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General Overview

Despite the ongoing economic and financial crisis, the fiscal balance witnessed a remarkable improvement in the first ten months of 2021 compared to the same period in 2020, driven by a sizeable hike of 34.2 percent in revenues along with a 9.4 percent decrease in expenditures due to lower current and capital expenditures.

The **total fiscal balance** registered a surplus of LL 1,418 billion in Jan-Oct 2021 compared to a deficit of LL 4,224 billion during the same period of 2020. In addition, the **primary balance** posted a large surplus of LL 3,740 billion compared to a deficit of LL 1,738 billion a year earlier.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Oct 2020	Jan-Oct 2021	% Change 2021/2020
Total Budget and Treasury Receipts	12,023	16,139	34.2%
Total Budget and Treasury Payments, of which	16,247	14,721	-9.4%
Interest Payments	2,323	2,161	-7.0%
Concessional loans principal payments ⁽¹⁾	162	161	-0.6%
Primary Expenditures ⁽²⁾	13,761	12,399	-9.9%
Total (Deficit)/Surplus	-4,224	1,418	-133.6%
Primary (Deficit)/Surplus	-1,738	3,740	-315.2%

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 4,116 billion (34.2 percent) year-on-year to reach LL 16,139 billion during Jan-Oct 2021.

Tax revenues reached a total of LL 12,245 billion in the first ten months of the year, reflecting an increase of LL 3,753 billion (44.2 percent), compared to a total of LL 8,493 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 950 billion (23.7 percent) year-on-year, in Jan-Oct 2021, driven by an exceptional increase in the **income tax on profits** by LL 1,338 billion (312.8 percent) to reach LL 1,766 billion¹. Meanwhile, **tax on interest income** dropped by LL 790 billion (28.4 percent), as total private sector deposits declined by 7.8 percent between October 2020 and October 2021 from one side, and average interest rates on deposits witnessed a significant drop between Jan-Oct 2020 and Jan-Oct 2021² from the other side. 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 2021. These revenues

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 4.51 percent to 1.83 percent for LL deposits, and from 2.07 percent to 0.41 percent for FX deposits between Jan-Oct 2020 and Jan-Oct 2021.

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

Taxes on property registered an increase of LL 364 billion (33.2 percent) in Jan-Oct 2021, as all its components witnessed considerable year-on-year hikes. In details, **real estate registration fees** increased by LL 141 billion (16.7 percent)³ during Jan-Oct 2021 compared to the same period of 2020. This was accompanied by respective increases of LL 169 billion (200.3 percent) and LL 50 billion (30.7 percent) in **inheritance fees** and **built property tax**.

Also, **domestic taxes on goods and services** hiked by LL 2,171 billion (111.4 percent) year-on-year in Jan-Oct 2021, driven by an increase of LL 2,184 billion (147.3 percent) in the **value added tax**, with repetitive extensions for the tax declarations deadlines related to the first and second quarters of 2021⁴. In details, both the VAT collected internally and the VAT collected at customs recorded respective year-on-year rises of 258.1 percent⁵ and 47.2 percent over the covered period. In contrast, transfers from **Régie profits** declined by LL 43 billion (16.0 percent).

In addition, **taxes on international trade** increased by LL 223 billion (21.1 percent) as **cars excise** and **custom fees** increased by LL 198 billion (182.7 percent) and LL 134 billion (52.6 percent) respectively. On the other hand, **gasoline excise** went down by LL 124 billion (19.3 percent).

Other tax revenues (namely fiscal stamp fees) increased by LL 45 billion (11.7 percent) to reach LL 432 billion in Jan-Oct 2021.

Non-tax revenues rose by LL 553 billion (25.3 percent) to reach LL 2,740 billion during Jan-Oct 2021. In details, **income from public institutions and Government properties** witnessed a year-on-year hike of LL 504 billion (37.8 percent) over the covered period as **transfer from the telecom surplus** increased by LL 560 billion (61.3 percent), and **revenues from Casino du Liban** rose by LL 162 billion (226.3 percent). This was partly offset by a LL 168 billion (77.7 percent) decrease in the **revenues from Port of Beirut** to register LL 48 billion in the first ten months of 2021, and a decline in the **transfer from public financial institution (BDL) from** LL 60 billion during Jan-Oct 2020 to nil during Jan-Oct 2021.

Also, **administrative fees and charges** increased slightly by LL 10 billion (1.8 percent) reaching LL 576 billion over the period under review, due to a rise in **passport fees** by LL 108 billion (78.8 percent), that was mostly counterbalanced by the drop in **vehicle control fees** and **permit fees (mostly work permit fees)** by LL 78 billion (33.7 percent) and LL 19 billion (31.2 percent) respectively.

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 37 billion (13.8 percent) to reach LL 306 billion in Jan-Oct 2021, of which LL 43 billion collected from deductibles related to military salaries and retirement⁶. This increase was mainly driven by the hike in the **revenues from the settlement of building violations** that reached LL 55 billion during Jan-Oct 2021 compared to LL 5 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 32.1 percent during the ten months of 2021 compared to the same period of 2020. This rise more than counterbalanced the 20.0 percent drop witnessed in the average price of these properties.

⁴ As per MoF decisions #322/1 dated 20 May 2021, #361/1 dated 01 June 2021, #462/1 dated 14 July 2021, #485/1 dated 30 July 2021 and #494/1 dated 06 August 2021.

⁵ 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.

⁶ New deductibles introduced as per 2019 Budget law #144 dated 31 July 2019.

Treasury receipts witnessed a decrease of LL 190 billion to reach LL 1,154 billion in Jan-Oct 2021 compared to LL 1,343 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 1,526 billion (9.4 percent) to reach LL 14,721 billion in Jan-Oct 2021 compared to LL 16,247 billion in Jan-Oct 2020.

Current primary expenditures⁷ registered a drop of LL 560 billion (4.9 percent) reaching a total of LL 10,803 billion during the first ten months of 2021. This decline was mainly driven by a decrease in **transfers to Electricité du Liban (EDL)**, **higher council of relief** and **end of service indemnities** by LL 416 billion (37.4 percent), LL 150 billion (46.2 percent) and LL 108 billion (28.0 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase in Jan-Oct 2021, mainly **retirement** expenses, **hospitals** and **others (judgments & reconciliations, mission costs, other)** which rose by LL 264 billion (11.1 percent), LL 57 billion (13.8 percent) and LL 54 billion (65.3 percent), respectively. Also, **transfers to NSSF** reached a total of LL 100 billion during Jan-Oct 2021 compared to LL 50 billion during Jan-Oct 2020.

Interest payments dropped by 162 billion (7.0 percent) in Jan-Oct 2021 as interest payments due on foreign currency debt decreased by LL 171 billion (76.9 percent) after the Government opted to default on its maturing Eurobonds in March 2020, while interest payments on domestic currency slightly increased by LL 9 billion (0.4 percent) during the covered period.

Foreign debt principal repayment witnessed a slight decrease of LL 1 billion (0.6 percent) to register a total of LL 161 billion during Jan-Oct 2021.

Capital expenditures significantly decreased by LL 197 billion (50.3 percent) to reach LL 195 billion in Jan-Oct 2021, as expenses related to **maintenance**, **construction in progress** and **equipment** dropped by LL 85 billion (71.7 percent), LL 65 billion (31.8 percent) and LL 39 billion (75.6 percent), respectively.

Treasury expenditures witnessed a decrease of LL 630 billion (37.7 percent) to reach LL 1,040 billion in Jan-Oct 2021, as **other treasury expenditures** payments dropped by LL 679 (76.4 percent) billion partly due to a decline in **VAT refund** by LL 59 billion (41.1 percent). This drop was partly counterbalanced by a hike in payments to **municipalities** by LL 139 billion (24.1 percent).

Public Debt

Gross public debt stood at LL 150,446 billion by the end of October 2021, increasing by LL 6,338 billion (4.4 percent) from end-2020. On the other hand, **net debt** rose at a slower pace by 2.5 percent to reach LL 132,228 billion as **public sector deposits** significantly increased by LL 3,085 billion (20.4 percent) during the first ten months of 2021.

⁷ Current primary expenditures represent current expenditures excluding interest payment and debt service.

Local currency debt increased by LL 3,189 billion (3.6 percent) to register LL 92,951 billion as of end-October 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 2,330 billion (4.2 percent) to reach LL 57,409 billion by the end of October 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 1,742 billion (16.8 percent) to reach LL 12,135 billion. On the other hand, **TBs held by commercial banks** decreased by LL 778 billion (3.4 percent) to reach LL 22,379 billion by the end of October 2021.

The stock of **foreign currency debt** grew by LL 3,149 billion (5.8 percent) to reach LL 57,495 billion at end-October 2021, reflecting a significant increase of LL 2,129 billion in the **arrears in coupons**. On the other hand, **Paris III related debt** decreased by LL 62 billion compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	Jan-Oct 2020	Jan-Oct 2021	% Change 2021/2020
Budget Revenues, of which:	10,680	14,986	40.3%
Tax Revenues	8,493	12,245	44.2%
Non-Tax Revenues	2,187	2,740	25.3%
Treasury Receipts	1,343	1,154	-14.1%
Total Revenues	12,023	16,139	34.2%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	Jan-Oct 2020	Jan-Oct 2021	% Change 2021/2020
Tax Revenues:	8,493	12,245	44.2%
Taxes on Income, Profits, & Capital Gains, of which:	4,006	4,956	23.7%
Income Tax on Profits	428	1,766	312.8%
Income Tax on Wages and Salaries	649	852	31.4%
Income Tax on Capital Gains & Dividends	121	314	159.3%
Tax on Interest Income	2,787	1,997	-28.4%
Penalties on Income Tax	21	27	28.7%
Taxes on Property, of which:	1,095	1,458	33.2%
Built Property Tax	164	215	30.7%
Real Estate Registration Fees	841	982	16.7%
Domestic Taxes on Goods & Services, of which:	1,949	4,120	111.4%
Value Added Tax	1,482	3,666	147.3%
Other Taxes on Goods and Services, of which:	162	197	21.7%
Private Car Registration Fees	106	118	11.0%
Passenger Departure Tax	56	78	41.0%
Taxes on International Trade, of which:	1,056	1,279	21.1%
Customs	255	389	52.6%
Excises, of which:	802	890	11.1%
Gasoline Excise	643	519	-19.3%
Tobacco Excise	43	56	30.3%
Cars Excise	108	306	182.7%
Other Tax Revenues (namely fiscal stamp fees)	387	432	11.7%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	Jan-Oct 2020	Jan-Oct 2021	% Change 2021/2020
Non-Tax Revenues	2,187	2,740	25.3%
Income from Public Institutions and Government Properties, of which:	1,335	1,839	37.8%
Income from Non-Financial Public Enterprises, of which:	1,230	1,778	44.6%
<i>Revenues from Casino Du Liban</i>	72	234	226.3%
<i>Revenues from Port of Beirut</i>	217	48	-77.7%
<i>Budget Surplus of National Lottery</i>	27	20	-23.1%
<i>Transfer from the Telecom Surplus</i>	915	1,475	61.3%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	40	51	25.6%
Other Income from Public Institutions (interests)	5	10	117.3%
Administrative Fees & Charges, of which:	566	576	1.8%
Administrative Fees, of which:	463	493	6.5%
<i>Notary Fees</i>	40	41	2.1%
<i>Passport Fees/ General Security</i>	138	246	78.8%
<i>Vehicle Control Fees</i>	233	154	-33.7%
<i>Judicial Fees</i>	24	20	-16.3%
<i>Driving License Fees</i>	12	18	50.8%
Administrative Charges	16	23	40.6%
Sales (Official Gazette and License Number)	1	2	10.3%
Permit Fees (mostly work permit fees)	60	41	-31.2%
Other Administrative Fees & Charges	25	17	-31.8%
Penalties & Confiscations	17	19	8.1%
Other Non-Tax Revenues (mostly retirement deductibles)	269	306	13.8%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	Jan-Oct 2020	Jan-Oct 2021	% Change 2021/2020
1. Current Expenditures	13,849	13,125	-5.2%
1.a Personnel Cost, of which	8,211	8,272	0.7%
<i>Salaries, Wages and social benefits</i>	5,064	5,024	-0.8%
<i>Retirement and End of Service Compensations, of which:</i>	2,759	2,915	5.7%
<i>Retirement</i>	2,373	2,637	11.1%
<i>End of Service</i>	386	278	-28.0%
<i>Transfers to Public Institutions to Cover Salaries</i>	388	332	-14.4%
1.b Interest Payments, of which: ⁽¹⁾	2,323	2,161	-7.0%
<i>Domestic Interest Payments</i>	2,101	2,110	0.4%
<i>Foreign Interest Payments</i>	223	51	-76.9%
1.d Foreign Debt Principal Repayment	162	161	-0.6%
1.e Materials and Supplies, of which:	337	295	-12.4%
<i>Nutrition</i>	37	13	-63.4%
<i>Fuel Oil</i>	6	7	6.1%
<i>Medicaments</i>	238	240	1.1%
1.f External Services	127	102	-19.5%
1.g Various Transfers, of which:	2,112	1,482	-29.8%
<i>EDL ⁽²⁾</i>	1,114	698	-37.4%
<i>NSSF</i>	50	100	100.0%
<i>Higher Council of Relief</i>	325	175	-46.2%
<i>Contributions to non-public sectors</i>	197	126	-36.1%
<i>Transfers to Directorate General of Cereals and Beetroot ⁽³⁾</i>	0	0	-
1.h Other Current, of which:	499	607	21.7%
<i>Hospitals</i>	411	468	13.8%
<i>Others(judgments & reconciliations, mission costs, other)</i>	82	136	65.3%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	79	45	-42.5%
2. Capital Expenditures	392	195	-50.3%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	52	13	-75.6%
2.c Construction in Progress, of which:	203	138	-31.8%
<i>Displaced Fund</i>	0	0	-
<i>Council of the South</i>	30	22	-26.5%
<i>CDR</i>	79	95	20.3%
<i>Ministry of Public Work and Transport</i>	33	1	-98.0%
<i>Other of which:</i>	58	20	-65.7%
<i>Higher Council of Relief</i>	5	7	48.1%
2.d Maintenance	118	33	-71.7%
2.e Other Expenditures Related to Fixed Capital Assets	19	10	-45.9%
3. Budget Advances ⁽⁴⁾	252	247	-2.0%
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	84	114	36.0%
5. Treasury Expenditures ⁽⁶⁾	1,670	1,040	-37.7%
Municipalities	574	713	24.1%
Guarantees	71	38	-46.0%
Deposits ⁽⁷⁾	136	79	-41.7%
Other, of which:	889	210	-76.4%
VAT Refund	145	85	-41.1%

6. Total Expenditures (Excluding CDR Foreign Financed)	16,247	14,721	-9.4%
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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 Jan-Oct	2021 Jan-Oct	% Change 2021/2020
Interest Payments	2,323	2,161	-7.0%
Local Currency Debt	2,101	2,110	0.4%
Foreign Currency Debt, of which:	223	51	-76.9%
Eurobond Coupon Interest*	157	0	-100.0%
Concessional Loans Interest Payments	65	51	-21.4%
Foreign Debt Principal Repayment	162	161	-0.6%

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-Oct 2020	Jan-Oct 2021	% Change 2021/2020
EDL of which:	1,114	698	-37.4%
Debt Service	2.7	2.5	-8.6%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,111	695	-37.4%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Oct-21	% Change Oct 21 / Dec 20
Gross Public Debt	138,150	144,108	150,446	4.4%
Local Currency Debt	87,279	89,762	92,951	3.6%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,593	19.1%
a. Central Bank	50,717	55,079	57,409	4.2%
b. Commercial Banks (Including REPOs)	25,316	23,157	22,379	-3.4%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	13,163	14.2%
<i>Public Entities</i>	9,968	10,393	12,135	16.8%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,871	54,346	57,495	5.8%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	3,009	0.6%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	89	-40.8%
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	5,271	67.8%
f. Accrued interest in Arrears	0	269	891	231.2%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	18,218	20.4%
Net Debt	122,473	128,975	132,228	2.5%
Gross Market Debt⁽⁵⁾	74,441	75,553	77,855	3.0%
% 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.

