REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Public Finance Monitor

November 2017

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General Overview

Following an improvement of almost 13 percent in budget and treasury receipts that was mostly driven by exceptional taxes on corporate profits (See Revenue Section), the fiscal deficit narrowed by 23 percent in the first eleven months of 2017 relative to the same period in 2016. The **total fiscal balance** registered a deficit of LL 5,089 billion in Jan-Nov 2017 compared to a deficit of LL 6,640 billion in Jan-Nov 2016, while the **primary surplus** widened significantly from LL 239 billion to LL 2,173 billion.

Table 1: Summary of Fiscal Performance

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
Total Budget and Treasury Receipts	**13,744**	**15,465**	**12.5%**
Total Budget and Treasury Payments, *of which*	**20,383**	**20,554**	**0.8%**
•Interest Payments	6,592	6,982	5.9%
•Concessional loans principal payment[1]	287	280	-2.3%
•Primary Expenditures[2]	13,505	13,291	-1.6%
Total (Deficit)/Surplus	**-6,640**	**-5,089**	**-23.4%**
Primary (Deficit)/Surplus	**239**	**2,173**	**-**

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 12.5 percent to reach LL 15,465 billion in Jan-Nov 2017, compared to LL 13,744 billion in the same period of 2016.

Tax revenues were up by LL 1,716 billion (17.3 percent), reaching LL 11,631 billion in the first eleven months of 2017. In fact, taxes on income, profits and capital gains were up by LL 1,166 billion (40.3 percent). Most of this increase could be attributed to income tax on profits and income tax on capital gains and dividends that grew by LL 965 billion and LL 64 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, tax on interest income also increased by LL 64 billion (8.4 percent) to reach LL 822 billion in Jan-Nov 2017.

Property taxes rose by LL 182 billion (16.8 percent) in Jan-Nov 2017, mainly as real estate registration fees rose by LL 159 billion year-on-year (22.6 percent). It is worth mentioning that both the average price of properties and the number of sale transactions were up by 6 percent and 15 percent, respectively. Moreover, fiscal stamp fees grew by LL 45 billion (10.3 percent) to reach LL 475 billion over the covered period.

Domestic taxes on goods and services increased by LL 283 billion (7.9 percent) driven by a LL 227 billion increase in the Value-added Tax. Internal VAT rose by 5 percent, while VAT at customs inched up by 9.3 percent. Moreover, Passenger Departure Tax was up by LL 26 billion (16.6 percent) to reach LL 184 billion in Jan-Nov 2017.

Taxes on international trade increased by LL 41 billion (2.1 percent) driven by higher collection of customs (4.4 percent) and excises (0.9 percent). In details, the collection of gasoline excises rose by LL 17 billion (2.8 percent) mirroring the higher volume of imported gasoline. Moreover, car excise taxes increased by LL 23 billion (5.1 percent) owing to an increase in car imports. In contrast, tobacco excises dropped by LL 29 billion (13.9 percent), as the imports of tobacco products dropped over the period.

Non-tax revenues decreased by LL 201 billion to reach LL 2,773 billion in Jan-Nov 2017, mainly due to lower income from public institutions and government properties of LL 375 billion which mainly resulted from lower transfers from the Telecom surplus by LL 548 billion due to discrepancies in the timings of payments. On the other hand, Revenues from Port of Beirut and Casino Du Liban rose by LL 39 billion and LL 18 billion to reach LL 175 billion and LL 111 billion respectively. Property income (namely rent of Rafic Hariri International Airport) also increased by LL 125 billion to reach LL 223 billion.

Administrative Fees & Charges rose by LL 76 billion (11.1 percent) as a result of increases in all sub-categories, as well as Other non-tax revenues that grew by LL 102 billion (59.7 percent) to reach LL 274 billion in Jan-Nov 2017.

Treasury receipts rose by LL 205 billion (24 percent) to reach LL 1,060 billion by end-November 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 170 billion (0.8 percent) and stood at LL 20,554 billion in Jan-Nov 2017.

Current primary expenditures[1] increased by LL 755 billion (7.5 percent) to reach LL 10,769 billion in the first eleven months of 2017, mainly as a result of increases in i) Personnel cost by LL 657 billion, driven by an increase in salaries, wages and social benefits of LL 422 billion (9.8 percent) and retirement and end of service compensations of LL 171 billion (8.7 percent), (ii) various transfers driven by a rise of LL 498 billion in transfers to EDL, and iii) Medicaments by LL 85 billion (40.8 percent). These increases were partly counterbalanced by decreases of LL 70 billion and LL 62 billion in transfers to NSSF and transfers to hospitals respectively.

Interest payments rose by LL 390 billion (5.9 percent) to reach LL 6,982 billion in Jan-Nov 2017, mainly driven by higher domestic and foreign interest payments. On the other hand, **foreign debt principal repayment** dropped by 2.3 percent to reach LL 280 billion in the covered period.

Capital expenditures increased by LL 33 billion to reach LL 989 billion in Jan-Nov 2017, chiefly due to a (i) LL 91 billion increase in transfers to CDR, (ii) LL 43 billion rise in transfers to the Higher Council of Relief, and (iii) LL 15 billion rise in transfers to the Displaced Fund. These increases were counterbalanced by decreases in (i) Maintenance by LL 53 billion to reach LL 127 billion, (ii) Other expenditures related to Fixed Capital Assets by LL 17 billion to reach LL 45 billion, and iii) Transfers to the Ministry of Public Work and Transport by LL 13 billion to reach LL 88 billion.

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

Treasury expenditures witnessed a significant decrease of LL 958 billion to reach LL 1,177 billion in Jan-Nov 2017, mainly due to lower payments to Municipalities – from LL 1,481 billion in Jan-Nov 2016 to LL 562 billion in Jan-Nov 2017.

Public Debt Developments

Gross public debt reached LL 119,656 billion as of end-November 2017, increasing by LL 6,746 billion (6 percent) from end-2016, while net debt grew by 6.6 percent as public sector deposits rose by 1.3 percent over the covered period.

Local currency debt increased by 4.6 percent to reach LL 73,764 billion as of end-November 2017, compared to LL 70,528 billion as of end-2016. In detail, local currency debt holdings by the Central Bank increased by LL 3,927 billion, whereas Commercial Banks' holdings decreased by LL 994 billion. Local currency debt holdings by Public Entities increased by LL 313 billion to reach LL 9,031 billion.

The stock of **foreign currency debt** grew by the equivalent of LL 3,510 billion to LL 45,892 billion, mostly owing to a LL 3,729 billion increase in the value of outstanding Eurobonds. "Bilateral, multilateral and foreign private sector loans" rose by LL 454 billion, whereas Paris II and Paris III related bonds and loans decreased by LL 356 billion and LL 211 billion respectively, mainly due to amortized principal repayments.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
Budget Revenues, of which:	**12,889**	**14,404**	**11.8%**
Tax Revenues	9,914	11,631	17.3%
Non-Tax Revenues	2,974	2,773	-6.8%
Treasury Receipts	**855**	**1060**	**24.0%**
Total Revenues	**13,744**	**15,465**	**12.5%**

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
Tax Revenues:	**9,914**	**11,631**	**17.3%**
Taxes on Income, Profits, & Capital Gains, of which:	**2,896**	**4,062**	**40.3%**
Income Tax on Profits	1117	2082	86.4%
Income Tax on Wages and Salaries	695	755	8.7%
Income Tax on Capital Gains & Dividends	271	335	23.7%
Tax on Interest Income (5%)	758	822	8.4%
Penalties on Income Tax	54	66	23.5%
Taxes on Property, of which:	**1089**	**1272**	**16.8%**
Built Property Tax	236	261	10.8%
Real Estate Registration Fees	704	864	22.6%
Domestic Taxes on Goods & Services, of which:	**3,561**	**3,844**	**7.9%**
Value Added Tax	3,061	3,288	7.4%
Other Taxes on Goods and Services, of which:	372	417	11.9%
Private Car Registration Fees	213	231	8.5%
Passenger Departure Tax	158	184	16.6%
Taxes on International Trade, of which:	**1,937**	**1,978**	**2.1%**
Customs	648	677	4.4%
Excises, of which:	1,289	1,302	0.9%
Gasoline Excise	621	638	2.8%
Tobacco Excise	212	182	-13.9%
Cars Excise	452	475	5.1%
Other Tax Revenues (namely fiscal stamp fees)	**431**	**475**	**10.3%**

Source: MOF, DGF

Table 4: Non-Tax Revenues

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
Non-Tax Revenues	**2,974**	**2,773**	**-6.8%**
Income from Public Institutions and Government Properties, of which	**2,071**	**1,696**	**-18.1%**
Income from Non-Financial Public Enterprises, *of which:*	1,905	1,406	**-26.2%**
Revenues from Casino Du Liban	93	111	**19.0%**
Revenues from Port of Beirut	136	175	**29.1%**
Budget Surplus of National Lottery	50	42	**-17.5%**
Transfer from the Telecom Surplus	1,624	1,076	**-33.8%**
Transfer from Public Financial Institution (BDL)	61	61	**-0.6%**
Property Income (namely rent of Rafic Hariri International Airport)	97	223	**128.9%**
Other Income from Public Institutions (interests)	7	6	**-9.9%**
Administrative Fees & Charges, of which:	**692**	**769**	**11.1%**
Administrative Fees, *of which:*	561	648	**15.5%**
Notary Fees	34	38	**13.5%**
Passport Fees/ Public Security	254	260	**2.1%**
Vehicle Control Fees	184	270	**46.3%**
Judicial Fees	26	27	**5.2%**
Driving License Fees	20	21	**5.6%**
Administrative Charges	33	26	**-22.1%**
Sales (Official Gazette and License Number)	3	3	**9.0%**
Permit Fees (mostly work permit fees)	79	78	**-1.4%**
Other Administrative Fees & Charges	16	14	**-13.6%**
Penalties & Confiscations	**40**	**35**	**-12.0%**
Other Non-Tax Revenues (mostly retirement deductibles)	**172**	**274**	**59.7%**

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
1. Current Expenditures	**16,893**	**18,032**	**6.7%**
1.a Personnel Cost, *of which:*	6,626	7,283	9.9%
Salaries, Wages and Related Items	4,321	4,743	9.8%
Retirement and End of Service Compensations, of which:	1,959	2,131	8.7%
Retirement	1,654	1,830	10.6%
End of Service	305	301	-1.3%
Transfers to Public Institutions to Cover Salaries	346	409	18.2%
1.b Interest Payments 1/, *of which:*	6,592	6,982	5.9%
Domestic Interest Payments	4,138	4,443	7.4%
Foreign Interest Payments	2,454	2,539	3.5%
1.c Accounting Adjustments 2/	43	-47	-
1.d Foreign Debt Principal Repayment	287	280	-2.3%
1.e Materials and Supplies, *of which:*	407	487	19.6%
Nutrition	71	75	5.6%
Fuel Oil	40	41	1.3%

Medicaments	209	295	40.8%
1.f External Services	130	137	5.8%
1.g Various Transfers, *of which:*	2,164	2,344	8.4%
EDL 3/	1,236	1,734	40.3%
NSSF	70	0	-100.0%
Higher Council of Relief	2	41	-
Contributions to non-public sectors	305	295	-3.3%
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:*	481	429	-10.7%
Hospitals	369	307	-16.9%
Others (judgments & reconciliations, mission costs, other)	104	112	7.4%
1.i Interest Subsidy	163	136	-16.8%
2. Capital Expenditures	**956**	**989**	**3.4%**
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	2	-
2.b Equipment	63	60	-4.2%
2.c Construction in Progress, *of which:*	652	754	15.7%
Displaced Fund	15	30	100.0%
Council of the South	40	40	0.0%
CDR	328	419	27.6%
Ministry of Public Work and Transport	101	88	-13.0%
Other of which:	158	167	5.7%
Higher Council of Relief	7	50	-
2.d Maintenance	180	127	-29.3%
2.e Other Expenditures Related to Fixed Capital Assets	61	45	-27.1%
3. Budget Advances 5/	**305**	**274**	**-10.2%**
4. Customs Administration (exc. Salaries and Wages) 6/	**88**	**82**	**-7.6%**
5. Treasury Expenditures 7/	**2,135**	**1,177**	**-44.9%**
Municipalities	1,481	562	-62.1%
Guarantees	74	95	27.8%
Deposits 8/	231	276	19.3%
Other, *of which:*	349	245	-29.8%
VAT Refund	251	197	-21.4%
6. Unclassified Expenditures	**5**	**0**	**-100.0%**
7. Total Expenditures (Excluding CDR Foreign Financed)	**20,383**	**20,554**	**0.8%**

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, and amounts of LL 41.6 billion in coupons and LL 5.6 billion in discounted interest payments due on November 2017 were recorded in the accounting system on December 2017

(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 Transactions[1]

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
Interest Payments	**6,592**	**6,982**	**5.9%**
Local Currency Debt	4,138	4,443	7.4%
Foreign Currency Debt, *of which:*	2,454	2,539	3.5%
*Eurobond Coupon Interest**	2,366	2,453	3.7%
*Special bond Coupon Interest**	3	2	-32.0%
Concessional Loans Interest Payments	85	84	-0.6%
Foreign Debt Principal Repayment	**287**	**280**	**-2.3%**

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 EDL[1]

(LL billion)	2016 Jan-Nov	2017 Jan-Nov	% Change 2017/2016
EDL, of which:	**1,236**	**1,734**	**40.3%**
Debt Service	20	15	-26.6%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,216	1,648	35.6%

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-November 2017

(LL billion)	Dec-15	Dec-16	Nov-17	% Change Nov 17-Dec 16
Gross Public Debt	**106031**	**112,910**	**119,656**	**6.0%**
Local Currency Debt	**65,195**	**70,528**	**73,764**	**4.6%**
* *Accrued Interest Included in Debt*	997	1,098	1,287	17.2%
a. Central Bank	23,907	30,150	34,077	13.0%
b. Commercial Banks (Including REPOs) 1/	30,279	29,581	28,587	-3.4%
c. Other Local Currency Debt (T-bills), *of which:*	11,009	10,797	11,100	2.8%
Public Entities	8,461	8,718	9,031	3.6%
Contractor bonds 2/	180	139	166	19.4%
Foreign Currency Debt 3/	**40,836**	**42,382**	**45,892**	**8.3%**
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,495	2,506	2,960	18.1%
b. Paris II Related Debt (Eurobonds and Loans) 4/	1,182	631	276	-56.3%
c. Paris III Related Debt (Eurobonds and Loans) 5/	810	660	450	-31.9%
d. Market-Issued Eurobonds	35,846	38,063	41,792	9.8%
e. Accrued Interest on Eurobonds	435	458	377	-17.7%
f. Special T-bills in Foreign Currency 6/	68	63	37	-41.3%
Public Sector Deposits	**13,227**	**14,268**	**14,456**	**1.3%**
Net Debt 7/	**92804**	**98,642**	**105,200**	**6.6%**
Gross Market Debt 8/	**69,200**	**70,303**	**72,946**	**3.8%**
% of Total Debt	**65%**	**62%**	**61%**	**-2.1%**

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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