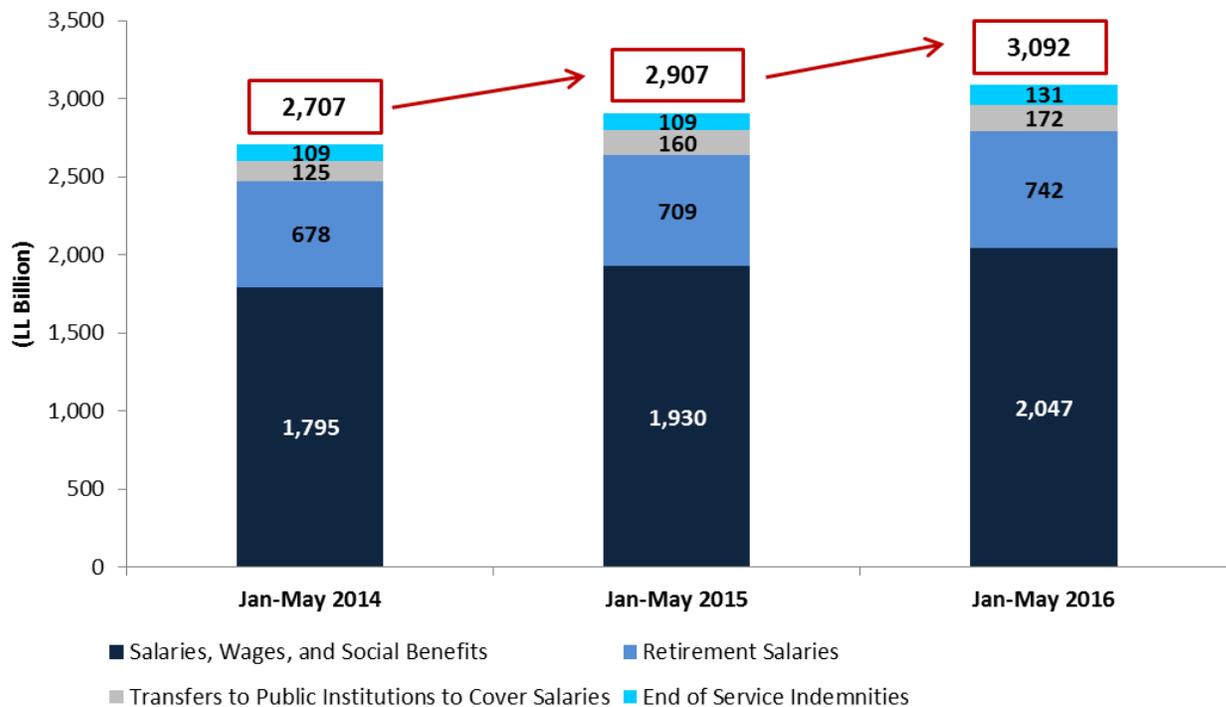


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 185 billion (6 percent) to reach LL 3,092 billion in Jan-May 2016 from LL 2,907 billion in the same period of 2015² as a result of an increase in all of its sub-components: (i) LL 118 billion (6 percent) in payments for salaries, wages and related benefits, (ii) LL 33 billion (5 percent) in retirement salaries, (iii) LL 23 billion (21 percent) in end of services indemnities, and (iv) LL 13 billion in transfers to public institutions to cover salaries mainly as a result of an LL 11 billion increase in transfers to the Council for Development and Reconstruction (CDR).

Figure 1. Personnel Cost Breakdown by Component in Jan-May 2014, Jan-May 2015 and Jan-May 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 58 percent of the total in Jan-May 2014, and increasing to 66 percent in Jan-May 2015 and 67 percent in Jan-May 2016. In addition to the employment of new military personnel, the reason behind the hike from 58 percent in 2014 to 67 percent in 2016 is related to a smaller base in current primary expenditure which decreased by 1 percent from 2014 to 2016.

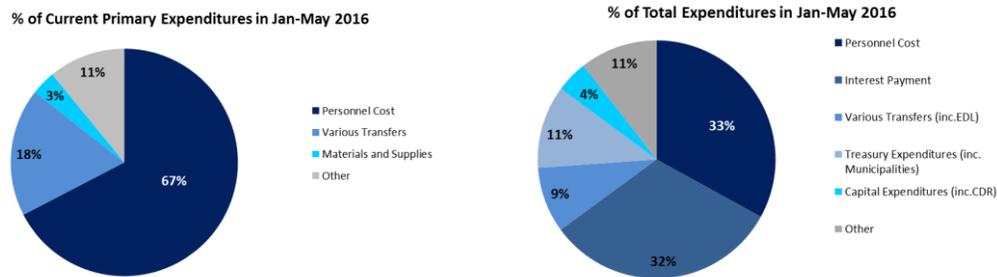
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

² The figures used are those published in the Public Finance Monthly Monitor report – May 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 32 percent of the total in Jan-May 2014, 34 percent in Jan-May 2015 and 33 percent in Jan-May 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-May 2016:

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

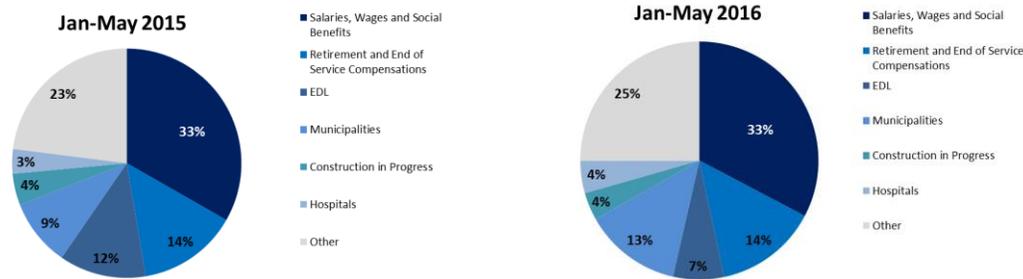
Payments for salaries, wages and related benefits increased by LL 118 billion (6 percent), from LL 1,930 billion in Jan-May 2015 to LL 2,048 billion in the same period of 2016⁴. This rise is mainly the result of an increase in basic salaries of education personnel and military personnel by LL 69 billion and LL 38 billion respectively, in addition to a LL 49 billion increase in payments to government subscription and contributions to the Employees Cooperative. These increases were partially offset by a LL 57 billion drop in allowances.

In terms of composition, cost of basic salaries accounted for 72 percent of total payments for salaries wages and related benefits in Jan-May 2016, followed by allowances (15 percent), other payments (8 percent), and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 31 percent in Jan-May 2014, increasing to 33 percent in the same period of 2015 and 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 – May 2016 due to the effect of rounding.

Figure 3. Primary Spending Breakdown by Component during Jan-May 2015 and Jan-May 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-May 2015 and Jan-May 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	893	931	35	39	363	309	1	1	1292	1279
Army	568	598	22	24	225	183	0	0	815	805
Internal Security Forces	248	256	11	11	105	94	0	0	365	362
General Security Forces	60	60	1	1	24	23	1	0	86	85
State Security Forces	16	16	1	3	9	9	0	0	26	27
Education Personnel	334	403	25	24	0	0	0	18	359	445
Civilian Personnel 1/	145	141	29	28	3	3	20	20	197	193
Government contribution to employees cooperative 2/							67	116	67	116
Customs Salaries 3/									15	15
Total	1,372	1,475	89	91	366	312	89	155	1,930	2,048

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 recorded LL 1,475 billion by end of May 2016, increasing by LL 103 billion from Jan-May 2015. The rise in basic salaries of education personnel by LL 69 billion, and military personnel by LL 32 billion were the main reasons behind this increase. Basic salaries of civilian personnel witnessed a minor decline of LL 4 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 29 billion, the General Security Forces by LL 10 billion, and the Internal Security Forces by LL 6 billion 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 9 billion decrease in salaries of trainees of the General Security Forces, and (ii) a LL 4 billion decrease in payments related to overseas missions due to a decline in payments to the Army and Internal Security Forces by LL 2 billion each.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by 21 percent in Jan-May 2016 compared to the same period in 2015, reaching LL 403 billion. This was chiefly 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 (DGVT) by LL 5 billion. These increases were slightly counterbalanced by a LL 10 billion drop in salaries of trainees in the primary and secondary education, and a LL 5 billion decrease in salaries of trainees at the DGVT. As for 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 fell by 3 percent in Jan-May 2016 compared to Jan-May 2015, standing at LL 141 billion. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 20 percent of total salaries and wages to civilian personnel during Jan-May 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-May 2015 and Jan-May 2016

(LL million)	Jan-May 2015	Jan-May 2016	% from Total Civilian Personnel in 2016
Ministry of Foreign Affairs and Emigrants	32,296	28,159	20%
Ministry of Justice	26,306	26,913	19%
Parliament	13,888	13,781	10%
Presidency of the Council of Ministers	11,973	12,318	9%
Ministry of Finance	11,633	13,000	9%
Ministry of Public Health	8,288	7,829	6%
Ministry of Public Works and Transportaion	7,785	6,284	4%
Ministry of Agriculture	6,414	6,540	5%
Ministry of National Defense	4,429	4,432	3%
Ministry of Interior	4,162	4,150	3%
Other	18,244	17,818	13%
Total	145,419	141,225	100%

Source: Ministry of Finance, Directorate General of Finance



II.B. Payment of Allowances

Allowances decreased by LL 54 billion (15 percent) reaching LL 312 billion in Jan-May 2016, mainly due to a drop in allowances to the Army and Internal Security Forces by LL 42 billion and LL 11 billion respectively. Allowances to General Security Forces witnessed a minor decrease of LL 2 billion standing at LL 23 billion. 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 unchanged standing at LL 9 billion.

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 8 billion. Social allowances and death allowances decreased by LL 2 billion each. These decreases were slightly counterbalanced by an LL 8 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 9 billion drop in school allowances and an LL 8 billion drop in hospital allowances. These decreases were slightly counterbalanced by a LL 4 billion increase in medical allowances, and a LL 3 billion increase in sickness and maternity allowances.

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



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981057/8

Fax: 961 1 981059

Email: infocenter@finance.gov.lb

Website: www.finance.gov.lb