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General Overview

Despite the ongoing economic and financial crisis, the fiscal balance witnessed a remarkable improvement in the first nine months of 2021 compared to the same period in 2020, driven by a sizeable hike of 31.6 percent in revenues along with a 7.3 percent decrease in expenditures due to lower current and capital expenditures.

The **total fiscal balance** registered a surplus of LL 455 billion in Jan-Sep 2021 compared to a deficit of LL 3,944 billion during the same period of 2020. In addition, the **primary balance** posted a large surplus of LL 2,571 billion compared to a deficit of LL 1,713 billion a year earlier.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-Sep 2020	Jan-Sep 2021	% Change 2021/2020
Total Budget and Treasury Receipts	10,564	13,901	31.6%
Total Budget and Treasury Payments, of which	14,508	13,446	-7.3%
Interest Payments	2,082	1,964	-5.7%
Concessional loans principal payments ⁽¹⁾	148	152	2.6%
Primary Expenditures ⁽²⁾	12,277	11,330	-7.7%
Total (Deficit)/Surplus	-3,944	455	-111.5%
Primary (Deficit)/Surplus	-1,713	2,571	-250.1%

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 increased by LL 3,337 billion (31.6 percent) year-on-year to reach LL 13,901 billion during Jan-Sep 2021.

Tax revenues reached a total of LL 10,429 billion in the first nine months of the year, reflecting an increase of LL 2,750 billion (35.8 percent) compared to a total of LL 7,678 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 732 billion (20.1 percent) year-on-year, in Jan-Sep 2021, driven by an exceptional increase in the **income tax on profits** by LL 1,309 billion (357.0 percent) to reach LL 1,676 billion¹. Meanwhile, **tax on interest income** dropped by LL 775 billion (29.9 percent), as total private sector deposits declined by 8.1 percent between September 2020 and September 2021 and interest rates paid on deposits witnessed a significant drop between Jan-September 2020 and Jan-September 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 during the first two months of 2021. These revenues started to

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 4.67 percent to 1.89 percent for LL deposits, and from 2.18 percent to 0.43 percent for FX deposits between Jan-September 2020 and Jan-September 2021.

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

Taxes on property registered an increase of LL 293 billion (30.4 percent) in Jan-Sep 2021, as all its components witnessed considerable year-on-year hikes. In details, **real estate registration fees** increased by LL 96 billion (13.1 percent)³ during Jan-Sep 2021 compared to the same period of 2020. This was accompanied by respective increases of LL 145 billion (190.3 percent) and LL 49 billion (32.9 percent) in the **inheritance fees** and the **built property tax**.

Also, **domestic taxes on goods and services** hiked by LL 1,483 billion (83.4 percent) year-on-year in Jan-Sep 2021, driven by an increase of LL 1,538 billion (115.4 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 187.8 percent⁶ and 48.0 percent over the covered period. In contrast, transfers from **Régie profits** declined by LL 73 billion (27.1 percent).

In addition, **taxes on international trade** increased by LL 205 billion (21.5 percent) as **cars excise** and **custom fees** increased by LL 181 billion (189.5 percent) and LL 120 billion (53.1 percent) respectively. On the other hand, **gasoline excise** went down by LL 110 billion (18.8 percent).

Other tax revenues (namely fiscal stamp fees) increased by LL 36 billion (10.8 percent) to reach LL 374 billion in Jan-Sep 2021.

Non-tax revenues rose by LL 801 billion (48.9 percent) to reach LL 2,439 billion during Jan-Sep 2021. In details, **income from public institutions and Government properties** witnessed a year-on-year hike of LL 768 billion (88.7 percent) over the covered period as **transfer from the telecom surplus** increased by LL 714 billion (115.2 percent), and **revenues from Casino du Liban** rose by LL 139 billion (250.6 percent). This was partly offset by a decrease in the **transfer from public financial institution (BDL)** from LL 60 billion during Jan-Sep 2020 to nil during Jan-Sep 2021, and a LL 28 billion decline in the **revenues from Port of Beirut** to register LL 42 billion in the first nine months of 2021.

In contrast, **administrative fees and charges** decreased slightly by LL 3 billion (0.5 percent) reaching LL 512 billion over the period under review, due to a decrease in **vehicle control fees**, **Permit Fees (mostly work permit fees)** and **other administrative fees and charges** which dropped by LL 74 billion (34.9 percent), LL 19 billion (34.8 percent) and LL 8 billion (33.3 percent) respectively. On the other hand, **passport fees** witnessed an increase of LL 92 billion (75.4 percent).

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 32 billion (13.4 percent) to reach LL 275 billion in Jan-Sep 2021, of which LL 39 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 46 billion during Jan-Sep 2021 compared to LL 3 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 29.9 percent during the first nine months of 2021 compared to the same period of 2020. This rise more than counterbalanced the 19.4 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 214 billion to reach LL 1,033 billion in Jan-Sep 2021 compared to LL 1,247 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 1,062 billion (7.3 percent) to reach LL 13,446 billion in Jan-Sep 2021 compared to LL 14,508 billion in Jan-Sep 2020.

Current primary expenditures⁸ registered a drop of LL 490 billion (4.8 percent) reaching a total of LL 9,753 billion during the first nine months of 2021. This decline was mainly driven by a decrease in **transfers to Electricité du Liban (EDL)**, **end of service indemnities** and **salaries, wages and social benefits** expenses and by LL 320 billion (31.5 percent), LL 171 billion (46.5 percent) and LL 112 billion (2.4 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase in Jan-Sep 2021, mainly **retirement** expenses, **others (judgments & reconciliations, mission costs, other)** and **medicaments** which rose by LL 156 billion (7.3 percent), LL 53 billion (68.8 percent) and LL 41 billion (22.4 percent), respectively. Also, **transfers to the NSSF** reached a total of LL 100 billion during Jan-Sep 2021 compared to nil during Jan-Sep 2020.

Interest payments dropped by 118 billion (5.7 percent) in Jan-Sep 2021 as interest payments due on foreign currency debt decreased by LL 171 billion (78.6 percent) after the Government opted to default on its maturing Eurobonds in March 2020, while interest payments on domestic currency increased by LL 53 billion (2.8 percent) during the covered period.

Foreign debt principal repayment rose by LL 4 billion (2.6 percent) to register a total of LL 152 billion during Jan-Sep 2021.

Capital expenditures significantly decreased by LL 194 billion (50.6 percent) to reach LL 189 billion in Jan-Sep 2021, as expenses related to **maintenance**, **construction in progress** and **equipment** dropped by LL 84 billion (73.4 percent), LL 67 billion (33.0 percent) and LL 39 billion (75.7 percent), respectively.

Treasury expenditures witnessed a decrease of LL 290 billion (21.2 percent) to reach LL 1,079 billion in Jan-Sep 2021, as **other treasury expenditures** payments dropped by LL 596 (69.5 percent) billion partly due to a decline in **VAT refund** by LL 54 billion (40.5 percent). This drop was partly counterbalanced by a hike in payments to **municipalities** by LL 371 billion (112.4 percent).

Public Debt

Gross public debt stood at LL 149,567 billion by the end of September 2021, increasing by LL 5,459 billion (3.8 percent) from end-2020. On the other hand, **net debt** rose at a slower pace by 2.5 percent to reach LL 132,151 billion as **public sector deposits** increased by LL 2,284 billion (15.1 percent) during the first nine months of 2021.

Local currency debt increased by LL 2,651 billion (3.0 percent) to register LL 92,413 billion as of end-September 2021, compared to LL 89,762 billion as of end-2020. In details, **local**

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

currency debt held by the Central Bank increased by LL 2,013 billion (3.7 percent) to reach LL 57,092 billion by the end of September 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 1,458 billion (14.0 percent) to reach LL 11,851 billion. On the other hand, **TBs held by commercial banks** decreased by LL 724 billion (3.1 percent) to reach LL 22,433 billion by the end of September 2021.

The stock of **foreign currency debt** grew by LL 2,808 billion (5.2 percent) to reach LL 57,154 billion at end-September 2021, reflecting a significant increase of LL 2,078 billion in the **arrears in coupons**. On the other hand, **Paris III related debt** decreased by LL 54 billion compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	Jan-Sep 2020	Jan-Sep 2021	% Change 2021/2020
Budget Revenues, of which:	9,317	12,868	38.1%
Tax Revenues	7,678	10,429	35.8%
Non-Tax Revenues	1,638	2,439	48.9%
Treasury Receipts	1,247	1,033	-17.2%
Total Revenues	10,564	13,901	31.6%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	Jan-Sep 2020	Jan-Sep 2021	% Change 2021/2020
Tax Revenues:	7,678	10,429	35.8%
Taxes on Income, Profits, & Capital Gains, of which:	3,646	4,378	20.1%
Income Tax on Profits	367	1,676	357.0%
Income Tax on Wages and Salaries	559	660	18.1%
Income Tax on Capital Gains & Dividends	110	201	83.0%
Tax on Interest Income	2,592	1,817	-29.9%
Penalties on Income Tax	17	23	34.3%
Taxes on Property, of which:	965	1,259	30.4%
Built Property Tax	148	196	32.9%
Real Estate Registration Fees	737	833	13.1%
Domestic Taxes on Goods & Services, of which:	1,779	3,262	83.4%
Value Added Tax	1,333	2,871	115.4%
Other Taxes on Goods and Services, of which:	146	170	16.1%
Private Car Registration Fees	96	105	9.5%
Passenger Departure Tax	50	65	29.0%
Taxes on International Trade, of which:	952	1,157	21.5%
Customs	226	347	53.1%
Excises, of which:	725	810	11.7%
Gasoline Excise	583	473	-18.8%
Tobacco Excise	40	51	28.5%
Cars Excise	96	277	189.5%
Other Tax Revenues (namely fiscal stamp fees)	338	374	10.8%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	Jan-Sep 2020	Jan-Sep 2021	% Change 2021/2020
Non-Tax Revenues	1,638	2,439	48.9%
Income from Public Institutions and Government Properties, of which:	866	1,635	88.7%
Income from Non-Financial Public Enterprises, of which:	763	1,593	108.8%
<i>Revenues from Casino Du Liban</i>	56	195	250.6%
<i>Revenues from Port of Beirut</i>	70	42	-39.8%
<i>Budget Surplus of National Lottery</i>	17	20	23.3%
<i>Transfer from the Telecom Surplus</i>	620	1,335	115.2%
Transfer from Public Financial Institution (BDL)	60	0	-100.0%
Property Income (namely rent of Rafic Hariri International Airport)	39	35	-11.7%
Other Income from Public Institutions (interests)	4	7	75.1%
Administrative Fees & Charges, of which:	515	512	-0.5%
Administrative Fees, of which:	418	435	4.2%
<i>Notary Fees</i>	36	37	2.9%
<i>Passport Fees/ General Security</i>	123	215	75.4%
<i>Vehicle Control Fees</i>	213	139	-34.9%
<i>Judicial Fees</i>	22	17	-19.9%
<i>Driving License Fees</i>	10	16	57.3%
Administrative Charges	15	23	47.9%
Sales (Official Gazette and License Number)	1	1	0.6%
Permit Fees (mostly work permit fees)	56	36	-34.8%
Other Administrative Fees & Charges	24	16	-33.3%
Penalties & Confiscations	15	17	19.2%
Other Non-Tax Revenues (mostly retirement deductibles)	243	275	13.4%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	Jan-Sep 2020	Jan-Sep 2021	% Change 2021/2020
1. Current Expenditures	12,473	11,868	-4.8%
1.a Personnel Cost, of which	7,461	7,305	-2.1%
<i>Salaries, Wages and social benefits</i>	4,615	4,502	-2.4%
<i>Retirement and End of Service Compensations, of which:</i>	2,500	2,485	-0.6%
<i>Retirement</i>	2,133	2,289	7.3%
<i>End of Service</i>	367	196	-46.5%
<i>Transfers to Public Institutions to Cover Salaries</i>	346	318	-8.2%
1.b Interest Payments, of which: ⁽¹⁾	2,082	1,964	-5.7%
<i>Domestic Interest Payments</i>	1,865	1,917	2.8%
<i>Foreign Interest Payments</i>	217	46	-78.6%
1.d Foreign Debt Principal Repayment	148	152	2.6%
1.e Materials and Supplies, of which:	279	277	-1.0%
<i>Nutrition</i>	37	13	-63.5%
<i>Fuel Oil</i>	4	6	43.5%
<i>Medicaments</i>	184	225	22.4%
1.f External Services	115	93	-19.0%
1.g Various Transfers, of which:	1,824	1,473	-19.3%
<i>EDL ⁽²⁾</i>	1,018	698	-31.5%
<i>NSSF</i>	0	100	-
<i>Higher Council of Relief</i>	225	175	-22.4%
<i>Contributions to non-public sectors</i>	163	119	-26.8%
<i>Transfers to Directorate General of Cereals and Beetroot ⁽³⁾</i>	0	0	-
1.h Other Current, of which:	492	573	16.4%
<i>Hospitals</i>	410	439	7.2%
<i>Others (judgments & reconciliations, mission costs, other)</i>	77	130	68.8%
1.i Other Financial expenses	0	0	-
1.j Interest subsidy	71	32	-54.7%
2. Capital Expenditures	383	189	-50.6%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	0	-
2.b Equipment	52	13	-75.7%
2.c Construction in Progress, of which:	203	136	-33.0%
<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	17	-69.8%
<i>Higher Council of Relief</i>	5	5	-
2.d Maintenance	115	31	-73.4%
2.e Other Expenditures Related to Fixed Capital Assets	14	10	-27.0%
3. Budget Advances ⁽⁴⁾	205	216	5.4%
4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾	77	93	20.5%
5. Treasury Expenditures ⁽⁶⁾	1,369	1,079	-21.2%
Municipalities	330	701	112.4%
Guarantees	64	40	-37.9%
Deposits ⁽⁷⁾	117	76	-35.1%
Other, of which:	858	262	-69.5%
VAT Refund	134	80	-40.5%

6. Total Expenditures (Excluding CDR Foreign Financed)	14,508	13,446	-7.3%
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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-Sep	Jan-Sep	2021/2020
Interest Payments	2,082	1,964	-5.7%
Local Currency Debt	1,865	1,917	2.8%
Foreign Currency Debt, of which:	217	46	-78.6%
Eurobond Coupon Interest*	157	0	-100.0%
Concessional Loans Interest Payments	60	46	-22.4%
Foreign Debt Principal Repayment	148	152	2.6%

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-Sep	Jan-Sep	% Change
	2020	2021	2021/2020
EDL of which:	1,018	698	-31.5%
Debt Service	2.7	2.5	-8.6%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,016	695	-31.5%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-19	Dec-20	Sep-21	% Change Sep 21 / Dec 20
Gross Public Debt	138,150	144,108	149,567	3.8%
Local Currency Debt	87,279	89,762	92,413	3.0%
* <i>Accrued Interest Included in Debt</i>	1,294	1,338	1,550	15.8%
a. Central Bank	50,717	55,079	57,092	3.7%
b. Commercial Banks (Including REPOs)	25,316	23,157	22,433	-3.1%
c. Other Local Currency Debt (T-bills), of which:	11,246	11,526	12,888	11.8%
<i>Public Entities</i>	9,968	10,393	11,851	14.0%
<i>Contractor bonds⁽¹⁾</i>	120	120	120	0.0%
Foreign Currency Debt⁽²⁾	50,871	54,346	57,154	5.2%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,850	2,991	2,986	-0.1%
b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾	242	151	97	-36.0%
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	831	41.6%
e. Arrears in Coupons	0	3,142	5,220	66.1%
f. Accrued interest in Arrears	0	269	814	202.6%
g. Special T-bills in Foreign Currency ⁽⁴⁾	3	0	0	-
Public Sector Deposits	15,677	15,133	17,417	15.1%
Net Debt	122,473	128,975	132,150	2.5%
Gross Market Debt⁽⁵⁾	74,441	75,553	77,592	2.7%
% 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.

