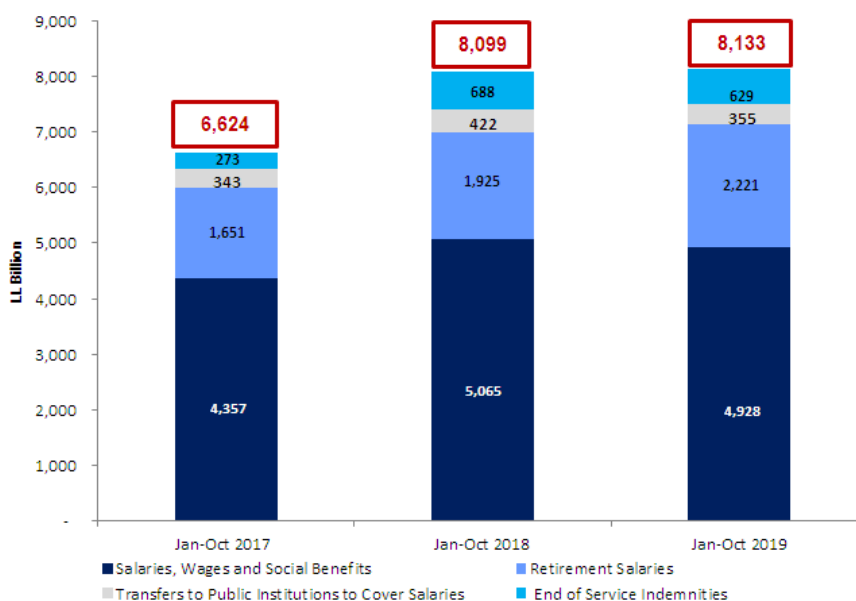


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose slightly by LL 34 billion (0.4 percent) to reach LL 8,133 billion during Jan-Oct 2019 compared to a total of LL 8,099 billion recorded during the same period of 2018². This rise was driven by higher payments related to retirement which increased by LL 296 billion (15.4 percent) while all other sub-components registered a year-on-year contraction over the covered period. In details, salaries, wages and related benefits retracted by LL 137 billion (2.7 percent), adding to a drop of LL 67 billion (15.8 percent) in transfers to public institutions to cover salaries as well as LL 59 billion (8.5 percent) in end of service indemnities.

Figure 1. Personnel Cost Breakdown by Component in Jan-Oct 2017, Jan-Oct 2018 and Jan-Oct 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 expenditures³, as it contributed to 67.3 percent in Jan-Oct 2017, decreasing to 66.1 percent in Jan-Oct 2018 before rising to 71.5 percent during the same period of 2019⁴. On the other hand and when compared to total

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 – October 2019.

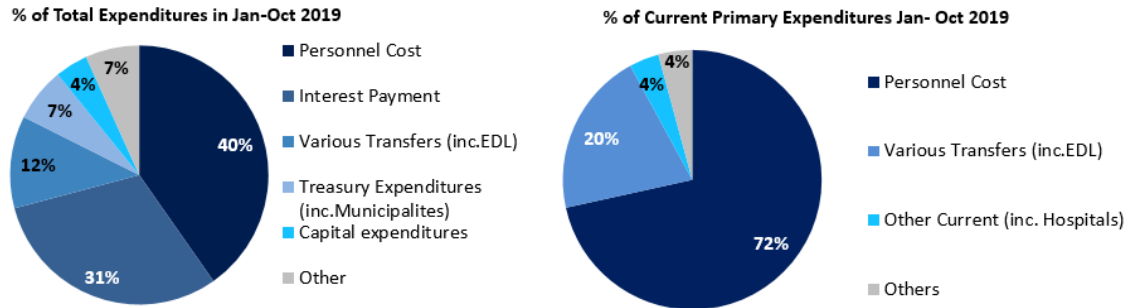
³ Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

⁴ At the time where personnel cost increased y-o-y by 0.4 percent during Jan-Oct 2019, current primary expenditures witnessed a decrease of 7.2 percent, mainly due to major y-o-y drops in “various transfers”, “materials and supplies” and “Judgments, reconciliations, and mission costs” by LL 476 billion, LL 196 billion and by LL 176 billion respectively over the covered period.

expenditures, personnel cost represented 36.3 percent in Jan-Oct 2017, increasing slightly to 36.7 percent in Jan-Oct 2018, before going up significantly to 40.3 percent⁵ during the same period of 2019.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Oct 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 year-on-year by LL 136 billion to reach LL 4,930 billion in Jan-Oct 2019⁶. Overall, this drop was mainly the result of a decrease in payments of allowances for military personnel by LL 191 billion (28.1 percent) and a decrease in other payments related to salaries, of which LL 20 billion (8.5 percent) related to the government subscription and contribution in the Government Employees Cooperative. These drops were partly counterbalanced by higher payments of salaries and wages to education and military personnel by LL 73 billion (7.8 percent) and by LL 22 billion (0.9 percent) respectively.

In terms of composition, salaries and wages constituted 80.1 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Oct 2019, followed by the allowances (9.9 percent) and employment benefits (3.6 percent), while “other payments” and “unclassified allowances” represented the remaining 6.4 percent of the total.

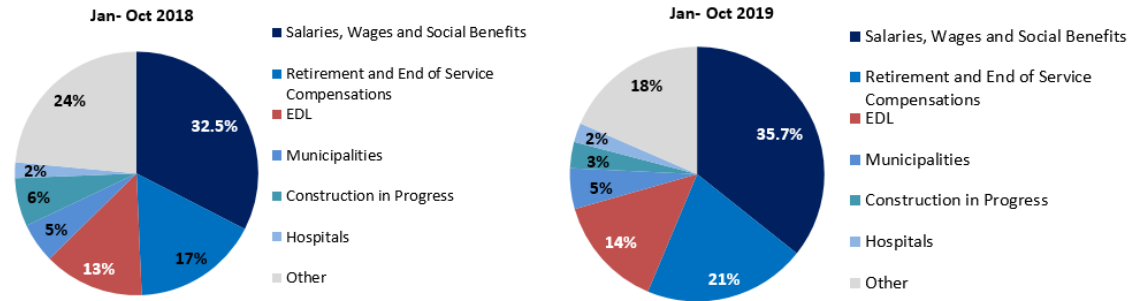
Moreover, salaries, wages and related benefits represented 32.5 percent of total primary spending in Jan-Oct 2018 and increased to 35.7 percent during the same period of 2019.

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

⁵ Total expenditures decreased by 8.6 percent y-o-y during Jan-Oct 2019 compared to a 0.4 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

⁶ Figures differ slightly from those published in the Public Finance Monitor report due to rounding effect.

Figure 3. Primary Spending Breakdown by Component during Jan-Oct 2018 and Jan-Oct 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-Oct 2018 and Jan-Oct 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	2,485	2,508	80	82	678	488	2	5	3,245	3,083
Army	1,616	1,649	53	55	358	308	0	1	2,028	2,013
Internal Security Forces	643	631	22	22	265	144	0	4	929	800
General Security Forces	174	171	4	4	39	24	1	1	217	201
State Security Forces	53	56	2	2	16	11	0	0	71	69
Education Personnel	940	1,013	41	49	0	0	37	18	1,017	1,081
Civilian Personnel 1/	426	427	51	47	3	2	47	36	527	512
Government contribution to employees cooperative 2/							229	209	229	209
Customs Salaries 3/									48	45
Total/7	3,851	3,948	172	179	681	490	314	268	5,066	4,930

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.

7/ The total figure may slightly 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 97 billion (2.5 percent) to reach LL 3,948 billion in Jan-Oct 2019. This was driven by a rise in salary payments for education and military personnel by LL 73 billion and LL 22 billion respectively, while salaries and wages to civilian personnel slightly increased year-on-year by LL 1 billion.

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

The 0.9 percent increase in salaries and wages to military personnel during Jan-Oct 2019 can be attributed to higher salary payments to the army by LL 33 billion (2.0 percent) - with basic salaries to the permanent personnel rising by LL 39 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 4 billion (7.5 percent). On the other hand, salaries and wages paid to the Internal Security Forces dropped by LL 12 billion (1.8 percent) as basic salaries to permanent personnel decreased by LL 10 billion. Salary payments for the General Security Forces also dropped by LL 2 billion (1.4 percent) in Jan- Oct 2019 mainly due to lower payments in basic salaries to the trainees by LL 5 billion, which was slightly offset by the rise of LL 2.6 billion in the transportation cost for personnel along with a rise of LL 1 billion in clothing indemnity.

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

Salaries and wages for education personnel increased by LL 73 billion (7.8 percent) year-on-year reaching LL 1,013 billion in Jan-Oct 2019. This rise was mainly due to an increase in payments for contractuels at the Directorate General of Vocational Training by LL 88 billion⁷, followed by an increase in salary payments for trainees at the secondary education and for contractuels at the primary and intermediate education by LL 22 billion and LL 9 billion respectively. These rises were partly counterbalanced by a LL 46 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 LL 1 billion (0.2 percent) year-on-year to reach LL 427 billion during Jan-Oct 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 18.3 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 13 billion (37.4 percent)⁸ in the first ten months of 2019, against an increase in salaries and wages for both the Ministry of Foreign Affairs and Emigrants by LL 10 billion (mainly due

⁷ With an amount of LL 48 billion paid in January 2019 covering 30 percent of contractuels' 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 contractuels' 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 contractuels during Jan-Oct 2018, namely those pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000 (LL 9.1 billion), 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 21/8/2017.

to an increase in salary payments for diplomats in Lebanese overseas missions and contractors⁹) and the Ministry of Justice by LL 2 billion.

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

(LL million)	Jan-Oct 2018	Jan-Oct 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	68,287	78,216	18.3%
Ministry of Justice	65,991	68,238	16.0%
Ministry of Finance	49,731	50,526	11.8%
Presidency of the Council of Ministers	40,896	40,498	9.5%
Parliament	37,099	35,987	8.4%
Ministry of Public Works and Transportation	22,613	22,545	5.3%
Ministry of Public Health	35,492	22,229	5.2%
Ministry of Agriculture	21,256	21,563	5.1%
Ministry of Interior and Municipalities	14,115	14,676	3.4%
Ministry of National Defense	12,768	13,500	3.2%
Other	57,518	58,816	13.8%
Total	425,767	426,793	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 191 billion (28.1 percent) to reach LL 490 billion during Jan-Oct 2019. This fall was due to a drop in allowances to all military personnel, mainly those disbursed to the Internal Security Forces and the Army dropping by LL 121 billion and LL 50 billion respectively.

More specifically, allowances disbursed to the Internal Security Forces decreased during Jan-Oct 2019 given the significant fall in hospital expenses as well as sickness and maternity expenses by LL 84 billion and LL 20 billion respectively, adding to a LL 7 billion drop in school allowances.

Furthermore, allowances to the Army dropped by LL 50 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 36 billion respectively, that were partly counterbalanced by a LL 46 billion rise in hospital expenses.

Moreover, allowances to the General Security Forces dropped by LL 14 billion during the covered period, due to a year-on-year drop in sickness and maternity expenses by LL 6 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 6 billion due to lower payments related to school allowances by LL 2 billion, and a drop of LL 1 billion in both hospital expenses and sickness and maternity expenses.

⁹ With a LL 1.5 billion rise related to the salaries payments for the newly recruited economic attachés.



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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 20 billion (8.5 percent) year-on-year to reach LL 209 billion in Jan-Oct 2019 compared to LL 229 billion a year earlier.



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