

General Overview

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Total expenditure increased by 12 percent during the first eleven months of 2016, mainly due to exceptional transfers to municipalities¹ coupled with higher interest payments, personnel cost, and capital expenditure, significantly offsetting the drop in transfers to Electricité du Liban. On the revenues side, the low growth environment continued to impact tax revenues, while non-tax revenues registered a minor decline mostly as a result of lower transfers from the telecom surplus.

The **total fiscal balance** registered a deficit of LL 6,640 billion, widening by 36 percent from the same period in 2015, while the **primary surplus** shrank to LL 239 billion in Jan-Nov 2016 compared to LL 1,602 billion in the corresponding period of 2015 (Table 1-a). Adjusting for the one-off transfer to municipalities in Jan-Nov 2016, results show a 24 percent increase in the fiscal deficit to LL 6,048 billion, and the halving of the primary surplus to LL 831 billion (Table 1-b)².

Table 1-a: Summary of Fiscal Performance

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Total Budget and Treasury Receipts	13,380	13,744	2.7%
Total Budget and Treasury Payments, of which	18,266	20,383	11.6%
• Interest Payments	6,184	6,592	6.6%
• Concessional loans principal payment ¹	304	287	-5.7%
• Primary Expenditures ²	11,778	13,505	14.7%
Total (Deficit)/Surplus	(4,885)	(6,640)	35.9%
Primary (Deficit)/Surplus	1,602	239	-85.1%

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

¹ Includes only Principal repayments of concessional loans earmarked for project financing

² Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

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

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Total Budget and Treasury Receipts	13,380	13,744	2.7%
Total Budget and Treasury Payments, of which	18,266	19,792	8.4%
• Interest Payments	6,184	6,592	6.6%
• Concessional loans principal payment	304	287	-5.7%
• Primary Expenditures	11,778	12,913	9.6%
Total (Deficit)/Surplus	(4,885)	(6,048)	23.8%
Primary (Deficit)/Surplus	1,602	831	-48.2%

Source: MOF, DGF

¹ Excluding LL 592 billion in Treasury transfers to Municipalities from Total Budget and Treasury Payments for Jan-Nov 2016, and which pertain to Municipalities' share of telecommunication revenues

¹ In 2014, the Treasury collected an estimated LL 739 billion of telecom revenues on behalf of municipalities (of which LL 636 billion in arrears for the period 2010-2013). Of the total amount, LL 592 billion was transferred to municipalities in Jan-Nov 2016 and accounted as Treasury expenditures.

² Table 1-b does not represent actual government figures, but makes broad adjustments in extraordinary one-off payments and collections to more accurately reflect structural fiscal dynamics.

Revenues

Total revenues increased by 3 percent to reach LL 13,744 billion in Jan-Nov 2016, compared to LL 13,380 billion in the same period of 2015.

Tax revenues were up by LL 240 billion (2 percent), reaching LL 9,914 billion by end-November 2016.

Taxes on income, profits and capital gains were up by LL 115 billion (4 percent). Most of this increase could be attributed to higher taxes on Interest Income, Wages & Salaries, and Profits by LL 52 billion, LL 34 billion and LL 30 billion respectively. **Domestic taxes on goods and services** increased by LL 51 billion (1 percent) driven by a LL 60 billion rise in VAT collections alongside a LL 15 billion rise in Passenger Departure Tax, which were slightly counterbalanced by lower transfers from Régie (-LL 20 billion³).

Property taxes rose by LL 47 billion (4 percent) as of end-November 2016, mainly as real estate registration fees rose by LL 24 billion. **Taxes on international trade** increased by LL 44 billion driven by higher excises (LL 51 billion), which were slightly counterbalanced by a LL 7 billion drop custom duties. Moreover, **fiscal stamps** dropped by LL 17 billion over the period.

Non-tax revenues decreased by LL 25 billion to reach LL 2,974 billion in Jan-Nov 2016, owing mainly to a LL 136 billion decline in transfers from the telecom surplus that was partly counterbalance by a LL 76 billion increase in transfers from Port of Beirut.

Treasury receipts rose by LL 148 billion to reach LL 855 billion by end-November 2016.

Expenditures

Total expenditures recorded a significant increase of LL 2,117 billion (12 percent), standing at LL 20,383 billion in Jan-Nov 2016.

Current primary expenditures⁴ increased by LL 443 billion mainly as a result of increases in (i) **various transfers – excluding transfers to EDL** - by LL 370 billion mainly due to an increase in Lebanon's contribution to the International Monetary Fund by LL 194 billion, in transfers to NSSF by LL 70 billion, and in contributions to the non-public sector by LL 55 billion, and (ii) **personnel cost** by LL 251 billion, mainly driven by an increase in **salaries, wages and social benefits** of LL 107 billion and **retirement and end of service compensations** of LL 99 billion. These increases were partly counterbalanced by a LL 355 billion drop in **transfers to EDL**.

Interest payments rose by LL 408 billion to reach LL 6,592 billion. **Foreign debt principal repayment** dropped by 6 percent to reach LL 287 billion in Jan-Nov 2016.

Capital expenditures increased by LL 240 billion in Jan-Nov 2016, chiefly due to (i) a LL 105 billion increase in transfers to **CDR**, (ii) LL 67 billion higher payments for **maintenance**, and (iii) LL 52 billion rise in transfers to the **Ministry of Public Work and Transport**. A decrease of LL 55 billion in transfers to **HRC** partly offset increases in the above mentioned spending categories.

Treasury expenditures witnessed a significant increase of LL 916 billion to reach LL 2,135 billion in Jan-Nov 2016, mainly due to higher payments to Municipalities – from LL 611 billion in Jan-Nov 2015 to LL 1,481 billion in Jan-Nov 2016.

³ Transfers from Régie amounted to LL 141 billion in Jan-Nov 2015, compared to only LL 121 billion in Jan-Nov 2016.

⁴ Current primary expenditures represent current expenditures excluding interest payments and foreign debt principal repayment.

Public Debt Developments

Gross public debt reached LL 112,379 billion as of end-November 2016, increasing by LL 6,364 billion (6.0 percent) from end-2015, while net debt increased by 5.8 percent noting that public sector deposits rose by 7.2 percent over the period.

Local currency debt increased by 7.2 percent to reach LL 69,890 billion as of end-November 2016, compared to LL 65,195 billion as of end-2015. In detail, Local Currency Debt holdings by the Central Bank increased by LL 6,128 billion, whereas Commercial Banks' holdings decreased by LL 1,287 billion. Local currency debt holdings by Public Entities increased by LL 296 billion to reach LL 8,757 billion.

The stock of **foreign currency debt** grew by the equivalent of LL 1,669 billion to LL 42,489 billion, mostly owing to a LL 2,231 billion increase in the value of outstanding Eurobonds. In the month of November 2016, a US\$ 500 million 4.75% Eurobond matured and was paid from the treasury account. Moreover, Paris II and Paris III related bonds and loans decreased by LL 361 billion and LL 148 billion respectively, mainly due to amortized principal repayments.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Budget Revenues, of which:	12,674	12,889	1.7%
Tax Revenues	9,674	9,914	2.5%
Non-Tax Revenues	2,999	2,974	-0.8%
Treasury Receipts	707	855	21.0%
Total Revenues	13,380	13,744	2.7%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Tax Revenues	9,674	9,914	2.5%
Taxes on Income, Profits, & Capital Gains, of which:	2,781	2,896	4.1%
Income Tax on Profits	1,087	1,117	2.7%
Income Tax on Wages and Salaries	661	695	5.1%
Income Tax on Capital Gains & Dividends	263	271	2.9%
Tax on Interest Income (5%)	707	758	7.3%
Penalties on Income Tax	62	54	-12.8%
Taxes on Property, of which:	1,043	1,089	4.5%
Built Property Tax	223	236	5.9%
Real Estate Registration Fees	680	704	3.5%
Domestic Taxes on Goods & Services, of which:	3,510	3,561	1.5%
Value Added Tax	3,001	3,061	2.0%
Other Taxes on Goods and Services, of which:	360	372	3.5%
Private Car Registration Fees	215	213	-1.0%
Passenger Departure Tax	143	158	10.5%
Taxes on International Trade, of which:	1,893	1,937	2.3%
Customs	655	648	-1.1%
Excises, of which:	1,238	1,289	4.1%
Gasoline Excise	578	621	7.5%
Tobacco Excise	228	212	-7.1%
Cars Excise	427	452	5.8%
Other Tax Revenues (namely fiscal stamp fees)	448	431	-3.8%

Source: MOF, DGF

Table 4: Non-Tax Revenues

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Non-Tax Revenues	2,999	2,974	-0.8%
Income from Public Institutions and Government Properties, of which:	2,123	2,071	-2.5%
Income from Non-Financial Public Enterprises, of which:	1,965	1,905	-3.0%
<i>Revenues from Casino Du Liban</i>	101	93	-7.6%
<i>Revenues from Port of Beirut</i>	60	136	125.9%
<i>Budget Surplus of National Lottery</i>	41	50	21.4%
<i>Transfer from the Telecom Surplus</i>	1,760	1,624	-7.7%
Transfer from Public Financial Institution (BDL)	61	61	-0.2%
Property Income (namely rent of Rafic Hariri International Airport)	93	97	4.3%
Other Income from Public Institutions (interests)	4	7	57.5%
Administrative Fees & Charges, of which:	693	692	-0.1%
Administrative Fees, of which:	579	561	-3.1%
<i>Notary Fees</i>	34	34	-0.2%
<i>Passport Fees/ Public Security</i>	238	254	6.7%
<i>Vehicle Control Fees</i>	204	184	-9.5%
<i>Judicial Fees</i>	27	26	-3.8%
<i>Driving License Fees</i>	30	20	-33.3%
Administrative Charges	26	33	24.8%
Sales (Official Gazette and License Number)	3	3	-0.4%
Permit Fees (mostly work permit fees)	67	79	18.7%
Other Administrative Fees & Charges	18	16	-13.0%
Penalties & Confiscations	25	40	61.3%
Other Non-Tax Revenues (mostly retirement deductibles)	158	172	8.6%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
1. Current Expenditures	16,059	16,893	5.2%
1.a Personnel Cost, of which	6,376	6,626	3.9%
Salaries, Wages and Related Items	4,214	4,321	2.6%
Retirement and End of Service Compensations, of which:	1,860	1,959	5.3%
Retirement	1,582	1,654	4.6%
End of Service	278	305	9.6%
Transfers to Public Institutions to Cover Salaries 1/	302	346	14.7%
1.b Interest Payments 2/, of which:	6,184	6,592	6.6%
Domestic Interest Payments	3,920	4,138	5.6%
Foreign Interest Payments	2,264	2,454	8.4%
1.c Accounting Adjustments 3/	1	43	
1.d Foreign Debt Principal Repayment	304	287	-5.7%
1.e Materials and Supplies, of which:	316	407	28.9%
Nutrition	83	71	-14.1%
Fuel Oil	26	40	52.6%
Medicaments	129	209	62.6%
1.f External Services	130	130	-0.3%
1.g Various Transfers, of which:	2,148	2,164	0.7%
EDL 4/	1,591	1,236	-22.3%
NSSF	0	70	
Higher Council of Relief	29	2	-94.4%
Contributions to non-public sectors	250	305	21.9%
Transfers to Directorate General of Cereals and Beetroot 5/	10	0	-100.0%
Contributions to water authorities	0	0	
Special Tribunal for Lebanon	0	0	
1.h Other Current, of which:	444	481	8.3%
Hospitals	313	369	18.0%
Others(judgments & reconciliations, mission costs, other)	121	104	-13.6%
1.i Interest Subsidy	157	163	4.1%
2. Capital Expenditures	716	956	33.5%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-92.9%
2.b Equipment	53	63	19.6%
2.c Construction in Progress, of which:	496	652	31.5%
Displaced Fund	10	15	50.0%
Council of the South	49	40	-18.2%
CDR	223	328	47.3%
Ministry of Public Work and Transport	50	101	104.6%
Other of which:	158	158	0.1%
Higher Council of Relief	61	7	-89.2%
2.d Maintenance	113	180	59.5%
2.e Other Expenditures Related to Fixed Capital Assets	54	61	12.8%
3. Budget Advances	216	305	41.3%
4. Customs Administration (exc. Salaries and Wages) 6/	52	88	69.8%
5. Treasury Expenditures	1,220	2,135	75.1%
Municipalities	611	1,481	142.5%
Guarantees	54	74	36.5%
Deposits 7/	210	231	10.0%
Other, of which:	344	349	1.3%
VAT Refund	261	251	-4.1%
6. Unclassified Expenditures	3	5	103.6%
7. Total Expenditures (Excluding CDR Foreign Financed)	18,266	20,383	11.6%

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

¹ For a detailed breakdown of those transfers, kindly refer to table 6.

² For a detailed breakdown of interest payments, kindly refer to table 7.

³ Figure for 2015 includes capitalized interest of LL1.1 billion that was drawn from the loan and paid directly to the creditor for EKF Loan. Figure for 2016 includes LL41.4 billion in coupons and LL1.9 billion in discounted interest payments due on 31/12/2015 but recorded in the accounting system on 2/1/2016.

⁴ For a detailed breakdown of transfers to EDL, kindly refer to table 8.

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

⁶ Customs administrations include payments - excluding salaries and wages - made to customs and paid from customs cashiers. They can only be classified after Customs submit the supporting documents to the Directorate General of Finance.

⁷ Deposit payments are payments made by the treasury to public administrations, institutions, municipalities, funds, from revenues it has collected on their behalf.

Table 6: Breakdown of Transfers to Public Institutions for the Coverage of Salaries

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Transfer to Council of the South	6	12	87.9%
Transfer to CDR	9	28	222.2%
Transfer to the Displaced Fund	4	4	0.0%
Transfer to the Lebanese University	275	281	2.4%
Transfer to the Educational Center for Research and Development	8	20	171.4%

Source: MOF, DGF

Table 7: Details of Debt Service Transactions¹

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
Interest Payments	6,184	6,592	6.6%
Local Currency Debt	3,920	4,138	5.6%
Foreign Currency Debt, of which:	2,264	2,454	8.4%
Eurobond Coupon Interest*	2,165	2,366	9.3%
Special bond Coupon Interest*	5	3	-40.1%
Concessional Loans Interest Payments	94	85	-9.8%
Foreign Debt Principal Repayment	304	287	-5.7%

Source: MOF, DGF

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

* Includes general expenses related to the transaction

Table 8: Transfers to EDL

(LL billion)	2015 Jan-Nov	2016 Jan-Nov	% Change 2016/2015
EDL, of which:	1,591	1,236	-22.3%
Debt Service	28	20	-29.5%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,562	1,216	-22.2%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

Table 9: Public Debt Outstanding by Holder as of End-November 2016

(LL billion)	Dec-14	Dec-15	Nov-16	% Change Nov 16-Dec 15
Gross Public Debt	100,356	106,015	112,379	6.00%
Local Currency Debt	61,752	65,195	69,890	7.20%
* <i>Accrued Interest Included in Debt</i>	1,029	997	1,300	30.39%
a. Central Bank (Including REPOs)	19,855	24,308	30,436	25.21%
b. Commercial Banks	31,468	29,878	28,591	-4.31%
c. Other Local Currency Debt (T-bills), of which:	10,429	11,009	10,863	-1.33%
<i>Public Entities</i>	7,701	8,461	8,757	3.50%
<i>Contractor bonds 1/</i>	180	180	139	-22.78%
Foreign Currency Debt 2/	38,604	40,820	42,489	4.09%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,752	2,479	2,496	0.68%
b. Paris II Related Debt (Eurobonds and Loans) 3/	1,743	1,182	821	-30.51%
c. Paris III Related Debt (Eurobonds and Loans) 4/	986	810	661	-18.30%
d. Market-Issued Eurobonds	32,584	35,846	38,077	6.22%
e. Accrued Interest on Eurobonds	425	435	370	-14.94%
f. Special T-bills in Foreign Currency 5/	114	68	63	-7.35%
Public Sector Deposits	13,965	13,227	14,173	7.15%
Net Debt 6/	86,391	92,788	98,206	5.84%
Gross Market Debt 7/	67,373	68,799	69,266	0.68%
% of Total Debt	67%	65%	62%	-5.02%

Source: MOF, DGF

¹ Contractor bonds issued in LBP; contractor bonds issued in USD are listed under "Special T-bills in foreign currency".

² Figures for Dec 14-Dec 15 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

³ Paris II related debt (Eurobonds and Loans) including a Eurobond originally issued at USD 1,870 billion to BDL in the context of the Paris II conference.

⁴ Eurobonds Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first and second tranches of the French loan received in February 2008.

⁵ Special Tbs in foreign currency (expropriation and contractor bonds).

⁶ Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

⁷ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.



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