

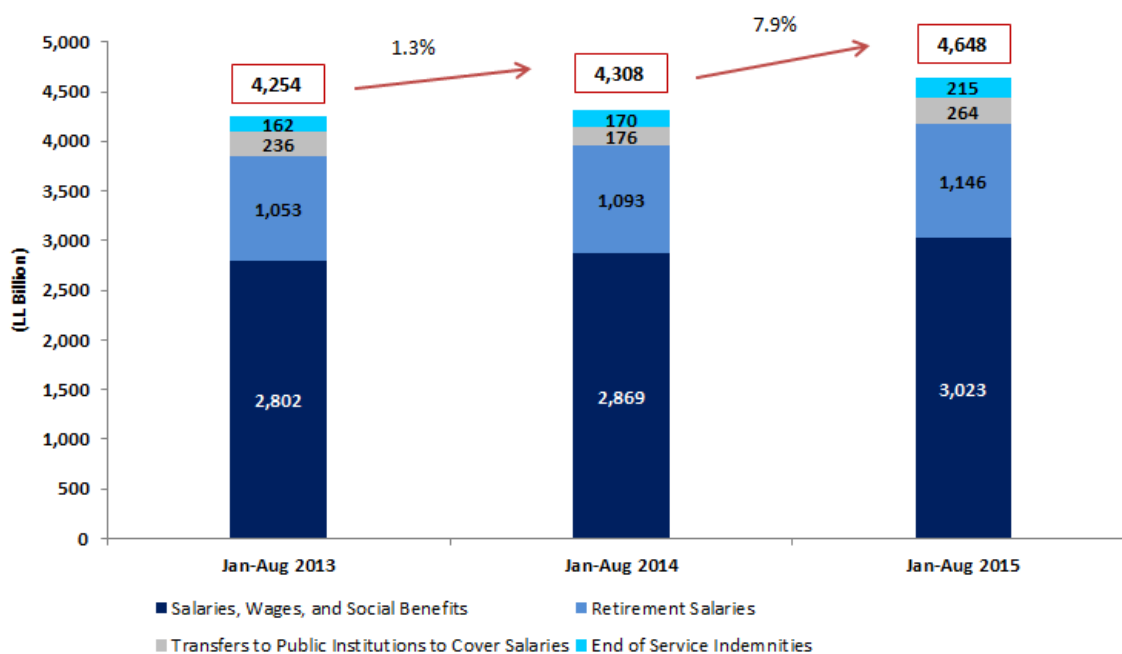
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 340 billion (8 percent) from LL 4,308 billion in Jan-Aug 2014 to LL 4,648 billion in Jan-Aug 2015, as a result of an increase in all sub-categories:

- Salaries, wages and related benefits by LL 154 billion (5 percent);
- Transfers to public institutions to cover salaries by LL 88 billion (50 percent) mainly due to a LL 95 billion rise in payments to Lebanese University;
- Retirement salaries by LL 53 billion (5 percent); and
- End of service indemnities by LL 45 billion (27 percent).

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



I.B. Composition of Personnel Cost

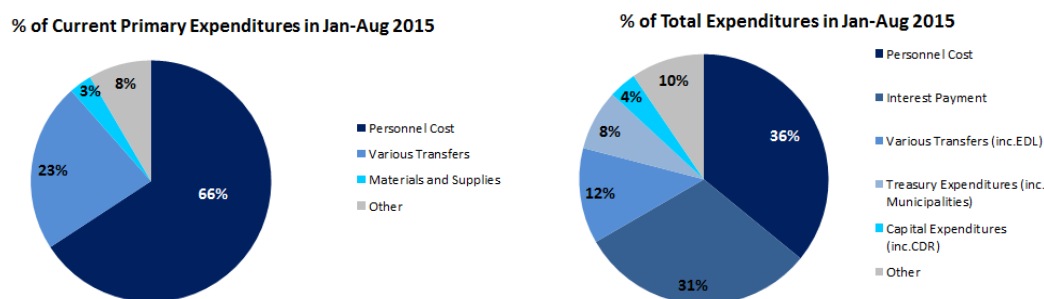
Personnel cost constitutes the highest share of current primary expenditure², comprising 52 percent in Jan-Aug 2013, increasing to 56 percent in Jan-Aug 2014, and 66 percent in Jan-Aug 2015. Besides the increase in hiring of military personnel, the reason behind the jump from 52 percent in 2013 to 66 percent in 2015 is related to a lower base in current primary expenditure which decreased by 14 percent from 2013 to 2015. As a percent of total expenditures,

¹ 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.

² Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

personnel cost comprised 31 percent of the total by end-Aug 2013 and 32 percent by end-Aug 2014, increasing to 36 percent by end-Aug 2015. Similarly, the increase in the share of personnel cost from total expenditure from 31 percent in 2013 to 36 percent in 2015 is partly due to a decline in total expenditure by 5 percent from 2013 to 2015. The following figures represent the current primary expenditure and total expenditure composition in Jan-Aug 2015:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures Composition in Jan-Aug 2015



Source: Ministry of Finance, Directorate General of Finance

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits rose by LL 152 billion (5 percent), to LL 3,021 billion in Jan-Aug 2015 from LL 2,869 billion in Jan-Aug 2014³. The reason behind this rise is mainly due to (i) a LL 68 billion increase in basic salaries of which LL 62 billion belong to the military personnel, (ii) a LL 47 billion increase in government subscription and contributions in the government employees cooperative, and (iii) a LL 30 billion increase in allowances to army personnel.

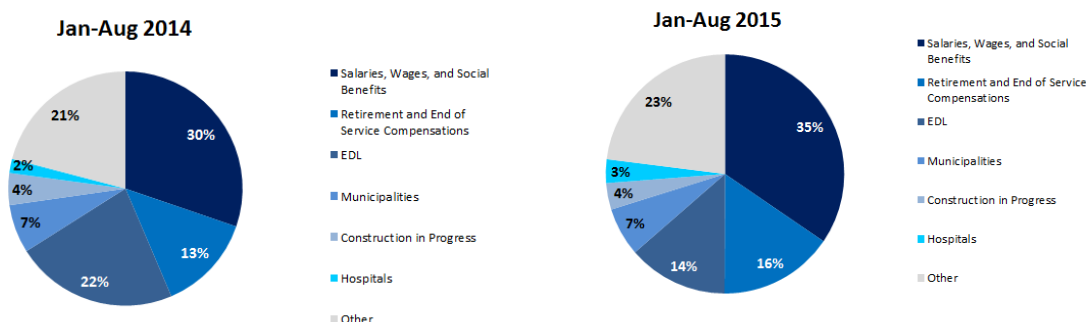
In terms of composition, cost of basic salaries accounted for 73 percent of total payments for salaries wages and related benefits by end-Aug 2015, followed by allowances (14 percent), other payments (8 percent), and employment benefits (5 percent).

As a percentage of total primary spending, salaries, wages and related benefits accounted for 28 percent in Jan-Aug 2013, 30 percent in Jan-Aug 2014, and increased to 35 percent in Jan-Aug 2015⁴. The following figures present the primary spending breakdown by component during the period under study.

³ Figures slightly differ from those published in the Public Finance Monthly Monitor report – August 2015 due to the effect of rounding.

⁴ The reason behind the increase in the share of salaries, wages and related benefits of primary expenditure is partly due to a lower base in total primary expenditure which decreased by 13 percent from 2013 to 2015

Figure 3. Primary Spending Breakdown by Component during Jan-Aug 2014 and Jan-Aug 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 – Jan-Aug 2014 and Jan-Aug 2015⁵

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Military Personnel	1,371	1,433	53	55	384	418	1	2	1,810	1,908
Army	872	915	33	35	213	242	0	0	1,119	1,193
Internal Security Forces	392	395	16	17	134	132	0	0	543	545
General Security Forces	83	96	2	2	28	34	1	1	114	133
State Security Forces	23	26	1	1	9	10	0	0	34	37
Education Personnel	543	545	41	42	0	0	12	11	596	599
Civilian Personnel 1/	224	227	45	44	3	3	28	30	300	305
Government contribution to employees cooperative 2/							139	186	139	186
Customs Salaries 3/									25	24
Total	2,137	2,206	139	142	387	421	180	228	2,869	3,021

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 2,206 billion by end-Aug 2015 increasing by LL 68 billion (3 percent) from the same period in 2014. The rise was mainly the result of an increase in basic salaries of military, civil, and education personnel by LL 62 billion, LL 4 billion, and LL 2 billion respectively.

⁵ Figures slightly differ from those published in the Public Finance Monthly Monitor report – August 2015 due to the effect of rounding

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 43 billion and the General Security Forces by LL 9 billion, owing to the recruitment of new personnel or the promotion of current personnel. Moreover, basic salaries of trainees and contractual employees increased by LL 5 billion and LL 2 billion respectively by end-Aug 2015 compared to Jan-Aug 2014. These increases were partially offset by a LL 3 billion drop in overseas missions, and a LL 2 billion drop in clothing indemnities.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel remained almost unchanged in Jan-Aug 2015 compared to the same period in 2014, standing at LL 545 billion. The LL 15 billion increase in basic salaries of secondary contractual teachers, and the LL 3 billion increase in basic salaries for primary and intermediate education teachers were offset by a drop in salaries of (i) trainees in the primary and secondary education by LL 12 billion, and (ii) secondary education teachers by LL 6 billion.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 4 billion (2 percent) in Jan-Aug 2015 compared to Jan-Aug 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-Aug 2015, followed by the Ministry of Justice (19 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 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 courts of the Ministry of Justice increased by LL 2 billion in Jan-Aug 2015, as compared to the same period of 2014.

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

(LL million)	Jan-Aug 2014	Jan-Aug 2015	% from Total Civilian Personnel in 2015
Ministry of Foreign Affairs and Emigrants	42,036	50,112	22%
Ministry of Justice	41,146	42,403	19%
Parliament	21,923	22,203	10%
Presidency of the Council of Ministers	19,807	18,815	8%
Ministry of Finance	19,232	18,783	8%
Ministry of Public Health	14,177	11,691	5%
Ministry of Public Works and Transportaion	11,579	11,702	5%
Ministry of Agriculture	9,295	10,238	5%
Ministry of National Defense	7,155	7,172	3%
Ministry of Interior	6,876	6,527	3%
Other	30,474	27,740	12%
Total	223,700	227,387	100%

Source: Ministry of Finance , Directorate General of Finance

II.B. Payment of Allowances

Allowances increased by LL 34 billion (9 percent) to reach LL 421 billion in Jan-Aug 2015, mainly attributed to higher payments to the Army and General Security Forces by LL 30 billion and LL 6 billion respectively. Allowances to Internal Security Forces decreased by LL 2 billion, and allowances to State Security Forces remained almost unchanged.

More specifically, allowances to the Army were mainly driven by increases in (i) hospital expenses by LL 61 billion, and (ii) social allowances by LL 4 billion. These increases were partially counterbalanced by a LL 27 billion decrease in school allowances, and a LL 5 billion decrease in marriage allowances.

Allowances to the General Security Forces increased mainly due to a LL 6 billion increase in school allowances.

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

Payments to government subscription and contributions to the Employees Cooperative increased by LL 47 billion in Jan-Aug 2015 compared to the same period in 2014, standing at LL 186 billion.

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