

General Overview

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The **total fiscal balance** registered a wider deficit of LL 323 billion in January 2016, compared to the LL 168 billion deficit of January 2015 (Table 1-a). The deterioration mostly represented an accounting exercise whereby some of the revenues that were collected by the Treasury on behalf of municipalities in 2014 were duly transferred to municipalities and recorded as expenditures¹. Total expenditures thus increased by LL 505 billion to LL 1,997 billion. Revenues in January 2016 increased by a lower nominal amount of LL 351 billion from Jan 2015, and were boosted by a LL 160 billion cash transfer from the Telecom Surplus, representing a discrepancy in timing of payment². The primary surplus in January 2016 was LL 48 billion and compared to a surplus of LL 238 billion in January 2015. Adjusting for the exceptional transfers to municipalities and the telecom discrepancy, the fiscal balance ended January 2016 at a deficit of LL 70 billion decreasing by around 59 percent from Jan-2015, while the primary balance registered a LL 301 billion surplus, a 26.7 percent improvement from January 2015 (Table 1-b)³.

Table 1-a: Summary of Fiscal Performance

(LL billion)	2015 January	2016 January	% Change 2016/2015
Total Budget and Treasury Receipts	1,324	1,675	26.5%
Total Budget and Treasury Payments, of which	1,492	1,997	33.8%
•Interest Payments	388	348	-10.3%
•Concessional loans principal payment ¹	18	23	26.5%
•Primary Expenditures ²	1,086	1,626	49.7%
Total (Deficit)/Surplus	(168)	(323)	91.7%
Primary (Deficit)/Surplus	238	48	-79.7%

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)

Table 1-b: Summary of Fiscal Performance - Including Adjustments¹

(LL billion)	2015 January	2016 January	% Change 2016/2015
Total Budget and Treasury Receipts	1,324	1,515	14.4%
Total Budget and Treasury Payments, of which	1,492	1,584	6.2%
•Interest Payments	388	348	-10.3%
•Concessional loans principal payment	18	23	26.5%
•Primary Expenditures	1,086	1,213	11.7%
Total (Deficit)/Surplus	(168)	(70)	-58.7%
Primary (Deficit)/Surplus	238	301	26.7%

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

¹ In 2014, the Treasury collected an estimated LL 739 billion of telecom revenues on behalf of municipalities (of which LL 636 billion in arrears for the period 2010-2013). In January 2016, around LL 413 billion of those were transferred back to municipalities.

² The payment made from the Telecom in January 2016 pertains to December 2015.

³ Table 1-b does not represent an indication of actual government figures, but makes broad adjustments in extraordinary one-off payments and collections to more accurately reflect structural fiscal dynamics.

¹ Excluding LL 160 billion in Telecom revenues in January 2016 from Total Budget and Treasury Receipts, and excluding LL 413 billion in Treasury transfers to Municipalities from Total Budget and Treasury Payments.

Revenues

Total revenues rose by 26 percent to reach LL 1,675 billion in January 2016, compared to LL 1,324 billion in January 2015.

Tax revenues grew by LL 65 billion (6 percent) year-on-year, amounting to LL 1,179 billion in the first month of 2016, owing to an increase in all sub-components. Most importantly, **taxes on income, profits and capital gains** rose by LL 32 billion (9 percent) driven mainly by a LL 24 billion increase in income tax on wages and salaries. **Domestic taxes on goods and services** gained LL 10 billion, followed by **fiscal stamps** and **taxes on international trade** by LL 8 billion each, and **taxes on property** by LL 6 billion.

Non-tax revenues increased by LL 196 billion year-on-year to reach LL 305 billion in January 2016, mainly due to a discrepancy in timing of **transfers from the Telecom Surplus**. These transfers amounted to LL 160 billion in January 2016, compared to nil in January 2015. Moreover, Permit fees and Passport fees were up by LL 9 billion and LL 8 billion respectively.

Treasury receipts were up by LL 90 billion to reach LL 191 billion in January 2016.

Expenditure

Total expenditures registered a LL 505 billion (34 percent) increase year-on-year, standing at LL 1,997 billion in January 2016 compared to LL 1,492 billion in January 2015.

Current primary expenditures⁴ increased by LL 127 billion, reaching LL 1,046 billion in January 2016, as a result of higher **other current** spending by LL 88 billion mainly driven by a LL 71 billion increase in transfers to **hospitals**. This rise was also the result of other increases in transfers, of which (i) LL 43 billion increase in **materials and supplies**, including a major rise of LL 23 billion in spending on medicaments, (ii) LL 43 billion for an **accounting adjustment**, and (iii) LL 36 billion in **contributions to non-public sectors** from the LL 11 billion of contributions made in 2015. In addition, a slight increase of LL 6 billion in **external services** was recorded, after a major drop of LL 17 billion took place in January 2015. These increases were counterbalanced by (i) a significant drop of LL 134 billion in **transfers to EDL**, (ii) a decline of LL 28 billion in personnel cost mainly due to **salaries, wages and other social benefits** where it went down from LL 388 billion in 2015 to LL 350 billion in 2016 and (iii) a decrease in **transfers to HRC** by LL 19 billion.

Interest payments dropped by LL 40 billion to reach LL 348 billion, due to lower debt service payments on both the local and foreign currency component. **Foreign debt principal repayments** amounted to LL 23 billion in January 2016, compared to LL 18 billion in January 2015.

Capital expenditures increased by LL 10 billion to reach LL 102 billion in January 2016, as a result of a LL 51 billion increase in most sub-components, partly counterbalanced by a LL 41 billion decline in transfers to CDR.

Treasury expenditures⁵ increased by LL 409 billion in January 2016 primarily as a result of a LL 391 billion rise in spending to municipalities. It is worth mentioning that the

⁴ Current primary expenditures represent current expenditures excluding interest payment and debt service.

⁵ 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.

Ministry of Finance distributed LL 413 billion in telecom revenues to municipalities during January 2016⁶, that have been transferred by the Ministry of Telecommunication to the Treasury in July 2014 (for more information, kindly refer to the July 2014 Public Finance Monitor).

Public Debt

Gross public debt stood at LL 106,478 billion by end-January 2016, up by 0.4 percent from end-2015, while Net debt increased at a slightly slower pace of 0.3 percent to LL 93,105 billion.

Local currency debt ended January 2016 at LL 65,548 billion, adding LL 353 billion from the previous month. Local currency debt holdings by the Central Bank increased by 4.4 percent (LL 1,072 billion) to LL 25,380 billion, while holdings by Commercial Banks retracted by 2.5 percent (LL 739 billion) to LL 29,139 billion.

The stock of **foreign currency debt** rose by 0.3 percent (LL 111 billion) to reach LL 40,930 billion, noting that the stock of market-issued Eurobonds remained almost unchanged at LL 35,845 billion. In January, the Ministry of Finance executed a dual-tranche Eurobond transaction, issuing US\$ 431,664,000 in new notes to the Central Bank (BDL) pursuant to a 'Purchase Agreement' with BDL⁷, dated December 18, 2015. The transaction entailed the reopening of two notes that were originally issued in November 2015, (i) the 6.25% Notes due 2024 (Series 75, Tranche 3) for an amount of the first, US\$ 38,467,000, and (ii) the 6.65% Notes due 2028 (Series 76, Tranche 3) for the amount of US\$ 393,197,000. Proceeds from the issuance were utilized to refinance the remaining amount of the US\$ 750 million 8.50% notes due January 19, 2016, noting that on November 4, 2015 MoF conducted a US\$ 1.6 billion transaction that entailed the early exchange of US\$ 318,336,000 of the said Eurobond⁸.

⁶ As per Decree 2339 dated 30 November 2015.

⁷ Additional details on the January 2016 Eurobond transaction can be found under the note titled "Re-opening of 6.25% USD note due Nov 2024 and 6.65% USD note due Nov 2028, issued 19 January 2016" on MoF's website <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtTransactions.aspx>.

⁸ Additional details on the November 2015 Eurobond transaction can be found under the note titled "Eurobond Transaction Concluded in November 2015" on MoF's website: <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtTransactions.aspx>.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2015 January	2016 January	% Change 2016/2015
Budget Revenues, of which	1,224	1,484	21.3%
Tax Revenues	1,114	1,179	5.8%
Non-Tax Revenues	110	305	178.3%
Treasury Receipts	100	191	90.4%
Total Revenues	1,324	1,675	26.5%

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

Table 3: Tax Revenues

(LL billion)	2015 January	2016 January	% Change 2016/2015
Tax Revenues:	1,114	1,179	5.8%
Taxes on Income, Profits, & Capital Gains, of which	345	378	9.3%
Income Tax on Profits	100	95	-4.7%
Income Tax on Wages and Salaries	157	180	15.1%
Income Tax on Capital Gains & Dividends	19	22	13.2%
Tax on Interest Income (5%)	67	75	11.3%
Penalties on Income Tax	2	5	149.4%
Taxes on Property, of which:	74	80	8.2%
Built Property Tax	10	13	22.0%
Real Estate Registration Fees	57	57	-0.4%
Domestic Taxes on Goods & Services, of which:	479	489	2.1%
Value Added Tax	462	466	0.8%
Other Taxes on Goods and Services, of which:	15	21	38.1%
Private Car Registration Fees	13	14	6.3%
Passenger Departure Tax	2	7	241.9%
Taxes on International Trade, of which:	168	176	4.6%
Customs	56	56	-0.9%
Excises, of which:	112	120	7.3%
Gasoline Excise	50	52	2.9%
Tobacco Excise	29	32	8.6%
Cars Excise	32	36	13.2%
Other Tax Revenues (namely fiscal stamp fees)	48	56	17.8%

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

Table 4: Non-Tax Revenue

(LL billion)	2015 January	2016 January	% Change 2016/2015
Non-Tax Revenues	110	305	178.3%
Income from Public Institutions and Government Properties, of which	41	203	391.8%
Income from Non-Financial Public Enterprises, of which:	11	170	N.M.
<i>Revenues from Casino Du Liban</i>	11	10	-13.9%
<i>Revenues from Port of Beirut</i>	0	0	N.M.
<i>Budget Surplus of National Lottery</i>	0	0	N.M.
<i>Transfer from the Telecom Surplus</i>	0	160	N.M.
Transfer from Public Financial Institution (BDL)	0	0	N.M.
Property Income (namely rent of Rafic Hariri International Airport)	30	33	10.4%
Other Income from Public Institutions (interests)	0	0	23.7%
Administrative Fees & Charges, of which:	53	75	39.8%
Administrative Fees, of which:	34	43	26.9%
Notary Fees	2	3	6.4%
Passport Fees/ Public Security	12	21	66.8%
Vehicle Control Fees	14	14	4.6%
Judicial Fees	2	2	-7.5%
Driving License Fees	2	1	-10.5%
Administrative Charges	11	14	30.4%
Sales (Official Gazette and License Number)	0	0	-4.4%
Permit Fees (mostly work permit fees)	6	15	152.1%
Other Administrative Fees & Charges	2	2	-19.0%
Penalties & Confiscations	1	3	112.7%
Other Non-Tax Revenues (mostly retirement deductibles)	14	25	80.5%

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

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2015 January	2016 January	% Change 2016/2015
1. Current Expenditures	1,325	1,417	7.0%
1.a Personnel Cost, of which	542	514	-5.2%
Salaries, Wages and Related Items	388	350	-9.6%
Retirement and End of Service Compensations, of which:	154	160	4.0%
Retirement	140	147	4.8%
End of Service	13	13	-3.6%
Transfers to Public Institutions to Cover Salaries 1/	1	4	N.M.
1.b Interest Payments 2/, of which:	388	348	-10.3%
Domestic Interest Payments	265	258	-2.6%
Foreign Interest Payments	123	90	-27.0%
1.c Accounting Adjustments 3/	0	43	N.M.
1.d Foreign Debt Principal Repayment	18	23	26.5%
1.e Materials and Supplies, of which:	25	68	177.0%
Nutrition	8	11	49.5%
Fuel Oil	1	8	N.M.
Medicaments	7	36	N.M.
1.f External Services	9	16	68.9%
1.g Various Transfers, of which:	254	229	-10.1%
EDL 4/	188	54	-71.3%
NSSF	0	0	N.M.
Higher Council of Relief	20	1	-96.5%
Contributions to non-public sectors	11	48	N.M.
Transfers to Directorate General of Cereals and Beetroot 5/	10	0	-100.0%
Contributions to water authorities	0	0	N.M.
1.h Other Current, of which:	88	176	100.0%
Hospitals	76	147	92.6%
Others (judgments & reconciliations, mission costs, other)	7	28	273.7%
1.i Interest subsidy	1	1	10.2%
2. Capital Expenditures	92	102	10.8%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	12.5%
2.b Equipment	2	15	N.M.
2.c Construction in Progress, of which:	69	53	-23.3%
Displaced Fund	0	0	N.M.
Council of the South	0	0	N.M.
CDR	54	13	-76.1%
Ministry of Public Work and Transport	5	12	138.2%
Other of which:	8	25	212.9%
Higher Council of Relief	0	0	N.M.
2.d Maintenance	21	31	45.6%
2.e Other Expenditures Related to Fixed Capital Assets	0	4	N.M.
3. Budget Advances 6/	3	1	-71.3%
4. Customs Administration (exc. Salaries and Wages) 7/	13	8	-36.9%
5. Treasury Expenditures 8/	59	468	N.M.
Municipalities	22	413	N.M.
Guarantees	3	2	-37.9%
Deposits 9/	5	6	23.1%
Other, of which:	28	46	64.5%
VAT Refund	23	27	19.5%
6. Unclassified Expenditures	0	1	N.M.
7. Total Expenditures (Excluding CDR Foreign Financed)	1,492	1,997	33.8%

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/ It is worth noting that amounts of LL41.4 billion in coupons and 1.9 billion in discounted interest payments due on 31/12/2015 were recorded in the accounting system on 2/1/2016.

4/ 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.

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

6/ 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.

7/ 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.

8/ 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)	2015 January	2016 January	% Change 2016/2015
Transfer to Council of the South	0	0	N.M.
Transfer to CDR	0	0	N.M.
Transfer to the Displaced Fund	0	0	N.M.
Transfer to the Lebanese University	1	0	-100.0%
Transfer to the Educational Center for Research and Development	0	3	N.M.

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

Table 7: Details of Debt Service Transactions¹

(LL billion)	2015 January	2016 January	% Change 2016/2015
Interest Payments	388	348	-10.3%
Local Currency Debt	265	258	-2.6%
Foreign Currency Debt, of which:	123	90	-27.0%
Eurobond Coupon Interest*	113	81	-28.6%
Special bond Coupon Interest*	1	1	-35.0%
Concessional Loans Interest Payments	9	8	-5.9%

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)	2015 January	2016 January	% Change 2016/2015
EDL of which:	188	54	-71.3%
Debt Service	2	1	-5.2%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	186	52	-71.9%

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 2016

(LL billion)	Dec-14	Dec-15	Jan-16	% Change Jan 16 - Dec 15
Gross Public Debt	100,356	106,014	106,478	0.4%
Local Currency Debt	61,752	65,195	65,548	0.5%
* Accrued Interest Included in Debt	1,029	997	1,106	10.9%
a. Central Bank (Including REPOs)	19,855	24,308	25,380	4.4%
b. Commercial Banks	31,468	29,878	29,139	-2.5%
c. Other Local Currency Debt (T-bills), of which:	10,429	11,009	11,029	0.2%
Public Entities	7,701	8,461	8,488	0.3%
Contractor bonds 1/	180	180	180	0.0%
Foreign Currency Debt 2/	38,604	40,819	40,930	0.3%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,752	2,478	2,472	-0.3%
b. Paris II Related Debt (Eurobonds and Loans) 3/	1,743	1,182	1,182	0.0%
c. Paris III Related Debt (Eurobonds and Loans) 4/	986	810	786	-2.9%
d. Market-Issued Eurobonds	32,584	35,846	35,845	0.0%
e. Accrued Interest on Eurobonds	425	435	579	33.1%
f. Special T-bills in Foreign Currency 5/	114	68	66	-2.9%
Public Sector Deposits	13,965	13,227	13,373	1.1%
Net Debt 6/	86,391	92,787	93,105	0.3%
Gross Market Debt 7/	67,373	68,799	68,194	-0.9%
% of Total Debt	67%	65%	64%	-1.3%

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 14- Dec 15 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.



For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059