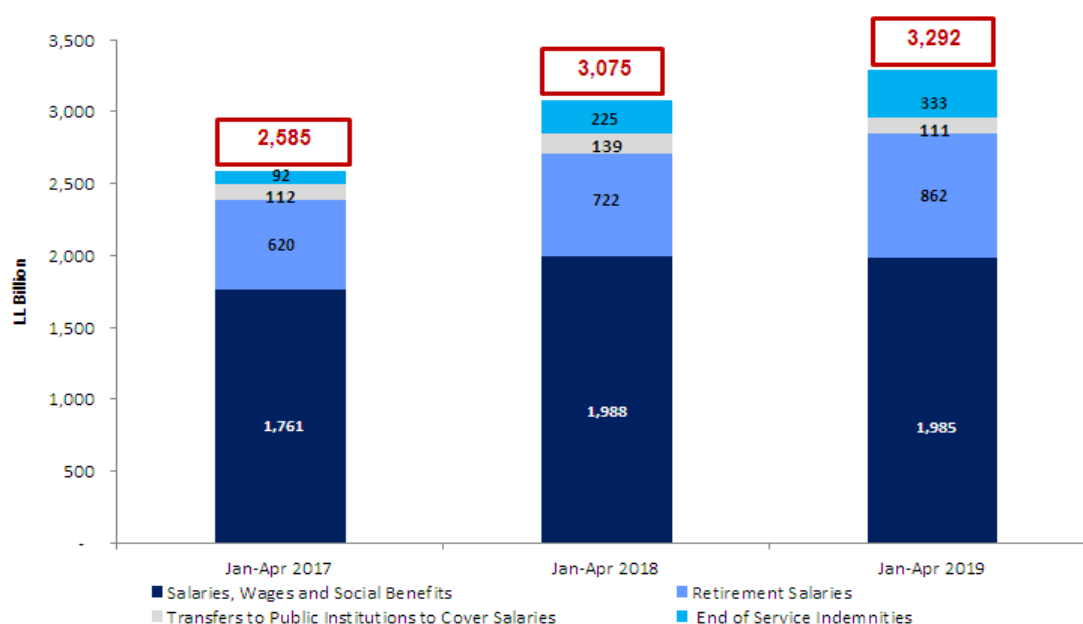


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 217 billion (7.1 percent) year-on-year during Jan-Apr 2019 to reach LL 3,292 billion compared to LL 3,075 billion during the same period of 2018². The increase was due to higher payments related to retirement and end of service compensations by LL 140 billion (19.4 percent) and LL 108 billion (47.8 percent)³ respectively.

Figure 1. Personnel Cost Breakdown by Component in Jan-Apr 2017, Jan-Apr 2018 and Jan-Apr 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 expenditures⁴, contributing to 68.1 percent in Jan-Apr 2017, decreasing to 64.8 percent in Jan-Apr 2018 before hiking up to 73.3 percent in the first four months of 2019⁵. On the other hand and when compared to total expenditures, personnel cost represented 37.9 percent in Jan-Apr 2017, decreasing to 35.6

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 - April 2019.

³ The increase in 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.

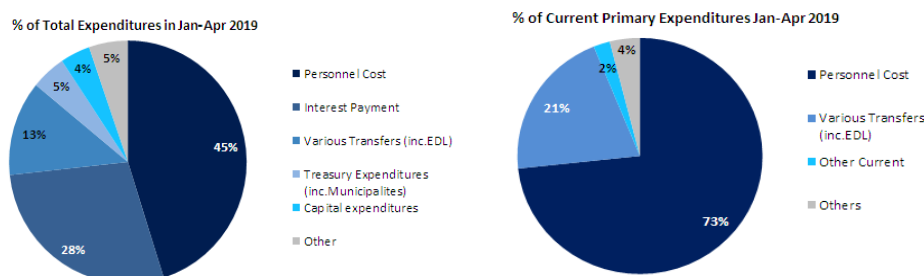
⁴ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

⁵ At the time where the personnel cost increased y-o-y by 7.1 percent during Jan-Apr 2019, current primary expenditures witnessed a decrease of 5.4 percent, primarily due to the respective main decreases in "other current expenditures" and "various transfers" by LL 227 billion and LL 157 billion over the covered period.

percent in Jan-Apr 2018 and significantly expanding afterwards to 45.1 percent⁶ during the same period of 2019.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Apr 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 decreased slightly by LL 2 billion year-on-year to reach LL 1,986 billion⁷ in Jan-Apr 2019. Overall, this decline was mainly the result of a LL 24 billion drop in allowances for military personnel in addition to a LL 30 billion decrease in other payments related to salaries, of which LL 15 billion related to the government subscription and contribution in the government employees Coop. These decreases were partly counterbalanced by a LL 40 billion increase in payments for salaries and wages.

In details, salaries and wages increased year-on-year by LL 40 billion as these payments rose by a LL 34 billion to the education personnel and LL 13 billion to the military personnel, despite being partly counterbalanced by a LL 7 billion drop in payments to the civil personnel. On the other hand, allowances dropped by LL 24 billion resulting from a LL 52 billion decrease in the allowances paid to the internal security forces partly offset by a LL 34 billion increase in those paid to the army.

In terms of composition, salaries and wages constituted 77.8 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Apr 2019, followed by the allowances (12.9 percent) and employment benefits (4.0 percent), while “other payments” and “unclassified allowances” represented the remaining share of 5.3 percent.

Moreover, salaries, wages and related benefits represented 31.6 percent of total primary spending in Jan-Apr 2018, and increased to 38.3 percent during the same period of 2019⁸.

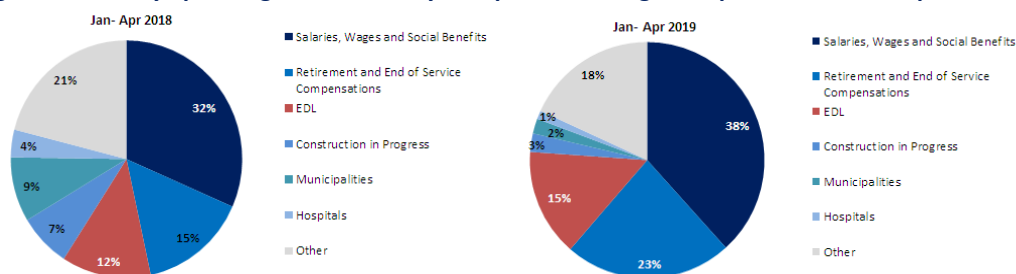
The following figures represent the primary spending breakdown by component during the period under review.

⁶ Total expenditures decreased by 15.4 percent y-o-y during Jan-Apr 2019 compared to a 7.1 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

⁷ Figures slightly differ from the previously mentioned ones due to the rounding effect.

⁸ Due to a significant decrease in the expenditure base with primary expenditures dropping y-o-y by 17.7 percent, compared to a slight decline of 0.1 percent in salaries, wages and related benefits.

Figure 3. Primary Spending Breakdown by Component during Jan-Apr 2018 and Jan-Apr 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-Apr 2018 and Jan-Apr 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	994	1,007	35	36	279	255	1	5	1,309	1,304
Army	636	661	23	25	163	196	0	0	823	882
Internal Security Forces	262	252	9	9	102	49	0	4	373	314
General Security Forces	76	73	2	2	10	6	1	1	89	81
State Security Forces	20	22	1	1	4	4	0	0	25	26
Education Personnel	334	368	22	23	0	0	10	0	366	391
Civilian Personnel 1/	177	169	19	21	0	0	22	13	217	203
Government contribution to employees cooperative 2/							80	65	80	65
Customs Salaries 3/									16	23
Total	1,505	1,545	76	80	279	255	112	82	1,988	1,986

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 40 billion (2.6 percent) to reach LL 1,545 billion in the first four months of 2019. This was driven by a rise in salaries and wages for education and military personnel by LL 34 billion and LL 13 billion respectively, against a LL 7 billion drop in salaries and wages to civil personnel.

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

The 1.3 percent increase in salaries and wages to military personnel during Jan-Apr 2019 can be attributed to higher salary payments to the army by LL 24 billion with basic salaries to the permanent personnel rising by LL 25 billion. On the other hand, salaries and wages paid to the internal security forces dropped by LL 10 billion as basic salaries to permanent personnel decreased by LL 4 billion, along with a drop in clothing indemnities and costs of missions and trainings abroad by LL 3 billion each. Salary payments for the General Security Forces dropped by LL 3 billion driven by lower clothing indemnities by LL 2 billion.

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

Salaries and wages of education personnel increased by LL 34 billion (10.1 percent) year-on-year to reach LL 368 billion in Jan-Apr 2019. The increase was mainly due to a rise in payments for contractuels, with a LL 46 billion⁹ increase in payments to those at the Directorate General of Vocational Training and a LL 7 billion rise for those at the primary education. These increases were partly counterbalanced by a LL 19 billion drop in salary payments for the permanent employees at the primary education and by a LL 5 billion decrease in the salary payments for the permanent employees at the secondary education.

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

Salaries and wages of civilian personnel decreased by LL 7 billion (4.2 percent) year-on-year to reach LL 169 billion during Jan-Apr 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 17.5 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice and the Ministry of Finance with respective shares of 16.1 percent and 12.0 percent. *(For further details, kindly refer to table 2)*

In details, salaries and wages paid at the Ministry of Public Health witnessed a prominent year-on-year drop by LL 10 billion (55.6 percent)¹⁰, in contrast with a LL 2 billion (7.1 percent) increase in salary payments to the Ministry of Justice during the first four months of 2019.

⁹ 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.

¹⁰ Due to the disbursement of large retroactive payments to contractuels during Jan-Apr 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-Apr 2018 and Jan-Apr 2019

(LL million)	Jan-Apr 2018	Jan-Apr 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	29,601	29,581	17.5%
Ministry of Justice	25,370	27,175	16.1%
Ministry of Finance	20,039	20,229	12.0%
Presidency of the Council of Ministers	15,996	16,153	9.5%
Parliament	14,925	14,916	8.8%
Ministry of Public Works and Transportation	9,276	9,464	5.6%
Ministry of Agriculture	8,555	8,616	5.1%
Ministry of Public Health	18,612	8,258	4.9%
Ministry of Interior	5,706	5,852	3.5%
Ministry of National Defense	5,089	5,345	3.2%
Other	23,378	23,614	14.0%
Total	176,546	169,204	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 24 billion (8.4 percent) to reach LL 255 billion during Jan-Apr 2019. The drop was mainly due to a LL 52 billion plunge in allowances disbursed to the Internal Security Forces reaching LL 49 billion in Jan-Apr 2019, partly counterbalanced by a rise of LL 34 billion in allowances disbursed to the Army reaching LL 196 billion over the same period.

More specifically, allowances disbursed to the Internal Security Forces decreased during the first four months of 2019 given the significant fall in hospital expenses by LL 35 billion coupled with a drop in sickness and maternity expenses by LL 11 billion.

On the other hand, allowances to the Army increased by LL 34 billion during the covered period, due to a year-on-year increase in hospital expenses by LL 56 billion, partly counterbalanced by a LL 16 billion drop in sickness and maternity expenses during Jan-Apr 2019.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 15 billion year-on-year to reach LL 65 billion in Jan-Apr 2019 compared to LL 80 billion in Jan-Apr 2018.



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