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## General Overview

Government finances registered a significant deterioration in 2018, given the subdued economic activity which led to lower-than-anticipated revenues. In addition, government spending surged owing mostly to the implementation of the new salary scale and to higher transfers (EDL and Municipalities).

Meanwhile, the collection of revenues declined from its level reached in 2017, despite the new revenue measures<sup>1</sup>. The corresponding law was adopted to cope with the increase in expenditures related to the salary scale of public sector employees, but it was insufficient to meet its goals in an environment of stagnant economic activity with an estimated real growth of 0.25 percent<sup>2</sup>, and the negative spillovers of the regional political situation and the Syrian refugee crisis on the traditional growth drivers in the Lebanese economy.

Government revenues dropped by 0.7 percent year-on-year in 2018 and fell to a 20 percent share of GDP compared to a peak share of 23 percent reached in 2014. This deterioration was mainly a result of a drop in taxes on profits by LL 744 billion, transfers from the telecommunication surplus by LL 322 billion and taxes on property by LL 274 billion. In contrast, tax on interest income almost doubled in 2018<sup>3</sup> to reach LL 1,801 billion but was not enough to offset the decreases in other revenue sub-components.

As for government expenditures, spending accumulated to a 32 percent share of GDP in 2018 compared to an average share of 29 percent in the period extending from 2013 till 2017. This significant rise was mainly due to higher public sector wages following the implementation of a new salary scale starting September 2017<sup>4</sup>, coupled with higher transfers to Electricité Du Liban as well as an increase in both interest payments on foreign debt and transfers to municipalities over the mentioned period.

As an outcome, **total fiscal balance** registered a wider deficit of LL 9,416 billion in 2018 (11.1 percent of Gross Domestic Product (GDP)<sup>5</sup>) compared to a deficit of LL 5,662 billion in 2017 (7.0 percent of GDP). In addition, **primary balance** deteriorated significantly to reach a deficit of LL 958 billion (1.1 percent of GDP) from a surplus of LL 2,152 billion in 2017. **Gross public debt** totaled LL 128,347 billion or 151 percent of GDP at the end of 2018 compared to 149 percent of GDP in 2017.

<sup>1</sup> As per Law no 64/2017 adopted in October 2017.

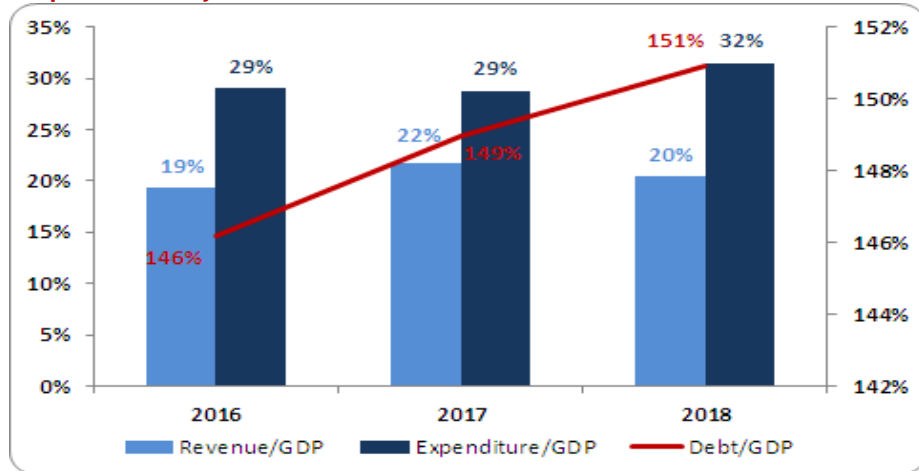
<sup>2</sup> As per the International Monetary Fund's (IMF) April 2019 WEO.

<sup>3</sup> According to law #64 dated 20/10/2017, the tax rate on interest income increased from 5 percent to 7 percent.

<sup>4</sup> The new salary scale for public sector employees was ratified by the Parliament in August 2017 (Law #46, dated August 21, 2017).

<sup>5</sup> Gross Domestic Product is estimated at LL 85,037 billion in 2018 as per the International Monetary Fund's (IMF) April 2019 WEO after adopting the official National Accounts figures published by the Central Administration of Statistics up to 2017.

Graph 1: Summary of Fiscal Performance as Percent of GDP 2016-2018



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

Table 1: Summary of Fiscal Performance

(LL billion)	2016 Jan-Dec	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>Total Budget and Treasury Receipts</b>	<b>14,959</b>	<b>17,524</b>	<b>17,405</b>	<b>-0.7%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>22,412</b>	<b>23,186</b>	<b>26,821</b>	<b>15.7%</b>
• Interest Payments	7,185	7,521	8,156	8.4%
• Concessional loans principal payment <sup>1</sup>	299	293	301	2.7%
• Primary Expenditures <sup>2</sup>	14,928	15,372	18,363	19.5%
<b>Total (Deficit)/Surplus</b>	<b>(7,453)</b>	<b>(5,662)</b>	<b>(9,416)</b>	<b>66.3%</b>
<b>Primary (Deficit)/Surplus</b>	<b>31</b>	<b>2,152</b>	<b>(958)</b>	<b>-</b>

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

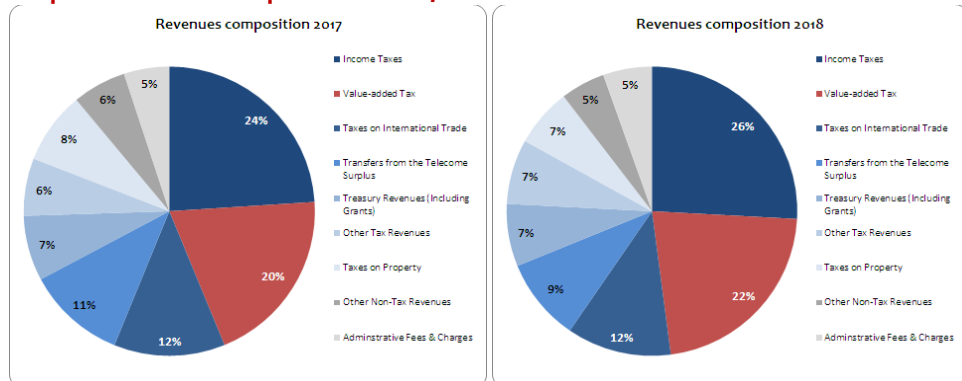
<sup>(1)</sup> Includes only Principal repayments of concessional loans earmarked for project financing

<sup>(2)</sup> Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

## Revenues

**Total revenues** declined by 0.7 percent to reach LL 17,405 billion in 2018, from LL 17,524 billion in 2017, mainly due to the drop in non-tax revenues. In parallel, total revenues as a share of GDP dropped to 20 percent in 2018 from 22 percent of GDP in 2017.

Graph 2: Revenue Composition in 2017 and 2018



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

**Tax revenues** increased by LL 385 billion (3.1 percent) to LL 12,766 billion in 2018 and increased by 2 percentage points to 73 percent of total revenues by the end of 2018.

In details, **taxes on income, profits and capital gains** increased by LL 299 billion (7.1 percent) mainly as a result of a significant increase in **tax on interest income** by LL 897 billion (99.1 percent) - due to the double effect of a higher tax rate (from 5 percent to 7 percent) and higher interest rates on deposits<sup>6</sup>. Additionally, **income tax on wages and salaries** and **income tax on capital gains and dividends** increased by LL 103 billion (13.5 percent) and LL 61 billion (17.1 percent) to reach LL 870 billion and LL 417 billion respectively. However, this increase was partially offset by a sharp drop in **income tax on profits** by LL 744 billion (35.4 percent)<sup>7</sup> over the mentioned period.

**Domestic taxes on goods and services** increased by LL 421 billion (10.3 percent) driven by a LL 365 billion increase in Value-added Tax (VAT). Internal VAT rose by 8.1 percent year-on-year, while VAT at customs grew by 12.2 percent. Moreover, private car registration fees increased by LL 14 billion (5.7 percent) to reach LL 268 billion in 2018, while Passenger Departure Tax went up by LL 8 billion (3.8 percent) to reach LL 214 billion.

**Taxes on property** declined significantly by LL 274 billion (19.4 percent) in 2018, mainly as collections of real estate registration fees inched down by LL 220 billion (22.8 percent) year-on-year and built property tax remained unchanged. It is also worth mentioning that the number of sale transactions dropped by 17.4 percent, while the average price of sold properties barely dropped by 1 percent.

**Taxes on international trade** declined by LL 138 billion (6.4 percent) in 2018, driven by lower excises (9.9 percent) and insignificant increase in collection of customs duty (0.4 percent). In details, the collection of car excise taxes dropped by LL 73 billion (14.0 percent) owing to a decline in the value of imported cars by 12.1 percent in 2018. Moreover, tobacco excise taxes declined by LL 54 billion (27.2 percent), as the value of imported tobacco products dropped in 2018 by 21.4 percent, and lastly, gasoline excises decreased by LL 23 billion (3.3 percent) mirroring the lower volume of imported gasoline (2.4 percent).

**Non-tax revenues** dropped significantly by LL 443 billion (11.5 percent) to reach LL 3,423 billion by the end of 2018, due to lower income from public institutions and government properties by LL 461 billion. In details, this drop was mainly due to lower (i) **transfers from the Telecom surplus** by LL 322 billion (16.6 percent) to reach LL 1,614 billion, (ii) **Property income (namely rent of Rafic Hariri International Airport)** by LL 69 billion (26.0 percent) to reach LL 197 billion and (iii) **revenues from Port of Beirut** by LL 65 billion (37.1 percent) to reach LL 110 billion. In contrast, **revenues from Casino Du Liban** rose by LL 13 billion (11.0 percent) to reach LL 135 billion in 2018, affected by a 5.8 percent year-on-year rise in the number of tourists during 2018.

**Administrative Fees & Charges** grew by LL 63 billion (7.2 percent) as a result of an increase in public-notary fees by LL 29 billion (63.7 percent)<sup>8</sup> and vehicle control fees by

<sup>6</sup> The yearly weighted average of interest rates on deposits increased from 5.65 percent in 2017 to 7.09 percent in 2018 for LL deposits, and from 3.65 percent in 2017 to 4.3 percent in 2018 for FX deposits.

<sup>7</sup> This drop can be explained by the exceptional increase in income tax on profits during 2017, as financial institutions transferred income tax on the one-off revenues generated from the Central Bank's 2016 financial engineering.

<sup>8</sup> Driven by the implementation of new revenue measures as per Law no 64/2017 published in the official gazette no 50 dated 26/10/2017. Those measures mainly included an increase in fees for bonds, undertakings, guarantees, and other obligations from LL 10,000 to LL 20,000, translated documents that the notary public approves on from LL 2,000 to LL 4,000, formal copy of documents and titles from LL 2,000 to LL 4,000, and notices, warnings, omissions, waivers and disclaimers from LL 10,000 to LL 20,000.

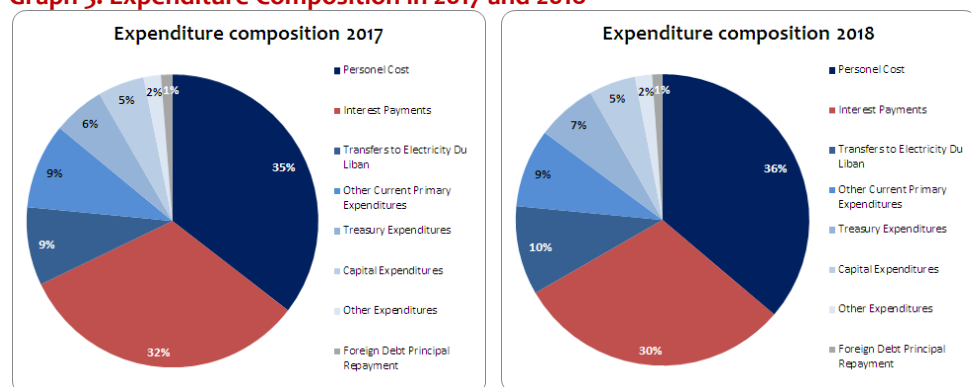
LL 11 billion (3.3 percent). However, **other non-tax revenues (mostly retirement deductibles)** dropped by LL 42 billion (14.3 percent) to reach LL 254 billion in Jan-Dec 2018.

**Treasury receipts** dropped by LL 61 billion (4.8 percent) to reach LL 1,216 billion in 2018. It is worth mentioning that treasury receipts are transitory in nature and variations in these collections are usually not reflective of economic activity.

## Expenditures

**Total expenditures** recorded a significant increase of LL 3,634 billion (15.7 percent) to reach LL 26,821 billion at the end of 2018. Total expenditures as a share of GDP increased from 29 percent in 2017 to 32 percent in 2018.

Graph 3: Expenditure Composition in 2017 and 2018



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

**Current primary expenditures**<sup>9</sup> increased by LL 2,290 billion (18.5 percent) to reach LL 14,695 billion in Jan-Dec 2018, as a result of an increase in **personnel cost** by LL 1,501 billion (18.3 percent) as **salaries, wages and social benefits** rose by LL 591 billion (10.9 percent) and **retirement and end-of-service compensations** hiked by LL 860 billion (36.7 percent). The aforementioned increases were chiefly the result of the implementation of the new salary scale Law #46 dated 21 August 2017.

Moreover, transfers to EDL grew by LL 646 billion to reach LL 2,647 billion while transfers to the **Higher Council of Relief, Directorate General of Cereals and Beetroot** and **contributions to nonpublic sectors** dropped by LL 50 billion, LL 31 billion and LL 21 billion respectively in 2018. It is worth mentioning that the increase in transfers to EDL was mainly the result of the hike in the international fuel prices with the annual average of Brent price rising to \$71.3/barrel in 2018 compared to \$54.1/barrel in 2017. Finally, **other current expenditure** rose by LL 187 billion driven by a significant increase of LL 151 billion in **judgments & reconciliations, mission costs and other** to reach LL 279 billion in 2018.

**Interest payments** rose by LL 635 billion (8.4 percent) to reach LL 8,156 billion in 2018, driven by higher interest payments on foreign debt by LL 726 billion that was slightly counterbalanced by a drop in interest payments on domestic debt by LL 91 billion<sup>10</sup>. On

<sup>9</sup> Current primary expenditures represent current expenditures excluding interest payments and foreign debt principal repayment

<sup>10</sup> Interest payments were influenced by the change in debt composition (share of debt in FX increased from 37 percent in April 2018 to 43 percent in May 2018) in turn affected by the debt replacement agreement conducted between the Ministry of Finance and Banque du Liban on 17 May 2018, whereby MoF issued to BDL a nominal amount of US\$ 5.5

the other hand, **foreign debt principal repayment** rose by LL 8 billion (2.7 percent) to reach LL 301 billion in Jan-Dec 2018.

**Capital expenditures** increased by LL 188 billion (15.8 percent) to reach LL 1,382 billion in Jan-Dec 2018, primarily due to an increase in both **construction in progress** and **maintenance** by LL 160 billion and LL 49 billion respectively. On the other hand, the increase was counterbalanced by a drop in (i) transfers to **CDR** by LL 50 billion, (ii) **Other Expenditures Related to Fixed Capital Assets** by LL 45 billion (iii) transfers to **the Ministry of Public Work and Transport** by LL 32 billion, and (iv) transfers to the **Displaced Fund** by LL 20 billion.

**Treasury expenditures** witnessed a significant increase of LL 452 billion to reach LL 1,780 billion by the end of 2018, mainly due to higher transfers to Municipalities – from LL 622 billion in Jan-Dec 2017 to LL 860 billion in Jan-Dec 2018.

### Public Debt Developments

**Gross public debt**<sup>11</sup> reached LL 128,347 billion by the end of 2018, increasing by LL 8,455 billion (7.1 percent) from end-2017, while net debt grew by 9.5 percent as public sector deposits dropped by 9.4 percent over the covered period. As a percent of Gross domestic product (GDP), gross public debt ended 2018 at 151 percent up from 149 percent in 2017, whereas net debt rose to 134 percent in 2018 from 129 percent of GDP in 2017.

**Local currency debt** increased by 5.1 percent to reach LL 77,852 billion by the end 2018, from LL 74,077 billion as of end-2017, decreasing as a share of total outstanding debt to 60.7 percent in 2018 compared to 61.8 percent in 2017. Local currency debt holdings by the Central Bank increased by LL 3,426 billion to LL 39,006 billion reaching a share of 50.1 percent of the local currency debt, compared to 48.0 percent a year earlier. Commercial Banks' local currency debt holdings decreased by LL 354 billion to reach LL 27,402 billion, leading to a drop in their share from the debt issued in LL to 35.2 percent of the total, compared to 37.5 percent in 2017. Local currency debt holdings by Public Entities increased remarkably by LL 1,015 billion (11.4 percent) to reach LL 9,956 billion.

The stock of **foreign currency debt** grew by the equivalent of LL 4,680 billion to reach LL 50,495 billion, mostly owing to a LL 4,887 billion increase in the value of outstanding Eurobonds. The hike in Eurobonds can be partly explained by the Quadruple-Tranche which consisted of US\$ 5.5 billion Eurobond issuance performed within the FX/LL “debt replacement agreement” between MOF and BDL on 17th of May 2018<sup>12</sup>. Of other foreign currency debt components, “Bilateral, multilateral and foreign private sector loans” dropped by the equivalent of LL 53 billion to LL 2,920 billion, Paris III related bonds and loans decreased by LL 108 billion mainly due to amortized principal repayments, whereas Paris II related bonds and loans were fully amortized.

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billion in dollar denominated Eurobonds with a market value of \$5.4 billion while BDL redeemed to MoF the equivalent in Lebanese Lira (LL) Treasury bonds from its existing portfolio.

<sup>11</sup> Debt to GDP figures may differ from previously published data owing to the release of the official figures for 2017 national accounts by the Central Administration of Statistics, as well as revisions in GDP estimates for 2018.

<sup>12</sup> For more information about the debt replacement agreement please visit : [http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtT/Documents/Eurobond%20Swap%20Brief%20Note\\_May%202018.pdf](http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtT/Documents/Eurobond%20Swap%20Brief%20Note_May%202018.pdf)

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>Budget Revenues, of which:</b>	16,247	16,189	-0.4%
Tax Revenues	12,381	12,766	3.1%
Non-Tax Revenues	3,866	3,423	-11.5%
<b>Treasury Receipts</b>	<b>1,277</b>	<b>1,216</b>	<b>-4.8%</b>
<b>Total Revenues</b>	<b>17,524</b>	<b>17,405</b>	<b>-0.7%</b>

Source: MOF, DGF

**Table 3: Tax Revenues**

(LL billion)	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>Tax Revenues:</b>	<b>12,381</b>	<b>12,766</b>	<b>3.1%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>4,201</b>	<b>4,500</b>	<b>7.1%</b>
Income Tax on Profits	2,101	1,357	-35.4%
Income Tax on Wages and Salaries	767	870	13.5%
Income Tax on Capital Gains & Dividends	356	417	17.1%
Tax on Interest Income (7%)	904	1,801	99.1%
Penalties on Income Tax	73	54	-25.7%
<b>Taxes on Property, of which:</b>	<b>1,413</b>	<b>1,139</b>	<b>-19.4%</b>
Built Property Tax	283	282	-0.2%
Real Estate Registration Fees	964	744	-22.8%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>4,079</b>	<b>4,500</b>	<b>10.3%</b>
Value Added Tax	3,476	3,841	10.5%
Other Taxes on Goods and Services, of which:	461	484	4.8%
Private Car Registration Fees	254	268	5.7%
Passenger Departure Tax	206	214	3.8%
<b>Taxes on International Trade, of which:</b>	<b>2,163</b>	<b>2,025</b>	<b>-6.4%</b>
Customs	742	745	0.4%
Excises, of which:	1,421	1,280	-9.9%
Gasoline Excise	691	668	-3.3%
Tobacco Excise	197	143	-27.2%
Cars Excise	526	452	-14.0%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>524</b>	<b>602</b>	<b>14.9%</b>

Source: MOF, DGF

**Table 4: Non-Tax Revenues**

(LL billion)	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>Non-Tax Revenues</b>	<b>3,866</b>	<b>3,423</b>	<b>-11.5%</b>
<b>Income from Public Institutions and Government Properties, of which</b>	<b>2,649</b>	<b>2,188</b>	<b>-17.4%</b>
Income from Non-Financial Public Enterprises, of which:	2,315	1,923	-17.0%
<i>Revenues from Casino Du Liban</i>	122	135	11.0%
<i>Revenues from Port of Beirut</i>	175	110	-37.1%
<i>Budget Surplus of National Lottery</i>	81	61	-24.3%
<i>Transfer from the Telecom Surplus</i>	1,936	1,614	-16.6%
Transfer from Public Financial Institution (BDL)	61	60	-0.4%
Property Income (namely rent of Rafic Hariri International Airport)	266	197	-26.0%
Other Income from Public Institutions (interests)	7	8	12.9%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>883</b>	<b>946</b>	<b>7.2%</b>
Administrative Fees, of which:	746	790	5.9%
<i>Notary Fees</i>	45	73	63.7%
<i>Passport Fees/ Public Security</i>	282	277	-1.7%
<i>Vehicle Control Fees</i>	330	341	3.3%
<i>Judicial Fees</i>	31	28	-8.8%
<i>Driving License Fees</i>	24	24	0.5%
Administrative Charges	33	35	6.9%
Sales (Official Gazette and License Number)	3	3	0.5%
Permit Fees (mostly work permit fees)	85	93	9.3%
Other Administrative Fees & Charges	15	24	57.8%
<b>Penalties &amp; Confiscations</b>	<b>39</b>	<b>36</b>	<b>-6.4%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>296</b>	<b>254</b>	<b>-14.3%</b>

Source: MOF, DGF

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>1. Current Expenditures</b>	<b>20,219</b>	<b>23,153</b>	<b>14.5%</b>
1.a Personnel Cost, of which:	8,218	9,719	18.3%
Salaries, Wages and Related Items	5,427	6,017	10.9%
Retirement and End of Service Compensations, of which:	2,347	3,207	36.7%
Retirement	2,007	2,349	17.1%
End of Service	340	857	152.4%
Transfers to Public Institutions to Cover Salaries	445	495	11.3%
1.b Interest Payments 1/, of which:	7,521	8,156	8.4%
Domestic Interest Payments	4,866	4,775	-1.9%
Foreign Interest Payments	2,655	3,381	27.4%
1.c Accounting Adjustments	0	0	-
1.d Foreign Debt Principal Repayment	293	301	2.7%
1.e Materials and Supplies, of which:	537	535	-0.4%
Nutrition	85	82	-3.3%
Fuel Oil	48	51	6.4%
Medicaments	317	297	-6.4%
1.f External Services	165	205	24.2%
1.g Various Transfers, of which:	2,860	3,447	20.5%
EDL 2/	2,002	2,647	32.3%
NSSF	0	0	-
Higher Council of Relief	52	2	-96.5%
Contributions to non-public sectors	332	311	-6.2%
Transfers to Directorate General of Cereals and Beetroot 3/	50	18	-63.4%
1.h Other Current, of which:	476	664	39.3%
Hospitals	336	375	11.6%
Others (judgments & reconciliations, mission costs, other)	129	279	117.0%
1.i Interest Subsidy	148	125	-15.2%
<b>2. Capital Expenditures</b>	<b>1,193</b>	<b>1,382</b>	<b>15.8%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	2	30	-
2.b Equipment	74	71	-4.1%
2.c Construction in Progress, of which:	883	1,042	18.1%
Displaced Fund	30	10	-66.7%
Council of the South	54	57	5.3%
CDR	513	463	-9.7%
Ministry of Public Work and Transport	95	63	-33.6%
Other of which:	182	195	6.8%
Higher Council of Relief	52	71	36.2%
2.d Maintenance	157	206	31.5%
2.e Other Expenditures Related to Fixed Capital Assets	78	33	-58.1%
<b>3. Budget Advances 4/</b>	<b>350</b>	<b>352</b>	<b>0.6%</b>
<b>4. Customs Administration (exc. Salaries and Wages) 5/</b>	<b>95</b>	<b>154</b>	<b>61.4%</b>
<b>5. Treasury Expenditures 6/</b>	<b>1,328</b>	<b>1,780</b>	<b>34.1%</b>
Municipalities	622	860	38.3%
Guarantees	109	97	-10.4%
Deposits 7/	293	236	-19.6%
Other, of which:	304	587	93.0%
VAT Refund	224	217	-3.1%
<b>6. Unclassified Expenditures</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>7. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>23,186</b>	<b>26,821</b>	<b>15.7%</b>

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

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

<sup>(2)</sup> 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.

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



<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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<sup>1</sup>**

(LL billion)	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>Interest Payments</b>	<b>7,521</b>	<b>8,156</b>	<b>8.4%</b>
Local Currency Debt	4,866	4,775	-1.9%
Foreign Currency Debt, of which:	2655	3,381	27.4%
Eurobond Coupon Interest*	2,564	3,284	28.1%
Special bond Coupon Interest*	2	1	-61.2%
Concessional Loans Interest Payments	89	96	7.6%
<b>Foreign Debt Principal Repayment</b>	<b>293</b>	<b>301</b>	<b>2.7%</b>

Source: MOF, 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<sup>1</sup>**

(LL billion)	2017 Jan-Dec	2018 Jan-Dec	% Change 2018/2017
<b>EDL, of which:</b>	<b>2,002</b>	<b>2,647</b>	<b>32.3%</b>
Debt Service	15	10	-37.1%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,892	2,619	38.4%
Transfer Electricity Syria	94	19	-79.7%

Source: MOF, DGF

<sup>(1)</sup> 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-December 2018**

(LL billion)	Dec-16	Dec-17	Dec-18	% Change Dec 18-Dec 17
<b>Gross Public Debt</b>	<b>112,910</b>	<b>119,892</b>	<b>128,347</b>	<b>7.1%</b>
<b>Local Currency Debt</b>	<b>70,528</b>	<b>74,077</b>	<b>77,852</b>	<b>5.1%</b>
* <i>Accrued Interest Included in Debt</i>	1,098	1,159	1,123	-3.1%
a. Central Bank	30,150	35,580	39,006	9.6%
b. Commercial Banks(Including REPOs) 1/	29,581	27,756	27,402	-1.3%
c. Other Local Currency Debt (T-bills), of which:	10,797	10,741	11,444	6.5%
<i>Public Entities</i>	8,718	8,941	9,956	11.4%
<i>Contractor bonds 2/</i>	139	166	166	-
<b>Foreign Currency Debt 3/</b>	<b>42,382</b>	<b>45,815</b>	<b>50,495</b>	<b>10.2%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,506	2,973	2,920	-1.8%
b. Paris II Related Debt (Eurobonds and Loans) 4/	631	86	0	-100.0%
c. Paris III Related Debt (Eurobonds and Loans) 5/	660	452	344	-24.0%
d. Market-Issued Eurobonds	38,063	41,791	46,678	11.7%
e. Accrued Interest on Eurobonds	458	480	547	14.0%
f. Special T-bills in Foreign Currency 6/	63	33	6	-81.8%
<b>Public Sector Deposits</b>	<b>14,586</b>	<b>15,659</b>	<b>14,186</b>	<b>-9.4%</b>
<b>Net Debt 7/</b>	<b>98,324</b>	<b>104,233</b>	<b>114,161</b>	<b>9.5%</b>
<b>Gross Market Debt 8/</b>	<b>70,303</b>	<b>71,944</b>	<b>76,204</b>	<b>5.9%</b>
<b>% of Total Debt</b>	<b>62%</b>	<b>60%</b>	<b>59%</b>	<b>-</b>

Source: MOF, DGF

<sup>(1)</sup> REPOS are removed from central bank and added to commercial banks

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

<sup>(3)</sup> Figures for Dec 16- Dec 17 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

<sup>(4)</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>(5)</sup> 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.

<sup>(6)</sup> Special TBs in foreign currency (expropriation and contractor bonds).

<sup>(7)</sup> Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

<sup>(8)</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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