

TABLE OF CONTENTS

Revenues

Page 1-2

Expenditures

Page 2-3

Public Debt Developments

Page 3

General Overview

The first quarter of 2019 recorded a **total fiscal deficit** of LL 1,460 billion, down from a deficit of LL 2,746 billion in the first quarter of 2018. This was mainly due to a drop in expenditures by LL 1,473 billion, driven by lower transfers to municipalities and hospitals as well as a reduction in capital spending. In addition, government revenues dropped by LL 188 billion as treasury receipts fell by LL 278 billion (56.7 percent), while non-tax revenues rose by LL 106 billion (18.1 percent), failing to offset the decrease.

Moreover, the **primary balance** switched from a deficit of LL 1,079 billion in Jan-Mar 2018 to a surplus of LL 45 billion during the same period of 2019, mainly as primary expenditures dropped by LL 1,311 billion (25.5 percent).

Table 1: Summary of Fiscal Performance

(LL billion)	2018 Jan-Mar	2019 Jan-Mar	% Change 2019/2018
Total Budget and Treasury Receipts	4,072	3,884	-4.6%
Total Budget and Treasury Payments, of which	6,818	5,344	-21.6%
Interest Payments	1,620	1,462	-9.7%
Concessional loans principal payments 1/	47	43	-10.0%
Primary Expenditures 2/	5,151	3,839	-25.5%
Total (Deficit)/Surplus	(2,746)	(1,460)	-46.8%
Primary (Deficit)/Surplus	(1,079)	45	-

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 dropped by LL 188 billion (4.6 percent) to reach LL 3,884 billion in Jan-Mar 2019, compared to LL 4,072 billion recorded during Jan-Mar 2018.

Tax revenues slightly declined by LL 16 billion (0.5 percent) to reach LL 2,983 billion by the end of the first quarter of 2019. In details, **taxes on income, profits and capital gains** rose by LL 236 billion (26.4 percent) as **tax on interest income** increased by LL 251 billion (68.5 percent) to reach LL 618 billion. **Income tax on capital gains and dividends** and **income tax on wages and salaries** witnessed modest increases of LL 12 billion (23 percent) and LL 1 billion (0.6 percent) respectively. These increases were able to offset the LL 23 billion (10.8 percent) drop in **income tax on profits** during the covered period.

Domestic taxes on goods and services decreased by LL 123 billion (11.4 percent) driven by a LL 98 billion (10.3 percent) drop in **value added tax**, with both VAT collected at customs and internal VAT declining by 13.6 percent and 5.6 percent respectively. In addition, **private car registration fees** dropped significantly by LL 21 billion (30.6 percent) over the covered period.

Taxes on property shrank by LL 83 billion (21.7 percent) in Jan-Mar 2019, mainly as **real estate registration fees** fell by LL 60 billion (29.9 percent). This significant drop reflected the year-on-year decrease in both the number as well as the average price of sold properties by 14.9 percent and 5.1 percent respectively over the covered period¹.

¹ As per the General Directorate of Land Registry and Cadastre.

Taxes on international trade were down by LL 37 billion (7.4 percent) comparing Jan-Mar 2019 to the same period in 2018, driven by a drop of LL 26 billion (13.5 percent) in collections from **customs**. The collection of **excise taxes** followed a downward trend from 2017 to 2019, dropping by LL 11 billion (3.5 percent) from the first quarter of 2018. **Cars excise** dropped by LL 29 billion (28.2 percent) - owing to a 24.0 percent year-on-year decrease in the value of car imports. On the other hand, **gasoline excise** and **tobacco excise** rose by LL 13 billion (7.9 percent)² and LL 6 billion (18.6 percent) respectively.

Other tax revenues (namely fiscal stamps fees) decreased by LL 9 billion (6.0 percent) over the covered period.

Non-tax revenues rose by LL 106 billion (18.1 percent) to reach LL 689 billion in the first quarter of 2019, as **income from public institutions and government properties** increased by LL 189 billion due to higher **transfers from the Telecom surplus** and **property income (namely rent of Rafic Hariri International Airport)** by LL 218 billion and LL 29 billion respectively. However, transfers from **public financial institutions (Banque Du Liban)** dropped by LL 60 billion.

Administrative fees and charges fell by LL 67 billion (24.1 percent) as a result of lower collections of **vehicle control fees** and **passport fees** by LL 58 billion (50.2 percent) and LL 11 billion (15.8 percent) respectively.

Other non-tax revenues (mostly retirement deductibles) dropped by LL 16 billion (24.1 percent) to reach LL 50 billion in Jan-Mar 2019.

Treasury receipts witnessed a decrease of LL 278 billion (56.7 percent) to reach LL 212 billion by end-March 2019. 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.

Expenditures

Total expenditures recorded a sharp decline of LL 1,473 billion (21.6 percent) and stood at LL 5,344 billion in Jan-Mar 2019.

Current primary expenditures³ decreased by LL 425 billion (11.3 percent) due to a drop in (i) **transfers to hospitals** by LL 168 billion (73.7 percent), (ii) **Electricité du Liban (EDL) transfers** by LL 89 billion (16.7 percent), and (iii) **spending on medicaments** by LL 37 billion (77.6 percent). The aforementioned drops were partly offset by a LL 155 billion rise in **personnel cost** as **retirement and end of service compensations** increased by LL 211 billion (29.1 percent).

Interest payments were down by LL 157 billion (9.7 percent) to reach LL 1,462 billion in Jan-Mar 2019, due to a decrease of LL 160 billion in interest payments on **domestic debt**. **Foreign debt principal repayment** registered a year-on-year decline of LL 5 billion during the first quarter of 2019.

Capital expenditures witnessed a significant drop of LL 460 billion (70.7 percent) in Jan-Mar 2019. This was initiated by a LL 375 billion (83.0 percent) drop in **construction**

² With a 7.0 percent increase in the volume of gasoline imports over the covered period as per the figures published by the Customs Directorate.

³ Current primary expenditures represent current expenditures excluding interest payments and foreign debt principal repayment.

in progress, of which LL 48 billion were transfers to CDR and LL 37 billion to the ministry of public work and transport. In addition, maintenance costs decreased by LL 27 billion (23.7 percent) year-on-year during the covered period. It is worth mentioning that spending on acquisitions of land and buildings, for the construction of roads, ports, airports, and water networks was nil during Jan-Mar 2019 compared to LL 30 billion in Jan-Mar 2018.

Treasury expenditures recorded a decrease of LL 335 billion (53.6 percent) to reach LL 291 billion by end-March 2019, mainly due to a drop in payments to municipalities from LL 524 billion in Jan-Mar 2018 to LL 106 billion in Jan-Mar 2019.

Public Debt Developments

Gross public debt stood at LL 129,982 billion as of end-March 2019, increasing by LL 1,635 billion (1.3 percent) from end-2018, while net debt expanded at a faster pace by 1.9 percent as public sector deposits declined by 3.8 percent over the period under review.

Local currency debt increased by LL 1,213 billion (1.6 percent) to reach LL 79,065 billion as of end-March 2019, compared to LL 77,852 billion as of end-2018. In details, local currency debt held by the Central Bank inched up by LL 1,730 billion (4.4 percent)⁴, whereas the holdings by the Commercial Banks went down by LL 480 billion (1.8 percent). On the other hand, a LL 37 billion decrease in other local currency debt holdings was recorded, with TBs held by Public Entities dropping by LL 34 billion (0.3 percent) to reach LL 9,922 billion compared to LL 9,956 billion by the end of 2018.

The stock of foreign currency debt grew by LL 422 billion to reach LL 50,917 billion by the end of March 2019, mostly owing it to a LL 420 billion increase in the accrued interest on Eurobonds.

⁴ BDL's TBs portfolio increased significantly in March 2019 after subscribing for a total amount of LL 1,633 billion while commercial banks subscribed only for LL 3 billion during the same month.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018	2019	% Change
	Jan-Mar	Jan-Mar	2019/2018
Budget Revenues, of which:	3,582	3,672	2.5%
Tax Revenues	2,998	2,983	-0.5%
Non-Tax Revenues	583	689	18.1%
Treasury Receipts	490	212	-56.7%
Total Revenues	4,072	3,884	-4.6%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018	2019	% Change
	Jan-Mar	Jan-Mar	2019/2018
Tax Revenues:	2,998	2,983	-0.5%
Taxes on Income, Profits, & Capital Gains, of which:	895	1,131	26.4%
Income Tax on Profits	213	190	-10.8%
Income Tax on Wages and Salaries	242	243	0.6%
Income Tax on Capital Gains & Dividends	53	65	23.0%
Tax on Interest Income	367	618	68.5%
Penalties on Income Tax	20	15	-26.5%
Taxes on Property, of which:	383	300	-21.7%
Built Property Tax	153	128	-16.4%
Real Estate Registration Fees	200	140	-29.9%
Domestic Taxes on Goods & Services, of which:	1,074	951	-11.4%
Value Added Tax	957	858	-10.3%
Other Taxes on Goods and Services, of which:	106	85	-20.1%
Private Car Registration Fees	67	47	-30.6%
Passenger Departure Tax	38	38	-1.5%
Taxes on International Trade, of which:	492	455	-7.4%
Customs	191	165	-13.5%
Excises, of which:	300	290	-3.5%
Gasoline Excise	164	177	7.9%
Tobacco Excise	31	37	18.6%
Cars Excise	102	73	-28.2%
Other Tax Revenues (namely fiscal stamp fees)	155	146	-6.0%

Source: MOF, DGF

Table 4: Non-Tax Revenues

(LL billion)	2018 Jan-Mar	2019 Jan-Mar	% Change 2019/2018
Non-Tax Revenues	583	689	18.1%
Income from Public Institutions and Government Properties, of which	231	420	81.8%
Income from Non-Financial Public Enterprises, of which:	144	364	153.0%
<i>Revenues from Casino Du Liban</i>	34	32	-7.2%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	1	6	-
<i>Transfer from the Telecom Surplus</i>	108	326	200.6%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	26	55	111.7%
Other Income from Public Institutions (interests)	1	1	49.4%
Administrative Fees & Charges, of which:	277	210	-24.1%
Administrative Fees, of which:	224	158	-29.3%
<i>Notary Fees</i>	18	16	-15.5%
<i>Passport Fees/ Public Security</i>	69	58	-15.8%
<i>Vehicle Control Fees</i>	115	57	-50.2%
<i>Judicial Fees</i>	7	8	19.8%
<i>Driving License Fees</i>	6	5	-11.0%
Administrative Charges	13	21	60.4%
Sales (Official Gazette and License Number)	1	1	4.4%
Permit Fees (mostly work permit fees)	26	19	-24.1%
Other Administrative Fees & Charges	14	11	-20.7%
Penalties & Confiscations	9	9	-5.0%
Other Non-Tax Revenues (mostly retirement deductibles)	66	50	-24.1%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018	2019	% Change
	Jan-Mar	Jan-Mar	2019/2018
1. Current Expenditures	5,412	4,825	-10.8%
1.a Personnel Cost, of which	2,385	2,540	6.5%
Salaries, Wages and social benefits	1,555	1,527	-1.8%
Retirement and End of Service Compensations, of which:	723	934	29.1%
Retirement	541	646	19.4%
End of Service	182	288	57.9%
Transfers to Public Institutions to Cover Salaries	106	79	-25.9%
1.b Interest Payments ⁽¹⁾ , of which:	1,620	1,462	-9.7%
Domestic Interest Payments	1,226	1,066	-13.1%
Foreign Interest Payments	393	396	0.8%
1.c Foreign Debt Principal Repayment	47	43	-10.0%
1.d Materials and Supplies, of which:	125	49	-60.5%
Nutrition	24	11	-54.5%
Fuel Oil	13	5	-56.6%
Medicaments	48	11	-77.6%
1.e External Services	87	45	-48.9%
1.f Various Transfers, of which:	818	577	-29.5%
EDL ⁽²⁾	532	443	-16.7%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	76	68	-10.8%
Transfers to Directorate General of Cereals and Beetroot ⁽³⁾	17	12	-28.7%
1.g Other Current, of which:	310	87	-71.9%
Hospitals	228	60	-73.7%
Others (judgments & reconciliations, mission costs, other)	78	25	-67.5%
1.h Other Financial expenses	1	0	-98.0%
1.i Interest subsidy	19	23	18.5%
2. Capital Expenditures	651	191	-70.7%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-100.0%
2.b Equipment	30	26	-13.6%
2.c Construction in Progress, of which:	451	77	-83.0%
Displaced Fund	10	0	-100.0%
Council of the South	6	19	205.6%
CDR	54	6	-89.3%
Ministry of Public Work and Transport	47	10	-78.6%
Other of which:	80	40	-49.7%
Higher Council of Relief	11	7	-30.4%
2.d Maintenance	113	86	-23.7%
2.e Other Expenditures Related to Fixed Capital Assets	27	3	-89.7%
3. Budget Advances⁽⁴⁾	91	5	-94.6%
4. Customs Administration (exc. Salaries and Wages)⁽⁵⁾	38	33	-13.0%
5. Treasury Expenditures⁽⁶⁾	626	291	-53.6%
Municipalities	524	106	-79.7%
Guarantees	19	12	-34.0%
Deposits 7/	17	94	-
Other, of which:	66	78	18.9%
VAT Refund	58	53	-7.8%
6. Total Expenditures (Excluding CDR Foreign Financed)	6,818	5,344	-21.6%

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	2019	% Change
	Jan-Mar	Jan-Mar	2019/2018
Interest Payments⁽¹⁾	1,620	1,462	-9.7%
Local Currency Debt	1,226	1,066	-13.1%
Foreign Currency Debt, of which:	393	396	0.8%
Eurobond Coupon Interest*	375	373	-0.4%
Specialbond Coupon Interest*	1	0	-80.7%
Concessional Loans Interest Payments	18	23	26.3%
Foreign Debt Principal Repayment	47	43	-10.0%

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	2019	% Change
	Jan-Mar	Jan-Mar	2019/2018
EDL, of which:	532	443	-16.7%
Debt Service	6	1	-76.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil:	507	441	-12.9%
Transfer Electricity Syria ⁽¹⁾	19	0	-100.0%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	Mar-19	% Change Mar 19- Dec 18
Gross Public Debt	119,892	128,347	129,982	1.3%
Local Currency Debt	74,077	77,852	79,065	1.6%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,194	6.3%
a. Central Bank	35,580	39,006	40,736	4.4%
b. Commercial Banks (Including REPOs)	27,756	27,402	26,922	-1.8%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,407	-0.3%
<i>Public Entities</i>	8,941	9,956	9,922	-0.3%
<i>Contractor bonds⁽¹⁾</i>	166	166	133	-19.9%
Foreign Currency Debt	45,815	50,495	50,917	0.8%
a. Bilateral, Multilateral and Foreign Private Sector Loans ⁽²⁾	2,973	2,920	2,928	0.3%
b. Paris II Related Debt (Eurobonds and Loans) ⁽³⁾	86	0	0	
c. Paris III Related Debt (Eurobonds and Loans) ⁽⁴⁾	452	344	341	-0.9%
d. Market-Issued Eurobonds	41,791	46,678	46,678	0.0%
e. <i>Accrued Interest on Eurobonds</i>	480	547	967	76.8%
f. <i>Special T-bills in Foreign Currency⁽⁵⁾</i>	33	6	3	-49.8%
Public Sector Deposits	15,659	14,186	13,648	-3.8%
Net Debt⁽⁶⁾	104,233	114,161	116,334	1.9%
Gross Market Debt⁽⁷⁾	71,944	76,204	76,141	-0.1%
% of Total Debt	60%	59%	59%	-

Source: MOF, DGF

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ Special TBs in foreign currency (expropriation and contractor bonds).

⁽⁶⁾ Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

⁽⁷⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

