

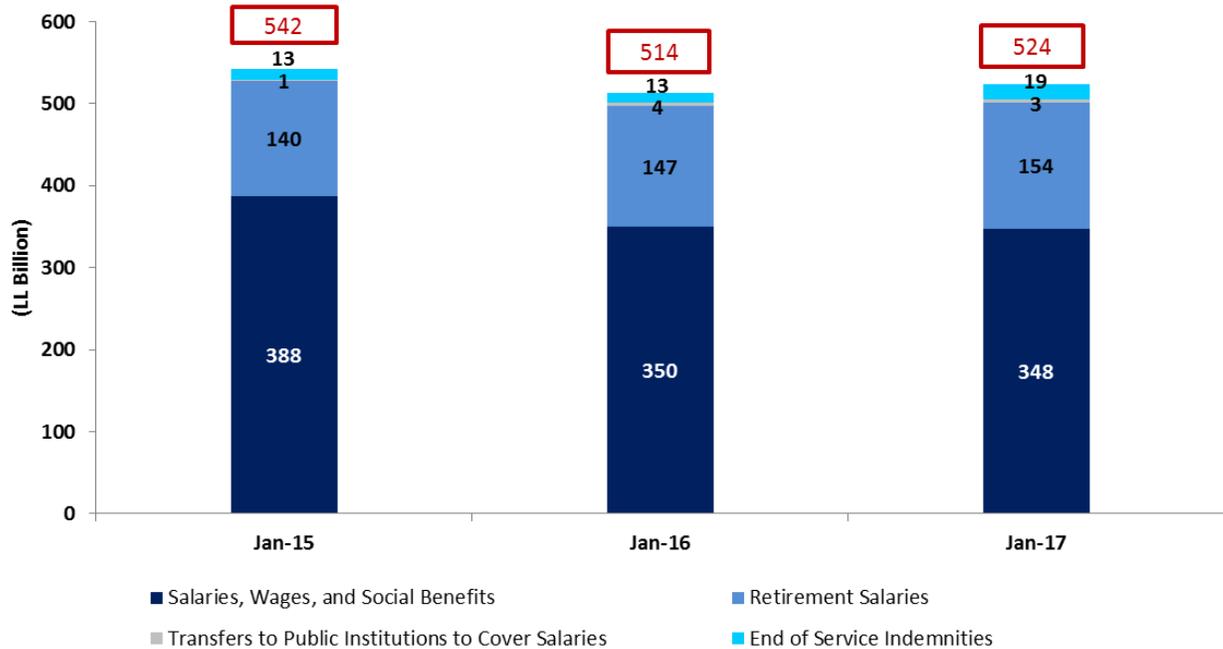
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 10.4 billion (2 percent) year-on-year in the month of January 2017 to reach LL 524 billion from LL 513.6 billion in January 2016². The increase was the result of a rise in retirement salaries by LL 7.3 billion (5 percent) coupled with an increase of LL 6.1 billion (47.7 percent) in end-of-service indemnities. This was counterbalanced slightly by a 0.8 percent decrease in salaries, wages and related benefits. Moreover, transfers to public institutions to cover salaries stood at LL 3.3 billion in January 2017, down 7 percent from the same month a year earlier.

In terms of composition, the cost of basic salaries accounted for 83 percent of total payments for salaries wages and related benefits to public sector employees in January 2017, followed by allowances (10 percent), employment benefits (5 percent), and “other payments” (2 percent).

Figure 1. Personnel Cost Breakdown by Component in January 2015, January 2016 and January 2017



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditures³, contributing to 59 percent in January 2015, 49.1 percent in January 2016, and 64.3 percent in January 2017. The reason behind the sharp rise from January 2016 to January 2017 is related to (i) a smaller

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

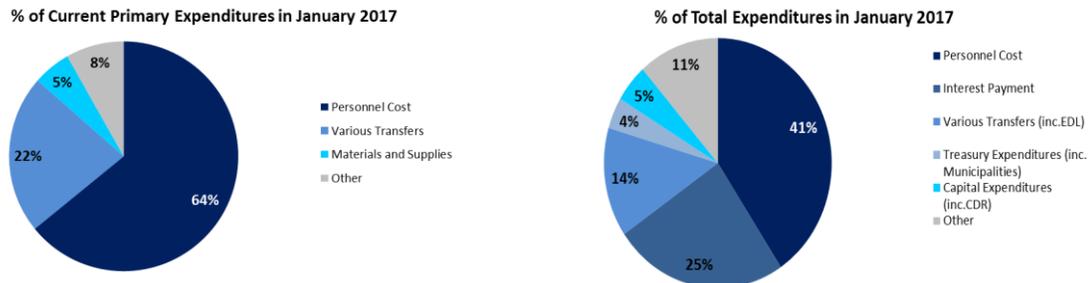
² The figures used are those published in the Public Finance Monthly Monitor report – January 2017.

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

base effect in current primary expenditures⁴ which declined by 22 percent over the covered period, and (ii) a yearly increase in personnel cost in January 2017.

Personnel cost comprised 36 percent of total expenditures by the end of January 2015, decreasing to 26 percent of the total by end-January 2016, but then jumped to 41 percent of total expenditures by end-January 2017. Similarly, the increase in the share of personnel cost from total expenditure is due to an annual drop of 35.7 percent in total expenditures in January 2017. The following figures represent the composition of current primary expenditures and total expenditures in January 2017:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in January 2017



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

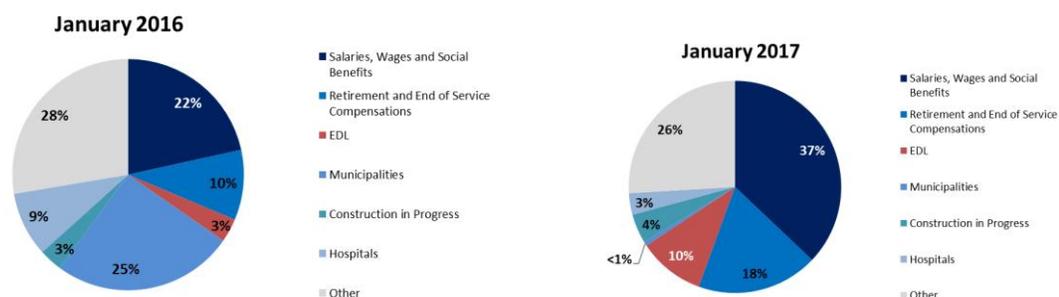
Payments for salaries, wages and related benefits decreased by LL 2.8 billion (0.8 percent), from LL 350.4 billion in January 2016 to LL 347.6 billion in January 2017. The reason behind this decline is mainly due to (i) a LL 20 billion drop in “other payments” to government subscription and contributions in the government employees cooperative, (ii) a LL 10 billion decrease in other payments to education personnel, and (iii) LL 4 billion in both basic salaries to education personnel and “unclassified allowances”. These decreases were partially offset by a LL 26 billion increase in allowances, of which LL 15 billion and LL 12 billion related to an increase in allowances to Internal Security Forces personnel and Army personnel, respectively. Basic salaries for Army personnel increased by LL 6 billion and civil personnel by LL 3 billion.

Moreover, salaries, wages and related benefits accounted for 22 percent of total primary spending in January 2016, and increased to 37 percent of the total in January 2017. The following figures present the primary spending breakdown by component during the period under review⁵.

⁴ The drop in current primary expenditures is mainly due to the significant decrease in transfers to municipalities, hospitals, and in capital expenditures.

⁵ The reason behind the increase in the share of salaries, wages and related benefits of primary expenditure is due to a lower base in total primary expenditures that decreased by 42 percent year-on-year in January 2017 due to lower payments to municipalities.

Figure 3. Primary Spending Breakdown by Component during January 2016 and January 2017



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 – January 2016 and January 2017

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Military Personnel	190	197	10	8	7	34	0	1	207	239
Army	120	126	5	5	2	13	0	0	126	145
Internal Security Forces	54	54	2	2	3	18	0	0	60	75
General Security Forces	13	13	0	0	1	1	0	1	15	15
State Security Forces	3	3	2	0	1	1	0	0	7	4
Education Personnel	60	56	5	5	0	0	10	0	75	61
Civilian Personnel 1/	33	35	5	6	0	0	3	6	41	48
Government contribution to employees cooperative 2/							20	0	20	0
Customs Salaries 3/									3	0
Unclassified									4	0
Total	283	288	19	19	8	34	34	7	350	348

1/Includes salaries payments made to the Ministry of Public Health from the Guarantees account.

2/ Government contribution to 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, and 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 Member of Parliaments, 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. Basic Salaries and Wages

Basic salaries of public sector employees, excluding indemnities, allowances and other benefits, reached LL 288 billion by the end of January 2017, increasing by LL 5 billion from the same month in 2016. The latter increase was mainly the result of a rise in basic salaries of military personnel.

II.A.a. Basic Salaries of Military Personnel

The 6 percent increase in basic salaries of military personnel is primarily the result of payments made to permanent employees of the Army that grew by LL 7 billion and those made to Internal Security Forces that increased by LL 4 billion, owing to professional allowances of LL 1.5 billion paid to specialized military officers⁶ and to the recruitment and promotion of military personnel. Moreover, these increases were partly offset by a LL 4 billion decrease in payments to the trainees of the Internal Security Forces and to a LL 2 billion decline in clothing allowance.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel decreased by 7 percent in January 2017 compared to the same month in 2016 and stood at LL 55.8 billion. This was due to a drop of LL 5 billion (13.7 percent) in the salaries of permanent employees in primary education, and to a decrease of LL 1 billion (5.5 percent) in the salaries of permanent employees in secondary education. These decreases were partially offset by a LL 2 billion increase in the salaries of contractuels at the Directorate General of Vocational Training.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 2.6 billion (8 percent) in January 2017 compared to January 2016. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represented the largest wage bill in January 2017, with a share of 30 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (15 percent) and the Ministry of Public Health (10 percent). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Public Health witnessed the most notable increase in basic salaries and wages that grew by LL 1.8 billion (113 percent) year-on-year in January 2017. In parallel, basic salaries and wages to employees in the MoFA decreased by around 5 percent in January, mainly due to a drop in basic salaries of diplomats in Lebanese overseas missions, and to lower retroactive payments.

⁶ Based on decision # 1960 dated 31/12/2016 and decision # 62 dated 17/01/2017

Table 2. Civilian Salaries and Wages Breakdown by Ministry - January 2016 and January 2017

(LL million)	January 2016	January 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	10,976	10,450	30%
Ministry of Justice	5,348	5,382	15%
Ministry of Public Health	1,583	3,372	10%
Ministry of Finance	2,574	2,739	8%
Parliament	2,753	2,736	8%
Presidency of the Council of Ministers	2,466	2,509	7%
Ministry of Public Works and Transportation	387	1,357	4%
Ministry of Agriculture	1,310	1,258	4%
Ministry of National Defense	871	913	3%
Ministry of Interior	810	779	2%
Other	3,566	3,739	11%
Total	32,643	35,235	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees increased notably by LL 26.3 billion to reach LL 34 billion in January 2017. The substantial increase was mainly due to a rise of LL 15 billion in allowances to the Internal Security Forces and to a growth of LL 12 billion in allowances to Army personnel. Moreover, the allowances granted to the General Security Forces, State Security Forces, Education personnel, and Civil personnel remained almost unchanged.

More specifically, allowances to the Internal Security Forces increased given higher hospital allowances of LL 9 billion and greater sickness and maternity allowances of LL 6 billion.

In addition, allowances to the Army increased in January 2017, driven mainly by a rise in (i) sickness and maternity allowances of LL 7 billion, (ii) marriage allowance of LL 3 billion, and (iii) death allowance of LL 2.2 billion.

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

Payments to government subscription and contributions to the Employees Cooperative was nil in January 2017, down from LL 20 billion in January 2016.



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059

Email: infocenter@finance.gov.lb

Website: www.finance.gov.lb