



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

# PUBLIC FINANCE ANNUAL REVIEW

## 2011

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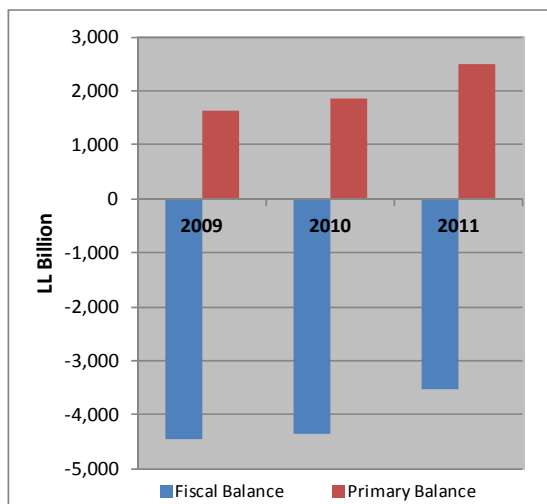
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## Public Finance Highlights

### ☒ General Fiscal Developments

The fiscal balance contracted by 19 percent in 2011 and amounted to LL 3,530 billion compared to LL 4,363 billion in 2010. Accordingly, in terms of GDP, the total fiscal deficit declined by 2 percentage points to 5.9 percent in 2011 compared to 7.8 percent in 2010. In parallel, the primary surplus expanded by 35 percent to LL 2,505 billion (equivalent to 4.2 percent of GDP) in 2011, versus LL 1,855 billion (equivalent to 3.3 percent of GDP) in 2010.

Figure 1: Fiscal and Primary Balance (2009 - 2011)



### ☒ Revenues

Total revenues increased by 11 percent in 2011, amounting to LL 14,070 billion, up from LL 12,684 billion in 2010. In terms of GDP, they improved from 22.7 percent in 2010 to 23.5 percent in 2011. This is the result of a 70 percent increase in

non-tax revenues, which offset the minor decline in tax revenues (-1 percent).

### ☒ Expenditures

Total expenditures increased by 3.2 percent in 2011, reaching LL 17,600 billion, up from LL 17,047 billion in 2010. Primary reasons behind this change are higher transfers to Electricité du Liban and an increase in personnel cost. On a more positive note, when taken in percentage of GDP, total expenditures decreased from 30.5 percent in 2010 to 29.4 percent in 2011.

### ☒ Public Debt Developments

The stock of gross public debt rose by 2 percent, totalling LL 80,887 billion in 2011 compared to LL 79,298 billion in 2010. Nonetheless, in line with its progressive decline from its all-time high of 182 percent recorded in 2006, the debt-to-GDP ratio fell by 7 percentage points, reaching 135 percent in 2011, its lowest level since 1999, compared to 142 percent in 2010. In parallel, the stock of net public debt increased by 3 percent, to LL 69,903 billion from LL 67,879 billion in 2010.

## Section I: Fiscal Overview

The **total fiscal balance** registered a deficit of LL 3,530 billion (5.9 percent of GDP<sup>1</sup>) in 2011, down by 19 percent from its level during the equivalent period of 2010 at LL 4,363 billion (7.8 percent of GDP). This is mainly the result of a 10.9 percent improvement in **total receipts** that offset the 3.2 percent increase in **total payments**.

The **primary surplus** improved by 35 percent, to reach LL 2,505 billion (4.2 percent of GDP) in 2011 compared to LL 1,855 billion (3.3 percent of GDP) a year earlier, on account of 10.9 percent higher receipts that counterbalanced the 6.8 percent increase in primary expenditures (expenditures excluding debt-related payments).

**Table 1: Summary of Fiscal Performance**

(LL billion)	2009	2010	2011	% Change 2010/2009
	Jan-Dec	Jan-Dec	Jan-Dec	
<b>Total Budget and Treasury Receipts</b>	<b>12,705</b>	<b>12,684</b>	<b>14,070</b>	<b>10.9%</b>
<b>Total Budget and Treasury Payments, of</b>	<b>17,167</b>	<b>17,047</b>	<b>17,600</b>	<b>3.2%</b>
• Interest Payments	5,784	5,893	5,655	-4.0%
• Concessional Loans Principal Payments <sup>(1)</sup>	303	324	379	17.0%
• Primary Expenditures <sup>(2)</sup>	11,080	10,829	11,566	6.8%
<b>Total Deficit/Surplus</b>	<b>-4,462</b>	<b>-4,363</b>	<b>-3,530</b>	<b>-19.1%</b>
<b>Primary Deficit/Surplus</b>	<b>1,625</b>	<b>1,855</b>	<b>2,505</b>	<b>35.0%</b>

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

<sup>(1)</sup> Includes only principal repayments of concessional loans earmarked for project financing.

<sup>(2)</sup> Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment).

<sup>1</sup> These ratios are based on actual GDP figures for 2010 at LL 55,965 billion (as published in Lebanon's Economic Accounts), and as per the latest estimated GDP figures for 2011, published in May 2012.

## Section II: Revenue Outcome

**Total revenues** reached LL 14,070 billion in 2011, higher by 11 percent than the LL 12,684 billion achieved in 2010. In terms of GDP, total public revenues amounted to 23.5 percent in 2011, higher by 0.8 percentage point, compared to their 2010 level, at 22.7 percent<sup>2</sup>.

The improvement in total revenues was mainly the result of a 70 percent increase in non-tax revenues, which offset the minor decline (about 1 percent) in tax revenues.

The notable rise in non-tax revenues stemmed from a 136% increase in the transfers from the Telecom surplus, which reached LL 2,261 billion in 2011 against LL 957 billion a year before. The 2011 figure includes a total of five transfers, of which four were made in November and December 2011 (totalling LL 1,960 billion) and one transfer in January 2012 (LL 301 billion).

**Table 2: Total Revenues**

(LL billion)	2010 Jan-Dec	2011 Jan-Dec	Change 2011/2010
<b>Budget Revenues, of which:</b>	<b>12,018</b>	<b>13,353</b>	<b>11.1%</b>
• Tax Revenues	9,976	9,885	-0.9%
• Non-Tax Revenues	2,043	3,468	69.8%
<b>Treasury Receipts</b>	<b>666</b>	<b>718</b>	<b>7.8%</b>
<b>Total Revenues</b>	<b>12,684</b>	<b>14,070</b>	<b>10.9%</b>

Source: MOF, DGF

<sup>2</sup> These ratios are based on actual GDP figures for 2010 at LL 55,965 billion (as published in Lebanon's Economic Accounts), and as per the latest estimated GDP figures for 2011, published in May 2012.

## Tax Revenues

Tax revenues retreated by a minor LL 91 billion in 2011, equivalent to about 1 percent, to reach LL 9,885 billion. Their share out of GDP dropped, in parallel, to 16.5 percent, against 17.8 percent a year earlier<sup>3</sup>. It is noteworthy that tax revenues registered a contraction in 2011 for the first time since 2005, after an increase of 11 percent in 2010, and even higher growth rates in the previous years (25 percent and 29 percent in 2009 and 2008, respectively).

The said deceleration is explained mainly by the combined effect of the following factors:

**(i) A slowdown in economic activity**

The estimated real growth in 2011 is 5 percent, compared to actual 7.0 percent, 9.0 percent and 8.6 percent realized in 2010, 2009 and 2008, respectively<sup>4</sup>. This was reflected by a slower growth in main economic indicators (number of tourists, car imports, real estate, etc.).

**(ii) A deceleration in the growth rate of private sector deposits**

Private sector deposits rose by 8 percent year-on-year in 2011, against 12 percent in 2010 and 23 percent in 2009.

**(iii) A policy decision that affected excise revenues in 2011**

The Higher Council of Customs' decision on February 26, 2011 to reduce the excise on gasoline by LL 5,000 per 20 liters led to a reduction in the gasoline excise by LL 498 billion in 2011, compared with the previous year.

In details, the drop in tax revenues in 2011 was driven mainly by the deterioration in taxes on cars, both excises (by LL 152 billion) and registration (by LL 34 billion), mirroring the decline in car imports; a slight downturn in customs revenues (down by LL 33 billion), despite higher imports; and, a combined 15 billion decline in Built property tax and Real estate registration fees, due to a slower growth in real estate sales. These decreases weighed down on the 3 percent rise (LL 107 billion) in the Value Added Tax (VAT), and the 18 percent improvement (LL 373 billion) in taxes on income, profits and capital gains.

In terms of contributors to tax revenues, VAT continued to represent the main source, accounting for 33 percent in 2011 (up from 32 percent in 2010), followed by taxes on income, profits and capital gains at 25 percent of the total (up from 21 percent in 2010), then excises at 14 percent, (down from 20 percent in 2010), and, finally, taxes on properties at 12 percent (up from 11 percent in 2010).

The disaggregated tax performance in 2011 is detailed in Table 3 below.

<sup>3</sup> These ratios are based on actual GDP figures for 2010 at LL 55,965 billion (as published in Lebanon's Economic Accounts), and as per the latest estimated GDP figures for 2011, published in May 2012.

<sup>4</sup> As per the Presidency of the Council of Ministers - Republic of Lebanon: Lebanon's Economic Accounts 2008, 2009 and 2010 (revised figures). For 2011, as per the latest available estimates.

Table 3: Tax Revenues

(LL billion)	2010 Jan-Dec	2011 Jan-Dec	Change 2011/2010
<b>Taxes on Income, Profits, &amp; Capital Gains, of</b>	<b>2,050</b>	<b>2,423</b>	<b>18.2%</b>
• <i>Income Tax on Profits</i>	808	1,032	27.8%
• <i>Income Tax on Waqes and Salaries</i>	378	455	20.4%
• <i>Income Tax on Capital Gains &amp; Dividends</i>	213	243	14.0%
• <i>Tax on Interest Income (5%)</i>	628	652	3.8%
• <i>Penalties on Income Tax</i>	22	40	79.8%
<b>Taxes on Property, of which:</b>	<b>1,088</b>	<b>1,144</b>	<b>5.2%</b>
• <i>Built Property Tax</i>	145	139	-3.8%
• <i>Real Estate Registration Fees</i>	853	844	-1.1%
<b>Domestic Taxes on Goods &amp; Services, of</b>	<b>3,583</b>	<b>3,685</b>	<b>2.8%</b>
• <i>Value Added Tax</i>	3,193	3,300	3.3%
• <i>Other Taxes on Goods and Services, of</i>	382	336	-12.0%
- <i>Private Car Reaistration Fees</i>	231	197	-14.9%
- <i>Passenger Departure Tax</i>	148	137	-7.9%
<b>Taxes on International Trade, of which:</b>	<b>2,802</b>	<b>2,179</b>	<b>-22.2%</b>
• <i>Customs</i>	810	777	-4.1%
• <i>Excises, of which:</i>	1,992	1,402	-29.6%
- <i>Petroleum Tax</i>	1040	542	-47.9%
- <i>Tobacco Tax</i>	347	404	16.5%
- <i>Tax on Cars</i>	598	446	-25.5%
<b>Other Tax Revenues (namely fiscal stamp)</b>	<b>453</b>	<b>454</b>	<b>0.3%</b>
<b>Total Tax Revenues</b>	<b>9,976</b>	<b>9,885</b>	<b>-0.9%</b>

Source: MOF, DGF

Taxes on income profits and capital gains collected LL 2,423 billion in 2011, higher by 18.2 percent than the amount of LL 2,050 billion collected in 2010. In terms of GDP, taxes on income, profits and capital gains inched up by 0.4 percentage point to reach 4.1 percent of GDP in 2011. This LL 373 billion rise is explained by increases in all five components of this line item.

First, the proceeds of the income tax on profits accumulated to LL 1,032 billion, higher by 28 percent than the amount achieved in 2010, which stood at LL 808 billion. Behind the 225 billion increase stands a relatively high real growth in 2010, at 7.0 percent, as the collections of the income tax in a given year usually pertain to the profits realized during the previous year. Higher profits for major corporations triggered a rise in the dividends distributed to their shareholders. Consequently, the proceeds of the income tax on capital gains and dividends were boosted by LL 30 billion (equivalent to 14 percent) to reach LL 243 billion in 2011.



**Box #1: Income Tax on Profits by Economic Activity**

- As Table 4 below shows, more than 40 percent of the profit tax is generated by two sectors, finance and real estate.
- The financial sector is the number-one contributor to the income tax on profit; it witnessed 59 percent rise between 2009 and 2010, accounting for 28 percent of the total declared tax amount.
- Real estate activities come second in terms of income tax generation, accounting for a 13 percent share of the aggregate tax amount. This sector witnessed 24 percent rise in the amount of tax declared in 2011, suggesting higher profits in 2010, where Cadastre statistics reflect a substantive growth in real estate activity in 2010 compared to 2009 (for further details about the performance of the real estate sector from a fiscal perspective, kindly refer to "Public Finance Annual Review 2010" on [www.finance.gov.lb](http://www.finance.gov.lb)).

**Table 4: Income Tax on Profits by Economic Activity (Top Ten Sectors)<sup>(1)</sup>**

Rank	(LL million)	Tax due on 2010 Profits	Share	Tax due on 2009 Profits	Share	Change
1	Financial intermediation, except insurance and pension funding	223	28%	141	22%	58.5%
2	Real estate activities	106	13%	86	14%	23.8%
3	Wholesale trade and commission trade, except of motor vehicles and motorcycles	89	11%	73	11%	22.5%
4	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	52	6%	49	8%	7.4%
5	Other business activities	42	5%	35	5%	22.2%
6	Construction	34	4%	19	3%	76.2%
7	Hotels and restaurants	31	4%	19	3%	64.2%
8	Recreational, cultural and sporting activities	26	3%	32	5%	-18.1%
9	Insurance and pension funding, except compulsory social security	26	3%	25	4%	4.5%
10	Manufacture of other non-metallic mineral products	25	3%	23	4%	8.3%
	Other	153	19%	136	21%	12.1%
<b>Total Declared Tax Amounts</b>		<b>808</b>	<b>100%</b>	<b>637</b>	<b>100%</b>	<b>26.9%</b>

Source: MOF SIGTAS Database Income Tax on Profits Declarations

(1) Income tax on profits realized in 2009 and 2010 is declared and settled in 2010 and 2011, respectively.

Income tax figures in this table are self-assessed declared amounts, which differ from the income tax cash amounts of the Fiscal Performance, which represent self-assessed tax amounts plus additional impositions pertaining to the current profit year as well as to other profit years.

In parallel, the collections of the **withheld tax on wages and salaries** rose by 20 percent in 2011, to reach LL 455 billion. The LL 77 billion growth could be attributed to a multitude of factors, such as:

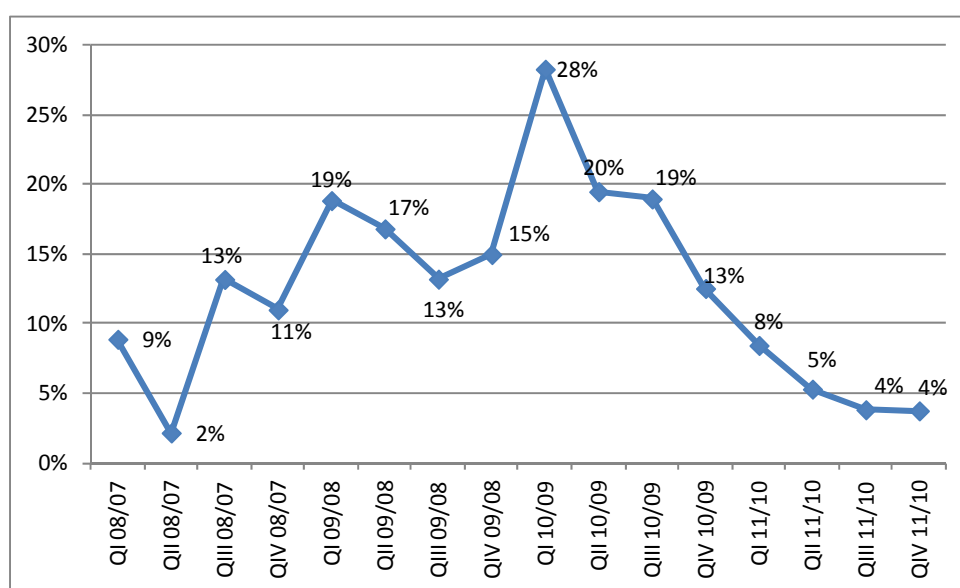
- (i) natural expansion of the tax base due to the creation of new jobs in the economy and/or to the natural evolution of salaries in the public and private sectors
- (ii) higher salaries provided by corporations during the course of 2011 in anticipation of the official salary raise that was being discussed<sup>5</sup>.
- (iii) announcement of Minister of Finance during the second half of 2011 that no settlement of fines will be allowed after December 31, 2011

<sup>5</sup> 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.

It is worth mentioning that in 2010, proceeds from tax on wages and salaries had increased by 8 percent, following an outstanding 28 percent growth in 2009 due to the policy decision taken in 2008 to increase the minimum wage<sup>6</sup>, as well as the salaries in the private<sup>7</sup> and public sectors<sup>8</sup>.

The **5 percent tax on interest income** yielded LL 652 billion in 2011, representing a 3.8 percent increase from the LL 628 billion collected in 2010. It is worth mentioning that this growth, although positive, is rather limited when compared to the previous year collections, namely starting mid-2008, as shown in Figure 2 below. This slower rise is rooted mainly in a narrower expansion of the deposit base (8 percent in 2011, compared to 12 percent in 2010 and 23 percent in 2009), and to a lesser extent in increased dollarization of deposits (65.92 percent in December 2011 compared to 63.24 percent in December 2010).

**Figure 2: Percentage Change in Collections from Tax on Interest Income**



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

The LL 24 billion rise in 2011 is primarily explained by the 8 percent expansion in the bank deposits, which compensated for the downward effect caused by the rise in dollarization and the drop in interest rates on Lebanese-pound deposits.

- The bank deposits of resident and non-resident private sector accumulated to LL 174,439 billion by end-December 2011, up from LL 161,610 billion a year earlier, thus rising by 8 percent on year-on-year basis.
- The rise in the dollarization rate of deposits limited the collection of tax on interest income, given that deposits in foreign currency earn lower interest than those in domestic currency, and hence less taxes become due. In fact, the dollarization rate of deposits reached 65.92 percent in December 2011, down by 268 basis points (bps) from the rate of 63.24 percent recorded by end-December 2010. However, it is

<sup>6</sup> The policy to increase the minimum wage to LL 500,000 in the private sector was legislated by Decree #500 (dated 14 October 2008), with a retroactive effect starting 1 May 2008.

<sup>7</sup> Decree #500 also increased the monthly salaries and wages earned by private sector employees by LL 200,000, as of 30 April 2008.

<sup>8</sup> Parliament approved the policy to increase the salary and wage in the public sector by adopting Law 63 on 31/12/2008.

noteworthy that the de-dollarization trend of deposits which started in December 2007 apparently came to a halt in QIV 2010 and continued in 2011.

- In parallel, the continuous drop in the weighted average rates on Lebanese-pound deposits also negatively affected tax collections. Although the average rate on deposits in US dollar witnessed a slight increase (from 2.80 percent in 2010 to 2.83 percent in 2011), the average rate on deposits in LL declined also slightly, by 5 bps, to reach 5.63 percent compared to 5.68 percent in 2010.

Further, the breakdown of interest tax receipts by institution/instrument shows that in line with the trend observed during 2010, the contribution from commercial banks (interest earned on deposits) have continued to drop, while that of BDL (interest earned on CDs and T-bills) remained constant. In terms of figures, the share of interest tax receipts earned on CDs and T-bills transferred to the Treasury by BDL reached 46 percent in 2011, a ratio similar to the one in 2010, and up from 43 percent in 2009. Conversely, the share of interest tax receipts earned on deposits transferred to the Treasury by commercial banks fell from 57 percent in 2009 to 54 percent in 2010 and further down to 53 percent in 2011.

As for the composition of interest tax receipts by currency, the share of tax receipts collected in Lebanese Pounds reached 68 percent in 2011, compared to 69 percent in 2010 (and 65 percent in 2009). Correspondingly, the share of tax receipts collected in foreign currencies rose to 32 percent in 2011 from 31 percent a year earlier.

**Table 5: Tax on Interest Income**

(LL billion)	2009	2010	2011
<b>By Institution/Instrument</b>	<b>560</b>	<b>625</b>	<b>652</b>
Commercial Banks	317	338	348
BDL	242	285	297
Tax on LL Treasury Bills	1	1	6
Tax on US\$ Treasury Bills	0	0	0
<b>By Currency</b>	<b>560</b>	<b>625</b>	<b>652</b>
Lebanese Pounds	365	433	440
Foreign Currencies (US\$, Euro)	196	192	212
<b>Total collection</b>	<b>560</b>	<b>625</b>	<b>652</b>

Source: MOF- Treasury Department - Please note that figures in this table are obtained from tax declaration forms, which may differ from cash figures presented in the fiscal performance and the Tax Revenues table above (Table 3).

On another level, [taxes on property](#) rose only by 5% in 2011, after having substantially increased in 2010 (34 percent), mirroring the slowdown in the real estate market. In terms of GDP, taxes on property remained stable at 1.9 percent in both 2011 and 2010, higher than the 1.5 percent ratio registered in 2009.

The LL 56 billion rise in 2011 came owing to the growth in the [inheritance tax](#) component, since both [real estate registration fees](#) and [built property tax](#) witnessed a decline, thus reflecting an overall holdback in collection compared to the dynamism of the real estate sector witnessed the last couple of years. In fact, [inheritance tax](#) rose by LL 71 billion, coming mainly from the months of April, September, November and December 2011, as shown in Table 6 below, mainly attributed to handling high-value inheritance files, with a

further dimension in September of a ministerial decision<sup>9</sup> that exempted – until end-September 2011 – tax penalties.

**Table 6: Inheritance Tax**

(LL billion)	2009	2010	2011	Value Change 2011/2010
January	5	4	8	4
February	4	5	8	3
March	5	9	9	0-
April	7	8	21	13
May	4	7	8	1
June	12	9	7	2-
July	9	7	6	1-
August	4	6	8	2
September	5	6	28	22
October	8	6	13	7
November	6	5	20	15
December	13	19	24	5
<b>Total</b>	<b>82</b>	<b>90</b>	<b>161</b>	<b>71</b>

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

The total collection of the **real estate registration fees** accumulated to LL 844 billion in 2011, representing a LL 9 billion (or 1 percent) decline from their 2010 level. This goes in line with the mitigated evolution of the properties registered in Cadastre in 2011 that receded by about 7 percent in value, at LL 13,327 billion, compared to LL 14,289 billion in 2010, yet rose by around 7 percent in volume (to 312,151 properties). This might indicate a change in the composition of the demand for real estate, where either demand is shifting towards smaller properties, or consumers are seeking properties away from city centers, or the real estate market in itself is on a downturn.

The larger number of properties, coupled with lower value led to a lower average declared value per property, which fell by around 13 percent to LL 43 billion in 2011, mirroring the relative decline in property prices. Reflecting the opposite directions of property registered volume and value, property registration fees collected in 2011 receded only by 0.2 percent as shown in Table 7 below. It is worth mentioning that the average declared value per property in 2011, although lower than 2010, is still higher than 2009 and 2008, as shown also in the below table.

<sup>9</sup> Decision number 712/1 dated 10/6/2012.

**Table 7: Property Registration Statistics from Cadastre**

	2008	2009	2010	2011	Change
Number of Properties registered in Cadastre	267,358	273,417	292,196	312,151	6.8%
Declared Aggregate Properties Value in Sales Contracts (LL billion)	9,770	10,484	14,289	13,327	-6.7%
Declared Average Value per Property (LL million)	37	38	49	43	-12.7%
<b>Total Fees collected from Sales Transactions</b>	<b>525</b>	<b>563</b>	<b>771</b>	<b>769</b>	<b>-0.2%</b>

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.

On another front, the proceeds of [domestic taxes on goods and services](#) rose by 3 percent in 2011, accumulating to LL 3,685 billion. This LL 101 billion rise was primarily driven by the growth in the collections of the VAT, which offset the drop in the other taxes on goods and services. In terms of GDP, domestic taxes on goods and services saw their share slightly shrinking from 6.4 percent in 2010 to 6.2 percent in 2011.

Receipts from the [Value Added Tax](#) rose by 3 percent in 2011, from LL 3,193 billion in 2010 to LL 3,300 billion. This expansion is explained by a simultaneous increase in the receipts of VAT generated from internal activity and VAT collected at import.

- At the level of domestic business activity, the corresponding VAT collection reached LL 1,019 billion in 2011, 9 percent higher than the LL 935 billion registered in 2010, and representing 31 percent of total VAT collections, against 29 percent a year earlier.
- At the level of VAT collected at import, these reached LL 2,281 billion in 2011, compared to LL 2,259 billion in 2010, thus registering a rise of about 1 percent. In terms of share out of total VAT collections, VAT at imports were equivalent to 71 percent and 69 percent of total VAT collections during 2010 and 2011, respectively.

**Box #2: VAT from Internal Activities**

- In 2011, declared VAT from internal activities totalled LL 969 billion<sup>10</sup>, an increase of 5 percent from 2010, as shown in Table 8 below.
- Most top VAT generating activities witnessed growth in 2011, with the exception of “hotels and restaurants”, “manufacture of food products and beverages” and “manufacture of other non-metallic mineral products”.

**Table 8: VAT Revenues from Internal Operations (10 Largest Contributing Activities)<sup>(1)</sup>**

(LL billion)	Economic Activity	2011	Share	2010	Share	Change 2011/2010
<b>Rank</b>	<b>VAT from internal activity, of which</b>	<b>969</b>	<b>100%</b>	<b>926</b>	<b>100%</b>	<b>4.7%</b>
1	Wholesale trade and commission trade, except of motor vehicles and motorcycles	170	18%	156	17%	8.6%
2	Other business activities	128	13%	116	13%	10.4%
3	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	119	12%	117	13%	1.7%
4	Hotels and restaurants	88	9%	100	11%	-12.9%
5	Construction	75	8%	70	8%	7.3%
6	Real estate activities	55	6%	48	5%	16.0%
7	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	39	4%	33	4%	17.8%
8	Manufacture of food products and beverages	37	4%	39	4%	-4.1%
9	Manufacture of other non-metallic mineral products	37	4%	40	4%	-6.5%
10	Post and telecommunications	29	3%	27	3%	8.5%
	Other	192	20%	180	19%	6.7%

Source: MOF, VAT Directorate, VAT Declaration Forms

(1) VAT figures in this table represent declared amounts, whereas VAT figures in the Revenue section are cash collected amounts. Note that VAT declaration amounts may vary depending on the number of processed declarations at a given date.

**Box #3: VAT at Customs**

- As shown in Table 9 below, VAT revenues collected at customs increased by 4 percent in 2011 to reach LL 2,318 billion.
- In details, VAT collected from mineral fuels and oils rose by about 10 percent (reflecting the higher level of imports of this category), and those collected from vehicles witnessed a 24 percent drop – in line with the decline in car imports.

**Table 9: VAT Revenues Collected At Customs (Five Largest Contributing Items)<sup>(1)</sup>**

(LL billion)	2011	Share	2010	Share	Change 2011/2010
<b>VAT Customs Collection</b>	<b>2,318</b>	<b>100%</b>	<b>2,234</b>	<b>100%</b>	<b>3.8%</b>
Mineral fuels and oils	706	30%	641	29%	10.2%
Vehicles other than railway	269	12%	353	16%	-23.8%
Reactors, boilers, other machinery	178	8%	170	8%	4.4%
Iron and steel	137	6%	106	5%	28.8%
Electrical machinery	125	5%	124	6%	0.7%
Others	904	39%	840	38%	7.6%

Source: Directorate General of customs (DGC), Import Declarations, by HS chapter;

1/ VAT collected at Customs in this table may differ from the amount previously mentioned in the Revenue Section as this data is obtained from the Customs Administration Declaration forms whereas VAT in the fiscal performance is on a cash basis amount

<sup>10</sup> The amounts of VAT declared (extracted from declaration forms) differ from VAT amounts actually collected on a cash-basis (Fiscal Performance figures).

The rise in VAT echoes to a certain extent the 12 percent increase in the nominal value of imports which accumulated to LL 30,388 billion (50.8 percent of GDP) in 2011 compared to LL 27,081 billion (48.4 percent of GDP) in 2010. The LL 3,307 billion increase in the total value of imports was driven by the increase in both fuel and non-fuel imports. In fact, **fuel imports** rose by 22 percent to LL 6,737 billion, owing to a price effect, as in terms of volume, they receded by 7 percent. In fact, crude oil prices averaged at around \$ 111 per barrel in 2011, compared to around \$ 80 per barrel in 2010. On the other hand, **non-fuel imports** increased by 10 percent, reaching LL 23,651 billion, primarily resulting from a price effect, given that in terms of volume, they rose only by 5 percent.

**Table 10: Evolution of imports by Value and Volume**

	2010	2011	Var. 2011/2010	Var. (%)
<b>LL billion</b>	<b>By Value</b>			
<b>Total IM</b>	27,081	30,388	3,307	12%
<i>Fuel IM</i>	5,537	6,737	1,200	22%
<i>Non-fuel IM</i>	21,544	23,651	2,107	10%
<b>Millions of tons</b>	<b>By Volume</b>			
<b>Total IM</b>	15,003	15,050	47	0.3%
<i>Fuel IM</i>	5,957	5,551	-406	-6.8%
<i>Non-fuel IM</i>	9046	9499	453	5.0%

Source: Directorate General of Customs, Ministry of Finance

The composition of imports shifted towards a higher share of fuel imports, where the latter accounted for 22.2 percent of total imports in 2011, compared to a lower share of 20.4 percent in 2010. The effective VAT rate at import also declined, despite the increase in fuel imports, from 8.3% in 2010 to 7.5% in 2011. This is mainly attributed to the fact that some major products of non-fuel imports subject to VAT, mainly cars, have substantially decreased in 2011, outweighing the effect of the increase in fuel imports. In fact, “vehicles and accessories, cranes and lorries” dropped by US\$ 434 million in 2011 (and 26 percent in volume).

**Table 11: Import Statistics**

(LL billion)	2009 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	% Change 2011/2010
Revenues from Custom Duties	768	810	777	-4%
Revenues from VAT at Import	2,061	2,259	2,281	1%
Total Imports, of which	24,485	27,081	30,388	12%
• <i>Fuel Imports (fuel derivatives classified under HS 27)</i>	4,872	5,537	6,737	22%
	19.9%	20.4%	22.2%	9%
• <i>Non-Fuel Imports</i>	19,613	21,544	23,651	10%
	80.1%	79.6%	77.8%	-2%
<b>Effective customs rate</b>	<b>3.14%</b>	<b>3%</b>	<b>2.56%</b>	<b>-15%</b>
<b>Effective VAT rate</b>	<b>8.4%</b>	<b>8.3%</b>	<b>7.5%</b>	<b>-1%</b>

Source :MOF, DGF



In parallel, it is noteworthy that **transfers from tobacco surplus** reached LL 40 billion in the last quarter of 2011 (LL 20 billion in October, LL 10 billion in November and LL 10 billion in December), against none in the first 9 months of the year and almost nil in 2010. This is the result of the decision taken by the Ministry of Finance<sup>11</sup> to increase the price of tobacco by LL 250 per pack, which boosted the profits of Regie and thus yielded a surplus that was transferred to the Treasury.

#### **Box #4: Transfers from Tobacco Surplus**

- The Regie is the exclusive supplier of tobacco products in Lebanon.
- The pricing formula of imported cigarettes in the market is a factor of, and thus covers the following parameters: the buying price (that is paid by Regie to importers), Regie's profits, taxes (custom duties, excise, and VAT), cost of freight, and Regie's administrative costs.
- The current taxes on cigarettes (custom duty rate on imported cigarettes is 5%, excise is 108% and VAT is 10%) make up around 50% of the selling price of cigarettes to final consumers in the market.
- Based on discussions held with Regie and tobacco importers, the Ministry of Finance issued decision number 1018/1 dated October 2011, setting new selling price for imported cigarettes that is higher by 250 LL per pack, through increasing the non-tax component of the pricing formula. In this respect, it was the component that covers the Regie's administrative costs, on the one hand, and the Regie's profit allocation, on the other, that was raised.
- After covering its expenditures, Regie transfers to the Treasury the remaining surplus. Since the change was introduced in October 2011, transfers to the Treasury reached LL 40 billion in 2011 (particularly October, November and December), compared to less than LL 100 million in 2010.

Collections from the **passenger departure tax**, another component of domestic taxes on goods and services, dropped by 8 percent to reach LL 137 billion in 2011, compared to LL 148 billion in 2010. This LL 12 billion decrease tracks to a certain extent the 24 percent drop in the number of departing passengers at the Rafiq Hariri International Airport in 2011.

In parallel, the proceeds of **car registration fees** declined by 15 percent, to reach LL 197 billion after registering LL 231 billion in 2010. This decline reflects a slowdown in car imports and sales that started in 2010, following two years of outstanding growth (*for details kindly refer to Table 13 below*).

**Taxes collected from international trade** yielded LL 2,179 billion in 2011, compared to a higher figure of LL 2,802 billion in 2010, thus receding by 22 percent, mainly the result of a downturn in excises. In terms of GDP, the collection of taxes from international trade declined from 5 percent in 2010 to 3.6 percent in 2011.

**Customs revenues** receded by 4 percent to reach LL 777 billion in 2011, against LL 810 billion in 2010, reflecting the increase of fuel imports as a share of total imports. As a result, the effective customs rate declined by 44 bps, to 2.56 percent in 2011 against 3 percent in 2010 (as shown in table 11 above). This drop is rooted in the fact that all categories of fuel imports are subject to low or zero tariff whereas non-fuel imports are subject to higher custom duties.

<sup>11</sup> Decision number 1018/1 dated October 1, 2011.



In terms of GDP, customs collections accounted for 1.3 percent in 2011, compared to 1.4 percent in 2010.

As for **excises** collected at import<sup>12</sup>, they yielded LL 1,402 billion (2.3 percent of GDP) in 2011, against LL 1,992 billion in 2010 (3.6 percent of GDP). This LL 590 billion fall was mainly the result of a sharp decrease in the collections of excises on gasoline and cars, which largely counteracted for the slight rise in the proceeds of excises on tobacco.

Excises on gasoline collected LL 542 billion in 2011, equivalent to 0.9 percent of GDP, representing a 48 percent fall from the amount yielded in 2010 of LL 1,040 billion (1.9 percent of GDP). This LL 498 billion decrease is mainly the result of the Higher Council of Customs' decision on February 26, 2011 to reduce the excise on gasoline by LL 5,000 per 20 liters. As a result, the average effective excise rate went down from LL 475 per liter in 2010 to LL 251 per liter in 2011, as shown below in Table 12.

Proceeds of the excises on gasoline had substantially increased in 2009 and 2010, amid the significant drop in international fuel prices by the end of 2008 and the consequent decision of the Government to uncap the retail price of gasoline and to fix the excise rate at an average of LL 470/liter<sup>13</sup>. As such, revenues derived from excises on gasoline jumped from LL 111 billion in 2008 to LL 999 billion in 2009, (the equivalent of 1.92 percent of GDP), back to the collection level in 2004 at 1.96 percent of GDP (the year that saw the capping regime installed).

Yet, in a context of general economic recovery, in the aftermath of the international crisis, combined with high geopolitical uncertainties in some areas of the world, namely the Middle East, oil prices started climbing again in 2010, pushing domestic gasoline prices upward<sup>14</sup>. This had led the Government, through the Higher Council of Customs, to take the decision of reducing the excise on gasoline by LL 5,000 per 20 liters in February 2011.

**Table 12: Gasoline Import Statistics**

	2006	2007	2008	2009	2010	2011	% change 2011/2010
Imports (LL billion)	1,183	1,497	1,982	1,459	1,874	2,482	32.4%
Volume (billion Liters)	1.624	1.830	1.916	2.119	2.188	2.159	-1.3%
Collected excises (LL billion)	228	183	111	999	1,040	542	-47.9%
<b>Average effective Price at import</b>	<b>728</b>	<b>818</b>	<b>1,034</b>	<b>689</b>	<b>856</b>	<b>1,150</b>	<b>34.4%</b>
<b>Average effective excise rate (LL/liter)</b>	<b>140</b>	<b>100</b>	<b>58</b>	<b>471</b>	<b>475</b>	<b>251</b>	<b>-47.2%</b>

Source: MOF-General Directorate of Customs declaration forms

Note that figures from import declarations may differ slightly from published figures in the Fiscal Performance Report.

Concerning car excises, their proceeds accumulated to LL 446 billion (0.8 percent of GDP), down by 25 percent compared to the amount collected in 2010, at LL 598 billion (1.1 percent of GDP). This drop mirrors the performance of car imports, which declined for the second

<sup>12</sup> 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.

<sup>13</sup> As per COM decision # 9 dated January 23, 2009.

<sup>14</sup> The price of the 95 octane's 20 liters increased from an average of LL 28,312 in 2009 to an average of LL 32,502 in 2010, while the 98 octane's price moved from LL 28,998 to LL 33,179 on average over the same period. In February 2011, prior to the decision taken by the Higher Council of Customs, 95 and 98 octane's 20 liters reached a back then historical hike of LL 36,300 and LL 37,000 respectively.

consecutive year since 2006. In fact, car imports reached LL 1,644 billion in 2011, a figure that is 24 percent lower than 2010. Similarly, the number of imported cars declined by 24 percent to reach 76,049 in 2011. The drop in the volume of imported cars could reflect a lower domestic demand, but can also be attributed to a possible saturation in the local car market following two years of rapid growth in 2008 and 2009. Lastly, the average price per car increased by less than 1 percent to LL 21.6 billion, while the average effective excise rate dropped to 27.1 percent, against 27.8% in 2010.

**Table 13: Cars Import Statistics**

	2006	2007	2008	2009	2010	2011	% change
Imports (LL billion)	810	1,085	2,049	2,204	2,151	1,644	-23.6%
Number of Cars	39,852	52,014	100,333	108,739	100,35	76,049	-24.2%
Collected Excises (LL billion)	216	287	536	614	598	446	-25.4%
<b>Average price per car (LL million)</b>	<b>20.3</b>	<b>20.9</b>	<b>20.4</b>	<b>20.3</b>	<b>21.4</b>	<b>21.6</b>	<b>0.94%</b>
<b>Average effective excise rate (%)</b>	<b>26.7%</b>	<b>26.5%</b>	<b>26.2%</b>	<b>27.9%</b>	<b>27.8%</b>	<b>27.1%</b>	<b>-2.52%</b>

Source: MOF-General Directorate of Customs declaration forms

Note that figures from import declarations may differ slightly from published figures in the Fiscal Performance

The collections of excises on tobacco rose by 16 percent from LL 347 billion (0.6 percent of GDP) in 2010 to LL 404 billion (0.7 percent of GDP) in 2011. The nominal value of tobacco imports recorded a parallel movement, rising by 18 percent to reach LL 407 billion, with total volume increasing by 9 percent to 14,472 tons. It is noteworthy that the average price at import rose by 9 percent to LL 28,123 per kilogram, while the average effective excise rate receded by about 2 percent to 99.3 percent in 2011.

**Table 14: Tobacco Import Statistics**

	2006	2007	2008	2009	2010	2011	% change 2011/2010
Imports (LL billion)	159	199	247	277	344	407	18.3%
Net weight (in tons)	5,971	7,607	10,937	11,606	13,276	14,472	9%
Collected Excises (LL billion)	165	206	247	277	347	404	16.4%
<b>Average import price (LL per Kg)</b>	<b>26,629</b>	<b>26,160</b>	<b>22,584</b>	<b>23,867</b>	<b>25,911</b>	<b>28,123</b>	<b>8.5%</b>
<b>Average effective excise rate (LL per</b>	<b>27,634</b>	<b>27,080</b>	<b>22,584</b>	<b>23,867</b>	<b>26,137</b>	<b>27,916</b>	<b>6.8%</b>
<b>Average effective excise rate (%)</b>	<b>103.8%</b>	<b>103.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.9%</b>	<b>99.3%</b>	<b>-1.6%</b>

Source: MOF-General Directorate of Customs declaration

Note that figures from import declarations may differ slightly from published figures in the Fiscal Performance

Finally regarding tax revenues, fiscal stamps collected LL 454 billion (0.8 percent of GDP) in 2011 compared to LL 453 billion in 2010. The absence of change in the receipts might be a reflection of the slowdown in some segments of the economy, as fiscal stamps revenues are subject to the volume of transactions taking place in the economy (all types of sales transactions, administrative transactions, real estate transactions, etc.).

## Non-Tax Revenues

**Non-Tax revenues** rose by 70 percent in 2011, reaching LL 3,468 billion (5.8 percent of GDP) from LL 2,043 billion (3.7 percent of GDP) in 2010. This hike in both absolute and relative terms is primarily explained by a 94 percent increase in income from public institutions and government properties, owing to the substantial expansion of transfers from the Telecom Budget Surplus to the Treasury account at BDL.

**Table 15: Non-Tax Revenues**

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

Source: MOF, DGF

**Income from Public Institutions and Government Properties** accumulated to LL 2,679 billion in 2011 (equivalent to 4.5 percent of GDP), which is nearly double the amount recorded in 2010 (LL 1,382 billion or 2.5 percent of GDP). Behind this notable increase stands a 136 percent hike in **transfers from the Telecom Surplus**<sup>15</sup>, which jumped from LL 957 billion to LL 2,261 billion. The LL 957 billion level in 2010 represents two transfers made in February and December, of LL 331 billion and LL 626 billion, respectively, while the amount generated in 2011 is the result of five transfers, of which four were made in November and December 2011 (totalling LL 1,960 billion) and one transfer in January 2012 (of LL 301 billion).

<sup>15</sup> Telecom receipts, which are currently deposited at the telecom account at BDL, were not transferred regularly to the Treasury in 2010 and 2011. In 2009, on the other hand, regular monthly transfers were made to cumulate to LL 2,055 billion.

Entrepreneurial income net of transfers from telecom receded by a minor 1 percent, down to LL 418 billion (0.7 percent of GDP) in 2011 compared to LL 425 billion (0.8 percent of GDP) in 2010. This LL 6 billion drop is mainly attributed to a cumulative LL 29 billion decrease in income from the [Casino du Liban](#), the [Port of Beirut](#) and the [National Lottery](#), which counterbalanced the LL 21 billion (34 percent) higher receipts (rent) from the [Rafiq Hariri International Airport](#). In details:

- income from the [Casino du Liban](#) declined by 2 percent, reaching LL 168 billion in 2011 (including the LL 14 billion dues, representing the fourth and last instalment of the dispute settlement between Casino management and the Government<sup>16</sup>)
- income from [Port of Beirut](#) dropped by 17 billion, to reach LL 48 billion, compared to LL 65 billion in 2010
- income from [National Lottery](#) revenues also decreased, by 16 percent, to LL 50 billion in 2011

[Administrative fees and charges](#) amounted to LL 570 billion in 2011, equivalent to 1 percent of GDP, representing a 7 percent increase from the LL 535 billion collected in 2010, also equivalent to 1 percent of GDP. This LL 35 billion rise is primarily explained by (i) LL 28 billion higher vehicle control fees due to the larger number of cars in circulation, and (ii) LL 7 billion higher passport fees.

## Treasury Receipts

[Treasury receipts](#) increased by 8 percent to 718 billion, compared to LL 666 billion in 2010. The revenues of the Independent Municipal Fund accounted for 36 percent of all Treasury receipts, accumulating to LL 261 billion, 3 percent lower than the LL 269 billion registered in 2010. This contraction reflects the slight decrease in the tax revenues of the central government, as the Independent Municipal Fund receives a share from several taxes collected by the government (namely custom duties, property taxes, income taxes, etc.).

<sup>16</sup> The agreement signed in February 2008, which settled past years' dispute between the Government and Casino du Liban Management over the scope of the Treasury revenue sharing right, stipulated a settlement amount of LL 83 billion to be installed over four years, as follows: LL 42 billion paid in 2008 and LL 14 billion/year between 2009 and 2011.

## Section III: Expenditure Outcome

**Total expenditures** (budget and treasury) amounted to LL 17,600 billion in 2011, higher by 3 percent than their end-2010 level, at LL 17,047 billion. This small rise was mainly the combined result of a 7 percent increase in **total primary expenditures**, and a 4 percent decrease in interest payments, as shown in table 16. In terms of GDP, total expenditures amounted to 29.4 percent, compared to 30.5 percent in 2010.

**Table 16: Expenditure Summary**

(LL billion)	2009 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	%Change 2011/2010
Interest Payments	5,784	5,893	5,655	-4%
Concessional Loans Principal Payments <sup>(1)</sup>	303	324	379	17%
Total Primary Expenditures <sup>(2)</sup>	11,080	10,829	11,566	7%
<b>Total Budget and Treasury Payments</b>	<b>17,167</b>	<b>17,047</b>	<b>17,600</b>	<b>3%</b>

Source: MOF, DGF

<sup>(1)</sup> Includes only principal repayments of concessional loans earmarked for project financing.

<sup>(2)</sup> Primary expenditures exclude debt-related payments (Interest payments and Concessional loans principal repayment).

The evolution of main expenditure items in 2011, according to the **economic classification**, is presented in the table below and reviewed in the sections that follow.

A special focus, independent of the economic classification, is made on social expenditures. Another special focus sheds the light on the funding and activities of the High Relief Committee.

### Current Expenditures

**Current expenditures** increased by 1,107 billion, mainly explained by increases in (i) personnel cost, LL 466 billion, (ii) various transfers (mainly EDL), LL 775 billion, (iii) materials and supplies, LL 52 billion, mainly medicines, and (iv) interest subsidies, LL 27 billion. The rise was partially offset by a LL 239 billion decrease in interest payments, LL 496 billion drop in **other Treasury expenditures** due to lower payments to municipalities by LL 367 billion, and lower VAT refund payments by LL 189 billion as well as a LL 26 billion decrease in **capital expenditures**.

Table 17: Expenditure by Economic Classification

(LL billion)	2010	2011	%Change
<b>1. Current Expenditures</b>	<b>14,734</b>	<b>15,841</b>	<b>7.5%</b>
1.a Personnel Cost, of which:	5,066	5,533	9.2%
<i>Salaries, Wages and Related Items (Article 13) 1/</i>	3,354	3,818	13.8%
<i>Retirement and End of Service Compensations, of which:</i>	1,391	1,420	2.1%
<i>Retirement</i>	1,086	1,189	9.4%
<i>End of Service</i>	304	232	-23.8%
<i>Transfers to Public Institutions to Cover Salaries 2/</i>	322	295	-8.3%
1.b Interest Payments, of which: 3/	5,893	5,655	-4.0%
<i>Domestic Interest Payments</i>	3,763	3,552	-5.6%
<i>Foreign Interest Payments</i>	2,131	2,103	-1.3%
1.c Foreign Debt Principal Repayment	324	379	17.0%
1.d Materials and Supplies, of which:	277	329	18.9%
<i>Nutrition</i>	66	61	-7.8%
<i>Fuel Oil</i>	8	20	158.1%
<i>Medicaments</i>	128	156	22.0%
<i>Accounting Adjustments for Treasury Advances</i>	39	40	1.9%
1.e External Services	103	135	30.6%
1.f Various Transfers, of which 4/:	2,503	3,278	31.0%
<i>EDL 5/</i>	1,797	2,626	46.1%
<i>NSSF</i>	150	120	-20.0%
<i>Treasury advances for diesel oil subsidy</i>	61	0	-100.0%
<i>Directorate General of Cereals and Beetroot</i>	50	58	15.0%
<i>Special Tribunal for Lebanon</i>	41	0	-100.0%
<i>Gasoline Subsidy for Taxi Drivers</i>	0	41	
<i>Accounting Adjustments for Treasury Advances</i>	2	18	1009.5%
1.g Other Current, of which:	440	378	-14.1%
<i>Hospitals</i>	338	301	-10.9%
<i>Others (judgments &amp; reconciliations, mission costs, other)</i>	80	67	-16.2%
<i>Accounting Adjustments for Treasury Advances</i>	19	7	-63.5%
1.h Reserves	128	155	21.2%
<i>Interest subsidy</i>	128	155	21.2%
<b>2. Capital Expenditures</b>	<b>701</b>	<b>676</b>	<b>-3.7%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports,	1	1	34.9%
2.b Equipment	40	52	29.6%
2.c Construction in Progress, of which:	467	402	-14.0%
<i>Displaced Fund</i>	120	73	-39.6%
<i>Council of the South</i>	46	49	8.1%
<i>CDR</i>	168	145	-13.4%
<i>Ministry of Public Works and Transport</i>	109	92	-15.7%
<i>Other, of which:</i>	24	41	74.0%
<i>High Relief Committee</i>	0	13	
2.d Maintenance	129	186	44.2%
2.e Other Expenditures Related to Fixed Capital Assets	53	13	-76.1%
2.f Parliamentary equipment & maintenance 6/	11	22	102.9%
<b>3. Budget Advances 7/</b>	<b>198</b>	<b>179</b>	<b>-9.5%</b>
<b>4. Customs Administration (exc. Salaries and Wages) 8/</b>	<b>46</b>	<b>36</b>	<b>-22.1%</b>
<b>5. Treasury Expenditures 9/</b>	<b>1363</b>	<b>867</b>	<b>-36.4%</b>
Municipalities	735	368	-49.9%
Guarantees	71	54	-23.8%
Deposits	105	97	-7.9%
Other, of which:	451	325	-28.0%
<i>VAT Refund</i>	384	195	-49.2%
<i>High Relief Commission</i>	0	0	NA
Treasury Advances for Water Authorities	0	23	NA
<b>6. Unclassified Expenditures</b>	<b>4</b>	<b>1</b>	<b>-65.9%</b>
<b>7. Total Expenditures (Excluding CDR Foreign Financed) 10/</b>	<b>17,047</b>	<b>17,600</b>	<b>3.2%</b>

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 18.

(2) For a detailed breakdown of transfers to public institutions, kindly refer to Table 19.

(3) For a detailed breakdown of interest payments, kindly refer to Table 24.

(4) For a detailed breakdown of transfers to NSSF, kindly refer to Table 20.

(5) For a detailed breakdown of transfers to EDL, kindly refer to Table 22. 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) Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the same section appearing in the fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts, which are manually reclassified in their budgetary economic classification articles.

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

## Current Primary Expenditures

Current primary expenditures<sup>17</sup> rose by 15 percent over 2011, amounting to LL 8,916 billion up from LL 8,516 billion during 2010. The main components of current primary expenditures are recorded below.

**Personnel cost**<sup>18</sup> rose by LL 466 billion – equivalent to 9 percent year-on-year – to LL 5,533 billion in 2011 versus LL 5,066 billion in 2010. In details, **wages, salaries and related benefits** (Article 13) amounted to LL 3,818 billion in 2011 compared to LL 3,354 billion in 2010, representing a 14 percent increase<sup>19</sup>.

As shown in Table 18 below, this 466 billion rise is explained by the combined outcome of an increase of LL 485 billion in basic salaries, an increase of LL 57 billion in allowances, an increase of LL 2 billion in indemnities and a decrease of LL 71 billion in "other"<sup>20</sup> payments.

**Table 18: Breakdown of Article 13 - Salaries, Wages and Related Items**

(LL billion)	Basic Salaries		Indemnities <sup>5/</sup>		Allowances <sup>6/</sup>		Other <sup>7/</sup>		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
<b>Military Personnel</b>	<b>1,511</b>	<b>1,976</b>	<b>72</b>	<b>70</b>	<b>340</b>	<b>404</b>	<b>2</b>	<b>2</b>	<b>1,926</b>	<b>2,452</b>
• Army	1,016	1,402	47	45	207	242	1	1	<b>1,271</b>	<b>1,690</b>
• Internal Security Forces <sup>1/</sup>	395	457	20	20	106	132	0	0	<b>521</b>	<b>609</b>
• General Security Forces	77	83	3	3	20	23	1	1	<b>101</b>	<b>110</b>
• State Security Forces <sup>2/</sup>	23	34	2	2	7	7	0	0	<b>32</b>	<b>42</b>
<b>Education Personnel</b>	<b>647</b>	<b>687</b>	<b>65</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>713</b>	<b>756</b>
<b>Civil Personnel<sup>3/</sup>, of which:</b>	<b>345</b>	<b>312</b>	<b>62</b>	<b>63</b>	<b>4</b>	<b>4</b>	<b>262</b>	<b>192</b>	<b>673</b>	<b>571</b>
• Employees Cooperative							219	149	<b>219</b>	<b>149</b>
<b>Customs Salaries<sup>4/</sup></b>									<b>41</b>	<b>38</b>
<b>Total<sup>8</sup></b>	<b>2,504</b>	<b>2,975</b>	<b>199</b>	<b>201</b>	<b>344</b>	<b>408</b>	<b>266</b>	<b>195</b>	<b>3,354</b>	<b>3,818</b>

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

<sup>(1)</sup> Includes allowances payments made to Internal Security Forces from Guarantees account.

<sup>(2)</sup> Includes allowances payments made to State Security Forces from Guarantees account.

<sup>17</sup> Current primary expenditures are current expenditures excluding interest payments and foreign debt principal repayment.

<sup>18</sup> 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.

<sup>19</sup> For further details, please refer to Salaries, Wages and Related Benefits (Article 13) monthly bulletins on the Ministry of Finance website: [www.finance.gov.lb](http://www.finance.gov.lb)

<sup>20</sup> 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](http://www.finance.gov.lb)



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

<sup>(4)</sup> 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.

<sup>(5)</sup> Includes payments for family, transportation, overtime as well as various indemnities.

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

<sup>(7)</sup> 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.

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

Retirement and end-of-service indemnities summed up to LL 1,420 billion in 2011 compared to LL 1,391 billion in 2010, representing a 2 percent increase. Behind this LL 30 billion rise stand the following changes:

- a) Retirement wage payments rose by LL 102 billion (9 percent) to LL 1,189 billion in 2011.
- b) End-of-service compensations reached LL 232 billion by end 2011. This LL 73 billion decrease is primarily the result of lower payments to military personnel, which amounted to LL 196 billion (84 percent of total compensation payments) in 2011 compared to LL 266 billion (87 percent of total compensation payments) in 2010. This 36 percent downswing was induced either by a lower number of beneficiaries<sup>21</sup> or by the fact that retirees during the period under consideration are of lower grade levels<sup>22</sup> and/or have served for shorter period. As for end-of-service compensations to the civil personnel, they fell by LL 2 billion to LL 36 billion in 2011 compared to LL 38 billion in 2010. This 5 percent decline is probably the result of a drop in the number of beneficiaries, which reached 1,763 retirees in 2011, down from 1,842 retirees during 2010.

Further under personnel cost, transfers to public institutions to cover salaries declined by LL 27 billion (8 percent) to reach LL 295 billion in 2011, mainly due to the LL 14 billion decrease in transfers to the Lebanese University. The change in the components of transfers to public institutions are shown in Table 19 below.

**Table 19: Breakdown of Transfers to Public Institutions (Salaries)**

(LL billion)	2009	2010	2011	%Change 2011/2010
Council of the South	7	13	9	-15%
Council for Development and Reconstruction	46	34 <sup>23</sup>	27 <sup>24</sup>	-10%
Fund for the Displaced	8	7	6	8%
Lebanese University	251	254	240	11%
Centre for Educational Research and Development	12	14	12	-18%
<b>Total Transfers to Public Institutions</b>	<b>324</b>	<b>322</b>	<b>295</b>	<b>6%</b>

Source: MOF

<sup>21</sup> No statistics are available regarding the number of military retirees.

<sup>22</sup> Indemnities are paid on the basis of the last-month salary.

<sup>23</sup> From this amount, LL7.7 billion are due to the payment in March and May 2011 of two transfers (from Transfer 49870/99) respectively worth LL 2 billion and LL3.7 billion that are not related to salaries but that were classified under article 14 (transfers). These payments are intended to cover the cost of projects conducted in the region of Baalbeck-Hermel.

<sup>24</sup> From this amount, LL6 billion are due to the payment in January, February and April 2011 of three transfers (from Transfer 49870/99) respectively worth LL 1 billion, LL 2 billion and LL3 billion that are not related to salaries but that were classified under article 14 (transfers). These payments are intended to cover the cost of projects conducted in the region of Baalbeck-Hermel.



**Materials and supplies** purchases amounted to LL 329 billion in 2011 compared to LL 277 billion in 2010, representing a LL 52 billion (19 percent) year-on-year rise. Excluding the increase in accounting adjustments for treasury advances<sup>25</sup> (which accounts for LL 1 billion of the total increase), this is explained mainly by (i) a LL 28 billion (22 percent) rise in spending on medicaments (mainly those distributed by the Ministry of Public Health for chronic diseases), which amounted to LL 156 billion in 2011 compared to LL 128 billion in 2010, (ii) a LL12 billion increase in spending on fuel oil<sup>26</sup>, (iii) a LL5 billion increase in agricultural products (fertilizers, seeds and plants) due to the implementation of the 2010-2014 Agriculture Strategy, and, (iv) a LL 4 billion increase in spare parts and engine oils for vehicles used by the Army and Security Forces.

**External Services** (rent, postal, insurance, advertisement and public relations) increased by LL 22 billion or 13 percent from LL 104 billion in 2010 to LL135 billion in 2011. This was mainly due to increases in rental payments. The surge is explained by (1) a LL5 billion increase in office space rented by the public administrations, (2) a LL5 billion increase in the rents paid for schools and (3) a LL11 billion increase in rents paid by the Ministry of Foreign Affairs as a result of the timing of the payments. The Ministry of Foreign Affairs paid in 2011 a total of LL32 billion of which LL19 billion were for the 2010 and Jan-August rent of the UN House in Central Beirut. Of the LL22 billion paid in 2010, LL4 billion were for the September-December rent of the UN House.

**Various Transfers** rose by LL 775 billion, totalling LL 3,278 billion in 2011 compared to LL 2,503 billion in 2010. This increase primarily resulted from the combined changes in the following items:

- a) Transfers to the **National Social Security Fund** (NSSF) amounted to LL 120 billion during 2011 compared to LL 150 billion during the same period of 2010. The LL 120 billion transferred to NSSF 2011 and the LL 100 billion transferred in 2010 were both paid from the allocation covering the State's contribution to the Fund that was included in the 2010 Budget Proposal<sup>27</sup>. The remaining LL50 billion paid in 2010 was to cover the deficit in the optional NSSF fund<sup>28</sup>.

<sup>25</sup> Accounting adjustment for treasury advances are accounting entries made in the budget and accounting systems of the Ministry of Finance to regularize payments made by treasury advances that have not been reimbursed in cash. The regularization can be from an ex-post budget allocation specifically included in the national budget for regularization purposes or through the netting out of utility bills owed by public administrations to public institutions (such as EDL for example) from the treasury advance owed by the public institution to the Treasury.

<sup>26</sup> 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 later they have been paid. Therefore, total spending on fuel for the current year cannot be constructed when the monthly economic classification table is prepared. Also LL10 billion was spent from a reclassified treasury advance to the Army as per Decree 6079 dated August 10<sup>th</sup>, 2011.

<sup>27</sup> Although it exceeded the LL 100 billion ceiling set by the 2005 Budget Law, the LL 120 billion was paid from the budget allocation and not by Treasury advance as it used to be in previous years when the payment made exceeded the 2005 ceiling based on the authorization provided by the Court of Audit in its administrative decision number 2228 dated December 14<sup>th</sup>, 2010.

<sup>28</sup> As per Decree 5014 dated September 7<sup>th</sup>, 2010.

Table 20: Transfers to the NSSF

(LL billion)	2010 Budget Proposal	2011 Budget Proposal	Payments from 2010 Budget in 2010	Payments from 2010 Budget in 2011	Payments from 2011 Budget in 2011
<b>Total Allocation, of which:</b>	<b>350</b>	<b>380</b>	<b>150</b>	<b>120</b>	<b>0</b>
• Annual state contributions	220	220	100	120	0
• Past dues	80	80	0	0	0
• Optional branch deficit	50	80	50	0	0

Source: MOF

- b) **Transfers to the Directorate General of Cereals and Beetroot** amounted to LL 58 billion in 2011 compared to LL 50 billion in 2010, representing a 15 percent increase year-on-year.

Table 21: Transfers to the Directorate General of Cereals and Beetroot

(in LL Billion)	2010	2011	%Change 2011/2010
<b>Total Payments</b>	<b>50</b>	<b>58</b>	<b>15%</b>
Treasury Advances for Local Wheat Production Subsidy (Farmers)	15	0	-100%
Treasury Advances for Importation of Wheat and Bread Price Subsidy	27	58	110%
Budget Contribution to the Directorate General of Cereals and Beetroot	8	0	-100%

Source: MOF

Of the LL 108 billion transferred to the Directorate General of Cereals and Beetroot in 2010-2011,

- LL 85 billion in treasury advances<sup>29</sup> were paid to import 150,000 tons of wheat approximately in order to resell them to mills and bakeries and keep the price of bread constant at LL1,500 per Kg during the international wheat price crisis that started in QIII 2010 and ended in QIII 2011,
  - LL 15 billion in treasury advances<sup>30</sup> were paid to subsidize the domestic production of 11,000 tons of wheat by Lebanese Farmers and,
  - LL 8 billion from the 2009 budget contribution which is cover the deficit of the Directorate General of Cereals and Beetroot.
- c) **Transfers to non-profit organizations** increased by LL 61 billion from LL 147 billion in 2010 to LL 208 billion in 2011. This was driven by a LL 59 billion increase in transfers to the NGOs operating on behalf of the Ministry of Social Affairs and which amounted to LL 90 billion in 2011 compared to LL 35 billion during the same period of 2010, representing a 159 percent year-on-year increase<sup>31</sup>.

<sup>29</sup> As per Decree 4147 dated September 4<sup>th</sup>, 2010 which provided LL60 billion of which LL55 billion were spent and Decree 6056 dated August 6<sup>th</sup>, 2011 which provided a LL35 billion treasury advance of which LL30 billion were spent.

<sup>30</sup> As per Decree 5167 dated October 6<sup>th</sup>, 2010 which provided a LL15 billion treasury advance fully spent.

<sup>31</sup> For further details, please refer to the social expenditures section on page39.

- d) **Transfers to EDL**<sup>32</sup> increased by LL 828 billion in 2011 compared to their 2010 level, thus amounting to LL 2,626 billion.

Table 22: Transfers to EDL

(LL billion)	2009 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	%Change 2011/2010
<b>EDL, of which:</b>	<b>2,259</b>	<b>1,797</b>	<b>2,626</b>	<b>46%</b>
<b>a-Debt Service, of which:</b>	127	100	101	0%
• C-Loans and Eurobonds,	93	67	61	-9%
- <i>Principal Repayments</i>	79	56	51	-9%
- <i>Interest Payments</i>	15	11	10	-12%
• BDL-Guaranteed Loan	34	33	40	19%
<b>b-Reimbursement for purchase of Natural Gas, Fuel &amp; Gas</b>	<b>2,131</b>	<b>1,697</b>	<b>2,525</b>	<b>49%</b>
<b>Oil:</b>				
• KPC and SPC	2,131	1,655	2,470	49%
• EGAS	-	42	55	30%

Source: MOF, DGF

- e) Transfers to the **school funds** amounted to LL 15 billion in 2011 while they had reached LL49 billion in 2010. This 70 percent drop is due to the reclassification of the allocation for the salaries of primary schools contractors in the 2011 Budget Proposal from transfers to school funds (Article 14) to salaries and wages and related benefits (Article 13).
- f) Transfers to cover **the diesel oil subsidy** were absent in 2011 whereas they amounted to LL 61 billion<sup>33</sup> in 2010. This drop is explained by the absence of a policy decision to subsidize diesel oil during the 2010-2011 winter.
- g) LL 41 billion paid as **gasoline subsidy for taxi drivers**. On October 5 2011, Parliament approved Law#182 to subsidize taxi drivers for a period of three months amid increasing fuel and gasoline prices (refer to Box #5 below).

<sup>32</sup> For further details, check the September 2011 issue of "Transfers to EDL: A Monthly Snapshot" available on [www.finance.gov.lb](http://www.finance.gov.lb).

<sup>33</sup> Of which LL 46.4 billion were paid to cover the cost of diesel oil subsidized in QIV 2009-QI 2010 and LL 1.3 billion were on account of the amounts subsidized in QIV 2008 and QI 2009. The remaining LL13.6 billion were used within the framework of the National Plan for Energy saving. Should you require further information about the diesel oil subsidy policy, kindly refer to Public Finance Quarterly Reports for QI 2010 and QII 2010.

**Box #5: Car Gasoline Subsidy for Taxi Drivers**

The average effective import price of gasoline witnessed a 34 percent hike in H1 2011 when compared to the same period of 2010, reflecting the surge in international oil prices that averaged at \$ 111/barrel in H1 2011 compared to \$ 77/barrel in H1 2010.

In order to alleviate the burden on households, the government first lowered the excise rate on gasoline starting February 26th, 2011, where the Higher Council of Customs' issued decision number 21/2011 to reduce the excise on gasoline by LL 5,000 per 20 liters, i.e. from an average of LL 470 per liter for 98 and 95 octane, down to an average of LL 250 per liter.

However, continuous increases in international oil prices until May 2011 put upward pressures on transportation prices, triggering requests to remove what had remained from the excise tax on car gasoline. Given the very high cost of such a revenue measure<sup>1</sup>, the caretaker Government allowed<sup>1</sup> exceptionally the Ministry of Finance to subsidize gasoline for taxi and bus drivers for a period of 3 months starting June 1<sup>st</sup>, 2011 in order to prevent increases in transportation fees. However, the policy was not implemented until a new Government was formed and Parliament approved the policy by adopting Law 182 dated October 5<sup>th</sup>, 2011.

The subsidy per official number plate was set equal to the value of 12.5 liters of gasoline or LL1,248,000 per number plate for a three month period starting October 13<sup>th</sup>, 2011. Payments were made through the Ministry of Finance cashiers in November 2011 and December 2011 for a total of 32,957 plates or a total of LL41 billion.

<sup>1</sup> For quantification of the cost, please refer to the revenue sections of QI 2011, QII 2011 and QIII 2011.

<sup>1</sup> Presidency of the Council of Ministers Letter 320/MS dated May 20th, 2011.

- h) Transfers to the [Special Tribunal for Lebanon](#) (STL) were absent in 2011<sup>34</sup> whereas they had amounted to LL 41 billion<sup>35</sup> in 2010.

<sup>34</sup> On November 30, 2011, the Government transferred U.S.\$32 million to cover the Republic's share of the STL's expenses for 2011. The Association of Lebanese Banks subsequently announced that it transferred funds in the same amount to the Government as an act of support to the Government.

<sup>35</sup> That were paid from the Treasury advance provided by Decree 3346 dated February 23<sup>rd</sup>, 2010.

Table 23: Breakdown of Article 14 by Economic Classification

LL Billion	2010	2011	% Change
<b>1. Contributions to the Public Sector 1/</b>	<b>2,161</b>	<b>2,896</b>	<b>34%</b>
1a. Electricite du Liban (EDL)	1,797	2,626	46%
1b. Other Contributions to the Public Sector, of which:	364	270	-28%
<i>National Council for Scientific Research</i>	6	7	15%
<i>High Relief Committee (HRC) 1/</i>	7	11	53%
<i>Investment Development Authority of Lebanon (IDAL)</i>	16	2	-88%
<i>Transfers to School Funds</i>	49	15	-70%
<i>Public Hospitals</i>	6	14	148%
<i>National Agriculture Research Institute (NARI)</i>	5	11	110%
<i>Green Plan</i>	11	14	27%
<i>Public Institution for Cooperative Markets 2/</i>	1	0	-22%
<i>National Social Security Fund (NSSF)</i>	150	120	-20%
<i>Tele-Liban</i>	8	7	-18%
<i>Diesel Oil Subsidy 3/</i>	61	0	-100%
<i>Gasoline subsidy for taxi drivers 4/</i>	0	41	-
<i>Lebanese National Higher Conservatory of Music</i>	16	10	-34%
<b>2. Contributions to the Non-Public Sector</b>	<b>158</b>	<b>219</b>	<b>38%</b>
2a. Contributions to Non Profit Organizations , of which:	147	208	42%
<i>Ministry of Education-Subsidized Schools</i>	45	40	-10%
<i>Ministry of Youth and Sports (Sport Federations and Prizes for Athletes)</i>	5	3	-44%
<i>Ministry of Public Health (Blood Bank and Medications through NGOs)</i>	9	7	-24%
<i>Ministry of Social Affairs (Social care)</i>	78	133	71%
2b. Contributions to Private Parties, of which:	11	10	-9%
<i>Ministry of Justice (Contributions to Canonical Tribunals)</i>	4	4	0%
<i>Ministry of Public Health (Childhood, Elderly and Handicapped Centers)</i>	1	2	283%
<i>Ministry of Culture (Support to Art)</i>	4	3	-33%
2c. Students Grants	0.2	0.4	76%
<b>3. Assistance to the Public Sector</b>	<b>71</b>	<b>78</b>	<b>10%</b>
3a. Assistance for the Directorate General of Grains and Sugar Beetroot 5/	50	58	15%
3b. Assistance to Public Institutions, of which:	21	19	-10%
<i>Institute of Finance</i>	2	1.2	-33%
<i>Railway and Public Transportation Authority</i>	14	13	-8%
3c. Other Assistances to the Public Sector, of which:	0	1	-
<i>Ministry of Environment (Joint Projects with Municipalities)</i>	0	1	-
<b>4. Assistance to the Non-Public Sector</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>5. External Assistance</b>	<b>43</b>	<b>2</b>	<b>-94%</b>
5a. Other External Assistance, of which:	43	2	-94%
<i>Special Tribunal for Lebanon</i>	41	0	-100%
<b>6. Membership Fees</b>	<b>14</b>	<b>20</b>	<b>42%</b>
6 a. Membership Fees in International and Regional Organizations, of which:	14	20	42%
<i>Ministry of Foreign Affairs and Emigrants</i>	7	5	-32%
<i>Ministry of Public Health (mainly for vaccinations and health prevention policies)</i>	4	8	118%
<b>7. Stoppings 6/, of which:</b>	<b>55</b>	<b>63</b>	<b>16%</b>
<i>Treasury Advances 7/</i>	2	27	1552%
<i>Lebanese Civil Defense 8/</i>	27	18	-31%
<b>Total</b>	<b>2,502</b>	<b>3,279</b>	<b>31%</b>

Source: DGF, MOF

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/ These payments were made from the guarantees account based on letters from the Presidency of the Council of Ministers.

3/ These payments were provided through the treasury advance issued from Decree 2986 dated January 1st, 2010.

4/ 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.

5/ Out of LL 50 billion, LL 42 billion were payments to Directorate General of Grains and Beetroot aimed at subsidizing the price of wheat sold to mills. They were made through a treasury advance issued from Decree 4947 dated September 4th, 2010. In 2011, LL 28 billion were payments to subsidize the price of wheat from Decree 4947 dated September 4th, 2010. The remaining LL 29 billion were payments made through a treasury advance based on an exceptional decision regularized later through Decree 6056 dated August 6th, 2011 .

6/ 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.

7/ 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.

8/ 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** decreased by LL 62 billion or 14 percent from LL 440 billion in 2010 to LL 378 billion in 2011 as a result of the following evolution in **hospitalization** payments and remaining **other current** spending:

a) Payments to **hospitals** to cover the cost of hospitalization of uninsured citizens in the private sector declined by LL 37 billion equivalent to 11 percent, amounting to LL 301 billion in 2011 compared to LL 338 billion in 2010. A preliminary explanation is the slower pace of file transmission from the Ministry of Public Health to the Directorate of Payment Orders at the Ministry of Finance in 2011 compared to 2010.

b) The sub-line item "**other**" expenditures (which includes mainly compensatory payments to be made following judgement issued by the State Council, reconciliation payments as well as electoral expenses) went down by LL 12 billion (16 percent), to reach LL 80 billion in 2011 compared to LL 67 billion in 2010. This is explained by the increase in electoral expenses incurred by the Ministry of Interior and Municipalities to organize municipal elections, which reached LL22 billion<sup>36</sup> in 2010 versus nil in 2011.

This increase was partially offset by:

- i. Reconciliation payments (excluding hospitals), which amounted to LL 14 billion during 2011 compared to LL 7 billion during 2010 or a LL 7 billion increase.
- ii. Reconciliation payments to hospitals which amounted to LL 11 billion<sup>37</sup> during 2011 compared to LL 4 billion during 2010 or a LL 7 billion increase.

<sup>36</sup> As per Decree 3215 dated February 8<sup>th</sup>, 2010 and Decree 1466 dated March 6<sup>th</sup>, 2009 .

<sup>37</sup> That were paid from the Treasury advance provided by Decree 4946 dated September 9<sup>th</sup>, 2010.

## Interest Payments

Lebanon is enjoying the low international interest rate environment, which has prevailed since the international financial crisis and the European debt crisis, and which led to a substantial drop in the cost of government borrowing. This development in turn translated into an improved fiscal stance.

Indeed, **Interest payments** in 2011 amounted to LL 5,655 billion or 9.6% of GDP, compared to LL 5,893 billion or 10.5% of GDP. This is equivalent to a 4 percent drop, i.e. a fiscal saving of LL 239 billion for 2011 (of which LL 210 billion stemming from lower domestic currency interest payments), all of which contributed to the 19 percent improvement in the overall fiscal balance in 2011.

**Total Domestic Currency debt service payments** totaled LL 3,552 billion in 2011, 6% below the amount paid in 2010.

**Discount interest** (interest paid on 3, 6, & 12 months T-bills) were LL 137 billion in 2011, or 36 percent below the LL 213 billion paid in 2010, explained by the combined effect of a 21 percent lower volume of maturities and a substantial 140 bps drop in the average discount rate. In fact, short term T-bills principal maturing in 2011 amounted to LL 4,152 billion compared to LL 5,246 billion in 2010. This lower volume of short term maturities reflects the declining volume of short term T-bills subscriptions: Indeed, total accepted subscriptions of 3,6 and 12 months T-bills in 2009 and 2010 were LL 5,337 billion and LL5,704 billion, respectively, compared to only LL 3,900 billion in 2011. On the other hand, maturing short terms T-bills in 2011 earned an average discount rate of 4.48% compared to an average of 5.85% for the stock of short term T-bills due in 2010.

Total **coupon payments** (interest paid on 24, 36 , 60 & 84 months T-bonds) in 2011 amounted to LL 3,416 billion, nearly 4 percent below coupon payments in 2010, despite the fact that the volume of outstanding long term T-bonds on which coupon was due in 2011, is 11 percent higher than that of 2010: Indeed, the number of outstanding long-term T-bonds totalled LL 8,866 million in 2011 compared to LL 8,004 million in 2010. Therefore, the drop in coupon payments is explained by the 100 bps drop in the average coupon rate paid in 2011 (the stock of T-bonds with coupons falling due in 2011 carry an average coupon rate of 7.36% whereas the stock of T-bonds with coupons falling due in 2010 carried an average rate of 8.36%). As such, the impact of the drop in the domestic currency borrowing cost outweighed the rise in the outstanding stock of long term T-bonds.

Total coupon payments in 2011 account for:

- ✓ LL 60 billion in the context of early T-bills redemption (i) LL 12 billion of accrued interest on T-bills held by BDL redeemed in exchange of a USD 265 billion Eurobond issued to BDL in January 18th, 2011<sup>38</sup> and (ii) LL 48 billion of accrued interest were

<sup>38</sup> US\$ 265 million 6.10 percent Notes due October 2022 (a reopening of this Note, which was first issued in November 2010) in the context of a "Debt Replacement Agreement" between the MoF and BDL (in which BDL redeemed T-bills from its portfolio).



due on T-bills maturing by the month of June 2011 redeemed in exchange of 7 years T-bonds on April 21st, 2011<sup>39</sup>.

- ✓ LL 18.75 billion final coupon paid on March 30th, 2011 on the LL 400 billion inaugural 5 years, 9.375% T-bond issued in 2006 under the LL 10 trillion MTN program and which came to maturity on that date.
- ✓ LL 59.25 billion paid twice in June and December 2011 pertaining to the inaugural 7 years, 7.900% T-bond, issued in December 2010 under the LL 10 trillion MTN program.
- ✓ LL 70 billion first coupon paid in September 2011 on the 7 years, 7.900% T-bond issued in March 2011 (reference footnote 2)
- ✓ LL 105 billion first coupon paid in October 2011 on the 7 years, 7.900% T-bond issued in April 2011 (reference footnote 2)

**Total Foreign Currency debt service payments** totaled LL 2,102 billion in 2011, 1 percent below the LL 2,131 billion paid in 2010, explained by 21 percent lower interest payments on Concessional loans and 85 percent lower coupon payments on Special bonds (expropriation and contractors), representing a total saving of LL 56 billion, which outweighed the LL 28 billion higher coupon interest on Eurobonds in 2011 (or 1 percent higher than coupon amounts paid in 2010).

In fact, **coupon payments on outstanding Eurobonds** (incl. Eurobond fees) in 2011 amounted to LL 1,971 billion, including the coupon payments on the Eurobonds maturing in 2011; namely LL 59 billion paid on May 19th 2011 at maturity of the USD 1 billion, 7.875% 2011 Eurobond and two coupons of LL 42 billion each, paid on February 2nd and on August 2nd 2011 at maturity of the USD 750 million, 7.500% 2011 Eurobond.

This amount further includes LL 190 billion of coupons due on amortized PII-PIII Eurobonds, namely:

- ✓ LL 42 billion and LL 39 billion coupons paid in June and December 2011 respectively due on the amortized (amortized principal LL 151 billion) USD 2 billion, 4.00%, 2017 Eurobond issued to BDL in the context of Paris II Donor Conference
- ✓ LL 17 billion and LL 16 billion coupons paid in June and December 2011 respectively due on the amortized (amortized principal LL 49 billion) USD 950 million, 5.00%, 2017 PII Eurobond issued to UAE, Kuwait, Oman and Malaysia
- ✓ LL 6 billion and LL 5 billion coupons paid in May and November 2011 respectively due on the amortized (amortized principal LL 15 billion) USD 200 million, 5.00%, 2018 PII Eurobond issued to Qatar
- ✓ LL 20 billion and LL 18 billion coupons paid in March and September 2011 respectively due on the amortized (amortized principal LL 53 billion) USD 700 million, 5.000%, 2018 PII Eurobond issued to KSA

<sup>39</sup> The year 2011 witnessed the issuance of a 7 years T-bonds, outside the weekly auction process, and outside the MTN program. This maturity has been offered on 3 occasions: in March and April (with total subscriptions of LL 1,761 billion and LL 2,658 billion respectively at 7.90% coupon rate) & in September (total subscriptions of LL 1,999 billion at 7.6% coupon rate) in the context of special schemes: i.e. these 7 years T-bonds were issued against cash subscription & in exchange of either maturing T-bills (in April) or in exchange of BDL CD's (in March & September). For further details about these 3 special financing transactions, please refer to *Ministry of Finance Quarterly Report, QIII 2011*, on page 25 Box 1. "The 7YR bond issuances in March, April & September 2011".



- ✓ LL 8 billion and LL 7 billion coupons paid in January and July 2011 respectively due on the amortized (amortized principal LL 23 billion) USD 300 million, 3.750%, 2017 PIII Eurobond
- ✓ LL 6 billion coupon paid twice in January and July 2011 due on the USD 200 million, 3.750% 2012, PIII Eurobond

Finally, large coupon payments were paid in (i) March and September 2011 in the amount of LL 101 billion each, due on the USD 1.5 billion, 9.00% 2017 Eurobond and in (ii) April and October 2011 in the amount of LL 130 billion each, due on the USD 2.092 billion, 8.250%, 2021 Eurobond.

It is worth noting that the outstanding FX debt portfolio still carries high coupon Eurobonds, namely the USD 400 million 11.625% 2016 Eurobond (15 yrs, issued in 2001), on which LL 35 billion coupon was paid twice in May & November 2011.

Nonetheless, the drop in international interest rates permitted the Government to reduce its foreign currency borrowing cost: the outstanding Eurobond stock as of end 2009, with coupons falling due in 2010 carries an average coupon rate of 7.08 percent, compared to 6.94 percent for the outstanding Eurobond stock as of end 2010, with coupons falling due in 2011. The foreign currency debt stock as of end 2011 carries an average coupon rate of 6.65 percent. This is evidenced by the Republic's four Eurobond transactions in 2011, which saw the tightening of the spreads:

- ✓ US\$ 265 million 6.10 percent Notes due October 2022 (a reopening of this Note, which was first issued in November 2010) in the context of a "Debt Replacement Agreement" between the MoF and BdL (in which BDL redeemed T-bills from its portfolio).
- ✓ USD 1 billion dual-tranche transaction: USD 650 million, 6.0 percent Notes due May 2019, and USD 350 million tap of the 6.10 percent Notes due October 2022, for the refinancing of the USD 1 billion 7.875% coupon Eurobond maturing on May 29th 2011.
- ✓ USD 1.2 billion dual-tranche transaction: USD 500 million, 4.750 percent Notes due May 2016, and USD 700 million tap of the 6.10 percent Notes due October 2022, for the refinancing of the USD 750 million 7.50% coupon Eurobond maturing on August 2nd 2011.
- ✓ USD 1.5 billion aggregate amount raised from a voluntary exchange transaction, including new cash subscription; settled on 28 November 2011. The three market Eurobonds maturing in 2012 were offered for exchange, which resulted in a 64.3 percent participation rate. Three new bonds were issued: US\$ 500 million 5.45% percent coupon Eurobond due November 2019; US\$ 375 million 6.60 percent coupon Eurobond due November 2026; and €445 million 5.35% due November 2018.

**Interest payments on C-loans** totaled LL 127 billion in 2011, of which LL 72 billion interest paid on project C-loans contracted by CDR and LL 55 billion interest paid on budgetary support C-loans granted to the Ministry of Finance from bilateral and multilateral donors, namely Abu Dhabi, AFD, AMF, IBRD, EC and IFAD.

**Coupon payments on Special Bonds** (contractors and expropriation) totaled LL 4 billion in 2011, of which nearly LL 3 billion are coupons for contractor bonds and LL 1 billion are coupons for expropriation bonds.

Two contractor bonds were issued in 2011 (one in USD and another in LBP):

- ✓ US\$ 4,269,798 worth of contractor bonds were issued on 19 September 2011 at a rate of 6 percent, coming due in September 2016, pursuant to Law #69 dated April 23, 2009.
- ✓ LBP 40,603,989,608 worth of contractor bonds were issued on 28 November 2011 at a rate of 6.00 percent, coming due in November 2016, pursuant to Law #69 dated April 23, 2009.

**Table 24: Interest Payments**

LL Billion	2010	2011	% change
<b>Interest Payments</b>	<b>5,893</b>	<b>5,655</b>	<b>-4.04%</b>
<b>Local Currency</b>	<b>3,763</b>	<b>3,552</b>	<b>-5.6%</b>
Discount interest	213	137	-35.9%
Coupon payment	3,549	3,416	-3.8%
<b>Foreign Currency</b>	<b>2,130</b>	<b>2,103</b>	<b>-1.3%</b>
Eurobond Coupon (incl. fees)	1,943	1,971	1.5%
C-loans interest	160	127	-20.6%
Special Bond (exprop. & contract.)	27	4	-84.9%
Principal Maturities of 3-6-12 months LL T-bills on which discount interest was due (LL billion)	5,246	4,152	-20.9%
Number of 24,36,60,84 months LL T-bonds on which coupons were due (in millions)	8,004	8,866	10.8%
Average interest rate on outstanding stock of domestic currency debt ( <i>beginning of period</i> )			
3-6-12 months T-bills	6.12%	4.50%	-26.5%
24-36-60-84 months T-bonds	8.50%	7.49%	-11.9%
Average coupon rate on outstanding stock of foreign currency debt ( <i>beginning of period</i> )	7.08%	6.94%	-1.9%

Source: MOF, PDD database

## Capital Expenditures

**Capital expenditures** for the year 2011 amounted to LL 676 billion, decreasing by LL 26 billion equivalent to 4 percent, compared to the LL 701 billion recorded end-2010. In terms of GDP, capital expenditures amounted to 1.1 percent in 2011, compared to 1.3 percent in 2010. The evolution of capital expenditures was mainly the result of the following:

An increase in **Equipment** spending by 30 percent to LL 52 billion in 2011 from a lower level of LL 40 billion in 2010. This LL 12 billion rise is primarily due to higher equipment purchases by the Ministry of Energy and Water and the Ministry of Finance by LL 5 billion and LL 3 billion, respectively.

A decrease in **Construction in progress** spending by 14 percent to LL 402 billion in 2011 from LL 467 billion in 2010. This LL 66 billion decline was the combined outcome of:

- a) A LL 47 billion, equivalent to 40 percent, decrease in payments to the **Displaced Fund**, which totalled LL 73<sup>40</sup> billion in 2011 down from LL 120<sup>41</sup> billion in 2010.
- b) A LL 22 billion, equivalent to 13 percent, drop in payments to the **Council of Development and Reconstruction (CDR)**, which amounted to LL 145 billion in 2011 compared to LL 168 billion in 2010. Behind this decline stand the following changes, as shown in Table 25 below:
  - i. Payments for projects conducted by the CDR on behalf of ministries receded by LL 17 billion (39 percent), from LL 44 billion in 2010 to LL 27 billion in 2011. This is mainly due to a decline in payments to the CDR for the construction of roads by LL 11 billion from LL 24 billion<sup>42</sup> in 2010 to LL 13 billion in 2011<sup>43</sup>, and buildings by LL 6 billion down from LL 20 billion in 2010 to LL 14 billion in 2011.
  - ii. Payments for the maintenance of the Rafic Hariri International Airport declined by LL 10 billion (53 percent) from LL 19 billion in 2010 to LL 9 billion in 2011.
  - iii. Arbitrage payments were nil in 2011 compared to LL 26 billion paid to Hochtief in 2010.
  - iv. Counterpart funding for foreign financed projects rose by LL 38 billion (53 percent) from LL 71 billion in 2010 to LL 109 billion in 2011, offsetting in part the drop in the above-mentioned items.

<sup>40</sup> These LL 73 billion were paid from the LL 120 billion allocated in the 2010 Budget Proposal and carried forward to 2011.

<sup>41</sup> Of which LL 30 billion were from the LL 30 billion allocated to the Fund in the 2009 Budget and carried over. The remaining LL 90 billion were by treasury advance as per decree 4722 dated July 31<sup>st</sup>, 2010. These LL 90 billion are to be offset from the amounts allocated to the Displaced Fund by Law 362/2001.

<sup>42</sup> Of which LL 4 billion were paid from the Budget system as per Program Law 246/93. The remaining LL 20 billion were paid from decree #4623 dated July 17<sup>th</sup>, 2010 and are to be regularized from the allocation provided by Program Law 246/93 in the National Budget .

<sup>43</sup> Of this LL 13 billion, LL 3 billion were paid from the 2010 Budget Proposal. The remaining LL 10 billion were paid from the amounts allocated in the 2010 Budget Proposal and carried forward to 2011. These amounts were assigned for the rehabilitation of "Sour-Nakoura" highway.

Table 25: Payments to CDR for Construction in Progress

LL billion	Jan-Dec 2010	Jan-Dec 2011
<b>CDR Budget Payments (1), of which:</b>	<b>123</b>	<b>118</b>
• Counterpart funding for foreign financed projects	71	109
• Maintenance of Rafic Hariri International Airport	19	9
• Maintenance of Grand Sérail	3	0
• Arbitrage payments to Hochtief (Airport)	26	0
• Other Payments from CDR Budget <sup>(2)</sup>	4	0
<b>Projects Executed on behalf of Line Ministries of which (3)</b>	<b>44</b>	<b>27</b>
• Roads	24	13
• Buildings	20	14
<b>Other</b>	<b>0</b>	<b>0</b>
<b>Total Payments to CDR for Construction In Progress (4)</b>	<b>167</b>	<b>145</b>

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.

- c) A LL 17 billion decrease equivalent to 16 percent in allocations to the **Ministry of Public Works and Transport** from LL 109 billion in 2010 to LL 92 billion in 2011. Of this LL 17 billion decrease:
- i. LL 27 billion were lower spending on road construction of which LL 23 billion under the Ministry's Program Law for the construction of roads;
  - ii. LL 4 billion were higher payments in spending under the Ministry's Program Law for the construction of Tripoli's *Palais de Justice*.
  - iii. LL 9 billion were higher spending under the Ministry's Program Law on the construction of fishing and leisure ports.
- d) A LL 4 billion equivalent to 8 percent increase in payments to the **Council of the South**, which totalled LL 49<sup>44</sup> billion in 2011 compared to LL 46<sup>45</sup> billion in 2010.
- e) A LL 13 billion rise in payments to the **Higher Council of Relief**, which totalled LL 13 billion in 2011 compared to nil in 2010. Of this LL 13 billion, LL 5 billion were allocated for the help of Lebanese emigrants in Ivory Coast and LL 8 billion were paid for the renovation of Roumieh prison.

An increase in **Maintenance** payments by 44 percent to LL 186 billion in 2011 from LL 129 billion in 2010. This LL 57 billion rise is mainly attributed to a LL 61 billion increase in

<sup>44</sup> Of which LL 13 billion were paid from the 2010 Budget Proposal and LL 22 billion were paid from the 2010 Budget and carried forward. The remaining LL 15 billion were paid from the 2011 Budget Proposal.

<sup>45</sup> Of which LL 20 billion are from the LL 51.3 billion allocated to the Council of the South in the 2009 Budget and carried forward. The remaining LL 26 billion were paid from the 2010 Budget.

payments to the Ministry of Public Works and Transport, which totaled LL 155 billion in 2011 compared to LL 94 billion in 2010. The increased payments are primarily due to a LL 59 billion rise in spending on Maintenance of Roads, which rose from LL 91 billion in 2010 to LL 149 billion in 2011. This rise was partly offset by a decrease in payments to the CDR for the maintenance of the Lebanese University Campus in Hadath, from LL 15 billion<sup>46</sup> in 2010 to LL 3 billion<sup>47</sup> in 2011.

A decrease in [Other expenditures related to fixed capital](#) by 76 percent to LL 13 billion in 2011 from LL 53 billion in 2010. This LL 41 billion decrease is mainly explained by LL 43 billion lower transfers to the Investment Development Authority of Lebanon (IDAL) to cover for its Export Plus Program. These transfers amounted to LL 49 billion<sup>48</sup> in 2010 versus LL 5 billion<sup>49</sup> in 2011<sup>50</sup>.

Finally, an increase in [Parliamentary equipment and maintenance](#) under capital expenditures – which totaled LL 22 billion in 2011 whereas it amounted to LL 11 billion in 2010<sup>51</sup>.

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<sup>46</sup> Of which (i) 1 billion was paid from the allocation provided by Decree 938 dated November 11<sup>th</sup>, 2007, (ii) 1 billion was paid from the allocation provided by Decree 374 dated September 29<sup>th</sup>, 2008 and (iii) 13 billion were paid from the allocation provided by Decree 3325 dated February 17<sup>th</sup>, 2010. These payments are to be settled from Program Law 11-112.

<sup>47</sup> Which were paid from the allocation provided by Decree 3325 dated February 17<sup>th</sup>, 2010.

<sup>48</sup> Of this amount, LL10.75 billion are from the 2011 Budget Proposal, LL29.5 billion are from allocations committed from previous budgets and carried forward and LL8.5 billion are from the 2009 Budget Proposal but paid in 2010.

<sup>49</sup> This amount was paid in 2011 but was from the 2010 Budget Proposal.

<sup>50</sup> It should be noticed that a LL 0.252 payment was also made for the study of the electricity 700 MW project by treasury advance from Decree 4945 dated September 4<sup>th</sup>, 2010. In 2011, payments amounted to LL 3 billion.

<sup>51</sup> For details regarding the maintenance and equipment of the Parliament's headquarter, kindly refer to the 2010 Public Finance Review.

## Treasury Expenditures

Treasury expenditures<sup>52</sup> fell by 36 percent to LL 867 billion in 2011 compared to LL 1,363 billion in 2010. This LL 496 billion decline is primarily attributed to lower payment to municipalities and Value Added Tax refund payments.

Payments to [municipalities](#) declined by 50 percent to LL 368 billion in 2011 versus LL 735 billion in 2010. This LL 367 billion decrease is explained by a LL 401 billion (77 percent) drop in payments of [revenues accruing to municipalities](#), as shown in Table 26 below. These payments decreased to LL 117 billion in 2011 from LL 518 billion in 2010 mainly because of payment timing issues. Of the LL 117 billion that were paid as accrued revenues to municipalities in 2011, (i) LL 53 billion pertain to the 2009 revenues<sup>53</sup> of the Independent Municipal Fund, (ii) LL 35 billion pertain to the 2008 revenues<sup>54</sup>, (iii) LL 14.6 billion pertain to the 2007 revenues<sup>55</sup> and (iii) LL 14 billion pertain to the 2006 revenues<sup>56</sup>. Of the LL 518 billion that were paid as accrued revenues to municipalities in 2010, (i) LL 275 billion were on account of the 2009 revenues<sup>57</sup>, (ii) LL 213 billion were on account of the 2008 revenues; (iii) LL 17 billion were on account of the 2007 revenues and (iv) LL 12 billion were on account of the 2006 revenues. This decrease was partially offset by [payments for solid waste management](#), which increased by 14 percent, hovering around LL 143 billion in 2011 compared to LL 213 billion in 2010.

**Table 26: Payments to Municipalities**

(LL billion)	2009	2010	2011	%Change 2011/2010
Distribution of Revenues Accruing to Municipalities	213	518	117	-77%
Payments for Solid Waste Management	233	213	243	14%
Payments to the "First Municipality Infrastructure Project"	8	1	7	1281%
Other Payments	2.6	2.6	2.2	-13%
<b>Total Payments to Municipalities<sup>(1)</sup></b>	<b>457</b>	<b>734</b>	<b>369</b>	<b>-50%</b>

Source: MOF, DGF

<sup>(1)</sup> Includes minor readjustments to account for the delay between the issuance and the payment of cheques and rounding

Under "[other](#)" Treasury expenditures, [VAT refund](#) declined by 49 percent to LL 195 billion during 2011 from LL 384 billion in 2010. This is mainly due to a discovered fraud, which is under investigation by the Attorney General. The 2011 VAT refund claims were all frozen by the MOF administration. As a result, taxpayers started to carry forward the VAT credit instead of submitting a refund claim.

Lastly under Treasury expenditures, [Treasury advances for water authorities](#) totalled LL 23 billion in 2011 compared to nil in 2010. These LL 23 billion could be broken down as follows: a LL 5 billion treasury advance provided to the Southern Water Authority<sup>58</sup>, a LL 10

<sup>52</sup> Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the same section appearing in the fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts, which are manually reclassified in their budgetary economic classification articles.

<sup>53</sup> That were distributed based on Decree 5177 dated October 8<sup>th</sup>, 2010

<sup>54</sup> That were distributed based on Decree 4608 dated July 13<sup>th</sup>, 2010.

<sup>55</sup> That were distributed based on Decree 2339 dated June 19<sup>th</sup>, 2009.

<sup>56</sup> That were distributed based on Decree 614 dated October 27<sup>th</sup>, 2008.

<sup>57</sup> That were distributed based on Decree 5177 dated October 8<sup>th</sup>, 2010

<sup>58</sup> Provided by Decree 5019 dated September 7th, 2010.

billion treasury advance<sup>59</sup> provided to the Bekaa Water Authority and a LL 7.5 billion treasury advance provided to the Northern Water Authority<sup>60</sup>.

### Special Focus I: 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 very slightly receded by 0.4 percent year-on-year, amounting to LL 3,881 billion in 2011 from a higher level of LL3,898 billion in 2010. End-of-service indemnities and retirement wages accounted for the highest share of social spending in 2011, at 37 percent, increasing from the 2010 level. Education spending followed with a share of 33 percent, down from 34 percent in 2010. Education spending mainly covers the Ministry of Education and Higher Education salary and wage bill, the transfers to the Lebanese University, education allowances for public sector employees and contributions to non-profit organizations also known as subsidies to private schools. Lastly, health expenditures ranked third with 19 percent of social outlays (18 percent in 2010), increasing from their 2010 level.

The LL 17 billion decline in social spending recorded in 2011 is primarily explained by the combined effect of the following:

- a) Transfers to the NSSF decreased by LL 30 billion, from LL 150 billion in 2010 to LL 120 billion in 2011, due to the timing of payments (*for details, refer to the "Current primary expenditures" section above*).
- b) End-of-Service indemnities and retirement wages increased by LL 29 billion, from LL 1,391 billion in 2010 to LL 1,420 billion in 2011 (*for details, refer to the "Current primary expenditures" section above*).
- c) The hospitalization bill of public sector employees in the private sector rose by LL 48 billion to LL 178 billion in 2011 up from LL 130 billion in 2010 (*for details, refer to the "Salary and Wages and Related Benefits-Article 13 Report for December 2011*).
- d) Payments of salaries and wages of the General Directorate of Education increased by LL 43 billion to LL 649 billion in 2011 from LL 604 billion in 2010 (*for details, refer to the "Salary and Wages and Related Benefits-Article 13 Report for December 2011*).
- e) Payments for the hospitalization of uninsured citizens in the private sector decreased by LL 37 billion to LL 301 billion in 2011 from LL 338 billion in 2010.

<sup>59</sup> Provided by Decree 5020 dated September 7<sup>th</sup>, 2010.

<sup>60</sup> Provided by Decree 5021 dated September 7<sup>th</sup>, 2010.

**Box #6: Transfers to Non Profit Organizations-  
The Case of the Ministry of Social Affairs**

The Ministry of Social Affairs delivers its services through: (i) affiliated Social Services Centres throughout Lebanon, (ii) specialized centres, (iii) specialized non-profit organizations under contract with the Ministry, (iv) the projects the Ministry runs either by itself or in partnership with international organizations, and (v) committees and councils that are under the guardianship of the Ministry. In the Budget Law Proposals, all these entities are classified under “transfers to non-profit organizations”.

Transfers to non-profit organizations delivering services on behalf of the Ministry of Social Affairs augmented by LL 55 billion from LL 78 billion in 2010 to LL 133 billion in 2011. Payments in 2010 were exceptionally low and the payments in 2011 are in line with the steady growth of budget lines allocated to the Ministry of Social Affairs since 2009. A more in-depth analysis reveals that of the LL55 billion increase witnessed in 2011: (i) LL 12 billion was due to an increase in the payments to Social Services Centres across Lebanon, (ii) LL 4 billion for specialized centres for social training and handicapped persons, (iii) LL 7 billion was due to an increase of payments to projects<sup>1</sup> run by the Ministry of Social Affairs, (iv) LL 3 billion to social committees and councils within the Ministry of Social Affairs<sup>2</sup>, (v) LL 10 billion went to non-profit organizations specialized in providing support to handicapped persons, (vi) LL 8 billion to orphanages, and (vii) LL 2 billion to schools (mainly through the canteen subsidy program).

1/These include mainly the activities of MOSA in the following areas: handicapped rights program, adult literacy, poverty reduction and reproductive health.

2/Include the Higher Council for Children, the Medicament Committee, the Development Information Dissemination Unit and the Family Support Committee.

- f) Purchases of medicaments increased by LL 28 billion, amounting to LL 156 billion in 2011 compared to LL 128 billion 2010 (*for details, refer to the “Current primary expenditures” section above*).
- g) Payments of maternity and sickness allowances rose by LL 5 billion to LL 45 billion in 2011 from LL 40 billion in 2010.
- h) Transfers to the Civil Servants’ Cooperative decreased by LL 70 billion, from LL 219 billion in 2010 to LL 149 billion in 2011.



Table 27: Main Social Expenditures

(LL billion)	2010	2011	%Change
<b>Health</b>	<b>699</b>	<b>746</b>	<b>7%</b>
• Hospitalization in the Private Sector	338	301	-11%
• Purchase of Medication	128	156	22%
• Hospitalization of Public Sector Employees in Private Sector	130	178	36%
• Maternity and Sickness Allowance	40	45	13%
• Other	62	66	5%
<b>Education</b>	<b>1,317</b>	<b>1262</b>	<b>-4%</b>
• Ministry of Education and Higher Education, of which:	1,162	1,099	-5%
- Wages and Salaries of the General Directorate of Education	604	649	7%
- Wages and Salaries of the General Directorate of Higher	1	1	18%
- Wages and Salaries of the General Directorate of Technical	107	106	-1%
- Transfers to the Lebanese University	254	240	-5%
- Contributions to Non Profitable Organizations (Private Schools)	45	41	-9%
- Construction under Execution (Construction of Schools)	9	5	-40%
• Education Allowance in Private Sector	155	163	6%
<b>Other Social Spending</b>	<b>1,883</b>	<b>1,873</b>	<b>-1%</b>
• Marriage Allowance	5	6	32%
• Birth Allowance	3	3	12%
• Death Allowance	4	4	-12%
• Other Social Spending Allowance	7	8	19%
• Participation in Several Mutual Funds	13	13	0%
• Ministry of Social Affairs, of which:	84	143	71%
- Transfers to Non-Profit Organizations	78	133	71%
• Ministry of the Displaced	7	5	-19%
• Transfers to Civil Servants Cooperative	219	149	-32%
• End-of-Service Indemnities and Retirement Wages	1,391	1,420	2%
• Transfers to the National Social Security Fund	150	120	-20%
<b>Unclassified allowances</b>	<b>0</b>	<b>0</b>	<b>286%</b>
<b>Total Social Expenditures</b>	<b>3,898</b>	<b>3,881</b>	<b>-0.44%</b>

Source: MOF, DGF

### Special Focus II: Funding and Activities of the High Relief Committee

The High Relief Committee (HRC) was established by Council of Ministers decision number 35/1 dated 17 December 1967; later amended by other decisions, the latest of which is decision number 211/2000 dated 10 October 2000.

Under the auspices of the Council of Ministers, the HRC has the legislative mandate to accept financial grants and grants in-kind donated to the Lebanese State and has been also funded from budget allocations in the Budget Law, transfers from the budget reserves<sup>61</sup> and treasury advances<sup>62</sup> to undertake emergency relief measures.

**Table 28: Transfers and Treasury Advances to the High Relief Committee**

(in LL Billion)	2010	2011	Change 2011/2010
Foreign Aid Provision	1.5	1.5	0.0
Ethiopian Airline Crash	5.1	2.1	-3.0
Natural Disasters	0.4	0.0	-0.4
Ivory Coast Evacuation	0.0	9.2	9.2
Roumieh Prison			
Rehabilitation	0.0	7.5	7.5
Cultural Heritage Protection	0.1	0.0	-0.1
<b>Total</b>	<b>7.1</b>	<b>20.3</b>	<b>13.3</b>

Source: Ministry of Finance and National Gazette

In 2010-2011, a total of LL 27.4 billion was transferred to the High Relief Committee to achieve the following interventions:

- LL 3 billion in grants to assist the Palestinian people<sup>63</sup>, Haiti after the earthquake<sup>64</sup> and Pakistan following the floods<sup>65</sup>,
- LL 7.2 billion as a total cost for the Ethiopian Airline Crash of which LL 3.6 billion were for the indemnities<sup>66</sup> paid to the victims' families, LL 2.1 billion was for the sea search of the Ethiopian Airplane and the victims<sup>67</sup>, and LL 1.5 billion for the Rafic Hariri Hospital to cover the cost related to the preservation/identification of the bodies<sup>68</sup>,

<sup>61</sup> Transfers are made through Decrees approved by the Council of Ministers.

<sup>62</sup> Treasury advances are provided through Decrees approved by the Council of Ministers.

<sup>63</sup> As per Decree 1296 dated February 4th, 2009.

<sup>64</sup> As per Decree 3606 dated March 17th, 2010.

<sup>65</sup> As per Decree 4997 dated September 7th 2010.

<sup>66</sup> As per Decree 3858 dated April 16th, 2010.

<sup>67</sup> As per Decree 4711 dated July 31st, 2010.

<sup>68</sup> As per Decree 4574 dated July 8th, 2010.

- A total of LL 9.2 billion was paid to evacuate 5,010 Lebanese nationals, of which 2,168 from Accra to Beirut on 6 Middle East Airline flights and 3 rented Tunisair flights and 2,842 from Abidjan to Beirut on 11 Middle East Airline flights<sup>69</sup> between 8 April 2011 and 16 April 2011,
- A LL 7.5 billion financial allocation to HRC to rehabilitate Roumieh Prison, in light of rising riots calling for better prison conditions<sup>70</sup> and,
- LL 0.5 billion as indemnities for heavy rains in Zahleh-Qa'a el Reem<sup>71</sup> and the emptying of real estate related to the cultural heritage project in Tripoli<sup>72</sup>.

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<sup>69</sup> In that regard, the President of the Council of Ministers issued decision number 23/2011 providing HRC with a LL 5 billion allocation in April 2011 to evacuate Lebanese immigrants suffering from a life-threatening situation in the conflict-ridden Ivory Coast, following the security escalations end-March 2011. However, the cost ended up higher than expected and an additional LL4 billion had to be transferred as per the Presidency of the Council of Ministers decision number 116/2011.

<sup>70</sup> As per the President of the Council of Ministers issued decision number 24/2011.

<sup>71</sup> As per Decree 1929 dated May 11th, 2009.

<sup>72</sup> As per Decree 1946 dated May 13th, 2009.

## Section IV: Public Debt Developments

### Financing Sources

**Total deficit** (*on check issued basis*) in 2011 amounted to LL 3,782 billion, explained by a positive primary balance of LL 1,893 billion (*incl. grants*<sup>73</sup>) that fell short of the LL5,665 billion of debt service payment dues.

**Total net financing** amounted to LL 3,367 billion<sup>74</sup> in 2011 (computed as changes in debt stocks & deposit accounts net of exchange rate valuations).

**Treasury accounts** (namely Treasury accounts 36 & 100 in LL and in FX, CDR accounts, & EDL blocked accounts) remain the Government's main source of financing, representing 58 percent of total net financing in 2011. Indeed, in the absence of a new enabling legislation for FX financing in 2011 and in the context of sluggish market demand for LL T-bills in the auction, the Government had to draw on its deposit accounts to settle its payments and dues, thereby reducing its cash balances by LL 1,956 billion in 2011.

Besides financing from the accounts, the Government had to raise debt in local currency and foreign currencies to meet its funding needs. Given that FX financing was constrained by the absence of Budget Laws since 2005 and by the exhaustion of the amounts of FX borrowing authorised under the ceilings of outstanding laws, the Government had to resort mainly to the **issuance of LL denominated T-bills and bonds** in the weekly auction, in addition to tapping the LL market through longer-dated maturities offered outside the auction process<sup>75</sup>. Cumulatively, the stock of LL denominated T-bills and bonds grew by LL 1,214 billion by end of December 2011 (excl. accrued interest) from the stock outstanding by end of December 2010, representing 36 percent of total net financing in 2011 and the second main source of financing for the Government.

T-bills distribution by holder reveals that the T-bills portfolio of Banque du Liban grew by LL 3,323 billion, compensating for the LL 2,066 billion reduction in the T-bills portfolio of commercial banks and for the LL 122 billion decrease in T-bills holdings of the public institutions and of the public at large. This is reflective of the auction results in 2011, whereby commercial banks did not roll-over more than half their 2011 maturities, while the Banque du Liban subscribed up to 160 percent of their 2011 maturities.

<sup>73</sup> Grant amounts are those received in HI 2011, the amounts received in HII 2011 were not available at the time of the preparation of the report; given that the amounts are relatively very small in magnitude, this will not impact the overall financing analysis.

<sup>74</sup> The discrepancy between the overall deficit & the net financing is largely explained by the change in exchange rate valuation of FX debt & FX deposits.

<sup>75</sup> The Government issued 7.9% & 7.6% 7-years Treasury bonds on three occasions in 2011: twice in the context of CD's swap transactions in March and September 2011; and once in exchange of maturing T-bills in April 2011.

**Net FX financing through Eurobond issuances** totaled LL 479 billion, contributing 14 percent of total net financing in 2011. Indeed, the Government approached FX markets on three occasions in 2011<sup>76</sup>, mainly for refinancing purposes (i.e. rolling over maturing debt), it issued:

- (i) USD 1 billion dual-tranche 6.0% Notes due May 2019, and 6.10% Notes due October 2022, for the refinancing of the USD 1 billion 7.875% Eurobond maturing on May 29th 2011,
- (ii) USD 1.2 billion dual-tranche 4.750% Notes due May 2016, and 6.10% Notes due October 2022, for the refinancing of the USD 750 million 7.50% Eurobond maturing on August 2nd 2011,
- (iii) USD 1.5 billion 3 tranches 5.45% Notes due November 2019; 6.60% Notes due November 2026; and a Euro 5.35% due November 2018, in exchange of three market-issued Eurobonds maturing in 2012, (participation in this voluntary debt exchange transaction totaled 64.3%, and USD 238 million of new cash was raised).

**Table 29: Financing Sources in 2011**

in LL billion	Jan-Dec 2010	QI 2011	QII 2011	QIII 2011	QIV 2011	Jan-Dec 2011
<b>Overall Balance from Financing side (1)</b>	<b>-2,792</b>	<b>-1,338</b>	<b>-73</b>	<b>-797</b>	<b>-1,577</b>	<b>-3,785</b>
<b>Total Net in Financing (2)</b>	<b>4,267</b>	<b>2,217</b>	<b>696</b>	<b>692</b>	<b>-239</b>	<b>3,367</b>
LL treasury bills (3)	3,515	-402	156	2,408	-948	1,214
Eurobonds (4)	-340	478	-172	132	41	479
Special T-bills in Foreign currencies	-373	0	0	6	0	6
Bilateral Loans (4)	-114	85	33	-160	-60	-101
Multilateral Loans (4)	-74	59	-18	-106	-115	-180
Private sector loans (4)	-2	3	1	-4	-6	-6
Change in treasury accounts (-/increase +/decrease)	1,655	1,994	696	-1,583	849	1,956

(1) The overall balance from the financing side is computed as the change in debt stocks and in deposit accounts, it differs slightly (LL 3 billion) from the overall balance on check issued basis (Fiscal Performance) due to time lag between check issued and cash spent.

(2) The net financing excludes changes in debt stocks & deposit accounts attributed to exchange rate valuations

(3) The net variation of treasury bills excludes accrued interest

(4) The net variation of foreign currency debt excludes foreign exchange variations as well as accrued interest

Note 1: The difference between the overall balance and the net financing is explained by the exchange rate valuation

Note 2: Positive numbers indicate a net increase and negative numbers indicates a net decrease except for "change in treasury accounts".

<sup>76</sup> The Government further conducted a non market Debt Replacement transaction with BDL in January 2012, whereby it issued USD 265 million 6.10% Notes due October 2022, in replacement of T-bills redemption from BDL portfolio.

## Public Debt: General Facts

**Gross public debt** rose by 2.0 percent year-on-year, amounting to LL 80,887 billion (\$53.7 billion) by the end of 2011 compared to LL 79,298 billion (\$ 52.6 billion) by the end-2010. This LL 1,589 billion rise is mainly attributed to a LL 1,085 billion increase in the stock of local currency debt combined with a smaller increase of LL 504 billion in the stock of foreign currency debt. However, in terms of GDP, the stock of debt declined, amounting to 135.1 percent by December 2011, 6.6 percentage points lower than their level by the end of 2010, at 142 percent. This drop is in line with the downward trend registered since 2006, when the debt-to-GDP ratio registered an all time high of 181.9 percent.

**Net public debt** amounted to LL 69,903 billion by the end of 2011, representing a 2.98 percent rise over the end-2010 level. This increase is due to the above-mentioned rise in the stock of gross public debt combined with a decrease in public sector deposits by 3.81 percent. Lastly, the **gross market debt** dropped by 2.18 percent, amounting to LL 50,192 billion by the end of 2011.

Table 30: Public Debt Outstanding as of end-December 2011

(LL billion)	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Change Dec 11- Dec 10	% Change Dec 11-Dec 10
Gross Public Debt <sup>(1)</sup>	63,364	70,941	77,112	79,298	80,887	1,589	2.00%
Net Debt	58,837	62,615	66,590	67,879	69,903	2,024	2.98%
Gross Market Debt <sup>(2)</sup>	39,220	46,992	51,231	51,308	50,192	-1,116	-2.18%

Sources: MOF, BDL

<sup>(1)</sup> Figures for Dec 07 – Dec 11 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the Debt Management and Financial Analysis System (DMFAS)

<sup>(2)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

The **weighted average cost of total foreign debt** dropped by 29 bps to 6.57 percent at end-2011 compared to 6.86 percent at end-2010. While the weighted average cost of Eurobonds retreated by 29 bps to 7.02 percent in 2011 against 7.31 percent in 2010, the weighted average cost of contracted loans fell by 51 bps, at 3.44 percent, compared to 3.95 percent in 2010.

The **weighted average cost of outstanding domestic debt** declined by 84 bps to 6.93 percent as of end-2011 versus 7.77 percent end-2010, capturing the stability in primary market rates – which remained nearly unchanged since September 2010. In details, regarding short-term instruments, the weighted average cost was 3.93 percent (equivalent to that of 2010) for 3-month Treasury bills, 4.50 percent (4.52 percent in 2010) for 6-month TBs and 4.81 percent (4.99 percent in 2010) for 12-month TBs. For long-term instruments, the weighted average cost was 5.44 percent (6.57 percent in 2010) for 2-year

bonds, 6.92 percent (8.18 percent in 2010) for 3-year bonds, 7.37 percent (8.27 percent in 2010) for 5-year bonds and 7.83 percent (7.9 percent in 2010) for 7-year bonds.

The **average time-to-maturity of Eurobonds** was 5.69 years as of December 31<sup>st</sup>, 2011, up from a lower average of 4.84 a year earlier and 4.69 years in 2009. This can be explained by the issuance of long tenors by the Republic.

The **average time-to-maturity of domestic currency** treasury bills and bonds rose to 2.64 years by end of December 2011 against 1.70 years as of end 2010. This reflects a higher average maturity of issued LL instruments which increased to 47.16 months from a much lower level of 37.93 months by the end of 2010 due largely to a quintupling of 7YR bonds in the government's portfolio following the three special scheme transactions that took place in 2011.

## Domestic Debt

The stock of **local currency** debt rose by 2.3 percent year-on-year, amounting to LL 49,340 billion by the end of December 2011 compared to LL 48,255 billion a year earlier, as shown in Table 31 below.

In addition to domestic debt issuances in the weekly Treasury Bills and Bonds auctions, there were three special 7 YR treasury bond transactions in 2011, outside of the auction process. The first scheme was held on March 24th, 2011<sup>77</sup> at a rate of 7.90 percent, the second one on April 21st, 2011<sup>78</sup> at a rate of 7.90 percent and, finally, the third on September 15th, 2011<sup>79</sup> at a rate of 7.60 percent. The total proceeds from these issuances concluded at LL 6,386 billion, with commercial banks capturing a 69 percent share of the total followed by Banque du Liban with 31 percent. For the first time, the related transactions were not conducted under the Ministry's Medium-Term Note program (MTN) and the proceeds on these issuances were utilized for refinancing operations.

Additionally, the year 2011 witnessed also the issuance of LL 40.6 billion worth of LL denominated 5-year contractor bonds at a rate of 6.0 percent on 28 November 2011. This transaction - whose aim was to settle the increased cost of construction materials - marked the first LL denominated contractor bond issuance (usually issued in US dollars)<sup>80</sup>.

### Analysis of local currency debt by holder

By **holder**, the stock of local currency debt held by commercial banks witnessed the highest decrease since 2004. This was coupled by a substantial rise of holdings by BDL and public institutions. In terms of figures, the stock of public debt in Lebanese pounds held by commercial banks fell by 7.5 percent to LL 25,177 billion (51 percent of the total outstanding stock of domestic currency debt) in 2011, down from LL 27,214 billion (56.4 percent of the total stock of domestic currency debt) in 2010, due to a LL 2,066 billion decline in their TB holdings. Conversely, Banque du Liban increased its holdings of domestic currency debt by 24.7 percent to LL 16,374 billion (33.2 percent of the total outstanding stock of domestic currency debt) in 2011 from LL 13,130 billion (27.2 percent of the total outstanding stock of domestic currency debt) in 2010. This LL 3,244 billion rise was the result of a LL 2,923 billion increase in TB holdings by BDL. As for public entities, they enhanced their stock of TBs by LL 270 billion, to LL 6,538 billion (13.25 percent of the total stock of domestic currency debt) in 2011 against LL 6,268 billion (13.0 percent of the total stock of domestic currency debt) in 2010.

<sup>77</sup> For details concerning this transaction, refer to Box 3 of the Public Finance Quarterly of QI 2011.

<sup>78</sup> For details concerning this transaction, refer to Box 2 of the Public Finance Quarterly of QII 2011.

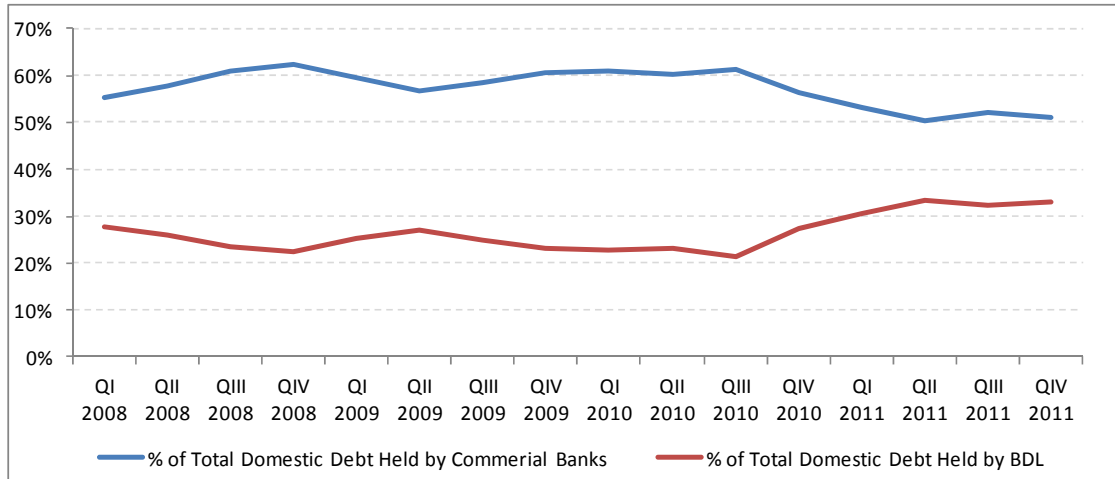
<sup>79</sup> For details concerning this transaction, refer to Box 2 of the Public Finance Quarterly of QIII 2011.

<sup>80</sup> The transaction is pursuant to Law # 69 dated April 23rd, 2009.



Holdings by commercial banks and BDL as a share of total domestic debt are reflected in Figure 3 below.

Figure 3: Commercial Banks' and BDL's share of Holdings of Domestic Debt as of end period (2008-2011)



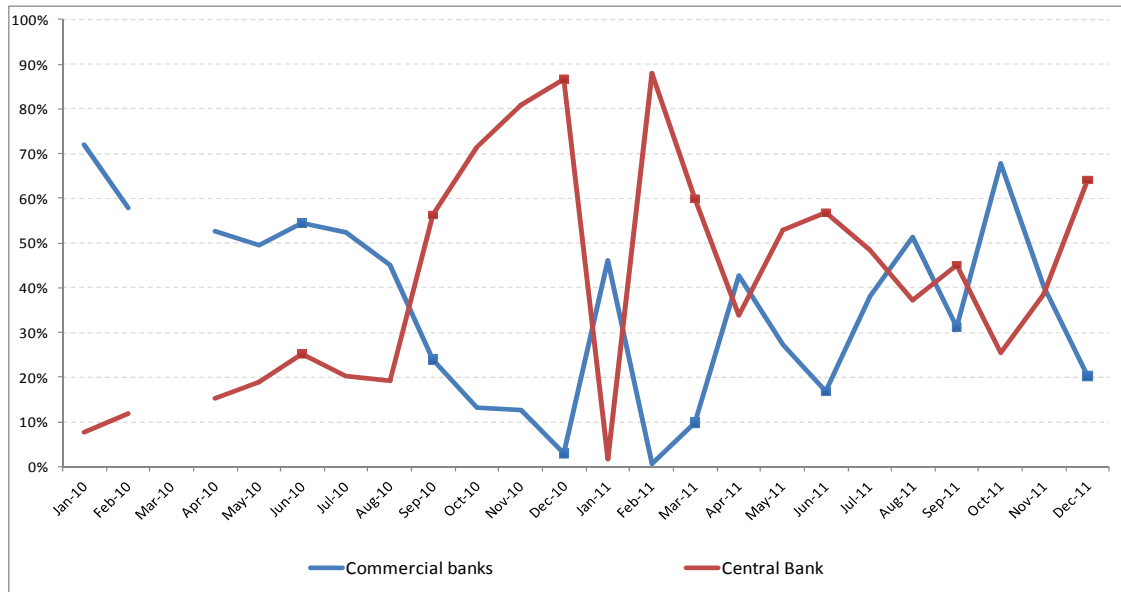
Source: MOF, BDL

These developments reflect the weekly treasury bill and bond auctions during 2011. Historically, the largest subscribers of TBs have been commercial banks. Cumulatively in 2011, banks came in second position overall, as in 2010, with BDL in first place. On a quarterly basis, commercial banks ranked third in terms of subscriptions in Q1 2011 and second in the remaining three quarters. Capturing 41 percent of subscriptions<sup>81</sup> in QIV and QIII 2011, commercial banks demonstrated low appetite for TBs albeit a healthier one than that witnessed in QII and QI 2011 with 24 percent and 11 percent of subscriptions, respectively. In contrast, Banque du Liban – the largest subscriber of TBs in 2011 – had a higher share of subscriptions in times when commercial banks exhibited lower participation. Banque du Liban accounted for 66 percent of subscriptions in QI 2011, compared to 51 percent, 43 percent and 45 percent in QII, QIII and QIV 2011.

On a cumulative basis, and similarly to 2010, Banque du Liban ranked first with 50 percent of total subscriptions (44 percent in 2010). Commercial banks followed with 31 percent of subscriptions in 2011 (35 percent in 2010) against a share of 17 percent for public institutions (12 percent in 2010), the third largest subscribers.

<sup>81</sup> Subscriptions refers to the actual amount of Treasury Bills bought by the investor not the amount bid for.

Figure 4: Commercial Banks' and BDL's share of participation in TB auction (2010 – 2011)



Source: Ministry of Finance

Note: The treasury bill auctions were halted for the month of March 2010.

### Analysis of local currency debt by instrument

By instrument, the stock of long term bonds rose by 6.2 percent to LL 46,512 billion, in contrast to the decreased stock of short-term bills by 37.8 percent to LL 2,583 billion over the same period.

The pattern of subscriptions in addition to the three special schemes issuing 7YR treasury bonds outside the auction process in 2011, indicate a spike in long-term Treasury bonds. This is largely attributable to a surge in the 7YR Treasury bond portfolio that went up from LL 1,500 billion by end-2010 to LL 7,885 billion by end-2011 due to the special transactions conducted throughout the year<sup>82</sup>. The second largest increase by instrument was for 5YR bonds whose stock increased by 61.1 percent to LL 11,779 billion over the same period. The volume increase in seven and five-year Treasury bonds more than counterbalanced for the LL 8,653 billion drop in the stock of three-year Treasury bonds to LL 22,129 billion by end-2011. Although 3YR Treasury bonds saw the most exacerbated decline of 28.1 percent, they remained the largest TB instrument category with a 45.1 percent share of TBs.

Within the short-term category, the stock of 12MN TBs witnessed the largest decline by 55 percent LL 887 billion over this period. The 6MN bills also receded by 25.7 percent, reaching LL 1,569 billion in 2011. Three-month instruments were the only Treasury bills

<sup>82</sup> For more details about the 7YR bond issuances in March, April and September 2011, refer to box 1 of the Public Finance Quarterly of QIII 2011.

whose stock increased. With LL 127 billion in stock, 3MN TBs rose by 69.3 percent compared to end-2010.

**Table 31: Domestic Currency Debt by Holder and Instrument as of end-December 2011**

Stocks ( end of period )	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Change Dec 10-	% Change Dec 10-Dec 11
<b>Local currency debt</b>	<b>31,373</b>	<b>39,007</b>	<b>44,973</b>	<b>48,255</b>	<b>49,340</b>	<b>1,085</b>	<b>2.25%</b>
<b>A. By Holder</b>							
1. Central Bank (including REPOs and	9,052	8,781	10,334	13,130	16,374	3,244	24.71%
2. Commercial Banks	16,847	24,320	27,286	27,214	25,177	-2,037	-7.49%
3. Other local debt (T-bills)	5,474	5,906	7,353	7,911	7,789	-122	-1.54%
<i>o/w Public entities</i>	4,796	5,062	6,078	6,268	6,538	270	4.31%
<i>o/w Contractor Bonds</i>	0	0	0	0	41	41	-
* <i>Accrued interest included in debt</i>	730	1,029	999	867	788	-79	-9.11%
<b>B. By Instrument</b>							
1. Long term bonds	28,617	36,350	40,842	43,805	46,512	2,707	6.18%
1.1 7 Years bonds	0	0	0	1,500	7,885	6,385	425.67%
1.2 5 Years bonds	3,699	3,049	5,036	7,310	11,779	4,469	61.14%
1.3 4.5 Years bonds	616	0	0	0	0	0	-
1.4 4 Years bonds	633	633	0	0	0	0	-
1.5 3 Years bonds	21,051	29,650	31,908	30,782	22,129	-8,653	-28.11%
1.6 2.5 Years bonds	0	0	0	0	0	0	-
1.7 2 Years bonds	1,927	2,052	2,989	3,398	3,972	574	16.89%
1.8 Coupon interest	691	966	909	815	747	-68	-8.34%
2. Short term bills*	2,288	2,197	3,735	4,155	2,583	-1,572	-37.83%
2.1 12 months bills	529	676	2,073	1,969	887	-1,082	-54.95%
2.2 06 months bills	1,750	1,234	1,510	2,111	1,569	-542	-25.68%
2.3 03 months bills	9	287	152	75	127	52	69.33%
* <i>Accrued interest included</i>	39	63	90	52	41	-11	-21.15%
3. Other local debt	468	460	396	295	245	-50	-16.95%
3.1 Central Bank Loans	405	362	291	218	139	-79	-36.24%
3.2 Commercial Banks Loans	63	98	105	77	106	29	37.66%

Source: MOF, BDL

<sup>1)</sup> In November 2003 and July 2004, BDL extended two loans to EDL, of amount of LL 300 billion and LL 150 billion, respectively, to finance the payment of electricity bought from Syria. The amortization schedule ends in 2013. These loans are listed as public debt as they are government guaranteed.

These results reflect the predominance of long-term instruments in the weekly TB auctions. On a quarterly basis, the share of 2YR, 3YR and 5YR bonds of subscriptions was gradually decreasing, until QIV, accounting for 90 percent of subscriptions in QI 2011, 73 percent in QII 2011 and 68 percent in QIII 2011. Correspondingly, the share of short-term TBs was progressively increasing, up from 10 percent of subscriptions in QI 2011, to 27 percent and 32 percent of subscriptions in QII and QIII 2011, respectively. However, QIV 2011 witnessed an enlargement in the share of long-term instruments compared to the previous quarter, which rose to 83 percent while that of short-term tenors dropped to 17 percent. This is mainly due to an increase in the share of subscriptions in long-term instruments by BDL, which accounted for 100 percent of BDL's total offers in QIV 2011, up from 74 percent, 84 percent and 98 percent in QIII, QII

and QI, respectively. This reflects the correlation that exists between BDL's submitted offers in long-term instruments and the variations of the latter throughout the year.

On a cumulative basis, long-term bonds accounted for 77 percent of subscriptions against 23 percent for short-term instruments. In details, three-year bonds captured the highest share of accepted offers in 2011, at 34 percent down from 40 percent in 2010. Five-year bonds ranked second with a share of 28 percent against a lower share of 19 percent in 2010, followed by 2YR bonds (15 percent in 2011 against 8 percent in 2010), 6MN Treasury Bills (13 percent in 2011 against 18 percent in 2010) and 12MN bills (5 percent in 2011 compared to 11 percent in 2010). Three-month bills captured the lowest share, at 4 percent in 2011 and 2010, respectively.

The composition of the stock of public debt in domestic currency shifted towards a higher share of long-term instruments. As such, the stock of long-term TBs accounted for 94.3 percent of the public debt in domestic currency in 2011 versus a lower share of 90.8 percent in 2010, while the stock of short-term tenors captured a share of 5.2 percent in 2011, down from 8.6 percent in 2010. The breakdown of the domestic debt portfolio by instrument shows that despite the significant drop of their total stock in 2011, three-year bonds still accounted for the bulk of the stock of domestic currency debt with a share of 44.9 percent in 2011, down from 63.8 percent in 2010. Five-year and seven-year bonds followed, capturing stakes of 23.9 percent (15.1 percent in 2010) and 16 percent (3.1 percent in 2010), respectively.

### **Primary market interest rates**

In line with a stabilization trend observed since July 2010, **primary market interest rates** on all Treasury bills and bonds remained unchanged at end-2011 compared to end-2010 levels, except for a 2 basis point decline in the yield of 6-month Treasury bills to 4.50 percent.

**Table 32: Evolution of Primary Market Treasury Bill Yields (percent)**

<b>Maturity <sup>(1)</sup></b>	<b>Dec. 31<sup>st</sup>, 2007</b>	<b>Dec. 31<sup>st</sup>, 2008 <sup>(3)</sup></b>	<b>Dec. 31<sup>st</sup>, 2009</b>	<b>Dec. 31<sup>st</sup>, 2010</b>	<b>Dec. 31<sup>st</sup>,</b>
3-month	5.22 percent	5.10 percent	4.55 percent	3.93 percent	3.93 percent
6-month	7.24 percent	7.11 percent	5.72 percent	4.52 percent	4.50 percent
12-month	7.75 percent	7.57 percent	5.73 percent	4.81 percent	4.81 percent
24-month	8.50 percent	8.22 percent	6.32 percent	5.34 percent	5.34 percent
36-month	9.32 percent	8.98 percent	7.10 percent	5.94 percent	5.94 percent
60-month <sup>(2)</sup>	N/A	N/A	7.74 percent	6.18 percent	6.18 percent

Source: MOF

(1) 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.

(2) 60-month Treasury notes were issued as part of the Treasury Bill Auction Process as of the week of July 20 2009 (value date 23 July 2009).

(3) Reflects rate of the auction the week of December 29<sup>th</sup>, 2008, value date January 1<sup>st</sup>, 2009.

## Foreign Currency Debt

The stock of **foreign currency debt** increased by 1.62 percent in 2011 and amounted to LL 31,547 billion compared to a lower stock of LL 31,043 billion in 2010, as shown in Table 33 below. This LL 504 billion increase was mainly driven by a LL 752 billion increase in the outstanding stock of Eurobonds, which offset the respective LL 96 billion and LL 109 billion decline in the stock of multilateral (non-Paris II and III) loans and of Paris II loans. The valuation adjustment due to exchange rate fluctuations negatively affected the stock of foreign currency debt by LL 42.5 billion. This valuation adjustment includes the effect of a depreciation of the Euro vis-à-vis the US dollar from a rate of 1.325 €/€ at the end of 2010, to 1.293 €/€ at the end of 2011.

**Table 33: Foreign Currency Debt by Holder and Instrument as of end-December 2011**

(in LL billion)	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Change Dec 11 - Dec 10	% Change Dec 11 - Dec 10
<b>B. Foreign currency debt<sup>(1)</sup></b>	<b>31,991</b>	<b>31,934</b>	<b>32,139</b>	<b>31,043</b>	<b>31,547</b>	<b>504</b>	<b>1.62%</b>
<b>4. Eurobonds</b>	<b>27,099</b>	<b>26,817</b>	<b>27,142</b>	<b>26,738</b>	<b>27,490</b>	<b>752</b>	<b>2.81%</b>
Of which, Paris II at preferential rates <sup>(2)</sup>	5,156	4,708	4,192	3,677	3,161	-516	-14.02%
Of which, Paris III at preferential rates <sup>(3)</sup>	754	754	754	709	663	-45	-6.38%
* Accrued Interest on Eurobonds	410	430	460	483	407	-76	-15.73%
<b>5. Loans</b>	<b>4,473</b>	<b>4,698</b>	<b>4,550</b>	<b>4,231</b>	<b>3,977</b>	<b>-254</b>	<b>-6.00%</b>
5.1 Paris II loans	907	748	627	460	351	-109	-23.70%
5.2 Paris III loans <sup>(4)</sup>	603	1,095	1,210	1,147	1,060	-86	-7.53%
5.3 Bilateral loans (non-Paris II and III)	759	731	716	723	766	43	5.99%
5.4 Multilateral loans (non-Paris II and III)	2,118	2,069	1,971	1,877	1,781	-96	-5.11%
5.5 Foreign Private Sector Loans	86	54	27	24	18	-6	-25.00%
<b>6. Other debt</b>	<b>419</b>	<b>419</b>	<b>447</b>	<b>74</b>	<b>80</b>	<b>6</b>	<b>8.11%</b>
6.1 Special Tbs in Foreign currency <sup>(5)</sup>	419	419	447	74	80	6	8.11%

Source: MOF, BDL

<sup>(1)</sup> Figures for Dec 06 – Dec 11 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the Debt Management and Financial Analysis System (DMFAS)

<sup>(2)</sup> 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.

<sup>(3)</sup> Issued to Malaysia as part of its Paris III contribution.

<sup>(4)</sup> 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.

<sup>(5)</sup> Special Tbs in Foreign currency (expropriation bonds)

At end-2011, the **Eurobond** portfolio stood at LL 27,490 billion, a 2.81 percent increase from its end-2010 level at LL 26,738 billion.

**Table 34: Net issuance of Eurobonds in 2011**

(\$)	2011
Eurobonds issued	3,932,962,500
Eurobonds redeemed	3,365,376,315
<b>Net issuance</b>	<b>567,586,185</b>

Source: MOF

Note: USD/EUR exchange rate used 1.3325 as per 2011 November exchange.

Total redemptions in 2011 amounted to \$ 3.37 billion, compared to \$ 2.15 billion in 2010. Of this amount, \$ 342 million are principal repayments for preferential-rate Eurobonds issued in the context of Paris II and \$ 30 million are principal repayments for preferential-rate Eurobonds issued in the context of Paris III<sup>83</sup>. In addition to 2011 maturing-Eurobonds, the redemptions amount also includes the early redemption of market-issued Eurobonds maturing in 2012 as a result of the November 2011 voluntary exchange transaction. As for total issuances, they amounted to \$ 3.93 billion, as the Lebanese Republic had recourse to four Eurobond issuances throughout the year: US\$ 265 million issuance on January 18th, 2011 undertaken through a Debt Replacement Agreement between the Ministry of Finance and Banque du Liban; US\$ 1 billion dual-tranche issuance on May 20th, 2011; US\$ 1.2 billion dual-tranche issuance on August 2nd, 2011 and a US\$ 1.47 billion voluntary debt exchange transaction and issuance of new notes on November 28th, 2011.<sup>84</sup>

<sup>83</sup> Eurobonds issued in the context of Paris II and III have an amortized redemption schedule.

<sup>84</sup> For more details on the first three transactions, kindly refer to the previous Public Finance Quarterly Reports and transaction brief notes available here [www.finance.gov.lb](http://www.finance.gov.lb). For details on the November 2011 voluntary exchange transactions, kindly refer to Box #7 below.

**Table 35: Terms and Conditions of Eurobonds issued in 2011**

Transaction	Series (tranche)	Amount issued	Currency	Coupon Rate	Issuance Yield	Issue Date	Maturity Date
January 2011 Debt Replacement Agreement with BDL	57(2)	265,000,000	USD	6.100	6.100	18-Jan-11	4-Oct-2022
May 2011 Dual-tranche transaction	57(3)	350,000,000	USD	6.100	6.475	20-May-11	4-Oct-2022
May 2011 Dual-tranche transaction	58	650,000,000	USD	6.000	6.000	20-May-11	20-May-2019
August 2011 Dual-tranche transaction	57(4)	700,000,000	USD	6.100	6.200	2-Aug-11	4-Oct-2022
August 2011 Dual-tranche transaction	59	500,000,000	USD	4.750	4.750	2-Aug-11	2-Nov-2016
November 2011 Exchange	60 & 60(2)	500,000,000	USD	5.450	5.450	28-Nov-11	28-Nov-2019
November 2011 Exchange	62 & 62(2)	445,000,000	EUR	5.350	5.350	28-Nov-11	28-Nov-2018
November 2011 Exchange	61 & 61(2)	375,000,000	USD	6.600	6.600	28-Nov-11	27-Nov-2026

**Box #7: Voluntary Debt Exchange Offer and New Cash Issuance**

As part of the Ministry of Finance's objective to conduct proactive debt management operations, the Lebanese Republic issued, on November 28th, 2011 the equivalent of US\$ 1.47 billion as a result of a voluntary debt exchange transaction and issuance of new notes. The transaction, launched on November 16<sup>th</sup>, 2011 and settled on November 28<sup>th</sup>, 2011, was jointly lead managed by Fransa Invest Bank, Standard Chartered, and Deutsche Bank.

The Ministry of Finance conducted a voluntary exchange offer of market Eurobonds maturing in 2012, specifically the following three Eurobonds: US\$ 600,000,000 7.500% due March 2012 Notes, US\$ 600,000,000 7.750% due September 2012 Notes, and €535,639,000 5.875% due April 2012 Notes. These Eurobonds were offered for exchange at the prices set forth in the following table.

**Table 36: Exchange Prices of the 2012 Eurobonds offered for exchange**

Original Notes	Outstanding Amt (in original currency )	Bid/Offer Price*	Exchange Price	Exchange Price to Bid
US\$ 7.500% March 2012	US\$ 600,000,000	102.000-102.625%	102.100	+10.00 bps
US\$ 7.750 September 2011	US\$ 600,000,000	104.150-104.875%	104.150	0 bps
EUR 5.875% April 2012	€ 535,639,000	101.000-101.750%	101.100	+10.00 bps

\* On November 15<sup>th</sup>, 2011 (1 day prior to announcement)

The voluntary exchange offer amounted to US\$ 1,229,625,215 and exhibited an aggregate participation rate of 64.3 percent mainly driven by the 78.6 percent participation ratio for the exchange on the EUR April 2012 Eurobond. The participation rate on the March 2012 bond was 21.2 percent and on the September 2012 bond 60.3 percent. The Republic also issued additional notes for cash amounting to US\$238,337,285. This new cash portion was almost three times oversubscribed, with international orders accounting for 19 percent of these subscriptions.

- The first series consisted of a US\$ 500 million 5.45% percent coupon Eurobond due November 2019 (Series 60).
- The second series was a US\$ 375 million 6.60 percent coupon Eurobond due November 2026 (Series 61) with

international orders accounting for 32 percent of subscriptions on the new cash portion (second tranche).

- The third series consisted of a €445 million 5.35% due November 2018 (Series 62).

**Table 37: Summary of New Notes**

New Notes	Yield	Coupon	Amount issued via exchange	Amount of new notes issued	Total notes issued
€ due November 2018	5.35%	5.35%	€420,942,000	€24,058,000	€445,000,000
USD due November 2019	5.45%	5.45%	US\$ 433,183,000	US\$ 66,817,000	US\$ 500,000,000
USD due November 2026	6.60%	6.60%	US\$ 235,537,000	US\$ 139,463,000	US\$ 375,000,000
<b>Total US\$*</b>			<b>US\$ 1,229,625,215</b>	<b>US\$ 238,337,285</b>	<b>US\$ 1,467,962,500</b>

\* Euro exchange rate (US\$/Euro) (24 November 2011 of 1.3325 EUR/USD)

The proceeds of the issue were utilized for refinancing operations.

First, the stock of outstanding loans retreated by 6.0 percent to LL 3,977 billion compared to LL 4,231 billion in 2010. Excluding fluctuations that are due to exchange rate variations, this decrease of LL 254 billion is due to the following:

- (a) The stock of Paris II loans declined by LL 109 billion due to two principal repayments of the *Agence Française de Développement (AFD)* Paris II loan that amounted to €30 million in February 2011 and €20 million in August 2011.
- (b) The stock of non-Paris II and Paris III **multilateral loans** fell by LL 96 billion, primarily due to the principal repayments of (i) LL 70 billion to the International Bank for Development and Reconstruction (IBRD), (ii) LL 53 billion to the European Investment Bank, (iii) LL 36 billion to the Arab Fund for Economic and Social Development and (iv) LL 35 billion to the Islamic Development Bank. The impact of these principal repayments on the outstanding stock of non-Paris II and Paris III multilateral loans was mitigated by the disbursement of:
  - i. LL 60 billion from twelve loans granted by the Arab Fund for Economic and Social Development
  - ii. LL 49 billion from four loans granted by the IBRD
  - iii. LL 36 billion from three loans granted by the European Investment Bank
  - iv. LL 24 billion from eight loans granted by the Islamic Development Bank
  - v. LL 7 billion from four loans granted by the Organization of Petroleum Exporting Countries (OPEC)



- (c) The stock of outstanding Paris III loans receded by LL 87 billion due to the redemption of the equivalent of SDR 25.375 million of the EPCA-I loan and the equivalent of AAD 2.730 million of the AMF loan.
- (d) The outstanding stock of foreign private sector loans decreased by LL 6 billion.

The drop in the above-mentioned items was in part offset by a LL 43 billion rise in the outstanding stock of non-Paris II and Paris III **bilateral loans**. This increase was recorded despite several principal repayments, of which LL 25 billion to the Kuwait Fund for Arab Economic Development, LL 15 billion to the Saudi Fund for Development, LL 14 billion to the Japan Bank for International Cooperation, LL 4.6 billion to the *Agence Française de Développement* and LL 3.1 billion to the Abu Dhabi Fund for Development. It was mainly the outcome of the disbursement of:

- (a) LL 43 billion from seven loans granted by the Kuwait Fund for Arab Economic Development
- (b) LL 34 billion from nine loans granted by the Saudi Fund for Development
- (c) LL 15 billion from a loan granted by Japan's Overseas Economic Cooperation Fund
- (d) LL 24 billion from four loans granted by AFD
- (e) LL 9 billion from three loans granted by the Abu Dhabi Fund

**Other foreign currency debt** increased by 8.11 percent to LL 80 billion, up from a lower stock of LL 74 billion in 2010. This was mainly the result of the issuance of US\$ 4.3 million worth of contractor bonds that were issued in September 2011 at a rate of 6.00 percent.

**Secondary market yields** on Lebanese Eurobonds retreated by an average of 47 bps<sup>85</sup> in 2011. This masks some quarterly activity. Yields witnessed an average increase of 59 bps during the first quarter of 2011, before rates reverting to their end-2010 levels, decreasing by an average of 58 bps over the course of QII 2011. During the third and the fourth quarters of the year, secondary market yields retreated by 4.6 bps and 3.1 bps respectively.<sup>86</sup>

<sup>85</sup> Calculated between December 31<sup>st</sup>, 2010 and December 31<sup>st</sup>, 2011 for those bonds that were outstanding at both dates.

<sup>86</sup> Calculated between September 30<sup>th</sup>, 2011 and December 31<sup>st</sup>, 2011 for those bonds that were outstanding at both dates.

Table 38: Lebanon Secondary Market Yields

Lebanese Issues	Bid Yield (%)					
	30-Sep 2011	11-Oct 2011	15-Nov 2011	5-Dec 2011	15-Dec 2011	31-Dec 2011
<u>EURO</u>						
LEB 5.875 12	5.71	4.21	4.16	-	-	-
LEB 5.350 18	-	-	-	5.39	5.41	5.35
<u>US Dollars</u>						
LEB 7.500 12	4.11	3.96	4.43	-	-	-
LEB 7.750 12	3.83	4.03	3.44	-	-	-
LEB 9.125 13	3.36	3.46	3.35	3.59	3.86	3.70
LEB 8.625 13	3.52	3.76	3.41	3.55	3.95	3.83
LEB 7.375 14	3.96	3.98	3.81	3.89	3.91	4.01
LEB 9.000 14	3.85	3.91	3.83	3.72	3.86	4.00
LEB 5.875 15	4.22	4.21	4.17	4.14	4.29	4.28
LEB 4.000 17 Av Life	4.37	4.60	4.38	4.35	4.27	4.48
LIEB 10.000 15	4.19	4.30	4.16	4.23	4.36	4.30
LEB 8.500 15	4.19	4.27	4.24	4.12	4.12	3.97
LEB 8.500 16	4.57	4.62	4.63	4.53	4.53	4.41
LEB 11.625 16	5.09	5.17	5.07	5.00	4.96	4.91
LEB 4.750 16	4.74	4.74	4.74	4.74	4.80	4.72
LEB 9.000 17	5.17	5.11	4.96	4.95	4.95	4.83
LEB 5.150 18	5.32	5.32	5.32	5.28	5.28	5.26
LEB 6.000 19	5.51	5.55	5.51	5.50	5.54	5.48
LEB 5.450 19	-	-	-	5.47	5.49	5.45
LEB 6.375 20	5.62	5.66	5.61	5.61	5.61	5.56
LEB 8.250 21	5.89	5.86	5.81	5.81	5.79	5.74
LEB 6.100 22	6.08	6.07	5.97	5.97	5.97	5.93
LEB 7.000 24	6.60	6.35	6.24	6.32	6.31	6.31
LEB 6.600 26	-	-	-	6.61	6.60	6.59

Source: Credit Suisse



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