

General Overview

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The normalization of government expenditures following a one-off jump a year earlier¹, helped achieve a fiscal surplus in January 2017. Aside from an adjustment relating to transfers to municipalities and hospitals², expenditures further decreased owing to lower capital expenditures and interest payments, while revenues jumped by 9 percent, and were supported by higher VAT, and taxes on income and profits. The **total fiscal balance** recorded a surplus of LL 548 billion in January 2017, compared to a deficit of LL 323 billion a year earlier, while the **primary surplus** surged to LL 891 billion from LL 48 billion.

Table 1: Summary of Fiscal Performance

(LL billion)	January 2016	January 2017	% Change 2017/2016
Total Budget and Treasury Receipts	1,675	1,828	9.2%
Total Budget and Treasury Payments, of which	1,997	1,281	-35.9%
•Interest Payments	348	317	-9.0%
•Concessional loans principal payment ¹	23	27	14.6%
•Primary Expenditures ²	1,626	938	-42.4%
Total (Deficit)/Surplus	(323)	548	N.M.
Primary (Deficit)/Surplus	48	891	1741.7%

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)

³ N.M. is Not Meaningful

Revenues

Total revenues witnessed a 9.2 percent growth to reach LL 1,828 billion in January 2017, owing to increases in both tax and non-tax revenues.

Tax revenues grew by LL 97 billion (8.2 percent) year-on-year, amounting to LL 1,276 billion, with increases in all sub-components except for a slight decline in taxes on international trade. Domestic taxes on goods & services jumped by 12 percent (LL 60 billion) accounting for more than 60 percent of the rise in tax revenues. In detail, **value added tax** rose by almost LL 46 billion with the increase mostly due to the collection of arrears, following the extension of the deadline for the settlement of due taxes and reduced penalties until end-January³. Taxes on income and profits rose by 6 percent (LL 22 billion) accounting for around 23 percent of the rise in taxes.

Non-tax revenues increased by LL 112 billion y-o-y to reach LL 417 billion in January 2017, mainly due to a discrepancy in timing of **transfers from the Telecom Surplus**. These transfers amounted to LL 251 billion in January 2017, compared to LL 160 billion in January 2016.

Treasury receipts decreased by LL 55 billion to reach LL 135 billion in January 2017 compared to LL 191 billion in 2016.

¹ In 2014, the Treasury collected an estimated LL 739 billion of telecom revenues on behalf of municipalities (of which LL 636 billion in arrears for the period 2010-2013). In January 2016, around LL 413 billion of those were transferred back to municipalities.

² Please refer to the expenditure section for details.

³ Ministry of Finance decision n°2/1 dated January 3, 2017, published in the Official Gazette n°2 12/1/2017.

Expenditure

Total expenditures registered a LL 717 billion (36 percent) year-on-year drop to LL 1,281 billion in January 2017, mostly owing to a sharp decline in Treasury expenditures that was caused by transfers to municipalities in 2016, as well as smaller decreases in Current and Capital spending.

Current primary expenditures⁴ dropped by LL 234 billion to LL 812 billion mostly as a result of a LL 116 billion decrease in **transfers to hospitals** mainly due to payments of arrears⁵, as well as other decreases of which (i) LL 25 billion in **materials and supplies**, and (ii) LL 19 billion in **contributions to non-public sectors**. Decreases in primary expenditures were slightly offset by a LL 41 billion rise in transfers to EDL to reach LL 95 billion, following an increase in international oil prices to USD 55 per barrel from USD 31 per barrel in January 2016.

Interest payments dropped by LL 31 billion to reach LL 317 billion, due to a significant LL 27 billion drop in interest payments on foreign currency debt. This mainly reflected the maturity of the 8.500% January 2016 due Eurobond on which interest in the amount of around USD 18 million was last paid in January 2016. **Foreign debt principal repayments** amounted to LL 27 billion in January 2017, compared to LL 23 billion in January 2016.

Capital expenditures decreased by LL 39 billion to reach LL 63 billion, as a result of a LL 15 billion decrease in maintenance expenses, an LL 11 billion decrease in equipment purchases and an LL 11 billion decrease in Construction in Progress.

Treasury expenditures fell by LL 416 billion in January 2017 primarily as a result of a LL 413 billion payment that was made by the Ministry of Finance to municipalities from telecom revenues in January 2016.

Public Debt

Gross public debt stood at LL 114,846 billion by end-January 2017, up by 1.7 percent from end-2016, whereas Net debt decreased by 0.1 percent to LL 98,498 billion, owing to an expansion in public sector deposits to LL 16,348 billion from LL 14,268 billion.

Local currency debt ended January 2017 at LL 72,332 billion, adding LL 1,804 billion from the previous month, and driving the bulk of the rise in public debt. Local currency debt holdings by the Central Bank decreased by a slight 0.37 percent (LL 112 billion) to LL 30,038 billion, while holdings by Commercial Banks jumped by 7.2 percent (LL 2,123 billion) to LL 31,704 billion. Changes in other local currency debt holdings were minimal, with TBs held by Public Entities decreasing by 1.8 percent to LL 8,563 billion.

The stock of **foreign currency debt** rose by 0.3 percent (LL 132 billion) to reach LL 42,514 billion, noting that the stock of market-issued Eurobonds remained almost unchanged at LL 38,074 billion, while accrued interest on Eurobonds rose by the equivalent of LL 157 billion to LL 615 billion driving the increase in FX debt.

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

⁵ Transfer of arrears from the previous year as a result of the Minister of Finance decision n°74/1 dating 28/1/2015 regarding the appointment of a committee to audit the government dues to the hospitals for the period of 2000-2011.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2016 January	2017 January	% Change 2017/2016
Budget Revenues, of which	1,484	1,693	14.1%
Tax Revenues	1,179	1,276	8.2%
Non-Tax Revenues	305	417	36.6%
Treasury Receipts	191	135	-29.1%
Total Revenues	1,675	1,828	9.2%

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

Table 3: Tax Revenues

(LL billion)	2016 January	2017 January	% Change 2017/2016
Tax Revenues:	1,179	1,276	8.2%
Taxes on Income, Profits, & Capital Gains, of which	378	400	6.0%
Income Tax on Profits	95	103	7.8%
Income Tax on Wages and Salaries	180	184	2.3%
Income Tax on Capital Gains & Dividends	22	25	16.2%
Tax on Interest Income (5%)	75	80	6.6%
Penalties on Income Tax	5	8	46.2%
Taxes on Property, of which:	80	95	18.0%
Built Property Tax	13	18	38.7%
Real Estate Registration Fees	57	62	8.2%
Domestic Taxes on Goods & Services, of which:	489	549	12.4%
Value Added Tax	466	512	9.8%
Other Taxes on Goods and Services, of which:	21	35	69.7%
<i>Private Car Registration Fees</i>	14	19	38.8%
<i>Passenger Departure Tax</i>	7	16	131.1%
Taxes on International Trade, of which:	176	173	-1.9%
Customs	56	57	2.3%
Excises, of which:	120	116	-3.8%
<i>Gasoline Excise</i>	52	54	4.7%
<i>Tobacco Excise</i>	32	22	-31.0%
<i>Cars Excise</i>	36	39	8.3%
Other Tax Revenues (namely fiscal stamp fees)	56	59	5.3%

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

Table 4: Non-Tax Revenue

(LL billion)	2016 January	2017 January	% Change 2017/2016
Non-Tax Revenues	305	417	36.6%
Income from Public Institutions and Government Properties, of which	203	300	47.7%
Income from Non-Financial Public Enterprises, of which:	170	262	53.9%
<i>Revenues from Casino Du Liban</i>	10	11	11.4%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	0	0	-
<i>Transfer from the Telecom Surplus</i>	160	251	56.5%
Transfer from Public Financial Institution (BDL)	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	33	38	15.2%
Other Income from Public Institutions (interests)	0	1	120.8%
Administrative Fees & Charges, of which:	75	102	36.1%
Administrative Fees, of which:	43	85	94.7%
Notary Fees	3	3	7.1%
Passport Fees/ Public Security	21	20	-1.2%
Vehicle Control Fees	14	56	292.6%
Judicial Fees	2	2	4.7%
Driving License Fees	1	2	14.9%
Administrative Charges	14	8	-45.1%
Sales (Official Gazette and License Number)	0	0	13.2%
Permit Fees (mostly work permit fees)	15	7	-52.6%
Other Administrative Fees & Charges	2	2	6.4%
Penalties & Confiscations	3	3	-7.6%
Other Non-Tax Revenues (mostly retirement deductibles)	25	13	-48.2%

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2016 January	2017 January	% Change 2017/2016
1. Current Expenditures	1,417	1,155	-18.5%
1.a Personnel Cost, of which	514	521	1.4%
Salaries, Wages and Related Items	350	348	-0.8%
Retirement and End of Service Compensations, of which:	160	173	8.4%
Retirement	147	154	5.0%
End of Service	13	19	47.7%
Transfers to Public Institutions to Cover Salaries	4	3	-6.9%
1.b Interest Payments 1/, of which:	348	317	-9.0%
Domestic Interest Payments	258	254	-1.5%
Foreign Interest Payments	90	62	-30.5%
1.c Accounting Adjustments 2/	43	0	-
1.d Foreign Debt Principal Repayment	23	27	14.6%
1.e Materials and Supplies, of which:	68	43	-36.3%
Nutrition	11	5	-57.8%
Fuel Oil	8	5	-39.4%
Medicaments	36	28	-23.8%
1.f External Services	16	8	-48.0%
1.g Various Transfers, of which:	229	181	-20.7%
EDL 3/	54	95	76.8%
NSSF	0	0	0.0%
Higher Council of Relief	1	0	-64.3%
Contributions to non-public sectors	48	29	-39.6%
Transfers to Directorate General of Cereals and Beetroot 4/	0	0	-
Contributions to water authorities	0	0	-
1.h Other Current, of which:	176	42	-76.4%
Hospitals	147	31	-79.0%
Others (judgments & reconciliations, mission costs, other)	28	8	-72.3%
1.i Interest Subsidy	1	17	1626.6%
2. Capital Expenditures	102	63	-38.3%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	237.7%
2.b Equipment	15	4	-71.0%
2.c Construction in Progress, of which:	53	42	-20.8%
Displaced Fund	0	0	-
Council of the South	0	0	-
CDR	13	9	-30.3%
Ministry of Public Work and Transport	12	12	-4.6%
Other of which:	25	16	-36.0%
Higher Council of Relief	0	0	-
2.d Maintenance	31	15	-49.8%
2.e Other Expenditures Related to Fixed Capital Assets	4	1	-59.8%
3. Budget Advances 5/	1	1	18.5%
4. Customs Administration (exc. Salaries and Wages) 6/	8	9	14.8%
5. Treasury Expenditures 7/	468	52	-88.9%
Municipalities	413	6	-98.6%
Guarantees	2	17	766.5%
Deposits 8/	6	5	-19.0%
Other, of which:	46	24	-49.0%
VAT Refund	27	19	-31.3%
6. Unclassified Expenditures	1	0	-100.0%
7. Total Expenditures (Excluding CDR Foreign Financed)	1,997	1,281	-35.9%

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

Table 6: Details of Debt Service Transactions¹

(LL billion)	2016 January	2017 January	% Change 2017/2016
Interest Payments	348	317	-9.0%
Local Currency Debt	258	254	-1.5%
Foreign Currency Debt, of which:	90	62	-30.5%
Eurobond Coupon Interest*	81	52	-35.3%
Special bond Coupon Interest*	0.6	0.7	19.7%
Concessional Loans Interest Payments	8	9	11.6%

Source: Ministry of Finance (MOF), Directorate General of Finance (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)	2016 January	2017 January	% Change 2017/2016
EDL of which:	54	95	76.8%
Debt Service	1	1	-3.3%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	52	94	79.0%

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

SECTION 3: PUBLIC DEBT

Table 8: Public Debt Outstanding by Holder as of End-January 2017

(LL billion)	Dec-15	Dec-16	Jan-17	% Change Jan 17 - Dec 16
Gross Public Debt	106,031	112,910	114,846	1.7%
Local Currency Debt	65,195	70,528	72,332	2.6%
* <i>Accrued Interest Included in Debt</i>	997	1,098	1,196	8.9%
a. Central Bank (Including REPOs)	24,308	30,150	30,038	-0.4%
b. Commercial Banks	29,878	29,581	31,704	7.2%
c. Other Local Currency Debt (T-bills), of which:	11,009	10,797	10,590	-1.9%
<i>Public Entities</i>	8,461	8,718	8,563	-1.8%
<i>Contractor bonds 1/</i>	180	139	139	0.0%
Foreign Currency Debt 2/	40,836	42,382	42,514	0.3%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,478	2,487	2,514	1.1%
b. Paris II Related Debt (Eurobonds and Loans) 3/	1,182	631	632	0.2%
c. Paris III Related Debt (Eurobonds and Loans) 4/	810	660	641	-2.9%
d. Market-Issued Eurobonds	35,846	38,063	38,074	0.0%
e. Accrued Interest on Eurobonds	435	458	615	34.3%
f. Special T-bills in Foreign Currency 5/	68	63	38	-39.7%
Public Sector Deposits	13,227	14,268	16,348	14.6%
Net Debt 6/	92,804	98,642	98,498	-0.1%
Gross Market Debt 7/	68,799	70,303	72,517	3.1%
% of Total Debt	65%	62%	63%	1.4%

Source: Ministry of Finance, Banque du Liban

⁽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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