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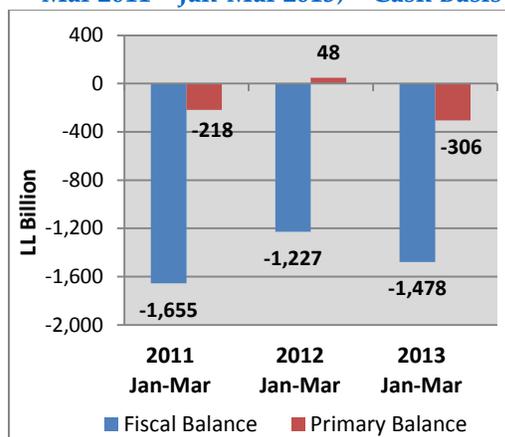
Public Finance Highlights

☒ General Fiscal Developments

The fiscal balance registered a deficit of LL 1,180 billion in January-March 2013, expanding by LL 171 billion from January-March 2012. In parallel, the primary balance turned to a deficit of LL 7 billion from a surplus of LL 267 in January-March 2012.

On a cash basis - i.e. excluding expected transfers from the telecom surplus in Q1 of both, 2012 and 2013, and including actual telecom transfers¹ - the fiscal deficit becomes LL 1,478 billion in the first quarter of 2013, representing a LL 251 billion or 20 percent surge from the LL 1,227 billion cash deficit in Q1 2012. As for the primary surplus, it turns to a deficit of LL 306 billion, from a LL 48 billion surplus over the considered period.

Figure 1: Fiscal and Primary Balance (Jan-Mar 2011 – Jan-Mar 2013) – Cash Basis



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

¹ LL 226 billion was transferred from the telecom surplus in Q1 2013, whereas LL 302 billion was transferred in Q1 2012. Expected transfers were LL 525 billion and LL 520 billion respectively.

☒ Revenues

Total revenues declined by 5 percent, from LL 3,522 billion in January-March 2012 to LL 3,354 billion during the same period in 2013. This came as a result of weaker collections of tax and non-tax revenues, with some results outlining the moderation of growth indicators amid the weakening appetite of tourists and investors and the outcomes of some policy measures, while other results reflect higher consumption levels with growing numbers of displaced persons from Syria.

☒ Expenditures

Total expenditures ended Q1 2013 at LL 4,534 billion, almost unchanged from Q1 2012. Higher transfers to NSSF and Electricité Du Liban (EdL) mainly boosted current expenditures by 6.5 percent year-on-year, despite a 7 percent drop in interest payments. This increase counterbalanced the retreat in both, Capital and Treasury expenditures.

☒ Public Debt Developments

The stock of gross public debt totalled LL 87,119 billion by end- March 2013, adding only 0.2 percent from its end-December 2012 level. The stock of net public debt however increased by 2 percent to reach LL 75,554 billion, as public sector deposits plunged 10.5 percent to LL 11,565 billion.

Section I: Fiscal Overview

The **total fiscal balance** recorded a deficit of LL 1,180 billion in Q1 2013, surging by around 17 percent from the LL 1,009 billion deficit in Q1 2012. This deterioration in public finances mainly resulted from a 5 percent slide in **total receipts** between the two periods, and almost no change in total payments. Correspondingly, the **primary balance** registered a deficit of LL 7 billion in Q1 2013, following a surplus of LL 267 billion in Q1 2012.

Table 1. Summary of Fiscal Performance

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | % Change 2013/2012 |
|---|-----------------|-----------------|-----------------|-----------------------|
| Total Budget and Treasury Receipts¹ | 2,728 | 3,522 | 3,354 | -5% |
| Total Budget and Treasury Payments, of which | 4,383 | 4,531 | 4,534 | 0% |
| • Interest Payments | 1,375 | 1,209 | 1,124 | -7% |
| • Concessional loans principal payment ² | 62 | 66 | 49 | -27% |
| • Primary Expenditures ³ | 2,946 | 3,255 | 3,362 | 3% |
| Total Deficit/Surplus | -1,655 | -1,009 | -1,180 | 17% |
| Primary Deficit/Surplus | -218 | 267 | -7 | -103% |

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**, or after taking into account LL 226 billion worth of actual transfers from the telecom surplus in January-March 2013 compared to LL 302 billion in January-March 2012, the fiscal deficit widens by 20 percent annually to LL 1,478 billion in Q1 2013. In parallel, the primary balance falls to a LL 306 billion deficit, from a surplus of LL 48 billion in Q1 2012.

Table 2: Summary of Fiscal Performance on a Cash Basis

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | % Change 2013/2012 |
|--|-----------------|-----------------|-----------------|-----------------------|
| Total Budget and Treasury Receipts | 2,728 | 3,303 | 3,056 | -7% |
| Total Budget and Treasury Payments, of which | 4,383 | 4,531 | 4,534 | 0% |
| • Interest Payments | 1,375 | 1,209 | 1,124 | -7% |
| • Concessional Loans Principal Payments ⁽¹⁾ | 62 | 66 | 49 | -27% |
| • Primary Expenditures ⁽²⁾ | 2,946 | 3,255 | 3,362 | 3% |
| Total Deficit/Surplus | -1,655 | -1,227 | -1,478 | 20% |
| Primary Deficit/Surplus | -218 | 48 | -306 | -735% |

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)

Section II: Revenue Outcome

Total revenues amounted to LL 3,354 billion in the first quarter of 2013, recording a 5 percent decline from Q1 2012.

Tax revenues and **non-tax revenues** slid by 6 percent each, with the annual decrease in their Q1 collections amounting to LL 143 billion LL 53 billion respectively. **Treasury receipts** on the other hand added LL 28 billion (16 percent) from Q1 2012 curbing the overall drop in government receipts to LL 168 billion.

Table 3: Total Revenues

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|----------------------------------|-----------------|-----------------|-----------------|----------------------|
| Budget Revenues, of which | 2,550 | 3,352 | 3,157 | -6% |
| • Tax Revenues | 2,244 | 2,533 | 2,390 | -6% |
| • Non-Tax Revenues | 305 | 820 | 767 | -6% |
| Treasury Receipts | 178 | 170 | 198 | 16% |
| Total Revenues | 2,728 | 3,522 | 3,354 | -5% |

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

On a cash basis, total **revenues** reached LL 3,056 billion in Q1 2013, decreasing by LL 247 billion (7 percent) from the LL 3,303 billion collected in Q1 2012.

Table 4: Total Revenues on a Cash Basis

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|----------------------------------|-----------------|-----------------|-----------------|----------------------|
| Budget Revenues, of which | 2,550 | 3,133 | 2,858 | -9% |
| • Tax Revenues | 2,244 | 2,533 | 2,390 | -6% |
| • Non-Tax Revenues | 305 | 601 | 468 | -22% |
| Treasury Receipts | 178 | 170 | 198 | 16% |
| Total Revenues | 2,728 | 3,303 | 3,056 | -7% |

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

Tax Revenues

Tax revenues reached LL 2,390 billion in Q1 2013, down from LL 2,533 billion in Q1 2012, falling by around 6 percent and accounting for 71 percent of total collected revenues, compared to 72 percent in Q1 2012. Barring a slight improvement in taxes on international trade, collections on all major tax categories were lower in comparison to the same period a year earlier.

Table 5: Tax Revenues

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|---|-----------------|-----------------|-----------------|----------------------|
| Taxes on Income, Profits, & Capital Gains, of which: | 460 | 580 | 550 | -5% |
| • Income Tax on Profits | 125 | 162 | 163 | 1% |
| • Income Tax on Wages and Salaries | 127 | 146 | 175 | 20% |
| • Income Tax on Capital Gains & Dividends | 24 | 84 | 36 | -57% |
| • Tax on Interest Income (5%) | 177 | 167 | 165 | -1% |
| • Penalties on Income Tax | 8 | 19 | 10 | -44% |
| Taxes on Property, of which: | 289 | 324 | 270 | -17% |
| • Built Property Tax | 71 | 93 | 90 | -3% |
| • Real Estate Registration Fees | 193 | 200 | 148 | -26% |
| Domestic Taxes on Goods & Services, of which: | 847 | 977 | 930 | -5% |
| • Value Added Tax | 775 | 873 | 802 | -8% |
| • Other Taxes on Goods and Services, of which: | 68 | 79 | 74 | -7% |
| - Private Car Registration Fees | 45 | 46 | 46 | 0% |
| - Passenger Departure Tax | 22 | 33 | 28 | -16% |
| Taxes on International Trade, of which: | 536 | 529 | 533 | 1% |
| • Customs | 178 | 193 | 198 | 3% |
| • Excises, of which: | 359 | 336 | 335 | 0% |
| - Petroleum Tax | 171 | 122 | 114 | -6% |
| - Tobacco Tax | 85 | 108 | 115 | 6% |
| - Tax on Cars | 100 | 105 | 104 | -1% |
| Other Tax Revenues (namely fiscal stamp fees) | 112 | 123 | 107 | -13% |
| Total Tax Revenues | 2,244 | 2,533 | 2,390 | -6% |

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

Taxes on Property registered the largest decline, falling by LL 53 billion (17 percent) to reach LL 270 billion in Q1 2013, from LL 324 billion in Q1 2012. Lower collections from this item resulted from weakening **real estate registration fees** and **tax on built properties**. **Real estate registries fees** recorded a LL 52 billion (26 percent) drop to reach LL 148 billion, highlighting lower demand for property purchases. In fact, the number of registered property sales retracted by 19 percent annually in Q1 2013, and the declared

average value per property in sales contracts was lower at LL 168 million, compared to LL 175 million in Q1 2012. **Built property fees** were also down from last year, edging back by LL 2 billion (3 percent) to LL 90 billion. In contrast, inheritance tax collections rose by 1 billion (4 percent) most likely due to the handling of high value files.

Table 6: Property Registration Statistics from Cadastre

| | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|---|-----------------|-----------------|-----------------|----------------------|
| Number of Property Sales | 17,373 | 16,784 | 13,619 | -19% |
| Declared Aggregate Properties Value in Sales Contracts | 2,726 | 2,944 | 2,282 | -22% |
| Declared Average Value per Property (LL million) ⁽¹⁾ | 157 | 175 | 168 | -4% |
| Total Fees collected from Sales Transactions | 187 | 169 | 119 | -30% |

Source: MOF-Cadastre, please note that these are declaration statistics (based on sales contracts) that may differ from collection figures as published in the Fiscal Performance and the Tax Revenues table above.

⁽¹⁾ Kindly note that the methodology used to calculate the average declared value per property was improved to better reflect price fluctuations. As such, comparisons with figures in the QI 2012 Public Finance Review and prior are not directly comparable.

Box #1: Property Registration Taxes

Impact of Syrian Crisis

Lebanon's property market was negatively affected by the spillover of the Syrian crisis that started in 2011. This was reflected in the lower number of properties sold to foreigners, which was in line with weakening touristic activity, and the warning issued by Gulf States against travel to Lebanon, given that Arab nationals are active in Lebanon's real estate market. The number of properties sold to foreigners fell by 20 percent in 2011 and 9 percent in 2012.

Nonetheless, total **real estate registration fees** collected from foreigners increased by 9 percent and 22 percent in 2011 and 2012 respectively. This continued rise in **property taxes** may be an indication that (a) registrations made in 2011 and 2012 mostly pertained to real estate transactions made in previous years; (b) foreigners acquired properties of considerably higher value during the corresponding period. In the more likely case that it is the former, lower real estate sales today are expected to negatively impact revenues in the next couple of years.

Revenues collected from **domestic taxes on goods and services** decreased by LL 46 billion (5 percent) year-on-year to reach LL 930 billion in Q1 2013 from LL 977 billion in Q1 2012. VAT receipts recorded an 8 percent annual drop, accounting for 86 percent of the total amount, compared to 89 percent in Q1 2012. Other smaller retractions contributed to the slide in the overall amount, namely a LL 5 billion drop in passenger departure tax. In contrast, a substantial improvement in transfers from the tobacco surplus partially counterbalanced the downturn in revenues from domestic taxes on goods and services, which continued to account for almost 39 percent of total tax revenues in Q1 2013 as in Q1 2012, representing the highest share of collected taxes.

Proceeds from **Value added tax** amounted to LL 802 billion in Q1 2013, down by LL 71 billion from the LL 873 billion collected in Q1 2012. This decrease resulted from a LL 95 billion (16 percent) slump in VAT receipts at customs and a LL 24 billion (9 percent) improvement in internally collected VAT.

VAT at customs fell back LL 95 billion (16 percent) to reach LL 493 billion in Q1 2013, making up 62 percent of total VAT receipts, compared to a 67 percent share in Q1 2012. This considerable deterioration resulted from the government's decision to lift VAT on gasoil², in addition to the lack of systematic import registration and payment of corresponding VAT by Electricité Du Liban, which comes despite a 9 percent annual increase in non-fuel imports in Q1 2013. Forgone revenues from exempting red and green gasoil imports from VAT at customs are estimated at LL 142 billion in Q1 2013, corresponding to LL 1,425 billion in gasoil imports.

Impact of Syrian Crisis

Box #2: Red and Green Gasoil

Imported quantities of **red and green gasoil** (not for EDL's use in power generation) witnessed a notable rise of 71 percent during 2012, despite a weak economic growth. The trend was maintained during the first five months of 2013 with a surge of 59 percent. **Red gasoil** generally fuels electricity generators, provides for heating during the winter season, and is also supplied to the Lebanese Army, factories, hospitals, and bakeries. Green gasoil is widely used for bus transportation.

The increase in **red gasoil** imports may be attributed to higher usage by power generating sets, induced by lower EDL electricity production by respectively 12 percent in 2012 and 5 percent in the first five months of 2013. The surge in **green gasoil** imports could be linked to higher internal consumption due to the inflow of refugees at the start of 2013, combined with higher gasoil exports to Syria, from 720 tons in Jan-May 2012 to 251,798 tons in the same period of 2013.

Due to Parliament's ratification of a law to exempt VAT on both red and green gasoil on March 5, 2012, it is estimated that **foregone revenues were around LL 295 billion in VAT at customs during 2012 (equivalent to 0.47 percent of GDP), and LL 234 billion in the first six months of 2013.** In contrast, all previous subsidies since 2004 cost the treasury around LL 232 billion or a yearly average of LL 26 billion. Forgone revenues increase with higher volumes of gasoil consumption which is itself rising due to the presence of Syrian displaced in Lebanon and exports to Syria.

² As per Law 207, dated March 5, 2012.

As the 16 percent slide in VAT at customs was steeper than the 8 percent decrease in total imports, the effective VAT rate edged back to 5.9 percent in Q1 2013 from 6.5 percent in Q1 2012. Its decline was however moderated by the expansion in the value of non-fuel imports, which grew with larger volumes of various items, most notably consumer products.

Table 7: Total Imports & Effective VAT rate

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|-----------------|----------------------|
| Total Imports, of which | 6,901 | 9,008 | 8,311 | -8% |
| • Fuel Imports (fuel derivatives classified under HS 27) | 1,610 | 3,425 | 2,248 | -34% |
| • Non-Fuel Imports | 5,291 | 5,583 | 6,063 | 9% |
| • Share of Fuel Imports | 23.34% | 38.02% | 27.05% | -29% |
| • Share of Non-Fuel Imports | 76.66% | 61.98% | 72.95% | 18% |
| Revenues from VAT at Imports | 509 | 589 | 493 | -16% |
| Effective VAT rate | 7.37% | 6.54% | 5.94% | -9% |

Source: MoF, DGF

- Internally collected VAT, increased by LL 24 billion (9 percent) year-on-year in Q1 2013, accelerating from a 7 percent annual rise in Q1 2012. The sustained escalation in this category, which is a function of internal consumption, is partially a reflection of Lebanon's growing consumer base, given the continued inflow of displaced persons from Syria³ over the past year.

³ The number of displaced persons from Syria registered in Lebanon reached 252,983 by the end of March 2013, according to UNHCR figures, compared to 9,106 persons by end-March 2012.

Box #3: Internally Collected VAT

As a result of the Syrian conflict and the warning that was issued by Gulf States against travel to Lebanon, the number of tourists dropped by 24 percent in 2011, 17 percent in 2012, and 13 percent in the first half of 2013. This put downward pressure on most tourist related fiscal revenues during 2011-2013. However, in some instances, the negative fiscal impact was mitigated by the presence of Syrian displaced, whose numbers accelerated to four-times their 2012 level by end of July 2013, implying the possibility of a more pronounced fiscal impact in 2013 and beyond.

Declaration forms reveal that the aggregate amount of VAT declared by businesses in 2012 and Q1 2013 maintained a rising trend. In 2012, it was roughly 10 percent higher than the amount declared in 2011, and in Q1 2013, 6 percent higher than the amount declared in Q1 2012. While the drop in tourism translated into a loss in VAT revenues, the presence of Syrian displaced may have contributed to more VAT generation. The analysis of VAT declarations by economic sectors, namely by “retail trade” and “hotels & restaurants”, which are among the top contributing sectors to VAT revenues, hint at the following impact from the Syrian crisis.

- Declared VAT dues from “restaurants and hotels” declined by 26 percent (LL 30 billion) in 2011, in parallel with the drop in the number of tourists. VAT collections increased by merely LL 5 billion (5 percent) in 2012, before decreasing by 8 percent during the first quarter of 2013 from the first quarter of 2012, in line with the setback in tourism.
- Declared VAT dues from “retail trade (except for sales of vehicles)” declined by 23 percent (LL 37 billion) in 2011, reflecting a slowdown in consumption, but rebounded by a significant 10 percent (LL 12 billion) in 2012, possibly as the result of (i) a pick- up in internal demand due to the presence of Syrian displaced in the country, (ii) the cost of living adjustment granted to both private and public sectors in 2012, which may have also contributed to higher consumption and therefore higher amounts of VAT dues declared by retailers. While it is still early to project a trend for the remaining portion of the year, it is worth mentioning that declared VAT dues by retail traders slid by 2 percent year-on-year in the first quarter of 2013, suggesting that the 2012 improvement in trade activity receded in the first quarter of 2013.
- Although its effect was less substantial than other sectors, declared VAT dues corresponding to “recreational, cultural & sporting activities” grew by 5 percent in 2012 (around a LL 1 billion), decelerating from growth levels recorded in previous years, before declining by 5 percent in Q1 2013 from Q1 2012, as a result of the slowdown in tourism.

Collections from the **passenger departure tax** diminished by 5 billion (16 percent) to reach LL 28 billion in Q1 2013, despite a 16 percent jump in the number of total passenger departures at the Rafic Hariri International Airport, indicating that lower tax collections are most likely related to a timing issue in the transfer of funds. The total number passengers that departed from Beirut International Airport in Q1 2013 reached 735,081, compared to 632,048 in Q1 2012.

Box #4: Passenger Departure Tax

Revenues from The **passenger departure tax** declined by almost 8 percent (LL 12 billion) in 2011 as a result of lower number of tourists, but recovered by 17 percent (LL 24 billion) in 2012, mainly owing to the large number of departures of Syrian nationals from the Airport. Passenger departure tax declined by 16 percent (5 billion) in the first three months of 2013 compared to the same period of 2012.

Another notable improvement in domestic taxes on goods and services was the amount of **transfers from the tobacco surplus**, which more than doubled, reaching LL 50 billion in Q1 2013 compared to LL 20 billion in Q1 2012. The transfers, according to “Régie des Tabacs” pertained to 2012 profits, which had begun to improve after the Ministry of Finance adopted a policy decision in October 2011, in which it levied an additional charge of LL 250 per pack of cigarettes⁴. Another reason behind the drastic rise in gains of “Régie des Tabacs” relates to higher internal demand, reflected in tobacco import figures. In Q1 2013 tobacco imports jumped by 14 percent year-on-year following a 26 percent year-on-year increase in 2012. This spurt in demand can also be attributed to the expanding local consumer base on account of refugee inflows from Syria.

Box #5: Tobacco Related Taxes

Over the past few years, growing demand has been driving the expansion in tobacco imports, which rose by 24 percent, 18 percent and 26% in 2010, 2011 and 2012 respectively. Prior to 2010, the larger consumer base was a byproduct of a healthy tourism sector. Starting in 2011, Syrian displaced persons gradually replaced tourists and returning expatriates while informal tobacco exports to Syria rose prompting additional demand in Lebanon.

As a result, notable rises in revenues related to tobacco have been witnessed, namely at the levels of “tobacco excises” and “transfers from Regie”, which rose respectively by LL 111 billion (28%) and LL 60 billion in 2012 over 2011. Moreover, the other two categories of taxes on tobacco rose, customs (by 25 percent) and VAT (by 27%), all of which are correlated with the tobacco import level. These changes induced an overall rise in tobacco taxes of LL 198 billion (36%) in 2012 year-on-year, equivalent to 0.32% of GDP. The expansion trend continued in 2013, whereby the total taxes on tobacco grew by LL 40 billion (26%) in the first quarter of the year.

⁴ For more information about this decision (#1018/1 dated October 1, 2011), kindly refer to Ministry of Finance’s Public Finance Annual Review 2011.

Revenues collected from **Taxes on income, profits and capital gains** ended Q1 2013 at LL 550 billion, down by LL 30 billion (5 percent) from Q1 2012. Losses in income **tax on capital gains and dividends** and to a lesser extent **tax on interest income**, undermined improvements in **taxes on wages and salaries** and **income tax on profits**.

Income tax on capital gains and dividends more than halved to LL 36 billion in Q1 2013 from LL 84 billion in Q1 2012. During the first quarter of 2012, the Revenues Directorate at the Ministry of Finance had carried out inspections to audit the declaration forms presented by financial corporations, triggering a surge in the collected amount from LL 24 billion in Q1 2011. As such inspections were not undertaken in 2013, the amount decreased over the period.

Taxes on interest income recorded a small decline of 1 percent in Q1 2013 from Q1 2012. Total revenues from the 5 percent tax on interest gains of deposits and debt holdings⁵ amounted to LL 165 billion in Q1 2013, compared to LL 167 billion during the same period in 2012. This change mostly resulted from the slower annual increase in the deposit base and taxable debt instruments and declines in average rates on local currency deposits, which partly offset the contraction of the dollarization rate and higher interests on foreign currency deposits.

- Commercial bank private sector deposits grew by 8 percent annually to reach LL 193,119 billion by the end of March 2013, from LL 178,221 billion a year earlier, slightly easing from the 9 percent annual increase recorded in March 2012 and 10 percent in March 2011.
- The rate on local currency deposits declined from an average 5.51 percent in the first three months of 2012 to 5.44 percent during the corresponding period in 2013. The average weighted interest on dollar denominated deposits, in contrast climbed from 2.86 percent in Q1 2012 to 2.93 percent in Q1 2013.
- The dollarization rate of private sector deposits slid from an average 65.6 percent in Q1 2012 to 64.9 percent in Q1 2013 curbing the effect of higher rates on foreign currency deposits.

Taxes on wages and salaries amounted to LL 175 billion in Q1 2013, adding LL 29 billion (20 percent) from Q1 2012. Collections of taxes on salaries improved as a result of two policy decisions taken by the Council of Ministers early 2012, but materialized at two stages, during the second and fourth quarters of 2012. This resulted in a substantial annual change in figures reported between Q1 2013 and Q1 2012.

⁵ This tax exempts interest earned on Eurobonds.

1. The first decision entailed a minimum wage increase to private sector⁶ employees and was passed at the end of January 2012 and came into effect during the following month. Added revenues corresponding to the raise began to appear in April 2012.
2. Cost of living adjustments for public sector employees were passed in January 2012, through Council of Ministers decree number 7426, but only came into effect in September 2012, when retroactive payments were also made for the months spanning from February to August 2012. Correspondingly, additional tax collections from larger salaries in the public sector began to register as of October 2012, resulting in a wider gap between Q1 2013 and Q1 2012 collections.

Taxes collected from international trade (customs and excises) rose by only LL 4 billion year-on-year to reach LL 533 billion in Q1 2013, as recorded losses in the gasoline and car excises partly counterbalanced expansions in customs and tobacco excises.

Tariff revenues (customs) amounted to LL 198 billion in Q1 2013, up from LL 193 billion in Q1 2012. The 3 percent rise in customs relative to the 8 percent retraction in registered imports pushed the *effective customs rate* from 2.14 percent in Q1 2012 to 2.38 percent in Q1 2013. This was especially supported by the fact that the share of non-fuel imports climbed to almost 73 percent of total imports against the share of registered fuel imports, the latter of which are subject to low custom duties.

Table 8: Effective Customs Rate

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|-----------------|----------------------|
| Total Imports | 6,901 | 9,008 | 8,311 | -8% |
| • Fuel Imports (fuel derivatives classified under HS 27) | 1,610 | 3,425 | 2,248 | -34% |
| • Non-Fuel Imports | 5,291 | 5,583 | 6,063 | 9% |
| • Share of Fuel Imports | 23.34% | 38.02% | 27.05% | -29% |
| • Share of Non-Fuel Imports | 76.66% | 61.98% | 72.95% | 18% |
| Revenues from Custom Duties | 178 | 193 | 198 | 3% |
| Effective customs rate | 2.58% | 2.14% | 2.38% | 11% |

⁶ The wage raise to the private sector was given through Council of Ministers' Decree 7426 dated January 26, 2012 that stipulated a higher monthly minimum wage of LL 675,000 (up from LL 500,000) effective as of February 1, 2012 on one hand, and salary raise to compensate for inflation that is applicable on the basis of brackets, also effective as of February 1, 2012, on the other.

Box #6: Taxes from International Trade

After having surged by 16 percent to reach US\$ 15.9 billion in 2011 following a spike in international oil prices, the increase in Lebanon’s trade deficit eased to 6 percent in 2012, amounting to US\$ 16.8 billion by the end of the year, and narrowed by 3 percent to US\$ 8.5 billion in H1 2013 from US\$ 8.7 billion in H1 2012. Excluding mineral fuels and precious stones, Lebanon’s trade deficit widened annually by 7 percent to US\$ 10.7 billion in 2011, 4 percent to US\$ 11 billion in 2012, and 9 percent to US\$ 5.9 billion in H1 2013.

Imports - excluding mineral fuels, pearls, precious stones and metals – only added 2 percent in 2012 before accelerating to 10 percent in H1 2013, as shown in the Table below. These results were witnessed despite weak economic growth, as internal demand for consumer products was boosted by the inflow of displaced persons from Syria.

Imports Including and Excluding Mineral Fuel and Precious Stones

| LL billion | 2011 | 2012 | % change | H1 2012 | H1 2013 | % change |
|----------------------------------|--------|--------|----------|---------|---------|----------|
| Imports | 30,407 | 32,080 | 5.50% | 16,405 | 16,275 | -0.80% |
| Imports less MF & PS* | 20,197 | 20,599 | 2.00% | 10,196 | 11,180 | 9.70% |

Source: Customs, MOF

*Mineral Fuels and Precious Stones

Comparing the **structure of imports** between 2010 and 2013 (almost 3 years within the crisis), it is noticed that the top ten imports are similar, except for the two categories “Articles of apparel and clothing” and “Cereals”, which only began to rank in the top ten imports by value as of 2011. In more detail, imports of food items registered notable rises, mainly at the level of dairy products, vegetables and fruits, oils, rice, wheat, flour, sugar products, coffee, and tea, as well as other consumables such as tobacco, in addition to textiles and clothing articles. This is supported by data from the World Food Program, which shows that food vouchers distributed to Syrian Refugees in Lebanon were mostly geared towards the same identified imports. When measured against changes of other imports in the context Lebanon’s household expenditure survey, the observed increases in basic consumer products - food and clothing - suggest that new demand in 2012 and H1 2013 mostly originated from lower income households.

Exports generally increased in 2012 and H1 2013 as mineral fuels climbed to US\$ 90 million and US\$ 303 million respectively from US\$ 5 million in 2011, as a result of thriving Syrian demand. Excluding mineral fuels, pearls, precious stones and metals, exports dropped in 2012 by around 4 percent before surging by more than 12 percent during H1 2013, owing to higher exports of copper and steel waste. This recovery came despite the aggravation of the Syrian conflict that made land transportation more difficult, as a large volume of land border trade was substituted by trade through the port of Beirut.

On the fiscal front, increased demand for consumer products, namely food, clothing and other basic household items is estimated to have boosted **revenues from customs and tariffs** by LL 37 billion in H1 2013 from H1 2012. With relatively lower inflows of displaced persons in 2012, the upswing in revenues from customs and tariffs on consumer items was much less pronounced amounting to an estimated LL 11.3 billion.

Total excises⁷ collected at import remained almost unchanged from Q1 2012 edging down by only 1 billion to reach LL 335 billion in Q1 2013. Excises represented around 63 percent of total taxes on international trade and 14 percent of total taxes. Revenues from tobacco excises recorded a 6 percent improvement from the previous year, but were cut by a setback in excises on both, gasoline and imported cars.

- a. Collections of **excises on tobacco** amounted to LL 115 billion in Q1 2013, increasing by 6 percent from Q1 2012. This represented a deceleration from the 27 percent annual expansion recorded in Q1 2012, and reflected the moderating increase in the value of tobacco imports to 14 percent in Q1 2013 from 21 percent in Q1 2012. In contrast, tobacco imports by volume surged 22 percent in Q1 2013, reaching 4,084 tons, following an 11 percent year-on-year rise in Q1 2012, indicating that the slowdown in excise collections is related to the decrease in average tobacco prices.

Table 9: Tobacco Import Statistics

| | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|-----------------|----------------------|
| Imports (LL billion) | 84 | 102 | 116 | 14% |
| Net weight (in tons) | 3,014 | 3,342 | 4,084 | 22% |
| Collected Excises (LL billion) | 85 | 108 | 115 | 6% |
| Average import price (LL per Kg) | 27,953 | 30,444 | 28,341 | -7% |
| Average effective excise rate (LL per Kg) | 28,306 | 32,339 | 28,143 | -13% |
| Average effective excise rate (%) | 101.3% | 106.2% | 99.3% | -7% |

Source: MOF-General Directorate of Customs declaration forms

- b. **Excises on gasoline** collected at customs contracted by LL 8 billion (6 percent) to reach LL 114 billion in Q1 2013, reflecting an equivalent decline in the value of gasoline imports to LL 602 billion from LL 639 billion in Q1 2012. While gasoline prices increased by around 1 percent over the considered period, the volume of imports retracted by around 7 percent to 496 million litres from 531 million litres. Nonetheless, the fall in Q1 2013 excise collections still represented a softer annual decrease from that recorded in Q1 2012 when gasoline excises plunged by 29 percent year-on-year, as a result of decision number 21/2011, issued by the Higher Council of Customs on February 26, 2011, to reduce the excise rate on gasoline by LL 5,000 per 20 Litres.

⁷ Excises are collected on gasoline, tobacco, cars and on alcoholic and non-alcoholic beverages. Most of it is collected at import, except for a small amount that is collected internally on alcoholic beverages.

Table 10: Gasoline Import Statistics

| | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|-----------------|----------------------|
| Imports (LL billion) | 511 | 639 | 602 | -6% |
| Volume (million litres) | 481 | 531 | 496 | -7% |
| Collected excises (LL billion) | 171 | 122 | 114 | -6% |
| Average effective Price at imports (LL/litre) | 1,063 | 1,204 | 1,214 | 1% |
| Average effective excise rate (LL/litre) | 356 | 229 | 230 | 0% |

Source: MOF-General Directorate of Customs declaration forms

- c. Collections from **excises on cars** slipped back by less than 1 percent in Q1 2013 from Q1 2012, amounting to LL 104 billion. The number of imported cars decreased by almost 3 percent over the period yet the import value of the cars climbed by 2 percent annually to LL 400 billion, indicating an increase in the average value per imported car. The decline in excise collections despite the increase in the value of imported cars is possible given that excises on car imports do not necessarily represent a percentage of the value of the car, but could be assigned as a fixed value per car import, categorized according to the manufacturing date and size of engine.

Table 11: Car Import Statistics

| | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|---|-----------------|-----------------|-----------------|----------------------|
| Imports (LL billion) | 363 | 393 | 400 | 2% |
| Number of Cars | 16,209 | 18,251 | 17,752 | -3% |
| Collected Excises (LL billion) | 100 | 105 | 104 | -1% |
| Average price per car (LL million) | 22.4 | 21.5 | 22.5 | 5% |
| Average effective excise rate (%) | 27.7% | 26.6% | 26.0% | -2% |

Source: MOF-General Directorate of Customs declaration forms

Impact of Syrian Crisis

Box #7: Car Related Revenues

Overall, car-related revenues (car excise, customs, VAT, and registration fees) stood at LL 305 billion, increasing by five percent or LL 16 billion over Jan-Apr 2013 compared to the corresponding period of 2012. Given that car-related revenues have been on a decreasing trend since peaking in 2009, it is difficult to correlate these with the Syrian presence in Lebanon. However, the possibility remains that the slowdown in the car-revenues eased to one percent in 2012 from 23 percent in 2011 as car import figures partly stabilized, rather than sustaining a sharp decline, due to Syrian demand.

Finally, receipts from [fiscal stamp fees](#) dropped by LL 17 billion (13 percent) to reach LL 107 billion in Q1 2013, compared to LL 123 billion in Q1 2012. This decline most likely resulted from (i) lower values of processed transactions, which can be explained by generally lower tax collections in Q1, and (ii) a lower volume of processed fiscal transactions in the month of March following the extended strike undertaken by public sector employees, demanding that a new salary scale be passed by Cabinet and Parliament.

Box #8: Fiscal Stamp Fees

Impact of Syrian Crisis

Revenues from **fiscal stamps** were indirectly affected by the spill over from the Syrian crisis notably by the drop in tourism and the general slowdown in economic activity. These revenues inched up by a slight 0.3 percent (LL 1 billion) in 2011 and further by 5 percent (LL 24 billion) in 2012 before decreasing by 13 percent (LL 17 billion) during Q1 2013. This clearly represents a marked slowdown and revenue loss compared to previous years, as these revenues grew by 13 percent and 15 percent in 2009 and 2010 respectively.

Non-Tax Revenues

Non-tax revenues amounted to LL 767 billion in Q1 2013, receding by LL 53 billion (6 percent) from LL 820 billion in Q1 2012, and accounting for almost 32 percent of the slump in total revenues. This unfavourable performance was mostly a result of weakening **income from public institutions and government properties**, predominantly from **rent of Rafic Hariri Airport**, in addition to lower collections of **administrative fees and charges**, most notably **vehicle control fees**.

On a cash basis, non-tax revenues reached LL 468 billion in Jan-Mar 2013, recording a LL 133 billion (22 percent) drop from the same period a year earlier, outlining the effect of inconsistent **transfers from the Telecom Surplus** to the Treasury. In details, one transfer amounting to LL 226 billion was made in Q1 2013 during the month of March, while in Q1 2012 two such transfers, amounting to LL 151 billion each, were rendered in February and March.

Income from Public Institutions and Government Properties amounted to LL 290 billion on a cash basis, recording a LL 110 billion (28 percent) drop from Q1 2012 as the largest corresponding item, **transfers from the Telecom Surplus**, retracted from LL 302 billion (1 percent) to LL 226 billion. Telecom related revenues still accounted for 78 percent of income from public institutions, and for 48 percent of **non-tax revenues**.

Rent proceeds of Rafic Hariri International Airport represented the sharpest contraction over the period, falling by LL 22 billion to LL 10 billion in Q1 2013 from Q1 2012. Annual transfers from RHIA to the Ministry of Finance are usually made on a monthly basis in small one-digit amounts, except for two months of the year when larger amounts are rendered. As a bulk payment of LL 21 billion was made in January 2012, while no such amount was made in Q1 2013, the difference between Q1 2012 and Q1 2013 transfers were stark, representing a 67 percent annual plunge.

Revenues from Casino Du Liban retreated by LL 7 billion (18 percent) to reach LL 32 billion in Q1 2013. Lower gains from the Casino were in line with the slowing tourism sector, as the number of tourists to Lebanon fell by 12 percent annually from Q1 2012.

Other losses in income from public institutions resulted from a decline in the **budget surplus of the National Lottery**, which ended Q1 2013 at 20 billion, compared to LL 26 billion in Q1 2012, whereas **Port of Beirut** transfers were nil in both periods.

Administrative fees and charges contracted by LL 16 billion (10 percent) year-on-year, amounting to LL 142 billion in Q1 2013, mostly owing to a dip in **vehicle control fees** by LL 14 billion to reach LL 55 billion and **Judicial fees** by LL 2 billion to reach LL6 billion. In contrast, **Administrative Charges** climbed by LL 3 billion to reach LL 13 billion and **Passport Fees/Public Security** added LL 2 billion to LL 30 billion.

Table 12: Non-Tax Revenues

| (LL billion) | 2011 | 2012 | 2013 | %Change |
|--|------------|------------|------------|-------------|
| | Jan-Mar | Jan-Mar | Jan-Mar | 2013/2012 |
| Income from Public Institutions and Government Properties | 145 | 619 | 588 | -5% |
| • Income from Non-Financial Public Enterprises, of which: | 109 | 585 | 577 | -1% |
| - Revenues from Casino du Liban | 51 | 39 | 32 | -18% |
| - Revenues from Port of Beirut | 48 | 0 | 0 | |
| - Budget Surplus of National Lottery | 10 | 26 | 20 | -23% |
| - Transfer from the Telecom Surplus | 0 | 520 | 525 | 1% |
| • Income from Financial Public Enterprises (BdL) | 0 | 0 | 0 | |
| • Property Income (rent of Rafic Hariri International Airport) | 32 | 32 | 10 | -67% |
| • Other Income from Public Institutions (interests) | 4 | 2 | 1 | -19% |
| Administrative Fees & Charges, of which: | 131 | 158 | 142 | -10% |
| • Administrative Fees, of which: | 103 | 130 | 112 | -14% |
| - Notary Fees | 7 | 7 | 7 | -1% |
| - Passport Fees/ Public Security | 26 | 28 | 30 | 9% |
| - Vehicle Control Fees | 53 | 69 | 55 | -21% |
| - Judicial Fees | 5 | 8 | 6 | -28% |
| - Driving License Fees | 3 | 5 | 4 | -8% |
| • Administrative Charges | 10 | 10 | 13 | 35% |
| • Sales (Official Gazette and License Number) | 1 | 1 | 1 | -33% |
| • Permit Fees (mostly work permit fees) | 13 | 15 | 14 | -9% |
| • Other Administrative Fees and Charges | 4 | 3 | 3 | -8% |
| Penalties and Confiscations | 2 | 3 | 2 | -19% |
| Other Non-Tax Revenues (mostly retirement deductibles) | 27 | 39 | 34 | -14% |
| Total Non-Tax Revenues | 305 | 820 | 767 | -6% |

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

Treasury Receipts

Treasury receipts amounted to LL 198 billion in Q1 2013, adding LL 28 billion (16 percent) from Q1 2012. This mainly resulted from a 22 billion (110 percent) rise in **Deposits** to LL 42 billion by end-March 2013. Deposits are generally revenues collected by the state on behalf of public administrations, institutions, municipalities, and funds, which when reimbursed are accounted for as expenditures. Although the inflow and outflow of Deposits should ideally even out, their receipts and payments are subject to timing discrepancies. Other notable changes in Treasury receipts pertain to Guarantees, which increased by LL 8 billion (18 percent) year-on-year to reach LL 55 billion in Q1 2013.

Section III: Expenditure Outcome

Total expenditures (budget and treasury) slightly increased in Q1 2013, amounting to LL 4,534 billion, compared to LL 4,531 billion in Q1 2012. This small rise was mainly the combined result of a LL 106 billion increase in **total primary expenditures**, offset by an LL 85 billion drop in interest payments and an LL 18 billion decline in concessional loans principal payments, as shown in table 13.

Table 13: Expenditure Summary

| (LL billion) | 2011 Jan-Mar | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|-----------------|----------------------|
| Interest Payments | 1,375 | 1,209 | 1,124 | -7% |
| Concessional Loans Principal Payments ⁽¹⁾ | 62 | 66 | 49 | -27% |
| Total Primary Expenditures ⁽²⁾ | 2,946 | 3,255 | 3,362 | 3% |
| Total Budget and Treasury Payments | 4,383 | 4,531 | 4,534 | 0% |

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).

The evolution of main expenditure items in 2013, according to the **economic classification**, is presented in table 14 below and reviewed in the sections that follow.

Current Expenditures

Current expenditures jumped by LL 256 billion, mainly explained by an increase in (i) **various transfers** (mainly NSSF) by LL 274 billion, (ii) **other current** expenditure by LL 50 billion, and (iii) **materials and supplies** by LL 24 billion. The increase was partially offset by an LL 85 billion decline in **interest payment**, an LL 18 billion reduction in **concessional loans principal payments**, as well as a LL 4 billion decrease in **personnel cost**.

Table 14: Expenditure by Economic Classification

| (LL billion) | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|---|-----------------|-----------------|----------------------|
| 1. Current Expenditures | 3,903 | 4,158 | 6.5% |
| 1.a Personnel Cost, of which: | 1,493 | 1,489 | -0.3% |
| <i>Salaries, Wages and Related Items (Article 13) 1/</i> | 948 | 976 | 2.9% |
| Retirement and End of Service Compensations, of which: | 452 | 423 | -6.4% |
| <i>Retirement</i> | 306 | 400 | 30.6% |
| <i>End of Service</i> | 146 | 23 | -83.9% |
| <i>Transfers to Public Institutions to Cover Salaries 2/</i> | 92 | 89 | -3.5% |
| 1.b Interest Payments, of which: 3/ | 1,209 | 1,124 | -7.1% |
| <i>Domestic Interest Payments</i> | 814 | 795 | -2.3% |
| <i>Foreign Interest Payments</i> | 395 | 329 | -16.8% |
| 1.c Foreign Debt Principal Repayment | 66 | 49 | -26.7% |
| 1.d Materials and Supplies, of which: | 58 | 83 | 42.2% |
| <i>Nutrition</i> | 13 | 11 | -12.6% |
| <i>Fuel Oil</i> | 19 | 2 | -88.0% |
| <i>Medicaments</i> | 9 | 50 | 468.2% |
| <i>Accounting Adjustments for Treasury Advances</i> | 8 | 5 | -36.2% |
| 1.e External Services | 28 | 35 | 27.5% |
| 1.f Various Transfers, of which 4/: | 886 | 1,160 | 30.9% |
| <i>EDL 5/</i> | 816 | 862 | 5.7% |
| <i>NSSF</i> | 0 | 100 | N/A |
| <i>Higher Council of Relief</i> | 1 | 8 | 1054.0% |
| <i>Contributions to non-public sectors</i> | 15 | 104 | 600.3% |
| <i>Treasury advances for diesel oil subsidy</i> | 0 | 0 | N/A |
| <i>Directorate General of Cereals and Beetroot</i> | 0 | 0 | N/A |
| <i>Contributions to water authorities</i> | 0 | 0 | N/A |
| <i>Special Tribunal for Lebanon</i> | 0 | 0 | N/A |
| <i>Gasoline Subsidy for Taxi Drivers</i> | 3 | 1 | -72.4% |
| <i>Accounting Adjustments for Treasury Advances</i> | 0 | 0 | -94.9% |
| 1.g Other Current, of which: | 117 | 167 | 42.6% |
| <i>Hospitals</i> | 101 | 118 | 16.7% |
| <i>Others (judgments & reconciliations, mission costs, other)</i> | 15 | 47 | 220.8% |

| | | | |
|--|--------------|--------------|---------------|
| Accounting Adjustments for Treasury Advances | 0 | 0 | -34.8% |
| 1.h Reserves | 46 | 53 | 15.2% |
| Interest subsidy | 46 | 53 | 15.2% |
| 2. Capital Expenditures | 236 | 187 | -20.8% |
| 2.a Acquisitions of Land, Buildings, for the Construction of | 0 | 14 | 4987.6% |
| 2.b Equipment | 15 | 18 | 25.1% |
| 2.c Construction in Progress, of which: | 161 | 96 | -40.6% |
| Displaced Fund | 48 | 0 | -100.0% |
| Council of the South | 30 | 0 | -100.0% |
| CDR | 14 | 34 | 145.6% |
| Ministry of Public Works and Transport | 63 | 34 | -46.0% |
| Other, of which: | 7 | 25 | 271.8% |
| High Relief Commission | 0 | 12 | N/A |
| 2.d Maintenance | 57 | 58 | 3.1% |
| 2.e Other Expenditures Related to Fixed Capital Assets | 1 | 1 | -34.7% |
| 2.f Parliamentary equipment & maintenance 6/ | 2 | 0 | N/A |
| 2.g Accounting Adjustments for Treasury Advances | 0 | 0 | -6.3% |
| 3. Budget Advances 7/ | 49 | 9 | -80.9% |
| 4. Customs Administration (exc. Salaries and Wages) 8/ | 12 | 11 | -10.6% |
| 5. Other Treasury Expenditures | 331 | 168 | -49.1% |
| Municipalities | 204 | 8 | -96.3% |
| Guarantees | 9 | 16 | 91.7% |
| Deposits | 20 | 51 | 149.5% |
| Other, of which: | 98 | 93 | -4.3% |
| VAT Refund | 63 | 67 | 6.1% |
| 6. Unclassified Expenditures | 0 | 0 | 484.3% |
| 7. Total Expenditures (Excluding CDR Foreign Financed) 9/ | 4,531 | 4,534 | 0.1% |

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

(1) For a detailed breakdown of salaries, wages and related benefits, kindly refer to Table 15.

(2) For a detailed breakdown of transfers to public institutions, kindly refer to Table 16.

(3) For a detailed breakdown of interest payments, kindly refer to Table 19.

(4) For a detailed breakdown of various transfers, kindly refer to Table 18

(5) For a detailed breakdown of transfers to EDL, kindly refer to Table 17. 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.

(6) These are reclassifications of payments made from the guarantees under Law 123 dated July 23rd 2010, that opened, in the 2010 Budget, a LL 20 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 MoF.

(7) 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.

(8) "Customs administration" includes 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.

(9) Figures may differ from previously published data because of constant updates and improvements.

Current Primary Expenditures

Current primary expenditures⁸ rose by 14 percent, amounting to LL 2,986 billion in QI 2013, up from LL 2,627 billion during QI 2012. The main components of current primary expenditures are recorded below.

Personnel cost⁹ dropped by LL 4 billion – equivalent to -0.3 percent year-on-year – to LL 1,489 billion in QI 2013 versus LL 1,493 billion in QI 2012, mainly due to the combined effect of (a) a LL 29 billion decline in retirement and end of service compensations, (b) a LL 3 billion decrease in payments to public institutions to cover salaries, and (c) a LL 28 billion increase in salaries, wages and related items.

In details, **salaries, wages and related items** (Article 13) amounted to LL 976 billion in QI 2013 compared to LL 948 billion in QI 2012, representing a 2.9 percent increase (LL 28 billion)¹⁰. As shown in Table 15 below, the LL 28 billion rise is explained by the combined outcome of a LL 66 billion increase in basic salaries and a LL 10 billion growth in family indemnities undermined by a decrease of LL 47 billion in “other”¹¹ payments.

Table 15: Breakdown of Article 13 - Salaries, Wages and Related Items

| (LL billion) | Basic Salaries | | Indemnities 5/ | | Allowances 6/ | | Other 7/ | | Total | |
|---|----------------|------------|----------------|-----------|---------------|------------|-----------|-----------|------------|------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Military Personnel | 414 | 489 | 19 | 19 | 101 | 105 | 1 | 0 | 535 | 614 |
| Army | 252 | 315 | 12 | 12 | 84 | 83 | 0 | 0 | 349 | 410 |
| Internal Security Forces ^{1/} | 105 | 138 | 6 | 6 | 11 | 18 | 0 | 0 | 122 | 162 |
| General Security Forces | 21 | 28 | 1 | 1 | 2 | 3 | 0 | 0 | 23 | 32 |
| State Security Forces ^{2/} | 36 | 8 | 1 | 0 | 4 | 1 | 0 | 0 | 41 | 10 |
| Education Personnel | 181 | 188 | 15 | 23 | 0 | 0 | 0 | 0 | 195 | 211 |
| Civil Personnel^{3/}, of | 103 | 87 | 18 | 19 | 1 | 0 | 79 | 32 | 201 | 139 |
| Employees Cooperative | | | | | | | 71 | 20 | 71 | 20 |
| Customs Salaries^{4/} | | | | | | | | | 17 | 13 |
| Total⁸ | 698 | 764 | 52 | 62 | 102 | 105 | 80 | 32 | 949 | 976 |

Source: MOF, DGF

⁽¹⁾ Includes allowances payments made to Internal Security Forces from Guarantees account.

⁽²⁾ Includes allowances payments made to State Security Forces from Guarantees account.

⁽³⁾ Includes salaries payments made to Ministry of Public Health from Guarantees account.

⁸ Current primary expenditures are current expenditures excluding interest payments and foreign debt principal repayment.

⁹ This includes salaries, wages and related benefits (article 13), transfers to public institutions for payment of salaries and wages, retirement wages and end-of-service indemnities.

¹⁰ For further details and analysis about these results, please refer to Salaries, Wages and Related Benefits (Article 13) monthly bulletin of March 2013 on the Ministry of Finance website: www.finance.gov.lb

¹¹ Other includes (i) payments for bonuses, (ii) State contributions to the Civil Servants' Cooperatives, (iii) State contributions to the Mutual Funds covering Members of Parliament, employees of the Lebanese Parliament, judges, judges' aides and Islamic tribunal judges and (iv) State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civil Servant Cooperative and the Mutual Funds. For further details, please refer to Salaries, Wages and Related Benefits (Article 13) monthly bulletin (October to December issues) on the Ministry of Finance website: www.finance.gov.lb

⁽⁴⁾Includes salaries and wages and indemnities payment from guarantees account but excludes payments for allowances which are made from Customs Cashiers and can only be reclassified once Customs has sent the supporting document to the Directorate General of Finance. Field Service indemnity in March 2011 paid to Customs officers was included as well.

⁽⁵⁾Includes payments for family, transportation, overtime as well as various indemnities.

⁽⁶⁾Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances.

⁽⁷⁾ Other includes payments for bonuses, contributions to various public sector mutual funds and contribution of the State as an employer for the National Social Security Fund.

⁽⁸⁾ Please note that totals might not correspond to the total of the individual items due to rounding

Retirement and end-of-service compensations summed up to LL 423 billion in QI 2013 compared to LL 452 billion in QI 2012, representing a 6.4 percent decline. Behind this LL 29 billion decrease stands mainly an 84 percent drop (LL 123 billion) in end of service indemnities. This LL 123 billion decrease is in return, the combined result of lower payments to military and civil personnel:

- **End-of-service compensation** to military personnel amounted to LL 17 billion (73 percent of total compensation payments) in QI 2013 compared to LL 138 billion (94 percent of total compensation payments) in QI 2012. This 88 percent decline is partly due to a discrepancy in timing of payment, but mainly related to the additional benefits granted to military personnel for early retirement in 2012¹². As such, 2013 end of service compensation to military personnel is not expected to reach 2012 level.
- Similarly, **end-of-service compensations** to the civil personnel, fell by LL 2 billion to reach LL 6 billion in QI 2013 compared to LL 8 billion in QI 2012. This 24 percent drop was caused by a slight decline in the number of beneficiaries from 59 in Jan-Mar 2012 to 42 in Jan-Mar 2013.

Further under personnel cost, **transfers to public institutions to cover salaries** decreased by LL 3 billion (4 percent) to reach LL 89 billion in QI 2013, mainly driven by the LL 10 billion decline in transfers to the Lebanese University explained by the retroactive payments made in 2012. The changes in the components of transfers to public institutions are shown in Table 16 below.

Table 16: Breakdown of Transfers to Public Institutions (salaries)

| (LL billion) | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|---|-----------------|-----------------|----------------------|
| Transfer to Council of the South | 2 | 1 | -5% |
| Transfer to the Council for Development and Reconstruction | 9 | 15 | 68% |
| Transfer to Fund for the Displaced | 2 | 1 | -28% |
| Transfer to the Lebanese University | 77 | 67 | -12% |
| Transfer to Educational Centre for Research and Development | 3 | 4 | 23% |
| Total Transfers to Public Institutions | 92 | 89 | -3% |

Source: MOF, DGF

¹² Law 169 dated August 29th, 2011.

Materials and supplies purchases amounted to LL 83 billion in QI 2013 compared to LL 58 billion in QI 2012, representing a LL 24 billion (42 percent) year-on-year increase. This is explained mainly by a LL 41 billion (64 percent) jump in spending on **medicaments**, which amounted to LL 50 billion in QI 2013 of which around LL 40 billion were transferred to the Ministry of Public Health and LL 9 billion to military personnel. This change can be attributed to two main reasons: (a) a clearing of 2012 backlog when payments to this category were comparatively lower than previous years and (b) an overall revision of rates per assisted individual. This increase was offset by (i) a LL 16 billion (88 percent) decrease in spending on **fuel oil**, and a (ii) 2 billion drop (13 percent) in spending on **nutrition**¹³.

External Services (rent, postal, insurance, advertisement and public relations) increased by LL 8 billion or 28 percent from LL 28 billion in QI 2012 to LL 35 billion in QI 2013. This was mainly due to a rise in **rental payments** and in remuneration for **consultancy services** by respectively LL 6 billion and LL 1 billion during the same time period, slightly offset by a 0.5 billion decline in **cleaning services**.

Various Transfers rose by LL 274 billion, totalling LL 1,160 billion in QI 2013 compared to LL 886 billion in QI 2012. This increase primarily resulted from the combined changes in the following items:

- a) Transfers to the **National Social Security Fund (NSSF)** amounted to nil during QI 2012 compared to LL 100 billion during the same period of 2013, mainly due to a discrepancy in timing of payment.
- b) **Contributions to non-public sectors** climbed to LL 104 billion in Q1 2013 from LL 15 billion during the same period of 2012, mainly due to a LL 44 billion and a LL 38 billion increase in transfers to Ministry of Education (private subsidized schools) and Ministry of Social Affairs respectively. The former increased due to payment of previous years' allocations that were delayed, in addition to the subsidization of public school registrations and materials for displaced students from Syria. In fact, during Q1-2013, the MOE paid around LL 6.8 billion during as registration fees for 51,367 Syrian students for the academic year 2012/2013, in addition to LL 1.5 billion to cover books. As for MOSA, the reason behind the increase is due to payment of previous years' allocations that were delayed, and higher transfers to cover the revised inflation of aid expenses per assisted individual.

¹³ It should be noted that most spending on fuel is through budget advances which are reclassified according to their economic classification after their regularization in the budget system. This is usually achieved a year after they have been paid. Therefore, total spending on fuel for the current year cannot be constructed when the monthly economic classification table is prepared.

- c) Transfers to **EDL**¹⁴ increased by LL 47 billion in QI 2013, amounting to LL 862 billion, compared to LL 816 billion in QI 2012.

Table 17: Transfers to EDL

| (LL billion) | 2011 Jan-March | 2012 Jan-March | 2013 Jan-March | %Change 2013/2012 |
|---|-------------------|-------------------|-------------------|----------------------|
| EDL, of which: | 504 | 816 | 862 | 6% |
| a-Debt Service, of which: | 17 | 18 | 19 | 7% |
| • C-Loans and Eurobonds, of which: | 17 | 16 | 12 | -27% |
| - Principal Repayments | 13 | 13 | 9 | -29% |
| - Interest Payments | 4 | 3 | 2 | -18% |
| • BDL-Guaranteed Loan Payments | 0 | 2 | 7 | 283% |
| b-Reimbursement for purchase of Natural Gas, Fuel & Gas Oil: | 487 | 798 | 843 | 6% |
| • KPC and SPC | 487 | 798 | 843 | 6% |

Source: MOF, DGF

- d) Transfers to **Higher Relief Committee** grew by LL 7 billion, amounting to LL 8 billion in Q1 2013 mainly due to payments for a series of events in Lebanon¹⁵, namely compensation for Tripoli victims of the clashes that took place by the end of 2012 and reconstruction of their houses (LL 3 billion), indemnity for soil slip in various villages (LL 3 billion) and other transfers (LL 2 billion).

The rise in various transfers was slightly offset by a decrease in spending in the following categories:

- e) Transfers to **Ministry of Foreign Affairs** decreased by LL 3 billion from LL 5 billion in QI 2012 to LL 2 billion in QI 2013.
- f) **Gasoline subsidy for taxi drivers** dropped from LL 3 billion in QI 2012 to LL 1 billion in QI 2013. No payments were made for the diesel oil subsidy or for the Special Tribunal of Lebanon, in QI 2012 and QI 2013.

¹⁴ For further details, kindly refer the March 2013 issue of "Transfers to EDL: A Monthly Snapshot" available on www.finance.gov.lb.

¹⁵ As per Decree 9762 dated January 18th, 2013.

Table 18: Breakdown of Article 14 by Economic Classification

| (LL billion) | 2012 Jan-Mar | 2013 Jan-Mar | % Change 2013/2012 |
|---|-----------------|-----------------|-----------------------|
| 1. Contributions to the Public Sector 1/ | 855 | 1,020 | 19% |
| 1a. Electricité Du Liban (EDL) | 816 | 862 | 6% |
| 1b. Other Contributions to the Public Sector, of which: | 39 | 157 | 301% |
| <i>National Council for Scientific Research</i> | 1 | 2 | 183% |
| <i>High Relief Committee (HRC) 1/</i> | 1 | 8 | 1,054% |
| <i>Transfers to School Funds</i> | 17 | 20 | 21% |
| <i>Public Hospitals</i> | 3 | 10 | 226% |
| <i>National Agriculture Research Institute (NARI)</i> | 0 | 2 | N/A |
| <i>Green Project</i> | 2 | 2 | 0% |
| <i>National Social Security Fund (NSSF)</i> | 0 | 100 | N/A |
| <i>Tele-Liban</i> | 2 | 2 | -5% |
| <i>Gasoline subsidy for taxi drivers 2/</i> | 3 | 1 | -72% |
| <i>Lebanese National Higher Conservatory of Music</i> | 5 | 2 | -58% |
| 2. Contributions to the Non-Public Sector | 15 | 104 | 608% |
| 2a. Contributions to Non Profit Organizations , of which: | 12 | 101 | 770% |
| <i>Ministry of Education-Subsidized Schools</i> | 0 | 44 | N/A |
| <i>Ministry of Youth and Sports</i> | 1 | 7 | 989% |
| <i>Ministry of Public Health</i> | 0 | 4 | 676% |
| <i>Ministry of Social Affairs</i> | 8 | 45 | 488% |
| 2b. Contributions to Private Parties, of which: | 3 | 3 | -13% |
| <i>Ministry of Public Health</i> | 2 | 1 | -60% |
| <i>Ministry of Culture</i> | 0 | 0 | 54% |
| 2c. Students Grants | 0 | 0 | -70% |
| 3. Assistance to the Public Sector | 5 | 3 | -46% |
| 3a. Assistance for the Directorate General of Grains and Sugar Beetroot | 0 | 0 | N/A |
| 3b. Assistance to Public Institutions, of which: | 5 | 3 | -46% |
| <i>Institute of finance</i> | 1 | 1 | -37% |
| <i>Railway and Public Transportation Authority</i> | 4 | 2 | -52% |
| 3c. Other Assistances to the Public Sector, of which: | 0 | 0 | N/A |
| <i>Ministry of Environment</i> | 0 | 0 | N/A |
| 4. Assistance to the Non-Public Sector | 0 | 0 | N/A |
| 5.External Assistance | 0 | 1 | 608% |
| 5a. Other External Assistance, of which: | 0 | 1 | 608% |
| <i>Ministry of Environment</i> | 0 | 1 | N/A |
| 6. Membership Fees | 5 | 3 | -43% |
| 6 a. Membership Fees in International and Regional Organizations, of which: | 5 | 3 | -43% |
| <i>Ministry of Foreign Affairs and Emigrants</i> | 5 | 2 | -53% |
| <i>Ministry of Public Health</i> | 0 | 0 | -N/A |
| 7.Stoppings 3/, of which: | 6 | 28 | 370% |
| <i>Treasury Advances 4/</i> | 0 | 0 | -95% |
| <i>Lebanese Civil Defense 5/</i> | 0 | 3 | N/A |
| Total | 886 | 1,160 | 31% |

Source: MOF, DGF

1/ Contributions to Public Sector consist mainly of contributions made to Public Institutions. Assistance provided to certain Public Corporations, such as Tele-Liban and all governmental hospitals are also included under this heading.

2/ As per law 182 dated October 5th, 2011. This law provided a subsidy for taxi drivers for a period of three months amid increasing fuel and gasoline prices.

3/ Stoppings also known in Arabic as "Tawqifat" are usually deductions made by the Ministry of Finance from its payments to collect amount owed by the recipient to the Treasury for example, penalties on income tax, contributions to mutual funds, property tax, fiscal stamps etc. Stoppings also include adjustments to the accounting system that are captured by the fiscal performance system such as regularization in the budget system and process of (i) treasury advances made in previous years and (ii) payments to the Civil Defense from treasury deposit accounts.

4/ The expenditure figures as published by the Ministry of Finance include the regularization in the national budget system of treasury advances previously paid from treasury accounts. These regularizations are included on both the revenue and expenditure side for accounting purposes and do not constitute an actual spending that affects the deficit.

5/ Payments to the Lebanese Civil Defense are made from treasury accounts and more specifically deposits account. Consequently, at the end of the year, they are regularized to be included in the budget system.

Other Current Expenditures increased by LL 50 billion from LL 117 billion in QI 2012 to LL 167 billion in QI 2013. The variation in this economic category is due to a LL 17 billion jump in payments to **hospitals** and a LL 33 billion growth in **other current spending** (which includes mainly compensatory payments to be made following judgement issued by the State Council, reconciliation payments as well as electoral expenses). This is explained mainly by the LL 20 billion increase in transfers to **judgements** due to reconciliation between the Ministry of Works and Transportation and the General Directorate of Civil Aviation in the amount of LL 13 billion.

Interest Payments

Interest payments declined by 7 percent, amounting to LL 1,124 billion in Jan-Mar 2013 down from LL 1,209 billion in Jan-Mar 2012. This LL 85 billion decline was the outcome of the drop in interest payments on both local and foreign currency debt.

Interest payments on **local currency debt** declined by LL 19 billion (2 percent), to reach LL 795 billion in Jan-Mar 2013 compared to LL 814 billion during the same period of 2012. This decline was driven by a LL 30 billion (4 percent) drop in **coupon payments**, that was partially offset by an LL 11 billion (38 percent) rise in **discount interest payments**.

Interest payments on **foreign currency debt** fell by LL 66 billion (17 percent), amounting to LL 329 billion over the first quarter of 2013, up from a lower level of LL 395 billion during the same period of 2012. This decline is primarily due to a LL 67 billion (18 percent) drop in **Eurobond coupon payments**.

Concessional loans principal payments decreased by 27 percent to LL 49 billion in Jan-Mar 2013 up from LL 47 billion during the similar period of 2012.

Table 19: Details of Debt Service Transactions

| (LL billion) | 2011 | 2012 | 2013 | %Change |
|--|--------------|--------------|--------------|-------------|
| | Jan-Mar | Jan-Mar | Jan-Mar | 2012/2013 |
| Interest Payments⁽¹⁾ | 1,375 | 1,209 | 1,124 | -7% |
| Local Currency Debt | 890 | 814 | 795 | -2% |
| · <i>Discount interest</i> | 31 | 28 | 39 | 38% |
| · <i>Coupon</i> | 859 | 786 | 756 | -4% |
| Foreign Currency Debt, of which: | 484 | 395 | 329 | -17% |
| · <i>Eurobond Coupon Interest⁽²⁾</i> | 457 | 371 | 304 | -18% |
| · <i>Special Bond Coupon Interest⁽²⁾</i> | 1 | 1 | 2 | 50% |
| · <i>Concessional Loans Interest</i> | 27 | 23 | 23 | -1% |
| Concessional Project Loans Principal Payments⁽¹⁾ | 62 | 66 | 49 | -27% |

Source: MOF, DGF

⁽¹⁾ Please note that the classification of debt service expenditures is now broken down into two separate categories as follows: Interest payments (as per GFS classification) and repayment of principal on concessional loans earmarked for project financing.

⁽²⁾ Includes general expenses related to the transaction

Capital Expenditures

Capital expenditures for QI 2013 amounted to LL 187 billion, dropping by LL 49 billion (21 percent) compared to the LL 236 billion recorded in QI 2012. This decrease was mainly the result of a decline in **Construction in Progress**, offset by an increase in **Acquisitions of land and buildings for the construction of roads, ports, airports, and water networks** and **Equipment** costs.

Construction in progress decreased by 41 percent to LL 96 billion in QI 2013 from LL 161 billion in QI 2012. This LL 65 billion drop was the combined outcome of:

- a) A LL 48 billion decrease in payments to the **Displaced Fund** which were nil in QI 2013 compared to LL 48¹⁶ billion in QI 2012.
- b) A LL 30 billion decline in payments to the **Council of the South**, which were nil in QI 2013 compared to LL 30 billion in QI 2012¹⁷.
- c) A LL 29 billion fall (46 percent) in allocations to the **Ministry of Public Works and Transport** from LL 63 billion in QI 2012 to LL 34 billion in QI 2013.
- d) Meanwhile, payments to **CDR** jumped by LL 20 billion (146 percent) from QI 2012 to QI 2013, partly attributed to an increase in payments for Jabal Amel's water treatment project by LL 8 billion¹⁸, counterpart funding for foreign financed project by LL 7 billion, and maintenance for Rafic Hariri Lebanese University by LL 3 billion.

Table 20: Payments to CDR for Construction in Progress

| (LL billion) | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|----------------------|
| CDR Budget Payments (1), of which: | 10 | 29 | 186% |
| • Counterpart funding for foreign financed projects | 10 | 17 | 68% |
| • Maintenance of Rafic Hariri Lebanese University | 0 | 3 | N/A |
| • Water treatment projects | 0 | 8 | N/A |
| • Zahrani highway project | 0 | 1 | N/A |
| Projects Executed on behalf of Line Ministries of which (3) | 4 | 5 | 29% |
| • Roads | 4 | 5 | 29% |
| Total Payments to CDR for Construction In Progress (4) | 14 | 34 | 146% |

Source: MOF

- (1) These payments include payments allocated yearly for CDR in the first part of the capital expenditure budget.
- (2) Payment of LL 3.145 billion was made from Decree 5385 Dated April 21st, 2001, for the rehabilitation of Rafic Hariri International Airport – which is different than the expenses related to the maintenance of Rafic Hariri International Airport. The remaining LL 1 billion were paid to cover arbitrage expenses other than Hochtief.
- (3) These payments include payments allocated for line ministries on a multi-year basis in the second part of the capital expenditure budget payments or provided to them through treasury advances but are implemented on their behalf by CDR.
- (4) Figures published in this report for 2010 are different than those published in the 2010 Annual Report as these have been corrected and their classification readjusted based on new information made available.

¹⁶ These LL 48 billion were paid from the LL 120 billion allocated in the 2010 Budget Proposal and carried forward to 2011 and finally disbursed in QI 2012.

¹⁷ The LL 30 billion in QI 2012 was paid from the 2011 Budget Proposal.

¹⁸ The payment relate to two treasury advances whereby the first total amount is LL 17 billion as per decree 6841 dated November 17th, 2011 and the second LL 42.5 billion as per decree 7477 dated February 6th, 2012.

Acquisitions of land and buildings for the construction of roads, ports, airports, and water networks payments increased by LL 13 billion in QI 2013 up from nil in QI 2012, mainly after the government reimbursed Banque du Liban LL 13.5 billion for a real estate transaction between the two parties¹⁹. More specifically, the government conceded real estate properties to BDL valued at LL 37 billion, in exchange for real estate properties valued at LL 52 billion. As per the contract between the two parties and in order to settle the difference, the government had to either provide a real estate property valued at LL 15 billion or pay the amount of LL 13.5 billion.

Equipment grew by 25 percent to reach LL 18 billion in QI 2013 compared to LL 15 billion in QI 2012, mainly due (a) the first installment (LL 6 billion) made by the Ministry of Finance to Oracle in relation to the salaries and wages payroll system, and (b) the purchase of back up storage by MOF in the amount of LL 2 billion. This increase was counterbalanced by a LL 4 billion decline in purchase of equipment to Internal Security Forces and the Parliament.

¹⁹ As per decision 47 dated December 27th, 2012.

Other Treasury Expenditures

Other Treasury expenditures declined by 49 percent to reach LL 168 billion in QI 2013 compared to LL 331 billion in QI 2012. The LL 162 billion decrease is primarily attributed to lower payments to municipalities by 96 percent – from LL 204 billion in QI 2012 to LL 8 billion in QI 2013, mainly explained by a LL 160 billion reduction in payments of revenues accruing to municipalities and a LL 36 billion decline in payments for solid waste management.

Table 21: Payments to Municipalities

| (LL billion) | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|---|-----------------|-----------------|----------------------|
| Distribution of Revenues Accruing to Municipalities | 160 | - | -100% |
| Payments for Solid Waste Management | 37 | 1 | -97% |
| Payments to the “First Municipality Infrastructure Project” | 6.3 | 6.3 | 0% |
| Other Payments | 0.3 | 0.8 | -77% |
| Total Payments to Municipalities | 204 | 8 | 96% |

Source: MOF, DGF

The decrease in other treasury expenditures was partially offset by a LL 31 billion increase in deposits, from LL 20 billion in Q1 2012 to LL 51 billion in Q1 2013.

Special Focus: Social Expenditures

Social expenditures cover the basic social services of: health, education, retirement and end-of-service indemnities, transfers to the National Social Security Fund (NSSF), and other areas of intervention where the Government provides social allowances.

The social bill increased by 19 percent year-on-year, amounting to LL 1,249 billion in QI 2013 compared to LL 1,048 billion in QI 2012. End-of-Service indemnities and retirement wages accounted for the highest share of social spending in QI 2013, at 34 percent, decreasing from their previous level of 43 percent in QI 2012. Education spending followed with a share of 28 percent in the first three month of 2013, compared to 27 percent in Q1 2012, covering mainly the Ministry of Education and Higher Learning salary and wage bill, education allowances for public sector employees and contributions to non-profit organizations also known as subsidies to private schools, and transfers to the Lebanese University. Lastly, health expenditures ranked third with 23 percent of social outlays in QI 2013, increasing from their share of 18 percent in QI 2012.

The LL 201 billion jump in social spending recorded in 2013 is primarily explained by the combined effect of the following:

- a) Transfers to the NSSF soared by LL 100 billion in QI 2013 compared to nil in QI 2012 due to the timing of payments (for details kindly refer to the “Current primary expenditures” section).
- b) Spending on education went up by LL 67 billion mainly due to LL 44 billion increase in subsidies to private schools, coupled with a LL 15 billion rise in salaries and wages of the General Directorate of Education²⁰.
- c) Purchases of medicaments climbed by LL 41 billion, amounting to LL 50 billion in QI 2013 compared to LL 9 billion in QI 2012 (for details kindly refer to the “Current primary expenditures” section).
- d) Transfers to non-profitable organization made by the Ministry of Social Affairs grew by LL 37 billion to reach LL 45 billion in QI 2013.
- e) Payments for the hospitalization of uninsured citizens in the private sector increased by LL 17 billion to reach LL 118 billion during QI 2013, up from LL 101 billion during the same period of 2012.

²⁰ For details kindly refer to the “Salary and Wages and Related Benefits-Article 13 Report for March 2013.

The increase in social expenditure was counterbalanced by a decline in spending in the following categories:

- a) Transfers to the Civil Servants' Cooperative dropped by LL 51 billion to LL 20 billion in QI 2013 from LL 71 billion in QI 2012.
- b) End of service indemnities went down by LL 29 billion from LL 452 billion in Q1 2012 to LL 423 billion in Q1 2013
- c) Education allowances in private sector decreased by LL 27 billion to reach LL 1 billion in Q1 2013, compared to LL 28 billion in Q1 2012 due to discrepancy in timing of payment.

Table 22: Main Social Expenditures

| (LL billion) | 2012 Jan-Mar | 2013 Jan-Mar | %Change 2013/2012 |
|--|-----------------|-----------------|----------------------|
| Health | 192 | 293 | 52% |
| • Hospitalization in the Private Sector | 101 | 118 | 17% |
| • Purchase of Medication | 9 | 50 | 468% |
| • Hospitalization of Public Sector Employees in Private Sector | 63 | 80 | 28% |
| • Maternity and Sickness Allowance | 5 | 19 | 270% |
| • Other | 14 | 25 | 76% |
| Education | 313 | 353 | 13% |
| • Ministry of Education and Higher Education, of which: | 284 | 352 | 24% |
| - Wages and Salaries of the General Directorate of | 186 | 201 | 8% |
| - Wages and Salaries of the General Directorate of Higher | 0 | 0 | 18% |
| - Wages and Salaries of the General Directorate of | 9 | 10 | 14% |
| - Transfers to the Lebanese University | 77 | 67 | -12% |
| - Contributions to Non Profitable Organizations (Private | 0 | 44 | N/A |
| • Education Allowance in Private Sector | 28 | 1 | -95% |
| Other Social Spending | 543 | 604 | 11% |
| • Marriage Allowance | 1 | 3 | 250% |
| • Birth Allowance | 0 | 1 | 248% |
| • Death Allowance | 1 | 0 | -57% |
| • Other Social Spending Allowance | 4 | 1 | -79% |
| • Participation in Several Mutual Funds | 3 | 6 | 98% |
| • Ministry of Social Affairs, of which: | 9 | 46 | 395% |
| - Transfers to Non-Profit Organizations | 8 | 45 | 482% |
| • Ministry of the Displaced | 1 | 2 | 78% |
| • Transfers to Civil Servants Cooperative | 71 | 20 | -72% |
| • End-of-Service Indemnities and Retirement Wages | 452 | 423 | -6% |
| • Transfers to the National Social Security Fund | 0 | 100 | N/A |
| Total Social Expenditures | 1,048 | 1,249 | -9.67% |

Source: MOF, DGF

Section IV: Public Debt Developments

Public Debt: General Facts

Gross public debt amounted to LL 87,119 billion (US\$ 57.8 billion) by the end of March 2013, up by LL 160 billion (0.2 percent) from its end-2012 level. This rise was the result of an LL 821 billion increase in domestic currency debt, which outweighed a LL 661 billion drop in foreign currency debt.

In contrast, public sector deposits recorded a LL 1,351 billion (10.5 percent) decline in the first quarter of 2013, leading to an increase in public net debt²¹ by LL 1,511 billion (2 percent) to LL 75,554 billion (US\$ 50.1 billion).

Table 23: Public Debt Outstanding as of end-March 2013

| (LL billion) | Dec-10 | Dec-11 | Sept-12 | Change Dec12 – Mar13 | % Change Dec12 – Mar13 |
|----------------------------------|--------|--------|---------|-------------------------|---------------------------|
| Gross Public Debt | 79,298 | 80,887 | 87,119 | 160 | 0.18% |
| Net Debt | 67,879 | 69,903 | 75,554 | 1,511 | 2.04% |
| Gross Market Debt ⁽¹⁾ | 51,308 | 50,192 | 56,800 | -1,823 | -3.11% |

Source: Ministry of Finance, Banque du Liban

⁽¹⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

²¹ The stock of net public debt equals the stock of gross public debt minus public sector deposits.

Local Currency Debt

The stock of **local currency debt** stood at LL 51,019 billion or 59 percent of the total stock of gross public debt compared to LL 50,198 billion or 58 percent at end-December 2012 (including accrued interest). This 2 percent (LL 821 billion) rise is the combined result of higher holdings by Banque du Liban and Public Entities, which was less than offset by a lower stock of debt held by Commercial Banks.

Analysis of local currency debt by holder

Commercial Banks remained the largest holder of local currency debt, despite a LL 1,466 billion (5.38 percent) contraction in their holdings driven by a LL 1,463 billion (5.39 percent) decrease in their portfolio of Treasury Bills and Bonds. As a result, Commercial Banks claimed a share of 51 percent by end-March 2013, down from 54 percent at end-December 2012. The drop in commercial banks holdings was counterbalanced by a LL 1,487 billion (9.88 percent) increase in the stock held by Banque du Liban which amounted to LL 16,536 billion at the end of March 2013, up from LL 15,049 billion at the end of 2012. This rise is primarily explained by LL 1,499 billion (10.27 percent) augmentation in the portfolio of TBs held by the Central Bank. Consequently, the share of total domestic currency debt held by BDL rose by 2 percentage points, from 30 percent at the end of December 2012 to 32 percent at the end of the first quarter of 2013.

“Other” holders witnessed a LL 800 billion (10.15 percent) augmentation in the portfolio of TBs which amounted to LL 8,682 billion at the end-March 2013 or 17 percent of domestic currency debt, compared to LL 7,882 billion three months earlier and a slightly lower share of 16 percent. Public Entities, the largest holder of this category, saw its stock of TB’s surge by LL 655 billion (10.11 percent) to reach LL 7,134 billion at end-March 2013.

These developments are reflected in the results of the weekly TB auctions in QI 2013. Historically the largest subscribers of TBs, Commercial banks demonstrated little appetite for LL debt instruments during the first quarter of 2013, registering a cumulative rollover ratio of 83 percent and a deficit of LL 338 billion. Commercial banks captured nevertheless the largest share of subscriptions with 46 percent of total subscriptions in QI 2013, compared to a much higher share of 80 percent in the last three months of 2012. Public Institutions came in second position, capturing 33 percent of subscriptions in QI 2013, up from less than 10 percent and the third position in QIV 2012. Banque du Liban followed with 14 percent of subscriptions in January-March 2013, compared to a 10 percent share during QIV 2012.

Analysis of local currency debt by instrument

The stock of long term bonds rose by LL 1,398 billion (2.95 percent) to LL 48,846 billion by the end-March 2013 from LL 47,448 billion by the end-December 2012. Conversely, the stock of short term bills receded by LL 562 billion (21.69 percent) from LL 2,591 billion by the end-December 2012 to LL 2,029 billion by the end of March 2013.

In term of long-term instruments, the stock of 3YR bonds recorded the highest rise at LL 1,159 billion (6.34 percent) totalling LL 19,451 billion by the end March 2013 up from LL 18,292 billion three months earlier. Five-year bonds witnessed a LL 608 billion (5.00 percent) upswing in their stock which amounted to LL 12,770 billion by the end of March 2013 compared to LL 12,162 billion by the end-December 2012. Conversely, the stock of 2YR bonds receded by LL 354 billion (8.41 percent) to LL 3,854 billion by the end of the first quarter of 2013, down from LL 4,208 billion by the end of 2012.

Among short term instruments, the stock of 6MN bills witnessed the steepest decline of LL 507 billion (38.64 percent), reaching LL 805 billion by the end of March 2013 down from LL 1,312 billion by the end of 2012. The stock of 12MN TBs also dropped by LL 33 billion (3.42 percent), and stood at LL 932 billion at the end of the first quarter of 2013. Finally, the stock of 3MN bills decreased by LL 22 billion (7.01 percent) to LL 292 billion by the end of the first quarter of 2013 from LL 314 billion at the end of 2012.

During the weekly auctions of Jan-Mar 2013, long-term instruments accounted for 75 percent of subscriptions, compared to 85 percent in QIV 2012²². Correspondingly, the share of short term instruments increased to 25 percent in Jan-Mar 2013, compared to 15 percent during the last three months of 2012. In detail, 3YR bonds accounted for the highest share of total subscriptions in QI 2013, standing at 55 percent and up from 28 percent in QIV 2012. Five-year bonds ranked second with an 18 percent share of total accepted offers, compared to a much lower share of 8 percent during QIV 2012. Six-months bills followed in third position, with 9 percent of total subscriptions in QI 2013, compared to 8 percent in QIV 2012²³. It is noteworthy that 7-year, 8-year and 10-year treasury bonds were neither issued during the auctions nor outside these auctions, during Jan-Mar 2013.

As a result of these developments, the composition of domestic currency debt shifted towards a higher share of long term instruments. As such, the share of long term reached 96 percent by end-March 2013, up from 95 percent three months earlier whereas the share of short term bills in the total stock of LL debt inched down from 5 percent by the end of 2012 to 4 percent by the end of the first quarter of 2013. Three-year bonds

²² The higher share of long-term instruments during QIV 2012, stems mainly from the issuance of 7YR and 8YR bonds which cannibalized demand for other tenors. The aforementioned instruments captured respectively 29 percent and 17 percent of total subscriptions in QIV 2012, but were not offered in the first quarter of 2013.

²³ Kindly note that the decline in the stock of 6MN bills over the period, comes despite its constant share of subscriptions in the weekly auctions, as this instrument registered a LL 519 billion (including coupons) deficit during QI 2013, in contrast with a surplus of LL 80 billion (including coupons) in the last quarter of 2012.

still accounted for the highest share of LL debt by the end of March 2013, at 38 percent up from 36 percent by the end of 2012. Five-year bonds followed with a share of 25 percent compared to 24 percent by the end of 2012. The share of 7YR bonds was unchanged at 18 percent, while the share of 2YR bonds stood at 8 percent.

Table 24: Domestic Currency Debt by Holder and Instrument as of end-March 2013

| Stocks (end of period) | Dec-11 | Dec-12 | Mar-13 | Change Mar 13 –Dec 12 | % Change Mar 13-Dec 12 |
|---|--------|--------|--------|--------------------------|---------------------------|
| Local currency debt | 49,340 | 50,198 | 51,019 | 821 | 0.18% |
| A. By Holder | | | | | 1.64% |
| 1. Central Bank (including REPOs and Loans to EDL to finance fuel purchases) ⁽¹⁾ | 16,374 | 15,049 | 16,536 | 1,487 | 9.88% |
| 2. Commercial Banks | 25,177 | 27,267 | 25,801 | -1,466 | -5.38% |
| 3. Other local debt (T-bills) | 7,789 | 7,882 | 8,682 | 800 | 10.15% |
| <i>o/w Public entities</i> | 6,538 | 6,479 | 7,134 | 655 | 10.11% |
| <i>o/w Contractor bonds</i> ⁽²⁾ | 41 | 134 | 134 | 0 | 0.00% |
| *Accrued interest included in debt | 788 | 789 | 765 | -24 | -3.04% |
| B. By Instrument | | | | | |
| 1. Long term bonds | 46,512 | 47,448 | 48,846 | 1,398 | 2.95% |
| 1.1 10 years bonds | 0 | 1,151 | 1,151 | 0 | 0.00% |
| 1.2 8 years bonds | 0 | 1,916 | 1,916 | 0 | 0.00% |
| 1.3 7 years bonds | 7,885 | 8,978 | 8,978 | 0 | 0.00% |
| 1.4 5 years bonds | 11,779 | 12,162 | 12,770 | 608 | 5.00% |
| <i>o/w Contractor bonds</i> | 41 | 134 | 134 | 0 | 0.00% |
| 1.5 4.5 years bonds | 0 | 0 | 0 | 0 | - |
| 1.6 4 years bonds | 0 | 0 | 0 | 0 | - |
| 1.7 3 years bonds | 22,129 | 18,292 | 19,451 | 1,159 | 6.34% |
| 1.8 2.5 years bonds | 0 | 0 | 0 | 0 | - |
| 1.9 2 years bonds | 3,972 | 4,208 | 3,854 | -354 | -8.41% |
| 1.10 Coupon interest | 747 | 741 | 726 | -15 | -2.02% |
| 2. Short term bills | 2,583 | 2,591 | 2,029 | -562 | -21.69% |
| 2.1 12 months bills | 887 | 965 | 932 | -33 | -3.42% |
| 2.2 06 months bills | 1,569 | 1,312 | 805 | -507 | -38.64% |
| 2.3 03 months bills | 127 | 314 | 292 | -22 | -7.01% |
| * Accrued interest included | 41 | 48 | 39 | -9 | -18.75% |
| 3. Other local debt | 245 | 159 | 144 | -15 | -9.43% |
| 3.1 Central Bank Loans | 139 | 55 | 43 | -12 | -21.82% |
| 3.2 Commercial Banks Loans | 106 | 104 | 101 | -3 | -2.88% |

Source: Ministry of Finance, Banque du Liban

Notes:

- (1) The BDL has extended loans to EDL for the equivalent amount of US\$ 300 million to purchase fuel oil. These loans are listed as Public debt as they are government guaranteed.
- (2) Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency" in the foreign currency debt table

Primary market interest

After a stable interest rate climate on issued Treasury bills and bonds for much of 2010 and 2011, rates increased by an average of 52 basis points across the curve by the end of March 2012, compared with end-2011 levels. Rates were generally stable since then. As of end March 2013, 5YR Treasury bonds had witnessed the largest rate change with a 56-bps increase since end-2011. The yield curve was extended in September 2012 due to the 7.80 percent and 8.24 percent rates of the newly-issued 8-year and 10-year Treasury bonds respectively. Interest rate on the 7YR bonds dropped by 40 bps from December 2011 till December 2012.

Table 25: Evolution of Primary Market Rates

| Maturity | Dec. 31, 2009 | Dec. 31, 2010 | Dec. 31 st , 2011 | Dec. 31, 2012 | Mar. 31, 2013 |
|------------------------|---------------|---------------|------------------------------|---------------|---------------|
| 3-month | 4.55 percent | 3.93 percent | 3.93 percent | 4.43 percent | 4.44 percent |
| 6-month | 5.72 percent | 4.52 percent | 4.50 percent | 4.99 percent | 4.99 percent |
| 12-month | 5.73 percent | 4.81 percent | 4.81 percent | 5.35 percent | 5.35 percent |
| 2-year | 6.32 percent | 5.34 percent | 5.34 percent | 5.84 percent | 5.84 percent |
| 3-year | 7.10 percent | 5.94 percent | 5.94 percent | 6.50 percent | 6.50 percent |
| 5-year ⁽¹⁾ | 7.74 percent | 6.18 percent | 6.18 percent | 6.74 percent | 6.74 percent |
| 7-year ⁽²⁾ | N/A | 7.90 percent | 7.90 percent | 7.50 percent | 7.50 percent |
| 8-year ⁽³⁾ | N/A | N/A | N/A | 7.80 percent | 7.80 percent |
| 10-year ⁽⁴⁾ | N/A | N/A | N/A | 8.24 percent | 8.24 percent |

Source: Ministry of Finance

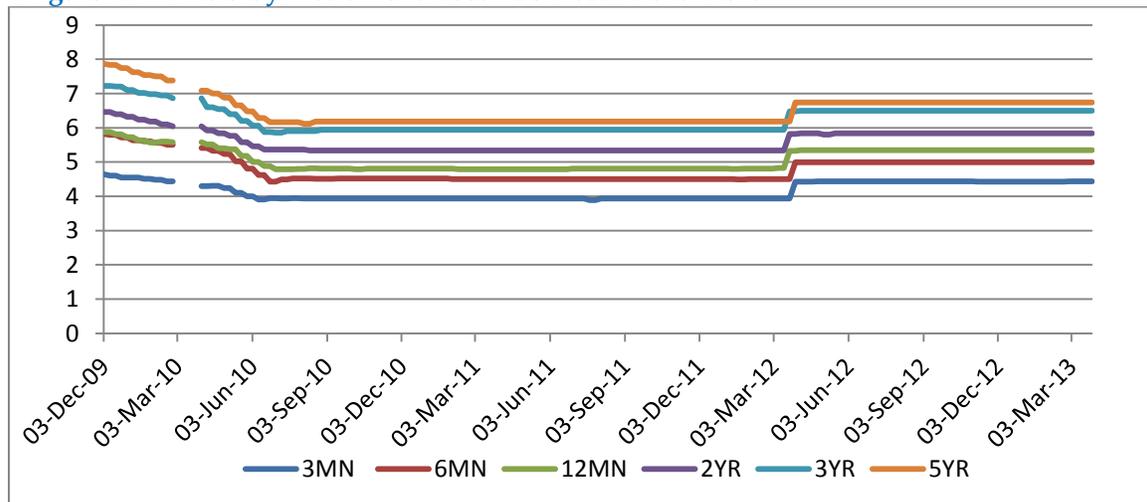
(1) 5-year Treasury bonds started being issued as part of the Treasury Bill Auction Process as of the week of July 20 2009 (value date 23 July 2009).

(2) 7-year Treasury bonds were introduced in December 2010 under the LBP Medium-Term Note Program with a coupon of 7.90 percent. 7-year bonds were also issued as part of a special scheme in March 2011 and April 2011 with a coupon of 7.90 percent, and in September 2011 with a coupon of 7.60 percent. These bonds do not feature in this table as they were not issued in the regular auction process. 7-year bonds were issued on a one time basis, during the weekly auction of November 15, 2012.

(3) 8-year Treasury Bonds were issued on a one time basis, during the weekly auction of October 18, 2012..

(4) 10-year Treasury bonds were issued on a one time basis, during the weekly auction of September 20, 2012.

Figure 2: TB Yield by Instrument December 2009–March 2013



Source: Ministry of Finance

Foreign Currency Debt

The stock of Foreign currency debt retracted by LL 661 billion (1.8 percent) in the first three months of 2013, ending Q1 at LL 36,100 billion, compared to LL 36,761 billion as at end-2012. Excluding the effect of exchange rate valuations, which given the depreciation of the euro against the US dollar to 1.2810 from 1.3186, played part in reducing the debt stock, the bulk of the contraction in foreign currency commitments mainly resulted from principal repayments and amortizations of Eurobonds and concessional loans. In conjunction, no debt transactions or significant loan disbursements were made in Q1 2013 to counterbalance this decline.

Table 26: Foreign Currency Debt by Holder and Instrument as of end-March 2013

| (in LL billion) | Dec-11 | Dec-12 | Mar-13 | Change | % Change |
|--|---------------|---------------|---------------|-------------|--------------|
| B. Foreign currency debt⁽¹⁾ | 31,547 | 36,761 | 36,100 | -661 | -1.8% |
| 4. Eurobonds | 27,490 | 32,789 | 32,190 | -599 | -1.8% |
| Of which, Paris II at preferential rates ⁽²⁾ | 3,161 | 2,646 | 2,593 | -53 | -2.0% |
| Of which, Paris III at preferential rates ⁽³⁾ | 663 | 317 | 294 | -23 | -7.1% |
| Of which, market-issued Eurobonds | 23,258 | 29,427 | 28,672 | -755 | -2.6% |
| * <i>Accrued Interest on Eurobonds</i> | 407 | 400 | 631 | 231 | 57.8% |
| 5. Loans | 3,977 | 3,860 | 3,774 | -86 | -2.2% |
| 5.1 Paris II loans | 351 | 279 | 232 | -47 | -16.8% |
| 5.2 Paris III loans ⁽⁴⁾ | 1,060 | 997 | 977 | -20 | -2.0% |
| 5.3 Bilateral loans (non-Paris II and III) | 766 | 832 | 812 | -23 | -2.7% |
| 5.4 Multilateral loans (non-Paris II and III) | 1,781 | 1,738 | 1,741 | 6 | 0.3% |
| 5.5 Foreign Private Sector Loans | 18 | 14 | 12 | -2 | -14.3% |
| 6. Other debt | 80 | 112 | 136 | 24 | 21.4% |
| 6.1 Special Tbs in Foreign currency ⁽⁵⁾ | 80 | 112 | 136 | 24 | 21.4% |

Source: Ministry of Finance, Banque du Liban
Notes:

⁽¹⁾ Figures for June 2012 differ from previously published data by LL 50 billion reflecting an update of disbursement figures for bilateral and multilateral debt in the Debt Management and Financial Analysis System (DMFAS).

⁽²⁾ 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. These bonds have an amortized payment structure.

⁽³⁾ Issued to Malaysia as part of its Paris III contribution. These bonds have an amortized payment structure.

⁽⁴⁾ 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 Tbs in Foreign currency (expropriation and contractor bonds)

The Eurobond portfolio, which accounted for 89 percent of foreign currency debt by end-March 2013, dipped by LL 599 billion (1.8 percent) from its end-2012 value, to reach LL 32,190 billion. Market-issued Eurobonds fell by LL 755 billion following the repayment of the US\$ 484 million remaining from the March 2013-due US\$ 875 million

Eurobond (the first portion of the amount – US\$ 391 million - was redeemed in the November 2012 voluntary exchange transaction)²⁴.

Eurobonds issued in the context of Paris II diminished by almost LL 53 billion (2 percent) to reach LL 2,593 billion by the end of March 2013 following one amortized principal repayment of US\$ 35 million on the Eurobond due March 2018, originally issued at US\$ 700 million.

Likewise, Paris III-issued Eurobonds dropped by around LL 23 billion (7.1 percent), sliding from LL 317 billion to LL 294 billion, after one principal repayment of US\$ 15 million on the Eurobond due July 2017 originally issued at US\$ 300 million, and with an amortized payment structure.

Finally, the slide in the Eurobond portfolio was partly offset by a LL 231 billion increase in accrued interest on Eurobonds to LL 631 billion.

Outstanding Foreign currency loans reached LL 3,774 billion by the end of March 2012, recording an LL 86 billion (2.2 percent) decline from LL 3,860 billion at end-2012.

The stock of Paris II loans ended Q1 2013 at LL 232 billion, or down by LL 47 billion (17 percent) from end-2012, owing to the redemption of € 20 million of the Agence Française de Développement (AFD) Paris II loan, during the month of February. As the principal amount paid to AFD was only equivalent to LL 39.5 billion, the contraction in the value of outstanding PII loans in Q1 also resulted from the change in currency valuations, namely the slide in the value of the Euro against the US Dollar.

The stock of Paris III loans reached LL 977 billion by the end of March 2013, falling by 2 percent from LL 997 billion at end-2012. This decline was partially a result of one quarterly principal repayment, made in February, of the equivalent of SDR 3.2 million on the IMF EPCA II loan²⁵, in addition to the notable depreciation in the value of the Euro, which drove down the value of the Paris III AFD Loan (tranche 1) to LL 290 billion from LL 298 billion, and the values of Paris III AFD loan (tranche 2) and EU/EC loan by LL 2 billion each to LL 58 billion and LL 48 billion respectively.

The stock of foreign private sector loans declined by LL 2 billion, equivalent to 14.3 percent, to LL 12 billion by the end of March 2013.

²⁴Detailed information on the November 2012 voluntary debt exchange transaction is accessible here: [http://www.finance.gov.lb/en-US/finance/PublicDebt/Documents/Debt%20Transactions/Eurobonds/Exchange/Brief%20Note%20Nov%202012%20Exchange%20and%20New%20Cash%20Transaction%20\(final\).pdf](http://www.finance.gov.lb/en-US/finance/PublicDebt/Documents/Debt%20Transactions/Eurobonds/Exchange/Brief%20Note%20Nov%202012%20Exchange%20and%20New%20Cash%20Transaction%20(final).pdf).

²⁵ The IMF EPCA II loan is amortized through eight quarterly payments of SDR 3,171,875 each, starting February 16th, 2012 and ending on November 18th, 2013.

Non-Paris II and Paris III Bilateral loans decreased by LL 23 billion equivalent to 3 percent, amounting to LL 812 billion by the end of March 2013, compared to LL 835 billion by the end of 2012. This decline paralleled principal repayments worth LL 7 billion to the Saudi Fund for Development, almost LL 6 billion to Japan Bank for International Cooperation, and less than LL 2 billion for each of Abu Dhabi Fund and Kuwait Fund for Arab Economic Development.

In contrast, Non-Paris II and Paris III Multilateral loans added LL 6 billion, amounting to LL 1,741 billion as at end-March 2013. The increase in such loans was supported by new disbursements, as several large principal repayments were also made during the period. Most notably, around LL 15 billion were redeemed to the Arab Fund for Economic and Social Development, LL 11 billion to the Islamic Development Bank, around 7 billion to the International Bank for Reconstruction and Development, and LL 1 billion to the Organization of Petroleum Exporting Countries (OPEC).

With respect to other debt in foreign currency, the stock of special T-bills in foreign currency increased by almost LL 25 billion (21 percent) over the first quarter of 2013, to reach LL 126 billion at end-March. This pertains to the issuance of US\$ 16,878,371 worth of contractor bonds, issued on February 7, 2013, with a rate of 4.04 percent.

Table 27: Lebanon Secondary Market Yields

| Lebanese Issues | Bid Yield (%) | | | | | |
|----------------------|---------------|-----------|----------|-----------|-----------|-----------|
| | 28-Dec-12 | 14-Jan-13 | 8-Feb-13 | 22-Feb-13 | 20-Mar-13 | 27-Mar-13 |
| <u>Euro</u> | | | | | | |
| LEB 5.350 18 | 5.15 | 5.00 | 5.14 | 5.14 | 5.34 | 5.24 |
| <u>US Dollars</u> | | | | | | |
| LEB 7.375 14 | 2.01 | 2.24 | 2.45 | 2.40 | 2.76 | 2.91 |
| LEB 9.000 14 | 2.28 | 2.28 | 2.49 | 2.49 | 2.74 | 2.84 |
| LEB 5.875 15 | 3.81 | 3.90 | 3.56 | 3.52 | 3.56 | 4.11 |
| LEB 4.000 17 Av Life | 3.73 | 3.74 | 3.66 | 3.62 | 3.47 | 3.88 |
| LIEB 10.000 15 | 3.99 | 3.83 | 4.01 | 3.94 | 3.71 | 4.19 |
| LEB 8.500 15 | 4.00 | 4.17 | 4.21 | 4.17 | 4.29 | 4.52 |
| LEB 8.500 16 | 4.34 | 4.21 | 4.28 | 4.23 | 4.67 | 4.82 |
| LEB 11.625 16 | 4.41 | 4.42 | 4.87 | 4.81 | 4.83 | 4.63 |
| LEB 4.750 16 | 4.75 | 4.75 | 4.67 | 4.56 | 4.75 | 4.75 |
| LEB 5.000 17 | 4.70 | 4.55 | 4.73 | 4.76 | 4.95 | 5.06 |
| LEB 9.000 17 | 5.00 | 4.76 | 5.00 | 5.03 | 5.22 | 5.16 |
| LEB 5.150 18 | 5.10 | 4.95 | 5.15 | 5.15 | 5.23 | 5.25 |
| LEB 6.000 19 | 5.25 | 5.16 | 5.43 | 5.42 | 5.51 | 5.56 |
| LEB 5.450 19 | 5.41 | 5.32 | 5.49 | 5.47 | 5.59 | 5.59 |
| LEB 6.375 20 | 5.56 | 5.39 | 5.51 | 5.57 | 5.76 | 5.84 |
| LEB 8.250 21 | 5.82 | 5.57 | 5.80 | 5.81 | 5.97 | 6.02 |
| LEB 6.100 22 | 5.91 | 5.73 | 5.82 | 5.81 | 5.89 | 5.96 |
| LEB 6.000 23 | 5.96 | 5.83 | 5.86 | 5.88 | 5.96 | 6.03 |
| LEB 7.000 24 | 6.25 | 6.05 | 6.07 | 6.10 | 6.15 | 6.21 |
| LEB 6.600 26 | 6.43 | 6.22 | 6.30 | 6.27 | 6.34 | 6.40 |
| LEB 6.750 27 | 6.70 | 6.28 | 6.33 | 6.31 | 6.37 | 6.43 |

Source: Credit Suisse

Secondary market Eurobond yields²⁶ widened an average 23 basis points between 28 December, 2012 and 27 March, 2013, after having contracted 39 basis points in the previous quarter.

²⁶ Calculated on USD Eurobonds, between December 28th 2012 and March 27th 2013, and which were outstanding at both dates.



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