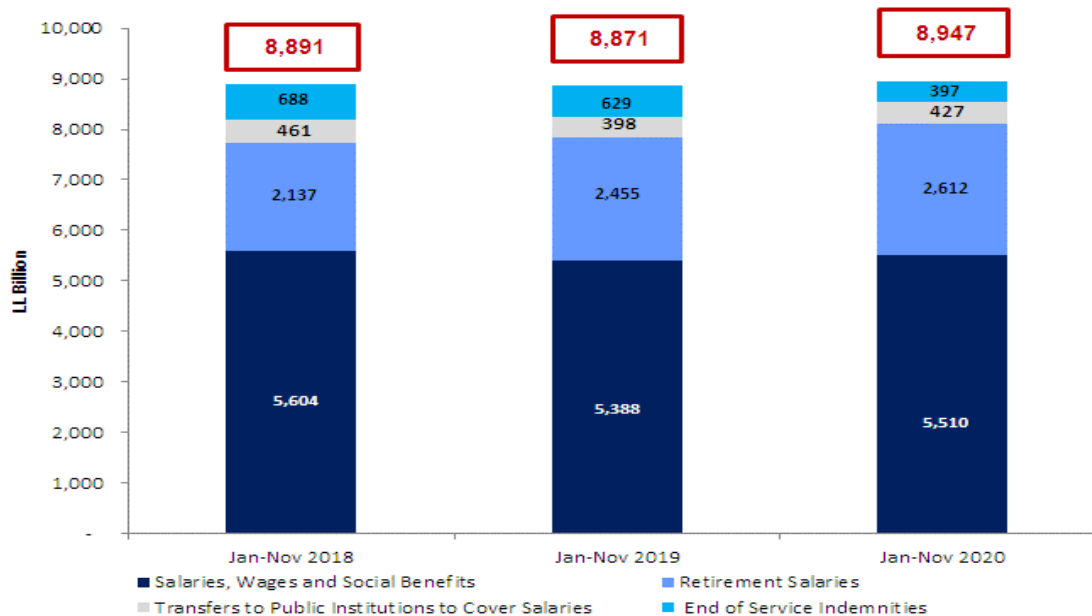


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> slightly increased by LL 76 billion (0.9 percent) year-on-year during Jan-Nov 2020 to reach LL 8,947 billion compared to LL 8,871 billion during the same period of 2019<sup>2</sup>. This increase was due to the rise witnessed in the payments related to (i) retirement compensations by LL 157 billion (6.4 percent), (ii) salaries, wages and social benefits by LL 122 billion (2.3 percent) and (iii) transfers to public institutions to cover salaries by LL 29 billion (7.3 percent). In contrast, end of service indemnities was the only component to register a year-on-year drop of LL 232 billion (36.9 percent), reaching a total of LL 397 billion by the end of November 2020.

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



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 expenditures<sup>3</sup>, as it contributed to 65.8 percent in Jan-Nov 2018, rising up to 71.8 percent in Jan-Nov 2019<sup>4</sup> and to 72.3 percent in Jan-Nov 2020. Compared to total expenditures, personnel cost represented

<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 Monitor report – November 2020.

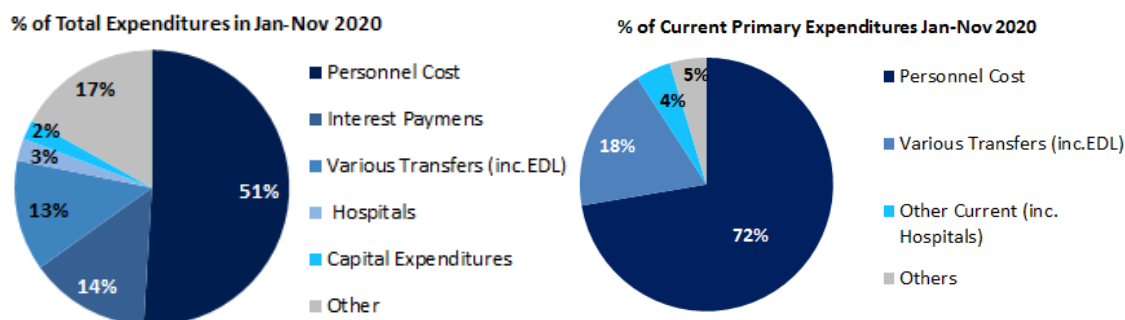
<sup>3</sup> Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

<sup>4</sup> At the time where personnel cost slightly decreased y-o-y by 0.2 percent during Jan-Nov 2019, current primary expenditures registered a significant drop of 8.6 percent, mainly as “transfers to EDL”, “Materials and supplies” and “other current payments (judgments & reconciliations, mission costs, other)” decreased by 15.4 percent (LL 378 billion), 41.8 percent (LL 210 billion) and 63.8 percent (LL 171 billion), respectively over the covered period.

35.6 percent of total expenditures in Jan-Nov 2018, rising up to 39.0 percent of the total in Jan-Nov 2019 and keeping the upward trend afterwards to reach an unprecedented share of 51.0 percent from total expenditures during the same period of 2020. The main reason behind the increase in the personnel cost as a share of total expenditures lies in a significantly lower expenditure base with a year-on-year drop of 8.9 percent and 22.8 percent<sup>5</sup> during Jan-Nov 2019 and Jan-Nov 2020 respectively.

The following figures represent the composition of total expenditures and current primary expenditures during the first eleven months of 2020:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Nov 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 122 billion year-on-year to reach LL 5,510 billion in Jan-Nov 2020. Overall, this growth was mainly the result of a LL 188 billion (38.0 percent) increase in allowances paid to the military personnel added to a LL 65 billion (26.1 percent) rise in the Government subscription and contributions to the public employees Cooperative. These increases were partly offset by respective drops of LL 96 billion (8.8 percent) and 24 billion (0.9 percent) in salaries and wages paid respectively to the education and military personnel.

In terms of composition, "salaries and wages" constituted 76.2 percent<sup>6</sup> of total payments for salaries, wages and related benefits to public sector employees in Jan-Nov 2020, followed by "allowances" (12.4 percent)<sup>7</sup> and "employment benefits" (3.2 percent), while "other payments" and "unclassified allowances" represented the remaining 8.2 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 36.0 percent in Jan-Nov 2019 to 37.0 percent in Jan-Nov 2020.

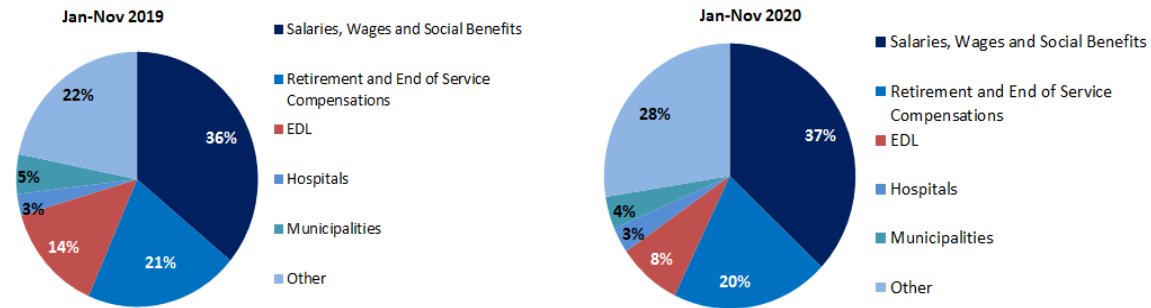
The following figures represent the primary spending breakdown by component during the period under review.

<sup>5</sup> Highly driven by the sharp drop in interest payments by 66.8 percent (LL 5,000 billion) after the Government opted for a default in terms of Eurobonds' maturities starting March 2020.

<sup>6</sup> Down from 80.2 percent during the same period of 2019.

<sup>7</sup> Compared to a share of 9.2 percent in Jan-Nov 2019.

**Figure 3. Primary Spending Breakdown by Component during Jan-Nov 2019 and Jan-Nov 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-Nov 2019 and Jan-Nov 2020**

(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>	2,768	2,744	95	94	495	683	6	2	3,363	3,523
Army	1,820	1,836	62	61	307	409	1	1	2,190	2,306
Internal Security Forces	694	654	24	24	151	221	4	2	872	900
General Security Forces	191	191	4	4	24	38	1	0	221	233
State Security Forces	63	64	5	5	13	15	0	0	81	84
<b>Education Personnel</b>	1,085	989	59	40	0	0	18	38	1,161	1,066
<b>Civilian Personnel 1/</b>	470	465	51	43	2	2	41	43	565	554
<b>Government contribution to employees cooperative 2/</b>							249	314	249	314
<b>Customs Salaries 3/</b>									50	53
<b>Total</b>	<b>4,323</b>	<b>4,198</b>	<b>205</b>	<b>176</b>	<b>497</b>	<b>685</b>	<b>313</b>	<b>398</b>	<b>5,388</b>	<b>5,510</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.

## II.A. Salaries and Wages

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, decreased by LL 125 billion (2.9 percent) to reach LL 4,198 billion in Jan-Nov 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 of the military personnel slightly decreased by LL 24 billion (0.9 percent) in Jan-Nov 2020 compared to the same period of 2019. This was mainly attributed to a drop in salary payments to the Internal Security Forces by LL 41 billion (5.8 percent) due to a LL 60 billion year-on-year decrease in payments related to the basic salaries partly counterbalanced by an increase of LL 20 billion in payments related to clothing. This was partly offset by a LL 16 billion rise in salary payments for the Army, as the basic salaries paid witnessed an increase of LL 23 billion, while the payments covering trainings abroad dropped by LL 7 billion.

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

Salaries and wages of the education personnel significantly decreased by LL 96 billion (8.8 percent) year-on-year and stood at LL 989 billion in Jan-Nov 2020. The drop was due to lower salary payments to (i) contractuels at the Directorate General of Vocational Training by LL 72 billion<sup>8</sup>, (ii) permanent personnel at the primary education by LL 28 billion and (iii) trainees at the secondary education by LL 27 billion. This was partly offset by a LL 31 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 6 billion (1.2 percent) year-on-year compared to the same period a year earlier, to reach LL 465 billion in Jan-Nov 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 18.2 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (16.1 percent of the total) and the Ministry of Finance (12.0 percent of the total). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Public works and transportation witnessed the most notable nominal year-on-year increase in salaries and wages in Jan-Nov 2020 with LL 2.1 billion (8.5 percent). In contrast, the Ministry of Foreign Affairs and Emigrants witnessed the largest drop in salary payments of LL 2.9 billion (3.3 percent) followed by the Ministry of Public Health with a decrease of LL 2.4 billion (9.8 percent).

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<sup>8</sup> In January 2019, an exceptional payment of LL 48 billion was made to contractuels at the DGVV covering 30 percent of their fees pertaining to the academic year 2017/2018 according to decisions # 221, 222, 243, 244 dated 21/12/2018. Also, a total of LL 152 billion was paid in August 2019 covering 90 percent of the contractuels' fees related to the academic year 2018/2019 as per decisions # 97, 98, 99 & 100 dated 02/08/2019.

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

(LL million)	Jan-Nov 2019	Jan-Nov 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	87,303	84,409	18.2%
Ministry of Justice	75,089	74,859	16.1%
Ministry of Finance	55,606	55,986	12.0%
Presidency of the Council of Ministers	44,538	43,924	9.4%
Parliament	39,485	39,093	8.4%
Ministry of Public Works and Transportation	24,728	26,840	5.8%
Ministry of Agriculture	23,774	23,396	5.0%
Ministry of Public Health	24,327	21,948	4.7%
Ministry of Interior & Municipalities	16,139	16,151	3.5%
Ministry of National Defense	14,840	15,210	3.3%
Other	64,640	63,013	13.6%
<b>Total</b>	<b>470,469</b>	<b>421,080</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 189 billion (38.0 percent) to reach LL 685 billion in Jan-Nov 2020. This hike was mainly due to a LL 101 billion (33.0 percent) rise in allowances paid to the Army reaching LL 409 billion and a LL 70 billion (46.7 percent) increase in allowances disbursed to the Internal Security Forces reaching LL 221 billion by the end of November 2020. In addition, allowances disbursed to the General Security Forces increased by LL 14 billion (56.1 percent) during the covered period to reach LL 38 billion in Jan-Nov 2020.

In details, allowances paid to the Army witnessed a sharp hike of LL 101 billion (33.0 percent) mostly due to a LL 37 billion rise in each of hospital expenses and sickness and maternity expenses.

In addition, allowances paid to the Internal Security Forces increased by LL 70 billion, mainly because of a LL 56 billion rise in hospital expenses, a LL 15 billion increase in sickness and maternity expenses and a LL 7 billion in expenses related to treatments in different medical centers. These increases were partly offset by the drop of LL 11 billion in school indemnities.

Lastly, allowances paid to the General Security Forces rose by LL 14 billion in Jan-Nov 2020 compared to the same period 2019, given a rise in hospital expenses by LL 9 billion along with a LL 7 billion hike in sickness and maternity expenses. These increases were partly offset by the drop of LL 2 billion in school indemnities.

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

Payments covering the government subscription and contributions to the Employees Cooperative reached LL 314 billion in Jan-Nov 2020 compared to LL 249 billion a year earlier.



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