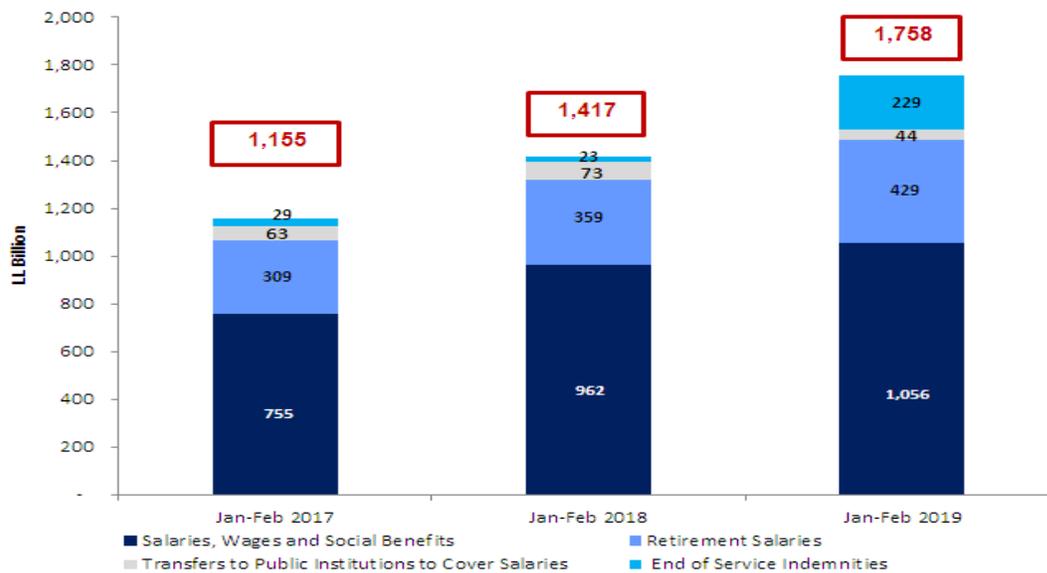


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> rose by LL 341 billion (24.0 percent) to reach LL 1,758 billion during Jan-Feb 2019 compared to LL 1,417 billion recorded during the same period of 2018<sup>2</sup>. This rise was mainly a response of a hike in end-of-service indemnities that reached LL 229 billion by the end of February 2019, nine times more than the amount reached over the same period a year earlier<sup>3</sup>. In parallel, salaries, wages and related benefits registered a hike of LL 94 billion (9.8 percent) and retirement salaries posted an increase of LL 70 billion (19.4 percent) during the first two months of 2019. In contrast, transfers to public institutions to cover salaries dropped by LL 29 billion (40.1 percent) to reach LL 44 billion in Jan-Feb 2019.

Figure 1. Personnel Cost Breakdown by Component in Jan-Feb 2017, Jan-Feb 2018 and Jan-Feb 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 expenditures<sup>4</sup>, as it contributed to 61.6 percent in Jan-Feb 2017, increasing to 62.7 percent in Jan-Feb 2018 before rising to 72.3 percent in the first two months of 2019. Furthermore, personnel cost represented 38.2 percent of total expenditures in Jan-Feb 2017, then decreasing to 33.4 percent of the total in Jan-Feb 2018 before going up significantly to 47.4 percent of the total during the same period of 2019.

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

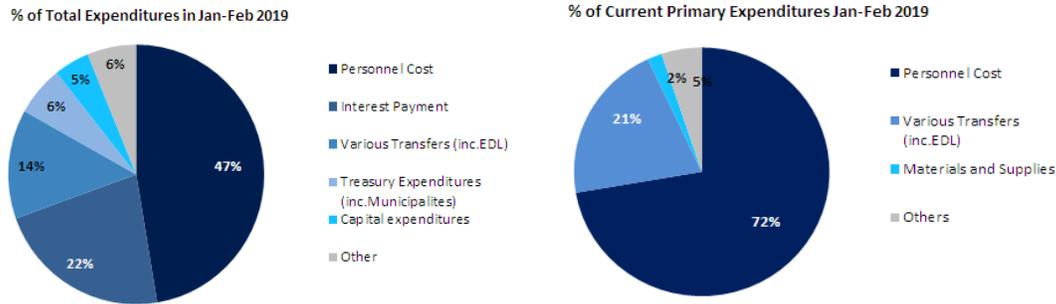
<sup>2</sup> The figures used are those published in the Public Finance Monitor Monthly report – February 2019

<sup>3</sup> This 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.

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

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

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

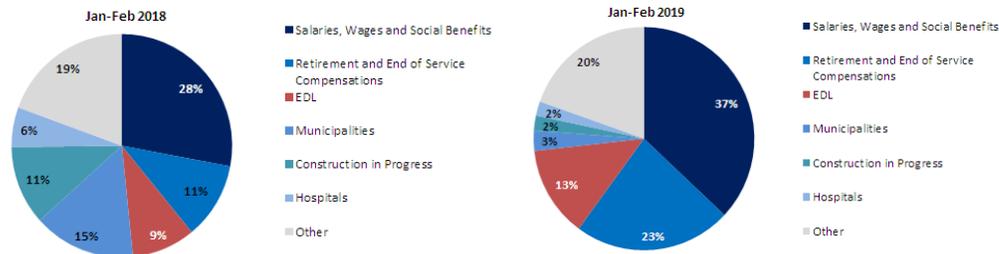
Payments for salaries, wages and related benefits increased by LL 94 billion year-on-year to reach LL 1,056 billion in Jan-Feb 2019. Overall, this rise was due to: (i) a LL 65 billion growth in allowances paid to military personnel, and (ii) an increase of LL 36 billion in salaries and wages to education personnel.

In terms of composition, salaries and wages constituted 74.2 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Feb 2019, followed by allowances (17.3 percent) and employment indemnities (4.1 percent), while “other payments” and “unclassified allowances” represented the remaining 4.4 percent of the total.

Moreover, salaries, wages and related benefits represented 37.0 percent of total primary spending in Jan-Feb 2019, increasing from 28.0 percent during the same period of 2018<sup>5</sup>.

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

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

<sup>5</sup> Due to the rapid decrease in the expenditure base, with primary expenditures dropping by 17.0 percent compared to a y-o-y growth of 9.8 percent in salaries, wages and related benefits.

**Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Feb 2018 and Jan-Feb 2019**

(LL billion)	Salaries and Wages		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Military Personnel</b>	<b>507</b>	<b>513</b>	<b>20</b>	<b>21</b>	<b>117</b>	<b>182</b>	<b>0</b>	<b>1</b>	<b>644</b>	<b>718</b>
Army	319	335	14	14	74	160	0	0	406	509
Internal Security Forces	135	127	5	5	35	17	0	0	174	149
General Security Forces	43	41	1	1	7	4	0	1	51	47
State Security Forces	10	11	1	0	2	2	0	0	13	13
<b>Education Personnel</b>	<b>145</b>	<b>181</b>	<b>13</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>159</b>	<b>195</b>
<b>Civilian Personnel 1/</b>	<b>89</b>	<b>90</b>	<b>10</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>10</b>	<b>118</b>	<b>108</b>
<b>Government contribution to employees cooperative 2/</b>							<b>30</b>	<b>20</b>	<b>30</b>	<b>20</b>
<b>Customs Salaries 3/</b>									<b>8</b>	<b>15</b>
<b>Unclassified</b>									<b>2</b>	<b>0</b>
<b>Total</b>	<b>741</b>	<b>784</b>	<b>43</b>	<b>43</b>	<b>117</b>	<b>183</b>	<b>51</b>	<b>31</b>	<b>962</b>	<b>1,056</b>

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 43 billion (5.8 percent) to reach LL 784 billion in the first two months of 2019.

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

Salaries and wages to military personnel witnessed an increase of LL 7 billion (1.3 percent) during Jan-Feb 2019 compared to the same period of last year. In details, basic salary payments to the permanent personnel of the Army and the State Security Forces grew by LL 16 billion (5.2 percent) and by LL 1 billion (10.6 percent), respectively. Meanwhile, salaries paid for the Internal Security Forces fell by LL 8 billion (6.2 percent), including a decrease of LL 1 billion in basic salaries for permanent employees and a LL 4 billion drop in payments covering missions and trainings abroad. Also, salaries and wages for the General Security Forces dropped by LL 2 billion (5.3 percent) in Jan-Feb 2019, mainly due to a decline in clothing indemnities.

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

Salaries and wages of education personnel increased by LL 36 billion (24.6 percent) year-on-year, reaching LL 181 billion in Jan-Feb 2019. This increase was mainly due to higher salary payments to contractuels at the Directorate General of Vocational Training by LL 46 billion<sup>6</sup>. This hike was partly counterbalanced by lower payments to the permanent personnel at the primary and secondary education, with respective drops of LL 8 billion and LL 2 billion.

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

Salaries and wages of civil personnel increased slightly by LL 1 billion (0.6 percent) year-on-year to reach LL 90 billion during Jan-Feb 2019. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill during the covered period with a share of 22.1 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice (15.2 percent from total) and the Ministry of Finance (11.2 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 salaries and wages increasing year-on-year by LL 1 billion (8.0 percent) in the first two months of 2019, followed by the Ministry of Public Works and Transportation with LL 0.7 billion (16.1 percent).

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

(LL million)	Jan-Feb 2018	Jan-Feb 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	19,861	19,881	22.1%
Ministry of Justice	12,661	13,671	15.2%
Ministry of Finance	10,028	10,096	11.2%
Presidency of the Council of Ministers	8,206	8,073	9.0%
Parliament	7,953	7,232	8.0%
Ministry of Public Works and Transportation	4,410	5,119	5.7%
Ministry of Public Health	4,238	4,227	4.7%
Ministry of Agriculture	4,688	4,179	4.6%
Ministry of Interior and Municipalities	2,916	2,920	3.2%
Ministry of National Defense	2,566	2,644	2.9%
Other	11,848	11,864	13.2%
<b>Total</b>	<b>89,375</b>	<b>89,906</b>	<b>100%</b>

Source: Ministry of Finance, Directorate General of Finance

### II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees increased by LL 65 billion (55.7 percent) to reach LL 183 billion during Jan-Feb 2019. The rise was mainly due to an increase of LL 86 billion in allowances disbursed to the Army reaching LL 160 billion in Jan-Feb 2019. This was partly counterbalanced by a LL 17 billion decrease in allowances paid to the Internal Security Forces to reach LL 17 billion by the end of February 2019.

<sup>6</sup> 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.



More specifically, allowances to the Army mainly increased in the first two months of 2019 given the significant rise in hospital expenses by LL 97 billion. This was partially offset by a LL 10 billion drop in sickness and maternity expenses.

Furthermore, the drop in allowances to the Internal Security Forces was the result of year-on-year decreases in hospital expenses by LL 10 billion and in sickness and maternity expenses by LL 7 billion during Jan-Feb 2019.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 10 billion year-on-year to reach LL 20 billion in Jan-Feb 2019 compared to LL 30 billion in Jan-Feb 2018.



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