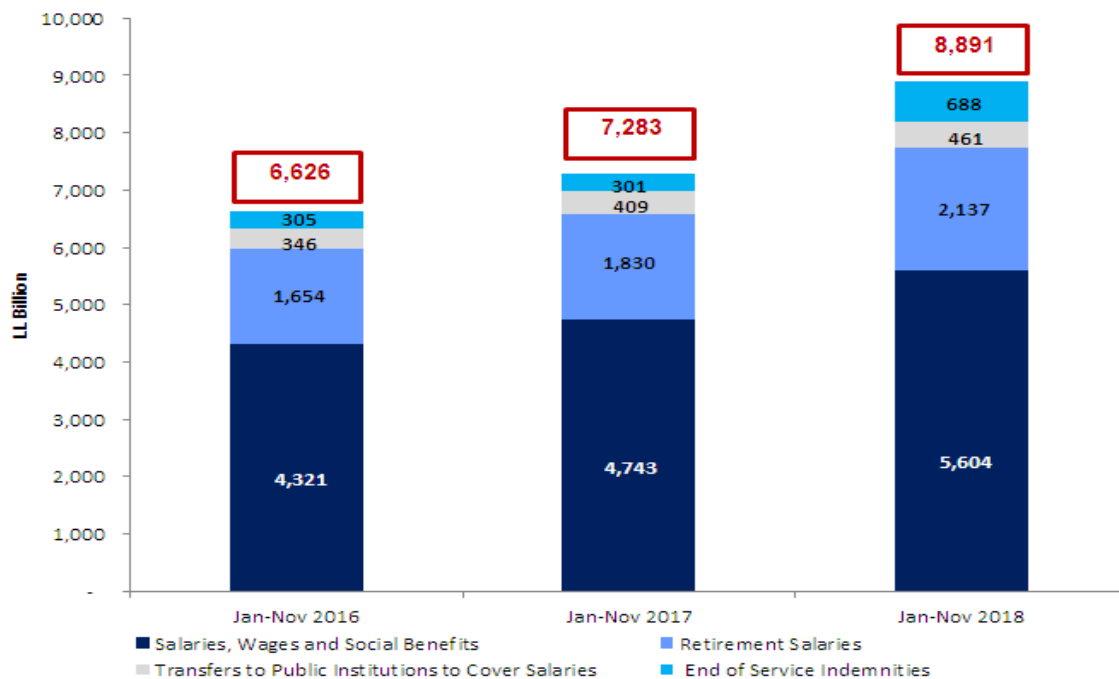


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 1,607 billion (22.1 percent) year-on-year during Jan-Nov 2018 to reach LL 8,891 billion compared to LL 7,283 billion during the same period of 2017². The increase was mainly due to the impact of the new salary scale for the public sector employees (Law # 46)³, resulting in a year-on-year growth of 18.1 percent in salaries, wages and related benefits, along with a more significant rise of 128.6 percent⁴ in the end of service indemnities and a 16.8 percent increase in payments for retirement.

Figure 1. Personnel Cost Breakdown by Component in Jan-Nov 2016, Jan-Nov 2017 and Jan-Nov 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 expenditures⁵, contributing to 66.5 percent in Jan-Nov 2016, increasing to 67.6 percent in Jan-Nov 2017 before going down to 65.8 percent in the first eleven months of 2018⁶. On the other hand and when compared to total expenditures, personnel cost represented 32.5 percent in Jan-Nov 2016, increasing to

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 Monitor Monthly report - November 2018.

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

⁴ 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.

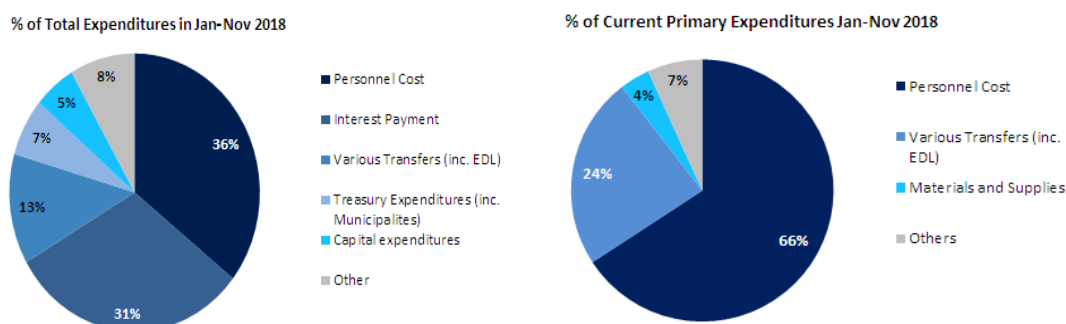
⁵ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

⁶ Despite the considerable y-o-y expansion in the personnel cost by the end of November 2018, current primary expenditures increased at a faster pace (25.5 percent), mainly due to the rise in transfers to EDL by 41.4 percent over the covered period.

35.4 percent in Jan-Nov 2017 and moving up slightly to 35.6 percent⁷ during the same period of 2018.

The following figures represent the composition of total expenditures and current primary expenditures in the first ten months of 2018:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Nov 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 861 billion year-on-year to reach LL 5,604 billion in Jan-Nov 2018. Overall, this growth was mainly the result of: (i) a LL 349 billion rise in salaries and wages to military personnel, (ii) a LL 183 billion surge in those paid for education personnel, (iii) a LL 109 billion increase in salaries and wages to civilian personnel, as well as (iv) an increase of LL 203 billion in allowances paid to 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 263 billion to the Army, (ii) LL 47 billion to the Internal Security Forces, (iii) LL 26 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 significant year-on-year surge of LL 134 billion in the allowances paid to the Internal Security Forces along with a LL 61 billion increase in those paid to the Army.

In terms of composition, salaries and wages constituted 75.2 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Nov 2018, followed by the allowances (14.1 percent) and employment indemnities (3.7 percent), while “other payments” and “unclassified allowances” represented the remaining 7.0 percent of the total.

Moreover, salaries, wages and related benefits represented 35.7 percent of total primary spending in Jan-Nov 2017, and decreased to 33.1 percent during the same period of 2018⁸.

⁷ Total expenditures increased by 21.4 percent y-o-y during Jan-Nov 2018 compared to 22.1 percent in personnel cost, resulting in a slight rise in its share from total expenditure.

⁸ Due to a more rapid increase in the expenditure base with primary expenditures increasing by 27.4 percent compared to a y-o-y growth of 18.1 percent in salaries, wages and related benefits.

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

The 14.6 percent increase in salaries and wages to military personnel during Jan-Nov 2018 was mainly the result of the new salary scale that took effect late August 2017. Basic salaries to the permanent personnel⁹ grew by LL 251 billion for the Army, by LL 39 billion for the Internal Security Forces, by 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 LL 0.5 billion in Jan-Nov 2018 compared to the previous year.

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

Salaries and wages of education personnel increased by LL 183 billion (22.2 percent) year-on-year reaching LL 1,008 billion in Jan-Nov 2018. This increase was mainly due to the salary scale adjustment in 2017, which contributed to higher salary payments for permanent employees at the primary education by LL 107 billion, for those at the secondary education by LL 47 billion, and for contractuels at the Directorate General of Vocational Training by LL 19 billion. 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

Salaries and wages of civilian personnel increased remarkably by LL 109 billion (30.1 percent) year-on-year to reach LL 470 billion during Jan-Nov 2018. At the level of ministries, the Ministry of Foreign Affairs and Emigrants represented the largest wage bill during the covered period with a share of 16.09 percent from total salaries and wages to civilian personnel, followed closely by the Ministry of Justice (15.51 percent from total) and the Ministry of Finance (11.66 percent from total). *(For further details, kindly refer to table 2)*

In details, employees at the Ministry of Public health had the most notable nominal rise in salary payments increasing year-on-year by LL 20.9 billion¹⁰ in the first eleven months of 2018, followed by the Ministry of Finance with LL 14.6 billion.

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

(LL million)	Jan-Nov 2017	Jan-Nov 2018	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	67,134	75,559	16.09%
Ministry of Justice	63,526	72,859	15.51%
Ministry of Finance	40,158	54,751	11.66%
Presidency of the Council of Ministers	32,978	45,004	9.58%
Parliament	34,242	40,719	8.67%
Ministry of Public Health	18,342	39,252	8.36%
Ministry of Public Works and Transportation	18,140	25,216	5.37%

⁹ Payments for salaries in 2017 include the cost of living adjustment, disbursed ahead of the new salary scale implementation starting August 2017.

¹⁰ This hike is driven by the increase in payments to contractuels during Jan-Nov 2018 compared to the same period of 2017. It 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, other retroactive payments were paid in Jan-Nov 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.



Ministry of Agriculture	17,733	23,361	4.97%
Ministry of Interior	11,790	15,558	3.31%
Ministry of National Defense	11,649	14,055	2.99%
Other	45,329	63,289	13.48%
Total	361,021	469,622	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 203 billion (34.5 percent) to reach LL 789 billion during Jan-Nov 2018. The rise was mainly due to an increase of LL 134 billion rise in allowances disbursed to the Internal Security Forces reaching LL 295 billion in Jan-Nov 2018. This was accompanied by a LL 61 billion increase in allowances to the Army to reach LL 435 billion by the end of November 2018.

More specifically, allowances to the Internal Security Forces mainly increased in the first eleven months of 2018 given the significant rise in hospital expenses by LL 94 billion, in addition to a LL 23 billion rise in school allowances.

Furthermore, allowances to the Army increased by LL 61 billion (16.3 percent) during the covered period, due to a year-on-year increase in hospital expenses by LL 29 billion and in sickness and maternity expenses LL 21 billion during Jan-Nov 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 249 billion in Jan-Nov 2018 compared to LL 264 billion in Jan-Nov 2017.



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