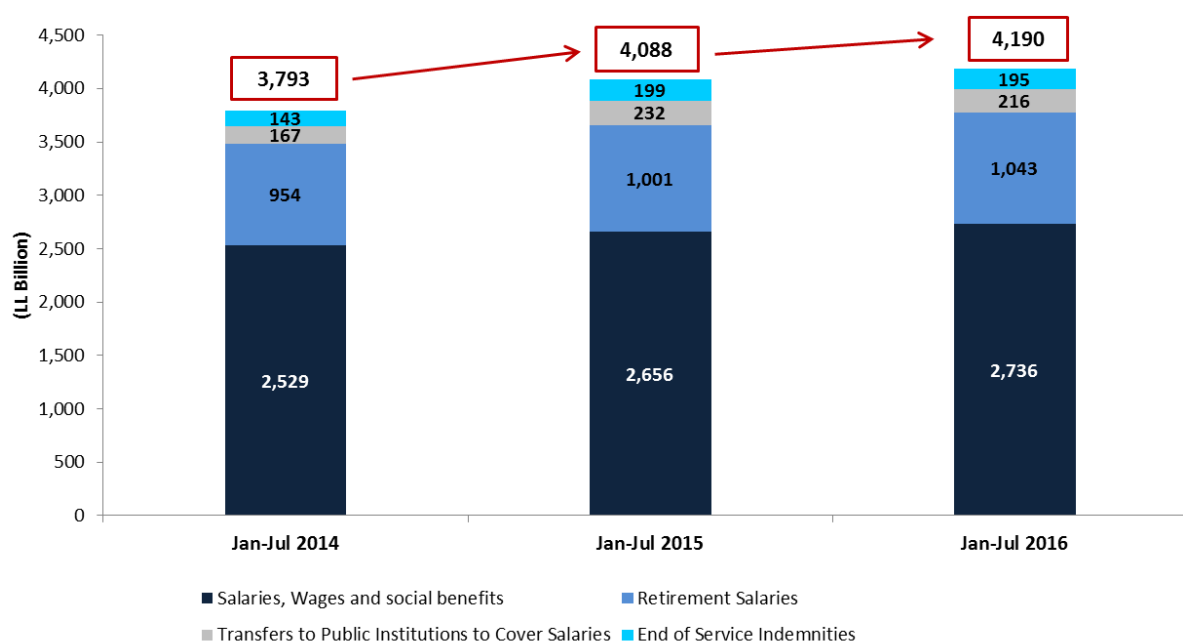


I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 102 billion (2 percent) standing at LL 4,190 billion in Jan-Jul 2016 from LL 4,088 billion in the same period of 2015² as a result of (i) an increase in payments for salaries, wages and related benefits by LL 79 billion (3 percent), and (ii) an increase in retirements salaries by LL 43 billion (4 percent). These increases were slightly counterbalanced by a LL 4 billion decrease (2 percent) in end of services indemnities and a LL 16 billion (7 percent) decrease in transfers to public institutions to cover salaries driven by a LL 37 billion decrease in transfers to the Lebanese University.

Figure 1. Personnel Cost Breakdown by Component in Jan-Jul 2014, Jan-Jul 2015 and Jan-Jul 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 57 percent of the total in Jan-Jul 2014, increasing to 65 percent in Jan-Jul 2015 and 67 percent in Jan-Jul 2016. In addition to the employment of new military personnel, the reason behind the hike from 57 percent in 2014 to 67 percent in 2016 is related to a smaller base in current primary expenditure which decreased by 6 percent from 2014 to 2016.

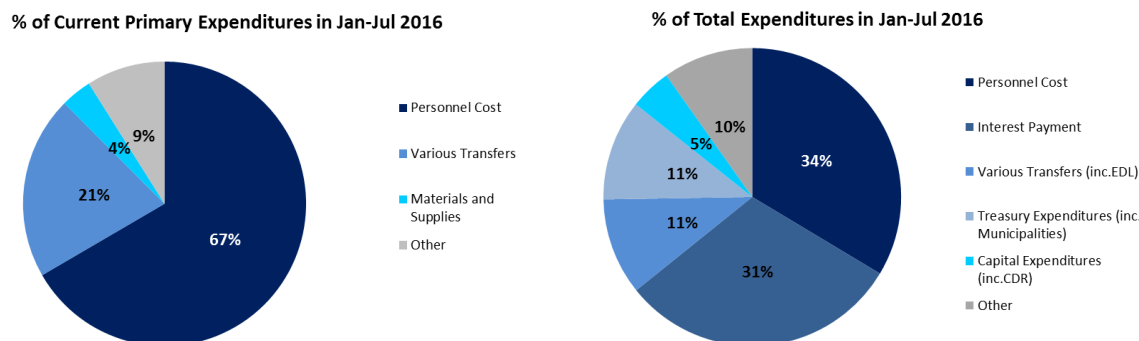
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

² The figures differ from the ones published in the Public Finance Monthly Monitor report-July 2016 and the Jan-Jul 2015 Personnel Cost report due to adjustments in the accounting system at the MoF.

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

As a percent of total expenditures, personnel constituted 32 percent of the total in Jan-Jul 2014, 35 percent in Jan-Jul 2015 and 34 percent in Jan-Jul 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Jul 2016:

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

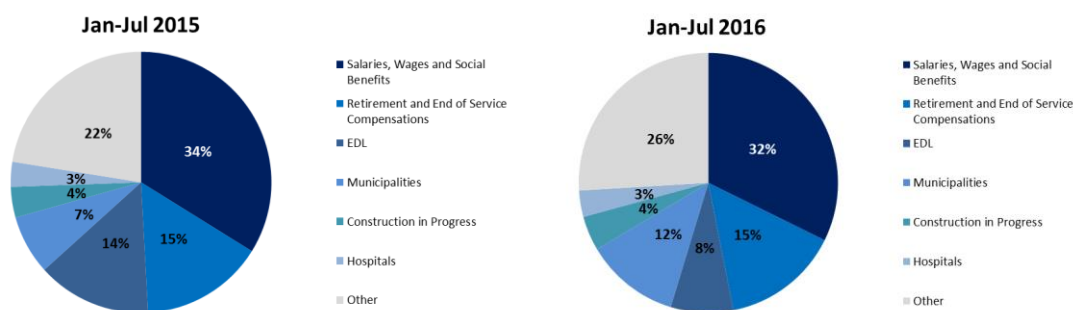
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 80 billion (3 percent), from LL 2,656 billion in Jan-Jul 2015 to LL 2,737 billion in the same period of 2016⁴. This rise is mainly attributed to an increase in basic salaries of military personnel and education personnel by LL 58 billion and LL 52 billion respectively, in addition to a LL 22 billion increase in payments to government subscription and contributions to the Employees Cooperative. These increases were partially counterbalanced by a LL 57 billion decline in allowances to military personnel.

In terms of composition, cost of basic salaries accounted for 75 percent of total payments for salaries wages and related benefits in Jan-Jul 2016, followed by allowances (13 percent), other payments (7 percent) and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 31 percent in Jan-Jul 2014, increasing to 34 percent in the same period of 2015 and slightly decreasing to 32 percent in 2016. The following figures represent the primary spending breakdown by component during the period under review; followed by the salaries, wages, and related benefits breakdown for the periods Jan-Jul 2015 and Jan-Jul 2016:

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



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

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-Jul 2015 and Jan-Jul 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	1,254	1,311	48	53	409	352	2	1	1,710	1,717
Army	800	840	30	33	239	207	0	0	1,070	1,080
Internal Security Forces	346	362	15	15	127	109	0	0	486	487
General Security Forces	84	87	2	2	33	26	1	1	120	116
State Security Forces	23	22	1	3	9	10	0	0	34	34
Education Personnel	486	538	36	34	0	0	11	26	533	598
Civilian Personnel 1/	206	195	40	41	3	3	26	25	276	264
Government contribution to employees cooperative 2/							114	136	114	136
Customs Salaries 3/									21	21
Total	1,946	2,044	124	128	412	355	153	189	2,656	2,737

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 2,044 billion by end of July 2016, rising by LL 100 billion from Jan-Jul 2015. The increase in basic salaries of military personnel by LL 60 billion, and education personnel by LL 52 billion were the main reasons behind this increase. Basic salaries of civilian personnel declined by LL 12 billion.

II.A.a. Basic Salaries of Military Personnel

The 5 percent rise in basic salaries of military personnel is mainly the result of an increase in payments made to permanent employees of the Army by LL 40 billion, and to the Internal Security Forces and General Security Forces by LL 16 billion⁵ and LL 13 billion respectively, 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. As for clothing indemnities, these increased by LL 2 billion.

The above mentioned increases were partially counterbalanced by a decrease in (i) salaries of trainees of the General Security Forces by LL 13 billion, and (ii) payments related to overseas

⁵ Numbers differ from the ones published in the Jan-Jul 2015 report due to adjustments in the accounting system at the MoF

missions mainly by LL 5 billion due to a decline in payments to the Internal Security Forces and the Army by LL 3 billion and LL 2 billion respectively.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel hiked by 11 percent in Jan-Jul 2016 compared to the same period in 2015, reaching LL 538 billion. This was mainly the result of a LL 28 billion rise in retroactive payments, and a LL 22 billion increase in salaries to contractuels in the primary and intermediate education. Salaries of permanent employees in primary education increased by LL 11 billion, and those of permanent employees in the Directorate General of Vocational Training (DGVV) by LL 7 billion. These increases were slightly counterbalanced by a LL 13 billion drop in salaries of trainees in the primary and secondary education, and a LL 7 billion decrease in salaries of trainees at the DGVV. As for the salaries of permanent employees in secondary education, these declined by LL 4 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel fell by 6 percent from Jan-Jul 2015 to Jan-Jul 2016, standing at LL 195 billion. 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-Jul 2016, followed by the Ministry of Foreign Affairs (MoFA) (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.

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

(LL million)	Jan-Jul 2015	Jan-Jul 2016	% from Total Civilian Personnel in 2016
Ministry of Foreign Affairs and Emigrants	47,195	35,998	19%
Ministry of Justice	37,097	37,768	19%
Parliament	19,435	19,311	10%
Presidency of the Council of Ministers	17,236	17,286	9%
Ministry of Finance	16,775	18,460	9%
Ministry of Public Health	11,691	10,836	6%
Ministry of Public Works and Transportaion	10,462	8,846	5%
Ministry of Agriculture	8,997	9,099	5%
Ministry of National Defense	6,262	6,181	3%
Ministry of Interior	5,828	5,831	3%
Other	25,453	24,951	13%
Total	206,431	194,567	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by LL 57 billion (14 percent) standing at LL 355 billion in Jan-Jul 2016, mainly due to a drop in allowances to the Army and Internal Security Forces by LL 32 billion and LL 17 billion respectively. Moreover, allowances to General Security Forces witnessed a decrease of LL 7 billion standing at LL 26 billion by the end of July 2016. 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 standing at LL 10 billion in Jan-Jul 2016.

More specifically, the decline in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 41 billion, (ii) sickness and maternity allowances by LL 3 billion, (iii) death allowances and social allowances by LL 2 billion each, and (iv) marriage allowances by LL 1 billion. These decreases were slightly counterbalanced by a LL 13 billion increase in school allowances, and a LL 4 billion rise in medical allowances.

Allowances to the Internal Security Forces decreased mainly due to a LL 13 billion drop in hospital expenses and a LL 10 billion drop in school allowances in addition to a LL 1 billion decrease in social allowances. These decreases were slightly counterbalanced by a LL 4 billion increase in medical allowances, and a LL 2 billion increase in sickness and maternity allowances.

Allowances to the General Security Forces fell as a result of a LL 5 billion decrease in school allowances and a LL 2 billion decrease in hospital expenses.



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