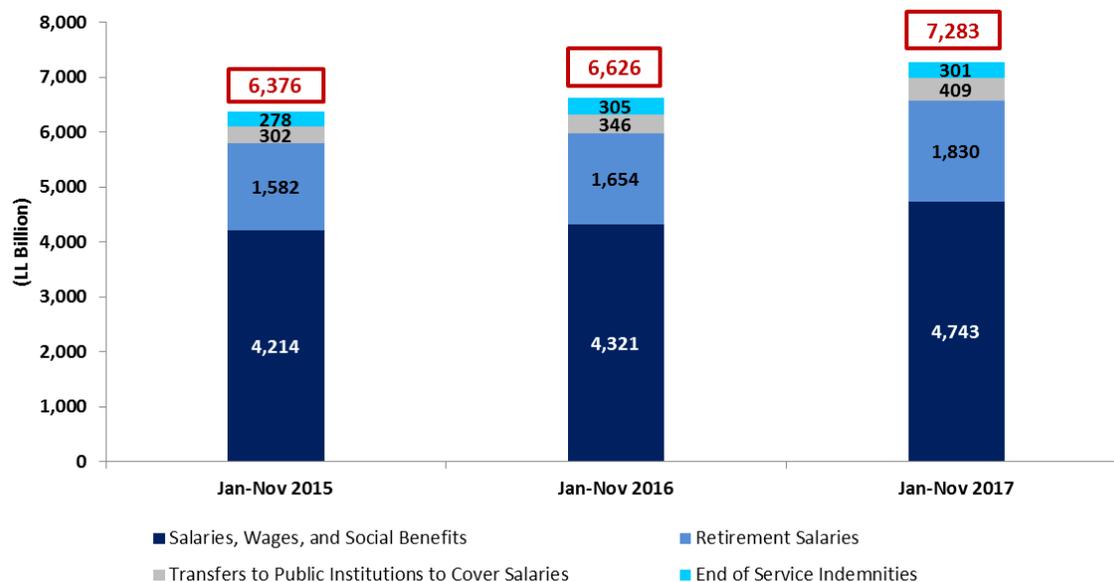


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> surged by LL 657 billion (10 percent) in Jan-Nov 2017 to reach LL 7,283 billion from LL 6,626 billion in the same period of 2016<sup>2</sup>. The increase was mainly due to the new salary scale, which led to an annual rise of 9.8 percent in salaries, wages and related benefits and a growth of 8.7 percent in retirement and end-of-service compensations.

Figure 1. Personnel Cost Breakdown by Component in Jan-Nov 2015, Jan-Nov 2016 and Jan-Nov 2017



Source: Ministry of Finance, Directorate General of Finance

### I.B. Share of Personnel Cost from Expenditures

Personnel cost constituted the highest share of current primary expenditures<sup>3</sup>, as it contributed to 67 percent in Jan-Nov 2015, to 66 percent in Jan-Nov 2016, and to 68 percent in Jan-Nov 2017. Moreover, personnel cost represented 35 percent of total expenditures by the end of November 2015, decreasing to 33 percent of the total by end-November 2016, but it then increased to 35 percent of total expenditures by end-November 2017. The main driver behind the increases in the personnel cost as a share of current primary expenditures and as a share of total expenditure was a higher growth rate in personnel cost and the impact of the new salary scale for public sector employees (Law # 46<sup>4</sup>) in the covered period.

The following figures represent the composition of current primary expenditures and total expenditures in Jan-Nov 2017:

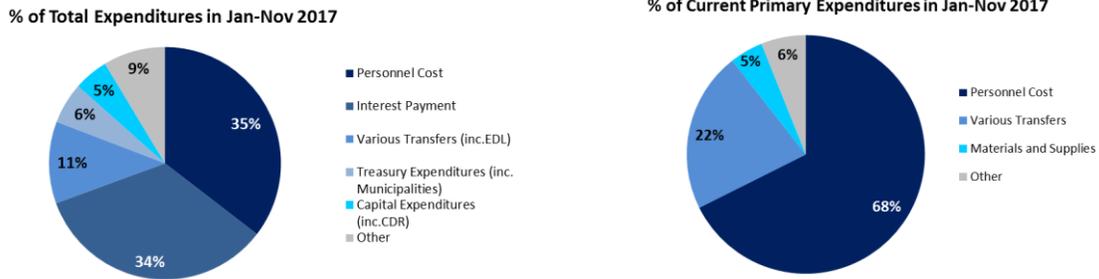
<sup>1</sup> Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

<sup>2</sup> The figures used are those published in the Public Finance Monthly Monitor report – November 2017.

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

<sup>4</sup> Law # 46 was ratified by the Parliament on July 18, 2017 and was signed by the President of the Republic on August 21, 2017.

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Nov 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 increased by LL 422 billion to LL 4,743 billion in Jan-Nov 2017. Overall, this growth was mainly the result of: (i) a LL 307 billion surge in basic salaries to military personnel, (ii) a LL 53 billion increase in basic salaries to civil personnel, (iii) a LL 44 billion increase in allowances paid for military personnel, and (iv) a LL 38 billion growth in “other payments” to cover the government’s subscriptions and contributions in the government employees cooperative. The increase was counterbalanced in part by a LL 27 billion decrease in basic salaries and an LL 11 billion drop in “other payments” related to education personnel.

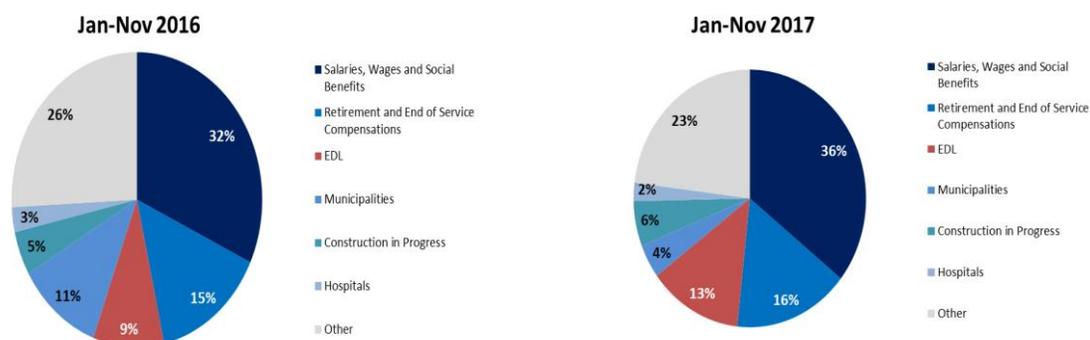
In details, the increase in salaries, wages and related benefits was attributed to: (i) a LL 186 billion rise in basic salaries to the Army, (ii) an LL 85 billion growth in basic salaries to the Internal Security Forces, and (iii) a LL 27 billion increase in basic salaries to General Security Forces, and (iv) an increase in the allowances to the Army and to the Internal Security Forces by LL 24 billion and LL 20 billion respectively.

In terms of composition, basic salaries constituted 75 percent of total payments for salaries, wages and related benefits to public sector employees in the first eleven months of 2017, followed by allowances (12 percent), and employment benefits (4 percent), while “other payments” and “unclassified allowances” represented the remaining 8 percent of the total.

Furthermore, salaries, wages and related benefits represented 32 percent of total primary spending in Jan-Nov 2016, and increased to 36 percent of the total in Jan-Nov 2017. The following figures present the primary spending breakdown by component during the period under review<sup>5</sup>.

<sup>5</sup> The main reason behind the increase in the share of salaries, wages and related benefits of primary expenditure is due to a lower base level of total primary expenditures that decreased by 2 percent year-on-year in Jan-Nov 2017, driven mainly by lower payments to municipalities.

**Figure 3. Primary Spending Breakdown by Component during Jan-Nov 2016 and Jan-Nov 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 – Jan-Nov 2016 and Jan-Nov 2017**

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
<b>Military Personnel</b>	<b>2,081</b>	<b>2,388</b>	<b>84</b>	<b>85</b>	<b>540</b>	<b>584</b>	<b>2</b>	<b>2</b>	<b>2,708</b>	<b>3,059</b>
Army	1,335	1,520	52	54	350	374	1	0	1,738	1,948
Internal Security Forces	574	659	24	23	141	161	1	1	740	844
General Security Forces	138	164	3	4	36	35	1	1	178	205
State Security Forces	35	45	5	4	12	14	0	0	52	63
<b>Education Personnel</b>	<b>852</b>	<b>825</b>	<b>52</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>24</b>	<b>939</b>	<b>899</b>
<b>Civilian Personnel 1/</b>	<b>308</b>	<b>361</b>	<b>65</b>	<b>63</b>	<b>4</b>	<b>3</b>	<b>37</b>	<b>39</b>	<b>414</b>	<b>466</b>
<b>Government contribution to employees cooperative 2/</b>							<b>226</b>	<b>264</b>	<b>226</b>	<b>264</b>
<b>Customs Salaries 3/</b>									<b>33</b>	<b>47</b>
<b>Unclassified</b>									<b>2</b>	<b>7</b>
<b>Total</b>	<b>3,241</b>	<b>3,574</b>	<b>202</b>	<b>199</b>	<b>544</b>	<b>587</b>	<b>299</b>	<b>329</b>	<b>4,321</b>	<b>4,743</b>

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.

## **II.A. Basic Salaries and Wages**

Basic salaries of public sector employees, excluding indemnities, allowances and other benefits, increased by LL 333 billion (10 percent) to reach LL 3,574 billion by the end of November 2017. This increase was primarily the result of an increase in the basic salaries of all sub-categories except for those of education personnel.

### **II.A.a. Basic Salaries of Military Personnel**

The 15 percent increase in basic salaries to military personnel in Jan-Nov 2017 was mainly the result of the new salary scale hike, along with an increase in retroactive payments for military personnel by LL 85 billion (LL 48 billion to the Army and LL 27 billion to the Internal Security Forces<sup>6</sup>). The new salary scale that came into effect in September 2017 resulted in an increase in salary payments to the permanent employees of the Army by LL 138 billion, of the Internal Security Forces by LL 58 billion, and of the General Security Forces by LL 10 billion. Moreover, these increases were partly offset by a LL 4 billion decrease in payments to the trainees of the Internal Security Forces.

### **II.A.b. Basic Salaries of Education Personnel**

Basic salaries of education personnel dropped by 3 percent in Jan-Nov 2017 relative to the same period of 2016, and stood at LL 825 billion by end-November 2017. The decrease was mainly due to a delay in the timing of payments, which contributed to a LL 14 billion drop and a LL 4 billion decrease in salary payments to primary education personnel and to secondary education personnel, respectively. In addition, “other salaries” to education personnel decreased by LL 31 billion by end-November 2017. However, this was slightly offset by a LL 7 billion increase in the salaries paid to Permanent Employees at the Directorate General of Vocational Training.

### **II.A.c Basic Salaries of Civilian Personnel**

Basic salary payments to civilian personnel surged by LL 53 billion (17 percent) in Jan-Nov 2017 compared to the first eleven months of 2016. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in Jan-Nov 2017, with a share of 19 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (18 percent), the Ministry of Finance (11 percent). (*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 11 billion (20 percent) year-on-year in Jan-Nov 2017, mainly driven by the implementation of the new public-sector salary scale.

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<sup>6</sup> Based on decision # 1960 dated 31/12/2016 and decision # 62 dated 17/01/2017, professional allowances of LL 1.5 billion paid to specialized military officers and to the recruitment and promotion of military personnel

**Table 2. Civilian Salaries and Wages Breakdown by Ministry - Jan-Nov 2016 and Jan-Nov 2017**

(LL million)	Jan-Nov 2016	Jan-Nov 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	55,918	67,134	18.6%
Ministry of Justice	59,194	63,526	17.6%
Ministry of Finance	29,850	40,158	11.1%
Parliament	30,393	34,242	9.5%
Presidency of the Council of Ministers	27,408	32,978	9.1%
Ministry of Public Health	17,571	18,342	5.1%
Ministry of Public Works and Transportation	14,669	18,140	5.0%
Ministry of Agriculture	14,258	17,733	4.9%
Ministry of Interior	9,405	11,790	3.3%
Ministry of National Defense	9,798	11,649	3.2%
Other	39,817	45,329	12.6%
<b>Total</b>	<b>308,281</b>	<b>361,021</b>	<b>100%</b>

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 43 billion (8 percent) to reach LL 587 billion in Jan-Nov 2017. The increase was mainly due to a rise of LL 24 billion in allowances to the Army and a LL 20 billion increase in allowances paid to the Internal Security Forces. Moreover, the allowances granted to the State Security Forces have slightly increased by LL 2 billion by end-November 2017.

Moreover, allowances to the Army grew in the first eleven months of 2017, given an increase of LL 11 billion in hospital expenses and a LL 9 billion rise in school expenses. These increases were partly offset by a LL 3 billion decrease in social allowances.

In addition, allowances to the Internal Security Forces mainly increased in the covered period, given the surge in hospital expenses of LL 34 billion that was slightly counterbalanced by a LL 10 billion drop in school allowances and a LL 3 billion decrease in allowances related to sickness and maternity.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 264 billion in Jan-Nov 2017, up from LL 226 billion in Jan-Nov 2016.



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