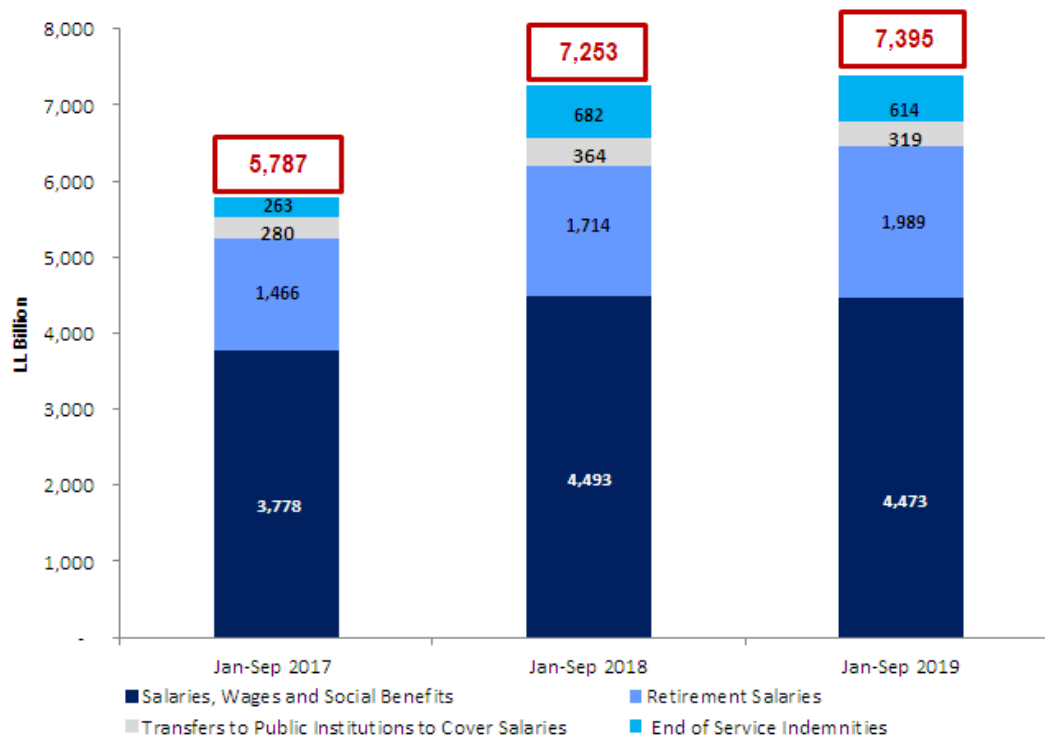


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 142 billion (2.0 percent) to reach LL 7,395 billion during Jan-Sep 2019 compared to a total of LL 7,253 billion recorded during the same period of 2018². This rise was mainly driven by higher payments related to retirement which increased by LL 275 billion (16.1 percent)³ while end of service indemnities retracted by LL 68 billion (10.0 percent). Transfers to public institutions to cover salaries also dropped by LL 45 billion (12.4 percent) over the mentioned period.

Figure 1. Personnel Cost Breakdown by Component in Jan-Sep 2017, Jan-Sep 2018 and Jan-Sep 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 expenditures⁴, as it contributed to 68.3 percent in Jan- Sep 2017, decreasing to 66.0 percent in Jan- Sep 2018 before rising to

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 – September 2019.

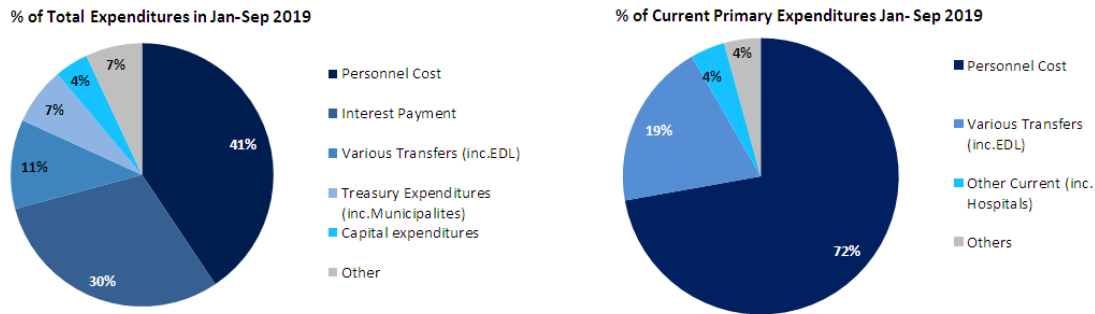
³ The increase in retirement can be partly explained by the implementation of the new salary scale, which encouraged many public employees to undergo an early retirement plan.

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

72.2 percent during the same period of 2019⁵. On the other hand, and when compared to total expenditures, personnel cost represented 36.9 percent in Jan- Sep 2017, decreasing slightly to 36.5 percent in Jan- Sep 2018, before going up significantly afterwards to 40.6 percent⁶ during the same period of 2019.

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

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Sep 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 slightly decreased year-on-year by LL 20 billion to reach LL 4,474 billion in Jan-Sep 2019. Overall, this slight drop was mainly the result of a decrease in payments of allowances for military personnel by LL 172 billion (26.7 percent) and a decrease in other payments related to salaries, of which LL 10 billion (5.0 percent) related to the government subscription and contribution in the Government Employees Cooperative. These drops were almost counterbalanced by higher payments of salaries and wages to education and military personnel by LL 176 billion (23.2 percent) and by LL 26 billion (1.2 percent) respectively.

In terms of composition, salaries and wages constituted 79.8 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Sep 2019, followed by the allowances (10.6 percent) and employment benefits (3.6 percent), while “other payments” and “unclassified allowances” represented the remaining 6.0 percent of the total.

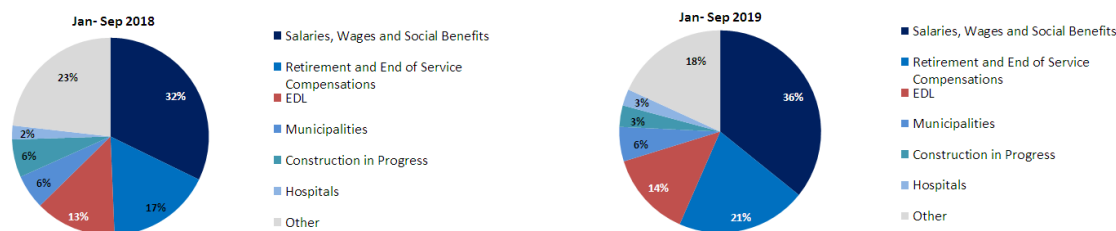
Moreover, salaries, wages and related benefits represented 32.2 percent of total primary spending in Jan-Sep 2018 and increased to 35.8 percent during the same period of 2019.

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

⁵ At the time where personnel cost increased y-o-y by 2.0 percent during Jan-Sep 2019, current primary expenditures witnessed a decrease of 6.8 percent, mainly due to major y-o-y drops in “various transfers” and “other current expenditures” by LL 549 billion and LL 155 billion respectively over the covered period.

⁶ Total expenditures decreased by 8.3 percent y-o-y during Jan-Sep 2019 compared to a 2.0 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

Figure 3. Primary Spending Breakdown by Component during Jan-Sep 2018 and Jan-Sep 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-Sep 2018 and Jan-Sep 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	2,229	2,255	72	74	644	472	1	5	2,947	2,806
Army	1,447	1,481	47	49	343	308	0	1	1,837	1,839
Internal Security Forces	578	568	19	20	254	134	0	4	852	726
General Security Forces	157	155	4	4	32	19	1	1	194	179
State Security Forces	47	51	1	1	15	11	0	0	64	63
Education Personnel	758	933	37	44	0	0	28	9	823	987
Civilian Personnel 1/	386	382	47	44	2	2	46	24	482	451
Government contribution to employees cooperative 2/							199	189	199	189
Customs Salaries 3/									44	41
Total/7	3,373	3,570	156	162	646	474	274	227	4,494	4,474

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 197 billion (5.8 percent) to reach LL 3,570 billion in Jan-Sep 2019. This was driven by a rise in salary payments for education and military personnel by LL 176 billion and LL 26 billion respectively, against a LL 5 billion drop in salaries and wages to civilian personnel.

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

The 1.2 percent increase in salaries and wages to military personnel during Jan-Sep 2019 can be attributed to higher salary payments to the army by LL 34 billion (2.4 percent) - with basic salaries to the permanent personnel rising by LL 40 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 (7.9 percent). On the other hand, salaries and wages paid to the Internal Security Forces dropped by LL 10 billion (1.7 percent) as basic salaries to permanent personnel decreased by LL 8 billion. Salary payments for the General Security Forces also dropped by LL 2 billion (1.3 percent) in Jan- Sep 2019 mainly due to lower payments in basic salaries to the trainees by LL 4 billion which was slightly offset by the rise of LL 2 billion in basic salaries to permanent personnel .

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

Salaries and wages for education personnel increased by LL 176 billion (23.2 percent) year-on-year reaching LL 933 billion in Jan-Sep 2019. This rise was mainly due to an increase in payments for contractuels at the Directorate General of Vocational Training by LL 198 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 13 billion respectively. These rises were partly counterbalanced by a LL 44 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 5 billion (1.2 percent) year-on-year to reach LL 382 billion during Jan-Sep 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 17.8 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 11.9 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 (39.7 percent)⁸ in the first nine months of 2019, against an increase in salaries and wages for both the Ministry of Foreign Affairs and Emigrants by LL 8 billion (mainly due to an increase in basic salaries of diplomats in Lebanese overseas missions and to higher retroactive payments) and the Ministry of Justice by LL 1 billion.

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-Sep 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.

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

(LL million)	Jan- Sep 2018	Jan- Sep 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	60,128	67,787	17.8%
Ministry of Justice	60,197	61,242	16.0%
Ministry of Finance	45,270	45,463	11.9%
Presidency of the Council of Ministers	37,324	36,456	9.6%
Parliament	33,184	32,491	8.5%
Ministry of Public Works and Transportation	20,710	20,362	5.3%
Ministry of Public Health	33,378	20,123	5.3%
Ministry of Agriculture	19,370	19,439	5.1%
Ministry of Interior and Municipalities	12,789	13,207	3.5%
Ministry of National Defense	11,468	12,137	3.2%
Other	52,270	52,867	13.9%
Total	386,088	381,573	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 172 billion (26.6 percent) to reach LL 474 billion during Jan-Sep 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 119 billion and LL 35 billion respectively.

More specifically, allowances disbursed to the Internal Security Forces decreased during Jan-Sep 2019 given the significant fall in hospital expenses as well as sickness and maternity expenses by LL 88 billion and LL 18 billion respectively, adding to a LL 7 billion drop in school allowances.

Furthermore, allowances to the Army dropped by LL 35 billion during the covered period, due to a year-on-year plunge in school allowances and in sickness and maternity expenses by LL 41 billion and LL 25 billion respectively, partly counterbalanced by a LL 47 billion rise in hospital expenses.

Moreover, allowances to the General Security Forces dropped by LL 13 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 2 billion decrease in both school allowances and hospital expenses.

In addition, allowances to the State Security Forces dropped by LL 4 billion due to lower payments to school allowances by LL 2 billion, and sickness and maternity by LL 1 billion.

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 (5.0 percent) year-on-year to reach LL 189 billion in Jan-Sep 2019 compared to LL 199 billion a year earlier.



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