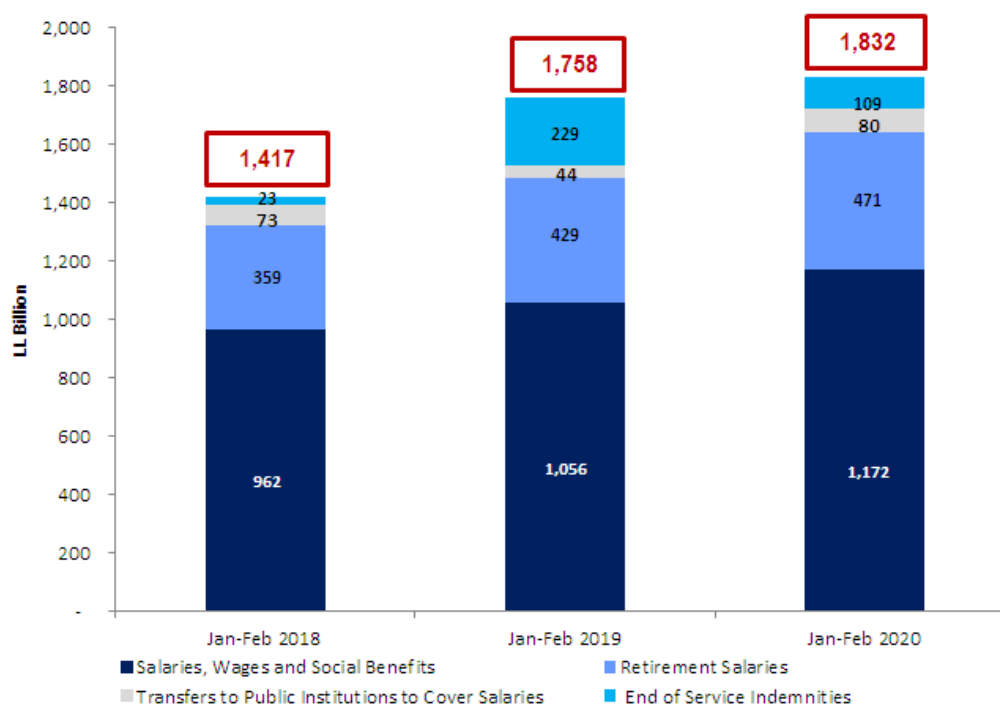


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> increased by LL 74 billion (4.2 percent) year-on-year during Jan-Feb 2020 to reach LL 1,832 billion compared to LL 1,758 billion during the same period of 2019<sup>2</sup>. The rise was mainly driven by the increase in salaries, wages and related benefits moving up by LL 116 billion (10.9 percent) to reach LL 1,172 billion in Jan-Feb 2020. In addition, transfers to public institutions to cover salaries rose by LL 37 billion (83.8 percent) to reach LL 80 billion and retirement increased by LL 42 billion (9.7 percent) amounting to LL 471 billion during the period under consideration. In contrast, end of service compensations dropped year-on-year by LL 120 billion (52.4 percent) during Jan-Feb 2020.

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



Source: Ministry of Finance, Directorate General of Finance

### I.B. Share of Personnel Cost from Expenditures

Personnel cost formed the main bulk of current primary expenditures<sup>3</sup>, as it contributed to 62.7 percent in Jan-Feb 2018, rising up to 72.3 percent in Jan-Feb 2019 before dropping down to 63.3 percent in Jan-Feb 2020. Moreover, personnel cost represented 33.4 percent of total

<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.

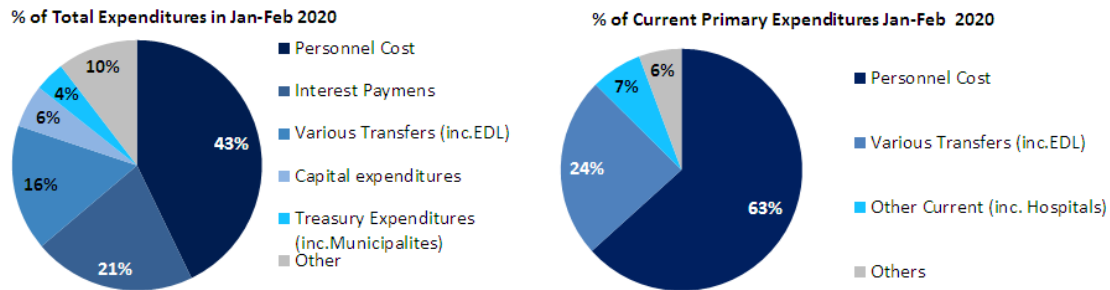
<sup>2</sup> The figures used are those published in the Public Finance Monthly Monitor report – Feb 2020.

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

expenditures in Jan-Feb 2018, rising to 47.4 percent of the total in Jan-Feb 2019 before dropping down to 42.8 percent of the total in the same period of 2020. The main reason behind the decrease in the personnel cost as a share of current primary expenditures and of total expenditure lies in a higher expenditure base with respective year-on-year rises of 19.0 percent and 15.3 percent compared to an increase of 4.2 percent in personnel cost during Jan-Feb 2020.

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

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Feb 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 116 billion year-on-year to LL 1,172 billion in Jan-Feb 2020. Overall, this growth was mainly the result of a LL 148 billion increase in allowances paid for military personnel, partly offset by the drop of (i) LL 43 billion in salaries and wages to education personnel and (ii) LL 16 billion in salaries and wages paid to the military personnel.

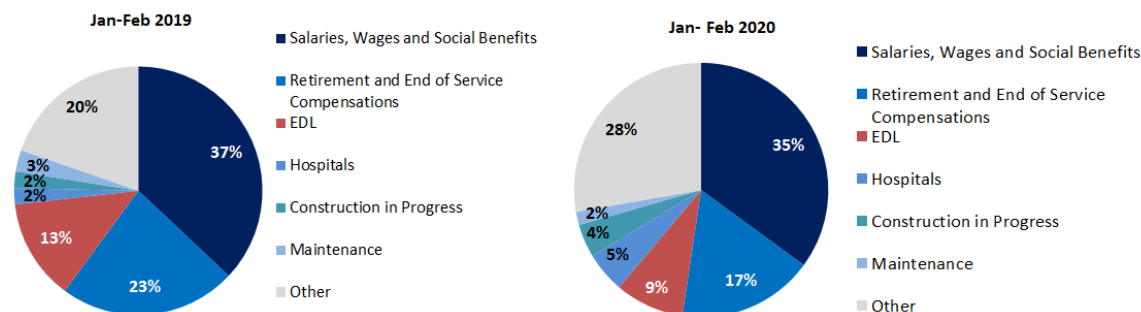
In terms of composition, salaries and wages constituted 61.8 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Feb 2020, followed by allowances (28.2 percent) and employment benefits (4.2 percent), while “other payments” and “unclassified allowances” represented the remaining 5.8 percent of the total.

Furthermore, salaries, wages and related benefits represented 37.0 percent of total primary spending in Jan-Feb 2019 and dropped to 35.0 percent of the total in Jan-Feb 2020.

The following figures present the primary spending breakdown by component during the month under review<sup>4</sup>.

<sup>4</sup> The main reason behind the decrease in the share of salaries, wages and related benefits from primary expenditure compared to Jan-Feb 2019, is rooted in a significantly higher base level of total primary expenditures in Jan-Feb 2020, increasing by more than 17.2 percent year-on-year, driven mainly by higher transfers and payments for hospitals.

**Figure 3. Primary Spending Breakdown by Component during Jan-Feb 2019 and Jan-Feb 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-Feb 2019 and Jan-Feb 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>	513	497	21	19	182	331	1	2	718	849
Army	335	326	14	13	160	210	0	0	509	550
Internal Security Forces	127	128	5	5	17	110	0	2	149	244
General Security Forces	41	31	1	1	4	9	1	0	47	41
State Security Forces	11	12	0	0	2	2	0	0	13	14
<b>Education Personnel</b>	181	138	14	19	0	0	0	6	195	163
<b>Civilian Personnel 1/</b>	90	89	8	11	0	0	10	13	108	114
<b>Government contribution to employees cooperative 2/</b>							20	30	20	30
<b>Customs Salaries 3/</b>									15	17
<b>Total</b>	<b>784</b>	<b>725</b>	<b>43</b>	<b>50</b>	<b>183</b>	<b>331</b>	<b>31</b>	<b>51</b>	<b>1,056</b>	<b>1,172</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, dropped by LL 59 billion (7.6 percent) to reach LL 725 billion in Jan-Feb 2020. This decline was primarily the result of a contraction in the salary payments for education and military personnel.

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

Salaries and wages to military personnel decreased by LL 16 billion (3.1 percent) in Jan-Feb 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 9 billion and LL 8 billion respectively. In details, basic salaries paid for the Army dropped by LL 7 billion compared to the same period last year, while the drop in General Security Forces was attributed to a decline of LL 8 billion in clothing indemnities along with a drop in payments of basic salaries by LL 1 billion.

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

Salaries and wages of education personnel significantly decreased by LL 43 billion (23.6 percent) year-on-year and stood at LL 138 billion in Jan-Feb 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 drop of LL 3 billion in salary payments to the permanent personnel at the primary education. This was slightly offset by the rise in payments for the permanent personnel at the secondary education by LL 9 billion.

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

Salaries and wages to civilian personnel declined by LL 1 billion (0.8 percent) year-on-year compared to the same period a year earlier, to reach LL 89 billion in Jan-Feb 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 22.1 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (15.4 percent of the total) and the Ministry of Finance (11.4 percent of the total). (For further details, kindly refer to table 2)

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

(LL million)	Jan-Feb 2019	Jan-Feb 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	19,881	19,715	22.1%
Ministry of Justice	13,671	13,694	15.4%
Ministry of Finance	10,096	10,168	11.4%
Presidency of the Council of Ministers	8,073	7,925	8.9%
Parliament	7,232	7,084	7.9%
Ministry of Public Works and Transportation	5,119	5,511	6.2%
Ministry of Agriculture	4,227	4,230	4.7%
Ministry of Public Health	4,179	3,695	4.1%
Ministry of Interior & Municipalities	2,920	2,925	3.3%
Ministry of National Defense	2,644	2,716	3.0%
Other	11,864	11,510	12.9%
<b>Total</b>	<b>89,906</b>	<b>89,173</b>	<b>100%</b>

Source: Ministry of Finance, Directorate General of Finance

<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.

## **II.B. Payment of Allowances**

The cumulative payment of allowances to public sector employees increased significantly by LL 148 billion (81.2 percent) to reach LL 331 billion in the first two month of 2020. The hike was mainly due to a LL 93 billion rise in allowances paid to the Internal Security Forces reaching LL 110 billion and a LL 50 billion increase in allowances disbursed to the Army reaching LL 210 billion. Also, allowances disbursed to the General Security Forces increased by LL 5 billion during the covered period to reach LL 9 billion in Jan-Feb 2020.

In details, allowances paid to the Internal Security Forces witnessed a sharp hike of LL 93 billion to reach LL 110 billion in the covered period, mostly due to an LL 80 billion rise in hospital expenses, followed by an increase of LL 8 billion in treatment costs in medical centers.

In addition, allowances paid to the Army increased by LL 50 billion, mainly as a result of a rise of LL 48 billion in hospital expenses.

Lastly, allowances paid to the General Security Forces rose up by LL 5 billion in Jan-Feb 2020 relative to the same period 2019, given a rise in hospital expenses by LL 5 billion.

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

Payments to government subscription and contributions to the Employees Cooperative reached LL 30 in Jan-Feb 2020 compared to LL 20 billion a year earlier.



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