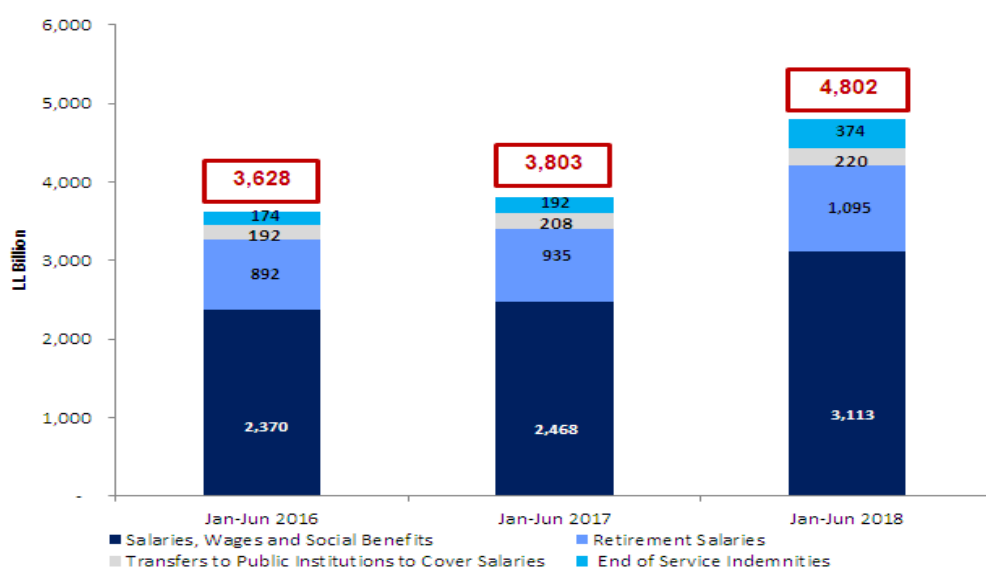


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 999 billion (26.3 percent) year-on-year in the first half of 2018 to reach LL 4,802 billion compared to LL 3,803 billion during the same period of 2017². The increase was mainly due to the impact of the new salary scale for the public sector employees (Law # 46)³, resulting in a year-on-year growth of 26.2 percent in salaries, wages and related benefits, along with a more prominent hike of 94.9 percent⁴ in the end of service indemnities and a 17.0 percent increase in payments for retirement.

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



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost accounted for the main bulk of current primary expenditures⁵, contributing to 68.9 percent in Jan-Jun 2016, increasing to 69.3 percent in Jan-Jun 2017 before going down to 67.6 percent during the same period of 2018. On the other hand, and when compared to total expenditures, personnel cost represented 33.1 percent in Jan-June 2016, moving up to 36.2 percent in Jan-June 2017⁶ before dropping back to 35.5 percent during the same period of 2018. Despite the significant year-on-year increase of 26.3 percent in the personnel cost

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 Monitor Monthly report - June 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 The increase in end of service indemnities can be partly explained by the implementation of the new salary scale, which encouraged many public employees to undergo an early retirement plan.

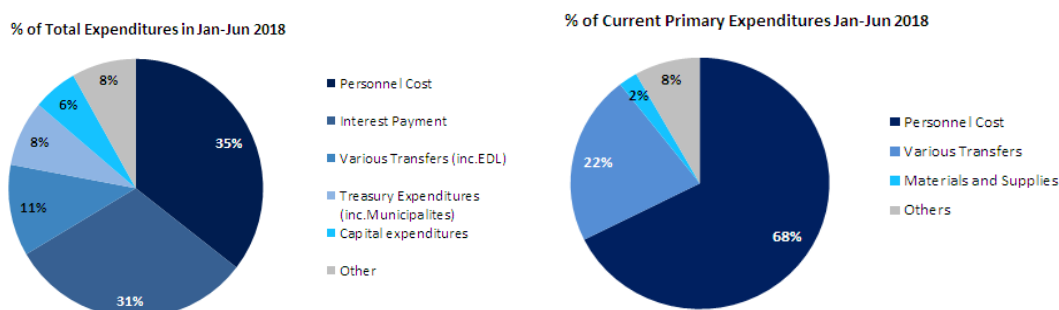
⁵ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

⁶ The considerable rise in the share of the personnel cost can be attributed to a remarkably lower base level of total expenditures that decreased by 4.2 percent year-on-year in Jan-Jun 2017, driven by lower treasury expenditures, mainly payments to municipalities due to the discrepancy in the timing of payments.

during Jan-Jun 2018 driven by the salary scale effect, its share from total expenditures dropped due to a more pronounced rise in the latter growing by 28.8 percent year-on-year.

The following figures represent the composition of total expenditures and current primary expenditures during the first half of 2018:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Jun 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 646 billion year-on-year to reach LL 3,113 billion in Jan-Jun 2018. Overall, this growth was mainly the result of: (i) a LL 317 billion surge in basic salaries to military personnel, (ii) an increase of LL 176 billion in allowances paid to military personnel, (iii) a LL 101 billion hike in basic salaries paid for education personnel and (iv) a LL 87 billion increase in basic salaries to civilian personnel.

In details, the rise in salaries, wages and related benefits to military personnel is driven by higher basic salaries paid for all military bodies, with the following increases: (i) LL 211 billion to the Army, (ii) LL 67 billion to the Internal Security Forces, (iii) LL 28 billion to the General Security Forces, and (iv) LL 11 billion to the State Security Forces. This was followed by the rise in allowances paid for military bodies which witnessed a considerable year-on-year expansion, the most prominent being a rise of LL 91 billion in the allowances paid to the Army and LL 85 billion in those paid to the Internal Security Forces.

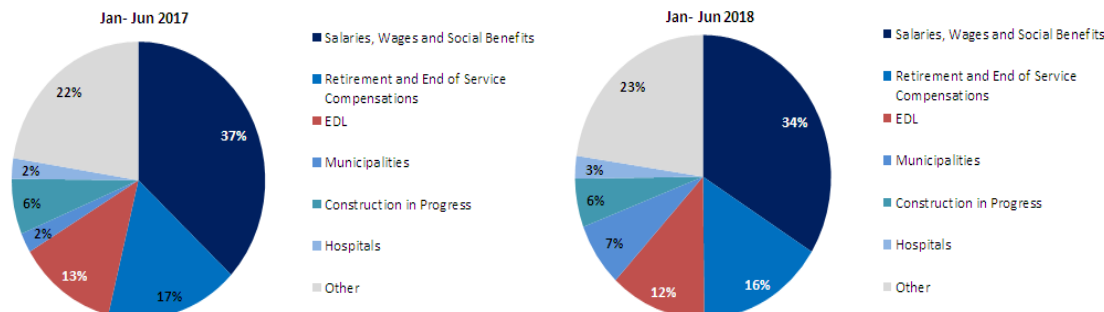
In terms of composition, basic salaries constituted 72.8 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Jun 2018, followed by allowances (17.3 percent) and employment indemnities (3.6 percent), while “other payments” and “unclassified allowances” represented the remaining 6.2 percent of the total.

Furthermore, salaries, wages and related benefits represented 36.9 percent of total primary spending in Jan-Jun 2017, and decreased to 33.9 percent of the total in the same period of 2018⁷.

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

⁷ Due to a more rapid increase in the expenditure base with primary expenditures increasing by 37.6 percent against a growth of 26.2 percent in salaries, wages and related benefits compared to the same period of 2017.

Figure 3. Primary Spending Breakdown by Component during Jan-Jun 2017 and Jan-Jun 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-Jun 2017 and Jan-Jun 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	1,169	1,486	45	50	362	538	1	1	1,577	2,075
Army	750	961	29	33	195	286	0	0	974	1,281
Internal Security Forces	320	386	13	13	131	215	0	0	464	615
General Security Forces	80	108	2	3	26	25	1	1	109	136
State Security Forces	19	30	1	1	10	11	0	0	30	42
Education Personnel	419	520	29	30	0	0	16	10	464	560
Civilian Personnel 1/	173	260	38	33	2	2	30	33	243	328
Government contribution to employees cooperative 2/							154	119	154	119
Customs Salaries 3/									27	24
Unclassified									3	7
Total	1,761	2,266	112	113	364	540	201	163	2,468	3,113

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 506 billion (28.7 percent) to reach LL 2,266 billion in Jan-Jun 2018. This increase was the result of an upsurge in the basic salaries for all sub-categories following the implementation of the new salary scale.

II.A.a. Basic Salaries of Military Personnel

The 27.1 percent increase in basic salaries to military personnel in the first half of 2018 was mainly the result of the new salary scale that took effect late August 2017. Salary payments to the permanent personnel⁸ grew by LL 203 billion for the Army, LL 69 billion for the Internal Security Forces, LL 23 billion for the General Security Forces and by LL 11 billion for the State Security Forces. Moreover, it is worth mentioning that payments to clothing indemnity rose by LL 5 billion in Jan-Jun 2018 compared to the previous year.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by LL 101 billion (24.2 percent) year-on-year reaching LL 520 billion in Jan-Jun 2018. The increase was mainly due to the new salary scale adjustment in 2017, which contributed to higher salary payments for permanent employees at the primary education by LL 67 billion, for those at the secondary education by LL 30 billion, and for permanent employees at Directorate General of Vocational Training by LL 11 billion. In contrast, payments for contractuels at the secondary education dropped by LL 8 billion along with a drop of LL 4 billion in the payments for trainees at the primary education during the mentioned period.

II.A.c Basic Salaries of Civilian Personnel

Basic salary payments to civilian personnel increased remarkably by LL 87 billion (50.5 percent) year-on-year to reach LL 260 billion during Jan-Jun 2018. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill during the covered period with a share of 17 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice (15 percent from total) and the Ministry of Finance (12 percent from total). *(For further details, kindly refer to table 2)*

In details, employees at the Ministry of Public health had the most notable nominal increase in basic salaries that grew year-on-year by LL 13.8 billion⁹ in the first half of 2018, followed by the Ministry of Finance with LL 13.7 billion.

⁸ Payments for salaries in 2017 include the cost of living adjustment, disbursed ahead of the new salary scale implementation starting August 2017.

⁹ This hike is driven by the increase in payments to contractuels by LL 13 billion during Jan-Jun 2018 compared to the same period of 2017. This can be largely attributed to some retroactive payments, namely LL 9 billion of salary scale retroactive payments to contractuels pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000 compared to LL 2 billion paid during the same period of 2017, in addition to LL 2 billion of retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/8/2017.

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

(LL million)	Jan-Jun 2017	Jan-Jun 2018	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	32,946	43,166	17%
Ministry of Justice	31,780	38,255	15%
Ministry of Finance	16,464	30,125	12%
Ministry of Public Health	11,119	24,959	10%
Presidency of the Council of Ministers	15,037	24,136	9%
Parliament	16,482	22,597	9%
Ministry of Public Works and Transportation	9,396	14,262	5%
Ministry of Agriculture	7,601	12,850	5%
Ministry of Interior	5,100	8,342	3%
Ministry of National Defense	5,487	7,619	3%
Other	21,354	33,781	13%
Total	172,766	260,091	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 175 billion (48.2 percent) to reach LL 540 billion during Jan-Jun 2018. The rise was mainly due to an increase of LL 91 billion in allowances to the Army to reach LL 286 billion in Jan-Jun 2018, followed by an LL 85 billion rise in allowances disbursed to the Internal Security Forces reaching LL 215 billion by the end of the first half of 2018. Meanwhile, Allowances disbursed to General Security Forces slightly dropped by LL 1 billion during the mentioned period.

More specifically, allowances to the Army increased by LL 91 billion (46.8 percent) during the covered period, due to an increase of LL 68 billion in hospital expenses, LL 10 billion in sickness and maternity expenses and LL 6 billion in school allowance expenses in Jan-Jun 2018.

Furthermore, allowances to the Internal Security Forces mainly increased in the first half of 2018 given the significant rise in hospital expenses by LL 55 billion, and a rise of LL 23 billion rise in school allowances.

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

Payments to government subscription and contributions to the Employees Cooperative declined year-on-year to reach LL 119 billion in Jan-Jun 2018 compared to LL 154 billion in Jan-Jun 2017.

For further information, please contact:

Ministry of Finance
Macroeconomic Analysis and Studies Department
Tel: 961 1 956 000 Ext: 1731-1729
Website: www.finance.gov.lb