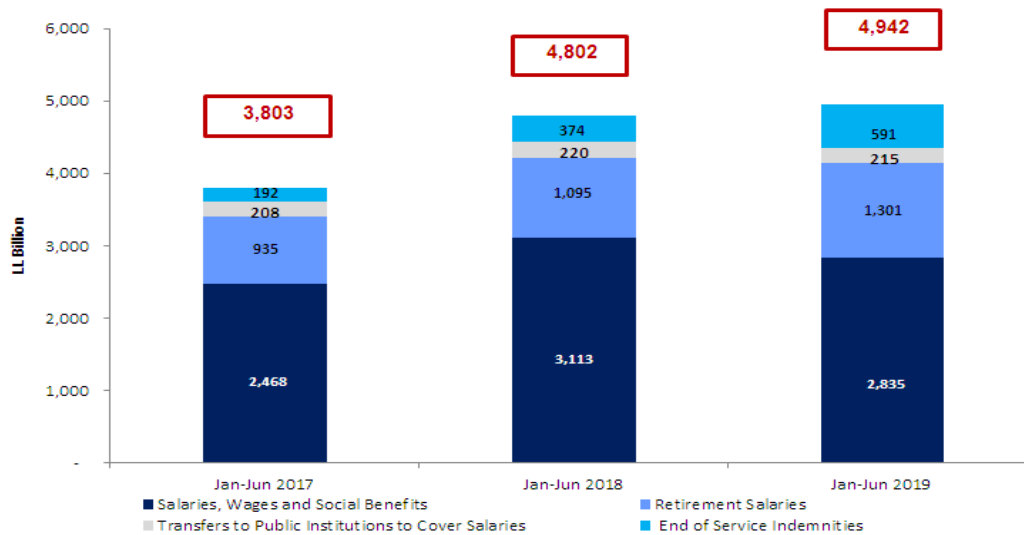


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 140 billion (2.9 percent) year-on-year during Jan-Jun 2019 to reach LL 4,942 billion compared to LL 4,802 billion during the same period of 2018². The increase was due to higher payments related to retirement and end of service compensations by LL 206 billion (18.8 percent) and LL 217 billion (58.1 percent)³ respectively, partly counterbalanced by a drop in payments related to salaries, wages and social benefits by LL 278 billion (8.9 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Jun 2017, Jan-Jun 2018 and Jan-Jun 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 69.3 percent in Jan-Jun 2017, decreasing to 67.6 percent in Jan-Jun 2018 before hiking up to 73.4 percent in the first half of 2019⁵. On the other hand and when compared to total expenditures, personnel cost represented 36.2 percent in Jan-Jun 2017, decreasing to 35.5 percent in Jan-Jun 2018 and significantly expanding afterwards to 40.1 percent⁶ during the same period 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 - June 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.

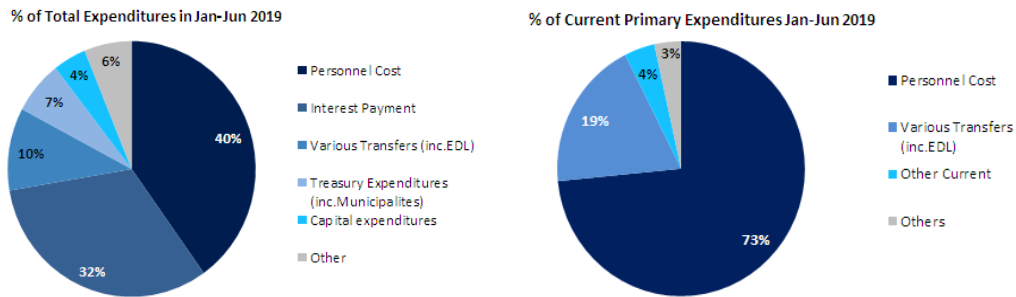
⁴ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

⁵ At the time where personnel cost increased y-o-y by 2.9 percent during Jan-Jun 2019, current primary expenditures witnessed a decrease of 5.3 percent, primarily due to major drops of LL 263 billion and LL 142 billion in "various transfers" and "other current expenditures" respectively over the covered period.

⁶ Total expenditures decreased by 9.0 percent y-o-y during Jan-Jun 2019 compared to a 2.9 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Jun 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 decreased significantly by LL 279 billion year-on-year to reach LL 2,836 billion⁷ in Jan-Jun 2019. Overall, this decline was mainly the result of a LL 272 billion (50.7 percent) drop in allowances for military personnel in addition to a LL 45 billion decrease in other payments related to salaries, of which LL 25 billion related to the government subscription and contribution in the Government Employees Cooperative. These decreases were partly counterbalanced by higher payments for salaries and wages to the education and military personnel by LL 30 billion (5.7 percent) and LL 19 billion (1.3 percent) respectively.

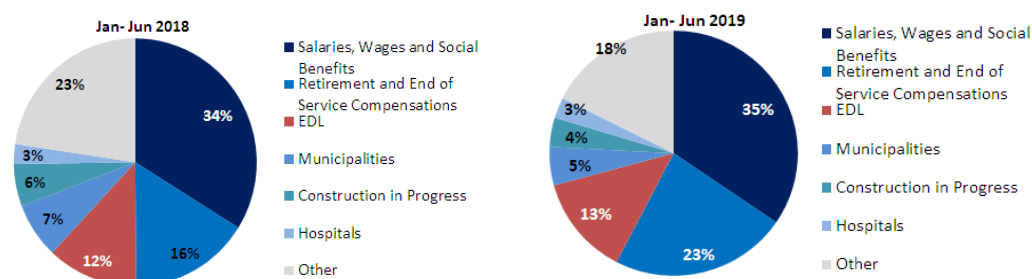
In terms of composition, salaries and wages constituted 81.3 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Jun 2019, followed by the allowances (9.4 percent) and employment benefits (4.0 percent), while “other payments” and “unclassified allowances” represented the remaining 5.3 percent of the total.

Moreover, salaries, wages and related benefits represented 33.9 percent of total primary spending in Jan-Jun 2018, and increased to 34.5 percent during the same period of 2019.

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

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

Figure 3. Primary Spending Breakdown by Component during Jan-Jun 2018 and Jan-Jun 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-Jun 2018 and Jan-Jun 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	1,486	1,505	50	51	538	265	1	5	2,075	1,826
Army	961	990	33	35	286	198	0	1	1,281	1,224
Internal Security Forces	386	377	13	13	215	56	0	4	615	450
General Security Forces	108	104	3	3	25	7	1	1	136	115
State Security Forces	30	33	1	1	11	4	0	0	42	38
Education Personnel	520	550	30	31	0	0	10	0	560	581
Civilian Personnel 1/	260	252	33	31	2	1	33	19	328	303
Government contribution to employees cooperative 2/							119	95	119	95
Customs Salaries 3/									32	30
Total	2,266	2,307	113	114	540	266	163	119	3,114	2,836

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 (1.8 percent) to reach LL 2,307 billion in the first half of 2019. This was driven by a rise in salaries and wages for education and military personnel by LL 30 billion and LL 19 billion respectively, against a LL 8 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-Jun 2019 can be attributed to higher salary payments to the army by LL 29 billion (3.0 percent) with basic salaries to the permanent personnel rising by LL 32 billion. On the other hand, salaries and wages paid to the internal security forces dropped by LL 10 billion (2.5 percent) as basic salaries to permanent personnel and clothing indemnities decreased by LL 6 billion and LL 3 billion respectively. Salary payments for the General Security Forces also dropped by LL 4 billion (3.5 percent) 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 30 billion (5.7 percent) year-on-year reaching LL 550 billion in Jan-Jun 2019. This rise was mainly due to an increase in payments for contractuels at the Directorate General of Vocational Training and trainees at the secondary education by LL 46 billion⁸ and LL 13 billion respectively. These rises were partly counterbalanced by a LL 28 billion decrease in salary payments for permanent employees at the primary education.

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

Salaries and wages of civilian personnel decreased by LL 8 billion (3.1 percent) year-on-year to reach LL 252 billion during Jan-Jun 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 16.9 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice and the Ministry of Finance with respective shares of 16.2 percent and 12.0 percent. (For further details, kindly refer to table 2)

In details, salaries and wages paid to the personnel at the Ministry of Public Health witnessed a prominent year-on-year drop by LL 12 billion (47.2 percent)⁹, in contrast with a LL 3 billion (6.6 percent) increase in salary payments to the employees at the Ministry of Justice during the first half of 2019.

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

(LL million)	Jan-Jun 2018	Jan-Jun 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	43,166	42,505	16.9%
Ministry of Justice	38,255	40,796	16.2%
Ministry of Finance	30,125	30,320	12.0%
Presidency of the Council of Ministers	24,136	24,319	9.6%
Parliament	22,597	21,994	8.7%
Ministry of Public Works and Transportation	14,262	13,836	5.5%
Ministry of Public Health	24,959	13,173	5.2%
Ministry of Agriculture	12,850	12,925	5.1%
Ministry of Interior and Municipalities	8,342	8,816	3.5%

⁸ 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.

⁹ Due to the disbursement of large retroactive payments to contractuels during Jan-Jun 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.

Ministry of National Defense	7,619	8,122	3.2%
Other	33,781	35,299	14.0%
Total	260,091	252,104	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees decreased almost by half, registering a LL 274 billion (50.7 percent) drop to reach LL 266 billion during Jan-Jun 2019. The cut in allowances hit all the military personnel, with the most prominent plunges being registered in allowances disbursed to the Internal Security Forces and the army with LL 159 billion (73.9 percent) and LL 88 billion (30.8 percent) respectively.

More specifically, allowances disbursed to the Internal Security Forces decreased during the first half of 2019 given the significant fall in school allowances and hospital expenses by LL 77 billion and LL 62 billion respectively, adding to a LL 15 billion drop in sickness and maternity expenses.

Moreover, allowances to the Army dropped by LL 88 billion during the covered period, due to a year-on-year plunge in school allowances by LL 119 billion, coupled with a LL 16 billion decrease in sickness and maternity expenses. These drops were partly offset by a LL 56 billion increase in hospital expenses during the first half of 2019.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 25 billion (20.6 percent) year-on-year to reach LL 95 billion in Jan-Jun 2019 compared to LL 119 billion a year earlier.



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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