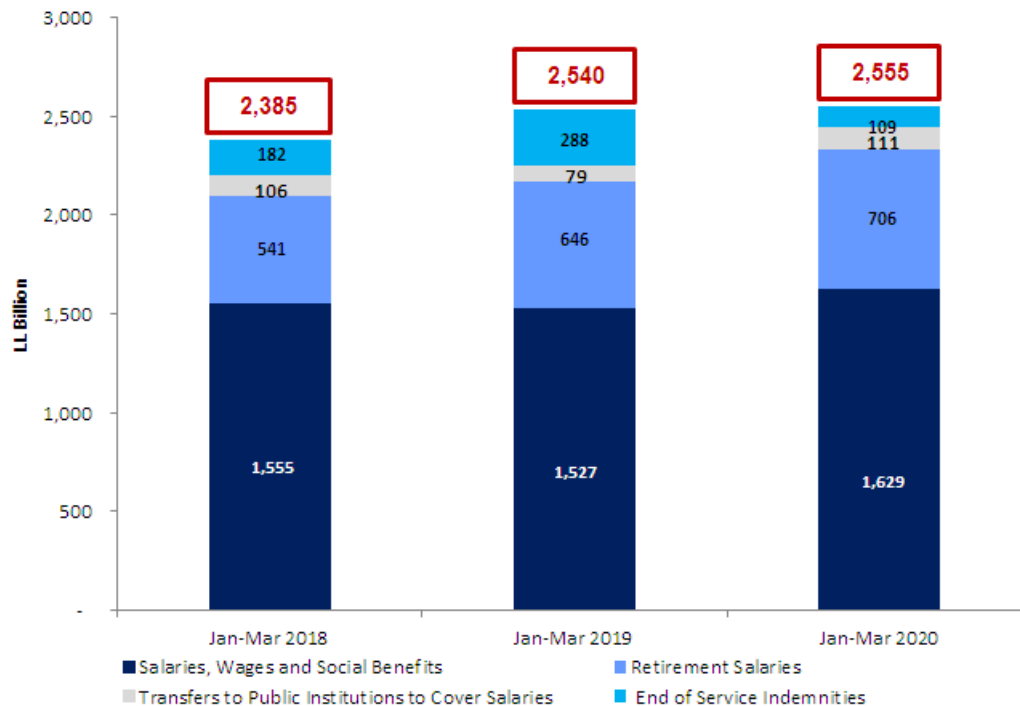


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 15 billion (0.6 percent) year-on-year during Jan-Mar 2020 to reach LL 2,555 billion compared to LL 2,540 billion during the same period of 2019². The rise was mainly driven by the increase in salaries, wages and related benefits moving up by LL 102 billion (6.7 percent) to reach LL 1,629 billion in Jan-Mar 2020. In addition, retirement increased by LL 60 billion (9.3 percent) amounting to LL 706 billion and transfers to public institutions to cover salaries rose by LL 32 billion (40.8 percent) to reach LL 111 billion during the period under consideration. In contrast, end of service compensations dropped year-on-year by LL 179 billion (62.1 percent) during the first quarter of 2020.

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



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost formed the main bulk of current primary expenditures³, as it contributed to 63.7 percent in Jan-Mar 2018, rising up to 76.5 percent in Jan-Mar 2019 before dropping down to 65.9 percent in Jan-Mar 2020. Moreover, personnel cost represented 35.0 percent of total

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

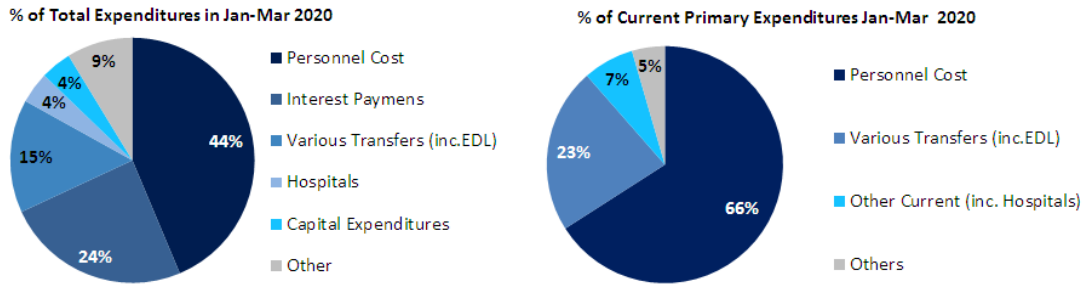
² The figures used are those published in the Public Finance Monthly Monitor report – Mar 2020.

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

expenditures in Jan-Mar 2018, rising to 47.5 percent of the total in Jan-Mar 2019 before dropping down to 43.7 percent of the total in the same period of 2020. The main reason behind the decrease in the personnel cost as a share of current primary expenditures and of total expenditures lies in a higher expenditure base with respective year-on-year rises of 16.7 percent and 9.5 percent during Jan-Mar 2020.

The following figures represent the composition of total expenditures and current primary expenditures in Jan-Mar 2020:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Mar 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 102 billion year-on-year to LL 1,629 billion in Jan-Mar 2020. Overall, this growth was mainly the result of a LL 119 billion increase in allowances paid for military personnel, partly offset by the drop of (i) LL 53 billion in salaries and wages to education personnel and (ii) LL 15 billion in salaries and wages paid to the military personnel.

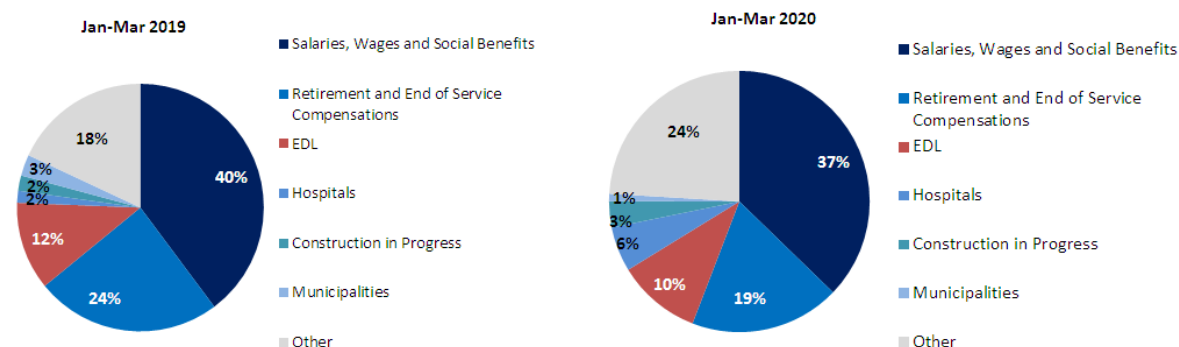
In terms of composition, salaries and wages constituted 68.9 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Mar 2020, followed by allowances (21.0 percent) and employment benefits (4.0 percent), while “other payments” and “unclassified allowances” represented the remaining 6.0 percent of the total.

Furthermore, salaries, wages and related benefits represented 39.8 percent of total primary spending in Jan-Mar 2019 and dropped to 37.2 percent of the total in Jan-Mar 2020.

The following figures present the primary spending breakdown by component during the month under review⁴.

⁴ The main reason behind the decrease in the share of salaries, wages and related benefits from primary expenditure compared to Jan-Mar 2019, is rooted in a significantly higher base level of total primary expenditures in Jan-Mar 2020, increasing by 14.0 percent year-on-year, driven mainly by higher transfers and payments for hospitals.

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

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Military Personnel	761	747	28	27	223	343	1	2	1,014	1,118
Army	498	491	19	19	195	211	0	0	712	721
Internal Security Forces	189	191	7	7	21	116	0	2	217	316
General Security Forces	57	48	2	1	5	13	1	0	65	61
State Security Forces	17	18	1	0	2	2	0	0	19	20
Education Personnel	300	247	18	24	0	0	0	6	318	276
Civilian Personnel 1/	131	129	13	14	0	0	12	14	156	158
Government contribution to employees cooperative 2/							20	56	20	56
Customs Salaries 3/									19	20
Total	1,191	1,123	59	65	223	343	34	78	1,527	1,629

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.

II.A. Salaries and Wages

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, dropped by LL 69 billion (5.8 percent) to reach LL 1,123 billion in Jan-Mar 2020. This decline was primarily the result of a contraction in the salary payments for education and military personnel.

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

Salaries and wages to military personnel decreased by LL 15 billion (1.9 percent) in Jan-Mar 2020 compared to the same period of 2019. This was mainly attributed to a drop in salary payments to the General Security Forces and the Army which fell by LL 9 billion and LL 7 billion respectively. In details, basic salaries paid for the Army dropped by LL 6 billion compared to the same period last year, while the drop in payments for the General Security Forces was attributed to a LL 8 billion decline in clothing indemnities.

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

Salaries and wages of education personnel significantly decreased by LL 53 billion (17.7 percent) year-on-year and stood at LL 247 billion in Jan-Mar 2020. The drop was due to lower salary payments to contractuales at the Directorate General of Vocational Training by LL 48 billion⁵, coupled with a drop of LL 6 billion and LL 2 billion in salary payments to the permanent personnel at the primary education and trainees at the secondary education respectively. This was slightly offset by a LL 13 billion rise in payments for the permanent personnel at the secondary education.

II.A.c Salaries and Wages of Civilian Personnel

Salaries and wages to civilian personnel declined by LL 1 billion (0.8 percent) year-on-year compared to the same period a year earlier, to reach LL 129 billion in Jan-Mar 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 20.1 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (15.8 percent of the total) and the Ministry of Finance (11.5 percent of the total). (For further details, kindly refer to table 2)

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

(LL million)	Jan-Mar 2019	Jan-Mar 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	25,829	26,045	20.1%
Ministry of Justice	20,467	20,499	15.8%
Ministry of Finance	15,191	14,860	11.5%
Presidency of the Council of Ministers	12,127	11,909	9.2%
Parliament	10,916	10,640	8.2%
Ministry of Public Works and Transportation	7,294	7,997	6.2%
Ministry of Agriculture	6,410	6,343	4.9%
Ministry of Public Health	6,228	5,462	4.2%
Ministry of Interior & Municipalities	4,390	4,415	3.4%
Ministry of National Defense	3,959	4,057	3.1%
Other	17,774	17,262	13.3%
Total	130,585	129,488	100%

Source: Ministry of Finance, Directorate General of Finance

⁵ In January 2019, an exceptional payment of LL 48 billion was made to contractuales at the DGVT covering 30 percent of their fees pertaining to the academic year 2017/2018 according to decisions # 221, 222, 243, 244 dated 21/12/2018.

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees increased significantly by LL 119 billion (53.4 percent) to reach LL 343 billion during Jan-Mar 2020. The hike was mainly due to a LL 95 billion rise in allowances paid to the Internal Security Forces reaching LL 116 billion and a LL 17 billion increase in allowances disbursed to the Army reaching LL 211 billion by the end of the first quarter of 2020. Also, allowances disbursed to the General Security Forces increased by LL 7 billion during the covered period to reach LL 13 billion in Jan-Mar 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 95 billion to reach LL 116 billion in the covered period, mostly due to an LL 81 billion rise in hospital expenses, followed by an increase of LL 8 billion in treatment costs in medical centers.

In addition, allowances paid to the Army increased by LL 17 billion, mainly as a result of a rise of LL 14 billion in hospital expenses along with a LL 4 billion in sickness and maternity expenses.

Lastly, allowances paid to the General Security Forces rose by LL 7 billion in Jan-Mar 2020 relative to the same period 2019, given a LL 5 billion rise in hospital expenses.

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

Payments to government subscription and contributions to the Employees Cooperative reached LL 56 in Jan-Mar 2020 compared to LL 20 billion a year earlier.



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