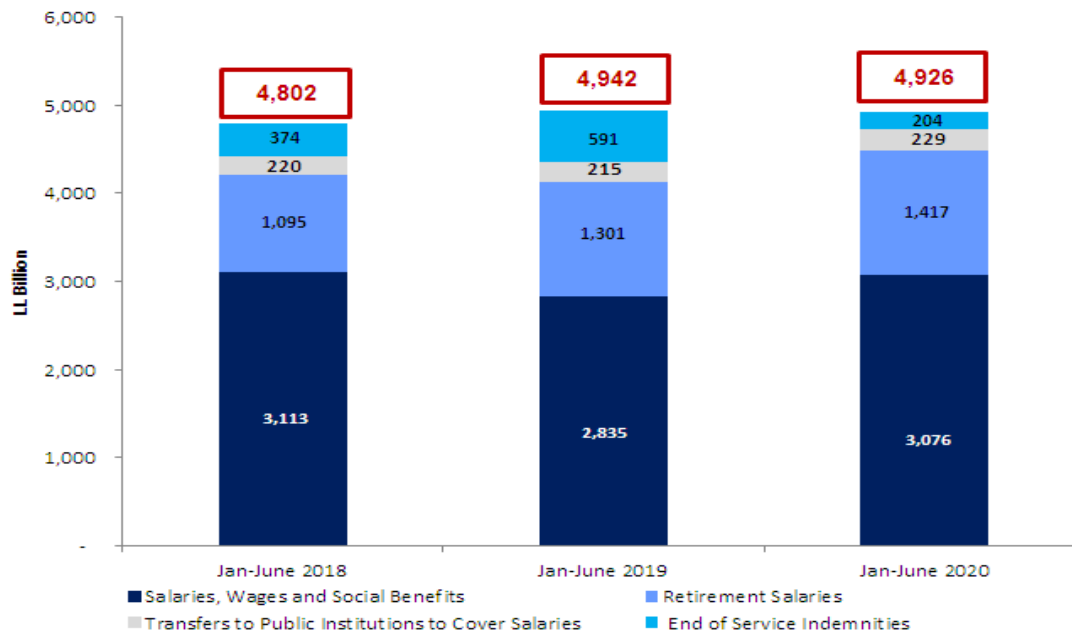


I. Personnel Cost

I.A. General Overview

Personnel cost¹ slightly decreased by LL 16 billion (0.3 percent) year-on-year during the first half of 2020 to reach LL 4,926 billion compared to LL 4,942 billion during the same period of 2019². The decrease during H1 2020 was mainly due to a sharp drop in the end of service indemnities by LL 388 billion (65.6 percent) compared to the same period a year earlier, reaching LL 204 billion. In contrast, the drop in personnel cost during the first six months of 2020 was mitigated by a rise in the payments related to (i) salaries, wages and social benefits by LL 241 billion (8.5 percent), (ii) retirement salaries by LL 116 billion (8.9 percent), and (iii) transfers to public institutions to cover salaries by LL 14 billion (6.7 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Jun 2018, Jan-Jun 2019 and Jan-Jun 2020



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost constituted the main bulk of current primary expenditures³, as it contributed to 67.6 percent in H1 2018, rising up to 73.4 percent in H1 2019 before dropping down to 71.1 percent in H1 2020. The reason behind this decrease lies in a larger expenditure base with a 2.9 percent year-on-year hike during H1 2020, mainly driven by larger transfers to the Higher Council of Relief reaching LL 225 billion compared to nil last year as well as higher payments

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

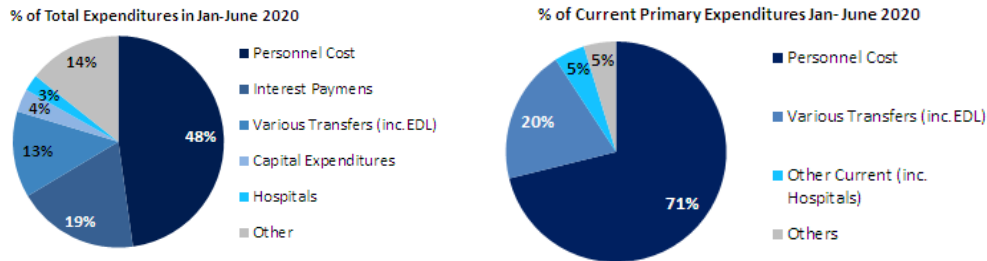
² The figures used are those published in the Public Finance Monthly Monitor report – June 2020.

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

covering medicaments by LL 95 billion. Personnel cost, as a percentage of total expenditures, reached 47.8 percent in H1 2020 compared to 40.1 percent in H1 2019.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Jun 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 242 billion year-on-year to reach LL 3,077 billion in H1 2020⁴. Overall, this growth was mainly the result of a LL 260 billion increase in allowances paid for the military personnel adding to a LL 52 billion rise in the Government subscription and contributions in the public employees Cooperative. These increases were partly offset by the drop of (i) LL 68 billion in salaries and wages paid to the education personnel and of (ii) LL 8 billion in salaries and wages paid to the civilian personnel.

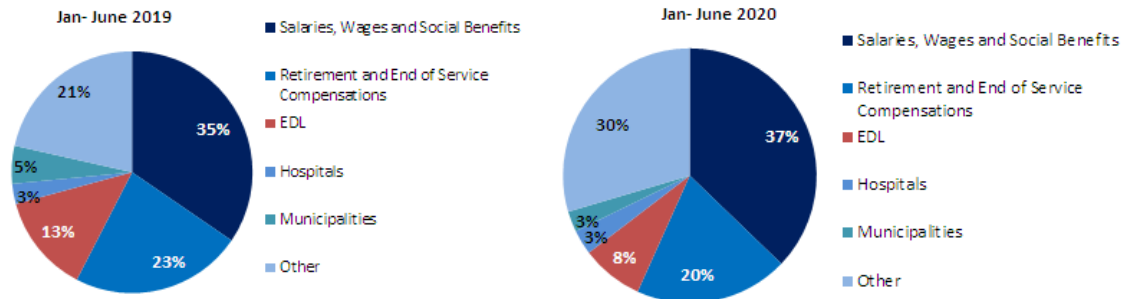
In terms of composition, "salaries and wages" constituted 72.3 percent of total payments for salaries, wages and related benefits to public sector employees in H1 2020, followed by "allowances" (17.1 percent) and "employment benefits" (3.3 percent), while "other payments" and "unclassified allowances" represented the remaining 7.2 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 33.9 percent in H1 2018 to 34.5 percent in H1 2019, and up again to 37.2 percent in H1 2020.

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

⁴ Figures differ slightly from the ones published in the Public Finance Monitor due to the rounding effect.

Figure 3. Primary Spending Breakdown by Component during Jan-Jun 2019 and Jan-Jun 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-Jun 2019 and Jan-Jun 2020⁵

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Military Personnel	1,505	1,499	51	50	265	525	5	2	1,826	2,077
Army	990	987	35	34	198	304	1	0	1,224	1,325
Internal Security Forces	377	379	13	13	56	181	4	2	450	575
General Security Forces	104	98	3	2	7	30	1	0	115	130
State Security Forces	33	35	1	1	4	11	0	0	38	47
Education Personnel	550	482	31	28	0	0	0	14	581	523
Civilian Personnel 1/	252	244	31	25	1	2	19	28	303	299
Government contribution to employees cooperative 2/							95	146	95	146
Customs Salaries 3/									30	32
Total	2,307	2,225	114	103	266	527	119	190	2,836	3,077

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 81 billion (3.5 percent) to reach LL 2,225 billion in the first half of

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

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 decreased by LL 6 billion (0.4 percent) in H1 2020 compared to the same period of 2019. This was mainly attributed to a drop in salary payments to the General Security Forces and the Army, which fell by LL 6 billion and LL 3 billion respectively. In details, clothing indemnities allocated to the General Security Forces witnessed a year-on-year decline of LL 8 billion, while the payments covering trainings abroad for the Army dropped by LL 2 billion. This was slightly offset by an increase of LL 2 billion in basic salaries paid for permanent personnel at the State Security Forces and a LL 1 billion increase in clothing indemnities allocated to the Internal Security Forces.

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

Salaries and wages of the education personnel significantly decreased by LL 68 billion (12.3 percent) year-on-year and stood at LL 482 billion in H1 2020. The drop was due to lower salary payments to contractuels at the Directorate General of Vocational Training by LL 48 billion⁶, coupled with an LL 18 billion drop in salary payments for contractuels at the primary education and a LL 14 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 11 billion. This was partly offset by a LL 27 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 8 billion (3.1 percent) year-on-year compared to the same period a year earlier, to reach LL 244 billion in H1 2020. At the level of the ministries, the Ministry of Justice represented the largest wage bill during the covered period, with a share of 16.3 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Foreign Affairs and Emigrants (MoFA) (15.2 percent of the total) and the Ministry of Finance (12.5 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 H1 2020 with LL 5.2 billion⁷ (12.3 percent). In contrast, the Ministry of Public Works and transportation witnessed a rise in salary payments by a LL 1.9 billion (13.9 percent)

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

(LL million)	Jan-Jun 2019	Jan-Jun 2020	% from Total Civilian Personnel in 2020
Ministry of Justice	40,796	39,817	16.3%
Ministry of Foreign Affairs and Emigrants	42,505	37,261	15.2%
Ministry of Finance	30,320	30,474	12.5%

⁶ 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.

⁷ This decrease can be largely attributed to payments pertaining to 2017 and 2018 that were paid during 2019.



Presidency of the Council of Ministers	24,319	23,608	9.7%
Parliament	21,994	22,112	9.0%
Ministry of Public Works and Transportation	13,836	15,765	6.5%
Ministry of Agriculture	12,925	12,506	5.1%
Ministry of Public Health	13,173	11,302	4.6%
Ministry of Interior & Municipalities	8,816	8,838	3.6%
Ministry of National Defense	8,122	8,238	3.4%
Other	35,299	34,424	14.1%
Total	252,104	244,343	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 261 billion (98.2 percent) to reach LL 527 billion during H1 2020. The hike was mainly due to a LL 124 billion rise in allowances paid to the Internal Security Forces reaching LL 181 billion, and a LL 106 billion increase in allowances disbursed to the Army reaching LL 304 billion by the end of June 2020. In addition, allowances disbursed to the General Security Forces increased by LL 23 billion during the covered period to reach LL 30 billion in H1 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 124 billion (221.3 percent) mostly due to a LL 52 billion rise in hospital expenses, followed by a LL 51 billion hike in school indemnities and a LL 12 billion increase in sickness and maternity expenses.

In addition, allowances paid to the Army increased by LL 106 billion, mainly as a result of a LL 89 billion hike in school indemnities followed by a LL 12 billion rise in hospital expenses along with a LL 4 billion increase in sickness and maternity expenses.

Lastly, allowances paid to the General Security Forces rose by LL 23 billion in H1 2020 compared to the same period 2019, given a rise in hospital expenses and school indemnities by LL 9 billion each, along with a LL 4 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 146 in Jan-Jun 2020 compared to LL 95 billion a year earlier.



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