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General Overview

Despite the ongoing economic and financial crisis, the fiscal balance witnessed a remarkable improvement in the first eight months of 2021 compared to the same period in 2020, driven by a sizeable hike of 33.4 percent in revenues along with a 10.4 percent decrease in expenditures due to lower current and capital expenditures.

The **total fiscal balance** registered a surplus of LL 636 billion in Jan-Aug 2021 compared to a deficit of LL 3,821 billion during the same period of 2020. In addition, the **primary balance** posted a large surplus of LL 2,505 billion compared to a deficit of LL 1,713 billion a year earlier.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Aug 2020	Jan-Aug 2021	% Change 2021/2020
Total Budget and Treasury Receipts	9,262	12,360	33.4%
Total Budget and Treasury Payments, of which	13,083	11,724	-10.4%
Interest Payments	1,973	1,752	-11.2%
Concessional loans principal payments ⁽¹⁾	135	117	-13.0%
Primary Expenditures ⁽²⁾	10,975	9,854	-10.2%
Total (Deficit)/Surplus	-3,821	636	-116.6%
Primary (Deficit)/Surplus	-1,713	2,505	-246.3%

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 3,097 billion (33.4 percent) year-on-year to reach LL 12,360 billion during Jan-Aug 2021.

Tax revenues reached a total of LL 9,359 billion in the first eight months of the year, reflecting an increase of LL 2,439 billion (35.2 percent) compared to a total of LL 6,920 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 588 billion (17.4 percent) year-on-year, in Jan-Aug 2021, driven by an exceptional increase in the **income tax on profits** by LL 1,113 billion (326.7 percent) to reach LL 1,453 billion¹. Meanwhile, **tax on interest income** dropped by LL 724 billion (30.3 percent), as total private sector deposits declined by 8.1 percent between August 2020 and August 2021 and interest rates paid on deposits witnessed a significant drop between Jan-August 2020 and Jan-August 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

¹ Partly due to the settlement of the exceptional tax imposed on the commercial banks' turnover for 2019 (article #20 from 2020 Budget law).

² Average interest rate dropped from 4.83 percent to 1.93 percent for LL deposits, and from 2.31 percent to 0.45 percent for FX deposits between Jan-August 2020 and Jan-August 2021.

during the first two months of 2021. 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 266 billion (34.2 percent) in Jan-Aug 2021, as all its components witnessed considerable year-on-year hikes. In details, **real estate registration fees** increased by LL 93 billion (15.6 percent)³ during Jan-Aug 2021 compared to the same period of 2020. This was accompanied by respective increases of LL 120 billion (219.9 percent) and LL 53 billion (41.6 percent) in the **inheritance fees** and the **built property tax**.

Also, **domestic taxes on goods and services** hiked by LL 1,388 billion (85.5 percent) year-on-year in Jan-Aug 2021, driven by an increase of LL 1,467 billion (120.8 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, both the VAT collected internally and the VAT collected at customs recorded respective year-on-year rises of 192.5 percent⁶ and 48.0 percent over the covered period. In contrast, transfers from **Régie profits** declined by LL 103 billion (38.4 percent).

In addition, **taxes on international trade** increased by LL 165 billion (19.6 percent) as **cars excise** and **custom fees** increased by LL 158 billion (190.2 percent) and LL 104 billion (52.2 percent) respectively. On the other hand, **gasoline excise** went down by LL 105 billion (20.2 percent).

Other tax revenues (namely fiscal stamp fees) increased by LL 32 billion (11.0 percent) to reach LL 321 billion in Jan-Aug 2021.

Non-tax revenues rose by LL 928 billion (77.1 percent) to reach LL 2,132 billion during Jan-Aug 2021. In details, **income from public institutions and Government properties** witnessed a year-on-year hike of LL 913 billion (170.7 percent) over the covered period as **transfer from the telecom surplus** increased by LL 902 billion (300.8 percent), and **revenues from Casino du Liban** rose by LL 106 billion (223.6 percent). This was partly offset by a decrease in the **transfer from public financial institution (BDL)** from LL 60 billion during Jan-Aug 2020 to nil during Jan-Aug 2021, and a LL 31 billion decline in the **revenues from Port of Beirut** to register LL 39 billion in the first eight months of 2021.

In contrast, **administrative fees and charges** decreased by LL 10 billion (2.3 percent) reaching LL 432 billion over the period under review, due to a decrease in **vehicle control fees, permit fees** and **other administrative fees and charges** which dropped by LL 56 billion (31.0 percent), LL 18 billion (35.9 percent) and LL 9 billion (37.7 percent) respectively. On the other hand, **passport fees** witnessed an increase of LL 66 billion (64.1 percent).

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 22 billion (10.3 percent) to reach LL 236 billion in Jan-Aug 2021, of which LL 35 billion collected from deductibles related to military salaries and retirement⁷. This increase was mainly driven by the hike in the **revenues from the settlement of building violations** that reached LL 33 billion during Jan-Aug 2021 compared to LL 1 billion 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 28.9 percent during the first eight months of 2021 compared to the same period of 2020. This rise more than counterbalanced the 20.7 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 270 billion to reach LL 869 billion in Jan-Aug 2021 compared to LL 1,139 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 1,360 billion (10.4 percent) to reach LL 11,724 billion in Jan-Aug 2021 compared to LL 13,083 billion in Jan-Aug 2020.

Current primary expenditures⁸ registered a drop of LL 549 billion (6.0 percent) reaching a total of LL 8,601 billion during the first eight months of 2021. This decline was mainly driven by a decrease in **transfers to Electricité du Liban (EDL)** and in **salaries, wages and social benefits** expenses and by LL 253 billion (26.5 percent) and LL 237 billion (5.8 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase in Jan-Aug 2021, mainly **others (judgments & reconciliations, mission costs, other)**, **retirement** expenses, and **medicaments** which rose by LL 55 billion (78.2 percent), LL 46 billion (2.4 percent) and LL 41 billion (25.0 percent), respectively. Also, **transfers to the NSSF** reached a total of LL 100 billion during Jan-Aug 2021 compared to nil during Jan-Aug 2020.

Interest payments dropped by 221 billion (11.2 percent) in Jan-Aug 2021 as interest payments due on foreign currency debt decreased by LL 170 billion (80.3 percent), and those due on domestic debt dropped by LL 51 billion (2.9 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 18 billion (13.0 percent) to register a total of LL 117 billion during Jan-Aug 2021.

Capital expenditures significantly decreased by LL 191 billion (50.7 percent) to reach LL 186 billion in Jan-Aug 2021, as expenses related to **maintenance, construction in progress** and **equipment** dropped by LL 84 billion (74.1 percent), LL 46 billion (32.3 percent) and LL 39 billion (75.7 percent), respectively.

Treasury expenditures witnessed a decrease of LL 392 billion (33.1 percent) to reach LL 792 billion in Jan-Aug 2021, as **other treasury expenditures** payments dropped by LL 486 billion partly due to a decline in **VAT refund** by LL 67 billion. This drop was partly counterbalanced by a hike in payments to **municipalities** by LL 157 billion (54.3 percent).

Public Debt

Gross public debt stood at LL 148,856 billion by the end of August 2021, increasing by LL 4,748 billion (3.3 percent) from end-2020. On the other hand, **net debt** rose at a slower pace by 1.2 percent to reach LL 130,549 billion as **public sector deposits** increased by LL 3,174 billion (21.0 percent) during the first eight months of 2021.

Local currency debt increased by LL 2,229 billion (2.5 percent) to register LL 91,991 billion as of end-August 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 1,579 billion (2.9 percent) to

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

reach LL 56,658 billion by the end of August 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 1,201 billion (11.6 percent) to reach LL 11,594 billion. On the other hand, **TBs held by commercial banks** decreased by LL 468 billion (2.0 percent) to reach LL 22,689 billion by the end of August 2021.

The stock of **foreign currency debt** grew by LL 2,519 billion (4.6 percent) to reach LL 56,865 billion at end-August 2021, reflecting a significant increase of LL 1,920 billion in the **arrears in coupons**. On the other hand, **Paris III related debt** decreased by LL 53 billion compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	Jan-Aug 2020	Jan-Aug 2021	% Change 2021/2020
Budget Revenues, of which:	8,124	11,491	41.4%
Tax Revenues	6,920	9,359	35.2%
Non-Tax Revenues	1,204	2,132	77.1%
Treasury Receipts	1,139	869	-23.7%
Total Revenues	9,262	12,360	33.4%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	Jan-Aug 2020	Jan-Aug 2021	% Change 2021/2020
Tax Revenues:	6,920	9,359	35.2%
Taxes on Income, Profits, & Capital Gains, of which:	3,384	3,972	17.4%
Income Tax on Profits	341	1,453	326.7%
Income Tax on Wages and Salaries	545	639	17.2%
Income Tax on Capital Gains & Dividends	94	193	106.1%
Tax on Interest Income	2,390	1,666	-30.3%
Penalties on Income Tax	14	20	40.3%
Taxes on Property, of which:	780	1,046	34.2%
Built Property Tax	128	181	41.6%
Real Estate Registration Fees	597	691	15.6%
Domestic Taxes on Goods & Services, of which:	1,623	3,010	85.5%
Value Added Tax	1,214	2,681	120.8%
Other Taxes on Goods and Services, of which:	123	140	14.0%
Private Car Registration Fees	78	91	16.8%
Passenger Departure Tax	45	49	9.4%
Taxes on International Trade, of which:	844	1,009	19.6%
Customs	199	303	52.2%
Excises, of which:	645	706	9.5%
Gasoline Excise	519	415	-20.2%
Tobacco Excise	37	43	17.0%
Cars Excise	83	241	190.2%
Other Tax Revenues (namely fiscal stamp fees)	289	321	11.0%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	Jan-Aug 2020	Jan-Aug 2021	% Change 2021/2020
Non-Tax Revenues	1,204	2,132	77.1%
Income from Public Institutions and Government Properties, of which:	535	1,448	170.7%
Income from Non-Financial Public Enterprises, of which:	434	1,415	225.9%
<i>Revenues from Casino Du Liban</i>	47	153	223.6%
<i>Revenues from Port of Beirut</i>	70	39	-44.1%
<i>Budget Surplus of National Lottery</i>	17	20	23.3%
<i>Transfer from the Telecom Surplus</i>	300	1,202	300.8%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	37	27	-28.7%
Other Income from Public Institutions (interests)	4	7	87.7%
Administrative Fees & Charges, of which:	442	432	-2.3%
Administrative Fees, of which:	354	365	2.9%
<i>Notary Fees</i>	30	32	4.6%
<i>Passport Fees/ General Security</i>	103	169	64.1%
<i>Vehicle Control Fees</i>	181	125	-31.0%
<i>Judicial Fees</i>	19	15	-20.6%
<i>Driving License Fees</i>	8	14	82.6%
Administrative Charges	14	20	41.3%
Sales (Official Gazette and License Number)	1	1	-5.8%
Permit Fees (mostly work permit fees)	49	31	-35.9%
Other Administrative Fees & Charges	24	15	-37.7%
Penalties & Confiscations	12	15	23.1%
Other Non-Tax Revenues (mostly retirement deductibles)	214	236	10.3%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	Jan-Aug 2020	Jan-Aug 2021	% Change 2021/2020
1. Current Expenditures	11,258	10,470	-7.0%
1.a Personnel Cost, of which	6,540	6,231	-4.7%
<i>Salaries, Wages and social benefits</i>	4,083	3,846	-5.8%
<i>Retirement and End of Service Compensations, of which:</i>	2,161	2,113	-2.2%
<i>Retirement</i>	1,894	1,940	2.4%
<i>End of Service</i>	267	173	-35.2%
<i>Transfers to Public Institutions to Cover Salaries</i>	296	272	-8.1%
1.b Interest Payments, of which: ⁽¹⁾	1,973	1,752	-11.2%
<i>Domestic Interest Payments</i>	1,762	1,710	-2.9%
<i>Foreign Interest Payments</i>	212	42	-80.3%
1.d Foreign Debt Principal Repayment	135	117	-13.0%
1.e Materials and Supplies, of which:	245	255	3.9%
<i>Nutrition</i>	35	13	-62.4%
<i>Fuel Oil</i>	4	6	47.8%
<i>Medicaments</i>	164	205	25.0%
1.f External Services	106	88	-17.5%
1.g Various Transfers, of which:	1,725	1,438	-16.6%
<i>EDL ⁽²⁾</i>	952	699	-26.5%
<i>NSSF</i>	0	100	-
<i>Higher Council of Relief</i>	225	175	-22.2%
<i>Contributions to non-public sectors</i>	147	87	-40.9%
<i>Transfers to Directorate General of Cereals and Beetroot ⁽³⁾</i>	0	0	-
1.h Other Current, of which:	468	560	19.5%
<i>Hospitals</i>	393	431	9.7%
<i>Others (judgments & reconciliations, mission costs, other)</i>	71	126	78.2%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	65	29	-55.9%
2. Capital Expenditures	377	186	-50.7%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	52	12	-75.7%
2.c Construction in Progress, of which:	198	134	-32.3%
<i>Displaced Fund</i>	0	0	-
<i>Council of the South</i>	30	22	-26.5%
<i>CDR</i>	79	93	17.8%
<i>Ministry of Public Work and Transport</i>	33	1	-98.0%
<i>Other of which:</i>	53	17	-67.0%
<i>Higher Council of Relief</i>	0	5	-
2.d Maintenance	114	30	-74.1%
2.e Other Expenditures Related to Fixed Capital Assets	14	10	-27.0%
3. Budget Advances ⁽⁴⁾	187	202	7.8%
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	76	74	-3.6%
5. Treasury Expenditures ⁽⁶⁾	1,185	792	-33.1%
Municipalities	289	446	54.3%
Guarantees	57	35	-38.0%
Deposits ⁽⁷⁾	113	71	-37.3%
Other, of which:	726	240	-67.0%
VAT Refund	117	50	-57.3%

6. Total Expenditures (Excluding CDR Foreign Financed)	13,083	11,724	-10.4%
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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-Aug	Jan-Aug	2021/2020
Interest Payments	1,973	1,752	-11.2%
Local Currency Debt	1,762	1,710	-2.9%
Foreign Currency Debt, of which:	212	42	-80.3%
Eurobond Coupon Interest*	157	0	-100.0%
Concessional Loans Interest Payments	54	42	-23.0%
Foreign Debt Principal Repayment	135	117	-13.0%

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-Aug	Jan-Aug	% Change
	2020	2021	2021/2020
EDL of which:	952	699	-26.5%
Debt Service	2.4	2.2	-9.3%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	949	697	-26.6%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Aug-21	% Change Aug 21 / Dec 20
Gross Public Debt	138,150	144,108	148,856	3.3%
Local Currency Debt	87,279	89,762	91,991	2.5%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,505	12.5%
a. Central Bank	50,717	55,079	56,658	2.9%
b. Commercial Banks (Including REPOs)	25,316	23,157	22,689	-2.0%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	12,644	9.7%
<i>Public Entities</i>	9,968	10,393	11,594	11.6%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,871	54,346	56,865	4.6%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	3,020	1.0%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	98	-35.2%
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	739	25.9%
e. Arrears in Coupons	0	3,142	5,062	61.1%
f. Accrued interest in Arrears	0	269	739	174.7%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	18,307	21.0%
Net Debt	122,473	128,975	130,549	1.2%
Gross Market Debt⁽⁵⁾	74,441	75,553	77,539	2.6%
% 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.

