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General Overview

Fiscal finances registered a substantial improvement in the first eight months of 2017 compared to the same period in 2016, with the **primary balance** ending the Jan-Aug 2017 period with a surplus of LL 2,622 billion, up from LL 611 billion in Jan-Aug 2016 (Table 1). Along with slightly lower primary expenditures, higher tax revenues supported by one-off collections outweighed the increase in debt service. As a result, the **total fiscal balance** registered a deficit of LL 2,092 billion, down by 45 percent year-on-year.

Table 1: Summary of Fiscal Performance

(LL billion)	2016	2017	% Change 2017/2016
	Jan-Aug	Jan-Aug	
Total Budget and Treasury Receipts	10,366	11,849	14.3%
Total Budget and Treasury Payments, of which	14,177	13,941	-1.7%
• Interest Payments	4,234	4,529	7.0%
• Concessional loans principal payment ¹	187	184	-1.6%
• Primary Expenditures ²	9,755	9,227	-5.4%
Total (Deficit)/Surplus	(3,811)	(2,092)	-45.1%
Primary (Deficit)/Surplus	611	2,622	329.3%

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 increased by 14 percent in Jan-Aug 2017 to reach LL 11,849 billion, compared to LL 10,366 billion in the same period of 2016.

Tax revenues realized a large increase of LL 1,626 billion (21.7 percent) over the period under consideration.

Taxes on income, profits and capital gains were up by LL 1,159 billion (48.7 percent). Most of the increase stemmed from income tax on profits and tax on interest income that grew by LL 962 billion and LL 88 billion respectively. Most importantly, income tax on profits was up by LL 962 billion as financial institutions transferred exceptional taxes on the proceeds generated from the Central Bank's 2016 financial engineering. It is also worth mentioning that income tax on capital gains and dividends rose by LL 64 billion to reach LL 287 billion in the first eight months of 2017.

Domestic taxes on goods and services increased by LL 229 billion driven by a LL 172 billion (7.7 percent) increase in the Value-added Tax. In detail, internal VAT rose by 6 percent, while VAT at customs increased by a higher percentage of 9.4%. Moreover, Private car registration fees were up by LL 15 billion (9.3 percent) and Passenger Departure Tax rose by LL 31 billion (33.5 percent) over the covered period.

Property taxes rose by LL 168 billion (20.9 percent) from January until August 2017, mainly as real estate registration fees rose by LL 121 billion (24 percent). In addition, built property tax also increased to LL 231 billion from LL 191 billion in the same period last year.

Taxes on international trade increased by LL 47 billion driven by higher excises (LL 28 billion), and higher customs duties (LL 19 billion). Moreover, **fiscal stamps** increased by LL 23 billion over the period.

Non-tax revenues decreased by LL 190 billion to reach LL 1,979 billion in Jan-Aug 2017, mainly due to lower Transfers from the telecommunications sector.

Moreover, penalties and confiscations dropped by LL 6 billion, while **administrative fees and charges** increased by LL 73 billion as a result of higher vehicle control fees (LL 82 billion) and passport fees (LL 8 billion), which were partly offset by decreases in work permit fees (LL 3 billion) and administrative charges (LL 6 billion).

Treasury receipts rose by LL 46 billion (6.7 percent) to reach LL 739 billion by end-August 2017.

Expenditures

Total expenditures recorded a decrease of LL 236 billion (-1.7 percent), standing at LL 13,941 billion in Jan-Aug 2017.

Current primary expenditures¹ increased by LL 272 billion mainly as a result of increases in (i) **various transfers** driven by a LL 483 billion higher transfers to EDL, and (ii) **personnel cost** by LL 160 billion, mainly driven by an increase in **salaries, wages and social benefits** of LL 77 billion and **retirement and end of service indemnities** of LL 79 billion. These increases were partly counterbalanced by a LL 121 billion drop in **transfers to hospitals** and a LL 30 billion decrease in **contributions to non-public sectors**.

Interest payments rose by LL 295 billion to reach LL 4,529 billion. **Foreign debt principal repayment** amounted to LL 184 billion in Jan-Aug 2017, down from LL 187 billion registered in Jan-Aug 2016.

Capital expenditures increased by LL 131 billion in Jan-Aug 2017, chiefly due to (i) a LL 183 billion increase in **construction in progress** that was mainly driven by an increase in transfers to CDR of LL 179 billion, (ii) a LL 35 billion rise in transfers to the **Higher Council of Relief**, and (iii) a LL 10 billion rise in **transfers to the displaced fund**. A decrease of LL 40 billion in **payments for maintenance** and a decline of LL 7 billion in **other expenditures related to fixed capital assets** have partly offset the increases in the above mentioned spending categories.

Treasury expenditures witnessed a significant decrease of LL 875 billion to reach LL 653 billion in Jan-Aug 2017, mainly due to lower payments to Municipalities – from LL 1,041 billion in Jan-Aug 2016 to LL 210 billion in Jan-Aug 2017.

Public Debt Developments

Gross public debt reached LL 116,518 billion as of end-August 2017, increasing by LL 3,608 billion (3.2 percent) from end-2016, while net debt increased by 2.7 percent as public sector deposits rose by 6.9 percent over the period to reach LL 15,257 billion.

Local currency debt increased by 1.5 percent to reach LL 71,554 billion as of end-August 2017, compared to LL 70,528 billion as of end-2016. In detail, local currency debt holdings by the Central Bank of Lebanon increased by LL 4,546 billion, whereas Commercial Banks' holdings decreased by LL 3,656 billion. Local currency debt holdings by Public Entities increased by LL 180 billion to reach LL 8,898 billion, while contractor bonds decreased by LL 93 billion to reach LL 46 billion.

¹ Current primary expenditures represent current expenditures excluding interest payments and foreign debt principal repayment.

The stock of **foreign currency debt** grew by the equivalent of LL 2,582 billion to LL 44,964 billion, mostly owing to a LL 2,336 billion increase in the value of outstanding Eurobonds. Moreover, “bilateral, multilateral and foreign private sector loans” rose by LL 432 billion in Jan-Aug 2017, whereas Paris II and Paris III related bonds and loans decreased by LL 288 billion and LL 160 billion respectively, mainly due to amortized principal repayments.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2016 Jan-Aug	2017 Jan-Aug	% Change 2017/2016
Budget Revenues, of which	9,673	11,109	14.8%
Tax Revenues	7,505	9,131	21.7%
Non-Tax Revenues	2,168	1,979	-8.7%
Treasury Receipts	693	739	6.7%
Total Revenues	10,366	11,849	14.3%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2016 Jan-Aug	2017 Jan-Aug	% Change 2017/2016
Tax Revenues:	7,505	9,131	21.7%
Taxes on Income, Profits, & Capital Gains, of which	2,382	3,541	48.7%
Income Tax on Profits	1,073	2,035	89.6%
Income Tax on Wages and Salaries	539	577	7.1%
Income Tax on Capital Gains & Dividends	222	287	28.8%
Tax on Interest Income (5%)	507	595	17.4%
Penalties on Income Tax	40	47	17.9%
Taxes on Property, of which:	802	970	20.9%
Built Property Tax	191	231	20.9%
Real Estate Registration Fees	506	627	24.0%
Domestic Taxes on Goods & Services, of which:	2,611	2,840	8.8%
Value Added Tax	2,231	2,403	7.7%
Other Taxes on Goods and Services, of which:	253	299	18.2%
Private Car Registration Fees	158	173	9.3%
Passenger Departure Tax	94	125	33.5%
Taxes on International Trade, of which:	1,390	1,437	3.4%
Customs	468	487	4.0%
Excises, of which:	922	950	3.0%
Gasoline Excise	453	469	3.6%
Tobacco Excise	148	130	-11.6%
Cars Excise	319	347	8.8%
Other Tax Revenues (namely fiscal stamp fees)	319	342	7.2%

Source: MOF, DGF

Table 4: Non-Tax Revenues

(LL billion)	2016 Jan-Aug	2017 Jan-Aug	% Change 2017/2016
Non-Tax Revenues	2,168	1,979	-8.7%
Income from Public Institutions and Government Properties, of which	1,501	1,243	-17.2%
Income from Non-Financial Public Enterprises, of which:	1,358	1,086	-20.0%
<i>Revenues from Casino Du Liban</i>	69	78	13.0%
<i>Revenues from Port of Beirut</i>	65	175	169.1%
<i>Budget Surplus of National Lottery</i>	20	31	54.1%
<i>Transfer from the Telecom Surplus</i>	1,202	800	-33.5%
Transfer from Public Financial Institution (BDL)	61	61	-0.6%
Property Income (namely rent of Rafic Hariri International Airport)	78	92	19.1%
Other Income from Public Institutions (interests)	5	4	-4.0%
Administrative Fees & Charges, of which:	510	582	14.2%
Administrative Fees, of which:	414	495	19.7%
<i>Notary Fees</i>	25	26	4.4%
<i>Passport Fees/ Public Security</i>	186	194	4.2%
<i>Vehicle Control Fees</i>	134	216	61.0%
<i>Judicial Fees</i>	20	19	-2.2%
<i>Driving License Fees</i>	14	16	12.7%
Administrative Charges	24	18	-23.0%
Sales (Official Gazette and License Number)	2	2	15.4%
Permit Fees (mostly work permit fees)	59	56	-5.4%
Other Administrative Fees & Charges	11	10	-4.8%
Penalties & Confiscations	30	24	-19.1%
Other Non-Tax Revenues (mostly retirement deductibles)	128	129	1.0%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2016 Jan-Aug	2017 Jan-Aug	% Change 2017/2016
1. Current Expenditures	11,739	12,303	4.8%
1.a Personnel Cost, of which	4,909	5,069	3.3%
Salaries, Wages and Related Items	3,221	3,298	2.4%
Retirement and End of Service Compensations, of which:	1,415	1,494	5.6%
Retirement	1,196	1,253	4.7%
End of Service	219	241	10.2%
Transfers to Public Institutions to Cover Salaries	272	276	1.5%
1.b Interest Payments 1/, of which:	4,234	4,529	7.0%
Domestic Interest Payments	2,824	3,072	8.8%
Foreign Interest Payments	1,411	1,457	3.3%
1.c Accounting Adjustments 2/	43	0	-
1.d Foreign Debt Principal Repayment	187	184	-1.6%
1.e Materials and Supplies, of which:	254	326	28.1%
Nutrition	54	61	12.1%
Fuel Oil	26	24	-4.7%
Medicaments	113	186	65.1%
1.f External Services	100	105	5.2%
1.g Various Transfers, of which:	1,520	1,716	12.9%
EDL 3/	786	1,269	61.5%
NSSF	20	0	-
Higher Council of Relief	1	21	-
Contributions to non-public sectors	236	206	-12.8%
Transfers to Directorate General of Cereals and Beetroot 4/	0	16	-
1.h Other Current, of which:	387	283	-26.8%
Hospitals	308	187	-39.1%
Others (judgments & reconciliations, mission costs, other)	75	88	16.9%
1.i Interest Subsidy	104	91	-12.6%
2. Capital Expenditures	612	743	21.5%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	2	-
2.b Equipment	48	42	-12.2%
2.c Construction in Progress, of which:	387	570	47.2%
Displaced Fund	0	10	-
Council of the South	27	27	-
CDR	172	351	103.9%
Ministry of Public Work and Transport	68	65	-4.1%
Other of which:	114	109	-4.8%
Higher Council of Relief	2	37	-
2.d Maintenance	127	87	-31.8%
2.e Other Expenditures Related to Fixed Capital Assets	50	43	-14.9%
3. Budget Advances 5/	224	183	-18.4%
4. Customs Administration (exc. Salaries and Wages) 6/	70	59	-16.6%
5. Treasury Expenditures 7/	1,528	653	-57.3%
Municipalities	1,041	210	-79.8%
Guarantees	48	69	44.8%
Deposits 8/	205	197	-3.9%
Other, of which:	235	177	-24.4%
VAT Refund	159	134	-15.9%
6. Unclassified Expenditures	4	0	-
7. Total Expenditures (Excluding CDR Foreign Financed)	14,177	13,941	-1.7%

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

Table 6: Details of Debt Service Transactions¹

(LL billion)	2016 Jan-Aug	2017 Jan-Aug	% Change 2017/2016
Interest Payments	4,234	4,529	7.0%
Local Currency Debt	2,824	3,072	8.8%
Foreign Currency Debt, of which:	1,411	1,457	3.3%
Eurobond Coupon Interest*	1,350	1,396	3.5%
Special bond Coupon Interest*	2	2	-6.8%
Concessional Loans Interest Payments	59	59	-0.3%
Foreign Debt Principal Repayment	187	184	-1.6%

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 EDL¹

(LL billion)	2016 Jan-Aug	2017 Jan-Aug	% Change 2017/2016
EDL, of which:	786	1,269	61.5%
Debt Service	20	14	-27.0%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	766	1,254	63.7%

Source: MOF, DGF

⁽¹⁾ 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-August 2017

(LL billion)	Dec-15	Dec-16	Aug-17	% Change Aug 17-Dec 16
Gross Public Debt	106,031	112,910	116,518	3.2%
Local Currency Debt	65,195	70,528	71,554	1.5%
* <i>Accrued Interest Included in Debt</i>	997	1,098	1,099	0.1%
a. Central Bank (Including REPOs)	24,308	30,150	34,696	15.1%
b. Commercial Banks	29,878	29,581	25,925	-12.4%
c. Other Local Currency Debt (T-bills), of which:	11,009	10,797	10,933	1.3%
<i>Public Entities</i>	8,461	8,718	8,898	2.1%
<i>Contractor bonds 1/</i>	180	139	46	-66.9%
Foreign Currency Debt 2/	40,836	42,382	44,964	6.1%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,491	2,506	2,939	16.9%
b. Paris II Related Debt (Eurobonds and Loans) 3/	1,182	631	344	-45.6%
c. Paris III Related Debt (Eurobonds and Loans) 4/	810	660	500	-24.2%
d. Market-Issued Eurobonds	35,862	38,063	40,399	6.1%
e. Accrued Interest on Eurobonds	435	458	745	62.7%
f. Special T-bills in Foreign Currency 5/	68	63	37	-41.3%
Public Sector Deposits	13,227	14,268	15,257	6.9%
Net Debt 6/	92,804	98,642	101,261	2.7%
Gross Market Debt 7/	69,216	70,303	69,224	-1.5%
% of Total Debt	65%	62%	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 15- Dec 16 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, first and second tranches of the French loan received in February 2008.

⁽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.



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