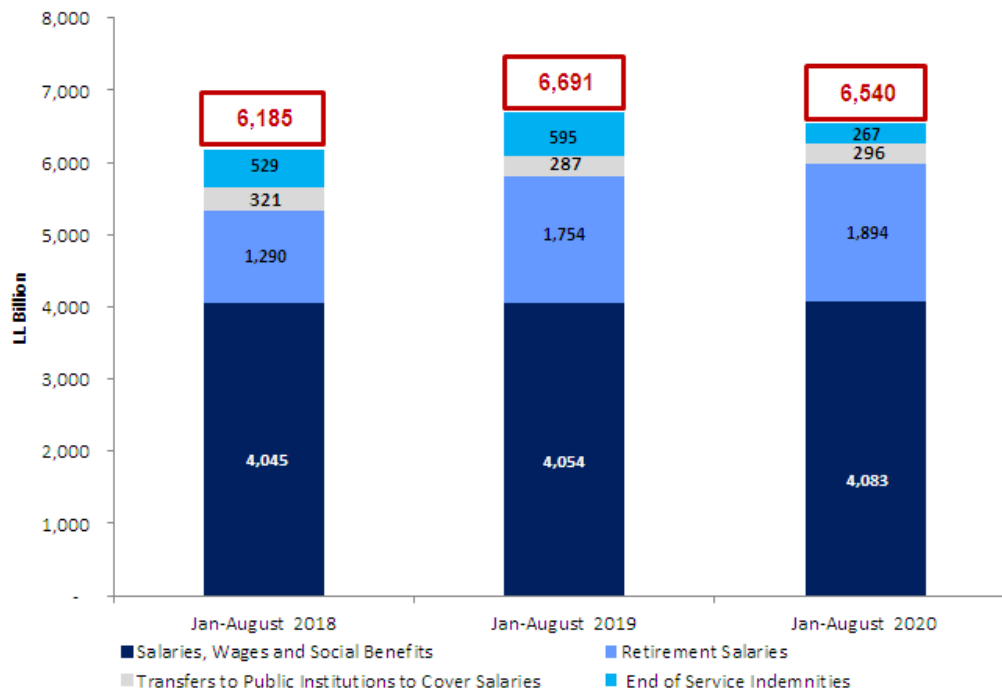


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 151 billion (2.3 percent) year-on-year during Jan-Aug 2020 to reach LL 6,540 billion compared to LL 6,691 billion during the same period of 2019². The decrease during Jan-August 2020 was mainly due to a sharp drop in the end of service indemnities by LL 329 billion (55.2 percent) compared to the same period a year earlier reaching LL 267 billion. In contrast, the drop in personnel cost during the first eight months of 2020 was softened by a rise in the payments related to (i) retirement compensations by LL 141 billion (8.0 percent), (ii) salaries, wages and social benefits by LL 28 billion (0.7 percent) and (iii) transfers to public institutions to cover salaries by LL 9 billion (3.0 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Aug 2018, Jan-Aug 2019 and Jan-Aug 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 65.5 percent in Jan-Aug 2018, rising up to 73.1 percent in Jan-Aug 2019 before dropping down

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

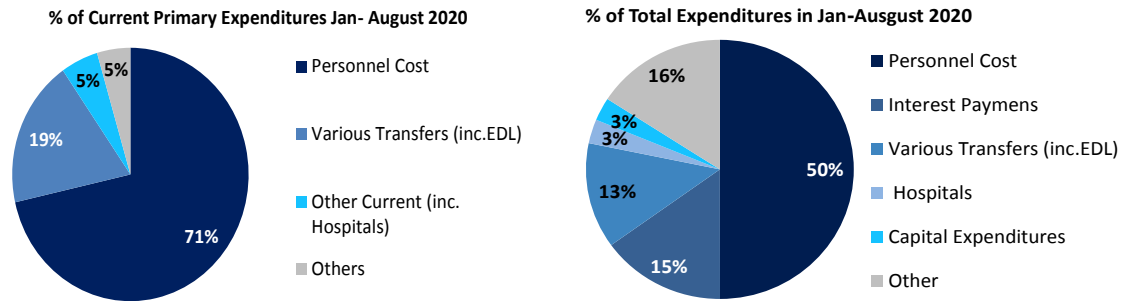
² The figures used are those published in the Public Finance Monitor report – August 2020.

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

to 71.5 percent in Jan-Aug 2020⁴. Compared to total expenditures, personnel cost represented 35.8 percent of total expenditures in Jan-Aug 2018, rising to 41.7 percent of the total in Jan-Aug 2019 and to 50.0 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 18.5 percent during Jan-Aug 2020.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Aug 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 29 billion year-on-year to reach LL 4,084 billion in Jan-Aug 2020. Overall, this growth was mainly the result of a LL 133 billion (28.1 percent) increase in allowances paid to the military personnel adding to a LL 27 billion (15.7 percent) rise in the Government subscription and contributions to the public employees Cooperative and a hike of LL 20 billion (1.0 percent) in salaries and wages paid to military personnel. These increases were partly offset by a drop of LL 157 billion (18.2 percent) in salaries and wages paid to the education personnel.

In terms of composition, "salaries and wages" constituted 74.9 percent⁵ of total payments for salaries, wages and related benefits to public sector employees in Jan-August 2020, followed by "allowances" (14.8 percent⁶) and "employment benefits" (3.2 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 36.7 percent in Jan-Aug 2019 to 37.2 percent in Jan-Aug 2020.

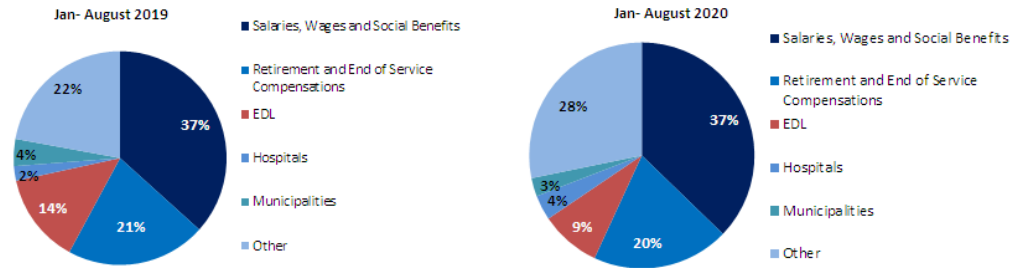
The following figures represent the primary spending breakdown by component during the period under review.

⁴ At the time where personnel cost decreased y-o-y by 2.3 percent during Jan-Aug 2020, current primary expenditures remained stable at a level of LL 9,150 billion over the covered period.

⁵ Against a share of 78.9 percent during the same period of 2019.

⁶ Compared to a share of 11.7 percent in Jan-Aug 2019.

Figure 3. Primary Spending Breakdown by Component during Jan-Aug 2019 and Jan-Aug 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-Aug 2019 and Jan-Aug 2020⁷

| (LL billion) | Basic Salaries | | Employment Benefits 4/ | | Allowances 5/ | | Other 6/ | | Total | |
|--|----------------|--------------|------------------------|------------|---------------|------------|------------|------------|--------------|--------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Military Personnel | 2,000 | 2,020 | 66 | 66 | 472 | 604 | 5 | 2 | 2,543 | 2,693 |
| Army | 1,314 | 1,327 | 44 | 45 | 308 | 355 | 1 | 0 | 1,667 | 1,727 |
| Internal Security Forces | 503 | 505 | 17 | 17 | 134 | 202 | 4 | 2 | 658 | 726 |
| General Security Forces | 138 | 141 | 3 | 3 | 19 | 34 | 1 | 0 | 161 | 179 |
| State Security Forces | 45 | 47 | 1 | 1 | 11 | 12 | 0 | 0 | 57 | 60 |
| Education Personnel | 862 | 705 | 37 | 31 | 0 | 0 | 9 | 22 | 908 | 758 |
| Civilian Personnel 1/ | 336 | 335 | 38 | 33 | 2 | 2 | 21 | 32 | 398 | 401 |
| Government contribution to employees cooperative 2/ | | | | | | | 169 | 196 | 169 | 196 |
| Customs Salaries 3/ | | | | | | | | | 38 | 36 |
| Total | 3,198 | 3,060 | 141 | 130 | 474 | 606 | 205 | 251 | 4,055 | 4,084 |

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 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 138 billion (4.3 percent) to reach LL 3,060 billion in Jan-Aug 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 20 billion (1.0 percent) in Jan-Aug 2020 compared to the same period of 2019. This was mainly attributed to a rise in salary payments to the Army by LL 13 billion (1.0 percent). In details, the basic salaries paid for the Army increased by LL 16 billion while the payments covering trainings abroad dropped by LL 3 billion. At the same time, basic salaries paid for the general security forces increased by LL 3 billion followed by a LL 2 billion increase in basic salaries paid for the state security forces.

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

Salaries and wages of the education personnel significantly decreased by LL 157 billion (18.2 percent) year-on-year and stood at LL 705 billion in Jan-Aug 2020. The drop was due to lower salary payments to contractuels at the Directorate General of Vocational Training by LL 112 billion⁸, coupled with a LL 38 billion drop in salary payments for contractuels at the primary education and an LL 18 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 17 billion. This was partly offset by a LL 36 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 1 billion (0.3 percent) year-on-year compared to the same period a year earlier, to reach LL 335 billion in Jan-Aug 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 17.2 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (16.2 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-Aug 2020 with LL 1.9 billion (10.9 percent). In contrast, the Ministry of Public Health witnessed a decrease in salary payments by a LL 1.9 billion⁹ (10.9 percent).

⁸ 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. Similarly, In August 2019, LL 152 billion were paid to contractuels at the DGVT covering 90 percent of their dues pertaining to the academic year 2018 according to decisions # 97, 98, 99, 100 dated 02/08/2019.

⁹ 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-Aug 2019 and Jan-Aug 2020

| (LL million) | Jan-Aug 2019 | Jan-Aug 2020 | % from Total Civilian Personnel in 2020 |
|---|-----------------|-----------------|--|
| Ministry of Foreign Affairs and Emigrants | 56,926 | 57,502 | 17.2% |
| Ministry of Justice | 54,459 | 54,311 | 16.2% |
| Ministry of Finance | 40,394 | 40,711 | 12.1% |
| Presidency of the Council of Ministers | 32,442 | 31,725 | 9.5% |
| Parliament | 28,988 | 28,997 | 8.7% |
| Ministry of Public Works and Transportation | 18,186 | 20,170 | 6.0% |
| Ministry of Agriculture | 17,321 | 17,052 | 5.1% |
| Ministry of Public Health | 17,999 | 16,028 | 4.8% |
| Ministry of Interior & Municipalities | 11,743 | 11,789 | 3.5% |
| Ministry of National Defense | 10,775 | 11,034 | 3.3% |
| Other | 47,036 | 45,848 | 13.7% |
| Total | 336,271 | 335,166 | 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 133 billion (28.0 percent) to reach LL 606 billion in Jan-Aug 2020. The hike was mainly due to a LL 68 billion (51.0 percent) rise in allowances paid to the Internal Security Forces reaching LL 202 billion, and a LL 47 billion (15.2 percent) increase in allowances disbursed to the Army reaching LL 355 billion by the end of August 2020. In addition, allowances disbursed to the General Security Forces increased by LL 16 billion (84.9 percent) during the covered period to reach LL 34 billion in Jan-Aug 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 68 billion (51.0 percent) mostly due to a LL 60 billion rise in hospital expenses and a LL 13 billion increase in sickness and maternity expenses and a LL 5 billion in medical treatments. These increases were partly offset by the drop of LL 13 billion in school indemnities.

In addition, allowances paid to the Army increased by LL 47 billion, mainly because of a LL 36 billion hike in hospital expenses along with a LL 24 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-Aug 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 196 in Jan-Aug 2020 compared to LL 169 billion a year earlier.



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