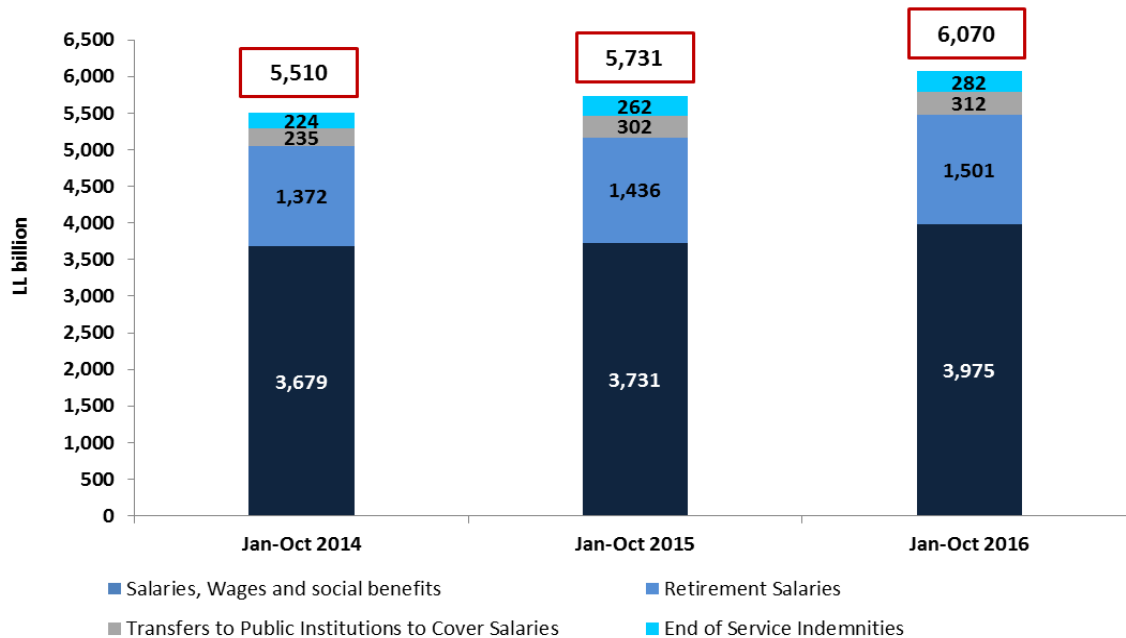


I. Personnel Cost

I.A. General Overview

Personnel cost¹ rose by LL 339 billion (6 percent) reaching LL 6,070 billion in Jan-Oct 2016 from LL 5,731 billion in the same period of 2015², as a result of an increase in (i) salaries, wages and social benefits by LL 243 billion (7 percent), (ii) retirement salaries by LL 65 billion (5 percent) and (iii) end of service indemnities by LL 20 billion (8 percent).

Figure 1. Personnel Cost Breakdown by Component in Jan-Oct 2014, Jan-Oct 2015 and Jan-Oct 2016



Source: Ministry of Finance, Directorate General of Finance

I.B. Share of Personnel Cost from Expenditures

Personnel cost constituted historically the highest share of current primary expenditure³, contributing to 58 percent of the total in Jan-Oct 2014 and reaching 66 percent during Jan-Oct 2015 and then 67 percent in Jan-Oct 2016. The latter increase could mainly be explained by the hiring of new military personnel that increased the wage bill, but also by the lower base of current expenditures, which dropped by 5 percent over the period 2014-2016 owing to lower transfers to Electricité du Liban.

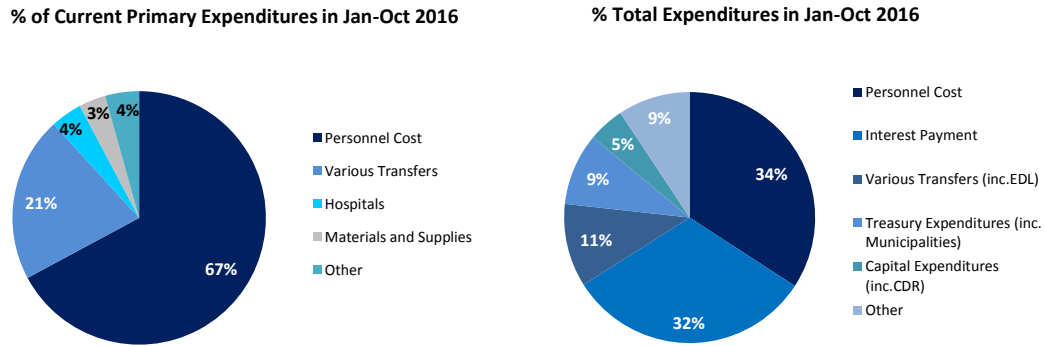
As a percent of total expenditures, personnel cost constituted 32 percent of the total in Jan-Oct 2014, compared with 35 percent in Jan-Oct 2015 and 34 percent in Jan-Oct 2016. The following figures represent the current primary expenditure and total expenditure composition in Jan-Oct 2016:

¹ Personnel cost includes payments for salaries, wages and social 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 – October 2016.

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

Figure 2. Composition of Current Primary Expenditures and Total Expenditures in Jan-Oct 2016



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include judgments and reconciliation, mission costs, accounting adjustments and external services.

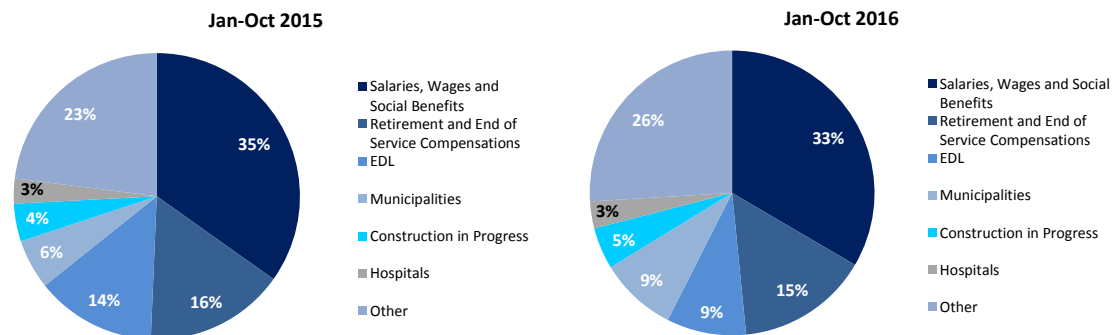
II. Salaries, Wages, and Social Benefits

Payments for salaries, wages and social benefits rose by LL 243 billion (7 percent) in Jan-Oct 2016, from LL 3,731 billion in Jan-Oct 2015⁴ mainly the result of a rise in basic salaries of education and military personnel by LL 51 billion and LL 251 billion respectively. These increases were partly counterbalanced by a LL 74 billion drop in allowances to military personnel and a LL 12 billion decrease in payments to government subscription and contributions to the Employees Cooperative.

In terms of composition, cost of basic salaries accounted for 75 percent of total payments for salaries, wages and social benefits in Jan-Oct 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 social benefits accounted for 32 percent in Jan-Oct 2014, increasing to 35 percent in the same period of 2015, and slightly decreasing to 33 percent in Jan-Oct 2016. The following figures represent the primary spending breakdown by component during the period under review:

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



⁴ Figures slightly differ from those published in the Public Finance Monthly Monitor report – October 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-Oct 2015 and Jan-Oct 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	1,631	1,883	65	77	575	501	2	2	2,273	2,463
Army	1,033	1,206	39	47	380	336	0	1	1,453	1,590
Internal Security Forces	455	523	21	22	143	122	0	1	620	666
General Security Forces	111	123	3	3	42	31	1	1	156	158
State Security Forces	33	31	1	5	11	12	0	0	45	49
Education Personnel	750	801	49	48	0	0	17	34	816	883
Civilian Personnel 1/	286	282	54	59	4	3	34	33	378	377
Government contribution to employees cooperative 2/							233	221	233	221
Customs Salaries 3/									31	30
Total	2,667	2,966	169	183	580	504	285	290	3,731	3,974

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 social benefits, basic salaries stood at LL 2,966 billion by end of October 2016, increasing by LL 299 billion from Jan-Oct 2015. This rise was mainly driven by a LL 51 billion increase in basic salaries of education personnel and a LL 251 billion increase in basic salaries of military personnel. Basic salaries of civilian personnel witnessed a minor decrease of LL 4 billion standing at LL 282 billion in the first ten months of 2016.

II.A.a. Basic Salaries of Military Personnel

The 15 percent increase in basic salaries of military personnel is primarily due to an increase in payments made to permanent employees of the Army by LL 167 billion, of the Internal Security Forces by LL 67 billion, and of the General Security Forces by LL 30 billion, owing to the recruitment of new personnel or the promotion of current personnel. Moreover, payments to trainees of the Internal Security forces rose by LL 4 billion. These increases were partially counterbalanced by (i) a LL 17 billion decrease in salaries of trainees of the General Security Forces, and (ii) a LL 1 billion decrease in overseas missions.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by 7 percent in Jan-Oct 2016 compared to the same period in 2015, reaching LL 801 billion mainly due to a LL 27 billion increase in salaries for contractuels at the Directory General of Vocational Training (DGVV) and a LL 28 billion increase in retroactive payments. Salaries of contractuels in the primary and intermediate education, and in secondary education increased by LL 3 billion and LL 2 billion respectively. Salaries of permanent employees in primary education and of permanent employees at the DGVV increased by LL 8 billion and LL 11 billion respectively. These increases were counterbalanced by a LL 14 billion drop in salaries of trainees in the primary and secondary education, and an LL 8 billion decrease in salaries of trainees at the DGVV. As for the salaries of permanent employees in secondary education, these declined by LL 6 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel witnessed a slight decrease of 1 percent to LL 282 billion in Jan-Oct 2016.

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-Oct 2016, followed by the Ministry of Foreign Affairs (MoFA) with 19 percent and Parliament with 10 percent (for further details, kindly refer to table 2).

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-Oct 2015 and Jan-Oct 2016

(LL million)	Jan-Oct 2015	Jan-Oct 2016	% from Total Civilian Personnel in 2016
Ministry of Justice	52,732	53,831	19%
Ministry of Foreign Affairs and Emigrants	63,231	53,061	19%
Parliament	27,759	27,633	10%
Ministry of Finance	23,679	27,098	10%
Presidency of the Council of Ministers	23,239	24,927	9%
Ministry of Public Health	17,284	15,979	6%
Ministry of Public Works and Transportation	14,313	12,850	5%
Ministry of Agriculture	12,250	13,018	5%
Ministry of National Defense	8,825	8,885	3%
Ministry of Interior	8,050	8,534	3%
Other	34,185	36,169	13%
Total	285,547	281,985	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances decreased by 13 percent to LL 504 billion in Jan-Oct 2016 mainly due to respective decreases in allowances by LL 43 billion, LL 22 billion and LL 10 billion to the Army, Internal Security forces and General security forces that were slightly offset by a LL 1 billion increase in allowances to the State Security Forces.

The decrease in allowances to the Army was mainly driven by decreases in (i) hospital expenses by LL 32 billion, (ii) sickness and maternity allowances by LL 6 billion, (iii) death allowances by LL 3 billion, (iv) social allowances by LL 2 billion and (v) marriage allowances by LL 2 billion. These decreases were partially counterbalanced by a LL 4 billion increase in medical allowances.

Allowances to the Internal Security Forces decreased due to a LL 20 billion drop in hospital expenses and a LL 9 billion drop in school allowances. These decreases were slightly counterbalanced by a LL 5 billion increase in medical allowances, a LL 3 billion rise in sickness and maternity allowances.

Allowances to the General Security Forces declined mainly due to a LL 5 billion decrease in each of school allowances and hospital expenses.



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