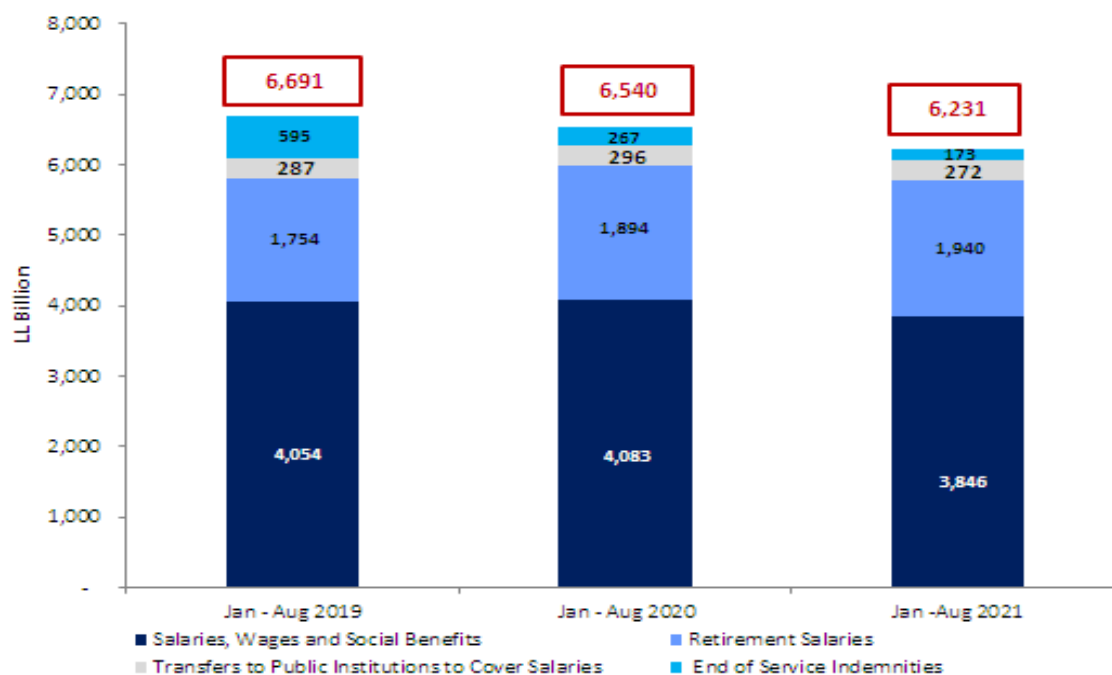


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 309 billion (4.7 percent) year-on-year during Jan-Aug 2021 to reach LL 6,231 billion compared to LL 6,540 billion during the same period of 2020². This drop was due to a considerable year-on-year drop in the salaries, wages and social benefits by LL 237 billion (5.8 percent), end of service indemnities by LL 94 billion (35.2 percent) and transfers to Public Institutions to cover salaries by LL 24 billion (8.1 percent). In contrast, the payments related to retirement compensations witnessed a year-on-year rise by LL 46 billion (2.4 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Aug 2019, Jan-Aug 2020 and Jan-Aug 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 73.1 percent in Jan-Aug 2019, before shrinking to 71.5 percent in Jan-Aug 2020, and hiking up again to 72.4 percent during Jan-Aug 2021⁴. Compared to total expenditures, personnel cost averaged 41.7 percent of total expenditures during Jan-Aug 2019, rising to 50.0 percent during Jan-Aug 2020, before hiking up to reach 53.1 percent during Jan-Aug 2021. The main reason behind the significant increase in the personnel cost as a share of total

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 – August 2021.

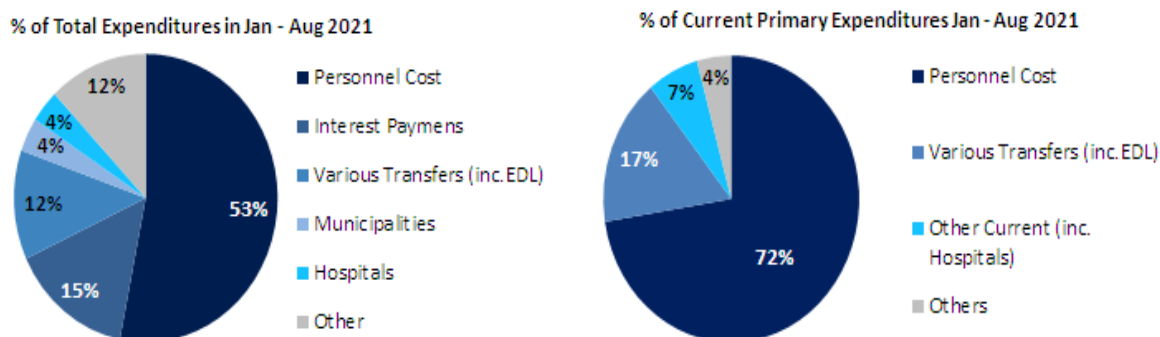
³ Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

⁴ This rise was due to a decline in the personnel cost during Jan-Aug 2021 by 4.7 percent compared to a 6.0 percent y-o-y drop in the expenditure base.

expenditures in 2020 and 2021 lies in substantial changes in the expenditure base registering considerable year-on-year drops of 18.5 percent and 10.4 percent during Jan-Aug 2020 and Jan-Aug 2021 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Aug 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 237 billion year-on-year to reach LL 3,846 billion⁵ in Jan-Aug 2021. Overall, this was mainly due to a significant decline in total “allowances” by LL 182 billion (30.0 percent), as those paid to the Army and the Internal Security Forces decreased by LL 127 billion (35.9 percent) and LL 57 billion (28.2 percent) respectively. In addition, “employment benefits” dropped by LL 15 billion (11.7 percent), resulting from a decrease in payments for the education and civilian personnel by LL 12 billion (37.7 percent) and LL 8 billion (24.5 percent) respectively, against a LL 5 billion (6.8 percent) hike in payments for military personnel.

In parallel, payments covering “salaries and wages” decreased by LL 33 billion (1.1 percent), with a decrease in payments for the education and civilian personnel by LL 37 billion (5.2 percent) and LL 6 billion (1.7 percent) respectively. These drops were slightly offset by a LL 9 billion rise in the amounts paid to the military personnel mainly due to a hike of LL 17 billion (3.3 percent) in those paid to the Internal Security Forces.

In terms of composition, “salaries and wages” constituted 78.7 percent⁶ of total payments for salaries, wages and related benefits to public sector employees in Jan-Aug 2021, followed by “allowances” (11.0 percent)⁷ and “employment benefits” (3.0 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 37.2 percent in Jan-Aug 2020 to 39.0 percent in Jan-Aug 2021.

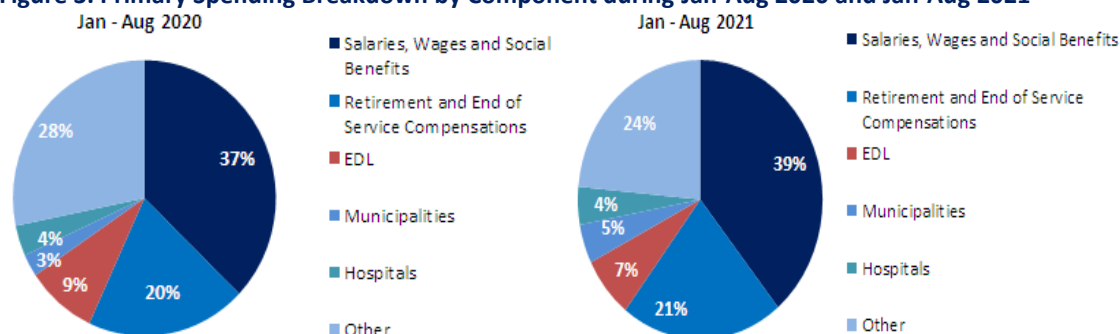
⁵ Figures slightly differ from the aggregated ones in the Public Finance Monitor due to the rounding effect.

⁶ Up from 74.9 percent during Jan-Aug 2020.

⁷ Compared to a share of 14.8 percent in Jan-Aug 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-Aug 2020 and Jan-Aug 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-Aug 2020 and Jan-Aug 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	2,020	2,029	66	71	604	421	2	2	2,693	2,523
Army	1,327	1,324	45	48	355	228	0	0	1,727	1,600
Internal Security Forces	505	521	17	18	202	145	2	2	726	686
General Security Forces	141	138	3	4	34	36	0	0	179	178
State Security Forces	47	46	1	1	12	12	0	0	60	59
Education Personnel	705	669	31	20	-	-	22	13	758	701
Civilian Personnel 1/	335	329	33	25	2	3	32	27	401	384
Government contribution to employees cooperative 2/							196	196	196	196
Customs Salaries 3/									36	42
Total	3,060	3,027	130	115	606	424	251	238	4,084	3,846

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 33 billion (1.1 percent) year-on-year to reach LL 3,027 billion in Jan-Aug 2021. This was driven by the LL 37 billion (5.2 percent) decrease in salary payments for the education personnel and by LL 6 billion (1.7 percent) drop in payments to the civil personnel.

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

Salaries and wages of the military personnel increased by LL 9 billion (0.5 percent) in Jan-Aug 2021 compared to the same period of 2020. In details, salaries and wages paid to the Internal Security Forces increased by LL 17 billion (3.3 percent), driven by the LL 21 billion hike in payments related to clothing over the covered period. As for the salary payments to the General Security Forces, Army and the State Security Forces, they decreased by LL 4 billion (2.6 percent), LL 3 billion (0.2 percent) and LL 1 billion (1.3 percent) respectively.

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

Salaries and wages of the education personnel decreased by LL 37 billion (5.2 percent) year-on-year and stood at LL 669 billion in Jan-Aug 2021. The main driver for this drop was the considerable decrease to both permanent personnel and contractuels at the primary education by LL 25 billion and LL 7 billion respectively.

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

Salaries and wages to the civilian personnel decreased by LL 6 billion (1.7 percent) year-on-year, to reach LL 329 billion in Jan-Aug 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 16.9 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Justice (16.3 percent from total) and the Ministry of Finance (12.4 percent from total). (For further details, kindly refer to table 2)

In details, employees at the Ministry of Foreign Affairs and Emigrants witnessed a year-on-year drop in salary expenditures by LL 2.0 billion (3.5 percent), as payments covering salaries of permanent personnel declined by LL 3.6 billion.

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

(LL million)	Jan-Aug 2020	Jan-Aug 2021	% from Total Civilian Personnel in Jan-Aug 2021
Ministry of Foreign Affairs and Emigrants	57,502	55,509	16.9%
Ministry of Justice	54,311	53,739	16.3%
Ministry of Finance	40,711	40,763	12.4%
Presidency of the Council of Ministers	31,725	31,612	9.6%
Parliament	28,997	26,970	8.2%
Ministry of Public Works and Transportation	20,170	20,384	6.2%
Ministry of Agriculture	17,052	16,865	5.1%
Ministry of Public Health	16,028	16,387	5.0%
Ministry of Interior & Municipalities	11,789	11,815	3.6%
Ministry of National Defense	11,034	10,983	3.3%
Other	45,848	44,362	13.5%

Total	335,166	329,388	100%
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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 182 billion (30.0 percent) to reach LL 424 billion in Jan-Aug 2021. This drop was mainly due to a LL 127 billion drop in allowances paid to the Army to reach LL 228 billion and a LL 57 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 145 billion in Jan-Aug 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 127 billion (35.9 percent) as hospital expenses drastically decreased year-on-year by LL 149 billion (68.9 percent), despite a LL 25 billion (28.4 percent) rise in school allowances.

In addition, allowances paid to the Internal Security Forces dropped by LL 57 billion (28.2 percent), with respective declines of LL 37 billion (34.0 percent), LL 9 billion (14.8 percent) and LL 7 billion (41.7 percent) in hospital expenses, school allowances and sickness and maternity expenses, over the covered period.

As for the allowances paid to the General Security Forces, they slightly increased by LL 2 billion (5.3 percent) in Jan-Aug 2021 compared to Jan-Aug 2020, with respective increases in payments covering treatments in different medical centers and school allowances by LL 2.5 billion and LL 0.9 billion respectively.

Lastly, allowances paid for the State Security Forces declined by LL 1 billion over the covered period, mainly as hospital expenses decreased by LL 0.8 billion compared to the same period last year.

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

Payments covering the government subscription and contributions to the Employees Cooperative fixed to LL 196 billion and stayed unchangeable in Jan-Aug 2021 when compared a year earlier.