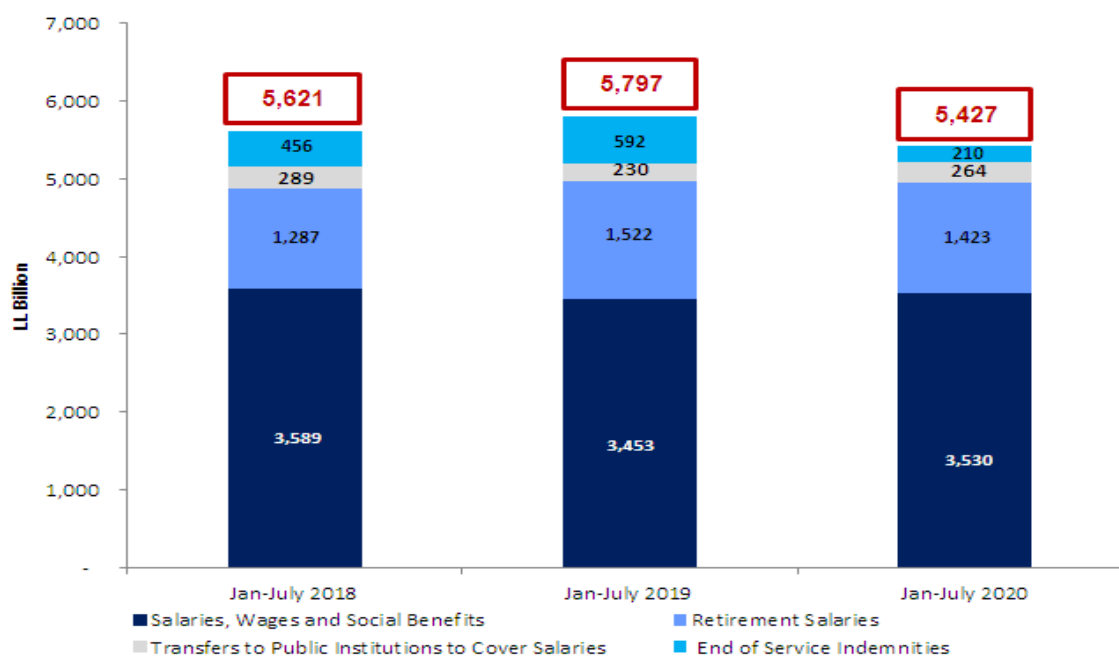


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> decreased by LL 370 billion (6.4 percent) year-on-year during Jan-July 2020 to reach LL 5,427 billion compared to LL 5,797 billion during the same period of 2019<sup>2</sup>. The decrease during Jan-July 2020 was mainly due to a sharp drop in the end of service indemnities by LL 382 billion (64.6 percent) compared to the same period a year earlier, reaching LL 210 billion coupled with a drop in retirement compensations by LL 99 billion (6.5 percent). In contrast, the drop in personnel cost during the first seven months of 2020 was mitigated by a rise in the payments related to (i) salaries, wages and social benefits by LL 77 billion (2.2 percent) and (ii) transfers to public institutions to cover salaries by LL 34 billion (14.7 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Jul 2018, Jan-Jul 2019 and Jan-Jul 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 expenditures<sup>3</sup> as it contributed to 66.2 percent in Jan-Jul 2018, rising up to 73.2 percent in Jan-Jul 2019 before dropping down to

<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.

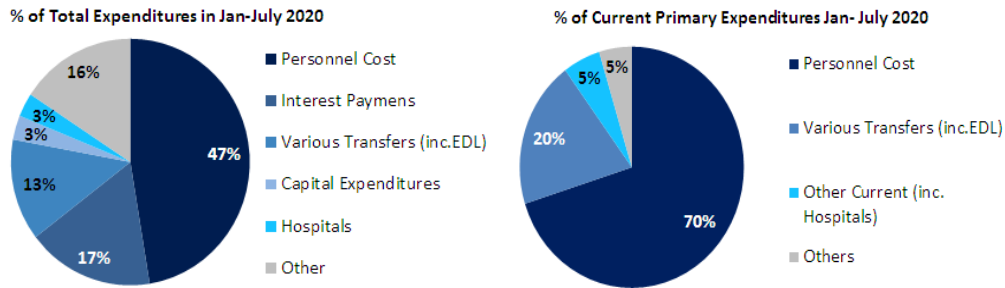
<sup>2</sup> The figures used are those published in the Public Finance Monitor report – July 2020.

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

70.1 percent in Jan-Jul 2020<sup>4</sup>. Compared to total expenditures, personnel cost represented 36.1 percent of total expenditures in Jan-Jul 2018, rising to 41.0 percent of the total in Jan-Jul 2019 and to 47.4 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 19.1 percent during Jan-Jul 2020.

The following figures represent the composition of total expenditures and current primary expenditures in the first seven months of 2020:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Jul 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 78 billion year-on-year to reach LL 3,531 billion in Jan-Jul 2020. Overall, this growth was mainly the result of a LL 102 billion (22.0 percent) increase in allowances paid to the military personnel adding to a LL 31 billion (23.1 percent) rise in the Government subscription and contributions in the public employees Cooperative. These increases were partly offset by a drop of LL 72 billion (11.6 percent) in salaries and wages paid to the education personnel.

In terms of composition, "salaries and wages" constituted 73.7 percent<sup>5</sup> of total payments for salaries, wages and related benefits to public sector employees in Jan-Jul 2020, followed by "allowances" (16.0 percent<sup>6</sup>) and "employment benefits" (3.3 percent), while "other payments" and "unclassified allowances" represented the remaining 7.0 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 35.8 percent in Jan-Jul 2019 to 37.8 percent in Jan-Jul 2020.

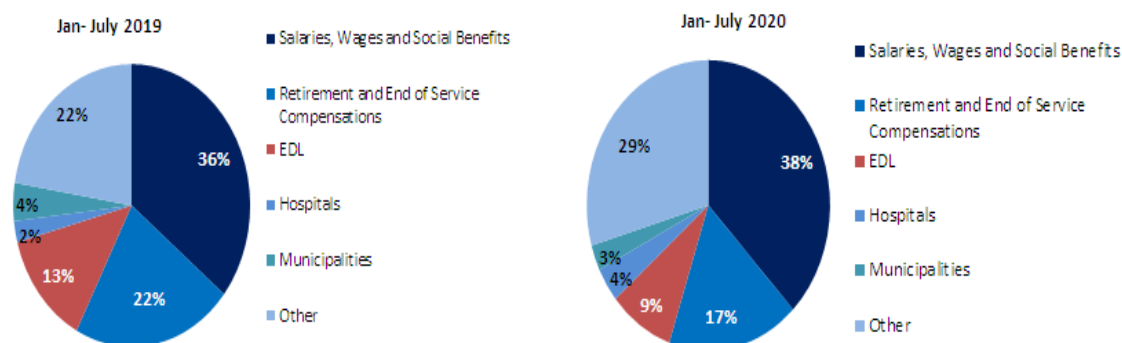
The following figures represent the primary spending breakdown by component during the period under review.

<sup>4</sup> At the time where personnel cost decreased y-o-y by 6.4 percent during Jan-july 2020, current primary expenditures witnessed a lower decrease of 2.3 percent, mainly due to higher payments to Higher Council of Relief and Hospitals by LL 225 billion and LL 123 billion respectively over the covered period.

<sup>5</sup> Against a share of 77.3 percent during the same period of 2019.

<sup>6</sup> Compared to a share of 13.1 percent in Jan-july 2019.

**Figure 3. Primary Spending Breakdown by Component during Jan-Jul 2019 and Jan-Jul 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-Jul 2019 and Jan-Jul 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>1,752</b>	<b>1,762</b>	<b>59</b>	<b>58</b>	<b>461</b>	<b>563</b>	<b>5</b>	<b>2</b>	<b>2,277</b>	<b>2,385</b>
Army	1,150	1,154	39	39	308	322	1	0	1,498	1,516
Internal Security Forces	440	442	15	15	124	195	4	2	583	654
General Security Forces	123	125	3	2	19	34	1	0	146	161
State Security Forces	39	41	1	1	11	12	0	0	51	54
<b>Education Personnel</b>	<b>622</b>	<b>550</b>	<b>35</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>657</b>	<b>593</b>
<b>Civilian Personnel 1/</b>	<b>294</b>	<b>291</b>	<b>35</b>	<b>29</b>	<b>2</b>	<b>2</b>	<b>20</b>	<b>30</b>	<b>351</b>	<b>352</b>
<b>Government contribution to employees cooperative 2/</b>							<b>135</b>	<b>166</b>	<b>135</b>	<b>166</b>
<b>Customs Salaries 3/</b>									<b>34</b>	<b>36</b>
<b>Total</b>	<b>2,668</b>	<b>2,603</b>	<b>128</b>	<b>116</b>	<b>463</b>	<b>565</b>	<b>160</b>	<b>211</b>	<b>3,453</b>	<b>3,531</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 rounding effect.

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

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, decreased by LL 65 billion (2.4 percent) to reach LL 2,603 billion in Jan-Jul 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 10 billion (0.6 percent) in Jan-July 2020 compared to the same period of 2019. This was mainly attributed to a rise in salary payments to the Army by LL 4 billion (0.4 percent). In details, the basic salaries paid for the Army increased by LL 10 billion while the payments covering trainings abroad dropped by LL 3 billion and the payments for contractuels decreased by LL 3 billion. At the same time, salary payments for the other military bodies also increased by LL 2 billion each.

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

Salaries and wages of the education personnel significantly decreased by LL 72 billion (11.6 percent) year-on-year and stood at LL 550 billion in Jan-Jul 2020. The drop was due to lower salary payments to contractuels at the Directorate General of Vocational Training by LL 48 billion<sup>8</sup>, coupled with an LL 18 billion drop in salary payments for contractuels at the primary education and a LL 17 billion decline in payments for the permanent personnel at the primary education. In addition, payments for trainees at the secondary education witnessed a year-on-year drop of LL 14 billion. This was partly offset by a LL 33 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 3 billion (0.9 percent) year-on-year compared to the same period a year earlier, to reach LL 291 billion in Jan-Jul 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 17.9 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (16.3 percent of the total) and the Ministry of Finance (12.0 percent of the total). (*For further details, kindly refer to table 2*)

In details, employees in the Ministry of Public Health had the most notable nominal year-on-year decrease in salaries and wages in Jan-Jul 2020 with LL 2.1 billion<sup>9</sup> (14.2 percent). In contrast, the Ministry of Foreign Affairs and Emigrants (MoFA) witnessed a rise in salary payments by a LL 1.9 billion (3.8 percent)

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<sup>8</sup> In January 2019, an exceptional payment of LL 48 billion was made to contractuels 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.

<sup>9</sup> This decrease can be largely attributed to payments pertaining to 2017 and 2018 that were paid during 2019.

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

(LL million)	Jan-Jul 2019	Jan-Jul 2020	% from Total Civilian Personnel in 2020
Ministry of Justice	50,243	52,160	17.9%
Ministry of Foreign Affairs and Emigrants	47,669	47,556	16.3%
Ministry of Finance	34,776	34,890	12.0%
Presidency of the Council of Ministers	28,356	27,795	9.5%
Parliament	25,526	25,562	8.8%
Ministry of Public Works and Transportation	15,872	17,369	6.0%
Ministry of Agriculture	15,197	14,862	5.1%
Ministry of Public Health	15,316	13,135	4.5%
Ministry of Interior & Municipalities	10,282	9,516	3.3%
Ministry of National Defense	9,434	9,268	3.2%
Other	41,130	39,014	13.4%
<b>Total</b>	<b>293,801</b>	<b>291,128</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 101 billion (21.9 percent) to reach LL 565 billion in Jan-Jul 2020. The hike was mainly due to a LL 71 billion (57.5 percent) rise in allowances paid to the Internal Security Forces reaching LL 195 billion, and a LL 15 billion (81.1 percent) increase in allowances disbursed to the General Security Forces reaching LL 34 billion by the end of July 2020. In addition, allowances disbursed to the Army increased by LL 14 billion (4.5 percent) during the covered period to reach LL 322 billion in Jan-Jul 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 71 billion (57.5 percent) mostly due to a LL 54 billion rise in hospital expenses and a LL 13 billion increase in sickness and maternity expenses.

In addition, allowances paid to the General Security Forces rose by LL 15 billion in Jan-Jul 2020 compared to the same period 2019, given a rise in hospital expenses by LL 9 billion along with a LL 7 billion hike in sickness and maternity expenses.

Lastly, allowances paid to the Army increased by LL 14 billion, mainly because of an LL 18 billion hike in sickness and maternity expenses along with a LL 12 billion increase in hospital expenses partly counterbalanced by a decrease of LL 21 billion in school indemnities.

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

Payments covering the government subscription and contributions to the Employees Cooperative reached LL 166 in Jan-Jul 2020 compared to LL 135 billion a year earlier.



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