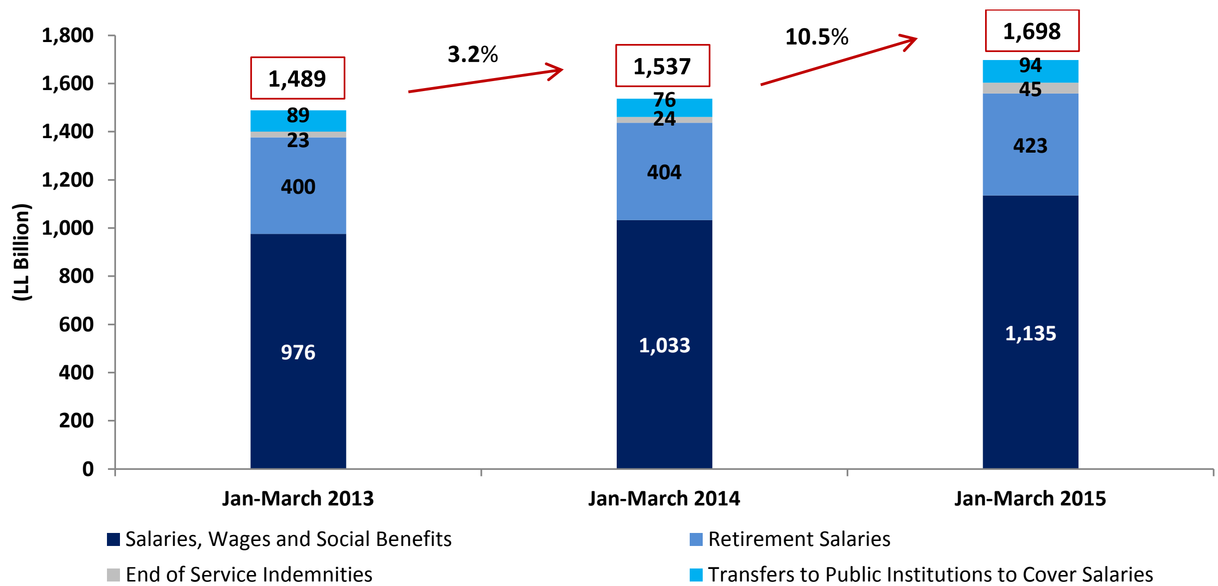
I. Personnel Cost

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 161 billion (10 percent) from LL 1,537 billion in the first quarter of 2014 to LL 1,698 billion in QI 2015, as a result of increases in all of its components: (i) a LL 102 billion (10 percent) increase in payments for salaries, wages and related benefits, (ii) a LL 21 billion (90 percent) higher end of service indemnities, (iii) a LL 19 billion (5 percent) rise in retirement salaries, and (iv) an LL 18 billion (24 percent) higher transfers to public institutions to cover salaries.

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



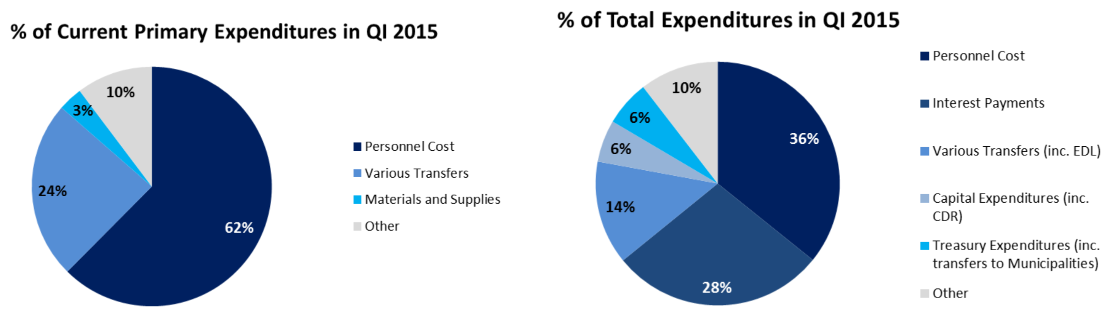
Source: Ministry of Finance, Directorate General of Finance

I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure[1], increasing from 50 percent and 52 percent during QI 2013 and QI 2014 to 62 percent during the same period of 2015. Moreover, personnel cost increased to 36 percent of total expenditure in the first quarter of 2015, compared to 31 percent in QI 2014 and 33 percent in QI 2013. The following figures represent personnel cost as a percentage of current primary expenditures and total expenditures by end-March 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 Expenditures and Total Expenditures in QI 2015



Source: Ministry of Finance, Directorate General of Finance

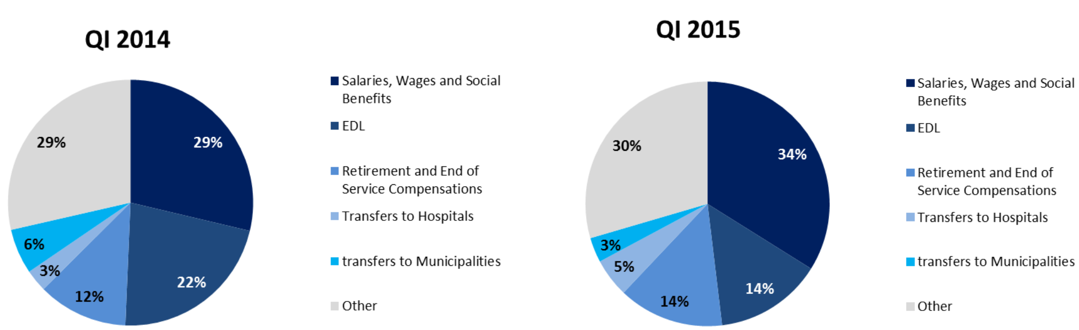
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 102 billion (10 percent), from LL 1,033 billion in QI 2014 to LL 1,135 billion in QI 2015. The reason behind this rise is mainly due to a LL 72 billion increase in allowances to the Army personnel alongside a LL 24 billion increase in basic salaries to Military personnel, which were slightly counterbalanced by an LL 8 billion decrease in allowances to the Internal Security Forces.

In terms of composition, cost of basic salaries accounted for 75 percent of payments for salaries wages and related benefits by end-March 2015, followed by allowances (16 percent), employment benefits (5 percent), and other payments (4 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 29 percent in QI 2014 and increased to 34 percent in QI 2015. The following figures present the primary spending breakdown by component during the period under review.

Figure 3. Primary Spending Breakdown by Component during QI 2014 and QI 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 – QI 2014 and QI 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	**515**	**539**	**20**	**21**	**119**	**183**	**1**	**1**	**655**	**743**
Army	323	342	12	13	62	134	0	0	397	489
Internal Security Forces	151	151	6	6	41	33	0	0	198	191
General Security Forces	33	36	1	1	13	13	1	0	47	50
State Security Forces	9	10	1	0	3	3	0	0	12	13
Education Personnel	212	219	17	16	0	0	1	0	230	234
Civilian Personnel 1/	**86**	**93**	**16**	**15**	**0**	**1**	**12**	**12**	**114**	**121**
Government contribution to employees cooperative 2/							**24**	**27**	**24**	**27**
Customs Salaries 3/									**9**	**9**
Total	**814**	**850**	**53**	**52**	**119**	**184**	**38**	**40**	**1,033**	**1,135**

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 850 billion by end-March 2015 increasing by LL 37 billion (5 percent) from the same period in 2014. This rise was the result of increases in basic salaries of all subcategories, namely to the military body, civil personnel, and education personnel by LL 24 billion (5 percent), LL 7 billion (8 percent), and LL 6 billion (3 percent) respectively.

II.A.a. Basic Salaries of Military Personnel

The 5 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 18 billion, owing to the recruitment of new personnel or the promotion of current personnel. Moreover, basic salaries of trainees and permenant General Security Forces increased by LL 3 billion each by end-March 2015 compared to QI 2014. These increases were partially offset by a LL 2 billion drop in clothing indemnity.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by LL 6 billion by end-March 2015, compared to the same period in 2014. The 3 percent rise was mainly due to an increase in basic salaries of primary, intermediate and secondary contractual teachers by LL 12 billion mainly due to higher primary contractual teachers.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 7 billion in QI 2015 compared to QI 2014. At the level of ministries, the Ministry of Foreign Affairs (MoFA) represents the largest wage bill, with a share of 27 percent of total salaries and wages to civilian personnel during QI 2015 followed by the Ministry of Justice (17 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 of 41 percent in QI 2015, mainly due to a rise in basic salaries of diplomats in Lebanese overseas missions owing to higher retroactive payments by LL 9 billion.

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

(LL million)	Jan-Mar 2014	Jan-Mar 2015	% from Total Civilian Personnel
Ministry of Foreign Affairs and Emigrants	17,817	25,113	27%
Ministry of Justice	15,266	15,706	17%
Parliament	8,244	8,334	9%
Presidency of the Council of Ministers	7,504	7,082	8%
Ministry of Finance	7,219	7,116	8%
Ministry of Public Health	5,348	4,935	5%
Ministry of Public Works and Transportaion	4,588	4,657	5%
Ministry of Agriculture	3,405	3,691	4%
Ministry of National Defense	2,636	2,658	3%
Ministry of Interior	2,579	2,452	3%
Other	11,578	10,990	12%
Total	**86,185**	**92,734**	**100%**

Source: Ministry of Finance , Directorate General of Finance

II.B. Payment of Allowances

Allowances rose by LL 65 billion (55 percent) to reach LL 184 billion in QI 2015, mainly attributed to higher payments to the Army by LL 72 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 57 billion, (ii) an increase in school expenses by LL 14 billion, and (iii) a rise in social allowances by LL 4 billion. These increases were slightly counterbalanced by a LL 5 billion decrease in marriage allowances.

Allowances to the 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.

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

Payments to government subscription and contributions to the Employees Cooperative increased by LL 3 billion to reach LL 27 billion in QI 2015, compared to LL 24 billion in QI 2014.

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