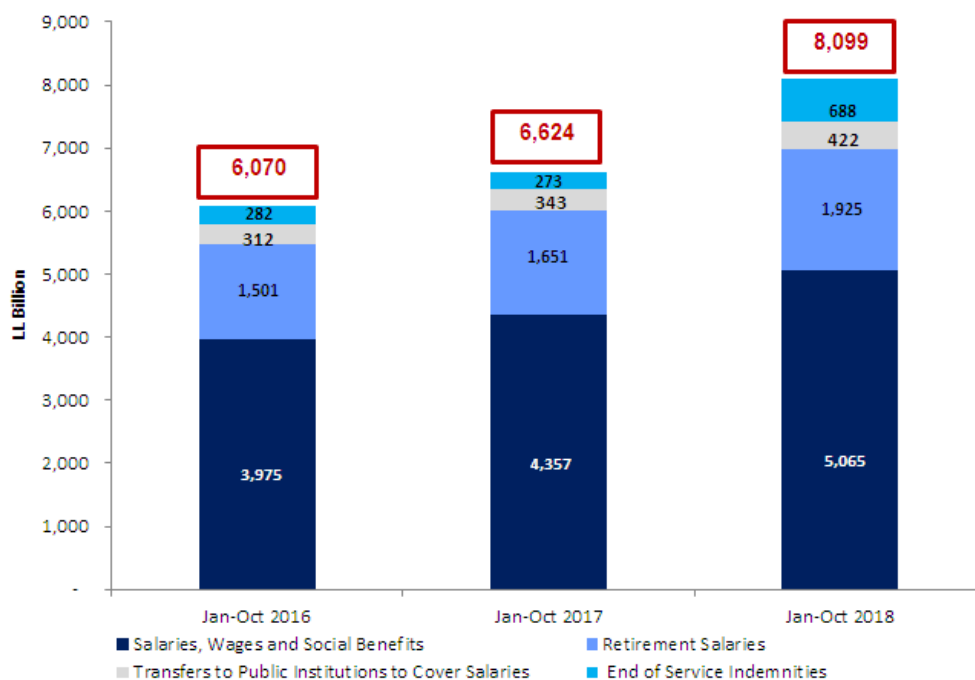


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> rose by LL 1,475 billion (22.3 percent) year-on-year during Jan-Oct 2018 to reach LL 8,099 billion compared to LL 6,624 billion during the same period of 2017<sup>2</sup>. The increase was mainly due to the impact of the new salary scale for the public sector employees (Law # 46)<sup>3</sup>, resulting in a year-on-year growth of 16.2 percent in salaries, wages and related benefits, along with a more prominent rise of 152.1 percent<sup>4</sup> in the end of service indemnities and a 16.6 percent increase in payments for retirement.

Figure 1. Personnel Cost Breakdown by Component in Jan-Oct 2016, Jan-Oct 2017 and Jan-Oct 2018



Source: Ministry of Finance, Directorate General of Finance

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

Personnel cost accounted for the main bulk of current primary expenditures<sup>5</sup>, contributing to 67.5 percent in Jan-Oct 2016, decreasing slightly to 67.3 percent in Jan-Oct 2017 and to 66.1

<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 Monitor Monthly report - October 2018.

<sup>3</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.

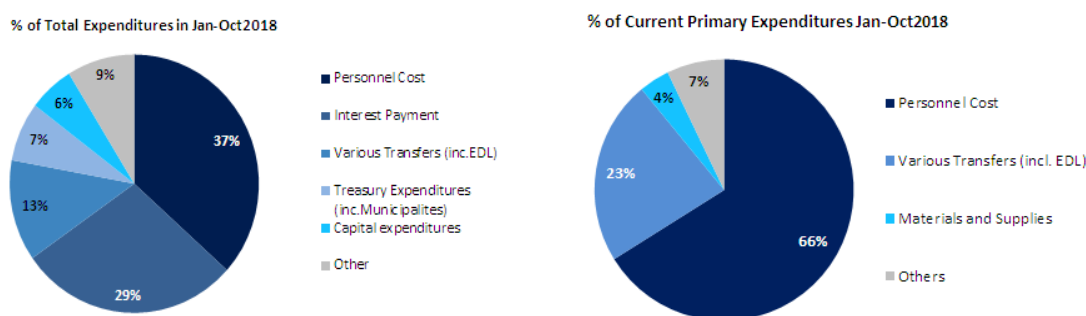
<sup>4</sup> The increase in end of service indemnities can be partly explained by the implementation of the new salary scale, which encouraged many public employees to undergo an early retirement plan.

<sup>5</sup> Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

percent in Jan-Oct 2018<sup>6</sup>. On the other hand and when compared to total expenditures, personnel cost represented 34.2 percent in Jan-Oct 2016, increasing to 36.3 percent in Jan-Oct 2017 and moving up to 36.7 percent<sup>7</sup> during the same period of 2018.

The following figures represent the composition of total expenditures and current primary expenditures during the period of Jan-Oct 2018:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Oct 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 709 billion year-on-year to reach LL 5,066 billion<sup>8</sup> in Jan-Oct 2018. Overall, this growth was mainly the result of: (i) a LL 351 billion rise in salaries and wages of the military personnel, (ii) a LL 121 billion surge in those paid for education personnel, (iii) an increase of LL 124 billion in salaries and wages of the civilian personnel, as well as (iv) an increase of LL 118 billion in allowances paid to the military personnel.

In details, the rise in salaries, wages and related benefits to military personnel is driven by higher salaries and wages paid for all military bodies, with the following increases: (i) LL 250 billion to the Army, (ii) LL 63 billion to the Internal Security Forces, (iii) LL 25 billion to the General Security Forces, and (iv) LL 13 billion to the State Security Forces. This was followed by the rise in total allowances paid for military bodies driven by a considerable year-on-year increase of LL 114 billion in the allowances paid to the Internal Security Forces.

In terms of composition, salaries and wages constituted 76.0 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Oct 2018, followed by allowances (13.4 percent) and employment indemnities (3.4 percent), while “other payments” and “unclassified allowances” represented the remaining 7.2 percent of the total.

<sup>6</sup> Despite the expansion in the personnel cost over the past two years, current primary expenditures increased at a faster pace, mainly due to the y-o-y rise in the transfers to EDL by 51.5 percent and 27.7 percent respectively in Jan-Oct 2017 and Jan-Oct 2018.

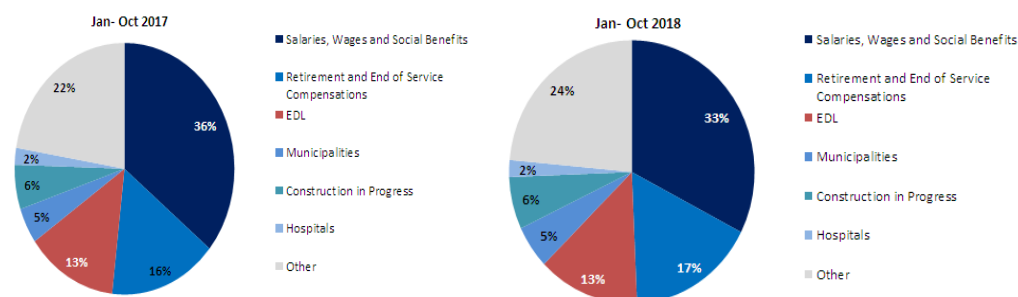
<sup>7</sup> Total expenditures increased by 21.0 percent y-o-y during Jan-Oct 2018 compared to 22.3 percent in personnel cost, resulting in a slight rise in its share from total expenditure.

<sup>8</sup> Figures may differ slightly from those published in the Public Finance Monitor report due to rounding effect.

Moreover, salaries, wages and related benefits represented 35.9 percent of total primary spending in Jan-Oct 2017, and decreased to 32.5 percent of the total during the same period of 2018<sup>9</sup>.

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

**Figure 3. Primary Spending Breakdown by Component during Jan-Oct 2017 and Jan-Oct 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 – Jan-Oct 2017 and Jan-Oct 2018**

(LL billion)	Salaries and wages		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>Military Personnel</b>	<b>2,135</b>	<b>2,485</b>	<b>77</b>	<b>80</b>	<b>561</b>	<b>678</b>	<b>2</b>	<b>2</b>	<b>2,774</b>	<b>3,245</b>
Army	1,366	1,616	49	53	362	358	0	0	1,777	2,028
Internal Security Forces	580	643	21	22	151	265	0	0	753	929
General Security Forces	149	174	3	4	34	39	1	1	187	217
State Security Forces	39	53	4	2	14	16	0	0	57	71
<b>Education Personnel</b>	<b>819</b>	<b>940</b>	<b>50</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>37</b>	<b>893</b>	<b>1,017</b>
<b>Civilian Personnel 1/</b>	<b>302</b>	<b>426</b>	<b>57</b>	<b>51</b>	<b>3</b>	<b>3</b>	<b>37</b>	<b>47</b>	<b>398</b>	<b>527</b>
<b>Government contribution to employees cooperative 2/</b>							<b>244</b>	<b>229</b>	<b>244</b>	<b>229</b>
<b>Customs Salaries 3/</b>									<b>43</b>	<b>48</b>
<b>Unclassified</b>									<b>5</b>	<b>0</b>
<b>Total</b>	<b>3,255</b>	<b>3,851</b>	<b>184</b>	<b>172</b>	<b>564</b>	<b>681</b>	<b>307</b>	<b>314</b>	<b>4,357</b>	<b>5,066</b>

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.

<sup>9</sup> Due to a more rapid increase in the expenditure base with primary expenditures increasing by 28.4 percent against a growth of 16.2 percent in salaries, wages and related benefits compared to the same period of 2017.

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

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, rose by LL 596 billion (18.3 percent) to reach LL 3,851 billion in Jan-Oct 2018. This increase was the result of a rise in the salaries for all sub-categories following the implementation of the new salary scale.

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

The 16.4 percent increase in salaries and wages of the military personnel during Jan-Oct of 2018 was mainly the result of the new salary scale that took effect late August 2017. Basic salaries of the permanent personnel<sup>10</sup> grew by LL 238 billion for the Army, LL 57 billion for the Internal Security Forces, LL 24 billion for the General Security Forces and by LL 13 billion for the State Security Forces. Moreover, it is worth mentioning that payments to clothing indemnity rose by a mere LL 0.5 billion in Jan-Oct 2018 compared to the previous year.

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

Salaries and wages of the education personnel increased by LL 121 billion (14.8 percent) year-on-year reaching LL 940 billion in Jan-Oct 2018. The increase was mainly due to the new salary scale adjustment in 2017, which contributed to higher salary payments for permanent employees at the primary education by LL 67 billion, for those at the secondary education by LL 28 billion, in addition to a rise in payments for both contractuels and permanent employees at the Directorate General of Vocational Training by LL 19 billion and LL 17 billion respectively. In contrast, payments for contractuels at the secondary education dropped by LL 11 billion along with a drop of LL 8 billion in the payments for trainees at the primary education during the mentioned period.

### **II.A.c Salaries and Wages of Civilian Personnel**

Salary payments to civilian personnel increased remarkably by LL 124 billion (41.0 percent) year-on-year to reach LL 426 billion during Jan-Oct 2018. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill during the covered period with a share of 16 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice (15 percent from total) and the Ministry of Finance (12 percent from total). *(For further details, kindly refer to table 2)*

In details, employees at the Ministry of Finance had the most notable nominal rise in salaries and wages increasing year-on-year by LL 19.5 billion<sup>11</sup> in Jan-Oct of 2018, followed by the Ministry of Public Health with LL 17.1 billion<sup>12</sup>.

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<sup>10</sup> Payments for salaries in 2017 include the cost of living adjustment, disbursed ahead of the new salary scale implementation starting August 2017.

<sup>11</sup> With a LL 14 billion increase in basic salaries for permanent employees along with a LL 2 billion increase in payments for trainees at the Directorate General of Finance. On the other hand, salary payments at the Directorate General of Land Registry and Cadastre increased by LL 2.4 billion.

<sup>12</sup> This hike is driven by the increase in payments to contractuels during Jan-Oct 2018 compared to the same period of 2017. This can be largely attributed to large retroactive payments pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000, in addition to some retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/8/2017. Also, some retroactive payments were paid in Jan-Oct 2018 based on the State Council decision #66/2016/2017 dated 09/05/2017 covering the period from 01/01/1999 till 31/08/2017.

**Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Oct 2017 and Jan-Oct 2018**

(LL million)	Jan-Oct 2017	Jan-Oct 2018	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	58,640	68,287	16%
Ministry of Justice	50,412	65,991	15%
Ministry of Finance	30,183	49,731	12%
Presidency of the Council of Ministers	27,059	40,896	10%
Parliament	30,201	37,099	9%
Ministry of Public Health	18,335	35,492	8%
Ministry of Public Works and Transportation	15,398	22,613	5%
Ministry of Agriculture	13,729	21,256	5%
Ministry of Interior	9,127	14,115	3%
Ministry of National Defense	10,171	12,768	3%
Other	38,606	57,518	14%
<b>Total</b>	<b>301,861</b>	<b>425,767</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 117 billion (20.8 percent) to reach LL 681 billion during Jan-Oct 2018. The rise was mainly due to an increase of LL 114 billion rise in allowances disbursed to the Internal Security Forces reaching LL 265 billion in Jan-Oct of 2018. Meanwhile, allowances disbursed to the Army dropped by LL 4 billion during the mentioned period.

More specifically, allowances to the Internal Security Forces mainly increased in Jan-Oct 2018 given the significant rise in hospital expenses by LL 83 billion, and a rise of LL 17 billion rise in school allowances coupled with a LL 9 billion rise in sickness and maternity expenses.

In addition, allowances to General security forces increased by LL 5 billion mainly due to the rise in sickness and maternity expenses by LL 3.5 billion in Jan-Oct 2018.

In contrast, allowances to the Army fell down by LL 4 billion during the covered period, given a LL 39 billion drop in hospital expenses despite a rise of LL 23 billion in sickness and maternity expenses during Jan-Oct 2018.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 16 billion year-on-year to reach LL 229 billion in Jan-Oct 2018 compared to LL 244 billion in Jan-Oct 2017.



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