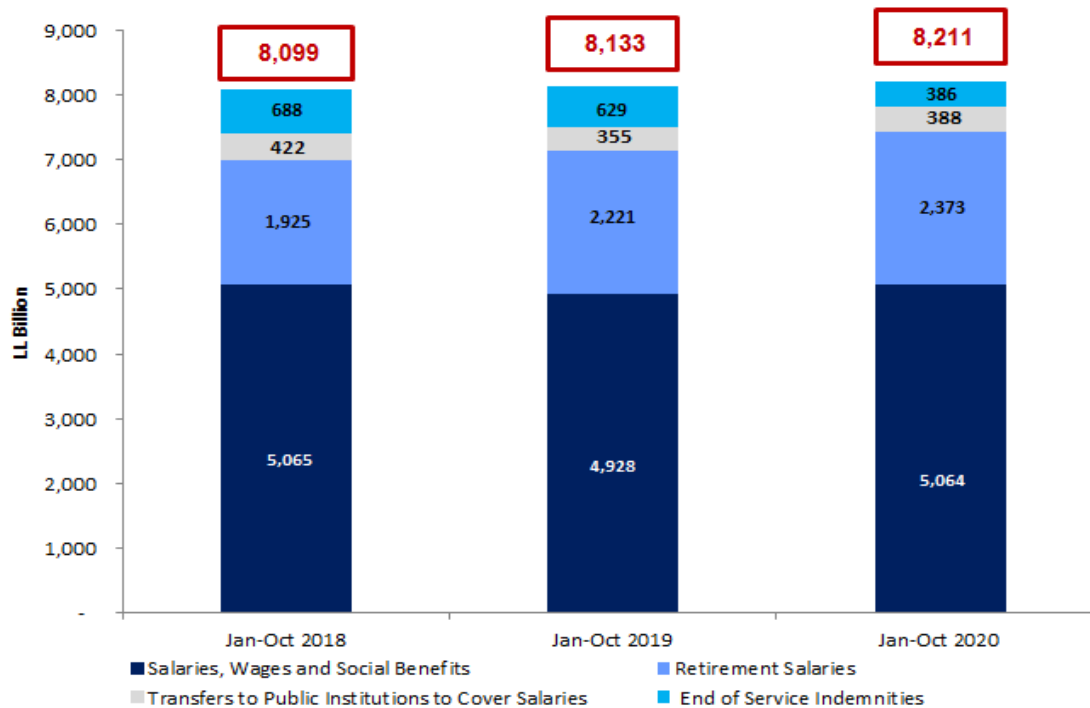


I. Personnel Cost

I.A. General Overview

Personnel cost¹ slightly increased by LL 78 billion (1.0 percent) year-on-year during Jan-Oct 2020 to reach LL 8,211 billion compared to LL 8,133 billion during the same period of 2019². This increase was due to the rise witnessed in the payments related to (i) retirement compensations by LL 152 billion (6.8 percent), (ii) salaries, wages and social benefits by LL 136 billion (2.8 percent) and (iii) transfers to public institutions to cover salaries by LL 33 billion (9.2 percent). In contrast, end of service indemnities was the only component to register a year-on-year drop of LL 243 billion (38.7 percent), reaching a total of LL 386 billion by the end of October 2020.

Figure 1. Personnel Cost Breakdown by Component in Jan-Oct 2018, Jan-Oct 2019 and Jan-Oct 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 expenditures³, as it contributed to 66.1 percent in Jan-Oct 2018, rising up to 71.5 percent in Jan-Oct 2019⁴ and to

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

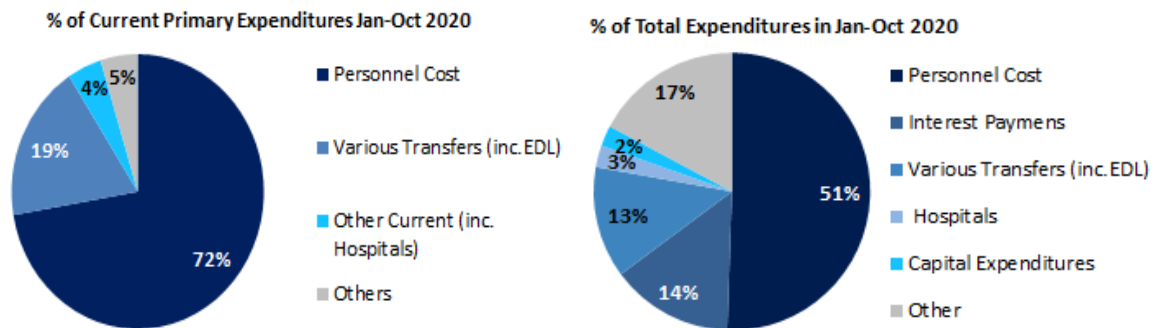
² The figures used are those published in the Public Finance Monitor report – October 2020.

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

72.3 percent in Jan-Oct 2020. Compared to total expenditures, personnel cost represented 36.7 percent of total expenditures in Jan-Oct 2018, rising up significantly to 40.3 percent of the total in Jan-Oct 2019 and keeping the upward trend afterwards to reach 50.5 percent of the total in the same period of 2020. The main reason behind the increase in the personnel cost as a share of total expenditures lies in a lower expenditure base with a year-on-year drop of 8.6 percent and 19.6 percent during Jan-Oct 2019 and Jan-Oct 2020 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Oct 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 134 billion year-on-year to reach LL 5,064 billion in Jan-Oct 2020. Overall, this growth was mainly the result of a LL 185 billion (38.0 percent) increase in allowances paid to the military personnel added to a LL 55 billion (26.3 percent) rise in the Government subscription and contributions to the public employees Cooperative and a LL 41 billion (1.6 percent) hike in salaries and wages paid to the military personnel. These increases were partly offset by a drop of LL 136 billion (13.4 percent) in salaries and wages paid to the education personnel.

In terms of composition, "salaries and wages" constituted 76.0 percent⁵ of total payments for salaries, wages and related benefits to public sector employees in Jan-Oct 2020, followed by "allowances" (13.3 percent)⁶ and "employment benefits" (3.1 percent), while "other payments" and "unclassified allowances" represented the remaining 7.6 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 35.7 percent in Jan-Oct 2019 to 36.8 percent in Jan-Oct 2020.

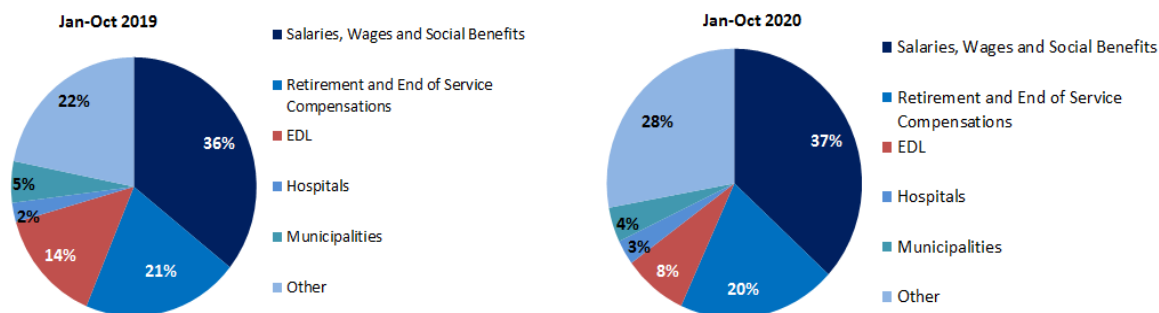
The following figures represent the primary spending breakdown by component during the period under review.

⁴ At the time where personnel cost increased y-o-y by 0.4 percent during Jan-Oct 2019, current primary expenditures registered a significant drop of 7.2 percent, mainly as "other current payments (judgments & reconciliations, mission costs, other)" and "Materials and supplies" decreased by 67.6 percent and 42.0 percent respectively, over the covered period.

⁵ Down from 80.1 percent during the same period of 2019.

⁶ Compared to a share of 9.9 percent in Jan-Oct 2019.

Figure 3. Primary Spending Breakdown by Component during Jan-Oct 2019 and Jan-Oct 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-Oct 2019 and Jan-Oct 2020⁷

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Military Personnel	2,508	2,549	82	86	488	673	5	2	3,083	3,310
Army	1,649	1,663	55	55	308	404	1	1	2,013	2,123
Internal Security Forces	631	653	22	22	144	218	4	2	800	894
General Security Forces	171	174	4	4	24	37	1	0	201	215
State Security Forces	56	58	2	5	11	14	0	0	69	78
Education Personnel	1,013	877	49	34	0	0	18	30	1,081	941
Civilian Personnel 1/	427	421	47	39	2	2	36	38	512	501
Government contribution to employees cooperative 2/							209	264	209	264
Customs Salaries 3/									45	49
Total	3,948	3,847	179	159	490	675	268	334	4,930	5,064

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.

⁷ Figures slightly differ from the aggregated ones in the Public Finance Monitor due to the rounding effect.

II.A. Salaries and Wages

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, decreased by LL 101 billion (2.6 percent) to reach LL 3,847 billion in Jan-Oct 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 to the military personnel slightly increased by LL 41 billion (1.6 percent) in Jan-Oct 2020 compared to the same period of 2019. This was mainly attributed to a rise in salary payments to the Internal Security Forces by LL 22 billion (3.4 percent) and to the Army by LL 15 billion (0.9 percent). In details, payments to the Internal Security Forces increased due to a LL 20 billion year-on-year hike in payments related to clothing. As for the rise registered in payments for the Army, it is worth to mention that it is due to a LL 19 billion increase in the basic salaries paid, while the payments covering trainings abroad 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 136 billion (13.4 percent) year-on-year and stood at LL 877 billion in Jan-Oct 2020. The drop was due to lower salary payments to (i) contractuels at the Directorate General of Vocational Training by LL 112 billion⁸, (ii) permanent personnel at the primary education by LL 28 billion and (iii) trainees at the secondary education by LL 21 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 (1.3 percent) year-on-year compared to the same period a year earlier, to reach LL 421 billion in Jan-Oct 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 17.8 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 (12.1 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-Oct 2020 with LL 2.1 billion (9.3 percent). In contrast, the Ministry of Foreign Affairs and Emigrants witnessed the largest drop in salary payments of LL 3.3 billion (4.2 percent).

⁸ 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-Oct 2019 and Jan-Oct 2020

(LL million)	Jan-Oct 2019	Jan-Oct 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	78,216	74,940	17.8%
Ministry of Justice	68,238	68,002	16.1%
Ministry of Finance	50,526	50,892	12.1%
Presidency of the Council of Ministers	40,498	39,961	9.5%
Parliament	35,987	35,734	8.5%
Ministry of Public Works and Transportation	22,545	24,634	5.9%
Ministry of Agriculture	21,563	21,294	5.1%
Ministry of Public Health	22,229	19,954	4.7%
Ministry of Interior & Municipalities	14,676	14,706	3.5%
Ministry of National Defense	13,500	13,782	3.3%
Other	58,816	57,181	13.6%
Total	426,793	421,080	100%

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 185 billion (37.9 percent) to reach LL 675 billion in Jan-Oct 2020. This hike was mainly due to a LL 96 billion (31.0 percent) rise in allowances paid to the Army reaching LL 404 billion and a LL 74 billion (51.2 percent) increase in allowances disbursed to the Internal Security Forces reaching LL 218 billion by the end of October 2020. In addition, allowances disbursed to the General Security Forces increased by LL 12 billion (50.8 percent) during the covered period to reach LL 37 billion in Jan-Oct 2020.

In details, allowances paid to the Army witnessed a sharp hike of LL 96 billion (31.0 percent) mostly due to a LL 36 billion rise in hospital expenses along with a LL 35 billion increase in sickness and maternity expenses.

In addition, allowances paid to the Internal Security Forces increased by LL 74 billion, mainly because of a LL 58 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 12 billion in Jan-Oct 2020 compared to the same period 2019, given a rise in hospital expenses by LL 9 billion along with a LL 6 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 264 in Jan-Oct 2020 compared to LL 209 billion a year earlier.



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