

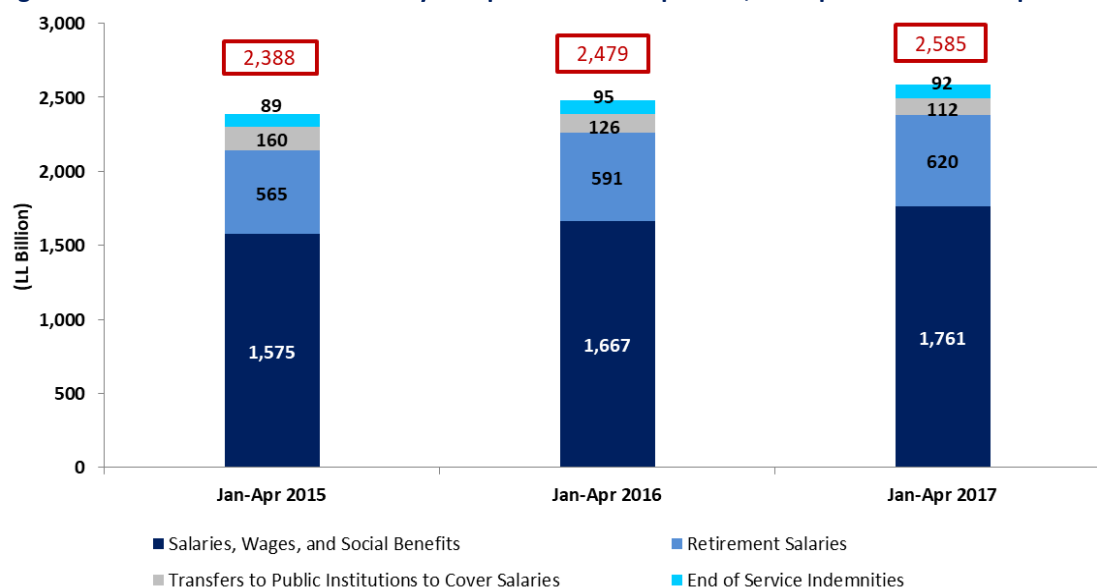
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 106 billion (4.3 percent) year-on-year in the first four months of 2017 to reach LL 2,585 billion from LL 2,479 billion in the same period of 2016². The increase, which was mainly due to a rise in salaries, wages and related benefits (5.6 percent) and a growth in retirement salaries (5.1 percent), was partly counterbalanced by a decrease in end-of-service compensations (3.8 percent). Moreover, transfers to public institutions to cover salaries stood at LL 112 billion at the end of April 2017, down by 11.6 percent from the same period a year earlier.

In terms of composition, the cost of basic salaries accounted for 66.2 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Apr 2017, followed by allowances (19.5 percent) and employment benefits (4.1 percent), while “other payments” and “unclassified allowances” represented the remaining 10 percent of the total.

Figure 1. Personnel Cost Breakdown by Component in Jan-Apr 2015, Jan-Apr 2016 and Jan-Apr 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, contributing to 66.4 percent in each of Jan-Apr 2015 and Jan-Apr 2016, and 68.1 percent in Jan-Apr 2017. The reason behind the increase of personnel cost as a share of current primary expenditures was attributed to a slower growth in the current primary expenditures compared to the year-on-year increase in personnel cost over the covered period.

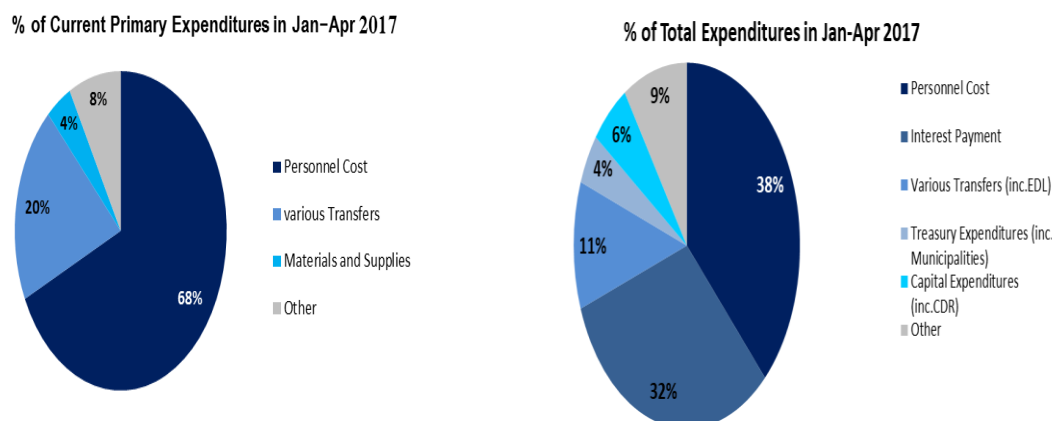
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

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

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

Moreover, personnel cost represented 34.2 percent of total expenditures by the end of April 2015, decreasing to 33.2 percent of the total by end-April 2016, then surging to 37.9 percent of total expenditures by end-April 2017. The increase in the share of personnel cost from total expenditure is mainly due to an annual drop of 8.6 percent in total expenditures in Jan-Apr 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first four months of 2017:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-Apr 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

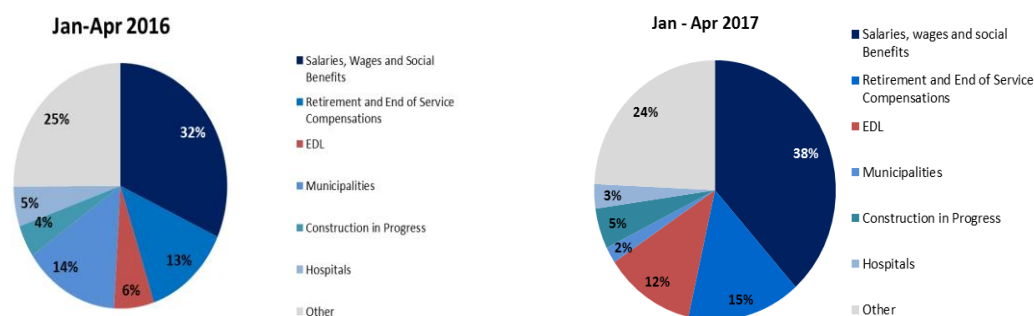
Payments for salaries, wages and related benefits grew by LL 93 billion during the first four months of 2017, from LL 1,668 billion in Jan-Apr 2016 to LL 1,761 billion in Jan-Apr 2017. Overall, this growth is mainly due to (i) a LL 130 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 28 billion rise in payments to government subscription and contributions to the government employees cooperative, and (iii) a LL 6 billion increase in basic salaries and other benefits paid to civil personnel. The increase was partly counterbalanced by a LL 83 billion drop in basic salaries and related benefits to education personnel.

In details, the increase in salaries, wages and related benefits was attributed to (i) a LL 20 billion growth in basic salaries and a LL 6 billion rise in allowances to the Army, (ii) an LL 85 billion increase in allowances and an LL 11 billion increase in basic salaries to the Internal Security Forces, along with (iii) a LL 6 billion rise in basic salaries to the General Security Forces. These increases were partly offset by an LL 81 billion drop in basic salaries to education personnel.

Furthermore, salaries, wages and related benefits represented 31.8 percent of total primary spending in Jan-Apr 2016, and increased to 38.2 percent of the total in Jan-Apr 2017⁴. The following figures present the primary spending breakdown by component during the period under review.

⁴ 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 12 percent year-on-year in Jan-Apr 2017, driven mainly by lower payments to municipalities.

Figure 3. Primary Spending Breakdown by Component during Jan-Apr 2016 and Jan-Apr 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-Apr 2016 and Jan-Apr 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	747	784	31	30	249	342	0	1	1,027	1,157
Army	480	500	19	19	176	182	0	0	675	702
Internal Security Forces	206	217	9	9	42	127	0	0	257	352
General Security Forces	49	55	1	1	22	24	0	1	72	81
State Security Forces	13	13	2	1	8	9	0	0	23	22
Education Personnel	347	266	19	20	0	0	10	8	377	294
Civilian Personnel 1/	113	117	23	22	2	2	17	21	156	161
Government contribution to employees cooperative 2/							96	124	96	124
Customs Salaries 3/									12	21
Unclassified									0	3
Total	1,207	1,166	74	72	251	344	124	154	1,668	1,761

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, reached LL 1,166 billion by the end of April 2017, declining by LL 41 billion (3.4 percent) from the same period of 2016. The latter drop was primarily the result of a decrease in basic salaries paid to education personnel.

II.A.a. Basic Salaries of Military Personnel

The 5 percent increase in basic salaries to military personnel is primarily the result of the payments made to permanent employees of the Army that grew by LL 20 billion and those to permanent employees of the Internal Security Forces that increased by LL 10 billion. This rise was partly driven by professional allowances of LL 1.5 billion paid to specialized military officers⁵ and to the recruitment and promotion of military personnel. The increases in basic salaries to permanent employees of the Army and the Internal Security Forces 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 decreased by 23.3 percent in the first four months of 2017 compared to the same period in 2016, standing at LL 266 billion. The decline was attributed in part to the LL 28 billion disbursed in 2016 as one-off retroactive payments. Moreover, the drop in salaries to education personnel was also the result of a decrease of LL 31 billion (48 percent) in the salaries of contractuels in secondary and intermediate education, and to a drop of LL 13 billion (9 percent) in the salaries of permanent employees in primary education. These decreases were slightly counterbalanced by a LL 2 billion rise in the salaries of contractuels at the Directorate General of Vocational Training.

II.A.c Basic Salaries of Civilian Personnel

Basic salary payments to civilian personnel increased by LL 3 billion (2.8 percent) in Jan-Apr 2017 compared to the first four months of 2016. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represented the largest wage bill in Jan-Apr 2017, with a share of 19.2 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (18.3 percent), the Ministry of Finance (9.4 percent) and the Ministry of Public Health (6.9 percent). (*For further details, kindly refer to table 2*)

In details, employees in the Ministry of Public Health witnessed the most notable increase in basic salaries and wages that grew by LL 1.7 billion (27.6 percent) year-on-year in Jan-Apr 2017. In parallel, basic salaries and wages to employees in the MoFA regressed by 2.5 percent year-on-year in the first four months of 2017, mainly due to a drop in basic salaries of diplomats in Lebanese overseas missions, and to lower retroactive payments.

⁵ Based on decision # 1960 dated 31/12/2016 and decision # 62 dated 17/01/2017.

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

(LL million)	Jan-Apr 2016	Jan-Apr 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	22,947	22,372	19%
Ministry of Justice	21,561	21,341	18%
Parliament	11,034	11,016	9%
Ministry of Finance	10,286	10,955	9%
Presidency of the Council of Ministers	9,857	10,024	9%
Ministry of Public Health	6,268	7,995	7%
Ministry of Public Works and Transportation	5,037	6,501	6%
Ministry of Agriculture	5,210	4,979	4%
Ministry of National Defense	3,537	3,605	3%
Ministry of Interior	3,303	3,412	3%
Other	14,332	14,310	12%
Total	113,371	116,511	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees increased markedly by LL 93 billion (37.2 percent) to reach LL 344 billion in Jan-Apr 2017. The substantial increase was primarily due to a rise of LL 85 billion in allowances to the Internal Security Forces and a growth of LL 6 billion in allowances disbursed to the Army. Moreover, the allowances granted to the General Security Forces, State Security Forces, Education personnel, and Civil personnel were nearly unchanged during the covered period.

More specifically, allowances to the Internal Security Forces mainly increased in the first four months of 2017 given the significant rise in school allowances of LL 54 billion and hospital expenses of LL 33 billion that were partly counterbalanced by a drop of LL 2 billion in medical, sickness and maternity allowances.

Moreover, allowances to the Army grew in the covered period given the increase in sickness and maternity allowances of LL 7 billion and a LL 3 billion rise in marriage allowances that were partly offset by a decrease of LL 3 billion in social allowances and a drop of LL 3 billion in hospital expenses.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 124 billion in Jan-Apr 2017, up from LL 96 billion in Jan-Apr 2016.

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