

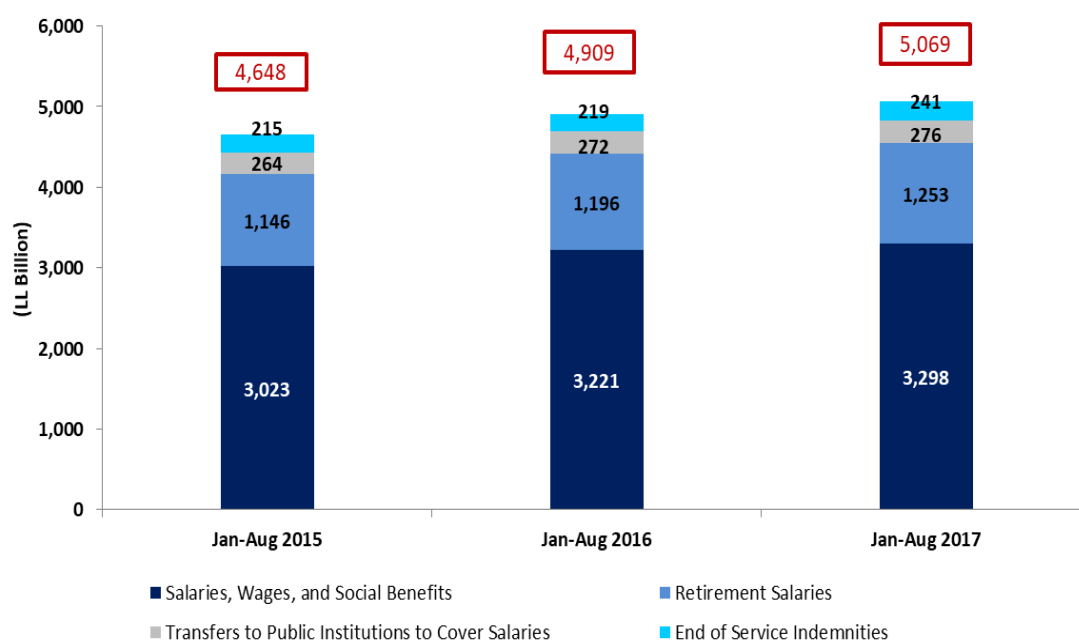
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 160 billion (3.3 percent) year-on-year in the first eight months of 2017 to reach LL 5,069 billion from LL 4,909 billion in the same period of 2016². The increase was mainly due to a rise in salaries, wages and related benefits (2.4 percent) and a growth in retirement and end-of-service compensations (5.6 percent). Moreover, transfers to public institutions to cover salaries stood at LL 276 billion at the end of August 2017, up by 1.5 percent from the same period a year earlier.

In terms of composition, the cost of basic salaries accounted for 71.1 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Aug 2017, followed by allowances (14.9 percent), and employment benefits (4.4 percent), while “other payments” and “unclassified allowances” represented the remaining 9.5 percent of the total.

Figure 1. Personnel Cost Breakdown by Component in Jan-Aug 2015, Jan-Aug 2016 and Jan-Aug 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 65.8 percent in Jan-Aug 2015, 67.1 percent in Jan-Aug 2016, and 66.8 percent in Jan-Aug 2017. The reason behind the annual decrease of personnel cost as a share of current primary

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

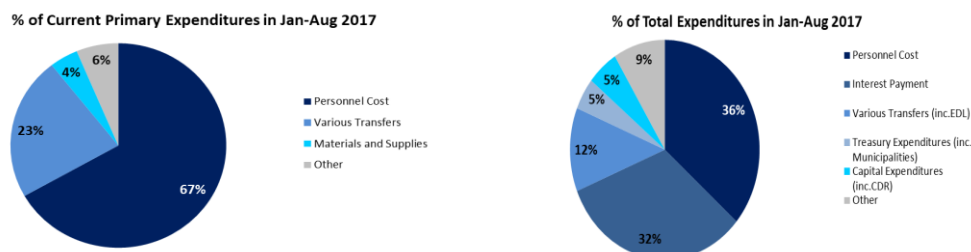
² The figures used are those published in the Public Finance Monthly Monitor report – August 2017.

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

expenditures was mainly due to a higher growth rate in current primary expenditures relative to the rise in the personnel cost over the covered period.

Moreover, personnel cost represented 35.9 percent of total expenditures by the end of August 2015, decreasing to 34.6 percent of the total by end-August 2016, but then grew to 36.4 percent of total expenditures by end-August 2017. The increase in the share of personnel cost from total expenditure is mainly due to an annual drop of 1.7 percent in total expenditures in Jan-Aug 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first eight months of 2017:

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

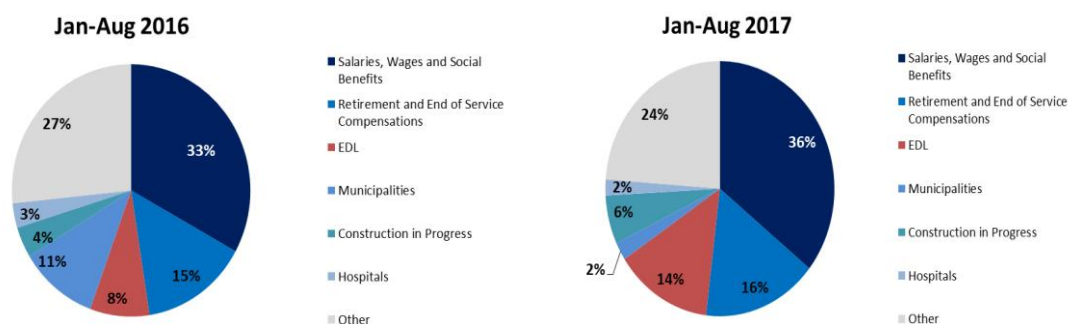
Payments for salaries, wages and related benefits increased by LL 78 billion during the first eight months of 2017, from LL 3,221 billion in Jan-Aug 2016 to LL 3,298 billion in Jan-Aug 2017. Overall, this growth is mainly due to (i) a LL 132 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 10 billion increase in basic salaries and other benefits paid to civil personnel, (iii) a LL 9 billion rise in basic salaries and other benefits paid to customs personnel, and (iv) a LL 63 billion growth in the government subscription and contributions in the Employees cooperative. The increase was counterbalanced in part by a LL 140 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 39 billion growth in allowances and a LL 43 billion rise in basic salaries to the Army, (ii) a LL 30 billion increase in allowances and a LL 9 billion growth in basic salaries to the Internal Security Forces, and (iii) a LL 7 billion rise in basic salaries to the General Security Forces. These increases were counterbalanced in part by a LL 138 billion drop in basic salaries to education personnel.

Furthermore, salaries, wages and related benefits represented 33 percent of total primary spending in Jan-Aug 2016, and increased to 35.7 percent of the total in Jan-Aug 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 5.4 percent year-on-year in Jan-Aug 2017, driven mainly by lower payments to municipalities.

Figure 3. Primary Spending Breakdown by Component during Jan-Aug 2016 and Jan-Aug 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-Aug 2016 and Jan-Aug 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	1,499	1,561	61	60	417	488	2	2	1,979	2,110
Army	961	1,004	38	39	267	306	0	0	1,266	1,349
Internal Security Forces	415	424	17	17	111	142	0	0	544	583
General Security Forces	99	105	2	3	28	31	1	1	130	140
State Security Forces	25	27	3	1	11	10	0	0	39	39
Education Personnel	691	553	36	36	0	0	26	24	753	613
Civilian Personnel 1/	225	230	48	50	3	3	28	32	304	314
Government contribution to employees cooperative 2/							161	224	161	224
Customs Salaries 3/									24	33
Unclassified									0	4
Total	2,416	2,344	144	145	420	491	216	282	3,221	3,298

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 2,344 billion by the end of August 2017, decreasing by LL 72 billion (3 percent) from the same period of 2016. The latter drop was primarily the result of a decrease in basic salaries to education personnel.

II.A.a. Basic Salaries of Military Personnel

The 4.1 percent increase in basic salaries to military personnel is primarily the result of the salary payments made to permanent employees of the Army that grew by LL 41 billion and those to permanent employees of the Internal Security Forces that increased by LL 8 billion. The increase 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 20 percent in the first eight months of 2017 compared to the same period in 2016, and stood at LL 553 billion by end-August 2017. The decline was due in part to the LL 30 billion disbursed in 2016 as one-off retroactive payments. Moreover, the decrease in salaries to education personnel was also the result of (i) a decline of LL 94 billion (98 percent) in the salaries of contractual employees at the Directorate General of Vocational Training, (ii) a drop of LL 21 billion (7.6 percent) in the salaries of permanent employees in primary education, and (iii) a decrease of LL 9 billion (7.1 percent) in the salaries of permanent employees in secondary education. These decreases were slightly counterbalanced by a LL 12 billion rise in the wages of contractuels in primary, intermediate and secondary education.

II.A.c Basic Salaries of Civilian Personnel

Basic salary payments to civilian personnel grew by LL 5 billion (2.1 percent) in Jan-Aug 2017 compared to the first eight months of 2016. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in Jan-Aug 2017, with a share of 19.3 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (18.5 percent), the Ministry of Finance (9.6 percent) and the Ministry of Public Health (6.2 percent). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Public Works and Transportation witnessed the most notable increase in basic salaries and wages that grew by LL 2 billion (16.9 percent) year-on-year in Jan-Aug 2017. In parallel, basic salaries and wages to employees in the Ministry of Justice regressed by 1.4 percent year-on-year in the first eight months of 2017.

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-Aug 2016 and Jan-Aug 2017

(LL million)	Jan-Aug 2016	Jan-Aug 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	42,768	44,257	19%
Ministry of Justice	43,127	42,538	19%
Ministry of Finance	21,233	21,983	10%
Parliament	22,086	21,945	10%
Presidency of the Council of Ministers	20,045	20,187	9%
Ministry of Public Health	12,477	14,156	6%
Ministry of Public Works and Transportation	10,306	12,051	5%
Ministry of Agriculture	10,456	10,331	4%
Ministry of National Defense	7,112	7,290	3%
Ministry of Interior	6,781	6,776	3%
Other	28,693	28,375	12%
Total	225,085	229,889	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 71 billion (16.8 percent) to reach LL 491 billion in Jan-Aug 2017. The increase was mainly due to a rise of LL 39 billion in allowances to the Army and an increase of LL 30 billion in allowances to the Internal Security Forces. The allowances granted to the State Security Forces, Education personnel, and Civil personnel were nearly unchanged over the covered period.

More specifically, allowances to the Army grew significantly in the first eight months of 2017, given the increase of LL 33 billion in hospital expenses and to a LL 5 billion rise in sickness and maternity allowances. These increases were partly offset by a decrease of LL 3 billion in social allowances and a drop of LL 2 billion in medical expenses.

Moreover, allowances to the Internal Security Forces mainly increased in the covered period given the surge in hospital expenses of LL 29 billion and the increase of LL 3 billion in school allowances that were counterbalanced by a drop of LL 1 billion in medical expenses and by a decrease of LL 1 billion in marriage allowances.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 224 billion in Jan-Aug 2017, up from LL 161 billion in Jan-Aug 2016.

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