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## General Overview

The first four months of 2018 ended with a higher fiscal deficit compared to the same period in 2017, as expenditures surged with the 2017 salary scale adjustment, increases in capital spending, payments to municipalities, and transfers to EDL, while revenues grew at a modest pace with a timing discrepancy in telecom revenues offsetting the effect of tax changes enacted in 2017.

The **total fiscal balance** recorded a deficit of LL 2,885 billion, compared to a deficit of LL 1,273 billion in the same period of 2017, while the **primary balance** sharply dropped to a deficit of LL 551 billion from a surplus of LL 942 billion. Consequently, **Gross Public Debt** expanded by 2.8 percent in April 2018 from end-2017.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Apr 2017	Jan-Apr 2018	% Change 2018/2017
<b>Total Budget and Treasury Receipts</b>	<b>5,555</b>	<b>5,746</b>	<b>3.4%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>6,828</b>	<b>8,631</b>	<b>26.4%</b>
•Interest Payments	2,154	2,272	5.5%
•Concessional loans principal payment <sup>1</sup>	62	62	-0.7%
•Primary Expenditures <sup>2</sup>	4,613	6,297	36.5%
<b>Total (Deficit)/Surplus</b>	<b>-1,273</b>	<b>-2,885</b>	<b>126.5%</b>
<b>Primary (Deficit)/Surplus</b>	<b>942</b>	<b>-551</b>	<b>-</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)

## Revenues

**Total revenues** edged up by LL 191 billion (3.4 percent) compared to the prior year to record LL 5,746 billion in Jan-Apr 2018. The deep drop in non-tax revenues was offset by the vast increase in tax revenues.

**Tax revenues** grew by LL 260 billion (6.5 percent) to reach LL 4,249 billion, with sharp increases in Taxes on income, profits, and capital gains and Domestic Taxes on Goods & Services components. Taxes on income, profits, and capital gains went up by LL 227 billion (21.7 percent), mainly affected by the increase in **Taxes on Interest Income** by LL 199 billion to reach LL 506 billion. In addition, **income tax on wages and salaries** also rose by LL 56 billion to reach LL 435 billion. However, **real estate registration fees** witnessed a huge fall in Jan-Apr 2018 by LL 69 billion (22.3 percent), as average prices of properties increased by 4.4 percent accompanied by a fall in their sales by 23.1 percent and a drop in the number of registered square meters by 13 percent. **Domestic taxes on goods and services** rose significantly by LL 126 billion (8.3 percent) to reach LL 1,650 billion over the covered period associated with the increase of LL 116 billion (8.7 percent) in **value added tax**, primarily due to the rise in VAT at customs by 16.2 percent. **Taxes on international trade** fell by LL 21 billion (3.0 percent) to reach LL 655 billion in Jan-Apr 2018, given primarily the decrease of LL 43 billion (9.7 percent) in excise taxes. In detail, tobacco exices declined by LL 39 billion (50.8 percent) along with the fall in

the value of tobacco-imported products by LL 47 billion (50.2 percent) from the prior year.

**Non-tax revenues** witnessed a deep fall in the covered period amounting to LL 295 billion (23.5 percent) to hit LL 962 billion. This was initiated by the sharp drop of LL 331 billion (38.8 percent) in **income from public institutions and government properties**; mainly due to a significant fall in **transfers from the Telecom Surplus** by LL 169 billion compared the prior year, and a decline of LL 143 billion (100 percent) in **revenues from Port of Beirut**. In addition, **vehicle control fees** fell by LL 26 billion (16 percent) in Jan-Apr 2018.

**Treasury receipts** witnessed an upward trend compared to the same period of the 2017, increasing by LL 226 billion to hit LL 535 billion in Jan-Apr 2018.

### Expenditures

**Total expenditures** hit LL 8,631 billion in Jan-Apr 2018, up from LL 6,828 billion in the same covered period in 2017 due to the higher spending within all sub-components, mainly in current and treasury expenditures.

**Current primary expenditures**<sup>1</sup> significantly rose by LL 949 billion (25 percent) to hit LL 4,744 billion, driven by a significant rise in **salaries, wages and social benefits** and in **retirement and end of service compensations** by LL 227 billion and LL 236 billion, respectively. In parallel, other increases in Jan-April 2018 include (i) **Transfers to EDL** by LL 241 billion to reach a new record of LL 787 billion, (ii) **transfers to hospitals** that inched up by LL 78 billion to reach LL 238 billion, as well as (iii) **contributions to non-public sectors** that rose by LL 23 billion to reach LL 78 billion. However, these increases were slightly counterbalanced by a LL 35 billion (41.9 percent) drop in **medicaments** to reach LL 48 billion in the covered period.

**Interest payments** reached LL 2,272 billion in Jan-Apr 2018, higher by LL 119 billion (5.5 percent) from the prior year, mainly as interest payments due on domestic debt increased by LL 101 billion (6.6 percent). Also, accompanied by slight rise in **foreign interest payments** by LL 17 billion (2.8 percent) to reach LL 630 billion.

**Capital expenditures** also expanded by LL 289 billion (74.8 percent) to hit LL 675 billion, as a result of a major rise in **construction in progress** expenses by LL 213 billion (86.4 percent), accompanied by an increase of LL 56 billion (77.1 percent) in **maintenance costs** to hit LL 128 billion. However, expenditures related to **CDR** significantly fell by LL 56 billion (48 percent).

**Treasury expenditures** grew by LL 424 billion to reach LL 728 billion in Jan-Apr 2018 compared to LL 304 billion in the same period of 2017. This upward trend was mainly a result of an increase in transfers to **municipalities** by the Ministry of Finance by LL 470 billion.

### Public Debt

**Gross public debt** extended to LL 123,229 billion in April 2018 compared to a value of L 119,898 billion in December 2017. Accordingly, net debt inflated by LL 3,114 billion (3.3 percent) to hit LL 107,641 billion, accompanied by a drop in public sector deposits by LL 71 billion to reach LL 15,588 billion at end-April.

<sup>1</sup> Current primary expenditures represent current expenditures excluding interest payment and debt service.

**Local currency debt** rose by LL 3,092 billion (4.2 percent), mainly due to the rise in central bank's debt by LL 4,450 billion (12.5 percent) to hit LL 40,030 billion in April 2018. On the other hand, local currency debt holdings by Commercial Banks dropped sharply by LL 1,716 billion (6.2 percent) to reach LL 26,040 billion. Slight changes were recorded in other local currency debt holdings, with TBs held by Public Entities increasing by LL 380 billion (4.3 percent) to reach LL 9,321 billion.

The stock of **foreign currency debt** grew by LL 239 billion (0.5 percent) to reach LL 46,060 billion. However, Paris II Related debt and Special T-bills in Foreign currency significantly fell by LL 71 billion (82.4 percent) and LL 27 billion (81.8 percent), respectively. However, this decrease was offset by a significant rise in accrued interest on Eurobonds by LL 299 billion (62.3 percent).

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	2017 Jan-Apr	2018 Jan-Apr	% Change 2018/2017
<b>Budget Revenues, of which</b>	<b>5,246</b>	<b>5,211</b>	<b>-0.7%</b>
Tax Revenues	3,990	4,249	6.5%
Non-Tax Revenues	1,257	962	-23.5%
<b>Treasury Receipts</b>	<b>309</b>	<b>535</b>	<b>73.3%</b>
<b>Total Revenues</b>	<b>5,555</b>	<b>5,746</b>	<b>3.4%</b>

Source: MOF, DGF

**Table 3: Tax Revenues**

(LL billion)	2017 Jan-Apr	2018 Jan-Apr	% Change 2018/2017
<b>Tax Revenues:</b>	<b>3,990</b>	<b>4,249</b>	<b>6.5%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which</b>	<b>1,047</b>	<b>1,275</b>	<b>21.7%</b>
Income Tax on Profits	245	240	-2.0%
Income Tax on Wages and Salaries	379	435	14.6%
Income Tax on Capital Gains & Dividends	84	71	-15.5%
Tax on Interest Income (7%)	307	506	64.6%
Penalties on Income Tax	32	23	-27.8%
<b>Taxes on Property, of which:</b>	<b>558</b>	<b>450</b>	<b>-19.4%</b>
Built Property Tax	185	171	-7.8%
Real Estate Registration Fees	312	242	-22.3%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>1,524</b>	<b>1,650</b>	<b>8.3%</b>
Value Added Tax	1,338	1,454	8.7%
Other Taxes on Goods and Services, of which:	141	137	-2.4%
Private Car Registration Fees	78	87	11.1%
Passenger Departure Tax	62	50	-19.8%
<b>Taxes on International Trade, of which:</b>	<b>675</b>	<b>655</b>	<b>-3.0%</b>
Customs	230	253	9.9%
Excises, of which:	445	402	-9.7%
Gasoline Excise	213	219	2.8%
Tobacco Excise	77	38	-50.8%
Cars Excise	154	141	-8.6%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>185</b>	<b>220</b>	<b>18.6%</b>

Source: MOF, DGF

**Table 4: Non-Tax Revenue**

(LL billion)	2017 Jan-Apr	2018 Jan-Apr	% Change 2018/2017
<b>Non-Tax Revenues</b>	<b>1,257</b>	<b>962</b>	<b>-23.5%</b>
<b>Income from Public Institutions and Government Properties, of which</b>	<b>853</b>	<b>522</b>	<b>-38.8%</b>
Income from Non-Financial Public Enterprises, of which:	734	426	-41.9%
<i>Revenues from Casino Du Liban</i>	40	45	12.4%
<i>Revenues from Port of Beirut</i>	143	0	-100.0%
<i>Budget Surplus of National Lottery</i>	1	1	-38.1%
<i>Transfer from the Telecom Surplus</i>	549	380	-30.8%
Transfer from Public Financial Institution (BDL)	61	60	-0.4%
Property Income (namely rent of Rafic Hariri International Airport)	56	34	-40.1%
Other Income from Public Institutions (interests)	2	1	-44.0%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>338</b>	<b>339</b>	<b>0.3%</b>
Administrative Fees, of which:	290	277	-4.5%
Notary Fees	12	24	99.2%
Passport Fees/ Public Security	88	91	3.6%
Vehicle Control Fees	160	134	-16.0%
Judicial Fees	10	9	-16.7%
Driving License Fees	7	7	-1.2%
Administrative Charges	15	14	-1.2%
Sales (Official Gazette and License Number)	1	1	-1.8%
Permit Fees (mostly work permit fees)	27	32	20.0%
Other Administrative Fees & Charges	5	14	160.4%
<b>Penalties &amp; Confiscations</b>	<b>12</b>	<b>12</b>	<b>1.4%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>54</b>	<b>89</b>	<b>65.3%</b>

Source: MOF, DGF

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	2017 Jan-Apr	2018 Jan-Apr	% Change 2018/2017
<b>1. Current Expenditures</b>	<b>6,011</b>	<b>7,078</b>	<b>17.8%</b>
1.a Personnel Cost, of which	2,585	3,075	18.9%
Salaries, Wages and Related Items	1,761	1,988	12.9%
Retirement and End of Service Compensations, of which:	712	948	33.1%
Retirement	620	722	16.4%
End of Service	92	225	-
Transfers to Public Institutions to Cover Salaries	112	139	24.4%
1.b Interest Payments 1/, of which:	2,154	2,272	5.5%
Domestic Interest Payments	1,541	1,642	6.6%
Foreign Interest Payments	613	630	2.8%
1.c Accounting Adjustments	0	0	-
1.d Foreign Debt Principal Repayment	62	62	-0.7%
1.e Materials and Supplies, of which:	147	129	-12.5%
Nutrition	24	25	2.7%
Fuel Oil	14	13	-6.4%
Medicaments	83	48	-41.9%
1.f External Services	49	105	112.5%
1.g Various Transfers, of which:	768	1,080	40.6%
EDL 2/	546	787	44.1%
NSSF	0	0	-
Higher Council of Relief	21	0	-100.0%
Contributions to non-public sectors	55	78	42.5%
Transfers to Directorate General of Cereals and Beetroot 3/	15	17	12.2%
1.h Other Current, of which:	207	325	57.3%
Hospitals	160	238	49.0%
Others (judgments & reconciliations, mission costs, other)	44	83	89.4%
1.i Interest Subsidy	39	31	-20.8%
<b>2. Capital Expenditures</b>	<b>386</b>	<b>675</b>	<b>74.8%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	30	-
2.b Equipment	28	30	10.1%
2.c Construction in Progress, of which:	246	459	86.4%
Displaced Fund	0	10	-
Council of the South	13	6	-53.1%
CDR	116	60	-48.0%
Ministry of Public Work and Transport	51	47	-6.5%
Other of which:	61	81	32.4%
Higher Council of Relief	6	11	92.7%
2.d Maintenance	72	128	77.1%
2.e Other Expenditures Related to Fixed Capital Assets	40	27	-30.9%
<b>3. Budget Advances 4/</b>	<b>97</b>	<b>101</b>	<b>3.8%</b>
<b>4. Customs Administration (exc. Salaries and Wages) 5/</b>	<b>29</b>	<b>48</b>	<b>63.9%</b>
<b>5. Treasury Expenditures 6/</b>	<b>304</b>	<b>728</b>	<b>139.3%</b>
Municipalities	86	556	-
Guarantees	41	34	-18.8%
Deposits 7/	91	44	-51.9%
Other, of which:	86	95	10.2%
VAT Refund	69	67	-2.2%
<b>6. Unclassified Expenditures</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>7. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>6,828</b>	<b>8,631</b>	<b>26.4%</b>

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

<sup>(1)</sup> For a detailed breakdown of interest payments, kindly refer to table 6.

<sup>(2)</sup> For a detailed breakdown of transfers to EDL, kindly refer to table 7. 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.

<sup>(3)</sup> Transfers to Directorate General of Cereals and Beetroot include both administrative expenses and payments for wheat subsidy.

<sup>(4)</sup> 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.

<sup>(5)</sup> Customs administrations include payments - excluding salaries and wages - made to customs and paid from customs cashiers. They can only be classified after Customs submit the supporting documents to the Directorate General of Finance.

<sup>(6)</sup> Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the eponym section appearing in the Fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts which are manually reclassified in their budgetary economic classification articles.

<sup>(7)</sup> Deposit payments are payments made by the treasury to public administrations, institutions, municipalities, and funds, from revenues it has collected on their behalf.

**Table 6: Details of Debt Service Transactions<sup>1</sup>**

(LL billion)	2017 Jan-Apr	2018 Jan-Apr	% Change 2018/2017
<b>Interest Payments</b>	<b>2154</b>	<b>2272</b>	<b>5.5%</b>
Local Currency Debt	1541	1642	6.6%
Foreign Currency Debt, of which:	613	630	2.8%
Eurobond Coupon Interest*	588	607	3.2%
Special bond Coupon Interest*	1	1	-46.2%
Concessional Loans Interest Payments	24	23	-3.9%

Source: MOF, DGF

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

\* Includes general expenses related to the transaction

**Table 7: Transfers to EDL**

(LL billion)	2017 Jan-Apr	2018 Jan-Apr	% Change 2018/2017
<b>EDL of which:</b>	<b>546</b>	<b>787</b>	<b>44.1%</b>
Debt Service	7	6	-16.7%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	539	781	44.9%
Transfer Electricity Syria	-	19	-

Source: MOF, DGF

<sup>(1)</sup> Prior to 2005, transfers to EDL were recorded under the line item "treasury expenditures", because they were paid through treasury advances based on decrees issued by the Council of Ministers. Starting 2005, transfers to EDL were included in the yearly budget as an allocation classified as a loan. In 2009, the said budget item was reclassified to become a subsidy to the electricity company rather than a treasury. In the fiscal performance, transfers to cover EDL's gas and fuel oil costs remained classified under "treasury expenditures" until August 2010 when it was reclassified under "budget expenditures". This reclassification, however, was not reflected in the 2010 PFM issues to avoid a disruption in the series and in order to keep the figures published in the PFM throughout 2010 consistent and comparable. Since January 2011, EDL transfers have been reclassified under "budget expenditures".



## SECTION 3: PUBLIC DEBT

**Table 8: Public Debt Outstanding by Holder as of End-April 2018**

(LL billion)	Dec-16	Dec-17	Apr-18	% Change Apr 18 – Dec 17
<b>Gross Public Debt</b>	<b>112,910</b>	<b>119,898</b>	<b>123,229</b>	<b>2.8%</b>
<b>Local Currency Debt</b>	<b>70,528</b>	<b>74,077</b>	<b>77,169</b>	<b>4.2%</b>
* Accrued Interest Included in Debt	1,098	1,159	1,226	5.8%
a. Central Bank	30,150	35,580	40,030	12.5%
b. Commercial Banks (Including REPOs) 1/	29,581	27,756	26,040	-6.2%
c. Other Local Currency Debt (T-bills), of which:	10,797	10,741	11,099	3.3%
Public Entities	8,718	8,941	9,321	4.3%
Contractor bonds 2/	139	166	166	0.0%
<b>Foreign Currency Debt 3/</b>	<b>42,382</b>	<b>45,821</b>	<b>46,060</b>	<b>0.5%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,506	2,979	3,037	2.0%
b. Paris II Related Debt (Eurobonds and Loans) 4/	631	86	15	-82.4%
c. Paris III Related Debt (Eurobonds and Loans) 5/	660	452	424	-6.3%
d. Market-Issued Eurobonds	38,063	41,791	41,799	0.0%
e. Accrued Interest on Eurobonds	458	480	779	62.3%
f. Special T-bills in Foreign Currency 6/	63	33	6	-81.8%
<b>Public Sector Deposits</b>	<b>14,586</b>	<b>15,659</b>	<b>15,588</b>	<b>-0.5%</b>
<b>Net Debt 7/</b>	<b>98,324</b>	<b>104,239</b>	<b>107,641</b>	<b>3.3%</b>
<b>Gross Market Debt 8/</b>	<b>70,303</b>	<b>71,944</b>	<b>70,497</b>	<b>-2.0%</b>
<b>% of Total Debt</b>	<b>62%</b>	<b>60%</b>	<b>57%</b>	<b>-4.7%</b>

Source: MOF, DGF

<sup>(1)</sup> Since August 2017 REPOs are removed from central bank and added to commercial banks.

<sup>(2)</sup> Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency".

<sup>(3)</sup> Figures for Dec 16- Dec 17 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

<sup>(4)</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>(5)</sup> Eurobonds Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, the first tranche of the French loan received in February 2008 and the second tranche received in October 2012.

<sup>(6)</sup> Special Tbs in foreign currency (expropriation and contractor bonds).

<sup>(7)</sup> Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

<sup>(8)</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.



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