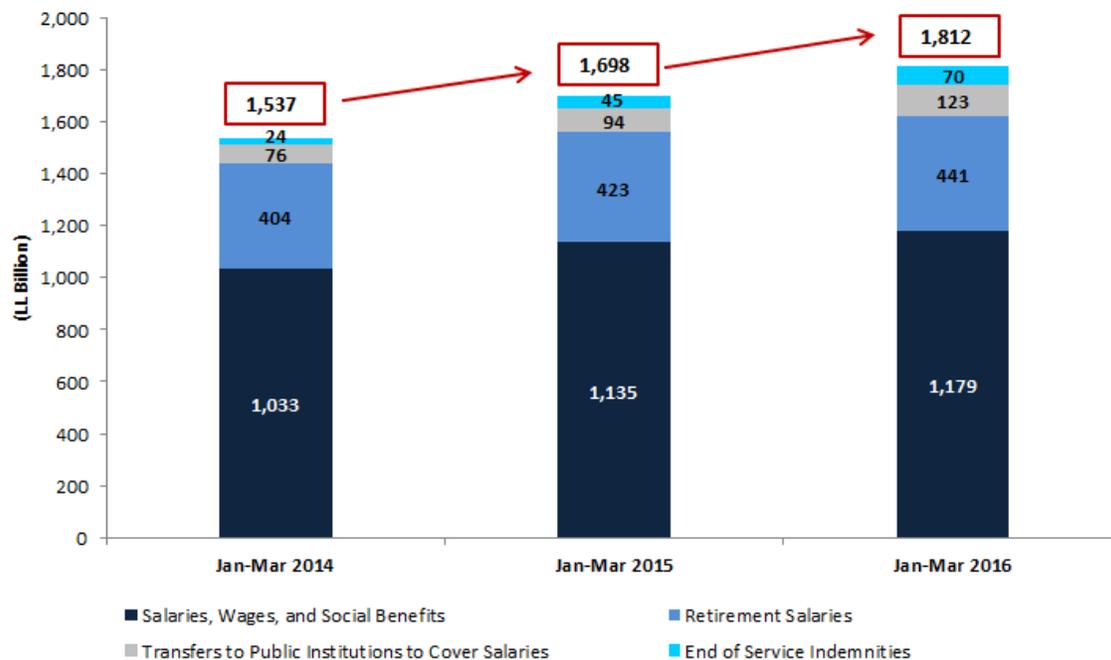


I. Personnel Cost

I.A. General Overview

Personnel cost¹ registered a rise of LL 115 billion (7 percent) reaching LL 1,812 billion in Q1 2016 from LL 1,698 billion in Q1 2015² as a result of increases in all of its components: (i) a LL 44 billion (4 percent) increase in payments for salaries, wages and related benefits, (ii) LL 29 billion (30 percent) higher transfers to public institutions to cover salaries resulting from increases in transfers to the Council for Development and Reconstruction (CDR) and to the Lebanese University, (iii) a LL 25 billion (55 percent) rise in end of services indemnities, and (iv) an LL 18 billion (4 percent) increase in retirement salaries.

Figure 1. Personnel Cost Breakdown by Component in Jan-Mar 2014, Jan-Mar 2015 and Jan-Mar 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 52 percent of the total in Q1 2014, 62 percent in Q1 2015, and 63 percent in Q1 2016. Besides the employment of new military personnel, the reason behind the jump from 52 percent in 2014 to 63 percent in 2016 is related to a smaller base in current primary expenditure which decreased by 2 percent from 2014 to 2016.

As a percent of total expenditures, personnel cost comprised 31 percent of the total in Q1 2014, 36 percent in Q1 2015 and decreased to 31 percent in Q1 2016. The decrease in the share

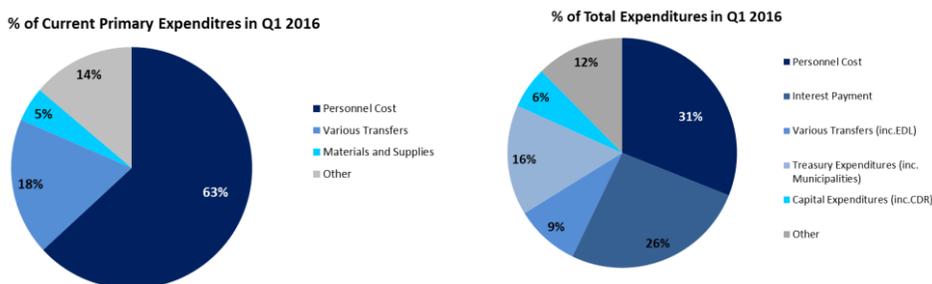
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

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

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

of personnel cost from total expenditure is due to an increase in total expenditure by 23 percent from 2015 to 2016. The following figures represent the current primary expenditure and total expenditure composition in Q1 2016:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures Composition in Q1 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.

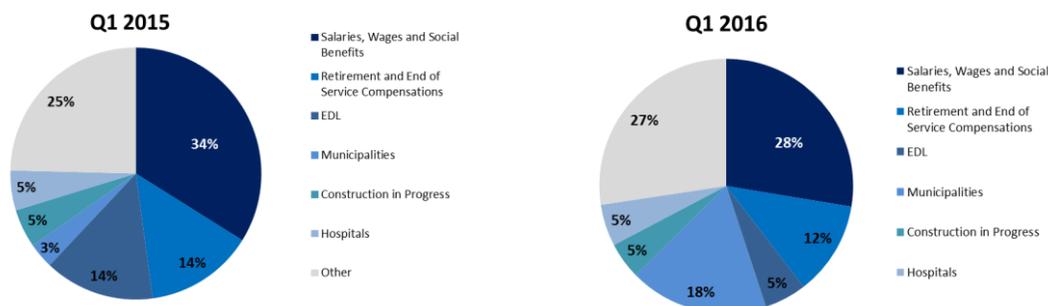
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits rose by LL 44 billion (4 percent), from LL 1,135 billion in Q1 2015 to LL 1,180 billion in Q1 2016⁴. This rise is due to a LL 47 billion increase in basic salaries, and a LL44 billion increase payments to government subscription and contributions to the Employees Cooperative. These increases were partially offset by a LL 57 billion decrease in allowances.

In terms of composition, cost of basic salaries accounted for 76 percent of total payments for salaries wages and related benefits in Q1 2016, followed by allowances (11 percent), other payments (8 percent), and employment benefits (4 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 29 percent in Q1 2014, increasing to 34 percent in Q1 2015, and declining to 28 percent in the same period of 2016. The following figures present the primary spending breakdown by component during the period under review⁵:

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

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

⁵ 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 27 percent from 2015 to 2016 due to higher payments to municipalities.

Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Mar 2015 and Jan-Mar 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 | 539 | 562 | 21 | 24 | 183 | 126 | 1 | 0 | 743 | 712 |
| Army | 342 | 361 | 13 | 14 | 134 | 72 | 0 | 0 | 489 | 447 |
| Internal Security Forces | 151 | 156 | 6 | 7 | 33 | 41 | 0 | 0 | 191 | 203 |
| General Security Forces | 36 | 37 | 1 | 1 | 13 | 10 | 0 | 0 | 50 | 47 |
| State Security Forces | 10 | 10 | 0 | 2 | 3 | 3 | 0 | 0 | 13 | 15 |
| Education Personnel | 219 | 247 | 16 | 14 | 0 | 0 | 0 | 10 | 234 | 271 |
| Civilian Personnel 1/ | 93 | 88 | 15 | 14 | 1 | 1 | 12 | 13 | 121 | 116 |
| Government contribution to employees cooperative 2/ | | | | | | | 27 | 71 | 27 | 71 |
| Customs Salaries 3/ | | | | | | | | | 9 | 9 |
| Unclassified | | | | | | | | | 0 | 0 |
| Total | 850 | 897 | 52 | 53 | 184 | 127 | 40 | 95 | 1,135 | 1,180 |

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 897 billion by end of March 2016 increasing by LL 47 billion from the same period in 2015. The increase was mainly the result of a rise in basic salaries of education personnel by LL 28 billion, and military personnel by LL 23 billion. Basic salaries of civilian personnel decreased by LL 5 billion.

II.A.a. Basic Salaries of Military Personnel

The 4 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 18 billion, the General Security Forces by LL 6 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 the Army increased by LL 4 billion and LL 2 billion respectively. These increases were partially counterbalanced by a LL 6 billion decrease in salaries of trainees of the General Security Forces and a LL 6 billion decrease in payments related to overseas missions.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by 13 percent in Q1 2016 compared to the same period in 2015, standing at LL 247 billion. This was mainly due to a LL 28 billion rise in retroactive payments. Salaries of permanent employees in primary education increased by LL 8 billion, and those of permanent employees in the Directorate General of Vocational

Training (DGV) by LL 3 billion. These increases were slightly counterbalanced by a LL 7 billion decrease in salaries of trainees in the primary and secondary education, and LL 3 billion in salaries of trainees at the DGV. As for salaries of permanent employees in secondary education, these declined by LL 2 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel decreased by LL 5 percent in Q1 2016 compared to Q1 2015. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 23 percent of total salaries and wages to civilian personnel during Q1 2016, followed by the Ministry of Justice (18 percent) and Parliament (9 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 4 billion.

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

| (LL million) | Jan-Mar 2015 | Jan-Mar 2016 | % from Total Civilian Personnel in 2016 |
|---|---------------|---------------|---|
| Ministry of Foreign Affairs and Emigrants | 25,113 | 20,399 | 23% |
| Ministry of Justice | 15,706 | 16,243 | 18% |
| Parliament | 8,334 | 8,277 | 9% |
| Presidency of the Council of Ministers | 7,082 | 7,383 | 8% |
| Ministry of Finance | 7,116 | 7,609 | 9% |
| Ministry of Public Health | 4,935 | 4,713 | 5% |
| Ministry of Public Works and Transportation | 4,657 | 3,792 | 4% |
| Ministry of Agriculture | 3,691 | 3,873 | 4% |
| Ministry of National Defense | 2,658 | 2,644 | 3% |
| Ministry of Interior | 2,452 | 2,459 | 3% |
| Other | 10,990 | 10,789 | 12% |
| Total | 92,734 | 88,181 | 100% |

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by LL 57 billion (31 percent) reaching LL 127 billion in Q1 2016, mainly due to a drop in allowances to the Army and General Security Forces by LL 62 billion and LL 3 billion respectively. It is worth noting that the main reason behind these decreases is due to a difference in the timing of payment. Allowances to Internal Security Forces increased by LL 7 billion while allowances to State Security Forces remained unchanged standing at LL 3 billion.

More specifically, the decline in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 42 billion, and (ii) school allowances by LL 14 billion.

Allowances to the General Security Forces decreased mainly due to a LL 3 billion drop in school allowances, and a LL 2 billion decline in hospital allowances. These decreases were partially offset by a LL 1 billion increase in sickness and maternity allowances.

Allowances to the Internal Security Forces increased chiefly due to higher allowances in hospital, medical and sickness and maternity by LL 4 billion each. These increases were partially offset by a LL 5 billion decrease in school allowances.



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

Payments to government subscription and contributions to the Employees Cooperative increased by LL 44 billion in Q1 2016 standing at LL 71 billion.



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