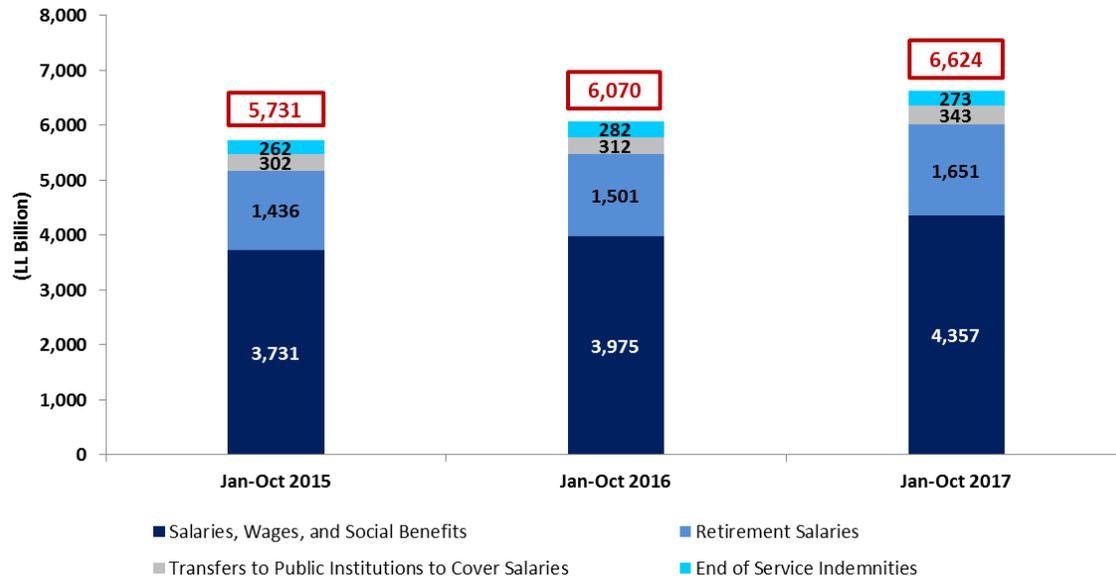


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 554 billion (9.1 percent) in Jan-Oct 2017 to reach LL 6,624 billion from LL 6,070 billion in the same period of 2016². The increase was mainly due to a rise in salaries, wages and related benefits (9.6 percent) and a growth of 7.9 percent in retirement and end-of-service compensations.

Figure 1. Personnel Cost Breakdown by Component in Jan-Oct 2015, Jan-Oct 2016 and Jan-Oct 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, as it contributed to 66 percent in Jan-Oct 2015 and to 67 percent in each of Jan-Oct 2016 and Jan-Oct 2017. Moreover, personnel cost represented 35 percent of total expenditures by the end of October 2015, decreasing to 34 percent of the total by end-October 2016, but then increased to 36 percent of total expenditures by end-October 2017. The main driver behind the increases in the personnel cost as a share of current primary expenditures and as a share of total expenditures was due to the higher growth rate in personnel cost due to the impact of the new salary scale for public sector employees (Law # 46⁴) over the covered period.

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

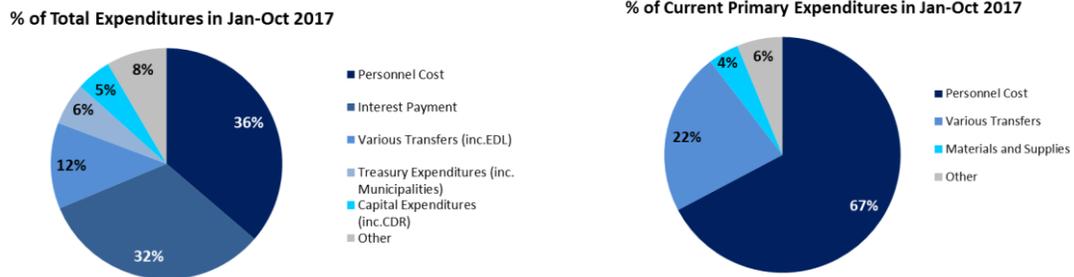
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

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

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

⁴ 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-Oct 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 383 billion during the first ten months of 2017, from LL 3,975 billion in Jan-Oct 2016 to LL 4,357 billion in Jan-Oct 2017. Overall, this growth was mainly due to (i) a LL 252 billion surge in basic salaries to military personnel, (ii) a LL 60 billion increase in allowances paid to military personnel, (iii) a LL 21 billion increase in basic salaries and other benefits paid to civil personnel, and (iv) a LL 23 billion growth in “other payments” to government subscription and contributions in the government employees cooperative. The increase was counterbalanced in part by a LL 10 billion drop in “other payments” related to education personnel.

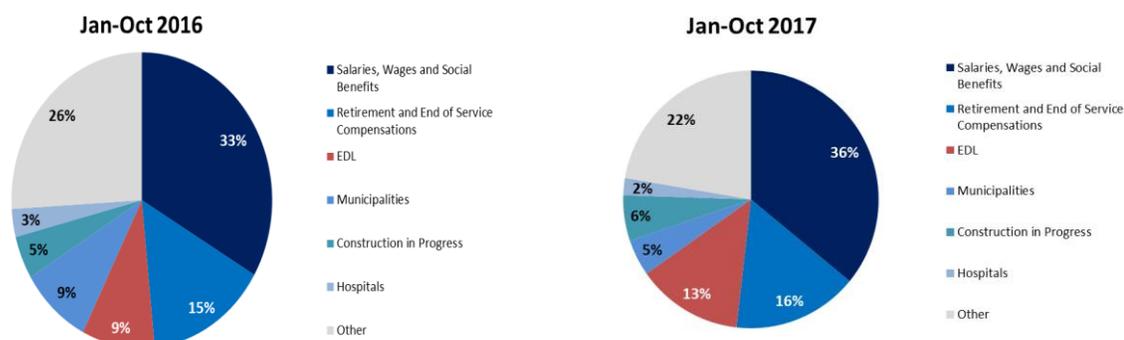
In details, the increase in salaries, wages and related benefits was attributed to (i) a LL 161 billion rise in basic salaries to the Army and a LL 58 billion growth in basic salaries to the Internal Security Forces, (ii) LL 29 billion increase in allowances to Internal Security Forces, (iii) a LL 26 billion increase in each of the allowances to the Army and of basic salaries to the General Security Forces.

In terms of composition, basic salaries constituted 75 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Oct 2017, followed by allowances (13 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 33 percent of total primary spending in Jan-Oct 2016, and increased to 36 percent of the total in Jan-Oct 2017. The following figures represent the primary spending breakdown by component during the period under review⁵.

⁵ The main reason behind the increase in the share of salaries, wages and related benefits of primary expenditure is due to their higher growth compared to the year-on-year increase of 2 percent in the primary expenditures in Jan-Oct 2017.

Figure 3. Primary Spending Breakdown by Component during Jan-Oct 2016 and Jan-Oct 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-Oct 2016 and Jan-Oct 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	1,883	2,135	77	77	501	561	2	2	2,463	2,774
Army	1,206	1,366	47	49	336	362	1	0	1,590	1,777
Internal Security Forces	523	580	22	21	122	151	1	0	666	753
General Security Forces	123	149	3	3	31	34	1	1	158	187
State Security Forces	31	39	5	4	12	14	0	0	49	57
Education Personnel	801	819	48	50	0	0	34	24	883	893
Civilian Personnel 1/	282	302	59	57	3	3	33	37	377	398
Government contribution to employees cooperative 2/							221	224	221	244
Customs Salaries 3/									30	43
Unclassified									1	5
Total	2,966	3,255	183	184	504	564	290	307	3,975	4,357

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, increased by LL 290 billion (10 percent) to reach LL 3,255 billion by the end of October 2017. This increase was primarily the result of an increase in basic salaries of all the sub-categories.

II.A.a. Basic Salaries of Military Personnel

The 13 percent increase in basic salaries to military personnel was mainly the result of the new salary scale hike for public sector employees that went into effect in September 2017, along with an increase in retroactive payments to military personnel by LL 89 billion (LL 53 billion to the Army and LL 27 billion to the Internal Security Forces⁶). The new salary scale resulted in an increase of salary payments to permanent employees in the Army by LL 104 billion and to those in the Internal Security Forces by LL 29 billion. Moreover, these increases were partly offset by a LL 4.4 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 increased by 2 percent in Jan-Oct 2017 compared to the same period in 2016, and stood at LL 819 billion by end-October 2017. The increase was due in part to the new salary scale, which contributed to a LL 19 billion increase and an LL 11 billion rise in the salary payments to primary education personnel and to secondary education personnel, respectively. In addition, salaries paid to employees in the Directorate General of Education increased by LL 8 billion by end-October 2017. However, this increase was slightly offset by a LL 30 billion decrease in “other salaries” to education personnel.

II.A.c Basic Salaries of Civilian Personnel

Basic salary payments to civilian personnel grew by LL 20 billion (7 percent) in Jan-Oct 2017 compared to the first ten months of 2016. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in Jan-Oct 2017, with a share of 19 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (17 percent), the Ministry of Finance and the Parliament (10 percent each), and the Presidency of the Council of Ministers (9 percent). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Foreign Affairs and Emigrants witnessed the most notable increase in basic salaries and wages that grew by LL 6 billion (11 percent) year-on-year in Jan-Oct 2017, driven mainly by the new salary scale.

⁶ 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-Oct 2016 and Jan-Oct 2017

(LL million)	Jan-Oct	Jan-Oct	% from Total Civilian Personnel in 2017
	2016	2017	
Ministry of Foreign Affairs and Emigrants	53,061	58,640	19.4%
Ministry of Justice	53,831	50,412	16.7%
Parliament	27,633	30,201	10.0%
Ministry of Finance	27,098	30,183	10.0%
Presidency of the Council of Ministers	24,927	27,059	9.0%
Ministry of Public Works and Transportation	12,850	15,398	5.1%
Ministry of Agriculture	13,018	13,729	4.5%
Ministry of National Defense	8,885	10,171	3.4%
Ministry of Interior	8,534	9,127	3.0%
Other	36,169	38,606	12.8%
Total	281,985	301,861	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 59 billion (12 percent) to reach LL 564 billion in Jan-Oct 2017. The increase was mainly due to a rise of LL 29 billion in allowances to the Internal Security Forces and a LL 26 billion increase in allowances paid for the Army. Moreover, the allowances granted to the State Security Forces and General Security Forces slightly increased by LL 2 billion each over the covered period.

In details, allowances to the Internal Security Forces grew in the covered period, given a LL 31 billion surge in hospital expenses and a LL 3 billion increase in school allowances that were counterbalanced by a drop of LL 3 billion in sickness and maternity allowances.

However, allowances to the Army grew by LL 26 billion in the first ten months of 2017, given the increase of LL 17 billion in hospital expenses and the LL 9 billion rise in school expenses. These increases were partly offset by a LL 3 billion decrease in social allowances and a LL 2 billion drop in medical allowances.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 244 billion in Jan-Oct 2017, up from LL 221 billion in Jan-Oct 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