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## General Overview

The fiscal deficit witnessed a relative improvement in the first four months of 2021 compared to the same period in 2020, driven by a 19.0 percent decrease in expenditures due to lower current and capital expenditures. In addition, government revenues witnessed a modest year-on-year increase of 5.1 percent to reach LL 4,984 billion during Jan-Apr 2021.

The **total fiscal balance** registered a deficit of LL 993 billion in Jan-Apr 2021 compared to a bigger deficit of LL 2,640 billion during the same period of 2020, while the **primary balance** posted a slight deficit of LL 13 billion down from a much larger deficit of LL 899 billion a year earlier.

**Table 1: Summary of Fiscal Performance**

(LL billion)	Jan-Apr 2020	Jan-Apr 2021	% Change 2021/2020
<b>Total Budget and Treasury Receipts</b>	<b>4,740</b>	<b>4,984</b>	<b>5.1%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>7,380</b>	<b>5,977</b>	<b>-19.0%</b>
Interest Payments	1,681	927	-44.8%
Concessional loans principal payments <sup>(1)</sup>	60	53	-11.8%
Primary Expenditures <sup>(2)</sup>	5,639	4,997	-11.4%
<b>Total (Deficit)/Surplus</b>	<b>-2,640</b>	<b>-993</b>	<b>-62.4%</b>
<b>Primary (Deficit)/Surplus</b>	<b>-899</b>	<b>-13</b>	<b>-98.6%</b>

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

<sup>(1)</sup> Includes only Principal repayments of concessional loans earmarked for project financing

<sup>(2)</sup> Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

## Revenues

**Total revenues** increased by LL 244 billion (5.1 percent) year-on-year to reach LL 4,984 billion during Jan-Apr 2021.

**Tax revenues** reached a total of LL 3,669 billion in the first four months of the year, reflecting an increase of LL 385 billion (11.7 percent) compared to a total of LL 3,285 billion during the same period last year. This increase was mainly driven by a rise in domestic taxes on goods & services, in turn driven by an increase in the value added tax.

In fact, **taxes on income, profits and capital gains** were down by LL 207 billion (11.9 percent) year-on-year, in Jan-Apr 2021, driven by a drastic drop of LL 500 billion (39.3 percent) in **taxes on interest income** which reached LL 772 billion during the covered period, compared to a total of LL 1,272 billion recorded in Jan-Apr 2020. In contrast, **income tax on profits** and **income tax on wages and salaries** witnessed relatively significant increases of LL 150 billion (94.5 percent) and LL 106 billion (38.9 percent), respectively. It is worth mentioning that tax collections were highly affected during the first two months of the current year by the total lockdown that was imposed starting 7 January 2021<sup>1</sup> to face Covid-19 pandemic, and started to ameliorate starting March 2021 despite the deteriorating economic situation that the country is still facing.

<sup>1</sup> COM decision #3 dated 05/01/2021.

**Taxes on property** registered a large increase of LL 221 billion (89.9 percent) in Jan-Apr 2021, mainly as **real estate registration fees** went up by LL 126 billion (72.9 percent)<sup>2</sup> along with an increase of LL 50 billion (96.3 percent) in the **built property tax**.

In addition, **domestic taxes on goods and services** hiked by LL 245 billion (31.0 percent) year-on-year in Jan-Apr 2021, driven by an increase of LL 382 billion (66.3 percent) in the **value added tax**, as deadline extensions for tax declarations related to the fourth quarter of 2020 ended in April 2021. In details, the VAT collected internally and the VAT collected at customs recorded respective year-on-year rises of 108.6 percent and 30.3 percent over the covered period. In contrast, **passenger departure tax** dropped by LL 8 billion (24.8 percent) during the first four months of the year.

**Taxes on international trade** increased by LL 85 billion (21.8 percent) as **cars excise** and **custom fees** increased by LL 72 billion (214.9 percent) and LL 43 billion (40.7 percent) respectively. On the other hand, **gasoline excise** went down by LL 32 billion (13.9 percent).

**Other tax revenues (namely fiscal stamp fees)** increased by LL 41 billion (33.9 percent) to reach LL 160 billion in Jan-Apr 2021.

**Non-tax revenues** rose by LL 354 billion (60.3 percent) to reach LL 940 billion during Jan-Apr 2021. In details, **income from public institutions and Government properties** witnessed a hike of LL 339 billion (105.9 percent) year-on-year over the covered period as **transfer from the telecom surplus** increased by LL 370 billion (184.8 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-Apr 2021.

In addition, **administrative fees and charges** increased slightly by LL 3 billion (2.0 percent) reaching LL 168 billion over the period under review, due to a shy increase in almost all of its sub-categories, with the highest rise being registered in the **passport fees** with LL 8 billion (15.3 percent). In contrast, **permit fees (mostly work permit fees)** dropped by LL 6 billion (30.7 percent).

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 9 billion (8.8 percent) to reach LL 106 billion in Jan-Apr 2021, of which LL 17 billion collected from deductibles related to military salaries and retirement<sup>3</sup>. In addition, exceptional revenues from the settlement of building violations reached LL 12 billion during Jan-Apr 2021 compared to almost nil a year earlier.

**Treasury receipts** witnessed a large decrease of LL 495 billion to reach LL 375 billion in Jan-Apr 2021 compared to LL 869 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. 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

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**Total expenditures** regressed by LL 1,403 billion (19.0 percent) to reach LL 5,977 billion in Jan-Apr 2021 compared to LL 7,380 billion in Jan-Apr 2020.

<sup>2</sup> As per the data from the General Directorate of Land Registry and Cadastre, the number of sold properties significantly increased by 52.1 percent during the first four months of 2021 compared to the same period last year. This rise more than counterbalanced the drop in the average price of these properties by 10.2 percent.

<sup>3</sup> New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

**Current primary expenditures**<sup>4</sup> registered a drop of LL 607 billion (12.4 percent) reaching a total of LL 4,295 billion during the first four months of 2021. This decline was mainly driven by a decrease in **salaries, wages and social benefits, transfers to Electricité du Liban (EDL)** and payments to **hospitals** by LL 196 billion (9.5 percent), LL 196 billion (33.6 percent) and LL 70 billion (27.6 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 100 billion, LL 34 billion and LL 22 billion respectively.

**Interest payments** dropped by 753 billion (44.8 percent) in Jan-Apr 2021 as interest payments due on domestic debt decreased by LL 585 billion (39.1 percent), and those due on foreign currency debt dropped by LL 169 billion (90.9 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 7 billion (11.8 percent) to register a total of LL 53 billion during Jan-Apr 2021.

**Capital expenditures** decreased by LL 144 billion (55.7 percent) to reach LL 115 billion in Jan-Apr 2021, mainly as expenses related to **construction in progress, maintenance** and **equipment** dropped by LL 64 billion (44.1 percent), LL 57 billion (79.8 percent) and LL 28 billion (74.0 percent), respectively.

**Treasury expenditures** witnessed an increase of LL 85 billion (21.6 percent) to reach LL 480 billion in Jan-Apr 2021, as payments to **municipalities** hiked by LL 61 billion. On the other hand, **guarantees** dropped by LL 23 billion (52.2 percent) to reach LL 21 billion in Jan-Apr 2021. **Other treasury expenditures** rose by LL 46 billion despite the LL 46 billion drop registered in **VAT refund**.

## Public Debt

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**Gross public debt** stood at LL 147,391 billion by the end of April 2021, increasing by LL 2,838 billion (2.3 percent) from end-2020. On the other hand, **net debt** rose more slowly by 1.6 percent to reach LL 131,004 billion as **public sector deposits** increased by LL 1,254 billion (8.3 percent) during the first four months of 2021.

**Local currency debt** increased by LL 2,055 billion (2.3 percent) to register LL 91,817 billion as of end-April 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 1,670 billion (3.0 percent) to reach LL 56,749 billion by the end of April 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 392 billion (3.8 percent) to reach LL 10,785 billion. Also, **TBs held by commercial banks** rose at a much lower pace by LL 18 billion (0.1 percent) to reach LL 23,175 billion by the end of April 2021.

The stock of **foreign currency debt** grew by LL 1,228 billion (2.3 percent) to reach LL 55,574 billion at end-April 2021, reflecting the significant increase of LL 633 billion and LL 442 billion in **arrears in coupons** and **accrued interest on Eurobonds** respectively. On the other hand, **Paris III related debt** decreased by LL 31 billion, compared to the end of 2020.

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<sup>4</sup> Current primary expenditures represent current expenditures excluding interest payment and debt service.

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	Jan-Apr 2020	Jan-Apr 2021	% Change 2021/2020
<b>Budget Revenues, of which:</b>	<b>3,871</b>	<b>4,609</b>	<b>19.1%</b>
Tax Revenues	3,285	3,669	11.7%
Non-Tax Revenues	586	940	60.3%
<b>Treasury Receipts</b>	<b>869</b>	<b>375</b>	<b>-56.9%</b>
<b>Total Revenues</b>	<b>4,740</b>	<b>4,984</b>	<b>5.1%</b>

Source: MOF, DGF

**Table 3: Tax Revenues**

(LL billion)	Jan-Apr 2020	Jan-Apr 2021	% Change 2021/2020
<b>Tax Revenues:</b>	<b>3,285</b>	<b>3,669</b>	<b>11.7%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>1,742</b>	<b>1,535</b>	<b>-11.9%</b>
Income Tax on Profits	158	308	94.5%
Income Tax on Wages and Salaries	271	377	38.9%
Income Tax on Capital Gains & Dividends	34	71	108.0%
Tax on Interest Income	1,272	772	-39.3%
Penalties on Income Tax	6	7	9.9%
<b>Taxes on Property, of which:</b>	<b>246</b>	<b>468</b>	<b>89.9%</b>
Built Property Tax	52	102	96.3%
Real Estate Registration Fees	173	300	72.9%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>789</b>	<b>1,034</b>	<b>31.0%</b>
Value Added Tax	577	959	66.3%
Other Taxes on Goods and Services, of which:	57	62	9.6%
Private Car Registration Fees	24	38	56.7%
Passenger Departure Tax	32	24	-24.8%
<b>Taxes on International Trade, of which:</b>	<b>387</b>	<b>472</b>	<b>21.8%</b>
Customs	106	149	40.7%
Excises, of which:	282	323	14.8%
Gasoline Excise	226	195	-13.9%
Tobacco Excise	20	20	1.6%
Cars Excise	33	105	214.9%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>120</b>	<b>160</b>	<b>33.9%</b>

Source: MOF, DGF

**Table 4: Non-Tax Revenue**

(LL billion)	Jan-Apr 2020	Jan-Apr 2021	% Change 2021/2020
<b>Non-Tax Revenues</b>	<b>586</b>	<b>940</b>	<b>60.3%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>320</b>	<b>659</b>	<b>105.9%</b>
Income from Non-Financial Public Enterprises, of which:	235	640	172.9%
<i>Revenues from Casino Du Liban</i>	28	29	2.3%
<i>Revenues from Port of Beirut</i>	0	21	-
<i>Budget Surplus of National Lottery</i>	6	20	226.4%
<i>Transfer from the Telecom Surplus</i>	200	570	184.8%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	24	16	-32.8%
Other Income from Public Institutions (interests)	1	2	140.7%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>165</b>	<b>168</b>	<b>2.0%</b>
Administrative Fees, of which:	129	138	7.2%
<i>Notary Fees</i>	12	14	21.3%
<i>Passport Fees/ General Security</i>	50	57	15.3%
<i>Vehicle Control Fees</i>	49	52	4.9%
<i>Judicial Fees</i>	7	6	-13.0%
<i>Driving License Fees</i>	3	4	63.6%
Administrative Charges	9	10	19.6%
Sales (Official Gazette and License Number)	1	0	-21.5%
Permit Fees (mostly work permit fees)	20	14	-30.7%
Other Administrative Fees & Charges	6	5	-22.8%
<b>Penalties &amp; Confiscations</b>	<b>4</b>	<b>7</b>	<b>64.7%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>97</b>	<b>106</b>	<b>8.8%</b>

Source: MOF, DGF

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	Jan-Apr 2020	Jan-Apr 2021	% Change 2021/2020
<b>1. Current Expenditures</b>	<b>6,642</b>	<b>5,275</b>	<b>-20.6%</b>
1.a Personnel Cost, of which	3,318	3,080	-7.2%
<i>Salaries, Wages and social benefits</i>	2,067	1,870	-9.5%
<i>Retirement and End of Service Compensations, of which:</i>	1,102	1,088	-1.3%
<i>Retirement</i>	942	964	2.4%
<i>End of Service</i>	160	124	-22.9%
<i>Transfers to Public Institutions to Cover Salaries</i>	149	122	-18.3%
1.b Interest Payments, of which: <sup>(1)</sup>	1,681	927	-44.8%
<i>Domestic Interest Payments</i>	1,495	910	-39.1%
<i>Foreign Interest Payments</i>	185	17	-90.9%
1.d Foreign Debt Principal Repayment	60	53	-11.8%
1.e Materials and Supplies, of which:	107	115	7.5%
<i>Nutrition</i>	12	12	-1.1%
<i>Fuel Oil</i>	2	2	49.9%
<i>Medicaments</i>	75	82	9.3%
1.f External Services	58	48	-17.2%
1.g Various Transfers, of which:	1,099	785	-28.6%
<i>EDL <sup>(2)</sup></i>	583	387	-33.6%
<i>NSSF</i>	0	0	-
<i>Higher Council of Relief</i>	75	175	133.3%
<i>Contributions to non-public sectors</i>	83	38	-54.4%
<i>Transfers to Directorate General of Cereals and Beetroot <sup>(3)</sup></i>	0	0	-
1.h Other Current, of which:	287	251	-12.6%
<i>Hospitals</i>	255	184	-27.6%
<i>Others (judgments &amp; reconciliations, mission costs, other)</i>	31	66	108.9%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	32	15	-52.6%
<b>2. Capital Expenditures</b>	<b>258</b>	<b>115</b>	<b>-55.7%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	248.2%
2.b Equipment	38	10	-74.0%
2.c Construction in Progress, of which:	145	81	-44.1%
<i>Displaced Fund</i>	0	0	-
<i>Council of the South</i>	23	7	-68.3%
<i>CDR</i>	79	55	-29.9%
<i>Ministry of Public Work and Transport</i>	15	1	-95.8%
<i>Other of which:</i>	25	17	-31.4%
<i>Higher Council of Relief</i>	0	5	-
2.d Maintenance	71	14	-79.8%
2.e Other Expenditures Related to Fixed Capital Assets	4	9	119.5%
<b>3. Budget Advances <sup>(4)</sup></b>	<b>34</b>	<b>72</b>	<b>110.2%</b>
<b>4. Customs Administration (exc. Salaries and Wages) <sup>(5)</sup></b>	<b>50</b>	<b>35</b>	<b>-29.7%</b>
<b>5. Treasury Expenditures <sup>(6)</sup></b>	<b>395</b>	<b>480</b>	<b>21.6%</b>
Municipalities	201	263	30.5%
Guarantees	45	21	-52.2%
Deposits <sup>(7)</sup>	45	46	2.0%
Other, of which:	104	150	44.7%
VAT Refund	68	22	-68.0%

<b>6. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>7,380</b>	<b>5,977</b>	<b>-19.0%</b>
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Source: Statement of Account 36, Cashier Spending, Public Debt Department Figures, Fiscal Performance Gross Adjustment Figures

<sup>(1)</sup> For a detailed breakdown of interest payments, kindly refer to table 6.

<sup>(2)</sup> 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.

<sup>(3)</sup> Transfers to Directorate General of Cereals and Beetroot include both administrative expenses and payments for wheat subsidy.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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<sup>1</sup>**

(LL billion)	2020	2021	% Change
	Jan-Apr	Jan-Apr	2021/2020
<b>Interest Payments</b>	<b>1,681</b>	<b>927</b>	<b>-44.8%</b>
Local Currency Debt	1,495	910	-39.1%
Foreign Currency Debt, of which:	185	17	-90.9%
Eurobond Coupon Interest*	157	0	-100.0%
Concessional Loans Interest Payments	28	17	-39.9%
<b>Foreign Debt Principal Repayment</b>	<b>60</b>	<b>53</b>	<b>-11.8%</b>

Source: MOF, DGF

<sup>(1)</sup> 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-Apr	Jan-Apr	% Change
	2020	2021	2021/2020
<b>EDL of which:</b>	<b>583</b>	<b>387</b>	<b>-33.6%</b>
Debt Service	2	0.3	-81.8%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	581	387	-33.4%

Source: MOF, DGF

## SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Apr-21	% Change Apr 21 / Dec 20
<b>Gross Public Debt</b>	<b>138,150</b>	<b>144,108</b>	<b>147,391</b>	<b>2.3%</b>
<b>Local Currency Debt</b>	<b>87,279</b>	<b>89,762</b>	<b>91,817</b>	<b>2.3%</b>
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,519	13.5%
a. Central Bank	50,717	55,079	56,749	3.0%
b. Commercial Banks (Including REPOs)	25,316	23,157	23,175	0.1%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	11,893	3.2%
<i>Public Entities</i>	9,968	10,393	10,785	3.8%
<i>Contractor bonds<sup>(1)</sup></i>	120	120	120	0.0%
<b>Foreign Currency Debt<sup>(2)</sup></b>	<b>50,871</b>	<b>54,346</b>	<b>55,574</b>	<b>2.3%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	2,998	0.2%
b. Paris III Related Debt (Eurobonds and Loans) <sup>(3)</sup>	242	151	120	-20.7%
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	1,029	75.3%
e. Arrears in Coupons	0	3,142	3,775	20.1%
f. Accrued interest in Arrears	0	269	446	65.8%
g. Special T-bills in Foreign Currency <sup>(4)</sup>	3	0	0	-
<b>Public Sector Deposits</b>	<b>15,677</b>	<b>15,133</b>	<b>16,387</b>	<b>8.3%</b>
<b>Net Debt</b>	<b>122,473</b>	<b>128,975</b>	<b>131,004</b>	<b>1.6%</b>
<b>Gross Market Debt<sup>(5)</sup></b>	<b>74,441</b>	<b>75,553</b>	<b>76,796</b>	<b>1.6%</b>
<b>% of Total Debt</b>	<b>54%</b>	<b>52%</b>	<b>52%</b>	<b>-</b>

Source: MOF, DGF

<sup>(1)</sup> Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency".

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> Special Tbs in foreign currency (expropriation and contractor bonds).

<sup>(5)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans and Paris III related debt.



