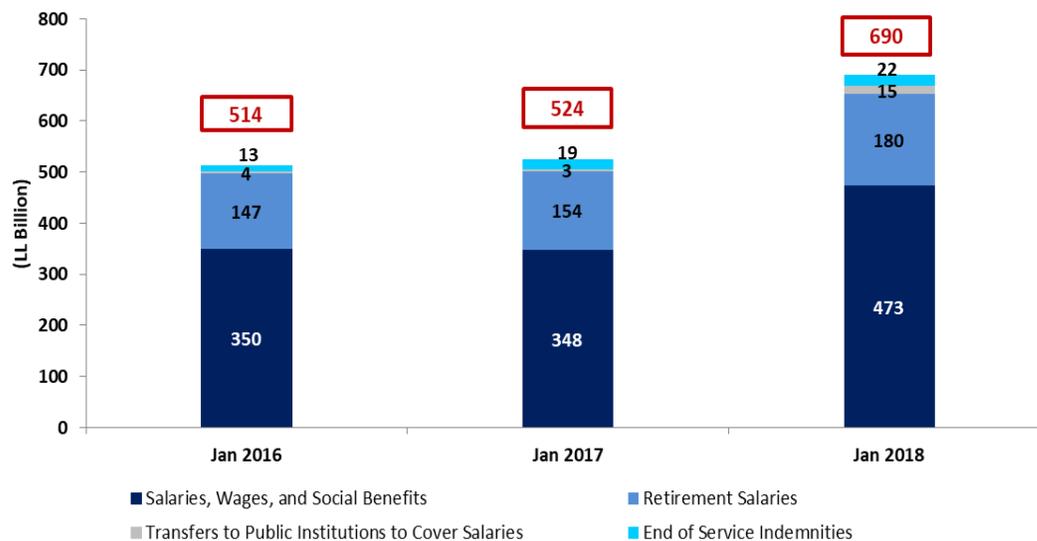


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 166 billion (31.7 percent) year-on-year in January 2018 to reach LL 690 billion relative to LL 524 billion in the same month of 2017². The increase was mainly driven by the impact of the new salary scale for public sector employees (Law # 46)³, which resulted in an annual growth of 36.2 percent in salaries, wages and related benefits and another increase of 16.7 percent in retirement and 14.8 percent in end-of-service compensations. Furthermore, it is worth noting that transfers to public institutions to cover salaries grew by almost 5 times year-on-year to reach LL 15 billion in January 2018.

Figure 1. Personnel Cost Breakdown by Component in January 2016, January 2017 and January 2018



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost formed the bulk of current primary expenditures⁴, as it contributed to 51 percent in January 2016, rising to 65 percent in January 2017 and to 56 percent in January 2018. Moreover, personnel cost represented 26 percent of total expenditures in January 2016, moving up to 41 percent of the total in January 2017 and decreasing to 28 percent of the total in the same month of 2018. The main driver behind the decreases in the personnel cost as a share of current primary expenditures and as a share of total expenditure was due to a significantly higher total expenditures that grew by 93 percent and current primary expenditures that increased by 51 percent compared to the 32 percent growth rate in personnel cost.

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

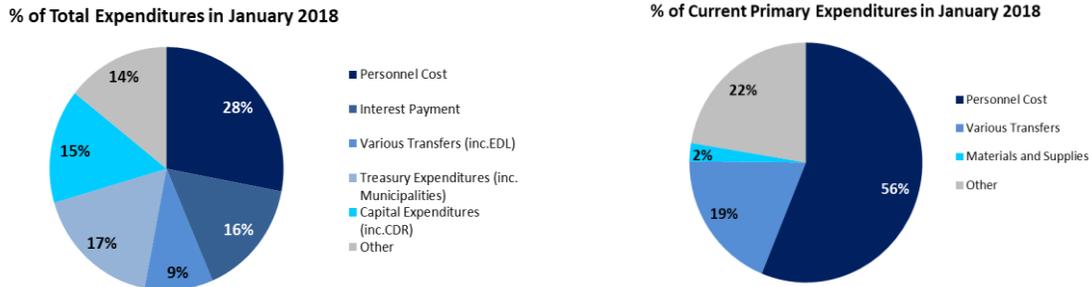
² The figures used are those published in the Public Finance Monthly Monitor report – January 2018.

³ Law # 46 was ratified by the Parliament on July 18, 2017 and was signed by the President of the Republic on August 21, 2017.

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

The following figures represent the composition of current primary expenditures and total expenditures in January 2018:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in January 2018



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 increased by LL 126 billion year-on-year to LL 473 billion in January 2018. Overall, this growth was mainly the result of: (i) a LL 60 billion surge in basic salaries to military personnel, (ii) an LL 18 billion increase in basic salaries to Educational personnel, and (iii) a LL 19 billion increase in allowances paid for military personnel.

In details, the increase in salaries, wages and related benefits was mainly attributed to the rise in Military Personnel cost: (i) a LL 33 billion rise in basic salaries to the Army, (ii) an LL 17 billion growth in basic salaries to the Internal Security Forces, and (iii) an increase in the allowances to the Army by LL 23 billion.

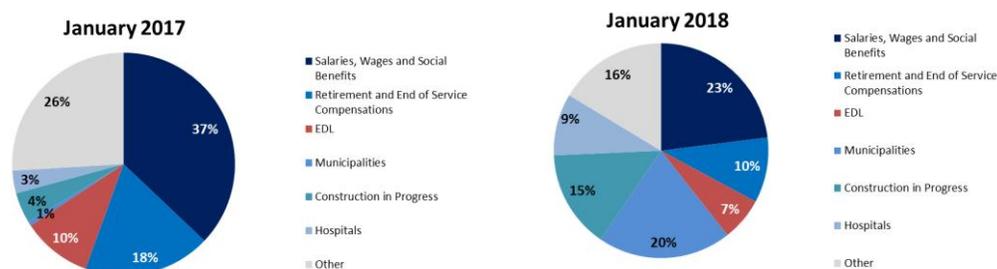
In terms of composition, basic salaries constituted 79 percent of total payments for salaries, wages and related benefits to public sector employees in January 2018, followed by allowances (11 percent), and employment benefits (6 percent), while “other payments” and “unclassified allowances” represented the remaining 4 percent of the total.

Furthermore, salaries, wages and related benefits represented 37.1 percent of total primary spending in January 2017, and decreased to 23 percent of the total in January 2018.

The following figures present the primary spending breakdown by component during the month under review⁵.

⁵ The main reason behind the decrease in the share of salaries, wages and related benefits of primary expenditure is due to a significantly higher base level of total primary expenditures in January 2018, increasing by more than 100 percent year-on-year, driven mainly by higher payments to municipalities and construction in progress along with the impact of salary scale implemented by law # 46.

Figure 3. Primary Spending Breakdown by Component during January 2017 and January 2018



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 2017 and January 2018

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Military Personnel	197	257	8	13	34	53	1	0	239	322
Army	126	159	5	9	13	36	0	0	145	204
Internal Security Forces	54	72	2	3	18	12	0	0	75	87
General Security Forces	13	21	0	1	1	3	1	0	15	25
State Security Forces	3	5	0	0	1	1	0	0	4	6
Education Personnel	56	74	5	9	0	0	0	1	61	83
Civilian Personnel 1/	35	45	6	6	0	0	6	13	48	64
Government contribution to employees cooperative 2/							0	0	0	0
Customs Salaries 3/									0	4
Total 7/	288	376	19	27	34	53	7	15	347	474

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, 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 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.

7/ The total figure may vary given rounding effect of individual components.

II.A. Basic Salaries and Wages

Basic salaries of public sector employees, excluding indemnities, allowances and other benefits, rose by LL 88 billion (31 percent) to reach LL 376 billion in January 2018. This increase was primarily the result of an upsurge in the basic salaries of all sub-categories.

II.A.a. Basic Salaries of Military Personnel

The 31 percent increase in basic salaries to military personnel in January 2018 was mainly the result of the new salary scale hike that came into effect in September 2017. Salary payments to the permanent employees of the Army grew by LL 32 billion, those of the Internal Security Forces by increased by LL 11 billion year-on-year, and basic salaries of the General Security Forces rose by LL 4 billion. Moreover, it is worth mentioning that payments to clothing indemnity rose by LL 7 billion in January 2018 as new uniforms were dispersed to military personnel.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by LL 18 billion (32 percent) compared to January 2017 and stood at LL 74 billion in January 2018. The increase was mainly due to the new salary scale adjustment in 2017, which contributed to higher salary payments for primary education by LL 11 billion, for secondary education by LL 5 billion, and for permanent employees at Directorate General of Vocational Training by LL 2 billion.

II.A.c Basic Salaries of Civilian Personnel

Basic salary payments to civilian personnel increased by LL 10 billion year-on-year or 28 percent from the same month a year earlier to reach LL 45 billion in January 2018. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in the covered month, with a share of 31 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (12 percent of the total), and the Ministry of Finance (8 percent of the total). (For further details, kindly refer to table 2)

In details, employees in the Ministry of Foreign Affairs and Emigrants had the most notable nominal increase in basic salaries and wages that grew by LL 3 billion (32 percent) year-on-year in January 2018, mainly driven by the implementation of the new public-sector salary scale and a LL 2 billion (21 percent) growth in retroactive payments paid in January 2018.

Table 2. Civilian Salaries and Wages Breakdown by Ministry – January 2017 and January 2018

(LL million)	January 2017	January 2018	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	10,450	13,825	30.6%
Ministry of Justice	5,382	5,323	11.8%
Parliament	2,739	4,454	9.9%
Ministry of Finance	2,509	3,532	7.8%
Ministry of Public Health	2,736	3,458	7.7%
Presidency of the Council of Ministers	3,372	2,214	4.9%
Ministry of Agriculture	1,258	2,127	4.7%
Ministry of Public Works and Transportation	1,357	1,969	4.4%
Ministry of Interior	779	1,358	3.0%
Ministry of National Defense	913	1,256	2.8%
Other	3,739	5,657	12.5%
Total	35,235	45,173	100%

Source: Ministry of Finance, Directorate General of Finance



II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees increased by LL 19 billion (55 percent) to reach LL 53 billion in the first month of 2018. The increase was mainly due to a rise of LL 23 billion in allowances to the Army but it was partially offset by the LL 6 billion drop in allowances disbursed to the Internal Security Forces that reached LL 12 billion in January.

Moreover, allowances to the Army grew in the first month of the year relative to January 2017, given a rise in sickness and maternity spending by LL 11 billion and a LL 9 billion increase in hospital expenses.

In addition, allowances to the Internal Security Forces dropped by 32 percent in the covered period, due to the LL 6 billion fall in hospital expenses that amounted to LL 4 billion in January 2018.



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