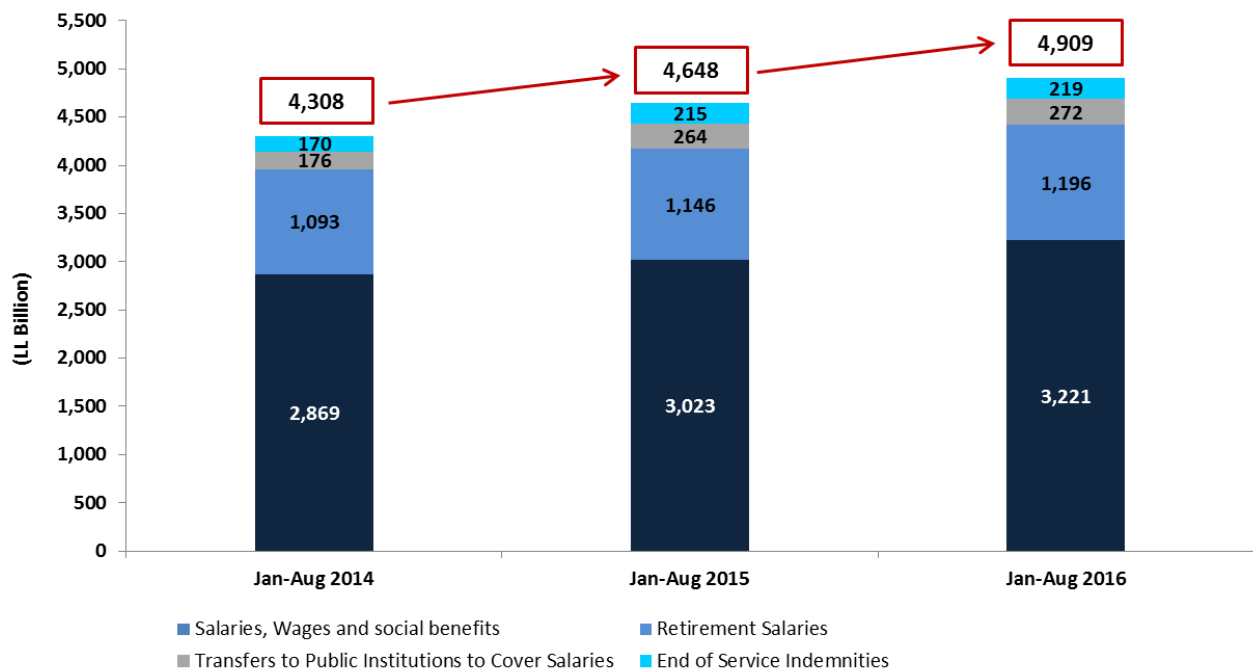


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 261 billion (6 percent) reaching LL 4,909 billion in Jan-Aug 2016 from LL 4,648 billion in the same period of 2015² as a result of an increase in all of its sub-components: (i) LL 199 billion (7 percent) in payments for salaries, wages and related benefits, (ii) LL 50 billion (4 percent) in retirements salaries, (iii) LL 8 billion (3 percent) increase in transfers to public institutions to cover salaries, and LL 4 billion (2 percent) in end of services indemnities.

Figure 1. Personnel Cost Breakdown by Component in Jan-Aug 2014, Jan-Aug 2015 and Jan-Aug 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 56 percent of the total in Jan-Aug 2014, increasing to 66 percent in Jan-Aug 2015 and 67 percent in Jan-Aug 2016. In addition to the employment of new military personnel, the increase from 56 percent in 2014 to 67 percent in 2016 is due to a smaller base in current primary expenditure which decreased by 5 percent from 2014 to 2016.

As a percent of total expenditures, personnel cost constituted 32 percent of the total in Jan-Aug 2014, 36 percent in Jan-Aug 2015 and 35 percent in Jan-Aug 2016. The following figures

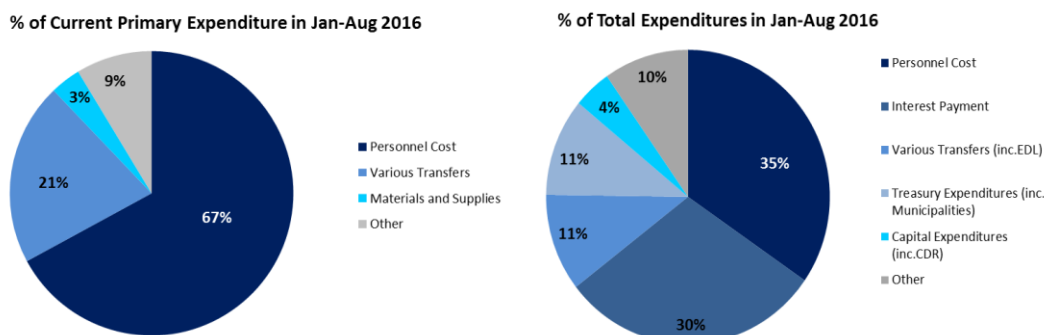
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

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

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

represent the current primary expenditure and total expenditure composition in Jan-Aug 2016:

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

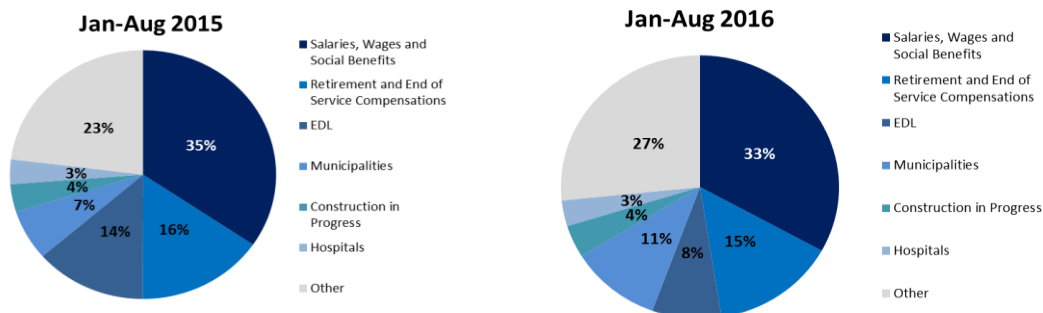
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits rose by LL 199 billion (7 percent) in Jan-Aug 2016, from LL 3,021 billion in Jan-Aug 2015⁴ mainly the result of a rise in basic salaries of education and military personnel by LL 146 billion and LL 66 billion respectively. These increases were slightly counterbalanced by a decrease of LL 25 billion in payments to government subscription and contributions to the Employees Cooperative.

In terms of composition, cost of basic salaries accounted for 75 percent of total payments for salaries wages and related benefits in Jan-Aug 2016, followed by allowances (13 percent), other payments (7 percent) and employment benefits (4 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 30 percent in Jan-Aug 2014, increased to 35 percent in the same period of 2015 and slightly decreased to 33 percent in Jan-Aug 2016. The following figures represent the primary spending breakdown by component during the period under review:

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



Source: Ministry of Finance, Directorate General of Finance

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



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-Aug 2015 and Jan-Aug 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	1,433	1,499	55	61	418	417	2	2	1,908	1,979
Army	915	961	35	38	242	267	0	0	1,193	1,266
Internal Security Forces	395	415	17	17	132	111	0	0	545	544
General Security Forces	96	99	2	2	34	28	1	1	133	130
State Security Forces	26	25	1	3	10	11	0	0	37	39
Education Personnel	545	691	42	36	0	0	11	26	599	753
Civilian Personnel 1/	227	225	44	48	3	3	30	28	305	304
Government contribution to employees cooperative 2/							186	161	186	161
Customs Salaries 3/									24	24
Total	2,206	2,416	142	144	421	420	228	216	3,021	3,221

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 stood at LL 2,416 billion by end of August 2016, increasing by LL 210 billion from Jan-Aug 2015. This rise was mainly driven by a LL 146 billion increase in basic salaries of education personnel and a LL 66 billion increase in basic salaries of military personnel. Basic salaries of civilian personnel witnessed a minor decrease of LL 2 billion standing at LL 225 billion.

II.A.a. Basic Salaries of Military Personnel

The 5 percent increase in basic salaries of military personnel is primarily due to an increase in payments made to permanent employees of the Army by LL 45 billion, to the Internal Security Forces by LL 18 billion and to the General Security Forces by LL 15 billion, owing to the recruitment of new personnel or the promotion of current personnel. In addition, payments to trainees of the Internal Security forces and the Army increased by LL 4 billion and LL 2 billion respectively. As for clothing indemnities, they went up by LL 2 billion. These increases were partially counterbalanced by (i) a LL 15 billion decrease in salaries of trainees of the General Security Forces, and (ii) a LL 6 billion decrease in payments related to overseas missions.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel soared by 27 percent in Jan-Aug 2016 compared to the same period in 2015, reaching LL 691 billion mainly due to a LL 95 billion increase in salaries

for contractuels at the Directory General of Vocational Training (DGVT) and a LL 28 billion increase in retroactive payments. Salaries of contractuels in the primary and intermediate education, and in secondary education increased by LL 21 billion and LL 8 billion respectively. Salaries of permanent employees in primary education and of permanent employees at the DGVT increased by LL 10 billion and LL 8 billion respectively. These increases were counterbalanced by a LL 13 billion drop in salaries of trainees in the primary and secondary education, and a LL 7 billion decrease in salaries of trainees at the DGVT. As for the salaries of permanent employees in secondary education, these declined by LL 4 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel witnessed a slight decrease of 1 percent in Jan-Aug 2016 compared to Jan-Aug 2015 and registered LL 225 billion in Jan-Aug 2016.

At the level of ministries, the Ministry of Justice represents the largest wage bill, with a share of 19 percent of total salaries and wages to civilian personnel during Jan-Aug 2016, followed by the Ministry of Foreign Affairs (MoFA) (19 percent) and Parliament (10 percent) (for further details, kindly refer to table 2).

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-Aug 2015 and Jan-Aug 2016

(LL million)	Jan-Aug 2015	Jan-Aug 2016	% from Total Civilian Personnel in 2016
Ministry of Foreign Affairs and Emigrants	50,112	42,768	19%
Ministry of Justice	42,403	43,127	19%
Parliament	22,203	22,086	10%
Presidency of the Council of Ministers	18,815	20,045	9%
Ministry of Finance	18,783	21,233	9%
Ministry of Public Health	11,691	12,477	6%
Ministry of Public Works and Transportaion	11,702	10,306	5%
Ministry of Agriculture	10,238	10,456	5%
Ministry of National Defense	7,172	7,112	3%
Ministry of Interior	6,527	6,781	3%
Other	27,740	28,693	13%
Total	227,387	225,085	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances remained almost unchanged standing at LL 420 billion in Jan-Aug 2016. The LL 25 billion increase in allowances to the Army was offset by a LL 21 billion decrease in allowances to the Internal Security forces and a LL 6 billion decrease in allowances to the General security forces. Allowances to State Security Forces increased slightly standing at LL 11 billion in Jan-Aug 2016.

The rise in allowances to the Army was mainly driven by increases in (i) hospital expenses by LL 16 billion, (ii) school allowances by LL 13 billion and (iii) medical allowances by LL 4 billion. These decreases were partially counterbalanced by decreases in (i) sickness and maternity allowances by LL 3 billion, (ii) death allowances and social allowances by LL 2 billion each, and (iii) marriage allowances by LL 1 billion.



Allowances to the Internal Security Forces plummeted mainly due to a LL 16 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 allowances, and a LL 2 billion increase in sickness and maternity allowances.

Allowances to the General Security Forces declined mainly due to a LL 5 billion decrease in school allowances.



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