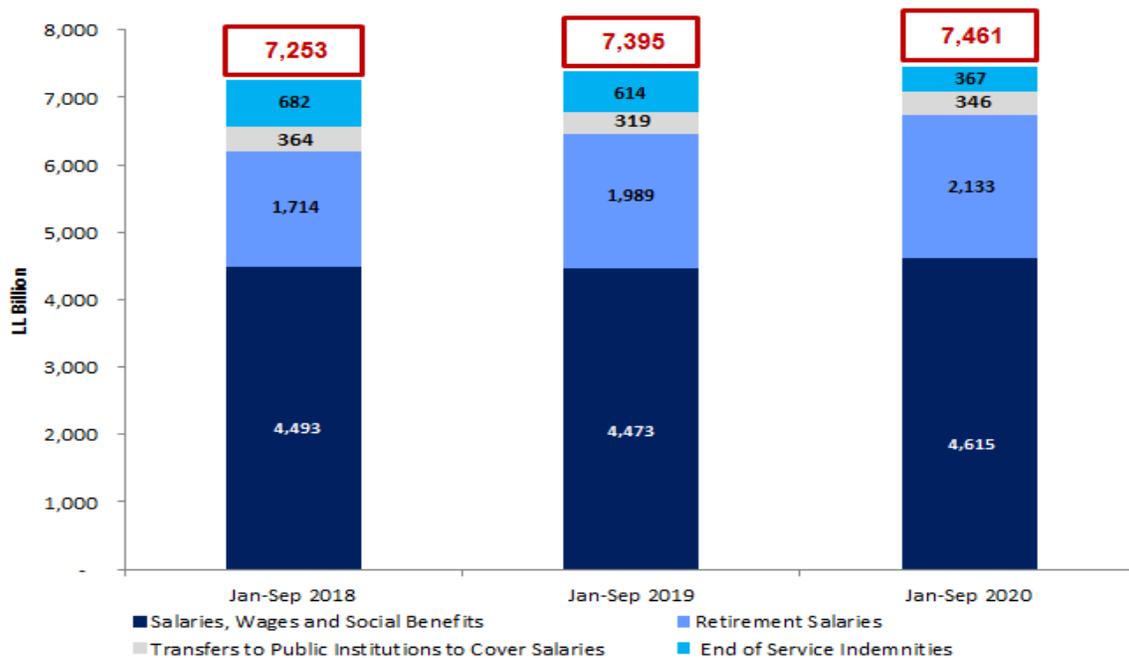


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> slightly increased by LL 66 billion (0.9 percent) year-on-year during Jan-Sep 2020 to reach LL 7,461 billion compared to LL 7,395 billion during the same period of 2019<sup>2</sup>. This increase was due to the rise witnessed in the payments related to (i) retirement compensations by LL 144 billion (7.2 percent), (ii) salaries, wages and social benefits by LL 142 billion (3.2 percent) and (iii) transfers to public institutions to cover salaries by LL 27 billion (8.6 percent). In contrast, end of service indemnities was the only component to register a year-on-year drop of LL 247 billion (40.2 percent), reaching a total of LL 367 billion by the end of September 2020.

Figure 1. Personnel Cost Breakdown by Component in Jan-Sep 2018, Jan-Sep 2019 and Jan-Sep 2020



Source: Ministry of Finance, Directorate General of Finance

### I.B. Share of Personnel Cost from Expenditures

Personnel cost constituted the main bulk of the current primary expenditures<sup>3</sup>, as it contributed to 66.0 percent in Jan-Sep 2018, rising up to 72.2 percent in Jan-Sep 2019<sup>4</sup> and to 72.8 percent in Jan-Sep 2020. Compared to total expenditures, personnel cost represented

<sup>1</sup> Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

<sup>2</sup> The figures used are those published in the Public Finance Monitor report – September 2020.

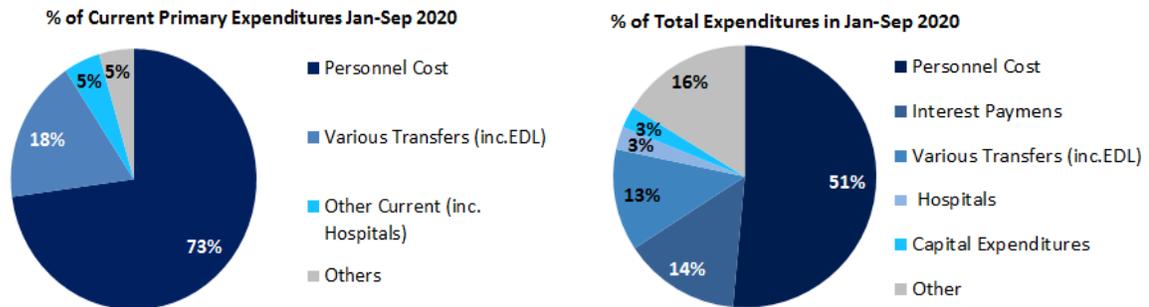
<sup>3</sup> Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

<sup>4</sup> At the time where personnel cost increased y-o-y by 2.0 percent during Jan-Sept 2019, current primary expenditures registered a significant drop of 6.8 percent, mainly as “various transfers” decreased by 21.6 percent over the covered period.

36.5 percent of total expenditures in Jan-Sep 2018, rising up significantly to 40.6 percent of the total in Jan-Sep 2019 and keeping the upward trend afterwards, to reach 51.4 percent of the total in the same period of 2020. The main reason behind the increase in the personnel cost as a share of total expenditures lies in a lower expenditure base with a year-on-year drop of 8.3 percent and 20.4 percent during Jan-Sep 2019 and Jan-Sep 2020 respectively.

The following figures represent the composition of total expenditures and current primary expenditures during the first three quarters of 2020:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Sep 2020**



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include payments to hospitals, judgments and reconciliation, mission costs, accounting adjustments and external services.

## II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 140 billion year-on-year to reach LL 4,614 billion in Jan-Sep 2020. Overall, this growth was mainly the result of a LL 144 billion (30.5 percent) increase in allowances paid to the military personnel adding to a LL 65 billion (34.3 percent) rise in the Government subscription and contributions to the public employees Cooperative and a hike of LL 38 billion (1.7 percent) in salaries and wages paid to the military personnel. These increases were partly offset by a drop of LL 119 billion (12.7 percent) in salaries and wages paid to the education personnel.

In terms of composition, "salaries and wages" constituted 75.6 percent<sup>5</sup> of total payments for salaries, wages and related benefits to public sector employees in Jan-Sep 2020, followed by "allowances" (13.4 percent)<sup>6</sup> and "employment benefits" (3.1 percent), while "other payments" and "unclassified allowances" represented the remaining 7.9 percent of the total.

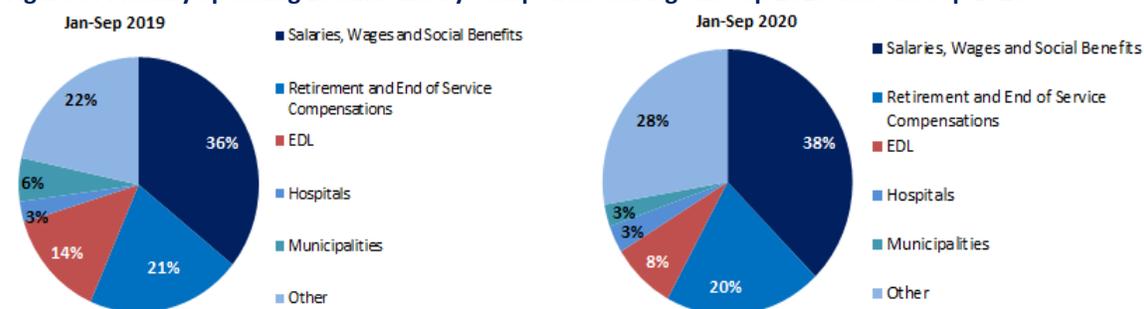
Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 35.8 percent in Jan-Sep 2019 to 37.6 percent in Jan-Sep 2020.

The following figures represent the primary spending breakdown by component during the period under review.

<sup>5</sup> Down from 79.8 percent during the same period of 2019.

<sup>6</sup> Compared to a share of 10.6 percent in Jan-Sep 2019.

**Figure 3. Primary Spending Breakdown by Component during Jan-Sep 2019 and Jan-Sep 2020**



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include transfers to CDR, transfers to public institutions to cover salaries, contributions to non-public sectors, VAT refund, and medicaments.

**Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Sep 2019 and Jan-Sep 2020<sup>7</sup>**

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
<b>Military Personnel</b>	<b>2,255</b>	<b>2,293</b>	<b>74</b>	<b>74</b>	<b>472</b>	<b>616</b>	<b>5</b>	<b>2</b>	<b>2,806</b>	<b>2,985</b>
Army	1,481	1,496	49	50	308	356	1	0	1,839	1,903
Internal Security Forces	568	586	20	20	134	212	4	2	726	820
General Security Forces	155	158	4	3	19	34	1	0	179	195
State Security Forces	51	52	1	1	11	13	0	0	63	67
<b>Education Personnel</b>	<b>933</b>	<b>815</b>	<b>44</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>30</b>	<b>987</b>	<b>878</b>
<b>Civilian Personnel 1/</b>	<b>382</b>	<b>379</b>	<b>44</b>	<b>36</b>	<b>2</b>	<b>2</b>	<b>24</b>	<b>37</b>	<b>451</b>	<b>454</b>
<b>Government contribution to employees cooperative 2/</b>							<b>189</b>	<b>254</b>	<b>189</b>	<b>254</b>
<b>Customs Salaries 3/</b>									<b>41</b>	<b>44</b>
<b>Total</b>	<b>3,570</b>	<b>3,487</b>	<b>162</b>	<b>143</b>	<b>474</b>	<b>618</b>	<b>227</b>	<b>323</b>	<b>4,474</b>	<b>4,614</b>

1/Includes salaries payments made to the Ministry of Public Health from the Guarantees account.

2/Government contribution to employees cooperative is provided to both the education and civil personnel. However, the allocation between the two types of personnel is not available and therefore is presented in a separate line item.

3/Includes salaries and wages and indemnities payment from guarantees account but excludes payments for allowances which are made from Customs Cashiers and can only be reclassified once Customs has sent the supporting document to the Directorate General of Finance.

4/Includes payments for family, transportation, overtime as well as various indemnities (including committee compensation and tax returns).

5/Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances, which are provided to military personnel only.

6/Amounts given to non-military bodies and includes (i) payments of bonuses, (ii) State contributions to the Mutual Funds covering Member of Parliaments, employees of the Lebanese University, judges, judges' aides and Islamic tribunal judges and (iii) State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civilian Servant Cooperative.

<sup>7</sup> Figures slightly differ from the aggregated ones in the Public Finance Monitor due to the rounding effect.

## **II.A. Salaries and Wages**

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, decreased by LL 83 billion (2.3 percent) to reach LL 3,487 billion in Jan-Sep 2020. This decline was primarily the result of a contraction in salary payments for the education personnel.

### ***II.A.a. Salaries and Wages of Military Personnel***

Salaries and wages to the military personnel slightly increased by LL 38 billion (1.7 percent) in Jan-Sep 2020 compared to the same period of 2019. This was mainly attributed to a rise in salary payments to the Internal Security Forces by LL 18 billion (3.1 percent) and to the Army by LL 15 billion (1.0 percent). In details, payments to the Internal Security Forces increased due to a LL 20 billion year-on-year hike in payments related to clothing. As for the rise registered in payments for the Army, it is worth to mention that it is due to a LL 20 billion increase in the basic salaries paid, while the payments covering trainings abroad dropped by LL 5 billion.

### ***II.A.b. Salaries and Wages of Education Personnel***

Salaries and wages of the education personnel significantly decreased by LL 119 billion (12.7 percent) year-on-year and stood at LL 815 billion in Jan-Sep 2020. The drop was due to lower salary payments to (i) contractuels at the Directorate General of Vocational Training by LL 112 billion<sup>8</sup>, (ii) trainees at the secondary education by LL 21 billion and (iii) permanent personnel at the primary education by LL 20 billion. This was partly offset by a LL 39 billion rise in salary payments for the permanent personnel at the secondary education.

### ***II.A.c. Salaries and Wages of Civilian Personnel***

Salaries and wages to civilian personnel decreased by LL 2 billion (0.7 percent) year-on-year compared to the same period a year earlier, to reach LL 379 billion in Jan-Sep 2020. At the level of the ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill during the covered period, with a share of 17.7 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (16.1 percent of the total) and the Ministry of Finance (12.1 percent of the total). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Public works and transportation witnessed the most notable nominal year-on-year increase in salaries and wages in Jan-Sep 2020 with LL 2.1 billion (10.2 percent). In contrast, the Ministry of Public Health witnessed a decrease in salary payments by a LL 2.1 billion (10.6 percent).

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<sup>8</sup> In January 2019, an exceptional payment of LL 48 billion was made to contractuels at the DGVV covering 30 percent of their fees pertaining to the academic year 2017/2018 according to decisions # 221, 222, 243, 244 dated 21/12/2018. Also, a total of LL 152 billion was paid in August 2019 covering 90 percent of the contractuels' fees related to the academic year 2018/2019 as per decisions # 97, 98, 99 & 100 dated 02/08/2019.

**Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Sep 2019 and Jan-Sep 2020**

(LL million)	Jan-Sep 2019	Jan-Sep 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	67,787	67,092	17.7%
Ministry of Justice	61,242	61,210	16.1%
Ministry of Finance	45,463	45,800	12.1%
Presidency of the Council of Ministers	36,456	35,833	9.5%
Parliament	32,491	32,369	8.5%
Ministry of Public Works and Transportation	20,362	22,444	5.9%
Ministry of Agriculture	19,439	19,180	5.1%
Ministry of Public Health	20,123	17,990	4.7%
Ministry of Interior & Municipalities	13,207	13,242	3.5%
Ministry of National Defense	12,137	12,414	3.3%
Other	52,867	51,515	13.6%
<b>Total</b>	<b>381,573</b>	<b>379,088</b>	<b>100%</b>

Source: Ministry of Finance, Directorate General of Finance

## **II.B. Payment of Allowances**

The cumulative payment of allowances to public sector employees increased significantly by LL 144 billion (30.3 percent) to reach LL 618 billion in Jan-Sep 2020. The hike was mainly due to a LL 78 billion (58.0 percent) rise in allowances paid to the Internal Security Forces reaching LL 212 billion, and a LL 48 billion (15.6 percent) increase in allowances disbursed to the Army reaching LL 356 billion by the end of September 2020. In addition, allowances disbursed to the General Security Forces increased by LL 16 billion (82.9 percent) during the covered period to reach LL 34 billion in Jan-Sep 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 78 billion (58.0 percent) mostly due to a LL 64 billion rise in hospital expenses and a LL 14 billion increase in sickness and maternity expenses and a LL 7 billion in expenses related to treatments in different medical centers. These increases were partly offset by the drop of LL 11 billion in school indemnities.

In addition, allowances paid to the Army increased by LL 48 billion, mainly because of a LL 36 billion hike in hospital expenses along with a LL 25 billion increase in sickness and maternity expenses partly counterbalanced by a decrease of LL 21 billion in school indemnities.

Lastly, allowances paid to the General Security Forces rose by LL 16 billion in Jan-Sep 2020 compared to the same period 2019, given a rise in hospital expenses by LL 9 billion along with an LL 8 billion hike in sickness and maternity expenses.

## **II.C. Government subscription and contributions in the Employees Cooperative**

Payments covering the government subscription and contributions to the Employees Cooperative reached LL 254 in Jan-Sep 2020 compared to LL 189 billion a year earlier.



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