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General Overview

The fiscal deficit witnessed a relative improvement in the first three months of 2021 compared to the same period in 2020, driven by a 20.4 percent decrease in expenditures due to lower current and capital expenditures. In parallel, government revenues witnessed a modest year-on-year increase of 1.8 percent to reach LL 3,418 billion during Jan-Mar 2021.

The **total fiscal balance** registered a deficit of LL 1,243 billion in Jan-Mar 2021 compared to a deficit of LL 2,495 billion during the same period of 2020, while the **primary balance** posted a deficit of LL 485 billion down from a much larger deficit of LL 1,019 billion a year earlier.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
Total Budget and Treasury Receipts	3,357	3,418	1.8%
Total Budget and Treasury Payments, of which	5,852	4,661	-20.4%
Interest Payments	1,430	715	-50.0%
Concessional loans principal payments ⁽¹⁾	47	43	-8.1%
Primary Expenditures ⁽²⁾	4,376	3,904	-10.8%
Total (Deficit)/Surplus	-2,495	-1,243	-50.2%
Primary (Deficit)/Surplus	-1,019	-485	-52.4%

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 increased by LL 61 billion (1.8 percent) year-on-year to reach LL 3,418 billion during Jan-Mar 2021.

Tax revenues reached a total of LL 2,495 billion in the first three months of the year, reflecting a decrease of LL 116 billion (4.4 percent) compared to a total of LL 2,611 billion during the same period last year. This deterioration was mainly driven by a drop in taxes on income, profits, and capital gains which was in turn driven by a decrease in tax on interest income.

In fact, **taxes on income, profits and capital gains** were down by LL 364 billion (25.3 percent) year-on-year, in Jan-Mar 2021, driven by a drastic drop of LL 442 billion (42.5 percent) in **taxes on interest income** which reached LL 599 billion during the covered period, compared to a total of LL 1,041 billion recorded in Jan-Mar 2020. Also, **income tax on wages and salaries** dropped by LL 14 billion (6.3 percent). In contrast, **income tax on profits** and **income tax on capital gains and dividends** witnessed relatively modest increases of LL 83 billion and LL 11 billion, respectively. It is worth mentioning that the total lockdown facing the Covid-19 pandemic that was imposed starting 7 January 2021¹, and the deteriorating economic situation that the country is still facing, have had a major impact on all tax collections.

¹ COM decision #3 dated 05/01/2021.

Taxes on property registered an increase of LL 44 billion (18.8 percent) in Jan-Mar 2021, mainly as **real estate registration fees** went up by LL 14 billion (8.5 percent)² along with an increase of LL 9 billion (19.6 percent) in **built property tax**.

In addition, **domestic taxes on goods and services** hiked by LL 163 billion (29.4 percent) year-on-year in Jan-Mar 2021, driven by an increase of LL 182 billion (36.8 percent) in the **value added tax**. In particular, the VAT collected internally and the VAT collected at customs recorded respective year-on-year rises of 55.9 percent and 17.6 percent over the covered period. However, **private car registration fees** and **passenger departure tax** dropped by LL 12 billion (52.3 percent) and LL 9 billion (32.5 percent) respectively.

Other tax revenues (namely fiscal stamp fees) decreased by LL 20 billion (17.8 percent) to reach LL 90 billion in Jan-Mar 2021.

Taxes on international trade increased by LL 62 billion (22.0 percent) as **cars excise** and **custom fees** increased by LL 47 billion (171.0 percent) and LL 30 billion (37.9 percent) respectively. On the other hand, **gasoline excise** went down by LL 19 billion (12.3 percent), as the volume of gasoline imports dropped by 9.8 percent year-on-year. **Tobacco excise** slightly increased by LL 2 billion (19.1 percent).

Non-tax revenues rose by LL 106 billion (19.2 percent) to reach LL 659 billion during Jan-Mar 2021. In details, **income from public institutions and Government properties** witnessed a hike of LL 176 billion year-on-year over the covered period as **transfer from the telecom surplus** increased by LL 222 billion (110.9 percent). This was partly offset by a decrease of LL 60 billion (100.0 percent) in **transfer from public financial institution (BDL)** which was null during Jan-Mar 2021.

On the other hand, **administrative fees and charges** dropped by LL 72 billion (45.9 percent) reaching LL 85 billion over the period under review, due to a decrease in all its sub-categories, mainly as **vehicle control fees**, **permit fees (mostly work permit fees)** and **passport fees** fell by LL 37 billion (77.9 percent), LL 9 billion (47.8 percent) and LL 8 billion (17.4 percent), respectively.

Other non-tax revenues (mostly retirement deductibles) recorded in Jan-Mar 2021 the same amount of 76 billion that was registered during the same period of last year. It is worth noting that deductibles related to military salaries and retirement³ amounted to LL 13 billion, and exceptional revenues from the settlement of violations related to maritime properties reached LL 4 billion during Jan-Mar 2021 down from LL 6 billion recorded a year earlier.

Treasury receipts witnessed a rise of LL 70 billion to reach LL 265 billion in Jan-Mar 2021 compared to LL 194 billion during the same period of the 2020.

Expenditures

Total expenditures regressed by LL 1,191 billion (20.4 percent) to reach LL 4,661 billion in Jan-Mar 2021 compared to LL 5,852 billion in Jan-Mar 2020.

Current primary expenditures⁴ registered a drop of LL 558 billion (14.4 percent) reaching a total of LL 3,316 billion during the first three months of 2021. This decline was mainly driven by a decrease in **salaries, wages and social benefits**, **transfers to Electricité du Liban (EDL)** and **end of service compensations** by LL 197 billion (12.1 percent), LL 127

² As per the data from the General Directorate of Land Registry and Cadastre, the average price of sold properties increased by 5.11 percent during the first three months of 2021 compared to the same period last year.

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

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

billion (28.0 percent) and LL 71 billion (64.7 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase, mainly transfers to the **Higher Council of Relief, Others (judgments & reconciliations, mission costs, other)**, and **retirement costs** which rose by LL 175 billion, LL 17 billion, and LL 16 billion respectively.

Interest payments dropped by 715 billion (50.0 percent) in Jan-Mar 2021 as interest payments due on domestic debt decreased by LL 548 billion (43.8 percent), and those due on foreign currency debt dropped by LL 167 billion (93.3 percent) over the covered period. **Foreign debt principal repayment** also declined by LL 4 billion (8.1 percent) to register a total of LL 43 billion during Jan-Mar 2021.

Capital expenditures decreased by LL 142 billion (59.1 percent) to reach LL 98 billion in Jan-Mar 2021, mainly as expenses related to **construction in progress, maintenance** and **equipment** dropped by LL 68 billion (47.9 percent), LL 47 billion (81.8 percent) and LL 31 billion (83.9 percent), respectively.

Treasury expenditures witnessed an increase of LL 211 billion (105.1 percent) to reach LL 411 billion in Jan-Mar 2021, as payments to **municipalities** hiked by LL 207 billion. On the other hand, **deposits** and **guarantees** dropped by LL 28 billion and LL 20 billion, respectively. **Other treasury expenditures** rose by LL 51 billion despite the LL 34 billion drop registered in **Vat refund**.

Public Debt

Gross public debt stood at LL 146,594 billion by the end of March 2021, increasing by LL 2,486 billion (1.7 percent) from end-2020. On the other hand, **net debt** rose by 1.4 percent to reach LL 130,754 billion and **public sector deposits** increased by LL 707 billion (4.7 percent) during the first three months of 2021.

Local currency debt increased by LL 1,565 billion (1.7 percent) to register LL 91,327 billion as of end-March 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 1,366 billion (2.5 percent) to reach LL 56,445 billion by the end of March 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 131 billion (1.3 percent) to reach LL 10,524 billion. Also, **TBs held by commercial banks** rose at a much lower pace by LL 85 billion (0.4 percent) to reach LL 23,242 billion by the end of March 2021.

The stock of **foreign currency debt** grew by LL 921 billion (1.7 percent) to reach LL 55,267 billion at end-March 2021, reflecting the significant increase of LL 452 billion and LL 124 billion in **arrears in coupons** and **accrued interest on Eurobonds** respectively. On the other hand, **bilateral, multilateral and foreign private sector loans** and **Paris III related debt** decreased by LL 13 billion and LL 4 billion, respectively, compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
Budget Revenues, of which:	3,163	3,154	-0.30%
Tax Revenues	2,611	2,495	-4.4%
Non-Tax Revenues	552	659	19.2%
Treasury Receipts	194	265	36.3%
Total Revenues	3,357	3,418	1.8%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
Tax Revenues:	2,611	2,495	-4.4%
Taxes on Income, Profits, & Capital Gains, of which:	1,437	1,073	-25.3%
Income Tax on Profits	146	229	57.1%
Income Tax on Wages and Salaries	214	200	-6.3%
Income Tax on Capital Gains & Dividends	30	40	36.6%
Tax on Interest Income	1,041	599	-42.5%
Penalties on Income Tax	5	4	-32.3%
Taxes on Property, of which:	232	275	18.8%
Built Property Tax	45	54	19.6%
Real Estate Registration Fees	166	181	8.5%
Domestic Taxes on Goods & Services, of which:	553	715	29.4%
Value Added Tax	495	678	36.8%
Other Taxes on Goods and Services, of which:	50	29	-41.8%
Private Car Registration Fees	23	11	-52.3%
Passenger Departure Tax	27	18	-32.5%
Taxes on International Trade, of which:	279	341	22.0%
Customs	80	111	37.9%
Excises, of which:	199	230	15.6%
Gasoline Excise	158	139	-12.3%
Tobacco Excise	12	14	19.1%
Cars Excise	28	75	171.0%
Other Tax Revenues (namely fiscal stamp fees)	110	90	-17.8%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
Non-Tax Revenues	552	659	19.2%
Income from Public Institutions and Government Properties, of which:	316	492	55.7%
Income from Non-Financial Public Enterprises, of which:	232	479	106.5%
Revenues from Casino Du Liban	25	21	-17.1%
Revenues from Port of Beirut	0	15	-
Budget Surplus of National Lottery	6	20	226.4%
Transfer from the Telecom Surplus	200	422	110.9%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	24	12	-47.5%
Other Income from Public Institutions (interests)	1	1	55.1%
Administrative Fees & Charges, of which:	157	85	-45.9%
Administrative Fees, of which:	123	67	-45.7%
Notary Fees	11	9	-15.1%
Passport Fees/ General Security	48	39	-17.4%
Vehicle Control Fees	47	10	-77.9%
Judicial Fees	6	4	-41.7%
Driving License Fees	3	2	-35.9%
Administrative Charges	8	6	-25.3%
Sales (Official Gazette and License Number)	0	0	-49.6%
Permit Fees (mostly work permit fees)	19	10	-47.8%
Other Administrative Fees & Charges	6	2	-70.4%
Penalties & Confiscations	3	6	65.9%
Other Non-Tax Revenues (mostly retirement deductibles)	76	76	-0.3%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
1. Current Expenditures	5,351	4,074	-23.9%
1.a Personnel Cost, of which	2,555	2,274	-11.0%
Salaries, Wages and social benefits	1,629	1,432	-12.1%
Retirement and End of Service Compensations, of which:	815	760	-6.7%
Retirement	706	722	2.3%
End of Service	109	39	-64.7%
Transfers to Public Institutions to Cover Salaries	111	81	-26.5%
1.b Interest Payments, of which: ⁽¹⁾	1,430	715	-50.0%
Domestic Interest Payments	1,251	703	-43.8%
Foreign Interest Payments	179	12	-93.3%
1.d Foreign Debt Principal Repayment	47	43	-8.1%
1.e Materials and Supplies, of which:	95	107	12.6%
Nutrition	7	10	55.9%
Fuel Oil	1	2	127.0%
Medicaments	71	79	10.8%
1.f External Services	53	39	-27.4%
1.g Various Transfers, of which:	875	672	-23.2%
EDL ⁽²⁾	455	328	-28.0%
NSSF	0	0	-
Higher Council of Relief	0	175	100.0%
Contributions to non-public sectors	54	36	-32.7%
Transfers to Directorate General of Cereals and Beetroot ⁽³⁾	0	0	-
1.h Other Current, of which:	270	222	-17.7%
Hospitals	242	178	-26.5%
Others (judgments & reconciliations, mission costs, other)	27	43	63.5%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	26	1	-94.4%
2. Capital Expenditures	239	98	-59.1%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	36	6	-83.9%
2.c Construction in Progress, of which:	142	74	-47.9%
Displaced Fund	0	0	-
Council of the South	23	7	-68.3%
CDR	79	55	-29.9%
Ministry of Public Work and Transport	15	0	-99.0%
Other of which:	22	11	-52.4%
Higher Council of Relief	0	5	-
2.d Maintenance	58	10	-81.8%
2.e Other Expenditures Related to Fixed Capital Assets	3	7	122.1%
3. Budget Advances ⁽⁴⁾	19	52	177.1%
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	43	27	-38.2%
5. Treasury Expenditures ⁽⁶⁾	201	411	105.1%
Municipalities	40	247	519.4%
Guarantees	29	9	-67.8%
Deposits ⁽⁷⁾	43	15	-64.4%
Other, of which:	88	139	58.2%
VAT Refund	55	21	-62.0%

6. Total Expenditures (Excluding CDR Foreign Financed)	5,852	4,661	-20.4%
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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)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
Interest Payments	1,430	715	-50.0%
Local Currency Debt	1,251	703	-43.8%
Foreign Currency Debt, of which:	179	12	-93.3%
Eurobond Coupon Interest*	157	0	-100.0%
Concessional Loans Interest Payments	22	12	-45.3%
Foreign Debt Principal Repayment	47	43	-8.1%

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)	Jan-Mar 2020	Jan-Mar 2021	% Change 2021/2020
EDL of which:	455	328	-28.0%
Debt Service	2	0.3	-81.8%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	453	328	-27.8%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Mar-21	% Change Mar 21 / Dec 20
Gross Public Debt	138,150	144,108	146,594	1.7%
Local Currency Debt	87,279	89,762	91,327	1.7%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,514	13.2%
a. Central Bank	50,717	55,079	56,445	2.5%
b. Commercial Banks (Including REPOs)	25,316	23,157	23,242	0.4%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	11,639	1.0%
<i>Public Entities</i>	9,968	10,393	10,524	1.3%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt ⁽²⁾	50,871	54,346	55,267	1.7%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	2,977	-0.4%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	148	-2.4%
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	949	61.7%
e. Arrears in Coupons	0	3,142	3,594	14.4%
f. Accrued interest in Arrears	0	269	393	46.1%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	15,840	4.7%
Net Debt	122,473	128,975	130,754	1.4%
Gross Market Debt⁽⁵⁾	74,441	75,553	76,556	1.3%
% of Total Debt	54%	52%	52%	-

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, first and second tranches of the French loan received in February 2008 and October 2012 respectively.

⁽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.

