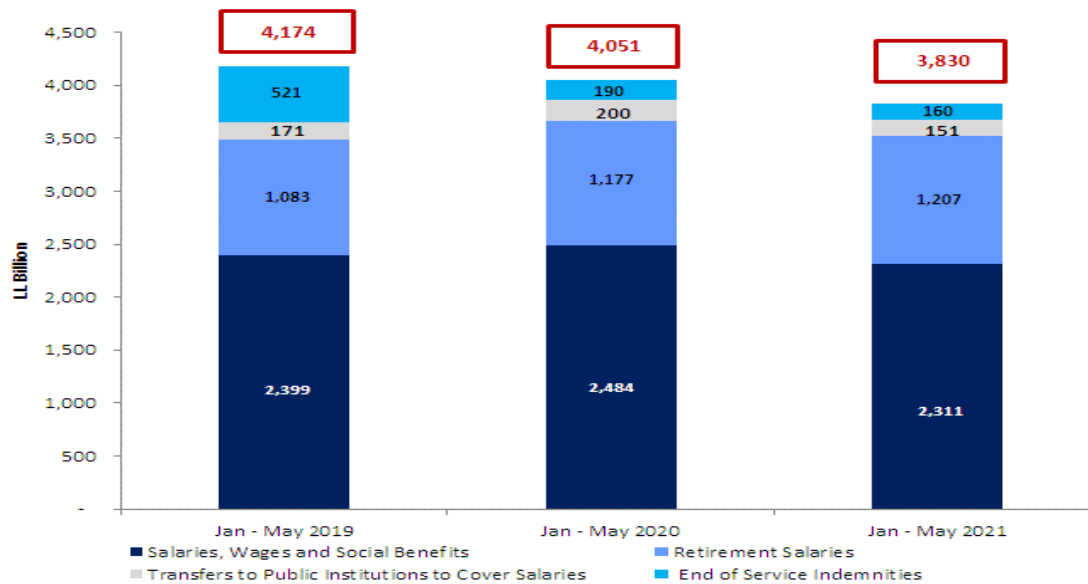


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 221 billion (5.5 percent) year-on-year during Jan-May 2021 to reach LL 3,830 billion compared to LL 4,051 billion during the same period of 2020². This decline was mainly driven by a considerable year-on-year drop in the salaries, wages and social benefits by LL 173 billion (7.0 percent). In addition, end of service indemnities witnessed a decline by LL 30 billion (15.6 percent) reaching LL 160 billion during the first five months of 2021, along with a higher decrease of LL 48 billion (24.1 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 30 billion (2.6 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-May 2019, Jan-May 2020 and Jan-May 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 74.9 percent in Jan-May 2019, before shrinking to 70.7 percent in Jan-May 2020⁴, and hiking up again to 74.3 percent in Jan-May 2021⁵. Compared to total expenditures, personnel cost averaged 40.4 percent of total expenditures during Jan-May 2019, rising to 46.5 percent in Jan-May 2020, and reaching 54.0 percent in Jan-May 2021. The main reason behind the significant increase in the personnel cost as a share of total expenditures in 2020 and 2021

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 – May 2021.

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

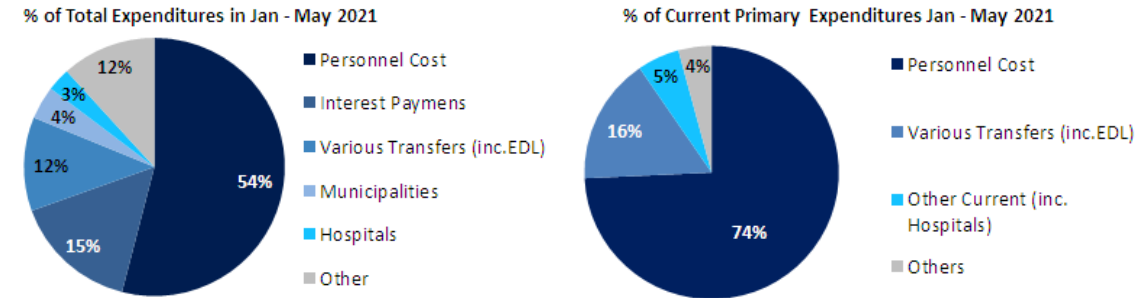
⁴ Due to an increase in the expenditure base, with current primary expenditures hiking up by 2.8 percent compared to a decrease of 3.0 percent in the personnel cost during Jan-May 2020.

⁵ This rise was due to a faster decline in the current primary expenditures by 10.0 percent (LL 575 billion) compared to a y-o-y decrease of 5.5 percent (LL 221 billion) in the personnel cost during Jan-May 2021.

lies in substantial changes in the expenditure base registering considerable year-on-year drops of 15.7 percent and 18.6 percent during Jan-May 2020 and Jan-May 2021 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-May 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 172 billion year-on-year to reach LL 2,312 billion⁶ in Jan-May 2021. Overall, this was mainly due to a significant decline in total “allowances” by LL 132 billion (36.3 percent), as those paid to the Army and the Internal Security Forces decreased by LL 101 billion and LL 35 billion respectively. In addition, “employment benefits” dropped by LL 15 billion (17.3 percent), resulting from a decrease in payments for the education and civilian personnel by LL 14 billion and LL 5 billion respectively, against a LL 4 billion hike in payments for military personnel. Payments covering “salaries & wages” slightly increased by LL 8 billion (0.4 percent), with an increase in payments for the military personnel by LL 33 billion that was mostly offset by a decline in the amounts paid to the education (LL 22 billion) and the civilian personnel (LL 4 billion).

In terms of composition, “salaries and wages” constituted 79.6 percent⁷ of total payments for salaries, wages and related benefits to public sector employees in Jan-May 2021, followed by “allowances” (10.0 percent)⁸ and “employment benefits” (3.1 percent), while “other payments” and “unclassified allowances” represented the remaining 7.3 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 36.7 percent in Jan-May 2020 to 39.0 percent in Jan-May 2021.

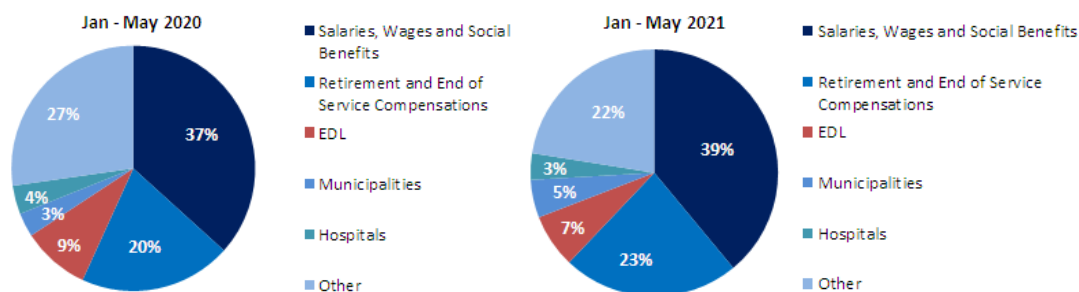
The following figures represent the primary spending breakdown by component during the period under review.

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-May 2020.

⁸ Compared to a share of 14.6 percent in Jan-May 2020.

Figure 3. Primary Spending Breakdown by Component during Jan-May 2020 and Jan-May 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-May 2020 and Jan-May 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	1,243	1,276	42	46	363	230	2	2	1,650	1,555
Army	817	825	29	31	215	114	0	0	1,061	970
Internal Security Forces	316	334	11	11	124	89	2	2	453	437
General Security Forces	81	88	2	3	18	22	0	0	101	113
State Security Forces	29	29	1	1	5	5	0	0	35	35
Education Personnel	380	358	26	12	0	0	14	0	420	370
Civilian Personnel 1/	209	206	19	15	0	1	21	12	250	233
Government contribution to employees cooperative 2/							136	126	136	126
Customs Salaries 3/									28	28
Total	1,832	1,840	88	73	363	231	173	140	2,484	2,312

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, slightly increased by LL 8 billion (0.4 percent) to reach LL 1,840 billion in Jan-May 2021. This was driven by the LL 33 billion increase in salary payments for the military personnel, that was mostly offset by a decrease in the salary payments for both the education and civilian personnel by LL 22 billion and LL 4 billion, respectively during the period under consideration.

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

Salaries and wages of the military personnel increased by LL 33 billion (2.7 percent) in Jan-May 2021 compared to the same period of 2020. In details, salary payments to the Internal Security Forces increased by LL 19 billion (5.9 percent), as payments related to clothing hiked up by LL 21 billion over the covered period. In addition, salary payments to the Army witnessed a year-on-year increase of LL 8 billion (1.0 percent), following an LL 11 billion rise in basic salaries paid during Jan-May 2021. As for the salary payments to the General Security Forces, they increased also by LL 7 billion (8.5 percent), following a LL 6 billion rise in payments related to clothing during Jan-May 2021.

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

Salaries and wages of the education personnel decreased by LL 22 billion (5.8 percent) year-on-year and stood at LL 358 billion in Jan-May 2021. The drop was mainly due to lower salary payments to both permanent personnel and contractuels at the primary education by LL 15 billion and LL 7 billion respectively. It is worth mentioning that the only category that witnessed a noticeable year-on-year increase in its salary payments was the permanent personnel at the secondary education with a LL 5 billion rise in Jan-May 2021 compared to the same period of 2020.

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

Salaries and wages to the civilian personnel decreased by LL 4 billion (1.7 percent) year-on-year, to reach LL 206 billion in Jan-May 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 16.4 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Justice (16.0 percent from total) and the Ministry of Finance (12.5 percent from total). *(For further details, kindly refer to table 2)*

In details, employees at the Ministry of Foreign Affairs and Emigrants witnessed a drop in salary expenditures by LL 2.1 billion (5.9 percent), as payments covering basic salaries paid for diplomats significantly decreased by LL 3.8 billion during Jan-May 2021.

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

(LL million)	Jan-May	Jan-May	% from Total Civilian Personnel in Jan-May 2021
	2020	2021	
Ministry of Foreign Affairs and Emigrants	35,887	33,782	16.4%
Ministry of Justice	34,030	32,812	16.0%
Ministry of Finance	25,386	25,597	12.5%
Presidency of the Council of Ministers	19,819	19,806	9.6%
Parliament	17,740	16,958	8.2%
Ministry of Public Works and Transportation	13,332	13,273	6.5%
Ministry of Public Health	9,448	10,711	5.2%
Ministry of Agriculture	10,557	10,617	5.2%
Ministry of Interior & Municipalities	7,364	7,390	3.6%
Ministry of National Defense	6,835	6,821	3.3%
Other	28,729	27,827	13.5%
Total	209,127	205,596	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 132 billion (36.3 percent) to reach LL 231 billion in billion in the first five months of 2021. This drop was mainly due to a LL 101 billion drop in allowances paid to the Army to reach LL 114 billion and a LL 35 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 89 billion in Jan-May 2021. These decreases were slightly offset by a rise in the allowances disbursed to the General Security Forces by LL 4 billion to reach a total of LL 22 billion in Jan-May 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 101 billion (47.1 percent) as hospital expenses drastically decreased year-on-year by LL 125 billion (64.9 percent), despite a LL 21 billion rise in school allowances.

In addition, allowances paid to the Internal Security Forces dropped by LL 35 billion (28.2 percent), with respective declines of LL 27 billion, LL 5 billion and LL 4 billion in hospital expenses, sickness and maternity expenses and payments covering treatments in different medical centers, over the covered period.

Lastly, allowances paid to the General Security Forces increased by LL 4 billion (21.5 percent) in Jan-May 2021 compared to Jan-May 2020, following an increase in payments covering treatments in different medical centers and sickness and maternity expenses by LL 3 billion each.

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

Payments covering the government subscription and contributions to the Employees Cooperative decreased by LL 11 billion to reach LL 126 billion in Jan-May 2021 compared to LL 136 billion registered a year earlier.



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