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General Overview

The ongoing economic and financial crisis that Lebanon is enduring, have weighted heavily on the public finances during 2020, affecting both revenues and expenditures. Government revenues witnessed a remarkable year-on-year drop of LL 1,338 billion (8.0 percent) during Jan-Dec 2020. This decrease was mainly driven by lower collections from the value added tax and the income tax on profits, as well as lower collections from the taxes on international trade.

On the expenditure front, the Government decision to withhold payments due on Eurobonds starting March 2020 has largely contributed to the decrease of LL 6,052 billion (23.8 percent) in total spending as interest payments plunged down by LL 5,151 billion (63.8 percent).

The **total fiscal balance** registered a deficit of LL 4,083 billion during Jan-Dec 2020 compared to a larger deficit of LL 8,797 billion during the previous year. In contrast, the **primary balance** witnessed a significant deterioration from a deficit of LL 431 billion in Jan-Dec 2019 to LL a deficit of 977 billion in Jan-Dec 2020.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Dec 2019	Jan-Dec 2020	% Change 2020/2019
Total Budget and Treasury Receipts	16,680	15,342	-8.0%
Total Budget and Treasury Payments, of which	25,477	19,425	-23.8%
Interest Payments	8,068	2,917	-63.8%
Concessional loans principal payments 1/	298	189	-36.5%
Primary Expenditures 2/	17,111	16,319	-4.6%
Total (Deficit)/Surplus	-8,797	-4,083	-53.6%
Primary (Deficit)/Surplus	-431	-977	126.5%

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 LL 1,338 billion (8.0 percent) year-on-year to reach LL 15,342 billion during Jan-Dec 2020.

Tax revenues reached a total of LL 10,474 billion in 2020, reflecting a LL 2,061 billion (16.4 percent)¹ decrease from a total of LL 12,535 billion recorded during 2019. This deterioration was driven by a drop in the majority of tax items with some exceptions witnessed at the level of the **real estate registration fees**, the **tax on interest income** and the **gasoline excise**.

The main decrease was witnessed in **domestic taxes on goods and services** which dropped by LL 1,505 billion (38.7 percent) year-on-year in Jan-Dec 2020, driven by a LL 1,394 billion (42.8 percent) decline in the **value added tax**². In details, VAT collected at customs and VAT collected internally witnessed respective year-on-year decreases of

¹ This year-on-year decrease is partly driven by the general mobilization and lockdown imposed by the Government to counteract the Covid-19 pandemic and the subsequent extension of all deadlines for tax declarations and payments.

² Mirroring the contraction in private consumption, which is the main driver of the economic growth in Lebanon.

47.9 percent and 35.8 percent over the covered period. Also, **passenger departure tax** and **private car registration fees** decreased by LL 151 billion (69.1 percent) and LL 34 billion (19.1 percent) respectively, during Jan-Dec 2020. These drops were partly counterbalanced by an increase in transfers from the **Régie profits** which registered LL 268 billion during Jan-Dec 2020 compared to LL 200 billion during 2019.

Taxes on income, profits and capital gains significantly dropped by LL 590 billion (10.8 percent) year-on-year in Jan-Dec 2020, driven by a drastic year-on-year drop in **income tax on profits, income tax on capital gains & dividends, and income tax on wages and salaries** by LL 623 billion (45.2 percent), LL 207 billion (57.2 percent) and LL 155 billion (17.8 percent), respectively. In contrast, **taxes on interest income** increased significantly by LL 399 billion (14.2 percent) to reach LL 3,205 billion during 2020 .

In addition, **taxes on international trade** dropped by LL 510 billion (28.4 percent) as collections from **customs** and **excises** dropped by LL 304 billion (48.1 percent) and LL 206 billion (17.6 percent) respectively. In fact, **cars excise** were down by LL 144 billion (49.0 percent), owing to a 59.7 percent decrease in the value of imported vehicles. Also, **tobacco excise** decreased by LL 106 billion (67.1 percent), driven by a 52.3 percent year-on-year decline in the value of tobacco imports. In contrast, **gasoline excise** increased by LL 48 billion (6.8 percent) as a result of the floor price for gasoline set by the Council of Ministers on March 12, 2020³ which more than offset the volume effect of gasoline imports witnessing a year-on-year drop of 12.8 percent.

Other tax revenues (namely fiscal stamp fees) decreased by LL 44 billion (8.2 percent) to reach LL 493 billion in Jan-Dec 2020.

In contrast, **taxes on property** registered a LL 589 billion (68.7 percent) increase in Jan-Dec 2020, mainly as **real estate registration fees** witnessed a significant year-on-year rise of LL 575 billion (109.5 percent)⁴, of which an increase of LL 88 billion registered between December 2019 and December 2020. This rise came as a result of the increasing appetite for real estate as a safer alternative for bank depositors starting late-2019. This trend regained momentum after the adoption of a 5-step opening plan by the Council of Ministers on 24 April 2020, following an imposed lockdown period facing the Covid-19 pandemic. On the other hand, **built property tax** dropped by LL 22 billion (9.7 percent).

Non-tax revenues declined by LL 144 billion (4.3 percent) to reach LL 3,212 billion during Jan-Dec 2020.

Income from Public Institutions and Government properties witnessed a year-on-year drop of LL 9 billion (0.4 percent) over the covered period, as **property income (namely rent of Rafic Hariri International Airport), budget surplus of National Lottery and revenues from Casino du Liban** declined by LL 89 billion (35.6 percent), LL 30 billion (44.7 percent) and LL 25 billion (21.3 percent), respectively. In contrast, **transfers from the Telecom Surplus** increased by LL 92 billion (6.4 percent) and **Revenues from Port of Beirut** by LL 47 billion (21.3 percent).

Moreover, **administrative fees and charges** dropped by LL 135 billion (15.9 percent) reaching LL 716 billion during 2020, due to a decrease in all its sub-categories, except for the **vehicle control fees** which rose by LL 46 billion (17.5 percent). In details, **passport fees, administrative charges and permit fees (mostly work permit fees)** fell by LL 91

³ COM decision #16 dated 12/03/2020 has set a floor price of LL 24,000 for gasoline-98 octanes and LL 23,500 for gasoline-95 octanes, stipulating also that the surplus generated due to the fall in international fuel prices will be considered as an additional revenue under "gasoline excise".

⁴ As per the data from the General Directorate of Land Registry and Cadastre, the number of sold properties increased by 63.3 percent during Jan-Dec 2020 while their average price increased by 28.9 percent compared to the same period last year.

billion (35.0 percent), LL 23 billion (55.9 percent) and LL 21 billion (22.0 percent), respectively.

On the other hand, **other non-tax revenues (mostly retirement deductibles)** increased by LL 9 billion (2.9 percent), as deductibles related to military salaries and retirement⁵ generated LL 52 billion during 2020. In addition, exceptional revenues from the settlement of violations related to maritime properties reached LL 34 billion during Jan-Dec 2020.

Treasury receipts witnessed a significant increase of LL 867 billion to reach LL 1,656 billion in Jan-Dec 2020 compared to LL 790 billion during the same period of the 2019⁶. The reason behind this substantial rise was a refund transaction of LL 644 billion executed during the month of April as the deal between the Central Bank and the Ministry of Finance to reverse the coupon payments related to Jan-Mar 2020 materialized. This refund was registered under treasury receipts, and was used gradually to cover other interest payments due during 2020⁷.

Expenditures

Total expenditures regressed by LL 6,052 billion (23.8 percent) to reach LL 19,425 billion in Jan-Dec 2020 compared to LL 25,477 billion in Jan-Dec 2019.

Current primary expenditures⁸ registered a decrease of LL 463 billion (3.3 percent) reaching a total of LL 13,705 billion during Jan-Dec 2020. In details, **transfers to Electricité du Liban (EDL)** and **end of service compensations** witnessed respective year-on-year drops of LL 876 billion (38.6 percent) and LL 546 billion (56.1 percent) during 2020. These decreases were partly offset by year-on-year rises in the following categories: (i) **transfers to the Higher Council of Relief** by LL 325 billion⁹, (ii) **retirement expenses** by LL 161 billion, (iii) **salaries, wages and social benefits** by LL 107 billion and (iv) **hospitals** by LL 82 billion.

Interest payments dropped by LL 5,151 billion (63.8 percent) in Jan-Dec 2020 as interest payments due on foreign currency debt and on local currency debt decreased significantly by LL 2,993 billion (92.8 percent) and LL 2,158 billion (44.6 percent) respectively. **Foreign debt principal repayment** also dropped by LL 109 billion (36.5 percent) to register a total of LL 189 billion during Jan-Dec 2020.

Capital expenditures decreased significantly by LL 611 billion (59.4 percent) to reach LL 418 billion in Jan-Dec 2020, mainly as expenses related to **maintenance** and transfers to **CDR** dropped by LL 166 billion (56.1 percent) and LL 128 billion (59.8 percent) respectively.

Treasury expenditures witnessed an increase of LL 128 billion (7.9 percent) to reach LL 1,757 billion in Jan-Dec 2020. This came despite the drop in payments to **municipalities**, **VAT refund** and **deposits** which shrank by LL 251 billion (28.9 percent), LL 142 billion (47.9 percent) and LL 112 billion (40.8 percent) respectively during the period under consideration.

⁵ New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

⁶ 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.

⁷ These payments are classified under other treasury expenditures, resulting in the hike shown in table 5.

⁸ Current primary expenditures represent current expenditures excluding interest payment and debt service.

⁹ This consists of: (i) LL 225 billion from treasury advances granted to the Higher Council of Relief dated 2 April 2020 and 8 June 2020 as part of the social safety net targeting the most vulnerable households; it covers a disbursement of an amount of LL 400,000 per household and (ii) LL 100 billion of budget transfers to pay those affected by the port of Beirut explosion.

Public Debt

Gross public debt stood at LL 144,108 billion by the end of December 2020, increasing by LL 5,958 billion (4.3 percent) from end-2019. On the other hand, **net debt** rose by 5.3 percent to reach LL 128,975 billion as **public sector deposits** dropped by LL 544 billion (3.5 percent) during 2020.

Local currency debt increased by LL 2,483 billion (2.8 percent) to register LL 89,762 billion as of end-December 2020, compared to LL 87,279 billion as at end-2019. In details, **local currency debt held by the Central Bank** increased by LL 4,362 billion (8.6 percent) to reach LL 55,079 billion by the end of December 2020, followed by a smaller rise in other local currency debt holdings with **TBs held by public entities** increasing by LL 425 billion (4.3 percent) to reach LL 10,393 billion. In contrast, **TBs held by commercial banks** dropped by LL 2,159 billion (8.5 percent) to reach LL 23,157 billion by the end of December 2020.

The stock of **foreign currency debt** grew by LL 3,475 billion (6.8 percent) to reach LL 54,346 billion at end-Dec 2020. In details, this increase was mainly driven by a LL 3,142 billion of arrears in coupons due to the Government decision to default on Eurobonds, adding to a LL 269 billion of accrued interest in arrears. Also, **bilateral, multilateral and foreign private sector loans** increased by LL 141 billion, whereas **Paris III related debt** decreased by LL 91 billion compared to the end of 2019. As for the stock of **market-issued Eurobonds**, it remained unchanged at a level of LL 47,206 billion, including an amount of LL 3,769 billion as arrears in principal as of end-December 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2019	2020	% Change
	Jan-Dec	Jan-Dec	2020/2019
Budget Revenues, of which:	15,890	13,686	-13.9%
Tax Revenues	12,535	10,474	-16.4%
Non-Tax Revenues	3,356	3,212	-4.3%
Treasury Receipts	790	1,656	109.8%
Total Revenues	16,680	15,342	-8.0%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2019	2020	% Change
	Jan-Dec	Jan-Dec	2020/2019
Tax Revenues:	12,535	10,474	-16.4%
Taxes on Income, Profits, & Capital Gains, of which:	5,447	4,857	-10.8%
Income Tax on Profits	1,377	754	-45.2%
Income Tax on Wages and Salaries	870	715	-17.8%
Income Tax on Capital Gains & Dividends	361	155	-57.2%
Tax on Interest Income	2,806	3,205	14.2%
Penalties on Income Tax	32	27	-14.6%
Taxes on Property, of which:	858	1,448	68.7%
Built Property Tax	229	207	-9.7%
Real Estate Registration Fees	525	1,101	109.5%
Domestic Taxes on Goods & Services, of which:	3,892	2,386	-38.7%
Value Added Tax	3,258	1,864	-42.8%
Other Taxes on Goods and Services, of which:	400	213	-46.7%
Private Car Registration Fees	179	145	-19.1%
Passenger Departure Tax	218	68	-69.1%
Taxes on International Trade, of which:	1,800	1,290	-28.4%
Customs	632	328	-48.1%
Excises, of which:	1,168	962	-17.6%
Gasoline Excise	703	750	6.8%
Tobacco Excise	158	52	-67.1%
Cars Excise	294	150	-49.0%
Other Tax Revenues (namely fiscal stamp fees)	537	493	-8.2%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2019	2020	% Change
	Jan-Dec	Jan-Dec	2020/2019
Non-Tax Revenues	3,356	3,212	-4.3%
Income from Public Institutions and Government Properties, of which:	2,155	2,146	-0.4%
Income from Non-Financial Public Enterprises, of which:	1,833	1,915	4.4%
<i>Revenues from Casino Du Liban</i>	116	91	-21.3%
<i>Revenues from Port of Beirut</i>	220	266	21.3%
<i>Budget Surplus of National Lottery</i>	66	37	-44.7%
<i>Transfer from the Telecom Surplus</i>	1,428	1,520	6.4%
Transfer from Public Financial Institution (BDL)	60	60	-0.5%
Property Income (namely rent of Rafic Hariri International Airport)	251	162	-35.6%
Other Income from Public Institutions (interests)	10	10	-8.0%
Administrative Fees & Charges, of which:	851	716	-15.9%
Administrative Fees, of which:	680	594	-12.6%
<i>Notary Fees</i>	64	50	-21.9%
<i>Passport Fees/ General Security</i>	261	170	-35.0%
<i>Vehicle Control Fees</i>	263	309	17.5%
<i>Judicial Fees</i>	31	29	-7.9%
<i>Driving License Fees</i>	19	17	-10.8%
Administrative Charges	41	18	-55.9%
Sales (Official Gazette and License Number)	3	2	-31.1%
Permit Fees (mostly work permit fees)	95	74	-22.0%
Other Administrative Fees & Charges	32	28	-14.4%
Penalties & Confiscations	33	24	-26.5%
Other Non-Tax Revenues (mostly retirement deductibles)	316	325	2.9%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2019	2020	% Change
	Jan-Dec	Jan-Dec	2020/2019
1. Current Expenditures	22,533	16,811	-25.4%
1.a Personnel Cost, of which	10,146	9,885	-2.6%
<i>Salaries, Wages and social benefits</i>	6,031	6,138	1.8%
<i>Retirement and End of Service Compensations, of which:</i>	3,664	3,280	-10.5%
<i>Retirement</i>	2,691	2,852	6.0%
<i>End of Service</i>	973	427	-56.1%
<i>Transfers to Public Institutions to Cover Salaries</i>	452	467	3.5%
1.b Interest Payments, of which:	8,068	2,917	-63.8%
<i>Domestic Interest Payments</i>	4,841	2,684	-44.6%
<i>Foreign Interest Payments</i>	3,226	233	-92.8%
1.d Foreign Debt Principal Repayment	298	189	-36.5%
1.e Materials and Supplies, of which:	492	392	-20.2%
<i>Nutrition</i>	83	38	-54.5%
<i>Fuel Oil</i>	55	8	-85.5%
<i>Medicaments</i>	258	278	7.8%
1.f External Services	157	149	-5.5%
1.g Various Transfers, of which:	2,699	2,565	-5.0%
<i>EDL</i>	2,269	1,393	-38.6%
<i>NSSF</i>	0	100	-
<i>Higher Council of Relief</i>	1	326	-
<i>Contributions to non public sectors</i>	219	264	20.8%
<i>Transfers to Directorate General of Cereals and Beetroot</i>	12	0	-100.0%
1.h Other Current, of which:	571	622	9.1%
<i>Hospitals</i>	440	522	18.7%
<i>Others(judgments & reconciliations, mission costs, other)</i>	126	92	-27.0%
1.i Other Financial expenses	1	0	-100.0%
1.j Interest subsidy	101	91	-9.8%
2. Capital Expenditures	1,028	418	-59.4%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-99.1%
2.b Equipment	127	58	-54.3%
2.c Construction in Progress, of which:	567	211	-62.7%
<i>Displaced Fund</i>	0	0	-
<i>Council of the South</i>	49	30	-38.2%
<i>CDR</i>	214	86	-59.8%
<i>Ministry of Public Work and Transport</i>	83	33	-60.3%
<i>Other of which:</i>	218	59	-72.9%
<i>Higher Council of Relief</i>	52	5	-90.3%
2.d Maintenance	295	129	-56.1%
2.e Other Expenditures Related to Fixed Capital Assets	39	19	-51.3%
3. Budget Advances	185	343	85.7%
4. Customs Administration (exc. Salaries and Wages)	102	97	-4.7%
5. Treasury Expenditures	1,629	1,757	7.9%
Municipalities	868	617	-28.9%
Guarantees	104	88	-15.0%
Deposits	275	163	-40.8%
Other, of which:	383	889	132.4%
VAT Refund	296	154	-47.9%

6. Total Expenditures (Excluding CDR Foreign Financed) 25,477 19,425 -23.8%

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 Transactions⁽¹⁾

(LL billion)	2019 Jan-Dec	2020 Jan-Dec	% Change 2020/2019
Interest Payments	8,068	2,917	-63.8%
Local Currency Debt	4,841	2,684	-44.6%
Foreign Currency Debt, of which:	3,226	233	-92.8%
Eurobond Coupon Interest*	3,127	157	-95.0%
Special bond Coupon Interest*	0.2	0.1	-69.7%
Concessional Loans Interest Payments	100	76	-23.9%
Foreign Debt Principal Repayment	298	189	-36.5%

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)	2019 Jan-Dec	2020 Jan-Dec	% Change 2020/2019
EDL of which:	2,269	1,393	-38.6%
Debt Service	4	3	-23.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	2,265	1,390	-38.6%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

Table 8: Public Debt Outstanding by Holder as of End-Dec 2020

(LL billion)	Dec-18	Dec-19	Dec-20	% Change Dec 20 / Dec 19
Gross Public Debt	128,347	138,150	144,108	4.3%
Local Currency Debt	77,852	87,279	89,762	2.8%
* <i>Accrued Interest Included in Debt</i>	1,123	1,294	1,338	3.4%
a. Central Bank	39,006	50,717	55,079	8.6%
b. Commercial Banks (Including REPOs)	27,402	25,316	23,157	-8.5%
c. Other Local Currency Debt (T-bills), of which:	11,444	11,246	11,526	2.5%
<i>Public Entities</i>	9,956	9,968	10,393	4.3%
<i>Contractor bonds⁽¹⁾</i>	166	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,495	50,871	54,346	6.8%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,920	2,850	2,991	4.9%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	344	242	151	-37.5%
c. Market-Issued Eurobonds, of which:	46,678	47,206	47,206	0.0%
<i>Arrears in Principal</i>	0	0	3,769	-
d. Accrued Interest on Eurobonds	547	570	587	3.0%
e. Arrears in Coupons	0	0	3,142	-
f. Accrued interest in Arrears	0	0	269	-
g. Special T-bills in Foreign Currency ⁽⁴⁾	6	3	0	-100.0%
Public Sector Deposits	14,186	15,677	15,133	-3.5%
Net Debt	114,161	122,473	128,975	5.3%
Gross Market Debt⁽⁵⁾	76,204	74,441	75,553	1.5%
% of Total Debt	59%	54%	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 18- Dec 19 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 and Paris III related debt.

