



REPUBLIC OF LEBANON  
MINISTRY OF FINANCE

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المالي والاقتصادي  
Institut des Finances Basil Fuleihan



# Citizen Budget

## Executive's Budget Proposal 2022

A summary of the budget proposal as sent by the Government of Lebanon to Parliament for review, discussion, and approval

Financial and Fiscal Awareness Series



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

# Citizen Budget

## Executive's Budget Proposal 2022

This booklet is a simplified explanation of the **general budget proposal** formulated by the Government for the year 2022, issued by the Institut des Finances Basil Fleihan - Ministry of Finance for the first year.

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

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## Preamble

Since 2018, the Institut des Finances Basil Fuleihan at the Ministry of Finance has been committed to issuing a simplified version of the budget law known as the “Citizen’s Budget.”

For the first year, we are pleased to make available a booklet that explains, in an easy and simplified way, **the general budget draft law, as received by the Parliament and prior to its discussion, amendment and ratification. We believe it is important for citizens to have access to information on what the government is intending to spend and how it intends to finance its activities, and be able to draw comparisons and track changes between the budget proposal and the actual budget law that will be voted by Parliament.**

This guide provides aggregates of the 2022 budget proposal as reported on the website of the Ministry of Finance.

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# About the budget

## 1 | What is the Budget?

- The state budget is described as "a legislative instrument in which the state's expenditures and revenues are anticipated for the next year and whereby collection and spending are permitted" under Article 3 of the Public Accounting Law.
- The budget in Lebanon is a "line item budget". It allocates expenditures annually to spending entities such as Ministries, Public Administrations and Institutions (known as the administrative classification). The budget could also be broken down according to the purposes of disbursement for goods, services and works (functional classification) or according to the type of spending (economic classification).

## 2 | What are the main stages of budget preparation and approval?



# "Citizen's Budget" and its Importance

## 1 | What is the Citizen's Budget?

- The "Citizen Budget" is a simplified version of the budget law or budget proposal that aims to facilitate citizens' access to fiscal information as their constitutional right. The document enables citizens and experts alike to familiarize themselves with the content of the general budget law and annexed budgets and to read and analyze expenditure and revenue figures, estimates of the deficit, public debt, and other policy decisions that are included in the budget and have a direct impact on their lives.
- Transparency standards and good practice recommend the issuance of an additional document that explains to citizens the content of the "General Budget Proposal" as drawn up by the Government and prior to its amendment by Parliament. This facilitates tracking changes made by the legislator to the budget and holding both the executive and legislative authorities accountable on the basis of arguments and evidence.

## 2 | Why is it important for the international community?

- The right to access fiscal information is critical for citizens to be able to hold their government accountable for its tax and debt policies and public resources' spending priorities.
- Therefore, it is not sufficient to make budget information available for citizens, but it is important to communicate it in an accessible and straightforward manner that can be understood by the public at large.
- Based on the above, the international community including the International Budget Partnership\*, the International Monetary Fund\*\*, the Organization for Economic Cooperation and Development\*\*\* and the World Bank, encourage the publication of a "Citizen Budget" guide that would help engage citizens in the public debate, especially on the government's policy choices that affect their daily lives.

\* International Budget Partnership (IBP), "The Power of Making it simple: A Government Guide to Developing Citizens Budgets", 2012, <https://www.internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>

\*\* International Monetary Fund (IMF), "Fiscal Transparency", 2019, <https://www.imf.org/external/np/fad/trans/>

\*\*\* Organization for Economic Co-operation and Development (OECD), "Producing a Citizens' Guide to the Budget: Why, What and How?", 2010, <https://www.oecd.org/gov/budgeting/48170438.pdf>



### 3 | Why is it important to publish the Executive’s Budget Proposal? What is its impact on Lebanon’s score in terms of budget transparency?

- Lebanon’s score (9/100) remains low on international ratings for budget transparency for the year 2021\*, compared to the global average (45/100) as well as to other Arab countries such as Jordan (61/100), Egypt (43/100), Morocco (48/100), and Saudi Arabia (23/100).
- Since 2018, Lebanon has been committed to publish a simplified version of the budget law - the Citizen Budget - as part of its commitment to enhance fiscal transparency and to contribute, in the medium term, along other efforts, to improve Lebanon’s position on the budget transparency index.
- International standards specify the need to publish two types of documents: the first is the simplified version of the general budget law, and the second is the simplified version of the draft budget law, also known as the Executive’s Budget Proposal.
- Facilitating access to budget-related information during study and discussion by the Parliament and before its ratification contributes to policy-making process, in addition to developing the public’s understanding of fiscal issues as citizens are provided with the opportunity to form a clear and comprehensive picture of how public money is managed.
- The publication of a simplified version of the Executive’s budget proposal enhances communication between the government and citizens. It allows them to understand the government’s policy plan and priorities for the year(s) ahead and how revenues will be allocated. It can enhance inclusiveness in policy-making as it gives way to citizens to lobby for changes before the budget is approved. This can positively impact resource management and improve the quality of public service provision.

\* Lebanon’s score on budget transparency: 2/100 in 2015, 3/100 in 2017, 6/100 in 2019 and 9/100 in 2021

# Highlights of the 2022 Budget Proposal

The table below summarizes figures included in the budget proposal for the year 2022, as submitted to the council of ministers for discussion and approval in addition to other expenditures and revenues.

Billion of LBP	2020 budget law	2021 budget proposal	2022 budget proposal
<b>Expected budget revenues</b>	<b>13,395</b>	<b>13,425</b>	<b>39,109</b>
Tax revenues	9,966	10,472	32,915
Taxes on income, profit and capital gain	4,129	4,898	7,762
Taxes on properties	837	922	2,895
Domestic taxes on goods and services	3,862	3,766	17,227
Taxes on international trade and transactions	691	470	3,382
Other tax revenues	445	413	1,648
Non-tax revenues	3,429	2,953	6,193
<b>Expected budget expenditures</b>	<b>18,231</b>	<b>18,259</b>	<b>47,328</b>
Current expenditures	17,738	17,524	44,183
Personnel cost	9,934	10,443	23,616
Domestic interest payments	1,061	2,986	3,570
Foreign interest payments	3,633	120	1,200
Other current expenditures	3,110	3,974	15,796
Capital expenditures	493	735	3,145
<b>Fiscal Deficit</b>	<b>-4,836</b>	<b>-4,834</b>	<b>-8,219</b>

References:

Budget Law and Annexed Budgets of 2020

Budget Proposals for the years 2021 and 2022

Billion of LBP	2020 budget law	2021 budget proposal	2022 budget proposal
<b>Treasury revenues</b>	<b>779</b>	<b>568</b>	<b>1,502</b>
<b>Treasury advances to finance EDL’s deficit</b>	<b>1,500</b>	<b>1,500</b>	<b>*5,250</b>
<b>Other treasury expenditures</b>	<b>**2,116</b>	<b>Data not available</b>	<b>Data not available</b>

Note:

\* In addition to another reserve amount allocated to cover for the fluctuations of the exchange rate

\*\* Calculations are based on treasury expenditures’ estimates for 2020 amounting to 2.37% of GDP as stated in the budget circular No.1284/s1 dated 23 May 2019 and adjusted in the 2020 budget circular

References:

Budget Law and Annexed Budgets of 2020

Budget Proposals for the years 2021 and 2022

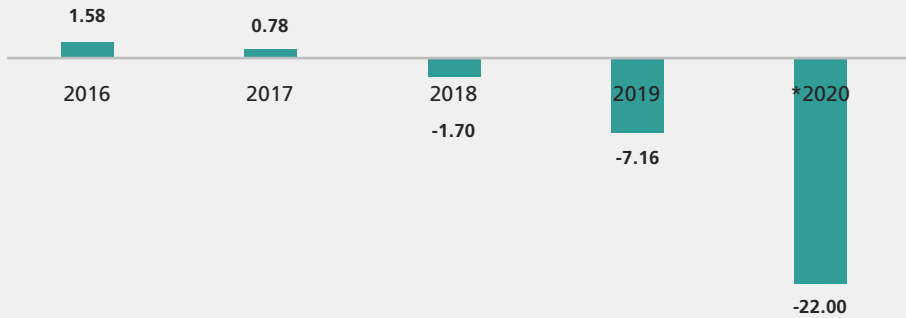
Republic of Lebanon, Ministry of Finance, Report on the draft Budget Law for the year 2022

# Fundamentals and assumptions underlying the 2022 budget proposal

The Ministry of Finance relies on medium-term fiscal and economic assumptions for the preparation of the budget, that take into account country's economic and financial context.

## 1 | Macroeconomic Indicators

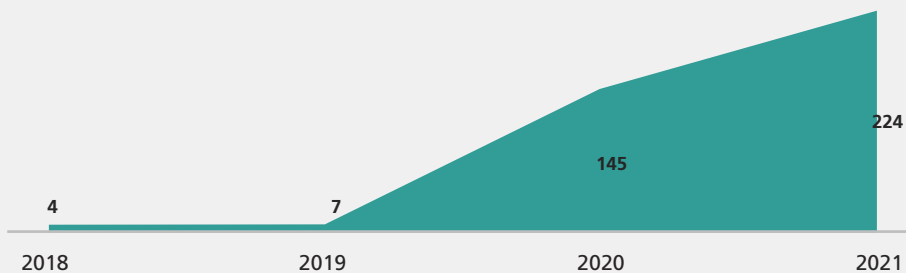
### Real Economic Growth - Percentage (%)



\*2020 figures are estimated

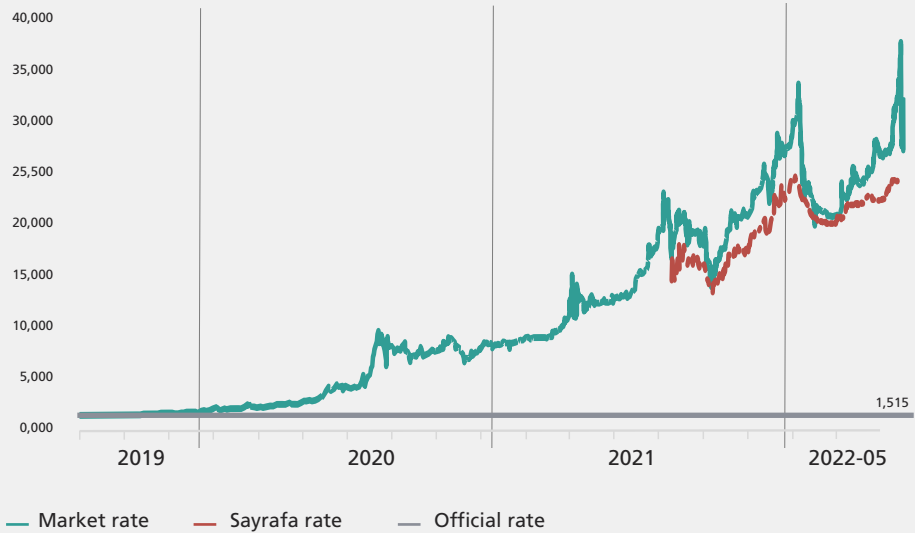
Reference: : International Monetary Fund database, 2022,  
URL: [https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report?c=446,&s=NGDP\\_RPCH,&sy=2016&ey=2022&ssm=0&scsm=1&ssc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1](https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report?c=446,&s=NGDP_RPCH,&sy=2016&ey=2022&ssm=0&scsm=1&ssc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1)

### Annual Inflation Rate - Percentage (%)



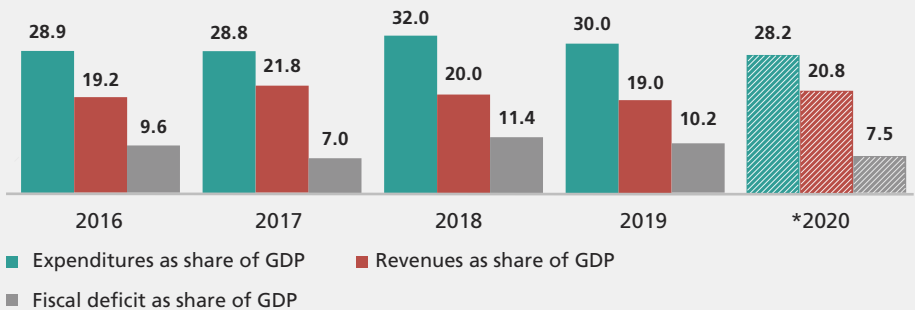
Reference: Central Administration of Statistics (CAS),  
URL: <http://www.cas.gov.lb/index.php/economic-statistics-en/cpi-en>

**The co-existence of multiple exchange rates affects the public administrations’ ability to plan and spend (from October 1, 2019 to May 31, 2022)**



Reference: [www.lirarate.org](http://www.lirarate.org)

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



\*Figures for 2020 were calculated based on the economic growth rate for the year 2020 as reported by the International Monetary Fund

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>

## 2 | The Financial and economic assumptions adopted for the preparation of the 2022 budget proposal

When preparing the general budget, the Ministry of Finance poses financial and economic assumptions as foundations for forecasting expenditures and revenues for the coming years.

These assumptions are published in the general budget circular sent by the Minister of Finance to all departments. The Ministry of Finance updates these assumptions periodically in accordance with economic and financial developments in the country.

### The financial and economic assumptions adopted in preparing the general budget

	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	-

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

# Measures proposed in the 2022 budget proposal that impact citizens’ lives

## Measures

### Deferments and tax exemptions

- Installment or deferred payment of taxes and fees due by taxpayers;
- Exempting employees who have a permanent disability due to the Beirut Port explosion from salaries and wages tax;
- Exempting from inheritance fees the heirs of the Lebanese who died in the Beirut port explosion.

### Investment and business-related measures

- Income tax deduction for industrial enterprises;
- Exempting start-ups from income tax;
- Stimulating investment in the industrial and commercial sectors;
- Exempting from income tax for the years 2021, 2022, 2023 institutions that have permanently stopped working as a result of the Beirut Port explosion, in case they resume business;
- Exempting from interest taxes new deposits made in foreign currencies for a period of five years.

### Tax collection related measures

- Enforcing a quarterly tax declaration on revenues and profits that are usually taxed annually;
- Amending terms of payment for the income tax on salaries and wages;
- Collecting dividends, profits and taxes on revenues in foreign currencies in the same currency;
- Increasing the fees and the validity period of the Lebanese passport.

### Social assistance related measures

- Calculating tax based on reduced salary amounts;
- Providing social assistance to public administration employees.

### State revenues related measures

- Renting public state properties through an organized auction based on the public procurement law;
- Allowing the Ministry of Tourism to sell prepaid tourism products in foreign currencies.

### Other procedures

- Reducing the financial strain on the public sector by deferring the payment of taxes and fees;
- Encouraging the use of alternative energy by exempting operational devices and equipment working on solar energy from VAT and customs' fees;
- Requiring municipal unions to supply mobile grinding equipment to stop the careless disposal of landfills;
- Protecting the national industry by imposing customs duties on imported goods;
- Exempting tourist and sports groups visiting Lebanon from visa fees.



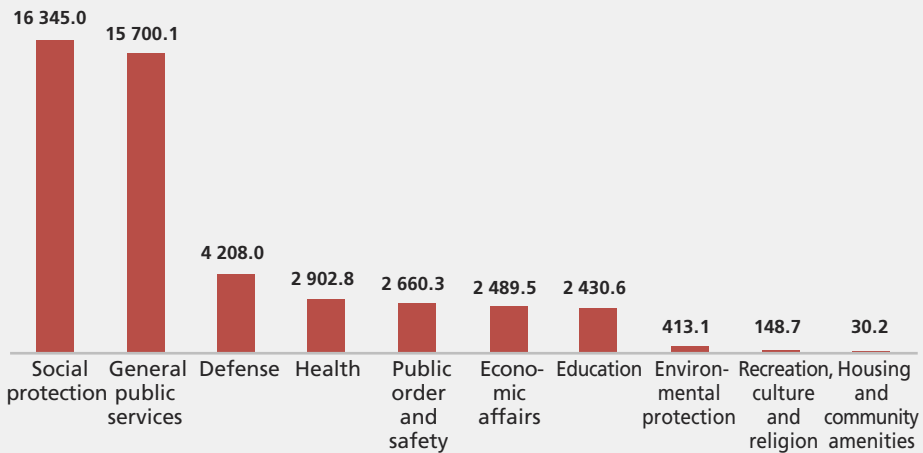
# Estimated expenditures for 2022

Budget expenditures for 2022 are estimated at 47,328 billion of LBP.

In the budget, expenditures are classified annually by:

1. Function (health, education, environmental protection). These functions are classified according to the International Monetary Fund standards for **functional classification**.\*
2. Type, and in particular divided into current expenditures (salaries and wages, goods and services, debt interests...) and capital expenditures (building bridges, infrastructure...). This is **economic classification**.
3. Administrative unit responsible for budget spending (the Ministry of Health, Council for Development and Reconstruction). This is the **administrative classification**.

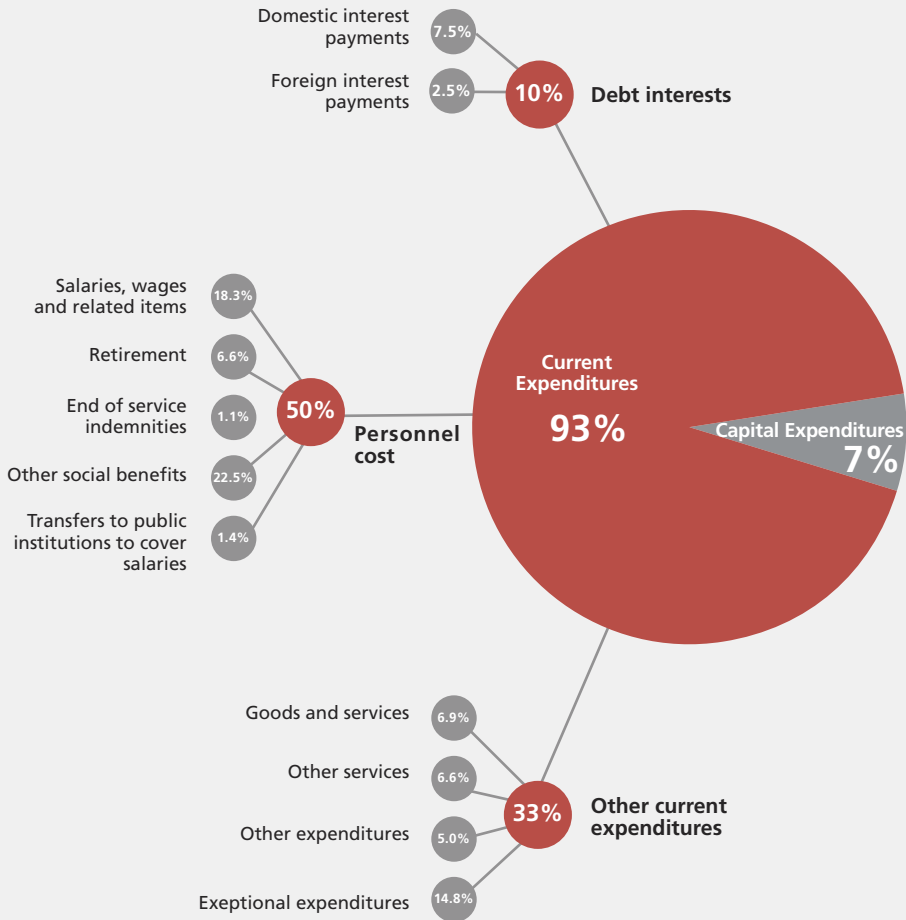
## 1 | Distribution of Budget expenditures by the 10 main functions (functional classification) - in billion of LBP



Reference: Budget Proposal for the year 2022















\* International Monetary Fund, Budget Classification,  
 URL: <https://blog-pfm.imf.org/files/budget-classification-1.pdf>














## 2 | Distribution of Budget expenditures according to type (economic classification)






Reference: Budget Proposal for the year 2022

### 3 | Estimated expenditures by entity (administrative classification)

	2020 budget law (billion of LBP)	Estimated expenditures in the 2021 budget proposal (billion of LBP)	Estimated expenditures in the 2022 budget proposal (billion of LBP)
 Presidency of the Republic	12.7	10.6	18.3
 Lebanese Parliament	78.5	79.5	189.7
 Presidency of the Council of Ministers	743.4	1,024.6	2,617.7
 The Constitutional Council	1.4	1.7	2.0
 Ministry of Justice	112.8	104.0	224.0
 Ministry of Foreign Affairs and Emigrants	175.8	174.0	1,687.7
 Ministry of Interior and Municipalities	1,645.5	1,607.3	4,364.4
 Ministry of Finance	440.5	437.8	2,523.2
 Ministry of Public Works and Transportation	205.1	142.5	540.9
 Ministry of Defense	2,896.5	2,886.1	7,144.1
 Ministry of Education and Higher Education	1,953.1	1,879.1	3,222.5
 Ministry of Public Health	692.2	720.4	2,909.7
 Ministry of Economy and Trade	21.8	65.8	175.2
 Ministry of Agriculture	72.2	68.3	197.4

	2020 budget law (billion of LBP)	Estimated expenditures in the 2021 budget proposal (billion of LBP)	Estimated expenditures in the 2022 budget proposal (billion of LBP)
 Ministry of Post and Telecommunications	5.4	327.1	1,342.8
 Ministry of Labor	375.4	474.2	1,324.5
 Ministry of Information	43.3	43.4	64.7
 Ministry of Energy and Water	78.4	31.2	356.8
 Ministry of Tourism	15.1	14.8	23.6
 Ministry of Culture	44.3	41.7	68.8
 Ministry of Environment	8.9	6.1	21.0
 Ministry of Displaced	6.1	5.6	10.3
 Ministry of Youth and Sports	12.5	12.5	15.7
 Ministry of Social Affairs	338.7	369.6	574.1
 Ministry of Industry	8.1	7.4	18.1
 Common expenses	7,677.9	6,526.2	10,496.0
 Budget reserve	565.0	1,196.4	7,194.5
<b>Total budget</b>	<b>18,231.7</b>	<b>18,259.4</b>	<b>47,328.8</b>
<b>Treasury advances to EDL</b>	<b>1,500.0</b>	<b>1,500.0</b>	<b>5,250.0</b>

	2020 budget law (billion of LBP)	Estimated expenditures in the 2021 budget proposal (billion of LBP)	Estimated expenditures in the 2022 budget proposal (billion of LBP)
 Directorate of National Lottery*	92.0	---	---
 Directorate General of Cereals and Sugar Beets*	27.7	---	---
 Telecom*	2,040.7	---	---

Notes:

\*As of 2021, the annexed budgets have been included in the general budget: (1) the budget of the National Lottery Directorate was integrated in the budget of the Ministry of Finance, (2) the budget of the General Directorate of Grains and Sugar Beet in the budget of the Ministry of Economy and Trade and (3) the budget of communications in the budget of the Ministry of Telecommunications

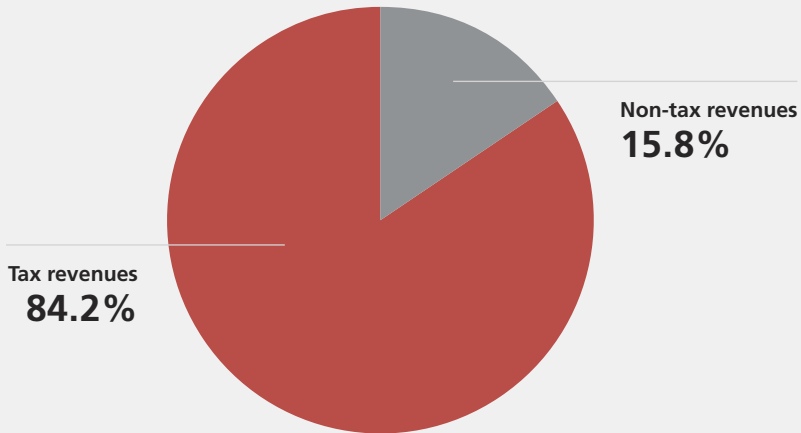
References:

Budget Law and Annexed Budgets of 2020  
Budget Proposals for the years 2021 and 2022

# Estimated revenues for 2022

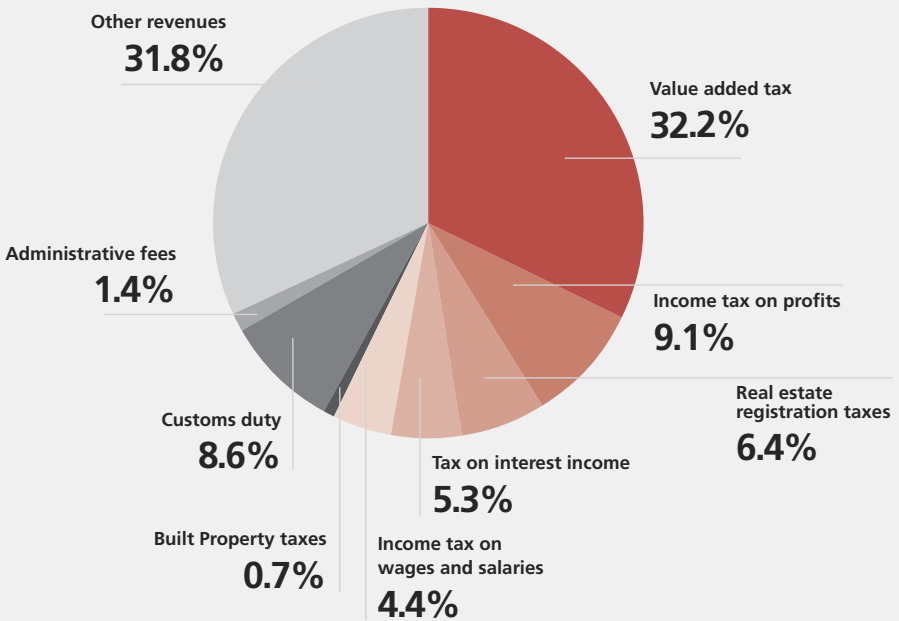
Budget revenues for 2022 are estimated at 39 109 billion of LBP.

## Distribution of revenues between tax and non-tax revenues



Reference: Budget Proposal for the year 2022

**Main sources of revenues in the 2022 budget proposal**



Reference: Budget Proposal for the year 2022

# Budget deficit for 2022

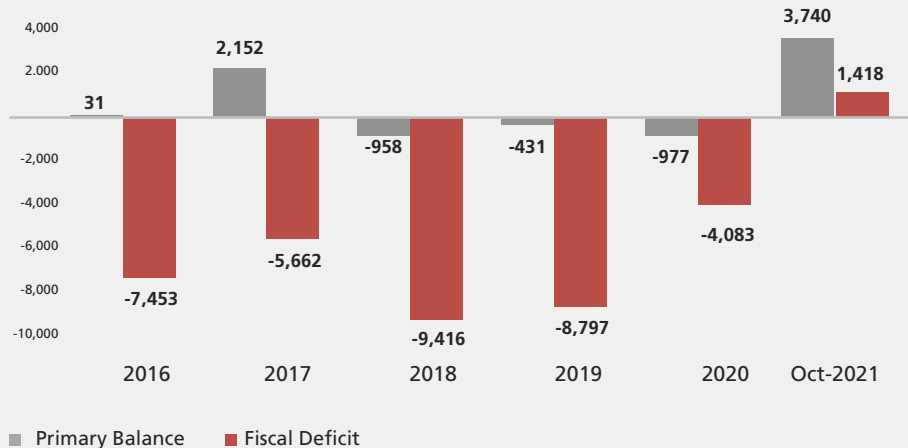
The budget deficit was estimated at 8,219 billion of LBP for 2022. However, this number does not take into account:

- Treasury advances given to the Electricité du Liban which amount to 5,250 billion of LBP; in addition to a reserve amount foreseen to cover for exchange rate's fluctuations. This raises the expected deficit to 13,469 billion of LBP.
- 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, 2020 and 2021

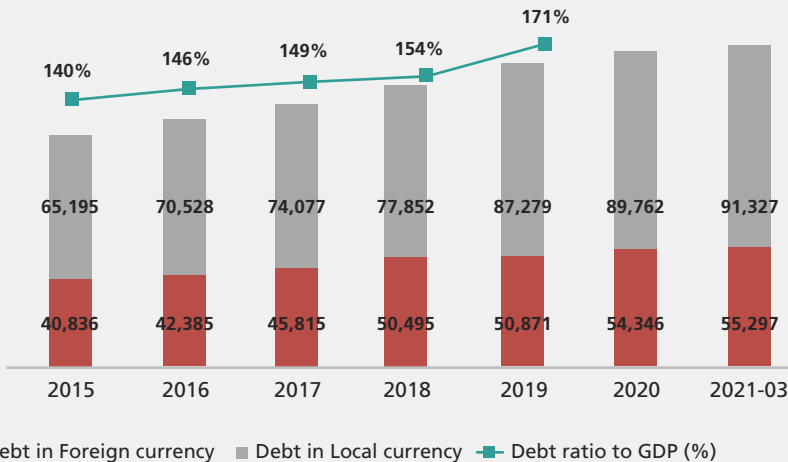
The fiscal balance represents the difference between total expenditures and total revenues while the primary balance refers to the fiscal balance excluding debt interests.



## Public debt

- Public debt is formed from the accumulation of funds borrowed by the government from financial markets (commercial banks, institutions and individuals), donors and others to cover for the public sector financial needs.
- For the first time in its history, Lebanon defaulted in March 2020 on its debt in foreign currencies. As a result, the country is no longer able to access international markets or obtain loans from other nations until an agreement has been reached with its creditors.

### Evolution of Public Debt - billion of LBP



Reference: Debt and debt markets reports,

URL: <http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

## The team

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

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