

TABLE OF CONTENTS

Revenues

Page 1-2

Expenditures

Page 2-3

Public Debt Developments

Page 3

General Overview

The **total fiscal balance** narrowed in the first half of 2019 recording a deficit of LL 3,646 billion compared to a deficit of LL 4,577 billion during the same period of 2018. This was associated with a large drop of LL 1,214 billion in total expenditures due to lower current, capital and treasury expenditures. On the other hand, total revenues retracted by LL 283 billion as treasury revenues significantly dropped by LL 427 billion (55.3 percent) year-on-year over the period under consideration. The minor increase in tax and non-tax revenues of LL 87 billion and LL 56 billion respectively was not enough to offset this drop.

Moreover, the **primary balance** shifted from a deficit of LL 234 billion in Jan-Jun 2018 to a surplus of LL 466 billion in Jan-Jun 2019.

Table 1: Summary of Fiscal Performance

(LL billion)	2018 Jan-Jun	2019 Jan-Jun	% Change 2019/2018
Total Budget and Treasury Receipts	8,956	8,673	-3.2%
Total Budget and Treasury Payments, of which	13,533	12,319	-9.0%
Interest Payments	4,196	3,966	-5.5%
Concessional loans principal payments 1/	147	146	-0.8%
Primary Expenditures 2/	9,190	8,207	-10.7%
Total (Deficit)/Surplus	(4,577)	(3,646)	-20.3%
Primary (Deficit)/Surplus	(234)	466	-

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 reached LL 8,673 billion in the first half of 2019, dropping by LL 283 billion (3.2 percent) compared to the same period of 2018.

Tax revenues amounted to LL 6,975 billion in Jan-Jun 2019, increasing by LL 87 billion (1.3 percent) from LL 6,888 billion in the same period of 2018, with a LL 492 billion surge in taxes on income, profits and capital gains despite the drop in all other tax sub-components, mainly domestic taxes on goods and services and taxes on property.

In details, the improvement in **taxes on income, profits and capital gains** resulted from a considerable rise in **tax on interest income** by LL 447 billion (58.2 percent)¹, in addition to a smaller rise of LL 64 billion (5.2 percent) in **income tax on profits** reaching LL 1,286 billion by the end of June 2019. On the other hand, **income tax on capital gains & dividends** witnessed a modest decrease of LL 7 billion (2.4 percent) to reach LL 280 billion during the covered period.

Real estate registration fees significantly dropped by LL 114 billion (31.5 percent), as both the number and the average price of sold properties fell by 20.1 percent and 11.9

¹ Driven by higher interest rates on deposits, with an average of 8.83 percent in Jan-Jun 2019 compared to 6.63 percent in Jan-Jun 2018 for LL deposits, and a year-to-date average of 5.70 percent in 2019 compared to 4.04 percent in 2018 for FX deposits.

percent² respectively. In addition, **built property taxes** also dropped by LL 30 billion to reach LL 168 billion in Jan-Jun 2019.

In parallel, **domestic taxes on goods and services** decreased by LL 181 billion (8.2 percent) to reach LL 2,016 billion in Jan-Jun 2019 associated with a drop of LL 177 billion (9.5 percent) in **value added tax** with both VAT collected at customs and internally collected VAT decreasing by 12.7 percent and 4.5 percent respectively.

In addition, **taxes on international trade** reached LL 943 billion in Jan-Jun 2019, following a drop of LL 58 billion (5.8 percent) from the previous year, primarily due to a LL 43 billion (11.4 percent) fall in **customs** collections. **Excises** also dropped by LL 14 billion (2.3 percent) driven by lower **car excise** by LL 67 billion (29.1 percent)³ despite the respective increases of LL 29 billion (50.5 percent) and LL 25 billion (7.5 percent) registered in **tobacco excise**⁴ and **gasoline excise**⁵.

Other tax revenues (namely fiscal stamps fees) decreased by LL 25 billion (8.3 percent) over the covered period with both cash and non-cash fiscal stamps dropping by 4.4 percent and 18.7 percent respectively.

Non-tax revenues grew by LL 56 billion (4.4 percent) year-on-year to reach LL 1,353 billion in Jan-Jun 2019. **Income from public institutions and government properties** increased by LL 148 billion (22.2 percent), led by higher (i) **revenues from Port of Beirut** by LL 75 billion (100 percent), (ii) **transfers from the Telecom Surplus** by LL 60 billion (12.4 percent), and (iii) **property income (namely rent of Rafic Hariri International Airport)** by LL 28 billion (64.6 percent). This was partly counterbalanced by a drop of LL 78 billion (16.3 percent) in **administrative fees and charges** as **vehicule control fees** decreased by LL 79 billion (43.0 percent) to reach LL 104 billion in Jan-Jun 2019.

Treasury receipts sharply dropped by LL 427 billion (55.3 percent) to reach LL 344 billion in the first half of 2019, compared to LL 771 billion during the same period of last year. It is worth mentioning that treasury receipts are transitory in nature and as such, variations in these collections are usually not reflective of the economic activity.

Expenditures

Total expenditures shrank by LL 1,214 billion (9.0 percent) to reach LL 12,319 billion in Jan-Jun 2019, down from LL 13,533 billion during Jan-Jun 2018 due to lower spending within all sub-components except personnel cost which rose by LL 140 billion (2.9 percent).

Current primary expenditures⁶ decreased by LL 373 billion (5.3 percent) to record LL 6,730 billion by the end of June 2019 driven by a fall in **various transfers** and **other current expenditures** by LL 263 billion (16.9 percent) and LL 142 billion (34.6 percent) respectively. In fact, **others (judgments& reconciliations , mission costs, other)** dropped by LL 122 billion (73.3 percent) to reach LL 45 billion. In addition, **salaries, wages and social benefits** also went down by LL 278 billion (8.9 percent) partly counterbalancing the LL 423 billion (28.8 percent) hike in **retirement and end of service compensations**.

² As per the data from the General Directorate of Land Registry and Cadastre.

³ Due to a 24.8 percent y-o-y drop in the value of car imports.

⁴ Reflecting a rise in imports of tobacco from LL 77 billion in Jan-Jun 2018 to LL 121 billion in Jan-Jun 2019.

⁵ With gasoline imports increasing year-on-year by 6.7 percent in volume during Jan-Jun 2019.

⁶ Current primary expenditures represent current expenditures excluding interest payment and debt service.

Interest payments amounted to LL 3,966 billion in the first half of 2019, down by LL 230 billion (5.5 percent) from the same period of 2018 due to lower interest payments on local currency debt by LL 205 billion (8.1 percent) reaching LL 2,326 billion. In addition, interest payments on foreign currency debt also decreased by LL 25 billion (1.5 percent) to reach LL 1,640 billion during the period under consideration.

Capital expenditures reached LL 534 billion following a decrease of LL 231 billion (30.2 percent) when compared to the same period last year, primarily driven by a drop of LL 192 billion (37.8 percent) in **construction in progress** despite a LL 104 billion (153.1 percent) increase in transfers to **CDR** to reach LL 171 billion during the period under consideration. This was accompanied by a fall in **acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks** and **maintenance** costs by LL 30 billion (99.0 percent) and LL 10 billion (6.6 percent) respectively.

Treasury expenditures decreased by LL 284 billion (25.5 percent) to reach LL 829 billion in Jan-Jun 2019. This retraction was mainly driven by a LL 253 billion (37.9 percent) drop in transfers to **municipalities** that reached LL 415 billion.

Public Debt

Gross public debt rose to LL 129,242 billion by the end of June 2019, higher by LL 895 billion (0.7 percent) from its December 2018 level. Consequently, net debt grew by LL 1,128 billion (1.0 percent) to record LL 115,289 billion as public sector deposits decreased by LL 233 billion reaching LL 13,953 billion by the end of the first half of 2019.

Local currency debt expanded by LL 2,734 billion (3.5 percent) compared to end-2018 level, mainly due to an increase in the Central bank holdings by LL 3,978 billion (10.2 percent) that was partly offset by respective drops of LL 826 billion (3.0 percent) and LL 418 billion⁷ (3.7 percent) in the Commercial banks and other local currency debt holdings.

On the other hand, the stock of **foreign currency debt** was cut down by LL 1,839 billion (3.6 percent) to reach LL 48,656 billion, as a result of a decrease in the market issued Eurobonds by LL 1,733 billion (3.7 percent) to record LL 44,945 billion. Paris II Related debt was fully amortized, while Paris III related debt, as well as “bilateral, multilateral, foreign private sector loans” dropped by LL 50 billion (14.6 percent) and LL 38 billion (1.3 percent) respectively between December 2018 and June 2019.

⁷ TBs held by the Public Entities dropped by LL 380 billion (3.8 percent) to reach LL 9,576 billion while contractor bonds recorded a smaller decrease of LL 33 billion reaching LL 133 billion by the end of June 2019.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018	2019	% Change
	Jan-Jun	Jan-Jun	2019/2018
Budget Revenues, of which:	8,185	8,328	1.8%
Tax Revenues	6,888	6,975	1.3%
Non-Tax Revenues	1,297	1,353	4.4%
Treasury Receipts	771	344	-55.3%
Total Revenues	8,956	8,673	-3.2%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018	2019	% Change
	Jan-Jun	Jan-Jun	2019/2018
Tax Revenues:	6,888	6,975	1.3%
Taxes on Income, Profits, & Capital Gains, of which:	2,769	3,261	17.8%
Income Tax on Profits	1,222	1,286	5.2%
Income Tax on Wages and Salaries	460	459	-0.4%
Income Tax on Capital Gains & Dividends	288	280	-2.4%
Tax on Interest Income	768	1215	58.2%
Penalties on Income Tax	31	20	-34.1%
Taxes on Property, of which:	618	476	-22.9%
Built Property Tax	198	168	-15.3%
Real Estate Registration Fees	363	249	-31.5%
Domestic Taxes on Goods & Services, of which:	2,196	2,016	-8.2%
Value Added Tax	1,873	1,695	-9.5%
Other Taxes on Goods and Services, of which:	218	186	-14.9%
Private Car Registration Fees	135	99	-26.8%
Passenger Departure Tax	82	86	5.0%
Taxes on International Trade, of which:	1,001	943	-5.8%
Customs	379	336	-11.4%
Excises, of which:	621	607	-2.3%
Gasoline Excise	326	351	7.5%
Tobacco Excise	58	87	50.5%
Cars Excise	230	163	-29.1%
Other Tax Revenues (namely fiscal stamp fees)	304	279	-8.3%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018 Jan-Jun	2019 Jan-Jun	% Change 2019/2018
Non-Tax Revenues	1,297	1,353	4.4%
Income from Public Institutions and Government Properties, of which:	667	815	22.2%
Income from Non-Financial Public Enterprises, of which:	559	680	21.7%
Revenues from Casino Du Liban	67	59	-12.9%
Revenues from Port of Beirut	0	75	-
Budget Surplus of National Lottery	11	6	-47.2%
Transfer from the Telecom Surplus	480	539	12.4%
Transfer from Public Financial Institution (BDL)	60	60	-0.1%
Property Income (namely rent of Rafic Hariri International Airport)	43	71	64.6%
Other Income from Public Institutions (interests)	4	3	-30.1%
Administrative Fees & Charges, of which:	478	400	-16.3%
Administrative Fees, of which:	396	307	-22.4%
Notary Fees	36	31	-12.0%
Passport Fees/ General Security	136	121	-11.1%
Vehicle Control Fees	183	104	-43.0%
Judicial Fees	14	15	14.0%
Driving License Fees	11	10	-10.6%
Administrative Charges	17	29	72.9%
Sales (Official Gazette and License Number)	2	1	-5.9%
Permit Fees (mostly work permit fees)	47	40	-15.1%
Other Administrative Fees & Charges	17	23	35.5%
Penalties & Confiscations	17	18	2.6%
Other Non-Tax Revenues (mostly retirement deductibles)	135	121	-10.2%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018 Jan-Jun	2019 Jan-Jun	% Change 2019/2018
1. Current Expenditures	11,446	10,842	-5.3%
1.a Personnel Cost, of which	4,802	4,942	2.9%
Salaries, Wages and social benefits	3,113	2,835	-8.9%
Retirement and End of Service Compensations, of which:	1,469	1,892	28.8%
Retirement	1,095	1,301	18.8%
End of Service	374	591	58.1%
Transfers to Public Institutions to Cover Salaries	220	215	-2.3%
1.b Interest Payments 1/, of which:	4,196	3,966	-5.5%
Domestic Interest Payments	2,531	2,326	-8.1%
Foreign Interest Payments	1,665	1,640	-1.5%
1.d Foreign Debt Principal Repayment	147	146	-0.8%
1.e Materials and Supplies, of which:	168	117	-30.4%
Nutrition	38	28	-27.0%
Fuel Oil	13	15	14.0%
Medicaments	64	27	-58.1%
1.f External Services	130	69	-46.8%
1.g Various Transfers, of which:	1,549	1,287	-16.9%
EDL 2/	1,113	1,081	-2.9%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	129	105	-18.8%
Transfers to Directorate General of Cereals and Beetroot	17	12	-28.7%
3/			
1.h Other Current, of which:	410	268	-34.6%
Hospitals	238	221	-7.0%
Others(judgments & reconciliations, mission costs, other)	167	45	-73.3%
1.i Other Financial expenses	1	1	-29.5%
1.j Interest subsidy	43	46	7.7%
2. Capital Expenditures	766	534	-30.2%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-99.0%
2.b Equipment	43	42	-1.9%
2.c Construction in Progress, of which:	509	317	-37.8%
Displaced Fund	10	0	-100.0%
Council of the South	40	19	-52.2%
CDR	68	171	153.1%
Ministry of Public Work and Transport	47	28	-40.9%
Other of which:	90	97	8.4%
Higher Council of Relief	11	20	-89.4%
2.d Maintenance	155	145	-6.6%
2.e Other Expenditures Related to Fixed Capital Assets	28	30	5.8%
3. Budget Advances 4/	134	43	-68.0%
4. Customs Administration (exc. Salaries and Wages) 5/	75	71	-4.5%
5. Treasury Expenditures 6/	1,112	829	-25.5%
Municipalities	668	415	-37.9%
Guarantees	45	46	1.6%
Deposits 7/	111	177	60.1%
Other, of which:	288	190	-34.1%
VAT Refund	116	151	30.0%
6. Total Expenditures (Excluding CDR Foreign Financed)	13,533	12,319	-9.0%

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⁾ 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.

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

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ 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.

⁽⁷⁾ 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)	2018	2019	% Change
	Jan-Jun	Jan-Jun	2019/2018
Interest Payments 1/	4,196	3,966	-5.5%
Local Currency Debt	2,531	2,326	-8.1%
Foreign Currency Debt, of which:	1,665	1,640	-1.5%
Eurobond Coupon Interest*	1,616	1,588	-1.7%
Specialbond Coupon Interest*	1	0	-82.2%
Concessional Loans Interest Payments	48	51	5.9%
Foreign Debt Principal Repayment	147	146	-0.8%

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

(LL billion)	2018	2019	% Change
	Jan-Jun	Jan-Jun	2019/2018
EDL of which:	1,113	1,081	-2.9%
Debt Service	6	2	-65.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil:	1,088	1,079	-0.8%
Transfer Electricity Syria	19	0	-100.0%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

Table 8: Public Debt Outstanding by Holder as of End-June 2019

(LL billion)	Dec-17	Dec-18	Jun-19	% Change Jun 19 / Dec 18
Gross Public Debt	119,892	128,347	129,242	0.7%
Local Currency Debt	74,077	77,852	80,586	3.5%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,162	3.5%
a. Central Bank	35,580	39,006	42,984	10.2%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	26,576	-3.0%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,026	-3.7%
<i>Public Entities</i>	8,941	9,956	9,576	-3.8%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
Foreign Currency Debt 3/	45,815	50,495	48,656	-3.6%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,882	-1.3%
b. Paris II Related Debt (Eurobonds and Loans) 4/	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) 5/	452	344	294	-14.6%
d. Market-Issued Eurobonds	41,791	46,678	44,945	-3.7%
e. <i>Accrued Interest on Eurobonds</i>	480	547	532	-2.7%
f. Special T-bills in Foreign Currency 6/	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	13,953	-1.6%
Net Debt 7/	104,233	114,161	115,289	1.0%
Gross Market Debt 8/	71,944	76,204	73,583	-3.4%
% of Total Debt	60%	59%	57%	-

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 17- Dec 18 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, the first tranche of the French loan received in February 2008 and the second tranche received in October 2012.

⁽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.

