

TABLE OF CONTENTS

Revenues

Page 1-2

Expenditures

Page 2-3

Public Debt Developments

Page 3-4

General Overview

Lebanon's fiscal position worsened in the first quarter of 2020 as the ramifications caused by the financial and health crises led to slower economic activity. In fact, expenditures surged by 9.5 percent year-on-year, driven by higher transfers to the public corporation for housing and by rising payments for hospitals. On the other hand, the announcement of a complete lockdown in the country because of the COVID-19 global pandemic has significantly affected the collection of revenues. In fact, total revenues decreased by 13.6 percent as VAT collection dropped by 42.3 percent and customs fell by 51.5 percent.

The **total fiscal balance** registered a wide deficit of LL 2,495 billion in Jan-Mar 2020 compared to a deficit of LL 1,460 billion in the same period of 2019. In parallel, the **primary balance** shifted from a surplus of LL 45 billion in Jan-Mar 2019 to a LL 1,019 billion deficit during the first quarter of 2020.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Mar 2019	Jan-Mar 2020	% Change 2020/2019
Total Budget and Treasury Receipts	3,884	3,357	-13.6%
Total Budget and Treasury Payments, of which	5,344	5,852	9.5%
Interest Payments	1,462	1,430	-2.2%
Concessional loans principal payments ⁽¹⁾	43	47	8.9%
Primary Expenditures ⁽²⁾	3,839	4,376	14.0%
Total (Deficit)/Surplus	-1,460	-2,495	70.9%
Primary (Deficit)/Surplus	45	-1,019	-

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 decreased by LL 527 billion (13.6 percent) year-on-year to reach LL 3,357 billion during Jan-Mar 2020.

Tax revenues reached LL 2,611 billion in the first quarter of the year, reflecting a LL 372 billion (12.5 percent) decrease from LL 2,983 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**.

In fact, **taxes on income, profits and capital gains** were up by LL 306 billion (27.1 percent) year-on-year in Jan-Mar 2020, driven by an increase in **taxes on interest income** by LL 424 billion (68.6 percent) to reach LL 1,041 billion. Meanwhile, **income tax on profits, income tax on capital gains & dividends** and **income tax on wages and salaries** dropped by LL 44 billion (23.1 percent), by LL 36 billion (54.7 percent) and by LL 29 billion (12.0 percent), respectively.

On the other hand, **taxes on property** registered a LL 68 billion (22.6 percent) decrease in Jan-Mar 2020 as **built property tax** declined by LL 83 billion (64.6 percent), partly counterbalanced by a LL 26 billion (18.6 percent)¹ rise in **real estate registration fees**.

Domestic taxes on goods and services dropped remarkably by LL 398 billion (41.9 percent) year-on-year in Jan-Mar 2020, driven by a LL 363 billion (42.3 percent) decline in the **value added tax**². In particular, both VAT collected at customs and VAT collected internally dropped year-on-year over the covered period by 49.1 percent and 33.4 percent, respectively. In addition, **private car registration fees** dropped by LL 24 billion (50.6 percent) to reach LL 23 billion in the first quarter of the year.

Moreover, **taxes on international trade** decreased by LL 176 billion (38.6 percent) as **excises** and **custom fees** dropped by LL 91 billion (31.3 percent) and LL 85 billion (51.5 percent) respectively. In fact, **cars excise** plummeted by LL 46 billion (62.3 percent), owing to a 66.0 percent decrease in the value of imported vehicles. In addition, **tobacco excise** declined by LL 25 billion (67.4 percent), driven by a year-on-year drop of 65.1 percent in the value of tobacco imports. **Gasoline excise** also declined by LL 19 billion (10.5 percent) as the volume of gasoline imports dropped by 13.5 percent year-on-year.

Finally, **other tax revenues (namely fiscal stamp fees)** fell by LL 36 billion (24.9 percent) to reach LL 110 billion in Jan-Mar 2020, outlining the drop in the concluded contracts.

Non-tax revenues shrank by LL 137 billion (19.9 percent) to reach LL 552 billion during the first quarter of 2020. In detail, **income from public institutions and Government properties** witnessed a year-on-year decrease of LL 104 billion (24.7 percent) over the covered period, mainly as **transfers from the Telecom surplus** dropped by LL 126 billion (38.7 percent) and **property income (namely rent of Rafic Hariri International Airport)** decreased by LL 31 billion (57.0 percent). The aforementioned drops were partly offset by the LL 60 billion transfer from **Public Financial Institution (BDL)** compared to nil during the same period of 2019.

Administrative fees and charges dropped by LL 53 billion (25.5 percent) reaching LL 157 billion over the period under review, mainly as **administrative charges**, **passport fees** and **vehicle control fees** fell by LL 13 billion (60.3 percent), by LL 11 billion (18.3 percent) and by LL 10 billion (17.8 percent), respectively.

On the other hand, **other non-tax revenues (mostly retirement deductibles)** increased by LL 26 billion (51.4 percent), as deductibles related to military salaries and retirement³ generated LL 13 billion. In addition, foreign grants grew by LL 5 billion and exceptional revenues from the settlement of violations related to maritime properties increased by LL 6 billion.

Treasury receipts witnessed a decrease of LL 18 billion to reach LL 194 billion in Jan-Mar 2020 compared to LL 212 billion during the same period in 2019.

Expenditures

Total expenditures rose by LL 508 billion (9.5 percent) to reach LL 5,852 billion in Jan-Mar 2020 compared to LL 5,344 billion in Jan-Mar 2019.

¹ 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 16.6 percent and by 23.3 percent, respectively, during the first quarter of 2020 compared to the same period last year.

² Mirroring the contraction in the private consumption, the main driver of economic growth in Lebanon.

³ New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

Current primary expenditures⁴ registered a LL 554 billion (16.7 percent) increase reaching a total of LL 3,874 billion during the first quarter of 2020, with various transfers rising remarkably by LL 298 billion (51.7 percent) and expenditures related to the health sector increasing by LL 183 billion for **hospitals** and LL 61 billion for **medicaments**.

Personnel cost grew by LL 15 billion (0.6 percent) as (i) **salaries, wages and social benefits** rose by LL 102 billion (6.7 percent), (ii) **retirement expenses** increased by LL 60 billion (9.3 percent), and (iii) **transfers to public institutions to cover salaries** were up by LL 32 billion (40.8 percent). These increases were mostly offset by a drop in the **end of service compensations** by LL 179 billion (62.1 percent).

Various transfers rose by LL 298 billion (51.7 percent) over the covered period, given a LL 200 billion transfer to the **Public Corporation for Housing** made in January 2020.

Interest payments decreased by LL 32 billion in Jan-Mar 2020 as interest payments due on foreign currency debt dropped by LL 217 billion (54.8 percent) after the Government opted for defaulting on maturing Eurobonds on March 9, while interest payments on domestic currency increased by LL 185 billion (17.3 percent) during the covered period.

Foreign debt principal repayment rose by LL 4 billion (8.9 percent) registering a total of LL 47 billion.

Capital expenditures rose by LL 48 billion (25.3 percent) to reach LL 239 billion in Jan-Mar 2020, mainly as transfers to **CDR** were up by LL 73 billion and **equipment** expenses increased by LL 11 billion (42.5 percent). On the other hand, **maintenance** expenses decreased by LL 28 billion (33.1 percent).

Treasury expenditures witnessed a decrease of LL 90 billion (31.0 percent) to reach LL 201 billion in Jan-Mar 2020, as **payments to municipalities** and **deposits** dropped by LL 66 billion (62.4 percent) and LL 51 billion (53.8 percent) respectively. These drops were partly offset by higher **guarantees** and **VAT refund** that grew by LL 17 billion and by LL 2 billion, respectively, during the period under consideration.

Public Debt

Gross public debt stood at LL 139,318 billion by the end of March 2020, increasing by LL 1,168 billion (0.8 percent) from end-2019. On the other hand, **net debt** rose by 2.4 percent to reach LL 125,432 billion due to a drop of LL 1,791 billion (11.4 percent) in **public sector deposits** over the period under consideration.

Local currency debt increased by LL 656 billion (0.8 percent) to register LL 87,935 billion as of end-March 2020, compared to LL 87,279 billion recorded as of end-2019. In details, **local currency debt held by the Central Bank** increased by LL 784 billion (1.5 percent) to reach LL 51,501 billion by the end of the first quarter of 2020, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 296 billion (3.0 percent) to reach LL 10,264 billion. In contrast, **TBs held by commercial banks** dropped by LL 400 billion (1.6 percent) to reach LL 24,916 billion by the end of March 2020.

The stock of **foreign currency debt** grew by LL 512 billion (1.0 percent) to reach LL 51,383 billion at end-March 2020, reflecting a significant increase of LL 491 billion (86.1 percent) in the **accrued interest on Eurobonds**. In parallel, **bilateral, multilateral and foreign private sector loans** rose by LL 23 billion, whereas **Paris III related debt** decreased by LL 2 billion compared to the end of 2019. On the other hand, the stock of

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

market-issued Eurobonds remained unchanged at LL 47,206 billion, of which LL 1,809 billion of exceptional financing (unpaid principal).

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2019	2020	% Change
	Jan-Mar	Jan-Mar	2020/2019
Budget Revenues, of which:	3,672	3,163	-13.9%
Tax Revenues	2,983	2,611	-12.5%
Non-Tax Revenues	689	552	-19.9%
Treasury Receipts	212	194	-8.5%
Total Revenues	3,884	3,357	-13.6%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2019	2020	% Change
	Jan-Mar	Jan-Mar	2020/2019
Tax Revenues:	2,983	2,611	-12.5%
Taxes on Income, Profits, & Capital Gains, of which:	1,131	1,437	27.1%
Income Tax on Profits	190	146	-23.1%
Income Tax on Wages and Salaries	243	214	-12.0%
Income Tax on Capital Gains & Dividends	65	30	-54.7%
Tax on Interest Income	618	1041	68.6%
Penalties on Income Tax	15	5	-63.0%
Taxes on Property, of which:	300	232	-22.6%
Built Property Tax	128	45	-64.6%
Real Estate Registration Fees	140	166	18.6%
Domestic Taxes on Goods & Services, of which:	951	553	-41.9%
Value Added Tax	858	495	-42.3%
Other Taxes on Goods and Services, of which:	85	50	-40.5%
Private Car Registration Fees	47	23	-50.6%
Passenger Departure Tax	38	27	-28.0%
Taxes on International Trade, of which:	455	279	-38.6%
Customs	165	80	-51.5%
Excises, of which:	290	199	-31.3%
Gasoline Excise	177	158	-10.5%
Tobacco Excise	37	12	-67.4%
Cars Excise	73	28	-62.3%
Other Tax Revenues (namely fiscal stamp fees)	146	110	-24.9%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2019 Jan-Mar	2020 Jan-Mar	% Change 2020/2019
Non-Tax Revenues	689	552	-19.9%
Income from Public Institutions and Government Properties, of which:	420	316	-24.7%
Income from Non-Financial Public Enterprises, of which:	364	232	-36.3%
Revenues from Casino Du Liban	32	25	-20.5%
Revenues from Port of Beirut	0	0	-
Budget Surplus of National Lottery	6	6	9.0%
Transfer from the Telecom Surplus	326	200	-38.7%
Transfer from Public Financial Institution (BDL)	0	60	-
Property Income (namely rent of Rafic Hariri International Airport)	55	24	-57.0%
Other Income from Public Institutions (interests)	1	1	-31.5%
Administrative Fees & Charges, of which:	210	157	-25.5%
Administrative Fees, of which:	158	123	-22.6%
Notary Fees	16	11	-31.5%
Passport Fees/ General Security	58	48	-18.3%
Vehicle Control Fees	57	47	-17.8%
Judicial Fees	8	6	-19.2%
Driving License Fees	5	3	-47.3%
Administrative Charges	21	8	-60.3%
Sales (Official Gazette and License Number)	1	0	-34.6%
Permit Fees (mostly work permit fees)	19	19	-1.3%
Other Administrative Fees & Charges	11	6	-43.7%
Penalties & Confiscations	9	3	-62.0%
Other Non-Tax Revenues (mostly retirement deductibles)	50	76	51.4%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2019	2020	% Change
	Jan-Mar	Jan-Mar	2020/2019
1. Current Expenditures	4,825	5,351	10.9%
1.a Personnel Cost, of which	2,540	2,555	0.6%
Salaries, Wages and social benefits	1,527	1,629	6.7%
Retirement and End of Service Compensations, of which:	934	815	-12.7%
Retirement	646	706	9.3%
End of Service	288	109	-62.1%
Transfers to Public Institutions to Cover Salaries	79	111	40.8%
1.b Interest Payments, of which: ⁽¹⁾	1,462	1,430	-2.2%
Domestic Interest Payments	1,066	1,251	17.3%
Foreign Interest Payments	396	179	-54.8%
1.d Foreign Debt Principal Repayment	43	47	8.9%
1.e Materials and Supplies, of which:	49	95	92.7%
Nutrition	11	7	-39.1%
Fuel Oil	5	1	-81.9%
Medicaments	11	71	-
1.f External Services	45	53	19.2%
1.g Various Transfers, of which:	577	875	51.7%
EDL ⁽²⁾	443	455	2.8%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	68	54	-20.2%
Transfers to Directorate General of Cereals and Beetroot ⁽³⁾	12	0	-100%
1.h Other Current, of which:	87	270	-
Hospitals	60	242	-
Others (judgments & reconciliations, mission costs, other)	25	27	4.4%
1.i Other Financial expenses	0	0	-100.0%
1.j Interest subsidy	23	26	15.6%
2. Capital Expenditures	191	239	25.3%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	38.0%
2.b Equipment	26	36	42.5%
2.c Construction in Progress, of which:	77	142	85.3%
Displaced Fund	0	0	-
Council of the South	19	23	21.7%
CDR	6	79	-
Ministry of Public Work and Transport	10	15	50.1%
Other of which:	40	22	-44.8%
Higher Council of Relief	7	0	-100%
2.d Maintenance	86	58	-33.1%
2.e Other Expenditures Related to Fixed Capital Assets	3	3	18.9%
3. Budget Advances ⁽⁴⁾	5	19	-
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	33	43	30.7%
5. Treasury Expenditures ⁽⁶⁾	291	201	-31.0%
Municipalities	106	40	-62.4%
Guarantees	12	29	134.8%
Deposits ⁽⁷⁾	94	43	-53.8%
Other, of which:	78	88	13.0%
VAT Refund	53	55	3.7%
6. Total Expenditures (Excluding CDR Foreign Financed)	5,344	5,852	9.5%

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)	2019	2020	% Change
	Jan-Mar	Jan-Mar	2020/2019
Interest Payments ⁽¹⁾	1,462	1,430	-2.2%
Local Currency Debt	1,066	1,251	17.3%
Foreign Currency Debt, of which:	396	179	-54.8%
Eurobond Coupon Interest*	373	157	-57.9%
Special bond Coupon Interest*	0	0	-100.0%
Concessional Loans Interest Payments	23	22	-5.3%
Foreign Debt Principal Repayment	43	47	8.9%

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)	2019	2020	% Change
	Jan-Mar	Jan-Mar	2020/2019
EDL of which:	443	455	2.8%
Debt Service	1	2	17.4%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	441	453	2.8%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-18	Dec-19	Mar-20	% Change Mar 20 / Dec 19
Gross Public Debt	128,347	138,150	139,318	0.8%
Local Currency Debt	77,852	87,279	87,935	0.8%
* <i>Accrued Interest Included in Debt</i>	1,123	1,294	1,435	10.9%
a. Central Bank	39,006	50,717	51,501	1.5%
b. Commercial Banks (Including REPOs)	27,402	25,316	24,916	-1.6%
c. Other Local Currency Debt (T-bills), of which:	11,444	11,246	11,518	2.4%
<i>Public Entities</i>	9,956	9,968	10,264	3.0%
<i>Contractor bonds⁽¹⁾</i>	166	120	120	0.0%
Foreign Currency Debt ⁽²⁾	50,495	50,871	51,383	1.0%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,920	2,831	2,855	0.8%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	344	261	258	-1.0%
c. Market-Issued Eurobonds	46,678	47,206	47,206	0.0%
d. <i>Accrued Interest on Eurobonds</i>	547	570	1,061	86.1%
e. Special T-bills in Foreign Currency ⁽⁴⁾	6	3	3	0.0%
Public Sector Deposits	14,186	15,677	13,886	-11.4%
Net Debt	114,161	122,473	125,432	2.4%
Gross Market Debt⁽⁵⁾	76,204	74,441	74,506	0.1%
% of Total Debt	59%	54%	53%	-1%

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

⁽³⁾ 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.

⁽⁴⁾ Special Tbs in foreign currency (expropriation and contractor bonds).

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

