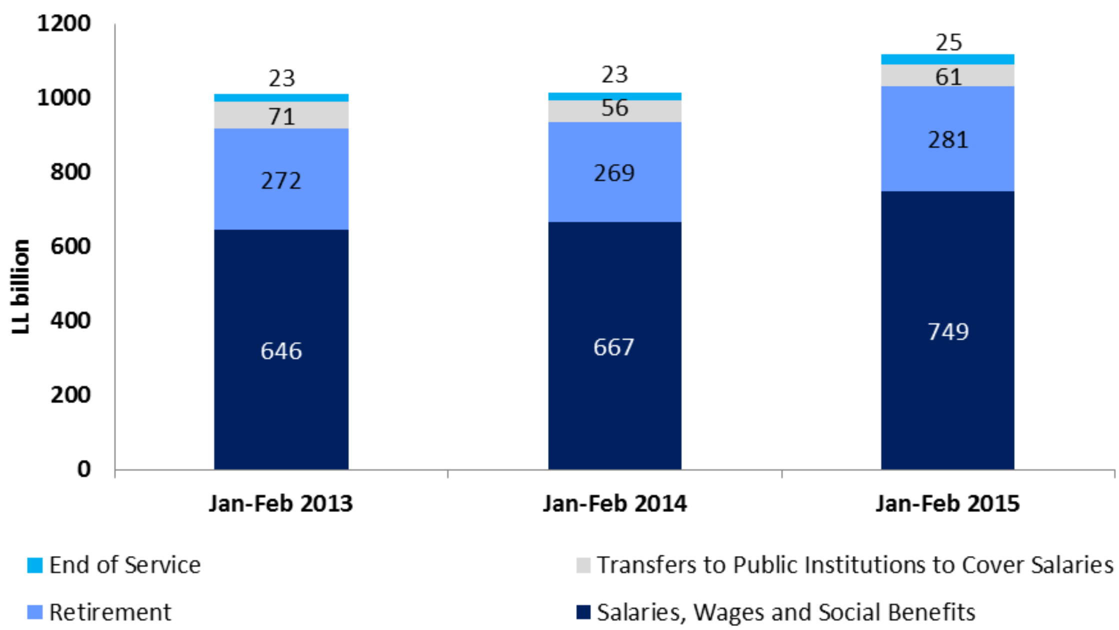
I. Personnel Cost

I.A. General Overview

Personnel cost includes payments for (a) salaries, wages and related benefits, (b) retirement, (c) end of service indemenities, and (d) transfers to public institutions to cover salaries.

Personnel cost increased by LL 100 billion (10 percent) from LL 1,015 billion in Jan-Feb 2014 to LL 1,116 billion in Jan-Feb 2015, as a result of increases in all of its components: (i) an LL 82 billion (12 percent) increase in payments for salaries, wages and related benefits, mirroring the increase in allowance payments for the military, (ii) a LL 12 billion (5 percent) rise in retirement salaries, (iii) a LL 4 billion (8 percent) higher transfers to public institutions to cover salaries, and (iv) a LL 2 billion (9 percent) higher end of service indemnities.

Figure 1. Personnel Cost Breakdown by Component in Jan-Feb 2013, Jan-Feb 2014, and Jan-Feb 2015



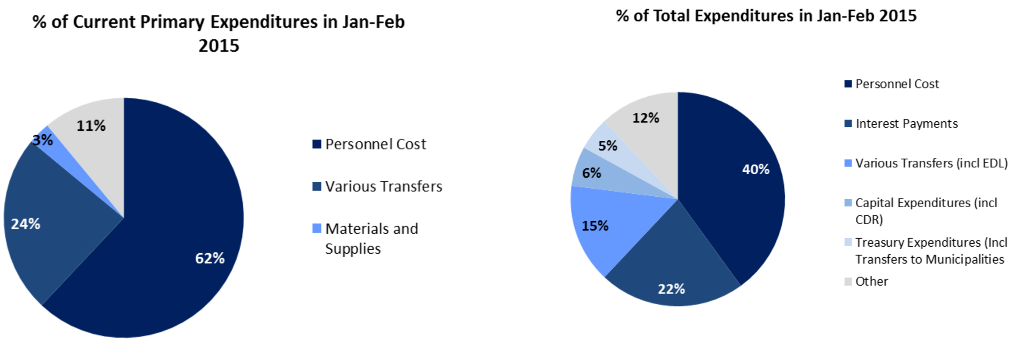
Source: Ministry of Finance, Directorate General of Finance

I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure[1], amounting to 62 percent in Jan-Feb 2015, compared to 53 percent and 52 percent during the same period of 2014 and 2013, respectively. Moreover, personnel cost increased to 40 percent of total expenditure in Jan-Feb 2015, compared to 35 percent in 2014 and 36 percent in 2013. The following figures represent personnel cost as a percentage of current primary expenditures and total expenditure by end-February 2015:

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

Figure 2. Personnel Cost as a Percentage of Current Primary Expenditure and Total Expenditure in Jan-Feb 2015



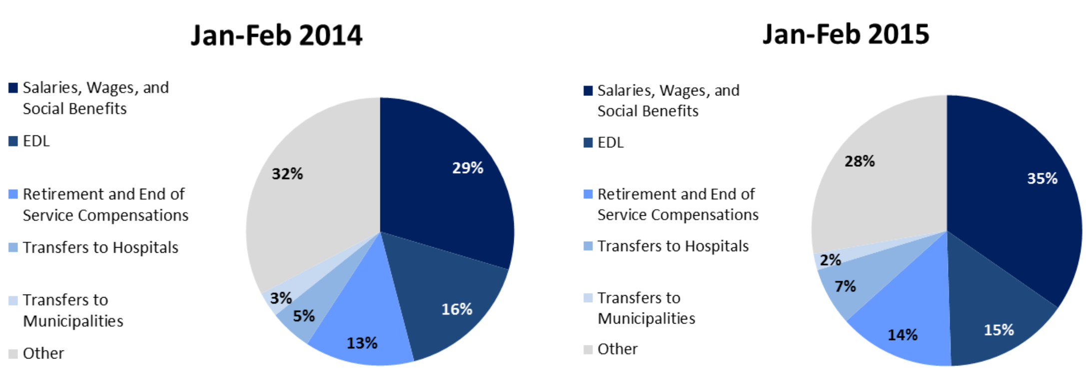
Source: Ministry of Finance,, Directorate General of Finance

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 83 billion (12 percent), from LL 667 billion in Jan-Feb 2014 to LL 750 billion in Jan-Feb 2015. The reason behind this rise is mainly due to an LL 82 billion increase in allowances to military personnel which was slightly counterbalanced by a LL 12 billion decrease in payments to Education Personnel. In terms of composition, cost of basic salaries accounted for 71 percent of payments for salaries wages and related benefits during Jan-Feb 2015, followed by allowances (21 percent), employment benefits (5 percent), and other payments (2 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 29 percent in Jan-Feb 2014 and increased to 35 percent in Jan-Feb 2015. The following figures present the primary spending breakdown by component during the period under review.

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



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 2014 and Jan-Feb 2015

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Military Personnel	**346**	**358**	**14**	**14**	**73**	**155**	**0**	**0**	**433**	**527**
Army	215	227	8	9	28	120	0	0	251	356
Internal Security Forces	102	101	4	4	34	24	0	0	140	129
General Security Forces	23	24	1	1	10	9	0	0	34	34
State Security Forces	6	7	1	0	1	2	0	0	8	9
Education Personnel	128	116	10	11	0	0	1	0	139	127
Civilian Personnel 1/	**56**	**61**	**9**	**11**	**0**	**1**	**8**	**7**	**75**	**80**
Government contribution to employees cooperative2/							**14**	**10**	**14**	**10**
Customs Salaries 3/									**6**	**6**
Total	**531**	**535**	**33**	**35**	**73**	**156**	**24**	**18**	**667**	**750**

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 reached LL 535 billion in Jan-Feb 2015 increasing by LL 5 billion (1 percent) from the same period in 2014. This rise was the result of increases in military basic salaries by LL 12 billion (4 percent), and civil personnel basic salaries by LL 5 billion (8 percent), which were partly offset by a drop in basic salaries of education personnel by LL 12 billion (10 percent).

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 by LL 12 billion, owing to the recruitment of new personnel or the promotion of current personnel. Moreover, Basic salaries of trainees increased by LL 2 billion by end-February 2015 compared to 2014. These increases were partially offset by a LL 2 billion drop in clothing indemnity and a LL 1 billion decrease in basic salaries to permenant employees of Internal Security Forces.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel decreased by LL 12 billion in Jan-Feb 2015, compared to the same period in 2014. The 10 percent drop was mainly due to (i) a decrease in basic salaries of contractual teachers at the Directorate General of Vocational Education by LL 8 billion, and a (ii) LL 3 billion decrease in primary and secondary education.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 5 billion in Jan-Feb 2015 compared to the same period in 2014. In terms of ministerial distribution, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, accounting for 25 percent of total salaries and wages to civilian personnel during Jan-February 2015 (*for further details, kindly refer to table 2*).

In detail, basic salaries and wages to employees in the MoFA witnessed the most notable increase of 19 percent in Jan-Feb 2015, mainly due to a rise in basic salaries of diplomats in Lebanese overseas missions owing to higher retroactive payments by LL 3 billion.

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

(LL million)	Jan-Feb 2014	Jan-Feb 2015	% from Total Civilian Personnel
Ministry of Foreign Affairs and Emigrants	13,138	15,533	25%
Ministry of Justice	10,109	10,541	17%
Parliament	5,496	5,549	9%
Presidency of the Council of Ministers	5,054	4,896	8%
Ministry of Finance	2,771	4,763	8%
Ministry of Public Health	3,528	3,360	5%
Ministry of Public Works and Transportaion	3,098	3,108	5%
Ministry of Agriculture	2,276	2,453	4%
Ministry of National Defense	1,763	1,813	3%
Ministry of Interior	1,733	1,692	3%
Other	7,450	7,485	12%
Total	**56,414**	**61,193**	100%

Source: Ministry of Finance , Directorate General of Finance

II.B. Payment of Allowances

Allowances rose by LL 82 billion (112 percent) to reach LL 156 billion in Jan-Feb 2015, mainly attributed to higher payments to the Army by LL 92 billion, which was slightly counterbalanced by a LL 9 billion decrease in allowances to the Internal Security Forces.

More specifically, the increases in allowances to the Army was mainly related to (i) a rise in hospital allowances by LL 78 billion, (ii) an increase in school expenses by LL 14 billion, and (iii) a rise in sickness & maternity allowances by LL 6 billion. These increases were slightly counterbalanced by a LL 5 billion decrease in marriage allowances.

Allowances to Internal Security Forces decreased mainly due to a LL 10 billion drop in hospital allowances, and a LL 7 billion decrease in social allowances. These decreases were partially counterbalanced by an increase in sickness & maternity and school allowances by LL 5 billion each.

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

Payments to government subscription and contributions to the Employees Cooperative decreased by LL 4 billion to reach LL 10 billion in Jan-Feb 2015.

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