

I. Personnel Cost

I.A. General Overview

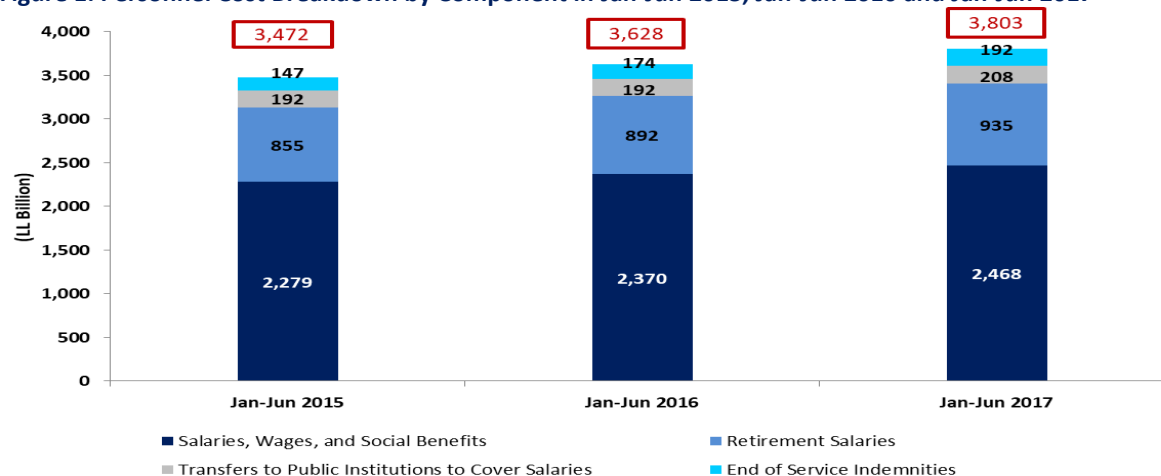
Personnel cost¹ increased by LL 175 billion (4.8 percent) year-on-year in the first half of 2017 to reach LL 3,803 billion from LL 3,628 billion in the same period of 2016². The increase was mainly due to a rise in salaries, wages and related benefits (4.1 percent) and a growth in retirement and end-of-service compensations (5.7 percent). Moreover, transfers to public institutions to cover salaries stood at LL 208 billion at the end of June 2017, up by 8.2 percent from the same period a year earlier.

In terms of composition, the cost of basic salaries accounted for 71.3 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Jun 2017, followed by allowances (14.8 percent) and employment benefits (4.5 percent), while “other payments” and “unclassified allowances” represented the remaining 9.4 percent of the total.

The breakdown of salaries and wages shows that basic salaries to public sector employees were nearly unchanged year-on-year in the first half of 2017. Basic salaries to military personnel grew by 4.2 percent, of which salaries to the General Security Forces increased by 6.6 percent, followed by those to the Army (+4.4 percent), those to the Internal Security forces (+3.4 percent), and by those to the State Security Forces (+1.9 percent). Moreover, salaries to Civil personnel rose by 2 percent year-on-year in Jan-Jun 2017, while basic salaries of Education Personnel regressed by 8.6 percent year-on-year.

The increase in the salaries to military personnel was due to professional allowances paid to specialized military officers and to the recruitment and promotion of military personnel. In contrast, the decline in salaries to Education personnel was mainly due to one-off retroactive salary payments disbursed in 2016 and to a drop in the salaries of permanent employees in primary and secondary education.

Figure 1. Personnel Cost Breakdown by Component in Jan-Jun 2015, Jan-Jun 2016 and Jan-Jun 2017



Source: Ministry of Finance, Directorate General of Finance

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

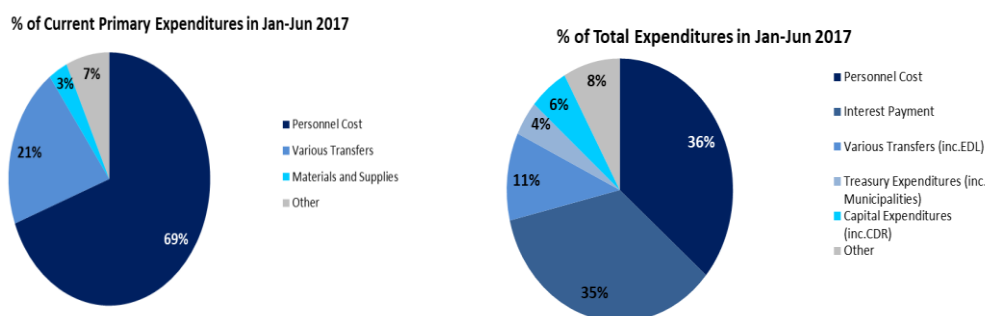
² The figures used are those published in the Public Finance Monthly Monitor report – June 2017, despite the fact that they might slightly differ from the ones available in table 1 due to the rounding of figures.

I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditures³, contributing to 65.1 percent in Jan-Jun 2015, 68.4 percent in Jan-Jun 2016, and 69.3 percent in Jan-Jun 2017. The reason behind the annual increase of personnel cost as a share of current primary expenditures was mainly due to a higher growth rate in personnel cost relative to the larger base of current primary expenditures over the covered period.

Moreover, personnel cost represented 33.9 percent of total expenditures by the end of June 2015, decreasing to 33.1 percent of the total by end-June 2016, but then grew to 36.2 percent of total expenditures by end-June 2017. The increase in the share of personnel cost from total expenditure is mainly due to an annual drop of 4.2 percent in total expenditures in Jan-Jun 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first six months of 2017:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-Jun 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 97 billion during the first six months of 2017, from LL 2,371 billion in Jan-Jun 2016 to LL 2,468 billion in Jan-Jun 2017⁴. Overall, this growth is mainly due to (i) a LL 74 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 15 billion increase in basic salaries and other benefits paid to civil personnel, and (iii) a LL 38 billion rise in “other payments” to government subscription and contributions in the government employees cooperative. The increase was partly counterbalanced by a LL 42 billion drop in basic salaries and related benefits to education personnel.

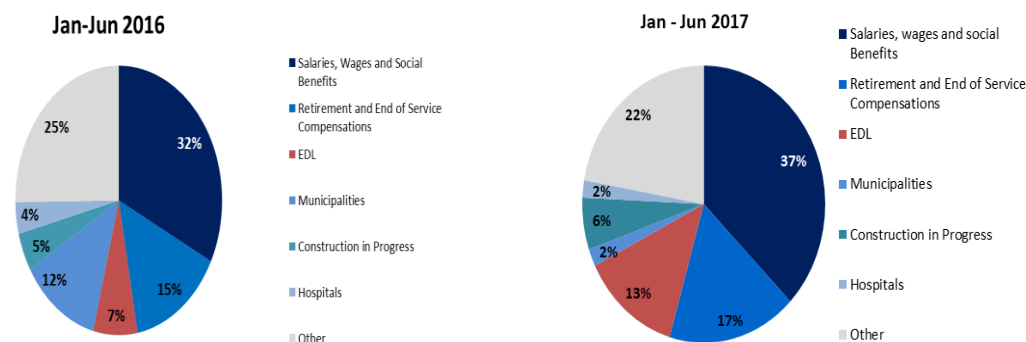
In details, the increase in salaries, wages and related benefits was attributed to (i) a LL 32 billion growth in basic salaries to the Army, (ii) a LL 27 billion increase in allowances and a LL 10 billion increase in basic salaries to the Internal Security Forces, and (iii) a LL 5 billion rise in basic salaries to the General Security Forces. These increases were partly counterbalanced by a LL 39 billion drop in basic salaries to education personnel.

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

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

Furthermore, salaries, wages and related benefits represented 32.5 percent of total primary spending in Jan-Jun 2016, and increased to 36.9 percent of the total in Jan-Jun 2017⁵. The following figures present the primary spending breakdown by component during the period under review.

Figure 3. Primary Spending Breakdown by Component during Jan-Jun 2016 and Jan-Jun 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-Jun 2016 and Jan-Jun 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	1,122	1,169	46	45	334	362	1	1	1,503	1,577
Army	719	750	29	29	195	195	0	0	943	974
Internal Security Forces	309	320	13	13	104	131	0	0	426	464
General Security Forces	75	80	2	2	25	26	1	1	103	109
State Security Forces	19	19	3	1	10	10	0	0	31	30
Education Personnel	458	419	29	29	0	0	18	16	506	464
Civilian Personnel 1/	169	173	34	38	3	2	21	30	228	243
Government contribution to employees cooperative 2/							116	154	116	154
Customs Salaries 3/									18	27
Unclassified									0	3
Total	1,749	1,761	110	112	337	364	157	201	2,371	2,468

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.

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 8.5 percent year-on-year in Jan-Jun 2017, driven mainly by lower payments to municipalities.

II.A. Basic Salaries and Wages

Basic salaries of public sector employees, excluding indemnities, allowances and other benefits, reached LL 1,761 billion by the end of June 2017, increasing by LL 11 billion (0.6 percent) from the same period of 2016.

II.A.a. Basic Salaries of Military Personnel

The 4.2 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 32 billion and those to permanent employees of the Internal Security Forces that increased by LL 9 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. Moreover, 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 8.6 percent in the first half of 2017 compared to the same period in 2016, standing at LL 419 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 a decline of LL 17 billion (8 percent) in the salaries of permanent employees in primary education, and to a drop of LL 6.5 billion (7 percent) in the salaries of permanent employees in secondary education. These decreases were slightly counterbalanced by a LL 4 billion rise in the salaries of contractual employees in primary and intermediate 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 3 billion (2 percent) in Jan-Jun 2017 compared to the first half of 2016. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in Jan-Jun 2017, with a share of 19.1 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (18.4 percent), the Ministry of Finance (9.5 percent) and the Ministry of Public Health (6.4 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 1.9 billion (24.8 percent) year-on-year in Jan-Jun 2017. In parallel, basic salaries and wages to employees in the Ministry of Agriculture regressed by 3.3 percent year-on-year in the first six 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-Jun 2016 and Jan-Jun 2017

(LL million)	Jan-Jun 2016	Jan-Jun 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	32,875	32,946	19%
Ministry of Justice	32,401	31,780	18%
Parliament	16,552	16,482	10%
Ministry of Finance	15,764	16,464	10%
Presidency of the Council of Ministers	15,077	15,037	9%
Ministry of Public Health	9,403	11,119	6%
Ministry of Public Works and Transportation	7,532	9,396	5%
Ministry of Agriculture	7,864	7,601	4%
Ministry of National Defense	5,326	5,487	3%
Ministry of Interior	5,040	5,100	3%
Other	21,539	21,354	12%
Total	169,373	172,766	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 27 billion (8.1 percent) to reach LL 364 billion in Jan-Jun 2017. The increase was mainly due to a rise of LL 27 billion in allowances to the Internal Security Forces. Moreover, the allowances granted to the Army, General Security Forces, State Security Forces, Education personnel, and Civil personnel were nearly unchanged over the covered period.

More specifically, allowances to the Internal Security Forces mainly increased in the first half of 2017 given the significant rise in hospital expenses of LL 33 billion that was counterbalanced by a drop of LL 3 billion in school allowances and by a decrease of LL 2 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 154 billion in Jan-Jun 2017, up from LL 116 billion in Jan-Jun 2016.



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