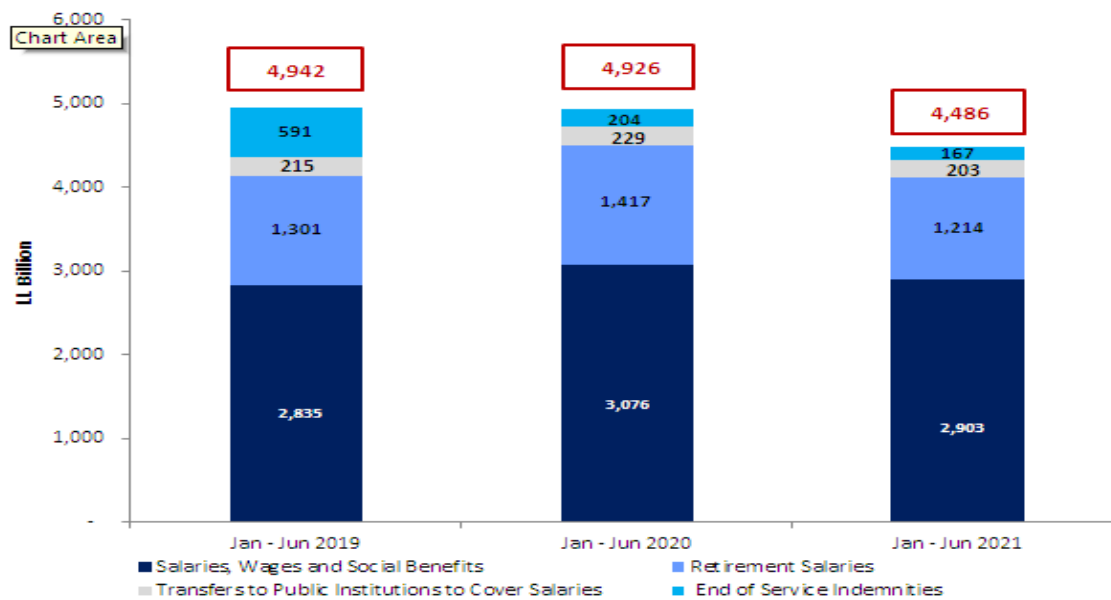


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 439 billion (8.9 percent) year-on-year during the first half of 2021 to reach LL 4,486 billion compared to LL 4,926 billion during the same period of 2020². This decline was mainly driven by a considerable year-on-year drop in the payments related to retirement compensations by LL 203 billion (14.3 percent) and in the salaries, wages and social benefits by LL 173 billion (5.6 percent). In addition, the end of service indemnities witnessed a decrease of LL 37 billion (18.1 percent) and transfers to Public Institutions to cover salaries declined by LL 26 billion (11.4 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Jun 2019, Jan-Jun 2020 and Jan-Jun 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 73.4 percent in H1 2019, before shrinking to 71.1 percent in H1 2020⁴ and reaching 71.5 percent in H1 2021⁵. Compared to total expenditures, personnel cost averaged 40.1 percent of total expenditures in H1 2019, rising to 47.8 percent in H1 2020 and hiking up to 51.4 percent in H1 2021. The main reason behind the significant increase in the personnel cost as a share of total expenditures in 2020 and 2021 lies in substantial changes in the

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 – June 2021.

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

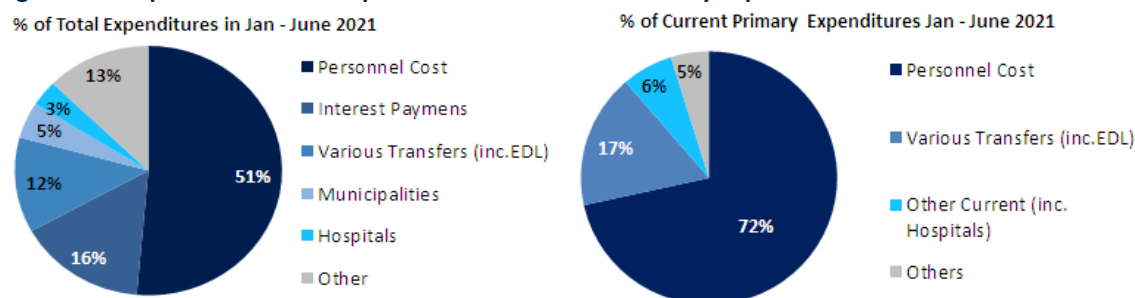
⁴ Due to an increase in the expenditure base, with current primary expenditures hiking up by 2.9 percent compared to a decrease of 0.3 percent in the personnel cost during Jan-Jun 2020.

⁵ This rise was due to a faster decline in the current primary expenditures by 9.5 percent (LL 656 billion) compared to a y-o-y decrease of 8.9 percent (LL 439 billion) in the personnel cost during Jan-Jun 2021.

expenditure base registering considerable year-on-year drops of 16.3 percent and 15.3 percent in H1 2020 and H1 2021 respectively.

The following figures represent the composition of total expenditures and current primary expenditures in the first half of 2021:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Jun 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 174 billion year-on-year to reach LL 2,904 billion⁶ in H1 2021. Overall, this was mainly due to a significant decline in total “allowances” by LL 127 billion (24.0 percent), as those paid to the Army and the Internal Security Forces decreased by LL 87 billion (8.0 percent) and LL 42 billion (2.4 percent) respectively. In addition, “employment benefits” dropped by LL 15 billion (14.6 percent), resulting from a decrease in payments for the education and civilian personnel by LL 12 billion (45.4 percent) and LL 7 billion (25.8 percent) respectively, against a LL 4 billion (7.9 percent) hike in payments for military personnel. Payments covering “salaries & wages” slightly increased by LL 5 billion (0.2 percent), with an increase in payments for the military personnel by LL 29 billion that was mostly offset by a decline in the amounts paid to the education by LL 29 billion.

In terms of composition, “salaries and wages” constituted 76.8 percent⁷ of total payments for salaries, wages and related benefits to public sector employees in H1 2021, followed by “allowances” (13.8 percent)⁸ and “employment benefits” (3.0 percent), while “other payments” and “unclassified allowances” represented the remaining 6.4 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 37.2 percent in H1 2020 to 39.9 percent in H1 2021.

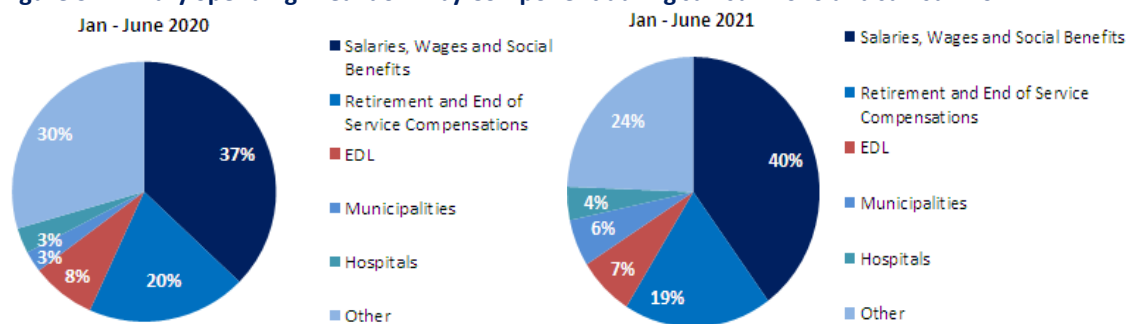
The following figures represent the primary spending breakdown by component during the period under review.

⁶ Figures slightly differ from the aggregated ones in the Public Finance Monitor due to the rounding effect.

⁷ Up from 72.3 percent during Jan-Jun 2020.

⁸ Compared to a share of 17.1 percent in Jan-June 2020.

Figure 3. Primary Spending Breakdown by Component during Jan-Jun 2020 and Jan-Jun 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-Jun 2020 and Jan-Jun 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	1,499	1,528	50	54	525	398	2	2	2,077	1,982
Army	987	993	34	37	304	217	0	0	1,325	1,247
Internal Security Forces	379	396	13	13	181	138	2	2	575	550
General Security Forces	98	104	2	3	30	33	0	0	130	140
State Security Forces	35	35	1	1	11	10	0	0	47	45
Education Personnel	482	453	28	15	0	0	14	8	523	476
Civilian Personnel 1/	244	249	25	19	2	2	28	16	299	287
Government contribution to employees cooperative 2/							146	126	146	126
Customs Salaries 3/									32	33
Total	2,225	2,231	103	88	527	400	190	152	3,077	2,904

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 5 billion (0.2 percent) to reach LL 2,231 billion in H1 2021. This was driven by the LL 29 billion (1.9 percent) increase in salary payments for the military personnel and the LL 5 billion (2.1 percent) hike in payments to the civilian personnel, that

was mostly offset by a decrease in the salary payments for the education personnel by LL 29 billion (6.0 percent) during the period under consideration.

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

Salaries and wages of the military personnel increased by LL 29 billion (1.9 percent) in H1 2021 compared to the same period of 2020. In details, salary payments to the Internal Security Forces increased by LL 17 billion (4.4 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 6 billion (0.6 percent), following a LL 10 billion rise in basic salaries paid in H1 2021. As for the salary payments to the General Security Forces, they increased also by LL 6 billion (6.5 percent), following a LL 6 billion rise in payments related to clothing in H1 2021.

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

Salaries and wages of the education personnel decreased by LL 29 billion (6.0 percent) year-on-year and stood at LL 453 billion in H1 2021. The drop was mainly due to lower salary payments to both permanent personnel and contractuels at the primary education by LL 18 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 1.2 billion rise in H1 2021 compared to the same period of 2020.

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

Salaries and wages to the civilian personnel increased by LL 5 billion (2.1 percent) year-on-year, to reach LL 249 billion in H1 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 17.7 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Justice (15.8 percent from total) and the Ministry of Finance (12.1 percent from total). *(For further details, kindly refer to table 2)*

In details, employees at the Ministry of Foreign Affairs and Emigrants witnessed a rise in salary expenditures by LL 7.0 billion (18.7 percent), as payments covering expenses of missions abroad significantly increased by LL 7 billion in H1 2021.

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

(LL million)	Jan-Jun	Jan-Jun	% from Total Civilian Personnel in Jan-Jun 2021
	2020	2021	
Ministry of Foreign Affairs and Emigrants	37,261	44,244	17.7%
Ministry of Justice	39,817	39,480	15.8%
Ministry of Finance	30,474	30,281	12.1%
Presidency of the Council of Ministers	23,608	23,752	9.5%
Parliament	22,112	20,307	8.1%
Ministry of Public Works and Transportation	15,765	15,547	6.2%
Ministry of Agriculture	12,506	12,707	5.1%
Ministry of Public Health	11,302	12,605	5.1%
Ministry of Interior & Municipalities	8,838	8,851	3.5%
Ministry of National Defense	8,238	8,222	3.3%

Other	34,424	33,359	13.4%
Total	244,343	249,355	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 127 billion (24.0 percent) to reach LL 400 billion in billion in the first half of 2021. This drop was mainly due to an LL 87 billion drop in allowances paid to the Army to reach LL 217 billion and a LL 42 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 138 billion in H1 2021. These decreases were slightly offset by a rise in the allowances disbursed to the General Security Forces by LL 3 billion to reach a total of LL 33 billion in H1 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 87 billion (28.5 percent) as hospital expenses drastically decreased year-on-year by LL 125 billion (65.0 percent), despite a LL 24 billion (26.9 percent) rise in school allowances.

In addition, allowances paid to the Internal Security Forces dropped by LL 42 billion (23.4 percent), with respective declines of LL 28 billion (28.5 percent), LL 4 billion (37.2 percent) and LL 3 billion (6.5 percent) in hospital expenses, payments covering treatments in different medical centers and school allowances, over the covered period.

Lastly, allowances paid to the General Security Forces increased by LL 3 billion (11.7 percent) in H1 2021 compared to H1 2020, following an increase in payments covering treatments in different medical centers and sickness and maternity expenses by LL 2 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 21 billion to reach LL 126 billion in H1 2021 compared to LL 146 billion registered a year earlier.



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For further information, please contact:

Ministry of Finance

Macroeconomic Analysis and Studies Department

Tel: 961 1 956 000 Ext: 1718-1757

Website: www.finance.gov.lb