

TABLE OF CONTENTS

Revenues

Page 1-2-3

Expenditures

Page 3

Public Debt Developments

Page 3-4

General Overview

The fiscal deficit witnessed a remarkable improvement in the first five months of 2021 compared to the same period in 2020, driven by significant changes in both expenditures and revenues. In fact, public expenditures dropped by 18.6 percent due to lower current and capital expenditures while government revenues rose by 16.9 percent due to higher tax and non-tax revenues.

The **total fiscal balance** registered a deficit of LL 434 billion in Jan-May 2021 compared to a wider deficit of LL 3,013 billion during the same period of 2020, while the **primary balance** posted a relatively large surplus of LL 732 billion compared to a large deficit of LL 1,079 billion a year earlier.

Table 1: Summary of Fiscal Performance

| (LL billion) | Jan-May 2020 | Jan-May 2021 | % Change 2021/2020 |
|--|-----------------|-----------------|-----------------------|
| Total Budget and Treasury Receipts | 5,697 | 6,658 | 16.9% |
| Total Budget and Treasury Payments, of which | 8,709 | 7,092 | -18.6% |
| Interest Payments | 1,855 | 1,099 | -40.7% |
| Concessional loans principal payments ⁽¹⁾ | 79 | 67 | -15.2% |
| Primary Expenditures ⁽²⁾ | 6,776 | 5,926 | -12.5% |
| Total (Deficit)/Surplus | -3,013 | -434 | -85.6% |
| Primary (Deficit)/Surplus | -1,079 | 732 | - |

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 961 billion (16.9 percent) year-on-year to reach LL 6,658 billion during Jan-May 2021.

Tax revenues reached a total of LL 4,999 billion in the first five months of the year, reflecting an increase of LL 854 billion (20.6 percent) compared to a total of LL 4,144 billion during the same period last year. This increase was mainly driven by a rise in domestic taxes on goods & services and taxes on property, which were partly offset by a drop in taxes on income, profits and capital gains.

In fact, **taxes on income, profits and capital gains** were down by LL 207 billion (9.6 percent) year-on-year, in Jan-May 2021, driven by a drastic drop of LL 589 billion (38.1 percent) in **taxes on interest income** which reached LL 958 billion during the covered period, compared to a total of LL 1,547 billion recorded in Jan-May 2020. In contrast, **income tax on profits** witnessed a relatively significant increase of LL 273 billion (134.3 percent). It is worth mentioning that the year-on-year comparison is highly affected by the lockdowns imposed to face the Covid-19 pandemic. In fact, figures of 2020 tax collections dropped significantly starting mid-March especially with the extension of most tax declaration and payment deadlines, compared to a drop in collections during the first 2 months of the current year¹. Collections started to ameliorate in March 2021 despite the deteriorating economic situation that the country is still facing.

¹ With a lockdown imposed starting 7 January as per COM decision #3 dated 05/01/2021.

Taxes on property registered a large increase of LL 262 billion (77.4 percent) in Jan-May 2021, as all its components witnessed considerable year-on-year hikes with the biggest one being registered in the **real estate registration fees** with LL 139 billion (56.2 percent)². This was followed by respective increases of LL 62 billion (258.6 percent) and LL 60 billion (91.0 percent) in the **inheritance fees** and the **built property tax**.

In addition, **domestic taxes on goods and services** hiked by LL 652 billion (65.2 percent) year-on-year in Jan-May 2021, driven by an increase of LL 737 billion (98.8 percent) in the **value added tax**, as the deadlines for tax declarations related to the first quarter of 2021 were extended twice till end of May 2021³ and afterwards till mid-June 2021⁴. In details, the VAT collected internally and the VAT collected at customs recorded respective year-on-year rises of 150.4 percent⁵ and 45.7 percent over the covered period. In contrast, **passenger departure tax** dropped by LL 11 billion (29.9 percent) during the first five months of the year.

Taxes on international trade increased by LL 113 billion (22.8 percent) as **cars excise** and **custom fees** increased by LL 96 billion (224.6 percent) and LL 62 billion (49.3 percent) respectively. On the other hand, **gasoline excise** went down by LL 47 billion (15.8 percent).

Other tax revenues (namely fiscal stamp fees) increased by LL 34 billion (22.3 percent) to reach LL 186 billion in Jan-May 2021.

Non-tax revenues rose by LL 536 billion (83.2 percent) to reach LL 1,180 billion during Jan-May 2021. In details, **income from public institutions and Government properties** witnessed a year-on-year hike of LL 496 billion (154.8 percent) over the covered period as **transfer from the telecom surplus** increased by LL 506 billion (252.8 percent). This was partly offset by a decrease in **transfer from public financial institution (BDL)** from LL 60 billion during Jan-May 2020 to nil during Jan-May 2021.

In addition, **administrative fees and charges** increased by LL 22 billion (11.2 percent) reaching LL 219 billion over the period under review, due to an increase in most of its sub-categories, with the highest rise being registered in the **passport fees** with LL 25 billion (48.6 percent). In contrast, **other administrative fees and charges** and **permit fees (mostly work permit fees)** dropped by LL 12 billion and LL 6 billion respectively.

In parallel, **other non-tax revenues (mostly retirement deductibles)** increased by LL 14 billion (11.7 percent) to reach LL 134 billion in Jan-May 2021, of which LL 22 billion collected from deductibles related to military salaries and retirement⁶. In addition, exceptional revenues from the settlement of building violations reached LL 18 billion during Jan-May 2021 compared to almost nil a year earlier.

Treasury receipts witnessed a large decrease of LL 429 billion to reach LL 480 billion in Jan-May 2021 compared to LL 909 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

² As per the data from the General Directorate of Land Registry and Cadastre, the number of sold properties significantly increased by 59.0 percent during the first five months of 2021 compared to the same period last year. This rise more than counterbalanced the drop of 23.4 percent in the average price of these properties.

³ As per MoF decision #322/1 dated 20 May 2021.

⁴ As per MoF decision #361/1 dated 01 June 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.

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 1,617 billion (18.6 percent) to reach LL 7,092 billion in Jan-May 2021 compared to LL 8,709 billion in Jan-May 2020.

Current primary expenditures⁷ registered a drop of LL 575 billion (10.0 percent) reaching a total of LL 5,157 billion during the first five months of 2021. This decline was mainly driven by a decrease in **transfers to Electricité du Liban (EDL), salaries, wages and social benefits**, and payments to **hospitals** by LL 189 billion (31.1 percent), LL 173 billion (7.0 percent) and LL 51 billion (19.9 percent), respectively. In contrast, other expenditure items witnessed a year-on-year increase in Jan-May 2021, mainly **transfers to the Higher Council of Relief, retirement costs and others (judgments & reconciliations, mission costs, other)** which rose by LL 100 billion, LL 30 billion and LL 29 billion, respectively.

Interest payments dropped by 755 billion (40.7 percent) in Jan-May 2021 as interest payments due on domestic debt decreased by LL 583 billion (35.2 percent), and those due on foreign currency debt dropped by LL 172 billion (88.1 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 12 billion (15.2 percent) to register a total of LL 67 billion during Jan-May 2021.

Capital expenditures decreased by LL 202 billion (62.3 percent) to reach LL 122 billion in Jan-May 2021, mainly as expenses related to **construction in progress, maintenance and equipment** dropped by LL 85 billion (49.8 percent), LL 84 billion (83.9 percent) and LL 36 billion (77.0 percent), respectively.

Treasury expenditures witnessed a decrease of LL 98 billion (15.6 percent) to reach LL 526 billion in Jan-May 2021, as **other treasury expenditures** payments dropped by LL 158 billion partly due to a decline in **VAT refund** by LL 48 billion. This drop was partly counterbalanced by a hike in payments to **municipalities** by LL 80 billion.

Public Debt

Gross public debt stood at LL 147,966 billion by the end of May 2021, increasing by LL 3,858 billion (2.7 percent) from end-2020. On the other hand, **net debt** rose at a slower pace by 1.3 percent to reach LL 130,656 billion as **public sector deposits** increased by LL 2,177 billion (14.4 percent) during the first five months of 2021.

Local currency debt increased by LL 2,347 billion (2.6 percent) to register LL 92,109 billion as of end-May 2021, compared to LL 89,762 billion as of end-2020. In details, **local currency debt held by the Central Bank** increased by LL 2,000 billion (3.6 percent) to reach LL 57,079 billion by the end of May 2021, followed by a rise in other local currency debt holdings, with **TBs held by public entities** increasing by LL 404 billion (3.9 percent) to reach LL 10,797 billion. On the other hand, **TBs held by commercial banks** slightly decreased by LL 27 billion (0.1 percent) to reach LL 23,130 billion by the end of May 2021.

The stock of **foreign currency debt** grew by LL 1,511 billion (2.8 percent) to reach LL 55,857 billion at end-May 2021, reflecting a significant increase of LL 1,446 billion in the **arrears in coupons**. On the other hand, **accrued interest on Eurobonds and Paris III**

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

related debt decreased by LL 122 billion and LL 51 billion respectively, when compared to the end of 2020.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

| (LL billion) | Jan-May 2020 | Jan-May 2021 | % Change 2021/2020 |
|-----------------------------------|-----------------|-----------------|-----------------------|
| Budget Revenues, of which: | 4,788 | 6,178 | 29.0% |
| Tax Revenues | 4,144 | 4,999 | 20.6% |
| Non-Tax Revenues | 644 | 1,180 | 83.2% |
| Treasury Receipts | 909 | 480 | -47.2% |
| Total Revenues | 5,697 | 6,658 | 16.9% |

Source: MOF, DGF

Table 3: Tax Revenues

| (LL billion) | Jan-May 2020 | Jan-May 2021 | % Change 2021/2020 |
|---|-----------------|-----------------|-----------------------|
| Tax Revenues: | 4,144 | 4,999 | 20.6% |
| Taxes on Income, Profits, & Capital Gains, of which: | 2,158 | 1,951 | -9.6% |
| Income Tax on Profits | 304 | 417 | 134.3% |
| Income Tax on Wages and Salaries | 356 | 419 | 17.9% |
| Income Tax on Capital Gains & Dividends | 44 | 88 | 101.0% |
| Tax on Interest Income | 1,547 | 958 | -38.1% |
| Penalties on Income Tax | 7 | 9 | 23.0% |
| Taxes on Property, of which: | 338 | 600 | 77.4% |
| Built Property Tax | 66 | 127 | 91.0% |
| Real Estate Registration Fees | 248 | 387 | 56.2% |
| Domestic Taxes on Goods & Services, of which: | 1,001 | 1,653 | 65.2% |
| Value Added Tax | 746 | 1,482 | 98.8% |
| Other Taxes on Goods and Services, of which: | 68 | 75 | 9.4% |
| Private Car Registration Fees | 30 | 48 | 60.6% |
| Passenger Departure Tax | 38 | 27 | -29.9% |
| Taxes on International Trade, of which: | 495 | 608 | 22.8% |
| Customs | 126 | 189 | 49.3% |
| Excises, of which: | 368 | 419 | 13.8% |
| Gasoline Excise | 296 | 249 | -15.8% |
| Tobacco Excise | 27 | 27 | 1.3% |
| Cars Excise | 43 | 139 | 224.6% |
| Other Tax Revenues (namely fiscal stamp fees) | 152 | 186 | 22.3% |

Source: MOF, DGF

Table 4: Non-Tax Revenue

| (LL billion) | Jan-May | Jan-May | % Change |
|---|------------|--------------|---------------|
| | 2020 | 2021 | 2021/2020 |
| Non-Tax Revenues | 644 | 1,180 | 83.2% |
| Income from Public Institutions and Government Properties, of which: | 321 | 817 | 154.8% |
| Income from Non-Financial Public Enterprises, of which: | 235 | 797 | 239.8% |
| <i>Revenues from Casino Du Liban</i> | 28 | 47 | 67.9% |
| <i>Revenues from Port of Beirut</i> | 0 | 24 | - |
| <i>Budget Surplus of National Lottery</i> | 6 | 20 | 226.4% |
| <i>Transfer from the Telecom Surplus</i> | 200 | 706 | 252.8% |
| Transfer from Public Financial Institution (BDL) | 60 | 0 | -100.0% |
| Property Income (namely rent of Rafic Hariri International Airport) | 25 | 17 | -32.6% |
| Other Income from Public Institutions (interests) | 1 | 3 | 133.7% |
| Administrative Fees & Charges, of which: | 197 | 219 | 11.2% |
| Administrative Fees, of which: | 144 | 181 | 25.5% |
| <i>Notary Fees</i> | 14 | 18 | 33.1% |
| <i>Passport Fees/ General Security</i> | 51 | 76 | 48.6% |
| <i>Vehicle Control Fees</i> | 59 | 66 | 11.2% |
| <i>Judicial Fees</i> | 8 | 9 | 8.4% |
| <i>Driving License Fees</i> | 3 | 7 | 118.6% |
| Administrative Charges | 10 | 12 | 24.2% |
| Sales (Official Gazette and License Number) | 1 | 1 | -12.0% |
| Permit Fees (mostly work permit fees) | 23 | 18 | -23.9% |
| Other Administrative Fees & Charges | 19 | 7 | -60.8% |
| Penalties & Confiscations | 6 | 10 | 57.8% |
| Other Non-Tax Revenues (mostly retirement deductibles) | 120 | 134 | 11.7% |

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

| (LL billion) | Jan-May 2020 | Jan-May 2021 | % Change 2021/2020 |
|---|-----------------|-----------------|-----------------------|
| 1. Current Expenditures | 7,665 | 6,323 | -17.5% |
| 1.a Personnel Cost, of which | 4,051 | 3,830 | -5.5% |
| <i>Salaries, Wages and social benefits</i> | 2,484 | 2,311 | -7.0% |
| <i>Retirement and End of Service Compensations, of which:</i> | 1,367 | 1,367 | 0.1% |
| <i>Retirement</i> | 1,177 | 1,207 | 2.6% |
| <i>End of Service</i> | 190 | 160 | -15.6% |
| <i>Transfers to Public Institutions to Cover Salaries</i> | 200 | 151 | -24.1% |
| 1.b Interest Payments, of which: ⁽¹⁾ | 1,855 | 1,099 | -40.7% |
| <i>Domestic Interest Payments</i> | 1,659 | 1,076 | -35.2% |
| <i>Foreign Interest Payments</i> | 195 | 23 | -88.1% |
| 1.d Foreign Debt Principal Repayment | 79 | 67 | -15.2% |
| 1.e Materials and Supplies, of which: | 130 | 142 | 9.2% |
| <i>Nutrition</i> | 24 | 12 | -51.6% |
| <i>Fuel Oil</i> | 2 | 3 | 90.9% |
| <i>Medicaments</i> | 80 | 106 | 31.3% |
| 1.f External Services | 72 | 56 | -21.9% |
| 1.g Various Transfers, of which: | 1,138 | 833 | -26.8% |
| <i>EDL ⁽²⁾</i> | 607 | 418 | -31.1% |
| <i>NSSF</i> | 0 | 0 | - |
| <i>Higher Council of Relief</i> | 75 | 175 | 133.3% |
| <i>Contributions to non-public sectors</i> | 83 | 46 | -44.6% |
| <i>Transfers to Directorate General of Cereals and Beetroot ⁽³⁾</i> | 0 | 0 | - |
| 1.h Other Current, of which: | 298 | 27 | -7.1% |
| <i>Hospitals</i> | 256 | 205 | -19.9% |
| <i>Others (judgments & reconciliations, mission costs, other)</i> | 41 | 71 | 71.8% |
| 1.i Other Financial expenses | 0 | 0 | - |
| 1.j Interest subsidy | 22 | 18 | -56.4% |
| 2. Capital Expenditures | 324 | 122 | -62.3% |
| 2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks | 0 | 0 | 223.0% |
| 2.b Equipment | 46 | 11 | -77.0% |
| 2.c Construction in Progress, of which: | 172 | 86 | -49.8% |
| <i>Displaced Fund</i> | 0 | 0 | - |
| <i>Council of the South</i> | 23 | 12 | -47.2% |
| <i>CDR</i> | 79 | 55 | -29.9% |
| <i>Ministry of Public Work and Transport</i> | 30 | 1 | -97.8% |
| <i>Other of which:</i> | 37 | 17 | -54.4% |
| <i>Higher Council of Relief</i> | 0 | 5 | - |
| 2.d Maintenance | 100 | 16 | -83.9% |
| 2.e Other Expenditures Related to Fixed Capital Assets | 6 | 9 | 66.1% |
| 3. Budget Advances ⁽⁴⁾ | 40 | 79 | 99.1% |
| 4. Customs Administration (exc. Salaries and Wages) ⁽⁵⁾ | 57 | 41 | -26.8% |
| 5. Treasury Expenditures ⁽⁶⁾ | 624 | 526 | -15.6% |
| Municipalities | 214 | 294 | 36.4% |
| Guarantees | 46 | 24 | -47.8% |
| Deposits ⁽⁷⁾ | 48 | 51 | 6.0% |
| Other, of which: | 315 | 157 | -50.2% |
| VAT Refund | 74 | 27 | -64.2% |

| | | | |
|---|--------------|--------------|---------------|
| 6. Total Expenditures (Excluding CDR Foreign Financed) | 8,709 | 7,092 | -18.6% |
|---|--------------|--------------|---------------|

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-May | Jan-May | 2021/2020 |
| Interest Payments | 1,855 | 1,099 | -40.7% |
| Local Currency Debt | 1,659 | 1,076 | -35.2% |
| Foreign Currency Debt, of which: | 195 | 23 | -88.1% |
| Eurobond Coupon Interest* | 157 | 0 | -100.0% |
| Concessional Loans Interest Payments | 38 | 23 | -38.6% |
| Foreign Debt Principal Repayment | 79 | 67 | -15.2% |

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-May | Jan-May | % Change |
|---|------------|------------|---------------|
| | 2020 | 2021 | 2021/2020 |
| EDL of which: | 607 | 418 | -31.1% |
| Debt Service | 1.9 | 0.3 | -84.7% |
| Reimbursement for purchase of Natural Gas, Fuel & Gas Oil | 605 | 418 | -31.0% |

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

| (LL billion) | Dec-19 | Dec-20 | May-21 | % Change May 21 / Dec 20 |
|--|----------------|----------------|----------------|--------------------------------|
| Gross Public Debt | 138,150 | 144,108 | 147,966 | 2.7% |
| Local Currency Debt | 87,279 | 89,762 | 92,109 | 2.6% |
| * <i>Accrued Interest Included in Debt</i> | 1,294 | 1,338 | 1,527 | 14.1% |
| a. Central Bank | 50,717 | 55,079 | 57,079 | 3.6% |
| b. Commercial Banks (Including REPOs) | 25,316 | 23,157 | 23,130 | -0.1% |
| c. Other Local Currency Debt (T-bills), of which: | 11,246 | 11,526 | 11,900 | 3.2% |
| <i>Public Entities</i> | 9,968 | 10,393 | 10,797 | 3.9% |
| <i>Contractor bonds⁽¹⁾</i> | 120 | 120 | 120 | 0.0% |
| Foreign Currency Debt⁽²⁾ | 50,871 | 54,346 | 55,857 | 2.8% |
| a. Bilateral, Multilateral and Foreign Private Sector Loans | 2,850 | 2,991 | 2,982 | -0.3% |
| b. Paris III Related Debt (Eurobonds and Loans) ⁽³⁾ | 242 | 151 | 100 | -34.0% |
| 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 | 465 | -20.8% |
| e. Arrears in Coupons | 0 | 3,142 | 4,588 | 46.0% |
| f. Accrued interest in Arrears | 0 | 269 | 516 | 91.8% |
| g. Special T-bills in Foreign Currency ⁽⁴⁾ | 3 | 0 | 0 | - |
| Public Sector Deposits | 15,677 | 15,133 | 17,310 | 14.4% |
| Net Debt | 122,473 | 128,975 | 130,656 | 1.3% |
| Gross Market Debt⁽⁵⁾ | 74,441 | 75,553 | 77,067 | 2.0% |
| % 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.

