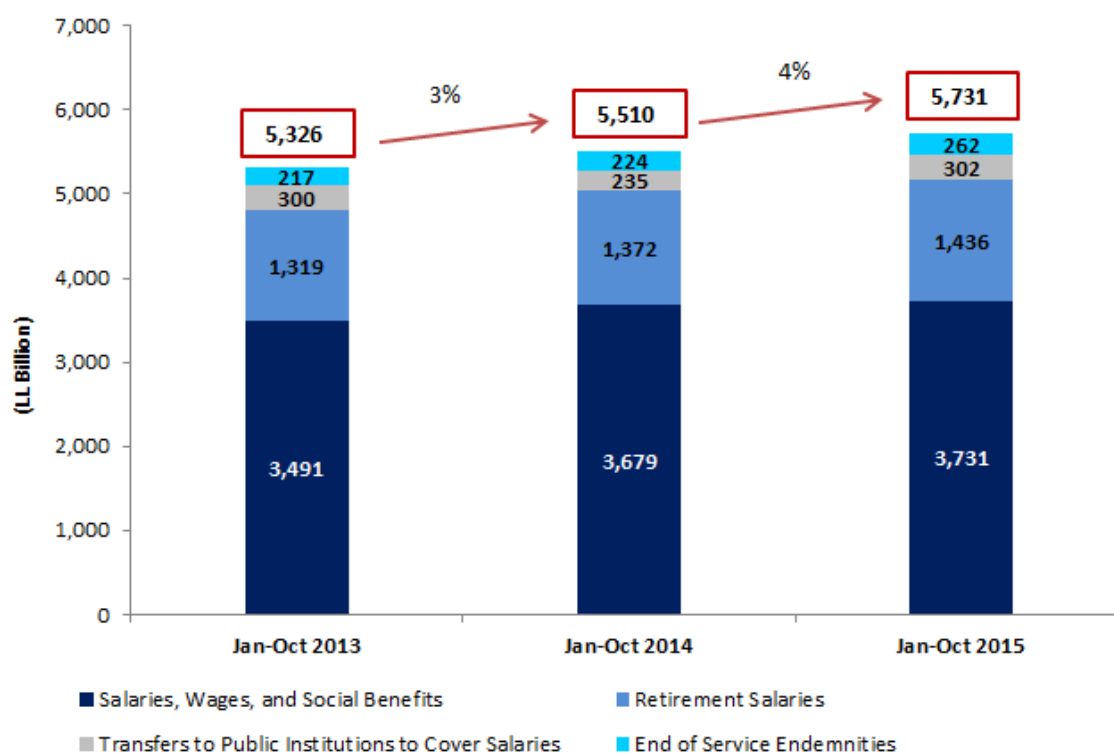


I. Personnel Cost

I.A. General Overview

Personnel cost¹ registered an increase of LL 221 billion (4 percent) to reach LL 5,731 billion in the first ten months of 2015 from LL 5,510 billion in Jan-Oct 2014². The latter increase was the result of increases in all sub-categories, namely: (i) transfers to public institutions to cover salaries by LL 67 billion (29 percent) mainly due to an LL 80 billion rise in payments to Lebanese University, (ii) retirement salaries by LL 64 billion (5 percent), (iii) salaries, wages and related benefits by LL 52 billion (1 percent), and (iv) end of service indemnities by LL 37 billion (17 percent).

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



I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditure³, contributing to 53 percent by end-October 2013, 58 percent in Jan-Oct 2014, and 66 percent in Jan-Oct 2015. In addition to the increase in hiring of military personnel, the reason behind the jump from 53

¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

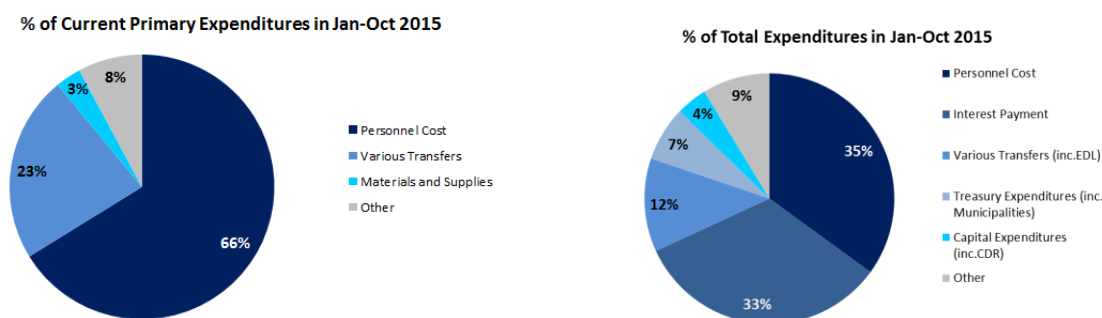
² The figures used are those published in the Public Finance Monthly Monitor report – October 2015.

³ Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

percent in 2013 to 66 percent in 2015 is related to a lower base in current primary expenditure⁴ which decreased by 14 percent from 2013 to 2015.

As a percent of total expenditures, personnel cost comprised 31 percent of the total by end-Oct 2013 and increased to 35 percent by end-Oct 2015. Similarly, the increase in the share of personnel cost from total expenditure 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-Oct 2015:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures Composition in Jan-Oct 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 51 billion⁵ (1 percent), from LL 3,679 billion in Jan-Oct 2014 to LL 3,731 billion in Jan-Oct 2015. The reason behind this rise is mainly due to (i) a LL 65 billion increase in allowances owing to a LL 73 billion increase in allowances to the Army personnel, and (ii) a LL 7 billion increase in government contribution to Employees Cooperative. These increases were partially offset by a LL 17 billion decrease in basic salaries, driven by LL 61 billion and LL 33 billion decreases in basic salaries of Army personnel and Internal Security Forces respectively. However, basic salaries for education personnel increased by LL 64 billion.

In terms of composition, cost of basic salaries accounted for 71 percent of total payments for salaries wages and related benefits by end-Oct 2015, followed by allowances (16 percent), other payments (8 percent), and employment benefits (5 percent).

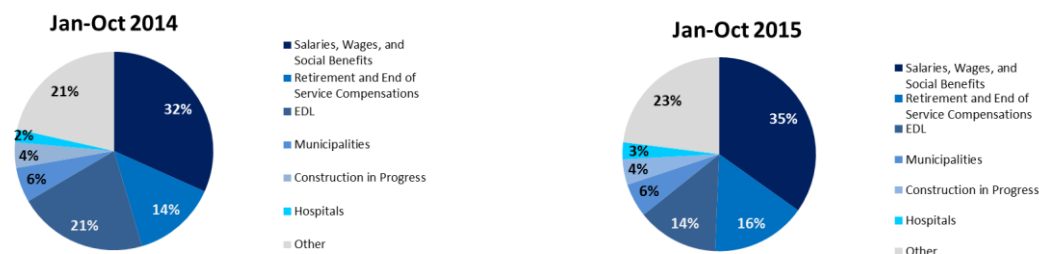
As a percentage of total primary spending, salaries, wages and related benefits accounted for 28 percent in Jan-Oct 2013, 32 percent in Jan-Oct 2014, and increased to 35 percent in Jan-Oct 2015. The following figures present the primary spending breakdown by component during the period under review⁶.

⁴ The drop in current primary expenditures is mainly due to the significant drop in transfers to EDL, as a result of lower international oil prices in Jan-Oct 2015.

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

⁶ 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 14 percent from 2013 to 2015.

Figure 3. Primary Spending Breakdown by Component during Jan-Oct 2014 and Jan-Oct 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-Oct 2014 and Jan-Oct 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	1,716	1,631	68	65	511	575	2	2	2,298	2,273
Army	1,094	1,033	42	39	307	380	0	0	1,443	1,453
Internal Security Forces	488	455	21	21	160	143	0	0	669	620
General Security Forces	104	111	3	3	34	42	1	1	142	156
State Security Forces	30	33	3	1	10	11	0	0	44	45
Education Personnel	686	750	44	49	0	0	17	17	747	816
Civilian Personnel 1/	281	286	56	54	4	4	34	34	375	378
Government contribution to employees cooperative 2/							226	233	226	233
Customs Salaries 3/									28	31
Unclassified									5	0
Total	2,684	2,667	168	169	515	580	280	285	3,679	3,731

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 registered LL 2,667 billion by end-Oct 2015 decreasing by LL 17 billion from the same period in 2014. The latter decrease was mainly the result of a drop in basic salaries of military personnel by LL 85 billion. This drop was partially offset by a LL 64 billion increase in basic salaries of education personnel.

II.A.a. Basic Salaries of Military Personnel

The 5 percent decrease in basic salaries of military personnel is primarily the result of a drop in payments made to permanent employees of the Army by LL 59 billion and the Internal Security Forces by LL 35 billion, owing to a delay in payments which was paid in the following month of November 2015. Moreover, overseas mission decreased by LL 3 billion by end-Oct 2015 compared to Jan-Oct 2014. These decreases were partially offset by a LL 4 billion increase in basic salaries of permanent employees of the State Security Forces, and a LL 1 billion increase in basic salaries of permanent employees in the General Security Forces. Moreover, basic salaries for trainees and contractors increased by LL 3 billion, and LL 2 billion respectively.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel increased by 9 percent in Jan-Oct 2015 compared to the same period in 2014, standing at LL 750 billion. This was due to a rise in salaries of permanent employees in primary education by LL 40 billion, mainly due to retroactive payments made during this period⁷. Moreover, salaries of contractuels in primary and intermediate education increased by LL 16 billion and salaries of permanent employees and contractuels in secondary education increased by LL 9 billion each. These increases were offset by a LL15 billion decrease in salaries of trainees in primary and secondary education.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 4 billion (2 percent) in Jan-Oct 2015 compared to Jan-Oct 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-Oct 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 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 (13 percent). Moreover, wages to employees in the courts of the Ministry of Justice increased by LL 2 billion in Jan-Oct 2015, as compared to the same period of 2014.

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

(LL million)	Jan-Oct 2014	Jan-Oct 2015	% from Total Civilian Personnel in 2015
Ministry of Foreign Affairs and Emigrants	56,319	63,231	22%
Ministry of Justice	51,799	52,732	18%
Parliament	26,954	27,759	10%
Presidency of the Council of Ministers	24,091	23,239	8%
Ministry of Finance	23,967	23,679	8%
Ministry of Public Health	17,632	17,284	6%
Ministry of Public Works and Transportaion	14,146	14,313	5%
Ministry of Agriculture	11,539	12,250	4%
Ministry of National Defense	8,945	8,825	3%

⁷ Based on decree 3634 dated 20/03/2010, decree 3127 dated 30/01/2010, and decree 4057 dated 20/05/2010, in addition to decisions made by the Ministry of Education: decision 48 dated 02/02/2015, decision 348 dated 02/05/2015, decision 349 dated 02/05/2015, decision 380 dated 09/05/2015, decision 595 dated 24/06/2015, decision 625 dated 20/07/2015, and decision 656 dated 03/08/2015.

Ministry of Interior	8,495	8,050	3%
Other	37,347	34,185	12%
Total	281,234	285,547	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances increased by LL 65 billion (13 percent) to reach LL 580 billion in Jan-Oct 2015, mainly attributed to higher payments to the Army and General Security Forces by LL 73 billion and LL 7 billion respectively. Allowances to Internal Security Forces decreased by LL 16 billion, and allowances to State Security Forces remained almost unchanged.

More specifically, the rise in allowances to the Army was mainly driven by increases in (i) hospital expenses by LL 64 billion, and (ii) school allowances by LL 6 billion. These increases were partially counterbalanced by a LL 4 billion decrease in marriage allowances.

Allowances to the General Security Forces increased mainly due to a LL 4 billion increase in both hospital and 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 7 billion (3 percent) in Jan-Oct 2015 compared to the same period in 2014, standing at LL 233 billion.

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