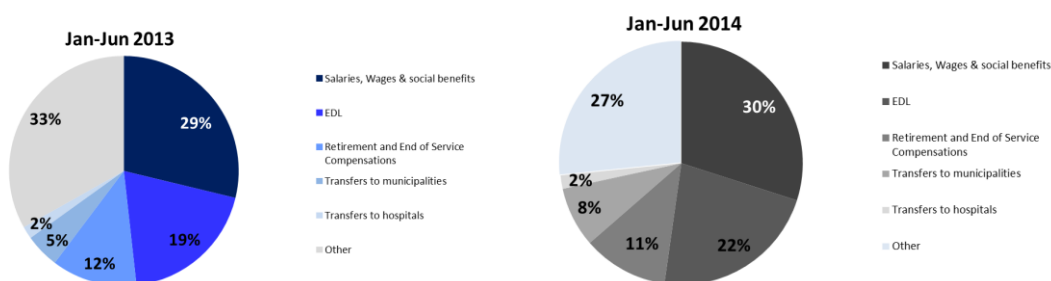


I. Introduction

Payments for salaries, wages and related benefits, which mainly include the cost of basic salaries, indemnities, allowances, and other payments, slightly increased by LL 3 billion (0.2 percent), from LL 2,099 billion in H1 2013 to LL 2,102 billion in H1 2014. The reason behind this rise is mainly due to higher “other” payments by LL 13 billion; of which LL 6 billion relate to the Mutual Fund of Lebanese University professors and LL 5 billion belong to the Government subscription and contributions in the employees Cooperative. This increase was slightly offset by an LL 8 billion decrease in indemnities.

Salaries, wages and related benefits represent the largest component of total primary spending, accounting for 29 percent of primary expenditure during H1 2013 and 30 percent during H1 2014 (for more information, kindly refer to figure 1).

Figure 1. Primary Spending breakdown by component during H1 2013 and H1 2014



Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

Table 1. Salaries, Wages and Related Benefits Breakdown – H1 2013 and H1 2014

| (LL billion) | Basic Salaries | | Indemnities 4/ | | Allowances 5/ | | Other 6/ | | Total | |
|--|----------------|--------------|----------------|------------|---------------|------------|------------|------------|--------------|--------------|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Military Personnel | 975 | 1,023 | 38 | 40 | 284 | 278 | 1 | 1 | 1,299 | 1,342 |
| Army | 624 | 647 | 24 | 24 | 177 | 140 | 0 | 0 | 825 | 812 |
| Internal Security Forces | 281 | 296 | 12 | 12 | 86 | 105 | 0 | 0 | 379 | 413 |
| General Security Forces | 54 | 63 | 2 | 2 | 15 | 26 | 1 | 1 | 71 | 91 |
| State Security Forces | 17 | 17 | 1 | 1 | 6 | 8 | 0 | 0 | 24 | 27 |
| Education Personnel | 411 | 390 | 39 | 33 | 0 | 0 | 0 | 6 | 450 | 430 |
| Civilian Personnel 1/ | 179 | 161 | 36 | 32 | 2 | 2 | 19 | 21 | 236 | 217 |
| Government contribution to employees cooperative 2/ | | | | | | | 90 | 94 | 90 | 94 |
| Customs Salaries 3/ | | | | | | | | | 25 | 19 |
| Total | 1,565 | 1,575 | 113 | 105 | 286 | 280 | 110 | 123 | 2,099 | 2,102 |

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. Breakdown of Salaries, Wages, and Related Benefits

Out of total salaries, wages and related benefits, basic salaries reached LL 1,575 billion in H1 2014, compared to LL 1,565 billion paid in the same period of 2013. The latter rise was the result of an increase in military personnel cost by LL 48 billion (5 percent), which was slightly counterbalanced by drops in education and civilian personnel costs by LL 20 billion (5 percent) and LL 18 billion (10 percent) respectively.

II.A. Basic Salaries of Military Personnel

The 5 percent growth in basic salaries of military personnel is primarily attributed to increases in payments made to the (a) Army by LL 24 billion induced by a rise in salaries of permanent personnel by LL 14 billion as well as increases in overseas missions and trainings indemnities by LL 10 billion, (b) Internal Security Forces by LL 14 billion owing to the recruitment of new personnel or the promotion of current personnel, and (c) General Security Forces by LL 9 billion, as a result of a LL 6 billion rise in salaries of trainees.

II.B. Basic Salaries of Education Personnel

The LL 20 billion drop in payments to education personnel was mainly the result of:

- A LL 13 billion decrease in basic salaries of primary education teachers, mostly due to lower number of primary teachers in H1 2014 compared to 2013.
- A LL 12 billion decline in basic salaries of contractual teachers at the Directorate General of Education, owing to a discrepancy in the timing of payments.

The mentioned drops were slightly counterbalanced by (a) a LL 4 billion rise in basic salaries to trainees at the Directorate General of Vocational Education owing to a discrepancy in the timing of payments, and (b) a LL 1 billion increase in basic salaries of secondary education teachers.

II.C. Basic Salaries of Civilian Personnel

Payments to civilian personnel plunged by LL 18 billion during the period H1 2014, compared to the same period in 2013. From an administrative classification perspective, diplomats in Lebanese overseas missions recorded the most notable decrease during this period (- LL 10 billion) due to lower retroactive payments. These amounted to LL 18 billion in H1 2013, compared to only LL 8 billion in the same period of 2014.



III. Payment of Allowances

Allowances regressed by 2 percent (LL 6 billion) in H1 2014, from LL 286 billion in H1 2013, mainly as a result of lower payments to the Army by LL37 billion. This was nearly offset by increases in payments to the Internal Security Forces and the General Security Forces by LL 19 billion and LL 10 billion respectively.

More specifically, the decrease in allowances to the Army was mainly driven by lower payments for hospital expenses by LL 45 billion and sickness and maternity by LL 12 billion. However, this was slightly counterbalanced by a LL 15 billion rise in death allowances.

As for the increase in allowances to the Internal Security Forces, it was chiefly attributed to a LL 14 billion rise in hospital expenses, a LL 7 billion increase in social allowances and a LL 2 billion rise in medical allowances.

The rise in allowances to General Security Forces was mainly due to higher payments for hospital expenses (+LL 5 billion), school allowances (+LL 3 billion) and sickness and maternity (+LL 2 billion).

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