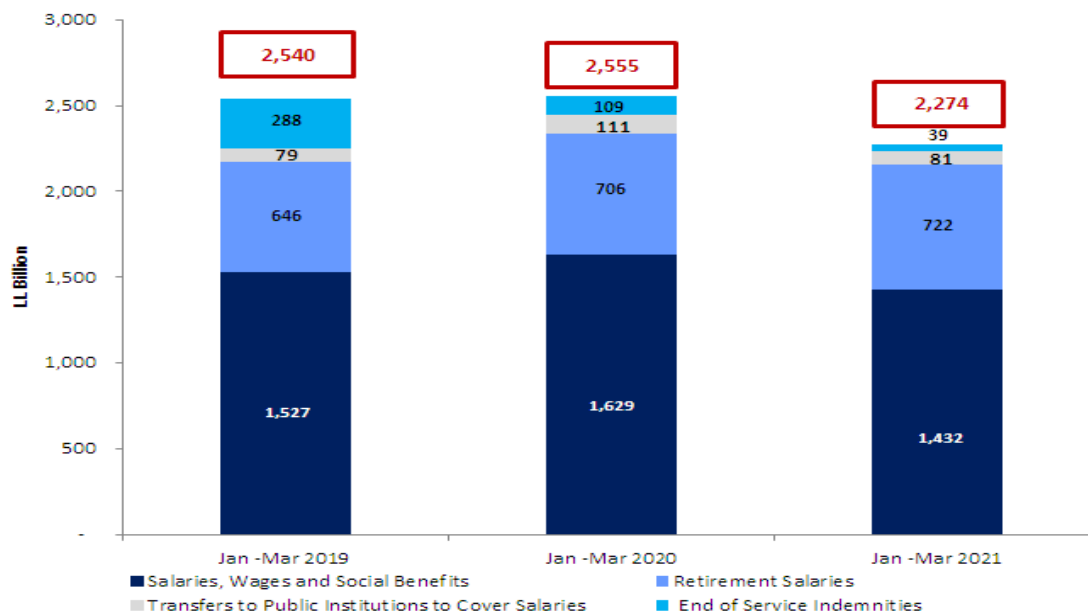


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 281 billion (11.0 percent) year-on-year during Jan-Mar 2021 to reach LL 2,274 billion compared to LL 2,555 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 197 billion (12.1 percent). In addition, end of service indemnities witnessed a relatively large decline by LL 71 billion (64.7 percent) reaching LL 39 billion during the first quarter of 2021, along with a less pronounced decrease of LL 29 billion (26.5 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 of LL 16 billion (2.3 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Mar 2019, Jan-Mar 2020 and Jan-Mar 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 76.5 percent in Jan-Mar 2019, remarkably shrinking to 65.9 percent in Jan-Mar 2020⁴, before hiking up again to 68.6 percent in Jan-Mar 2021⁵. Compared to total expenditures, personnel cost represented 47.5 percent of total expenditures during Jan-Mar

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 – March 2021.

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

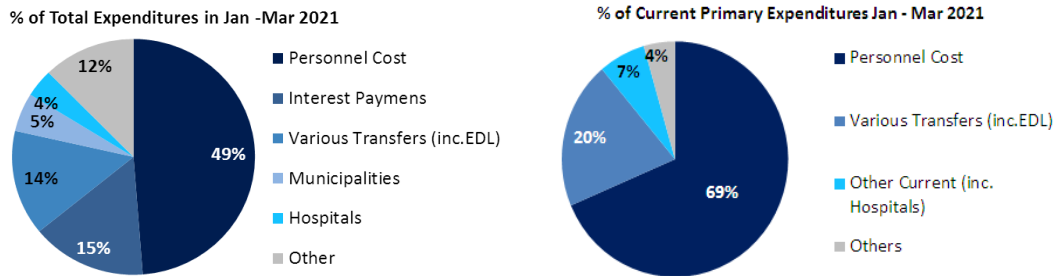
⁴ Due to a much faster increase in the expenditure base, with current primary expenditures hiking up by 16.7 percent compared to a rise of only 0.6 percent in the personnel cost during Jan-Mar 2020.

⁵ This significant rise was due to a decline in the current primary expenditures by 14.4 percent (LL 558 billion) compared to a y-o-y decrease of 11.0 percent (LL 281 billion) in the personnel cost during Jan-Mar 2021.

2019, dropping to 43.7 percent of the total in Jan-Mar 2020, and then rising upward to 48.8 percent in 2021. The main reason behind the significant changes in the personnel cost as a share of total expenditures lies in substantial changes in the expenditure base registering a considerable year-on-year rise of 9.5 percent during Jan-Mar 2020, followed by a large drop of 20.4 percent during Jan-Mar 2021.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Mar 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 197 billion year-on-year to reach LL 1,432 billion in Jan-Mar 2021. Overall, this was the result of a decline in all sub-components, with total “allowances” decreasing by LL 131 billion (38.3 percent) as those paid to the army and the internal security forces decreased by LL 104 billion and 38 billion respectively. In addition, “salaries & wages” dropped by LL 26 billion (2.3 percent), followed by a LL 23 billion decline in “other payments” and an LL 18 billion decline “employment benefits”.

In terms of composition, "salaries and wages" constituted 76.6 percent⁶ of total payments for salaries, wages and related benefits to public sector employees in Jan-Mar 2021, followed by "allowances" (14.8 percent)⁷ and "employment benefits" (3.3 percent), while "other payments" and “unclassified allowances” represented the remaining 5.3 percent of the total.

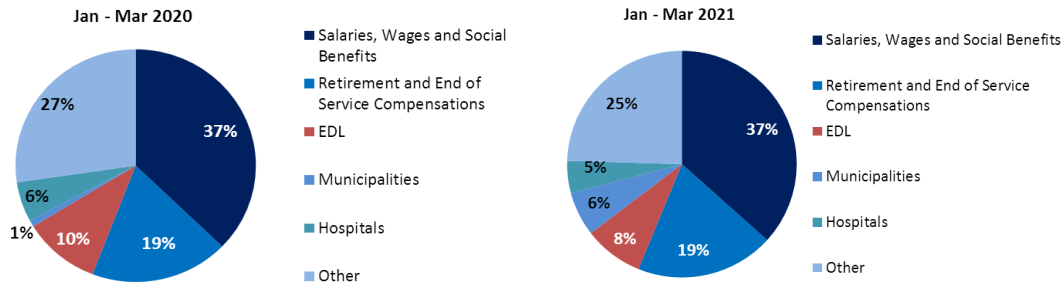
Furthermore, salaries, wages and related benefits decreased as a share from total primary spending from 37.2 percent in Jan-Mar 2020 to 36.7 percent in Jan-Mar 2021.

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

⁶ Up from 68.9 percent during Jan-Mar 2020.

⁷ Compared to a share of 21.0 percent in Jan-Mar 2020.

Figure 3. Primary Spending Breakdown by Component during Jan-Mar 2020 and Jan-Mar 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-Mar 2020 and Jan-Mar 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	747	753	27	30	343	211	2	2	1,118	996
Army	491	490	19	21	211	107	0	0	721	618
Internal Security Forces	191	190	7	7	116	79	2	2	316	278
General Security Forces	48	55	1	2	13	21	0	0	61	78
State Security Forces	18	17	0	1	2	4	0	0	20	22
Education Personnel	247	224	24	10	0	0	6	0	276	234
Civilian Personnel 1/	129	119	14	8	0	1	14	7	158	136
Government contribution to employees cooperative 2/							56	46	56	46
Customs Salaries 3/									20	20
Total	1,123	1,097	65	48	343	212	78	55	1,629	1,432

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 26 billion (2.3 percent) to reach LL 1,097 billion in Jan-Mar 2021. This decline was primarily the result of a contraction in salary payments for education personnel and the civilian personnel by LL 22 billion and LL 10 billion, respectively.

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

Salaries and wages of the military personnel increased by LL 7 billion (0.9 percent) in Jan-Mar 2021 compared to the same period of 2020. In details, salary payments to the General Security Forces increased by LL 7.6 billion (15.9 percent), in turn driven by a LL 5.6 billion year-on-year rise in payments related to clothing and LL 1.8 billion increase in basic salaries. This was partly offset by a drop of LL 0.3 billion in salaries paid to the Army, as expenses related to trainings abroad decreased by LL 3 billion against a LL 3 billion increase in basic salaries. In addition, salary payments for the State Security Forces decreased by LL 0.2 billion, as expenses related to trainings abroad witnessed a drop of LL 0.4 billion.

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

Salaries and wages of the education personnel decreased by LL 22 billion (9.1 percent) year-on-year and stood at LL 224 billion in Jan-Mar 2021. The drop was mainly due to lower salary payments to both permanent personnel and contractuels at the primary education by LL 11 billion and LL 9 billion respectively.

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

Salaries and wages to the civilian personnel decreased by LL 10 billion (7.8 percent) year-on-year, to reach LL 119 billion in Jan-Mar 2021. At the level of the ministries, the Ministry of Justice represented the largest wage bill during the covered period, with a share of 16.9 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Foreign Affairs and Emigrants (MoFA) (14.5 percent from total) and the Ministry of Finance (12.9 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 8.7 billion (33.3 percent), as payments covering expenses of missions abroad significantly decreased by LL 8.1 billion during Jan-Mar 2021.

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

(LL million)	Jan-Mar 2020	Jan-Mar 2021	% from Total Civilian Personnel in Jan- Mar 2021
Ministry of Justice	20,499	20,278	16.9%
Ministry of Foreign Affairs and Emigrants	26,045	17,372	14.5%
Ministry of Finance	14,860	15,430	12.9%
Presidency of the Council of Ministers	11,909	11,816	9.9%
Parliament	10,640	10,255	8.5%
Ministry of Public Works and Transportation	7,997	7,225	6.0%
Ministry of Agriculture	6,343	6,431	5.4%
Ministry of Public Health	5,462	5,913	4.9%
Ministry of Interior & Municipalities	4,415	4,457	3.7%
Ministry of National Defense	4,057	4,050	3.4%
Other	17,262	16,729	13.9%
Total	129,488	119,956	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 131 billion (38.3 percent) to reach LL 212 billion in billion in the first quarter of 2021. This drop was mainly due to a LL 104 billion drop in allowances paid to the Army to reach LL 107 billion and a LL 38 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 79 billion in Jan-Mar 2021. These decreases were slightly offset by a rise in the allowances disbursed to the General Security Forces by LL 8 billion to reach a total of LL 21 billion in Jan-Mar 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 104 billion (49.4 percent) as hospital expenses drastically decreased year-on-year by LL 125 billion (65.0 percent), despite a LL 21 billion rise in school allowances.

In addition, allowances paid to the Internal Security Forces dropped by LL 38 billion (32.3 percent), with hospital expenses and payments covering treatments in different medical centers decreasing by LL 31 billion and LL 5 billion respectively over the covered period.

Lastly, allowances paid to the General Security Forces increased by LL 8 billion (64.7 percent) in Jan-Mar 2021 compared to Jan-Mar 2020, with an increase in payments covering treatments in different medical centers and hospital expenses increasing by LL 3 billion each and sickness and maternity expenses rising by and LL 2 billion.

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

Payments covering the government subscription and contributions to the Employees Cooperative decreased by LL 10 billion to reach LL 46 billion in Jan-Mar 2021 compared to LL 56 billion registered a year earlier.



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