

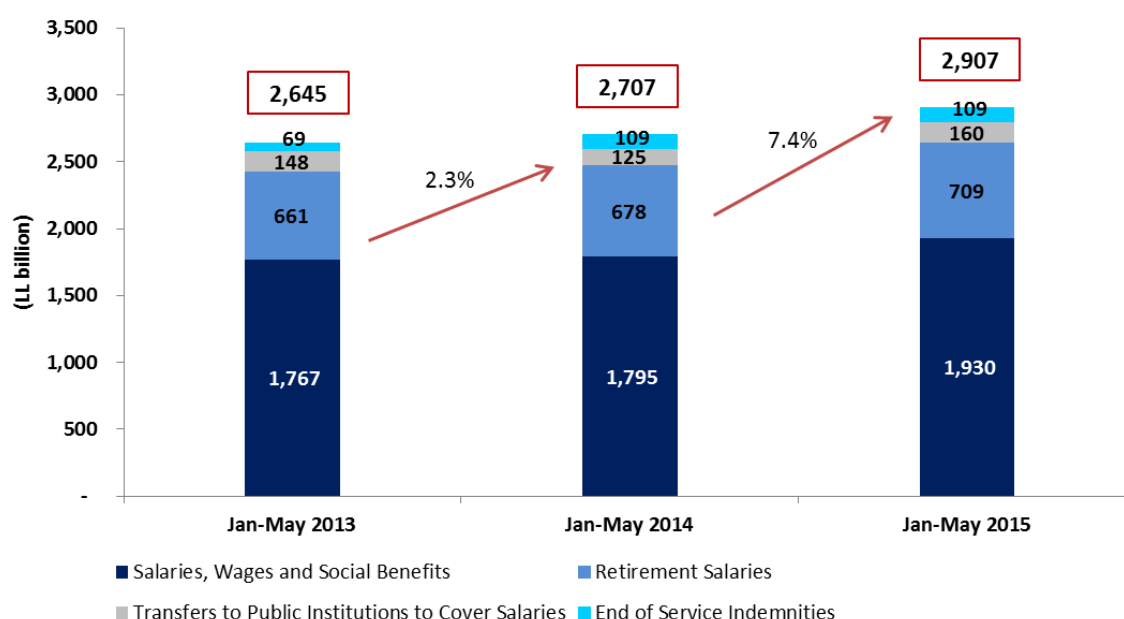
I. Personnel Cost

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 200 billion (7 percent) to LL 2,907 billion in Jan-May 2015 from LL 2,707 billion in Jan-May 2014, as a result of an increase in (i) salaries, wages and related benefits by LL 135 billion (8 percent), (ii) transfers to public institutions to cover salaries by LL 35 billion (28 percent) mainly due to a LL 45 billion rise in payments to Lebanese University, and (iii) retirement salaries by LL 31 billion (5 percent). End of service indemnities registered no change in Jan-May 2015 compared to the same period in 2014 at LL 109 billion.

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

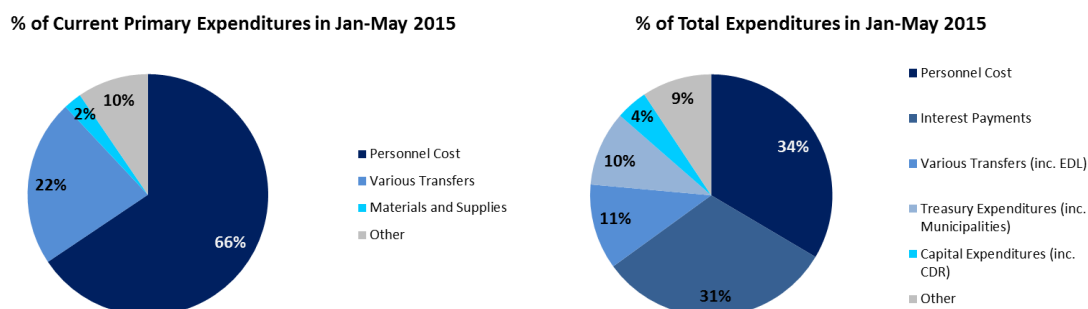


I.B. Composition of Personnel Cost

Personnel cost constitutes the highest share of current primary expenditure¹, comprising 52 percent in Jan-May 2013, 58 percent in Jan-May 2014 and 66 percent in Jan-May 2015. As a percent of total expenditures, personnel cost comprised 30 percent of the total by end-May 2013 and 32 percent in 2014, increasing to 34 percent by end-May 2015. The following figures represent the current primary expenditure and total expenditure composition in Jan-May 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 Composition in Jan-May 2015



Source: Ministry of Finance, Directorate General of Finance

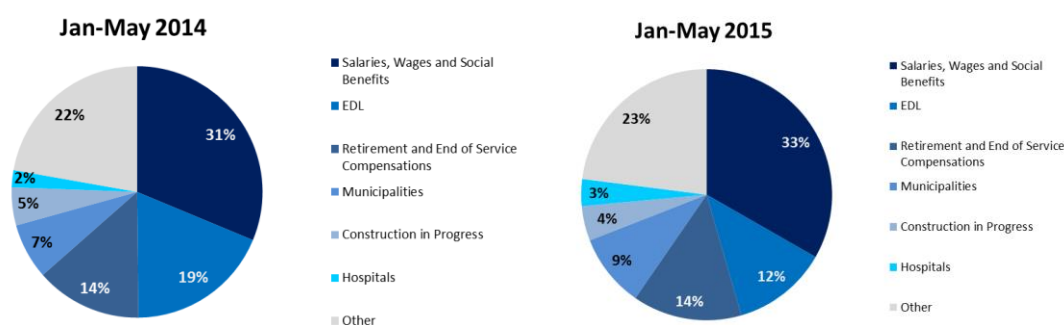
II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 135 billion (8 percent), from LL 1,795 billion in Jan-May 2014 to LL 1,930 billion in Jan-May 2015. The reason behind this rise is mainly due to an LL 86 billion increase in allowances to the Army personnel alongside a LL 29 billion increase in their respective basic salaries. These increases were slightly counterbalanced by a LL 6 billion drop in other payments for education personnel, mainly as result of a LL 5 billion contribution² to the solidarity fund for the Lebanese University that was made in May 2014.

In terms of composition, cost of basic salaries accounted for 71 percent of payments for salaries wages and related benefits by end-May 2015, followed by allowances (19 percent), employment benefits (5 percent) , and other payments (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 31 percent in Jan-May 2014 and increased to 33 percent in Jan-May 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-May 2014 and Jan-May 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.

² A contribution for the solidarity fund educational personnel in the Lebanese University for the months of January, February, and March 2014 under decision 441, dated 05/05/2014.

Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-May 2014 and Jan-May 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	854	893	33	35	271	363	1	1	1,159	1,292
Army	539	568	21	22	140	225	0	0	700	815
Internal Security Forces	247	248	10	11	99	105	0	0	356	365
General Security Forces	53	60	1	1	25	24	1	1	80	86
State Security Forces	15	16	1	1	8	9	0	0	24	26
Education Personnel	331	334	28	25	0	0	6	0	366	359
Civilian Personnel 1/	140	145	29	29	2	3	20	20	191	197
Government contribution to employees cooperative2/							64	67	64	67
Customs Salaries 3/									15	15
Total	1,325	1,372	90	89	273	366	92	89	1,795	1,930

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 1,372 billion by end-May 2015 increasing by LL 47 billion (4 percent) from the same period in 2014. This rise was the result of an increase in basic salaries of all subcategories, namely to the military body, civil personnel, and education personnel by LL 39 billion (5 percent), LL 5 billion (4 percent), and LL 3 billion (1 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 28 billion and the General Security forces by LL 5 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 1 billion respectively by end-May 2015 compared to Jan-May 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 3 billion by end-May 2015, compared to the same period in 2014. The 1 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, this increase was partly counterbalanced by a drop in (i)

salaries of trainees in the primary and secondary education by LL 5 billion, and (ii) salaries to secondary education teachers by LL 4 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 5 billion (4 percent) in Jan-May 2015 compared to Jan-May 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-May 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 24 percent by end-May 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.

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

(LL million)	Jan-May 2014	Jan-May 2015	% from Total Civilian Personnel Salaries
Ministry of Foreign Affairs and Emigrants	26,329	32,296	22%
Ministry of Justice	25,492	26,306	18%
Parliament	13,676	13,888	10%
Presidency of the Council of Ministers	12,471	11,973	8%
Ministry of Finance	12,014	11,633	8%
Ministry of Public Health	8,897	8,288	6%
Ministry of Public Works and Transportaion	7,672	7,785	5%
Ministry of Agriculture	5,817	6,414	4%
Ministry of National Defense	4,429	4,429	3%
Ministry of Interior and Municipalities	4,277	4,162	3%
Other	19,254	18,244	13%
Total	140,329	145,419	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances rose by LL 93 billion (34 percent) to reach LL 366 billion in Jan-May 2015, mainly attributed to higher payments to the Army by LL 86 billion and a LL 7 billion increase in allowances to the Internal Security Forces.

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 7 billion. These increases were slightly counterbalanced by a LL 5 billion decrease in marriage allowances.

Allowances to the Internal Security Forces increased mainly due to a LL 19 billion increase in school allowances and a LL 3 billion increase in sickness & maternity. These increases were partially counterbalanced by a decrease in both in hospital allowances and in social expenses by LL 7 billion.

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 67 billion in Jan-May 2015, compared to LL 64 billion in Jan-May 2014.

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