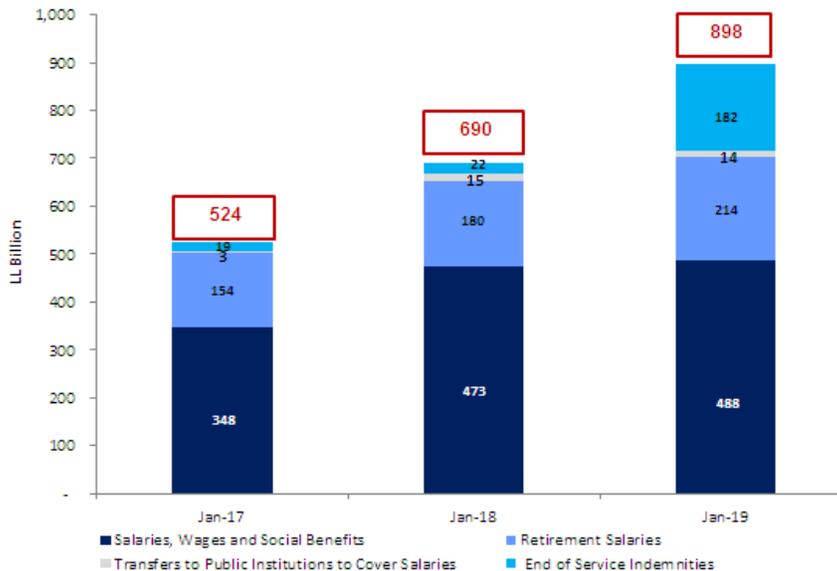


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 208 billion (30.1 percent) year-on-year in January 2019 to reach LL 898 billion compared to LL 690 billion in the same month of 2018². The rise was mainly driven by the hike in end of services compensations reaching LL 182 billion in January 2019, more than 8 times the amount of last year³. In parallel, retirement grew year-on-year by 19.0 percent and salaries, wages and related benefits grew by 3.1 percent in the same period. In contrast, transfers to public institutions to cover salaries contracted by 8.1 percent to reach LL 14 billion in January 2019.

Figure 1. Personnel Cost Breakdown by Component in January 2017, January 2018 and January 2019



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost formed the main bulk of current primary expenditures⁴, as it contributed to 64.5 percent in January 2017, dropping down to 56.2 percent in January 2018 before rising again significantly to 78.9 percent in January 2019. Moreover, personnel cost represented 40.9 percent of total expenditures in January 2017, decreasing to 28.0 percent of the total in January 2018 before moving up to 49.0 percent of the total in the same month of 2019. The

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 Monthly Monitor report – January 2019.

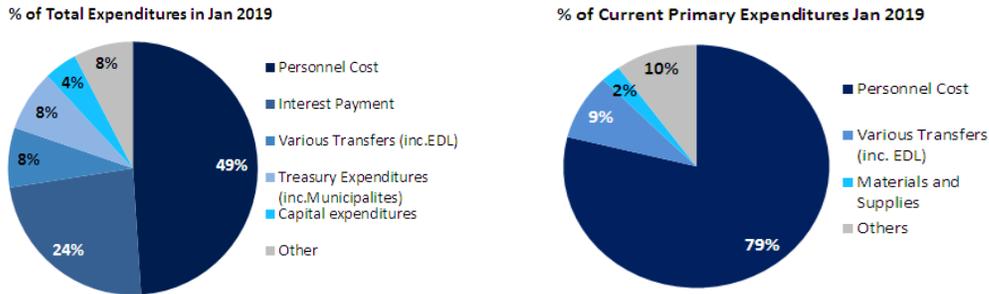
³ The increase in end of service indemnities can partly be explained by the implementation of the new salary scale, which encouraged many public employees to undergo an early retirement plan.

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

main reason behind the increase in the personnel cost as a share of current primary expenditures and of total expenditure lies in a lower expenditure base with respective year-on-year drops of 7.4 percent and 25.6 percent in both bases during January 2019.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in January 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 increased by LL 13 billion year-on-year to LL 487 billion⁵ in January 2019. Overall, this growth was mainly the result of a LL 41 billion increase in salaries and wages to educational personnel, partly offset by the drop of (i) LL 29 billion in allowances paid for military personnel, and (ii) LL 4 billion in salaries and wages paid to the military personnel.

In terms of composition, salaries and wages constituted 85.0 percent of total payments for salaries, wages and related benefits to public sector employees in January 2019, followed by employment benefits (5.7 percent) and allowances (4.9 percent), while “other payments” and “unclassified allowances” represented the remaining 4.4 percent of the total.

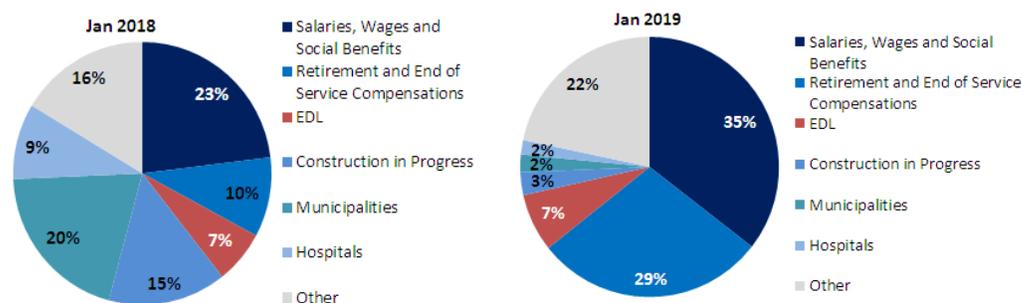
Furthermore, salaries, wages and related benefits represented 23.0 percent of total primary spending in January 2018 and increased to 35.5 percent of the total in January 2019.

The following figures present the primary spending breakdown by component during the month under review⁶.

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

⁶ The main reason behind the increase in the share of salaries, wages and related benefits from primary expenditure compared to January 2018, is rooted in a significantly lower base level of total primary expenditures in January 2019, decreasing by more than 33 percent year-on-year, driven mainly by lower payments to municipalities and construction in progress.

Figure 3. Primary Spending Breakdown by Component during January 2018 and January 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 – January 2018 and January 2019

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Military Personnel	257	253	13	12	53	24	0	1	322	290
Army	159	167	9	9	36	15	0	0	204	191
Internal Security Forces	72	64	3	3	12	6	0	0	87	72
General Security Forces	21	16	1	1	3	2	0	1	25	20
State Security Forces	5	6	0	0	1	1	0	0	6	7
Education Personnel	74	114	9	11	0	0	1	0	83	125
Civilian Personnel 1/	45	47	6	5	0	0	13	9	64	60
Government contribution to employees cooperative 2/							0	0	0	0
Customs Salaries 3/									4	12
Total 7/	376	414	27	28	53	24	15	10	474	487

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.

7/ The total figure may vary given rounding effect of individual components.

II.A. Salaries and Wages

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, rose by LL 38 billion (10.2 percent) to reach LL 414 billion in January 2019. This increase was primarily the result of an upsurge in the salary payments for education and civil personnel.

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

Salaries and wages to military personnel decreased by 1.5 percent (LL 4 billion) in January 2019 compared to the same month of 2018. In details, salary payments to the Internal Security Forces fell by LL 8 billion, mainly as payments covering the costs of trainings and missions abroad dropped by LL 4 billion and clothing indemnities decreased by LL 3 billion. In turn, salary payments to the personnel of the General Security Forces also fell by LL 5 billion year-on-year, mainly as clothing indemnities dropped by LL 4 billion. In contrast, basic salaries to the permanent personnel in the Army rose by LL 8 billion compared to the same period of 2018.

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

Salaries and wages of education personnel increased by LL 41 billion (55.1 percent) compared to January 2018 and stood at LL 114 billion in January 2019. The increase was mainly due to higher salary payments to contractuels at the Directorate General of Vocational Training by LL 46 billion⁷, this was slightly offset by the drop in payments for the permanent personnel at the primary education by LL 4 billion and at the secondary education by LL 1 billion.

II.A.c Salaries and Wages of Civilian Personnel

Salaries and wages to civilian personnel increased by LL 2 billion (3.8 percent) year-on-year compared to the same month a year earlier, to reach LL 47 billion in January 2019. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in the covered month, with a share of 23.8 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (14.6 percent of the total) and the Ministry of Finance (10.8 percent of the total). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Justice had the most notable nominal year-on-year increase in salaries and wages in January 2019 with LL 1.5 billion (29 percent), followed by a LL 1 billion (51 percent) rise in salaries and wages of the Ministry of Public Works and Transportation. In contrast, Ministry of Foreign Affairs and Emigrants witnessed a drop of LL 3 billion (19 percent) in its wage bill, mainly as payments for temporary staff decreased by LL 2.5 billion in January 2019.

Table 2. Civilian Salaries and Wages Breakdown by Ministry – January 2018 and January 2019

(LL million)	January 2018	January 2019	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	13,825	11,162	24%
Ministry of Justice	5,323	6,859	15%
Ministry of Finance	4,454	5,053	11%
Presidency of the Council of Ministers	3,532	4,083	9%
Parliament	3,458	3,623	8%
Ministry of Public Works and Transportation	1,969	2,971	6%
Ministry of Public Health	2,214	2,158	5%

⁷ According to decisions # 221,222,243, 244 dated 21/12/2018, implying the payment of 30 percent of contractuels' fees pertaining to the academic year 2017/2018.



Ministry of Agriculture	2,127	2,123	5%
Ministry of Interior	1,358	1,473	3%
Ministry of National Defense	1,256	1,344	3%
Other	5,657	6,029	13%
Total	45,173	46,877	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 29 billion (54.9 percent) to reach LL 24 billion in the first month of 2019. The drop was mainly due to a decrease of LL 21 billion in allowances paid to the Army reaching LL 15 billion, and a LL 7 billion drop in allowances disbursed to the Internal Security Forces reaching LL 6 billion in January 2019.

In details, allowances paid to the Army dropped by 58.6 percent in the first month of the year relative to January 2018, given a decrease in sickness and maternity spending by LL 11 billion and a LL 9 billion decrease in hospital expenses.

In addition, allowances to the Internal Security Forces dropped by 52.4 percent in the covered period, mostly due to the LL 5 billion decrease in sickness and maternity spending that amounted to LL 771 million in January 2019.



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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