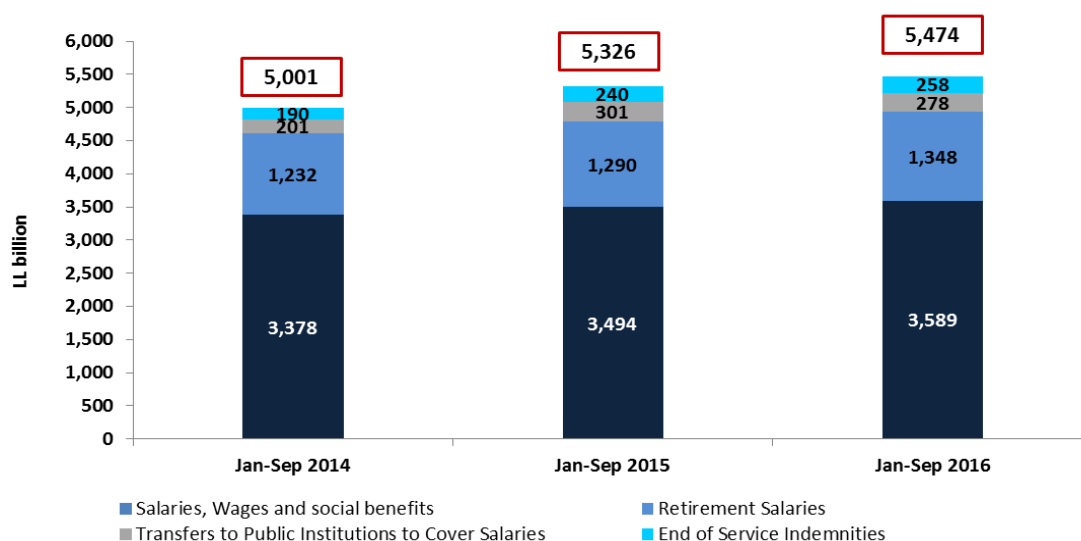


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 148 billion (2.8 percent) reaching LL 5,474 billion in Jan-Sep 2016 from LL 5,326 billion in the same period of 2015², as a result of an increase in (i) salaries wages and social benefits by LL 94 billion (2.7 percent), (ii) retirement salaries by LL 59 billion (4.5 percent) and (iii) end of service indemnities by LL 18 billion (7.6 percent). These increases were partly counterbalanced by a LL 23 billion (7.7 percent) decrease in transfers to public institutions, most notably to the Lebanese University.

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



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost constituted historically the highest share of current primary expenditure³, contributing to 58 percent of the total in Jan-Sep 2014 and reaching 67 percent during both Jan-Sep 2015 and Jan-Sep 2016. The latter increase could mainly be explained by the hiring of new military personnel that increased the wage bill, but also by the lower base of current expenditures, which dropped by 5 percent over the period 2014-2016 owing to lower transfers to Electricité du Liban.

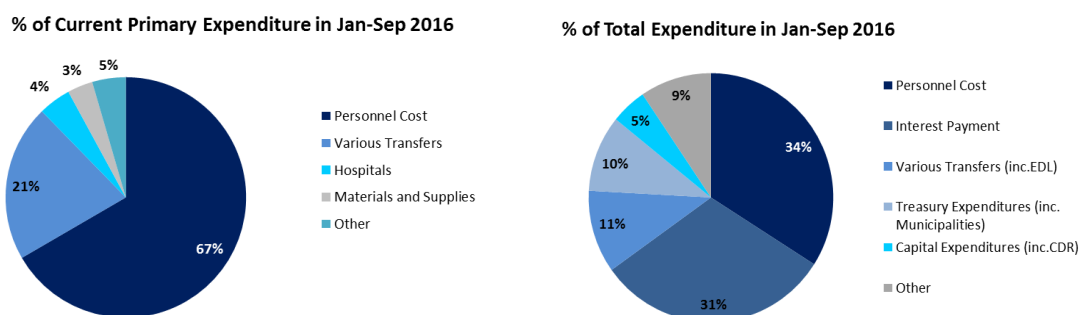
As a percent of total expenditures, personnel cost constituted 33 percent of the total in Jan-Sep 2014, compared with 36 percent in Jan-Sep 2015 and 34 percent in Jan-Sep 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Sep 2016:

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 – September 2016.

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

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

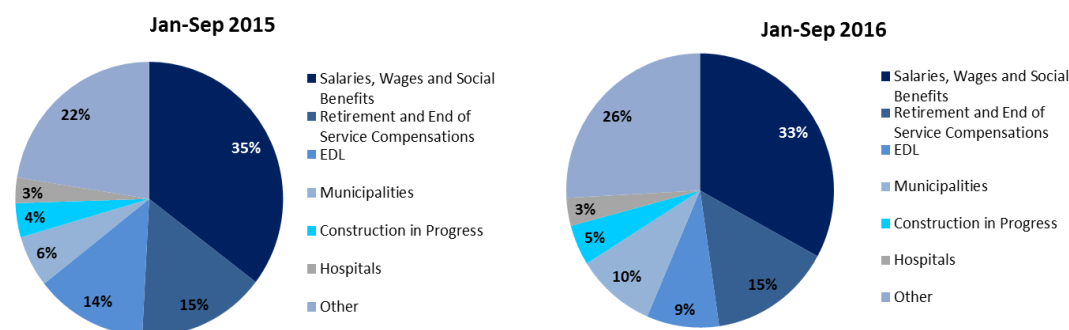
II. Salaries, Wages, and Social Benefits

Payments for salaries, wages and social benefits rose by LL 94 billion (2.7 percent) in Jan-Sep 2016, from LL 3,495 billion in Jan-Sep 2015⁴ mainly the result of a rise in basic salaries of education and military personnel by LL 122 billion and LL 77 billion respectively. These increases were partly counterbalanced by a LL 68 billion drop in allowances to military personnel and a LL 42 billion decrease 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 social benefits in Jan-Sep 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 social benefits accounted for 32 percent in Jan-Sep 2014, increasing to 35 percent in the same period of 2015, and slightly decreasing to 33 percent in Jan-Sep 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-Sep 2015 and Jan-Sep 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 – September 2016 due to the effect of rounding.

Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Sep 2015 and Jan-Sep 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	1,614	1,691	62	68	535	467	2	1	2,213	2,227
Army	1,033	1,082	39	43	348	309	0	0	1,421	1,434
Internal Security Forces	444	470	19	19	139	116	0	1	602	606
General Security Forces	108	111	3	3	38	30	1	0	149	144
State Security Forces	30	28	1	3	10	12	0	0	41	43
Education Personnel	624	746	44	39	0	0	17	34	685	819
Civilian Personnel 1/	260	253	50	53	4	3	32	29	347	338
Government contribution to employees cooperative 2/							223	181	223	181
Customs Salaries 3/									27	24
Total	2,499	2,690	156	160	539	471	274	245	3,495	3,590

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 stood at LL 2,690 billion by end of September 2016, increasing by LL 191 billion from Jan-Sep 2015. This rise was mainly driven by a LL 122 billion increase in basic salaries of education personnel and a LL 77 billion increase in basic salaries of military personnel. Basic salaries of civilian personnel witnessed a minor decrease of LL 7 billion standing at LL 253 billion in the first nine months of 2016.

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 48 billion, of the Internal Security Forces by LL 24 billion, and of the General Security Forces by LL 18 billion, owing to the recruitment of new personnel or the promotion of current personnel. Moreover, payments to trainees of the Internal Security forces rose by LL 4 billion. These increases were partially counterbalanced by (i) a LL 17 billion decrease in salaries of trainees of the General Security Forces, and (ii) a LL 3 billion decrease in overseas missions.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel soared by 19 percent in Jan-Sep 2016 compared to the same period in 2015, reaching LL 746 billion mainly due to a LL 95 billion increase in salaries for contractuels at the Directory General of Vocational Training (DGVF) 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 6 billion and LL 2 billion respectively.

Salaries of permanent employees in primary education and of permanent employees at the DGVТ increased by LL 9 billion and LL 8 billion respectively. These increases were counterbalanced by a LL 14 billion drop in salaries of trainees in the primary and secondary education, and an LL 8 billion decrease in salaries of trainees at the DGVТ. As for the salaries of permanent employees in secondary education, these declined by LL 5 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel witnessed a slight decrease of 3 percent to LL 253 billion in Jan-Sep 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-Sep 2016, followed by the Ministry of Foreign Affairs (MoFA) with 19 percent and 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 mainly due to a decline in retroactive payments by LL 20 billion.

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

(LL million)	Jan-Sep 2015	Jan-Sep 2016	% from Total Civilian Personnel in 2016
Ministry of Justice	47,684	48,501	19%
Ministry of Foreign Affairs and Emigrants	56,574	48,024	19%
Ministry of Finance	21,576	24,315	10%
Parliament	24,858	23,902	9%
Presidency of the Council of Ministers	22,060	22,494	9%
Ministry of Public Health	14,978	14,390	6%
Ministry of Public Works and Transportation	12,939	11,579	5%
Ministry of Agriculture	11,583	11,700	5%
Ministry of National Defense	7,979	8,003	3%
Ministry of Interior	7,432	7,648	3%
Other	32,556	32,658	13%
Total	260,217	253,213	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by 13 percent to LL 471 billion in Jan-Sep 2016. The respective decreases in allowances by LL 39 billion, LL 23 billion and LL 8 billion to the Army, Internal Security forces and General security forces were slightly offset by a LL 2 billion increase in allowances to the State Security Forces.

The decrease in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 36 billion, (ii) death allowances by LL 2 billion, (iii) sickness and maternity allowances by LL 2 billion, (iv) social allowances by LL 2 billion. These decreases were partially counterbalanced by a LL 4 billion increase in medical allowances.

Allowances to the Internal Security Forces decreased due to a LL 21 billion drop in hospital expenses and a LL 9 billion drop in school allowances. These decreases were slightly counterbalanced by a LL 5 billion increase in medical allowances, a LL 3 billion rise in sickness and maternity allowances.

Allowances to the General Security Forces declined mainly due to a LL 5 billion and a LL 3 billion decrease in school allowances and hospital expenses respectively.

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