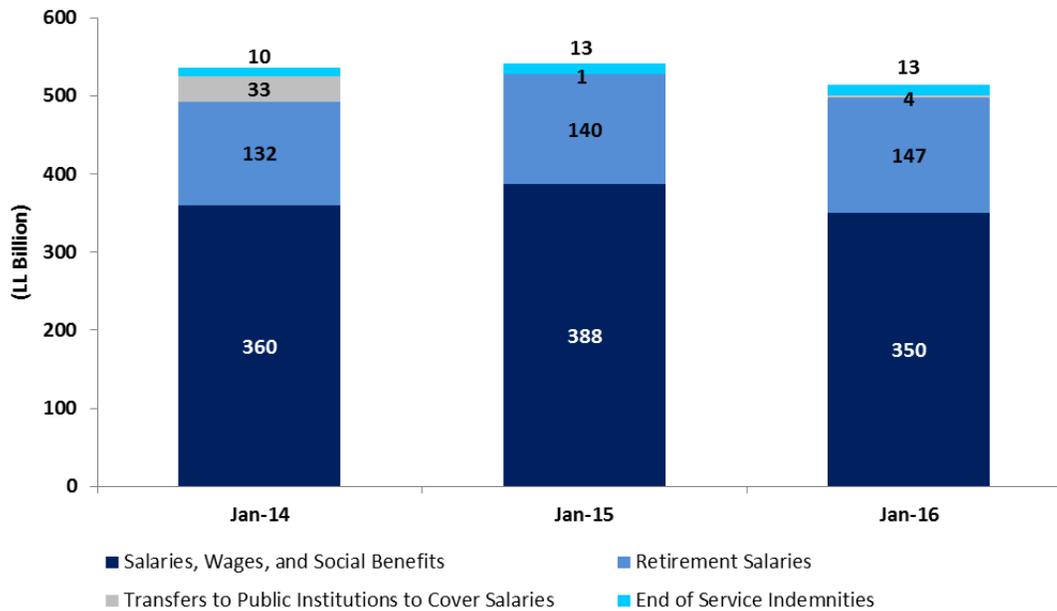


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> registered a decrease of LL 28 billion (5 percent) to reach LL 514 billion in the first month of 2016 from LL 542 billion in January 2015<sup>2</sup>. The latter drop was the result of a LL 37 billion (10 percent) decrease in salaries, wages and related benefits. This decrease was slightly counterbalanced by an increase in (a) retirement salaries by LL 7 billion (5 percent); and (b) transfers to public institutions to cover salaries by LL 3 billion (379 percent) as a result of a rise in transfers to the Educational Center for Research and Development. End of service indemnities remained unchanged in January 2016 standing at LL 13 billion.

Figure 1. Personnel Cost Breakdown by Component in January 2014, January 2015 and January 2016<sup>3</sup>



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 expenditure<sup>4</sup>, contributing to 47 percent by end-January 2014, 59 percent in January 2015, and 49 percent in January 2016. The reason behind the drop from 59 percent to 49 percent is related to a higher base in current primary expenditure<sup>5</sup> which increased by 14 percent from 2015 to 2016.

<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 – January 2016.

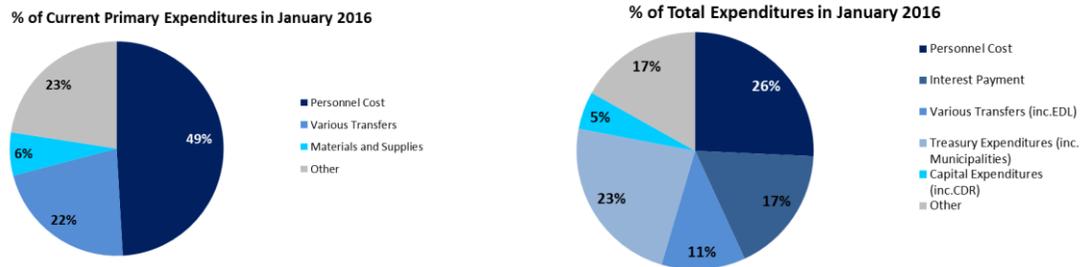
<sup>3</sup> The main reason behind the significant drop in Transfers to Public Institutions to Cover Salaries from the January 2014 figure is the difference in the timing of payment.

<sup>4</sup> Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

<sup>5</sup> The rise in current primary expenditures is mainly due to the significant increase in transfers to hospitals, materials and supplies, and accounting adjustments. These increases offset the drop in transfers to EDL.

As a percent of total expenditures, personnel cost comprised 30 percent from the total by end Jan-2014, 36 percent by end-Jan 2015 and decreased to 26 percent by end-Jan 2016. Similarly, the decrease in the share of personnel cost from total expenditure is due to an increase in total expenditure by 34 percent from 2015 to 2016. The following figures represent the current primary expenditure and total expenditure composition in January 2016:

**Figure 2. Composition of Current Primary Expenditures and Total Expenditures Composition in January 2016**



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.

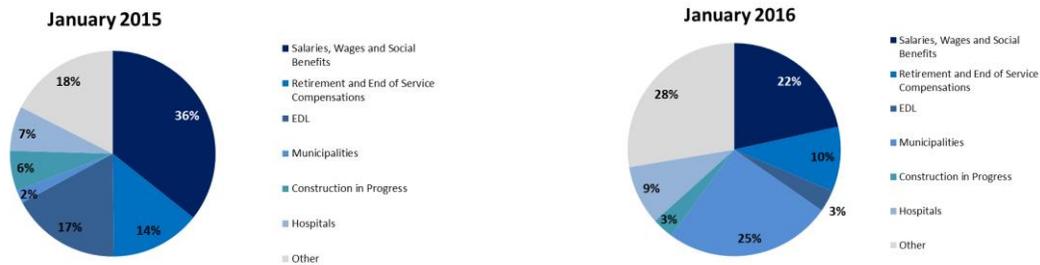
## II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits decreased by LL 37 billion (10 percent), from LL 388 billion in January 2015 to LL 350 billion in January 2016. The reason behind this drop is mainly due to a LL 67 billion decrease in allowances to the Army personnel. These decreases were partially offset by a LL 13 billion increase in basic salaries, of which LL 6 billion relate to an increase in basic salaries of Army personnel. Basic salaries for civil personnel and education personnel increased by LL 2 billion each.

In terms of composition, cost of basic salaries accounted for 81 percent of total payments for salaries wages and related benefits by January 2016, followed by “other payments” (10 percent), employment benefits (5 percent), and allowances (2 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 26 percent in January 2014, increasing to 36 percent in January 2015, and down to 22 percent in January 2016. The following figures present the primary spending breakdown by component during the period under review<sup>6</sup>.

**Figure 3. Primary Spending Breakdown by Component during January 2015 and January 2016**



Source: Ministry of Finance , Directorate General of Finance

<sup>6</sup> The reason behind the decrease in the share of salaries, wages and related benefits of primary expenditure is due to a higher base in total primary expenditure which increased by 50 percent from 2015 to 2016 due to higher payments to municipalities.

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 – January 2015 and January 2016**

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
<b>Military Personnel</b>	<b>181</b>	<b>190</b>	<b>7</b>	<b>10</b>	<b>90</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>278</b>	<b>207</b>
Army	114	120	4	5	69	2	0	0	187	126
Internal Security Forces	52	54	2	2	14	3	0	0	68	60
General Security Forces	12	13	0	0	6	1	0	0	18	15
State Security Forces	3	3	0	2	1	1	0	0	5	7
<b>Education Personnel</b>	<b>58</b>	<b>60</b>	<b>6</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>65</b>	<b>75</b>
<b>Civilian Personnel 1/</b>	<b>30</b>	<b>33</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>3</b>	<b>42</b>	<b>41</b>
<b>Government contribution to employees cooperative 2/</b>							<b>0</b>	<b>20</b>	<b>0</b>	<b>20</b>
<b>Customs Salaries 3/</b>									<b>3</b>	<b>3</b>
<b>Unclassified</b>									<b>0</b>	<b>4</b>
<b>Total</b>	<b>269</b>	<b>283</b>	<b>19</b>	<b>19</b>	<b>91</b>	<b>8</b>	<b>6</b>	<b>34</b>	<b>388</b>	<b>350</b>

1/Includes salaries payments made to Ministry of Public Health from 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/ Other is given to non-military bodies and includes (i) payments for 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**

Out of total salaries, wages and related benefits, basic salaries reached LL 283 billion by end January 2016 increasing by LL 13 billion from the same period in 2015. The latter increase was mainly the result of a rise in basic salaries of military personnel by LL 9 billion. Similarly, basic salaries for civilian and education personnel increased by LL 2 billion each.

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

The 5 percent increase in basic salaries of military personnel is primarily the result of a rise in payments made to permanent employees of the Army by LL 5 billion and the Internal Security Forces by LL 2 billion owing to the recruitment of new personnel or the promotion of current personnel. Moreover, payments to the trainees of the Internal Security Forces and Army increased by LL 4 billion and LL 2 billion respectively. These increases were partly offset by a LL 2 billion decrease in payments to overseas missions, and a LL 1 billion decline in salaries of the General Security Forces trainees.

### **II.A.b. Basic Salaries of Education Personnel**

Basic salaries of education personnel increased by 3 percent in January 2016 compared to the same period in 2015, standing at LL 60 billion. This was due to a rise in salaries of permanent employees in primary education by LL 6 billion, and permanent employees in the Directorate

General of Vocational Training by LL 1 billion. These increases were partially offset by a LL 4 billion decrease in salaries of trainees in the primary and secondary education.

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

Payments to civilian personnel increased by LL 2 billion (8 percent) in January 2016 compared to January 2015. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 34 percent of total salaries and wages to civilian personnel during January 2016, followed by the Ministry of Justice (16 percent) and Parliament (8 percent) (for further details, kindly refer to table 2).

In detail, basic salaries and wages to employees in the MoFA witnessed the most notable increase mainly due to a rise in basic salaries of diplomats in Lebanese overseas missions, in turn, owing to higher retroactive payments by LL 4 billion.

**Table 2. Civilian Salaries and Wages Breakdown by Ministry - January 2015 and January 2016**

(LL million)	January 2015	January 2016	% from Total Civilian Personnel in 2016
Ministry of Foreign Affairs and Emigrants	7,354	10,976	34%
Ministry of Justice	5,319	5,348	16%
Parliament	2,742	2,753	8%
Presidency of the Council of Ministers	2,445	2,466	8%
Ministry of Finance	2,396	2,574	8%
Ministry of Public Health	1,699	1,583	5%
Ministry of Public Works and Transportaion	1,516	387	1%
Ministry of Agriculture	1,226	1,310	4%
Ministry of National Defense	913	859	3%
Ministry of Interior	841	810	2%
Other	3,831	3,566	11%
<b>Total</b>	<b>30,281</b>	<b>32,643</b>	<b>100%</b>

Source: Ministry of Finance, Directorate General of Finance

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

Allowances decreased by LL 83 billion (92 percent) to reach LL 8 billion in January 2016, mainly attributed to a drop in allowances to the Army by LL 67 billion. Allowances to Internal Security Forces and General Security Forces decreased by LL 11 billion and LL 4 billion respectively. Allowances to State Security Forces remained almost unchanged.

More specifically, the decline in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 52 billion, and (ii) school allowances by LL 14 billion.

Allowances to the Internal Security Forces decreased mainly due to lower hospital allowances and school allowances by LL 6 billion and LL 5 billion respectively.

Allowances to the General Security Forces decrease was chiefly the result of a LL 3 billion drop in school allowances, and a LL 1 billion decline in hospital allowances.

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

Payments to government subscription and contributions to the Employees Cooperative was nil in January 2015 and increased to LL 20 billion in January 2016.



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