

I. Personnel Cost

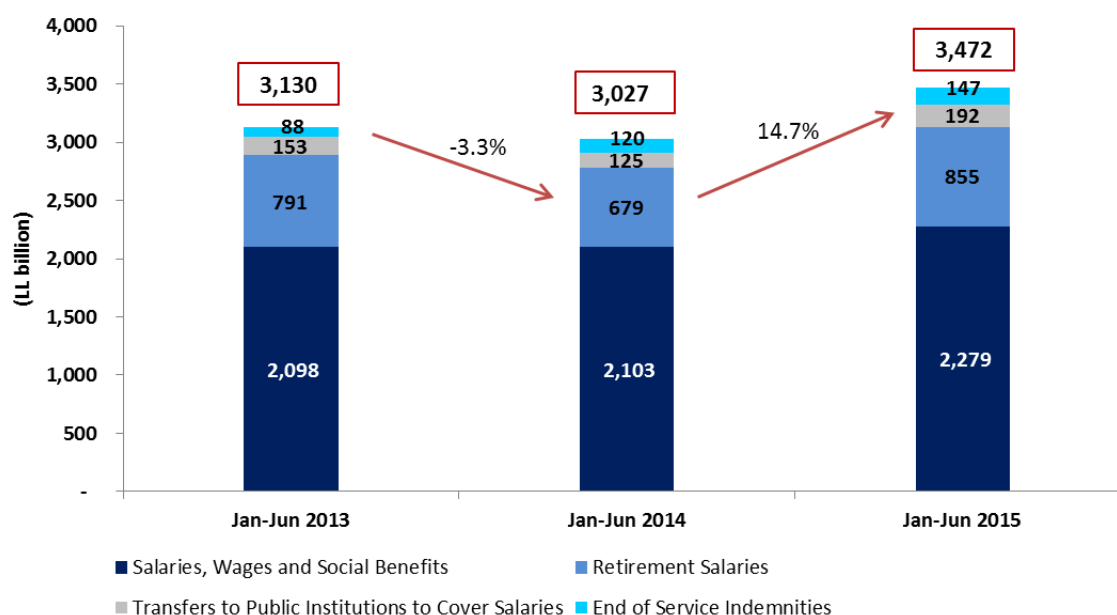
I.A. General Overview

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 444 billion (15 percent) from LL 3,027 billion in Jan-Jun 2014 to LL 3,472 billion in Jan-Jun 2015, as a result of an increase in all categories:

- Salaries, wages and related benefits by LL 176 billion (8 percent);
- Retirement salaries by LL 175 billion (26 percent) to reach LL 855 billion in Jan-Jun 2015, mainly as a result of discrepancy in the timing of payment whereby retirement salaries for the month of June 2014 were paid in July 2014. Also, end of service indemnities increased by LL 26 billion (22 percent);
- Transfers to public institutions to cover salaries by LL 67 billion (54 percent) mainly due to a LL 75 billion rise in payments to Lebanese University.

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

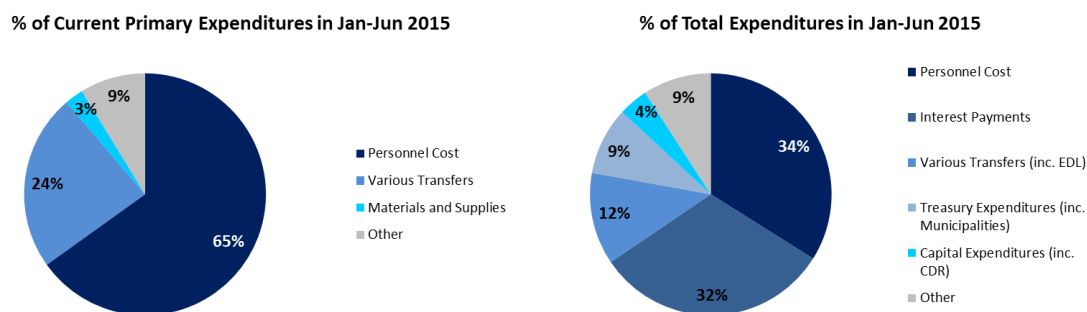


I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure¹, comprising 54 percent in both Jan-Jun 2013 and Jan-Jun 2014, it increased to 65 percent in Jan-Jun 2015. As a percent of total expenditures, personnel cost comprised 31 percent of the total by end-June 2013 and 29 percent by end-June 2014, increasing to 34 percent by end-June 2015. The following figures represent the current primary expenditure and total expenditure composition in Jan-Jun 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-Jun 2015



Source: Ministry of Finance, Directorate General of Finance

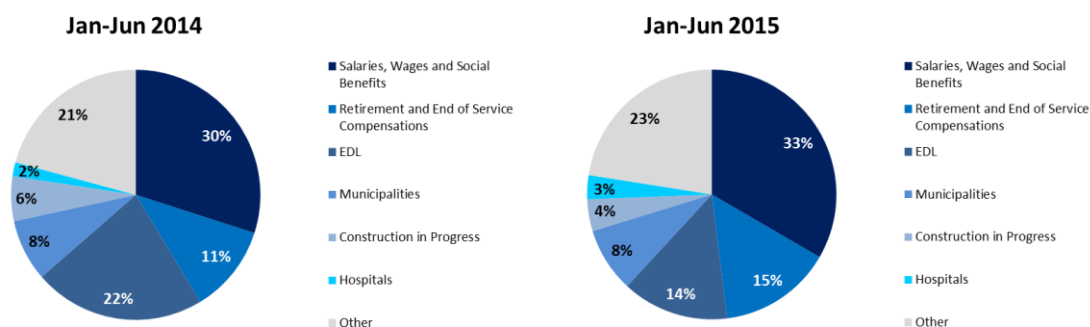
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 176 billion (8 percent), to LL 2,278 billion in Jan-Jun 2015 from LL 2,102 billion in Jan-Jun 2014². The reason behind this rise is mainly due to a LL 116 billion increase in allowances (of which LL 93 billion belong to army personnel) alongside a LL 61 billion increase in basic salaries. These increases were slightly offset by a minor LL 4 billion decrease in customs salaries due to a discrepancy in timing of payments, and a LL 2 billion decline in employment benefits paid to education personnel.

In terms of composition, cost of basic salaries accounted for 72 percent of payments for salaries wages and related benefits by end-June 2015, followed by allowances (17 percent), employment benefits (5 percent) and other payments (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 30 percent in Jan-Jun 2014 and increased to 33 percent in Jan-Jun 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-Jun 2014 and Jan-Jun 2015



Source: Ministry of Finance, Directorate General of Finance

² Figures slightly differ from those published in the Public Finance Monthly Monitor report – June 2015 that shows in Figure 1 above due to the effect of rounding.

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-Jun 2014 and Jan-Jun 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	1,023	1,075	40	41	278	393	1	2	1,342	1,510
Army	647	685	24	26	140	233	0	0	812	945
Internal Security Forces	296	298	12	13	105	118	0	0	413	429
General Security Forces	63	72	2	2	26	32	1	1	91	106
State Security Forces	17	20	1	1	8	9	0	0	27	30
Education Personnel	390	390	33	31	0	0	6	6	430	427
Civilian Personnel 1/	161	171	32	34	2	3	21	23	217	231
Government contribution to employees cooperative 2/							94	94	94	94
Customs Salaries 3/									19	15
Total	1,575	1,636	105	106	280	396	123	125	2,102	2,278

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 1,636 billion by end-June 2015 increasing by LL 61 billion (4 percent) from the same period in 2014. The latter rise was mainly the result of an increase in basic salaries of military and civil personnel by LL 51 billion and LL 10 billion respectively. It is worth noting that basic salaries to education personnel was almost unchanged over the period.

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 36 billion and the General Security forces by LL 7 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 4 billion and LL 3 billion respectively by end-June 2015 compared to Jan-Jun 2014. These increases were partially offset by a LL 3 billion drop in overseas missions and trainings indemnities.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel registered no change in Jan-Jun 2015 compared to the same period in 2014, standing at LL 390 billion. This was mainly the result of LL 12 billion

increase in basic salaries of primary, intermediate and secondary contractual teachers due to higher primary contractual teachers, which was offset by a drop in salaries of (i) trainees in the primary and secondary education by LL 7 billion, and (ii) secondary education teachers by LL 4 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 10 billion (6 percent) in Jan-Jun 2015 compared to Jan-Jun 2014. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 22 percent of total salaries and wages to civilian personnel during Jan-Jun 2015, followed by the Ministry of Justice (18 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 increase of 22 percent by end-June 2015, 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 General Directorate in the Ministry of Finance and General Directorate in the Ministry of Health increased by LL 2 billion and LL 1 billion in Jan-Jun 2015, respectively as compared to the same period of 2014.

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

(LL million)	Jan-Jun 2014	Jan-Jun 2015	% from Total Civilian Personnel
Ministry of Foreign Affairs and Emigrants	30,739	37,348	22%
Ministry of Justice	30,682	30,822	18%
Parliament	16,393	16,663	10%
Presidency of the Council of Ministers	14,055	14,525	8%
Ministry of Finance	12,377	14,133	8%
Ministry of Public Health	8,913	9,940	6%
Ministry of Public Works and Transportaion	8,663	9,100	5%
Ministry of Agriculture	6,969	7,586	4%
Ministry of National Defense	5,356	5,344	3%
Ministry of Interior	5,139	4,479	3%
Other	22,009	21,272	12%
Total	161,295	171,211	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances hiked by LL 116 billion (41 percent) to reach LL 396 billion in Jan-Jun 2015, mainly attributed to higher payments to the Army, Internal Security Forces, and General Security Forces by LL 93 billion, LL 14 billion, and LL 6 billion respectively.

More specifically, allowances to the Army were mainly driven by increases in (i) hospital expenses by LL 58 billion, (ii) school allowances by LL 22 billion, and (iii) sickness & maternity allowances by LL 10 billion. These increases were slightly counterbalanced by a LL 3 billion decrease in marriage allowances.

Allowances to the Internal Security Forces increased mainly due to a LL 25 billion increase in school allowances and a LL 4 billion increase in sickness & maternity. These increases were partially counterbalanced by a decrease in social allowances by LL 7 billion and in hospital allowances by LL 6 billion.

Moreover, allowances to the General Security Forces rose by LL 6 billion mainly as a result of higher school allowances.

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

Payments to government subscription and contributions to the Employees Cooperative showed no change in Jan-Jun 2015 compared to the same period in 2014, standing at LL 94 billion.



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