

I. Personnel Cost

I.A. General Overview

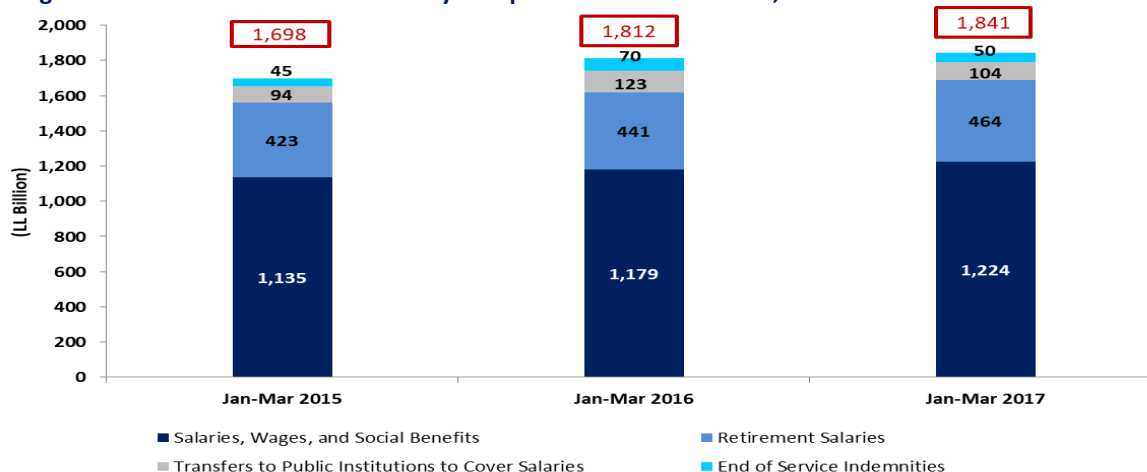
Personnel cost¹ increased by LL 29 billion (1.6 percent) year-on-year in the first quarter of 2017 to reach LL 1,841 billion from LL 1,812 billion in the same period of 2016². The increase was mainly due to a rise in salaries, wages and related benefits (3.8 percent) and a growth in retirement salaries (5.2 percent). This was partly offset by a decrease in end-of-service compensations (28.8 percent). Moreover, transfers to public institutions to cover salaries stood at LL 104 billion at the end of March 2017, down by 15.4 percent from 2016.

In terms of composition, the cost of basic salaries accounted for 73.1 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Mar 2017, followed by allowances (12 percent) and employment benefits (4.2 percent), while “other payments” and “unclassified allowances” represented the remaining 10.5 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 quarter of 2017. Basic salaries to military personnel grew by 5.3 percent, of which salaries to the General Security Forces increased by 14.7 percent, followed by those to the Internal Security forces (+5.6 percent), those to the Army (+4.3 percent) and by those to the State Security Forces (+0.3 percent). Moreover, salaries to Civil personnel rose by 2.3 percent year-on-year in Jan-Mar 2017, while basic salaries of Education Personnel regressed by 14 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 education.

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

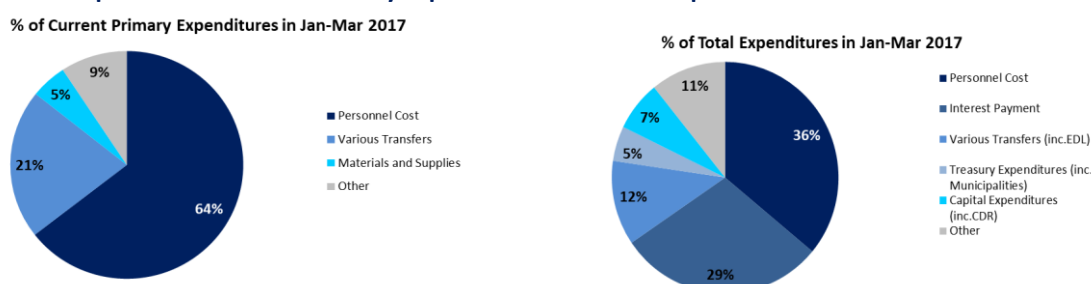
² The figures used are those published in the Public Finance Monthly Monitor report – March 2017.

I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditures³, contributing to 62.4 percent in Jan-Mar 2015, 63.1 percent in Jan-Mar 2016, and 64.5 percent in Jan-Mar 2017. The reason behind the yearly increase of personnel cost as a share of current primary expenditures was related to (i) a lower level of current primary expenditures, coupled with (ii) a yearly increase in personnel cost during the covered period.

Moreover, personnel cost accounted for 35.8 percent of total expenditures by the end of March 2015, decreasing to 31 percent of the total by end-March 2016, but then jumped to 36 percent of total expenditures by end-March 2017. Similarly, the increase in the share of personnel cost from total expenditure is mainly due to an annual drop of 12.5 percent in total expenditures in Jan-Mar 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first three months of 2017:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-Mar 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 44 billion during the covered period, from LL 1,180 billion in Jan-Mar 2016 to LL 1,224 billion in Jan-Mar 2017⁴. Overall, this growth is mainly due to (i) a LL 49 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 14 billion rise in “other payments” to government subscription and contributions in the government employees cooperative, and (iii) a LL 7 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.

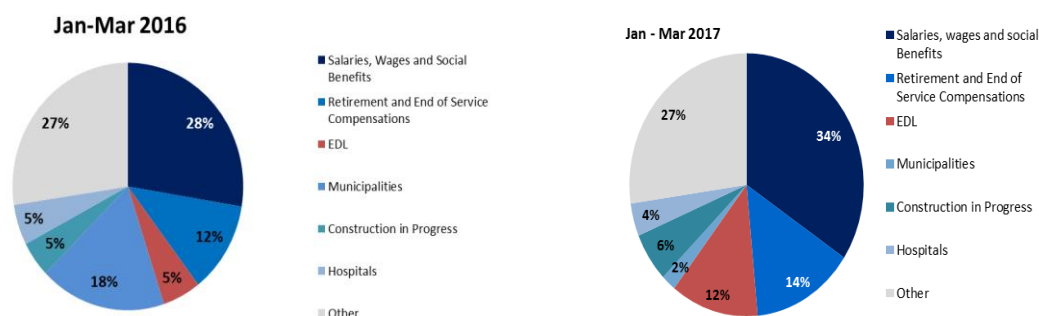
Specifically, the growth in salaries, wages and related benefits during the covered period was mainly due to (i) a LL 16 billion increase in basic salaries to the Army, along with (ii) a LL 26 billion rise in allowances and a LL 9 billion increase in basic salaries to the Internal Security Forces. These increases were partially offset by a LL 34 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- March 2017 due to the effect of rounding.

Furthermore, salaries, wages and related benefits represented 27.6 percent of total primary spending in Jan-Mar 2016, and increased to 34.4 percent of the total in Jan-Mar 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-Mar 2016 and Jan-Mar 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-Mar 2016 and Jan-Mar 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	562	592	24	23	126	146	0	1	712	762
Army	361	376	14	14	72	70	0	0	447	461
Internal Security Forces	156	164	7	7	41	67	0	0	203	238
General Security Forces	37	42	1	1	10	7	0	1	47	51
State Security Forces	10	10	2	0	3	3	0	0	15	13
Education Personnel	247	212	14	14	0	0	10	8	271	234
Civilian Personnel 1/	88	90	14	16	1	1	13	16	116	123
Government contribution to employees cooperative 2/							71	85	71	85
Customs Salaries 3/									9	18
Unclassified									0	3
Total	897	894	53	52	127	147	95	110	1,180	1,224

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 16.7 percent year-on-year in Jan-Mar 2017, driven 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 894 billion by the end of March 2017, decreasing by LL 3 billion from the same period of 2016. The latter decline was mainly the result of a decrease in basic salaries to education personnel counterbalanced by the increase in salaries to the military personnel.

II.A.a. Basic Salaries of Military Personnel

The 5.3 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 16 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. 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 14 percent in the first quarter of 2017 compared to the same period in 2016, standing at LL 212 billion. The drop was mainly due to the LL 28 billion disbursed in February 2016 in retroactive payments. Moreover, the decrease in salaries to education personnel was also the result of a drop of a LL 10.5 billion (10 percent) in the salaries of permanent employees in primary education, and to a decrease of LL 3 billion (23 percent) in the salaries of contractual employees in secondary education. These decreases were partially offset by a LL 3 billion increase in the salaries of permanent employees in secondary education and 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 2 billion (2.3 percent) in Jan-Mar 2017 compared to the first three months of 2016. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represented the largest wage bill in Jan-Mar 2017, with a share of 21 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (17.8 percent), the Ministry of Finance (9.1 percent) and the Ministry of Public Health (7.1 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 (36.7 percent) year-on-year in Jan-Mar 2017. In parallel, basic salaries and wages to employees in the MoFA decreased by 7 percent year-on-year in the first quarter of 2017, mainly due to a drop in basic salaries of diplomats in Lebanese overseas missions, and to lower retroactive payments.

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-Mar 2016 and Jan-Mar 2017

(LL million)	Jan-Mar 2016	Jan-Mar 2017	% from Total Civilian Personnel in 2017
Ministry of Foreign Affairs and Emigrants	20,399	18,966	21%
Ministry of Justice	16,243	16,090	18%
Parliament	8,277	8,277	9%
Ministry of Finance	7,609	8,216	9%
Presidency of the Council of Ministers	7,383	7,530	8%
Ministry of Public Health	4,713	6,443	7%
Ministry of Public Works and Transportation	3,792	4,932	5%
Ministry of Agriculture	3,873	3,741	4%
Ministry of National Defense	2,644	2,704	3%
Ministry of Interior	2,459	2,551	3%
Other	10,789	10,782	12%
Total	88,181	90,231	100%

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 20 billion (15.9 percent) to reach LL 147 billion in Jan-Mar 2017. The substantial increase was primarily due to a rise of LL 26 billion in allowances to the Internal Security Forces. On the other hand, the allowances granted to the Army, 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 quarter of 2017 given the significant rise in hospital expenses of LL 30 billion that was partly counterbalanced by a drop 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 85 billion in Jan-Mar 2017, up from LL 71 billion in Jan-Mar 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