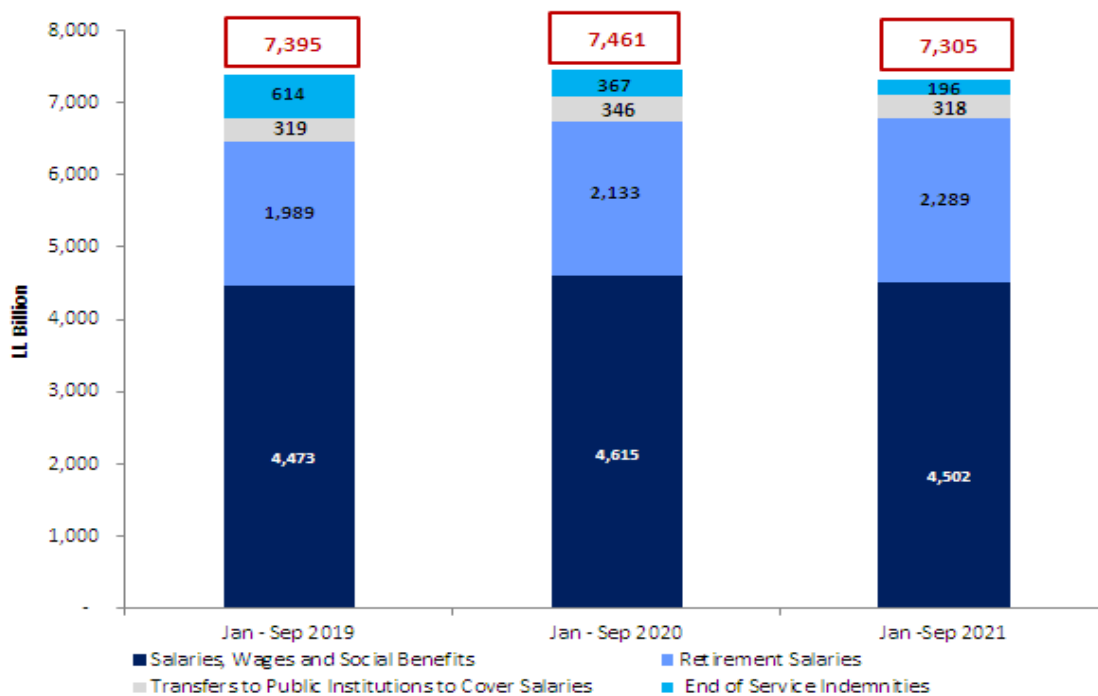


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 156 billion (2.1 percent) year-on-year during Jan-Sep 2021 to reach LL 7,305 billion compared to LL 7,461 billion during the same period of 2020². This drop was due to a considerable year-on-year decrease in the end of service indemnities by LL 171 billion (46.5 percent), salaries, wages and social benefits by LL 112 billion (2.4 percent) and transfers to Public Institutions to cover salaries by LL 28 billion (8.2 percent). In contrast, the payments related to retirement compensations witnessed a year-on-year rise by LL 156 billion (7.3 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Sep 2019, Jan-Sep 2020 and Jan-Sep 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 72.2 percent in Jan-Sep 2019, rising up to 72.8 percent in Jan-Sep 2020, and hiking up to 74.9 percent during Jan-Jul 2021⁴. Compared to total expenditures, personnel cost averaged 40.6 percent of total expenditures during Jan-Sep 2019, rising to 51.4 percent during Jan-Sep 2020, before hiking up to reach 54.3 percent during Jan-Sep 2021. The main

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 – September 2021.

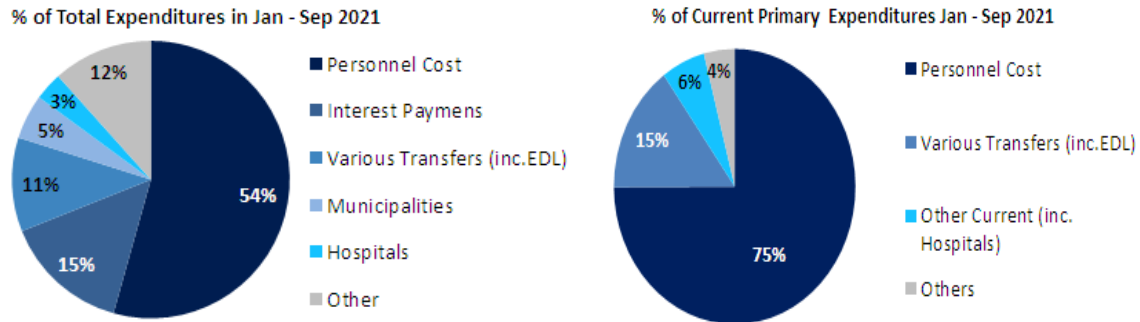
³ Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

⁴ This rise was due to a decrease in the personnel cost during Jan-Sept 2021 by 2.1 percent compared to a higher drop of 4.8 percent in the current primary expenditures.

reason behind the changes in the personnel cost as a share of total expenditures in 2020 and 2021 lies in substantial changes in the expenditure base registering considerable year-on-year drops of 20.4 percent and 7.3 percent during Jan-Sep 2020 and Jan-Sep 2021 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Sep 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 110 billion year-on-year to reach LL 4,504 billion⁵ in Jan-Sep 2021. Overall, this was mainly due to a significant decline in total “allowances” by LL 65 billion (10.5 percent), as those paid to the Army and the Internal Security Forces decreased by LL 78 billion (21.8 percent) and LL 44 billion (20.8 percent) respectively. In addition, “employment benefits” dropped by LL 15 billion (10.5 percent), resulting from a decrease in payments for the education and civilian personnel by LL 12 billion (35.6 percent) and LL 8 billion (22.7 percent) respectively, against a LL 5 billion (6.7 percent) hike in payments for military personnel.

On the contrary, payments covering “salaries and wages” increased by LL 18 billion (0.5 percent), with an increase in payments for the education by LL 35 billion (4.3 percent). This hike was offset by a decline in the amounts paid to the military personnel and civilian personnel by a LL 9 billion and LL 8 billion respectively.

In terms of composition, “salaries and wages” constituted 77.8 percent⁶ of total payments for salaries, wages and related benefits to public sector employees in Jan-Sep 2021, followed by “allowances” (12.3 percent)⁷ and “employment benefits” (2.8 percent), while “other payments” and “unclassified allowances” represented the remaining 7.1 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 37.6 percent in Jan-Sep 2020 to 39.7 percent in Jan-Sep 2021.

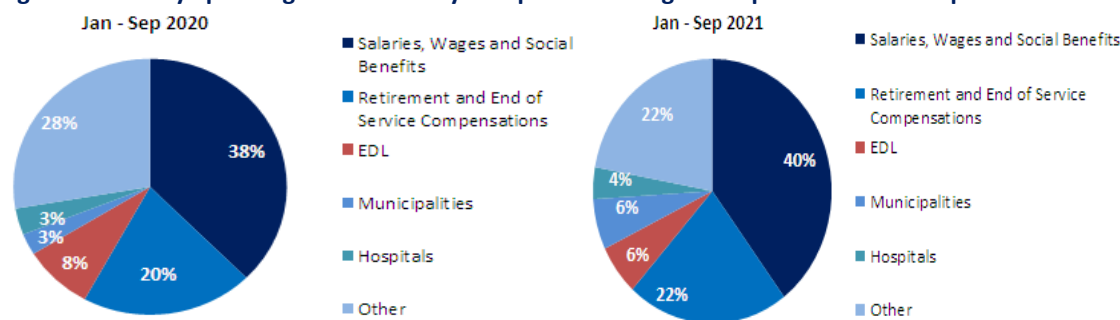
The following figures represent the primary spending breakdown by component during the period under review.

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

⁶ Up from 75.6 percent during Jan-Sep 2020.

⁷ Compared to a share of 13.4 percent in Jan-Sep 2020.

Figure 3. Primary Spending Breakdown by Component during Jan-Sep 2020 and Jan-Sep 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-Sep 2020 and Jan-Sep 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	2,293	2,283	74	79	616	503	2	2	2,985	2,868
Army	1,496	1,494	50	54	356	278	0	0	1,903	1,826
Internal Security Forces	586	584	20	20	212	168	2	2	820	774
General Security Forces	158	154	3	4	34	42	0	0	195	201
State Security Forces	52	52	1	1	13	14	0	0	67	67
Education Personnel	815	850	33	21	0	29	30	13	878	914
Civilian Personnel 1/	379	372	36	28	2	21	37	30	454	451
Government contribution to employees cooperative 2/							254	226	254	226
Customs Salaries 3/									44	47
Total	3,487	3,505	143	128	618	553	323	271	4,614	4,504

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, increased by LL 18 billion (0.5 percent) year-on-year to reach LL 3,505 billion in Jan-Sep 2021. This was driven by the LL 35 billion (4.3 percent) increase in salary payments for the education personnel.

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

Salaries and wages to the military personnel slightly decreased by LL 9 billion (0.4 percent) in Jan-Sep 2021 compared to the same period of 2020. This was mainly attributed to a drop in salary payments to the General Security Forces by LL 4 billion (2.3 percent) and to the Army by LL 3 billion (0.2 percent). In details, payments to the General Security Forces decreased due to a LL 5 billion year-on-year drop in payments related to clothing. As for the decrease registered in payments for the Army, it is worth to mention that it is due to a LL 1 billion decrease in the payments covering trainings abroad.

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

Salaries and wages of the education personnel increased by LL 35 billion (4.3 percent) year-on-year and stood at LL 850 billion in Jan-Sep 2021. The main driver for this rise was the considerable increase of LL 69 billion witnessed in the salary payments to contractuels at the Directorate General of Vocational and Technical education, partly counterbalanced by lower payments to permanent personnel at the primary education by LL 28 billion.

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

Salaries and wages to the civilian personnel decreased by LL 8 billion (2.0 percent) year-on-year, to reach LL 372 billion in Jan-Sep 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 17.2 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Justice (16.4 percent from total) and the Ministry of Finance (12.3 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 3.2 billion (4.8 percent), as payments covering salaries of permanent personnel declined by LL 3.7 billion.

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

(LL million)	Jan-Sep 2020	Jan-Sep 2021	% from Total Civilian Personnel in Jan-Sep 2021
Ministry of Foreign Affairs and Emigrants	67,092	63,875	17.2%
Ministry of Justice	61,210	60,798	16.4%
Ministry of Finance	45,800	45,794	12.3%
Presidency of the Council of Ministers	35,833	35,508	9.6%
Parliament	32,369	30,280	8.2%
Ministry of Public Works and Transportation	22,444	22,543	6.1%
Ministry of Agriculture	19,180	19,064	5.1%
Ministry of Public Health	17,990	18,278	4.9%
Ministry of Interior & Municipalities	13,242	13,276	3.6%
Ministry of National Defense	12,414	12,343	3.3%
Other	51,515	49,777	13.4%
Total	379,088	371,536	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 65 billion (10.5 percent) to reach LL 553 billion in Jan-Sep 2021. This drop was mainly due to a LL 78 billion drop in allowances paid to the Army to reach LL 278 billion and a LL 44 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 168 billion in Jan-Sep 2021.

In details, allowances paid to the Army witnessed a sharp drop of LL 78 billion (21.8 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 44 billion (20.8 percent), with respective declines of LL 42 billion (36.5 percent), LL 9 billion (15.6 percent) and LL 7 billion (39.8 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 increased by LL 8 billion (23.2 percent) in Jan-Sep 2021 compared to Jan-Sep 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 increased slightly by LL 1 billion over the covered period.

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

Payments covering the government subscription and contributions to the Employees Cooperative decreased by LL 28 billion to reach LL 226 billion in Jan-Sep 2021 compared to a total of LL 254 billion registered a year earlier.