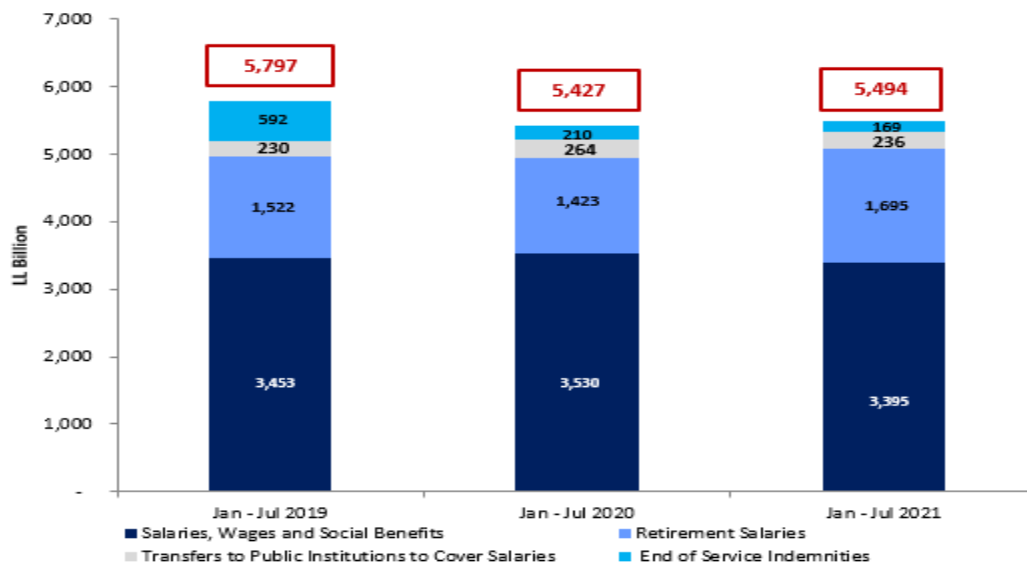


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 67 billion (1.2 percent) year-on-year during Jan-Jul 2021 to reach LL 5,495 billion compared to LL 5,427 billion during the same period of 2020². This increase was due to a considerable year-on-year rise in the payments related to retirement compensations by LL 272 billion (19.1 percent). In contrast, all other components witnessed a year-on-year drop, with salaries, wages and social benefits declining by LL 135 billion (3.8 percent), end of service indemnities decreasing by LL 41 billion (19.5 percent), and transfers to Public Institutions to cover salaries dropping by LL 28 billion (10.7 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Jul 2019, Jan-Jul 2020 and Jan-Jul 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 expenditures³ as it contributed to 73.2 percent in Jan-Jul 2019, before shrinking to 70.1 percent in Jan-Jul 2020⁴, and hiking up again to 72.4 percent during Jan-Jul 2021⁵. Compared to total expenditures, personnel cost averaged 41.0 percent of total expenditures during Jan-Jul 2019, rising to 47.4 percent during Jan-Jul 2020, before hiking up to reach 52.7 percent during Jan-Jul 2021. The main reason behind the significant increase in the personnel cost as a share 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 Monitor report – July 2021.

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

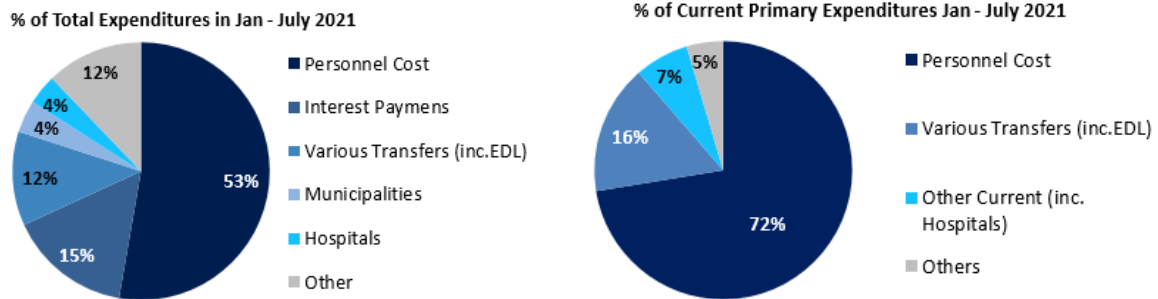
⁴ Due to a faster drop in the personnel cost (6.4 percent) compared to the current primary expenditures (2.3 percent) during Jan-Jul 2020.

⁵ This rise was due to an increase in the personnel cost during Jan-Jul 2021 by 1.2 percent compared to a 2.0 percent y-o-y drop in the expenditure base.

expenditures in 2020 and 2021 lies in substantial changes in the expenditure base registering considerable year-on-year drops of 19.1 percent and 9.0 percent during Jan-Jul 2020 and Jan-Jul 2021 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-July 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 135 billion year-on-year to reach LL 3,396 billion⁶ in Jan-Jul 2021. Overall, this was mainly due to a significant decline in total “allowances” by LL 155 billion (27.5 percent), as those paid to the Army and the Internal Security Forces decreased by LL 104 billion (32.2 percent) and LL 51 billion (26.1 percent) respectively. In addition, “employment benefits” dropped by LL 14 billion (12.4 percent), resulting from a decrease in payments for the education and civilian personnel by LL 12 billion (39.8 percent) and LL 7 billion (24.3 percent) respectively, against a LL 4 billion (7.7 percent) hike in payments for military personnel.

On the contrary, payments covering “salaries and wages” increased by LL 72 billion (2.8 percent), with an increase in payments for the education and military personnel by LL 59 billion (10.7 percent) and LL 17 billion (1.0 percent) respectively. These hikes were slightly offset by a LL 4 billion (1.4 percent) decline in the amounts paid to the civilian personnel.

In terms of composition, “salaries and wages” constituted 78.8 percent⁷ of total payments for salaries, wages and related benefits to public sector employees in Jan-Jul 2021, followed by “allowances” (12.1 percent)⁸ and “employment benefits” (3.0 percent), while “other payments” and “unclassified allowances” represented the remaining 6.2 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 37.8 percent in Jan-Jul 2020 to 39.1 percent in Jan-Jul 2021.

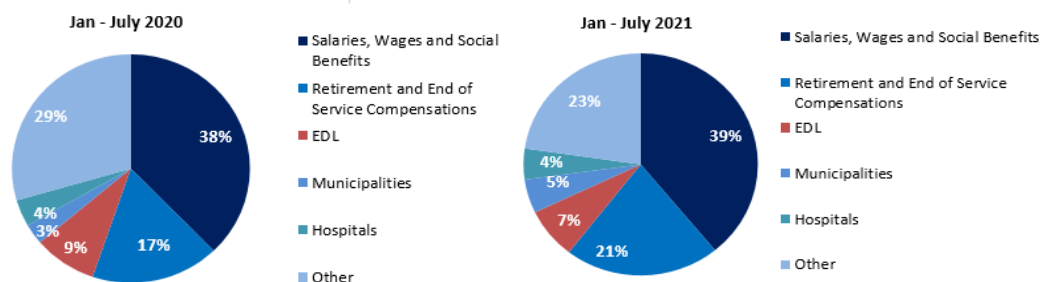
The following figures represent the primary spending breakdown by component during the period under review.

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

⁷ Up from 73.7 percent during Jan-Jul 2020.

⁸ Compared to a share of 16.0 percent in Jan-July 2020.

Figure 3. Primary Spending Breakdown by Component during Jan-Jul 2020 and Jan-Jul 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-Jul 2020 and Jan-Jun 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	1,762	1,779	58	62	563	407	2	2	2,385	2,250
Army	1,154	1,159	39	42	322	218	0	0	1,516	1,420
Internal Security Forces	442	458	15	16	195	144	2	2	654	620
General Security Forces	125	121	2	3	34	33	0	0	161	157
State Security Forces	41	40	1	1	12	12	0	0	54	53
Education Personnel	550	608	30	18	0	0	14	8	593	634
Civilian Personnel 1/	291	287	29	22	2	2	30	17	352	329
Government contribution to employees cooperative 2/							166	146	166	146
Customs Salaries 3/									36	37
Total	2,603	2,674	116	102	565	410	211	173	3,531	3,396

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, increased by LL 72 billion (2.8 percent) year-on-year to reach LL 2,674 billion in Jan-Jul 2021. This was driven by the LL 59 billion (10.7 percent) increase in salary payments for the education personnel and by LL 17 billion (1.0 percent) hike in payments to the military personnel.

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

Salaries and wages of the military personnel increased by LL 17 billion (1.0 percent) in Jan-Jul 2021 compared to the same period of 2020. In details, salaries and wages paid to the Internal Security Forces increased by LL 16 billion (3.7 percent), driven by the LL 21 billion hike in payments related to clothing over the covered period. In addition, salary payments to the Army witnessed a year-on-year increase of LL 5 billion (0.5 percent), following a similar rise of LL 5 billion in basic salaries paid in Jan-Jul 2021. As for the salary payments to the General Security Forces and the State Security Forces, they decreased by LL 4 billion (3.3 percent) and LL 1 billion (1.5 percent) respectively.

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

Salaries and wages of the education personnel increased by LL 59 billion (10.7 percent) year-on-year and stood at LL 608 billion in Jan-Jul 2021. The main driver for this rise was the considerable increase of LL 89 billion⁹ witnessed in the salary payments to contractuels at the Directorate General of Vocational and Technical education, partly counterbalanced by lower payments to both permanent personnel and contractuels at the primary education by LL 20 billion and LL 7 billion respectively.

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

Salaries and wages to the civilian personnel decreased by LL 4 billion (1.4 percent) year-on-year, to reach LL 287 billion in Jan-Jul 2021. 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 17.0 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Justice (15.8 percent from total) and the Ministry of Finance (12.3 percent from total). (For further details, kindly refer to table 2)

In details, employees at the Ministry of Foreign Affairs and Emigrants witnessed a year-on-year drop in salary expenditures by LL 3.3 billion (6.4 percent), as payments covering salaries of permanent personnel declined by LL 3.7 billion.

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

(LL million)	Jan-Jul	Jan-Jul	% from Total Civilian Personnel in Jan-Jul 2021
	2020	2021	
Ministry of Foreign Affairs and Emigrants	52,160	48,839	17.0%
Ministry of Justice	47,556	45,275	15.8%
Ministry of Finance	34,890	35,335	12.3%
Presidency of the Council of Ministers	27,795	27,680	9.6%
Parliament	25,562	23,645	8.2%
Ministry of Public Works and Transportation	17,369	18,176	6.3%
Ministry of Agriculture	14,862	14,788	5.2%
Ministry of Public Health	13,135	14,493	5.0%
Ministry of Interior & Municipalities	9,516	10,316	3.6%
Ministry of National Defense	9,268	9,625	3.4%
Other	39,014	38,870	13.5%
Total	291,128	287,041	100%

Source: Ministry of Finance, Directorate General of Finance

⁹ Driven by the partial settlement of the contractuels' fees for the academic year 2020/2021 as per decisions # 68, 69, 70 and 71 dated 22/06/2021.

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees decreased significantly by LL 155 billion (27.5 percent) to reach LL 410 billion in Jan-Jul 2021. This drop was mainly due to a LL 104 billion drop in allowances paid to the Army to reach LL 218 billion and a LL 51 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 144 billion in Jan-Jul 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 104 billion (32.2 percent) as hospital expenses drastically decreased year-on-year by LL 125 billion (65.0 percent), despite a LL 24 billion (26.9 percent) rise in school allowances.

In addition, allowances paid to the Internal Security Forces dropped by LL 51 billion (26.1 percent), with respective declines of LL 32 billion (30.8 percent), LL 9 billion (15.4 percent) and LL 6 billion (39.8 percent) in hospital expenses, school allowances and sickness and maternity expenses, over the covered period.

As for the allowances paid to the General Security Forces, they slightly dropped by LL 0.2 billion (0.4 percent) in Jan-Jul 2021 compared to Jan-Jul 2020. In fact, the drops in payments covering sickness and maternity and hospital expenses by LL 1.9 billion and LL 1.7 billion respectively, were mostly counterbalanced by a LL 2.5 billion increase in payments covering treatments in different medical centers.

Lastly, allowances paid for the State Security Forces declined by LL 1 billion over the covered period, mainly as hospital expenses decreased by LL 0.7 billion compared to the same period last year.

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

Payments covering the government subscription and contributions to the Employees Cooperative decreased by LL 20 billion to reach LL 146 billion in Jan-Jul 2021 compared to a total of LL 166 billion registered a year earlier.



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