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General Overview

The fiscal deficit witnessed a relative improvement in the first two months of 2021 compared to the same period in 2020, driven by a 31.8 percent decrease in expenditures due to lower current and capital expenditures, with the most prominent drops registered in the personnel cost, interest payments and transfers. However, government revenues also dropped by 23.4 percent to reach LL 1,941 billion.

The **total fiscal balance** registered a deficit of LL 977 billion in Jan-Feb 2021 compared to a deficit of LL 1,745 billion during the same period of 2020, while the **primary balance** posted a deficit of LL 437 billion down from a deficit of LL 810 billion a year earlier.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Feb 2020	Jan-Feb 2021	% Change 2021/2020
Total Budget and Treasury Receipts	2,534	1,941	-23.4%
Total Budget and Treasury Payments, of which	4,279	2,918	-31.8%
Interest Payments	899	517	-42.4%
Concessional loans principal payments 1/	35	22	-36.1%
Primary Expenditures 2/	3,344	2,378	-28.9%
Total (Deficit)/Surplus	-1,745	-977	-44.0%
Primary (Deficit)/Surplus	-810	-437	-46.1%

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 593 billion (23.4 percent) year-on-year to reach LL 1,941 billion during Jan-Feb 2021.

Tax revenues reached a total of LL 1,364 billion in the first two months of the year, reflecting a decrease of LL 638 billion (31.9 percent) compared to a total of LL 2,002 billion during the same period last year. This deterioration was driven by a drop in almost all tax items with few exceptions mainly related to **cars excise** and **customs fees**. In this regard, it is worth mentioning that the total lockdown facing the Covid-19 pandemic that was imposed starting 7 January 2021¹ has had a major impact on all tax collections, especially with the extension of most deadlines for tax declarations.

In fact, **taxes on income, profits and capital gains** were down by LL 434 billion (40.0 percent) year-on-year in Jan-Feb 2021, driven by a drastic year-on-year drop in **taxes on interest income** by LL 319 billion (42.4 percent) to reach LL 433 billion. Also, **income tax on wages and salaries** and **income tax on profits** dropped by LL 57 billion (28.9 percent) and LL 56 billion (50.8 percent) respectively.

In addition, **taxes on property** registered a decrease of LL 100 billion (59.2 percent) in Jan-Feb 2021, mainly as **real estate registration fees** dropped by LL 75 billion (61.9

¹ COM decision #3 dated 05/01/2021.

percent)² along with a decline in **build property tax** and **inheritance fees** by LL 22 billion (66.1 percent) and LL 3 billion (19.6 percent), respectively.

Domestic taxes on goods and services also dropped by LL 70 billion (15.3 percent) year-on-year in Jan-Feb 2021, driven by a decline of LL 41 billion (9.8 percent) in the **value added tax**³. In particular, the VAT collected internally dropped by 15.6 percent year-on-year over the covered period and the VAT collected at customs decreased by 1.7 percent. In addition, **private car registration fees** and **passenger departure tax** dropped by LL 16 billion (88.0 percent) and LL 9 billion (50.2 percent) respectively.

Other tax revenues (namely fiscal stamp fees) decreased by LL 45 billion (47.9 percent) to reach LL 49 billion in Jan-Feb 2021.

In contrast, **taxes on international trade** increased slightly by LL 11 billion (5.6 percent), as **cars excise** and **custom fees** increased by LL 24 billion (110.6 percent) and LL 12 billion (21.4 percent) respectively. On the other hand, **gasoline excise** went down by LL 25 billion (24.3 percent), as the volume of gasoline imports dropped by 36.7 percent year-on-year. In addition, **tobacco excise** decreased slightly by LL 1 billion (12.4 percent).

Non-tax revenues increased by LL 39 billion (10.5 percent) to reach LL 417 billion during Jan-Feb 2021. In details, **income from public institutions and Government properties** witnessed a hike of LL 135 billion year-on-year over the covered period as **transfer from the telecom surplus** increased by LL 183 billion (182.6 percent). This was partly offset by a decrease of LL 60 billion (100.0 percent) in **transfer from public financial institution (BDL)**.

On the other hand, **administrative fees and charges** dropped by LL 89 billion (72.0 percent) reaching LL 35 billion over the period under review, due to a decrease in all its sub-categories, mainly as **vehicle control fees**, **passport fees** and **permit fees (mostly work permit fees)** fell by LL 30 billion (87.8 percent), LL 20 billion (52.9 percent) and LL 11 billion (69.8 percent), respectively.

In parallel, **other non-tax revenues (mostly retirement deductibles)** decreased by LL 7 billion (12.6 percent) to reach LL 46 billion in Jan-Feb 2021, of which LL 9 billion collected from deductibles related to military salaries and retirement⁴. In addition, exceptional revenues from the settlement of violations related to maritime properties reached LL 1 billion during Jan-Feb 2021 compared to LL 3 billion a year earlier.

Treasury receipts witnessed a rise of LL 6 billion to reach LL 160 billion in Jan-Feb 2021 compared to LL 155 billion during the same period of the 2020.

Expenditures

Total expenditures regressed by LL 1,361 billion (31.8 percent) to reach LL 2,918 billion in Jan-Feb 2021 compared to LL 4,279 billion in Jan-Feb 2020.

Current primary expenditures⁵ registered a drop of LL 780 billion (27.0 percent) reaching a total of LL 2,113 billion during the first two 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 220 billion (18.7 percent), LL 184

² As per the data from the General Directorate of Land Registry and Cadastre, both the number of sold properties and their average price decreased by 80.9 percent and 14.3 percent during the first two months of 2021 compared to the same period last year.

³ Mirroring the contraction in private consumption, the main driver of economic growth in Lebanon.

⁴ New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

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

billion (62.7 percent) and LL 81 billion (74.8 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase, mainly transfers to the **Higher Council of Relief and Others (judgments & reconciliations, mission costs, other)** which rose by LL 125 billion and LL 11 billion respectively.

Interest payments dropped by LL 382 billion (42.4 percent) in Jan-Feb 2021 as interest payments due on domestic debt decreased by LL 218 billion (29.9 percent), and those due on foreign currency debt dropped by LL 164 billion (95.5 percent) over the covered period. **Foreign debt principal repayment** also dropped by LL 13 billion (36.1 percent) to register a total of LL 22 billion during Jan-Feb 2021.

Capital expenditures decreased by LL 159 billion (67.2 percent) to reach LL 78 billion in Jan-Feb 2021, mainly as expenses related to **maintenance, equipment and construction in progress under CDR** dropped by LL 52 billion (92.7 percent), LL 34 billion (94.5 percent) and LL 24 billion (29.9 percent), respectively.

Treasury expenditures witnessed a decrease of LL 25 billion (15.0 percent) to reach LL 142 billion in Jan-Feb 2021, as **deposits** and payments to **municipalities** shrank by LL 29 billion and LL 28 billion, respectively. On the other hand, other treasury expenditures increased by LL 53 billion despite the LL 35 billion drop registered in **Vat refund**.

Public Debt

Gross public debt stood at LL 145,996 billion by the end of February 2021, increasing by LL 1,888 billion (1.3 percent) from end-2020. On the other hand, **net debt** rose by 1.4 percent to reach LL 130,741 billion and **public sector deposits** increased by LL 122 billion (0.8 percent) during the first two months of 2021.

Local currency debt increased by LL 1,252 billion (1.4 percent) to register LL 91,014 billion as of end-February 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 954 billion (1.7 percent) to reach LL 56,033 billion by the end of February 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 247 billion (2.4 percent) to reach LL 10,640 billion. Also, **TBs held by commercial banks** rose at a much lower pace by LL 65 billion (0.3 percent) to reach LL 23,222 billion by the end of February 2021.

The stock of **foreign currency debt** grew by LL 636 billion (1.2 percent) to reach LL 54,982 billion at end-February 2021, reflecting the significant increase of LL 293 billion and LL 249 billion in **arrears in coupons and accrued interest on Eurobonds** respectively. In parallel, **bilateral, multilateral and foreign private sector loans** rose by LL 14 billion, whereas **Paris III related debt** decreased by LL 1 billion compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2020	2021	% Change
	Jan-Feb	Jan-Feb	2021/2020
Budget Revenues, of which:	2,379	1,780	-25.2%
Tax Revenues	2,002	1,364	-31.9%
Non-Tax Revenues	377	417	10.5%
Treasury Receipts	155	160	3.6%
Total Revenues	2,534	1,941	-23.4%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2020	2021	% Change
	Jan-Feb	Jan-Feb	2021/2020
Tax Revenues:	2,002	1,364	-31.9%
Taxes on Income, Profits, & Capital Gains, of which:	1,087	653	-40.0%
Income Tax on Profits	109	54	-50.8%
Income Tax on Wages and Salaries	199	141	-28.9%
Income Tax on Capital Gains & Dividends	23	23	1.0%
Tax on Interest Income	752	433	-42.4%
Penalties on Income Tax	4	1	-70.9%
Taxes on Property, of which:	168	69	-59.2%
Built Property Tax	33	11	-66.1%
Real Estate Registration Fees	121	46	-61.9%
Domestic Taxes on Goods & Services, of which:	461	391	-15.3%
Value Added Tax	419	378	-9.8%
Other Taxes on Goods and Services, of which:	36	11	-68.8%
Private Car Registration Fees	18	2	-88.0%
Passenger Departure Tax	18	9	-50.2%
Taxes on International Trade, of which:	192	203	5.6%
Customs	57	69	21.4%
Excises, of which:	135	134	-1.0%
Gasoline Excise	103	78	-24.3%
Tobacco Excise	9	8	-12.4%
Cars Excise	22	46	110.6%
Other Tax Revenues (namely fiscal stamp fees)	93	49	-47.9%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2020	2021	% Change
	Jan-Feb	Jan-Feb	2021/2020
Non-Tax Revenues	377	417	10.5%
Income from Public Institutions and Government Properties, of which:	198	333	68.3%
Income from Non-Financial Public Enterprises, of which:	122	329	168.3%
<i>Revenues from Casino Du Liban</i>	16	21	31.0%
<i>Revenues from Port of Beirut</i>	0	5	-
<i>Budget Surplus of National Lottery</i>	6	20	219.2%
<i>Transfer from the Telecom Surplus</i>	100	283	182.6%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	14	4	-72.4%
Other Income from Public Institutions (interests)	1	0	-63.3%
Administrative Fees & Charges, of which:	124	35	-72.0%
Administrative Fees, of which:	96	28	-70.8%
<i>Notary Fees</i>	9	3	-60.7%
<i>Passport Fees/ General Security</i>	39	18	-52.9%
<i>Vehicle Control Fees</i>	35	4	-87.8%
<i>Judicial Fees</i>	6	1	-84.9%
<i>Driving License Fees</i>	2	0	-82.1%
Administrative Charges	6	1	-81.1%
Sales (Official Gazette and License Number)	0	0	-74.9%
Permit Fees (mostly work permit fees)	16	5	-69.8%
Other Administrative Fees & Charges	6	1	-89.8%
Penalties & Confiscations	3	3	4.9%
Other Non-Tax Revenues (mostly retirement deductibles)	53	46	-12.6%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2020 Jan-Feb	2021 Jan-Feb	% Change 2021/2020
1. Current Expenditures	3,827	2,653	-30.7%
1.a Personnel Cost, of which	1,832	1,515	-17.3%
Salaries, Wages and Related Items	1,172	952	-18.7%
Retirement and End of Service Compensations, of which:	580	508	-12.4%
Retirement	471	481	2.1%
End of Service	109	27	-74.8%
Transfers to Public Institutions to Cover Salaries	80	55	-31.8%
1.b Interest Payments 1/, of which:	899	517	-42.4%
Domestic Interest Payments	727	510	-29.9%
Foreign Interest Payments	172	8	-95.5%
1.d Foreign Debt Principal Repayment	35	22	-36.1%
1.e Materials and Supplies, of which:	90	74	-17.6%
Nutrition	5	8	55.8%
Fuel Oil	1	1	129.4%
Medicaments	71	53	-25.1%
1.f External Services	49	23	-54.2%
1.g Various Transfers, of which:	697	292	-58.1%
EDL 2/	294	110	-62.7%
NSSF	0	0	-
Higher Council of Relief	0	125	-
Contributions to non-public sectors	53	29	-44.7%
Transfers to Directorate General of Cereals and Beetroot 3/	0	0	-
1.h Other Current, of which:	199	210	5.3%
Hospitals	173	173	-0.3%
Others(judgments & reconciliations, mission costs, other)	25	36	46.2%
1.i Other Financial expenses	0	0	-
1.j Interest Subsidy	26	0	-100.0%
2. Capital Expenditures	237	78	-67.2%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	36	2	-94.5%
2.c Construction in Progress, of which:	141	70	-50.8%
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	-100.0%
Other of which:	22	6	-70.7%
Higher Council of Relief	0	5	-
2.d Maintenance	56	4	-92.7%
2.e Other Expenditures Related to Fixed Capital Assets	3	2	-36.0%
3. Budget Advances 4/	18	32	77.6%
4. Customs Administration (exc. Salaries and Wages) 5/	29	13	-55.0%
5. Treasury Expenditures 6/	167	142	-15.0%
Municipalities	40	12	-70.5%
Guarantees	24	4	-82.4%
Deposits 7/	39	9	-76.3%
Other, of which:	64	117	82.4%
VAT Refund	49	13	-72.7%
7. Total Expenditures (Excluding CDR Foreign Financed)	4,279	2,918	-31.8%

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 Transactions¹

(LL billion)	2020 Jan-Feb	2021 Jan-Feb	% Change 2021/2020
Interest Payments	899	517	-42.4%
Local Currency Debt	727	510	-29.9%
Foreign Currency Debt, of which:	172	8	-95.5%
Eurobond Coupon Interest*	157	0	-100.0%
Special bond Coupon Interest*	0	0	-
Concessional Loans Interest Payments	14	8	-46.2%
Foreign Debt Principal Repayment	35	22	-36.1%

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)	2020 Jan-Feb	2021 Jan-Feb	% Change 2021/2020
EDL of which:	294	110	-62.7%
Debt Service	1	0	-100%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	293	110	-62.5%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Feb-21	% Change Feb 21 / Dec 20
Gross Public Debt	138,150	144,108	145,996	1.3%
Local Currency Debt	87,279	89,762	91,014	1.4%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,447	8.1%
a. Central Bank	50,717	55,079	56,033	1.7%
b. Commercial Banks (Including REPOs)	25,316	23,157	23,222	0.3%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	11,759	2.0%
<i>Public Entities</i>	9,968	10,393	10,640	2.4%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt ⁽²⁾	50,871	54,346	54,982	1.2%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	3,005	0.5%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	150	-0.7%
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	836	42.4%
e. Arrears in Coupons	0	3,142	3,435	9.3%
f. Accrued interest in Arrears	0	269	350	30.1%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	15,255	0.8%
Net Debt	122,473	128,975	130,741	1.4%
Gross Market Debt⁽⁵⁾	74,441	75,553	76,225	0.9%
% 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.

