

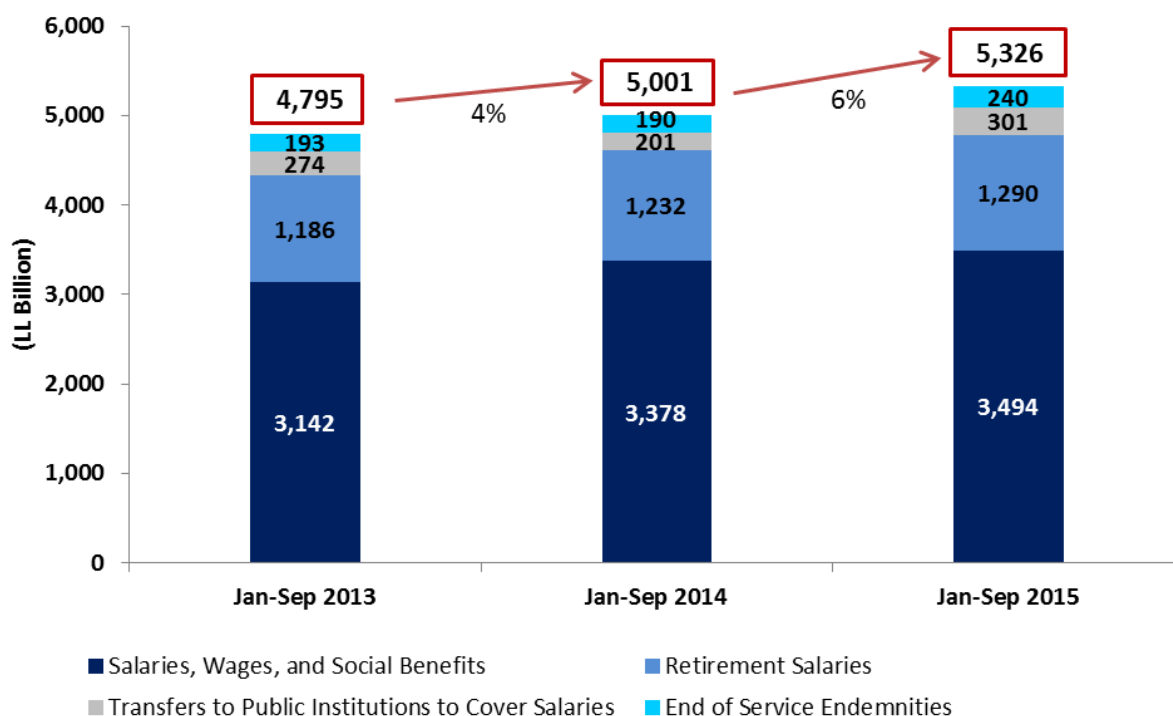
I. Personnel Cost

I.A. General Overview

Personnel cost¹ increased by LL 325 billion (6 percent) from LL 5,001 billion in Jan-Sep 2014 to LL 5,326 billion in Jan-Sep 2015², as a result of an increase in all sub-categories:

- Salaries, wages and related benefits by LL 117 billion (3 percent);
- Transfers to public institutions to cover salaries by LL 100 billion (50 percent) mainly due to a LL 105 billion rise in payments to the Lebanese University;
- Retirement salaries by LL 57 billion (5 percent); and
- End of service indemnities by LL 50 billion (26 percent).

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



I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditure³, accounting for 52 percent, 58 percent, and 67 percent in Jan-Sep 2013, Jan-Sep 2014, and Jan-Sep 2015 respectively. Besides the increase in hiring of military personnel, the reason behind the jump from 52 percent in 2013 to 67 percent in 2015 is related to a lower base in current primary

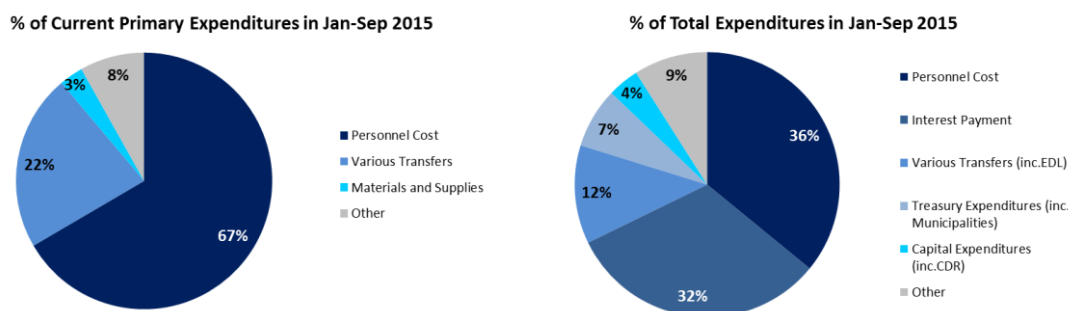
¹ Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

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

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

expenditure⁴ which decreased by 13 percent from 2013 to 2015. As a percent of total expenditures, personnel cost comprised 31 percent by end-Sep 2013 and 33 percent by end-Sep 2014, increasing to 36 percent by end-Sep 2015. Similarly, the increase in the share of personnel cost from total expenditure from 2013 to 2015 is partly due to the decline in total expenditure by 5 percent. The following figures represent the current primary expenditure and total expenditure composition in Jan-Sep 2015:

Figure 2. Composition of Current Primary Expenditures and Total Expenditures Composition in Jan-Sep 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 117 billion (3 percent), from LL 3,379 billion in Jan-Sep 2014 to LL 3,495 billion in Jan-Sep 2015⁵. The reason behind this rise is mainly due to (i) a LL 50 billion increase in allowances owing to a LL 52 billion increase in allowances to the Army personnel, (ii) a LL 44 billion increase in government contributions to Employees Cooperative, and (iii), a LL 17 billion increase in basic salaries owing to a LL 71 billion and LL 7 billion increase in basic salaries of military personnel and civil personnel respectively. However these increases were slightly offset by a LL 62 billion decrease in basic salaries of education personnel and a LL 10 billion decline in allowances to the Internal Security Forces.

In terms of composition, the cost of basic salaries accounted for 71 percent of total payments for salaries wages and related benefits by end-Sep 2015, followed by allowances (15 percent), other payments (8 percent), and employment benefits (4 percent).

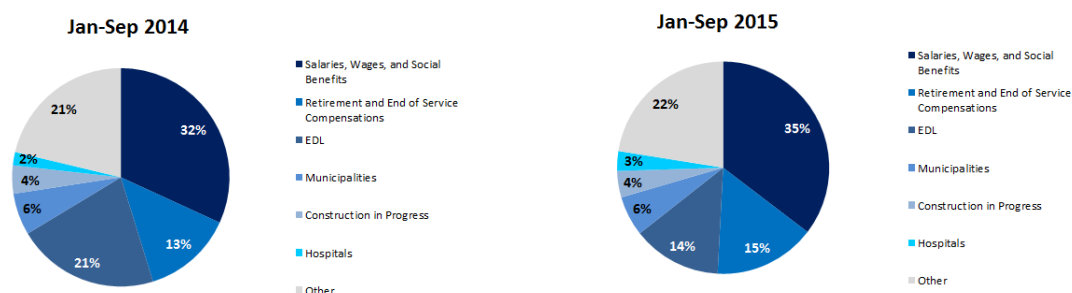
As a percentage of total primary spending, salaries, wages and related benefits accounted for 28 percent in Jan-Sep 2013, 32 percent in Jan-Sep 2014, and increased to 35 percent in Jan-Sep 2015. The following figures present the primary spending breakdown by component during the period under review⁶.

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-Sep 2015.

⁵ Figures slightly differ from those published in the Public Finance Monthly Monitor report – September 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 13 percent from 2013 to 2015.

Figure 3. Primary Spending Breakdown by Component during Jan-Sep 2014 and Jan-Sep 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-Sep 2014 and Jan-Sep 2015⁷

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Military Personnel	1,543	1,614	61	62	486	535	2	2	2,092	2,213
Army	983	1,033	37	39	296	348	0	0	1,318	1,421
Internal Security Forces	440	444	19	19	149	139	0	0	608	602
General Security Forces	93	108	3	3	31	38	1	1	127	149
State Security Forces	27	30	3	1	10	10	0	0	40	41
Education Personnel	686	624	44	44	0	0	12	17	742	685
Civilian Personnel 1/	253	260	50	50	3	4	31	32	338	347
Government contribution to employees cooperative 2/							179	223	179	223
Customs Salaries 3/									28	27
Total	2,482	2,499	156	156	489	539	223	274	3,379	3,495

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 2,499 billion by end-Sep 2015 increasing by LL 17 billion (1 percent) from the same period in 2014. As mentioned earlier, the rise was mainly the result of an increase in basic salaries of military and

⁷ Figures slightly differ from those published in the Public Finance Monthly Monitor report – September 2015 due to the effect of rounding

civil personnel, by LL 71 billion and LL 7 billion respectively, partially offset by a LL 62 billion decrease in basic salaries of education personnel.

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 50 billion and the General Security Forces by LL 10 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 5 billion and LL 4 billion respectively by end-Sep 2015 compared to Jan-Sep 2014. These increases were partially offset by a LL 3 billion drop in overseas missions, and a LL 2 billion decline in clothing indemnities.

II.A.b. Basic Salaries of Education Personnel

Basic salaries of education personnel decreased by 9 percent in Jan-Sep 2015 from 2014, standing at LL 624 billion in 2015. This was due to a drop in salaries of (i) contractuels at the Directory General of Vocational training by LL 67 billion, and (ii) trainees in the primary and secondary education by LL 15 billion. This was slightly counterbalanced by an increase of LL 21 billion in salaries of secondary contractual teachers in Jan-Sep 2015.

II.A.c Basic Salaries of Civilian Personnel

Payments to civilian personnel increased by LL 7 billion (3 percent) in Jan-Sep 2015 compared to Jan-Sep 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-Sep 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. Moreover, wages to employees in the courts of the Ministry of Justice increased by LL 1 billion in Jan-Sep 2015, as compared to the same period of 2014.

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

(LL million)	Jan-Sep 2014	Jan-Sep 2015	% from Total Civilian Personnel in 2015
Ministry of Foreign Affairs and Emigrants	48,892	56,574	22%
Ministry of Justice	46,521	47,684	18%
Parliament	24,648	24,858	10%
Presidency of the Council of Ministers	22,285	22,060	8%
Ministry of Finance	21,588	21,576	8%
Ministry of Public Health	15,902	14,978	6%
Ministry of Public Works and Transportaion	12,841	12,939	5%
Ministry of Agriculture	10,420	11,583	4%
Ministry of National Defense	8,059	7,979	3%
Ministry of Interior	7,740	7,432	3%
Other	34,199	32,556	13%
Total	253,094	260,217	100%

Source: Ministry of Finance, Directorate General of Finance

II.B. Payment of Allowances

Allowances increased by LL 50 billion (10 percent) to reach LL 539 billion in Jan-Sep 2015, mainly attributed to higher payments to the Army and General Security Forces by LL 52 billion and LL 7 billion respectively. Allowances to Internal Security Forces decreased by LL 10 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 53 billion, and (ii) school allowances by LL 6 billion. These increases were partially counterbalanced by a decrease in marriages allowances, and sickness and maternity allowances each by LL 5 billion.

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 44 billion in Jan-Sep 2015 compared to the same period in 2014, standing at LL 223 billion.

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