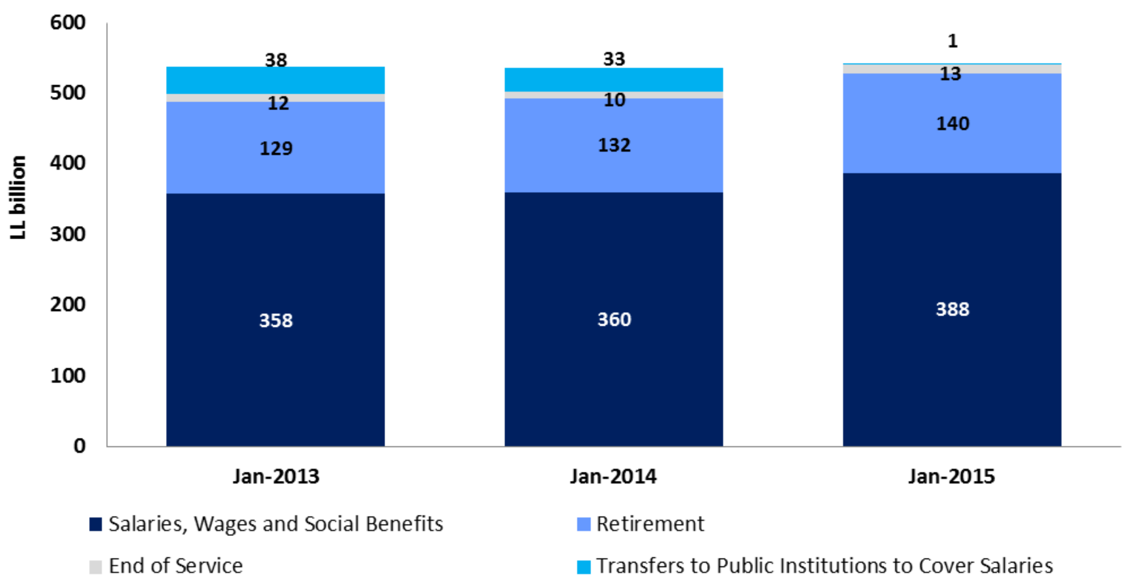
I. Personnel Cost

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 4 billion (1 percent) from LL 538 billion in January 2014 to LL 542 billion in January 2015, mainly driven by (i) the LL 27 billion (8 percent) increase in payments for salaries, wages and related benefits, (ii) an LL 8 billion (6 percent) rise in retirement salaries, and (iii) a LL 3 billion (28 percent) higher end of service indemnities. However, the latter rises were almost offset by a LL 32 billion drop in transfers to public institutions to cover salaries mainly due to a difference in the timing of payment; standing at only LL 1 billion for January 2015.

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



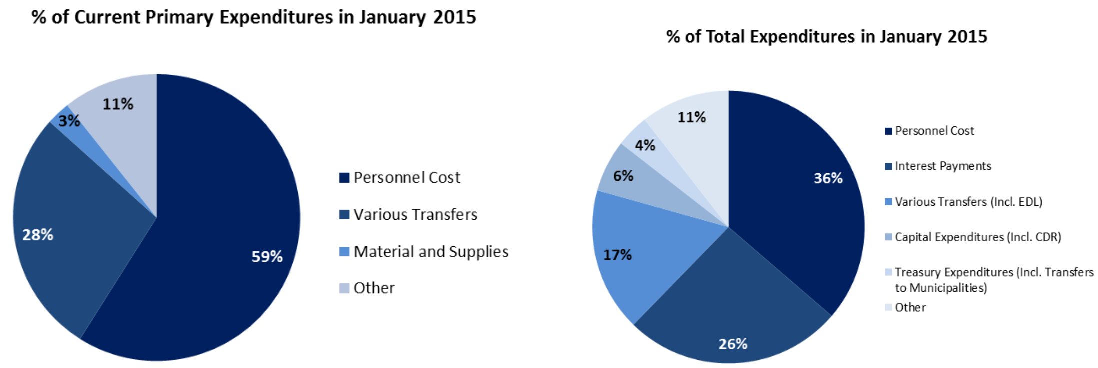
Source: Ministry of Finance, Directorate General of Finance

I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure[1], amounting to 59 percent in January 2015, compared to 47 percent and 50 percent during the same period of 2014 and 2013, respectively. Moreover, personnel cost increased to 36 percent of total expenditure in January 2015, compared to 30 percent in 2014 and 34 percent in 2013 (*for further details, kindly refer to figure 2 below*).

[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-2015



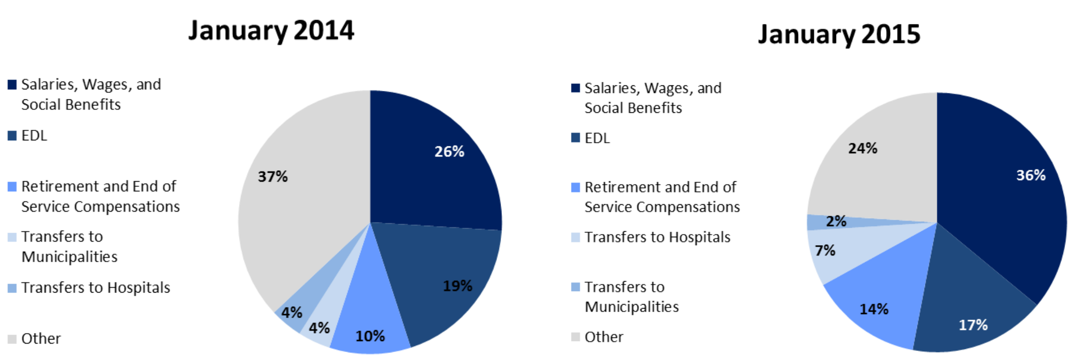
Source: Ministry of Finance,, Directorate General of Finance

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits rose by LL 28 billion (8 percent), from LL 360 billion in January 2014 to LL 388 billion in January 2015. The reason behind this rise is mainly due to a LL 36 billion increase in allowances to military personnel which was slightly counterbalanced by a LL 14 billion decrease in payments to government subscription and contributions to the Employees Cooperative.In terms of composition, cost of basic salaries accounted for 69 percent of payments for salaries wages and related benefits during January 2015, followed by allowances (23 percent), employment benefits (5 percent) and other payments (2 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 26 percent in Jan 2014 and increased to 36 percent in Jan 2015. The following figures present the primary spending breakdown by component during the period under review.

Figure 3. Primary Spending Breakdown by Component during January 2014 and January 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 – January 2014 and January 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	**175**	**181**	**7**	**7**	**54**	**90**	**0**	**0**	**237**	**278**
Army	108	114	4	4	25	69	0	0	137	187
Internal Security Forces	51	52	2	2	22	14	0	0	75	68
General Security Forces	13	12	0	0	7	6	0	0	20	18
State Security Forces	3	3	0	0	1	1	0	0	5	5
Education Personnel	**60**	**58**	**5**	**6**	**0**	**0**	**1**	**0**	**66**	**65**
Civilian Personnel 1/	**29**	**30**	**6**	**5**	**0**	**1**	**5**	**6**	**41**	**42**
Government contribution to employees cooperative2/							**14**	**0**	**14**	**0**
Customs Salaries 3/									**3**	**3**
Total	**265**	**269**	**18**	**19**	**55**	**91**	**21**	**6**	**360**	**388**

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 269 billion in January 2015 increasing by LL 5 billion (2 percent) from the same period in 2014. This rise was the result of an increase in military basic salaries by LL 6 billion (4 percent), which was partly counterbalanced by a drop in basic salaries of education personnel by LL 2 billion (4 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 6 billion, owing to the recruitment of new personnel or the promotion of current personnel. This increase was partially offset by a LL 3 billion drop 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 2 billion in January 2015, compared to the same period in 2014. The 4 percent drop was mainly due to a decrease in basic salaries of primary education teachers at the Directorate of General Education by LL 2 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 1 billion in January 2015 compared to January 2014. In terms of ministerial distribution, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, accounting for 24 percent of total salaries and wages to civilian personnel during January 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 12 percent in the first month of 2015, mainly due to a rise in basic salaries of diplomats in Lebanese overseas missions owing to higher retroactive payments by LL 1 billion.

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

(LL million)	January 2014	January 2015	% change 2015/2014
Ministry of Foreign Affairs and Emigrants	6,615	7,354	24%
Ministry of Justice	4,953	5,319	18%
Parliament	2,689	2,742	9%
Presidency of the Council of Ministers	2,563	2,445	8%
Ministry of Finance	1,141	2,396	8%
Ministry of Public Health	1,790	1,699	6%
Ministry of Public Works and Transportaion	886	1,516	5%
Ministry of Agriculture	1,155	1,226	4%
Ministry of National Defense	883	913	3%
Ministry of Interior	2,909	841	3%
Other	3,927	3,831	13%
Total	**29,509**	**30,281**	**100%**

Source: Ministry of Finance , Directorate General of Finance

II.B. Payment of Allowances

Allowances rose by LL 36 billion (66 percent) to reach LL 91 billion in January 2015, mainly attributed to higher payments to the Army by LL 44 billion, which was slightly counterbalanced by an LL 8 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 41 billion, and (ii) an increase in school expenses by LL 14 billion. These increases were slightly counterbalanced by a LL 5 billion decrease in both sickness & maternity allowances and marriage allowances.

Allowances to Internal Security Forces decreased mainly due to (i) an LL 8 billion drop in social allowances, (ii) a LL 2 billion decrease in sickness & maternity allowances, and (iii) a 1 LL billion drop in hospital allowances.   These decreases were partially counterbalanced by a LL 5 billion increase in school allowances.

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

Payments to government subscription and contributions in the Employees Cooperative decreased by LL 14 billion to nil in January 2015.

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