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General Overview

The fiscal deficit narrowed in the first 10 months of 2017 owing to an improvement of almost 14 percent in total revenues on one-off collections, and which outpaced a small rise in expenditures. The **total fiscal balance** registered a deficit of LL 3,762 billion in Jan-Oct 2017, narrowing by 25 percent from the same period in 2016, while the **primary surplus** widened significantly from LL 861 billion in Jan-Oct 2016 to LL 2,376 billion in the same period of 2017.

In details, tax revenues grew by 18 percent owing to higher collections from income taxes on profits, value-added tax, and real estate registration fees. On the expenditures front, transfers made to municipalities decreased by LL 491 billion but were offset by a rise of LL 553 billion in transfers to EDL and a LL 554 billion increase in personnel cost, as well as higher interest payments and payments to medicaments.

Table 1: Summary of Fiscal Performance

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
Total Budget and Treasury Receipts	12,750	14,501	13.7%
Total Budget and Treasury Payments, of which	17,765	18,263	2.8%
•Interest Payments	5,658	5,924	4.7%
•Concessional loans principal payment ¹	218	215	-1.4%
•Primary Expenditures ²	11,890	12,125	2.0%
Total (Deficit)/Surplus	-5,015	-3,762	-25.0%
Primary (Deficit)/Surplus	861	2,376	176.1%

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

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

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

Revenues

Total revenues increased by 13.7 percent to reach LL 14,501 billion in Jan-Oct 2017, compared to LL 12,750 billion in the same period of 2016.

Tax revenues were up by LL 1,652 billion (17.8 percent), reaching LL 10,951 billion in the first ten months of 2017. In fact, **taxes on income, profits and capital gains** were up by LL 1,138 billion (40.8 percent). Most of this increase could be attributed to income tax on profits and tax on interest income that grew by LL 953 billion and LL 62 billion, respectively. It is worth noting that the income tax on profits grew significantly year-on-year as financial institutions transferred exceptional revenues generated from the Central Bank's 2016 financial engineering. In addition, income tax on capital gains and dividends also increased by LL 61 billion (24.1 percent) to reach LL 316 billion in Jan-Oct 2017.

Property taxes rose by LL 173 billion (17.4 percent) in Jan-Oct 2017, mainly as real estate registration fees rose by LL 148 billion year-on-year (23.3 percent). It is worth mentioning that both the average price of properties and the number of sale transactions were up by 5 percent and 17 percent, respectively. Moreover, **fiscal stamp fees** grew by LL 33 billion (8.2 percent) over the covered period.

Domestic taxes on goods and services increased by LL 269 billion (8 percent) driven by a LL 213 billion increase in the Value-added Tax. Internal VAT rose by 5.2 percent, while VAT at customs inched up by 9.2 percent. Moreover, Passenger Departure Tax was up by LL 29 billion to reach LL 166 billion in Jan-Oct 2017.

Taxes on international trade increased by LL 39 billion (2.2 percent) in the first ten months of 2017, driven by higher collection of customs (2.2 percent) and excises (1.4 percent). In detail, the collection of gasoline excises rose by LL 8 billion (1.4 percent) mirroring the increase in the volume of imported gasoline. Moreover, car excise taxes increased by LL 27 billion (6.7 percent) owing to an increase in car imports. In contrast, tobacco excises dropped by LL 19 billion (10 percent), as the imports of tobacco products dropped over the period.

Non-tax revenues decreased by LL 114 billion to reach LL 2,545 billion in Jan-Oct 2017, mainly due to lower income from public institutions and government properties of LL 273 billion, of which LL 413 billion lower transfers from the Telecom surplus due to discrepancies in the timings of payments in spite of the increase in revenues of Port of Beirut by LL 110 billion.

Penalties and confiscations dropped by LL 6 billion, while **other non-tax revenues** rose by LL 91 billion to reach LL 247 billion in Jan-Oct 2017. **Administrative fees and charges** also increased by LL 74 billion as a result of higher vehicle control fees (49.7 percent) and passport fees (2.9 percent).

Treasury receipts rose by LL 213 billion (26.9 percent) to reach LL 1,005 billion by end-October 2017. It is worth mentioning that treasury receipts are transitory in nature and as such, variations in these collections are usually not reflective of economic activity.

Expenditures

Total expenditures recorded an increase of LL 498 billion (2.8 percent) and stood at LL 18,263 billion in Jan-Oct 2017.

Current primary expenditures¹ increased by LL 810 billion (9 percent) to reach LL 9,850 billion in the first ten months of 2017 mainly as a result of increases in (i) **personnel cost** by LL 554 billion, mainly driven by an increase in **salaries, wages and social benefits** of LL 383 billion (9.6 percent) and **retirement and end of service compensations** of LL 140 billion (7.9 percent), and in (ii) **various transfers** driven by a rise of LL 553 billion (51.5 percent) in transfers to EDL. These increases were partly counterbalanced by a LL 102 billion (28.1 percent) drop in **transfers to hospitals** and by a LL 20 billion decrease in **transfers to NSSF** which were nil in Jan-Oct 2017.

Interest payments rose by LL 266 billion (4.7 percent) to reach LL 5,924 billion in Jan-Oct 2017, mainly driven by higher domestic and foreign interest payments. On the other hand, **foreign debt principal repayment** dropped by 1.4 percent to reach LL 215 billion in the covered period.

Capital expenditures increased by LL 69 billion to reach LL 897 billion in Jan-Oct 2017, chiefly due to a (i) LL 101 billion increase in transfers to **CDR**, (ii) LL 46 billion rise in transfers to **the Higher Council of Relief**, and (iii) LL 13 billion rise in transfers to the **Council of the South** despite the decrease in payments for maintenance by LL 41 billion.

¹ Current primary expenditures represent current expenditures excluding interest payments and foreign debt principal repayment.

Treasury expenditures witnessed a significant decrease of LL 570 billion to reach LL 1,080 billion in Jan-Oct 2017, mainly due to lower payments to Municipalities – from LL 1,046 billion in Jan-Oct 2016 to LL 555 billion in Jan-Oct 2017.

Public Debt Developments

Gross public debt reached LL 118,306 billion as of end-October 2017, increasing by LL 5,396 billion (4.8 percent) from end-2016, while net debt increased by only 4.1 percent as public sector deposits rose by 9.3 percent over the period.

Local currency debt increased by 5.8 percent to reach LL 74,594 billion as of end-October 2017, compared to LL 70,528 billion as of end-2016. In detail, Local Currency Debt holdings by the Central Bank increased by LL 4,795 billion, whereas Commercial Banks' holdings decreased by LL 979 billion. Local currency debt holdings by Public Entities increased by LL 223 billion to reach LL 8,941 billion.

The stock of **foreign currency debt** grew by the equivalent of LL 1,330 billion to LL 43,712 billion, mostly owing to a LL 1,154 billion increase in the value of outstanding Eurobonds. “Bilateral, multilateral and foreign private sector loans” rose by LL 471 billion, whereas Paris II and Paris III related bonds and loans decreased by LL 342 billion and LL 194 billion respectively, mainly due to amortized principal repayments.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
Budget Revenues, of which:	11,958	13,496	12.9%
Tax Revenues	9,299	10,951	17.8%
Non-Tax Revenues	2,659	2,545	-4.3%
Treasury Receipts	792	1,005	26.9%
Total Revenues	12,750	14,501	13.7%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
Tax Revenues:	9,299	10,951	17.8%
Taxes on Income, Profits, & Capital Gains, of which:	2,790	3,928	40.8%
Income Tax on Profits	1,103	2,056	86.4%
Income Tax on Wages and Salaries	690	747	8.3%
Income Tax on Capital Gains & Dividends	255	316	24.1%
Tax on Interest Income (5%)	693	755	8.9%
Penalties on Income Tax	49	54	8.8%
Taxes on Property, of which:	992	1,165	17.4%
Built Property Tax	224	249	11.5%
Real Estate Registration Fees	633	781	23.3%
Domestic Taxes on Goods & Services, of which:	3,355	3,624	8.0%
Value Added Tax	2,893	3,105	7.4%
Other Taxes on Goods and Services, of which:	335	380	13.6%
<i>Private Car Registration Fees</i>	196	213	8.7%
<i>Passenger Departure Tax</i>	137	166	21.0%
Taxes on International Trade, of which:	1,763	1,801	2.2%
Customs	589	611	3.7%
Excises, of which:	1,174	1,191	1.4%
<i>Gasoline Excise</i>	572	581	1.4%
<i>Tobacco Excise</i>	192	173	-10.0%
<i>Cars Excise</i>	405	432	6.7%
Other Tax Revenues (namely fiscal stamp fees)	400	433	8.2%

Source: MOF, DGF

Table 4: Non-Tax Revenues

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
Non-Tax Revenues	2,659	2,545	-4.3%
Income from Public Institutions and Government Properties, of which	1,842	1,569	-14.8%
Income from Non-Financial Public Enterprises, of which:	1,681	1,395	-17.0%
<i>Revenues from Casino Du Liban</i>	85	101	17.7%
<i>Revenues from Port of Beirut</i>	65	175	169.1%
<i>Budget Surplus of National Lottery</i>	40	41	2.6%
<i>Transfer from the Telecom Surplus</i>	1,489	1,076	-27.7%
Transfer from Public Financial Institution (BDL)	61	61	-0.6%
Property Income (namely rent of Rafic Hariri International Airport)	93	107	14.8%
Other Income from Public Institutions (interests)	6	6	-10.6%
Administrative Fees & Charges, of which:	624	698	11.9%
Administrative Fees, of which:	510	592	15.9%
<i>Notary Fees</i>	31	33	5.9%
<i>Passport Fees/ Public Security</i>	232	238	2.9%
<i>Vehicle Control Fees</i>	165	248	49.7%
<i>Judicial Fees</i>	24	24	1.5%
<i>Driving License Fees</i>	18	20	8.0%
Administrative Charges	25	21	-16.8%
Sales (Official Gazette and License Number)	2	3	10.9%
Permit Fees (mostly work permit fees)	72	71	-1.5%
Other Administrative Fees & Charges	14	12	-12.7%
Penalties & Confiscations	36	31	-15.7%
Other Non-Tax Revenues (mostly retirement deductibles)	156	247	58.1%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
1. Current Expenditures	14,915	15,988	7.2%
1.a Personnel Cost, of which:	6,070	6,624	9.1%
Salaries, Wages and Related Items	3,975	4,357	9.6%
Retirement and End of Service Compensations, of which:	1,783	1,923	7.9%
Retirement	1,501	1,651	9.9%
End of Service	282	273	-3.3%
Transfers to Public Institutions to Cover Salaries	312	343	10.1%
1.b Interest Payments 1/, of which:	5,658	5,924	4.7%
Domestic Interest Payments	3,809	3,975	4.4%
Foreign Interest Payments	1,849	1,949	5.4%
1.c Accounting Adjustments 2/	43	0	-
1.d Foreign Debt Principal Repayment	218	215	-1.4%
1.e Materials and Supplies, of which:	308	415	35.0%
Nutrition	67	65	-3.7%
Fuel Oil	38	36	-3.0%
Medicaments	129	243	88.2%
1.f External Services	120	126	4.7%
1.g Various Transfers, of which:	1,905	2,197	15.3%
EDL 3/	1,074	1,627	51.5%
NSSF	20	0	-
Higher Council of Relief	1	41	-
Contributions to non-public sectors	288	275	-4.5%
Transfers to Directorate General of Cereals and Beetroot 4/	0	16	-
Contributions to water authorities	0	0	-
Special Tribunal for Lebanon	0	0	-
1.h Other Current, of which:	465	370	-20.5%
Hospitals	364	262	-28.1%
Others (judgments & reconciliations, mission costs, other)	94	100	6.5%
1.i Interest Subsidy	128	118	-8.1%
2. Capital Expenditures	828	897	8.3%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	2	-
2.b Equipment	57	50	-11.6%
2.c Construction in Progress, of which:	562	694	23.4%
Displaced Fund	15	30	100.0%
Council of the South	27	40	50.0%
CDR	286	387	35.4%
Ministry of Public Work and Transport	91	83	-8.9%
Other of which:	136	144	5.6%
Higher Council of Relief	4	50	-
2.d Maintenance	149	108	-27.8%
2.e Other Expenditures Related to Fixed Capital Assets	61	44	-27.8%
3. Budget Advances 5/	286	226	-21.2%
4. Customs Administration (exc. Salaries and Wages) 6/	80	72	-10.4%
5. Treasury Expenditures 7/	1,650	1,080	-34.6%
Municipalities	1,046	555	-47.0%
Guarantees	69	90	30.1%
Deposits 8/	225	213	-5.1%
Other, of which:	310	222	-28.5%
VAT Refund	218	184	-15.4%
6. Unclassified Expenditures	5	0	-
7. Total Expenditures (Excluding CDR Foreign Financed)	17,765	18,263	2.8%

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

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

⁽²⁾ It is worth noting that amounts of LL41.4 billion in coupons and 1.9 billion in discounted interest payments due on 31/12/2015 were recorded in the accounting system on 2/1/2016.

⁽³⁾ 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.

⁽⁴⁾ Transfers to Directorate General of Cereals and Beetroot include both administrative expenses and payments for wheat subsidy.

⁽⁵⁾ 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.

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

⁽⁷⁾ 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.

⁽⁸⁾ 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 Transactions¹

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
Interest Payments	5,658	5,924	4.7%
Local Currency Debt	3,809	3,975	4.4%
Foreign Currency Debt, of which:	1,849	1,949	5.4%
Eurobond Coupon Interest*	1,775	1,877	5.7%
Special bond Coupon Interest*	3	2	-32.0%
Concessional Loans Interest Payments	70	70	0.1%
Foreign Debt Principal Repayment	218	215	-1.4%

Source: MOF, DGF

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

* Includes general expenses related to the transaction

Table 7: Transfers to EDL¹

(LL billion)	2016 Jan-Oct	2017 Jan-Oct	% Change 2017/2016
EDL, of which:	1,074	1,627	51.5%
Debt Service	20	15	-26.6%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,054	1,569	48.8%

Source: MOF, DGF

⁽¹⁾ Prior to 2005, transfers to EDL were recorded under the line item "treasury expenditures", because they were paid through treasury advances based on decrees issued by the Council of Ministers. Starting 2005, transfers to EDL were included in the yearly budget as an allocation classified as a loan. In 2009, the said budget item was reclassified to become a subsidy to the electricity company rather than a treasury. In the fiscal performance, transfers to cover EDL's gas and fuel oil 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-October 2017

(LL billion)	Dec-15	Dec-16	Oct-17	% Change Oct 17-Dec 16
Gross Public Debt	106,031	112,910	118,306	4.8%
Local Currency Debt	65,195	70,528	74,594	5.8%
* <i>Accrued Interest Included in Debt</i>	997	1,098	1,280	16.6%
a. Central Bank	23,907	30,150	34,945	15.9%
b. Commercial Banks(Including REPOs) 1/	30,279	29,581	28,602	-3.3%
c. Other Local Currency Debt (T-bills), of which:	11,009	10,797	11,047	2.3%
<i>Public Entities</i>	8,461	8,718	8,941	2.6%
<i>Contractor bonds 2/</i>	180	139	166	19.4%
Foreign Currency Debt 3/	40,836	42,382	43,712	3.1%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,495	2,506	2,977	18.8%
b. Paris II Related Debt (Eurobonds and Loans) 4/	1,182	631	290	-54.1%
c. Paris III Related Debt (Eurobonds and Loans) 5/	810	660	466	-29.4%
d. Market-Issued Eurobonds	35,846	38,063	39,217	3.0%
e. Accrued Interest on Eurobonds	435	458	725	58.3%
f. Special T-bills in Foreign Currency 6/	68	63	37	-41.3%
Public Sector Deposits	13,227	14,268	15,598	9.3%
Net Debt 7/	92,804	98,642	102,708	4.1%
Gross Market Debt 8/	69,200	70,303	70,770	0.7%
% of Total Debt	65%	62%	60%	-3.9%

Source: MOF, DGF

⁽¹⁾ Since August 2017 REPOS are removed from central bank and added to commercial banks.

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

⁽³⁾ Figures for Dec 15- Dec 16 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

⁽⁴⁾ 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.

⁽⁵⁾ Eurobonds Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first and second tranches of the French loan received in February 2008.

⁽⁶⁾ Special Tbs in foreign currency (expropriation and contractor bonds).

⁽⁷⁾ Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

⁽⁸⁾ 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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