



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

معهد باسل فليحان
المالي والاقتصادي
Institut des Finances Basil Fuleihan



Citizen Budget

Budget Law 2022



This booklet was published in partnership with UNICEF, under the project “Enhancing Budget Transparency, Accountability and Inclusiveness in Lebanon”.

Citizen Budget

Budget Law 2022



Introduction

We are pleased to make available, for the fourth year, the "Citizen Budget" of Lebanon.

This booklet is a simplified version of the budget law for the year 2022, issued by the Institut des Finances Basil Fuleihan, in cooperation with the Directorate of Budget and Expenditure Control at the Ministry of Finance and the NGO Financially Wise.

The "Citizen Budget" of 2022 highlights the main fiscal figures and measures passed in the budget, in a clear and simplified manner. It allows citizens to have an overview of the latest fiscal developments and enables them to monitor and hold the government accountable for its policy choices¹.

With this publication, we remain committed to budget transparency, facilitating access to fiscal information and helping citizens understand how public money is raised and spent.

It is part of the financial and fiscal awareness series, which aims at raising citizens' awareness on their rights and obligations, and hence facilitate administrative transactions and promote transparency and fiscal citizenship.

¹Should you wish to compare the Budget Law to the Executive's Proposal, check our Citizen Budget - Executives Budget Proposal 2022 available on the Institute of Finance website:
<http://www.institutdesfinances.gov.lb/publication/citizen-budget-proposal-2022-eng/>

Table of Content

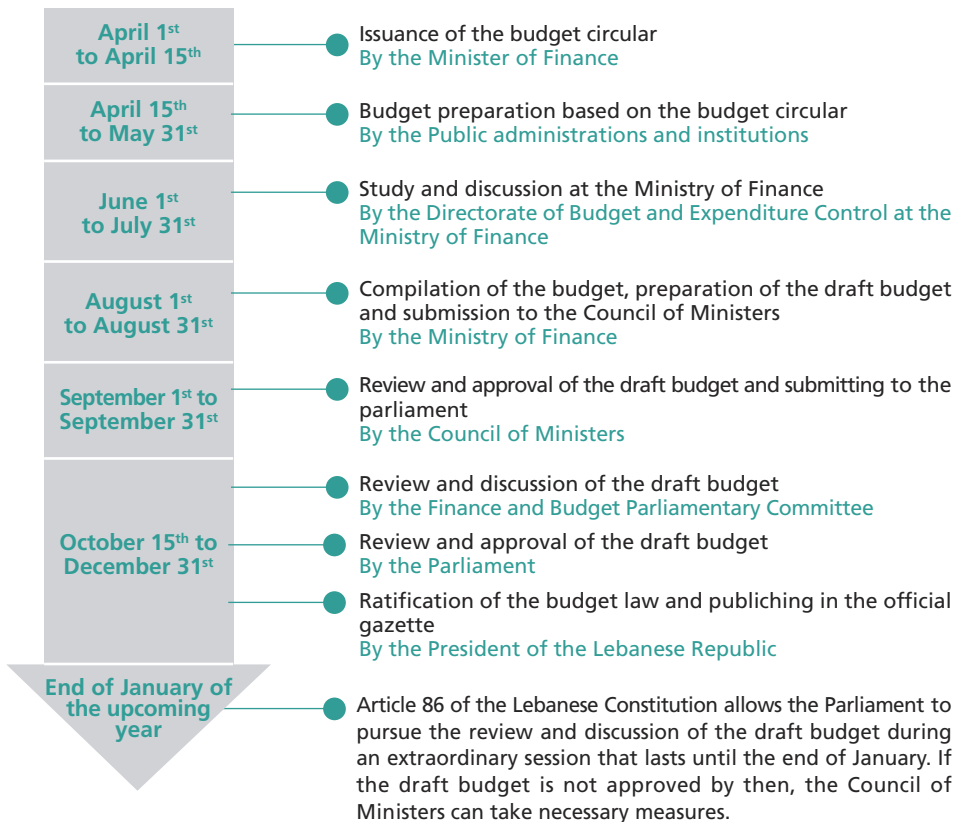
About the "State Budget" _____	4
Highlights of the 2022 budget law _____	6
Financial and Economic assumptions underlying the 2022 budget law _____	8
Main economic and financial measures passed in the 2022 budget law _____	9
Budget expenditures for 2022 _____	11
1. Budget expenditures distribution according to the 10 main functions (functional classification) _____	11
2. Budget expenditures according to their type (economic classification) _____	12
3. Budget expenditures according to governmental entities (administrative classification) _____	13
Budget revenues for 2022 _____	16
Tax and non-tax revenues _____	16
Main sources of revenue in the 2022 budget law _____	17
Evolution of main budgeted v/s effective revenues _____	18
Budget deficit for 2022 _____	20
Fiscal deficit and primary balance _____	20
Public debt _____	21
Lebanon's public debt compared to other countries - as share of GDP _____	21
Debt distribution by debt holder _____	22
Debt evolution _____	23

About the "State Budget"

What is the budget?

Article 3 of the "Public Accounting Law" defines the budget as "a legislative instrument in which national revenues and expenditures are estimated for the upcoming year, and by which the levy of taxes and spending is allowed". The budget in Lebanon is a "line-item budget" based on the principle of allocating expenditures annually to spending entities such as Ministries, Administrations and Institutions (administrative classification). It can also be broken down according to the purposes of disbursement either for goods, services or works (functional classification) or according to the type of spending (economic classification).

What is the budget calendar?



What are the 5 key legal principles of the budget?

Annuality

The budget is prepared for a single fiscal year that coincides with the calendar year, from January 1st to December 31st

Exceptions

1. Programs
2. Appropriations transferred to the upcoming year
3. The provisional twelfths
4. Additional appropriations

Unity

There should be only one budget that includes all central government revenues and expenditures

Exceptions

1. Extraordinary budgets
2. Independent budgets
3. Annexed budgets
4. Special accounts of the treasury

Universality

Total revenues should cover total expenditures. It means that all revenues and expenditures should be accounted for in full and without any adjustments

Exceptions

1. The relation between annexed budgets and the budget
2. The use of netting instead of gross budgeting in computing specific fees

Non-assignment

Budget revenues must not be assigned to specific expenditures

Exceptions

1. The assignment of some revenues to cover specific expenditures for practical considerations
2. The assignment of some revenues to cover specific related expenditures
3. The assignment of some revenues to the account of the independent municipal fund and specific entities with independent and annexed budgets
4. Conditional grants

Equilibrium

The total ordinary revenues in the budget must cover the total expenditures

Exceptions

Deficit or surplus

Source: Institute of Finance Basil Fuleihan (2011), *Guide to budget preparation and closure of accounts in public institutions*, URL:

<http://www.institutdesfinances.gov.lb/publication/دليل-إعداد-مشروع-الموازنة-والقطع-الحساب>

Highlights of the 2022 budget law

Expenditures

- Total budget expenditures for 2022 are estimated at LBP 40 873 billion, in addition to treasury advance to EDL and net treasury expenditures.
- Salaries, wages, and related items reach around 55.8% of the estimated budget expenditures, interest payment (9.2%) and other current expenditures (27.2%) such as stationaries, procurement of small goods, water, electricity etc. while capital expenditures reach only 7.7% of budget expenditures.

Revenues

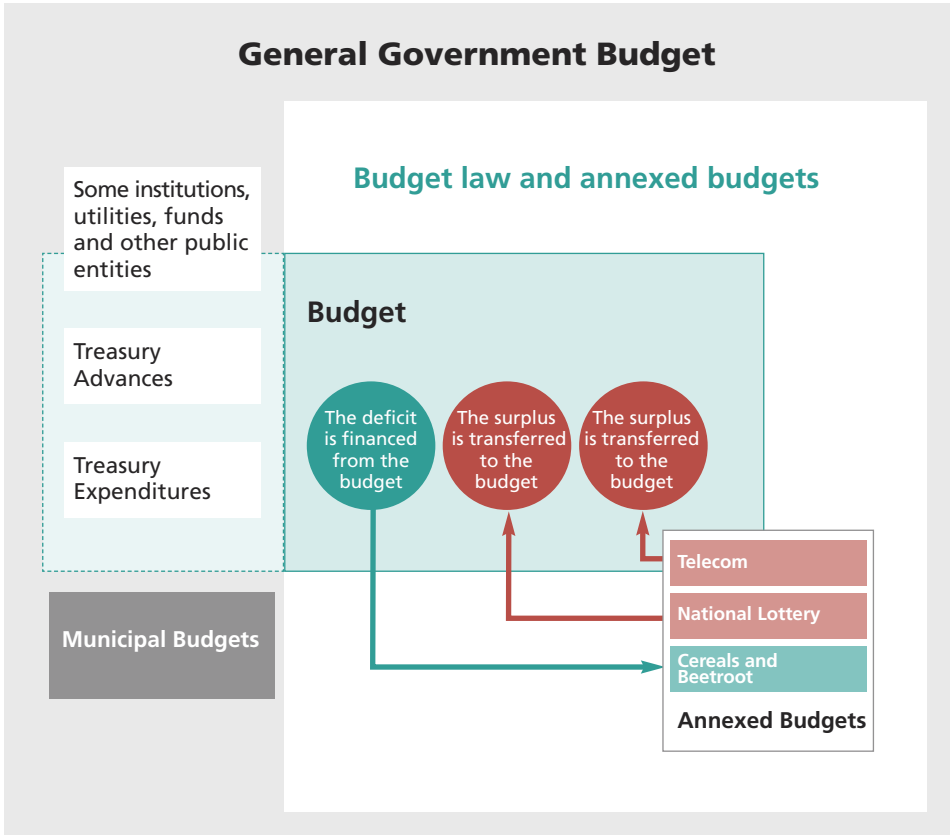
- Total budget revenues for 2022 are estimated at LBP 29 985 billion.

Deficit

- The budget deficit for 2022 is estimated at LBP 10 887 billion (equivalent of around 26% of total budget), to which shall be added later treasury advances that will be provided to specific spending entities.

Does the budget reflect the “whole picture”?

The approved budget represents a large share of the central government budget. However many expenditures occur off-budget, while many countries around the world rely on a consolidated “General Government Budget”.



Financial and Economic assumptions underlying the 2022 budget law

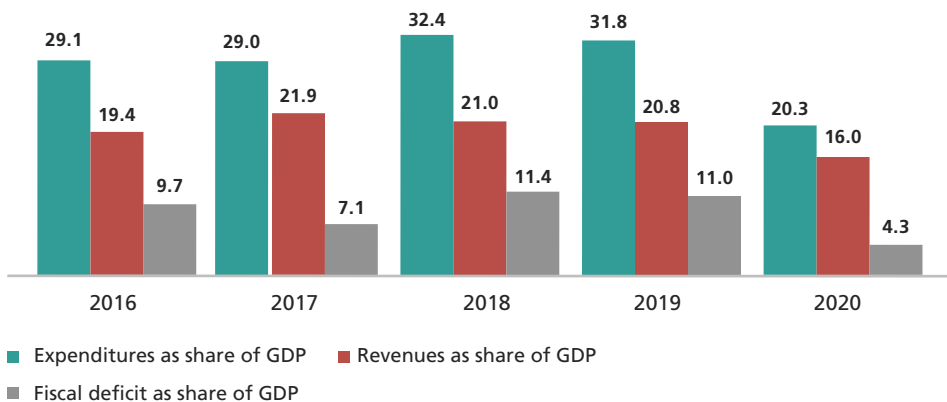
The Ministry of Finance relies on medium-term fiscal and economic forecasts for the preparation of the budget and to estimate expenditures and revenues for the upcoming years. Although published in the budget circular, the Ministry of Finance adjusts these figures on a regular basis.

	2019	2020	2021	2022
Gross domestic product (billion of LBP)	80 736	104 343	224 964	440 255
Gross domestic product (billion of USD)	51.0	26.45	22.31	22.01*
Growth rate of real GDP (%)	-4.2	-28.2	-2.0	3.0
Consumer Price Index (%)	2.9	84.3	130.0	
GDP deflator (%)	4.0	80.0	120.0	90.0
Inflation rate	3.2			
Growth rate of national GDP (%)	-0.4	29.2	115.6	95.7%
Average exchange rate	1 584	3 945	10 083	-

* Exchange rate: 20,000 LBP

Reference: Republic of Lebanon, Ministry of Finance, Report on the draft Budget Law for the year 2022

Public expenditures, revenues and fiscal deficits as share of GDP - percentage (%)



Reference: Public Finance Monitor reports for 2016, 2017, 2018 and 2019, URL: <http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

Main economic and financial measures passed in the 2022 budget law

Measures

Deferments and tax exemptions

- Payment of taxes and fees in installments. [Article 20](#)
- Exemption from salaries and wages tax of employees who have a permanent disability resulting from the Beirut Port explosion. [Article 38](#)
- Exemption from inheritance fees the heirs of the Lebanese who died in the Beirut Port explosion. [Article 55](#)
- Full tax deduction on profits of companies and individuals who permanently stopped their professional activity as a result of the Beirut Port explosion, in the case they resume their work. [Article 83](#)

Investment and business related measures

- Income tax deduction for industrial enterprise. [Article 23](#)
- Exemption from income tax of startups for a period of 5 year. [Article 25](#)
- Customs dollar to be set at a rate of LBP 15,000 for USD 1.
- Additional customs fee (10%) on imported goods and commodities that are also produced in Lebanon. [Article 74](#)
- Exemption from the income tax on profits, companies that have merged, for a specified period and within conditions. [Article 84](#)

Tax collection related measures

- Enforcement of a quarterly tax declaration on revenues and profits that are usually taxed annually. [Article 29](#)
- Amendment of the terms of payment for the income tax on salaries and wages. [Article 33](#)
- Adjustment of the validity period of the Lebanese passport and related fee. [Article 90](#)
- Adoption of electronic payment methods to collect fees. [Article 114](#)

Social compensation related measures

- Tax imposition on reduced salary amounts. [Article 31](#)
- Exemption of retirement pensions from the income tax on salaries and wages. [Article 32](#)
- Exemption from income tax of employees' and workers' compensations that are given as a result of a dismissal or resignation. [Article 36](#)
- Social compensation to civil servants (equivalent to 2 times the basic salary, provided the total (monthly salary + social assistance) is no less than LBP 5,000,000 per month and the increase does not exceed LBP 12,000,000 billion). [Article 111](#)

State revenues related measures

- Allowing the payment of taxes and fees in foreign currencies. **Article 19**
- Annual lump sum tax on Holding companies. **Article 41**
- Collection of taxes or fees from the departments of political commissions, embassies and consulates in foreign currencies. **Article 77**
- Increase in work permit fees. **Article 96**
- Prohibition of financing any project in the public sector without a detailed economic feasibility study. **Article 113**

Other procedures

- Provision of electronic financial stamps (e-stamps). **Article 47**
- Exemption from VAT and customs' fees solar energy operational devices and equipment to encourage the use of alternative energy. **Article 72**
- Amendment of the net income brackets subject to the built property tax. **Article 63**
- Exemption from visa fees, tourist and sports groups visiting Lebanon. **Article 75**

References: 2022 budget law

Remark

After the Parliament approved the 2022 budget law, the Council of Ministers issued a decision nullifying a number of articles of the budget law. For more details, visit the website of the Constitutional Council:

<http://www.cc.gov.lb/node/6128>

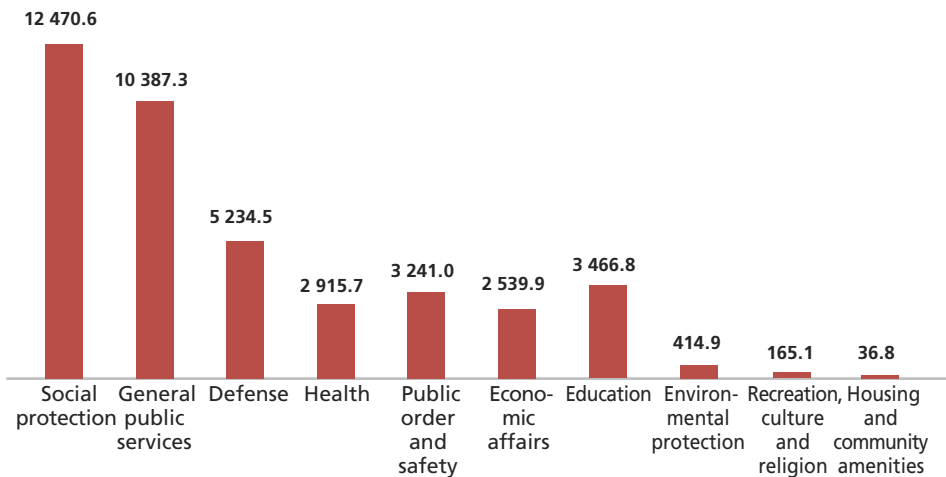
Budget expenditures for 2022

In this section, expenditures are presented according to three types of classifications:

- (1) **Functional** (health, education, environmental protection). Functions are classified following the International Monetary Fund standards, and allow for international comparison.
- (2) **Economic**: transactions are classified according to type, either as current expenditures (salaries and wages, goods and services, debt interests...) or capital expenditures (building bridges, infrastructure...).
- (3) **Administrative**: expenditures are classified according to the administrative entity responsible for budget management (the Ministry of Health, Council for Development and Reconstruction).

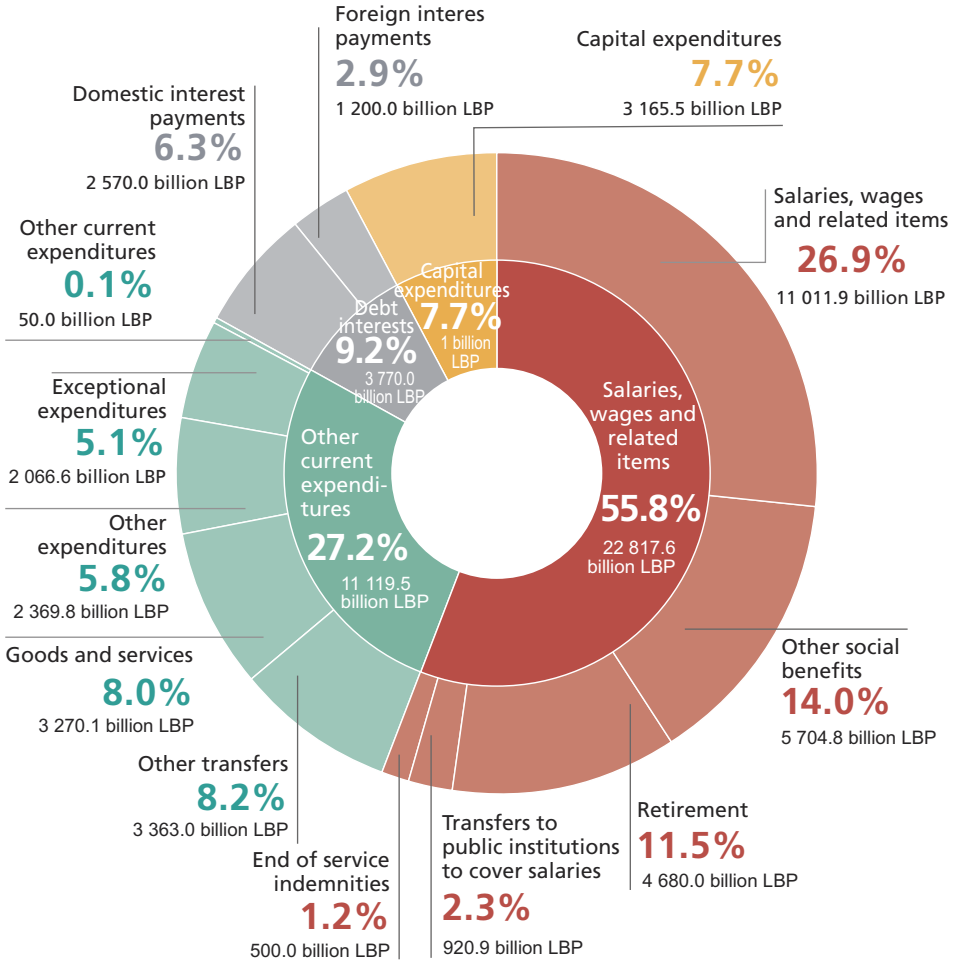
The total estimated expenditures allocations for 2022 reached 40 873 billion LBP vs 47 328 billion LBP in the 2022 budget proposal.

1 | Budget expenditures distribution according to the 10 main functions (functional classification) - in billion of LBP

















Reference: 2022 budget law















2 | Budget expenditures according to their type (economic classification)






Reference: 2022 budget law

3 | Budget expenditures according to governmental entities (administrative classification)

	2020 budget law (LBP billion)	2022 budget law (LBP billion)	Change % (Budget proposal 2022 - Budget law 2022)
 Presidency of the Republic	12.7	18.0	-1.6
 Lebanese Parliament	78.5	183.8	-3.1
 Presidency of the Council of Ministers	743.4	2 599.2	-0.7
 The Constitutional Council	1.4	2.0	0.0
 Ministry of Justice	112.8	202.8	-9.5
 Ministry of Foreign Affairs and Emigrants	175.8	1 686.5	-0.1
 Ministry of Interior and Municipalities	1 645.5	4 112.0	-5.8
 Ministry of Finance	440.5	2 493.5	-1.2
 Ministry of Public Works and Transportation	205.1	533.5	-1.4
 Ministry of Defense	2 896.5	6 630.9	-7.2
 Ministry of Education and Higher Education	1 953.1	3 620.6	12.4
 Ministry of Public Health	692.2	2 903.3	-0.2
 Ministry of Economy and Trade	21.8	173.3	-1.1
 Ministry of Agriculture	72.2	190.6	-3.4

	2020 budget law (LBP billion)	2022 budget law (LBP billion)	Change % (Budget proposal 2022 - Budget law 2022)
 Ministry of Post and Telecommunications	5.4	1 335.8	-0.5
 Ministry of Labor	375.4	1 323.3	-0.1
 Ministry of Information	43.3	61.2	-5.4
 Ministry of Energy and Water	78.4	355.4	-0.4
 Ministry of Tourism	15.1	22.3	-5.5
 Ministry of Culture	44.3	66.7	-3.1
 Ministry of Environment	8.9	20.2	-3.8
 Ministry of Displaced	6.1	9.5	-7.8
 Ministry of Youth and Sports	12.5	15.4	-1.9
 Ministry of Social Affairs	338.7	572.7	-0.2
 Ministry of Industry	8.1	17.3	-4.4
 Common expenses	7 677.9	8 950.0	-14.7
 Budget reserve	565.0	2 764.5	-61.6
 Agencies and independent government bodies		7.6	
Total budget	18 231.7	40 873.0	-13.4

	2020 budget law (LBP billion)	2022 budget law (LBP billion)	Change % (Budget proposal 2022 - Budget law 2022)
Treasury advances to EDL	1 500.0	*	
 Directorate of National Lottery**	92.0	---	
 Directorate General of Cereals and Sugar Beets**	27.7	---	
 Telecom**	2 040.7	---	

Note:

* the amount is not specified in the 2022 budget law

** As of 2021, the annexed budgets have been included in the budget law: the budget of the Directorate of National Lottery in the budget of the Ministry of Finance, the budget of the Directorate General of Cereals and Sugar Beets in the budget of the Ministry of Economy and Trade, and the budget of Telecom in the budget of the Ministry of Post and Telecommunications.

2021 figures were not included since the budget law was not voted

References: 2020 and 2022 budget laws

What is the budget reserve?

Provisions for budget reserves are made either for common expenses or for emergency expenditures.

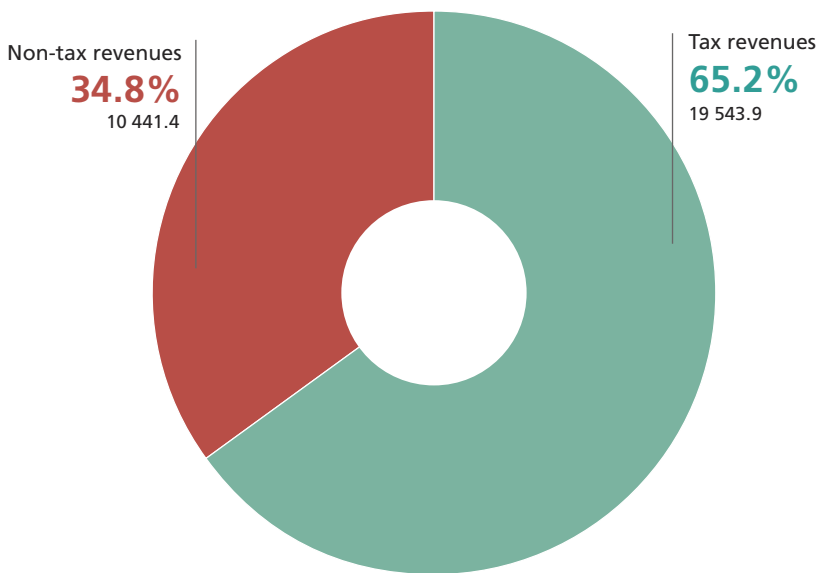
In the event of insufficient funds or additional needs, line ministries can request additional appropriations from the budget reserve line.

Budget revenues for 2022

Estimated revenues for the year 2022 are broken down by sources, in particular as (1) tax revenues, which constitute the largest percentage of revenues and (2) non-tax revenues expected to be collected from state institutions and administrative transaction fees.

The estimated total revenues for the year 2022 are LBP 29,985 billion.

Tax and non-tax revenues revenues - in billion of LBP



Reference: 2022 budget law

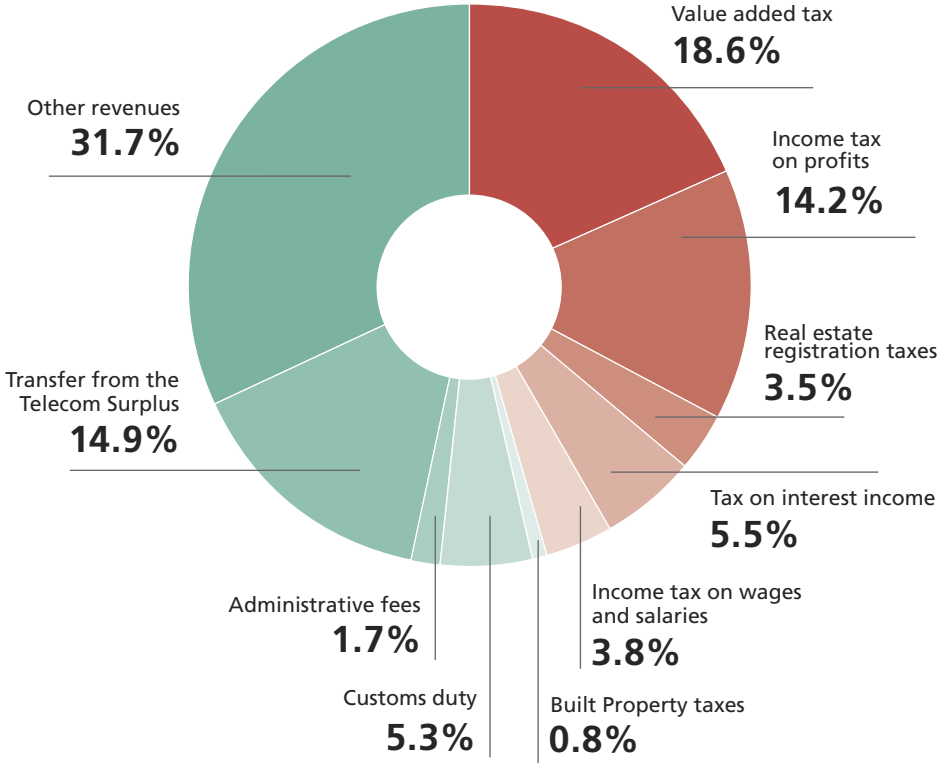
What are Non-tax Revenues?

Non-tax revenues are revenues arising from state-owned enterprises and from public institutions making profit such as passport fees, family register fees and paid by citizens.

What are Tax Revenues?

Tax revenues are the revenues collected from taxes paid by citizens.

Main sources of revenue in the 2022 budget law



Reference: 2022 budget law

Evolution of main budgeted v/s effective revenues

	Effective revenues 2020 (LBP billion)	Effective revenues 2021 (LBP billion)	2022 budget law (LBP billion)
Total tax revenues	10 473.9	15 236.7	19 543.9
Taxes on income, profits and capital gains	4 855.9	5 742.6	7 424.4
Other income taxes	0.971	0.89	63.4
Built property tax	207.1	282.4	249.8
Inheritance tax	140.1	421.4	163.5
Non recurrent taxes on property	1 100.5	1 298.0	1 060.6
Taxes on maritime property	-	-	-
Other taxes on property	-	-	-
Domestic taxes on Goods	991.3	1 110.2	912.7
Régie profits	268.2	255.5	221.7
Taxes on services	11.5	9.2	8.8
Sales Tax	0.048	7.2	9.7
Value Added tax	1 864.0	4 809.2	5 576.5
Other taxes on goods and services	212.8	284.1	1 469.0
Taxes on imported goods	328.0	483.6	1 594.2
Taxes on exports	-	-	-
Other taxes on international trade and transactions	-	-	-
Fiscal stamp fees	493.0	531.9	789.0
Fixed fees	-	-	-
Unclassified taxes	-	-	-
Total non-tax revenues	3 211.6	3 564.8	10 441.4
Income from non-financial public Enterprises	1 914.8	2 262.9	1 501.0
Transfers from Public financial institutions	60.0	-	-

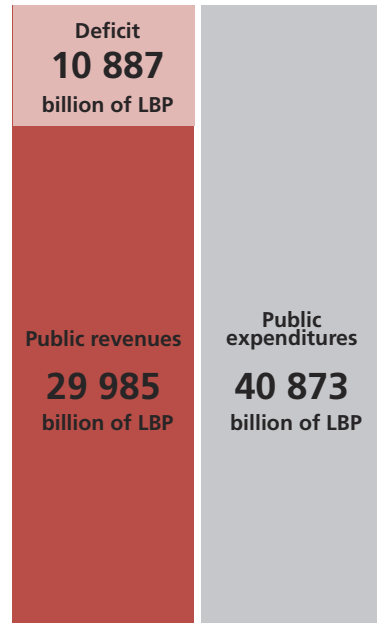
	Effective revenues 2020 (LBP billion)	Effective revenues 2021 (LBP billion)	2022 budget law (LBP billion)
Property Income	161.8	83.0	1 551.6
Transfers from public investment management institutions	-	-	-
Directorate General of Cereals and Beetroot revenues	-	-	100.6
Directorate of National Lottery revenues	-	-	92.0
Telecom revenues	-	-	4 479.4
Other income from public institutions	9.5	13.0	9.6
Administrative fees	594.1	673.5	511.3
Administrative charges	18.0	26.0	1 617.5
Sales	2.1	2.0	2.2
Permit fees	74.3	52.7	194.0
Other administrative fees and charges	27.6	24.7	24.0
Fines and penalties	23.9	23.2	16.4
Confiscations and forfeits	0.013	15.3	0.09
Sanctions	0.295	0.23	0.20
Retirement deductibles	261.7	255.2	271.1
Transfers from postal services	-	-	-
Internal current grants	-	2.0	-
External current grants	14.3	14.5	-
Extraordinary non-tax revenues	48.7	115.7	70.1
Total revenues	13 685.5	18 801.5	29 985.3
Treasury revenues	779.7	1 461.2	1 502.1
Total	15 341.8	20 262.7	31 487.5

Budget deficit for 2022

The budget deficit was estimated at 10 887 billion of LBP for 2022

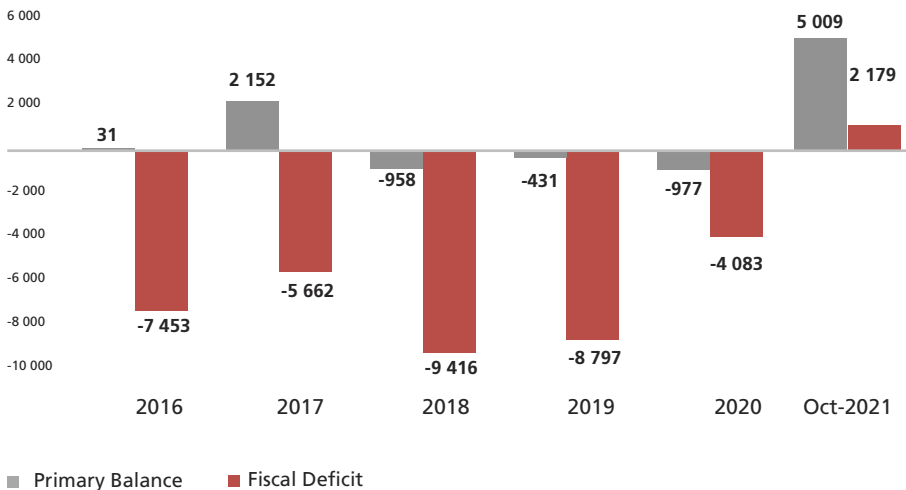
However, this number does not take into account:

- Treasury advances to Electricité du Liban
- Balance of other treasury income
- Balance of other treasury expenses



Reference: Budget Proposal for the year 2022

Fiscal deficit and primary balance - billion of LBP



Reference: Public Finance Monitor reports for 2016, 2017, 2018, 2019 and 2020
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

Public debt

What is Public Debt?

Public debt is composed of funds borrowed by the government from financial markets (commercial banks, institutions and individuals), donors and others, to cover the public sector financial needs.

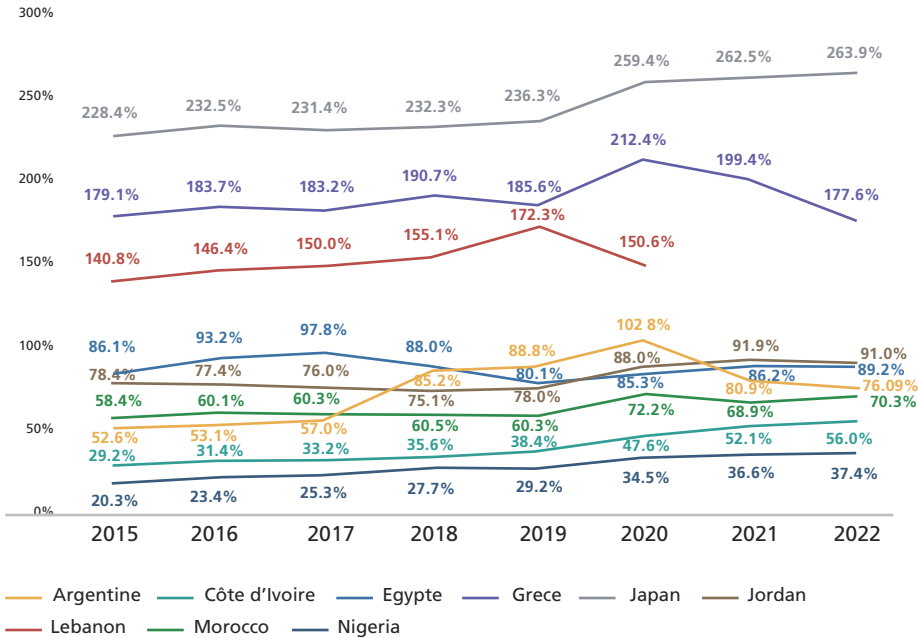
How is public debt calculated?

Two methods to calculate public debt

$$\begin{aligned}
 &\text{Public debt at the end of 2021} \\
 &+ \text{Expected debt interests for 2022} \\
 &- \text{Estimated primary surplus for 2022} \\
 \hline
 &= \text{Estimated public debt at the end of 2022}
 \end{aligned}$$

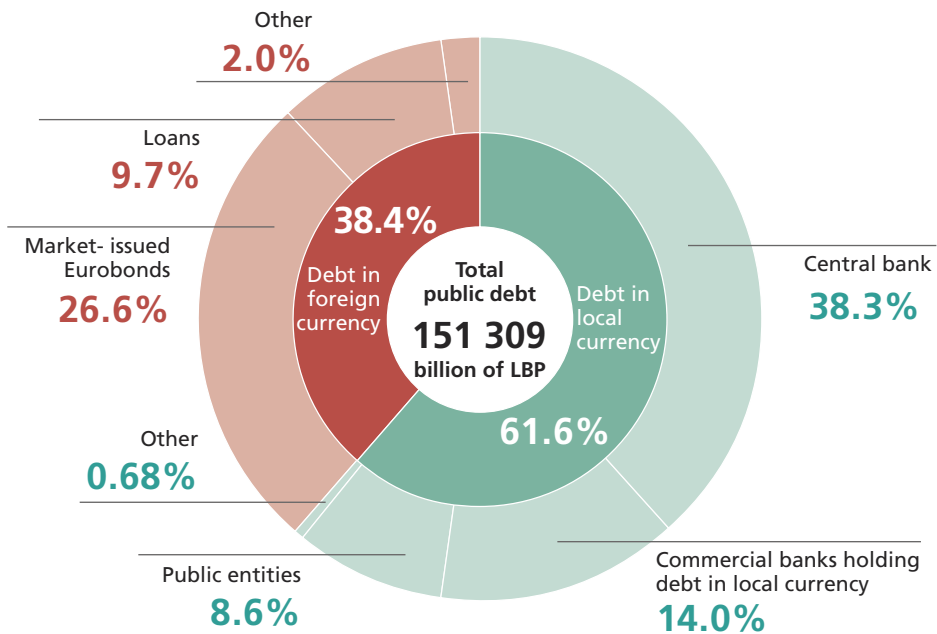
$$\begin{aligned}
 &\text{Public debt at the end of 2021} \\
 &+ \text{Expected debt interests for 2022} \\
 &+ \text{Estimated primary deficit for 2022} \\
 \hline
 &= \text{Estimated public debt at the end of 2022}
 \end{aligned}$$

Lebanon's public debt compared to other countries - as share of GDP



Reference: IMF, World Economic Outlook Database

Debt distribution by debt holder

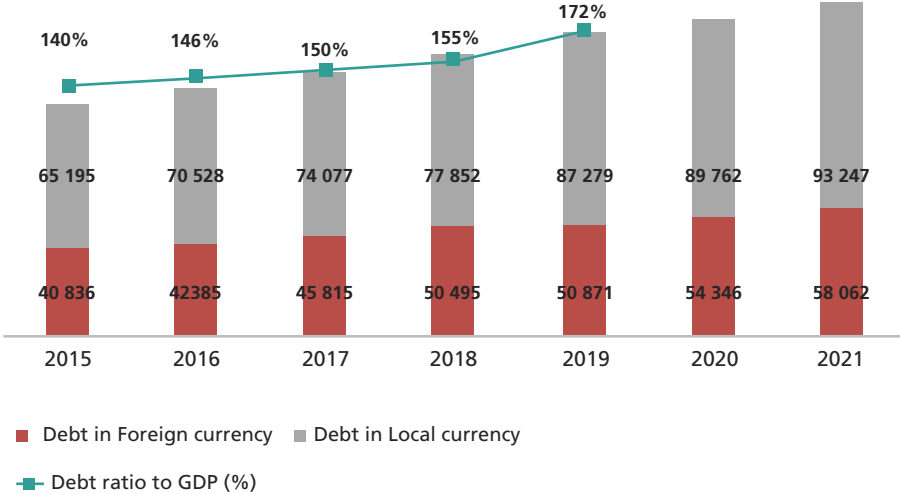


References: Debt and debt reports (2021), URL: <http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

What is Eurobond?

Eurobond is a type of treasury bond issued by the Lebanese state. Compared to other treasury bonds in the Lebanese currency, Eurobonds are issued in foreign currencies, usually in US dollars in Lebanon. It is issued over a medium or long-term, i.e. its maturity period ranges between 3, 5 or 15 years. Interest on Eurobond is paid twice a year (every 6 months). In March 2020 and for the first time, Lebanon defaulted on Eurobonds in light of an unprecedented economic and financial crisis.

Debt evolution - billion of LBP



References: Debt and debt reports (2021), URL:
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>



For more information and figures, please check
Lebanon Citizen Budget Dashboard

© All rights reserved to the Institut des Finances Basil Fuleihan - Ministry of Finance 2022.
ISBN 978-9953-9037-9-8

The team

This publication was prepared by the Institut des Finances Basil Fuleihan team in collaboration with Financially Wise.

This booklet is published within the Financial and Fiscal Awareness Series

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, photocopied, recorded or otherwise, without the prior permission of the Institut des Finances Basil Fuleihan. For personal and academic use, it should be referenced as follows: “Citizen Budget - Executive’s Budget Proposal 2022”, Institut des Finances Basil Fuleihan - Lebanese Ministry of Finance, 2022.

For additional use, please contact the Institute of Finance on the following email address: institute@finance.gov.lb This booklet is available online:

- On the Institut des Finances website: www.institutdesfinances.gov.lb
- On the Ministry of Finance website: www.finance.gov.lb

About the Institute of Finance

The Institut des Finances Basil Fuleihan is a center of excellence that contributes to national capacity development in public financial management and governance. The Institute is an autonomous public institution operating under the tutelage of the Lebanese Minister of Finance.

512, Corniche El-Nahr
P.O.Box: 16-5870 Beirut, Lebanon
Tel: +961 1 425 146/9
Fax: +961 1 426 860

institutdesfinances.gov.lb



IOFLebanon



IOFLebanon



IOFLebanon



InstituteOfFinance