

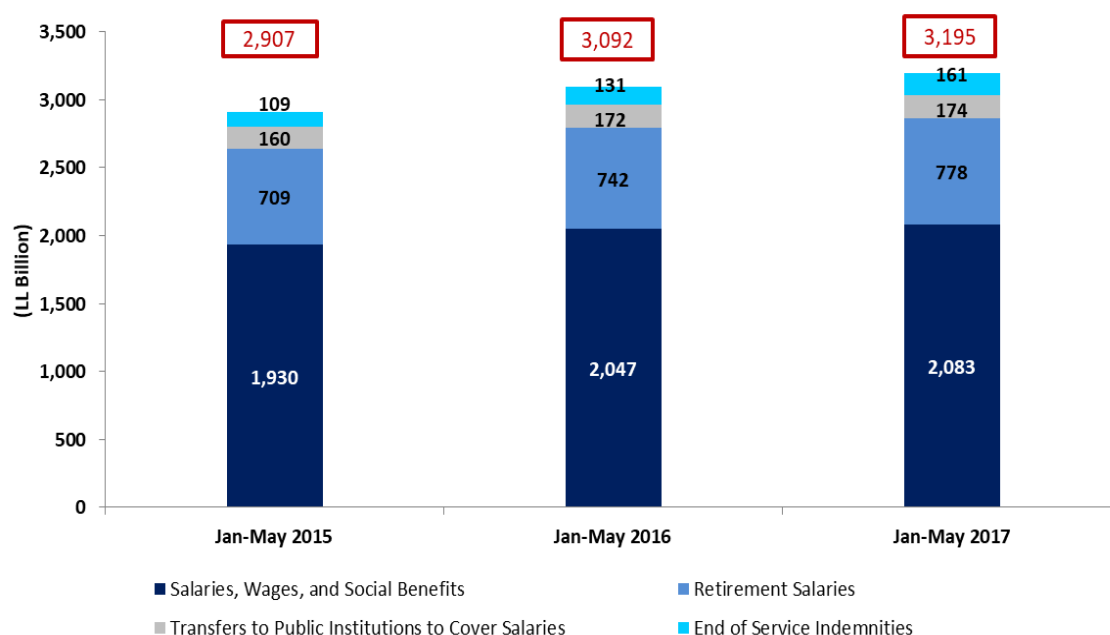
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 103 billion (3.3 percent) year-on-year in the first five months of 2017 to reach LL 3,195 billion from LL 3,092 billion in the same period of 2016². The increase was mainly due to a rise in salaries, wages and related benefits (1.7 percent) and a growth in retirement and end-of-service compensations (7.6 percent). Moreover, transfers to public institutions to cover salaries stood at LL 174 billion at the end of May 2017, up by 0.9 percent from the same period a year earlier.

In terms of composition, the cost of basic salaries accounted for 69 percent of total payments for salaries wages and related benefits to public sector employees in Jan-May 2017, followed by allowances (17.2 percent), and employment benefits (4.5 percent), while “other payments” and “unclassified allowances” represented the remaining 9.3 percent of the total.

Figure 1. Personnel Cost Breakdown by Component in Jan-May 2015, Jan-May 2016 and Jan-May 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 65.6 percent in Jan-May 2015, 67.4 percent in Jan-May 2016, and 69.1 percent in Jan-May 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 that of the current primary expenditures over the covered period.

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

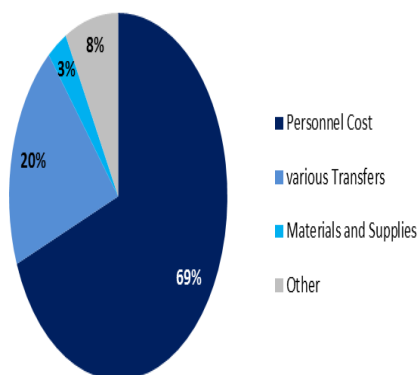
² The figures used are those published in the Public Finance Monthly Monitor report – May 2017.

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

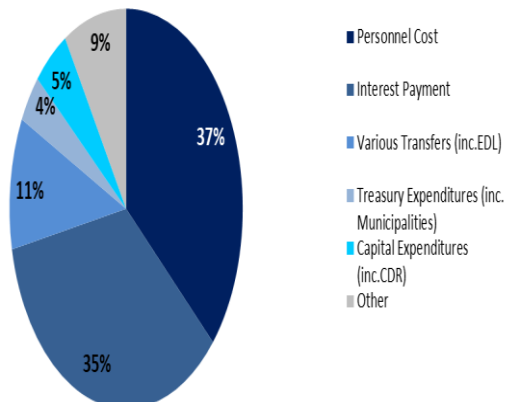
Moreover, personnel cost represented 33.5 percent of total expenditures by the end of May 2015, decreasing to 33 percent of the total by end-May 2016 then growing to 36.6 percent of total expenditures by end-May 2017. Similarly, the increase in the share of personnel cost from total expenditure is mainly due to an annual drop of 6.9 percent in total expenditures in Jan-May 2017. The following figures represent the composition of current primary expenditures and total expenditures in the first five months of 2017:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-May 2017

% of Current Primary Expenditures in Jan-May 2017



% of Total Expenditures in Jan-May 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 34 billion during the first five months of 2017, from LL 2,048 billion in Jan-May 2016 to LL 2,083 billion in Jan-May 2017⁴. Overall, this growth is mainly due to (i) a LL 91 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 9 billion increase in basic salaries and other benefits paid to civil personnel, (iii) an LL 8 billion rise in the government subscription and contributions in the Employees cooperative and (iv) a LL 9 billion increase in Customs salaries. The increase was partly counterbalanced by an LL 86 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 25 billion growth in basic salaries and a LL 10 billion rise in allowances to the Army, (ii) a LL 35 billion increase in allowances and a LL 12 billion increase in basic salaries to the Internal Security Forces, and (iii) a LL 7 billion rise in basic salaries and a LL 2 billion rise in allowances to the General Security Forces. These increases were partly offset by an LL 83 billion drop in basic salaries to education personnel.

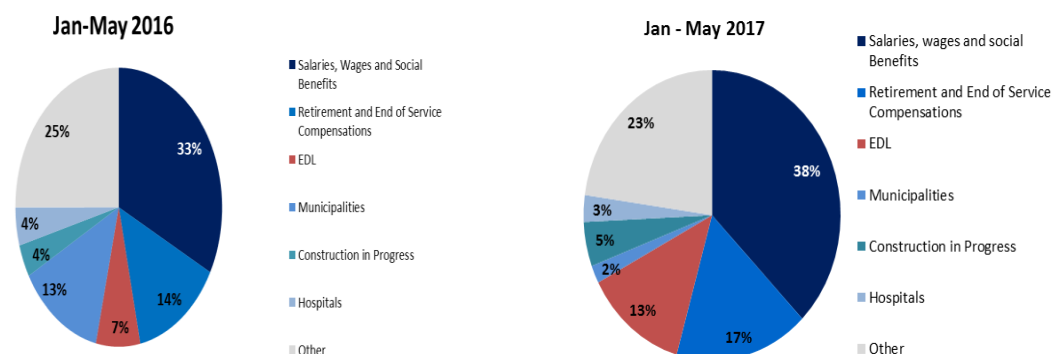
Furthermore, salaries, wages and related benefits represented 32.7 percent of total primary spending in Jan-May 2016, and increased to 37.6 percent of the total in Jan-May 2017⁵. The

⁴ Figures slightly differ from those published in the Public Finance Monthly Monitor report- May 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 11.5 percent year-on-year in Jan-May 2017, driven mainly by lower payments to municipalities.

following figures present the primary spending breakdown by component during the period under review.

Figure 3. Primary Spending Breakdown by Component during Jan-May 2016 and Jan-May 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-May 2016 and Jan-May 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	931	975	39	37	309	357	1	1	1,279	1,371
Army	598	624	24	24	183	193	0	0	805	841
Internal Security Forces	256	269	11	11	94	129	0	0	362	409
General Security Forces	60	67	1	2	23	25	0	1	85	95
State Security Forces	16	16	3	1	9	9	0	0	27	26
Education Personnel	403	319	24	24	0	0	18	16	445	359
Civilian Personnel 1/	141	143	28	31	3	2	20	25	193	201
Government contribution to employees cooperative 2/							116	124	116	124
Customs Salaries 3/									15	24
Unclassified									0	3
Total	1,475	1,437	91	93	312	359	155	167	2,048	2,083

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 1,437 billion by the end of May 2017, declining by LL 38 billion (2.6 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 4.8 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 25 billion and those to permanent employees of the Internal Security Forces that increased by LL 11 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 20.7 percent in the first five months of 2017 compared to the same period in 2016, standing at LL 319 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 decrease of LL 31 billion (48 percent) in the salaries of contractuels in primary and intermediate education, and to a drop of LL 15 billion (8.4 percent) in the salaries of permanent employees in primary education. These decreases were counterbalanced slightly 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 1 billion (1 percent) in Jan-May 2017 compared to the first five months of 2016. At the level of ministries, the Ministry of Justice represented the largest wage bill in Jan-May 2017, with a share of 18.6 percent of total salaries and wages to civilian personnel, followed by the Ministry of Foreign Affairs (MoFA) (18.1 percent), the Ministry of Finance (9.6 percent) and the Ministry of Public Health (6.7 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 1.8 billion (28.3 percent) year-on-year in Jan-May 2017. In parallel, basic salaries and wages to employees in the MoFA regressed by 8.3 percent year-on-year in the first five months 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-May 2016 and Jan-May 2017

(LL million)	Jan-May 2016	Jan-May 2017	% from Total Civilian Personnel in 2017
Ministry of Justice	26,913	26,559	19%
Ministry of Foreign Affairs and Emigrants	28,159	25,827	18%
Ministry of Finance	13,000	13,696	10%
Parliament	13,781	13,445	9%
Presidency of the Council of Ministers	12,318	12,539	9%
Ministry of Public Health	7,829	9,548	7%
Ministry of Public Works and Transportation	6,284	8,060	6%
Ministry of Agriculture	6,540	6,259	4%
Ministry of National Defense	4,432	4,524	3%
Ministry of Interior	4,150	4,250	3%
Other	17,818	17,838	13%
Total	141,225	142,544	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 47 billion (15.1 percent) to reach LL 359 billion in Jan-May 2017. The substantial increase was primarily due to a rise of LL 35 billion in allowances to the Internal Security Forces, a growth of LL 10 billion in allowances disbursed to the Army, and a rise of LL 2 billion in allowances to the General Security Forces. The allowances granted to the State Security Forces, 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 five months of 2017 given the significant rise in hospital expenses of LL 34 billion and school allowances of LL 2.5 billion that were slightly counterbalanced by a drop of LL 1 billion in medical allowances.

Moreover, allowances to the Army grew in the covered period given the increase in sickness and maternity allowances of LL 7 billion and to a rise of LL 6 billion in school allowances that were partly offset by a decrease of LL 3 billion in social allowances and a drop of LL 2.5 billion in hospital expenses.

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

Payments to government subscription and contributions to the Employees Cooperative was LL 124 billion in Jan-May 2017, up from LL 116 billion in Jan-May 2016.

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