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## General Overview

Government finances registered an improvement in the first two months of 2017 from the same period a year earlier, as expenditures returned to their normal levels after having surged on account of exceptional transfers to municipalities<sup>1</sup>. Along with a rise in government revenues owing to increases in VAT and vehicle control fees, the **total fiscal balance** recorded a deficit of LL 244 billion, down by 78 percent from Jan-Feb 2016, while the primary balance recorded a surplus of LL 499 billion, compared to a deficit of LL 369 billion in Jan-Feb 2016.

**Table 1: Summary of Fiscal Performance**

(LL billion)	2016	2017	% Change 2017/2016
	Jan-Feb	Jan-Feb	
<b>Total Budget and Treasury Receipts</b>	<b>2,633</b>	<b>2,782</b>	<b>5.6%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>3,730</b>	<b>3,025</b>	<b>-18.9%</b>
•Interest Payments	695	707	1.6%
•Concessional loans principal payment <sup>1</sup>	33	36	8.8%
•Primary Expenditures <sup>2</sup>	3,002	2,283	-24.0%
<b>Total (Deficit)/Surplus</b>	<b>(1,097)</b>	<b>(244)</b>	<b>-77.8%</b>
<b>Primary (Deficit)/Surplus</b>	<b>(369)</b>	<b>499</b>	<b>N.M</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)

<sup>3</sup> N.M is Not Meaningful

## Revenues

**Total revenues** registered a year-on-year increase of LL 148 billion (5.6 percent) to reach LL 2,782 billion in Jan-Feb 2017, as compared to LL 2,633 billion in Jan-Feb 2016.

**Tax revenues** added LL 143 billion (8 percent) year-on-year to reach LL 1,907 billion with increases recorded in all major sub-categories except for a slight decrease in taxes on international trade. The improvement in tax collections was supported by ministry of finance decision to extend the deadline for the settlement of due taxes and reduce penalties on late payments until end-January 2017<sup>2</sup>.

**Domestic taxes on goods and services** grew by the highest nominal amount of LL 72 billion, with the **Value-added tax** rising by LL 52 billion. In detail, internally collected VAT increased by LL 32 billion as well as VAT at customs rose by LL 21 billion during Jan-Feb 2017. **Taxes on Income, Profits, and Capital Gains** increased by LL 51 billion with income tax on profits rising by LL 18 billion, and income tax on capital gains and dividends by LL 11 billion, or the equivalent of 40 percent. The latter was supported by new regulation on taxation of activities of trustees, and the abolishment of bearer shares<sup>3</sup>.

**Taxes on property** grew by LL 16 billion owing to higher built property tax of LL 13 billion (47 percent) and real estate registration fees of LL 6 billion (5 percent).

<sup>1</sup> In 2014, the Treasury collected an estimated LL 739 billion of telecom revenues on behalf of municipalities (of which LL 636 billion in arrears for the period 2010-2013). In Jan-Feb 2016, around LL 591 billion of those were transferred back to municipalities.

<sup>2</sup> Ministry of Finance decision n°2/1 dated January 3, 2017, published in the Official Gazette n°2 12/1/2017.

<sup>3</sup> Laws #74 and #75 dated October 27, 2016 and published in the National Gazette #52-2016.

In contrast, **Taxes on international trade** such as tobacco excise decreased by LL 5 billion offset by a LL 4 billion increase in cars excise and a LL 1 billion increase in gasoline excise.

**Non-tax revenues** increased by LL 71 billion year-on-year and amounted to LL 705 billion in Jan-Feb 2017. **Vehicle control fees** maintained a strong growth trend for the second month of the year reaching LL 115 billion, up from LL 31 billion in Jan-Feb 2016, owing to a reduction in penalties on late payments of vehicle control<sup>4</sup>.

**Treasury receipts** recorded a LL 66 billion (28 percent) drop to reach LL 170 billion in Jan-Feb 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.

### Expenditure

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**Total expenditures** reached LL 3,025 billion in Jan-Feb 2017, dropping from LL 3,730 billion (19 percent) in Jan-Feb 2016, mainly owing to the overstated payments of 2016 when funds owed to municipalities were transferred back.

**Current primary expenditures**<sup>5</sup> increased by LL 37 billion, reaching LL 1,874 billion in Jan-Feb 2017. This was mainly the result of (i) a LL 173 billion increase in transfers to EDL, (ii) a LL 57 billion increase in Salaries, Wages, and social benefits, and (iii) a LL 23 billion increase in payments for medicaments. In contrast, transfers to hospitals decreased by LL 53 billion and contributions to non-public sectors by LL 32 billion.

**Interest payments** rose by LL 11 billion to reach LL 707 billion in Jan-Feb 2017, with higher domestic interest payments (by LL 40 billion) and lower foreign interest payments (by LL 29 billion). **Foreign debt principal repayments** amounted to LL 36 billion up from LL 33 billion in the same period last year.

**Capital expenditures** increased by a slight LL 3 billion to reach LL 237 billion in Jan-Feb 2017, up from LL 234 billion in Jan-Feb 2016, with a LL 50 billion rise in construction in progress with transfers to the CDR rising by LL 74 billion, up from LL 42 billion in Jan-Feb 2016. This value was partly offset by a decrease in **other expenditures related to fixed capital assets**, which decreased by 94 percent to reach LL 2 billion in Jan-Feb 2017.

**Treasury expenditures**<sup>6</sup> dropped sharply by LL 723 billion to reach LL 134 billion in Jan-Feb 2017, as compared to LL 858 billion in Jan-Feb 2016, mainly as a result of a LL 745 billion decrease in transfers to municipalities in the same period back in 2016.

### Public Debt

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**Gross public debt** amounted to LL 114,799 billion at end-February 2017, up by 1.7 percent from end-2016, whereas net debt increased at a slightly slower pace of 0.7 percent, owing to the 8.4 percent rise in public sector deposits to LL 15,464 billion.

**Local currency debt** reached LL 72,036 billion, up by 2.1 percent from end-2016, accounting for almost 63 percent of total debt. Local currency debt holdings by the

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<sup>4</sup> Law #68 published in the National Gazette and dated November 3, 2016.

<sup>5</sup> Current primary expenditures represent current expenditures excluding interest payment and debt service.

<sup>6</sup> Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the same 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.

Central Bank decreased by LL 1,235 billion, while Commercial Banks increased their LL debt holdings by LL 2,621 billion.

The stock of **foreign currency debt** increased by less than 1 percent (LL 380 billion) to LL 42,763 billion in the first two months of 2017. “Bilateral, multilateral and foreign private sector loans” increased by LL 185 billion to reach LL 2,692 billion, whereas outstanding Paris II and Paris III related bonds and loans decreased by LL 16 billion and LL 22 billion respectively, mainly due to amortized principal repayments. Outstanding market Eurobonds remained almost unchanged at LL 38,064 billion accounting for 89 percent of foreign currency debt.

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	2016 Jan-Feb	2017 Jan-Feb	% Change 2017/2016
<b>Budget Revenues, of which</b>	<b>2,397</b>	<b>2,612</b>	<b>9.0%</b>
Tax Revenues	1,763	1,907	8.1%
Non-Tax Revenues	634	705	11.3%
<b>Treasury Receipts</b>	<b>236</b>	<b>170</b>	<b>-28.0%</b>
<b>Total Revenues</b>	<b>2,633</b>	<b>2,782</b>	<b>5.6%</b>

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

**Table 3: Tax Revenues**

(LL billion)	2016 Jan-Feb	2017 Jan-Feb	% Change 2017/2016
<b>Tax Revenues:</b>	<b>1,763</b>	<b>1,907</b>	<b>8.1%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which</b>	<b>497</b>	<b>548</b>	<b>10.3%</b>
Income Tax on Profits	126	144	14.4%
Income Tax on Wages and Salaries	191	197	3.0%
Income Tax on Capital Gains & Dividends	27	38	40.0%
Tax on Interest Income (5%)	143	152	6.2%
Penalties on Income Tax	10	17	75.3%
<b>Taxes on Property, of which:</b>	<b>179</b>	<b>195</b>	<b>8.8%</b>
Built Property Tax	28	41	46.8%
Real Estate Registration Fees	124	130	4.8%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>679</b>	<b>751</b>	<b>10.6%</b>
Value Added Tax	627	680	8.3%
Other Taxes on Goods and Services, of which:	48	67	39.6%
Private Car Registration Fees	31	37	19.1%
Passenger Departure Tax	17	30	78.2%
<b>Taxes on International Trade, of which:</b>	<b>321</b>	<b>320</b>	<b>-0.6%</b>
Customs	109	108	-1.3%
Excises, of which:	212	211	-0.2%
Gasoline Excise	102	103	0.5%
Tobacco Excise	44	39	-10.3%
Cars Excise	65	69	5.4%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>87</b>	<b>93</b>	<b>6.7%</b>

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

**Table 4: Non-Tax Revenues**

(LL billion)	2016 Jan-Feb	2017 Jan-Feb	% Change 2017/2016
<b>Non-Tax Revenues</b>	<b>634</b>	<b>705</b>	<b>11.3%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>453</b>	<b>468</b>	<b>3.1%</b>
Income from Non-Financial Public Enterprises, of which:	412	423	2.6%
<i>Revenues from Casino Du Liban</i>	18	23	26.0%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	0	0	-
<i>Transfer from the Telecom Surplus</i>	394	400	1.6%
Property Income (namely rent of Rafic Hariri International Airport)	40	43	7.6%
Other Income from Public Institutions (interests)	1	1	48.5%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>137</b>	<b>202</b>	<b>47.6%</b>
Administrative Fees, of which:	95	174	82.9%
<i>Notary Fees</i>	6	6	3.9%
<i>Passport Fees/ Public Security</i>	41	40	-1.4%
<i>Vehicle Control Fees</i>	31	115	264.8%
<i>Judicial Fees</i>	5	4	-15.2%
<i>Driving License Fees</i>	3	3	6.6%
Administrative Charges	16	10	-39.1%
Sales (Official Gazette and License Number)	0	0	13.1%
Permit Fees (mostly work permit fees)	21	14	-36.7%
Other Administrative Fees & Charges	3	4	5.6%
<b>Penalties &amp; Confiscations</b>	<b>6</b>	<b>6</b>	<b>-4.1%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>37</b>	<b>30</b>	<b>-20.6%</b>

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

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	2016 Jan-Feb	2017 Jan-Feb	% Change 2017/2016
<b>1. Current Expenditures</b>	<b>2,566</b>	<b>2,617</b>	<b>2.0%</b>
1.a Personnel Cost, of which	1,071	1,092	2.0%
Salaries, Wages and Related Benefits	698	755	8.1%
Retirement and End of Service Compensations, of which:	330	338	2.5%
Retirement	294	309	5.0%
End of Service	36	29	-17.9%
Transfers to Public Institutions to Cover Salaries	44	63	44.3%
1.b Interest Payments, 1/	695	707	1.6%
Domestic Interest Payments	493	533	8.2%
Foreign Interest Payments	203	174	-14.2%
1.c Accounting adjustments 2/	43	0	-
1.d Foreign Debt Principal Repayment	33	36	8.8%
1.e Materials and Supplies, of which:	80	96	20.6%
Nutrition	12	13	1.1%
Fuel Oil	10	10	-3.6%
Medicaments	40	62	57.3%
1.f External Services	25	22	-13.5%
1.g Various Transfers, of which:	367	469	27.9%
EDL 3/	136	309	126.5%
NSSF	0	0	-
Higher Council of Relief	1	0	-64.3%
Contributions to non-public sectors	68	36	-46.7%
Transfers to Directorate General of Cereals and Beetroot 4/	0	0	-
1.h Other Current, of which:	234	171	-27.0%
Hospitals	199	147	-26.5%
Others (judgments & reconciliations, mission costs, other)	33	21	-36.2%
1.i Interest Subsidy	17	24	38.2%
<b>2. Capital Expenditures</b>	<b>234</b>	<b>237</b>	<b>1.1%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	16	7	-56.9%
2.c Construction in Progress, of which:	135	185	37.3%
Displaced Fund	0	0	-
Council of the South	0	0	-
CDR	42	116	173.8%
Ministry of Public Work and Transport	33	29	-12.9%
Other of which	57	36	-37.5%
Higher Council of Relief	0	0	-
2.d Maintenance	50	42	-16.6%
2.e Other Expenditures Related to Fixed Capital Assets	32	2	-94.2%
<b>3. Budget Advances 5/</b>	<b>45</b>	<b>24</b>	<b>-45.1%</b>
<b>4. Customs Administration (exc. Salaries and Wages) 6/</b>	<b>26</b>	<b>13</b>	<b>-50.5%</b>
<b>5. Treasury Expenditures 7/</b>	<b>858</b>	<b>134</b>	<b>-84.3%</b>
Municipalities	753	9	-98.8%
Guarantees	7	21	183.7%
Deposits 8/	28	60	114.7%
Other, of which:	69	45	-35.3%
VAT Refund	43	33	-21.9%
<b>6. Unclassified Expenditures</b>	<b>2</b>	<b>0</b>	<b>-100.0%</b>
<b>7. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>3,730</b>	<b>3,025</b>	<b>-18.9%</b>

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, funds, from revenues it has collected on their behalf.

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

(LL billion)	2016 Jan-Feb	2017 Jan-Feb	% Change 2017/2016
<b>Interest Payments</b>	<b>695</b>	<b>707</b>	<b>1.6%</b>
Local Currency Debt	493	533	8.2%
Foreign Currency Debt, of which:	203	174	-14.2%
Eurobond Coupon Interest*	188	160	-15.1%
Special bond Coupon Interest*	1	1	0.0%
Concessional Loans Interest Payments	13	13	-2.1%

Source: Ministry of Finance (MOF), Directorate General of Finance (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)	2016 Jan-Feb	2017 Jan-Feb	% Change 2017/2016
<b>EDL of which:</b>	<b>136</b>	<b>309</b>	<b>126.5%</b>
Debt Service	7	7	-5.1%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	129	302	133.7%

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

## SECTION 3: PUBLIC DEBT

**Table 8: Public Debt Outstanding by Holder as of End-February 2017**

(LL billion)	Dec-15	Dec-16	Feb-17	% Change Dec 16 - Feb 17
<b>Gross Public Debt</b>	<b>106,031</b>	<b>112,910</b>	<b>114,799</b>	<b>1.7%</b>
<b>Local Currency Debt</b>	<b>65,195</b>	<b>70,528</b>	<b>72,036</b>	<b>2.1%</b>
* <i>Accrued Interest Included in Debt</i>	997	1,098	1,259	14.7%
a. Central Bank (Including REPOs)	24,308	30,150	28,915	-4.1%
b. Commercial Banks	29,878	29,581	32,202	8.9%
c. Other Local Currency Debt (T-bills), of which:	11,009	10,797	10,919	1.1%
<i>Public Entities</i>	8,461	8,718	8,788	0.8%
<i>Contractor bonds 1/</i>	180	139	139	0.0%
<b>Foreign Currency Debt 2/</b>	<b>40,819</b>	<b>42,383</b>	<b>42,763</b>	<b>0.9%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,478	2,507	2,692	7.4%
b. Paris II Related Debt (Eurobonds and Loans) 3/	1,182	631	615	-2.5%
c. Paris III Related Debt (Eurobonds and Loans) 4/	810	660	638	-3.4%
d. Market-Issued Eurobonds	35,846	38,063	38,064	0.0%
e. Accrued Interest on Eurobonds	435	458	716	56.3%
f. Special T-bills in Foreign Currency 5/	68	63	38	-39.7%
<b>Public Sector Deposits</b>	<b>13,227</b>	<b>14,268</b>	<b>15,464</b>	<b>8.4%</b>
<b>Net Debt 6/</b>	<b>92,787</b>	<b>98,643</b>	<b>99,335</b>	<b>0.7%</b>
<b>Gross Market Debt 7/</b>	<b>68,799</b>	<b>70,303</b>	<b>73,210</b>	<b>4.1%</b>
<b>% of Total Debt</b>	<b>65%</b>	<b>62%</b>	<b>64%</b>	<b>2.4%</b>

Source: Ministry of Finance, Banque du Liban

<sup>(1)</sup> Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency".

<sup>(2)</sup> 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.

<sup>(3)</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>(4)</sup> 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.

<sup>(5)</sup> Special Tbs in foreign currency (expropriation and contractor bonds).

<sup>(6)</sup> Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

<sup>(7)</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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