

## TABLE OF CONTENTS

### Revenues

Page 1-2

### Expenditures

Page 2-3

### Public Debt Developments

Page 3

## General Overview

The first month of the year registered a significant deterioration compared to the same month in 2019 as spending was up by LL 715 billion (39.0 percent) and revenues contracted by LL 186 billion (10.8 percent). In addition, primary expenditures increased by LL 656 billion (47.7 percent) to reach LL 2,031 billion mainly due to a hike in various transfers that included LL 200 billion for the Public Corporation for Housing and LL 187 billion to EDL. In parallel, revenues recorded a significant drop given the lower collection levels of tax and non-tax revenues.

The **primary balance** switched from a surplus of LL 349 billion to a deficit of LL 492 billion, and the **total fiscal balance** declined significantly to record a deficit of LL 1,011 billion during the month of January 2020.

**Table 1: Summary of Fiscal Performance**

(LL billion)	January 2019	January 2020	% Change 2020/2019
<b>Total Budget and Treasury Receipts</b>	<b>1,725</b>	<b>1,539</b>	<b>-10.8%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>1,834</b>	<b>2,550</b>	<b>39.0%</b>
Interest Payments	433	492	13.5%
Concessional loans principal payments 1/	26	27	3.6%
Primary Expenditures 2/	1,375	2,031	47.7%
<b>Total (Deficit)/Surplus</b>	<b>-110</b>	<b>-1,011</b>	<b>-</b>
<b>Primary (Deficit)/Surplus</b>	<b>349</b>	<b>-492</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 10.8 percent year-on-year to reach LL 1,539 billion in January 2020 as a result of a decline in both tax and non-tax revenues. However, treasury receipts rose by 11.5 percent year-on-year to reach LL 104 billion in the first month of 2020.

**Tax revenues** recorded LL 1,218 billion in January 2020, decreasing by LL 143 billion (10.5 percent) from LL 1,361 billion registered in January 2019. This drop was the result of lower revenues in all sub-components except for **taxes on income, profits, and capital gains** which were up by LL 72 billion (12.7 percent) year-on-year in January 2020, driven by the LL 157 billion (69.5 percent) increase in **taxes on interest income** to reach LL 382 billion in January 2020. This rise was partly offset by a drop in all other components, with **income tax on profits** and **income tax on wages and salaries** decreasing year-on-year by LL 37 billion (43.1 percent)<sup>1</sup> and LL 32 billion (14.6 percent) respectively.

On the other hand, **taxes on property** regressed by LL 12 billion (14.9 percent) in January 2020, mainly as **built property tax** and **inheritance fees** dropped by LL 14 billion (54.6 percent) and LL 11 billion (68.0 percent) respectively. In contrast, **real estate registration fees** rose by LL 12 billion (30.6 percent) year-on-year, reflecting an annual increase in

<sup>1</sup> Partly affected by the Minister of Finance's decision #43 dated 30/01/2020 that extended the declaration and payment deadline for taxpayers subject to the lump sum profit taxation method from 31/01/2020 to 20/02/2020.

both the number of sold properties and their average price by 27.3 percent and 17.8 percent, respectively.

**Domestic taxes on goods and services** fell by LL 140 billion (28.9 percent) year-on-year in January, driven by a drop of LL 133 billion (29.0 percent) in the **value added tax**. In fact, VAT collected at customs decreased significantly by LL 79 billion (44.3 percent) and VAT collected internally dropped by LL 55 billion (19.4 percent) due in part to a slowdown in economic activity and a social uprising across the country.

**Taxes on international trade** declined by LL 61 billion (37.8 percent) year-on-year in January, due to decreases of LL 36 billion (34.2 percent) and of LL 25 billion (44.9 percent) in **excises** and **customs fees** respectively. In particular, **cars excise** went down by LL 15 billion (54.2 percent) as the value of imported vehicles decreased by 59.2 percent and **gasoline excise** regressed by LL 13 billion (20.2 percent) reflecting a 20.5 percent drop in the volume of gasoline imports. In addition, **tobacco excise** decreased by LL 7 billion (57.1 percent) as the value of imports dropped by 66.7 percent year-on-year.

**Other tax revenues (namely fiscal stamp fees)** also decreased by LL 2 billion (2.8 percent) to reach LL 63 billion in January 2020.

**Non-tax revenues** decreased by LL 54 billion (19.9 percent) to reach LL 217 billion in the first month of 2020, mainly as **property income (namely rent of Rafic Hariri International Airport)** and **transfers from the Telecom surplus** dropped by LL 31 billion (81.6 percent) and LL 25 billion (20.2 percent) respectively.

**Administrative fees and charges** also declined by LL 4 billion (5.6 percent) to reach LL 66 billion in January 2020. On the other hand, **other non-tax revenues (mostly retirement deductibles)** increased by LL 11 billion (61.0 percent) to reach LL 29 billion as foreign grants were LL 5 billion higher and as deductibles related to military salaries and retirement<sup>2</sup> generated LL 4 billion.

**Treasury receipts** rose by LL 11 billion (11.5 percent) to reach LL 104 billion in January 2020 compared to the same period of the 2019<sup>3</sup>.

## Expenditures

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**Total expenditures** recorded a significant increase of LL 715 billion (39.0 percent) to reach LL 2,550 billion in January 2020 due to a hike in current and capital expenditures partly offset by a decrease in treasury expenditures.

**Current primary expenditures<sup>4</sup>** witnessed a considerable increase of LL 604 billion (53.1 percent) reaching LL 1,743 billion in January 2020 driven by a rise in **various transfers** by LL 524 billion; of which LL 200 billion were transfers to the **Public Corporation for Housing** and LL 187 billion were **transfers to EDL**. In parallel, payments to **hospitals** rose by LL 78 billion to reach LL 102 billion in January 2020.

On the other hand, **personnel cost** decreased by LL 25 billion (2.8 percent) due to a LL 124 billion (68.0 percent) drop in the end-of-service compensations which was partly offset by a LL 71 billion rise in payments covering **salaries, wages and social benefits**.

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<sup>2</sup> New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

<sup>3</sup> 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.

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

**Interest payments** rose to LL 492 billion in January 2020 compared to LL 433 billion during the same month a year earlier, as interest payments due on domestic debt increased by LL 60 billion (16.1 percent). **Foreign debt principal repayments** registered a modest increase of LL 1 billion (3.6 percent) to reach LL 27 billion in January 2020.

**Capital expenditures** rose by LL 78 billion (98.6 percent) to reach LL 156 billion in January 2020 due to higher spending in all sub-components. In fact, **construction in progress, equipment** and **maintenance** expenses were up by LL 49 billion, by LL 15 billion and by LL 13 billion, respectively.

**Treasury expenditures** recorded a decrease of LL 33 billion (23.3 percent) to reach LL 110 billion in the first month of the year due to a drop in deposits from LL 81 billion in January 2019 to LL 32 billion in January 2020. However, **VAT refund** and **guarantees** witnessed an increase of LL 11 billion and of LL 9 billion, respectively.

### Public Debt

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**Gross public debt** grew to LL 138,682 billion by the end of January 2020, increasing by LL 532 billion (0.4 percent) from end-2019. In parallel, net debt rose by a higher percentage of 0.6 percent (LL 749 billion) reaching LL 123,222 billion as public sector deposits declined by 1.4 percent during the month under review.

**Local currency debt** rose by LL 228 billion (0.3 percent) to reach LL 87,507 billion by the end of January, compared to LL 87,279 billion as at end-2019. In detail, Central Bank holdings increased by LL 182 billion (0.4 percent), whereas TB holdings by the commercial banks dropped by LL 149 billion (0.6 percent). On the other hand, other local currency debt holdings recorded a hike of LL 195 billion, with TBs held by Public Entities rising by LL 213 billion (2.1 percent) to reach LL 10,181 billion by the end of January 2020.

The stock of **foreign currency debt** grew by LL 304 billion (0.6 percent) to reach LL 51,175 billion at end-January 2020, mainly as “accrued interest on Eurobonds” and “bilateral, multilateral and foreign private sector loans” increased by LL 241 billion and by LL 65 billion, respectively.

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	2019	2020	% Change
	January	January	2020/2019
<b>Budget Revenues, of which:</b>	<b>1,631</b>	<b>1,435</b>	<b>-12.0%</b>
Tax Revenues	1,361	1,218	-10.5%
Non-Tax Revenues	271	217	-19.9%
<b>Treasury Receipts</b>	<b>93</b>	<b>104</b>	<b>11.5%</b>
<b>Total Revenues</b>	<b>1,725</b>	<b>1,539</b>	<b>-10.8%</b>

Source: MOF, DGF

**Table 3: Tax Revenues**

(LL billion)	2019	2020	% Change
	January	January	2020/2019
<b>Tax Revenues:</b>	<b>1,361</b>	<b>1,218</b>	<b>-10.5%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>568</b>	<b>640</b>	<b>12.7%</b>
Income Tax on Profits	87	49	-43.1%
Income Tax on Wages and Salaries	221	189	-14.6%
Income Tax on Capital Gains & Dividends	28	19	-33.1%
Tax on Interest Income	226	382	69.5%
Penalties on Income Tax	6	1	-85.6%
<b>Taxes on Property, of which:</b>	<b>82</b>	<b>70</b>	<b>-14.9%</b>
Built Property Tax	26	12	-54.6%
Real Estate Registration Fees	41	53	30.6%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>486</b>	<b>346</b>	<b>-28.9%</b>
Value Added Tax	460	327	-29.0%
Other Taxes on Goods and Services, of which:	21	14	-31.7%
Private Car Registration Fees	14	8	-45.3%
Passenger Departure Tax	7	7	-6.2%
<b>Taxes on International Trade, of which:</b>	<b>160</b>	<b>100</b>	<b>-37.8%</b>
Customs	55	30	-44.9%
Excises, of which:	106	70	-34.2%
Gasoline Excise	64	51	-20.2%
Tobacco Excise	13	6	-57.1%
Cars Excise	27	12	-54.2%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>65</b>	<b>63</b>	<b>-2.8%</b>

Source: MOF, DGF

**Table 4: Non-Tax Revenue**

(LL billion)	2019 January	2020 January	% Change 2020/2019
<b>Non-Tax Revenues</b>	<b>271</b>	<b>217</b>	<b>-19.9%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>180</b>	<b>121</b>	<b>-33.0%</b>
Income from Non-Financial Public Enterprises, of which:	142	113	-20.1%
<i>Revenues from Casino Du Liban</i>	11	7	-37.9%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	5	6	25.3%
<i>Transfer from the Telecom Surplus</i>	125	100	-20.2%
Transfer from Public Financial Institution (BDL)	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	38	7	-81.6%
Other Income from Public Institutions (interests)	0	0	-13.8%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>69</b>	<b>66</b>	<b>-5.6%</b>
Administrative Fees, of which:	50	50	-1.4%
<i>Notary Fees</i>	5	5	-13.2%
<i>Passport Fees/ General Security</i>	20	22	8.6%
<i>Vehicle Control Fees</i>	17	16	-3.9%
<i>Judicial Fees</i>	2	3	40.1%
<i>Driving License Fees</i>	2	1	-40.4%
Administrative Charges	6	5	-18.4%
Sales (Official Gazette and License Number)	0	0	-18.4%
Permit Fees (mostly work permit fees)	8	8	8.7%
Other Administrative Fees & Charges	6	3	-49.2%
<b>Penalties &amp; Confiscations</b>	<b>3</b>	<b>2</b>	<b>-47.3%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>18</b>	<b>29</b>	<b>61.0%</b>

Source: MOF, DGF

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	2019 January	2020 January	% Change 2020/2019
<b>1. Current Expenditures</b>	<b>1,598</b>	<b>2,261</b>	<b>41.6%</b>
1.a Personnel Cost, of which	898	873	-2.8%
Salaries, Wages and social benefits	488	560	14.6%
Retirement and End of Service Compensations, of which:	396	293	-26.0%
Retirement	214	235	9.7%
End of Service	182	58	-68.0%
Transfers to Public Institutions to Cover Salaries	14	21	48.3%
1.b Interest Payments, of which: (1)	433	492	13.5%
Domestic Interest Payments	370	430	16.1%
Foreign Interest Payments	63	62	-1.5%
1.d Foreign Debt Principal Repayment	26	27	3.6%
1.e Materials and Supplies, of which:	28	24	-14.6%
Nutrition	5	1	-88.5%
Fuel Oil	5	0	-99.0%
Medicaments	6	16	176.4%
1.f External Services	26	34	30.7%
1.g Various Transfers, of which:	140	664	-
EDL (2)	99	286	188.5%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	26	37	44.1%
Transfers to Directorate General of Cereals and Beetroot (3)	0	0	-
1.h Other Current, of which:	37	123	236.1%
Hospitals	25	102	-
Others(judgments & reconciliations, mission costs, other)	10	20	93.6%
1.i Other Financial expenses	0	0	-100.0%
1.j Interest subsidy	10	25	148.6%
<b>2. Capital Expenditures</b>	<b>79</b>	<b>156</b>	<b>98.6%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	38.0%
2.b Equipment	10	25	153.2%
2.c Construction in Progress, of which:	39	88	125.7%
Displaced Fund	0	0	-
Council of the South	19	23	21.7%
CDR	4	38	-
Ministry of Public Work and Transport	1	9	-
Other of which:	13	15	16.5%
Higher Council of Relief	0	0	-
2.d Maintenance	29	42	42.7%
2.e Other Expenditures Related to Fixed Capital Assets	1	2	201.8%
<b>3. Budget Advances (4)</b>	<b>2</b>	<b>12</b>	<b>-</b>
<b>4. Customs Administration (exc. Salaries and Wages) (5)</b>	<b>14</b>	<b>10</b>	<b>-29.7%</b>
<b>5. Treasury Expenditures (6)</b>	<b>143</b>	<b>110</b>	<b>-23.3%</b>
Municipalities	30	31	1.4%
Guarantees	3	12	263.3%
Deposits (7)	81	32	-60.8%
Other, of which:	28	35	24.8%
VAT Refund	19	30	60.3%
<b>6. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>1,834</b>	<b>2,550</b>	<b>39.0%</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
	January	January	2020/2019
<b>Interest Payments</b>	<b>433</b>	<b>492</b>	<b>13.5%</b>
Local Currency Debt	370	430	16.1%
Foreign Currency Debt, of which:	63	62	-1.5%
Eurobond Coupon Interest*	50	50	0.0%
Special bond Coupon Interest*	0	0	-100.0%
Concessional Loans Interest Payments	13	12	-6.4%
<b>Foreign Debt Principal Repayment</b>	<b>26</b>	<b>27</b>	<b>3.6%</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
	January	January	2020/2019
<b>EDL of which:</b>	<b>99</b>	<b>286</b>	<b>188.5%</b>
Debt Service	1	1	-3.3%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	98	285	191.1%
Transfer Electricity Syria	0	0	-

Source: MOF, DGF

## SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-18	Dec-19	Jan-20	% Change Jan 20 / Dec 19
<b>Gross Public Debt</b>	<b>128,347</b>	<b>138,150</b>	<b>138,682</b>	<b>0.4%</b>
<b>Local Currency Debt</b>	<b>77,852</b>	<b>87,279</b>	<b>87,507</b>	<b>0.3%</b>
* <i>Accrued Interest Included in Debt</i>	1,123	1,294	1,255	-3.0%
a. Central Bank	39,006	50,717	50,899	0.4%
b. Commercial Banks (Including REPOs)	27,402	25,316	25,167	-0.6%
c. Other Local Currency Debt (T-bills), of which:	11,444	11,246	11,441	1.7%
<i>Public Entities</i>	9,956	9,968	10,181	2.1%
<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>51,175</b>	<b>0.6%</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	811	42.3%
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>15,460</b>	<b>-1.4%</b>
<b>Net Debt</b>	<b>114,161</b>	<b>122,473</b>	<b>123,222</b>	<b>0.6%</b>
<b>Gross Market Debt<sup>(5)</sup></b>	<b>76,204</b>	<b>74,441</b>	<b>74,513</b>	<b>0.1%</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, the first tranche of the French loan received in February 2008 and the second tranche received in October 2012.

<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, Paris II and Paris III related debt.



