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General Overview

The fiscal deficit witnessed an improvement in the first four months of 2019 compared to the same period of 2018, as expenditures declined by 15.4 percent as a result of lower capital and treasury expenditures by 52.7 percent and 56.1 percent respectively. However, total revenues shrank by 9.2 percent as tax and non-tax revenues dropped by 3.3 percent and 10.8 percent respectively. The **total fiscal balance** recorded a deficit of LL 2,080 billion, compared to a deficit of LL 2,885 billion in the same period of 2018, while the **primary balance** registered a surplus of LL 34 billion compared to a deficit of LL 551 billion.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Apr 2018	Jan-Apr 2019	% Change 2019/2018
Total Budget and Treasury Receipts	5,746	5,217	-9.2%
Total Budget and Treasury Payments, of which	8,631	7,297	-15.4%
•Interest Payments	2,272	2,056	-9.5%
•Concessional loans principal payment ¹	62	59	-5.1%
•Primary Expenditures ²	6,297	5,183	-17.7%
Total (Deficit)/Surplus	(2,885)	(2,080)	-27.9%
Primary (Deficit)/Surplus	(551)	34	-

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 fell to LL 5,217 billion, lower by LL 529 billion (9.2 percent) in Jan-Apr 2019 compared to the same period of last year. The drop was the result of a decline in tax, non-tax and treasury revenues.

Tax revenues shrank by LL 140 billion (3.3 percent) to reach LL 4,109 billion from LL 4,249 billion in the previous year, with a decrease in all sub-components except taxes on income, profits, and capital gains.

In details, **taxes on income, profits and capital gains** went up by LL 280 billion (21.9 percent) year-on-year in April 2019, mainly affected by the increase in **taxes on interest income** by LL 284 billion (56.1 percent) to reach LL 790 billion. However, this increase was partially counterbalanced by a drop in **income tax on profits** by LL 20 billion (8.5 percent) to reach LL 219 billion at end-April 2019.

On the other hand, **domestic taxes on goods and services** decreased by LL 290 billion (17.6 percent) to reach LL 1,361 billion in Jan-Apr 2019 associated with a drop of LL 247 billion (17.0 percent) in value added tax, as both internally collected VAT and VAT at customs declined by 21.2 percent and 13.1 percent respectively.

In addition, **taxes on property** shrank by LL 81 billion (18.0 percent) year-on-year by the end of April 2019, mainly as **real estate registration fees** fell by LL 61 billion (25.1 percent). This drop reflected the year-on-year decrease in both the number as well as

the average price of sold properties by 10.9 percent and 5.9 percent respectively¹. It is also worth mentioning that registered square meters (for construction permits delivered by the orders of engineers in Beirut and Tripoli) dropped by 32.7 percent over the covered period.

Taxes on international trade dropped by LL 41 billion (6.3 percent) due to a drop in **cars excises** by LL 40 billion - owing to a 24.4 percent decrease in the value of cars imports - and **custom fees** by LL 35 billion. Yet these decreases were partially counterbalanced by higher collections in **gasoline excise** and **tobacco excise** by LL 20 billion² and LL 14 billion³ respectively.

Other tax revenues (namely fiscal stamp fees) decreased by LL 8 billion (3.7 percent) to reach LL 211 billion in April 2019.

Non-tax revenues decreased by LL 104 billion (10.8 percent) to reach LL 858 billion in Jan-Apr 2019, driven by a drop in all sub components. In fact, **administrative fees and charges** witnessed the largest decline of LL 65 billion (19.1 percent) mainly due to lower collections from **vehicle control fees** and **passport fees** by LL 61 billion (45.3 percent) and LL 13 billion (13.9 percent) respectively.

Income from public institutions and government properties fell by LL 24 billion (4.5 percent) to reach LL 498 billion in Jan-Apr 2019, driven by the drop of LL 54 billion (14.1 percent) in **transfers from the Telecom surplus**, despite the LL 27 billion (80.7 percent) increase in **property income (namely rent of Rafic Hariri International Airport)**.

Other non-tax revenues (mostly retirement deductibles) dropped by LL 15 billion (17.1 percent) to reach LL 74 billion in Jan-Apr 2019.

Treasury receipts witnessed a sharp decrease of LL 285 billion (53.2 percent) compared to the same period of the 2018, to reach LL 250 billion in Jan-Apr 2019.

Expenditures

Total expenditures recorded a significant decrease of LL 1,333 billion (15.4 percent) to reach LL 7,297 billion in Jan-Apr 2019 due to lower spending within all sub-components.

Current primary expenditures⁴ shrank by LL 254 billion (5.4 percent), reaching LL 4,491 billion in Jan-Apr 2019, mainly as a result of a drop in: (i) **transfers to hospitals** by LL 178 billion (74.7 percent), (ii) **external services** by LL 51 billion (48.4 percent), and (iii) **others (judgments & reconciliations, mission costs, other)** by LL 48 billion (57.3 percent). However, these decreases were partly counterbalanced by a LL 217 billion hike in **personnel cost** driven by an increase in **retirement and end of service compensations** by LL 248 billion⁵ in Jan-Apr 2019.

Interest payments reached LL 2,056 billion in Jan-Apr 2019, down by LL 216 billion (9.5 percent) from Jan-Apr 2018, mainly as **interest payments due on domestic debt** fell by LL 223 billion (13.6 percent), while **interest payments on foreign debt** slightly rose by LL 7 billion (1.0 percent) to reach LL 637 billion. **Foreign debt principal repayments** decreased by LL 3 billion from the LL 62 billion registered in the first four months of 2018.

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

² With gasoline imports increasing by 9.0 percent y-o-y over the covered period.

³ Tobacco imports increased from LL 47 billion in Jan-Apr 2018 to LL 72 billion in Jan-Apr 2019.

⁴ Current primary expenditures represent current expenditures excluding interest payment and debt service.

⁵ This was due to the y-o-y hike registered in "Retirement" and "End of Service" by LL 140 billion and LL 108 billion respectively in Jan-April 2019.

Capital expenditures also dropped by LL 379 billion (56.1 percent) to reach LL 296 billion, as a result of a major drop in **construction in progress** expenses by LL 328 billion (71.5 percent), as well as a LL 30 billion decline in **acquisitions of land and buildings, for the construction of roads, ports, airports, and water networks**.

Treasury expenditures witnessed a significant decrease of LL 383 billion (52.7 percent) to reach LL 344 billion in Jan-Apr 2019, mainly due to a LL 450 billion drop in transfers from the Ministry of Finance to **municipalities** to reach LL 106 billion in Jan-Apr 2019.

Public Debt

Gross public debt accumulated to LL 129,416 billion in April 2019 compared to a value of LL 128,347 billion in December 2018. Accordingly, net debt increased by LL 2,574 billion (2.3 percent) to hit LL 116,735 billion, due to a drop in **public sector deposits** that declined by 10.6 percent over the period under review.

Local currency debt rose by LL 1,393 billion (1.8 percent), due to a rise in central bank's debt holdings by LL 1,930 billion (4.9 percent) to reach LL 40,936 billion in April 2019. On the other hand, local currency debt holdings by Commercial Banks dropped by LL 549 billion (2.0 percent) to reach LL 26,853 billion. Slight changes were recorded in other local currency debt holdings, with TBs held by Public Entities increasing by LL 49 billion (0.5 percent) to reach LL 10,005 billion while contractor bonds decreased by LL 33 billion (19.9 percent).

The stock of **foreign currency debt** decreased by LL 324 billion (0.6 percent) to reach LL 50,171 billion as market issued Eurobonds dropped by the equivalent of LL 753 billion compared to end-2018 level. On the other hand, Bilateral, multilateral and foreign private sector loans increased by LL 13 billion, whereas Paris III related bonds and loans decreased by LL 33 billion compared to the end of 2018.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018 Jan-Apr	2019 Jan-Apr	% Change 2019/2018
Budget Revenues, of which	5,211	4,967	-4.7%
Tax Revenues	4,249	4,109	-3.3%
Non-Tax Revenues	962	858	-10.8%
Treasury Receipts	535	250	-53.2%
Total Revenues	5,746	5,217	-9.2%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018 Jan-Apr	2019 Jan-Apr	% Change 2019/2018
Tax Revenues:	4,249	4,109	-3.3%
Taxes on Income, Profits, & Capital Gains, of which	1,275	1,555	21.9%
Income Tax on Profits	240	219	-8.5%
Income Tax on Wages and Salaries	435	440	1.4%
Income Tax on Capital Gains & Dividends	71	86	21.5%
Tax on Interest Income (7%)	506	790	56.1%
Penalties on Income Tax	23	18	-22.6%
Taxes on Property, of which:	450	369	-18.0%
Built Property Tax	171	147	-13.7%
Real Estate Registration Fees	242	182	-25.1%
Domestic Taxes on Goods & Services, of which:	1,650	1,361	-17.6%
Value Added Tax	1,454	1,207	-17.0%
Other Taxes on Goods and Services, of which:	137	114	-17.4%
<i>Private Car Registration Fees</i>	87	62	-29.2%
<i>Passenger Departure Tax</i>	50	51	3.7%
Taxes on International Trade, of which:	655	614	-6.3%
Customs	253	218	-13.6%
Excises, of which:	402	395	-1.7%
<i>Gasoline Excise</i>	219	238	9.0%
<i>Tobacco Excise</i>	38	51	36.0%
<i>Cars Excise</i>	141	101	-28.1%
Other Tax Revenues (namely fiscal stamp fees)	220	211	-3.7%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018 Jan-Apr	2019 Jan-Apr	% Change 2019/2018
Non-Tax Revenues	962	858	-10.8%
Income from Public Institutions and Government Properties, of which	522	498	-4.5%
Income from Non-Financial Public Enterprises, of which:	426	375	-12.1%
<i>Revenues from Casino Du Liban</i>	45	42	-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>	380	326	-14.1%
Transfer from Public Financial Institution (BDL)	60	60	-0.1%
Property Income (namely rent of Rafic Hariri International Airport)	34	61	80.7%
Other Income from Public Institutions (interests)	1	2	47.4%
Administrative Fees & Charges, of which:	339	274	-19.1%
Administrative Fees, of which:	277	208	-24.7%
Notary Fees	24	21	-13.3%
Passport Fees/ Public Security	91	78	-13.9%
Vehicle Control Fees	134	73	-45.3%
Judicial Fees	9	11	28.1%
Driving License Fees	7	6	-12.4%
Administrative Charges	14	25	74.4%
Sales (Official Gazette and License Number)	1	1	-1.4%
Permit Fees (mostly work permit fees)	32	26	-18.9%
Other Administrative Fees & Charges	14	13	-5.6%
Penalties & Confiscations	12	12	-1.9%
Other Non-Tax Revenues (mostly retirement deductibles)	89	74	-17.1%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018 Jan-Apr	2019 Jan-Apr	% Change 2019/2018
1. Current Expenditures	7,079	6,606	-6.7%
1.a Personnel Cost, of which	3,075	3,292	7.1%
Salaries, Wages and Related Items	1,988	1,985	-0.1%
Retirement and End of Service Compensations, of which:	948	1,196	26.1%
Retirement	722	862	19.4%
End of Service	225	333	47.8%
Transfers to Public Institutions to Cover Salaries	139	111	-20.1%
1.b Interest Payments 1/, of which:	2,272	2,056	-9.5%
Domestic Interest Payments	1,642	1,419	-13.6%
Foreign Interest Payments	630	637	1.0%
1.d Foreign Debt Principal Repayment	62	59	-5.1%
1.e Materials and Supplies, of which:	129	83	-35.6%
Nutrition	25	17	-30.0%
Fuel Oil	13	15	15.2%
Medicaments	48	15	-68.4%
1.f External Services	105	54	-48.4%
1.g Various Transfers, of which:	1,080	923	-14.5%
EDL 2/	787	764	-2.9%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	78	86	10.9%
Transfers to Directorate General of Cereals and Beetroot 3/	17	12	-28.7%
1.h Other Current, of which:	325	98	-69.9%
Hospitals	238	60	-74.7%
Others (judgments & reconciliations, mission costs, other)	83	36	-57.3%
1.i Other Financial expenses	1	0	-97.9%
1.j Interest Subsidy	31	41	33.3%
2. Capital Expenditures	675	296	-56.1%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-100.0%
2.b Equipment	30	37	21.7%
2.c Construction in Progress, of which:	459	131	-71.5%
Displaced Fund	10	0	-100.0%
Council of the South	6	19	205.6%
CDR	60	6	-90.5%
Ministry of Public Work and Transport	47	19	-60.2%
Other of which:	81	86	6.0%
Higher Council of Relief	11	20	87.5%
2.d Maintenance	128	124	-3.0%
2.e Other Expenditures Related to Fixed Capital Assets	27	4	-85.5%
3. Budget Advances 4/	101	7	-93.4%
4. Customs Administration (exc. Salaries and Wages) 5/	48	45	-7.0%
5. Treasury Expenditures 6/	727	344	-52.7%
Municipalities	556	106	-80.9%
Guarantees	34	30	-11.6%
Deposits 7/	44	99	128.3%
Other, of which:	94	109	15.3%
VAT Refund	67	79	17.6%
6. Total Expenditures (Excluding CDR Foreign Financed)	8,631	7,297	-15.4%

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 Jan-Apr	2019 Jan-Apr	% Change 2019/2018
Interest Payments	2,272	2,056	-9.5%
Local Currency Debt	1,642	1,419	-13.6%
Foreign Currency Debt, of which:	630	637	1.0%
Eurobond Coupon Interest*	607	606	-0.2%
Special bond Coupon Interest*	0.7	0.1	-82.2%
Concessional Loans Interest Payments	23	31	37.3%
Foreign Debt Principal Repayment	62	59	-5.1%

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 Jan-Apr	2019 Jan-Apr	% Change 2019/2018
EDL of which:	787	764	-2.9%
Debt Service	6	2	-72.1%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	781	762	-2.4%
Transfer Electricity Syria	19	-	-

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	Apr-19	% Change Apr 19 – Dec 18
Gross Public Debt	119,892	128,347	129,416	0.8%
Local Currency Debt	74,077	77,852	79,245	1.8%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,219	8.5%
a. Central Bank	35,580	39,006	40,936	4.9%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	26,853	-2.0%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,456	0.1%
<i>Public Entities</i>	8,941	9,956	10,005	0.5%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
Foreign Currency Debt 3/	45,815	50,495	50,171	-0.6%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,934	-0.1%
b. Paris II Related Debt (Eurobonds and Loans) 4/	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) 5/	452	344	310	-9.7%
d. Market-Issued Eurobonds	41,791	46,678	45,925	-1.6%
e. Accrued Interest on Eurobonds	480	547	999	82.6%
f. Special T-bills in Foreign Currency 6/	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	12,681	-10.6%
Net Debt 7/	104,233	114,161	116,735	2.3%
Gross Market Debt 8/	71,944	76,204	75,317	-1.2%
% of Total Debt	60%	59%	58%	-2.0%

Source: MOF, DGF

⁽¹⁾ Since August 2017 REPOs are removed from central bank and added to commercial banks.

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

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ Special Tbs in foreign currency (expropriation and contractor bonds).

⁽⁷⁾ Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

⁽⁸⁾ Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.

