

I. Personnel Cost

I.A. General Overview

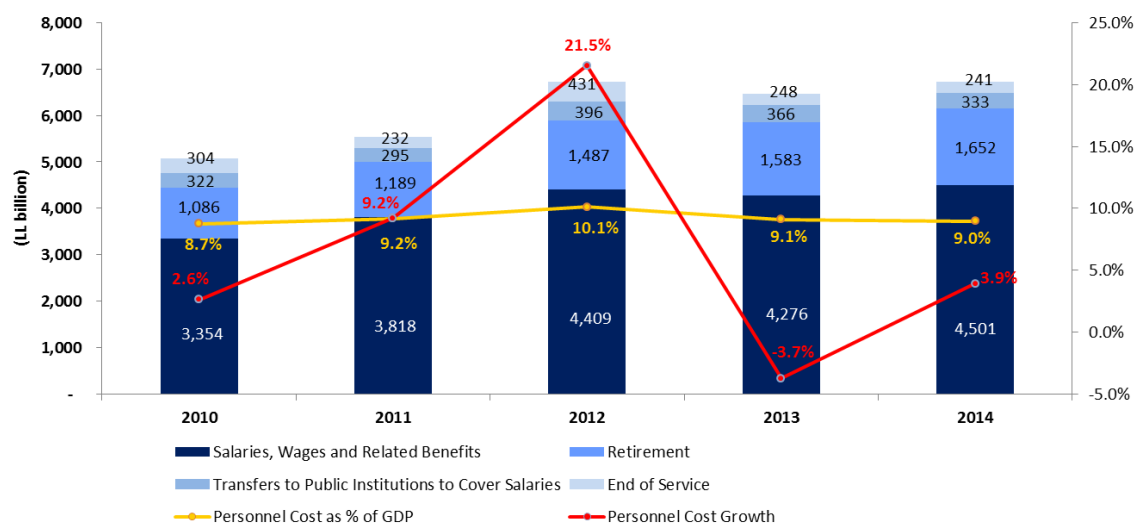
Personnel cost includes payments for (a) salaries, wages and related benefits (67 percent of total personnel cost in 2014), (b) retirement allowances (25 percent), (c) transfers to public institutions to cover salaries (5 percent), and (d) end of service indemnities (4 percent). Personnel cost increased by LL 254 billion (4 percent) from LL 6,473 billion in 2013 to LL 6,727 billion in 2014, mainly due to the LL 225 billion (5 percent) increase in payments for salaries, wages and related benefits alongside a LL 69 billion (4 percent) increase in retirement payments. However, this was slightly counterbalanced by a LL 33 billion (9 percent) drop in transfers to public Institutions to cover salaries and a 7 billion (3 percent) decrease in end of service indemnities.

During the period 2010-2014, personnel cost accounted for an average of 9.2 percent of GDP, with the year 2012 registering the highest figure of 10.1 percent compared to 9.2 percent in 2011 and 9.1 percent in 2013. The 22 percent hike in personnel costs in 2012 is mainly caused by the cost of living adjustment¹ and exceptional retroactive payments². In details, in 2012, out of total salaries and wages of LL 4,490 billion, the cost of living adjustment and various exceptional retroactive payments amounted to LL 720 billion, compared to total salaries and wages of LL 3,818 billion of which LL 587 billion relate to retroactive payments in 2011.

If cost of living adjustment and retroactive payments are excluded from the totals, salaries and wages would register an increase of 6 percent in 2012, mainly due to additional military recruits.

Similarly, retirement and end of service indemnities increased by 35 percent in 2012 due to the cost of living adjustment as well as the payment of additional benefits to military personnel for early retirement³.

Figure 1. Personnel Cost Breakdown by Component 2010-2014, Growth, and Percent of GDP



Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

GDP 2010-2013: Lebanese National Accounts, GDP 2014: Computed using IMF April 2015 WEO real growth and deflator based on 2013 CAS GDP figure

¹ Cost of living payments include both the monthly increment for Sep-2012, Oct-2012, Nov-2012 and Dec-2012 as well as part of the retroactive payment for the period Feb-Aug 2012. All payments were made through a treasury advance as per decree 8851 dated 7 September 2012.

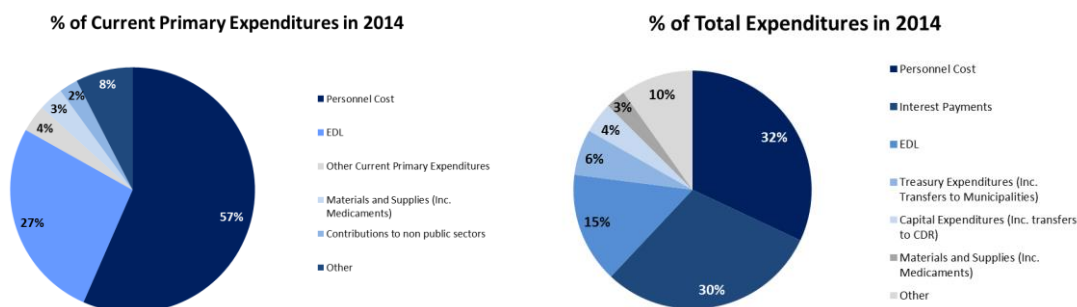
² Retroactive payments include the exceptional degrees for education personnel as per Laws 159 and 102 and the 1996-1998 retroactive disbursements for military and civil personnel.

³ As per Law 169 dated 29 August 2011, providing military personnel additional incentives for early retirement such as exceptional echelons.

I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure⁴, which increased from 54 percent in 2013 to 57 percent in 2014. Moreover, personnel cost increased to 32 percent of total expenditure in 2014, compared to 31 percent in 2013. (see figure 2).

Figure 2. Personnel Cost as Percentage of Current Primary Expenditure and Total Expenditure in 2014



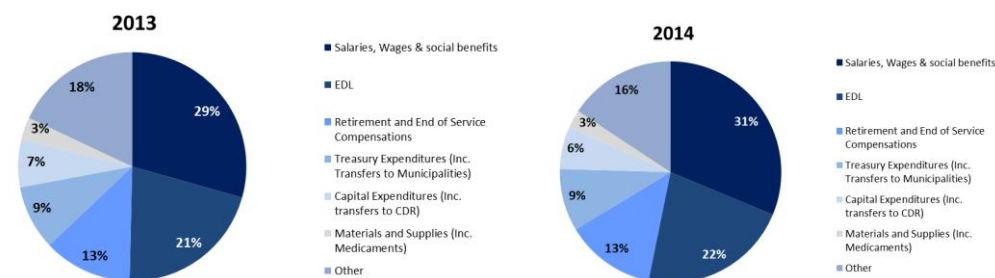
Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits, which mainly include the cost of basic salaries (73 percent of total salaries, wages and related benefits), employment benefits (5 percent), allowances (12 percent), and other payments (9 percent), rose by LL 225 billion (5 percent) from LL 4,276 billion in 2013 to LL 4,501 billion in 2014. The reason behind this rise is mainly due to (a) higher payments to government subscription and contributions to the Employees Cooperative by LL 119 billion, (b) a LL 115 billion rise in basic salaries payment to military personnel, and (c) a LL 22 billion contribution increase in the mutual fund of the Lebanese University. These were slightly counterbalanced by a LL 19 billion decline in military allowances and a LL 13 billion drop in employment benefits.

Salaries, wages and related benefits represent the largest component of total primary spending, accounting for 29 percent of primary expenditure during 2013 and increasing to 31 percent during 2014. The following figures present the primary spending breakdown by component during the period under review.

Figure 3. Primary Spending Breakdown by Component during Jan-Dec 2013 and Jan-Dec 2014



Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

N.B.: Other expenditures mainly include transfers to public institutions to cover salaries, contributions to non-public sectors, VAT refund.

⁴ Current primary expenditures represent current expenditures excluding interest payment and debt service.

Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Dec 2013 and Jan-Dec 2014

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Military Personnel	1,963	2,079	79	83	576	557	2	3	2,620	2,721
Army	1,251	1,322	48	51	364	327	1	1	1,664	1,700
Internal Security Forces	570	583	24	25	170	179	0	1	764	787
General Security Forces	108	137	3	3	30	38	1	1	143	179
State Security Forces	34	37	3	4	12	14	0	0	49	54
Education Personnel	863	874	76	65	0	0	0	24	939	962
Civilian Personnel 1/	349	339	73	67	4	5	42	42	468	454
Government contribution to employees cooperative 2/							204	323	204	323
Customs Salaries 3/									44	38
Total 7/	3,175	3,292	227	215	580	562	249	392	4,276	4,501

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 employment benefits (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.

7/ This item includes unclassified expenditures, which amounted to LL 1 billion and LL 3 billion during 2013 and 2014, respectively.

II.A. Basic Salaries and Wages

Out of total salaries, wages and related benefits, basic salaries reached LL 3,292 billion in Jan-Dec 2014, compared to LL 3,175 billion paid in the same period of 2013, increasing by LL 117 billion (4 percent). This rise was the result of increases in military and education personnel's basic salaries by LL 115 billion (6 percent) and LL 11 billion (1 percent), respectively. These increases were slightly offset by a drop in basic salaries of civilian personnel by LL 9 billion (3 percent).

II.A. a. Basic Salaries of Military Personnel

The 6 percent rise in basic salaries of military personnel is primarily the result of (a) an increase in payments made to permanent employees of the Army (+LL 46 billion), General Security Forces (+LL 17 billion) and Internal Security Forces (+LL 12 billion), in turn owing to the recruitment of new personnel or the promotion of current personnel, (b) increases in payments for overseas missions and clothing indemnities by LL 18 billion and LL 10 billion respectively, and (c) a rise in trainees and contractors salaries by LL 8 billion and LL 6 billion, respectively.

II.A.b. Basic Salaries of Education Personnel

Basic salaries to education personnel increased by LL 11 billion in 2014, compared to 2013. The 1 percent increase was mainly the result of a LL 9 billion rise in basic salaries of contractual teachers at the Directorate of General Education, due to a higher number of teachers in this category in Jan-Dec 2014 compared to Jan-Dec 2013. Moreover, salaries to contractuels and secondary education teachers at the Directorate General of Vocational Education rose by LL 3

billion, each. These rises were partly offset by a LL 9 billion decrease in salaries to primary education teachers.

II.A.c. Basic Salaries of Civilian Personnel

Payments to civilian personnel dropped by LL 9 billion by end-December 2014, compared to the same period in 2013. In terms of ministerial distribution, the Ministry of Foreign Affairs (MoFA) represent the largest wage bill, accounting for 20 percent of total salaries and wages to civilian personnel during 2014. This was followed by the Ministry of Justice with a share of 18 percent and Parliament comprising 10 percent of total civilian wage bill (*For further details, kindly refer to table 2*).

In detail, basic salaries and wages to employees in the MoFA witnessed the most notable decrease of 14 percent by end-December 2014, mainly due to a decline of LL 10 billion in basic salaries of diplomats in Lebanese overseas missions. The latter drop could primarily be attributed to lower retroactive payments, whereby these amounted to LL 19 billion in Jan-Dec 2013, compared to only LL 9 billion in the same period of 2014.

Table 2. Civilian Salaries and Wages Breakdown by Ministry - Jan-Dec 2013 and Jan-Dec 2014

(LL million)	Jan-Dec 2013	Jan-Dec 2014	% change 2014/2013
Ministry of Foreign Affairs and Emigrants	76,996	66,404	-13.8%
Ministry of Justice	58,973	62,569	6.1%
Parliament	31,998	32,824	2.6%
Presidency of the Council of Ministers	29,120	29,715	2.0%
Ministry of Finance	29,128	28,808	-1.1%
Ministry of Public Health	22,112	21,079	-4.7%
Ministry of Public Works and Transportation	17,916	17,340	-3.2%
Ministry of Agriculture	14,135	14,118	-0.1%
Ministry of National Defense	11,406	10,772	-5.6%
Ministry of Interior	10,506	10,331	-1.7%
Other	46,336	45,285	-2.3%
Total	348,626	339,246	-2.7%

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

II.A.d. Payments to Customs

Payments to Customs witnessed a decrease of 13 percent (LL 6 billion) in Jan-Dec 2014 compared to the same period of 2013. This is mainly due to a LL 3 billion payment for school allowances relating to the academic year 2011-2012 and a LL 2 billion to sickness & maternity allowances, which were paid in 2013 and were quasi nil in the corresponding period of 2014.

II.B. Employment Benefits

Employment benefits which contribute to 5 percent of total payments for salaries, wages and related benefits, decreased by LL 13 billion (6 percent) in 2014, compared to 2013 figures. This decline is the result of an LL 11 billion drop in employment benefits transferred to educational personnel mainly due to compensations for transportation paid for for the Directorate General for education. In addition, employment benefits for civil personnel decreased by LL 6 billion year-on-year in 2014. However this was slightly counterbalanced by an increase of LL 4 billion in employment benefits transferd to militiray personnel.

II.C. Payment of Allowances

Allowances dropped by LL 19 billion (3 percent) to reach LL 562 billion in 2014, mirroring the decrease in allowances to military personnel. This is chiefly the result of lower payments to the Army by LL 37 billion, which was slightly counterbalanced by increases in allowances to the Internal Security Forces by LL 9 billion, and General Security forces by LL 7 billion.

More specifically, the decrease in allowances to the Army was chiefly attributed to (i) a drop in hospital allowances by LL 35 billion, (ii) a decrease in school expenses by LL 7 billion, and (iii) a LL 6 billion decrease in sickness & maternity allowances. These decreases were slightly counterbalanced by a LL 6 billion increase in marriage allowances.

Allowances to Internal Security Forces rose by LL 9 billion end-December 2014, mainly driven by a LL 7 billion rise in social allowances and a LL 2 billion increase in marriage allowances. These increases were slightly counterbalanced by a LL 3 billion decrease in school expenses.

Finally, allowances to the General Security Forces increased by LL 7 billion mostly due to higher payments for sickness & maternity and hospital expenses respectively by LL 3 billion and LL 2 billion, during 2014.

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

Payments to government subscription and contributions in the Employees Cooperative increased by LL 119 billion in Jan-Dec 2014; reaching LL 323 billion of which LL 104 billion represented payments relating to the year 2013. In comparison, government subscription and contributions totaled LL 204 billion in 2013, whereby LL 60 billion represented payments pertaining to the year 2012.



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