

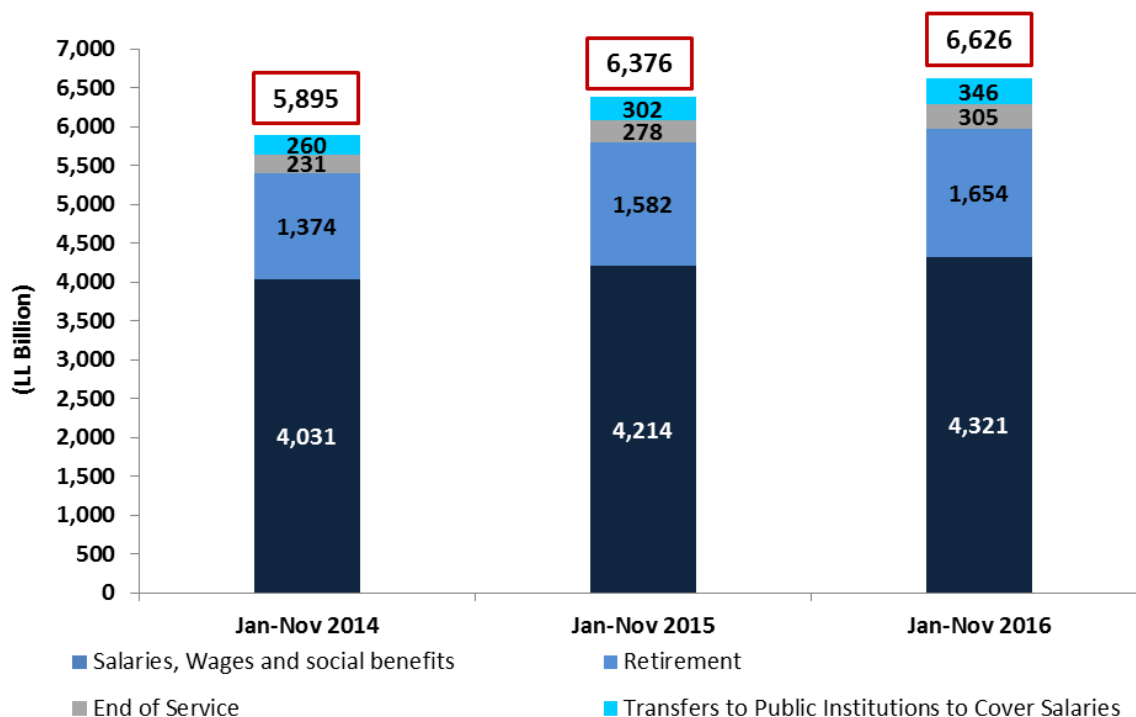
I. Personnel Cost

I.A. General Overview

Personnel cost¹ witnessed a year-on-year increase of LL 251 billion (4 percent) from LL 6,376 billion recorded in Jan-Nov 2015 to LL 6,626 billion in 2016², as a result of an increase in all sub-categories. The rise in personnel cost was mainly driven by an increase in the hiring of security forces and a rise in payments to education personnel.

In detail, salaries, wages and social benefits increased by LL 107 billion (3 percent), alongside an increase of LL 72 billion (5 percent) in retirement salaries. Moreover, transfers to public institutions to cover salaries rose by LL 44 billion (15 percent) mainly due to a LL 19 billion increase in Transfer to Council for Development and Reconstruction (CDR) coupled with an increase of LL 13 billion in transfers to the Educational Center for Research and Development. Also, end of service indemnities increased by LL 27 billion (10 percent).

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



Source: Ministry of Finance, Directorate General of Finance

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

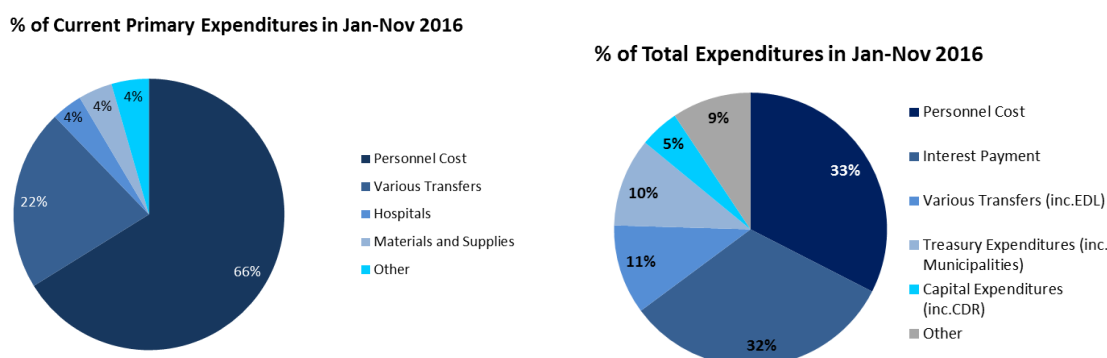
² The figures used are those published in the Public Finance Monthly Monitor report –November 2016.

I.B. Share of Personnel Cost from Expenditures

Personnel cost constituted historically the highest share of current primary expenditure³, comprising to 57 percent, 67 percent and 66 percent in Jan-Nov 2014, Jan-Nov 2015 and in Jan-Nov 2016 respectively. The decrease of the share of personnel cost in Jan-Nov 2016 could mainly be explained by the larger base of current primary expenditures during this period, which increased by LL 443 billion to reach LL 10,014 billion in Jan-Nov 2016, despite the LL 355 billion decrease in transfers to Electricité du Liban. (for more information, kindly refer to the Public Finance Monitor- November 2016)

As a percent of total expenditures, personnel cost constituted 31 percent of the total in end-November 2014, compared with 35 percent in end-November 2015 and 33 percent in end-November 2016. Similarly, the decrease in the share of personnel cost from total expenditure from 2015 to 2016 is partly due to an increase in total expenditures by LL 2,117 billion in Jan-Nov 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Nov 2016:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-Nov 2016



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include judgments and reconciliation, mission costs, accounting adjustments and external services.

II. Salaries, Wages, and Social Benefits

Payments for salaries, wages and social benefits increased by LL 107 billion (3 percent) in Jan-Nov 2016, to LL 4,320 billion in Jan-Nov 2016 from LL 4,216 billion in 2015⁴. The reason behind this rise is mainly due to a rise in (i) basic salaries of military personnel by LL 99 billion, (ii) basic salaries of education personnel by LL 40 billion, (ii) and LL 18 billion of other transfers for education personnel. These increases were partly counterbalanced by a LL 51 billion drop in allowances to military personnel and a LL 7 billion decrease in payments to government subscription and contributions to the Employees Cooperative.

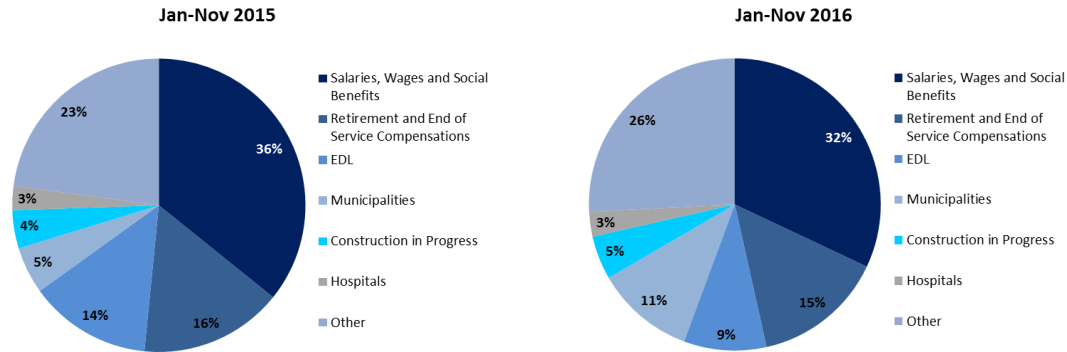
³ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

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

In terms of composition, cost of basic salaries accounted for 75 percent of total payments for salaries wages and social benefits in Jan-Nov 2016, followed by allowances (13 percent), other payments (7 percent), and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and social benefits accounted for 32 percent in Jan-Nov 2014, slightly increasing to 36 percent in the same period of 2015, and reverting to 32 percent in Jan-Nov 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-Nov 2015 and Jan-Nov 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-Nov 2015 and Jan-Nov 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	1,983	2,081	77	84	591	540	2	2	2,653	2,708
Army	1,268	1,335	49	52	392	350	1	1	1,709	1,738
Internal Security Forces	544	574	24	24	145	141	1	1	713	740
General Security Forces	135	138	3	3	43	36	1	1	183	178
State Security Forces	36	35	1	5	11	12	0	0	49	52
Education Personnel	812	852	58	52	0	0	17	35	887	939
Civilian Personnel 1/	309	308	60	65	4	4	36	37	410	414
Government contribution to employees cooperative 2/							233	226	233	226
Customs Salaries 3/									34	33
Total	3,104	3,241	194	202	596	544	289	299	4,216	4,320

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 social benefits, basic salaries recorded LL 3,241 billion by end of November 2016, increasing by LL 137 billion from Jan-Nov 2015. This rise was mainly driven by a LL 99 billion increase in basic salaries of military personnel and a LL 40 billion increase in basic salaries of education personnel. Basic salaries of civilian personnel witnessed a minor decrease of LL 1 billion standing at LL 308 billion in Jan-Nov 2016.

II.A.a. Basic Salaries of Military Personnel

The 5 percent increase in basic salaries of military personnel is primarily due to increases in payments made to permanent employees of the (i) Army by LL 60 billion, (ii) Internal Security Forces by LL 29 billion, (iii) and the General Security Forces by LL 21 billion, owing to the recruitment of new personnel or the promotion of current personnel.

Moreover, payments to trainees of the Internal Security forces and overseas missions rose by LL 4 billion and LL 2 billion respectively. In addition, payments to contractuels in the army witnessed an increase by LL 2 billion. These increases were partially offset by an LL 18 billion decrease in salaries of trainees of the General Security Forces.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel witnessed an increase by 5 percent in Jan-Nov 2016 to LL 852 billion from LL 812 billion in 2015. This is mainly the result of a LL 25 billion increase in the salaries attributed to the contractuels at the Directory General of Vocational Training (DGVT) coupled by a LL 28 billion increase in retroactive payments in the month of February 2016⁵. In addition, salaries of permanent employees in both the primary education as well as at the DGVT increased by LL 5 billion each. Moreover, salaries of contractuels in the primary and intermediate education, and in secondary education rised by LL 3 billion and LL 2 billion respectively. Furthermore, the salaries of trainees in the primary and secondary education and that of trainees at the DGVT witnessed a decrease by LL 15 billion and LL 7 billion respectively. In addition, a drop by LL 5 billion in the DGE salaries occurred.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel witnessed a slight decrease of 1 percent to LL 308 billion in Jan-Nov 2016, mainly due to a LL 13 billion drop in transfers covering missions abroad for the Ministry of Foreign Affairs and Emigrants. This was counterbalanced by an increase of LL 3 billion in transfers to the courts of justice and a LL 2 billion transfer to the court of cassation in the Ministry of Justice. Moreover, transfers to the Ministry of Finance increased by LL 3 billion.

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-Nov 2016, followed by the Ministry of Foreign Affairs (MoFA) with 18 percent and the Ministry of Finance with 10 percent (*for further details, kindly refer to table 2*).

Basic salaries and wages to employees in the MoFA witnessed the most notable decrease by LL 12 billion mainly due to a decline in retroactive payments by LL 5 billion.

⁵ Retroactive payments to teachers in accordance to decisions made by the Ministry of Education: 48 dated 02/02/2015, 348 dated 02/05/2015, 349 dated 02/05/2015, 380 dated 09/05/2015, 595 dated 24/06/2015, 625 dated 20/07/2015, 656 dated 03/08/2015 and 1070 dated 19/11/2015

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

(LL million)	Jan-Nov 2015	Jan-Nov 2016	% from Total Civilian Personnel in 2016
Ministry of Justice	55,459	59,194	19%
Ministry of Foreign Affairs and Emigrants	68,019	55,918	18%
Parliament	30,529	30,393	10%
Ministry of Finance	26,758	29,850	10%
Presidency of the Council of Ministers	26,850	27,408	9%
Ministry of Public Health	17,310	17,571	6%
Ministry of Public Works and Transportation	14,646	14,669	5%
Ministry of Agriculture	14,046	14,258	5%
Ministry of National Defense	9,714	9,798	3%
Ministry of Interior	8,968	9,405	3%
Other	39,066	39,817	13%
Total	311,366	308,281	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by 9 percent to LL 544 billion in Jan-Nov 2016 due to respective decreases in allowances by LL 42 billion, LL 6 billion and LL 4 billion to the Army, General security forces and Internal Security forces respectively.

The decrease in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 25 billion, (ii) school allowances by LL 10 billion, (iii) sickness and maternity allowances by LL 6 billion and (iv) death allowances by LL 2 billion. These decreases were partially counterbalanced by a LL 4 billion increase in medical allowances.

Allowances to the General Security Forces declined by LL 6 billion, mainly due to a LL 4 billion and a LL 3 billion decrease in hospital expenses and school allowances respectively.

Allowances to the Internal Security Forces decreased by LL 4 billion due to a LL 16 billion drop in hospital expenses and a LL 2 billion drop in social allowances. These decreases were partly counterbalanced by a LL 6 billion increase in medical allowances, a LL 4 billion increase in school allowances and a LL 3 billion rise in sickness and maternity allowances.

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