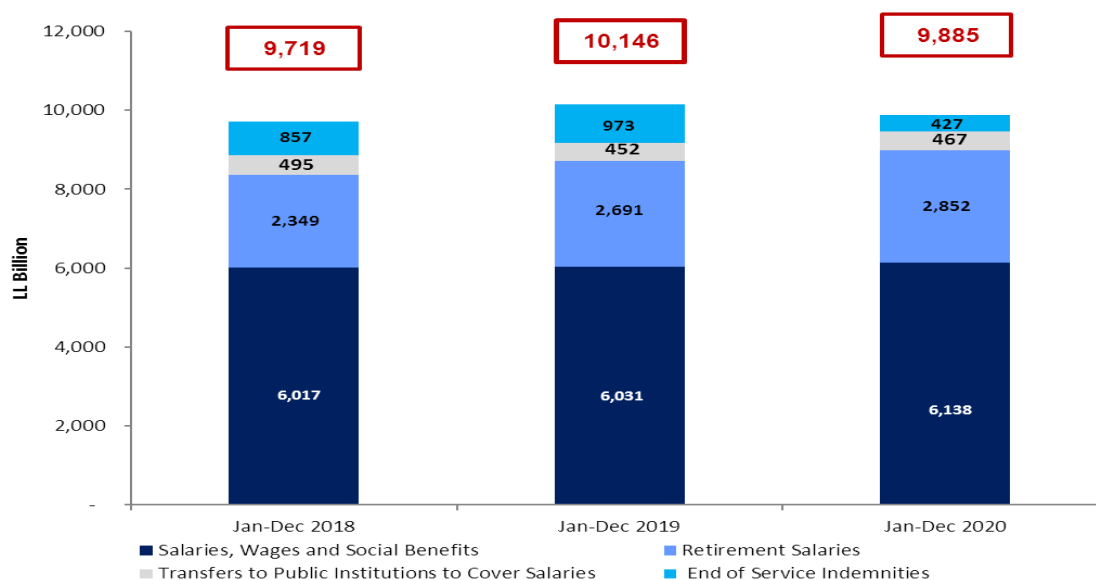


I. Personnel Cost

I.A. General Overview

Personnel cost¹ decreased by LL 262 billion (2.6 percent) year-on-year during Jan-Dec 2020 to reach LL 9,885 billion compared to LL 10,146 billion during the same period of 2019². This was due to the large drop witnessed in the end of service indemnities by LL 546 billion (56.1 percent) reaching LL 427 billion by the end of 2020. This decrease was slightly counterbalanced by a year-on-year increase in the payments related to: (i) retirement compensations by LL 161 billion (6.0 percent), (ii) salaries, wages and social benefits by LL 107 billion (1.8 percent) and (iii) transfers to public institutions to cover salaries by LL 16 billion (3.5 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Dec 2018, Jan-Dec 2019 and Jan-Dec 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-Dec 2018, rising up to 71.6 percent in Jan-Dec 2019⁴ and to 72.1 percent in Jan-Dec 2020. Compared to total expenditures, personnel cost represented 36.2 percent of total expenditures in 2018, rising up to 39.8 percent of the total in 2019 and keeping the upward trend afterwards to reach an unprecedented share of 50.9 percent from 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 – December 2020.

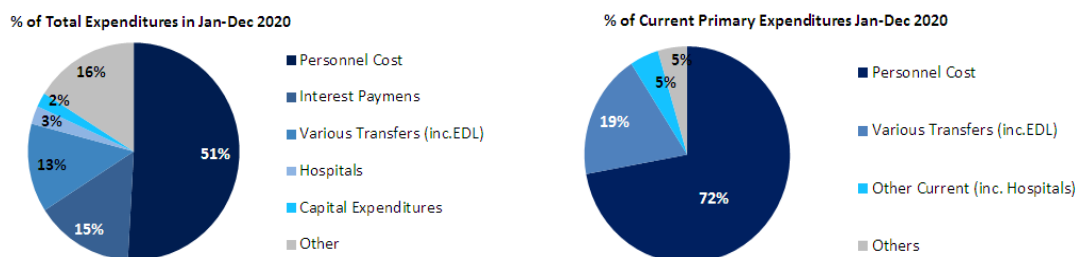
³ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

⁴ This share increase was due to the 4.4 percent y-o-y hike in personnel cost in 2019, at a time where current primary expenditures dropped by 3.6 percent, mainly as "transfers to EDL", "other current payments (judgments & reconciliations, mission costs, other)" and "contributions to non-public sector" decreased by 14.3 percent (LL 378 billion), 54.9 percent (LL 153 billion) and 29.7 percent (LL 92 billion), respectively over the covered period.

expenditures during 2020. The main reason behind the increase in the personnel cost as a share of total expenditures lies in a significantly lower expenditure base with a year-on-year drop of 5.0 percent and 23.8 percent⁵ during Jan-Dec 2019 and Jan-Dec 2020 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Dec 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 107 billion year-on-year to reach LL 6,138 billion in Jan-Dec 2020. Overall, this growth was mainly the result of a LL 226 billion (36.1 percent) increase in allowances along with a LL 15 billion (0.5 percent) rise in salaries & wages both paid to the military personnel. These increases were partly offset by respective drops of LL 115 billion (9.9 percent) and 21 billion (33.5 percent) in salaries and wages, and indemnities paid to the education personnel.

In terms of composition, "salaries and wages" constituted 75.0 percent⁶ of total payments for salaries, wages and related benefits to public sector employees in Jan-Dec 2020, followed by "allowances" (13.9 percent)⁷ and "other payments" (7.0 percent), while "employment benefits" and "unclassified allowances" represented the remaining 4.1 percent of the total.

Furthermore, salaries, wages and related benefits increased as a share from total primary spending from 35.2 percent in Jan-Dec 2019 to 37.6 percent in Jan-Dec 2020.

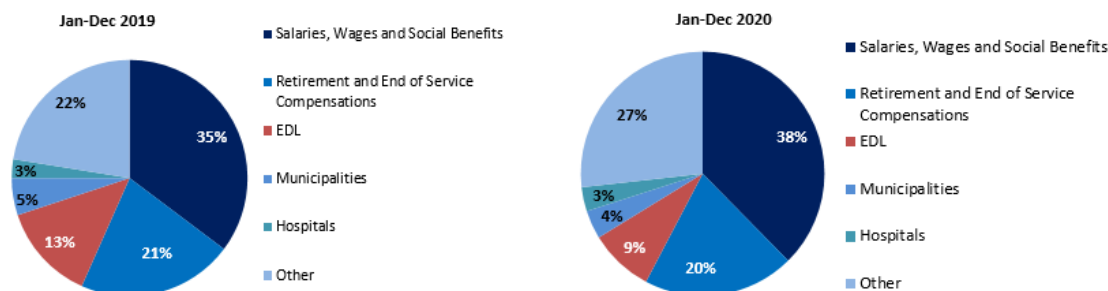
The following figures represent the primary spending breakdown by component during the period under review.

⁵ Highly driven by the sharp drop in interest payments by 63.8 percent (LL 5,151 billion) after the Government opted for a default on Eurobonds starting March 2020.

⁶ Down from 78.2 percent during 2019.

⁷ Compared to a share of 10.4 percent in Jan-Dec 2019.

Figure 3. Primary Spending Breakdown by Component during Jan-Dec 2019 and Jan-Dec 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-Dec 2019 and Jan-Dec 2020

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Military Personnel	3,030	3,045	103	102	624	850	6	3	3,763	3,999
Army	1,976	1,991	67	66	392	566	1	1	2,436	2,624
Internal Security Forces	778	777	26	26	181	228	4	2	988	1,033
General Security Forces	208	207	5	4	36	39	1	0	249	251
State Security Forces	69	70	5	6	15	16	0	0	90	91
Education Personnel	1,170	1,054	63	42	0	0	27	38	1,259	1,134
Civilian Personnel 1/	514	504	56	47	3	3	41	46	615	599
Government contribution to employees cooperative 2/							333	344	333	344
Customs Salaries 3/									53	56
Total	4,714	4,603	222	190	627	852	407	430	6,031	6,138

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 111 billion (2.3 percent) to reach LL 4,603 billion in Jan-Dec 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 of the military personnel slightly increased by LL 15 billion (0.5 percent) in Jan-Dec 2020 compared to the same period of 2019. This was mainly attributed to an increase in salary payments to the Army by LL 15 billion (0.8 percent), in turn driven by a LL 24 billion year-on-year rise in payments related to basic salaries that was partly counterbalanced by an LL 8 billion drop in payments related to trainings abroad. On the other side, salary payments for other military bodies witnessed slight year-on-year changes during Jan-Dec 2020, with a LL 1 billion increase for the State Security Forces and a LL 1 billion drop for the Internal Security Forces⁸.

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

Salaries and wages of the education personnel significantly decreased by LL 115 billion (9.9 percent) year-on-year and stood at LL 1,054 billion in Jan-Dec 2020. The drop was due to lower salary payments to (i) contractuels at the Directorate General of Vocational Training by LL 90 billion⁹, (ii) permanent personnel at the primary education by LL 30 billion and (iii) trainees at the secondary education by LL 21 billion. This was partly offset by a LL 32 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 slightly decreased by LL 10 billion (2.0 percent) year-on-year, to reach LL 504 billion in Jan-Dec 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 17.7 percent of total salaries and wages paid to civilian personnel, followed by the Ministry of Justice (16.2 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 at the Ministry of Foreign Affairs and Emigrants witnessed the largest drop in salary payments of LL 4.8 billion (5.1 percent) followed by the Ministry of Public Health with a decrease of LL 2.9 billion (10.6 percent).

⁸ It is worth noting that, in details, payments for clothing increased significantly by LL 20 billion during 2020 compared to 2019, but this was counterbalanced by a drop in other types of expenses with a LL19 billion decline in payments covering basic salaries.

⁹ During 2019, exceptional payments for contractuels at the DGVF included the following: (i) LL 48 billion covering 30 percent of their fees pertaining to the academic year 2017/2018 (decisions # 221, 222, 243 & 244 dated 21/12/2018), (ii) LL 152 billion covering 90 percent of their fees related to the academic year 2018/2019 (decisions # 97, 98, 99 & 100 dated 02/08/2019), and (iii) LL 17 billion covering 10 percent of their fees pertaining to the academic year 2018/2019 (decisions # 151, 152, 153, & 154 dated 18/11/2019).

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

(LL million)	Jan-Dec 2019	Jan-Dec 2020	% from Total Civilian Personnel in 2020
Ministry of Foreign Affairs and Emigrants	93,719	88,945	17.7%
Ministry of Justice	82,004	81,657	16.2%
Ministry of Finance	60,687	61,126	12.1%
Presidency of the Council of Ministers	48,761	47,895	9.5%
Parliament	42,994	42,448	8.4%
Ministry of Public Works and Transportation	28,639	29,109	5.8%
Ministry of Agriculture	25,901	25,507	5.1%
Ministry of Public Health	26,853	23,997	4.8%
Ministry of Interior & Municipalities	17,630	17,626	3.5%
Ministry of National Defense	16,222	16,620	3.3%
Other	70,519	68,629	13.6%
Total	513,929	503,558	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 225 billion (35.9 percent) to reach LL 852 billion in Jan-Dec 2020. This hike was mainly due to a LL 174 billion (44.5 percent) rise in allowances paid to the Army to reach LL 566 billion, and a LL 47 billion (25.8 percent) increase in allowances disbursed to the Internal Security Forces reaching LL 228 billion by the end of December 2020. In addition, allowances disbursed to the General Security Forces increased by LL 4 billion (10.2 percent) during the covered period to reach a total of LL 39 billion in Jan-Dec 2020.

In details, allowances paid to the Army witnessed a sharp hike of LL 174 billion (44.5 percent) mostly due to a LL 171 billion rise in hospital expenses, despite the LL 10 billion drop registered in school indemnities.

In addition, allowances paid to the Internal Security Forces increased by LL 47 billion, mainly as hospital expenses rose by LL 46 billion and treatment expenses in medical centers increased by LL 7 billion. This was partly offset by a LL 12 billion drop in school indemnities.

Lastly, allowances paid to the General Security Forces rose by LL 4 billion in Jan-Dec 2020 compared to the same period 2019, given a rise in hospital expenses by LL 8 billion partly offset by the drop of LL 3 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 344 billion in Jan-Dec 2020 compared to LL 333 billion a year earlier.



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

For further information, please contact:

Ministry of Finance

Macroeconomic Analysis and Studies Department

Tel: 961 1 956 000 Ext: 1731-1757

Website: www.finance.gov.lb