

TABLE OF CONTENTS

Revenues

Page 1-2-3

Expenditures

Page 3

Public Debt Developments

Page 3-4

General Overview

Despite the ongoing economic and financial crisis, the fiscal balance witnessed a remarkable improvement in the first half of 2021 compared to the same period in 2020, driven by a sizeable hike of 29.6 percent in revenues along with a 15.3 percent decrease in expenditures due to lower current and capital expenditures.

The **total fiscal balance** registered a surplus of LL 281 billion in Jan-Jun 2021 compared to a deficit of LL 3,352 billion during the same period of 2020. In addition, the **primary balance** posted a large surplus of LL 1,736 billion compared to a deficit of LL 1,321 billion a year earlier.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Jun 2020	Jan-Jun 2021	% Change 2021/2020
Total Budget and Treasury Receipts	6,955	9,011	29.6%
Total Budget and Treasury Payments, of which	10,306	8,729	-15.3%
Interest Payments	1,922	1,359	-29.3%
Concessional loans principal payments ⁽¹⁾	109	96	-12.2%
Primary Expenditures ⁽²⁾	8,276	7,274	-12.1%
Total (Deficit)/Surplus	-3,352	281	-108.4%
Primary (Deficit)/Surplus	-1,321	1,736	-231.5%

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 increased by LL 2,056 billion (29.6 percent) year-on-year to reach LL 9,011 billion during Jan-Jun 2021.

Tax revenues reached a total of LL 6,938 billion in the first half of the year, reflecting an increase of LL 1,912 billion (38.0 percent) compared to a total of LL 5,026 billion during the same period last year. This increase was driven by a rise in all the sub-categories mainly in domestic taxes on goods & services and taxes on income, profits and capital gains.

In fact, **taxes on income, profits and capital gains** were up by LL 585 billion (23.4 percent) year-on-year, in Jan-Jun 2021, driven by an increase in the **income tax on profits** by LL 984 billion (389.9 percent) to reach LL 1,236 billion¹. Meanwhile, **tax on interest income** dropped by LL 546 billion (30.1 percent), as total private sector deposits declined by 8.3 percent between June 2020 and June 2021 and interest rates paid on deposits witnessed a significant drop between Jan-Jun 2020 and Jan-Jun 2021². It is worth mentioning that the year-on-year comparison of tax revenues was highly affected by the repetitive lockdowns imposed facing COVID-19 pandemic. In fact, tax collections witnessed a significant drop starting mid-March 2020 with the extension of most tax declaration and payment deadlines, compared to subdued collections during the first two months of the

¹ Of which an amount of around LL 350 billion paid by the commercial banks as a partial settlement of the exceptional tax imposed on their 2019 turnover (article #20 from 2020 Budget law).

² Average interest rate dropped from 5.24 percent to 2.01 percent for LL deposits, and from 2.62 percent to 0.49 percent for FX deposits between H1-2020 and H1-2021.

current year. These revenues started to ameliorate starting March 2021 despite the deteriorating economic situation the country is still facing.

Taxes on property registered an increase of LL 292 billion (59.9 percent) in Jan-Jun 2021, as all its components witnessed considerable year-on-year hikes with the biggest one being registered in the **real estate registration fees** with LL 135 billion (36.7 percent)³. This was followed by respective increases of LL 93 billion (297.7 percent) and LL 64 billion (72.6 percent) in the **inheritance fees** and the **built property tax**.

Also, **domestic taxes on goods and services** hiked by LL 897 billion (75.1 percent) year-on-year in Jan-June 2021, driven by an increase of LL 1,012 billion (118.9 percent) in the **value added tax**, as tax declarations deadlines related to the first quarter of 2021 were extended twice till end of May 2021⁴ and afterwards till mid-June 2021⁵. In details, the VAT collected internally and the VAT collected at customs recorded respective year-on-year rises of 203.7 percent⁶ and 43.9 percent over the covered period. In contrast, transfers from **Régie profits** declined by LL 133 billion (55.8 percent) and **passenger departure tax** dropped by LL 8 billion (19.0 percent) during the first half of the year.

In addition, **taxes on international trade** increased by LL 104 billion (16.4 percent) as **cars excise** and **custom fees** increased by LL 117 billion (211.0 percent) and LL 75 billion (48.5 percent) respectively. On the other hand, **gasoline excise** went down by LL 92 billion (23.3 percent).

Other tax revenues (namely fiscal stamp fees) increased by LL 34 billion (17.2 percent) to reach LL 234 billion in Jan-June 2021.

Non-tax revenues rose by LL 515 billion (54.0 percent) to reach LL 1,469 billion during Jan-Jun 2021. In details, **income from public institutions and Government properties** witnessed a year-on-year hike of LL 472 billion (94.8 percent) over the covered period as **transfer from the telecom surplus** increased by LL 521 billion (173.8 percent). This was partly offset by a decrease in the **transfer from public financial institution (BDL)** from LL 60 billion during Jan-Jun 2020 to nil during Jan-Jun 2021, and a decline of LL 40 billion in **revenues from Port of Beirut** to register LL 30 billion in the first half of 2021.

In addition, **administrative fees and charges** increased by LL 15 billion (5.1 percent) reaching LL 305 billion over the period under review, due to an increase in most of its sub-categories, with the highest rise being registered in the **passport fees** with LL 38 billion (57.6 percent). In contrast, **vehicle control fees, other administrative fees and charges** and **permit fees** dropped by LL 18 billion (16.1 percent), LL 11 billion (53.1 percent) and LL 8 billion (25.5 percent) respectively.

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 26 billion (16.5 percent) to reach LL 181 billion in H1-2021, of which LL 26 billion collected from deductibles related to military salaries and retirement⁷. In addition, exceptional revenues from the settlement of building violations reached LL 24 billion during Jan-Jun 2021 compared to almost nil a year earlier.

³ As per the data from the General Directorate of Land Registry and Cadastre, the number of sold properties significantly increased by 44.3 percent during the first half of 2021 compared to the same period last year. This rise more than counterbalanced the 24.1 percent drop witnessed in the average price of these properties.

⁴ As per MoF decision #322/1 dated 20 May 2021.

⁵ As per MoF decision #361/1 dated 01 June 2021.

⁶ Partly affected by the merchants' obligation to issue their receipts in LL (therefore implicitly taking into account the black market exchange rate) along with the relative tax collections as per notice #114 dated 15 January 2021 issued from the Minister of Finance.

⁷ New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

Treasury receipts witnessed a large decrease of LL 371 billion to reach LL 604 billion in Jan-Jun 2021 compared to LL 975 billion during the same period of the 2020. In fact, last year's exceptional figure was driven by a refund transaction of LL 644 billion executed during the month of April 2020 as the deal between the Central Bank and the Ministry of Finance to reverse the coupon payments related to Jan-Mar 2020 materialized. Also, 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.

Expenditures

Total expenditures regressed by LL 1,577 billion (15.3 percent) to reach LL 8,729 billion in Jan-Jun 2021 compared to LL 10,306 billion in Jan-Jun 2020.

Current primary expenditures⁸ registered a drop of LL 656 billion (9.5 percent) reaching a total of LL 6,271 billion during the first half of 2021. This decline was mainly driven by a decrease in **retirement expenses**, **salaries, wages and social benefits** and **transfers to Electricité du Liban (EDL)** by LL 203 billion (14.3 percent), LL 173 billion (5.6 percent) and LL 136 billion (20.8 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase in Jan-Jun 2021, mainly **others (judgments & reconciliations, mission costs, other)** and **medicaments** which rose by LL 63 billion (124.8 percent) and LL 44 billion (36.0 percent), respectively. Also, **transfers to the NSSF** reached a total of LL 50 billion during H1-2021 compared to nil during H1- 2020.

Interest payments dropped by 563 billion (29.3 percent) in Jan-Jun 2021 as interest payments due on domestic debt decreased by LL 390 billion (22.7 percent), and those due on foreign currency debt dropped by LL 173 billion (84.9 percent) over the covered period, after the Government opted to default on its maturing Eurobonds in March 2020.

Foreign debt principal repayment also declined by LL 13 billion (12.2 percent) to register a total of LL 96 billion during Jan-Jun 2021.

Capital expenditures decreased by LL 223 billion (61.6 percent) to reach LL 139 billion in Jan-Jun 2021, as expenses related to **maintenance**, **construction in progress** and **equipment** dropped by LL 95 billion (84.4 percent), LL 89 billion (46.6 percent) and LL 40 billion (78.8 percent), respectively.

Treasury expenditures witnessed a decrease of LL 154 billion (17.7 percent) to reach LL 715 billion in Jan-Jun 2021, as **other treasury expenditures** payments dropped by LL 328 billion partly due to a decline in **VAT refund** by LL 55 billion. This drop was partly counterbalanced by a hike in payments to **municipalities** by LL 193 billion (89.0 percent).

Public Debt

Gross public debt stood at LL 147,359 billion by the end of June 2021, increasing by LL 3,251 billion (2.3 percent) from end-2020. On the other hand, **net debt** rose at a slower pace by 0.9 percent to reach LL 130,196 billion as **public sector deposits** increased by LL 2,030 billion (13.4 percent) during the first half of 2021.

Local currency debt increased by LL 1,407 billion (1.6 percent) to register LL 91,169 billion as of end-June 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 1,075 billion (2.0 percent) to reach LL 56,154 billion by the end of June 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 678 billion (6.5 percent)

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

to reach LL 11,071 billion. On the other hand, **TBs held by commercial banks** decreased by LL 293 billion (1.3 percent) to reach LL 22,864 billion by the end of June 2021.

The stock of **foreign currency debt** grew by LL 1,844 billion (3.4 percent) to reach LL 56,190 billion at end-June 2021, reflecting a significant increase of LL 1,627 billion in the **arrears in coupons**. On the other hand, **accrued interest on Eurobonds** and **Paris III related debt** decreased by LL 53 billion each, when compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	Jan-Jun	Jan-Jun	% Change
	2020	2021	2021/2020
Budget Revenues, of which:	5,979	8,407	40.6%
Tax Revenues	5,026	6,938	38.0%
Non-Tax Revenues	954	1,469	54.0%
Treasury Receipts	975	604	-38.1%
Total Revenues	6,955	9,011	29.6%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	Jan-Jun	Jan-Jun	% Change
	2020	2021	2021/2020
Tax Revenues:	5,026	6,938	38.0%
Taxes on Income, Profits, & Capital Gains, of which:	2,507	3,093	23.4%
Income Tax on Profits	252	1,236	389.9%
Income Tax on Wages and Salaries	378	445	17.8%
Income Tax on Capital Gains & Dividends	53	126	139.4%
Tax on Interest Income	1,814	1,269	-30.1%
Penalties on Income Tax	10	16	67.4%
Taxes on Property, of which:	487	778	59.9%
Built Property Tax	88	152	72.6%
Real Estate Registration Fees	367	502	36.7%
Domestic Taxes on Goods & Services, of which:	1,194	2,091	75.1%
Value Added Tax	851	1,862	118.9%
Other Taxes on Goods and Services, of which:	92	104	12.7%
Private Car Registration Fees	49	69	40.9%
Passenger Departure Tax	43	35	-19.0%
Taxes on International Trade, of which:	638	742	16.4%
Customs	154	228	48.5%
Excises, of which:	484	514	6.2%
Gasoline Excise	395	303	-23.3%
Tobacco Excise	30	34	11.8%
Cars Excise	56	173	211.0%
Other Tax Revenues (namely fiscal stamp fees)	200	234	17.2%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	Jan-Jun 2020	Jan-Jun 2021	% Change 2021/2020
Non-Tax Revenues	954	1,469	54.0%
Income from Public Institutions and Government Properties, of which:	498	971	94.8%
Income from Non-Financial Public Enterprises, of which:	405	944	133.4%
<i>Revenues from Casino Du Liban</i>	28	73	159.7%
<i>Revenues from Port of Beirut</i>	70	30	-57.7%
<i>Budget Surplus of National Lottery</i>	6	20	226.4%
<i>Transfer from the Telecom Surplus</i>	300	821	173.8%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	31	21	-32.0%
Other Income from Public Institutions (interests)	2	5	112.5%
Administrative Fees & Charges, of which:	290	305	5.1%
Administrative Fees, of which:	222	251	12.8%
<i>Notary Fees</i>	20	24	20.7%
<i>Passport Fees/ General Security</i>	66	105	57.6%
<i>Vehicle Control Fees</i>	111	93	-16.1%
<i>Judicial Fees</i>	11	11	7.8%
<i>Driving License Fees</i>	4	10	170.1%
Administrative Charges	12	18	53.1%
Sales (Official Gazette and License Number)	1	1	-9.2%
Permit Fees (mostly work permit fees)	33	25	-25.5%
Other Administrative Fees & Charges	21	10	-53.1%
Penalties & Confiscations	10	12	22.4%
Other Non-Tax Revenues (mostly retirement deductibles)	156	181	16.5%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	Jan-Jun 2020	Jan-Jun 2021	% Change 2021/2020
1. Current Expenditures	8,957	7,726	-13.8%
1.a Personnel Cost, of which	4,926	4,486	-8.9%
<i>Salaries, Wages and social benefits</i>	3,076	2,903	-5.6%
<i>Retirement and End of Service Compensations, of which:</i>	1,620	1,380	-14.8%
<i>Retirement</i>	1,417	1,214	-14.3%
<i>End of Service</i>	204	167	-18.1%
<i>Transfers to Public Institutions to Cover Salaries</i>	229	203	-11.4%
1.b Interest Payments, of which: ⁽¹⁾	1,922	1,359	-29.3%
<i>Domestic Interest Payments</i>	1,719	1,329	-22.7%
<i>Foreign Interest Payments</i>	203	31	-84.9%
1.d Foreign Debt Principal Repayment	109	96	-12.2%
1.e Materials and Supplies, of which:	191	212	10.8%
<i>Nutrition</i>	33	13	-61.6%
<i>Fuel Oil</i>	4	5	41.2%
<i>Medicaments</i>	122	166	36.0%
1.f External Services	87	65	-25.1%
1.g Various Transfers, of which:	1,360	1,076	-20.9%
<i>EDL ⁽²⁾</i>	654	518	-20.8%
<i>NSSF</i>	0	50	-
<i>Higher Council of Relief</i>	225	175	-22.2%
<i>Contributions to non-public sectors</i>	97	60	-38.2%
<i>Transfers to Directorate General of Cereals and Beetroot ⁽³⁾</i>	0	0	-
1.h Other Current, of which:	313	406	29.7%
<i>Hospitals</i>	261	290	11.3%
<i>Others (judgments & reconciliations, mission costs, other)</i>	51	114	124.8%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	50	25	-49.6%
2. Capital Expenditures	363	139	-61.6%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	51	11	-78.8%
2.c Construction in Progress, of which:	190	102	-46.6%
<i>Displaced Fund</i>	0	0	-
<i>Council of the South</i>	23	22	-4.5%
<i>CDR</i>	79	61	-22.9%
<i>Ministry of Public Work and Transport</i>	33	1	-98.0%
<i>Other of which:</i>	53	17	-67.2%
<i>Higher Council of Relief</i>	0	5	-
2.d Maintenance	112	17	-84.4%
2.e Other Expenditures Related to Fixed Capital Assets	9	9	2.3%
3. Budget Advances ⁽⁴⁾	53	97	84.4%
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	65	52	-19.0%
5. Treasury Expenditures ⁽⁶⁾	869	715	-17.7%
Municipalities	217	410	89.0%
Guarantees	49	26	-47.0%
Deposits ⁽⁷⁾	54	58	8.1%
Other, of which:	549	221	-59.7%
<i>VAT Refund</i>	95	40	-57.5%

6. Total Expenditures (Excluding CDR Foreign Financed)	10,306	8,729	-15.3%
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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)	2020	2021	% Change
	Jan-Jun	Jan-Jun	2021/2020
Interest Payments	1,922	1,359	-29.3%
Local Currency Debt	1,719	1,329	-22.7%
Foreign Currency Debt, of which:	203	31	-84.9%
Eurobond Coupon Interest*	157	0	-100.0%
Concessional Loans Interest Payments	46	31	-33.5%
Foreign Debt Principal Repayment	109	96	-12.2%

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-Jun	Jan-Jun	% Change
	2020	2021	2021/2020
EDL of which:	654	518	-20.8%
Debt Service	2.4	0.9	-64.3%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	651	517	-20.6%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Jun-21	% Change Jun 21 / Dec 20
Gross Public Debt	138,150	144,108	147,359	2.3%
Local Currency Debt	87,279	89,762	91,169	1.6%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,397	4.4%
a. Central Bank	50,717	55,079	56,154	2.0%
b. Commercial Banks (Including REPOs)	25,316	23,157	22,864	-1.3%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	12,151	5.4%
<i>Public Entities</i>	9,968	10,393	11,071	6.5%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,871	54,346	56,190	3.4%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	2,996	0.2%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	98	-35.0%
c. Market-Issued Eurobonds, of which:	47,206	47,206	47,206	0.0%
<i>Arrears in Principal</i>	0	3,769	6,923	83.7%
d. Accrued Interest on Eurobonds	570	587	534	-9.0%
e. Arrears in Coupons	0	3,142	4,769	51.8%
f. Accrued interest in Arrears	0	269	587	118.2%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	17,163	13.4%
Net Debt	122,473	128,975	130,196	0.9%
Gross Market Debt⁽⁵⁾	74,441	75,553	77,093	2.0%
% 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.

