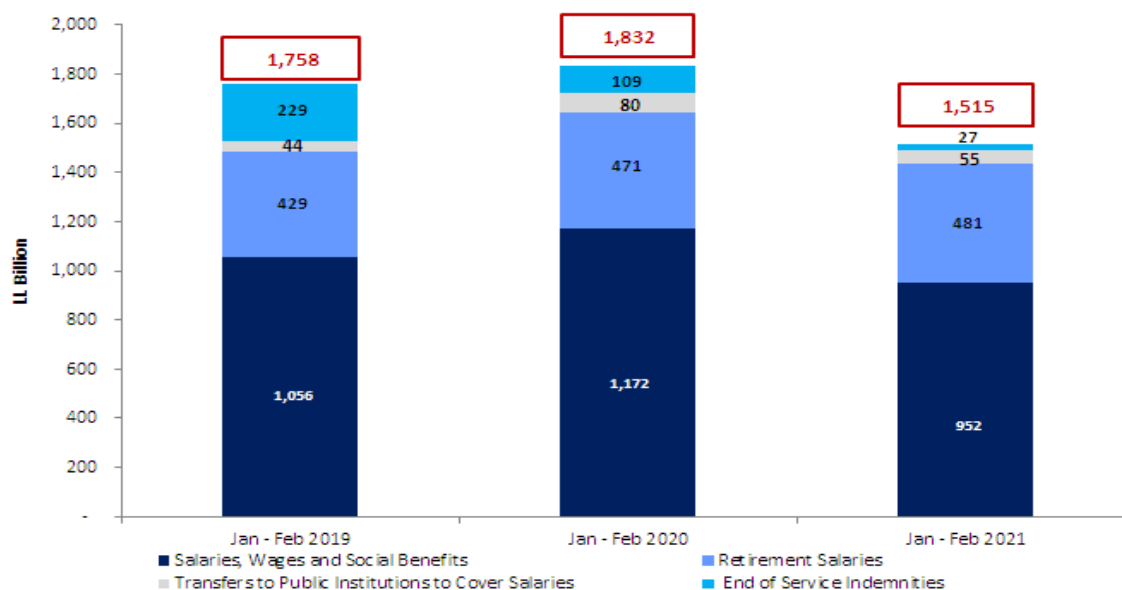


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 317 billion (17.3 percent) year-on-year during Jan-Feb 2021 to reach LL 1,515 billion compared to LL 1,832 billion during the same period of 2020². This was mainly due to the large year-on-year drop in the salaries, wages and social benefits by LL 220 billion (18.7 percent). In addition, end of service indemnities witnessed a relatively large decline by LL 81 billion (74.8 percent) reaching LL 27 billion during the first 2 months of 2021, along with a less pronounced decrease of LL 25 billion (31.8 percent) in the transfers to public institutions to cover salaries. In contrast, payments related to retirement compensations were the only component to register a year-on-year rise by LL 10 billion (2.1 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Feb 2019, Jan-Feb 2020 and Jan-Feb 2021



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 expenditure³ as it contributed to 72.3 percent in Jan-Feb 2019, remarkably shrinking to 63.3 percent in Jan-Feb 2020⁴, before hiking up again to 71.7 percent in Jan-Feb 2021⁵. Compared to total expenditures, personnel cost represented 47.4 percent of total expenditures during Jan-Feb 2019, dropping to 42.8 percent of the total in Jan-Feb 2020, and then rising upward to 51.9 percent in 2021. The main reason behind the significant changes in the personnel cost as a share of total expenditures

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 – February 2021.

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

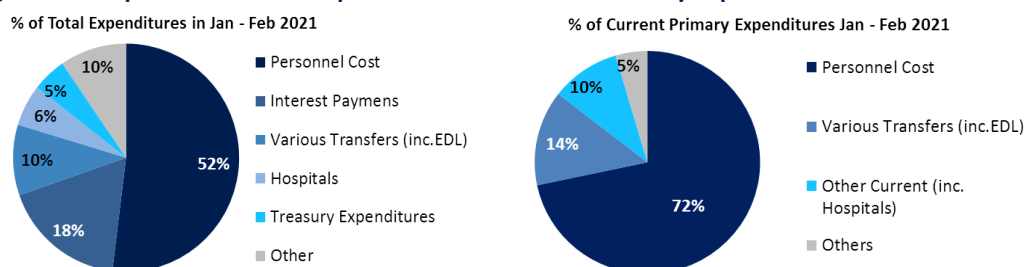
⁴ Due to a much faster increase in the expenditure base, with current primary expenditures hiking up by 19.0 percent compared to a rise of 4.2 percent in the personnel cost during Jan-Feb 2020.

⁵ This significant rise was due to the faster decline in the current primary expenditures by 27.0 percent (LL 780 billion) compared to a y-o-y decrease of 17.3 percent (LL 317 billion) in the personnel cost during Jan-Feb 2021.

lies in substantial changes in the expenditure base registering a considerable year-on-year rise of 15.3 percent during Jan-Feb 2020, followed by a large drop of 31.8 percent during Jan-Feb 2021.

The following figures represent the composition of total expenditures and current primary expenditures during Jan-Feb 2021:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Feb 2021



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 decreased significantly by LL 219 billion year-on-year to reach LL 954 billion⁶ in Jan-Feb 2021. Overall, this was the result of a decline in all sub-components, with total “allowances” decreasing by LL 149 billion (44.9 percent) as those paid to the army and the internal security forces decreased by LL 111 billion and 44 billion respectively. In addition, “other payments” dropped by LL 43 billion (83.9 percent), followed by a LL 14 billion decline in each of “employment benefits” and “salaries & wages”.

In terms of composition, “salaries and wages” constituted 74.6 percent⁷ of total payments for salaries, wages and related benefits to public sector employees in Jan-Feb 2021, followed by “allowances” (19.1 percent)⁸ and “employment benefits” (3.8 percent), while “other payments” and “unclassified allowances” represented the remaining 2.6 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 35.0 percent in Jan-Feb 2020 to 40.1 percent in Jan-Feb 2021.

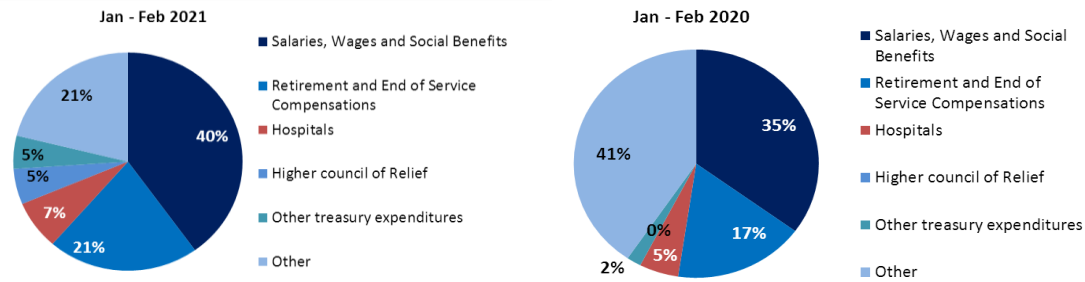
The following figures represent the primary spending breakdown by component during the period under review.

⁶ Figures slightly differ from the aggregated ones in the Public Finance Monitor due to the rounding effect.

⁷ Up from 61.8 percent during Jan-Feb 2020.

⁸ Compared to a share of 28.2 percent in Jan-Feb 2020.

Figure 3. Primary Spending Breakdown by Component during Jan-Feb 2020 and Jan-Feb 2021



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-Feb 2020 and Jan-Feb 2021

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Military Personnel	497	504	19	22	331	182	2	2	849	709
Army	326	328	13	15	210	98	0	0	550	441
Internal Security Forces	128	126	5	5	110	66	2	2	244	199
General Security Forces	31	39	1	1	9	15	0	0	41	55
State Security Forces	12	12	0	0	2	2	0	0	14	14
Education Personnel	138	130	19	8	0	0	6	0	163	138
Civilian Personnel 1/	89	77	11	5	0	1	13	6	114	89
Government contribution to employees cooperative 2/							30	0	30	0
Customs Salaries 3/									17	16
Total	725	711	50	36	331	182	51	8	1,172	954

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, decreased by LL 14 billion (1.9 percent) to reach LL 711 billion in Jan-Feb 2021. This decline was primarily the result of a contraction in salary payments for the civilian and education personnel by LL 12 billion and LL 8 billion, respectively.

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

Salaries and wages of the military personnel increased by LL 6 billion (1.3 percent) in Jan-Feb 2021 compared to the same period of 2020. In details, salary payments to the General Security Forces increased by LL 7.3 billion (23.1 percent), in turn driven by a LL 5.6 billion year-on-year rise in payments related to clothing and LL 1.5 billion in basic salaries. Also, salaries paid to the Army rose by LL 1.5 billion (0.5 percent) with basic salaries increasing by LL 3 billion against a LL 2 billion drop in expenses related to trainings abroad. This was partly offset by a LL 2 billion decrease in salary payments for the Internal Security Forces, as payments related to clothing witnessed an drop of LL 1 billion.

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

Salaries and wages of the education personnel decreased by LL 8 billion (5.9 percent) year-on-year and stood at LL 130 billion in Jan-Feb 2021. The drop was mainly due to lower salary payments to the permanent personnel at the primary education by LL 8 billion.

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

Salaries and wages to the civilian personnel decreased by LL 12 billion (13.3 percent) year-on-year, to reach LL 77 billion in Jan-Feb 2021. At the level of the ministries, the Ministry of Justice represented the largest wage bill during the covered period, with a share of 17.6 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Finance (13.4 percent from total) and the Ministry of Foreign Affairs and Emigrants (MoFA) (11.4 percent from total). (For further details, kindly refer to table 2)

In details, employees at the Ministry of Foreign Affairs and Emigrants witnessed a large drop in salary expenditures by LL 10.9 billion (55.3 percent), as payments covering expenses of missions abroad significantly decreased by LL 6.6 billion during Jan-Feb 2021 and basic salaries paid for diplomats declined by LL 3.8 billion due to some discrepancies in the timing of payments. Also, salaries paid to the employees of the Ministry of Public Works and Transportation witnessed a year-on-year drop of LL 0.9 billion (16.1 percent).

Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Feb 2020 and Jan-Feb 2021

(LL million)	Jan-Feb 2020	Jan-Feb 2021	% from Total Civilian Personnel in Jan- Feb 2021
Ministry of Justice	13,694	13,567	17.6%
Ministry of Finance	10,168	10,341	13.4%
Ministry of Foreign Affairs and Emigrants	19,715	8,809	11.4%
Presidency of the Council of Ministers	7,925	7,929	10.3%
Parliament	7,084	6,708	8.7%
Ministry of Public Works and Transportation	5,511	4,622	6.0%
Ministry of Agriculture	4,230	4,325	5.6%
Ministry of Public Health	3,695	4,178	5.4%
Ministry of Interior & Municipalities	2,925	2,984	3.9%
Ministry of National Defense	2,716	2,669	3.5%
Other	11,510	11,159	14.4%
Total	89,173	77,290	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees decreased significantly by LL 149 billion (44.9 percent) to reach LL 182 billion in billion in the first two month of 2021. This drop was mainly due to a LL 111 billion drop in allowances paid to the Army to reach LL 98 billion, and a LL 44 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 66 billion in Jan-Feb 2021. These decreases were slightly offset by a rise in the allowances disbursed to the General Security Forces by LL 6 billion to reach a total of LL 15 billion in Jan-Feb 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 111 billion (53.1 percent), as hospital expenses drastically decreased year-on-year by LL 125 billion (65.6 percent), despite a LL 21 billion rise in school allowances.

In addition, allowances paid to the Internal Security Forces dropped by LL 44 billion (39.6 percent), with hospital expenses and payments covering treatments in different medical centers decreasing by LL 34 billion and LL 8 billion respectively over the covered period.

Lastly, allowances paid to the General Security Forces increased by LL 6 billion (60.5 percent) in Jan-Feb 2021 compared to Jan-Feb 2020, with an increase in payments covering treatments in different medical centers and sickness and maternity expenses by LL 3 billion and LL 2 billion, respectively.

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

Payments covering the government subscription and contributions to the Employees Cooperative were nil in Jan-Feb 2021 compared to LL 30 billion a year earlier.



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