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## General Overview

Government's deficit widened significantly in the first two months of 2020 compared to the same period in 2019 as expenditures surged by 15.3 percent driven by higher transfers to the public corporation for housing, hospitals, and CDR. On the other hand, revenues dropped by 6.8 percent as a result of lower collections in value added tax, excises and customs.

The **total fiscal balance** registered a deficit of LL 1,745 billion in Jan-Feb 2020 compared to a deficit of LL 992 billion in the same period of 2019, while the **primary balance** posted a wider deficit of LL 810 billion relative to LL 134 billion a year earlier.

**Table 1: Summary of Fiscal Performance**

(LL billion)	Jan-Feb 2019	Jan-Feb 2020	% Change 2020/2019
<b>Total Budget and Treasury Receipts</b>	<b>2,720</b>	<b>2,534</b>	<b>-6.8%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>3,712</b>	<b>4,279</b>	<b>15.3%</b>
Interest Payments	822	899	9.4%
Concessional loans principal payments 1/	36	35	-2.7%
Primary Expenditures 2/	2,854	3,344	17.2%
<b>Total (Deficit)/Surplus</b>	<b>-992</b>	<b>-1,745</b>	<b>-</b>
<b>Primary (Deficit)/Surplus</b>	<b>-134</b>	<b>-810</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** decreased by LL 186 billion (6.8 percent) year-on-year to reach LL 2,534 billion during Jan-Feb 2020.

**Tax revenues** reached a total of LL 2,002 billion in the first two months of the year, reflecting a decrease of LL 176 billion (8.1 percent) from LL 2,178 billion during the same period last year. This deterioration was driven by a drop in all tax items except for **tax on interest income** and **real estate registration fees** which increased by LL 312 billion and LL 33 billion, respectively, compared to the same period of 2019.

In fact, **taxes on income, profits and capital gains** were up by LL 238 billion (28.0 percent) year-on-year in Jan-Feb 2020, driven by an increase in **taxes on interest income** by LL 312 billion (71.0 percent) to reach LL 752 billion. Meanwhile, **income tax on wages and salaries, income tax on profits and income tax on capital gains & dividends** dropped by LL 31 billion (13.6 percent), LL 29 billion (20.9 percent) and LL 9 billion (28.0 percent), respectively.

In addition, **taxes on property** registered an increase of LL 18 billion (11.8 percent) in Jan-Feb 2020, mainly as **real estate registration fees** rose by LL 33 billion (36.9 percent)<sup>1</sup> which was partly counterbalanced by a decline in **build property tax** and **inheritance fees** by LL 8 billion (20.2 percent) and LL 6 billion (31.4 percent), respectively.

<sup>1</sup> As per the data from the General Directorate of Land Registry and Cadastre, both the number of sold properties and their average price increased by 37.9 percent and 21.8 percent during the first two months of 2020 compared to the same period last year.

On the other hand, **domestic taxes on goods and services** dropped by LL 294 billion (38.9 percent) year-on-year in Jan-Feb 2020, driven by a decline of LL 279 billion (40.0 percent) in the **value added tax**<sup>2</sup>. In particular, the VAT collected at customs dropped by 47.2 percent year-on-year over the covered period and the VAT collected internally decreased by 33.4 percent. In addition, **private car registration fees** dropped by LL 13 billion (41.6 percent) to reach LL 18 billion in the first two months of the year.

**Taxes on international trade** dropped by LL 117 billion (37.9 percent) as **excises** and **custom fees** dropped by LL 65 billion (32.5 percent) and LL 52 billion (47.7 percent) respectively. In fact, **cars excise** went down by LL 28 billion (55.9 percent), owing to a 61.0 percent decrease in the value of imported vehicles. In addition, **tobacco excise** decreased by LL 19 billion (68.1 percent), driven by a decline of 65.7 percent year-on-year in the value of tobacco imports. **Gasoline excise** also declined by LL 17 billion (13.8 percent) as the volume of gasoline imports dropped by 14.2 percent year-on-year.

Finally, **Other tax revenues (namely fiscal stamp fees)** decreased by LL 21 billion (18.1 percent) to reach LL 93 billion in Jan-Feb 2020.

**Non-tax revenues** slightly increased by LL 9 billion (2.6 percent) to reach LL 377 billion during Jan-Feb 2020. In details, **income from Public Institutions and Government Properties** witnessed a modest increase of LL 3 billion year-on-year over the covered period as **transfer from Public Financial Institution (BDL)** registered LL 60 billion in Jan-Feb 2020 compared to nil during the same period of 2019. This was mostly offset by a decrease of LL 26 billion (64.6 percent) in **property income (namely rent of Rafic Hariri International Airport)** and by a drop LL 25 billion (20.2 percent) in **transfer from the Telecom Surplus**.

On the other hand, **Administrative fees and charges** dropped by LL 9 billion (6.7 percent) reaching LL 124 billion over the period under review as **administrative charges** fell by LL 6 billion (50.5 percent).

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 18 billion (52.0 percent), as deductibles related to military salaries and retirement<sup>3</sup> generated LL 9 billion. In addition, foreign grants grew by LL 5 billion and exceptional revenues from the settlement of violations related to maritime properties by LL 3 billion.

**Treasury receipts** witnessed a decrease by LL 19 billion to reach LL 155 billion in Jan-Feb 2020 compared to LL 174 during the same period of the 2019.

## Expenditures

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**Total expenditures** rose by LL 567 billion (15.3 percent) to reach LL 4,279 billion in Jan-Feb 2020 compared to LL 3,712 billion in Jan-Feb 2019.

**Current primary expenditures**<sup>4</sup> registered an increase of LL 462 billion (19.0 percent) reaching a total of LL 2,893 billion during the first two months of 2020, with expenditures related to the health sector increasing remarkably by LL 114 billion and LL 61 billion, respectively, for **hospitals** and **medicaments**.

Also, **personnel cost** grew by LL 74 billion (4.2 percent) as **salaries, wages and social benefits** and **retirement** expenses increased by LL 116 billion (10.9 percent) and LL 42

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<sup>2</sup> Mirroring the contraction in private consumption, the main driver of economic growth in Lebanon.

<sup>3</sup> New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

<sup>4</sup> Current primary expenditures represent current expenditures excluding interest payment and debt service.

billion (9.7 percent), respectively. This increase was partly offset by a drop in the **end of service compensations** by LL 120 billion (52.4 percent).

Moreover, **various transfers** rose by LL 192 billion (38.1 percent) due to a LL 200 billion transfer to the **Public Corporation for Housing**, partly counterbalanced by an LL 82 billion (21.8 percent) drop in **transfers to Electricité du Liban (EDL)**.

**Interest payments** rose by LL 78 billion in Jan-Feb 2020 as interest payments due on domestic debt increased by LL 78 billion (12.1 percent), while interest payments on foreign currency have slightly decreased by LL 1 billion (0.5 percent) during the covered period. **Foreign debt principal repayment** decreased by LL 1 billion (2.7 percent) registering a total of LL 35 billion.

**Capital expenditures** rose by LL 70 billion (41.9 percent) to reach LL 237 billion in Jan-Feb 2020, mainly as transfers to **CDR** were up by LL 73 billion along with a LL 13 billion increase in **equipment** expenses. On the other hand, **maintenance** expenses decreased by LL 24 billion.

**Treasury expenditures** witnessed a decrease of LL 64 billion (27.6 percent) to reach LL 167 billion in Jan-Feb 2020, as **deposits** and **payments to municipalities** dropped by LL 50 billion and LL 43 billion respectively. These drops were partly offset by higher **VAT refund** and **guarantees** by LL 17 billion and by LL 16 billion, respectively, during the period under consideration.

### Public Debt

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**Gross public debt** stood at LL 139,054 billion by the end of February 2020, increasing by LL 904 billion (0.7 percent) from end-2019. On the other hand, **net debt** rose by 1.6 percent to reach LL 124,464 billion due to a drop of LL 1,087 billion (6.9 percent) in **public sector deposits** over the period under consideration.

**Local currency debt** increased by LL 417 billion (0.5 percent) to register LL 87,696 billion as of end-February 2020, compared to LL 87,279 billion as of end-2019. In details, **local currency debt held by the Central Bank** increased by LL 399 billion (0.8 percent) to reach LL 51,116 billion by the end of February 2020, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 268 billion (2.7 percent) to reach LL 10,236 billion. In contrast, **TBs held by commercial banks** dropped by LL 224 billion (0.9 percent) to reach LL 25,092 billion by the end of February 2020.

The stock of **foreign currency debt** grew by LL 487 billion (1.0 percent) to reach LL 51,358 billion at end-February 2020, reflecting the significant increase of LL 424 billion (74.4 percent) in **accrued interest on Eurobonds**. In parallel, **bilateral, multilateral and foreign private sector loans** rose by LL 65 billion, whereas **Paris III related debt** decreased by LL 2 billion compared to the end of 2019. On the other hand, the stock of **market-issued Eurobonds** remained unchanged at LL 47,206 billion.

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	2019	2020	% Change
	Jan-Feb	Jan-Feb	2020/2019
<b>Budget Revenues, of which:</b>	<b>2,546</b>	<b>2,379</b>	<b>-6.6%</b>
Tax Revenues	2,178	2,002	-8.1%
Non-Tax Revenues	368	377	2.6%
<b>Treasury Receipts</b>	<b>174</b>	<b>155</b>	<b>-11.0%</b>
<b>Total Revenues</b>	<b>2,720</b>	<b>2,534</b>	<b>-6.8%</b>

Source: MOF, DGF

**Table 3: Tax Revenues**

(LL billion)	2019	2020	% Change
	Jan-Feb	Jan-Feb	2020/2019
<b>Tax Revenues:</b>	<b>2,178</b>	<b>2,002</b>	<b>-8.1%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>849</b>	<b>1,087</b>	<b>28.0%</b>
Income Tax on Profits	138	109	-20.9%
Income Tax on Wages and Salaries	230	199	-13.6%
Income Tax on Capital Gains & Dividends	32	23	-28.0%
Tax on Interest Income	440	752	71.0%
Penalties on Income Tax	9	4	-56.4%
<b>Taxes on Property, of which:</b>	<b>151</b>	<b>168</b>	<b>11.8%</b>
Built Property Tax	41	33	-20.2%
Real Estate Registration Fees	89	121	36.9%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>756</b>	<b>461</b>	<b>-38.9%</b>
Value Added Tax	698	419	-40.0%
Other Taxes on Goods and Services, of which:	51	36	-29.0%
Private Car Registration Fees	30	18	-41.6%
Passenger Departure Tax	21	18	-10.9%
<b>Taxes on International Trade, of which:</b>	<b>309</b>	<b>192</b>	<b>-37.9%</b>
Customs	109	57	-47.7%
Excises, of which:	200	135	-32.5%
Gasoline Excise	120	103	-13.8%
Tobacco Excise	29	9	-68.1%
Cars Excise	50	22	-55.9%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>114</b>	<b>93</b>	<b>-18.1%</b>

Source: MOF, DGF

**Table 4: Non-Tax Revenue**

(LL billion)	2019	2020	% Change
	Jan-Feb	Jan-Feb	2020/2019
<b>Non-Tax Revenues</b>	<b>368</b>	<b>377</b>	<b>2.6%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>195</b>	<b>198</b>	<b>1.4%</b>
Income from Non-Financial Public Enterprises, of which:	153	122	-20.0%
Revenues from Casino Du Liban	22	16	-26.5%
Revenues from Port of Beirut	0	0	-
Budget Surplus of National Lottery	6	6	9.0%
Transfer from the Telecom Surplus	125	100	-20.2%
Transfer from Public Financial Institution (BDL)	0	60	-
Property Income (namely rent of Rafic Hariri International Airport)	41	14	-64.6%
Other Income from Public Institutions (interests)	1	1	-17.2%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>133</b>	<b>124</b>	<b>-6.7%</b>
Administrative Fees, of which:	99	96	-3.4%
Notary Fees	10	9	-15.9%
Passport Fees/ General Security	38	39	1.0%
Vehicle Control Fees	33	35	4.0%
Judicial Fees	5	6	19.3%
Driving License Fees	3	2	-36.0%
Administrative Charges	12	6	-50.5%
Sales (Official Gazette and License Number)	1	0	-20.5%
Permit Fees (mostly work permit fees)	13	16	21.1%
Other Administrative Fees & Charges	8	6	-26.7%
<b>Penalties &amp; Confiscations</b>	<b>6</b>	<b>3</b>	<b>-45.0%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>35</b>	<b>53</b>	<b>52.0%</b>

Source: MOF, DGF

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	2019 Jan-Feb	2020 Jan-Feb	% Change 2020/2019
<b>1. Current Expenditures</b>	<b>3,289</b>	<b>3,827</b>	<b>16.4%</b>
1.a Personnel Cost, of which	1,758	1,832	4.2%
Salaries, Wages and Related Items	1,056	1,172	10.9%
Retirement and End of Service Compensations, of which:	658	580	-11.9%
Retirement	429	471	9.7%
End of Service	229	109	-52.4%
Transfers to Public Institutions to Cover Salaries	44	80	83.8%
1.b Interest Payments 1/, of which:	822	899	9.4%
Domestic Interest Payments	649	727	12.1%
Foreign Interest Payments	173	172	-0.5%
1.d Foreign Debt Principal Repayment	36	35	-2.7%
1.e Materials and Supplies, of which:	44	90	101.8%
Nutrition	10	5	-44.6%
Fuel Oil	5	1	-88.4%
Medicaments	10	71	-
1.f External Services	36	49	36.3%
1.g Various Transfers, of which:	505	697	38.1%
EDL 2/	376	294	-21.8%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	63	53	-15.7%
Transfers to Directorate General of Cereals and Beetroot 3/	12	0	-100%
1.h Other Current, of which:	76	199	162.3%
Hospitals	59	173	192.9%
Others(judgments & reconciliations, mission costs, other)	15	25	66.7%
1.i Other Financial expenses	0	0	-100.0%
1.j Interest Subsidy	12	26	115.7%
<b>2. Capital Expenditures</b>	<b>167</b>	<b>237</b>	<b>41.9%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	38.0%
2.b Equipment	24	36	54.4%
2.c Construction in Progress, of which:	62	141	126.8%
Displaced Fund	0	0	-
Council of the South	19	23	21.7%
CDR	6	79	-
Ministry of Public Work and Transport	6	15	134.0%
Other of which:	30	22	-26.6%
Higher Council of Relief	2	0	-100%
2.d Maintenance	80	56	-29.5%
2.e Other Expenditures Related to Fixed Capital Assets	1	3	120.3%
<b>3. Budget Advances 4/</b>	<b>3</b>	<b>18</b>	<b>-</b>
<b>4. Customs Administration (exc. Salaries and Wages) 5/</b>	<b>22</b>	<b>29</b>	<b>35.2%</b>
<b>5. Treasury Expenditures 6/</b>	<b>231</b>	<b>167</b>	<b>-27.6%</b>
Municipalities	83	40	-51.9%
Guarantees	9	24	178.8%
Deposits 7/	88	39	-56.3%
Other, of which:	51	64	26.7%
VAT Refund	32	49	53.0%
<b>7. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>3,712</b>	<b>4,279</b>	<b>15.3%</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)	2019	2020	% Change 2020/2019
	Jan-Feb	Jan-Feb	
<b>Interest Payments</b>	<b>822</b>	<b>899</b>	<b>9.4%</b>
Local Currency Debt	649	727	12.1%
Foreign Currency Debt, of which:	173	172	-0.5%
Eurobond Coupon Interest*	157	157	0.0%
Special bond Coupon Interest*	0.1	0.0	-100.0%
Concessional Loans Interest Payments	15	14	-5.3%
<b>Foreign Debt Principal Repayment</b>	<b>36</b>	<b>35</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**

(LL billion)	2019	2020	% Change 2020/2019
	Jan-Feb	Jan-Feb	
<b>EDL of which:</b>	<b>376</b>	<b>294</b>	<b>-21.8%</b>
Debt Service	1	1	-3.3%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	375	293	-21.9%

Source: MOF, DGF



## SECTION 3: PUBLIC DEBT

**Table 8: Public Debt Outstanding by Holder as of End- February 2020**

(LL billion)	Dec-18	Dec-19	Feb-20	% Change Feb 20 / Dec 19
<b>Gross Public Debt</b>	<b>128,347</b>	<b>138,150</b>	<b>139,054</b>	<b>0.7%</b>
<b>Local Currency Debt</b>	<b>77,852</b>	<b>87,279</b>	<b>87,696</b>	<b>0.5%</b>
* <i>Accrued Interest Included in Debt</i>	1,123	1,294	1,360	5.1%
a. Central Bank	39,006	50,717	51,116	0.8%
b. Commercial Banks (Including REPOs)	27,402	25,316	25,092	-0.9%
c. Other Local Currency Debt (T-bills), of which:	11,444	11,246	11,488	2.2%
<i>Public Entities</i>	9,956	9,968	10,236	2.7%
<i>Contractor bonds<sup>(1)</sup></i>	166	120	120	0.0%
<b>Foreign Currency Debt <sup>(2)</sup></b>	<b>50,495</b>	<b>50,871</b>	<b>51,358</b>	<b>1.0%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,920	2,831	2,896	2.3%
b. Paris III Related Debt (Eurobonds and Loans) <sup>(3)</sup>	344	261	259	-0.7%
c. Market-Issued Eurobonds	46,678	47,206	47,206	0.0%
d. <i>Accrued Interest on Eurobonds</i>	547	570	994	74.4%
e. Special T-bills in Foreign Currency <sup>(4)</sup>	6	3	3	0.0%
<b>Public Sector Deposits</b>	<b>14,186</b>	<b>15,677</b>	<b>14,590</b>	<b>-6.9%</b>
<b>Net Debt</b>	<b>114,161</b>	<b>122,473</b>	<b>124,464</b>	<b>1.6%</b>
<b>Gross Market Debt<sup>(5)</sup></b>	<b>76,204</b>	<b>74,441</b>	<b>74,613</b>	<b>0.2%</b>
<b>% of Total Debt</b>	<b>59%</b>	<b>54%</b>	<b>54%</b>	<b>0%</b>

Source: MOF, DGF

<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 18- Dec 19 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

<sup>(3)</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>(4)</sup> Special Tbs in foreign currency (expropriation and contractor bonds).

<sup>(5)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans and Paris III related debt.



