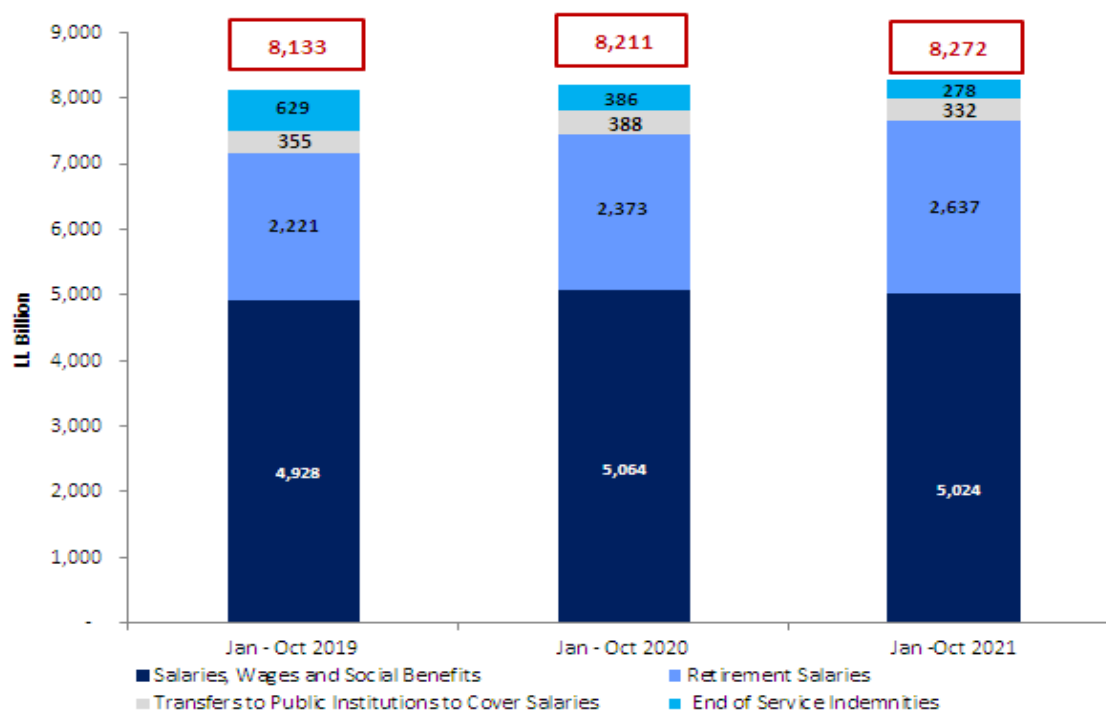


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 61 billion (0.7 percent) year-on-year during Jan-Oct 2021 to reach LL 8,272 billion compared to LL 8,211 billion during the same period of 2020². This rise was due to a considerable year-on-year increase in the payments related to retirement compensations by LL 264 billion (11.1 percent). In contrast, all other components witnessed a year-on-year drop, with end of service indemnities declining by LL 108 billion (28.0 percent), transfers to Public Institutions to cover salaries dropping by LL 56 billion (14.4 percent) and salaries, wages and social benefits decreasing by LL 40 billion (0.8 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Oct 2019, Jan-Oct 2020 and Jan-Oct 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 71.5 percent in Jan-Oct 2019, rising up to 72.3 percent in Jan-Oct 2020, and hiking up to 76.6 percent during Jan-Oct 2021⁴. Compared to total expenditures, personnel cost averaged 40.3 percent of total expenditures during Jan-Oct 2019, rising to 50.5 percent during Jan-Oct 2020, before hiking up to reach 56.2 percent during Jan-Oct 2021. The main reason

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 2021.

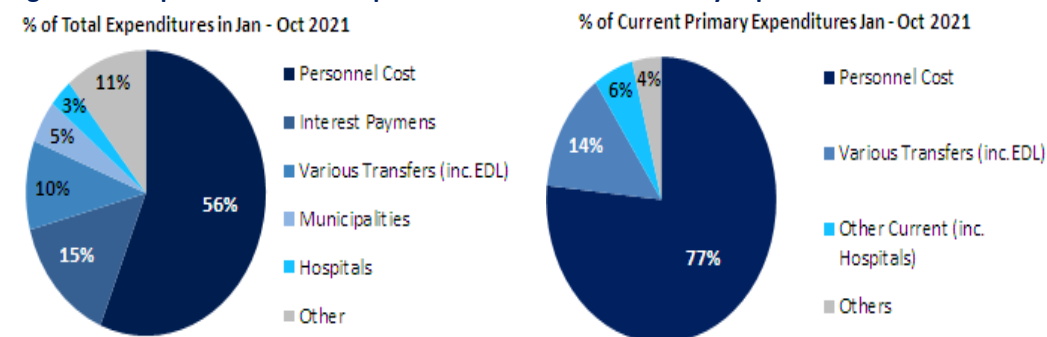
³ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

⁴ This rise was due to an increase in the personnel cost during Jan-Oct 2021 by 0.7 percent compared to a 4.9 percent y-o-y drop in the current primary expenditures.

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 19.6 percent and 9.4 percent during Jan-Oct 2020 and Jan-Oct 2021 respectively.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Oct 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 slightly by LL 39 billion year-on-year to reach LL 5,025 billion in Jan-Oct 2021⁵. Overall, this was mainly due to a decline in total “allowances” by LL 19 billion (2.8 percent), as those paid to the Army and the Internal Security Forces decreased by LL 67 billion (16.7 percent) and LL 20 billion (9.3 percent) respectively. In addition, “employment benefits” dropped by LL 3 billion (1.7 percent), resulting from a decrease in payments for the civilian personnel and education personnel by LL 6 billion (14.1 percent) and LL 2 billion (7.0 percent) respectively, against a LL 5 billion (6.0 percent) hike in payments for military personnel.

On the contrary, payments covering “salaries and wages” increased by LL 9 billion (0.2 percent), with an increase in payments for the education personnel by LL 33 billion (3.8 percent). This hike was offset by a decline in the amounts paid to the military personnel and civilian personnel by a LL 13 billion and LL 11 billion respectively.

In terms of composition, “salaries and wages” constituted 76.7 percent⁶ of total payments for salaries, wages and related benefits to public sector employees in Jan-Oct 2021, followed by “allowances” (13.1 percent)⁷ and “employment benefits” (3.1 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 36.8 percent in Jan-Oct 2020 to 40.5 percent in Jan-Oct 2021.

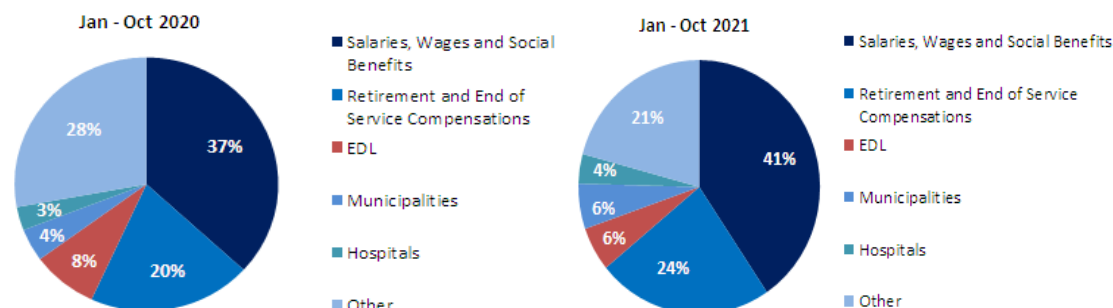
⁵ Figures slightly differ from the aggregated ones in the Public Finance Monitor due to the rounding effect.

⁶ Up from 76.0 percent during Jan-Oct 2020.

⁷ Compared to a share of 13.3 percent in Jan-Oct 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-Oct 2020 and Jan-Oct 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-Oct 2020 and Jan-Oct 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	2,549	2,535	86	91	673	598	2	2	3,310	3,227
Army	1663	1661	55	59	404	336	1	0	2,123	2,057
Internal Security Forces	653	646	22	22	218	198	2	2	894	868
General Security Forces	174	171	4	4	37	48	0	0	215	224
State Security Forces	58	57	5	5	14	16	0	0	78	78
Education Personnel	877	910	34	32	0	32	30	16	941	990
Civilian Personnel 1/	421	410	39	34	2	26	38	33	501	502
Government contribution to employees cooperative 2/							264	255	264	255
Customs Salaries 3/									49	51
Total	3,847	3,855	159	156	675	656	334	306	5,064	5,025

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 9 billion (0.2 percent) year-on-year to reach LL 3,855 billion in Jan-Oct 2021. This was driven by the LL 33 billion (3.8 percent) increase in salary payments for the education personnel mostly counterbalanced by decreases in payments to the military personnel and the civilian personnel.

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

Salaries and wages to the military personnel slightly decreased by LL 13 billion (0.5 percent) in Jan-Oct 2021 compared to the same period of 2020. In details, salaries and wages paid to the Internal Security Forces decreased by LL 7 billion (1.0 percent), driven by the LL 18 billion drop in basic salaries that was counterbalanced by the increase of LL 13 billion in clothing paid in Jan-Oct 2021. In addition, salary payments to the General Security Forces witnessed a year-on-year decrease of LL 3 billion (1.9 percent), following a drop of LL 5 billion in payments related to clothing over the covered period. As for the salary payments to the Army and the State Security Forces, they also decreased by LL 2 billion (0.1 percent) and LL 1 billion (2.0 percent) respectively.

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

Salaries and wages of the education personnel increased by LL 33 billion (3.8 percent) year-on-year and stood at LL 910 billion in Jan-Oct 2021. The main driver for this rise was the considerable increase of LL 69 billion witnessed in the salary payments to contractuals 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 11 billion (2.7 percent) year-on-year, to reach LL 410 billion in Jan-Oct 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 16.7 percent from total salaries and wages paid to the civilian personnel, followed by the Ministry of Justice (16.5 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 6.4 billion (8.5 percent), as payments covering salaries of permanent personnel declined by LL 3.8 billion.

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

(LL million)	Jan-Oct 2020	Jan-Oct 2021	% from Total Civilian Personnel in Jan-Oct 2021
Ministry of Foreign Affairs and Emigrants	74,940	68,534	16.7%
Ministry of Justice	68,002	67,568	16.5%
Ministry of Finance	50,892	50,877	12.4%
Presidency of the Council of Ministers	39,961	39,420	9.6%
Parliament	35,734	33,625	8.2%
Ministry of Public Works and Transportation	24,634	24,697	6.0%
Ministry of Agriculture	21,294	21,149	5.2%

Ministry of Public Health	19,954	19,964	4.9%
Ministry of Interior & Municipalities	14,706	14,744	3.6%
Ministry of National Defense	13,782	13,795	3.4%
Other	57,181	55,273	13.5%
Total	421,080	409,644	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees decreased by LL 19 billion (2.8 percent) to reach LL 656 billion in Jan-Oct 2021. This drop was mainly due to a LL 67 billion drop in allowances paid to the Army to reach LL 336 billion and a LL 20 billion decrease in allowances disbursed to the Internal Security Forces reaching LL 198 billion in Jan-Oct 2021, partly counterbalanced by increases of LL 32 billion and LL 24 billion in allowances paid to the educational and civilian personnel respectively⁸.

In details, allowances paid to the Army witnessed a sharp drop of LL 67 billion (16.7 percent) as hospital expenses drastically decreased year-on-year by LL 149 billion (68.8 percent) and sickness and maternity expenses dropped by LL 11 billion (24.4 percent) in.

In addition, allowances paid to the Internal Security Forces dropped by LL 20 billion (9.3 percent), with respective declines of LL 43 billion (37.2 percent), LL 8 billion (50.3 percent) and LL 6 billion (35.0 percent) in hospital expenses, payments covering treatments in different medical centers and sickness and maternity expenses, over the covered period.

As for the allowances paid to the General Security Forces, they increased by LL 11 billion (30.7 percent) in Jan-Oct 2021 compared to Jan-Oct 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 2 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 9 billion to reach LL 255 billion in Jan-Oct 2021 compared to a total of LL 264 billion registered a year earlier.

⁸ These increases were mostly due to the payment of a social assistance to all the public administration employees regardless of their job titles and retirees benefiting from a pension as per decree No 8118 dated August 25, 2021

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