

The **total fiscal balance** registered a deficit of LL 3,530 billion in 2011 compared to a deficit of LL 4,363 billion in 2010. As for the **primary balance**, it recorded a surplus of LL 2,505 billion in 2011 compared to a surplus of LL 1,855 billion a year earlier. These figures are the result of an 11 percent (LL 1,386 billion) increase in revenues that offset the 3 percent (LL 553 billion) increase in expenditures. It is worth noting that the fiscal deficit and primary surplus figures witnessed a notable improvement starting November 2011, when the first transfer from telecom was received by the Treasury. The telecom transfer for January –December 2011 includes a payment of LL301billion made in early January 2012.

Figure 1: Total Revenues and Expenditures (2009-2011)

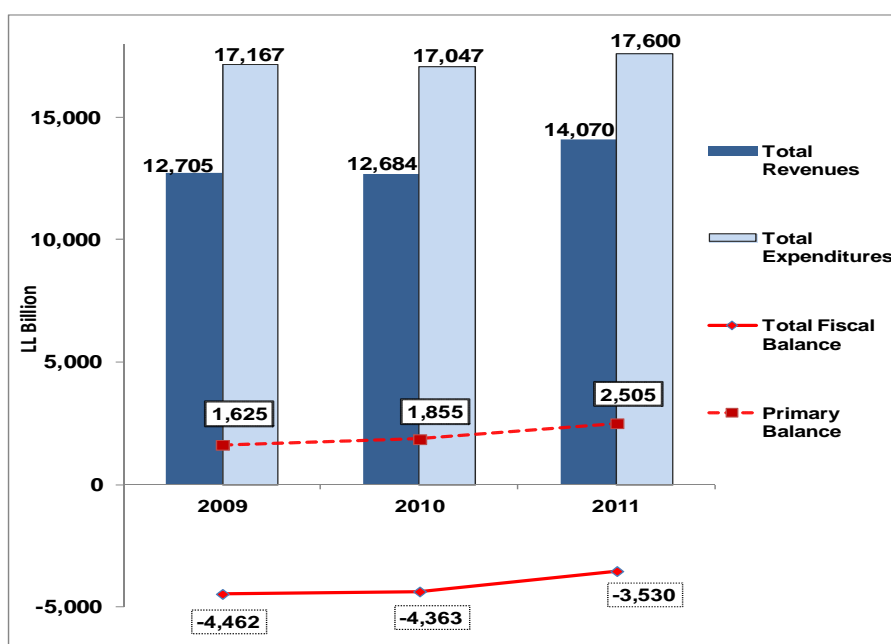
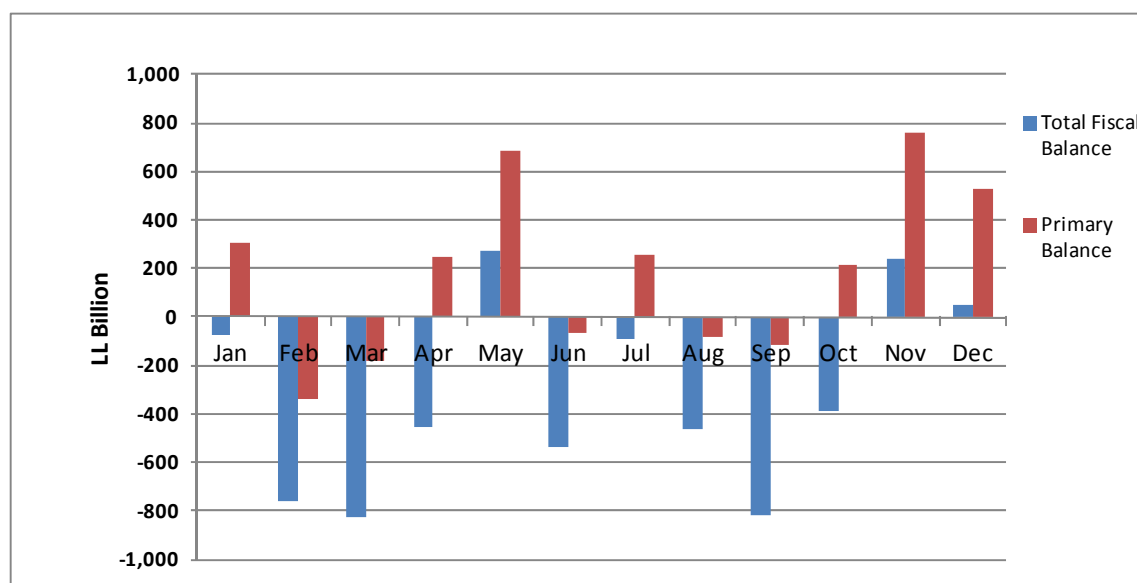


Figure 2: Monthly fiscal evolution in 2011



Note: The fiscal and primary balances in the above graph reflect the effective cash Telecom transfers made in November and December 2011

Total revenues amounted to LL 14,070 billion as at end-December 2011 compared to LL 12,684 billion in 2010, representing an improvement of LL 1,386 billion (11 percent), mainly explained by an increase of LL 1,425 billion in non-tax revenues.

Tax revenues dropped slightly in 2011 to reach LL 9,885 billion, mainly because of a slowdown of LL 623 billion in taxes on international trade, owing to decreases of LL 590 billion (30 percent) in excises and LL 33 billion (4 percent) in customs. The drop in excises is attributed to: (a) a reduction in the gasoline excise by LL 498 billion due to the Higher Council of Customs' decision on February 26, 2011 to reduce the excise on gasoline by LL 5,000 per 20 liters, and (b) the deterioration in excises on cars by LL 152 billion, mirroring the decline in car imports. In parallel, customs revenues witnessed a slight decrease, despite higher imports in 2011 compared to the previous year, reflecting a lower effective tariff rate (2.55 percent in 2011, and 2.99 percent in 2010).

Other components of tax revenues witnessed a better performance:

- Taxes on Income, Profits and Capital Gains increased by 18 percent (LL 373 billion), from LL 2,050 billion in 2010 to LL 2,423 billion in 2011, mainly due to across-the-board increases on all items under this component, especially income tax on profits (up by LL 225 billion) and income tax on wages and salaries (up by LL 77 billion).
- Domestic taxes on goods and services improved by 3 percent (LL 101 billion), owing to an increase in VAT receipts (LL 107 billion), mainly from VAT collected internally¹. However, revenues from private car registration fees and passenger departure tax dropped by LL 34 billion and LL 12 billion, respectively.

Non-tax revenues increased by 70 percent over the period, from LL 2,043 billion in 2010 to LL 3,468 billion in 2011, mainly due to higher transfers from the Ministry of Telecommunications' budget surplus, which reached LL 2,261 billion compared to LL 957 billion in 2010². The rise in Telecom transfers offset the drop in other non-tax revenues, including revenues from the Port of Beirut, which dropped by LL 17 billion in 2011.

Treasury receipts amounted to LL 718 billion in 2011, which is LL 52 billion higher than the 2010 level. The major component of treasury receipts has historically been revenues collected for the Independent Municipal Fund, which reached LL 261 billion in 2011.

Total expenditures in 2011 increased from LL 17,047 billion in 2010 to LL 17,600 billion in 2011, rising by 3.2 percent year-on-year.

Current primary expenditures³ increased by LL 1,290 billion as a result of a number of reasons summarized below:

- LL 828 billion increase in transfers to the loss-making electricity company, EDL, due to increased payments for fuel and gas oil reflecting higher international oil prices and higher volumes of gas oil⁴
- LL 464 billion rise in salaries, wages, and related items (Article 13)⁵, and a LL 102 billion increase in retirement payments. The rise in Article 13 payments is due to the rise in the number of teachers and security forces as well as the integration of security forces under permanent staff contracts. It is also owing to the payment of the field service indemnity and the disbursement of the 4th retroactive pay.
- LL 52 billion increase in materials and supplies, mainly as a result of an increase in payments for medicines and for fuel oil for the army.
- LL 15 billion increase in the payments for the wheat subsidy as a result of the international wheat price crisis, which began in the third quarter of 2010 and continued until the first half of 2011.
- LL 41 billion paid as gasoline subsidy for taxi drivers. On October 5 2011, Parliament approved Law#182 to subsidize taxi drivers for a period of three months amid increasing fuel and gasoline prices. The owners of 32,957 bus and taxi number plates received each LL1,248,000 or a total of LL41 billion by end of 2011.

¹ In 2011, VAT collected internally increased by LL 85 billion, while VAT receipts from customs increased by only LL 22 billion as compared to 2010.

² Kindly note that this figure represents transfers received by the Ministry of Finance from the Ministry of Telecommunications on account of 2011 and includes four transfers in November and December 2011 totaling LL 1,960 billion and one transfer in January 2012 of LL 301 billion. For more information about the low transfer from the telecom budget surplus in 2010, refer to the December 2010 PFM published on the MOF website.

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

⁴ For details, refer to the December 2011 issue of the publication "Transfers to EDL – A Monthly Snapshot".

⁵ For details, refer to the November 2011 issue of the publication "Salaries and Wages and Related Benefits-The Article 13 Monthly Bulletin".

On the other hand, transfers to NSSF dropped by LL 30 billion to LL 120 billion as of-end 2011, against LL 150 billion in 2010, whereas there were no transfers to the Special Tribunal for Lebanon (TSL) and treasury advances for diesel oil subsidy, which represented a cut of LL 102 billion in current primary expenditures.

During QIV 2010, the government did not take any decision to subsidize diesel oil for the winter of 2010-2011. Therefore, no payments were made in 2011, whereas LL61 billion were provided in 2010 to cover the diesel oil subsidy provided during the winter seasons of 2008-2009 and 2009-2010. However, in the last quarter of 2011, the Council of Ministers decided to support rural and poor households consuming diesel oil by removing the 10 percent VAT on diesel oil in order to avoid any abuse of the subsidy, a change that required an amendment to the VAT legislation. A law to that effect was passed by Parliament on March 5, 2012 (Law #207). The government also decided to reinstate the diesel oil subsidy until the VAT amendment was approved by Parliament up to a maximum period of one month starting December 19, 2011⁶. Like previous years, the direct subsidy provided LL 3,000 per tank of 20 litres and is expected to cost up to LL22.5 billion – to be reflected in 2012 fiscal figures.

End-of-service payments decreased by 24 percent in 2011 to LL 232 billion compared to LL 304 billion in 2010. This was mainly due to a lower number of beneficiaries retiring in the civilian and military personnel in 2011 compared to 2010.

Interest payments amounted to LL 5,655 billion in 2011, falling by 4 percent (equivalent to LL 239 billion) due to lower debt service payments, mainly on domestic currency debt:

- On the **local currency debt**, interest payments totaled LL 3,552 billion, down by LL 210 billion (or 5.6 percent), compared with 2010.
- On the **foreign currency debt**, interest payments totalled LL 2,103 billion in 2011, down by a slight 1.3 percent year-on-year, due to 21 percent or LL 33 billion lower concessional loans interest payments and 1 percent or LL 28 billion higher Eurobond coupon interest payments.

Concessional loan principal payment amounted to LL 379 billion, 17 percent higher than principal payments on concessional loans in 2010.

Capital expenditures decreased by LL 26 billion to reach LL 676 billion in 2011, mainly due to a drop of LL 66 billion in construction-in-progress, mainly the Displaced Fund because of timing of payment issues and a LL 41 billion decrease in expenditures related to fixed capital assets, due to an absence of transfers to IDAL's Export Plus Program in 2011.

Spending on maintenance, mainly for roads, shot up by LL 57 billion (or 44 percent).

Treasury expenditures⁷ decreased by LL 496 billion to reach LL 867 billion, mainly due to:

- the sharp drop of VAT refunds paid in 2011, which reached only LL 195 billion compared to LL 384 billion in 2010. This is mainly due to a discovered fraud, which is currently being investigated by the Attorney General. The 2011 VAT refund claims were all frozen by the MOF administration. As a result, taxpayers started to carry forward the VAT credit instead of submitting a refund claim.
- the nonpayment of 2010 revenues accruing to municipalities as a result of a delay in the publication of the decree allocating the revenues shares⁸.

⁶ As per Council of Ministers Decision Number 2 dated December 14, 2011..

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 Decree 7374 was only published on January 13, 2012.

Gross public debt increased by LL 1,571 billion to LL 80,869 billion in 2011 against LL 79,298 billion at end-2010.

Local currency debt increased by LL 1,085 billion to LL 49,340 billion at end-2011 compared to the end-2010 level. Whereas BDL's holdings of domestic currency debt increased by LL 3,244 billion over that period, commercial banks' holdings were LL 2,037 billion lower than end-2010, at LL 25,177 billion. The change in the LL-denominated debt portfolio takes into account the following transactions:

- The Debt Replacement Agreement between the Ministry of Finance and Banque du Liban in January 2011.⁹
- The issuance of 7.90 percent 7yr LL bonds that took place on March 24, 2011.¹⁰
- The issuance of 7.90 percent 7yr LL bonds on April 21^t, 2011.¹¹
- The issuance of 7.60 percent 7yr LL bonds on September 15^h, 2011.¹²
- The issuance of 6.00 percent 5yr LL contractor bonds on November 28, 2011. This LL 40.6 billion issuance to settle the increased cost of construction materials marked the first LL-denominated contractor bonds (usually issued in US dollars). The transaction is pursuant to Law # 69 of April 23, 2009.

Foreign currency debt witnessed an increase of LL 486 billion, mainly as a result of a LL 1,388 billion increase in market-issued Eurobonds. On the other hand, Paris II and Paris III-related debt decreased by LL 625 billion and LL 132 billion, respectively. The change in the market-issued Eurobonds pertains to:

- US\$ 265 million issuance on January 18h, 2011 undertaken through a Debt Replacement Agreement between the Ministry of Finance and Banque du Liban.
- US\$ 1 billion dual-tranche issuance on May 20h, 2011.¹³
- US\$ 1.2 billion dual-tranche issuance on August 2, 2011.¹⁴
- US\$ 1.47 billion voluntary debt exchange transaction and issuance of new notes on November 28, 2011. The first series consisted of a US\$ 500 million 5.45% percent coupon Eurobond due November 2019, the second series a US\$ 375 million 6.60 percent coupon Eurobond due November 2026 while the third series consisted of a €445 million 5.35% Eurobond due November 2018. The aggregate participation in the exchange was 64.3 percent. In sum, the new notes issued via the voluntary exchange offer amounted to US\$1,229,625,215 while the additional notes for cash amounted to US\$238,337,285. The new cash portion was almost three times oversubscribed, with international orders accounting for 19 percent of these subscriptions. The proceeds of the issue were utilized for refinancing operations.¹⁵

Special T-bills in foreign currency increased by LL 6 billion. This pertains to US\$ 4,269,798.27 worth of contractor bonds that were issued on 19 September 2011 at a rate of 6 percent, coming due in September 2016, pursuant to Law #69 dated April 23, 2009.

⁹ For details, refer to the corresponding note published on www.finance.gov.lb

¹⁰ For details, refer to the March 2011 PFM.

¹¹ For details, refer to the April 2011 PFM.

¹² For details, refer to the September 2011 PFM.

¹³ For details, refer to the May 2011 PFM.

¹⁴ More details can be found in the related transaction brief note here <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtTransactions.aspx>

¹⁵ For further information, refer to the transaction brief note found here <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtTransactions.aspx>

Table 1. Summary of Fiscal Performance

(LL billion)	2010 Dec	2011 Dec	2010 Jan-Dec	2011 Jan-Dec	% Change 2011/2010
Total Budget and Treasury Receipts	1,503	1,339	12,684	14,070	10.9%
Total Budget and Treasury Payments, of which	1,553	1,929	17,047	17,600	3.2%
• Interest Payments	486	429	5,893	5,655	-4%
• Concessional loans principal payment ¹	23	50	324	379	17%
• Primary Expenditures ²	1,045	1,450	10,829	11,566	6.8%
Total Cash Deficit/Surplus³	-51	-590	-4,363	-3,530	-40%
Primary Deficit/Surplus³	458	-111	1,855	2,505	35%

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)

³ It is worth noting that the fiscal deficit and primary surplus figures witnessed a notable improvement starting November 2011, as soon as the first transfer from telecom was received by the Treasury. The telecom transfer for January –December 2011 includes a transfer of LL301billion made in early January 2012.

Section 1: Revenue Outcome

Table 2. Total Revenue

(LL billion)	2010 Dec	2011 Dec	2010 Jan-Dec	2011 Jan-Dec	% Change 2011/2010
Budget Revenues, of which	1,447	1,246	12,018	13,353	11%
<i>Tax Revenues</i>	708	757	9,976	9,885	-1%
<i>Non-Tax Revenues¹</i>	739	488	2,043	3,468	70%
Treasury Receipts	56	94	666	718	8%
Total Revenues	1,503	1,339	12,684	14,070	11%

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

¹ Out of this amount, LL 2,261 billion represent the effective transfer by the Ministry of Telecom to the Treasury for the year 2011; knowing that LL 1,960 billion were transferred to the Treasury account at BDL in 2011 (during the months of November and December) and the remaining amount of LL301 billion was transferred in January 2012.

Table 3. Tax Revenue

(LL billion)	2010 Dec	2011 Dec	2010 Jan-Dec	2011 Jan-Dec	% Change 2011/2010
Tax Revenues:	708	757	9,976	9,885	-0.9%
Taxes on Income, Profits, & Capital Gains, of which	95	123	2,050	2,423	18.2%
<i>Income Tax on Profits</i>	21	28	808	1032	27.8%
<i>Income Tax on Wages and Salaries</i>	6	28	378	455	20.4%
<i>Income Tax on Capital Gains & Dividends</i>	18	9	213	243	14.0%
<i>Tax on Interest Income (5%)</i>	45	48	628	652	3.8%
<i>Penalties on Income Tax</i>	5	11	22	40	79.8%
Taxes on Property, of which:	127	155	1,088	1,144	5.2%
<i>Built Property Tax</i>	9	20	145	139	-3.8%
<i>Real Estate Registration Fees</i>	98	111	853	844	-1.1%
Domestic Taxes on Goods & Services, of which:	233	261	3,583	3,685	2.8%
<i>Value Added Tax</i>	194	223	3,193	3,300	3.3%
<i>Other Taxes on Goods and Services, of which:</i>	38	28	382	336	-12.0%
<i>Private Car Registration Fees</i>	16	15	231	197	-14.9%
<i>Passenger Departure Tax</i>	22	12	148	137	-7.9%
Taxes on International Trade, of which:	217	181	2,802	2,179	-22.2%
<i>Customs</i>	68	66	810	777	-4.1%
<i>Excises, of which:</i>	150	115	1,992	1,402	-29.6%
<i>Gasoline Excise</i>	83	41	1040	542	-47.9%
<i>Tobacco Excise</i>	24	31	347	404	16.5%
<i>Cars Excise</i>	42	41	598	446	-25.5%
Other Tax Revenues (namely fiscal stamp fees)	36	37	453	454	0.3%

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

Table 4. Non-Tax Revenue

(LL billion)	2010 Dec	2011 Dec	2010 Jan-Dec	2011 Jan-Dec	% Change 2011/2010
Non-Tax Revenues	739	488	2,043	3,468	69.8%
Income from Public Institutions and Government Properties, of which	648	298	1,382	2,679	93.9%
Income from Non-Financial Public Enterprises, of which:	647	292	1,255	2,529	101.5%
<i>Revenues from Casino Du Liban</i>	15	12	171	168	-1.5%
<i>Revenues from Port of Beirut</i>	0	0	65	48	-26.2%
<i>Budget Surplus of National Lottery</i>	5	10	59	50	-15.8%
<i>Transfer from the Telecom Surplus</i>	626	269	957	2,261	136.3%
Transfer from Public Financial Institution (BDL)	0	0	60	60	0.7%
Property Income (namely rent of Rafic Hariri International Airport)	1	6	62	82	33.8%
Other Income from Public Institutions (interests)	1	1	5	7	54.0%
Administrative Fees & Charges, of which:	73	96	535	570	6.6%
Administrative Fees, of which:	59	85	437	467	7.0%
<i>Notary Fees</i>	2	2	29	29	1.0%
<i>Passport Fees/ Public Security</i>	9	9	116	123	6.3%
<i>Vehicle Control Fees</i>	40	65	208	236	13.5%
<i>Judicial Fees</i>	2	2	22	25	11.3%
<i>Driving License Fees</i>	1	1	21	17	-20.3%
Administrative Charges	7	3	29	26	-12.1%
Sales (Official Gazette and License Number)	1	1	5	4	-29.3%
Permit Fees (mostly work permit fees)	5	5	53	61	15.4%
Other Administrative Fees & Charges	2	1	11	13	12.5%
Penalties & Confiscations	1	1	8	10	21.0%
Other Non-Tax Revenues (mostly retirement deductibles)	17	94	118	208	77.1%

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

Section 2: Expenditure Outcome

Table 5. Expenditure by Economic Classification

(LL billion)	2010 Jan-Dec	2011 Jan-Dec	%Change 2011/2010
1. Current Expenditures	14,734	15,841	7.5%
1.a Personnel Cost, of which	5,066	5,533	9.2%
<i>Salaries, Wages and Related Items (Article 13)</i>	3,354	3,818	13.8%
<i>Retirement and End of Service Compensations, of which:</i>	1,391	1,420	2.1%
<i>Retirement</i>	1,086	1,189	9.4%
<i>End of Service</i>	304	232	-23.8%
<i>Transfers to Public Institutions to Cover Salaries 1/</i>	322	295	-8.3%
1.b Interest Payments, of which: 2/	5,893	5,655	-4.0%
<i>Domestic Interest Payments</i>	3,763	3,552	-5.6%
<i>Foreign Interest Payments</i>	2,131	2,103	-1.3%
1.c Foreign Debt Principal Repayment	324	379	17.0%
1.d Materials and Supplies, of which:	277	329	18.9%
<i>Nutrition</i>	66	61	-7.8%
<i>Fuel Oil</i>	8	20	158.1%
<i>Medicaments</i>	128	156	22.0%
<i>Accounting Adjustments for Treasury Advances 3/</i>	39	40	1.9%
1.e External Services	103	135	30.6%
1.f Various Transfers, of which:	2,503	3,278	31.0%
<i>EDL 4/</i>	1,797	2,626	46.1%
<i>NSSF</i>	150	120	-20.0%
<i>Treasury advances for diesel oil subsidy</i>	61	0	-100.0%
<i>Wheat Subsidy</i>	42	58	35.8%
<i>Special Tribunal for Lebanon</i>	41	0	-100.0%
<i>Gasoline subsidy for taxi drivers</i>	0	41	
<i>Accounting Adjustments for Treasury Advances 3/</i>	2	18	1009.5%
1.g Other Current, of which:	440	378	-14.1%
<i>Hospitals</i>	338	301	-10.9%
<i>Others(judgments & reconciliations, mission costs, other)</i>	80	67	-16.2%
<i>Accounting Adjustments for Treasury Advances</i>	19	7	-63.5%
1.h Reserves	128	155	21.2%
<i>Interest subsidy</i>	128	155	21.2%
2. Capital Expenditures	701	676	-3.7%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	1	1	34.9%
2.b Equipment	40	52	29.6%
2.c Construction in Progress, of which:	467	402	-14.0%
<i>Displaced Fund</i>	120	73	-39.6%
<i>Council of the South</i>	46	49	8.1%
<i>CDR</i>	168	145	-13.4%
<i>Ministry of Public Work and Transport</i>	109	92	-15.7%
<i>Other, of which</i>	24	41	74.0%
<i>Higher Council of Relief</i>	0	13	
2.d Maintenance	129	186	44.2%
2.e Other Expenditures Related to Fixed Capital Assets	53	13	-76.1%
2.f Parliamentary Equipment and Maintenance 5/	11	22	102.9%
3. Budget Advances 6/	198	179	-9.5%
4. Customs Administration (exc. Salaries and Wages) 7/	46	36	-22.1%
5. Treasury Expenditures 8/	1,363	867	-36.4%
Municipalities	735	368	-49.9%
Guarantees	71	54	-23.8%
Deposits 9/	105	97	-7.9%
Other, of which:	451	325	-28.0%
<i>VAT Refund</i>	384	195	-49.2%
<i>Higher Council of Relief</i>	0	0	-
Treasury advances for water authorities	0	23	-
6. Unclassified Expenditures	4	1	-65.9%
7. Total Expenditures (Excluding CDR Foreign Financed)	17,047	17,600	3.2%

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/ The expenditure figures as published by the ministry of finance include the regularization from the budget allocations of treasury advances previously paid from treasury accounts.

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/ These are reclassifications of payments made from the guarantees under Law 123 dated 23 July 2010, that opened, in the 2010 Budget, a LL20 billion allocation for the equipment and maintenance of the House of Parliament. The law allowed the provision of an emergency advance issued by a Decision from the Speaker of Parliament specifying the amount and the duration of the advance. The advance is to be regularized based on invoices certified by the Secretariat of the Office of Parliament and submitted to the Ministry of Finance .

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 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.

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)	2010 Jan-Dec	2011 Jan-Dec	%Change 2011/2010
Transfer to Council of the South	13	9	-30%
Transfer to Council for Development and Reconstruction (CDR)	34	27	-21%
Transfer to the Displaced Fund	7	6	-8%
Transfer to the Lebanese University	254	240	-5%
Transfer to the Educational Center for Research and Development	14	12	-9%

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

Table 7. Details of Debt Service Transactions

(LL billion)	2010 Dec	2011 Dec	2010 Jan-Dec	2011 Jan-Dec	%Change 2011/2010
Interest Payments ^{1/}	486	429	5,893	5,655	-4%
Local Currency Debt	346	316	3,763	3,552	-6%
Foreign Currency Debt, of which:	140	113	2,131	2,102	-1%
Eurobond Coupon Interest*	119	111	1,943	1,971	1%
Special bond Coupon Interest*	14	0	27	4	-85%
Concessional Loans Interest Payments	6	3	160	127	-21%
Concessional Loans Principal Repayments	23	50	324	379	17%

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)	2010 Jan-Dec	2011 Jan-Dec	%Change 2011/2010
EDL of which:	1,797	2,626	46%
Debt Service of which:	100	101	0%
- C-Loans, of which:	67	61	-9%
Principal Repayments	56	51	-9%
Interest Payments	11	10	-12%
- BDL Guaranteed Loan payments	33	40	19%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil:	1,697	2,525	49%
- KPC & SPC	1,655	2,470	-
- EGAS	42	55	-

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-December 2011

(LL billion)	Dec-08	Dec-09	Dec-10	Dec-11	Change Dec 10 - Dec 11	% Change Dec 10-Dec 11
Gross Public Debt	70,941	77,112	79,298	80,869	1,571	1.98%
Local Currency Debt	39,007	44,973	48,255	49,340	1,085	2.25%
a. Central Bank (Including REPOs and Loans to EDL to Finance Fuel Purchases) ⁽¹⁾	8,781	10,334	13,130	16,374	3,244	24.71%
b. Commercial Banks	24,320	27,286	27,214	25,177	-2,037	-7.49%
c. Other Local Currency Debt (T-bills), of which:	5,906	7,353	7,911	7,789	-122	-1.54%
Public Entities	5,062	6,078	6,268	6,538	270	4.31%
Contractor bonds	0	0	0	41	41	-
* Accrued Interest Included in Debt	1,029	999	867	788	-79	-9.11%
Foreign Currency Debt⁽²⁾	31,934	32,139	31,043	31,529	486	1.57%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,855	2,713	2,624	2,548	-76	-2.90%
b. Paris II Related Debt (Eurobonds and Loans) ⁽³⁾	5,456	4,819	4,137	3,512	-625	-15.10%
c. Paris III Related Debt (Eurobonds and Loans) ⁽⁴⁾	1,849	1,963	1,855	1,723	-132	-7.12%
d. Market-Issued Eurobonds	20,925	21,736	21,870	23,259	1,388	6.35%
e. Accrued Interest on Eurobonds	430	460	483	407	-76	-15.73%
f. Special T-bills in Foreign Currency ⁽⁵⁾	419	447	74	80	6	8.11%
Public Sector Deposits	8,326	10,522	11,419	10,984	-435	-3.81%
Net Debt	62,615	66,590	67,879	69,885	2,006	2.96%
Gross Market Debt⁽⁶⁾	46,992	51,231	51,308	50,192	-1,116	-2.18%
% of Total Debt	66%	67%	65%	62%	-	-

Source: Ministry of Finance, Banque du Liban

- (1) In November 2003 and July 2004, BDL extended two loans to EDL, of amount LL 300 billion and LL 150 billion respectively, to finance the payment of electricity bought from Syria. The amortization schedule ends in 2013. These loans are listed as public debt as they are government guaranteed.
- (2) Figures for Dec 08, Dec 09, Dec 10 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) Originally issued principal amounts Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first tranche of the French loan received in February 2008, IMF loans, first tranche EC/EU loan, and AMF loan disbursed in June 2009.
- (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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