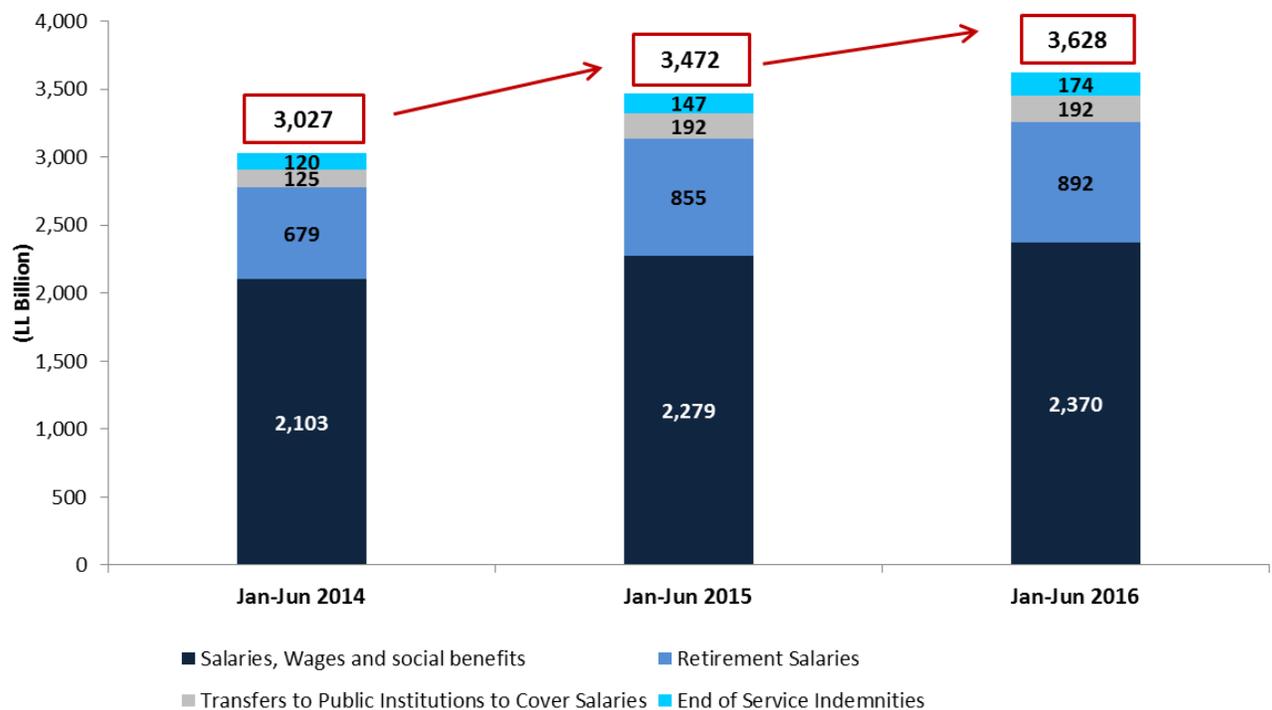


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 156 billion (4 percent) to reach LL 3,628 billion in Jan-Jun 2016 from LL 3,472 billion in the same period of 2015² as a result of an increase in the following sub-components: (i) LL 91 billion (4 percent) in payments for salaries, wages and related benefits, (ii) LL 38 billion (4 percent) in retirement salaries, and (iii) LL 27 billion (18 percent) in end of services indemnities. Transfers to public institutions to cover salaries remained unchanged at LL 192 billion during the period under consideration.

Figure 1. Personnel Cost Breakdown by Component in Jan-Jun 2014, Jan-Jun 2015 and Jan-Jun 2016



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 expenditure³, contributing to 54 percent of the total in Jan-Jun 2014, and increasing to 65 percent in Jan-Jun 2015 and 68 percent in Jan-Jun 2016. In addition to the employment of new military personnel, the reason behind the hike from 54 percent in 2014 to 68 percent in 2016 is related to a smaller base in current primary expenditure which decreased by 5 percent from 2014 to 2016.

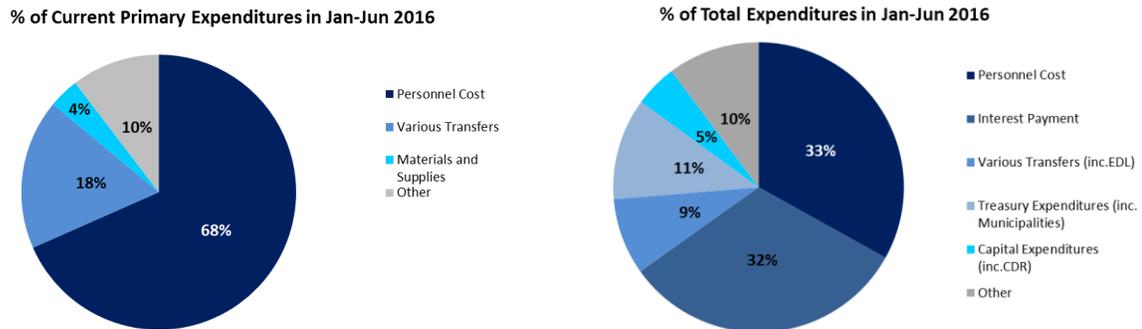
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

² The figures used are those published in the Public Finance Monthly Monitor report – June 2016.

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

As a percent of total expenditures, personnel cost comprised 29 percent of the total in Jan-Jun 2014, 34 percent in Jan-Jun 2015 and 33 percent in Jan-Jun 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Jun 2016:

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

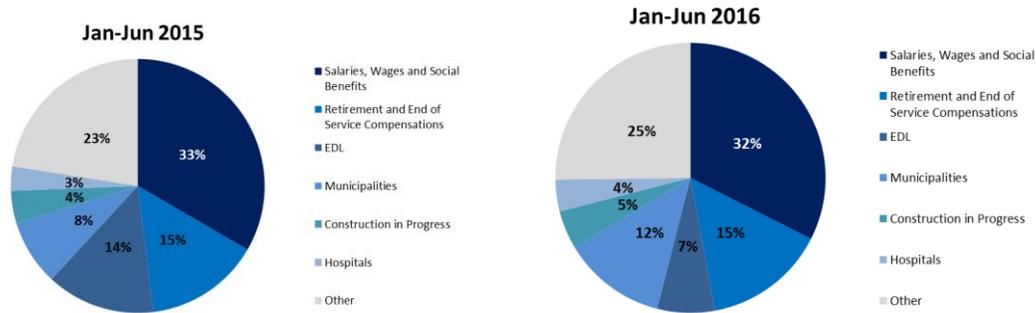
Payments for salaries, wages and related benefits increased by LL 93 billion (4 percent), from LL 2,278 billion in Jan-Jun 2015 to LL 2,371 billion in the same period of 2016⁴. This rise is mainly the result of an increase in basic salaries of education personnel and military personnel by LL 68 billion and LL 47 billion respectively, in addition to a LL 22 billion increase in payments to government subscription and contributions to the Employees Cooperative. These increases were partially offset by a LL 59 billion drop in allowances.

In terms of composition, cost of basic salaries accounted for 74 percent of total payments for salaries wages and related benefits in Jan-Jun 2016, followed by allowances (14 percent), other payments (7 percent), and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 30 percent in Jan-Jun 2014, increasing to 33 percent in the same period of 2015, and slightly decreasing to 32 percent in 2016. The following figures present the primary spending breakdown by component during the period under review:

⁴ Figures slightly differ from those published in the Public Finance Monthly Monitor report – June 2016 due to the effect of rounding.

Figure 3. Primary Spending Breakdown by Component during Jan-Jun 2015 and Jan-Jun 2016



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 2015 and Jan-Jun 2016

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Military Personnel	1075	1122	41	46	393	334	2	1	1,510	1,503
Army	685	719	26	29	233	195	0	0	945	943
Internal Security Forces	298	309	13	13	118	104	0	0	429	426
General Security Forces	72	75	2	2	32	25	1	1	106	103
State Security Forces	20	19	1	3	9	10	0	0	30	31
Education Personnel	390	458	31	29	0	0	6	18	427	506
Civilian Personnel 1/	171	169	34	34	3	3	23	21	231	228
Government contribution to employees cooperative 2/							94	116	94	116
Customs Salaries 3/									15	18
Total	1,636	1,749	106	110	396	337	125	157	2,278	2,371

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 registered LL 1,749 billion by end of June 2016, increasing by LL 113 billion from the same period in 2015. The rise in basic salaries of education personnel by LL 68 billion, and military personnel by LL 47 billion were the main reasons behind this increase. Basic salaries of civilian personnel witnessed a minor decline of LL 2 billion.

II.A.a. Basic Salaries of Military Personnel

The 4 percent increase in basic salaries of military personnel is mainly the result of an increase in payments made to permanent employees of the Army by LL 31 billion, and to the General Security Forces and Internal Security Forces by LL 11 billion each owing to the recruitment of new personnel or the promotion of current personnel. Moreover, payments to trainees of the Internal Security forces and the Army increased by LL 4 billion and LL 2 billion respectively. These increases were partially counterbalanced by (i) an LL 11 billion decrease in salaries of trainees of the General Security Forces, and (ii) a LL 4 billion decrease in payments related to overseas missions mainly due to a decline in payments to the Internal Security Forces and the Army by LL 2 billion and LL 1 billion respectively.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel hiked by 17 percent in Jan-Jun 2016 compared to the same period in 2015, to reach LL 458 billion. This was mainly the result of a LL 32 billion increase in salaries to contractuales in the primary and intermediate education, and a LL 28 billion rise in retroactive payments. Salaries of permanent employees in primary education increased by LL 10 billion, and those of permanent employees in the Directorate General of Vocational Training (DGVV) by LL 6 billion. These increases were slightly counterbalanced by a LL 12 billion drop in salaries of trainees in the primary and secondary education, and a LL 5 billion decrease in salaries of trainees at the DGVV. As for the salaries of permanent employees in secondary education, these declined by LL 3 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel decreased by 1 percent from Jan-Jun 2015 to Jan-Jun 2016, standing at LL 169 billion. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 19 percent of total salaries and wages to civilian personnel during Jan-Jun 2016, followed by the Ministry of Justice (19 percent) and Parliament (10 percent) (*for further details, kindly refer to table 2*). In detail, basic salaries and wages to employees in the MoFA witnessed the most notable decrease mainly due to a decline in retroactive payments by LL 5 billion.

Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Jun 2015 and Jan-Jun 2016

(LL million)	Jan-Jun 2015	Jan-Jun 2016	% from Total Civilian Personnel in 2016
Ministry of Foreign Affairs and Emigrants	37,348	32,875	19%
Ministry of Justice	30,822	32,401	19%
Parliament	16,663	16,552	10%
Presidency of the Council of Ministers	14,525	15,077	9%
Ministry of Finance	14,133	15,764	9%
Ministry of Public Health	9,940	9,403	6%
Ministry of Public Works and Transportaion	9,100	7,532	4%
Ministry of Agriculture	7,586	7,864	5%
Ministry of National Defense	5,344	5,326	3%
Ministry of Interior	4,479	5,040	3%
Other	21,272	21,539	13%
Total	171,211	169,373	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by LL 59 billion (15 percent) reaching LL 337 billion in Jan-Jun 2016, mainly due to a drop in allowances to the Army and Internal Security Forces by LL 38 billion and LL 15 billion respectively. Moreover, allowances to General Security Forces witnessed a decrease of LL 7 billion standing at LL 25 billion by the end of June 2016. It is worth noting that the main reason behind these decreases is due to a difference in the timing of payment. Allowances to State Security Forces remained almost unchanged standing at LL 10 billion in Jan-Jun 2016.

More specifically, the decline in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 41 billion, and (ii) sickness and maternity allowances by LL 11 billion. Death allowances and social allowances decreased by LL 3 billion and LL 2 billion respectively. These decreases were slightly counterbalanced by a LL 19 billion increase in school allowances, and a LL 4 billion rise in medical allowances.

Allowances to the Internal Security Forces decreased mainly due to a LL 13 billion drop in hospital expenses and a LL 9 billion drop in school allowances in addition to a LL 1 billion decrease in social allowances. These decreases were slightly counterbalanced by a LL 4 billion increase in medical and sickness and maternity allowances each.

Allowances to the General Security Forces fell as a result of a LL 5 billion decrease in school allowances and a LL 2 billion decrease in hospital allowances



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