

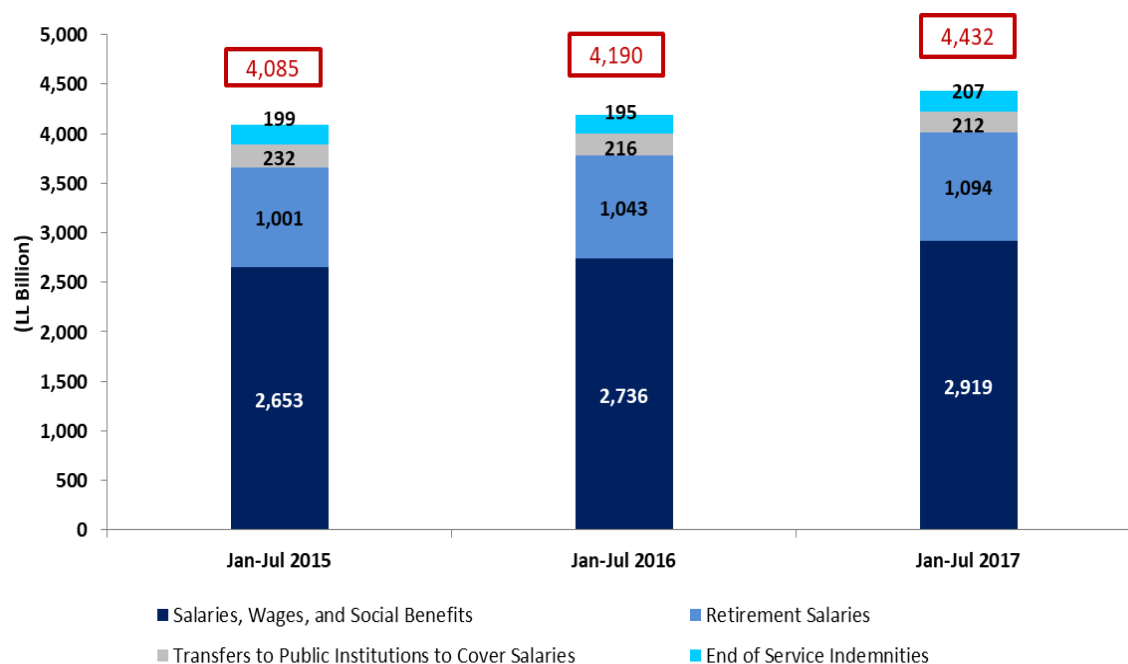
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 242 billion (5.8 percent) year-on-year in the first seven months of 2017 to reach LL 4,432 billion from LL 4,190 billion in the same period of 2016². The increase was mainly due to a rise in salaries, wages and related benefits (6.7 percent) and a growth in retirement and end-of-service compensations (5 percent). Moreover, transfers to public institutions to cover salaries stood at LL 212 billion at the end of July 2017, down by 1.6 percent from the same period a year earlier.

In terms of composition, the cost of basic salaries accounted for 69.7 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Jul 2017, followed by allowances (16 percent) and employment benefits (4.5 percent), while “other payments” and “unclassified allowances” represented the remaining 9.8 percent of the total.

Figure 1. Personnel Cost Breakdown by Component in Jan-Jul 2015, Jan-Jul 2016 and Jan-Jul 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 65.2 percent in Jan-Jul 2015, 66.6 percent in Jan-Jul 2016, and 68.9 percent in Jan-Jul 2017. The reason behind the annual increase 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.

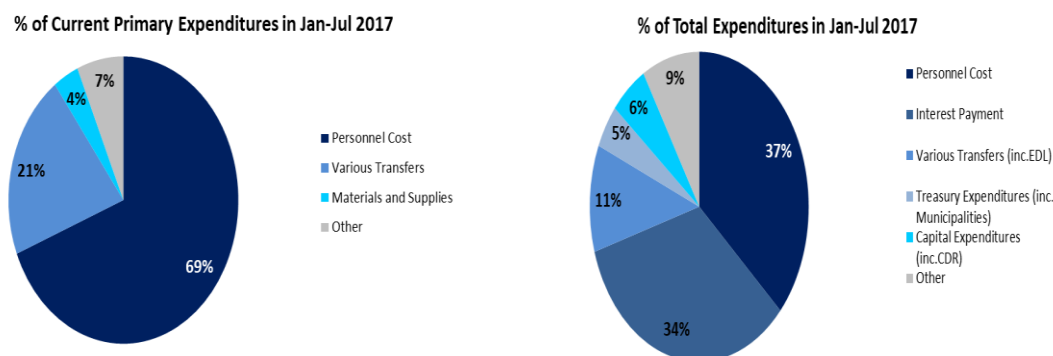
² The figures used are those published in the Public Finance Monthly Monitor report – July 2017.

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 personnel cost relative to the slightly larger base of current primary expenditures over the covered period.

Moreover, personnel cost represented 35 percent of total expenditures by the end of July 2015, decreasing to 33.6 percent of the total by end-July 2016, then growing to 36.7 percent of total expenditures by end-July 2017. The increase in the share of personnel cost from total expenditure is mainly due to an annual drop of 3.2 percent in total expenditures in Jan-Jul 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first seven months of 2017:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-Jul 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 183 billion during the first seven months of 2017, from LL 2,737 billion in Jan-Jul 2016 to LL 2,919 billion in Jan-Jul 2017⁴. Overall, this growth is mainly due to (i) a LL 164 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 16 billion increase in basic salaries and other benefits paid to civil personnel, and (iii) a LL 69 billion rise in government subscriptions and contributions in the employees cooperative. The increase was partly counterbalanced by a LL 78 billion drop in basic salaries and related benefits to education personnel.

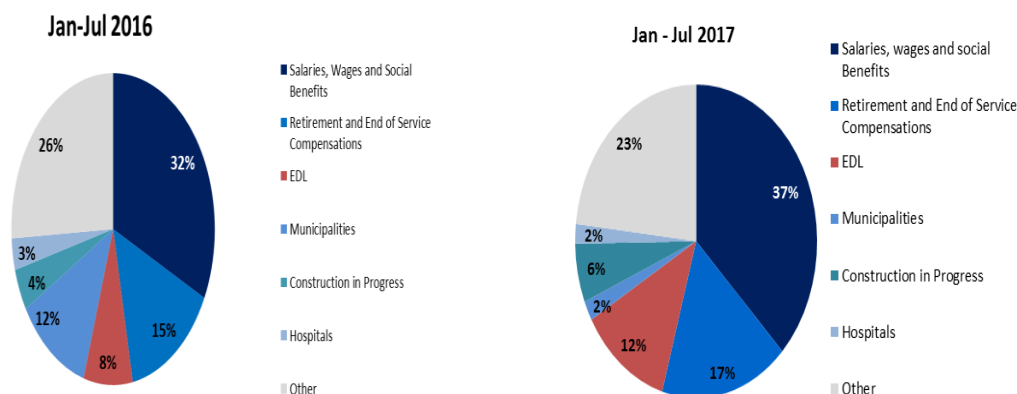
In details, the increase in salaries, wages and related benefits was attributed to (i) a LL 79 billion growth in allowances and a LL 36 billion rise in basic salaries to the Army, (ii) a LL 32 billion increase in allowances and a LL 9 billion increase in basic salaries to the Internal Security Forces, along with (iii) a LL 6 billion growth in basic salaries to the General Security Forces. These increases were counterbalanced in part by a LL 67 billion drop in basic salaries to education personnel.

Furthermore, salaries, wages and related benefits represented 32.3 percent of total primary spending in Jan-Jul 2016, and increased to 37.2 percent of the total in Jan-Jul 2017⁵. The following figures present the primary spending breakdown by component during the period under review.

⁴ Figures slightly differ from those published in the Public Finance Monthly Monitor report- July 2017 due to the effect of rounding.

⁵ 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 7.4 percent year-on-year in Jan-Jul 2017, driven mainly by lower payments to municipalities.

Figure 3. Primary Spending Breakdown by Component during Jan-Jul 2016 and Jan-Jul 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-Jul 2016 and Jan-Jul 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 | 1,311 | 1,362 | 53 | 52 | 352 | 465 | 1 | 1 | 1,717 | 1,881 |
| Army | 840 | 876 | 33 | 34 | 207 | 286 | 0 | 0 | 1,080 | 1,196 |
| Internal Security Forces | 362 | 371 | 15 | 15 | 109 | 141 | 0 | 0 | 487 | 528 |
| General Security Forces | 87 | 92 | 2 | 2 | 26 | 28 | 1 | 1 | 116 | 124 |
| State Security Forces | 22 | 23 | 3 | 1 | 10 | 10 | 0 | 0 | 34 | 34 |
| Education Personnel | 538 | 471 | 34 | 34 | 0 | 0 | 26 | 16 | 598 | 521 |
| Civilian Personnel 1/ | 195 | 202 | 41 | 44 | 3 | 3 | 25 | 31 | 264 | 279 |
| Government contribution to employees cooperative 2/ | | | | | | | 136 | 205 | 136 | 205 |
| Customs Salaries 3/ | | | | | | | | | 21 | 30 |
| Unclassified | | | | | | | | | 0 | 3 |
| Total | 2,044 | 2,035 | 128 | 131 | 355 | 468 | 189 | 253 | 2,737 | 2,919 |

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 2,035 billion by the end of July 2017, decreasing by LL 9 billion (0.4 percent) from the same period of 2016. The latter drop was primarily the result of a decrease in basic salaries to education personnel counterbalanced by increases in basic salaries to Military personnel and Civilian personnel.

II.A.a. Basic Salaries of Military Personnel

The 3.9 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 35 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 officers⁶ 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 12.5 percent in the first seven months of 2017 compared to the same period in 2016, standing at LL 471 billion. The decline was attributed in part to the LL 28 billion disbursed in 2016 as one-off retroactive payments. Moreover, the decrease in salaries to education personnel was also the result of (i) a drop of LL 19 billion (7.8 percent) in the salaries of permanent employees in primary education, (ii) a decrease of LL 14 billion (17.3 percent) in the salaries of contractuels in primary and intermediate education, and (iii) a decline of LL 8 billion (7 percent) in the salaries of permanent employees in secondary education. These decreases were counterbalanced slightly by a LL 3 billion rise in the salaries of employees at the Directorate General of Education and 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

Basic salary payments to civilian personnel grew by LL 7 billion (3.6 percent) in Jan-Jul 2017 compared to the first seven months of 2016. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in Jan-Jul 2017, with a share of 19.2 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (18.5 percent), the Ministry of Finance (9.5 percent) and the Ministry of Public Health (6.3 percent). *(For further details, kindly refer to table 2)*

In details, employees in the Ministry of Foreign Affairs and Emigrants witnessed the most notable increase in basic salaries and wages that grew by LL 2.6 billion (7.3 percent) year-on-year in Jan-Jul 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 seven months of 2017.

⁶ 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-Jul 2016 and Jan-Jul 2017

| (LL million) | Jan-Jul 2016 | Jan-Jul 2017 | % from Total Civilian Personnel in 2017 |
|---|-----------------|-----------------|---|
| Ministry of Foreign Affairs and Emigrants | 35,998 | 38,614 | 19% |
| Ministry of Justice | 37,768 | 37,254 | 18% |
| Ministry of Finance | 18,460 | 19,250 | 10% |
| Parliament | 19,311 | 19,215 | 10% |
| Presidency of the Council of Ministers | 17,286 | 17,656 | 9% |
| Ministry of Public Health | 10,836 | 12,645 | 6% |
| Ministry of Public Works and Transportation | 8,846 | 10,746 | 5% |
| Ministry of Agriculture | 9,099 | 9,006 | 4% |
| Ministry of National Defense | 6,181 | 6,387 | 3% |
| Ministry of Interior | 5,831 | 5,938 | 3% |
| Other | 24,951 | 24,865 | 12% |
| Total | 194,567 | 201,574 | 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 113 billion (31.8 percent) to reach LL 468 billion in Jan-Jul 2017. The increase was mainly due to a rise of LL 79 billion in allowances to the Army and an increase of LL 32 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 seven months of 2017, given the increase of LL 76 billion in hospital expenses and to a LL 4 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 during the covered period given the surge in hospital expenses of LL 30 billion and the increase of LL 4 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 sickness and maternity allowances.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 205 billion in Jan-Jul 2017, up from LL 136 billion in Jan-Jul 2016.

For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059

Email: infocenter@finance.gov.lb

Website: www.finance.gov.lb