

I. Personnel Cost

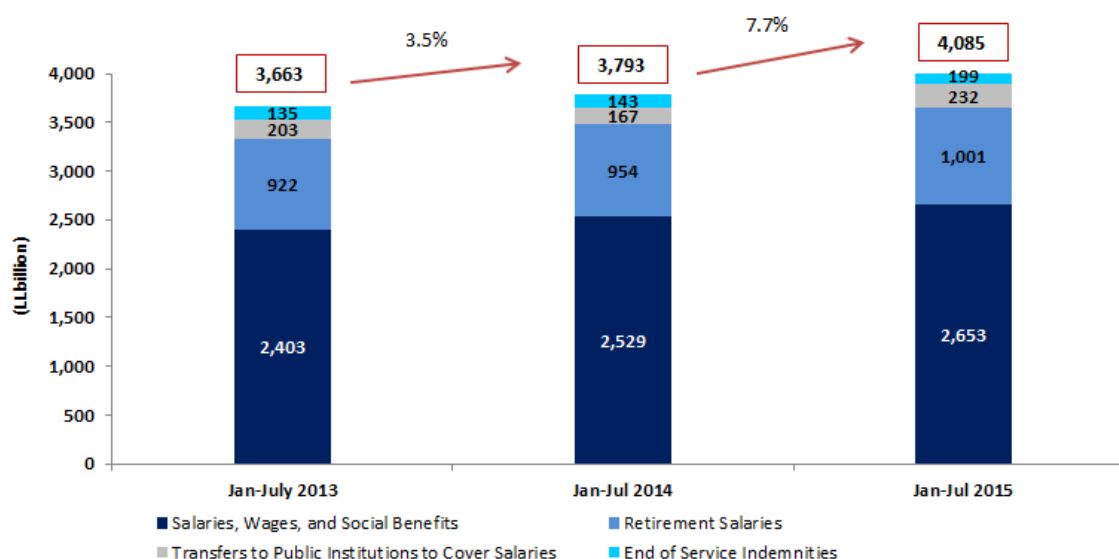
I.A. General Overview

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

Personnel cost increased by LL 292 billion (8 percent) from LL 3,793 billion in Jan-Jul 2014 to LL 4,085 billion in Jan-Jul 2015, as a result of an increase in all sub-categories:

- Salaries, wages and related benefits by LL 124 billion (5 percent);
- Transfers to public institutions to cover salaries by LL 65 billion (39 percent) mainly due to a LL 70 billion rise in payments to Lebanese University;
- End of service indemnities by LL 55 billion (39 percent); and
- Retirement salaries by LL 47 billion (5 percent).

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



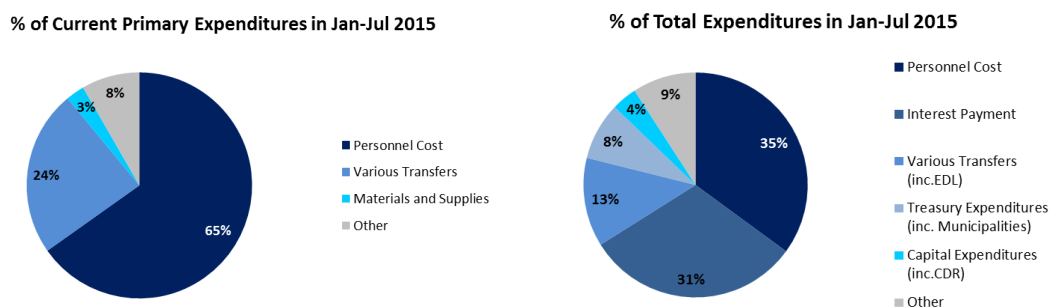
Source: Ministry of Finance, Directorate General of Finance

I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure¹, comprising 53 percent, 57 percent, and 65 percent in Jan-Jul 2013, Jan-Jul 2014, and Jan-Jul 2015 respectively. As a percent of total expenditures, personnel cost comprised 31 percent of the total by end-Jul 2013 and 32 percent by end-Jul 2014, increasing to 35 percent by end-Jul 2015. The following figures represent the current primary expenditure and total expenditure composition in Jan-Jul 2015:

¹ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

Figure 2. Composition of Current Primary Expenditures and Total Expenditures Composition in Jan-Jul 2015



Source: Ministry of Finance, Directorate General of Finance

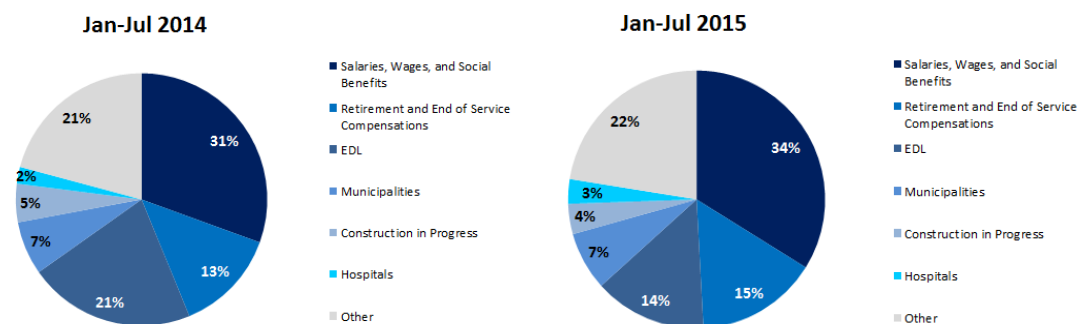
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits rose by LL 124 billion (5 percent), to LL 2,653 billion in Jan-Jul 2015 from LL 2,529 billion in Jan-Jul 2014. The reason behind this rise is mainly due to a LL 71 billion increase in basic salaries of which LL 42 billion belong to army personnel and a LL 61 billion increase in allowances, of which LL 53 billion to army personnel. These increases were slightly offset by a minor LL 4 billion decrease in government subscription and contributions in employees cooperative, and a LL 3 billion decline in employment benefits paid to education personnel.

In terms of composition, cost of basic salaries accounted for 73 percent of total payments for salaries wages and related benefits by end-Jul 2015, followed by allowances (16 percent), other payments (6 percent), and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 28 percent in Jan-Jul 2013, 31 percent in Jan-Jul 2014, and increased to 34 percent in Jan-Jul 2015. The following figures present the primary spending breakdown by component during the period under study.

Figure 3. Primary Spending Breakdown by Component during Jan-Jul 2014 and Jan-Jul 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-Jul 2014 and Jan-Jul 2015²

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Military Personnel	1,195	1,252	47	48	348	409	1	2	1,591	1,710
Army	758	800	29	30	187	239	0	0	974	1,070
Internal Security Forces	344	344	14	15	126	127	0	0	485	486
General Security Forces	73	84	2	2	27	33	1	1	102	120
State Security Forces	20	23	1	1	8	9	0	0	30	34
Education Personnel	483	486	39	36	0	0	12	11	533	533
Civilian Personnel 1/	196	206	40	40	3	3	26	26	265	276
Government contribution to employees cooperative 2/							119	114	119	114
Customs Salaries 3/									22	21
Total	1,873	1,944	125	124	351	412	158	153	2,529	2,654

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 1,944 billion by end-July 2015 increasing by LL 71 billion (4 percent) from the same period in 2014. The latter rise was mainly the result of an increase in basic salaries of military, civil, and education personnel by LL 57 billion, LL 11 billion, and LL 4 billion respectively.

II.A.a. Basic Salaries of Military Personnel

The 5 percent increase in basic salaries of military personnel is primarily the result of an increase in payments made to permanent employees of the Army by LL 41 billion and the General Security forces by LL 8 billion, owing to the recruitment of new personnel or the promotion of current personnel. Moreover, basic salaries of trainees and contractors employees increased by LL 5 billion and LL 2 billion respectively by end-July 2015 compared to Jan-Jul 2014. These increases were partially offset by a LL 2 billion drop in both overseas missions and clothing indemnities.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel registered a slight increase of 1 percent in Jan-Jul 2015 compared to the same period in 2014, standing at LL 486 billion. This was mainly the result of LL 15 billion increase in basic salaries of secondary contractual teachers and LL 4 billion higher salaries to primary contractual teachers, which was offset by a drop in salaries of (i)

² Figures slightly differ from those published in the Public Finance Monthly Monitor report – July 2015 due to the effect of rounding.

trainees in the primary and secondary education by LL 9 billion, and (ii) secondary education teachers by LL 5 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 11 billion (5 percent) in Jan-Jul 2015 compared to Jan-Jul 2014. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 23 percent of total salaries and wages to civilian personnel during Jan-Jul 2015, followed by the Ministry of Justice (18 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 9 billion. Moreover, wages to employees in the courts of the Ministry of Justice increased by LL 1 billion in Jan-Jul 2015, as compared to the same period of 2014.

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

(LL million)	Jan-Jul 2014	Jan-Jul 2015	% from Total Civilian Personnel in 2015
Ministry of Foreign Affairs and Emigrants	37,844	47,195	23%
Ministry of Justice	30,030	37,097	18%
Parliament	19,196	19,435	9%
Presidency of the Council of Ministers	16,913	17,236	8%
Ministry of Finance	16,773	16,775	8%
Ministry of Public Health	12,413	11,691	6%
Ministry of Public Works and Transportaion	10,319	10,462	5%
Ministry of Agriculture	8,138	8,997	4%
Ministry of National Defense	6,252	6,262	3%
Ministry of Interior	6,015	5,828	3%
Other	25,847	25,453	12%
Total	195,758	206,431	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances increased by LL 61 billion (17 percent) to reach LL 412 billion in Jan-Jul 2015, mainly attributed to higher payments to the Army and General Security Forces by LL 53 billion and LL 6 billion respectively. Allowances to Internal Security Forces, and State Security Forces remained almost unchanged.

More specifically, allowances to the Army were mainly driven by increases in (i) hospital expenses by LL 59 billion, and (ii) social allowances by LL 4 billion. These increases were partially counterbalanced by a LL 5 billion decrease in school allowances, and a LL 5 billion decrease in marriage allowances.

Allowances to the General Security Forces increased mainly due to a LL 6 billion increase in school allowances.

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 in Jan-Jul 2015 compared to the same period in 2014, standing at LL 114 billion.



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