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General Overview

During the first month of the year 2021, Government's deficit slightly widened in comparison with the same month of 2020, as revenues contracted by LL 783 billion (50.9 percent) mainly driven by lower collections from value added taxes, income taxes on wages and salaries and tax on interest income. On the other hand, spending went down by LL 756 billion (29.6 percent) with primary expenditures recording a decrease of LL 630 billion (31.0 percent) to reach LL 1,401 billion mainly due to a drop in transfers to EDL by LL 243 billion.

The **total fiscal balance** recorded a deficit of LL 1,037 billion during the month of January 2021. In parallel, the **primary balance** witnessed a significant deterioration from a deficit of LL 492 billion in January 2020 to LL a deficit of 644 billion in January 2021.

Table 1: Summary of Fiscal Performance

(LL billion)	January 2020	January 2021	% Change 2021/2020
Total Budget and Treasury Receipts	1,539	756	-50.9%
Total Budget and Treasury Payments, of which	2,550	1,794	-29.6%
Interest Payments	492	377	-23.3%
Concessional loans principal payments 1/	27	16	-41.0%
Primary Expenditures 2/	2,031	1,401	-31.0%
Total (Deficit)/Surplus	-1,011	-1,037	2.6%
Primary (Deficit)/Surplus	-492	-644	31.0%

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 50.9 percent year-on-year to reach LL 756 billion in January 2021 as a result of a decline in both tax and non-tax revenues. In addition, treasury receipts dropped by 54.0 percent year-on-year to reach LL 48 billion in the first month of 2021.

Tax revenues recorded a total of LL 635 billion in January 2021, decreasing by LL 583 billion (47.9 percent), from LL 1,218 billion registered in January 2020. This deterioration was driven by a drop in the majority of tax items with some exceptions witnessed at the level of the **Cars excise** and **Customs fees** which slightly increased by LL 6 billion and LL 2 billion, respectively.

The main decrease in tax revenues was recorded in the **Taxes on income, profits and capital gains** which significantly dropped by LL 322 billion (50.2 percent) year-on-year in January 2021, driven by a decline in **income tax on wages and salaries** and **tax on interest income** by LL 146 billion (77.6 percent) and LL 138 billion (36.0 percent), respectively.

Moreover, **domestic taxes on goods and services** dropped by LL 188 billion (54.5 percent) year-on-year, in January 2021, driven by a LL 175 billion (53.4 percent) decline

in the **value added tax**¹. In details, during January, VAT collected internally and VAT collected at customs witnessed respective year-on-year decreases of 66.6 percent and 22.9 percent. Also, **private car registration fees** and **passenger departure tax** decreased by LL 7 billion (92.2 percent) and LL 3 billion (41.2 percent) respectively, during January 2021.

Taxes on property regressed by LL 30 billion (43.5 percent) in January 2021, mainly as **real estate registration fees** dropped by LL 20 billion (38.1 percent) year-on-year, given that the sales of properties and their average prices declined by 68.3 percent and 70.6 percent, respectively when compared to the same month of last year². In addition, **built property tax** and **inheritance fees** dropped by LL 7 billion (61.7 percent) and LL 3 billion (56.6 percent) respectively.

In addition, **taxes on international trade** declined by LL 4 billion (3.9 percent) year-on-year in January 2021, due to a decrease of LL 6 billion (8.0 percent) in various **excises**. In particular, **gasoline excise** regressed by LL 9 billion (17.3 percent) reflecting a 19.4 percent drop in the volume of gasoline imports, and **tobacco excise** went down by LL 3 billion (51.3 percent) as the value of imports dropped by 14.6 percent year-on-year.

Other tax revenues (namely fiscal stamp fees) also decreased by LL 39 billion (61.6 percent) to reach LL 24 billion in January 2021.

Non-tax revenues declined by LL 144 billion (66.2 percent) to reach LL 73 billion during the first month of 2021.

In details, **Income from Public Institutions and Government properties** witnessed a year-on-year drop of LL 85 billion (70.2 percent), as no **transfers from the Telecom Surplus** were made during January 2021 recording a yearly decrease of LL 100 billion (100.0 percent) and **property income (namely rent of Rafic Hariri International Airport)** decreased by LL 7 billion (98.8 percent), when compared to January 2020. In contrast, **budget surplus of National Lottery** and **revenues from Casino du Liban** rose by LL 14 billion and LL 9 billion, respectively.

Moreover, **administrative fees and charges** dropped by LL 52 billion (79.6 percent) reaching LL 13 billion during January 2021 due to a decrease in all its sub-categories. The main declines were registered in the **passport fees** and **vehicle control fees** which fell by LL 15 billion each.

On the other hand, **other non-tax revenues (mostly retirement deductibles)** decreased by LL 6 billion (20.7 percent). It is worth noting that deductibles related to military salaries and retirement³ generated LL 4 billion during January 2021.

Treasury receipts dropped by LL 56 billion (54.0 percent) to reach LL 48 billion in January 2021 compared to the same period of the 2020⁴.

Expenditures

Total expenditures recorded a significant decrease of LL 756 billion (29.6 percent) to reach LL 1,794 billion in January 2021 mainly due to a drop in current and capital expenditures.

¹ Mirroring the contraction in private consumption, which is the main driver of the economic growth in Lebanon.

² As per the General Directorate of Land Registry and Cadastre data.

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

⁴ It is worth mentioning that treasury receipts are transitory in nature and as such, variations in these collections are usually not reflective of the economic activity.

Current primary expenditures⁵ registered a decrease of LL 528 billion (30.3 percent) reaching a total of LL 1,215 billion during January 2021. In details, **transfers to Electricité du Liban (EDL)**, **end of service compensations** and **external services** witnessed respective year-on-year drops of LL 243 billion (84.9 percent), LL 56 billion (95.9 percent) and LL 23 billion (67.6 percent). On the other hand, **transfers to the Higher Council of Relief** and **hospitals** rose by LL 75 billion and by LL 43 billion respectively.

Interest payments dropped by LL 115 billion (23.3 percent) in January 2021 as interest payments due on local currency debt and on foreign currency debt decreased significantly by LL 59 billion (13.7 percent) and LL 56 billion (89.5 percent), respectively. **Foreign debt principal repayment** also dropped by LL 11 billion (41.0 percent) to register a total of LL 16 billion during January 2021.

Capital expenditures decreased by LL 102 billion (65.3 percent) to reach LL 54 billion in January 2021, mainly as expenses related to **maintenance** and **equipment** dropped by LL 40 billion (94.9 percent) and LL 24 billion (97.6 percent), respectively. In addition, transfers to the **council of the south** to cover the construction in progress which were null in January 2020, amounted to LL 23 billion in January 2021.

Treasury expenditures recorded a decrease of LL 4 billion (3.8 percent) to reach LL 106 billion in the first month of the year 2021. In details, **deposits** and payments to **municipalities** dropped by LL 29 billion (90.1 percent) and LL 28 billion (89.9 percent) respectively. In addition, **VAT refund** were down by LL 22 billion (72.6 percent). This was counterbalanced by an increase of LL 83 billion in **Other Treasury Expenditures** items.

Public Debt

Gross public debt stood at LL 144,627 billion by the end of January 2021, increasing by LL 519 billion (0.4 percent) from end-2020. On the other hand, net debt rose by 0.9 percent to reach LL 130,133 billion as public sector deposits dropped by LL 639 billion (4.2 percent) during 2021.

Local currency debt reached LL 89,987 billion in January 2021, increasing by LL 225 billion (0.3 percent) from the end of December 2020. In details, local currency debt held by the Central Bank increased by LL 205 billion (0.4 percent) to reach LL 55,284 billion by the end of January 2021, followed by a smaller rise in local currency debt held by the commercial banks increasing by 22 billion (0.1 percent). On the other hand, other local currency debt holdings recorded a drop of LL 2 billion to reach 11,524 billion by the end of January 2021.

The stock of **foreign currency debt** grew by LL 294 billion (0.5 percent) to reach LL 54,640 billion at end-January 2021, mainly as “arrears in coupons” and “accrued interest on Eurobonds” increased by LL 186 billion and by LL 77 billion, respectively.

⁵ Current primary expenditures represent current expenditures excluding interest payment and debt service.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2020	2021	% Change
	January	January	2021/2020
Budget Revenues, of which:	1,435	708	-50.6%
Tax Revenues	1,218	635	-47.9%
Non-Tax Revenues	217	73	-66.2%
Treasury Receipts	104	48	-54.0%
Total Revenues	1,539	756	-50.9%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2020	2021	% Change
	January	January	2021/2020
Tax Revenues:	1,218	635	-47.9%
Taxes on Income, Profits, & Capital Gains, of which:	640	319	-50.2%
Income Tax on Profits	49	17	-66.1%
Income Tax on Wages and Salaries	189	42	-77.6%
Income Tax on Capital Gains & Dividends	19	14	-24.0%
Tax on Interest Income	382	245	-36.0%
Penalties on Income Tax	1	1	-36.2%
Taxes on Property, of which:	70	39	-43.5%
Built Property Tax	12	4	-61.7%
Real Estate Registration Fees	53	33	-38.1%
Domestic Taxes on Goods & Services, of which:	346	157	-54.5%
Value Added Tax	327	152	-53.4%
Other Taxes on Goods and Services, of which:	14	5	-68.2%
Private Car Registration Fees	8	1	-92.2%
Passenger Departure Tax	7	4	-41.2%
Taxes on International Trade, of which:	100	96	-3.9%
Customs	30	32	5.6%
Excises, of which:	70	64	-8.0%
Gasoline Excise	51	42	-17.3%
Tobacco Excise	6	3	-51.3%
Cars Excise	12	18	46.2%
Other Tax Revenues (namely fiscal stamp fees)	63	24	-61.6%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2020 January	2021 January	% Change 2021/2020
Non-Tax Revenues	217	73	-66.2%
Income from Public Institutions and Government Properties, of which:	121	36	-70.2%
Income from Non-Financial Public Enterprises, of which:	113	36	-68.4%
<i>Revenues from Casino Du Liban</i>	7	16	123.5%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	6	20	219.2%
<i>Transfer from the Telecom Surplus</i>	100	0	-100.0%
Transfer from Public Financial Institution (BDL)	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	7	0	-98.8%
Other Income from Public Institutions (interests)	0	0	-83.5%
Administrative Fees & Charges, of which:	66	13	-79.6%
Administrative Fees, of which:	50	11	-77.7%
<i>Notary Fees</i>	5	2	-62.8%
<i>Passport Fees/ General Security</i>	22	7	-67.8%
<i>Vehicle Control Fees</i>	16	1	-93.6%
<i>Judicial Fees</i>	3	1	-78.2%
<i>Driving License Fees</i>	1	0	-74.4%
Administrative Charges	5	1	-86.2%
Sales (Official Gazette and License Number)	0	0	-78.9%
Permit Fees (mostly work permit fees)	8	1	-82.7%
Other Administrative Fees & Charges	3	0	-92.9%
Penalties & Confiscations	2	1	-41.6%
Other Non-Tax Revenues (mostly retirement deductibles)	29	23	-20.7%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2020 January	2021 January	% Change 2021/2020
1. Current Expenditures	2,261	1,608	-28.9%
1.a Personnel Cost, of which	873	827	-5.3%
Salaries, Wages and social benefits	560	559	-0.2%
Retirement and End of Service Compensations, of which:	293	242	-17.4%
<i>Retirement</i>	235	240	2.1%
<i>End of Service</i>	58	2	-95.9%
Transfers to Public Institutions to Cover Salaries	21	26	27.5%
1.b Interest Payments, of which: (1)	492	377	-23.3%
Domestic Interest Payments	430	371	-13.7%
Foreign Interest Payments	62	7	-89.5%
1.d Foreign Debt Principal Repayment	27	16	-41.0%
1.e Materials and Supplies, of which:	24	35	49.4%
Nutrition	1	3	-
Fuel Oil	0	1	-
Medicaments	16	28	78.6%
1.f External Services	34	11	-67.6%
1.g Various Transfers, of which:	664	163	-75.4%
EDL (2)	286	43	-84.9%
NSSF	0	0	-
Higher Council of Relief	0	75	-
Contributions to non-public sectors	37	25	-31.4%
Transfers to Directorate General of Cereals and Beetroot (3)	0	0	-
1.h Other Current, of which:	123	178	44.9%
Hospitals	102	145	42.1%
Others(judgments & reconciliations, mission costs, other)	20	32	64.0%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	25	0	-100.0%
2. Capital Expenditures	156	54	-65.3%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-100.0%
2.b Equipment	25	1	-97.6%
2.c Construction in Progress, of which:	88	51	-41.6%
Displaced Fund	0	0	-
Council of the South	23	0	-100.0%
CDR	38	50	31.4%
Ministry of Public Work and Transport	9	0	-100.0%
Other of which:	15	1	-94.1%
<i>Higher Council of Relief</i>	0	0	-
2.d Maintenance	42	2	-94.9%
2.e Other Expenditures Related to Fixed Capital Assets	2	0	-86.5%
3. Budget Advances (4)	12	19	55.5%
4. Customs Administration (exc. Salaries and Wages) (5)	10	7	-30.3%
5. Treasury Expenditures (6)	110	106	-3.8%
Municipalities	31	3	-89.9%
Guarantees	12	3	-72.0%
Deposits (7)	32	3	-90.1%
Other, of which:	35	96	174.0%
VAT Refund	30	8	-72.6%
6. Total Expenditures (Excluding CDR Foreign Financed)	2,550	1,794	-29.6%

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)	2020	2021	% Change
	January	January	2021/2020
Interest Payments	492	377	-23.3%
Local Currency Debt	430	371	-13.7%
Foreign Currency Debt, of which:	62	7	-89.5%
Eurobond Coupon Interest*	50	0	-100.0%
Concessional Loans Interest Payments	12	7	-47.3%
Foreign Debt Principal Repayment	27	16	-41.0%

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)	2020	2021	% Change
	January	January	2021/2020
EDL of which:	286	43	-84.9%
Debt Service	1	0	-100.0%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	285	43	-84.8%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

Table 8: Public Debt Outstanding by Holder as of End-Jan 2021

(LL billion)	Dec-19	Dec-20	Jan-21	% Change Jan 21/ Dec 20
Gross Public Debt	138,150	144,108	144,627	0.4%
Local Currency Debt	87,279	89,762	89,987	0.3%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,362	1.8%
a. Central Bank	50,717	55,079	55,284	0.4%
b. Commercial Banks (Including REPOs)	25,316	23,157	23,179	0.1%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	11,524	0.0%
<i>Public Entities</i>	9,968	10,393	10,394	0.0%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,871	54,346	54,640	0.5%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	2,981	-0.3%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	150	-0.8%
c. Market-Issued Eurobonds, of which:	47,206	47,206	47,206	0.0%
<i>Arrears in Principal</i>	0	3,769	3,769	0.0%
d. Accrued Interest on Eurobonds	570	587	664	13.1%
e. Arrears in Coupons	0	3,142	3,328	5.9%
f. Accrued interest in Arrears	0	269	311	15.6%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	14,494	-4.2%
Net Debt	122,473	128,975	130,133	0.9%
Gross Market Debt⁽⁵⁾	74,441	75,553	75,875	0.4%
% of Total Debt	54%	52%	52%	0.1%

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 19- Dec 20 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, the first tranche of the French loan received in February 2008 and the second tranche received in October 2012.

⁽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, Paris II and Paris III related debt.

