

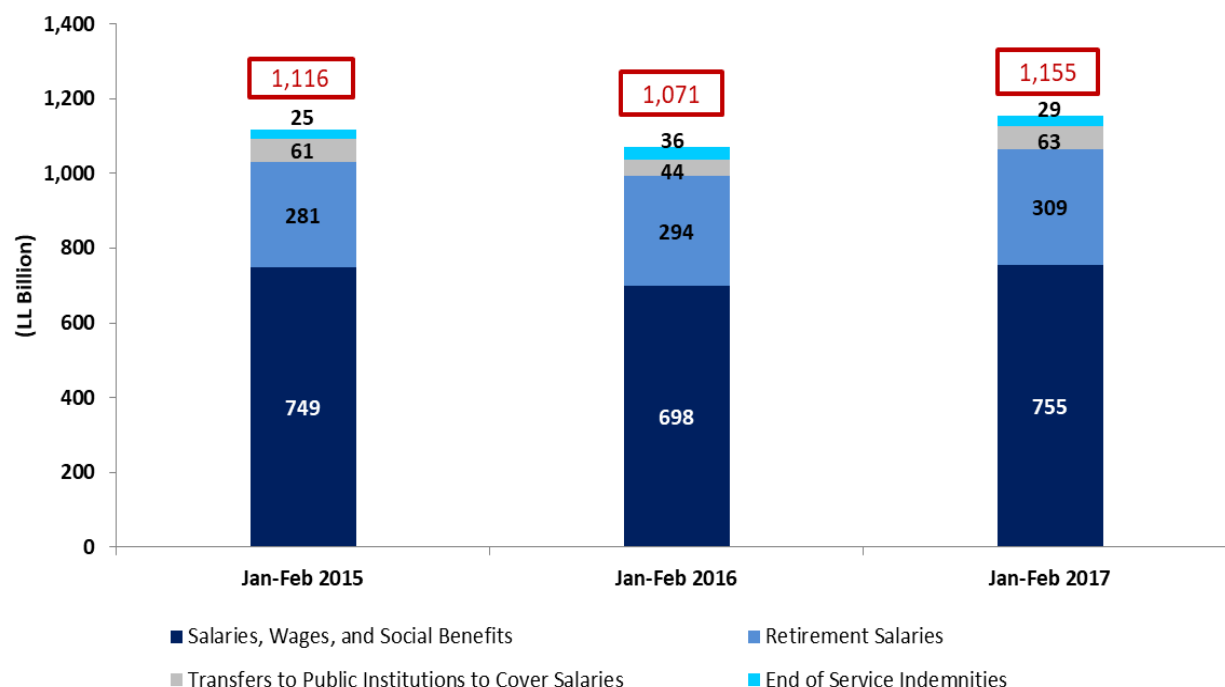
## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> increased by LL 84 billion (7.9 percent) year-on-year in the first two months of 2017 to reach LL 1,155 billion from LL 1,071 billion in the same period of 2016. The increase was mainly due to a rise in salaries, wages and related benefits (8.1 percent), along with a growth in retirement salaries (5 percent). This was partly counterbalanced by a decrease in end-of-service compensations (17.9 percent). Moreover, transfers to public institutions to cover salaries stood at LL 63 billion at the end of February 2017, up by 44.3 percent from 2016.

In terms of composition, the cost of basic salaries accounted for 75.3 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Feb 2017, followed by allowances (11.5 percent) and employment benefits (4.7 percent), while “other payments” and “unclassified allowances” represented the remaining 8.5 percent of the total.

**Figure 1. Personnel Cost Breakdown by Component in Jan-Feb 2015, Jan-Feb 2016 and Jan-Feb 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 expenditures<sup>2</sup>, contributing to 61.9 percent in Jan-Feb 2015, 58.3 percent in Jan-Feb 2016 and 59.6 percent in Jan-Feb 2017. The reason behind the yearly increase of personnel cost as a share of current primary

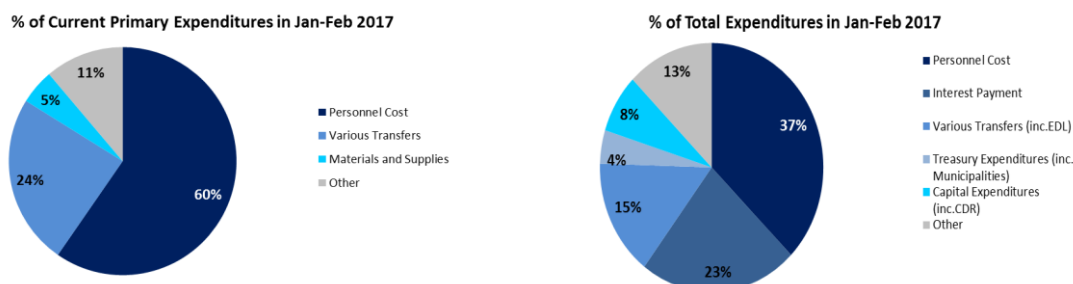
<sup>1</sup> Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

<sup>2</sup> Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

expenditures was related to higher annual growth rate in personnel cost relative to the rise in current primary expenditures that increased by 5.4 percent over the covered period.

Furthermore, personnel cost comprised 39.6 percent of total expenditures by the end of February 2015, decreased to 28.7 percent of the total by end-February 2016, but then jumped to 37.4 percent of total expenditures by end-February 2017. The increase in the share of personnel cost from total expenditure is chiefly due to an annual drop of 17.2 percent in total expenditures in Jan-Feb 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first two months of 2017:

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

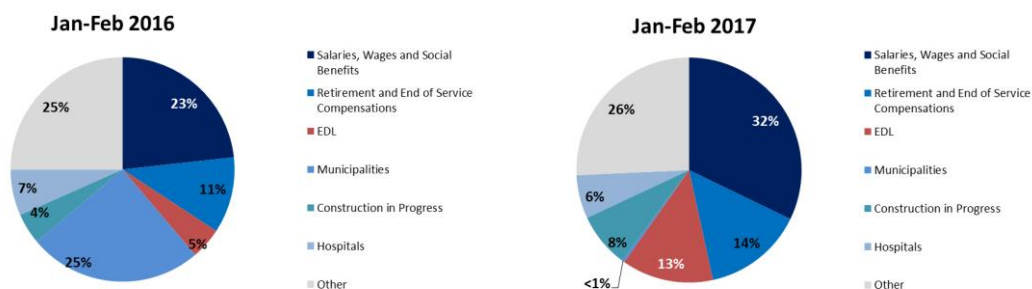
Payments for salaries, wages and related benefits increased by LL 57 billion during the covered period, from LL 698 billion in Jan-Feb 2016 to LL 755 billion in Jan-Feb 2017. Overall, the growth is mainly due to (i) a LL 67 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 10 billion rise in “other payments” to government subscription and contributions in the government employees cooperative, and (iii) a LL 9 billion increase in basic salaries and other benefits paid to civil personnel. The increase was partly counterbalanced by a LL 38 billion drop in basic salaries and related benefits to education personnel.

In details, the growth in salaries, wages and related benefits was mainly due to (i) a LL 41 billion increase in allowances and a LL 13 billion growth in basic salaries to the Army, (ii) an LL 11 billion rise in allowances and a LL 6 billion increase in basic salaries to the Internal Security Forces and (iii) a LL 9 billion increase in Customs salaries. These increases were partially offset by a LL 36 billion drop in basic salaries to education personnel.

Moreover, salaries, wages and related benefits accounted for 23.3 percent of total primary spending in Jan-Feb 2016, and increased to 32.2 percent of the total in Jan-Feb 2017<sup>3</sup>. The following figures present the primary spending breakdown by component during the period under review.

<sup>3</sup> 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 22 percent year-on-year in Jan-Feb 2017, driven by lower payments to municipalities.

**Figure 3. Primary Spending Breakdown by Component during Jan-Feb 2016 and Jan-Feb 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-Feb 2016 and Jan-Feb 2017**

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
<b>Military Personnel</b>	374	394	17	15	38	86	0	1	430	496
Army	239	252	10	10	13	54	0	0	262	315
Internal Security Forces	105	111	4	4	18	29	0	0	128	145
General Security Forces	25	25	1	1	5	2	0	1	30	28
State Security Forces	6	6	2	0	2	1	0	0	11	8
<b>Education Personnel</b>	145	109	9	10	0	0	10	8	165	127
<b>Civilian Personnel 1/</b>	63	65	9	10	1	1	5	11	78	86
<b>Government contribution to employees cooperative 2/</b>							20	30	20	30
<b>Customs Salaries 3/</b>									6	15
<b>Unclassified</b>									0	0
<b>Total</b>	<b>582</b>	<b>568</b>	<b>35</b>	<b>36</b>	<b>39</b>	<b>87</b>	<b>36</b>	<b>49</b>	<b>698</b>	<b>755</b>

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 568 billion by the end of February 2017, decreasing by LL 14 billion from the same period of 2016. The latter drop was mainly the result of a decrease in basic salaries to education personnel.

### **II.A.a. Basic Salaries of Military Personnel**

The 5.4 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 14 billion and those to permanent employees of the Internal Security Forces that increased by LL 7 billion. The increase was partly driven by professional allowances of LL 1.5 billion paid to specialized military officers<sup>4</sup> and possibly to the recruitment and promotion of military personnel. Moreover, these increases 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 24.9 percent in the first two months of 2017 compared to the same period in 2016, standing at LL 109 billion. The drop was mainly due to the LL 28 billion disbursed in February 2016 in retroactive payments. Moreover, the annual decline was attributed to a decrease of LL 8 billion (11.5 percent) in the salaries of permanent employees in primary education, and to a drop of LL 2 billion (6.7 percent) in the salaries of permanent employees in secondary education. These decreases were partially offset by a LL 2 billion increase in the salaries of contractuels at the Directorate General of Vocational Training.

### **II.A.c Basic Salaries of Civilian Personnel**

Payments to civilian personnel increased by LL 2 billion (2.7 percent) in Jan-Feb 2017 compared to the first two months of 2016. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represented the largest wage bill in Jan-Feb 2017, with a share of 25.8 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (16.6 percent), the Ministry of Finance (8.5 percent) and the Ministry of Public Health (7.6 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 2 billion (56 percent) year-on-year in Jan-Feb 2017. In parallel, basic salaries and wages to employees in the MoFA decreased by 6.6 percent year-on-year in the first two months of 2017, mainly due to a drop in basic salaries of diplomats in Lebanese overseas missions and to lower retroactive payments.

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<sup>4</sup> 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-Feb 2016 and Jan-Feb 2017**

(LL million)	Jan-Feb 2016	Jan-Feb 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	17,861	16,681	26%
Ministry of Justice	10,739	10,746	17%
Parliament	5,518	5,536	9%
Ministry of Finance	5,077	5,476	8%
Presidency of the Council of Ministers	4,925	5,006	8%
Ministry of Public Health	3,142	4,900	8%
Ministry of Public Works and Transportation	2,532	3,034	5%
Ministry of Agriculture	2,538	2,497	4%
Ministry of National Defense	1,754	1,810	3%
Ministry of Interior	1,627	1,699	3%
Other	7,223	7,249	11%
<b>Total</b>	<b>62,936</b>	<b>64,634</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 notably by LL 48 billion to reach LL 87 billion in Jan-Feb 2017. The substantial increase was mainly due to a rise of LL 41 billion in allowances to the Army personnel and to a growth of LL 11 billion in allowances to the Internal Security Forces. The allowances granted to the State Security Forces, Education personnel and Civil personnel remained almost unchanged.

More specifically, allowances to the Internal Security Forces mainly increased given higher hospital allowances of LL 12.5 billion and greater medical allowances of LL 1.4 billion.

Moreover, allowances to the Army increased in Jan-Feb 2017, driven mainly by a rise in (i) hospital expenses of LL 36 billion, (ii) sickness and maternity allowances of LL 7 billion, and (iii) marriage allowances of LL 3 billion.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 30 billion in Jan-Feb 2017, up from LL 20 billion in Jan-Feb 2016.



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