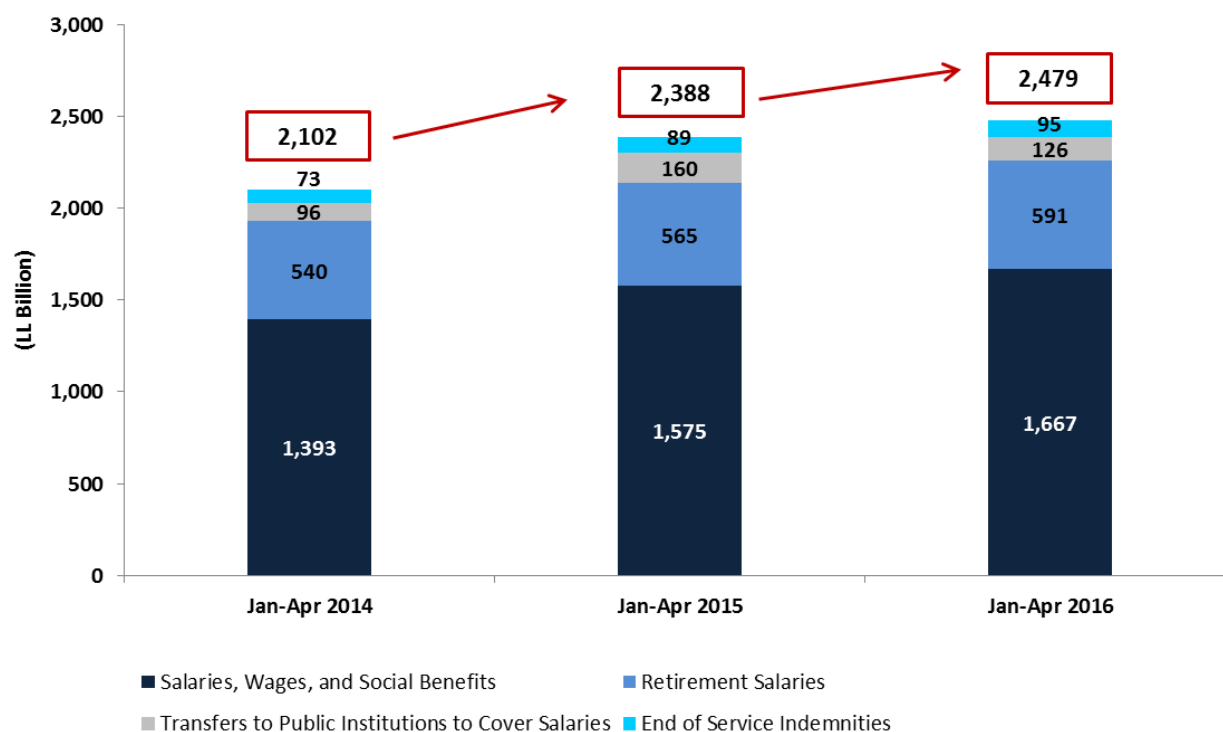


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 91 billion (4 percent) reaching LL 2,479 billion in Jan-Apr 2016 from LL 2,388 billion in Jan-Apr 2015² as a result of (i) a LL 92 billion (6 percent) increase in payments for salaries, wages and related benefits, (ii) a LL 25 billion (4 percent) rise in retirement salaries, and (iii) a LL 7 billion (8 percent) increase in end of services indemnities. Transfers to public institutions to cover salaries dropped by LL 33 billion, as a result of a LL 52 billion decrease in transfers to the Lebanese University which was slightly counterbalanced by increases in transfers to the Council for Development and Reconstruction (CDR), and the Educational Center for Research and Development by LL 11 billion and LL 7 billion respectively.

Figure 1. Personnel Cost Breakdown by Component in Jan-Apr 2014, Jan-Apr 2015 and Jan-Apr 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 55 percent of the total in Jan-Apr 2014, and increasing to 66 percent in Jan-Apr 2015 and Jan-Apr 2016. Besides the employment of new military personnel, the reason behind the jump

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

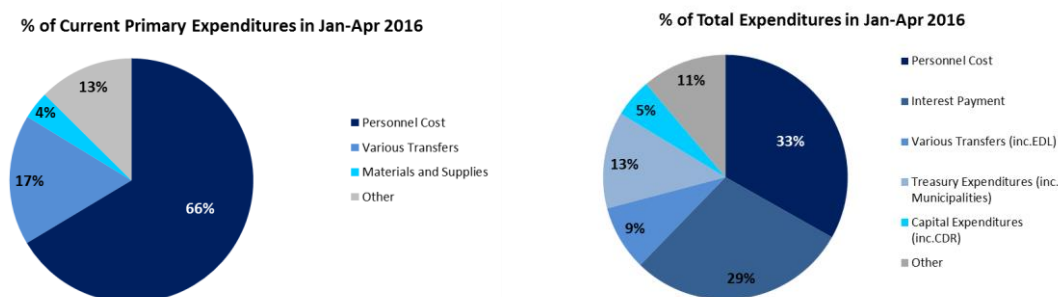
² The figures used are those published in the Public Finance Monthly Monitor report – April 2016.

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

from 55 percent in 2014 to 66 percent in 2016 is related to a smaller base in current primary expenditure which decreased by 3 percent from 2014 to 2016.

As a percent of total expenditures, personnel cost comprised 31 percent of the total in Jan-Apr 2014, 34 percent in Jan-Apr 2015 and 33 percent in Jan-Apr 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Apr 2016:

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

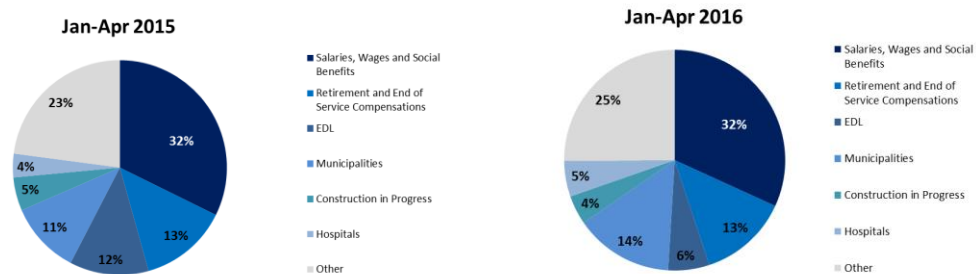
Payments for salaries, wages and related benefits rose by LL 93 billion (6 percent), from LL 1,575 billion in Jan-Apr 2015 to LL 1,668 billion in Jan-Apr 2016⁴. This rise is mainly due to an increase in basic salaries of education personnel by LL 71 billion and military personnel by LL 32 billion, and a LL 29 billion increase in payments to government subscription and contributions to the Employees Cooperative. These increases were partially offset by a LL 42 billion drop in allowances.

In terms of composition, cost of basic salaries accounted for 72 percent of total payments for salaries wages and related benefits in Jan-Apr 2016, followed by allowances (15 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-Apr 2014, increasing to 32 percent in the same period of both 2015 and 2016. The following figures present the primary spending breakdown by component during the period under review:

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

Figure 3. Primary Spending Breakdown by Component during Jan-Apr 2015 and Jan-Apr 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-Apr 2015 and Jan-Apr 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	715	747	28	31	291	249	1	0	1,035	1,027
Army	455	480	17	19	225	176	0	0	697	675
Internal Security Forces	199	206	9	9	35	42	0	0	242	257
General Security Forces	48	49	1	1	24	22	1	0	74	72
State Security Forces	13	13	0	2	8	8	0	0	21	23
Education Personnel	276	347	21	19	0	0	0	10	297	377
Civilian Personnel 1/	120	113	23	23	2	2	18	17	163	156
Government contribution to employees cooperative 2/							67	96	67	96
Customs Salaries 3/									12	12
Total	1,111	1,207	72	74	293	251	87	124	1,575	1,668

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 recorded LL 1,207 billion by end of April 2016, increasing by LL 96 billion from the same period in 2015. The rise in basic salaries of education personnel by LL 71 billion, and military personnel by LL 32 billion were the main reasons behind this increase. Basic salaries of civilian personnel declined by LL 6 billion.

II.A.a. Basic Salaries of Military Personnel

The 4 percent increase in basic salaries of military personnel is primarily the result of a rise in payments made to permanent employees of the Army by LL 24 billion, the General Security Forces by LL 8 billion, and the Internal Security Forces by LL 4 billion owing to the recruitment of new personnel or the promotion of current personnel. Moreover, payments to trainees of the Internal Security Forces and the Army increased by LL 4 billion and LL 2 billion respectively. These increases were partially counterbalanced by (i) an LL 8 billion decrease in salaries of trainees of the General Security Forces, and (ii) a LL 3 billion decrease⁵ in payments related to overseas missions mainly undertaken by the Army personnel which totaled LL 7 billion during Jan-Apr 2015 and dropped to LL 5 billion during the same period of 2016.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by 26 percent in Jan-Apr 2016 compared to the same period in 2015, standing at LL 347 billion. This was mainly due to a LL 32 billion increase in salaries to contractuels in the primary and intermediate education, and a LL 28 billion rise in retroactive payments. Salaries of permanent employees in primary education increased by LL 10 billion, and those of permanent employees in the Directorate General of Vocational Training (DGVN) by LL 4 billion. These increases were slightly counterbalanced by an LL 8 billion decrease in salaries of trainees in the primary and secondary education, and a LL 4 billion decline in salaries of trainees at the DGVN. As for salaries of permanent employees in secondary education, these declined by LL 2 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel decreased by 5 percent in Jan-Apr 2016 compared to the same period in 2015, totaling LL 113 billion. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 20 percent of total salaries and wages to civilian personnel during Jan-Apr 2016, followed by the Ministry of Justice (19 percent) and Parliament (10 percent) (*for further details, kindly refer to table 2*).

In detail, 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.

⁵ Starting April 2016, overseas missions were reclassified to include training missions costs.

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

(LL million)	Jan-Apr 2015	Jan-Apr 2016	% from Total Civilian Personnel in 2016
Ministry of Foreign Affairs and Emigrants	28,989	22,947	20%
Ministry of Justice	21,019	21,561	19%
Parliament	11,111	11,034	10%
Presidency of the Council of Ministers	9,618	9,857	9%
Ministry of Finance	9,548	10,286	9%
Ministry of Public Health	6,612	6,268	6%
Ministry of Public Works and Transportaion	6,225	5,037	4%
Ministry of Agriculture	5,099	5,210	5%
Ministry of National Defense	3,527	3,537	3%
Ministry of Interior	3,304	3,303	3%
Other	14,609	14,332	13%
Total	119,660	113,371	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by LL 42 billion (14 percent) standing LL 251 billion in Jan-Apr 2016, mainly due to a drop in allowances to the Army and General Security Forces by LL 48 billion and LL 2 billion respectively. It is worth noting that the main reason behind these decreases is due to a difference in the timing of payment. Allowances to Internal Security Forces increased by LL 7 billion while allowances to State Security Forces remained unchanged standing at LL 8 billion.

More specifically, the decline in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 41 billion, and (ii) sickness and maternity allowances by LL 9 billion. Death allowances and marriage allowances decreased by LL 2 billion and LL 1 billion respectively. These decreases were slightly counterbalanced by a LL 4 billion increase in medical allowances, and a LL 3 billion increase in school allowances.

Allowances to the General Security Forces decreased mainly due to a LL 2 billion drop in hospital allowances.

Allowances to the Internal Security Forces increased as a result of higher allowances in hospital, medical and sickness and maternity by LL 4 billion each. These increases were partially offset by a LL 5 billion decrease in school allowances.



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