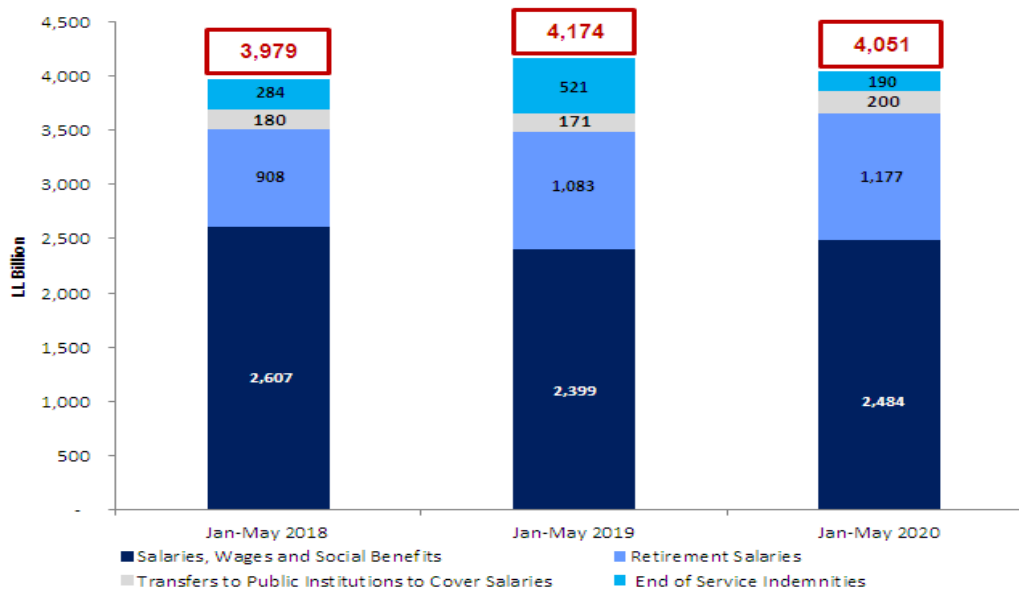


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> decreased by LL 123 billion (3.0 percent) year-on-year during Jan-May 2020 to reach LL 4,051 billion compared to LL 4,174 billion during the same period of 2019<sup>2</sup>. The decrease during Jan-May 2020 was mainly due to a sharp drop in end of service indemnities by LL 331 billion (63.6 percent) compared to the same period a year earlier, reaching LL 190 billion. In contrast, the drop in personnel cost during the first five months of 2020 was mitigated by a rise in (i) payments of salaries, wages and social benefits by LL 85 billion (3.5 percent), (ii) retirement salaries by LL 94 billion (8.7 percent), and (iii) transfers to public institutions to cover salaries by LL 29 billion (16.7 percent).

**Figure 1. Personnel Cost Breakdown by Component in Jan-May 2018, Jan-May 2019 and Jan-May 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 expenditures<sup>3</sup>, as it contributed to 67.8 percent in Jan-May 2018, rising up to 74.9 percent in Jan-May 2019 before dropping down to 70.7 percent in Jan-May 2020. The reason behind this decrease lies in a larger expenditure base with a 2.8 percent year-on-year hike during Jan-May 2020, mainly driven by higher payments for hospitals and medicaments by LL 192 billion and LL 59 billion, respectively.

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

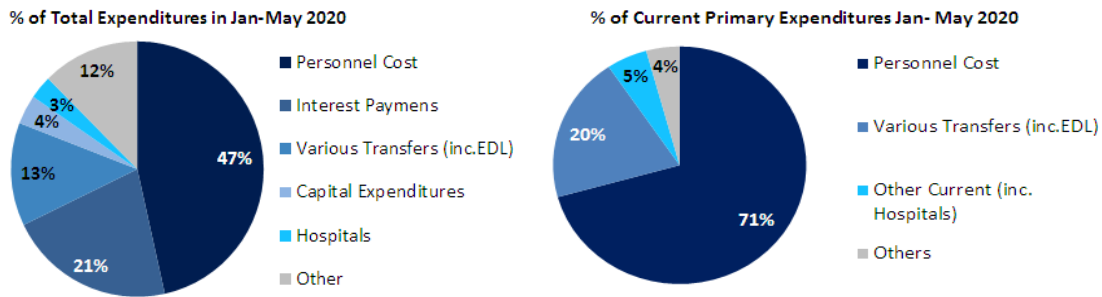
<sup>2</sup> The figures used are those published in the Public Finance Monthly Monitor report – May 2020.

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

Personnel cost, as a percentage of total expenditures, was 46.5 percent in Jan-May 2020 compared to 40.4 percent in Jan-May 2019.

The following figures represent the composition of total expenditures and current primary expenditures in Jan-May 2020:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-May 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

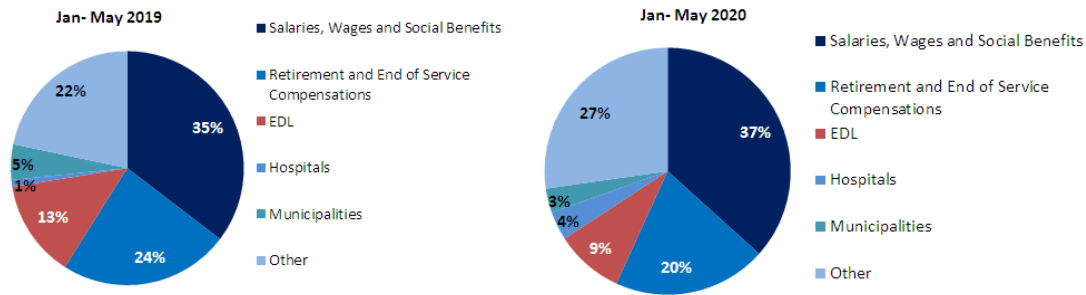
Payments for salaries, wages and related benefits increased by LL 84 billion year-on-year to reach LL 2,484 billion in Jan-May 2020. Overall, this growth was mainly the result of a LL 100 billion increase in allowances paid for the military personnel adding to a LL 42 billion rise in the Government subscription and contributions in the public employees Cooperative. These increases were partly offset by the drop of (i) LL 57 billion in salaries and wages paid to the education personnel and of (ii) LL 12 billion in salaries and wages paid to the military personnel.

In terms of composition, "salaries and wages" constituted 73.7 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-May 2020, followed by "allowances" (14.6 percent) and "employment benefits" (3.5 percent), while "other payments" and "unclassified allowances" represented the remaining 8.1 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 33.6 percent in Jan-May 2018 to 35.4 percent in Jan-May 2019, and up again to 36.7 percent in Jan-May 2020.

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

**Figure 3. Primary Spending Breakdown by Component during Jan-May 2019 and Jan-May 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-May 2019 and Jan-May 2020<sup>4</sup>**

| (LL billion)   | Basic Salaries |              | Employment Benefits 4/ |           | Allowances 5/ |            | Other 6/   |            | Total        |              |
|--|----------------|--------------|------------------------|-----------|---------------|------------|------------|------------|--------------|--------------|
|  | 2019           | 2020         | 2019                   | 2020      | 2019          | 2020       | 2019       | 2020       | 2019         | 2020         |
| <b>Military Personnel</b>                                  | <b>1,255</b>   | <b>1,243</b> | <b>44</b>              | <b>42</b> | <b>262</b>    | <b>363</b> | <b>5</b>   | <b>2</b>   | <b>1,566</b> | <b>1,650</b> |
| Army   | 824            | 817          | 30                     | 29        | 197           | 215        | 1          | 0          | 1,051        | 1,061        |
| Internal Security Forces                                   | 314            | 316          | 11                     | 11        | 55            | 124        | 4          | 2          | 384          | 453          |
| General Security Forces                                    | 89             | 81           | 2                      | 2         | 7             | 18         | 1          | 0          | 98           | 101          |
| State Security Forces                                      | 28             | 29           | 1                      | 1         | 4             | 5          | 0          | 0          | 32           | 35           |
| <b>Education Personnel</b>                                 | <b>436</b>     | <b>380</b>   | <b>26</b>              | <b>26</b> | <b>0</b>      | <b>0</b>   | <b>0</b>   | <b>14</b>  | <b>463</b>   | <b>420</b>   |
| <b>Civilian Personnel 1/</b>                               | <b>208</b>     | <b>209</b>   | <b>24</b>              | <b>19</b> | <b>1</b>      | <b>0</b>   | <b>17</b>  | <b>21</b>  | <b>250</b>   | <b>250</b>   |
| <b>Government contribution to employees cooperative 2/</b> |                |              |                        |           |               |            | <b>95</b>  | <b>136</b> | <b>95</b>    | <b>136</b>   |
| <b>Customs Salaries 3/</b>                                 |                |              |                        |           |               |            |            |            | <b>27</b>    | <b>28</b>    |
| <b>Total</b>   | <b>1,899</b>   | <b>1,832</b> | <b>95</b>              | <b>88</b> | <b>263</b>    | <b>363</b> | <b>116</b> | <b>173</b> | <b>2,400</b> | <b>2,484</b> |

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.

<sup>4</sup> 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 67 billion (3.5 percent) to reach LL 1,832 billion in Jan-May 2020. This decline was primarily the result of a contraction in salary payments for the education and military personnel.

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

Salaries and wages to the military personnel decreased by LL 12 billion (1.0 percent) in Jan-May 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 7 billion each. In details, clothing indemnities allocated to the General Security Forces witnessed a year-on-year decline of LL 8 billion, while the basic salaries paid for permanent personnel at the Army dropped by LL 6 billion.

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

Salaries and wages of the education personnel significantly decreased by LL 57 billion (13.0 percent) year-on-year and stood at LL 380 billion in Jan-May 2020. The drop was due to lower salary payments to contractuels at the Directorate General of Vocational Training by LL 48 billion<sup>5</sup>, coupled with a LL 10 billion drop in salary payments for the permanent personnel at the primary education. Also, payments for contractuels at the primary education and trainees at the secondary education witnessed a similar year-on-year drop of LL 8 billion each. This was partly offset by a LL 20 billion rise in payments for the permanent personnel at the secondary education.

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

Salaries and wages to civilian personnel slightly increased by LL 1 billion (0.6 percent) year-on-year compared to the same period a year earlier, to reach LL 209 billion in Jan-May 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 (16.3 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 Foreign Affairs and Emigrants had the most notable nominal year-on-year increase in salaries and wages in Jan-May 2020 with LL 1.8 billion (5.4 percent), followed by a LL 1.7 billion (14.6 percent) rise in salary payments at the Ministry of Public Works and transportation.

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<sup>5</sup> 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.

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

| (LL million)                                | Jan-May<br>2019 | Jan-May<br>2020 | % from Total Civilian<br>Personnel in 2020 |
|---|-----------------|-----------------|--|
| Ministry of Foreign Affairs and Emigrants   | 34,036          | 35,887          | 17.2%                                      |
| Ministry of Justice                         | 33,939          | 34,030          | 16.3%                                      |
| Ministry of Finance                         | 25,259          | 25,386          | 12.1%                                      |
| Presidency of the Council of Ministers      | 20,218          | 19,819          | 9.5%                                       |
| Parliament                                  | 18,185          | 17,740          | 8.5%                                       |
| Ministry of Public Works and Transportation | 11,637          | 13,332          | 6.4%                                       |
| Ministry of Agriculture                     | 10,822          | 10,557          | 5.0%                                       |
| Ministry of Public Health                   | 10,286          | 9,448           | 4.5%                                       |
| Ministry of Interior & Municipalities       | 7,350           | 7,364           | 3.5%                                       |
| Ministry of National Defense                | 6,709           | 6,835           | 3.3%                                       |
| Other                                       | 29,483          | 28,729          | 13.7%                                      |
| <b>Total</b>                                | <b>207,924</b>  | <b>209,127</b>  | <b>100%</b>                                |

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 100 billion (38.0 percent) to reach LL 363 billion during Jan-May 2020. The hike was mainly due to a LL 69 billion rise in allowances paid to the Internal Security Forces reaching LL 124 billion, and an LL 18 billion increase in allowances disbursed to the Army reaching LL 215 billion by the end of May 2020. In addition, allowances disbursed to the General Security Forces increased by LL 12 billion during the covered period to reach LL 18 billion in Jan-May 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 69 billion (126.2 percent) mostly due to a LL 51 billion rise in hospital expenses, followed by a LL 10 billion hike in sickness and maternity expenses and a LL 5 billion increase in treatment costs in medical centers.

In addition, allowances paid to the Army increased by LL 18 billion, mainly as a result of a LL 13 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 12 billion in Jan-May 2020 compared to the same period 2019, given a LL 9 billion rise in hospital expenses.

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

Payments to government subscription and contributions to the Employees Cooperative reached LL 136 in Jan-May 2020 compared to LL 95 billion a year earlier.



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