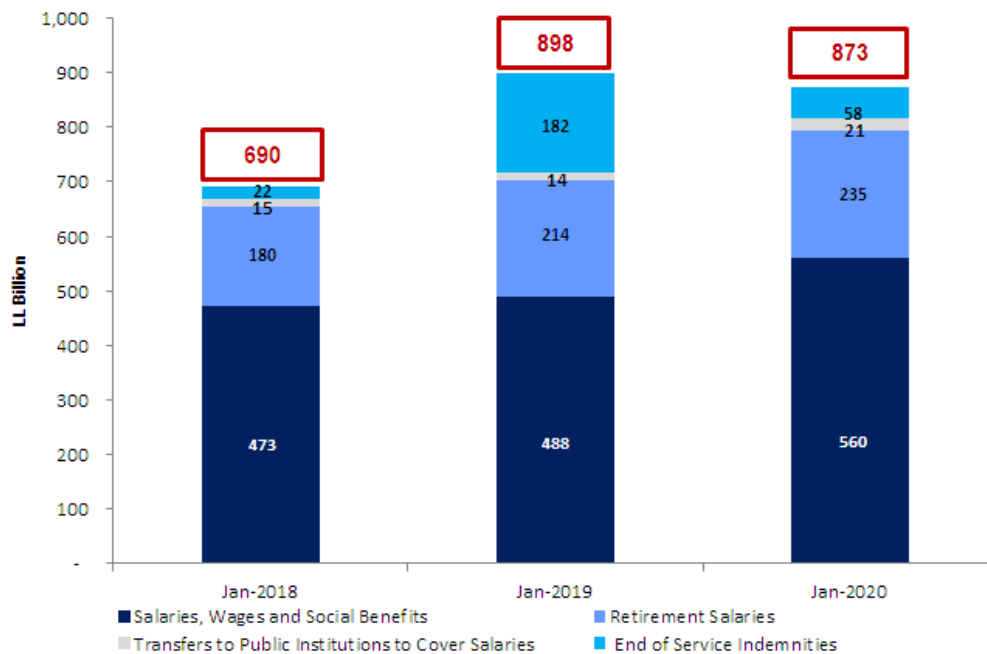


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 25 billion (2.8 percent) year-on-year in January 2020 to reach LL 873 billion compared to LL 898 billion in the same month of 2019². The drop was driven by the decrease in end of services compensations dropping by 68 percent (LL 124 billion) to reach LL 58 billion in January 2020. In contrast, all other components increased year-on-year, mainly salaries, wages and related benefits growing by 14.6 percent (LL 71 billion) and retirement hiking up by 9.7 percent (LL 21 billion) during the same period.

Figure 1. Personnel Cost Breakdown by Component in January 2018, January 2019 and January 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 56.2 percent in January 2018, rising up to 78.9 percent in January 2019 before dropping down to 50.1 percent in January 2020. Moreover, personnel cost represented 28.0 percent of total expenditures in January 2018, rising to 49.0 percent of the total in January 2019 before dropping down to 34.2 percent of the total in the same month of 2020. The main reason behind

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

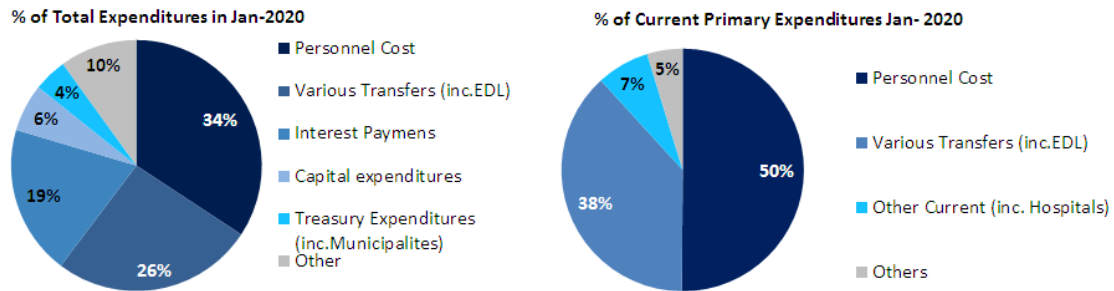
² The figures used are those published in the Public Finance Monitor report – January 2020.

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

the decrease in the personnel cost as a share of current primary expenditures and of total expenditure lies in a higher expenditure base with respective year-on-year rises of 53.1 percent and 39.0 percent in both bases during January 2020⁴.

The following figures represent the composition of current primary expenditures and total expenditures in January 2020:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in January 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 72 billion year-on-year to reach LL 561 billion⁵ in January 2020. Overall, this growth was mainly the result of an LL 82 billion increase in allowances paid for military personnel in addition to a LL 30 billion hike in the Government subscription and contributions in the public servants Cooperative, that was partly offset by the drop of LL 45 billion in salaries and wages to educational personnel.

In terms of composition, salaries and wages constituted 64.6 percent of total payments for salaries, wages and related benefits to public sector employees in January 2020⁶, followed by allowances (18.9 percent) and employment benefits (5.8 percent), while “other payments” and “unclassified allowances” represented the remaining 10.6 percent of the total.

Furthermore, salaries, wages and related benefits represented 35.5 percent of total primary spending in January 2019 and dropped to 27.6 percent of the total in January 2020.

The following figures present the primary spending breakdown by component during the month under review⁷.

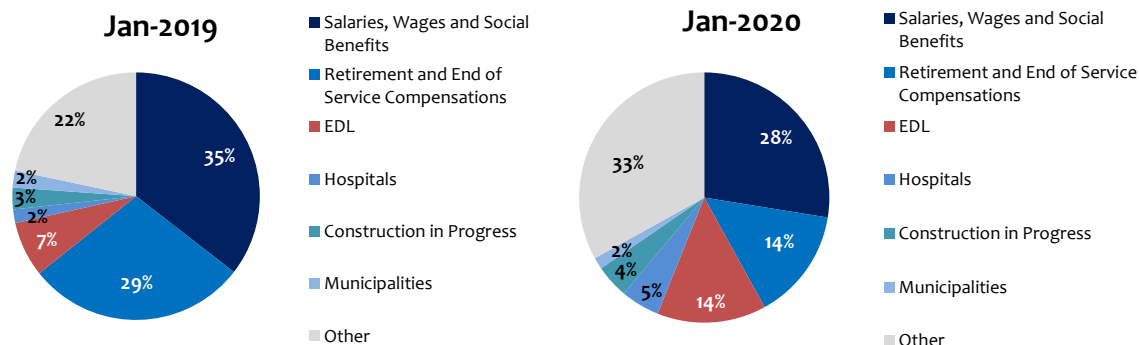
⁴ The most prominent y-o-y increase was witnessed in “various transfers” with LL 524 billion, mainly as transfers to the Public Corporation for Housing and EDL increased by LL 200 billion and LL 187 billion respectively.

⁵ Figures may differ slightly from the aggregated ones in the Public Finance Monitor due to rounding effect.

⁶ Compared to a share of 84.9 percent a year earlier.

⁷ The main reason behind the decrease in the share of salaries, wages and related benefits from primary expenditure compared to January 2019, is rooted in a significantly higher base level of total primary expenditures in January 2020, increasing by 47.7 percent year-on-year, driven mainly by higher transfers and payments hospitals.

Figure 3. Primary Spending Breakdown by Component during January 2019 and January 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 – January 2019 and January 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	253	249	12	10	24	106	1	2	290	367
Army	167	163	9	7	15	17	0	0	191	187
Internal Security Forces	64	64	3	2	6	82	0	2	72	150
General Security Forces	16	16	1	0	2	5	1	0	20	22
State Security Forces	6	6	0	0	1	1	0	0	7	8
Education Personnel	114	70	11	15	0	0	0	6	125	90
Civilian Personnel 1/	47	44	5	8	0	0	9	10	60	62
Government contribution to employees cooperative 2/							0	30	0	30
Customs Salaries 3/									12	12
Total 7/	414	362	28	32	24	106	10	48	488	561

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.

7/ The total figure may vary given rounding effect of individual components.

II.A. Salaries and Wages

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, dropped by LL 52 billion (12.5 percent) to reach LL 362 billion in January 2020. This decline was primarily the result of a contraction in salary payments for education (LL 45 billion), followed by a smaller drop in salaries and wages for military personnel (LL 4 billion) and civil personnel (LL 3 billion).

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

Salaries and wages to military personnel decreased by LL 4 billion (1.6 percent) in January 2020 compared to the same month of 2019. In details, this was mainly attributed to a similar drop of LL 4 billion in the basic salaries paid for the Army. At the same time, salary payments for the other military bodies remained almost unchanged compared to the same period last year.

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

Salaries and wages of education personnel significantly decreased by LL 45 billion (39.1 percent) compared to January 2019 and stood at LL 70 billion in January 2020. The drop was mainly due to lower salary payments to contractuels at the Directorate General of Vocational Training by LL 48 billion⁸, that was slightly offset by the rise in payments for the permanent personnel at the secondary education by LL 4 billion.

II.A.c Salaries and Wages of Civilian Personnel

Salaries and wages to civilian personnel declined by LL 3 billion (6.5 percent) year-on-year compared to the same month a year earlier, to reach LL 44 billion in January 2020. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in the covered month, with a share of 19.9 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (15.6 percent of the total) and the Ministry of Finance (11.6 percent of the total). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Foreign Affairs and Emigrants had the most notable nominal year-on-year decrease in salaries and wages in January 2020 with LL 2.4 billion (21.8 percent), driven by a decrease of LL 3.5 billion in salary payments for diplomats in Lebanese overseas missions.

Table 2. Civilian Salaries and Wages Breakdown by Ministry – January 2019 and January 2020

(LL million)	January 2019	January 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	11,161	8,728	19.9%
Ministry of Justice	6,859	6,858	15.6%
Ministry of Finance	5,053	5,102	11.6%
Presidency of the Council of Ministers	4,083	4,038	9.2%
Parliament	3,623	3,503	8.0%
Ministry of Public Works and Transportation	2,971	2,934	6.7%
Ministry of Agriculture	2,123	2,129	4.9%

⁸ In January 2019, an exceptional payment of LL 48 billion was made to contractuels at 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.



Ministry of Public Health	2,158	1,926	4.4%
Ministry of Interior & Municipalities	1,473	1,464	3.3%
Ministry of National Defense	1,344	1,409	3.2%
Other	6,029	5,755	13.1%
Total	46,876	43,845	100%

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 82 billion to reach LL 106 billion in the first month of 2020. The hike was mainly due to a rise of LL 76 billion in allowances paid to the Internal Security Forces reaching LL 82 billion, followed by a smaller rise of LL 4 billion in allowances disbursed to the General Security Forces reaching LL 5 billion, and of LL 2 billion in allowances paid to the Army.

In details, allowances paid to the Internal Security Forces rose immensely to reach LL 82 billion in the covered period, mostly due to the LL 68 billion increase in hospital expenses, followed by a rise of LL 4 billion in sickness and maternity.

In addition, allowances paid to the General Security Forces rose up by LL 4 billion in the first month of the year relative to January 2019, given a rise in hospital expenses by LL 4 billion.

Lastly, allowances paid to the Army increased by LL 2 billion to reach LL 17 billion, mainly as a result of a rise of LL 4 billion in sickness and maternity and LL 2 billion in hospital expenses. In contrast, marriage indemnities and social allowances dropped by LL 1 billion each.

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

Payments to government subscription and contributions to the Employees Cooperative reached LL 30 in January 2020 compared to nil a year earlier.



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