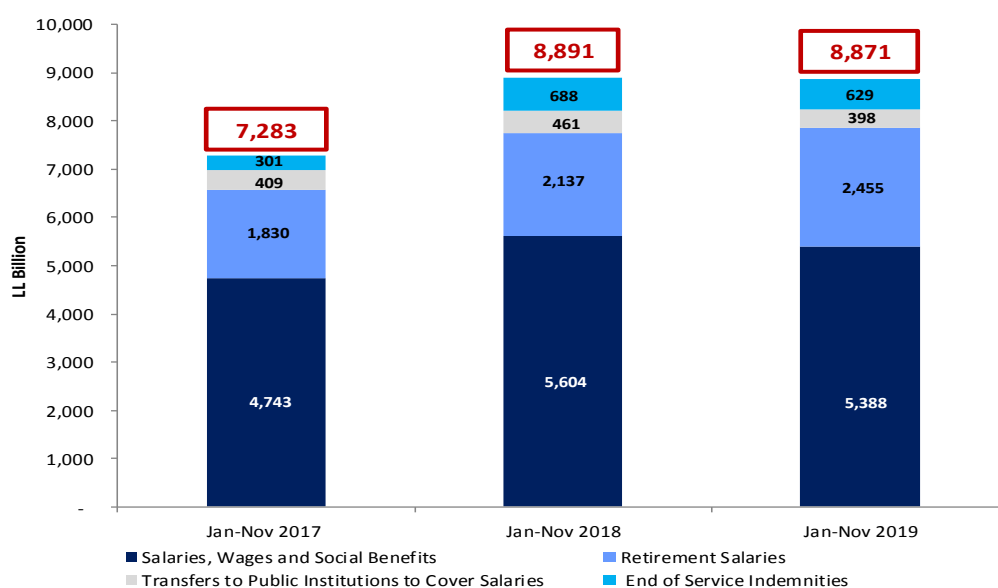# I. Personnel Cost

I.A. General Overview

Personnel cost[1] witnessed a minor drop of LL 19 billion (0.2 percent) to reach LL 8,871 billion during Jan-Nov 2019 compared to a total of LL 8,891 billion recorded during the same period of 2018[2]. This decrease was driven by lower payments related to salaries, wages and related benefits by LL 216 billion (3.9 percent) and end of service indemnities by LL 59 billion (8.5 percent), coupled with a drop in transfers to public institutions to cover salaries by LL 63 billion (13.7 percent). These drops were almost counterbalanced by a significant year-on-year rise of LL 318 billion (14.9 percent) in retirement compensations in Jan-Nov 2019.

Figure 1. Personnel Cost Breakdown by Component in Jan-Nov 2017, Jan-Nov 2018 and Jan-Nov 2019

Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost represented the main bulk of current primary expenditures[3], as it contributed to 67.6 percent in Jan-Nov 2017, decreasing to 65.8 percent in Jan-Nov 2018 before rising to 71.8 percent during the same period of 2019[4]. On the other hand and when compared to total expenditures, personnel cost represented 35.4 percent in Jan-Nov 2017, increasing slightly to

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[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 – November 2019.
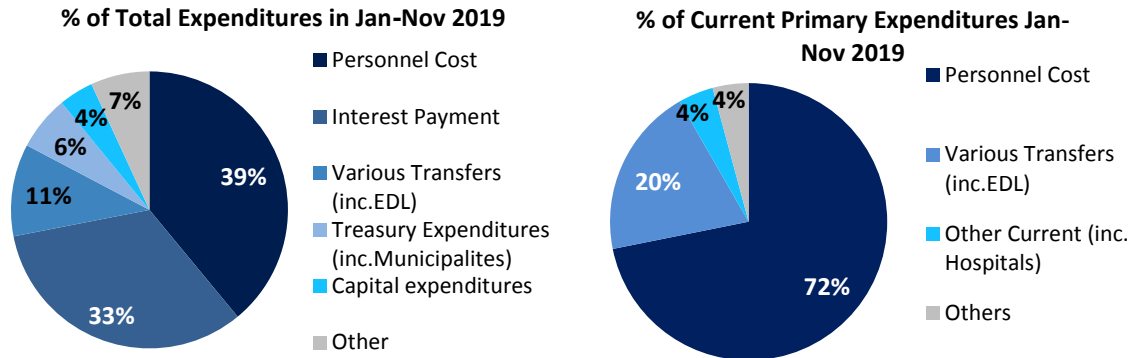
[3] Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

[4] At the time where personnel cost decreased y-o-y by 0.2 percent during Jan-Nov 2019, current primary expenditures witnessed a larger decrease of 8.6 percent, mainly due to major y-o-y drops in "various transfers", "materials and supplies" and "Judgments, reconciliations, and mission costs" by LL 756 billion, LL 210 billion and by LL 171 billion respectively over the covered period.

35.6 percent in Jan-Nov 2018, before going up significantly to 39.0 percent[5] during the same period of 2019.

The following figures represent the composition of total expenditures and current primary expenditures during Jan-Nov 2019:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Nov 2019

% of Total Expenditures in Jan-Nov 2019

- Personnel Cost
- Interest Payment
- Various Transfers (inc.EDL)
- Treasury Expenditures (inc.Municipalites)
- Capital expenditures
- Other

39%, 33%, 11%, 6%, 4%, 7%

% of Current Primary Expenditures Jan-Nov 2019

- Personnel Cost
- Various Transfers (inc.EDL)
- Other Current (inc. Hospitals)
- Others

72%, 20%, 4%, 4%

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 year-on-year by LL 216 billion to reach LL 5,388 billion in Jan-Nov 2019. Overall, this drop was mainly the result of a decrease in payments of allowances for military personnel by LL 292 billion (37.1 percent). This drop was partly counterbalanced by higher payments of salaries and wages to education and military personnel by LL 77 billion (7.6 percent) and by LL 30 billion (1.1 percent) respectively.

In terms of composition, salaries and wages constituted 80.2 percent[6] of total payments for salaries, wages and related benefits to public sector employees during Jan-Nov 2019, followed by the allowances (9.2 percent) and employment benefits (3.8 percent), while "other payments" and "unclassified allowances" represented the remaining 6.7 percent of the total.
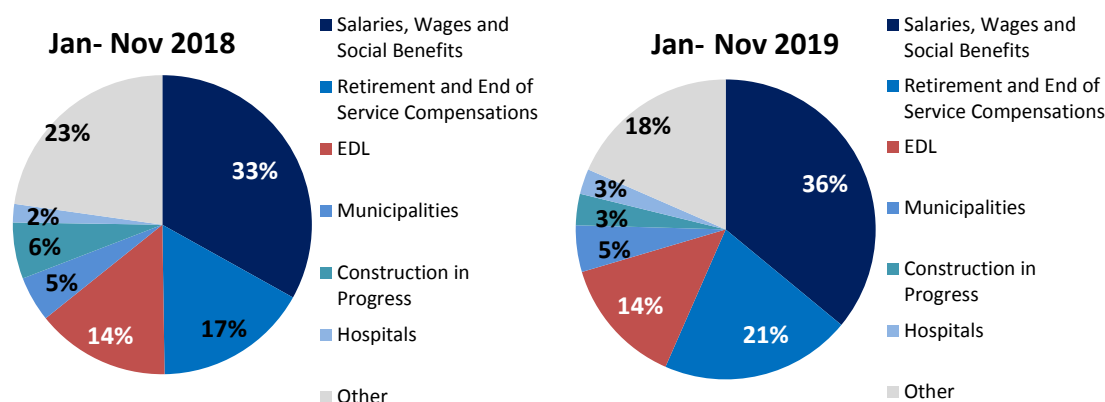
Moreover, salaries, wages and related benefits represented 33.1 percent of total primary spending in Jan-Nov 2018 and increased to 36.0 percent during the same period of 2019.

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

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[5] Total expenditures decreased by 8.9 percent y-o-y during Jan-Nov 2019 compared to a 0.2 percent decrease in personnel cost, resulting in a large rise in its share from total expenditure.
[6] Increasing from a share of 75.2 percent during the same period of 2018.

Figure 3. Primary Spending Breakdown by Component during Jan-Nov 2018 and Jan-Nov 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-Nov 2018 and Jan-Nov 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	2,738	2,768	90	95	786	495	2	6	3,616	3,363
Army	1,783	1,820	58	62	435	307	0	1	2,276	2,190
Internal Security Forces	706	694	24	24	295	151	0	4	1,025	872
General Security Forces	190	191	4	4	40	24	1	1	235	221
State Security Forces	58	63	5	5	17	13	0	0	80	81
Education Personnel	1,008	1,085	62	59	0	0	37	18	1,106	1,161
Civilian Personnel 1/	470	470	57	51	3	2	50	41	579	565
Government contribution to employees cooperative 2/							249	249	249	249
Customs Salaries 3/									52	50
Total	4,215	4,323	209	205	789	497	337	313	5,604	5,388

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 107 billion (2.5 percent) to reach LL 4,323 billion in Jan-Nov 2019. This was driven by a rise in salary payments for education and military personnel by LL 77 billion and LL 30 billion respectively, while salaries and wages to civilian personnel barely increased year-on-year by LL 1 billion.

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

The 1.1 percent increase in salaries and wages to military personnel during Jan-Nov 2019 can be attributed to higher salary payments to the army by LL 37 billion (2.1 percent) - with basic salaries to the permanent personnel rising by LL 43 billion partly counterbalanced by the drop of LL 5 billion in payments for training aboard. Meanwhile, salary payments for the State Security Forces increased by LL 5 billion (8.3 percent) - with basic salaries to the permanent personnel rising by LL 8 billion partly counterbalanced by the drop of LL 2 billion in salary payments for trainees. In parallel, salary payments for the General Security Forces also increased by LL 1 billion (0.3 percent) in Jan-Nov 2019 mainly due to higher payments covering clothing indemnities by LL 4 billion and transportation cost for personnel by LL 3 billion, which was largely offset by the drop in salary payments for trainees by LL 5 billion. On the other hand, salaries and wages paid to the Internal Security Forces dropped by LL 12 billion (1.7 percent) mainly as basic salaries to permanent personnel decreased by LL 11 billion.

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

Salaries and wages for education personnel increased by LL 77 billion (7.6 percent) year-on-year reaching LL 1,085 billion in Jan-Nov 2019. This rise was mainly due to an increase in payments for contractuals at the Directorate General of Vocational Training by LL 90 billion[7], followed by an increase in salary payments for trainees at the secondary education by LL 22 billion. Also, salary payments for permanent employees at the secondary education and for contractuals at the primary and intermediate education increased by LL 11 billion and LL 9 billion respectively. These rises were partly counterbalanced by a LL 49 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 increased slightly by less than LL 1 billion (0.2 percent) year-on-year registering a total of LL 470 billion during Jan-Nov 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 18.6 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice and the Ministry of Finance with respective shares of 16.0 percent and 11.8 percent. (*For further details, kindly refer to table 2*)

As for the change in nominal terms, the Ministry of Public health witnessed a significant drop of LL 15 billion (38.0 percent)[8] in the first eleven months of 2019, against an increase in

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[7] With an amount of LL 48 billion paid in January 2019 covering 30 percent of contractuals' fees related to the academic year 2017/2018 as per decisions #221, 222, 243 and 244 dated 21/12/2018, in addition to an amount of LL 152 billion paid in August 2019 covering 90 percent of contractuals' fees related to the academic year 2018/2019 as per decisions #97, 98, 99 and 100 dated 02/08/2019.

[8] Due to the disbursement of large retroactive payments to contractuals during Jan-Nov 2018, namely those pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000 (LL 10.6 billion) coupled with a LL 1 billion of retroactive payments covering

salaries and wages for both the Ministry of Foreign Affairs and Emigrants by LL 12 billion (mainly due to an increase in salary payments for diplomats in Lebanese overseas missions and contractuals[9]) and the Ministry of Justice by LL 2 billion.

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

(LL million)	Jan-Nov 2018	Jan-Nov 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	75,559	87,303	18.6%
Ministry of Justice	72,859	75,089	16.0%
Ministry of Finance	54,751	55,606	11.8%
Presidency of the Council of Ministers	45,004	44,538	9.5%
Parliament	40,719	39,485	8.4%
Ministry of Public Works and Transportation	25,216	24,728	5.3%
Ministry of Public Health	39,252	24,327	5.2%
Ministry of Agriculture	23,361	23,774	5.1%
Ministry of Interior and Municipalities	15,558	16,139	3.4%
Ministry of National Defense	14,055	14,840	3.2%
Other	63,289	64,638	13.7%
Total	**469,622**	**470,466**	**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 293 billion (37.1 percent) to reach LL 497 billion during Jan-Nov 2019. This fall was due to a drop in allowances paid to all military personnel, mainly those disbursed to the Internal Security Forces and the Army dropping by LL 144 billion and LL 128 billion respectively.

More specifically, allowances disbursed to the Internal Security Forces decreased during Jan-Nov 2019 given the significant fall in hospital expenses as well as sickness and maternity expenses by LL 101 billion and LL 22 billion respectively, adding to a LL 14 billion drop in school allowances.

Furthermore, allowances to the Army dropped by LL 128 billion during the covered period, due to a year-on-year plunge in several types of allowances, mainly school allowances and sickness and maternity expenses by LL 41 billion and LL 40 billion respectively, in addition to LL 26 billion drop in hospital expenses.

Moreover, allowances to the General Security Forces dropped by LL 15 billion during the covered period, due to a year-on-year drop in sickness and maternity expenses by LL 7 billion coupled with a LL 4 billion decrease in hospital expenses and LL 3 billion school allowances.

In addition, allowances to the State Security Forces dropped by LL 5 billion due to lower payments related to school allowances and hospital expenses by LL 2 billion each.

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the period from 1/1/1999 till 31/08/2017 based on state council decision #606/2016/2017 dated 9/5/2017, in addition to LL 2 billion of retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/08/2017.

[9] With a LL 1.5 billion rise related to the salaries payments for the newly recruited economic attachés compared to nil in 2018.

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

Payments to government subscription and contributions to the Employees Cooperative reached LL 249 billion in Jan-Nov 2019 showing no change in its value when compared to a year earlier.

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