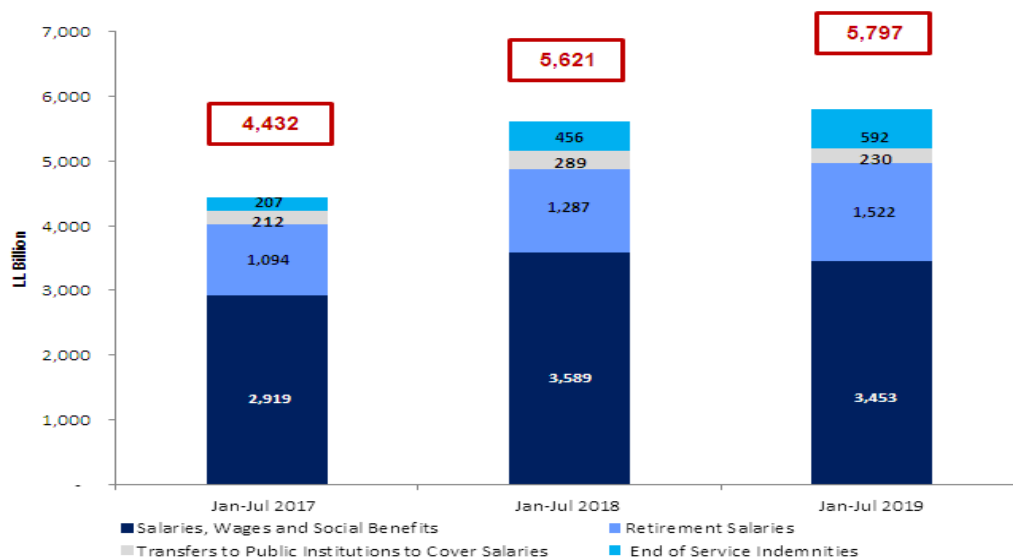


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 175 billion (3.1 percent) to reach LL 5,797 billion during Jan-Jul 2019 compared to a total of LL 5,621 billion recorded during the same period of 2018². This rise was driven by higher payments related to retirement and end of service compensations which increased by LL 235 billion (18.2 percent) and LL 136 billion (29.7 percent) respectively³. This rise was partly counterbalanced by a drop in payments for salaries, wages and social benefits by LL 136 billion (3.8 percent), as well as in transfers to public institutions to cover salaries by LL 59 billion (20.4 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Jul 2017, Jan-Jul 2018 and Jan-Jul 2019



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost represented the main bulk of current primary expenditures⁴, as it contributed to 68.9 percent in Jan-Jul 2017, decreasing to 66.2 percent in Jan-Jul 2018 before rising to 73.2 percent during the same period of 2019⁵. On the other hand, and when compared to total expenditures, personnel cost represented 36.7 percent in Jan-Jul 2017, decreasing slightly to

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 Monthly report – July 2019

³ The increase in retirement and end of service indemnities can be partly explained by the implementation of the new salary scale, which encouraged many public employees to undergo an early retirement plan.

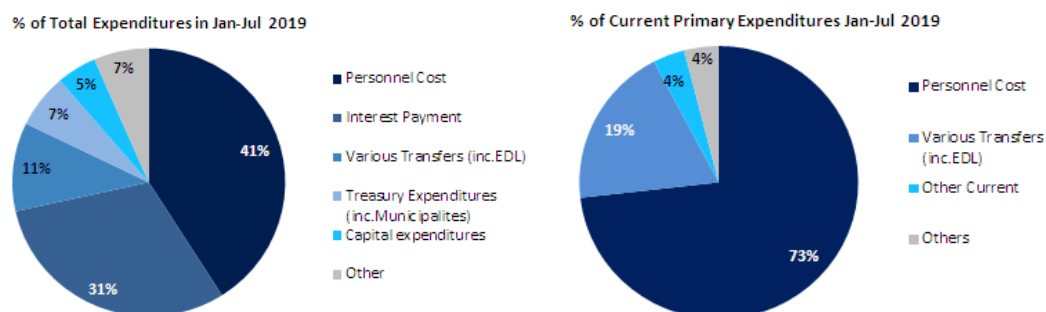
⁴ Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

⁵ At the time where personnel cost increased y-o-y by 3.1 percent during Jan-July 2019, current primary expenditures witnessed a decrease of 6.8 percent, mainly due to major y-o-y drops in “various transfers” and “other current expenditures” by LL 496 billion and LL 132 billion respectively over the covered period.

36.1 percent in Jan-Jul 2018, before going up significantly afterwards to 41.0 percent⁶ during the same period of 2019.

The following figures represent the composition of total expenditures and current primary expenditures during Jan-Jul 2019:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Jul 2019



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other current expenditures mainly include payments to hospitals, judgments and reconciliation and mission costs.

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits decreased year-on-year by LL 136 billion to reach LL 3,453 billion in Jan-Jul 2019. Overall, this decline was mainly the result of a LL 104 billion (18.4 percent) drop in allowances for military personnel in addition to a LL 70 billion (30.3 percent) decrease in other payments related to salaries, of which LL 35 billion (20.4 percent) related to the government subscription and contribution in the Government Employees Cooperative. These decreases were partly counterbalanced by higher payments for salaries and wages to education and military personnel by LL 31 billion (5.3 percent) and LL 20 billion (1.2 percent) respectively.

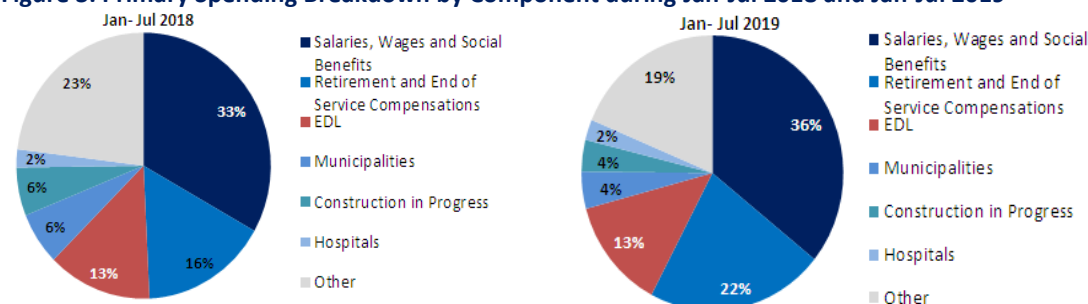
In terms of composition, salaries and wages constituted 77.3 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Jul 2019, followed by the allowances (13.4 percent) and employment benefits (3.7 percent), while “other payments” and “unclassified allowances” represented the remaining 5.6 percent of the total.

Moreover, salaries, wages and related benefits represented 33.2 percent of total primary spending in Jan-Jul 2018, and increased to 35.8 percent during the same period of 2019.

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

⁶ Total expenditures decreased by 9.1 percent y-o-y during Jan-Jul 2019 compared to a 3.1 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

Figure 3. Primary Spending Breakdown by Component during Jan-Jul 2018 and Jan-Jul 2019



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-Jul 2018 and Jan-Jul 2019

(LL billion)	Salaries and Wages		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Military Personnel	1,732	1,752	57	59	565	461	1	5	2,355	2,277
Army	1,121	1,150	38	39	295	308	0	1	1,454	1,498
Internal Security Forces	451	440	15	15	233	124	0	4	699	583
General Security Forces	125	123	3	3	26	19	1	1	154	146
State Security Forces	36	39	1	1	11	11	0	0	48	51
Education Personnel	591	622	34	35	0	0	19	0	643	657
Civilian Personnel 1/	304	294	39	35	2	2	41	20	385	351
Government contribution to employees cooperative 2/							169	135	169	135
Customs Salaries 3/									36	34
Unclassified									0	0
Total	2,626	2,668	130	128	567	463	230	160	3,589	3,453

1/Includes salaries payments made to the Ministry of Public Health from the Guarantees account.

2/Government contribution to the 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 Members of Parliament, 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, rose by LL 42 billion (1.6 percent) to reach LL 2,668 billion in Jan-Jul 2019. This was driven by a rise in salary payments for education and military personnel by LL 31 billion and LL 20 billion respectively, against a LL 10 billion drop in salaries and wages to civil personnel.

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

The 1.2 percent increase in salaries and wages to military personnel during Jan-Jul 2019 can be attributed to higher salary payments to the army by LL 29 billion (2.6 percent) - with basic salaries to the permanent personnel rising by LL 33 billion – and the State Security Forces by LL 4 billion (10.0 percent). On the other hand, salaries and wages paid to the internal security forces dropped by LL 10 billion (2.3 percent) as basic salaries to permanent personnel and clothing indemnities decreased by LL 6 billion and LL 3 billion respectively. Salary payments for the General Security Forces also dropped by LL 2 billion (1.2 percent) in Jan-Jul 2019.

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

Salaries and wages for education personnel increased by LL 31 billion (5.3 percent) year-on-year reaching LL 622 billion in Jan-Jul 2019. This rise was mainly due to an increase in payments for contractuels at the Directorate General of Vocational Training and trainees at the secondary education by LL 46 billion⁷ and LL 16 billion respectively. These rises were partly counterbalanced by a LL 33 billion decrease in salary payments for permanent employees at the primary education.

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

Salaries and wages of civilian personnel decreased by LL 10 billion (3.3 percent) year-on-year to reach LL 294 billion during Jan-Jul 2019. At the level of ministries, the Ministry of Foreign Affairs and Emigrants represented the largest wage bill during the covered period with a share of 17.1 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice and the Ministry of Finance with respective shares of 16.2 percent and 11.8 percent. *(For further details, kindly refer to table 2)*

As for the change in nominal terms, the Ministry of Public health witnessed a significant drop of LL 12 billion (43.8 percent)⁸ in the first seven month of 2019, against an increase in salaries and wages for the Ministry of Foreign Affairs and Emigrants and the Ministry of Justice by LL 2 billion and LL 1 billion respectively.

Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Jul 2018 and Jan-Jul 2019

(LL million)	Jan-Jul 2018	Jan-Jul 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	48,571	50,243	17.1%
Ministry of Justice	46,630	47,669	16.2%
Ministry of Finance	35,166	34,776	11.8%
Presidency of the Council of Ministers	29,066	28,356	9.7%

⁷ With 30 percent of contractuels' fees related to the academic year 2017/2018 paid in January 2019 as per decisions #221, 222, 243 and 244 dated 21/12/2018.

⁸ Due to the disbursement of large retroactive payments to contractuels during Jan-Jul 2018, namely those pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000 (LL 8.6 billion), in addition to LL 2 billion of retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/8/2017.

Parliament	26,228	25,526	8.7%
Ministry of Public Works and Transportation	16,443	15,872	5.4%
Ministry of Public Health	27,271	15,316	5.2%
Ministry of Agriculture	15,088	15,197	5.2%
Ministry of Interior and Municipalities	9,739	10,282	3.5%
Ministry of National Defense	8,917	9,434	3.2%
Other	40,748	41,130	14.0%
Total	303,867	293,801	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 104 billion (18.4 percent) to reach LL 463 billion during Jan-Jul 2019. This fall was mainly due to respective drops of LL 109 billion and LL 8 billion in allowances disbursed to the Internal Security Forces and the General Security Forces. This was slightly offset by a LL 13 billion increase in allowances to the Army to reach LL 308 billion by the end of July 2019.

More specifically, allowances disbursed to the Internal Security Forces decreased during Jan-Jul 2019 given the significant fall in hospital expenses and sickness and maternity expenses by LL 75 billion and LL 15 billion respectively, adding to a LL 14 billion drop in school allowances.

Moreover, allowances to the General Security Forces dropped by LL 8 billion during the covered period, due to a year-on-year plunge in sickness and maternity expenses by LL 5 billion, coupled with a LL 2 billion decrease in school allowances.

On the other hand, allowances to the Army grew by 4.3 percent due to a hike in hospital expenses by LL 56 billion, despite the drop witnessed in other categories mainly sickness and maternity which decreased by LL 23 billion.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 35 billion (20.4 percent) year-on-year to reach LL 135 billion in Jan-Jul 2019 compared to LL 169 billion 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: 1729-1731

Website: www.finance.gov.lb