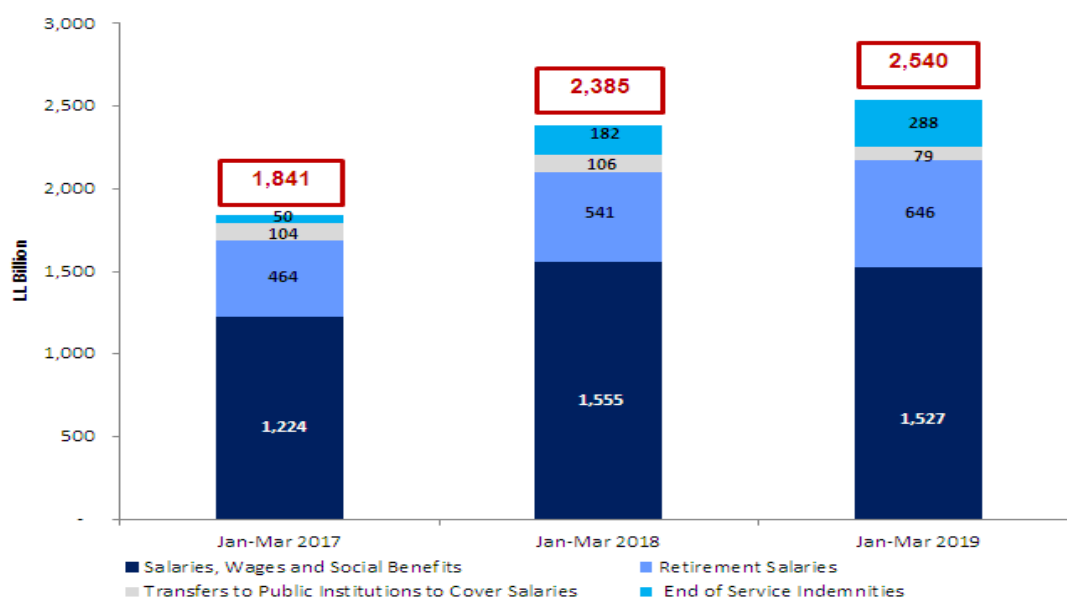


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 155 billion (6.5 percent) to reach LL 2,540 billion during Jan-Mar 2019 compared to LL 2,385 billion recorded during the same period of 2018². This rise was mainly driven by the hike in “retirement” and “end of service indemnities” increasing by LL 105 billion (19.4 percent) and LL 105 billion (57.9 percent) respectively. In contrast, “salaries, wages and social benefits” and “transfers to public institutions to cover salaries” dropped by LL 28 billion each during the covered period.

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



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost accounted for the main bulk of current primary expenditures³, as it contributed to 64.5 percent in Jan-Mar 2017, falling to 63.7 percent in Jan-Mar 2018 before rising significantly again to 76.5 percent in the first quarter of 2019. Furthermore, personnel cost represented 36.0 percent of total expenditures in Jan-Mar 2017, decreasing slightly to 35.0 percent of the total in Jan-Mar 2018 before moving up to 47.5 percent of the total in the same period of 2019. The main driver behind the increase in the personnel cost as a share of current primary expenditures and as a share of total expenditure was a significantly lower expenditure base with total expenditures decreasing by 21.6 percent and current primary

¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

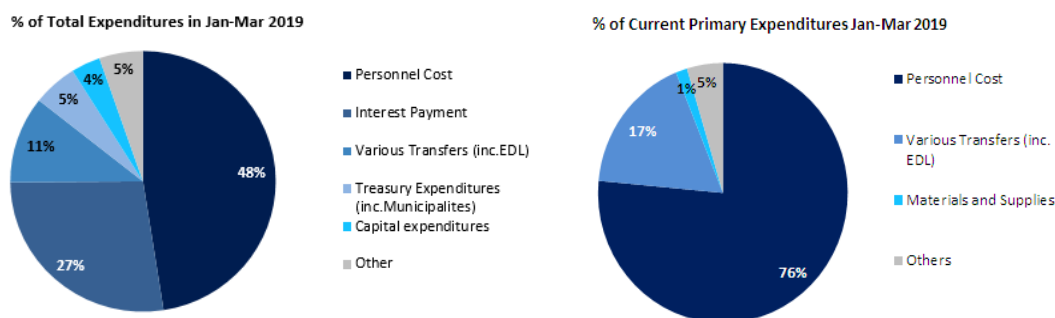
² The figures used are those published in the Public Finance Monitor Monthly report – March 2019.

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

expenditures dropping by 11.3 percent compared to the 6.5 percent growth rate in personnel cost during the first quarter of 2019.

The following figures represent the composition of current primary expenditures and total expenditures in the first quarter of 2019:

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



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 narrowed by LL 28 billion year-on-year to LL 1,527 billion in Jan-Mar 2019. Overall, this decline was mainly the result of a LL 40 billion drop in “Government subscription and contributions in the government employees Coop”, in addition to a LL 22 billion decrease in the allowances paid to military personnel. These drops were partly offset by an increase in the salaries and wages for both education and military personnel by LL 38 billion and LL 12 billion respectively.

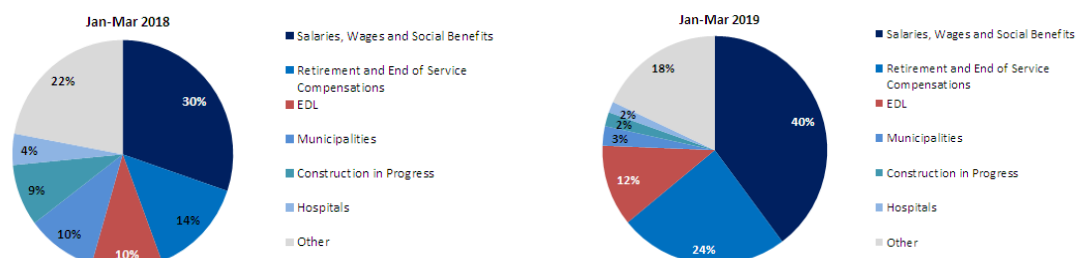
In terms of composition, salaries and wages constituted 78.0 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Mar 2019, followed by the allowances (14.6 percent) and employment indemnities (3.9 percent), while “other payments” and “unclassified allowances” represented the remaining 3.5 percent of the total.

Moreover, salaries, wages and related benefits represented 39.8 percent of total primary spending in Jan-Mar 2019, increasing from 30.2 percent during the same period of 2018⁴.

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

⁴ Due to a more rapid y-o-y decline in the primary expenditures with 25.5 percent against a drop of 1.8 percent in the salaries and wages and related benefits.

Figure 3. Primary Spending Breakdown by Component during Jan-Mar 2018 and Jan-Mar 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-Mar 2018 and Jan-Mar 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	749	761	28	28	246	223	1	1	1,023	1,014
Army	476	498	19	19	149	195	0	0	644	712
Internal Security Forces	198	189	7	7	85	21	0	0	291	217
General Security Forces	59	57	2	2	8	5	1	1	69	65
State Security Forces	15	17	1	1	4	2	0	0	19	19
Education Personnel	262	300	17	18	0	0	10	0	289	318
Civilian Personnel 1/	137	131	14	13	0	0	20	12	171	156
Government contribution to employees cooperative 2/							60	20	60	20
Customs Salaries 3/									12	19
Unclassified									0	0
Total	1,147	1,191	59	59	246	223	91	34	1,555	1,527

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 44 billion (3.9 percent) to reach LL 1,191 billion during the first quarter of 2019.

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

Salaries and wages to military personnel increased by LL 12 billion (1.7 percent) in Jan-Mar 2019. In details, salaries and wages for the Army grew to reflect the hike in basic salaries paid to permanent personnel by LL 22 billion (4.8 percent). In contrast, salary payments for the Internal Security Forces dropped by LL 9 billion, as basic salaries to permanent personnel, clothing indemnities and disbursements covering trainings and missions abroad fell by LL 3 billion each.

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

Salaries and wages for education personnel increased by LL 38 billion (14.5 percent) year-on-year reaching LL 300 billion in Jan-Mar 2019. This increase was mainly due to higher salary payments for contractuels at both the Directorate General of Vocational Training and the primary education by LL 46 billion⁵ and 7 billion respectively. These hikes were partly counterbalanced by a decline in salary payments to the permanent personnel at the primary and secondary education, which recorded respective drops of LL 13 billion and LL 4 billion compared to the same period last year.

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

Salaries and wages of civilian personnel dropped by LL 6 billion (4.4 percent) year-on-year to reach LL 131 billion during Jan-Mar 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 19.8 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice (15.7 percent from total) and the Ministry of Finance (11.6 percent from total). (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 9.4 billion (60.1 percent)⁶ in the first quarter of 2019, against an increase in salaries and wages for the Ministry of Foreign Affairs and Emigrants and the Ministry of Justice by LL 1.6 billion and LL 1.4 billion respectively.

⁵ 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.

⁶ Due to the disbursement of large retroactive payments (LL 8.6 billion) to contractuels during Jan-Mar 2018, namely those pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000, in addition to other retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/8/2017.

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

(LL million)	Jan-Mar 2018	Jan-Mar 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	24,254	25,829	19.8%
Ministry of Justice	19,028	20,467	15.7%
Ministry of Finance	15,034	15,191	11.6%
Presidency of the Council of Ministers	12,085	12,127	9.3%
Parliament	11,615	10,916	8.4%
Ministry of Public Works and Transportation	6,779	7,294	5.6%
Ministry of Agriculture	6,352	6,410	4.9%
Ministry of Public Health	15,625	6,228	4.8%
Ministry of Interior and Municipalities	4,311	4,390	3.4%
Ministry of National Defense	3,819	3,959	3.0%
Other	17,628	17,774	13.6%
Total	136,530	130,585	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 22 billion (9.1 percent) to reach LL 223 billion during Jan-Mar 2019. The drop was mainly due to a fall of LL 64 billion in allowances disbursed to the Internal Security Forces reaching LL 21 billion in Jan-Mar 2019. This was accompanied by a LL 2 billion decrease in allowances to each of the General Security Forces and the State Security Forces reaching LL 5 billion and LL 2 billion respectively by the end of March 2019. In contrast, allowances paid to the Army witnessed a significant increase of LL 46 billion during the first quarter of 2019 compared to the same period a year earlier.

More specifically, allowances to the Internal Security Forces mainly decreased in the first quarter of 2019 given the significant drop in hospital expenses by LL 51 billion, in addition to a LL 7 billion decline in maternity and sickness expenses.

On the other hand, allowances to the Army increased by LL 46 billion (30.7 percent) to reach LL 195 billion during the covered period, due to a year-on-year increase in hospital expenses by LL 57 billion, despite the decrease in sickness and maternity expenses by LL 10 billion during Jan-Mar 2019.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 40 billion year-on-year to reach LL 20 billion in Jan-Mar 2019 compared to a LL 60 billion during the same period of 2018.



For further information, please contact:

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