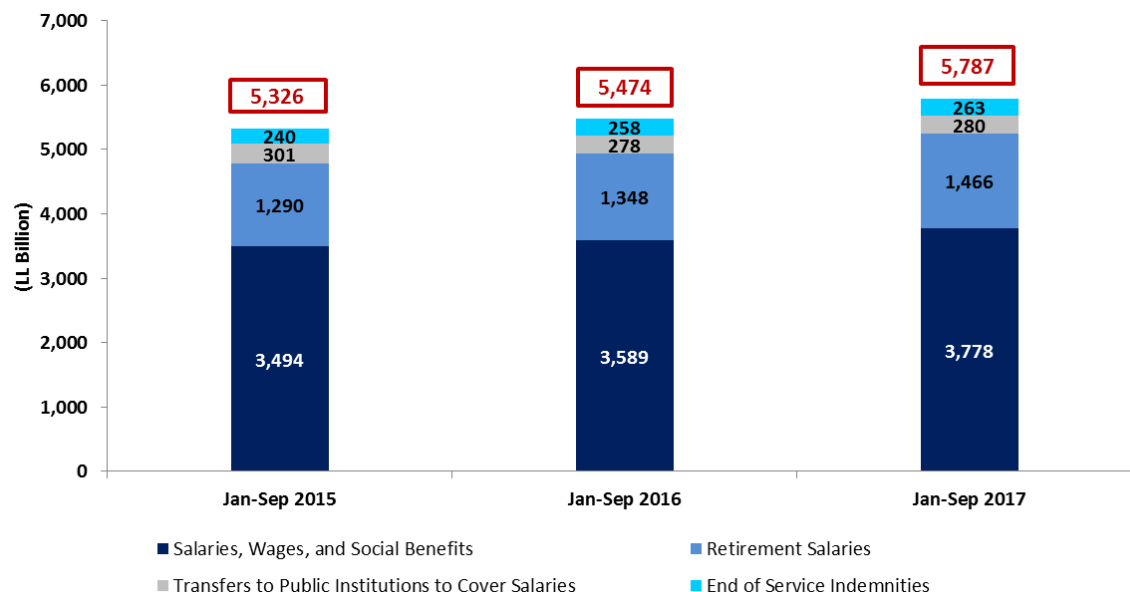


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> increased by LL 314 billion (5.7 percent) in Jan-Sep 2017 to reach LL 5,787 billion from LL 5,474 billion in the same period of 2016<sup>2</sup>. The increase was mainly due to a rise in salaries, wages and related benefits (5.3 percent) and a growth of 7.7 percent in retirement and end-of-service compensations.

**Figure 1. Personnel Cost Breakdown by Component in Jan-Sep 2015, Jan-Sep 2016 and Jan-Sep 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>3</sup>, contributing to 67 percent in each of Jan-Sep 2015 and Jan-Sep 2016, and growing to 68% in the first nine months of 2017. Moreover, personnel cost represented 36 percent of total expenditures by the end of September 2015, decreasing to 34 percent of the total by end-September 2016, but then jumped to 37 percent of total expenditures by end-September 2017. The main driver behind the increase in the personnel cost as a share of total expenditures was due to a higher growth rate in personnel cost and to the impact of the new salary scale for public sector employees (Law # 46<sup>4</sup>) over the covered period.

The following figures represent the composition of current primary expenditures and total expenditures in the first nine months of 2017:

<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.

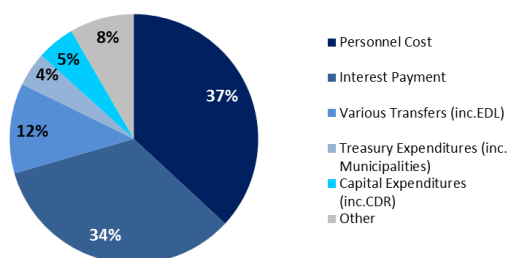
<sup>2</sup> The figures used are those published in the Public Finance Monthly Monitor report – September 2017.

<sup>3</sup> Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

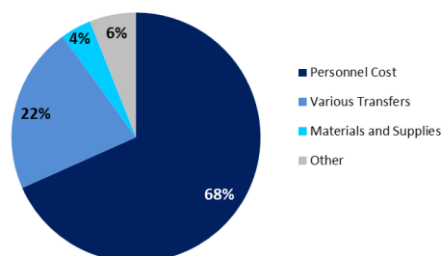
<sup>4</sup> Law # 46 was ratified by Parliament on July 18, 2017 and was signed by the President of the Republic on August 21, 2017.

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

% of Total Expenditures in Jan-Sep 2017



% of Current Primary Expenditures in Jan-Sep 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 189 billion during the first nine months of 2017, from LL 3,589 billion in Jan-Sep 2016 to LL 3,778 billion in Jan-Sep 2017. Overall, this growth is mainly due to (i) a LL 220 billion surge in basic salaries and other benefits to military personnel, (ii) a LL 34 billion increase in basic salaries and other benefits paid to civil personnel, (iii) a LL 9 billion rise in basic salaries and other benefits paid to customs personnel, and (iv) a LL 43 billion growth in “other payments” to government subscription and contributions in the government employees cooperative. The increase was partly counterbalanced by a LL 117 billion drop in basic salaries and related benefits to education personnel.

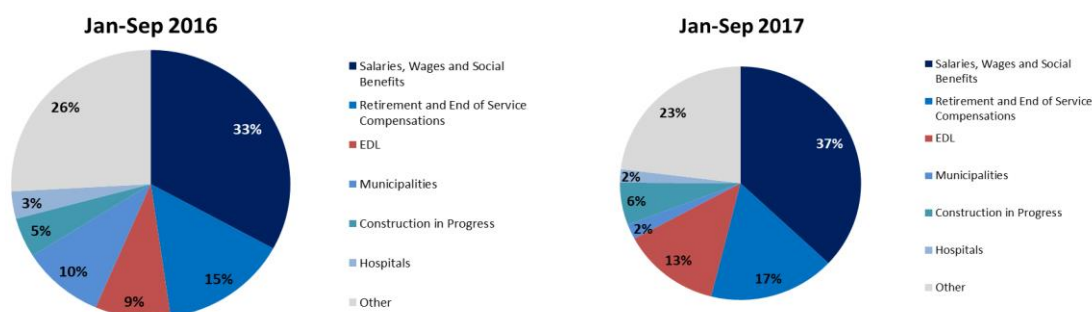
In details, the increase in salaries, wages and related benefits was attributed to: (i) a LL 126 billion rise in basic salaries to the Army and a LL 53 billion growth in basic salaries to the Internal Security Forces, (ii) a LL 30 billion increase in basic salaries to Civilian Personnel, and (iii) a LL 26 billion increase in allowances to the Internal Security Forces. These increases were counterbalanced in part by a LL 105 billion drop in basic salaries to education personnel.

In terms of composition, the cost of basic salaries accounted for 74 percent of total payments for salaries wages and related benefits to public sector employees in Jan-Sep 2017, followed by allowances (13 percent), and employment benefits (4 percent), while “other payments” and “unclassified allowances” represented the remaining 8 percent of the total.

Furthermore, salaries, wages and related benefits represented 33 percent of total primary spending in Jan-Sep 2016, and increased to 37 percent of the total in Jan-Sep 2017. The following figures present the primary spending breakdown by component during the period under review<sup>5</sup>.

<sup>5</sup> The main reason behind the increase in the share of salaries, wages and related benefits to primary expenditure is due to a lower base level of total primary expenditures that decreased by 6 percent year-on-year in Jan-Sep 2017, driven mainly by lower payments to municipalities.

**Figure 3. Primary Spending Breakdown by Component during Jan-Sep 2016 and Jan-Sep 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-Sep 2016 and Jan-Sep 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>	<b>1,691</b>	<b>1,887</b>	<b>68</b>	<b>67</b>	<b>467</b>	<b>492</b>	<b>1</b>	<b>2</b>	<b>2,227</b>	<b>2,448</b>
Army	1,082	1,208	43	44	309	308	0	0	1,434	1,560
Internal Security Forces	470	523	19	19	116	142	1	0	606	684
General Security Forces	111	121	3	3	30	32	0	1	144	157
State Security Forces	28	35	3	1	12	11	0	0	43	47
<b>Education Personnel</b>	<b>746</b>	<b>641</b>	<b>39</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>24</b>	<b>819</b>	<b>702</b>
<b>Civilian Personnel 1/</b>	<b>253</b>	<b>283</b>	<b>53</b>	<b>54</b>	<b>3</b>	<b>3</b>	<b>29</b>	<b>33</b>	<b>338</b>	<b>372</b>
<b>Government contribution to employees cooperative 2/</b>							<b>181</b>	<b>224</b>	<b>181</b>	<b>224</b>
<b>Customs Salaries 3/</b>									<b>24</b>	<b>33</b>
<b>Unclassified</b>									<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,690</b>	<b>2,810</b>	<b>160</b>	<b>159</b>	<b>471</b>	<b>495</b>	<b>245</b>	<b>282</b>	<b>3,590</b>	<b>3,779</b>

1/Includes salaries payments made to the Ministry of Public Health from the Guarantees account.

2/Government contribution to employees cooperative is allocated 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 2,810 billion in the first nine months of 2017, increasing by LL 120 billion (4.5 percent) from the same period of 2016. This increase was primarily the result of an increase in basic salaries to military personnel.

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

The 11.6 percent increase in basic salaries to military personnel is mainly the result of an LL 87 billion increase in retroactive payments to military personnel (including LL 48 billion to the Army and LL 37 billion to the Internal Security Forces<sup>6</sup>). In addition, salary payments made to permanent employees of the Army and the Internal Security Forces increased by LL 76 billion and LL 17 billion, respectively. Moreover, these increases were partly offset by a LL 4.4 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 dropped by 14 percent in Jan-Sep 2017 compared to the same period in 2016, and stood at LL 641 billion by end-September 2017. The decrease in salaries to education personnel was the result of: (i) a decline of LL 93.6 billion (98 percent) in the salaries of contractual employees at the Directorate General of Vocational Training, (ii) a drop of LL 18 billion (13.1 percent) in the salaries of permanent employees in secondary education, and (iii) a decrease of LL 30 billion in “other salaries”. These decreases were counterbalanced slightly by a LL 21 billion rise in the salaries of permanent employees in primary education.

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

Basic salary payments to civilian personnel grew by LL 30 billion (11.8 percent) in Jan-Sep 2017 compared to the first nine months of 2016. At the level of ministries, the Ministry of Justice represented the largest wage bill in Jan-Sep 2017, with a share of 18 percent of total salaries and wages to civilian personnel, followed by the Ministry of Foreign Affairs and Emigrants (MoFA) (16 percent), the Ministry of Finance (11 percent) and the Presidency of the Council of Ministers (9 percent). (For further details, kindly refer to table 2)

In details, employees in the Ministry of Finance witnessed the most notable increase in basic salaries and wages that grew by LL 8.1 billion (33 percent) year-on-year in Jan-Sep 2017. In contrast, basic salaries and wages to employees in the Ministry of Foreign Affairs and Emigrants (MoFA) regressed by 3.7 percent year-on-year in the first nine months of 2017.

**Table 2. Civilian Salaries and Wages Breakdown by Ministry - Jan-Sep 2016 and Jan-Sep 2017**

(LL million)	Jan-Sep 2016	Jan-Sep 2017	% from Total Civilian Personnel in 2017
Ministry of Justice	48,501	51,353	18%
Ministry of Foreign Affairs and Emigrants	48,024	46,266	16%
Ministry of Finance	24,315	32,373	11%
Presidency of the Council of Ministers	22,494	26,585	9%
Parliament	23,902	25,008	9%
Ministry of Public Health	14,390	16,616	6%
Ministry of Public Works and Transportation	11,579	14,704	5%
Ministry of Agriculture	11,700	14,340	5%
Ministry of Interior	7,648	9,293	3%
Ministry of National Defense	8,003	8,936	3%

<sup>6</sup> Based on decision # 1960 dated 31/12/2016 and decision # 62 dated 17/01/2017, professional allowances of LL 1.5 billion paid to specialized military officers and to the recruitment and promotion of military personnel

Other	32,658	37,190	13%
<b>Total</b>	<b>253,213</b>	<b>282,665</b>	<b>100%</b>

## **II.B. Payment of Allowances**

The cumulative payment of allowances to public sector employees increased by LL 24 billion (5.1 percent) to reach LL 495 billion in Jan-Sep 2017. The increase was mainly due to a rise of LL 26 billion in allowances to the Internal Security Forces and a LL 2 billion increase in allowances paid for the General Security Forces. Moreover, the allowances granted to the State Security Forces, Education personnel, and Civil Personnel were nearly unchanged over the covered period.

Moreover, allowances to the Internal Security Forces mainly increased in the covered period given the surge in hospital expenses of LL 28 billion and the increase of LL 2.9 billion in school allowances that were counterbalanced by a drop of LL 2.1 billion in medical allowances.

However, allowances to the Army dropped by LL 2 billion in the first nine months of 2017, given the decrease of LL 21 billion in school allowances and to a drop of LL 3 billion in each of medical and social allowances, respectively. These decreases were partly offset by an LL 18 billion increase in hospital allowances and by a LL 4 billion rise 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 224 billion in Jan-Sep 2017, up from LL 181 billion in Jan-Sep 2016.



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