

I. Personnel Cost

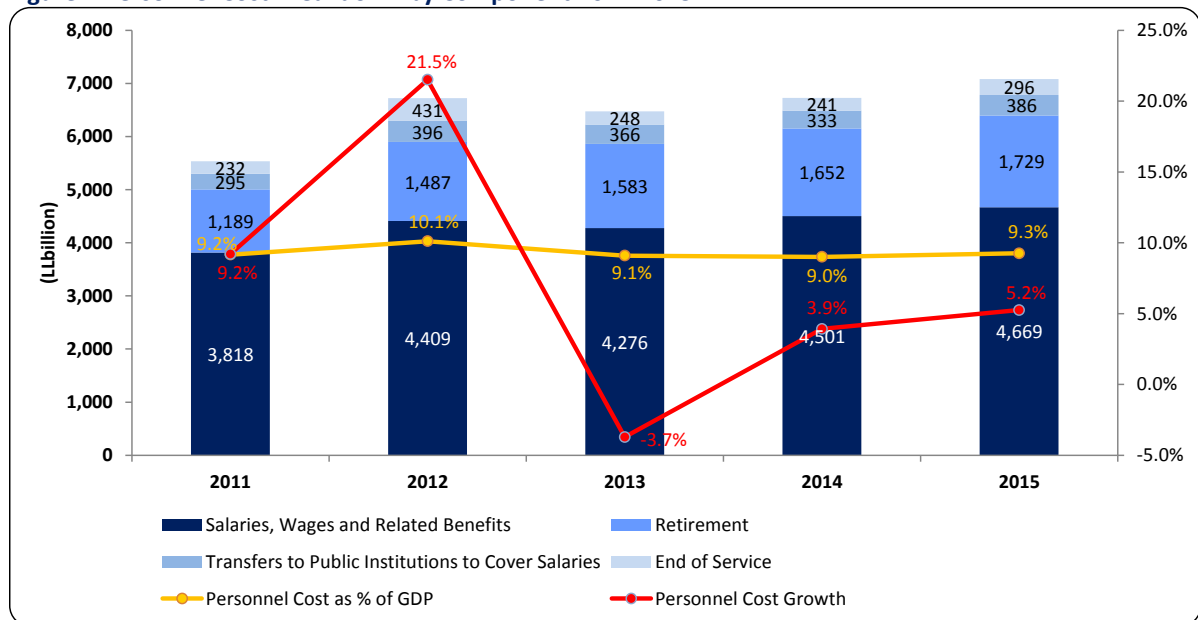
I.A. General Overview

Personnel cost includes payments for (a) salaries, wages and related benefits (66 percent of total personnel cost in 2015), (b) retirement allowances (24 percent), (c) transfers to public institutions to cover salaries (6 percent), and (d) end of service indemnities (4 percent).

Personnel cost rose by LL 353 billion (5 percent) from LL 6,727 billion in 2014 to LL 7,080 billion in 2015, mainly due to an increase in (i) payments for salaries, wages and related benefits by LL 168 billion (4 percent), (ii) retirement payments by LL 77 billion (5 percent), (iii) end of services indemnities by LL 55 billion (23 percent) and (iv) transfers to public Institutions to cover salaries by LL 53 billion (16 percent).

During the period 2011-2015, personnel cost accounted for an average of 9.3 percent of GDP, with the year 2012 registering the highest figure of 10.1 percent mainly caused by the cost of living adjustment¹ and exceptional retroactive payments². The average growth of personnel cost for the period 2011-2015 stood at 6.9 percent, with a 22 percent hike in personnel costs in 2012 (for further details, kindly refer to *Personnel Cost- December 2014 report*).

Figure 1. Personnel Cost Breakdown by Component 2011-2015



Source: Ministry of Finance, Directorate General of Finance

Note: GDP figures prior to 2014 are taken from the CAS *Lebanese National Accounts 2004-2013*. Figures for 2014 and 2015 are computed using IMF April 2016 World Economic Outlook real growth and deflator, based on the 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.

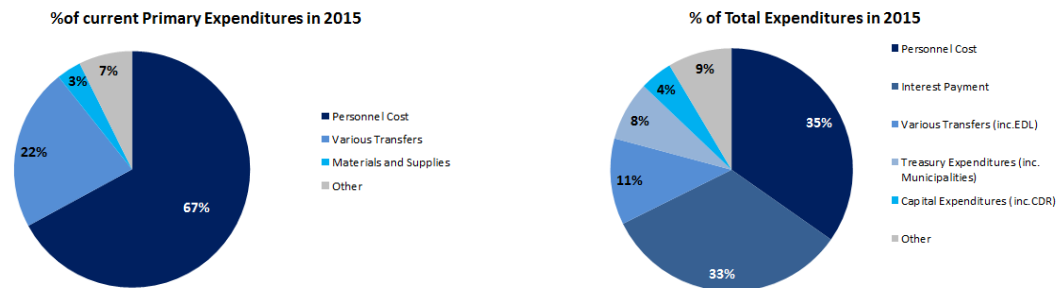
² Retroactive payments include the exceptional degrees for education personnel as per Laws 159 dated 6 august 2010 and 102 dated 6 march 2010 and the 1996-1998 retroactive disbursements for military and civil personnel.

I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditure³, which increased from 56 percent⁴ in 2014, to 67 percent in 2015. In addition to the increase in hiring of military personnel, the reason behind this hike is related to a lower base in current primary expenditure which decreased by 11 percent from 2014 to 2015⁵. On average, personnel cost constituted a share of 58 percent from the current primary expenditures for the period of 2011-2015.

As a percent of total expenditure, personnel cost increased to 35 percent, compared to 32 percent in 2014. Similarly, the increase in the share of personnel cost from total expenditure is partly due to a decline in total expenditure by 3 percent from 2014 to 2015. The average share of personnel cost from total expenditures stood at 33 percent for the period 2011-2015.

Figure 2. Personnel Cost as Percentage of Current Primary Expenditure and Total Expenditure in 2015



Source: Ministry of Finance, Directorate General of Finance

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits, which include the cost of basic salaries (73 percent of total salaries, wages and related benefits in 2015), employment benefits (5 percent), allowances (14 percent), and other payments (8 percent), rose by LL 168 billion (4 percent) from LL 4,501 billion in 2014 to LL 4,669 billion in 2015. The reason behind this rise is mainly due to (a) a LL 126 billion rise in basic salaries mainly driven by an LL 86 billion increase in payments to military personnel, and (b) an LL 89 increase in allowances to military personnel. These increases were slightly offset by a LL 53 billion decrease in government subscription and contributions in the government Employees Cooperative.

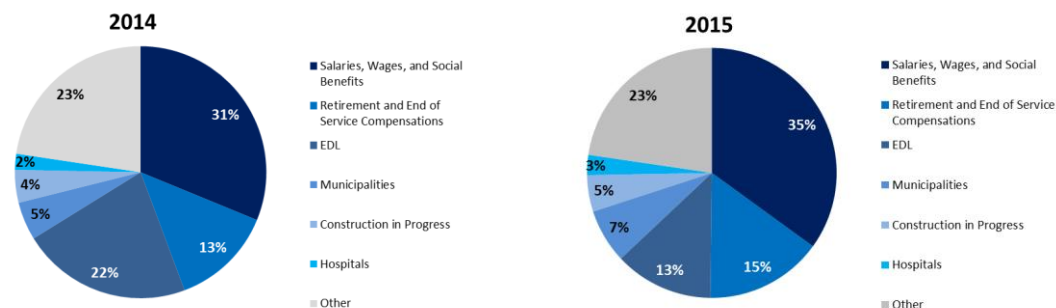
Salaries, wages and related benefits represent the largest component of total primary spending, accounting for 31 percent of primary expenditure during 2014 and increasing to 35 percent during 2015. The following figures present the primary spending breakdown by component during the period under review.

³ Current primary expenditures represent current expenditures excluding interest payment and debt service.

⁴ This figure may differ from the figure published in the December 2014 Personnel Cost Report, because accounting adjustments were excluded from the calculation of current primary expenditures in 2014 but included in 2015.

⁵ The drop in current primary expenditures is mainly due to the significant drop in transfers to EDL, as a result of lower international oil prices.

Figure 3. Primary Spending Breakdown by Component during Jan-Dec 2014 and Jan-Dec 2015



Source: Ministry of Finance, Directorate General of Finance

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

Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Dec 2014 and Jan-Dec 2015

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total 7/	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Military Personnel	2,079	2,165	83	84	557	646	3	3	2,721	2,898
Army	1,322	1,385	51	53	327	437	1	1	1,700	1,876
Internal Security Forces	583	593	25	26	179	151	1	1	787	769
General Security Forces	137	148	3	4	38	45	1	1	179	198
State Security Forces	37	39	4	1	14	14	0	0	54	55
Education Personnel	874	906	65	69	0	0	24	23	962	997
Civilian Personnel 1/	339	348	67	67	5	5	42	47	454	466
Government contribution to employees cooperative 2/							323	270	323	270
Customs Salaries 3/									38	37
Total	3,292	3,418	215	220	562	651	392	342	4,501	4,669

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 3 billion during 2014.

II.A. Basic Salaries and Wages

Out of total salaries, wages and related benefits, basic salaries reached LL 3,418 billion in 2015, compared to LL 3,292 billion in 2014, increasing by LL 126 billion (4 percent). This rise was the result of increases in military, education, and civil personnel's basic salaries by LL 86 billion (4 percent), LL 32 billion (4 percent), and LL 9 billion (3 percent) respectively.

II.A. a. Basic Salaries of Military Personnel

The 4 percent rise in basic salaries of military personnel is primarily the result of an increase in payments made to permanent employees of the Army (+LL 62 billion), General Security Forces (+LL 13 billion), Internal Security Forces (+LL 7 billion), and State Security Forces (+ 4 billion) in turn owing to the recruitment of new personnel or the promotion of current personnel⁶. Moreover, basic salaries for contractors and trainees increased by LL 3 billion, and LL 2 billion respectively. These increases were partially offset by a LL 4 billion decrease in clothing indemnities, and LL 2 billion decrease in transportation indemnities.

II.A.b. Basic Salaries of Education Personnel

Basic salaries to education personnel increased by LL 32 billion in 2015, compared to 2014. The 4 percent increase was mainly the result of a LL 28 billion rise in basic salaries of contractual teachers at the Directorate of General of Vocational Training, due to a higher number of teachers in this category in Jan-Dec 2015 compared to Jan-Dec 2014. Moreover, salaries to contractuels of the secondary and salaries to primary education teachers increased by LL 21 billion and LL 14 billion respectively. These rises were partly offset by a LL 25 billion decrease in salaries to the trainees of the primary and secondary education teachers and by a LL 14 billion decrease in salaries of secondary education teachers.

II.A.c. Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 9 billion in 2015, compared to 2014. In terms of ministerial distribution, the Ministry of Foreign Affairs (MoFA) represent the largest wage bill, accounting for 21 percent of total salaries and wages to civilian personnel during 2015. 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 increased by LL 8 billion due to a rise in basic salaries of diplomats in Lebanese overseas missions, in turn, owing to higher retroactive payments by LL 9 billion. Moreover, salaries and wages to the employees in the courts of the Ministry of Justice increased by LL 1 billion.

Table 2. Civilian Salaries and Wages Breakdown by Ministry - Jan-Dec 2014 and Jan-Dec 2015

(LL million)	Jan-Dec 2014	Jan-Dec 2015	% from Total Civilian Personnel in 2015
Ministry of Foreign Affairs and Emigrants	66,404	74,766	21%
Ministry of Justice	62,569	63,647	18%
Parliament	32,824	33,286	10%
Presidency of the Council of Ministers	29,715	29,724	9%
Ministry of Finance	28,808	29,528	8%
Ministry of Public Health	21,079	20,607	6%
Ministry of Public Works and Transportation	17,340	17,070	5%
Ministry of Agriculture	14,118	15,291	4%
Ministry of National Defense	10,772	10,631	3%
Ministry of Interior	10,331	9,896	3%
Other	45,285	43,361	12%
Total	339,246	347,809	100%

Source: Ministry of Finance, Directorate General of Finance

⁶ As per decree 3634 dated 20/03/2010, decree 3127 dated 30/01/2010, and decree 4057 dated 20/05/2010, in addition to decisions made by the Ministry of Education: decision 48 dated 02/02/2015, decision 348 dated 02/05/2015, decision 349 dated 02/05/2015, decision 380 dated 09/05/2015, decision 595 dated 24/06/2015, decision 625 dated 20/07/2015, decision 656 dated 03/08/2015 and decision 1070 dated 19/11/2015; a retroactive payment was made to newly recruited personnel as a compensation for a delay in the employment process.

II.B. Employment Benefits

Employment benefits which contribute to 5 percent of total payments for salaries, wages and related benefits, increased by LL 5 billion (2 percent) in 2015, as a result of a LL 4 billion increase in employment benefits transferred to educational personnel and a LL 3 billion increase in employment benefits to Army Personnel. These increases were partially offset by a LL 2 billion decrease in employment benefits to State Security Forces.

II.C. Payment of Allowances

Allowances hiked by LL 89 billion (16 percent) to reach LL 651 billion in 2015, reflecting the increase in allowances to military personnel. This is mainly due to an increase in payments to the Army by LL 110 billion, which was slightly counterbalanced by a LL 28 billion decrease in allowances to the Internal Security Forces. Allowances to General Security Forces and State Security Forces increased by LL 7 billion and LL 1 billion respectively.

More specifically, the increase in allowances to the Army was chiefly attributed to a rise in (i) hospital allowances by LL 74 billion, (ii) school expenses by LL 24 billion, and (iii) sickness & maternity allowances by LL 14 billion. These increases were slightly counterbalanced by a LL 3 billion decrease in marriage allowances.

Allowances to Internal Security Forces dropped by LL 28 billion in 2015, mainly driven by a LL 28 billion decrease in hospital allowances. Medical and social allowances decreased by LL 7 billion and LL 6 billion respectively. These decreases were partially counterbalanced by an LL 11 billion increase in school expenses, and a LL 3 billion increase in sickness and maternity allowances.

Finally, allowances to the General Security Forces increased by LL 7 billion mostly due to higher payments for school and hospital expenses by LL 4 billion each in 2015.

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

Payments to government subscription and contributions in the Employees Cooperative decreased by LL 53 billion in Jan-Dec 2015 reaching LL 270 billion due to discrepancy in timing.



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