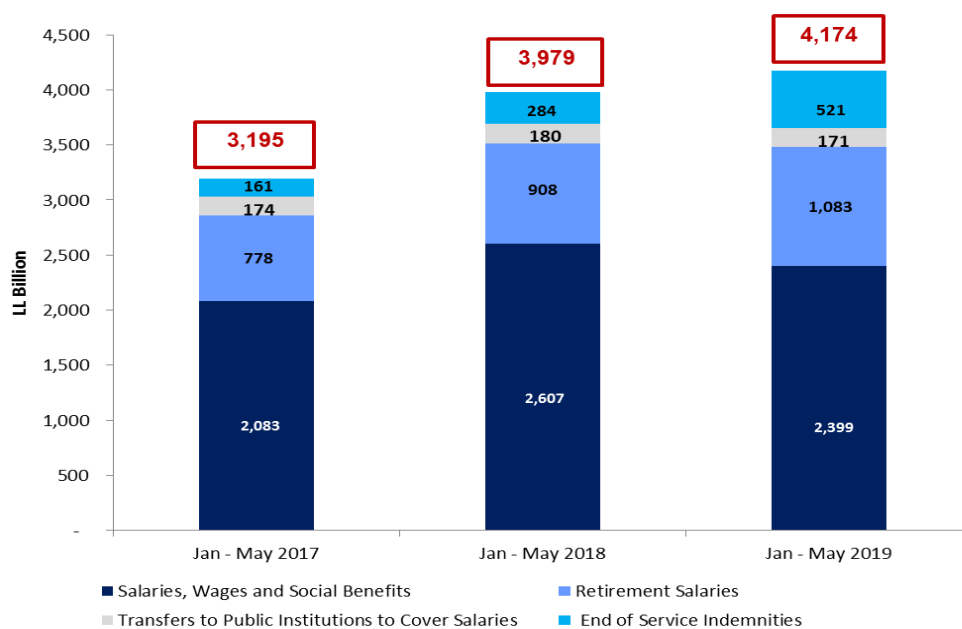


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 195 billion (4.9 percent) to reach LL 4,174 billion during Jan-May 2019 compared to LL 3,979 billion recorded during the same period of 2018². End of service indemnities and retirement salaries were the main drivers of this increase registering respective hikes of 237 billion (83.3 percent) and 175 billion (19.3 percent). In contrast, salaries, wages and social benefits dropped by 207 billion (8.0 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-May 2017, Jan-May 2018 and Jan-May 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, contributing to 69.1 percent in Jan-May 2017, decreasing to 67.8 percent in Jan-May 2018 before going up to 74.9 percent in the first five months of 2019. On the other hand, and when compared to total expenditures, personnel cost represented 36.6 percent in Jan-May 2017, decreased to 34.2 percent in Jan-May 2018 and moved up to 40.4 percent during the same period of 2019⁴.

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

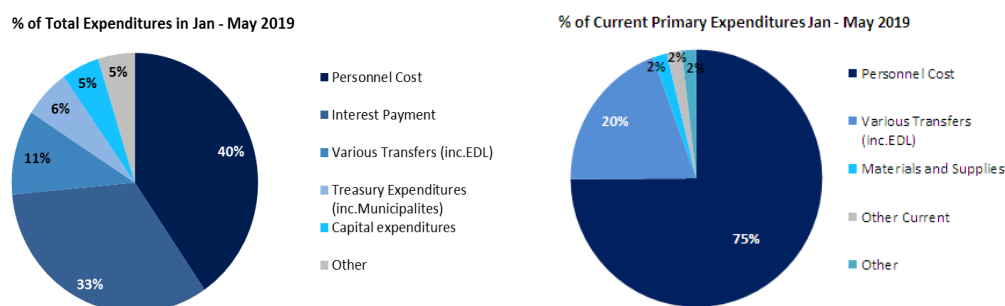
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

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

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

⁴ The increase in the personnel cost as a share of total expenditures and current primary expenditures is due to a lower expenditure base, with respective y-o-y drops of 11.2 percent and 5.0 percent for both aggregates during Jan-May 2019.

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

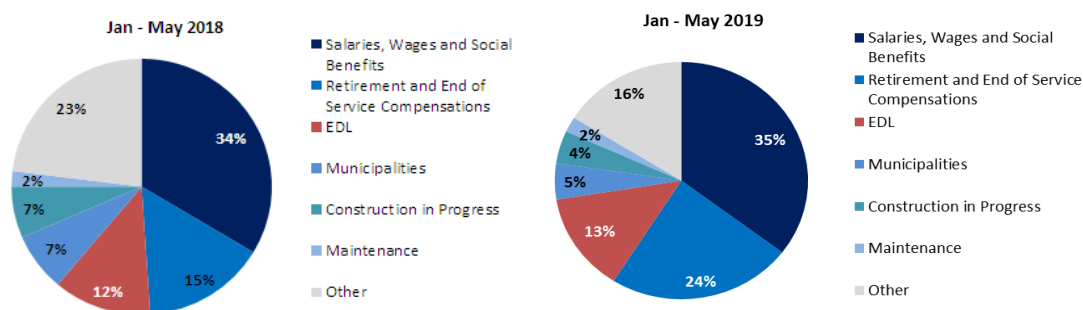
Payments for salaries, wages and related benefits narrowed by LL 207 billion year-on-year to reach LL 2,400 billion⁵ in Jan-May 2019. Overall, this decline was the result of a LL 223 billion decrease in allowances paid to military personnel despite the modest increase of LL 16 billion in their salaries and wages.

In terms of composition, salaries and wages constituted 79.1 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-May 2019, followed by the allowances (11.0 percent) and employment benefits (3.9 percent), while “other payments” and “unclassified allowances” represented the remaining 6.0 percent of the total.

Moreover, salaries, wages and related benefits represented 35.4 percent of total primary spending in Jan-May 2019 slightly increasing from 33.6 percent during the same period of 2018.

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

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

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

Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-May 2018 and Jan-May 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	1,239	1,255	43	44	486	262	1	5	1,768	1,566
Army	800	824	28	30	275	197	0	1	1,103	1,051
Internal Security Forces	322	314	11	11	177	55	0	4	510	384
General Security Forces	92	89	2	2	24	7	1	1	119	98
State Security Forces	25	28	1	1	11	4	0	0	36	32
Education Personnel	406	436	25	26	0	0	10	0	441	463
Civilian Personnel 1/	219	208	28	24	2	1	22	17	271	250
Government contribution to employees cooperative 2/							100	95	100	95
Customs Salaries 3/									20	27
Unclassified									7	0
Total	1,863	1,899	97	95	487	263	133	116	2,607	2,400

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 registered a rise of LL 36 billion (1.9 percent) to reach LL 1,899 billion in the first five months of 2019.

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

Salaries and wages to the military personnel witnessed a modest increase of LL 16 billion (1.3 percent) during Jan-May 2019 compared to the same period last year. In details, basic salaries to the permanent personnel of the Army grew by LL 27 billion, which was partly counterbalanced by a drop of LL 3 billion in payments covering the cost of trainings and missions abroad. In addition, salaries and wages for the State Security Forces grew by LL 3 billion (11.4 percent) given the increase in the basic salaries of the permanent personnel by LL 2 billion. However, salaries paid to the Internal Security Forces fell by LL 8 billion (2.4 percent) as a result of a LL 5 billion drop in the basic salaries of the permanent personnel and LL 3 billion decline in clothing indemnities.

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

Salaries and wages of education personnel increased by LL 30 billion (7.5 percent) year-on-year reaching LL 436 billion in Jan-May 2019. This increase was mainly due to higher salary payments for contractuels at the Directorate General of Vocational Training by LL 46 billion⁶. In parallel, payments for trainees at the secondary education and for contractuels at the primary education increased by LL 9 billion and LL 7 billion, respectively. These hikes were partly counterbalanced by the decrease in the payments to the permanent employees at the primary and secondary education, which recorded respective drops of LL 25 billion and LL 6 billion.

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

Salaries and wages of civilian personnel decreased by LL 11 billion (4.9 percent) year-on-year to reach LL 208 billion during Jan-May 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 16.4 percent from total salaries and wages to civilian personnel, followed closely by the Ministry of Justice (16.3 percent from total) and the Ministry of Finance (12.1 percent from total). (For further details, kindly refer to table 2)

In details, employees at the Ministry of Justice had the most notable nominal rise in salary payments increasing year-on-year by LL 2 billion in the first five months of 2019 while the payments to the employees at the Ministry of Public Health dropped by 12 billion⁷ during the covered period.

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

(LL million)	Jan-May 2018	Jan-May 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	35,471	34,036	16.4%
Ministry of Justice	31,814	33,939	16.3%
Ministry of Finance	25,090	25,259	12.1%
Presidency of the Council of Ministers	19,999	20,218	9.7%
Parliament	18,947	18,185	8.7%
Ministry of Public Works and Transportation	11,914	11,637	5.6%
Ministry of Agriculture	10,739	10,822	5.2%
Ministry of Public Health	22,039	10,286	4.9%
Ministry of Interior and Municipalities	7,101	7,350	3.5%
Ministry of National Defense	6,346	6,709	3.2%
Other	29,174	29,483	14.2%
Total	218,635	207,924	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 224 billion (46.0 percent) to reach LL 263 billion during Jan-May 2019. The fall was mainly

⁶ 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.

⁷ Due to the disbursement of large retroactive payments to contractuels during Jan-May 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.

due to respective drops of LL 122 billion and LL 78 billion in allowances disbursed to the Internal Security Forces and the Army. This was accompanied by a LL 17 billion decrease in allowances to the General Security Forces to reach LL 7 billion by the end of May 2019.

More specifically, allowances to the Internal Security Forces shrank in the first five months of 2019 given the significant drop in school allowances by LL 68 billion, in addition to a LL 38 billion decline in hospital expenses.

Furthermore, school allowances to the Army were nil during Jan-May 2019 relative to LL 112 billion in the same period a year earlier. In addition, sickness and maternity expenses to the Army decreased by LL 16 billion over the covered period, causing a drop in overall allowances. In contrast, hospital expenses recorded a year-on-year increase of LL 56 billion.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 5 billion year-on-year to reach LL 95 billion in Jan-May 2019 compared to LL 100 billion in Jan-May 2018.

For further information, please contact:

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