

TABLE OF CONTENTS

Revenues

Page 1-2

Expenditures

Page 3

Public Debt Developments

Page 3-4

General Overview

The **total fiscal balance** reached a deficit of LL 5,415 billion during the first nine months of 2019 compared to a wider deficit of LL 6,795 billion registered in the same period of 2018 as public spending decreased by LL 1,648 billion (8.3 percent) following a major cut in discretionary spending. In details, lower spending in all sub-categories was recorded in Jan-Sep 2019, of which: (i) **transfers to CDR** by LL 179 billion (49.0 percent), (ii) **judgments, reconciliations and mission costs** by LL 164 billion (67.5 percent), (iii) **transfers to EDL** by LL 151 billion (8.1 percent) and (iv) spending on **medicaments** by LL 121 billion (55.5 percent).

On the other hand, government revenues dropped by LL 268 billion (2.0 percent) to reach LL 12,804 billion as treasury revenues recorded a significant decrease of LL 396 billion to reach LL 582 billion in Jan-Sep 2019, which was partially counterbalanced by an increase in tax and non-tax revenues by LL 85 billion (0.9 percent) and LL 43 billion (2.0 percent) respectively.

The **primary balance** recorded a surplus of LL 296 billion by the end of the third quarter of 2019 compared to a deficit of LL 891 billion during the same period of 2018.

Table 1: Summary of Fiscal Performance

(LL billion)	2018	2019	% Change
	Jan-Sep	Jan-Sep	2019/2018
Total Budget and Treasury Receipts	13,072	12,804	-2.0%
Total Budget and Treasury Payments, of which	19,867	18,219	-8.3%
Interest Payments	5,708	5,513	-3.4%
Concessional loans principal payments 1/	197	198	0.9%
Primary Expenditures 2/	13,962	12,508	-10.4%
Total (Deficit)/Surplus	(6,795)	(5,415)	-20.3%
Primary (Deficit)/Surplus	(891)	296	-

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 decreased by LL 268 billion (2.0 percent) year-on-year to reach LL 12,804 billion in Jan-Sep 2019.

Tax revenues reached LL 9,954 billion in Jan-Sep 2019, up by LL 85 billion (0.9 percent) from LL 9,868 billion registered during Jan-Sep 2018. This rise was driven by higher revenues from **taxes on income, profits, and capital gains**, whereby all other sub-categories witnessed a year-on-year decrease, with a significant drop observed in **domestic taxes on goods and services** and **taxes on property**.

In details, **taxes on income, profits and capital gains** increased by LL 653 billion (17.8 percent) year-on-year in Jan-Sep 2019, mainly as **tax on interest income** grew by LL 638 billion (48.6 percent) to reach LL 1,950 billion¹. **Income tax on profits** witnessed a modest year-on-year increase of LL 44 billion (3.4 percent) compared to the first nine months of 2018, not reflecting the expected effect of the tax rate increase for corporates from 15

¹ Driven by higher interest rates on deposits, with an average of 8.87 percent in Jan-Sep 2019 compared to 6.79 percent in Jan-Sep 2018 for LL deposits, and a year-to-date average of 5.89 percent in 2019 compared to 4.10 percent in 2018 for FX deposits.

percent to 17 percent applicable to the profits of 2018 in full. On the other hand, **income tax on capital gains & dividends** dropped by LL 21 billion (5.8 percent) to reach LL 349 billion by the end of September 2019.

In contrast, **taxes on property** witnessed a significant year-on-year decrease of LL 191 billion (22.7 percent) by the end of September 2019, mainly as **real estate registration fees** dropped by LL 154 billion (29.2 percent). This drop reflected the year-on-year decrease in both the number as well as the average price of sold properties by 14.6 percent and 5.0 percent respectively over the covered period². In addition, **built property tax** witnessed a decline of LL 39 billion (16.5 percent) over the covered period.

Domestic taxes on goods and services dropped by LL 255 billion (7.6 percent) year-on-year in Jan-Sep 2019, given a LL 273 billion (9.6 percent) decline in the **value added tax**³ coupled with a LL 54 billion (26.2 percent) decrease in **private car registration fees**. These drops were partly counterbalanced by higher transfers from **Régie profits** which increased by LL 65 billion (48.1 percent) year-on-year to reach LL 200 billion in Jan-Sep 2019.

Taxes on international trade dropped by LL 91 billion (5.9 percent) due to a decline in **cars excise** by LL 102 billion (29.5 percent) – reflecting the 26.1 percent drop in the value of car imports – along with a LL 57 billion (10.1 percent) decrease in **custom fees**. Yet these decreases were partially counterbalanced by a rise in both **gasoline excise** and **tobacco excise** by LL 40 billion (7.8 percent)⁴ and LL 30 billion (29.8 percent)⁵ respectively.

Finally, **other tax revenues (namely fiscal stamp fees)** decreased by LL 32 billion (7.0 percent) compared to the same period last year, to reach LL 418 billion in Jan-Sep 2019, reflecting a drop in the concluded contracts and consequently a slower economic activity.

Non-tax revenues recorded an increase of LL 43 billion (2.0 percent) to reach LL 2,268 billion in Jan-Sep 2019. In details, **income from public institutions and government properties** reached LL 1,439 billion increasing by LL 126 billion (9.6 percent) from its level a year earlier as **revenues from Port of Beirut** recorded a remarkable hike of LL 145 billion to reach LL 220 billion in Jan-Sep 2019 while **transfers from the Telecom surplus** fell by LL 40 billion compared to the same period of 2018 to reach LL 941 billion in Jan-Sep 2019.

On the other hand, **administrative fees and charges** dropped by LL 68 billion (9.9 percent) as collections from **vehicle control fees** and **passport fees** were down by LL 78 billion (31.3 percent) and LL 12 billion (5.8 percent) respectively, whereas **administrative charges** increased by LL 12 billion (60.6 percent)⁶.

Other non-tax revenues (mostly retirement deductibles) dropped by LL 15 billion (7.7 percent) to reach LL 179 billion in Jan-Sep 2019.

Treasury receipts witnessed a sharp decrease of LL 396 billion (40.5 percent) to reach LL 582 billion in Jan-Sep 2019 compared to LL 979 billion during the same period of the 2018. 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.

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

³ Owing to the 12.7 percent drop in the VAT collected at customs along with a 4.6 percent decline in the VAT collected internally.

⁴ With gasoline imports increasing year-on-year by 6.9 percent in volume during Jan-Sep 2019.

⁵ Reflecting a rise in imports of tobacco from LL 132 billion in Jan-Sep 2018 to LL 174 billion in Jan-Sep 2019.

⁶ Driven by higher revenues from Ports management by LL 8 billion (59.2 percent).

Expenditures

Total expenditures recorded a significant decrease of LL 1,648 billion (8.3 percent) to reach LL 18,219 billion in Jan-Sep 2019 due to lower spending within all main sub-components.

Current primary expenditures⁷ shrank by LL 750 billion (6.8 percent), reaching LL 10,242 billion in Jan-Sep 2019, as expenditures classified under **others (judgments & reconciliations, mission costs, other)** dropped by LL 164 billion (67.5 percent), coupled with a decline in transfers to **EDL** and spending on **medicaments** by LL 151 billion (8.1 percent) and LL 121 billion (55.5 percent) respectively. Also, **contributions to non-public sectors** declined by LL 79 billion (31.9 percent). In contrast, **personnel cost** increased by LL 142 billion (2.0 percent) year-on-year as **retirement and end of service compensations** increased by LL 207 billion (8.6 percent) of which **retirement payments** rose by LL 275 billion (16.1 percent) and **end of service compensations** dropped by LL 68 billion (10.0 percent). In addition, **transfers to Public Institutions to cover salaries and salaries, wages and social benefits** dropped by LL 45 billion (12.4 percent) and LL 20 billion (0.5 percent) respectively during the covered period.

Interest payments reached LL 5,513 billion in Jan-Sep 2019, LL 195 billion (3.4 percent) lower than the payments made a year earlier, as interest due on both **local currency debt** and **foreign currency debt** fell by LL 175 billion (4.8 percent) and LL 20 billion (1.0 percent) respectively. **Foreign debt principal repayments** remained almost the same reaching LL 198 billion by the end of the third quarter of 2019.

Capital expenditures shrank significantly by LL 383 billion (33.5 percent) to reach LL 758 billion in Jan-Sep 2019, due to a LL 440 billion (50.7 percent) decrease in the **construction in progress** expenses. In addition, **acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks** went down from LL 30 billion during Jan-Sep 2018 to nil in Jan-Sep 2019, while payments for **maintenance** increased by LL 77 billion (46.5 percent) compared to Jan-Sep 2018.

Treasury expenditures witnessed a significant decrease of LL 251 billion (16.4 percent) to reach LL 1,287 billion in Jan-Sep 2019, partly driven by a drop of LL 99 billion in transfers to **municipalities** which declined from LL 788 billion in Jan-Sep 2018 to LL 689 billion in Jan-Sep 2019.

Public Debt

Gross public debt grew to LL 130,815 billion by the end of September 2019 compared to a total of LL 128,347 billion by end-December 2018. In parallel, net debt increased by LL 3,569 billion (3.1 percent) to reach LL 117,730 billion, as public sector deposits declined by LL 1,101 billion (7.8 percent) over the period under review.

Local currency debt rose by LL 3,973 billion (5.1 percent) from its end-2018 level, with the central bank's holdings rising by LL 5,125 billion (13.1 percent) to reach LL 44,131 billion in September 2019. On the other hand, local currency debt holdings by commercial banks dropped by LL 1,188 billion (4.3 percent) to reach LL 26,214 billion. In contrast, other local currency debt holdings increased by LL 36 billion (0.3 percent) driven by the LL 124 billion (1.2 percent) rise in the stock of TBs held by Public Entities partly counterbalanced by the LL 33 billion (19.9 percent) decrease in the contractor bonds reaching LL 133 billion by the end of September 2019.

⁷ Current primary expenditures represent current expenditures excluding interest payment and debt service.

The stock of **foreign currency debt** decreased by LL 1,505 billion (3.0 percent) to reach LL 48,990 billion by the end of September 2019, mainly as the stock of market-issued Eurobonds dropped by LL 1,733 billion (3.7 percent) to reach LL 44,945 billion. In addition, “bilateral, multilateral and foreign private sector loans” and Paris III related bonds and loans both fell by LL 79 billion and LL 56 billion respectively compared to the end of 2018.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018	2019	% Change
	Jan-Sep	Jan-Sep	2019/2018
Budget Revenues, of which:	12,093	12,222	1.1%
Tax Revenues	9,868	9,954	0.9%
Non-Tax Revenues	2,225	2,268	2.0%
Treasury Receipts	979	582	-40.5%
Total Revenues	13,072	12,804	-2.0%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018	2019	% Change
	Jan-Sep	Jan-Sep	2019/2018
Tax Revenues:	9,868	9,954	0.9%
Taxes on Income, Profits, & Capital Gains, of which:	3,680	4,333	17.8%
Income Tax on Profits	1288	1332	3.4%
Income Tax on Wages and Salaries	671	675	0.7%
Income Tax on Capital Gains & Dividends	370	349	-5.8%
Tax on Interest Income	1312	1950	48.6%
Penalties on Income Tax	38	26	-31.7%
Taxes on Property, of which:	841	650	-22.7%
Built Property Tax	236	197	-16.5%
Real Estate Registration Fees	526	372	-29.2%
Domestic Taxes on Goods & Services, of which:	3,366	3,111	-7.6%
Value Added Tax	2,853	2,581	-9.6%
Other Taxes on Goods and Services, of which:	346	306	-11.7%
Private Car Registration Fees	206	152	-26.2%
Passenger Departure Tax	139	151	8.9%
Taxes on International Trade, of which:	1,532	1,441	-5.9%
Customs	559	503	-10.1%
Excises, of which:	972	938	-3.5%
Gasoline Excise	511	551	7.8%
Tobacco Excise	102	132	29.8%
Cars Excise	348	245	-29.5%
Other Tax Revenues (namely fiscal stamp fees)	450	418	-7.0%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018	2019	% Change
	Jan-Sep	Jan-Sep	2019/2018
Non-Tax Revenues	2,225	2,268	2.0%
Income from Public Institutions and Government Properties, of which:	1,313	1,439	9.6%
Income from Non-Financial Public Enterprises, of which:	1,180	1,282	8.7%
Revenues from Casino Du Liban	101	93	-8.1%
Revenues from Port of Beirut	75	220	192.7%
Budget Surplus of National Lottery	21	26	25.2%
Transfer from the Telecom Surplus	981	941	-4.1%
Transfer from Public Financial Institution (BDL)	60	60	-0.1%
Property Income (namely rent of Rafic Hariri International Airport)	66	92	38.0%
Other Income from Public Institutions (interests)	6	5	-24.3%
Administrative Fees & Charges, of which:	692	623	-9.9%
Administrative Fees, of which:	580	494	-14.8%
Notary Fees	54	50	-8.4%
Passport Fees/ General Security	211	199	-5.8%
Vehicle Control Fees	250	172	-31.3%
Judicial Fees	20	23	12.4%
Driving License Fees	17	16	-9.9%
Administrative Charges	20	32	60.6%
Sales (Official Gazette and License Number)	2	2	-4.0%
Permit Fees (mostly work permit fees)	69	67	-2.8%
Other Administrative Fees & Charges	20	28	35.5%
Penalties & Confiscations	26	28	4.4%
Other Non-Tax Revenues (mostly retirement deductibles)	194	179	-7.7%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018	2019	% Change
	Jan-Sep	Jan-Sep	2019/2018
1. Current Expenditures	16,896	15,953	-5.6%
1.a Personnel Cost, of which	7,253	7,395	2.0%
Salaries, Wages and social benefits	4,493	4,473	-0.5%
Retirement and End of Service Compensations, of which:	2,396	2,603	8.6%
Retirement	1,714	1,989	16.1%
End of Service	682	614	-10.0%
Transfers to Public Institutions to Cover Salaries	364	319	-12.4%
1.b Interest Payments 1/, of which:	5,708	5,513	-3.4%
Domestic Interest Payments	3,650	3,475	-4.8%
Foreign Interest Payments	2,058	2,038	-1.0%
1.d Foreign Debt Principal Repayment	197	198	0.9%
1.e Materials and Supplies, of which:	381	259	-32.2%
Nutrition	57	68	19.9%
Fuel Oil	33	28	-14.8%
Medicaments	219	97	-55.5%
1.f External Services	161	105	-34.7%
1.g Various Transfers, of which:	2,544	1,995	-21.6%
EDL 2/	1,861	1,709	-8.1%
NSSF	0	0	-
Higher Council of Relief	1	0	-
Contributions to non-public sectors	249	169	-31.9%
Transfers to Directorate General of Cereals and Beetroot 3/	18	12	-34.0%
1.h Other Current, of which:	568	413	-27.3%
Hospitals	317	330	4.3%
Others (judgments & reconciliations, mission costs, other)	243	79	-67.5%
1.i Other Financial expenses	1	1	-29.5%
1.j Interest subsidy	83	75	-9.9%
2. Capital Expenditures	1,141	758	-33.5%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-98.4%
2.b Equipment	47	55	16.9%
2.c Construction in Progress, of which:	867	428	-50.7%
Displaced Fund	10	0	-100.0%
Council of the South	40	49	22.2%
CDR	364	186	-49.0%
Ministry of Public Work and Transport	51	55	7.9%
Other of which:	148	137	-7.5%
Higher Council of Relief	59	35	-40.4%
2.d Maintenance	165	242	46.5%
2.e Other Expenditures Related to Fixed Capital Assets	31	33	6.7%
3. Budget Advances 4/	187	133	-29.1%
4. Customs Administration (exc. Salaries and Wages) 5/	104	88	-15.9%
5. Treasury Expenditures 6/	1,538	1,287	-16.4%
Municipalities	788	689	-12.6%
Guarantees	64	70	9.0%
Deposits 7/	208	245	17.6%
Other, of which:	478	283	-40.8%
VAT Refund	165	219	32.9%
6. Total Expenditures (Excluding CDR Foreign Financed)	19,867	18,219	-8.3%

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 Jan-Sep	2019 Jan-Sep	% Change 2019/2018
Interest Payments	5,708	5,513	-3.4%
Local Currency Debt	3,605	3,475	-4.8%
Foreign Currency Debt, of which:	2,058	2,038	-1.0%
Eurobond Coupon Interest*	1,989	1,962	-1.4%
Special bond Coupon Interest*	1	0	-84.7%
Concessional Loans Interest Payments	68	76	10.9%
Foreign Debt Principal Repayment	197	198	0.9%

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 Jan-Sep	2019 Jan-Sep	% Change 2019/2018
EDL of which:	1,861	1,709	-8.1%
Debt Service	9	4	-57.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,852	1,706	-7.9%
Transfer Electricity Syria	19	0	-

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	Sep-19	% Change Sep 19 – Dec 18
Gross Public Debt	119,892	128,347	130,815	1.9%
Local Currency Debt	74,077	77,852	81,825	5.1%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,300	15.8%
a. Central Bank	35,580	39,006	44,131	13.1%
b. Commercial Banks (Including REPOs) ^{1/}	27,756	27,402	26,214	-4.3%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,480	0.3%
<i>Public Entities</i>	8,941	9,956	10,080	1.2%
<i>Contractor bonds</i> ^{2/}	166	166	133	-19.9%
Foreign Currency Debt ^{3/}	45,815	50,495	48,990	-3.0%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,841	-2.7%
b. Paris II Related Debt (Eurobonds and Loans) ^{4/}	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) ^{5/}	452	344	288	-16.2%
d. Market-Issued Eurobonds	41,791	46,678	44,945	-3.7%
e. Accrued Interest on Eurobonds	480	547	913	66.9%
f. Special T-bills in Foreign Currency ^{6/}	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	13,085	-7.8%
Net Debt ^{7/}	104,233	114,161	117,730	3.1%
Gross Market Debt ^{8/}	71,944	76,204	73,550	-3.5%
% of Total Debt	60%	59%	56%	-

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.

