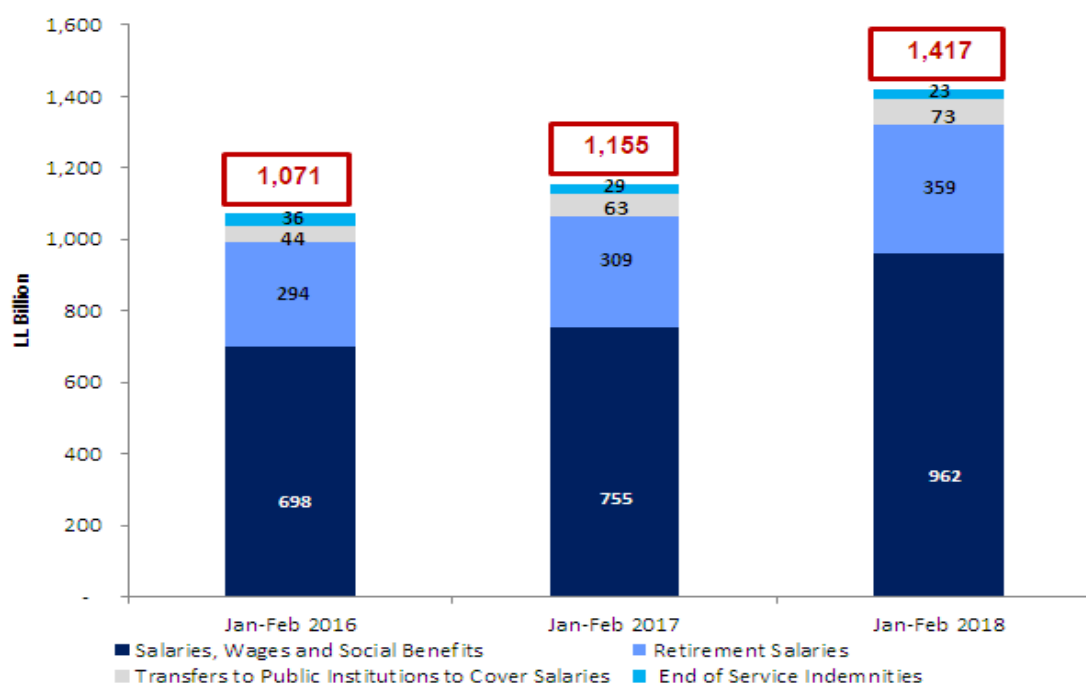


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 262 billion (22.7 percent) year-on-year in the first two months of 2018 to reach LL 1,417 billion compared to LL 1,155 billion during the same period of 2017². The increase was mainly driven by the impact of the new salary scale for public sector employees (Law # 46)³, which resulted in an annual growth of 27.5 percent in salaries, wages and related benefits, along with an increase of 16.4 percent in retirement. Furthermore, transfers to public institutions to cover salaries grew by 15.7 percent year-on-year to reach LL 73 billion in Jan-Feb 2018. In contrast, end-of-service compensations have barely offset the latter increases, dropping by 21.2 percent year-on-year during the period under review.

Figure 1. Personnel Cost Breakdown by Component in Jan-Feb 2016, Jan-Feb 2017 and Jan-Feb 2018



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost accounted for the bulk of current primary expenditures⁴, as it contributed to 60 percent in Jan-Feb 2016, rising to 62 percent in Jan-Feb 2017 and to 63 percent in Jan-Feb 2018. Moreover, personnel cost represented 29 percent of total expenditures in Jan-Feb

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 – Jan-Feb 2018.

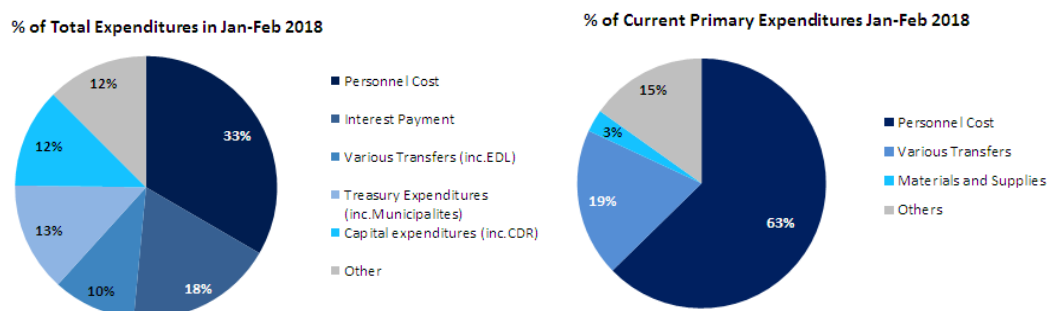
³ Law # 46 was ratified by the Parliament on July 18, 2017 and was signed by the President of the Republic on August 21, 2017.

⁴ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

2016, moving up to 38 percent of the total in Jan-Feb 2017⁵ and dropping back to 33 percent of the total during the same period of 2018. The main driver behind the decrease in the personnel cost as a share of total expenditure in Jan-Feb 2018 was due to significantly higher total expenditures that grew by 40.4 percent compared to the 22.7 percent growth rate in personnel cost.

The following figures represent the composition of current primary expenditures and total expenditures in Jan-Feb 2018:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Feb 2018



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 207 billion year-on-year to reach LL 962 billion in Jan-Feb 2018. Overall, this growth was mainly the result of: (i) a LL 112 billion surge in basic salaries to military personnel, (ii) a LL 36 billion increase in basic salaries to Educational personnel, and (iii) a LL 31 billion increase in allowances paid for military personnel.

In details, the increase in salaries, wages and related benefits to the Military Personnel was mainly attributed to: (i) a LL 67 billion rise in basic salaries to the Army, (ii) a LL 24 billion growth in basic salaries to the Internal Security Forces, (iii) an LL 18 billion rise in basic salaries to the General Security Forces, and (iv) a LL 20 billion increase in the allowance payments to the Army.

In terms of composition, basic salaries constituted 77 percent of total payments for salaries, wages and related benefits to public sector employees in Jan-Feb 2018, followed by allowances (12 percent), and employment indemnities (4 percent), while “other payments” and “unclassified allowances” represented the remaining 6 percent of the total.

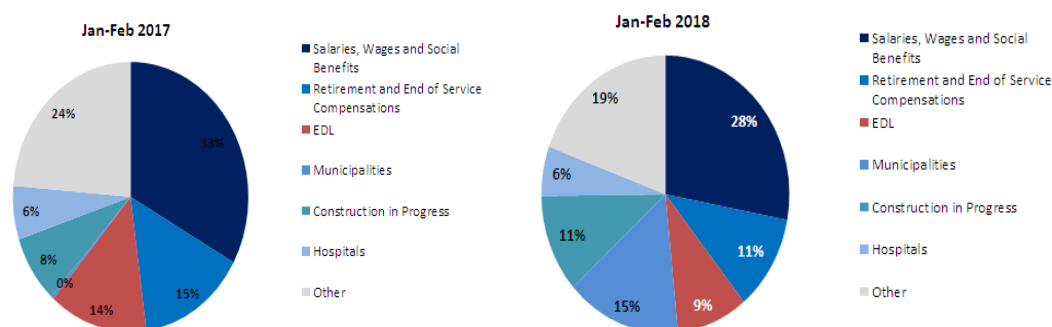
Furthermore, salaries, wages and related benefits represented 33.1 percent of total primary spending in Jan-Feb 2017, and decreased to 28 percent of the total in the same period of 2018⁶.

⁵ The exceptional rise in the share of salaries, wages and related benefits is due to a remarkably lower base level of total expenditures that decreased by 19 percent year-on-year in Jan-Feb 2017, driven by lower treasury expenditures, mainly payments to municipalities due to the discrepancy in the timing of payments.

⁶ Due to lower expenditure base as mentioned in footnote 5.

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

Figure 3. Primary Spending Breakdown by Component during Jan-Feb 2017 and Jan-Feb 2018



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-Feb 2017 and Jan-Feb 2018

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Military Personnel	394	507	15	20	86	117	1	0	496	644
Army	252	319	10	14	54	74	0	0	315	406
Internal Security Forces	111	135	4	5	29	35	0	0	145	174
General Security Forces	25	43	1	1	2	7	1	0	28	51
State Security Forces	6	10	0	1	1	2	0	0	8	13
Education Personnel	109	145	10	13	0	0	8	1	127	159
Civilian Personnel 1/	65	89	10	10	1	0	11	19	86	118
Government contribution to employees cooperative 2/							30	30	30	30
Customs Salaries 3/									15	8
Unclassified									0	2
Total 7/	568	741	36	43	87	117	49	51	755	962

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

2/Government contribution to the 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, which are 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 Members of Parliament, 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, rose by LL 173 billion (30 percent) to reach LL 741 billion in Jan-Feb 2018. This increase was primarily the result of an upsurge in the basic salaries for all sub-categories.

II.A.a. Basic Salaries of Military Personnel

The 28 percent increase in basic salaries to military personnel in Jan-Feb 2018 was mainly the result of the new salary scale hike that came into effect in September 2017. Salary payments to the permanent personnel⁷ grew by LL 64 billion for the Army, LL 22 billion for the Internal Security Forces, LL 8 billion for the General Security Forces and by LL 3 billion for the State Security Forces. Moreover, it is worth mentioning that payments to clothing indemnity rose by LL 9 billion in Jan-Feb 2018 compared to the previous year.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by LL 36 billion (33 percent) compared to Jan-Feb 2017 and stood at LL 145 billion in the first two months of 2018. The increase was mainly due to the new salary scale adjustment in 2017, which contributed to higher salary payments for primary education by LL 21 billion, for secondary education by LL 10 billion, and for employees at Directorate General of Vocational Training by LL 3 billion.

II.A.c Basic Salaries of Civilian Personnel

Basic salary payments to civilian personnel increased by LL 25 billion (38 percent) year-on-year to reach LL 89 billion in Jan-Feb 2018. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill in the covered period, with a share of 22 percent of total salaries and wages to civilian personnel, followed by the Ministry of Justice (14 percent of the total), and the Ministry of Finance (11 percent of the total). (For further details, kindly refer to table 2)

In details, employees in the Ministry of Finance had the most notable nominal increase in basic salaries and wages that grew by LL 4 billion year-on-year in Jan-Feb 2018 followed by Ministry of Foreign Affairs and Emigrants by LL 3 billion, mainly driven by the implementation of the new public-sector salary scale. This was slightly offset by a LL 180 million drop in retroactive payments paid to Ministry of Foreign Affairs and Emigrants in Jan-Feb 2018 which amounted LL 12 billion.

Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Feb 2017 and Jan-Feb 2018

(LL million)	Jan-Feb 2017	Jan-Feb 2018	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	16,681	19,861	22%
Ministry of Justice	10,746	12,661	14%
Ministry of Finance	5,476	10,028	11%
Presidency of the Council of Ministers	5,006	8,206	9%
Parliament	5,536	7,953	9%
Ministry of Public Health	4,900	4,688	5%
Ministry of Public Works and Transportation	3,034	4,410	5%

⁷ Payments for salaries in 2017 include the cost of living adjustment, disbursed ahead of the new salary scale implementation starting Aug 2017.

Ministry of Agriculture	2,497	4,238	5%
Ministry of Interior	1,699	2,916	3%
Ministry of National Defense	1,810	2,566	3%
Other	7,249	11,848	13%
Total	64,634	89,375	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 30 billion (35 percent) to reach LL 117 billion during Jan-Feb of 2018. The increase was mainly due to a rise of LL 20 billion in allowances to the Army, followed by the LL 5 billion increase in allowances disbursed to each of Internal Security Forces and General Security Forces reaching LL 35 billion and LL 7 billion respectively in Jan-Feb 2018.

In details, allowances to the Army grew year-on-year during Jan-Feb 2018, given a rise in sickness and maternity spending by LL 12 billion and a LL 5 billion increase in hospital expenses.

Furthermore, allowances to the Internal Security Forces increased by 18 percent in the covered period, due to the LL 6 billion rise in hospital expenses that amounted to LL 21 billion in Jan-Feb 2018.

In addition, allowances to the General Security Forces increased significantly by 260 percent (LL 5 billion) during the covered period, due to the LL 2 billion rise in sickness allowance and LL 2 billion in hospital expenses in Jan-Feb 2018.

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

Payments to government subscription and contributions to the Employees Cooperative remained unchanged year-on-year at LL 30 billion in Jan-Feb 2018.



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