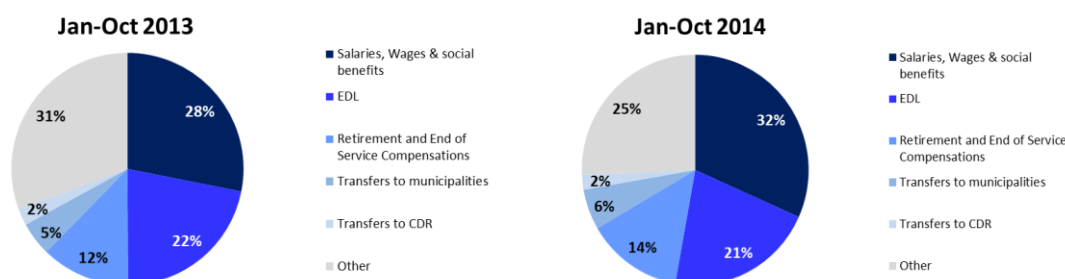


I. Introduction

Payments for salaries, wages and related benefits, which mainly include the cost of basic salaries, indemnities, allowances, and other payments, rose by LL 188 billion (5 percent) from LL 3,491 billion in Jan-Oct 2013 to LL 3,679 billion in Jan-Oct 2014. The reason behind this rise is mainly due to (a) an LL 87 billion rise in basic salaries payment to military personnel, (b) higher payments to government subscription and contributions in the Employees Cooperative by LL 62 billion, and (c) an increase in allowances to military personnel by LL 43 billion. These were slightly counterbalanced by a LL 5 billion decline in indemnities.

Salaries, wages and related benefits represent the largest component of total primary spending, accounting for 28 percent of primary expenditure during Jan-Oct 2013 and increasing to 32 percent during Jan-Oct 2014. The following figure presents the primary spending breakdown by component during the period under review.

Figure 1. Primary Spending Breakdown by Component during Jan-Oct 2013 and Jan-Oct 2014



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

N.B.: Other expenditures mainly include transfers to hospitals, 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-Oct 2013 and Jan-Oct 2014

(LL billion)	Basic Salaries		Indemnities 4/		Allowances 5/		Other 6/		Total	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Military Personnel	1,629	1,716	65	68	468	511	2	2	2,164	2,298
Army	1,039	1,094	40	42	298	307	0	0	1,377	1,443
Internal Security Forces	473	488	20	21	135	160	0	0	628	669
General Security Forces	89	104	3	3	26	34	1	1	120	142
State Security Forces	28	30	3	3	8	10	0	0	39	44
Education Personnel	693	686	52	44	0	0	0	17	745	747
Civilian Personnel 1/	289	281	56	56	3	4	31	34	380	375
Government contribution to employees cooperative 2/							164	226	164	226
Customs Salaries 3/									37	28
Total	2,612	2,684	173	168	471	515	197	280	3,491	3,679

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 2,684 billion in Jan-Oct 2014, compared to LL 2,612 billion paid in the same period of 2013, increasing by LL 72 billion (3 percent). This rise was the result of an increase in military personnel basic salaries by LL 87 billion (5 percent), which was slightly counterbalanced by a decline in civilian and education personnel cost by LL 8 billion (3 percent) and LL 7 billion (1 percent) respectively.

II.A. Basic Salaries of Military Personnel

The 5 percent increase in basic salaries of military personnel is primarily attributed to (a) the increase in payments made to permanent employees of the Army by LL 35 billion, General Security Forces by LL 13 billion, and Internal Security Forces by LL 7 billion owing to the recruitment of new personnel or the promotion of current personnel, (b) increases in overseas missions and trainings indemnities by LL 15 billion, and (c) a rise in salaries to trainees by LL 6 billion and contractors by LL 5 billion.

II.B. Basic Salaries of Civilian Personnel

Payments to civilian personnel decreased by LL 8 billion by end-October 2014, compared to the same period in 2013. In terms of salaries and wages distribution by ministry, the Ministry of Foreign Affairs and Emigrants (MOFA) represent the largest wage bill accounting for 20 percent of total salaries and wages to civilian personnel during Jan-Oct 2014. This was followed by the Ministry of Justice with a share of 18 percent and Parliament comprising 10 percent of total civilian wage bill (For further details, kindly refer to table 2).

In detail, basic salaries and wages to employees in the Ministry of Foreign Affairs and Emigrants witnessed the most notable decrease of 8 percent during Jan-Oct 2014, mainly due to a decline of LL 5 billion in basic salaries of diplomats in Lebanese overseas missions. This was chiefly attributed to lower retroactive payments whereby these amounted to LL 19 billion in Jan-Oct 2013, compared to only LL 9 billion in the same period of 2014.

Table 2. Civilian Salaries and Wages Breakdown by Ministry - Jan-Oct 2013 and Jan-Oct 2014

(LL million)	Jan-Oct 2013	Jan-Oct 2014	% change 2014/2013
Ministry of Foreign Affairs and Emigrants	61,011	56,319	-7.7%
Ministry of Justice	49,621	51,799	4.4%
Parliament	26,653	26,954	1.1%
Presidency of the Council of Ministers	24,899	24,091	-3.2%
Ministry of Finance	24,527	23,967	-2.3%
Ministry of Public Health	18,687	17,632	-5.6%

Ministry of Public Works and Transportation	14,894	14,146	-5.0%
Ministry of Agriculture	11,942	11,539	-3.4%
Ministry of National Defense	9,598	8,945	-6.8%
Ministry of Interior	8,845	8,495	-4.0%
Other	38,737	37,347	-3.6%
Total	289,414	281,234	-2.8%

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

II.C. Basic Salaries of Education Personnel

Basic salaries to education personnel declined by LL 7 billion compared to Jan-Oct 2013. The 1 percent decline was mainly the result of the following:

- An LL 11 billion drop in basic salaries of primary education teachers due to a decrease in the number of teachers in this category in Jan-Oct 2014 compared to Jan-Oct 2013;
- A LL 7 billion decrease in basic salaries of contractual teachers at the Directorate General of Vocational Education (DGVE), mainly due to a discrepancy in the timing of payment.

The abovementioned decreases were partly counterbalanced by a LL 9 billion increase in basic salaries of contractual teachers at the Directorate of General Education, due to an increase in the number of contractual teachers in Jan-Oct 2014 compared to Jan-Oct 2013.

III. Payment of Allowances

Allowances rose by 9 percent (LL 43 billion) to reach LL 515 billion in Jan-Oct 2014, mirroring higher allowances to military personnel. This increase is chiefly the result of higher payments to the Internal Security Forces by LL 25 billion, alongside increases in allowances to the Army and General Security Forces, by LL 8 billion each.

More specifically, the increase in allowances to the Internal Security Forces was chiefly attributed to (i) a rise in school allowances by LL 10 billion, (ii) an increase in social allowances by LL 7 billion, and (iii) higher hospital allowances of LL 4 billion.

The LL 8 billion increase in allowances to the Army by end-October 2014 was mainly driven by an LL 11 billion rise in hospital expenses and a LL 5 billion increase in marriage allowances. However, these increases were slightly counterbalanced by a LL 10 billion decrease in sickness and maternity allowances.

Allowances to the General Security Forces increased by LL 8 billion due to higher payments for school allowances by LL 4 billion and sickness and maternity allowances by LL 2 billion.

IV. Government subscription and contributions in the Employees Cooperative

Payments to government subscription and contributions in the Employees Cooperative decreased by LL 62 billion in Jan-Oct 2014; reaching LL 226 billion of which LL 124 billion represented payments relating to the year 2013. During Jan-Oct 2013, government subscription and contributions totaled LL 164 billion, whereby LL 59 billion represented payments pertaining to the year 2012.

V. Payments to Customs

Payments to Customs witnessed a decrease of 23 percent (LL 9 billion) in Jan-Oct 2014 compared to the same period of 2013. The reason behind this decline was mainly due to a discrepancy in the timing of payments, whereby no payments were made during the month of October 2014.

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