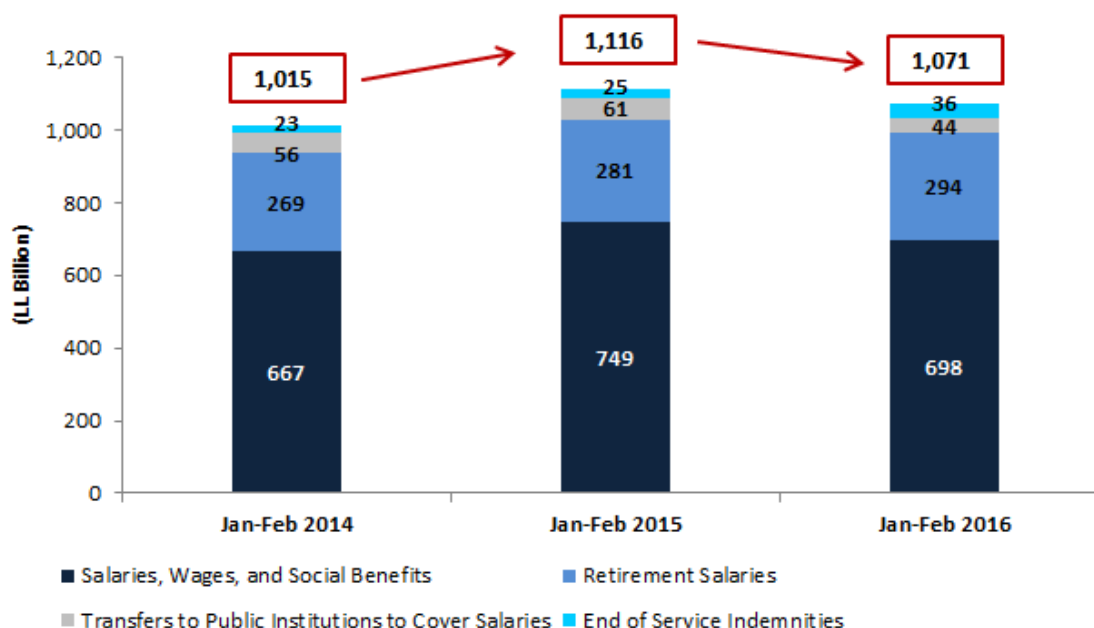


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> registered a decrease of LL 45 billion (4 percent) to reach LL 1,071 billion in Jan-Feb 2016 from LL 1,116 billion in Jan-Feb 2015<sup>2</sup>. This drop was the result of a LL 51 billion (7 percent) decrease in salaries, wages and related benefits, and a LL 17 billion decline (LL 28 percent) in transfers to public institutions to cover salaries. The latter decrease was the result of a LL 31 billion decrease in transfers to the Lebanese university counterbalanced by an LL 11 billion increase in salaries to the Council of Reconstruction and Development (CDR). Retirement salaries and end of service indemnities increased by LL 13 billion (5 percent) and LL 11 billion (43 percent) respectively, partly counterbalancing the drop in salaries, wages and related benefits, and transfers to public institutions.

**Figure 1. Personnel Cost Breakdown by Component in Jan-Feb 2014, Jan-Feb 2015 and Jan-Feb 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 expenditure<sup>3</sup>, contributing to 53 percent by end-Feb 2014, 62 percent in Jan-Feb 2015, and 58 percent in Jan-Feb 2016. The reason behind the decrease from 62 percent in 2015 to 58 percent in 2016 is related to a higher base in current primary expenditure<sup>4</sup> which increased by 2 percent from 2015 to 2016.

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

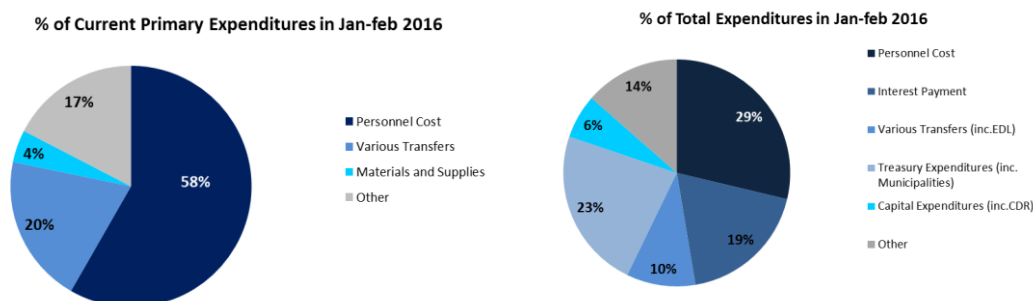
<sup>2</sup> The figures used are those published in the Public Finance Monthly Monitor report – February 2016.

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

<sup>4</sup> The rise in current primary expenditures is mainly due to the significant increase in transfers to hospitals, accounting adjustments, and materials and supplies. These increases offset the drop in transfers to EDL.

As a percent of total expenditures, personnel cost comprised 35 percent of the total in Jan-Feb 2014, 40 percent by end-Feb 2015 and decreased to 29 percent in the same period of 2016. The decrease in the share of personnel cost from total expenditure is due to an increase in total expenditure by 32 percent from 2015 to 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Feb 2016:

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

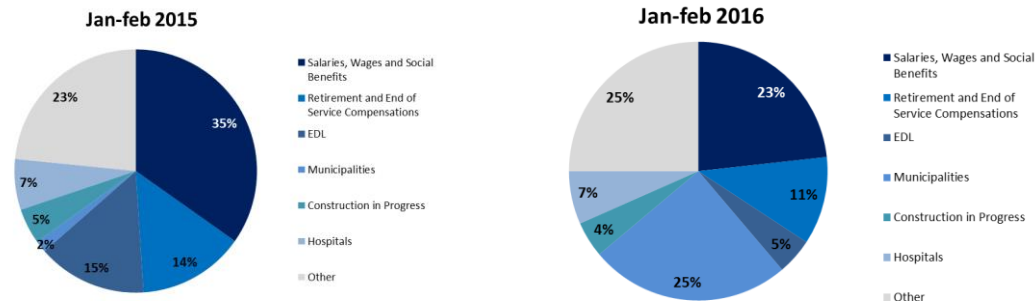
Payments for salaries, wages and related benefits declined by LL 52 billion (7 percent), from LL 750 billion in Jan-Feb 2015 to LL 698 billion in the same period of 2016. The reason behind this decrease is due to a LL 116 billion decrease in allowances to military personnel mainly driven by a LL 107 billion decrease in allowances to the Army personnel. These decreases were partially offset by a LL 47 billion increase in basic salaries, mostly driven by a LL 29 billion increase in basic salaries of education personnel. Basic salaries of military personnel and civil personnel increased by LL 16 billion and LL 2 billion respectively.

In terms of composition, cost of basic salaries accounted for 83 percent of total payments for salaries wages and related benefits by February 2016, followed by allowances (6 percent), other payments (5 percent), and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 29 percent in Jan-Feb 2014, increasing to 35 percent in Jan-Feb 2015, and decreased to 23 percent in the same period of 2016. The following figures present the primary spending breakdown by component during the period under review<sup>5</sup>.

<sup>5</sup> The reason behind the decrease in the share of salaries, wages and related benefits of primary expenditure is due to a higher base in total primary expenditure which increased by 39 percent from 2015 to 2016 due to higher payments to municipalities.

**Figure 3. Primary Spending Breakdown by Component during Jan-Feb 2015 and Jan-Feb 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-Feb 2015 and Jan-Feb 2016**

| (LL billion)   | Basic Salaries |            | Employment Benefits 4/ |           | Allowances 5/ |           | Other 6/  |           | Total      |            |
|--|----------------|------------|------------------------|-----------|---------------|-----------|-----------|-----------|------------|------------|
|  | 2015           | 2016       | 2015                   | 2016      | 2015          | 2016      | 2015      | 2016      | 2015       | 2016       |
| <b>Military Personnel</b>                                  | <b>358</b>     | <b>374</b> | <b>14</b>              | <b>17</b> | <b>155</b>    | <b>38</b> | <b>0</b>  | <b>0</b>  | <b>527</b> | <b>430</b> |
| Army   | 227            | 239        | 9                      | 10        | 120           | 13        | 0         | 0         | 356        | 262        |
| Internal Security Forces                                   | 101            | 105        | 4                      | 4         | 24            | 18        | 0         | 0         | 129        | 128        |
| General Security Forces                                    | 24             | 25         | 1                      | 1         | 9             | 5         | 0         | 0         | 34         | 30         |
| State Security Forces                                      | 7              | 6          | 0                      | 2         | 2             | 2         | 0         | 0         | 9          | 11         |
| <b>Education Personnel</b>                                 | <b>116</b>     | <b>145</b> | <b>11</b>              | <b>9</b>  | <b>0</b>      | <b>0</b>  | <b>0</b>  | <b>10</b> | <b>127</b> | <b>165</b> |
| <b>Civilian Personnel 1/</b>                               | <b>61</b>      | <b>63</b>  | <b>11</b>              | <b>9</b>  | <b>1</b>      | <b>1</b>  | <b>7</b>  | <b>5</b>  | <b>80</b>  | <b>78</b>  |
| <b>Government contribution to employees cooperative 2/</b> |                |            |                        |           |               |           | <b>10</b> | <b>20</b> | <b>10</b>  | <b>20</b>  |
| <b>Customs Salaries 3/</b>                                 |                |            |                        |           |               |           |           |           | <b>6</b>   | <b>6</b>   |
| <b>Unclassified</b>  |                |            |                        |           |               |           |           |           | <b>0</b>   | <b>0</b>   |
| <b>Total</b>   | <b>535</b>     | <b>582</b> | <b>35</b>              | <b>35</b> | <b>156</b>    | <b>39</b> | <b>18</b> | <b>36</b> | <b>750</b> | <b>698</b> |

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 totalled LL 582 billion by end February 2016 increasing by LL 47 billion from the same period in 2015. The increase was mainly the result of a rise in basic salaries of (a) education personnel by LL 29 billion, (b) military personnel by LL 16 billion, and (c) civilian personnel by LL 2 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 11 billion and the General Security Forces by LL 5 billion owing to the recruitment of new personnel or the promotion of current personnel. Moreover, payments to the 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 a LL 4 billion decrease in salaries of trainees of the General Security Forces and a LL 3 billion decrease in payments related to overseas missions.

### **II.A.b. Basic Salaries of Education Personnel**

Basic salaries of education personnel increased by 25 percent in Jan-feb 2016 compared to the same period in 2015, standing at LL 145 billion. This was mainly due to a LL 28 billion rise in retroactive payments. Salaries of permanent employees in primary education increased by LL 7 billion, and those of permanent employees in the Directorate General of Vocational Training (DGVF) by LL 2 billion. These increases were slightly counterbalanced by a LL 5 billion decrease in salaries of trainees in the primary and secondary education, and LL 2 billion in salaries of trainees at the DGVF. As for salaries of permanent employees in secondary education, these declined by LL 1 billion.

### **II.A.c Basic Salaries of Civilian Personnel**

Payments to civilian personnel increased by LL 3 percent in Jan-Feb 2016 compared to Jan-Feb 2015. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 29 percent of total salaries and wages to civilian personnel during Jan-Feb 2016, followed by the Ministry of Justice (17 percent) and Parliament (9 percent) (for further details, kindly refer to table 2).

In detail, basic salaries and wages to employees in the MoFA witnessed the most notable increase mainly due to a rise in basic salaries of diplomats in Lebanese overseas missions, in turn, owing to higher retroactive payments by LL 3 billion.

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

| (LL million)                                | Jan-feb 2015  | Jan-feb 2016  | % from Total Civilian Personnel in 2016 |
|---|---------------|---------------|---|
| Ministry of Foreign Affairs and Emigrants   | 15,533        | 17,861        | 29%                                     |
| Ministry of Justice                         | 10,541        | 10,426        | 17%                                     |
| Parliament                                  | 5,549         | 5,518         | 9%                                      |
| Presidency of the Council of Ministers      | 4,896         | 4,925         | 8%                                      |
| Ministry of Finance                         | 4,763         | 5,077         | 8%                                      |
| Ministry of Public Health                   | 3,360         | 3,142         | 5%                                      |
| Ministry of Public Works and Transportation | 3,108         | 2,532         | 4%                                      |
| Ministry of Agriculture                     | 2,453         | 2,538         | 4%                                      |
| Ministry of National Defense                | 1,813         | 1,754         | 3%                                      |
| Ministry of Interior                        | 1,692         | 1,627         | 3%                                      |
| Other                                       | 7,485         | 7,223         | 12%                                     |
| <b>Total</b>                                | <b>61,193</b> | <b>62,623</b> | <b>100%</b>                             |

Source: Ministry of Finance, Directorate General of Finance

## **II.B. Payment of Allowances**

Allowances decreased by LL 116 billion (75 percent) reaching LL 39 billion in Jan-Feb 2016, mainly due to a drop in allowances to the Army by LL 107 billion. Allowances to Internal Security Forces and General Security Forces decreased by LL 6 billion and LL 4 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 State Security Forces remained almost unchanged.

More specifically, the decline in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 89 billion, and (ii) school allowances by LL 14 billion.

Allowances to the Internal Security Forces decreased mainly due to a LL 6 billion decrease in hospital allowances and a LL 5 billion drop in school allowances. These decreases were partially counterbalanced by a LL 4 billion increase in sickness and maternity allowances and a LL 1 billion increase in marriage allowances.

The decrease in allowances to the General Security Forces mainly relates to a LL 3 billion decline in school allowances, and a LL 1 billion decrease in hospital allowances.

## **II.C. Government subscription and contributions in the Employees Cooperative**

Payments to government subscription and contributions to the Employees Cooperative increased by LL 10 billion in Jan-Feb 2016 to reach LL 20 billion.



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