I. Personnel Cost

I.A. General Overview

Personnel cost increased by LL 325 billion (6 percent) from LL 5,001 billion in Jan-Sep 2014 to LL 5,326 billion in Jan-Sep 2015, 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 expenditure, 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 expenditure.

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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".
expenditure 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 2015. 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 review.

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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.
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) contractuals 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

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

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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