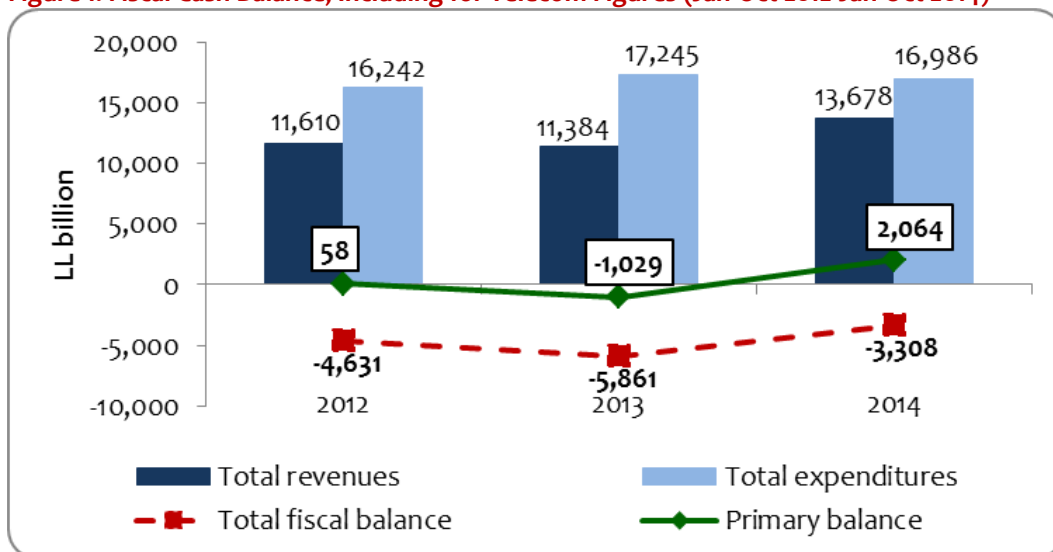
On an accrued basis, telecom transfers stood at LL 1,529 billion and LL 1,613 billion in Jan-Oct 2013 and Jan-Oct 2014 respectively. However, cash transfers made by the Ministry of Telecommunications (MoT) piled up to LL 1,980 billion² as of October 2014, compared to a smaller transferred amount of LL 972 billion in 2013.

As a result, the **cash-basis fiscal balance** recorded a deficit of LL 3,308 billion, 44 percent smaller than the LL 5,861 billion cash deficit recorded in Jan-Oct 2013. As such, the **cash primary balance** registered a surplus of LL 2,064 billion, reverting from a LL 1,029 billion deficit in Jan-Oct 2013.

¹ Telecom revenues on behalf of municipalities are worth LL 673 billion till end-October 2014. These represent accrued telecom revenues from mobile phones to municipalities, for the period extending from January 1st, 2010 until May 31st, 2014.

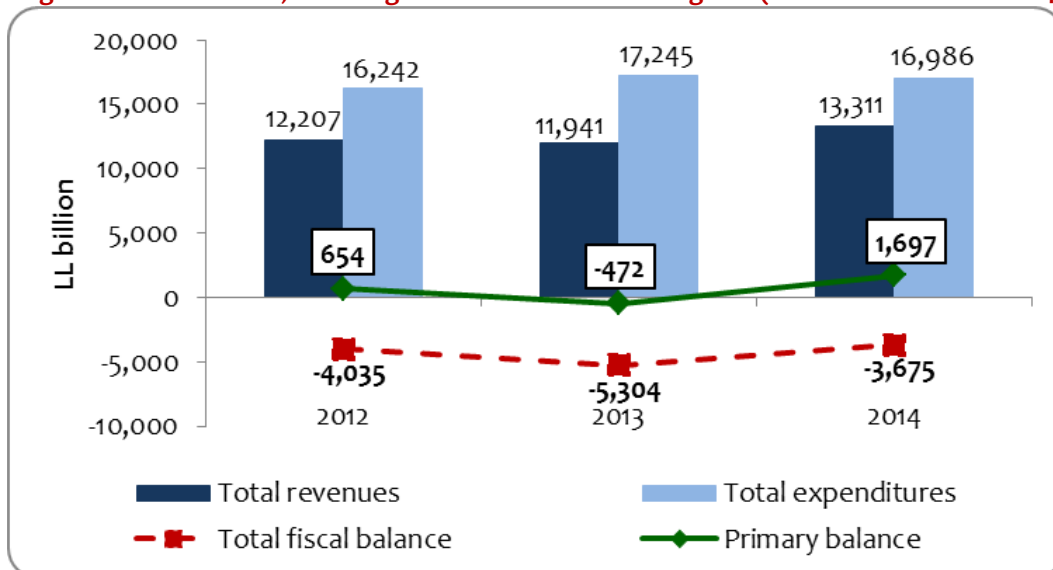
² This figure includes the current year Telecom surplus, as well as arrears pertaining to the period 2010-2013.

Figure 1: Fiscal Cash Balance, Including for Telecom Figures (Jan-Oct 2012-Jan-Oct 2014)



Source: Ministry of Finance, Directorate General of Finance

Figure 2: Fiscal Balance, Including for Estimated Telecom Figures (Jan-Oct 2012-Jan-Oct 2014)



Source: Ministry of Finance, Directorate General of Finance

Note: Telecom Surplus figures are usually provided by the Ministry of Telecommunication, or otherwise, estimated by the Ministry of Finance.

Revenues

Total revenues³ rose by LL 1,370 billion (11 percent) from the LL 11,941 billion collected in Jan-Oct 2013. This increase is mostly attributed to efforts by the administration to improve revenue collections (particularly those related to income taxes and administrative fees) as well as higher treasury revenues, which were slightly counterbalanced by lower collections of taxes on international trade.

On a cash basis, total revenues increased by LL 2,295 billion (20 percent) to reach LL 13,678 billion, mainly reflecting the amount of telecom transfers in the comparable periods of Jan-Oct 2014 and Jan-Oct 2013.

³ On an expected basis.

Tax revenues increased by LL 317 billion by end-Oct 2014 to reach LL 9,152 billion. In detail, **taxes on income, profits and capital gains** jumped by LL 272 billion, with around half of the increase from income tax on profits.

Taxes on property grew by LL 62 billion as built property tax grew by LL 41 billion (27 percent). Also, real estate registration fees increased by LL 34 billion, outlining a 3 percent expansion in average prices of sold properties along with a 5 percent rise in the number of sold properties⁴.

Domestic taxes on goods and services rose by LL 57 billion as revenues from the Value Added Tax increased by a slight LL 38 billion (1 percent), mainly owing to a 5 percent increase in VAT collected internally, although at a slower pace than previous years, this was partially counterbalanced by a 1 percent decline in VAT collected at customs.

Transfers from Régie increased by LL 20 billion due to a discrepancy in timing of receipts, to reach LL 115 billion in Jan-Oct 2014. It is worth mentioning that revenues collected from **fiscal stamp fees** increased by LL 15 billion.

In contrast, **taxes on international trade** dropped by LL 91 billion as a result of lower excises and customs collections in Jan-Oct 2014, reflecting the overall decrease in the value of imports during the period under study. Tobacco excises registered the most notable decrease of LL 53 billion over the period.

Non-tax revenues⁵ stood at LL 2,700 billion in the first ten months of 2014, increasing by LL 285 billion year-on-year. On a cash basis, non-tax revenues surged by LL 1,209 billion to LL 3,068 billion, mainly as large cash transfers of LL 1,980 billion from the Telecom Surplus was made during Jan-Oct 2014, compared to only LL 972 billion in the corresponding period of 2013.

Of other non-tax revenues, receipts from property income increased by LL 68 billion, revenues from Port of Beirut by LL 52 billion and vehicle control fees rose by LL 47 billion by end-Oct 2014 (*for more information, kindly refer to September 2014 Public Finance Monitor*).

Treasury receipts witnessed an unprecedented increase of LL 769 billion in Jan-Oct 2014, owing primarily to the collection of Telecom revenues on behalf of Municipalities (worth LL 673 billion), to be redistributed at a later stage.

Expenditures

Total expenditures regressed by LL 258 billion, reaching LL 16,986 billion in Jan-Oct 2014 compared to LL 17,245 billion in the same period of 2013.

Current primary expenditures⁶ decreased by LL 542 billion in Jan-Oct 2014, from LL 10,094 billion by end-Oct 2013. This was mainly the result of lower payments to (i) **Electricité du Liban (EDL)** by LL 253 billion, due to lower volume of high-priced gasoil imports pertaining to payments in Jan-Oct 2014 which was more than offset by the rise in volume of fuel oil imports, (ii) **NSSF** by LL 150 billion, (iii) **hospitals** by LL 76 billion, and (iv) **medicaments** by LL 70 billion. These decreases were partly offset by a LL 189 billion increase in **salaries and wages**, mainly due to a LL 62 billion increase in government subscription and contributions to the employees' cooperative and a LL 55

⁴ Kindly note that the number of sold properties and average prices of sold properties are based on sale contracts declared over the period (Source: Cadaster, Ministry of Finance).

⁵ On an expected basis.

⁶ Current primary expenditures represent current expenditures excluding interest payment and debt service.

billion rise in basic salaries of the army. Moreover, **retirement compensations** increased by LL 53 billion during Jan-Oct 2014.

Interest payments jumped by LL 554 billion to reach LL 5,143 billion, due to higher debt service payments on both the local and foreign currency components. **Foreign debt principal repayments** amounted to LL 230 billion by end-Oct 2014, showing a decrease of LL 13 billion compared to the same period of 2013.

Capital expenditures plunged by LL 179 billion to LL 677 billion in Jan-Oct 2014, mainly as a result of (i) a LL 128 billion decline in payments to **maintenance**, (ii) a LL 73 billion decrease in payments to the **Ministry of Public Work and Transport**, and (iii) LL 46 billion lower transfers to **CDR**, totalling LL 241 billion by end of October 2014.

Treasury expenditures⁷ dropped by LL 92 billion to reach LL 1,121 billion by end-Oct 2014; mainly due to lower **VAT refund** and **deposits** by LL 61 billion and LL 49 billion, respectively. This decrease was counterbalanced by a LL 76 billion increase in transfers to **municipalities**, reaching LL 660 billion, of which (i) LL 355 billion relate to the distribution of revenues⁸, (ii) LL 288 billion pertain to transfers to solid waste management companies, and (iii) LL 17 billion represent payments for infrastructure projects and other expenses.

Public Debt

Gross public debt totaled LL 99,849 billion by end-October 2014, adding LL 4,139 billion (4.3 percent) from end-2013, as an expansion in the stock of local currency debt overshadowed a slight decline in foreign currency denominated debt. Net debt amounted to LL 84,807 billion, up by LL 4,606 billion end-2013, outlining the LL 453 billion (2.9 percent) decline in public sector deposits to LL 15,042 billion.

Local currency debt amounted to LL 60,699 billion by end-October 2014 increasing by LL 4,387 billion from end-2013. Commercial banks' TB holdings increased by LL 1,049 billion to LL 30,826 billion, while TB holdings by Banque du Liban reached 18,860 billion, compared to LL 16,761 billion as at end-2013. Holdings by Public Institutions climbed by LL 559 billion to LL 7,676 billion, while holdings of Financial Institutions and the General Public increased by LL 341 billion and LL 332 billion respectively.

Outstanding **foreign currency debt** declined by LL 248 billion to LL 39,150 billion by end-October 2014. This was mainly due to declines in Eurobonds and loans issued in the context of Paris II and Paris III, as a result of amortized principal repayments. Paris II and Paris III issued Eurobonds and loans dropped by LL 386 billion and LL 189 billion respectively. The decrease was partially offset by a LL 195 billion rise in outstanding "Bilateral, multilateral and foreign private sector loans". Outstanding Market issued Eurobonds decreased by LL 65 billion to LL 32,622 billion.

⁷ 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.

⁸ As per decree 11180 dated 11 February 2014. The total treasury advance for 2012 is LL 490 billion, to be redistributed at a later stage.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
Budget Revenues, of which	11,251	11,852	5.3%
Tax Revenues	8,835	9,152	3.6%
Non-Tax Revenues	2,416	2,700	11.8%
Treasury Receipts	689	1,459	111.6%
Total Revenues	11,941	13,311	11.5%

Source: Ministry of Finance, Directorate General of Finance

Table 3: Tax Revenues

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
Tax Revenues:	8,835	9,152	3.6%
Taxes on Income, Profits, & Capital Gains, of which	2,326	2,598	11.7%
Income Tax on Profits	946	1,075	13.6%
Income Tax on Wages and Salaries	569	634	11.2%
Income Tax on Capital Gains & Dividends	218	243	11.7%
Tax on Interest Income (5%)	552	595	7.7%
Penalties on Income Tax	39	51	28.7%
Taxes on Property, of which:	965	1027	6.5%
Built Property Tax	152	193	26.8%
Real Estate Registration Fees	670	704	5.1%
Domestic Taxes on Goods & Services, of which:	3,342	3,399	1.7%
Value Added Tax	2,928	2,966	1.3%
Other Taxes on Goods and Services, of which:	310	309	-0.4%
Private Car Registration Fees	177	181	2.5%
Passenger Departure Tax	132	126	-4.6%
Taxes on International Trade, of which:	1,797	1,707	-5.0%
Customs	685	646	-5.7%
Excises, of which:	1,113	1,061	-4.7%
Gasoline Excise	404	429	6.3%
Tobacco Excise	329	276	-16.1%
Cars Excise	373	349	-6.5%
Other Tax Revenues (namely fiscal stamp fees)	406	421	3.8%

Source: Ministry of Finance, Directorate General of Finance

Table 4: Non-Tax Revenues

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
Non-Tax Revenues	2,416	2,700	11.8%
Income from Public Institutions and Government Properties, of which	1,825	2,015	10.4%
Income from Non-Financial Public Enterprises, of which:	1,705	1,824	7.0%
<i>Revenues from Casino Du Liban</i>	104	100	-3.8%
<i>Revenues from Port of Beirut</i>	30	82	173.7%
<i>Budget Surplus of National Lottery</i>	40	28	-30.0%
<i>Transfer from the Telecom Surplus</i>	1,529	1,613	5.4%
Transfer from Public Financial Institution (BDL)	61	61	0.6%
Property Income (namely rent of Rafic Hariri International Airport)	54	122	126.6%
Other Income from Public Institutions (interests)	6	8	34.8%
Administrative Fees & Charges, of which:	471	533	13.2%
Administrative Fees, of which:	380	443	16.7%
<i>Notary Fees</i>	25	26	4.3%
<i>Passport Fees/ Public Security</i>	118	136	15.1%
<i>Vehicle Control Fees</i>	166	213	28.2%
<i>Judicial Fees</i>	21	23	9.7%
<i>Driving License Fees</i>	16	17	4.4%
Administrative Charges	23	20	-13.1%
Sales (Official Gazette and License Number)	2	2	5.0%
Permit Fees (mostly work permit fees)	55	55	1.2%
Other Administrative Fees & Charges	11	12	10.1%
Penalties & Confiscations	7	9	27.1%
Other Non-Tax Revenues (mostly retirement deductibles)	113	144	27.4%

Source: Ministry of Finance, Directorate General of Finance

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
1. Current Expenditures	14,926	14,924	0.00%
1.a Personnel Cost, of which	5,326	5,510	3.50%
Salaries, Wages and social benefits	3,491	3,679	5.40%
Retirement and End of Service Compensations, of which:	1,536	1,596	3.90%
Retirement	1,319	1,372	4.00%
End of Service	217	224	3.40%
Transfers to Public Institutions to Cover Salaries 1/	300	235	-21.80%
1.b Interest Payments, of which: 2/	4,589	5,143	12.10%
Domestic Interest Payments	2,848	3,317	16.50%
Foreign Interest Payments	1,741	1,826	4.90%
1.c Foreign Debt Principal Repayment	243	230	-5.50%
1.d Materials and Supplies, of which:	404	314	-22.40%
Nutrition (Food supplies)	61	64	4.70%
Fuel Oil	12	7	-44.20%
Medicaments	230	160	-30.50%
1.e External Services	134	122	-8.60%
1.f Various Transfers, of which:	3,615	3,100	-14.20%
EDL 3/	2,708	2,456	-9.30%
NSSF	250	100	-60.00%
Higher Council of Relief	82	20	-76.10%
Contributions to non-public sectors	259	224	-13.40%
Transfers to Directorate General of Cereals and Beetroot	60	70	15.60%
Contributions to water authorities	8	12	45.80%
1.g Other Current, of which:	452	357	-20.90%
Hospitals	321	245	-23.60%
Others(judgments & reconciliations, mission costs, other)	130	106	-18.30%
1.h Interest subsidy	163	149	-9.00%
2. Capital Expenditures	856	677	-20.90%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	14	0	-98.80%
2.b Equipment	62	42	-31.10%
2.c Construction in Progress, of which:	501	484	-3.50%
Displaced Fund	0	30	-
Council of the South	28	39	42.70%
CDR	287	241	-16.00%
Ministry of Public Work and Transport	119	46	-61.60%
Other of which:	58	61	5.40%
Higher Council of Relief	15	2	-86.90%
2.d Maintenance	251	123	-50.90%
2.e Other Expenditures Related to Fixed Capital Assets	29	27	-4.90%
3. Budget Advances 4/	208	225	7.80%
4. Customs Administration (exc. Salaries and Wages) 5/	35	38	6.80%
5. Treasury Expenditures 6/	1,214	1,121	-7.60%
Municipalities	584	660	13.00%

Guarantees	87	99	13.70%
Deposits 7/	147	99	-33.10%
Other, of which:	396	264	-33.20%
VAT Refund	271	204	-24.60%
6. Unclassified Expenditures	5	2	-68.10%
7. Total Expenditures (Excluding CDR Foreign Financed)	17,245	16,986	-1.50%

Source: Ministry of Finance, Directorate General of Finance

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/ 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.

5/ Customs administration 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

6/ 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.

7/ Deposit are payments made by the treasury to public administrations, institutions, municipalities, and 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-Oct	2014 Jan-Oct	% Change 2014/2013
Transfer to Council of the South	7	10	46.0%
Transfer to CDR	24	17	-29.0%
Transfer to the Displaced Fund	5	3	-29.0%
Transfer to the Lebanese University	254	195	-23.2%
Transfer to the Educational Center for Research and Development	11	10	-10.7%
Total Transfers to Public Institutions to Cover Salaries	300	235	-21.8%

Source: Ministry of Finance, Directorate General of Finance

Table 7: Details of Debt Service Transactions¹

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
Interest Payments	4,589	5,143	12.10%
Local Currency Debt	2,848	3,317	16.50%
Foreign Currency Debt, of which:	1,741	1,826	4.90%
Eurobond Coupon Interest*	1,632	1,719	5.30%
Special bond Coupon Interest*	6	6	-1.30%
Concessional Loans Interest Payments	103	101	-2.10%
Concessional Loans Principal Repayments	243	230	-5.50%

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 EDL¹

(LL billion)	2013 Jan-Oct	2014 Jan-Oct	% Change 2014/2013
EDL of which:	2,708	2,456	-9.30%
Debt Service	63	30	-52.40%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	2,645	2,426	-8.30%

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”.

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-12	Dec-13	Oct-14	% Change Dec 13-Oct 14
Gross Public Debt	86,959	95,710	99,849	4.3%
Local Currency Debt	50,198	56,312	60,699	7.8%
* Accrued Interest Included in Debt	789	877	931	6.2%
a. Central Bank (Including REPOs)	15,049	17,171	19,250	12.1%
b. Commercial Banks	27,267	29,905	30,981	3.6%
c. Other Local Currency Debt (T-bills), of which:	7,882	9,236	10,468	13.3%
Public Entities	6,479	7,117	7,676	7.9%
Contractor bonds 1/	134	134	167	24.6%
Foreign Currency Debt 2/	36,761	39,398	39,150	-0.6%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,584	2,606	2,818	8.1%
b. Paris II Related Debt (Eurobonds and Loans) 3/	2,925	2,338	1,953	-16.5%
c. Paris III Related Debt (Eurobonds and Loans) 4/	1,313	1,187	997	-16.0%
d. Market-Issued Eurobonds	29,427	32,688	32,622	-0.2%
e. Accrued Interest on Eurobonds	400	444	639	43.9%
f. Special T-bills in Foreign Currency 5/	112	136	121	-11.0%
Public Sector Deposits	12,916	15,495	15,042	-2.9%
Net Debt 6/	74,043	80,201	84,807	5.7%
Gross Market Debt 7/	58,623	65,386	67,224	2.8%
% of Total Debt	67%	68%	67%	-1.5%

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 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.

MINISTRY OF FINANCE PUBLICATIONS

2014

Aid Coordination Monthly Newsletter, Issues 74-81

Public Finance Monitor Monthly Update, January-June 2014

Public Finance Monitor Monthly Update, October 2013-December 2013

Public Finance Quarterly Review, QII 2013 and QIII 2013

Transfers to EDL: A Monthly Snapshot, January-June 2014

Transfers to EDL: A Monthly Snapshot, October-December 2013

Salaries and Wages and Related Benefits-The Article 13 Monthly Bulletin, January-June 2014

Salaries and Wages and Related Benefits-The Article 13 Monthly Bulletin, October-December 2013

Debt and Debt Markets Quarterly, QI 2014, QII 2014, QIII 2014

Debt and Debt Markets Quarterly, QIV 2013

For a complete list of MoF Publications, go to www.finance.gov.lb



For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059