

TABLE OF CONTENTS

Revenues

Page 1-2 -3

Expenditures

Page 3

Public Debt

Developments

Page 4

General Overview

The challenging economic conditions have weighed heavily on the public finances during the period of Jan-Oct 2020, affecting both revenues and expenditures. Government revenues witnessed a remarkable year-on-year drop of LL 2,114 billion (15.0 percent) during Jan-Oct 2020. The decrease in revenues was mainly driven by lower collections from the value added tax, the income tax on profits, as well as lower transfers from the telecom sector.

On the expenditure front, the Government decision to withhold payments due on Eurobonds starting March 2020 has led to a decrease in total spending by LL 3,955 billion (19.6 percent) as interest payments plunged down by LL 3,859 billion (62.4 percent).

The **total fiscal balance** registered a deficit of LL 4,224 billion during Jan-Oct 2020 compared to a deficit of LL 6,065 billion during the same period of 2019. In contrast, the **primary balance** witnessed a significant deterioration from a surplus of LL 329 billion in Jan-Oct 2019 to LL a deficit of 1,738 billion in Jan-Oct 2020.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Oct 2019	Jan-Oct 2020	% Change 2020/2019
Total Budget and Treasury Receipts	14,137	12,023	-15.0%
Total Budget and Treasury Payments, of which	20,202	16,247	-19.6%
Interest Payments	6,183	2,323	-62.4%
Concessional loans principal payments ⁽¹⁾	211	162	-23.1%
Primary Expenditures ⁽²⁾	13,809	13,761	-0.3%
Total (Deficit)/Surplus	-6,065	-4,224	-30.4%
Primary (Deficit)/Surplus	329	-1,738	-

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 2,114 billion (15.0 percent) year-on-year to reach LL 12,023 billion during Jan-Oct 2020.

Tax revenues reached a total of LL 8,493 billion in the first ten months of the year, reflecting a LL 2,344 billion (21.6 percent)¹ decrease from a total of LL 10,837 billion recorded during the same period of last year. This deterioration was driven by a drop in the majority of tax items with some exceptions witnessed at the level of the **tax on interest income**, the **real estate registration fees** and the **gasoline excise**.

The main decrease was witnessed in **domestic taxes on goods and services** which dropped by LL 1,401 billion (41.8 percent) year-on-year in Jan-Oct 2020, driven by a LL 1,303 billion (46.8 percent) decline in the **value added tax**². In details, both VAT collected at customs and VAT collected internally decreased year-on-year over the covered period by 52.6 percent and 38.4 percent, respectively. Also, **passenger**

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.

departure tax and **private car registration fees** decreased by LL 117 billion (67.9 percent) and LL 57 billion (34.9 percent) respectively during Jan-Oct 2020. These drops were partly couterbalanced by an increase in transfers from the **Régie profits** which registered LL 268 billion during Jan-Oct 2020 compared to LL 200 billion during the same period of 2019.

Taxes on income, profits and capital gains significantly dropped by LL 760 billion (15.9 percent) year-on-year in Jan-Oct 2020, driven by a drastic year-on-year drop in **income tax on profits** and **income tax on capital gains & dividends** by LL 909 billion (68.0 percent) and LL 231 billion (65.6 percent) respectively. **Income tax on wages and salaries** also decreased by LL 195 billion (23.1 percent). In contrast, **taxes on interest income** increased significantly by LL 581 billion (26.4 percent) to reach LL 2,787 billion during the mentioned period.

In addition, **taxes on international trade** dropped by LL 503 billion (32.3 percent) as collections from **customs** and **excises** dropped by LL 292 billion (53.4 percent) and LL 212 billion (20.9 percent) respectively. In fact, **cars excise** were down by LL 156 billion (59.0 percent), owing to a 68.1 percent decrease in the value of imported vehicles. Also, **tobacco excise** decreased by LL 97 billion (69.5 percent), driven by a 57.6 percent year-on-year decline in the value of tobacco imports. In contrast, **gasoline excise** increased by LL 45 billion (7.6 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 15.4 percent.

Other tax revenues (namely fiscal stamp fees) decreased by LL 80 billion (17.2 percent) to reach LL 387 billion in Jan-Oct 2020.

In contrast, **taxes on property** registered a LL 400 billion (57.6 percent) increase in Jan-Oct 2020, mainly as **real estate registration fees** witnessed a significant year-on-year rise of LL 437 billion (108.0 percent)⁴, of which an increase of LL 72 billion registered between October 2019 and October 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. On the other hand, **built property tax** dropped by LL 40 billion (19.4 percent).

Non-tax revenues declined by LL 451 billion (17.1 percent) to reach LL 2,187 billion during the first ten months of 2020.

Income from Public Institutions and Government properties witnessed a year-on-year drop of LL 323 billion (20.8 percent) over the covered period, as **transfers from the Telecom Surplus, property income (namely rent of Rafic Hariri International Airport)** and **revenues from Casino du Liban** declined by LL 287 billion (23.9 percent), LL 54 billion (57.2 percent) and LL 30 billion (29.7 percent), respectively.

Moreover, **administrative fees and charges** dropped by LL 125 billion (18.1 percent) reaching LL 566 billion over the period under review, due to a decrease in all its sub-categories, except for the **vehicle control fees** which rose by LL 42 billion (21.8 percent). In details, **passport fees, administrative charges** and **permit fees (mostly**

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 53.6 percent during Jan-Oct 2020 while their average price increased by 40.3 percent compared to the same period last year.

work permit fees) fell by LL 84 billion (38.0 percent), LL 18 billion (52.1 percent) and LL 16 billion (21.0 percent), respectively.

On the other hand, **other non-tax revenues (mostly retirement deductibles)** increased by LL 65 billion (31.6 percent), as deductibles related to military salaries and retirement⁵ generated LL 43 billion during Jan-Oct 2020. In addition, exceptional revenues from the settlement of violations related to maritime properties reached LL 30 billion during Jan-Oct 2020.

Treasury receipts witnessed a significant increase of LL 681 billion to reach LL 1,343 billion in Jan-Oct 2020 compared to LL 662 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 will be used gradually to cover other interest payments due during 2020⁷.

Expenditures

Total expenditures regressed by LL 3,955 billion (19.6 percent) to reach LL 16,247 billion in Jan-Oct 2020 compared to LL 20,202 billion in Jan-Oct 2019.

Current primary expenditures⁸ registered a slight decrease of LL 5 billion (0.04 percent) reaching a total of LL 11,363 billion during the first ten months of 2020. In details, some items witnessed a year-on-year increase during the period under consideration, mainly those covering **transfers to the Higher Council of Relief, retirement, medicaments and hospitals** by LL 325 billion⁹, LL 152 billion, LL 137 billion and LL 77 billion, respectively. These increases were offset by a year-on-year drop in other expenditure items, mainly **transfers to Electricité du Liban (EDL)** by LL 855 billion (43.4 percent) and **end of service compensations** by LL 243 billion (38.7 percent).

Interest payments dropped by LL 3,859 billion (62.4 percent) in Jan-Oct 2020 as interest payments due on local currency debt decreased significantly by LL 1,827 billion (46.5 percent). Moreover, interest payments on foreign currency debt decreased slightly by LL 28 billion (1.2 percent) over the covered period. **Foreign debt principal repayment** also dropped by LL 49 billion (23.1 percent) to register a total of LL 162 billion during Jan-Oct 2020.

Capital expenditures decreased significantly by LL 440 billion (52.9 percent) to reach LL 392 billion in Jan-Oct 2020, mainly as expenses related to **maintenance and transfers to CDR** dropped by LL 127 billion (51.9 percent) and LL 124 billion (61.2 percent) respectively.

Treasury expenditures witnessed an increase of LL 311 billion (22.9 percent) to reach LL 1,670 billion in Jan-Oct 2020. This came despite the drop in payments to **municipalities, deposits and VAT refund** which shrank by LL 140 billion (19.6 percent), LL 115 billion (46.0 percent) and LL 95 billion (39.7 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 143,297 billion by the end of October 2020, increasing by LL 5,147 billion (3.7 percent) from end-2019. On the other hand, **net debt** rose more rapidly by 5.1 percent to reach LL 128,666 billion as **public sector deposits** dropped by LL 1,046 billion (6.7 percent) over the period under consideration.

Local currency debt increased by LL 2,300 billion (2.6 percent) to register LL 89,579 billion as of end-October 2020, compared to LL 87,279 billion as at end-2019. In details, **local currency debt held by the Central Bank** increased by LL 3,761 billion (7.4 percent) to reach LL 54,478 billion by the end of October 2020, followed by a smaller rise in other local currency debt holdings with **TBs held by public entities** increasing by LL 352 billion (3.5 percent) to reach LL 10,320 billion. In contrast, **TBs held by commercial banks** dropped by LL 1,689 billion (6.7 percent) to reach LL 23,627 billion by the end of October 2020.

The stock of **foreign currency debt** grew by LL 2,847 billion (5.6 percent) to reach LL 53,718 billion at end-Oct 2020. In details, this increase was mainly driven by a LL 2,149 billion of arrears in coupons due to the Government decision to default on Eurobonds, adding to a LL 193 billion of accrued interest in arrears. Also, **bilateral, multilateral and foreign private sector loans** increased by LL 114 billion, whereas **Paris III related debt** decreased by LL 75 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-October 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2019	2020	% Change
	Jan-Oct	Jan-Oct	2020/2019
Budget Revenues, of which:	13,475	10,680	-20.74%
Tax Revenues	10,837	8,493	-21.6%
Non-Tax Revenues	2,638	2,187	-17.09%
Treasury Receipts	662	1,343	102.8%
Total Revenues	14,137	12,023	-15.0%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2019	2020	% Change
	Jan-Oct	Jan-Oct	2020/2019
Tax Revenues:	10,837	8,493	-21.6%
Taxes on Income, Profits, & Capital Gains, of which:	4,766	4,006	-15.9%
Income Tax on Profits	1,337	428	-68.0%
Income Tax on Wages and Salaries	844	649	-23.1%
Income Tax on Capital Gains & Dividends	352	121	-65.6%
Tax on Interest Income	2,205	2,787	26.4%
Penalties on Income Tax	27	21	-22.9%
Taxes on Property, of which:	695	1,095	57.6%
Built Property Tax	204	164	-19.4%
Real Estate Registration Fees	405	841	108.0%
Domestic Taxes on Goods & Services, of which:	3,350	1,949	-41.8%
Value Added Tax	2,785	1,482	-46.8%
Other Taxes on Goods and Services, of which:	338	162	-52.0%
Private Car Registration Fees	163	106	-34.9%
Passenger Departure Tax	172	56	-67.7%
Taxes on International Trade, of which:	1,560	1,056	-32.3%
Customs	546	255	-53.4%
Excises, of which:	1,013	802	-20.9%
Gasoline Excise	598	643	7.6%
Tobacco Excise	140	43	-69.5%
Cars Excise	264	108	-59.0%
Other Tax Revenues (namely fiscal stamp fees)	467	387	-17.2%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2019	2020	% Change
	Jan-Oct	Jan-Oct	2020/2019
Non-Tax Revenues	2,638	2,187	-17.1%
Income from Public Institutions and Government Properties, of which:	1,713	1,335	-22.0%
Income from Non-Financial Public Enterprises, of which:	1,553	1,230	-20.8%
<i>Revenues from Casino Du Liban</i>	102	72	-29.7%
<i>Revenues from Port of Beirut</i>	220	217	-1.3%
<i>Budget Surplus of National Lottery</i>	26	27	1.8%
<i>Transfer from the Telecom Surplus</i>	1,202	915	-23.9%
Transfer from Public Financial Institution (BDL)	60	60	-0.5%
Property Income (namely rent of Rafic Hariri International Airport)	94	40	-57.2%
Other Income from Public Institutions (interests)	5	5	-5.8%
Administrative Fees & Charges, of which:	691	566	-18.1%
Administrative Fees, of which:	549	463	-15.8%
<i>Notary Fees</i>	55	40	-26.1%
<i>Passport Fees/ General Security</i>	222	138	-38.0%
<i>Vehicle Control Fees</i>	191	233	21.8%
<i>Judicial Fees</i>	27	24	-13.0%
<i>Driving License Fees</i>	17	12	-30.0%
Administrative Charges	34	16	-52.1%
Sales (Official Gazette and License Number)	2	1	-37.2%
Permit Fees (mostly work permit fees)	76	60	-21.0%
Other Administrative Fees & Charges	29	25	-12.0%
Penalties & Confiscations	31	17	-43.0%
Other Non-Tax Revenues (mostly retirement deductibles)	204	269	31.6%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2019 Jan-Oct	2020 Jan-Oct	% Change 2020/2019
1. Current Expenditures	17,762	13,849	-22.0%
1.a Personnel Cost, of which	8,133	8,211	1.0%
<i>Salaries, Wages and social benefits</i>	4,928	5,064	2.8%
<i>Retirement and End of Service Compensations, of which:</i>	2,850	2,759	-3.2%
<i>Retirement</i>	2,221	2,373	6.8%
<i>End of Service</i>	629	386	-38.7%
<i>Transfers to Public Institutions to Cover Salaries</i>	355	388	9.2%
1.b Interest Payments, of which: ⁽¹⁾	6,183	2,323	-62.4%
<i>Domestic Interest Payments</i>	3,927	2,101	-46.5%
<i>Foreign Interest Payments</i>	2,256	2,227	-1.2%
1.d Foreign Debt Principal Repayment	211	162	-23.1%
1.e Materials and Supplies, of which:	270	337	24.6%
<i>Nutrition</i>	69	37	-46.3%
<i>Fuel Oil</i>	28	6	-77.8%
<i>Medicaments</i>	101	238	136.3%
1.f External Services	112	127	13.3%
1.g Various Transfers, of which:	2,330	2,112	-9.4%
EDL ⁽²⁾	1,969	1,114	-43.4%
NSSF	0	50	-
Higher Council of Relief	0	325	-
Contributions to non-public sectors	189	197	4.1%
Transfers to Directorate General of Cereals and Beetroot ⁽³⁾	12	0	-100.0%
1.h Other Current, of which:	423	499	17.8%
Hospitals	335	411	22.8%
Others(judgments & reconciliations, mission costs, other)	84	82	-2.6%
1.i Other Financial expenses	1	0	-100.0%
1.j Interest subsidy	99	79	-20.4%
2. Capital Expenditures	832	392	-52.9%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-99.1%
2.b Equipment	92	52	-43.5%
2.c Construction in Progress, of which:	461	203	-56.0%
Displaced Fund	0	0	-
Council of the South	49	30	-38.2%
CDR	203	79	-61.2%
Ministry of Public Work and Transport	63	33	-47.2%
Other of which:	145	58	-60.1%
Higher Council of Relief	35	5	-85.7%
2.d Maintenance	245	118	-51.9%
2.e Other Expenditures Related to Fixed Capital Assets	33	19	-42.8%
3. Budget Advances ⁽⁴⁾	159	252	58.3%
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	90	84	-6.7%
5. Treasury Expenditures ⁽⁶⁾	1,359	1,670	22.9%
Municipalities	714	574	-19.6%
Guarantees	81	71	-11.7%
Deposits ⁽⁷⁾	251	136	-46.0%
Other, of which:	314	889	183.6%
VAT Refund	240	145	-39.7%
6. Total Expenditures (Excluding CDR Foreign Financed)	20,202	16,247	-19.6%

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 Transactions⁽¹⁾

(LL billion)	2019 Jan-Oct	2020 Jan-Oct	% Change 2020/2019
Interest Payments	6,183	2,323	-62.4%
Local Currency Debt	3,927	2,101	-46.5%
Foreign Currency Debt, of which:	2,256	223	-90.1%
Eurobond Coupon Interest*	2,173	157	-92.8%
Special bond Coupon Interest*	0.2	0.1	-69.7%
Concessional Loans Interest Payments	82	65	-20.3%
Foreign Debt Principal Repayment	211	162	-23.1%

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)	2019 Jan-Oct	2020 Jan-Oct	% Change 2020/2019
EDL of which:	1,969	1,114	-43.4%
Debt Service	4	3	-28.4%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,965	1,111	-43.4%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-18	Dec-19	Oct-20	% Change Oct 20 / Dec 19
Gross Public Debt	128,347	138,150	143,297	3.7%
Local Currency Debt	77,852	87,279	89,579	2.6%
* <i>Accrued Interest Included in Debt</i>	1,123	1,294	1,488	15.0%
a. Central Bank	39,006	50,717	54,478	7.4%
b. Commercial Banks (Including REPOs)	27,402	25,316	23,627	-6.7%
c. Other Local Currency Debt (T-bills), of which:	11,444	11,246	11,474	2.0%
<i>Public Entities</i>	9,956	9,968	10,320	3.5%
<i>Contractor bonds⁽¹⁾</i>	166	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,495	50,871	53,718	5.6%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,920	2,850	2,964	4.0%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	344	242	167	-31.1%
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	1,039	82.3%
e. Arrears in Coupons	0	0	2,149	-
f. Accrued interest in Arrears	0	0	193	-
g. Special T-bills in Foreign Currency ⁽⁴⁾	6	3	0	-100.0%
Public Sector Deposits	14,186	15,677	14,631	-6.7%
Net Debt	114,161	122,473	128,666	5.1%
Gross Market Debt⁽⁵⁾	76,204	74,441	75,427	1.3%
% of Total Debt	59%	54%	53%	-

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.

